

# NO BOUNDARIES

For our customers  
For our business  
For our investors

USA

UK

AUSTRALIA

NEW ZEALAND



Tourism Holdings Limited  
Shareholder Annual Review  
Financial Year 2015



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This document in conjunction with the Annual Financial Statements 2015,  
constitutes the 2015 Annual Report to shareholders of Tourism Holdings Limited.



COMBINING A DEEP  
UNDERSTANDING  
OF OUR CUSTOMERS  
AROUND THE GLOBE  
WITH EXCEPTIONAL  
CREW AND CUTTING  
EDGE TECHNOLOGY,  
**thl** CONTINUES TO  
DELIVER WORLD-  
LEADING CUSTOMER  
EXPERIENCES AND  
VALUE FOR  
SHAREHOLDERS





## Key Financials

IN NZD MILLIONS	30 June 2015	30 June 2014	30 June 2013	30 June 2012
Sales of services	167	162	160	159
Sales of goods	70	66	67	44
<b>Total revenue</b>	<b>237</b>	<b>228</b>	<b>227</b>	<b>203</b>
Gross profit	176	169	166	161
Other expenses	144	146	151	145
<b>Operating profit before financing costs (EBIT)</b>	<b>32</b>	<b>23</b>	<b>15</b>	<b>16</b>
EBITDA	66	60	58	61
Net profit after tax (NPAT)	20	11	4	4
Operating cashflow	24	44	42	22
<b>Total equity</b>	<b>173</b>	<b>160</b>	<b>160</b>	<b>156</b>
Total funds employed	318	296	330	295
Capital expenditure	92	74	137	83
<b>Return on funds employed (ROFE)*</b>	<b>13.3%</b>	<b>9.6%</b>	<b>5.2%</b>	<b>6.5%</b>
Basic earnings per share (cps)	17.9	10.0	3.6	4.4
<b>Dividends per share (cents)</b>	<b>15</b>	<b>11</b>	<b>4</b>	<b>2</b>
Debt/debt + equity ratio (excluding intangible assets)	31%	36%	47%	42%

This document in conjunction with the Annual Financial Statements 2015, constitutes the 2015 Annual Report to shareholders of Tourism Holdings Limited.

\* ROFE measured as EBIT divided by year end net funds employed.



# NO BOUNDARIES

## for our customers

They are the 'Experience Seekers'. They crave the boundless freedom of unstructured and authentic holidays where they can make it up as they go. **thl** satisfies the needs of c. 600,000 of these travellers every year, connecting them to personalised, local and 'off the grid' experiences.

It's imperative in today's fast-changing world that businesses remain totally focused on fulfilling customers' needs; sustained growth depends on it, especially given the constant game-changing innovations in technology.

This is why we like to get up close and personal with our customers, to walk in their shoes and see things through their eyes. It's key to gathering the insights we need to create fulfilling and wonderfully authentic experiences for our current and future customers.

We have adopted an outside-in approach to customer engagement whereby we learn through a planned process of enquiry, observation and research.

For the past year we have focused our attention on the campervan traveller with the objective of significantly growing RV holidays as the preferred self-drive holiday of choice.

By harnessing digital technologies we can provide 'Experience Seekers' an end-to-end immersive and local content-rich travel experience that achieves even higher levels of customer satisfaction. This will deepen and broaden our service proposition and fulfill our purpose of sharing the adventure of travel.

Meet some of our typical Experience Seekers on page 16.

Experience Seekers represent

c. 40%

of travellers worldwide





# NO BOUNDARIES

## for our business

Over the last three years **thl** has been resolute in its focus on improving its ROFE. We have consolidated the industry in New Zealand and dramatically improved earnings whilst creating a strong and flexible balance sheet. The opportunities for further growth are significant and, with strong fiscal management and disciplined strategic planning, our company is well-primed to take maximum advantage of them.

### Capital Structure Review

Earlier this year the Board announced the commencement of a review of the capital structure of the company. The company engaged with First NZ Capital to assist in the review. The scope was reasonably broad.

The primary purpose of the review was to understand from an external perspective how **thl** was positioned from a capital structure perspective, whether we had the right levels of debt and how we were positioning ourselves for the future from a balance sheet perspective.

As part of the process the management team reviewed the longer term outlook of the company to ensure the strategies and actions in place today (whilst not set in stone) were capable of delivering superior returns to shareholders.

Balance sheet stress testing and sensitivity analysis on key assumptions was clearly an important part of the review.

The Board considered the conclusions and resolved to provide greater clarity publicly on the anticipated direction of the company from a capital perspective as indicated below.

1. **thl** expects to remain a publicly listed company. The Board considered it relevant to provide clarity only on this point given the review title.
2. Dividend policy. We have released a new policy which can be viewed on our website.

The **thl** Board has adopted a dividend policy that aims for consistency of dividend streams while maintaining financial flexibility through business cycles. The target pay-out ratio is 75%-90% of net profit after tax (NPAT) giving due consideration to key business requirements.

