

TUI Travel PLC

Preliminary Results

4th December 2014



Sensatori Jamaica

Journey since 2007

Peter Long

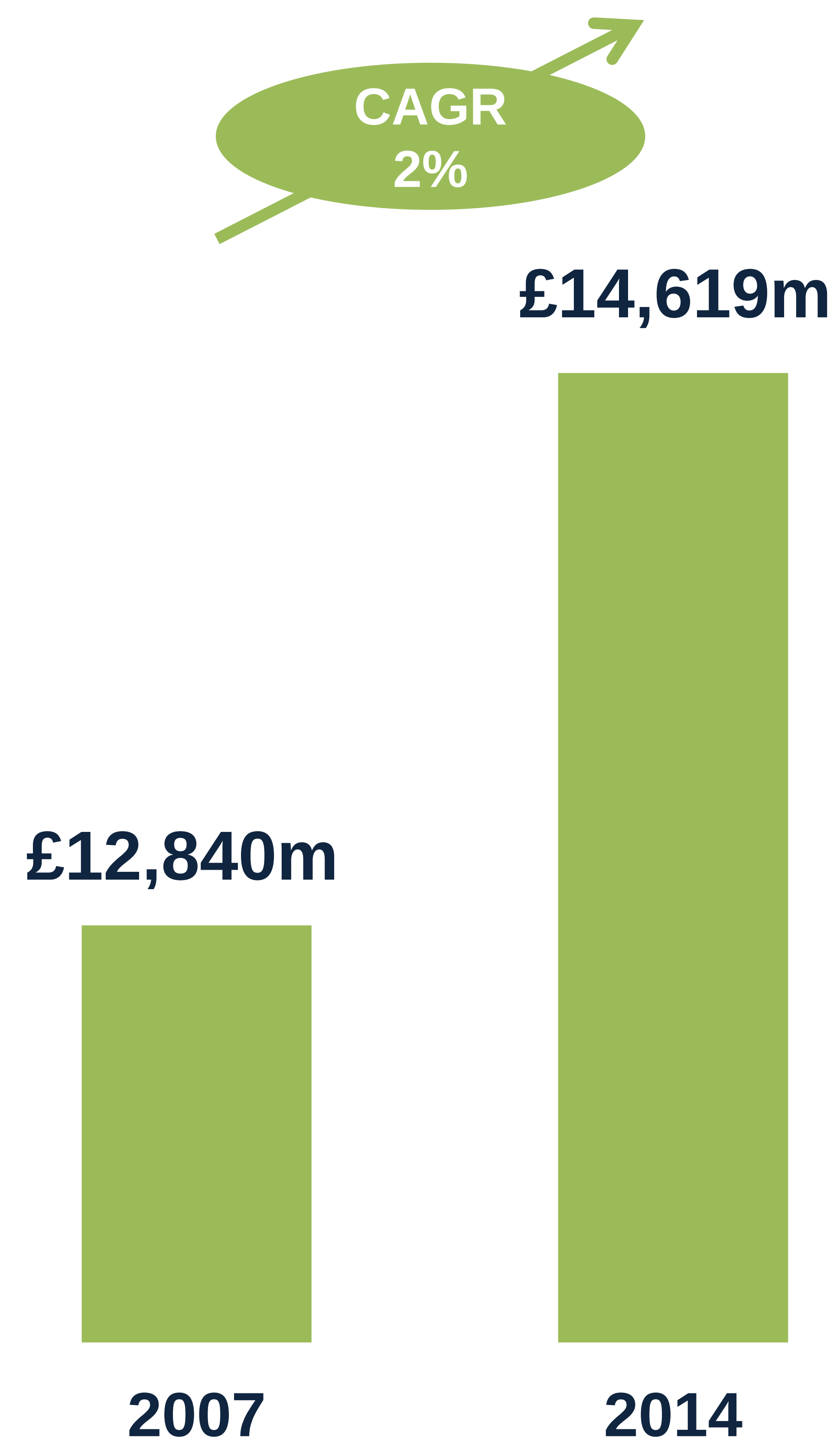


Thomson Platinum,
RIU Karamboa,
Cape Verde

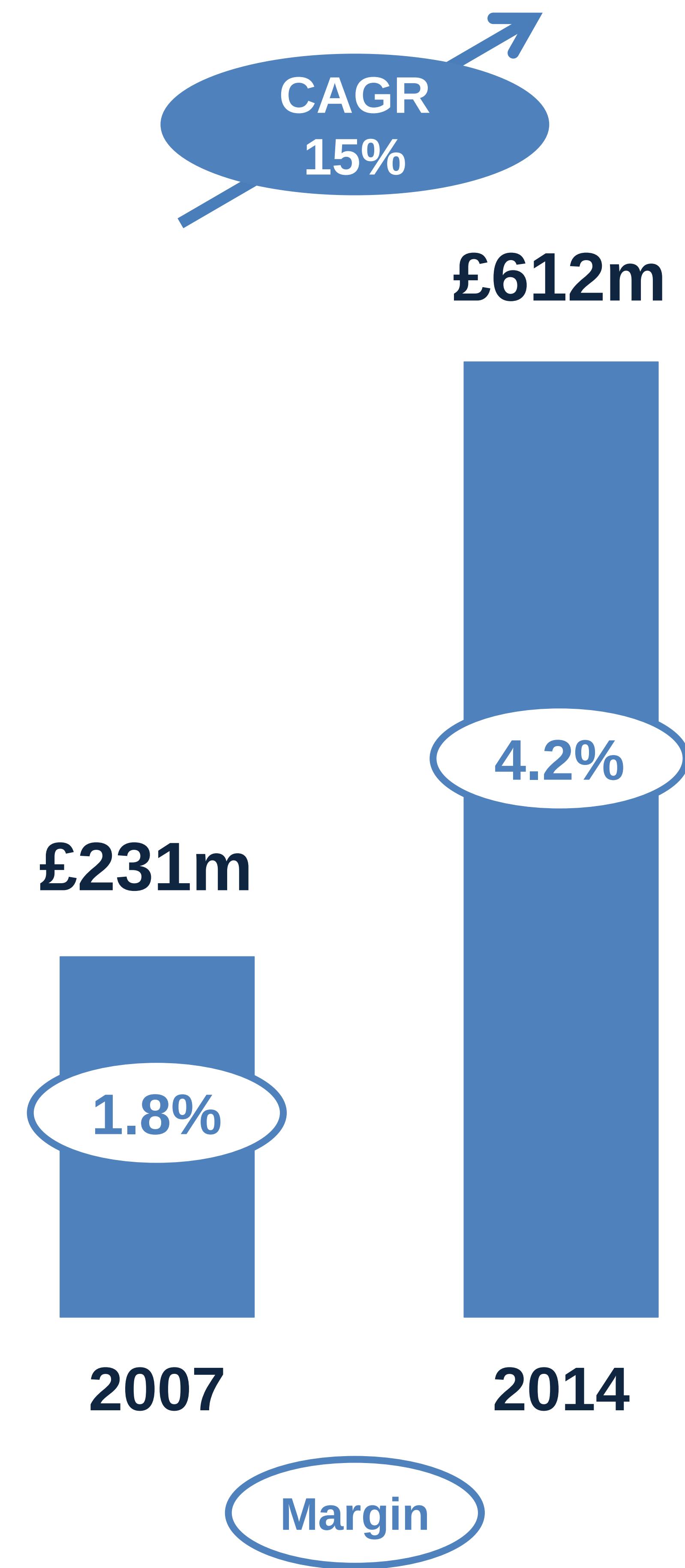
Journey since 2007

Significant value creation

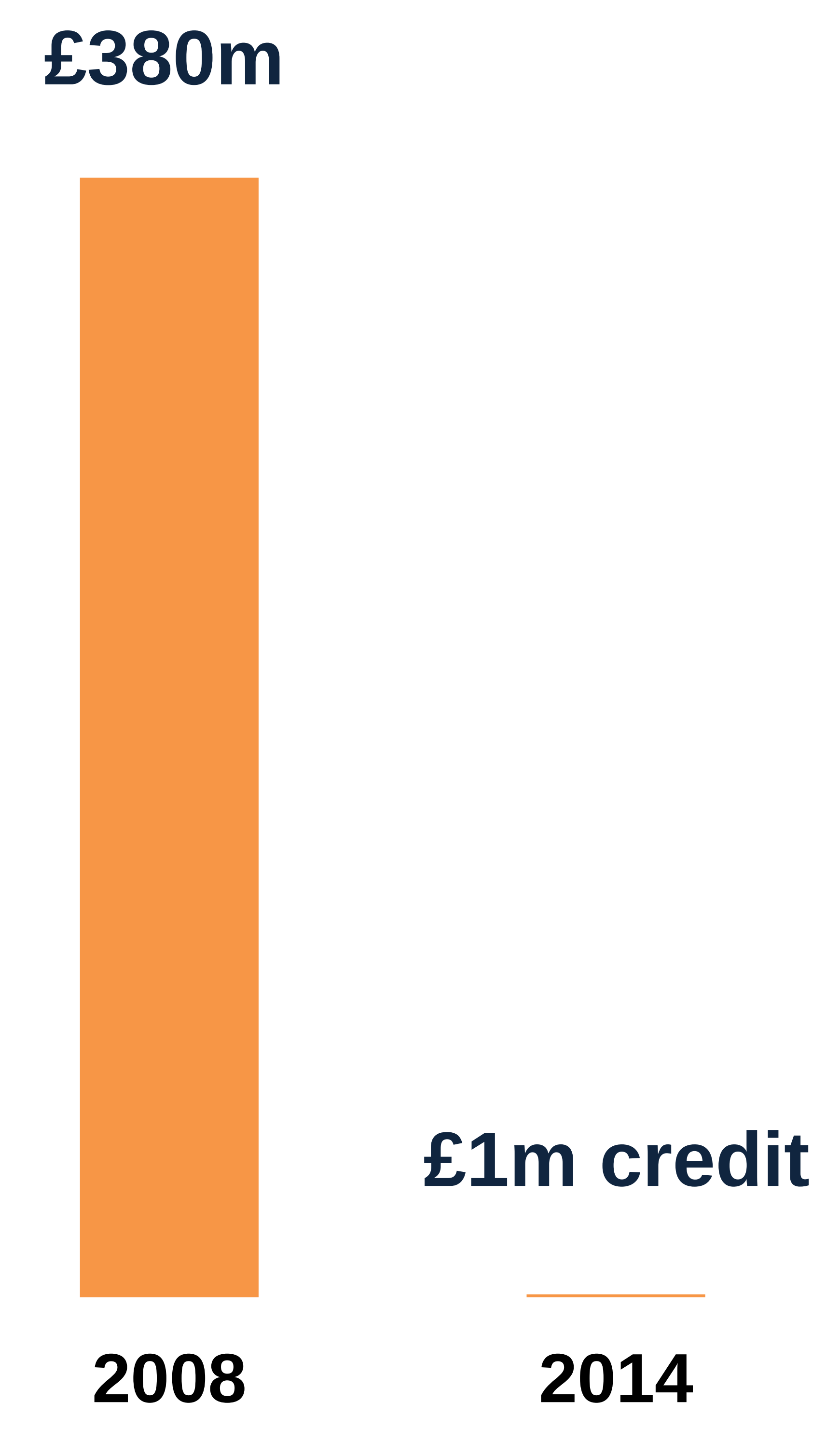
Revenue



Underlying Operating Profit



Separately Disclosed Items



TSR Performance

Since 1 October 2007	
TUI Travel	137.9%
Thomas Cook	(31.6)%
Kuoni	(36.0)%
EasyJet	244.7%
Ryanair	103.0%
FTSE 100	39.9%

