

# China's Fosun Group confirms Thomas Cook rescue bid

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The British travel agency has struggled with its debt pile

China's Fosun Group is considering nearly a billion dollar rescue of embattled British tour operator Thomas Cook, the Hong Kong-listed conglomerate confirmed Friday.

The Chinese company said in a stock market announcement that there are "ongoing advanced discussions" about a capital injection which would see a debt-for-equity swap at the British travel agency, which has struggled with its debt pile.

The deal would equate to a 750 million pounds (\$940 million) rescue of the London-based firm.

Fosun Group is already a minority investor in Thomas Cook—with a stake of around 18 percent—and owns French luxury holiday resort group Club Med which it bought for more than \$1 billion in 2015.

The plan, which is still subject to the approval of shareholders and regulators, would involve Fosun's tourism group taking a controlling stake in Thomas Cook's tour operating business and a minority share in its airline arm.

The British firm in May revealed that first-half losses widened on a major write-down, caused in part by Brexit uncertainty that has delayed summer holiday bookings.

In a note to the London stock exchange ahead of the market opening Friday, Thomas Cook said the "new money that would provide sufficient liquidity to trade over the Winter 2019/20 season and the financial flexibility to invest in the business for the future."

The group had total debt of about 1.9 billion pounds as of March 31, according to data compiled by Bloomberg, and its shares have tumbled 87 percent over the past 12 months.

"Fosun is hoping that Thomas Cooks' brand name and global reach will expand its business among wealthy Chinese tourists," Andrew Collier, managing director at Orient Capital Research, told Bloomberg News.

"Bondholders are expecting this synergy to work, otherwise they wouldn't convert debt to equity."

Shares in Thomas Cook dived almost 40 percent in early London trade Friday, having risen 20 percent earlier in the week on rumours of a Fosun bid.

"Thomas Cook's largest shareholder Fosun is in advanced talks with management over a deal that would effectively hand over the company to the Chinese firm. Shareholders face significant dilution—basically it's wipe out time, said Neil Wilson, chief market analyst at Markets.com.

The Shanghai-based Fosun Group conglomerate has been on a buying spree in recent years, and taking control of Thomas Cook would significantly expand its business in Europe.

As well as tourism it has interests in property, finance, pharmaceuticals, steel, and entertainment.

It is one of China's so-called "grey rhino" companies—along with Wanda, HNA and Anbang—that have come under growing scrutiny in the last few years from mainland authorities wanting to crack down on debt-fuelled foreign acquisitions.

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