

thl Annual Meeting Address

21 October 2021

Virtual Meeting

Rob Campbell

SLIDE 1 – Tourism Holdings Limited Annual Meeting

SLIDE 2 – 2021 Annual Meeting

Tena koutou katoa.

Welcome to the 35th Annual Meeting for Tourism Holdings Limited. My name is Rob Campbell, your Chair.

Today we welcome you as online participants through our virtual meeting platform.

Through the platform, you can vote and ask questions online and I will provide you with further instructions as we progress through the meeting. If you encounter any issues, please refer to the virtual annual meeting online portal guide referred to in our notice of meeting announcement on the NZX website, or alternatively you can phone the helpline on 0800 200 220. I would encourage you to send through any questions as soon as you can, in order to allow us to answer these questions at the appropriate time in the meeting. To ask a question, you will need to click “ask a

question” within the online meeting platform, select the item of business, type in your question and click submit.

I have been advised that we have a quorum present, and as it is 2:00pm, I declare the Annual Meeting open.

I am joined by fellow directors Debbie Birch, Gráinne Troute, Cathy Quinn and Rob Hamilton, and note apologies from Guorong Qian.

We’re also joined by our Chief Executive Officer, Grant Webster, Chief Financial Officer, Nick Judd and Deputy Chief Financial Officer, Steven Hall.

PwC, our auditors, are online as are representatives from MinterEllisonRuddWatts, our solicitors.

SLIDE 3 – Proxies and postal votes

As indicated on the screen, we have received 57.4 million valid proxies and postal votes, representing 37.8% of the ordinary shares on issue. Of those, 42.5 million have identified me, as Chair of the meeting, as proxy. I intend to vote all discretionary proxies I have received in favour of the three resolutions set out in the notice of meeting, but will be abstaining from doing so in respect of resolution 1 regarding my own re-appointment.

SLIDE 4 – Agenda

During today's meeting, I will provide a brief overview of the business, and then hand over to our Chief Executive, Grant Webster. We will then open for general questions relating to our business, and then conclude with the formalities of the meeting, including the resolutions as detailed in the notice of meeting.

SLIDE 5 – Chair's address

Skip slide

SLIDE 6 – Summary

Clearly the last 12 months has been the most volatile period in *thl's* history, and unfortunately that has resulted in its largest ordinary loss. We do believe that within that context however, the business has been managed well and has continued to adapt. The balance sheet has been appropriately managed and the future of the business has been protected.

A highlight of the business has been the shift of focus to vehicle sales. We have sold over 2,900 RVs through an effective and profitable RV sales business, and have made the most of the increase in demand combined with automotive supply issues, to deliver record volumes and margins in each country. While some of this demand growth for RVs is situational and one-off in nature, there is industry research that

supports the view that there is structural growth in the RV category, as a greater proportion of younger buyers and families choose RV travel.

SLIDE 7 – Year in review

On screen you will find a summary of our financial performance for the 2021 financial year. The results clearly demonstrate that we operate in very different circumstances in each jurisdiction. The New Zealand business has had the largest loss, given it had the largest fleet within our rentals businesses and the smallest domestic population by a significant margin. Australia saw a very positive domestic environment from December 2020 through to late June when the Delta variant caused closures across New South Wales and Victoria. The USA business had a very positive FY21 with a record vehicle sales contribution and a domestic RV rentals business that benefitted from little other suitable holiday options being available.

I won't spend much time on the results now as the detail is in our Integrated Report. We will take any questions on the results later in the meeting. I will however, note that *thl* continues to be underpinned by a strong NTA per share of \$1.73 as at the end of FY21.

One natural outcome of our loss for FY21 is that we have declared no dividend, as was the case in the last financial year. We acknowledge the ongoing impact that this has on shareholders. Our expectation is that there will be no dividend in FY22. The

resumption of dividends will be reliant on our business returning to profitability and there being a positive outlook containing some degree of certainty and consistency.

SLIDE 8 – Rebalancing to vehicle sales and managing debt

We have said for some time that *thi* has a flexible business model, allowing it to manage its capital structure in a downturn by driving vehicle sales and right sizing its fleet. This has now been proven again over the last year, with debt reduction of almost 90% between March and December 2020. This flexibility has allowed us to face the current headwinds without raising equity during the pandemic period. Because of this, we continue to see no need to raise equity as a result of the current trading conditions.