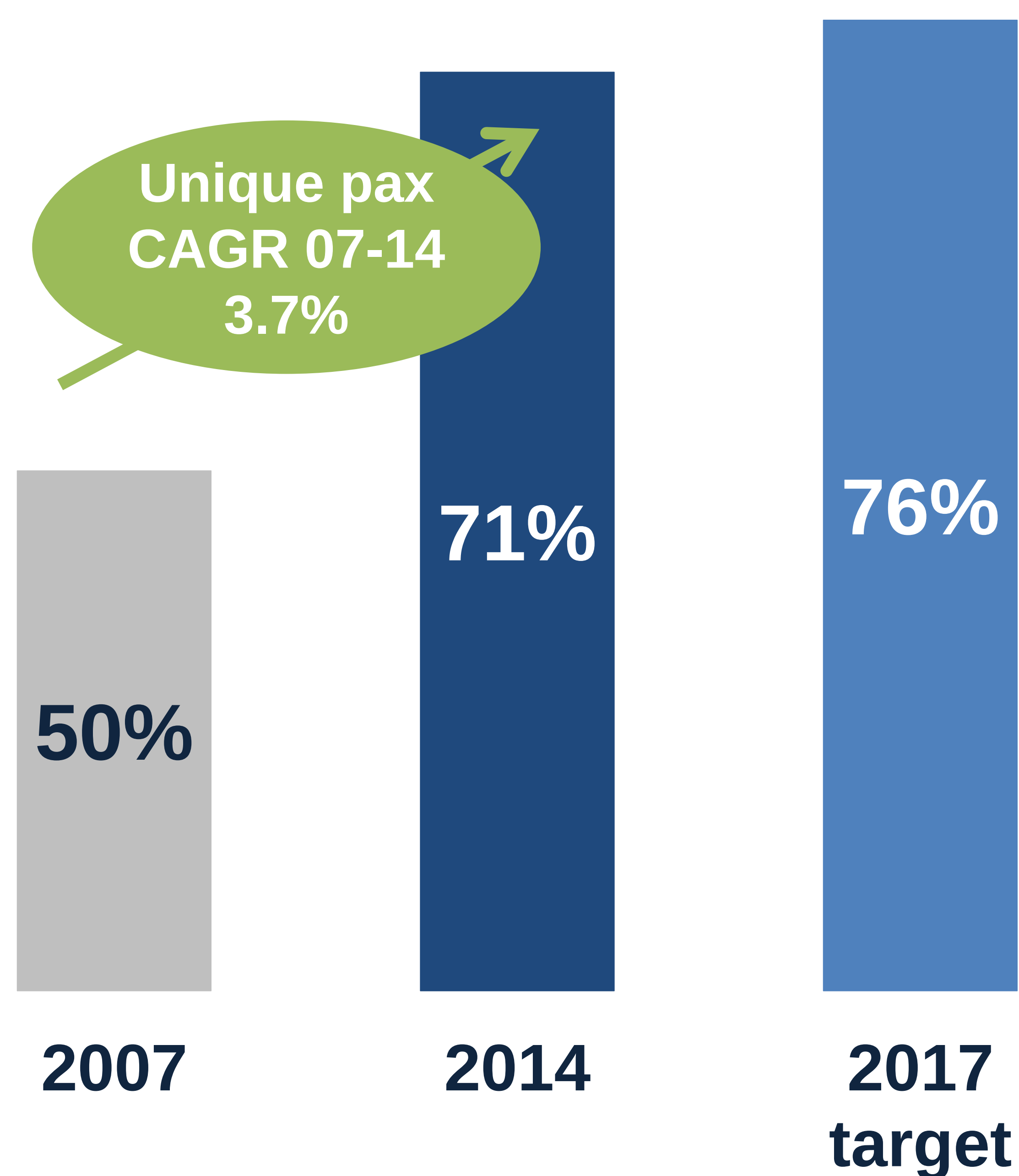
Source: Bloomberg as at 2 December 2014

Journey since 2007

Leading leisure tourism business set for further growth

Uniqueness of content

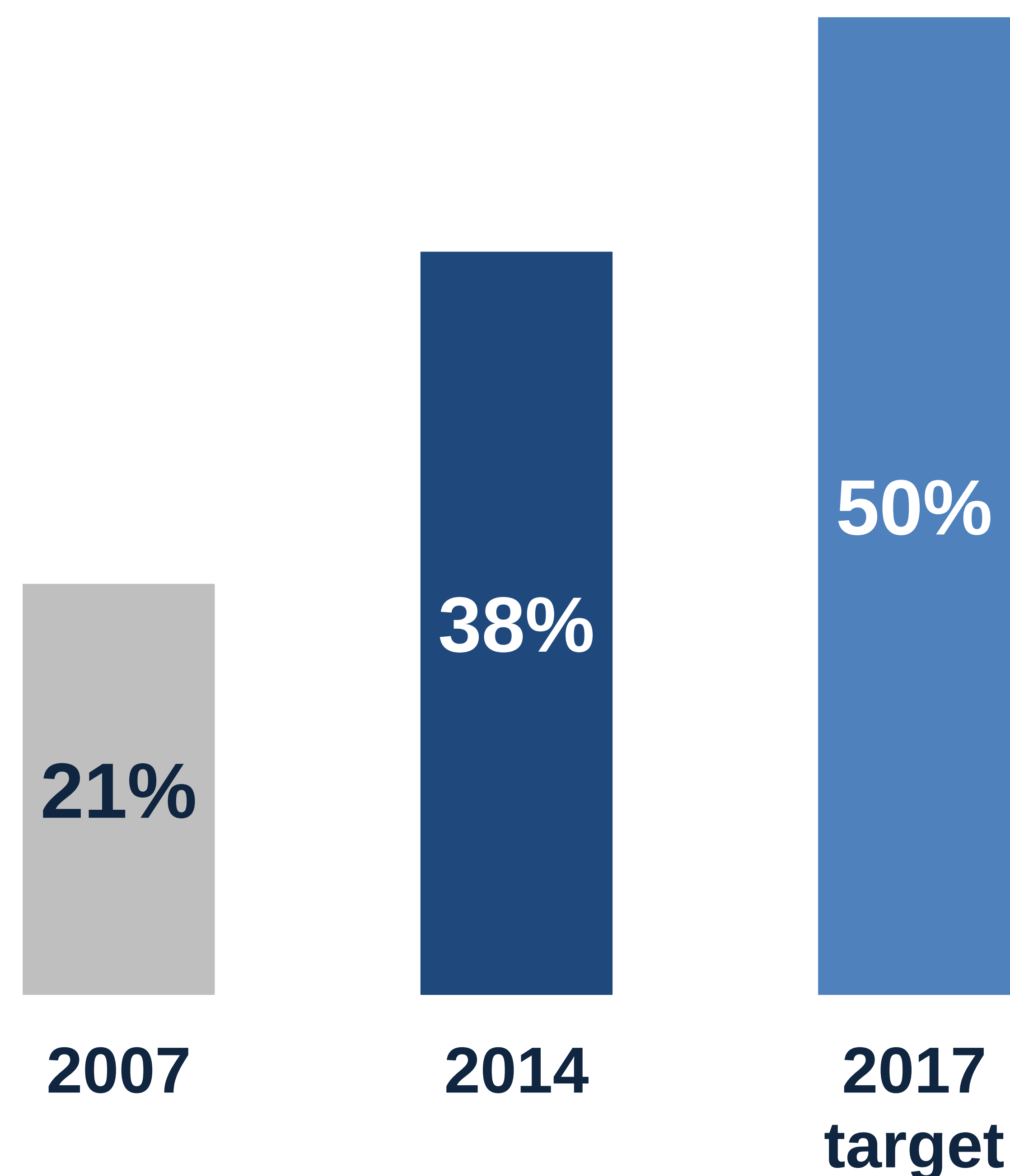
Holidays only available from us



Unique Mix

Growth from online

£4.1 billion Mainstream online revenue in 2014



Online Mix

Market-leading scale

- Leading positions - **generally #1**
- Strong **competitive advantage**
- **Direct relationship** with our customers – **68%** of our holidays sold directly
- Enables us to provide excellent **value to our customers**
- **One Mainstream** generating tangible benefits in multiple areas

Merger with TUI AG – new phase of growth

Delivering Mainstream Growth

- Unique Holidays only available from TUI Travel
- Distributed directly to the customer – growth from online
 - Leveraging our scale

Non Mainstream

- Online Accommodation – leverage leading position in Wholesaler
 - Organic Specialist & Activity growth

Focus on free cash flow generation, ROIC and operational efficiency

Utilise the scale of our fully-integrated Mainstream tourism business

Content

Unique Holidays

Distribution

Drive growth and value from our non-Mainstream businesses

Focus on balance sheet strength, flexibility & strong free cash flow generation with a view to increasing shareholder returns

The world's number one integrated leisure tourism business

Agenda

2014 Review

2014 Highlights

Peter Long

Financial Performance

Will Waggott

Current Trading

Peter Long

Strategy

Our Growth Levers: Creating Shareholder Value

Peter Long

Summary

Peter Long

Q&A

2014 Highlights

Peter Long



Thomson Platinum, RIU Palace Bavaro, Dominican Republic

2014 Highlights

ANOTHER YEAR OF OUT-PERFORMANCE

- Underlying operating profit increased to **£612m**
 - **£654m** at constant currency rates : **11% growth**
- **Mainstream**
 - Strong performance in the **UK** : **6.9%** EBITA margin
 - **Germany** EBITA margin **3.0%**¹
 - Excellent year for **Netherlands**
 - French tour operator losses **halved**
