Our Framework for FY21

31 July 2020

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Summary

- Our framework for FY21 is to create flexibility through fleet management, cost reduction and debt reduction
- Our current assumption is that ***thl*** will operate in a domestic-only environment for the majority, if not all, of FY21, but we will retain key capabilities and the ability to efficiently meet demand once international travel flows resume
- Our response to COVID-19 in FY20 has put ***thl*** in a positive starting position to meet the domestic-only market conditions we expect for FY21
- ***thl*** is focused on reducing debt. We have strengthened our balance sheet by achieving debt reduction of approximately 40% since March 2020, and we expect to continue to reduce debt in FY21
- ***thl***'s current operating assumption is for vehicle sales volumes in FY21 that are at least similar to normal pre-COVID levels. We will target higher sales volumes where possible. Management's expectations are for an up to 30% reduction in fleet size in FY21
- We expect to grow the domestic market in New Zealand, Australia and the United States, however replacing international bookings with domestic bookings will not provide the same level of returns due to the nature of the domestic market
- In the absence of a major deterioration in operating conditions, we expect to remain cash flow positive throughout FY21, mainly underpinned by vehicle sales

thl's response to COVID-19 in FY20

A range of cost reduction initiatives

Cost reduction

- Significant cost reduction programme involving:
  - Variable costs moving down effectively with volume reductions
  - Lowering of labour expense to match staff numbers with activity levels and utilisation of Government support packages
  - Temporary rent reductions on certain properties
  - Temporary director and executive compensation reductions (until August 2020) and executive salary freeze in FY21
- Flexibility to return to sustainable operations as market conditions change
- Notwithstanding, there are a number of fixed costs which will continue to accrue despite lower volumes
- Whilst the costs indicated for April and May include the benefit of Government subsidies, they are broadly indicative of the cash burn in our business in a worst case scenario

1 April – 31 May	FY20	FY19	VAR %
Labour costs	$6.1M	$14.5M	-58%
Property costs	$1.9M	$2.7M	-29%
Other overhead and operating costs	$6.5M	$17.4M	-63%
Total costs	**$14.5M**	**$34.7M**	**-58%**

Costs were cut significantly during the respective lockdown periods in April and May 2020

thl's response to COVID-19 in FY20

Fleet management and cash preservation initiatives

Net debt of $197 million as at 24 March 2020 was reduced by $64 million to approximately $133 million[1] at 30 June 2020

1 April – 30 June	FY20	FY19	VAR %
Vehicle sales revenue	$53.4M	$39.6M	35%
Rental and services revenue	$43.2M	$99.0M	-56%
Total revenue	**$96.6M**	**$138.5M**	**-30%**

Fleet management

- Managed reduction in fleet levels to meet dual objectives of:
  - Right sizing fleet for anticipated near-term post-COVID activity levels; and
  - Monetising inherent value of fleet asset base to drive debt repayment
- Significant reduction in debt driven by strong vehicle sales in Q4 FY20

Cash preservation and capital management

- Cancellation of non-committed fleet capital expenditure
- Kiwi Experience business (largely reliant on European backpacker market) in hibernation until market conditions improve
- Cancellation of FY20 interim and full year dividend
- Received support from banking partners by concluding new funding arrangements and determined that ***thl*** did not need to raise additional equity at that time

[1] Preliminary result subject to audit and finalisation of FY21 financial statements.

Our framework for FY21

The framework: Create flexibility through fleet management, cost reduction and debt reduction

- Globally, the RV rental market has been materially affected by the implementation of travel restrictions due to COVID-19 with the focus now turning to emphasising and encouraging domestic tourism in the near-term as international travel remains subdued
- ***thl*** faces different circumstances and operating environments and has therefore tailored its strategy in each country to best respond to the expected environment in FY21 in that region
- We are operating under the current assumption that ***thl*** will operate in a domestic-only environment in all operating jurisdictions for the majority, if not all, of FY21
- However we are mindful of retaining key capabilities and resources within the business and the ability to efficiently meet demand when international travel flows resume
- Without the international market, ***thl*** expects that it has approximately 35 – 45% excess fleet capacity on a global basis
- Given recent strong sales activity, ***thl***'s current operating assumption is for vehicle sales volumes in FY21 that are at least similar to normal pre-COVID levels. We will continue to target maximum achievable vehicle sales and remain open to opportunities for large-scale wholesale transactions:
    - New Zealand sales assumption for FY21: Approx. 500 – 800 vehicles
    - Australian sales assumption for FY21: Approx. 200 – 350 vehicles
    - USA sales assumption for FY21: Approx. 800 – 1,200 vehicles
- Additional capacity at rentals branches will be utilised by re-purposing the sites for vehicle sales and servicing, both of which are aimed at the domestic market
- ***thl***'s significant cost reduction programme has reduced its cost base to a more sustainable level for the market conditions in FY21
- This combination of debt and cost reduction is the prudent approach in the context of uncertainty in FY21, and provides ***thl*** with the flexibility to efficiently respond to the recovery of the Trans-Tasman or global markets

