



Strategic moves to refine and enhance portfolios

**M&A trends in travel,
leisure, and hospitality**

2024

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Still pushing forward

2024 was another quiet year for M&A in the travel, leisure, and hospitality (TLH) industry, with deal volumes and values falling to their lowest levels since the pandemic year of 2020. The continued high cost of capital, among other headwinds, made it difficult to plan and execute transactions, and there were few deals of significant size.

Yet the lack of opportunities for inorganic growth didn't mean companies in TLH subsectors were standing still. Companies made multiple moves to enhance their portfolios, emphasizing expansion and innovation.

The gaming subsector was particularly active, as online gaming and sports betting companies innovated their products and used smaller deals to help set themselves apart in an increasingly competitive environment. Smaller, often technology-focused start-ups that developed innovative products or technology were then acquired by leaders in the space. In 2024, for example, DraftKings purchased Simplebet, which uses machine-learning models to price in-game betting opportunities, and Jackpocket for its digital lottery app. In one of the biggest deals of 2024, PE firm Apollo Funds announced that it would spend \$6.3 billion in an all-cash acquisition of recently merged International Game Technology's gaming and digital business and Everi Holdings, which provides casino and venue solutions, including server-based gaming, financial and loyalty products, game content, and mobile services.

In recreation, 2023's \$8 billion merger between theme parks Six Flags and Cedar Fair closed in July, leading the way for what may be further consolidation, with both other theme parks and PE looking for attractive targets. KSL Capital Partners, which owns Heritage Golf, and Apollo-owned Invited (formerly ClubCorp) have continued to expand their portfolios of golf courses and country clubs. Across the travel sector, companies are demonstrating interest in providing more comprehensive experiences, often through partnerships and horizontal integration. For cruise lines, this may include expanding their range of expedition cruises to meet growing demand for unique, sustainable travel experiences. In November, Arini Capital Management and Cyrus Capital Partners announced the acquisition of HX Expeditions to meet escalating demand for environmentally conscious travel experiences.

Amid these and other trends, TLH companies are waiting to see whether the improving economic conditions at the end of 2024, which saw an ebb in inflation and a total 100-basis-point reduction in interest rates by the Federal Reserve, will continue. In January, KPMG Economics was expecting core personal consumption expenditures to rise again in the coming year, with no more additional cuts by the Fed.

 When you look across this industry and see what companies are doing—and what they need to do—to improve customer experiences and create ROI for their shareholders, we believe M&A activity is going to come back very strongly in 2025."



Braden Mark

*Partner,
US Lead, Travel, Leisure,
& Hospitality*

An ebb in dealmaking

The annual total deal value and volume in the TLH industry fell to a new low in 2024, with a trend toward small transactions as companies held back, waiting for improvements in the economic outlook and a narrowing of the gap between buyers' and sellers' expectations. The top strategic acquisitions were valued at \$1 billion or less, while the two largest deals by financial sponsors were valued at \$6.3 billion and \$4.6 billion.



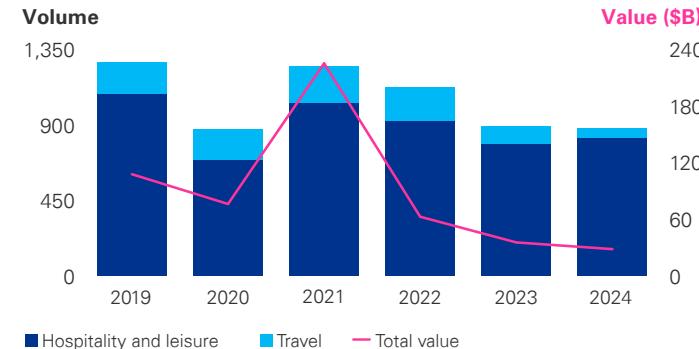
2024 highlights

875 ▾ **1.7%**
deals decrease QoQ

\$28.2 ▾ **20.0%**
billion deal value decrease YoY

Although 2024 saw nearly as many deals as in the previous year, deal value fell significantly.

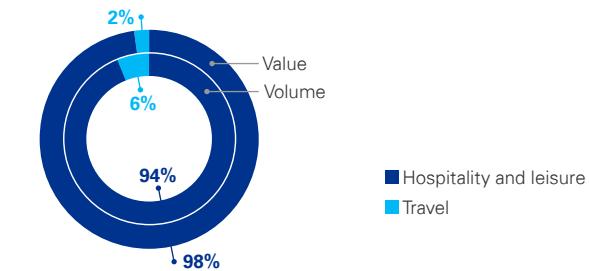
TLH deal activity by sector



2024 deal mix

Outer ring represents value. Inner ring represents volume.

