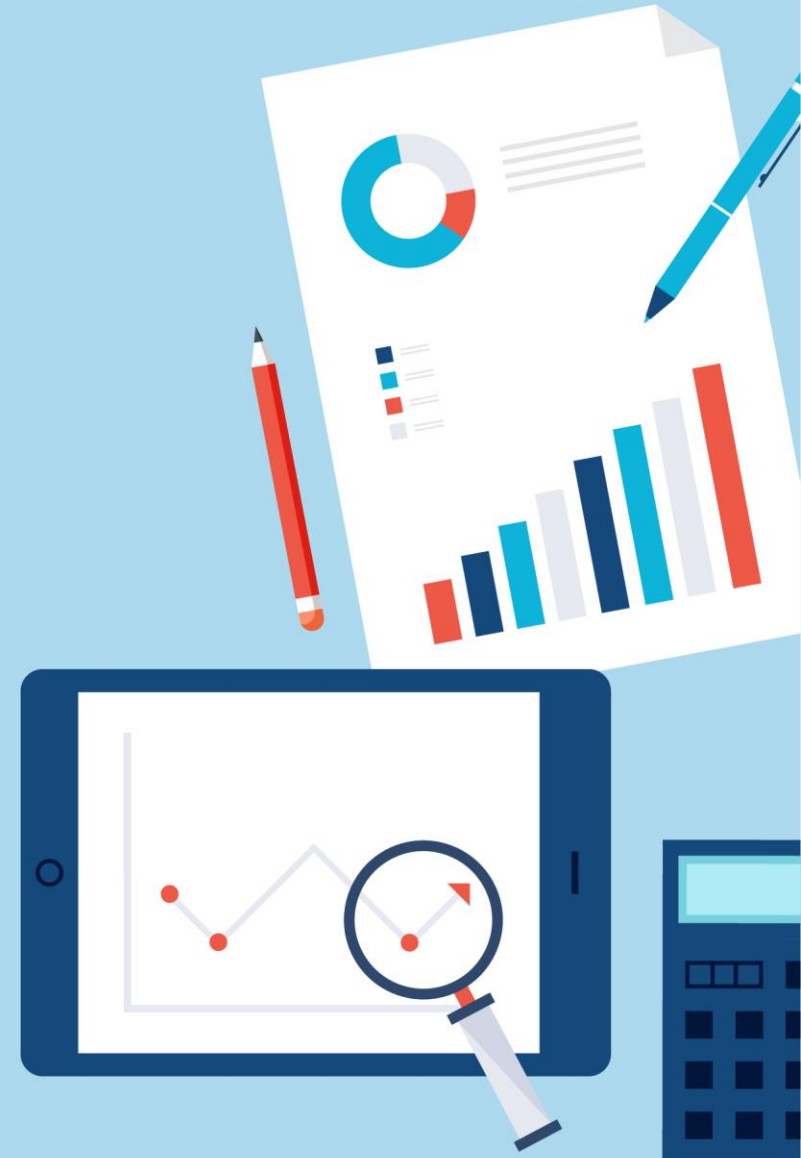


Summary Report

Tour Operator Industry





Tour Operator Industry

Overview of the Market

In the UK, the Tour Operator industry is estimated to be worth approximately £14.9bn, benefitting from a strong growth rate of 4.4% from 2014 to 2019. This growth is predicted to continue at 4.5% until 2024.

Following the financial crisis, households decreased their holiday expenditure as disposable incomes dropped. The sector has started to recover, however the EU Referendum result has since had an adverse effect on revenue and this has diminished growth opportunities. This is partly due to the depreciation of the pound which has encouraged domestic tourism and constrained demand for overseas trips, from which operators generate most of their revenue.

Over the next five years, tour operators will be faced with the challenge of adjusting services and capacity to suit changing preferences. Despite the negative effects of the UK's decision to leave the European Union, the industry is expected to grow at a compound annual rate of 4.5% over the five years through 2023-24 to reach £18.5 billion. Economic expansion is forecast to inflate the market for overseas travel, while domestic holidays and short-breaks will continue to be popular options for British tourists. Participants are expected to strive to attain competitive advantages by integrating more personalised services into their operations, such as mobile booking platforms and interactive retail experiences.

