On Holiday Group

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On Holiday Group – background information

- On Holiday Group was formed in early 2004 by Travel industry veterans:
  - Steve Endacott, former deputy chief executive of MyTravel/Airtours
  - Bill Allen, former group purchasing director of MyTravel/Airtours
  - Brian Young, former sales director of Cosmos Group

- Together the On Holiday Group management team has over 60 years of tour operating experience

- On Holiday Group have built state of the art systems to distribute holidays to both travel agents and directly to the customer

On Holiday Group – some numbers

- 2005 – first full year of trading sold 85,000 passengers
- 2006 – second year sales of 198,000 passengers
  - Growth of 135% year on year
- 2007 - 350,000 passengers
  - Turnover in excess of £45,000,000
  - Profit of £336,000
- 2008 – on target for 40% growth
  - Approx 490,000 passengers

What does On Holiday Group do?

- Holiday Brokers – www.holidaybrokers.co.uk
  - Accommodation only product for travel agents to use for dynamic packaging, featuring over 5,000 hotels worldwide
  - One of the fastest growing accommodation only businesses in the UK travel industry. OHG will sell 4 million overnights in 2008
  - Over 1,000 travel agents regularly booking either directly on line or via xml system link into Holiday Brokers system
- Holiday Nights – www.holidaynights.co.uk
  - Consumer direct version of holiday brokers sold direct to the end customer using pay per click advertising on distribution channels such as Google

OHG are not just an "accommodation only" company

- Fresh holidays – www.freshholidays.com
  - OHG's online retail travel agent selling dynamic packages and holiday components directly to the consumer

- Jet2holidays.com – www.jet2holidays.com
  - OHG launched and ran the tour operation for the first 2 years of operation
  - The first "Virtual Vertically Integrated" Tour Operator
  - Traditional package holidays based on Jet2.com's extensive range of flying and OHG accommodation

OHG are not just an "accommodation only" company

- Outsourcing technology and product for other partners who need a packaging system
  - OPODO – OHG provide the beach holidays system for OPODO
  - Portaventura – OHG built and operate the website www.portaventuraholidays.com for the theme park in Salou
  - Aldi Travel - Launching in January 2009 (to be announced officially at WTM)

Main Dynamic Packaging Accommodation Providers

- Hotel beds
  (TUI Group)

- MedHotels
  (Sabre – estimated carryings of about 800k)

- Hotels4U
  (Thomas Cook Group – estimated carryings about 800k)

- OHG

- You Travel
  (Barclays Venture Capital – estimated carryings about 400k)

The UK Holiday Market

- The UK Holiday Market has suffered a series of major blows in recent months:
- Currency
  - The £ has slipped by 10% against the Euro in the last year
- Fuel prices
  - Oil prices peaked at $128 per barrel in Summer 2008
- Credit crunch
  - The UK (and World) economy is in crisis
- The combination of these factors mean that holiday prices must rise by at least 15% just to cover the cost increase. This is extremely unlikely in the current climate

