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TOURISM HOLDINGS LIMITED (*thl*)

2022 ANNUAL MEETING ADDRESS

Chair's address – Cathy Quinn ONZM

This is my first Annual Meeting as Chair, and I look forward to working with Grant and my Board colleagues in leading *thl* through the next growth phase as we move forward with the recovery from the pandemic.

Firstly, I must acknowledge and thank Rob Campbell, our previous Chair, for leading *thl* so effectively for nearly 10 years. The important role Rob has stepped into at Te Whatu Ora Health New Zealand reflects his extensive experience and exceptional skill. I would also like to thank Dr. Guorong Qian for his active contribution to the *thl* Board over recent years.

thl has a strong management team and Board of Directors who know the business well. Our focus is on returning the business to profitability and growth in the coming year. It is our aim to reward our shareholders for their commitment to *thl* over the loss period. We appreciate your support for *thl* over this challenging time.

This is a momentous meeting for *thl*. Not only have we reached significant milestones on the Apollo transaction, we believe, with a degree of caution, that the COVID-19 pandemic impacts are now in the rear-view mirror for tourism on a global basis. There may be further outbreaks, but we believe most of the world has decided to live with COVID-19 and operate in a more normal manner. We do not expect to see international border closures again anytime soon.

Economic conditions globally mean there are still headwinds the company faces, including labour shortages, inflationary pressures, and supply chain disruption. In saying that I would note that tourism is likely in a better place relative to other industries. We have been on the floor but have picked ourselves up as an industry. While these global issues may impact on the rate of recovery in FY23, we expect that growth in this business will continue over the coming 12 months, and beyond.

Throughout the pandemic period the business focused on how to protect shareholder value, protect our crew and engage with new customer segments. This continuous focus on what is possible, finding new opportunities and business improvement activities will drive the positive balance sheet position and speed of recovery.

It is noteworthy that *thl* did not raise capital during this period, protecting your investment. This reflects that the balance sheet and debt has been effectively managed by the Board and management team.

The proposed merger will be a historic moment for both companies, from a growth and resilience perspective. The expanded global footprint will create a business which is a leader in the RV category with a global position in rentals and a regional position in manufacturing and sales.

We believe this is a transformational opportunity that will create significant value for shareholders, both through synergy realisation and greater business resilience. Apollo and *thl* are two highly complementary businesses, which if brought together, will create a diversified, leading RV travel company across the key markets of Australia, New Zealand, North America, Europe and the United Kingdom.

In December 2021 we announced the proposed *thl* and Apollo merger. In September we obtained clearance from the NZCC and ACCC. We understand that this was one of the longest successful processes with these regulators. There are lessons for us, and also for the regulatory bodies to improve processes to provide timely certainty to businesses.

While there remain other conditions to the proposed merger to be satisfied, clearance from the New Zealand and Australian competition regulators were considered the most significant. We now have much greater confidence that the merger will proceed.

As recently advised as part of Apollo's Replacement Scheme Booklet, the merger is expected to create material synergy opportunities that could deliver steady-state pre-tax cash synergies of $27M to $31M per annum. This is an even higher quantum of potential synergies than originally expected earlier in 2022.

In addition to the synergy benefits, the combined group will benefit from greater business resilience, through geographic diversification and additional locations in the Northern Hemisphere. If the merger is approved, the Board will be keenly focused on ensuring the merger integration plan and synergy opportunities are achieved. We will be reviewing progress monthly and have high expectations that management will deliver according to plan.

FY22 was another transition year, and we are pleased to have moved on from those losses. It was a year with two distinct halves. The first part saw significant impacts from the Delta wave. Travel border restrictions lifted later than initially anticipated. The global supply chain was increasingly challenging.

We saw a significant turnaround in the second part of FY22. Throughout, *thl* continued to adapt, identify and grab hold of new opportunities. Revenue from non-tourism activities and vehicle sales have been maximised. The Australian result in particular, is outstanding given the challenges in the first half year.

Action Manufacturing has also performed strongly and continued to grow in the first year of 100% *thl* ownership, including laying the foundations for the early FY23 acquisition of the Freighter business. The USA business has remained profitable throughout the pandemic period.

