

September 21, 2020 04:30 AM GMT

Morgan Stanley

Travel & Leisure Activity Tracker

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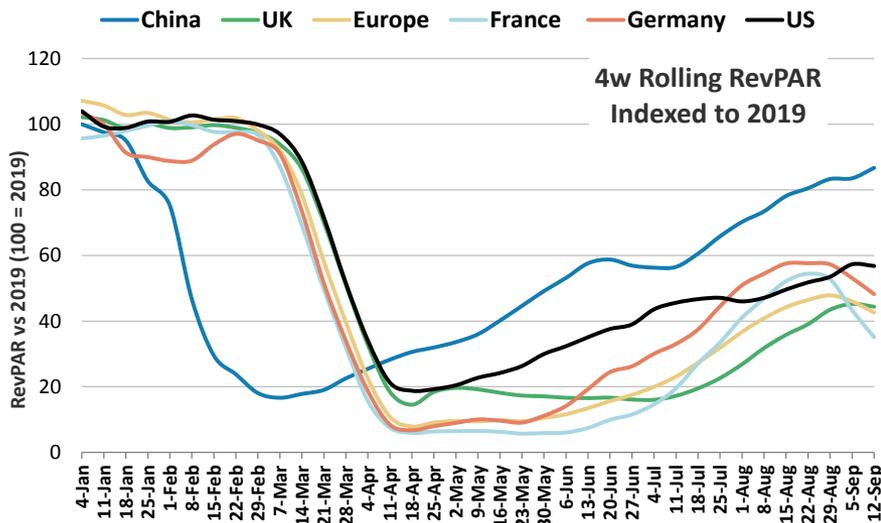
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Hotels	Airlines	Cruises	Foodservice	Gambling	Pubs / Rests	Fitness	Cinema
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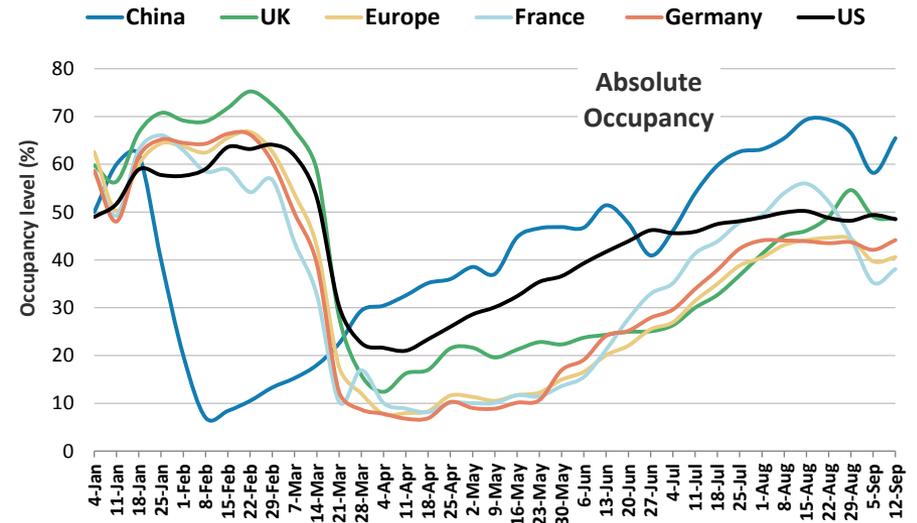
Hotels

Weekly RevPAR Index



Source: STR, Morgan Stanley Research, RevPAR = Revenue Per Available Room

Weekly Occupancy

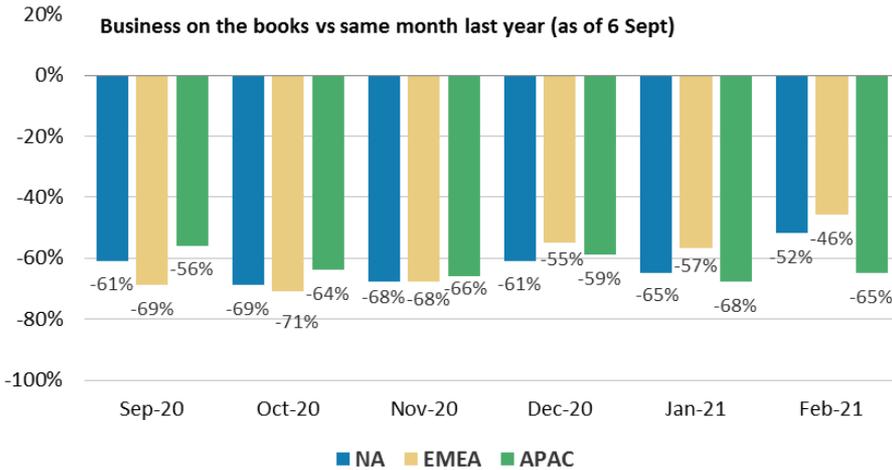


- Occupancy in **Europe** improved w-o-w in week to 12th Sept, encouraging after a flat to declining performance for several weeks, but RevPAR deteriorated due to weaker room rates. This is likely due to mix (Sep has a larger proportion of higher rate corporate customers where demand is weaker than leisure), and hotels cutting price to fill rooms
- The **UK** saw occupancy decline WoW (-40bps) but is still outperforming Europe (absolute occ at 48.6% vs Europe at 40.6%)
- In the **US**, both RevPAR and occupancy deteriorated, reversing the strength in the prior week which was positively impacted by the timing of Labor Day
- **China** saw an impressive improvement with RevPAR +1% YoY, the first week any market has risen to pre-Covid levels, and the gap vs US/EU continues to widen

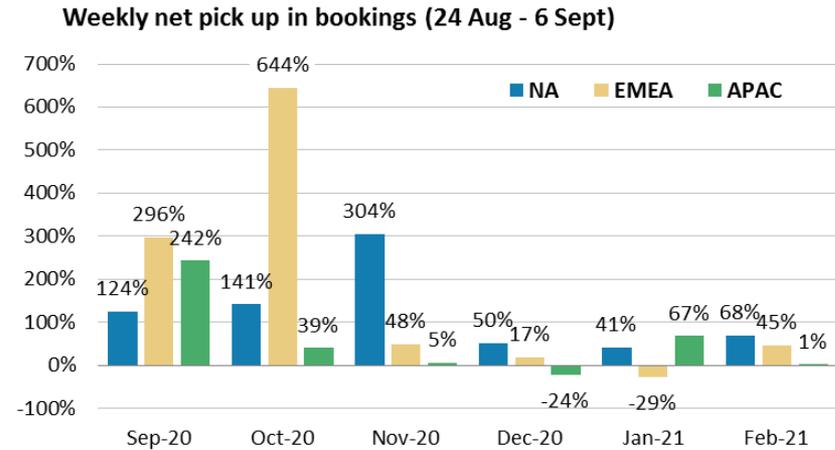
- Hotels**
- Airlines
- Cruises
- Foodservice
- Gambling
- Pubs / Rests
- Fitness
- Cinema

Hotels

Business On The Books



Net Pick Up In Bookings

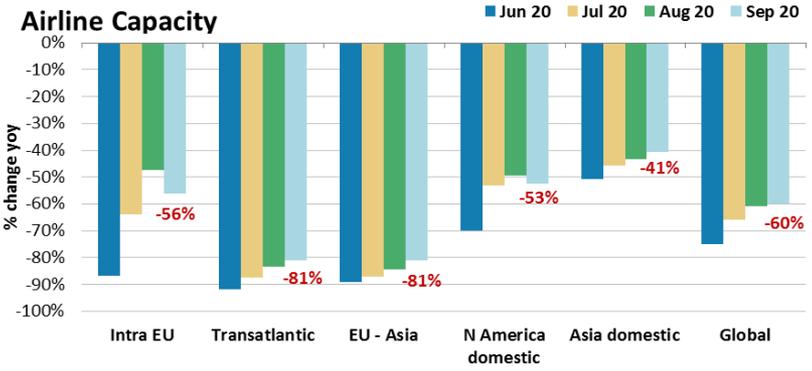


Source: Duetto, Morgan Stanley Research. Note: Net room night pick up: new bookings minus cancellations made during the most recent two weeks (August 24 - September 6).

