



Clearwater International

Travel sector update
January 2024

Foreword

Welcome to Clearwater's annual review of the travel sector.

"Despite the challenging market conditions, 2023 was a strong year for Clearwater's growing consumer sector team, particularly in the travel sector, and we are optimistic that 2024 will be better still.

The resurgence of travel M&A activity coincides with the strong post-pandemic recovery seen across the sector, as the long-term structural tailwinds driving the growth of both business and leisure travel have reasserted.

The recent easing of cost-of-living pressures on the consumer provide further cause for optimism.

Our team is also seeing increasingly positive sentiment amongst strategic acquirers, an encouraging sign given the particularly one-sided nature of travel M&A activity throughout the 2010s, when private equity transactions represented the vast majority of deal flow."

Christopher Jones



Christopher Jones
Managing Partner
and International
Head of Consumer

A year in review: 2023

Clearwater International's consumer team have been at the forefront of the post-pandemic rebound in travel sector M&A

2023 in review

4

travel sector transactions closed

No. 1

UK mid-market advisor in travel in 2023

£0.5bn

of travel sector transaction value in 2023

3

new recruits into the UK consumer team

Clearwater's key stats



400+

Employees

Deal statistics

over 43% of deals involve private equity



over 150 deals completed each year



64% sell-side

36% buy-side

Clearwater International's consumer team completed more UK deals in the travel sector than any other adviser

KeyBank Capital Markets

ROCKPOOL.. sold to MAYFAIR EQUITY PARTNERS

Sell-side \$100m>

ICG on its investment in Direct Ferries a portfolio company of LIVINGBRIDGE

Buy-side Undisclosed

Primary on its investment in diversity travel

Buy-side Undisclosed

FLIGHT CENTRE TRAVEL GROUP™ on its acquisition of Scott Dunn

Buy-side Undisclosed

* Clearwater team member advised Flight Centre in prior employment.

The sale of TrustedHousesitters to Mayfair Equity Partners

TrustedHousesitters is the leading travel solution for pet people, which connects pet owners with pet sitters around the world.

Pet owners can find verified sitters to look after their pets while they're away from home and, in return, sitters are able to visit destinations across the globe for a unique and rewarding travel experience.

Clearwater, along with our US partner KeyBanc, were retained by the shareholders of TrustedHousesitters to explore a sale of the business in 2023. Given the global nature of TrustedHousesitters (the US is its largest market), our sale process involved counterparties from across the US and Europe.

The sale marks an exit for investor Rockpool, who will also be reinvesting alongside Mayfair. The transaction values the business at over \$100m.

The Clearwater team




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ROCKPOOL..
sold

to
MAYFAIR
EQUITY PARTNERS

Sell-side
\$100m>

Clearwater's 2023 travel transactions

In addition to TrustedHousesitters, the Clearwater consumer team members completed three other travel deals in 2023

January

 	<h3>Flight Centre takes over luxury operator Scott Dunn for £121m</h3>
 <p>on its acquisition of</p> 	<p>Scott Dunn is a multi-award winning, guest centric brand specialising in tailor-made, luxury holiday packages, with operations in the UK, US and Singapore. The acquisition represented a strategic opportunity for Flight Centre to increase their exposure to luxury customers and the UK/US source markets in line with Flight Centre's growth strategy.</p>
<p>Buy-side Undisclosed</p>	<p>Team: Charlotte Astleford*</p>

June

 	<h3>Clearwater International advises ICG on its partnership investment in Direct Ferries</h3>
 <p>on its investment in</p>  <p>a portfolio company of</p>  <p>LIVINGBRIDGE</p>	<p>Direct Ferries is the world's largest ferry ticketing business, selling over 1.4m tickets from 4,000 routes in 200 end markets across the globe. The company aggregates ferry routes, times and prices from more than 250 ferry operators and allows customers to find the right sailing, anywhere in the world.</p>
<p>Buy-side Undisclosed</p>	<p>Team: Christopher Jones and Gregory Cornes</p>

