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21 December 2016

NZX | MEDIA ANNOUNCEMENT

TOURISM HOLDINGS LIMITED (*thl*)

Acquisition of El Monte, 2020 Goal of NZ\$50M NPAT and Digital Platform Growth ¹

KEY HIGHLIGHTS

- *thl* consolidates its position as the leading global RV rental business.
- New NPAT goal set of \$50M; to be achieved in FY20 (FY16 NPAT \$24.4M).
- Expansion of business in North America as next step in global strategy.

El Monte (North America) ²

- Acquisition of El Monte Rents Inc., which operates the El Monte RV Rental and Sales business, for an enterprise value of \$93.5M (including transaction costs).
- Business established in 1970; operating in 26 locations across the USA.
- Acquisition funded by \$82.2M of debt and 3.4M *thl* shares.
- Acquisition EBIT multiple of 10.8x compared to *thl* trading multiple of 11.9x (pre-synergies).
- Implied multiple of 5.5x, based on forecasted FY20 operating earnings (EBIT).
- Achieves North American growth without increasing market capacity and operational risks.
- Positions *thl* in the number two position, based on fleet, within the largest global RV rental market (North America).
- Significant synergies in fleet and operations are expected to be realised within three years.
- Targeted improvement in ROFE ³, from 8% to 19%, over four years.

Roadtrippers

- USD\$6.0M investment made in Roadtrippers USA (top North American road travel app), providing 22.5% ownership (US\$5M paid in cash and US\$1M with GeoZone intellectual property assets).
- 50/50 *thl*/Roadtrippers joint venture created; to operate in New Zealand and Australia.
- *thl*'s GeoZone business sold to the joint venture for US\$1M, paid in joint venture shares.
- These two transactions result in an effective sale of the GeoZone business for US\$2M (with a gain on sale of \$1.2M).
- Licence agreements in place to enable *thl* to leverage the platform.

¹ All figures in NZD, unless stated otherwise

² All transaction figures are taken from the signed Share Purchase Agreement, pre-closing adjustment.

³ ROFE = EBIT/Net Funds Employed

Self drive experiences

New Zealand
Australia
USA
UK

Design & manufacturing

New Zealand
Australia

Guided experiences

New Zealand

Mighway

- **thl** will launch Mighway in the USA in the first quarter of the calendar year 2017, leveraging new enhanced geographical coverage.

A full investor presentation has been released for further detail on the transactions.

thl today announces the acquisition of the El Monte RV Rental and Sales business, based in North America, for an enterprise value of US\$65.3M. The purchase price represents an EBIT multiple of 10.8x before fleet and operating synergies, compared to **thl's** trading multiple of 11.9x. **thl** will implement a fleet rationalisation programme, property and operational synergies.

As a result of the transaction and a review of the current business, a growth goal has been set to achieve \$50M Net Profit After Tax (NPAT) in FY20. This reflects the ongoing expected growth in the current operating businesses, the addition of El Monte and recent initiatives, including Roadtrippers and Mighway. The goal Return on Funds Employed (ROFE) for the business continues to climb above the current benchmark 14%.

Chairman of **thl**, Mr Rob Campbell, said “we are positively resetting the expectations for **thl**. These transactions and the operating plans, which they enable, leverage our current business, skills and balance sheet.”

“We are making the right steps to be truly global in our platform.”

“The acquisition of El Monte positions **thl** as the second largest player in the North American market, in a smart way that manages market capacity. We still see opportunities in other operating markets, such as Europe, at the right time.”

“Shareholders can have confidence that we will manage the fleet and debt position to deliver an acceptable return on funds employed and use capital effectively.”

The acquisition is expected to settle on 6 January 2017 (NZ time) and is only subject to usual closing conditions that **thl** expects to be satisfied prior to settlement. The transaction is primarily debt funded, with US\$8M of the purchase price being funded by the issue of 3,384,266 shares in **thl**, which, following settlement, will represent 2.8% of **thl's** ordinary shares on issue. The number of **thl** shares to be issued is fixed and is based on an agreed exchange rate (0.7410) and the **thl** volume weighted average price of the three months prior to the negotiation of the purchase price (\$3.19).

El Monte

The El Monte business is the number two operator in fleet size in the North American RV rental market and is a long established player in both the domestic and international tourist industry.

The business will be operated separately for at least the first 12 months, with a focus on fleet and operating efficiencies.

thl CEO, Grant Webster, said “the El Monte business has a positive, long standing reputation in the USA. Their operational excellence, combined with a “**thl**” approach to capital deployment is expected to create realisable synergies.”

“We are looking forward to combining fleet procurement, operating different rental brands and maximising RV sales through both our traditional wholesale channels and the El Monte retail sites; a model we know. This is a much lower risk strategy than trying to grow to an equivalent market share from the Road Bear platform.”

Roadtrippers

As part of the expansion of the business and the desire to create a leading global platform within the RV industry, **thl** has partnered with Roadtrippers (the top North American-based road travel app and data business). The partnership involves the creation of a joint venture business in Australia and New Zealand, combining the **thl** GeoZone business with Roadtrippers in these markets, and the investment of US\$6M (US \$5M in cash and US\$1M in GeoZone assets transfer) for a 22.5% holding in the Roadtrippers’ parent company, including a Board seat.

Roadtrippers has over 2.5 million users per month and has created a world-leading position in the provision of travel points of interest data. Roadtrippers will use the funds from **thl** to complete the next stage of growth for the company as it scales the data business globally and expands the Roadtrippers product portfolio.

Mighway

In conjunction with these announcements, **thl** has confirmed that it will take the Mighway business and platform into North America in the first quarter of the 2017 year. The Mighway owner model fundamentals have been proven within the New Zealand market. The El Monte acquisition and infrastructure can be effectively leveraged for Mighway in North America.

Outlook

The half-year NPAT forecast is \$11.1M vs. the prior corresponding period of \$8.2M.

The previous guidance for FY17 NPAT was \$27.5M - \$28.5M and, prior to the impact of the transactions highlighted in this release, is now \$29.2M.

The transactions highlighted in this release result in a trading NPAT forecast of \$26.9M (includes El Monte low season losses and new venture losses).

One-off items total \$0.1M (on a net basis), giving a new NPAT forecast of **\$27.0M** for FY17.

In the calendar year 2017, the El Monte business is expected to deliver EBIT of US\$6.6m.

The half year results release, along with an update on all the initiatives, will be presented in late February.

END

Authorised by:

A handwritten signature in black ink, appearing to read 'Rob Campbell', with a horizontal line extending to the right.

Rob Campbell
Chairman
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About **thl** (www.thlonline.com)