New Zealand rentals and sales

New Zealand

- Historically, approximately 10% of rentals customers are domestic
- We are targeting an increase in the number of domestic bookings in FY21 **in excess of 5 x normal levels**
- The 'get moving to get New Zealand moving' campaign has achieved unprecedented brand exposure and ensured greater than normal utilisation for Q1 FY21, where utilisation would otherwise have likely been very low
- The vehicle sales market has generally held up, with potential new customers given the reduction in substitute travel products
- Pivoted the business towards the domestic-focused vehicle sales and servicing markets, while reducing fleet size
- Use of partnerships to increase vehicle exposure, driving sales and rentals – our partnership with the Top 10 holiday parks network has created 10 new pop-up branches as associated parks
- Following the initial government assistance provided by ***thl*** for quarantine accommodation, efficient minimisation of the pandemic has meant limited opportunities for further COVID-19 revenue

Australia rentals and sales

Australia

- Historically, approximately 40% of rentals customers are domestic
- We are targeting an increase in the number of domestic bookings in FY21 of between **2 – 3 x normal levels**
- The large domestic population presents a good domestic rentals opportunity – as the Australian outbound tourism market is usually larger than inbound tourism[1]
- Greater volatility in rentals with second COVID-19 wave underway and uncertainty regarding timing for ease of intrastate and interstate travel restrictions
- As such demand is recovering at different rates by state, reflective of the COVID-19 situation within each state
- The vehicle sales market has generally held up, with potential new customers given the reduction in substitute travel products
- Labour expense is currently in the process of being reviewed given the latest changes to the JobKeeper scheme announced on 21 July

[1] 'Restarting tourism… a look at a Trans-Tasman bubble', Deloitte, 4 June 2020.

USA rentals and sales

United States

- Historically, approximately 45% of rentals customers are domestic
- The USA's large domestic population combined with a strong RV culture presents the greatest domestic rentals opportunity of all our markets – but there is risk given the ongoing and severe COVID-19 presence and travel quarantine measures
- Based on recent performance, we consider that there is potential for a greater number of bookings in FY21 (domestic only) compared to a normal year (international and domestic). However total revenue and hire days, and therefore returns, would still likely be lower than normal due to the nature of the domestic market – see next slide
- Maximising the opportunity in the vehicle sales market resulting from increased demand due to travel category shift to RV and a shortage of supply from manufacturers
- Some competitors are undertaking significant re-structuring to manage costs, lower capital expenditure, and preserving cash and hibernating in certain locations, presenting potential opportunities for ***thl***
- FY21 fleet capital expenditure has not been finalised and will be based on vehicle sales performance. We will seek to retain maximum optionality, whilst remaining mindful of the normal lead time for new fleet purchases[1]

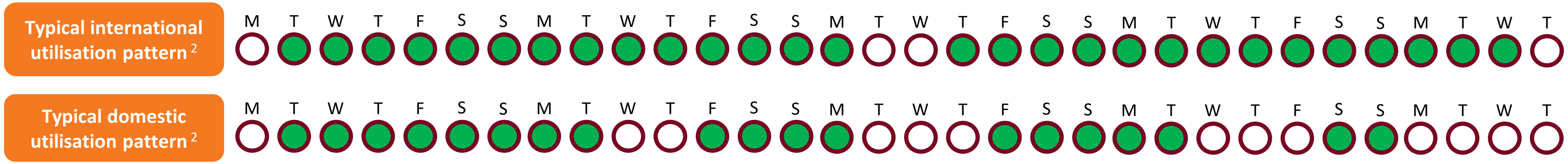
[1] Capital expenditure subject to bank approval under ***thl***'s banking facilities.

