

Tourism Holdings Limited
The Beach House
Level 1, 83 Beach Road
Auckland City
PO Box 4293, Shortland Street
Auckland 1140, New Zealand

Tel: +64 9 336 4299
Fax: +64 9 309 9269
www.thlonline.com



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NZX RELEASE

**TOURISM HOLDINGS LIMITED (*thl*)
RESULTS FOR YEAR ENDED 30 JUNE 2012**

This report has been based on the audited accounts which have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZIFRS).

Current Year NZ\$m; Up/down %; Previous corresponding year NZ\$m

Total Operating Revenue \$200m; Up 8%; \$186m

Operating Profit from continuing operations before tax \$7.3m; Up 126%, \$(28.4)m

Less tax on operating profit from continuing operations \$2.8m; Up 500%; \$(0.7)m

Profit after tax from continuing operations; \$4.5m; Up 116%; \$(27.7)m

Less loss after tax from discontinued operations; \$(0.2)m; Down 150%; \$0.4m

Profit after tax attributable to members of the listed issuer; \$4.3m; Up 116%; \$(27.3)m

Earnings per share from continuing operations 4.6cps; Up 116%; (28.2) cps

2cps dividend declared.

Record Date : 19 October 2012

Payment Date : 26 October 2012

Maui
Britz
Mighty
Motek
KEA Australia
Road Bear RV Rentals & Sales
Kiwi Experience
The Legendary Black Water Rafting Co.
Waitomo Glowworm Caves
Ruakuri Cave
Aranui Cave

HIGHLIGHTS

- NPAT of \$4.3m up 116% on prior year
- Group operating EBIT for continuing businesses increased by 173% to \$16.3m
- USA motorhome business Road Bear contributes EBIT of \$5.7m in its first full-year within *thl*
- Rugby World Cup contribution of approximately \$4.5m EBIT for New Zealand rentals
- Net debt reduced \$3m to \$96m
- Creation of a manufacturing joint venture with KEA Manufacturing
- Acquisition of the KEA Australia licence and brand
- Dividend declared at 2 cents per share fully imputed

Tourism Holdings Limited (*thl*) today announced operating profits for the year to 30 June 2012 had recovered to levels last seen before the global financial crisis.

The positive result was driven by tight control of costs, operational improvements, the first full-year contribution from our USA motorhome business and a pickup in motorhome rental activity during the 2011 Rugby World Cup.

Group full-year earnings before interest and tax (EBIT) for the year to 30 June 2012 rose 173% to \$16.3m from last year's loss of \$22.3 m. This result is in line with forecasts given in February when we released the results for the half-year to December 2011. Net Profit After Tax (NPAT) rose to \$4.3m from a \$27.3m loss in 2011. The FY2011 result included a non-cash goodwill write-down of \$26.1m.

The board has declared a fully-imputed final dividend of 2 cents per share. This takes the calendar year dividend to 4 cents per share. The record date for the dividend is 19 October 2012 and the payment date is 26 October 2012.

MARKET CONDITIONS

The broad macro-economic factors for tourism worldwide are still of concern especially as our primary market opportunities are centred in Europe and the United Kingdom. In addition to the domestic economic challenges, these markets face the additional challenges presented by a weak currency.

Other market opportunities such as China and East and South East Asia are appealing to many tourism operators, but they do not yet have strong traditions for self-managed itineraries that are the focus of *thl*'s operations.

The operating market most susceptible to the current conditions is New Zealand.

New Zealand still holds a strong positive reputation internationally, however, this needs to be balanced against the price expectations of the customer when comparing alternative destinations. New Zealand operates with a very small market share of global tourism and it is critical the value equation for New Zealand remains strong relative to the alternative countries and prices on offer.



The New Zealand cost base has been reducing over the last three years and the cost of building our product has continued to decrease. However these changes have not been significant enough to offset the degree of decline in both visitation numbers and spend. Indeed, we expect the New Zealand market will continue to see declines from our core market segments over the coming year.

Elsewhere the picture is more positive.

The USA is benefitting from a lower currency and also has the promotional power of the new marketing campaign, "BRAND USA" which has a significant marketing budget. The outlook remains positive for the USA to continue to regain market share that was lost through the last decade.

The Australian market holds some uncertainty with strong competition for both the international and domestic tourist from the USA. We have adjusted our fleet expectations to reflect the declines in the market and will manage fleet size to demand.

