

Clear Skies Ahead for #1 OTA

Webjet Group Limited

We initiate coverage on Webjet Group (WJL) with a BUY recommendation and a 12-month target price of A\$1.15. WJL is the #1 Online Travel Agency (OTA) in Australia and New Zealand by Total Transaction Value (TTV), characterized by strong brand loyalty and structurally superior profitability (28.2% Group EBITDA margin in FY25). Despite these high-quality fundamentals, the market is significantly undervaluing the stock, which trades at a deep discount to global peers. WJL is a prime M&A target at this level, and we anticipate activity on this front in the near-term.

The market is overly focused on a near-term earnings plateau. Management guidance for flat FY26 EBITDA reflects a deliberate A\$10m reinvestment in growth initiatives. We view this short-term focus as a compelling entry point into a resilient, high-margin digital leader poised for a significant re-rating, driven by earnings acceleration post-FY26 and clear M&A potential.

Deep Discount to Global Comparables

WJL trades at just 5.1x FY1 EV/EBITDA. This represents a substantial 36% discount to the global peer median (8.0x) and a stark discount to leaders like Expedia (9.1x) and Booking Holdings (17.6x). This valuation is inappropriate for an asset-light, digital platform that operates more profitably than its domestic peers.

Prime M&A Candidate

The valuation gap has attracted activist attention. WJL is clearly in play, evidenced by the unsolicited bid from BGH Capital which now holds >10%, and Helloworld's (HLO) accumulation of a strategic >15% stake. PE firm Ariadne Australia has also accrued at >5% stake. This interest provides a valuation floor and a potent catalyst for realizing a control premium.

Conservative DCF Confirms Significant Undervaluation

Our Discounted Cash Flow (DCF) analysis yields a valuation of A\$1.34 per share. This conservatively factors in the near-term earnings plateau, underscoring the significant long-term cash generation potential of the business, supported by a robust, debt-free balance sheet (A\$118m net cash).

Innovation Leader

WJL is at the forefront of innovation adoption. Investments in proprietary technology, such as Trip Ninja (complex itinerary automation), and the recent acquisition of Locomote (SME business travel entry) underpin our expectation the Company increases TTV by circa 50% by FY30.

Valuation

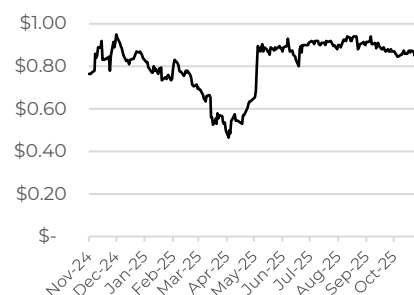
Our A\$1.25 price target implies a 34% Total Shareholder Return. It is derived using a blended approach, balancing our Comparable Companies Analysis (CCA) valuation of A\$1.23 and our DCF valuation of A\$1.34. The CCA valuation applies an 8.0x FY1 EV/EBITDA multiple. We believe this re-rating from the current depressed 5.1x is warranted, reflecting WJL's superior margins and market leadership, while still maintaining a conservative discount to global giants.

Recommendation	BUY
Fair Val. Range	\$1.23 - \$1.34
Price Target	\$1.25
Share Price	\$0.865
TSR	44.5%

Company Profile

Market Cap	\$339.5M
Enterprise Value	\$196.5M
SOI (diluted)	392.5M
Free Float	66.8%
ADV (3mth)	\$761k
52-Week Range	\$0.46 - \$0.995

Price Performance (PTM)



%	1M	3M	12M
Absolute	-0.6%	-3.9%	14.6%
ASX/S&P200	0.6%	2.7%	8.9%

Company Overview

Webjet Group Limited (ASX: WJL) is a leading digital travel company primarily serving the Australian and New Zealand consumer markets. Following a strategic demerger in 2024, WJL operates as a pure-play B2C entity comprising the flagship Webjet OTA, the global vehicle rental marketplace GoSee, and the itinerary technology specialist Trip Ninja. As the #1 Online Travel Agency (OTA) in Australasia, the company provides a comprehensive "one-stop-shop" for customers to compare and book flights, accommodation, and ancillary travel products. WJL leverages its strong brand equity and proprietary technology to maintain a highly profitable, asset-light business model with significant scale in its core regions.

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Financial Summary

VALUATION DETAILS			
Share Price (A\$)	\$0.87	DCF Fair Val	\$1.34
Market Cap (A\$m)	339.5	CCA Fair Val	\$1.23
Enterprise Value (A\$m)	221.4		
Target Price	\$1.25		

