



THE UK'S LEADING ONLINE RETAILER OF **BEACH HOLIDAYS**

FY19 RESULTS PRESENTATION



AGENDA

FY19 Market Dynamics
FY19 Financial Performance
Paul Meehan - CFO

Evolution of Key Drivers
Simon Cooper – CEO

Q & A

CAUTIONARY STATEMENT

This presentation may contain certain forward-looking statements with respect to the financial condition, results, operations and businesses of the Company. Forward looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'anticipates', 'aims', 'due', 'will', 'could', 'may', 'should', 'expects', 'believes', 'intends', 'plans', 'targets', 'goal' or 'estimates'.

These forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements, including factors outside the Company's control.

The forward-looking statements reflect the knowledge and information available at the date of preparation of this presentation and will not be updated during the year. Nothing in this presentation should be construed as a profit forecast.

Paul Meehan

Chief Financial Officer

FY19 Market Dynamics

FY19 Financial Performance

Market Dynamics

OTB

- Revenue growth of 1%, soft UK market impacted by:
 - Brexit deadline in H1 and continuing uncertainties throughout year
 - Sterling devaluation in H2
 - Significant market discounting in period prior to failure of TCG
- Continuing improvements in online marketing efficiencies, record branded traffic share at 70% (2018 - 64%)
- Despite market conditions, continued investment in talent and infrastructure that will support long term expansion opportunities

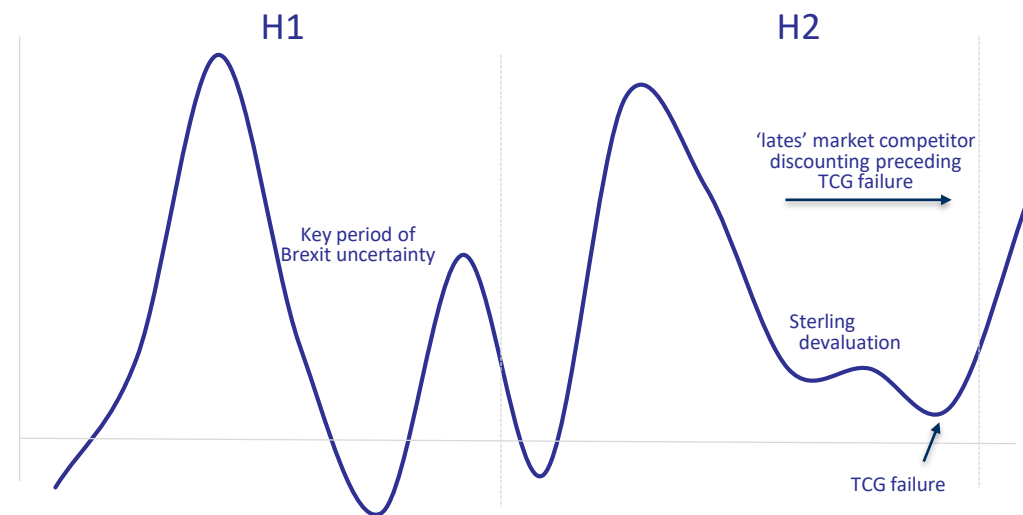
International

- H1 trading in Sweden adversely affected by collapse of Primera
- Strong H2 Revenue growth of 43%, reduced EBITDA loss

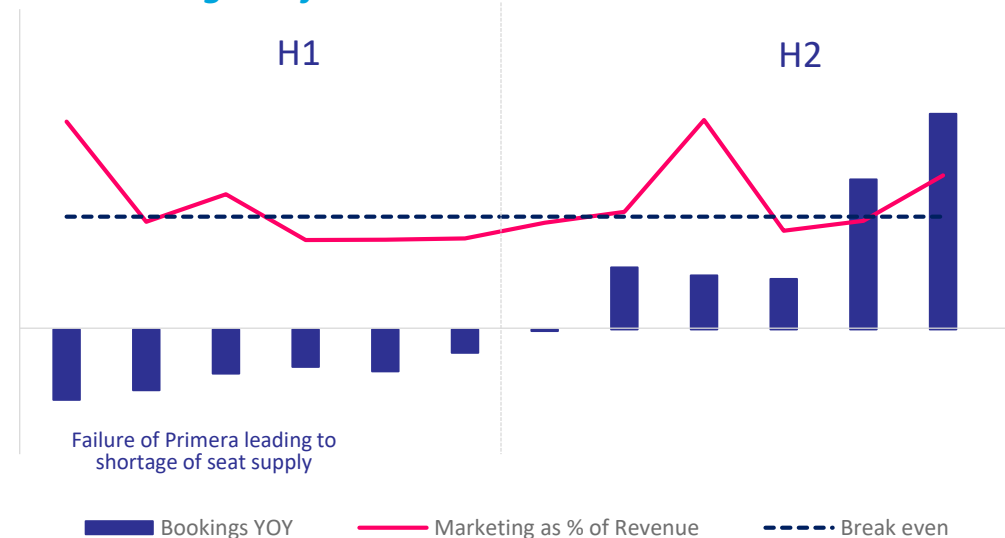
Other

- Long haul - integrations with Emirates, BA and Virgin, revenues doubled YoY
- Classic Package Holidays launched March, c1,500 agents now live
- Failure of TCG in Sept '19 gives rise to both a P&L impact in FY19 with an unprecedented opportunity to take additional market share at an increased rate in the medium term

YOY Bookings Profile - OTB



YOY Bookings Profile - International



Presentation of GAAP and non-GAAP measures

	FY19		FY18		Change	
	Adjusted £m	GAAP £m	Adjusted £m	GAAP £m	Adjusted %	GAAP %
Group revenue	147.5	140.4	104.3	104.3	41%	35%
Revenue as agent	92.5	85.4	90.9	90.9	2%	(6%)
Revenue as principal	55.0	55.0	13.4	13.4	310%	310%
Group gross profit	99.1	92.0	92.6	92.6	7%	(1%)
Gross profit as agent	92.0	84.9	90.9	90.9	1%	(7%)
Gross profit as principal	7.1	7.1	1.7	1.7	318%	318%
Group profit before tax	34.6	19.4	33.6	26.1	3%	(26%)
Basic and diluted earnings per share	21.4p	12.0p	21.2p	16.5p	1%	(27%)
Total dividend payable	3.3p	3.3p	3.3p	3.3p		

	FY19		FY18	
	TCG £m	Other £m	Total £m	Total £m
Revenue as agent	(7.1)	-	(7.1)	-
Revenue as principal	-	-	-	-
Group revenue	(7.1)	-	(7.1)	-
Share based payments	-	(0.7)	(0.7)	(1.4)
Acquired intangibles amortisation	-	(5.5)	(5.5)	(4.6)
Other exceptional operating costs	(0.6)	(1.3)	(1.9)	(1.5)
Group overheads	(0.6)	(7.5)	(8.1)	(7.5)
Group profit before tax	(7.7)	(7.5)	(15.2)	(7.5)

- ▶ On 23 September 2019, Thomas Cook Group plc (“TCG”) ceased trading
- ▶ There was a one-off exceptional cost associated with helping customers to organise alternative travel arrangements, and lost margin on cancelled bookings
- ▶ The adjustment of £7.1m to revenue represents the lost revenue associated with providing refunds and the costs associated with organising alternative travel arrangements
- ▶ This amounts to £25.6m and is stated net of a chargeback claim of £18.5m. (Net £7.1m). £0.6m of other exceptional operating costs relates to the incremental operational costs of managing the process and the loss of monies held by TCG agents
- ▶ The exceptional impact of the TCG failure has been excluded from performance measures in this document as the Directors consider this necessary to provide a fair, balanced and understandable view of the performance of the Group
- ▶ A full reconciliation of all non-GAAP measures to the closest equivalent GAAP measure is included in the Preliminary Statement and Annual Report

Profit and Loss Account – OTB Segment

EBITDA growth of +1%

	FY19 £m	FY18 £m	Change %
Revenue	90.3	89.3	1%
Online Marketing costs	(29.8)	(33.2)	
Offline Marketing costs	(5.4)	(4.1)	
Total Marketing	(35.2)	(37.3)	6%
Revenue after marketing costs	55.1	52.0	6%
Variable costs	(7.2)	(6.6)	
Fixed costs	(9.7)	(7.5)	
EBITDA	38.2	37.9	1%
EBITDA %	42%	42%	
Online Marketing %	33%	37%	
Total Marketing %	39%	42%	
Variable costs % revenue	8%	8%	
Fixed costs % revenue	11%	8%	
Total Overheads % revenue	19%	16%	

OTB growth year on year

- Revenue +1%
- Revenue after marketing +6%
- EBITDA +1%
- Online marketing spend decreased from 37% to 33%
- 32% increase in Offline spend, record brand awareness
- Total marketing spend decreased from 42% to 39%
- Overheads increased to 19% of revenue reflecting both the lower revenue growth and investments for long term benefit:
 - Investment in new Digital HQ in Manchester
 - Package Travel Directive costs
 - Further investment in IT
 - Partial employee bonus based on achievement of non-financial targets
- **OTB EBITDA % maintained at 42%**

Profit and Loss Account – International

EBITDA +£1.6m YOY

	FY19 £m	FY18 £m	Change %
Revenue	1.4	1.6	(13%)
Online Marketing costs	(1.4)	(2.5)	
Offline Marketing costs	-	(0.5)	
Total Marketing	(1.4)	(3.0)	
Revenue after marketing costs	-	(1.4)	
Variable costs	(0.2)	(0.3)	
Fixed costs	(0.4)	(0.5)	
EBITDA	(0.6)	(2.2)	