- **North America** saw a solid improvement in business on the books in the last two weeks, aided by the holiday weekend of Labor Day (pace increased by approximately a quarter of a million bookings across the region)
- **EMEA** as a whole saw a 296% increase in net pick up volume for September and the strength continued into October up 644%, although we note this was off a very low base
- **Greater China** continues to be the major driver of demand in **APAC** with a 340% increase in net pick up volume for September, +148% for October, +396% for November, +138% for December

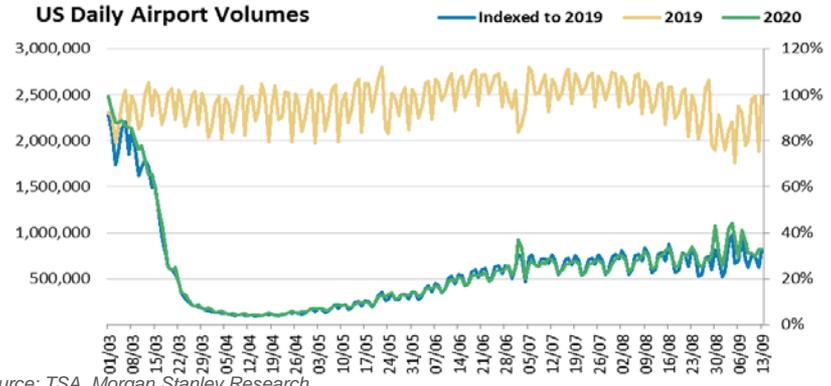
Airlines

Capacity Data – Forward Indicator Passenger Volumes



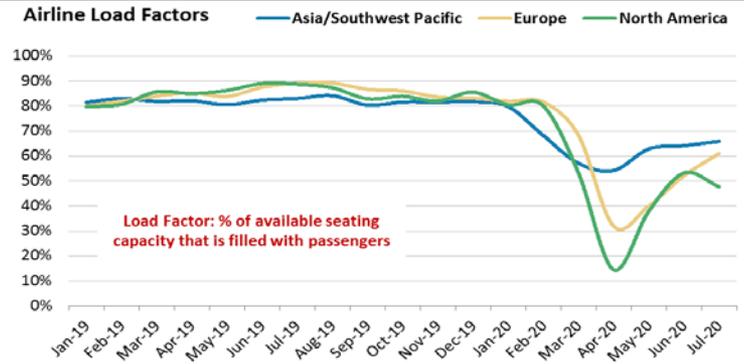
Source: OAG, Morgan Stanley Research

US Daily Traffic Data



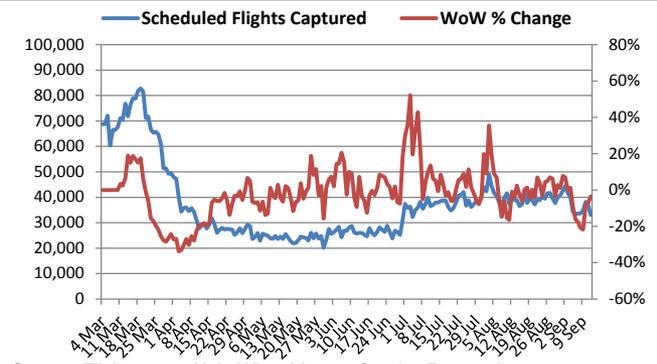
Source: TSA, Morgan Stanley Research

Airline Load Factors



Source: International Air Transport Association, Morgan Stanley Research

Global Scheduled Flights



Source: Flightaware, AlphaWise, Morgan Stanley Research

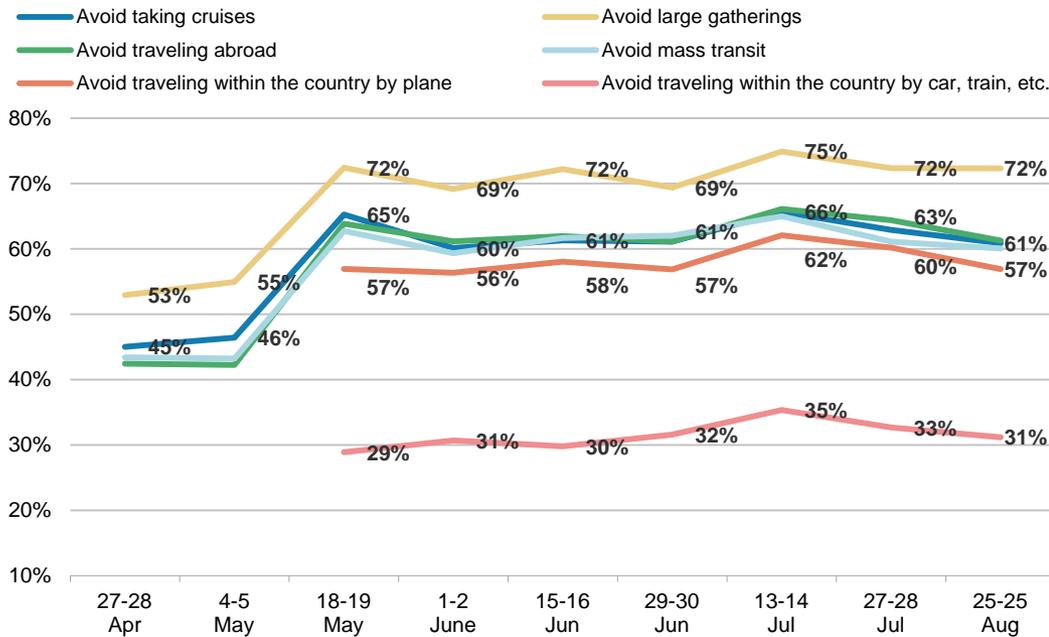
- Airline capacity deteriorated in Sept vs Aug in **NA domestic** and **intra EU**, causing global capacity to stall
- **Global** June capacity -75%, July -66%, August -61%, and September looks on track for -60%
- TSA data shows **US** airport throughput gradually increased over the summer and is now tracking down ~70% vs 2019
- We also look at load factors to determine how the capacity outlook will translate into passenger volumes. **Europe** saw a sequential improvement in load factors over April/May/June/July 32%/40%/52%/61%

EU Airlines covered by Carolina Does, see latest global air capacity tracker [here](#)

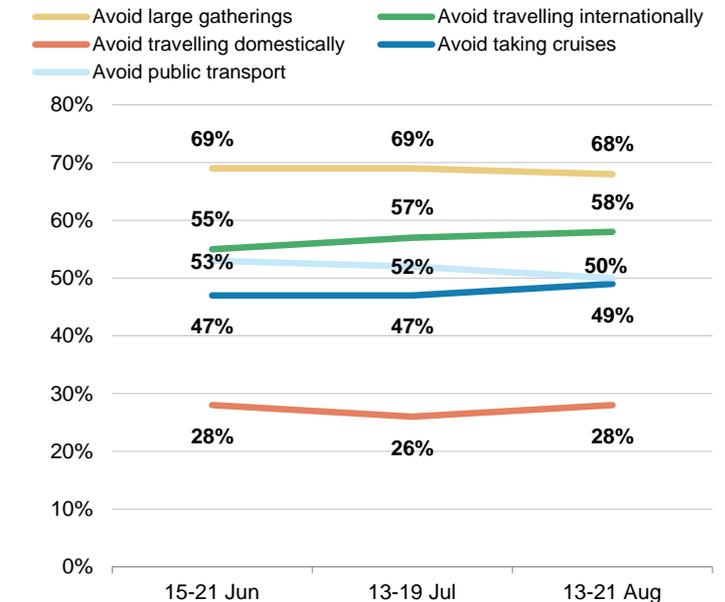
Hotels	Airlines	Cruises	Foodservice	Gambling	Pubs / Rests	Fitness	Cinema
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Travel Intentions: US/Europe

Expectations of Personal Choices in the Next 3 Months (US)



Expectations of Personal Choice in Next Month (Euro 5¹)



- Continuing caution across many activities, though consumers are most willing to travel domestically
- Slight increase in caution in **Euro 5¹** to travel internationally as summer season draws to a close
- Majority of respondents continue to want to avoid public transport
- Less caution in **Euro 5¹** about taking cruises vs. **US**

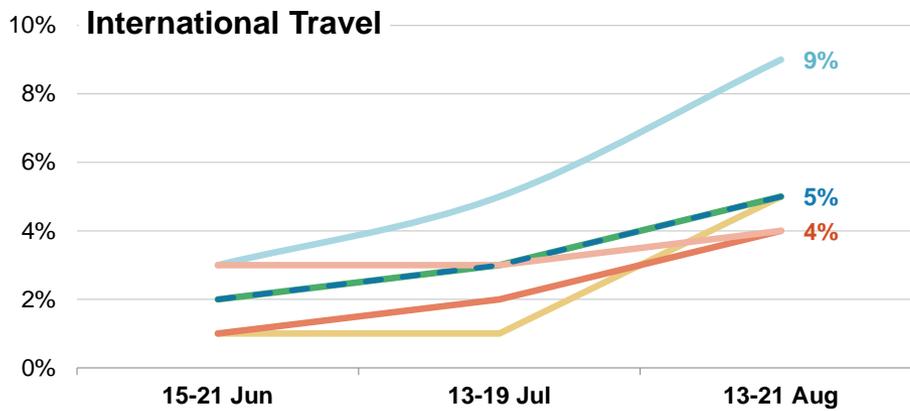
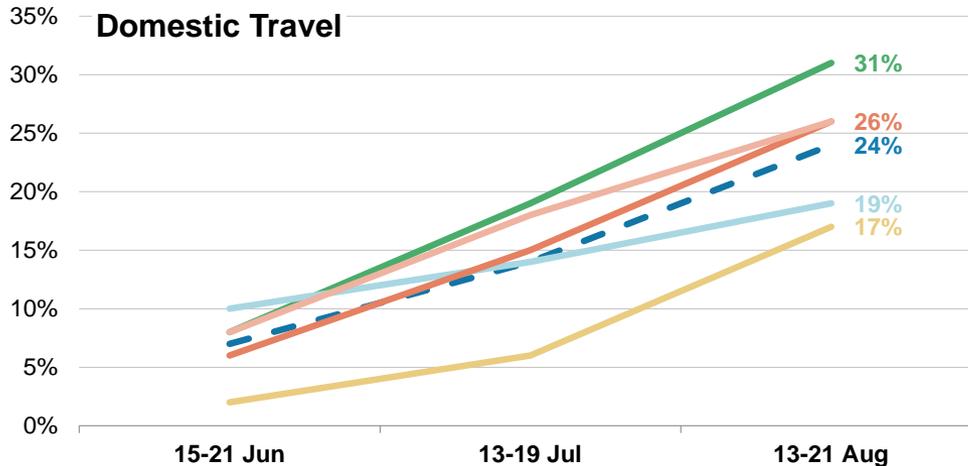
Source: AlphaWise, Morgan Stanley Research

