



# Joint Venture Announcement

## 16 February 2018



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This announcement contains forward-looking statements and projections. These reflect *thl's* current expectations, based on what it thinks are reasonable assumptions. The statements are based on information available to *thl* at the date of this announcement and are not guarantees or predictions of future performance. For any number of reasons, the future could be different and the assumptions on which the forward looking statements and projections are based could be wrong. *thl* gives no warranty or representation as to its future financial performance or any future matter. Except as required by law or NZX listing rules, *thl* is not obliged to update this announcement after its release, even if things change materially.

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This announcement may contain a number of non-GAAP financial measures. Because they are not defined by NZ GAAP or IFRS, *thl's* calculation of these measures may differ from similarly titled measures presented by other companies and they should not be considered in isolation from, or construed as an alternative to, other financial measures determined in accordance with NZ GAAP.

This announcement does not take into account any specific investors objectives and does not constitute financial or investment advice. Investors are encouraged to make an independent assessment of *thl*.

The information contained in this announcement should be read in conjunction with *thl's* latest financial statements, which are available at: [www.thlonline.com](http://www.thlonline.com)

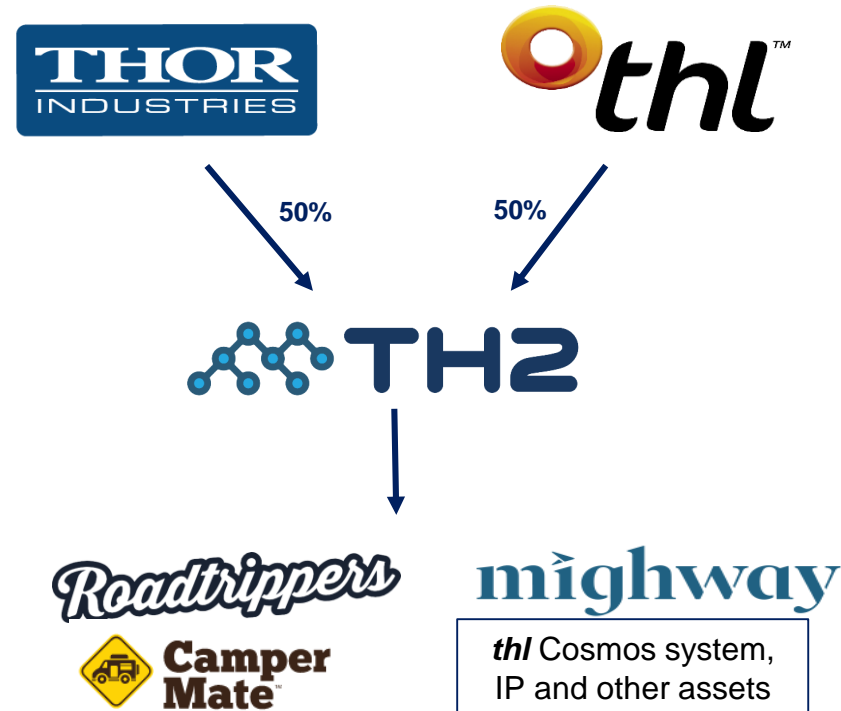
The half-year results for *thl* will be released on Thursday 22 February 2018. These accounts will note these transactions as events subsequent to the half-year closing.

# Key Highlights



- **thl** has entered into an agreement to establish a 50:50 joint venture with Thor Industries, the leading RV manufacturer globally\*, to create a digital platform for RV owners to improve every aspect of RV ownership, including trip planning and booking, remote monitoring systems, roadside assistance, and peer-to-peer RV and campsite rental.
- The joint venture, TH2, has entered into an agreement to acquire 100% of Roadtrippers (“RT”), the US-based travel planning and travel data company (including RT’s interest in the RT Australasia business, the 50:50 joint venture between **thl** and RT).
- **thl** will contribute approximately USD \$2.5M cash in addition to its Highway business, Cosmos (**thl**’s rental and RV industry platform), **thl**’s shares in RT, **thl**’s interest in the RT Australasia joint venture and other IP and ‘know-how’.
- The cash contribution from Thor will be approximately USD \$47M.
- The transactions are all expected to close around the end of February 2018, once Roadtrippers’ shareholder approval has been obtained.

