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TOURISM HOLDINGS LIMITED

ANNUAL SHAREHOLDERS' MEETING

Chairman's Address - Rob Campbell

We continue to experience the most significant social and economic disruption in recent times. As I mentioned in our Integrated Report released five weeks ago, to an extent never before seen, the future of ***thl*** and society more generally, is uncertain and the old adage of 'the only certainty is uncertainty' rings true. As we near the end of 2020, it is becoming more apparent that we will still be dealing with the disruption caused by COVID-19 in some manner for at least the next 12 months. We cannot say when tourism will recover or what recovery will look like. We are working on a wide range of scenarios.

We will not be covering our result in the last financial year in detail today, this is in our Integrated Report and Annual Results Presentation.

However, on the screen, you will find our performance in FY20 split between the first eight months of the year and the final four months in which we were impacted by COVID-19. You can see that at an EBIT level, our performance in the last four months of FY20 was $10 million down on the same period in the prior financial year.

While the result in the first eight months was also slightly below the prior financial year, given the events to date in 2020 it is easy to forget that 2019 also had a number of unusual events that impacted our business, such as the Australian bushfires and 2019 California wildfires.

The increasing occurrence of these historically unusual events is a wake-up call on the existential threat to our way of living. I consider the disruption to our daily lives from COVID-19 to be an opportunity for society to reset, and to make meaningful and transformational change, rather than the incremental change being made in the pre COVID-19 world. We are certainly looking at it this way at ***thl***.

thl had a number of positive achievements over the last 12 months. Our leadership team responded swiftly and decisively to make the changes to our business that were necessary to operate in the new environment. The thought put into the changes required was much more than many others in our industry and gave us a first mover advantage in the COVID-19 alternative revenue space. Our relationships and knowledge of the RV industry, and operational excellence, which we have developed over decades, came to light and protected company value and jobs.

Unfortunately as part of those decisions, we had to make the biggest organisational change in the history of ***thl***. It was simply not sustainable to carry the same cost base when there was such a substantial shock to our revenue. Our team understood this and again I would like to thank all of our former staff for their contributions to ***thl***.

During the peak of the global lock downs, there was much speculation as to when ***thl*** would launch its capital raise and how much it would require. The Board considered and investigated the possibility in depth at a number of different times, but ultimately given the flexibility of our business model, and where the share price was trading, it did not make sense at the time to capital raise.

In lieu of the capital raise, we have been selling down our surplus motorhomes to generate the cash we require to see us through this period. While we have been successful to date in this regard, supported by a buoyant market given the resurgence of domestic tourism in each country we operate in, this can only be a temporary solution as ultimately we have a finite number of vehicles.

Our sales programme has been sensible. We have focused on selling vehicle types we had in surplus and have sought to sell vehicles evenly across all model years. It has not been a rushed realisation of assets. We have successfully managed to reduce debt substantially and well above our original plan.

We will see our net debt reduce further during the first half of FY21, possibly reaching lows of around $30M, but it must then necessarily increase once again as we reinvest in the fleet we require to meet demand in a very changed but still active market in each country.
We are prudently recycling assets to deliver the best possible outcome.

As mentioned in our Integrated Report recently, it would be foolish to provide a forecast for the coming 12 months while the environment changes at such pace. However, given the increasing likelihood that international borders will be largely closed across all of the current financial year, we are progressing on the assumption that ***thl*** will not make a profit in FY21. We are and will continue to make every effort to ensure that any loss is mitigated to the extent possible.

One obvious consequence of that is that we would not expect to pay a dividend for FY21, as was the case for the last financial year. We acknowledge the impact that this has had on shareholders. The priority has been and remains to protect value and optionality in the business. We will review our ongoing dividend policy when the markets and our strategy are clearer than is possible at this time.

Despite the immediate issues, we must ensure that we continue to remain future focused. At its core, ***thl*** is a dynamic and growth company, and the current environment should not deter us from continuing to be growth oriented.

Our business model has pivoted substantially over recent months, and we continue to review the broad direction of our business and any opportunities that we can capitalise on based on our core skill set. Being a global company has proven useful as the countering high seasons and at times different market dynamics give our business model further resilience.

