

10 June 2022

**Tourism Holdings Limited / Apollo**  
**Cross-submission by Tourism Holdings Limited on the Statement of Unresolved Issues**

**INTRODUCTION**

- 1.1 This cross submission is made by Tourism Holdings Limited (**thl**) in response to the submissions received by the Commerce Commission from an anonymous submitter (**Anonymous Submitter**) and Mr James Every-Palmer QC dated 31 May 2022.
- 1.2 We have focussed on key issues raised in the submissions. **thl** otherwise repeats and affirms the position set out in its prior submissions, including its submission in response to the SOUI dated 31 May 2022 (**SOUI Submission**), in relation to matters not addressed in this cross-submission.

**CONCENTRATION INDICATORS**

- 2.1 The Anonymous Submitter has undertaken analysis using two concentration indicators commonly used by competition authorities as screening tools for proposed mergers, the ‘three firm concentration ratio’ and the Herfindahl–Hirschman Index. As the Anonymous Submitter has acknowledged, these tools are used to screen mergers for further analysis and do not imply that a transaction will substantially lessen competition in a market. The Commission explains in its *Mergers and Acquisitions Guidelines*, “these indicators... are not a substitute for a full competition analysis”<sup>1</sup> and “[t]he mere fact that a merger exceeds one of these indicators would not mean it would be likely to substantially lessen competition. Whether a merger is likely to substantially lessen competition depends on a full analysis of the range of factors outlined in these guidelines”<sup>2</sup>. The Commission’s analysis has moved beyond the screening stage and therefore the concentration indicators are not relevant. As **thl** submits, a full competition analysis demonstrates that the Proposed Transaction will not have, or is not likely to have, the effect of substantially lessening competition in a relevant market.

**THE IMPACT OF COVID-19 AND RECOVERY**

- 3.1 **thl** disagrees with the Anonymous Submitter’s assertion that the Proposed Transaction will result in “sweeping industry consolidation”. The Proposed Transaction involves the acquisition of a single market participant, Apollo, who has [REDACTED] reduced its fleet over the last two years.
- 3.2 The Anonymous Submitter makes the unsupported assumption that, by virtue of their vertically integrated operations, “*THL and Apollo have arguably been able to weather the pandemic better than most others*”. While **thl** does not have any visibility of its competitor’s financial positions (and nor, it expects, would the Anonymous Submitter of the positions of **thl** or Apollo), **thl** does not consider that it or Apollo have been able to weather the pandemic better than most others. **thl** and Apollo have incurred significant losses as a consequence of the pandemic and has been forced to significantly reduce rental fleet and take other significant cost cutting measures, as explained in **thl**’s Application:
  - (a) **thl** is likely to have the largest fixed cost overhead structure in the industry, including the costs associated with being a publicly listed company.
  - (b) Debt structure cannot be considered in any calculation as it is a subjective decision of each entity as to how it operates.
  - (c) Smaller operators received proportionately greater government support than **thl** during the pandemic.

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<sup>1</sup> Commerce Commission, *Mergers and Acquisitions Guidelines* (May 2022) at [3.50].

<sup>2</sup> Commerce Commission, *Mergers and Acquisitions Guidelines* (May 2022) at [3.53]

- (d) **thl** has not been able to increase its manufacturing as suggested by the Anonymous Submitter as a consequence of the supply chain issues faced by the industry. **thl's** manufacturing is [REDACTED]. Additionally, as manufacturers, both **thl** and Apollo have continued to incur the fixed overhead costs relating to their manufacturing businesses whilst supply chain issues have been impacting production output. Competitors who do not manufacture and instead acquire motorhomes locally in New Zealand or import vehicles direct from overseas have not been incurring equivalent costs. **thl's** manufacturing business has needed to seek further non-motorised RV opportunities to help cover overheads.
- (e) All operators have had the same opportunity to develop other revenue streams to help offset losses. **thl** has expanded its retail accessories sales through the RV Super Centre and used rental vehicles for non-tourism purposes (e.g. temporary accommodation, vaccination vans). There is nothing particular to **thl's** size that has enabled these opportunities and **thl** has seen competitors being awarded non-tourism revenue contracts over **thl**.

