

1H 2024 TRAVEL AND HOSPITALITY STRATEGY & INVESTMENT OUTLOOK REPORT

January 2024



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Leading Travel and Hospitality tech investor in Southeast Asia

- The Only VC in SEA to focus on **Travel & Hospitality Tech**
- Investing across 5 technology verticals:

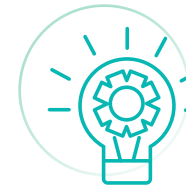
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|--------------------|----------------------------|
| 1. Food & Beverage | 4. Transportation/Mobility |
| 2. Experiences | 5. Travel Services |
| 3. Accommodation | |



30+ years
of combined investing
experience



US\$3.8bn+
of combined transaction &
investment portfolio experience



11 portfolio companies
with more in the pipeline





THE VELOCITY VALUE

Velocity Ventures leverages our exceptional breadth of macro and micro research to deliver incisive Travel & Hospitality and cross border thematic insights.

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This Strategy & Investment Outlook Report was produced in partnership with Pear Anderson.

ABOUT PEAR ANDERSON

Pear Anderson is a tourism and hospitality consultancy firm, specialising in Southeast Asia. Through market intelligence, consultancy and sales representation, they partner across the spectrum of tourism-related organisations to build a lasting foundation in the region.

Since the onset of the pandemic, Pear Anderson have published a weekly report and online dashboard, analysing the impact of COVID-19 on Southeast Asia's tourism and hospitality industry, and its subsequent recovery. Their work has been cited in mainstream media outlets, from BBC World News to Bloomberg, and they regularly speak at travel industry events.

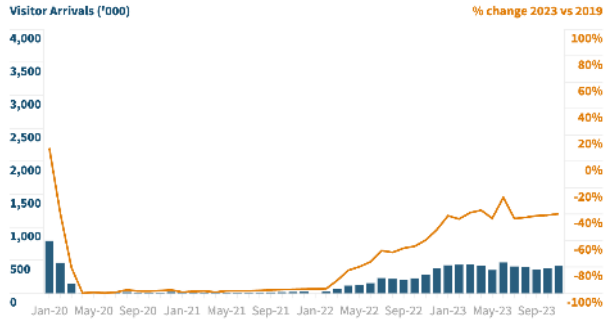
For more information on Pear Anderson and to view the dashboard, visit: www.pearanderson.com



