



MHRA National Tourism Forum 2021

Reflections

October 2021

Financial Advisory 

Reflections

The past

Reflection 1 | Tourism 2010

Even though at the tail end of a global crisis, in 2010 tourism was already an important pillar of our economy

1.3M

Arrivals

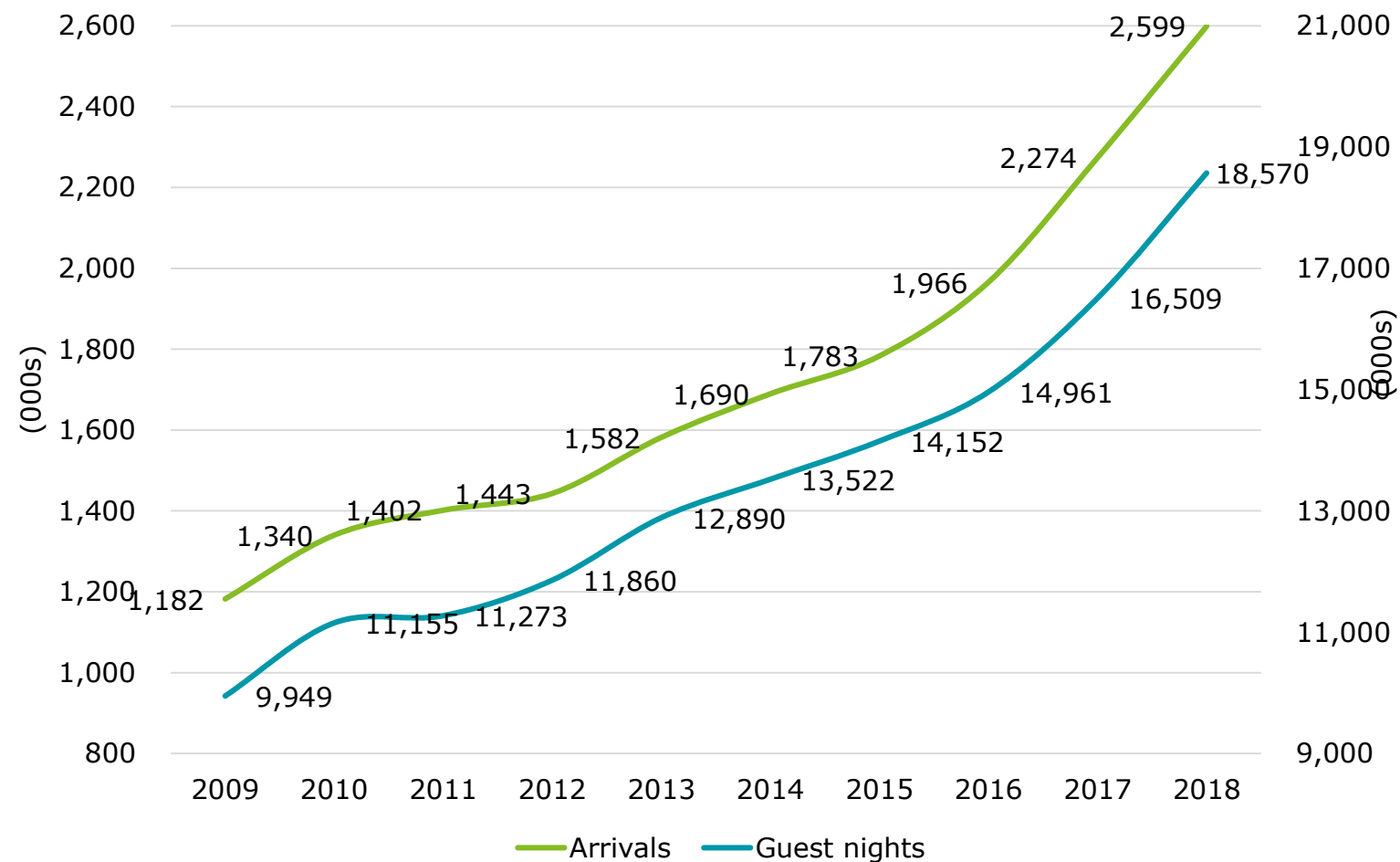
12M

Guest nights

€1.1B

Tourist Expenditure

Reflection 2 | Phenomenal growth between 2010 – 2018



Arrivals

- Increase of 1.4 million over ten years
- 9.1% annual growth
- Close to reaching 3 million tourist arrivals within the next 3-5 years