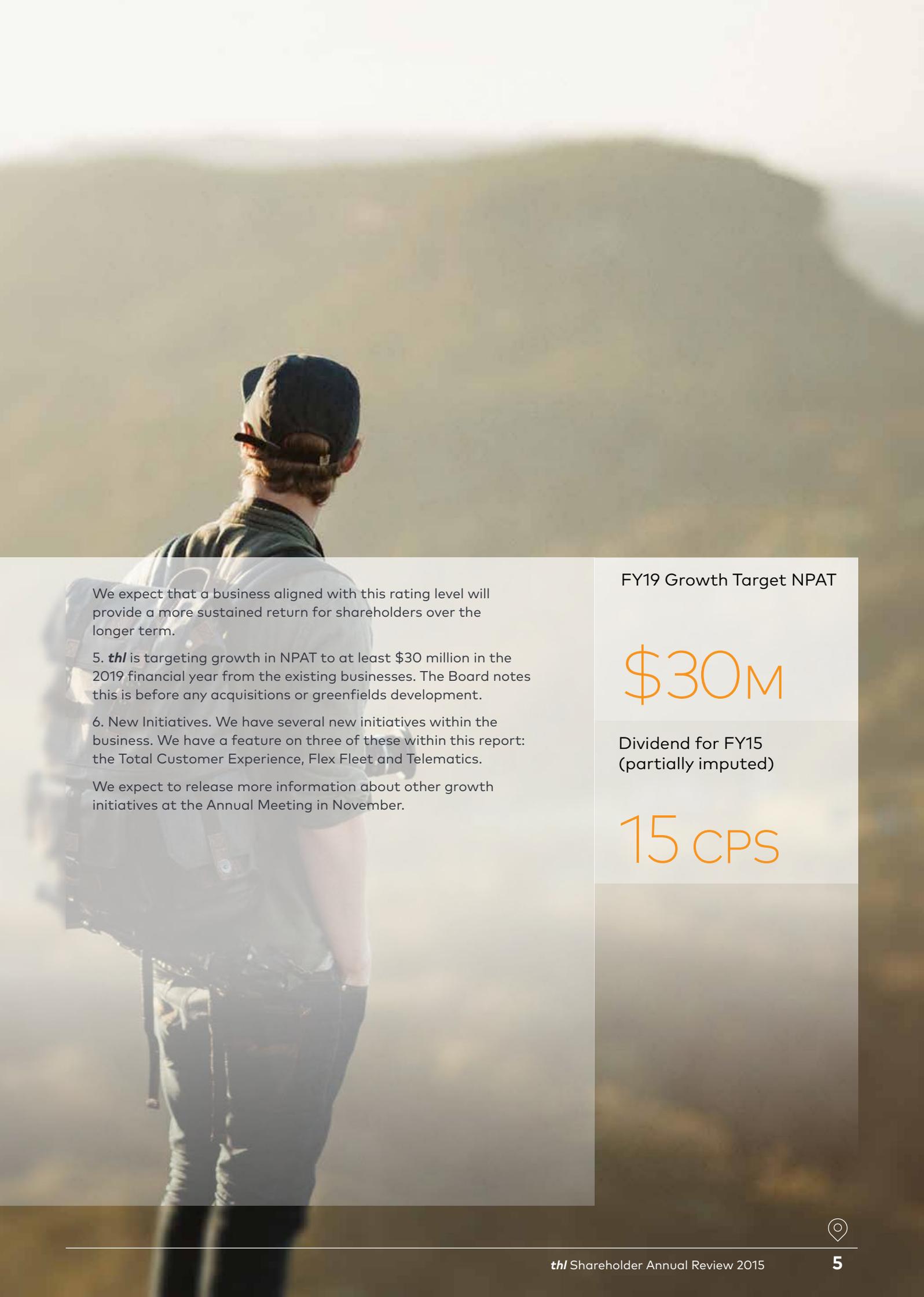
The policy notes that if a situation occurs which will impact NPAT negatively in the short term, operating cash flow will be used to assess the level of dividend pay-out to retain some level of consistency in dividend streams.

3. **thl** believes it currently has significant balance sheet flexibility. The Board intends to use this flexibility to focus on value accretive acquisitions, either globally or domestically.

Any acquisition will be considered based on an appropriate strategic fit for the business which adds value and is earnings accretive. There are no specific potential acquisitions to disclose at this time.

4. **thl** intends to continue to use financial benchmark ratios consistent with a Baa/BBB credit rating used by the recognised international credit rating agencies as a guide for target debt levels.

The company understands that historically the earnings of **thl** have been volatile. We also understand that tourism can be subject to external world shock events at times. We have analysed historical events and, putting the Global Financial Crisis aside, world tourism shocks tend to last only a matter of months before demand rebounds.



We expect that a business aligned with this rating level will provide a more sustained return for shareholders over the longer term.

5. **thl** is targeting growth in NPAT to at least \$30 million in the 2019 financial year from the existing businesses. The Board notes this is before any acquisitions or greenfields development.

6. New Initiatives. We have several new initiatives within the business. We have a feature on three of these within this report: the Total Customer Experience, Flex Fleet and Telematics.

We expect to release more information about other growth initiatives at the Annual Meeting in November.

FY19 Growth Target NPAT

\$30M

Dividend for FY15  
(partially imputed)

15 CPS



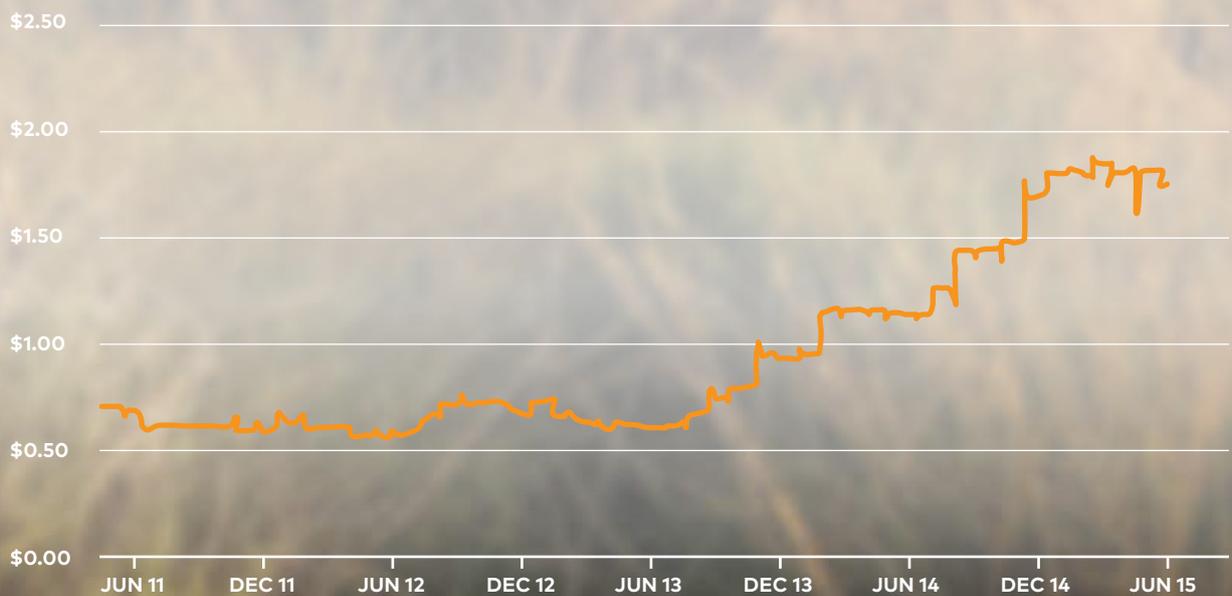
# NO BOUNDARIES

## for our investors

The road ahead for **thl** and its investors is clear and bright. The indicators for tourism are positive, the business' tourist offering is diversified on a number of fronts, and the management team maintains a keen ROFE focus on every dollar invested.



