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TUI bemoans last summer's hot weather (again) as first-quarter losses almost double

TUI AG (LON:TUI) has once again blamed last summer's heatwave and the weak pound after losses almost doubled in the first quarter of its financial year.

Repeating what it said in last week's shock profit warning, the tour operator said the "extraordinary hot weather" throughout the UK and much of Europe between June and October meant people put off booking a warm winter getaway.

READ: TUI issues profit warning
That forced it to trim prices, which in turn knocked margins, a problem not helped by sterling's continued weakness.

Those who were looking to get away were heading back to places such as Turkey and Egypt, which led to overcapacity, and therefore lower prices, in other destinations such as the Canary Islands.

All that meant net losses for the three months ended 31 December jumped to €111.9mln, up from €68.3mln in the first quarter of last year. Revenue ticked 5% higher to €3.70bn (Q1 17/18: €3.55bn).

"We are already taking specific measures to address Markets & Airlines headwinds, including harmonisation under one leadership to drive cost savings and efficiencies; reducing distribution costs by shifting to more direct, more online, more mobile; and increasing upselling of activities & excursions to drive revenue and margin benefits," read Tuesday's statement.

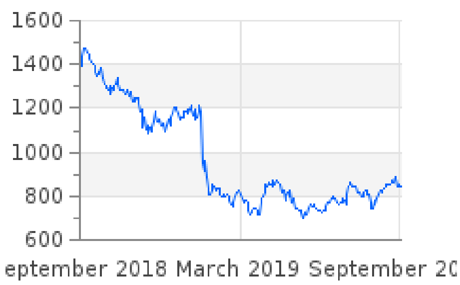
"We also expect that the continued sector headwinds may trigger market consolidation and that TUI could be a beneficiary of this."

Summer margins under pressure, too
TUI always said that winter bookings would inevitably take a hit from the prolonged period of hot weather, but worryingly it has also seen that sluggish demand carry over into bookings for summer this year.

Price: £8.41

Market Cap: £4.94 billion

1 Year Share Price Graph



Share Information

Code:		TUI
Listing:		LSE
52 week	**High**	**Low**
	1490	**686.6**
Sector:		**Leisure, gaming and gambling**
Website:		**www.tuigroup.com**

Company Synopsis:
TUI Travel, now assimilated into its German parent company, TUI Group, has become one of the world's leading international leisure travel groups operating in over 180 countries with more than 30 million customers in 25 source markets.

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It has so far sold just over a third of its summer programme, in line with this time last year, but it hasn't been able to raise prices in line with inflation, which has dented margins.

As a result, it repeated last week's profit warning: full-year underlying earnings will be "broadly stable" with last year's performance at €1.18bn.

Previously, it had expected underlying earnings to grow by at least 10% a year over the next few years, but TUI has admitted it will now miss this target.

Brexit playing a part
"Yesterday's weak GDP update really hit home how much Brexit uncertainty is hurting consumer confidence and travel

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companies must be feeling the pinch," said City Index senior market analyst Fiona Cincotta.

"The weaker pound has made a non-essential holiday that little bit more expensive for Brits already spooked by the cloudy economic outlook - and the situation could get worse if the UK crashes out of the EU without a deal."

Cincotta added that TUI is a "better-diversified business" than peer Thomas Cook, which is also struggling and put its airline business up for sale last week.

TUI boss Fritz Joussen has hinted he may be interested in making an offer, but Cincotta isn't convinced that is what shareholders want.

"TUI is now carrying more than twice as much net debt than it was a year ago. Investors won't necessarily want to stomach a big acquisition, including a move on Thomas Cook's airline business."

Shares were down 2.7% to 932.2p in late-morning trading on Tuesday.

-- Adds share price and analyst comment --