

# TOURISM GIANTS EXPECT STRONG VACATION APPETITE



In countries such as the UK and USA, the successful vaccination campaigns are awakening the desire to travel. Tourism giants like TUI expect good summer business.

It is set to get underway at the end of May. Vacation planes operated by Lufthansa subsidiary Eurowings will then fly British vacationers from Birmingham and Manchester to Mallorca twice a week. Extensions to the flight schedule will be analyzed over the next few weeks. For the first time, vacation planes from Eurowings will take off from Great Britain in the direction of the island, which is also popular with many Germans.

The early arrival of the British is made possible because **the UK is making much faster progress with the Corona vaccinations than the EU**. By mid-March, the UK administered over 40 doses of vaccine per 100 residents. In the EU, the average is under 10.

## The British Are Gripped by Travel Fever

When UK Prime Minister Boris Johnson announced that vacation flights would be permitted on May 17, provided that the spread of the pandemic and possible mutations of the virus remained under control, the British were immediately gripped by travel fever. Low-cost airlines such as Easyjet, Ryanair and Eurowings saw bookings rise from their very low levels with high triple-digit percentage growth rates.

The British subsidiary of the TUI Group also recorded a 500 percent increase. Should the British government succeed in keeping the pandemic under control with the successful vaccination campaign to date, the upturn in travel business will certainly make itself felt in the balance sheet of the tourism group.

With around six million customers in 2019, the UK is TUI's second-largest market, behind Germany with seven and ahead of France with five million travelers. Britain's TUI CEO Andrew Flintham therefore wants to work with the government on joint solutions to enable British vacationers to travel.

Germany TUI boss Marek Andryszak expects "short-term bookings for the Easter holidays." Because the decisive factor is not the warnings of politicians against traveling, but the risk classification of the Robert Koch Institute. This holds itself to the incidence value - and in Mallorca, this is already for a long time clearly under the risk zone threshold of 50, with a sinking tendency. Starting from 27 March, thus still before Easter, TUI wants to fly to the Balearic Islands from Duesseldorf, Frankfurt and Hanover and arrange offers with stays in hotels. In summer, TUI fly jets are to take off daily from seven German airports to Mallorca.

## TUI Expects Good Summer Business

Should the travel warning and thus the up to ten-day quarantine requirement after returning home

be lifted, Marek Andryszak, Germany TUI boss, expects a spike in bookings, similar to that seen in the UK. In a few weeks, the manager hopes to see quarantine-free travel to the Canary Islands, Greece and Turkey as well. "In July and August, we will operate at very high capacity on the Mediterranean," Andryszak believes.

Analysts at Bloomberg Intelligence currently estimate TUI's monthly outflows from reserves at 250 to 300 million euros. The 2.1 billion euros in liquidity at the end of February give the Group a few more months of leeway.

On the stock markets, the new confidence in the industry boosted shares of tour operators, airlines, airport operators and cruise providers significantly. Shares in U.S. media giant Walt Disney also rose when it was announced that Disneyland in California could open in April under strict conditions. Vaccinations in the U.S. are in full swing and so far very successful.

The global travel industry is coping with the biggest slump in its history. From January to the end of October 2020, 74 percent fewer people traveled than in 2019, according to the World Tourism Organization (UNWTO), down from 1.5 billion before Corona, nearly one-fifth of the world's population. The world body estimates the financial damage at \$1.3 trillion. In Spain, for example, the world's second most popular destination for travelers, gross domestic product (GDP) shrank by 11 percent last year. In an average year, tourism provides 13 percent of Spain's GDP. Declines in tourist numbers worldwide were similar across regions in 2020.

For 2021, experts expect the majority of travelers to book vacations at home or in the respective neighboring countries. This will help online platforms such as Expedia or Booking in particular. Many US citizens are also likely to spend their vacations in their own country or in neighboring Canada this year. Like last year, this should help vacation rental agencies Airbnb do better business. During the crisis, the financial burdens on online providers are much lower than for traditional tourism groups such as TUI with its own hotels and cruise ships. Experts do not expect a return to normality in tourism until 2023.

### **Proof of Vaccination Should Help**

Evidence of Corona vaccinations, however, could speed recovery. According to a survey by the online portal Cruise Critic, 40 percent of respondents would book a cruise as early as 2021. More than 80 percent of respondents, however, would not board a ship until proof of Corona vaccination was mandatory. In the U.S., with the two major providers Royal Caribbean and Carnival, the proofs could be introduced earlier than in other regions.

The EU wants to introduce voluntary digital proof of Corona vaccinations by summer. It should then also be possible to transfer the data to apps on cell phones.

Tourism giants are now taking advantage of the good mood among investors to raise capital. New shares brought cruise operator Carnival, based in Miami, one billion dollars. **Low-cost carrier Easyjet raised 1.2 billion euros via bonds.**

Competitor Ryanair has around 4.5 billion euros in cash reserves and can cover its fixed costs for almost two years, according to calculations by analysts at Bloomberg Intelligence. At the end of March, at the end of the fiscal year, the company will have at least three billion euros in reserves. 80 percent of the fleet is financially unencumbered, which is low by industry standards.

As a result, Europe's largest low-cost carrier is starting from the front of the pack as vacation flights in Europe recover. Analysts expect net profits of more than 300 million euros in the new fiscal year,

and 1.6 billion euros a year later.

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