**thl** Share Price



# Why invest in *thl*

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A scale tourism business with diversification by geography and product offering, and leading market positions

Operations in New Zealand, Australia, United States, joint venture in the United Kingdom and franchise operation in Southern Africa

RV rental, RV manufacture and guided tourism experiences

Largest RV rental business in New Zealand with c. 40% market share

Second largest RV rental business in Australia with c. 30% market share

Growing RV rental businesses in the United States and United Kingdom

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Supportive tourism dynamics in key markets

Travel and tourism spending expected to increase significantly from 2015 to 2020

New Zealand Compound Annual Growth Rate (CAGR) 5.2%

Australia CAGR 3.4%

United States CAGR 3.5%

United Kingdom CAGR 3.7%

Source: NZ – Ministry of Business Innovation & Employment forecast.  
Other – WTTC forecast growth in direct contribution to GDP.

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Ability to control debt levels through vehicle purchase and sale

Debt primarily relates to vehicle financing

Low historical correlation between tourism shocks and vehicle resale market

Rapid reductions in debt levels achievable by reducing vehicle purchases whilst maintaining vehicle sales, with limited impact on fleet age profile

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Fleet optimisation initiatives (Flex Fleet) improve ROFE – this lower capital approach has been planned and trialled

Just Go – improved utilisation through back to back peak season rental (fleet shipped to Australasia after one season in the United Kingdom)

Discovery Camper – lower cost manufactured vehicles

POD Concept – faster capital recycling through innovative POD vehicles





# HIGHLIGHTS

REVENUE  
TO

\$237M

UP

4%

NET PROFIT  
AFTER TAX OF

\$20.1M

UP

81%

EARNINGS BEFORE  
INTEREST AND TAX OF

\$32.3M

UP

42%

FINAL DIVIDEND

8CPS

(PARTIALLY IMPUTED)

STRATEGIC CAPITAL REVIEW COMPLETED WITH  
FOCUS ON GROWTH

NET DEBT

\$69M

DOWN FROM

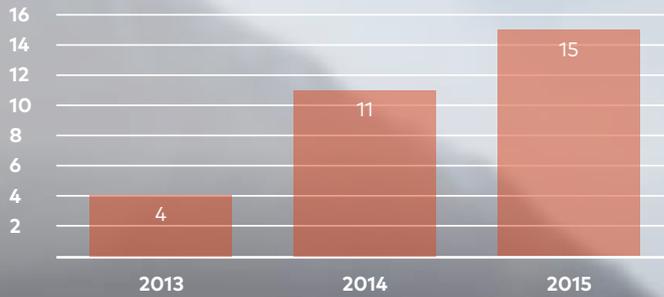
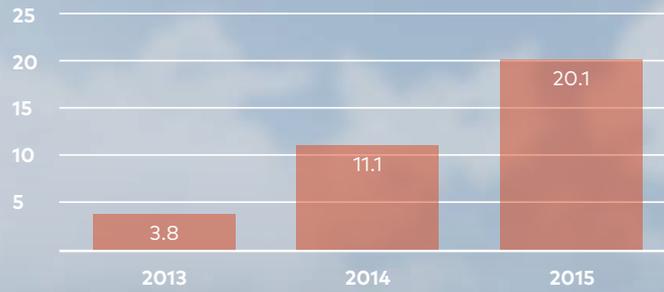
\$79M

ROFE

13.3%

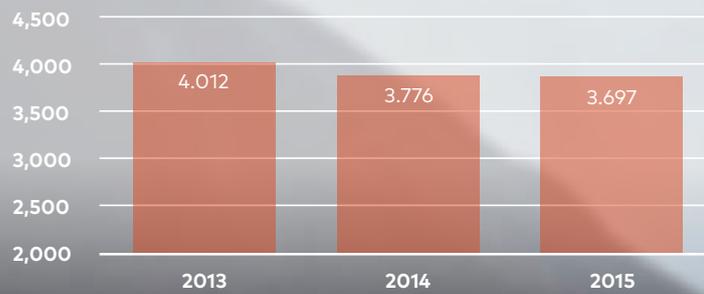
ALL OPERATING  
GROUPS INCREASED  
PROFITS

## Net profit after tax (NZD millions)



## Dividends (cps)

## Motorhome fleet



Excludes WIP and trade ins

## Operating markets





Dear Shareholders

I am pleased to be able to present the annual results for the 2015 financial year.

We have made some bold commitments to you as shareholders over the past few years and we will continue to be bold and transparent about where to next and our ambitions.

The mantra of delivering an appropriate return on funds employed will not leave our vernacular. We will however add the word 'growth'. The majority of the growth over the last three years has been led by improved margins, fleet out and general cost reductions from improving the way in which we operate as a company.

We now need to move the focus to greater revenue creation and take the opportunity of the positive tailwinds which surround tourism globally today. This business still has the ability to leverage the operating cost of the business and improve margins. The core New Zealand and Australia rentals businesses have the greatest opportunity for margin improvement as we increase revenue.

The business is building the capability and has the plans in place to deliver revenue growth and we will do so in this coming year.

#### GROUP PERFORMANCE

Group Net Profit Before Tax (NPBT) (including joint venture equity earnings) of \$29.8 million increased by 64% over the pcp. All operating groups showed increases in profitability.

