



# A familiar position

M&A trends in travel, leisure, and hospitality

H1'24

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# Frozen in place, for now

In the first half of 2024, M&A activity in the travel, leisure, and hospitality (TLH) sector was muted yet again, as long-awaited certainty about interest rate cuts failed to emerge. A string of unexpectedly high wholesale and consumer inflation data points upended consensus thinking about the timing and depth of the Federal Reserve’s rate easing this year, freezing dealmakers in a familiar wait-and-see position.

The result? A dramatic drop in total deal value in the TLH sector from the previous six months, despite a small increase in volumes. Lenders retrenched from the sector, reducing liquidity and the financial viability of potential M&A.

Hotel operators especially have felt the sting of higher interest rates, which make it harder to fund new development, refinance debt cost effectively, and even manage liquidity for day-to-day operations. Instead, their focus has been on burnishing their portfolio of properties through tuck-in acquisitions in specific regions, as we saw in Host Hotels & Resorts’ purchase of Turtle Bay Resort Hotel in Hawaii.

Gaming companies, meanwhile, continue their push for scale, market share, and technological advantage, using acquisitions to expand their products and geographical footprint. In the first half of 2024’s largest deal, private equity’s Apollo Funds paid \$6.3 billion in cash to combine and take private the

Gaming and PlayDigital businesses of International Gaming Technology and Everi Holdings, which initially had planned to buy IGT’s assets on its own.

Travel-related deals, again, were scarce, but the segment has been busy in other ways. Generative AI (GenAI) is beginning to transform the industry through improvements to call center operations, booking processes, and customer care. These advancements promise to deliver a more seamless booking-to-boarding travel experience.



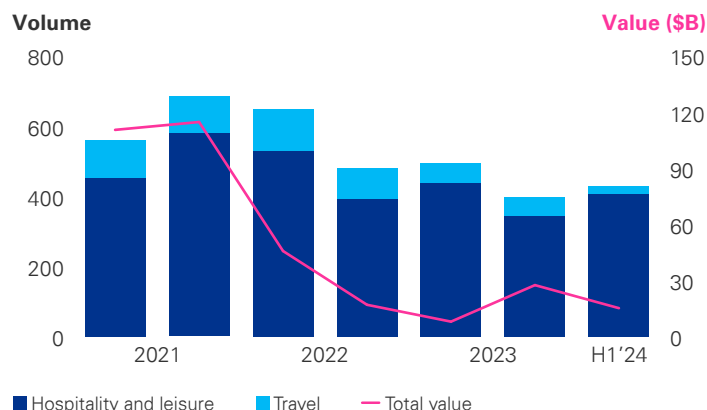
### Braden Mark

Partner,  
U.S. Lead, Travel, Leisure, & Hospitality

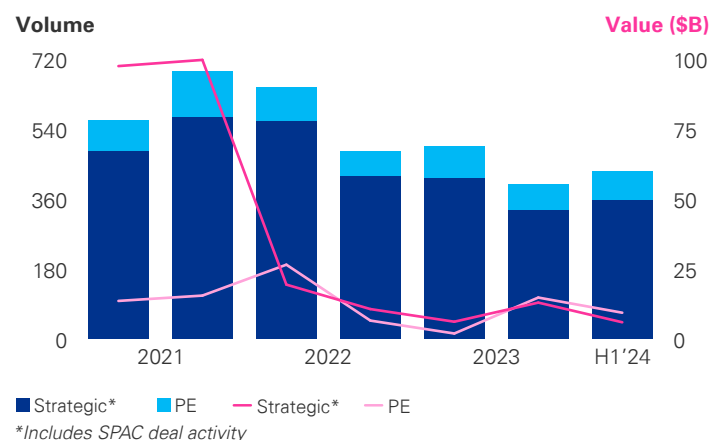
### H1'24 highlights



### TLH deal activity by sector



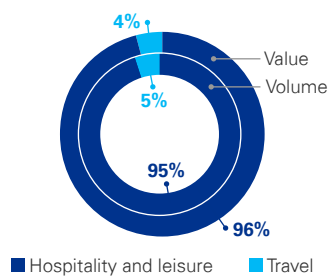
### TLH deal activity by type



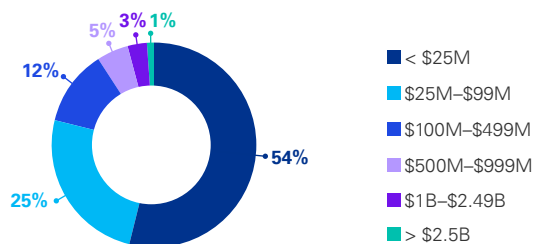
## H1'24 deal mix

Outer ring represents value. Inner ring represents volume.

