

An aerial view of an airplane wing against a sunset sky. The sun is low on the horizon, casting a warm orange and yellow glow. The wing is in the foreground, and the horizon line is visible in the distance. A red and black graphic element is on the left side of the image.

Travelex Results Presentation

for the half year ended 30 June 2019

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Section 1: Key Highlights

Half year ended 30 June 2019 – key highlights

Financial and Operational Highlights

- Core Group Revenue (excl. disposed operation) up 2% to £379.2m, at constant exchange rate (CER)
- Core Group EBITDA (excl. disposed operation) £2.0m ahead of prior year at £26.1m (CER)
- Revenue growth at CER driven by UK & Africa (5%) and Asia (6%)
- Successful renewal of existing foreign exchange, ATM, and VAT refund contract with Heathrow on 31 July 2019 to Q1 March 2024
- Following shareholder loan restructuring, the Group's statutory borrowings position has reduced by £1,100m with a corresponding increase in equity
- Although the Group has implemented IFRS 16 for lease accounting, we continue to manage and assess the business based on the previous standard including the figures in this presentation
- The Group continue to monitor Brexit developments to ensure our operational readiness plans are in place

Financial Summary (excl. disposed operation)

<i>£m, half year ended 30 June</i>	2018	2019	Change	2019 CER ²	Change
Core Group Revenue ^{1,4}	371.1	381.6	3%	379.2	2%
Core Group EBITDA ^{1,3,4}	24.1	26.2	2.1	26.1	2.0

	31 Dec 2018	30 Jun 2019
Net debt <i>£m</i>		
Gross debt	(342.2)	(366.9)
Free cash	87.6	70.6
Net debt	(254.6)	(296.3)

1. Core Group metrics include 100% of Revenue and EBITDA from Joint Ventures and Travelex's French business which was sold to UAE Exchange Limited, a company of which Dr Shetty is also a shareholder. The French business remains in the Core Group results for management discussion and analysis purposes but is excluded from the Group's statutory results

2. Results at constant exchange rates (CER) are Core Group metrics retranslated at the average rates for the equivalent period in 2018

3. EBITDA is presented before exceptional items and non-underlying adjustments

4. Core Group excluding disposed operation metrics exclude the results of Travelex Africa Foreign Exchange Proprietary Limited which was disposed of on 1 January 2019

Section 2: Financial Performance

Group Revenue and EBITDA Summary for half year ended 30 June 2019

	Q2 2019 YTD				
	2018	2019	Var	2019 CER ²	Var
<i>£m,</i>					
Core Group Revenue (excl. disposed operation) ^{1,4}	371.1	381.6	3%	379.2	2%
Trading EBITDA contribution ⁵	50.6	55.8	5.2	55.6	5.0
Central & Shared Costs (excl. Bonus) ⁵	(24.5)	(27.5)	(3.0)	(27.4)	(2.9)
Bonus	(2.0)	(2.1)	(0.1)	(2.1)	(0.1)
Core Group EBITDA (excl. disposed operation) ^{1,3,4}	24.1	26.2	2.1	26.1	2.0
Disposals (FX Africa)	(0.4)	-	0.4	-	0.4
Core Group EBITDA (incl. disposed operation) ^{1,3}	23.7	26.2	2.5	26.1	2.4

	Q2 2019				
	2018	2019	Var	2019 CER ²	Var
<i>£m,</i>					
Core Group Revenue (excl. disposed operation) ^{1,4}	202.5	207.1	2%	204.7	1%
Trading EBITDA contribution ⁵	36.2	39.2	3.0	38.7	2.5
Central & Shared Costs (excl. Bonus) ⁵	(12.1)	(14.1)	(2.0)	(14.0)	(1.9)
Bonus	(1.4)	(1.5)	(0.1)	(1.5)	(0.1)
Core Group EBITDA (excl. disposed operation) ^{1,3,4}	22.7	23.6	0.9	23.2	0.5
Disposals (FX Africa)	(0.1)	-	0.1	-	0.1
Core Group EBITDA (incl. disposed operation) ^{1,3}	22.6	23.6	1.0	23.2	0.6

1. Core Group metrics include 100% of Revenue and EBITDA from Joint Ventures and Travelex's French business which was sold to UAE Exchange Limited, a company of which Dr Shetty is also a shareholder. The French business remains in the Core Group results for management discussion and analysis purposes but is excluded from the Group's statutory results

2. Results at CER are Core Group metrics retranslated at the average rates for the equivalent period in 2018

3. EBITDA is presented before exceptional items and non-underlying adjustments

4. Core Group excluding disposed operation metrics exclude the results of Travelex Africa Foreign Exchange Proprietary Limited which was disposed of on 1 January 2019

5. Certain costs stated within central and shared under 2018 reporting, have been restated to trading costs to reflect the underlying nature of these costs

