



Novaturas Group

Presentation of 9M 2019 financial results

29 October 2019



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Novaturas Group 9M 2019 highlights



No. 1

in the Baltics since 2004



20

years in business



30+

destinations worldwide by plane



237,914

PAX sold during 9M 2019
(-2.3% y/y)



EUR 139.6m

9M 2019 Revenue
(-0.5% y/y)



EUR 16.2m

9M 2019 Gross profit
(-20.4% y/y)



EUR 3.0m

9M 2019 EBITDA
(-59.1% y/y)



2.2%

9M 2019 EBITDA margin
(-3.1 pp y/y)



1.3m

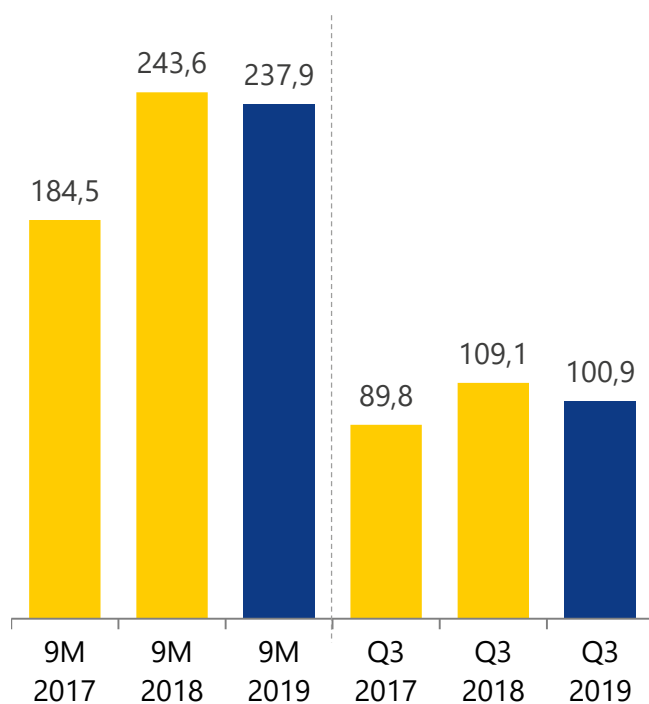
9M 2019 Net profit
(-76.3% y/y)

Novaturas with stable sales after explosive upswing in 2017 and 2018

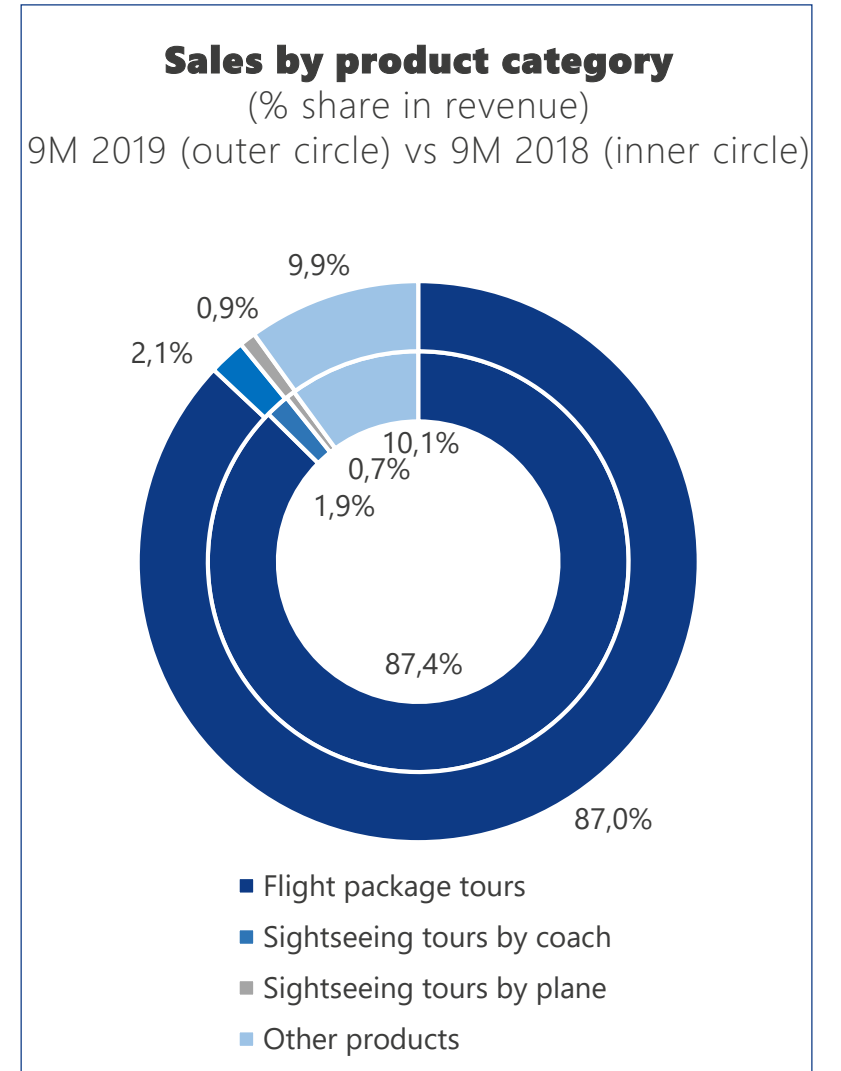
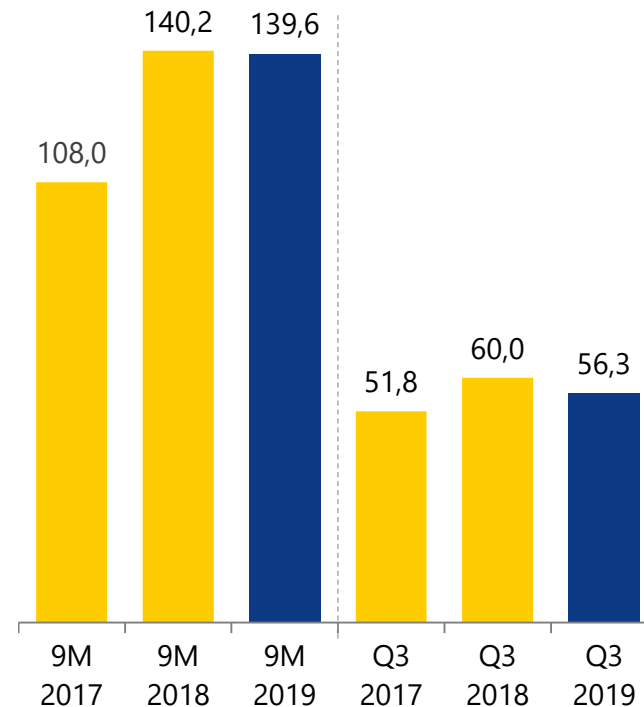
Following the oversupply in the market in 2018, when Novaturas and other market players overshot with their offer (the increase in the seats capacity outpaced the increase in the market demand), we have decided to keep the seats supply for 2019 at similar level as in 2018.

It translates into roughly flat sales y/y during 9M 2019.

