Unforgettable experiences. Sustaining success.

Tourism Holdings Limited
Annual Meeting
18 October 2016
Welcome to the 30th Annual Meeting for Tourism Holdings Limited. My name is Rob Campbell, your Chairman.

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

Today we are conducting this Annual Meeting simultaneously here and on the Internet. We want to provide all shareholders with the opportunity to take part in the Annual Meeting process and I welcome the shareholders who are participating online.

I am joined on stage by fellow directors Debbie Birch, Christina Domecq, Kay Howe, Gráinne Troute and Graeme Wong. We’re also joined on stage by our Chief Executive Officer, Grant Webster; Chief Financial Officer, Mark Davis and Board Secretary, Steven Hall.

In the audience today, we also have a number of the team from within the business. I will quickly introduce the executives in the room – Jo Allison, Keith Chilek, Gordon Hewston, Ben Lane, Brett Morris, Daryl Raven, Paul Shale and Dave Simmons. We also have Kate Meldrum online in the virtual meeting and our JV partner, Grant Brady, from Action Manufacturing in the room. We also have representatives from the New Zealand Rentals business, our support crew in Auckland, Kiwi Experience and the vehicle sales business based in Albany.

Finally, we also have representatives from our auditors, PricewaterhouseCoopers; solicitors, Minter Ellison Rudd Watts; banking partners, Westpac and ANZ; and our share registrar, Link Market Services, who are managing the polling process.

Members of the news media are also with us today. Grant and I will make ourselves available for comment after the meeting.
As indicated on the screen, we have received 39.6 million valid proxies and postal votes, representing 34.2% of the ordinary shares on issue. Of those, 33.4 million have identified me, as Chair of the meeting, as proxy.
I will provide a brief overview of where the Board see the business heading, before handing over to our CEO, Grant Webster, to provide a little more detail - specifically on the new initiatives we are undertaking and profit guidance.
Recently the held a leadership conference. There were just on 100 leaders from the business both here in New Zealand and overseas, out of our total staff of about 900. This leadership group is young and highly motivated to succeed and ready to challenge both themselves and the business. I was fortunate to speak to the group as part of a panel and we felt that some of what we discussed was just as relevant for you to hear as shareholders.

We are in a time when most business models are being challenged. The businesses that succeed in the next decade will be businesses which share these characteristics:

- They are an open platform which is global in nature, providing opportunities to other businesses and users to create and realise value together;
- They see their ecology as one of complex networks and relationships, rather than a simple buyer-seller structure;
- They thrive on positive personal relationships, be they digital or physical.

To me, this is an exciting vision. It is a long way from the dark, satanic mills of the industrial era and equally far from the highly ordered mass office era which followed.

The advances in transport, in communication, in digital technology and the spread of higher income levels have created a new era for many types of economic activity. Tourism is one of the most significant industries in the world and is now regarded as New Zealand’s largest export earner. The is well positioned in terms of our market for this era. Tourism is about people with destinations, attractions, and even modes of movement, entirely deriving their economic value from people and our interactions.

But we have a lot to do to meet the needs of success I have outlined. We can and will do it.

First, let me talk about the platform aspect. We do not currently offer a global platform. We have different brands, ways of operating and limited geographical coverage. This is a risk. Our best option in the self-drive tourism business is to be ubiquitous; to make our platform and systems the Google or Facebook of self-drive tourism. Whether we own the vehicles or not, we must be the platform to which potential customers, vehicle owners, manufacturers, destinations, airlines and the rest of our ecology look without thinking.

Second, we must not be single transaction oriented. Success is not a one off sale. Success is growing numbers of people being part of our network and, even more importantly, us being part of their networks. That goes for customers, to manufacturers and that whole ecology to which I refer. Our aim is to be so fully integrated into those networks that using one of our services is as natural for a tourist as turning a tap to get water.

Third, we cannot do this without skilled and highly motivated people. We can have the best financial structures and technology and equipment in the world (we have to have them!), but at each touch point in our network we have to be contributing positive energy each time, every time. Within all of our activities I estimate that we have something like three quarters of a million touch points with customers each year. Every one of those points has to be positive.

Our core platform is self-drive tourism. Kiwi Experience and Waitomo are important, both in themselves and because they teach us about how our surrounding ecology works. It is an open question whether we might own other parts of that ecology for similar reasons. What we do know for certain is that we cannot and should not own it all!