SLIDE 9 – Positioning for the future

We have equally been focused on investing in our future while appropriately managing the present circumstances. There is a fine balance between the positivity of the long-term outlook and our focus on the future, and closely managing and responding to the difficulties at present. We constantly assess this balance in order to ensure that we are reinvesting and generating opportunities for the future without creating undue risk.

Through the last 12 months we have continued to invest in fleet purchases, ensuring we maintain a high quality, late model fleet of motorhomes. In doing so, we have

clear mitigation plans should international borders continue to remain closed for an extended period. We also continue to be proactive about our future fleet needs, particularly given supply side challenges for electric chassis. We have refuelled our projects focussed on what our future fleet should look like, looking at the latest views on the most suited technologies.

We have implemented several internal projects, improving aspects of our businesses including vehicle designs and the full customer experience. We developed and launched our Cosmos booking system in Australasia and are underway with adaptation for the US business. We have also taken a new approach to how we engage with our global trade partners.

In the absence of international travel, the domestic aspects of our business have been further developed, providing our business with greater resilience through a broader set of revenue streams. Our sales and retail arms will play a bigger role in the business moving forward, as we shift some of our Australian locations into a dealership model and leverage the overheads to provide a wider workshop and retail accessory offering.

In March we acquired the remaining 50% of Action Manufacturing. For years, the team at Action Manufacturing have been doing exciting work in the specialist vehicle segment. This is an area that we will be investing in further and positively the

business has a full forward order book for the current financial year. **thl**'s current balance sheet strength also enables us to consider small acquisition opportunities that complement the Action Manufacturing business.

SLIDE 10 – Views on tourism and the RV market

Creating a variety of scenarios and considering the potential outcomes is now the norm. Dealing with the consequences of those changes is more challenging but a must do, particularly for tourism businesses. You can see with the **thl** results that we are continuing to adapt and create flexibility.

Determining a very specific view on tourism is dangerous and potentially misleading given the degree of subjectivity involved. At a high level the following statements best describe the current **thl** position:

- We are confident that international leisure tourism will return in all markets in which we operate.
- We are confident our core RV category will continue to increase its proportion of the total tourism market globally.
- We believe that we have the business model, people capability and balance sheet to enable an appropriate return on capital for shareholders over a reasonable time period.

- Broadly we see no structural reason why **thl** can't achieve the \$50M NPAT target we disclosed to the market in 2017 within two years of the global tourism system operating in a pre-COVID-like manner.
- We continue to explore acquisition opportunities globally, as we always have.
- We remain open and transparent in our Integrated Report on the key risks we see for this business in the short and long-term.
- We remain focussed on creating long-term sustainable value for all our stakeholders.

I'm proud to be Chair of **thl** and thank every one of the crew for the manner in which they have operated over the past 12 months.

I will now pass on to Grant.

Grant Webster

SLIDE 11 - CEO Address

Thank you Rob.

SLIDE 12 – Safety of our people and customers

Here in New Zealand today from a COVID-19 perspective, it feels like we have only recently started to get a real sense of the kind of life most of the rest of the world

has been living with in the last 12 months. Keeping customers and crew safe has to be the highest priority for the executive and the business as a whole. We are fortunate to have a passionate set of leaders across the globe that have led the introduction of new protocols very effectively. Our people also recognise the importance of vaccinations for the safety of our crew, customers and society, and this is recognised by the vaccination rates within our business in each jurisdiction being higher than the rates for the general eligible population. As a result of these factors, we have had no traceable spread of COVID within any of our workplaces. Within the USA in particular that is a great success. To the crew that make this happen, day in day out, I would like to say thank you. Another very challenging year but one where the *thl* crew have demonstrated the values of this organisation and are moving forward together in a very special way.