 - Underlying operating profit up **13%**¹
- **Accommodation Wholesaler**
 - TTV growth **15%**
 - Underlying operating profit up **21%**¹ - **exceeds roadmap target**

**Growth
roadmap
exceeded**

DELIVERING INCREASED SHAREHOLDER VALUE

- Free cash flow **up 12% to £477m** on a constant currency basis
- Cash conversion² rate of **85%**; ahead of 70% target
- Continued strong ROIC performance - **14.6%**
- Second interim dividend of **20.5p** payable on merger completion – in addition to interim dividend **4.05p**

**Continued
value
creation**

¹ At constant currency rates ² Excluding net aircraft pre-delivery payments and movements in restricted cash

2014 Financial Performance

Will Waggott

Financial Highlights

£m	2014 Constant Currency	FX	2014	2013 ³	Change %	Constant Currency Change %
Revenue	15,079	(460)	14,619	15,051	-3	Flat
Underlying Operating Profit	654	(42)	612	589	+4	+11
Underlying Profit Before Tax	514	(39)	475	461	+3	+11
Free Cash Flow ²	477	(74)	403	427	-6	+12
Cash Conversion ²	93%	-8pp	85%	93%	-8pp	Flat
ROIC	15.1%	-0.5pp	14.6%	14.8%	-0.2pp	+0.3pp
ROIC/WACC	2.01	-0.06x	1.95	1.83	+0.12x	+0.18x
Basic Underlying EPS (p)	31.5	(2.4)p	29.1	30.1	-3	+5
Full Year DPS (p)			24.55 ⁴	13.50		

11%
growth in
underlying
operating
profit¹

85%
cash
conversion

14.6%
ROIC

¹ At constant currency rates

² Free cash flow and cash conversion exclude net aircraft pre-delivery payments and movements in restricted cash

³ Comparatives restated to reflect the adoption of revised IAS 19 'Employee Benefits'

⁴ Dividend of 20.5p payable on completion of the merger. This includes 10.5p in lieu of a final dividend.

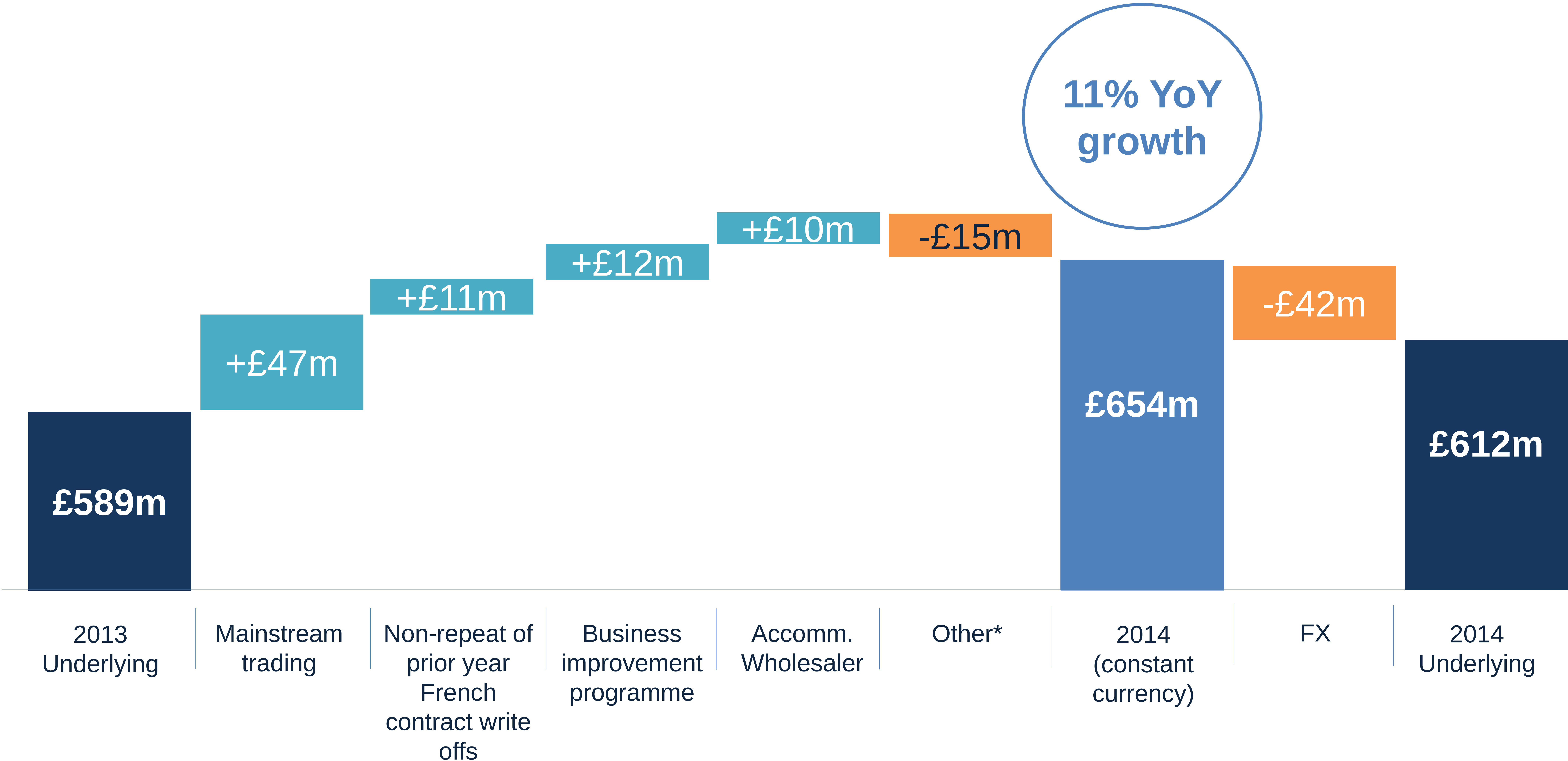
Group Profit & Loss

£m

	2014	2013*
Underlying Operating Profit	612	589
Underlying Interest	(137)	(128)
Underlying Profit Before Tax	475	461
Acquisition Related Expenses	(67)	(65)
Separately Disclosed Items	1	(24)
Impairment of goodwill	-	(188)
Impairment of financial assets	(29)	-
Other Items	(18)	(15)
Profit Before Tax	362	169
Tax	(175)	(115)
Profit for the Year	187	54

