

stock research

Short Term:	Marketperform
Long Term:	Outperform

Wotif.com Ltd

Why not when you can wotif?

Stock Code: WTF
 Last Sale: \$4.16
 Market Cap (fd): \$886.4
 Risk Level: Medium

2 May 2008

EVENT

- Select Equities has completed a stock research note on Wotif.com Ltd (WTF).

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KEY HIGHLIGHTS

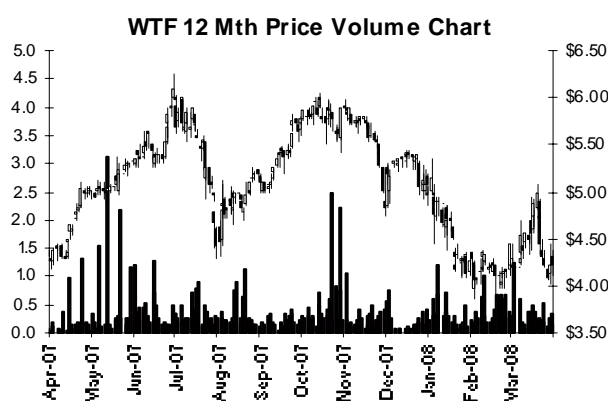
- Wotif.com Ltd (WTF), established in 2000, is the market leader in Australia's online travel accommodation booking market.
- WTF delivered strong 1H08 results, with Total Revenue, EBITDA and NPAT increasing from \$31.0m, \$16.6m and \$11.9m to \$41.1m (+32.3%), \$23.0m (+38.5%) and \$17.1m (+43.4%) compared to the pcp.
- Growth is expected to continue in the long-term, driven by the continued growth in travel accommodation, the increasing popularity of the internet as a travel booking medium and the increased rates of broadband internet penetration.
- WTF maintains very high margins, with EBITDA and NPAT margins in 1H08 of 60.8% and 45.1% respectively. The high margins and cash nature of sales allow WTF to generate strong operating cash flows, with 1H08 OCF/Sales at 65%.
- In Dec-07 WTF acquired travel.com.au Ltd (TVL), which operates several online travel websites including lastminute.com.au, lastminute.com.nz, travel.com.au and travel.com.nz. This acquisition cost \$60m and was priced at approximately 30x FY08e EBITDA.
- In Mar-08 WTF announced the acquisition of Asia Web Direct Limited, a HK based company operating over 100 online accommodation and travel booking portals. This acquisition cost \$34.2m and is expected to be earnings accretive for WTF within 12 months of purchase.
- WTF holds a strong balance sheet with no debt. WTF advises that it has no more acquisition plans in the near future.
- WTF's share price has fallen by 32% from a high of \$6.10 in Jul-07 to be trading at \$4.16 currently. We believe this share price correction may provide investors with an opportunity to buy WTF shares at more reasonable prices.

SELECT EQUITIES FORECASTS

- Select Equities estimates that WTF will generate FY09e EBITDA and NPAT of \$66.4m and \$46.7m respectively. At current prices and based on these forecasts WTF is trading on a FY09e EV/EBITDA multiple of 12.4 times, a PER of 18.5 times, and is expected to pay a fully franked yield of 4.3%.

June Year End	FY07A	1H08	FY08E	FY09E
Net Profit (\$m)	26.4	17.1	34.1	46.7
EBITDA (\$m)	36.5	23.0	47.5	66.4
EBIT (\$m)	32.9	21.1	43.8	61.4
EPS (¢)	13.0	8.4	16.4	22.5
DPS (¢)	13.0	6.0	13.1	18.0
PER (x)	32.0	25.4	25.4	18.5
PER Rel All Ords (%)	259%	205%	205%	150%
Ent. Value/EBITDA (x)	22.6	17.4	17.4	12.4
Ent. Value/EBIT (x)	25.1	18.8	18.8	13.4
Yield (%)	3.1%	1.4%	3.2%	4.3%
Diluted Shares (m)				213.1
Avg. Mthly Volume (m)				7.3
Diluted Mkt Cap (\$m)				886.4
Net Debt (\$m)				-61.7
Enterprise Value (\$m)				824.7