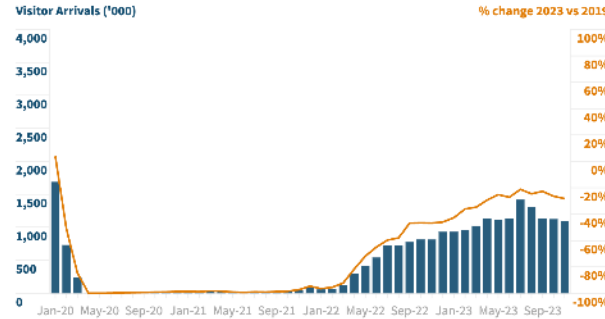
Southeast Asia: International Arrivals



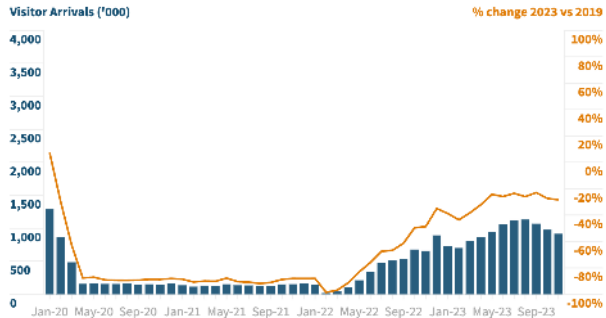
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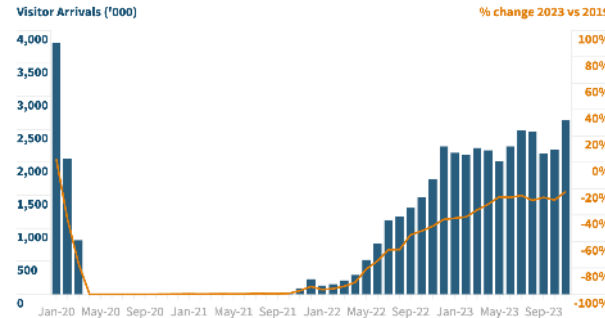
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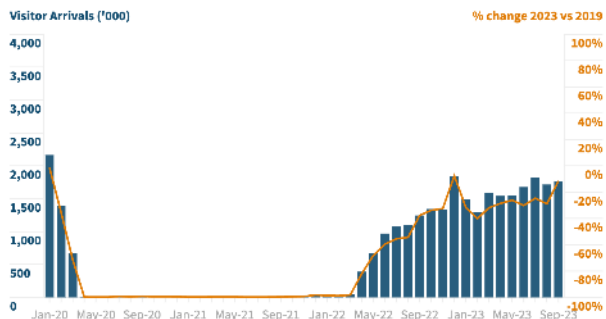
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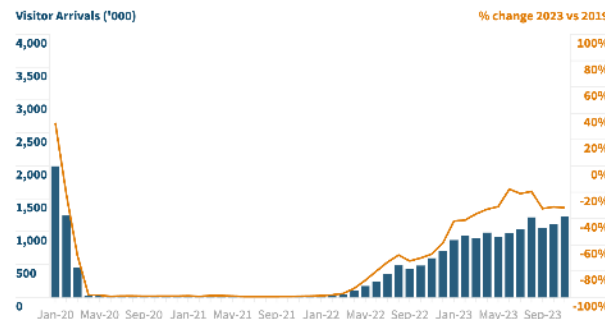
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MALAYSIA



VIETNAM



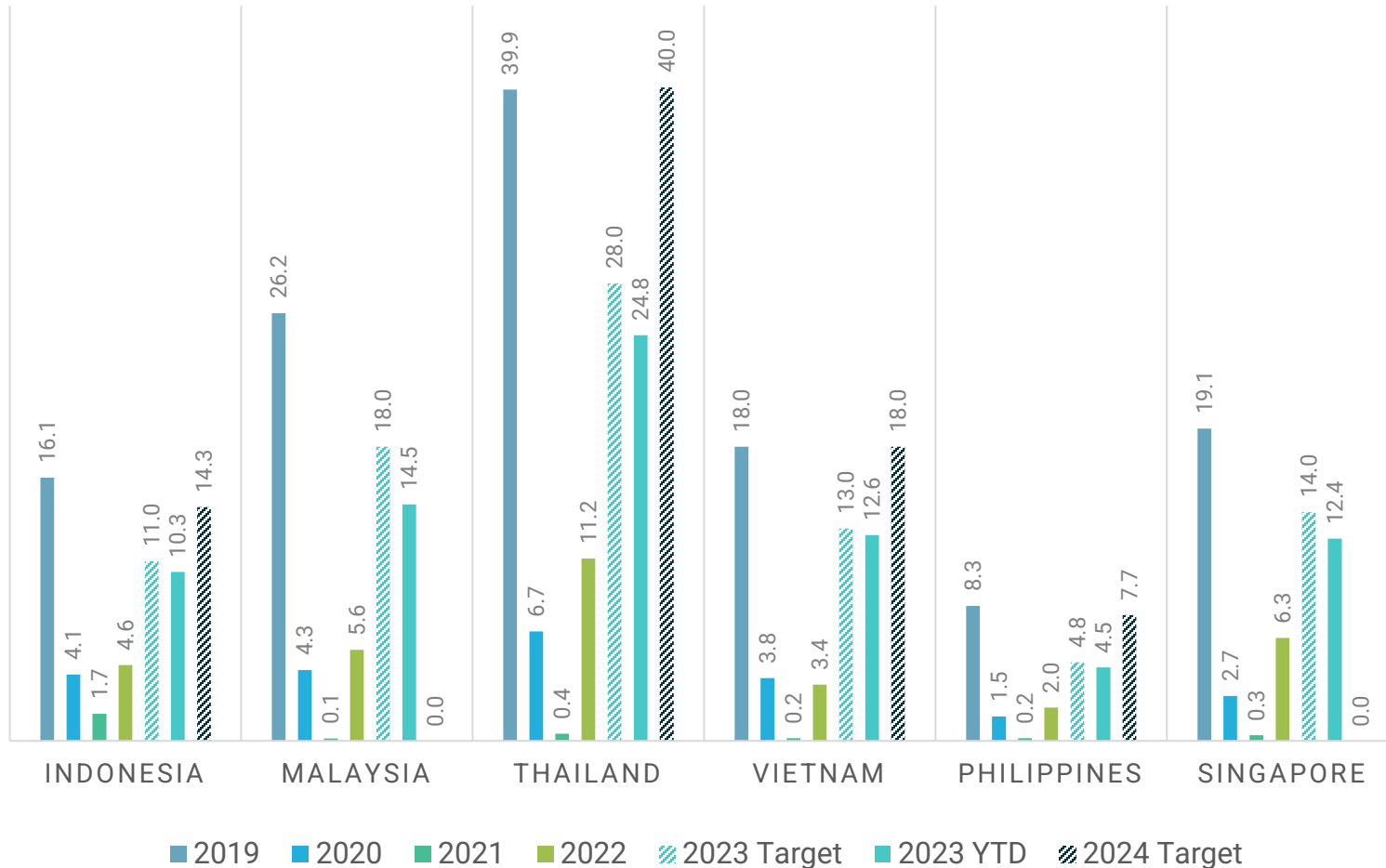
Inbound arrivals stagnated at ~80% of 2019 levels at end-2023

