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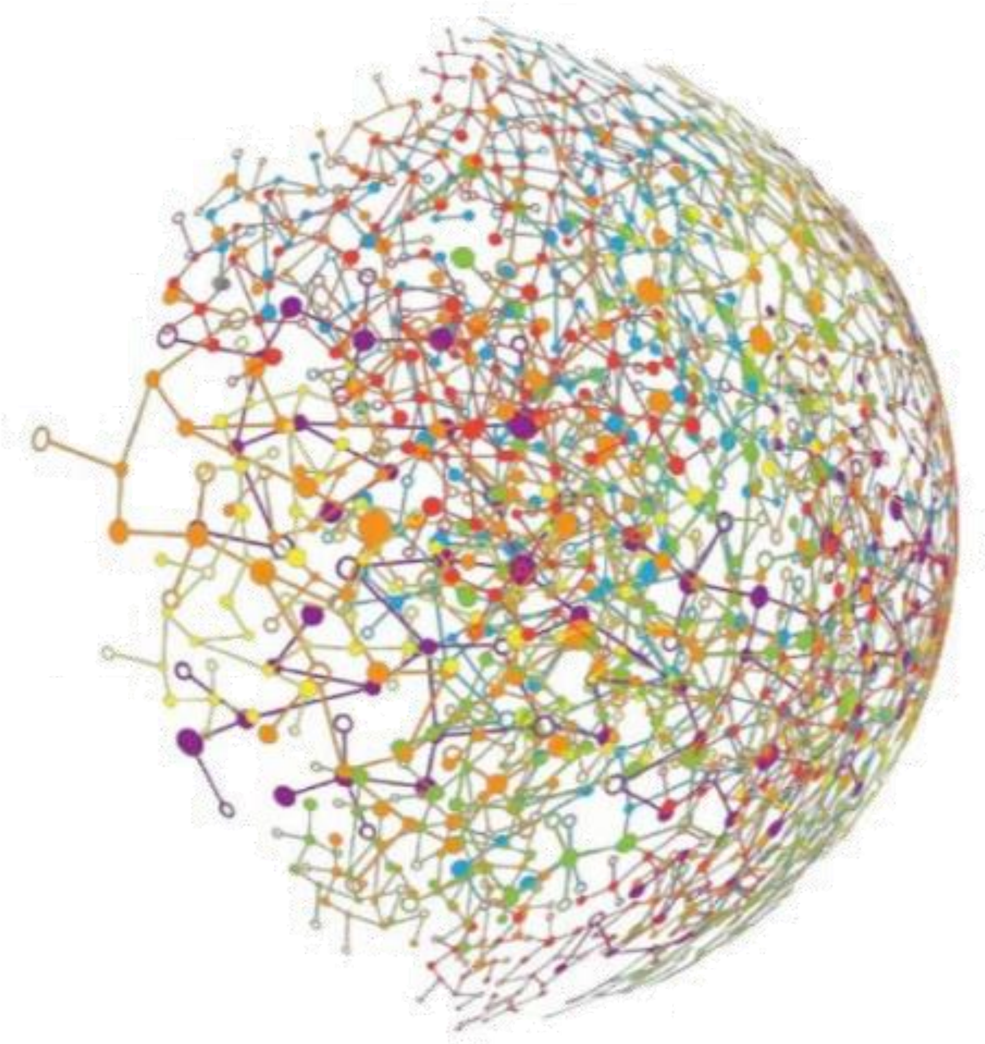


The Hotel Sentiment Survey

Key findings

July 2021

Introduction

To help identify the business impact of COVID-19 in the hospitality industry, Deloitte is conducting a survey of sentiment from senior figures in international hospitality

