



ASX RELEASE

20 November 2019

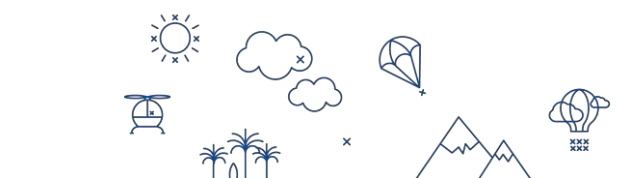
EXPERIENCE CO LIMITED (ASX: EXP) – OVERVIEW OF OUTCOMES OF STRATEGIC REVIEW

Experience Co Limited (ASX: EXP) today releases its Annual General Meeting presentation that includes an update on the outcomes of strategic review outlined in the FY19 results announcement.

Key Highlights

- **Core business identified** with skydiving and Great Barrier Reef marine experiences at the core of the future strategy. Both products being well positioned in core markets, with capacity for operating leverage in existing Drop Zones, fleet and operating infrastructure
- **Business simplification well progressed** with operational management team in place, and re-set of the business underway including the divestment of non-core assets comprising helicopters, canyoning, rafting and ballooning
- **Operating cost rationalisation** in progress and will be key to positioning the business heading into FY21, with the business targeting \$5 million to \$6 million in annualised savings
- **Divestment program underway** and will support further cost reduction in the Adventure Experiences segment and across the business
- **October trading** has shown continued robust demand for the skydive product, with more favourable weather conditions in Australia contributing to improved tandem jump volume on Q1, however late season inclement weather conditions in the Queenstown region impacted tandem volumes in our New Zealand business. No material change in FNQ tourism market conditions since the Trading Update announced on 7 November 2019
- **FY20 will involve a resetting of the business**, short term focus on executing outcomes of the strategic review, including right sizing the operating cost base to align to a simpler core business and market conditions

The Group's Chairman, Bob East, said: "EXP's core business continues to be attractively positioned in key markets. With the strategic review undertaken, the remainder of FY20 will be about executing these outcomes and will see the business consolidate, rationalise and reset for improved performance heading into FY21."





John O’Sullivan, Chief Executive Officer, added: “Tourism remains fundamentally strong in Australia and New Zealand with the Adventure sector showing encouraging signs of growth. I am excited to be leading the refreshed and revitalized management team to execute the outcomes of the strategic review. We now have a clear focus on a simplified core business and positioning the business to deliver shareholder returns.”

CONTACT INFORMATION

Media

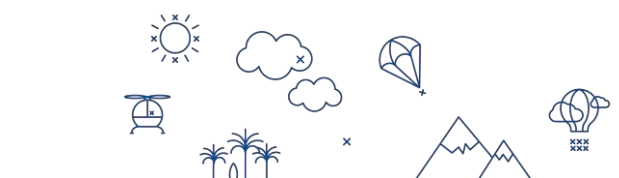
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About Experience Co Limited (ASX:EXP)

Experience Co Limited (EXP) is an adventure tourism and leisure company (previously known as Skydive the Beach Group Limited, ASX:SKB). From its origins in Wollongong NSW in 1999, it now provides tandem skydiving experiences in 15 locations in Australia and 3 locations in New Zealand. EXP also provides activities of marine based experiences on Australia’s Great Barrier Reef, white water rafting, hot air ballooning, canyoning and helicopter tours.





ExperienceCo.
LIMITED

ANNUAL GENERAL MEETING

20 November 2019

DISCLAIMER

SUMMARY INFORMATION

This presentation has been prepared by Experience Co Limited ('EXP') contains summary information about EXP and its related bodies corporate and their activities.

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NON AUSTRALIAN ACCOUNTING STANDARD ('AAS') MEASURES

EXP results are reported in accordance with AAS. However, this presentation includes certain financial information that are non-AAS measures for the purpose of providing a more comprehensive understanding of the performance of EXP. These non-AAS financial measures include EBITDA and Underlying EBITDA measures which provide useful information for measuring the underlying operating performance of EXP. Non-AAS financial information is unaudited, however the numbers have been extracted from the audited financial statements.

