

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



24 February 2010

NZX RELEASE

TOURISM HOLDINGS LIMITED TRADING RESULTS SIX MONTHS ENDED 31 DECEMBER 2009

This report has been prepared in a manner that complies with generally accepted accounting practice and gives a true and fair view of the matters to which it relates. It is based on unaudited accounts.

The amounts presented have been prepared in accordance with New Zealand equivalents of International Financial Reporting Standards (NZIFRS).

December 2009 half-year NZ\$m; Up/down %; December 2008 half-year NZ\$m

Total Operating Revenue \$92.0m; Up 15%; \$80.0m

Operating surplus from continuing operations before tax \$1.0m;
Up 115%; -\$6.7m

Less tax on operating profit \$0.4m; Down 79%; \$1.9m

Operating surplus after tax from continuing operations \$1.4m;
Up 129%; -\$4.8m

Profit from discontinued operations after tax \$nil; Down 100%; \$4.5m

Surplus after tax attributable to members of the listed issuer; \$1.4m;
Up 567%; -\$0.3m

Earnings per share from continuing operations 1.4cps; Up 129%; -4.9cps

Final dividend of 2cps, fully imputed, payable 26 March 2010
with record date 19 March 2010.

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



KEY POINTS

- Net Profit After Tax (NPAT) of \$1.4m vs a loss of \$0.3m for the prior corresponding period (pcp)
- Revenue from continuing businesses up 15% to \$92m including \$8m increase in fleet sale revenue
- Improvement in EBIT performance from continuing businesses of \$7.5m, from a loss of \$4.4m to a profit of \$3.1m
- Investment of A\$40m for growth in Australia commenced during the 2010 calendar year, an increase of A\$27m on plan
- Positive Operating Cashflow of \$17m, up 160%
- Equity ratio at 58% compared to 52% for the pcp
- \$1.7m improvement in Ci Munro EBIT, from a loss of \$3.2m to \$1.5m
- \$1.3m improvement in Tourism businesses EBIT
- Interim dividend declared at 2cps payable 26 March 2010

SUMMARY OF RESULTS

thl is pleased to report a positive NPAT result. During the latest half-year *thl* has been focused on continuing the growth in its revenue, albeit with a lower margin product mix reflecting the changing operating environment.

Net Profit After Tax (NPAT) was \$1.4m compared with a loss of \$0.3m for the prior corresponding period (pcp). Excluding non-recurring items, NPAT was \$1.7m compared to a loss of \$3.6m for the prior period.

All business units in the Group returned increased operating earnings.

Revenue in total for the Group was up 15% at \$92m. Excluding fleet sales and Ci Munro sales, revenue was up 8%.

Rentals revenue excluding fleet sales was up 11% and EBIT was up 52% at \$4.4m.

The improved result also reflects the turnaround of *thl's* manufacturing business, which is expected to return to profitability in the 2011 financial year based on forecast build numbers for that period.

The tourism businesses continue to perform, and have shown the benefits of cost reduction programmes implemented over the past two years with an EBIT of \$1.9m vs \$0.6m for the pcp.

The Group has changed the way business unit and corporate overheads are reported. As previously indicated, in December 2008, the company changed to a functional structure and disestablished the Corporate office in favour of a smaller Group Support centre. The overheads now classified as Group Support relate to the Board, CEO and CFO responsibilities, and to



costs associated with Group business such as listing responsibilities. The comparatives have been restated to reflect a like-for-like basis for the businesses.

Operating cashflow of \$17m was generated for the latest period. Net debt was further reduced, to \$42m, providing an Equity Ratio of 58%.

In the 10 years since the acquisition of the Britz business **thl** has continued to improve results from the Australian business. This focus continues. Having regard to the improvement achieved and the ongoing growth of the Australian economy, **thl** has decided to invest A\$27m more than initially planned in the Australian business during the 2010 calendar year. This will enable the Group to leverage the opportunities afforded by further market growth over the coming years. By January 2011 our total fleet size in Australia is expected to be at the highest point since the Britz acquisition.

DIVIDEND DECLARATION

thl has traditionally operated a dividend policy based on paying out 60% of NPAT. Given the strong operating cashflow of \$17m in the latest half-year leading to a \$16m reduction in net debt, and the underlying improvement in profitability, the Board has decided this is an appropriate time to return to dividend payments.

