Q1 2021 Results

New Travelex Group

17 May 2021

Travelex worldwide money

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The purpose of this Presentation is to provide the Recipient with an overview of the New Travelex Group’s Q1 2021 results and to assist the Recipient in deciding whether it wishes to provide additional financing to the New Travelex Group in the form of subscriptions for additional Sterling notes under the Trust Deed dated 6 August 2020 (as amended from time to time) between, among others, Travelex Issuerco 2 Limited (the “**Company**”) and GLAS Trustees Limited as note trustee (the “**Trust Deed**” and the “**Financing**”). It is not intended to form the basis of any decision to proceed with the Financing, or to make any other investment, or enter into any other transaction concerning the New Travelex Group.

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Executive Summary

Situation update

- Lockdowns and travel restrictions continue to severely impact international travel. Vaccine roll outs have continued at pace and with significant success in the UK, the Middle East and the USA. Asia & ANZ remain slower on supply and uptake from populations while Europe has faced instability on rising infections and a delayed vaccine programme.
  - A travel bubble between Australia and New Zealand began on 19 April. Hong Kong and Singapore have announced that a travel bubble will open on 26 May and both countries have expessed interest in opening a bubble with Australia too. These will allow a level of travel again between previously closed countries.
  - On 7 May the UK Government announced that 12 countries and territories would be on the 'green' list. It will be possible to travel to these countries from 17 May without quarantine (although not all of them have reciprocal arrangements). Cases continue to fall and the vaccination programme is progressing well with over 67% of the adult population now having received a first dose.
- Q1 2021 results saw an EBITDA loss of £21m due to continued impact of nationwide lockdowns and travel restrictions. Revenue in the quarter was £25.2m (21% of 2019), aligned with exit run rates from Q4 of 2020.
- Full and final cyber insurance proceeds have now been received for a total settlement of £16.8m. £1.6m was settled in 2020 and £15.2m was received on the 20 April 2021 by the New Travelex Group.
- Project Pluto (cost reduction programme) has now closed with £322m of fixed costs banked, a further £20m costs remains outstanding but is being actively worked on and expected to be delivered. The recently launched Project Oasis will focus on incremental revenue, margin improvement and more targeted initiatives. Initiatives are being developed across the Group targeting an incremental reoccurring £30m of EBITDA in 2022.
- **Results to March are in line with previously published forward guidance in February 2021. Continued short-term uncertainty is expected and aligned with 'Revised Forecast for 2021 Financial Performance' announcement on 14 May 2021. However, current expectations are of a shortfall in EBITDA of a range of £15 - £25 million for 2021 driven by the slower than expected easing of travel restrictions particularly in Asia and ANZ regions but there is continued positivity around recovery across UK, European and MET markets and a more buoyant Brazil business.**
- **The £25m tranche of funding is targeted in early June (see pages 7 and 8) in line with the announcement on 8th February. With a delayed recovery in some markets, a further rebuild of working capital may be required for the group later in the year.**

Executive Summary (II)

Group reorganisation

- The Group reorganisation is mostly folding into business-as-usual activities with no major operational issues remaining outstanding. Three markets remain outstanding for regulatory approval (excluding OFC highlighted below) – Turkey, Nigeria and Brazil.
- Following confirmatory due diligence, the New Travelex Group has exercised the option to purchase the following retail Optional FundCo businesses: The Netherlands (a branch of which acquired the Italian ATMs business in April 2021), Germany and Switzerland retail operations in our Europe geography. The German and Dutch migrations are expected to be completed following the obtention of regulatory approvals by August, and the Swiss migration should be completed by June.
- UK retail is owned and controlled separately by Travelex Foreign Coin Services (TFCS); separate negotiations for the acquisition of TFCS have been undertaken with PwC as administrator for Travelex UK Limited, and the acquisition is similarly expected to occur in May or June.
- All remaining OFC operations are in the process of winding down, including the NAM entities.

Governance

- Finalisation of 2019 UK subsidiary audits are expected in May with only two IFC entities remaining outstanding.
- KPMG has begun the Group audit as new auditors and the 2020 audit is underway across the New Travelex Group.
- Internal governance bodies are continuing to focus on managing business risks, including addressing technology risk and further investment in cyber controls.

