



STATEMENT TO AUSTRALIAN SECURITIES EXCHANGE – November 12, 2007

Flight Centre Limited announces Liberty Travel acquisition and \$100 million capital raising

FLIGHT Centre Limited (FLT) has fast-tracked its global expansion by agreeing to acquire one of the United States' largest and most recognised travel agency groups.

The \$US135million acquisition of privately-held Liberty Travel will transform North America into FLT's largest international market outside of Australia by sales and will:

- Deliver a profitable business with a track record of total transaction value (TTV) growth
- Provide immediate scale in the key North American market, with the addition of 193 leisure travel shops along the East Coast, Florida and Chicago, plus 40 wholesale locations in 22 states
- Bolster the company's existing leisure operations, which are predominantly located on the US West Coast and in Canada, and provide a footprint for further leisure, wholesale and SME corporate travel growth
- Strengthen FLT's global product offering and relationships with key suppliers.

Total transaction value from Liberty and FLT's existing leisure, corporate and wholesale travel businesses in the United States will exceed \$US2billion per year, making the combined FLT and Liberty business the USA's:

- 10th largest travel group overall;
- Second largest bricks and mortar leisure agency behind the AAA Travel group and;
- Largest wholly-owned retail and wholesale leisure travel business

The acquisition is FLT's largest to date and at \$US135m represents an estimated multiple of 6.8 times Liberty's unaudited pro forma earnings before interest, tax,

depreciation and amortization of \$US19.9million¹ for the 12 months ended June 30, 2007.

The acquisition is expected to be earnings per share accretive in FY2009 on a pro-forma basis. The acquisition is subject to usual closing conditions and to key regulatory approvals and consents being obtained. It is expected to complete in January 2008.

In connection with the Liberty acquisition, FLT will raise \$A100million through a Share Placement to be conducted via an institutional bookbuild. The placement will be launched today and will be led by ABN AMRO Morgans.

In conjunction with the institutional placement and in line with their stated intention to reduce their overall holdings in FLT without surrendering control, FLT's founders have elected to sell up to 2.6million FLT shares in the same institutional bookbuild.

At the completion of the placement and selldown, FLT retail investors will be given the opportunity to subscribe for up to \$5,000 of FLT shares via a Share Purchase Plan.

The company also intends to undertake a review of its capital structure going forward with a view to enabling the introduction of greater levels of debt to fund future acquisitions and optimise the company's capital structure.

Liberty Travel

Liberty Travel, credited with the invention of the packaged vacation, was founded by Fred Kassner and Gilbert Haroche in 1951. The Kassner and Haroche families have to date maintained their leadership and ownership roles in the company.

Liberty serves more than 2million customers annually through its retail shop network and an additional 18,000 travel agencies via its wholesale business, GOGO Worldwide Vacations.

Acquisition Rationale

¹ EBITDA as calculated by FLT. Liberty's financial year ends December 31.

FLT managing director Graham Turner said the acquisition came after extensive due diligence and would produce significant benefits for Flight Centre Limited and its shareholders.

"We are excited to work with Liberty's management to seize the opportunities created in the large and dynamic North American travel market," Mr Turner said.

"With the addition of Liberty, FLT will gain a strong network of branches with an affluent client base, access to niche product offerings and an experienced management team.

"The acquisition is directly aligned with Flight Centre's strategic goals for growth and fast-tracks the business's evolution in this key market, as it would have taken years of organic growth and major financial investment to achieve Liberty Travel's results, size and market penetration.

"From an overall company perspective, the addition of Liberty is very significant.

"Firstly, access to GOGO's wholesale product range, particularly its core Caribbean and Americas offerings, will strengthen FLT's global product platform, which is a key strategic objective for the company.

"Secondly, FLT will now have an iconic and profitable leisure travel business in the USA to complement its successful and rapidly expanding FCm Travel Solutions corporate travel business.

"Thirdly, the acquisition significantly strengthens FLT's overseas operations and reaffirms the company's position as one of the world's largest travel businesses. Based on Liberty's expected results moving forward, more than half of FLT's annual total transaction value will now come from off-shore."

Growth opportunities in the short-term include:

- Expanding the GOGO Worldwide Vacations wholesale business and product range
- Improving retail shop performance by building on Liberty's traditional strengths and introducing some key elements of the FLT business model, particularly in the contracting and marketing areas, to capitalize on ongoing TTV growth

- Securing a larger share of the middle market as growth in the online sector slows

The acquisition will also allow FLT to utilise tax losses incurred from its existing United States businesses.

Leadership Team

Following the acquisition, Liberty Travel will be managed as part of FLT's North American business, which is headed by Greg Dixon, and will be jointly led by Sue Rennick and Cathy Pelaez during the integration period. Ms Rennick has worked for Flight Centre for 19 years in a variety of senior positions, including leader of Flight Centre brand in Australia and president of the company's West Canada operations.

Ms Pelaez, Liberty Travel's current chief operating officer, will take on the role of president Liberty Travel. Ms Pelaez is a 27-year veteran of the organisation and has held various executive positions throughout her career. In addition, other key Liberty executives will continue with the business.

USA Leisure Travel Market Conditions

While online agencies are currently the largest operators in the US leisure travel market, FLT believes there are reasonable growth opportunities within the offline sector for a business of its size post Liberty's acquisition.

Mr Turner said while economic factors such as the sub prime housing crisis and the relative weakness in the US dollar had affected the overall leisure travel market, some positive signs were emerging in the \$180billion-a-year leisure sector.

"Travel agency revenue is increasing – albeit slowly – and indications are that spending will increase in upcoming years as America's Baby Boomers take off to explore the world and Generations X and Y enter their peak earning years," he said.

"This creates opportunities for larger service-focused agencies, as these people are generally time-poor, have relatively high disposable incomes and have a desire to venture further afield.

"Recent changes to passport regulations, which mean more Americans now have passports, are also likely to increase international leisure travel traffic in the medium and longer terms."

Recap on Expected FLT Performance

News of the Liberty acquisition follows upgraded profit guidance from FLT for 2007/08.

Following a strong start to the year, the company has announced that it expects to report 40% growth in net profit before tax for the first half, in comparison to a relatively weak previous corresponding period.

Excluding any acquisition-related benefits attributable to Liberty, FLT expects a minimum of 15% pre tax profit growth (excluding the abnormal gain recorded during 2006/07) for the full year.

The company is currently tracking at the top end of its guidance of 10-15% TTV growth.

Mr Turner said a number of factors had fuelled the healthy TTV growth globally including:

- More consistent approach to mark ups in retail and corporate offices
- Improved gross margin through smarter approach and better performance to major contracts
- More productive selling environment for staff via the international roll out of the Shop of the Future design
- Development of fresh marketing campaigns – “Unbeatable” and “Perfect Holiday Promise”
- Improved incentive structures for sales staff
- Strong discipline on cost of seat business model
- Improved higher margin land sales
- Corporate travel growth, particularly SME segment

FLT is advised by the Blackstone Group, Caliburn, PriceWaterhouseCoopers and Bracewell & Giuliani. Lehman Brothers acted as the financial advisor and Lowenstein Sandler PC acted as the legal advisor to Liberty Travel.

[Acquisition Conference Call \(Institutions and Analysts\)](#)

FLT will conduct a telephone briefing for institutions and analysts in relation to the acquisition at 10.30am (NSW time) today. Participant dial-in details are as follows:
Number: (02) 8113 1400, Code: 8959657.

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