

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 Announcement For Immediate Release

Tourism Holdings Limited (*thl*) financial update

***thl* announces an operating profit upgrade for FY2011, a forecast of FY2012 earnings, a goodwill impairment and a proposed Ci Munro building purchase**

- **FY2011 Operating EBIT forecast upgraded to \$4.0m from breakeven, and Operating Net Loss After Tax forecast to \$1.4m from a \$4.0m loss.**
- **FY2012 EBIT forecast \$17m and Net Profit After Tax forecast (NPAT) \$6m.**
- **A non cash Goodwill Impairment of \$27m to be booked in FY2011, relating to the write off of goodwill associated with the rentals Australia and rentals NZ businesses.**
- **The proposed purchase of the Hamilton building of Ci Munro for \$7.3m.**

Profit Upgrade for FY2011

Tourism Holdings Limited (*thl*) has reviewed its year-end forecast for FY2011 after the completion of April accounts and advises that anticipated operating EBIT has improved to \$4.0m compared to the previous guidance of a breakeven position. The operating net loss after tax has improved similarly, to \$1.4m compared to the previous guidance of a \$4.0m loss.

The key factors in the improved outlook are:

- An improvement in vehicle sales volumes and margins in the USA compared to expectations at the time of acquisition. This will result in an expected small EBIT profit from Road Bear for the six months to 30 June
- An improvement in the New Zealand Rentals result due primarily to the use of motorhomes for a variety of customers after the Christchurch earthquake in February 2011.
- An improvement in costs compared to previous forecast.

The other ***thl*** businesses have traded in line with forecasts since the February update.

Maui
Britz
Backpacker
Explore More
Road Bear RV Rentals & Sales
Ci Munro
Maui Vehicle Sales
Kiwi Experience
Black Water Rafting
Waitomo Glowworm Caves
Ruakuri Cave



Forecast for the next financial year FY 2012

thl advises that it expects EBIT to be in the order of \$17m and NPAT \$6m. The key contributors to the improvement over the forecast FY2011 results are

- The positive net impact of the Rugby World Cup for the NZ Rentals business and Tourism businesses;
- The full year contribution from Road Bear in the United States;
- The removal of acquisition costs associated with the purchase of Road Bear;
- A reduction in fleet-related costs in Australia. The rental fleet in Australia was expanded in FY2011 based on the forward book position in late 2009 and will be realigned to a normal pattern in FY2012; and
- Reducing the gains, rental demand in Australia in the first half of FY2012 is expected to be lower than in the prior corresponding period due to the high Australian dollar.

Non Cash Goodwill Impairment Write Off

As required under New Zealand International Financial Reporting Standards (NZIFRS), the *thl* board has reviewed the carrying value of goodwill based on the updated forecasts for the businesses completed as part of the business planning round. Based on this review, current trading, market conditions and the latest forecasts the board believes that it is appropriate for the goodwill figures carried on the balance sheet of *thl* for the rentals NZ and rentals AU businesses to be written down to zero value. This will result in a non-cash charge to the profit and loss account of approximately \$27m, pre and post tax.

The board emphasises that the charge is non-cash and the write down does not affect any of *thl's* bank covenants as these are all measured excluding intangible assets, which includes goodwill. There is no write down proposed of the goodwill relating to either the Kiwi Experience or Road Bear businesses. The goodwill impairment is unaudited at this point in time. Inclusion of the goodwill impairment will result in a reported net loss after tax of approximately \$28.4m for the FY2011 year.

Building Purchase

thl has entered into a conditional agreement to buy the Ci Munro facility in Hamilton from the Hamilton City Council for approximately \$7.3m. The proposed acquisition is earnings accretive. The property became available for purchase due to the exercise of a right-to-buy clause by the Hamilton City Council.



Partial Takeover Update

As indicated to the market on Monday 16th May the Independent Adviser's report and Target Company Statement are expected to be posted on or before Monday 30 May. In the meantime the Independent Directors of the board reiterate the do not sell recommendation pending the release of the Independent Adviser's report and Target Company Statement.

Announcement authorised by:

A handwritten signature in blue ink, appearing to read 'Keith Smith', is positioned above the printed name.

Keith Smith
Chairman
Tourism Holdings Limited

For further information contact:

Grant Webster
Chief Executive
Tourism Holdings Limited
Direct Dial +64 9 336 4255
Mobile:+64 21 449 210

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