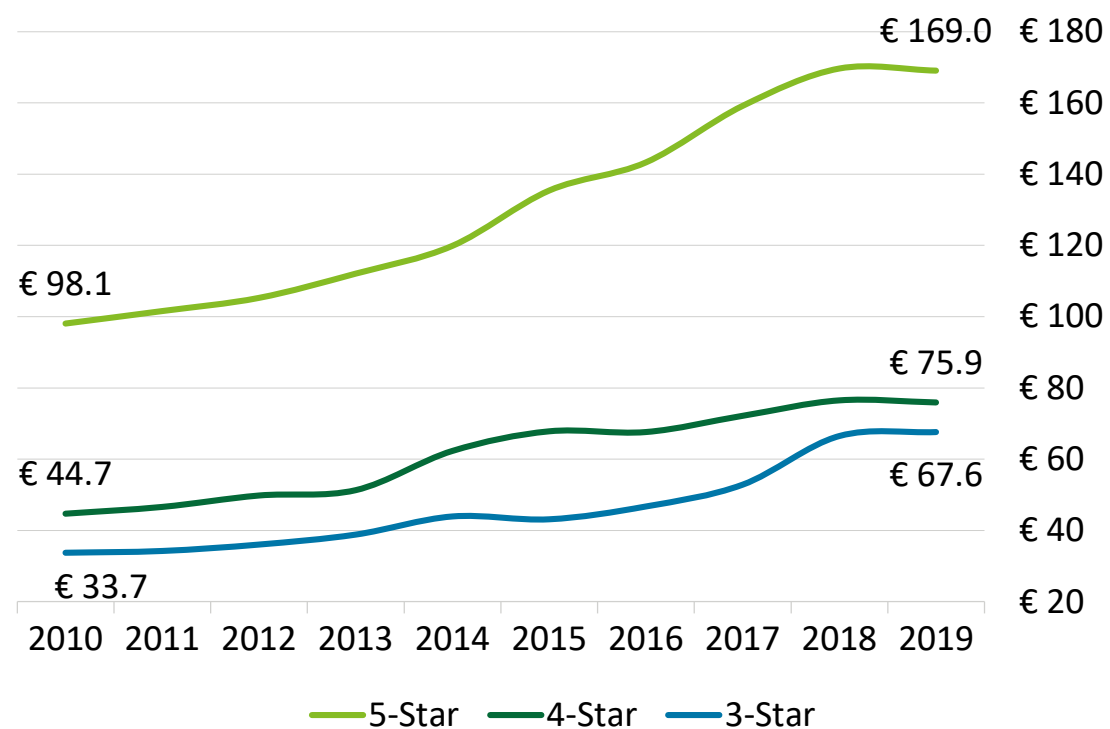
Guest Nights

- Increase of 8.6 million over ten years
- 7.2% annual growth

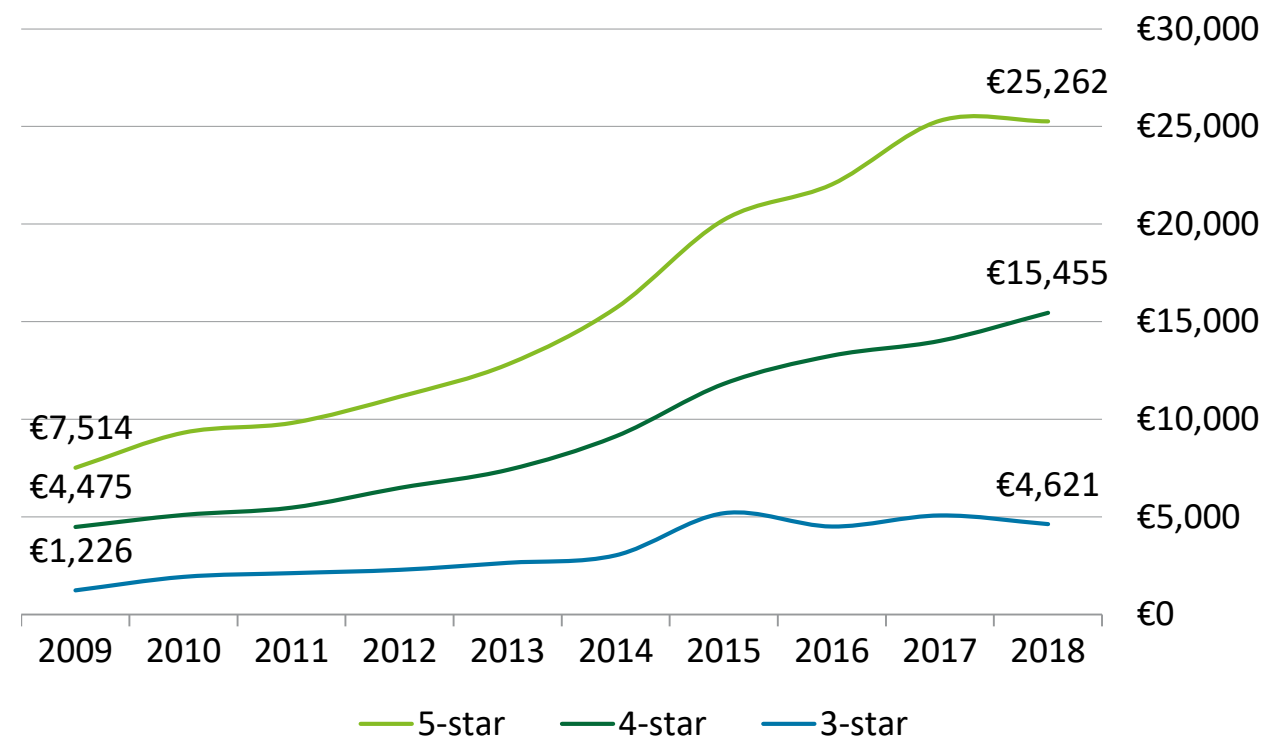
Reflection 2| Evident signs of over-heating - 2019

In 2019 the sector's revenues were stabilised showing the first signs of over-heating

Average Daily Rates



Gross Operating Profit (GOPPAR)



