

QUARTERLY CONSUMER NOTE – AN M&A PERSPECTIVE

# SUB-SECTOR IN FOCUS: TRAVEL

Q2 2024



Cavendish



# Contents

- 01 Consumer Sector:  
Key Themes
- 02 Sub-Sector in Focus:  
Travel
- 03 About Cavendish



Henry Wells  
Head of Consumer

*“Welcome to the Cavendish Quarterly Consumer Note, where we give an M&A perspective on a number of key themes impacting operators and investors across the Consumer sector.*

*In each of these publications, we take a more detailed look at a particular sub-sector; this quarter we look at Travel.*

*Our focus in Travel is around the positive sentiment returning to the sector, following Covid-19, which is now seeing increased M&A activity.*

*We hope you find this interesting and if you have any questions, or you would like to discuss anything in this document, please contact me or any member of the Cavendish team (contact details on the back page).”*

*Henry Wells*

## 01) CONSUMER SECTOR: KEY THEMES

The UK economic recovery continues to gain momentum with consumer confidence now at a two-year high, although UK consumers remain cautious with their discretionary spending

*"Inflationary pressures have eased enough that we've been able to cut interest rates today. This decision reflects our commitment to supporting the economy while ensuring that inflation remains on a sustainable path."*

- Governor, Andrew Bailey  
August 1, 2024

Despite a technical recession in late 2023 that had previously dented consumer confidence, an improving macroeconomic landscape is now driving renewed consumer optimism. This is reflected in GfK's Consumer Confidence Index, which reached a two-year high of -14 in June.

The UK consumer price inflation data shows inflation remained stable at the BoE's target of 2.0% in June. This stability is anticipated to continue, supported by a recent ONS survey that 69% of trading businesses do not plan on raising prices in August 2024, signalling a potential easing of inflationary cost pressures.

In response, the BoE recently announced a reduction in the base rate by a quarter of a percentage point to 5.00%, having maintained it at 5.25% for a year. This move reflects the BoE's aim to stimulate economic activity and support both consumer spending and business investment.

However, the UK consumer still remains cautious regarding their discretionary spending, with recent Barclays data showing the year-on-year growth in spending not only stagnating during Q2 but beginning to decrease, falling to -0.6% in June.

On the whole the tide appears to be turning for the UK economy and there is cautious optimism that this stability will continue under the new Labour Government. These factors, coupled with improving consumer sentiment, should give operators reason to feel cautiously optimistic about their trading in the second half of 2024.

FIGURE 1: GfK CONSUMER CONFIDENCE

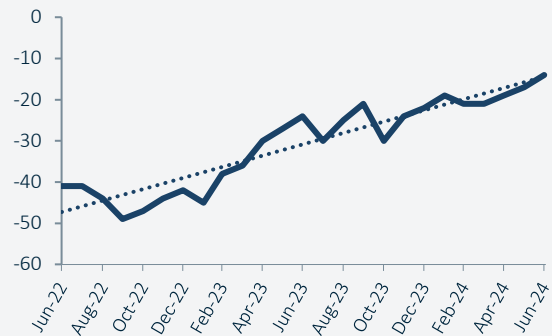


FIGURE 2: INTEREST RATE & INFLATION

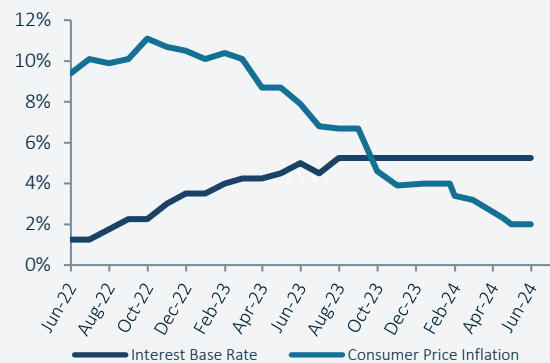
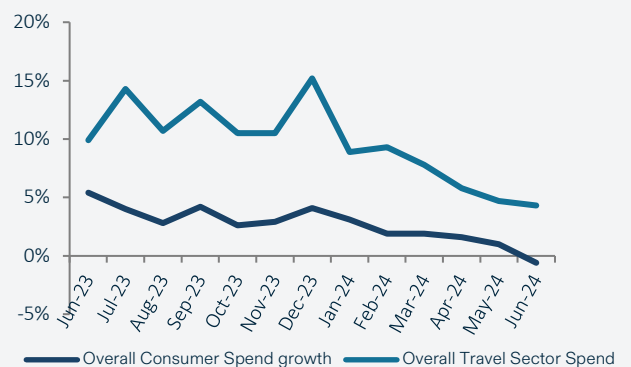


