

Clearwater
travel sector
update



CLEARWATER

Spring 2024

clearwatercf.com

Foreword.

Welcome to our latest update on the travel sector.

The travel sector has continued to be the highlight of an otherwise challenging environment for consumer facing assets.

This outperformance and the sector's attractiveness to investors is a function of the proven resilience of travel spend as a category.

As the impact of the pandemic (thankfully) fades, 2024 represents the first 'normal' year since 2019, and early indicators support the notion that the travel sector has grown substantially over the intervening period (albeit it has hardly been a linear progression!).

Confidence is returning to private equity investors, and we continue to see strong interest in M&A from corporate acquirers, however a return to bull market conditions remains some way off.

The balance of supply and demand for travel assets has tilted since the pandemic, with a significant supply of travel businesses looking to exit, or raise capital, meeting a finite pool of demand. The result is a derating of valuation multiples.

Differentiation is the key to standing out in this crowded market – the best businesses in every category will always be well bid.

Wishing you all the best for the summer season.

Christopher Jones
Managing Partner and Head of Consumer





Clearwater is a leading travel sector M&A adviser in the UK.

Clearwater continues to lead the travel sector, completing five deals in the last 12 months, with an aggregate deal value in excess of £0.5bn.

Our transactions.

<p>ICG</p> <p>ON ITS INVESTMENT IN</p> <p> Direct Ferries</p> <p>A PORTFOLIO COMPANY OF</p> <p> Livingbridge</p> <p>Buy-side Undisclosed</p> <p> </p>	<p>Primary</p> <p>ON ITS ACQUISITION OF</p> <p></p> <p>Buy-side Undisclosed</p> <p> </p>	<p>eci</p> <p>ON ITS ACQUISITION OF</p> <p>TAG</p> <p>Buy-side Undisclosed</p> <p> </p>	<p>15below</p> <p>ON ITS INVESTMENT FROM</p> <p>LDC </p> <p>Sell-side Undisclosed</p> <p> </p>	<p>ROCKPOOL..</p> <p>SOLD</p> <p> Trusted Housesitters</p> <p>TO</p> <p>MAYFAIR</p> <p>EQUITY PARTNERS</p> <p>Sell-side \$100m+</p> <p> </p>
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About us.

<p>5</p> <p>travel sector transactions closed in the last year.</p>	<p>No.1</p> <p>UK mid-market travel adviser.</p>	<p></p> <p>UK Corporate Finance House of the Year.</p>
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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 the business (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.

Our team.



Christopher Jones
Head of Consumer

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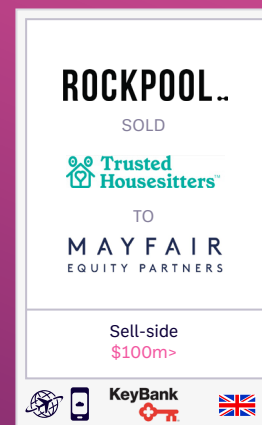
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What our client said about us:

“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, CEO TRUSTEDHOUSESITTERS



CLEARWATER

ECI Partners' investment in TAG.

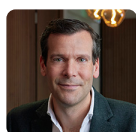
TAG is the market leading high-touch travel management company to the entertainment and corporate markets.

TAG has redefined the standards for travel in the entertainment industry with specialists providing bespoke, high-end service to some of the biggest names in music, film and TV production, as well as top c-suite and corporate executives.

With a track record of eight successful acquisitions during Apiary's ownership, TAG is poised for further expansion with ECI's backing, bolstering its platform and enhancing its bespoke offering to its client base around the world.

Clearwater advised ECI Partners on its investment in TAG, including securing an attractive debt financing package. The transaction marks a successful exit for investor Apiary Capital.

Our team.



Christopher Jones

Head of Consumer

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Richard Clark

Partner, Debt Advisory

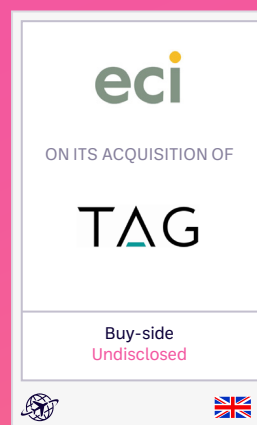
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Gregory Cornes

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What our client said about us:

“Clearwater was a great partner to ECI on this deal. Their deep travel sector expertise in combination with our own was key to winning the chance to invest in TAG – a top tier, global market leader. Their advice was excellent throughout, and on both M&A and debt they put in the hard yards alongside us. We were supported by high quality people across their teams, who were also a pleasure to work with. We are delighted to be backing TAG and to have another travel deal on our shared track record with Clearwater.”