1. Euro 5 average includes UK, Germany, France, Italy, Spain

Hotels	Airlines	Cruises	Foodservice	Gambling	Pubs / Rests	Fitness	Cinema
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Recent Leisure Travel (Europe)

Travelled for Leisure in the Past Month



UK France Germany Italy Spain Euro 5

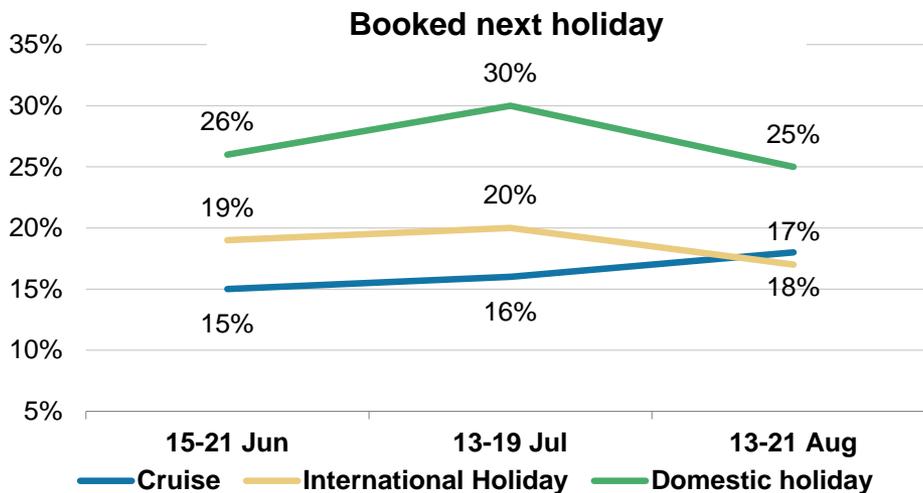
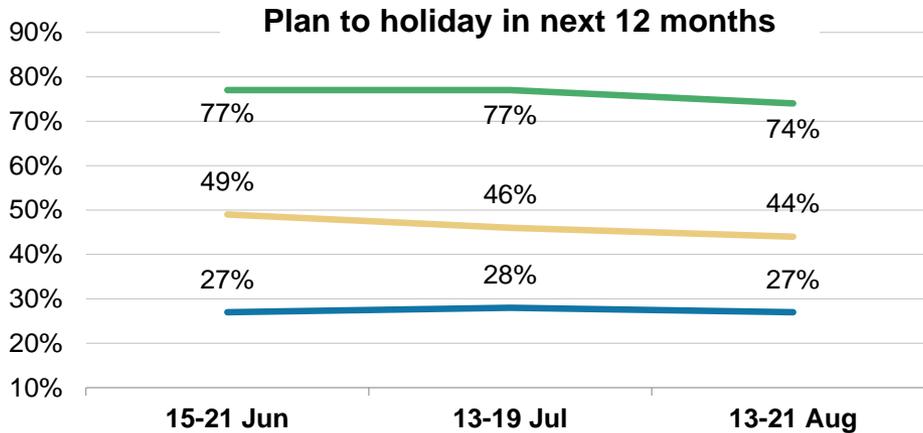
- Significant pick-up in travel since June for the summer season
- **Domestic** travel far more popular than **international** travel
- More **Germans** travelled internationally than other Euro 5¹ countries
- Pick-up in **UK** travel towards end of July and August

Source: AlphaWise, Morgan Stanley Research

1. Euro 5 average includes UK, Germany, France, Italy, Spain

Travel Intentions (Europe Holidays, US Cruise)

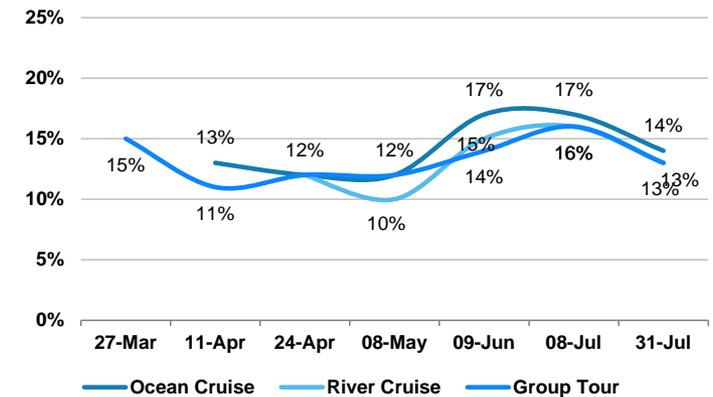
Future Travel Plans (Euro 5¹ Average)



Source: AlphaWise, Morgan Stanley Research

1. Euro 5 average includes UK, Germany, France, Italy, Spain

Cruise Trip Intentions in the Next 6 Months (US)



Source: MMGY, Morgan Stanley Research

- **Domestic** travel seen as most viable in **Europe**, with ~75% of respondents planning to holiday domestically in the next year
- Following completion of summer travel, fewer respondents have booked their next holiday
- Decline in the likelihood of taking a **cruise** in the next 6 months in the **US**

Hotels

Airlines

Cruises

Foodservice

Gambling

Pubs / Rests

Fitness

Cinema

Cruise Ship Resumption and Supply Tracker

Supply of Lower Berths

Cruise line	Ships now sailing	Berths now sailing	Resumption
Costa	2	5,534	06-Sep-20
MSC	1	4,842	16-Aug-20
TUI	3	7,602	24-Jul-20
Ponant	6	1,184	11-Jul-20
Paul Gauguin	1	332	11-Jul-20
Hapag-Lloyd	3	1,154	21-Jul-20
SeaDream	2	200	20-Jun-20
Dream	1	1,856	26-Jul-20
CroisiEurope	1	129	26-Jul-20
Others (suspended)	330	557,167	96%
Total	350	580,000	

2020 cruise ship removals (scrap / LT layup)

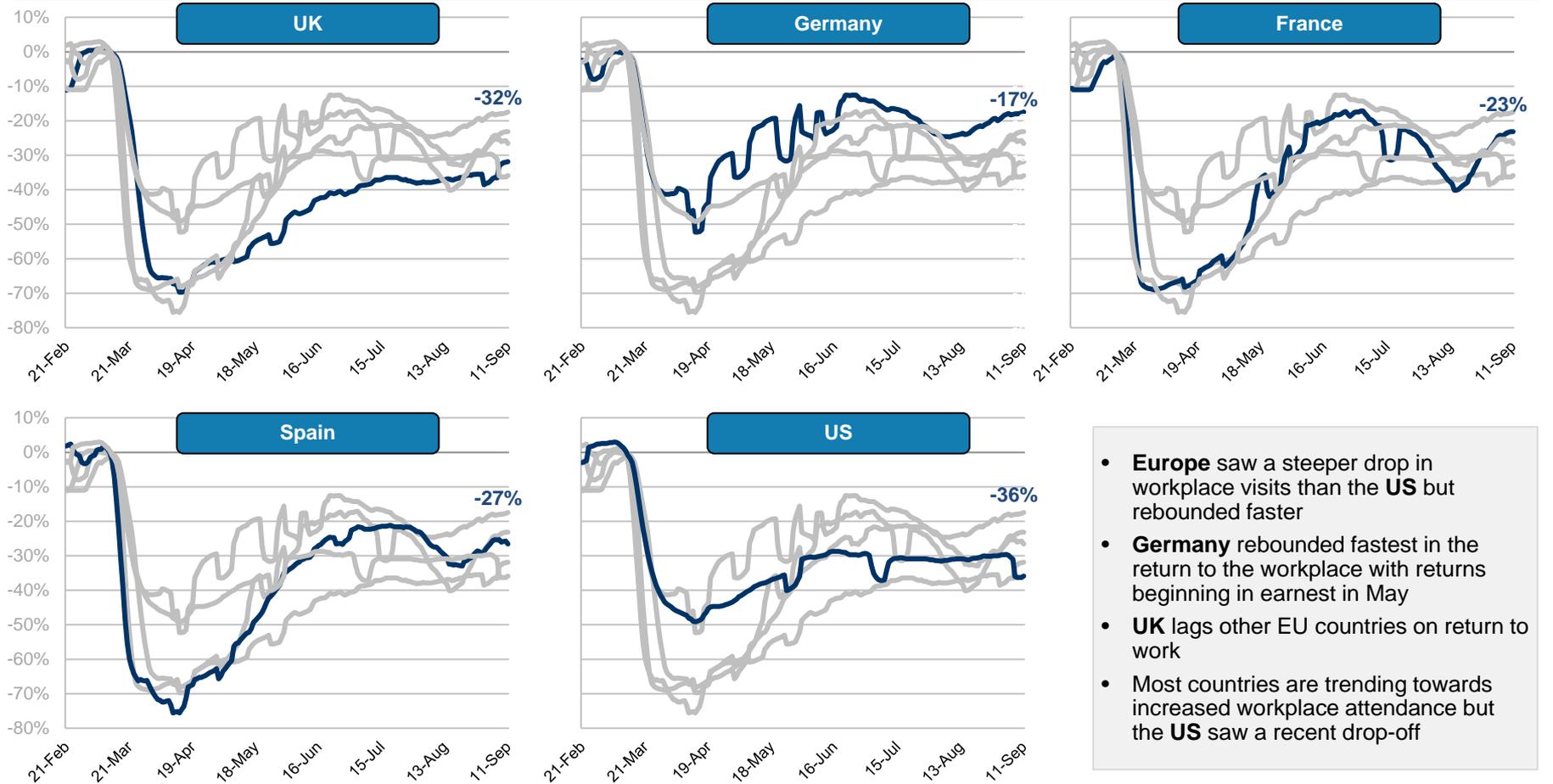
			Berths
Jul-20	Monarch	Pullmantur (RCL)	2306
Jul-20	Sovereign	Pullmantur (RCL)	2306
Jul-20	Horizon	Pullmantur (RCL)	1442
Jun-20	Victoria	Costa (CCL)	1928
Aug-20	Inspiration	Carnival (CCL)	2000
Aug-20	Fantasy	Carnival (CCL)	2053
Aug-20	Boudicca	Fred Olsen	880
Aug-20	Black Watch	Fred Olsen	804
Sep-20	Fascination	Carnival (CCL)	2,056
Sep-20	Imagination	Carnival (CCL)	2,056
Total			17831
		% industry lower berths	3.1%