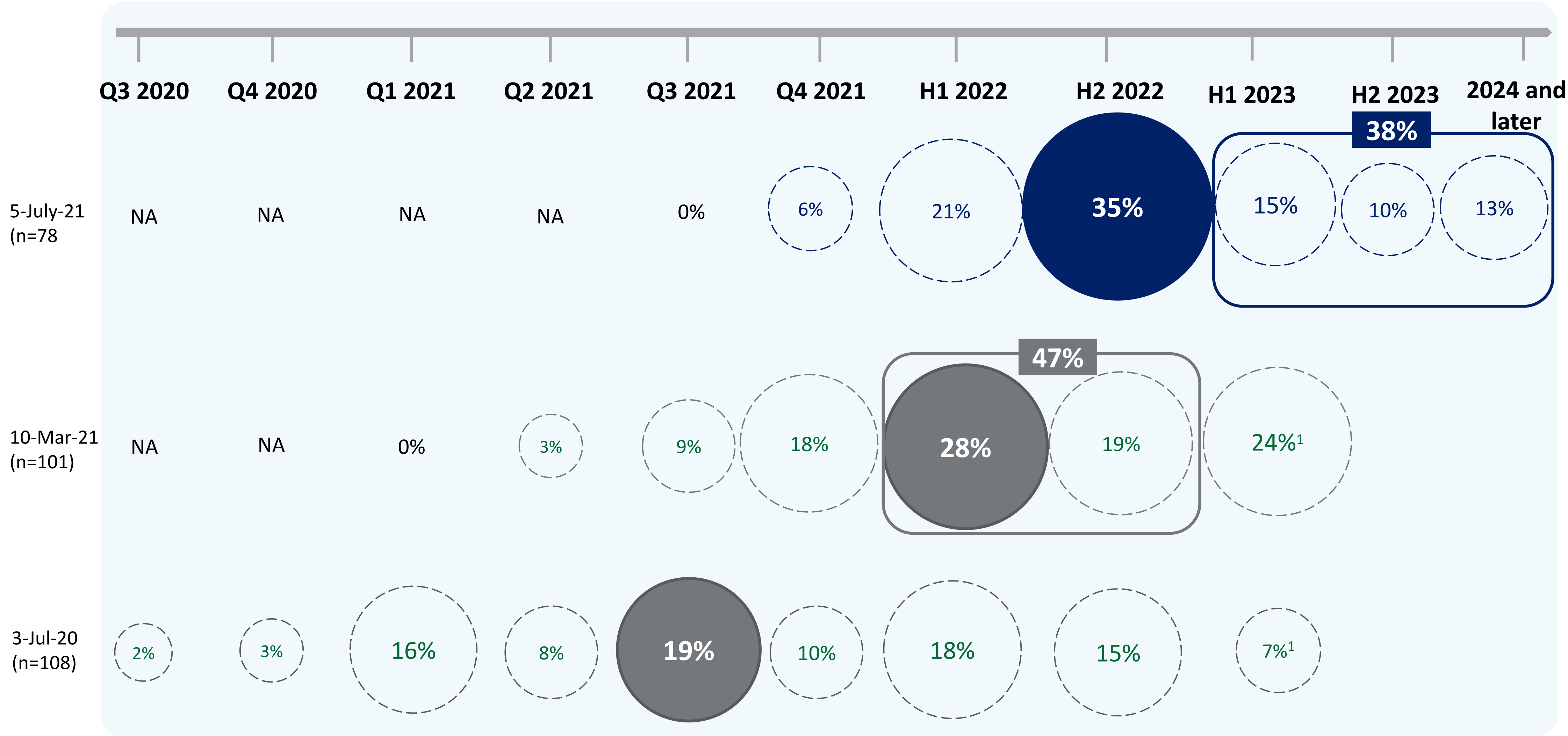
- These are the key findings from the Deloitte Hotel Sentiment Survey, conducted between 21 June and 5 July, 2021, as part of the annual European Hotel Industry Conference. The findings are based on the responses of 78 senior figures in international hospitality.
- The findings in this document represent the eleventh survey conducted since March 2020.
- Stay tuned for our next set of hotel sentiment survey findings and please contact: EHIC@deloitte.co.uk to sign up.

Deloitte treats survey responses as being made in the strictest confidence. Access to such responses is restricted to those within the firm working on the survey. The results of the survey will solely consist of data aggregated from individual responses to our questions, therefore respondents will not be identified on an individual basis. The data for the survey is collected via an open weblink and as such, participation is not limited to a controlled list of intended recipients.

Survey responses

Length of the disruption to the hospitality sector

Compared with March 2021, more respondents expect the disruption in the hospitality sector to last until the end of 2022. However, a further 38% expect it to continue to 2023 and beyond.

