EVOLUTION CAPITAL

WJL | UPDATE | CONSUMER DISCRETIONARY

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Turbulent Times for WJL

Webjet Group Limited

WJL has delivered a trading update, which includes a significant downgrade to FY26 earnings guidance and a restatement of historical financials. Management expects FY26 underlying EBITDA of $30m-$32m. This is approximately 19% below our prior forecast of $38.4m and represents a 9-14% contraction on the revised FY25 EBITDA of $35m.

Earnings Guidance Revision

The downgrade is driven by a sharp deterioration in the trading environment. Persistent softness in the domestic leisure market, attributed to cost-of-living pressures and elevated domestic airfares, has continued into 2H26. Furthermore, WJL disclosed that an ACCC infringement notice temporarily suppressed bookings late in 1H26 and forced a delay in the planned OTA brand relaunch and marketing investment. Preliminary 1H26 EBITDA of $14.4m (down 9% on the revised pcp) underscores this weakness.

Accounting Policy Update

Separately, WJL has revised its accounting policy for gift card revenue recognition. This non-cash change affects the timing of revenue recognition and resulted in a $4.4m reduction to the FY25 Underlying EBITDA base, now restated at $35.0m (previously $39.4m). The shift in accounting practices is from an estimation-based approach to a strict expiry-based approach. Webjet is no longer predicting how much will go unused based on historical patterns to recognize revenue early. Instead, they must now wait the full three years until the card officially expires before recording the unused value as revenue. This change delays the timing of revenue recognition, which is why the FY25 results were revised downward, as revenue recognized early under the old policy had to be deferred.

Outlook

The near-term outlook has somewhat deteriorated. The anticipated FY26 "earnings plateau" we identified in our initiation report is now a substantial earnings contraction. While we maintain conviction in the long-term FY30 strategy and the inherent M&A appeal of the platform – which may increase on share price weakness – the increased near-term uncertainty and lower earnings trajectory necessitate a material reduction in our forecasts and valuation.

Valuation

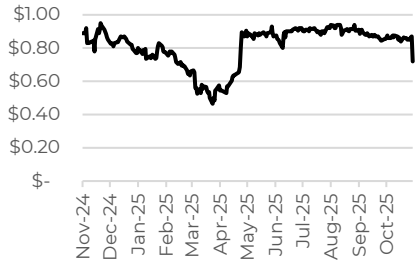
We reduce our 12-month Price Target to A$1.08 (previously A$1.25). This revision is driven by the material downgrade to FY26 guidance and the restatement of FY25 earnings, which significantly lowers the near-term earnings trajectory. We have reduced our TTV assumptions. We now forecast TTV to contract by 2.2% in FY26 to A$1.47bn (previously +5.8% growth). The subsequent recovery is also moderated, with TTV forecast to reach A$1.86bn by FY30E. This represents a 4.3% CAGR from FY25 to FY30E (previously 8.9%). We also temper our revenue take rate (ex. 8.9% in FY26 vs prev. assumption 9.3%) and EBITDA margins (24% vs prev. assumption 26%, gradually recovering to 28% by FY30). DCF-derived fair value per share is calculated as $1.12. Our CCA-derived valuation of $1.06, calculated on $31.3m FY26E EBITDA (within management guidance) also incorporates a lower target FY1 EV/EBITDA multiple of 7.5x (previously 8.0x) to account for the earnings contraction and increased uncertainty.

Recommendation	**BUY**
Fair Val. Range	**$1.06 - $1.12**
Price Target	**$1.08**
Share Price	**$0.72**
TSR	**50%**

Company Profile

Market Cap	$282.6M
Enterprise Value	$140.5M
SOI (diluted)	392.5M
Free Float	66.8%
ADV (3mth)	$821k
52-Week Range	$0.46 - $0.995

Price Performance



%	1M	3M	12M
Absolute	-15.8%	-22.2%	-15.3%
ASX/S&P200	-1.5%	-0.8%	6.4%

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$)	$0.72	DCF Fair Val (A$)	$1.12
Market Cap (A$m)	280.7	CCA Fair Val (A$)	$1.06
Enterprise Value (A$m)	140.5		
Target Price (A$)	$1.08		