STATEMENTS (A\$m)	FY24	FY25	FY26E	FY27E	FY28E
Income Statement					
Revenue	143.7	139.7	147.9	163.4	181.3
EBITDA	39.1	39.4	38.4	45.8	51.7
EBIT	28.2	28.1	25.9	31.9	36.6
Net Income	19.7	19.7	18.1	22.3	25.6
Balance Sheet					
Cash & Cash Equivalents	100.3	148.9	78.7	90.1	103.9
Net Working Capital	2.9	2.8	3.0	3.3	3.6
Intangible Assets	71.9	74.1	76.3	78.0	79.2
Other Assets	18.6	18.2	7.4	8.2	9.1
Total Assets	193.7	244.0	165.4	179.5	195.8
Total Debt	42.9	30.8	0.0	0.0	0.0
Other Liabilities	116.4	66.3	29.6	32.7	36.3
Total Liabilities	159.3	97.1	29.6	32.7	36.3
Shareholders' Equity	34.4	146.9	135.8	146.9	159.5
Cash Flow Statement					
Net Income	19.7	19.7	18.1	22.3	25.6
Add: D&A	10.9	11.3	12.6	13.9	15.0
Less: Change in NWC	0.0	0.1	-0.2	-0.3	-0.4
Cash Flow from Operations	30.6	31.1	30.5	35.9	40.3
Cash Flow from Investing	-12.1	-13.3	-14.8	-15.5	-16.3
Change in Debt	0	-12.1	-30.8	0	0
Less: Dividends Paid	0.0	0.0	-7.2	-8.9	-10.3
Cash Flow from Financing	0.0	-12.1	-38.0	-8.9	-10.3
Unlevered Free Cash Flow	18.5	17.8	15.7	20.4	24.0

PER SHARE DATA	FY24	FY25	FY26E	FY27E	FY28E
Shares Out (m)	392.5	392.5	392.5	392.5	392.5
Normalised EPS (A\$)	0.05	0.05	0.05	0.05	0.06
DPS (A\$)	0.00	0.00	0.02	0.02	0.03
Payout	0%	0%	40%	40%	40%
Franking	0%	0%	100%	100%	100%

RATIOS	FY24	FY25	FY26E	FY27E	FY28E
Liquidity					
Current Ratio	1.22	2.51	5.59	5.49	5.40
Quick Ratio	0.65	1.56	2.76	2.86	2.97
Solvency					
Debt to Equity	1.25	0.21	0.00	0.00	0.00
Equity to Assets	0.18	0.60	0.82	0.82	0.81
Profitability					
ROA	10.2%	8.1%	11.0%	12.4%	13.1%
ROE	57.4%	13.4%	13.3%	15.2%	16.1%
EBITDA Margin	27.2%	28.2%	26.0%	28.0%	28.5%
NPAT Margin	13.7%	14.1%	12.3%	13.7%	14.1%
Growth					
TTV	4.2%	-5.5%	5.8%	8.2%	7.6%
Revenue	12.5%	-2.8%	5.8%	10.5%	11.0%
EBITDA	31.6%	0.8%	-2.4%	19.0%	12.9%
Underlying NPAT	67.5%	-0.4%	-7.9%	23.1%	14.9%
EPS	67.5%	16.5%	-7.9%	23.1%	14.9%
Valuation					
P/E	19.3	16.6	27.1	22.0	19.1
EV/Sales	2.0	1.6	2.8	2.5	2.1
EV/EBITDA	7.3	5.7	10.7	8.8	7.5
Dividend Yield	0%	0%	1.5%	1.8%	2.1%

Direct-to-Consumer Travel

Overview

Webjet is a digital travel company that provides online travel booking services. The company operates a portfolio of well-known brands, primarily catering to the Australian and New Zealand markets, with a growing global presence in vehicle rentals. The business traces its roots back to 1998 – one of the country's first online travel agencies (OTA). Within a decade of its founding, Webjet had grown to become the leading OTA in Australia and New Zealand, disrupting traditional travel booking models.

By 2024, the legacy Webjet Limited had evolved into a multi-segment travel group – and management saw an opportunity to unlock value by separating the business. In September 2024, shareholders approved a demerger that split the company into two focused entities. The consumer (B2C) division – comprising the Webjet OTA, the GoSee car & motorhome rental platforms, and Trip Ninja – was spun out as Webjet Group Limited (ASX: WJL), while the B2B division (WebBeds wholesale hotels) remained in the original company, which was renamed Web Travel Group Limited (ASX: WEB).

Today, WJL is a pure-play digital travel business centred on the Australasian consumer market, with global extensions in niche segments.

Products & Competitive Differentiation

Webjet Group's business comprises three main components:

- i. **Webjet OTA:** the flagship brand and the leading online travel agency in Australia and New Zealand. It allows customers to compare, book, and combine a wide range of travel products, including domestic and international flights, hotel accommodation, holiday packages, and travel insurance.
- ii. **Cars & Motorhomes:** a global car rental and motorhome booking marketplace (operating the Airport Rentals and Motorhome Republic websites).
- iii. **Trip Ninja:** a technology company that provides solutions for complex travel itineraries. Trip Ninja's technology automates the process of creating and booking multi-stop journeys, enhancing the capabilities of the Webjet OTA platform.

These markets are highly saturated with both online and traditional rivals. In Australia, key competitors on the consumer side include Flight Centre Travel Group (ASX: FLT) – which, while known for its brick-and-mortar agencies, has a growing online presence – and Helloworld Travel (ASX: HLO), which operates franchised travel agencies and some online channels. Notably, Helloworld has recently become a strategic shareholder in WJL (more on this in the M&A discussion), underscoring the overlap in their markets. Global OTA giants like Expedia (which owns Expedia, Wotif, Hotels.com etc.) and Booking Holdings (owner of Booking.com, Kayak, Agoda, etc.) are also competitors; Australian consumers can and do use those platforms, though Webjet's local brand recognition is a major advantage.

