



H1 2019 Interim Results

16 May 2019

**CUSTOMER
AT OUR
HEART**



› **Overview**

- Peter Fankhauser | CEO

- › Financial results and current trading
- › Strategic progress
- › Summary

H1 2019 overview

- › **Revenue in line with last year**
Strong growth to Turkey and North Africa
- › **Seasonal loss increased against strong comparative period**
Challenging environment with margin pressure across our tour operator businesses
- › **Customer focus driving improvement in satisfaction scores**
Hotel NPS up 6 points; Airline and Tour Operator NPS up 2 points
- › **Building one of Europe's leading sun & beach hotels businesses**
Opened 12 new own-brand hotels; hotel fund nearly doubled in size
- › **Agreed term sheet for new bank facility**
Short-dated facility of £300 million to provide sufficient headroom for next winter

Strategic review of Group Airline well underway

- › Initiated review in February with objective of delivering greater financial flexibility
- › Built a leading European leisure airline, which continues to deliver a strong performance in a disrupted market
- › Received multiple bids, including for whole and parts of the airline
- › Currently assessing bids; considering all options to enhance value to shareholders
- › An update will be provided in due course

Agenda



- › Overview

- › **Financial results and current trading**
- Sten Daugaard | Group CFO

- › Strategic progress
- › Summary

Financial overview

Like-for-like revenue in line with last year with growth in North Africa and Turkey offsetting a decline in Spain

Gross Profit reduction due to margin decline in the Tour Operator

Loss from Operations (exc. Goodwill) movement due to lower Gross Profit, partially offset by lower SDIs

Goodwill impairment relates to Goodwill recognised by the UK Tour Operator's merger with MyTravel in 2007

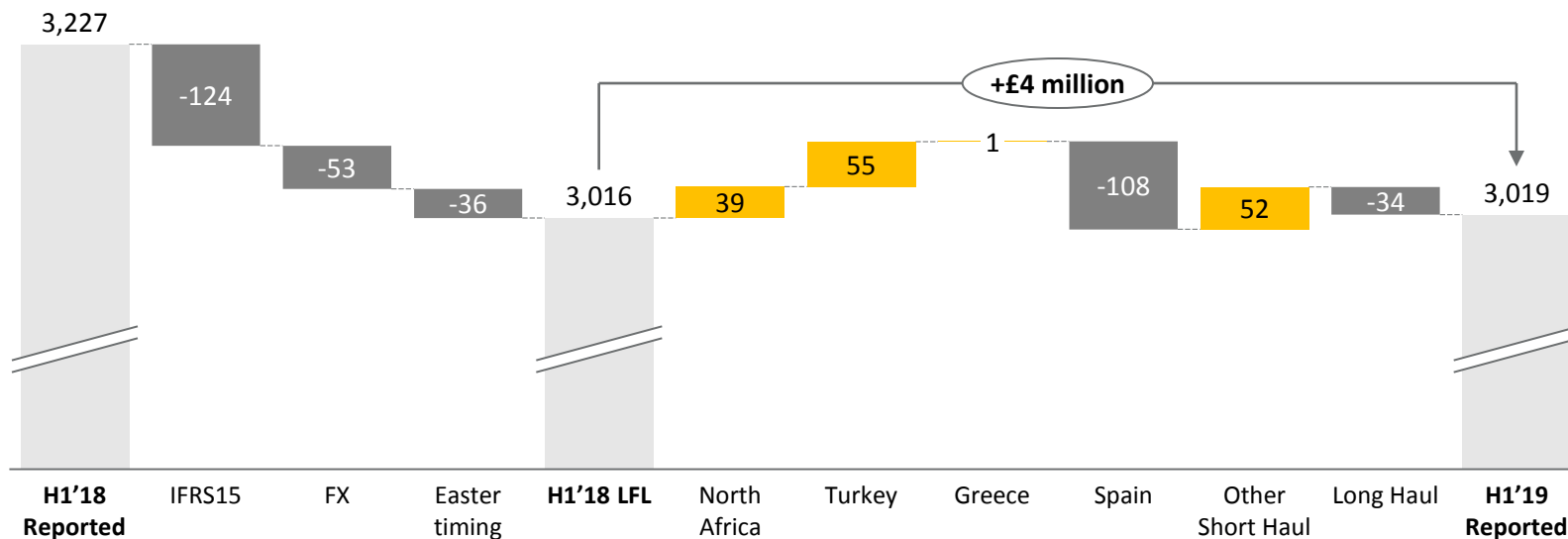
Net Debt movement mainly due to a lower working capital position

£m	H1'19	H1'18	Change	Like-for-like Change
Revenue	3,019	3,227	(208)	4
Gross profit	599	672	(72)	(54)
<i>Gross Margin</i>	<i>19.8%</i>	<i>20.8%</i>	<i>(100)bps</i>	<i>(180)bps</i>
Underlying EBIT	(245)	(170)	(76)	(65)
SDI's	(37)	(45)	8	10
Loss from Operations (exc. Goodwill)	(282)	(215)	(68)	(55)
Goodwill impairment	(1,104)	-	(1,104)	(1,104)
Loss from Operations	(1,386)	(215)	(1,172)	(1,159)
<i>LTM EBIT margin</i>	<i>1.9%</i>	<i>3.6%</i>	<i>(175)bps</i>	<i>(160)bps</i>
Net Debt	(1,247)	(886)	(361)	(275)

