

Industry Top Trends Update

# Hotels, Gaming, and Leisure

## COVID-19-related restrictions remain the biggest threat

### What's changed?

**The travel sector's recovery remains contingent on a gradual easing of government restrictions.** We expect leisure travel will lead the sector recovery, while business travel will lag, and only recover to pre-pandemic levels by 2023.

**Discretionary leisure has been hit hard.** The pandemic hurt discretionary leisure businesses, such as theme parks and sports, the most. Governments' COVID-19-related restrictions continue to impair performance materially.

**The gaming sector's performance is mixed.** There is divergence in gaming companies' financial performance and recovery prospects. Online, diversified, and multiproduct operators have generally fared better.

### How is recovery taking shape?

**Leisure demand will drive the recovery for hotels and lodging.** The near-term recovery will be spurred in particular by domestic tourism and short-haul/regional leisure demand, such as holiday parks and local theme parks. We expect regional economy and midscale hotels focused on business travelers from small and midsized companies will rebound faster than those in urban areas in luxury and upscale segments.

**Discretionary leisure will be slow to recover.** While there is pent-up demand for discretionary leisure spending, we expect continued travel restrictions and tentative consumer confidence will result in a gradual recovery beyond 2021.

**The gaming sector will see faster recovery than the broader sector.** Although recovery is uneven among players, we believe most gaming companies' credit metrics will have completely recovered by second-half 2022, ahead of and stronger than those of the broader sector.

### What are the key risks around the baseline?

**Longer-term restrictions.** While we forecast a gradual sector recovery into 2022, further lockdowns are a material downside risk, for example from new virus strains. Longer-term restrictions related to social distancing and freedom of movement remain potential obstacles to a speedier recovery.

**A slow recovery increasing default risk.** About 60% of companies in our rated travel portfolio carry ratings in the CCC category. Many leisure companies added additional debt during the pandemic to bolster liquidity and survive the downturn. Resumption of demand and economic growth is critical to alleviate debt burdens. If recovery takes longer and 2022 is also a transition year, default rates could rise.

**Regulation and mergers and acquisitions (M&A).** The impact of gaming regulation developments in the U.K., Germany, and Italy could be material for some issuers. M&A are likely to remain a key factor in 2021, following continued consolidation and pursuit of the U.S. market opportunity.

### Latest Related Research

- [As European Hotels Grapple With Prolonged Restrictions, Are Operators And Landlords Sharing The Pain?](#), Feb. 24, 2021
- [COVID-19 Heat Map: Pent-Up Demand And Supply Shortages Further Improve Recovery Prospects For Credit Quality](#), June 8, 2022

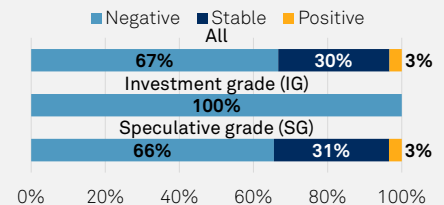
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### Outlook Distribution



### Ratings Statistics\*

	IG	SG	All
<b>Ratings</b>	1	30	31
<b>Downgrades</b>	0	3	3
<b>Upgrades</b>	0	1	1

Ratings data as of end-June 2021. \*Year to date.

### COVID-19 Heat Map

Estimated Recovery To 2019 Credit Metrics	
Gaming	2022
Lodging and hospitality	2023
Cruise lines	2023
Theme parks and other visitor attractions	2023
Potential Neg. Long-Term Industry Disruption	
Gaming	Yes
Lodging and hospitality	Yes
Cruise lines	Yes
Theme parks and other visitor attractions	No

2020 Versus 2019		
Revenue decline	EBITDA decline	Incremental borrowings
Gaming		
25%-50%	40%-60%	5%-10%
Lodging and hospitality		
>50%	>60%	10%-25%
Cruise lines		
>50%	>60%	<5%
Theme park and other visitor attractions		
>50%	>60%	10%-25%

2021 Estimates Versus 2019	
Revenue decline	EBITDA decline
Gaming	
10%-20%	20%-30%
Lodging and hospitality	
>50%	>50%
Cruise lines	
>50%	>50%
Theme parks and other visitor attractions	
40%-50%	>50%