Source: Select Equities Research



Source: IRESS

BUSINESS DESCRIPTION

- WTF is an online booking service specialising in distressed (short booking time frame) travel accommodation. Its primary operations involve facilitating the online booking of holiday or business travel accommodation through its website, wotif.com. The company has direct supply relationships with over 10,000 accommodation providers in 43 countries. However, the majority of its sales relate to hotels and accommodation located in Australia, reflecting the strength of the 'Wotif.com' brand in the local market.
- Accommodation providers are paid upon invoice issued by them after the customer checks out. This payment structure results in WTF holding favourable cash positions of \$56.4m and \$104.4m in FY06 and FY07 respectively. Maintaining the large cash levels allows WTF to earn significant amounts of interest before paying supplier payables outstanding, supplier payables equalled \$54.9m and \$71.8m in FY06 and FY07 respectively.
- Customers are drawn to wotif.com's features including substantial choice, cheap room rates, efficient website technology and fast payment solutions. WTF has been very successful, increasing sales by 209.7% between FY05 and FY07. The growth was supported by word of mouth and PR campaigns. In addition, a new conventional media advertising campaign started in Mar-08. The effects of this campaign are still to be measured.
- Most WTF customers are Australian domestic or Australian international travellers. About 50% of customers pure leisure travellers, with the remaining 50% being customers who use the site for both their leisure and business needs.
- Accommodation providers are attracted to WTF because the website offers them an opportunity to efficiently manage, promote and distribute their distressed inventory. These suppliers are able to add and manage their advertisements directly through the wotif.com supplier interface 24/7.
- In an effort to expand its accommodation offering and enhance the attractiveness of the wotif.com website, WTF has signed on large numbers of suppliers in Australia, NZ, Asia, Europe and the Americas.
- Wotif.com features a live, interactive matrix displaying the availability of property accommodation across all WTF suppliers, ordered by number of stars and then listed alphabetically. The site currently offers a 28-day booking window, WTF is currently exploring the possibility of extending the booking window to 365 days in the hope of increasing sales from customers looking to plan international holidays.
- WTF continually develops additional website features and capabilities in order to maintain its market leading competitive position. Some recent additions to the site include:
 - The 'Flaming Deal', which takes the form of an additional flaming icon added to a supplier's offer, signifying that the room has a special offer attached to it.
 - The 'Wot Hotel', is a feature that allows higher priced hotels to sell their time-pressed inventory anonymously in a bid not to tarnish the perception of their premium brand.
 - The Seamless Booking Solution, which links the WTF supplier interface website to a hotel's internal booking database and allows for a real-time link between the two.
- WTF has an extensive business development team of product managers responsible for increasing accommodation inventory and regularly maintaining supplier relationships.

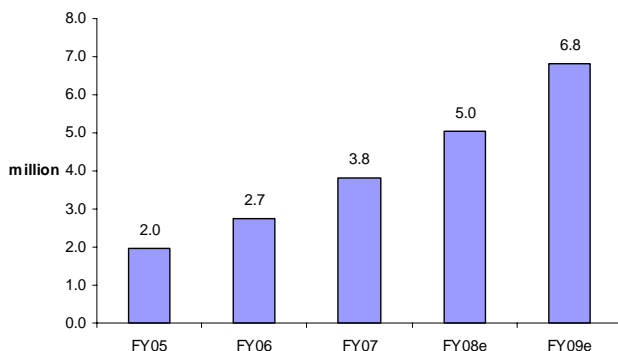
FINANCIALS

- WTF earns a gross margin of approximately 12% (10% commission rate + \$3.85 booking fee + credit card surcharge on Amex & Dinners). The 10% commission rate is deducted from the amount payable to the accommodation provider, credit card surcharge and booking fee is paid by the retail customer at the point of sale. In 1H08 the total gross margin amounted to approximately 11.8% of TTV. The gross margin has decreased slightly over time as a result of the increase in the average length of stay per booking.
- WTF EBITDA margin has been increasing over time from 52.7% in FY05 to 56% in 1H08. The increase reflects the decreasing proportion of corporate costs relative to

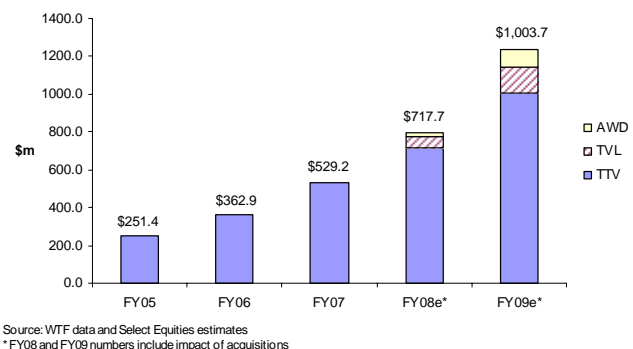
operating revenue. The increase in EBITDA carries through to the NPAT margin, which increased from 37.5% in FY05 to 41.6% in 1H08.

- WTF's largest cost is credit card commissions charged on the balance of the transaction value but paid by WTF out of its 12% gross margin. Credit card commissions amounted to approximately 1.5% of WTF's 1H08 TTV, and to 12.5% of WTF's 1H08 sales revenue. Credit card commissions have decreased from 14.1% of WTF's FY06 sales revenue, as a result of WTF negotiating more favourable merchant service fees reflective of the increased transactional volumes generated by the website.
- Advertising expenditure amounts to approximately 7% of operating revenue, a steady trend over time. Most of this expenditure is related to search engine optimisation/marketing activities. Select Equities expects the proportion of this expenditure may increase in FY08 as a result of WTF pursuing a traditional mainstream media promotional campaign starting in Mar-08.
- Business development expenditure amounted to approximately 5.6% of operating revenue in 1H08 decreasing from 7.8% in FY06. Given the record of acquisitions, we don't expect this declining trend to continue.
- WTF employs conservative accounting in relation to its IT development costs, which are fully capitalised and, subsequently, fully amortised within 12 months of the capital expenditure occurring.
- Corporate costs including D&A, web maintenance cost, audit fees, rent & outgoings, share based payments and other expenses amounted to 18.9% of sales revenue in 1H08, decreasing steadily from 22.9% in FY05.