In this regard, several factors set WJL apart:

- **Market Leadership and Brand:** Being the #1 OTA in Australia/NZ gives Webjet a brand equity and customer base that new entrants would struggle to replicate. This brand strength also leads to cheaper customer acquisition costs relative to lesser-known competitors.
- **Comprehensive “One-Stop-Shop” Offering:** Webjet's platform offers end-to-end travel booking capability – flights, hotels, cars, insurance, activities – which few single competitors can fully match. An airline website might offer flights but not rival airlines or extensive hotel options; a hotel OTA might not sell flights, etc.

Webjet aggregates the full travel package in one place. This breadth not only provides convenience to customers but also allows cross-sell/up-sell (driving higher revenue per customer).

- **Technology & Pricing Innovation:** Webjet's proprietary tools (like Deal Finder) and Trip Ninja-powered itineraries translate into tangible savings for customers on complex travel, as discussed. The ability to consistently find cheaper multi-stop fares (the Company claims 30% on average below standard fares). Additionally, Webjet has embraced new distribution technology (e.g. direct NDC connections to airlines) to access content or fares not available on legacy systems.
- **Profitability and Scale:** Webjet OTA's high margins (40%+ EBITDA margin) suggest it operates more efficiently than many peers. This profitability gives WJL room to manoeuvre – it can invest in marketing, customer service, or technology development more aggressively than a thinner-margin competitor. It also means Webjet can potentially offer promotions or loyalty incentives without jeopardizing its bottom line.

Financial Analysis

WJL has rebounded from the Covid-19 pandemic and stabilised in a challenging consumer environment. FY25 saw a solid year of performance, essentially holding ground on revenue and earnings despite external headwinds, and positioning for future growth.

Volumes & Revenue

In FY25, WJL recorded Total Transaction Value (TTV) of A\$1.50 billion, down about 6% from A\$1.59bn in FY24. The group processed 1.53 million bookings during the year (flights, hotels, cars, etc.), a 7% decrease vs. 1.64m in the prior year. This slight decline in volume was primarily due to softness in the domestic travel market. Australia in 2024/25 faced rising interest rates and cost-of-living pressures, which curtailed some consumers' travel budgets – especially for discretionary domestic trips. Additionally, an unexpected hit came from Rex Airlines (Rex), a regional Australian carrier that went into voluntary administration (bankruptcy protection) during FY25. Rex had been an important partner for Webjet in domestic flight sales, so its effective exit from the market dented Webjet's domestic flight bookings in late FY25.

Despite these challenges, group revenue was A\$139.7 million, only 3% lower than the previous year's A\$143.7m. In other words, revenue held up better than booking volumes or TTV. This indicates an improvement in revenue margin (revenue as a percentage of TTV), which indeed rose to 9.3% in FY25 from 9.0% in FY24. The revenue resilience was achieved by shifting the mix toward higher-margin products, notably a greater proportion of international flights and ancillary product sales (travel insurance, etc.), which carry higher commission rates than domestic flights. Management actively focused on revenue optimisation initiatives such as promoting ancillaries and international routes to offset the domestic softness. This strategy paid off in keeping top-line performance on track.

Breaking down by segment:

- **Webjet OTA:** This core segment faced headwinds in FY25, with TTV declining 5% due to domestic market softness and the collapse of Rex Airlines. However, revenue only dipped 1% as the business successfully shifted its mix towards stronger international bookings and higher-margin ancillaries. The segment delivered A\$51.6 million in EBITDA (before corporate overheads) at an impressive 43.0% margin, demonstrating high profitability despite slight compression from increased growth investments in the second half.

- **Cars & Motorhomes (GoSee):** The Cars & Motorhomes division also experienced volume declines, with TTV down 9%, due to the weak domestic market and a lagging recovery in international inbound tourism affecting motorhome rentals. Crucially, WJL executed a significant cost restructuring, cutting expenses by ~10% and allowing the segment to return to profitability with A\$1.6m in EBITDA for FY25. The performance showed a strong H2 weighting (A\$1.4m in 2H), indicating the division has turned a corner and is positioned for profitable growth in FY26.
- **Corporate/Other:** Corporate overheads, representing unallocated public company and administrative costs following the demerger, totaled approximately A\$13.8m in FY25. While the company navigates the cost implications of operating as a standalone entity, these overheads were managed effectively.
- **Trip Ninja:** Trip Ninja's financials are not reported separately, as it is viewed as a strategic investment in R&D and IT capability rather than a near-term revenue generator. The unit is expanding its B2B partner network and launched new features, such as an analytics engine, while preparing for future long-haul round-trip integrations. Although currently a cost center, Trip Ninja provides a significant technological advantage with potential future monetization opportunities.

Earnings

At the consolidated level, underlying EBITDA was A\$39.4m for FY25, essentially flat versus A\$39.1m in FY24. This is a strong result in light of the revenue dip. EBITDA margin improved to 28.2% (from 27.2%), reflecting cost discipline and the higher revenue take-rate. WJL managed costs tightly – operating expenses were kept in check even as the company incurred one-off demerger related costs (excluded from underlying) and invested in areas like marketing technology and staff (they hired capability to support growth plans). The flattish EBITDA also masks that WJL absorbed inflation (e.g. wage rises, tech hosting costs) and still grew margin – a sign of a lean operation.

