

clearthought

Camping, Caravans and Holiday Parks

Holidaymakers' increasing attention to comfort and quality are driving significant growth in the outdoor accommodation industry



Bright horizons

Demand for camping, caravans and holiday parks remains strong in Europe, particularly in the key markets of the UK and France. Consumers are seeking more regular breaks, enjoy being closer to home, and value a safe, relaxing, outdoor family environment. With strong potential cashflows, the outdoor accommodation market is an attractive space for investors.

The European outdoor accommodation market is the second largest in the world after the US, with up to three million pitches at around 29,000 campsites¹.

The market comprises of a wide range of businesses including independent site operators, small private groups, major holiday home companies and large tour operators.

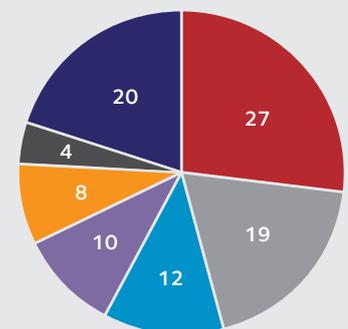
There are a variety of accommodation types offered to the consumer including a pitch for your own tent or caravan, pre-erected tents, caravans and lodges. Specifically, the European market is largely focused on the following three business models, with some operators using different models for different areas of their sites:

Holiday accommodation and land ownership combined: These operators own both the land and the accommodation. Accommodation is rented to consumers for holidays and short breaks.

Operator-owned holiday accommodation, separate land ownership: These operators own the accommodation which is rented out to consumers, but rent the land. Partnerships are agreed between the land owner, who charges a rent, and the operator, which places its own accommodation on the site – typically with a contract of up to seven years.

Land ownership with sold accommodation: These operators sell accommodation to customers who may then have the right to rent the accommodation out themselves or through the park owner. Park owners will typically also provide financing for sales and maintenance to the accommodation.

Pitches breakdown by country in Europe (%)



SOURCE: Global Market Insights

¹ Fédération National de L'Hôtellerie de Plein Air

Market drivers

There are a number of trends in the market which are driving growth:

- **Brand development** – operators want to both improve the quality of the holiday experience and increase direct sales in order to enhance margins and reduce reliance on third-party booking agents
- **Premiumisation** – operators are improving the quality of the accommodation and experience. For example, in the UK many parks are increasing the availability of lodges compared to caravans
- **Environmental** – holidaymakers are seeking vacations which are nature-friendly and offer a sense of freedom for families
- **Frequency** – consumers are seeking more regular holidays or short breaks. Owning a holiday home or taking more regular holidays is driving demand
- **Value for money** – consumers want comfort and quality at reasonable prices and mobile homes and lodges can provide this. For those seeking a holiday home for more frequent holidays, a mobile home or lodge can offer significantly better value than purchasing a property
- **Range of services** – sites are increasingly providing a full range of leisure and social activities with demand particularly strong for high-quality swimming pools, water parks and sports facilities. With these facilities on site, and some included in the cost of the stay, holiday parks become more attractive destinations
- **Regulation** – while this varies between countries, regulation regarding mobile home installation remains quite flexible across Europe, driving further growth in the market

Internet

Online is an increasingly important channel for the outdoor accommodation industry across Europe, although until quite recently many independent players, especially smaller operators, were rather unsophisticated in their approach.

That is now changing fast with major camping, mobile home and lodge groups using their market strength to develop powerful internet marketing strategies in order to gain customers and limit the power of online booking engines.



Online is an increasingly important channel for the outdoor accommodation industry across Europe.

Across the wider tourism industry, online booking capability is essential and is particularly high in the UK with the rest of Europe now also catching up.