### Sector mix



### Volume mix by deal value



## Top strategic deals

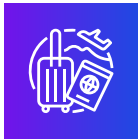
Acquirer	Target	Value (billions)
Restaurant Brands International Inc.	Carrols Restaurant Group, Inc.	\$1.0
DraftKings Holdings Inc.	Jackpocket, Inc.	\$0.8
Host Hotels & Resorts, Inc.	Turtle Bay Resort Hotel, LLC	\$0.7
American Express Global Business Travel	CWT US, LLC	\$0.6
Infinite Reality, Inc.	Drone Racing League, Inc.	\$0.3

## Top PE deals

Acquirer	Target	Value (billions)
Apollo Funds	Global Gaming and PlayDigital Businesses of International Game Technology PLC, Everi Holding	\$6.3
Blackstone	Tropical Smoothie Cafe	\$2.0
Henderson Park	Arizona Biltmore	\$0.7
Blackstone	The W Fort Lauderdale Hotel	\$0.1

Deal data has been sourced from Capital IQ, Pitchbook, and KPMG analysis. The values and volumes data cited are for US deals announced between 1/1/2024 and 6/30/2024. Deal values are only presented based on publicly available deal data and are not exhaustive. Previously published statistics may be restated to incorporate new data and/or any change.





Travel

# Looking for the bottom

It might be premature to call a bottom for travel deal volume and value, but in H1'24 we saw both the number of deals and their aggregate dollar total decline significantly. Deal volume, at 22 transactions, fell 59 percent from the previous half, while total value fell 89 percent to less than \$1 billion. Declines across railroads, vehicle rental and taxi, and passenger airlines all contributed to these depressed figures.

In the largest deal, which accounted for nearly all of the first half's deal value, American Express Global Business Travel bought CWT US for \$570 million. The rationale behind the deal was to broaden the company's tech-enabled customer offerings and

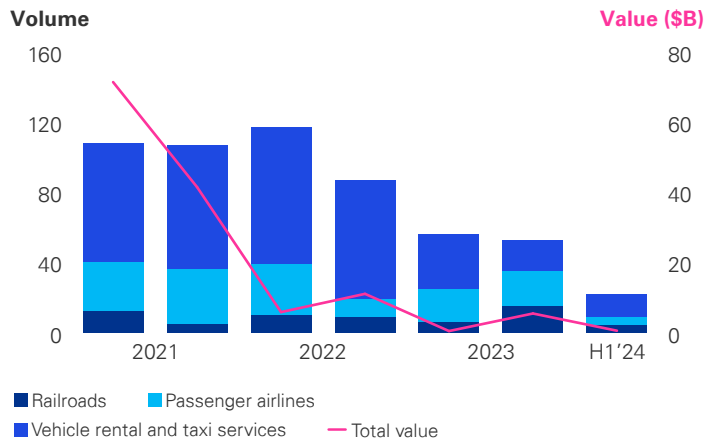
improve operational efficiency. The next-largest deal from the first six months of this year was SkyWest's \$25 million investment in Contour Airlines to boost its minority stake to 25 percent from 9.9 percent.

## H1'24 highlights

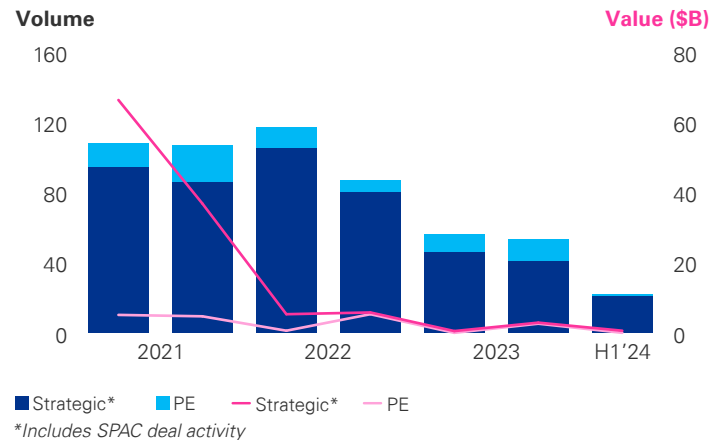
**22** deals **58.5%** decrease H1'24 vs. H2'23

