

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 Release

Embargoed release: 2:00pm

Wednesday, 27th November 2013

Tourism Holdings Limited (*thl*)

Annual Meeting 2013 – Heritage Hotel, Auckland | Robert Laidlaw Room

Chairman | Chief Executive Address

[Slide]

Welcome to the 27th annual meeting for Tourism Holdings Limited. My name is Rob Campbell, your chairman.

As we have a quorum present and it's 2:00pm I declare *thl*'s 2013 annual meeting open.

[Slide]

I am joined on the stage by fellow directors, Graeme Bowker, Kay Howe, David Neidhart, Keith Smith and Graeme Wong. We're also joined on stage by our chief executive, Grant Webster, chief financial officer Ian Lewington and board secretary Nick Wilson.

In the audience we also have *thl* executives who I will quickly introduce: Grant Brady, Nicole Edgerton, Quinton Hall, Matt Harvey, Mike Horne, Kate Meldrum, Sue Sullivan, and Daniel Schneider CEO of our US operations. We also welcome a number of the crew from around the business. The crew are what really makes this business tick and it's great to have some of them here today.

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 which you would have met at the registration desk.

Link will be managing the voting process today.

We are joined by the media as well. Grant and I will be available for comment after the meeting.

[Slide]

I can confirm that the notice of meeting was sent out on the 8th November 2013.

As indicated on the screen we have received 39.4 million proxies and postal votes, representing 35.8% of ordinary shares on issue. Of those, 13.3 million have identified myself as chair of the meeting as the proxy. On resolution 5, 25.5 million of the proxies are from directors or related parties and are therefore excluded from resolution 5.

Self drive
Experiences
New Zealand
Australia
USA

Design &
manufacturing
New Zealand
Australia

Guided
experiences
New Zealand

[Slide]

Given this is my first opportunity to address shareholders since taking over the role of chairman I will take a longer portion of the meeting than normal. I want to share with you my reasons for joining **thl**, my early impressions of the company, and my views on where we are heading over the next 12 months.

After I have provided that broad update I will hand over to Grant for a short update on the individual businesses.

We will then move on to the formal proceedings where we have five resolutions. As chairman of the meeting in accordance with our constitution I have decided we will operate a poll vote for each resolution.

[Apologies]

I have no prior apologies and will open to the floor. Are there any apologies today?
Thank you.

[Slide]

Before we move to the more formal proceedings, it is important that we acknowledge Mr Keith Smith who retires from the **thl** board today. Keith has served **thl** for fifteen years, twelve as chairman. Keith's loyalty and commitment to **thl** are exemplary and he has made an enormous contribution. On behalf of **thl** I would like to thank Keith for all his work.

[Slide]

Let's move on to a quick review of the results:

The results for the company for the FY13 year have been well traversed in the annual release and annual report. Whilst I will provide an overview of those results, I would like in the main to focus on the future of the company.

Net Profit After Tax (NPAT) for the year at \$3.8 million was down on the \$4.3 million achieved in the prior year, due to difficult trading conditions in the Australian rentals market and costs associated with the merger of **thl's** New Zealand rentals business with KEA Campers and United Campervans.

The New Zealand merger has gone well and the results are evident. The US business, Road Bear, performed well again in 2013 and the tourism businesses are performing steadily.

[Slide]

Shareholders have been rightly concerned at the level of debt carried in the business in 2013. You can see in this slide the debt performance and forecast for the business.

We achieved the debt reduction initiatives we set at the time of the merger with one exception – we did not, as we had hoped, sell our building in Hamilton. We are leasing the facility at the moment and although we don't see this as a long term solution or as an attractive investment in its own right we are more than covering the costs associated with the building. The building is being actively marketed, but we will not sell for below our estimate of fair value.

As a general benchmark we target a net debt level no greater than twice EBITDA and we regard anything below that as acceptable, given the nature of this business.

The net debt position is being actively managed and we are targeting \$100 million net debt including the Hamilton building sale by June 2014.

At the heart of this effort is the fleet reduction set out at the time of the New Zealand rentals merger.

[Slide]

The receivership of our competitor Pacific Horizon and the associated fleet disposals have put some downward pressure on New Zealand fleet sale volumes. However, we now appear to be through the worst and the realisation programme is back on track.

US vehicle sales over the last 12 months are as strong as they have ever been and Australian sales have recovered somewhat post a slow down around the Australian election.