Half year ended 30 June 2019 – revenue performance by Trading Area

£m, half year ended 30 June

	2018	2019	Change %	2019 CER	Change %
UK & Africa	126.3	133.7	6%	133.0	5%
ANZ	49.3	46.8	(5%)	47.7	(3%)
ME&T	32.5	33.0	2%	32.7	1%
Europe	55.7	55.4	(1%)	55.8	0%
NAM	42.3	44.7	6%	42.3	0%
Brazil	28.3	27.4	(3%)	28.7	1%
Asia	36.7	40.6	11%	39.0	6%
Core Group Revenue	371.1	381.6	3%	379.2	2%

Core Group Revenue increased 3% on prior year (up 2% to £379.2m CER) driven by:

- UK & Africa – 6% growth (5% CER growth) – growth in Africa with increase in banknote supply and bureau de change activity; an improvement across Supermarkets and UK retail, partially offset by lower demand from UK outsourcing clients
- ANZ – 5% decline (3% CER decline) – driven by softer retail performance
- ME&T – 2% growth (1% CER growth) – growth in UAE and Qatar has been partially offset by the group exiting Istanbul Atatürk Airport in April 2019
- Europe – 1% decline (flat at CER) – growth driven by new airport contracts in Germany and ATM roll outs in Italy has been offset by expiry of the group’s VAT contract at Paris airports (the group continues to provide FX walk-up and ATMs in Paris under a separate contract)
- NAM – 6% growth (flat at CER) – performance broadly flat across retail and outsourcing
- Brazil – 3% decline (1% CER growth) – weaker BRL:USD rate has softened demand across retail and payments
- Asia – 11% growth (6% CER growth) – growth driven by banknote supply, across the region, through vault assets purchased in late-2018

Free cash flow statement (attributable operations)

Free cash flow from attributable operations			Commentary
<i>£m, half year ended 30 June</i>	2018	2019	Net free cash inflow from attributable operations:
Core Group EBITDA	23.7	26.2	• Dividend paid to non-controlling interest principally related to ME&T operations
Less: Unconsolidated JVs and disposal of France	(2.8)	(4.4)	• Dividends received from Qatar joint venture
Dividends paid to non-controlling interest	(3.1)	(5.0)	• The outflow in cash inventory is mainly due to movement in underlying stock due to summer peak trading period and wholesale banknote orders
Dividends received from joint ventures	-	1.2	• Other movements in working capital primarily relate to wholesale banknote orders, which are generally settled within 1-2 days of order completion
Utilisation of provisions and bonus accruals	(7.5)	(9.7)	
Net free cash flow from attributable operating activities (before inventory & working capital)	10.3	8.3	One off items:
Movements in cash inventory (cash in tills & vaults)	(38.4)	(84.6)	• One-off items include non-underlying costs relating primarily due to a UK vault relocation and major project costs
Other movements in working capital	37.8	59.5	
Cash impact of movements in inventory & working capital	(0.6)	(25.1)	
Net free cash outflow from one-off items	(8.6)	(3.3)	
Net free cash flow from attributable operations	1.1	(20.1)	

Free cash flow statement (investing and financing)

Free cash flow from investing and financing activities			Commentary
<i>£m, half year ended 30 June</i>	2018	2019	
Net free cash flow from attributable operations	1.1	(20.1)	Investing activities: <ul style="list-style-type: none"> • Expansionary & Maintenance capex includes c.£7.0m relating to: <ul style="list-style-type: none"> ○ Financial Crime Programme to further implement the new anti-money laundering (AML) solution to ensure smart and cost effective AML operations and a positive customer experience ○ ATM Re-Platform ○ Rollout of replacement ledger in selected countries • Other net investing activities mainly include the transaction related to the sale of the convertible ordinary class B shares in Visa Inc
Taxation paid	(3.8)	(7.3)	
Expansionary & Maintenance capex	(12.7)	(11.9)	Financing Activities: <ul style="list-style-type: none"> • Travelex continues to benefit from shareholder support with strategic investment in the digital payments platform
Other net investing activities	1.3	13.9	
Net free cash used in investing activities	(11.4)	2.0	
Interest paid on secured bonds, RCF and other bank loans	(13.8)	(16.1)	
Loan from shareholder	3.8	5.9	
Wholesale banknote business acquisition	(3.8)	-	
Investment in Payments Platform	-	(6.4)	
Drawdown of RCF and utilisation of overdraft	37.1	25.0	
Net free cash used in financing activities	23.3	8.4	
Exchange loss on free cash	(2.4)	-	
Net increase/(decrease) in free cash	6.8	(17.0)	
Free cash at the beginning of the period	76.3	87.6	
Free cash at the end of the period	83.1	70.6	