SLIDE 13 – Notable events in the year

It is worthwhile very quickly noting some key events from FY21, and not just the good elements:

- We had our largest operating loss on record, not something we are pleased about at all, however we are of the view that we minimised the loss and importantly, protected shareholders again from a dilutive capital raise, a rarity in the tourism industry;
- We purchased the remaining 50% of Action Manufacturing, a business with a very strong forward book in excess of \$100M in revenue;

- We rode the global RV vehicle sales wave well, creating new records across the business for sales volume and margin;
- We had some great successes in the technology space throughout the year, albeit with some challenges from a cost and timing perspective, an area for improvement the team are focussed on;
- We have battled every week with the challenges of the global supply chain. The impact on **thl** relative to others has been largely mitigated due to the crew's long standing relationships, agility in planning and classic hard work;
- We have increased front line wages in the USA and New Zealand in line with the **thl** Future-Fit wage approach. Not only has this been the right thing to do, it provides a very clear return on investment. Ensuring our crew are paid a wage that ensures them the basic necessities in life is right and makes sense. We see productivity increase, higher retention and can recruit more effectively;
- We have created more what we call "alternative revenue" opportunities. Most recently you may have seen some of our product being used to assist health with mobile vaccination centres;
- In Waitomo we have dug deep and changed the way we operate, knowing we are in a community that has been devastated by the lack of tourism. New community based events, deeper engagement with our owners and making the most of the Kaimahi for Nature programme with Te Papa Atawhai are all real successes in a financially tough year; and

- We have more opportunities for all parts of the business planned for the coming year.

SLIDE 14 – The current state of the business

The Chair has provided an overview of the results for FY21 and they are well canvassed in the Integrated Report and year end Investor Presentation, so I will focus on the current state of the business.

The lockdown situations in New Zealand and Australia have dented our performance in Q1 of FY22 compared to our expectations. Rental activity is very inconsistent in these countries at the moment. Pleasingly, we still are operating with close to 40% utilisation in Australia within the states that are open, and by utilising non-holiday rental opportunities. New Zealand is around 20% utilisation.

The USA high season was below our expectations as indicated in our year-end reporting. We remained well up on our pre-COVID domestic performance, but down on the calendar year 20 high season. The winter shoulder season has shown a similar rental trend although the international outlook is much more positive, which I will discuss shortly.

From a vehicle sales perspective, the market remains positive. Given our intent to limit sales in certain markets to ensure an appropriate rental fleet size, we finished

quarter one with 620 vehicle sales globally. Margins have continued the exceptional trend from the last six months and are up on the corresponding quarter one last year.

Costs have been well managed to the lower volume and are appropriately down on last year.

SLIDE 15 – Our value is backed by realisable, in demand assets

Before discussing the broader outlook, it is important to consider the vehicles we sell and the value they hold.

It was noticeable to us during the year-end and recent investor presentations that the manner in which we described our fleet value resonated. We got more questions and feedback on this topic than we have historically.

We operate our rental and vehicle sales businesses as separate arms, ensuring the right incentives and disciplines exist within each business. Like it would with any other independent business, our rental business supplies the sales business with vehicles at wholesale prices below retail value, which the sales business then sells for a profit. This means that we have a fleet that is worth more in market than represented in our books. Internally we call this embedded equity.

The slide here shows the value of the equity in the business. At the latest year-end, our book value reflected a net tangible asset value of \$1.73 per share. Above that we have our embedded fleet equity, which we expect to be around 18 to 36 cents per share, depending on whether you take the higher recent margins, or the longer term average.

This is what underpins both the value in *thl* and the ability of the business to manage the balance sheet.

SLIDE 16 – Fleet investment

While it is critical that we continue to manage to the conditions, we are at a point where we see international tourism resuming and we need to look to start to grow the fleet again. Our current fleet expectations are as follows:

- The USA is going into winter so will be decreasing fleet, but only on a seasonal basis. We expect that we will start to regrow fleet in the calendar 22 high season. Given the supply constraints in that market, we will be holding back on sales over the coming months while we gain more confidence in the number of vehicles we can get;
- In Australia, we believe that we have passed the low point in fleet size and have started to regrow fleet.

- New Zealand will likely hit a low point at the end of this calendar year and throughout calendar 22 we will slowly start to rebuild the fleet numbers, and accelerate that growth rate through the second half of calendar 22.

From a net capital expenditure perspective, given we have been able to sell more vehicles than planned, and as we move New Zealand vehicle on-fleet dates into FY23, we are revising our expected net capital expenditure down to between \$25M and \$60M for FY22. We see no value in projecting a year-end net debt figure at this point in time as we will continue to actively manage the balance between purchases, sales and rental activity.

SLIDE 17 – Our debt facilities enable fleet regrowth

A question we are often asked is can you return to the fleet levels you had pre-COVID, and then if so, when do you expect to get there?

