Insights

Travel & Hospitality Platforms: “What is good for the Goose should be good for the Gander”

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Best of peer OTA (Online Travel Agents) Booking.com has an enterprise value that has recovered all that was lost due to COVID and some +13% more besides. It trades around 5x forward 2022 sales.

Marriot which operates a 130-million-member platform, the same size as Airbnb, and services over 1 million rooms, still has a share price trading below pre-COVID levels. Sabre, whose ticketing platform backstops most airline travel, trades at a EV to forward sales of 2x and Amadeus, its European peer, a little over 5x.

For all the aforementioned companies, 2020 was an extraordinarily challenging year. Recovery over the next two years from COVID troughs will be aggressively V-shaped for all, as vaccines eliminate social distancing and create the conditions for recovery.

Despite having very similar recovery characteristics and exposures to the travel and tourism sector, the wide range of valuations offers us as investors opportunities to gain exposure to this sector but at a relatively low valuation. In other words, invest in the lower multiple exposures to gain the upside we want at the most reasonable price.

Longer term, networked platforms are undoubtedly the future in terms of structural growth for tourism and hospitality. What we have spotted is a significant valuation differential per unit of growth between the more hyped names (Airbnb) and the more ‘hidden’ platforms like Sabre. We have built a portion of our recovery exposure in the Funds focusing on the latter, so as to leverage a vaccine-led recovery but at a reasonable price and with the most upside.

As vaccines do not distinguish between business platforms, we figure that ‘What is good for the Goose should be good for the Gander’ and that substantial valuation differentials will fall away against a backdrop of similar structurally driven growth.

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