



Interferry conference

European Ferry Recovery and Outlook

4 October 2021

DRAFT



L.E.K.

The materials contained in this document are intended to supplement a discussion with L.E.K. Consulting. These perspectives are confidential and will only be meaningful to those in attendance

Key questions



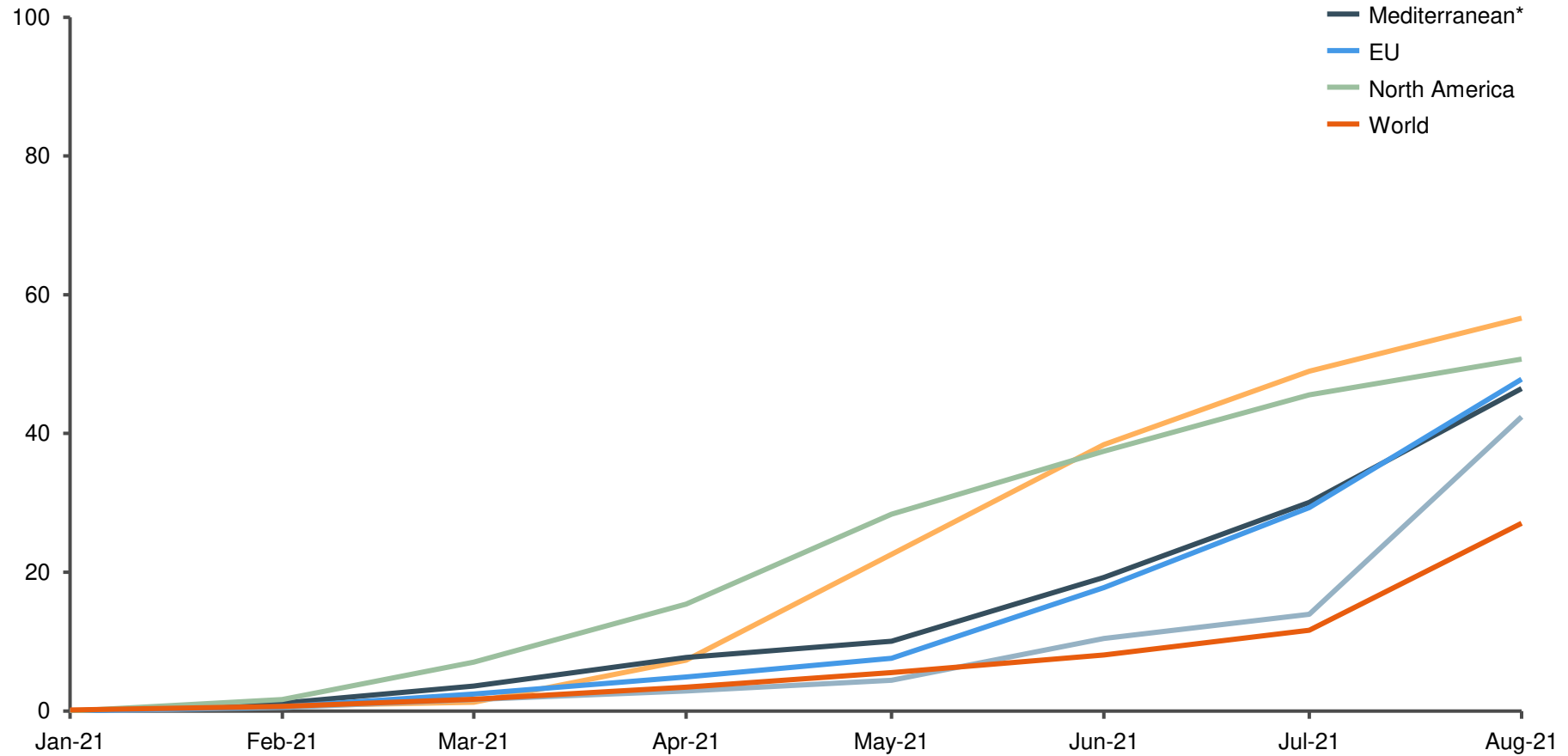
1.
When will the
health crisis
abate?

Vaccine rollouts have been successful in Europe and North America, but much of the rest of the World is lagging

1 Health crisis

Fully vaccinated population by country (Jan 2021 – August 2021)

Percent of population



Notes: * Includes France, Greece, Italy, Spain, Turkey, Israel and Syria; ** Includes Denmark, Finland, Norway, Sweden and Iceland
Source: OurWorldData

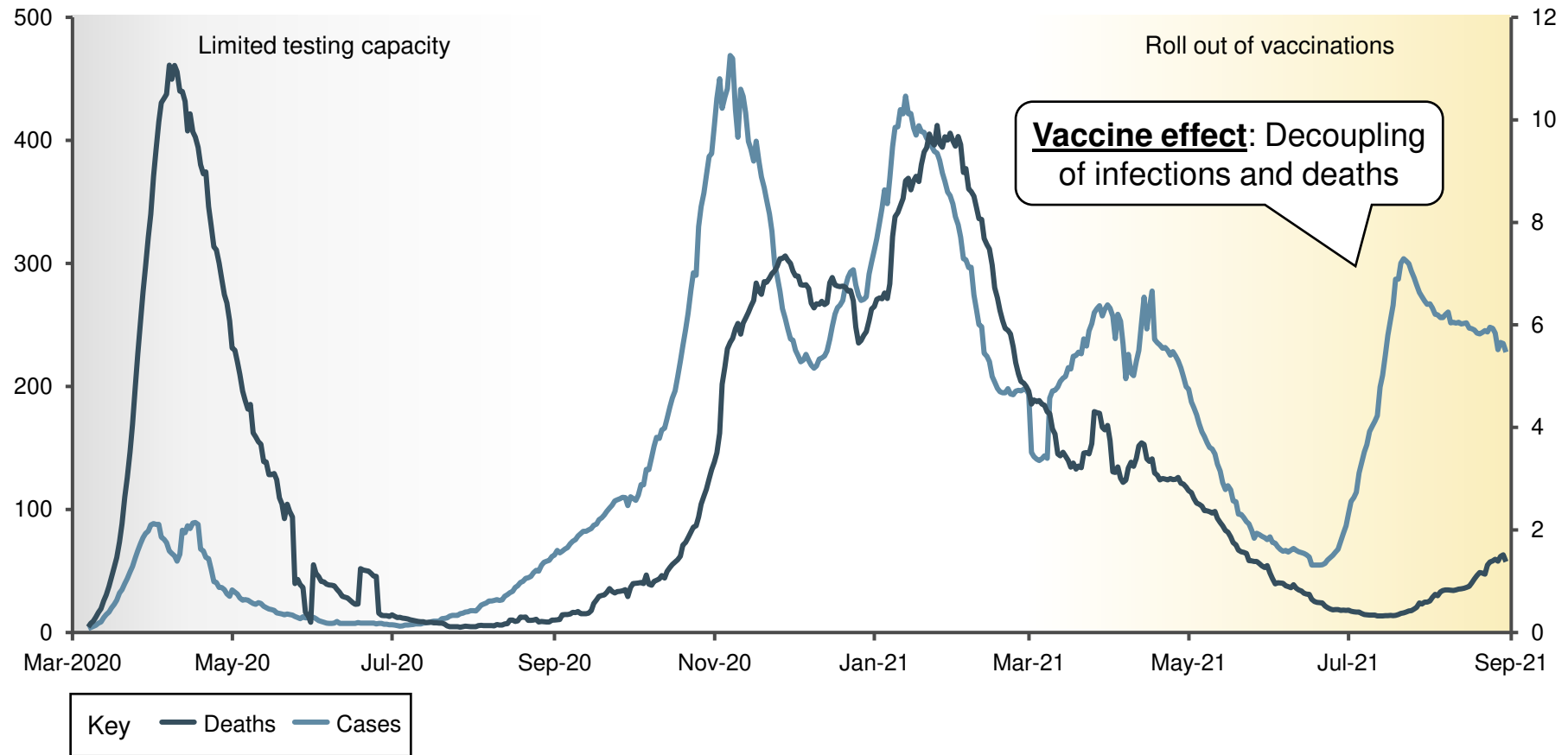
Vaccines have led to the decoupling of infections and associated deaths

1 Health crisis

**New COVID-19 cases and deaths per million 7-day moving average, EU4 + UK
(Mar-20 – Sep-21)**

New Cases per million

Deaths per million



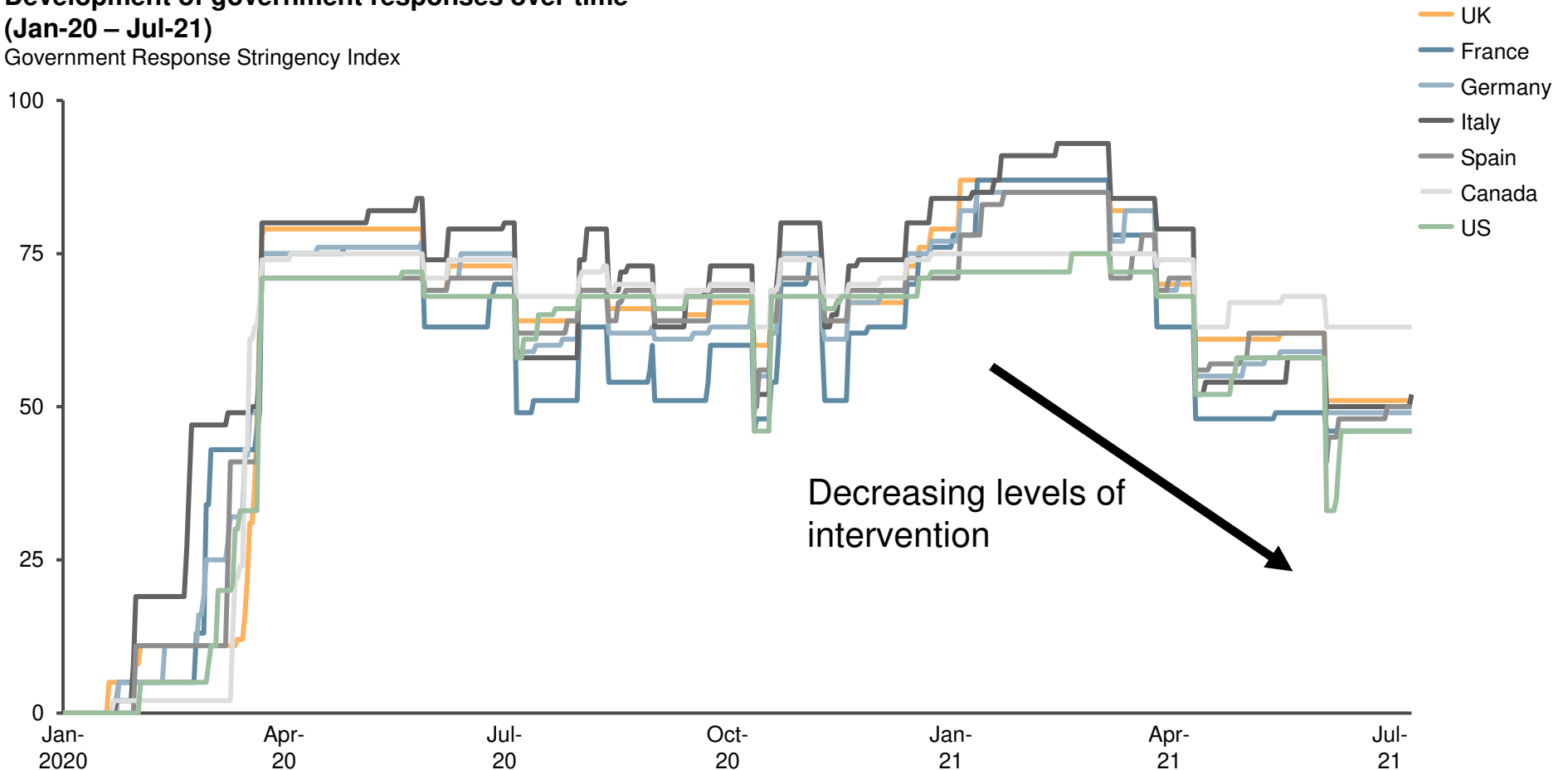
Source: Think Global Health; BBC

... giving governments the confidence to gradually lift restrictions and remove interventions

1 Health crisis

Development of government responses over time (Jan-20 – Jul-21)

Government Response Stringency Index



Note: Due to discrepancies with testing levels by country, the reported case data is unlikely to capture all known cases, and may not be completely like-for-like across countries; Containment and health index calculated using school closures; workplace closures; cancellation of public events; restrictions on public gatherings; closures of public transport; stay-at-home requirements; public information campaigns; restrictions on internal movements; international travel controls; testing policy; extent of contact tracing; face coverings; and vaccine policy