- **96% of the fleet is suspended, measured in berth (passenger) capacity**
- Cruise industry orderbook remains at ~230k lower berths, ~40% capacity growth due to come in by 2027
- No new orders announced since Covid-19, but also no cancellations, delivery delays of 3-15 months
- **10 cruise ships now confirmed for scrap, ~3% of capacity**

Hotels	Airlines	Cruises	Foodservice	Gambling	Pubs / Rests	Fitness	Cinema
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Time Spent in the Workplace

Evolution of Total Visits to the Workplace vs. Baseline Period¹



- **Europe** saw a steeper drop in workplace visits than the **US** but rebounded faster
- **Germany** rebounded fastest in the return to the workplace with returns beginning in earnest in May
- **UK** lags other EU countries on return to work
- Most countries are trending towards increased workplace attendance but the **US** saw a recent drop-off

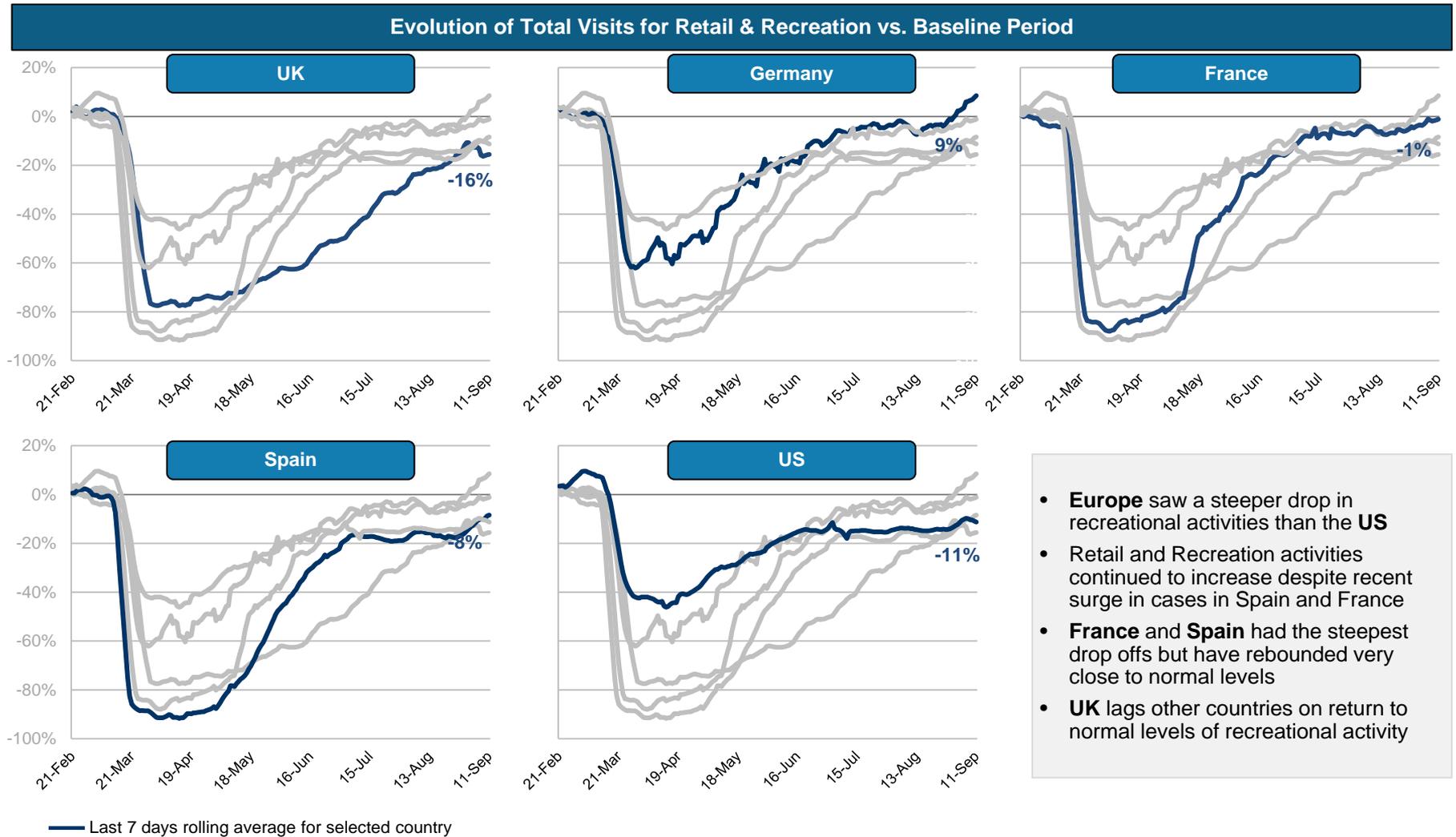
— Last 7 days rolling average for selected country

Source: Google Mobility, Morgan Stanley Research

1. Baseline value is the median value for that day of the week from Jan 3-Feb 6 2020

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Time Spent on Retail and Recreation



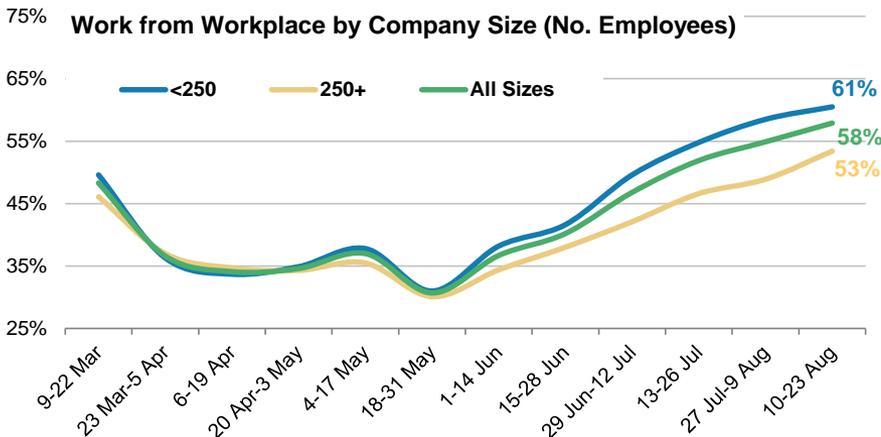
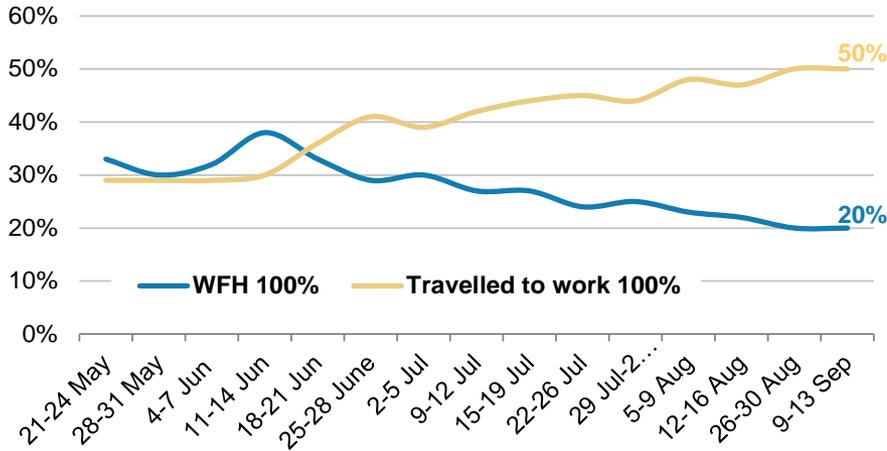
- **Europe** saw a steeper drop in recreational activities than the **US**
- Retail and Recreation activities continued to increase despite recent surge in cases in Spain and France
- **France** and **Spain** had the steepest drop offs but have rebounded very close to normal levels
- **UK** lags other countries on return to normal levels of recreational activity