Underlying NPAT was reported at A\$20.9 million, up 18% from the prior year's underlying NPAT. This jump was largely due to an improvement in net interest (earning interest income vs paying interest cost) and maintaining EBITDA. It's worth noting that WJL's statutory NPAT was lower – just A\$5.1m for FY25 – because the statutory result included various one-off items such as share-based payment expenses, demerger transaction costs, and an impairment charge on goodwill in the Cars & Motorhomes business (the latter was taken to reflect the tougher outlook for that unit post-Covid).

Financial Outlook

WJL reported a rock-solid balance sheet: at end March 2025, the company held A\$118.1m net cash (no debt). The Company's business model is inherently cash-generative: it operates on negative working capital because customers typically pay upfront for bookings, while WJL remits payments to suppliers closer to the travel date, creating a float of cash. The cash buffer the company maintains provides substantial liquidity, serving as insurance in down periods, but also opening up opportunities: WJL can invest in growth projects or strategic acquisitions without borrowing, and/or return surplus cash to shareholders.

In this regard, the Board has initiated capital management plans: WJL will commence paying dividends from FY26 onward, targeting 40-60% payout of underlying NPAT (we assume 40% payout in perpetuity – see 'DCF Valuation'). Additionally, the Board had considered an on-market share buyback given the strong cash position, as a way to return capital and underscore their view that the stock is undervalued. However, because of the takeover interest from BGH, they prudently deferred any immediate buyback implementation. The signal is clear: WJL is generating more cash than it immediately needs and is shareholder-friendly in deploying that excess.

Looking ahead, Webjet Group provided guidance that FY26 underlying EBITDA is expected to be roughly in line with FY25. The flat near-term outlook reflects a couple of factors: (i) as of early FY26, trading was soft – the first 6 weeks saw domestic bookings down ~11% vs pcg, partly due to an Easter timing shift, while international bookings were up ~5%. The slow start means 1H26 will likely be weaker, with reliance on a rebound in 2H. (ii) WJL is deliberately increasing operating expenses by ~\$10m in FY26 to fund growth initiatives (tech, marketing, hiring). This is essentially an investment year to ensure they can hit their longer-term targets. Because of these investments and the soft macro environment, management expects FY26 earnings to be H2-weighted and relatively flat overall.

Valuation Upside – Target Price of \$1.25

Comparable Companies Analysis

WJL is currently trading at an FY1 (FY26E) EV/EBITDA multiple of 5.1x. This represents a substantial 34% discount to the broader peer group median of 7.7x FY1 EV/EBITDA, and an even wider gap when compared to global online travel agency (OTA) leaders.

Figure 1: Valuation multiples comparison for WJL peer group. Source: Bloomberg data.

Ticker	Name	Mkt Cap (US\$M)	EV (US\$M)	EV/EBITDA (LTM)	EV/EBITDA (FY1)	P/E (LTM)	P/E (FY1)	Dividend Yield
WJL AU	WEBJET GROUP LTD	219	121	5.0	5.0	66.6	20.4	N/A
HLO AU	HELLOWORLD TRAVEL LTD	198	153	4.9	3.6	8.8	8.3	7.6%
FLT AU	FLIGHT CENTRE TRAVEL GROUP L	1,687	1,858	7.3	5.9	24.3	11.8	3.3%
BKNG US	BOOKING HOLDINGS INC	162,154	162,523	16.0	16.5	28.5	22.0	0.7%
EXPE US	EXPEDIA GROUP INC	26,674	27,735	10.8	8.6	20.9	15.1	0.6%
TCOM US	TRIP.COM GROUP LTD-ADR	46,733	41,248	18.6	15.7	21.8	19.1	0.4%
MMYT US	MAKEMYTRIP LTD	7,558	8,119	48.2	40.0	124.1	47.8	N/A
EDR SM	EDREAMS ODIGEO SL	1,038	1,409	8.9	6.7	14.3	11.9	N/A
				Median	10.8	7.7	21.8	17.1
								0.7%

ASX-Listed Peers

The domestic peer group, including Helloworld Travel (ASX: HLO) and Flight Centre (ASX: FLT), trades at subdued multiples, reflecting fundamentally different business models and lower growth profiles. HLO trades at 3.6x FY1 EV/EBITDA. HLO operates primarily as a B2B wholesaler and franchised agency network. Its low multiple is also somewhat distorted by a large net cash position which depresses its EV. FLT trades at 5.9x FY1 EV/EBITDA. While significantly larger, FLT is still transitioning from a historically brick-and-mortar model and carries a higher operating cost base than WJL.

WJL's current multiple of 5.0x places it squarely within the range of these traditional players. We view this as inappropriate. WJL's core OTA segment consistently generates EBITDA margins above 40%, and the consolidated group achieved a 28.2% EBITDA margin in FY25. This profitability is structurally superior to its local peers (e.g., HLO margins are ~27%). WJL's digital-first, asset-light platform warrants a significant premium to this local cohort.

