



Thomas Cook - Fosun Talks Confirmed

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Rupesh Tailor, Everest Research, 10 June 2019

- Thomas Cook has this morning confirmed weekend press reports “that it is in discussions with Fosun following receipt of a preliminary approach [to acquire Thomas Cook’s tour operator business]” but with the customary caveat that “there can be no certainty that this approach will result in a formal offer”
- We initiated last week (4/6/19) with a buy recommendation (see our [note](#)) on Thomas Cook’s € 6.25% 2022 senior unsecured notes at a price of 37.12 (yield to worst c. 53%) and took a long position of 3% in our model portfolio here. We also initiated on Thomas Cook’s equity with a speculative buy at 15.0p per share, taking a long position of 0.1% in our model portfolio here (noting the risk of complete loss here but also potential for as much as 16x upside)
- This morning the 2022 bonds are trading at a price of 49.52 (YTW c. 36%) and the shares at 19.35p per share, up c. 12.4pp (33% in market value terms) on the bonds and c. 29% on the equity from our entry levels last week. **We maintain our buy recommendation as per our [note](#) in which we outline why we see a going-concern break-up of the group as more likely than a near term administration or CVA and look specifically at the rationale for Fosun owning both its Club Med business and Thomas Cook’s Group Tour Operator. See also our weekend [blog post](#) on this**

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