**\$0.6** billion deal value **89.4%** decrease H1'24 vs. H2'23

## Travel deal activity by subsector



## Travel deal activity by type



## Top travel deals

Acquirer	Target	Rationale	Value (billions)
American Express Global Business Travel	CWT US, LLC	To broaden the choices of tech-enabled services for customers and enhance operational synergies and efficiency gains	\$0.6
SkyWest, Inc.	Contour Airlines	To optimize its 30-seat CRJ200 asset and expand its reach in smaller communities	\$0.02

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Leisure and hospitality

# A continued trend toward smaller deals

Leisure and hospitality (L&H) dealmaking accounted for the lion's share of volume and value in the TLH sector this half. The 406 deals in the L&H segment pushed overall deal volume 18 percent higher, though the 34 percent decline in L&H deal value reflected the continued trend toward smaller deals in an environment of tight, and relatively expensive, financing.

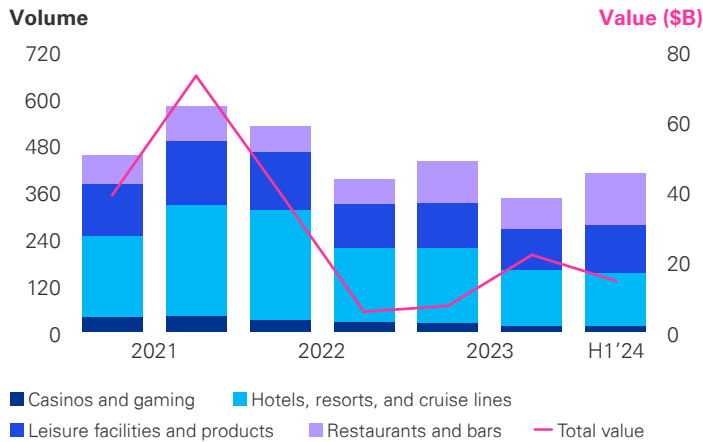
That said, the first half of 2024's top deals demonstrates how companies pursuing technology and scale in gaming are willing to place sizable dollar bets on acquisitions that consolidate their strength online. DraftKings Holdings Inc., for example, spent \$750 million to buy Jackpocket Inc., giving it a firmer foothold in the U.S. lottery space and stronger revenue potential in sports betting and iGaming in the lifetime value of its customers.

In April, Infinite Reality, a virtual, AI-powered immersive experiences company, bought the Drone Racing League for \$250 million to broaden its asset portfolio, attract a wider audience, and bolster its brand in high-tech sports and interactive entertainment.