Firstly, yes we can re-fleet. From a funding perspective we are very fortunate to have long standing, supportive partners in ANZ and Westpac. All things remaining equal, we will have around \$200M of available headroom in facilities at the end of calendar 2021. The tenure of those facilities were also extended earlier this year. That headroom gives us the ability to add close to 2,500 vehicles, recognising that fleet mix by type and country can have a large impact on the numbers.

Answering the second part, when we might get there, is harder.

As evidenced by the last 18 months, we will continue to treat fleet and balance sheet management as a key focus for the business. Any prediction today therefore, still has the risk of being misleading. So recognising that, as a general guide only, we are targeting for the USA and Australia to get back to pre-COVID fleet levels at some point in FY23. New Zealand fleet regrowth is more uncertain but will likely take longer than that.

SLIDE 18 – Outlook

The question we are asked regarding future fleet plans, is a proxy for the deeper question, can you get back to the profit levels you had pre-COVID. Reinforcing the comments from the Chair, there is no structural reason we see today that would prevent us from achieving that pre-COVID NPAT goal of \$50M in future. Indeed we could potentially achieve that goal with less capital employed than would have been required pre-COVID, given the improved low capital businesses and lower cost base.

That, however, is the future. Today we are still focussed on limiting the impact of border closures and lockdowns on the current financial year.

We continue to believe that the current conditions make any NPAT guidance for FY22 inappropriate. Our expectations remain that we will have an NPAT loss in FY22 but

we are more positive about the certainty of international travel of some form in all markets in FY23.

Within FY22, we expect the first half performance will be down on FY21, driven by the Delta impact in New Zealand and Australia, the lower USA rental performance and less government support globally relative to the prior year. Conversely, we expect H2 will be significantly improved on FY21 as vaccinations rates in Australasia climb, restrictions ease and operating conditions improve. We expect the continued benefit of lower fleet and expect vehicle sales margins to remain strong.

We will likely provide another update in December, assuming there is greater clarity in forward bookings, particularly the international interest in the USA from the core European and UK markets.

SLIDE 19 – We have a path

It is easy to let the COVID situation become all-consuming and distracting as we minimise losses and protect the business. We have however, taken an approach that it is critical to maintain a strategic outlook on all aspects of the business. We are guided well by our Future-Fit goals. We call it our pathway. We know where we need to go and it provides both the measurement tools and the mind set to ensure the decisions and actions will create a better business. One that is here for the long-term.

We know there is an advantage to stay ahead of the emission challenge in this business, to challenge the channel strategies, and to build new designs that reduce cost and improve the customer experience. Most importantly, we benefit from reviewing and enhancing the way we recruit, train and retain our crew so we can deliver customer experiences that align with our purpose of creating unforgettable journeys.

SLIDE 20 – A positive future

Whilst acknowledging the current loss situation, the business is very well positioned to emerge from this pandemic period with a leading market position, well managed balance sheet, new revenue streams, a growth orientated manufacturing business and a capable, motivated crew.

Before passing back to Rob I would like to again thank all the crew in *thl*, you our shareholders for your support and also our Board, who as well as constantly challenging management, are also supportive of the whole business.

I will now pass back to the Chair.

SLIDE 21 – General questions

Thank you Grant.

I'd now like to open to any general questions relating to our business that you may have. We will separately address each of the resolutions shortly and so I ask that any questions relating to those resolutions be raised at that time.

Are there any questions received from shareholders?

[Steven]

[if no questions] – There are no questions received from shareholders.

[If question] – we have received a question from [shareholder name]. The question is [x].

[read question – Chair co-ordinates answer]

[After question is answered - Chair] – Are there any further questions received from shareholders?

[Steven]

[if no questions] – There are no further questions on this matter from shareholders.

Thank you.

SLIDE 22 – Voting

We now come to the formal part of the business - matters requiring resolution, which are outlined in the Notice of Meeting. You may ask questions on each matter being put to shareholders through the virtual meeting website.

Now, moving to the resolutions, I propose to call a poll on each of these resolutions.

As I mentioned, shareholders will be able to cast their vote using the electronic voting card received when online registration is validated.

SLIDE 23 – Voting instructions

To vote, you will need to click “Get Voting Card” within the online meeting platform.

