TUI GROUP

25 March 2025

TUI GROUP

Capital Markets Day

TUI underlines strategy and on track to deliver in line with expectations:
FY25 guidance and mid-term ambitions reaffirmed. Today we present in-depth insight into the Group's strategy, progress made on the transformation of Markets + Airline and latest developments in Holiday Experiences.

- FY25 guidance[1] to increase our underlying EBIT by 7% to 10% reaffirmed
- Clear strategy to unlock significant value based on our unique and integrated business model yielding higher returns. We remain committed to our mid-term ambitions by growing the company without increasing operational risk generating underlying EBIT growth of c. 7% to 10% CAGR
- Travel & Tourism market fundamentals remain strong and consumer demand resilient. Market growth continues to outpace GDP growth
- Holiday Experiences delivering further profitable and sustainable asset-right growth in differentiated content, serving strong global markets
- Given an aging Marella Cruises fleet, we are currently exploring future options on positioning our highly profitable UK market leading business, including re-fleeting. We are in discussions for 2 vessels with new build slots tentatively available from FY31 onwards. In parallel we continue to explore partnership options for Marella Cruises
- Markets + Airline transformation advancing to plan, focused on profitable growth, targeting an improvement in margin to more than 3% in the mid-term and thus above pre-pandemic levels
- We remain firmly committed to our capital allocation framework, focusing on driving profitable growth and improving cash flow, whilst maintaining disciplined capital investment and targeting a further improvement in our balance sheet metrics. We will define a shareholder return strategy by the end of FY25
- On Friday 21 March 2025, we successfully refinanced our sustainability-linked Revolving Credit Facility (RCF) as our core financing instrument

FY25 Guidance[1]

- Our guidance is based on delivering further sustainable growth in Holiday Experiences and transforming the Markets + Airline business and is supported by the encouraging performance in Q1. On this basis we are pleased to reaffirm our guidance for FY25:
  - We expect revenue to increase by 5% to 10% yoy (FY24: €23,167m)
  - We expect underlying EBIT to increase by 7% to 10% yoy (FY24: €1,296m), driven in particular by expectations for Summer 2025 with a c. €30m phasing effect from Easter holidays shifting to Q3

Mid-Term Ambitions

- We have a clear strategy to unlock significant value based on our unique and integrated business model yielding higher returns. We re-affirm our mid-term ambitions as follows:
  - Generate underlying EBIT growth of c. 7% to 10% CAGR
  - Target net leverage[2] strongly below 1.0x
  - With the recent rating agency upgrades we have already achieved our target to return to pre-pandemic levels

Chief Executive Officer of TUI Group, Sebastian Ebel, commented:

"TUI continues to grow. Our integrated business model is the basis for a stronger global presence. The goal is to strengthen the synergies between the various business areas, offer customers more products and significantly increase the number of customer contacts throughout the year. TUI develops, invests in and operates in the areas of hotels, cruises and activities. TUI is not just the partner for holidays, TUI is the partner for travel and leisure activities all year round – on holiday and at home. Our customer base of more than 33 million provides the basis for growth. The course has been set. We have delivered ten consecutive quarters of growth. The next steps of the transformation offer new potential, and we will become more efficient, more profitable, economically stronger".

TUI Group

Creating shareholder value through growing the company without growing operational risk

The Travel and Tourism market is a significant contributor to the global economy. Market growth in the sector is expected to outpace global GDP growth rates in the coming years. Demand for tourism is driven by strong fundamental trends - consumers living longer, healthier lives, the growth of middle classes across the globe, which increases disposable income and the desire for experiences. This demand is proving highly resilient.

TUI is the world's leading integrated tourism business. Our unique business model is focused on integration and differentiation. We have a clear strategy to accelerate profitable growth by maximising the customer lifetime value and leveraging the synergies throughout our integrated business yielding higher returns by using our Markets + Airline distribution powerhouse to drive a superior performance in Holiday Experiences. We are focused on creating a business which is more agile, more cost-efficient and achieving a higher speed to market with the aim to create additional shareholder value. We have a clear roadmap to achieve these targets and today's meeting will focus on providing transparency and insight on the building blocks to achieve these.

We are transforming TUI into a scalable and platform-based global curated leisure marketplace. Our aim is to offer more products to even more customers through our tour operators and our airline, our hotels and cruises brands as well as with our activities and experiences.

Holiday Experiences

Our **Holiday Experiences growth** strategy (Hotels & Resorts, Cruises, TUI Musement), focusses on profitable and sustainable asset-right growth in differentiated content, serving strong global markets.

In **Hotels & Resorts**, product growth is delivered by expanding our portfolio in new and existing destinations. We have a pipeline of hotels with c. +15 new units to be added in FY25, c. +25 in FY26 and c. +20 in FY27 onwards. The new hotels will be operated under different financing structures but with a focus on management and franchise hotels. The latter are expected to deliver a €300k contribution per hotel per annum within 2 years. Growth investment into new hotels under ownership are targeted to deliver a ROIC significantly above FY24 WACC of 11%. For our hotel joint ventures, we have a dividend policy for a c. 30% pay-out of EAT in place.

