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23 February 2012

MEDIA RELEASE
TOURISM HOLDINGS LIMITED
TRADING RESULTS
SIX MONTHS ENDED 31 DECEMBER 2011

Tourism Holdings Limited (***thl***) has achieved a significant turnaround in performance in the half-year to December 2011, with strongly increased profit, a resumption in dividend payments and positive indicators for continued growth.

The Chairman, Keith Smith, said Net Profit After Tax (NPAT) for the first half was well above that for the December 2010 half-year, due to the Rugby World Cup effect in New Zealand and the first high-season profit from the Road Bear business in the USA, acquired in December 2010.

Key points from the result included:

- Revenue increase of 27% to $108m
- NPAT of $4.2m, up from a loss of $1.3m previously
- Dividend of 2cps declared
- Road Bear performance continuing to surpass expectations –first-half EBIT of $6.1m
- New Zealand Rentals EBIT of $2.9m, up from loss of $3.5m previously, with the increase due primarily to Rugby World Cup
- Reductions of more than 10% in rental vehicle building costs in large vehicle range

Mr Smith said the Board's expectation for full-year earnings was for EBIT of between $16m and $17m, and NPAT of between $5.0 - $6.0m.

"The Board is encouraged by the performance of the business at present, in an operating environment that continues to be very difficult."

Mr Smith also welcomed the announcement earlier this week of a joint venture agreement with Kea Manufacturing (New Zealand) Limited over the manufacture of rental vehicles in New Zealand.

"As noted by our CEO Grant Webster in making the announcement, the joint venture provides an outstanding and rare opportunity to create a step change in cost and efficiency, and a platform for strong profit growth in that business," Mr Smith said.

Road Bear RV Rentals & Sales
Maui
Britz
Backpacker
Explore More
Motek
Kiwi Experience
Black Water Rafting
Waitomo Glowworm Caves
Ruakuri Cave

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23 February 2012

NZX RELEASE

TOURISM HOLDINGS LIMITED
TRADING RESULTS
SIX MONTHS ENDED 31 DECEMBER 2011

This report has been prepared in a manner that complies with generally accepted accounting practice and gives a true and fair view of the matters to which it relates. It is based on unaudited accounts.

The amounts presented have been prepared in accordance with New Zealand equivalents of International Financial Reporting Standards (NZIFRS).

December 2011 half-year NZ$m; Up/down %; December 2010 half-year NZ$m

Total Operating Revenue $108.0m; Up 27%; $84.9m

Operating Profit from continuing operations before tax $7.5m; Up 413%; $2.4m loss

Less tax on operating profit $3.3m; Up 400%; $(1.1)m

Operating Profit after tax from continuing operations $4.2m; Up 423%; $1.3m loss

Profit from discontinued operations after tax $nil; Down 0%; $nil

Profit after tax attributable to members of the listed issuer; $4.2m; Up 423%; $1.3m loss

Earnings per share from continuing operations 4.3cps; Up 419%; (1.3)cps

2 cents per share (cps) dividend declared

Record date: 21st March 2012
Payment date: 27th March 2012

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Key Points

- NPAT of $4.2m, up from prior corresponding period (pcp) loss of $1.3m
- Dividend of 2cps declared
- Revenue increase of 27%, or 7% excluding Road Bear
- Road Bear EBIT of $6.1m
- Manufacturing Joint Venture announced since balance date
- New Zealand Rentals EBIT of $2.9m, up from prior corresponding period loss of $3.5m due primarily to Rugby World Cup
- Build cost reduction targets of over 10% achieved in large vehicle range
- Motek brand launched, focussed on vehicle sales

Summary of Results

The NPAT for the first half at $4.2m is well above the prior corresponding period due to the Rugby World Cup effect in New Zealand and the first high-season profit from the Road Bear business in the USA.

Revenue for the period increased by $23m or 27%. Revenue excluding fleet sales increased by $16m to $83m. Road Bear represented $11m of the increase.

The Road Bear business has continued to perform above expectations, with an EBIT of NZD$6.1m. This included the USA high season period. The winter low season (January – June 2012) forecast is a loss of up to $1.0m at the EBIT level.

Net Debt for the half was $102m compared to $91m for the prior corresponding period. The debt increase for the half of $11m including increased fleet in Road Bear and the purchase of the Motek Hamilton building for $7.3m

Vehicle sales were up by 60 units and $5m revenue. Excluding Road Bear, vehicle sales revenue was $12m compared to the prior corresponding period of $13m. A decline in New Zealand vehicle sales revenue was planned due to the need to hold some fleet in rentals for the Rugby World Cup.

The higher taxation rates in the USA have lifted the company's weighted average tax rate to 41% for the period.

The movement in exchange rates since the budget was set has resulted in a New Zealand dollar translation impact on the result. The Road Bear business surpassed budgeted EBIT by $2.2m, or 73% in USD, but due to the exchange rate changes the actual EBIT translated to NZD was $2.3m, or 61%, above budget – a reduction of $0.4m due to the exchange rate.

The exchange rates used for the FY2012 budgets set in April 2011 were as follows:

NZD / USD $0.80
NZD/ AUD $0.75

The table below shows the performance by business group for the period.