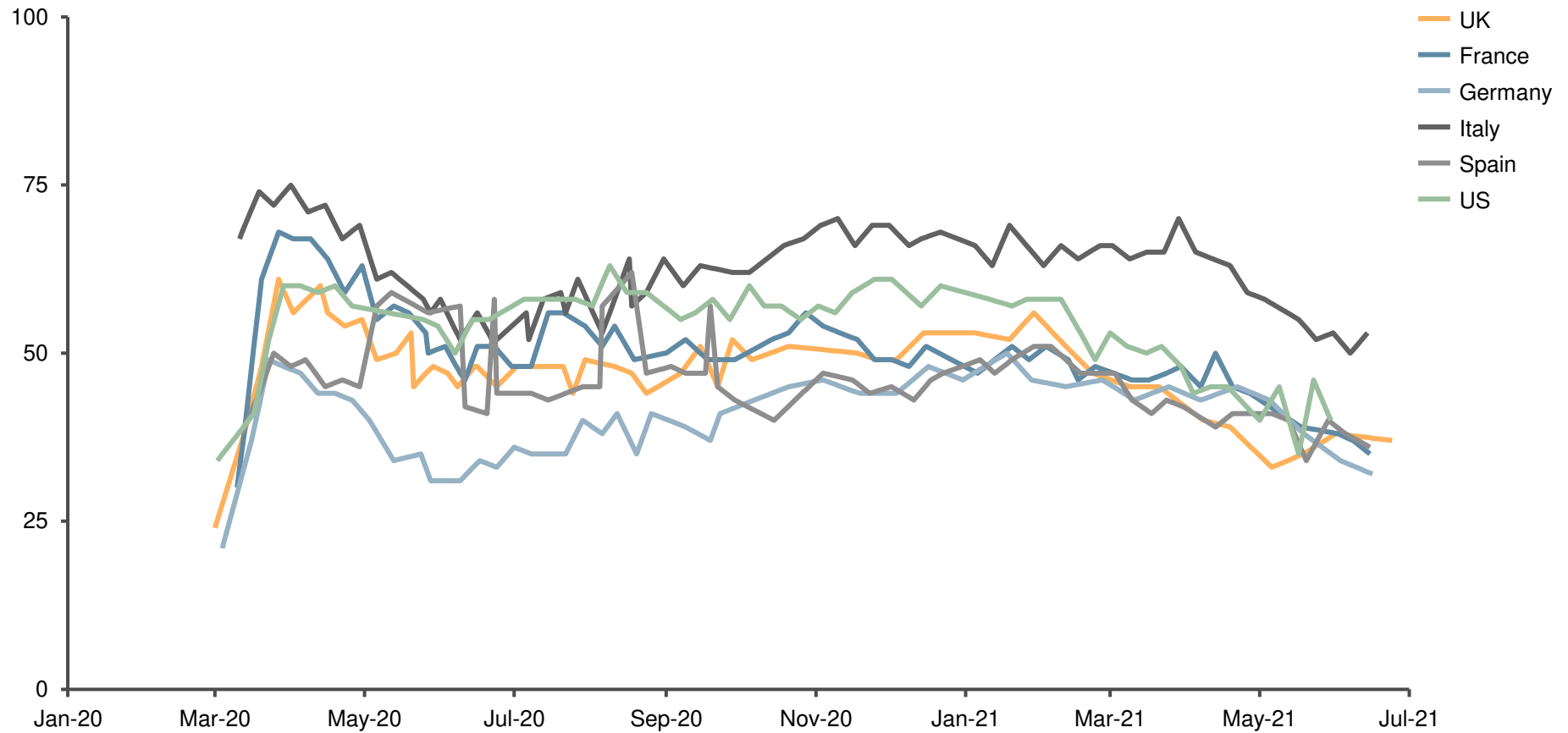
Source: ECDC; Oxford COVID-19 Government Response Tracker; L.E.K. analysis

Fear of catching Covid is reducing, but at a gradual rate

1 Health crisis

Fear of catching COVID-19 (24th Feb 2020 – 24th Jun 2021)

Percent



Source: Oxford COVID-19 Government Response Tracker; L.E.K. analysis

1.
When will the
health crisis
abate?

The worst of the health crisis is over in Europe, with **vaccines** breaking the link between infections and deaths

Waning immunity and new out breaks can be managed with **booster programmes**

However, there is still a possibility that winter 2022 could be a difficult one for healthcare systems...

...**and** some restrictions may be reintroduced temporarily, but lift by Spring / Summer...

... **and** variants remain a potential threat

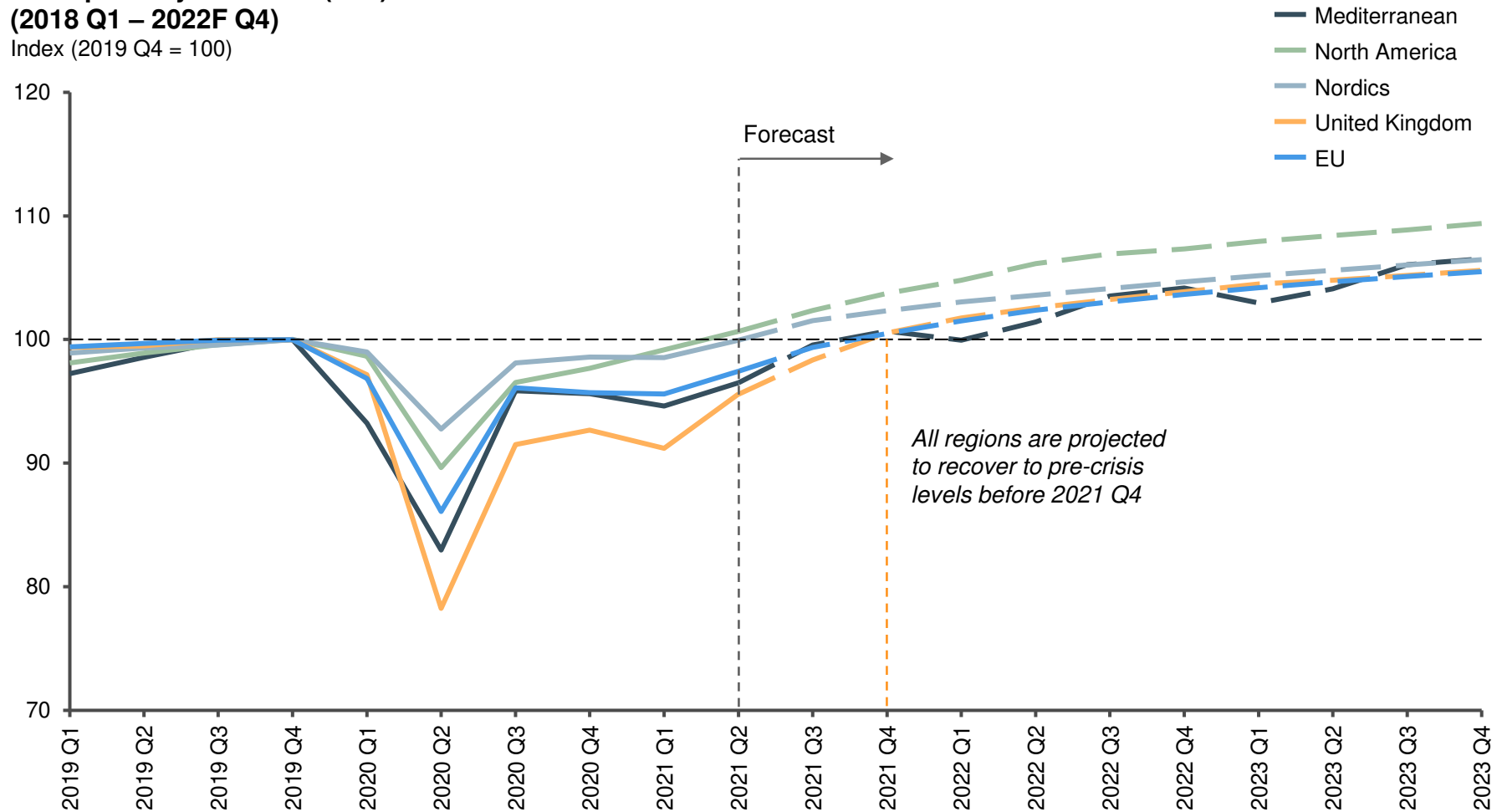
2.
What is the outlook
for the economic
recovery?

European and US GDPs are expected to recover to 2019 Q4 levels prior to 2021 Q4

2 Economic recovery

GDP quarterly forecasts (real) (2018 Q1 – 2022F Q4)

Index (2019 Q4 = 100)



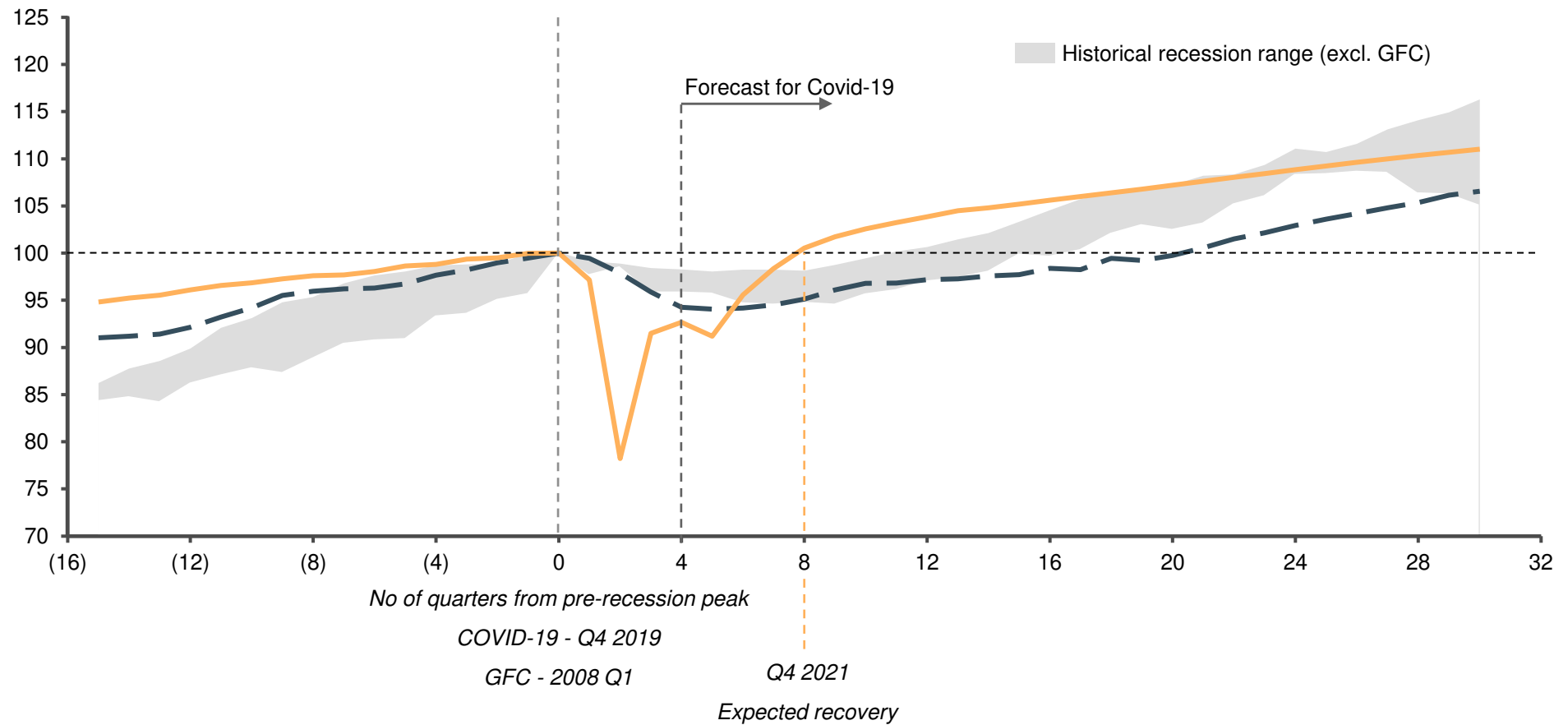
Source: Oxford Economics (August 25th)

Whilst GDP contracted sharply, it is forecast to recover much faster than previous recessions and the GFC

2 Economic recovery

UK real GDP, indexed to pre-recession peak (1973-92), (2004-15), (2016-27F)

Index



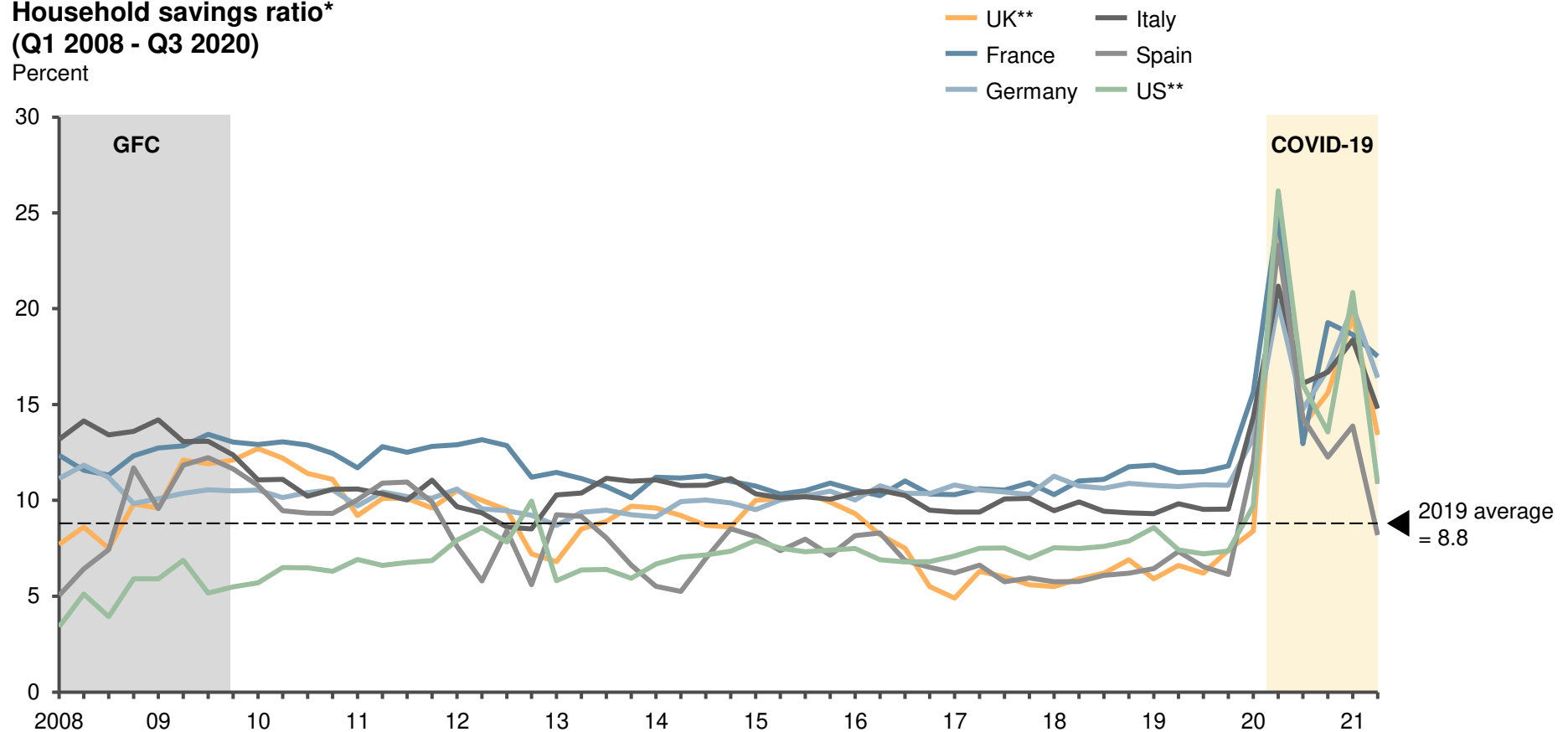
Source: ONS; Oxford Economics; L.E.K. analysis

