



Q2 2021 Results

New Travelex Group

27th August 2021

Travelex

worldwide
money

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Executive Summary

Situation update

- While domestic lockdowns are easing, travel restrictions are easing only to a limited extent in the western hemisphere and borders remain tightly controlled in Asia Pacific. Vaccine roll outs have continued with significant success in the UK, Europe the Middle East and USA. The pace of vaccinations is increasing across Asia and in Australia.
 - Announcements from the UK government during July and August together with clarification of watch list statuses has been welcomed across the sector, with several key destinations adding to a sense of optimism.
 - The EU opened over the summer period for the vaccinated following progress on vaccination programmes in Europe and more coherent policies around vaccine passports. The number of outbound destinations has been limited so purchases have been much higher than sales driven particularly by the acceptance of US travellers into Europe.
 - US acceptance of travellers from both the UK and Europe is awaited.
 - The travel bubble between Australia and NZ began on 19 April and NZ opened a new corridor to some South Pacific nations. However, more recent state lockdowns in Australia have led to the temporary closure of the travel bubble between NZ and Australian..
 - Activity across businesses in MET has continued to recover positively (coupled with more recent news from the UK), while results through the Brazilian market continues to benefit from expansion of commercial activity within the banking division.
- H1 2021 results saw an EBITDA loss of £39.7m (£18.7m loss in Q2) as travel restrictions eased marginally. Revenue was £54.9m at H1 (21% of 2019), 45% lower than the same period in 2020.
- Cost focus continues to be prominent, with fixed cost saving of £355m across two years as further rent negotiations concluded during the quarter. Prioritisation of initiatives within Project Oasis has identified £28m of annualised benefit, £22m of which is through revenue-generating opportunities and therefore dependent on the return of travel volumes. In addition, a further programme of cost initiatives within Project Amazon has been initiated in response to slower-than-expected trading, particularly across Asia and ANZ markets.
- As announced on 17th May 2021, further funding of £25m was received on 1st June 2021 through the issuing of new money notes.
- The H1 2021 results showed a loss for the period to 30 June of £39.7m, which is £7.9m higher than our expectations for this period in the outlook published in February 2021. If the rate of recovery is as gradual as anticipated, this will lead to a full year EBITDA position lower than the revised forecast issued on 14 May 2021.
- In light of continuing travel market disruption and the uncertainty regarding public policy decisions relating to the COVID-19 pandemic, the Company considers that, for the time being, future projections regarding its business and financial performance are inherently unreliable in current market conditions. If published, such projections should not be relied on and should be treated as indicative only and reflective of the Company's expectations based on its assumptions at the time the projections are prepared. Such projections are subject to significant variation depending on developments in the travel market. Any such projection published will not be subsequently updated or corrected until such time as the Company considers the uncertainties relating to the travel market have stabilised. Accordingly, the financial forecast published on 14 May 2021 will not be updated for the time being, and should not be relied on. The Company will continue to provide updates regarding its financial performance in accordance with its reporting obligations.
- The Company is in discussion with its major shareholders on the funding outlook for the remainder of the year and expectations for next year, and a further update will be provided in September.

Executive Summary (II)

Group reorganisation

- Some regulatory approvals remain outstanding (excluding the OFC companies highlighted below), including Turkey, Nigeria and Brazil. Qatar is now fully transferred.
- The UK retail business as run through Travelex Foreign Coin Services Limited (TFCS) was acquired from Travelex Limited (in administration). The transaction closed on 17th June 2021.
- Having exercised the option to purchase the OFC European businesses within the Netherlands, Germany and Switzerland (subject to regulatory approvals, where required), the New Travelex Group is progressing the necessary legal, regulatory and related deliverables to conclude the acquisitions.
- Processes to winddown the remaining OFC entities (including NAM) continue as planned.

Governance

- All 2019 statutory accounts for subsidiaries within the New Travelex Group have now completed with the closing of the TFCS acquisition by Travelex TopCo Limited in June 2021 being the final milestone for the TFCS entity.
- The 2020 audit of Travelex TopCo Limited is underway. Since the issue of the Q1 financial results, a change in approach to the consolidation of Day Z companies has been effected in the financial statements of Travelex TopCo Limited. Further detail is provided on page 9.
- The Board has initiated a Cyber Improvement Plan to address legacy vulnerabilities, which is in progress and being monitored through the Audit and Risk Committee.