3.3 The Anonymous Submitter alleges (without any supporting evidence) that smaller operators will “*face the prospect of competing with a single entity with the ability to manipulate pricing, control access to new inventory and reduce the viability of online travel agents and web aggregators as channel to market.*” **thl** disagrees with these allegations:

- (a) the merged entity will continue to be constrained by other motorhome rental operators, RV's available to rent through peer-to-peer platforms and other travel and accommodation options as explained in **thl's** submission in response to the Statement of Unresolved Issues (**SOUI Submission**);
- (b) as explained at [3.4] of **thl's** cross- submission dated 22 April 2022 the Proposed Transaction would not reduce the available supply of inventory. There are many suppliers of new motorhomes in New Zealand and motorhome rental operators can choose to either acquire motorhomes locally in New Zealand or import vehicles direct from overseas;
- (c) the merged entity will not have the ability to bypass online travel agents and web aggregators, or reduce their viability, as channels to market. The customer survey provided with the SOUI Submission shows that 75% of respondents who had booked an RV looked at two or more websites before they booked (see paragraph [5.14(b)] of the SOUI Submission); and
- (d) the visibility of rival operators on online travel agent and web consolidator websites is likely to improve as a consequence of the Proposed Transaction, which will create opportunities for smaller operators. As explained at paragraph [5.13] of the SOUI Submission, **thl** expects that wholesalers and travel agents will not allow the merged entity to continue to brochure the same number of brands as **thl** and Apollo currently have individually.

3.4 **thl** also disagrees with the Anonymous Submitter's assertions that the RV rental industry will recover, and return to profitability, sooner than expected. These assertions are inconsistent with the views of the industry which have been previously shared with the Commission and ignores the fact that there remains a high degree of uncertainty in the industry as a result of rising fuel prices, the threat of war, the threat of a recession, inflation and the potential for further Covid-19 related setbacks. Further, while one of the goals of the Proposed Transaction is to increase utilisation across the combined fleet, it is not to reduce the days available for customers to book. While international travellers are booking motorhome rentals, [REDACTED]. During April and May 2019, **thl** took [REDACTED] bookings compared to [REDACTED] bookings in April and May 2022.

3.5 Finally, the Anonymous Submitter makes several unqualified and unsupported statements about inflationary pressures on pricing in the market. In particular, the Anonymous Submitter suggests that, as a result of supply shortages, pricing for motorhome rentals is likely to increase. These statements confuse market dynamics across the tourism industry and more broadly with the impact of the Proposed Transaction. If prices are increasing in the RV rental market in the short term, this is most likely because of the high inflation and rising costs not the Proposed Transaction.

