



**Novaturas Group**

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# Presentation of HY 2019 financial results

30 July 2019



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# Novaturas Group HY 2019 highlights

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**137,036**

PAX sold in H1 2019  
(+1.9% y/y)



**EUR 83.2m**

H1 2019 Revenue  
(+3.8% y/y)



**EUR 10.1m**

H1 2019 Gross profit  
(-28.7% y/y)



**EUR 1.7m**

H1 2019 EBITDA  
(-70.6% y/y)



**2.1%**

H1 2019 EBITDA margin  
(-5.2 pp y/y)



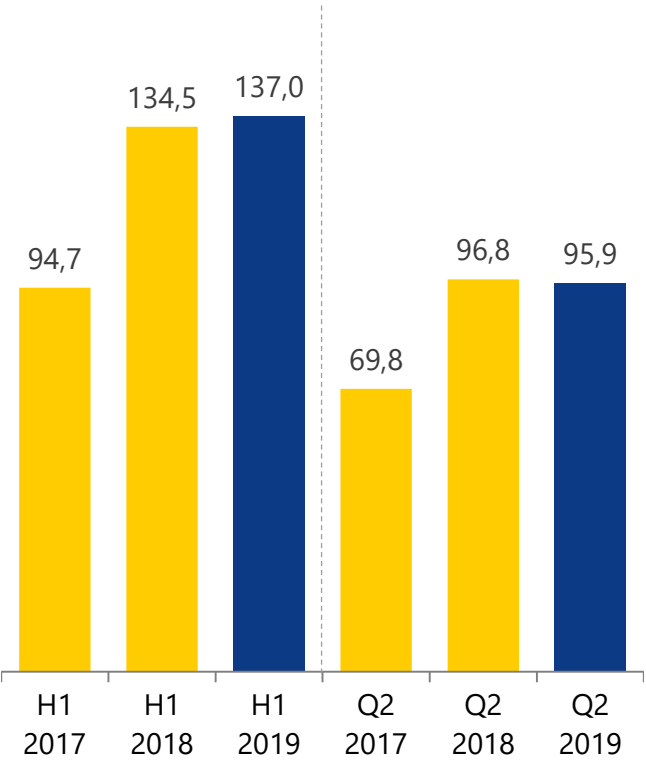
**0.4m**

H1 2019 Net profit  
(-90.1% y/y)

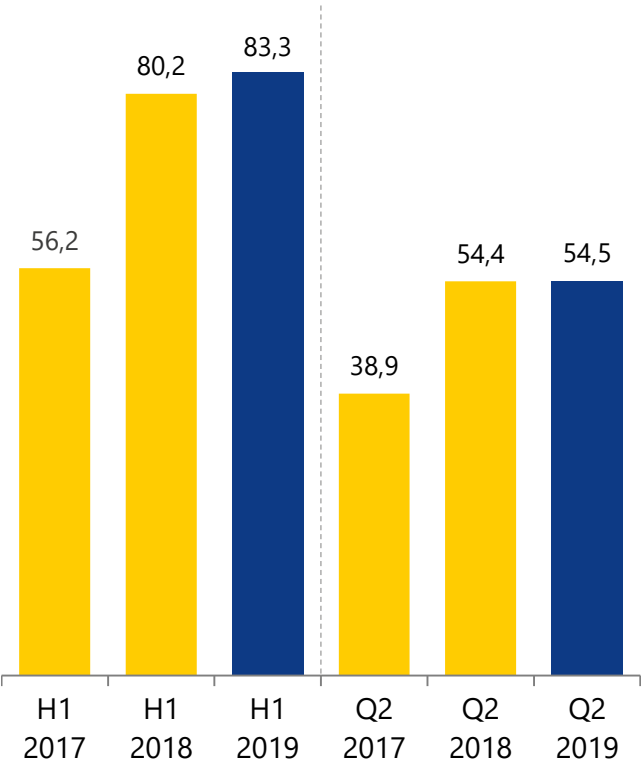
# Novaturas sales growth decelerates after explosive upswing in 2017 and 2018

After two years of dynamic market growth and record-high sales in 2018, when we served nearly 306 thousand customers, i.e. 31% more than in 2017, the market demand in the Baltics is slowing down which translates into roughly flat sales y/y in 2019.

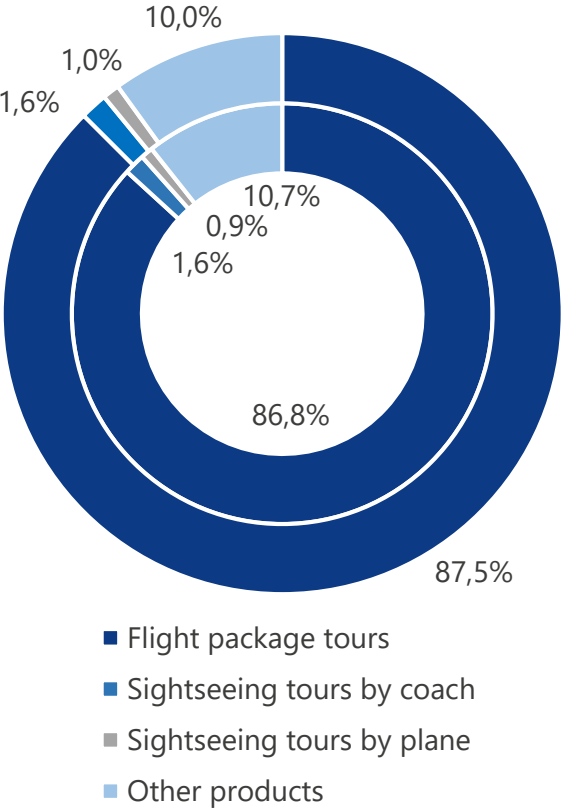
Number of PAX sold (ths)



Revenue (EURm)