New Travelex Group – Financial Summary

The New Travelex Group generated revenue of £54.9m for H1 2021 (£29.8m in Q2), £208.6m adverse to H1 2019 (or 21% of H1 2019 revenues) driving a £39.7m loss on EBITDA in H1 (£18.7m loss in Q2), £45.7m adverse to H1 2019 (£30.4m adverse to Q2 2019).

- Restrictions have been relaxed in UK and Europe, however not as quickly as previously forecast. Borders remain tightly controlled across Asia Pacific.
- 2021 revenue to June was behind 2019 equivalent by £208.6m (21% of 2019) driven by public health policy and travel restrictions globally impacting in particular the Retail & Outsourcing businesses, particularly in Asia Pacific with limited international travel.
- Cost mitigations have partially offset the revenue loss, resulting in EBITDA being £45.7m behind 2019 with significant success on targeting, and exceeding, £463m of cost reductions across the continuing group over 2 years.
- Capex of £3.1m is £8.5m lower than 2019 reflective of the focus on mandatory and regulatory projects only.
- Cash in Tills and Vaults of £17.7m was £53.1m behind 2019 at the end of June reflecting the reduced requirements caused by the pandemic.
- Gross debt at 30 June was £187.3m.
- Staff numbers are 50% lower than in 2019 as a result of three successive rounds of people reductions in 2020 across the continuing group.

£m	QTD			
	2019 Actual	2021 Actual	Var	% of 2019
Turnover	8,957	3,263	(5,694)	36%
Revenue	143.5	29.8	(113.8)	21%
Costs	(131.8)	(48.5)	83.3	37%
EBITDA	11.7	(18.7)	(30.4)	(159%)
Capex	(5.2)	(2.7)	2.5	52%
Working Capital (IFC Core)	70.8	17.7	(53.1)	25%
Cash (IFC Core)		36.0		
Gross Debt		187.3		
Employees (includes Rump)	7,560	3,803	(3,757)	50%

£m	YTD			
	2019 Actual	2021 Actual	Var	% of 2019
Turnover	17,103	5,793	(11,310)	34%
Revenue	263.5	54.9	(208.6)	21%
Costs	(257.5)	(94.7)	162.9	37%
EBITDA	6.0	(39.7)	(45.7)	(662%)
Capex	(11.6)	(3.1)	8.5	27%
Working Capital (IFC Core)	70.8	17.7	(53.1)	25%
Cash (IFC Core)		36.0		
Gross Debt		187.3		
Employees (includes Rump)	7,560	3,803	(3,757)	50%

(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 to June was £7.3m, £1.3m more profitable than at 2021 FX rates.

