

Leisure

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Freedom Road Travel plans capital raise to expand China-focused business to US – CEO

 **Proprietary Intelligence**

<p>Headline:</p>	<p>Freedom Road Travel plans capital raise to expand China-focused business to US - CEO</p>
<p>Main body:</p>	<p>Freedom Road Travel Group (FRTG), a Hong Kong-based China-focused digital travel business, is planning a USD 5m capital raise at the end of 2019 to expand into the US in 2020 via an acquisition, Chief Executive Officer, Chairman and founder David Keir, said.</p> <p>FRTG provides inbound and outbound travel services to and from China, to both the destination management wholesale and the leisure retail markets. Its retail business currently services Australia and China, while its China-based wholesale business provides destination management services to global travel companies like Helloworld [ASX:HLO] and corporates like Ada, Michigan-based Amway, Keir said.</p> <p>The company has hired BlueMount Capital (Queensland) as its corporate advisor and is happy to start engaging with the investor and advisor community now, Keir said. It will also hire an advisor in the US towards the end of the year, he added, noting that it already has a US business entity and trademark to facilitate its entry into that market.</p> <p>FRTG expects most investor interest to come from the US and Hong Kong, as they are bigger markets than Australia and have a good understanding of the specialized China-facing travel niche, Keir said.</p> <p>Investor interest in China-facing travel companies is evidenced in increasing exit multiples, Keir said, citing as an example Corporate Travel Management's [ASX:CTD] 2018 purchase of Hong Kong-based Lotus Travel for USD 37m, a 10x EBITDA multiple. In 2015, Flight Centre [ASX:FLT] bought Waltham, Massachusetts-based StudentUniverse for USD 28m, a 7.5x multiple; and Helloworld bought Melbourne-based AOT Group for USD 97m, a 6.8x multiple, he noted.</p> <p>Started in Shanghai in 2014, FRTG recently also opened an office in Beijing, and has offices in Brisbane and Sydney in Australia, which it entered via an acquisition in 2016, Keir said.</p> <p>To enter the US, FRTG is keen to acquire a destination management company, ideally on the west coast, but would also consider acquiring a retail leisure travel business, Keir said. Acquisition targets would need to have solid cash flow with total transaction volume (TTV) of around USD 50m, he said, noting that net revenue is generally 12%-15% of TTV in the travel industry. Companies would also need to have experienced management teams and solid customer bases, he said.</p>

FRTG, which forecasts revenue of USD 16m for 2020 and USD 21m for 2021, is currently valued at around USD 8.4m based on its rapid growth and scale potential as well as its China licenses, Keir said, noting that it has inbound and domestic travel agent licences in China and expects to secure its outbound licence next month (March).

FRTG's closest peer is Hong Kong-based **WildChina**, but FRTG differentiates itself in that it provides both retail and wholesale services, and services both inbound and outbound travelers, Keir said.

Keir is FRTG's largest shareholder with some 27%, Chief Operating Officer and director David Sumich owns 15%, and some 30 private investors own the rest, Keir said. Sumich built Sydney-based **Express Travel Group** from TTV of AUD 7m (USD 5m) in 1999 to TTV AUD 250m in 2007, when he sold it to Dutch travel management company **BCD Travel**, Keir noted.

by Louise Weihart in Sydney

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Target:	Freedom Road Travel Group
<i>Financial advisor:</i>	BlueMount Capital
Other:	Flight Centre Travel Group Limited, AOT Group Ltd, Corporate Travel Management Limited, Amway, BCD Travel B.V., StudentUniverse, Helloworld Travel Limited, Lotus Travel Group Ltd. [安達旅運]
Source :	Proprietary Intelligence
Size :	< 50m (AUD)
Value :	7m AUD (Potential deal value)
Stake Value :	N/A
Grade :	Confirmed
Alert :	BlueMount Capital
Intelligence ID:	2784114



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