**Sales by product category**  
(% share in revenue)  
H1 2019 (outer circle) vs H1 2018 (inner circle)

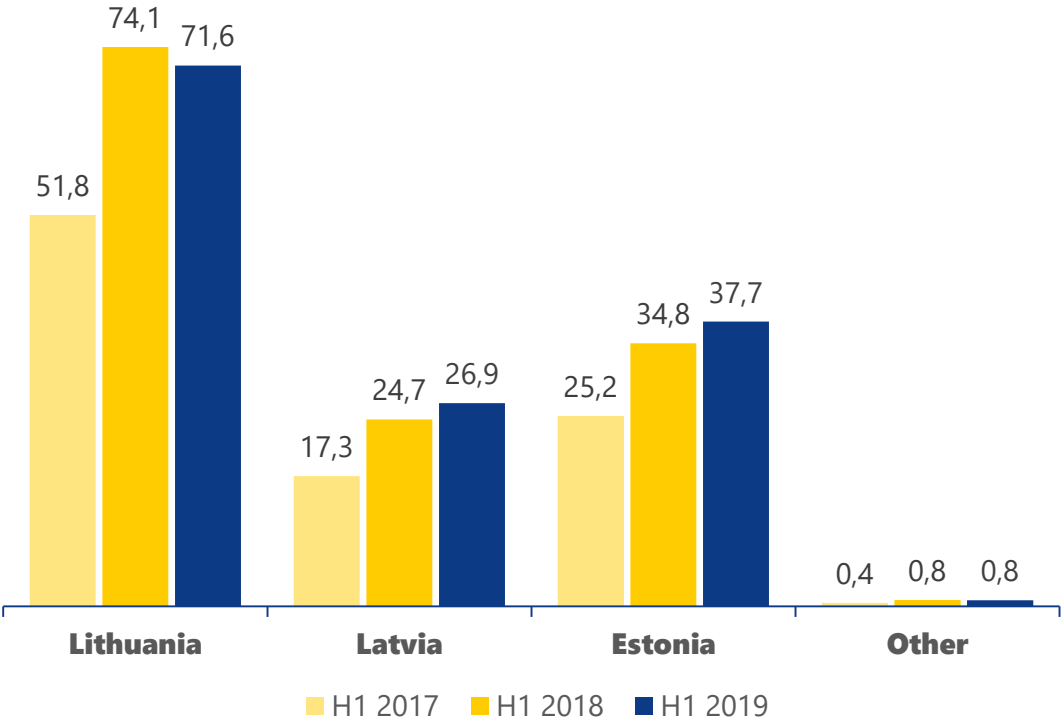


# Higher sales in Latvia and Estonia offset lower sales in Lithuania

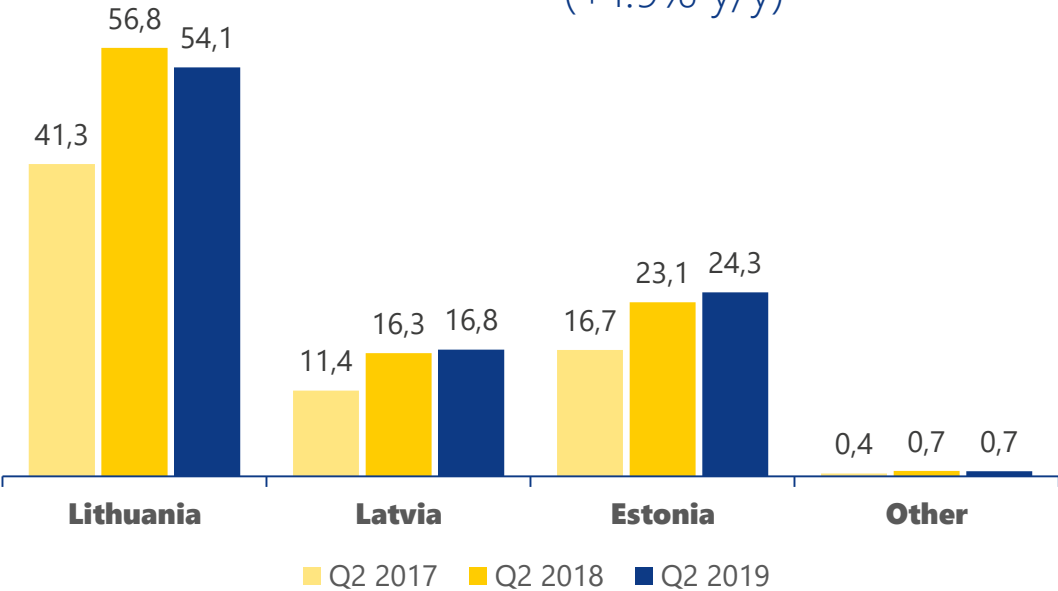
Following the oversupply in the market in 2018, when Novaturas and other market players overshot with their offer (the increase in the seats capacity outpaced the increase in market demand), we have decided to keep the seats supply for 2019 at similar level as in 2018.

As a result, in H1 2019, total number of customers served by Novaturas grew by 1.9% y/y. The number of PAX sold by the Group in Lithuania decreased by 3.3% y/y, while in the remaining Baltic countries Novaturas managed to maintain positive growth rates amounting to 8.8% in Latvia and 8.3% in Estonia.

Number of PAX sold by country (ths)

