



Thomas Cook Group



Q3 2016 Results

28 July 2016

175 YEARS
THOMAS
COOK

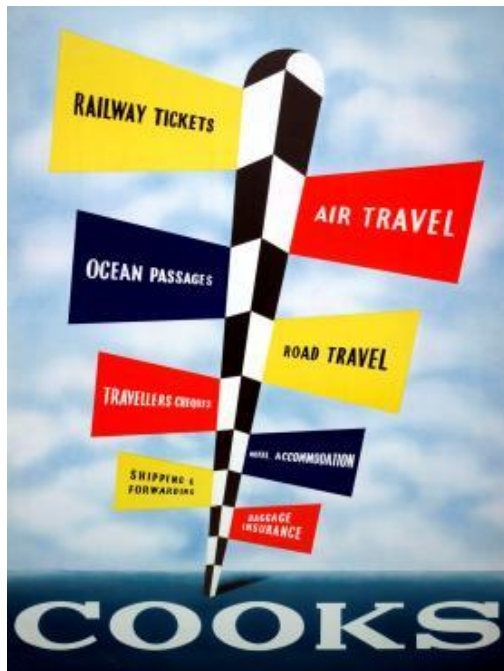


-
- › **Highlights**
 - Peter Fankhauser | CEO
 - › Financial results and current trading
 - › Strategic progress and outlook
-

Highlights

- › **Third quarter result in line with Q2 expectations**
Q3 underlying operating profit of £2m
- › **Current trading environment remains challenging**
Repeated disruption in our key source and destination markets
- › **Continuing to rebalance destination mix to address changing customer demands**
Summer 2016 bookings down 5% overall, but up 8% excluding Turkey
- › **Relentless focus on customer excellence**
Better hotels and customer service leading to more satisfied customers
- › **Implementation of the New Operating Model on track**
Strong foundation for growth

Agenda



› Highlights

› **Financial results and current trading**
- Michael Healy | Group CFO

› Strategic progress and outlook

Financial overview

Like-for-like revenue down 8%, reflecting impact of Turkey and Brussels

Gross Margin increase of **70 basis points** consistent with shift into differentiated product

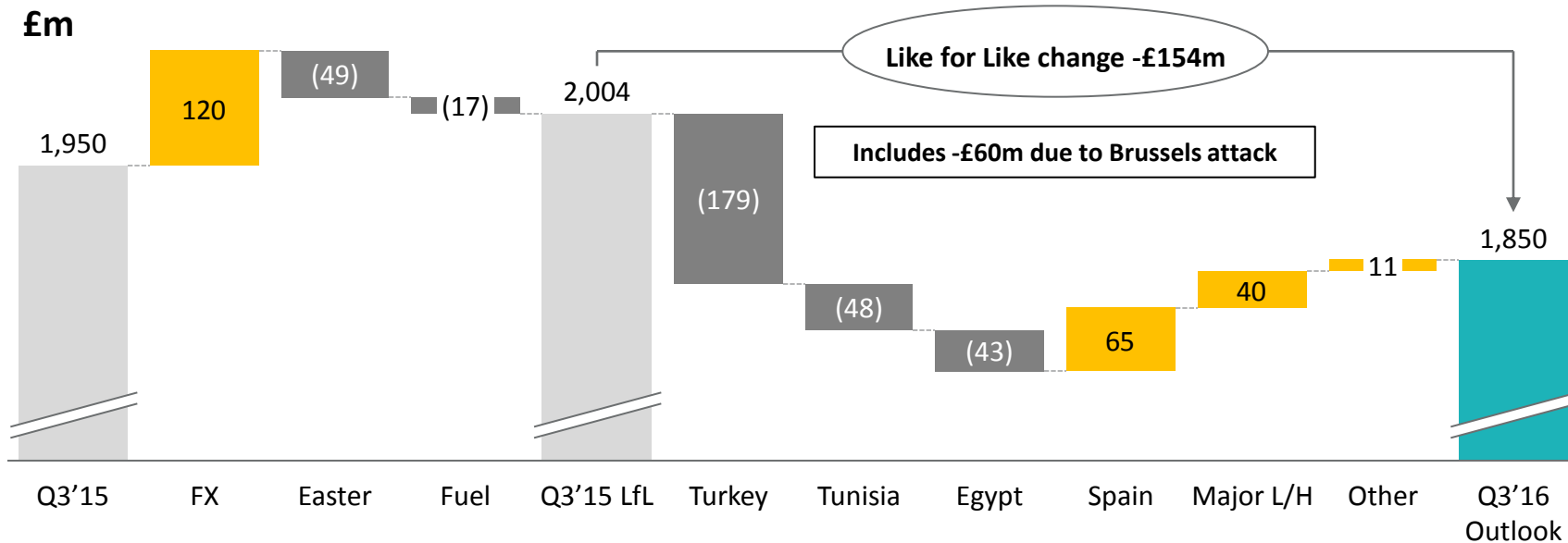
Underlying EBIT lower due to weakness in Airlines Germany and Belgium

