

Clearview

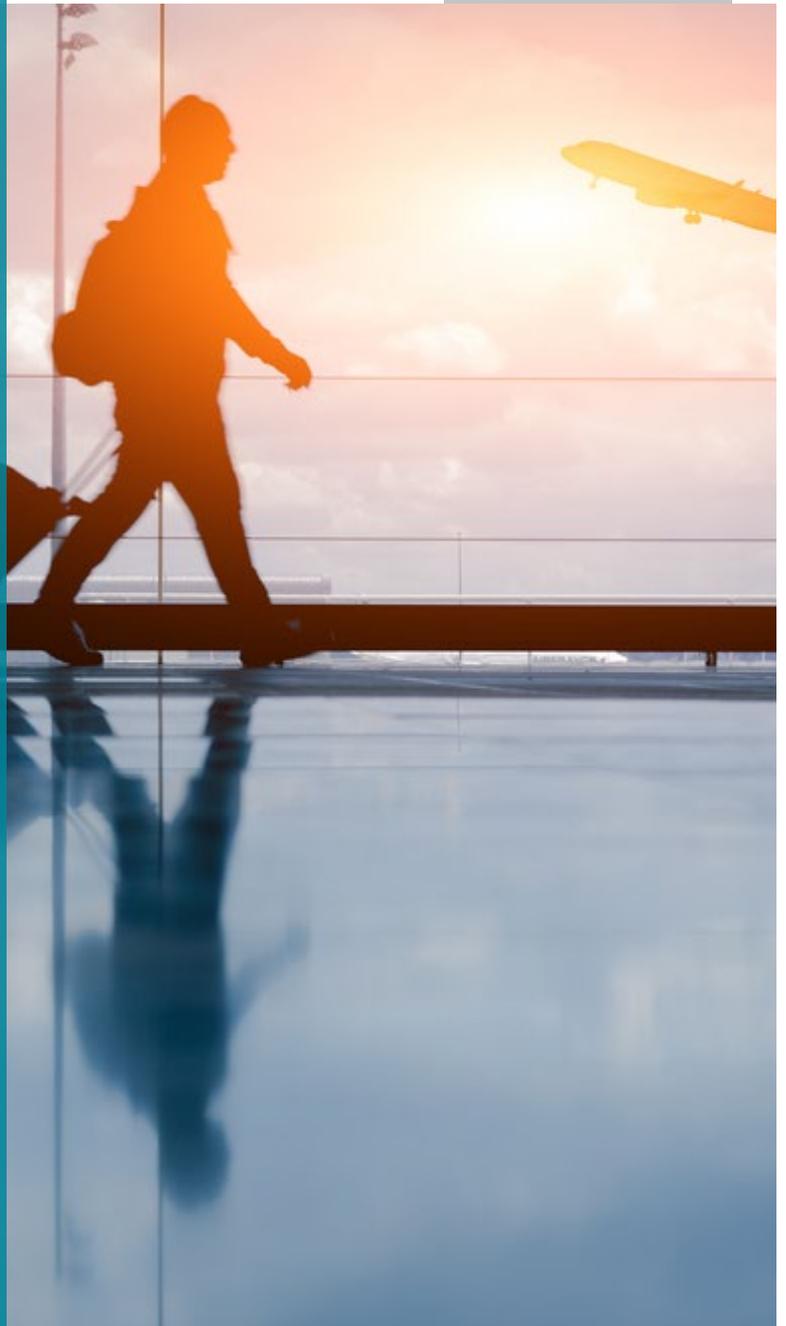
Spring 2019

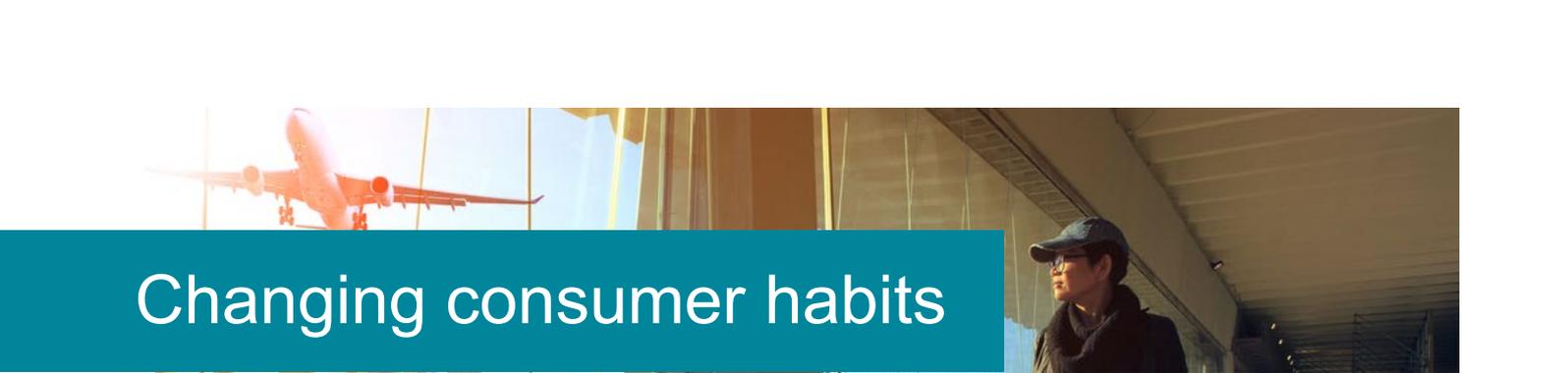
Travel

Growth in the UK travel market shows little sign of abating with the sector continuing to attract investors.

Inside:

- Changing consumer habits
- Market drivers including:
 - Skip-gen travel
 - Halal tourism
 - The conscious traveller





Changing consumer habits

Market overview

The growth of the UK travel market in recent years shows little sign of slowing. The market was worth c. €54bn in 2017, while last year more than 47 million overseas trips – and 61 million domestic trips – were taken.

Much of this growth continues to be driven by changing consumer behaviour as holidaymakers shun the traditional two-week beach break in favour of more flexible, exotic and experiential holidays. At the same time social media is playing an increasing role in holiday choices, with an estimated 61% of millennials influenced to travel to a destination by its potential for Instagram-friendly snaps¹.

As such, we continue to see significant growth in areas such as premium, online, escorted and niche specialist travel. These segments have also seen notable M&A activity in recent months, with private equity (PE) investors particularly active.

For example Nielson Holidays, a business that has capitalised on the increasing demand for activity and wellness holidays at the premium end, was bought by LDC. Other PE deals have seen:

- Tour operator On The Go Tours acquired by Alcuin

- Escorted rail holidays provider Great Rail Journeys bought by Duke Street
- Livingbridge acquire online travel agency loveholidays, and
- Silverfleet buy Riviera Travel, an operator of escorted tours for the over 55s.

In a trade deal, Classic Collection Holidays, which sells luxury beach holidays through branch-based travel agents, was acquired by listed travel business On the Beach.

Trends