- H2 revenue growth of 43%, whilst maintaining marketing efficiency
- H1 trading in Sweden adversely affected by the failure of Primera, H1 bookings in Sweden down (35%)
- Higher share of branded traffic and repeat purchase rates, resulting in more efficient online marketing costs
- Revenue after marketing now at break-even
- EBITDA growth of +£1.6m YOY

Profit and Loss Account – Classic Collection Holidays (Classic)

EBITDA contribution of +£2.2m

	FY19 £m	FY18 £m	FY18 £m	Change %
Revenue	55.0	13.4	59.0	(7%)
Gross Profit after marketing costs	6.3	1.6	6.7	(6%)
Variable costs	(1.2)	(0.1)	(1.3)	
Fixed costs	(2.9)	(0.4)	(3.0)	
EBITDA	2.2	1.1	2.4	(8%)

Pro forma

- Acquired August 2018
- As a principal rather than an agent, Classic reports gross revenue on a travelled basis
- Revenue decrease of (7%), new senior management team transitioning business towards more luxury and tailor made travel
- Classic EBITDA of £2.2m

Profit and Loss Account – Classic Package Holidays (CPH)

EBITDA contribution of (£1.1m)

	FY19 £m	FY18 £m
Revenue	0.8	-
Gross Profit after marketing costs	0.1	-
Variable costs	(0.2)	-
Fixed costs	(1.0)	-
EBITDA	(1.1)	-

- CPH launched March 2019
- EBITDA of (£1.1m) reflects resource allocated to build and launch the proposition
- c.1,500 agents now on-boarded
- Focus in FY20 is to increase the numbers of agents further and the volume of bookings per agent
- Market opportunity following failure of TCG

Profit and Loss Account – Group

Adjusted profit before tax +3% YOY*

	FY19 £m	FY18 £m	Change %
Revenue	147.5	104.3	41%
Cost of Sales	(48.4)	(11.7)	
Gross Profit	99.1	92.6	7%
Admin expenses	(60.4)	(55.8)	
EBITDA	38.7	36.8	5%
Depreciation and amortisation	(4.4)	(3.2)	
EBIT	34.3	33.6	2%
Net finance income/(cost)	0.2	(0.1)	
Adjusted Profit Before Tax	34.6	33.6	3%
Exceptional and one-off costs	(9.0)	(1.5)	
Share Based Payments	(0.7)	(1.4)	
Amortisation of acquired intangibles	(5.5)	(4.6)	
Profit Before Tax	19.4	26.1	(26%)
Corporation Tax	(3.6)	(4.6)	
Profit After Tax	15.7	21.5	(27%)
Adjusted Profit After Tax	28.0	27.7	1%
Earnings per share			
Basic	12.0	16.5	(27%)
Adjusted	21.4	21.2	1%
Dividend per share (pence)	3.3	3.3	0%

- Adjusted EBITDA growth of 5%
- Amortisation increases reflecting continued investment in technology platform
- Adjusted PBT increased by 3% to £34.6m
- Exceptional costs relate to:
 - internal restructuring program and double property costs £1.3m
 - the net cost associated with the failure of TCG of £7.7m (£7.1m revenue and £0.6m operating costs)
- Effective tax rate of 19%
- Adjusted profit after tax increased by 1% to £28.0m
- Adjusted EPS increased by 1% to 21.4p
- Total Dividend per share maintained at 3.3p

* Adjusted measure excludes exceptional items, share based payments and brand amortisation

Balance sheet

	FY19 £m	FY18 £m
Intangible assets	85.1	88.2
Tangible assets	7.0	5.3
Total Non Current Assets	92.1	93.5
Trade and other receivables	94.7	72.8
Trust Account	44.0	38.4
Cash	54.8	47.3
Total Current Assets	193.5	158.5
Trade and other payables	(137.8)	(127.2)
Provisions	(12.3)	-
Total Current Liabilities	(150.1)	(127.2)
NET CURRENT ASSETS	43.4	31.3
Deferred Taxation	(6.1)	(7.2)
NET ASSETS	129.4	117.6

- Trade receivables includes £18.5m of chargebacks relating to Thomas Cook bookings
- £12.3m Provision relates to TCG exceptional costs
- The business operates a trust account which protects customer monies until they have returned from their holiday. This trust effectively acts as a debtor to the business. Changes in the Trust rules and supplier mix have resulted in a higher balance YOY
- Seasonal cash flow requirements are covered by a revolving credit facility (RCF) which is drawn down as required. The maximum drawdown in the year was £19m in April. It is not utilised at year end
- RCF now extended to 2022 with a max facility of £50.0m

Cash Flow

	FY19 £m	FY18 £m	Change %
Profit before taxation	19.4	26.1	(26%)
<i>Adjustments for:</i>			
Depreciation and amortisation	9.8	7.7	
Net finance (income)/cost	(0.2)	0.1	
Share based payments	0.7	1.4	
EBITDA excluding share based payments	29.7	35.3	(16%)
Movement in working capital	2.3	(1.7)	
Movement in Trust	(5.6)	(0.2)	
Cash generated from operating activities	26.5	33.4	(21%)
<i>Operating cash conversion %</i>	<i>89%</i>	<i>95%</i>	
Corporation tax	(3.8)	(7.1)	
Capitalised development spend	(5.1)	(3.8)	
Capital expenditure	(3.3)	(2.2)	
Acquisition of subsidiary, net of cash acquired	-	1.0	
Contingent consideration	(2.7)	(3.0)	
Sale of assets	0.3	-	
Interest	0.2	(0.1)	
Dividends paid	(4.6)	(3.9)	
Net increase in cash excl trust account	7.5	14.3	(48%)
Closing cash excl trust account	54.8	47.3	
Closing trust account balance	44.0	38.4	
Closing cash balance Total	98.8	85.7	15%

- Cash generated from operating activities of £26.5m (2018 - £33.4m), 89% conversion (2018 – 95%), reflecting changes to the Trust
- Increased capitalised development spend reflects investment in IT headcount
- Increased capex spend relates to the new Digital HQ in Manchester and refurbishment of the Operational HQ in Cheadle (reported gross of £1.1m landlord contribution)
- CCH deferred consideration paid, no further payments due

Segmental P&L

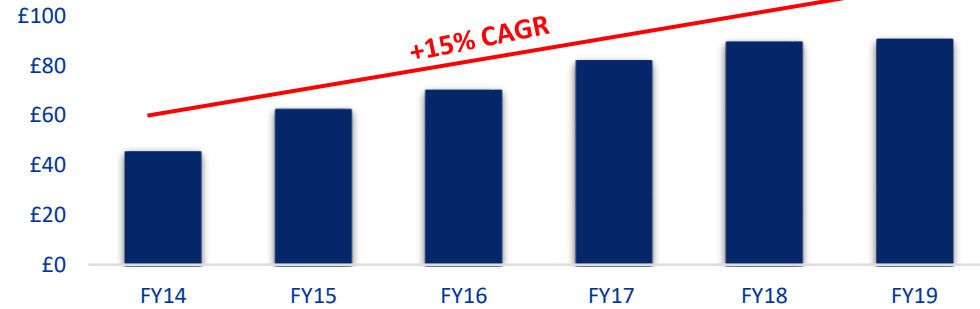
	FY19					FY18					Change				
	OTB £m	Int'l £m	Classic* £m	CPH** £m	Group £m	OTB £m	Int'l £m	Classic* £m	CPH** £m	Group £m	OTB %	Int'l %	Classic* %	CPH** %	Group %
Revenue	90.3	1.4	55.0	0.8	147.5	89.3	1.6	13.4	-	104.3	1%	(17%)	310%		41%
Gross Profit	90.3	1.4	7.1	0.3	99.0	89.3	1.6	1.7	-	92.6	1%	(17%)	318%		7%
Gross Profit after marketing	55.1	-	6.3	0.1	61.5	52.0	(1.4)	1.6	-	52.2	6%		295%		18%
Variable costs	(7.2)	(0.2)	(1.2)	(0.2)	(8.8)	(6.6)	(0.3)	(0.1)	-	(7.1)					
Fixed costs	(9.7)	(0.4)	(2.8)	(1.0)	(13.9)	(7.5)	(0.5)	(0.4)	-	(8.4)					
Adjusted EBITDA	38.2	(0.6)	2.2	(1.1)	38.7	37.9	(2.2)	1.1	-	36.8	1%		100%		5%

* Classic represents Classic Collection from the acquisition date of 15 August 2018

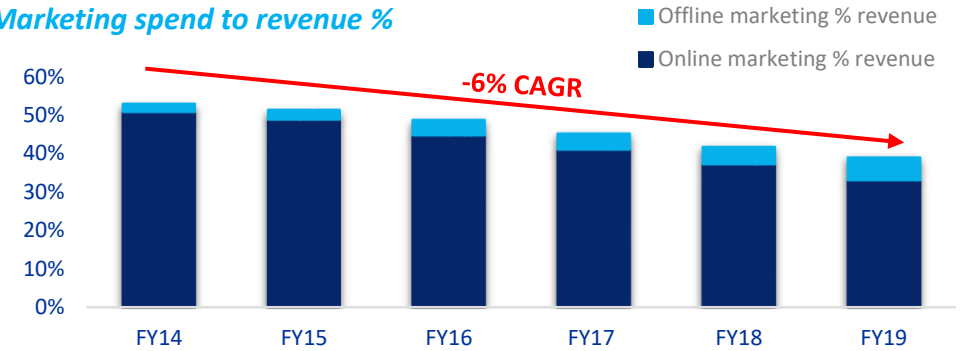
** CPH represents Classic Package Holidays, launched in March 2019