RORY NATH, INVESTMENT DIRECTOR, ECI

Sector update: green shoots of market recovery.

Key themes in travel in 2024.

Favourable market conditions for trade buyers.

Strategic acquirers continue to be actively engaged in the market and are looking to take advantage of favourable conditions. Despite improving lender appetite towards the travel sector, leverage multiples remain below pre-2020 levels. This, accompanied by the increased cost of capital, has lowered valuation expectations making strategic acquirers more competitive. Less conventional auction processes, with fewer private equity investors are also adding to the favourable environment for corporate acquisitions.

Strong start to the year for TMC M&A.

The business travel sector is experiencing a resurgence in M&A activity as the impact of COVID-19 diminishes. Strategic buyers are acquiring smaller competitors to expand their market presence, capabilities and client base, leveraging well-trodden multiple arbitrage opportunities. Private equity continue to be attracted to the specialist, high-margin companies and the tech-led operators in the sector.

UK consumer remains resilient.

Despite facing multiple 'black swan' events since 2020, such as wars in Europe and global pandemics, the UK consumer remains resilient. These events were anticipated to dampen travel sentiment, yet UK consumers continue to prioritise travel spending over other discretionary expenditure.

Competition for high-quality assets remains strong.

The travel M&A market is congested with an unusually large number of assets looking for new ownership or investment. While some processes face challenges due to the excess of supply over demand, competition for prime assets remains fierce.

Notable travel M&A in the last 12 months.

DATE	TARGET	ACQUIRER
Apr-24	 distant journeys <small>Your Time to Explore</small>	 mobeus
Apr-24	 VOSALIO <small>TRAVEL GROUP</small>	 BGF
 Apr-24	 TAG	 eci
Apr-24	 DIRECT TRAVEL	STEVE SINGH AND OTHERS
Mar-24	 CWT	 GLOBAL BUSINESS TRAVEL
Mar-24	 SIMPSON TRAVEL	 RISK CAPITAL PARTNERS
Mar-24	 AMA WATERWAYS™	 CATTERTON
 Feb-24	 15below	 LDC 
Jan-24	 BUCKET LIST <small>TRAVEL</small>	Foresight
Jan-24	 solmar villas	KUONI
Jan-24	 COQUET COTTAGES	 TRAVEL CHAPTER
Jan-24	 PLANISTO	 travel counsellors
Jan-24	 VCK travel	 GRAY DAWES GROUP
 Dec-23	 Trusted Housesitters™	MAY FAIR EQUITY PARTNERS
 Sep-23	 diversity travel	Primary
June-23	 CRUISELINE	P E R W Y N
 June-23	 Direct Ferries	 ICG

 = Clearwater advised transactions.

Travel sector trading.

“Our corporate business, which has been heavily growth focussed since the start of the pandemic, has continued to grow rapidly – well above the industry’s recovery rate – while also targeting efficiency gains. In leisure, profits and margins are now comfortably above comparative pre-COVID levels, with the prospect of further productivity-driven improvement.”

GRAHAM TURNER, MANAGING DIRECTOR,
28 FEBRUARY 2024



“On the Beach reported TTV growth of 22% in 1H24 with adj EBITDA up 93%. The outlook for summer is strong, helped by a 7% increase in airline capacity and de-risked by its partnership with Ryanair. Growth in long haul and premium remain impressively strong although value and B2B remain challenging. While we trim our profit forecasts by c.6%, to bring them in line with consensus, we continue to see significant value with the shares trading on CY24E EV/EBITDA of 3.0x and FCF yield of 13.6%.”

LIBERUM ANALYST COVERAGE,
15 MAY 2024



“The key metrics required to execute the plan (client wins, retention, automation project execution, revenue/FTE) are already being met or exceeded in FY23 and FY24. Furthermore, CTM has a strong track record of acquisition execution and synergy extraction, and any future acquisitions would be additional to the organic growth from this strategy. When combined with our strong balance sheet, we are well-positioned for any likely industry consolidation.”

JAMIE PHEROUS, MANAGING DIRECTOR,
21 FEBRUARY 2024



“Another positive update, with full-year guidance unchanged for mid-to-high single-digit revenue growth...trading remains consistent with the current trading trends outlined at FY23 prelims in March, with encouraging net bookings growth, particularly in Asia.”