New Travelex Group – Financial Summary

The New Travelex Group generated revenue of £25.2m in Q1 of 2021, £95.2m adverse to Q1 2019 (or 21% of Q1 2019 revenues) driving a £21m loss on EBITDA in the first quarter, £15.5m adverse to Q1 2019.

- Further travel restrictions globally have continued to severely impact turnover and revenue recovery with a slow down in recovery against the Q4 2020 run rate as UK and European governments imposed further restrictions due to worries over variants.
- Q1 2021 revenue was behind 2019 actuals by £95.2m (79%) driven by public health policy and travel restrictions globally impacting in particular the Retail & Outsourcing businesses with extremely limited international travel.
- Cost mitigations have partially offset the revenue loss, resulting in EBITDA being £15.5m behind 2019 with significant success on targeting, and exceeding, £463m of cost reductions across the continuing group over 2 years.
- Capex is £6m (94%) behind 2019 reflective of the focus on mandatory and regulatory projects only.
- Cash in Tills and Vaults of £15.9m was £42.5m behind 2019 at the end of March reflecting the reduced requirements caused by the pandemic.
- Gross debt at 31 March was £158.2m.
- Staff numbers are 42% lower than in 2019 after three successive rounds of people reductions in 2020 across the group.

£m	2019 Actual	2021 Actual	Var	% of 2019
Turnover	8,146	2,530	(5,616)	31%
Revenue	120.3	25.2	(95.2)	21%
Costs	(125.9)	(46.2)	79.7	37%
EBITDA	(5.6)	(21.0)	(15.5)	377%
Capex	(6.4)	(0.4)	5.9	6%
Working Capital (IFC Core)	58.4	15.9	(42.5)	27%
Cash (IFC Core)		29.5		
Gross Debt		158.2		
Employees (includes Rump)	7,560	4,375	(3.2)	58%

(1) To aid comparatives, actuals for 2019 and 2021 have been adjusted for loss of the CBN (Nigeria) and Istanbul Airport contracts and the UK Government's legislation to remove the VAT business.
(2) 2021 and 2019 Actuals are presented on an Actual 2021 FX basis for comparative. 2019 EBITDA at actual FX rates was a loss of £5.3m, £0.3m more profitable than at 2021 FX rates.

New Travelex Group – Q1 2021 Performance

- Reflecting the ongoing impact of COVID-19 and continued restrictions on travel, the recovery profile in Q1 results is well below Q1 2019 but aligned with previously published guidance in February 2021.

- **Retail & Outsourcing**
  - Middle East and Brazil continue to demonstrate resilience despite some uncertainty in both regions.
  - UK Retail & Outsourcing recovery profile reflects the current UK nationwide lockdown for the duration of Q1 2021. Travel will resume on May 17, however, there are a limited number of countries on the UK's initial 'green' list.
  - ANZ and Asia continue to be impacted by conservative public health policy in these markets.
- **Wholesale**
  - The UK and Asia Wholesale businesses continue to reflect a more gradual recovery profile in Q1 2021 with COVID 19 challenging logistics, time required to onboard customers, continued recovery of travel demand in Asia and depressed economies.
  - Brazil continues to grow strongly capturing significant market share on international payments revenues which have been well insulated from the impacts of the pandemic.

- Central and Shared Overheads are £6.2m favourable to 2019 following significant focus on rationalising the central cost base. Reductions are predominately in people but also through significant focus on third party costs with success in renegotiations.
- Q1 results reflect the injection of £20m of new money to offset the impact of continued uncertainty driven by the pandemic and ensuring there is sufficient working capital to support the return of volumes starting in Q2 of 2021.
- Statutory JVs represent the stripping out of Qatar and Malaysia EBITDA and resulting dividends while Other CF Movements reflects movements from other JVs.

