

Tourism Holdings Limited
The Beach House
Level 1, 83 Beach Road
Auckland City
PO Box 4293, Shortland Street
Auckland 1140, New Zealand

Tel: +64 9 336 4299
Fax: +64 9 309 9269
www.thlonline.com



NZX | Media Release

Embargoed release: 2.00pm

Tuesday, 27th November 2012

Tourism Holdings Limited (*thl*)

**Annual Meeting 2012 – Heritage Hotel, Auckland | Robert Laidlaw Room
Chairman | Chief Executive Presentation**

[Slide 1]

Good afternoon ladies and gentlemen and welcome to the 26th Annual Shareholders Meeting of Tourism Holdings Limited. My name is Keith Smith. I am the chairman of *thl*. As we have a quorum and it's 2:00pm, I am very happy to declare *thl*'s 2012 Annual Meeting open.

[Slide 2]

I'm joined here on the stage by our non-executive directors Rick Christie, John Bongard, Deepak Gupta, Graeme Wong, and executive director Kay Howe. Kay joined the board at the end of October following the completion of the New Zealand rentals merger. As we discussed at the special meeting in October Kay will become a non-executive director once the integration process is complete. Unfortunately Graeme Bowker could not be with us today due to personal reasons beyond his control.

We're also joined on stage by our chief executive, Grant Webster, our chief financial officer, Ian Lewington and board secretary, Paul Illingworth. In the audience we also have a number of the executives who I will quickly introduce. Grant Brady, Nicole Edgerton, Quinton Hall, Mike Horne, Kate Meldrum, Andrew Rickett, Sue Sullivan and Daniel Schneider, chief executive officer and president of our USA motorhome operation Road Bear RV Rentals and Sales. Finally, we have representatives from our auditors, PricewaterhouseCoopers and our solicitors Minter Ellison Rudd Watts.

Members of the news media are also here today, we welcome you. But I would remind you this is a shareholder meeting. Grant Webster and I will be happy to talk to you afterwards.

I can confirm that there is a quorum present and that the Notice of Meeting was sent to all shareholders recorded on the register on 30th October 2012, and to other persons entitled to receive that notice.

**KEA
Maui
United
Britz
Alpha
Mighty
Econo Campers
Motek
Road Bear RV Rentals & Sales
Kiwi Experience
The Legendary Black Water Rafting Co.
Waitomo Glowworm Caves
Ruakuri Cave**



In addition to those attending in person today, 145 shareholders, holding a total of 13,854,605 shares, have appointed proxies, they are represented by 4 proxy holders. In my capacity as chairman of the meeting and in my own name I hold proxies for 125 shareholders, representing 13,376,154 shares.

Before we move on to the agenda, I have a couple of housekeeping matters to discuss. If you do have a cellphone, can you please switch it off and please note that the fire exits are through the entrance doors behind you.

Apologies

As mentioned I have an apology from Graeme Bowker.

Do I have any further apologies?

These apologies will be noted in the minutes of the meeting.

Minutes of the previous Annual Meeting held on 22 November 2011

These minutes were reviewed at the first meeting of the directors of the company after the Annual Meeting and confirmed as a true and correct record of the meeting and posted on the company's website. These minutes are available for review with the board secretary after the meeting if any shareholder so desires.

[Slide 3]

This meeting will follow a similar format to those we have seen in recent years. You will hear from both Grant and I on the performance of the business in the 2012 financial year. However, as we have discussed this in detail when we presented the merger for your approval, we will focus on providing a broader review of what is happening across all our operations and the focal points for the board and management in the coming year. We will then move on to the formal business of the day, including director election and for the board to fix the remuneration of the auditors. There will be an opportunity for questions after this. At the conclusion of the meeting you are invited to join the directors and management for some light refreshments.

[Slide 4]

At the start of this month, following the completion of the merger with United and KEA, **thl** opened a new chapter in its development.



Thanks to your support, we are putting in place a platform, from which the business has the potential to prosper, despite the significant challenge we face with the lack of growth from our core markets of the United Kingdom and Europe. Grant will comment later on the forecasts for these regions from a **thl** perspective.

The financial results for 2012, on a cursory reading at least, belie this weak market outlook.