Past

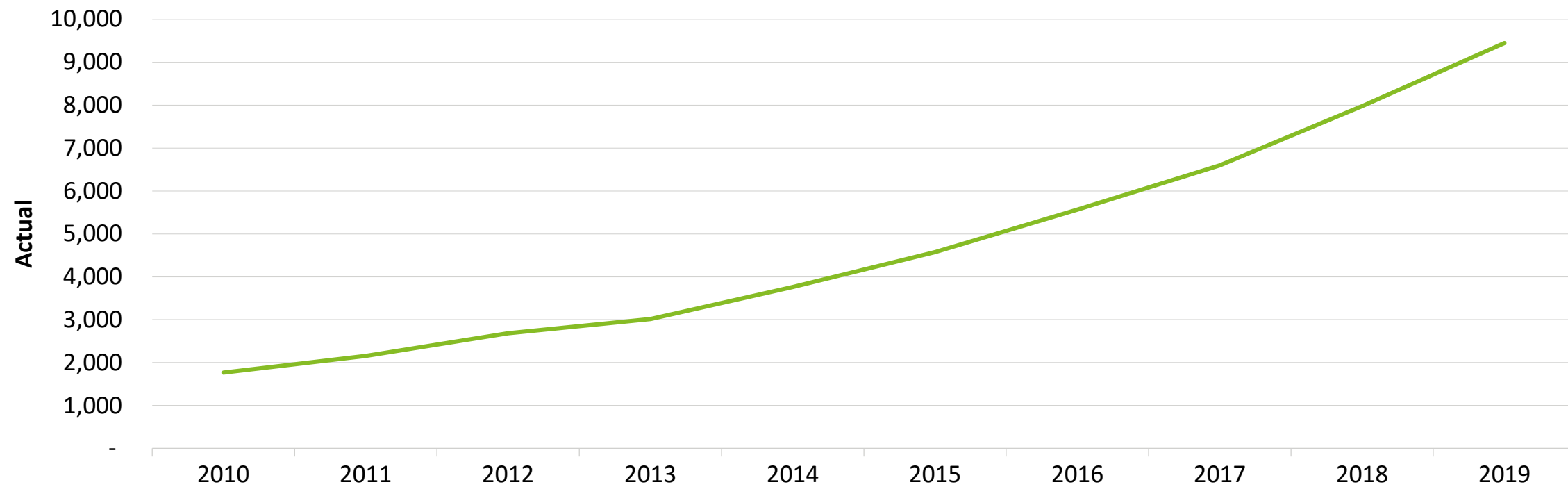
Pandemic

Recovery

Future

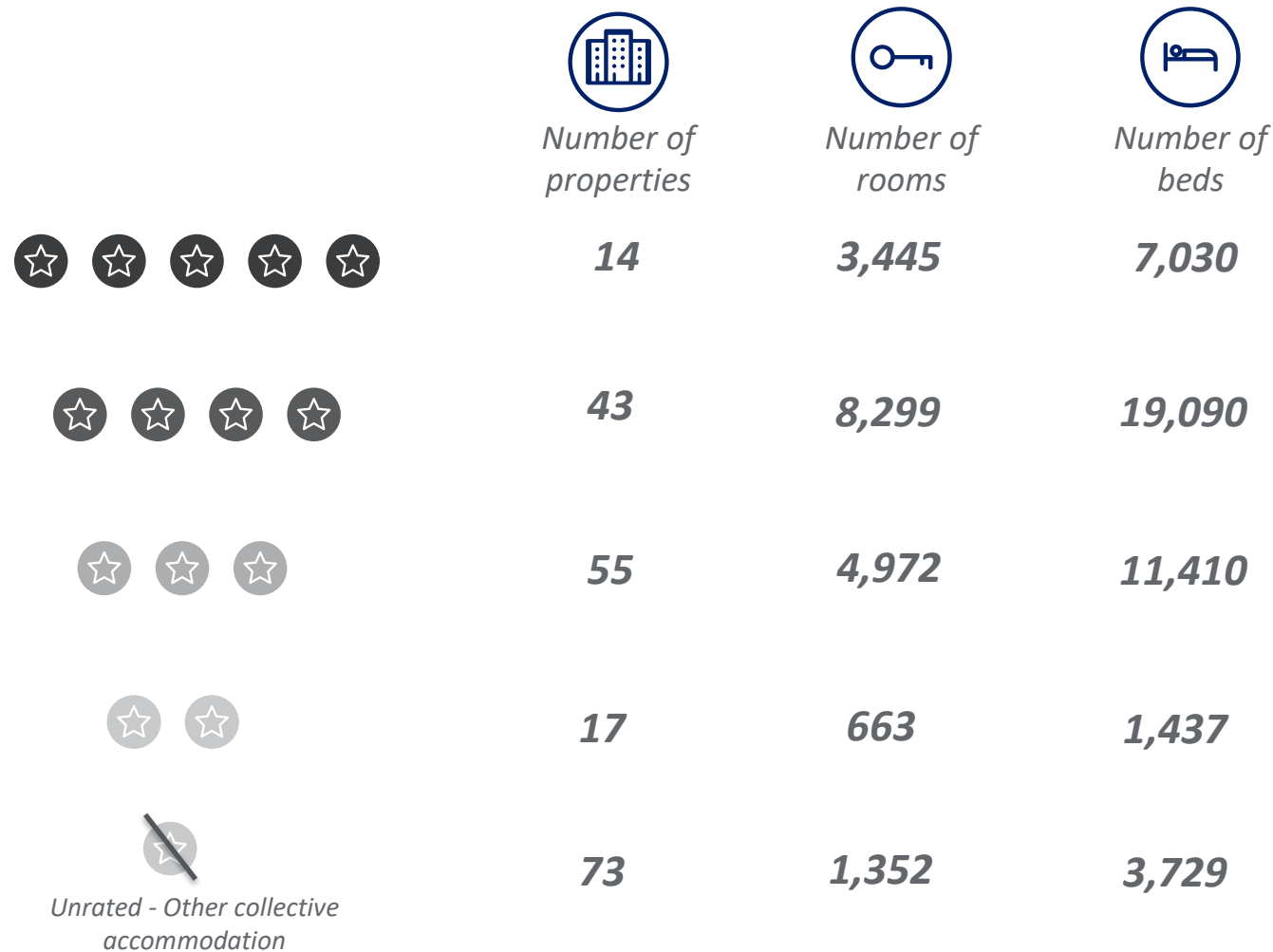
Reflection 3 | Increased dependence on ex-pat employees

Foreign Workers Employed in Accommodation and food service activities



Reflection 4| Surge in bed stock capacity

By the end of 2018 there were around 200 collective accommodation properties with close to 19,000 rooms and 43,000 beds

