

Tēnā koutou katoa,

As we enter the second half of our season, I would like to take this opportunity to provide you with an update regarding winter 2019 so far and address some of the questions in our community.

### **What impact has the weather had on our facilities?**

It would be fair to say it has been a challenging first half of the season. After the highlight of the Sky Waka opening in early July, we then experienced the second warmest July on record ([NIWA](#)), which delayed the opening of the upper mountain lifts at both ski areas. Visitor numbers over school holidays were propped up by the curiosity of both season and life pass holders, and general visitors to the region wanting to ride the Sky Waka for the first time.

When August arrived, we found ourselves amid storm cycle after storm cycle which provided significant snowfall, but also presented huge operational challenges around de-icing and avalanche risk. Eight of the first 14 days in the month saw wind speeds in excess of 200km/hr. We have experienced an unprecedented number of closed days this season to date – with 31% closed days on the Whakapapa upper mountain lifts and Tūroa sitting at 32% closed days. We have also seen some of the worst rime ice we've had in many seasons. This caused damage to some infrastructure and slowed down the early season preparation of the Western lifts at Whakapapa.

As part of our ongoing goal to improve communications with our customer base, we put together this de-icing video as the team worked through the storms. <https://youtu.be/qci6goi9GEA>

### **What is happening out West at Whakapapa?**

Each year the Far West T-bar haul rope is installed after the first storm cycle. This reduces the risk of damage to the cable by being able to pull it over snow rather than rock. The team need 4 consecutive days of clear weather to finish this job and this season just hasn't provided us with an opportunity for that until last week. We're in the final stages of completing this job and we should see it open after the next half day of clear weather.

The West Ridge Quad suffered extensive damage from the storms, which has now been repaired and we're about one fine day away from turning this on as well.

We have reopened the West Ridge Café at Whakapapa for the first time in ten years. It has created a lot of excitement on the mountain from those long-time skiers and snowboarders and it took a massive effort from the team to get it up and running. The below photo shows what the West Ridge Café looked like on the 24<sup>th</sup> August.



It's looking very different now so make sure you pop in while skiing the West Terrain for chowder, beers and a guaranteed good time!

### **How is the Sky Waka performing?**

We've had a few questions around the performance of the Sky Waka given the number of closed days so far this season. The business case for this lift allowed for a reduction in closed days, so we thought it is best to explain the technology and operational constraints of this and any other lift on the mountain.

The assessment of closed days is based on the annual asset utilisation of the Sky Waka and associated facilities compared with the Waterfall chairlift that it replaced.

The Sky Waka is scheduled to open 365 days a year and will only be closed when either storm conditions, or maintenance requirements dictate. Based on prior analysis and the operating performance of the Sky Waka to date, we anticipate the closed day percentage dropping from 41.4% to less than 10%, a four-fold reduction compared with the 5 years prior.

When developing any new lift, it is prudent to operate well within the performance envelope until design assumptions about wind performance and localised topographical effects can be understood over a range of conditions and wind directions. Gusty or turbulent wind conditions are considerably more risky for any lift than constant windspeed conditions due to the effects on cabins or chairs and the risk of deflecting outside the design envelope of the lift. The recent storm cycles were described as some of the most severe since 2003 and commenced approximately 4 weeks after we first opened the Sky Waka. Leitner maintenance staff have been present on-site every day since opening and have been working closely with the Whakapapa operations team to ensure good operational decision-making through this period of continuous commissioning and learning about the performance of the ropeway in varying conditions. The severe ice allowed the team to put into commission and test/calibrate the de-icing technology, and to learn the limitations with equipment, like the anemometers which need to be replaced with an ultrasonic type to better accommodate the rapid formation of ice. Here's Ross with an explanation of the built-in technology [https://youtu.be/37FSAyR-\\_5k](https://youtu.be/37FSAyR-_5k)

### **Why is the avalanche risk worse this year than previous years?**

Everyday routine avalanche control procedures are conducted before the Whakapapa and Tūroa ski fields are cleared to open safely to the public and staff. But this is only one aspect. Making sure the mountain is safe is a science, along with skills acquired over years of working in the mountains. The variability of weather patterns on Mt Ruapehu leaves behind a complex build-up of snow deposits and layers.

