Apollo Tourism & Leisure Ltd
Financial Results for the Year Ended 30 June 2019

Consolidation and continued investment in future growth infrastructure

The Directors of Apollo Tourism & Leisure Ltd (ASX: ATL) ('Apollo', 'the Group', or 'the Company') today announced its financial results for the financial year ended 30 June 2019, reporting an Underlying[1] Net Profit After Tax (NPAT) of $14.7M, in a challenging year with subdued RV sales market conditions globally.

FY19 HIGHLIGHTS

- Underlying Net Profit After Tax of $14.7M.
- Statutory Net Profit After Tax of $4.7M, including non-cash impairments of intangible assets of $11.0M.
- Record revenue of $365.2M, up 2.7% on prior corresponding period (pcp).
- Record rental days globally of 886,000, up 4.7% on pcp.
- Rental branches opened in Germany and France in April 2019, the Company's first operations in mainland Europe.
- Acquisition of caravan brands Coromal and Windsor completed in March 2019.

CEO and Managing Director, Luke Trouchet, said "While our financial result is disappointing, the overall health of the Company remains strong. Following the significant steps taken in Apollo's global growth strategy during FY18, FY19 has been a period of consolidation and integration as we invest in people and infrastructure to support our ongoing global expansion."

"Subdued retail sales conditions in the second half of the year, presented the Company with a number of challenges globally, which contributed to the decline in earnings year on year."

Total revenue grew by 2.7% year on year and rental days were up in all regions over pcp, reaffirming the strength of the core rental business. Globally retail sales markets were subdued with macro-economic headwinds encountered in each region. The Company experienced some improvement in retail market conditions in Australia in the final months of the year and that momentum has continued into FY20.

The Group's statutory NPAT included non-cash impairments of goodwill and intangible assets totalling $11.0M, reflecting the impact of the disappointing second half result.

Significant investments were made to strengthen the Group's global management infrastructure and service offerings, which contributed to the decline in Underlying EBIT in FY19. The Company now has the necessary foundations to deliver its global growth ambitions. The Group also invested heavily in improving guest experience in FY19, which will provide benefits in future periods.

Completion of the acquisition of the Coromal and Windsor caravan brands was an important addition to the Company's retail sales offering. This action brings consolidation to a fragmented Australian caravan industry and increases the product mix and market reach of the Company's retail sales network.

[1] Underlying financial measures relate to certain non-IFRS financial measures. Underlying financial measures are defined as financial measures that are presented other than in accordance with all relevant Australian Accounting Standards. Certain Underlying financial measures are used internally by Apollo's management to make appropriate comparisons with prior periods and to assess financial performance. Refer to page 32 of the FY2019 Results Release Presentation for a reconciliation and description of the items that contribute to the difference between Apollo's underlying and statutory results.

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AUSTRALIA

The Australian rental business continued to perform strongly, with 434,000 rental days (FY18: 426,000) and rental income of $60.9M (FY18: $56.4M), representing record results, despite lower than expected last minute bookings in Q4. This performance was underpinned by a growth in international visitor numbers to Australia and enhancements made to guest experience and service offerings.

The strength of the rental business was offset by subdued performance of retail sales in the region. New vehicle sales volumes were consistent with pcp, however, an industry-wide decline in consumer sentiment resulted in reduced margins and targeted sales volumes being below expectations, affecting overall earnings for the segment.

Mr Trouchet said, "While sales volumes have remained solid in comparison to prior year, we saw a decline in margins as a result of the relatively uncertain economic environment in the lead up to the Federal Election in May 2019. Promisingly, however, improved sales performance in the final weeks of the year suggest that consumer sentiment has begun to improve post-election and early FY20 indicators are that this positivity is continuing. We also see benefits from enhanced strategic oversight of the retail operations, following product and executive restructuring in February 2019."

Underlying EBIT was also impacted by increased investment to support the global business. Expenditure on staffing, ERP systems, new locations, branding and guest experience improvements increased costs in FY19, but has improved the business as a whole and will deliver guest and financial benefits in future periods.

Production of the first Coromal caravans were completed during the period and will help to expand the Company's product offerings to reach a broader cross-section of consumers.

The FY19 Statutory NPAT includes a $9.5M non-cash impairment of the segment's goodwill and intangibles, reflecting the impact of the underperformance of retail operations in the region, in the second half of the year.

NEW ZEALAND

Rental demand remained strong in New Zealand, with an 8.6% increase in rental income over pcp. This was particularly positive for the segment as there was a delay in importation of Mercedes vehicles, which reduced the availability of dynamic fleet vehicles in the peak month of December 2018. The region also experienced lower than expected last minute bookings in Q4.