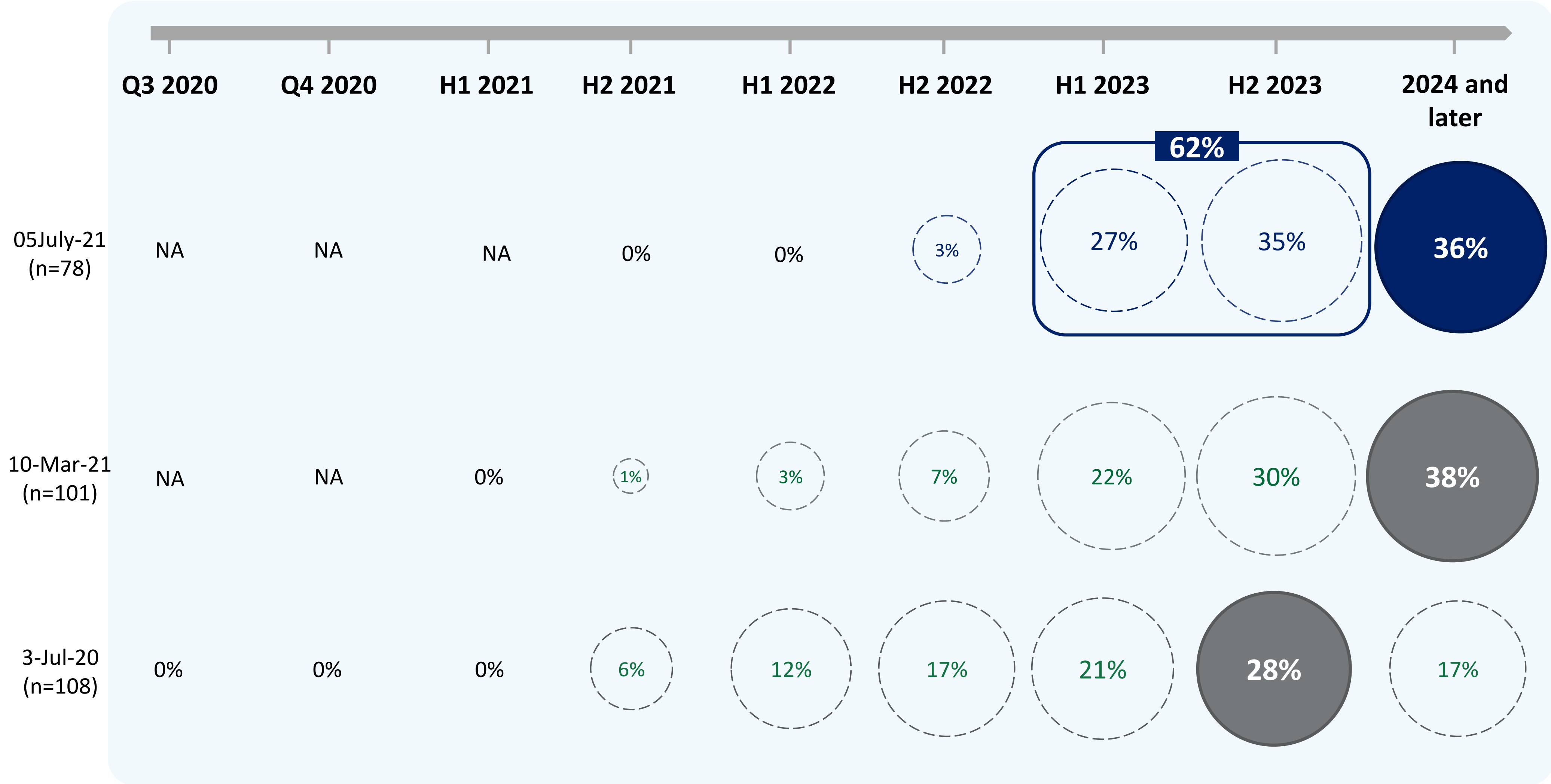


Q1: How long do you expect material disruption to the hospitality sector to last?

Note: Please note that percentages may not add up to 100% due to rounding-off error (1) In the earlier surveys the option was defined as '2023 or later'

Hospitality industry's pace of recovery

As many European countries continue to grapple with the pandemic, nearly two thirds of respondents expect a return to 2019 performance levels only sometime in 2023. A further 36% does not see this happening before 2024.



Q2: When do you think that hospitality industry performance will return to 2019 levels?

Note: Please note that percentages may not add up to 100% due to rounding-off error

Current key priorities

As the hospitality industry looks to work on strategic growth initiatives in the next four weeks, hiring and re-staffing is now acknowledged to be a major priority. Supply chain is also emerging as an important area to focus on (+5 ppts). However, cash management remains at the top of the agenda.

Priority	Priorities and ppts[1] change between July-21 and March-20	05-July-21 (n=78)	10-Mar-21 (n=101)	03-Jul-20 (n=108)	28-May-20 (n=113)
Cash flow/cash management	↓ 24	46 %	70 %	85 %	87 %
Hiring and re-staffing[3]	New measure	42 %	N/A	N/A	N/A
Strategic growth initiatives	↑ 7	41 %	34 %	N/A	N/A
Transactions/expansion	↓ 5	40 %	45 %	27 %	29 %
Financing/lender considerations	↓ 4	36 %	40 %	44 %	53 %
Stakeholder relationships	↓ 11	32 %	43 %	54 %	52 %
Workforce health and safety	↓ 4	28 %	32 %	53 %	52 %
Preparing for withdrawal of Government support schemes[2]	↓ 4	22 %	26 %	N/A	N/A
Propping up/supporting/streamlining operations	↓ 14	17 %	31 %	44 %	33 %
Sustainability and climate change initiatives[3]	New measure	17 %	N/A	N/A	N/A
Supply chain	↑ 5	12 %	7 %	7 %	5 %
Remote working capabilities	↓ 2	9 %	11 %	11 %	12 %
Infrastructure gaps digital upskilling, bandwidth and cybersecurity limitations	↓ 1	4 %	5 %	2 %	4 %
Other	↓ 1	4 %	5 %	12 %	6 %

Strong priority: Cash flow/cash management; Hiring and re-staffing; Strategic growth initiatives; Transactions/expansion. Somewhat of a priority: Financing/lender considerations; Stakeholder relationships; Workforce health and safety; Preparing for withdrawal of Government support schemes. Weak priority: remaining items.