Global OTAs

The valuation disconnect is most evident when comparing WJL to international OTA giants. These companies consistently command high multiples, reflecting the market's appreciation for the scalability, high cash generation, and structural growth tailwinds inherent in the OTA model. Booking Holdings (NASDAQ: BKNG), the global leader, trades at 16.5x FY1 EV/EBITDA. Expedia Group (NASDAQ: EXPE) trades at 8.6x FY1 multiple. High-growth regional leaders like Trip.com (NASDAQ: TCOM) trade at 15.7x.

WJL trades at significant discounts to Booking.com and Expedia. While WJL warrants a discount due to its smaller scale and geographic concentration in the ANZ region, the magnitude of the current gap is excessive. WJL's high margins and local market leadership suggest it is being fundamentally mispriced by the local market.

Drivers of Undervaluation & Catalysts for Re-rating

We believe the market is overly focused on near-term headwinds, overshadowing WJL's long-term potential and inherent business quality. Management has guided for FY26 underlying EBITDA to be roughly flat with FY25 (circa A\$39m). This reflects a conscious decision to increase operating expenses by ~A\$10m in FY26 to fund strategic growth initiatives – including technology enhancements, marketing, and the entry into the SME business travel segment via the recent acquisition of Locomote. This near-term earnings stagnation, combined with current softness in the domestic travel market due to cost-of-living pressures, has suppressed the trading multiple.

However, we anticipate a significant re-rating as the benefits of the FY26 investments materialize in FY27 and beyond. Management's strategy to double TTV to over \$3.2bn by FY30 is supported by structural tailwinds, including the ongoing shift to online bookings and the rebound in international travel, where WJL leverages its proprietary Trip Ninja technology to offer superior pricing on complex itineraries.

The valuation also fails to account for WJL's clean balance sheet. The company holds A\$118 million in net cash (no debt). On a cash-adjusted basis, the underlying business is trading closer to 4.0x FY25 EBITDA – a remarkably low multiple for a profitable market leader.

Crucially, this undervaluation has not gone unnoticed. The unsolicited (and rejected) bid from BGH Capital and the accumulation of a >15% strategic stake by Helloworld indicate that sophisticated industry players recognize the deep value in WJL's platform. The company is "in play," providing a valuation floor and a potential catalyst for rapid appreciation via a control premium.

Justification of Target Multiple: 8.0x FY1 EV/EBITDA

We assert that a forward (FY1) EV/EBITDA multiple of 8.0x is the appropriate metric on which to value Webjet Group, resulting in a CCA-derived fair value of \$1.23/sh. This multiple represents a substantial uplift from the current 5.1x and aligns with the broader peer median (8.0x). It appropriately balances the following factors:

- **Premium to Local Peers:** 8.0x represents a significant premium over HLO (3.6x) and FLT (5.9x), reflecting WJL's superior profitability (>40% OTA margins), market leadership (#1 OTA in ANZ), and technological advantages.
- **Conservative Discount to Global Leaders:** This multiple remains a conservative discount to global peers such as Expedia (8.6x) and Booking Holdings (16.5x), acknowledging WJL's smaller scale and regional focus.
- **Growth Trajectory and Quality of Earnings:** The multiple accounts for the expected re-acceleration of growth post the FY26 investment year and the high quality of WJL's cash-generative, digital earnings stream.
- **Strategic Value Recognition:** An 8.0x multiple begins to incorporate the strategic value recognized by industry players and private equity, aligning with the multiples required to secure control of a scarce, high-quality digital asset.

VALUATION SUMMARY

Target FY1 EV/EBITDA Multiple	8.0
Consensus FY1 EBITDA	38.0
Implied EV	322.6
Add: Cash	148.9
Less: Debt	-30.8
Equity Value	483.3
Shares Outstanding	392.5
Implied Share Price	\$1.23

DCF Valuation

Our DCF model incorporates a 10-year forecast period, yielding an implied share price of A\$1.34/sh. This supports our view that WJL is materially undervalued and offers significant upside from current levels.

Figure 2: DCF model assumptions. Source: Evolution Capital estimates.