Due to rounding, some totals or variances may not agree exactly

Group revenue bridge

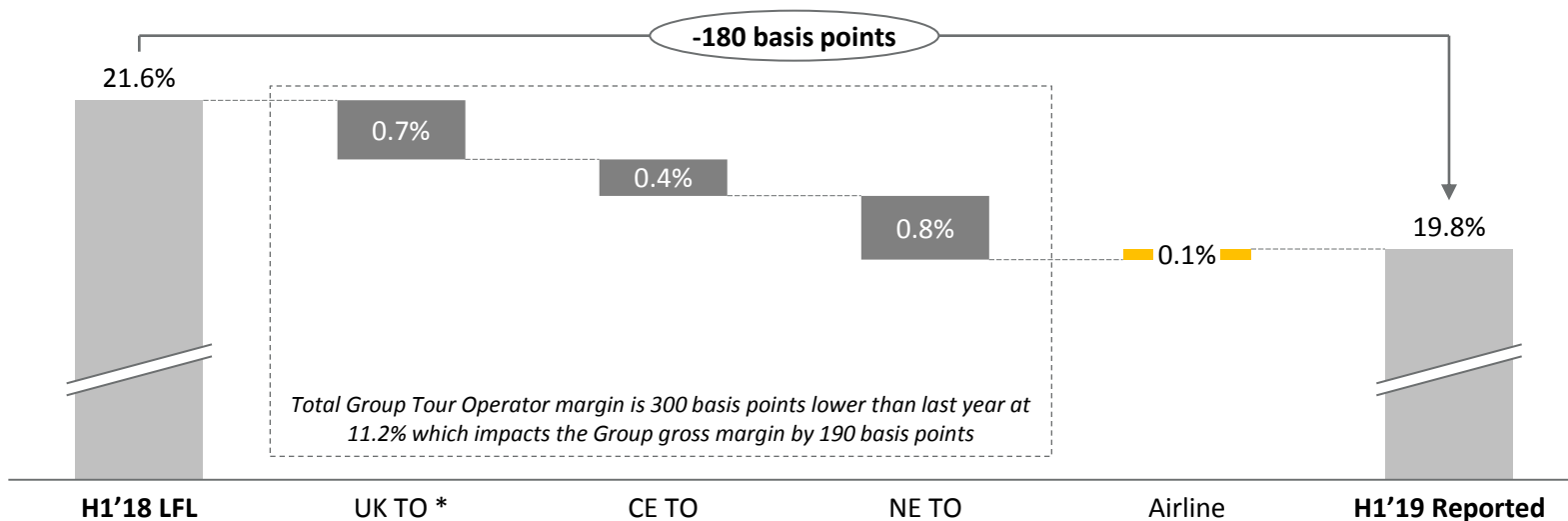
Revenue in line with last year on a like-for-like basis



Due to rounding, some totals or variances may not agree exactly

Group gross margin bridge ⁽ⁱ⁾

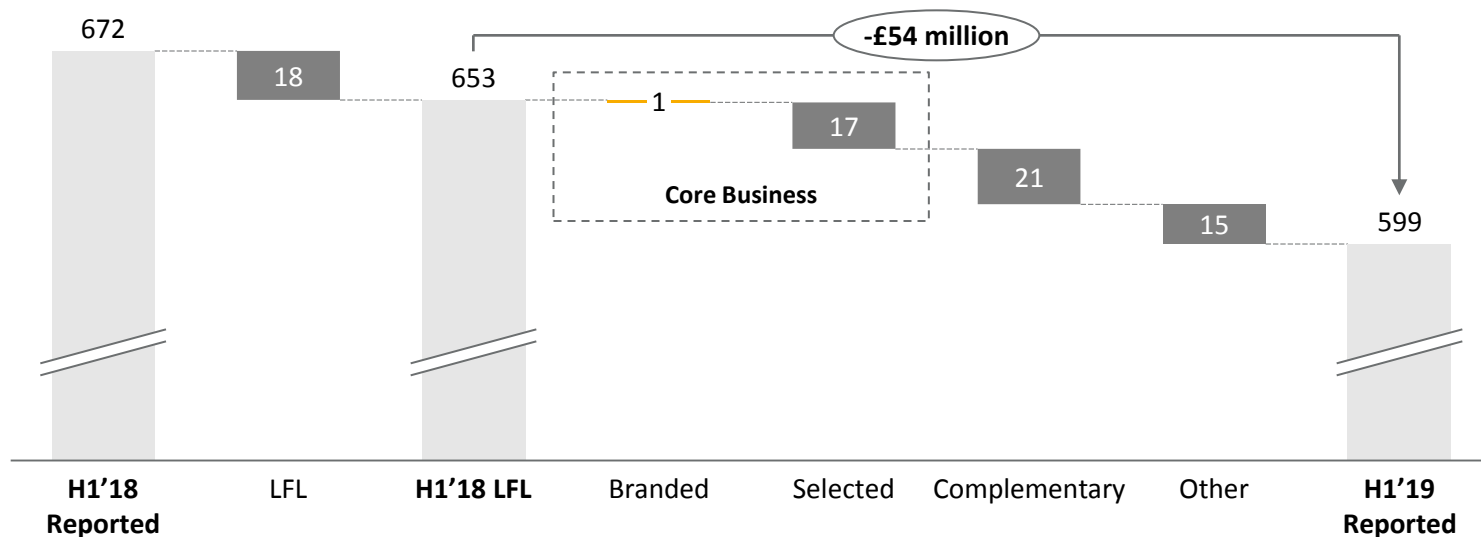
Gross margin decline across Tour Operator due to higher cost inflation and competitive trading environment