FIGURE 3: BARCLAYS CONSUMER DATA



### UK CONSUMER SECTOR TRANSACTIONS

# 64

APRIL-23 TO JUNE-23

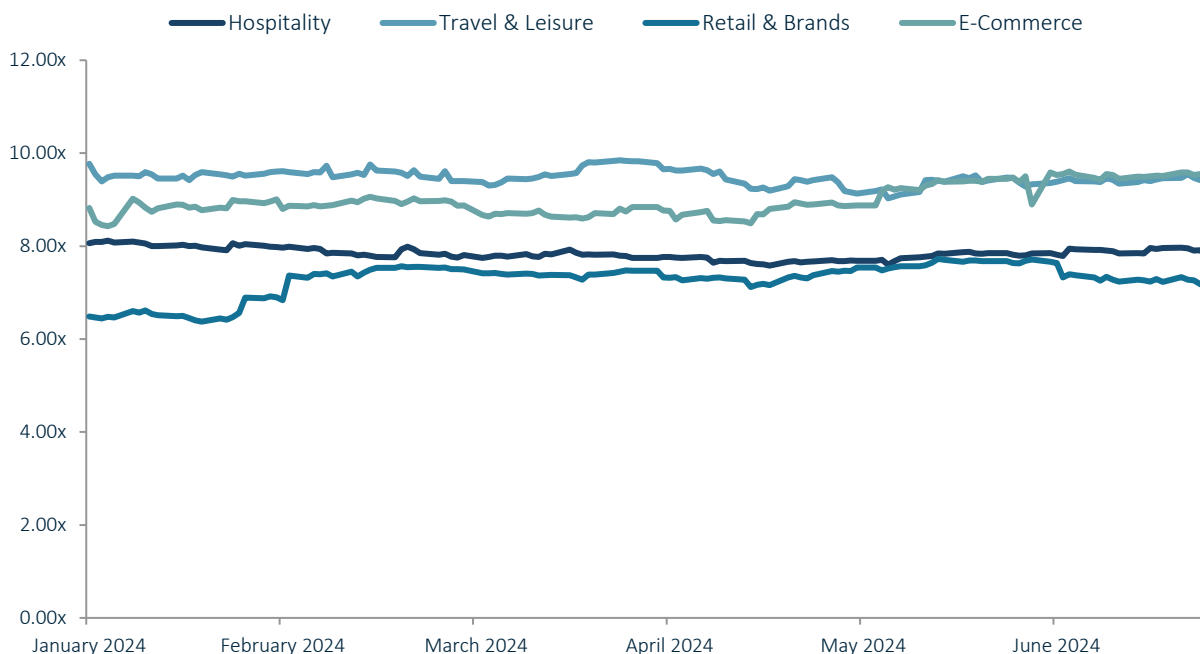
# 80

APRIL-24 TO JUNE-24

## 01) CONSUMER SECTOR: KEY THEMES

The second quarter of 2024 has seen listed EV/EBITDA multiples start to slowly improve across the consumer sector

FIGURE 4: UK LISTED VALUATIONS (EV / NTM EBITDA)