On average, consumers are in a better financial position than during GFC as the household savings ratio has increased dramatically during the pandemic

2 Economic recovery

Household savings ratio*
(Q1 2008 - Q3 2020)

Percent



Note: * The savings ratio captures the income households have available to save as a proportion of their total available resources (that is, current and deferred incomes);

** Seasonally adjusted

Source: Oxford Economics

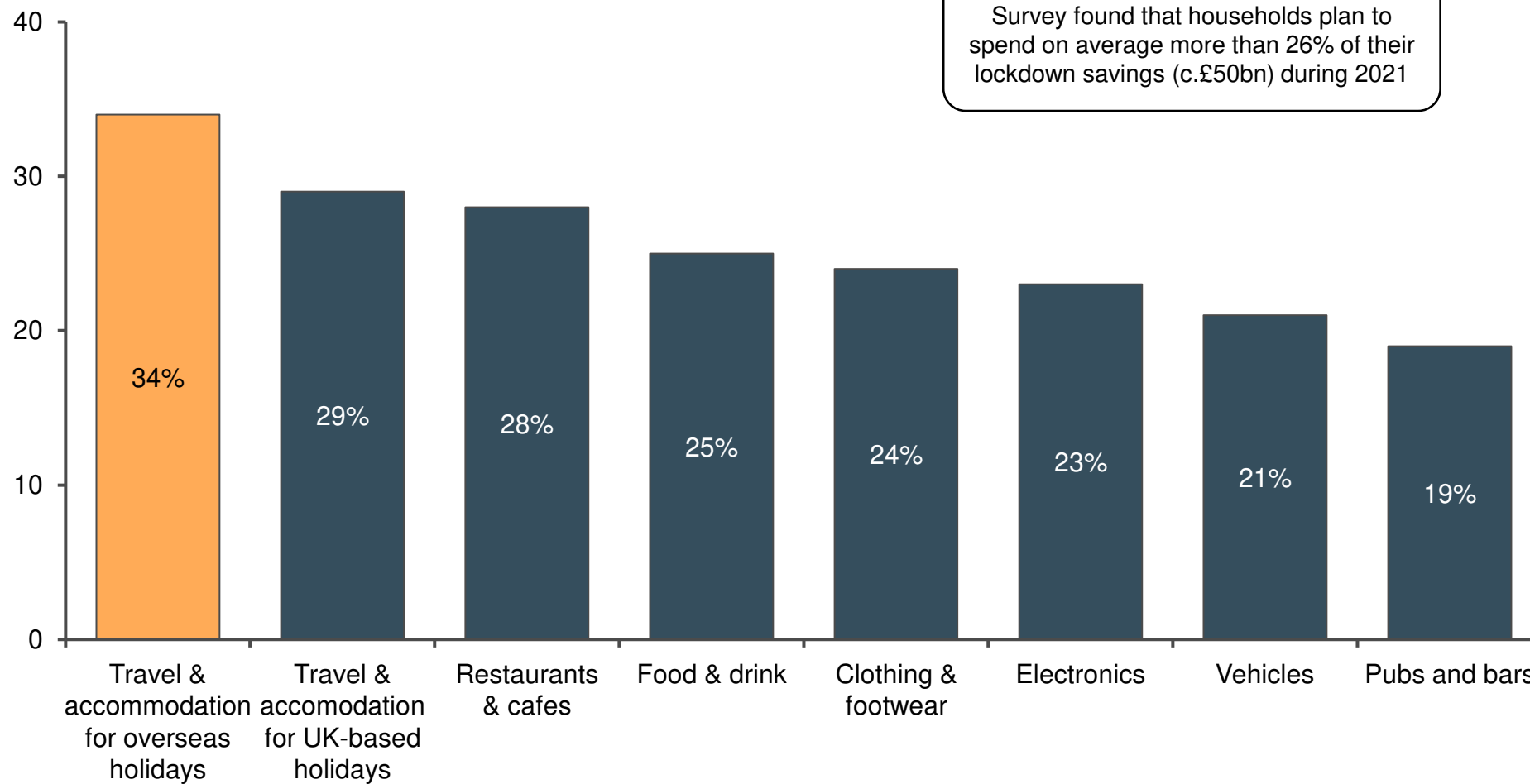
Research suggests that a significant proportion of the additional savings accrued in 2020 will be spent on holidays

2 Economic recovery

Share of respondents that plan to increase spending due to pent-up demand from 2020

(2021)

Percent



Source: Centre for Economics and Business Research & Scottish Friends

2.
What is the
outlook for the
economic
recovery?

Compared with previous recessions and the GFC, **a quicker recovery is expected**

Europe and North America are set to recover by the **end of 2021**

People have built up **savings** over the pandemic

Holidays are **top of the agenda**

3.
How is travel
evolving as the
pandemic
recedes?

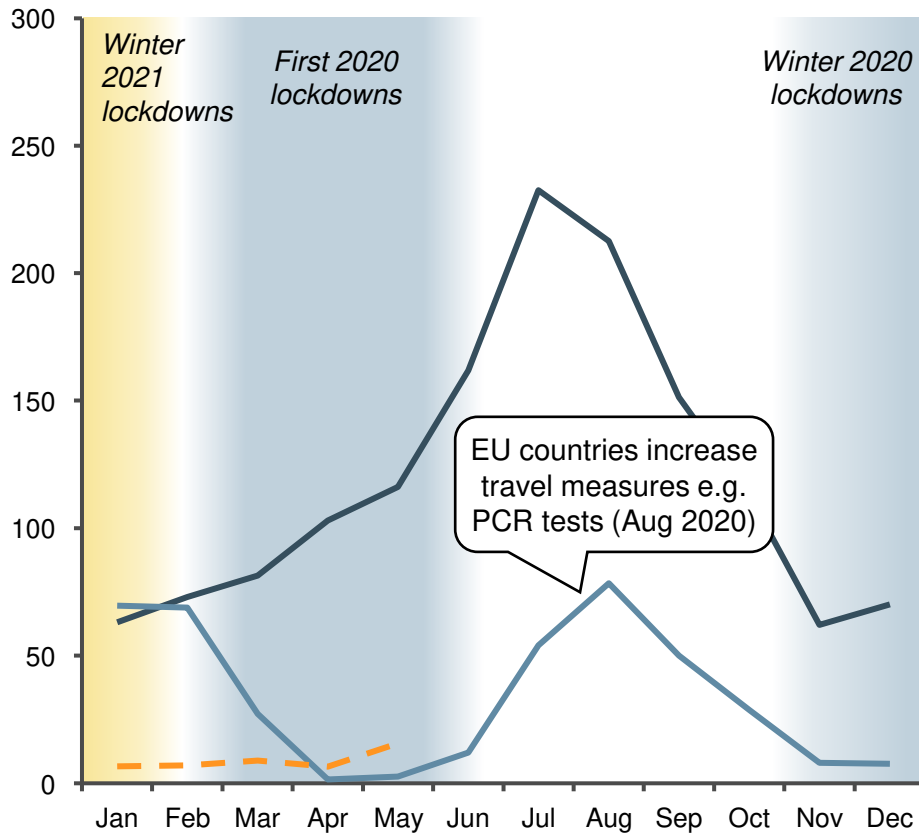
Domestic tourism in Europe showed a much higher level of recovery in summer 2020 than international tourism

3 Domestic travel recovery

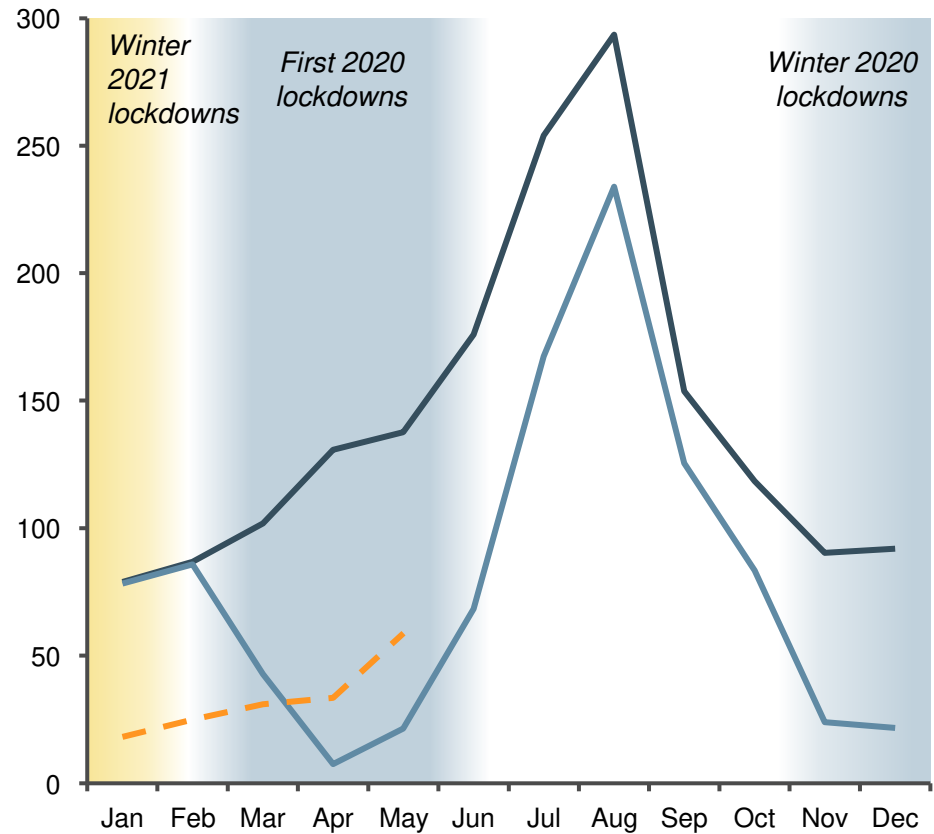
Nights spent at tourist accommodation establishments* – EU27 and UK (Jan 2019 – May 2021)

Millions of nights

International travellers



Domestic travellers



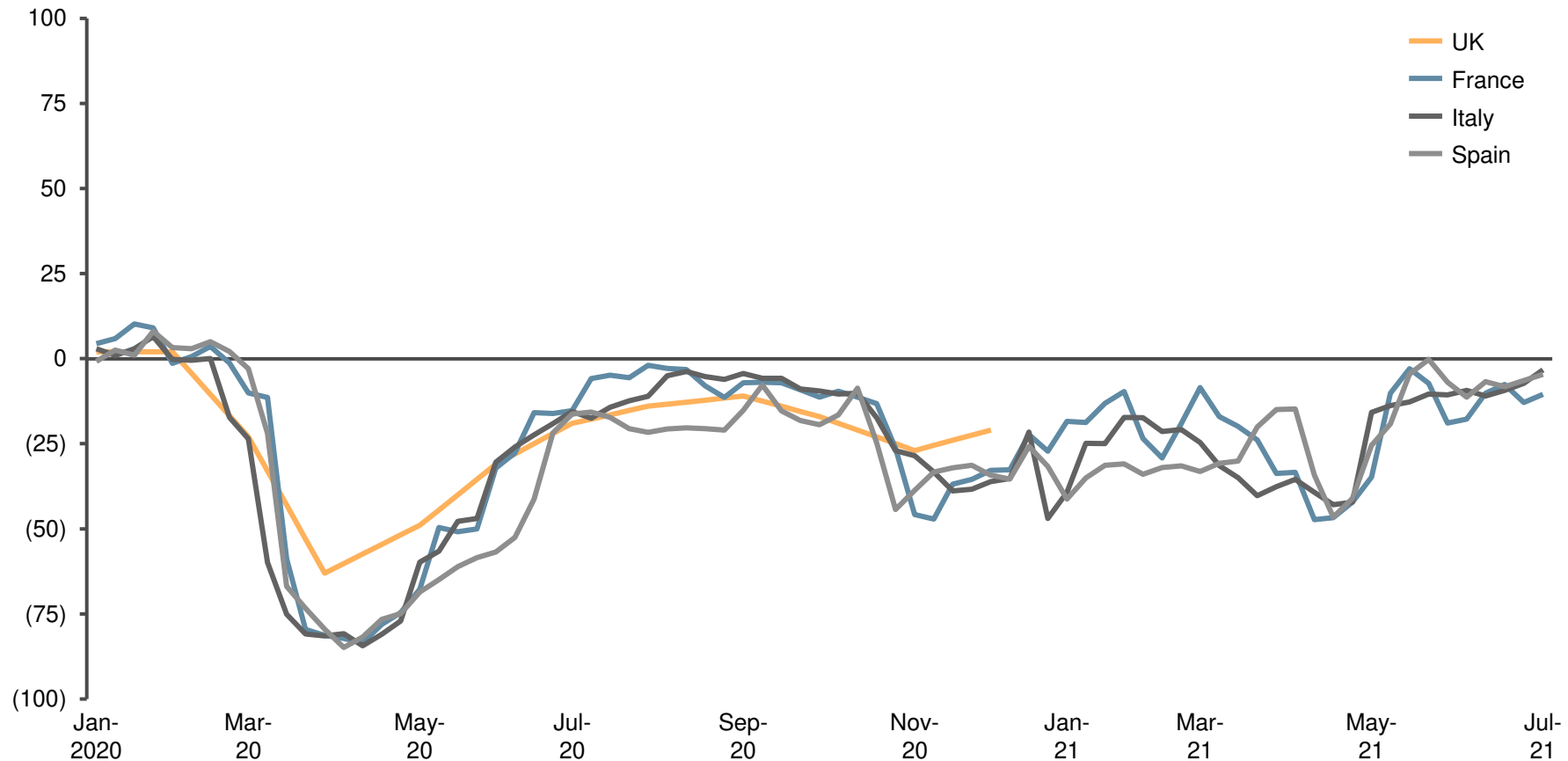
Note: *Includes hotels, holiday and other short-stay accommodation, camping grounds, recreational vehicle parks and trailer parks
Source: Eurostat; Gov.UK; BBC; Think Global Health