Number of PAX sold (ths)



Revenue (EURm)



Higher sales in Latvia offset lower sales in Lithuania

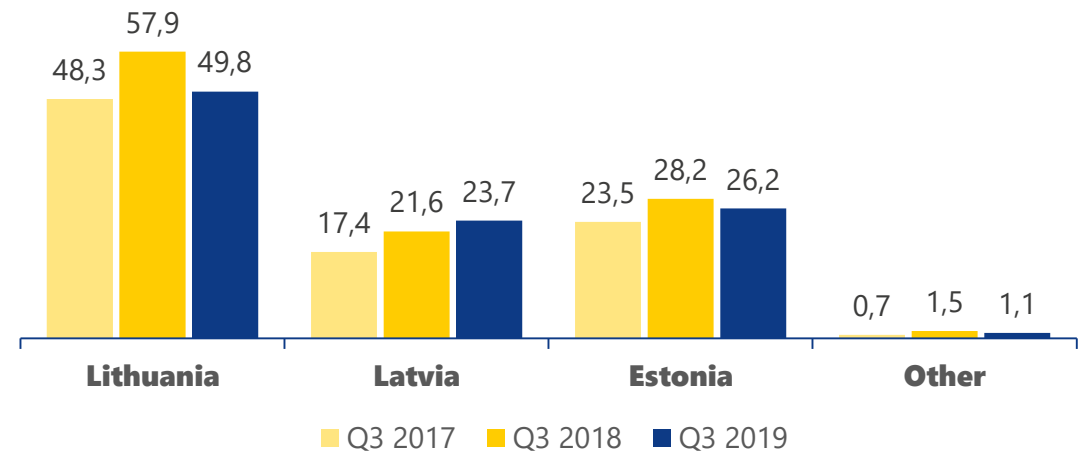
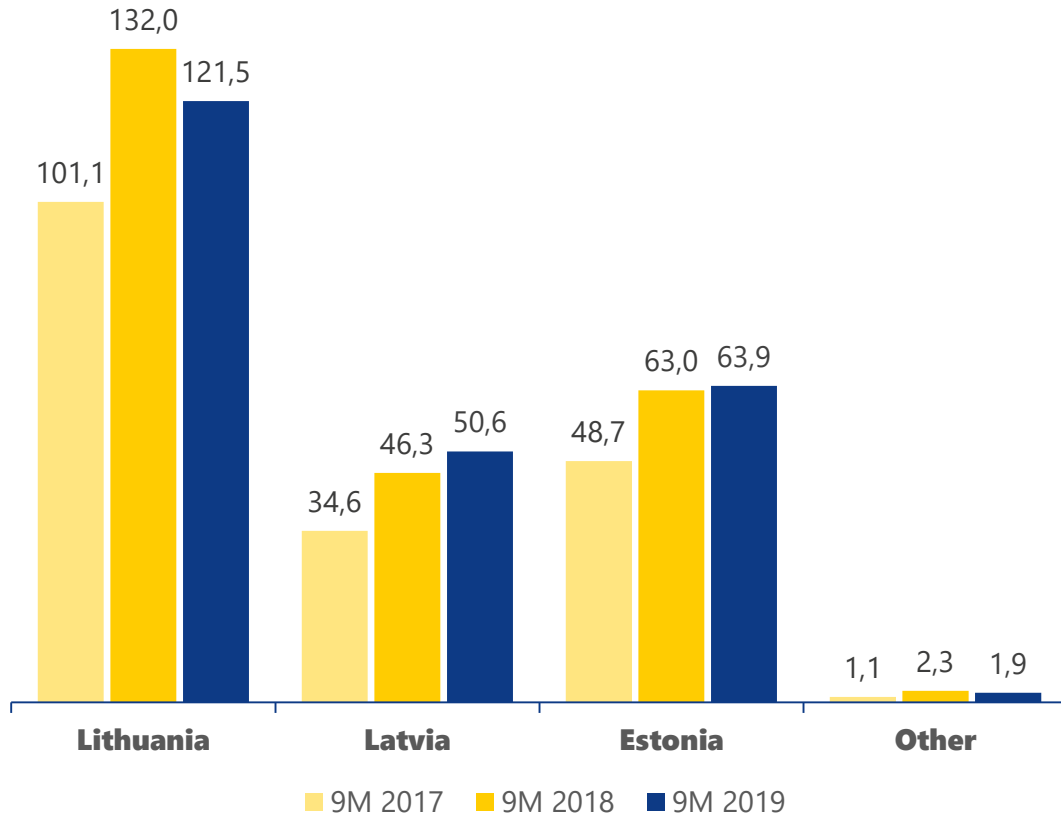
During 9M 2019, total number of customers served by Novaturas decreased by 2.3% y/y, mainly due to the decrease in Lithuania by 7.9%, while in the remaining Baltic countries Novaturas managed to maintain positive growth rates amounting to 9.4% in Latvia and 1.4% in Estonia.

Number of PAX sold by country (ths)



237,914

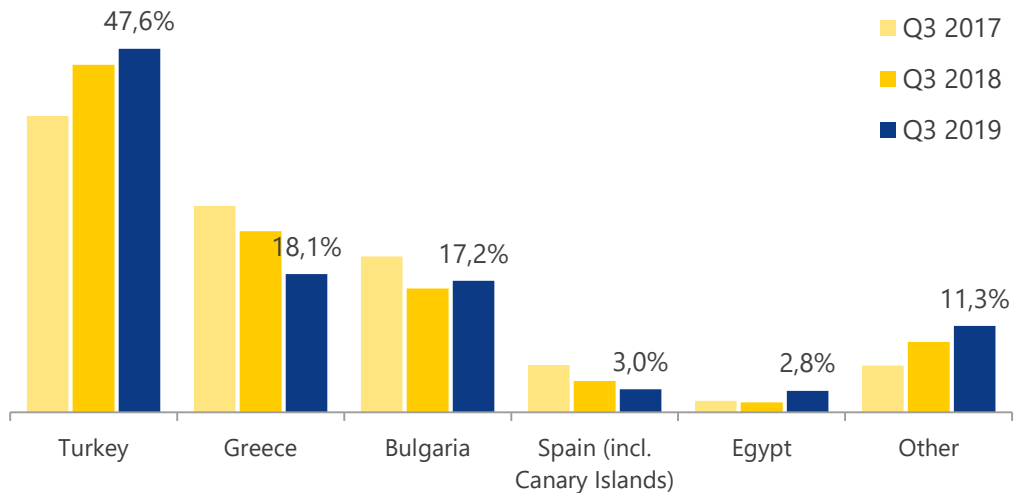
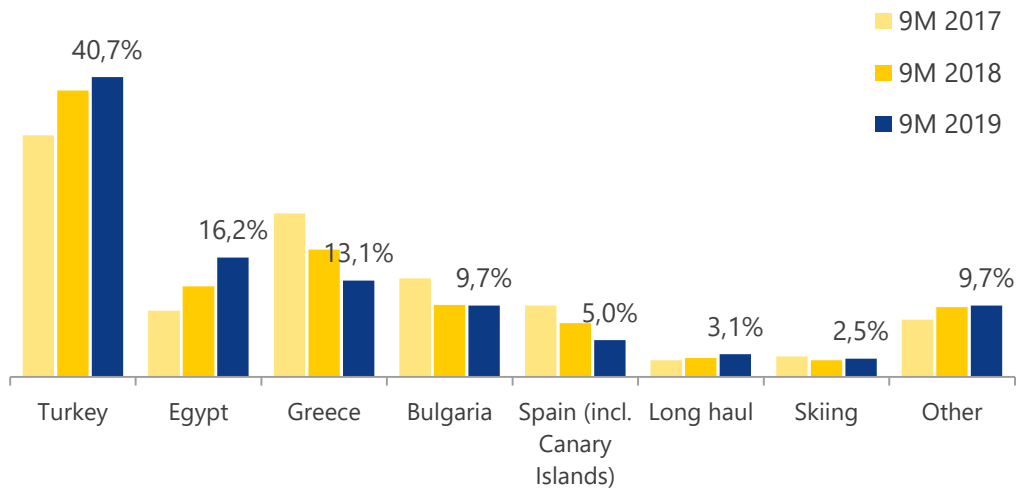
total PAX sold during 9M 2019
(-2.3% y/y)