September

 	<h3>Clearwater International advises Primary on its investment in Diversity Travel</h3>
 <p>on its investment in</p> 	<p>Diversity Travel is an international travel management company servicing the humanitarian, academic and not-for-profit communities. The business also uses its deep experience of academic travel to provide educational tours for student groups under the Diversity Study Trips brand.</p>
<p>Buy-side Undisclosed</p>	<p>Team: Christopher Jones and Gregory Cornes</p>

Client testimonials

Clearwater has one of the largest and most experienced teams in the UK travel sector.

"Thanks to Clearwater and KeyBanc's guidance, expertise and belief we have achieved a fantastic exit and a great new partner going forward. The way they sequenced the buildup, corralled all the parties and got us into a competitive bid situation was very impressive. The final negotiations were expertly handled and then the shift put in by the deal team over the last few weeks to get it done in a very tight timeline has been remarkable."

Mathew Prior, Chief Executive Officer, TrustedHousesitters

"It was a pleasure working with the Clearwater International team. Their combination of deep travel expertise and deal acumen was crucial to delivering a successful transaction."

Mark Piasecki, Managing Director, ICG

"Clearwater's deep understanding of the business, the sector and the debt market was invaluable throughout the transaction and we would like to thank them for their exceptional support and advice."

Alec Parkinson, Partner, Primary

*Charlotte Astleford advised prior to joining Clearwater International.

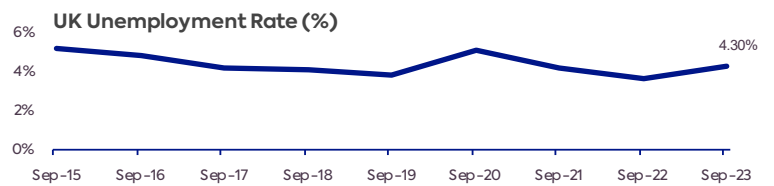
Sector outlook: reasons to be cheerful

Despite the relentlessly negative headlines, the consumer sector has held up far better than expected, and the outlook is improving as cost-of-living pressures ease

Key points



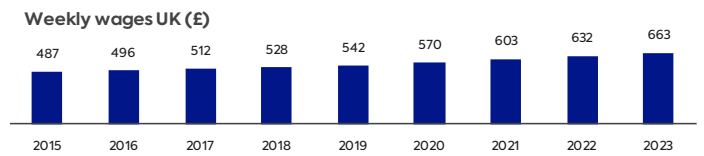
Unemployment remains well below the historical average rate



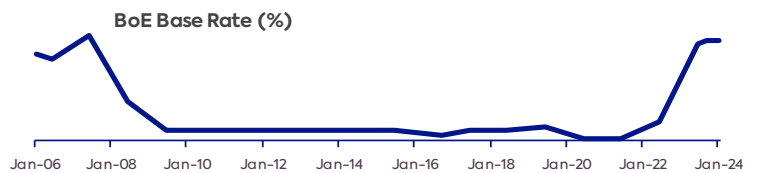
Inflation has fallen significantly from its peak in January 2023



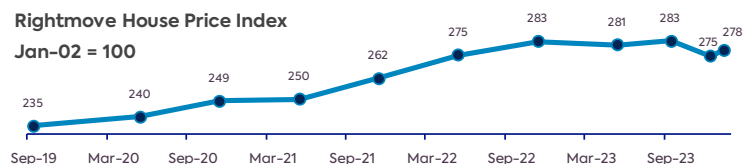
Wages are rising strongly



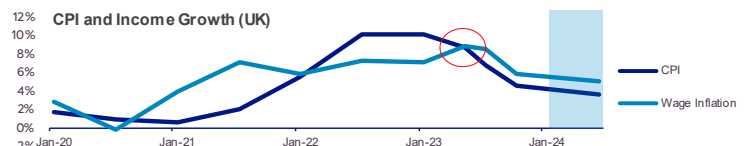
Base rates are widely considered to have peaked