Toll road and motorway use in Europe recovered to close to pre-pandemic levels, indicating a more dynamic domestic market

3 Domestic travel recovery

Average weekly traffic change vs equivalent week / month of 2019 - Atlantia European toll roads and UK motorways (Jan 2020 – Jul 2021)

Percent change from 2019



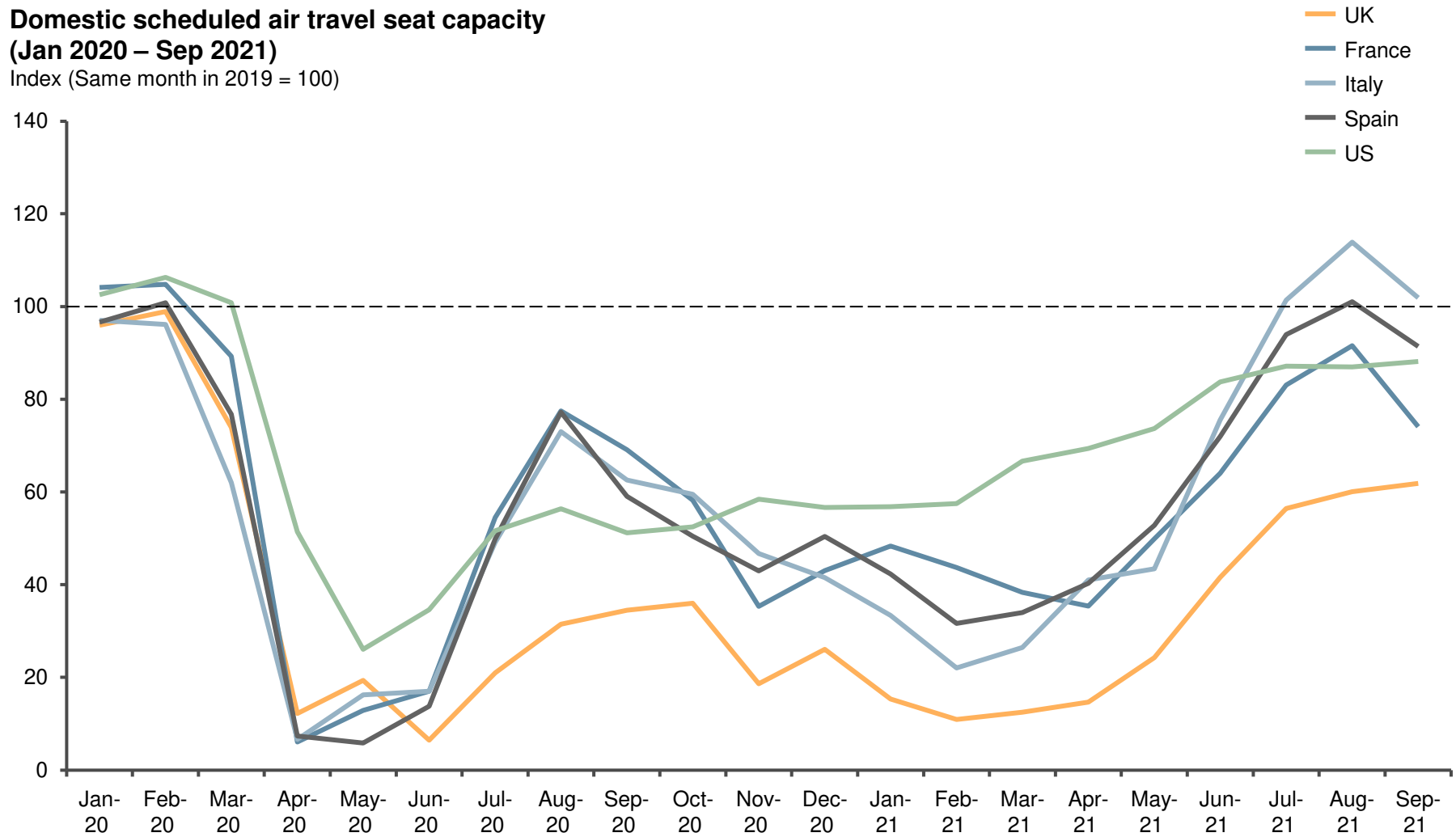
Source: Atlantia; Department for Transport

Domestic air has recovered to varying levels across Europe

3 Domestic travel recovery

Domestic scheduled air travel seat capacity (Jan 2020 – Sep 2021)

Index (Same month in 2019 = 100)



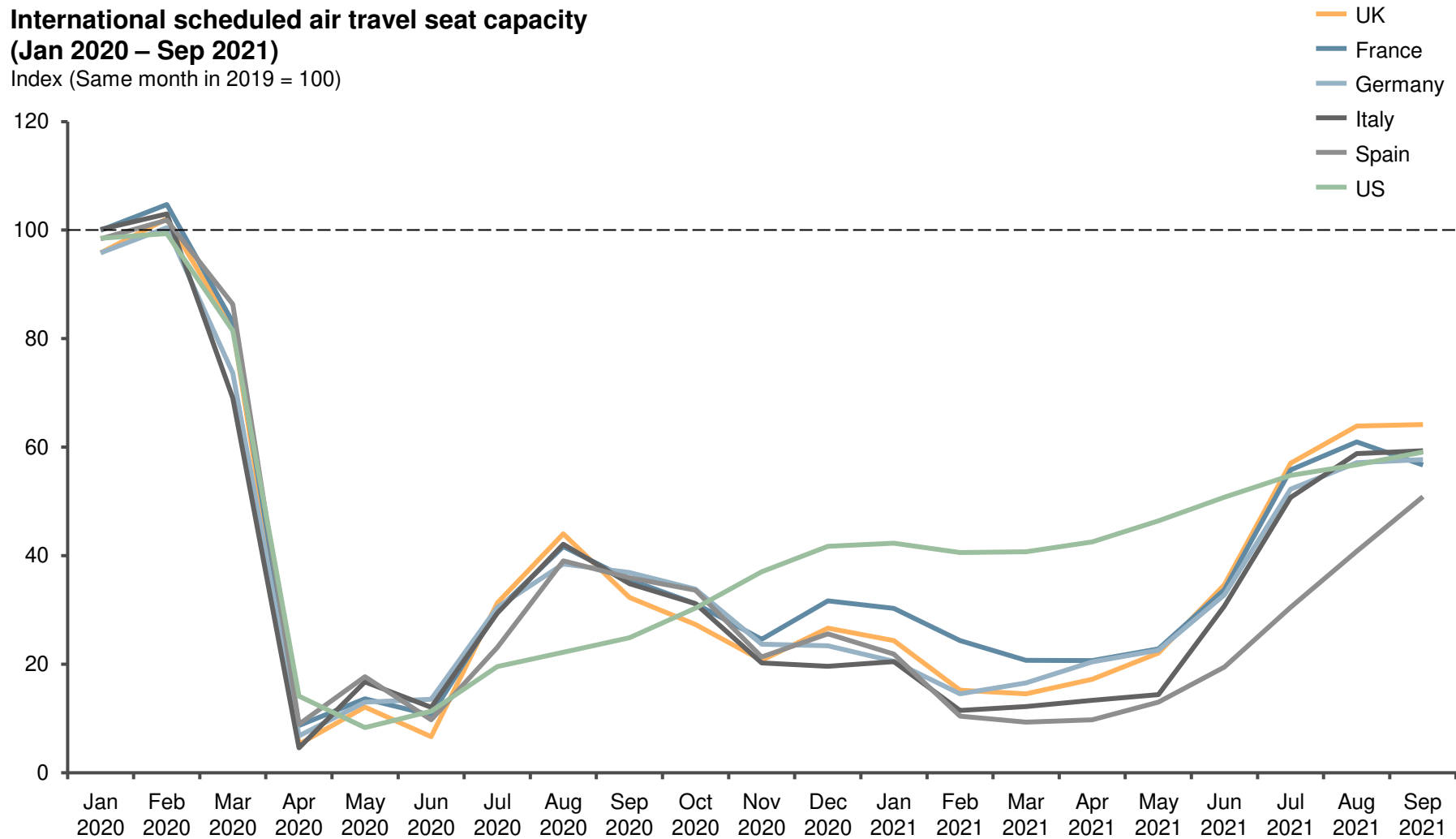
Source: DiiO, L.E.K. analysis

European international air traffic has recovered to c.60% of pre-Covid levels, in line with the US despite delayed recovery in early 2021

3 International travel recovery

International scheduled air travel seat capacity (Jan 2020 – Sep 2021)

Index (Same month in 2019 = 100)



Source: Diio, L.E.K. analysis

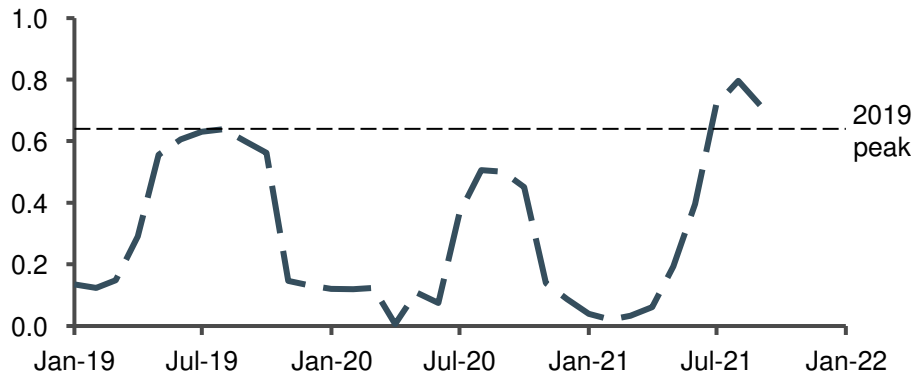
However, some travel corridors have recovered in 2021

3 International travel recovery

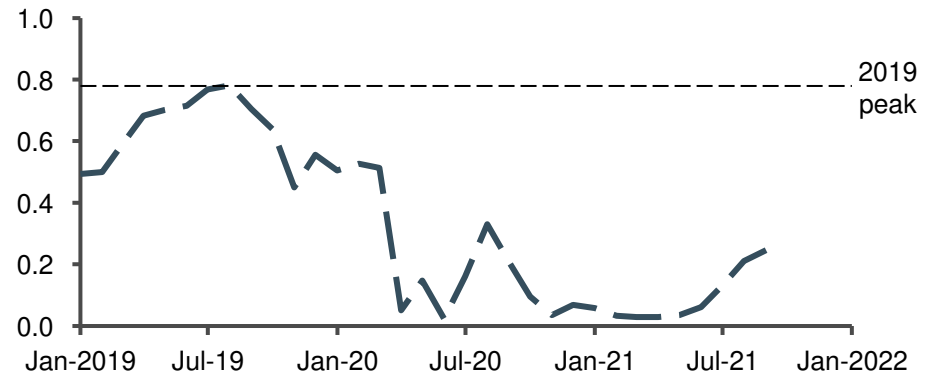
Air capacity by route (Jan 2019 – Sep 2021)

Millions of seats

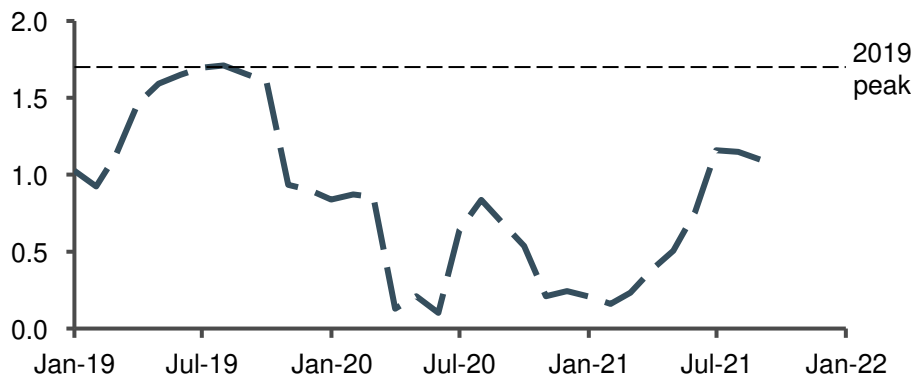
Germany - Greece



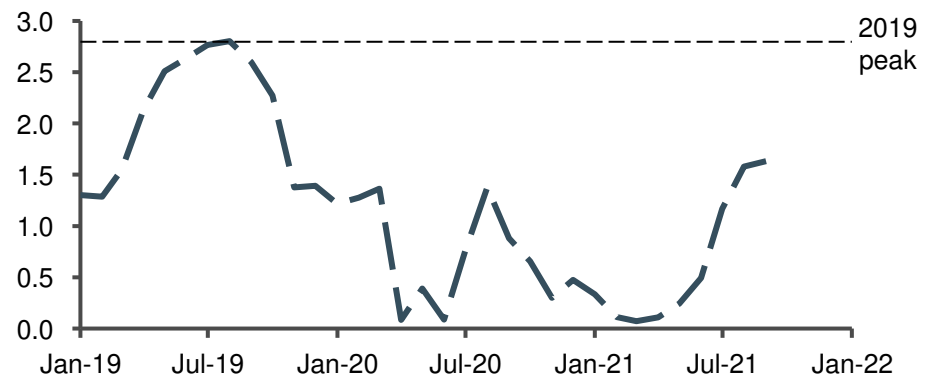
UK - France



Germany - Spain



UK - Spain



Source: Diio, L.E.K. analysis



The complex and ever changing travel restrictions created uncertainty and “chaos”, limiting the scale of travel recovery in 2021

3 International travel recovery

“...Around 1.4 million Britons in Spain face travel chaos as government introduces compulsory two-week 'house arrest' quarantine amid scramble to return home after bombshell axing of 'air bridge...’”