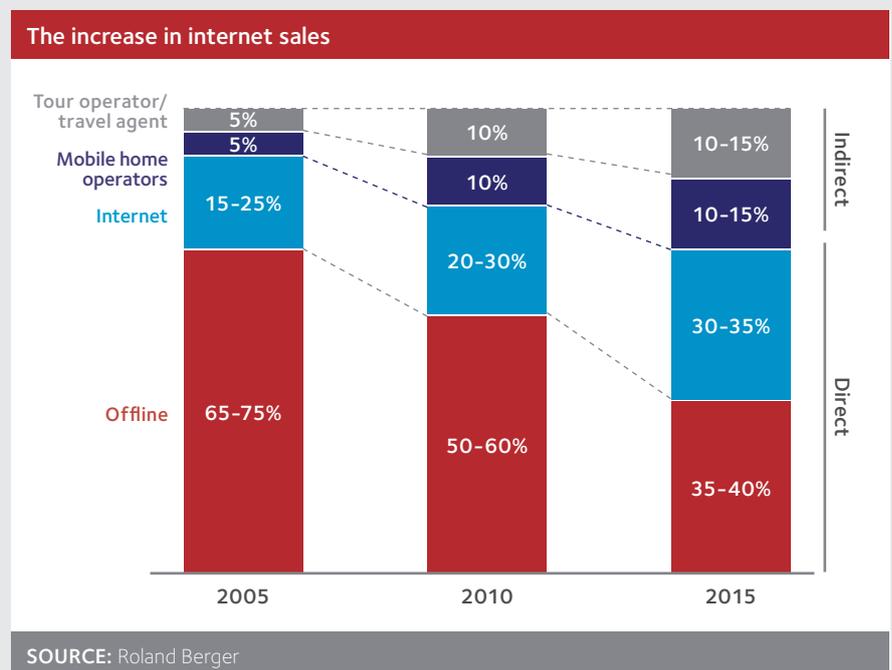
Resilience

The market has proved resilient through the economic downturn. While some areas such as caravan and lodge sales were admittedly affected by the recession, holiday parks in general were viewed as good value. Even during the height of the economic crisis, the European sector kept on increasing sales while overnight stays and occupancy rates also increased.

Driven by continued strong demand, we estimate that the number of rented pitches

across western Europe has doubled to around 550,000 over the past five years, while the upgrading of the market towards 3*, 4* and 5* sites is expected to continue. Given that just a fifth of people have ever spent a vacation in a mobile home, the potential for future growth is clear.

Meanwhile, the market remains fragmented with many sites individually owned by independents or small groups. This creates significant opportunities for continued consolidation. Investors are drawn to the market for buy-and-build opportunities as evidenced by the number of private equity backed operators in the market which are acquiring additional sites.





Country breakdown

France

The outdoor accommodation market remains one of the most popular holiday options for French people, while southern France also attracts many tourists from northern Europe (the sector representing close to half of the available tourist beds).

France is the largest and most active market in Europe and second only to the US globally, with well over 8,000 campsites (representing around 30% of European campsites) and almost a million pitches.

Like elsewhere across Europe, accommodation is being extensively upgraded as part of ambitious investment programmes by major players, thereby improving the image of camping and caravanning. Such investment in a wide range of facilities and services also attracts wealthier customers who are increasingly entering the market, and top end campsites are the fastest growing segment within the sector.

In recent years, the number of campsites has actually slightly fallen due to the increasing 'professionalisation' of the market and the elimination of weaker performing sites. However, demand for outdoor holidays has been increasing (+5.5% CAGR between 2005 and 2013 for the number of overnight stays), reinforcing the positive tension between supply and demand.

The rise in the premium segment also means the value of the market has continued to grow, and latest estimates suggest the market will be worth €2.6bn¹ in 2017.

France is also home to a number of the major European consolidators in the outdoor accommodation arena, such as Homair Vacances, Vacalians and Siblu.

UK

Underpinned by a strong culture to buy second homes, improved access to credit, and continued consumer confidence, the UK outdoor accommodation market has performed particularly well over recent years. On top of this, the 'staycation' trend has been a particularly influential factor in driving the market's growth.

For instance, the number of trips taken domestically by UK residents soared from 50.4 million in 2008 to 57 million in 2013². This was initially in response to the economic downturn, but has since been driven by trends such as the desire to take more frequent and shorter breaks, and heightened security concerns over taking holidays abroad. Wealthier families are also increasingly attracted to the camping market with luxury yurts and safari tents becoming popular options.

Total consumer spending on outdoor accommodation holidays is estimated at £2.2bn³ and grew 4% in 2015. In total, UK residents took 102.7 million overnight trips in England in 2015, totalling 300 million nights away from home, with an expenditure of £19.6bn³. The number of domestic trips was 11% higher in 2015 than in 2014.

Last year's Brexit vote could further consolidate these trends, particularly if sterling remains weak thereby making foreign holidays more expensive. A survey⁴ of over 500 UK tourism businesses found that 21% of domestic tourism businesses have experienced an increase in forward bookings since Brexit.