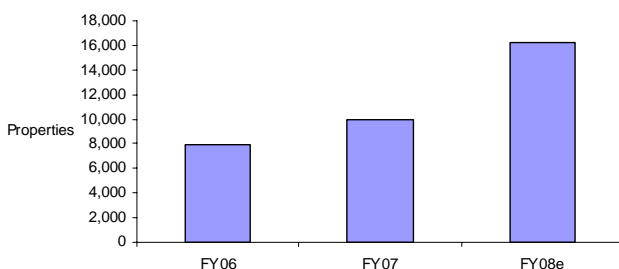
WTF Room Nights Sold FY05 - FY09



WTF TTV FY05 to FY09e \$m

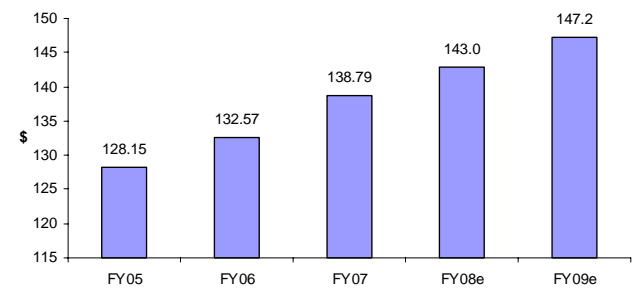


Properties Listing Accommodation on WTF sites



FY08e reflects 1H08 numbers and excludes the properties attributable to TVL

Average Room Rate \$



FY08e & FY09e assume 3% inflation rate.

GROWTH DRIVERS

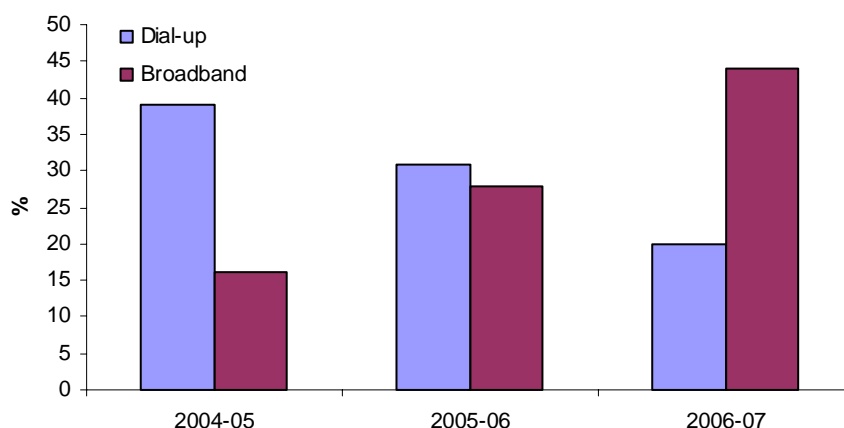
Organic Growth

- Euromonitor reported that total Australian travel accommodation grew at a 4% CAGR between 1999 and 2006, with TTV in 2006 of \$9.8 billion. Similar growth is expected to continue for the medium term.
- The online sales of travel accommodation have increased at a CAGR of 43% between 1999 and 2006. Euromonitor expects the trend to continue, with

accommodation booked online expected to increase as a proportion of all accommodation booked from 11.3% in 2006 to 19.5% in 2011. These forecasts suggest significant organic growth opportunities for WTF.

- As broadband internet penetration increases more people use the internet as a means of booking travel tickets, trips and accommodation. WTF is perfectly positioned to benefit from increased rates of broadband penetration and increased internet usage.

Households With Access to Dial-up or Broadband Internet Connection 2004-05 to 2006-07



Source: Australian Bureau of Statistics

Promotions, Marketing and Affiliates

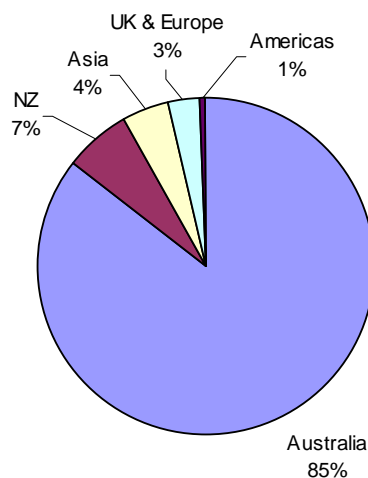
- WTF started a traditional media marketing campaign in early Mar-08. The objective of the campaign is to further increase the brand awareness of the wotif.com website, which in turn, could result in increased sales revenue.
- WTF employs search engine optimisation and search engine marketing to increase visits and referrals to its site. In addition, WTF will continue implementing their proven PR and word-of-mouth campaigns.
- WTF initiated the implementation of an affiliate arrangement in early 2007. This allows WTF to offer its online inventory to other sites on a revenue share basis.

Emergence of cheap flights

- Cheap flights have resulted in increased travel. Increased travel has had a positive impact on the sale of room nights and other tourism operations. Virgin's and Tiger Airline's entry into the discount flight market segment is likely to further intensify the level of budget airline competition and keep downward pressure on domestic air travel ticket fares.

BUSINESS SEGMENTS

- WTF subdivides its operations into a number of geographic segments, in Australia, NZ, Asia, UK & Europe and the Americas. WTF head office is located in Brisbane, Australia and has field offices in New Zealand, the UK, Singapore, Malaysia, Thailand, Vietnam, China and Canada.
- Each geographic segment has their own product managers responsible for recruiting local accommodation suppliers.

