ORD MINNETT

Company Profile

Ord Minnett Research 15 June 2021

Helloworld Travel Limited (HLO.AX)

Helloworld Travel Limited (HLO, formerly Helloworld Limited) is involved in the selling of international and domestic travel products and services comprising retail travel networks, corporate travel management services, destination management services (inbound), air ticket consolidation, wholesale travel services, and online operations. Helloworld Travel is the naming rights partner of Volleyball Australia and the Helloworld Travel Volleyroos men's and women's national teams. It is located in Australia, New Zealand, Fiji, the USA, Asia, India and UK/Europe.

Retail: Retail operations act as a franchisor for multiple retail travel agency networks. Helloworld's retail distribution operations include Helloworld Travel, Australia' and New Zealand's network of branded and co-branded franchised travel agents, Magellan Travel, Helloworld Business Travel, the My Travel Group, NZ Travel Brokers and our 50% investment in MTA (Mobile Travel Agents).

Wholesale and Inbound: Helloworld's wholesale travel businesses operate a range of brands which include Viva Holidays, Sunlover Holidays, Ready Rooms, Seven Oceans Cruises and Go Holidays and Williments Travel in New Zealand. Helloworld's inbound operations include AOT, ATS Pacific and ETA while our transport businesses include TTF Fiji and Show Freight, a division of Show Travel.

Corporate: The Group's corporate travel management services division offers travel management services to corporate and government customers including booking flights and accommodation. Helloworld Travels corporate operations includes QBT, AOT Hotels, TravelEdge, Show Travel and APX in New Zealand.

Acquisition/Sale: Helloworld Travel Limited has entered into an agreement to acquire cruise wholesaling specialist, CruiseCo. CruiseCo is a specialist cruise package wholesaler founded 20 years ago by Kevin Dale, Phil Hoffman and Steve Lloyd. The company announced the sale of its Los Angeles, CA based travel Wholesale business to Down Under Answers (DUA), a travel wholesaler based in Seattle, WA.

Snapshot

Last Price	$1.820
Market Cap.	$282 million
52 Week High/Low	$3.36 - $1.49
Shares on issue	155 million
GICS Industry	Hotels, Restaurants & Leisure

Key Dates

Accounts Close	30 June
AGM	27 Nov 2020
Listing Date	13 Sep 2000

Investment Fundamentals

		2020A	2021E	2022E	2023E
Sales Rev.	$m	282	70	98	189
Rep Profit	$m	-70.0	-35.8	-6.2	14.9
Norm Profit	$m	25.3	-27.9	-4.1	17.0
Rep EPS	¢	5.9	-20.2	-4.0	9.6
Norm EPS	¢	20.3	-18.0	-2.7	11.0
Rep PE	x	30.2	-8.9	-44.6	18.6
Norm PE	x	8.8	-10.0	-67.3	16.3
DPS	¢	9.0	--	--	5.3
Yield	%	5.0	--	--	3.0
Franking	%	--	--	--	100
ROE	%	9.6	-12.5	-1.8	7.5

Source: Ord Minnett

Share Price Chart

Total Return on $10,000 Investment

This report is to be read in conjunction with the disclaimers on page three.

Ratios and Substantial Shareholders

		2016A	2017A	2018A	2019A	2020A
Profitability Ratios						
EBITDA Margin	%	9.71	16.78	19.49	19.81	15.17
EBIT Margin	%	3.40	10.24	14.13	14.01	3.40
Net Profit Margin	%	2.89	7.14	10.15	9.65	2.39
Return on Equity	%	3.17	8.25	10.90	10.90	3.09
Return on Assets	%	1.68	3.94	4.88	4.76	1.68
Debt/Safety Ratios						
Net Debt/Equity	%	-58.29	-63.49	-53.63	-47.39	-0.73
Interest Cover	x	-38.70	74.56	-32.15	-48.30	5.29

Top 5 Substantial Shareholders	
The Burnes Group Pty Ltd	13.9%
Sintack Pty Ltd and Parties	13.3%
Q H Tours Ltd and its associates	12.4%
Andrew James Burnes	6.8%
Cinzia Burnes	6.5%