Turkey remains the most popular summer holiday destination

Sales of flight package tours by destinations

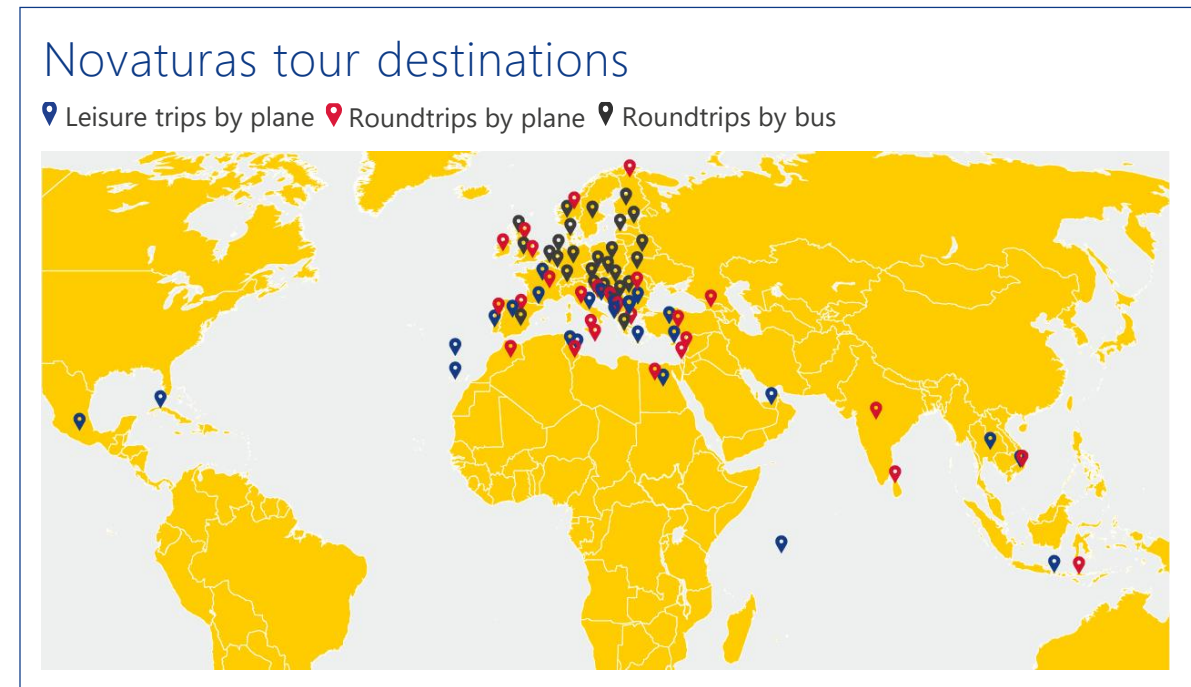
(% share in charter travel revenue)



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

 **16.9%**

share in 9M 2019 revenue from e-commerce

 **3.43 million**

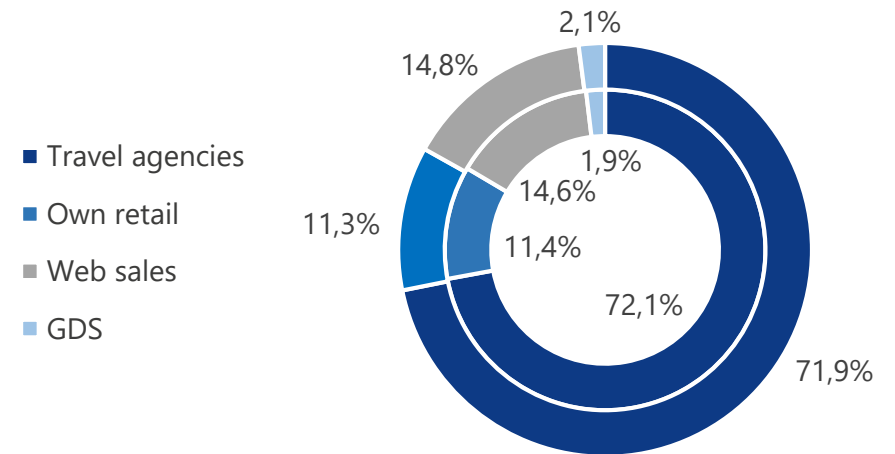
unique visitors on Novaturas websites during 9M 2019

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.

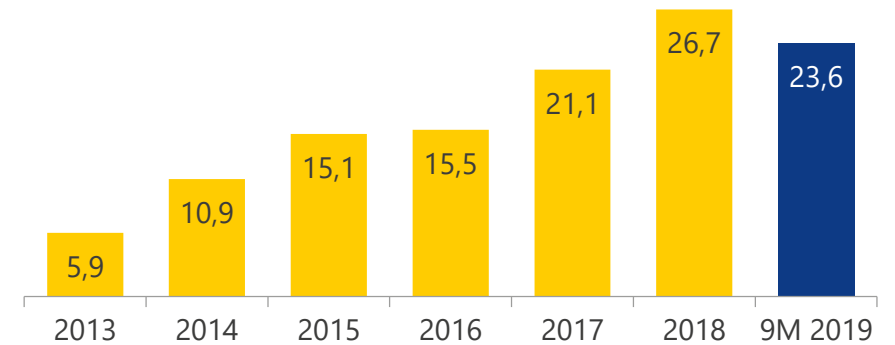
Novaturas constantly develops its e-commerce channel and manages one of the biggest online shops in the Baltics.

Novaturas sales by distribution channels

9M 2019 (outer circle) vs. 9M 2018 (inner circle)



E-commerce sales (EURm)



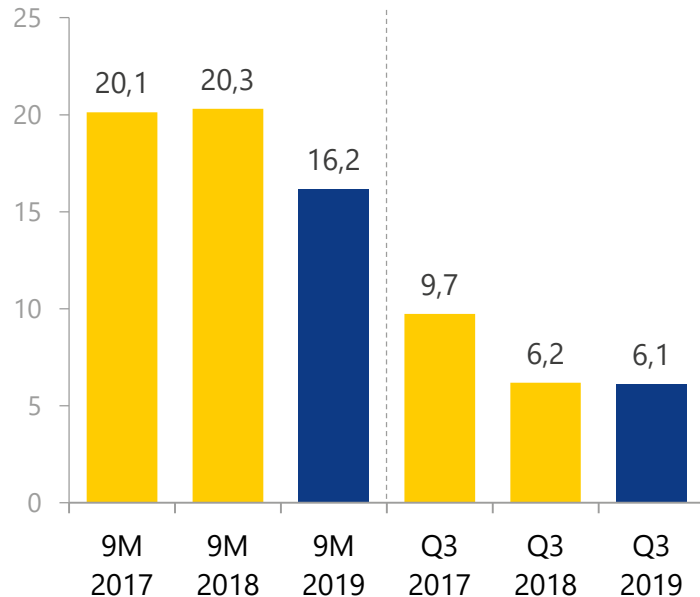
* Revenues only including revenues from flight packages, roundtrips by plane and coach, sales of flight tickets and accommodation (without other products)