Q3: What are your key priorities over the next four weeks? (multiple answers possible)

Strong priority | Somewhat of a priority | Weak priority

Note: 1) Ppts refers to percentage points ; 2) 'Strategic growth initiatives' and 'Preparing for withdrawal of Government support schemes' added in March 2021 ; 3) 'Hiring and re-staffing ' and ' Sustainability and climate change initiatives ' added in July 2021

Financing considerations

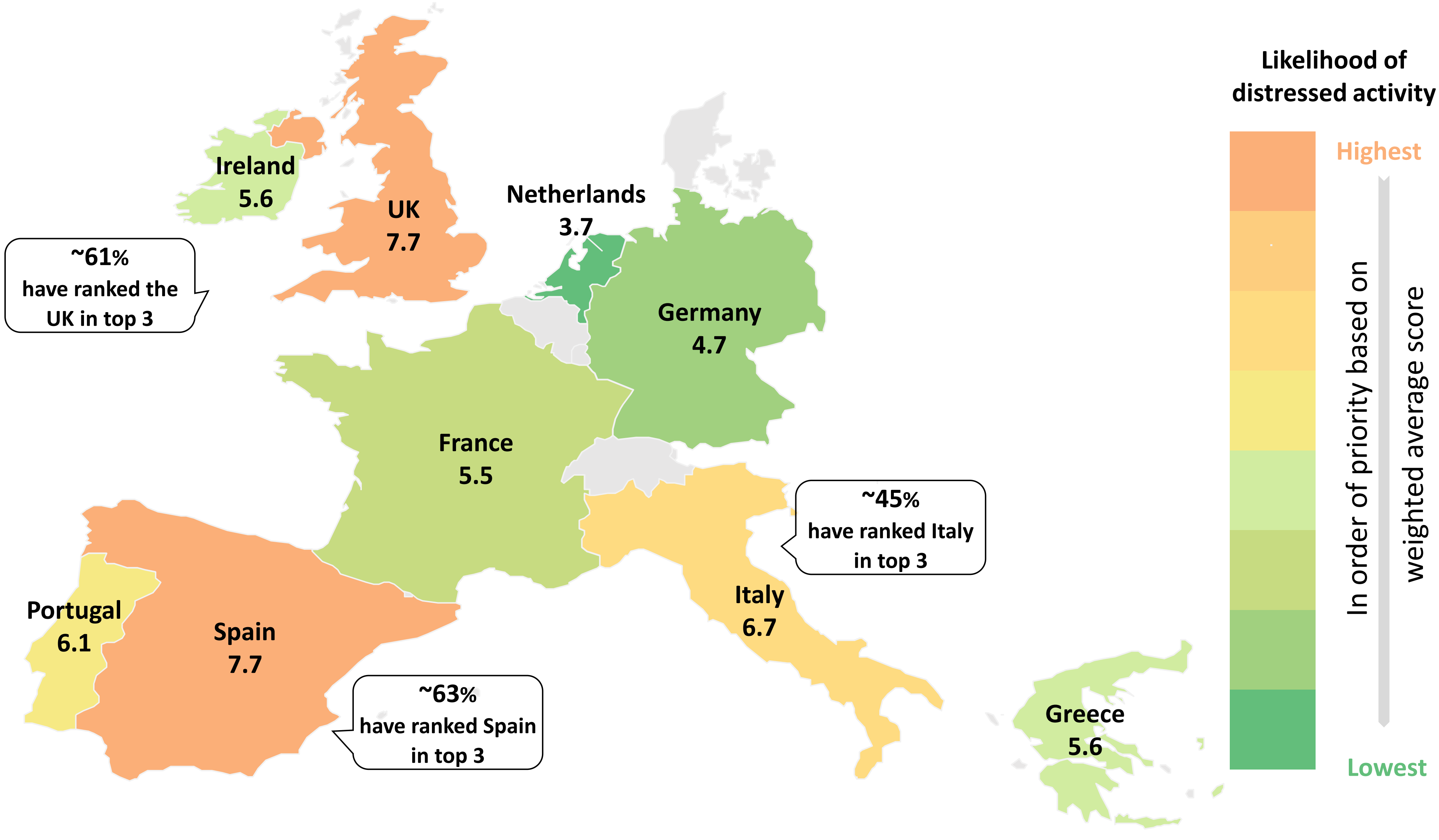
While modifying their loan terms is still a consideration, hospitality businesses are gradually shifting their focus away from reorganisation and restructuring to refinancing and consolidating existing debt.

