



20 May 2015

## THOMAS COOK (TCG): 157p First Half Numbers to end-Mar 15

*Company reports it has achieved 'continued growth and improved profitability...'*

Year to end-Sep	PBT (£m)	EPS (p)	PER (x)	DPS (p)	Yield (%)
2014 (A)	185.0	11.3	13.9	Nil	Nil
2015 (E)	227.0	11.7	13.4	1.4	1.8
2016 (E)	280.0	15.0	10.5	3.9	2.5

Source: Company & Broker Estimates

### Group Reports H1 Numbers:

Thomas Cook has this morning reported H1 numbers to end-March and our comments are set out below:

#### The Numbers:

- TCG has turned in a 'substantially improved performance in line with management's expectations'. It has generated a 'significant improvement in profitability'
- Group reports revenues in H1 down to £2.74bn from £3.01bn last year. Currency has had an impact & LfL movement is an increase in turnover of £37m
- Gross margin is a little lower at 21.3% in H1 v 21.7% last year. Underlying gross margin is unchanged at 21.3%
- Pre-exceptional EBIT is a loss of £47m v loss £96m last year
- The group says it is seeing 'improving bottom-line profitability' and says this 'supports resumption of dividend payments in respect of FY16 earnings'
- Net debt at H1 end is £700m compared with £811m at the same point last year

#### Outlook:

- Group says that its strategy 'has delivered sustainable profitable growth' and it goes on to say 'summer trading is encouraging'
- It says it has made 'good progress with our strategic partner, Fosun, towards implementing a hotel investment platform to accelerate our hotel development + establishing a JV targeting Chinese tourism market'

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Market Cap: £2.5bn  
12m range 102p 165p

- Thomas Cook goes says that the 'summer programme is 62% sold to date, 2% higher than last year, with average selling prices similar to last year's levels'
- Costinitiatives 'delivered a further £60 million of benefits, taking the cumulative total to £460m, on track to exceed our target of £500m by million by year end'
- Re summer, TCG says 'holiday bookings across the Group are encouraging, especially for our important Q4, which is offsetting some weakness in Q3'. It says profit growth for the FY should be in line with expectations
- CEO Peter Fankhauser says 'overall the Group has made positive progress during the first half. Thanks to the actions we have taken, both profits and like-for-like revenues have grown, and debt has been further reduced.'
- He continues 'we have formed a promising strategic partnership with Fosun, a leading Chinese investment group, under which we are developing further growth opportunities, both within and beyond our traditional European travel markets.'
- Fankhauser says that the group's financial position is more flexible and concludes 'our performance in the first half provides a solid foundation for the full year and beyond.'

**Langton Comment:** It has been an eventful H1 for Thomas Cook.

It was only at the group's FY results last November that it was announced that CEO Harriet Green was to leave the company and, as H1 progressed, the group issued 5% new shares to strategic shareholder Fosun with the intention that the latter would buy another 5% of the company in the market.

New CEO Peter Fankhauser now feels able to say 'I am confident that we can continue to make Thomas Cook a stronger and more profitable holiday company, as we continue to implement our clear strategy for profitable growth, and move towards the resumption of dividend payments in respect of FY16 earnings.'

This will come as something of a relief to shareholders who, after the recovery that was doubtless energised by Harriet Green (even if enacted by others), would like to see signs of stability – with this in mind, a dividend as early as next year would be most welcome.

The group's shares trade on something in the region of 13.4x this year's earnings falling to perhaps 10.5x next. A dividend yield of around 3% should be achievable within two to three years. The shares are, perhaps, therefore reasonably priced on trading alone but the JV with Fosun and the opportunities that it provides continues to add spice. Would-be shareholders may be attracted by this and we believe that the shares have upside from current levels.

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