House prices have been resilient and are forecast to rise again in 2024



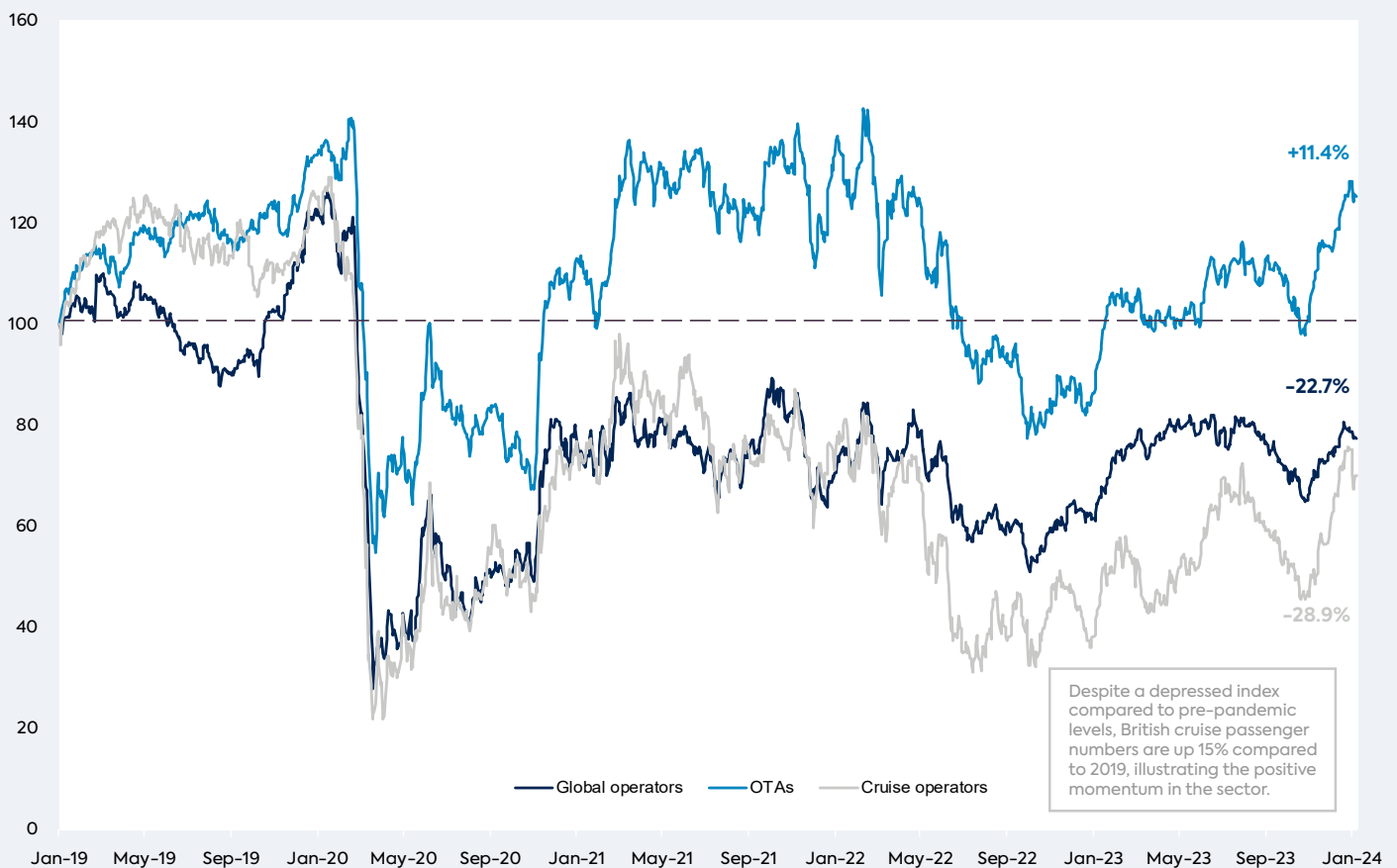
Real wage inflation (the 'misery index') has turned positive