Revenue from continuing businesses rose 8% to \$200 million, while operating earnings before interest and taxation, excluding the 2011 goodwill write-down, rose 329% to \$16.3 million. Most of the gain was due to operational improvements realised during the year. Operating cash flow was strong, up 144% to \$22 million due to cost savings and fleet rationalisation. Moreover, our USA-based Road Bear operation made its first full year contribution to **thl** and exceeded our already high expectations.

However, of greater influence was the 2011 Rugby World Cup, which contributed at least \$4.5 million to 2012 earnings before interest and tax to our New Zealand rentals business. Deprived of this one-off boost, the outlook for the 2013 financial year and beyond for this part of our business was less than satisfactory.

Now we have agreed the merger we are looking to the future with more confidence in New Zealand given the market conditions. In August, the board declared a fully-imputed final dividend of 2 cents per share taking the calendar year dividend to 4 cents per share. In addition as part of the merger we have foreshadowed improvements for the year ahead.

The merger has put us in a much stronger position to continue with the operational improvements that underpinned the 2012 year. As I mentioned at the special meeting of shareholders last month, the merger was the logical, strategic, and best response to the challenging realities of the New Zealand market.

It is allowing us to reduce costs across the combined businesses as duplicate resources and activities are removed. And importantly, it also allows us to reduce the total fleet size to a level appropriate to demand in a little over two years. And it allows us to achieve this goal, while lifting returns to **thl** shareholders.

Since we have begun the work to turn our vision for the merger into a reality, that conviction has grown. Integration of the three businesses is proceeding apace and ahead of our expectations. Credit for this is due to the United, KEA and **thl** crew and the great commitment they are making to the project.

At the time of the special meeting we said the integration had three goals: maintaining revenues, executing on the fleet rationalisation plans and getting the best out of all three businesses. We also said the realisation of these goals depended on razor sharp focus on the customer and excellent service.

This is a message that the team have taken to heart.



On day one of the merger (1st November) United and KEA were operating on the **thl** systems. Customers were dropping off and picking up United and KEA vehicles at **thl** locations in Christchurch and Auckland as if it had been occurring for years.

Management from all three businesses have bought into the shared vision and are demonstrating the commitment necessary to make this merger a success. The integration is benefitting from the extensive planning by all three companies ahead of the close of the transaction. And finally, Kay Howe and Grant Brady, the founders of United and KEA respectively are making an invaluable contribution. In addition to their knowledge of their businesses, they are contributing their considerable industry experience to the organisation.

The success of the merger also depends on the execution of the planned fleet rationalisation strategy and particularly an orderly rationalisation of the vehicle fleet. Grant will discuss this in more detail, but I am delighted to report the vehicle sales programme is proceeding to plan.

As I noted earlier, the market remains very tough. The key question we are facing is the extent of growth or decline in our core markets. Visibility remains poor and we remain in New Zealand with excess fleet capacity still in the market.

We have no reason at this stage to change our forecasts however we do note the tourism environment in New Zealand for those players that are not significantly exposed to the Asian markets is still difficult and in some decline.

[Slide 5]

Finally I would like to turn to governance of the company. I am announcing today my intention to retire at next year's annual meeting.

The most significant issue facing **thl** was the future of the New Zealand rentals business. With the completion of the merger, the board is confident we have set the business on the road to a much brighter future given the current demand outlook. But now, having addressed the structural weakness in the business, the board believes it is the time to consider board composition moving forward.

This reconfiguration started last month when Kay Howe joined the board and long-serving director Rick Christie indicated his intention to retire at this meeting. The board has meanwhile formed a sub-committee, led by Graeme Wong, tasked with furthering this process. The sub-committee's initial task is to find a new director who could if requested take the role of chairman of the company.

My focus over the next year is to see the merger with United and KEA through to completion of the first year's targets, and allow a smooth transition of leadership once my successor has been identified.



Meanwhile I would once again like to thank Rick for the enormous contribution he has made to **thl** over the 14 years he has sat on the board. We have benefitted from his commercial input and governance both around the board table and as chair of the audit and risk committee. This has been particularly valuable when you consider the number of world events and crises that have affected tourism globally in the last ten years. We are sorry to see him go and the board wishes him all the best for the future.