This has been a rather low key review of a tough year and there remains a hard road ahead for ***thl***. But we remain of a positive mindset. Great holidays and experiences are important parts of well being. In each country we can see increasing interest in the kinds of holidays and experiences which our brands deliver. We can and will adapt to the different ways in which we have to deliver those. We know that this will centre on families and other groups enjoying the natural environment. Tourism as an industry and ***thl*** as a business can only prosper if it is sustainable and regenerative. There is no future for tourism based on exploitation of natural resources or people. Grant will talk about how the Future Fit model we have adopted guides our future in practical terms from here. So far as the Board is concerned we aim to fully deliver on our fiduciary responsibilities to the wide range of stakeholders from investors to financiers, from staff to customers, from suppliers to partners and not least to the healthy planet we all need.

Before I pass on to Grant, I would just like to say thank you to all of our people for their efforts over the last 12 months. Time and time again, they have had to respond to shocks and have shown the strength and adaptability that sets ***thl*** apart from others in the industry.

I will now pass on to Grant.

CEO's Address – Grant Webster

Thank you Rob.

The history books will be full of various perspectives of review of the events of 2020. From a ***thl*** perspective, my view is that we suffered, showed the strength of our business model and strategy, leveraged the amazing change tolerance in our business to great effect, and demonstrated what often happens in a crisis, the ability of people to step up to the challenge in front of them and made great things happen.

Most of ***thl***'s highlights over the last 12 months are attributable to our people. We have extremely dedicated and talented people within our organisation and the value of this really shined in 2020. It should also be acknowledged that the necessary changes to our business also meant that we had to undertake a significant organisational restructure in which many talented and loyal people left the business. Our restructure affected crew from all aspects of the business, whether they were recent additions or long-standing members of our team. I would like to take this opportunity to thank all of our former ***thl*** crew that were impacted by these decisions for the contribution they made to the business. There was nothing about these events that reflected on any individual, all of our changes reflected the impact of a global pandemic.

Over recent months, given the constantly evolving environment we operate in, we have provided more regular market updates to ensure you, our shareholders, continue to be informed of where our business was heading. This included our framework for operating in FY21, which we released back in July. We were clear that debt reduction was a major focus for us and to date we have been very successful in doing so. From a starting position of $188 million at the end of March, we have now reached approximately $35 million of net debt as at 20 October.

Beyond the obvious, there were several notable events for ***thl*** in the last 12 months, both positive and negative, that deserve acknowledgement. In March, we commenced our managed exit from our joint venture Togo Group, in a transaction that saw us retain rights to what we consider the key Togo Group assets for the core ***thl*** rentals business and the Australasian region. To be able to undertake this transaction in the midst of the extreme uncertainty globally due to the COVID-19 pandemic is a testament to the positive relationship we have with the excellent team at Thor Industries.

The various divisions we have re-integrated back into ***thl*** have now formed into ***thl***'s digital arm, named ***thl*** digital. Over the remainder of 2020, Nick Judd will be working with all the leaders and teams in this part of our business to tidy up some operational matters and more importantly set the most appropriate positive direction for the years ahead. We expect to discuss this business in more detail with shareholders around the time of the interim reporting in early 2021.

The impending launch of both the fleet management and telematics products within our ***thl*** core rentals business is a significant event that should be acknowledged. Lots of dedication and years of hard work have gone into getting these products to where they are now. This suite of products lies at the heart of the ***thl*** rentals management processes. We talk about this change being the equivalent of a heart transplant for our business, replacing a system that is well over 20 years old, and enabling better revenue, fleet utilisation and cost management across the business. It has been a long challenging and expensive process so our expectations are high.

Our work with government agencies and private organisations globally with essential support services and emergency accommodation is another highlight. One of our first actions in response to the impact of COVID-19 was to swiftly create a new product and processes in order to offer our self-contained RVs as an emergency accommodation solution. The team used well-honed skills in design thinking and change management to assertively target new opportunities, saving jobs and creating cash.

In New Zealand, our team assisted the Government to establish its first quarantine base with 75 RVs to house the 157 New Zealanders evacuated from Wuhan in China. In the US, we worked with a number of utilities and power companies to supply RVs that were used to accommodate essential employees on site at key power generation facilities, enabling them to safely isolate while ensuring the continued operations of the power plants. In total, we provided 600 vehicles to over 20 community support organisations in the US.

