Acquisition of El Monte RV
2020 Goal of $50M NPAT
Digital Platform Growth

thl Investor Presentation
21 December 2016
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The information contained in this announcement should be read in conjunction with thl’s latest financial statements, which are available at: www.thlonline.com
KEY HIGHLIGHTS

New NPAT goal set of $50M\(^1\) to be achieved in FY20

El Monte (USA)

- Acquisition of El Monte Rents Inc., which operates El Monte RV Rental and Sales business for an enterprise value of NZ$93.5M (including transaction costs).\(^2\)
- Acquisition funded by NZ$82.2M of debt and 3.4M thl shares.
- Acquisition EBIT multiple of 10.8x compared to thl trading multiple of 11.9x (as at 30 November 2016).
- Implied multiple of 5.5x, based on forecast FY20 operating earnings.
- Significant synergies in fleet and operations expected to be realised over the coming three years.
- Targeted improvement of return on funds employed (ROFE) from 8% to 19% over the forecast period.

Roadtrippers

- US$6.0M investment made in Roadtrippers USA (top travel company app), 22.5% ownership (paid in cash and intellectual property assets).
- 50/50 thl/Roadtrippers joint venture created for New Zealand and Australia.
- thl’s GeoZone business sold to the joint venture for US$1.0M paid in joint venture shares.
- These two transactions result in an effective sale of the GeoZone business for US$2.0M (with a gain on sale of $1.2M).

Mighway

- Commitment to launch Mighway in North America in the first quarter of the calendar year 2017.

EPS accretion in FY20 of circa 18cps over FY16

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Note 1: All figures presented in NZD unless stated otherwise
Note 2: NZD:USD FX conversion rate of 0.71 has been applied for the estimation of acquisition costs.
Note 3: Enterprise Value is prior to any purchase price adjustments for working capital, fleet and non-fleet assets, and other items at the effective date.
• With the acquisition of El Monte, *thl* is well positioned as the global leader in RV rentals.

• *thl* will continue to invest in the core business, whilst recognising how we scale into lower capital opportunities in both the digital services space and sharing economy.

• *thl* is now positioned as a truly global player with a reorientation further towards the northern hemisphere.

“We are positively resetting the expectations for *thl*. These transactions leverage our current business, skills and balance sheet. We are making the right steps to be truly global in our platform.”

- *Rob Campbell, Chairman thl*
TAKING THE NEW ZEALAND PROPOSITION TO THE USA

BUILD / BUY

NZ

Rent

Sell

USA

Building off our core capability

Utilising our operational IP in rental and sales

Road Bear model is retained (great flexibility and ROFE)

USA combined business reflects the New Zealand fleet rotation and business model
TARGET $50M NPAT BY FY20

KEY ASSUMPTIONS:
- Forecasts include minimal yield growth.
- Current growth plans for the “core” remain a focus.
- New growth from the North American acquisition and synergy realisation.
- Modest growth from new initiatives:
  - Mhighway - including USA operation; and
  - Roadtrippers.
- Current FX, tax and inflation rates.
- Interest rates reflect current expectations and thl hedging policies.
- Group support costs reduce as a % of revenue as thl achieves economies of scale.
- El Monte is expected to be loss-making during the first six months post acquisition, primarily due to the low season.
- The acquisition is expected to be EPS accretive when measured for CY17.

<table>
<thead>
<tr>
<th>NZ$M</th>
<th>FY16</th>
<th>FY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Business (non USA) EBIT</td>
<td>32.2</td>
<td>53</td>
</tr>
<tr>
<td>USA Business EBIT</td>
<td>12.4</td>
<td>31</td>
</tr>
<tr>
<td>Group support services and other</td>
<td>(5.9)</td>
<td>(6)</td>
</tr>
<tr>
<td>Group EBIT</td>
<td>38.7</td>
<td>78</td>
</tr>
<tr>
<td>Share in JV and associates</td>
<td>2.0</td>
<td>6</td>
</tr>
<tr>
<td>Interest and tax</td>
<td>(16.3)</td>
<td>(34)</td>
</tr>
<tr>
<td>NPAT</td>
<td>24.4</td>
<td>50</td>
</tr>
<tr>
<td>ROFE</td>
<td>15%</td>
<td>19%</td>
</tr>
<tr>
<td>thl EPS¹</td>
<td>21cps</td>
<td>39cps</td>
</tr>
</tbody>
</table>

Note 1: Basic EPS is calculated as NPAT divided by forecast shares on issue.