Rest of Europe

In Germany the market has been growing steadily over the past decade with annual growth rates⁵ of around 6% since 2013. The country has nearly 2,900 campsites and the most popular camping destination is Bavaria which recorded more than 5 million overnight stays in 2015, followed by Mecklenburg-West Pomerania (4.6 million) and Lower Saxony (4 million). The home market is particularly strong with German citizens accounting for 85% of total overnight campsite stays in Germany in 2015.

The market remains very fragmented with only a small number of players operating multiple campsites. As such, most of the campsites are still family-owned, and despite the very attractive industry trends not many consolidators have entered the market yet.

In Spain, there are distinct site categories ranging from 'Grand luxe', which have a full range of modern facilities, through to a decreasing - yet still significant - number of 'third' category sites which offer more basic accommodation and facilities.

Approximately 44% of overnight stays are made by non-Spaniards, with French visitors particularly prominent. Estimates suggest the industry had its strongest summer for a decade in 2016 with an average occupancy of 85% and nearly 18 million overnight stays⁶.

¹ Roland Berger

² Visit Britain

³ Tourism Alliance

⁴ Great Britain Tourism Survey

⁵ German Federal Statistical Office

⁶ Instituto Nacional de Estadística

M&A activity

Major operators, backed by strong financial resources, are consolidating the market as they seek to control supply and distribution. This means independent operators, which have limited resources to make the investments needed to both update their sites and meet regulatory standards, are in a position of relative weakness as they compete with leading private groups.

In markets such as France, these major private groups already own more than half of the outdoor accommodation supply in terms of sales. There have been numerous acquisitions of 3* and 4* campsites by private groups, especially in France, but also in southern European markets too. Likewise, there have been many deals involving mobile home operators while consolidation has also taken place among distribution players.

France, however, is also a good example of a country where some independents do still run high-end and successful premium sites which have been owned by particular families for many years.

The key for all operators is to reach a critical size whereby they can achieve competitive advantages which give them the ability to increase financing capacity for the acquisition of new sites and mobile homes, and increase their bargaining power with the providers of mobile homes.

Greater size also equates to economies of scale in terms of marketing, the ability to build stronger brand awareness, and a diversification of the international client base.

Private equity

The resilience of the market in the downturn and its continued growth has fuelled significant interest from private equity which is well positioned to support the required level of investment needed across the industry. For instance in the UK at least seven park operators are backed by private equity in one form or another.

The competition for campsites has been particularly intense in touristic regions such as the south of France, and on premium sites. Leading players have also focused their attention on the internationalisation of their activities through the acquisition of mobile home operators and online travel agencies (OTAs). This enables rapid growth with lower investment, enlarges



Greater size also equates to economies of scale in terms of marketing, the ability to build stronger brand awareness, and a diversification of the international client base.

portfolio size, and gives access to premium campsites which are not for sale.

Multiples

Given the strong competition we have seen a rise in EBITDA multiples paid in recent acquisitions.

Acquirers, and especially PE funds, have also started to take into account the potential value of real estate assets in the camping industry via sale and leaseback mechanisms. These are transactions in which the owner-occupant sells the land and buildings used in its business operations to a special purpose investor and then simultaneously leases the property back from the investor.

In an environment where yields on traditional asset classes (such as offices and commercial assets) have continuously been compressed, the outdoor accommodation market represents a viable alternative asset class for real estate companies.

M&A in France

Many of the top private groups, as well as mid-scale groups, have been the subject of buyouts by private equity in recent years. This has given them the firepower to be very acquisitive in the market and buy mid-sized campsites.

Acquired by the Carlyle Group in 2014, Homair Vacances has become one of the most acquisitive players across Europe. It has bought Eurocamp and Al Fresco in the

UK, as well as the European Camping Group (ECG), a leading player in the Dutch, Danish and German markets. In total, Homair now manages approximately 20,000 holiday homes and tents across Europe. Clearwater International advised Homair and its major stakeholder Montefiore Investment on the Eurocamp deal, while we also advised ECG on its sale.

In 2014, Clearwater International advised Odalys Vacances, a major French player in the tourist market, on the sale and leaseback of a portfolio of outdoor accommodation sites.

Another leading PE-backed player is Vacalians. Since Permira invested in the business in 2015, the company has acquired Canvas Holidays, the second largest UK operator and a major player in the Netherlands. Vacalians now operates more than 25,000 pitches across Europe, of which 20,000 are equipped with mobile homes, chalets or tents, on 269 sites located mainly in France, Italy and Spain.

