



**BIGSKY INVESTMENTS®**

# Travel

## M&A Coverage Report

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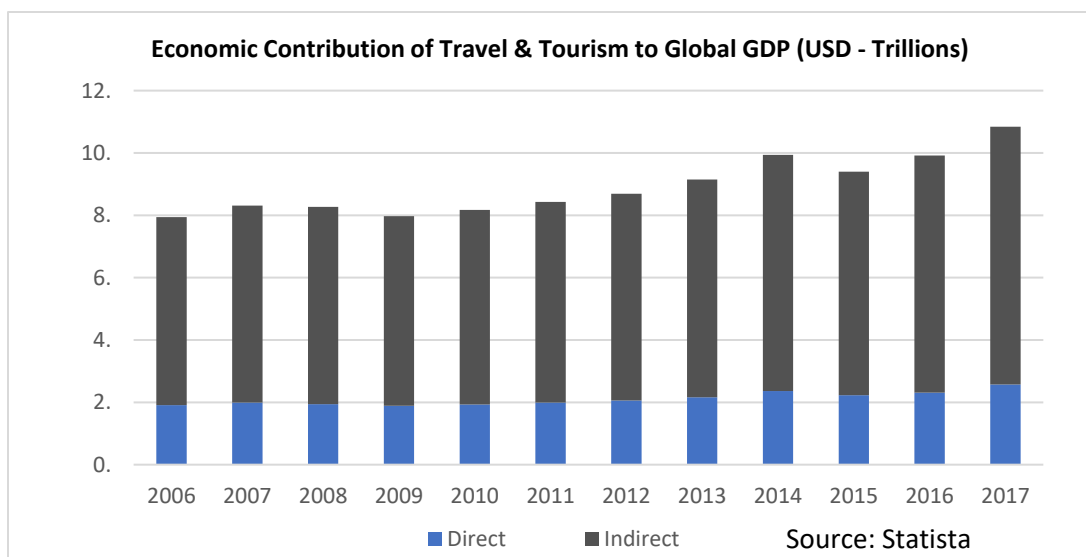
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### Industry Overview & Key Trends

**T**ravel and tourism is one of the largest and most influential sectors in the world. As of 2017, the sector was shown to account for 10.4% of global GDP and 9.9% of total employment.<sup>1</sup> Few industries have been as noticeably shaken up by technology. The industry is undergoing a renaissance as it adapts to changing consumer tastes and demands. Overarching trends in the sector have included customers desire for experience over utility, consolidation amongst major hospitality players, as well as the continued integration of technology in streamlining accessibility and the customer experience. 2018 was a fervent year for Merger and Acquisition activity in the travel sector and 2019 is shaping up to be another banner year for M&A activity with several exciting developments on the horizon.

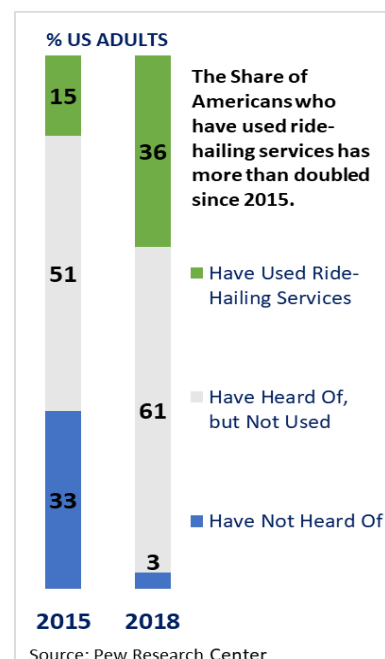


## Transportation

The travel sector is large and encompasses many industries. Airlines, buses, and cabs immediately come to mind when thinking of travel. These are the primary means of transport that get us where we need to go. Ride-hailing apps have profoundly altered the landscape and given rise to the ‘gig economy.’ This technology has opened doors to convenience and accessibility previously inconceivable to consumers. Predicted to grow at a CAGR of 19% by 2023,<sup>ii</sup> the ride hailing services market has predictably given rise to a flurry of M&A activity as players in the highly competitive and fragmented landscape seek to consolidate market share. In March 2018, Uber Technologies announced that it merged its Southeast Asia operations with Grab.<sup>iii</sup> In exchange for a 27.5% stake (valued at \$1.65B) of Grab, Uber agreed to exit the Southeast Asia market. Singapore-based Grab will acquire Uber’s ride-hailing business as well as Uber Eats in eight Southeast Asian countries.<sup>iv</sup>