## THE 2012 ACQUISITION OF KEA AND UNITED

- 4.1 The Anonymous Submitter has made a number of comments relating to **thl's** acquisition of Kea and United in 2012 and the impact of that acquisition on the RV rental market that are incorrect or lack context. We respond as follows.
- 4.2 The Anonymous Submitter refers to public statements made by **thl** regarding the rationale for the 2012 merger. The merger occurred following the global financial crisis, where there had been a shock to market demand and industry utilisation had fallen. The reference to "*low returns*" in one of **thl's** documents at the time was a reference to the fact that unused fleet was attracting depreciation and other holding costs that were not being recovered at the time through bookings.
- 4.3 While it is correct that, following the acquisition of Kea and United, **thl** was able to improve its margins, this was due to reducing these costs and the management of vehicle sales margins, not by increasing yields. **thl** has previously provided the Commission with data relating to its average daily yields over time. As shown by the below graph, the trend in **thl's** yields was closely correlated to hotel yields before, during and after the 2012 acquisition despite large fleet fluctuations during that period. This demonstrates that the acquisition had no impact on **thl's** pricing and was driven by broader market conditions.
- [REDACTED]
- 4.4 Finally, the Anonymous Submitter argues that "*Apollo ... is the only remaining competitor of any scale that was not previously absorbed by the 2012 Merger.*" However, it is clear that there has been [REDACTED] by **thl's** rivals since 2012 and new entrants to the market such as McRent. The Anonymous Submitter relies on a 2012 report prepared by Cameron Partners which showed that:
- (a) before the 2012 acquisition, **thl** had a rental fleet size of 1,543 (27% share of the RV rental market);
  - (b) post-the 2012 acquisition, **thl** had a rental fleet size of 2,541 (45% share of the RV rental market); and
  - (c) other players (including Apollo) had a total rental fleet size of 3,163 (55% share of the RV rental market).
- 4.5 On the Commission's data of pre-pandemic fleet sizes, **thl** had a pre-pandemic fleet size of [REDACTED] (campervans and motorhomes). The total pre-pandemic fleet size of all rivals (including Apollo) [REDACTED]. This shows that:
- (a) rivals have [REDACTED] since the 2012 acquisition [REDACTED]; and
  - (b) **thl's** share has [REDACTED], from 45% post the 2012 acquisition to [REDACTED] fleet sizes.
- 4.6 Further, since the 2012 acquisition, peer-to-peer platforms have entered and grown in the New Zealand market. The above pre-pandemic fleet data does not take into account vehicles available on peer-to-peer rental platforms.
- 4.7 Finally, the Anonymous Submitter refers to a report by Edison Investment Research. Many of the 'competitive advantages' that the analyst claims **thl** had are simply advantages that come from being a large company, not from operating a large rental fleet. A large publicly listed company also has a number of disadvantages when compared to small private companies including additional overhead costs, higher trade distribution costs as explained in the SOUI Submission and expectations from the broader tourism industry to invest in tourism growth more generally.

## RELEVANT MARKET

- 5.1 The Anonymous Submitter maintains that there are separate markets for campervans and motorhomes, including because motorhome rentals are more capital intensive, require manufacturing capability or a close relationship with a manufacturer, require a different marketing strategy and have

higher barriers to entry than campervan rentals. **thl** disagrees that a meaningful distinction can be drawn between motorhomes and campervans from a market definition perspective for the reasons outlined in its SOUI Submission and prior submissions. Further:

- (a) while some motorhomes are more expensive than campervans, this is because of differences in their product features. In some cases, motorhomes are not more expensive, as demonstrated by the overlap in prices found in NERA's Statement of Issues (**SOI**) report at [11] and [13];
- (b) a "close" relationship with a manufacturer is not required to compete in the motorhome rental segment. As explained previously, there are a large number of overseas manufacturers that would readily supply to a new entrant into this segment;
- (c) a different marketing strategy is not required for motorhome rentals. **thl** does not differentiate between motorhomes and campervans in terms of its marketing strategies; and
- (d) for the reasons previously explained, barriers to entry into the motorhome segment, particularly for an existing campervan rental operator, are low.

5.2 It appears from the information shared on a counsel-only basis that the Anonymous Submitter is [REDACTED].

## P2P

- 6.1 The Anonymous Submitter states in relation to peer-to-peer platforms that "*if P2P were ever going to take off in New Zealand, it was while the borders were shut, yet booking numbers in New Zealand have remained modest during that time.*" The Anonymous Submitter has provided no evidence or commentary to support this assertion. Further, it is not logical: plainly the impact of peer-to-peer will be less while there is excess capacity in a market. The evidence is clear that international tourists book rentals through peer-to-peer platforms - it does not follow that commercial RV rental operators would be affected by border closures while peer-to-peer platforms are not. Overseas peer-to-peer operators were also highly unlikely to enter the New Zealand market and expand while they could not physically visit the market due to border closures. Once demand improves and the excess capacity issues in the RV rental industry abate, it is anticipated that peer-to-peer platforms will provide a significant and increasing constraint on the RV rental market, not least because of its ability to quickly expand the number of vehicles available for rent.
- 6.2 The Anonymous Submitter suggests that **thl's** decision to close Mighway and SHAREaCAMPER is inconsistent with the identification of peer-to-peer as a future growth area. The Commission is well aware of **thl's** reasons for making this decision and the fact that they bear no relationship to the future growth potential of peer-to-peer and the threat it poses to traditional rental operators.
- 6.3 Finally, the Anonymous Submitter has attempted to draw a connection between Camplify's share price and its ability to disrupt the RV rental market with the return of international tourism. No such connection can be drawn: there has been a general decline across the share market. AirBnB's share price is also down over the last 6 months. [REDACTED].