- The country with the highest international arrivals recovery as of 3Q 2023 was Malaysia, who saw a sudden uptick in September with the weakening of the Ringgit
- Thailand in absolute numbers far outnumbers Malaysia – but still reported a drop in the overall tourist spend, from 50,000 THB in 2019 to 42,000 THB, indicating that governments across the region need to look at more than arrivals as a metric to measure tourism success
- Key inbound source markets into the region are ASEAN and APAC countries, with India and China typically featuring in the top 10. The Philippines and Vietnam are seeing higher levels of Korean and Japanese travellers, whilst Indonesia's arrivals are dominated by Australians, largely travelling to Bali
- The year-end period is the peak time for the region for travel from the Northern Hemisphere with the “snow birds” travel to seek warmer climates

Southeast Asia: 2023 Forecasted International Arrivals



International Visitor Arrivals (millions)



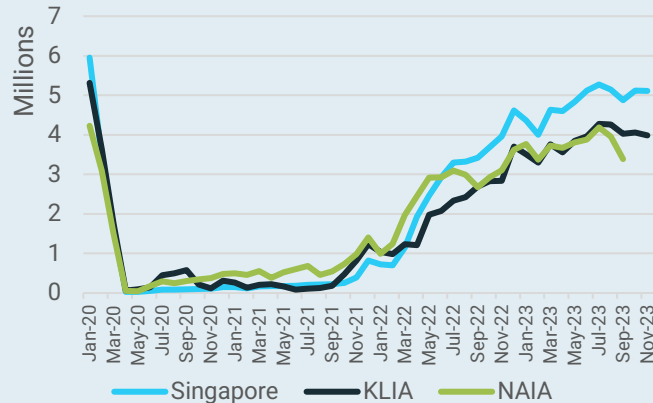
Countries yet to clarify targets for 2024, but a full recovery is unlikely

- The Lunar New Year at the start of Feb-24 will be a litmus test for the recovery of the Chinese market – as we note on slide 14, visa waivers are increasingly being used as a marketing gimmick to encourage tourists – but if air capacity remains stunted, travellers simply cannot reach the country
- Those countries who have set 2024 targets are, with the exception of Thailand, still not predicting a full return to 2019 numbers
- Accordingly, countries are setting high targets to stimulate domestic tourism – Thailand wants to increase its domestic share of tourism spend to 40% from the current 30%, whilst Indonesia had high targets of 1.2-1.4 billion for its domestic travellers in 2023
- As we moved into Dec-23, governments sounded alarms about rising COVID-19 cases and respiratory illnesses in China, and strongly encouraged mask wearing and up-to-date vaccinations – but no movement restrictions were imposed