ROFE REMAINS A KEY OBJECTIVE
The acquisition of El Monte enables thl to:

- Capitalise on strong growth in the North American tourism market;
- Be a clear number two in the North American RV rental market;
- Develop a broad-based RV and sales rentals business in the USA, with a similar business model to that in NZ;
- Leverage overhead and infrastructure both ‘in country’ and within thl group support services; and
- Continued global diversification and growth in the rental and sales market.
EL MONTE TRANSACTION OVERVIEW

**Acquisition**
- Acquisition of El Monte RV Rentals and Sales.
- Transaction effective date: 1 January 2017.
- 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.

**Purchase Price**
- Enterprise value: US$65.3M (NZ$91.9M).
- 'Underwrite' on fleet values (if not sold at agreed values) of up to US$0.9M.

**Deal Structure**
- 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 the 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 share price of the 3 months prior to the negotiation of the purchase price ($3.19).
- Structured as an acquisition of shares with a Section 338 election treating the transaction as an asset sale for US tax purposes.

**Other items**
- Six property leases of 10 years to be entered into with entities related to the vendors.
- Vendors, Tucker and Todd Schork, to remain in the business for a period of up to 12 months to assist with transition.

**Valuation metrics**
- Financial year to June 2016 EBIT multiple of 10.8x (based on pro forma FY16).
- Multiple includes reduced salary cost associated with vendor’s family.
- Pro forma historical EPS accretion of 2.3 cents¹.

Note 1: Based on pro forma FY16.
## ACQUISITION METRICS - COMPARABLE COMPANY ANALYSIS¹

<table>
<thead>
<tr>
<th></th>
<th>SM</th>
<th>$M</th>
<th>$M</th>
<th>$M</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>30 June 2016 (USD)</td>
<td>31 December 2017 (CY17) (USD)</td>
<td>30 June 2020 (USD)</td>
<td>30 June 2016 (NZD)</td>
</tr>
<tr>
<td>Purchase price / EV</td>
<td>65.3m</td>
<td>65.3m</td>
<td>65.3m</td>
<td>459.3m</td>
</tr>
<tr>
<td>NTOA</td>
<td>46.3m²</td>
<td>n/a</td>
<td>n/a</td>
<td>224.1m</td>
</tr>
<tr>
<td>EBIT</td>
<td>6.0m³</td>
<td>6.6m</td>
<td>11.9m</td>
<td>38.7m</td>
</tr>
<tr>
<td>EV / NTOA</td>
<td>1.4x</td>
<td>n/a</td>
<td>n/a</td>
<td>2.0x</td>
</tr>
<tr>
<td>EV / EBIT</td>
<td>10.8x</td>
<td>9.9x</td>
<td>5.5x</td>
<td>11.9x</td>
</tr>
</tbody>
</table>

¹Market data as at 30 November 2016 and most recent published debt figures.
²Estimated net tangible operating assets as at 31 December 2016.
³Non-GAAP pro-forma EBIT adjusted for market property leases and vendor family costs.
The total acquisition cost is expected to be financed using $58.4M of new US denominated debt and the issue of *thl* shares to the vendor.

The additional debt has been raised from *thl*'s existing lenders.

Interest rates to be hedged in accordance to *thl* treasury policy.

Issuance of 3.4M additional *thl* shares.

The covenant structures are in line with the existing facilities with movements in thresholds to allow for the acquisition.

Debt to EBITDA multiple post acquisition at 2.0x is below market comparators such as Apollo (approximately 2.8x).

Forecast debt to EBITDA remains within Moody's Baa guidelines at financial year ends.

### Sources and Uses of Funds

<table>
<thead>
<tr>
<th>Sources and Uses of Funds</th>
<th>US$</th>
<th>NZ$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sources</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional US$ debt</td>
<td>58.4m</td>
<td>82.2m</td>
</tr>
<tr>
<td>Additional shares</td>
<td>8.0m</td>
<td>11.3m</td>
</tr>
<tr>
<td>Total</td>
<td>66.4m</td>
<td>93.5m</td>
</tr>
<tr>
<td><strong>Uses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase price</td>
<td>65.3m</td>
<td>91.9m</td>
</tr>
<tr>
<td>Transaction costs</td>
<td>1.1m</td>
<td>1.6m</td>
</tr>
<tr>
<td>Total</td>
<td>66.4m</td>
<td>93.5m</td>
</tr>
</tbody>
</table>

Note 1: USD:NZD conversion rate of 0.71.

Note 2: Number of shares issued is fixed based on a pre-agreed exchange rate. The acquisition cost associated with the shares will be determined post completion.

Note 3: Transaction costs presented are pre tax.
El Monte – The Business
Family owned business established in El Monte, California in 1970.