Note: NTM = Next 12 months

**COHORTS**

- Hospitality:** Loungers plc, The Brighton Pier Group plc, Revolution Bars Group, Nightcap plc, Domino's Pizza Group plc, Marston's plc, Mitchells & Butlers plc, Fuller, Smith & Turner plc, Young & Co's Brewery plc, Shepherd Neame Limited
- Travel & Leisure:** Saga plc, Norwegian Cruise Line Holdings Ltd, Royal Caribbean Cruises Ltd, Carnival Corporation & plc, Tripadvisor, Inc, Webjet Limited, Booking Holdings Inc, Expedia Group Inc, eDreams ODIGEO S.A., On the Beach Group plc, Hostelworld Group plc
- Retail & Brands:** Frasers Group plc, Burberry Group plc, Dr. Martens plc, N Brown Group plc, NEXT plc, Superdry plc
- E-Commerce:** AO World plc, Marks Electrical Group plc, Moonpig Group plc, musicMagpie plc, THG plc, CMO Group plc, ASOS plc, boohoo group plc

### Hospitality

- EV/EBITDA multiples in the Hospitality cohort remained flat in the last quarter (averaging at 7.8x) reflecting the continued impact of the cost-of-living crisis on consumer spending across the Hospitality sector
- The Tenzo Hospitality Industry Report states that despite the number of transactions falling in Q2 by -0.6%, on average versus the same quarter last year, like-for-like sales increased by a marginal 1.8%. These higher average transaction values have been mainly driven by price increases to offset inflation and rising operational costs

### Travel & Leisure

- The Travel & Leisure cohort continues to trade well, with an average EV/EBITDA multiple of 9.4x throughout the last quarter
- The Barclays consumer spend data (figure 3) shows that spending on travel continues to outpace spending across all other categories. This indicates that consumers continue to prioritize spending on holidays, despite the ongoing cost-of-living crisis
- We consider the key themes we are seeing in travel on the following pages

### Retail & Brands

- Despite averaging the lowest multiples, Retail & Brands multiples increased on average by 4% in Q2 compared to Q1, partly due to an improving economic landscape and temporary financial gains. However, this has not yet meaningfully translated into improved consumer sentiment, which remains below pre-pandemic levels
- Consumer spending continues to reflect prudence, particularly on discretionary items. That said, with potential interest rate cuts and real wage growth expected later in 2024, we anticipate increased consumer willingness to spend, suggesting a more positive outlook for the Retail and Brands sub-sector

### E-Commerce

- In the last quarter e-Commerce has experienced the largest uplift in EV/EBITDA valuations, increasing by 0.68x
- While this sub-sector benefits from similar economic tailwinds as the Retail & Brands sub-sector, several factors have contributed to the growth within e-Commerce, including more common AI integration, the rising popularity of Click and Collect, and the continued strong preference for mobile shopping experiences
- As consumer sentiment improves going forward, we expect continued growth and innovation in the e-Commerce sub-sector



## 02) SUB-SECTOR IN FOCUS: TRAVEL

Where 2023 was a boom year for all, we are seeing a more mixed 2024

### Travel remains high priority spend – mixed fortunes = mixed behaviour

- Travel is the discretionary spend category that most consumers are protecting:
  - Spending is strongest amongst older, wealthier, time-rich travellers and categories appealing to these customers (e.g. escorted touring) continue to perform well
  - More budget-constrained consumers continue to prioritise travel however value, or 'a deal', are critical, and options delivering certainty (e.g. all-inclusive) are attractive

### Poor UK weather – changeable conditions = changeable outlook

- The poor UK weather has impacted on booking momentum in the staycation market and been positive for the lates market in the short-haul beach space
- There has been more positive trading recently (Hoeseasons reported more positive trading of late) but further wet conditions through July have not been positively received for domestic operators
- Good weather has been less of a 'must' for the UK outbound consumer, with increasing interest in holidays to cooler, less crowded, and sometimes rainy destinations for a more relaxed trip

### Inbound and importance of the US traveller – wealthy boomers driving inbound

- US inbound travel to the UK is on the rise. Many inbound operators are reporting strong trading, with many benefitting from wealthy US travellers
- VisitBritain forecasts that in 2024 US tourists will contribute £6.7 billion to the UK economy, accounting for nearly 20% of all inbound spending, highlighting the UK's ongoing appeal as a destination

### Operational disruption – there is always something

- The sector continues to navigate operational disruption despite the majority of direct, pandemic-driven issues largely being consigned to history
- Strike action by Aer Lingus pilot and Gatwick airport staff and staff shortages in European air traffic control are all examples of ongoing challenge and uncertainty for the sector