As the Chair noted, we have also been focused on enabling the best possible vehicle sales result. The USA had four record months this calendar year and have sold over 750 vehicles from the start of June to the end of September. Indeed all our vehicle sales teams globally have been running hard at all opportunities.

Leveraging what you do well in a crisis is vital and Action Manufacturing have been able to do just that. In recent months, they have been commissioned to manufacture more St John Ambulances as well as mobile policing units and some vehicles for the New Zealand Defence Force. The business continues to receive a healthy number of positive enquiries for the coming year.

More recently on the 3rd of September we awoke to find that during the early hours of the morning a massive fire had engulfed our main Auckland rentals branch near the Airport. ***thl*** has operated from that site for decades and so it was an emotional scene to see it in that state, particularly for some of our staff who have also worked there for decades. However if there is one thing I can confidently say about this year it is that it is teaching us resilience. The team knew that once again, we just had to get on with things and within hours we had a plan to be back in business the following day at a different temporary site.

We are continuing to work with our insurers to assess the total quantum of damage resulting from the event but are confident that we have the right insurance policies and coverage limits in place. From a vehicle perspective, we had about 30 vehicles requiring repairs, with about half of these vehicles damaged beyond repair.

Within our Executive team, in recent months we have had some changes. With Nick Judd joining us and bringing unique and valuable expertise beyond the financial function, we felt it was the right time to re-visit our C-suite Executive structure, which had not changed for some years despite ***thl*** evolving into a truly global company.

The changes have seen existing General Managers Matt Harvey, Kate Meldrum and Gordon Hewston move into Regional Chief Operating Officer roles, and Ollie Farnsworth moving into a new Chief Commercial and Customer Officer role. Steven Hall has also moved into a Deputy Chief Financial Officer role.

Our General Manager and "C" level group in the business are the team that have created our high points as a business, and have the right capabilities to re-position ***thl*** to be successful once again.

In each of our operating jurisdictions, we have now implemented initiatives to ensure that we have appropriately pivoted to the domestic market while international borders remain closed. However, the size of the domestic rentals opportunity varies globally. If we think about our fleet size at the start of FY20 compared to the domestic population in each country, we have approximately:

- 1 RV for every 1,900 Kiwis;
- 1 RV for every 17,000 Australians; and
- 1 RV for every 172,000 Americans.

Put simply, these figures illustrate is that in New Zealand, and to a lesser extent Australia, we have been over-fleeted and so it will be difficult to maintain a satisfactory level of utilisation while operating in a domestic-only environment. Our utilisation metric is a critical focus for the business. New Zealand is a great touring destination, arguably the best in the world, and so with international tourism activity our fleet size is entirely appropriate.

The key issue with domestic customers' utilisation is that they inherently have a shorter average hire duration, primarily driven down by more weekend-only hires. You will often have a vehicle returned on a Sunday or Monday, and it will sit with us for say through to the Wednesday, before the next customer collects on a Thursday or Friday. While we can never achieve 100% utilisation in a normal situation due to the time required to turn a vehicle, in our experience we have found that the maximum achievable utilisation during peak periods is about 20% lower in the domestic only environment. This is a pattern we've seen across all countries and has a material impact on our performance.

From a yield perspective, our pricing needs to be attractive enough to shift people away from using their own vehicles. This is more of an issue in New Zealand, as in the USA and Australia we have more customers travelling one way and over longer distances.

Our experience in the domestic environment to date has shown that we do need to adjust our pricing in order to generate demand. In the most recent New Zealand and Australian winter season, we have observed that New Zealand rates need to be approximately 50% lower, and Australian rates need to be approximately 30% lower, compared to our pre-COVID pricing. Our experience in the USA domestic environment over the recent summer season however, has been quite different. In general, we have maintained our pricing in line with, and at times slightly above, our historical yield in that market.

A key aspect of proactively managing our business is to continually aim for the right balance between our fleet size and generating enough demand, while maximising yield. We have been doing this in all countries and are seeing positive improvements in yield. Although we adjusted pricing to a greater extent over recent months in New Zealand and Australia in order to generate demand, it is too early to tell whether this will also be the case in the coming summer period.

In isolation, each of these impacts, the reduction in total hire days, the shorter booking durations and the lower yield, we usually try to mitigate by appropriately managing the other variables in our business. However, when combined, there is an exponential impact to our overall rental revenue and therefore profitability.