Second largest RV rental operator in North America.

A fleet of 1,600 vehicles at 30 June 2016, some of which are aged. An opportunity to deliver improved rental revenue with lower fleet numbers.

Similar operating model to thl with revenues generated from both RV rentals and RV sales (75% and 25% respectively in FY16).

26 branches across the USA (11 operated and 15 franchised).

Approximately half of rental customers are international (primarily Europe).

Two of the vendors will remain with the business for a period of up to 12 months post acquisition to assist with transition.

Ken Schork (founder and industry leader) will retire after 46 years of leading the business.
The acquisition of El Monte will increase *thl's* reach in the USA.
**KEY FACTS: EL MONTE**

**Fleet**
- Estimated at acquisition: 1,350 down from approximately 1,600 at 30 June 2016.
- 189 counted as inventory for sale on acquisition.
- Average age of 3.7 years.
- Fleet consists of both “C” and “A” class.
- Studio and trailer fleet excluded and will be disposed.

**Locations**
- 11 locations operated by El Monte.
- 15 franchisee locations.
- 7 locations the same as Road Bear (opportunity for some future co-location).

**Customer**
- Higher domestic customer base compared to Road Bear.
- Similar international client base (positive).
- International customers primarily from Europe and the UK.

**Revenue metrics**
- Annualised utilisation under 40%.
- Revenue per customer higher than Road Bear (on average).
- ‘Add on’ revenue similar to Road Bear.

**Vehicle Sales**
- Retail sales model from six operated sites.
- No current wholesale dealer sales relationships.
El Monte is complementary to the Road Bear business, providing a broader range of fleet (age and style) and diversification of customer origin and channels.

<table>
<thead>
<tr>
<th>Road Bear</th>
<th>El Monte</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fleet rotation under 18 months</td>
<td>Fleet rotation over 4+ years (current model)</td>
</tr>
<tr>
<td>Customers dominated by international trade</td>
<td>Diverse customer spread between international and domestic</td>
</tr>
<tr>
<td>Channel dominated by trade</td>
<td>Good spread of channel mix including strong local store sales and local brand</td>
</tr>
<tr>
<td>Swiss German brand with European resonance</td>
<td>Established domestic brand with local resonance</td>
</tr>
<tr>
<td>Capacity constrained</td>
<td>Well located infrastructure with capacity</td>
</tr>
</tbody>
</table>
OPTIMISATION STRATEGY

**Market Position**
- Positions *thl* as sensible second player in the market behind Cruise America.
- Enables Road Bear to maintain a premium position with an additional sales channel (some fleet moves to El Monte after one season in Road Bear).
- Retain current branding.

**Fleet**
- Reduce the current El Monte fleet from approximately 1,600 (30 June 2016) to 1,100 over time.
- Improve utilisation significantly.
- Reduce average age of fleet.
- Operating costs will improve with younger fleet.

**Synergies**
- Family owned business costs removed.
- Property rationalisation opportunities (co-locate some branches on one site).
- Reduces need for future Road Bear infrastructure investment.

**Vehicle Sales**
- Retail sales sites provide flexibility with the current Road Bear wholesale model.
- RV refurbishment facilities provide Road Bear cost efficiencies.
- Flexibility for El Monte fleet decisions with a combined approach with Road Bear.

**Branch Network**
- Maximise the substantive infrastructure.
- Additional sale locations for Road Bear.
- Franchisee model has potential for *thl*. 
MARKET POSITION

Market position
- North America is the largest global RV market.
- *thl* will become the second largest RV rental operator in the USA market post acquisition.

Relative market size
- Road Bear currently has approximately 10% share in the United States based on fleet numbers.
- Combined share of total fleet of approximately 28% as a result of fleet rationalisation.

Note 1: information based on *thl* management’s estimate of vehicle fleet numbers.
RISKS, OPPORTUNITIES AND MITIGATIONS

**Tourism market conditions**
- *thl* has the ability to reduce vehicle purchases in El Monte by transferring fleet from Road Bear after one season. It also has the ability to increase sales of vehicles to reduce leverage and ‘right size’ the business in the event of adverse market conditions (~33% “flex” capability within the fleet).
- Geographical diversification spreads *thl’s* risk (opportunity).

**Vehicle sale prices**
- Sale and purchase agreement contains ‘underwrite’ provisions in the event that the sale prices of inventory vehicles are lower than anticipated.
- Vehicle by vehicle valuation undertaken by *thl*.
- Conservative sales price assumptions in forecasts.