“...Holiday chaos as UK removes Portugal from travel green list...”

“...London Heathrow Airport chaos as UK families face four hour queues...”

“...Fresh confusion over ‘amber list’ holidays as minister says it’s okay to visit friends...”

“...UK holidaymakers in race to return from France before quarantine deadline...”

“...Italy testing chaos as new rules require travellers to prove they are virus-free...”

“...Coronavirus quarantine rule: difference across UK ‘confusing’...”

“...Travel rules chaos as two ministers say holidays to ‘amber’ list countries are OK, Boris Johnson over-rules them...and then a warns that ALL foreign trips are ‘dangerous’...”

“...Chaos for Brits as Canaries on quarantine list but Foreign Office advice unchanged...”

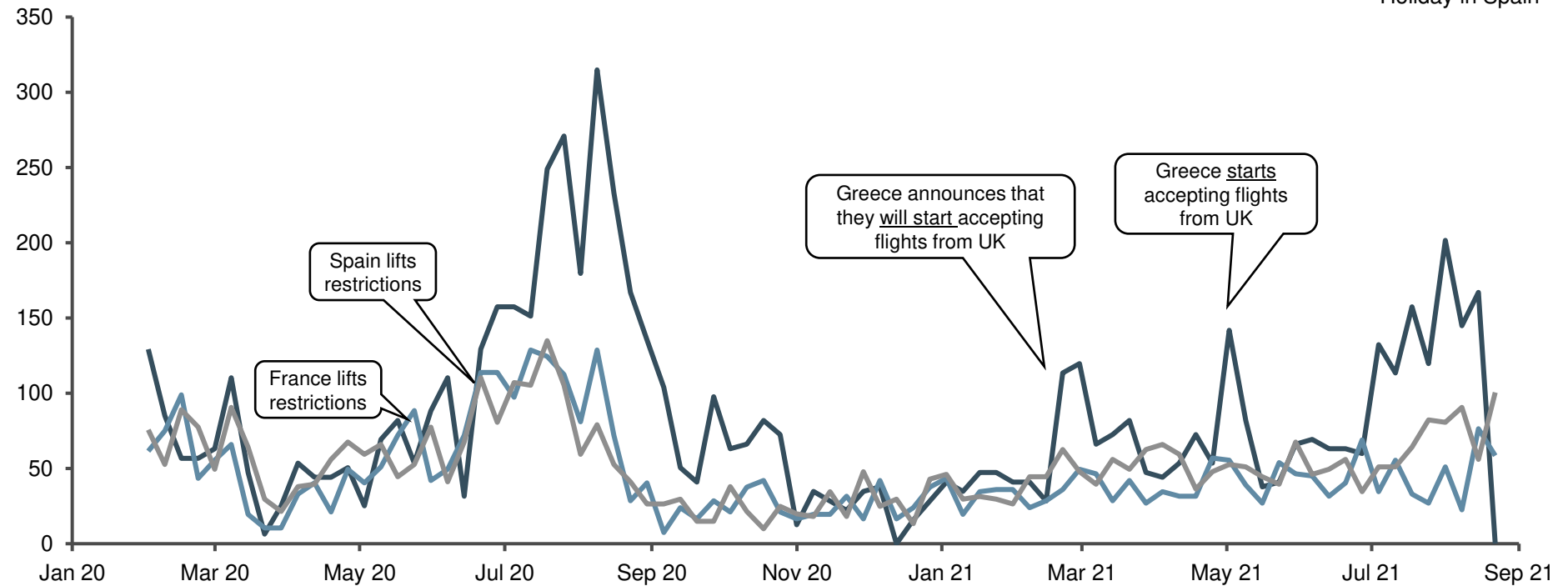
“...Test-to-release travel scheme collapses in chaos on day one...”

The easing of restrictions during Summer 2020 led to a surge in online searches for holidays, demonstrating strong appetite for travel once bans are lifted

3 International travel recovery

Digital engagement per search term, UK (Jan 2020 – Aug 2021)

Index (January 2020 average = 100)



Ease of travel to and from UK:



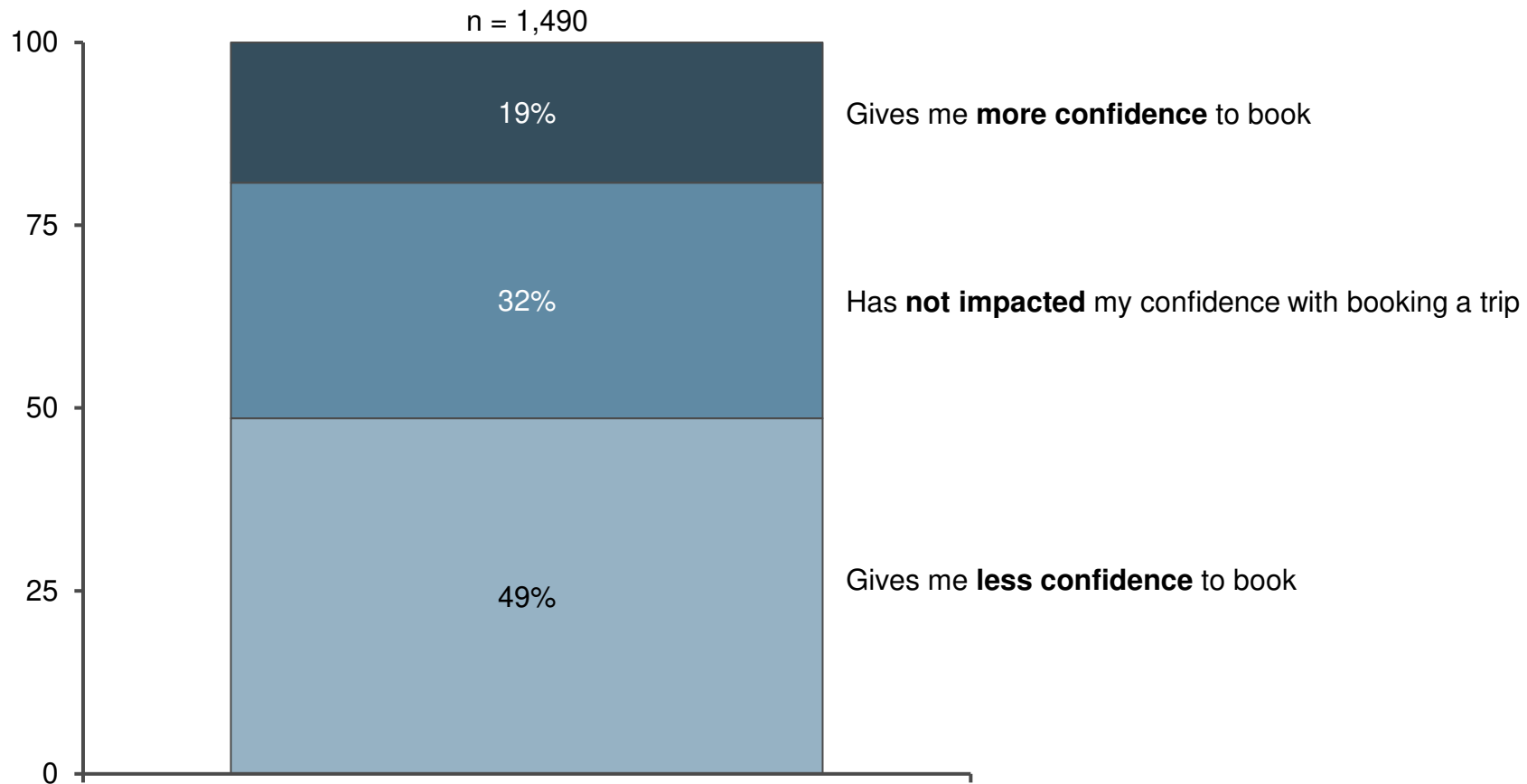
Note: During Summer 2021 wildfires spreading through Greece concerned many holiday makers which may have led to an increase in searches
Source: Google Trends; L.E.K. analysis

The UK traffic light system has given travellers less confidence to book international trips

3 International travel recovery

How has the introduction of the UK government's traffic light system (red / amber / green lists) impacted your propensity to book a non-Domestic leisure trip?

Percent



Source: L.E.K. consumer survey (August 2021)

3.
How is travel
evolving as the
pandemic
recedes?

Domestic travel exhibited a strong recovery profile in summer 2020 & summer 2021

International travel's bounce-back in 2021 has been more subdued because of ongoing travel restrictions and the confusion around them

However, **air travel has recovered** well this summer along **key European corridors** where restrictions have been lifted

4.
When will travel go
back to “normal”?

Passengers currently feel apprehensive about travel, citing concerns over cost and uncertainty

4 Returning to normal

Please write down 3 words that reflect how you feel about leisure travel today in 2021
N = 1,490



Key: Positive Neutral / uncertain Negative

Source: L.E.K. consumer survey (August 2021)

Travellers are more optimistic about 2022, despite uncertainty

4 Returning to normal

Please write down 3 words that reflect how you feel about leisure travel next year in 2022
N = 1,490



Key: Positive Neutral / uncertain Negative

Source: L.E.K. consumer survey (August 2021)

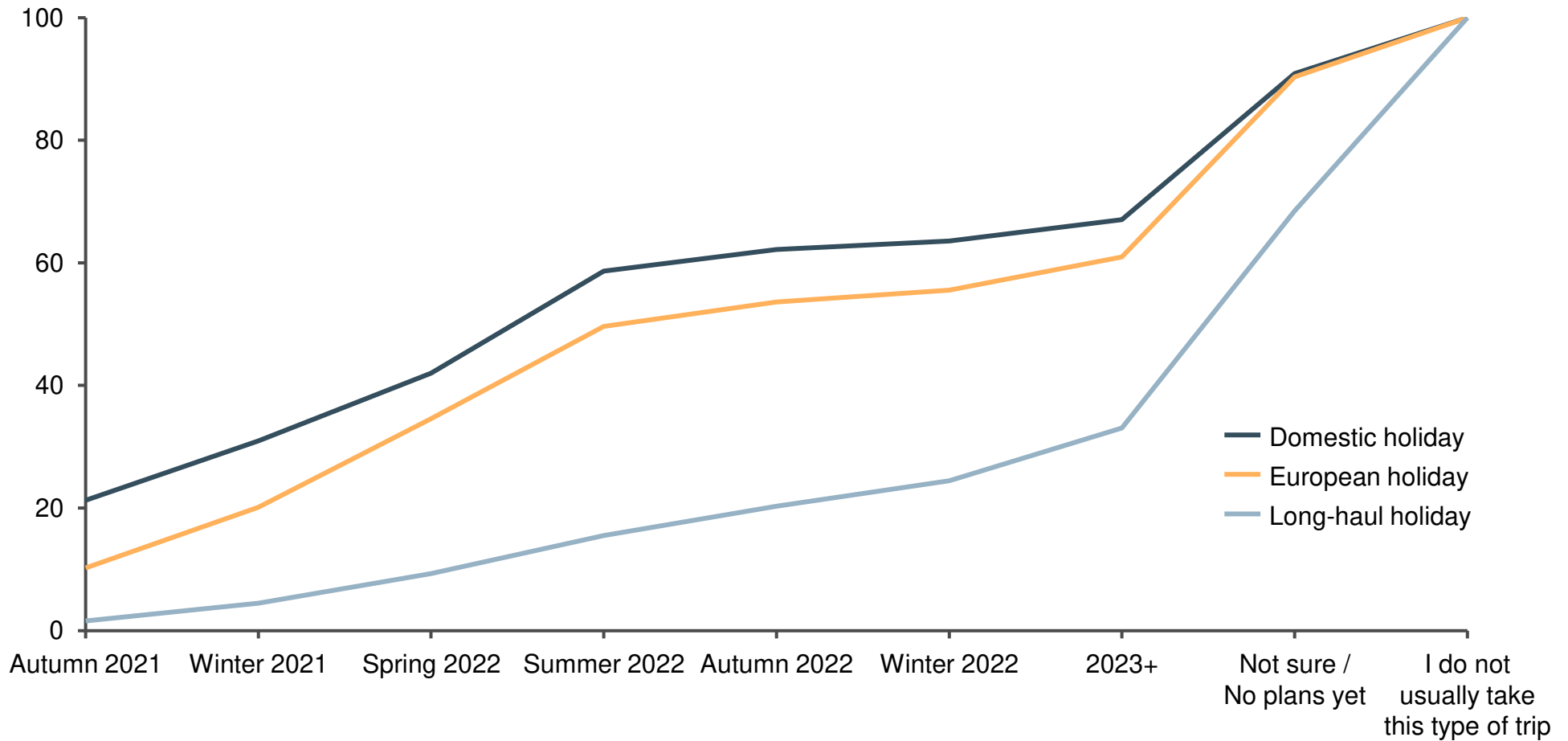
Domestic holidays are expected to recover fastest with European holidays not far behind ; Long-haul holidays will take time

4 Returning to normal

When do you plan to take your next leisure trip?