Indeed, the significance of the ride-hailing revolution has grown immensely. According to a Pew Research Center survey conducted in fall 2018, roughly 36% of U.S. adults say they have used a ride hailing service such as Uber or Lyft.<sup>v</sup> This is a drastic increase in usage in just three years. This business model is rapidly evolving, extending beyond traditional vehicles to novelties such as scooters, bikes and even airlines. Uber is currently considering a multibillion-dollar acquisition of electric scooter company Bird and has sights on bike sharing platform Lime as a potential backup.<sup>vi</sup>

Expect 2019 to be an exciting year of M&A activity as Wheels Up, a provider of membership-based private-aviation services, has hired advisors for strategic initiatives and potential acquisitions. Wheels Up CEO Kenny Ditcher states, “Our plan calls for leveraging proprietary technology that will allow Wheels Up to bring private air travel to the broader public and make booking a private airplane as simple as booking an Uber or an Airbnb.”<sup>vii</sup>



## Hospitality

Thanks in part to Airbnb, the peer-to-peer marketplace is democratizing the hospitality industry. Suddenly, consumers have means to capitalize on their previously underutilized real-estate assets. Airbnb has made many acquisitions over the past decade as they evolve the platform into an international travel services company.<sup>viii</sup> Most recently, Airbnb has sought to venture into the business services world. It’s acquisition of Gaest brings access to a plethora of short-term rental spaces geared towards meetings and events.<sup>ix</sup> Expect M&A activity in this space to accelerate as online booking companies seek out growth through expansion into new and unique areas.

Despite the disruptive advent of the gig and sharing economies, traditional hotels continue to thrive. The industry has seen nearly 10 years of consecutive growth.<sup>x</sup> Although many indicators suggest the cycle still has legs, it should come as no surprise that at these later stages of the business cycle, many companies are seeking growth through M&A. In a race to secure market share, 2018 saw a flurry of consolidation in the hotel industry.<sup>xi</sup>

### 10 Largest Travel Acquisitions of 2018

Acquired	Buyer	Sector	Closed	Deal Cost
AccorInvest Group	Amundi, Colony Capital	real estate	May	\$5.65 billion
NH Hotel Group	Minor International	hotels	August	\$3.1 billion
La Quinta Holdings	Wyndham Worldwide	hotels	May	\$2.68 billion
Belmond	LVMH	hotels	Pending	\$2.6 billion
MobikeTechnology	Meituan Dianping	bike sharing	April	\$2.47 billion
TravelClick	Amadeus	hotel tech	October	\$1.52 billion
Wyndham Vacation Rentals Europe	Platinum Equity	vacation rentals	May	\$1.38 billion
Silversea Cruises	Royal Caribbean Cruises	cruise	July	\$1.06 billion
Hogg Robinson	American Express GBT	corporate travel	July	\$575 million
MovenpickHotels	AccorHotels	hotels	September	\$565 million

Source: Skift

Industry consolidation is set to continue through 2019. In the first half of the year, LVMH is set to acquire Belmond Ltd in an equity-based transaction valued at \$2.6B.<sup>xii</sup> The merger will add Belmond's 46 luxury hotel, rail and river cruise experiences to LVMH's growing portfolio of high-end properties and significantly increase LVMH's presence in the luxury hotel world.

## Tours & Activities

Tour operators are increasingly receiving unique requests from travelers seeking once-in-a-lifetime experiences.<sup>xiii</sup> As demand for experience-based travel has increased, so has M&A in the tours and activities industry. What had been the last bastion of personalized travel agents is finally giving way to internet-based booking. In mid-2018 TripAdvisor acquired Iceland based Bokun as a means of bringing more tours and activities focused suppliers to its distribution channel.<sup>xiv</sup> This acquisition among others such as Booking Holdings acquisition of FareHarbor<sup>xv</sup> and TUI Groups purchase of Musement<sup>xvi</sup> are among the larger developing trend of experience-based travel.

## Conclusion

Expect these overarching trends of technology adoption, industry consolidation, and experience focused services to persist throughout 2019. The travel sector is rapidly evolving and with that evolution comes a host of M&A activity which will drive the industry forward into the foreseeable future.

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