

## **2023 Mid-Year Review**

Overall, the staycation market has remained robust during the year, despite some pressure from the global macroeconomic environment.

The return of unrestricted international travel, growing cost of living concerns and rising inflation have put pressure on consumers budgets. However, UK holidays remain a popular choice, with some behavioural changes in consumer activity, with increased price sensitivity and uncertainty driving a shorter booking pattern than prior years.

Booking volumes and inflation adjusted prices across the group have been tracking above the pre-covid levels, although there has been a level of normalisation compared to prior year. The flexibility in our pricing capability and marketing channels alongside the use of consumer-friendly low deposit and flexible cancellation options means we can maximise the returns for our divisions, and property owners, at competitive prices for our consumers.

### **Developments in the period**

Following the significant strategic acquisitions of Forest Holidays and UKCaravans4hire in the latter half of the previous financial year, the Group has undertaken a re-branding exercise to bring all entities under one common mission, whilst retaining the individual character of each division. The name of the group has been changed to the Forge Holiday Group and currently comprises of 4 divisions, which are:

- UK Agency (Sykes Cottages and associated brands)
- Specialist Operator Division (Forest Holidays)
- Caravans (UKCaravans4hire)
- International (Bachcare)

The creation of a formal group structure facilitates common best practices across all entities and will enable the improved use of technology and knowledge sharing across related service areas. The structure will drive the benefits of scale over several areas including procurement and enhanced service levels.

The two largest trading entities in the Forge Holiday Group, Sykes Cottages Ltd and Forest Holidays Ltd, have completed a process to become B Corp certified in the first half of the year. B Corp certification means such companies are part of a global community of over 6,000 businesses that meet high standards of social and environmental impact. Sykes Cottages Ltd and Forest Holidays Ltd are 2 of only 9 accommodation sector businesses in the UK and 47 globally that have met the B Corp standards.

B Corp certification means that relevant companies have a structured framework to capture strategic goals in this regard:-

Guests can be more confident they are purchasing from businesses that are committed to making a positive social and environmental impact.

Property owners can gain assurance that they are working with a business that takes its responsibility to the climate crisis and social inequality seriously and will support them to improve their own impact.

Relevant employees have increased transparency on our purpose, mission, and measurable commitments, and along with clear reporting we can show our commitment to making a difference and supporting colleagues to be the best they can be. This will improve retention rates and make us a more attractive proposition to future recruits.

## **Divisional Performance**

The UK Agency division has performed well in the first half of the year, with occupancy levels for departures exceeding pre Covid levels. There has been a level of normalisation in demand due to international travel being fully open and increased cost of living concerns meaning occupancy is not reaching prior year levels, but the fundamental business model remains strong and is consistent with pre-covid performance levels.

The Specialist Operator Division has followed a similar trend, with strong booking levels, albeit below the levels achieved during and immediately following the Covid-19 pandemic. The division, in line with the rest of the market is experiencing shorter-term booking demand, although with continuing high occupancy rates compared to 2019. During the first half of the year, the division has successfully opened a new site in the Brecon Beacons and expanded its Keldy site by adding new cabins. Due to the inflationary pressures on utility costs, the division has had to absorb the increases in energy costs, but sensible hedging strategies have been undertaken, such as fixing contract prices over longer periods while also tightly controlling costs in other areas.

The Caravan division which was a new addition to the group last year is performing in line with expectations and is building momentum. In the first half of the year the division has rolled out a successful commission model similar to the UK Agency and International divisions, which will enable the division to offer a wider variety of options to the consumer, whilst also increasing booking volumes for owners via an expanded marketing program.

The International division has traded positively in the first half of the year, despite the significant damage to the North Island caused by the cyclone and widespread flooding in February. The adverse conditions have meant travel to certain areas of the North Island has been limited, restricting properties available in these areas. However, this has been compensated by the demand for holidays in the South Island especially from international guests, as the South Island did not experience the same extreme weather conditions.

Interest rates have increased significantly over the first 6 months of the year as the Bank of England attempts to curb inflation. This has resulted in increased cost of capital for the group, but we have executed interest rate hedging strategies to cap the risk and retain healthy cash reserves to facilitate strategic initiatives and developments in the short term.

## **Outlook**

We expect occupancy in the UK Agency and Specialist Operator Division to be below prior year, but to continue to track ahead of pre-covid levels with competitive market prices for consumers.

The Specialist Operator Division has a healthy and expanded pipeline of development sites to facilitate our future growth at an accelerated rate.

The group will continue to invest in UK Caravans4hire to facilitate further growth and diversify our portfolio to provide increased choice to consumers.

A significant focus for the International division is the upcoming tax changes regarding GST for platforms and Owner reporting requirements. The division is currently in the process of project planning and outlining the technology developments required.