Siblu was acquired by Stirling Square Capital Partners in 2015. The company operates premium 4* holiday parks across France and is a market leader in the owner-occupier model of site management.

Another player is Sandaya which owns 4* and 5* campsites across France and Spain, and which was acquired by Apax Partners in 2016. The company plans to step up its development in France and elsewhere in Europe as part of a €150m investment.



UK market

In the UK there has been notable M&A activity around the outdoor accommodation sector in the past few years and the market is rapidly consolidating. However, with around 200 holiday parks still not part of a large group, this consolidation drive has a way to play out yet. Vendors are often still reluctant to sell up, and when parks do come on the market there is strong competition.

Clearwater International has been involved in a string of deals in the sector. In 2013, we advised holiday park operator Park Resorts on a debt and equity refinance which paved the way for a €70m investment in the business by private equity group Epiris.

In 2015, Epiris merged Park Resorts with Parkdean Holidays, owned by Alchemy Partners, to create the UK's biggest holiday park operator with 73 parks. Parkdean Resorts was subsequently acquired by Onex Corporation, a private equity firm based in Canada, in December 2016.

In 2016, Clearwater International also advised Palatine Private Equity on its investment in Verdant Leisure, a boutique holiday park operator offering self-catering holidays and holiday home ownership across Scotland and Northumberland. The investment supported further development and organic growth across the existing parks as well as funding for further acquisitions.

We also advised the shareholders of holiday park operator Away Resorts on its sale to

mid-market private equity house LDC in 2015, and have recently advised Away Resorts on a significant debt facility to support its acquisition of Sandy Balls Holiday Village in the New Forest.

Several other major park operators have also recently received new investment. For instance in December 2016 specialist asset manager Intermediate Capital Group

purchased Park Holidays, a caravan park operator with 26 parks, for €430m, a significant increase on the €200m that Caledonia paid for the business in 2013.

Earlier this year upmarket holiday park operator Park Leisure 2000 was acquired by Midlothian Capital Partners and a consortium of investors for €120m, providing an exit for CEO and co-founder Gary Molloy.



Vendors are often still reluctant to sell up, and when parks do come on the market there is strong competition.

Conclusion

The European camping, caravans and holiday parks market has been transformed over the past decade as rising demand has led to significant investment in facilities across the continent.

As the market further matures and also continues to attract increasingly wealthy customers, we expect to see continued M&A opportunities as leading players look to further consolidate their positions in this dynamic market.

Deal highlights

Some of our recent deals

Away Resorts

UK holiday park operator

Clearwater International advised LDC-backed Away Resorts, raising a significant debt facility supporting its acquisition of Sandy Balls Holiday Village

European Camping Group

Specialist in luxury camping holidays

Clearwater International advised the owners of Dutch European Camping Group on its sale to French Homair Group, backed by The Carlyle Group

Verdant Leisure

Boutique holiday park operator

Clearwater International advised Palatine Private Equity on the investment in Verdant Leisure as part of a secondary MBO

Homair Vacances

Camping villages and holiday homes rental

Clearwater International advised the Homair Vacances group on the sale and leaseback of a portfolio of accommodation sites

Odalys Vacances

Leading player in the holiday rental business

Clearwater International advised Odalys Vacances on the sale and leaseback of a portfolio of accommodation sites

Away Resorts

UK holiday park operator

Clearwater International advised the shareholders on the sale of the business to LDC

Meet the team



Gareth Iley
International Head of Consumer, UK
+44 845 052 0367
gareth.iley@cwicf.com



Lars Thrup Gregersen
Partner, Denmark
+45 20 18 37 36
lars.thrup@cwicf.com



Thomas Gaucher
Partner, France
+33 1 53 89 0505
thomas.gaucher@cwicf.com



Axel Oltmann
Partner, Germany
+49 611 360 39 22
axel.oltmann@cwicf.com



John Sheridan
Partner, Ireland
+353 1 517 58 41
john.sheridan@cwicf.com



José Lemos
Partner, Portugal
+351 917 529 764
jose.lemos@cwicf.com



Miquel Martí
Partner, Spain
+34 917 812 890
miquel.marti@cwicf.com



Chris Smith
Partner, UK
+44 845 052 0308
chris.smith@cwicf.com