* Comparative interest and tax restated to reflect the adoption of revised IAS 19 'Employee Benefits'

Group Operating Profit Bridge



* Other consists of Emerging Markets (£7m), Specialist & Activity (£4m) Inbound Services (£3m) and Central (£1m)

Segmental Analysis

Group Underlying Operating Profit Bridge

£m	2014	2013	Change	FX Impact	Change ex-FX
<i>UK</i>	271	251	+20	-	+20
<i>Nordics</i>	47	79	-32	-6	-26
<i>Germany</i>	113	113	-	-11	+11
<i>France</i>	(36)	(60)	+24	-2	+26
<i>Other</i>	151	131	+20	-16	+36
Mainstream	546	514	+32	-35	+67
Emerging Markets	(18)	(12)	-6	+1	-7
Specialist & Activity	38	41	-3	-2	-1
<i>Online Accommodation</i>	48	40	+8	-2	+10
<i>Inbound Services</i>	32	38	-6	-3	-3
Accommodation & Destinations	80	78	+2	-5	+7
Central	(34)	(32)	-2	-1	-1
Underlying Operating Profit	612	589	+23	-42	+65

Business Improvement Programme

Bridge from September 2013 target

	To go at Sept 2013	Delivery 2014
UK	£8m	£4m
Specialist & Activity	£6m	£3m
Corsair	£1m	£1m
France Tour Operators	£4m	£4m
Total	£19m	£12m

Programme
largely
complete

Group Cashflow

£m	2014 Constant Currency	FX	2014 Underlying	2013	Change
Underlying EBITDA	865	(48)	817	791	26
Working Capital Movement	161	(45)	116	172	(56)
Pension Funding	(66)	-	(66)	(74)	8
Underlying Net Operating Cash Flow	960	(93)	867	889	(22)
Capital Expenditure (Net)	(180)	8	(172)	(217)	45
Tax	(129)	4	(125)	(110)	(15)
Interest	(92)	3	(89)	(71)	(18)
Exceptional Cash Costs	(82)	4	(78)	(64)	(14)
Free Cash Flow*	477	(74)	403	427	(24)
Dividends	(153)	-	(153)	(132)	(21)
Net acquisitions / disposals	(17)	-	(17)	(24)	7
Net pre-delivery payments for aircraft	16	2	18	(4)	22
Movement in available cash net of debt	323	(72)	251	267	(16)
Movements in restricted cash	9	(7)	2	111	(109)
Movement in cash net of debt	332	(79)	253	378	(125)

* Free cash flow excludes net aircraft pre-delivery payments and movements in restricted cash

Movement in Available Net Debt*

£m

2014

2013

Opening net cash / (net debt)

2

(142)

Movement in available cash net of debt – pre FX

251

267

Foreign exchange movement

(72)

37

Non cash movement in debt – Asset finance

(132)

(146)

Non cash movement in debt – Other

(25)

(14)

Conversion of bond

347

-

Closing net cash

371

2

* Excludes restricted cash

Net Financial Expenses

£m	2014	2013	Change
Debt interest expense	76	92	16
Cash interest income	(15)	(19)	(4)
Convertible bond equity accretion	23	22	(1)
Debt related interest	84	95	11
Non-debt related charge	34	30	(4)
Underlying interest excluding one-off items	118	125	7
One-off items	19	3	(16)
Underlying interest	137	128	(9)

* Comparative interest restated to reflect the adoption of revised IAS 19 'Employee Benefits'

Available Net Debt Analysis*

£m		2014	2013
Convertible bonds		(373)	(697)
Other loans and liabilities		(51)	(48)
Net cash balances		1,327	1,075
Net cash available to operations – pre-FX movements		903	330
FX movements on cash available for operations		(90)	39
Net cash available to operations		813	369
Asset backed financing		(446)	(365)
FX movements on asset financing		4	(2)
Available net cash		371	2

* Excludes restricted cash

Current Trading

Peter Long

Sensimar Royal Blue,
Crete

2015 Trading¹

Winter 2014/15

- Pleased with Winter 2014/15 performance - **63%** of the Mainstream programme sold
- Mainstream bookings up 1%, ASPs up 1%
- Accommodation Wholesaler seeing continued **double-digit growth** in bookings
- Specialist & Activity trading in line with our expectations

Summer 2015

- Strong start to UK Summer 2015 trading continues, with bookings up by **9%** and ASPs up **2%**
- New unique content openings including **Sensatori, Splash and Couples/Sensimar**

Pleased
with
current
trading

¹ No statement in this presentation relating to current trading is intended as a profit forecast for any future period and no statement in this presentation should be interpreted to mean that earnings or earnings per share for TUI AG or TUI Travel, as appropriate, for the 2014/15 financial year or future financial years would necessarily match or exceed the historical published earnings or earnings per share for TUI AG or TUI Travel, as appropriate.

Sensimar Royal Blue,
Crete



Our Growth Levers: Creating Shareholder Value

Peter Long

Our Growth Levers: Creating Shareholder Value

Delivering Mainstream Growth

Unique Holidays only available from TUI Travel
Distributed directly to the customer – growth from online
Leveraging our scale

