Company Name: TUI
Company Ticker: TUI LN
Date: 2018-02-13
Event Description: Q1 2018 Earnings Call

Market Cap: 9,647.83
Current PX: 1642.50
YTD Change($): +102.50
YTD Change(%): +6.656

Bloomberg Estimates - EPS
Current Quarter: -1.420
Current Year: 1.257
Bloomberg Estimates - Sales
Current Quarter: 3195.000
Current Year: 19210.765

Q1 2018 Earnings Call

Company Participants

- Friedrich Joussen, Chief Executive Officer
- Horst Baier, Chief Financial Officer

Other Participants

- James Ainley, Analyst
- Tim Ramskill, Analyst
- Patrick Coffey, Analyst
- Tobias Sittig, Analyst
- Angus Tweedie, Analyst
- Mark Fortescue, Analyst
- Richard Clarke, Analyst
- Jeffery Howard, Analyst

Presentation

Operator

Ladies and gentlemen, good morning and welcome to the TUI AG Conference Call regarding Q1 Results 2018. At this time, all participants have been placed on a listen-only mode.

The floor will be open for questions following the presentation.

Let me now turn the floor over to your host, Mr. Friedrich Joussen and Mr. Horst Baier.

Friedrich Joussen, Chief Executive Officer

Good morning, and very sorry for, actually my delay. I'm running a little bit late, but I will be having enough time, and hopefully, you'll allow me the time as well.

So, turning directly into my presentation, I would like before I start showing you results on Q1 and preface for one change in reporting and explain a little bit why we are doing it. And on page number four, you see Destination Services, a separate line of reporting, which we will be opening effective now from Q1.

What is Destination Services? Destination Services is actually our activities in destination. So as you know, we are vertically integrated, we have actually sales and marketing, we have the flights, we have Destination Services as well as hotels. And when you look at the numbers, the numbers are impressive. We serve more than 12 million guests on transfers. We serve more than 4.5 million guests on tours and activities, so people who buy something with us.

And we believe this is actually a very strategic initiative, because of the several reasons. The first reason is, it is a market, which is growing and it is a market, which is actually still very diverse. So you have a lot of players with small market shares and we are already a giant in that market. We are market leading, and we believe we can be growing faster and that is actually the second reason. Because of -- we have talked about our new customer data and CRM platforms, and one of the results of customer data and CRM, that we are earlier with customer than anybody else in destination management, meaning, we will be in a position to offer excursions and -- in destination activities already when customers have actually not arrived in destination, and we will be playing that. I mean, that is a huge differentiator and therefore we will be growing faster. And we assume, that if we do it right, it will be one of the strong growth drivers also in the future.

So, you should expect some activities, you should expect some investment, you should expect an extension of our destination portfolio, you should expect an extension of our activity portfolio in the future, and some investments as well. And therefore, we have actually decided to separate this actually -- activity out and actually together, and this actually is now page number six. You know, historically, it was in our tourism and now, we have actually separate Destination Services out, the remaining part of our tourism goes to all other segments.

The Destination Services part together with hotels and cruises, and Destination Services will make holiday experiences. And we also have said that we believe that that kind of -- that this activity, this year, it is still actually very early days, will grow this 15% in profitability. So, it is already growing faster than the average. And we are just in the initial phase. So we believe it is the right thing to do, it is more clarity, it's one of the strategic pillars, and we call it, the hidden champion. We have to prove, it will be a hidden champion, but we are very confident.

So that said that, let me turn now to Q1. The Q1 was a strong one, up in turnover 9.1%, underlying EBITA up 58%; reported EBITA 35%; and we of course confirm our guidance, this 10%. When you look at the turnover a little bit less than half, 4.5% of the 9.1% are related to more customers, the other are related to higher prices. But you see also more customers that says something about winning market shares and being strong in the market.

That said, when you look at the bridge for the first quarter, you'll see we come, financial year '15, the first quarter was minus 89, last year was minus 60, this year it's minus 25. And when you see the bridge between minus 60 and minus 25, you'll see holiday experiences up 11, mainly driven by cruises. Sales and marketing, up 17, this is very good, I think 16 by trading of our central market, mainly is a very strong driver. Then you have minus 11, all other segments that is actually Corsair, mainly driving that result. And then we have actually two non-recurring effects, plus 38 from sales of two hotels of RIU and minus 20 for last time effect of the Air Berlin, Niki insolvency, which we booked.

