

Summary Report  
Hotel Industry





# Hotel Industry

## Overview of the Market

The UK Hotels industry is estimated to be worth approximately £19.8bn in 2018. It is also expected that industry revenue will grow at a compound annual rate of 3% over the five years through 2018-19, reaching £19.8 billion. The Hotels industry has performed well over the past five years. Favourable conditions are thanks to international tourism campaigns and the popularity of British-made films encouraging international and domestic tourists to travel in the United Kingdom. Continuing global economic growth, the weak pound, and the enduring popularity of London as a tourist destination and financial services hub are expected to stimulate demand for hotels in 2018-19.

The digital revolution is transforming the way the industry operates. For example, online travel agents (OTAs) now dominate online accommodation booking. While OTAs allow independent hotels to target a wider customer base, they also impose commissions and put pressure on hotels' profit margins. Furthermore, consumer-generated content and review websites can increase bookings and help personalise the overall experience.

During the five years through 2023-24, industry revenue is forecast to rise at a compound annual rate of 2.4% to reach £22.3 billion. Conditions are expected to be more challenging for the industry over the next five years as leaving the European Union begins to affect business and tourism in the United Kingdom. Potential barriers to movement between the United Kingdom and the European Union could also limit the number EU tourists. However, rising incomes in developing countries are expected to boost tourist numbers from outside the European Union, while the weak pound and possible travel barriers may increase the appeal of domestic tourism for UK citizens. However, websites like Airbnb are anticipated to pose an increasing threat to industry operators over the next five years as the sharing economy gains traction.

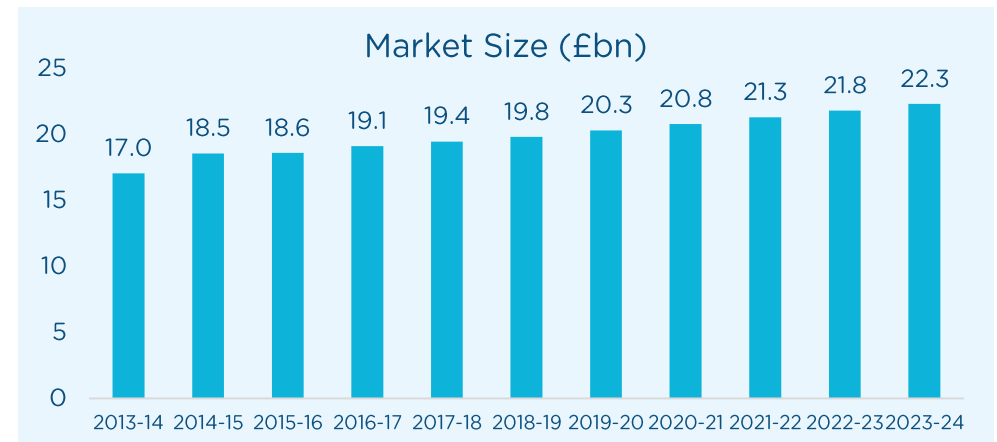
Source  
IBISWorld (April 2018)  
Plimsoll (September 2018)

## Hotel Companies

A profitability analysis on the sector from a pool of 1,000 leading UK-based Hotel companies revealed the following points:

- The most profitable 446 companies benefitted from an average profit margin of 12.4%
- The least profitable 554 companies made an average profit margin of 0.0%; the industry average is 4.5%
- 437 Hotel companies increased in value over the year with 117 companies increasing by more than 25%
- 394 companies decreased in value, 94 fell by more than 25%
- 129 companies have made a loss for two consecutive years

Based on analysis, companies were rated on their 'takeover attractiveness'. A total of 200 companies were given a 'Strong' rating whereas 605 companies were given the lowest rating, 'Danger'. 330 companies in the industry were highlighted to be highly attractive takeover prospects. London was the most attractive region for takeover prospects.





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## M&A Activity in the Sector

Market IQ data indicates a total of 449 significant deals, where data exists, in the industry from January 2011 to September 2018, with UK targets. Deals are only reported over a certain value threshold (c.£500k), therefore, it is likely that not all deals have been captured.