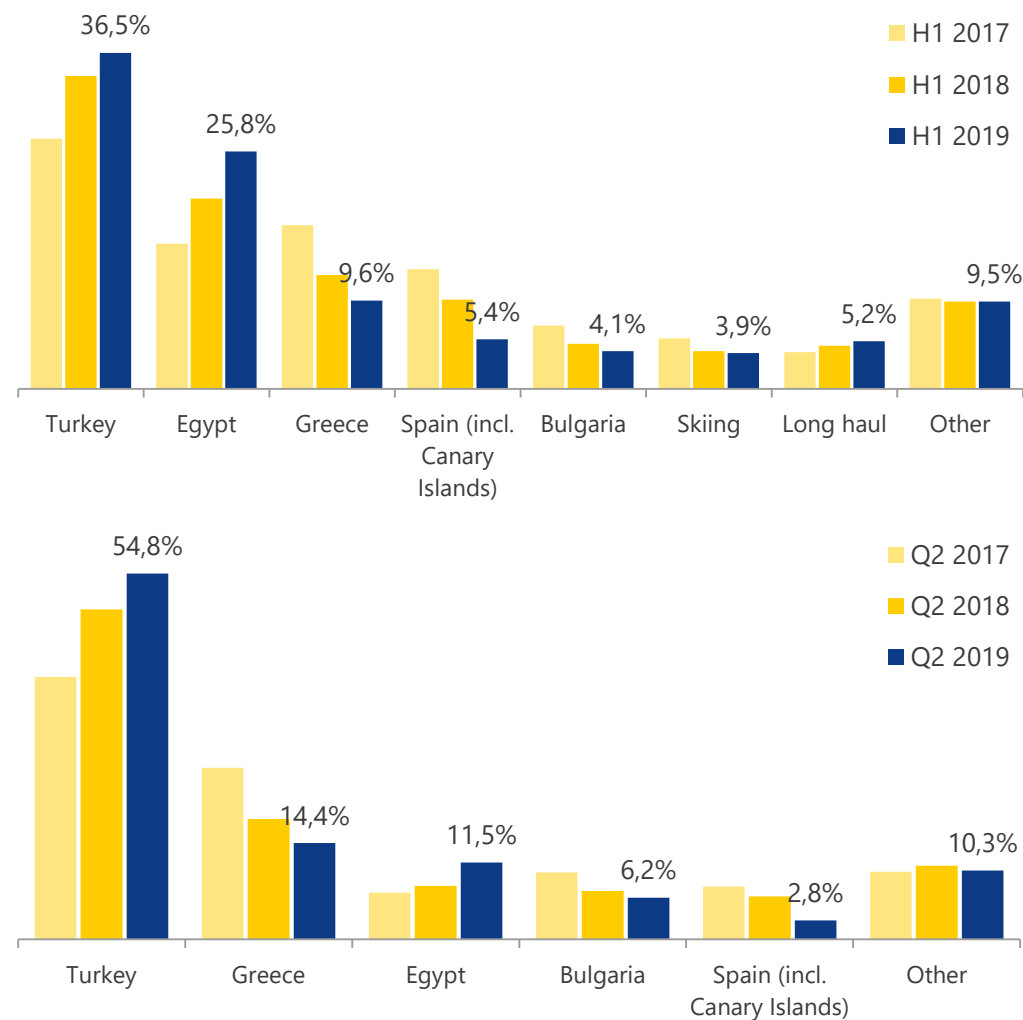


 **137,036**  
total PAX sold in H1 2019  
(+1.9% y/y)



# Turkey remains the most popular summer holiday destination

**Sales of flight package tours by destinations**  
(% share in charter travel revenue)



The most popular destinations among the Baltic citizens are Turkey in the summer season and Egypt in the winter season.

The rising appeal of Turkey, owing to its good price for the quality ratio and wide selection of accommodation, translates into the ebbing demand for Greece.

The popularity of long-haul destinations (sold only during the winter season) also steadily increases.



# We reach wide customer base thanks to well-balanced distribution

Novaturas uses various channels to sell its products on different markets, making its distribution more efficient while reaching wider customer base and using market opportunities, following consumer preferences.

The majority of our products are sold through travel agencies, with whom we have long-term business relations, built on professionalism and mutual trust.

 **400+**

external travel agencies

 **15.7%**

share in revenues in H1 2019  
from e-commerce

 **2.03 million**

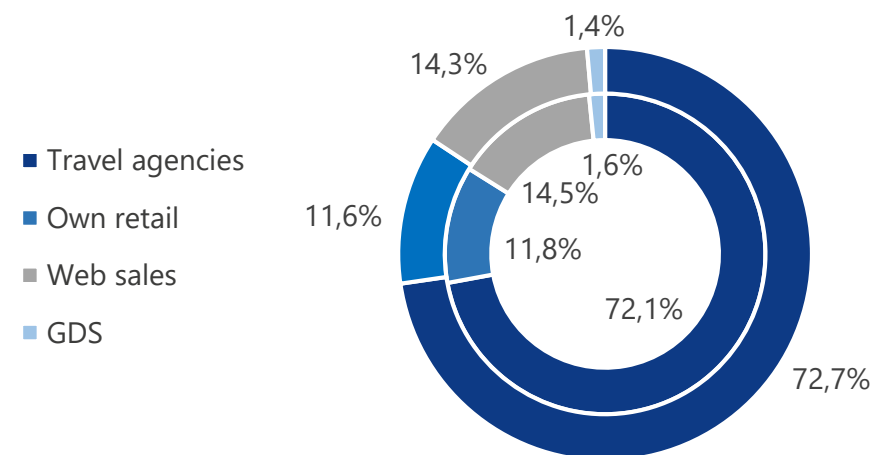
unique visitors on Novaturas websites in H1 2019

Diversification of sales channels allows Novaturas to offer its products to broader customer base, not only searching for package tours, but also for tickets and to exploit the most of market opportunities.

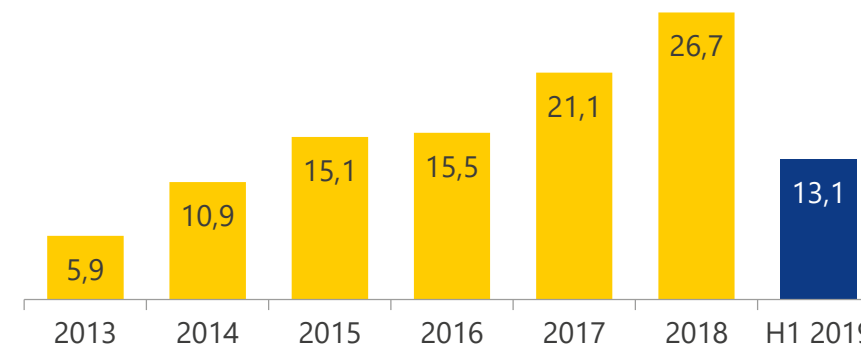
Novaturas constantly develops its e-commerce channel and manages one of the biggest online shops in the Baltics.

## Novaturas sales by distribution channels

H1 2019 (outer circle) vs. H1 2018 (inner circle)



## E-commerce sales (EURm)



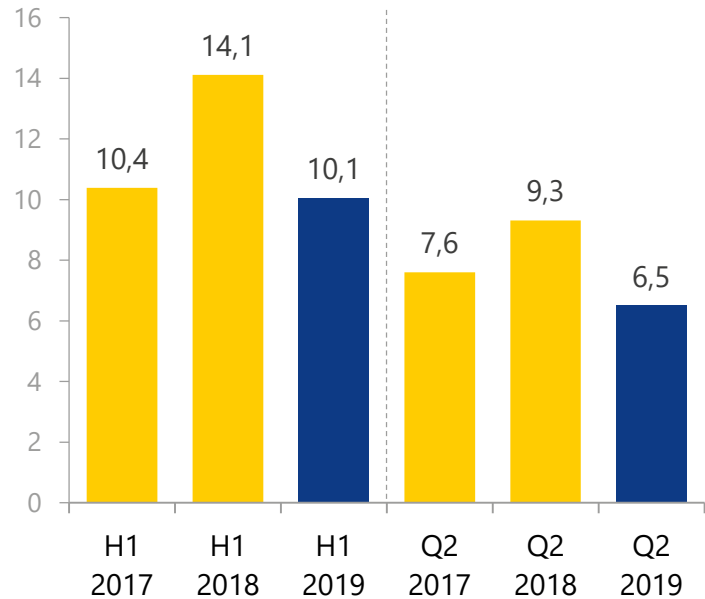
\* Revenues only including revenues from flight packages, roundtrips by plane and coach, sales of flight tickets and accommodation (without other products)