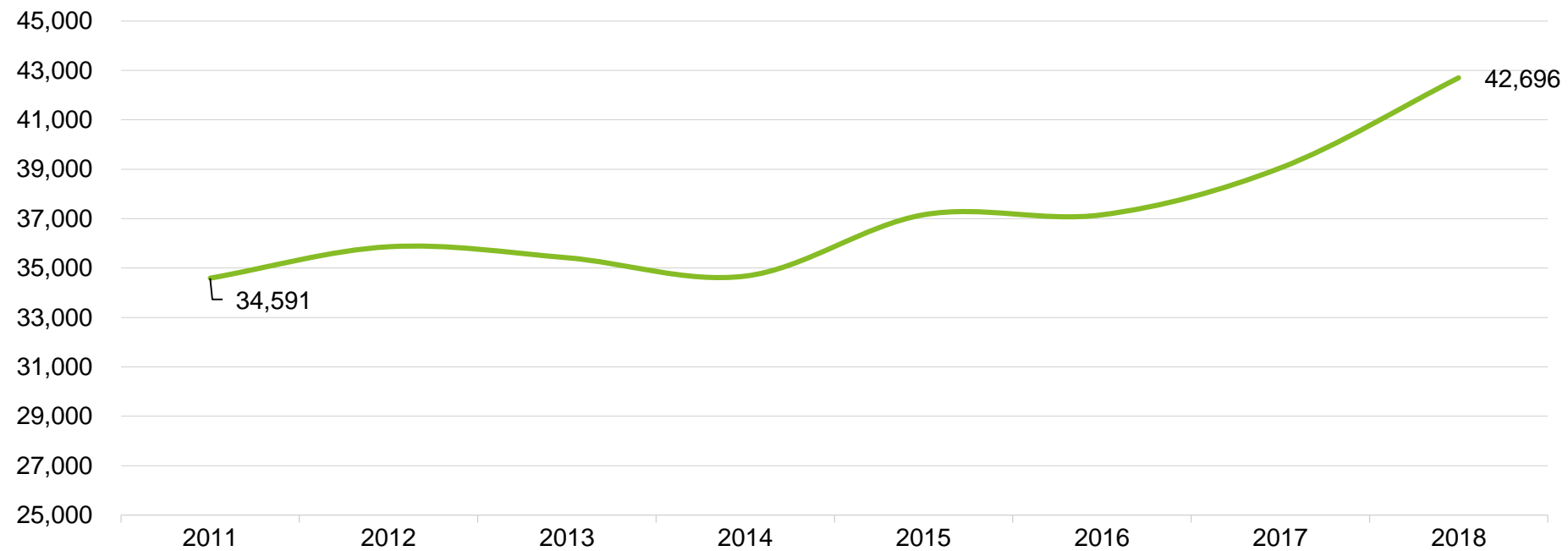


Statistical note: Most boutique hotels are unrated and are therefore captured under the 'other collective accommodation' category. This category also comprises guesthouses, hostels and tourist villages.

Reflection 4| Surge in bed stock capacity

Increase of bed-stock over the years

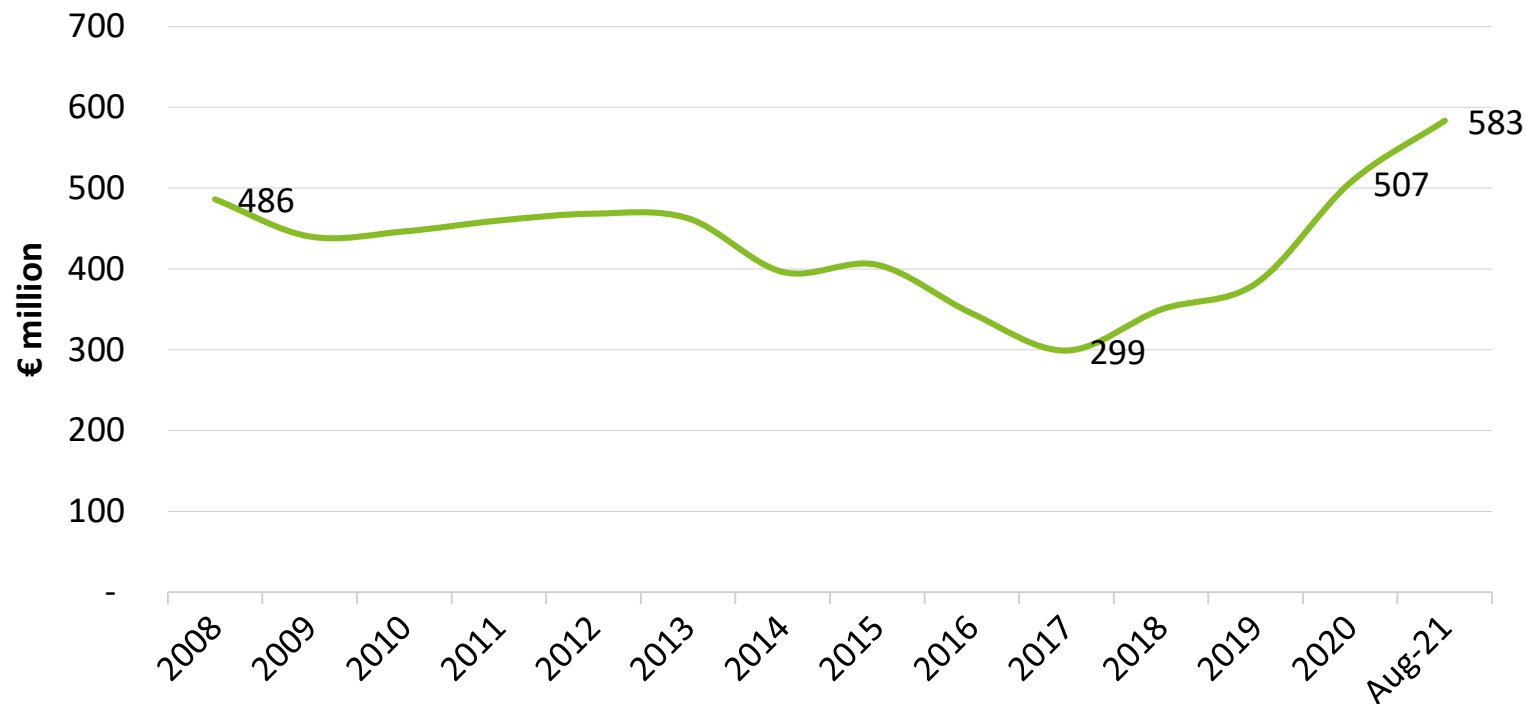
Total Number of beds



Note that the growth in non-hotel accommodation was much greater than the growth in hotels