Note (i): The chart above shows the proportionate impact of each business line on Group gross margin %
Due to rounding, some totals or variances may not agree exactly

Group gross profit bridge by product

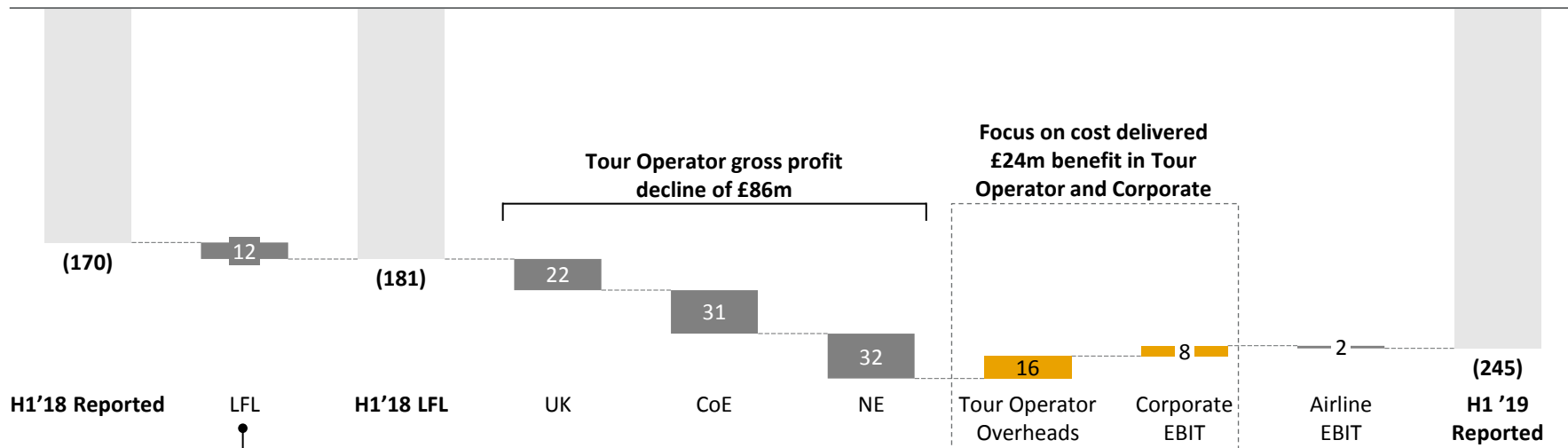
Core business remains relatively resilient; weakness in Complementary business



Due to rounding, some totals or variances may not agree exactly

Group underlying EBIT bridge

Underlying EBIT reduced by £65 million due to decline in Tour Operator gross profit



H1'18 Reported

LFL

H1'18 LFL

UK

CoE

NE

Tour Operator
Overheads

Corporate
EBIT

Airline
EBIT

H1'19
Reported

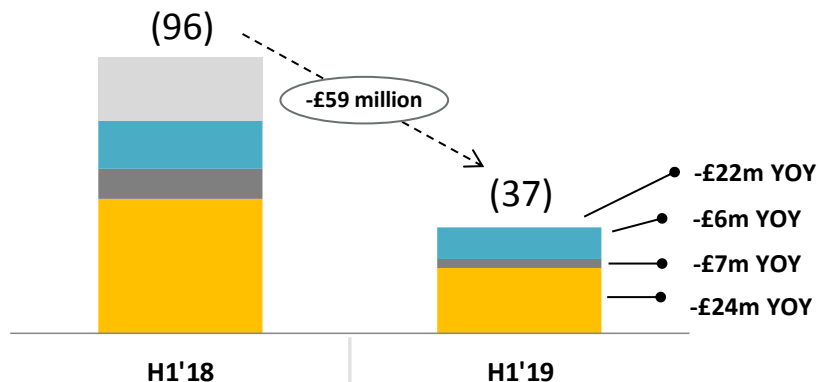
LFL adjustments	
IFRS	+£9m
FX	-£5m
Easter timing	-£15m

Due to rounding, some totals or variances may not agree exactly

Separately disclosed items

Total SDIs (excluding disposals and goodwill) reduced by £59 million

SDIs (excluding disposals & goodwill)



- Transformation: Streamlining process and delivering synergies in the Tour Operator
- Start up costs: Expedia transition; Thomas Cook Money; China JV
- Other operating SDIs
- Finance SDIs: Bond refinancing costs

Disposals	29	-
Total SDIs (exc. Goodwill)	(67)	(37)

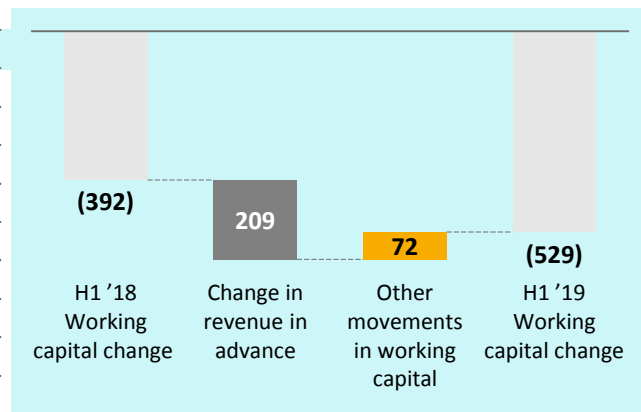
On track to significantly lower SDIs for full year