The board is very focussed on lifting the Return On Funds Employed (ROFE) in the business. This measure is the ratio of EBIT to average working capital plus fixed assets. It is a key measure of the operating efficiency of the business.

[Slide]

Until we achieve an acceptable ROFE, shareholders should expect to see the funds employed in the rental fleet continue to fall. There is a limit to this, but we are making every effort to target and restrict allocation of funds as the business is driven to an acceptable return.

Turning off the tap of funds or reducing funding too fast or too deeply is inconsistent with our objective to provide the highest quality fleet and service in the market. Achievement of these objectives is fundamental to the success of the business.

While we cannot spend our way to acceptable returns, neither can we simply cut our way to that destination. The task requires more skill than either of those extremes. We can, must and will do better and in a timely manner.

This leads on to what we are currently planning to spend from a fleet perspective.

- The US, where we plan to spend \$29 million, continues to grow and is generating a 20% return on funds employed and as such we are confident in continuing to invest in this business.
- In Australia we plan to spend \$20 million but the level of spend is continuing to decline. We will continue to see a decline in funds usage whilst the business is repositioned.
- In New Zealand we are planning to spend \$31 million. This figure includes the capital work in progress, which represents the fleet built throughout the year for the New Zealand high season.

[Slide]

We expect capital expenditure for the year to be no higher than \$80 million. With \$60 million of fleet sales and depreciation of \$35 million. Therefore net cash proceeds from fleet of \$15 million.

[Slide]

New Zealand Rentals Merger:

I wasn't part of the business when the decision was made to conduct the merger last year. But it was the right move. The results are evident, positive and clearly justify the decision.

The commitments made to shareholders have been achieved. The focus is now on the next stage of the improvement strategy and making the most of the summer high season.

There is a positive sentiment in New Zealand tourism at present and the opportunity exists for the business to make the most of the recovering markets and new markets. Grant will cover these points later.

[Slide]

I would like to take some time now to discuss my impressions of the business and then discuss how it will operate moving forward.

I was happy to join the board of **thl** because I believe it is a company that has a lot of potential.

As I have already mentioned, the downside is that the company has an unacceptably poor ROFE record in its core business. This needs to substantially improve and quickly.

The board is very focussed on improving our record and we will make decisions accordingly. The board is challenging the business to deliver acceptable returns across all areas and change the business model as much as required to get it right.

We will deliver a proper commercial return of funds employed and we will do so no later than the end of the 2014/15 financial year.

To comment on the individual business units:

[Slide]

The US is a star at the moment and we thank Daniel and his team for how they are delivering. We will continue to assess what is next for that business whilst ensuring we protect the current returns.

The New Zealand rentals business is better positioned than it was pre-merger. There are more cost synergies and efficiencies to be extracted and the business needs to perform well in the peak season to deliver the returns we target.

The Australian rentals business is in a very difficult position at present. The current change plan is working in several areas although we are requiring management to increase the rate of change and bring forward the recovery plan, which has at its heart a reduction in funds employed. This business offers the biggest opportunity for improvement. Urgency and action are the catch cries.

The Tourism businesses are in reasonable shape. Both the Waitomo Group and Kiwi Experience have opportunities to grow further and Waitomo in particular has fantastic operating leverage. We need to improve how we market these products and will continue to take advantage of the way they resonate with tourists in growth markets such as China.

Finally manufacturing; this is a part of the business which you could argue is not core to **thl**. The board's current view is that we will continue the manufacturing joint venture. However it must meet commitments to **thl** about the capital it will return to us over the coming 18 months and the profit it will make.

We will hold the business accountable to those expectations. Manufacturing must deliver the right product for this market at a globally competitive price and must do so promptly. Grant Brady as Managing Director of this business has the experience, ability and commitment to achieve these goals. The board is confident we will be able to report a more positive half-year result in February.

[Slide]

How the business operates:

I have been impressed by many aspects of the business. I also acknowledge that over the past few years the economic environment has not been helpful and the effects of this has been exacerbated by the lack of flexibility in the business model, notably the inability to quickly match capacity to demand. This continues to be one of the key strategic challenges.

As a new leader of the board I have the benefit of a fresh view on the business. I can see what I believe is working and what needs more development. Standing here today I can see a business starting to benefit from some positive strategic moves over the past couple of years. Importantly I also see a business with a clear understanding of the renewed demand from the board and shareholders for improved results. Accountability on a group and personal level is a theme Grant has discussed with the leadership team and I endorse that focus 100%.