**Transition**
- *thl* to apply proven acquisition methodology.
- Agreed exit of vendor associated costs.
- *thl* has retained two of the vendor family members within the business for a period of up to 12 months to assist with the integration of the business with *thl* and realisation of synergies.
- A USA advisory / review Board will be established including the *thl* CEO and Chairman and vendor representatives.
- Strict capital efficiency and associated operating cost benefits are the primary focus.

**Funding**
- *thl* hedging policy will apply.
- Targeted debt reduction can be controlled by fleet acquisitions.
- Currency risk is mitigated by use of US dollar denominated debt.

**Synergy realisation**
- Lease agreements negotiated to align with synergy expectations.
- Further procurement benefits being investigated (opportunity).
• El Monte has a lower ROFE than Road Bear reflecting excess fleet and a higher average age.
• Returns to be improved through fleet rationalisation (improved capital efficiency), a focus on higher utilisation and operational efficiencies.
• Fleet rationalisation strategy assumes initial sell-down of excess fleet at low margins.
• Key synergies relate to vendor costs (family employee and associated costs) and property rationalisation.
• Synergies are expected to be realised over a three year period as El Monte is fully integrated with thl.
• Fleet rotation benefits from a combined fleet management plan aren’t fully realised until FY19.

<table>
<thead>
<tr>
<th></th>
<th>US$M</th>
<th>FY16</th>
<th>CY17</th>
<th>FY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBIT El Monte (pro forma &amp; synergies)(^1)</td>
<td></td>
<td>6.0</td>
<td>6.6</td>
<td>11.9</td>
</tr>
<tr>
<td>Purchase price</td>
<td></td>
<td>65.3</td>
<td>65.3</td>
<td>65.3</td>
</tr>
<tr>
<td>EBIT multiple</td>
<td></td>
<td>10.8x</td>
<td>9.9x</td>
<td>5.5x</td>
</tr>
<tr>
<td>Funds employed(^2)</td>
<td></td>
<td>71.2</td>
<td>62.6</td>
<td>61.6</td>
</tr>
<tr>
<td>ROFE El Monte (pro forma)(^3)</td>
<td></td>
<td>8%</td>
<td>11%</td>
<td>19%</td>
</tr>
</tbody>
</table>

Note 1: Non-GAAP pro-forma EBIT adjusted for market property leases and vendor family costs.
Note 2: Funds employed based on period end funds adjusted to reflect goodwill and intangibles post acquisition.
Note 3: ROFE is calculated based on non-GAAP pro-forma EBIT, adjusted for market property leases and vendor family costs, divided by period end funds employed.
• Current Road Bear ROFE is unsustainable without further investment, with an expectation that ROFE would decline to approximately 18% on a standalone basis.
• Acquisition of El Monte provides additional capacity.
• Fleet rationalisation provides an opportunity to enhance ROFE of El Monte.
• The combined business model is a strong platform for future growth in ROFE.

<table>
<thead>
<tr>
<th>ROFE</th>
<th>FY16</th>
<th>FY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Road Bear ROFE</td>
<td>24%</td>
<td>22%</td>
</tr>
<tr>
<td>El Monte ROFE (pro forma)</td>
<td>8%</td>
<td>19%</td>
</tr>
<tr>
<td>Consolidated ROFE (incl synergies)</td>
<td>14%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Note 1: Financial year figures assume a June year end.
Note 2: ROFE is calculated based on non-GAAP pro-forma EBIT, adjusted for market property leases and vendor family costs, divided by period end funds employed
Note 3: Funds employed as at financial year end have been adjusted to reflect goodwill and intangibles post acquisition.
*thl* will report on the following scorecard measures in later periods.

<table>
<thead>
<tr>
<th>Scorecard Measure</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase <strong>utilisation</strong>.</td>
<td>Two years of substantive improvement.</td>
</tr>
<tr>
<td>Achieve acceptable <strong>ROFE</strong> for El Monte.</td>
<td>ROFE of 19% by 2020.</td>
</tr>
<tr>
<td>Achieve property <strong>synergies</strong>.</td>
<td>Property synergies realised by July 2018.</td>
</tr>
<tr>
<td>Reduce fleet size and inventory at acceptable prices.</td>
<td>390 sales including all inventory fleet by September 2017.</td>
</tr>
<tr>
<td><strong>2017 calendar year EBIT.</strong></td>
<td>CY17 EBIT of approximately US$6.6m.</td>
</tr>
<tr>
<td>Total <strong>thl debt</strong> at December 2017.</td>
<td>Forecast debt at December 2017 of approximately NZ$205m.</td>
</tr>
</tbody>
</table>
Strategic Rationale

• Creating global, scalable digital proposition in self drive tourism market.
• GeoZone performing in NZ and Australian market, but not easily scalable globally.
• Partnering with the global leader, rather than build in-house and compete.