FINANCIAL STATEMENTS (A$m)	FY24	FY25	FY26E	FY27E	FY28E
Income Statement					
Revenue	143.7	135.3	130.4	142.6	153.9
EBITDA	39.1	35.0	31.3	37.1	40.8
EBIT	28.2		20.2	25.0	28.0
Net Income	**19.7**	**17.8**	**14.1**	**17.5**	**19.6**
Balance Sheet					
Cash & Cash Equivalents	100.3	148.9	75.1	83.9	94.3
Net Working Capital	2.9	2.8	2.6	2.9	3.1
Intangible Assets & Goodwill	71.9	74.1	76.1	77.5	78.6
Other Assets	18.6	18.2	6.5	7.1	7.7
Total Assets	**193.7**	**244.0**	**160.2**	**171.3**	**183.7**
Total Debt	42.9	30.8	0.0	0.0	0.0
Other Liabilities	116.4	66.3	26.1	28.5	30.8
Total Liabilities	**159.3**	**97.1**	**26.1**	**28.5**	**30.8**
Shareholders' Equity	**34.4**	**146.9**	**134.2**	**142.8**	**152.9**
Cash Flow Statement					
Net Income	19.7	17.8	14.1	17.5	19.6
Add: Depreciation & Amortisation	10.9	11.3	11.1	12.1	12.8
Less: Change in Net Working Capital	0.0	0.1	0.2	-0.2	-0.2
Cash Flow from Operations	**30.6**	**29.2**	**25.4**	**29.3**	**32.2**
Cash Flow from Investing	**-12.1**	**-13.3**	**-13.0**	**-13.5**	**-13.9**
Change in Debt	0	-12.1	-30.8	0	0
Less: Dividends Paid	0.0	0.0	-5.7	-7.0	-7.8
Cash Flow from Financing	**0.0**	**-12.1**	**-36.5**	**-7.0**	**-7.8**
Unlevered Free Cash Flow	18.5	15.9	12.4	15.8	18.3

PER SHARE DATA	FY24	FY25	FY26E	FY27E	FY28E
Shares Outstanding (m)	392.5	392.5	392.5	392.5	392.5
Normalised EPS (A$)	0.05	0.05	0.04	0.04	0.05
Dividends per Share (A$)	0.00	0.00	0.01	0.02	0.02
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	6.15	6.01	5.97
Quick Ratio	0.65	1.56	2.98	3.04	3.16
Solvency					
Debt to Equity	1.25	0.21	0.00	0.00	0.00
Equity to Assets	0.18	0.60	0.84	0.83	0.83
Profitability					
ROA (Return on Assets)	10.2%	7.3%	8.8%	10.2%	10.7%
ROE (Return on Equity)	57.4%	12.1%	10.5%	12.2%	12.8%
EBITDA Margin	27.2%	25.9%	24.0%	26.0%	26.5%
NPAT Margin	13.7%	13.2%	10.9%	12.3%	12.7%
Growth					
TTV	4.2%	-5.5%	-2.5%	5.8%	4.5%
Revenue	12.5%	-5.8%	-3.6%	9.4%	7.9%
EBITDA	31.6%	-10.5%	-10.6%	18.5%	10.0%
Underlying NPAT	67.5%	-9.8%	-20.5%	23.5%	12.2%
EPS	67.5%	16.5%	-20.5%	23.5%	12.2%
Valuation					
P/E	19.3	16.6	30.0	24.3	21.6
EV/Sales	2.0	1.7	2.7	2.4	2.1
EV/EBITDA	7.3	5.7	11.1	9.2	8.1
Dividend Yield	0%	0%	1.3%	1.6%	1.8%

Guidance Downgrade

The downgrade to FY26 guidance represents a fundamental reset of near-term expectations. The revised forecast of $30m–$32m Underlying EBITDA is a sharp departure from the "roughly flat" guidance provided earlier (relative to the original $39.4m FY25 EBITDA). It implies an 11.4% contraction (at the midpoint) against the restated FY25 base of $35.0m. This downgrade stems from persistent macroeconomic headwinds coupled with a company-specific operational disruption.

The preliminary 1H26 results underscore the challenging trading environment. While TTV declined 3% to $726m and Revenue declined only 1% to $67.9m (supported by a mix shift toward international bookings), Underlying EBITDA fell 9% to $14.4m (1H25 revised: $15.8m). This demonstrates significant negative operating leverage, as the company absorbed lower overall booking volumes but continued to spend.

The primary drag on performance is the continued weakness in the Australian domestic leisure market. Cost-of-living pressures and elevated domestic airfares (following reduced competition, notably Rex's exit) have suppressed demand in WJL's core segment. While international outbound travel showed demand, it skewed towards lower-revenue, short-haul destinations rather than higher-margin long-haul routes, diluting the overall profitability uplift.

Crucially, a new and previously undisclosed factor emerged late in the half. WJL reported that an ACCC infringement notice, relating to an investigation initiated in 2023, was live on its websites during August and September 2025. This directly impacted leads and bookings during the period. In response, management strategically delayed the relaunch of the OTA brand and pulled back on marketing activities. While this decision aimed to optimize the impact of the relaunch, it exacerbated the traffic decline in an already soft market.