Group net debt dropped to \$69 million from \$79 million in the pcp. Improved earnings, repayment of loans from the manufacturing joint venture and the sale of the Hamilton building were the primary contributors to debt reduction.

The business unit performance is covered in the CEO Report and divisional summaries.

#### DIVIDEND

The Board has resolved to declare an 8 cents per share dividend, partially imputed (to 50%). This takes the dividend to 15 cents per share for the year.

As announced, we will continue to look to distribute between 75% and 90% of NPAT in dividends. Given the New Zealand based businesses contribute approximately 50% of the EBIT of the Company, we expect the imputation credits for the dividends to also remain at close to 50%.

Based on the intentions of the business today, we are confident we can sustain this pay-out ratio and continue to invest for growth.

#### BUSINESS EXPECTATIONS

*thl* profit outlook for the 2016 financial year is for growth, albeit at a significantly lower rate than the last year's 81%. We are investing in new capability in the business and see group support service overheads increasing by approximately \$3 million to facilitate new capability, growth initiative trials and external consultancy costs. We are confident now is the right time for this increased expenditure, as we position for global growth over the coming three years. We expect and demand a significant return for this investment.

We expect to provide greater guidance for the full year profit expectations at the Annual Meeting in November, along with a dividend expectation for the first half which will align with the new dividend policy.





### STRATEGIC DIRECTION AND NEW INITIATIVES

The Board have announced some key milestones, based on the strategic review of the capital structure of the Company. In addition, the business has been assessing new initiatives in the existing business to grow revenue and improve ROFE.

There is an overview of each of the significant new initiatives within the report.

### CORPORATE GOVERNANCE

During the year, Graeme Bowker resigned from the Board and Gráinne Troute joined the Board. A Board of five or six, including at least three independent directors, is considered appropriate for this Company in its current state.

At the Annual Meeting David Neidhart and I will be retiring by rotation and standing for re-election. Gráinne Troute having been appointed during the year will also stand for re-election.

### SHAREHOLDER UPDATES

We continue to improve in the manner in which we communicate to shareholders and the bar should keep lifting. We acknowledge the guidelines recently released by the New Zealand Institutional Investors Initiative (NZIII) and will always operate in a manner which is in the best interests of both the Company and all shareholders.

We are of size on the New Zealand exchange which means we currently have no retail broker coverage. We need to compensate for this and be more proactive in our communications.

This year as a Board we are lifting the expectations of the CEO and CFO to be more visible in the institutional and retail investor space to ensure the investment case for **thl** is widely understood.

### THE CREW

We are growing, we are moving at pace and, importantly, we can only achieve the goals of the future with the crew aligned and passionate.

On behalf of the Board I would like to take this public opportunity to acknowledge the crew at **thl** for the year that has passed and the focus on the year ahead.

### ANNUAL MEETING

The Annual Meeting is planned for Monday 23 November. We plan to provide an update on our initiatives and progress for the year at that meeting and thus look forward to seeing as many shareholders as we can.

**Rob Campbell**  
Chairman





We are on the right track and prepared to be ambitious in a controlled manner to target growth.

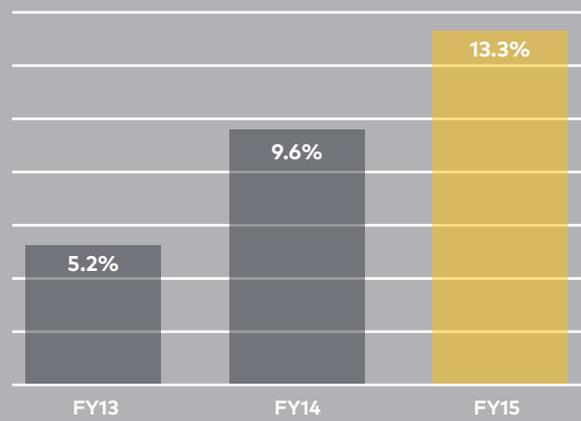
Over the last few years we have adapted the business model; improved our operating metric and been relentless on improving ROFE. We are in a position to focus on growth and potential acquisitions. There are some fundamental tenets which will remain forefront in our minds as we target revenue growth. These include:

- The need to maintain the balance sheet ratios within the guidelines we have set.
- The need to continue to innovate into higher margin, lower capital intensive business opportunities.
- The need to ensure we have the internal capability to deliver on these plans.

**BUSINESS PERFORMANCE**

We had a successful year, which we should celebrate. Yet we still see the opportunities for the coming year and beyond. We executed well on the plans for the year, benefitted from higher than expected shoulder season demand in the USA and tourism businesses and continued the growth in vehicle sales.

**GROUP RETURN ON FUNDS EMPLOYED (ROFE)**



ROFE improvements have been driven primarily by changes in the underlying business model, efficiencies in fleet management and controls on operating costs.

The core drivers for the results improvements by business are as follows:

<b>Rentals NZ</b>	Cost savings from lower fleet and improved fleet sales prices
<b>Rentals Australia</b>	Improved internal management, fleet costs down and better utilisation
<b>Rentals USA</b>	Improved shoulder season utilisation and larger fleet size
<b>Tourism Group</b>	Improved visitation and revenue
<b>Joint Venture Manufacturing</b>	Sale of a small investment and first-half gains in cost reductions
<b>Group</b>	Lower interest costs, with lower debt levels



## OPERATING PROFIT BEFORE TAX (NZD MILLIONS)



### CURRENCY IMPACT

The movement in the New Zealand dollar (NZD) had some impact in the translation of earnings and debt. All overseas businesses have associated debt in the local currency, which partially hedges the currency movement impact on net assets. In total, the exchange rate did not have a material impact on the translation of earnings, however there was an impact on the year end balance sheet and reported net debt, which was approximately \$4 million higher due to movement in the exchange rates at year end. The year end exchange rates used for balance sheet translation were NZD:AUD 0.9048 (0.9450 last year) and NZD:USD 0.6983 (0.8966 last year).