## PUBLIC STATEMENTS

- 7.1 The Anonymous Submitter alleges that arguments made in **thl's** clearance application appear to contradict public statements that the merging parties have made over the years. **thl** disagrees. The public statements referred to have been plucked from varying documents (many of which are out of date) and taken out of context. **thl** comments on the public statements at Annexure A.
- 7.2 The Anonymous Submitter makes various references to public statements made by **thl** about Apollo. While the parties' monitor each others' activities, this does not mean that the parties are not constrained by other rental operators. **thl** repeats section 5 of its SOUI Submission.

**OPINION OF JAMES EVERY-PALMER QC**

- 8.1 **thl** disagrees with the opinion of James Every-Palmer QC. Mr Every-Palmer QC's comments are based on unsupported assertions and assumptions. It does not constitute evidence and no weight can be placed upon it.
- 8.2 **thl** notes that Mr Every-Palmer QC's suggestion that consumers may face information difficulties in assessing in advance the quality of motorhome rental services in terms of comfort reliability etc and may prefer operators who are larger and established, thereby giving the merged entity a comfort barrier from potential competitors. The evidence shows that being a "large business" is not an important factor for prospective customers. As noted at paragraph [5.2] of the SOUI Submission, **thl's** customer survey shows 81% of respondents considered something other than "*is a large business*" as the most important factors when choosing an RV rental provider.

## ANNEXURE A

Page Reference	Quote in anonymous submission	THL's comments
15.	<p><i>"There is no doubt that I think this has been positive for thl. <b>The primary gain for us that we now accurately benchmark our performance.</b> This benefits us and our shareholders. <b>We can all see where we have performed on a relative basis and where we need to improve.</b> The management team in thl have enjoyed the challenge and, whilst we remain focused on our plans, we are aware of where we have shortfalls on a relative basis and can improve."<sup>3</sup></i></p> <p><i>[emphasis added]</i></p>	<p>This statement is taken from the 2017 Shareholders Review at the end of the 2017 Financial Year, over 5 years ago. It was a response to a question about Apollo listing on the ASX which was prepared by <b>thl</b> based on the lines of questioning from analysts and investors in Annual Results debrief sessions. <b>thl</b> does actively benchmark itself against Apollo, as alleged by the Anonymous Submitter, as both companies are publicly listed and operate similar business models. <b>thl</b> and Apollo are regularly compared by investors. Benchmarking allows <b>thl</b> to justify to investors why its performance is different to that of Apollo. The benchmarking focusses on overall business performance (with a significant emphasis on capital deployment and cost management), rather than the price or quality of services provided by both parties. There are other firms used in a similar manner globally from an industry comparative perspective, including Thor, Winnebago, Hertz, Avis and others.</p>
	<p><i>"Main competitors: Apollo Jucy"<sup>4</sup></i></p>	<p>This statement is taken from a document prepared in October 2014, over 7 years ago. The statement is made in a small table format with no space to capture any further commentary on the other competitors in the market at the time. <b>thl</b> accepts that Apollo is a close competitor, as is Jucy. However, a lot has changed in the market since October 2014. <b>thl</b> refers to comments made previously about recent entrants into the market and the growth of peer-to-peer platforms.</p>
	<p><i>"Apollo seen as only significant competitor in large motorhome market"<sup>5</sup></i></p>	<p>Whilst this statement is taken out of context, as acknowledged by the Anonymous Submitter, it was made in relation to the Australian market not the New Zealand market and is therefore not relevant. <b>thl</b> does not agree that Apollo is the only significant competitor in the motorhome segment.</p>

<sup>3</sup> *thl Shareholder Annual Review 2017*, page 18. Retrieved from <http://www.thlonline.com/FinancialInvestorInformation/Documents/ShareholderDocs2017/thl-Shareholder-Annual-Review-FY17.pdf>