Given the overall result for FY22 was a loss, no dividend was declared.

A question you may have is what's next for *thl*? The merger is obviously a major focus for the coming year. The business is focused on meeting all the regulatory obligations around the transaction. Under the current timeline, we expect the transaction to complete at the end of November. Work is underway to get ready for change, including integrating key systems and looking after people to provide clarity and certainty through the process of integration. Grant will provide more detail on this.

While our primary focus is successfully integrating *thl* and Apollo, we will continue to look for further growth opportunities. The Apollo merger is a large transaction, creating more capacity and capability within the group to focus on growth as opportunities arise. Discipline of balance sheet management remains key, including achieving an appropriate return on funds and having a flexible balance sheet for opportunities should they arise.

From a profitability perspective, we continue to expect that *thl*'s net profit after tax for FY23 will be above $30 million. As we advised in our release last month, the guidance reflects *thl* as a standalone entity and includes the impact of an estimated $3.5 million in Apollo-related transaction costs incurred within this financial year.

Assuming the merger with Apollo proceeds, we hope to be able to provide guidance on FY23 profit expectations for the merged group in February, around the time of our half year result.

COVID-19 has provided *thl* with one of the toughest challenges it will hopefully ever face. It is pleasing that the focus that the Board and management had on business fundamentals and preparing *thl* to emerge stronger is now showing through in a rapid return to profitability as global tourism re-opens.

As *thl* and the industry recovers, we hope that governments in all jurisdictions we operate continue to support this industry. Tourism should be a key driver of economic prosperity in the coming years. Here in New Zealand, we do hear situations where local and central governments consider tourism is back and doesn't need any further support, or can even become a target for increased levies and taxes. We operate in a competitive market globally and we need to see complementary ongoing support.

From a *thl* perspective, we remain excited about what this industry can offer all stakeholders.

CEO's address – Grant Webster

The COVID-19 period has been extremely challenging. Once again, the resilience in the *thl* crew and business has been superb. It is hard to find adequate words to describe how proud, inspired and appreciative I am of our amazing people. Our crew did a great job, delivering for our customers, seeking new opportunities, supporting each other.

However, we are well aware we lost money for two years running, as did most tourism businesses globally. We believe our actions as a company minimised that impact, and more importantly, we continued to focus on the future in a manner which will set us up for significant growth into the future.

As the Chair noted, the year ended 30 June 2022 was a year of two halves. The first half remained strongly impacted by the COVID-19 pandemic, particularly for our Australasian businesses due to ongoing domestic and international travel restrictions. The fleet at the end of FY22 totaled 3,858 vehicles, a low position compared to previous years. We look to grow from here.

In Australia, our results rebounded strongly. After a first half EBIT loss of $1.0M, we achieved a second half EBIT profit of $7.6M. This represents an exceptional recovery.

Action also had a very positive year with an EBIT of $4.9M (before the elimination of margins generated on the manufacture of *thl* vehicles). The business had strong activity for specialist vehicle customers including St John Ambulance, NZ Defence Force and organisations in the heavy transport sector.

The US business continued to be profitable throughout the COVID-19 pandemic with an EBIT result of $12.7M. The 2022 calendar year high season was impacted by supply constraints, particularly our ability to purchase fleet. The delivery of 200 vehicles originally scheduled to go on the fleet Q4 FY22 was delayed into Q1 FY23, reducing the peak fleet size in that country over the key summer period.

In New Zealand with a domestic only environment for the majority of the year, we incurred an EBIT loss of $9.0M. I note this is a $5.7M improvement on the FY21 loss. While a loss never feels impressive, we do believe this was a positive achievement in this context.

Vehicle sales performance remained strong, both for sales quantity and margins across New Zealand, Australia and the USA. High demand, combined with constrained supply due to the impacts of COVID-19, created the conditions for *thl* to deliver record vehicle sales margins in all three countries, well above historical norms.