Source: Google Mobility, Morgan Stanley Research

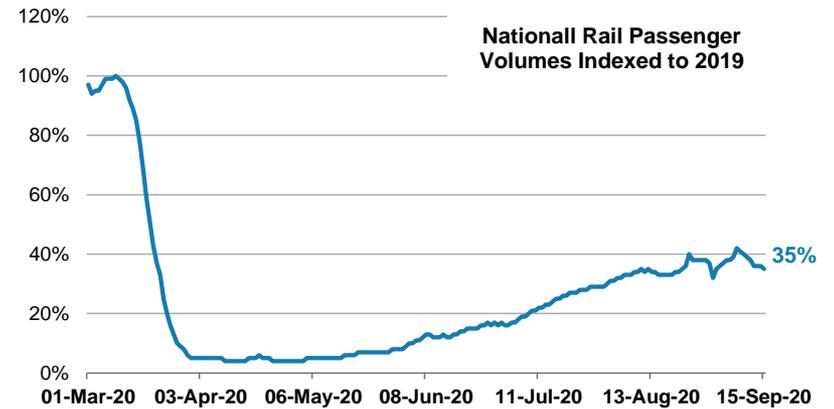
1. Baseline value is the median value for that day of the week from Jan 3-Feb 6 2020

UK Working Arrangements / Rail Usage

UK Working Arrangements for Employees¹



UK National Rail Volumes²



Source: Department for Transport

- Clear resumption of working in the office in the UK, with 50% back at end August and holding steady in the beginning of September
- Smaller companies are returning to the office faster than larger companies
- Improvement in UK Rail passenger volumes has stalled in September at 35% of prior year levels

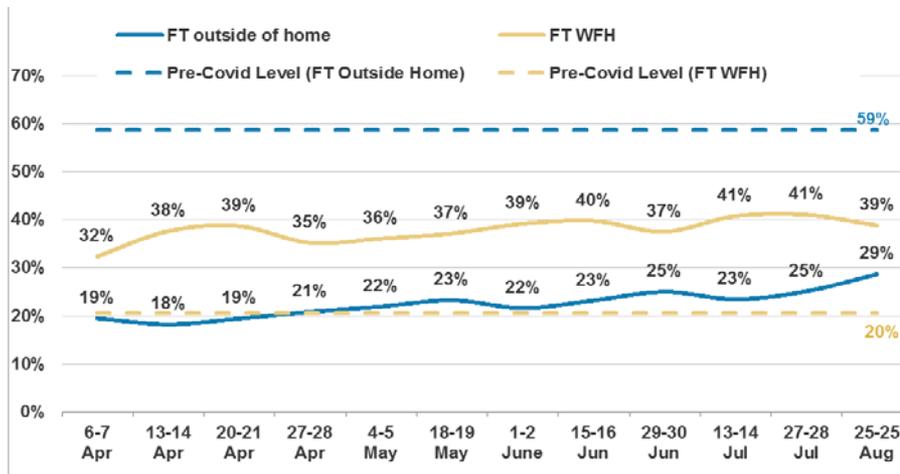
Source: Office for National Statistics, Morgan Stanley Research

1. Top chart is working 100% from the office (excludes employees who are working both from home and the office) whereas bottom chart includes partially working from home

2. Data for the 31st August to 6th September is an underestimate of the real rate of rail usage in this period because the rolling average for the days in this period includes the Bank Holiday Monday on 31st August but the equivalent period from 2019 did not include a Bank Holiday

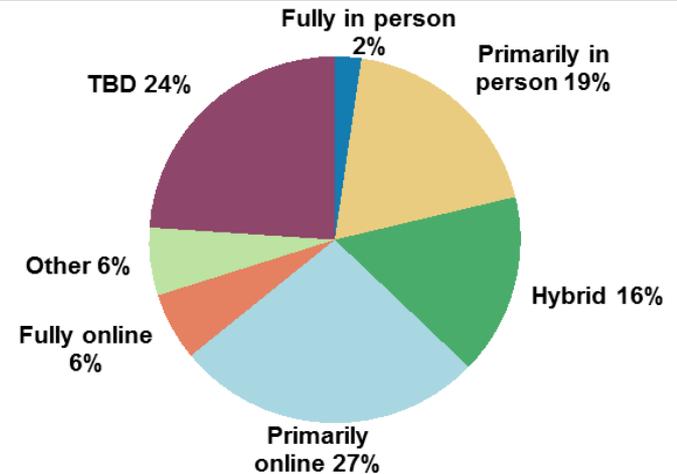
US Working Arrangements / Education

Working Arrangements for Employees



Source: AlphaWise, Morgan Stanley Research. Note: FT: full-time

US Higher Education Teaching Format

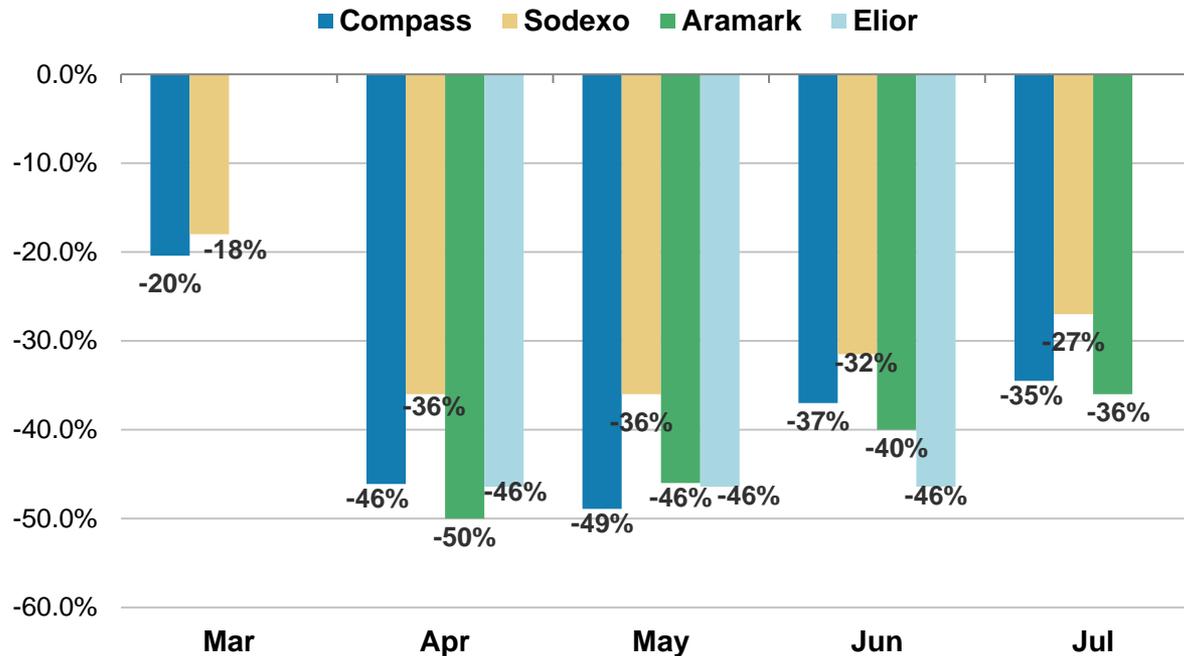


Source: College Crisis Initiative at Davidson College, The Chronicle of Higher Education, Morgan Stanley Research. Note: Data for the Fall 2020 semester reopening plans

- Business & Industry is around 40% of revenue for contract caterers Compass and Sodexo, with around half this white collar. Our tracker suggests that **29% of US employees are working full time outside of home versus 59% pre Covid levels (50% recovery)**
- Education is ~20% of revenue for contract caterers Compass and Sodexo, and ~75% of this for both comes from North America, of which around two-thirds is universities and one-third schools. Our tracker suggests **19% of US higher education is in person, one-third mostly online, 16% a hybrid, and a significant amount still TBD**

