



ASX Announcement

25 February 2019

APOLLO TOURISM & LEISURE LTD FINANCIAL RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

Continuing to drive performance in global tourism

The Directors of Apollo Tourism and Leisure (ASX: ATL) ('Apollo', 'the Group' or 'the Company') are pleased to report solid underlying performance by the Company during a period of consolidation and continued investment.

H1 FY19 HIGHLIGHTS

- Statutory NPAT of \$14.7M, down 8.1% on prior corresponding period (**pcp**), noting H1 FY18 included a one-off \$2.5M CanaDream revaluation.
- Underlying earnings before interest and tax (**EBIT**) of \$29.6M, up 13.9% on pcp.
- Underlying net profit after tax (**NPAT**) of \$15.0M, up 7.9% on pcp.
- Revenue of \$183.8M, compared to \$172.4M pcp, up 6.6%.
- Acquisition of iconic caravan brands Fleetwood RV, Coromal and Windsor and production of the first Coromal caravans in the Brisbane manufacturing facilities.
- Continued progress towards entry into mainland Europe, with rental branches opening in Hamburg and Paris ahead of the summer peak season.
- Interim dividend of 2.0 cents per share (unfranked).
- FY19 guidance reaffirmed of \$22M - \$24M, and is currently tracking at lower end of the range.

CEO and Managing Director, Luke Trouchet said that, "Our underlying NPAT of \$15 million, an increase of 7.9% on pcp, is a pleasing result. Following the significant steps taken in Apollo's global growth strategy during FY18, the first half of FY19 has been primarily a period of consolidation for the Company, as we continued to invest in people and infrastructure to support our ongoing expansion."

"Segment results at the EBIT line are mixed, with good growth out of North America (up 29%) and New Zealand (up 19%), a good start from Europe & United Kingdom (\$1.5M), and a lower contribution from Australia (\$6.3M), due mainly to higher operating costs."

"We continue to focus on the guest journey and have made some important investments and significant changes to our service offerings, to enhance the experience we provide to our guests."

"Our half year financial performances are heavily influenced by the seasonal nature of our business. Earnings are skewed to the first half, driven by the Northern hemisphere peak season in summer. Seasonally, there is a net cash outflow in the first half, and inflow in the second half. The Balance Sheet at the end of December 2018, particularly inventory, has been impacted by changes to the USA fleet sales cycle."

"The Company is well positioned heading into H2 FY19. Recent additions to our global senior management team has brought invaluable experience to the Group, providing the necessary operational support needed to help us achieve our key short-term goals of completing entry into mainland Europe and expanding our new and used retail sales presence globally."

The global rentals business continued to perform strongly across all operating segments in H1 FY19, with revenue increasing by 19.0% over pcp.

International visitation continued to remain buoyant, while there was a slight decline in visitor arrivals throughout the UK, the Group's UK and Ireland based operation, Camperco, had their strongest rental peak season in history. This performance highlights the strength of the Camperco brand and reaffirms the Group's decision to acquire the business in March 2018.

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While retail sales performance was comparable with the prior period, Q2 FY19 presented a number of industry and economic challenges, including political uncertainty in specific operational regions. Recent data suggests that industry pressures are receding in H2 FY19.

In February 2019, the Company appointed Chris Rusden as Chief Operating Officer – Retail, overseeing the retail sales division of the business globally. Mr Rusden has over 20 years' experience in the RV and car rental industries, having previously held senior executive management roles with THL Rentals and Hertz, as well as sitting on the Apollo Advisory Board for 9 years.

Mr Trouchet said, "Chris will be a tremendous asset to the business, and his experience and operational knowledge will be vital to the continued expansion and success of the retail sales arm of the Group."

AUSTRALIA

The Australian segment continued to deliver a solid performance, with an increase in revenue over the prior period. However, the additional revenue generation did not translate to improved EBIT, due to increased operating costs to support the global business, such as expenditure on staffing, ERP systems, rent at new locations, branding and guest experience, the benefits of which will emerge in future periods.