Reflection 5 | Lending to the hospitality sector decreased by 28% between 2009 and 2018, but then was almost doubled (+95%)

Lending to hotels and restaurants



- Historically, banks have always been very supportive of the local tourism and hospitality sector, which has had its fair share of successes and failures throughout the years.
- The regulatory framework makes the financing approach more conservative, with banks and financial institutions becoming more selective on the type of tourism related projects they can and are willing to finance.
- According to the CBM, there has been a drop of 28% in the overall stock of loans for accommodation and food activities between 2009 and 2018.
- Since 2018 the lending increased by 95% to reach 583M in August 2021

Reflections

Pandemic

Reflection 7 | Pandemic – Crash

Covid Impact on Arrivals



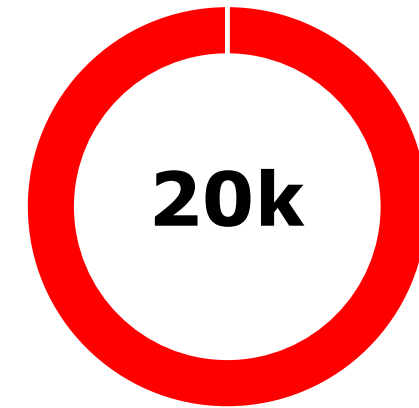
Number of Arrivals 2020 : 659k

Covid Impact on Expenditure



Expenditure 2020 : 455m

Covid Impact on Jobs



Jobs at risk without factoring Government assistance

Reflection 8| Increased pressure from higher gearing



*Indicative gearing (Debt/Capital):
65% - 70%, with an equity contribution of 30% - 35% of total capital*



Variable interest rate: 3.5% - 4.5%



Repayment terms: 10 - 15 years



Moratorium: 1-2 years

Source: Deloitte proprietary information

Reflection 9| MDB loans and wage supplements

Governmental measures aimed to keep the sector alive

Loans subject to moratorium (as at Jan 2021)

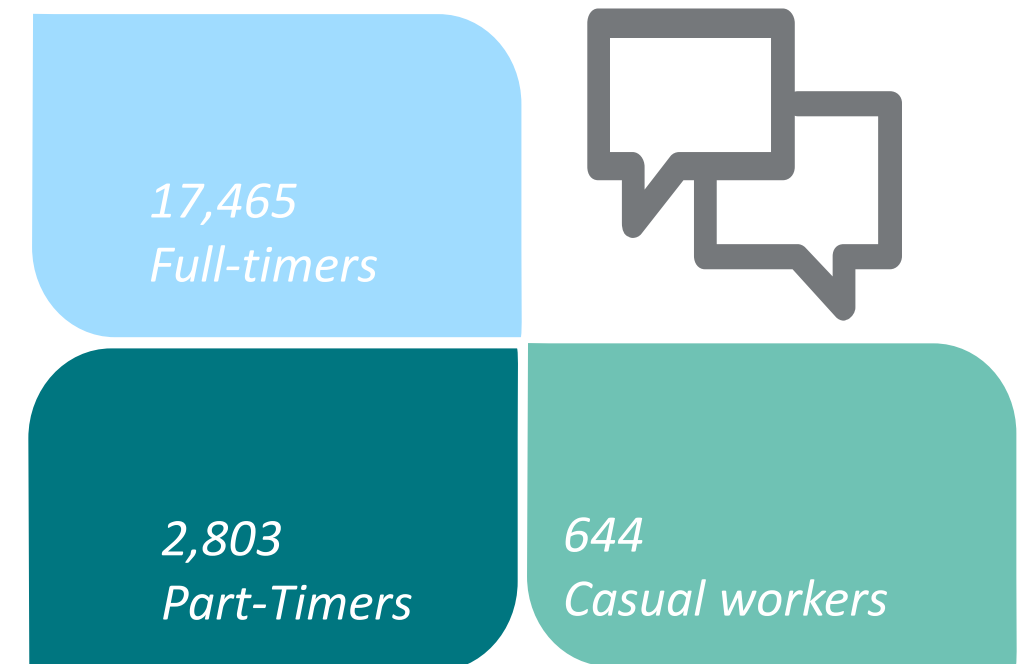
	Volume	Outstanding	Share*
	No.	Amounts	%
		€ Million	
Households	925.0	89.8	1.4
Manufacturing	40.0	7.7	3.5
Construction	24.0	18.8	3.0
Wholesale and retail	121.0	30.4	4.7
Transport and ICT	52.0	18.0	6.1
Hotels and restaurants	215.0	212.4	41.4
Real estate	111.0	161.5	15.9
Other+	203.0	146.7	7.3
Total	1,691	685.3	5.8

Source: CBM

Note:

*The percentage of loans subject to moratorium in total outstanding loans + Health, Education, Professional Services, Entertainment, Energy and Waste Management, Agriculture and Fisheries

Wage supplements (€106.8M disbursed Mar-Dec 2020)



