Dec 21 2015 at 5:52 PM | Updated Dec 21 2015 at 5:52 PM

Flight Centre acquires 70 per cent stake in BYOjet

Flight Centre has made its second online acquisition in as many weeks. **Bradley Kanaris**

by **Yolanda Redrup**

Flight Centre has made its second online acquisition in as many weeks, taking a 70 per cent stake in the parent company of flight and accommodation booking website BYOjet.com.

The deal, which has a complex structure but will likely be valued at more than $10 million, follows Flight Centre's acquisition of StudentUniverse.com for $US28 million ($39 million).

But Flight Centre chief executive Graham Turner said the companies were very different and the timing of the acquisitions was accidental, not part of a bigger strategy.

"The acquisition of StudentUniverse took 18 months after we made the first offer, BYOjet happened significantly later than that," he said.

"We see a significant opportunity there, but it's not tied up with an online strategy."

Under the terms of the deal, Flight Centre will pay BYOjet's parent company Professional Performance Systems $2.52 million upfront, plus a second payment for 70 per cent of 6 times the online business' 2016 financial year earnings before interest, tax, depreciation and amortisation, less the original payment.

There are also options for Flight Centre to acquire the remaining 30 per cent of the company after the 2018 financial year, at a value of six times EBITDA for FY18.

RELATED ARTICLES

Selfie drones poised to replace selfie sticks

Borghetti prepares for Virgin's phase 2

Rex stands down pilots involved in industrial action

'How come everyone on the board is white?'

Fares fall as airlines fight to fill seats

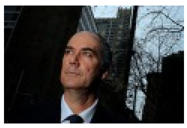
LATEST STORIES

Taiwan election: Pop singer rocks the vote

6 mins ago

ANZ pledges crackdown on misbehaving bankers

1 hr ago |



Traders must prove ANZ condoned bad culture, say lawyers

1 hr ago |

GROWTH POTENTIAL

Mr Turner said there was a lot of growth potential for BYOjet, but that it would remain separate to Flight Centre.

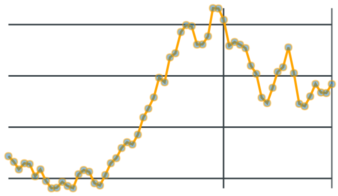
"We'll be keeping it very separate, and being relatively hands off," he said.

"We've got confidence in what the BYOjet leadership team have done. If we had to take it over and reinvent it we wouldn't have bought it."

The Flight Centre buy-in represents a new chapter in BYOjet's life, following an overhaul of the business led by Disruptive Investment Group (DVI), which used to hold a 55 per cent stake in the company.

DVI non-executive chairman Adir Shiffman said they helped BYOjet's executive director Lenny Padowitz turn the company around by closing its physical stores, cutting costs, focusing on its digital platform and developing a white label product for travel agencies to use.

DVI also boosted its platform by merging it with Check-in.com, doubling its members and introducing hotels to the website as well as flights.



NEXT STEP WAS TO 'SCALE UP'

"In the second half of 2015 the business was profitable and we knew the next step was really to scale up," Mr Shiffman said.

"We needed a partner that was really big, doing huge volumes of sales and that could give us the opportunity to take advantage of its international network. The obvious one that was attractive was Flight Centre."

BYOjet currently operates in Australia, New Zealand and Singapore, but hopes to use Flight Centre's network to expand.

The deal only took three months to close and Mr Shiffman said the structure of it was arranged so that DVI shareholders would see the benefit of the growth initiatives.

"We also expect there to be dividends from BYOjet's profits between now and when we sell the remaining 30 per cent, so we've put that in the agreement too," he said.

But Mr Turner projected a sedate year for travel businesses in 2016.

"There's not too many places in the world where the travel market is firing, but corporate travel is going pretty well," he said. "I'm pretty confident that the next 18 months will be OK, but not brilliant."

RECOMMENDED


Fitbit blazes a fail


Business supporters plan legal defence for beleagured Essendon


Battle-scarred John Borghetti prepares for phase 2 of Virgin plan


Oil refiners thrive amid rout in Brent crude market


ANZ Bank joins tech giants creating blockchain 'Hyperledger'

Recommended by

MY FINANCIAL REVIEW

My Alerts | Create alert
Portfolio
Account
My Saved Articles (0)

TOOLS

Markets Data
Australian Equities
World Equities
Commodities
Currencies
Derivatives
Interest Rates
Share Tables

FAIRFAX BUSINESS MEDIA

The Australian Financial Review Magazine
BOSS
BRW
Chanticleer
Luxury
Rear Window
The Sophisticated Traveller

CONTACT & FEEDBACK

FAQ
Contact us
Letters to the Editor
Give feedback
Advertise
Reprints & Permissions

ABOUT

About us
Our Events
Digital Subscription Terms
Newspaper Subscription Terms
Site Map

CONNECT WITH US

YOUR OPINION IS IMPORTANT TO US

GIVE FEEDBACK

CHOOSE YOUR READING EXPERIENCE