LIBERUM ANALYST COVERAGE,
2 MAY 2024



“Record Q1 performance in 2024, delivering highest ever revenues of €4.3bn and positive Q1 underlying EBIT of €6.0m for the first time. As a result, and based on current booking trends, we reconfirm our FY 2024 guidance to increase our underlying EBIT by at least 25%.”

Q1 RESULTS,
13 FEBRUARY 2024



“On sale seat capacity for summer 2024 is currently 12.5% higher than summer 2023 at 17.2m seats. Forward bookings to date are encouraging, with average load factors 1.5ppts ahead of summer 2023 at the same point. Package holiday customers are up by 17% with the package holiday mix of total departing passengers at approximately 77% and in line with summer 2023 at the same point in the booking cycle. In summary, we are pleased with our progress for FY25 to date although as ever, we remain mindful of the current macro-economic and geo-political environments and how these may impact future consumer spending.”

TRADING UPDATE,
26 APRIL 2024

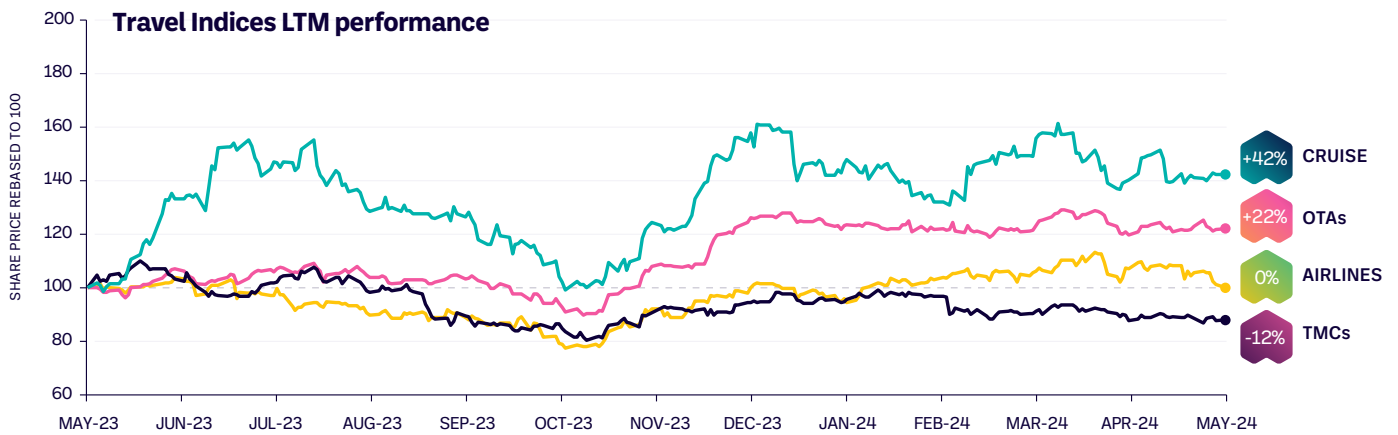


“In 2023, we delivered outstanding financial results, with revenue and adjusted EBITDA finishing above the guidance issued at the start of the year. We expect our scalable model to generate 18% to 32% adjusted EBITDA growth in 2024 as we settle into a more stable level of industry growth. We expect 2024 will be another year of share gains, strong growth in profits and cash flow and continued margin expansion.”

PAUL ABBOTT, CEO,
13 FEBRUARY 2024



Market outlook.



Cruise

Cruise operators have ended the last twelve months extremely well. Royal Caribbean (NYSE:RCL) has seen its share price rise 78% in the LTM period. A successful ‘wave season’ and record booking volumes have lifted valuations from their post-COVID-19 lows, when share prices were heavily weighed down by highly leveraged balance sheets.



OTAs / tour operators

OTAs/tour operators have shown a promising recovery since October 2023. The largest player, Booking.com (NasdaqGS:BKNG) saw its valuation increase by approximately 34% LTM. This growth reflects the continuing rise in travel demand, positively impacting their market positions and valuations.



Airlines

Airlines have demonstrated a stable return to growth since the wider market bottom in October 2023. Ryanair (LSE:RYA) remains the standout performer at +16% LTM with analysts estimating a return to a share buyback programme at some point in 2024.