Transportation

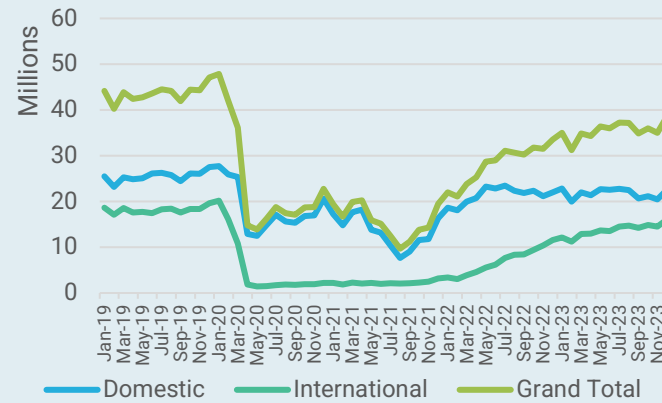


Total Air Passengers



Source: Angkasa Pura I, SingStat, Malaysia Airports Berhad
*Angkasa Pura I airports only (includes Denpasar, Surabaya)

Total Air Capacity Southeast Asia



Source: OAG

Air capacity in Southeast Asia is levelling off, struggled to make gains in 2H 2023

- Total seat capacity reached 82% of 2019 levels as of w/c 18 Dec 2023, the lowest region globally. Building back the last 20% of capacity will continue to be a challenge in 1H 2024, being held back by the slow recovery of China-ASEAN air capacity

Flagship carriers are reporting record profits as operational efficiencies gained from pandemic pay off

- Singapore Airlines posted a record half-year to end-Sep-23 with a profit of \$1.44 bil SGD
- Malaysia Aviation Group is on track to achieve a FY 2023 profit for the first time since its 2014 privatisation and Thai Airways International reported a 4th consecutive quarter of profit in Q3 2023
- Although operational expenses will continue to grow as the airlines expand in 1H 2024, airlines are in a much stronger position

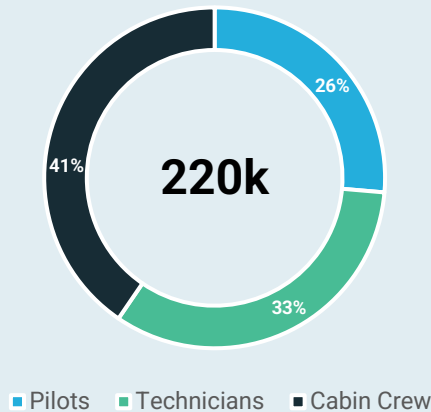
Newcomer airlines are coming unstuck, potentially bringing more regulatory hurdles for new players

- MYAirline in Malaysia announced a sudden suspension of all its flights in Oct-23, impacting 125k passengers
- Bamboo Airways was forced to stop long-haul routes after its rapid expansion, undertaking the "most extensive, strategic, and far-reaching restructuring project ever undertaken in Vietnamese aviation history"
- These failures will certainly encourage greater scrutiny of new airlines' feasibility, which could favour the incumbents

Airport terminal expansions and new airports announced in bid to support role of aviation hubs and tourism

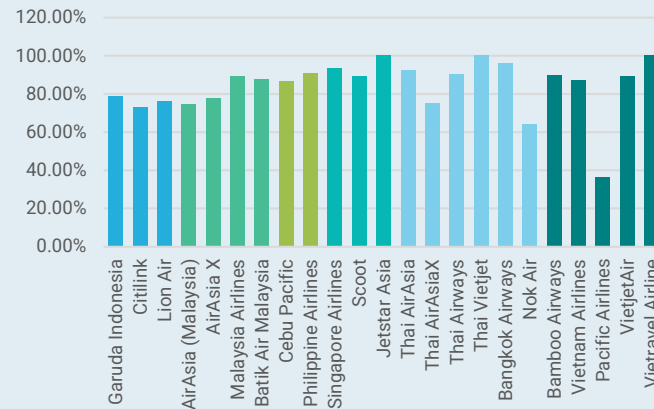
- Siem Reap's new international airport opened in Oct-23, hailed by the Cambodian government as a tourism gamechanger
- Changi Airport T2 opened, adding 5 mil pax to its annual carrying capacity
- SAT-1 at Bangkok Suvarnabhumi Intl Airport opened, increasing its capacity by 33%
- 140 bil THB was allocated for a new Andaman International Airport in Phangnga and 2nd phase renovation of the Chiang Mai Airport

New Aviation Personnel Required (2023-2042)



Source: Boeing 2023 Commercial Outlook

Airline Fleet Back in Service H1 2023 (%)

