CO INVESTOR CAPITAL PARTNERS PTY LIMITED

Case Study:
travel.com.au Limited

travel.com.au

live every lastminute.com.au

travel.com.au Limited ("TVL") operates the widely recognised travel.com.au and lastminute.com.au online travel brands in Australia and New Zealand. TVL listed on the ASX in 1999 at the peak of dotcom fever, raising $23.5 million at $1.25 per share, valuing the company at $52 million. The stock closed at $2.88 at the end of the first day's trading.

The company failed to meet its promise and after a series of earnings disappointments, its shares had slumped to an all time low of $0.08 (implying a market capitalisation of $4.5 million) by mid-2003.

Co-Investor determined that it would invest in TVL, turn it around and sell it into consolidation as the online travel industry matured.

From July 2003 to May 2006, an investor group led by Co-Investor undertook a series of transactions which led to it becoming TVL's major shareholder (with a 25.5% interest at an average price of $0.16). In February 2005, Roger Sharp was appointed Chairman of TVL with the mandate to lead an intensive restructuring, recapitalisation and turnaround process.

The company was ultimately sold in January 2008 at $0.57 per share to ASX-listed online accommodation provider Wotif.com Holdings Limited in a contested public takeover.

TVL AT THE TIME OF INVESTMENT

In 2003 when Co-Investor first invested in TVL, the company faced many challenges:

- it was unprofitable, having failed to meet its own earnings guidance by a wide margin, and having accumulated operating losses of more than $31 million;
- it was growing slowly in a very high growth industry;
- it had poor technology capabilities;
- its business model was a hybrid of conventional and online business offerings that was not scalable; and
- it had no credibility with investors.

Key financial metrics as they stood at the time are set out below:

Market capitalisation at the time of initial investment	$8.4m
FINANCIAL PERFORMANCE	YEAR ENDED 30 JUNE 2003
Operating Revenues	$9.9m
Underlying EBITDA	$(3.7)m
Net Profit After Tax	$(7.2)m
EPS	$(0.13)
Dividend	nil

THE TURNAROUND

Co-Investor, management and the Board worked collaboratively over three years to deliver a sharp improvement in shareholder value. The process involved several key initiatives:

1. INTRODUCTION OF NEW TECHNOLOGY

The acquisition of Arnold Travel Technology from Co-Investor in December 2004 was pivotal to TVL's turnaround. TVL had previously relied on a UK-based joint venture partner for its technology, which was not optimised for local market requirements. Arnold enabled TVL to tailor its offering to the needs of local consumers, innovate and grow.

2. PERSONNEL CHANGES

A new Chairman, Managing Director and Chief Financial Officer were appointed in early 2005, followed by the recruitment of an experienced Chief Operating Officer and online team.

Case Study:
travel.com.au Limited

3. REDEFINITION OF CORE BUSINESS

TVL had previously offered a wide range of travel and leisure related products through different channels. Key decisions were taken to focus travel.com.au on long haul international flights and holidays, and lastminute.com.au on online hotels.

4. RESTRUCTURING OF LASTMINUTE.COM.AU JOINT VENTURE

TVL owned 74.9% of the lastminute.com.au brand in a joint venture with UK-based lastminute.com. The terms of the joint venture were onerous, with a two-way change in control clause effectively preventing TVL from being taken over. When lastminute.com's parent, Sabre Corporation, was acquired by private equity funds in late 2006, TVL negotiated to buy out the remaining 25.1% of lastminute.com.au.

Ownership of 100% of this fast-growing brand was a game-changing development for TVL, enabling it to build the brand faster, and to offer TVL for sale to the highest bidder.

5. INDUSTRY CONSOLIDATION

A cornerstone of the original investment in TVL was the view that the online travel industry would continue to consolidate as domestic and international players looked to secure leading market positions. This view proved to be correct and unlocked significant value in the sale process.

FINANCIAL RESULTS

The restructuring and sale process had a profound impact on TVL's financial results, and on its stock price.

YEAR ENDED 30 JUNE	2003 $'000	2004 $'000	2005 $'000	2006 $'000	2007 $'000
Operating Revenue	9,874	7,661	8,688	9,736	11,566
EBITDA (pre-abnormals)	(3,693)	(161)	(440)	165	495
EBITDA (reported)	(6,475)	(161)	(1,399)	(274)	495
NPAT	(7,218)	(353)	(1,992)	(655)	(129)

TVL provided market guidance in August 2007 that it was targeting 30-35% revenue growth in FY08 with an EBITDA/revenue margin increasing to 14-16% by year end.

