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NZX RELEASE

**TOURISM HOLDINGS LIMITED (*thl*)
RESULTS FOR YEAR ENDED 30 JUNE 2011**

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

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

Total Operating Revenue \$195.8m; Up 7%; \$182.3m

Operating loss before goodwill impairment from continuing operations before tax \$(1.8)m;
Down 130%, \$6.0m

Plus tax on operating profit \$0.6m; Down 124%; \$(1.0)m

Operating loss after tax before goodwill impairment from continuing operations \$(1.2)m;
Down 124%; \$5.0m

Goodwill Impairment write-down \$(26.1)m; n/a; \$0.0m

Loss from discontinued operations after tax \$0.0m; Down 100%; \$0.4m

Loss after tax attributable to members of the listed issuer; \$(27.3)m; Down 693%; \$4.6m

Earnings per share from continuing operations (27.9)cps; Down 648%; 5.1cps

No dividend declared.

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



KEY POINTS

- Operating EBIT before goodwill impairment of \$4.3m slightly ahead of the forecast \$4.0m released in the May 23rd market update.
- Road Bear EBIT of NZ\$0.3m ahead of the forecast at acquisition by \$0.7m.
- Ci Munro EBIT result of \$0.5m.
- Rentals New Zealand and Australia EBIT results reflect the unprecedented number of negative global events.
- Waitomo award winning visitor centre relaunch complete.
- Target Company Statement sent to shareholders in May which detailed the FY2012 forecasts.
- Net debt at 30 June 2011 of \$99m was \$11m below the Target Company Statement forecast.
- Reported Net loss After tax of \$27.3m includes a non-cash goodwill write-down of \$26.1m as indicated in May 2011.

KEY IMPACTS ON FY2011 RESULTS

The tourism industry in New Zealand and Australia has had an unprecedented series of impacts on visitation over the past two years and the impact in the last twelve months has been significant.

During the year **thl** released market updates highlighting the key issues affecting profitability for the core New Zealand and Australia rentals business. The key events which have impacted visitation and value of spend from core **thl** source markets included:

- Christchurch recurring earthquakes throughout 2010 and 2011
- Queensland floods in February 2011
- Appreciation of the Australian and New Zealand currencies against the Euro of 10% in the financial year.
- Appreciation of the New Zealand currency against the Pound Sterling of 13% in the financial year
- Significant depreciation of the US currency making the USA a more attractive destination

Despite these global events **thl** has maintained overall operating revenue across its businesses for the year. Fleet sales were within expectations in all rentals businesses with \$41m in total revenue. Total margin from vehicle sales for the year inclusive of Road Bear was \$7.0m compared to \$4.4m in the prior corresponding period.

Total hire days in Australia and New Zealand combined were down 1.5% as a result of the decline from inbound visitation and increase in out bound departures.

Shock world events do impact tourism and cannot be predicted. Whilst the number of fleet can be flexed over the medium term the magnitude and number of events in the last year meant that the business had excess capacity which severely impacted short term profitability.



SUMMARY OF RESULTS

Operating Earnings Before Interest and Taxation (EBIT) is considered the appropriate comparative measure for the business which excludes the one off non cash goodwill write-down announced to the market in May of this year.

Operating EBIT for the year was \$4.3m down from \$9.9m in the prior corresponding period.

The Road Bear business purchased in December 2010 achieved an EBIT result of \$0.3m which was above expectations.

Ci Munro produced an EBIT profit result of \$0.5m compared to a loss of \$1.9m in the prior corresponding period assisted by the increase in units produced for Australia and continued productivity gains.

Revenue for the group increased from \$182m to \$196m including six months of Road Bear and increased fleet sales. Rental revenue was below expectations given the fleet size in Australia and New Zealand.

Fleet sales including Road Bear generated \$41m of revenue and \$7.0m of margin compared to \$30m and \$4.4m in the prior corresponding period.

