



# Apollo Tourism & Leisure Ltd

Results Presentation | FY18 Interim

February 2018



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Apollo Tourism & Leisure Ltd (ASX: ATL) is a multi-national, manufacturer and importer, rental fleet operator, wholesaler and retailer of a broad range of recreational vehicles including motorhomes, campervans and caravans.



## AUSTRALIA

**RENTAL FLEET SIZE:**  
approx. 1,700

**OPERATIONS:**

- Manufacturing.
- RV rentals (10 locations).
- New and ex-rental RV sales (10 locations).



## NEW ZEALAND

**RENTAL FLEET SIZE:**  
approx. 750

**OPERATIONS:**

- Manufacturing.
- RV rentals (2 locations).
- Ex-rental RV sales (wholesale).



## USA AND CANADA

**RENTAL FLEET SIZE:**  
approx. 1,750

**OPERATIONS:**

- RV rentals (14 locations).
- Ex-rental RV sales (wholesale).

# Business model



# H1 FY18 Results Overview

- First half results in line with Apollo expectations.
- Apollo's outlook for second half remains positive.
- Acquisitions are integrating well and performing to Apollo's expectations.
- Brisbane manufacturing facility has moved to its new 12 acre site.
- Dynamic fleet performed well over the holiday period in Australia and New Zealand.
- An interim dividend of 2.0 cents per share, fully franked, declared.

# H1 FY18 Financial Highlights

Total Revenue

**\$172M**

Up on PCP

**129%**

Net Profit After Tax

**\$16.0M**

Up on PCP

**349%**

Earnings Before Interest and Tax

**\$28.1M**

Up on PCP

**255%**

H1 basic earnings per share

**8.9 cps**

Up on PCP

**182%**

Return on Equity\*

**14%**

H1 FY18 Total Dividends

**2.0 cps**

All financials are in AU Dollars unless stated otherwise (throughout presentation).

All comparisons are against prior corresponding period unless stated otherwise.

The results for December 2017 include a one off gain at acquisition of \$2.5m from revaluing the existing shareholding in CanaDream.

\*ROE calculated as NPAT/ Net Assets.

A\$M	Statutory Actual H1 FY2018 (ii) (iii)	Statutory Actual H1 FY2017 (ii)	% Change	Statutory Actual H1 FY2018 (ii)	Pro forma Actual H1 FY2017 (i)	% Change
Total Revenue	172.350	75.440	128.5%	172.350	92.828	85.7%
Net profit before tax and finance costs	28.072	7.900	255.3%	28.072	17.196	63.2%
Earnings before interest and tax margin	16.3%	10.5%	55.5%	16.3%	18.5%	(12.1%)
<b>Net profit after tax</b>	<b>15.957</b>	<b>3.552</b>	<b>349.2%</b>	<b>15.957</b>	<b>9.706</b>	<b>64.4%</b>
Earnings per share (cents per share)	8.9	3.1	181.8%	8.9	6.7	32.4%
Interim dividend (cents per share)	2.0	0.5	N/M	2.0	0.5	N/M

**Notes:**

(i) Pro forma figures represent non-IFRS financial information that has not been subject to audit or review but have been determined using information presented in the Company's financial statements and the Prospectus dated 06 October 2016.

(ii) The results do not include the first eleven days of operational performance of CanaDream or the first two months of George Day Caravans, representing \$0.4m of after tax profit. The acquisition transaction costs of \$0.4m after tax are included in the statutory results to 31 December 2017.

(iii) The results for December 2017 include a one off gain at acquisition of \$2.5m from revaluing the existing shareholding in CanaDream.

# Segment results

Region	Six months ended 31 Dec 2017		Six months ended 31 Dec 2016		Growth \$		Growth %	
	Revenue	EBIT	Revenue	EBIT	Revenue	EBIT	Revenue	EBIT
Australia	104.345	11.556	44.700	6.107	59.645	5.449	133%	89%
New Zealand	12.890	2.140	13.846	1.841	-0.956	0.299	-7%	16%
North America	55.374	14.960	17.162	-1.133	38.212	16.093	223%	N/M
Other/ Eliminations	-0.259	-0.583	-0.268	1.085	0.009	-1.668		
<b>Total</b>	<b>172.350</b>	<b>28.073</b>	<b>75.440</b>	<b>7.900</b>	<b>96.910</b>	<b>20.173</b>	<b>128%</b>	<b>255%</b>