TMCs


Unlike other verticals, TMCs have not experienced as strong a performance over the last twelve months. Only Amex GBT (NYSE:GBTG) has seen its share price rise since May 2023.




Overview: Amex GBT acquisition of CWT.

Amex GBT's acquisition of CWT evidences the continuing trend of consolidation in the TMC sector.

Transaction overview.



Business description: Global TMC, with focus on government, life sciences, entertainment, sport, media and energy sectors.

Headquarters:  **Synergy Target:** c.\$155m within three years (all cost synergies) out of a total combined cost base \$2.7bn

Enterprise Value: \$570m (\$500m equity value) **Expected Leverage Ratio:** 1.5-2.5x at closing

Valuation: **7.6x** 2024 adjusted EBITDA (excluding synergies) **# of CWT Clients:** 4,000

2.5x 2024 adjusted EBITDA (including synergies) **CWT ownership post-transaction:** 13%

Consideration: 86% stock / 14% cash

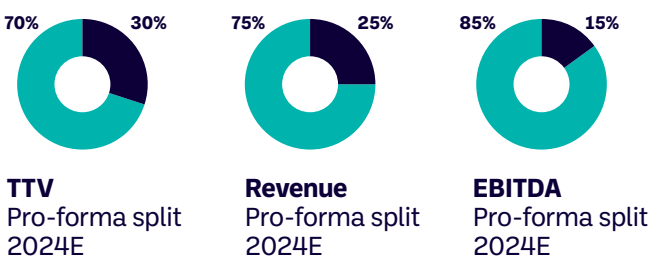
Deal rationale.

- Acquiring CWT increases Amex GBT's Total Transaction Value (TTV) by 45% and generates significant cost synergies. This results in substantial multiple arbitrage, with a 2.5x post-synergy multiple compared to Amex GBT trading at approximately 7.5x EBITDA.
- CWT has a strong market presence in high-value segments where Amex GBT has some footprint, but the acquisition will give them significant volume to create dedicated verticals. The acquisition also grows Amex GBT's small and mid-sized enterprise business by 35%.
- The merger allows CWT customers to access the more tech-enabled offering available within the Amex GBT ecosystem.

Clearwater view.

- The multiple is lower than what would be considered 'market average' for a TMC** because CWT only exited the Chapter 11 bankruptcy process in November 2021. The post-synergy multiple of 2.5x 2024E adjusted EBITDA assumes only cost synergies; there is potential for an even lower post-synergy multiple once likely revenue synergies are accounted for.
- The market has reacted warmly to the news**, as expected given the competitive price achieved by Amex GBT. Investors will likely not have forgotten Amex GBT has a strong track record at achieving synergies post-acquisition, with both HRG and Egencia acquisitions laying a strong foundation for achieving the expected \$155m of synergies with CWT.

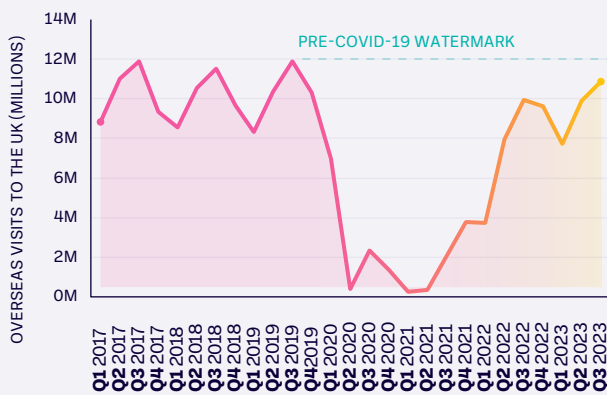
Pro-forma financials¹



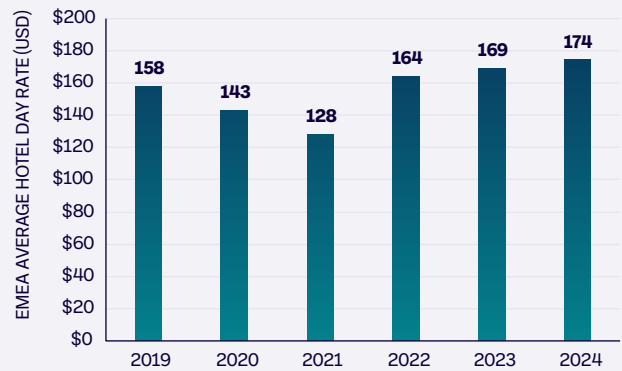
¹ Source: Amex GBT Investor presentation

Data snapshot.