The total fleet size increased in the business from 3,000 to 3,773 including those acquired with the purchase of Road Bear. Net debt increased from \$37m to \$99m in the period primarily due to the increase in fleet. The Debt to Debt plus Equity Ratio remains strong for the industry at 43%. All bank ratios were well within the required covenants at year end with no foreseen concerns over the coming year.

The second half period provided a NPAT of \$0.1m compared to \$3.6m in the prior corresponding period for continuing businesses. Rentals New Zealand had positive EBIT results for the half and was up on the prior corresponding period. A lower rentals Australia EBIT result and higher interest and tax charges reduced reported NPAT for the 6 months.

The Ci Munro building was purchased post balance date on 5th August for \$7.3m.

OUTLOOK

As part of the partial takeover offer process *thl* provided financial forecasts within the Target Company Statement issued on 27th May 2011. There is no change to the forecasts contained for FY2012 of EBIT and NPAT of \$17.2m and \$5.9m respectively.

These forecasts assume there will be no significant world events beyond those experienced in the last twelve months.



The global tourism market is still very sensitive to both consumer confidence and exchange rate movements. The record exchange rate highs during the year for both the Australian and New Zealand currencies has seen customers from both domestic and long haul markets favour the USA as a travel destination.

OPERATIONAL COMMENTARY

Road Bear USA

Road Bear was purchased in December 2010 and thus the performance of the business represents only a six month trading period which is the North American low season. The peak summer trading season is July through September which will be reflected in **thl's** next reporting period.

Revenue for the business including fleet sales was \$15.4m which generated an EBIT of \$0.3m for the six months. The peak season fleet has been grown by 24% over last year and the premium proposition has been maintained with the vehicle age all less than one year.

Fleet sale margins were maintained and operating costs were below the business case.

Road Bear is currently launching four new vehicle types to the market for the 2012 travel season with a strongly positive reception from international tour operators.

Rentals New Zealand

Operating Revenue (excluding fleet sales) was down \$1.1m or 2% on the prior corresponding period at \$46.4m. Despite the revenue decline EBIT was up \$0.1m or 5% at \$2.0m compared to the prior corresponding period.

Fleet operational costs including repairs & maintenance and insurance related repairs were down a total of \$1.8m or 17%

Administration, property and fixed overhead costs continue to decrease with a decline of 3% on the previous year.

Fleet size in New Zealand has been maintained in preparation for the Rugby World Cup.

Vehicle sales in New Zealand remained in line with expectations on volume and margin. The revenue decline in New Zealand was primarily driven by the decline from the UK market. Visitation from the UK dropped 12% for the year ended 30 June 2011.

Throughout the year the New Zealand business continued the relaunch of the Britz brand. The successful introduction of new units into Britz has been well received with strong utilisation for the new range. Britz commenced sponsorship of Auckland rugby clubs and in partnership with Air New Zealand launched a fleet of all black vehicles with their Air New Zealand "Crazy About Rugby" theme.



Rentals Australia

Operating Revenue (excluding fleet sales) was up \$1.8m or 3% to \$72.2m however EBIT was down by \$4.7m or 64% to \$2.7m due to an increased fleet based on forecast market growth at the time decisions on fleet purchases were required.

Depreciation and fleet operating costs increased by \$3.0m or 8% over the prior corresponding period. There is an expectation that these costs will decrease through the FY2012 year as the fleet is right sized in line with current market forecasts.

Vehicle sales in Australia remained positive with over 500 vehicles sold and average margin improved due to mix of vehicles sold.

Throughout the year the Australian business trialled a number of vehicles purchased from Jayco manufacturing to test a variety of layouts and vehicle types.

There is a strong focus within both the New Zealand and Australian rentals businesses to increase the degree of flexibility in the lead time requirements of new vehicles so that we can respond more rapidly to changes in demand and market conditions.

thl Manufacturing

The year-end EBIT of \$0.5m represents the output from the significant work to turn around this business.