## Notes:

- The tourism industry is subject to seasonal fluctuations with peak demand for tourism attractions and transport occurring in summer months. Accordingly, Apollo's results are skewed somewhat to the first half. Profits in Australia and New Zealand are typically generated over the southern hemisphere summer months, while profits in North America are generated over the northern hemisphere summer.
- The results for December 2016 do not include the first three months of operational performance of Apollo Motorhomes LLC (North America segment) and Apollo Finance Pty Ltd, and, as well, the IPO costs (Australia segment) are included in the statutory results to 31 December 2016.
- The results for December 2017 (Australia segment) include a one off gain at acquisition of \$2.5m from revaluing the existing shareholding in CanaDream.
- Statutory results do not include the first eleven days of operational performance of CanaDream or the first two months of George Day Caravans, representing \$0.4m of after tax profit. The acquisition transaction costs of \$0.4m after tax are included in the statutory results to 31 December 2017.
- Currency fluctuation has an impact on translation of NZD, USD and CAD results.





# US Tax Legislation Change

The new United States of America tax legislation was signed into law by US President Trump in late December 2017. The following is a summary of the key changes that will impact Apollo's US-based business:

- Federal tax rate reduction from 34% to 21%, effective from 1 January 2018.
- Total Income tax rate reduction from 38% to 25%.
- Total Income tax blended rate for FY18 will be approximately 32%.
- Total Income tax rate for FY19 onwards will be approximately 25%.
- There is a one-off gain from revaluing deferred tax in FY18 of USD\$68k.

# Balance Sheet

AUD\$M	31 December 2017	30 June 2017	31 December 2016
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	25.396	48.599	10.908
Inventory	87.042	47.097	16.620
Other Current Assets	13.930	16.131	8.432
<b>Total Current Assets</b>	<b>126.368</b>	<b>111.827</b>	<b>35.960</b>
Non-current Assets			
Property, plant and equipment	239.400	188.162	158.765
Intangibles	27.720	8.872	0.087
Other Non-current Assets	3.125	7.901	9.502
<b>Total Non-current Assets</b>	<b>270.245</b>	<b>204.935</b>	<b>168.354</b>
<b>TOTAL ASSETS</b>	<b>396.613</b>	<b>316.762</b>	<b>204.314</b>
<b>LIABILITIES</b>			
Current Liabilities			
Interest-bearing loans and borrowings	127.001	111.894	44.995
Other Current Liabilities	38.403	35.883	25.939
<b>Total Current Liabilities</b>	<b>165.404</b>	<b>147.777</b>	<b>70.934</b>
Non-current Liabilities			
Interest-bearing loans and borrowings	96.045	56.787	59.801
Other Non-current Liabilities	21.777	10.782	23.947
<b>Total Non-current Liabilities</b>	<b>117.822</b>	<b>67.569</b>	<b>83.748</b>
<b>TOTAL LIABILITIES</b>	<b>283.226</b>	<b>215.346</b>	<b>154.682</b>
<b>NET ASSETS</b>	<b>113.387</b>	<b>101.416</b>	<b>49.632</b>

## Notes:

- Certain Group finance facilities are treated as current liabilities with the financed assets recorded as non-current assets, resulting in a net current liability position of \$39.0 million as at 31 December 2017.
- Growth in assets and liabilities from 2016 to 2017 reflects growth through acquisitions made over this period.
- Inventories have increased as a result of acquisitions during the period.
- Intangibles have increased as a result of acquisitions during the period, predominantly CanaDream.

# Cash Flow

AUD\$M	December 2017	December 2016
<b>Net profit/ (loss) after tax</b>	<b>15.958</b>	<b>3.552</b>
Non-cash items	16.228	7.564
Changes in working capital	-19.463	-1.309
Proceeds from sale of assets	25.686	23.416
Repayment of borrowings/ finance lease principal	-39.698	-57.888
Cost of acquisitions net of cash balances acquired	-10.003	6.169
Capital expenditure	-7.211	-0.765
Dividends Paid	-3.599	-
Income Tax Paid	-1.004	-
Related Party Transactions	-	5.490
Proceeds from Offer (net of capitalised transaction costs)	-	48.789
Payment to Founding Shareholder	-	-30.000
<b>Net Cash Movement</b>	<b>-23.106</b>	<b>5.018</b>

**Notes:**

- The results for December 2016 do not include the first three months of operational performance of Apollo Motorhomes LLC (North America segment) and Apollo Finance Pty Ltd, and, as well, the IPO costs (Australia segment) are included in the statutory results to 31 December 2016.
- Statutory results do not include the first eleven days of operational performance of CanaDream or the first two months of George Day Caravans, representing \$0.4m of after tax profit. The acquisition transaction costs of \$0.4m after tax are included in the statutory results to 31 December 2017.



## BUILD/BUY

- Manufacturing operation moved to new 12 acre site.
- New equipment has been purchased to assist with creating efficiencies.
- Implementation of a new ERP system, Sage, is due to occur in March 2018.