A fully imputed dividend (at 33%) of 2 cents per share (cps) has been declared. The record date is 19 March 2010 and the payment date 26 March 2010.

FORECASTS

We have indicated previously that our expectations for the second half of the financial year are for an ongoing reduction in international visitor demand in line with Australian and New Zealand national tourism forecasts. Consequently, the second half performance is not expected to reflect the same EBIT improvement as the first half on a prior corresponding period comparison.

The three primary factors are demand and cost pressures in New Zealand, fleet constraints in Australia and less than optimal demand in Ci Munro.

The full year NPAT forecast is in the range from \$3.0m to \$4.5m including full year tax investment allowance of \$1.4m.

Based on achieving this forecast a further dividend of 2cps is expected to be paid in October 2010.



OPERATIONAL COMMENTARY

Rentals

The rentals business achieved trading revenues of \$60m, an increase of 11% over the pcp with Rentals Australia up 15% and Rentals New Zealand up 4%. The number of hire days was down 3%. Vehicle sales revenue increased \$7.8m, or 89%. Both Australia and New Zealand have seen a general improvement in the market for second hand private leisure vehicles.

Operating costs within Rentals are a focal point. Investment continues to be made in long-term cost reduction programmes and ongoing improvements in the offering to customers, focused on future improvements in market share.

As mentioned in the 2009 annual results announcement, vehicle-related repairs have been increasing. This trend has continued for the half-year, with an increase of \$1.8m on a pcp basis.

Insurance related repairs and write-offs have also grown on a comparative basis in both Australia and New Zealand. Further work is being completed in the current half with third parties to explore how to minimise these costs.

Depreciation for the period was up \$2.7m on the pcp, as foreshadowed last year.

A trend of the past six months (influenced by changes in customer behaviour and market mix) has been a noticeable reduction in the average length of hires. Whilst we have stimulated demand in new segments, this business has come at lower margin and with increased operating costs. As core market demand improves over the coming years we expect a change back towards a more traditional pattern.

The Explore More business in New Zealand had reduced hire days as a result of a planned reduction in its fleet. Costs for this business reduced in line with expectations and the business is now on track for an improved full-year EBIT performance.

In Australia due to vehicle sales demand and lower build numbers in the half-year, total fleet numbers were reduced. This limited the peak period performance and has since been factored into second half demand expectations. Fleet decisions made last year were obviously influenced by the economic outlook and general tourism sector uncertainty. *thl* now feels that the timing is right for an increase in its investment in Australia. A total of A\$40m (which includes A\$27m of additional capex) will be injected into the Australian business over the 2010 calendar year to increase fleet capacity. Production of new vehicles will be allocated between New Zealand and Australia dependent on the final vehicle mix. We expect to see the benefit of the increased fleet from the latter half of the 2011 financial year.

This commitment has also enabled *thl* to maximise the last stage of the Australian tax investment allowance, which expired on 31 December 2009.



thl Manufacturing

The Ci Munro and Action Motor Bodies businesses had an improved profitability performance, although production demand was down by 55%.

Key performance indicators remain on track within the businesses, and productivity is in line with expectations based on the vehicle production mix. Production costs were well contained, with overall labour costs down more than 50% reflecting the labour changes made during the first six months of 2009. A batch of vehicles produced during the start up phase of the new factory in 2007-2008 has been identified as having some cosmetic issues. Works are planned to rectify these with an expected cost of up to \$1.4m. This has been accounted for within the Ci Munro result for the half year.

Production of the Dental Health units remains on track.

With improved performance now evident **thl** has reinvested in product development at Ci Munro and the Melbourne-based factory. The market leading Maui and Britz brands will benefit over the coming 24 months, with an aggressive development programme and new marketing initiatives. As part of its commitment to redevelop its approach to design in all aspects of the business, **thl** as a group has joined the Better by Design initiative.

thl has indicated an expectation for the manufacturing businesses to return to profitability when demand returns to normal levels. Given the investment in Australia, and with other factors being in line with expectations, we expect the 2011 financial year to produce a positive EBIT for this business.

Tourism Businesses

The group of tourism businesses within **thl** performed well during the half-year, with EBIT up 217% to \$1.9m. Revenue for these businesses was down 6%, but costs were down by \$2.6m.

Waitomo Group

The redevelopment of the Waitomo Glowworm Caves Visitor Centre is progressing well. The base building is expected to be commissioned in May. The full facility including restaurant, café, theatre, retail and exhibition components will launch during September, in time for the 2010-11 high season.