We retained appropriate talent for the regrowth phase, to be ready to respond to the tourism resurgence as the pandemic impacts recede. We have also maintained a strong balance sheet. Our banking partners continue to be supportive of our business and understand the need for our increasing investment in fleet. We have worked with our lenders and have managed our fleet position well in order to reduce debt. When we look at the *thl* investment thesis published by analysts, we acknowledge the positive situation we are in today with growth in revenue, an opportunity for cost reduction through the merger synergies, and both inorganic and organic new business opportunities created over the last few years, which we look forward to pursuing.

Alongside delivering the FY22 results and preparing for the coming recovery period, the last year has seen extensive M&A activity, beyond the Apollo merger.

Changes to our travel technology business include *thl* acquiring 100% ownership of triptech, the sale of mighway and SHAREaCAMPER, and the sale of our remaining interest in Togo Group. Non-tourism activity is growing and being embedded as a core part of our business. I note the strong performance by Action over the last year, the first full year under 100% *thl* ownership.

The Freighter acquisition for Action has created a more streamlined, stronger manufacturing base with greater diversification beyond motorhomes, which will enable more stable long-term performance, and leverages expertise and supplier relationships for both tourism and non-tourism products. We have also recently acquired 100% of Just go in the UK, building on our successful joint venture partnership. Just go is the leading commercial RV rental business in the United Kingdom and we believe there is opportunity for future growth in this market.

In addition to the M&A activity, work on numerous initiatives to improve the business and the experience we deliver to customers is ongoing. We share these stories throughout the Integrated Report, and I will highlight a few examples.

The TRX 25 customer experience development and improvement programme has been rolled out across New Zealand and Australia. We have continued to invest in new fleet designs for our current fleet and new models to provide enhanced customer experiences.

At RVSC, a new business expansion project started this year and is already delivering with revenue growth of 42% on FY21.

R&D work continues for our Future Fleet programme to address our greatest future-fit sustainability challenge, the carbon emissions from our fleet.

The relocation of the Albany site has also created opportunities to improve efficiencies as these activities are consolidated into other sites including Action Manufacturing and the Auckland Airport location. Work on the planning and development of our new Auckland branch continues.

With all these developments, we have come out of the pandemic period a different, better-rounded business.

The Chair outlined the expected synergies and opportunities earlier and the comprehensive Replacement Scheme Booklet which was released last week contains details on the merged group. We encourage those shareholders who have not yet had a chance to read the Booklet to do so, in particular Section 9, that provides an overview of the merged group.

The conditional clearance of the proposed merger by NZCC and ACCC has given us confidence to start to get ready. There are still some steps required for the transaction to complete, including the Apollo Scheme Meeting on 11 November and the final Supreme Court of Queensland approval, expected on 18 November. Integration work required to bring the businesses together to realise the global opportunities and synergies is underway.

Importantly, it will give us the ability for greater global diversification and scale to invest in the things that matter and create greater efficiencies. We have the opportunity in this merger to bring together the best of both businesses.

We know that a well-managed transition and integration stage will be critical for our crew, customers and investors. This will be the biggest integration project for both companies. We are fortunate that between both businesses we have significant experience in this space. We have learned the lessons from past mergers well, which has guided our approach. We are also using external resources and expertise to ensure our processes are robust and efficient.

To manage the complex task of the integration, we have established a project, aptly named Project Orange, given the prominence of that color within both *thl* and Apollo.

We see Project Orange as having five distinct phases as indicated on the screen. Currently we are operating in phase two, the road to completion, where we are highly focused on addressing all items needed to get to an expected completion at the end of November.

The two key milestones for the remainder of 2022 include completing the divestment to Jucy which also involves combining *thl* and Apollo sites in Perth, Auckland, Hobart, Darwin and Alice Springs. Following this, the financial, people and systems integration planning becomes the next focus.

Australia and New Zealand rentals and group services are the initial areas where synergies will be realised. Phase 3 will focus on operations over the summer period and delivering business operations for our customers.

We are committed to giving all our crew as much clarity and certainty as possible so that our team's focus remains on delivering great experiences for our customers. There will be opportunities for our crew globally, with a more diversified collective business enabling new training, development and career pathways. As always, I am confident our amazing crew will respond well and be open, positive and productive through this change process.