Tourism Holdings Limited Operational Review	six months ended 31 December 2011				six months ended 31 December 2010			
	Turnover ($million)	Divisional EBIT ($million)	Net Assets ($million)	Operating Cashflow ($million)	Turnover ($million)	Divisional EBIT ($million)	Net Assets ($million)	Operating Cashflow ($million)
Rentals New Zealand	28.5	2.9	89.1	(14.2)	23.2	(3.5)	84.4	(16.7)
Rentals Australia	45.8	3.4	104.8	11.8	46.7	4.3	120.3	(19.2)
Rentals USA	17.2	6.1	22.8	4.0	-	-	21.0	-
Motek Manufacturing	7.3	0.1	6.4	7.3	5.2	0.8	10.0	2.6
Tourism Group	9.2	0.7	29.7	1.2	9.8	1.0	31.3	1.8
Group Support Services	-	(1.7)	11.9	(3.0)	-	(2.5)	5.3	(2.1)
Group Total	108.0	11.5	264.7	7.1	84.9	0.1	272.3	(33.6)

Dividend

The board has declared a 2cps dividend. The record date for the dividend is 21st March 2012 and the payment date is 27th March 2012.

The resumption of dividends is a reflection of the board's expectations for positive NPAT results from the company and an on-going improvement in profitability.

Joint Venture Manufacturing

As released to the market on the 21st February 2012, ***thl*** has entered into a series of agreements to form a joint venture partnership for the manufacture and assembly of recreational and specialist vehicles within New Zealand.

The consideration payable to ***thl*** will be based on the book value of the assets transferred, of about $7.5m. The joint venture business will operate a June 30th financial year.

There will be transition costs for the joint venture over the coming months, although the new business is expected to be profitable at the EBIT level in the FY2013 year, based on the current forecast volumes from the core customers of ***thl*** and Kea rentals. The ***thl*** building in Hamilton that was purchased for $7.3m last year will be targeted for sale in the second half of the calendar year once the joint venture transition is completed.

Kea Manufacturing Limited holds shareholdings in two other businesses in Auckland. The joint venture will, as part of the agreements, acquire a 30% shareholding in Fiberglass Reinforced Plastics (FRP) and a minimum 33% shareholding in Auckland Coach Builders (ACB). These businesses have supplied both Kea Manufacturing and ***thl***. The purchase of those shareholdings is expected to be financially beneficial through synergies within the joint venture. Various ACB and FRP shareholder and regulatory approvals are required to complete these share purchases.

The Motek Specialist Vehicles business will revert to the name Action Motor Bodies, as ***thl*** will retain the name Motek within its business.

The joint venture will arrange its own funding facilities separate from the respective joint venture partners.

Outlook

The forecast for the year-end is for an EBIT result between $16m -$17m. NPAT is expected to be in the range of $5.0m - $6.0m.

Overall, the business profitability is now influenced by five key profit areas with four differing market drivers. The groupings are Rentals New Zealand, Rentals Australia, Rentals USA, Tourism businesses and Manufacturing.

The Road Bear business has continued to benefit from increased number of tourists visiting the USA and a positive tourism exchange rate (ie weak USD). The year-end Road Bear result is expected to be an EBIT of over NZD$5.0m.

The macro trends for the New Zealand and Australia rentals businesses remain difficult, with the high exchange rates being of particular concern. The company will continue to enact revenue and growth strategies, but there will be further cost reduction plans instigated over the coming months. In particular, the reduction in fleet and on-going reduction in build cost is expected to drive any profit growth for the second half and FY2013 year.

As indicated, the manufacturing business changes are not expected to materially affect the forecast EBIT for the second half. The FY2013 forecast for manufacturing will not be known until after the transition plan is completed. Initial forecasts remain positive and the expectation remains for positive EBIT in the first full year of operation.

The tourism businesses in New Zealand continue to be affected negatively by the reductions in visitation from core European and United Kingdom markets, and from the general coach market declines still being experienced throughout the country. There is some growth from Asian markets, and focus remains on delivering product to attract more of that customer base.

It is too soon to consider a detailed forecast for the FY2013 period as a whole, due to the on-going volatility and economic uncertainty in Europe and the United Kingdom.

Debt and Capital Management

Debt levels, at $102m, were up on the prior corresponding period by $11m due to higher Road Bear fleet and the Hamilton building purchase. In addition, fleet sales were slower than planned. The reduction in capital expenditure in the New Zealand and Australian businesses will flow through in later periods.

Gross Capital Expenditure for the FY2012 year is expected to be about $80m, with Net Capital Expenditure of $35m similar to previous forecasts.

The equity ratio remains consistent with last year at 47%. The debt-to-debt-plus-equity ratio was 43% as at December 31st.

There are no changes of note expected within the coming six months from a debt and capital management perspective. As previously indicated, the building in Hamilton will commence a sale process, but any sale is not expected to be completed until FY2013.

Fleet reductions planned will take effect throughout the FY2013 year in New Zealand and Australia, although the USA will continue to have fleet growth.