WTF TTV \$ by Geographic Segment FY07


AUSTRALIA

- Australia is the largest and most important geographic segment, generating \$452m (85%) of total transaction value (TTV) in FY07.
- Operating revenue increased from \$36.4m in FY06 to \$53.3m (+46%) in FY07, continuing the long-term growth trend. The increase in revenue resulted from a 39% increase in room nights sold and was strengthened by a 6% increase in average booking price. Growth continued into FY08 with 1H08 revenue of \$31.5m (+27%) on the pcp.
- At the end of 1H08 WTF had 4,951 Australian properties listed on wotif.com. This represents 40.6% of total WTF properties and increased from 3,685 (+34.4%) at the end of FY06.
- According to Euromonitor International WTF is the Australian market leader in online booking accommodation, with 38% market share at the end of FY07.

NEW ZEALAND

- New Zealand is the second largest geographic segment, with FY07 TTV of \$35.2m and FY07 operating revenue of \$4.3m. Operating revenue grew from \$2.0m in 1H07 to \$2.8m (+40%) in 1H08.
- WTF had 1,057 properties available in NZ at the end of 1H08, up from 717 at the end of FY06.

ASIA

- The Asian segment is the third largest segment, with FY07 TTV of \$23.1m and FY07 operating revenue of \$2.4m. Operating revenue increased from \$0.9m in 1H07 to \$2.0m (+226%) in 1H08.
- The strong growth in Asia was largely driven by a significant increase in available accommodation, with the number of properties increasing from 770 at the end of FY06 to 1,823 at the end of 1H08.
- WTF has established a strong presence in Asia, with field offices in Singapore, Vietnam, Malaysia, Thailand and China. The goal of the field offices is to continue to expand the WTF accommodation offering. The region is viewed by WTF as a key element in its international expansion strategy, with growth expected from Australian travellers to Asia and Asian travellers increasing their use of the wotif.com website.
- WTF recently acquired the Hong Kong registered, online booking company Asia Web Direct Ltd (AWD), further facilitating expansion in the region. A detailed description of the acquisition can be found in the Acquisitions section of this report. (See below)

UK & EUROPE

- Operating revenue grew from \$0.9m in 1H07 to \$1.2m (+33.3%) in 1H08.
- As at end of 1H08 there were 2,625 properties, up from 2,394 at the end of FY06, available across Europe and the UK.
- Operating revenue is relatively small compared to the number of properties available. WTF believes bookings could increase if the booking window was expanded beyond 28 days as people don't typically book last minute accommodation when taking long distance overseas trips.
- WTF advised that there are increasing numbers of British nationals who have started to use wotif.com because of the introduction to the website by Australians residing in the UK.

AMERICAS

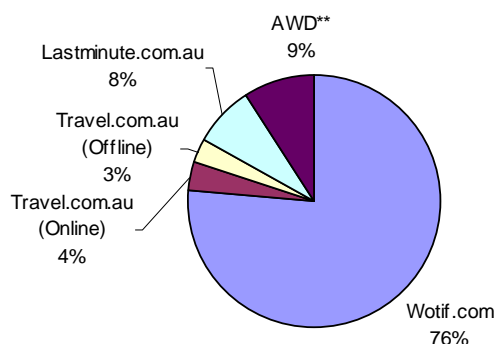
- WTF generates a very small amount, approximately 1%, of TTV from properties booked in North and South America.
- Operating revenue grew from \$0.2m in 1H07 to \$0.25m in 1H08 (+25%).

FY07 WTF Statistics by Region

	Australia	NZ	Asia	UK & Europe	Americas	Total
TTV \$	452.0	35.2	23.1	15.4	3.4	529.1
Room Night Sold (000's)	3194	323	181	92	24	3814
Ave PPR \$	142.0	109.1	127.5	168.1	142.9	137.9
Properties (As at 1H08)	4951	1057	1823	2625	1732	12188
Operating Revenue \$m	53.3	4.3	2.38	1.89	0.4	62.27
Gross Margin	11.8%	12.2%	10.3%	12.2%	11.7%	11.8%

ACQUISITIONS Travel.com.au Ltd (TVL)

- In Dec-07 WTF completed its acquisition of TVL. TVL is a comprehensive online travel booking agent offering services through four websites, travel.com.au, travel.com.nz, lastminute.com.au and lastminute.com.nz. The business consists of four parts:
 - 1) Travel.com.au/nz are travel booking websites offering accommodation, flights, car hire, cruises, travel packages and insurance. They were established in 1998 as one of the first online travel agents. Travel.com.au generated TTV of \$20.4m in FY06 and \$25.4m (+24.5%) in FY07.
 - 2) Lastminute.com.au/nz are websites offering travel services similar to Travel.com.au, with additional lifestyle offerings like gifts, theatre or concert tickets. Lastminute.com.au was established in Mar-00, as a joint venture with Last Minute Network Plc (LMN), a UK based company. LMN provided the technology to run the site and TVL offered to market the site in Australia. In FY07 lastminute.com TTV was \$54.1m, up 22.7% from \$44.1m in FY06.
 - 3) Arnold Travel Technology Pty Ltd develops and supplies online travel booking engines and related technology to the TVL websites and outside third parties.
 - 4) Travel.com.au Ltd call centre acts as another TVL distribution channel. This part of the business has been in progressive decline, with TTV decreasing from \$33.3m in FY05 to \$19.9m in FY07.