# H1 2019 profitability affected by increased competition and hot weather in source markets

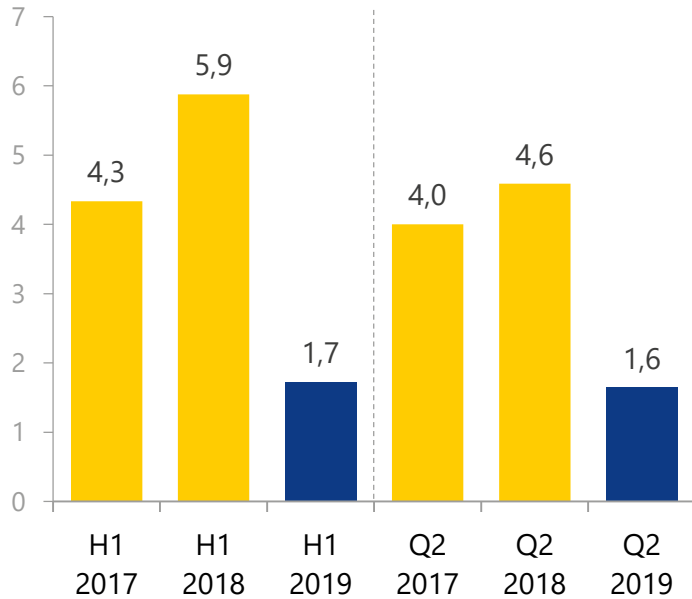
Dynamic growth of the tourism market in the Baltics over recent years attracted new market players. Increased competition in combination with hot weather (especially in June) has resulted in the oversupply, affecting the profitability of the entire sector.

Moreover, the Group's profitability was still slightly affected by higher costs related to the change of its main aviation partner (in Q4 2018, troubled carrier Small Planet Airlines was replaced by GetJet Airlines), but this effect is diminishing and should not weigh on our results during the remainder of 2019.

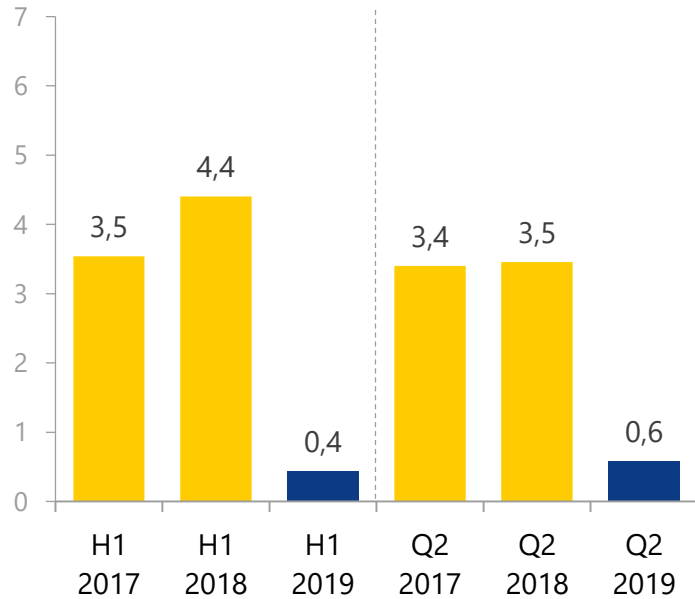
Gross profit (EURm)



EBITDA (EURm)



Net profit (EURm)

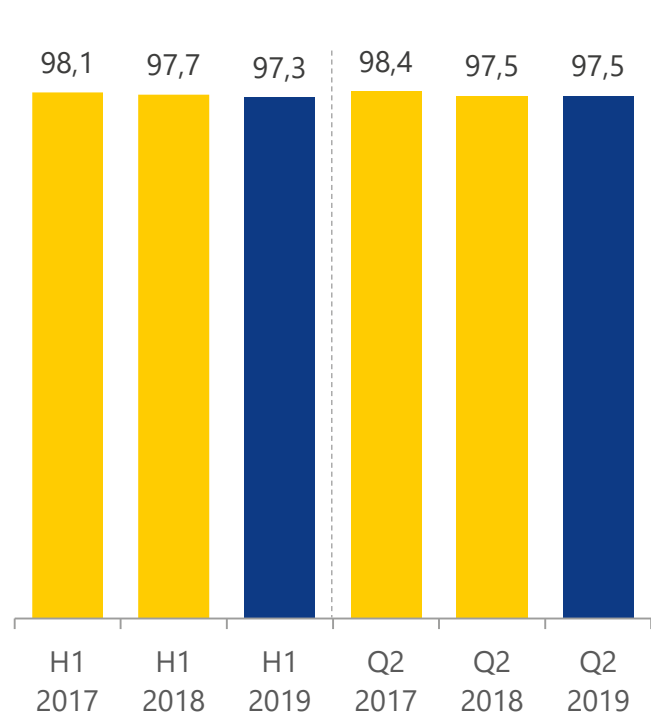




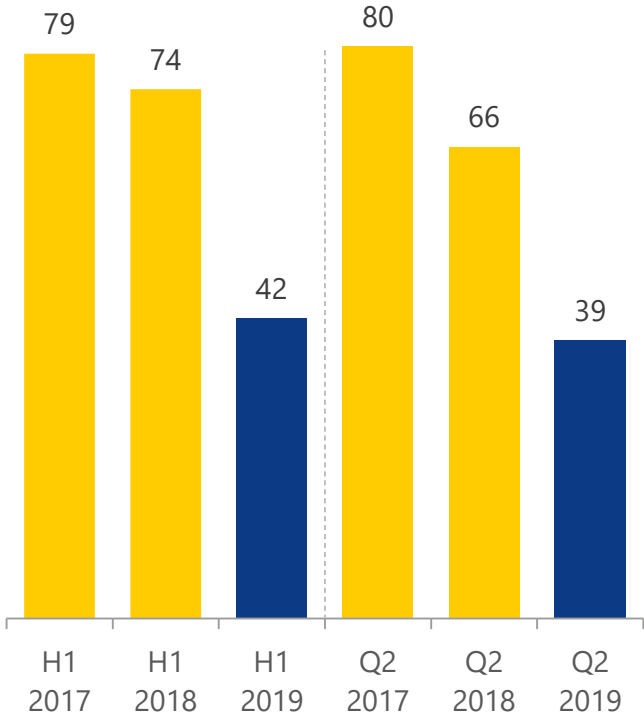
# Efficiency and productivity ratios

Novaturas keeps very high load factor, which shows effectiveness of our sales and very good fit of the program size to real demand. Despite oversupply in the market, we also managed to maintain average selling prices at similar level as in previous years.