### NON RECURRING ITEMS

The following events occurred during the year which are considered non-recurring in nature for the business. The combined impact is considered immaterial to the total *thl* result.

In December 2012, with the "Project Alpine" merger, the vendors of United and KEA Motorhomes were paid in shares and cash with an amount classified in the accounts as a loan under deferred consideration. The deferred consideration for United (Hauraki) was paid out in full in the first half of the year. The KEA deferred consideration agreement was closed out during the year with no further payment required. The completion of the KEA deferred consideration created a one-off benefit of \$1.7 million to the P&L.

The Hamilton building was sold in the second half for \$5.5 million. The loss on sale was \$1.5 million.

### FINANCIAL POSITION AND CAPITAL EXPENDITURE

*thl* considers the balance sheet is in a strong position and has flexibility for growth. Net debt finished the year at \$69 million.

*thl* uses benchmark ratios consistent with a Baa/BBB credit rating used by the recognised international credit agencies to assess the performance of the business and determine the degree of flexibility in the balance sheet.

As part of the strategic review, First NZ Capital completed a stress test of the balance sheet under a number of scenarios.

The Board have determined that it is in the best interests of all shareholders and the Company to focus on growth initiatives through acquisition, as well as internal performance improvement.

The Board is conscious of the need to continue to remove the historical volatility in ROFE. Growth acquisitions will be value accretive.

During the year fleet vehicle sales generated \$62 million, and non-fleet and accessory sales generated \$8 million. Capital expenditure was \$92 million.

Total net CAPEX over the coming year for the current operating businesses is expected to be in the range of \$30 million to \$40 million.

The banking facilities for the business will be reviewed and extended in the first half of the FY16 year.





Earnings Before Interest  
Tax and Depreciation  
(EBITDA)

\$66M

### THE TEAM AT *thl*

We are very fortunate to have people in the business who are focused on delivering great experiences for our customers, no matter how they interact with us.

This year we are providing the crew who interact most with our customers more tools, technology and development to enable them to improve how we deliver to customers. We have also extended the LEAN disciplines already in place in our manufacturing joint venture to the New Zealand rentals business. We will continue to invest in these disciplines.

From a leadership perspective, we are also enhancing the resources allocated to enable growth. At the start of the 2015 financial year we created the new position of Chief Technology Officer. This year, we commence the financial year having appointed Dave Simmons (an experienced and entrepreneurial tourism executive) to the role of Chief Operating Officer – New Business Development; and we are in the process of recruiting a Chief Operating Officer for the current rentals and tourism businesses we own.

**Grant Webster**  
Chief Executive Officer





## The Company has had another strong year of growth. Is this kind of performance sustainable?

The short answer is, yes, we are far more sustainable in our return on funds employed than ever before.

Yes, the tourism sector has periodic highs and lows and we do have positive economic indicators for world tourism and New Zealand tourism at present.

The key differences are as follows:

- We have been reducing our fleet size in New Zealand and Australia despite the growth in visitation to both countries. Our supply of fleet is now well less than demand in the peak season.
- We are building a more flexible fleet base in New Zealand to mimic elements of the Road Bear operation in the USA. We will have some of the fleet in and out within a season, creating the ability to control supply should any world events impact demand. This is the "flex fleet" initiative.
- Importantly, we believe that we are still a long way from world demand in tourism hitting a peak. The penetration of RV holidays from China is still very low yet growing rapidly, South America is opening up, India is growing and yet the likes of the UK is yet to return to pre GFC visitation levels.

## You have announced a target of \$30M NPAT by FY19.

### How will you achieve this?

Firstly I would note that this target is before any growth from acquisitions, so we would like to be above that number if we find the right acquisitions.

A more detailed presentation on how we plan to achieve this target is available on [thlonline.com](http://thlonline.com) and [NZX.com](http://NZX.com). The important point is that we are not relying on significant visitation or yield growth based on just positive tourism demand. We are changing the way we operate and implementing a number of new initiatives which will drive growth.

## You have announced an increase in overheads to assist with growth. Are these fixed and will they be repeated every year?

Any increase in overheads for a business like this needs to be very carefully considered. We have a clear expectation that we will gain a return on overheads. As we explore these new opportunities there is a cost and we are being very transparent that we are investing now for significant future growth. Close to half of the increase in costs are highly variable.



## As part of the strategic review of the capital structure you announced an intention to seek out acquisitions for growth. When will we know what you are considering?

Whilst this may be considered a political answer, the reality is we have very little we can say at this point about acquisitions. The key message that I hope has been conveyed is that we are considering scenarios that are value accretive. We are not looking at growth for growth's sake and we are very aware that any acquisition needs to make sense in the long term, aligning with the need to grow earnings and reduce volatility.







MEET OUR CUSTOMERS.  
THEY COME FROM AROUND  
THE WORLD TO DISCOVER  
OUR PLACE FOR THEMSELVES.  
WE ARE HERE TO GET THEM  
STARTED, AROUND THE WORLD  
AND AROUND THE CLOCK.

Wherever our customers come from around the world, we are there to welcome them across four continents. From first time RV travellers to old hands who travel with us again and again – couples, families, groups of friends in convoys – we are here to kickstart their trip and help along the way.

So whether it's winter down under and summer up there, or vice versa, **thl** is on the road with our customers.





**Kevin**  
Melbourne, Australia



**6 am, Devon,  
England**

We love camping. Travelling by camper is 'glamping' for us – so comfortable in comparison!



**Karlsson family**  
Stockholm, Sweden



**10 pm, Monterey, USA**

Each destination is like an onion, the more we get to know it the more we experience it like a local.



**Stephanie**  
Gironde, France



**10 pm, Grand Canyon  
National Park, USA**

Between Lonely Planet and your local host I found more than a few hidden gems.



**James**  
Edinburgh, Scotland



**7 am, Cape Town,  
South Africa**

The best stories are found in the side roads.



In compliance with our privacy policy, in accordance with the Privacy Act of 1993, customer images and names have been changed.