	05-July-21	10-Mar-21	Ppts change between Mar-21 and Jul-21
Modify loan terms and defer payment	39 %	48 %	↓ 9
Refinance and consolidate existing debt	35 %	28 %	↑ 7
Mergers & Acquisitions	31 %	30 %	↓ 1
Reorganisation and restructuring	24 %	38 %	↓ 14
Partnerships	21 %	20 %	↑ 1
Support from Government backed schemes	19 %	28 %	↓ 9
Sale & Leaseback	12 %	15 %	↓ 3
Seek alternative credit, e.g. business loan, rescue capital, etc.	9 %	17 %	↓ 8
Other	9 %	7 %	↑ 2

Q4: What financing/strategic options are currently being considered? (multiple answers possible)

Source of distressed activity

Spain, the UK and Italy continue to be seen as the most likely source of distress activity.

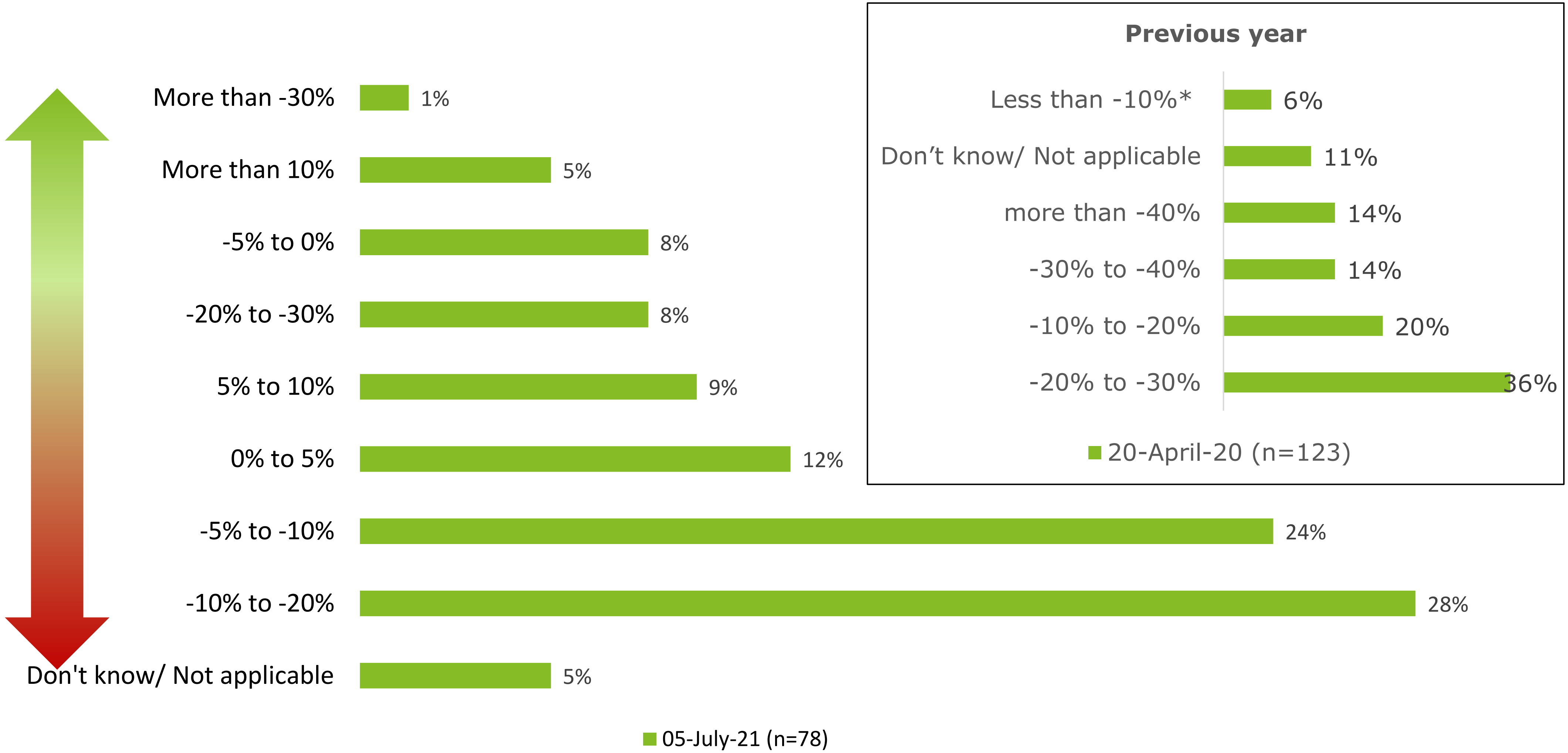


Q5: Where do you expect distressed activity is likely to come from? (Please rank in order of priority)

Note: The score below each country represents the weighted average score of all responses (n=78); higher the score, higher the likelihood of distressed activity from that country

Impact on transactional pricing for hotels

The views around transactional pricing have improved since April 2020. Over a quarter (26%) believe pricing is up while 28% believe that current hotel values are down by 10-20% as a result of the pandemic. Only 1% believe they are more than 30% down.

