Letter from the Chair & CEO

FEBRUARY 2024

> We are confident about ***thl***'s growth opportunities and have reiterated our target of $100M in NPAT in FY26.
>
> CATHY QUINN ONZM – CHAIR

Letter from the Chair & CEO

Dear Shareholders

On behalf of the Board, we present the financial statements for the half-year ending 31 December 2023. During this period, ***thl*** delivered net profit after tax of NZ$39.7M, an increase of 58% over the prior corresponding period (pcp), which included one month of trading from Apollo due to the merger completing on 30 November 2022.

We consider that we are in a strong position today. We have made significant progress on the integration of the merger, realisation of synergies and are managing a large change programme positively whilst organically growing the business with the recovery of international tourism. We are being responsive to broader market conditions, in particular the vehicle sales market and managing our fleet investment decisions.

Two clear trends through our results have been the outperformance of rentals on a global basis and ongoing volatility in vehicle sales. Sales margins are normalising following an elevated period, in line with the commentary we have provided over the last year.

We are confident about ***thl***'s growth opportunities and have reiterated our target of $100M in NPAT in FY26.

Business performance

Our rentals businesses in each market performed well during the period, supported by strong rental yields that saw good growth in most markets.

The Road Bear, El Monte and CanaDream teams in North America operated with a positive 2023 high season, achieving growth in hire days, peak rental fleet and average rental yields (although the yield growth in the USA was nominal). The USA attributed most of its growth to greater domestic activity, whereas Canada saw a greater proportion of international customers than in recent years. The UK business, which operates on the same high season in the Northern Hemisphere, also had a strong rental season with revenue and yield growth.

The 2023/2024 high season in Australasia has also been positive to date with good rental yield growth achieved. New Zealand in particular achieved a strong year-on-year lift, as the prior year saw a shorter booking lead time with borders opening only some months out from the high season. Australian rentals grew tourism bookings however rental revenue in that market remained stable as the division had the benefit of ~A$5M in revenue in the pcp related to the NSW floods.

International tourist arrivals remain well below pre-pandemic levels with recent data from the UN World Tourism Organization indicating that international tourist arrivals to Oceania in 2023 were only at 74% of 2019 levels. This presents a positive growth opportunity for our rentals business in this region over the coming years with expectations that international tourism arrivals return towards pre-COVID levels and we continue to grow our fleet to service this additional demand.

Our overall result was impacted by the ongoing challenges in the global vehicle sales market, which are also evident across the broader automotive retail market. This is the area of our business that has been

NET PROFIT AFTER TAX

INCREASE OF

NZ$39.7M = 58%

more sensitive to the current economic uncertainty and the high interest rate environment and while initially limited to the North American market, is increasingly impacting demand levels and sales volumes in other sales markets.

The sales margins achieved in recent years are continuing to normalise as we sell a greater proportion of ex-fleet vehicles purchased at higher costs originally. We have been clear for some time that this will eventuate, and the reductions that we are seeing are in line with our expectations. We continue to achieve gross profit margin ratios ranging from ~11% to ~20% in most markets, with New Zealand an outlier that continues to achieve elevated margins over 35%. The normalisation of margins will continue to be offset by the benefits of synergies and the growth of our fleet, enabling us to achieve our overall growth targets.

Action Manufacturing has delivered a record half-year result with growth in external revenue of 55%. Our Tourism businesses, Discover Waitomo and Kiwi Experience have also had a record first half, leveraging the recovering Tourism market in New Zealand. In particular, Waitomo benefitted from the additional travellers related to the Women's FIFA World Cup jointly hosted in New Zealand. Positively, Action Manufacturing and the Tourism division are on track to deliver record full year results in FY24.

Dividend

We have declared an interim dividend of 4.5 cents per share, 100% imputed and 25% franked. The interim dividend will be eligible for the ***thl*** Dividend Reinvestment Plan with a discount of 2% available to participating shareholders.

As we previously advised, we expect the split of ***thl***'s annual dividends to be weighted approximately ~30% and ~70% between interim and final dividends. The dividend policy approved by the ***thl*** Board last year remains, targeting a pay-out ratio of 40 to 60% of ***thl***'s underlying net profit after tax.

INTERIM DIVIDEND

4.5cps

"

A significant amount of effort has gone into the integration project over this period as we now well and truly operate as a single, global organisation. We are on track to deliver our original scope of $27 to $31M in annual cost-out synergies ahead of original expectations.