Sector mix



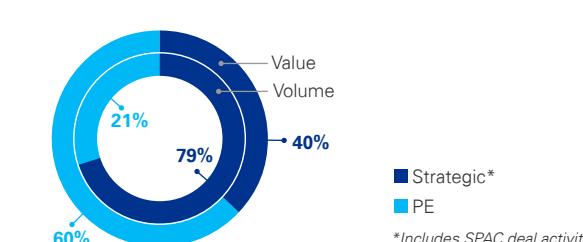
Deal data has been sourced from Capital IQ, Pitchbook, and KPMG analysis. The values and volumes cited are for US deals announced between January 1, 2024 and December 31, 2024. Deal values are only presented based on publicly available deal data and are not exhaustive. Previously published statistics may be restated to incorporate new data and/or any changes.

TLH deal activity by type



*Includes special-purpose acquisition company (SPAC) deal activity

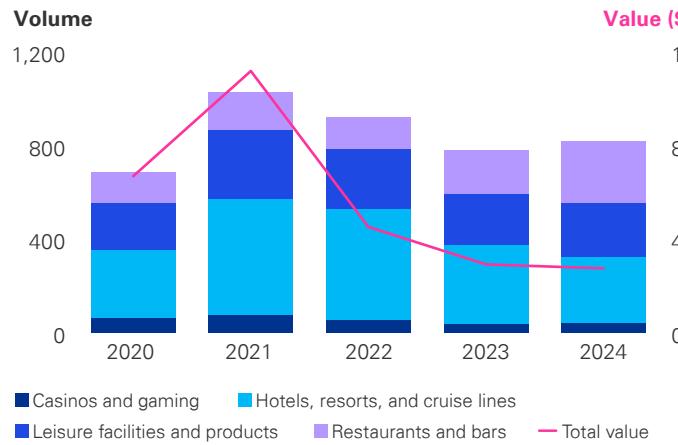
PE/strategic mix



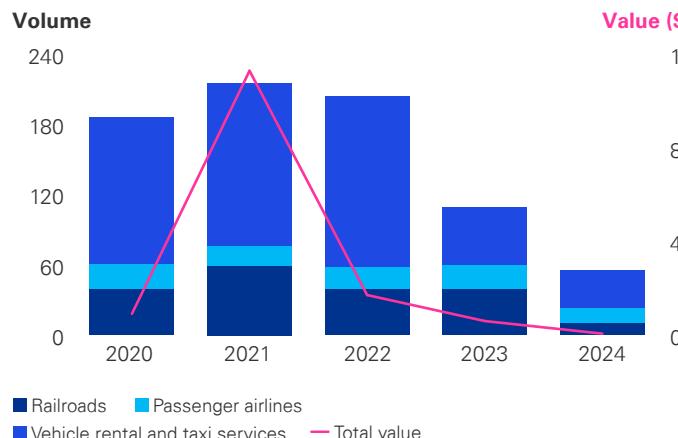
*Includes SPAC deal activity

Deal activity by subsector

Hospitality and leisure



Travel



2024 highlights

Hospitality and leisure

820 ▲ 5.0% deals increase YoY

\$27.6 ▼ 5.7% billion deal value decrease YoY

Strategic deals

690 ▼ 7.0% deals decrease YoY

\$11.2 ▼ 40.3% billion deal value decrease YoY

Travel

55 ▼ 49.5% deals decrease YoY

\$0.6 ▼ 89.4% billion deal value decrease YoY

PE deals

185 ▲ 25.0% deals increase YoY

\$17.0 ▲ 3.2% billion deal value increase YoY

Top deals



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 12/31/2024. 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.



Viva Las Vegas: Partnering in a must-be-there market

 These partnerships can create powerful alliances that capitalize on the strengths of both companies through combining their resources, their expertise, and their market presence.”



Daniel Fischer

Principal, Deal Advisory & Strategy, Travel & Leisure and Hospitality Lead

Post-Covid-19, Las Vegas has once again become one of the most desirable destinations for business and leisure travelers. The volume of tourists has rebounded to near the 42.5 million people who visited in 2019, while visitor spending has risen to above prepandemic levels. The city has a vibrant entertainment scene that includes casinos, shows, nightlife, sports, and other activities. Las Vegas is a major venue for business conventions and trade shows, drawing high numbers of business travelers, and in 2021, the Las Vegas Convention Center completed a \$1 billion, 1.4 million square foot expansion. In 2023, Las Vegas drew 6 million convention attendees, approaching the all-time high of 6.7 million in 2019. Visitors range from budget travelers to high-end luxury seekers.

For lodging companies, expanding their footprint in Las Vegas has become an increasing priority. Consider the partnership, announced in 2023, between Marriott International and MGM Resorts International. The combination gave Marriott Bonvoy members more than a dozen new locations where they could earn and redeem points while letting MGM Rewards members achieve elite status with the world's largest hotel chains. In addition, MGM's 1,117-room Delano Hotel, one of Las Vegas's leading luxury lodging properties, has been rebranded as the W Hotel Las Vegas, a Marriott property.