Market outlook: travel sector equities are picking up

Whilst some travel sector equity indices remain below their pre-COVID-19 levels, OTAs have experienced a strong rebound from their lows. Global Operators and Cruise Operators have recovered from the lows of Autumn 2022, however strong recent trading is yet to be fully reflected in share prices

Travel sector share price movement (Jan 2019 – present)



"19 million customers travelled with TUI in financial year 2023...I am looking towards the new financial year with confidence. The economy may be under a few clouds, but people attach high priority to their holidays."

Sebastian Ebel, CEO, TUI, Dec-23

"...The acceleration of consumer spending on experiences has propelled us towards another outstanding quarter and a robust 2023...Looking ahead, we see accelerating demand as we build the business for 2024. Our booked load factors are higher than all prior years and at higher rates..."

Jason Liberty, CEO, Royal Caribbean Group, Oct-23

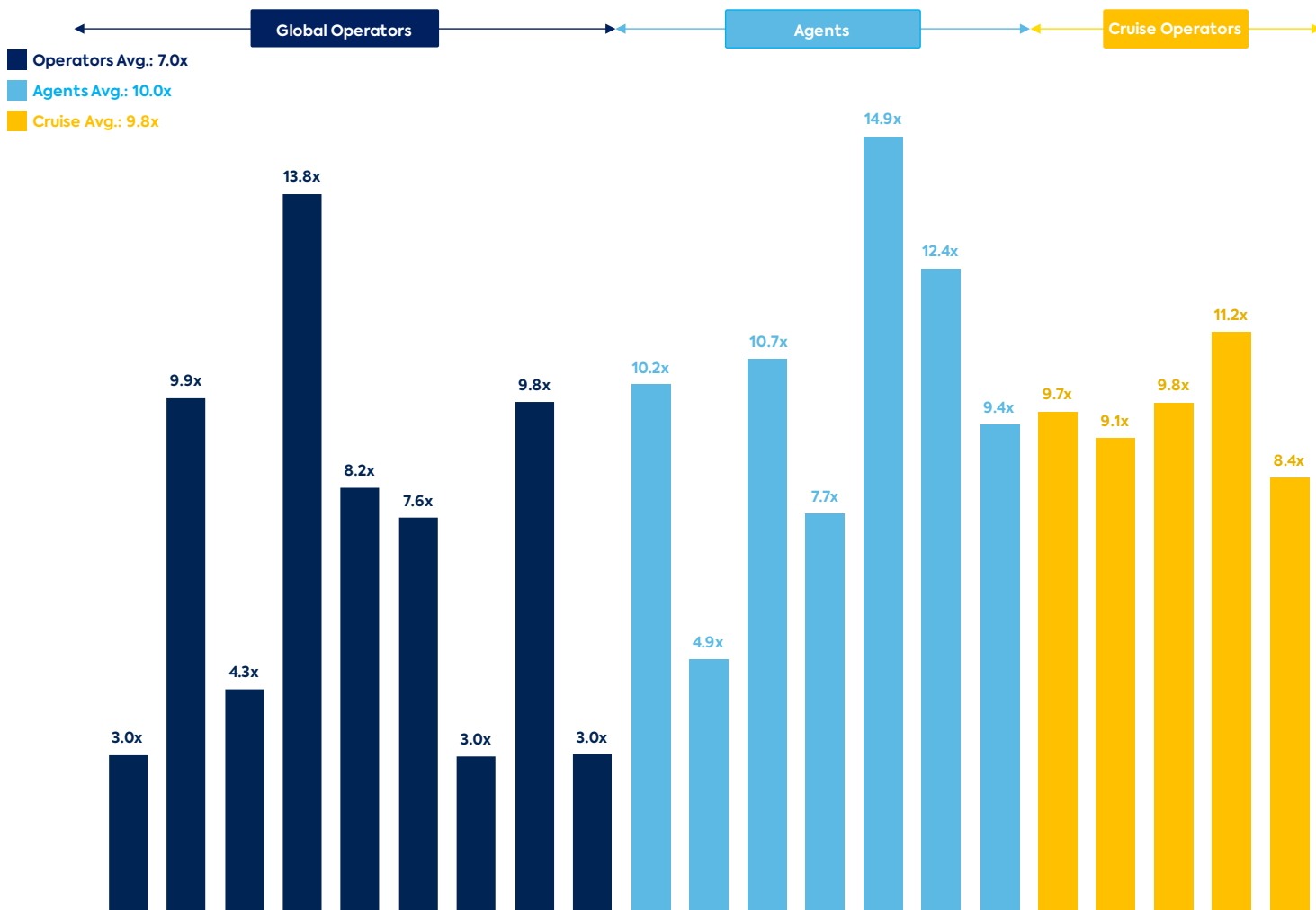
"Following our strong second half performance we will exit FY23 with the momentum of a record forward order book and demonstrable progress in strategic expansion areas, which we are excited to build upon in FY24."