Source: DT Estimates

Reflection 10| Talks about quick return to pre-2019 levels

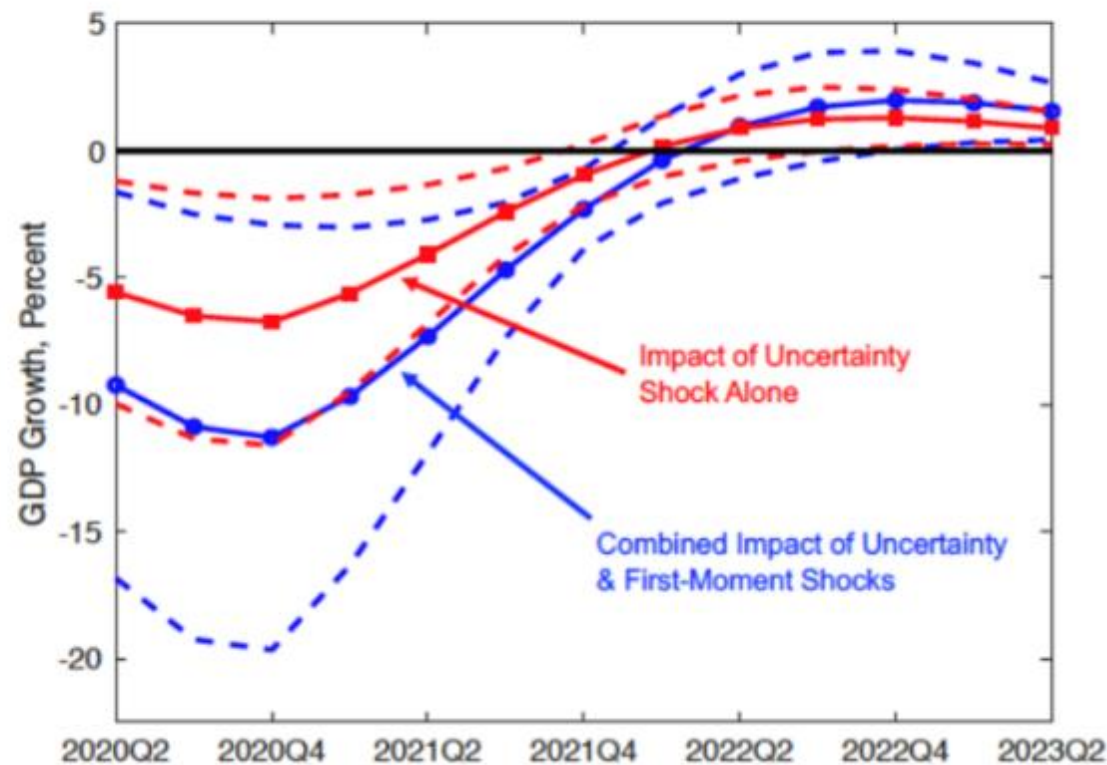
The duration and impact of the pandemic was underestimated, raising hopes for a quick recovery



UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

Figure 1: Estimated impact of COVID-19 on the U.S.'s real GDP growth rate

May 4, 2020



World Economy to Return to Pre-Pandemic Output in 2021

Global GDP projections made in November 2019 and March 2021, Index: Q4 2019=100



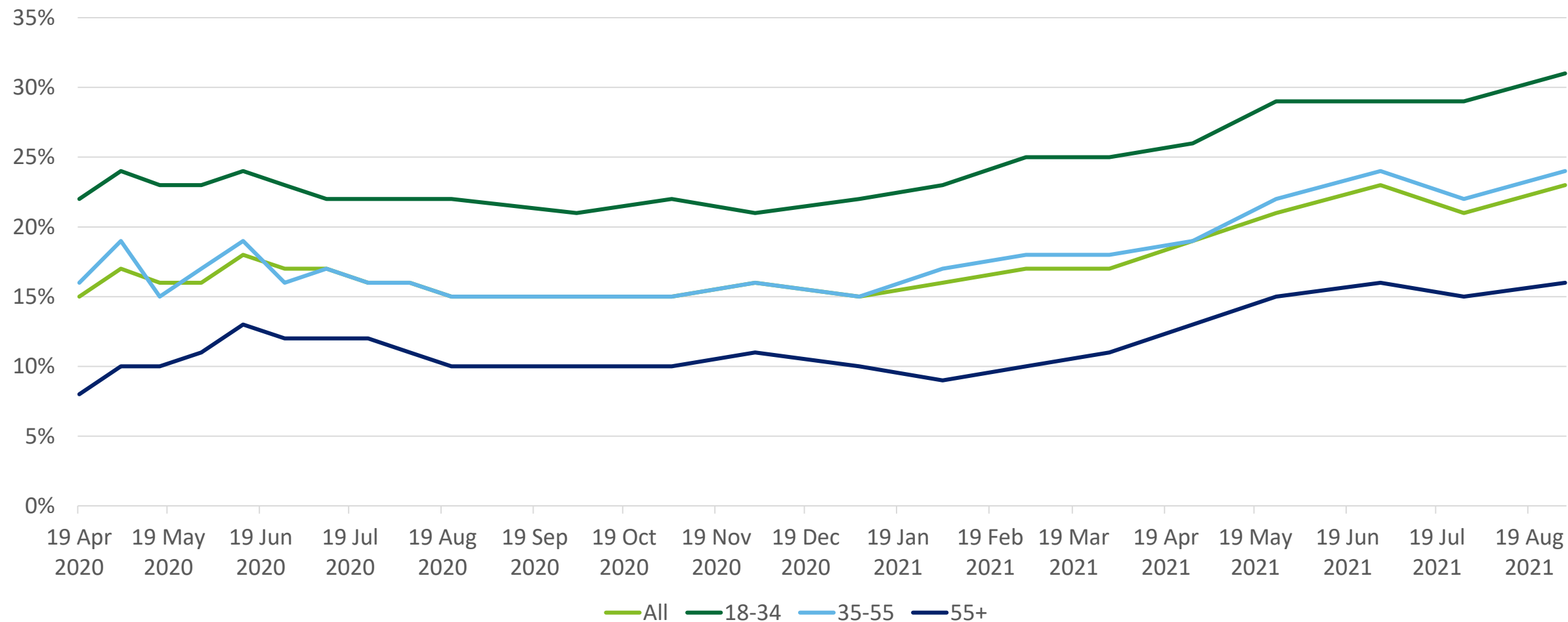
Source: OECD



statista

Reflection 11| Increased apprehension to travel

The intention to book an international flight increases but remains low, especially for the higher age groups



Source: Deloitte State of Consumer Tracker

Reflections

Recovery

Reflection 12 | Health and safety

- Health and safety become a top priority, in order to build trust
- Health protocols and travel restrictions are introduced and frequently revised
- Vaccination campaigns and incentives are rolled out
- Covid testing becomes part of our new normal