Results are presented on a management basis with 100% of continuing group – reconciliation to statutory results are presented on page 11

£m	2019 Actual	2021 Actual	Var	% of 2019
UK Outsourcing	15.7	1.2	(14.5)	8%
Asia	15.7	1.3	(14.3)	9%
ANZ	15.7	1.1	(14.7)	7%
Middle East	14.0	6.3	(7.7)	45%
Brazil	4.5	2.4	(2.1)	54%
OFC Europe	11.6	1.7	(9.9)	15%
TFCS / UK Retail	22.3	1.2	(21.1)	5%
Retail & Outsourcing	**99.5**	**15.2**	**(84.3)**	**15%**
UK & Africa	7.5	1.2	(6.3)	16%
Asia	3.3	0.5	(2.8)	15%
Brazil	3.7	6.1	2.4	164%
Wholesale	**14.5**	**7.9**	**(6.7)**	**54%**
Other Revenues	6.3	2.1	(4.2)	34%
Net Revenue	**120.3**	**25.2**	**(95.2)**	**21%**
Trading Costs	(108.2)	(34.7)	73.5	
Central & Shared Overheads	(17.7)	(11.5)	6.2	
EBITDA	**(5.6)**	**(21.0)**	**(15.5)**	
Statutory JVs EBITDA / Dividends		0.3		
Exceptionals		(2.4)		
Capex		(1.6)		
Tax		0.1		
Movement in NWC IFC Core		2.7		
Funding		20.0		
Other Cash Movements		5.8		
Unlevered FCF Total Group		**3.8**		
Unlevered FCF Total Group less NWC Normalization at IFC core	-	1.1		

(1) *To aid comparatives, actuals for 2019 and 2021 have been adjusted for loss of the CBN (Nigeria) and Istanbul Airport contracts and the UK Government's legislation to remove the VAT business.*
(2) *2021 and 2019 Actuals are presented on a Actual 2021 FX basis for comparative. 2019 EBITDA at actual FX rates was a loss of £5.3m, £0.3m more profitable than at 2021 FX rates.*
(3) *The management cash flow has not been presented for 2019 as it is not comparative due to changes in the group structure.*

Proposed Terms of the Second Tap Issuance

Additional New Money Notes ("NMNs")	▪ Aggregate principal amount: up to £25m of additional NMNs (senior secured, pari with existing NMNs) ▪ Cashless Issuance Premium: 12.5% (subject to adjustment) ▪ Denomination: GBP ▪ Economic terms: same as existing NMNs
Subscription	▪ All existing holders of NMNs to be given the opportunity to participate on a pro rata basis with respect to their holdings of NMNs ▪ Over subscription permitted. Final allocations to be determined by issuer of NMNs based on allocations requested and pro rata holdings of existing NMN holders ▪ Commitment evidenced through subscription agreement (in substantially the same form as that used for the initial tap issuance completed in February 2021)
Backstop arrangements	▪ None
Shares	▪ Shares in Travelex Topco Limited to be issued on a stapled basis as additional new money shares in accordance with shareholders agreement relating to Travelex Topco Limited
Conditions to Issuance	▪ 50%+ shareholder consent (in the form of a written resolution) to approve the incurrence of indebtedness above £7.5m

Expected Key Dates relating to the Financing

Expected Key Dates	

Expected Key Dates	▪ 17 May 2021: launch of second tap process and shareholder consent process
	▪ 20 May 2021:
	  ▪ Deadline for indications of subscription amounts from existing NMN holders.
	  ▪ Record Date for beneficial holders to confirm no change to holdings information provided as at 16 February, or to provide evidence of any change in holdings (which can take the form of a custodian screenshot or similar
	▪ 24 May 2021: finalisation of subscription allocations; deadline for shareholder consents
	▪ 26 May 2021: signing of subscription agreement
	▪ 26 - 28 May 2021 : funding of subscription amounts into escrow
	▪ 1 June 2021: issuance of second tap issue of additional NMNs

Q1 2021 Statutory Results

Travelex Topco Limited and its subsidiaries – Consolidated Income Statement

Unaudited consolidated income statement from 1 January 2021 to 31 March 2021

£m	2020	2021
Continuing operations		
Revenue	34.1	21.1
Cost of sales	(5.3)	(2.9)
Gross profit	28.8	18.2
Operating expense	(44.1)	(26.0)
Analysed as:		
Underlying operating expense	(39.5)	(25.3)
Other exceptional items and non-underlying adjustments	(4.6)	(0.7)
Net operating expense	(44.1)	(26.0)
Operating loss before depreciation, amortisation, interest and tax	(15.3)	(7.8)
Analysed as:		
Underlying EBITDA	(10.7)	(7.1)
Other exceptional items and non-underlying adjustments	(4.6)	(0.7)
Operating loss before depreciation, amortisation, interest and tax	(15.3)	(7.8)
Depreciation – Property, plant and equipment	(2.6)	(1.9)
Depreciation – Right-of-use assets	(11.4)	(6.5)
Amortisation	(5.4)	(2.2)
Operating loss	(34.7)	(18.4)
Finance income	0.4	0.1
Finance costs	(12.3)	(10.9)
Share of profit/(loss) in equity accounted investments	0.1	-
Loss before tax	(46.5)	(29.2)
Tax income / (charge)	0.2	(0.6)
Loss for the year from continuing operations	(46.3)	(29.8)
Loss for the year attributable to		
Non-controlling interests	(1.9)	(0.6)
Owners of the parent	(44.4)	(29.2)
	(46.3)	(29.8)