Due to rounding, some totals or variances may not agree exactly

Group cash flow

Net cash flow driven by lower EBITDA and working capital outflow

£m	H1'19	H1'18	Change
EBITDA	(136)	(55)	(80)
Working Capital	(529)	(392)	(137)
Tax & Pensions	(28)	(38)	10
Operating Cashflow	(693)	(486)	(207)
Exceptional items	(21)	(60)	39
Capital Expenditure	(72)	(104)	32
Unlevered Free Cash Flow	(786)	(651)	(135)
Net Interest Paid	(53)	(68)	15
Free Cash Flow	(839)	(718)	(121)
Proceeds on Disposal	1	7	(6)
Dividend and Co-Op payment	1	(58)	60
Net Cash Flow	(837)	(769)	(68)



Due to rounding, some totals or variances may not agree exactly

Net debt

Net debt movement over period in line with that of prior year

£m	H1'19	H1'18	Change
Opening net debt	(389)	(40)	(349)
Finance lease extensions	(30)	(69)	39
FX	21	12	10
Other non cash	(12)	(19)	7
Net cash flow	(837)	(769)	(68)
Closing net debt	(1,247)	(886)	(361)
<i>H1 net debt movement</i>	<i>(858)</i>	<i>(846)</i>	<i>(12)</i>

Due to rounding, some totals or variances may not agree exactly

Current trading and outlook

SUMMER 2019



- › Tour Operator bookings down 12% broadly in line with capacity, pricing up 2%
 - › Strong demand to Turkey, Egypt and Greece
 - › Weak trading market in UK and Nordics in particular
- › Airline bookings up 9% excluding own-tour operator; down 6% overall

OUTLOOK



- › Weak consumer confidence
- › Highly promotional market across all tour operator businesses
- › Above factors, combined with higher fuel and hotel costs, to impact progress on remainder of year
- › Expect underlying EBIT in H2 to be behind the same period last year

Based on cumulative bookings to 11 May 2019

Financing

- › Announced strategic review of Group Airline to improve financial flexibility
- › Agreed term sheet for new £300 million secured bank financing facility, subject to conditions
- › New facility available from 1 October 2019 and matures on 30 June 2020
- › Availability principally dependent on progress in executing the strategic review of the Group Airline
- › Reset of covenants through to 2022

Agenda



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 - › Financial results and current trading
-

- › **Strategic progress**
- Peter Fankhauser | CEO

- › Summary

Taking actions today to underpin future performance

- › Acted early to reduce tour operator capacity to mitigate operational risk and focus on margin
- › Introduced strict cost discipline across the Group
- › Refocused capex on projects that provide biggest benefit to future profitability
- › Launched strategic review of airline to increase financial flexibility
- › Agreed new bank facility to address liquidity concerns over cash winter low

Keeping our customer focus

Non-Euro destinations up significantly



47%, up 10 ppts

Bookings to non-Euro destinations

Long-haul short breaks on the rise



+30%

Three and four-night stays in San Francisco & Las Vegas

Food a key factor in choosing hotel



9 in 10

Brits say hotel restaurant influences booking

New generation of package travellers



1 in 4

Thomas Cook bookings made by 18-35 year olds

Think Global, Live Local

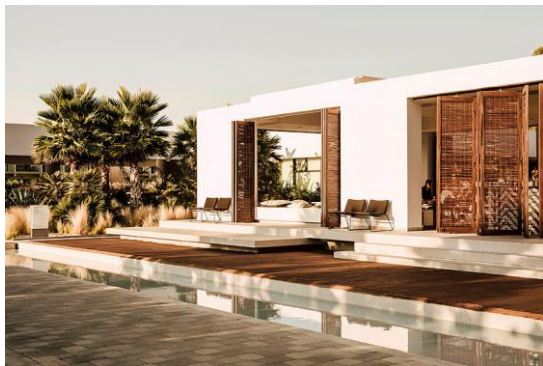


2 in 5

Holidaymakers choose activities that benefit locals

Our strategy of differentiation

› Own-brand Hotels



› Digital



› Efficiencies



Own-brand Hotels: Our vision

VISION

Build one of Europe's leading sun & beach hotels business, supported by the distribution power of the Tour Operator

Tour Operator

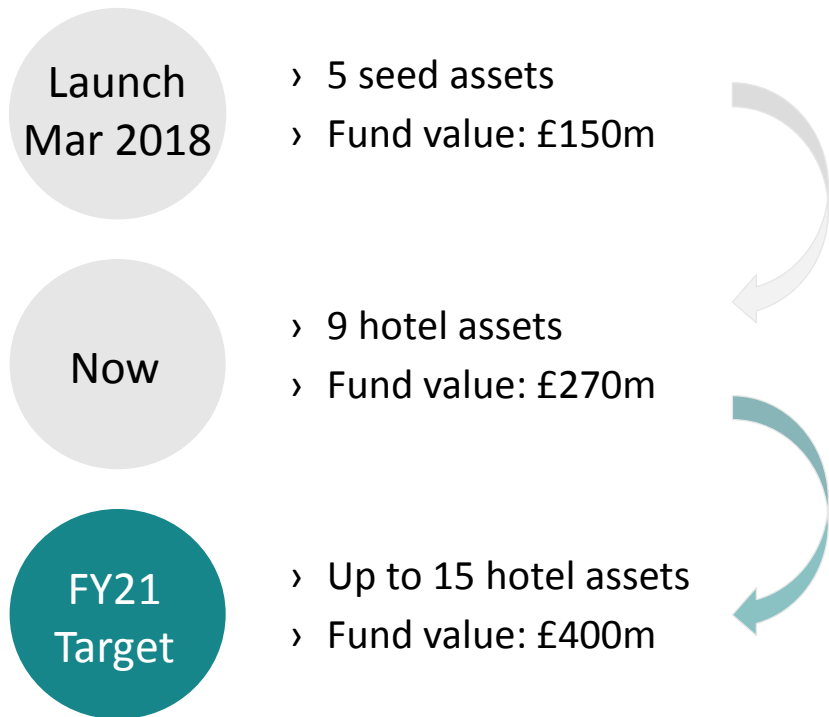
- › Double tour operator volumes at higher margins
- › Differentiate holiday offering by offering unique concepts