The UK Holiday Market

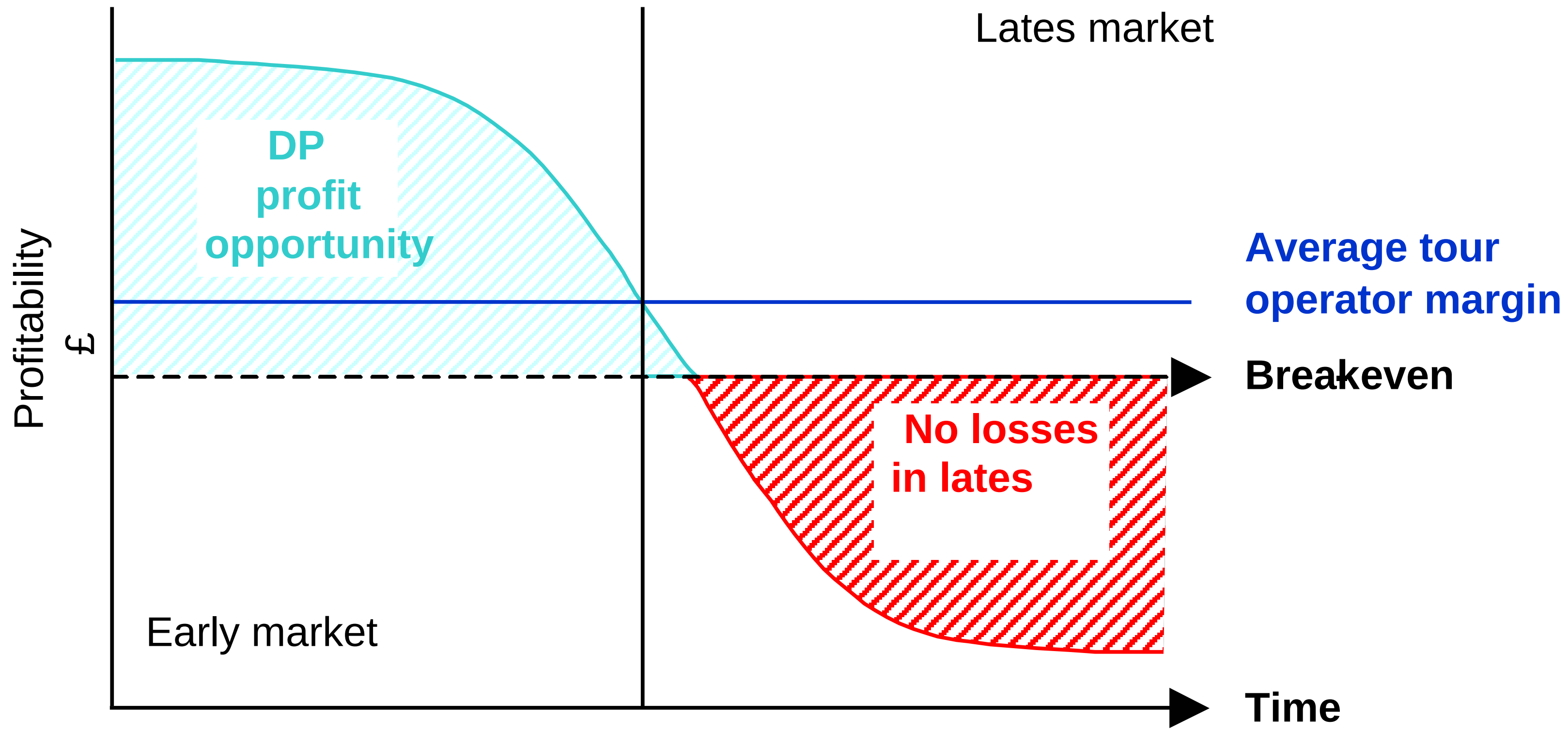
- The Big 4 have been consolidated into the Big 2
  - TUI / First Choice
  - Thomas Cook
- Capacity has been reduced, especially to Spain
- Hoteliers are under pressure from the “buying power" of the consolidated giants
- Travel agents are under pressure
  - Big 2 will look to reduce package commissions to drive sales in house
  - Agents need to find higher earning activities

The UK Dynamic Packaging Market 2008

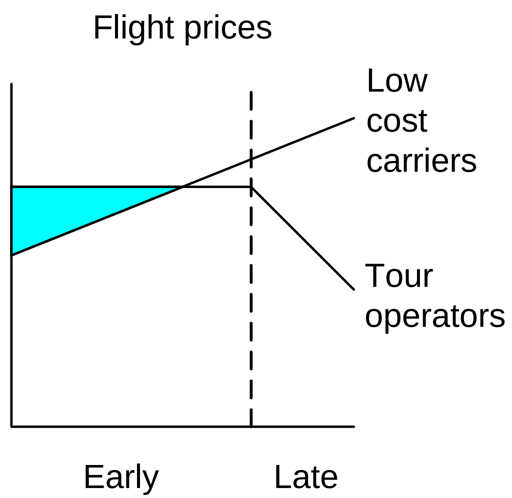
- Collapse of Futura
  - Seguro Holidays
- Collapse of XL Leisure Group
  - **Massive disruption** to end of Summer 2008 season
  - **1 million flights removed** (more than 2 million in total) from the Dynamic Packaging market (Freedom Flights were the largest provider of seat only to agents selling dynamic packaging)
  - **Knock-on collapses** – ATOL agents have been forced to replace flights bought from XL under their own ATOL. They can't all survive
  - **Consumer confidence** – customers will seek the security of major brands in the short term