Now, on Holiday Experiences, Hotels and Resorts, strong development, of course, you know, the aperiodic 38, sell-off RIU was important. But I think what is good is, our general occupancy is up 73 to 75. This is related to mainly that North Africa is now coming, particularly Egypt. In the bookings, we also see Turkey coming back strong. But of course in the winter, revenues you don't see it, because Turkey is not a winter destination. Also the openings of new hotels are in line and you see 35 openings since merger. So, we are progressing very well. By the way 60% of which are low capital intensity, and I think that's also stating that we invest where actually the returns are high, and where the returns are not so high, because the seasons are short or whatever, we don't invest.

Now, on cruises, the TUI Cruises and Marella Cruises, strong increases of the passenger days, both, around about 30% and at the same time increases of average daily rates. So, that shows how elastic the market is. Of course, occupancy in the yield environment is always 100%, it's clear. So, the yields go up and the capacity goes up. And capacity 30% up is not little, it is quite some time -- quite some number.

And Hapag-Lloyd, you see more or less a flat development, because we didn't add capacity and we had more drydocks. So that is something -- we have the new capacity on the expedition that kick in next year and not this year. But I can reassure you, it is a very positive market as well.

So, Holiday Experiences, Destination Services, turnover up 23%. And EBITA underlying at constant currency, I would say flat. There is also a change as we now treat it separately. Some of our Destination Services were treated as cost center in the past, some of them were treated as profit centers. Now everything is digital, everything is the same and so on, therefore, we have a little bit of phasing differences here. I want to reassure you, this year will be up 15% in EBITA. So, it is a strong growth driver.

Now when you look at the market, you'll see very strong development in customer numbers, every market, every region, increased their respective customer numbers, so we are taking market share. Unaided awareness, after the rebrand, very strong. I think particularly in the UK, you can see now 44%, four months after rebrand, very strong, online traffic intact, online distribution intact, direct distribution intact, when you look to the lower boxes. So, I would say that ticks all the boxes and is quite good. And you see here, in the lower box, right box, Central Region up 16. I always said, we are looking for turnaround in that area. And it is, I want to set [ph] three to five years. Now, we don't have the five years yet, we are in the third year, but you see some initial good indications, and I think that's promising.

Now, before I hand over to Horst, on the trading, I think the trading is all good. We have new openings, Hotels and Resorts, seven of which in summer '18, we have new ships for cruises, also for -- not only for next season, but for this season, thereafter Destination Services, we will be opening, that is one of the first investments, Jamaican DMC in April. And then sales and marketing, I mean, winter has been -- revenue up 6, bookings up 3, and summer, we are revenue up 8, and bookings up 6. I mean, it looks all -- it looks very promising. Turkey is coming back, and some of our markets more than 50%.

So, first the volume builds [ph] right now, of course then the yield systems kick in. So, we are very confident that we will be able to deliver on guidance.

And I would like to handover to Horst for the finance.

Horst Baier, Chief Financial Officer

Thank you very much. Good morning, ladies and gentlemen. I would like to go quickly through the P&L. Fritz alluded to the positive development as far as underlying EBITA is concerned, adjustments are roughly double the size as in the first quarter last year. However, that is a little bit phasing. We have included here some restructuring expenses for France and for Germany. Ultimately, we stick to our guidance of 80 million, and as you know, adjustments include the purchase price effect as well.

Net interest down; 27 million by 6 million, and the decrease is especially driven by our improved net debt position and somewhat higher interest income. That brings me to the income taxes, 20% underlying effective tax rate, you are always -- already familiar with that one.

Finally, minority interest sitting at minus 40.9 million. This represents the positive development of RIUSA II, which is the RIU company, which we're fully consolidating, and therefore Group result after minorities sits at minus 99.6 million, which is an improvement over the first quarter and fiscal year '17. And you can see that from the development of the basic EPS as well, which improved by EUR0.02.

That brings me to the cash flow statement and the movement in net debt. As far as working capital is concerned, it's slightly worse compared to the first quarter in fiscal year '17. To a certain extent, we see the reversal of some positive impact, which I have already guided on as we announced our full year financials in December '17. So, no special impact here, except from this reversal of some positive impact as per 30th of September.

Other cash effects are minus 56 million. Last year, we had a positive development. Within this minus 56 million, you have the settlement effects from derivatives and you have some cash outflows, which are due to the fact that we had to pay out some stuff, which we provided for.

At equity income, normal development, 45 million correction here, not too much dividends received from joint ventures and associates. Tax paid, somewhat higher compared to last year, however, normal development. And as far as the interest cash is concerned, we see some phasing as well. Pension contribution reduced because we needed to fund less money to the German pension fund, which gives us an operating cash flow of minus 1.3 billion roughly.