**Double
own-brand
profits by
FY21**

Hotels & Resorts

- › Grow portfolio to 250 hotels
- › Increase share of management contracts to 30%
- › Expand hotel fund to 15 hotels

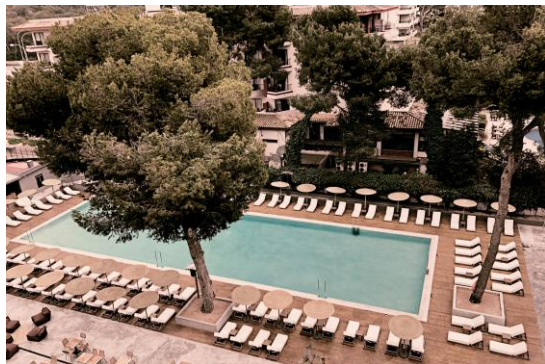
Own-brand hotels: Hotel Fund one year since launch



Progress since launch

- › Hotel fund nearly doubled in size
- › €91 million expansion capital secured to date
- › Financing partners attracted by own-brand hotel opportunity
- › Focus on Mediterranean hotel assets across Greece and Spain

Own-brand hotels: Strong pipeline for 2019



- › Opened 12 new own-brand hotels in H1
- › 20 in total expected by end of year; includes up to 10 new innovative Cook's Clubs
- › New Casa Cooks include first in Spain, and first family hotel launch in Crete
- › 60 hotels refurbished helping to drive NPS improvements

Our strategy of differentiation

› Own-brand Hotels



› Digital



› Efficiencies



Digital: Mobile-first approach is paying off

58%

Proportion of UK mobile searches on thomascook.com

5x

Increase in UK mobile bookings versus three years ago

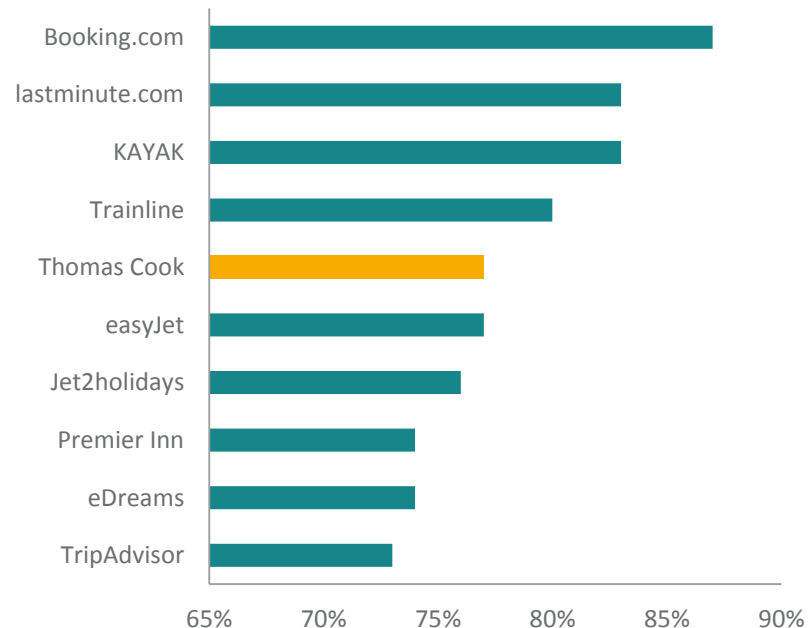
+32%

Mobile conversion up year-on-year

3.5m

App downloads, up 48% year-on-year

Our mobile usability leads other UK tour operators



Source: Google Mobile 2018 UK Trends

Our strategy of differentiation

› Own-brand Hotels



› Digitisation



› Efficiencies



Efficiencies

› Keen focus on cash and cost discipline by removing complexity and streamlining costs

› Significant cash cost savings across Group in first half

› Range of further cost efficiencies planned for second half

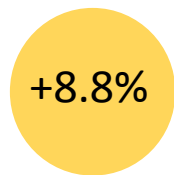
Accelerated UK efficiency programme with 21 retail closures and reduction of 300 store-based roles, and 150 in head office

Outsourced call centre to South Africa

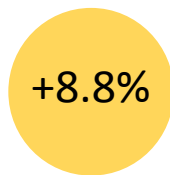
Reduction of Group head office costs

Condor savings in Germany, including closure of two crew bases, and maintenance operations in Berlin

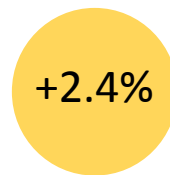
Airlines: Sustaining strong position in a challenging market



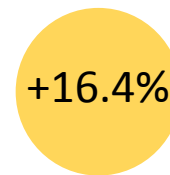
Revenue



Passengers



Ancillary
revenue/pax



Seat-only &
3rd party



Own Tour
Operator

SEATS SOLD

H1 Highlights

- › Fleet grown to 105 aircraft
- › Air Transat plane swap deal helps mitigate higher winter losses
- › Innovation continues with launch of sleeper seats
- › Thomas Cook Airlines Scandinavia awarded Tripadvisor Travellers' Choice award