Rental revenue increased by 3.6% over pcp, as a result of an increase in fleet size and expansion of the dynamic fleet offering. International visitor numbers have continued their upward trajectory year-on-year, and domestic travel remains strong.

H1 FY19 was a period of continued consolidation for the retail sales arm of the business, with implementation of a national sales strategy across the Apollo's retail dealerships. Anecdotal discussions throughout the industry have provided evidence of a softening retail market, particularly in Q2 FY19. The Company has strategic initiatives in place that are intended to mitigate suppressed these market conditions.

Production of the first Coromal caravan units was completed during the period.

Mr Trouchet said, "The addition of the Windsor and Coromal brands to Apollo's retail sales offering represents a significant opportunity for the Company, not only in terms revenue generation, but it also brings consolidation to a fragmented caravan industry and establishes us as a market leader."

NEW ZEALAND

Rental demand remained strong in New Zealand in H1 FY19, with an 11.8% increase in rental income over pcp. With a continued increase in international visitor arrivals, it is expected that New Zealand rentals will continue to achieve its performance targets for the remainder of FY19.

Relocation of the Company's Auckland rental branch to a new, larger facility, took place in February 2019 and represents a significant milestone for the New Zealand segment.

Mr Trouchet said, "The new Auckland facility allows us to provide a full service, rental and retail operation. From a rental perspective, improved facilities will enhance guest experience and the opening of a new flagship retail sales store at the site gives us a retail presence in the large Auckland market."

Overall, New Zealand continues to be a strong performer for the Group with EBIT increasing by 19.0% over pcp.

NORTH AMERICA

The North American segment continued to perform strongly, with segment rental revenue growth increasing by 20.9% and EBIT by 29.3% over pcp.

Canadream continues to deliver in the Canadian rental market and drove the significant growth of the North American segment during the period.

Rental operations in the USA remained consistent during the period, however, the initial plan for the sale of ex-fleet vehicles, upon completion of the peak summer season, has proven challenging. An over-supply of new vehicles to the market by manufacturers throughout 2018 has placed downward pressure on the volume of ex-fleet vehicles expected to be sold in the region. The flexibility in our business model has allowed us to

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retain a portion of the fleet for another season, which has reduced the purchasing requirements for the 2019 peak summer season, while maintaining a fleet size and age appropriate for the Company's existing and expanding rental network in North America.

New rental branches will be opened in Anchorage and Miami, in April 2019, in readiness for the 2019 peak summer season and will help to generate additional revenues for the Group.

EUROPE & UNITED KINGDOM

Since its acquisition in March 2018, Camperco completed a strong summer peak season achieving its earn-out target for the 2018 calendar year.

Throughout the period, the Company's reservations and scheduling system was implemented in Apollo's European & United Kingdom operations. Working closely with Apollo's operations team, management has been able to enhance their rental scheduling processes and improve revenue generation. With an increased fleet size planned for the upcoming 2019 summer season, the Company is well placed to continue its strong performance.

The Company is in the process of opening rental branches in Hamburg, Germany, and Paris, France, for the peak summer season. Camperco CEO and founding partner, Keith Charlton, has been appointed as President of Europe & United Kingdom and will work alongside General Manager – Europe, Daniel Kunzi, to complete the opening of the branch and spearhead further expansion throughout mainland Europe. Mr Kunzi has 18 years' experience with Apollo and was previously Executive Manager – Rental Sales of Apollo, overseeing the Company's global travel partners.

Mr Trouchet said, "Opening the Hamburg and Paris branches represents the next significant step towards our goal of becoming the global RV solution. With Keith and Daniel overseeing our European operations, I am confident that we will be able to undertake rapid expansion and gain significant market share in a largely fragmented rental market."

DIVIDEND

The Directors have declared an interim unfranked dividend of 2.0 cents per share. The dividend will be paid on 10 April 2019, with a record date of 13 March 2019.