New Travelex Group – Q2 2021 Performance

- Reflecting the ongoing impact of COVID-19 and continued restrictions on travel, the recovery profile in Q2 results is well below Q2 2019 as well as the outlook published in February, due to the continued impact of travel restrictions.
- Retail & Outsourcing**
 - Middle East and Brazil continue to demonstrate resilience despite some uncertainty in both regions.
 - UK Retail & Outsourcing recovery profile reflects UK nationwide lockdowns that lasted most of the first half of 2021. Travel recommenced on the 17th May, following a travel light system. The number of countries on the 'green list' has been limited and government policy updates confusing, impacting consumer confidence.
 - Asia Pacific continues to be impacted by lockdowns & travel restrictions.
- Wholesale**
 - The UK and Asia Wholesale businesses continue to reflect a more gradual recovery profile in Q2 2021 with COVID 19 challenging logistics, time required to onboard customers, continued recovery of travel demand in Asia and depressed economies.
 - Brazil is exceeding 2019 revenues as it continues to perform strongly in international payments. This area has been well insulated from the impacts of the pandemic.
- Central and Shared Overheads are £15.0m 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.
- Q2 results reflect the injection of £45m of additional funding, with £20m received in February and £25m in June – both aligned with the February cleansing statement. This funding has ensured there is sufficient working capital to support current trading volumes.
- 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	QTD				YTD			
	2019 Actual	2021 Actual	Var	% of 2019	2019 Actual	2021 Actual	Var	% of 2019
UK Outsourcing	21.7	1.8	(20.0)	8%	37.4	3.0	(34.5)	8%
Asia	16.0	0.9	(15.1)	6%	31.5	2.3	(29.3)	7%
ANZ	25.7	2.0	(23.7)	8%	46.9	3.6	(43.2)	8%
Middle East	13.4	7.0	(6.4)	52%	27.2	13.3	(13.9)	49%
Brazil	5.0	2.6	(2.4)	52%	9.6	5.0	(4.6)	52%
OFC Europe	15.3	2.5	(12.7)	16%	26.8	4.2	(22.6)	16%
TFCS / UK Retail	30.2	1.7	(28.5)	6%	52.6	2.9	(49.7)	6%
Retail & Outsourcing	127.4	18.5	(108.9)	15%	232.0	34.3	(197.7)	15%
UK	6.4	1.2	(5.3)	18%	12.4	2.1	(10.3)	17%
Asia	3.1	0.6	(2.5)	19%	6.4	1.1	(5.3)	17%
Brazil	4.7	7.9	3.2	168%	8.6	14.1	5.5	164%
Nigeria	0.8	0.2	(0.6)	24%	2.4	0.5	(1.9)	22%
Wholesale	15.1	9.9	(5.2)	66%	29.7	17.8	(11.9)	60%
Other Revenues	1.0	1.3	0.3	132%	1.8	2.8	1.1	160%
Revenue	143.5	29.8	(113.8)	21%	263.5	54.9	(208.6)	21%
Trading Costs	(113.0)	(38.4)	74.5		(221.0)	(73.2)	147.9	
Central & Shared Overheads	(18.8)	(10.0)	8.8		(36.5)	(21.5)	15.0	
EBITDA	11.7	(18.7)	(30.4)		6.0	(39.7)	(45.7)	
Statutory JVs EBITDA / Dividends						(0.1)		
Exceptionals						10.2		
Capex						(3.1)		
Tax						(1.2)		
Movement in NWC IFC Core						-		
Funding						45.0		
Other Cash Movements						4.1		
Unlevered FCF Total Group						17.8		
Unlevered FCF Total Group less NWC Normalization at IFC core						17.8		

- 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.
- 2021 and 2019 Actuals are presented on a Actual 2021 FX basis for comparative. 2019 EBITDA at actual FX rates to June was £7.3m, £1.3m more profitable than at 2021 FX rates..
- The management cash flow has not been presented for 2019 as it is not comparative due to changes in the group structure.

Q2 2021 Statutory Results



Travelex Topco Limited and its subsidiaries – Consolidated Income Statement

Unaudited consolidated income statement from 1 January 2021 to 30 June 2021

£m	2021
Continuing operations	
Revenue	14.9
Cost of sales	0.7
Gross profit	15.6
Operating expense	(24.6)
Analysed as:	
Underlying operating expense	(36.0)
Other exceptional items and non-underlying adjustments	11.4
Net operating expense	(24.6)
Operating loss before depreciation, amortisation, interest and tax	(9.0)
Analysed as:	
Underlying EBITDA	(20.4)
Other exceptional items and non-underlying adjustments	11.4
Operating loss before depreciation, amortisation, interest and tax	(9.0)
Depreciation – Property, plant and equipment	(1.8)
Depreciation – Right-of-use assets	(8.1)
Amortisation	(4.6)
Operating loss	(23.5)
Finance income	0.1
Finance costs	(16.1)
Share of profit/(loss) in equity accounted investments	0.2
Loss before tax	(39.3)
Tax (charge)	(0.6)
Loss for the year from continuing operations	(39.9)
Loss for the year attributable to	
Non-controlling interests	(0.0)
Owners of the parent	(39.9)
	(39.9)

