

Responding to COVID-19

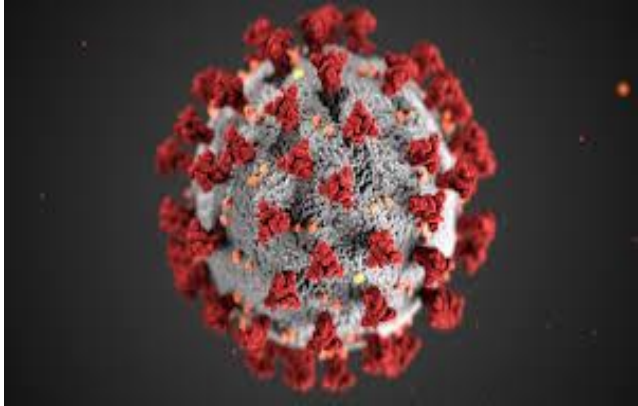
Value Creation for hospitality assets in the new normal



PwC Middle East

November 2020

The COVID 19 situation today – “it’s not over”



51 million cases

1.27 million deaths

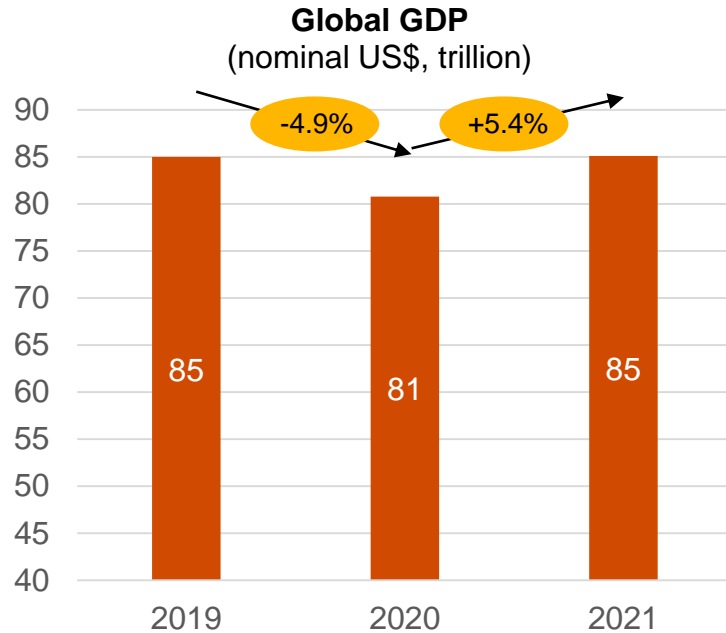
2.5% mortality rate
(on positive tested individuals)

- Seasonal Influenza <1%
- Spanish Flu (1919) 5.4%

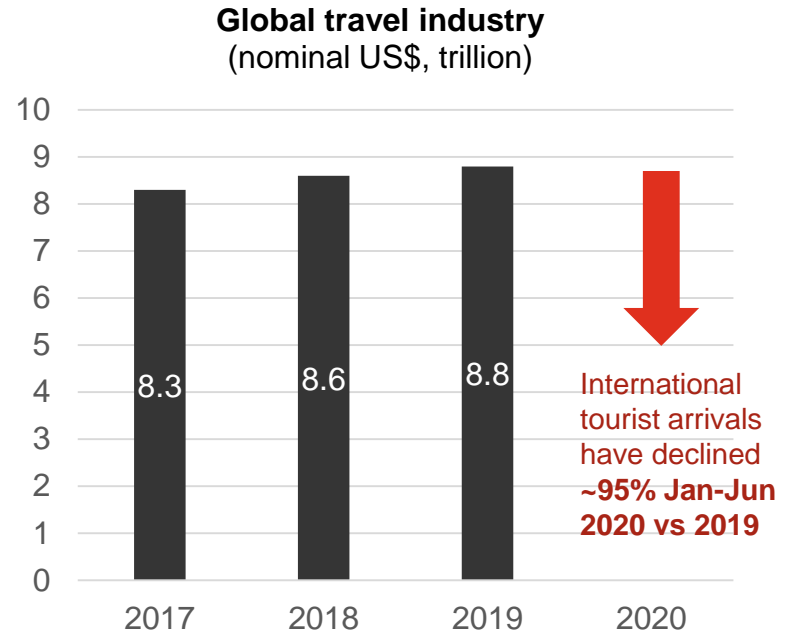
“The estimated ratio of the total estimated cases to the observed cases is around the value of 2.3 for all the analyzed countries.”
(International Journal of Infectious Diseases)

