Tui winter break warning sparks tumble in travel shares as IAG, easyJet, Ryanair and Rolls-Royce drop

A warning from Europe's biggest holiday company that Omicron fears are already hitting winter bookings sent shares in airlines and package getaway firms tumbling this morning.

The German-owned tour operator told investors that the emergence of the new, highly-transmissible variant and "increased media coverage of rising incident rates" has weakened previously positive momentum, "particularly for winter".

Tui had planned to ramp up capacity over the winter holidays and reach up to 80% of pre-Covid volumes, but today said if current trends continue it will strip this back to around 60%. Its stock fell as much as 6% on the update.

Shares in fellow package holiday group On The Beach fell as much as 2.3%, EasyJet was down nearly 3%, Ryanair down 2.2% and British Airways owner IAG down 1.8% after the update from Tui this morning – despite a wider rally for stocks. Rolls-Royce, which makes jet engines and earns revenue when they are in the air, slipped 2.5%.

Interactive Investor analyst, Victoria Scholar, said: "Omicron prompted an about-turn in sentiment as COVID-19 continues to dismantle any hopes of near-term optimism. Omicron threatens more pain ahead."

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The UK government has reintroduced pre-departure testing and PCR test-to-release on return from holidays as Omicron spreads.

Holidaymakers' fears of having to pay for hotel quarantine – which costs around £2285 per person – and of spending Christmas alone after being "pinged" after a flight have led many to cancel or postpone festive season travel plans.

Similar trends are being seen around Europe as restrictions tighten, to the detriment of hospitality and travel firms which are hugely reliant on busy holiday trade to see them through fallow periods. Ski season and winter sun revenues are also much-needed after a year of on-off lockdowns.

Tui, which has received several bailouts from the German state and slashed around a third of its workforce since the pandemic hit, issued the warning to investors as it reported a €2.5 billion annual loss, down from a €619 million profit in 2019. Revenues fell 40% year-on-year to €4.7 billion.

The deputy CEO of Upper Crust owner SSP also said his company is preparing for disruption from Omicron.

The listed food-to-go group is heavily reliant on tourism and commuter traffic, with operations in 300 rail stations and 180 airports worldwide. Around 72% of its portfolio is currently back up and running..

Jonathan Davies told the Standard: “Last week sales were down just 2% on the prior week. But we do expect some cancellations and we are hearing that in the marketplace… We are sort of steeling ourselves for a bit of volatility and disruption over the coming month or two.”

The company had begun generating cash in the months pre-Omicron as confidence returned, and sales were at around 66% of pre-Covid levels in recent weeks.

Now the firm is looking to the future and growth despite the virus. It recently signed a big contract with Paris airport and new business in Thailand and Malaysia. Bosses plan to open 200 new units, adding around £400 million to its sales lines over next two-to-three years. SSP shares rose 1.46%, or 3.4p, to 236.6p, this morning.

Tui also reassured investors, saying that Easter bookings for 2022 are already at around 90% of 2019 levels, and that its summer slate is currently “well booked”.