OPERATIONAL COMMENTARY

Rentals New Zealand

The New Zealand rentals business achieved EBIT of \$5.5m up \$3.5m or 175% on the prior year. As mentioned, the increase in demand due to the Rugby World Cup contributed around \$4.5m to this result.

Operating Revenue (excluding fleet sales) was up 5% for the year at \$49m compared to \$46m in 2011. The second half of the financial year was disappointing. Revenue was weaker than expected and demand was soft across all brands especially during the winter months.

Costs have been well controlled with the significant cost areas of repairs, maintenance, relocations, and labour collectively down \$1.8m or 8% on the prior year. Pleasingly, the customer proposition has continued to improve with key customer metrics continuing to excel.

Vehicle sales of 274 units were up on the prior year by 42 vehicles. However, due to the mix of vehicles sold, revenue was down by \$0.8m at \$7.7m. The vehicle sales margin was \$1.5m, down slightly from the \$1.8m in 2011.

The New Zealand rentals market in our view will continue to be flat or declining due to the challenges facing our key customer markets. The on-going decline over the past few years requires a more aggressive approach to addressing the cost base that we operate.

In 2012 the Wellington branch was closed and a new Queenstown site was opened which has consolidated three sites to create more presence and ensure operational cost savings. More recently we have announced the closure of the Auckland Central City branch and the outsourcing of our car business through a third party supplier to leverage their fleet and facilities. Build costs for vehicles have continued to reduce.

A key focus for board and management is to continue to find ways to either reduce or leverage the cost base for greater benefit and to improve the return on funds employed.



Rentals Australia

Operating Revenue (excluding fleet sales) fell 3% to \$70m from \$72m in 2011 due to the difficult tourism trading environment in Australia and aggressive price competition over the financial year.

However, EBIT improved 48% or \$1.3m to \$4.0m from \$2.7m. This reflected a lower cost base following a reduction in fleet and sales mix appropriate to the current market conditions.

Cost reduction initiatives in Australia are progressing well. The combined cost of all fleet repairs (including insurance write-offs) and relocations have reduced by 19% or A\$2.8m compared to 2011.

In addition to these cost savings the right sizing of the fleet has commenced. The vehicle sales margin in the Australian business was A\$1.6m down A\$1.3m on the A\$2.9m achieved in 2011. Depreciation for the year was down by A\$0.3m. As indicated at the half year this is an area of on-going focus and is expected to provide further benefits in the coming year.

In the last month of the financial year **thl** acquired the KEA brand and licence in Australia. The previous owners of the brand went into liquidation. As part of the brand acquisition **thl** leased a proportion of the fleet which was required to meet the forward bookings of the KEA customers.

Moving forward **thl** will be building KEA designed fleet for the rental and vehicle sale market in line with demand for that product. An assessment on the exact fleet size required will be determined over the coming months.

We expect further EBIT improvement in the Australian business for FY2013.

Road Bear RV Rentals & Sales – USA

The USA-based Road Bear made its first full-year contribution to the business and posted EBIT of \$5.7m which is largely generated during the USA high season from June to September. As such, there are no full year comparisons for 2011.

Revenue from rentals for FY2012 was \$16.1m and revenue from fleet sales was \$18.3m. The fleet sale margin was positive at \$1.2m and included 359 vehicle sales for the full year.

This result was ahead of our expectations when we acquired the business in December 2010 and is an endorsement of **thl's** strategy to expand into the USA market. Moreover, we believe this result is sustainable into the future.

Costs within the business have been held well within forecasts. Road Bear bought 439 new vehicles during the year for the 2012 calendar high season. The on-going provision of quality vehicles with a young age proposition has proven appealing to the Road Bear customer base and has been maintained throughout this period of fleet growth.

The second half of the financial year is the low season for Road Bear and the results during this period were in line with expectations.



The 2012 northern hemisphere high season (which impacts the FY2013 year) has begun positively and revenue growth is in line with fleet growth. We will continue to grow the fleet in a controlled manner in line with increased vehicle sales. To assist growth for the coming financial year a new site will be opened in Florida.

thl Manufacturing

Our vehicle manufacturing operations Ci Munro posted an EBIT loss for the year of \$0.3m from a profit of \$0.5m in the prior year. This loss was accumulated over the eight months of the financial year prior to its merger in February with KEA Manufacturing to create RV Manufacturing Group LP (RVMG). Ci Munro is now treated as a discontinued business. **thl** holds a 50% stake in RVMG and it is treated as an equity investment.