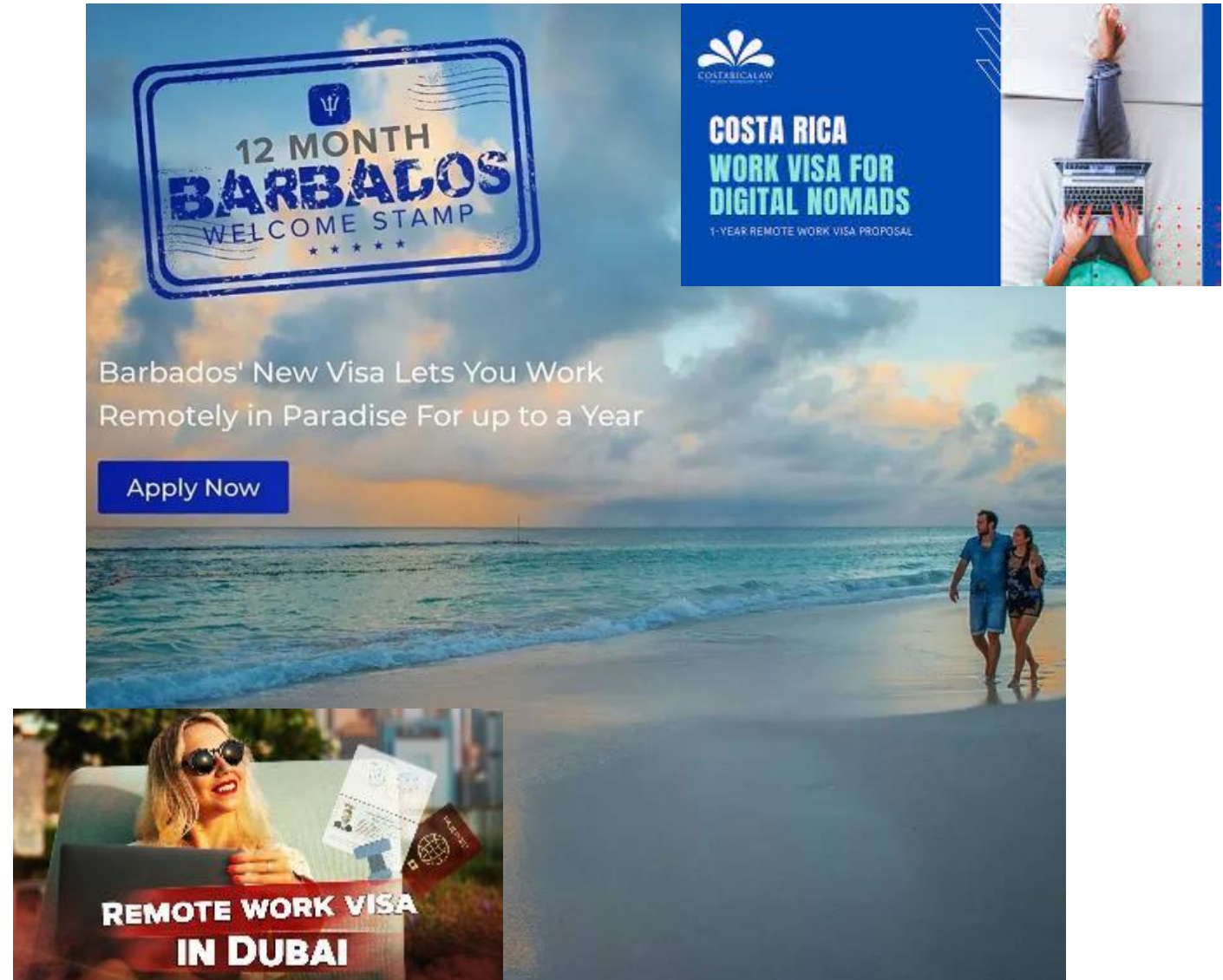
Reflection 13 | Digital transformation

- The digital transformation is accelerated, affecting the way individuals live and business operate