### Change in Government – “Change”... or not?

- Labour's election win is not expected to bring major change to the industry in the near-term, beyond the individuals that the sector engages with
- Labour's winning manifesto was light on references to specific industries, but promises to “secure UK aviation's long-term future, including through promoting sustainable aviation fuels and encouraging airspace modernisation”



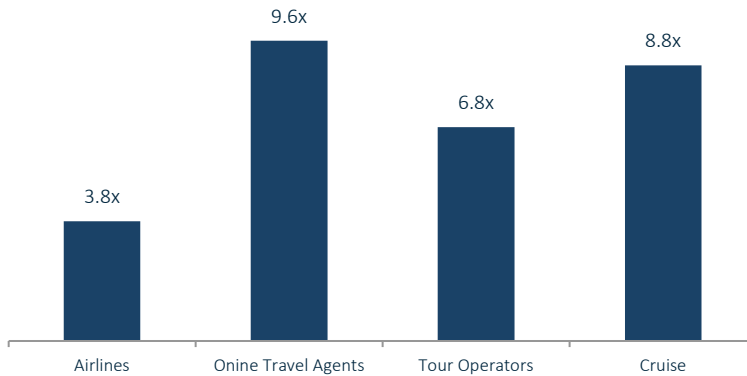
## 02) SUB-SECTOR IN FOCUS: TRAVEL

Travel assets continue to trade well in public markets, while private markets are seeing increased M&A activity, driven by pent-up demand and positive sentiment returning to the sector with enough post-Covid 'clean' trading

### Listed Valuation Multiples

FIGURE 5: TRAVEL COHORTS (EV / NTM EBITDA)

As at: 28-June-24



Note: NTM = Next 12 months

**COHORTS**

- Airlines:** IAG, EasyJet, Ryanair, Wizzair, AirFrance KLM, NAS, Deutsche Lufthansa, Transat AT, Allegiant
- Online Travel Agents:** Booking.com, WebJet, TripAdvisor, Expedia, OTB, Trip.com, eDreams Odigeo, Hanatour
- Tour Operators:** FlightCenter, TUI, Lindblad, Helloworld
- Cruises:** Saga, Carnival, Royal Caribbean, Norwegian Cruise Line



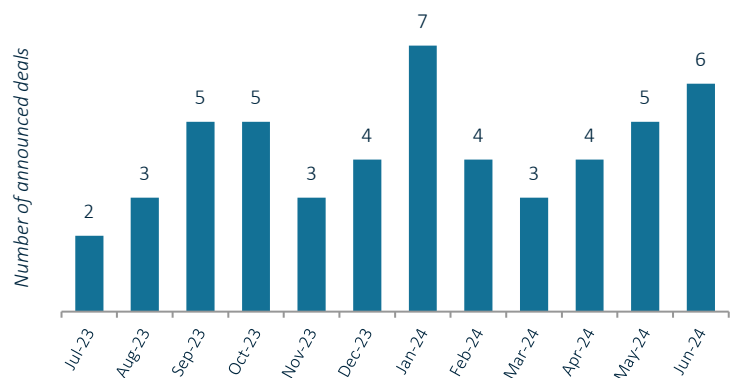
- Online Travel Agents ('OTAs') have traditionally commanded a high multiples due to their scalable, capital-light business models and strong cash flow generation. However, trading multiples have been mixed post-Covid with many impacted by highly competitive dynamics in the mainstream market. Booking.com continues to lead the way trading at 17.0x
- Airlines generate the lowest multiple of 3.8x, reflecting the asset-heavy nature of the business and exposure to volatile fuel costs and fixed costs associated with aircraft and operational infrastructure
- The Cruise cohort continues to trade well reflecting the enduring interest in cruising and the ability to deliver strong performance by effectively yielding high-quality fleets

### Travel Sector M&A Activity

#### SELECTED TRANSACTIONS

Date	Target	Buyer/ Investor
July-24	Martin Randall Travel	Piper Private Equity
Jun-24	Ski Zoom (Heidi)	Active Partners
May-24	Distant Journeys	Mobeus
Apr-24	TAG	ECI
Mar-24	Simpson Travel	Risk Capital Partners
Feb-24	15Below	LDC
Jan-24	Solmar Villas	Kuoni

