Apollo Tourism & Leisure Ltd
Financial Results for the Half Year Ended 31 December 2021

The Directors of Apollo Tourism & Leisure Ltd (ASX: ATL) ('**Apollo**', '**the Company**', or '**the Group**') today announced the financial results of the Company for the half year ended 31 December 2021, reporting a statutory Net Loss After Tax of $2.2M.

H1 FY22 OPERATING ENVIRONMENT & HIGHLIGHTS

- H1 FY22 revenue $141.6M (H1 FY21: $160.2M).
- H1 FY22 statutory net loss after tax $2.2M[1] (H1 FY21: -$7.5M).
- H1 FY22 underlying net loss after tax $1.6M, after excluding $0.6M of merger transaction costs (H1 FY21: -$7.5M).
- H1 FY22 underlying Earnings Before Interest and Tax (EBIT) $1.9M (H1 FY21: -$4.9M).
- Improved EBIT for all regions, except New Zealand, over H1 FY21.
- Strong RV sales margins. However, sales revenue constrained by COVID-19 related supply chain issues affecting stock availability and deliveries and Australian dealership closures during lockdowns.
- COVID-19 travel restrictions continued to materially impact global rental operations. Recovery momentum slowed by the outbreak of the Delta and Omicron COVID-19 strains.
- Liquidity managed through fleet sell down, cost restructuring and Government support loans, ensuring the Company can navigate during and beyond COVID-19.
- Forward rental bookings for March to June 2022 are well ahead of pcp. Future rental activity expected to continue ramping up with international borders reopening and negligible travel restrictions in most regions.
- Proposed merger with Tourism Holdings Limited (NZX: THL) (*thl*) announced on 10 December 2021.

CEO and Managing Director, Luke Trouchet, said "COVID-19 has continued to disrupt tourism markets around the world, however, we believe the end is now in sight as international borders reopen and countries transition to living with the virus rather than trying to eliminate it."

"Canada welcomed fully vaccinated travellers from our key markets from 7 September 2021 and Europe remained largely restriction free throughout the period."

"While the outbreak of the Delta variant in Australia in Q1 significantly disrupted the momentum of our domestic market, reaching the 90% double dose vaccination target allowed the country's state borders to open. The reopening of the Western Australian border in March will remove all interstate border restrictions."

"Despite the outbreak of the Omicron variant towards the end of 2021 and January 2022, snap lockdowns have now been largely abolished and more importantly, international borders were reopened on 21 February 2022 which is a huge boost for our business. Unfortunately, New Zealand's recovery pathway continues to lag behind our other regions. We are confident that restrictions in New Zealand will begin to lift in coming months and I believe Apollo is well positioned to capitalise on the expected recovery in tourism activity globally."

[1] H1 FY22 statutory net loss after tax includes merger transaction costs and share of Camplify losses totalling $1.0M. H1 FY21 benefited from $2.8M Government wage subsidies, whilst H1 FY22 benefited from $0.7M Government wage subsidies.

"On 10 December 2021 we announced to the market that the Company had agreed to terms of a proposed merger[2] with *thl*, a New Zealand listed RV manufacturer, rental and sales operator. Apollo and *thl* are two highly complementary business which together will create a diversified, leading RV travel company across Australia, New Zealand, North America, the United Kingdom and Europe. We are very excited by the prospect of creating a larger and more dynamic combined business with *thl* and believe it will allow us to recover faster from COVID-19."

Apollo's rental income remained subdued during the period, with only a 5.3% increase over prior comparable period (pcp) as international border closures remained in place during the majority of the Company's peak rental periods. Despite Canadian domestic restrictions being eased in early July 2021, international restrictions remained in place until September 2021 limiting the performance of the North American segment over its traditionally busy summer season. Lockdowns in Australia and New Zealand in response to the Delta outbreak and reduced consumer confidence arising from the subsequent Omicron outbreak impacted domestic bookings.

Revenue from RV sales, and associated servicing and part sales, helped to partly mitigate the loss in rental income during the period, as strong levels of RV sales demand were experienced in all regions. However, planned fleet sales following completion of the 2021 summer season in Canada and Europe were put on hold to preserve fleet numbers for the upcoming 2022 summer season in response to supply chain constraints reducing RV manufacturers' ability to fulfill orders.