- The basis of consolidation has been changed to consolidate Day 1 entities, and Day Z entities whose shares that have been transferred to the Group as at 30 June 2021.
- No comparisons have been included as the 2020 consolidated income statement. Balances are no longer comparable as they include only entities that were consolidated as at 31 December 2020. The list of consolidated entities and dates of consolidation have been included in the Appendix.
- Other exceptional items and non-underlying adjustments are mainly insurance reimbursement receipt in April 2021, partially offset by legal and advisory fees related to the restructuring.
- Finance costs mainly relate to lease liabilities and interest payable on new money notes and term loan.
- On 17 June 2021, the Group completed the acquisition of Travelex Foreign Coin Services Limited. This entity will be consolidated from 1st July 2021. The Group continues to finalise the legal steps in transferring the shares of the remaining Day Z entities into the Group.

Travelex Topco Limited and its subsidiaries – Consolidated Balance Sheet

Unaudited consolidated statement of financial position at 30 June 2021

£m	2021
Non current assets	
Intangible assets	48.0
Property, plant and equipment	7.4
Right-of-Use assets	55.8
Investments in equity accounted joint ventures and associates	1.5
Investments from subleasing	1.1
Trade and other receivables	4.8
Deferred tax assets	0.9
	119.5
Current assets	
Inventories	0.3
Trade and other receivables	63.6
Tax receivable	1.0
Derivative financial assets	0.1
Cash and cash equivalents	131.2
	196.2
Current liabilities	
Trade and other payables	(108.3)
Borrowings	(0.8)
Lease liabilities	(38.1)
Tax payable	(1.4)
Provisions	(7.7)
Derivative financial liabilities	(0.3)
Net current assets	39.6
Non Current Liabilities	
Borrowings	(187.3)
Lease liabilities	(31.5)
Provisions	(1.2)
Deferred tax liabilities	(0.9)
Non-current liabilities	(220.9)
Net liabilities	(61.8)
Equity	
Deficit attributable to owners of the parent	(64.1)
Non controlling interests	2.3
Total equity deficit	(61.8)

- As a result of a revised technical assessment of acquisition accounting, the basis of consolidation has been changed to consolidate Day 1 entities, and Day Z entities whose shares that have been transferred to the Group as at 30 June 2021. This has meant that some entities previously within the consolidated balance sheet previously published are excluded as at 30 June. There is no impact to how these businesses are managed, or the processes by which they will conclude regulatory clearance. The list of consolidated entities and dates of consolidation have been included on page 12.
- Despite the Group's negative net liability position, the Group was funded by supportive shareholders with £84m invested through new money notes in 2020, £20m in February 2021 and £25m in June 2021.
- Intangible Assets include software, goodwill and other intangible assets which have arisen from the acquisition.
- Cash and cash equivalents and Trade and Other Payables balances includes c.£60.1 m and c.£58.8m of prepaid card floats and liabilities respectively.
- Provisions balance includes bank guarantees, legal, redundancy and other local staff-related provisions.
- Non-Current Liability Borrowings include new money notes issued in August 2020 and February 2021, June 2021, as well as the term loan (£50m).
- In accordance with IFRS3, management continued to review the assets acquired as at 6th Aug 2020. Further adjustments to intangible assets are expected as management finalise the technical aspects of business combination accounting.

Travelex Topco Limited and its subsidiaries – Consolidated Cashflow Statement

Unaudited consolidated cashflow statement from 1 January 2021 to 30 June 2021

£m	2021
Operating loss	(23.5)
Depreciation and amortisation	14.5
Estimated credit loss adjustment	0.8
	(8.2)
Movement in working capital	(42.2)
Cash used from operating activities	(50.4)
Taxation paid	(0.4)
Net cash used from operating activities	(50.8)
Cash flows from investing activities	
Income from subleasing	0.3
Purchase of property, plant and equipment and software	(1.9)
Net cash used in investing activities	(1.6)
Cash flows from financing activities	
Interest paid	(1.4)
Capital element of finance lease payments	(13.7)
Cashflow from New Money Notes	45.0
Net cash used in financing activities	29.9
Effect of exchange rates on cash and cash equivalents	(3.4)
Net (decrease)/increase in cash and cash equivalents	(25.9)
Cash and cash equivalents and bank overdrafts at the beginning of the period	157.1
Cash and cash equivalents at the end of the period	131.2
Comprising:	
Cash and cash equivalents	131.2
Short term bank loans and overdrafts	-
	131.2

- Cash flow from New Money notes issuance in February and June 2021.