FIGURE 6: EUROPEAN TRAVEL DEALS



- M&A activity in the travel sector has started to pick up. There are lots of deals that are currently 'in market', but deals are taking longer to transact

## 03) ABOUT CAVENDISH

### A full-service investment bank and trusted advisor to ambitious growth companies and their investors

Cavendish is a UK champion for ambitious growth and investment companies. The Group is trusted by public and private companies, operating across industry sectors, to deliver expert services in equity capital markets, M&A, debt advisory and growth capital. Cavendish has offices in London and Edinburgh, and has a global reach through its membership of Oaklins.

Cavendish is uniquely placed to advise on the various tracks for growth, investment, IPO and exit options.

#### Investment Banking

- Corporate Finance
- Capital Markets
- M&A Advisory
- Debt Advisory

150+ investment banking professionals

Advised on  
c. £1.0bn of transactions in  
the last 6 months

40+  
Deals completed in  
the last 18 months

#### Equities

- Institutional Sales
- Research
- Trading

222 listed clients

#1 NOMAD and Broker on AIM

£14bn+ raised since  
2015

21 research analysts  
covering c.200 stocks

#### Alternative Financing

- Private Equity
- VC Funding
- Private Growth Capital

180+ relationships with global  
Private Equity and VC funds

40% of deals transacted  
with Private Equity

£1.1bn  
of debt financing raised since  
2017

#### Cross-border M&A

- International reach through our  
membership of Oaklins

Global reach in 45 countries

15 vertical markets with  
deep industry expertise

368 deals closed worth  
US\$25.1bn  
in 2022 across the network

# Cavendish

## 03) ABOUT CAVENDISH

The Cavendish team have a wealth of experience across the Consumer sector

### Selected Travel & Leisure Credentials

**distantjourneys**

has been acquired by

**mobeus**  
EQUITY PARTNERS

M&A BUY-SIDE  
Consumer

**Virgin EXPERIENCE DAYS**

has been acquired by

**EQUISTONE**

M&A SELL-SIDE  
Consumer

**NEILSON**  
RELAX AS HARD AS YOU LIKE

has been acquired by

**LDC**

M&A SELL-SIDE  
Consumer

**Destinology**

has been acquired by

**Brooklyn Travel**

M&A SELL-SIDE  
Consumer

### Selected Hospitality Credentials

**PEACH**  
HOTELS & RESORTS

has been acquired by

**REVOLUTION BARS GROUP**

M&A SELL-SIDE  
Consumer

**Dirty martini**  
COCKTAIL BARS

has been acquired by

**NIGHTCAP**

M&A SELL-SIDE  
Consumer

**BARBURRITO**  
MEXICAN CATERY

has been acquired by

**The Restaurant**  
Group plc

M&A SELL-SIDE  
Consumer

**REVOLUTION BARS GROUP**

Nominated Adviser and Broker

NOMAD AND BROKER  
Consumer

### Selected Retail & Brands Credentials

**Bramblecrest**

has been acquired by

**EOT**

M&A SELL-SIDE  
Consumer

**Silver Cross**

has been acquired by

**FOSUN 复星**

M&A SELL-SIDE  
Consumer

**doff**  
SHIRT CARE

has been acquired by

**Pelsis**

M&A SELL-SIDE  
Consumer

**Ro&Zo**

has been acquired by

**Pembroke**

M&A SELL-SIDE  
Consumer

### Selected Consumer Goods & Services Credentials

**Pure Cremation**

has been acquired by

**epiris**

M&A SELL-SIDE  
Consumer

**PIMLICO PLUMBERS**

has been acquired by