Due to the Company's growing overseas operations, the ability to frank future dividends will be dependent on the amount of franking credits arising out of Australian operations.

OUTLOOK

Globally, forward rental bookings remain positive. The Company continues to expand its global tourism business, with the following key initiatives planned for H2 FY19:

- Opening two new USA rental branches in Anchorage and Miami, in preparation for the FY19 summer peak season.
- Opening rental branches in Hamburg and Paris in preparation for the FY19 summer peak season.
- Establishment of new retail sales location in Newcastle and Auckland.
- Introduction of the Coromal and Windsor caravan brands.

FY19 NPAT GUIDANCE

While the Company has generated increased half year revenues and underlying NPAT for H1 FY19, substantial opex has been directed into the business to support the ongoing global expansion and consolidation of recent acquisitions during the period. The benefits will emerge over coming periods.

Apollo maintains its FY19 NPAT guidance of **\$22M – \$24M**, however, is tracking to the lower end of this range. Our guidance reflects our current view on global RV markets.

The interim accounts and results presentation have been lodged with the ASX and can also be found on the ATL website: www.apollotourism.com

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Authorised by:

Luke Trouchet

Managing Director and Chief Executive Officer, Apollo Tourism & Leisure Ltd

Conference Call

There will be an ATL H1 FY19 Results conference call held at 3:30pm AEST (4:30pm AEDT) on Monday 25 February 2019. To be a part of this call from Australia please dial 1800 149 568 – Conference ID: 8567117. International callers please dial (+61)2 8038 5340.

For more information please contact:

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About Apollo Tourism & Leisure Ltd

- *Apollo Tourism & Leisure Ltd is listed on the Australian Securities Exchange (ASX code: ATL). Apollo is a multi-national, vertically integrated manufacturer, rental fleet operator, wholesaler and retailer of a broad range of RVs including motorhomes, campervans and caravans.*
- *Apollo is the largest provider of rental RVs in Australia and owns the rental brands of Star RV, Apollo, Cheapa Campa and Hippie Camper.*
- *Apollo is the second largest provider of rental RVs in New Zealand and owns the rental brands of Star RV, Apollo, Cheapa Campa and Hippie Camper.*
- *Apollo is one of the largest providers of rental RVs in North America and owns the rental brands of CanaDream, Star RV and Apollo.*
- *Apollo is one of the largest providers of rental RVs in the United Kingdom/ Ireland and owns the rental brand Bunk Campers.*
- *Apollo holds a 25% stake in online “peer to peer” caravan and RV sharing community, Camplify. Camplify currently operates in Australia and the United Kingdom.*
- *Apollo has RV manufacturing plants in Brisbane, Australia and Auckland, New Zealand.*
- *Apollo is the licensee of Winnebago in Australia and New Zealand.*
- *Apollo is the distributor of Adria Mobil in Australia and New Zealand.*
- *Apollo owns Talvor, a brand of motorhomes and caravans.*
- *Apollo owns the Fleetwood RV, Coromal and Windsor caravan brands.*
- *Apollo owns a national RV dealership network across Australia incorporating Apollo RV & Caravan Sales, Sydney RV, George Day Caravans and Kratzmann RV.*

Important notices

This announcement may contain forward-looking statements, which include all matters that are not historical facts. Without limitation, indications of, and guidance on, future earnings and financial position and performance are examples of forward-looking statements.

Forward-looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. No representations, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement by Apollo Tourism & Leisure Ltd or by any other person. In particular, no representation, warranty or assurance (express or implied) is given that any of the events expressed or implied in any forward-looking statement in this announcement will actually occur. While the Company believes there is a reasonable basis for the making of any forward-looking statements as at the date of this announcement, actual results, performance or financial positions may be affected by a range of variables which could cause actual results to differ materially from any forward-looking statements and the assumptions on which those statements are based.

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