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# Q&A: 3i's Alan Giddins and Isabelle Hemington



**Kenny Wastell**  
Features editor

**Kenny Wastell: What is your outlook for the travel sector in 2019?**

**Alan Giddins:** Across every demographic there is a growing appetite for new experiences. That, and the fact that the world has become increasingly accessible, have driven significant growth in the travel industry. The recent update from the UN World Tourism Office highlighted that international tourist arrivals exceeded 1.4 billion in 2018, with growth continuing to outpace market forecasts. A key driver has been the strong growth in outbound travel from emerging markets, with China now spending close to twice as much on international travel as the US.

**Isabelle Hemington:** Consumers continue to prioritise travel as an essential rather than discretionary spend. At times of economic uncertainty, consumers are keen to protect their main holiday. Against this backdrop, offering consumers a differentiated service and product is key to meeting their increasingly high expectations.

**KW: How far along the road are we in terms of digital disruption within the travel sector?**

**AG:** Technology has had a material impact on the travel sector over the past 10 years, changing the way in which consumers research and book their trips, as well as the ability of travel companies to quickly scale their offering. Inevitably, digital penetration varies by market. Current estimates show that 50% of travel in Europe is booked online. Equally, while it is now straightforward to plan and book a European city break, digital models are not yet able to serve and meet client



Alan Giddins, 3i

expectations associated with complex trips to less accessible destinations.

**KW: What other key trends have you picked up on that are gaining or losing momentum?**

**IH:** There is undoubtedly an increasing focus on sustainability and responsible travel, with travellers looking to give back to the communities they visit. There is also growth in tours and activities, a highly fragmented space that has been slower to move online than flights and hotels, but where we now see innovative models emerging, like, for example, the launch of Airbnb Experiences.

**KW: What are the areas within the travel sector that 3i currently finds particularly attractive?**

**AG:** There are two core building blocks to our

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3i's recent results highlighted the success of bespoke travel agency Audley Travel, with the value of the GP's stake reaching £261m. Kenny Wastell speaks to 3i's managing partner Alan Giddins and senior associate Isabelle Hemington about trends in the travel sector

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Isabelle Hemington, 3i

approach to investing in the travel sector. The first of these is a fundamental belief that clients value deep specialist knowledge. Audley Travel is a great example of this, offering clients tailor-made, experiential journeys with excellent customer service and in-depth knowledge at the heart of its model. An Audley customer is typically looking at more complex, multi-destination journeys individually tailored to them. This results in Audley Travel having a high level of repeat and recommended booking.

Our second key thesis is around the application of technology within the travel industry. This was core to our investment case for International Cruise & Excursions, a US-headquartered business that partners with leading brands, such as American Express, to provide their customers access to

travel and leisure products. It has developed a proprietary technology platform enabling it to offer a broad range of loyalty programmes and rewards.

**KW: To what extent are travel decisions impacted by end-market instability?**

**AG:** The evidence is that travellers are relatively resilient when it comes to evaluating the risks associated with, for example, terrorism and natural disasters. Geopolitical risk can, by contrast, have a longer lasting impact on how people perceive the risk associated with a particular country. Myanmar is an example of a destination that had experienced significant growth up until 2015, but has since seen demand fall off dramatically. For a travel company, an ability to offer a broad global mix of destinations is key.

**KW: Do you see further private equity activity within the travel sector?**

**IH:** The travel industry has many underlying growth drivers, which make it extremely attractive to private equity. The challenge to date has been the lack of mid- and larger-sized travel businesses, with the majority of private equity transactions being in the £50-150m EV range. However, over the next three to five years, a number of these businesses will start to reach the middle and upper end of the market and will attract interest from private equity investors who conceptually like the travel sector, but have not been able to find an appropriately sized platform asset in which to invest. ■