OTB KPIs: FY14 to FY19

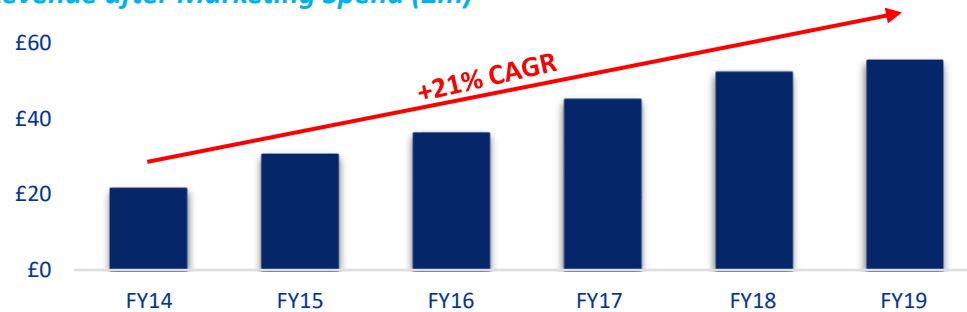
Revenue (£m)



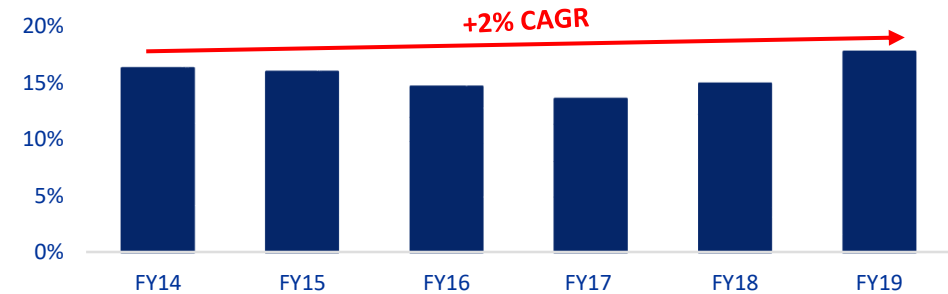
Marketing spend to revenue %



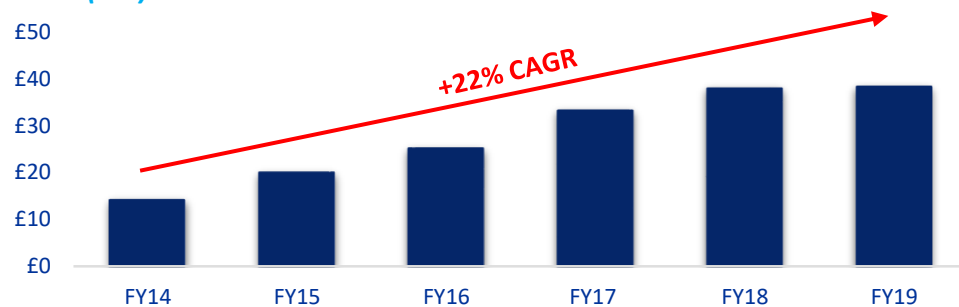
Revenue after Marketing Spend (£m)



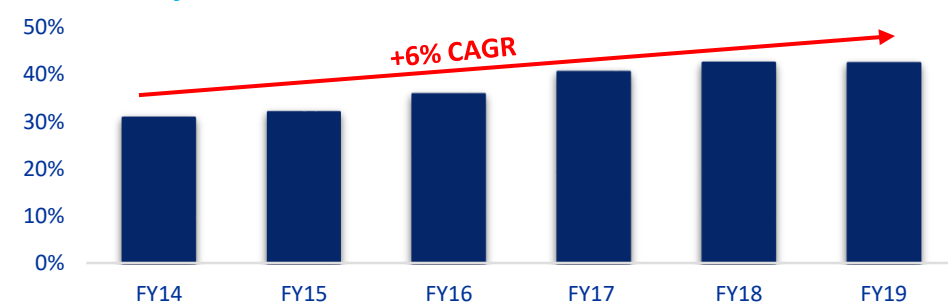
Fixed and Variable Costs as % Revenue



EBITDA (£m)



EBITDA as % of Revenue



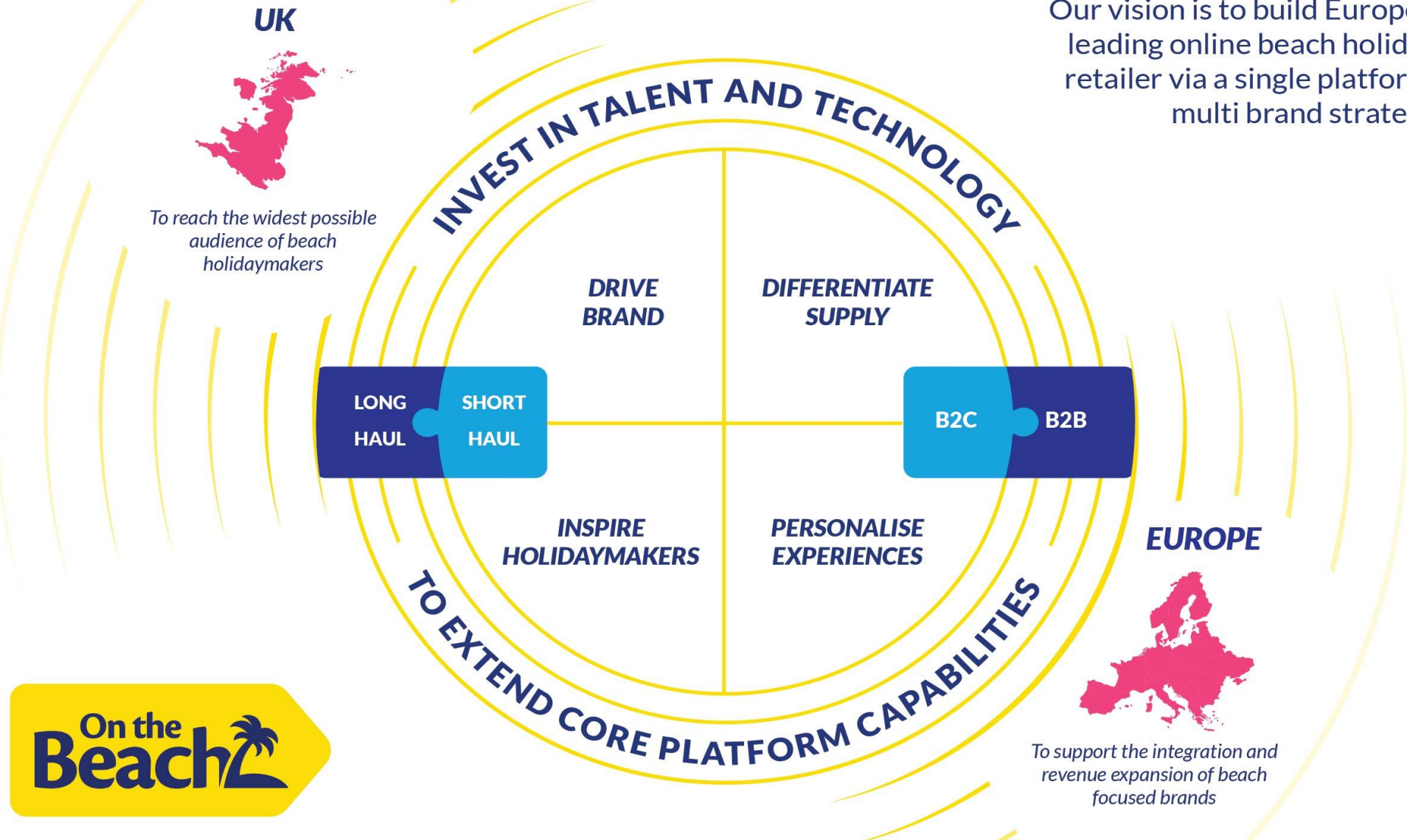
Simon Cooper

Chief Executive Officer

Evolution of Key Drivers

OTB GROWTH STRATEGY

Our vision is to build Europe's leading online beach holiday retailer via a single platform, multi brand strategy