RVMG posted a Net Profit Before Tax (NPBT) loss of \$4.0m of which **thl's** share was \$2.0m. This included all the moving costs, a stock write-down, redundancies and cessation of motorhome manufacturing for a period to ensure the move was completed in an appropriate manner to set the business for the future.

The joint venture has adopted a deliberate approach throughout the integration phase to ensure quality and processes have been maintained for both KEA and **thl** production. The first **thl** units have been produced at the Albany facility and **thl** is very pleased with the quality.

thl expects RVMG to add a small positive NPBT contribution to **thl** in FY2013.

Tourism Businesses

Neither the Waitomo Group nor Kiwi Experience received any discernible increase in custom during the 2011 Rugby World Cup.

Revenue at the tourism businesses fell 2% to \$21.5m from \$21.9m and EBIT for the year was down slightly at \$3.8m from \$3.9m in 2011. This result includes a one off gain of \$0.9 million from a GST refund from a prior year, which had been in dispute.

The Kiwi Experience business has had another difficult year with extreme pricing and demand pressure in the market. The traditional UK backpacker has been in decline. We have conducted a review of the Kiwi business from a cost perspective and will be reducing costs further over the coming year.

The Legendary Black Water Rafting Co. has an exciting new adventure product preparing for launch in a few months which is expected to add to the profit performance of the business.



FINANCIAL POSITION / CAPITAL EXPENDITURE

Operating cash flow for the year was \$22m up 144% from \$(50)m in the prior year, benefiting from fleet rationalisation and other cost savings.

thl's total fleet now stands at 3,648 down 3% or 125 from the prior year's 3,773. Vehicle sales across all operating subsidiaries were broadly in line with expectations on both volume and margin.

Total net debt for the year reduced by \$3m to \$96m despite growth in the USA fleet size.

Gearing (net debt to net debt plus equity) was 42% down 1% on last year. Total capital expenditure for the year was \$83m.

Our Hamilton building which became surplus to requirements following the creation of RVMG, is expected to be sold within the coming year. At this point in time the expectation is that sale proceeds will be used to reduce debt. It was bought in 2010 and has a book value of \$7.3m.

Net fleet capital expenditure, ie fleet additions less sales for the year (including Road Bear of \$4.8m) was \$27m, down from \$84m spent in the 2011 financial year. New fleet spend was \$70m which was lower than the prior year's \$124m which included the initial Road Bear fleet.

thl expects capital expenditure on new fleet for the year to 30 June 2013 will be circa \$74m with fleet sales plus the sale of the Hamilton building at \$60m giving a net capital spend of \$14m which will enable further debt reduction. This is another step in improving the return on assets. *thl* has proven over time that debt capacity is not the key issue for the company; the focus is clearly on creating greater earnings from the fleet employed.

FORECASTS

The company is determined to position the business for the expected on-going decline from the core visitor markets for *thl*. We are pleased with the significant improvement in underlying earnings, especially since it has been delivered against the background of serious and on-going economic uncertainty.

There is a clear expectation from the board and management for profits to continue to improve despite these uncertainties. We are pleased to have resumed dividends within the year and appreciate the support of customers and shareholders alike.

We are also grateful for the support and dedication of the *thl* crew. They continue to give their all and the board and management are appreciative of their contribution.

We will provide additional guidance on the FY2013 outlook at the Annual Meeting when the USA high season will have concluded and the New Zealand high season booking period will be well underway.

Authorised by:

A handwritten signature in blue ink, appearing to read 'Keith Smith', is enclosed in a thin black rectangular border.

Keith Smith
Chairman
Tourism Holdings Limited

For further information contact:
Grant Webster
thl Chief Executive
Direct Dial: +64 9 336 4255
Mobile: +64 21 449 210

Ian Lewington
thl Chief Financial Officer
Direct Dial: +64 9 336 4212
Mobile: +64 21 952 254

About thl: (www.thlonline.com)

thl is New Zealand's premier tourism company. We are listed on the NZX and are the largest provider of holiday vehicles for rent and sale in Australia and New Zealand under the Maui, Britz, Mighty, KEA Australia and Motek Vehicle Sales brands. In the USA we own and operate the Road Bear RV Rentals & Sales brand. Within New Zealand we operate Kiwi Experience and the Discover Waitomo Group which includes Waitomo Glowworm Caves, Ruakuri Cave, Aranui Cave and The Legendary Black Water Rafting Co. In 2012 **thl** entered in a joint venture to form RV Manufacturing Group LP, New Zealand's largest motorhome and specialist vehicle manufacturer based in Auckland and Hamilton.