CHAIR | CEO LETTER TO SHAREHOLDERS

FEBRUARY 2021 | FY21 H1 RESULTS

Dear Shareholders

The COVID-19 pandemic and the impact of measures taken in response to it have been an immense event for all tourism businesses. In *thl* we challenge ourselves constantly. Every month is assessed to understand what assumptions we got right, which were wrong and why. We are agile and responsive.

We retain our commitment to the Future-Fit Business Benchmark. This is not an optional "to do" item that can be cast aside in tough times. It will see that we survive and contribute to society in the long-term and it guides our daily operations and our long-term decisions.

The language which most accurately reflects where we are is as follows:

- **We are delivering**
- **We are dynamic**
- **We are realistic**

We are **delivering**. The USA result was above the prior corresponding period and reflects the acceleration of our vehicle sales plans at excellent margins.

We delivered a positive EBIT result for ***thl*** of $1.8M (for the half) and achieved total revenue of $206M, almost equaling the prior corresponding period result of $207M. That revenue reflects a large change in mix from rental and services revenue to vehicle sales (which is lower margin than rentals).

The half year result cannot be taken as the run rate for the full year's result as the USA vehicle sales profit can't be repeated (we simply don't have the fleet to sell) and the New Zealand and Australian businesses will have a much greater loss in the second half of the financial year due to seasonality.

We have reduced debt significantly, in particular over the last six months. Net debt is down $175M from its peak prior to the pandemic.

We are **dynamic** in our marketing, our product mix, and most importantly in the changes we are making to the business. We have the right product and service delivery to lead the industry again once international borders open. We are utilising the experience of our entire team to create new opportunities for revenue whilst protecting the recovery and growth opportunities that lie ahead. There is good energy throughout the business.

We are **realistic**. We are constantly testing our assumptions and different scenarios to adapt the business to reflect the latest information and expectations. We are realistic about the planned losses we will incur in the second half of the financial year and we are realistic about changes that need to continue to occur in the business.

We consider a range of scenarios for the next three years and can see that we have a balance sheet, and depth of domestic business across three countries that can position ***thl*** as a leader in the market as international tourism returns. The strategic positioning of the business is sound and we are able to continue to explore opportunities for growth and acquisitions under strict criteria. We are in the right countries, we have the right product mix (but will develop it further) and we have a re-focused digital strategy.

Our view on the market and operating dynamics

There are a number of trends we have observed and new business norms that we are establishing. Our expectations of these new norms are summarised as follows:

- The USA market can work reasonably well under a domestic only scenario.
- The RV sales market is in a period of high growth in all jurisdictions. This category growth bodes well for the rentals business once international tourism returns.
- The domestic rentals business can work well in Australia provided all State borders are open.
- The New Zealand business is unlikely to make an EBIT profit while borders remain closed, however there are opportunities for growing aspects of the business to capitalise on the domestic market.
- We are encouraged by the growth in our retail and servicing operations, the ongoing growth in vehicle sales, and the pipeline of growth for the Action Manufacturing business.
- Domestic yields are stabilising within each country (refer to our Investor Presentation for detail).
- Utilisation within domestic rentals remains at least 20% below what is achievable in an international market.
- Vehicle sale margins are in a range that we are comfortable with for the half and looking forward.
- We are investing in new fleet for the 2022 calendar year. Notwithstanding current market conditions, we are experiencing vehicle sales demand that provides us with the ability to renew and recycle fleet.
- We are experiencing supply issues throughout the business and will manage this disruption for the coming 12 months.

We are now operating on the basis that we will not see any substantive international travel activity in the 2021 calendar year. We do hope to see an appropriate Trans-Tasman open border and easing of border restrictions in Europe, USA and UK this calendar year.

The manner in which we operate the business and the decisions we make today are critical to the long-term positioning and success of ***thl***. We assess every capital decision against a wide series of scenarios that exist for the coming year. That capital discipline has become a hallmark of ***thl***.

In summary, ***thl*** is positioned well to face uncertainty. The business is clearly loss-making at present but has the market position, people, intellectual property, and product to maximise the opportunity presented by the re-opening of international borders, whilst building a new domestic business base in all operating markets.

It is not an obligation to thank the ***thl*** team, it is a pleasure to be able to publicly reinforce the internal messages. Thank you to everyone for the passion shown in the past period and the enthusiasm to deliver regardless of what we face.

Grant Webster
CEO

Rob Campbell
Chair