- Comparatives for the financial period from 6 August 2020 to 31 December 2020. 2020 underlying operating expense have been adjusted to take into account an £0.3m provision release relating to redundancy.
- Other exceptional items and non-underlying adjustments are mainly one off legal and advisor fees related to the restructuring, £8.7m of which occurred on the 6th August 2020 and have been included in the opening retained earnings
- Finance costs mainly relate to lease liabilities and interest payable on new money notes and term loan.
- Results of the OFC Europe entities which are transferring (The Netherlands, Switzerland and Germany) are consolidated into the Travelex Topco Limited and subsidiaries' (the Group) income statement from 1st March as the Group assumed control over these entities following confirmatory due diligence and a decision by the TopCo Board to exercise the option. Legal documentation is in the process of finalisation.
- The Group has expressed its interest in acquiring Travelex Foreign Coin Services Limited and is in the process of finalising the sales terms with PwC, Travelex Limited's administrator.

Travelex Topco Limited and its subsidiaries – Consolidated Balance Sheet

Unaudited consolidated statement of financial position at 31 March 2021

£m	31 Dec 2020	31 Mar 2021
Non current assets		
Intangible assets	32.1	32.0
Property, plant and equipment	14.3	13.0
Right-of-Use assets	89.5	98.2
Investments in equity accounted joint ventures and associates	2.5	2.5
Investments from subleasing	0.8	0.2
Trade and other receivables	6.6	6.2
Deferred tax assets	1.2	0.9
	147.0	153.0
Current assets		
Inventories	0.3	0.3
Trade and other receivables	67.7	85.3
Investments from subleasing	-	0.5
Financial assets held at FV through OCI	5.8	5.5
Tax receivable	1.8	1.0
Derivative financial assets	-	0.1
Cash and cash equivalents	239.4	238.0
	315.0	330.7
Current liabilities		
Trade and other payables	(229.3)	(249.8)
Borrowings	(2.4)	(0.7)
Lease liabilities	(39.9)	(38.4)
Tax payable	(1.4)	(1.4)
Provisions	(22.6)	(20.6)
Derivative financial liabilities	(0.1)	-
Net current assets	19.3	19.8
Non Current Liabilities		
Borrowings	(135.7)	(158.2)
Lease liabilities	(70.4)	(78.8)
Provisions	(4.2)	(4.4)
Deferred tax liabilities	(0.7)	(0.9)
Non-current liabilities	(211.0)	(242.3)
Net liabilities	(44.7)	(69.5)
Equity		
Retained earnings	(50.7)	(74.7)
Deficit attributable to owners of the parent	(50.7)	(74.7)
Non controlling interests	6.0	5.2
Total equity deficit	(44.7)	(69.5)

- The balance sheet as at 31 March 2021 include all day 1, day Z and OFC entities acquired on 1st March 2021.
- Despite the Group's negative net liability position, the Group was well-funded by supportive shareholders with £84m invested in 2020 and £20m in February 2021. An additional £25m is expected to be raised in June 2021.
- Intangible Assets include software, goodwill and other intangible assets which have arisen from the acquisition.
- Financial Assets Held At FV Through OCI are government bond investments held in Brazil.
- Trade and Other Payables balance includes c.£109m of prepaid card liabilities.
- Provisions balance include bank guarantee, legal, redundancy and other local staff-related provisions.
- Non-Current Liability Borrowings include new money notes issued in August 2020 and February 2021, as well as the term loan (£50m).
- In accordance with IFRS3, management continued to review the assets acquired as at 6th Aug 2020. Adjustments have been made to the opening net assets acquired resulting in a small number of balance sheet reclassifications in the 31st Dec 2020 balance sheet including mainly:
  - £1.3m reversal of previous impairment in trade and other receivable
  - £1.0m increase in trade and other payables
  - £1.6m reduction in provision on bank guarantee and redundancy.