Net Debt slightly above prior year on a like-for-like basis

£m	Q3'16	Q3'15	Change	Like-for-like Change
Revenue	1,850	1,950	(100)	(154)
Gross Margin	21.3%	20.4%	0.9%	0.7%
Underlying EBIT	2	30	(28)	(22)
Net Debt (at 30 June)	(515)	(392)	(123)	(16)

Group revenue bridge

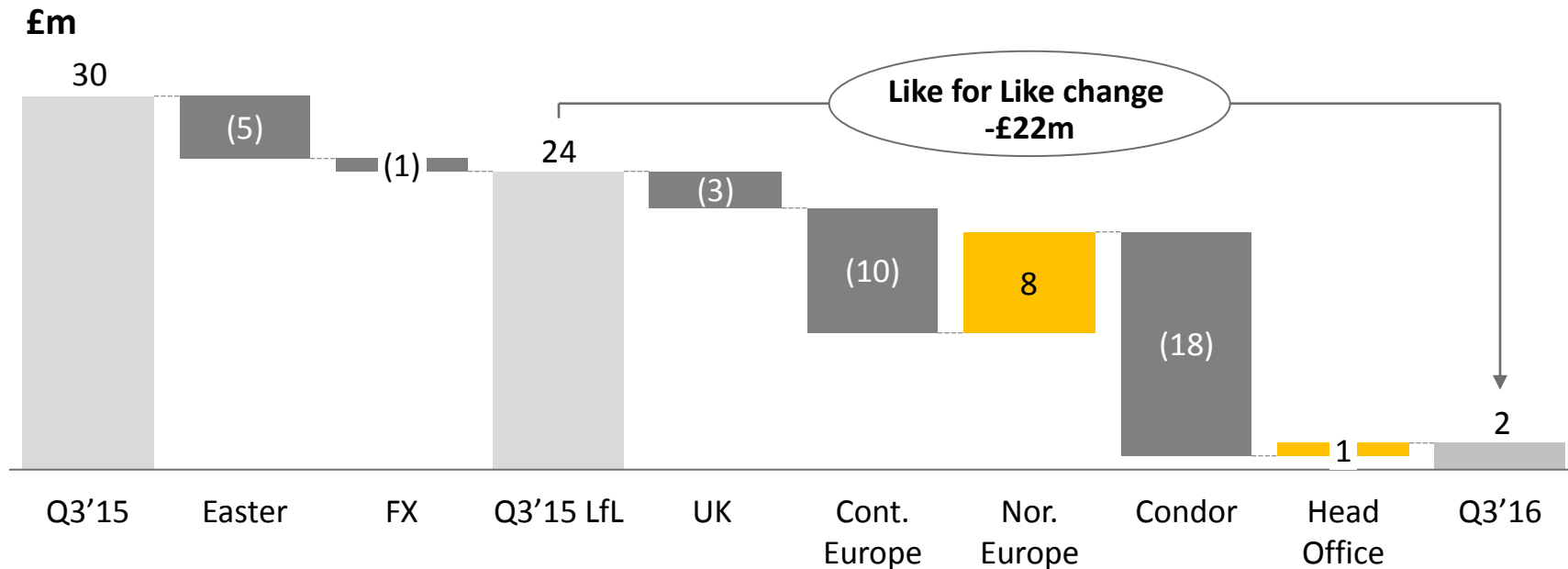
Q3 revenue lower than last year due Turkey and Brussels