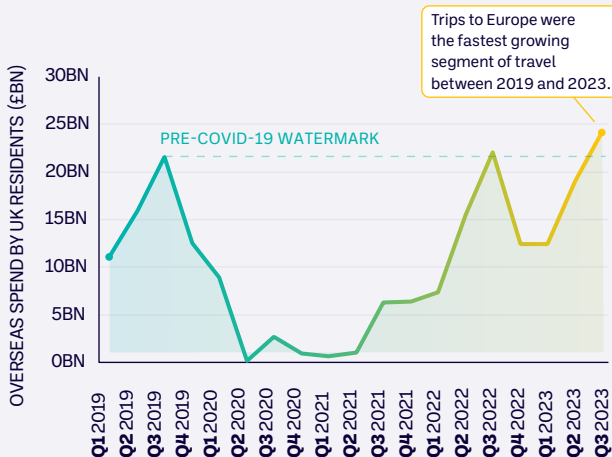
Inbound travel to the UK is nearly at pre-COVID-19 watermark¹



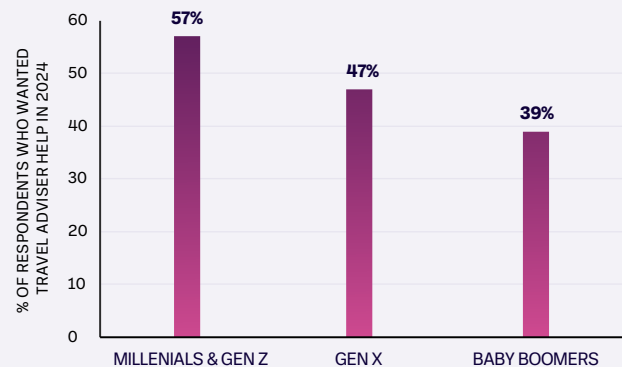
EMEA ADR is predicted to stabilise at 3% growth in 2024²



Whilst UK travel spend abroad was 14% higher in 2023 than 2019¹



Younger travellers are turning to agencies and operators more and more³



1) First three quarters of 2023 data available only. Source: ONS. 2) Amex Global Business Travel Hotel Monitor 2024. 3) Amex 2024 Global Travel Trends Report.

Sub-sector recovery.

Most sub-sectors have recovered to pre-COVID-19 valuation levels.



Source: Pitchbook (17 May-24)

Our relationships across the travel ecosystem.

We have an extensive corporate contact network across the global travel sector built up over 20+ years.

OTAs.



Cruise.



Tour operators and specialists.



Corporate travel management.



DMCs.



Vacation rentals.



Our travel credentials (1/2).

Our team have extensive expertise across travel and tourism.

eci
ON ITS ACQUISITION OF
TAG



Buy-side
Undisclosed




ROCKPOOL..
SOLD
Trusted Housesitters™
TO
MAYFAIR
EQUITY PARTNERS

Sell-side
\$100m>



KeyBank

Primary
ON ITS ACQUISITION OF

diversity travel

Buy-side
Undisclosed

ICG
ON ITS INVESTMENT IN
Direct Ferries
A PORTFOLIO COMPANY OF
Livingbridge

Buy-side
Undisclosed






15below
ON ITS INVESTMENT FROM
LDC

Sell-side
Undisclosed




FLIGHT CENTRE
Experience our experience
ON ITS ACQUISITION OF
Scott Dunn
Travel that takes you further

Buy-side*
Undisclosed



TRAVEL CHAPTER
A PORTFOLIO COMPANY OF
eci
SOLD TO
ICG

Sell-side*
Undisclosed




SYKES
HOLIDAY COTTAGES
BACKED BY
VITRUVIAN
RAISED DEBT FROM
ARES
TO SUPPORT THE ACQUISITION OF
Forest Holidays

Acquisition finance
Undisclosed



inflexion
ON ITS SALE OF
Virginia EXPERIENCE DAYS
TO
EQUISTONE

Sell-side*
Undisclosed






THE BOARD OF
BOURNE LEISURE LIMITED
ON ITS SALE TO
Blackstone

Sell-side*
Undisclosed



Verdant Leisure
A PORTFOLIO COMPANY OF
palatine
SOLD TO
PEARS
PARTNERSHIP CAPITAL

Sell-side
Undisclosed



Travelopia
ON ITS SALE OF
Experience Education

Sell-side*
Undisclosed



Freshstream
ON ITS ACQUISITION OF
Away Resorts

Buy-side
Undisclosed

Phoenix Equity Partners
ON ITS SALE OF
BRIDGE LEISURE
TO
PARK HOLIDAYS

Sell-side*
Undisclosed



TRAVEL CHAPTER
A PORTFOLIO COMPANY OF
Phoenix Equity Partners
SOLD TO
eci

Sell-side*
Undisclosed




loveholidays
ON ITS MAJORITY SALE TO
Livingbridge

Sell-side*
Undisclosed

*Clearwater team member credentials

Our travel credentials (2/2).