For Marriott, like other lodging companies focused on enhancing their presence in Nevada's largest city, these moves offer multiple benefits. One is to take advantage of Las Vegas's vitality as a business-friendly environment with no state income tax and rapid growth and development. It increases the number of rooms in the Marriott system, always a priority for industry analysts, while associating Marriott

brands with the luxury and excitement of the city. Marriott's move follows other Las Vegas ventures for major lodging brands and their loyalty programs. Partnerships between Hilton and Resorts World Las Vegas and with Virgin Hotels Las Vegas, Wyndham and Caesars, and Choice Hotels and PENN Entertainment, among others, offer similar entrées to Las Vegas properties. Hyatt has also expanded its Las Vegas presence, with an agreement, announced in March, to include the Rio Hotel and Casino in its loyalty program. In December, Hyatt said it would also add The Venetian Resort in Las Vegas to its loyalty program.

The Marriott/MGM alliance brings a renewed focus on what strategic partnerships can bring to both companies. It allows the lodging brand and its partner properties in Las Vegas the ability to cross-promote their properties and services. “A Marriott Bonvoy member, for example, looking to save money at an MGM property might be enticed to access MGM's entertainment, dining, and gaming offerings, driving additional revenue streams for both companies,” said Daniel Fischer, KPMG US Strategy's Travel, Leisure & Hospitality lead. The partnership also enables Marriott to avoid acquiring another brand, a process that can be time-consuming, expensive, and risky.

The companies may also benefit from shared resources and expertise. Marriott, for example, could bring its technology, marketing, human capital, and operational efficiencies for running the hotel portion of an integrated resort.

Establishing these partnerships in Las Vegas helps lodging companies gain a strong foothold in a critical market, and as that market grows, they'll be primed to take advantage of it.

Ready to rebound

After another down year for TLH dealmaking and amid ongoing questions about the outlook for the economy and the financing environment, companies in the TLH sector and subsectors are cautiously optimistic about what lies ahead. Some deals did happen during the past year, especially in hospitality and leisure, which saw a higher volume of M&A in 2024, even if the value of those transactions remained subdued. A pro-business agenda in Washington could bring lower taxes and regulatory relief, and the possibility of reduced interest rates could convince private equity investors and TLH company leaders to begin to move their mountains of undeployed capital from the sidelines. Companies in the sector could also benefit from a normalization of the labor market, with a reduction of job openings from 1.8 million in July 2021 to 1.092 million in December 2024, according to the U.S. Bureau of Labor Statistics.

Finding ways to move forward despite considerable headwinds will be essential, if only to keep pace with rapidly evolving customer expectations. A desire for unique, sustainable experiences and premium travel on private planes to exotic locations are among the trends driving changes in the industry. To capture these and other opportunities, TLH companies and financial sponsors will continue to be creative, using M&A, partnerships, and other strategic moves to set themselves apart from their competitors.

Key considerations as we look ahead

In pursuing a return to more robust levels of M&A, TLH dealmakers should consider the following:

1

Macroeconomic conditions

With a new U.S. administration pledging widespread changes to taxes, tariffs, immigration, and other government functions, the impact on inflation, interest rates, government spending, and economic growth could have deep implications for TLH leaders and their companies. Positive signs could help unleash pent-up demand for M&A.

2

Capital on the sidelines

Global private equity and venture capital funds held a record \$2.62 trillion of total uncommitted capital in 2024, according to S&P Global Market Intelligence, and Fortune 500 companies also are awash in capital that could be deployed if the environment for M&A in TLH companies improves.

3

The value of partnerships

Partnerships and strategic alliances are helping companies continue to move forward as they await better dealmaking conditions. Partners are finding benefits—increased market share and enhanced branding, among others—without giving up autonomy or merging operations and company cultures.



Looking ahead



Gaming

Sustained higher interest rates are expected to hinder buyers' ability to meet the desired multiples of sellers for an individual casino or a portfolio of casinos. But Native American tribes, which own a large percentage of casinos, may become acquirers, using existing capital to buy and improve assets. We also expect additional business-to-business transactions, as companies seek to expand and refine their offerings.



Lodging

Companies will continue to focus on digital transformation, acquiring platforms that integrate large-scale data analytics with current sales and booking technologies. This trend highlights a trend toward leveraging data-driven insights to innovate and improve the customer experience. Lodging brands will also continue to invest in partnerships and loyalty programs, both to expand loyalty programs and to drive system growth.



Cruise lines

In addition to emphasizing sustainable expansion and combining adventure, education, and environmental awareness, cruise lines will look for opportunities to build or acquire locations and capabilities for onshore experiences. Instead of paying other companies to provide inland excursions, for example, they may own the bus tour, island water park, or other asset.



Recreation

PE firms may seek to acquire companies that expand possibilities for outdoor activities, thus helping to diversify portfolios, enhance profitability, and capture growing consumer preferences in high-demand areas.

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How we can help you

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

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