Emerging Markets: Russia and China

Russia

- › Expanded presence and diversified existing business through Biblio Globus JV
- › Biblio Globus is one of largest tour operators in Russia with 3 million customers
- › Gives Thomas Cook a leading position in a growing market (>15% CAGR over last 3 yrs)
- › Own-brand hotels will profit from a larger customer base in the Eastern Mediterranean

China

- › On target to double number of passengers in FY19
- › Established local DMC presence in key strategic destinations including Japan and Thailand
- › MOU's signed for two further own-brand hotel projects in Lijiang and Taicang
- › New digital sales channel integrated in WeChat, China's number one social network

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 - Peter Fankhauser | CEO
-

Summary

- › H1 result against a strong prior-year comparative
- › Strict cash and cost focus to help offset a challenging environment
- › Good progress on strategic review to increase financial flexibility
- › Growth of own-brand hotel business remains key focus
- › Taking the right steps to secure the business for the future



Q&A

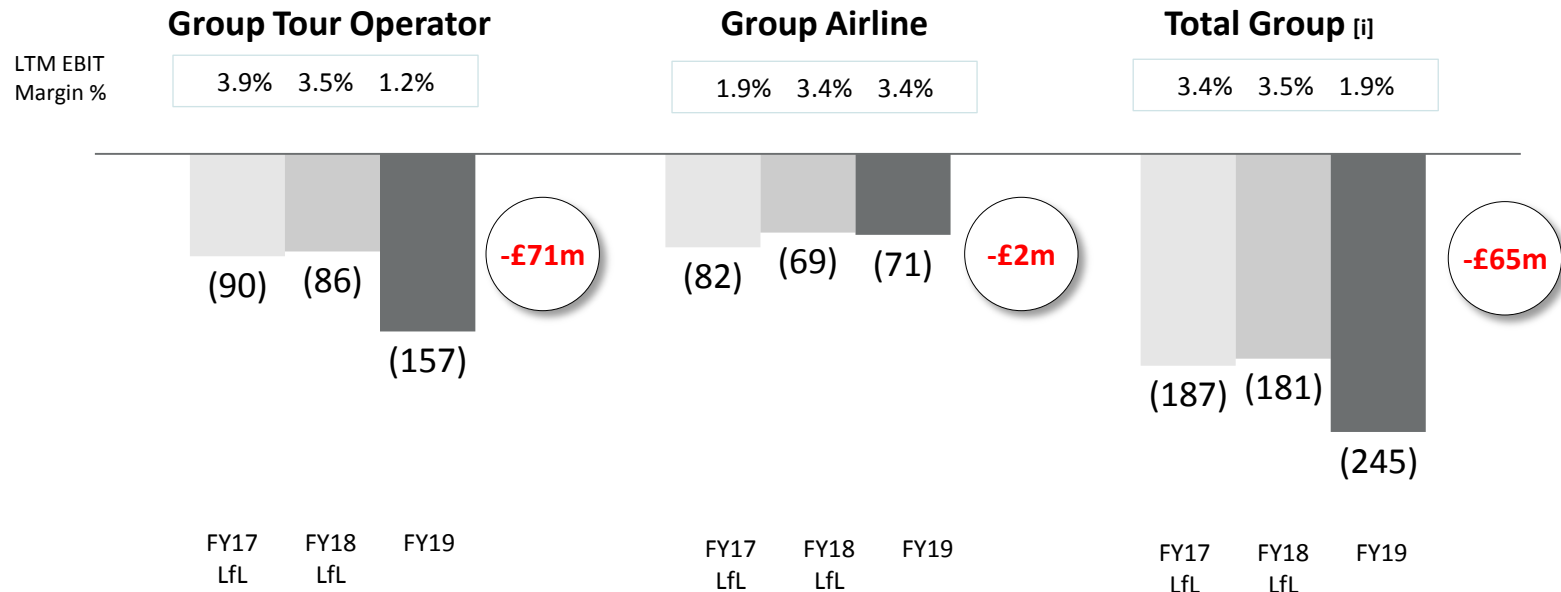
The graphic features two overlapping speech bubbles. The front bubble is light blue and contains the text 'Q&A' in a gold, serif font. The back bubble is a muted tan color and is partially obscured by the blue one.

Revenue & EBIT

£m	Revenue			EBIT		
	H1'19	H1'18	H1'18 LFL	H1'19	H1'18	H1'18 LFL
UK Tour Operator	534	528	520	(103)	(77)	(70)
Continental Europe Tour Operator	1,202	(1,244)	1,278	(64)	(49)	(51)
Northern Europe Tour Operator	547	614	577	10	41	31
Airline	1,207	1,313	1,109	(71)	(59)	(69)
Group Consol	(471)	(472)	(468)	(17)	(25)	(25)
Thomas Cook Group	3,019	3,227	3,016	(245)	(170)	(181)

EBIT by business

Underlying EBIT reduced by £65 million due to a weak Tour Operator performance



Note (i): Includes Corporate costs of £17m in H1'19 , £25m in H1'178LfL and £14m in H1'17 LfL

Group income statement

£m	H1'19	H1'18 LFL	FY19 vs. FY18 Lfl Change
Revenue	3,019	3,016	4
Gross Profit	599	653	(54)
<i>Gross Margin (%)</i>	<i>19.8%</i>	<i>21.6%</i>	<i>-180bps</i>
Overheads	(839)	(833)	(6)
Associated Undertakings	(5)	(1)	(5)
EBIT	(245)	(181)	(65)
EBIT Separately Disclosed Items	(1,141)	(46)	(1,095)
Profit from Operations	(1,386)	(227)	(1,159)
Separately Disclosed Finance Charges	(0)	(22)	22
Net Finance costs	(69)	(66)	(4)
Profit / Loss before Tax	(1,456)	(315)	(1,140)
Tax	(18)	48	(67)
Profit / Loss after Tax	(1,474)	(267)	(1,207)

