Apollo Tourism & Leisure Ltd
Financial Results for the Half Year Ended 31 December 2019

The Directors of Apollo Tourism & Leisure Ltd (ASX: ATL) (‘**Apollo**’, ‘**the Group**’, or ‘**the Company**’) today announced the financial results of the Group for the half year ended 31 December 2019, reporting a statutory Net Profit After Tax (NPAT) of $11.3M and an Underlying[1] NPAT of $12.0M.

H1 FY20 HIGHLIGHTS & CHALLENGES

- Underlying[1] NPAT of $12.0M.
- Statutory NPAT of $11.3M.
- H1 revenue of $197.2M, up 7.4% on prior corresponding period (pcp).
- H1 guest rental days (unaudited) of 536,562, up 7.0% on pcp.
- H1 RV sales (including servicing and parts sales) in Australia of $80.5M, up 11.3% on pcp.
- Underlying H1 EBIT result in North America of $20.5M, up 4.5% on pcp.
- Investment in guest experience impacts cost base ahead of profit realisation.
- Australian bushfires impact adversely on last minute rental levels.
- Due to the current challenging and uncertain trading conditions caused by the bushfires and Coronavirus (COVID-19), and ongoing margin pressure on RV sales, Apollo will incur a loss in H2 FY20, and our current forecast is for FY20 Underlying NPAT to be in a range of $8M - $9M.
- Due to these trading conditions, the Board has decided not to declare a dividend for H1 FY20.

CEO and Managing Director, Luke Trouchet, said “The first half underlying result for FY20 of $12.0M was a solid result in a soft market which shows that Apollo is heading in the right direction after a transitional FY19. Record revenue was achieved despite global events impacting the RV industry.

We have built on investments made in the prior year and will continue to develop our strategy to achieve our ambitions. Forward bookings for FY21 at this stage remain strong, however, the Australia bushfires and Coronavirus (COVID-19) have impacted the H2 FY20 outlook.”

AUSTRALIA

The Australian rental business continued to perform well but was impacted by the bushfires in late 2019, with increased cancellations and lower than expected last-minute bookings over the peak Christmas period. The business continued to invest in the guest experience by using technology to streamline the guest journey and removal of some fees to improve guest experience.

New RV sales volumes were up on pcp, indicating that Apollo gained market share in a market where industry production is down 7%[2]. However tough retail conditions and ongoing weakened consumer confidence continue to contribute to margin pressure. Brand new Windsor and Coromal models were launched in late 2019 and have been well received, with production ramping up in CY2020 to meet demand.

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[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 29 of the H1 FY2020 Results Release Presentation for a reconciliation and description of the items that contribute to the difference between Apollo’s underlying and statutory results.

[2] Caravan Industry Association of Australia, 2019 RV Production Finished Down in Difficult Business Environment, 10 February 2020

NEW ZEALAND
Rental demand remained consistent on pcp in New Zealand for H1 FY20, however increases in operating overheads contributed to a slight decline in EBIT.

The increased overheads included the appointment of a New Zealand Country Manager, who is responsible for providing on-the-ground oversight of the New Zealand rental and retail operations. The benefits of this appointment are already being realised, with a strategic streamlining of rental branch operations currently being implemented as well as increased traction in New Zealand retail sales activities.

Vehicle sales volumes and revenues in New Zealand remained consistent with pcp. Establishment of a flagship retail store at the new Auckland rental branch is beginning to generate positive market traction.

NORTH AMERICA
Underlying EBIT in North America increased to a record $20.5M, up 4.5% on pcp, underpinned by strong rental performance of the business during the peak 2019 summer period.

Ex-fleet RV sales continued to pose a challenge for the region during the period, with the impact of the oversupply by the USA manufacturers of new vehicles to the market throughout calendar year 2018 yet to fully dissipate. However, the refinement of fleet lifecycles has assisted in maximising rental utilisation and efficient capital allocation. Apollo is also in the process of establishing three retail sales locations in the USA, utilising existing branch infrastructure to increase its ex-fleet vehicle distribution footprint and achieve increased sales margins.

Capex for fleet purchases for the remainder of FY20 will be down on prior years as the lifecycle adjustment continues to flow through the fleet.

EUROPE & UNITED KINGDOM
Apollo's European rental business continues to grow, with revenue up 11.0% on pcp. Increased rental demand and fleet numbers in the UK and commencement of the German and French operations during the 2019 summer period contributed to an increase in rental income over the prior period.

RV sales (including servicing and parts sales) income also increased by 111.3% over the prior period, to $2.0M. EBIT decreased by $0.1M on pcp due to increased investments in vehicle and employment costs as Apollo expands into mainland Europe and continues to establish its market presence. Brexit and the UK election also had an impact on rental bookings and retail sales. As stability returns to the UK, we see opportunities for improved performance.

OUTLOOK
Until the recent Australian bushfires and Coronavirus (COVID-19) outbreak, Apollo was tracking to expectations as outlined in our October 2019 AGM update. As noted in the recent 13 and 29 January 2020 market updates, Apollo is challenged by the current combination of macro events; however, the underlying business is strong and well positioned to cycle into better conditions in FY21.

At this stage, longer term rental bookings globally remain resilient against the bushfires and Coronavirus (COVID-19). Domestic tourism may be stronger, however there is likely to be increased competition from substitutable products such as hotels, car rental and cruise ships. Apollo also notes that domestic bookings tend to be made with shorter lead times and duration.

There is no clear evidence that either the bushfires or the Coronavirus (COVID-19) have had a negative impact on the retail RV market in Australia. However, should economic growth slow on the back of these macro events, the Group would expect there to be an impact on demand. At this stage there has been no supply chain impact from Coronavirus (COVID-19), however this may impact the business in the coming months.

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Management is responding to these macro challenges with increased marketing and a focus on costs. The Company has used dynamic yield management to ensure competitive pricing and stimulate bookings.

Prior to these external macro events, the Group was expecting to report a small profit in H2 FY20. Apollo will incur a H2 FY20 loss and our current forecast is for FY20 Underlying NPAT to be in a range of $8M - $9M. This range assumes lower rental income in all regions, particularly Australia, and ongoing margin pressure on RV sales.

Apollo remains optimistic about the outlook beyond FY20. In our experience, tourism activity will recover and return to previous growth trends. Apollo will benefit from this and realise the investment undertaken in guest experience, leadership and systems over the last two years.

INTERIM DIVIDEND
Given the impact of the Australian bushfires and Coronavirus (COVID-19) on rental bookings in H2, and the uncertainty that remains, the Board has determined there will be no dividend declared for H1 FY20.

AASB 16 LEASES
AASB 16 Leases[2], is a new Australian Accounting Standard that came into effect on 1 July 2019. The new standard materially changes the treatment of all Group operating leases. This impact has been excluded from the Company's underlying financial measures. Refer to page 29 of Apollo's H1 FY20 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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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.

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

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.