[Slide]

I would like to move on to the board and how we will operate into the future.

We are, in my view, well prepared for the next challenges facing this business. On the board we have a good mix of experience and new thinking. Three of us have been here for just on a year or less and we look forward to utilising the experience of the longer-serving directors Graeme Wong and Graeme Bowker for the first stage of the next step for the business.

We are still in the process of recruiting one more director to replace Keith Smith on his retirement today and we will review in the new year what further changes may be appropriate. An obvious requirement is for greater depth of board marketing experience. We are also acutely aware of the need to move to a leadership position in the online and new media space and you can expect this to be reflected in board composition.

As the new chairman for **thl** I will also detail for you some of the mechanics of the board and the way in which we protect and manage your investment. Whilst some of these points may seem obvious they also may not.

From a structure perspective the board has two formal sub committees.

The Audit and Risk Committee

Graeme Bowker leads this committee. Today, arguably more than ever before, the role of risk management in business is paramount. This includes everything from customer and crew safety to strategic risk management and ensuring a proactive culture directed at achieving sustainable returns.

The Remuneration and Nomination Committee

Graeme Wong has recently accepted the role of chairman of this committee and will work closely with Kay Howe and David Neidhart. This committee is focused on the engine room of the business – the crew, both at a board level and across the business. It seeks to ensure crew engagement.

The board meets a minimum of nine times per year in person with a minimum of three conference call meetings and a range of other calls as required. I am currently reviewing the information flow and decision making processes and will bring forward some proposals to the board in the new year. All directors will be actively engaged.

The meetings over the coming year will be held at a number of the operating businesses including the Australian support centre in Melbourne, Auckland rentals and the Vehicle Sales Super Centre in Albany. Even at a board level there is no substitute for being in the business.

Within each of those meetings we also ensure we have good exposure to the leadership teams throughout the year.

From a personal perspective I have an active interest in the company and I am in regular contact with Grant as CEO, often during the week (he may feel too often!) with more formal meetings monthly covering a wide range of business topics.

Strategic planning for the business is always important and this year we focussed on today's imperatives with an eye to the future. The direction is simply as indicated earlier. Keep going where we are performing well and get the growth required in the areas that need it - with urgency.

I would hope today that you understand we have some simple messages this year.

We are here today to make some firm commitments on returns, be clear about the security of our balance sheet and give you, our shareholders a baseline expectation for business performance.

[Slide]

The last area I would like to cover off before handing over to Grant is the outlook.

Based on where we are today we expect Operating Profit Before Interest and Tax (EBIT) for the half year to be \$6.6 million up \$1.3 million on the same period last year. NPAT is expected to be \$2.0 million up \$2.5 million on last year.

Importantly we consider there are no significant one off gains or losses to be included in this result and this is an indication of the progress we have made getting **thl** in shape. There is no reason in today's environment why shareholders should not regard this outlook as a sustainable minimum.

From a full year perspective it is unrealistic to provide clear guidance at this time. However by February when we release our half year result we will be well into the Australian and New Zealand high season and will provide an outlook statement at that time.

We expect the second half to produce the following:

- US will be slightly down on last year's phenomenal second half result
- New Zealand will show strong merger related growth
- Australia will show continuing cost improvements
- Growth will continue to accelerate at the tourism businesses
- RVMG will continue its positive improvements

Debt remains a critical focus for the board. We have a target net debt at the half year of no more than \$110 million. Fleet renewal and sales will both be monitored carefully to ensure we achieve this target.

As a result you can see that based on all that we know today we will continue to pay dividends and we expect to increase the dividend in the 2014 calendar year. Confirmation of the interim dividend payable in March will be made in late February with the results release.

So in summary, NPAT and dividends will increase and debt will come down. Return on funds employed will increase.

I will now move on to Grant's update and then we can take questions on both presentations before moving on to the formalities.

[Slide]

Thanks Rob.

As you heard from our new chairman we have clear expectations for the future of the company.

I will keep my presentation brief today and cover some salient points about each business and provide a short commentary on some of the key market dynamics.

[Slide]

Let's start with the US.

The results speak for themselves. Given the high season for FY14 has just ended we can confidently say that we are on track for another strong performance from the US business.

We launched the Britz brand in the US this year and it is now taking bookings. Britz in the US enables us to leverage the strong awareness for the brand in Australia and New Zealand, both of which can generate growth for the US business. It also provides a price fighter product and brand where required and enables us to test different product mixes without affecting the premium positioning of the Road Bear business.