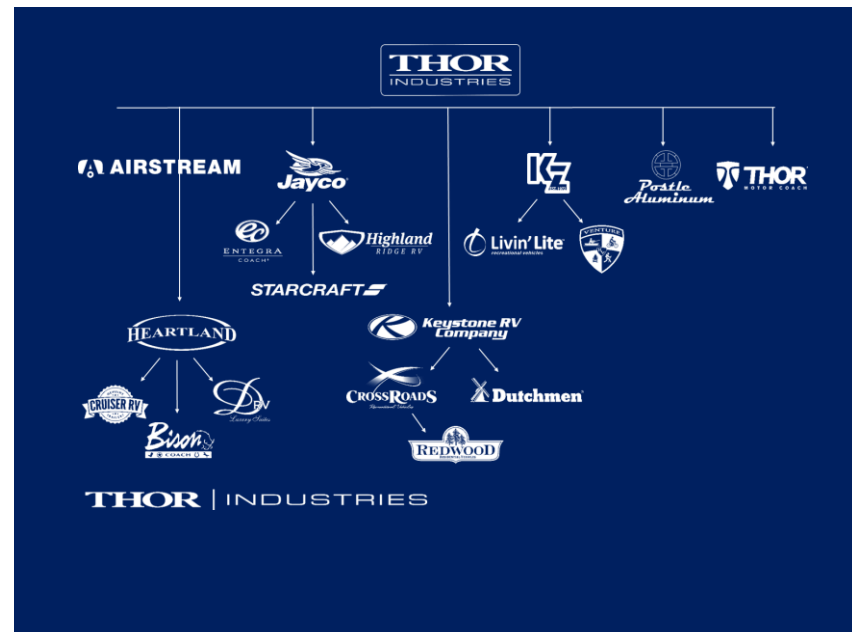
\* Based on volume, including Jayco USA



# Thor



- Thor is the sole owner of operating subsidiaries that, combined, represent the world's largest RV manufacturer.
- Market capitalisation of USD\$6.8B as at 13 February 2018 (NYSE ticker: THO)\*.
- Wade Thompson (a New Zealander) and Peter Orthwein founded Thor Industries in 1980 with the purchase of Airstream, an iconic brand.
- Publicly listed since 1984.
- Over 17,000 employees.
- Close to 200 operating facilities across Indiana, Ohio, Michigan, Idaho and Oregon, USA.



\* Source Capital IQ, 13 February 2018

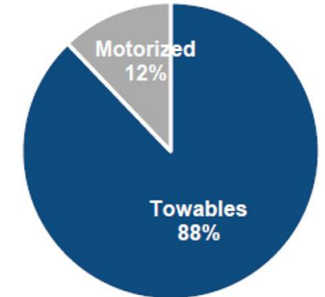
**Thor is the world's largest RV manufacturer, by volume, with a market capitalisation of USD\$6.8B.**

# USA RV Industry Retail Market Share



	YTD 9/30/17		Y/E 12/31/16		Y/E 12/31/15		Y/E 12/31/14	
	Total	Share %	Total	Share %	Total	Share %	Total	Share %
<b>THOR*</b>	<b>184,795</b>	<b>48.5%</b>	<b>195,973</b>	<b>47.4%</b>	<b>178,520</b>	<b>47.6%</b>	<b>160,663</b>	<b>48.9%</b>
Forest River**	131,851	34.6%	144,909	35.1%	132,923	35.4%	112,979	34.4%
Grand Design	14,121	3.7%	11,717	2.8%	7,000	1.9%	4,174	1.3%
Winnebago	12,031	3.2%	13,093	3.2%	12,143	3.2%	10,395	3.2%
Gulfstream	4,546	1.2%	5,129	1.2%	4,806	1.3%	4,562	1.4%
REV Group	3,115	0.8%	3,237	0.8%	3,382	0.9%	4,888	1.5%
<b>Subtotal</b>	<b>350,459</b>	<b>92.0%</b>	<b>374,058</b>	<b>90.5%</b>	<b>338,774</b>	<b>90.3%</b>	<b>297,661</b>	<b>90.5%</b>
All Others	30,864	8.0%	39,211	9.5%	36,646	9.7%	31,205	9.5%
<b>Grand Total</b>	<b>381,323</b>	<b>100.0%</b>	<b>413,269</b>	<b>100.0%</b>	<b>375,420</b>	<b>100.0%</b>	<b>328,866</b>	<b>100.0%</b>

Thor estimated product split



Source: Statistical Surveys, Inc., U.S. and Canada

\* Thor adjusted to include historical results of Jayco, Livin' Lite, Bison Coach, K-Z, Inc., Cruiser RV, and DRV Luxury Suites for all periods presented