Net CapEx, in line with that what we expect for the full year. As far as net investments are concerned, positive. This includes the disposal proceeds of the three RIU hotels, which Fritz alluded already to, and our net pre-delivery payments are as scheduled. You know that we are re-fleeting our airline going to the 737 MAX. Free cash flow ultimately at minus EUR1.49 billion, same amount compared to the first quarter in fiscal year '17.

When you then move to the right hand side of the chart, you see the development of the closing net debt as per balance sheet. We have a net financial debt position of 874 million, which is an improvement over the 31st of December 2016 of roughly 600 million. So, a very positive development from my point of view. However, I have to mention at that point that we see some impact here from our disposals from our pre-funding as far as our transformation is concerned.

Moving on to an update on our Cruise fleet investment program. You have seen that we have decided based on very strong market development and on a strong demand to make use of the opportunity to order another ship within TUI Cruises, which is supposed to get delivered in 2023. This is a ship which will carry 2,900 passengers roughly. Acquisition costs will be around 650 million and you are quite familiar with the contribution of such a ship which sits between EUR25 million and EUR30 million. We are absolutely positive based on the development of demand in the German-speaking markets that this ship will be a success as we have seen it with all the other ships, and occupancy and development of average daily rates proves that we are here on a pretty stable track.

So, ship number seven is on the way.

As far as Marella Cruises is concerned, we stay on track with our re-fleeting. So, the UK cruise fleet is getting modernized and that pays out when it comes to ADR, and occupancy as fantastic as Fritz has explained.

As far as the financial needs are concerned, this additional CapEx within TUI Cruises does not mean additional funding from TUI AG. So, we are here in this ring-fenced model which is working perfectly fine.

That brings me to an update, as far as our reinvestment program, our transformation is concerned, you are already familiar with this chart, because I believe we are showing it now every quarter. Since 30th of September, we have spent some additional money, that is due to the fact that we have added seven additional hotels. So you can see that we have increased the cash out for hotels. And now, we still have a pre-funding sitting within our cash position, which is at EUR840 million. We are pretty much on track as far as our transformation is concerned. So, that is kind of the pipeline for additional hotels, which will come into our portfolio and we are fine as far as our plans in respect of Mein Schiff 1 and 2 are concerned. So, ultimately there is a remaining contingency of roughly 100 million available to us.

That brings me to the next slide, which gives an update on TUI Airlines. I already touch-based on the fact that we are re-fleeting our TUI Airlines. We are moving from the 737 NG generation to the 737 MAX generation. We got the first 737 MAX delivered couple of days ago to our Belgium fleet. In total, there will be 70 aircraft, which will ultimately replace all of the former 757s and the 737s NGs, which is quite good, because these aircrafts are very fuel efficient and they're efficient as far as the emissions of CO_2 is concerned. And on top of that, they have an increased flying range, which is good when it comes to destinations like (inaudible) which are pretty important to us.

As far as our aircraft financing is concerned, we will decide upon that on a case-by-case basis. So, as far as our balance sheet strength is concerned, we can go for operating leases, finance leases or we can even go for ownership, because the financing costs even for ownership are pretty attractive to us due to the good development of the company over time. That will not have an impact on our leverage ratio target range, which will stay between 3 times to 2.25 times as indicated in our guidance.

And that brings me ultimately to the last part of my presentation, the fiscal year '18 guidance. You are familiar with the 3% growth as far as sales are concerned, that does not include cost inflation. So it's kind of a volume growth indication.

Underlying EBITA, I know that you have all the different elements within your models. And on that basis, you probably understand that we will deliver at least 10% growth as far as fiscal year '18 is concerned based on all these elements, which are in the pipeline from our transformation and to a certain extent, based on the non-recurring effects of fiscal year '17. Adjustments are, as already alluded to, 80 million, net interest expense 120 million, underlying effective tax rate, 20%.

We stick to our guidance as far as net CapEx and investments are concerned. Net debt cash slightly negative. Leverage ratio, I just made a couple of remarks too, and interest cover stays within the same range as we have indicated to you in December 2017.

As far as our dividend per share is concerned , we will continue with the policy, which we have applied over the last years. We grow our dividend in line with the growth of underlying EBITA.

So far from my end, and now I would like to pass back to Fritz. Thank you very much.

Friedrich Joussen, Chief Executive Officer

Horst, thank you. So, turning the page, I think and doing some closing and summary remarks. I mean, when you look at our business, I think the next page shows quite nicely how we look at it. Holiday Experiences, now 60%, this includes our 59%, almost 60%. This includes now also Destination Services. So it is actually hotels, cruises and destination services.