Our core: Invest in talent and technology to extend core platform capabilities

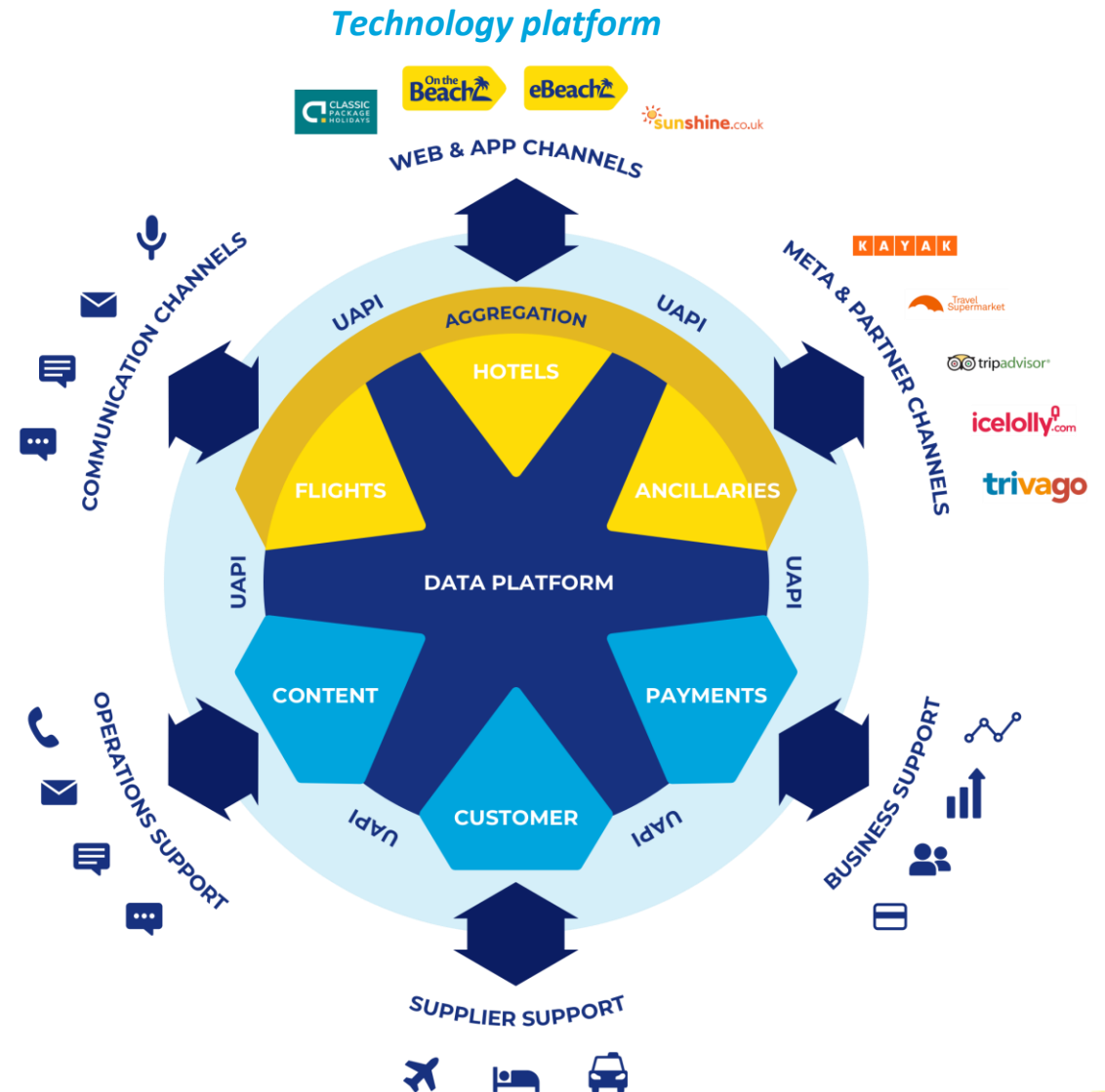
Relocating our headquarters should allow us to double the pace of innovation across the next 3 years

➤ Recruitment

- The pace at which we are recruiting digital talent has increased through:
 - Opening of new Digital HQ in central Manchester
 - Investing in our People and Recruitment functions
 - Expanding the Software Academy to include wider skills
 - Establishing a Technology and Product senior leadership team

➤ Reorganisation

- Technology and Product departments merged under CTPO
- Simplification of core platform supports scaling of teams

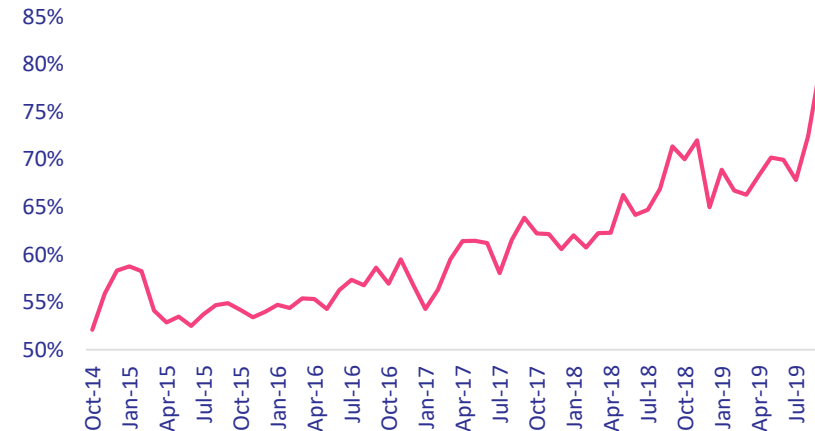


Our core: Drive brand

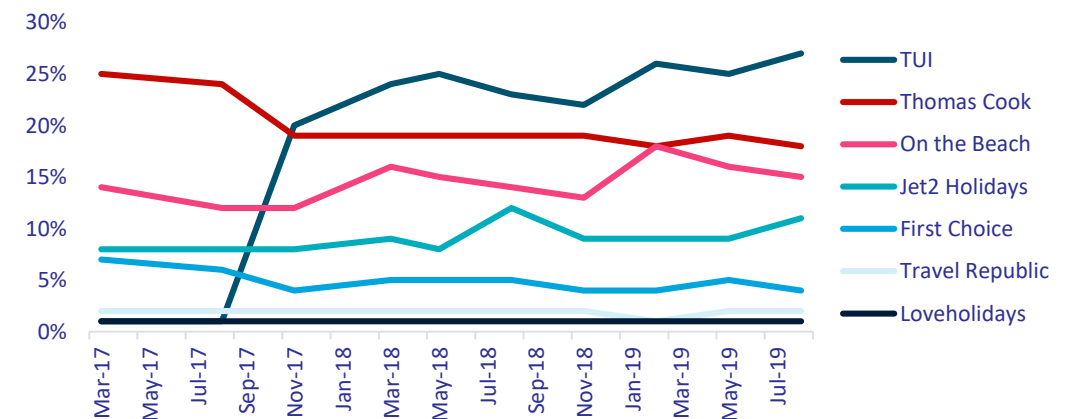
We continue to drive brand awareness through investment in online and offline marketing activity

- Multi-channel strategy supported by attributed in house bid modelling allows efficient share growth
- Overall spend on online marketing reduced from 37% to 33% of revenue
 - Branded share of traffic has increased by 6ppt YOY to 70% of overall traffic in FY19
- Largest ever investment in offline marketing
 - Prompted awareness has continued to increase by 6ppt YOY to 50% (H119 vs H118)
 - Prompted beach holiday consideration is now second highest in market post TC collapse
- Repeat purchase volume and rates continue to increase and complaint ratios continue to fall

Brand and free traffic as a % of total traffic



Spontaneous beach holiday brand awareness



Our core: Differentiate supply

Driving an increasing % of exclusivity continues to present a huge margin / volume opportunity

- Direct contracting function continues to perform in line with expectations
 - ~75% hotels directly contracted, >50% of revenues
 - Increasing % of sales into core differentiated hotels
 - Significant increase in Eastern Mediterranean
 - Resource added to contract long haul destinations
 - Increased investment into contracting platform

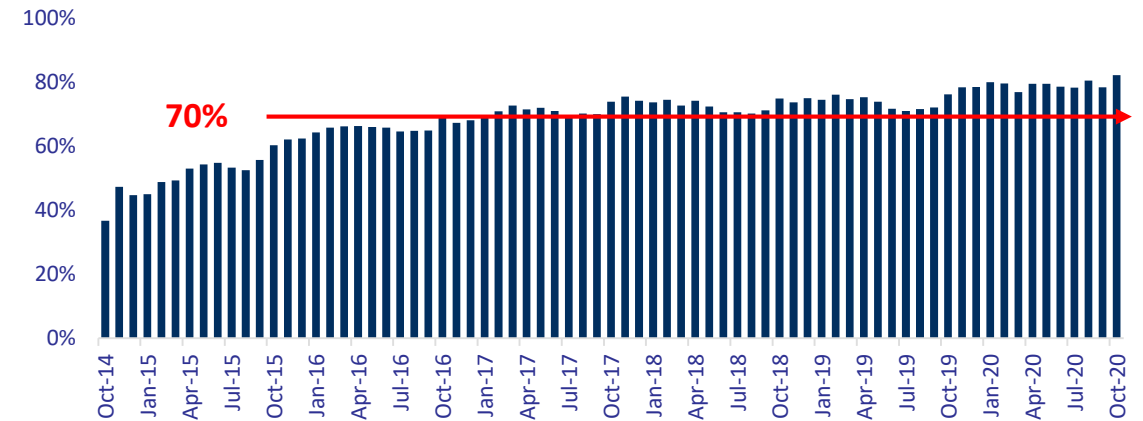
- Following the collapse of TCG a huge opportunity exists to contract TCG castles in top selling destinations

- In the aftermath of TCG we will use our differentiated hotel supply position to drive incremental market share gains

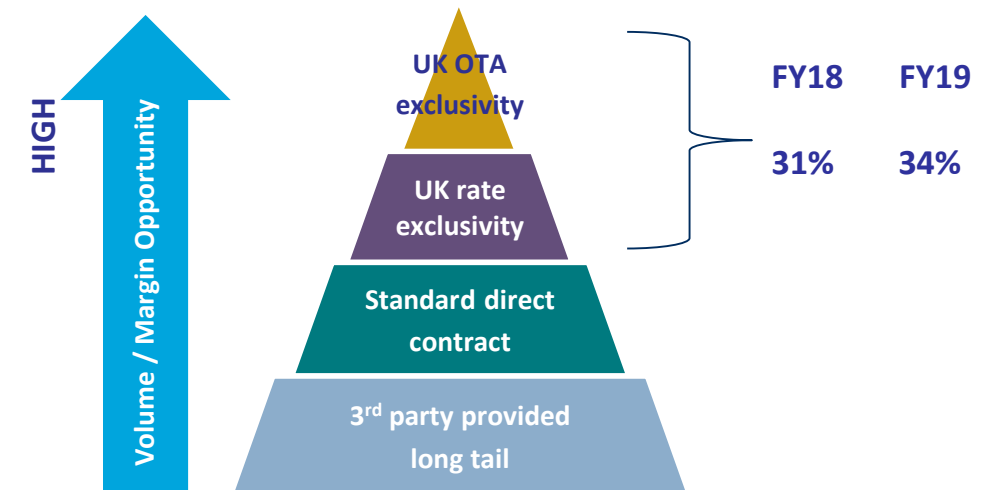
- Our B2B proposition, Classic Package Holidays, gives us a new sales channel for our differentiated hotel supply

- Continue to explore opportunities to backfill some of the seat capacity lost post TCG