Business Overview

Rentals

New Zealand

The New Zealand business was focused largely on the Rugby World Cup, which contributed an improvement in EBIT of $4.5m.

The underlying business still had an improved result over the previous year, reflecting internal work on lowering the cost of doing business and increasing add-on sales revenue for the business.

EBIT for the six months was $2.9m versus a loss of $3.5m in the prior corresponding period.

Total revenue for the half year, of $28.5m, was up $5.3m on the prior corresponding period. Revenue excluding fleet sales was up $6.4m or 34%.

Vehicle sales for the business of 233 were up on last year's 201 with a greater mix of cars in this year's result.

Fleet Operating Costs were down 8% on the prior corresponding period despite an increase in hire days of 12%. Fleet depreciation costs increased 14%. Total costs excluding fleet sold for the period were therefore flat, creating an EBIT margin of 10% compared to the loss last year.

There has been substantial work completed on property development for both the New Zealand and Australia businesses. A new purpose built leased site in Queenstown will open during March 2012 and will provide a significant operating and customer improvement as the business has operated from three separate sites for several years.

Australia

Total revenue for the half year, of $45.8m, was down $0.9m on the prior corresponding period. Revenue excluding feet sales in Australia was down $1.2m on the prior corresponding period.

EBIT was $3.4m versus $4.3m for the prior corresponding period.

Vehicle sales revenue was up marginally at $8.7m, although volume was down to 190 from last year's 243. The increase in revenue per unit sold is a reflection of the fleet mix sold, with fewer small units sold in the period.

Fleet operating costs in Australia were down 16%, with hire days down 4%. Total costs for the period were in line with last year with lower fleet operating costs offset by higher fleet depreciation. EBIT margin dropped from 8.5% to 7.5%, due primarily to a small drop in yield on rentals.

New leased sites opened in Cairns and Melbourne, providing operational efficiencies that are expected to reduce costs over time.

The Melbourne site includes an expanded assembly factory that will continue to produce the van product for Australia and has the potential to complete some assembly work for the RVMG joint venture business.

All the sites have used similar design principles to reduce build and fitout costs whilst ensuring a much more efficient and customer focused operating environment.

The launch of the Motek brand for vehicle sales has commenced within the Australian dealer network. The website has been launched and a new brand manager has commenced, focussing predominantly on this aspect of the business.

A new General Manager, (Andrew Rickett) has been appointed and has a very strong rentals background, having owned and operated car rentals businesses in the UK. Andrew most recently has been Strategic Business Development Manager for Europcar Australia.

United States

This was the first full high season for the Road Bear business within ***thl*** and as such there are no prior corresponding period comparisons for revenue and EBIT.

The business substantially outperformed the original business case expectations and original market forecasts released when it was purchased in December 2010.

The following numbers are all in USD.

Total revenue for the half was pleasing, at USD$14.4m, or USD$9.5m excluding fleet sales.

EBIT for the period, at USD$5.2m, was USD$2.2m above forecast, reflecting strong cost control, revenue growth and chassis rebates.

Fleet sales for the period were 113 and in line with expectations. The December year end fleet count was 362, compared to an acquisition fleet count of 242 in December 2010.

The total fleet size for the peak trading period increased by 24% over the prior year, which was one of the key drivers of the better than budgeted result.

The Road Bear business has remained a premium brand with a very high customer satisfaction rating in the industry.

The focus for this business moving forward is to continue the stepped integration with the ***thl*** business and managed fleet growth in line with the ability to increase fleet sales and thus maintain rotation.

Expectations for this high season (June to September) are for on-going growth in rentals revenue. The new fleet range launched this year has had a very positive early reception by the market for both rentals and fleet sales enquiries.

Tourism Business

The Tourism business had a combined EBIT of $0.7m, down from $1.0m in the prior corresponding period. Neither the Kiwi Experience nor Waitomo group as a whole saw any notable benefit from the Rugby World Cup. The decline for traditional coach business has continued and the Waitomo business has felt the effects of that change.

The retail and food and beverage business improved in comparison with the prior corresponding period, although top line visitation numbers to the core Waitomo Glowworm Caves dropped.

Within Kiwi Experience, yield remains the key concern, with United Kingdom backpacker arrivals continuing to decline. Capacity in this sector has not reduced and there continues to be significant price pressure.

Kiwi Experience recently entered into a further three-year contract with STA Travel in the United Kingdom, which has been a very positive long-standing customer of the business.

The expectations for this half have been reduced for these businesses and we expect the full year EBIT result to be down between 8 and 10% on the prior year.

Manufacturing

The manufacturing business produced an EBIT result for the half of $0.1m, compared with $0.8m for the prior corresponding period. The reduction in EBIT directly reflects the lower volumes of product produced for the rentals business.

The business will be reported in the future as part of the RVMG joint venture.

Strategic Direction - *thl*

The board has made a commitment to continuing the growth in profitability and this year will broadly deliver to the goals in the Target Company Statement issued in April 2011.

At the Annual Meeting in November 2011 the Chairman commented on the board's focus on ensuring the company builds earnings momentum. This remains the clear focus of the company, and the board reiterates the strategic comments made at that meeting.

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