The Waitomo business remains a key component of the today's **thl**, with ongoing growth in both the backpacker market at Black Water Rafting and the domestic market at Ruakuri providing a solid foundation for future growth envisaged for the area.

Marketing of this destination will increase over the coming 12 months in line with the new facilities and further growth opportunities.



Kiwi Experience

The Kiwi Experience business also performed beyond expectations, in a market that had fierce price competition in the latter months of the half-year. The flexibility built into the business model for Kiwi, combined with an ongoing focus on both revenue and costs, has enabled this business to provide a return on funds employed above the cost of capital.

Kiwi Experience recently moved premises to Beach Road, Auckland, adjacent to the core **thl** group support office. This will assist in further growing the backpacker market focus for the Group as a whole, and will provide further cost benefits to Kiwi Experience.

Fiji

The Fiji business continued to perform to expectations. The mid-range fleet was further enhanced during the six months, with all capital expenditure funded from within the business.

GENERAL

thl has continued to develop its focus on the key commitments highlighted at the Annual Shareholders Meeting in November 2009. Progress on all projects is in line with expectations. New operational initiatives are under consideration for the 2011 financial year.

The Rentals self-check-in process has been trialled successfully and is in the process of a group-wide rollout.

Work has continued to further enhance the online offer. The development of Microsoft Office SharePoint Server has been progressing effectively. Work with key online partners such as Google, Gen-i and Microsoft is providing the opportunity for **thl** to further its leadership in this space and trial leading edge technology to improve the experience of customers and enhance the marketing capability.

FINANCIAL POSITION / CAPITAL EXPENDITURE

The strong Operating Cashflow for the half-year enabled net debt to be further reduced, to \$42m vs \$58m at June 2009.

The ratio of debt to debt-plus-equity (net of intangible assets) improved to 23%, compared to 34% at December 2008.

thl has proven the liquid nature of its assets and its ability to pay down debt as required on the basis of the trading outlook. Balance sheet strength will continue to be monitored closely whilst ensuring that sound opportunities for growth are not missed.



thl has effectively strengthened the balance sheet without requiring new capital. Total fleet numbers have reduced in the short term, with \$12m net fleet capital expenditure forecast for the 2010 year. To ensure future growth targets are met and an appropriate return on total funds is achieved, capex is expected to exceed depreciation over the coming two years.

Capex forecasts provided in the annual report for the 2010 financial year indicated a range of \$45m to \$50m, with fleet disposals of around \$22m. Our latest expectations are for full-year net capex to be within a similar range based on the timing of the Australian build – ie. \$23m-\$27m, which also includes completion of the Waitomo rebuild.

Based on these forecasts the net debt position for the 2010 year-end is expected to be in the range of \$48m-\$52m including the payment of the 2cps interim dividend.

Capital expenditure indications for the 2011 financial year will be formalised towards the end of the current year, but a preliminary assessment would indicate that total net capex is likely to be in the range of \$55m-\$60m based on growth in the Australian fleet.

INDUSTRY OUTLOOK AND COMMENTARY

thl is now trading 12 months on from the key trend changes of 2009 (shorter lead times, customers trading down and a shift to direct bookings). The market appears to have adjusted for these trends. It is noticeable that for key booking periods (ie. school holidays and high-profile events) lead times appear to be pushing back out to a more traditional pattern. Customers appear to be more confident to plan ahead, recognising that last-minute deals are diminishing as operators have adjusted capacity to the market demand.

The New Zealand market has clearly benefitted from the increased focus on visitors from Australia to maintain volume. Whilst inherently beneficial, the downside of this market is shorter visits, and thus often higher operating costs and lower yields. **thl** will continue to work with Tourism New Zealand, Regional Tourism Organisations and other tourism operators to target the Australian market into New Zealand.

The 2010 calendar year should be a stable one for the industry as a whole, although there still appears to be a lack of capital investment in many segments. The focus on operating cashflow for the industry remains.

The 2011 calendar year is expected to be more positive, with benefits of the additional funding and refreshed direction from Tourism New Zealand, and the obvious benefits of the Rugby World Cup, for which **thl** planning is progressing well. The 2011 outlook for tourism in Australia is also positive. Anecdotal evidence suggests the leisure vehicle industry is seeing double-digit improvements on the lows of 2008 and the general confidence of the domestic traveller remains.



Authorised by:

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

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