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NZX / MEDIA RELEASE

**TOURISM HOLDINGS LIMITED
RESULTS FOR THE YEAR ENDING 30 JUNE 2007**



KEY POINTS

- Trading NPAT of \$18.9m, slightly above market guidance. Non-recurring costs were \$5.5m.
- Reported Net Profit After Tax (NPAT) of \$13.4m vs. \$11.0m for the 2006 year.
- Record trading in Rentals, a strong recovery by the Tourism Leisure Group and improvement from the EX Group.
- Declining visitor numbers from Japan offset by increases from other markets.
- Continuing pressure on visitor numbers and spending from the high New Zealand dollar.
- Significant structural and operational changes to improve customer focus, product offering and channels to market.
- Final dividend of 6 cents per share declared on 6 July 2007 and paid 25th July. Total annual dividend of 11 cents per share including 5 cents interim dividend.

TRADING RESULTS

Tourism Holdings Limited (THL) today announced trading Net Profit After Tax (NPAT) for the June 2007 year before non-recurring items was \$18.9m, compared with guidance on 3rd July 2007 at the upper end of the range from \$17.5m to \$18.5m.

Key factors in the result were record trading in New Zealand and Australia by the Rentals division, a strong recovery by the Tourism Leisure Group and improvement from the EX Group. Results from CI Munro are accounted as non-recurring costs as the business is in transition from premises in Otorohanga to Hamilton, with significant disruption to production capacity and systems.

Net turnover grew from \$176m to \$190m. Earnings Before Interest and Tax (EBIT) excluding one off items increased from \$27m to \$33m.

Trading was relatively slow in the first quarter, but stronger in the second due to an increase in the number of visitors to both New Zealand and Australia. As the year progressed, declining visitor numbers from Japan down 12% offset increases from the United Kingdom, Australia and Europe.

The high level of the New Zealand dollar remained a significant depressing influence on visitor in-market spending. This was particularly significant for THL's Attractions and Leisure businesses. The group's results were also affected by increases in operating costs, and by margin pressure arising from heightened competition.

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Non-recurring items totalled \$5.5m after tax, (\$7.6m pre-tax) for the year – below the most recent estimate of \$6.5m. These related primarily to: (All amounts after tax)

- CI Munro (\$1.6m), including direct costs of relocation and associated operating losses
- Group restructuring costs (\$2.2m)
- Costs relating to market investigation for offshore growth options (\$0.4m)
- Establishment of the EX Group with associated re-branding and other costs (\$0.5m)
- Costs in relation to the proposed sale of the Tourism Leisure Group (\$0.8 m).

After the non-recurring items, reported NPAT was \$13.4m, compared with \$11.0m in the June 2006 year.

DIVIDEND

The company paid a final dividend of 6 cents per share, fully imputed, on 25 July 2007. The dividend was declared and paid earlier than usual because of circumstances related to the takeover offer. Total dividend for the year was 11 cents per share – the same rate as for the 2006 financial year.

A YEAR OF CHANGE

The chairman of THL, Keith Smith, said the year had presented significant change for the group, beginning with the appointment of new chief executive officer Trevor Hall on 3rd July 2006.

“The Board’s objective has been to position the group for profitable growth in the markets best suited to its core competencies and capabilities. To this end the group undertook a major review of strategy and structure, which identified the need to improve our ability to exploit opportunities in distinct market segments. The operating divisions were restructured, creating the Tourism Leisure Group and the youth-oriented EX Group. A centralised information technology and project team was created to provide back office efficiencies and market-focused technology solutions. Product innovation was accelerated, with new products introduced right across the group.”

“The cumulative result of these changes is that the businesses within the group are developing more targeted product offerings, and more direct and cost-effective channels to market.”

“In the second half of the year, THL received a non binding indicative offer from MFS Living & Leisure to purchase the Tourism Leisure Group. This was later withdrawn in favour of a takeover offer for all of THL, which was not completed successfully. The Board has subsequently received a range of proposals relating to the acquisition, disposal or partnering of businesses within the group and is currently examining these proposals.”