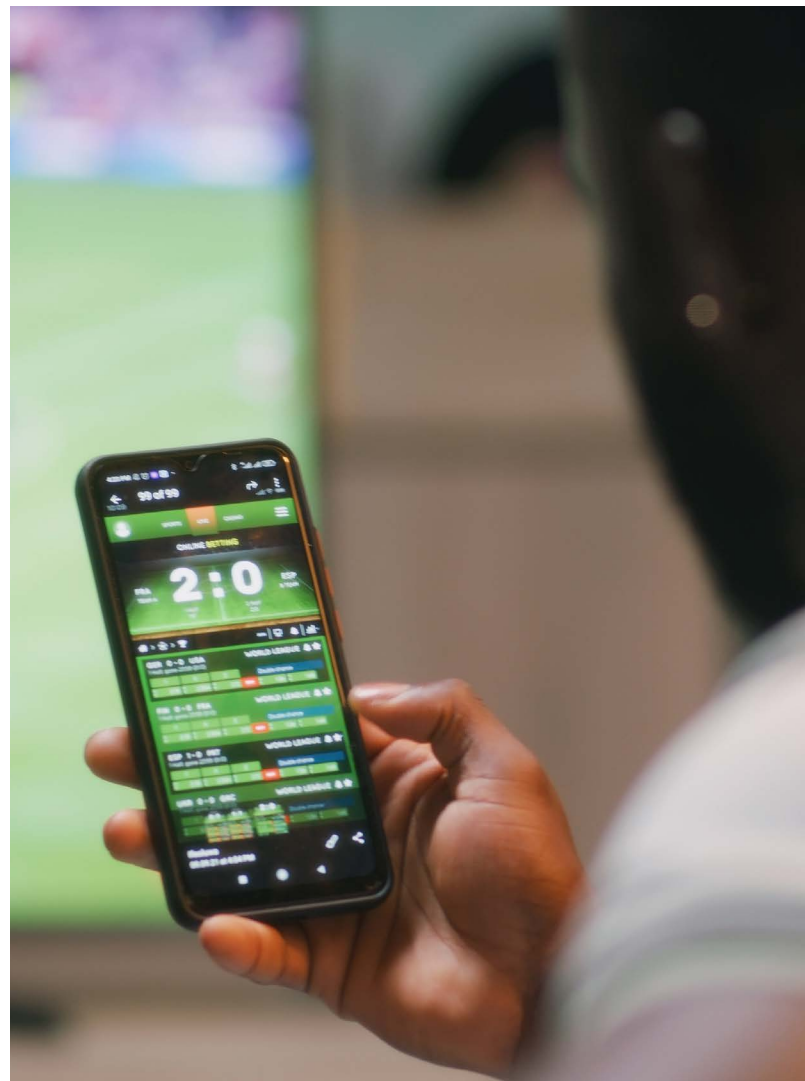
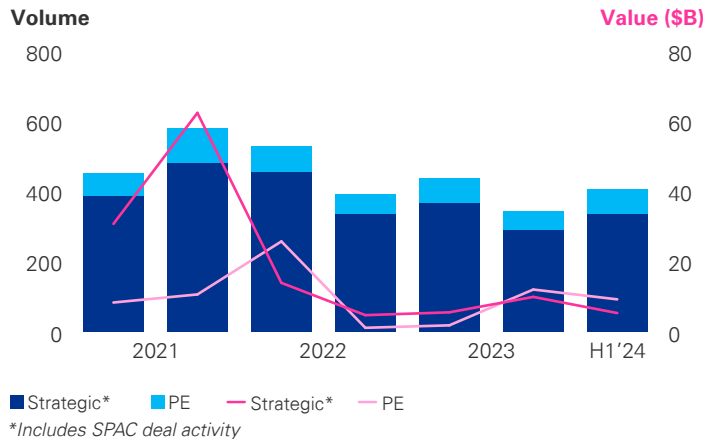
## H1'24 highlights