Our Snow Safety Officers at Whakapapa and Tūroa spend back-to-back winters studying these messages stored in the layers in anticipation of the next storm.

The heavy accumulation of snow over a short period of time through August has heightened the avalanche risk at times. We saw two large releases of snow at Tūroa from our routine control work on 15<sup>th</sup> August that ran several kilometres through the ski area and left a 2.8km and 3.9km long debris path respectively (<https://www.facebook.com/mtruapehu/videos/1603907189740781/>).

While this risk is present, we know we cannot put our people and plant at risk by having them work in the upper mountain terrain. Control work generally needs clear weather to ensure safe operations and accuracy and it's fair to say that heli-bombing has been a challenge throughout August due to the inclement weather. Whilst not every controlled action leads to a release it is a task that we must undertake to ensure the ski areas are safe to operate. We understand and appreciate that the delays in opening can be frustrating for our customer base and as a result we are investigating avalanche control technology and alternatives that will allow us to control the risk during storm cycles and that are also suitable in our environment.

We have an application ready to submit to DOC for the use of Remote Avalanche Control Systems (RACS) which would allow avalanche control to take place during storm cycles. After consultation with Iwi, and approval by DOC, we intend to install this technology this summer

at a cost of \$2m. This would significantly improve the safety on the upper mountain for both our staff and guests.

Have a look at this video to learn more about avalanche control on Mt Ruapehu: <https://youtu.be/8Unquh4aTSs>

### **Why do we stay on-hold some days?**

It is always our intention to operate lifts when conditions permit. We keep lifts and facilities “on hold” at a considerable cost to the company on marginal weather days in order to have the best chance of delivering an experience to our guests who have often driven a long way to the mountain. In order to remain “on hold” we need to keep our staff on mountain on full pay standing by waiting for a clearance in the weather. Sometimes, despite the forecasts and our best efforts, we don’t always get this right.

### **Why was the first weekend in September so busy?**

RAL is an experienced ski operator, having run ski areas on Mt Ruapehu since 1953. The nature of our environment can be incredibly challenging as most long-term skiers understand. It’s actually what makes Mt Ruapehu special, as on a good day, it’s hard to beat. It’s not unusual after a high number of closed days for us to experience heavy demand on our first bluebird weekend day, which is what we saw on the mountain last weekend.

On busy days like last weekend the buses transporting people up the mountain are running at capacity and depart as soon as they fill up.

The RAL appointed transport contractor’s buses servicing the public transport for both Whakapapa and Tūroa all meet the new Alpine Vehicle Specification Code. This does present a challenge on peak days as the service runs at capacity and sourcing additional buses that meet these heightened safety specifications is challenging.

The Alpine Vehicle Specification Code standards were designed to enhance passenger safety in alpine environments with specifications of this code requiring that buses must be 4WD and have seatbelts.

We do acknowledge following last weekend that due to not all facilities being open (High Noon at Tūroa, and Western lifts at Whakapapa) there was additional strain on our other facilities and the teams are working hard to improve the customer experience on busy weekends in the future.

### **What happened with the Snowfall incident at Tūroa?**

Last weekend we also had an unfortunate incident where four people were taken to hospital after they were injured by snow sliding off the roof of a toilet block near the Snowflake café at Tūroa.

A nearby ski patroller responded immediately followed by additional ski patrollers who transported the guests down to the Tūroa Urgent Care Clinic. The injured guests were then taken to hospital for treatment.

After the heavy snowfall in recent weeks, snow accumulation on buildings had been identified as a potential hazard and warning signs and ropes were put up by ski patrol staff as a precaution. It is rare for this type of incident to occur and the team have been reviewing all other building snowfall hazards to ensure appropriate measures are in place to keep the public safe around buildings while these snow conditions exist.

### **Why have we restricted foot traffic on the Rangatira?**

Earlier this season the decision was made to cease foot passenger access on the Rangatira chair lift. This decision was made in line with a number of factors and is primarily linked to the health and safety concerns dating back as far as the 2016 season when the Rangatira was introduced into operation. Mechanically, this is a chair that is not configured appropriately to accommodate foot passengers with shorter than normal load and unload platforms due to station length; in station carousel speed which requires the chair being slowed significantly to accommodate foot passengers, and the design of the passenger load on a 90 degree angle of the Bull Wheel. Extensive consultation has occurred with various groups including the RMCA and a selection of clubs to find a workable solution. However the fact remains that it was incumbent on us to make the change considering the lift design and configuration as a ski specific lift. The regulator in this regard is WorkSafe and we have been closely monitored by them following several incidents in recent years with relation to foot passenger specific movements.