Revenue and Gross Margin by business

Revenue (£m)	H1'19	H1'18	H1'18 LFL	H1'19 vs. H1'18	
				Headline variance	Like-for-like variance
Group Tour Operator	2,283	2,386	2,374	-4%	-4%
Group Airline	1,207	1,313	1,109	-8%	9%
Corporate	(471)	(472)	(468)	n/m	n/m
Group Revenue	3,019	3,227	3,016	-6%	0%

Gross Margin (%)	H1'19	H1'18	H1'18 LFL	H1'19 vs. H1'18	
				Headline variance	Like-for-like variance
Group Tour Operator	11.2%	14.2%	14.2%	-310bps	-300bps
Group Airline	28.5%	24.9%	28.1%	+360bps	+30bps
Corporate	n/m	n/m	n/m	n/m	n/m
Group Gross Margin	19.8%	20.8%	21.6%	-100bps	-180bps

Group Tour Operator

£m	H1'19	H1'18	H1'18 LfL	H1'18 vs. H1'17	
				Headline variance	Like-for-like variance
Revenue	2,283	2,386	2,374	(103)	(91)
Gross Margin	11.2%	14.2%	14.2%	-310bps	-300bps
Underlying EBIT	(157)	(86)	(86)	(71)	(70)
<i>Underlying LTM EBIT margin (%)</i>	1.2%	3.3%	3.5%	-200bps	-220bps
Customers (000's)	2,887	3,182	3,197	(295)	(310)
Average Selling Price (ASP) (£)	791	750	742	41	48

Group Airline

£m	H1'19	H1'18	H1'18 LfL	Headline variance	Like-for-like variance
Revenue	1,207	1,313	1,109	(106)	98
Total Operating Costs	(1,109)	(1,217)	(1,018)	108	(91)
Underlying EBITDAR	98	96	91	2	7
Underlying EBIT	(71)	(59)	(69)	(12)	(2)
<i>Underlying LTM EBIT margin (%)</i>	<i>3.4%</i>	<i>4.2%</i>	<i>3.4%</i>	<i>-90bps</i>	<i>-0bps</i>
Customers / Sold seats (000's)	7,176	6,594	6,594	582	582
Available Seat Kilometre (ASK) ('m)	31,555	30,022	30,022	1,533	1,533
Seat Load Factor (SLF) (%)	88.9%	89.4%	89.4%	-50bps	-50bps
Short Haul Yields per seat (£)	103	120	105	(17)	(2)
Long Haul Yields per seat (£)	281	317	288	(36)	(7)
Unit Cost (p.ASK)	-4.05	-4.57	-3.94	-0.52	0.11

Separately disclosed items

	H1'19	H1'18
Restructuring costs	(23)	(33)
Onerous lease and store closures	-	(14)
Costs of transformation	(23)	(47)
Guaranteed minimum pension equalisation	(6)	-
Investment in business development and start up costs	(3)	(10)
Litigation and legal disputes	(2)	(5)
Amortisation of BCI	(1)	(4)
Brexit preparation costs	(1)	-
Loss on disposal of PPE	-	(2)
Other	(1)	(5)
Total charges impacting EBIT	(37)	(74)
Profit on disposal of subsidiaries	-	29
Total net EBIT impact	(37)	(45)
Finance related charges	-	(22)
Total separately disclosed items before Goodwill	(37)	(67)
Goodwill impairment	(1,104)	-
Total separately disclosed items	(1,141)	(67)
Of which cash	(29)	(85)
Of which non-cash	(1,112)	18

Note (i): Items classified as "Cash" represent both current year cash flows, and expected future cash flows

(ii) FY18 cash SDIS includes £60m reported in the cash flow as 'exceptional items' and £17m reported in Net Interest costs

Cash SDIs (£m) (i)	H1'19	H1'18
Current year cash related exceptionals	(29)	(85)
Of which will be paid in future years	15	16
Prior year cash exceptionals paid in current year	(7)	(8)
Total (ii)	(21)	(77)

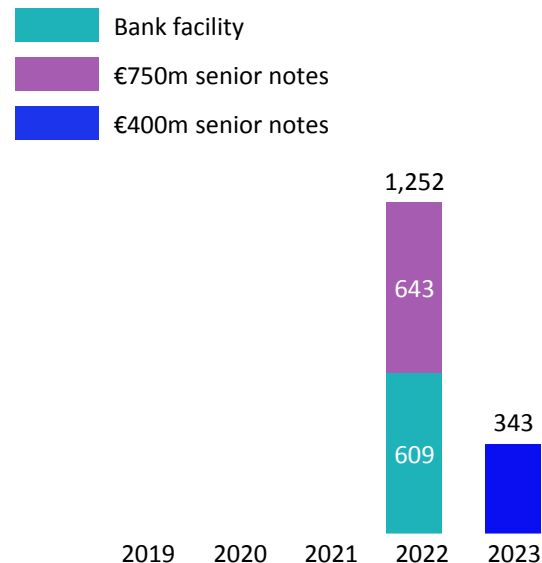
Underlying finance costs

£m	Coupon	H1'19	H1'18
Interest on bank facilities	LIBOR +3%	(9)	(2)
Interest on 2021 €400m bond	6.75%	-	(7)
Interest on 2022 €750m bond	6.25%	(21)	(21)
Interest on 2023 €400m bond	3.88%	(7)	(4)
Commitment fees		(1)	(3)
RCF & bond interest		(37)	(38)
Letters of credit & bonding		(8)	(9)
Other interest costs		(15)	(8)
Fee amortisation and other non-cash		(4)	(4)
Interest income		3	2
Net interest & finance costs before aircraft financing		(61)	(57)
Aircraft financing		(9)	(9)
Net Interest Expense (excl. exceptionals)		(70)	(66)

