

First Quarter Trading Statement

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Thomas Cook Group PLC
07 February 2019

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No 596/2014

7 February 2019

First Quarter Trading Statement for the three months ended 31 December 2018

2018/19 started in line with expectations; strategic review of airline announced

HIGHLIGHTS¹

- First quarter revenue up 1% to £1,656 million²
- Q1 underlying operating loss increased by £14 million to £60 million against a strong prior-year period - loss from operations on a reported basis increased £7 million reflecting lower separately disclosed items
- Strategic review of Group Airline to increase financial flexibility and accelerate execution of our core strategy

1. Comments are based on like-for-like comparisons

2. Includes adjustment for IFRS 15 accounting change for Group Airline and residual amounts relating to the transfer of the Thomas Cook Airlines Belgium to Brussels Airlines and as such is no longer part of the Group

Peter Fankhauser, Chief Executive of Thomas Cook commented:

"As expected, the knock-on effect from the prolonged summer heatwave and high prices in the Canaries have impacted customer demand for winter sun. Where Summer 2018 bookings started very strongly, bookings for Summer 2019 reflect some consumer uncertainty, particularly in the UK, and our decision to reduce capacity which will both mitigate risk in our tour operator business and help our airline to consolidate the strong growth achieved last year.

"We've made further good progress in transforming our business with a rigorous focus on managing our cost base while innovating to deliver high-quality holidays for our customers. Our strategic alliance with Expedia is now live in all our key markets. In addition, we are set to open 20 new own brand hotels this summer, including three Casa Cooks and eight Cook's Clubs, and have announced two new hotel projects with Fosun in China.

"At the same time, we recognise that we need greater financial flexibility and increased resources to accelerate the execution of our strategy of differentiation: to invest in strengthening our own-brand hotel portfolio; further digitising our sales channels; and driving greater efficiencies across the business. As a result, we are today announcing a strategic review of our Group Airline. We are at an early stage in this review process which will consider all options to enhance value to shareholders and intensify our strategic focus. We will provide an update on this process in due course."

FIRST QUARTER PERFORMANCE

Group revenue was broadly unchanged in the first quarter, rising by 1% on a like-for-like basis to £1,656 million, led by strong customer demand for Turkey and North African destinations, offsetting weaker demand for Spain.

Gross margins were lower, reflecting a continuation of the highly competitive market conditions in the UK at the end of the summer season, and weaker demand for winter holidays in the Nordics.

As a result, the Group's seasonal underlying loss from operations increased by £14 million on a like-for-like basis to £60 million. Currency translation movements during the quarter led to an impact of £4 million. On a reported basis, our loss from operations increased by £7 million, reflecting an improvement in separately disclosed items. The seasonal loss was led by the Group Tour Operator where a weaker performance in the UK and Northern Europe was partially offset by a good performance in Continental Europe. Our Group Airline continued to perform well, delivering a seasonal underlying loss in line with a strong comparative period last year.

Financial position

Net debt at 31 December 2018 was £1,588 million. The Group has kept a healthy level of liquidity headroom over the important winter cash low period, maintaining a minimum buffer within our targeted range of £150 million to £200 million. In addition, our

bank covenant tests as at 31 December 2018 were met.

CURRENT TRADING AND OUTLOOK

Winter 2018/19

Trading for the Winter 2018/19 season is largely unchanged from the last update. Total bookings are up 8%, supported by higher volumes in the Group Airline as a result of the full season impact of extra aircraft acquired last spring. We continue to see strong demand for Turkey, Egypt and Tunisia as customers seek alternatives to high hotel prices in the Canary Islands. However, average selling prices are 10% lower overall, reflecting a higher mix of short and medium-haul airline volumes.

Group Tour Operator bookings are down 2%, with pricing 3% lower. Bookings from the Nordics and Continental Europe are lower than last year, in line with reductions in capacity. In the UK, charter risk bookings are in line with last year.

For the Group Airline, overall bookings are 8% ahead, in line with capacity increases. Bookings to short and medium-haul destinations are up by 10%, largely as a result of a growth in demand for Egypt. Long-haul bookings are up 3% with good demand for USA and Caribbean. Overall airline pricing is down 3% due to the mix effect of a shift towards short and medium-haul flying.

Summer 2019

Our Summer 2019 programme is 30% sold, slightly ahead of last year. Group Tour Operator bookings are consistent with the capacity reductions we have made across our markets to closely manage our risk capacity throughout the year. As a result, tour operator bookings are down 12%, helping to support pricing, which is up in all key segments, and 4% higher overall.

Group Airline bookings are below last year, as we have selectively reduced capacity in short and medium-haul destinations by taking in less wet-lease capacity. This is partially offset by good growth in demand to long-haul destinations. Average selling prices are up 6%, with higher yields in both short and medium-haul and long-haul.

Outlook

We are addressing some of the challenges we faced in Summer 2018 by reducing our committed airline capacity for 2019 and increasing the focus on high quality, higher-margin hotels and destinations. In addition, we continue rigorously to drive down costs to give us greater operational flexibility, while remaining fully focused on our strategy, and managing our financial and commercial commitments.

We are making no changes to the full-year expectations set out in November 2018, reflecting the early stage in the year and limited visibility due to wider market uncertainty, particularly in the UK.

INTENSIFYING STRATEGIC FOCUS

Thomas Cook Group has undergone significant transformation over the last five years as we have streamlined our operations and focused on a clear strategy in both our Airline and Tour Operator businesses.

However, it is clear that we need greater financial flexibility and increased resources to accelerate the execution of our strategy of differentiation: to invest in strengthening our own-brand hotel portfolio; further digitising our sales channels; and driving greater efficiencies across the business. As a result, we are today announcing a strategic review of our Group Airline. We are at an early stage in this review process which will consider all options to enhance value to shareholders and intensify our strategic focus. We will provide an update on this process in due course.

Our strategy for the airline has been to profitably grow as a leading European leisure airline with a reliable, customer-focused service. This has involved a continuous review of our cost structure in order to stay competitive in a highly fragmented market. We currently operate a fleet of 103 aircraft, of which a quarter serve long-haul destinations. Our Group Airline delivered strong growth in 2018, despite facing industry-wide disruption. We made good progress in strengthening our seat-only offer, and growing services to third-party tour operators. We carried over 20 million passengers and generated £3.5 billion in revenue, with underlying operating profits growing 37% year-on-year to £129 million.

ANALYST AND INVESTOR CALL

A conference call and webcast for investors and analysts will be held today at 08.30 (GMT):

- Standard International Access: +44 (0) 20 3003 2666
- UK Toll Free: 0808 109 0700
- Password: Thomas Cook

Forthcoming announcement dates

The Group intends to issue results for the six months ended 31 March 2019 on 16 May 2019.

Enquiries

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