Source
IBISWorld (June 2018)
Plimsoll (October 2018)

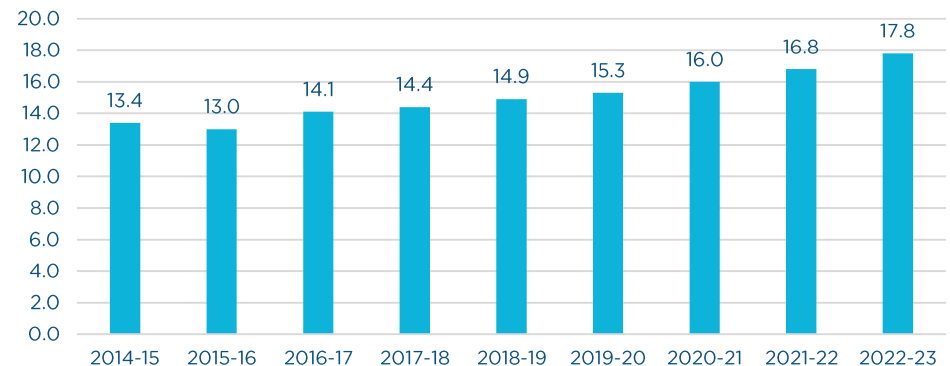
Tour Operator Companies

A profitability analysis on the sector from a pool of 1,083 leading UK-based Tour Operator companies revealed the following points:

- The most profitable 414 companies benefitted from an average profit margin of 5.1%
- The least profitable 669 companies made an average profit margin of 0.0%; the industry average is 1.7%
- 383 of companies increased in value over the year with 205 companies increasing by more than 25%
- 373 companies decreased in value, 205 fell by more than 25%
- 105 companies have made a loss for two consecutive years

Based on analysis, companies were rated on their 'takeover attractiveness'. A total of 471 companies were given a 'Strong' rating whereas 200 companies were given the lowest rating, 'Danger'. 214 companies in the industry were highlighted to be highly attractive takeover prospects. London was the most attractive region for takeover prospects.

Market Value (£bn)





Tour Operator Industry

M&A Activity in the Sector

Market IQ data indicates a total of 95 significant deals 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 72 since January 2011. There were also 20 investments and three mergers. A geographical breakdown of the deals shows that London and the South East dominated M&A activity, benefitting from 21 deals each in the time frame. The North West was close behind with 17 deals being completed. The rest of the deals are spread throughout other regions whilst slowly declining to the North East and Scotland, with only one deal.

Deal flow has been low in each year with a gradual upwards trend through 2012-2015, with a substantial dip from 2016 to 2017. This dip is characteristic of the uncertainty effect that the UK's exit from the EU will bring. Without clarity, UK businesses are highly likely to be risk adverse. This is justified further by the YTD 2018 figures, with five deals through September 2018, forecasting the same rate to the end of the year gives only six to seven deals.

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.

Tour Operator Benchmarking Data	Mean	Median	Lower Quartile	Upper Quartile
Turnover Growth/Decline (%)	8.65	4.17	-3.59	13.51
EBIT Margin (%)	3.16	1.11	-0.17	4.39
EBIT Growth/Decline (%)	-14.13	-3.65	-71.39	59.39
EBITDA Margin (%)	3.91	1.81	0.09	5.30
EBITDA Growth/Decline (%)	-8.44	-4.05	-62.86	57.15
Total Net Assets Growth/Decline (%)	3.64	0.51	-13.48	12.03
Current Ratio	1.68	1.29	1.09	1.78
Acid Test	1.67	1.29	1.08	1.78

Tour Operator Benchmarking

Using full company accounts filed in the last two years under the SIC-Code "7912 - Tour operator activities". 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 "7912 - Tour operator activities".



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.

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

Michael Berger - Corporate Finance Manager - michaelb@hallidays.co.uk - 0161 476 8276

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.



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