We talk about a double diversification, we are active in more markets, and we are active in more destination and that adds resilience and adds actually risk -- natural risk hedge, if you like, in our business, and you see, despite the fact that things come up, and we have our concern, so on and so on, we deliver the underlying at least 10%, and that picture I think shows it quite nicely.

On the next page, you'll see, last year, we had average profitability increases of -- average was 12% [ph] and we promised for the next three years 10% -- at least the 10% and it's driven by investments and increasingly, and this is the dark blue part, increasingly by digitalisation benefits, and, when I talk digitalisation, I don't talk so much about digital sales. I don't talk about that we have a good presence to sell to customers. In Sweden, we are more than 90% digital, in UK, let's say 65% and in Germany 20%. We need to be where the customer is.

But, that's not the point. The point is, we have two big digital platforms. One is 20 million customers, cloud-based customer CRM selling services throughout the value chain and that of course we single out our Destination Services as one important ingredient in that equation. And also, our full offer digitized on the Blockchain basis and 100 million bed nights [ph] and 5 billion purchasing volume available globally, in a kind of let's say, touristic Blockchain environment. These are the two mega platforms, which actually will drive profitability as well.

And let's assume for a moment, we do at least 10% for the next three years, then you will have seen over six years, a company which doubled profitability without any additional capital raise. So, quite to the contrary, we paid a significant dividend, so how many companies have that and therefore, we believe the investment story into our share is a very good and very solid and sustainable one.

And the last thing I want to say before we open for questions is that we will have some additional information for you and I hope you have pencilled this into your calendars, on the 9th of May, we do our Capital Markets Day, this time focused on cruises. And guess what, you know, it's in one of our cruise ships. So, it is a good occasion that you also see one of our products and hopefully you are as excited about the product as I am.

And then of course, I want to highlight already from the 13th of December, the update of our annual performance, including an update of IFRS 16. So I think that actually gives you some additional information and hopefully illustrates more about the business, and you know afterwards more about the business than you know already today.

So, thank you very much for listening in and now we are available for your questions.

Questions And Answers

Operator

(Operator Instructions) And our first question comes from James Ainley, calling from Citi.

James Ainley, Analyst

Good morning, everybody. So I've got three questions please. Firstly, I mean just to hear about how hotel rates are evolving in the summer, especially in Spain as the demand -- at least demand [ph] improves? Secondly, if you could give us some -- maybe some more color about the UK demand, the UK consumer confidence, particularly if there are any changing patterns around, maybe duration or destination mix, perhaps you may get more squeezed? And then thirdly, if you can comment on German market with respect to the Air Berlin bankruptcy, how you're seeing that market evolve, if there is some improved demand there? Thank you.

Friedrich Joussen, Chief Executive Officer

Okay, James. Yes, our hotel rates -- hotel, demand is coming back in Turkey, and surprisingly, rates are still up in Spain. So it seems to be that it's so elastic. We see now more and more good source market mix in Spain. So I would say generally, I would assume that the Spanish rates and Spanish margin particularly in our hotels seem to be very stable.

UK demand, we were -- in December, you saw a little bit of weakening margins and that was the reason -- the reason was of course, because the pound was 20% diluted, and the cost [ph] on euro and dollar, it was difficult to incorporate all the margin pressure.

Now, that said, you know, in the winter and also next summer, you could have two hypotheses and it's interesting to see which one is the right one. The first one could say, the first hypothesis is, there is a little bit of weakening demand or let's say, still many customers go, we are talking about weakening demand, we are talking weakening margins. So there is a little bit of weakening margins to be precise. And because customers see the higher price level and therefore the higher price level changes pattern.

The other hypothesis could be, it's not the price level itself, it is the increase of the price level, which drives some -- the change. And the first time we can really judge about that is December or let's say the winter sales for '18-'19, because then that is not a change from '17-'18 to '18-'19, then it's the absolute level. And guess what, we have now opened the season, it's very, very early days, but it seems to be that winter will be very strong. And so next winter will be very strong. So it seems to be that it was more the change in price level than the price level itself.

Now that said, it's very early days, but I would assume that the demand is very resilient and we are planning for that.

German market last, and in winter, we have been a beneficiary of shortening of supply. We also build actually additional capacity, as you know. We took the -- that lease of Air Berlin back, seven of which we put into Eurowings, as net leases. We took another four aeroplanes, but of course, we retired two, so the net up figure was two. And we also acquired some slots in slot constrained Dusseldorf Airport. So we believe we will be somehow a beneficiary. And at least for the winter you have seen the '16, and also summer trading is very good. So, I think we will be fine. But the proof is in the pudding, we will see. So, but we are confident.

James Ainley, Analyst

Very good. That's helpful. Thank you.