Management has adopted a more conservative stand for the remainder of FY26: FY26 guidance implies a 2H26 EBITDA of $15.6m–$17.6m. This suggests only a modest sequential improvement over the $14.4m achieved in 1H26, indicating management does not anticipate a material rebound in the underlying market this fiscal year. The year of investment, as characterised in our initiation report, has now morphed into a market-driven earnings contraction.

Impact of Accounting Policy Change

Webjet Group announced a revision to its accounting policy regarding the recognition of revenue from gift cards. The revision specifically addresses how Webjet accounts for unredeemed gift cards, often referred to as "breakage." When a gift card is sold, WJL initially records the proceeds as a liability. The accounting policy dictates when this liability is derecognized and recorded as revenue.

Under the previous policy, WJL utilized an estimation method based on "gift card expiry dates and historical redemption patterns." This allowed the company to estimate the percentage of gift cards statistically unlikely to be redeemed and recognize this estimated breakage as revenue progressively, *before* the gift cards had legally expired. Under the new policy, revenue is recognized only when the gift card liability legally expires. In accordance with Australian Consumer Law, this occurs after three years.

The change in accounting policy has been applied retrospectively. It is crucial to emphasize that this is a non-cash adjustment and affects only the timing of revenue recognition; it has no impact on the company’s underlying cash flows. However, the impact on reported profitability is material, as revenue previously recognized in FY25 under the old estimation policy has now been deferred to future periods. This reduces the historical earnings base used for performance comparison and valuation.

Metric	FY25 (Previously Reported)	FY25 (Revised)	Change
Revenue	$139.7m	$135.3m	($4.4m)
Underlying EBITDA	$39.4m	$35.0m	($4.4m)
Underlying NPAT	$20.9m	$17.8m	($3.1m)
Statutory EBITDA	$21.3m	$16.9m	($4.4m)
Statutory NPAT	$5.1m	$2.0m	($3.1m)

As a result of this restatement, the FY25 Group EBITDA margin is revised down to 25.9% (based on revised revenue and EBITDA), compared to 28.2%. This slightly diminishes the perceived historical profitability profile of the base business.

Valuation Update

The material downgrade to FY26 earnings, the restatement of the FY25 base, and the slower anticipated growth trajectory necessitate a revision of our valuation. We reduce our 12-month Price Target to A$1.08 (previously A$1.25).

CCA

Our revised CCA valuation yields a fair value of A$1.06 per share (previously A$1.23). This reduction is driven by the lower earnings forecast and a tempered target multiple. We now utilize our revised FY26E EBITDA forecast of A$31.3m (previously A$38.4m), which is within management guidance.

Furthermore, we have reduced our target multiple to 7.5x FY1 EV/EBITDA (previously 8.0x). In our initiation, the 8.0x multiple was predicated on earnings stabilization in FY26. Given the significant earnings downgrade (FY26E EBITDA is now forecast to contract by 11.4% YoY), margin compression, and increased macroeconomic uncertainty, a lower multiple is warranted. The 7.5x multiple maintains a premium to traditional domestic peers (HLO ~3.5x; FLT ~6.3x), reflecting WJL's #1 OTA status and technological superiority, but acknowledges the reduced near-term earnings visibility.

CCA VALUATION SUMMARY

Target FY1 EV/EBITDA Multiple	7.5
Concensus FY1 EBITDA	31.3
Implied EV	234.8
Add: Cash	148.9
Less: Debt	-30.8
Equity Value	414.5
Shares Outstanding	392.5
Implied Share Price	$1.06

DCF

Our DCF analysis yields an implied share price of A$1.12 (previously A$1.34). The reduction reflects the impact of the lower FY25 earnings base, significantly reduced near-term cash flows, and a moderation of our medium-term growth assumptions. We maintain our WACC at 10.7% and a terminal growth rate of 3.0%.

DCF VALUATION SUMMARY

PV of Forecast Period FCF		140.1
PV of Terminal Value		181.6
Enterprise Value		321.7
Add: Cash		148.9
Less: Debt		-30.8
Equity Value		439.8
Shares Outstanding (millions)		392.5
Implied Share Price (A$)	$	1.12

Key assumption changes include:

- **TTV Growth:** We have significantly reduced our TTV assumptions. We now forecast TTV to contract by 2.2% in FY26 to A$1.47bn (previously +5.8% growth). The subsequent recovery is also moderated, with TTV forecast to reach A$1.86bn by FY30E. This represents a 4.3% CAGR from FY25 to FY30E (previously 8.9%).

- **Revenue Take Rate:** We have lowered near-term take rate assumptions. We forecast an FY26 take rate of 8.9% (previously 9.3%), reflecting the current mix shift toward lower-revenue short-haul international destinations.