Transaction Details

• US$2M value attributed to GeoZone (NZ$1.2M gain on sale).
• US$5M cash investment in Roadtrippers and US$1M in GeoZone assets for 22.5% shareholding, including one Board seat.
• Roadtrippers was cash flow positive, but further investment required for next growth plans. thl’s US$5M investment is considered sufficient to fund next two years.
• JV in NZ and Australia, with modest losses anticipated in FY17 and FY18 while becoming more established. thl is equity accounting the losses during the next two years through this growth phase.
• thl has beneficial licence terms as a result of this partnership.
ROADTRIPPERS INVESTMENT

Roadtrippers has built a proprietary and unique travel geodata set that creates a compelling customer proposition (Roadtrippers Website and app) on a self drive holiday. That location information also creates a global dataset business opportunity (Atlas).

The top US road trip travel app

- Travellers discover places, plan trips, read trip guides, book hotels & seamlessly sync between web & mobile apps for navigation.
- 2.5M monthly users with 250,000 trips planned per month.
- $2M in revenue in FY16 100% year on year revenue growth.
- Australia and NZ launch planned in 2017.
- Proprietary and unique travel geodata set.
The canonical travel geo database

• The Atlas mission is to build the world’s best travel geo-data tools and APIs. Atlas harnesses the power of artificial intelligence to create a new travel data ecosystem at scale.

• Atlas will evolve into a distributed marketplace for tourism listings and traveller insights, and the product that is best placed to power the data-driven future of travel in vehicle and voice.

• Atlas is ready to expand on the groundwork laid by GeoZone through major partnerships, and to unlock access to the broader tourism market in Australasia and the USA.
MIGHWAY USA

Update

- Mighway NZ has shown strong owner acquisition, engagement and improving online metrics.
- El Monte’s infrastructure will be leveraged for Mighway expansion.
- Mighway North American launch in Q1 2017 with a West Coast USA focus at launch.
- The managed dealer model will be the primary channel to market.
- Costs included in new forecast for FY17.
OUTLOOK
## GROUP OUTLOOK UPDATE – HALF YEAR

<table>
<thead>
<tr>
<th>NZ$M NPAT</th>
<th>H1 FY17 Revised Forecast</th>
<th>H1 FY17 Previous Forecast</th>
<th>H1 FY16 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing Business^1</td>
<td>11.0</td>
<td>~9.5</td>
<td>8.2</td>
</tr>
<tr>
<td>Transaction Costs^2</td>
<td>(1.1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit on sale of GeoZone business</td>
<td>1.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total <em>thl</em> NPAT</td>
<td>11.1</td>
<td>~9.5</td>
<td>8.2</td>
</tr>
</tbody>
</table>

Note 1: Includes GeoZone, Mighway (NZ).
Note 2: Net of tax (certain transaction costs are deductible in the USA).
### GROUP OUTLOOK UPDATE – FULL YEAR

<table>
<thead>
<tr>
<th>NZ$M NPAT</th>
<th>FY17 Revised Forecast</th>
<th>FY17 Previous Forecast</th>
<th>FY16 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Existing Business</strong>&lt;sup&gt;1&lt;/sup&gt;</td>
<td>29.2</td>
<td>27.5 - 28.5</td>
<td>24.4</td>
</tr>
<tr>
<td><strong>Mighway USA and Roadtrippers investments</strong></td>
<td>(0.6)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total pre one offs and El Monte</strong></td>
<td>28.6</td>
<td>27.5 – 28.5</td>
<td>24.4</td>
</tr>
<tr>
<td><strong>El Monte Impact (including funding)</strong>&lt;sup&gt;2&lt;/sup&gt;</td>
<td>(1.7)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Group NPAT before one offs</strong></td>
<td>26.9</td>
<td>27.5 – 28.5</td>
<td>24.4</td>
</tr>
<tr>
<td><strong>Transaction Costs</strong>&lt;sup&gt;3&lt;/sup&gt;</td>
<td>(1.1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Profit on sale of Geozone business</strong></td>
<td>1.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total thl NPAT</strong></td>
<td>27.0</td>
<td>27.5 - 28.5</td>
<td>24.4</td>
</tr>
</tbody>
</table>

Note 1: Includes GeoZone, Mighway (NZ).

Note 2: Loss in FY17 H2 for El Monte primarily due to the low season.

Note 3: Net of tax (certain transaction costs are deductible in the USA).

**CY17 EBIT FOR EL MONTE IS EXPECTED TO BE APPROXIMATELY US$6.6M**