

Apollo Tourism & Leisure Ltd

Market update on Apollo's response to COVID-19

Apollo Tourism & Leisure Ltd (ASX: **ATL**) ('**Apollo**', or '**the Company**') provides the following update on its response to the challenges experienced in relation to Coronavirus (COVID-19).

- **Globally, the rental branches and retail dealerships that have remained open within relevant Government restrictions continue to prioritise the health and safety of employees, guests and customers.**
- **For destinations where restrictions are beginning to ease, Apollo is releasing "On the road again" campaigns to inspire domestic travel.**
- **Liquidity is being managed through a combination of principal repayment holidays, cost reductions, government support and reduced capital expenditure. Proactive engagement continues with stakeholders, including landlords, financiers, suppliers and travel agents.**
- **Sale of the USA fleet is in progress, and the USA rental business will be hibernated until the 2021 season.**

Safety of our employees, guests and customers

Notwithstanding the significantly reduced operational activity, Apollo has continued to manufacture in Australia, and operate its retail and rental businesses in locations where this has been possible within local government restrictions. Health and safety continue to be prioritised, with minimal or contactless interaction between employees, guests and customers in place at all locations.

"On the road again" campaign

Government movement restrictions are beginning to ease globally, with local travel expected to be allowed in the coming weeks together with the re-opening of national parks, caravan parks and camping grounds. In anticipation of a successful community transition path and increased ability to travel, Apollo has launched its "On the road again" campaign to target those wanting to embark on a post-lockdown self-drive holiday. The campaign has been designed to target guests in the dreaming, consideration and decision-making stages of purchasing a holiday. The campaign is creating awareness of RV holidays in as many customer segments as possible. Apollo is preparing for the reopening of domestic travel, and although currently small in number, bookings are starting to be received for pickups in the coming weeks and months. Australian retail RV customer orders since the start of May have returned to near their pre-Coronavirus (COVID-19) levels.

Liquidity initiatives

Apollo's Board and management team are monitoring financial liquidity closely through this period of substantially reduced and uncertain revenue. For the balance of 2020, the Group is planning for a domestic only rental offering in all its markets and a modest recovery in retail sales. Cash balances have moved from AUD\$17.3 million as at 31 December 2019 to AUD\$12.4 million as at 12 May 2020. Provided below is a summary of liquidity initiatives being executed to preserve and generate additional cash. Given the ongoing uncertain revenue outlook, the Group is continuing to review a range of additional liquidity measures.

Debt principal repayments deferred

Apollo's fleet financiers in each region have offered a range of measures to support liquidity, including providing varying levels of principal repayment holidays. As the end of any deferment period approaches, discussions will take place to request extensions if required. The Company values the relationships with its financiers and thanks them for their continuing support and flexibility.

Sale of USA fleet and hibernation of the USA rental business

In the Northern Hemisphere, the majority of Apollo's annual rental revenue is generated from international travellers over the June to October summer period. With the very strict Coronavirus (COVID-19) international travel restrictions in place, the Group has decided to put its USA operations into hibernation until summer 2021.

The USA has a liquid RV sales market, and Apollo has been able to secure commitments from its dealer partners to purchase most of its current USA fleet. These sales will substantially retire the USA fleet debt of approximately AUD\$60.5 million as at 31 December 2019. Cash proceeds will exceed the debt being retired. The accelerated disposal strategy allows units to be sold quickly on an "as is" basis, saving reconditioning costs and ongoing holding costs such as insurance, registration, interest and principal repayments. Since 31 December 2019, approximately 560 units have been delivered to our dealer partners, leaving approximately 400 units left to be delivered before 30 June 2020, bringing the total FY20 USA fleet deliveries to approximately 1,090. Total book losses on USA fleet sales for FY20 are expected to be in the range of AUD\$12 million to AUD\$12.5 million.

Fleet Capital Expenditure

Apollo has acted to significantly reduce fleet capital expenditure in all regions by cancelling, deferring or minimising planned fleet additions.

Reduction of cost base

Apollo has made the difficult but necessary decision to reduce its workforce through a combination of redundancies, reduced hours and asking employees to take leave. Apollo is accessing government support in each region to retain staff where possible.

From the beginning of April, Apollo's senior executives and Board members have all taken a 30% salary and fee reduction for the remainder of FY20, which will be reviewed in early FY21. All potential bonuses for employees for FY20 have also been cancelled.

The above measures, including government funding assistance, will see a 70% decrease in previously planned employment costs over the six months from April 2020.

Other operating expenditure has also been reviewed and reduced wherever possible.

Rent of operating sites

Apollo has approached its landlords for rent-free and reduced-rent periods to further reduce operating costs over this challenging trading period. To date several agreements have been reached, with others still in negotiation. Apollo would like to thank its landlords for their understanding and ongoing support.

Return of dynamic fleet units to Lessors

Apollo's dynamic rental fleet in Australia and New Zealand was comprised of short term leased vehicles. Agreements have been reached to return the units early to reduce monthly lease payments. There were 180 dynamic fleet units in Australia and 50 in New Zealand.

Closure of New Zealand factory and ongoing review and adjustment of Australian manufacturing

The Coronavirus (COVID-19) restrictions in New Zealand have reduced rental activity significantly in the region and there is no requirement for additional fleet for the near future. As a result, the Company has closed its manufacturing facility in New Zealand. Procurement of future fleet for the region will be aligned to the level of rebound in that rental business.

The Australian manufacturing facility continues to operate but on a substantially scaled down basis, with no production for rental fleet, and manufacturing only being undertaken to meet retail requirements. Although at reduced levels since the start of the Coronavirus (COVID-19) impacts, retail sales are occurring across Apollo's dealerships. The Australian manufacturing model will continue to be reviewed and adjusted to align with changes in demand in the Australian and New Zealand retail and rental markets.

Government assistance

Apollo is appreciative of the government initiatives in all the jurisdictions it operates in and has successfully applied for several support packages. Apollo remains in discussions with governments about a range of other potential industry assistance packages.

Apollo's Managing Director and CEO, Luke Trouchet, commented on the Company's swift response to the Coronavirus (COVID-19) pandemic:

"The impact of the Coronavirus and its associated government restrictions has been devastating for the tourism industry, however Apollo has responded quickly and implemented initiatives that will assist us to navigate through this unprecedented time.

The duration and impact of the Coronavirus crisis on our business remains uncertain. In addition to the plans we have put in place, we continue to work on further initiatives to stimulate demand, improve liquidity and reduce costs. These actions give us confidence that the business will be in a position to benefit when tourism activity recovers.

I would like to thank our employees for their commitment and partners for their support in the face of these extraordinary times."

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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.

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