Before handing over to Grant, on behalf of the board I also would like to acknowledge the efforts of the crew at **thl** over the last twelve months. It has been a challenging period in which we have reshaped our manufacturing operations, acquired a new brand in Australia and now merged our New Zealand rentals business with KEA and United. Through this time our staff have shown great commitment and enthusiasm and kept us true to our purpose to create unforgettable holidays. The board, management, and I am sure our shareholders, thank them for their efforts.

I will now hand over to Grant.

[Slide 6]

Thanks Keith and thank you ladies and gentlemen for your attendance today. **thl** has embarked on an exciting chapter in its development and I am looking forward to setting out today the great opportunity we have before us and how we believe we can make the most of it.

The New Zealand business and the merger with United and KEA has been the focus of attention over the last few months. And make no mistake, your approval of the transaction creates a tremendous opportunity to build momentum in what is a difficult market.

However, **thl** operates a collection of businesses across a range of geographies and market segments. Today I want to step back and show you how the changes we are making in the New Zealand rentals business represent only a subset of the changes we are making across our operations.

I will start with the results for the year to June and then cover each of our divisions, including our manufacturing operations, Australia, Road Bear in the USA, and then the tourist operations. I will then return to the merger to discuss the progress we are making before returning to the outlook for the business.

[Slide 7]

The results for the year to June have been well traversed so I will keep the highlights brief.

Revenues from continuing businesses for the year to June 30, 2012 rose to \$200 million from \$186 million.

Operating earnings as measured by earnings before interest and tax rose 329% to \$16.3 million from \$3.8 million. The Road Bear acquisition and the Rugby World Cup contributed \$5.4 million and \$4.5 million respectively.



I highlight Road Bear and the Rugby World Cup because they mask significant operational improvements including: a \$2.2 million saving in support costs and a \$1.4 million gain in operating earnings at our Australian business, thanks to our sharper focus on containing fleet at a level appropriate to demand.

As a result operating cash flow which also includes net expenditure on motorhome rental fleet has risen from a negative \$50 million to a positive \$22 million in the year to June. We achieved this despite a relatively modest rise in revenue. This is the benefit of *thl*, that when required we can quickly produce cash and reduce debt.

The results for 2012 answer the question uppermost in investors' minds: is *thl* driving for improvements in shareholder value? The unequivocal answer to that question is yes but with a long way to go. Even ahead of the merger, which completed at the end of October, the results show a business delivering improvements in underlying profitability.

[Slide 8]

We have however had to continue to adapt the business model.

As you can see on this slide conceptually we are trying to rebalance where the return on funds is generated for the business. We can't solely rely on the rentals side of the business to generate the profits for the company.

The key is to stay focussed on the Build (or in the case of the USA - Buy), Rent and Sell business model and execute all elements well.

The manner in which this strategy is applied varies based on the geographic market we operate in and the dynamics of that market.

We can't operate a one size fits all approach.

Why do we manufacture vehicles in New Zealand and not in the USA? Why do we sell rental vehicles predominately on our own in New Zealand rather than through third parties as in Australia? Why do we operate our tourism ventures alongside the rentals business?

We accept the diverse range of our activities can be confusing.

As we review each of the businesses today we will discuss how the Build, Rent and Sell models apply in each geographic market.

[Slide 9]

Underpinning the way we operate within the business model is our focus on design. **thl** has embraced the government's 'Better by Design' programme, which helps New Zealand companies increase their international competitiveness by integrating design principles.

In 2011, we set the **thl** design principles to drive the 'better by design' ethos throughout our operation. The design team are engaging with customers more than ever in order to uncover insights and understand their needs, resulting in innovations and intellectual property that further enhances our ability to create unforgettable holidays for our customers.

[Slide 10]

This design-led philosophy is well demonstrated by our new budget motorhome, the Mighty Jackpot. The **thl** Design team spoke to users of motorhomes and people-movers about what they loved and hated about their holiday experiences. We observed them interacting with these vehicles, then we tried them out ourselves - lots of times.

[Slide 11]

We uncovered a few things that if we could improve, would make a world of difference to customers' motorhome experience. We learnt that three things are really important to our customers once they have rented the motorhome: the sleep experience; activities of daily living and privacy and security.

Most motorhomes of this size try to do everything, and as a result everything is a compromise. We decided to identify the three modes most important to our customers – sleeping, eating and daily living activities and design the van to do each of these things independently very well.