Leveraging our global leadership position in Accommodation Wholesaler

Organic Specialist & Activity growth

Investing in Accommodation OTA

Focus on free cash flow generation, ROIC and operational efficiency

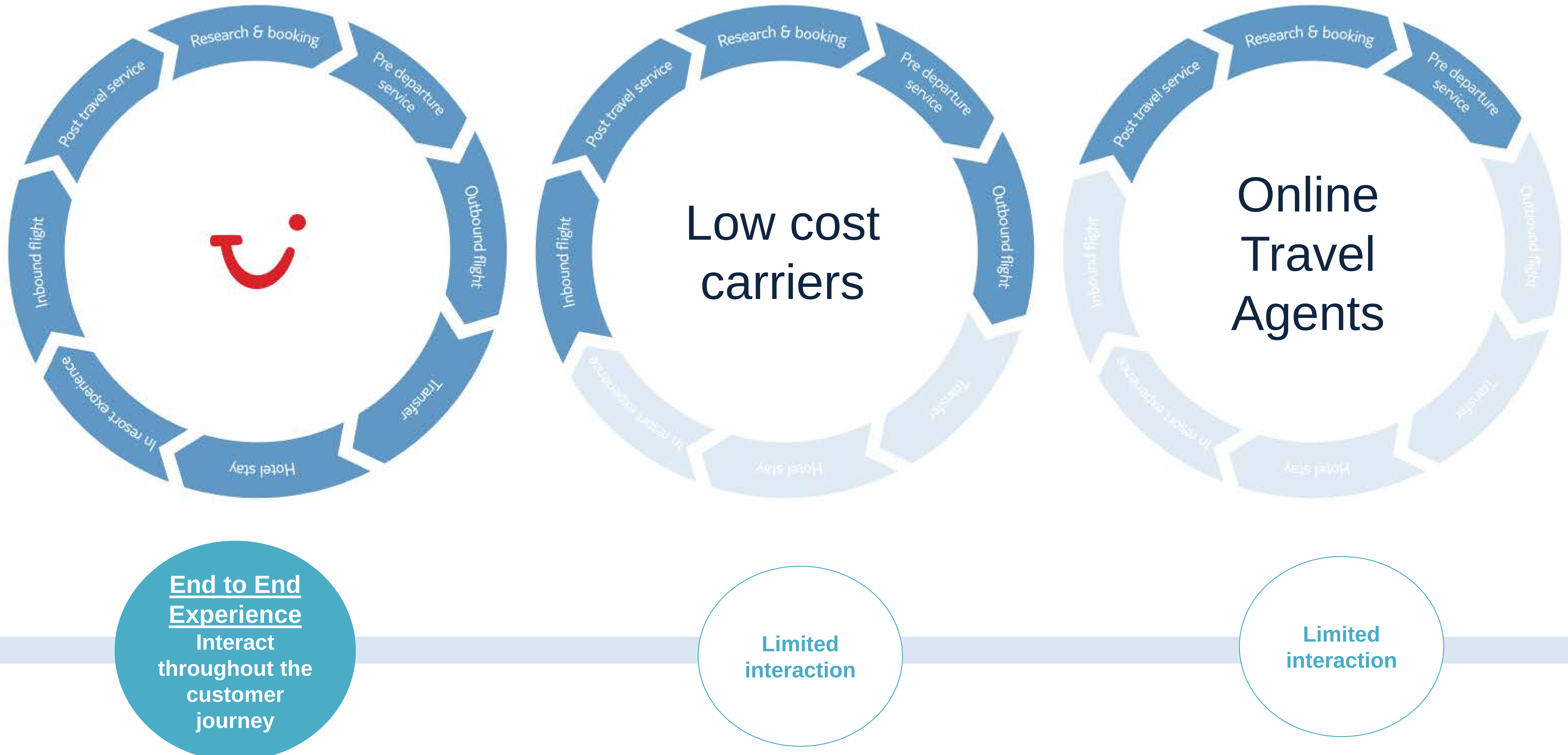
Sensatori, Jamaica



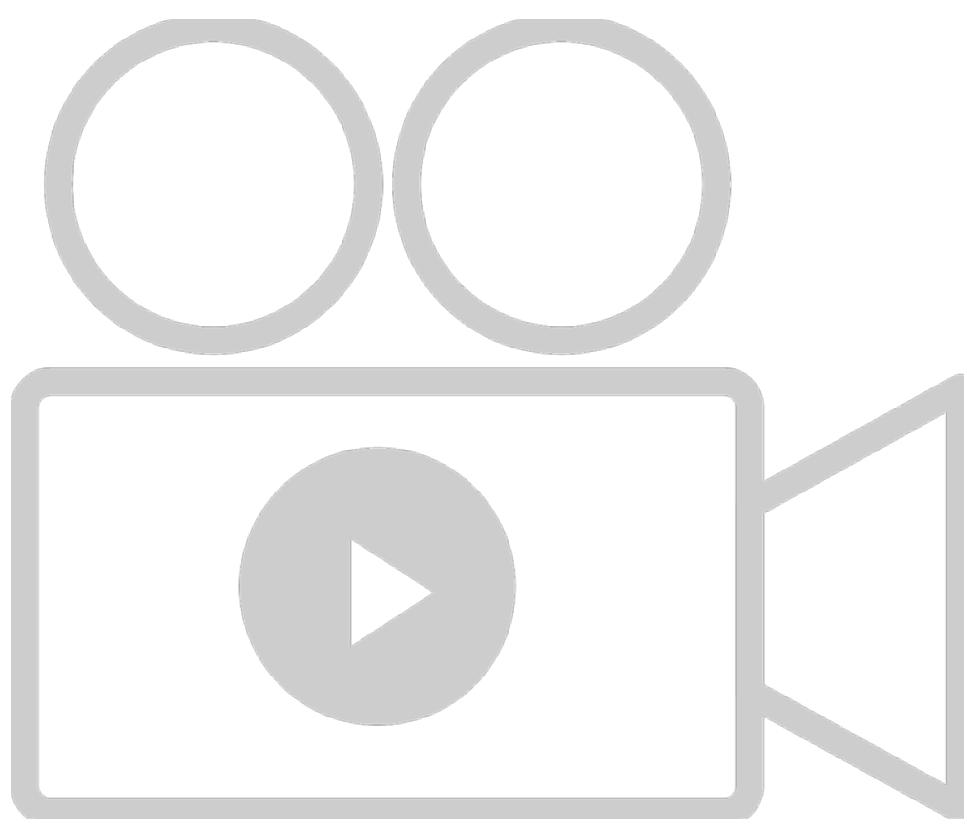
Delivering Mainstream Growth

Peter Long

Our competitive advantage is driven by control over the end-to-end customer experience



TUI Digital Assistant – Strengthening our relationship with our customers



TUI Digital Assistant – pipeline of features

Roll-out across all remaining source markets

Q1 2015

Q2 2015

Q3 2015

Q4 2015

Mobile check-in

Mobile optimised flight extras
(Select your seat, Premium, extra legroom, luggage)

One-click payment
(to drive ancillaries)

Rich hotel content
Online hotel check-in
Mobile travel folio
(all travel docs in one place)

Sales push notifications
(to drive ancillaries and holiday sales)

Wearables (wristbands – room key, payment in restaurants/bars, kids clubs...managed using the TDA)

Rich destination content

Non-lead customer app version
(opens up app to other customers)

Enhance & strengthen relationship with our customers



Significant revenue opportunity

Delivering Mainstream Growth

Continued progress against growth levers in 2014

	2014 Performance	2017 Target
Unique holidays only available from TUI Travel	- Unique mix up 3pp to 71%* - Continued growth in unique across all key source markets - Establishing a strong leadership position in long-haul travel	Unique mix 76%
Distributed directly to the customer – growth from online	- Direct distribution increased to 68% - Online mix up 3pp to 38% - £4.1bn of Mainstream revenue booked online in 2014 - Digital transformation driving increase in online mix	81% direct 50% online
Leveraging our scale	- Further reduction in Mainstream overhead - One Mainstream continuing to deliver tangible benefits	Overheads <5%

* Unique calculation updated to include Airtours brand and long-haul destinations not previously included within packages

Unique content is key to Mainstream's success

Holidays only available from us

- **Clear segmentation** catering for our customers' needs
- **Clear advantages** versus commodity holidays in similar segments:
 - Higher customer **satisfaction** drives higher **retention** rates
 - Driving customers to **book earlier**
 - Resulting in **higher margins**
- **Competitive on price** due to scale advantage

CSQs / Customer satisfaction*


SENSATORI
92.2%


88.8%

Thomson COUPLES
Stylish, adults-only holidays,
designed for two.

87.9%

holidayvillages 

86.4%


87.8%

* 2014 scores for holiday overall

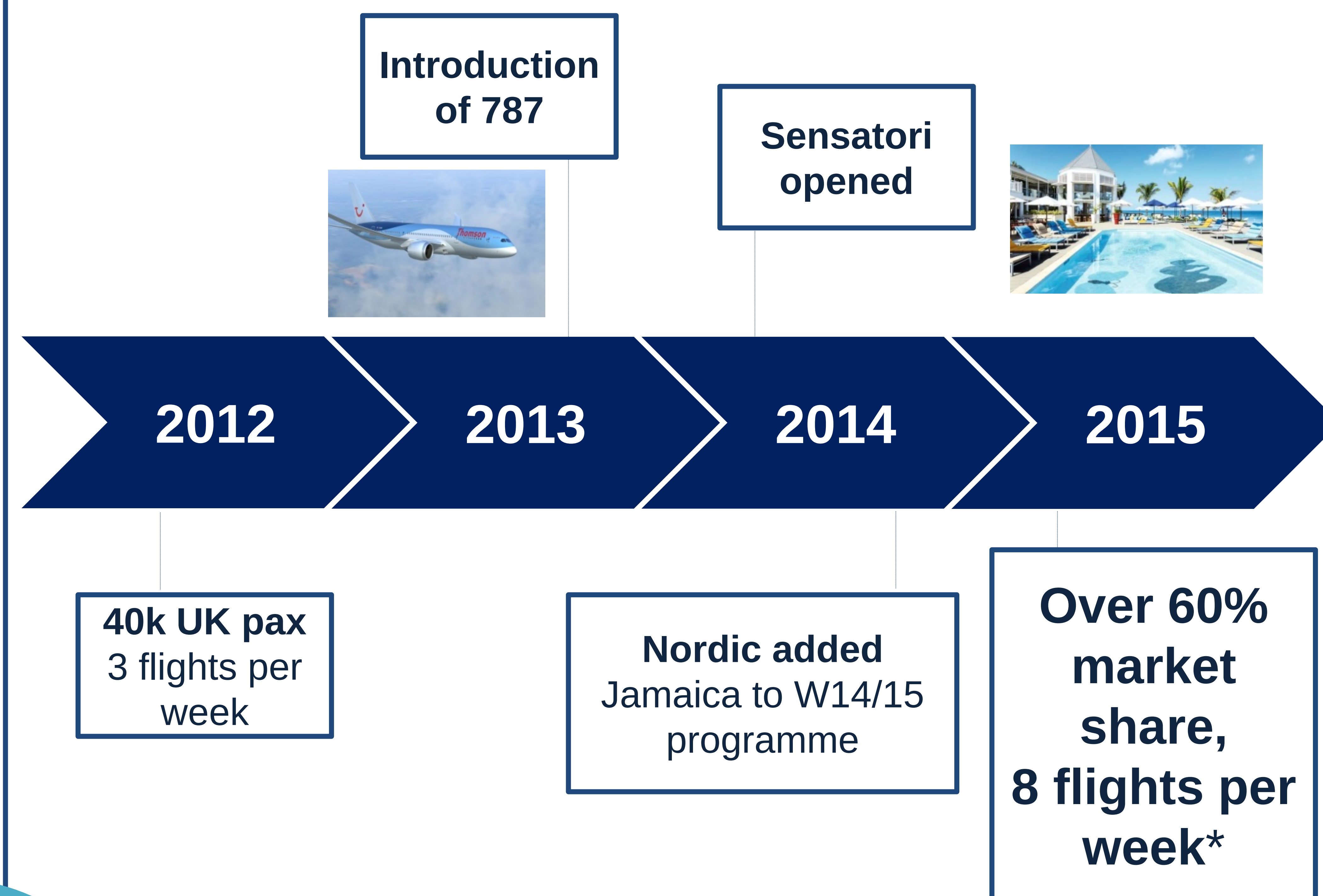
Long-haul

Establishing a strong market leadership position

Long-haul opportunity

- **1 million** long-haul customers in 2014
- 787 allows us to fly **non-stop** to new destinations and provides a **superior customer experience**
- Complements existing **end-to-end customer proposition** which is difficult for LCCs and scheduled carriers to replicate
- Ability to **leverage our scale** enables us to manage capacity across source markets and destinations