Upon breaking down the deal type, M&A, activity within the sector is mainly categorised by acquisitions, with 412 since January 2011. There were also 18 MBIs and 14 MBOs. A geographical breakdown of the deals shows that the South dominates M&A activity, benefitting from 192 deals in the time frame. The North West were holds its own, with 61 deals completed. The rest of the deals are spread throughout other regions whilst declining to Northern Ireland, with 16 deals.

Deal flow has been significant in each year with a gradual upwards trend through 2012-2017. This is likely characteristic of aggressive acquisition strategies from the larger players, as they attempt to fight off competition from the likes of AirBnB. With 42 deals through September 2018, forecasting the same rate to the end of the year gives 56 deals. This would be a significant dip on the previous year. If the trend continues, this data would show a lack of confidence on the part of acquisitive businesses. This could stem from uncertainty in the UK's ability to agree a good exit deal from the EU.

## Industry Benchmarking Information - September 2018

Hallidays' client base consists of small to lower mid-market enterprises. Our benchmarking analysis reflects businesses with turnover below £10m, in line with the majority of our clients in this sector.

Hotel Benchmarking Data	Mean	Median	Lower Quartile	Upper Quartile
Turnover Growth/Decline (%)	6.55	2.78	-1.86	9.11
EBIT Margin (%)	7.82	7.85	-1.09	19.53
EBIT Growth/Decline (%)	3.78	1.24	-39.29	60.42
EBITDA Margin (%)	13.11	13.56	4.12	26.03
EBITDA Growth/Decline (%)	9.02	1.62	-25.58	52.98
Total Net Assets Growth/Decline (%)	7.81	3.92	-6.33	22.24
Current Ratio	2.45	0.67	0.21	1.63
Acid Test	2.41	0.63	0.19	1.60

### Hotels Benchmarking

Using full company accounts filed in the last two years under the SIC-Code "551 - Hotels and similar accommodation". Excluding companies with nil turnover in either period, we have summarised key benchmarking information for businesses under £10m turnover in the table above. September 2018.

### M&A Activity Source

Experian Market IQ (September 2018)

Search Criteria: SIC-Code "551 - Hotels and similar accommodation"



# Funding

## Do you know all of the funding solutions available to help you grow your business?

There is a wide range of funding solutions available to you, many of which you may not have heard of, or even considered which we can help you with. It might be worth asking yourself...

Are you keen to find funding to support your innovative plans?  
Do you have funding, but you're not sure if it's the right type?

As a registered credit broker, we can answer all of these questions and make accessing funding simple and straightforward. So, if you need a better facility for working capital, or if you're looking for a larger chunk of cash for investing in machinery, marketing or a new product line, then let us know.

Our collaborations with high street banks, Funding Circle, Funding Options and numerous other funders can help you find the funding you need.

## Cashflow or Asset Finance

As a Funding Circle Introducer and with our network of funders, we can provide cashflow loans, where this is the right type of finance for your business.

## Growth Funds, Venture Capital & Private Equity

If you have a high growth or innovative business, we can help you to secure the right equity and debt investment to reach the next stage in your business' evolution.

## Stockport Business Angels

We are the Stockport Business Angels (affiliate of NWBA) and link businesses with the right collaboration and funding from business angels investors.

## Invoice Finance (discounting/factoring) / Construction / Trade Finance

Invoice finance is becoming a more attractive option to a bank overdraft, this can ease cash flow, whilst providing a flexible facility.

## Funding Success Stories

Hallidays has had a number of successes when it comes to obtaining growth funding for our clients:

- **ABN Amro Bank** £100k invoice finance facility (IFF) – To improve working capital for a seasonal company.
- **Aldermore Bank** £150k IIF – For a creative design studio requiring cash to expand.
- **RBS Invoice Finance** £100k IFF – For an engineering company to purchase bespoke machinery enabling them to fulfil a contract.
- **Lombard** £130k asset finance – For fittings and electronic equipment in a hospitality business.
- **FW Capital** – Growth funding of between £100k-£750k for multiple clients.



**HALLIDAYS**  
CORPORATE FINANCE

If you wish to enquire further about funding, please contact:  
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