Shaun Morton, CEO, On the Beach, Dec-23

Market outlook: public market valuations

Travel sector multiples have started to re-rate upwards, but are still yet to reach their pre-COVID-19 high watermark

Selected comparable listed companies - EV / NTM EBITDA



Name:

HQ	Revenue / TTV margin	EBITDA margin	Enterprise Value (£'m)
	6.5%	26.6%	123.8
	7.3%	25.6%	1,469.4
	n.d.	9.6%	238.4
	n.d.	NM	1,481.5
	11.2%	14.0%	2,379.7
	8.0%	6.2%	3,031.2
	n.d.	8.8%	5,461.8
	n.d.	32.7%	10,506.0
	n.d.	12.5%	851.9
	13.5%	10.4%	185.8
	15.9%	30.3%	209.8
	8.4%	37.0%	1,246.2
	n.d.	15.0%	18,829.7
	14.1%	34.4%	96,981.6
	7.6%	26.3%	1,508.5
	n.d.	9.0%	1,047.2
	NM	29.0%	41,424.2
	NM	12.7%	41,491.9
	NM	16.9%	16,700.6
	NM	8.9%	889.1
	NM	12.5%	819.7

Market outlook: On the Beach and Jet2

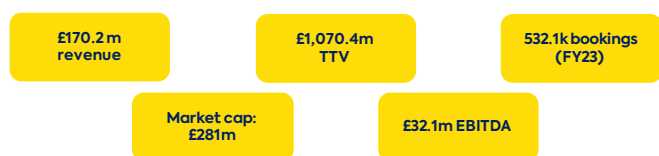
Both On the Beach and Jet2 have recently reported strong FY23 results, although valuations are still subdued



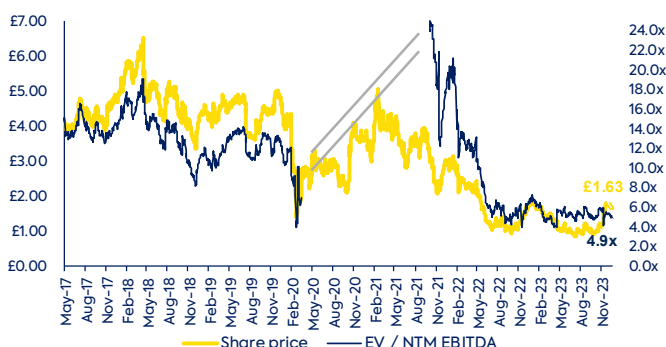
Despite recent share price pressures, On the Beach reported its TTV exceeded £1bn for the first time via its FY23 annual report, demonstrating a strong consumer sentiment towards continued travel (despite inflationary pressures).