Case study: Jamaica



Potential to grow further

* UK only, including Cruise

Delivering Mainstream Growth

Continued progress against growth levers in 2014

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Delivering Mainstream Growth

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Leveraging our Scale

Example - Aviation

Creating the world's best holiday airline

- **'One virtual airline'** with leadership structure in place
- Focussed on **end-to-end customer experience**
- All aviation operations brought together under **one Airline Operations Director**



Leveraging
our scale

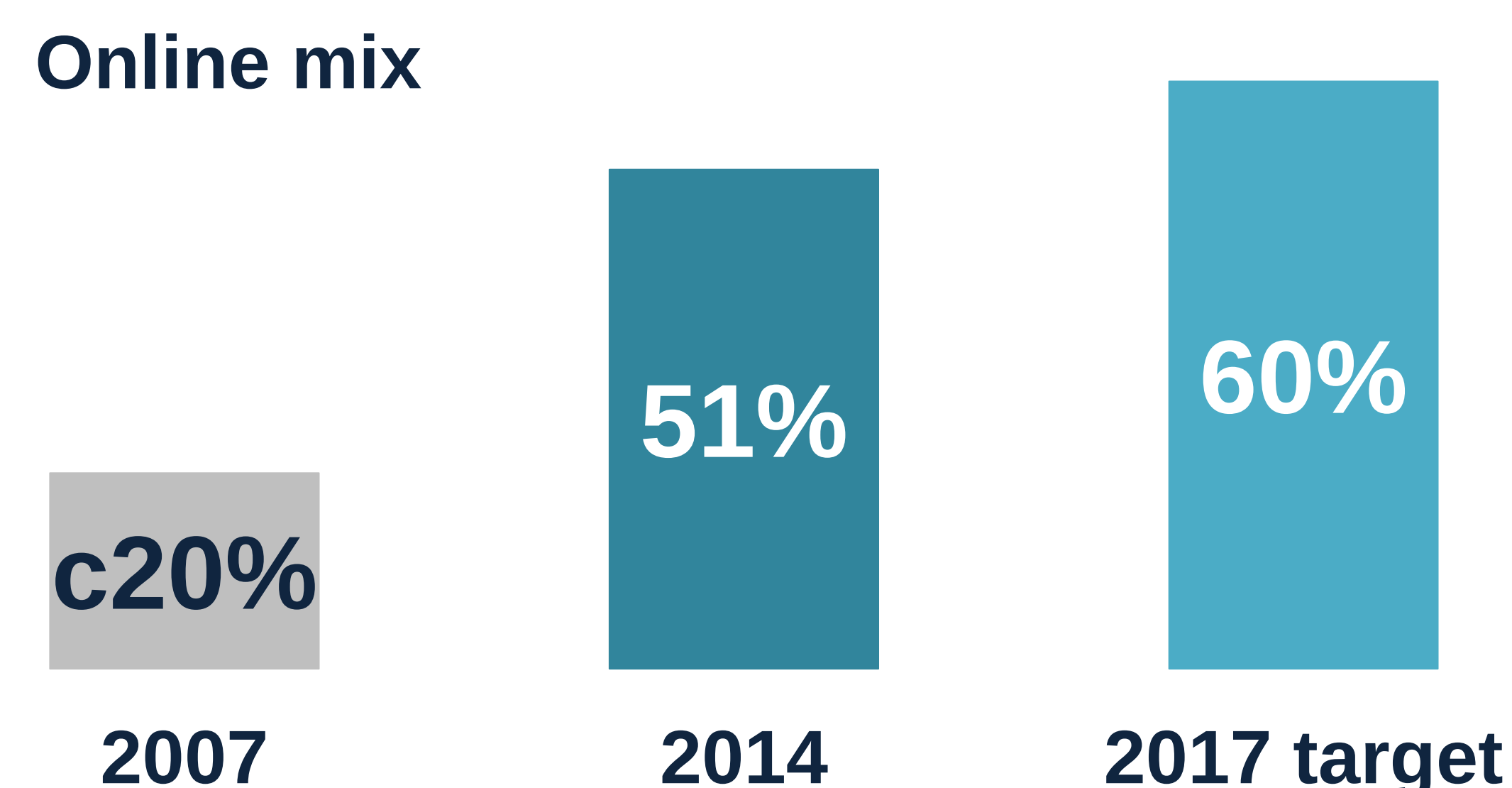
UK – Strong market leadership position delivering growth

Record margin performance

In £m	2014	2013	Change
Revenue	3,927	3,879	+1%
EBITA	271	251	+8%
EBITA margin	6.9%	6.5%	+0.4pp

Over 50% of holidays booked online

Online mix



- Thomson is the UK's **most visited** travel agency website
- **Smartphone conversion rate** increased by just under **50%**
- **Search and book** added to TDA

Optimal unique mix reached at 84% - leveraging our most successful brands



3 new resorts S15



5 new resorts S15



Focus on top-line growth

1

Further growth in **unique volumes**

2

Inclusion of **third party flights** in pre-defined packages

3

Growth in **ancillaries** supported by enhanced eCRM

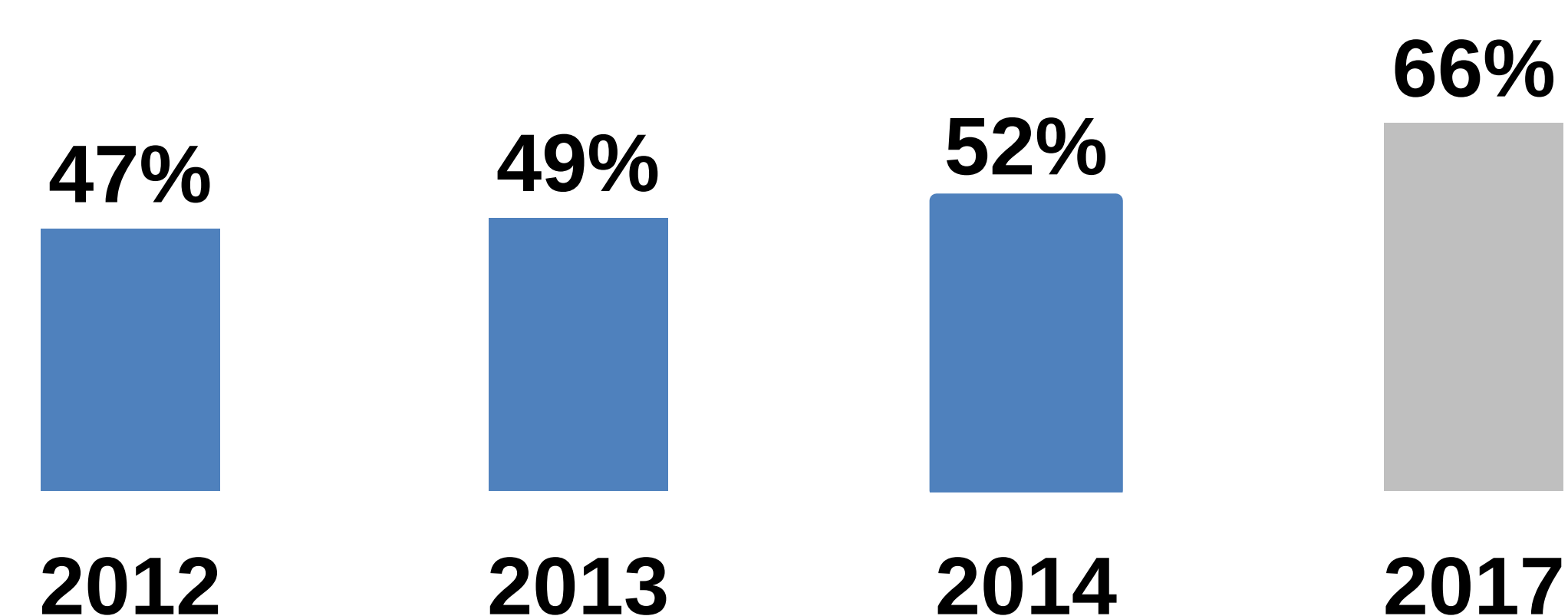
Germany – Significant improvement in operating margin