This would indicate a mortality rate of 1.1%

Economic Impact of COVID 19 – a snapshot



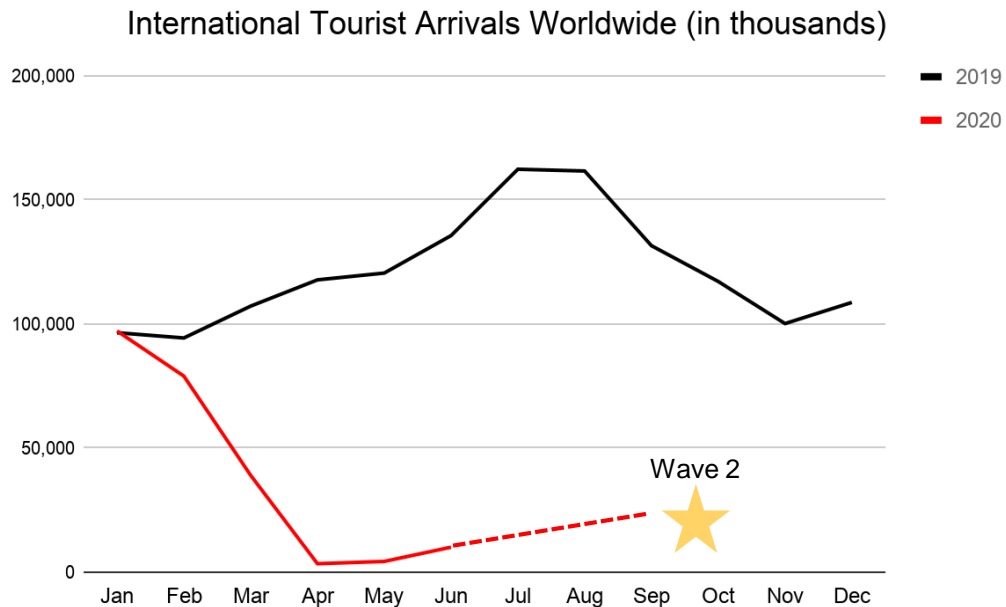
Overall, this would leave 2021 GDP some 6½ percentage points lower than in the pre-COVID-19 projections of January 2020



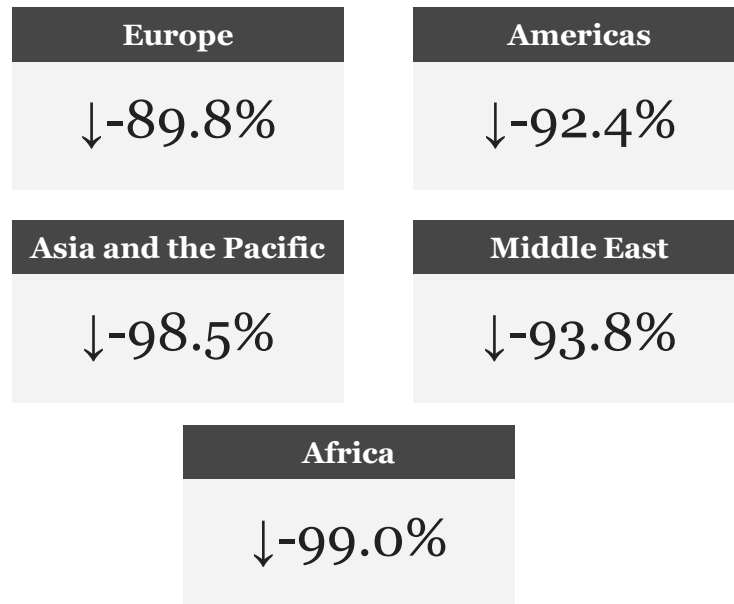
The Global Travel Industry is the sector most affected by COVID 19

The tourism sector is one of the **hardest hit** by the COVID-19 outbreak...

Tourist arrivals in 2020 are increasing slowly from April through June after heavy decrease in March.