Operator

And our next question comes from Mr. Tim Ramskill, who is calling from Credit Suisse.

Tim Ramskill, Analyst

Thanks, good morning. I have got three questions as well, please. And maybe Horst, if you could just spend a little bit more time running us through the thought process around the airline fleet and the potential for sort of owning more aircraft on the balance sheet, just maybe some sense as to the cost, overall cost benefit and perhaps accretion you could expect to earnings from a shift in that direction?

And the second question was just around your cruise growth plans. Obviously you've had a very rapid additions to the fleet up to 2019, and then there is going to be quite a meaningful gap until this new ship in 2023. Just want to understand kind of why that situation has risen and how you might plan to sort of shift ships between the German and the UK business? And if you think there's going to be a period of much better pricing, if you have a period where you're adding less capacity?

And then my final question was just around the Central Region. Fritz, you observed that you felt you could still see some early signs of improvement in the region. My interpretation of Q1 was that it was very much driven by the non-repeat of the one-off TUI fly costs last year and therefore, there wasn't really much obvious sign of improvements in May. So can you just help us understand the things we should be looking for in terms of profit and margin improvement in Central Europe, please? Thanks.

Friedrich Joussen, Chief Executive Officer

Horst, why don't you take the ownership?

Horst Baier, Chief Financial Officer

As far as the re-fleeting is concerned, we have improved as a company. As far as our rating is concerned, we are BB flat. However in discussions with banks and then with investors, there comes the message to us, we perceive you're already strong, we rather perceive you as a BB+ something. Two weeks ago, I was in Japan, which we are doing every year to have a road show in Tokyo for our financing houses, as far as (inaudible) finance leases are concerned, an appetite for aircraft from TUI is very strong.

People are saying to us, you have improved as far as your results are concerned, you're disciplined, so we rather would like in the special purpose vehicles, two aircraft than one aircraft. And this situation combined with the development of interest rates is kind of a unique opportunity from my point of view to adjust the philosophy, which we have had over couple of years as far as aircraft ownership was concerned. We typically operated leased aircraft in the past.

Now we are in a different place obviously, and combined with this very favorable market environment, we are looking into, how to finance aircraft on a case-by-case basis. And we will certainly update you whatever new deliveries will come through. We are already fine as far as our complete 18 deliveries are concerned, 16 deliveries more to come in '19, and at the time being this is kind of the task, which our finance guys have to deliver the best financing model for each of these aircraft, which will join the fleet in fiscal year '19.

Yeah, that is for the part as far as the aircraft financing is concerned. Second question was growth plans, Fritz, would you like to?

Friedrich Joussen, Chief Executive Officer

Cruise growth plans, yeah. I mean, it's an open secret that if you could buy more ships, then we could put in service more ships. We would do so. I mean, we -- last year and also last quarter, we increased capacity dramatically and still can increase yields. I mean, that is a very beautiful environment. The capital returns, by the way, of cruising today is 20%. And if you think about that you still have an increase in capacity, meaning you have investment and related costs without the related revenues and results, it's very clear that according to plan, the ROIC will -- the capital will even increase in the next years.

Now, that said, we still have some growth to come and the new Mein Schiff 1 and the new Mein Schiff 2 and we talked about Mein Schiff 7, now will come and we potentially will redeploy the old Mein Schiff 1 and the old Mein Schiff 2 into the UK, because also Marella Cruise is very strong.

If there was more capacity available, and we are constantly looking in stuff, maybe we can even do more, because there is a lot of cruise capacity, not new, but older cruise capacity, and we have also experienced, also how to run older cruise capacity once it's refurbished very profitably. But, that's not that easy. If it was so easy, by the way, I think we would see other returns, the returns would be lower. So, therefore it is a little bit -- the cruise is a little bit restricted, is good -- it's a bad message, at the same time, it's a very good message. And that's how I see it.

On the Central, I mean you can -- yeah, of course, TUI fly didn't reoccur, but you know I can also tell you, a bankruptcy of an airline like Niki or Air Berlin had a lot of collateral damage also in the last quarter. I mean, think about the regrouping, re-booking just we had to do because of the new insolvency. What we actually only have put in right now, the 20 million as a one-off effect, is actually the flying we did for Air Berlin and which could -- it didn't pay us last year and they didn't pay us right now, and therefore, we had actually to eliminate or actually show the losses right now.