PERIOD	FY24	FY25	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	FY34E	FY35E
REVENUE DRIVERS												
Total Transaction Value (TTV) - A\$m	1591	1503	1590	1720	1850	2050	2300	2590	2800	3100	3400	3700
TTV Growth %	0	-5.5%	5.8%	8.2%	7.6%	10.8%	12.2%	12.6%	8.1%	10.7%	9.7%	8.8%
Revenue Take Rate (% of TTV)	9.0%	9.3%	9.3%	9.5%	9.8%	9.8%	9.8%	9.8%	9.8%	9.8%	9.8%	9.8%
Total Revenue - A\$m	143.7	139.7	147.9	163.4	181.3	200.9	225.4	253.8	274.4	303.8	333.2	362.6
Revenue Growth %	0	-2.8%	5.8%	10.5%	11.0%	10.8%	12.2%	12.6%	8.1%	10.7%	9.7%	8.8%
MARGIN ASSUMPTIONS												
EBITDA Margin	27.2%	28.2%	26.0%	28.0%	28.5%	29.0%	29.5%	30.0%	30.0%	30.0%	30.0%	30.0%
EBITDA - A\$m	39.1	39.4	38.4	45.8	51.7	58.3	66.5	76.1	82.3	91.1	100.0	108.8
D&A as % of Revenue	7.6%	8.1%	8.5%	8.5%	8.3%	8.0%	7.8%	7.6%	7.5%	7.4%	7.3%	7.2%
Depreciation & Amortisation - A\$m	10.9	11.3	12.6	13.9	15.0	16.1	17.6	19.3	20.6	22.5	24.3	26.1
EBIT - A\$m	28.2	28.1	25.9	31.9	36.6	42.2	48.9	56.9	61.7	68.7	75.6	82.7
EBIT Margin	19.6%	20.1%	17.5%	19.5%	20.2%	21.0%	21.7%	22.4%	22.5%	22.6%	22.7%	22.8%
Tax Rate	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
CAPEX & WORKING CAPITAL												
Capex as % of Revenue	8.4%	9.5%	10.0%	9.5%	9.0%	8.5%	8.0%	7.5%	7.0%	6.8%	6.6%	6.5%
Capital Expenditure - A\$m	12.1	13.3	14.8	15.5	16.3	17.1	18.0	19.0	19.2	20.7	22.0	23.6
Net Working Capital as % of Revenue	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
BALANCE SHEET ASSUMPTIONS												
Target Net Debt / EBITDA	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x
Interest Rate on Debt	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Interest Rate on Cash	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
DIVIDEND POLICY												
Dividend Payout Ratio	0.0%	0.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%

Key Assumptions

- **WACC:** We calculate a WACC of 10.7%. This is derived using the CAPM, incorporating a risk-free rate of 4.1%, a market risk premium of 5.5%, and a

levered beta of 1.2. Given WJL's debt-free balance sheet and an assumed zero-debt target capital structure, the WACC equals the cost of equity.

- **TTV Growth:** We project Total Transaction Value (TTV) to grow from A\$1.50bn in FY25 to A\$2.30bn by FY30E, representing an 8.9% Compound Annual Growth Rate (CAGR). This trajectory is driven by the recovery in international travel and execution of strategic initiatives.
- **Revenue Take Rate:** We assume the revenue take rate (revenue as a percentage of TTV) improves modestly from 9.3% in FY25 to stabilize at 9.8% by FY28E. This uplift is driven by a strategic mix shift towards higher-margin international bookings and ancillary products.
- **EBITDA Margin Expansion:** Consistent with guidance, we forecast a temporary compression in EBITDA margin to 26.0% in FY26E (from 28.2% in FY25) due to the planned reinvestment in growth initiatives. We expect margins to recover from FY27E onwards as operating leverage returns, expanding towards a terminal margin of 30.0% by FY31E.
- **Terminal Growth:** We apply a standard terminal growth rate of 3.0%.

Model Outputs

We forecast a robust growth trajectory following the FY26 investment year, resulting in a derived fair-value EV of circa A\$409.1 million. We project EBITDA to be A\$38.4m in FY26, reflecting the investment focus of this year. Growth resumes strongly thereafter, with EBITDA forecast to reach A\$66.5m by FY30E. Correspondingly, NPAT is forecast to increase from A\$18.1m in FY26E to A\$34.2m by FY30E.

At our DCF valuation of \$1.34/sh, the implied multiples are:

- EV/EBITDA: 10.6x
- P/E: 29.1x
- EV/Sales: 2.8x

While P/E appears elevated due to the near-term earnings compression from reinvestment, the implied EV/EBITDA multiple of 10.6x strongly supports our thesis that the current trading multiple of ~5.1x significantly undervalues WJL's long-term potential.

Figure 3: DCF model output. Source: Evolution Capital estimates.

PERIOD	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	FY34E	FY35E	Terminal
UNLEVERED FREE CASH FLOW											
EBIT	28.2	28.1	25.9	31.9	36.6	42.2	48.9	56.9	61.7	68.7	
Less: Tax on EBIT	-8.5	-8.4	-7.8	-9.6	-11.0	-12.7	-14.7	-17.1	-18.5	-20.6	
NOPAT (Unlevered Net Income)	19.7	19.7	18.1	22.3	25.6	29.5	34.2	39.8	43.2	48.1	
Add: Depreciation & Amortisation	10.9	11.3	12.6	13.9	15.0	16.1	17.6	19.3	20.6	22.5	
Less: Capital Expenditure	-12.1	-13.3	-14.8	-15.5	-16.3	-17.1	-18.0	-19.0	-19.2	-20.7	
Less: Change in NWC	0.0	0.1	-0.2	-0.3	-0.4	-0.4	-0.5	-0.6	-0.4	-0.6	
Unlevered Free Cash Flow	18.5	17.8	15.7	20.4	24.0	28.1	33.3	39.5	44.2	49.3	
TERMINAL VALUE CALCULATION											
Terminal Year Revenue										373.5	
Terminal EBITDA Margin										30.0%	
Terminal EBITDA										112.0	
Terminal D&A % of Revenue										6.5%	
Terminal D&A										24.3	
Terminal EBIT										87.8	
Terminal NOPAT										61.4	
Terminal FCF										54.0	54.0
Terminal Value										700.9	700.9
DISCOUNT TO PRESENT VALUE											
Period (Years from Valuation)	1	2	3	4	5	6	7	8	9	10	10
Discount Factor	0.903	0.816	0.737	0.666	0.602	0.543	0.491	0.443	0.401	0.362	0.362
PV of Cash Flows	16.7	14.5	11.6	13.6	14.4	15.3	16.3	17.5	17.7	17.8	253.6
VALUATION SUMMARY											
PV of Forecast Period FCF	155.5										
PV of Terminal Value	253.6										
Enterprise Value	409.1										
Add: Cash	148.9										
Less: Debt	-30.8										
Equity Value	527.2										
Shares Outstanding (millions)	392.5										
Implied Share Price (A\$)	\$ 1.34										

Price Target Determination

We establish a 12-month price target for Webjet Group (WJL) of A\$1.25 per share. This target is derived using a blended approach that considers the outputs of CCA and DCF, which yield a fair val. range of A\$1.23 to A\$1.34.