The volume of new RV sales in Australia was impacted by the closure of several of the Company's retail dealerships during lockdowns and OEM chassis supply chain constraints which continued to disrupt the Company's Brisbane manufacturing production capacity.

Liquidity management remained a primary focus for the Company during the period, with cash being preserved through a combination of cost reductions, Government support, accelerated fleet sales in Australia and New Zealand and reduced capital expenditure. Fleet replenishment throughout H2 FY22 will be closely monitored to align acquisitions with the expected increase in rental activity, subject to OEMs meeting vehicle delivery timeframes with current supply chain issues. Additional fleet will be funded utilising the Group's existing asset financing facilities.

The Company has drawn down Government COVID-19 support funding totalling $29.2M. Revised terms have been granted by Export Finance Australia on the $15.0M COVID-19 support facility ($14.0M outstanding after $1.0M of principal was repaid during the period), extending the repayment timeframe.

Mr Trouchet said, "We are thankful for the ongoing support we have received from Governments in most of our operating regions. These facilities, coupled with careful liquidity management, have allowed us to trade through the worst of the COVID-19 pandemic. With international borders now open in Europe, Canada and Australia, we expect tourism markets to rebound and we are well placed to capitalise on the recovery."

AUSTRALIA

With international borders remaining closed for the whole of the period, Australia's rental operations remained solely reliant on domestic guests. Extended lockdowns imposed in Sydney and Melbourne during Q1 FY22 in response to the Delta outbreak and state border closures in place for most of the period restricted domestic momentum. Rental revenue for the region exceeded pcp by 10.1%, however consumer confidence remained subdued over the recent summer holiday period as Omicron case numbers spiked rapidly. With international borders now open, most state border restrictions removed, active case numbers dropping and the gradual softening of testing and isolation requirements, the Company is already beginning to see a

[2] The merger is subject to the approval of relevant regulatory bodies in Australia and New Zealand, shareholder approval and the satisfaction of various conditions precedent. On the basis all approvals are obtained the merger is expected to be completed in late FY22.

Head Office 698 Nudgee Road, Northgate, Qld 4013, Australia t +61 7 3265 9200 f +61 7 3265 9201
Free Call Australia: 1800 777 779 | International: +800 3260 5466 w apollotourism.com e info@apollotourism.com
ACN 051 584 153 Apollo Tourism & Leisure Ltd

positive uplift in forward rental bookings, a trend which is expected to continue throughout the remainder of 2022.

Australia's retail operations performed strongly during the period with high levels of consumer demand and gross profit margins being achieved on both new and ex-rental fleet RV sales. The potential of this strong demand was tempered by dealership closures during lockdowns, and cancellation of RV consumer shows. Forward orders not yet delivered remain high, which is expected to underpin an improved retail result in H2 FY22 and into FY23.

The Company's Brisbane manufacturing facility has had production scheduling and capacity impacted by OEM chassis supply disruptions and staff absenteeism as a result of COVID-19 isolation requirements. The impact of these issues is expected to lessen in the medium term as supply chains normalise and COVID-19 isolation requirements soften.

NEW ZEALAND

Apart from a brief opening of a Trans-Tasman bubble with Australia during July 2021, New Zealand's international borders remained closed to all countries for the entire period. With international guests historically accounting for approximately 95% of segment rental revenues, COVID-19 has significantly impacted segment earnings.

Rental income was down 48.8% on pcp. With limited opportunities for domestic travel and closure of the Trans-Tasman bubble, rental activity remained low.

Sale of ex-rental fleet vehicles continued to be accelerated during the period in response to the downturn in rental demand and strong RV sales demand, with 100 vehicles being sold, up from the 88 sold in pcp.

The New Zealand Government has adopted a cautious COVID-19 response plan and the region's recovery pathway remains several months behind that of the Company's other regions. With the Government's reluctance to expedite the opening of international borders, the Company expects the region's rental earnings to continue to be impacted throughout the remainder of FY22.

NORTH AMERICA

Canada's strict domestic lockdown restrictions were eased in early July 2021. Borders were opened to fully vaccinated Americans from 9 August 2021 and subsequently travellers from the Company's other key international markets on 7 September 2021. The lifting of these restrictions, coupled with strong rental yields being achieved, contributed to a 14.5% increase in rental revenues over pcp. However, the peak July and August summer months were largely missed. The Company expects rental performance to significantly improve on the result of H1 FY22 going forward.