I am pleased Daniel is with us today. On top of the strong business performance Daniel has also been focussed on the growth of his team and building the capability of his chief operating officer in particular.

In short FY13 was a stellar result with vehicle sales well above expectations. FY14 will therefore be similar albeit with more normalised vehicle sales.

[Slide]

Moving on to Australia.

This is a work in progress and a tough one at that. We have continued to reduce costs, but we have not been able to keep pace with the revenue decline. Trading conditions are difficult. The funds employed reduced \$21 million throughout FY13 and we are on track to reduce funds employed again in FY14.

We will turn this business around over the coming 12 months. I am more than pleased with the progress of our new general manager Matt Harvey. We have confidence the cost out plan is working and we will be leaner and more competitive very shortly.

On the screen you can see the logos for a new product we have launched with the largest youth market travel operator in the world STA. The Campaflex product has new rules and a new way of marketing in line with the strategic positioning of STA.

It allows tourists to pre purchase a 30, 40 or 50 day pass and use it in chunks, subject to some rules. Whilst not a completely new concept, this particular product is exclusive to *thl*. It creates barriers to entry and lifts pre-departure purchases from the youth and working holiday visa market, which is very strong in Australia.

This is the kind of thinking we need for Australia – disruptive positive products to improve profitability.

[Slide]

Moving on to New Zealand.

Rob covered the core focus and it's simple:

- Deliver the next step in cost synergies.
- Maximise the benefit of a turnaround in New Zealand tourism by improving revenue.
- Deliver exceptional customer service to protect our market share.

The business is focussed, energised and thankfully busy.

[Slide]

The Tourism businesses are also improving this year. The new coach contract for Kiwi Experience has enabled us to consolidate the Magic bus business into Kiwi Experience and we are seeing some positive cost synergies as a result. Kiwi Experience turns 25 next year and remains a highly sought after youth product.

Waitomo Glowworm Caves heads into its 125th year of operation in 2014 and we will be driving promotional activity both domestically and internationally much harder to reinforce the iconic nature of the caves. The business remains well positioned to benefit from the growth in Chinese arrivals to New Zealand.

[Slide]

Finally from a divisional perspective our joint venture business RV Manufacturing Group.

RVMG is right back on track and delivering a good quality product with significantly improved productivity and systems. Moving the manufacturing facility from Hamilton to Auckland has taken its toll, but we are well past that pain now.

We must continue to benchmark ourselves against product from around the world to ensure **thl** has a competitive advantage. Action Motor Bodies business is also positioned well for growth.

[Slide]

Moving on to market outlook.

The core markets for **thl** are still in recovery mode and showing some positive growth indicators in general. China however has advanced tremendously over the past 12 months and is offering new opportunities for businesses that offer services to foreign independent travellers such as campervan operators. No longer is China just a growing premium and group tour market.

[VIDEO]

Let's have a quick look at a video which was created in conjunction with the Holiday Parks Association of New Zealand for our Chinese visitors.

[Slide]

The opportunity for China to be in the top 5 markets for bookings in our business is real and now expected.

When and how are the questions? Travel law changes eliminating loss making group shopping tours which came into force in China on October 1st are a significant catalyst for self-drive product growth.

Recently **thl** was the lead sponsor for the launch of the RV industry in Shanghai in conjunction with the newly formed Shanghai RV Association. Whilst we are only providing support and information to the industry in China we see the creation of the industry domestically as an important driver of outbound demand over time.

We also have the opportunity to share our manufacturing intellectual property in China and with the right representation will gain greater benefits from the China based procurement opportunities across the business.

[Slide]

The New Zealand Tourism 2025 team recently released this graph which tells a compelling story about the Chinese market.

We are fortunate that at present the seasonality of the Chinese traveller is slightly different to the peak season for New Zealand. What this graph shows is that within 10 years based on the current growth projections the Chinese market will add another month's peak season to the industry.

This is compelling. Most New Zealand tourism businesses only make money in three or four months of the year. To add one more month to the peak season leverages the infrastructure and should transform the return on funds employed in the industry.

We are ready and driving this change. It is more than realistic to expect that in a few years' time we will have the same number of bookings from the Chinese market as we do from the UK today.

[Slide]

From an outlook perspective Rob has detailed the results expectations. We have confidence based on the work completed to date that we are on track with these results.

