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11 June 2020

**MEDIA | NZX RELEASE**  
**TOURISM HOLDINGS LIMITED (*thl*)**

**GENERAL MARKET UPDATE**

*thl* today provides an update on recent trading and general developments within each business.

**Summary**

- An improvement in domestic rental booking activity as lockdown restrictions begin to ease across the United States, New Zealand and Australia.
- While vehicle sales activity in March and April was low across the globe, due to the various COVID-19 movement restrictions in place, there has been a recovery across all three countries in May and early June - particularly in the United States, where sales in May significantly exceeded expectations.
- Discover Waitomo has partially reopened, with a small tour capacity; Kiwi Experience continues to be in hibernation.
- Net debt as at 30 June 2020 is expected to be \$165 to \$175 million.
- Gross capital expenditure for the year ending 30 June 2020 is expected to be approximately \$110 million.

***Debt, capital expenditure and funding arrangements***

At the time of our interim results in February, *thl* advised that it expected net debt as at 30 June 2020 to be \$135 to \$145 million. Given the significant and immediate impact of COVID-19 on revenue across all businesses, *thl* now expects that net debt at 30 June 2020 will be approximately \$165 to \$175 million. This change reflects *thl*'s operating losses for the period and the shortfall in vehicle sales proceeds against previous expectations, prior to COVID-19.

We expect gross capital expenditure for the financial year ending 30 June 2020 will be approximately \$110 million. Vehicles to the value of approximately US\$21 million, that were committed to in September 2019 and paid for in January 2020, have recently come on to the fleet in the United States.

*thl* is currently determining its capital expenditure for the year ending 30 June 2021; however, this is expected to be substantially lower than capital expenditure in the current financial year.

Self drive Experiences	Design & Manufacturing	Guided Experiences
New Zealand	New Zealand	New Zealand
Australia	Australia	
USA		
UK		



**thl** is in discussions with its banking partners regarding ongoing funding arrangements, including a new covenant package reflective of the risks in the current trading environment. We expect to have finalised arrangements in place prior to 30 June 2020 and will provide an update when concluded.

### ***Vehicle sales***

Globally, we have remained focused on vehicle sales in order to reduce fleet size, to align with the lower rental demand environment and to generate proceeds to support our operational costs. During March and April, vehicle sales activity levels were low across the globe, as the various COVID-19 movement restrictions were in place; however, we have experienced a recovery across all three countries in May and early June.

### ***United States***

Vehicle sales demand in May has significantly exceeded expectations in both retail and wholesale channels. In total, 154 vehicles were sold, compared to 100 in the prior corresponding period (**pcp**), with improved margins in both channels. Seventy-two (72) vehicles were sold through retail, supporting a strong improvement in total average sales margin compared to the pcp, in which only 32 vehicles were sold through retail. Consistent with recent market commentary from other operators in the United States' RV industry, we believe that the improvement in retail demand is attributable to the growing attractiveness of the RV travel as a category, as well as the restrictions on international travel. We believe that the increasing demand in the wholesale channel is attributable to relatively low inventory levels at dealers and the recent production shutdown by major RV manufacturers.

We expect that the strong demand for vehicles in the United States will continue to the end of the current summer season, while RV manufacturing activity and new RV shipments begin to recover slowly. It is not clear at this stage whether the increased demand environment will be a continuing trend.

### ***New Zealand***

In New Zealand, there were a number of deliveries in May that were unable to be processed under alert level 4. Sales and enquiries have recovered, following limited activity in April. Vehicle sales volumes in May exceeded the pcp by 22%, while average sales margin was down by 35%, largely driven by mix. We expect the positive momentum in vehicle sales to continue in June for the end of our financial year.

### ***Australia***

Vehicle sales in Australia in May also exceeded our expectations for the current environment, with a positive level of activity and interest experienced at our direct retail sales channel RVSC, as well as within our wider dealer network. In May, vehicle sales volumes were down on the pcp by 16%, while average sales margin was down by 14%.



## ***Rentals***

In general, we have experienced an increase in domestic booking activity, as lockdown restrictions have begun to ease across New Zealand, Australia and the United States.