RV sales demand continued to remain high in the region, however, following completion of the 2021 summer season the Company put a hold on its normal fleet disposal program to ensure sufficient vehicles are retained on fleet to meet the upcoming 2022 summer season expected demand. The decision to retain fleet was made in response to concerns surrounding vehicle OEM's ability to supply new vehicles in time for the upcoming season due to ongoing supply chain disruptions. The reduction in fleet sales impacted the region's overall earnings for the period, however, the surplus vehicles will be sold upon completion of the 2022 summer season and the additional earnings are expected to crystallise in FY23.

The USA remained in hibernation in H1 FY22 and the Company continues to explore avenues for re-entry into the USA market at the appropriate time.

EUROPE

The peak summer 2021 period remained largely restriction free throughout Europe and with the segment's guest profile being primarily comprised of intracontinental guests, the segment was able to generate strong rental performance during that time. Rental income increased by 22% over pcp, however, overall segment earnings were similarly impacted to North America with planned fleet sales being halted to address new vehicle supply concerns for the upcoming 2022 summer season.

It is anticipated that segment performance for FY22 will return to pre-COVID-19 levels.

OUTLOOK

Apollo anticipates tourism in its regions to start recovering as international border restrictions ease.

Mr Trouchet said "Apollo is ideally placed to service international and domestic guests looking for "COVID-19 safe" ways to explore the great outdoors with family and friends. We have now seen international borders opened in all of our operating regions, except New Zealand, and we expect bookings from our key international partners to grow steadily throughout the remainder of 2022."

Global RV supply chain issues constrained new RV sales deliveries during H1 FY22 and the Company is proactively working with existing and alternative suppliers to alleviate the impact of these constraints in H2 FY22 to increase volume output.

Mr Trouchet said "With retail forward orders remaining high, we anticipate the strong levels of retail RV demand to continue throughout H2 FY22 as people seek more freedom and control over their holiday choices."

"With strong RV sales demand, a growing forward rental book, and a lower cost base, Apollo is well placed to benefit from the reopening of domestic and international borders and return to profitability."

"With significantly improved market conditions, both Apollo and *thl* are ideally placed to move forward on a strengthened combined basis, should the merger be approved. In the event that the merger does not proceed, I am confident that the worst of the pandemic is now behind us and we can continue on our COVID-19 recovery path with renewed optimism that we can return to our previously strong levels of profitability."

Due to the ongoing uncertainty of the current trading environment, Apollo is not in a position to provide earnings guidance for FY22, noting that:

- Fleet sizes in all regions other than Europe are significantly lower than pre-COVID-19 levels.
- Outbreak of the Delta variant in Q1 FY22 and the subsequent rapid spread of the Omicron variant in Q2 FY22 significantly impacted rental demand throughout H1 FY22 and continues to hinder consumer confidence in the initial months of H2 FY22.
- Supply chains continue to be impacted, which in turn affects manufacturing, rental fleet replenishment and retail sales delivery performance.
- Uncertainty remains as to how Governments and consumers will respond to any future COVID outbreak.

The Company expects to report a smaller loss in H2 FY22 compared to pcp. Apollo is well positioned to return to profitability with borders now reopening and sees no reason that it will not return to pre-COVID profit levels once there is a full recovery from COVID-19.

DIVIDEND

Given the significant current and ongoing impact of COVID-19 on the business, the Board has determined there will be no dividend declared for H1 FY22.

INVESTOR CONFERENCE CALL

A presentation of the H1 FY22 results will be hosted by Luke Trouchet (CEO and Managing Director) and Kelly Shier (CFO) at **8:30am (AEST)** on **Friday 25 February 2022**. Investors may join the call via the following phone numbers:

- Australia: (08) 9460 0818
- Overseas: (+61) 2 8373 3580
- Conference ID: 9680576

Authorised by:

Luke Trouchet
Managing Director and Chief Executive Officer
Apollo Tourism & Leisure Ltd

For more information please contact:

Investors:
Luke Trouchet, Managing Director and CEO
T: 07 3265 9222
E: info@apollotourism.com
W: www.apollotourism.com

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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