Net debt composition

£m		31-Mar-19	31-Mar-18	Variance
€750m 2022 Euro Bond	Jun-22	(643)	(657)	14
€400m 2023 Euro Bond	Jun-23	(343)	(350)	7
Commercial Paper	Various	(94)	(218)	124
Revolving Credit Facility	Nov-22	(609)	(50)	(559)
Finance Leases	Various	(223)	(199)	(25)
Aircraft related borrowings	Various	(13)	(20)	7
Other external debt	Various	(32)	(43)	11
Arrangement fees	n/a	24	31	(7)
Total Debt		(1,933)	(1,505)	(428)
Cash (net of overdrafts)		686	619	67
Net Debt		(1,247)	(886)	(361)

Maturity profile – 31 March 2019 (£m)



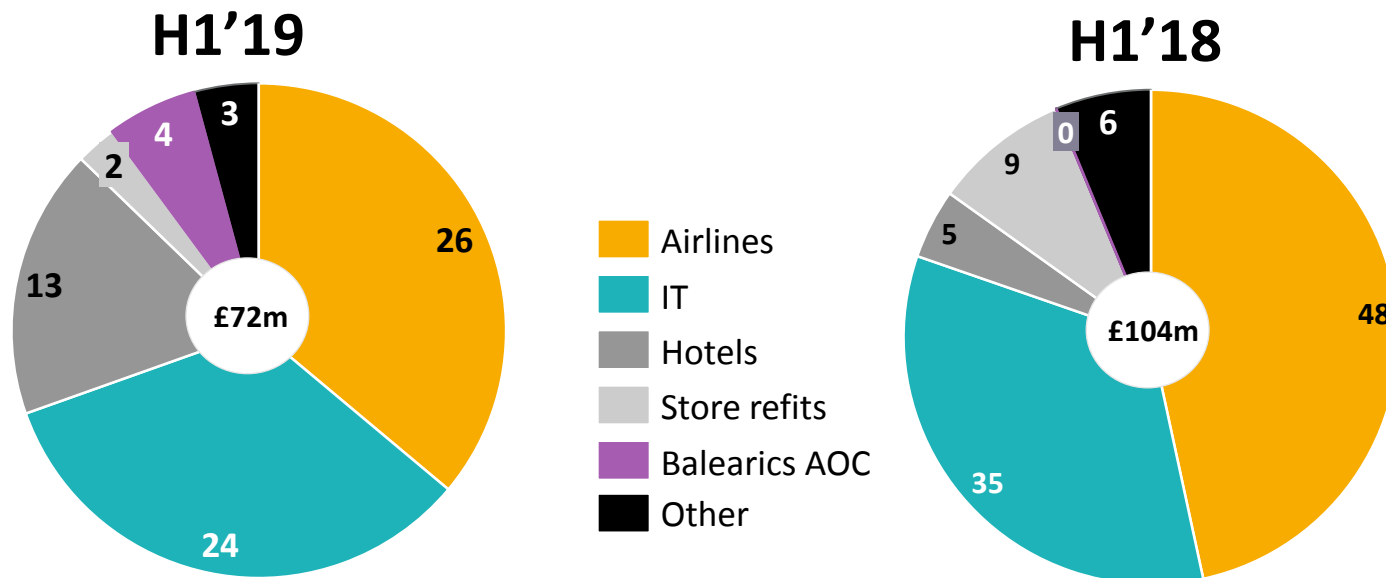
Reconciliation of 'like for like' to underlying numbers

"Underlying" refers to trading results after adjusting for separately disclosed items that are significant in understanding the ongoing results.

£m	Revenue			Gross Margin			EBIT		
	H1'19	H1'18	Change	H1'19	H1'18	Change	H1'19	H1'18	Change
	£m	£m	£m	%	%	%	£m	£m	£m
Underlying	3,019	3,227	(208)	19.8%	20.8%	-100bps	(245)	(170)	(76)
IFRS 15		(124)	124		1.1%	+110bps		9	(9)
Business transfers		(36)	36		-0.2%	-20bps		(15)	15
Currency impact		(53)	53		0.0%	+0bps		(5)	5
Like-for-Like	3,019	3,016	4	19.8%	21.6%	-180bps	(245)	(181)	(65)

"Like for like" reflects the comparison in the underlying results after removing identifiable non-recurring items in the prior year.

Capital expenditure (1)



(i) Capital expenditure is before disposal proceeds

FX and fuel hedging (31 March 2019)

	Summer 2019	Winter 2019/20	Summer 2020
EUR	Fully hedged	78%	42%
USD	Fully hedged	67%	31%
Jet Fuel	Fully hedged	90%	34%

It is our policy not to hedge EUR and SEK profits, but the impact of fluctuations in those currencies on Group profits can be summarised as:

- Every 1% move in Euro has a £0.7m impact on EBIT
- Every 1% SEK movement has a -£0.4m impact on EBIT