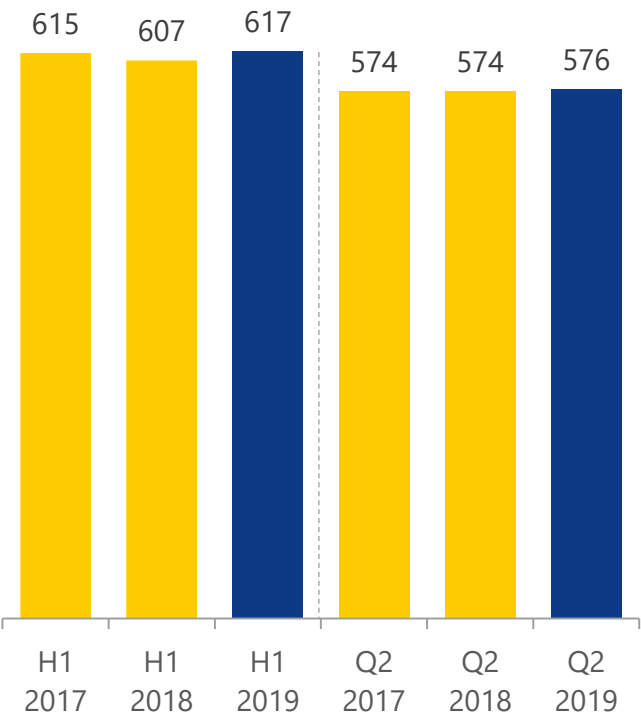
**Load factor**  
(%)



**Profit per PAX**  
(EUR)



**Average package tour price**  
(EUR)



## Operating expenses under strict control

We are determined to keep operating costs under control and steadily increase our office efficiency. In H1 2019, general and administrative expenses (excluding one-off items) decreased by 4.9% y/y.

The Group's total operating expenses during H1 2019 increased by only 0.9% y/y, while total sales increased by 3.8%.



**EUR 1.95m**

H1 2019 General and administrative expenses **(-4.9% y/y)**

Operating expenses (EUR 000s)	Q2 2019	Q2 2018	y/y change	H1 2019	H1 2018	y/y change	2018	2018 vs. 2017	2017	2017 vs. 2016	2016
Sales and marketing (excl. commissions)	972	772	25.9%	1,972	1,743	13.1%	4,140	13.3%	3,654	10.1%	3,320
General and administrative (excl. one-offs)	956	1,082	-11.6%	1,951	2,052	-4.9%	3,969	-10.1%	4,416	13.1%	3,905
<b>Total operating expenses (excl. commissions and one-offs)</b>	<b>1,928</b>	<b>1,854</b>	<b>4.0%</b>	<b>3,923</b>	<b>3,795</b>	<b>3.4%</b>	<b>8,109</b>	<b>0.5%</b>	<b>8,070</b>	<b>11.7%</b>	<b>7,225</b>
Commissions	2,916	2,895	0.7%	4,394	4,199	4.6%	9,652	31.1%	7,363	48.1%	4,973
One-off expenses	64	52	23.1%	144	391	-63.2%	887	2.9%	862	9477.8%	9
<b>Total operating expenses</b>	<b>4,908</b>	<b>4,800</b>	<b>2.3%</b>	<b>8,461</b>	<b>8,384</b>	<b>0.9%</b>	<b>18,648</b>	<b>14.4%</b>	<b>16,295</b>	<b>33.5%</b>	<b>12,207</b>

# Forward-looking statements

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5% increase in early bookings for the upcoming 2019/2020 winter season (as of July 22), with significantly higher profitability as compared to the previous year



We will defend our market position and will start next summer season with similar seats capacity as for 2019, constantly exploring opportunities to increase it further



No further negative effect on the Group's profitability related to the change of our main aviation partner, as compared to the previous year



Increasing efficiency while maintaining high quality service level – since the beginning of 2019 we have already reduced headcount by 8% (excluding representatives abroad) and will actively search for possibilities to make further efficiency improvements, e.g. by investing into technologies



Increasing volumes of sightseeing trip sales – with new sightseeing trips by plane already offered for Latvian and Estonian markets

# Appendices

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# Consolidated statements of comprehensive income

EUR 000s	Q2 2019	Q2 2018	y/y change	H1 2019	H1 2018	y/y change	2018
<b>Sales</b>	<b>54,454</b>	<b>54,394</b>	<b>0.1%</b>	<b>83,260</b>	<b>80,239</b>	<b>3.8%</b>	<b>182,032</b>
Cost of sales	(47,827)	(45,082)	6.1%	(73,074)	(66,126)	10.5%	(155,753)
<b>Gross profit</b>	<b>6,501</b>	<b>9,312</b>	<b>-30.2%</b>	<b>10,060</b>	<b>14,113</b>	<b>-28.7%</b>	<b>26,279</b>
Operating (expenses)	(4,908)	(4,800)	2.3%	(8,461)	(8,384)	0.9%	(18,648)
Other operating income	0	14	-100.0%	1	14	-92.9%	14
Other operating (expenses)	0	0	0.0%	-2	-2	0.0%	(2)
<b>Profit from operations</b>	<b>1,593</b>	<b>4,526</b>	<b>-64.8%</b>	<b>1,598</b>	<b>5,741</b>	<b>-72.2%</b>	<b>7,643</b>
Finance income	160	72	122.2%	270	316	-14.6%	820
Finance (expenses)	(312)	(251)	24.3%	(589)	(640)	-8.0%	(1,873)
<b>Profit before tax</b>	<b>1,441</b>	<b>4,347</b>	<b>-66.9%</b>	<b>1,279</b>	<b>5,417</b>	<b>-76.4%</b>	<b>6,590</b>
Income tax (expense)	(856)	(890)	-3.8%	(842)	(1,015)	-17.0%	(1,175)
<b>Net profit</b>	<b>585</b>	<b>3,457</b>	<b>-83.1%</b>	<b>437</b>	<b>4,402</b>	<b>-90.1%</b>	<b>5,415</b>
Other comprehensive income to be reclassified to profit or loss in subsequent periods							
Result of changes in cash flow hedge reserve	99	548	-81.9%	1,225	674	81.8%	(2,160)
Impact of income tax	(15)	(82)	-81.7%	(184)	(101)	82.2%	324
<b>Total comprehensive income for the year</b>	<b>669</b>	<b>3,923</b>	<b>-82.9%</b>	<b>1,478</b>	<b>4,975</b>	<b>-70.3%</b>	<b>3,579</b>
Earnings per share <sup>1)</sup>	0.07	0.44	-83.1%	0.06	0.56	-90.1%	0.69