Operational damage is actually not part of the 20 million, which we have shown. And I can tell you, more customers, higher margin in Germany in Q1. And therefore, I'm bullish that we are on right track. And also the first time, I see that more online, and we are talking about, let's say, an increase, of course on a small basis, you know, it's only 20%, but we are talking about now 20%, 30% higher online share in Q1, which is -- I don't say, the turnaround there is great, and so on, I only say, contrary to last year, I see now a new spirit and I see now the first things happening and therefore I'm more bullish on Germany than I have been a half-year ago.

Tim Ramskill, Analyst

Excellent. Can I just follow up with one very quick one on the cruise side of things in terms of the pricing outlook longer term? Would you see an environment where you have less capacity growth as beneficial for pricing or is it the case that new ships where you tend to get a premium price are part of the reason why you've enjoyed an increase in yield? How do those two things play out, please?

Friedrich Joussen, Chief Executive Officer

Both are true. Both are true. Newer ships create a premium. At the same time when you extend your fleet, you have another effect, and that is actually you also extend your routing, and you usually extend your routing into routes, which are not as attractive than the routes you had before. Because with a respective capacity, you do the most profitable routes first and then you go at lower profitable routes, but the diversity of routes is very important to customers as well. So you have two effects: newer ship, higher yields; more routes, lower yields. In general, I would say, the fundamentals of economy, if you have more demand than supply, actually creates a very healthy environment and all kind of marketing (inaudible) older ships and newer ships and better routes and lower routes, I mean at the end of the day, it's all fundamentals. And we know that the supply will be restricted for the next five to seven years.

Tim Ramskill, Analyst

Okay. Thank you very much.

Operator

And our next question comes from Mr. Patrick Coffey, who is calling from Barclays.

Friedrich Joussen, Chief Executive Officer

Hi, Patrick.

Patrick Coffey, Analyst

Hi, just two questions from me. Firstly on the UK, and talking about margin normalization, can you just clarify, how much extra investment is required in UK marketing this year in total? Clearly you previously flagged that you're going to see normalization of UK margins, but looking back to my old TUI travel model you saw margins at sort of 5% to 7% between 2012 to 2014. But at the time, this included some cruises. So can you just kind of help us understand what a normalized UK margin actually is?

And then the second question, hopefully a quick one. Should we be expecting any further restatements or changes to the reporting structure? Thanks.

Friedrich Joussen, Chief Executive Officer

Okay. Answer to the first one, 5 and -- 5%. And answer to the second one restatement, no.

Patrick Coffey, Analyst

Perfect. Thanks very much.

Operator

And our next question comes from Tobias Sittig, who is calling from Main First Bank.

Tobias Sittig, Analyst

Yes, good morning. Congrats to the results. And three questions from me please. Firstly, the restructuring in France, could you elaborate a little bit on what you're doing, how much that could reduce costs, and basically your level of confidence at France will finally breakeven or deliver a decent margin this year or next year?

Second one, your relative cost position, both for TUI fly and Corsair, were the things you have been doing, how do you look at that? Do you think they now have a sustainable cost structure that allows you to compete profitable in the market longer term or what do you need to do to get there?

And thirdly, the rebranding in the UK, could you give us a number on how much you spend maybe in relative to normal marketing budget this year on marketing in the UK to give us a feel on how much has been spent on rebranding still? Thank you.

Friedrich Joussen, Chief Executive Officer

France, the restructuring is going well. I mean, you know, the integration of Transat and TUI France is going well. Now, that said, you know, we had some influences of hurricanes in Caribbean and so on and so on, but the sustainable processes of France is intact. Second point was, and by the way, we are targeting, as we said, for this year breakeven. So let's see where it takes us, the season is long. And, but I said, it's intact, there is no reason to assume that we will not achieve it.

Now, the other one, on Corsair, is of course now the question of, we are definitely a small player and we obviously have said, we are looking at all alternatives now. That said, we have used low oil price to hedge quite some bit for the future. As you know we are running old aircraft and that is not playing positive. But it's also clear that we are -- it's not part of our two operating model ,it is a separate company. Of course, we will not do stupid things, but we are potentially not the best owner for that asset.

But that said, you also need to find a buyer and then you know the portion must be there and also our people need to accept it. I mean, we don't -- we don't want to do something that our people cannot accept the solution. So we are also clear about that. Yeah, but strategically it's not part of our offering.

And the last one?

Horst Baier, Chief Financial Officer

Rebranding.

Friedrich Joussen, Chief Executive Officer

The rebranding. Rebranding in the UK, we don't separate our other cost, I mean we -- or do we separate our other cost?

Horst Baier, Chief Financial Officer

No.

Friedrich Joussen, Chief Executive Officer

No, we don't. I just was looking to my financial colleague.

Horst Baier, Chief Financial Officer

It's all inclusive.

