TUI Group

737 MAX Grounding - Update on FY19 Underlying EBITA guidance

FORWARD-LOOKING STATEMENTS

This presentation contains a number of statements related to the future development of TUI. These statements are based both on assumptions and estimates. Although we are convinced that these future-related statements are realistic, we cannot guarantee them, for our assumptions involve risks and uncertainties which may give rise to situations in which the actual results differ substantially from the expected ones. The potential reasons for such differences include market fluctuations, the development of world market fluctuations, the development of world market commodity prices, the development of exchange rates or fundamental changes in the economic environment. TUI does not intend or assume any obligation to update any forward-looking statement to reflect events or circumstances after the date of these materials.

Update on 737 MAX grounding FY19

Securing ongoing operations and customers' holidays

- Following the grounding of the 737 MAX TUI has made arrangements to secure customers' holidays
- Considerable uncertainty around when the 737 MAX will return to service
- TUI has taken precautions until mid July to cover the key Easter, Whitsun and start of summer holiday season

Financial impact

- Assuming flight resumption by mid July expect **one-off impact** on underlying EBITA of **c.€200m**
- **FY19 underlying EBITA guidance therefore updated; expect -17% (previously "broadly flat") compared with FY18 of €1,177m[1]**
- Should it not become clear within the coming weeks that flying will resume by mid July, TUI will need to extend these measures until the end of the Summer season. Current assumption is for additional cost of up to **c.€100m – in this scenario FY19 underlying EBITA guidance is -26% compared with FY18 of €1,177m[1]**

[1] Rebased in December 2018 to EUR 1,187 to take into account EUR 40m impact for revaluation of Euro loans balances within Turkish Lira entities in FY18 and further rebased to EUR 1,177m for retrospective application of IFRS 15.

TUI has taken precautions until mid July to cover the 737 MAX fleet of 23 aircraft

TUI 737 MAX fleet	A/C
Fleet in operation at time of grounding	**15**
Open deliveries at time of grounding	
UK	3
Germany	4
Netherlands	1
Total Fleet Summer 19	**23**

Mitigation by

- utilising spare aircraft
- extending expiring leases
- leasing in additional aircraft

Assuming flight resumption by mid July expect one-off impact on underlying EBITA of c.€200m

AIRCRAFT LEASES & CREWING	**~€110m** for wet/other leases, and related crew allowances
DIRECT OPERATING COSTS	**~€30m**, including fuel inefficiencies versus 737 MAX and other additional direct operating costs
OTHER DISRUPTION COSTS	**~€20m**, including repatriation and other disruption costs e.g. DBC
ANTICIPATED IMPACT ON TRADING	**~€40m** from potential load factor (~1%) impact
COSTS RECOGNISED AS A ONE-OFF IMPACT WITHIN UNDERLYING EBITA	• Impact classified as **one-off operational costs** • **Not all costs separable** e.g. impact on trading
GROSS COST IMPACT IS ASSUMED	No potential compensation included in c.€200m impact

Expected impact on key group metrics FY19

UNDERLYING EBITA	**One-off impact** of **c.€200m** (flight resumption mid July) **up to c.€300m** (flight resumption after end of Summer 2019) as outlined above
NET DEBT	**Cost impact = cash impact**; estimate increase of simple average net debt[1] to ~€1.5bn for FY19 (~1x net debt/EBITDA)
LEVERAGE RATIO	**Guidance unchanged** – however, expect to be at upper end
DIVIDEND PER SHARE	**Guidance unchanged** - dividend per share will grow in line with underlying EBITA at constant currency (positive or negative growth)

[1] Estimate based on simple average of net debt at 31.12.18 and 30.09.19

Update to FY19 guidance after 737 MAX grounding

FY19 Guidance

	FY19e[1]	FY18
Turnover[2]	Around 3% growth	€19,208m[5]
Underlying EBITA rebased[3,5]	Resumption of flying latest by mid July: approx. minus 17% (one-off impact of approx. €200m) Full summer season flight capacity replacement required: up to minus 26% (total one-off impact of up to €300m)	€1,177m[3,5]
Adjustments	~€125m	€87m
Net capex & investments[4]	~€1.0bn-€1.2bn	€0.8bn
Leverage ratio	3.0x to 2.25x	2.7x
Dividend per share	Growth in line with underlying EBITA rebased[3,5]	€0.72

1 Based on constant currency
2 Excluding cost inflation relating to currency movements
3 Rebased to take into account €40m impact of revaluation of Euro loan balances within Turkish Lira entities in FY18
4 Including PDPs, excluding aircraft assets financed by debt or finance leases, "cash CAPEX"
5 Prior year reported adjusted for retrospective application of IFRS 15 and PPA adjustment for Destination Management

Q&A

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