(n=1,386)

Cumulative percent of respondents

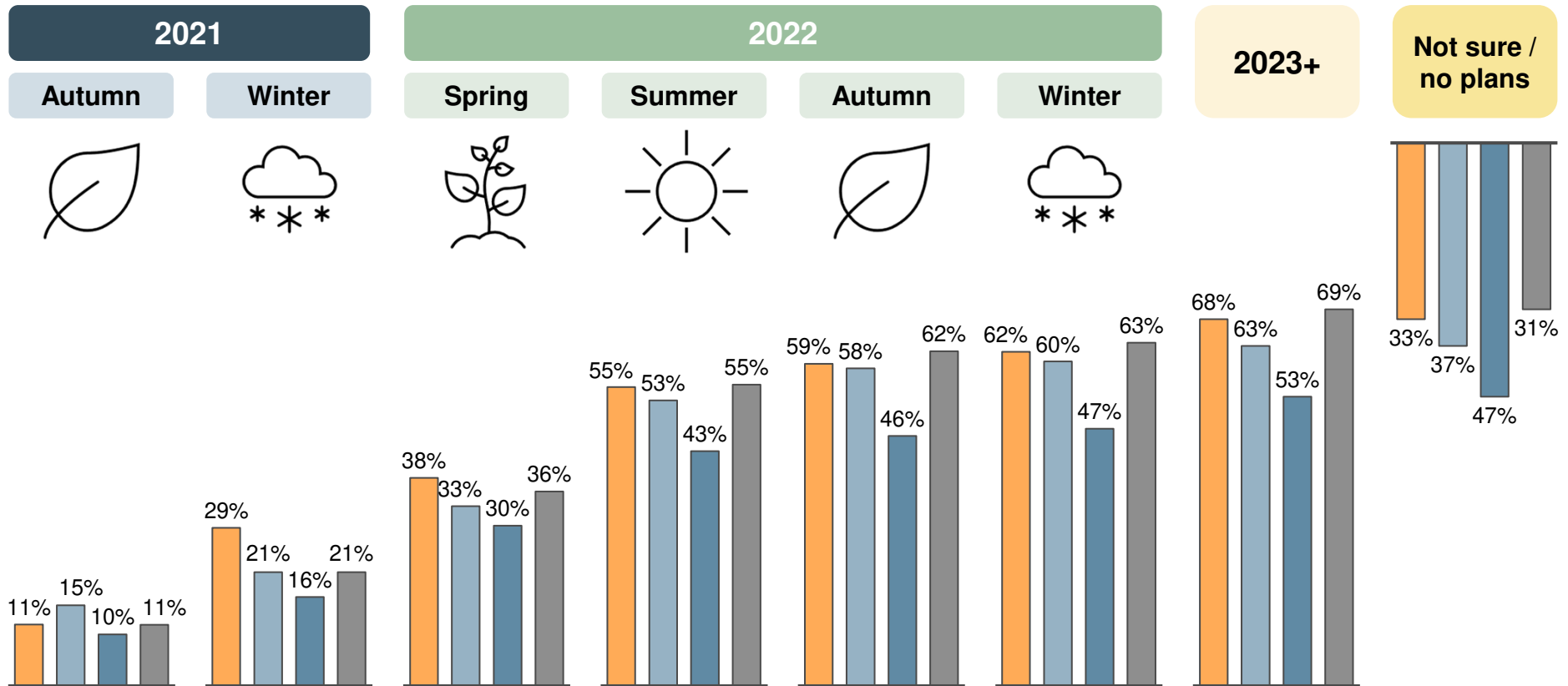


Source: L.E.K. consumer survey (August 2021)

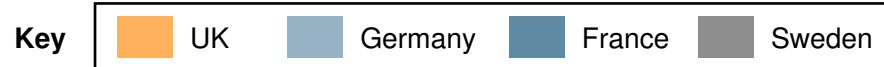
c.30-50% of travellers across UK, France, Germany and Sweden are still undecided on future travel plans, presenting an opportunity for operators

4 Returning to normal

When do you plan to take your next European leisure trip?
Percent



Source: L.E.K. consumer survey (August 2021)

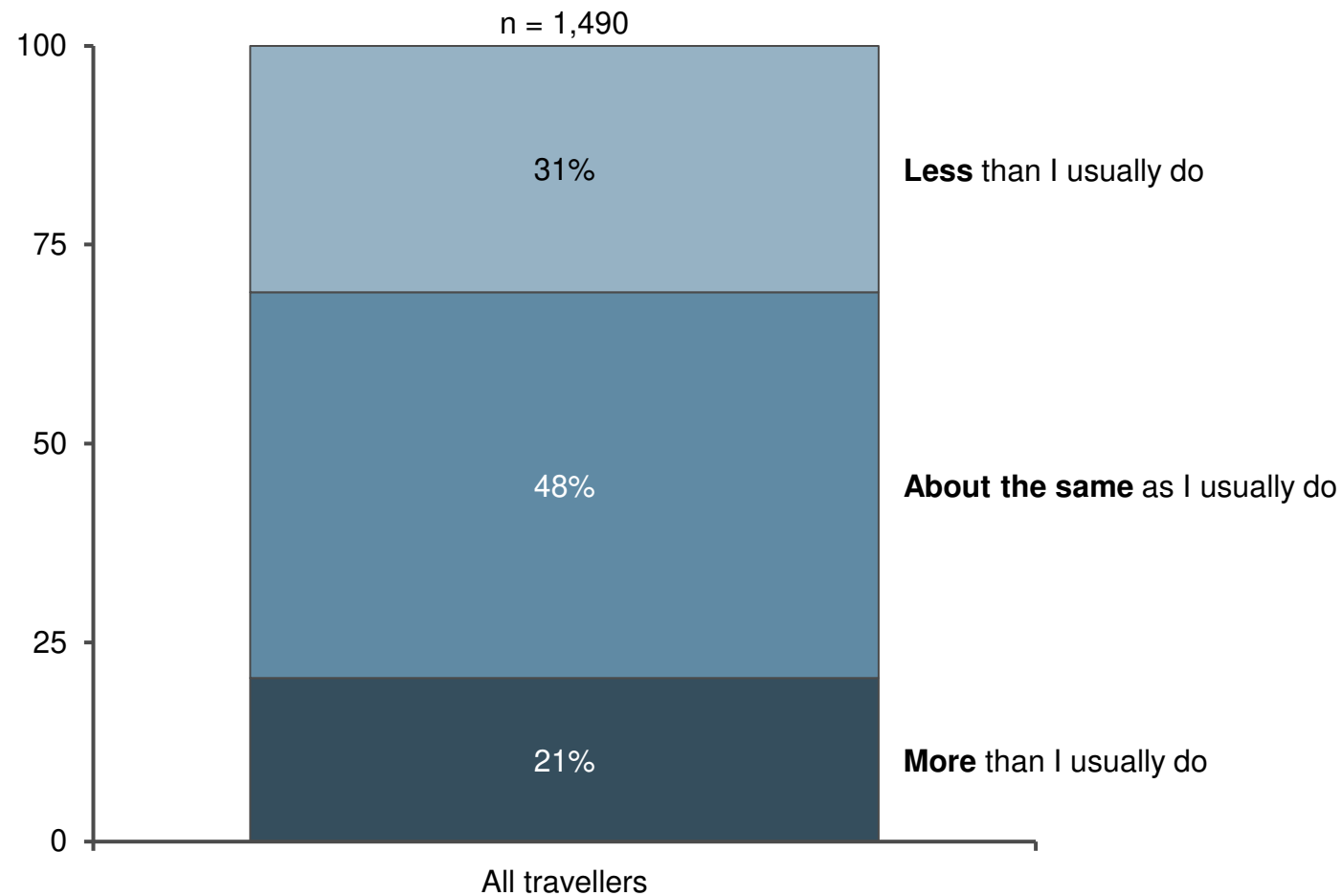


The majority of respondents indicated an intention to return to 2019 levels of travel in 2022 or more ; but there is still a significant portion hesitant to travel

4 Returning to normal

Overall, how would you describe your travel plans in 2022 compared to 2019?

Percent



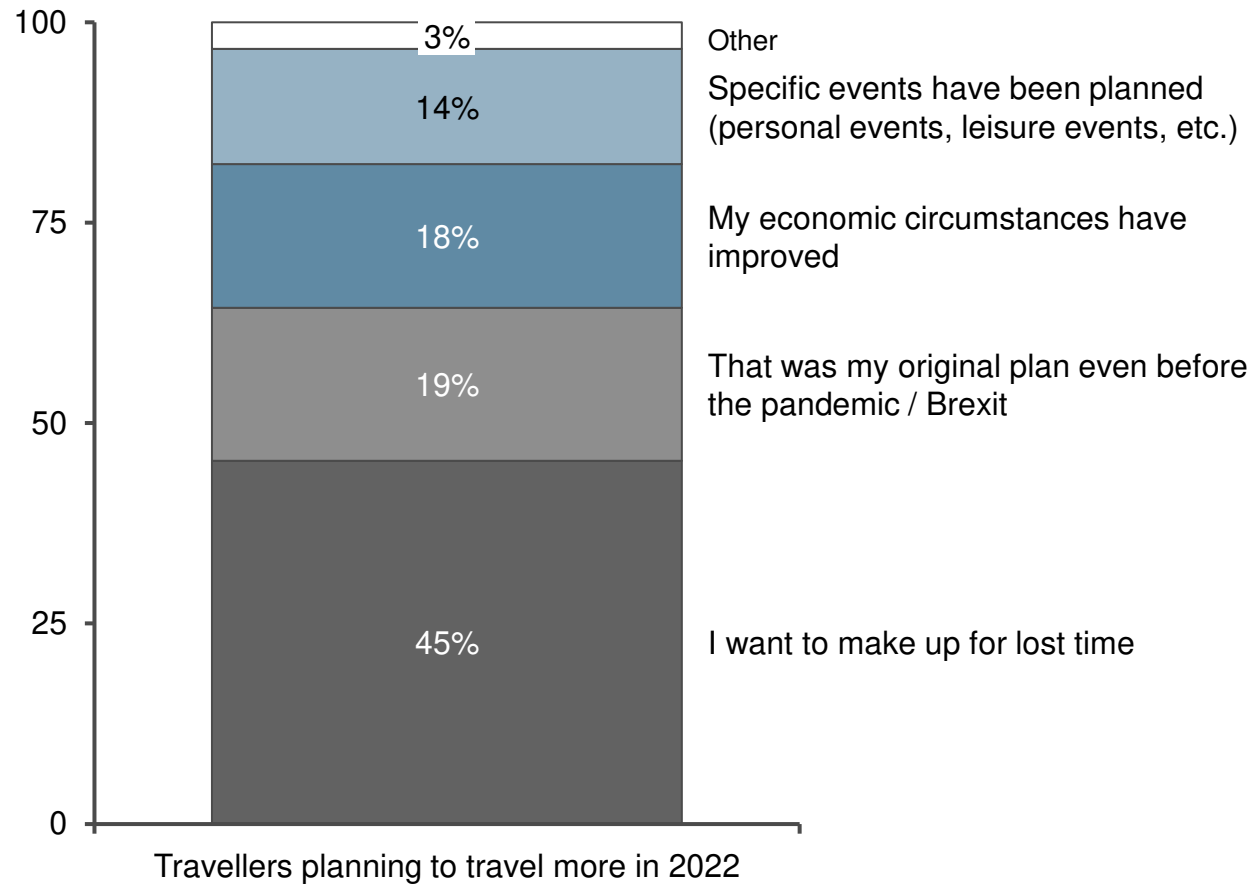
Source: L.E.K. consumer survey (August 2021)

There is evidence of pent up demand for international travel in 2022

4 Returning to normal

What are the reasons for travelling more in 2022 than in 2019?

Percent



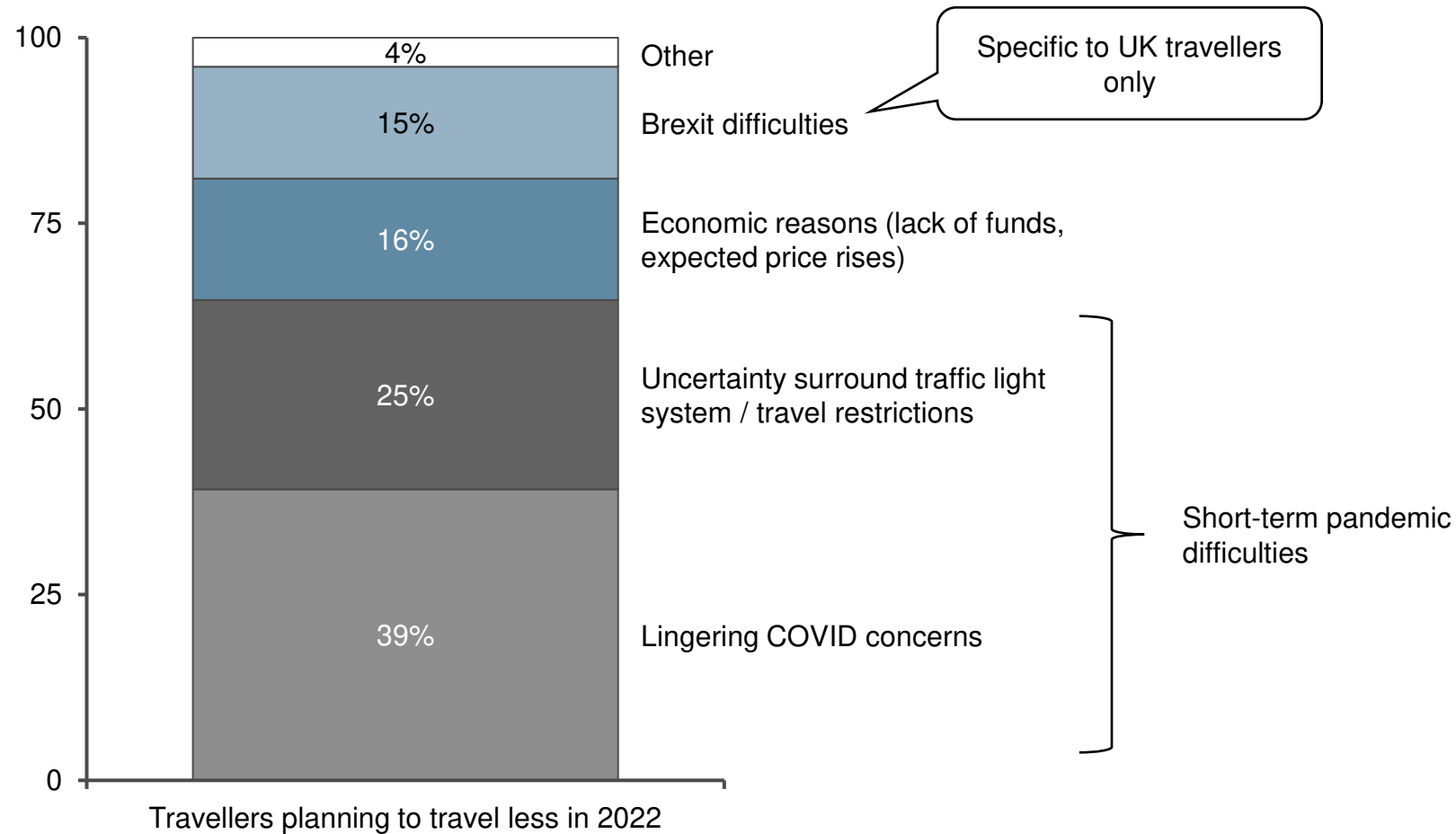
Source: L.E.K. consumer survey (August 2021)

Safety concerns and uncertainty around the traffic light system is suppressing travel plans for 2022

4 Returning to normal

What are the reasons for travelling less in 2022 than in 2019?

