

TUI Travel PLC

Q3 Results
8th August 2014

Thomson Couples
Oceanis Beach & Spa, Kos



Agenda

Q3 Results

Q3 Overview

Peter Long

Financial Performance

Will Waggott

Delivering Against Our Growth Levers

Peter Long

Current Trading & Outlook

Peter Long

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Q3 Overview

Delivering Growth and Out-Performing the Market

- **Strong Q3 performance across the Group**
 - Underlying operating profit up 47% to **£112m¹**
 - Underlying operating profit on a like-for-like² basis up **21%** to £92m¹
 - **UK and Germany** underlying operating profit up by 17% and 16% respectively (excluding Easter and fx)
- **Remain pleased with progress in Summer 2014 trading**
 - Mainstream **booking performance in line** with previous update, with improvements in the UK and Nordics
 - **Pleased with yield** performance, higher average selling prices across Mainstream overall
- **Delivering against our growth levers**
 - Further growth in **unique** and **online**
 - **One Mainstream** yielding tangible benefits across multiple areas
 - Specialist & Activity profit **doubled** versus prior year²
 - Accommodation Wholesaler **TTV up 16%** for Summer 2014

1. Under the City Code on Takeovers and Mergers this result is treated as a profit estimate. As required by Rule 28.1(a) of the Code, PricewaterhouseCoopers LLP and Lazard & Co., Limited have provided the required reports which are included in Part B of Appendix 1 of TUI Travel PLC's Third Quarter Results ended 30 June 2014 and Interim Management Statement which can be found on TUI Travel's corporate website: <http://www.tuitravelplc.com>

2. On a constant currency basis and excluding the estimated impact of a later Easter

Financial Performance

Will Waggott

Thomson Platinum
Alexandra Beach Hotel, Thassos

Financial Highlights

£m	Q3 2014	Q3 2013	Change %
Revenue	3,797	3,860	-2%
Underlying Operating Profit	112¹	76	+47%
Underlying Operating Profit – L4L basis	92^{1,2}	76	+21%

**Strong
Q3
performance**

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Group Operating Profit Bridge

£m	Q3	9M
Q3 13 underlying operating profit / (loss)	76	(213)
Trading	13	17
Business improvement	3	11
Q3 14 underlying operating profit / (loss) at constant currency excluding estimated timing impact of Easter	92¹	(185)
Easter	23	-
FX translation	(3)	(1)
Q3 14 underlying operating profit / (loss)	112¹	(186)

**Q3
result
up 21%**

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Segmental Analysis

Group Underlying Operating Profit Bridge

£m	Q3 2014	Q3 2013	Change	Easter Impact	FX Impact	L4L ¹ change
Mainstream & Emerging Markets	85	59	+26	18	(1)	+9
Specialist & Activity	14	6	+8	3	(1)	+6
Accommodation & Destinations	19	18	+1	2	(1)	Flat
Central	(6)	(7)	+1	-	-	+1
Underlying Operating Profit/(Loss)	112²	76	+36	23	(3)	+16

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Business Improvement Programme

Bridge from September 2013 target

	To go at Sept 2013	Delivery 9M 2014	Balance
UK	£8m	£3m	£5m
Specialist & Activity	£6m	£3m	£3m
Corsair	£1m	£1m	-
France Tour Operators	£4m	£4m	-
Total	£19m	£11m	£8m



Delivering Against Our Growth Levers

Peter Long

Thomson Couples
Oceanis Beach & Spa, Kos

Delivering Against Our Growth Levers

1. Delivering Mainstream growth

Unique holidays only available from TUI Travel

- Further growth, accounting for **over 70%** of S14 bookings
- Deliver higher levels of **customer satisfaction and retention**
- Control over the **end-to-end customer experience** – unlike some competitors

Distributed directly to the customer – growth from online

- Further growth in online bookings – **36% of sales** for S14
- Digital transformation delivering **enhanced customer experience**
- Shift to online drives **lower distribution costs**

Leveraging our scale

- **Market-leading scale** gives us a significant advantage
- **One Mainstream** structure, led by Johan Lundgren, is firmly in place and yielding tangible benefits

2. Organic Specialist & Activity growth

3. Leveraging our global leadership position in Accommodation Wholesaler

4. Investing in Accommodation OTA

5. Focus on free cash flow generation, ROIC and operational efficiency

Delivering Against Our Growth Levers

1. Delivering Mainstream growth

UK setting the bar for the Sector

- Undisputed market leader
- Earlier booking profile – strength of unique holidays (84% of S14 holidays sold to date)
- Higher exposure to customer segments with more disposable income
- 93% Direct distribution (S14 to date) – over half online and growing
- Strong average selling prices across all seasons on sale (+2% for S14, +3% for W14/15)
- Continued out-performance - FY13 EBIT margin of 6.5%

Delivering Against Our Growth Levers

1. Delivering Mainstream growth

2. Organic Specialist & Activity growth

- Restructuring has enabled better management of business performance and the realisation of efficiency savings
- Q3 underlying result doubled on a like-for-like basis

3. Leveraging our global leadership position in Accommodation Wholesaler

- TTV for S14 up 16%
- Continuing to focus on expansion in the Americas, Asia and Africa

4. Investing in Accommodation OTA

5. Focus on free cash flow generation, ROIC and operational efficiency

Current Trading & Outlook

Peter Long

Thomson Platinum
Alexandra Beach Hotel, Thassos

Current Trading – Summer 2014

- **Pleased** with progress in trading for Summer 2014
- Mainstream **bookings in line** with previous update – improvements in the UK and Nordics
- Pleased with yield performance – **higher ASPs** across Mainstream overall
- **88%** sold to date
- **Accommodation Wholesaler** continues to perform very well – **TTV up 16%**

Pleased
with
Summer
trading

Current Trading – Future Seasons

- **Pleased** with Winter 2014/15
- **UK**
 - 23% sold
 - Bookings up **3%**, ASPs up **3%**
 - Growth in **long-haul** enabled by 787s
- **Nordics**
 - 29% sold
 - Capacity reduced to strengthen our competitive position
 - Bookings down 8%, in line with capacity
 - Encouraged by **ASPs up 3%**
- Strong start to UK trading for **Summer 2015**

Good start
to Winter
and next
Summer

Outlook

- Delivered a **strong result in the year-to-date**
- **Remain pleased** with Summer trading, despite strong comparatives
- **Delivering against our growth levers** supports our ongoing success
- Overall industry: Over-capacity in both commodity product and airlines
- Our flexible and resilient business model enables us to deliver **sustainable, profitable growth** and **out-perform the market**

Q&A

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