\*\* Forest River includes Palomino, Coachmen, Prime Time, Shasta and Dynamax

**Thor currently holds the highest USA market share (measured by units of production).**

# Overview of TH2



- TH2 will be focused on significantly enhancing the enjoyment and safety of RV enthusiasts by digitally connecting this fast growing international marketplace. This innovative and comprehensive platform will improve every aspect of RV ownership with capabilities that include trip planning and booking, remote systems monitoring, roadside assistance, and peer-to-peer RV and campsite rental. The system will also streamline an owner's record keeping and enable dealers and manufacturers to provide such support as triggered service notifications, online vehicle manuals and more.
- Manufacturers, RV dealers and rental operators who utilise TH2's services and products will see increased efficiencies in product pricing, service engagement and fleet management.
- TH2 will be a global business with branches and teams throughout the world. The RT team will be, at commencement, the largest single team and remain based in Cincinnati, OH, USA. The *thi* Cosmos, Highway and Telematic teams will remain in New Zealand, Australia and the USA where they currently reside.
- The business will be led by Bob Wheeler, the current CEO & President of Thor's subsidiary, Airstream, with Grant Webster (*thi* CEO) as Executive Chairman.
- The business will operate several products and brands. The most recognisable current brands are:



# Overview of TH2

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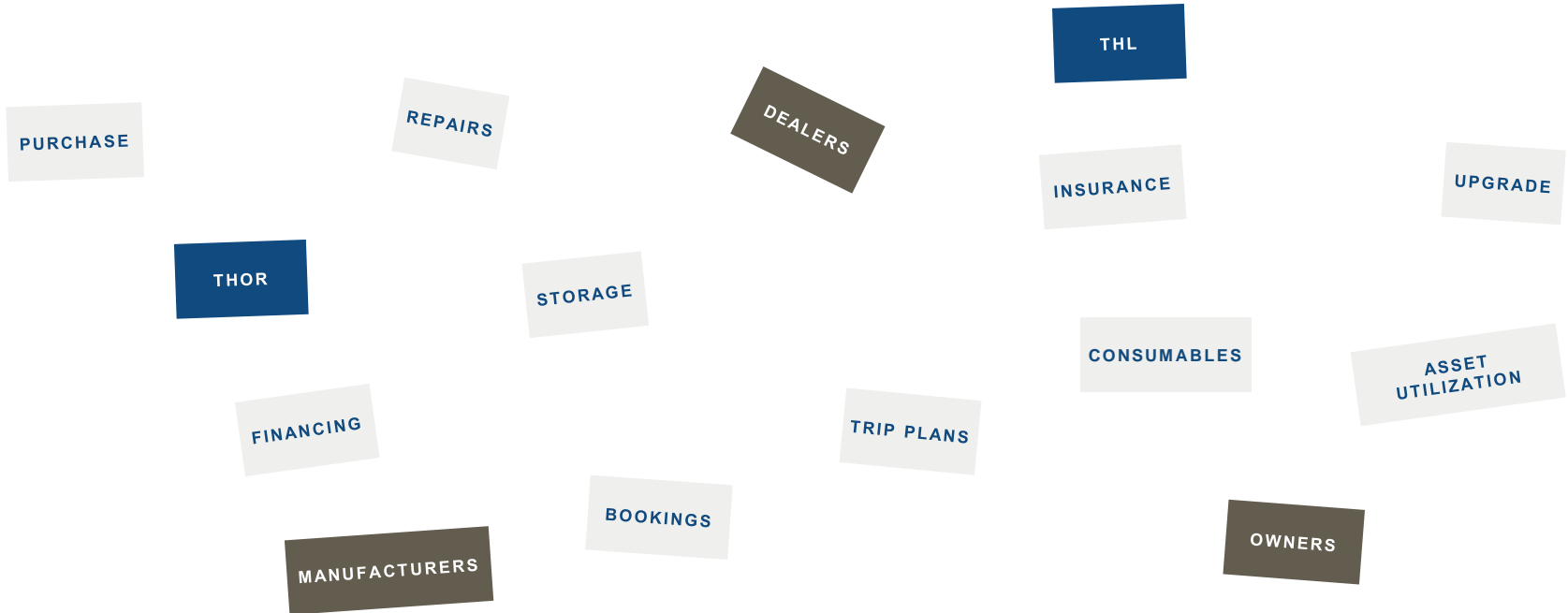


- TH2 is expected to create long-term connections with millions of customers globally within a few years. TH2 will have a large RT customer base (of over two million) to commence from.
- The current global passion for RV travel makes this a perfect time to debut TH2's platform. American RV ownership is at an all-time high. In 2017, RV manufacturers' sales exceeded 500,000 in the U.S. alone, an increase of 17% from the previous year, according to the Recreational Vehicle Industry Association. The RV lifestyle is also enjoying resurgent popularity in Europe, where travellers registered over 190,000 new RVs in 2017, a 12% increase over 2016. As in the US, much of that growth is driven by younger buyers.

