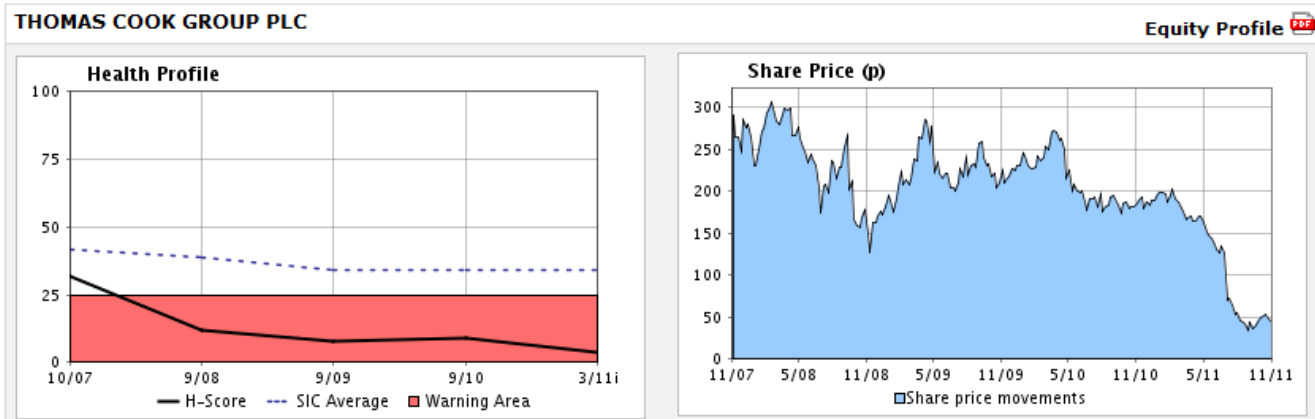


## Thomas Cook Group PLC

In April 2010, Thomas Cook was valued at over £2.3bn: at the same time the Company Watch **H-Score**® was deep in the Warning Area. In November 2011, barely 18 months later, its market capitalisation had plummeted to under £100m.



Health & Equity Profiles of Thomas Cook Group PLC

### Company Watch Analysis

Thomas Cook, the travel company which was founded in 1841 pioneering package tours, is currently the second largest travel company in Europe, with reported sales of £9 billion and over 30,000 employees. The company is currently in talks with its bankers for the second time in as many months as it seeks to avoid succumbing to a cash flow crisis.

Company Watch analysis shows that Thomas Cook Group PLC has been in a precarious position for many years. In 2007, the company had net cash of £492m on its balance sheet: by March 2011 this had turned into a net short term debt position of £132m. In the same period, long term debt almost doubled, from £490m to £962m.

Most critically, all of the group's long term capital, both net worth and other long term finance, has been used to fund Intangible Assets – primarily acquired goodwill. The value of these Intangibles must surely now be in some doubt.

This means that the company is being funded entirely out of current liabilities – suppliers and bankers that need paying within the next 12 months. This places the group in a dangerously vulnerable position: heavily reliant on its earning stream and with 3 profit warnings in the last year it is clearly under pressure. That the group is in talks with its bankers to secure further finance should therefore come as little surprise.

### Final Destination for the UK Travel Industry?

In July 2011 Company Watch commented on the turbulent months ahead for the UK travel industry, warning that: 'it is highly likely there will be significantly more company failures over the next six months than the 14 companies which collapsed in the same period last year, leaving holiday makers devastated and thousands stranded across the world'. Company Watch research indicated that at least 20 tour operators would go bust by the beginning of 2012.