All this might sound pretty ambitious for a close to $400m market cap business based in Aotearoa/New Zealand. But there is no reason it cannot be done. The self-drive (possibly auto drive, hopefully renewable energy powered) tourism opportunity is vast. There is no one else really challenging for the position. All we have to do is recognise what is needed and be the best.

If we do not do this, then someone else will in some form or another and we will be a bit player in someone else’s ecology.

So we are now entering a phase in the history of thl which will be one of great change. We remain on the track we have announced in previous years of delivering the return on funds employed which the existing business should have. But we also intend that the scope and scale of our business activity in the self-drive tourism market should grow. We are the global leader and that will become more the case. We will be the change in our self-drive tourism market in what we do, how we do it and where we do it. You can see some of that in our technology initiatives and in Mighway. We also have an intensive programme looking at expansion and partnership options around the world.

Whether we do succeed or not requires leadership; the Board, the executive and, most importantly, the crew across the business. We are making significant effort to upgrade our capabilities in all areas to be ready for this challenge.

I see this process and business direction as one which reduces risk. Standing still is the risky option. Shareholders may be assured that, while investment is needed in people, systems and acquisitions to deliver, the Board will continue to ensure that a sound balance sheet maintaining ongoing shareholder distributions will be maintained.

The future is one where we maintain a global ambition, an intense local presence wherever we operate and significant ongoing shareholder gains.

I will now pass on to Grant...
CHIEF EXECUTIVE’S ADDRESS
Thank you Rob.

Firstly, a quick overview of the FY16 result. We have reviewed the results in our releases in some detail so I will just review the highlights:

- We increased revenue by 18% for the year, whilst only increasing average funds employed by 3%;
- We increased EBIT by 20%;
- We improved the return on average net funds employed to 15.1%, from 12.9%;
- We delivered an NPAT result of $24.4M, up 21%; and
- We delivered an increase in dividend to 19cps an increase of 27%.

As we clearly indicated, we also invested in future growth initiatives as we progress towards the vision the Chairman outlined today. The cost of that investment totalled over $3M pre-tax. We also had a benefit from the exchange rate used for the translation of earnings from both the Australian and USA businesses.

We are well aware that we have had some positive improvements in the operating performance of the business; however, more importantly, we still have a clear picture of where we need to improve.
We had six key new initiatives for the year - all improved the way we operate as a business in some form, many succeeding beyond our expectations and some slower than desired.

- Flex fleet was deemed a success and is being repeated.
- Telematics is now reducing costs effectively in Australia. We need to continue the trial more aggressively in New Zealand.
- Mighway I will discuss in more detail shortly.
- Our TCEX plan assisted the operational performance, but was below our expectations. We have regrouped in this area.
- The Waitomo Caves Homestead outperformed in the first six months.
- And the Seattle branch well outperformed expectations and clearly must have had some overflow from Canada, which had a very busy high season.
The most significant new initiative is the Mighway sharing economy platform we launched at the Annual Meeting last year. Mighway is one way in which we can access a broader platform for growth, without the historical levels of capital intensity.

What have we learnt about this platform and what is next?
The key point of note is that this is a scale business. For the model to work effectively, we need to be confident that the owners are making money, the managed partners are making money and, of course, we need to as well. This is not a simple balance, as the acquisition costs of new owners is significant and retention over time is critical. We understand the model in New Zealand and are on track with our owner representation goals.

The model is providing us with peak season flexibility, regional pick-up options that are otherwise unprofitable and a connection point with owners for other RV related activities. The marketing, owner acquisition, development and management costs are still higher than the revenue expectations this year and we will, again, make a loss in this business while it’s in start-up mode. The USA remains in our sights and we discussed the opportunity again today at the Board Meeting. We have further work to do on the owner acquisition model and other regulatory requirements before launching and finalising our commitment to this market. We still believe in the long term positioning of this business and the fact we are making a loss now is within our expectations. It is worth noting that the Mighway “fleet” in New Zealand is already one of the top five biggest campervan fleets in the local market and is a significant competitive advantage.
We are also progressing with the in-vehicle tablet technology and associated customer engagement through Campermate and the other Geozone white label products. We haven’t seen this reach its potential yet, however we are growing the customer base in New Zealand and Australia significantly, creating new revenue streams through advertising, deals, commissions and data. There are competitors in this space; however, from what we see, we are leading in New Zealand and Australia with a strong authentic content, well augmented by user generated additions. We will continue to look for ways for this business to grow and scale at a faster rate internationally.
We are clear on the need for the business as a whole to achieve over 14% returns. Investing in new business models that expand our platform in a lower capital risk manner are part of the strategy that will see the business well exceed those targets in the future.