### **What is our forecast EBITDA result, and have we employed fewer staff?**

Due to the season we've had to date with challenging weather and operational conditions as previously outlined it is likely that compared to the annualised EBITDA of 2018 of \$6.96m that we will only achieve an EBITDA of approximately \$2m which is contingent on us achieving our expected results for the remainder of this financial year.

In the past when we have been faced with challenges at the start of our season, we have pulled the cost cutting lever and requested that teams strip costs and head count out of the business. Reflecting on these past decisions and the impact they have had on the customer experience we planned for 2019 winter to have higher staff numbers for this season. I can confirm we have maintained our headcount throughout this season and despite a challenging operational period. We've made this conscious decision to ensure we are well equipped to meet our customers' expectations for the remainder of the season.

## **When is Ross leaving and how is recruitment for the new CEO going?**

Ross' last day with RAL is fast approaching and we would like to formally thank him for his achievements and efforts over the last few years.

Ross has made an outstanding contribution to the ski areas, which have experienced a period of enhanced profitability, licence renewal of the Tūroa ski area, significant infrastructure developments including the new \$25m Sky Waka gondola, and the roll out of a new digital and e-commerce strategy during his 3 year tenure.

At Whakapapa, a \$55m asset renewal programme over the past 3.5 years has transformed the ski area, stabilising earnings as well as fuelling growth in the local economy. It is extremely rewarding to see the immediate and significant impact of the investment at Mt Ruapehu reflected in employment, visitor spending, occupancy, housing market and economic activity indicators.

On Monday 19 August, our CFO Jessie Watling moved into the Acting CEO role until the new CEO commences. Ross has stepped back from his day to day leadership role to close out some key projects. Ross' last day with RAL is the 30th September, and again we would like to thank him for his efforts and wish him well for the future.

I can also confirm that we are well underway with the recruitment for a new Chief Executive. Applications closed on the 24th August and we are about to commence interviews with candidates of high calibre. I look forward to announcing a new Chief Executive before the end of the year.

## **What's happening with the missing shareholders?**

In my July update I informed you of the forfeiture of the shares of our missing shareholders. We have had several shareholders come forward and provide the relevant information to allow us to reissue their shares. Thank you. With regards to this process there are a few items I would like to clarify:

- Cancellation of RAL shares does not mean that life passes will be cancelled
- Not all life pass holders are shareholders, there was a point in RAL's history where life pass holders were also shareholders, but this is no longer the case
- Any missing shareholders have until the 31<sup>st</sup> July 2020 to make themselves known to the company
- If you are, or know, a missing shareholder, please reach out to the company secretary who can inform you of the information you are required to provide to allow us to confirm the shareholding and reissue the shares.

## **What's happening this summer?**

### *Sky Waka offering*

Summer will be launched at Whakapapa with the relaunch of the Sky Waka. The offering will be based around short walks, sightseeing, dining experiences at Knoll Ridge Chalet, and early summer snow play. The marketing team report that travel trade bookings and interest is strong.

### *Giant upgrade at Tūroa*

As mentioned in my last update, after 41 years of hard service the much-loved Giant triple chair at Tūroa will receive a major upgrade this summer. RAL has signed a contract with Doppelmayr NZ to complete a significant overhaul of the lift electrical controls, hydraulics, braking and safety systems.

The upgrades will improve the reliability of the lift and reduce the risk of a breakdown causing an extended outage. The project has a value of approximately \$2m and will take place over the 19/20 summer.

This upgrade, combined with significant investment in the snowmaking system giving ‘top to bottom’ coverage on trails serviced by the Giant, the remodelled Giant Café (new for 2019), and a new snow groomer to keep the trails and park features in top condition, demonstrate our commitment to the Giant and the important terrain it serves.

We would like to thank you for your continued support and encourage you to come and enjoy the fantastic spring conditions.

Nga mihi  
Murray Gribben  
Chair  
Ruapehu Alpine Lifts Limited