*A reconciliation of Like-for-like (Lfl) adjustments are shown on page 18

Q3 Group EBIT bridge

Resilient performance in UK and Nordics; profit decline in Airlines Germany and Belgium



Q3 Group cash flow

Free cash flow improvement of £35m due to timing of working capital

£m	Q3'16	Q3'15	Change
EBITDA	49	72	-23
Working Capital ⁽¹⁾	462	392	+70
Tax	(7)	(6)	-1
Pensions & Other	(17)	(16)	-1
Operating Cashflow	487	442	+45
Total Exceptional items ⁽²⁾	(16)	(22)	+6
Capital Expenditure	(61)	(38)	-23
Net Interest Paid	(73)	(80)	+7
Free Cash Flow	337	302	+35
Opening Net Debt	(825)	(700)	-125
Q3 Net Cash flow	337	302	+35
Non-Cash movements in Debt	(27)	6	-33
Closing Net Debt	(515)	(392)	-123

- **Operating cash flow has improved by £45m** due to mainly to the timing of working capital
- **Increased capital expenditure** is a result of IT spend related to our New Operating Model and the timing of aircraft maintenance
- **Net debt** increased by £123m from 30 June 2015, including the impact of exchange rate movements (£79m) and other non-cash adjustments (£28m)

1 Aircraft related provision movements of £27m in Q3'16 are shown within working capital (Q3'15:£(18m))

2 Exceptional items include net proceeds from disposals of £6m in Q3'16 and £5m in Q3'15

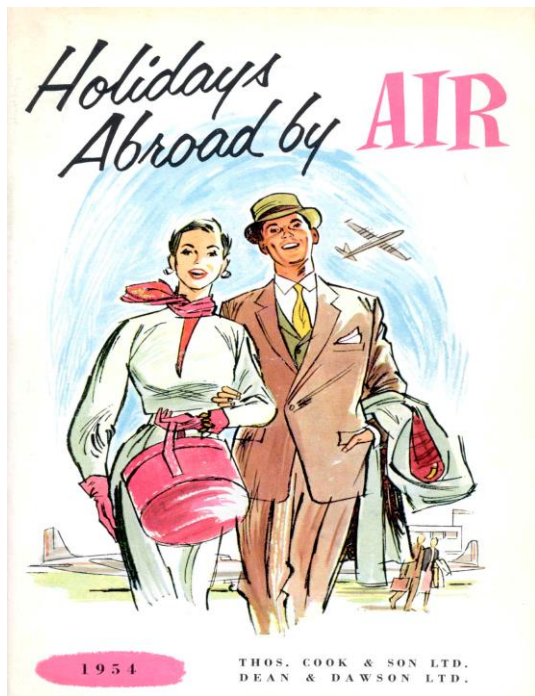
Current trading

Summer 2016

- 81% of programme sold
- Bookings excluding Turkey up by 8%, but down by 5% overall
- Northern Europe volumes in line with capacity cuts, with strong pricing
- UK bookings slightly down but holiday pricing up
- Continental Europe bookings below last year, especially Belgium
- Airlines Germany affected by yield pressures in short and medium haul

Winter 2016/17

- Good start to Winter 2016/17, although still early in the booking cycle
- UK bookings up 19% with broadly flat pricing
- Northern Europe bookings flat, with pricing up 1%



- › Highlights
- › Financial results and current trading

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

Strategic progress in Q3

Strategic Initiative	Progress during Q3 2016
Own-brand hotels and flights	<ul style="list-style-type: none"> • Sales of holidays to own-brand hotels up by 7% so far this year • Reshaping of flight programme in line with changing demand – Expanding long-haul, rebalancing short haul
Our holiday offering	<ul style="list-style-type: none"> • Improved hotel quality – particularly in 24-hour promise hotels • “Thomas Cook Signature” launched as premium brand in Germany
Omni-channel and customer	<ul style="list-style-type: none"> • Web bookings up >20% in the UK and Germany in Q3 • Fosun JV in China going well – gearing up for full launch in September
Efficiencies	<ul style="list-style-type: none"> • Efficiencies programme in Continental Europe to streamline operations • Continued tight cost control