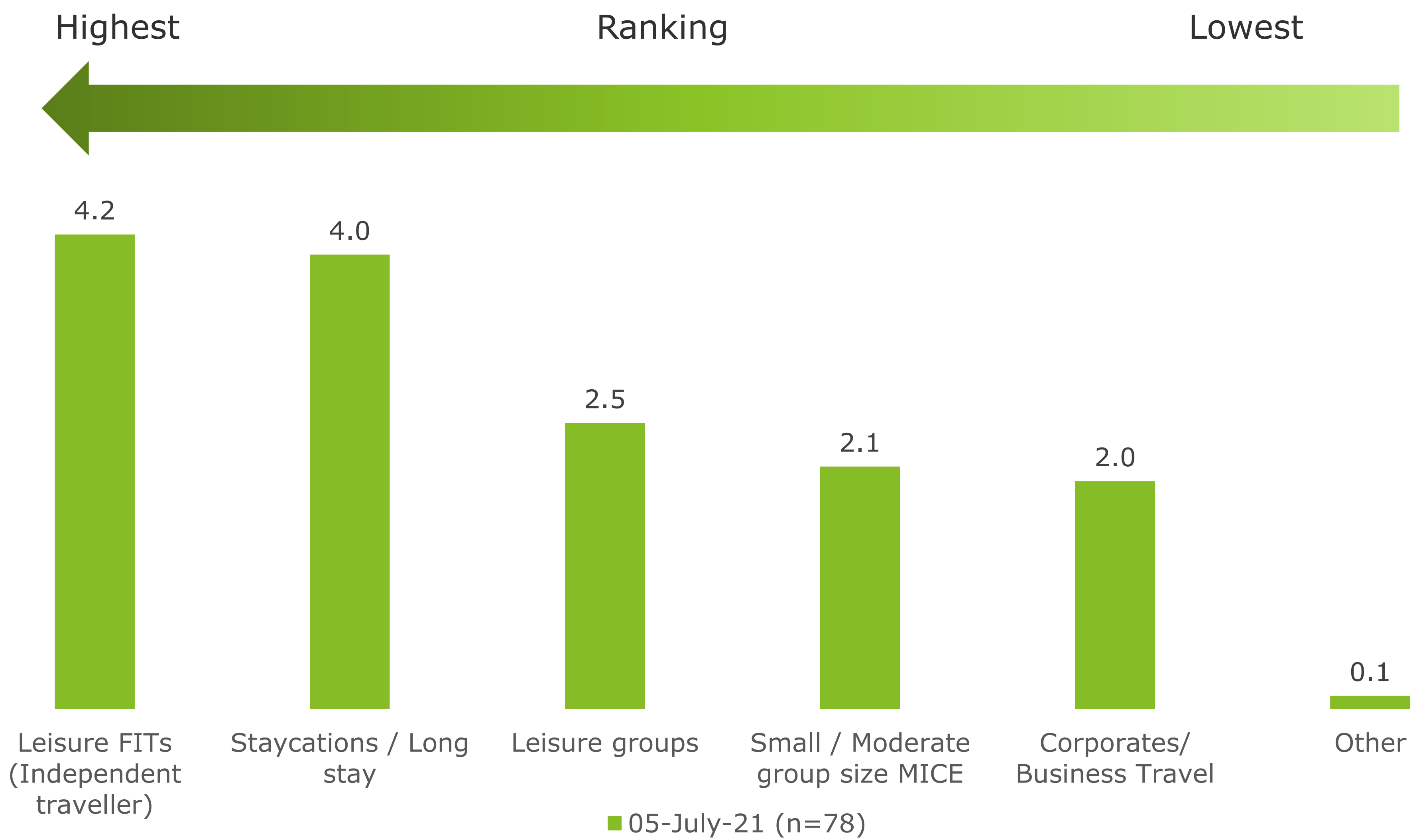


Q7. What do you believe is the current impact on transactional pricing for hotels?

Note: New categories added in July-21; Range for responses has been changed compared to previous year

Customer segments expected to drive demand

Respondents expect independent leisure travellers and staycations to drive demand.