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CEO'S ADDRESS & STRATEGIC REVIEW

John O'Sullivan

CEO INSIGHTS

STRATEGIC REVIEW HAS DELIVERED KEY INSIGHTS ON OUR MARKETS AND BUSINESS

OUR MARKETS

- ✓ Adventure experiences will be a key driver of tourism growth between now and 2023 (~17% CAGR)
- ✓ Growth of the China market for adventure experience will continue to grow to \$31bn by 2023
- ✓ Australia and NZ inbound tourism projected to grow between now and 2030
- ✓ FNQ appears to be a cyclical downturn

OUR BUSINESS

- ✓ Adventure experiences are at the core of our DNA
- ✓ Skydive has market leading position, best DZs and Tandem Masters in Australasia
- ✓ China is a key growth market across our Skydive business (19% in Aust & ~40% in NZ) and a strong contributor in our Adventure business
- ✓ Skydive has strong organic growth opportunities that will be a key focus
- ✓ Future acquisitions to focus on areas that EXP is strong

STRATEGIC REVIEW

- ✓ Strategic Review undertaken:
 - ✓ Commercial and operational reviews of Skydive businesses in Australia and NZ
 - ✓ Commercial and operational reviews of Adventure business, including market outlook for the FNQ region
 - ✓ Review of management structure, corporate costs and group-wide administration costs
 - ✓ Identification of future organic and acquisition growth opportunities

TOURISM REMAINS FUNDAMENTALLY STRONG

TOURISM TO AUSTRALIA AND NEW ZEALAND CONTINUES TO GROW

AUSTRALIA

- ✓ Domestic tourism remains strong with trips growing by 12% and expenditure growing by 15% to \$77.5bn
- ✓ International Visitor arrivals grew by 3% to over 9.4m visitors and expenditure by 5% to \$44.6bn
- ✓ Brand perception of Australia as an adventure destination remains strong ranked #10 in the world by the Adventure Travel Trade Association
- ✓ Expectation ahead for FY20 and FY21:
 - ✓ New Tourism Australia activity in key markets focussing on people and experiences
 - ✓ Continued opening of new Hotel Infrastructure in EXP locations such as Perth, Cairns
 - ✓ ICC 2020 T20 World Cup with key focus on Indian market
 - ✓ Commencement of new North American and Japan flights into Queensland & NSW and seasonal Chinese flights into Western Australia

NEW ZEALAND

- ✓ Visitor arrivals grew by 2.5% to over 3.8m to Sep19
- ✓ Brand perception of NZ as an adventure destination remains strong ranked #4 in the world by the Adventure Travel Trade Association
- ✓ Queenstown regarded as the Adventure Capital of the World with a focus on operating excellence
- ✓ Expectation for FY20 and FY21
 - ✓ EXP NZ Skydive customer markets remain strong
 - ✓ Australia, China and US remain the largest sources of visitors (58%) and expenditure (60%)
 - ✓ India remains the fastest growing and projected to grow by 8.3% p.a. to 2024