Limitations of the domestic market

- Replacing international bookings with domestic bookings will not provide the same level of returns given a number of factors:
  - Domestic bookings are often clustered around the same periods – long weekends and school holidays
  - Domestic bookings are usually at a lower yield (most notably in New Zealand) as the customer is generally unwilling to pay the same premium during peak periods – they have the option of using their personal vehicle at no cost and staying at hotels/motels
  - Domestic bookings are on average 60% shorter in duration than international bookings
- It is more challenging to maintain a steady, high utilisation[1] in the domestic market
- Domestic utilisation comes at a greater operational cost as it involves more pick ups, returns and vehicle preparations being required to service the same number of booked days compared to the international market

Historical domestic customer split, fleet utilization and seasonality

	Q1 (July - September)	Q2 (October - December)	Q3 (January - March)	Q4 (April - June)
Rentals - New Zealand	▪ Domestic customers: ~15% ▪ Utilisation: ~40% ▪ Low season	▪ Domestic customers: ~5% ▪ Utilisation: ~70% ▪ High season	▪ Domestic customers: ~5% ▪ Utilisation: ~80% ▪ High season	▪ Domestic customers: ~20% ▪ Utilisation: ~40% ▪ Low season
Rentals - Australia	▪ Domestic customers: ~50% ▪ Utilisation: ~70% ▪ Low season	▪ Domestic customers: ~30% ▪ Utilisation: ~70% ▪ High season	▪ Domestic customers: ~30% ▪ Utilisation: ~80% ▪ High season	▪ Domestic customers: ~55% ▪ Utilisation: ~70% ▪ Low season
Rentals - USA	▪ Domestic customers: ~40% ▪ Utilisation: ~70% ▪ High season	▪ Domestic customers: ~75% ▪ Utilisation: ~33% ▪ Low season	▪ Domestic customers: ~60% ▪ Utilisation: ~30% ▪ Low season	▪ Domestic customers: ~50% ▪ Utilisation: ~60% ▪ High season



[1] Utilisation is an internal measure reflecting the amount of hire days booked relative to the total number available.
[2] Booking pattern for a single vehicle for one month, with green representing booked days. Diagram is for illustrative purposes only and is not reflective of expected utilisation or booking durations.

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Phases in *thl's* recovery roadmap

Lock-down period → **FY21, depending on demand outcomes and seasonality** → **Target once international tourism resumes**

Cash burn

- Minimal revenue through the April 2020 lockdown period
- Key objective was to reduce cash outflow through cost reduction initiatives undertaken in Q4 FY20 and use of government support initiatives[1]
- Sought to reduce semi-fixed costs by reducing group support capacity, seeking temporary rent relief and re-negotiating lease terms

Sales proceeds facilitate positive cash flow

- Use of sales proceeds to fund operating losses and reduce debt in May and June 2020
- Vehicle sales to right-size fleet as appropriate within each country, reflective of the domestic rental opportunity and COVID travel risk
- Continued reduction of semi-fixed costs
- Limited fleet replenishment, in line with the domestic rental opportunity and quantum of vehicles sold

Rental revenue facilitates positive cash flow

- Profitability within certain business units during high season months
- Vehicle sales to align with fleet replenishment or to allow for limited fleet growth if the rental market experiences a steep recovery

Group profitability and growth

- Fleet right-sized globally
- Re-commence normal fleet replenishment in all countries
- While timing of this is highly uncertain, the opening of international borders on a large scale should accelerate permanent return to this recovery phase
- Seek to improve market share relative to pre-COVID position as some participants exit and ***thl***'s balance sheet strength compared to key competitors provides an ability to grow fleet earlier
- Return on funds employed remains a key focus

[1] See market announcements on 20 March 2020 and 3 April 2020 for further information.