Moving on to sustainability, *thl* is focused on our highest priority sustainability issues, being the emissions related to use of our vehicles and operations. We continue to work with a future-fit mindset and methodology, to provide us with direction, as we embed our global sustainability goals into operational activities at a country, business and branch level.

Decarbonising our fleet depends on technology and infrastructure not yet readily available. We are seeing shifts in OEMs, the auto industry, governments, society and infrastructure providers, particularly in Europe and the USA, but that's not fast enough.

An exciting new Future Fleet development in FY23 will be Action's work on the design and development of a new eRV product. This will build on lessons from our previous eRV pilot.

FY22 was our first-year reporting on the Task Force on Climate-related Financial Disclosures, a year in advance of reporting requirements. We have set a science-aligned carbon emissions reduction target, committing *thl* to an absolute reduction of Scope 1 and 2 greenhouse gas emissions by 50.4% by FY32. This target is consistent with the aim of limiting global heating to 1.5°C. Further work is underway on how we appropriately manage Scope 3 targets.

Tourism is about connections. Travelers are increasingly seeking deeper, more sustainable and authentic connections with people and places they visit. Creating these unforgettable journeys is our purpose.

The growing focus on responsible and regenerative travel by the industry, globally and in each country, is very welcome. We continue working with industry partners to create positive community and destination impacts as travel rebounds, through responsible travel programmes like Tiaki Promise in New Zealand, Travel with Heart in the US and our reconciliation action journey in Australia.

Long-term trends for more sustainable travel suit the experiences our vehicles provide, and we remain positive that we will see growth in the category.

We recognise that as we are coming out of a loss-making year, it is more important to give guidance to our shareholders on our expectations for financial performance in the coming year. This has led us to provide a greater level of detail on our expectations for FY23 over the last few months. As such, I will briefly speak to the outlook for our businesses that we have generally already touched on through our recent market announcements. I should note that our guidance relates to ***thl*** as a standalone business and excludes Apollo.

Within Australasia, our rental businesses have performed above expectations to date and have a stronger outlook for the upcoming high season than we anticipated some months ago. Rental yields have been positive, up by more than 35% on FY19 levels in New Zealand and by more than 70% in Australia. This has set up the Australian business well to deliver a record EBIT result in FY23, and for the New Zealand RV business to have a strong recovery into profitability. Vehicle sales margins in these regions are also holding up well, but as previously indicated, we do expect to see some reduction through the remainder of the financial year.

The USA rental season has extended to a strong shoulder season. Despite the ongoing global economic uncertainty, we continue to see international demand into the 2023 calendar year, however the key booking period is expected to be late January, early February. RV retail sales in the USA are declining across the industry, particularly for towable products. Vehicle sales pricing for motorised has remained higher than anticipated due to ongoing shortages of supply. As a result, we expect our used vehicle sales margins to decline at a slower rate than previously expected.

Chassis supply and vehicle delivery dates continue to remain uncertain on a global basis. While there are indicators in some vehicle categories in the USA that these are easing, we are yet to see any such signs in Australasia.

The Waitomo business has, in the last few weeks, seen the return of coach tours and positively the first customers from cruise ships. Overall, the business continues to face a challenging environment and is also facing recruitment difficulties leading into the upcoming summer period, given the remote location of the business. Kiwi Experience is experiencing a positive return to operations with strong yields on bookings for the upcoming period. Pleasingly, both tourism businesses are expected to deliver a positive EBIT result in FY23.

From a group perspective, as highlighted by the Chair, our expectations remain for an FY23 net profit after tax above $30 million.

In summary, over the last year we have tidied, reviewed, refocused and refreshed across all our business operations and developed exciting new opportunities. We are well set up for the future and ready to grow.

The successful completion of the ***thl*** and Apollo merger will create transformational opportunities. We are excited by the opportunity but staying sharply focused on the integration phase for the businesses to successfully grow together.

We will not stop here. It is in the DNA of *thl* to always be looking ahead, focusing on continued growth. After a challenging few years, we see a bright future, full of opportunity.

ENDS

Authorised by:

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About *thl* (www.thlonline.com)

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