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**Embargoed release 1.30pm
Tuesday, 10th November 2009**

**Chairman's Address
Annual Shareholders' Meeting - Tourism Holdings Limited
Tuesday, 10th November 2009**

Welcome, ladies and gentlemen, to the 23rd Annual Shareholders' Meeting of Tourism Holdings Limited.

Before we move today's business, for those that do not know me I am Keith Smith, Chairman of Tourism Holdings. I am joined by my fellow directors, Rick Christie, Graeme Bowker, Deepak Gupta and Graeme Wong – and also by our chief executive officer Grant Webster, chief financial officer Ian Lewington and financial controller / board secretary Kevin Hoare.

[Pause]

The tourism industry is one of those most affected by the economic conditions that have prevailed over the last 18 months. In the circumstances *thl* is pleased to have grown trading revenue, enhanced brands, reduced debt and maintained its asset values.

Today I will provide:

- An overview of last year's profitability performance and drivers,
 - An update on our views on the share price
- and
- A brief update on the board's view on the company's strategy and the coming 12 months activities

Grant Webster will provide a more in-depth review of the last financial year's trading performance, the initiatives undertaken throughout the period, and *thl's* view on the outlook for tourism in Australia and New Zealand.

Maui
Britz
Backpacker
Explore More
Ci Munro
Maui Vehicle Sales
Kiwi Experience
Feejee Experience
TTF – Fiji
Black Water Rafting
Waitomo Glowworm Caves
Ruakuri Cave



Operations and results for 2009 year

Net Profit After Tax (NPAT) for the 2009 financial year was positive at \$2.9 million, boosted by the gains on sale from Kelly Tarlton's and the Milford Sound businesses. The continuing businesses' NPAT loss was \$1.4 million. At a divisional level this reflected a Ci Munro EBIT loss of \$3.6 million and a loss of \$2.5 million in the New Zealand Explore More business.

The increased EBIT in the tourism businesses – up \$0.7 million to \$3.9 million – was a positive reflection of the restructuring work completed towards the end of the 2008 year to enable these businesses to operate on a stand alone basis with lower costs. The board would like to thank our crew in the Fiji business, who have had another year of crisis management with the floods in January and the ongoing political unrest, but they still managed to produce a positive EBIT.

The core rentals business produced an EBIT of \$9.4 million, down 65 percent on the previous year. The rental vehicle industry has suffered from ongoing cost increases over recent years in mechanical parts, servicing, build costs and property costs which have not been able to be recovered through increased yield in the current environment.

Revenue was targeted aggressively in the rentals and the tourism businesses, and we believe this has positioned **thl** well for any significant rebound in tourism activity in our region.

The company has weathered global impacts over the past ten years, and this year we again took the appropriate action to protect the business.

We have considered it prudent to refrain from paying dividends at this point given the EBIT performance. Balance sheet strength is fundamental in today's environment. **thl** with an equity ratio of 57 percent along with tangible disposable assets has a balance sheet that could even be considered conservative. This is one aspect of the business that we believe sets us apart from the competition.

During the year, we had pre-committed capex for fleet which had been ordered before the global financial crisis. This volume reflected a shortfall against production expectations from the prior year. As such the net capex spend of \$53 million (excluding sale of business receipts) was higher than desirable in the environment we subsequently encountered.

This financial year we are forecasting capital spend (including the Waitomo visitor centre development) to be in the range of \$45 million - \$50 million, and we expect vehicle disposal proceeds of approximately \$22 million – producing a net capital spend in the range of \$23 million to \$28 million. With this lower level of capital expenditure we are forecasting to produce a strong free cashflow in the coming year. **thl's** ability to manage and produce positive operating cash flows is one of the strengths of the business.



Indicative of the global economic uncertainty, **thl's** share price was very volatile over the course of the year, with a high of \$0.95 and a low of \$0.40. The share price today is still close to 50 percent below the Net Tangible Assets of the company. As demonstrated by the ongoing margins generated on the sale of used vehicles, we believe, the book values of the fleet are realistic. Further to the value in the fleet and Net Tangible Assets, we also see significant value in the intangibles, which include the licenses and leases to operate our world famous Waitomo businesses.

The 2009 result included some key highlights for the business. Our investment over the past three years in our information and communications technology (ICT) infrastructure has started to provide pleasing returns through market share gains in the online environment.

The debt position for the company improved throughout the year, with tight control of forward capex commitments and positive performance in the sale of vehicles. Net debt of \$58 million was down from \$78 million the previous year.