- **Comparable Company Analysis (CCA) Valuation (A\$1.02):** This market-based valuation applies an 8.0x FY1 EV/EBITDA multiple. This reflects the necessary re-rating from current depressed levels (5.1x) towards global digital peers, justified by WJL's superior margins and market leadership, while still applying a conservative discount for scale.
- **Discounted Cash Flow (DCF) Valuation (A\$1.34):** This intrinsic valuation captures the long-term cash generation potential of the business. It is underpinned by the expected acceleration of earnings growth post the FY26 investment year and the execution of the strategy to double TTV by FY30.

A\$1.15 balances the immediate re-rating potential observed in the market (CCA) with the fundamental long-term value of the franchise (DCF). Furthermore, this target price aligns closely with the valuation we believe would be required in a takeover scenario. Given the active strategic interest from Helloworld and BGH Capital, any successful acquisition would necessitate a control premium. We view A\$1.25 as a realistic level that reflects both the standalone value and the strategic attractiveness of the WJL platform.

Investment Thesis & Outlook

We view Webjet Group (WJL) as an undervalued and compelling investment opportunity in the travel sector. The core of our bullish thesis is that WJL combines a market-leading franchise (the #1 OTA in its region) and a robust financial profile, yet its share price fails to reflect the company's full earnings potential and strategic value. Our positive stance is underpinned by the following key points:

- i. **Resilient Market Leader with Strong Brand Equity:** WJL's Webjet OTA is the dominant player in online travel bookings for Australia/New Zealand, a position that provides a competitive moat. The company has high brand recognition and customer loyalty, built over 25+ years, which translates into steady revenue even during tough periods.
- ii. **High-Margin, Cash-Generating Business Model:** Unlike many online disruptors that chase growth at the expense of profit, WJL already operates with attractive profitability. A 28% EBITDA margin and 15%+ underlying NPAT margin in FY25 are metrics on par with, or better than, larger global peers. Furthermore, WJL's negative working capital cycle generates cash upfront. The company has no debt and significant cash reserves, providing stability and optionality. This financial strength enables WJL to invest in growth while also commencing shareholder returns (initiation of dividends in FY26). The combination of profitability and cash flow means WJL's downside is somewhat protected – even if growth stalls, the company isn't burning cash or risking solvency.
- iii. **Clear Growth Strategy with Multiple Avenues:** WJL has a defined strategic roadmap to drive growth through 2030, targeting to double its TTV in five years. Several growth drivers underpin this plan: (a) International Expansion: as international airline capacity returns post-pandemic, WJL is aggressively targeting more international flight bookings, where it can earn higher fees and leverage Trip Ninja's fare advantages. There is substantial room for Webjet to increase share in outbound travel from Australasia (b) Ancillary Revenue & "Travel Wallet" Capture: WJL is focusing on selling more ancillaries (hotels, insurance, car hire, activities) alongside flights, aiming to capture a greater share of each customer's total travel spend. Initiatives like members-only offers and loyalty programs are being developed to incentivize bundling of products. (c) New Segments (Business Travel): Traditionally Webjet's focus was leisure consumers, but the company sees an opportunity in the unmanaged or SME business travel segment, which desires a seamless online solution. To this end, WJL has just acquired Locomote, a corporate travel booking technology firm (announced in October 2025) to fast-track its entry into business travel services. The plan is to roll out a distinct Webjet Business Travel offering that can serve small corporates or high-wealth individuals with specialized needs (duty of care, travel policy compliance, etc.) via a digital platform. This could unlock a new client base and revenue stream adjacent to Webjet's core leisure market. (d) Technology & Platform Enhancements: WJL is investing in a platform refresh (Webjet OTA is undergoing a brand and UX update) and upgrading its marketing tech stack for better personalization and customer acquisition efficiency. The aim is not only to grow volume but improve conversion rates and customer lifetime value. All these initiatives suggest that WJL's growth is far from over; in fact, it may accelerate after this transition year. Achieving the FY30 targets would imply mid-teens annual EBITDA growth (as revenue scales on a largely fixed-cost base), which is not at all priced into the stock currently.