9M 2019 profitability affected by increased competition and hot weather in source markets

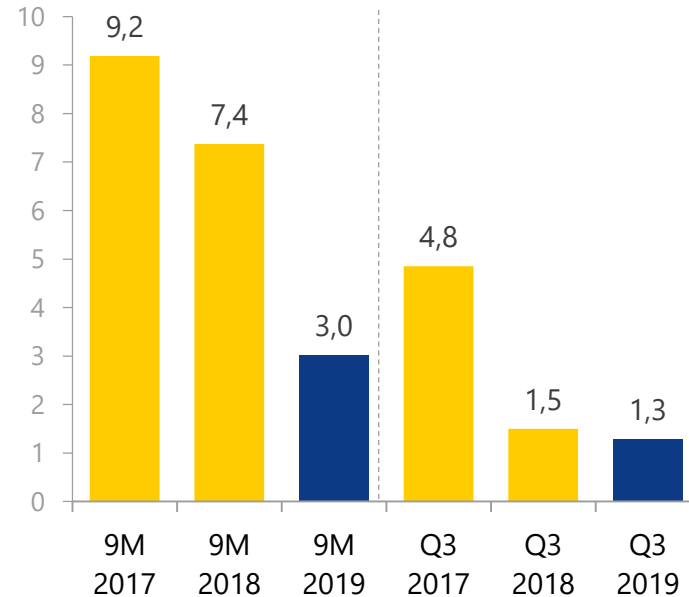
Increased competition in combination with hot weather in summer months, which translates into lower demand for outbound trips, has resulted in oversupply in the Baltics, affecting the profitability of the entire sector.

On top of that, Novaturas profitability at the beginning of 2019 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 and going forward.

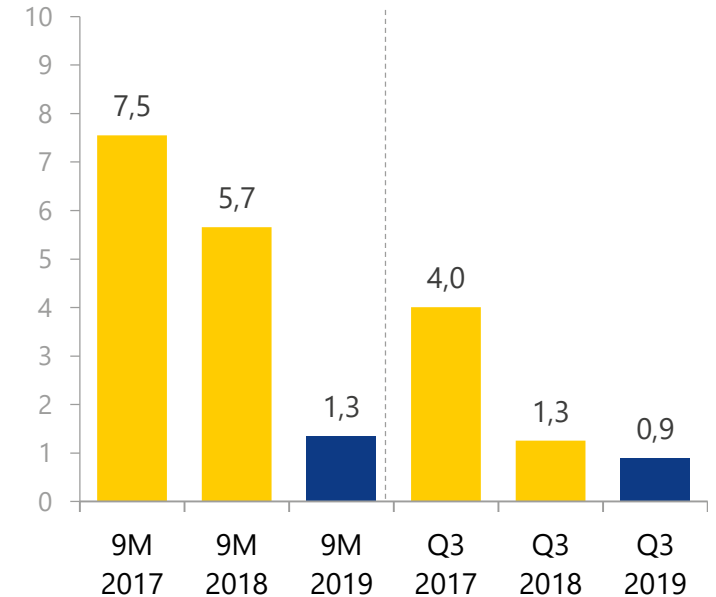
Gross profit (EURm)



EBITDA (EURm)



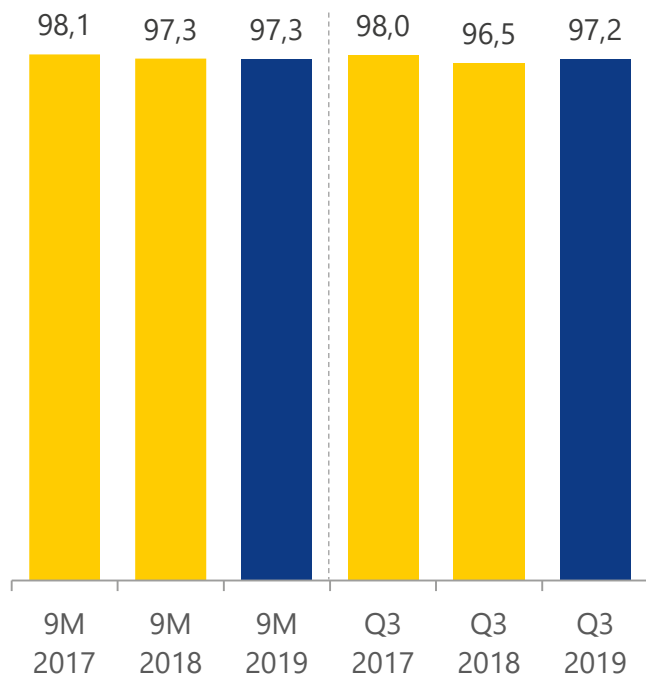
Net profit (EURm)



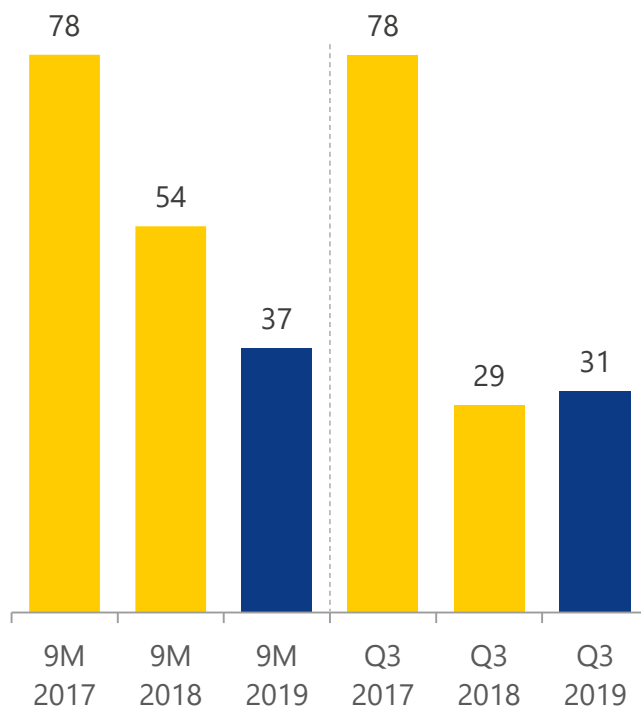
Efficiency and productivity ratios

Novaturas continues to keep 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, in Q3 2019 and 9M 2019 we managed to increase average selling prices as compared to corresponding periods of the previous year.