From a cost perspective, we have adjusted the way the business operates and created a cost structure that reflects the current environment but is not damaging to our business in the long term. We are in a position where we have survived well and we need to be certain that we can make the most of the coming period.

As we look ahead to the remainder of FY21 we are still in a position where we are managing to an expectation that all operating jurisdictions will be domestic only. Any borders opening during FY21 would be considered incremental gains.

Based on that assumption and the knowledge we now have of the domestic patterns and fleet expectations for the year ahead, we can confirm that under these assumptions we expect an EBIT loss for FY21. The New Zealand business, inclusive of the Tourism businesses will likely be our largest loss, followed by Australia. In the USA, we expect to make a small EBIT profit in FY21. We are however positioning the business from an operations and fleet size perspective to make a profit in FY22, provided there is a reasonable quantum of international leisure travel. The USA and Australia businesses will be well positioned to make an FY22 EBIT profit under either a domestic or international environment, provided there are no domestic travel restrictions across the whole year.

At our core, we create unforgettable experiences through the delivery of rental motorhomes and other great activities. So ensuring we match supply and demand is critical.

We are dealing with high demand for sales, a very difficult purchasing market and variable rental demand markets. A difficult balance in a very dynamic market. This however is what we do, this is a core competence of ours.

This year we will be purchasing more fleet, particularly in the USA. As mentioned by the Chair, we have currently committed to around $100M of capital expenditure in the second half of FY21. We have done so as we have confidence that we will be able to rotate our fleet and capitalise on the current vehicle sales market. We are expecting the full year gross capital expenditure for the group to be around $100 - 130M. However as this expenditure is for fleet replenishment, we expect that our net capital expenditure will be negative in FY21.

This will likely create a net debt position of somewhere around $100M at year-end. This will be the lowest year-end debt position for many years and reflects the strong focus on balance sheet strength, whilst maintaining a fleet size that enables us to generate profit moving forward.

We have laid out the approach to FY21 throughout the year and we will continue to provide updates as developments occur. In short, by jurisdiction we can summarise the current approach as follows.

In New Zealand, we are focusing on vehicle sales, vehicle servicing and retail to enable overhead cost recovery and to keep our skilled team engaged. We will continue to target the domestic rental market in a variety ways as we seek to increase our utilisation and yield to make this part of our business profitable.

With the tourism businesses, we will continue to adapt our marketing mix to minimise our EBIT losses while borders are closed. During this period we will be reducing our capital investment in our New Zealand businesses.

In Australia, we are focused on setting the business to operate profitably once all state borders are open. Vehicle sales remains critical but we must ensure we have enough rental fleet to service what we see as a positive demand profile for the calendar year 2021.

We are holding our fleet size in Australia at current levels and will continue to consider investment based on profit expectations.

In the USA, we have used the 2020 calendar year to reduce fleet, maximise sales and minimise the debt position. We have also learnt a tremendous amount about the domestic rental market, the demand profile, customer travel preferences and more. This has enabled us to consider ongoing investment in the USA business with fleet renewal that we expect will help us achieve EBIT profitability in calendar year 21. The fleet size in the USA is smaller than we have had historically, but will be higher than our historical winter season low point.

All of this activity is of course occurring within a competitive environment. Across the globe we are seeing changes in the RV rentals market that are to our benefit. As was the case following the GFC over a decade ago, we have seen key operators exit the USA market, at least for the 2021 season. We have also seen competitors reducing their fleet size in line with us and other competitors. Everybody appears focused on debt reduction. This will be fundamental to those operators with a lower level of equity in their business. In fact, one of our competitive advantages is our strong balance sheet relative to others that enables us to invest in new fleet and expand before others as the market allows.

Top of mind is clearly generating revenue to get ourselves out of the losses trough. When reflecting on the last 10 months, we do consider that even with the benefit of hindsight we have made the right strategic decisions so far. However we know that we must continue to adapt.

Strategically we are operating on a business-by-business basis as is appropriate when there are such different external environments. On a group basis, we have strong confidence in our core competencies and capabilities and are focused on ensuring our competitive advantages and strategic direction are sound and appropriate for this new and different tourism environment.