## Leisure and hospitality deal activity by subsector



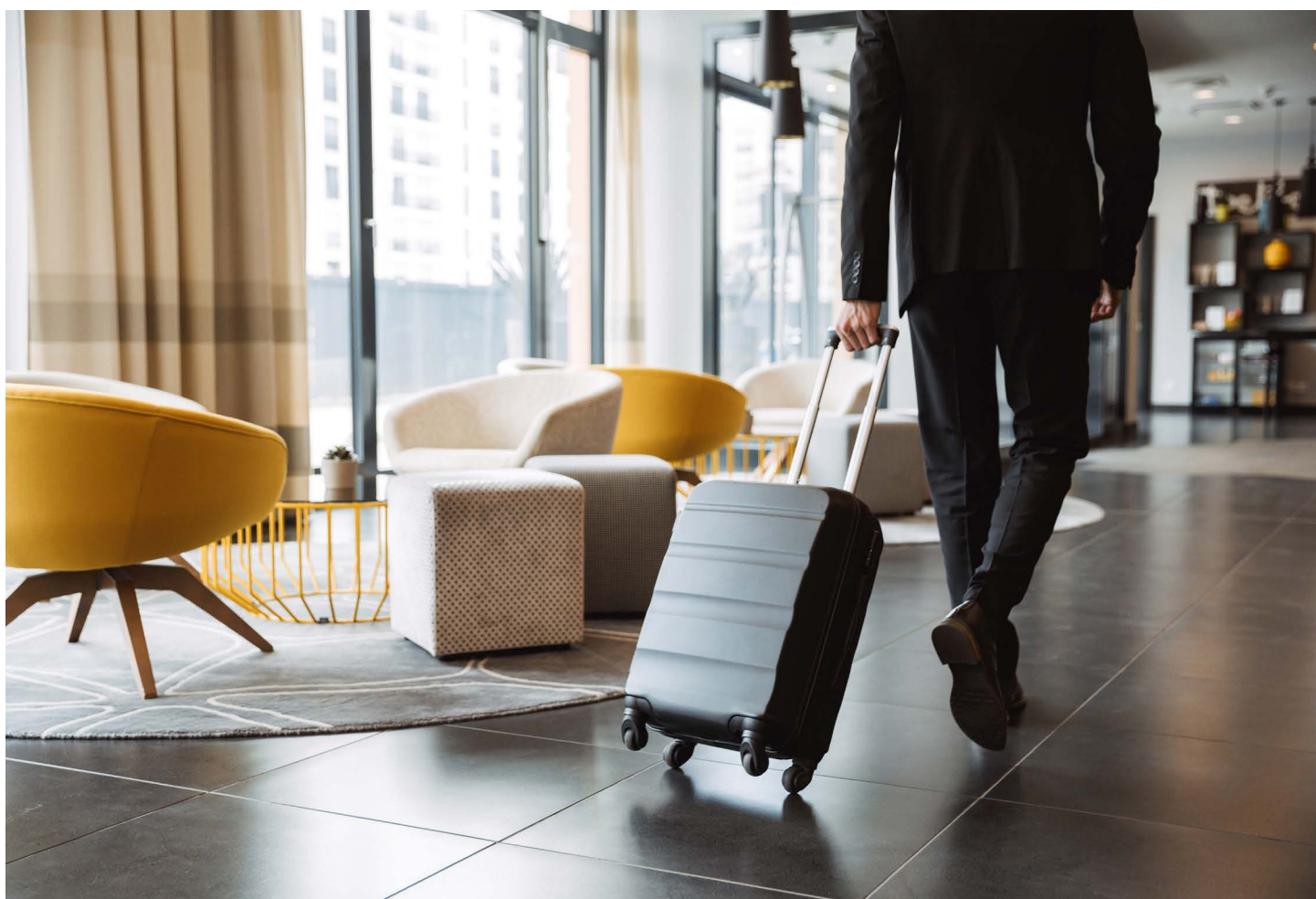
## Leisure and hospitality deal activity by type



## Top leisure and hospitality deals

Acquirer	Target	Rationale	Value (billions)
Apollo Funds	Global Gaming and PlayDigital Businesses of International Game Technology PLC, Everi Holding	Apollo Global Management is acquiring International Game Technology and Everi Holdings to broaden its investment portfolio. Recognizing the potential of both companies, Apollo seeks to leverage this for growth in the gaming and digital sectors	\$6.3
Blackstone	Tropical Smoothie Cafe	To expand its portfolio of franchise brands and capitalize on Tropical Smoothie Cafe's growth trajectory	\$2.0
Restaurant Brands International Inc.	Carrols Restaurant Group, Inc.	To improve customer experience, remodel Burger King restaurants, increase sales, and increase franchise profitability	\$1.0
DraftKings Holdings Inc.	Jackpocket, Inc.	To enter and expand within the US lottery industry, and augment its positioning in the sportsbook and iGaming sectors by optimizing customer lifetime value and leveraging cross-selling strategies	\$0.8
Henderson Park	Arizona Biltmore	To capitalize on Arizona Biltmore' growth trajectory and strategically enhance the resort's offerings in the long term	\$0.7

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# Maximizing sustainability efforts

Lodging operators committed to transparent sustainability goals are more likely to garner favorable consideration from dealmakers than those lagging their peers in sustainability. Given rising consumer demand for eco-conscious travel options, these companies also are more likely to gain a competitive advantage in their markets.

Research conducted by KPMG for its 2023 “US Sustainability Due Diligence Study” found that 53 percent of investors have had deals canceled, and 42 percent have reduced their purchase price due to material findings on sustainability due diligence. Meanwhile, 63 percent of investors said that they would be willing to pay a premium for companies that align with their sustainability priorities.

“Tighter regulatory scrutiny of sustainability policies and heightened consumer demand for eco-friendly properties are converging, creating opportunities for operators in touch with consumer and investor trends, and liabilities for those playing catch-up,” said Clare Lunn, Principal, Advisory, KPMG.