<sup>4</sup> Investor Presentation Tourism Holdings Limited October 2014 – Presented to Australian Fund Managers, slide 13. Retrieved from <http://www.thlonline.com/SiteCollectionDocuments/Investors/InvestorPresentation.pdf>

<sup>5</sup> Tourism Holdings Investor Introduction and Update September 2015, slide 7. Retrieved from <http://www.thlonline.com/SiteCollectionDocuments/Investors/thl-Investor-update-August-2015.pdf>

Page Reference	Quote in anonymous submission	THL's comments
	<p>"THL led an industry consolidation in 2012, buying 2 of 4 main competitors in the large motorhome market"<sup>6</sup></p>	<p>This statement relates to the competitive environment in the market over ten years ago. It bears no relationship to the current market conditions. Further, while the statement selected by the Anonymous Submitter refers to a "large motorhome market", the data on the relevant slide relates to the RV rental market, not large motorhomes only. Contrary to the Anonymous Submitter's allegations, <b>thl</b> does not consider there to be a separate "large motorhome market" and consistently benchmarks its market position against other motorhome and campervan operators in the RV rental market. It is also of note that, according to this document, <b>thl's</b> market share remained relatively static between 2012 when it acquired Kea and United and 2015. This is inconsistent with the Anonymous Submitter's assertions that there was a lack of competitive constraint following that merger.</p>
<p>16.</p>	<p>"Secondly, as we grow we will <b>use the scale benefits to stay competitive.</b>" [emphasis added]<sup>7</sup></p>	<p>The comments regarding scale relate to <b>thl's</b> international scale, not its scale in New Zealand. It also relates to <b>thl's</b> overall business, not its rental business alone.</p> <p>As explained at paragraphs [7.10] to [7.14] of <b>thl's</b> submission in response to the SOI, scale is not a necessary pre-condition for a competitor to provide a competitive constraint on the merged entity.</p>
	<p>"We are aware of those views and understand the theory behind them. <b>thl</b> is an asset intensive business and the motorhomes are a replicable asset. There are two key elements to that which I would consider aren't necessarily being accounted for appropriately. <b>First is our competitive advantages – primarily scale, experience and market penetration.</b> We do believe our channels to market, our brands, their heritage and the technology that we have developed enable us to create and sustain demand that provides us with a competitive advantage. <b>Along with scale on an international basis, we have the opportunity to sustain our customer base.</b>" [emphasis added]<sup>8</sup></p>	<p>This statement was made in response to the following question: "<b>thl</b> is now overvalued and, with low barriers to entry and a high capital intensity there is only downside from here." In this context, it can be expected that <b>thl</b> will put a positive spin on its market position. The comments regarding scale relate to <b>thl's</b> international scale, not its scale in New Zealand. It also relates to <b>thl's</b> overall business, not its rental business alone.</p> <p>As explained at paragraphs [7.10] to [7.14] of <b>thl's</b> submission in response to the SOI, scale is not a necessary pre-condition for a competitor to provide a competitive constraint on the merged entity.</p>

<sup>6</sup> Tourism Holdings. Investor Introduction and Update September 2015, slide 7.

<sup>7</sup> thl Shareholder Annual Review 2017, page 14.

<sup>8</sup> thl Shareholder Annual Review 2017, page 18.