We will continue to develop our regional digital strategy in a cost effective manner, to improve efficiency in the business model and build out new revenue streams. The data sets we have generated through these businesses are significant and valuable. Our connected customer network across rentals, sales, servicing and retail, as well as our digital marketing capability, are providing benefits and are advantages that we will capitalise on further in the coming year.

We will continue to explore where we operate, and where we do not currently operate, within the broader RV ecosystem. We will continue the M&A pipeline and are open to what we consider appropriate investments. Appropriate today, to us, means a value that reflects the P&L and quality of assets we would be buying. We continue to look at the broader tourism market holistically and in New Zealand, there may be some appropriate acquisition opportunities worth exploring given the current market conditions.

In summary, the broad direction of our industry has only improved globally. The RV market is more attractive today, both in the short and long term. It is somewhat strange to have ended up in this positive position after the initial concern for our business as COVID-19 hit. We know tourism will be different and we expect to be one of the beneficiaries of this change. As such once borders open, we expect a positive outlook and every reason to continue our strategic path for growth. We will seek to achieve all of this whilst closely managing our business while borders remain closed.

Whatever direction we take strategically, we have a firm and ongoing commitment to making progress as a Future Fit Business. It is just too easy in a difficult financial situation to cast aside such commitments under the guise that they are a lower priority at present. We don't believe that is the case. Yes, we have had to adapt our timing on some elements and we have less resource than we did, but the commitment to operating in a manner that ensures long-term success for our business, our stakeholders, and the environment we operate in, is the right path. We will continue to look to electrify our fleet. We see that chassis suppliers are continuing their R&D efforts. That is critical to making significant progress in this area, as we need battery range in the EV fleet to improve. We will continue to target a break-even position within the Future Fit framework.

In closing, I would like to acknowledge the experience and tenacity of the ***thl*** team as well as the commitment of our highly skilled directors. We have managed well, and proven out the flexibility underlying our business model. Now we look to deal with FY21 in an appropriate manner and lead the industry recovery positively.

I will now pass on to Nick to share some words on his first impressions of ***thl***.

CFO's Address – Nick Judd

Thank you Grant for the opportunity to provide a short background on myself and then to give my initial impressions of ***thl*** formed over the last 6 weeks.

I have a strong background in the tourism industry after 17 years spent with Air New Zealand. Most recently, I spent three years on the Executive team at Air New Zealand leading the functions of Strategy, Networks, Sustainability and their Alliance and Joint Venture relationships.

I was fortunate in my time at Air New Zealand that I was able to work across many areas of the business and in leadership roles in Australia, China and the United States, and a huge attraction for me in joining ***thl*** was the global footprint that they have been so successful in building. I have been a member of Chartered Accountants New Zealand for over 15 years and am enjoying being deeply involved in profit and loss, cash flow and balance sheet statements once again.

As you would expect, before I accepted the role here at ***thl*** I did my due diligence on the culture, aspirations and potential of the organisation. I am pleased to say that what I saw and heard from the outside has well and truly been matched by what I have experienced in my short time here. My personal belief is that those organisations with a strong culture will thrive when clear of COVID impacts and it is obvious to me every day how strong the culture is within this organisation.

The way the business has responded to the challenges thrown at it this year, including recently the Mangere fire, is a testament to the passion, enthusiasm and drive of our employees. They are all willing to go the extra mile to ensure that the business performs to the best of its ability and customer expectations are met, no matter the circumstances. I think this is the true test of an organisation's culture.

I have been fortunate in my timing in joining the organisation, as the business has moved beyond the crisis phase and is now in a phase of re-establishing new business processes and planning for the coming years, albeit facing a period of domestic demand only. There is a wealth of knowledge and experience in the Board and Executive team, which has been highlighted in how well they have managed the crisis phase and how well the company is positioned comparatively to the industry and competitors.

I have also been impressed by the willingness of the Executive to be challenged on historic processes and to use the COVID slowdown as an opportunity to undertake transformational change by re-imagining the way we do things, in order to ensure that ***thl*** re-emerges stronger and capable of delivering enhanced returns. There is no doubt for me that many of the experiences we have had over the last 8 months will be useful for us as we look to grow revenue and drive further shoulder and low season utilisation.

In short, I am very happy with the choice I have made to join ***thl*** and I am looking forward to supporting the growth aspirations of this business in the years to come.