Percent



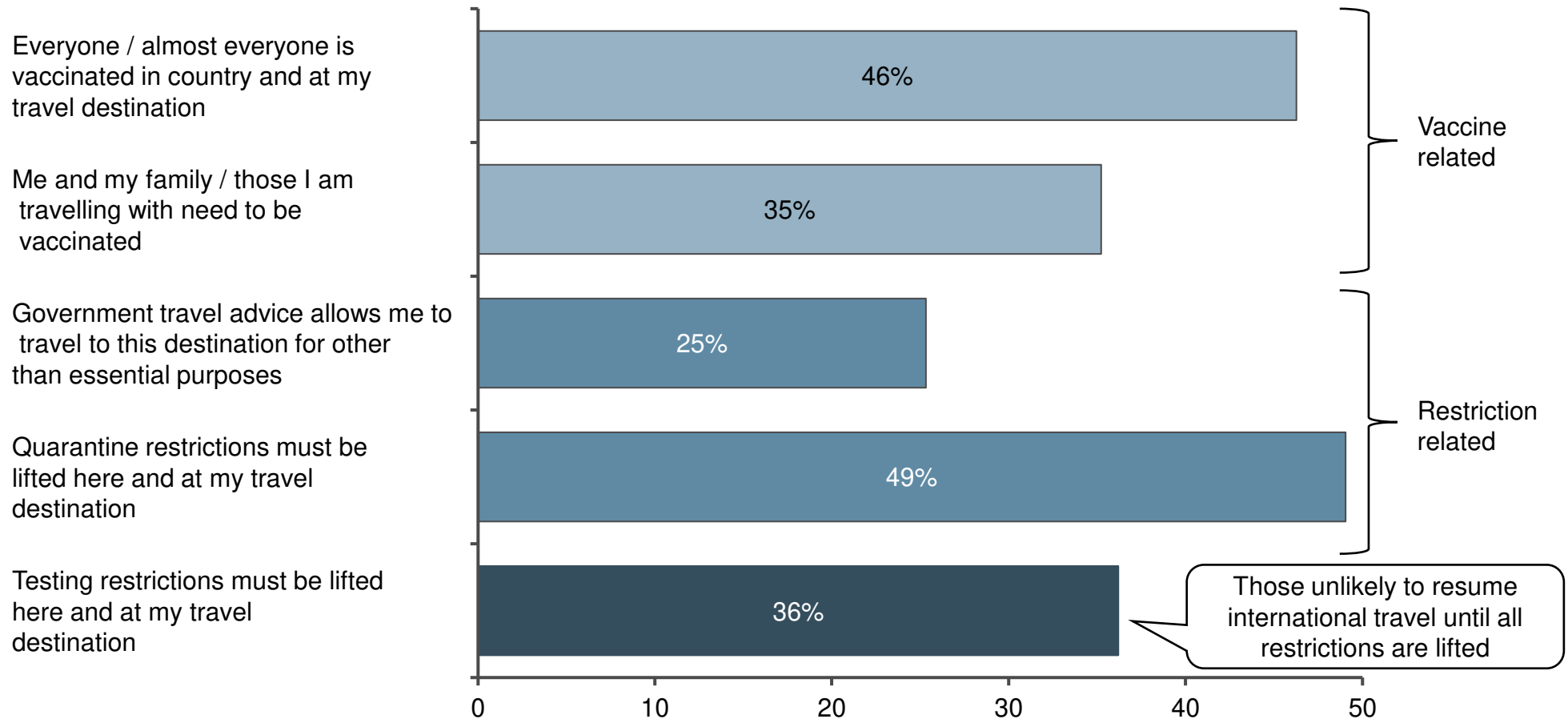
Source: L.E.K. consumer survey (August 2021)

Restrictions around quarantine and testing, and vaccination rates, are the biggest factors impacting confidence of travellers

4 Returning to normal

In 2022, with COVID still present, what needs to be in place for you to be confident to travel to the EU for leisure?

Percent



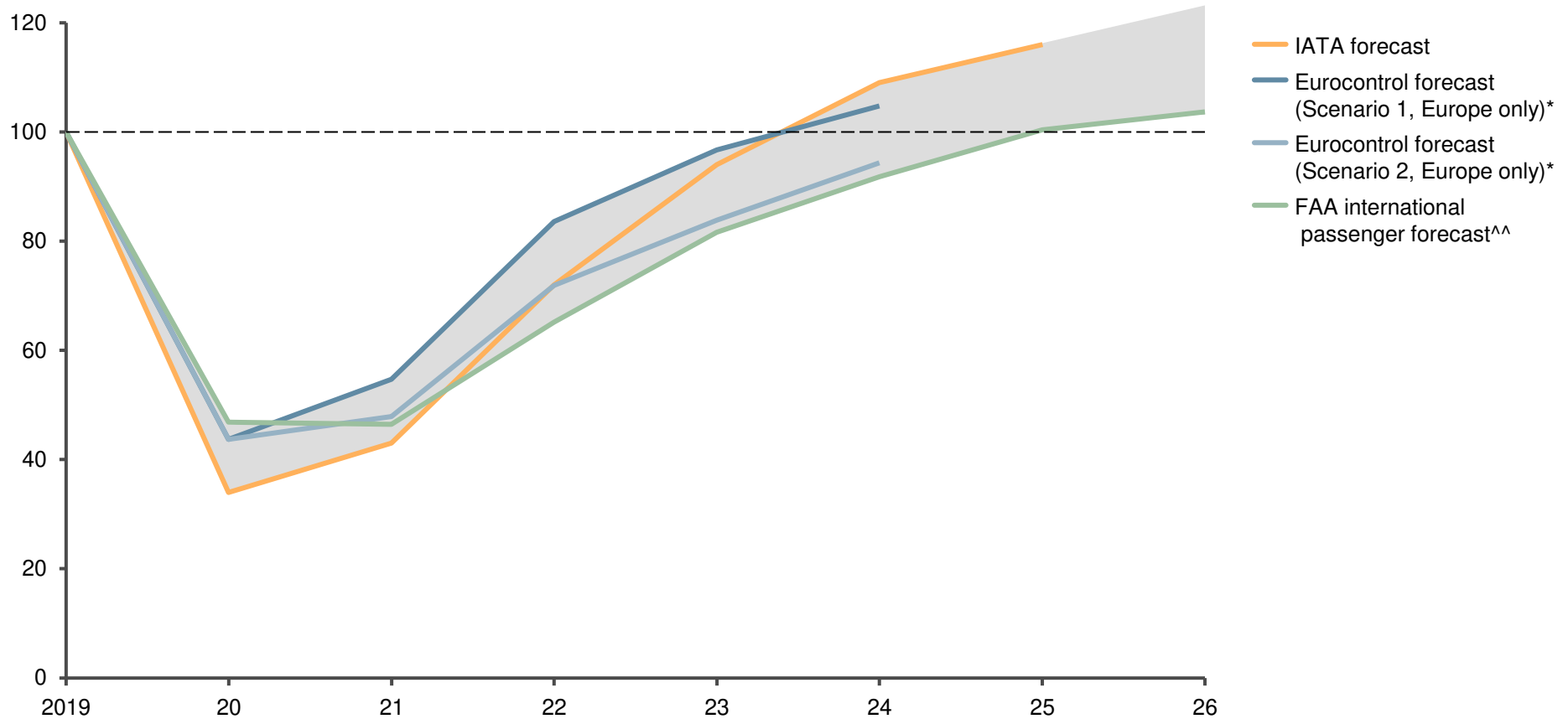
Source: L.E.K. consumer survey (August 2021)

Aviation forecasters expect to reach 2019 levels by H2 2023 to 2024

4 Returning to normal

RPK forecast (2014-24F)

Index (2019 = 100)



Note: IATA forecast published April 2021; Eurocontrol forecast published May 2021; FAA forecast published January 2021 * Based on forecast for European flights; ** CAGR for 2025 since no data point available for 2026; ^ CAGR for 2024 since no data point available for 2025-2026; ^^ U.S. Commercial air carriers only

Source: Management Information; IATA; IATA; L.E.K. research and analysis

4.
When will travel
go back to
“normal”?


Feedback indicates there is **pent up demand** and travellers are largely looking to **resume pre-COVID travelling habits in 2022...**

...with some even planning to **increase trip frequency** to make up for lost time

However, **lingering COVID concerns and uncertainty** driven by confusing and ever changing rules may temper the timing and scale of recovery

There is an **opportunity to convert and influence** a large number of undecided travellers

Significant recovery 2022, full recovery by 2024



5.
What role will
ferries play?

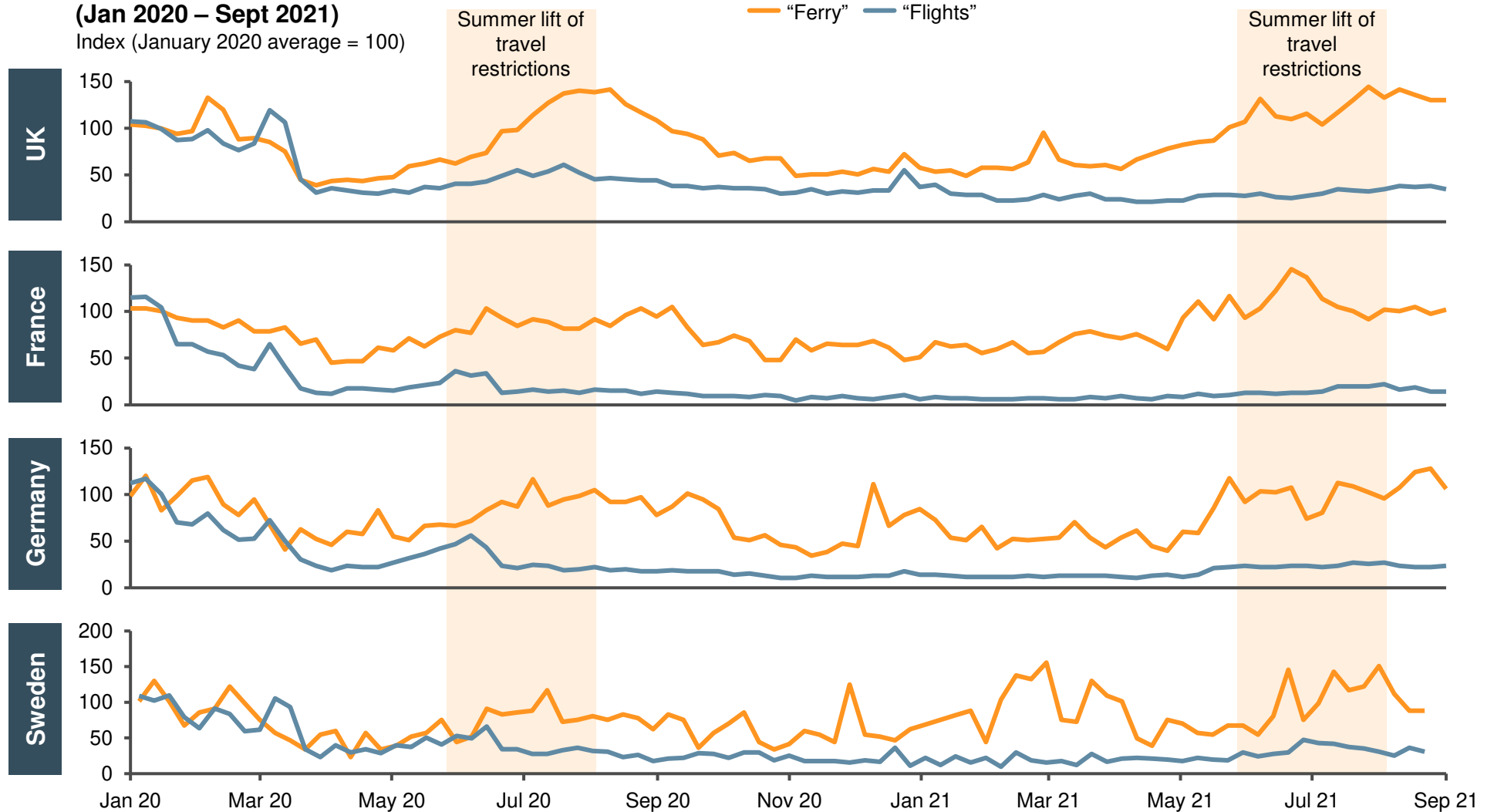
Searches for “Ferry” have fluctuated but largely returned to pre-Covid levels, searches for “Flights” remains significantly lower