GRANT WEBSTER – CEO

Capital management

Net debt on 31 December 2023 was $403M and represents a net debt to EBITDA ratio of ~2.1x on a trailing 12-month basis. We continue to invest in growing our fleet as the demand for rentals recovers. Our closing rental fleet of 7,366 vehicles on 31 December 2023 represents a 15% increase across the last 12 months. Our fleet investment in H1 is largely reflected in an additional net 500 vehicles in work-in-progress, being vehicles paid for but remaining in the on-fleeting process on 31 December 2023, and therefore excluded from rental fleet figures.

Our total fleet remains well below the combined peak fleet levels of ***thl*** and Apollo, providing a runway for continued growth over the coming years.

Merger integration

The end of this reporting period coincides with the completion of the first twelve months of ***thl*** and Apollo combined. A significant amount of effort has gone into the integration project over this period as we now well and truly operate as a single, global organisation. We are on track to deliver our original scope of $27 to $31M in annual cost-out synergies ahead of original expectations and have a pilot underway for additional North American fleet synergies.

Our integration activity has continued in the period as we have focused on RV product efficiency, IT systems consolidation and addressing the tail end of duplicate spend across various categories. While we expect to achieve our initial estimates early, we do continue to seek out further synergy opportunities to execute on. The largest of these opportunities remains the North American synergies that we believe are achievable by having the USA and Canada businesses operate more cohesively from a fleet management perspective.

CFO update

The recruitment process for the CFO role is ongoing. There is a clear focus on making an appointment that is right for ***thl*** today, which is taking longer than originally planned.

Steven Hall, Deputy CFO, has recently returned to the business in a full time capacity after a period on parental leave.

Current CFO Nick Judd's final day with ***thl*** will be at the end of February 2024 and Steven Hall will operate as Acting CFO from 1 March until the recruitment process is complete.

ESG initiatives

We are proud to say that ***thl*** has been recognised for our ESG efforts as a top three performer in Forsyth Barr's Carbon & ESG Ratings of 58 of New Zealand's best-known businesses listed on the NZX.

We are pleased with our progress on social sustainability with the publication of our first, global Modern Slavery Statement in

RENTAL VEHICLE FLEET

7,366

December 2023. Our Climate & Carbon Strategy has seen a reduction in our Scope 1 and 2 greenhouse gas emissions and a robust assessment of our climate risks and opportunities. However, we recognise that the significant challenge of decarbonising our fleet, given supply-side challenges, still lies ahead and we remain committed to becoming a 'future-fit' business.

M&A activity

We continue to explore acquisition opportunities of varying scales on a global basis. Positively, the acquisition of Camperagent RV in South Australia successfully completed on 31 January and our existing Adelaide retail operations are already in the process of relocating to the site and the rental operations will follow after the high season. Camperagent is an example of an opportunity that makes good business sense by providing a single scale site for all our operations in Adelaide, expanding our sales capability and becoming the leading RV dealership in the region. We will continue to explore such opportunities across the different segments of our business and execute where appropriate.

Outlook

Whilst EBITDA and EBIT continue to track to our expectations, a slower vehicle sales market in H1 FY24 and earlier than expected payments for new fleet have resulted in higher net debt and interest costs.

Our current expectations for NPAT in FY24 is around $75M. Rental demand and yields continue to outperform expectations, which provides some upside potential to this expectation. There also remains a level of uncertainty around retail vehicle sales, which provides downside risk.

While our NPAT expectations are slightly lower than our earlier ambitions for the year, we see FY24 as a transitional year where our earnings composition shifts from the elevated vehicle sales margins of recent years, towards more sustainable rental earnings. All of this is being achieved against the backdrop of a negative macro and global vehicle sales environment.

We reiterate and remain focused on achieving our goal for $100M in NPAT in FY26. We expect that FY26 will see the benefit of stronger rental earnings through a larger global fleet, greater stability in the global vehicle sales market and the realisation of the full synergy benefits from the Apollo merger. While there is some volatility in the near term associated with the vehicle sales market, we believe this will be temporary in nature. Our category of travel is one that has grown in popularity in recent years and which we believe has a positive future. We believe we are positioned very well to make the most of that over the coming period.

In closing, we'd like to thank all our shareholders for their ongoing support and all of our crew across the globe, who work tirelessly everyday to create unforgettable journeys.

Cathy Quinn ONZM
Chair

Grant Webster
CEO