Sales of motorhomes to the **thl** rental businesses was up by 145 units primarily due to the fleet growth in Australia.

During the year additional dental health units were ordered from the District Health Boards enabling the extension of the contract a further year to 2013.

Within the year **thl** also tendered for the development and production of St John ambulances across New Zealand and the prototype vehicles have been launched.

The purchase of the building at Ci Munro in Hamilton was completed in August 2011 for \$7.3m.

The operational performance of the business improved again and is now ready to re-enter the retail market for caravans. There is a long standing history and strong intellectual property held within the business regarding caravans. The new caravan products will be launched during the FY2012 year.



Tourism Businesses

The tourism businesses had a combined decrease in revenue of 8% to \$21.9m. EBIT for the year was \$3.9m down 36% on the prior year which also includes the impact of the Fiji business sold in late FY2010.

Waitomo Group

The new visitor centre was officially completed during the year and has assisted in growing the profile of the Waitomo business both domestically and overseas. The visitor centre has been celebrated within various industry awards including the highest honour within the New Zealand architecture awards.

Revenue for the year (inclusive of the new retail and food and beverage business) was up on the prior corresponding period by 7%. The depreciation and labour costs associated with the new building were the primary driver of the EBIT decline in the tourism business.

Both the retail and food and beverage businesses are expected to deliver more revenue in the coming year now that the new visitor centre is fully operational.

Kiwi Experience

The decline in backpacker arrivals from the UK in particular and the on-going severe discounting impacted on the revenue and EBIT for Kiwi Experience.

Total operating costs were flat on the prior corresponding period which was pleasing given the significant pressure on fuel prices and fleet running costs.

Expectations for the coming year are for a consistent performance with FY2011.

FINANCIAL POSITION / CAPITAL EXPENDITURE

Total net debt for the year rose by \$62m to \$99m reflecting the purchase of the Road Bear business, its fleet and the increase in Australian fleet.

Of the total \$62m increase \$41m relates to Road Bear (including \$6m of goodwill paid) with the balance being increased fleet in Australia and higher working capital at Ci Munro with the early fleet build in New Zealand for the Rugby World Cup.

thl's traditional debt profile is for peak fleet and debt in December for the Australian and New Zealand summer and lower debt in June reflecting the New Zealand low season. The addition of Road Bear will mean a flatter debt profile for **thl** as the Road Bear fleet peaks at the end of June ready for July and August high season summer in North America.

Net fleet capital expenditure (including Road Bear of \$24m) for the year was \$83m with \$124m spent on new fleet less \$41m received from fleet sales. This was well up on the net spend for the FY2010 year of \$17m.



The FY2012 expectation is that Net Capital expenditure will not exceed \$35m (as indicated in the Target Company Statement) adjusted for the purchase of the Ci Munro Hamilton building which was deferred into the FY2012 year.

The board is satisfied that the forecast profitability and on-going performance with vehicle sales in all markets provides enough confidence to maintain a net debt level around \$100m based on **thl's** capital structure. The forecast EBIDTA, EBIT and NPAT for the FY2012 year are \$64m, \$17.2m and \$5.9m respectively as released in the Target Company Statement with an expectation that positive operating cashflow will assist in reducing debt for the year.

GENERAL

The company has continued to deliver on the strategic direction required to see the business achieve required returns over the medium term. The controllable factors within the business have improved, service levels to customers have increased substantially and the product positioning in all areas has changed in a positive manner. Build costs for the motorhomes are also coming down in line with expectations.

The purchase of the Road Bear business in the USA has started well and the business model will be maintained in line with the premium position in the market. Profitable growth will be the focus for this business.

The Rugby World Cup is a focus for the coming weeks across the New Zealand businesses and the board wishes the **thl** crew well as they endeavour to deliver an outstanding experience to the large number of new customers coming to the country over this time.

Authorised by:

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

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