[Slide]

Finally in summary we have a large array of key projects and tasks at present as we continue to challenge what we do, listen to your feedback as investors and challenge ourselves and the markets in which we operate to improve results and performance.

The culture in **thl** continues to develop as well. The sense of both group and personal accountability is clear to deliver on our commitments.

The crew work hard and many are heading into what will be our busiest season in New Zealand ever. I would like to take this opportunity to thank them all.

I will now pass back to the chairman.

Thanks Rob.

[Slide]

Thanks Grant.

Now moving onto today's agenda items. I now invite questions and comments from the floor to discuss the annual report for the year to 30th June 2013 including the financial statements and the presentations we have given today.

Remote microphones are available and if you wish to speak please raise your admittance card; someone will bring a microphone to you. When you do speak if you could tell us your name and whether you are a shareholder or proxy holder first, that would be helpful.

Are there any questions or comments.

[Q&A]

[Slide]

There being no further questions I would now like to move onto the formal items of business.

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 are eligible, they may offer themselves for re-election by shareholders at the annual meeting.

As I mentioned earlier Keith Smith (who was due to retire by rotation at this annual meeting) is retiring from his position as a director of the company after 15 years and is not offering himself for re-election. His resignation will take effect from the conclusion of the annual meeting.

[Slide]

As indicated we are operating a poll vote for all resolutions today. Eligible shareholders or proxies have been given a voting card. For each resolution you will need to tick the box indicating whether you are voting for or against the resolution, or abstaining. Link 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 votes received prior to the meeting. PricewaterhouseCoopers are acting as scrutineers and once the results of the resolutions have been confirmed, these will be announced to NZX.

Moving on to the resolutions.

[Slide]

Resolution 1

Graeme Bowker is retiring by rotation, and, being eligible, offers himself for re-election.

I will now ask Graeme to speak briefly.

[Graeme speaks]

Thank you Graeme.

Are there any questions for Graeme? If no questions, could you please cast your vote on your voting card in relation to Resolution 1.

I will now ask Graeme Wong to the lectern to present Resolution 2.

Thank you Rob.

[Slide]

Resolution 2

Rob Campbell is retiring from office, and, being eligible offers himself for election.

I will now ask Rob to speak briefly.

[Rob speaks]

Are there any questions for Rob? If no questions, could you please cast your vote on your voting card in relation to Resolution 2.

I will now pass back to Rob to move through the rest of the resolutions.

[Slide]

Resolution 3

David Neidhart is retiring from office, and, being eligible offers himself for election.

I will now ask David to speak briefly.

[David speaks]

Are there any questions for David? If no questions, could you please cast your vote on your voting card in relation to Resolution 3.

Thank you David.

[Slide]

Resolution 4

PricewaterhouseCoopers is automatically reappointed as auditor under section 200 of the Companies Act 1993. This resolution authorises the board of directors to fix the fees and expenses of the auditor.

Are there any questions in respect of this resolution? If no questions, could you please cast your vote on your voting card in relation to Resolution 4.

[Slide]

Resolution 5

As per the notice of meeting the board would like to provide the directors with the opportunity to be issued shares in lieu of directors' fees. As noted in the Notice of Meeting, no increase in the aggregate directors' fees is being sought at this meeting.

Please note that, in accordance with the NZSX Listing Rules, each of the directors of the company and their respective associated persons are disqualified from voting on this resolution. If I have been appointed proxy

in respect of this resolution, I can only vote in accordance with the directions of the shareholder giving the proxy and may not exercise a discretionary vote.

The resolution is that the maximum aggregate amount of remuneration payable to all directors taken together (in their capacity of directors) be maintained at the amount of \$450,000 per annum, which may be payable in whole or in part by way of an issue of ordinary shares in the company provided that any issue is made in accordance with NZSX Listing Rule 7.3.7.

Are there any questions in respect of this resolution? If no questions, could you please cast your vote on your voting card in relation to Resolution 5.

The voting cards will now be collected and counted by Link and once scrutinised by the auditors, the results will be released.

[Slide]

General business

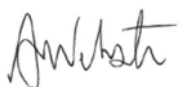
Are there any items of general business that haven't previously been covered within the meeting that shareholders wish to raise?

There being no other matters of business, I thank you for your attendance and I now declare the meeting closed and invite you to share some light refreshments with us.

END

A handwritten signature in blue ink, appearing to read 'Rob Campbell'.

Rob Campbell
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