Strong demand for key higher-value booking segments, long haul and 5-star premium packages contributed to the record TTV and revenue: revenue increased 19% YoY to £170.2m, while EBITDA increased by 42% YoY to £31.2m. Number of bookings increased by 12% on FY22 volumes.

Whilst consumer sentiment is improving, analysts suggest the market is overly discounting the competitive backdrop and its history of negative factor exposure.¹



Share price performance



The number of FY23 package holiday customers increased 40% on FY20 volumes, while the number of passenger sectors flown was up 11% on FY20 numbers.

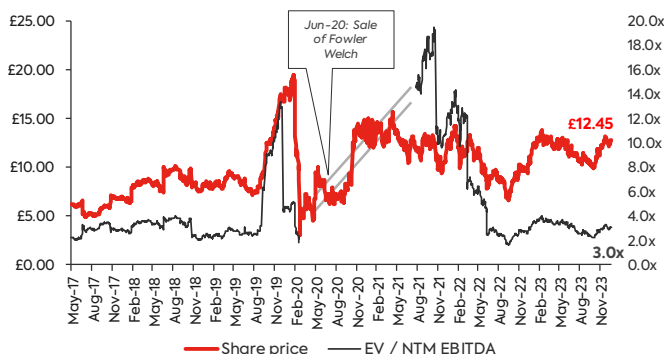
For summer 2024, capacity is up 12% YoY (versus 11% reported at the pre-close AGM) to 17.19m seats.

Jet2's overall financial results for the FY23 year exceeded its pre-pandemic performance for the year ending 31 March 2020, showing a strong resumption in travel and leisure activities.

Recent booking commentary and trends are encouraging, with equity research analysts believing summer holidays will continue to be prioritised by consumers.²



Share price performance



Source: Pitchbook (15 Jan, 2024)

¹ OTB research note, Katie Cousins (Shore Capital Group Ltd), 14-Dec-23

² Jet2 research note, Ali Hamza Naqvi (HSBC), 12-Dec-23

Market outlook: travel remains one of the most resilient categories of consumer spending

Despite inflationary and cost of living pressures, consumers are still budgeting for, and prioritising, travel

85%

plan to take two or more leisure trips in 2023

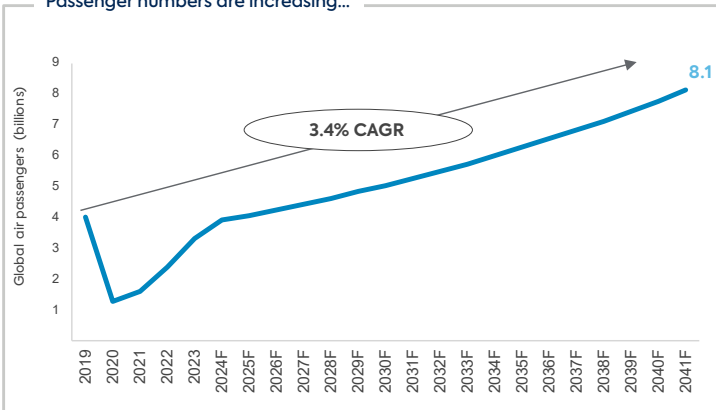
78%

agree they see leisure travel as an important budget priority

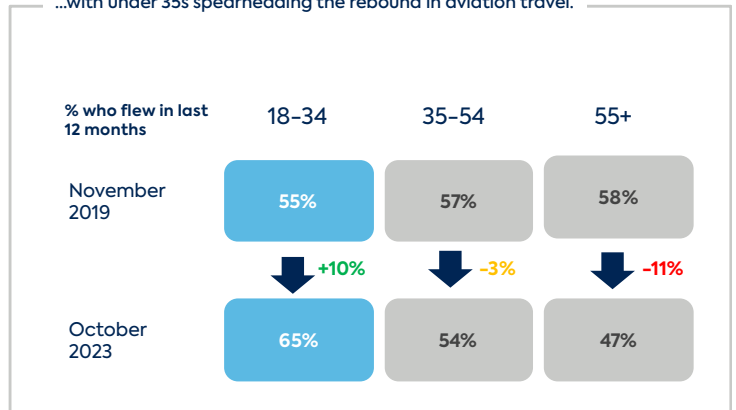
74%

agree that they care more about creating a travel experience that meets their expectations than about the cost