Travelex Topco Limited and its subsidiaries – Consolidated Cashflow Statement

Unaudited consolidated cashflow statement from 6th August 2020 to 31 March 2021

£m	2020	2021
Operating loss	(34.7)	(18.4)
Depreciation and amortisation	19.4	10.6
Estimated credit loss adjustment	0.6	-
	(14.7)	(7.8)
Movement in working capital	(31.8)	1.4
Cash generated from operating activities	**(46.5)**	**(6.4)**
Taxation paid	(1.2)	(0.6)
	(47.7)	**(7.0)**
Cash flows from investing activities		
Interest received	-	0.1
Income from subleasing	0.2	0.1
Net proceeds from the sale of FVOCI investments	-	0.5
Purchase of property, plant and equipment and software	(0.7)	-
Net cash flow from acquisition of OFC entities	-	7.2
	(0.5)	**7.9**
Cash flows from financing activities		
Interest paid	(0.7)	(0.7)
Capital element of finance lease payments	(16.4)	(11.4)
Cashflow from New Money Notes issuance	-	20.0
	(17.1)	**7.9**
Exchange loss on cash and cash equivalents and bank overdrafts	(7.0)	(8.5)
Net (decrease)/increase in cash and cash equivalents and bank overdrafts	(72.3)	0.3
Cash, cash equivalents and bank overdrafts at the beginning of the period	310.0	237.7
Cash, cash equivalents and bank overdrafts at the end of the period	**237.7**	**238.0**
Comprising:		
Cash and cash equivalents	239.4	238.0
Short term bank loans and overdrafts	(1.7)	-
	237.7	**238.0**

- Comparatives for the financial period from 6 August 2020 to 31 December 2020.
- The net cashflow from acquisition of the OFC entities represents the cash and cash equivalents from Travelex Netherlands, Germany and Switzerland as at the date of acquisition, 1st March 2021.
- Cash flow from New Money notes issuance in 26th February 2021.

Reconciliation between Statutory and Management Results

£m	2021 Actual
Net Revenue	
Management Net Revenue	**25.2**
Joint venture equity accounting	(1.7)
OFC UK and Europe	(2.2)
IFRS 16 Accounting	(0.2)
Statutory Net Revenue	**21.1**
EBITDA	
Management EBITDA	**(21.0)**
Joint venture equity accounting	0.3
OFC UK and Europe	1.9
IFRS 16 Accounting	11.1
Income from management recharges to OFC entities prior to March 2021	0.6
Statutory EBITDA	**(7.1)**
Cash	
Management Cash	**29.5**
Cash in tills, vaults and transit	41.5
Non core cash (from ME&T, Africa, Brazil and non core currencies)	54.4
Cash acquired from OFC entities (NL, Germany and Switzerland)	6.1
Restricted cash and cash deposit	106.5
Statutory Cash	**238.0**

- Management net revenue and EBITDA to statutory revenue and EBITDA reconciliations include the following adjustments:
  - Deducting 100% performance from equity accounted joint ventures (Malaysia and Qatar);
  - Deducting January and February 2021 performance of OFC entities (The Netherlands, Germany and Switzerland) as these are consolidated from March 2021 from statutory perspective;
  - Adding back the effect of IFRS16 accounting; and
  - From an EBITDA perspective only, adding back the management recharges to OFC entities in January and February prior to consolidation.
- IFC Core cash balance as at 31 March 2021 was £29.5m after deducting:
  - Cash in tills, vaults and in transit representing the Group's inventory which is not freely available for liquidity purposes;
  - Cash balances from ME&T, Africa and Brazil and non-core currencies as these cash balances do not form part of the Group's cash pooling arrangements and are effectively standalone;
  - Cash acquired from OFC entities (The Netherlands, Germany and Switzerland) which is consolidated in the Travelex Topco Limited group from 1st March 2021 in accordance with IFRS, however, is shown separately as it is not considered as core cash for covenant measurement purposes at 31st March; and
  - Restricted cash and deposits held in ring fenced bank accounts such as prepaid debit card float balances and overdrafts.