2014 margin reached 3%*

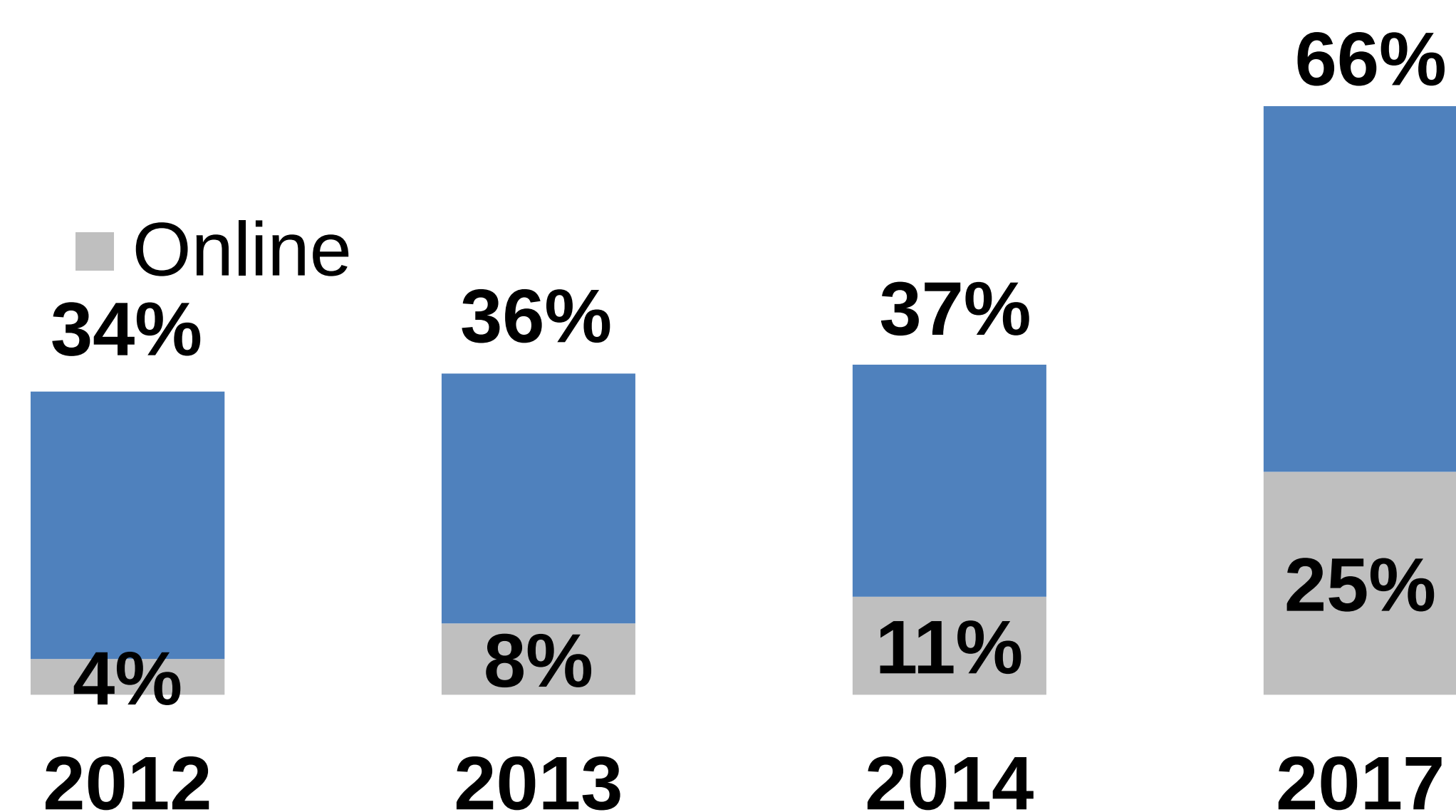
In £m	2014 constant currency	2014	2013	Change constant currency
Revenue	4,093	3,951	4,161	-2%
EBITA	124	113	113	+10%
Margin	3.0%	2.9%	2.7%	+0.3pp

KPIs

Unique holidays**



Direct distribution



Growth strategy

- Further rationalisation of content and **growth in unique**
- Further **streamlining** of third party retail agencies and focus on selling **own product**
- Range of initiatives to grow **online** bookings
- Continued **simplification** of business structure and processes

Delivering
margin
expansion

* At constant currency rates

** Unique calculation updated to include Airtours brand and long-haul destinations not previously included within packages

Nordics – Continued challenging trading environment

2014 performance

In £m	2014 constant currency	2014	2013	Change constant currency
Revenue	1,187	1,108	1,223	-3%
EBITA	53	47	79	-33%
Margin	4.5%	4.2%	6.5%	-2.0pp

- H1 EBITA adversely impacted by Egypt, Thailand and a more competitive environment overall
- **New Managing Director** in place
- **H2 EBITA broadly flat** at constant currency

Current outlook and strategy

- Winter 2014/15 bookings **ahead of capacity reductions**
 - ASP up 4%
- Pricing environment **still challenging**
 - Focus on alternative Winter destinations (Caribbean, Mauritius, Maldives, Bali)
- Increased **flexibility** on destinations and durations from Summer 2015 (enabled by digital transformation)
- **One Nordic** structure implemented – delivering operational efficiency

Plans in place to improve margin

France tour operator – Significant reduction in tour operator losses

2014 performance

In £m	2014 constant currency	2014	2013	Change constant currency
Revenue	589	565	706	-17%
EBITA	(28)	(29)	(59)	+53%
Margin	-4.8%	-5.1%	-8.4%	+3.6pp

Tour operator strategy

- Roadmap to break-even does not assume significant increase in demand
- **Remix content** away from North Africa (e.g. Greece, Croatia)
- Improve **quality of content** and brand perception
- **Remix retail** outlets from owned to franchise
- **Online** initiatives
- Delivery of **restructuring** initiatives announced in 2013

**Journey
to break-
even**

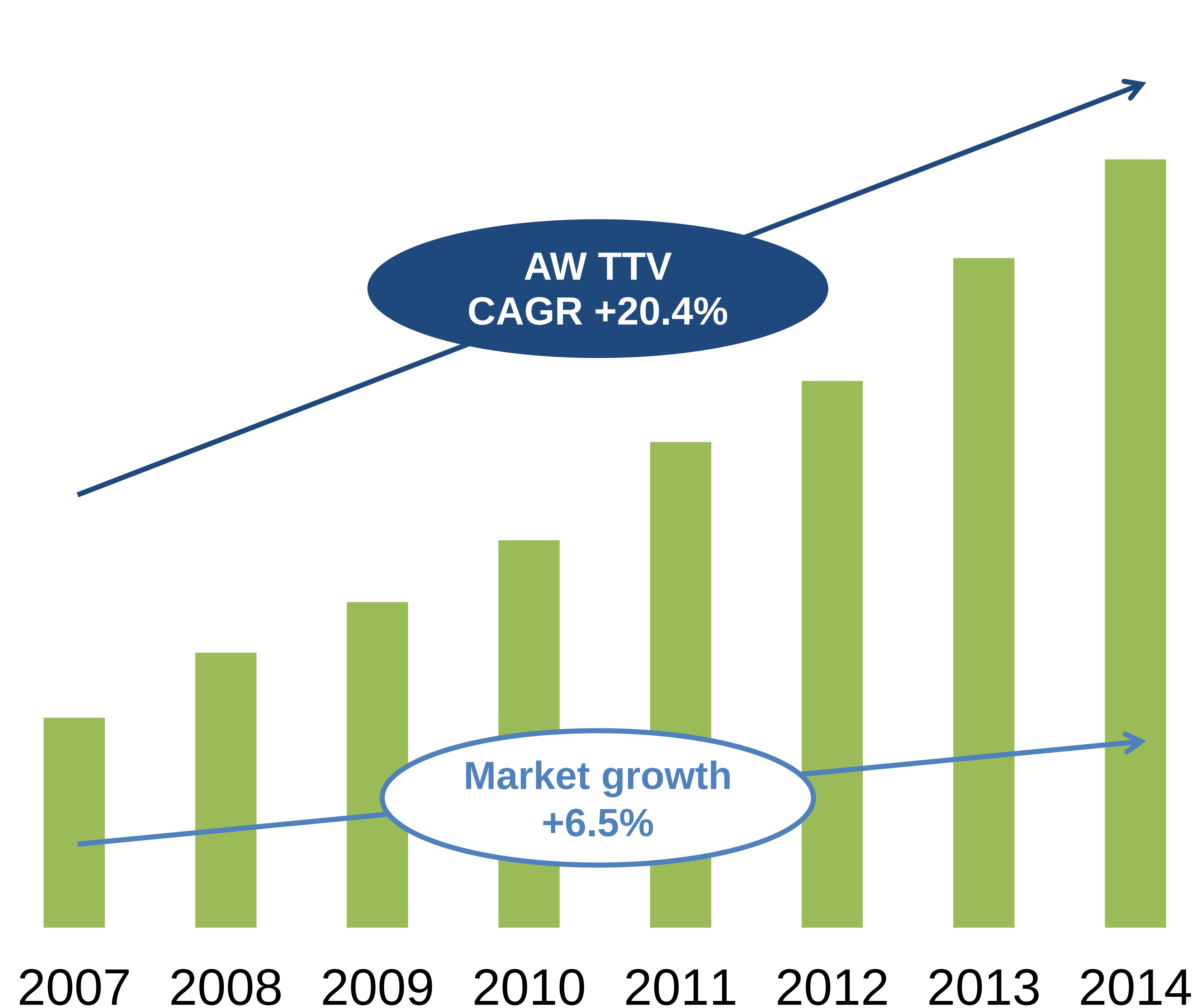
Leveraging our Position in Accommodation Wholesaler