- **EBITDA Margins:** Following the FY25 restatement (25.9% margin) and the negative operating leverage in 1H26, we forecast margins to compress further to 24.0% in FY26E (previously 26.0%). We expect a gradual recovery to 28.0% by FY30E.

These revisions result in a material reduction in forecast Unlevered Free Cash Flow (UFCF). FY26E UFCF is now forecast at A$12.4m, down from A$15.7m previously. The resulting DCF valuation implies an FY26E EV/EBITDA multiple of 10.3x.

KEY ASSUMPTIONS & INPUTS

PERIOD	FY25	FY26E	FY27E	FY28E	FY29E	FY30E
REVENUE DRIVERS						
Total Transaction Value (TTV) - A$m	1503	1465	1550	1620	1740	1860
TTV Growth %	-5.5%	-2.5%	5.8%	4.5%	7.4%	6.9%
Revenue Take Rate (% of TTV)	9.3%	8.9%	9.2%	9.5%	9.6%	9.7%
Total Revenue - A$m	135.3	130.4	142.6	153.9	167.0	180.4
Revenue Growth %	-5.8%	-3.6%	9.4%	7.9%	8.5%	8.0%
MARGIN ASSUMPTIONS						
EBITDA Margin	25.9%	24.0%	26.0%	26.5%	27.0%	28.0%
EBITDA - A$m	35.0	31.3	37.1	40.8	45.1	50.5
D&A as % of Revenue	8.1%	8.5%	8.5%	8.3%	8.0%	7.8%
Depreciation & Amortisation - A$m	11.3	11.1	12.1	12.8	13.4	14.1
EBIT - A$m	28.1	20.2	25.0	28.0	31.7	36.4
EBIT Margin	20.8%	15.5%	17.5%	18.2%	19.0%	20.2%
Tax Rate	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%

Outlook

We revisit the core pillars of our investment thesis:

- **Near-Term Earnings Plateau (Invalidated):** Our expectation that FY26 earnings would remain flat due to reinvestment is invalidated. The outlook is now for a significant earnings contraction (EBITDA -11.4% YoY) driven by adverse market conditions, the accounting revision, and the ACCC disruption.

- **Deep Discount to Global Comparables (Modified):** WJL continues to trade at a discount to global peers (4.2x TTM EV/EBITDA vs peer median of 12.3x). However, the significant reduction in the earnings base and near-term visibility warrants a tempered target multiple (7.5x vs 8.0x previously) and extends the timeline for a potential re-rating.

- **Prime M&A Candidate (Maintained):** This remains a key support. Strategic interest from BGH Capital, Helloworld, and Ariadne provides a valuation floor. The anticipated share price weakness following this downgrade may increase WJL's vulnerability and attractiveness as a takeover target.

- **Innovation and Strategy (Maintained):** Management remains committed to the FY30 Strategic Plan and is continuing necessary investments in the brand refresh, Locomote integration, and AI technology. The long-term trajectory remains intact, though the starting point is lower.

We reduce our Price Target to A$1.08 (from A$1.25) to reflect the lower earnings trajectory and increased uncertainty. While near-term volatility is expected, we maintain our BUY recommendation, predicated on the significant M&A optionality and the long-term strategic value of the WJL platform.

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
WJL's earnings are highly exposed to discretionary consumer spending. The domestic leisure market is currently experiencing a significant slump due to sustained cost-of-living pressures and high interest rates. Furthermore, elevated domestic airfares – exacerbated by reduced competition – and stagnant near-term international capacity growth are suppressing demand. The primary risk is now the duration and depth of this slump. If consumer sentiment deteriorates further, or if airfare pricing remains elevated, the expected recovery in TTV growth may be delayed, placing the FY30 targets at risk.

Execution Risk
Management is proceeding with significant investment in its FY30 Strategic Plan, including a major brand refresh and technology enhancements. Given the current soft market and the delay in the brand relaunch, there is heightened risk that these investments fail to deliver the expected TTV growth or operating leverage in the anticipated timeframe. Management has already noted an expected "longer lead-time" for return on investment. The recent acquisition of Locomote also presents integration risk and the challenge of penetrating the competitive 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.

Regulatory (ACCC)
The recent ACCC infringement notice (related to an investigation initiated in 2023) had a material impact on 1H26 trading performance by suppressing bookings and forcing a delay in marketing activities. This highlights WJL's exposure to regulatory scrutiny. Further actions or investigations by the ACCC or other regulatory bodies could result in financial penalties, required changes to business practices, or further reputational damage that could negatively impact bookings and market share.

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.

Disclaimer & Disclosures

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