**“The goal of TH2 is to provide a digital platform to enhance the enjoyment and safety to RV enthusiasts around the globe.”**

**The RV ‘ecosystem’ is fragmented, *th/* believe this is the right time to invest in the creation of this digital platform.**

# The RV Ecosystem is Fragmented

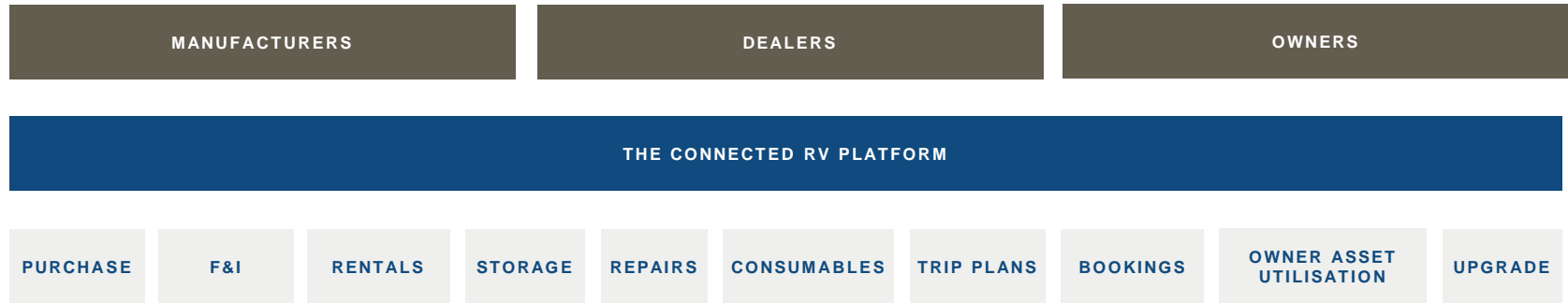




# The RV Ecosystem is Fragmented



**WE WILL BE THE PLATFORM TO CONNECT IT!**



# *thl* Company Statement - Strategic Intent

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The creation of this joint venture and its acquisition of RT benefits *thl* as follows:

- Opportunity to leverage the scale of Thor in the North American market.
- Opportunity to combine resources of Thor, RT and *thl*.
- Opportunity to create a singular focus for the digital assets of the business.
- Opportunity to expand further and faster into the broader RV ecosystem globally.
- Licences provide *thl* with continued access and use of IP for its existing business.

**“We have clearly articulated our global strategy and goals and continue to deliver to them. We have been clear that creating a platform for the industry is where the future lies for *thl*. The ambitions and potential for TH2 are substantial and supported emphatically by both joint venture partners. This is a game-changing opportunity.” Rob Campbell, *thl* Chairman**

# Transaction Details

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- *thl* will contribute its Highway business, its shares in RT and its interest in the RT Australasia business (RTA), Cosmos (the sales and rentals operating system of the business), the in-vehicle tablet technology and IP developed around telematics integration to TH2. *thl* will contribute cash of approximately USD \$2.5M. The accounting treatment of the transactions create a non-cash gain on sale.
- Thor Industries have contributed cash of approximately USD \$47M.
- TH2 has been formed as a Delaware LLC entity operating as a look-through entity for tax purposes. The entity will be consolidated into the *thl* USA tax group from a *thl* perspective.
- The JV Agreement provides both parties equal rights and obligations. The likely future funding requirements of the joint venture are not material to *thl* and there are limits on future funding commitments. TH2 will have no debt and is unlikely to consider taking debt in the near term. There are no predetermined decisions on dividends or use of cash as the business moves to profitability.

# Financial Overview TH2



TH2 view	Value recognised in TH2	Value recognised in TH2
	USD\$M	NZD\$M
<i>thl</i> IP (Cosmos) and Mighway	\$36.6M	\$50.1M
RT shares (including investment in RTA)	\$46.4M	\$63.6M
Net working capital and other assets	\$0.8M	\$1.1M
Opening cash contribution	\$10.0M	\$13.7M
Opening value of TH2	\$93.8M	\$128.4M

Note 1: USD\$ converted to NZ\$ at a rate of USD\$0.73 throughout this presentation.