In **Cruises** we aim to grow our product offering through new ship deliveries based on a continued strong trading environment and market growth predictions, particularly in Europe. Our three award-winning brands incorporating Mein Schiff and Hapag-Lloyd within our joint venture TUI Cruises, alongside our wholly owned Marella Cruises, hold strong market positions in Germany and UK respectively. Following the successful launch of Mein Schiff 7 in June 2024, Mein Schiff Relax will now join the Mein Schiff fleet ahead of the key summer season with a third vessel, Mein Schiff Flow, complimenting the fleet in Q3 2026. We expect the addition of the Mein Schiff 7 to deliver €25m to €30m EAT (TUI 50% share) and the larger Mein Schiff Relax and Mein Schiff Flow, to each deliver €35m to €40m EAT (TUI 50% share) per annum to the TUI business. We also expect the TUI Cruises dividend to return to pre-pandemic levels of at least €170m in FY25.

Against the background of an aging Marella Cruises fleet, we are currently exploring future growth options on how to position our highly profitable UK market leading business in a steadily growing market. We are in discussions with shipyards and we are currently considering ordering two vessels based on a design customised for the UK market. New-build slots are tentatively available from FY31 onwards. We would expect customary market financing, based on an Export Credit Agency (ECA) structure (80% debt and 20% equity) and that the equity contribution could be generated by an increase of joint venture dividends. An indicative business case calculates an EBIT of between €130m and €150m p.a. per ship and ROIC of 11% to 12%. In parallel we continue to explore partnership options for Marella Cruises, with TUI Group's capital allocation framework remaining our overriding focus.

TUI Musement is well positioned for strong profitable growth supported by the platforming and commercialisation of Experiences, Tours and Transfers. As a result, we continue to increase our range of B2C experiences, grow our B2B business with partners as well as increase the volume of transfers and experiences sales supported by our Markets + Airline business. Our Central Customer Ecosystem will support the expansion of our product portfolio by enabling cross- and up-selling opportunities. We expect Experiences sold to grow by a low-double digit CAGR.

Markets + Airline

The **transformation of Markets + Airline** is advancing as planned. The strategy is focused on creating one scalable business centred on transformation of the tour operator and the commercialisation of the airline which form the two platforms that maximise vertical integration and generate profitable growth. These objectives will go hand-in-hand with driving operational excellence, implementing lean structures, creating operational efficiencies and reducing overheads.

By **transforming the tour operator** we are creating a fully integrated functional global curated leisure marketplace, enabling scalability at speed, aiming at more efficiency and profitability. Growth will be driven by dynamic products and by broadening our product offering transforming the business model to maximise the customer lifetime value. This will include own products delivering superior quality, margins, and differentiation. We will focus on making the TUI app our main digital channel, complementing our retail business, enabling greater cross- and up-selling opportunities as well as personalised marketing and driving down distribution costs. Our AI-powered global platforms will support our initiative to enter new growth markets, improve customer experience, increase ASPs and generate operational efficiencies.

We are **enlarging the commercial function of TUI Airline**, whilst aligning operations with the needs of the regions and delivering value for TUI Group. TUI Airline is one of the ten largest airlines in Europe. We are targeting new revenue streams through expansion of seat-only and increasing our reach via B2B partnerships. We are evolving our aircraft network thereby enhancing our fleet optimisation and driving efficiencies across our operations.

We are focused on profitable growth, and we expect the transformation of our Markets + Airline business to deliver an improvement in margin to more than 3% in the mid-term and thus above pre-pandemic levels.

Financial Strategy

We remain firmly committed to our capital allocation framework, focusing on driving profitable growth and improving cash flow, whilst maintaining disciplined capital investment and targeting a further improvement in our balance sheet metrics with net leverage of strongly below 1.0x. Based on an annualised pro-forma Marella re-fleeting case with new-build slots tentatively available from FY31 onward, net leverage is still expected to be below 1.0x. As we previously communicated in December 2024, we are well on track to define a shareholder return strategy by the end of 2025. In recent weeks, the significant operational and financial progress we have made as a business, have been reflected in a further improvement in our credit rating. As a result, S&P upgraded to BB- and Moody's to Ba3, with Fitch rating the TUI Group for the first time at BB all with a stable outlook.

On Friday, 21 March, we successfully extended our maturity profile by refinancing our sustainability-linked Revolving Credit Facility (RCF) as our core financing instrument. The RCF with a 5-year tenor, maturing in March 2030, was upsized from €1.65bn to c. €1.9bn and enhances our financial flexibility and liquidity position. The strong demand for RCF participation underlines the confidence in our strategic positioning and in our future growth initiatives.

Capital Markets Day Access

TUI will today hold a Capital Markets Day for investors and analysts in the RIU Plaza España hotel in Madrid starting at 8:30 CET. The event can also be viewed via a live video webcast and the accompanying presentation is available on our corporate website. Both can be accessed via the following link: https://www.tuigroup.com/en/investors/publications/capital-markets-day-2025.

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[1] Based on constant currency and within the framework of the macroeconomic and geopolitical uncertainties currently known
[2] Net leverage ratio defined as net debt (Financial liabilities plus lease liabilities less cash & cash equivalents less other current financial assets) divided by underlying EBITDA

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Cautionary statement regarding forward-looking statements

This announcement contains various statements relating to TUI Group's and TUI AG's future development. These statements are based on assumptions and estimates. Although we are convinced that these forward-looking statements are realistic, they are not guarantees of future performance since our assumptions involve risks and uncertainties that could cause actual results to differ materially from those anticipated. Such factors include market fluctuations, the development of world market prices for commodities and exchange rates or fundamental changes in the economic or political environment. TUI does not intend to and does not undertake any obligation to update any forward-looking statements in order to reflect events or developments after the date of this announcement.