Source: Morningstar

Principals & Directors

Principals

Company Secretary Mr David Hall

Directors

Mr Garry Arthur Hounsell (Non-Executive Chairman,Non-Executive Director)
Mr Michael Peter Ferraro (Non-Executive Director)
Mr Andrew John Finch (Non-Executive Director)
Mr Andrew James Burnes (Chief Executive Officer,Managing Director)
Mrs Cinzia Burnes (Executive Director)

Source: Morningstar

Recent Operational History

19 May 2021 - Helloworld Travel advised that the Department of Finance has exercised its option to further extend the Deed between the Department and QBT (a wholly-owned subsidiary of the Company) in relation to Travel Management Services for the Whole of Australian Government for a one-year period from 1 July 2021 to 30 June 2022. This extension was made pursuant to the contract extension arrangements put in place when QBT was originally appointed travel management service provider.

21 April 2021 - Helloworld Travel provided trading update for the March Quarter 2021. It reported the Federal Government announced industry assistance packages in December 2020 and March 2021. Its TTV for the March 2021 Quarter $261.5m, down 79.6% on the same period last year. At the end of March 2021, it had a cash balance of $125.9m. The Company has total free cash of $75m, ($81m at December 2020) with the reduction due to the payment of redundancies and related entitlements and the timing of overhead payments.

24 February 2021 - Helloworld Travel provided the following trading update for the half year ending 31 December 2020. It held external borrowings of $81.0m (30 June 2020: $101.0m) with available head room on its debt facilities of $30.2m (30 June 2020: $6.5m). The prepayment is $20.0m during the half reduced external borrowings to $81.0m.

Peer Analysis

Company Name	Code	Recommendation	Market Cap ($m)	Price ($)	PE (x) 2021	PE (x) 2022	EPS Growth % 2021	EPS Growth % 2022	Dividend Yield % 2021	Dividend Yield % 2022	Franking % 2021	Franking % 2022
Sealink Travel Group	SLK	Buy	2,088	9.56	44.4	36.7	62.4	8.6	2.1	2.5	100	100
Redcape Hotel	RDC	Buy	580	1.05	15.5	15.2	90.1	2.1	7.0	7.3	--	--
Ardent Leisure Group	ALG	Sell	480	1.00	--	--	--	--	--	--	--	--
Helloworld Travel	**HLO**	**Hold**	**282**	**1.82**	**-8.9**	**-44.6**	**-188.7**	**--**	**--**	**--**	**--**	**--**
Elanor Investor	ENN	Buy	230	1.90	16.6	15.2	13.6	6.4	7.4	7.9	--	--
SILK Laser Australia	SLA	Buy	200	4.25	32.6	27.8	215.3	16.9	--	--	--	--
Experience Co	EXP	Buy	161	0.29	-130.9	-1,169.4	--	--	--	--	--	--
Viva Leisure	VVA	Buy	157	1.92	-18.6	-37.6	15.2	164.5	--	--	--	--

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Guide to Ord Minnett recommendations

Our recommendations are based on the total return of a stock – nominal dividend yield plus capital appreciation – and have a 12-month time horizon.

SPECULATIVE BUY	We expect the stock's total return (nominal yield plus capital appreciation) to exceed 20% over 12 months. The investment may have a strong capital appreciation but also has high degree of risk and there is a significant risk of capital loss.
BUY	The stock's total return (nominal dividend yield plus capital appreciation) is expected to exceed 15% over the next 12 months.
ACCUMULATE	We expect a total return of between 5% and 15%. Investors should consider adding to holdings or taking a position in the stock on share price weakness.
HOLD	We expect the stock to return between 0% and 5%, and believe the stock is fairly priced.
LIGHTEN	We expect the stock's return to be between 0% and negative 15%. Investors should consider decreasing their holdings.
SELL	We expect the total return to lose 15% or more.
RISK ASSESSMENT	Classified as Lower, Medium or Higher, the risk assessment denotes the relative assessment of an individual stock's risk based on an appraisal of its disclosed financial information, historical volatility of its share price, nature of its operations and other relevant quantitative and qualitative criteria. Risk is assessed by comparison with other Australian stocks, not across other asset classes such as Cash or Fixed Interest.

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