DIVISIONAL COMMENTARY

Operational Review

	Year ended 30 June 2007				Year ended 30 June 2006			
	Turnover (\$million)	Divisional EBIT (\$million)	Funds Employed (\$million)	Operating Cashflow (\$million)	Turnover (\$million)	Divisional EBIT (\$million)	Funds Employed (\$million)	Operating Cashflow (\$million)
Rentals	107.9	28.2	173.6	45.0	103.3	23.6	182.9	38.9
CI Munro	8.2	(2.5)	13.4	(2.9)	5.6	1.1	10.1	(1.2)
Tourism Leisure Group/Ex Group	81.2	11.0	109.2	17.9	76.0	1.6	107.6	9.9
Corporate	-	(11.4)	1.4	(8.6)	-	(4.4)	(2.4)	(6.1)
Inter company sales	(7.4)	-	-	-	(8.8)	-	-	-
Total Continuing Operations	189.9	25.3	297.6	51.4	176.1	21.9	298.2	41.5
Discontinued Businesses	-	0.2	-	-	(0.2)	-	0.5	-
Group Total	189.9	25.5	297.6	51.4	175.9	21.9	298.7	41.5

(1) Tourism Leisure Group EBIT for 2006 includes the impairment writedown of Kelly Tarlton's Underwater World of \$5.5m

Rentals

The Rentals division (excluding CI Munro) achieved record operating earnings (EBIT) of \$28.2m compared to \$23.6m in the 2006 year. Revenue increased by 4% to \$108m.

The Australian Rentals business lifted revenue by 10%, with increased volume and higher margins on disposals. Operating earnings were at a record level.

The New Zealand Rentals business revenue decreased by 2% with higher motorhome revenue offset by lower car and disposals revenue. Higher operating earnings were assisted by cost reductions.

Improvements in service delivery and successful marketing campaigns contributed to the improvement in both countries. A range of new products were introduced, including:

- The Britz "Voyager," a low-cost, four-berth caravan, in Australia
- The Britz "Adventurer," a four-wheel drive Landcruiser-based campervan, in New Zealand
- The Britz "Rookie" campervan in both countries

The Rentals division built on the earlier launch of new websites for Britz and Maui which play a key role in sourcing new business direct from the customer.

The division also changed the car offering in New Zealand to reflect the realities of the highly competitive markets. Market feedback confirmed support for the changes.

Towards the end of the year the division commenced critical reviews of its brands, service offerings and management structure to ensure that customer perspective remains a key driver of strategy and day-to-day operations.

Tourism Leisure Group / EX Group

The Tourism Leisure group was formed during the year to provide a unified management approach and operating platform for the group's Attractions and Coaching businesses. EX Group was established to manage the youth and experience oriented businesses Kiwi Experience, Tourism Transport Fiji, the recently launched Explore More, low cost campervan and rental cars and Airbus Express.

The TLG/EX grouping lifted trading EBIT from \$7.1m in 2006 (excluding the Kelly Tarlton's writedown) to \$11.0m, with improved earnings in almost all operations. The result was particularly impressive in light of the negative impact of the high New Zealand dollar, declining visitor numbers from Japan and the underperformance of the Johnston's coaching operation. It reflected market share gains in several businesses, along with product innovations and yield increases. Revenue increased by 7% to \$81m.

Visitation to Kelly Tarlton's recovered after the refurbishment following flood damage in June 2006. The business ran a very successful 'Freaky Fish' promotion during the year and more event based marketing is planned.

The Waitomo Glow Worm Caves performed well, driven by internet marketing via the new Discover Waitomo website and increased visitor numbers to the district. The business is operating from temporary facilities established following fire and vandalism incidents in December 2005, and work is continuing on the eventual rebuilding of the facility. The Waitomo retail business was acquired during the year to complement the Glow Worm Caves.

Black Water Rafting increased earnings, reflecting the positive Waitomo market and with record visitor numbers during the final quarter of the year.

Ruakuri Cave had a reduced operating loss as it continued to build from its launch in July 2005. Visitor numbers were more than 100% higher than in the 2006 year.

The Milford Red Boats had increased earnings. The Milford Deep Underwater Observatory, purchased in June 2006, provided synergy benefits and made a positive contribution to earnings. The new Encounter product was received well by the market, from both the free independent traveller and local agent perspectives. The Blue Duck Café was acquired to complement the existing Milford businesses.

Earnings from Fullers Bay of Islands were reduced slightly due to unusual weather impacts over the summer. The new \$2.5m Arawhiti car ferry was introduced successfully to service.

In the Coaching operations, Great Sight's had a strong earnings recovery. The new Seat In Coach product increased local sales opportunities to balance the reducing numbers from Japan.