Summary and outlook

- › Continuing to manage through a disrupted trading environment
Disciplined capacity management and flexibility to anticipate customer demand
- › Full year result to be slightly below previous guidance range
We expect FY16 underlying operating profit of around £300m*
- › Key focus on strengthening business for the longer term
Driven by better quality hotels and customer excellence

*Assumes FX translation benefit of £32m



Q&A

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

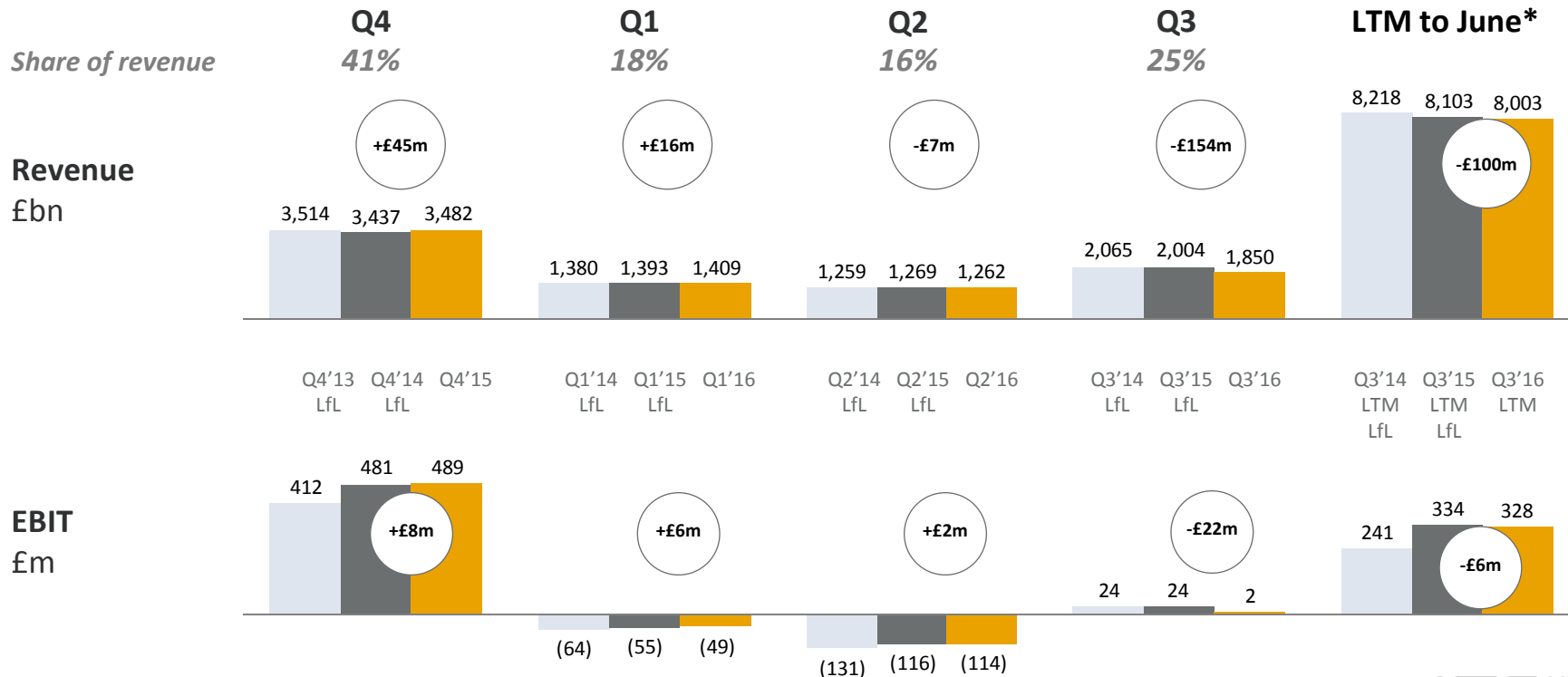
Financial calendar

- › Pre-close Trading Update – 27 September 2016
- › 2016 Full Year Results – 23 November 2016
- › Q1 2017 Results & AGM - 9 February 2017
- › Pre-close Trading Update – 28 March 2017
- › H1 Interim Results - 18 May 2017