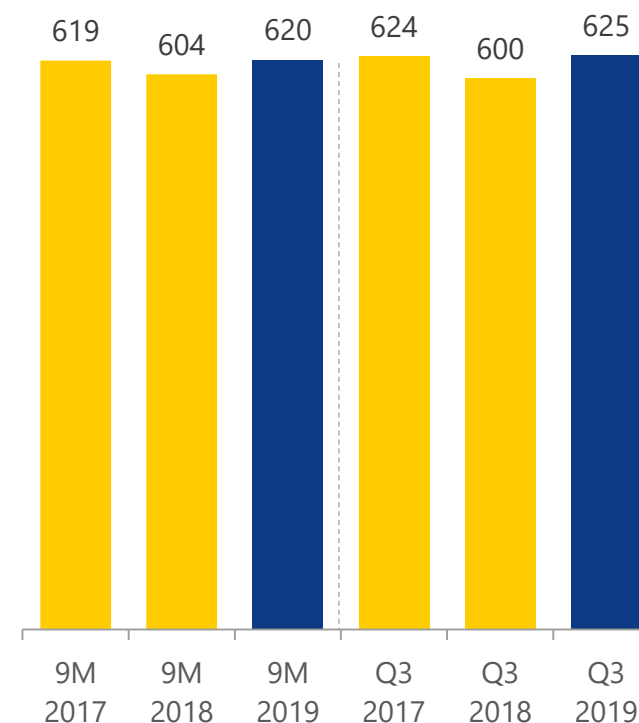
Load factor
(%)



Profit per PAX
(EUR)



Average package tour price
(EUR)

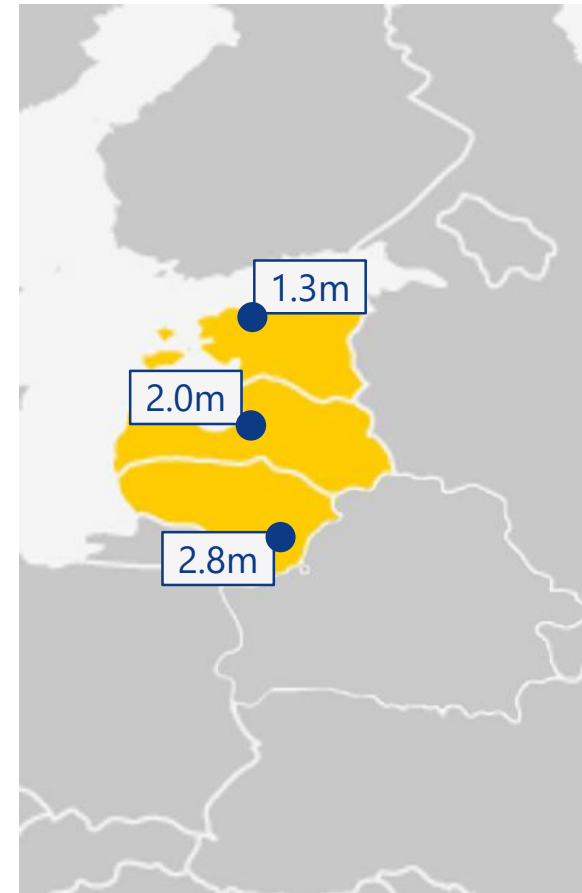


Overview of tour operator market in the Baltics

Key market players:

- Novaturas (oldest and leader in the Baltics)
- TezTour (second longest acting in the Baltics)
- Alida (Latvia only)
- Aurinko (Estonia only)
- Kidy Tour (several-years-old company acting in Baltics, suspended flights from Latvia this year)
- Itaka (entered Lithuanian in 2018 and Latvian market in 2019; left Latvia in less than a year)
- TUI (entered Baltics in 2019)

We are No. 1 tour operator in the Baltics



Headquartered
in **Lithuania**



**Lithuania,
Latvia
and Estonia**
are core markets

● Capital cities

XX Country
population
(in million)

Operating expenses under control

We are determined to keep operating costs under control and steadily increase our office efficiency. During 9M 2019, the Group's total operating expenses increased by 1.8% y/y.



EUR 13.4m

9M 2019 Overheads
(+1.8% y/y)

Operating expenses (EUR 000s)	Q3 2019	Q3 2018	y/y change	9M 2019	9M 2018	y/y change	2018	2018 vs. 2017	2017	2017 vs. 2016	2016
Sales and marketing (excl. commissions)	1,021	997	2.4%	2,993	2,904	3.1%	4,140	13.3%	3,654	10.1%	3,320
General and administrative (excl. one-offs)	890	804	10.7%	2,841	2,692	5.5%	4,099	-7.2%	4,416	13.1%	3,905
Total operating expenses (excl. commissions and one-offs)	1,911	1,802	6.0%	5,834	5,596	4.3%	8,239	2.1%	8,070	11.7%	7,225
Commissions	2,970	3,041	-2.3%	7,364	7,240	1.7%	9,652	31.1%	7,363	48.1%	4,973
One-off expenses	27	(92)	-	171	299	-42.8%	757	-12.2%	862	9477.8%	9
Total operating expenses	4,908	4,751	3.3%	13,369	13,135	1.8%	18,648	15.2%	16,295	33.5%	12,207

Forward-looking statements



Strong early bookings for 2019/2020 winter season (completed on 30 September 2019) in all our core markets, with significantly higher profitability as compared to the previous year



Early bookings for 2020 summer season already started on 1 August 2019 – sales are going strong in all our core markets



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



Constantly expanded offering, with new attractive 2020 summer destinations: Greek island of Cephalonia, the riviera of Slovenia and Croatia's Istria, as well as new long-haul destinations: Bali and Seychelles

Appendices

Consolidated statements of comprehensive income

EUR 000s	Q3 2019	Q3 2018	y/y change	9M 2019	9M 2018	y/y change	2018
Sales	56,311	60,001	-6.1%	139,571	140,240	-0.5%	182,032
Cost of sales	(50,213)	(53,810)	-6.7%	(123,413)	(119,936)	2.9%	(155,753)
Gross profit	6,098	6,191	-1.5%	16,158	20,304	-20.4%	26,279
Operating (expenses)	(4,908)	(4,751)	3.3%	(13,369)	(13,135)	1.8%	(18,648)
Other operating income	1	0	-	2	14	-85.7%	14
Other operating (expenses)	0	0	-	(2)	(2)	0.0%	(2)
Profit from operations	1,191	1,440	-17.3%	2,789	7,181	-61.2%	7,643
Finance income	100	(310)	-	370	6	6066.7%	820
Finance (expenses)	(259)	182	-	(848)	(458)	85.2%	(1,873)
Profit before tax	1,032	1,312	-21.3%	2,311	6,729	-65.7%	6,590
Income tax (expense)	(128)	(58)	120.7%	(970)	(1,073)	-9.6%	(1,175)
Net profit	904	1,254	-27.9%	1,341	5,656	-76.3%	5,415
Other comprehensive income to be reclassified to profit or loss in subsequent periods							
Result of changes in cash flow hedge reserve	70	(16)	-	1,295	658	96.8%	(2,160)
Impact of income tax	(10)	2	-	(194)	(99)	96.0%	324
Total comprehensive income for the year	964	1,240	-22.3%	2,442	6,215	-60.7%	3,579
Earnings per share ¹⁾	0.12	0.16		0.17	0.72		0.69