FNQ TOURISM MARKET

EXPECTED TO CONTINUE TO BE SUBJECT TO EXTERNAL FACTORS

	LAST 12M	OUTLOOK	COMMENTARY
AIRLINE CAPACITY			- Capacity on domestic routes has reduced, these reductions have been led by declining passenger volumes as evidenced by load factor - International route suspension may reduce inbound PAX by c. 5k per month though this is only c. 2.5% of total inbound for Cairns
WEATHER			- Rainfall over the last 12-18 months has been at a 10 year high. Rainfall is historically correlated with reduced visitation - Expectation that these impacts will be reversed with improved weather conditions
TOURIST PROFILE			- Average visitor nights and spend per visit have remained flat or increased over the last year - Industry participants report no notable shifts in tourist segments
PERCEIVED GREAT BARRIER REEF HEALTH			- Reef health worsened significantly from 2016 and 2018 through a combination of Cyclone Debbie in 2017 and coral bleaching - Deterioration of the reef has been widely publicised in Australia and overseas - Significant efforts are being made to improve reef health though the long-term outlook remains uncertain
PERCEIVED PRODUCT QUALITY			- Perception of Cairns product quality against domestic and international competitors is negative - Perceptions likely to improve following new developments (Crystalbrook collection and Silky Oaks Lodge) - Domestic campaign by TTNQ and TEQ will be helpful
EXPERIENCE CO MARKET SHARE			- Experience Co has increased share of Cairns marina PAX during FY19, significant shift in volume to lower yielding product - Experience Co volumes were in decline ahead of the market softening

BUSINESS SIMPLIFICATION

UNDER NEW LEADERSHIP. FY20 RE-SETTING BUSINESS FOR IMPROVED PERFORMANCE IN FY21

BEFORE

- ✗ Strong appetite for acquisitive growth
- ✗ Increasingly concentrated exposure to FNQ wet tropics
- ✗ Volume led business
- ✗ Ineffective integration
- ✗ Limited investment in processes and systems
- ✗ Centralised decision making and unclear structure
- ✗ Management distracted by non-organic growth



FIX

- ✓ Leadership
- ✓ Simplify core portfolio
- ✓ Balance sheet optionality



IMPLEMENT

- + Capital discipline
- + Business processes
- + Organic opportunities



TRANSFORM

- + Sales & distribution
- + Cost rationalisation
- + Acquisitions

AFTER

- ✓ Organic growth leveraging the core business
- ✓ Recognition of key market drivers, risks and opportunities
- ✓ Size matters but not the only criteria
- ✓ Cost base rationalisation opportunities
- ✓ Quality of earnings and returns
- ✓ Disciplined capital allocation
- ✓ Management accountability and ownership

✓ REVIEW COMPLETE

EXECUTION

+ POSITION FOR FY21

ACCELERATED FOCUS

- + COST RATIONALISATION
- + SALES & DISTRIBUTION

STRONG OPERATIONAL MANAGEMENT TEAM IN PLACE

RECENT APPOINTMENTS SEE OPERATIONAL LEADERS IN PLACE

KATHRYN O'BRIEN

CHIEF REVENUE OFFICER

- ✓ Formerly GM, Sales & Marketing at Hamilton Island Enterprises
- ✓ Previous experience at Accor, Tourism NT and Voyages Tourism Australia
- ✓ Widely respected within Australian industry

- ✓ Strong experience in :
 - ✓ International & domestic sales
 - ✓ Establishment of direct to market sales strategies
 - ✓ Inbound and whole agent relationships along with OTAs

ADAM JONES

GM GREAT BARRIER REEF

- ✓ Former owner, Daintree Tours (and part of family ownership group of Calypso)
- ✓ Widely respected within the Far North Queensland tourism and business community
- ✓ Brings an operators mindset to businesses

- ✓ Strong experience in :
 - ✓ Marine operations and land based businesses
 - ✓ North Queensland operating environment
 - ✓ Management of operational and administrative teams

JOE STEIN

GM SKYDIVE AUSTRALIA

- ✓ Formerly Chief Instructor, Byron Bay DZ (3rd largest tandem DZ in network)
- ✓ Over 30 years experience in Skydive
- ✓ Board member of Australian Parachute Federation

- ✓ Strong experience in :
 - ✓ Skydive Drop Zone operations
 - ✓ Cultural leadership focussing on safety
 - ✓ Commercial business of travel

CLARK SCOTT

GM SKYDIVE NZ

- ✓ Former Executive, Ngai Tahu Tourism (Shotover Jet)
- ✓ GM Skydive NZ since 2016
- ✓ Leading tourism identity within the Queenstown region