# UK



**Greg and Kate**  
Hamilton, New Zealand



**6 am, Cotswolds, England**

Travelling by camper has meant that we got "off the clock" and went at our own pace.



**Tony and Rebecca**  
Cardiff, Wales



**1 pm, Perth, Australia**

The camper was the perfect way to get to the out of the way places.

# AUSTRALIA



**Arne and Heike**  
Frankfurt, Germany



**7 am, Windhoek, Namibia**

I'm an individual, not a mass-tourist, so I seek insider tips to make my own adventure.



**Miguel and family**  
Barcelona, Spain



**3 pm, Gold Coast, Australia**

The camper itself was the adventure for our kids!

# NEW ZEALAND

# SOUTHERN AFRICA



**Hayley**  
Santa Monica, USA



**5 pm, Wanaka, New Zealand**

Everyone is so friendly and so generous with their time and trip advice. We really feel like we know this place and its people now.





# ENABLING WORLD LEADING CUSTOMER EXPERIENCES

Our people and our technical expertise play an equal part in delivering the optimum RV holiday experience. Success relies on delivering a high-touch, high-tech approach with digital solutions that enhance the local knowledge and expertise of our crew.

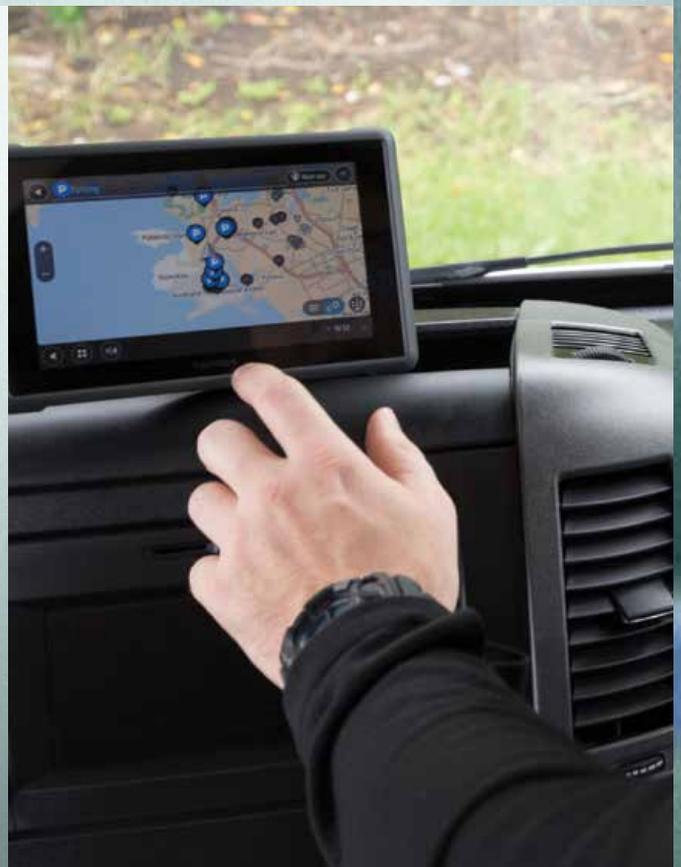
## TOTAL CUSTOMER EXPERIENCE

We are in the process of launching a new customer engagement experience that begins from the first time a customer engages with **thi** in person or in a digital format, to well after they have finished their holiday with us somewhere in the world.

In practical terms, we have created new websites, new customer messaging during the booking experience, new technology at pick up, in-vehicle tablets with a range of new capabilities and new front and back of house processes and functionality for our team.

We have a more efficient, engaging and targeted experience. The changes will roll out over the coming weeks throughout the business.

The capital requirements for this project have been minimal, with in-house development resource providing the majority of the technology changes.





## FLEX FLEET

The business is very cognisant of the capital intensity of the current model, especially for New Zealand and Australia. Through fleet capacity reductions and new logistics capability, we have increased utilisation in Australia to acceptable levels. New Zealand, however, has always had the issue of the winter low season impact on utilisation.

Flex fleet is the opportunity in the New Zealand and Australian markets to find fleet options that can fit the high utilisation periods and be removed from the business for the off season.

The 4WD lease product in Australia is the first example.

Within New Zealand, we are bringing fleet down from the Just Go business in the UK to operate for a number of weeks in New Zealand and then resell into the New Zealand market. The vehicle sales market for European imported chassis has been growing over time. **thl** has not engaged in this market in the past, due to the desire to sell its own product range only.

The Just Go units were tested from a sales perspective over the 2014/15 summer period and were sold as expected.

We believe we have the range, quality and pricing from the UK business to enable **thl** to gain market share in this category.

There will be two additional products trialled this summer within the New Zealand business, with the same intention of enabling fleet that can be used for summer with little or no capital requirements for the winter period.



## TELEMATICS

We have instigated a trial of telematics units in-vehicle within the Australian business. Traditionally telematics have worked very effectively for fleet operators who have control over the drivers of the vehicles and the fuel efficiency of the vehicles is a critical component within the business model. In our case, the customer pays for the fuel. The opportunity we see is to be able to gamify the experience for the customer to reward positive driving behaviours, whilst also being able to monitor customer driving habits and vehicle dynamics.

The return on investment for this product will be both in improving the life of the vehicles themselves, more proactive management of the vehicles and customer experience and improvements in general fleet operating costs.

The trial is underway with approximately 60% of the fleet having the units installed and 10% of the fleet with tablets for the customers installed.





# Divisional Reports

NZ

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New Zealand  
Rentals and Sales

AUS

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Australia  
Rentals and Sales

USA

**25**



USA  
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# Destination New Zealand

Grow revenue and ROFE by doing things differently



The Rentals New Zealand business improved EBIT by 64% over the prior corresponding period to \$12.3 million (\$14.0 million including the one-off gain on deferred consideration). The ROFE of 11.2% was significantly improved on the prior year and aligned with the plan to achieve an acceptable return in FY16.

The growth forecast for the business is expected to see higher EBIT, EBIT margin and ROFE. The new initiatives in the business, from a "flex fleet" perspective, will ensure the capital employed in this business remains relatively static beyond FY16 on an annualised basis, although the total funds will have a higher peak in December.