Direct contracting - share of monthly arrivals



Hotel contracting: Incremental margin / volume opportunity



Our core: Personalise experiences

Our ambition is to drive a fully personalised and optimised cross-device experience for all users on all devices

➤ **Continued innovation supports improving RPUV**

- Smartphone 67% of total traffic
- 7% YOY increase in smartphone conversion in FY19
- 113% increase in app usage YOY

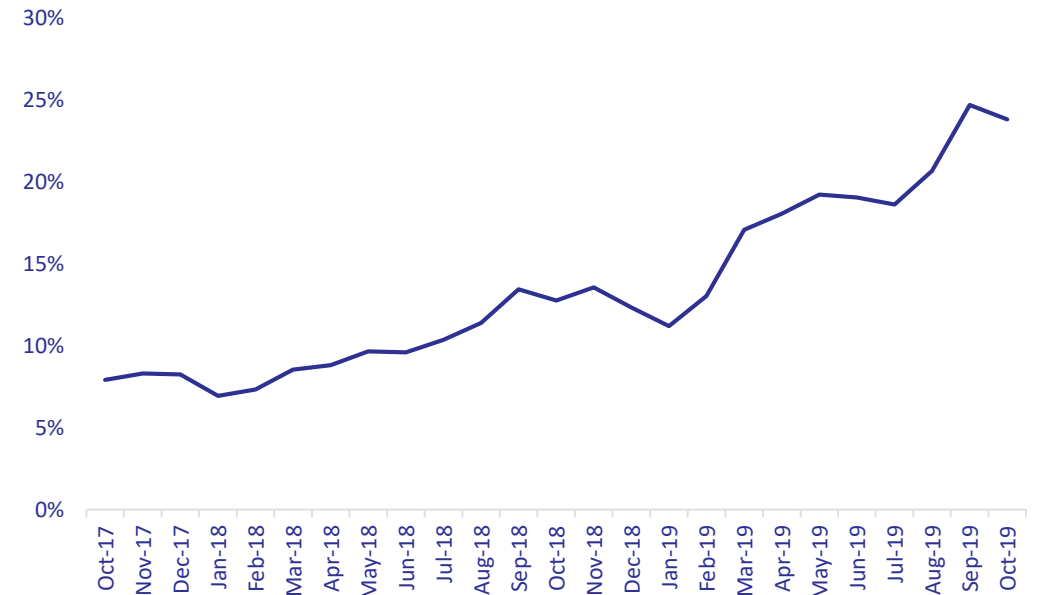
➤ **Continued improvements to personalisation technology in FY19**

- Mixed discipline development teams drive improvements to our ML-driven personalisation system
- Creation of cloud-native personalisation platform to accelerate development of personalisation technology
- Enhancing our capabilities to predict purchase intent

➤ **Suite of UX testing tools give immediate validation of new features**

- Quantitative testing of new functionality through split testing tool
- Qualitative lab based testing with groups of users

App usage as % all traffic FY18 – FY19



Our core: Inspire holidaymakers

Our Holiday Finder technology has been evolved and is now our primary search path

- **Package Travel Directive came into effect on the July 18**
 - Rebuilt deals engine powers new destination agnostic search
 - Customers compare deals across destinations and departure dates
 - All deals are personalised to the individual user
 - “Holiday Finder” path is served to c.80% of all searches
- **Building an opaque path is allowing us to develop functionality to reach a wider audience of beach holidaymakers**
 - International: Holiday finder functionality more common user experience in Scandinavian markets
 - Long haul: requires access to ITX (opaque) fares with scheduled airlines
 - Classic Package Holidays: An online portal for high street agencies and homeworkers

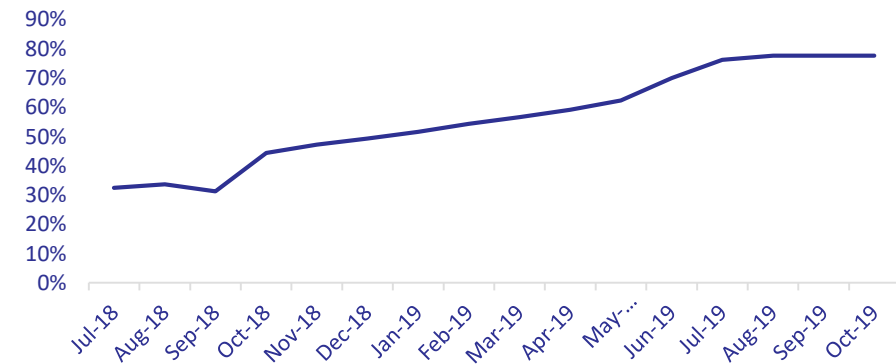
Holiday finder functionality

The screenshot displays the 'Holiday Finder' search interface. At the top, there are tabs for 'Flights - Hotel', 'Flight Only', 'Hotel Only', and 'Holiday Finder'. The search criteria are set to 'Where To: Tenerife', 'Departing From: Manchester', 'Departure Date: 19 May 2019', 'Nights: 7 nights', and 'Your Party: 2 Adults, 1 Child'. A search button is visible on the right.

The main content area shows a calendar for May 2019, with prices for each day. The 'Cheapest' date is highlighted in red (May 10th at £441). Below the calendar, there is a section for 'Fanabe Costa Sur' with a 4-star rating and a photo of the resort.

On the right side, there is a 'Chosen flights' panel with 'Change flights' options. It lists several flight options from Manchester to Tenerife South, including EasyJet and Ryanair, with departure times and prices.

Holiday finder as % all searches

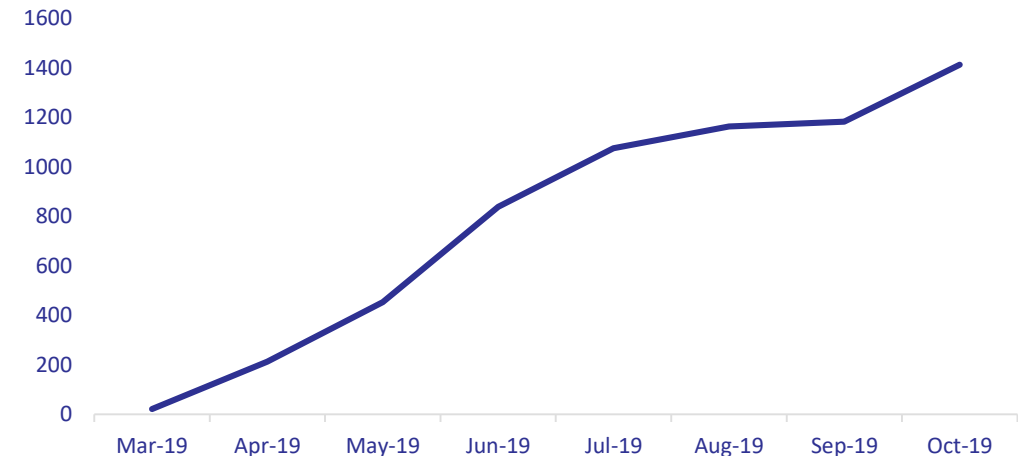


Expansion opportunities: B2B

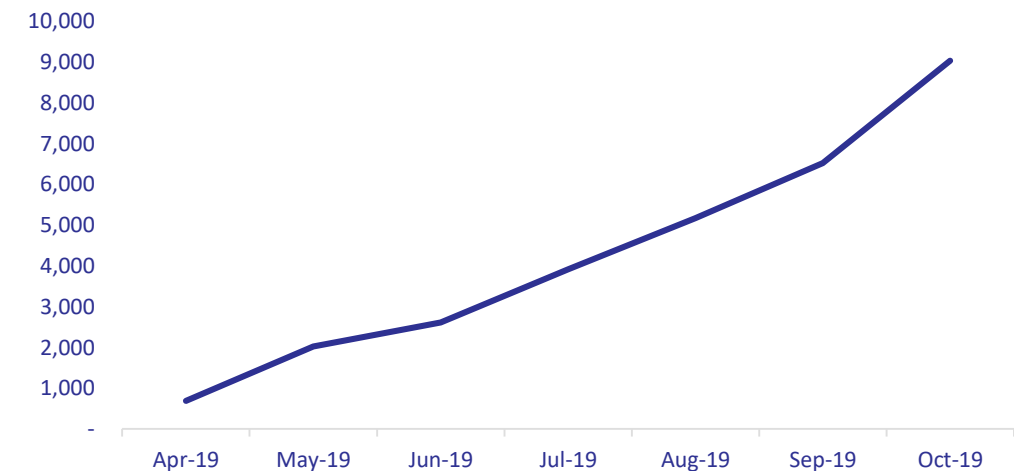
Our B2B online portal, Classic Package Holidays, now available in c.1,500 travel agents across the UK

- **Almost 40% of market - more than 5 million holidaymakers book short haul beach packages each year through an intermediary**
 - CPH portal built and launched end H1 providing bookable access to 3000+ short haul beach hotels
 - CPH support / service centre recruited, trained and scaled
 - Continue to activate agents throughout FY20
 - Invested in Classic agency sales team covering CPH and Classic
- **Now investing in the product portfolio of Classic Collection to include longer haul beach and an increase in tailor-made itineraries**
 - Long haul brochures launch in calendar Q1 20
 - Boutique and tailor-made product will be added to existing destination brochures
 - We expect the new products to have a significant impact on booked revenue in FY20 and flown revenue in FY21

Number of activated agents



CPH monthly platform usage (seasonally indexed)