Foodservice Organic Sales

Food Service Organic Sales Growth in 2020



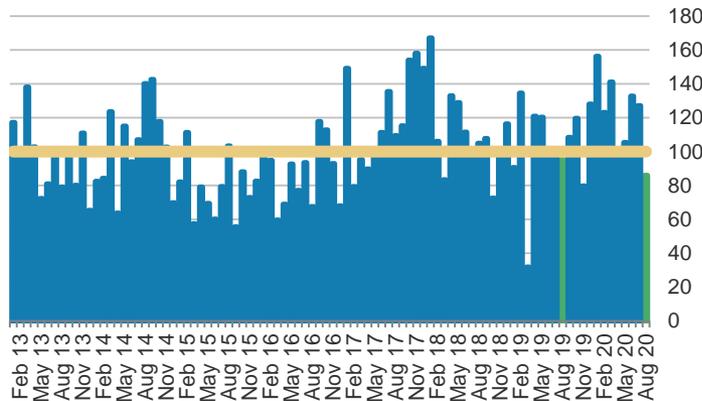
- Sequential improvements continue as employees, students and patients (slowly) return to work, schools/universities and hospitals
- There is no industry data for contract caterers as they have thousands of contracts with businesses, healthcare and educational establishments, so we track company reported monthly and quarterly data, making interpolations

Source: Company Information, Morgan Stanley Research

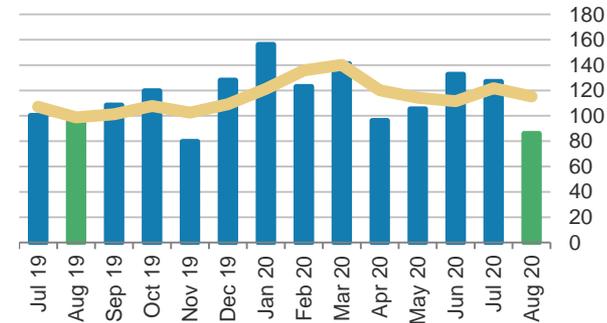
Note Compass has given Mar/Apr/Jun so May is based on its June Q3 -44%. Sodexo's May Q3 was -30% but first half of March was flat, so Apr/May estimated, and its Aug Q4 was -27% and our monthly figures assume a linear sequential improvement from May to Aug. Elior does not give monthly figures, -46% is its Q3

Betting Margin Data

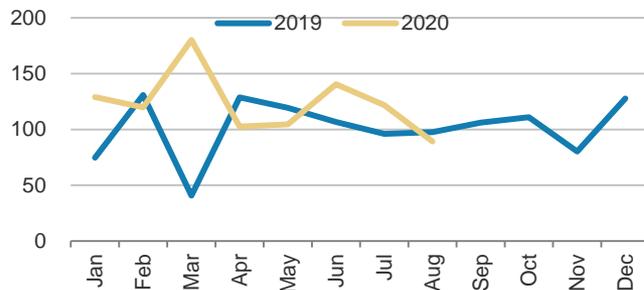
Monthly Gross Win Margin Index



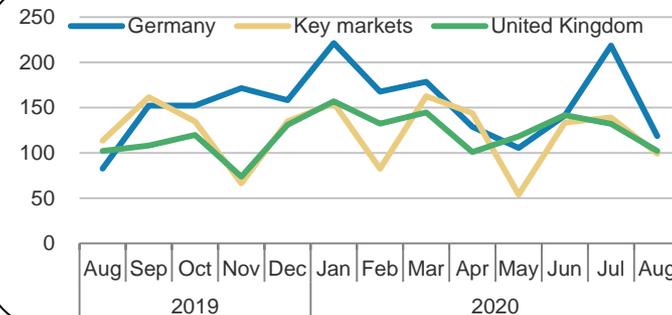
Zoom-in On LTM Gross Win and 3M Rolling Average



2020 vs. 2019 Gross Win Margins



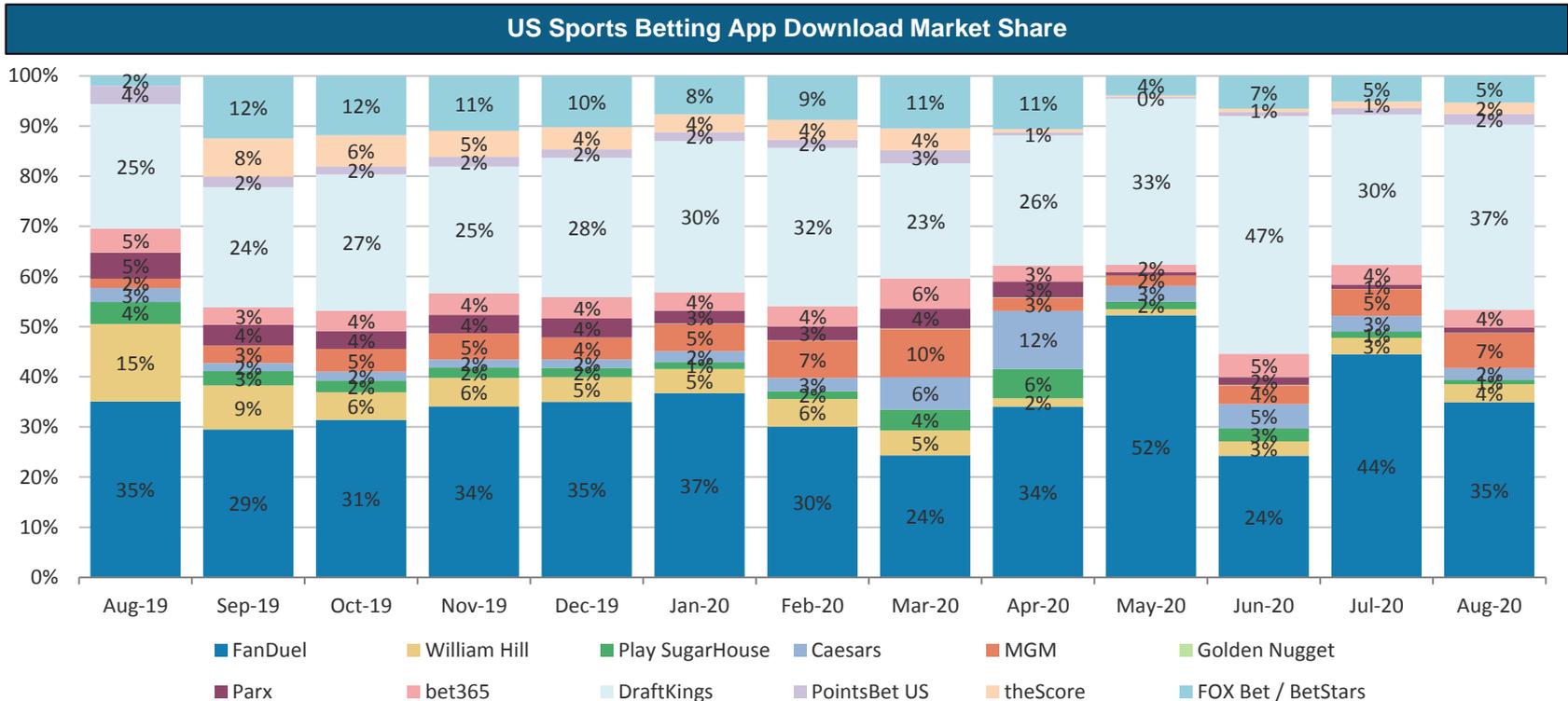
Zoom-in on Key Geographies



- Weaker sports betting margins: August's sports win margin index was 86, -10% on August '19 (index 100) and 14% below the average index since 2013. This compares to Q1/2's average margin index of 140/111, and July's 127.
- We think this reflects a higher proportion of favourites winning, particularly in the late stages of the Champions League, and have observed anecdotal evidence of an increase in promotions.
- Germany has the strongest margins in Q3-to-date; GVC is the most exposed in our coverage.

Source: Better Collective, Morgan Stanley Research. Note: this analysis is derived from Better Collective's aggregated data sources, accounting historically for 50% or more of Better Collective's annual commission earnings