[Slide 12]

Finally, we made sure the transition between these modes would not be the equivalent of playing Tetris in a sardine can. In other words it had to be fast, seamless and easy.

Once the design team had uncovered the big idea, we set about rapidly prototyping the experience, sketching and building full scale models in which we could experience the design, discard the things that didn't work and further refine those that did.

[Slide 13]

The result is the Mighty Jackpot, a small van based motorhome that is surprising and delighting our customers. The intellectual property has been captured and design registrations are now either in place or pending globally.



Demand for the product – launched at the start of October – has been strong. The project is proof positive of the potential for design to create enduring value for shareholders.

I would like to acknowledge and thank Ed Burak, *thl*'s user experience design manager, who is here today and his design team for creating the Jackpot.

I'll now move on to discussing the businesses within *thl* and how they are operating.

[Slide 14]

The mix of businesses we have today are at varying stages of development and profitability. It is somewhat of a jigsaw, but one that does fit together effectively.

[Slide 15]

In the USA Road Bear continues to perform ahead of expectations, more than vindicating our decision to invest in that market. I would today like to acknowledge Road Bear chief executive officer Daniel Schneider, who is in the audience.

We acquired Road Bear in December 2010 from Daniel and his business partner. Since then we have worked together very well. Road Bear's culture of shared accountability is entirely compatible with our own and Daniel has fitted right in to the *thl* team, while at the same time running Road Bear as if it was still his own.

[Slide 16]

When we took over the business we expected vehicle sales of around 250 vehicles a year. However, demand for Road Bears' vehicles is high and it is now reaching an annualised total of close to 450. Such a high level of sales has several advantages: it allows us to reduce the average age of the fleet, which means we face lower repair and maintenance charges. A younger fleet also translates into greater customer satisfaction and therefore greater repeat business and a higher number of referrals. In addition if we buy more vehicles each year we get substantially larger discounts from the manufacturers.

High vehicle sales maximises the opportunity of the Road Bear business and it will continue to be a key focus going forward.

[Slide 17]

Since balance date we have also opened a new branch in Orlando, Florida – a key tourist gateway to the USA. We expect this branch to continue to build momentum in the business.

The outlook for USA revenue growth is low reflecting the uncertainty in the domestic and international market. Profitability however is improving thanks to Road Bear's outstanding vehicle sales achievements.

[Slide 18]

We will continue to grow the fleet but at a modest rate that matches revenue growth and enables ready sale of the used units within the current market environment.

[Slide 19]

In the USA we are a very small niche player within the total RV sales industry. There are a wide variety of towable, fifth wheeler and motorised RV's in the USA. The dealers that sell these products are wide and varied across all states.

Given our size the logical approach today is to maximise what we can sell through a variety of dealers across the country ensuring that our product, positioning and price can effectively compete with new product.

In the USA we rely on third party manufacturers. Given the manufacturers are USA based we have relatively short lead times and can easily order vehicles on demand.

[Slide 20]

The Australian business is performing well despite very tough market conditions. We are still facing aggressive price competition.

[Slide 21]

Operating earnings continue to improve not on market growth, but thanks to productivity improvements. We are keeping more of every dollar of revenue we generate and we expect this trend to continue.

[Slide 22]

We are making these gains through a managed reduction in the Australian fleet and through rotating out the high-cost vehicles built in 2007 to 2009.

We took control of the KEA brand in Australia in June.

The Melbourne factory has been upgraded and moving forward we will also be building KEA designed fleet for the rental and vehicle sales markets in line with demand for that product.

We are also hopeful a four year sponsorship agreement we have signed with the Caravan and Motorhome Club of Australia will drive KEA brand awareness and vehicle sales. The club has 60,000 plus members. The agreement gives us partnership status, a significant presence in the club's magazine and prominence at its events across Australia.

The KEA brand in Australia is arguably much stronger as a vehicle sales brand than a rental brand. We see significant value in maintaining the reputation and presence for vehicle sales.

[Slide 23]

As we have mentioned one of the primary focal points for the business is the reduction in fleet in Australia.

We have successfully addressed the over fleet issue and will ensure we maintain an effective balance moving forward.

