

Tourists holding back

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By SUE ALLEN

Thrifty tourists cutting back on spending and taking shorter holidays have hit Tourism Holdings, forcing a potential \$2 million profit downgrade for the full year.

The amended forecast came as Tourism Holdings yesterday reported a 25 per cent fall in net profit for the half-year to December.

Net profits were \$4.15 million for the six months, down from \$5.5 million for the previous December half. Revenue was down 3.5 per cent at \$80.6 million.

At its annual meeting in November, the company had forecast a net profit of \$5.5 million to \$6 million for the period. Yesterday, Tourism Holdings said that guidance had not included a negative \$1.5 million adjustment made under International Financial Reporting Standards.

For the full year, the company has reduced its profit forecast to a range of \$14.5 million to \$15.5 million, from \$17 million.

Shares in the company dropped 9 cents on the news to close at \$1.60. The interim dividend has been maintained at 5c a share, fully imputed, paid on April 28.

Chief executive Dennis Pickup, who retires in April, said the continued strength of the Kiwi dollar meant international visitors, particularly from Japan, were spending less time and money in New Zealand.

New Zealand Lotteries Commission chief executive Trevor Hall takes over as Tourism Holdings' chief executive in June.

Though "comfortable" with its rental and coaching business, the full-year downgrade was largely due to its attractions businesses, which include Waitomo Caves, Kelly Tarlton, Milford Sound Red Boats and Fullers Bay of Islands, Mr Pickup said.

Since November, "unforeseen factors" were a fire and vandalism at Waitomo Caves in December, which had affected visitor numbers.

"So we've got a short-term problem there that is certainly going to affect the second six months of the year."

Pre-tax and interest earnings for the attractions business fell to \$500,000 for the six months to December from \$2.3 million over the same period last year.

The rentals business - which includes Maui Motorhomes, and car and rental businesses in New Zealand and Australia - put in the strongest performance with earnings before interest and tax down 5.6 per cent to \$11.7 million for the half year.

Rentals New Zealand earnings before interest and tax (ebit) fell 10 per cent to \$4.3 million, on 6 per cent lower revenue. Ebit for Rentals Australia rose 16 per cent to \$5.8 million on 2 per cent higher revenue, following a business model change last year.

Tourism Holdings coach operations of Johnston's, Great Sights, Air Bus, Kiwi Experience and Fiji had a pre-tax and interest loss of \$500,000 compared to last year's profit of \$400,000.

Mr Pickup said the company was comfortable with its revised forecast, having now traded through the high season months of November, December and January.

Peter Sigley, Goldman Sachs JB Were head of research, said the downgraded outlook was disappointing but no surprise given the fall in tourist numbers.

However, the underlying structure of the company remained favourable, through its ownership of iconic tourism assets, reasonably strong operating cashflow and a hold on dividends.

"So we're not panicking too much about it in the longer term, but short term it's certainly a bit of a headwind for the share price."

First NZ Capital analyst Jason Samilton said the six-month result was in line with expectation. The more important result was the full-year forecast. "It's not unexpected, but I think the magnitude of the (full year) downgrade is probably larger than people thought."

Though First NZ Capital would be downgrading Tourism Holdings in the short term, over the longer term he expected performance to improve as the tourism numbers improved and the dollar dropped.