Main ratios

Financial ratios (EUR 000s)	Q3 2019	Q3 2018	y/y change	9M 2019	9M 2018	y/y change	2018
Revenue	56,311	60,001	-6.1%	139,571	140,240	-0.5%	182,032
Gross profit	6,098	6,191	-1.5%	16,158	20,304	-20.4%	26,279
EBITDA	1,287	1,498	-14.1%	3,015	7,373	-59.1%	7,908
Operating profit (EBIT)	1,191	1,440	-17.3%	2,789	7,181	-61.2%	7,643
Profit before tax	1,032	1,312	-21.3%	2,311	6,729	-65.7%	6,590
Net profit	904	1,254	-27.9%	1,341	5,656	-76.3%	5,415
Relative indicators	Q3 2019	Q3 2018	y/y change	9M 2019	9M 2018	y/y change	2018
Number of shares	7,807,000	7,807,000	-	7,807,000	7,807,000	-	7,807,000
Earnings per share (EUR)	0.12	0.16	-0.04	0.17	0.72	-0.55	0.69
Gross profit margin (%)	10.8%	10.3%	+0.5%	11.6%	14.5%	-2.9%	14.4%
EBITDA margin (%)	2.3%	2.5%	-0.2%	2.2%	5.3%	-3.1%	4.3%
Operating profit (EBIT) margin (%)	2.1%	2.4%	-0.3%	2.0%	5.1%	-3.1%	4.2%
Profit before taxes margin (%)	1.8%	2.2%	-0.4%	1.7%	4.8%	-3.1%	3.6%
Net profit margin (%)	1.6%	2.1%	-0.5%	1.0%	4.0%	-3.0%	3.0%
Return on assets (ROA) (%)	1.6%	2.0%	-0.3%	2.4%	9.6%	-7.2%	9.5%
Debt to equity ratio (%)	40.2%	41.9%	-1.7%	40.2%	41.9%	-1.7%	55.7%
Equity ratio (%)	30.0%	32.7%	-2.7%	30.0%	32.7%	-2.7%	30.0%
Effective tax rate (%)	12.4%	4.4%	+8.0%	42.0%	15.9%	+26.0%	17.8%
Current ratio	0.83	1.03	-0.20	0.83	1.03	-0.20	0.68

Consolidated balance sheet

(EUR 000s)	30 Sep 2019	31 Dec 2018	30 Sep 2018
ASSETS			
Non-current assets	30,327	30,327	30,327
Goodwill	290	427	449
Other intangible assets	231	292	301
Property, plant and equipment	222	65	37
Long term receivables	7	6	6
Deferred income tax asset	31,077	31,117	31,120
Total non-current assets			
Current assets			
Inventories	4	3	2
Prepayments and deferred expenses	6,295	8,861	6,413
Trade accounts receivable	929	697	883
Prepaid income tax	177	231	75
Other receivables	1,176	2,028	3,518
Other current financial assets	0	200	3,828
Restricted cash	3,200		
Cash and cash equivalents	13,108	4,703	18,031
Total current assets	24,889	16,723	32,750
Total assets	55,966	47,840	63,870

(EUR 000s)	30 Sep 2019	31 Dec 2018	30 Sep 2018
EQUITY AND LIABILITIES			
Equity			
Share capital	234	234	234
Cash flow hedge reserve	(251)	(1,351)	1,044
Legal reserve	29	29	29
Foreign currency translation reserve	145	145	145
Retained earnings	16,651	15,310	19,433
Equity attributable to equity holders of the parent	16,808	14,367	20,885
Liabilities			
Non-current borrowings	6,000	6,000	8,000
Deferred income tax liabilities	3,204	2,781	3,115
Total non-current liabilities	9,204	8,781	11,115
Current liabilities			
Current portion of non-current borrowings	750	2,000	750
Overdraft			
Trade payables	5,872	4,611	9,033
Advances received	22,337	14,259	19,690
Income tax payable	74	29	120
Other current liabilities and accrued expenses	921	3,793	2,277
Total current liabilities	29,954	24,692	31,870
Total equity and liabilities	55,966	47,840	63,870

Consolidated cash flow statement

(EUR 000s)	9M 2019	9M 2018	2018
Net profit	1,341	5,656	5,415
Adjustments for non-cash items	3,195	2,304	(253)
Changes in working capital	8,517	5,919	344
Net cash flows from / (to) operating activities	13,053	13,879	5,506
Net cash flows from / (to) investing activities	(28)	(198)	(239)
Loans received	8,000	-	-
(Repayment) of loans	(9,250)	(5,250)	(6,000)
Interest (paid)	(370)	(384)	(488)
Dividends (paid)	-	-	(4,060)
Net cash flows from / (to) financing activities	(1,620)	(5,634)	(10,548)
Net increase (decrease) in cash flows	11,405	8,047	(5,281)
Cash and cash equivalents at the beginning of the year	4,903	9,984	9,984
Cash and cash equivalents at the end of the period	16,308	18,031	4,703

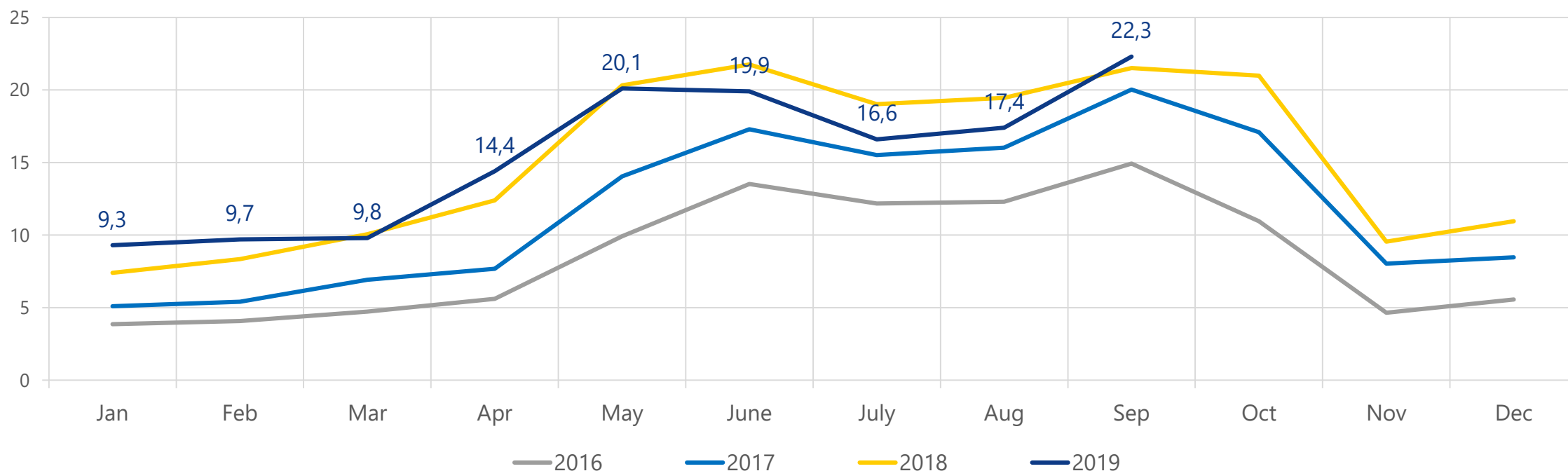
Seasonality of Novaturas business with strong shoulder season

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 Q3 2019, after weak demand in July and August, we observed strong recovery in September.