We make these investments with careful consideration and high expectation on the teams to deliver future profits and acceptable returns.

Global expansion
We have, on several occasions, indicated our desire to expand and grow the business through acquisitions and/or organic growth internationally. We remain focused on both the RV industry, in its widest sense globally, and on tourism businesses in New Zealand that have appropriate alignment with our existing businesses. We don’t have any activity to announce today; however, we remain focused and would like to see a transaction of some form this financial year.

What else is ahead?
We still have growth opportunities in each of our businesses and Jo and her team are keenly focused on improving the operational performance for our customers delivered through an engaged crew across the world.

With this growth, we also need to stay mindful of costs. We will invest in our crew in various ways, we will look to create higher retention rates with frontline crew (the backbone of the customer relationship), but we also need to remove waste in all respects. This is all about being sustainable. Sustainable in our profitability, sustainable in our growth and, obviously, sustainable in our business models and environmental practices.
This year we are renewing our focus on what sustainability means to thl. We have a tremendous amount of activity as a business and we still have work to do in order to imbed sustainability principles and practices in our business. But it does start with me, the Board and executive. We need to maintain a focus in this space and enable the resource and direction to let ourselves grow. At this point, I would like to acknowledge our most passionate driver in this space, Saskia Verraes. You can never rely on one individual to drive long term, permanent change in an organisation in this space; however, Saskia is bringing life to our desires and current intent. Kiwi Experience has been the pilot and driver within the business to date, along with a strong sustainability focus within the Waitomo Group.

Within rentals, we have continued to purchase lower emission vehicles ahead of the legislative requirements. But we are operating in an industry that relies on the environment as a core proposition. We need to do more and will do more. To start, we need to measure, which we have begun to do. We will also invest in innovation.

In the next six months, we will start the prototype work on a commercial grade electric motorhome suitable for the New Zealand market. We don’t know exactly what the details will be, however we are excited about the opportunity.

Core to the creation of a sustainable business is good health & safety practices; another area the executive are taking a strong leadership role in.

We are also taking leadership roles on industry issues such as visiting driver safety and freedom camping.
Given all that, you will also be interested to know how we see all this playing out in terms of our capital commitments and profit expectations for the year.

From a capital perspective, we expect to spend around $50m on core fleet this year - that’s marginally lower than last year and around $90M on flex fleet compared to about $60M last year. Note, in these numbers the Road Bear fleet is also considered as flex.

Non-fleet capital commitments will be around $5M.

On top of these, we are open to considering acquisitions of small and large nature, as previously discussed. We currently expect that anything we may transact this year will be able to be debt funded based on our current balance sheet and profit expectations. We remain focused on any acquisition being earnings accretive, obviously, and delivering to the above WACC returns expectations, either on acquisition or with a clear deliverable plan over a reasonable time period.
We expect the first half to be around $9.5M net profit after tax, compared to $8.2M in the prior corresponding period.

This reflects positive growth in the core businesses, offset by the investment in Mighway, Geozone and the foreign exchange translation of earnings impact.
The full year expectation is in the range of $27.5M - $28.5M, compared to $24.4M last year.

We also continue to provide a steady dividend stream. In FY16 we increased dividends to 19cps, an increase of 27%, whilst profit improved 21%. Dividend growth exceeding profit growth is clearly not sustainable long term; however, we remain highly focused on providing a strong and sustainable dividend flow into the future.
Before closing, I would like to make some comments on the competitive landscape and tourism in New Zealand.

From a competitive perspective, we are seeing a maturing of the industry globally. This month our largest competitor in the RV space, Apollo, have announced an IPO in the Australian market. We respect Apollo as a business and welcome the opportunity to have more benchmarking data to compare and challenge ourselves. We can see a number of areas where we win and some areas to improve. This is a good thing.

Turning to our industry here in New Zealand. New Zealand tourism is in a very good space. We have to continue to invest as an industry and country. From my perspective, we aren’t “full”, but we are behind from an investment perspective as a total country. As an industry we should:

1. Stay true to all that 100% Pure stands for and take the intent internally into the operating businesses across the country. Be sustainable.
2. Work very closely with Government to ensure we can invest in defined infrastructure smartly and execute on a national basis a clear and engaging plan. Invest.
3. Be more open as an industry from a statistics and data perspective for growth. We are ill informed as an industry compared to many. Be open; and
4. Celebrate. We are still afraid to celebrate at times, but are getting better. Air New Zealand is an example which is doing it well and, I think, we are all proud of as New Zealanders - and then you see the likes of Rotorua Canopy Tours, which won the Supreme Award at the TIA awards last month. A great young, vibrant business leading a sustainable experience.
In closing – thl is a business in the tourism industry, an industry experiencing unprecedented global growth. Some say it’s a tourism boom. I prefer not to use that word, as it implies there will be a bust. I believe we are in a new tourism paradigm where China, India, South America and other nations will provide sustained growth for the industry well above the last 50 year average.