## RENT

- Record level of rentals in H1 FY18.
- Forward bookings in line with expectations.
- Apollo's new guest app to be launched in H2.
- CSIRO is developing enhancements to Apollo's vehicle scheduling system.
- Vivid camper dynamic fleet, introduced in November 2017, is performing to expectations.
- Rollout of GPS tracking/ telematics across Australian fleet will commence during the remainder of FY18.



## SELL

- New and used unit sales volumes are in line with Apollo's expectations.
- Apollo's Adria and Winnebago brands are now being sold by all acquired dealerships.
- Group Finance & Insurance Manager appointed to drive ancillary sales at the dealerships.
- Integration of retail acquisitions is progressing well.



## BUILD/BUY

- New factory manager appointed.
- Steady production of RVs for the rental fleet.



## RENT

- Record level of rentals in H1 FY18.
- Strong forward bookings.
- CSIRO is developing enhancements to Apollo's vehicle scheduling system.
- Vivid camper dynamic fleet, introduced in November 2017, is performing to expectations.
- Rollout of GPS tracking/ telematics across New Zealand fleet will commence during the remainder of FY18.



## SELL

- Used ex-fleet sales behind prior year as some fleet were held on the rental fleet to satisfy strong rental demand over the high season. These units are expected to be sold in H2 FY18.



## BUILD/BUY

- Fleet orders finalised for 2018 season and are spread amongst Winnebago, Forest River and RoadTrek.



## RENT

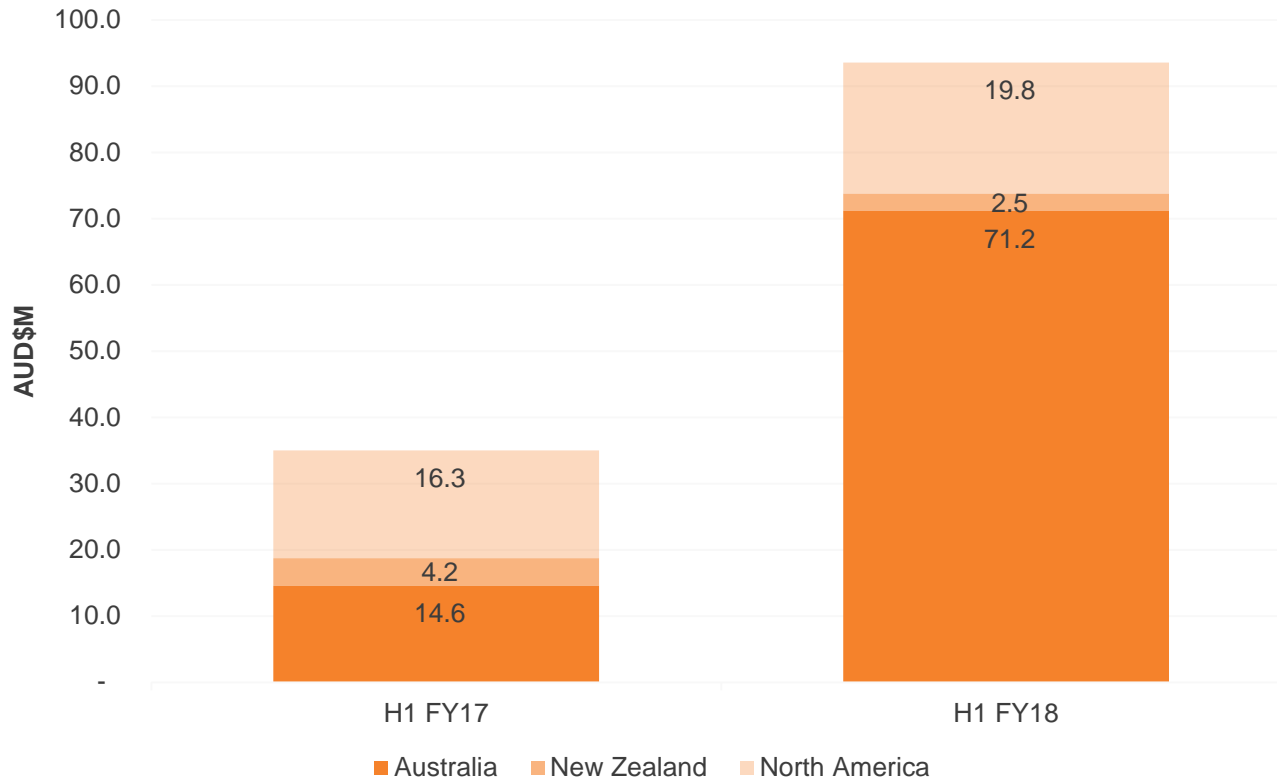
- Record level of rentals in H1 FY18 in both Canada and the USA.
- Strong forward bookings.
- CSIRO is developing enhancements to Apollo's vehicle scheduling system for the USA.
- GPS tracking/ telematics is being implemented across entire North American fleet.
- Apollo's CanaDream performed above expectations.
- Relocating to new and larger locations in Toronto and Halifax ahead of summer peak in 2018.