5 The role of ferries

Digital engagement per search term

(Jan 2020 – Sept 2021)

Index (January 2020 average = 100)



Note: Swedish ferry search traffic was heavily influenced in January – February 2021 due to the court case relating to the 1994 Estonia ferry disaster and has been removed

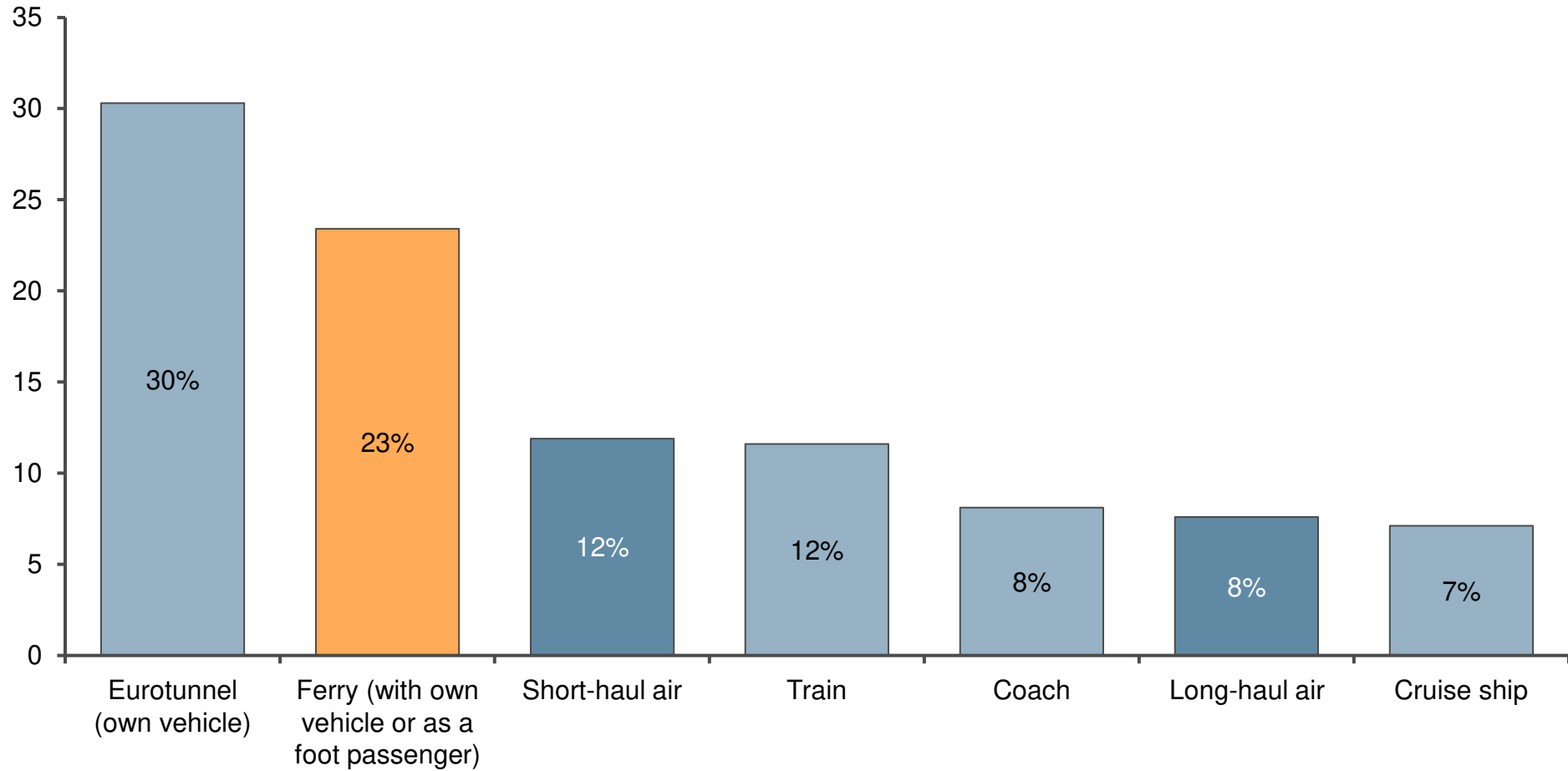
Source: Google Trends; L.E.K. analysis

Ferries are ranked highly as a safe form of travel

5 The role of ferries

How would you rank the health safety / hygiene of the following modes of international travel?

Percent of time ranked the most safe (#1 or #2)



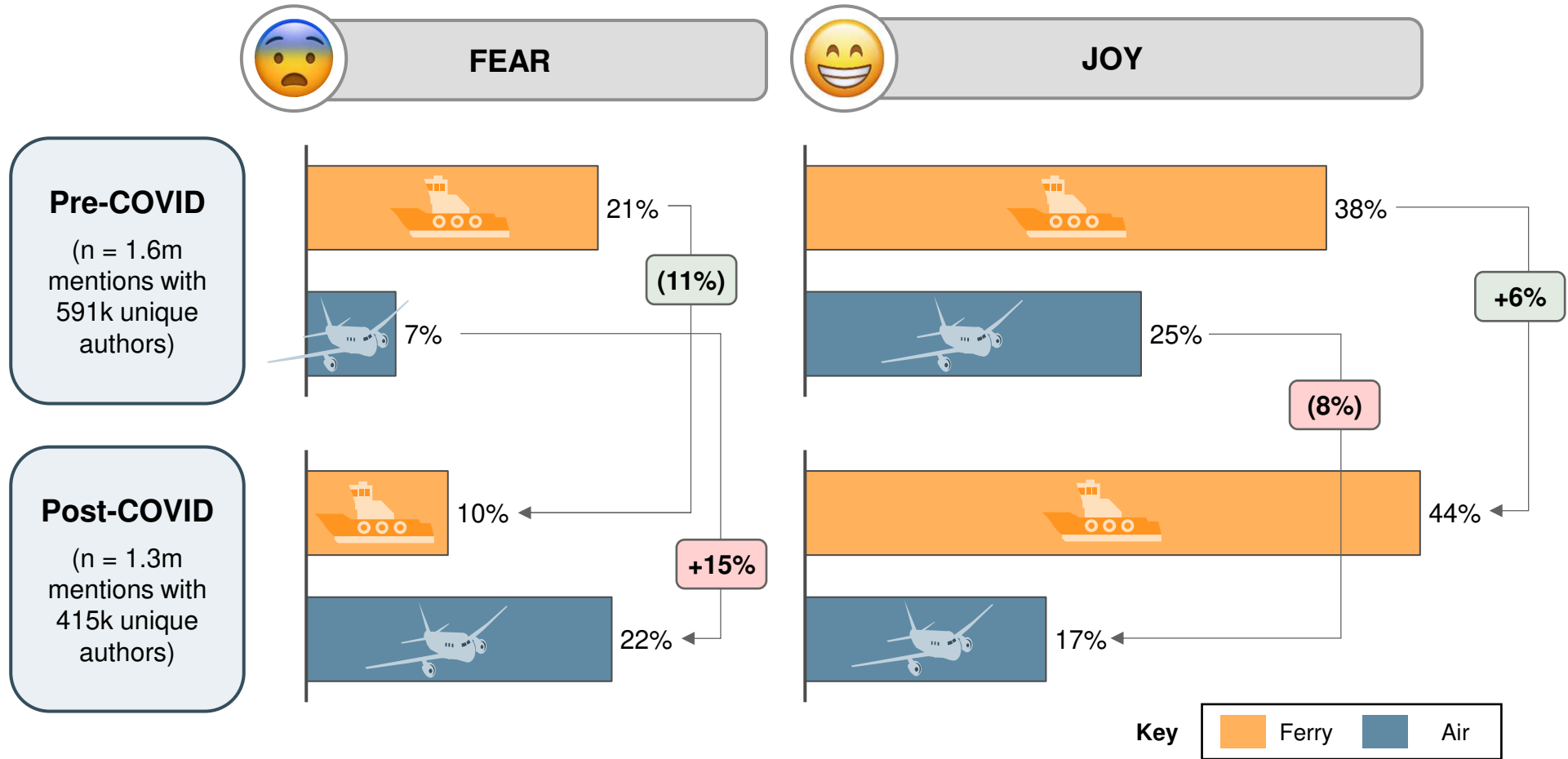
Source: L.E.K. consumer survey (August 2021)

Sentiment towards Ferry travel has improved, while Air has suffered

5 The role of ferries

Emotion analysis in modes

Number of mentions



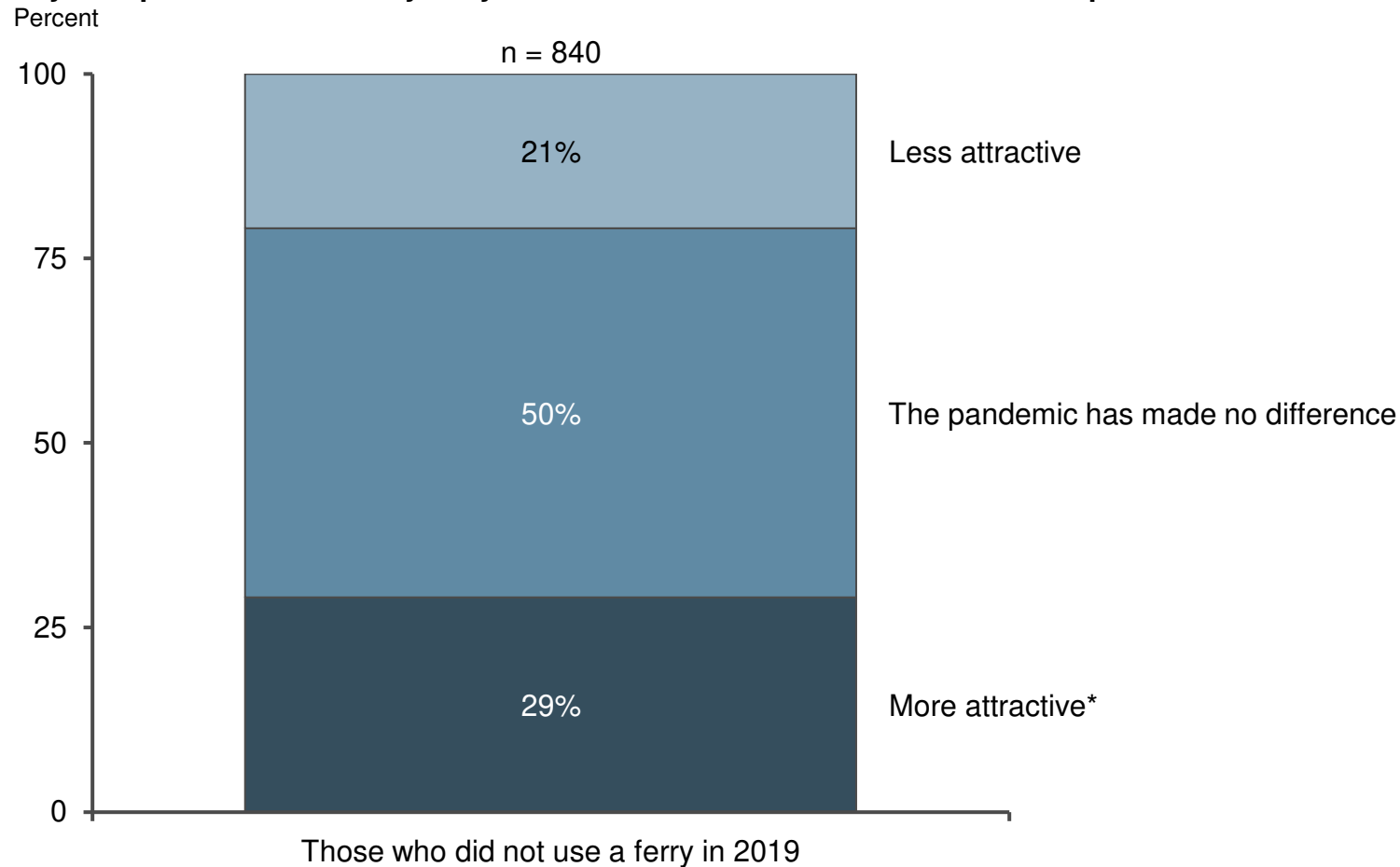
Notes: * Pre-COVID dates are March 2019 to August 2019 and Post-COVID timeframe is March 2021 to August 2021; Companies compared for Ferry include P&O, Brittany Ferries, Stena Lines, Irish Ferries, DFDS. Eurostar represents rail and air is compared through easyJet, Ryanair and British Airways

Source: Brandwatch; L.E.K. analysis

Of the respondents who did not use a ferry in 2019, c.30% said they plan to use or consider the ferry more in the future

5 The role of ferries

In your opinion has travel by ferry become more or less attractive since the pandemic?



Note: * Includes those who responded "More attractive, I expect to travel by ferry for holiday soon" or "More attractive I will consider ferry options in the future"
Source: L.E.K. consumer survey (August 2021)

5.
What role will
ferries play?

The pandemic has created a **positive view of ferries** especially compared with air

...and a large proportion of previously non-ferry users now considering it for future trips

Key takeaways

- 1 The health crisis is approaching resolution in Europe in H2 2021 due to the success of the vaccine rollout but there are risks remaining
- 2 Economic recovery is expected to begin with an initial sharp bounce back in H2 2021 as Covid restrictions ease and GDP reaches 2019 levels by the end of 2021
- 3 Domestic travel has been resilient during the pandemic; International travel's recovery is being constrained by uncertainty around travel restrictions
- 4 There are significant levels of pent up demand for international travel; some recovery is expected in 2022 followed by a full recovery by 2024
- 5 Ferry has emerged as a clear winner in the battle of the modes as people seek "safer" ways to travel abroad



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