Reconciliation between Statutory and Management Results

£m	2021 Actual
Net Revenue	
Management Net Revenue	54.9
Joint venture equity accounting	(0.2)
Statutory consolidation difference	(39.5)
IFRS 16 Accounting	(0.3)
Statutory Net Revenue	14.9

EBITDA	
Management EBITDA	(39.7)
Joint venture equity accounting	0.1
Statutory consolidation difference	5.4
IFRS 16 Accounting	13.8
Statutory EBITDA	(20.4)

Cash	
Management Cash	36.0
Cash in tills, vaults and transit	25.5
Non core cash (from ME&T, Africa, Brazil and non core currencies)	9.3
Restricted cash and cash deposit	60.4
Statutory Cash	131.2

- Management net revenue and EBITDA to statutory revenue and EBITDA reconciliations include the following adjustments:
 - Deducting 100% performance from equity accounted joint ventures (Malaysia);
 - Deducting 100% performance of entities whose shares have not been transferred to the Group (see Appendix); and
 - Adding back the effect of IFRS16 accounting
- IFC Core cash balance as at 30 June 2021 was £36.0m 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 China and non-core currencies as these cash balances do not form part of the Group's cash pooling arrangements and are effectively standalone;
 - Restricted cash and deposits held in ring fenced bank accounts such as prepaid debit card float balances and overdrafts.

Legal entities and respective consolidation dates

Legal Entities	Current date of consolidation	Previous date of consolidation
Travelex Agency Services Ltd (TAS)	01 August 2020	01 August 2020
Travelex Currency Services Ltd	01 August 2020	01 August 2020
Travelex Japan KK	01 August 2020	01 August 2020
Travelex Central Services Limited	01 August 2020	01 August 2020
Travelex India Pvt	01 August 2020	01 August 2020
Travellers Exchange Corporation Limited	01 August 2020	01 August 2020
Travelex Australia Holdings Pty Limited and its subsidiary - Travelex Limited (Australia)	01 September 2020	01 August 2020
Travelex Currency Exchange Limited	01 September 2020	01 August 2020
Travelex Financial Services NZ Limited	01 September 2020	01 August 2020
Travelex Cloud Services Limited (UK)	01 October 2020	01 August 2020
Travelex Holding (HK) Limited	01 November 2020	01 August 2020
Travelex Card Services Limited	01 November 2020	01 August 2020
Travelex Holdings (S) PTE Limited Singapore	01 February 2021	01 August 2020
Travelex Bahrain WLL	01 April 2021	01 August 2020
Travelex Currency Exchange & Payments SDN BHD (Malaysia)	01 June 2021	01 August 2020
Travelex & Co LLC (Oman)	01 June 2021	01 August 2020
Travelex (Thailand) Limited	01 June 2021	01 August 2020
Travelex Emirates Exchange LLC	01 July 2021	01 August 2020
Travelex Foreign Coin Services Ltd.	01 July 2021	01 August 2020
Travelex Qatar QSC	01 September 2021	01 August 2020
Travelex Retail Nigeria Limited	TBD	01 August 2020
Travelex Nigeria Business Solutions Limited	TBD	01 August 2020
Travelex Doviz Ticaret Yetkili Muessese AS (and subsidiary: Travelex Ankara Doviz Ticaret Yetkili Muessese AS)	TBD	01 August 2020
Travelex Czech Republic as	TBD	01 August 2020
Travelex Do Brasil Holding Financeira Ltda; Travelex Do Brasil Holding Nao Financeira Ltda; South American Cards Services (Brazil)	TBD	01 August 2020
Travelex Europe Ltd	TBD	01 August 2020
Travelex N.V	TBD	01 August 2020
Travelex Switzerland AG	TBD	01 August 2020
TravelexDeutschland GmbH	TBD	01 August 2020