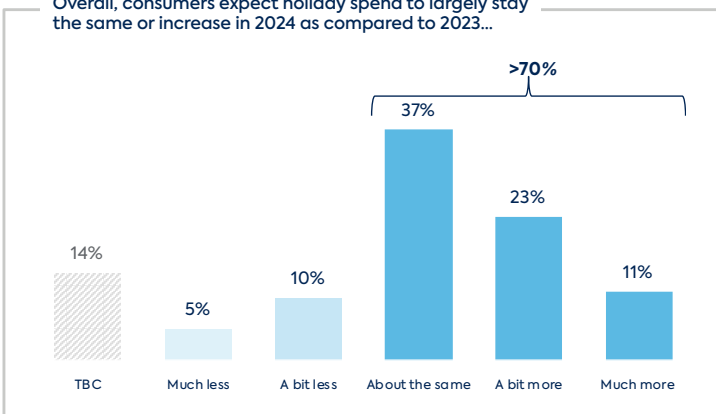
Passenger numbers are increasing...



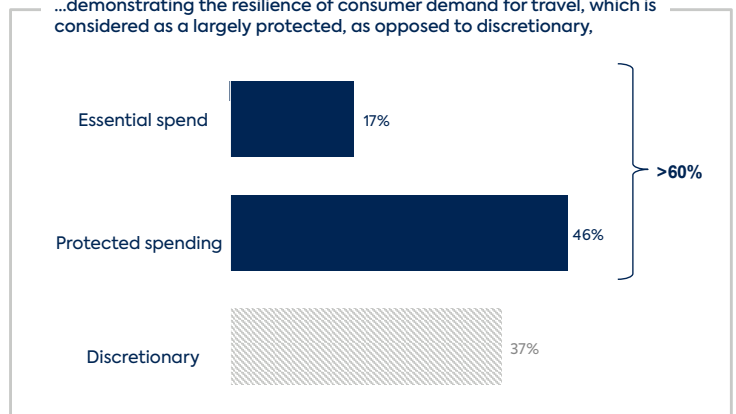
...with under 35s spearheading the rebound in aviation travel.



Overall, consumers expect holiday spend to largely stay the same or increase in 2024 as compared to 2023...



...demonstrating the resilience of consumer demand for travel, which is considered as a largely protected, as opposed to discretionary,



The travel landscape: our corporate relationships in travel (I/II)

We have an extensive corporate contact network across the global travel sector built up over 15 years

OTAs



Tour Operators and Specialists



DMCs



The travel landscape: our corporate relationships in travel (II/II)

We have an extensive corporate contact network across the global travel sector built up over 15 years

Cruise



Corporate Travel Management





Vacation Rentals




Our travel credentials


Our team have extensive expertise across travel and tourism





ROCKPOOL..
sold

 to
MAYFAIR
 EQUITY PARTNERS


Sell-side
Undisclosed



Primary
on its acquisition of

 Buy-side
Undisclosed



Direct Ferries
portfolio company of

 sold to
ICG
 Buy-side
Undisclosed





FLIGHT CENTRE
 Experience our experience
 on its acquisition of
Scott Dunn
 Travel that takes you further
 Buy-side*
Undisclosed




inflexion
on its sale of


 to
EQUISTONE
 Sell-side*
Undisclosed



The board of

 on its sale to
Blackstone
 Sell-side*
Undisclosed




TRAVEL CHAPTER
portfolio company of
eci
 sold to
ICG
 Sell-side*
Undisclosed



SYKES
 backed by
 VITRUVIAN
 raised debt from
 ARES
 to support the acquisition of
 Forest Holidays
 Acquisition finance
Undisclosed