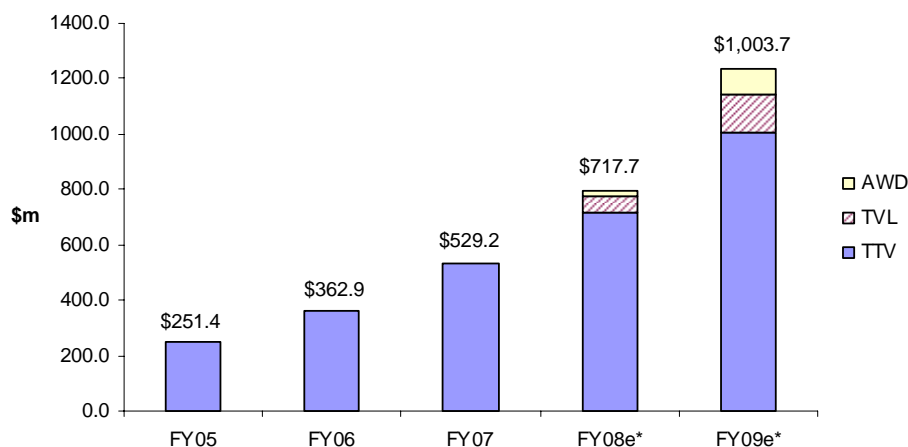
Pro Forma Estimated TTV Contribution in FY07*


Source: WTF data, TVL data and Select Equities Estimates

*The chart assumes the acquisitions were consolidated at the beginning of FY07.

** This figure converts AWD earnings from \$US to AUD at 0.786/AUD (Average FX rate for the FY07 period)

- WTF bought TVL for approximately \$60m at a multiple of 30x forecast FY08e EBITDA \$2.0m. In FY07 TVL reported EBITDA and NPAT of \$0.5m and -\$0.1m, respectively. In FY06 TVL EBITDA and NPAT were -\$0.4m and -\$0.9m, respectively. Historically, TVL was unable to reach sufficient scale to be profitable. However, after a substantial restructuring in FY06 and FY07 TVL has been consistently reducing their losses.
- TVL restructuring involved purchasing of the outstanding LMN stake in lastminute.com.au, bringing the hotel booking systems to Australia, launching a new lastminute.com.au website and focusing the travel.com.au site on international flights bookings.
- The purchase of TVL also allows WTF diversify into services complementing accommodation bookings, eg. flight bookings and car hire. WTF advises that additional benefits can be obtained by cross offering inventory and technology between WTF and TVL.
- WTF made an initial payment of \$11.4m cash and \$4.9m WTF shares to TVL shareholders in 1H08. The remaining \$43.6m cash payment is expected to be made in 2H08. An additional \$2.4m cash payment for lastminute.com.au must be made to LMN on the 2-Jul-08.
- TVL was consolidated into WTF as of 21-Dec-07, making a marginal contribution to WTF 1H08 results. TVL had TTV of \$99.4m in FY07, with TVL management forecasting FY08e growth of 30% to 35%. Select Equities estimates that TVL's TTV will constitute 13% to 17% of WTF's TTV in FY09e. WTF believes that, at a minimum, they will be able to extract \$1.5m annual cost synergies from the merger.

WTF TTV FY05 to FY09e \$m


Source: WTF data and Select Equities estimates
 * FY08 and FY09 numbers include impact of acquisitions

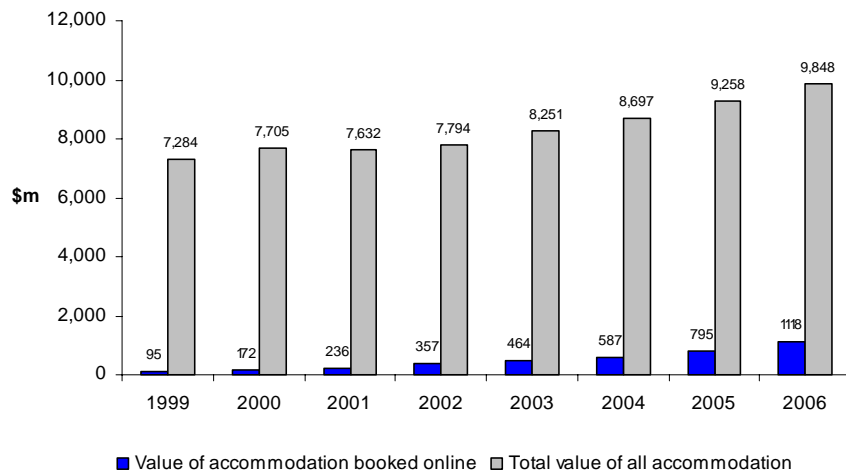
Asia Web Direct Ltd (AWD)