[Slide 24]

In Australia our influence on vehicle sales is greater than the USA. We are of sufficient size to leverage a motorhome brand across a third party dealer network. Our Motek brand in this market is gaining real traction and is helping to ensure our products have high visibility and a growing reputation for quality in the new and used motorhome market.

[Slide 25]

In New Zealand we rely on our manufacturing joint venture, RV Manufacturing Group (RVMG), for the build aspect of the business.

Here a manufacturing capability is relevant as we are by a significant measure the largest buyer of motorhomes in what is a relatively small market. We need the capability to:

- ensure we have influence over the pricing and product quality
- tailor the product to the different markets we want to operate it in and the differing operating needs for a retail versus a rental customer
- and manage the volume of production relative to total long-term demand.

Motorhome manufacturing in New Zealand represents a strategic capability that we believe we need in such a small market. The key for us is to be confident it genuinely provides a suitable return on funds employed in a realistic period.

[Slide 26]

The RVMG joint venture, formed in February of this year is focussed on ensuring that our procurement and fleet demands are responsive to changes we see in the demand for New Zealand rental motorhomes. A few years ago, for example, chassis for new vehicles were ordered in bulk twice a year, some nine months before they were to be deployed into the market. Now we place orders nearly monthly and therefore we can manage supply according to the changing outlook of the business.

[Slide 27]

RVMG is also excelling as a practitioner of the LEAN manufacturing production practice, which ensures resources for any goal other than the creation of value to be wasteful, and thus a target for elimination. We have seen a close alignment in a number of areas with *thl* with both businesses part of the NZTE Better by Design programme.

The first Maui units produced at Albany rolled off the assembly line in the middle of 2012 and are of a very high standard.

Meanwhile, RVMG's Hamilton-based subsidiary Action Motor Bodies, a producer of specialist vehicles such as ambulances, is performing. It is nearing completion of the mobile dental units contract and is now commencing work on a potential significant mobile medical bus contract.

[Slide 28]

Our New Zealand tourism operations centred on the Waitomo Glowworm Caves and including the Ruakuri Cave, the Legendary Black Water Rafting Company and Kiwi Experience provide us with exposure to an exciting part of the New Zealand tourism sector.

[Slide 29]

These businesses face challenging market conditions, but provide *thl* investors with exposure to the expected long-term steady growth in Asian visitors to New Zealand. Over the last year we have seen strong pick-up in demand from China particularly.

We have recently formed a marketing alliance with Hobbiton Movie Set Tours in Matamata and the Te Puia cultural centre in Rotorua.

The alliance's product called the Middle Earth Trilogy gives tourists access to all three attractions at a much better combo price. It positions *thl* to take advantage of the attention New Zealand will attract with much anticipated Hobbit trilogy and the presence of Te Puia in the Chinese market.

[Slide 30]

We have also just launched Black Odyssey, a world first in technical caving adventures, which will take tourists on a four hour adventure through some of the most hidden parts of the extraordinary Ruakuri Cave.

Designed for the adrenalin seeker, this venture builds on our existing infrastructure and expertise to attract a new segment of the tourist audience to our Waitomo-centred businesses.

[Slide 31]

The Kiwi Experience backpacker coaching operation depends heavily on the same markets as our New Zealand rentals operations and therefore faces the same pressures. The Kiwi Experience customer is young and price conscious possibly more so today than ever. The focus remains on reducing costs and we will continue to assess how the business operates.

[Slide 32]

That leaves us with the New Zealand rentals business.

[Slide 33]

Over the last four years New Zealand rentals has underperformed. The minor exception was last year, when the business was sustained by the Rugby World Cup.

There was clearly a need to reduce costs or to leverage the cost base for greater benefit and to improve the return on funds employed. The solution we identified was the merger, to which you agreed last month.

[Slide 34]

However, during the 2012 year, when the merger was only a possibility, our efforts were directed at doing what we could within the existing structure. And even within these constraints we achieved some success.

Significant savings of \$1.8 million were made in repairs, maintenance, relocations, and labour collectively. This represented an 8% reduction on the prior year's costs. Pleasingly, the customer proposition has continued to improve with key customer metrics continuing to excel.

In 2012 the Wellington branch was closed, a new Queenstown site was opened and the Auckland city site was closed.