Page Reference	Quote in anonymous submission	THL's comments
	<p><i>We are here for the long term and have the capacity to acquire, where appropriate, and withstand poorer market trading conditions. We are consistently told by our trade partners that <b>we can demand a price beyond what the competition does</b>, due to our product quality, customer service, innovation and, importantly, as a consistent partner who operates with integrity" [emphasis added]<sup>9</sup></i></p>	<p>This statement refers to positive comments from "trade partners" about <b>thl's</b> product quality and customer service. It does not support the Anonymous Submitter's assertion that this statement indicates that <b>thl</b> "has a degree of market power that it is able to exploit". The statement speaks to <b>thl's</b> strategy and its desire to provide a quality product, which differentiates it in the RV rental market. It does not speak to <b>thl's</b> dominance in that market. Indeed, <b>thl</b> states that the market is competitive before making the statement referenced by the Anonymous Submitter. The statement also relates to other aspects of <b>thl's</b> business, not just its rental business.</p>
	<p><i>Leveraging off our years of experience as <b>the world's leading RV rental provider</b>, we were well-positioned to adapt our operational experience to support COVID-19 containment needs worldwide." [emphasis added]<sup>10</sup></i></p>	<p>This statement does not, as alleged by the Anonymous Submitter, indicate that <b>thl</b> already has a degree of market power that it is able to exploit. It is a marketing statement with potential investors in mind and speaks to the quality of <b>thl's</b> balance sheet. <b>thl's</b> view that it is the world's "leading" rental provider is not evidence of market power.</p>
17.	<p><i>The <b>relative size of our fleet per head of population in New Zealand meant that we could make a particularly big impact in this market.</b>" [emphasis added]<sup>11</sup></i></p>	<p>This statement was made in the context of <b>thl's</b> efforts to support the growth of domestic tourism in the wake of the closure of New Zealand's borders. The paragraph preceding this statement says, "<b>thl</b> has therefore run a series of successful initiatives to stimulate domestic tourism, achieving goals of saving jobs, supporting regional economies through travel, creating some much-needed positive travel stories and building new markets of motorhome advocates." The statement quoted by the Anonymous Submitter is simply referring to <b>thl's</b> greater ability to impact domestic growth because of the size of <b>thl's</b> rental fleet per head of population relative to its fleet per head of population in other countries. The statement underscores the rationale for <b>thl's</b> 'Get Moving to Get New Zealand Moving' campaign which had the short-term effect of driving demand for RVs in New Zealand (but did not stop <b>thl</b> from suffering significant losses in FY21 and FY22). The statement says nothing about <b>thl</b> relative to its competitors, and therefore does not support the Anonymous Submitter's assertion that <b>thl</b> "has a degree of</p>

<sup>9</sup> Tourism Holdings Limited Annual Meeting – 31 October 2019 - Chairman and CEO Address, slide 31. Retrieved from <http://www.thlonline.com/FinancialInvestorInformation/Documents/AnnualMeetingDocs2019/NZX-Media-Release-thl-Annual-Meeting-31-October-2019-Chairman-and-CEO-Address.pdf>

<sup>10</sup> **thl** Integrated Annual Report 2020, page 26. Retrieved from <http://www.thlonline.com/FinancialInvestorInformation/Documents/AnnualResultsDocs2020/thl-FY20-Annual-Results.pdf>

<sup>11</sup> **thl** Integrated Annual Report 2020, page 30.



Page Reference	Quote in anonymous submission	THL's comments
		<i>market power that it is able to exploit</i> ".
	<i>"Secondly is the barriers to entry. <b>The business model is build/rent and sell. Each aspect of the model requires a different type of infrastructure and licences. The asset intensity of the industry also creates its own barrier. Throughout the global financial crisis, we saw a sustained tightening in the credit requirements for our industry internationally. Today there are strong equity requirements and covenant packages that ensure a disciplined approach to capital deployment and returns is critical. These are qualities that thl has had for many years and any new competitors need to abide by.</b>" [emphasis added]<sup>12</sup></i>	The statement has been taken out of context. The statement responds to concerns raised by analysts and investors, that <i>"with low barriers to entry and a high capital intensity there is only downside from here"</i> and speaks to the quality of <u>thl's balance sheet management as a differentiator in the market</u> . Therefore, this statement does not demonstrate that there are barriers to entry; quite the opposite, the statement when read in context supports thl's position that barriers to entry are low. There are other parties that could enter the market if they chose to do so as discussed in thl's prior submissions.
	<i>From a competitive standpoint, we have seen a <b>reasonably stable market</b>. We have seen one new competitor with McRent, a European-based operator, creating a joint venture business in New Zealand. We understand McRent will be commencing rental hire in the 17/18 summer season. They are expected to have less than 100 vehicles and we believe the market can sustain that additional capacity."</i> [emphasis added] <sup>13</sup>	This statement was made during a period of rapid demand growth. The prospect of additional fleet was not a competitive concern for thl during that time period. That does not mean that thl generally does not consider new entry to be a threat to its business. As explained by NERA in its SOI report at [34], <i>"difficulty in expanding when the market is competitive does not necessarily imply there would be difficulty if the merged entity raised price above the competitive level. What matters is whether providers could expand (or enter) into the provision of motorhomes if there was a (market power) increase"</i> . Evidence of a lack of new entry is irrelevant in the absence of a sole supplier increase in price.
18.	<i>From a competitive standpoint, the market has <b>remained stable</b> in the last 12 months. The McRent business commenced, as expected, but there have <b>been no other competitors of note.</b>" [emphasis added]<sup>14</sup></i>	See comments above.
	<i>The competitive landscape [of New Zealand rentals] has remained stable in the last 12 months, <b>with no significant changes</b> to the market."</i> [emphasis added] <sup>15</sup>	See comments above.