# Main ratios

Financial ratios (EUR 000s)	Q2 2019	Q2 2018	y/y change	H1 2019	H1 2018	y/y change	2018
<b>Revenue</b>	<b>54,454</b>	<b>54,394</b>	<b>+0.1%</b>	<b>83,260</b>	<b>80,239</b>	<b>+3.8%</b>	<b>182,032</b>
Gross profit	6,501	9,312	-30.2%	10,060	14,113	-28.7%	26,279
<b>EBITDA</b>	<b>1,645</b>	<b>4,588</b>	<b>-64.1%</b>	<b>1,728</b>	<b>5,875</b>	<b>-70.6%</b>	<b>7,908</b>
Operating profit (EBIT)	1,593	4,524	-64.8%	1,598	5,741	-72.2%	7,643
Profit before tax	1,441	4,347	-66.9%	1,279	5,417	-76.4%	6,590
<b>Net profit</b>	<b>585</b>	<b>3 457</b>	<b>-83.1%</b>	<b>437</b>	<b>4,402</b>	<b>-90.1%</b>	<b>5,415</b>
<b>Relative indicators</b>	<b>Q2 2019</b>	<b>Q2 2018</b>	<b>y/y change</b>	<b>H1 2019</b>	<b>H1 2018</b>	<b>y/y change</b>	<b>2018</b>
Number of shares <sup>1)</sup>	7,807,000	7,807,000	-	7,807,000	7,807,000	-	7,807,000
Earnings per share (EUR) <sup>1)</sup>	0.07	0.44	-0.37	0.06	0.56	-0.51	0.69
Gross profit margin (%)	11.9%	17.1%	-5.2 pp	12.1%	17.6%	-5.5 pp	14.4%
<b>EBITDA margin (%)</b>	<b>3.0%</b>	<b>8.4%</b>	<b>-5.4 pp</b>	<b>2.1%</b>	<b>7.3%</b>	<b>-5.2 pp</b>	<b>4.3%</b>
Operating profit (EBIT) margin (%)	2.9%	8.3%	-5.4 pp	1.9%	7.2%	-5.3 pp	4.2%
Profit before taxes margin (%)	2.6%	8.0%	-5.4 pp	1.5%	6.8%	-5.3 pp	3.6%
<b>Net profit margin (%)</b>	<b>1.1%</b>	<b>6.4%</b>	<b>-5.3 pp</b>	<b>0.5%</b>	<b>5.5%</b>	<b>-5.0 pp</b>	<b>3.0%</b>
Return on assets (ROA) (%)	1.1%	5.9%	-4.8 pp	0.8%	7.7%	-7.0 pp	9.5%
Debt to equity ratio (%)	47.4%	48.4%	-1.0 pp	47.4%	48.4%	-1.0 pp	55.7%
Equity ratio (%)	30.8%	33.6%	-2.8 pp	30.8%	33.6%	-2.8 pp	30.0%
Effective tax rate (%)	59.4%	20.5%	+38.9 pp	65.8%	18.7%	+47.1 pp	17.8%
Current ratio	0.77	0.98	-0.21	0.77	0.98	-0.21	0.68

# Consolidated balance sheet

(EUR 000s)	30 Jun 2019	31 Dec 2018	30 Jun 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	30,327	30,327	30,327
Other intangible assets	347	427	483
Property, plant and equipment	260	292	300
Long term receivables	62	65	62
Deferred income tax asset	7	6	6
<b>Total non-current assets</b>	<b>31,003</b>	<b>31,117</b>	<b>31,178</b>
<b>Current assets</b>			
Inventories	4	3	1
Prepayments and deferred expenses	11,178	8,861	9,831
Trade accounts receivable	549	697	757
Prepaid income tax	233	231	1
Other receivables	2,632	2,028	3,362
Other current financial assets	0	0	1,244
Restricted cash	3,200	1,700	4,600
Cash and cash equivalents	2,585	3,203	7,451
<b>Total current assets</b>	<b>20,381</b>	<b>16,723</b>	<b>27,247</b>
<b>Total assets</b>	<b>51,384</b>	<b>47,840</b>	<b>58,425</b>

(EUR 000s)	30 Jun 2019	31 Dec 2018	30 Jun 2018
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	234	234	234
Cash flow hedge reserve	(310)	(1,351)	1,057
Legal reserve	29	29	29
Foreign currency translation reserve	145	145	145
Retained earnings	15,747	15,310	18,179
<b>Equity attributable to equity holders of the parent</b>	<b>15,845</b>	<b>14,367</b>	<b>19,644</b>
<b>Liabilities</b>			
Non-current borrowings	6,000	6,000	8,000
Deferred income tax liabilities	3,114	2,781	3,040
<b>Total non-current liabilities</b>	<b>9,114</b>	<b>8,781</b>	<b>11,040</b>
<b>Current liabilities</b>			
Current portion of non-current borrowings	1,500	2,000	1,500
Overdraft	-	-	-
Trade payables	4,998	4,611	3,387
Advances received	18,928	14,259	20,400
Income tax payable	98	29	200
Other current liabilities and accrued expenses	901	3,793	2,254
<b>Total current liabilities</b>	<b>26,425</b>	<b>24,692</b>	<b>27,741</b>
<b>Total equity and liabilities</b>	<b>51,384</b>	<b>47,840</b>	<b>58,425</b>

# Consolidated cash flow statement

(EUR 000s)	H1 2019	H1 2018	2018
Net profit	437	4,402	5,415
Adjustments for non-cash items	1,946	2,290	(253)
Changes in working capital	(3,681)	(4,286)	344
<b>Net cash flows from / (to) operating activities</b>	<b>(1,298)</b>	<b>2,406</b>	<b>5,506</b>
<b>Net cash flows from / (to) investing activities</b>	<b>(56)</b>	<b>(171)</b>	<b>(239)</b>
Loans received	8,000	-	-
(Repayment) of loans	(8,500)	(4,500)	(6,000)
Interest (paid)	(264)	(268)	(488)
Dividends (paid)	-	-	(4,060)
<b>Net cash flows from / (to) financing activities</b>	<b>(764)</b>	<b>(4,768)</b>	<b>(10,548)</b>
<b>Net increase (decrease) in cash flows</b>	<b>(2,118)</b>	<b>(2,533)</b>	<b>(5,281)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>4,703</b>	<b>9,984</b>	<b>9,984</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>2,585</b>	<b>7,451</b>	<b>4,703</b>