The over 50s

The over 50s population is expected to represent 40% of the UK population by 2033², while three quarters of UK household wealth is concentrated in this age bracket. This older demographic is also becoming much more active, carefree and adventurous, increasingly looking for alternative ways of enjoying life and is becoming more inclined to travel.

This growing and wealthy demographic therefore represents an exciting opportunity for the travel sector. Companies have responded by making holidays friendlier to this generation by offering more managed, packaged, and escorted/guided holidays which provide high quality

experiences. As such, travel operators in this space are attracting significant attention from investors.

Skip-gen

Multi-generational travel has occurred for a number of years, however 'skip-gen' travel has now emerged as the latest trend, with travel advisers experiencing an increase in the number of requests for such trips; where grandparents take their grandchildren on holiday, leaving the parents behind.

The rise of skip-gen travel is attributed to the baby boomer generation who, in the midst of retirement age, are prioritising travel and family and are looking for ways to combine the two. Such trips are typically planned around certain milestones in a grandchild's life.

Increasingly tour providers are targeting this growing travel group, which requires activities with cross-generational appeal.

Cruising appeals to skip-gen as it caters to a variety of ages, offering diverse itineraries and on-board activities that are tailored to the guests. Therefore, multigenerational cruising is likely to see an increase in popularity.





Market trends

Halal tourism

Leading operators in the market are waking up to the growing spending power Muslim travellers have; forecast to spend \$220bn (c. €193.5bn) by 2020³, driven particularly by millennials.