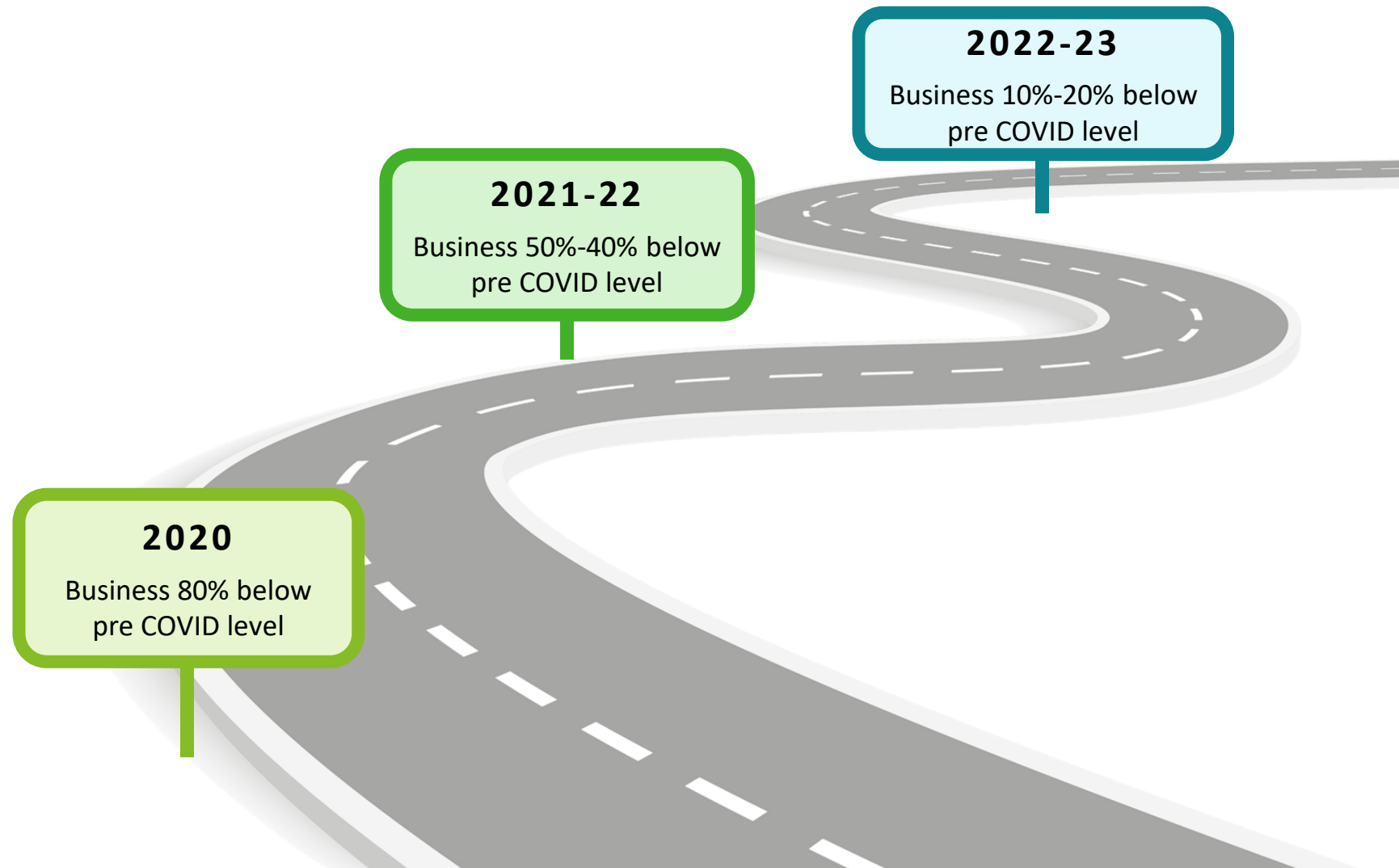


Reflection 14| Remote working

- Remote working goes far beyond working-for-home, opening new opportunities for all year around - longer term working tourists
- Remote work visas becomes part of the new reality



Reflection 15| New norm will not come before 2024



Reflections

The new norm

Reflection 16| Sustainability and environmental priorities

- Sustainability must be part of everyone's purpose
- Going forward the environmental friendliness demonstrated by companies will impact more and more the customer decisions, as well as the ability for funding



Reflection 17| Make more with less



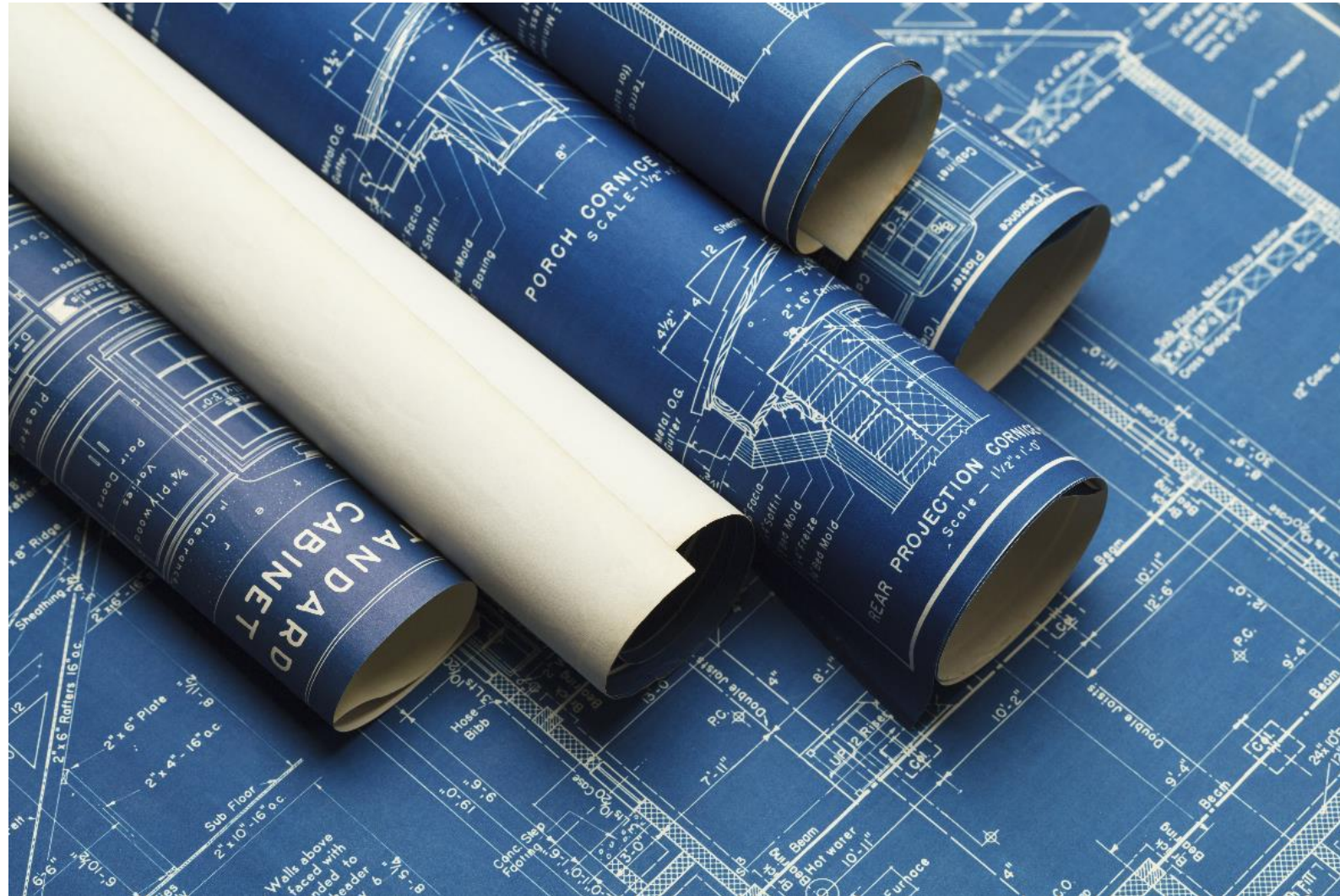
Reflection 18 | Sustainability vs Exponential



Reflection 19 | Refocus



Reflection 20| Balancing longer-term plan vs managing the crisis





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