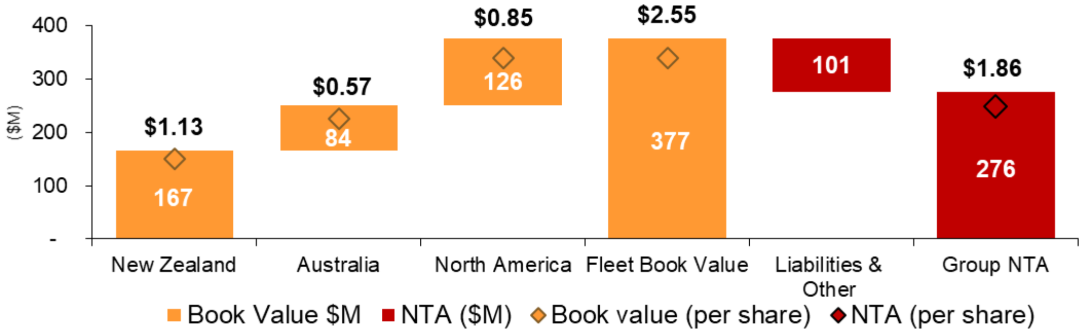
Fleet size and capital management

Management’s expectation of fleet size in FY21

Number of fleet	New Zealand	Australia	USA	Group
Estimated FY20 fleet size	2,500	1,400	1,950	5,850
Committed FY21 purchases	140 - 170	160 – 220*	0	300 – 390
Estimated additional FY21 purchases	0	0	400[1]	400
Target FY21 sales	500 – 800	200 – 350	800 – 1,200	1,500 – 2,350
Estimated FY21 fleet size	**1,840 – 2,170**	**1,210 – 1,420**	**1,150 – 1,550**	**4,200 – 5,140**

** Includes 90 buyback vehicles*

Fleet book value [2] (as at 30 June 2020)



- As at 30 June 2020, ***thl*** had a fleet book value of ~$377m,[2] which underpinned its gearing ratio of 43%.[2]
- Management’s expectations are for an up to 30% reduction in fleet size in FY21
- Given ***thl***’s focus on renewing fleet over the last three years, the increase in average fleet age resulting from limited to no new fleet expenditure is not anticipated to impact ***thl***’s product offering and customer value proposition
- ***thl*** has experienced, and is expected to continue to experience, positive average gains on vehicle sales, meaning:
  - ***thl***’s debt-to-equity ratio would reduce by selling fleet and applying 100% of the proceeds to debt reduction; and
  - vehicle sales at an average positive gain on sale will contribute to improving net tangible assets
- ***thl***’s starting equity position, together with its fleet and debt reduction strategy, places it in a strong position to undertake fleet capital expenditure as global tourism recovers[3]
- Using vehicle sales as a monetisation lever is a reflection of ***thl***’s flexible business model and benefit of ***thl***’s reasonably liquid asset backing
- Committed fleet capital expenditure expected to be incurred in FY21 is approximately $17 - $25 million[4], plus a further $8 million of buyback expenditure
- We will continue to target maximum achievable vehicle sales and remain open to large-scale wholesale transactions. Any such transactions would be in addition to the indicated target sales numbers

[1] Indicative figure only and not currently committed capital expenditure. Subject to bank approval as required under ***thl***’s facilities

[2] Operational numbers without potential year end, non-cash, consolidation or abnormal adjustments (e.g. impact of TOGO transaction which would lower tangible assets, and potential impairments). Fleet book value includes inventory and excludes WIP. Debt-to-equity ratio is debt / debt + equity ratio (net of Intangibles)

[3] Subject to bank approval as required under ***thl***’s facilities, and dependent on market demand and vehicle sales performance

[4] Quantum of commitment not finalised and may be subject to change

Action Manufacturing

- People changes completed at the Albany manufacturing facility and site has been partly repurposed in line with the ***thl*** focus on vehicle sales and servicing in New Zealand
- Temporary rent relief secured at Albany and Hamilton sites
- Positive signs in the commercial and emergency services manufacturing market, particularly in the Government sector:
  - Successful tender with the New Zealand Defence Force
  - Successful tender with the New Zealand Police
  - Successful tender for large projects with various New Zealand District Health Boards, with discussions underway for further projects
  - Successful tender with Queensland Ambulance Service
  - Extension of existing contract with St John New Zealand Ambulance

People and experience

- Chief Operating Office role currently under review
- Executive recruitment process underway for the Chief Financial Officer role becoming vacant in October 2020
- The ***thl*** Executive team has significant experience in the RV industry with the combined skills and experience to lead ***thl*** through the upcoming period and recovery
- Across the 12 people in ***thl***'s broader Executive team, there is an average length of service exceeding 10 years
- We would like to acknowledge all the dedicated ***thl*** crew that are, or have been part of ***thl*** throughout these challenging times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