Johnston's Coachlines continued to underperform financially. Following a detailed review of strategic options for the business it was joint ventured in August 2007 with Coach Investments Limited. THL has retained a one-third interest in what is now a standalone operation with separate governance and management.

In the EX Group, Kiwi Experience had a strong increase in earnings and market share. The number of passengers carried increased significantly, driven partly by increased bookings from Australia and by the launch of new business-to-business and business-to-customer websites.

Airbus Express increased earnings, assisted by the introduction of new vehicles and the renewal and extension of the service agreement with Auckland International Airport.

Tourism Transport (Fiji) achieved its earnings target with only a small impact from the effects of the coup during the year.

The Explore More campervan and car rental brand was launched in July 2007 following extensive research and testing during the year. Initial utilisation and revenue is encouraging having exceeded the budgets set for the new operation, importantly the vehicles are primarily sourced from the Rentals NZ operation.

CI Munro

As noted above, results from CI Munro are accounted as non-recurring items due to the transitional nature of the business as it moves its operating location and makes other changes to position it for future growth. The cost of this programme was approximately \$1.6m after tax during the financial year.

The company increased market share and launched new caravan products into the Australian market. A number of product redesign projects were brought to fruition, creating concepts that will be implemented in new product from the current year. Action Motor Bodies was purchased to support the company with its engineering requirements.

The initial stages of the relocation have been completed successfully, and it is expected that all stages will be finished during the final quarter of the 2008 financial year. At the same time, new technology processes are being implemented and the management team strengthened.

The purpose of the change programme is to position CI Munro with a modern facility capable of increased production and adaptable to new designs being developed by the company. Demand for CI Munro product is strong, and the company has a range of opportunities for growth in New Zealand and overseas markets.

FINANCIAL POSITION

The group is in a solid financial position, with a gearing ratio (debt to debt-plus-equity) of 40%, compared with 43% at June 2006. Operating Cash Flow was \$51m for the year, compared with \$42m for the 2006 year.

Interest bearing debt net of cash on hand was \$76m at June 2007, compared with \$86m in 2006.

CAPITAL EXPENDITURE

The group continued to reinvest to maintain quality assets, and also invested in IT and other systems as outlined above to improve marketing and administration. Capital expenditure for the year was \$54m, compared with \$57m in the 2006 year.

Disposal of fleet (principally motorhomes) realised \$22m, leaving capital expenditure net of disposals at \$32m.

BOARD AND MANAGEMENT FOCUS

The group's primary focus is to grow its operations and shareholder value. The revitalisation of product offering and distribution and marketing channels provides a solid platform for continued development. A change process was outlined in November 2006 and shareholders were advised of one off change costs in the vicinity of \$6-7m pre tax. Approximately \$4m of this amount has been expended so far with the remaining changes planned to be complete by June 2009.

A strong focus is anticipated on opportunities in rentals, particularly in motorhome rentals. Opportunities in the attractions business will be investigated if they have the required current or potential scale to meet the group's criteria for return on investment.

OUTLOOK

Trading in the first quarter of the current year is in line with expectations, with generally softer conditions, particularly in the inbound market for tourists from Asia. There is a higher level of first quarter forward bookings in the Rentals division, driven largely by price-led marketing initiatives.

The high level of the New Zealand dollar into the first quarter presents a risk to continued booking strength. The outlook for all tourism businesses would be positively affected if the recent trend of reductions in the dollar is sustained.

Visitor numbers become more apparent as the year progresses. The recent trend towards shorter booking times appears to be continuing, with the effect that revenues and business patterns are slightly less predictable. The trend to overseas tourists visiting New Zealand later in the financial year and an increasing number of airline seats in the traditional peak season also continues, shifting the group's earnings profile further to the second half.

The group will continue to experience increases in operating costs, including wages and additional borrowing costs resulting from interest rate rises.

Capital expenditure for the 2008 financial year net of disposals is forecast to be in the order of \$50m. This increase is due to the commencement of the rebuild of the visitor centre at the Waitomo Glow Worm Caves and an increased spend on high value motorhomes and owned cars for Rentals NZ in preference to leased vehicles.

Earnings will be enhanced by the changes made to provide more direct and targeted relationships with customers – particularly through the refinement of product offering and the enhanced use of information technology in marketing and ongoing product innovations.

The long term outlook for New Zealand and Australia tourism remains positive with both visitor expenditure and arrivals continuing to grow. 2007-08 will be a year of further significant change for THL as it positions for the advantages this growth will bring.

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