

2022 Mid-Year Update

Overall, the group has made a strong start to the year with performance tracking above budget.

The UK has seen a continuation of the trends of 2021, with high short-term “staycation” demand, particularly during the first quarter. This trend continued into the start of the 2022 calendar year, with unprecedented levels of capacity utilisation experienced for January departures. However, a prolonged spell of stormy weather in February impacted demand for short term departures. This coincided with further relaxation of Covid related international travel rules, increased publicity about rising costs of living and the start of the war in Ukraine. Despite these challenges the Group has overachieved budget through the use of market-leading yield management tools and wider marketing initiatives.

Trade in New Zealand has been hampered by the continuation of Covid related restrictions, particularly for Auckland residents, one of the most populous areas of the country. Short-term peak season holiday departures (over the Christmas period) were therefore below expected levels, however, following the opening of the New Zealand borders, Bachcare have seen an increased consumer confidence and booking volumes are tracking above forecast going forward.

The lessons from the previous year, including the potential risks of further lockdowns, has ensured a disciplined approach to cost management. Marketing spend has been monitored and managed in line with inherent demand, particularly in the online environment. Likewise, investment in growing headcount has been tightly controlled to align to strategic goals, resulting in overhead savings in the period.

Maintaining the level of property stock growth is a key focus area for the group, and has seen headwinds in the wake of Brexit and the Covid restrictions, with longer lead times to go live caused by worldwide fixture / fitting supply issues and some reluctance of owners to commit due to ongoing market uncertainty. However, the group has continued to maintain a high level of investment to ensure the group maximise recruitment levels and has brought in new initiatives to improve the group’s proposition which is showing considerable traction in the UK. Both owner and customer feedback continues to be positive, with industry-leading NPS.

Given the strong trading performance the balance sheet remains in a strong position, with healthy cash reserves helping to facilitate strategic acquisitions.

Developments in the period

- The challenge of continuing to grow organic stock highlight the importance of our corporate development strategy and we have made a number of strategic business acquisitions, being Northumberland Coast and Country Cottages on the 10th November 2021, Large Holiday Homes on the 3rd December 2021 and Lyme Bay Holidays on the 28th February 2022. Combined, the acquisitions add c. 1000 properties to the group’s portfolio. Over the last 4 years, Sykes has made 11 acquisitions, which have added a cumulative c. 5,800 properties to the portfolio.
- Investment has been made in New Zealand to implement our proprietary reservation system into the Bachcare brand, which will facilitate enhanced guest and owner booking experiences alongside improved efficiencies and business controls.
- During the year, the Group has increased its commitment to make a positive impact on people, our communities and the environment and now provides two full days off work for staff to volunteer on charitable projects. Staff have taken part in several volunteering activities, including tree planting in Snowdonia National Park, assisting with conservation at Chester Zoo and assisting in collection centres to help the refugee crisis in Ukraine. We have submitted our B-Corp application and remain on track to attain a B-Corp accreditation.

Outlook

The second half of the year is trading to budget levels thus far, despite the headwinds related to easing of international travel. Although there are concerns over rising costs of living, holidays are considered a high priority spend for consumers, so we expect that this will be beneficial to the Sykes Group and the staycation market, where prices are relatively affordable when compared to an overseas alternative.

We anticipate a continuation of the short-term booking demand the market has been experiencing and our marketing reach and pricing functionality allows us to be flexible to align with these trends.

On the 27th April 2022 Sykes Cottages Group made the significant acquisition of Forest Holidays, the UK's leading owner and operator of environmentally sensitive cabins. Forest Holidays has 12 forest locations with many in National Parks and Areas of Outstanding Natural Beauty, including the Loch Lomond and Trossachs National Park in Scotland and the Brecon Beacons National Park in Wales.

The acquisition of Forest Holidays adds over 700 properties to the group portfolio and represents a transformative acquisition for Sykes Cottages Group allowing the creation of a multi-brand holiday group with market-leading technology, service and product.