Group income statement – 3 months to 30 June 2016

£m	Q3'16	Q3'15 Like-for-Like	Like-for-like Change
Revenue	1,850	2,004	-154
Gross Profit	394	412	-18
Overheads	(392)	(388)	-4
EBIT	2	24	-22
Separately Disclosed Items (EBIT)	(27)	(27)	-
Profit/Loss from Operations	(25)	(3)	-22
Net Finance costs	(35)	(37)	+2
Separately Disclosed Items (Finance Charges)	(4)	(10)	+6
Profit / (Loss) before Tax	(64)	(50)	-14

Revenue & EBIT by quarter



* Last twelve months to June

Separately disclosed items – 3 months to 30 June 2016

£m	3 months to 30 June 2016			3 months to 30 June 2015		
	Cash	Non-cash	P&L	Cash	Non-cash	P&L
NUMO implementation:						
- Restructuring	(16)	(1)	(17)	(9)	(1)	(10)
- Onerous contracts and legal disputes	(6)	1	(5)	(2)	(8)	(10)
Other	(8)	3	(5)	(5)	(2)	(7)
EBIT related items	(30)	3	(27)	(16)	(11)	(27)
Profit on disposal of associated undertaking	-	-	-	-	-	-
Finance related charges	-	(4)	(4)	-	(10)	(10)
Total	(30)	(1)	(31)	(16)	(21)	(37)

Reconciliation of 'like for like' to underlying numbers

3 months to 30 June 2016

“Underlying” refers to trading results after adjusting for separately disclosed items that are significant in understanding the on-going results.

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

£m	Revenue			Gross Margin			EBIT		
	Q3'16 £m	Q3'15 £m	Change £m	Q3'16 %	Q3'15 %	Change %	Q3'16 £m	Q3'15 £m	Change £m
Underlying	1,850	1,950	(100)	21.3%	20.4%	0.9%	2	30	(28)
Easter Timing		(49)	49		0.3%	(0.3)%		(5)	5
Fuel		(17)	17		0.2%	(0.2)%		-	-
Currency impact		120	(120)		(0.3)%	0.3%		(1)	1
Like-for-Like	1,850	2,004	(154)	21.3%	20.6%	0.7%	2	24	(22)

FX and fuel hedging (30 June 2016)

	Winter 2015/16	Price	Summer 2016	Price	2016	Price	Winter 2016/17	Price	Summer 2017	Price	2017	Price
EUR	94%		89%		91%		77%		49%		58%	
USD	94%		92%		93%		90%		58%		74%	
Jet Fuel	91%	\$716	96%	\$630	94%	\$684	90%	\$586	73%	\$493	82%	\$541
Jet Fuel GBP equivalent⁽ⁱ⁾						£472						£419

⁽ⁱ⁾ Hedged jet fuel costs translated at hedged USD to GBP rate in FY16 equates to £472/tonne (including into plane costs), (FY15:£552/tonne). This represents a projected saving of £90m for FY16 versus FY15

- Transactional USD exposures against EUR, GBP and DKK have been hedged in line with Fuel hedges. A 1% variance in 2016 would have a £0.9m impact
- Transactional EUR exposures against GBP and SEK hedged in line with policies. A 1% variance in 2016 would have a £0.8m impact.

It is our policy not to hedge EUR and SEK profits and so FY16 profits will not be hedged. At current rates⁽ⁱⁱ⁾, the impacts of fluctuations in those currencies can be summarised as:

- Every 1% move in Euro has a £1.5m impact on EBIT
- Every 1% SEK movement has a £1.1m impact on EBIT

⁽ⁱⁱ⁾ Spot rates as at 30 June 2016