Barclay Pearce Capital | Research

19 May 2022

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Webjet Limited (WEB)

Retailing

UNDERPERFORM

WEB A$5.79 **TARGET PRICE A$3.89**

Webjet Limited (WEB) is a digital travel business spanning both the global consumer markets (B2C) and the wholesale markets (B2B). The operations include online sale of travel products, including flight tickets and hotel rooms. The company also has ancillary products such as holiday packages, hotels, car hire and travel insurance. The company has presence in Australia, New Zealand, Europe, Asia-Pacific and Amercias, Middle East & Africa (AMEA).

Company Data

Number of shares	380.5M
Market Capitalisation	$,203.2M
Free float (%)	95.8
12-month high/low	$6.66/4.61
Average Daily Turnover ($m)	16.96
% S&P/ASX200	0.104
DDM Ranking	423
% All Ordinaries	0.089
GICS Industry Group	Internet & Direct Marketing Retail

Source: FactSet, Barclay Pearce Capital

Earnings Summary (AUD)

Year end March	2022A	2023F	2024F
Revenue ($M)	138.0	325.3	426.9
EBITDA ($M)	-42.8	123.5	190.8
Reported NPAT ($M)	-85.0	41.8	111.3
Adjusted NPAT ($M)	-85.0	59.8	118.6
Reported EPS (¢)	-22.4	10.1	29.0
Adjusted EPS (¢ - FD)	-22.4	16.1	31.3
Adjusted EPS growth (%)	N/A	-215.0	93.8
Adjusted P/E (x)	-25.8	35.9	18.5
Dividend (¢/sh)	0.0	4.1	11.6
Gross yield (%)	0.0	1.0	2.9
Net yield (%)	0.0	0.7	2.0
ROIC (%)	N/A	10.8	21.9

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195 and Capital IQ.

Share price performance.

Source: FactSet, Barclay Pearce Capital

FY22 Results Announcement

On 19th May 2022, Webjet Limited (WEB) announced its FY22 Results Announcement with the following highlights:

Highlights:

- Time to Value (TTV) of $1,638m;
- Revenue of $138m;
- Operating expenses ($153m);
- EBITDA of ($42.8m);
- Reported NPAT of ($85m);
- EPS (22.4c);
- Group profitable in 2H22 driven by WebBeds and Webject OTA;
- WebBeds profitable in 2H22 driven by North American and European markets;
- WebBed expenses down 31% compared to pre-pandemic levels and on track to be 20% more cost efficient when back at scale;
- Webjet OTA profitable for FY22 notwithstanding border closures in 1H22 and Omicron impact in 2H22;
- Webjet OTA international booking increasing 4Q22;
- GoSee rebrand underway to deliver greater efficiencies, enhance customer experience and improve underlying performance;

Outlook:

- Strong start to FY23 with all businesses profitable in April with indications of a further strong uplift in May; and
- Webjet is intent on capitalising on travel recovery and it sees significant growth potential in all its businesses as travel markets reopen;
- As markets continue to recover, pre-pandemic seasonal earnings patterns for WebBeds, Webjet OTA and GoSee are expected to return.

Commenting on the outlook, WEB's MD John Guscic said:

"*In addition to the strong signs of demand we see demonstrated through our daily customer search activity, we are also seeing demonstrable indicators of confidence in the recovery from our supply partners as they invest in capacity for the future. For example, Qantas, Virgin and Rex have all placed orders for new aircraft, and Bonza has announced its launch into the Australian domestic market. We are also seeing major hotel and resort rebound with over US$68 billion in global hotel investment in CY20212, and an anticipated 2,805 hotels with 428,037 new rooms to open in 20223. We continue to observe the progressive restoration of travel patterns as domestic and international borders open.*

Trading continues to improve on the back of increased demand and opening borders. First quarter trading for the Group is currently tracking well ahead of 4Q22 at Bookings, TTV, Revenue and EBITDA levels. April was our most profitable month since the pandemic began with all of our businesses delivering profits. May's profitability is expected to significantly exceed that of April."

Earnings changes

For FY22, WEB reported a reported NPAT loss of $85m. This compares to market expectations of $-54.5m. The outlook for FY23, especially the trading for the months of April and May are consistent with market expectations of a turnaround in profitability. Hence, we do not expect any significant earnings revisions for FY23 and future periods.

Valuation

We are updating our 12-month target price from $3.23 to $3.89 and retaining our UNDERPERFORM recommendation. The price target is underpinned by our valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over thirty (30) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2021 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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Buy – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of 15% or more within a 12-month period.
Hold – Describes stocks that are neither a buy nor underperform.
Underperform – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.
NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.
Speculative Buy – Describes stocks we research with a positive bias, whose company fundamentals and/or financials are being covered, but for which there is insufficient information for Barclay Pearce Capital to assign a Buy or Underperform rating.
Free Float (float / current shares outstanding) *100 – This float figure is the number of shares that are available to the public and is calculated by subtracting the shares held by insiders and those deemed to be stagnant shareholders. Stagnant holders include ESOP's, ESOT's, QUEST's, employee benefit trusts, founding shareholder equity stake plus senior management equity stake, corporations not actively managing money, venture capital companies and shares held by Governments.

Valuation Methodology

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Barclay Pearce Capital Recommendation Proportions

Buy	40.7%	(	0.0% of stocks with recommendations are Barclay Pearce clients)
Hold	23.4%	(	0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	35.9%	(	0.0% of stocks with recommendations are Barclay Pearce clients)