Monthly revenue (EUR m)

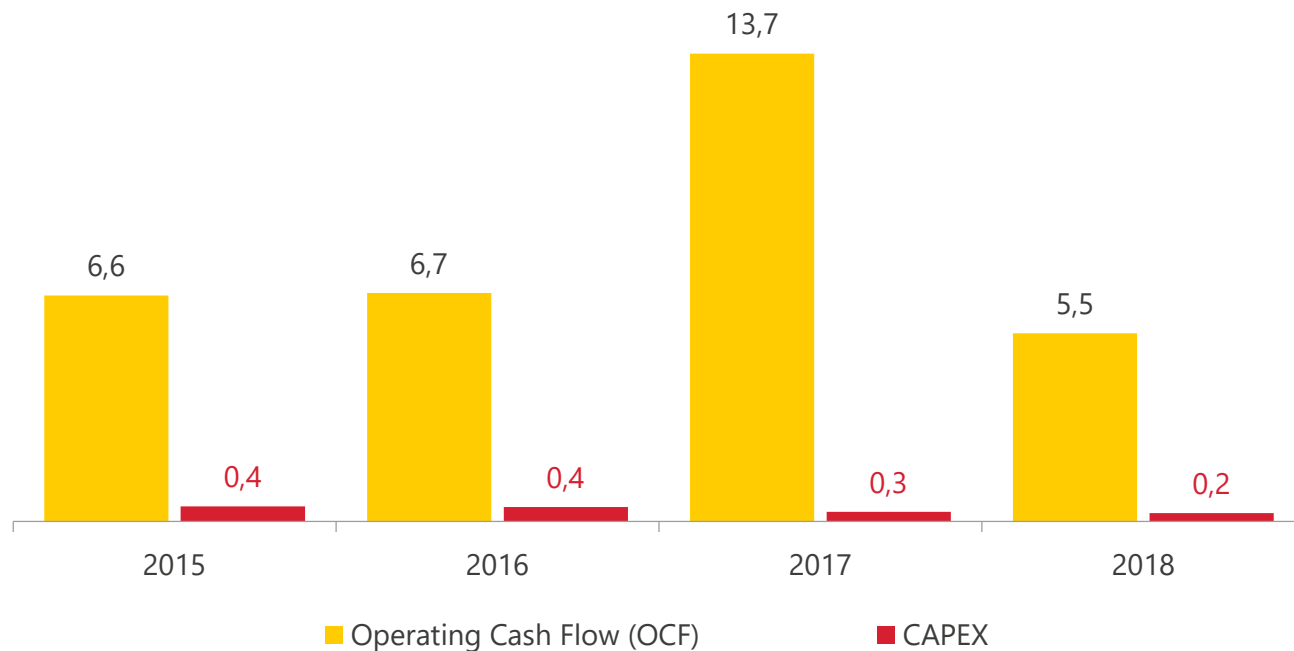


Novaturas dividend policy

The Company's asset-light business model is characterized by strong cash generation and low capex needs. Novaturas does not intend to invest in any hotels, planes or buses, which allows it to pay out a large part of its profits to shareholders.

In the long term, the Management Board expects to recommend annual dividend payments corresponding to 70-80% of net profit.

Operating cash flow vs. CAPEX (EUR m)



 **70% – 80%**

expected dividend payout ratio
in the long term

 **EUR 4.06m**
(EUR 0.52 per share)

dividend paid out in 2018
(~75% of 2018 net profit)

The Group's strategy



Retain leading position in the Baltics and benefit from the travel market growth



Maintain well-balanced distribution channels, with growing importance of e-commerce



Provide regular dividend payments



Continue expansion of offering in order to retain existing clients and attract new ones, translating this into sales growth



Secure further growth in operational scale combined with high profitability ratios and cash generation

Novaturas management team

Novaturas managers have been with the Company for many years. They have extensive know-how, years of experience in the tourism market and an in-depth knowledge of the Group's offering, which ensures effective implementation of the Group's strategy.



Audronė Keinytė, CEO

- With the Company for 13 years (since 2006)
- CEO since January 2019, earlier in charge of product development and purchasing
- Has strong commercial background as well as deep knowledge of tourism products and the industry itself



Tomas Staškūnas, CFO

- With the Company for 10 years (since 2009)
- Has experience as CFO and CEO in companies specialized in consumer goods



Birutė Čepanskienė, CCO

- With the Company for 18 years (since 2001)
- Responsible for sales and marketing on the Group level with special focus on Lithuania operations

Novaturas Supervisory Council



Sebastian Król
Chairman of the
Supervisory Council

- With Enterprise Investors since 2001, currently as partner.
- Sits on the supervisory boards of the fund's portfolio companies.
- Also serves as director for funds managed by Enterprise Investors.



Ugnius Radvila
Member of the
Supervisory Council

- Participated in the creation of Novaturas UAB in 1999.
- In 1999-2011, he was in charge of sighthseeing product department of the Company.
- Since 2011, he has been acting as consultant to the Company.



Vidas Paliūnas
Member of the
Supervisory Council

- Participated in the creation of Novaturas UAB in 1999.
- In 1999-2009 he was General Manager of the Company.
- In 2009-2018, he was a member of Novaturas' management board (functioning like a supervisory body in the period).



Piotr Nowjalis
Member of the
Supervisory Council

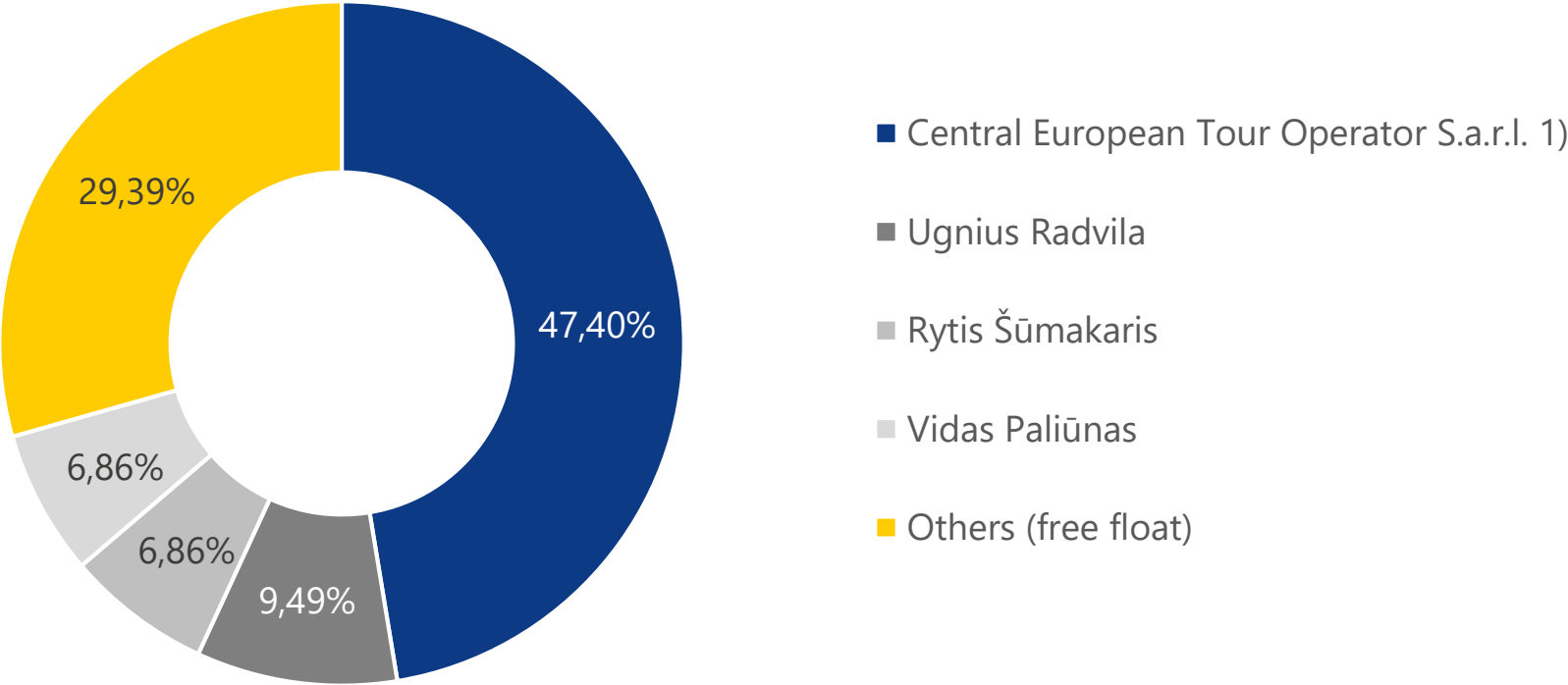
- Has been involved in financial management for 20 years.
- Held managerial and supervisory positions at many Warsaw Stock Exchange listed companies, including CCC (largest shoe retailer in CEE), AB (largest IT distributor in CEE) and Dino Polska (food retailer).