We have also outsourced our car business through a third party supplier to leverage their fleet and facilities. The arrangement allows us to retain the ability to push our brands in car rentals, while reducing operational risks and costs.

[Slide 35]

Before the merger was announced we did have plans to reduce fleet in New Zealand as you can see in this graph.

We are still focussed on reducing fleet however from the higher base post-merger.



[Slide 36]

In New Zealand vehicle sales is a different story again. We sell motorhomes predominately ourselves in New Zealand because the market is small and we are the largest player. We need to understand and influence the market because we service the majority of the market.

Our motorhomes are created and their lifecycles planned with the demands in mind of not only those who rent vehicles, but also those who enjoy motorhomes so much they want to own one of their own.

The Albany RV Super Centre officially launches this week and we encourage all of you to attend the weekend's special event.

[Slide 37]

As you can see in this slide vehicle sales is now a focussed element of the business model with over 1000 units sold in the last financial year.

[Slide 38]

The merger in New Zealand addresses the most significant challenge facing *thl*: the low level of earnings in our New Zealand vehicle rental business.

We face uncertainty within the global markets in which we operate, particularly from the markets most disposed to self-managed itineraries; Europe and the United Kingdom. Faced with these conditions, the merger will strengthen *thl*'s position.

It allows us to reduce costs across the combined businesses as duplicate resources and activities are removed. It also allows us to reduce the total fleet size to a level appropriate to demand in a little over two years and put in place an appropriate capital structure.

As the chairman noted the New Zealand Rentals integration has three goals: maintaining revenues, executing on the fleet rationalisation plans and getting the best out of all three businesses.

In some measure this is business as usual. It is a continuation of our pre-merger drive to make the business ever-more efficient. Nevertheless, the integration of United and KEA with *thl*'s infrastructure is going well.

Prior to transaction completion we spent a long time planning for the merger so we were well prepared and that preparation paid off. We settled on 31st October and on 1st November we delivered a seamless brand package right out of the starting blocks.



On that first day, customers were dropping off and picking up United and KEA vehicles at **thl** depots as if they had been doing it for years. All the signage was changed; all bookings were made within the **thl** reservation system; all the phone numbers and all the emails went live without a hitch. It is a great credit to our crew that we were able to achieve such a trouble-free transition.

[Slide 39]

We are very focussed on the achievement of synergies worth \$4.4 million per year. We are only four weeks into the process, but we have achieved property synergies ahead of target. The United property in Auckland is under a contract already and the Christchurch United and KEA properties have strong interest and should represent savings earlier than planned.

The labour synergies are on track and the fleet rationalisation programme, although only just underway, is running according to plan.

[Slide 40]

One of the greatest attractions of the merger is how it protects **thl's** balance sheet. We expect a rapid debt reduction, falling from the post-acquisition peak of \$158 million to \$117 million by the end of June 2013.

We are able to achieve this result thanks to pre-merger planned debt repayments and additional bank debt repayments from the fleet rationalisation programme as it gathers pace. A swing factor in achieving these targets will be the progress we make in selling our Hamilton building, which has a book value of just under \$8 million.

Notwithstanding this, we expect similar progress on debt in the 2014 financial year as the vehicle rationalisation programme continues and we drive operational improvements in the business.

[Slide 41]

The merger has very clear targets for fleet sales, earnings and profits. They are as follows:

- Market share maintained at circa 45%
- Customer satisfaction at equal or better levels than prior for all three businesses
- Fleet sales at pre-merger levels of circa 450 units per annum
- Property synergies achieved of \$0.8 million per annum
- Labour synergies achieved of \$0.9 million per annum
- Employee engagement enhanced (survey planned for January 2013)



[Slide 42]

One aspect of the merger that continues to raise questions is **thl's** plans for our enlarged stable of brands. Surely, we are asked, it's better for **thl** to consolidate its operations around a smaller stable of brands that resonate across all markets?

Our response?

The primary goal today is to ensure that every dollar of revenue that would have been earned by the individual businesses is still earned under the merged entity.

From a product brand perspective we need to understand how the products sit within the different source markets and where each product brand has the greatest strength.

For example, you can't sit in New Zealand and look out on the road and say "wow there are too many **thl** brands", we need to take a global view and see what the product brand position is by source market. For example Germany is different to the UK, which is different to France, which is different to Australia.