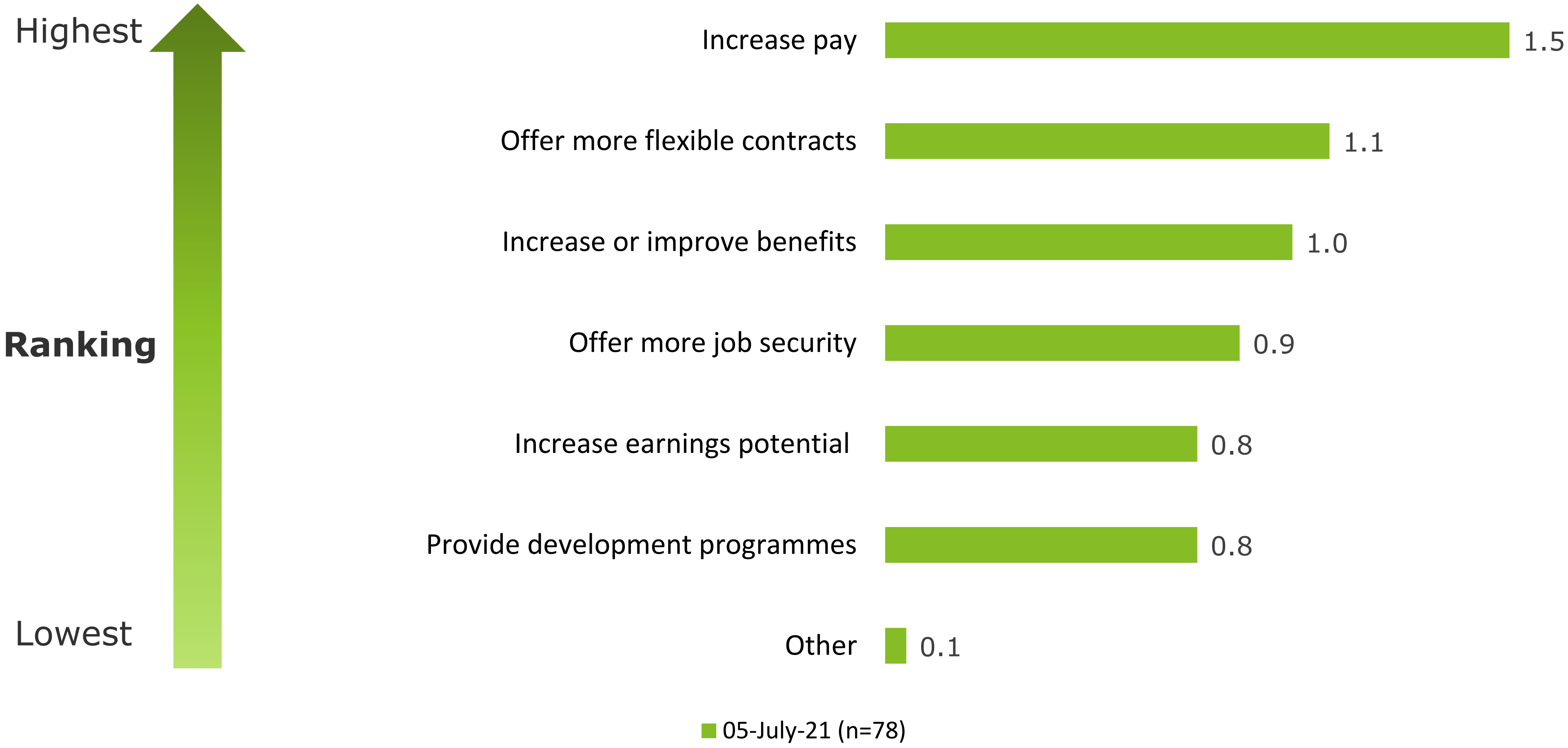


Q8. Which customer segment are expected to drive demand during the initial reopening of hotels? (rank all in order of priority)

Note: Weighted average used for ranking of the responses

Hiring and staffing considerations

Higher pay and more flexible contracts are seen to be the best tools for making the hospitality sector more attractive as pressure on skilled staff amounts.



Q9. In the context of increasing competition for skilled staff, what strategies would make the hospitality sector more attractive? (Choose top 3)

Note: Weighted average used for ranking of the responses

Contacts

Please reach out if you have any questions.