US App Downloads



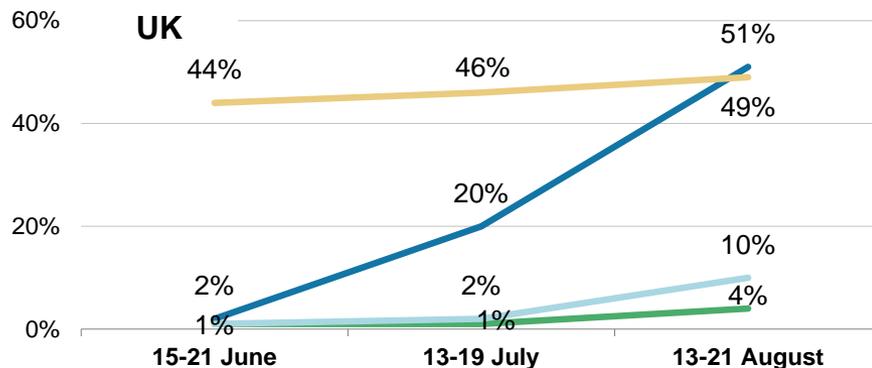
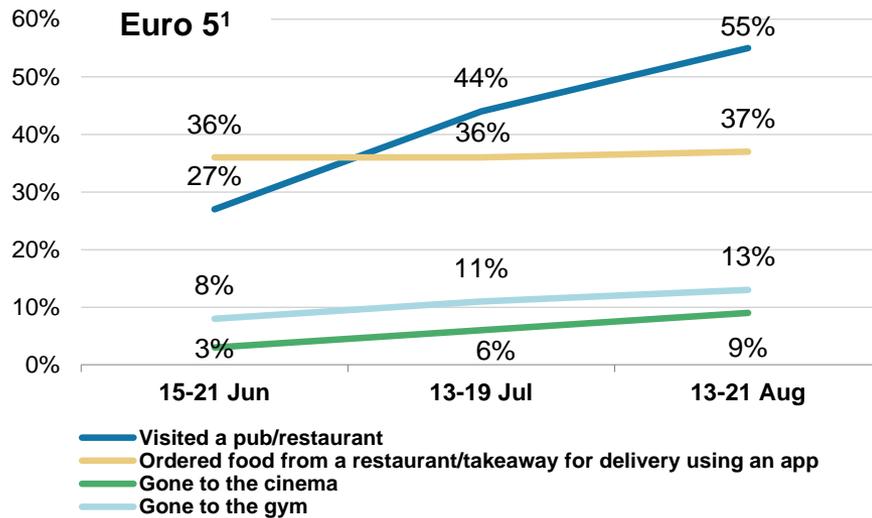
- US sports betting app downloads +157% in Aug to all-time highs, supported by a packed sports calendar & IL ramping. **FanDuel** and **DraftKings** remain outsized leaders with combined market share appearing stable near 75-80%.
- FOX Bet had 6% mkt share in Aug, similar to July 5%/June 7%/May 4% but down from Jan-April avg 10%, while each of Bet365 and William Hill had 4%, and CZR, theScore, and Pointsbet 2%.

Source: AlphaWise, Morgan Stanley Research, Sensortower

Hotels	Airlines	Cruises	Foodservice	Gambling	Pubs / Rests	Fitness	Cinema
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Recreational Activities (Europe¹)

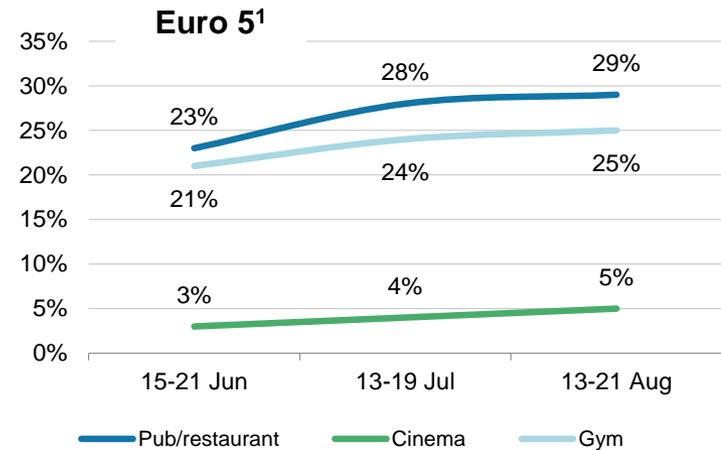
Activities in the Last 1 Month



Source: AlphaWise, Morgan Stanley Research

1. Euro 5 average includes UK, Germany, France, Italy, Spain

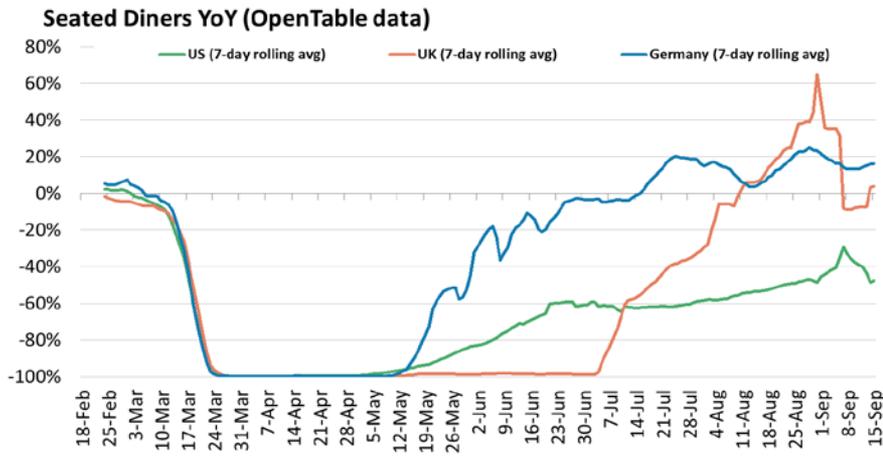
Plans to Leave Home for Recreation in the Next Week



- Significant pick-up in **dining out**, particularly in the **UK** with the Eat Out to Help Out Scheme
- Online delivery ordering remains popular despite increase in dining out
- Pick-up in **gym** visits in the UK following reopening
- Increasing plans to **dine out**, visit **cinema** and use the **gym** in the UK and Europe

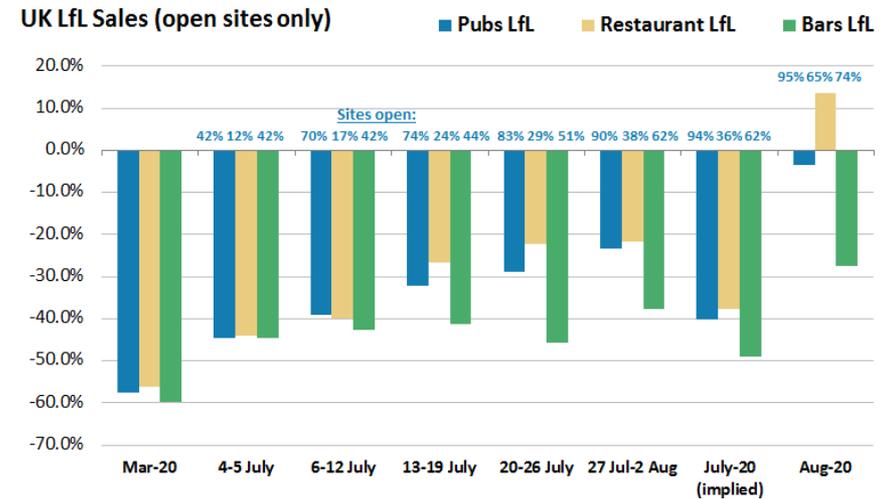
Restaurants and Pubs

YoY Seated Diners



Source: OpenTable, Morgan Stanley Research. Note: Data from a sample of restaurants on the OpenTable network across all channels: online reservations, phone reservations, and walk-ins.