## SELL

- North American fleet sales are behind expectations as we focus on margin. Vehicle sales are progressing and expected to perform better over the second half.

# RV Sales Revenue

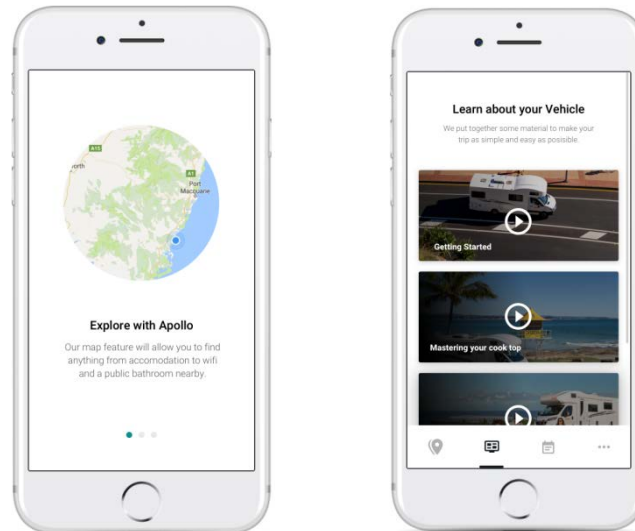


**Notes:**

- H1 FY18 fleet sales revenue has increased from H1 FY17 revenue in Australia and North America, reflecting the impact of acquisitions. Retail acquisitions in Australia are performing to Apollo's expectations. North American fleet sales are behind expectations as we focus on margin.
- H1 FY18 fleet sales revenue in New Zealand is down on prior year due to lower vehicle sales revenue and exchange rate variation. Lower sales revenue was a result of vehicles held on rental fleet longer to satisfy strong rental demand.

Apollo has a number of digital assets within the RV ecosystem. Our strategy is to capitalise on existing investments in digital assets to:

- Enhance rental guest experience and on-trip revenue share.
- Create ongoing relationships with our retail customer.
- Develop platforms to manage and generate revenue in the RV sharing economy (Camplify).





Our global digital strategy will be achieved through:

- Guests will be able to search and book real-time holiday park availability, attractions and experiences to customise their road trip.
- Utilising partnerships and technology to gain access to product and experiences.
- Apollo guest app to be launched late FY18.
- CanaDream app already well established and allows guests to book local tourism experiences.
- Campstay partnership allows guests to book campsites.
- Camplify investment has allowed Apollo to enter the “peer to peer” space.
- GPS tracking is being implemented across the global fleet.
- Rollout of telematics will provide our guests with a more connected experience through ancillary services that can be accessed via our digital ecosystem.
- Improved service to guests when assisting with on-road issues.

# Strategic growth initiatives



## Expand North American footprint

- Successful integration of recent CanaDream acquisition. CanaDream management is now managing the majority of the USA business.
- Investigating opportunities to open additional North America branches.



## New RV Sales

- Growing retail network as opportunity arises.
- Margin capture from manufacturing to dealership sales.
- Ongoing successful integration of acquisitions.



## Rental fleet diversity

- Expand dynamic fleet offering.



## Retail product diversity

- Expand product offering across Australian retail network.



## Ongoing business improvement initiatives

- Capitalise on efficiency of scale from acquisitions and new global ERP system.
- Guest app will allow revenue generation from holiday activities booked via the app.
- Realise scale and efficiency benefits from manufacturing move to larger factory.



## Further develop Asia initiative

- Continue to build on modest Asian market base to accelerate growth from this market.



## Geographic expansion & strategic acquisitions

- Explore further acquisition and organic growth opportunities as they arise.
- Campify has launched in the United Kingdom.



## Leadership

- Further develop and add to talent within the Group.

Global business outlook is positive.

Positive growth in international visitor numbers forecast for all geographic regions.

Benefits from Brisbane manufacturing factory move are expected to emerge in FY19.

Focus on retail dealerships to continue to grow sales in H2 FY18, with synergy benefits to start emerging in FY19.

Investments in technology across the business are focused on streamlining core processes to increase efficiencies.

New ERP system for the global business will provide long term integration benefits.

FY18 focus continues to be on successful integration of recent CanaDream and retail acquisitions.

As a business with growing overseas operations, future dividends may not be fully franked.

Thank you