Free cash, net debt & liquidity

Free cash £m	31 Dec 2018	30 Jun 2019
Cash and cash equivalents	550.2	901.6
Ring-fenced cash and term deposits	(41.1)	(38.3)
Bank loans and overdraft	(7.8)	(7.9)
Prepaid debit card floats	(185.6)	(202.9)
Banknotes prepayments	(40.4)	(307.9)
Net cash classified as held for sale	1.3	-
Unrestricted cash	276.6	344.6
Cash in tills, vaults and transit	(174.0)	(259.0)
Management estimate of regulatory cash	(15.0)	(15.0)
Free cash	87.6	70.6

Net debt £m	31 Dec 2018	30 Jun 2019
Fixed rate senior notes	(317.2)	(316.9)
Drawn RCF and utilised overdraft	(25.0)	(50.0)
Gross debt	(342.2)	(366.9)
Free cash	87.6	70.6
Net debt	(254.6)	(296.3)

Commentary

- Cash and cash equivalents includes restricted amounts such as banknote prepayments and prepaid debit card float balances
- Free cash adjusts unrestricted cash for amounts being used as working capital (cash in tills, vaults and transit) and a consistent management estimate of cash required locally for regulatory purposes
- Revolving credit facility used to provide liquidity to meet operating cash needs. As at 30 June 2019, the facility had £50.0m drawn down, and £13.2m had been utilised as guarantees.

Section 3: Conclusions

Section 4: Further Information

Reconciliation from Core Group to Statutory (Revenue & EBITDA)

Reconciliation to Statutory Revenue¹

£m, half year ended 30 June

	2018	2019
Core Group Revenue	374.7	381.6
Joint Venture adjustment for equity accounting	(12.2)	(11.8)
Travellers' Cheques	0.9	0.7
French business ownership adjustment	(22.6)	(19.5)
Revenue within Central & Shared Costs	0.5	-
Statutory Revenue	341.3	351.0

Reconciliation to Statutory and Adjusted EBITDA¹

Underlying EBITDA (per the consolidated financial statements)	21.2	70.7
Joint Venture adjustment for equity accounting ²	3.4	3.7
French business ownership adjustment	(0.6)	0.7
IFRS 16 adjustments	-	(48.7)
Travellers' Cheques	(0.3)	(0.2)
Core Group EBITDA (100% of JVs and France)³	23.7	26.2
Adjustment for proportion of Non-Consolidated JVs	(1.6)	(1.5)
French business ownership adjustment	0.6	(0.7)
Adjusted EBITDA⁴	22.7	24.0

¹ Historical FX rates used are actual average rates for each period

² Net of recharges

³ Core Group EBITDA consists of EBITDA adjusted to include 100% of the EBITDA of our joint ventures, share-based payment incentive charges, and Banque Travelex SAS which was disposed of in 2015 but is continued to be managed by the Group, and excludes EBITDA attributable to our Travellers' Cheques business, which does not form part of the Restricted Group.

⁴ Adjusted EBITDA consists of Core Group EBITDA adjusted for the share of non-consolidated joint ventures that are not attributable to the Group and excludes the EBITDA of Banque Travelex SAS, which was disposed of in January 2015 to UAE Exchange Limited in connection with the sale of the Group.

Reconciliation of Free Cash flow to Statutory measure

Reconciliation of free cash flow from attributable operations to applicable statutory measure

£m, half year ended 30 June

	2018	2019
Net free cash flow from attributable operations	1.1	(20.1)
Cash outflow relating to investment in Payments Platform*	-	(3.1)
Dividends paid to non-controlling interest	3.1	5.0
Dividends received from joint ventures	-	(1.2)
Movement in cash held in tills, vaults and transit	38.4	84.6
Movement in banknotes prepayments	4.3	267.5
Movement in cash and deposits held for the Travellers' Cheques business	(0.2)	(2.7)
Movement in prepaid card float deposits	15.6	16.4
Movement in the capital element of finance lease payments (IFRS 16)	-	50.2
Income from subleasing (IFRS 16)	-	(0.8)
Cash flow from operating activities (statutory measure)	62.3	395.8

*Presented as financing activities for management purposes

FX Rate Summary

	Average FX rate for the period 30 June 2018	Average FX rate for the period 30 June 2019	% Movement	FX rate as at 31 December 2018	FX rate as at 30 June 2019	% Movement
EUR	1.14	1.15	1%	1.11	1.12	1%
USD	1.37	1.30	(5%)	1.27	1.27	-
JPY	148.81	142.38	(4%)	139.55	137.13	(2%)
AUD	1.79	1.83	2%	1.81	1.81	-
BRL	4.75	4.97	5%	4.94	4.87	(1%)
TRY	5.64	7.29	29%	6.76	7.36	9%