- AWD is a Hong Kong based company established in 1993 that offers travel accommodation booking, online tour booking and travel information services through over 100 controlled internet portals.
- The most notable AWD portals include bangkok.com, phuket.com, latestays.com and smartstays.com.
- AWD's customer base comprises of mostly European, US and Australian travellers.
- In FY07, AWD recorded 450,000 room nights booked, where as WTF's Asian geographic segment sold 180,000 room nights. The acquisition will more than triple the room nights WTF sells in Asia and substantially increase customer numbers.
- AWD advises that it is profitable. It has turned over \$50m US in TTV in 2007 and that its revenue and profit has been consistently growing over the past 5 years.
- Integrating AWD into its operations allows WTF to add 4,000 hotels to its Asian inventory, whilst enhancing the AWD offering with the balance of WTF inventories.
- WTF announced a 100% acquisition of AWD on 29-Feb-08 for \$34.2m, of which \$17.1 is to be paid in cash and the remaining \$17.1m is to be funded by the issue of 3.61m new WTF shares (of which) 2.9m are subject to a 6-month voluntary escrow period.
- WTF expects AWD to be earnings accretive within the first year of purchase.
- WTF advised that the AWD purchase price was conditional on AWD reaching a minimum consolidated EBITDA of \$2.25m (AUD equivalent), for the financial year ended 31-Dec-07. Assuming this EBITDA value, Select Equities estimates that WTF paid a 15.2 times trailing EBITDA for AWD.

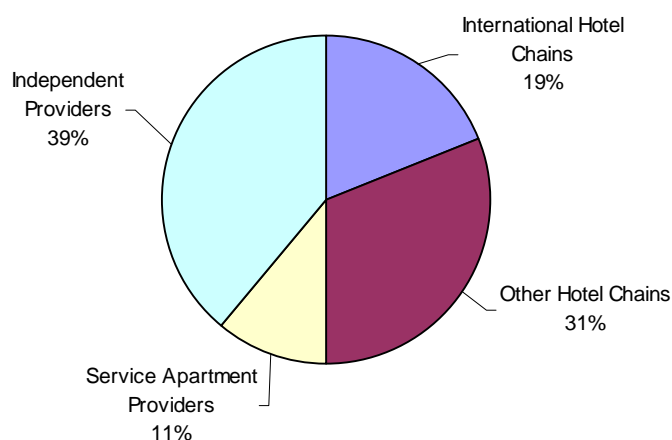
INDUSTRY ANALYSIS

TOURISM INDUSTRY

- Australia's tourism industry includes transportation, travel accommodation, car rental, tourism retail and tourist attractions. IBIS World estimated total tourism revenue in 2006 to be \$62.5 billion and expects the industry to grow at 2% to 4%pa over the next 5 years to 2012.
- Traditionally, the industry was composed of service providers like hotels, airlines, car rental and tourist attractions. Service providers pay commissions to wholesale and retail travel agents for distribution of their service offering to the end user. With the advent of the internet, suppliers increasingly target the consumer directly through their own websites or using web based booking services like lastminute.com.au or wotif.com.
- The online distribution channel is attractive to customers because of the convenience and savings it offers and, in turn, is attractive to suppliers because of savings associated with distribution costs.

Online Sales of Accommodation in Australia

ACCOMMODATION SUB-SEGMENT

- WTF primarily operates within the online accommodation booking segment of the tourism industry. This segment has experienced 43% CAGR between 1999 and 2006. Euromonitor reports that the total value of accommodation booked in 2006 was \$9.8 billion, with 11.3% (\$1.1 billion) booked online. The total value of accommodation booked online is expected to increase at approximately 18% CAGR to \$2.5 billion by 2011.
- The US online accommodation industry is more mature than that of Australia. In 2006 34% of US travel accommodation was booked online compared with 11.3% in Australia. Euromonitor forecasts that by 2011 online bookings will increase to 73.7% for the US and to 19.5% in Australia. WTF believes that Australia's forecast numbers could be higher, driven by the increasing rates of broadband penetration and popularity of online booking service providers.
- Australian accommodation suppliers are quite fragmented, including a multitude of hotels, serviced apartments, motels and holiday homes. The US, however, is dominated by some large accommodation chains.

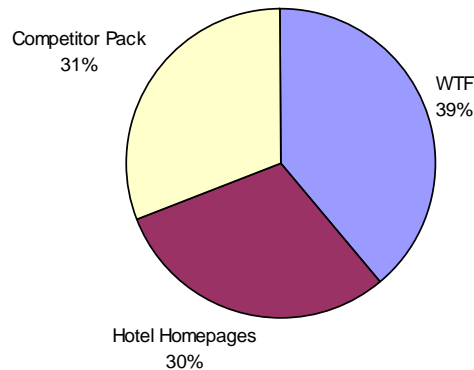
Market Share of Australian Accommodation Market by Supplier Type 2005


Source: WTF Prospectus

- The online accommodation booking segment is less fragmented. WTF advised that it holds the biggest market share, at 39% in FY07, up from 36% in FY05. A further 30% of sales come directly from hotel websites. The remaining 31% of sales are

generated by other online services including lastminute.com.au, travel.com.au and needitnow.com.au, check-in.com.au, hotelclub.com.au and expedia.com.au.

Online Accommodation Bookings Market Share %



Source: Wotif.com Ltd

ONLINE TRAVEL AGENCIES

- Online travel agencies, through their comprehensive websites, offer transport, car rental, entertainment, holiday packages, flights and accommodation services. WTF has expanded into this segment with the recent purchase of TVL.
- The segment is quite fragmented with key players including Flight Centre Ltd, Webjet Ltd, Expedia Inc and Sabre Holdings.
- Online travel agencies are largely dependent on flight bookings to generate commission or booking fees. Airlines have been establishing their own booking portals, resulting in customers being able to buy tickets directly and hence paying a lower booking fee.