Tourist arrivals change in June 2020 from 2019



COVID-19 has severely impacted the travel sector, with ~90% of world's population subject to travel restrictions

COVID-19 impact on travel sector



Travel restrictions are applied to countries with close to **90%** of the world's population



Passenger traffic globally decreased by more than **80%** from prior levels last year



Commercial flights globally decreased by more than **70%** since the start of the year



Most GCC airlines are grounded (with few exceptions namely Qatar Airways)



Numerous fleet orders cancellations globally and regionally (e.g., Emirates, Etihad)

Situation

Impact

\$300 Bn

Revenue drop globally in 2020, a decline of more than 50% compared to 2019¹

\$19 Bn

Revenue drop for **airlines in the Middle East**, with UAE and KSA accounting for more than 5 billion USD each¹

25 Mn

Jobs at risk within the aviation ecosystem globally

... with a major impact on the airline and hotel industry



- **Hotel performance** has declined at unprecedented levels
- The **hospitality, leisure and MICE sector** is heavily dependent on global air-travel and this is not coming back anytime soon
- Further accentuated for places like Dubai / UAE which traditionally have been largely dependent on the tourist traffic

Occupancy¹
-33%

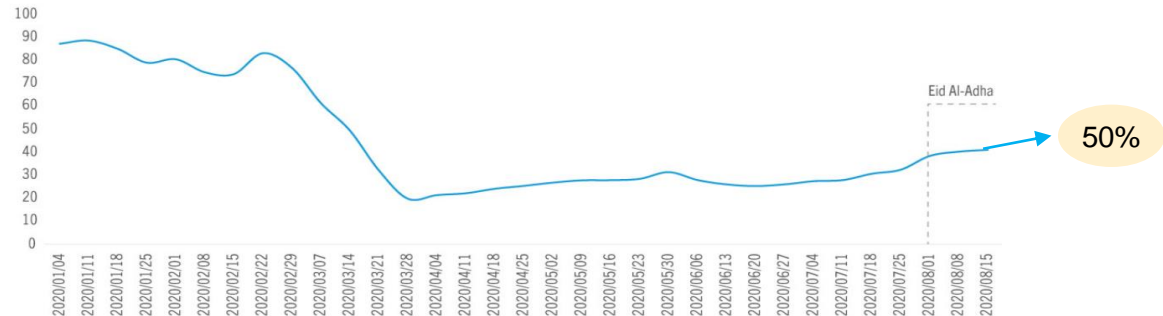
ADR¹
-26%

RevPAR¹
-50%

Occupancy trends upward in the subsequent weeks

Dubai Weekly data from 4 January through 15 August

● Sum of Occ R7



¹ Hotel KPIs for August 2020 vs August 2019

Hospitality – the route to recovery

Short-term

1

- Preserve cash
- Cut costs
- Push out maintenance & construction
- Renegotiate with suppliers

2

- Become flexible - adapt to the market e.g.
- Rove Hotel offices
 - Manzil Hotel's parent / child lunch and swim package

3

- Develop cash flow forecasts - negotiate with suppliers / inform investors of situation

Mid-term

- Adjust marketing strategies - focus on domestic market - there are a lot of staycations - push through discounts
- Consider providing long-term stays - Paramount Hotel / Vida Hotel offer monthly rates for those wishing to live in the hotel

Shift towards technological advancement - digitalise hygiene standards online or provide a VR experience of hotel safety measures during COVID-19.

Improve technology integration:
Online check-in / check-out / Emirates ID machines to take a photocopy of cards at reception

Long-term

Market rebound – prepare for complete market shift in terms of requirements / hotels e.g.

- What is business travel expected to look like?
- What about pre-bookings and refunds?
- How will loyalty programs change?
- Will hotels be converted into residential offerings for the younger generation offering top-notch amenities + cleaning services?
- Can people treat hotels like offices?
- What will happen to MICE facilities?
- Can they be repurposed for seated dinners? Leased out?
- Can hotel kitchens be leased out to kitopi / deliveroo as dark kitchens?

Potential sustainable trends and changes



Recovery pattern

- The geographical recovery pattern is expected to be as follows: Domestic – Regional – International
- Depending on the infection rates, certain travel bubbles might emerge that are not necessarily directly connects (e.g. Dubai - UK – Germany)

Tourism

- Markets with large domestic potential that are not dependent on overseas travel are expected to fare much better
- New models of staycation can help absorb some of the impact for the hospitality sector but overall at an industry level recovery is difficult as staycations cannot provide a substitute for 16 m tourists in case of Dubai (Berlin/Tokyo/Beijing vs Singapore/Dubai)

Business Travel MICE

- Most probable, business travel will never return to pre-COVID levels
- On events and exhibitions, there is an emergence of hybrid models besides more virtual events. Major events like Arab Health, Gitex will continue to be physical events but might see hybrid sessions

Flexibility & Technology

- Flexible use of hotel rooms
- Accreditation for COVID 19 compliance as part of the rating (AA/UK, WTTC, UNWTO)
- Contactless Dining

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THANK YOU



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