Friedrich Joussen, Chief Executive Officer

It's all inclusive. But I can reassure you that we, in all the rebrandings, in all the countries, we earned back the rebranding costs within a year. And I can reassure you, what I know right now from the UK, we will earn back the rebranding of the UK, within a year. I mean, we are up now on unaided awareness of 44%, our online traffic is up versus year-on-year, that is the main point, right?

So the main point is not physical rebranding, the main point is actually how much online bookings do you lose and that is actually unaided awareness, that's the first step [ph]. Second, you need to fine tune our web page search, you need to convert web page traffic into orders and the final is fully intact. In all instances, we are better than last year. And you could argue, it's a rebranding, you could argue, it's actually the commercial pressure we put, because we have more money in the ads. You could argue, Monarch insolvency plays a certain role, I don't -- but at the end of the day, I don't care as long as the numbers are what they are.

Tobias Sittig, Analyst

Okay. Thank you very much.

Operator

Our next question comes from Angus Tweedie, who is calling from Bank of America.

Angus Tweedie, Analyst

Good morning, guys. Two questions from me. Firstly on hotel occupancy, can you just talk about the trends there? Because you're down at the sort of three major brands, but up overall. I mean, is there signs of Turkey coming back? I mean, could you talk about that?

And then secondly, on Destination Services, I think I got it on the call, you were talking about 15% growth this year in terms of profits. Could you just help us understand perhaps your operational leverage there and how we should think about that business? Thanks.

Friedrich Joussen, Chief Executive Officer

Occupancy, yes it's true. It's mainly driven by actually North Africa and Turkey coming back.

Horst Baier, Chief Financial Officer

It's a little bit Tunisia, which in the -- Egypt is in there. It is not yet Turkey, because Turkey only starts in April, but it is all running pretty positively.

Friedrich Joussen, Chief Executive Officer

And on Destinations Services, I think what we show is -- we show revenues, on the external revenues. Of course external revenue also generate margin, so you can actually not divide that margin by revenues. I think when you look at the gearing of the business, you are talking 10% or so, right? I'll look to my colleague here. What is it? I cannot read. 8, it says, it's more around a little bit above 8 than 10.

I mean at the end of a day we are early -- very early days. We separated out the business, we have actually delayered the business, we have actually now fully digitized the business. So it's all in the cloud. Now, actually we are converging it. There are still -- part of the restructuring still takes place. We have now also the employment model, for example, for our employees, which changed [ph] to this model now and so on and so on, so there are so many changes right now.

The fundamental belief is, there is a sustainable differentiation versus all other players, and that is, we can say to customers before customers are in destination, and that is we believe such a great advantage. Because can you imagine, when you book a segway tour and you are in front of the blackboard of a hotel or if you book the segway tour when you are sitting before your travel, you're sitting over your couch at home, I mean this is such a difference. So don't read the small numbers right now, think about the bigger picture a year from now.

Angus Tweedie, Analyst

Lovely. Thank you.

Operator

Next up is Mark Fortescue, who is calling from Panmure.

Mark Fortescue, Analyst

Hello, good morning. Just two from me, please. One, on hotels and resorts, one on sales and marketing. Slide 10 for hotels and resorts was just touching on the profit bridge. If you are taking out the disposal profits there, it looks like the profit progress is pretty flat. You've got seven new openings in there. Is that mostly just a timing issue as to when those came into the business in the quarter? Just maybe a bit of context around what's coming in and what's leaving, given what looks like a relatively flat like-for-like profit performance.

Friedrich Joussen, Chief Executive Officer

And the second question?

Mark Fortescue, Analyst

Is on the sales and marketing. Just coming back to the point around the UK, so you talked about margins and the re-brand, just to sort of square those two points, the summer bookings are down 1% year-on-year, is that broadly where you thought you'd be given the efforts around the TUI re-brand, just to touch on that please?

Friedrich Joussen, Chief Executive Officer

Yeah, Horst, maybe take the second question, because I'm not 100% sure I understood.

Horst Baier, Chief Financial Officer

Maybe I'll start with the hotels, where you, yeah flexed out the disposal gain, and then said, this is only 3 million, up or 4 million up compared to the fiscal year one -- first quarter '17. We are in the very low season, we have October through December, not too much activity, and November and December, except Christmas. So you cannot expect a big uplift. Even though we have added seven hotels in that quarter, you cannot expect that these hotels are delivering from day one, 80% occupancy and are fully onstream. It's always kind of a build what you need. We will see this increase as far hotels are concerned, result wise over the next quarter -- quarters which are ahead of us.

