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Consumer

Travel

Key trends driving M&A in 2017



Bobby Fletcher
Director
Catalyst Corporate Finance

Luxury travel remains an attractive and resilient sub-segment

Consumer demand is evolving towards specialist travel at the luxury end of the market

Escorted tours and cruises remains a fast growth segment of the premium travel market

Educational travel is a growth market with resilient features spanning a wide consumer demographic

Consolidation amongst bed banks is prevalent, broadening strategic opportunities and exit options for private equity owners

Investments in travel technology and infrastructure provide diversity for travel investment experts

Luxury travel remains an attractive and resilient sub-segment



America's largest travel agency business, Travel Leaders Group (TLG), acquired Colletts Travel in January 2017 as a concerted effort to further enhance TLG's expertise in serving luxury travellers globally. Colletts has achieved a high level of repeat business in its 25 years of operation and serves an affluent and resilient customer base in the luxury travel segment. This follows 3i's acquisition of Audley Travel in late 2015, which has a similarly high-end target customer, albeit in the tailormade market.

Consumer demand is evolving towards specialist travel at the luxury end of the market



Complementing the luxury travel theme, there is an increasing shift in demand towards specialist travel as experience transcends ostentation for the new luxury customer. KKR's £325m acquisition of TUI's specialist travel division signalled a move towards a global platform for further growth and consolidation of a portfolio of specialist travel brands offering niche travel experiences to high-end consumers.

Escorted tours and cruises remains a fast growth segment of the premium travel market



Buy-and-build specialist Silverfleet's recently announced acquisition of Riviera Travel signals confidence in the escorted tours and cruises market. Riviera is a leading operator of escorted tours with a focus on the over 55s market. It provides European tour holidays, river and ocean cruises, city breaks and long-haul tours with varied itineraries combining leisure with education and entertainment.

Educational travel is a growth market with resilient features spanning a wide consumer demographic



Parents' willingness to spend on education for their children is widely considered to be less likely to be adversely impacted by any impending consumer downturn. RJD Partners' acquisition of Class Tours provides a high growth platform for the company providing UK outbound language programs and educational tours to state schools and private schools alike (60:40 revenue split) through its Voyager School Travel brand.

"Looking ahead to 2018, buy and build platforms should drive healthy M&A volumes at the lower end of the spectrum. Additionally, several high profile assets are currently in the market and due to transact early in 2018. Therefore, the market as a whole promises to deliver an increase in the number of deals and overall value. As macroeconomic conditions continue to dampen consumer confidence and bring political uncertainty, we expect M&A activity to continue to focus on the more resilient pockets of the UK consumer, as well as travel infrastructure and technology."

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Consolidation amongst bed banks is prevalent, broadening strategic opportunities and exit options for private equity owners



Vitruvian's exit of its investment in JacTravel to Webjet follows the sale of its stake in Skyscanner to Ctrip in late 2016. Vitruvian grew EBITDA from £10m to £19m during the three-year period of its investment in JacTravel, having acquired competitor TotalStay Group along the way and expanded into China and the US. The acquisition propelled Webjet to become one of the world's largest B2B travel providers. At an earlier stage of its investment cycle under private equity ownership, Cinven-backed HotelBeds acquired Gullivers Travel Associates (GTA) from Kuoni, signalling further global consolidation in bed banks.

Investments in travel technology and infrastructure provide diversity for travel investment experts



Inflexion's track record in travel is enviable following its successful exits from On the Beach and Griffin Global. Its current investments in Scott Dunn and Reed & Mackay are now accompanied by the provider of specialist software platforms for the global leisure travel sector, ATCORE Group, through its two principal platforms, Atcom and Tigerbay. Atcom designs, builds and maintains reservation software for leading global tour operators such as TUI, Thomas Cook and Mark Warner. Its proprietary reservation system is highly complex and supports sophisticated business models which allow clients to manage large volumes of search requests, optimise customer experience and enhance profitability. Tigerbay operates a dynamic, flexible, end-to-end platform that supports a wide range of different businesses and embraces best-in-class digital technologies.

Smart advice

Catalyst advises business owners and management teams on:

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- Raising private equity capital
- Raising and refinancing debt capital
- Equity Capital Markets

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CATALYST
CORPORATE FINANCE
ALANTRA

London
2nd Floor
77 Queen Victoria Street
London EC4V 4AY
T +44 (0) 20 7246 0500

Birmingham
16th Floor, Bank House
8 Cherry Street
Birmingham B2 5AL
T +44 (0) 121 654 5000

Nottingham
21 The Triangle
ng2 Business Park
Nottingham NG2 1AE
T +44 (0) 115 957 8230