- ✓ Strong experience in :
 - ✓ Adventure tourism within NZ
 - ✓ Skydive operations and efficiencies
 - ✓ Commercial business of travel and tourism

CORE BUSINESS

SKYDIVING AT OUR CORE ALONG WITH A FOCUS ON SCALEABLE REEF MARINE EXPERIENCES



ASSESSMENT CRITERIA			
MARKET LEADING POSITIONS	SCALABILITY	GEOGRAPHIC DIVERSIFICATION	RETURN ON INVESTED CAPITAL
ORGANIC GROWTH POTENTIAL	BARRIERS TO ENTRY	EXPOSURE TO EXTERNAL FACTORS	QUALITY OF ASSET / PRODUCT

* FY19 results presented before allocation of corporate costs

NON-CORE UPDATE

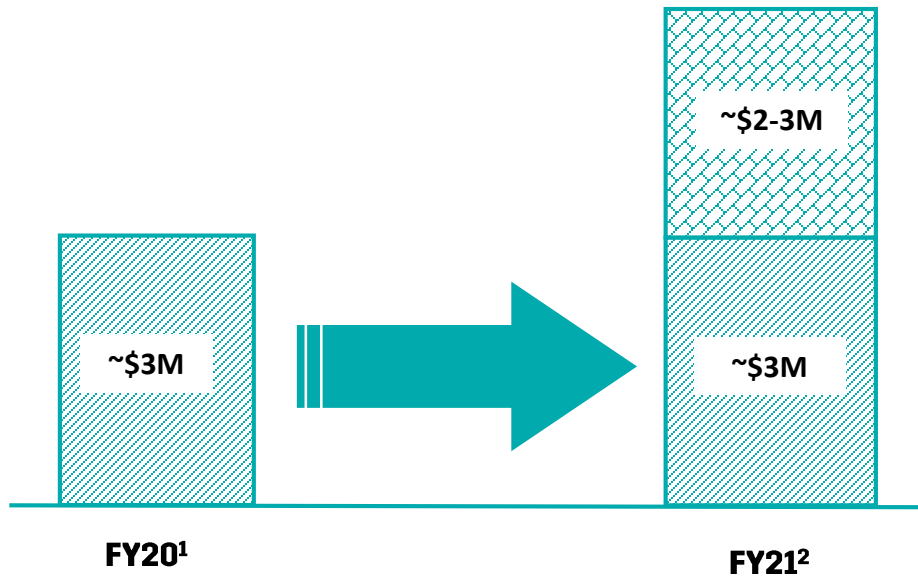
DIVESTMENT PROCESS WELL UNDERWAY WHICH WILL ENABLE FURTHER COST REDUCTION IN ADVENTURE BUSINESS

	NON-CORE	COMMENTARY
IN PROGRESS	1 	• Sub scale and insurance intensive business • Contracts exchanged in November 2019
	2 	• Strong fundamental business • Sale process for business has commenced
	3 Asset Realisations	• Brokers/agents appointed on non-core, surplus medium sized-vessels and property
	4 	• Sale process underway, IM issued to multiple parties • EXP to sell 15% shareholding • Reservation technology non-core
RESTRUCTURE & DIVEST	5     	• Whitewater Rafting and Ballooning non-core • Raging Thunder business being restructured and prepared for sale • Fitzroy Island Flyer to be retained as Core business

OPERATING COST RATIONALISATION

FY20 HAS AND WILL INVOLVE IMPLEMENTING A LEANER OPERATING COST STRUCTURE

RIGHT SIZING THE BUSINESS



- + Marine Operations & Transport
- + Reservations Team
- + Non-Customer Facing Administration
- + IT Cost & Efficiency

- ✓ FNQ management restructure
- ✓ Property portfolio rationalisation
- ✓ Finance and administration
- ✓ Reservations Integration

