

# WEBJET LIMITED

Webjet operates one of Australia's most frequented online travel sites ([www.webjet.com.au](http://www.webjet.com.au)). This pure online retailer specialises in domestic and international flights, but also offers accommodation, car rental, insurance, holiday packages and a new customer travel service called Planitonearth, which is similar to a 'MySpace' experience.



The travel industry is a high growth industry, with the online component of the industry having experienced exponential growth in recent years as customers move an increasing proportion of their travel spend online. In the year 2000 approximately 5% of Australian travel was sold online. This figure is now approaching 25%, and compares to statistics in the US of almost 40%. Within

the online travel industry, online travel agents and specifically Webjet, have been consistently gaining market share. The traditional shop-front travel agent's loss is Webjet's gain.

An additional feature of Webjet's business model is that unlike most traditional travel agents that rely on commission revenue, Webjet relies to a much greater extent on booking fees. As a result, the number (and growth) of bookings is critical, and having passed the break-even point during FY05, profitability has grown rapidly as the benefits of scale from its online model kick-in. For the year ended 30 June 2007, Webjet reported net profit after tax of \$4.0m, up 68% from the previous year. At the time of the FY07 result the company issued guidance for FY08 of 32% growth in total transaction value, 27% revenue growth and 36% net profit growth.

Webjet is not without competition. The key travel players (such as Qantas and Virgin Blue), traditional travel agents with online sites (such as Flight Centre) and

other online service providers (such as Wotif domestically and Expedia overseas), all compete with the business. However, in our view the migration of customers from offline to online is set to continue, and companies like Webjet are very well placed to benefit from the growth associated with this shift. Indeed the company is looking to expand both organically and through acquisition, using its balance sheet strength.

In summary, the company's single strategic focus, its strong financial position, and its strong and stable management team gives us confidence that Webjet will be a winner in this fast moving environment.

At the time of writing, the market capitalisation of Webjet is approx. US\$136m and Allard owns 6% of the company.

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