Peter Long



Accommodation Wholesaler

Continued out-performance of the market

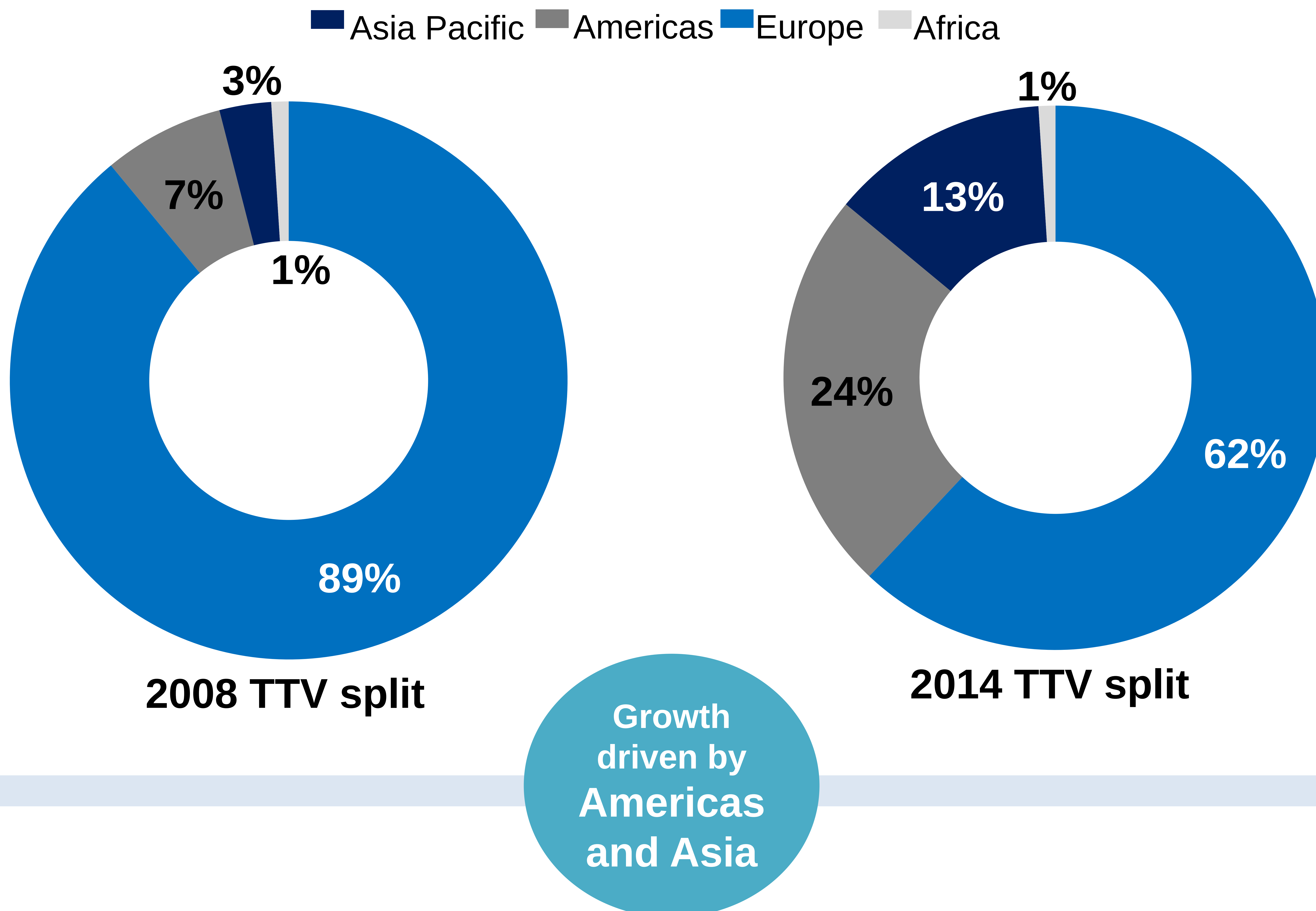


22.5m
roomnights in
2014, up 16%

Over
67,000
hotels, up 8%

**Market
leading
scale**

Accommodation Wholesaler – Global Growth



Accommodation Wholesaler – Roadmap for Growth

Focussed on high growth markets

Source markets

- Growth in **Africa** (destination first, then source market)
- **Asia** source market & destination expansion plan

Distribution channels

- Growing relevance of travel agents – **Bedsonline**
- Leverage **cross-selling** and explore **new customer segments**

New products drive further growth

Hotel online direct distribution

ROIBACK

Acquired during 2014 – providing online solutions and marketing to hotels

Online commodity package sales



Three year deal to act as accommodation and transfer & activity provider

Roadmap
for further
growth

Summary

Peter Long

Sensatori Jamaica

Summary

Journey since 2007 proves the success of our strategy

Another year of out-performance versus our growth roadmap

Merger with TUI AG will strengthen and future-proof our new Group and reinforce our clear competitive advantage

Looking ahead to the next exciting new phase of growth

Q&A

Appendix

Delivering Mainstream Growth

Unique Holiday Mix by Key Source Market*

	2013		2014		2017 Target	
	Unique	Commodity	Unique	Commodity	Unique	Commodity
UK	83%	17%	84%	16%	85%	15%
Nordics	93%	7%	94%	6%	97%	3%
Germany	49%	51%	52%	48%	66%	34%
France Tour Operators	81%	19%	89%	11%	89%	11%
Total Mainstream	68%	32%	71%	29%	76%	24%

Unique calculation updated to include Airtours brand and long-haul destinations not previously included within packages

Delivering Mainstream Growth

Distribution Mix by Key Source Market

	2013		2014		2017 Target	
	Direct / Online	Third Party	Direct / Online	Third Party	Direct / Online	Third Party
UK	89% / 47%	11%	91% / 51%	9%	95% / 60%	5%
Nordics	89% / 67%	11%	90% / 70%	10%	93% / 79%	7%
Germany	36% / 8%	64%	37% / 11%	63%	66% / 25%	34%
France Tour Operators	56% / 18%	44%	56% / 24%	44%	66% / 35%	34%
Total Mainstream	66% / 35%	34%	68% / 38%	32%	81% / 50%	19%

Balance Sheet

£m	30 Sept 2014	30 Sept 2013	Movement
Intangible assets	4,299	4,384	-85
Property, plant & equipment	1,267	1,238	+29
Investments	289	315	-26
Net cash	511	147	+364
Net employee benefits	(699)	(661)	-38
Prepayments	632	742	-110
Client money received in advance	(1,847)	(1,768)	-79
Other net liabilities	(2,808)	(2,906)	+98
Net assets	1,644	1,491	+153

Sources of Debt Finance

£m	2014	Status at 30 Sept 2014	Rate
Revolving credit facilities (excluding letters of credit facility)	1,225	Undrawn	<2% margin on average above LIBOR
2017 Convertible bond	400	Fully drawn	4.9%
Asset financing	442	Fully utilised	Various
Total*	2,067		

* Excludes £150m bank syndicated facility which expires April 2016

Leverage Ratios

£m	2014	2013
EBITDA	817	791
Operating rentals (excluding SDIs)	543	560
Adjusted operating profit	1,360	1,351
Debt related interest costs*	90	95
Operating rentals (excluding SDIs)	543	560
Fixed charges	633	655
Net (cash)	(371)	(2)
Fixed charges cover	2.1x	2.1x
Net debt to EBITDA	n/a	n/a

* Including one-off items

Separately Disclosed Items

£m	2014	2013	Explanation for key items (2014)
Restructuring	37	54	£29m Mainstream restructuring (mainly Germany and France), £4m in A&D and £4m in SAS
Pension	(67)	(25)	Mainly arising from two pension transactions in the UK
Hotelbeds VAT	41	-	Payments relating to prior year VAT for Hotelbeds Product SLU
Other	(12)	(5)	Profit on disposal of subsidiaries, change in value of unhedged foreign currency derivatives, aircraft transactions, change in litigation provisions
Total SDIs	(1)	24	

Aircraft

Planned order book deliveries – 2014 to 2019

	2014	2015	2016	2017	2018	2019
B737 NG	5	5	-	-	-	-
B737-MAX	-	-	-	-	5	14
B787-8	4	5	1	1	-	-
Planned order book deliveries 2014-2019	9	10	1	1	5	14

Aircraft Commitments by Finance Type

	Operating Lease*	Finance Lease	Owned	Total
As at 30 September 2013	127	9	6	142
Order book financing	7	2	-	9
Other net movements	(6)	-	-	(6)
As at 30 September 2014	128	11	6	145

5 x B737-800
2 x B787-800

2 x B787-800

* Includes the aircraft leased to TUIFly gmbH by Air Berlin for operation under wet lease on behalf of Air Berlin

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