### *United States*

We have experienced strong growth in domestic rental bookings over the last month, as the United States' high season nears, with our total bookings intake in recent weeks being at similar levels to the prior year. While domestic bookings in the USA commonly occur very late (within 30 days of the travel date), revenue for forward bookings for the summer months is currently at approximately 60% of total revenue (domestic and international) booked at the same time in the pcp. Approximately half of our current summer bookings have originated from international customers and are, therefore, likely to be rescheduled or cancelled should international travel remain difficult over this period.

During April, a number of contracts were entered into for the provision of motorhomes as temporary housing and as quarantine and self-isolation units. The quantum of revenue generated from these types of contracts will depend on the development and control of the COVID-19 outbreak across the country. Based on our current expectations, approximately US\$5 million will be generated in the United States from this alternative revenue stream.

### *New Zealand*

In New Zealand, we recently launched a 'get moving, to get New Zealand moving' domestic campaign, to which there was an overwhelmingly positive response from New Zealanders. In some vehicle categories, this created demand well in excess of our fleet capacity over the school holiday and long weekend periods. Bookings across the applicable travel period (to 31 October 2020) continue to grow steadily, with our utilisation well exceeding our expectations for a regular low season period.

The discounted rates in the campaign reflect marginal-cost pricing. The purpose has been to save jobs, generate business for struggling regional economies across New Zealand in light of the disruption from COVID-19 and to get New Zealanders interested in motorhome holidays.

Despite the success of the campaign, from a financial perspective the New Zealand rentals business continues to be significantly impacted by the closure of New Zealand's borders as, historically, approximately 90% of customers in this business have been international visitors. Revenue intake from bookings received since the start of March has been approximately 50% below the pcp, with much of this revenue being at no margin under the domestic campaign pricing.



We are supportive of the proposed trans-Tasman travel bubble and, if accomplished, we expect that the bubble would be positive for New Zealand rentals. The Australian market has historically been important for this business, with Australians making up approximately a quarter of all customers.

#### *Australia*

Similar to New Zealand, the Australian rentals business continues to be significantly impacted by the closure of borders and travel restrictions in place. Revenue intake from bookings received since the start of March has been approximately 75% below the pcp.

There has been some recovery in domestic booking activity as intrastate travel has opened. We expect that domestic bookings will continue to recover, particularly once interstate travel restrictions have also been lifted. The domestic tourism campaigns run by a number of states in Australia have been beneficial in creating interest in road trips and motorhomes.

#### ***New Zealand tourism***

On 4 June, the government confirmed that support will be provided for our Discover Waitomo business under the Strategic Tourism Assets Protection Programme (the **STAPP**). The support consists of a \$2 million grant over the upcoming 12 months to partially fund the costs associated with the continued operation of the business. A further \$2 million government loan is also available for the following 12 months, if the business required it.

The Discover Waitomo business partially reopened under alert level 2, with a small tour capacity. As with New Zealand rentals, approximately 90% of customers have historically been international visitors. While New Zealand's borders remain closed, it will be challenging to sustain the operation and to minimise the losses incurred. The support provided by the government under the STAPP will enable the business to remain operational and to avoid moving into hibernation, therefore protecting a number of roles in the business.

Kiwi Experience continues to be in hibernation, due to the significant reliance on international visitors. We expect that this business will remain in hibernation for the foreseeable future.

#### **New Zealand restructuring**

The consultation process for the restructuring in Waitomo, Kiwi Experience and Group Support has now been completed. We are continuing to work through the positive impact of the 'get moving' campaign for New Zealand Rentals and its impacts on people changes.

**ENDS**



**Authorised by:**

A handwritten signature in blue ink, appearing to read 'Rob Campbell', is positioned above the printed name.

**Rob Campbell**  
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About **thl** ([www.thlonline.com](http://www.thlonline.com))

**thl** is a global tourism operator. We are listed on the NZX and are the largest provider of RVs for rent and sale in Australia and New Zealand, and the second largest in North America. In the USA, we own and operate the Road Bear RV Rentals & Sales brand and El Monte RV Rentals & Sales. In the UK, **thl** owns 49% of Just go Motorhomes. Within New Zealand, we operate Kiwi Experience and the Discover Waitomo group, which includes Waitomo Glowworm Caves, Ruakuri Cave, Aranui Cave and The Legendary Black Water Rafting Co. **thl** is a joint venture partner in Action Manufacturing LP, New Zealand's largest motorhome and specialist vehicle manufacturer.