Most Visited Online Travel Agent Websites

Brand/Website	Owned By	Dominant Activity	Market Share of Visits*
webjet.com.au	Webjet Ltd	Flights	12%
flightcentre.com.au	Flight Centre Ltd	Domestic Flights	11%
lastminute.com.au	Wotif.com Ltd	Hotels	7%
expedia.com.au	Expedia Inc	Flights & Hotels	3%
bestflights.com.au	Stella Travel Services	Flights	3%
travel.com.au	Wotif.com Ltd	Flights & Hotels	3%
zuji.com	Sabre Holdings	Flights & Hotels	3%
Escape Travel	Flight Centre Ltd	Flights & Hotels	2%
Yahoo! 7 Travel	Yahoo/ 7 Network	Portal	2%
expedia.com	Expedia Inc	Flights & Hotels	2%

* Market share is for quarter ending June 2007

Source: Hitwise

BARRIERS TO ENTRY

- Achieving critical mass is a barrier to entry for a business such as WTF, which requires sufficient customer numbers and accommodation suppliers to generate interest in the website. It can take significant amounts of time and money to achieve the required degree of critical mass. Companies like TVL or Stayz/Hotelz, a subsidiary of Fairfax, have found it difficult to build up the scale necessary to overcome the substantial business development, advertising and operating costs.
- WTF largely depends on its strong brand penetration, 43% at the end of 1H08 according to a Newspoll Market Research, to generate sales. A new firm entering the current market would be forced to outlay significant capital, competing with established brands for recognition.

BOARD AND MANAGEMENT

- Mr Dick McIlwain (Chairman) has been chairman since Apr-06. He is currently Managing Director of Tattersall's Ltd and is on the board of Super Cheap Auto Group Ltd. He owns 500,000 shares

- Mr Robbie Cooke (Chief Executive Officer & Managing Director). Mr Cooke took over as CEO, having been COO since Jan-06, when the founder, Mr Graham Wood, stepped down in Oct-07. He owns 37,500 shares and 1,500,000 options.
- Mr Graeme Wood (Executive Director) is the original founder of WTF. He has previously served as Chief Executive and has recently stepped down to an executive director role. He owns 51,000,000 shares
- Mr Ben Smith (Independent Non-Executive Director) has been a member of the WTF board since Apr-06. He also heads the corporate advisory department of Investec Bank Australia. Mr Smith owns 125,000 shares
- Mr Andrew Brice (Non-Executive Director) was appointed to the WTF board in May-00 and owns 40,000,000 shares. During the last three year Mr Brice has been a Director of Symbiosis Group Ltd.
- Mr Dave Warneke (Independent Non-Executive Director) was appointed to the WTF board in Nov-2006. He owns 59,000 shares.
- Mr Neil Cumming (Executive Director) was president of AWD prior to its acquisition by WTF. He owns 2,872,728 shares.

RISK FACTORS

- The health of the tourism industry is closely correlated to prevailing economic conditions. Leisure based tourism is a luxury service and as such consumer spending on travel and accommodation bookings can fall in times of economic uncertainty. Corporate travel expenditure can also decline during periods of economic decline or contracting business/consumer confidence.
- The tourism industry is a highly competitive market. Increased competition could lead to price competition or greater requirements for advertising and business development, resulting in decreasing margins.
- Supplier risk, particularly with airlines, where airlines are restructuring their distribution channel and working on directly marketing flights through their own sites. Hotels do a similar thing with direct bookings through their websites.
- Technology risks including down time, security breaches and falling behind in technology development could adversely affect the WTF reputation or the ability to provide a competitive wotif.com service. WTF employs a large team of staff devoted to web maintenance and development in order to maintain and improve its current digital service offering.
- Industry risk related to pilot strikes, war or political travel bans that could affect the international travel industry. WTF is, to a certain degree, isolated from this type of risk because approximately 85% of its revenue is generated through domestic travel.
- Broadband internet penetration growth rates could stall. This could result in a slower adoption of online booking solutions and result in lower than expected industry growth rates in TTV and revenue.
- Execution risk could result from the inability of WTF to fully integrate acquired businesses into its structure and to extract possible synergies. The TVL business will need to perform well for WTF to generate a reasonable return on this investment.
- Founding shareholders were subject to escrow that expired upon the release of the FY07 results. Whilst there is no indication that these large shareholders wish to sell their shares, they are no longer restricted from divesting their shares. If they were to divest their shares, this could negatively impact the share price.