## Acquisition details

- TH2 will acquire assets and shares with a combined value of USD\$84M, and hold cash of USD \$10M to fund TH2 over the initial set up period.
- The total assets at inception of TH2 will be USD\$94M.
- TH2 will be owned 50:50 by *thl* and Thor.
- Completion is subject to RT shareholder approval, which is expected to be obtained in time to allow the transactions to close around the end of February.
- RT purchase price was assessed as 'at market', based on comparable business sales and third-party interest in the business.
- RT has strategic value to the joint venture beyond the current financial performance of the business.
- TH2 will pay cash for the shares in RT (other than the RT shares contributed by *thl*).

# Financial Overview – *thl*



<i>thl</i> contribution to TH2	<i>thl</i> contribution to JV	<i>thl</i> contribution to JV	JV contribution recognised in <i>thl</i> accounts
	USD\$M	NZD\$M	NZD\$M
Contribution of <i>thl</i> IP (Cosmos) and Highway	\$36.6M	\$50.1M	\$27.3M
Contribution of RT shares	\$7.6M	\$10.4M	\$8.6M
Contribution of RT Australasia JV shares	\$1.0M	\$1.4M	\$1.3M
Net working capital and other assets	(\$0.8)	(\$1.0)	(\$1.0)
Opening cash contribution	\$2.5M	\$3.4M	\$3.4M
<i>thl</i> opening value of TH2 50% shareholding	\$46.9M	\$64.3M	\$39.6M

## *thl* contribution to TH2

- *thl* will contribute Cosmos, RT shares, RTA interests, Highway business and cash to TH2.
- The cash contribution is approximately NZD \$3.4M.
- Value ascribed to Cosmos and Highway recognises the market leading IP developed by *thl* over the last several years.
- In the *thl* accounts, the value of the assets contributed to TH2 is lower than that recognised by TH2. This is due to the requirement under IAS28 accounting standard to only recognise the value uplift for that portion of TH2 that does not remain under ownership of *thl*, which in this case is 50%.

Note 1: USD\$ converted to NZ\$ at a rate of USD\$0.73 throughout this presentation.

# Financial Impact on *thl*



## One-off impacts on on *thl*'s FY18 results

- Contribution of assets to TH2 creates a **non-cash** gain on sale for *thl* in FY18.
- Only 50% of the accounting gain on sale has been recognised in the accounts for *thl*, given *thl* remains a 50% partner in the TH2 joint venture.
- The restructure of RT, following the acquisition by TH2, and some recovery of tax depreciation, is expected to result in a tax expense of approximately USD \$4.8M.

## Financial Summary Table

<i>thl</i> View	USD	NZD
Gain on sale from intangible assets (including Cosmos) and Highway	\$16.7M	\$22.8M
Gain on sale from investments in Joint Venture and Associates (RT* and RTA)	\$1.3M	\$1.8M
Estimated transaction costs	(\$0.6)	(\$0.9)
<i>Impact on Net Profit before Tax FY18</i>	\$17.4M	\$23.8M
Tax expense related to restructure of RT.	(\$4.8)	(\$6.5)
<i>Impact on Net Profit after Tax (FY18)</i>	\$12.6M	\$17.3M

\* NOTE: the *thl* shares in RT were diluted on sale from 23% to 16% of the company, due to the exercise of all options and warrants. The losses incurred in RT since the shares were acquired have been written off against *thl* book value.

# Milestones and Forecasts –TH2

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- Substantial work and research has been conducted in establishing the business model and direction of the TH2 business. However, there are no financial projections appropriate to disclose at this point in time.
- The business is expected to lose money in the first two years of operation, as it focuses on growing customer numbers.
- The likely future funding requirements that the parties will provide to TH2 are not material to the *th1* debt structure or covenants.
- The business is expected to further expand globally with all product offers over time.

# Milestones and Forecasts – *thl*

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- TH2 is expected to be incremental to the *thl* FY20 target of \$50M NPAT.
- The FY18 trading impact (expected losses from first four months of operation) will be factored into the company forecast, which will be finalised and released with the interim results.
- The impact on the FY19 results is yet to be established.
- There will be one-off costs for professional services associated with these transactions in the FY18 full year results. We expect these to be circa \$0.9M.
- The cash contribution to this transaction by *thl* at commencement will be approximately NZD \$3M and will not impact the overall *thl* debt forecasts.
- The *thl* FY18 half-year results will be released on Thursday 22 February 2018.



END