Notes

1 Based on annualised savings to be in place by December 2019

2 Based on targeted annualised savings for June 2020 exit run-rate

BALANCE SHEET AND ROIC

AT THE CORE OF THE STRATEGIC REVIEW IS ROIC AND IN THE SHORT TERM IMPROVING BALANCE SHEET OPTIONALITY

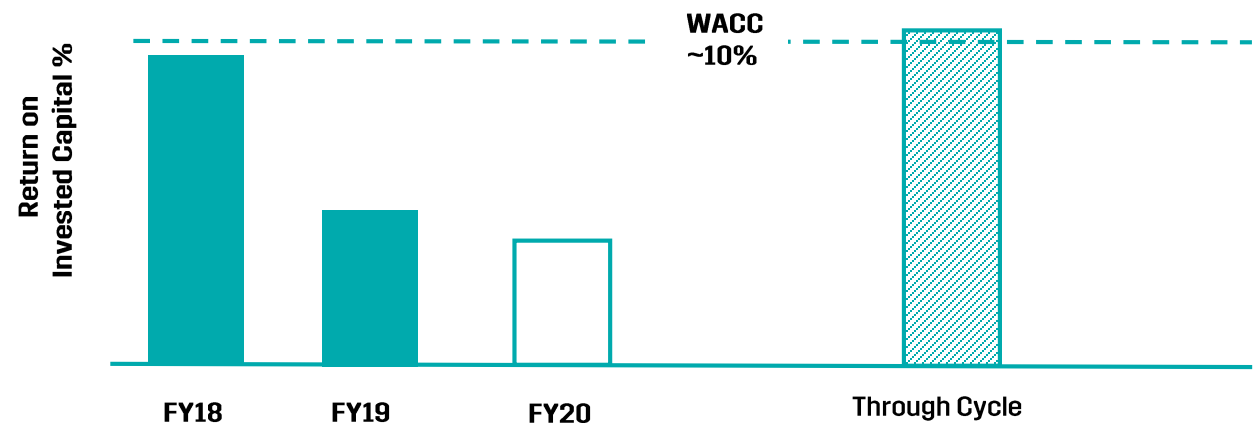
CAPITAL MANAGEMENT

- ✓ Weighted average cost of capital ~10%
- ✓ Market conditions may impact year on year results
- ✓ Assess ROIC on through cycle basis
- ✓ Target Net Debt to Underlying EBITDA < 1.5 x