Hotels are among the highest-consumption property users of energy and water, given their round-the-clock operations. They also generate significant waste. The emergence of eco-friendly operators has challenged established companies and opened new avenues for future-thinking investors to explore, away from traditional industry stalwarts. The growth in “green” financing has created new alternatives for deal funding. Host Hotels & Resorts, for example, sold the first sustainability-linked bond from a U.S.-based hospitality REIT, a \$650 million issue, in 2019.

Without well-established standards to follow until recently, hotel operators sometimes defined their own paths to sustainability. A decade ago, IHG, for example, set up a green self-certification program for its hotels to encourage environmentally conscious practices and guide consumers to sustainable lodging choices. IHG’s “Green Engage” system includes more than 200 steps its hotels can take to reduce energy use, water consumption, and waste.



Now, as industry standards such as Energy Star and LEED certification have hardened, IHG and others such as Accor, Hilton, Hyatt, and Host are coordinating their efforts, including adopting programs such as science-based target initiatives (SBTIs) to track their progress toward carbon neutrality. And they are setting interim goals to get there. Hilton, for one, has vowed to cut its Scope 1 and 2 emissions 61 percent by 2030; by that same year Marriott hopes to reduce its carbon density by 30 percent.

Investors, meanwhile, are exploring ways to quantify the contribution of these efforts to future investment returns and to assess them for risks. With stricter U.S. rules and disclosure requirements getting more attention, there is certainly growing oversight risk from regulators, as well as a heightened awareness among investors of the importance of good sustainability governance and disclosure.

Hotel operators, for their part, have begun accepting that sustainability delivers financial benefits, both in reducing costs and in attracting a burgeoning generation of eco travelers.



**Josh Hesterman**

Managing Director,  
Advisory

# Clearing a path for deals

Weaker-than-expected labor market data, with a rise in the unemployment rate to 4.3 percent from 4.1 percent, has led us to change our interest rate forecast. KPMG Economics now expects the Federal Reserve to cut interest rates by 50bps in September and another 25bps in November and December.

Improvements in operational efficiency through technology in segments such as travel will encourage investors to revisit deal opportunities, while standout digitalization strategies will distinguish market players and attract investment interest.

The application of GenAI is beginning to yield benefits in customer experience, operations, and engagement within the sector. "As the travel, leisure, and hospitality sector harnesses the power of GenAI, we expect to experience more personalized customer journeys, predictive analytics for operational management, and dynamic engagement models," said Dan Fischer, Principal, Strategy at KPMG.

In the hotel segment, stressed owners cannot afford to wait around for liquidity and deal opportunities for much longer. Some have not invested in capital improvements since the pandemic. Others have loans coming due and will need to refinance at higher, more burdensome, interest rates, even if the Fed trims the Fed Funds rate this year, as expected. According to the CBRE's 2024 US Hotel Investor Intentions Survey, half of respondents (50 percent) expect an increase in hotel acquisitions, and 35 percent expect dealmaking in hotels to remain the same.

REITs, in particular, have been hoarding cash, waiting for a dip in rates and for more transparency around deal valuations. Those not needing to access the debt markets to fund acquisitions will be nimbler than those accessing the capital markets when opportunities arise.

Urban markets have been drawing investor attention again, as properties in major cities roared back to life in 2023 on the back of robust tourism and pricing power over daily rates. Though private equity remains cautiously engaged in TLH dealmaking, it too has cash on hand to spend on deals.

## Key considerations as we look ahead

### 1 Timing of interest rate easing

A key to lowering funding costs, an accelerated cycle of easing interest rates would no doubt entice would-be acquirers off the sidelines to take advantage of cheaper funding and spend pent-up dollars.

### 2 Technology's impact

As the sector's digitalization push continues, those who deploy technology effectively can entice customers through better online experiences and improve how they operate. Technology expertise, including in GenAI, continues to be a key competitive differentiator and an enticement for deals.

### 3 Gaming's multimodal revolution

The segment is evolving rapidly to seize opportunities created by states' legalization of gaming and the expansion of offerings online. Seeking to scale at light speed, gaming companies will look to M&A to build customer, product, and geographical diversity.



**Dan Fischer**

Principal,  
Strategy





# How we can help you

KPMG helps its clients overcome deal obstacles by taking a truly integrated approach to delivering value and leveraging its depth in the TLH industry, data-supported and tools-led insights, and full M&A capabilities across the deal lifecycle.

With a TLH specialization, our teams bring both transactional and operational experience, delivering rapid results and value creation.

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