UK Pub, Restaurant and Bars Like-for-Like Sales

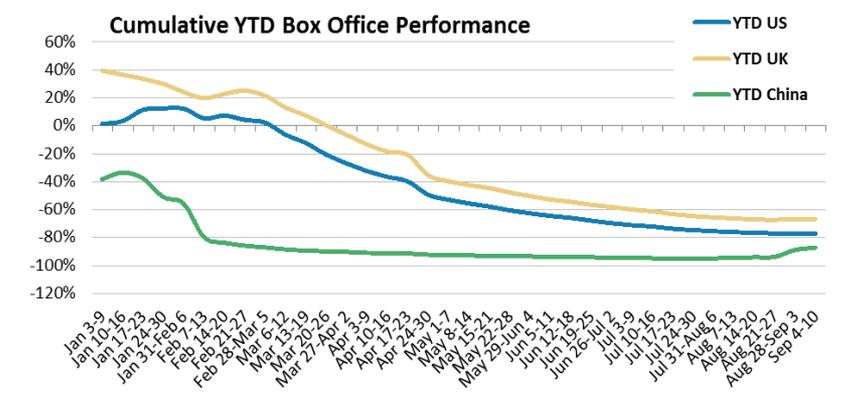
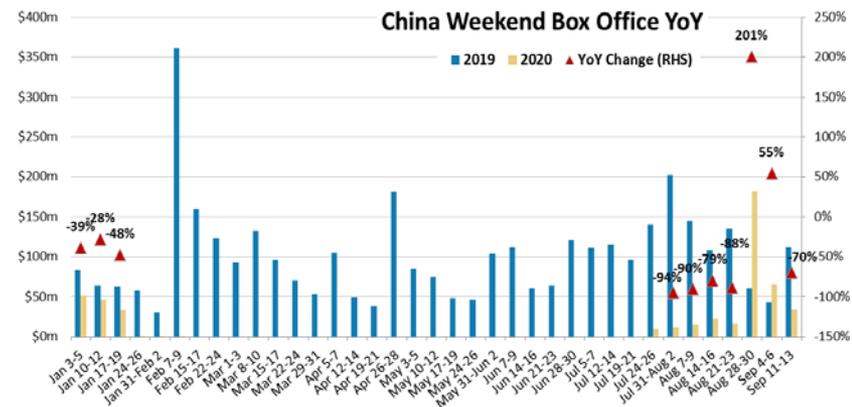
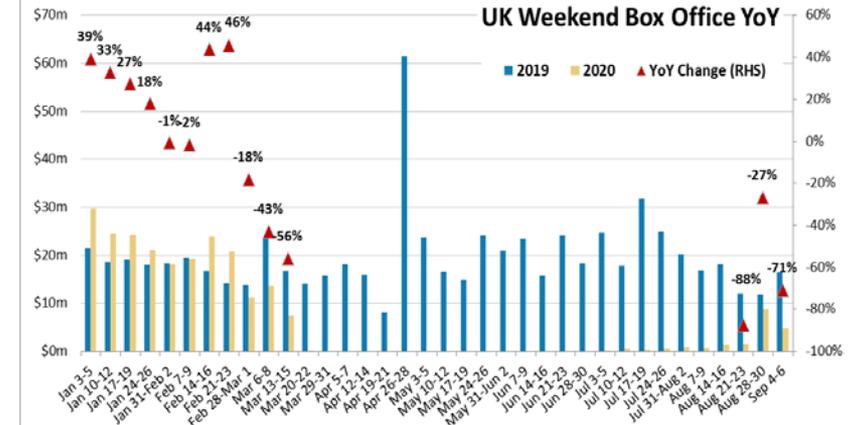
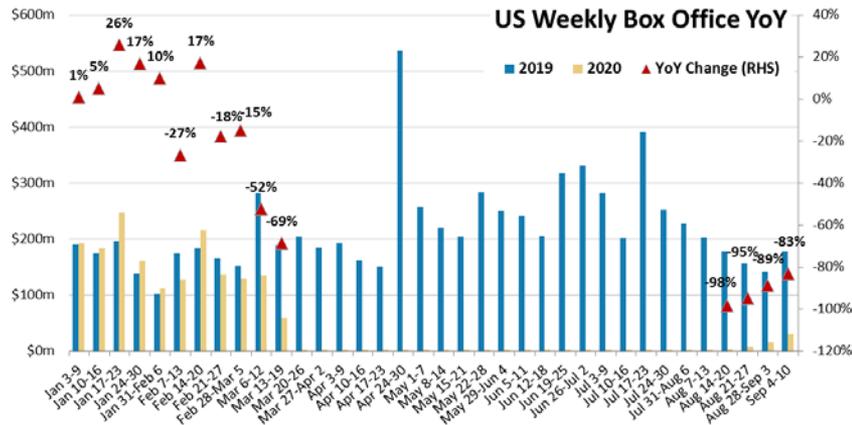


Source: Coffe Peach, Morgan Stanley Research. Note: The Coffe Peach Tracker collates data from 50 of the largest pub and restaurant chains.

- OpenTable data a useful high frequency barometer and highlights regional discrepancies in willingness to eat out
- **US** recovery markedly slower than the **UK** and **Germany**, with a number of states yet to see hospitality fully reopen
- **UK** eating out saw a dramatic improvement from -32% at the end of July to +60% at the end of August, reflecting the government's 'Eat Out To Help Out' scheme in August offering diners a 50% discount Mon-Wed on food / soft drinks
- Coffe Peach reported Lfl sales across open **UK pubs & restaurants** -12% in August (Pubs -4%, Restaurants +14%, Bars -28%), much better than -40% in July and with around twice the number of sites open in August
- We expect September UK sales to soften as the EOTHO scheme is over, the summer 'staycation' benefit wanes, and rising Covid-19 numbers possibly leading to more local lockdowns and/or curfews as authorities prioritise other parts of society

Hotels	Airlines	Cruises	Foodservice	Gambling	Pubs / Rests	Fitness	Cinema
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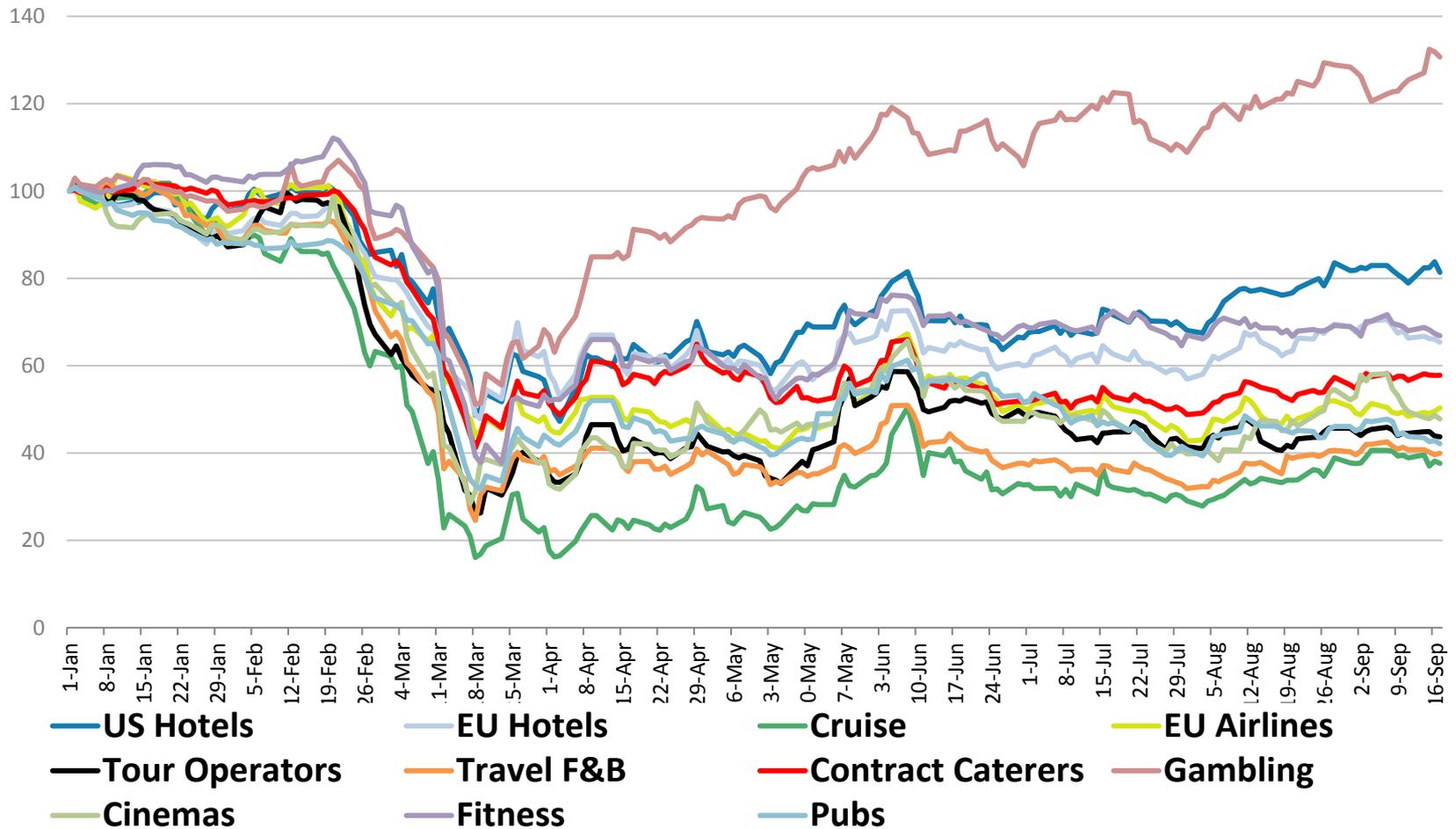
Cinema



- In the **US**, 68% of cinemas had re-opened by the first week of September, in time for the release of Tenet, the first post-pandemic blockbuster. Tenet however has not been sufficient to revive the US box office, with takings still -83% YoY in the week to 10 September, and Tenet only generating a fraction of the revenues Christopher Nolan’s previous tent-poles achieved domestically
- **UK** box office has been more resilient, although we note the fade on Tenet appears to have been very quick; last two weekends -27%/-71%
- **China** box office has rebounded very quickly, aided by the success of ‘The Eight Hundred’ and saw two weekends of growth vs 2019

Source: Box Office Mojo, Morgan Stanley Research

YTD Share Price Performance by subsector (indexed)



Source: Datastream. Note: US Hotels average Marriott, Hilton, Choice; EU Hotels average IHG, Accor, Whitbread; Cruise averages CCL, RCL, NCL; EU airlines average IAG, Lufthansa, Air France, Ryanair, easyJet; Tour Operators average TUI, Jet2, On the Beach; Travel Retail averages SSP, Autogrill, Dufry, Hudson; Contract Caterers averages Compass, Sodexo, Aramark, Elior; Gambling averages Flutter, GVC, William Hill, Playtech, Evolution; Cinemas averages Cineworld, AMC, Cinemark, Kinopolis; Fitness averages Basic Fit, SATS, The Gym Group; Pubs averages Mitchells & Butlers, JD Wetherspoon, Marston's, The Restaurant Group, Fullers.

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(as of August 31, 2020)

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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1282	39%	339	44%	26%	568	39%
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Not-Rated/Hold	4	0%	1	0%	25%	3	0%
Underweight/Sell	555	17%	83	11%	15%	224	15%
Total	3267		763			1471	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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