<sup>12</sup> thl Shareholder Annual Review 2017, page 18.

<sup>13</sup> thl Shareholder Annual Review 2017, page 27.

<sup>14</sup> thl Shareholder Annual Review 2018, page 32. Retrieved from <http://www.thlonline.com/FinancialInvestorInformation/Documents/AnnualResultsDocs2018/thl-FY18-Shareholder-Annual-Review.pdf>

<sup>15</sup> thl Integrated Annual Report 2019, page 58. Retrieved from <http://www.thlonline.com/FinancialInvestorInformation/Documents/AnnualResultsDocsFY19/thl-FY19-Integrated-Report.pdf>

Page Reference	Quote in anonymous submission	THL's comments
	<p><i>Everybody appears focused on debt reduction. This will be fundamental to those operators with a lower level of equity in their business. In fact, one of our <b>competitive advantages is our strong balance sheet relative to others that enables us to invest in new fleet and expand before others as the market allows.</b>" [emphasis added]<sup>16</sup></i></p>	<p>This statement is not specific to the New Zealand RV rental market, but relates to <b>thl's</b> business (which includes its rental, manufacturing and other tourism businesses) as a whole. It does not support the Anonymous Submitter's assertion that there are barriers to entry in the New Zealand rental market.</p> <p>The debt and equity mix deployed by any company is their own choice based on a risk assessment. It has no correlation to market power, size or competitive dynamics.</p>
	<p><i>"Continued risk of new or existing competitors disrupting market although <b>risk to thl is decreasing</b>" [emphasis added]<sup>17</sup></i></p>	<p>This statement was made in the context of the COVID-19 pandemic when no competitors were looking to increase fleet. New entry or expansion by existing competitors remains a significant threat for <b>thl</b> in the medium term.</p>
	<p><i>We are seeing a <b>reduction in fleet sizes</b> in all of the markets we operate in. Some businesses have changed hands, <b>some have exited the market</b> and some have hibernated to varying degrees." [emphasis added]<sup>18</sup></i></p>	<p>This statement is from <b>thl's</b> FY21 Interim Results Presentation, which was delivered amidst the Covid-19 pandemic. Over the last 2 years, supply has significantly exceeded demand for RV rentals which has led to a reduction in fleet sizes across all operators. <b>thl</b> has acknowledged that entry and expansion is less likely while supply significantly exceeds demand (i.e. the short term period). Once supply no longer significantly exceeds demand, there will be incentives for new entry by large, well-resourced overseas operators, expansion by existing operators, and an increase in listings from private owners via peer-to-peer platforms.</p>

<sup>16</sup> 2020 NZX Release Annual Shareholders' Meeting Chairman's Address, page 11. Retrieved from <http://www.thlonline.com/FinancialInvestorInformation/Documents/ShareholderDocs2020/201030-NZX-Release-Annual-Meeting-Address.pdf>

<sup>17</sup> thl Integrated Annual Report 2021, page 48. Retrieved from <http://www.thlonline.com/FinancialInvestorInformation/Documents/AnnualResultsDocs2021/thl-FY21-annual-results.pdf>

<sup>18</sup> thl FY21 Interim Results Presentation, slide 38. Retrieved from <http://www.thlonline.com/FinancialInvestorInformation/Documents/HalfYearResultsDocs2021/thl-FY21-investor-presentation.pdf>