You will be asked to enter your Shareholder or Proxy Number to validate. Please then mark your voting card in the way you wish to vote by clicking “FOR”, “AGAINST” or “ABSTAIN” on the voting card. Once you have made your selection please click “Submit Vote” on the bottom of the card to lodge your vote.

Please refer to the virtual meeting online portal guide or use the help line specified if you require assistance.

Voting will remain open until 5 minutes after the conclusion of the meeting and results of the vote will be announced on the NZX website.

Each resolution set out in the Notice of Meeting is to be considered as an ordinary resolution and, as such, must be approved by a simple majority of the votes cast by shareholders entitled to vote and voting on the resolution.

As the first resolution relates to myself, I will now pass over the Chair of the meeting to Gráinne Troute. I now invite Grainne to Chair the meeting in respect of the resolution.

Gráinne Troute

Thank you Rob.

SLIDE 24 – Re-election of Rob Campbell

Resolution 1 concerns the re-election of Rob Campbell as a director of the company.

Rob was appointed as a director of **thl** in May 2013, and was appointed as Chair of the **thl** Board in August 2013. The Board considers Rob to be an independent director and is unanimous in recommending that shareholders vote in favour of his re-election.

I now invite Rob to address the meeting.

Rob to speak

I now propose that Robert James Campbell, who retires by rotation and is eligible for re-election, be re-elected as a Director of the Company.

[Steven]

[if no questions] – There are no questions received from shareholders.

[If question] – we have received a question from [shareholder name]. The question is [x].

[read question – Chair co-ordinates answer]

[After question is answered - Chair] – Are there any further questions received from shareholders?

[Steven]

[if no questions] – There are no further questions on this matter from shareholders.

Thank you – please now select either “FOR”, “AGAINST” or “ABSTAIN” for Resolution 1 on the voting card.

I will now pass back to Rob.

Rob Campbell

SLIDE 25 – Re-election of Debbie Birch

Resolution 2 concerns the re-election of Debbie Birch as a director of the company.

Debbie was appointed as a director of *thl* in September 2016, and has chaired the Board Marketing & Customer Experience Committee since November 2019. The Board considers Debbie to be an independent director and is unanimous in recommending that shareholders vote in favour of her re-election.

I will now invite Debbie to address the meeting.

Debbie to speak

I now propose that Debra Ruth Birch, who retires by rotation and is eligible for re-election, be re-elected as a Director of the Company.

Are there any questions?

[Steven]

[if no questions] – There are no questions received from shareholders.

[If question] – we have received a question from [shareholder name]. The question is [x].

[read question – Chair co-ordinates answer]

[After question is answered - Chair] – Are there any further questions received from shareholders?

[Steven]

[if no questions] – There are no further questions on this matter from shareholders.

Thank you – please now select either “FOR”, “AGAINST” or “ABSTAIN” for Resolution 2 on the voting card.

SLIDE 26 – Auditor remuneration

Resolution 3 relates to the directors setting the remuneration of our auditors. PwC is the auditor of **thl** and has confirmed its willingness to continue as an auditor of the company.

I propose that the Directors are authorised to fix the remuneration of the auditors for the ensuing year.

Are there any questions?

[Steven]

[if no questions] – There are no questions received from shareholders.

[If question] – we have received a question from [shareholder name]. The question is [x].

[read question – Chair co-ordinates answer]

[After question is answered - Chair] – Are there any further questions received from shareholders?

[Steven]

[if no questions] – There are no further questions on this matter from shareholders.

Thank you – please now select either “FOR”, “AGAINST” or “ABSTAIN” for Resolution 3 on the voting card.

SLIDE 27 – General business

Thank you for your attendance to the resolutions. That concludes the formal elements of our meeting. As I mentioned previously, voting will remain open until 5 minutes after the conclusion of the meeting and results of the vote will be announced on the NZX.

Before we close the meeting, are there any other general business items that shareholders would like to raise?

[Steven]

[if no questions] – There are no questions received from shareholders.

[If question] – we have received a question from [shareholder name]. The question is [x].

[read question – Chair co-ordinates answer]

[After question is answered - Chair] – Are there any further questions received from shareholders?

[Steven]

[if no questions] – There are no further questions on this matter from shareholders.

Thank you.

There being no other matters of business, I would like to thank you all for attending the 2021 Annual Meeting and I now declare the meeting closed.

SLIDE 28 – Disclaimer