Friedrich Joussen, Chief Executive Officer

And also more capacity drive usually higher losses in winter. I mean, also these hotels, you have a certain seasonality. Therefore, I think, you know, look at the -- we will have a strong growth for the whole year, that's very clear. I mean, when you look at the bookings for the full year, we have the visibility, will be quite nice. The bookings for summer, we have higher margins, but we also should have higher bookings, that was the reason why I am not was 100% sure for the UK.

Horst Baier, Chief Financial Officer

I think we haven't got the question exactly which you raised in respect of sales and marketing?

Mark Fortescue, Analyst

Just given the campaign around TUI re-brand in the UK, I might have thought the summer bookings would be a bit stronger, but you're saying, they're down 1% compared to where they were last year.

Friedrich Joussen, Chief Executive Officer

I think when you look at, the selling prices are up 3 [ph]. I think my view on this is, we are playing for the time being, the price margin equation that doesn't say anything, but our capacity is up. Therefore it will be more customers in summer and we will be taking market share, because we also have one competitor less. I mean that's also clear. Monarch, actually exited. By end of season, we will be fine. Now the -- of course for the time being, it is more the price margin equation we are playing, but we shouldn't be -- should not worry too much.

Mark Fortescue, Analyst

Okay, thanks.

Operator

Our next question comes from Richard Clarke, who is calling from Bernstein.

Richard Clarke, Analyst

Good morning. Three questions from me if I may, all I assume are hotels. First one is just on the RIU disposals. Can you maybe just tell us what you sold, why you sold it? And if there is any sort of signaling there that this is part of a wider strategy of asset rotation? And then, you haven't included the 85 million proceeds in your CapEx bridge on slide 19. Any reason why or on what that money might be useful? And then the third question is on the other hotels. Last year, you made, I think about a 60 million loss in the other hotels. Most of those are in, I think Turkey and Egypt, and Tunisia you've seen the occupancy come up as Angus correctly pointed out. But the loss seems to have widened a little bit in Q1. What are your expectations for the full year in those other hotels' profitability?

Friedrich Joussen, Chief Executive Officer

I think the hotels we are talking about are the Riu Romantica, Bachata and Merengue, all of them are actually, should have been refurbished. They have not been very profitable, therefore we said, you know, these are not the hotels we want to own long-term.

And on the Turkey, and on the other hotels, it will be Turkey, which actually will turnaround the whole thing or not, I mean that's also clear, Turkey is much bigger as a destination than all the other destinations. But the bookings are up in Turkey, 50%. So we have decided -- we talked about it, we have decided to extend leases in Turkey last -- just six months ago for the next season and of course at better rates and better conditions. But we believe Turkey will be a good value contributor. On the CapEx, Horst, I'm not sure.

Horst Baier, Chief Financial Officer

This chart 19, which you referred to is illustrating our transformational process. So, what we have done, we sold these three, so called, non-core assets and then when you go down to the right hand side, you see all the different elements where we spent the money. As far as the disposal proceeds from the three RIU hotels are concerned, these are part of our overall CapEx guidance. So it's sitting within the 1.2 billion, which I have alluded to, as far as our overall CapEx forecast for fiscal year '18 is concerned.

Richard Clarke, Analyst

Okay. And then maybe just on the -- whether these disposals are -- are these a signal that you are looking to do more kind of asset recycling going forward or were these three one-off hotels that you wanted to dispose off?

Horst Baier, Chief Financial Officer

We are reviewing our portfolio of hotels on a regular basis and we regard it as very operational exercise when you have such a portfolio of hotels that you look into the ones who may result in a very high disposal price, and compared to that, what you can get as an operational result from this hotel. So, it is again kind of a very rational approach as far as the portfolio of hotels is concerned.

Richard Clarke, Analyst

Okay, very clear. Thank you.

Operator

And our last question today comes from Jeffery Howard, who is calling from Stifel.

Jeffery Howard, Analyst

Yes, good morning. Just one question left. The line, all other segments, the loss there has moved from 11 to 23. I wondered if you could say what's happening there please?

Friedrich Joussen, Chief Executive Officer

That is actually Corsair dechecks [ph] 8 million.

Jeffery Howard, Analyst

I'm sorry. The 8 million from?

Friedrich Joussen, Chief Executive Officer

Corsair dechecks. So we --

Jeffery Howard, Analyst

Right, okay, Corsair, yes.

Friedrich Joussen, Chief Executive Officer

Need to go into dechecks, this is more or less explain the effect.

Jeffery Howard, Analyst

Sure. Okay. That's great. Thank you.

Friedrich Joussen, Chief Executive Officer

Okay, thank you very much. All the best from Hanover. See you latest on our ship in May. Thank you very much. Have a great day.