In the first half of the year we commenced a programme of change at Ci Munro to recover from the EBIT losses of the past two years. The move from Otorohanga was the right decision however a combination of factors including increased production demand coupled with a change in design and ongoing difficulty in recruitment created an untenable situation.

Changes have been made in the operating structure with a move to a more assembly-based operation and a complete revamp of the underlying operating methodologies. This has seen the business move to a more stable platform.

Profitability will improve in this business as volume increases. The issue today is that there are lower volumes for both our own build and external demand for new product. There have, though, been successes in the business. I would also like to thank the team at Ci Munro and Action Motor Bodies for their outstanding work with the District Health Boards across the country. Their new dental health units are commencing operation throughout the country and have been positively received.

Strategy and Outlook

Recent history has shown, again, that the rentals industry as a whole is not achieving the yields required to produce the level of returns that would enable growth and innovation over the long term. We do have a focus to improve returns, through revenue enhancement and a three-year change process in regard to the cost structure of the business. Given the life cycle of our vehicles it will take this time for the full benefits of change to be apparent.

We have been talking about the strategic change project in the business over the past three years and the board is pleased that we are now positioned to maximise the core competencies we have as a rentals-centric business with a focused tourism division. The Board is pleased with the manner in which the executive has changed the way they operate to align with a functionally-based business, and we believe the business is already benefitting from having a more singularly focused team. Grant will expand on this in his address shortly.



The recovery curve for the tourism industry is still uncertain. As consumer confidence grows which benefits arrival numbers, we then have to battle an increasing currency and – more importantly – a risk that airlines may start to further cut capacity rather than stimulating demand through pricing, as they have done over the past six to twelve months. We continue to stay focused on assessing the future and ensuring we have the right business model to succeed. Grant will discuss the outlook for the industry in more detail.

For the first half of this financial year we are forecasting a net loss of between \$1 million and breakeven. This will be a large improvement, on a like-for-like basis, compared to the same period last year which was a net loss of \$4.8 million. There were a number of one-off costs in the continuing businesses last year that, by their nature, are not expected to recur in this half. There have been positive improvements in the Ci Munro performance, better than expected revenue in Australian rentals, and a continuation of the improved tourism businesses performance.

It is important that this improvement is not seen as an indicator of the full year result. Based on current booking levels the second half is indicating a decline in rental hire days together with lower production levels at Ci Munro compared to the second half period last year.

The full-year position is still unknown and, given ongoing changes in buying patterns, the fluctuations in currency and the current forward book, we are not in a position to provide realistic year end guidance at this point. We will expect to be able to discuss the year-end expectations in the half-year results announcement next February.

Given the balance sheet strength and the company's financial stability, if these early signs of improvement continue during the balance of the financial year we would expect to resume the paying of dividends in the latter part of the calendar year 2010.

Election of directors

As in every annual meeting, one of the formal items on the agenda is the election of directors.

Rick Christie retires by rotation and, being eligible, offers himself for re-election.

Rick has been an independent non-executive director since early 1998 and chairs Tourism Holdings' Audit Committee. He is currently Chairman of EBOS Group Ltd and Argenta Ltd, and a director of Wakefield Health Ltd and the NZ Pork Industry Board. Rick is an Accredited Fellow of the NZ Institute of Directors.

Deepak Gupta also retires by rotation and, being eligible, offers himself for re-election

Deepak, a non-executive director, was appointed in October 2007. Nominated by Sterling Grace, **thl's** largest shareholder, Deepak is not an independent director.

Deepak has almost 20 years' experience in the financial services and investment management industry in New Zealand. He is an executive director of Trustees Executors, and has also worked at senior management level for major institutional investors such as Westpac Investment Management, Royal and Sun Alliance and AMP; in private equity investment; and in general funds



management. Deepak has been a director of a number of companies as an investor representative. He is a director of Over Fifty Group Ltd, which is ASX listed, and various private companies.

Rick Christie and Deepak Gupta will speak briefly when the relevant motions are under consideration.

Half way through the past financial year, with the economic crisis in full swing, **thl** took the appropriate action in downsizing the business. Further to that, a wage and salary freeze was implemented. These actions have not been easy for the dedicated crew across the business. The Board recognises the efforts and difficulties of operating in this environment, and applauds the work carried out to ensure that the equity in the business has remained intact whilst a keen focus has been maintained on future requirements and opportunities.

I will now invite Grant to the podium for his presentation.

A handwritten signature in blue ink, appearing to read 'Keith Smith', is placed on a light blue rectangular background.

Keith Smith
Chairman, Tourism Holdings Limited
10th November 2009

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