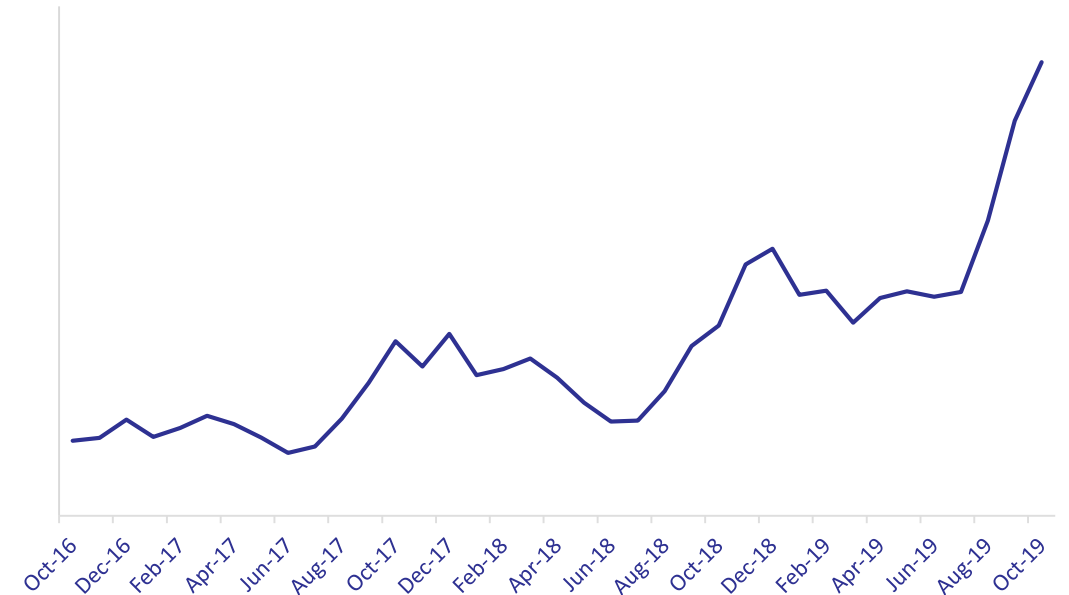


Expansion opportunities: Long haul

We continue to make significant progress selling long haul beach product

- **4 million holidaymakers in the UK book long haul packages each year with an ABV of £1,000pp+**
 - OTB site handles millions of searches pa for long haul destinations
 - Completed integrations with Emirates, BA and Virgin
 - Currently working on integrations with Etihad, Qatar and Turkish Airlines
 - Invested in resource to contract a portfolio of long haul hotels
 - Long haul portfolio will be made available through our B2B and luxury brands in FY20
- **Expect our long haul proposition to deliver further significant growth throughout FY20**

Long haul sales as % of total



Expansion opportunities: International

Sweden showed strong and efficient growth in H2

➤ Sweden

- H1 Sweden revenues adversely affected by failure of Primera
- Strong revenue performance in H2
- Strengthening brand share and repeat purchase driving marketing efficiencies with breakeven performance post marketing

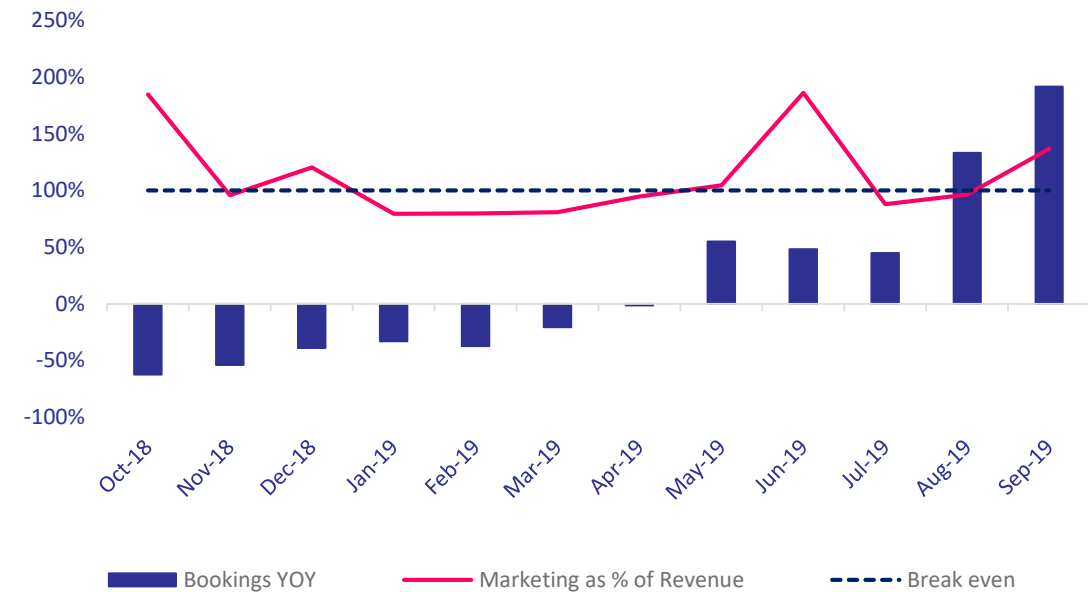
➤ Norway

- Continued to invest to drive share of market in Norway

➤ Further markets

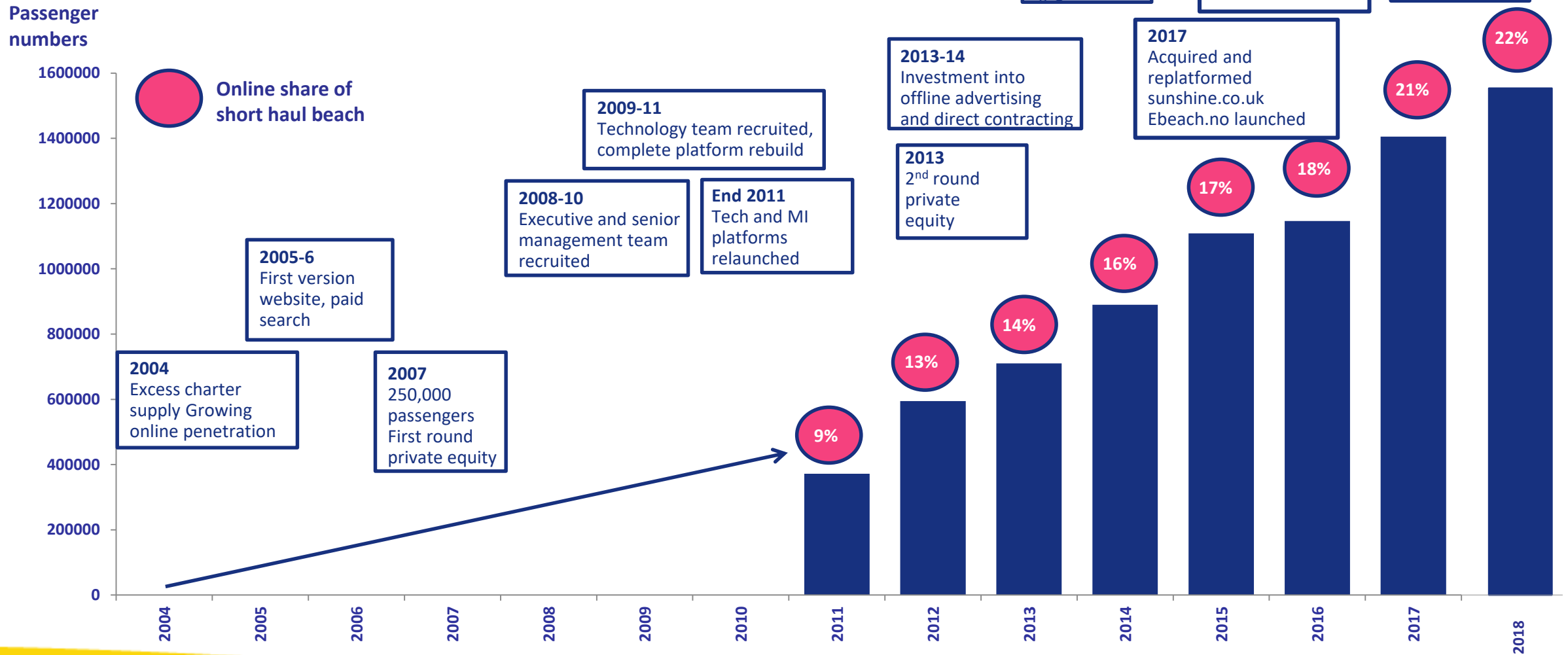
- Continue to evaluate opportunities to internationalise organically or via acquisition