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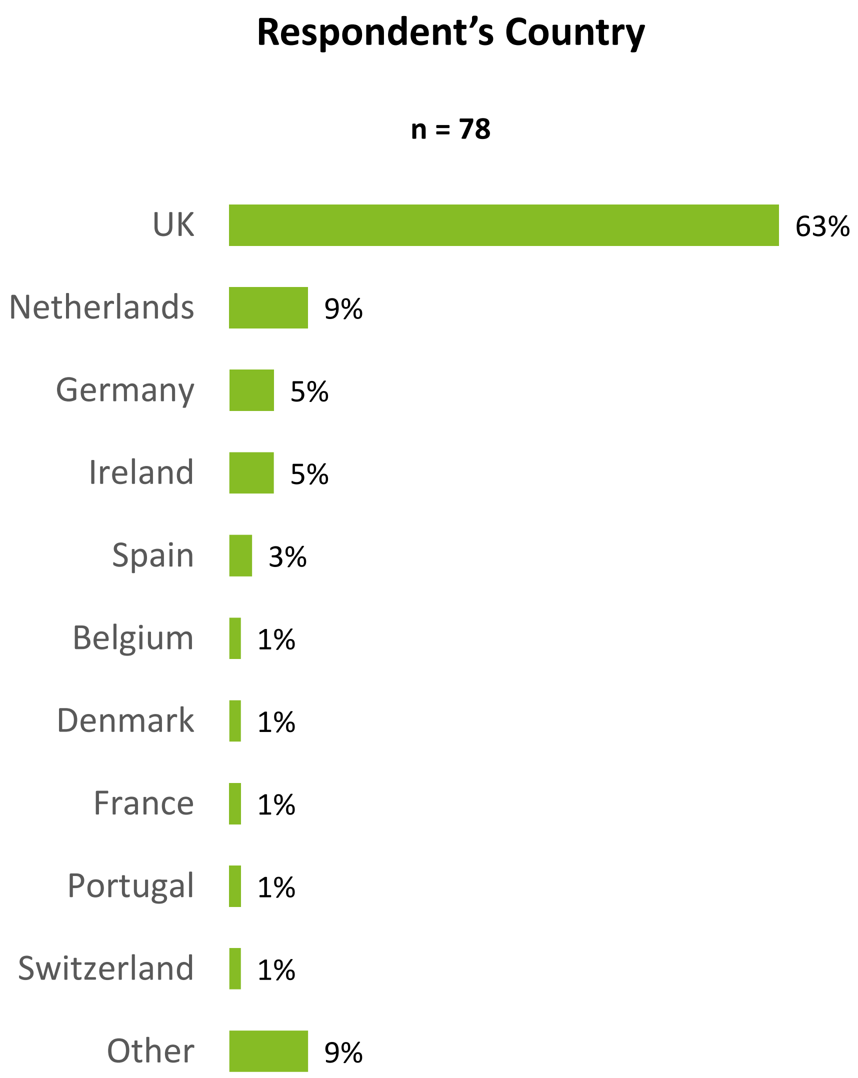
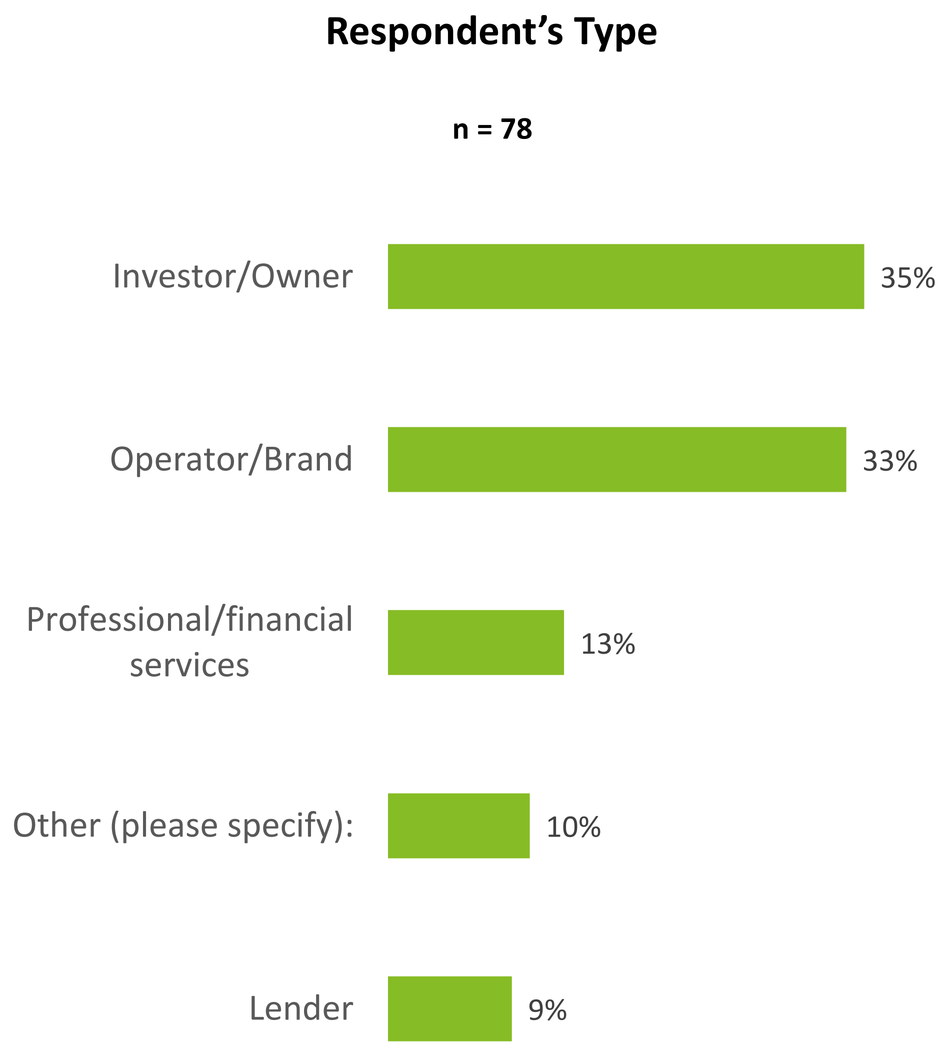
Respondent profile





Q: Which country do you operate from? What is your company type?