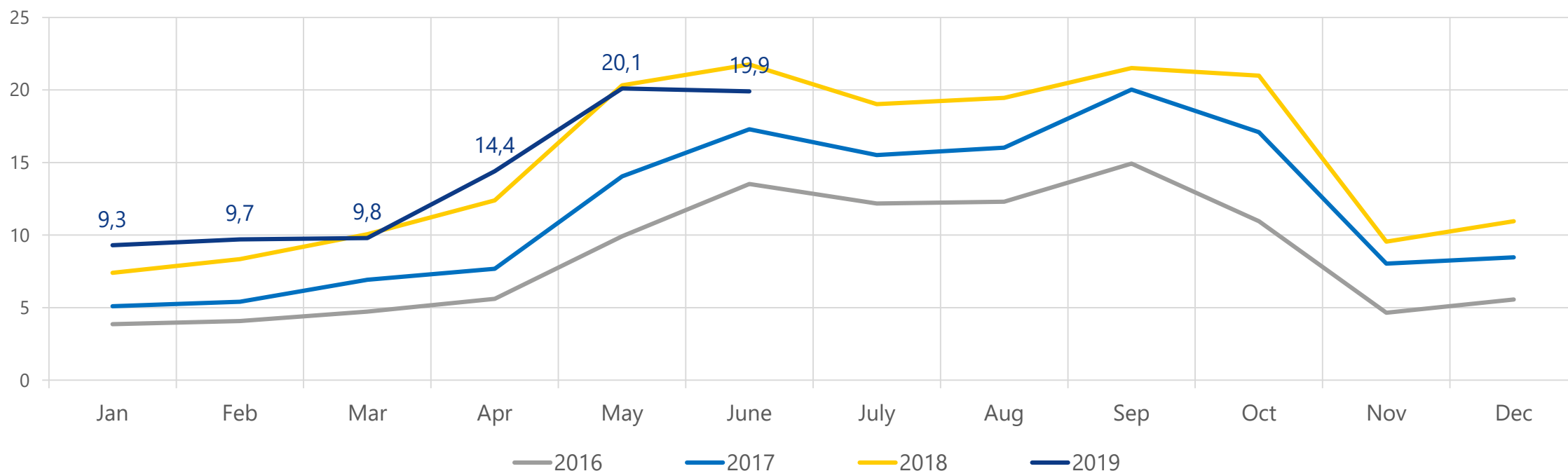
# Seasonality of Novaturas business with strong shoulder season

Novaturas operates in a sector which is subject to seasonality. It is characterized by higher demand for the Group's products and services during the summer season, i.e. in the second and third quarters of the year, and lower demand in the remaining periods.

In case of Novaturas the high season is very long – starts already in May and lasts until October. Due to the fact that Novaturas has very strong shoulder season, its monthly and quarterly revenues distribution is better balanced throughout the year.

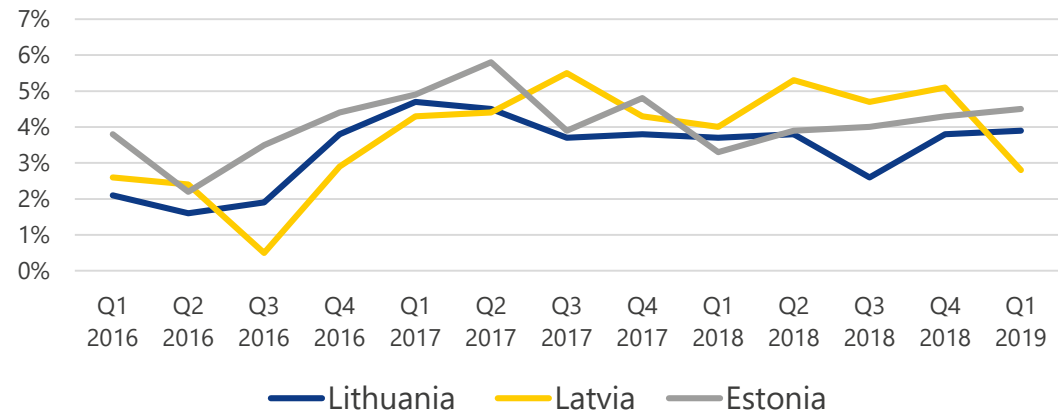
During Q2 2019, we had strong sales in April, followed by weaker than expected sales in May and June, partly because of hot weather in the Baltics (especially in June), which has resulted in lower demand for outbound trips.

## Monthly revenue (EUR m)

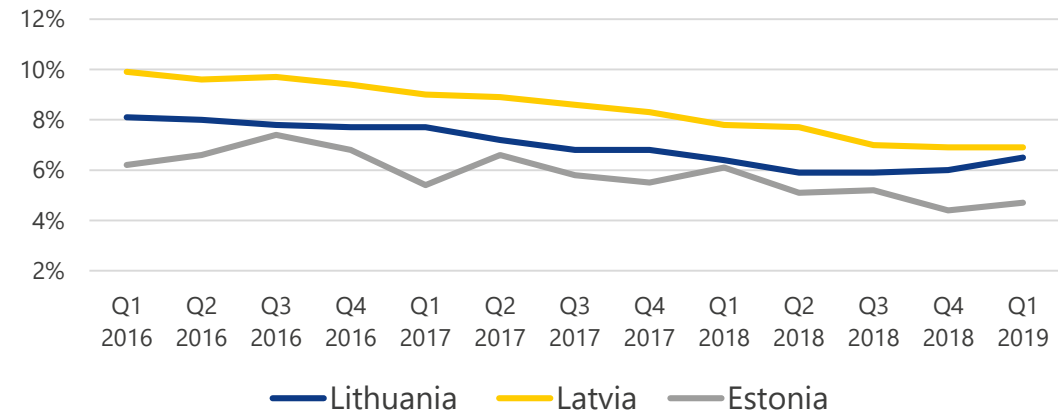


# Macroeconomic conditions in the Baltics

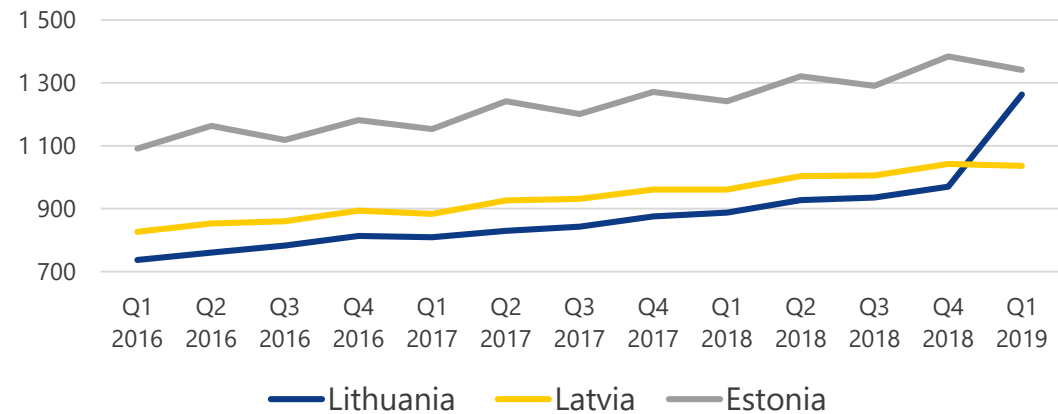
GDP growth rate (%)



