TUI GROUP

27 September 2018

TUI GROUP
Pre-Close Trading Update

Prior to entering its close period ahead of reporting its full year results for the twelve months ending 30 September 2018 on 13 December 2018, TUI Group announces the following update on current trading.

Chief Executive of TUI Group, Fritz Joussen, commented:

"The financial year is closing out as we expected, with the fourth consecutive year of double digit growth in underlying EBITA since the merger[1]. Having continued to expand our hotel and cruise offer, occupancies and yields remain high, and the number of customers purchasing holidays from us has grown in all major markets, even with the sustained period of hot weather in Northern Europe this Summer. This demonstrates the strength and resilience of demand for our holiday experiences, although as previously stated the hot weather has limited our ability to outperform. Whilst at an early stage, trading for future seasons is overall in line with our expectations. Our strong positioning as a leading holiday product provider with own distribution, as well as our balanced portfolio of destinations and markets, mean that we are well positioned to continue to deliver against our growth strategy. We therefore reiterate our guidance of at least 10%[1] underlying EBITA growth in FY18."

[1] Assuming constant foreign exchanges rates are applied to the result in the current and prior period

Current Trading

Overall, trading since our last update has remained in line with our expectations. In Hotels & Resorts our strategy of having a balanced portfolio of destinations continues to pay off, as we benefit from the return in demand for Turkey, North Africa and increased demand for Greece, as well as delivering new openings in South East Asia and the Caribbean. As expected, demand for Spain is normalising from the very high levels seen in recent years. We have a strong pipeline of hotel openings for FY19, including year round destinations such as Cape Verde, Mexico, the Caribbean islands and the Maldives, and we expect to deliver on the guidance we set out at the time of the merger of around 60 additional hotel openings by the end of FY19.

In Cruises, the launches of the new TUI Cruises Mein Schiff 1 and Marella Explorer this Summer have gone very well, and yield performance remains strong across our three fleets. A dry dock for the Europa means that Hapag-Lloyd Cruises will have a more subdued earnings performance in the final quarter of FY18. In FY19 we will launch three ships (new TUI Cruises Mein Schiff 2, Marella Explorer 2 and Hanseatic Nature for Hapag-Lloyd Cruises), with additional launches scheduled in future years. We continue to see strong demand for our unique cruise brands.

Destination Experiences continues to perform very well, with strong organic growth in the final quarter. Having expanded our regional capability in destinations with the acquisition of the destination management business of Hotelbeds Group, we recently announced the acquisition of Musement, an online platform for selling tours and activities in destinations around the world. This will enable the creation of a scalable digital platform to source, produce and distribute tours and activities to TUI and non-TUI customers.

Customer volumes in Sales & Marketing are up 4% on prior year for Summer 2018, benefitting in particular from increased capacity to Turkey, Greece and North Africa as well as smaller destinations such as Bulgaria, and an increase in the volume of customers staying in our Group hotels. As anticipated, volumes to Spain have continued to normalise compared with the very high growth seen in recent years. As noted in our Q3 update, there are a number of external factors which have made operations more challenging, including the unusually hot Summer in Northern Europe and higher than normal level of airline operational disruption. Despite this, we have continued to grow our customer base, demonstrating once again the strength of the TUI brand and product offer, coupled with further growth in the proportion of direct and online distribution.

		Summer 2018[2]		
YoY variation%	**Total Revenue**	**Total Customers**	**Total ASP**	**Programme sold (%)**
Northern Region	+4	+2	+1	97
Central Region	+8	+7	+1	98
Western Region	+3	+2	+1	100
Total Sales & Marketing	**+5**	**+4**	**+1**	**98**

[2] These statistics are up to 23 September 2018, shown on a constant currency basis and relate to all customers whether risk or non-risk

Sales & Marketing trading for Winter 2018/19 (which is low season for most markets) is at a relatively early stage, with around one third of the programme sold. Performance is positive overall, with customer volumes up 2%. Bookings in most markets are ahead of prior year and tracking in line with capacity. In Nordics, we are seeing a later booking profile this Winter, in line with the market, against strong prior year comparatives and as a knock-on impact from the prolonged hot Summer in Scandinavia. Average selling price overall for Sales & Marketing is down 1% on prior year. This reflects a proactive remix of capacity, enabling us to capitalise on the returning popularity of North Africa and Turkey, and also to reduce our capacity to the Canaries where demand is normalising.

Foreign Exchange & Fuel

Our strategy of hedging the majority of our currency and jet fuel requirements for future seasons, as detailed below, remains unchanged. This gives us certainty of costs when planning capacity and pricing. The following table shows the percentage of our forecast requirement that is currently hedged for Euros, US Dollars and jet fuel for Sales & Marketing, which account for over 90% of our Group currency and fuel exposure.

	Summer 2018	**Winter 2018/19**	**Summer 2019**
Euro	97%	86%	55%
US Dollars	94%	85%	66%
Jet Fuel	93%	87%	75%
As at 21 September 2018			

At our Q3 update we flagged approximately €35m adverse translation impact on underlying EBITA compared with rates prevailing in the prior year, including the impact from the revaluation of Euro loan balances within Turkish hotel entities. As detailed at Q3, this is a non-cash impact, as Euro loans are repaid with Euro income. Since the Q3 update the Turkish Lira has further weakened, leading to an increase in the revaluation impact. We now expect approximately €70m adverse impact in total from foreign exchange translation on the FY18 underlying EBITA result, subject to further movements in exchange rates to 30 September 2018.

Outlook

FY18 is closing out in line with our expectations and we reiterate our guidance of at least 10% growth in underlying EBITA[1]. Whilst at an early stage, trading for future seasons is overall in line with our expectations. Our strong positioning as a leading holiday product provider with own distribution, as well as our balanced portfolio of destinations and markets, mean that we are well positioned to continue to deliver against our growth strategy.

Annual Report 2017/18

TUI Group will issue its Annual Report on Thursday 13 December 2018 and hold a presentation for investors and analysts on the same day. Further details will follow.

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