



15 May 2014

## THOMAS COOK (TCG): 170p H1 to 31 Mar 2014 – Analysts' Meeting

*Group reports that 'strong progress underpins strategy of sustained profitable growth...'*

Year to end-Sep	PBT (£m)	EPS (p)	PER (x)	DPS (p)	Yield (%)
2013 (A)	NA	5.0	NA	Nil	Nil
2014 (E)	212.0	11.2	16.0	Nil	Nil
2015 (E)	319.0	16.9	10.6	2.4	1.3

Source: Company & Broker Estimates

### H1 to end-March 2014 – Analysts' Meeting:

Following the release of its H1 numbers this morning, Thomas Cook hosted a meeting for analysts and our comments are set out below:

#### Historic Trading:

- Margins were better across all businesses, except the UK
- The UK market was 'challenging' in October, due to a weaker summer 2013 Lates market
- Winter trade in the UK was also adversely impacted by disruption in Egypt and by the associated shift of capacity to the Canaries
- EBIT margin has improved from 2.5% to 3.0% over the last rolling 12 months
- UK bookings are down 1% to date. Continental bookings are up 1%. The German airlines are up 3% and Northern Europe is up 1%

#### Major features, strategy:

- Debt is down £38m on a LfL basis; this may be a little disappointing given better trading, disposals etc.
- The capital structure 'is not optimal', the group says it 'has too much debt' – this may speak to dividend
- Harriet says the business was a mess until she came in – and the business has certainly made some major strides
- Simplify the business, original product, higher margins, less discounting, ancillary sales etc.

Find us at:



Recent News Here:

- Today's email
- Recent emails
- A day in the life...
- Who we are, what we do...
- Upcoming news-flow
- Recent company updates
- Thematic pieces
- LinkedIn profile



Market Cap: £2.6bn  
12m range 112p 189p

- Group now in a 'great position', omni-channel, high-tech, high-touch etc. Digital has been 'spiritualised' throughout the organisation
- Further cost cutting due in Wave II, which will 'touch all parts of the business', will cost £145m cash to implement; the above is sensible but delivery is key in terms of money
- Some concern re scale (and recurrence) of exceptionals. Cash cost for the current year will be less than £100m. Wave II costs will impact next year
- Also concerns re sluggish (or negative) top line. Is due to disposals, withdrawal from some businesses etc.

#### Outlook:

- TCG says Summer 2014 is 'developing well'. It says however that there is 'some Summer season pricing softness in the UK'

#### Langton Comment: Thomas Cook now needs to deliver.

Egypt has been an irritant as is France. UK margins are down and the group will have to work hard in order to deliver on its many and varied promises.

This it may do. But holders who have benefited from the share price's recent strength may wish to reduce holdings in order to reduce execution risk and to safeguard profits to date.

Contact – Mark Brumby - +44(0)20 7702 3389

[mark.brumby@langtoncapital.co.uk](mailto:mark.brumby@langtoncapital.co.uk)

*This message (and files contained herein) may contain confidential or proprietary information and is intended solely for the use of the individual or organisation to whom it is addressed. If you are not the addressee you should not disseminate, distribute or copy this email or any part thereof. Further, please notify the author immediately by telephone or by replying to this email and then delete all copies of the correspondence from your system. We apologise for any inconvenience that this may have caused. This information is a financial promotion for the purpose of the European Markets in Financial Instruments Directive (MiFID) and FSA's Rules. It has not been prepared in accordance with the legal requirements designed to promote the independence or objectivity of investment research. This document is not based upon detailed analysis by Langton Capital of any market, issuer or security named herein and does not constitute formal research or a research recommendation, either expressly or otherwise. It is not investment advice and does not take into account the investment objectives and policies, financial position or portfolio composition of any recipient. This document should not be relied upon as authoritative or taken in substitution for the exercise of your own commercial judgment. Whilst Langton Capital has taken steps to control the spread of viruses on its systems, it cannot guarantee that this email and any files transmitted with it are virus free. No liability is accepted for any errors, omissions, interceptions, corrupted email, lost communications or late delivery arising as a result of receiving this message via the Internet or for any virus that may be contained in it. Recipients should review independently and / or obtain independent professional advice and draw their conclusions there-from should decide to undertake transactions with third parties. Langton Capital or its employees may have positions in securities mentioned herein. We reserve the right to monitor email messages passing through our network. Langton Capital Limited is authorised and regulated by the Financial Conduct Authority. Langton Capital Limited is registered in England number 07112949.*

[Mark.brumby@langtoncapital.co.uk](mailto:Mark.brumby@langtoncapital.co.uk)

Suite 415, No1 Alie Street, London, E1 8DE  
020 7702 3389