We are a business that is in the right sector. The customer expectations are all about our kind of products. Technology (self-drive and automation) is also leaning towards our kinds of products. How much larger will our industry segment be when we have all electric self-drive motorhomes at a great price?

We are a business with growth in the core. We are a business investing in more future based opportunities and we are a business that is delivering more sustainable returns.

We have improved, see where there is more improvement ahead and have a motivated team to deliver more.

Thank you.

I will now pass back to the Chairman to proceed with any questions from the floor and to address the proposed Resolutions.

Rob Campbell
Thanks Grant.
I would like to open up to the floor, and online, for questions. If you are attending the meeting online, you are able to ask questions by clicking on ‘ask a question’. Further information on this is set out in the virtual Annual Meeting online portal guide that has been sent to shareholders. To ensure the questions on the Resolutions being asked online make it to me as we go through each Resolution, I would ask shareholders who are attending the meeting online to submit those questions now. For those who are in the room, we have microphones available and I would ask you to hold up your admittance card if you would like to raise a question. When you speak, please tell us your name and whether you are a shareholder or proxy holder for the Minutes.

Following any questions from the floor, we will answer any questions submitted online, that have not already been answered.

Are there any questions?
There being no more questions, I will now move on to the formal items of business on the agenda.
Under NZSX Listing rule 3.3.11, and in accordance with the constitution of the Company, at least one third, or the number nearest to one third, of the total number of Directors must retire by rotation at each Annual Meeting of shareholders. Also, in accordance with our Board Charter, Directors on the Board are subject to re-election every three years.

The Directors to retire are those who have been longest in office since their last election or re-election and, if they’re eligible, they may offer themselves for re-election by shareholders at the annual meeting.

The Directors stepping down by rotation this year are Christina Domecq and Kay Howe. Debbie Birch, having been appointed to the Board during the year, is also up for election.
As indicated, we are operating a poll vote for all Resolutions today. Eligible shareholder or proxies have been given a voting card. For each Resolution, you need to tick the box indicating whether you are voting for or against the Resolution, or abstaining. Link representatives will collect the voting cards at the end of the Resolutions, prior to general business, and the votes will be counted and collated with the postal and online votes.

For those attending the meeting online, you will be able to cast your vote by clicking ‘get voting card’ - further instructions can be found in the online portal guide.

PricewaterhouseCoopers are acting as scrutineers and, once the result of the Resolutions have been confirmed, these will be announced to the NZX. Moving on to the Resolutions:
Resolution 1 – Election of Debra Ruth Birch
That Debra Ruth Birch (appointed as a Director by the Board on 5 September 2016) be elected as a Director of the Company.

I will now ask Debbie to speak briefly.

[Debbie]

Thank you Debbie. Are there any questions for Debbie? If not, can you please cast your vote on the voting card, or online, in relation to resolution 1?
Resolution 2 – Re-election of Christina Florence Domecq
That Christina Florence Domecq, who retires by rotation and is eligible for re-election, be re-elected as a Director of the Company.

I will now ask Christina to speak.

[Christina]

Thank you Christina. Are there any questions for Christina? If no, can you please cast your vote on your voting card, or online, under Resolution 2?
Resolution 3 – Re-election of Kay Jocelyn Howe
That Kay Jocelyn Howe, who retires by rotation and is eligible for re-election, be re-elected as a Director of the Company.

I will now ask Kay to speak.

[Kay]

Thank you Kay. Are there any questions for Kay? If no, can you please cast your vote on your voting card, or online, under Resolution 3?
Resolution 4 – Remuneration of Auditors

That the Directors are authorised to fix the remuneration of the auditors for the ensuing year.

Are there any questions in relation to Resolution 4? If there are no questions, I would ask you to cast your vote on your voting card, or online, for Resolution 4.
That ends the Resolutions for this meeting. We will move on to General Business. Are there any other items shareholders would like to raise?

There being no other matters of business, I would like to thank you all for attending and I now declare the meeting closed and invite those of you attending in person to a light afternoon tea.
THANK YOU
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