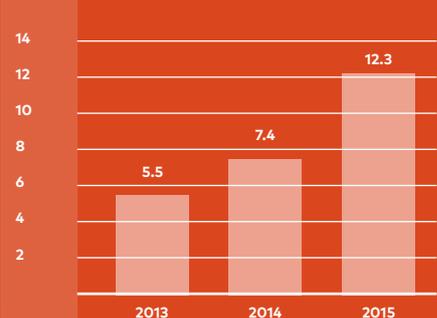
The vehicle sales market remains positive. With the reduction in new fleet build since the merger in 2012, we can have some confidence in vehicle sale values and volumes over the coming years, as we simply have less ex-rental fleet to sell. We will maximise this opportunity with the creation of the flex fleet options. New fleet build costs continue to reduce in the business, providing a positive long term outlook.

This year the business will improve returns, improve revenue and deliver a deeper customer experience.

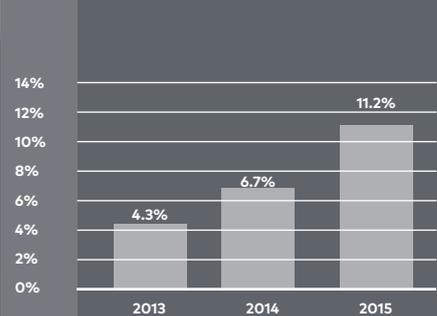
FLEET



EBIT (NZD MILLIONS)



ROFE



# Destination Australia

## Grow revenue and ROFE from new initiatives

The Rentals Australia business improved EBIT from \$3.7 million in FY14 to \$6.1 million this year, an increase of 65%.

The ROFE was slightly below target for the year at 11.6%, due primarily to lower vehicle sales. The flood of 4WD vehicles from the downturn in the mining industry affected our 4WD sales significantly. In addition, we were priced too high in some products for a quarter, losing some sales.

Revenue declined 3% for the year in Australian dollar terms, as planned, reflective of the lower fleet number and lower vehicle sales.

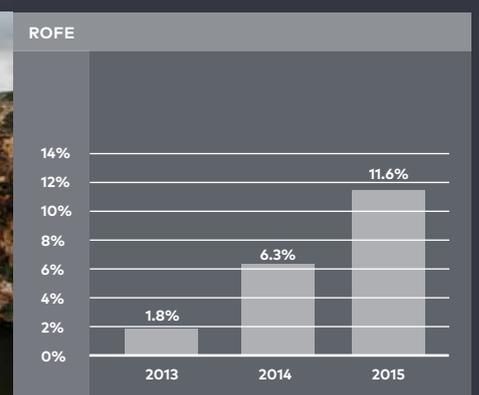
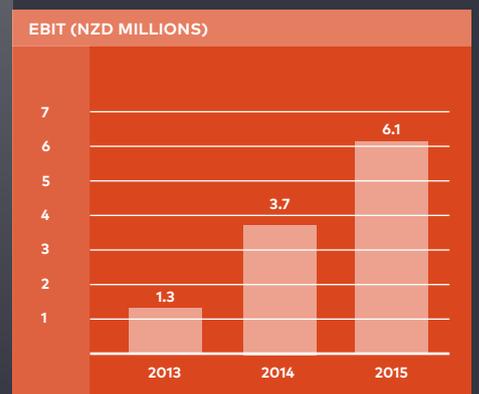
The cost control within the business and changes to the business model have been implemented and have provided

a base for growth in revenue, which is now the primary focus.

Funds employed in the business have been better managed and we will continue to keep a tight control on capital expenditure and fleet size.

In June we commissioned the first leased 4WD fleet, which will be decommissioned and returned to the lease company within six months. This move positions the business to reduce capital, at the same time as increasing total utilisation for the business.

The Australian business now has a cost base and core capability to continue to build from. With the broader new initiatives in place for the business, we expect EBIT growth over the coming three years.



# Destination USA

## Continue the model and grow the fleet

The United States business had another year of double digit growth. EBIT improved by 17% to \$8.9 million in FY15 on a NZD basis.

The ROFE of 20.1% dropped from 25.4% the prior year. This reflects both the currency impact on the year end funds and the increased fleet which benefits the profit performance in the 2016 year.

The 2015 USA summer season is nearing completion and provides confidence that we will again see growth in the business in FY16.

Utilisation of fleet increased in FY15 with a strong shoulder season, which resulted in record April and May trading results. Combined with a positive high season, the annual utilisation was also the highest on record, reflecting both positive market conditions and the excellent

reputation Road Bear holds in the market.

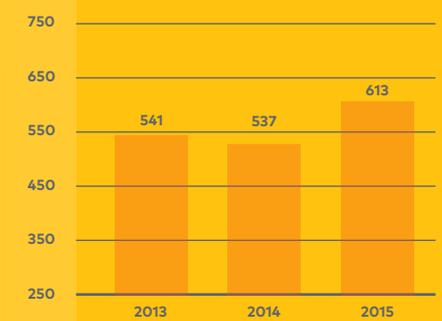
During the year, our USA CEO Daniel Schneider moved back to Switzerland with his family after over 20 years in the USA. Hannes Roszkopf has been successfully leading the business this year.

In May we announced the opening of another new branch. The Seattle location will provide the opportunity for customers to visit Canada as part of their holiday. The location will also provide greater access to our dealer network in the region. The move has been very positively received from our European tour operators.

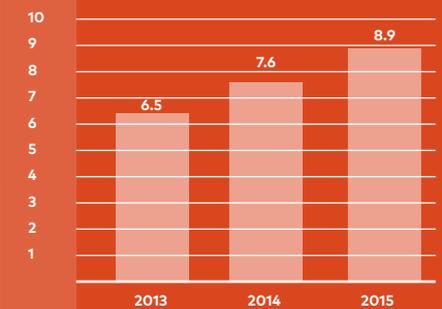
The business model and niche position in the USA remains successful. In the next financial year we will focus on maintaining a ROFE above 20%, whilst continuing to grow fleet and EBIT.