SHORT TERM STRATEGY

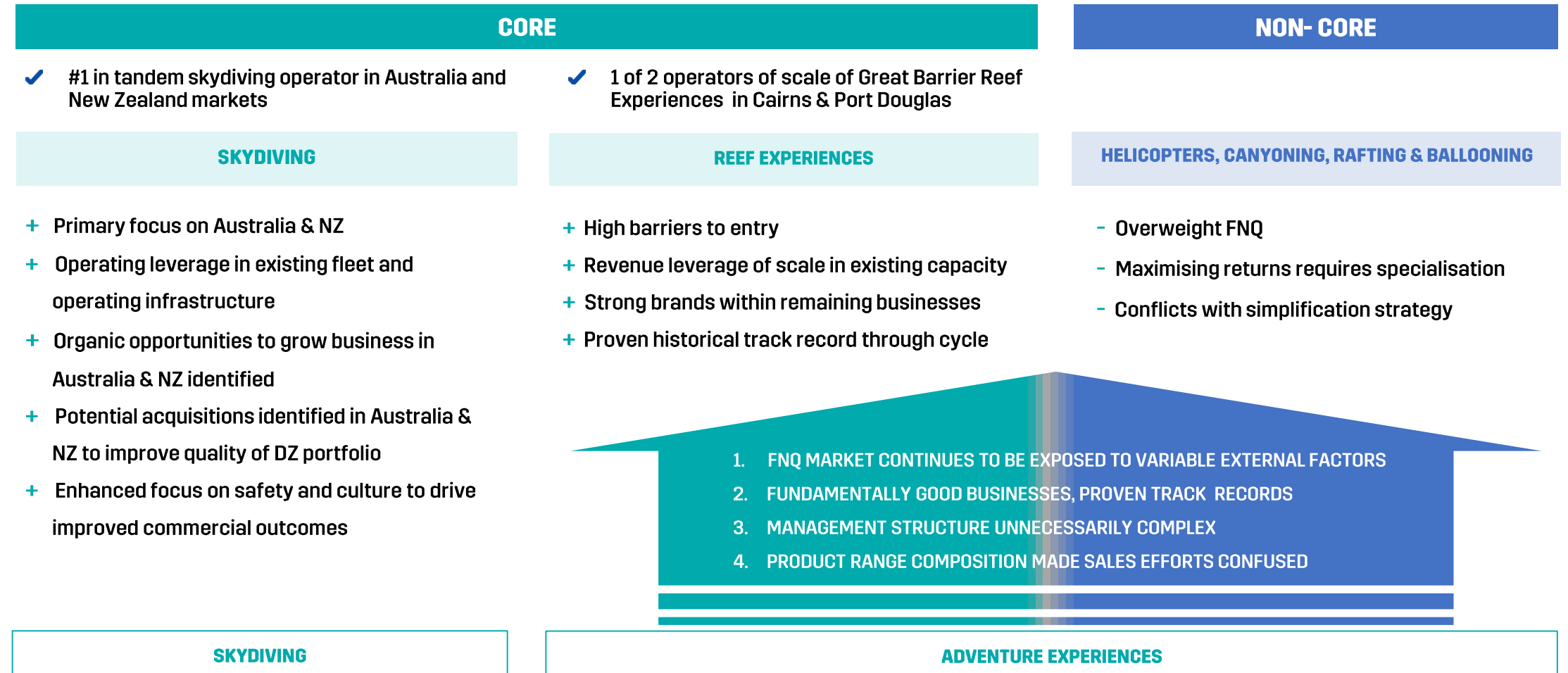
- ✓ Reset business for balance sheet optionality
- ✓ Divestment proceeds to be applied to pay down debt
- ✓ Strong support of incumbent lender (NAB)

ROIC STRATEGIC OUTLOOK



POSITIONING FOR GROWTH

SIMPLIFIED ADVENTURE EXPERIENCES BUSINESS MODEL REMOVES DISTRACTION ON DELIVERING GROWTH IN CORE PORTFOLIO



STRATEGIC OUTLOOK

SIMPLIFIED CORE BUSINESS ATTRACTIVELY POSITION FOR GROWTH

1	EXP attractively positioned in the Australasian adventure tourism sector
2	Business simplification well progressed, management team in place
3	High quality core portfolio with barriers to entry and reduced geographic exposure to FNQ
4	Well invested asset base with scalability in existing fleet and operating infrastructure
5	Runway for organic and acquisition growth

TRADING UPDATE & OUTLOOK

FY20 RE-SETTING THE BUSINESS FOR IMPROVED PERFORMANCE IN FY21

- Q1 FY20 trading down on prior period
 - Skydiving Q1 FY20 impacted by weather in Australia and New Zealand down by 10.4% on prior year
 - Adventure experiences revenue down by 21%, reef experience volumes down over 10%, with passenger and product mix also drivers of adverse movement
- October 2019 trading in Skydiving continued robust demand, and more favourable weather conditions in Australia contributing to improved tandem jump volume on Q1, with late season inclement weather conditions in the Queenstown region impacting tandem volumes in our New Zealand business. No material change in FNQ market conditions
- FY20 period of re-setting the business for improved performance in FY21
 - Short term priority execute strategic review outcomes
 - Management renewal largely complete
 - Board refresh announced