Our team have extensive expertise across travel and tourism.

AQUAVISTA
A PORTFOLIO COMPANY OF
LDC
ACQUIRED
Castle Marinas

Buy-side
Undisclosed

Travelopia

le boat

REFINANCE

Refinancing*
Undisclosed

HILGATE TRAVEL
BUSINESS TRAVEL MANAGEMENT

SOLD TO

REED & MACKAY
EXTRAORDINARY TRAVEL MANAGEMENT

A PORTFOLIO COMPANY OF
inflexion

Sell-side*
Undisclosed

Travelopia

SOLD TO

KKR

Sell-side*
Undisclosed

OAG

SOLD TO

VITRUVIAN PARTNERS

Sell-side
Undisclosed

VITRUVIAN PARTNERS

ON ITS ACQUISITION OF

travel counsellors

Buy-side*
Undisclosed

palatine

MBO OF

Verdant Leisure

Buy-side
Undisclosed

cruise.co.uk
THE REAL CRUISE PEOPLE

SOLD TO

Bridgepoint
Development Capital

Sell-side*
Undisclosed

REED & MACKAY
A PORTFOLIO COMPANY OF

Livingbridge

SOLD TO

eci

Sell-side*
Undisclosed

Away Resorts

SOLD TO

LDC

Sell-side
Undisclosed

Hotelplan

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

gcp

Sell-side*
Undisclosed

IGLU.COM

SOLD TO

mobeus

Sell-side*
Undisclosed

STG

Kingswood
Inspiring Learning

SOLD TO

BOWMARK CAPITAL

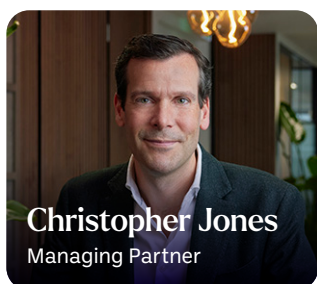
Sell-side*
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*Clearwater team member credentials

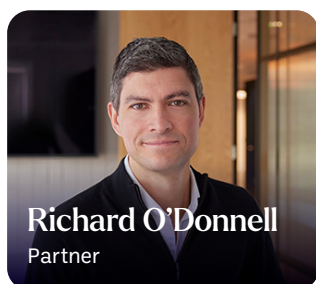
Our UK Consumer team.

Highly experienced specialist consumer focused team, with local strength combined with global reach.

Consumer M&A Team



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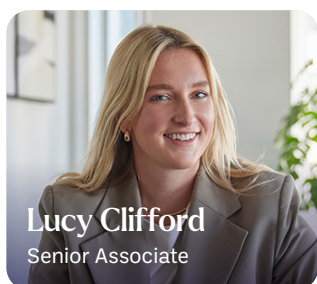
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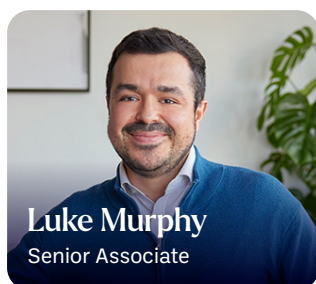
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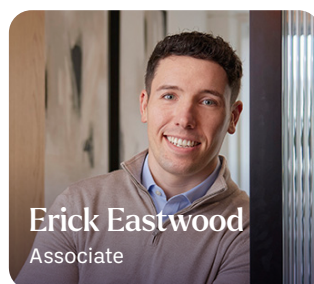
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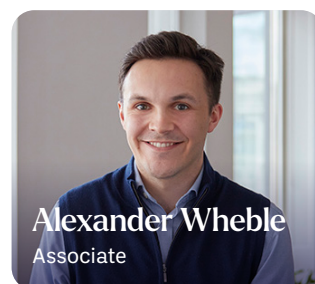
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