Relocation of the Company's Auckland rental branch to a new, larger facility took place in February 2019, and a new flagship retail sales store was opened alongside the rental branch.

While the new facility allows Apollo to provide a full-service rental and retail offering in the region, the initial establishment costs resulted in a slight decline in Underlying EBIT to $8.5M (FY18: $8.9M).

NORTH AMERICA

Underlying EBIT in North America increased by 19.0% over FY18 to $16.3M (FY18: $13.7M), on the back of record rental booking nights that generated $59.8M of rental revenue, an increase of 21.5% over pcp (FY18: $49.2M). New rental locations in Anchorage and Miami in the USA and new, improved facilities at CanaDream's Toronto and Halifax branches underpinned this growth.

The strong performance of the rental business was offset by a soft used vehicle sales market, which saw a reduction in the number of ex-rental fleet vehicles sold. An over-supply of new vehicles throughout calendar year 2018, placed significant downward pressure on used vehicle prices in FY19. The decision was made to reduce ex-fleet vehicle sales from the amount originally planned, which, in turn extended vehicle holding periods, and contributed to increased depreciation and interest costs.

Mr Trouchet said, "The softness of retail markets in North America has presented us with a number of challenges and we accepted higher price discounts in the USA in order to accelerate sales and reduce the impact of increased holding costs."

"However, the flexibility in our business model has allowed us to retain a portion of the fleet for another season, which reduced the purchasing requirements for the 2019 peak summer season."

EUROPE & UNITED KINGDOM

Camperco's rental business has continued to grow, with rental nights increasing by 21.4% over pcp, to 34,000 for FY19 (Camperco was acquired on 26 March 2018. For comparative purposes, FY18 rental nights for the full year were 28,000). Increased fleet size and scheduling synergies gained through the implementation of the Company's VIBE reservations and fleet management system were the primary drivers of growth.

Camperco's overall performance was hindered by suppressed ex-fleet sales, with the uncertainty surrounding Brexit having an impact on consumer sentiment. With Brexit expected to affect most of calendar year 2019, Camperco is not expected to achieve its second earnout incentive hurdle. Consequently, the accrual for the second earnout payment has been reversed in FY19, increasing earnings. In addition, a non-cash impairment of intangible assets totalling $1.5M was recorded.

In April 2019, the Company opened rental branches in Germany and France, for the peak summer season. Initial performance has been promising in both locations and sets the foundation for further expansion in the region.

DIVIDENDS

The Company paid an unfranked interim dividend of 2c per share on 10 April 2019. The Company's policy is to pay between 45% and 55% of annual Statutory NPAT as dividends. Given the impact of the impairments taken in FY19 on Statutory NPAT, the Board has decided there will be no final dividend declared in FY19. Cash that would have been used to pay a final dividend will assist with the funding of ongoing investment in growth and business improvement initiatives in the first half of FY20.

OUTLOOK

The Company has experienced a solid start to FY20, with rental demand remaining strong and RV sales. Planning for FY20 has assumed a continuation of the current trading environment, with ongoing headwinds from geopolitical issues such Brexit, China-USA trade tensions and the uncertainty created by the unrest in Hong Kong. An earlier resolution to any such issues is likely to result in increased consumer confidence and improved trading conditions.

Throughout FY20, the Group will be looking to capitalise on various opportunities to drive earnings growth, including:

- Refinement of new and ex-fleet RV sales strategies post completion of a global retail review being undertaken, by Chris Rusden, global COO – Retail.
- Consolidation of the retail dealer management systems within Australia.
- Implementation of enhancements to scheduling and fleet management systems to increase yield and utilisation in the rental business globally.

- Opening of retail sales stores in the USA, utilising existing rental branch infrastructure, to expand the region's vehicle distribution network.
- Pursuit of expansion opportunities in Germany and France.

The Company is in advanced stages of a Global CFO recruitment process, which will bring additional financial expertise and oversight to the Group's operations.

AASB 16 *LEASES*

AASB 16 Leases[2], is a new Australian Accounting Standard that comes into effect on 1 July 2019. The new standard materially changes the treatment of all Group operating leases and the change is likely to increase Group EBITDA by between $10.2M and $10.6M (unaudited) and decrease Group statutory NPAT by between $0.6M and $0.7M (unaudited) in FY20. These estimates may be impacted by any changes to the Group's leasing portfolio.

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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.

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.

[2] Refer Note 1 of the Full Year Statutory Accounts for details of the new standard.