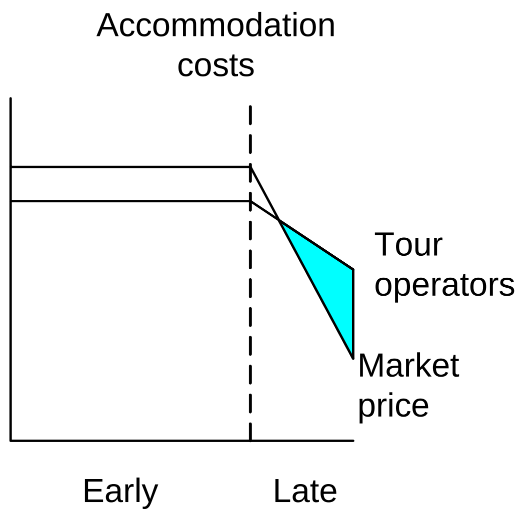
Can Dynamic Packaging Survive?

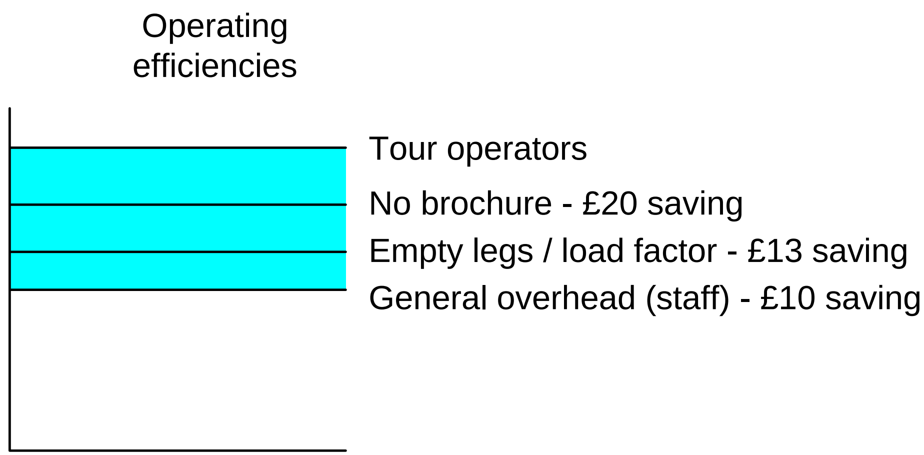
Why "Non Risk" tour operating works



How can Dynamic Packaging be cheaper?







- Charter seat capacity
  - Charter seat capacity will be down by 8% to 10% (probably more to Spain)
  - Many XL routes were not profitable and will not be replaced
- Low Cost Airlines
  - City routes are being hit hard by the credit crunch
  - Flying leisure routes with 3 to 4 hour flight sectors mean fewer rotations and therefore fewer seats to sell which is attractive
  - Low cost airlines are switching capacity from city to leisure routes
  - EasyJet have announced additional capacity to Egypt, Turkey, Greece and Canaries following collapse of XL
  - Other leisure routes will be targeted by Ryanair

- The cost of Fuel – an opportunity?
  - New charter brokers such as Kiss Air have entered the market
  - The failure of airlines such as Futura, XL, Zoom etc mean that aircraft are available on cheap leases
  - Existing airlines have hedged the cost of fuel when the cost was expensive – up to $128 per barrel
  - New airlines can buy fuel in the open market much cheaper (now $85 per barrel)
  - This position could fluctuate but the current situation could see the market flooded with cheap seats
  - Cheap seats enable dynamic packaging to flourish

- Customers want Value for Money
  - Major operators now consolidated
  - Big 4 are now the Big 2
  - The major tour operators are forcing through price increases of 15 – 20% to cover increased costs (£ - Euro) and to try and improve margins
  - In the current climate customers will shop around for the best value
  - Travel agents who Dynamic Package can still produce the best value in the market

- Accommodation only suppliers are now in a commodity market
- XML distribution now accounts for 80% + of sales of bedbanks
- Price is King
- Margins are shrinking
- Only operators that contract directly with hotels can survive
  - There is not enough margin for more people in the chain
  - How many partners can a hotelier work with?
  - Only work with people you trust
  - What will happen to local ground agents?
- Consolidation is inevitable in the sector
  - Medhotels > Thomas Cook?