[Slide 43]

Let's start with the Australian business. The dark grey shading represents our primary source markets and mid grey the secondary or emerging source markets.

You will see on the screen as we move around the key markets that we have leading product brands that we promote in different countries. Each product has different heritage and presence.

[Slide 44]

Britz is the strongest brand for Germany whilst

[S45] Maui is the strongest brand for the UK and

[S46] the Scandinavian markets.

[S47] For Australian domestic business it's all about Britz.

[Slide 48]

For New Zealand's source markets the mix is different.

[Slide 49]

Britz ignites the Australian customer,

[S50] Maui is strong in the Scandinavian region

[S51] and in the UK,

[S52] KEA and Britz in Germany and

[S53] United and Alpha have strength in France, Spain and the Netherlands.

[S54] In New Zealand we believe the domestic business is driven by KEA and Maui.

[Slide 55]

In the USA we operate as a premium niche player,

[S56] therefore Road Bear is the brand to promote in its current core source markets within Germanic Europe.

[Slide 57]

Let's move onto the digital world.

In this channel it makes sense to have multiple brands. In the same way as a brewer seeks supermarket shelf space, **thl** seeks presence through multiple online sites where travellers typically select their motorhome holidays.

[Slide 58]

A larger share of the shelf space in this channel increases the chances of the international traveller selecting a **thl** motorhome product.

[Slide 58a]

Here you can see in an organic search **thl's** brands dominate four of the top six online search results.

Finally to drop any brand without a clear path and great certainty on how consumers of that brand will be migrated to its replacement would be to frustrate one of the primary objectives of the merger integration plan. That is again, we want to maintain every single dollar of revenue United and KEA contribute.

We are today committed to all the brands we have in place in the market.

[Slide 59]

So what of the market outlook? The outcome for the year is still highly dependent on the performance in our core European and UK markets. Unfortunately, the broad macro-economic conditions for tourism in these markets remain a concern. In addition to the domestic economic challenges, these markets face the additional challenges presented by a weak currency.

Other market opportunities such as China and East and South East Asia are appealing to many tourism operators, but these markets do not yet have strong traditions for self-guided itineraries that are the focus of **thl's** operations.

New Zealand is at a significant disadvantage when faced with these trends. It still holds a strong positive reputation internationally; however, this needs to be balanced against the price expectations of the customer when comparing alternative destinations.

New Zealand operates with a very small market share of global tourism and it is critical the value equation for New Zealand remains strong relative to the alternative countries and prices on offer.

In response *thl's* New Zealand cost base has been reducing over the last three years to be more competitive and the cost of building our product has continued to decrease. However these changes have not been significant enough to offset the degree of decline in both visitation numbers and spend. Indeed, we expect the New Zealand market will continue to see declines from our core market segments over the coming year.

Despite their decline, it is important however, that we do not lose sight of the European and UK markets.

Tourists from these countries spend the most and stay the longest. They are also much more likely to go off the beaten track and into the regions and therefore provide important support to regional tourism.

[Slide 60]

Last week the New Zealand Ministry of Business, Innovation and Employment released its tourism forecasts through to 2018.

On first glance these forecasts show some extremes at both ends of the spectrum from a *thl* perspective. The UK is expected to continue to decline at a spectacular rate and yet Germany is set to grow at a very high rate. Australia is another anomaly from our perspective where the forecasted growth seems excessive.

We understand that these forecasts have been based on econometric modelling which is a new methodology for government tourism forecasts, and is in our view somewhat of a one size fits all approach.

From a *thl* perspective we prefer to take into consideration differing bodies of evidence in determining the outlook for each source market. With New Zealand having such a low market share percentage of world tourism we need to take into account the activities of airline operators, travel agencies marketing strategies and commitments to a country and the activities of the national tourism marketing bodies. Overall we see the forecasts may represent a fair total visitation forecast however where we invest as a country may need to be different to ensure we maximise the potential total spend for the economy.



thl are also about to release some research that will show the important contribution the motorhome industry makes to New Zealand and especially the regions. Evidence shows that the campervan rental industry customers contributes close to half a billion dollars to the New Zealand economy annually.

[Slide 61]

Elsewhere the picture is more positive.

The USA has had double digit growth from the key German market and a static UK number.