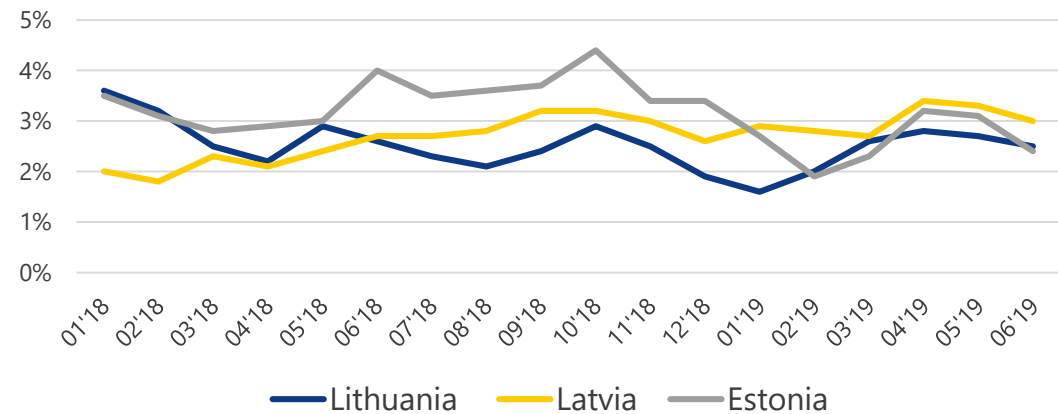
Unemployment rate (%)



Average monthly gross salary (EUR)

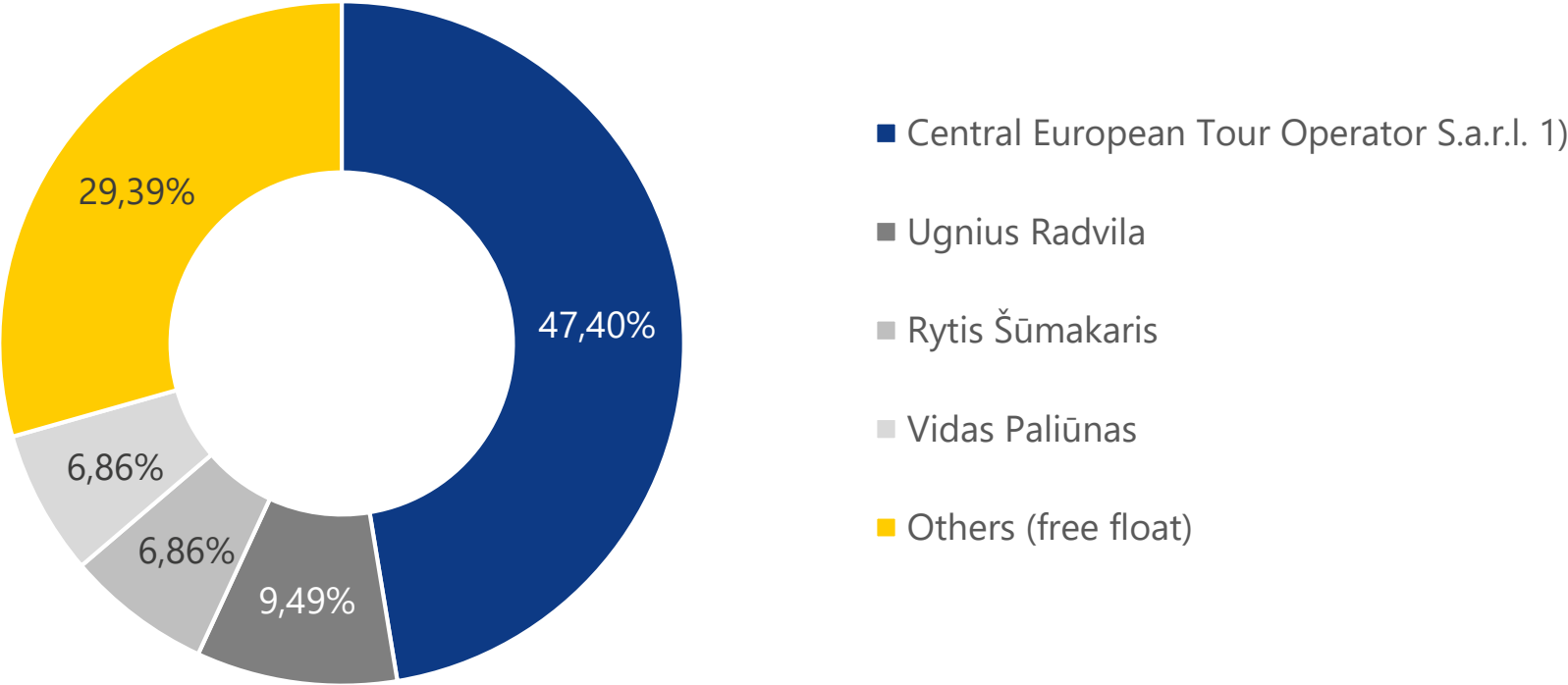


Inflation (%)



The hike in the average gross salary in Lithuania, visible between Q4 2018 and Q1 2019, is the result of new tax regulations that took effect with the beginning of 2019 and introduced a new accounting method that mainly affected gross salaries, while having negligible effect on net salaries. Under the new system, the due social security contributions are counted as part of the gross salary, increasing it significantly.

# Novaturas shareholder structure



1) Central European Tour Operator S.a.r.l. is an entity owned by Polish Enterprise Fund VI, managed by Enterprise Investors

# Company information

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## **Novaturas group PLC**

### **Registered address:**

Mickevičiaus str. 27, LT-44245 Kaunas, Lithuania

[www.novaturasgroup.com](http://www.novaturasgroup.com)

Registered under number 135567698 in Lithuania

Company established: 1999 12 16

### **Stock Listing:**

Warsaw Stock Exchange

Nasdaq Vilnius Stock Exchange

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