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Thomas Cook seeks last-ditch fire-sale in bid to avert collapse

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HIGHLIGHT: Thomas Cook Group is scrambling to stitch together a last-ditch fire-sale in a bid to stave off collapse and avert the biggest-ever peacetime repatriation of British citizens.

Sky News has learnt that the 178 year-old travel agent has this week been holding emergency talks about a deal to offload its Nordic airline and tour operating units in a desperate attempt to raise cash.

Thomas Cook has been left with a £200m black hole in its finances following a demand by lenders to secure new standby funding on top of a £900m restructuring package that is due to be voted on next week.

Insiders said the company was examining "every possible option" as it tries to salvage a rescue deal with more than 20,000 jobs across the group at risk.

Roughly 9,000 people work for Thomas Cook in the UK.

One stakeholder said that it was "a critical 24 hours" for Thomas Cook's survival prospects.

A successful outcome from the labyrinth of negotiations remains possible, although they cautioned that without imminent assurances that the additional funding is forthcoming, parts or all of Thomas Cook faced being placed into administration within the next few days.

AlixPartners, which has been advising the company for several months, is expected to be appointed to handle any insolvency process should the rescue efforts fail.

The last-ditch bid to save one of Britain's most prominent companies encompasses a string of separate but interlinked discussions.

In the last few days, Thomas Cook has revived talks about selling its northern European arm to Triton Partners, a private equity investor.

The two parties first held discussions about such a transaction in May, prior to the British company assembling a £900m restructuring led by Fosun Tourism Group, the Chinese owner of Club Med.

Thomas Cook is also thought to be exploring other options to prop up its profitable airline business by trying to separate it from its tour operating arm.

Negotiations about the Fosun deal are ongoing, and are said to involve alternative proposals to provide liquidity from other creditors.

The Triton talks relate to a separate contingency plan being drawn up if the funding gap in the Fosun-led deal cannot be plugged, according to insiders.

The Civil Aviation Authority (CAA) and Department for Transport (DfT) are being kept in close touch with the talks about Thomas Cook's future, and are understood to have begun drawing up contingency plans including the leasing of aircraft required to repatriate customers.

If the company was to fail in the coming days, it would trigger an operation to fly home well over 150,000 Britons who are abroad on Thomas Cook holidays.

Several hundred thousand people from other European countries are also current customers of the group at scores of vacation destinations.

It would be the biggest-ever repatriation operation involving the customers of a British-based company, and in terms of UK citizens would be significantly larger than the 2017 collapse of Monarch Airlines.

In October of that year, Monarch collapsed after being granted a temporary extension to its ATOL licence by the CAA, resulting in 110,000 people being flown home by the government at a cost to the taxpayer of tens of millions of pounds.

Creditor votes on the £900m Fosun-led deal - which has been increased in size to £1.1bn because of the lenders' demands - have been scheduled for September 27 and 30.

However, the parlous state of Britain's oldest travel agent means that the company might not survive until those ballots take place.

Thomas Cook Group has already warned that it could face collapse unless it finalises a rescue deal this month, saying in a court filing last week that it "would be likely to run out of money and enter into formal insolvency proceedings" if it did not.

In a stock market announcement about the restructuring on 28 August, Thomas Cook referred to an "implementation commitment [for the Fosun deal] targeted for early October 2019".

Some 11 million customers will have travelled with Thomas Cook by the end of the crucial summer season.

Efforts to secure its rescue have, though, been hampered by weak trading and the competing demands of financial stakeholders including its pension trustees and the holders of insurance against default on its debts.

Under the terms of the rescue plan, on which Thomas Cook said in August it had reached "substantial agreement", Fosun would inject £450m of new money into the company, in return for 75% of its tour operating business and not more than 25% of its airline.

EU ownership rules prohibit Fosun, which is already Thomas Cook's biggest shareholder, from controlling its airline business.

If the deal goes ahead, banks and bondholders would contribute £450m in aggregate and write off £1.7bn in existing debt in exchange for the remaining stakes in the two divisions.

That would leave shareholders being effectively wiped out by the restructuring and Thomas Cook's stock market listing would probably be cancelled.

Thomas Cook has been targeting the new money from the recapitalisation by early October in order to pay hoteliers and other key suppliers.

In order to survive, it would also need to persuade the CAA, which administers the ATOL scheme covering travel companies, that it should renew its licence at the end of September for another 12 months.

Current trading at Thomas Cook is understood to have remained difficult for months, with the ongoing political crisis in Westminster contributing to soft consumer demand for autumn and winter bookings.

Shares in Thomas Cook have whipsawed for months as investors have sought to calculate whether the stock retains any residual value.

On Thursday afternoon, they were trading at 4.5p, valuing the company at about £69m - down more than 94% over the last year.

Despite the calamitous decline, Fosun has alighted on Thomas Cook as a valuable platform for further expansion into the European travel market, and could still pursue a takeover of the company if it fell into insolvency proceedings.

The British company was founded in 1841 by a 32-year-old cabinet-maker and former Baptist preacher who began offering one-day rail excursions from Leicester to Loughborough for a shilling.

From there, it went on to become one of the world's largest holiday companies, marking its 175th anniversary three years ago.

Thomas Cook declined to comment.

A DfT spokeswoman referred calls to the CAA, which declined to comment.

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TICKER: TCG (LSE) (90%); 0656 (HKSE) (54%)

INDUSTRY: NAICS561510 TRAVEL AGENCIES (90%); SIC4724 TRAVEL AGENCIES (90%); NAICS332111 IRON & STEEL FORGING (54%); SIC3462 IRON & STEEL FORGING (54%); NAICS721110 HOTELS (EXCEPT CASINO HOTELS) & MOTELS (53%); NAICS483114 COASTAL & GREAT LAKES PASSENGER TRANSPORTATION (53%); NAICS483112 DEEP SEA PASSENGER TRANSPORTATION (53%); SIC7011 HOTELS & MOTELS (53%); SIC4481 DEEP SEA TRANSPORTATION OF PASSENGERS,

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