In the travel space we are seeing more Muslim-friendly platforms springing up. For example, Halalbooking.com, a travel search and booking website, has rapidly increased its accommodation portfolio with the aim of listing 10,000 properties. The London-based company is expecting to achieve revenue of at least \$40m (c. €35m) in 2019 with a target valuation of \$1bn (c. €885m) in 2022⁴.

Compared to the already well established online travel agent market, halal tourism e-commerce is still in its infancy. However it is a market that will grow quickly, and so it wouldn't be surprising to see some M&A activity in the space.

The conscious traveller

Interest in sustainable travel is growing rapidly. According to Booking.com, today's global travellers would rather skip a holiday altogether if they feel their visit there would negatively impact the locals and the environment. ABTA, the UK travel trade association, believes consumers are now choosing their tour operator and resorts based on relative sustainability profiles. Consumers' focus on the avoidance of single-use plastic is now beginning to influence resort choice, with many resorts advertising their sustainable practices of refilling bathroom amenity bottles, using bio-degradable refuse sacks and moving to recyclable straws. We expect this to be a continuing trend in the holiday resort market.

Bite sized travel

As the length of holidays is shrinking, travellers are squeezing in more curated travel itineraries into shorter time frames. This is driven by improvements in flight routes, reductions in the price of

flights, on-demand car rentals, and increased choice of accommodation. Indeed according to ABTA⁵, city breaks are the most popular type of holiday, ahead of beach holidays, and Booking.com has released data suggesting that 53% of global travellers plan to take more weekend breaks in 2019⁶.

The rise of more frequent, shorter breaks means more business for local economies, especially when more people opt for staycations. Staycations are still an extremely important market in the UK. For example in 2017 alone, 56% of all adults staycated and 74% were planning to do so in 2018⁷.

Conclusion

Despite wider economic and political concerns caused by Brexit, the UK travel industry is continuing to hold its own and investors still see huge opportunities in the market, as demonstrated by the large number of deals we saw in 2018.

This continues the trend of the steady flow of transactions we have witnessed over the last few years with many players in the travel industry attracting the interest of PE investors looking for strong growth opportunities. We are likely to see further secondary buy-outs, which were a particular characteristic of the market in 2018, as businesses grow and existing PE investors look at their exit options. Trade acquirers will also continue to improve their growth rates through M&A.

- 1: The Telegraph
- 2: Saga annual report (January 2018)
- 3: Global Muslim Travel Index (GTMI) 2017
- 4: Arabian Business
- 5: ABTA Travel Trends Report 2018
- 6: Booking.com
- 7: Sykes Cottages

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Recent Transactions

  <p>LIVINGBRIDGE</p> <p>raised debt finance from</p> <p>PERMIRA</p> <p>to support the acquisition of</p> <p>loveholidays</p> <p>Acquisition finance Undisclosed</p>	  <p>Away Resorts YOUR HOLIDAY HERCULES</p> <p>sold to</p> <p>LDC</p> <p>Sell-side Undisclosed</p>	  <p>Palatine private equity</p> <p>MBO of</p> <p>Verdant Leisure</p> <p>Buy-side Undisclosed</p>	  <p>blm</p> <p>raised untranche debt funding from</p> <p>ARES</p> <p>Refinance Undisclosed</p>	  <p>EUROPEAN CAMPING GROUP</p> <p>sold to</p> <p>Homair CAMPINGS-VILLAGES</p> <p>Sell-side Undisclosed</p>
  <p>Vacanceselect</p> <p>sold a portfolio of 7 accommodation sites to</p> <p>SwissLife Asset Managers</p> <p>Sell-side €113m</p>	  <p>THE CARLYLE GROUP EUROPEAN CAMPING GROUP</p> <p>acquired</p> <p>PALMIERS OCEAN</p> <p>Buy-side Undisclosed</p>	  <p>Morgan Stanley Paris Inn Group</p> <p>sold a 3 hotel portfolio in Paris to</p> <p>SwissLife Asset Managers</p> <p>Sell-side Undisclosed</p>	  <p>Odalys VACANCES</p> <p>sold a portfolio of outdoor accommodation sites to</p> <p>Sofity SOCIÉTÉ EN PARTITE DE DROIT FRANÇAIS CAPITAL PER</p> <p>Sell-side Undisclosed</p>	  <p>VACALIANS</p> <p>sold a portfolio of nine accommodation sites</p> <p>Sell-side Undisclosed</p>

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