- iv. **Strategic Asset – M&A In Play:** One of the most compelling aspects of the WJL investment case is the possibility of a takeover or strategic merger, which could unlock immediate value. In early 2025, WJL received an unsolicited approach from BGH Capital, a prominent private equity firm, at \$0.80 per share. Though rejected, this offer signalled that institutional investors see deep value in Webjet Group. BGH hasn't walked away; they have accumulated a 10.76% stake and could return with another bid. Meanwhile, Helloworld Travel (HLO) also upped its stake in WJL to roughly 15-16%. There is speculation – reported in financial media – that BGH and Helloworld might team up to acquire Webjet Group and possibly take it private. Such a partnership would make sense: Helloworld could contribute industry expertise and perhaps fold its own online/travel assets with Webjet, while BGH provides the capital to buy out shareholders.

Outlook Summary

Our outlook for WJL is positive, albeit acknowledging some short-term challenges. In the near term (next 6-12 months), trading conditions remain mixed. Sustained interest rate levels and economic uncertainty in Australia could keep domestic travel subdued in the coming months, which might constrain revenue growth until consumer confidence improves. We expect the 1H26 result (due late 2025) to be relatively soft, potentially even a year-on-year decline in earnings, given the slow start and the increase in expenses. This could weigh on the share price in the absence of corporate action. However, by 2H26 and into FY27, we anticipate a re-acceleration: airline capacity to key international routes (e.g. Europe, Asia, Americas from Australia) is increasing, which will feed more inventory and better pricing into Webjet's system, stimulating bookings. Webjet's ongoing investments in product (e.g., integrating Trip Ninja into long-haul searches, launching new marketing campaigns) should start yielding fruit in terms of higher conversion and market share. Additionally, if the business travel product launches in FY26, FY27 could see incremental revenue from that segment, leveraging the Locomote technology and any new client wins. This could be a catalyst for upgrades to forecasts.

The most obvious catalyst is M&A activity – any formal takeover offer or even speculation thereof could rerate the stock closer to our target. Even absent of a full takeover, the involvement of Helloworld (which now owns >15% and has a board seat perhaps) might lead to collaborative opportunities or at least put a spotlight on WJL. Another catalyst could be a significant strategic partnership – for example, if Webjet were to partner with a major airline or a global OTA on content sharing or tech, it could enhance growth prospects. We also highlight the potential for capital returns to support the stock, which would be accretive at these price levels and signal confidence.

In our view, the market is undervaluing WJL. Investors appear to be focusing on near-term earnings stagnation and macro risks, while overlooking Webjet's strong brand, longer-term growth potential, and, despite BGH's 2024 takeover bid, future M&A potential.

Key Risks

Competition

WJL faces significant competition from global giants like Booking Holdings and Expedia, which possess vastly superior scale and marketing budgets. A persistent risk exists that these players could deploy capital aggressively in the Australasian market to capture share. This could lead to price competition or higher customer acquisition costs, eroding WJL's market share and compressing its high margins.

Macroeconomic Weakness

As earnings are highly exposed to discretionary travel spending, WJL is vulnerable to sustained economic weakness in Australia and New Zealand. The domestic market is already soft, and if high interest rates and cost-of-living pressures persist, consumer spending may not recover as anticipated. This could lead to stagnating TTV growth, placing the FY30 targets at risk.

Execution Risk

The company's stated goals rely on the successful execution of its A\$10m reinvestment plan in FY26. There is a risk these investments in technology and marketing fail to deliver the expected TTV growth or margin expansion. Furthermore, the recent Locomote acquisition presents integration risk and the challenge of competing against incumbents in the new SME business travel segment.

M&A Catalyst Fails to Materialize

The investment thesis is partly supported by strategic M&A value, but this is not a guaranteed catalyst. The BGH Capital bid was already rejected, and the presence of two large strategic shareholders (BGH and Helloworld) could result in a "stalemate" that deters other bidders. If no control premium materializes, the share price will be solely reliant on fundamental performance, which is guided to be flat in the near term.

Supplier Dependency and Commission Risk

As an aggregator, WJL relies on third-party suppliers like airlines and hotels for its inventory, as highlighted by the Rex Airlines collapse. The company's revenue is also exposed to commission pressure. A major supplier could decide to reduce commission rates or invest more heavily in its own direct-to-consumer channels, which would materially impact WJL's revenue and profitability.

Evolution Capital Ratings System

Recommendation Structure

- **Buy:** The stock is expected to generate a total return of >10% over a 12-month horizon. For stocks classified as 'Speculative', a total return of >30% is expected.
- **Hold:** The stock is expected to generate a total return between -10% and +10% over a 12-month horizon.
- **Sell:** The stock is expected to generate a total return of <-10% over a 12-month horizon.

Risk Qualifier

- **Speculative ('Spec'):** This qualifier is applied to stocks that bear significantly above-average risk. These can be pre-cash flow companies with nil or prospective operations, companies with only forecast cash flows, and/or those with a stressed balance sheet. Investments in these stocks may carry a high level of capital risk and the potential for material loss.

Other Ratings

- **Under Review (UR):** The rating and price target have been temporarily suppressed due to market events or other short-term reasons to allow the analyst to more fully consider their view.
- **Suspended (S):** Coverage of the stock has been suspended due to market events or other reasons that make coverage impracticable. The previous rating and price target should no longer be relied upon.
- **Not Covered (NC):** Evolution Capital does not cover this company and provides no investment view.

Expected total return represents the upside or downside differential between the current share price and the price target, plus the expected next 12-month dividend yield for the company. Price targets are based on a 12-month time frame.

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