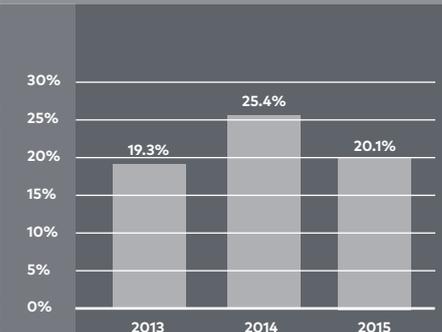
FLEET



EBIT (NZD MILLIONS)



ROFE





# Tourism

## Leverage developing markets and new products

EBIT increased from \$6.6 million in FY14 to \$7.7 million in FY15. Visitation growth was strong and exceeded the total international visitor arrivals increase.

The ROFE for the operating group was 35%.

Kiwi Experience completed the introduction of the new leased fleet (all large coaches are now 2014 age or newer).

The Waitomo business continues to target growth from the Asian markets and is growing share from the USA market. We continue to explore new product development options within the area.

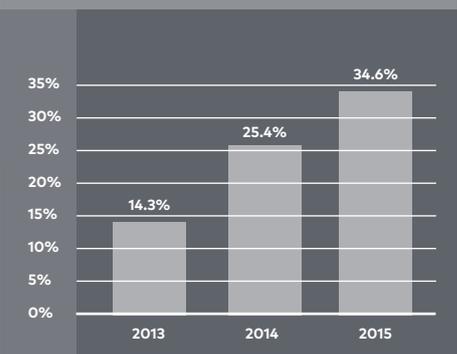
These businesses have the capability to scale to meet demand. With little capital expenditure, the business can sustain the levels of growth we have seen in the last two years.



EBIT (NZD MILLIONS)



ROFE



# Joint Ventures and Associates

## Action Manufacturing LP

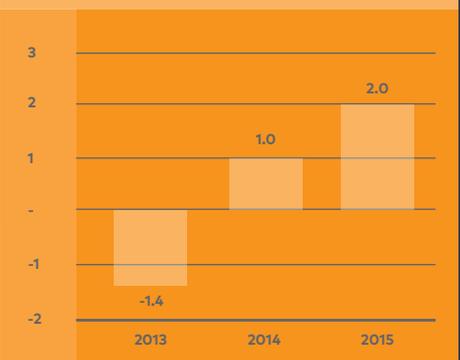
During the year, RV Manufacturing was renamed as Action Manufacturing.

The *thl* share of profit of \$2.0 million after interest and before tax was up 87% on the previous year. This result included the sale of a minority shareholding in another manufacturing company. The FY16 result is expected to be more aligned with the FY14 result, as the improved profits are redistributed to *thl* in the form of lower priced products.

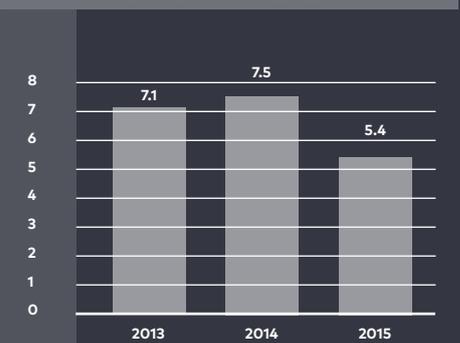
Action Manufacturing also paid back debt to *thl* during the FY15 year totalling \$4.0 million.

The business has a focus on growth, both in new product development for the motorhome industry and in the international emergency service vehicle market. Action Manufacturing has recently been approved for an NZTE International Growth Fund Grant to extend the export market of this product to the northern hemisphere.

NPBT (*thl* SHARE, NZD MILLIONS)



FUNDS EMPLOYED (NZD MILLIONS)



## Just Go UK

Our 49% holding in Just Go will provide *thl* with another business model enhancement and strategic positioning into the UK and European markets.

The business is currently small in nature with c. 150 vehicles in the operation.

The business model is very similar to the USA based Road Bear business and is expected to deliver a similar return on funds employed.





## DIRECTORS

**ROB CAMPBELL**  
INDEPENDENT  
CHAIRMAN (AUCKLAND)

Appointed in  
May 2013

Appointed Chairman in  
August 2013

**CHRISTINA DOMECCQ**  
INDEPENDENT DIRECTOR  
(AUCKLAND)

Appointed in  
February 2014

**KAY HOWE**  
NON INDEPENDENT  
DIRECTOR (AUCKLAND)

Appointed in  
October 2012

**DAVID NEIDHART**  
NON INDEPENDENT  
DIRECTOR  
(SWITZERLAND)

Appointed in  
June 2013

**GRÁINNE TROUTE**  
INDEPENDENT DIRECTOR  
(AUCKLAND)

Appointed in  
February 2015

**GRAEME WONG**  
INDEPENDENT DIRECTOR  
(WELLINGTON)

Appointed in  
November 2007

## EXECUTIVES

**GRANT WEBSTER**  
Chief Executive Officer

**MARK DAVIS**  
Chief Financial Officer

**GRANT BRADY**  
Managing Director  
Action Manufacturing

General Manager  
NZ Vehicle Sales

**KEITH CHILEK**  
Chief Technology Officer

**MATTHEW HARVEY**  
General Manager  
Australian Operations

**MIKE HORNE**  
General Manager  
New Zealand Operations

**KATE MELDRUM**  
General Manager  
Group Revenue, Brand and  
Customer Experience

**HANNES ROSSKOPF**  
General Manager  
USA Operations

**DANIEL SCHNEIDER**  
Director, Road Bear USA

**DAVID SIMMONS**  
Chief Operating  
Officer, New Business  
Development

## AUDITORS

PricewaterhouseCoopers  
Auckland

## SOLICITORS

Minter Ellison Rudd Watts  
Auckland

## BANKERS

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New Zealand Limited

Westpac Banking  
Corporation

ANZ Bank  
New Zealand Limited

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britz.com

mightycampers.com

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rvsalescentre.com.au

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