The company's share price performance reflected not only its improving financial results, but also the considerable corporate activity undertaken in calendar 2007. TVL's stock price steadily rebounded from lows of around $0.15 cents during the restructuring phase, to the takeover price of $0.57 in January 2008.

FIGURE 1: SHARE PRICE PERFORMANCE

Case Study:
travel.com.au Limited

SALE OF THE COMPANY

In September 2007, following the acquisition of 100% of lastminute.com.au, TVL announced a friendly merger with rival Webjet Limited – a transaction with significant implications for the Australian online travel market. The share and scrip transaction was priced at $0.424 per TVL share, and offered significant merger benefits to TVL and Webjet shareholders.

In October 2007, Wotif.com Holdings Limited launched a hostile takeover offer for TVL at a premium to the Webjet offer. After a competitive auction, Wotif secured control of TVL in December 2007 and declared its offer unconditional in January 2008 at $0.57 per TVL share.

TVL AT THE TIME OF EXIT

	INITIAL INVESTMENT	AT EXIT
Market Capitalisation	$8.4m	$57.3m
FINANCIAL PERFORMANCE	YEAR ENDED 30 JUNE 2003	YEAR ENDING 30 JUNE 2008(f)*
Operating Revenues	$9.9m	$15.0m – $15.6m
Earnings Before Interest, Tax, Depreciation and Amortisation	$(6.5)m	$1.8m - $2.2m
Net Profit After Tax	$(7.2)m	na**
EPS	$(0.13)	na**
Dividend	Nil	na**

* based on forecasts prepared by the Independent Expert to TVL during takeover by Wotif.
** na = not available.

INVESTMENT PERFORMANCE

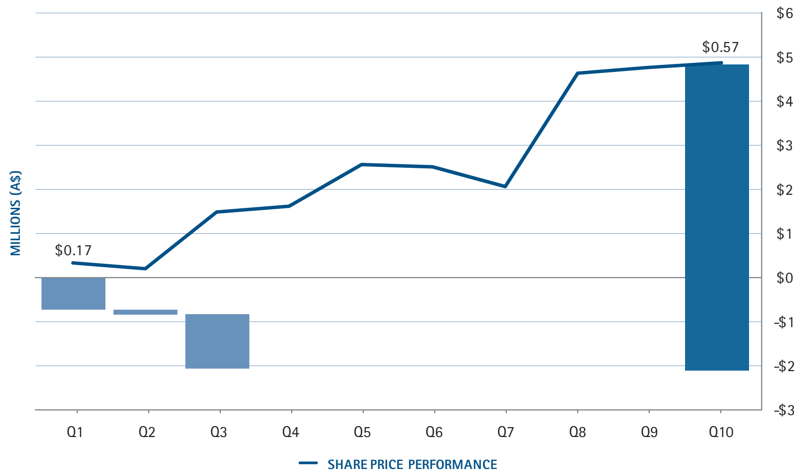
Co-Investor invested a total of $2.1 million in TVL from July 2003 to May 2006 through a series of transactions including a placement of new shares, on-market purchases, underwriting a rights issue and buying out a strategic shareholder.

The Funds acquired their initial stakes in TVL in October 2005, and purchased the majority of their holding during early 2006, delivering an average entry price of $0.165 per TVL share.

The life of the Funds' investment in TVL was 28 months, delivering a return of 3.5x money and an IRR of 85.0% (before Manager's carried interest).

Returns over the total period of Co-Investor's involvement with TVL represented 3.5x money and an IRR of 57.8% (excluding Manager's entitlement to performance fees).

FIGURE 2: INVESTMENT CASH FLOW/SHARE PRICE PERFORMANCE



Case Study: travel.com.au Limited

ROLE OF CO-INVESTOR

Co-Investor drove most facets of the restructuring and sale phases, working collaboratively with management, major shareholders and the board.

Co-Investor was formally engaged by TVL as financial advisor in the acquisition of 100% of lastminute.com.au and in response to the takeover offers for TVL by Webjet and Wotif.

"Why did it work?"

The success of the TVL turnaround and sale can be attributed to five important factors:

1. industry selection;
2. a hands-on approach by Co-Investor when it became clear that change was necessary;
3. the decision to introduce new personnel into TVL;
4. TVL's ability to acquire 100% of the lastminute.com.au brand; and
5. all stakeholders' willingness to work together.

Because Co-Investor had to step in and wear several hats as the major shareholder, semi-executive Chairman and financial advisor, the company's two independent directors played a particularly important role.