Wotif.com Ltd

 Select Equities Research
 Small Caps

Code	WTF				June Year End	FY07A	1H08	FY08E	FY09E
Last sale (\$)	1-May-08				4.16				
# Shares (m)	207.9				Financial Position (\$m)				
# Options	5.2				Cash	104.4	108.0	76.5	115.3
Mkt Cap (\$m)	886.4				Trade Debtors	1.9	5.1	5.0	4.6
Cash	108.0				Inventory	0.0	0.0	0.0	0.0
Net debt	-61.7				Prop.,Plant&Equip. (net)	4.0	5.6	7.1	7.1
Enterprise Value	824.7				Long Term Investments	1.0	0.9	0.9	0.9
June Year End	FY07A	1H08	FY08E	FY09E	Intangibles	0.0	60.5	94.7	94.7
Financial Performance (\$m)					Other	0.6	0.3	0.3	0.3
TTV	529.2	319.4	717.7	1003.7	Total Assets	111.8	180.3	184.5	222.9
Sales	62.3	37.9	83.5	115.1	Trade Creditors	77.3	92.7	102.7	126.7
Other revenue	5.0	3.2	5.0	5.4	Acquisition Payments Due	0.0	46.0	2.4	0.0
Total revenue	67.3	41.1	88.4	120.5	Debt	0.0	0.3	0.3	0.3
EBITDA	36.5	23.0	47.5	66.4	Provisions	0.6	1.2	1.2	1.2
D & A	3.6	1.9	3.7	5.0	Other	4.5	4.0	4.0	4.0
EBIT	32.9	21.1	43.8	61.4	Total Liabilities	82.3	144.2	110.5	132.2
PBT	37.9	24.3	48.7	66.7	Net Assets	29.4	36.1	74.0	90.7
NPAT (pre-abs. & OEI)	26.4	17.1	34.1	46.7	Issued Capital	1.8	7.4	24.5	24.5
Abnormals	0.0	0.0	0.0	0.0	Reserves	1.0	1.4	1.4	1.4
NPAT (pre-oei)	26.4	17.1	34.1	46.7	Retained Earnings	26.5	27.4	48.1	64.8
OEI	0.0	0.0	0.0	0.0	Total Equity	29.4	36.1	74.0	90.7
Reported NPAT	26.4	17.1	34.1	46.7	Cash Flows (\$m)				
EPS(¢)	13.0	8.4	16.4	22.5	Net Receipts	56.1	28.9	74.9	98.2
DPS (¢)	13.0	6.0	13.1	18.0	Net Interest	5.1	3.2	4.9	5.3
NTA (¢)	14.5	-12.0	36.7	64.6	Tax Paid	-9.3	-7.4	-14.6	-20.0
Book Value / Share (¢)	14.5	17.8	35.6	43.6	Other	0.0	0.0	0.0	0.0
Valuation/Performance Ratios					Operating Cash Flow	51.9	24.7	65.2	83.5
PER (x)	32.0	25.4	25.4	18.5	Capex & Acquisitions	-3.4	-4.0	-66.5	-7.4
Ent. Value/EBITDA (x)	22.6	17.4	17.4	12.4	Asset Sales & Divest	0.0	0.0	0.0	0.0
Ent. Value/EBIT	25.1	18.8	18.8	13.4	Other	0.0	0.0	0.0	0.0
TTV Growth (%)	46.2%	27.4%	35.6%	39.9%	Investing Cash Flow	8.2	-5.6	-66.5	-7.4
Tot Revenue Growth (%)	48.0%	32.3%	31.4%	36.3%	Change in Equity (net)	0.0	0.7	0.7	0.0
EBITDA Growth	55.5%	38.5%	30.3%	39.8%	Change in Debt (net)	0.0	0.0	0.0	0.0
NPAT Growth	59.8%	43.4%	29.2%	37.0%	Dividends	-12.2	-16.3	-27.3	-37.4
EPS Growth	59.8%	43.2%	26.3%	37.0%	Other	0.0	0.0	0.0	0.0
P/NTA (x)	28.7	-34.7	11.3	6.4	Financing Cash Flow	-12.2	-15.6	-26.6	-37.4
P/BV	28.7	23.4	11.7	9.5	Net Inc/Dec Cash	47.9	3.6	-27.9	38.8
Yield (%)	3.1%	1.4%	3.2%	4.3%	Cash at Beginning of Yr	56.4	104.4	104.4	76.5
Payout Ratio	101.2%	71.5%	80.0%	80.0%	Cash at End of Year	104.4	108.0	76.5	115.3
Franking	100.0%	100.0%	100.0%	100.0%	Substantial Shareholders (1 Aug 2007)	no. (m)		%	
EBITDA/Tot Revenue	54.2%	56.0%	53.7%	55.1%	GT Wood	51.0		25%	
EBIT/Tot Revenue	48.9%	51.5%	49.5%	51.0%	JDB Services P/L (RAC Brice & JD Brice)	40.0		19%	
NPAT/Tot Revenue	39.2%	41.6%	38.6%	38.8%	Commonwealth Bank Australia Ltd	12.7		6%	
Current Ratio (x)	1.3	0.8	0.8	1.0	ING Australia Holdings Ltd	13.7		7%	
Interest Cover (x)	-6.6	-6.7	-8.9	-11.5	Australia and NZ Banking Group	12.3		6%	
Net debt/equity (%)	-354.5%	-297.8%	-103.0%	-126.7%					
ROE (%)	89.7%	46.1%	46.1%	51.5%					
ROA	29.4%	23.7%	23.7%	27.6%					
Interim Results (\$m)	2H06	1H07	2H07	1H08					
TTV	198.1	250.6	278.5	319.4					
Total revenue	23.2	31.0	36.3	41.1					
EBITDA	12.5	16.6	19.9	23.0					
D & A	1.4	1.7	1.9	1.9					
EBIT	11.1	14.9	18.0	21.1					
PBT	12.4	17.0	20.9	24.3					
NPAT (pre-abs. & OEI)	9.0	11.9	14.5	17.1					
Abnormals	0.0	0.0	0.0	0.0					
NPAT (pre-oei)	9.0	11.9	14.5	17.1					
OEI	0.0	0.0	0.0	0.0					
Reported NPAT	9.0	11.9	14.5	17.1					

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