Phoenix Equity Partners
on its sale of
Bridge Leisure
 to
PARK HOLIDAYS
 Sell-side*
Undisclosed



Verdant Leisure
portfolio company of
Palatine
 sold to
PEARS
 Sell-side
Undisclosed





Travelopia
on its sale of
Experience Education
 Sell-side*
Undisclosed



Travelopia

 refinance
 Refinancing*
Undisclosed



Freshstream
on its acquisition of

 Buy-side
Undisclosed



AQUAVISTA
portfolio company of
LDC
 acquired
 Castle Marinas
 Buy-side
Undisclosed



TRAVEL CHAPTER
portfolio company of
Phoenix Equity Partners
 sold to
eci
 Sell-side*
Undisclosed






loveholidays
on its majority sale to

 Sell-side*
Undisclosed


Our travel credentials

Our team have extensive expertise across travel and tourism


 

 LIVINGBRIDGE



raised debt finance from


 PERMIRA

to support the acquisition of


 loveholidays

Acquisition finance
Undisclosed

 HILLGATE TRAVEL
BUSINESS TRAVEL MANAGEMENT



sold to

 REED & MACKAY

portfolio company of


 inflexion

Sell-side*
Undisclosed



 


Travelopia

sold to


 KKR

Sell-side*
Undisclosed


 

 Away
Resorts



raised debt finance from

 PERMIRA

to support the acquisition of


 SANDYBALLS
WORLD TRAVEL MANAGEMENT

Acquisition finance
Undisclosed



 


OAG

sold to


 VITRUVIAN

Sell-side*
Undisclosed



 


 VITRUVIAN
PARTNERS

on its acquisition of


 travel counsellors

Buy-side*
Undisclosed

 Palatine
private equity

MBO of

 Verdant
Leisure

Buy-side
Undisclosed

 cruise.co.uk
THE REAL CRUISE PEOPLE

sold to

 Bridgepoint
Development
Capital

Sell-side*
Undisclosed

 REED & MACKAY



portfolio company of


 LIVINGBRIDGE

sold to


 eci

Sell-side*
Undisclosed



 

 Away
Resorts

sold to


 LDC

Sell-side
Undisclosed



 


Hotelplan
GROUP

on its acquisition of


 EXPLORE!

Buy-side*
Undisclosed

 Destinology

sold to

 SAGA

Sell-side*
Undisclosed

 LIVINGBRIDGE

MBO of

 KEY TRAVEL

Buy-side*
Undisclosed



 


 IGLU.COM

sold to


 gop

Sell-side*
Undisclosed

 IGLU.COM

sold to

 mobeus

Sell-side*
Undisclosed

 STG

 Kingswood
Investment

sold to

 BOWMARK
CAPITAL

Sell-side*
Undisclosed

Our UK consumer team

Highly experienced specialist consumer focused team with local strength in depth combined with global reach

Consumer M&A team



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 Partner and Head of
 International PE



Delia Zhang
 Inter China
 Associate Director



Philippe Guézenc
 Clearwater France
 Managing Partner
 and Consumer
 sector Head



Axel Oltmann
 Clearwater Germany
 Managing Partner
 and Consumer sector
 Head



**Jakob Tolstrup
 Kristensen**
 Clearwater Denmark
 Partner and Co-Head
 of Consumer sector



John Sheridan
 Clearwater Ireland
 Partner



Martin Agerup
 Clearwater Sweden
 Director and Head of
 Consumer sector



Denmark | France | Germany | Ireland | Italy | Netherlands | Portugal | Spain | Sweden | UK

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