
Commission approves €1.25 billion German measure to recapitalise TUI

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The European Commission has approved German plans to contribute up to €1.25 billion to the recapitalisation of TUI AG (TUI), the parent company of the TUI Group, as part of a wider support package.

The measure was approved under the State aid Temporary Framework.

Executive Vice-President Margrethe Vestager, in charge of competition policy, said: “As many other companies active in the tourism sector, TUI has been hit particularly hard by the coronavirus crisis. With this measure, Germany will contribute up to €1.25 billion to TUI’s recapitalisation and help the company weather the crisis. At the same time, the State will be sufficiently remunerated for the risk taxpayers assume and the support will come with strings attached to limit distortions of competition. I welcome the participation by private investors to the plan, as it limits the need for State aid while contributing to the recovery of TUI.”

The German recapitalisation measure

TUI is a German major leisure tourism group operating in several Member States. Through its various subsidiaries, TUI operates hotels, cruise ships, airlines, aircrafts, travel agencies, tour operators and online portals. TUI suffered substantial losses due to the coronavirus outbreak and the travel restrictions that Germany and other countries had to impose to limit the spread of the virus. Despite the liquidity support measures already granted to the company by Germany in March and August 2020 (under the schemes SA.59433, SA.56814 and SA.56863, as amended by SA.58021), the significant drop in travel demand and the measures implemented to limit the spread of the virus continue to deteriorate the financial situation of the group. As a result, TUI is currently facing a risk of default and insolvency.

Germany notified to the Commission, under the [Temporary Framework](#), a State recapitalisation of TUI of up to €1.25 billion. The recapitalisation comprises:

- €420 million silent participation convertible into TUI’s equity; and
- up to €680 million non-convertible silent participation (€400 million of which will

only be provided in case the envisaged €400 million in guarantee measures is not provided by the Länder or the Federal government); and

- €150 million of convertible warrant bond.

The Commission found that the recapitalisation measure notified by Germany is in line with Article 107(3)(b) TFEU and the conditions set out in the Temporary Framework. In particular, as regards:

- **Conditions on the necessity, appropriateness and size of the intervention:** The measure will not exceed the minimum needed to ensure the viability of TUI and will not go beyond restoring its capital position before the coronavirus outbreak. When assessing the proportionality of the recapitalisation measure, the Commission took also into account the other State aid measures in favour of the company in the context of the coronavirus outbreak.
- **Conditions on the State's entry, remuneration and incentives to exit from the capital of the company:** The recapitalisation aid will prevent an insolvency of TUI, which would have serious consequences on German employment and the economy. Germany will receive an appropriate remuneration for the investment and there are additional mechanisms to incentivise TUI to redeem the State's silent participation and the warrant bond obtained as a result of the recapitalisation. Germany submitted a business plan until fiscal year 2025 prepared by TUI to demonstrate the impact of the recapitalisation instruments. It also committed to work out a credible exit strategy within 12 months after the aid is granted, unless the State's intervention is reduced below the level of 25% of equity by then. If six years after receiving the recapitalisation aid the State's intervention is not reduced below 15% of TUI's overall equity, a restructuring plan for TUI will be notified to the Commission.
- **Conditions regarding governance:** Until the State has exited in full, TUI and its subsidiaries are subject to bans on dividends and share buybacks, other than in relation to the State. Moreover, until at least 75% of the recapitalisation is redeemed, a strict limitation of the remuneration of TUI's management, including a ban on bonus payments, is applied. These conditions aim at incentivising an exit of the State as soon as the economic situation allows.
- **Prohibition of cross-subsidisation and acquisition ban:** To ensure that TUI does not unduly benefit from the recapitalisation aid by the State to the detriment of fair competition in the Single Market, it cannot use the aid to support economic activities of integrated companies that were in economic difficulties already on 31 December 2019. Moreover, until at least 75% of the recapitalisation is redeemed, TUI is in principle prevented from acquiring a stake of more than 10% in competitors or other operators in the same line of business.

- **Public transparency and reporting:** TUI will have to publish information on the use of the aid received, including on how the use of the aid received supports the company's activities in line with EU and national obligations linked to the green and digital transformations.

The Commission concluded that the recapitalisation measure is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of the Member States: the measure aims at restoring the financial position and liquidity of TUI in the exceptional situation caused by the coronavirus pandemic, while maintaining the necessary safeguards to limit competition distortions. TUI does not hold a significant market power on the relevant markets on which it operates.

On this basis, the Commission approved the measure under EU State aid rules.

The recapitalisation measure is part of a larger recapitalisation package, which also foresees (i) a capital increase by private investors of up to €500 million, (ii) potentially up to €400 million in guarantee measures by the Länder or the Federal government (still to be agreed, see also above), (iii) a prolongation from March 2021 to July 2022 of a €500 million liquidity facility from the coronavirus programme of the Federal Development Bank (KfW), and (iv) a €200 million secured revolving credit facility to be provided by the KfW and other commercial banks.

(Commission)