[Slide 62]

The USA is benefitting from a lower currency and also has the promotional power of the new marketing campaign, "BRAND USA" which has a significant budget.

Notwithstanding recent falls in business confidence, the outlook remains positive for the USA to continue to regain market share that was lost throughout the last decade.

[Slide 63]

The Australian market holds some uncertainty with strong competition as a destination for both the international and domestic tourist.

In last year's visitor numbers you can see that the decline from Germany and the UK was concerning at 4.7% and 5.6% declines respectively.

We have adjusted our fleet expectations to reflect the declines in the market and will manage fleet size to demand.

[Slide 64]

Tourism Australia remains focussed in our view on the balance between the traditional and emerging markets.

[Slide 65]

Our priorities for the company next year are pretty clear. As always our overriding priority will be to lift the returns on the equity you our shareholders have invested in the business. This means making the most of the opportunity presented by the merger.

At the same time we need to maximise the opportunity presented by our manufacturing operations, drive cost reductions in the Australian operation and maintain the momentum at Road Bear. This is where we will devote the most time and energy as our success in these areas will have the greatest influence on the 2013 result.



Our second priority is then looking to those markets where we can extend our existing products and services. France is an emerging market for *thl*. We are also looking for new products that can complement our existing operations.

Our third area of focus will be to build on the success of our design initiative, to drive innovation and new opportunities. We will seek out emerging customer trends and working out how we can turn these trends to our advantage.

Finally we will continue to invest a small amount of our time on research from a design and customer perspective for the broader future.

[Slide 66]

thl is nevertheless in good shape and thanks to the merger, operational improvements and our Road Bear operation we remain confident about a better outcome for the year ahead. Had we not merged with United and KEA we were forecasting revenue of around \$205 million for both the 2013 and 2014 years. Now we are expecting revenue of \$240 million in 2013 and \$241 million in 2014.

The focus is clearly on improving our return on funds employed, continuing to improve flexibility in our fleet size, and growing revenue.

[Slide 67]

However, on these modest revenue projections we expect to see strong improvements in operating profits. Without the merger operating profits were forecast to be stable at \$16.3 million in 2013, growing to \$22.5 million in 2014.

Now we are expecting operating profit to rise to \$19.3 million in 2013 and \$28.8 million in 2014.

[Slide 68]

We expect this half year's EBIT to be between \$4.2 million and \$5 million. This, as we have highlighted is well down on last year's result due to costs associated with the merger and the fact that last year the New Zealand rentals business benefitted from the one-off contribution of the Rugby World Cup.

[Slide 69]

In September we released the forecasts for the FY 2013 year as part of the New Zealand rentals merger proposal. We will review that forecast as always at the half year announcement in February when we will have a much clearer picture of how the high season is trading.



[Slide 70]

Capex planned for the coming year reflects the need to reduce debt. The combined net capex will be less than depreciation as it was in total last year.

FY12 net capex reflected the Rugby World Cup in New Zealand where we held fleet, the reduction in fleet in Australia and planned growth in the USA.

Net capex is still on track with our plan of \$70 million for the 2013 financial year which includes the United and KEA fleet acquisitions.

[Slide 71]

thl has undergone a period of intense change during the year. We have reconfigured our manufacturing operation, acquired a new brand in Australia and we are now putting the New Zealand rentals business onto a sustainable footing.

These changes have been made with one goal in mind – delivering improved returns to you, our shareholders. And despite the very challenging market conditions we have achieved that goal.

We look forward to the year ahead confident that the changes we have made will enable us to make the most of whatever conditions we face.

I look forward to updating you on our progress at the half year in February.

I will now hand you back to Keith.

[Slide 72]

Thanks Grant ...

Now moving onto today's Agenda Items.

General Business and questions

Resolutions

[Slide 73]

Resolution 1 – Appointment of John Bongard

[Slide 74]

Resolution 2 – Fixing of Auditors fees

[Slide 75]

END

A handwritten signature in blue ink, appearing to read "Keith Smith".

Keith Smith
Chairman

A handwritten signature in black ink, appearing to read "Grant Webster".

Grant Webster
Chief Executive

For further information contact:

Grant Webster
Chief Executive
Tourism Holdings Limited
Direct Dial: +64 9 336 4255
Mobile: +64 21 449 210