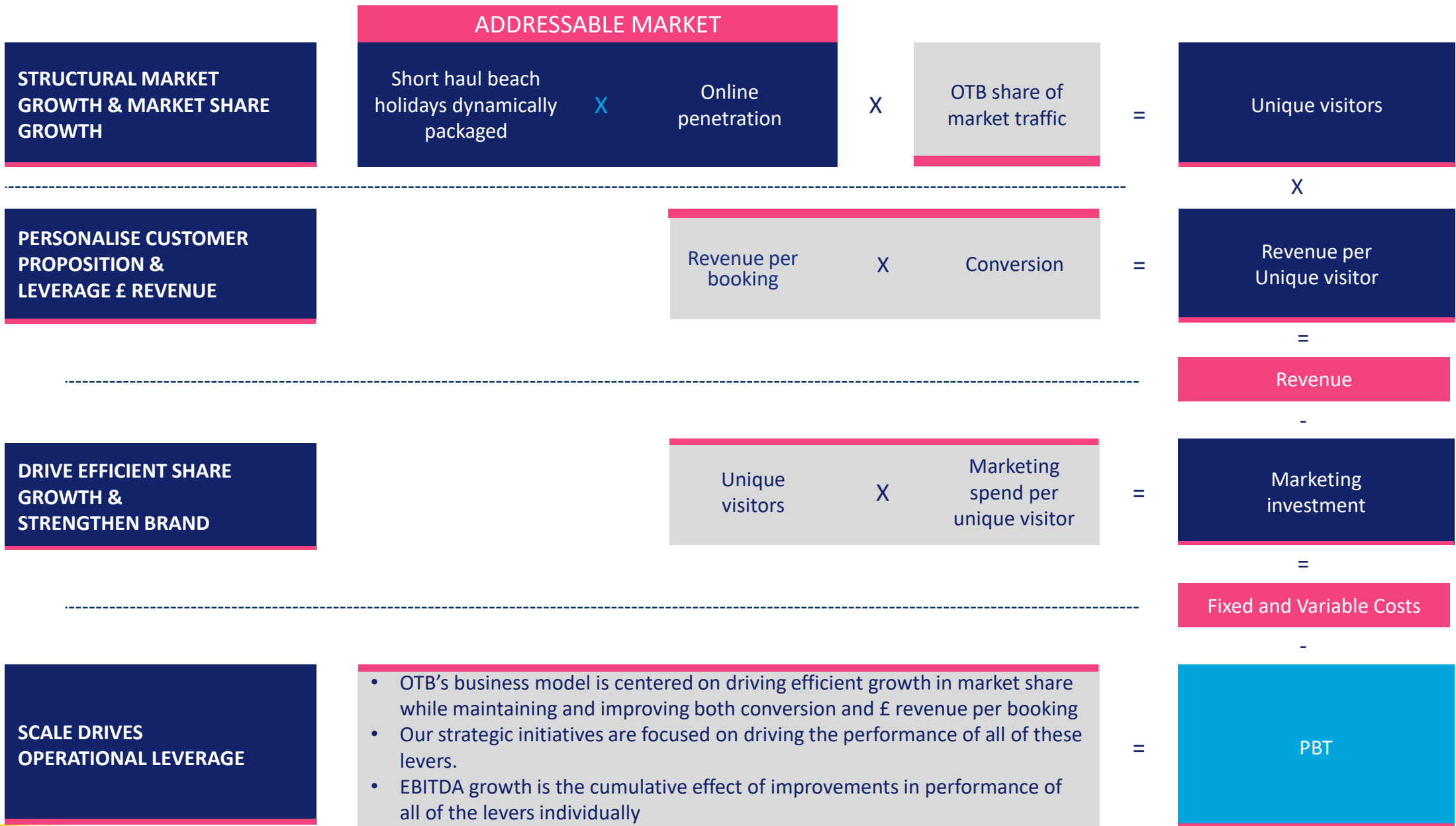
YOY Bookings and marketing spend as % revenues FY19



Appendix

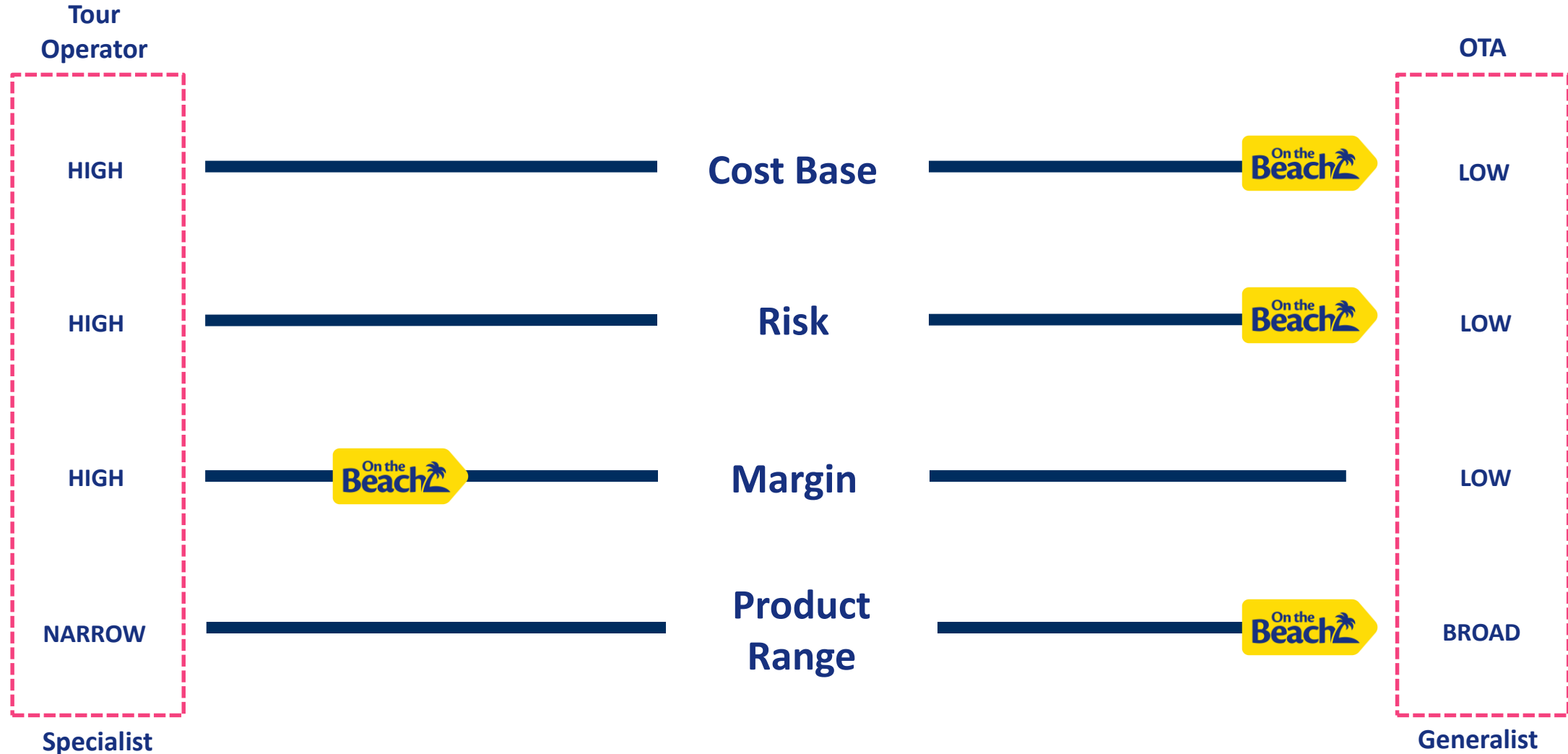
OTB History





Disruptive retailer of beach package holidays

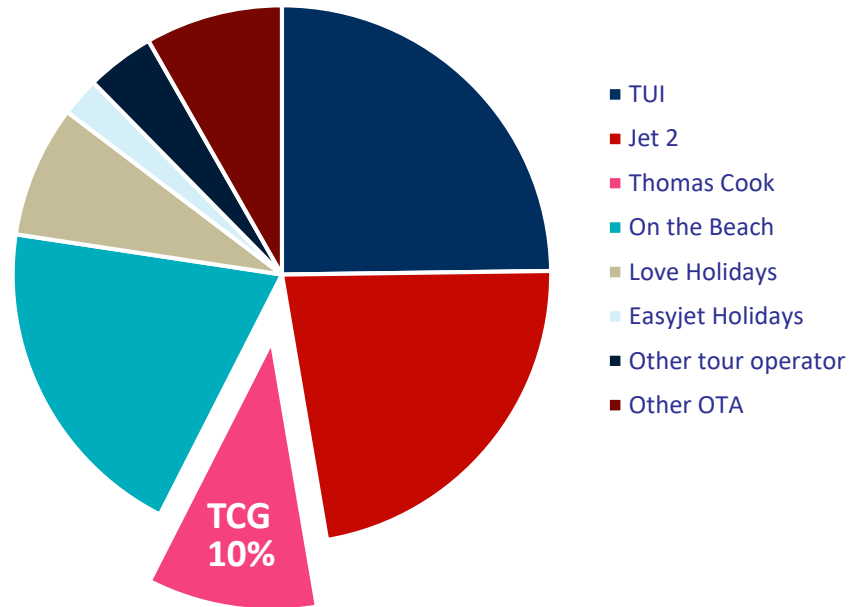
On the Beach has the product advantages of a tour operator with the model advantages of an OTA



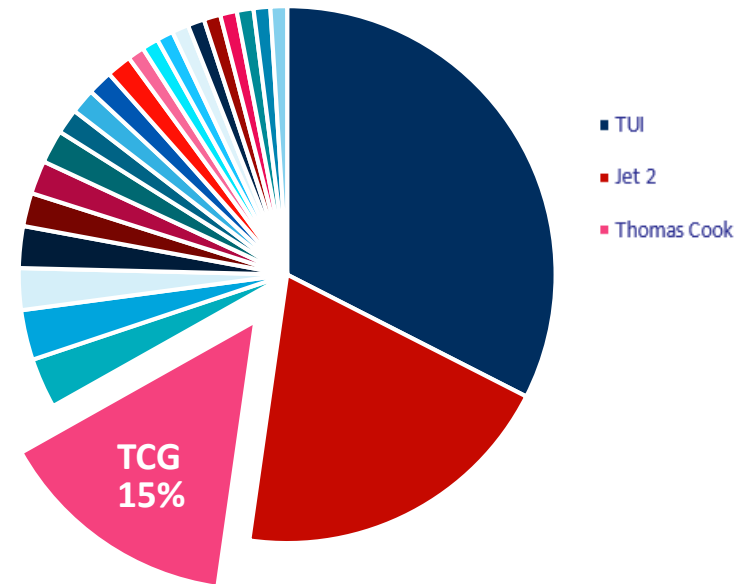
Estimated Market Share

Huge opportunities exist to build significant share of our core and adjacent markets particularly post TC collapse