Franz Leitner
Member of the
Supervisory Council

- Has profound knowledge of the European travel markets, in particular DACH, CEE and Russia.
- In 1994-2007 he gained extensive experience in executive positions at Thomas Cook/Neckermann and TUI as CEO Austria/CEE/Russia.

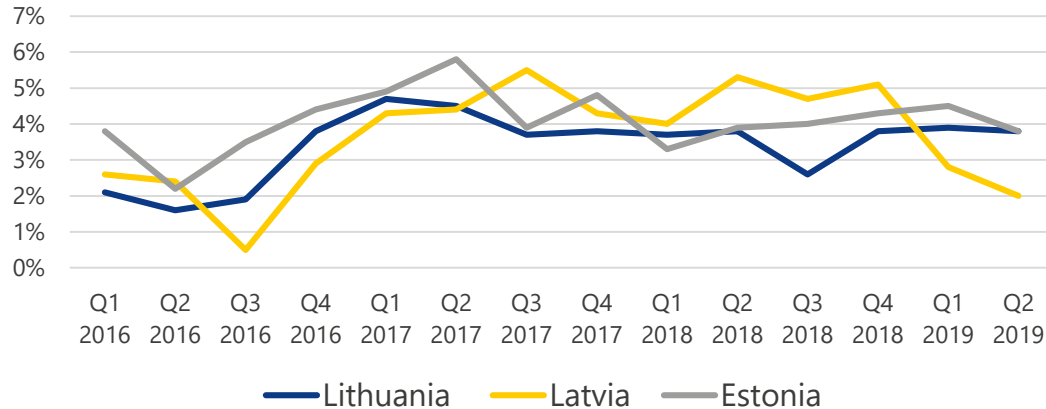
Novaturas shareholder structure



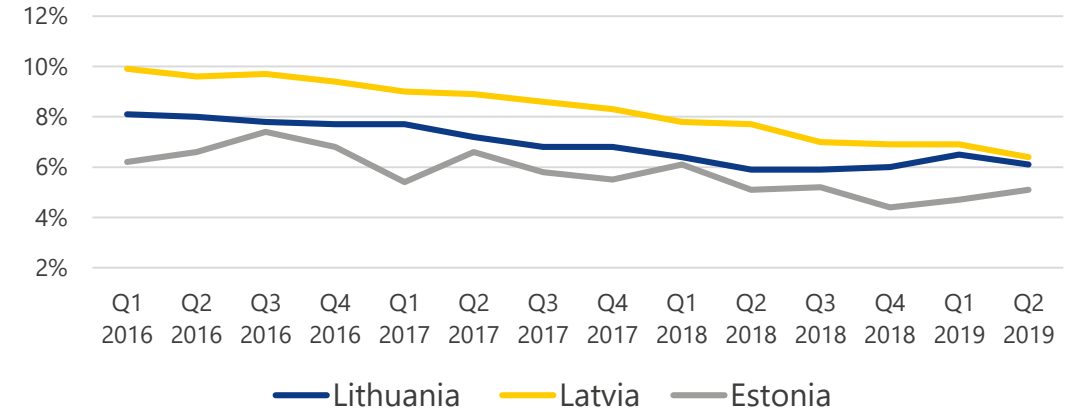
1) Central European Tour Operator S.a.r.l. is an entity owned by Polish Enterprise Fund VI, managed by Enterprise Investors

Macroeconomic conditions in the Baltics

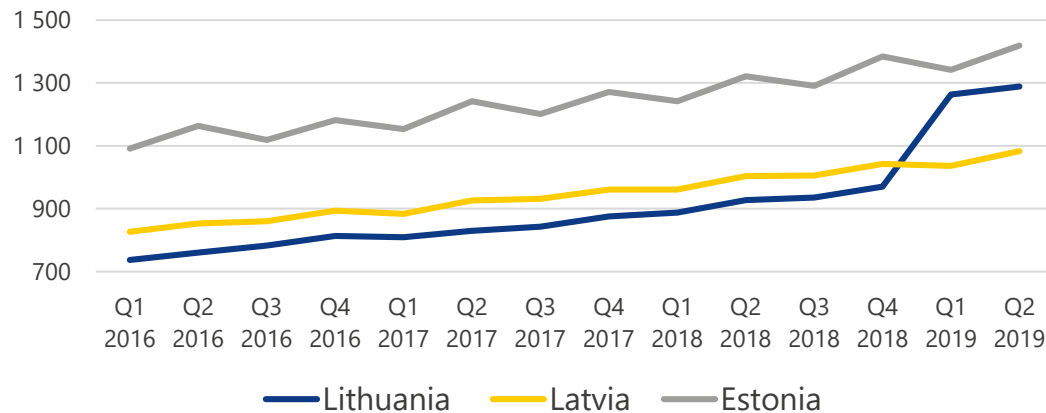
GDP growth rate (%)



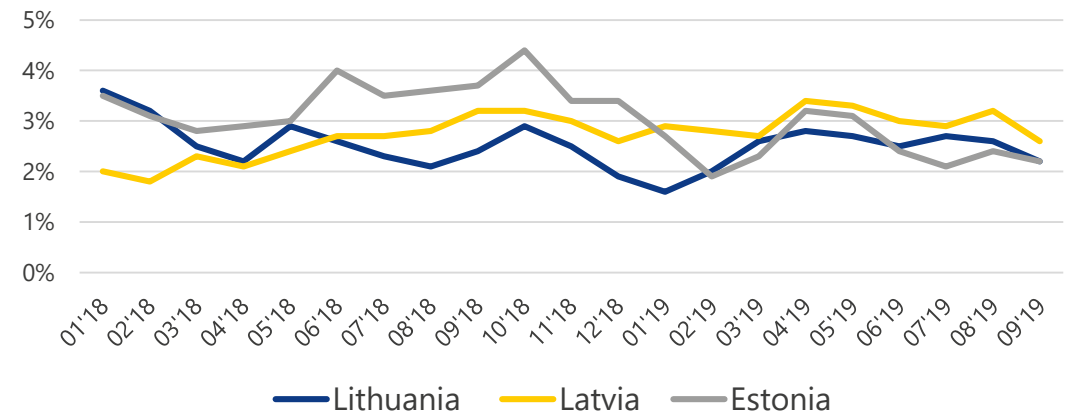
Unemployment rate (%)



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.

Company information

Novaturas group PLC

Registered address:

Mickevičiaus str. 27, LT-44245 Kaunas, Lithuania

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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