**neighborly**

M&A SELL-SIDE  
Consumer

**iSmash**

has been acquired by  
A group of Private Investors

M&A SELL-SIDE  
Consumer

wine-searcher

has been acquired by

**Flaviar**

M&A SELL-SIDE  
Consumer

### Selected Beauty and Personal Care Credentials

**NATIVE**

has been acquired by

**P&G**

M&A SELL-SIDE  
Consumer

**BigGreen smile**

received investment from

**Future Business Partnership**

M&A SELL-SIDE  
Consumer

**Margaret Dabbs**  
LONDON

sale of minority holding to

**bestworld**

M&A SELL-SIDE  
Consumer

**John Bell & Croyden**

has been acquired by

**+well**

M&A SELL-SIDE  
Consumer



## KEY CONTACT DETAILS

### M&A ADVISORY

Henry Wells  
HEAD OF CONSUMER  
+44 (0)7733 122 437  
hwells@cavendish.com

Jonathan Buxton  
PARTNER  
+44 (0)7770 832 560  
jbuxton@cavendish.com

Mark Stoddart  
DIRECTOR  
+44 (0)7709 067 632  
mstoddart@cavendish.com

Stephen Nemeth  
DIRECTOR  
+44 (0)7593 439 599  
snemeth@cavendish.com

Rebecca McCredie  
DIRECTOR  
+44 (0)7766 493 673  
rmccredie@cavendish.com

Joshua Gould  
DIRECTOR  
+44 (0)7384 213 467  
jgould@cavendish.com

Ben Lowe  
SENIOR ASSOCIATE  
+44 (0)7443 126 197  
blowe@cavendish.com

Amy Mayer  
SENIOR ASSOCIATE  
+44 (0)7874 878 667  
amayer@cavendish.com

Kallon Brooker  
SENIOR ANALYST  
+44 (0)7874 857 644  
kbrooker@cavendish.com

Liberty Scott  
ANALYST  
+44 (0)7443 437 127  
lscott@cavendish.com

### CORPORATE FINANCE

Matt Goode  
HEAD OF CONSUMER CAPITAL  
MARKETS  
+44 (0)7901 507 912  
mgoode@cavendish.com

Adrian Hadden  
DIRECTOR  
+44 (0)7887 603 584  
ahadden@cavendish.com

Carl Holmes  
DIRECTOR  
+44 (0)7880 642 048  
cholmes@cavendish.com

Simon Hicks  
DIRECTOR  
+44 (0)7880 642 048  
shicks@cavendish.com

### EQUITY CAPITAL MARKETS

Tim Redfern  
HEAD OF EQUITY CAPITAL  
MARKETS  
+44 (0)7876 030 764  
tredfern@cavendish.com

Charlie Combe  
DIRECTOR  
+44 (0)20 7397 1966  
ccombe@cavendish.com

### SALES AND BROKING

Michael Johnson  
HEAD OF GROWTH COMPANIES  
+44 (0)7796 714 500  
mjohnson@cavendish.com

Jasper Berry  
DIRECTOR  
+44 (0)7977 433 721  
jberry@cavendish.com

Tamar Cranford-Smith  
ASSOCIATE DIRECTOR  
+44 (0)7977 433 769  
tcranfordsmith@cavendish.com

### DEBT ADVISORY

Alistair Hay  
PARTNER  
+44 (0)7920 180 002  
ahay@cavendish.com

Krishan Raval  
DIRECTOR  
+44 (0)7956 268 965  
kraval@cavendish.com

Peter McCague  
SENIOR ASSOCIATE  
+44 (0)7706 347 509  
pmccague@cavendish.com

Rosie Pennell  
ASSOCIATE  
+44 (0)7706 347 510  
rpennell@cavendish.com

### PRIVATE GROWTH CAPITAL

Zuleika Salter  
HEAD OF PRIVATE GROWTH  
CAPITAL  
+44 (0)7763 660 399  
zsalter@cavendish.com

Tom Holland-Hibbert  
ASSOCIATE  
+44 (0)7912 218 200  
thollandhibbert@cavendish.com

### CORPORATE FINANCE GROWTH

Stephen Keys  
HEAD OF GROWTH COMPANIES  
+44 (0)7880 315 889  
skeys@cavendish.com

### RESEARCH

Peter Renton  
CO-HEAD OF RESEARCH  
+44 (0)7796 172 621  
prenton@cavendish.com

Michael Clifton  
ASSOCIATE  
+44 (0)7707 217 994  
mclifton@cavendish.com

Nigel Parson  
CONSULTANT  
+44 (0)7880 788 389  
nparson@cavendish.com



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