



10 December 2013

TUI TRAVEL (TT.): 380p Full Year Numbers to 30 Sep 2013

Group reports 'another record year with underlying operating profit growth of 20%...'

Year to end-Sep	PBT (£m)	EPS (p)	PER (x)	DPS (p)	Yield (%)
2012 (A)	201.0	25.8	14.7	11.7	3.1
2013 (A)	490.0	30.8	12.3	13.5	3.6
2014 (E)	486.7	31.8	11.9	14.1	3.7

Source: Company & Broker Estimates

Full Year Numbers; Year to 30 Sept 2013:

TUI Travel has this morning reported full year numbers to end-September and our comments are set out below:

The Numbers:

- TUI Travel has reported 'record underlying operating profit' and says that its 2013 roadmap targets have been exceeded
- Underlying revenues came in at £15,051m against £14,460m last year
- Operating profit was some £589m against £490m and PBT was £473m against £390m last year
- EPS was 30.8p against 25.8p last year, beating forecasts of around 29.2p
- The full year dividend is proposed at 13.5p (2012: 11.7p), beating estimates of around 13.15p
- Current year (FY14) numbers could be under upward pressure; the group will meet with analysts at 9.15am

Features:

- The group has turned in record mainstream profits with underlying operating profit growth of 27% in the UK and 30% in Germany
- TUI comments that its business improvement plan has delivered a higher-than-expected £46m in additional profits this year

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Market Cap: £4.3bn
12m range 276p 401p

Group Comment:

- CEO Peter Long says 'the year has been outstanding and highlights that our strategy of delivering unique holidays...is the right one'
- He comments that the group is 'structurally well-positioned' and says that the group has 'a robust business model that gives us a long term competitive advantage'

Current Trading:

- Current trading is described as 'robust'
- Winter is 'in line with expectation' and 60% of the programme has been sold
- The group is 'pleased with summer 2014 trading, despite strong comparatives from the prior year';
- Overall, the group says 'we remain confident of delivering this year, in line with our target to deliver 7% to 10% underlying operating profit growth'

Langton Comment: TUI Travel has continued to deliver and, save for the blip over the last fortnight (largely recovered) when major shareholder, Norwegian shipping magnate, John Fredriksen, sold stock in order to increase his holding in parent company TUI AG, its shares have reflected this.

The group remains well-positioned with its portfolio of unique products and, longer term, the demand for holidays will be income elastic suggesting that the space that the group occupies is attractive from a strategic point of view.

Forecasts may come under a little upward pressure. As it stands, the group is forecast to earn around 31.8p in the current year suggesting that the group's shares are trading at a little under 12x earnings.

Whilst this is cheap, per se, the holiday industry is prone to external shocks (ash clouds, North African disruption, oil price hikes etc.) as well as possessing almost a unique capacity for self-immolation (price wars, wayward management, hubris etc.) and, as such, ratings do tend to be somewhat depressed.

That said, TUI Travel's shares offer solid value with a good yield and nothing that is immediately apparent in today's statement is likely to change that view

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