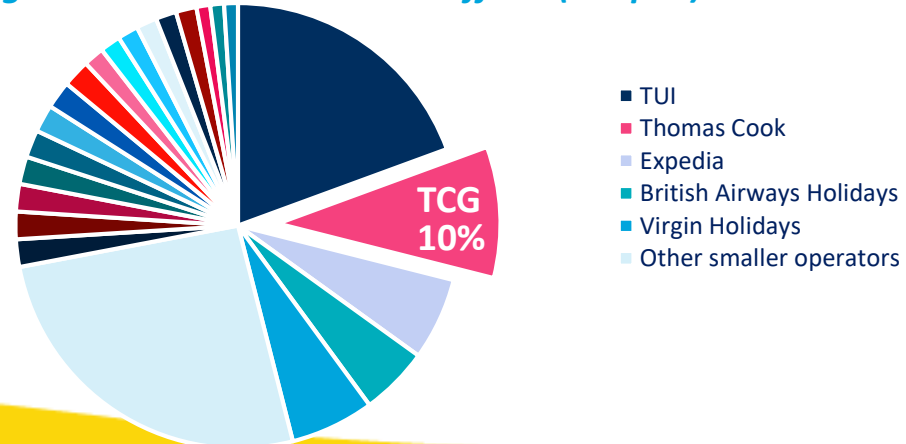
CORE MARKET: Short Haul Beach – Online (8m pax)



EXPANSION: Short and Long Haul Beach – Offline (8m pax)



EXPANSION: Long Haul Beach – Online and Offline (4m pax)



- Passenger data is based on authorised passenger numbers on ATOL holder licences. These numbers have been reduced by the approximate number of OTA passengers protected for flight plus car rental
- For listed businesses online penetration has been sourced from publicly available information. For smaller OTAs this has been estimated as being a high (80-90%+) % of sales
- For tour operators and airlines, destination mix (long haul vs short haul and beach vs non beach) and load factor is based on market data covering departing passengers per airline per destination per departure month

OTB Cash Flow - Seasonality

OTB peak booking trading period between January and June and travelled between May and September

Booked by month

- As an agent OTB revenue is recognised on a booked basis (gross margin / commissions)
- Calendar Q4 is quiet period
- Volumes increase following Christmas as customers start to research for the following summer

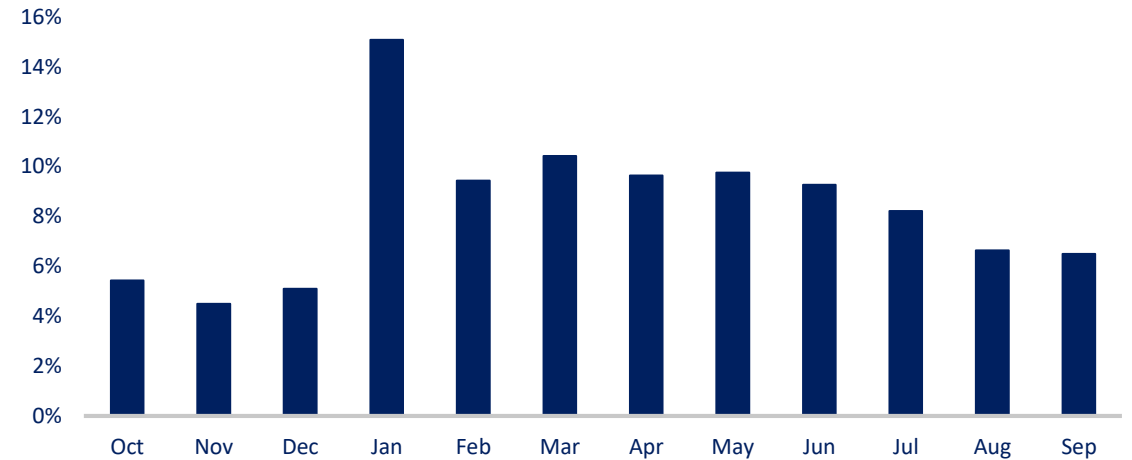
Travelled by month

- Peak departure months are May to September

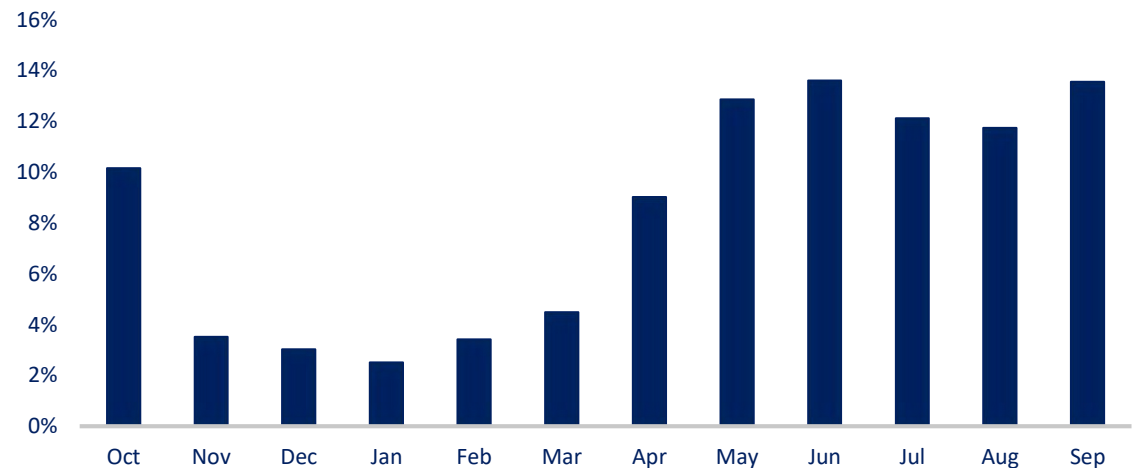
Funds Flow

- Invest in marketing and low deposits to drive bookings but margin and cash are earned on a travelled basis

OTB % Booked by month



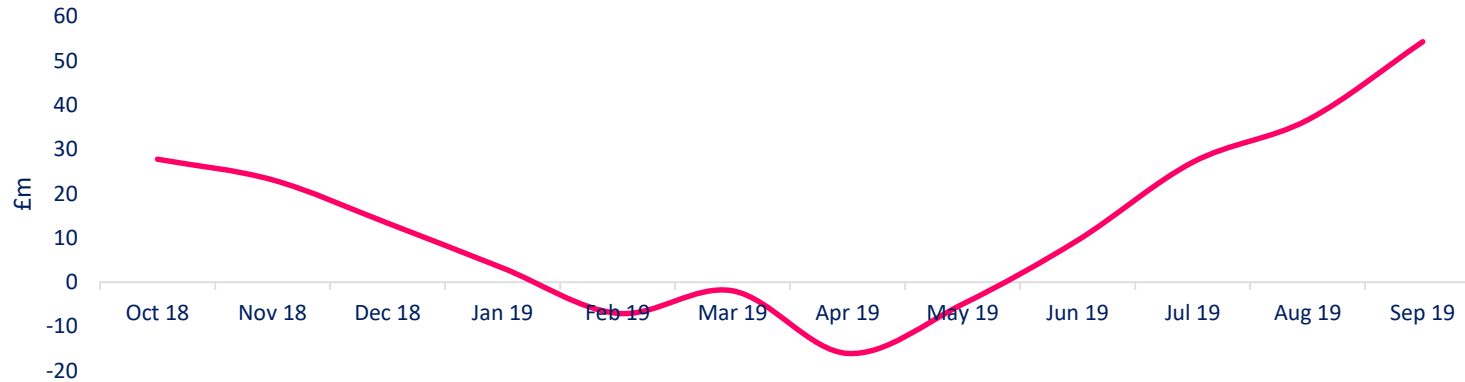
OTB % Travelled by month



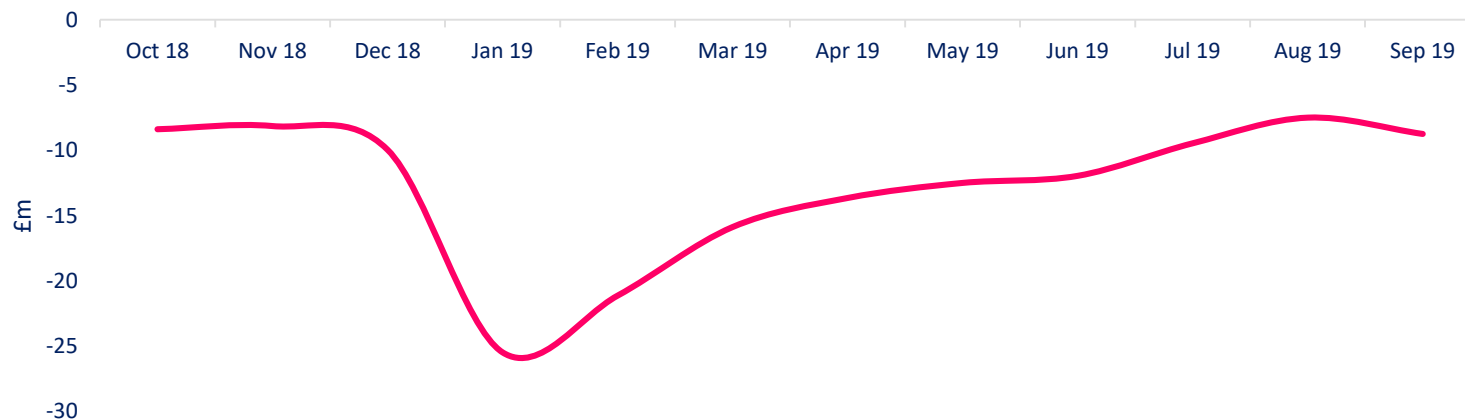
OTB Cash Flow: Cash Profile

Facility used to fund low deposits during peak trading periods between January and June

Bank balance profile



Funding of low deposits



- Annual cash cycle sees investment into working capital as bookings are achieved in Jan - June, with cash unwinding from the trust as customers travel
- Maximum RCF facility available was £28.5m, maximum drawdown in the year was £19.0m
- RCF has been extended to 2022 with a maximum facility of £50m