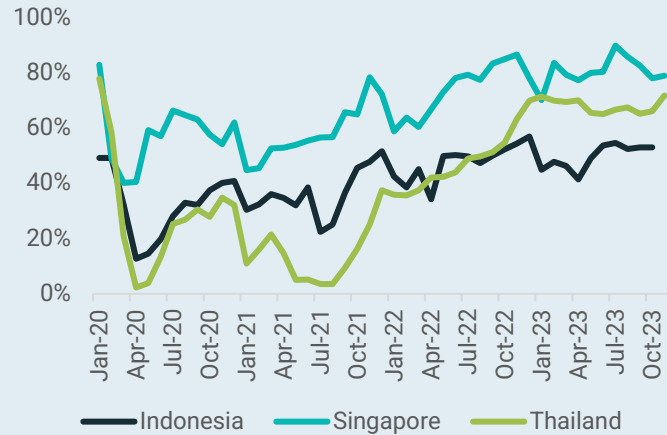


Source: Planespotters.net

Accommodation

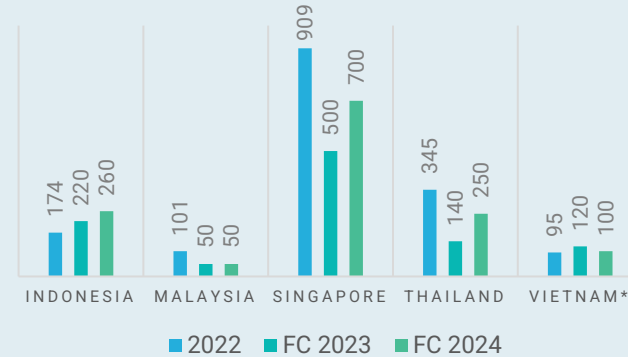


Hotel Occupancy (%)



Source: STAN, MOTS, BPS

Hotel Investment (USD)



*Vietnam 2022 data based on YTD Sep-22

Source: JLL Hotel Investment Highlights Asia Pacific, H2 2023

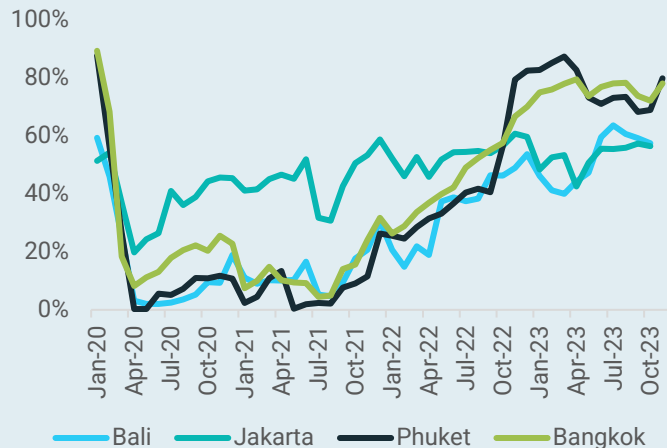
Accommodation sector sees patchy recovery, to continue into 2024

- Traditional top tourist hotspots such as Langkawi in Malaysia, Phu Quoc in Vietnam and Boracay in the Philippines, reported a slowdown in hotel occupancy and arrivals in 2H 2023, both from domestic and international travellers as competition fiercer within the region

Short-term rentals under increasing regulatory pressure

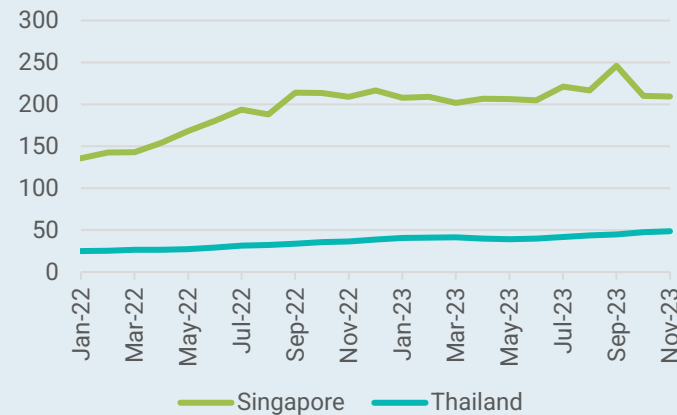
- After Penang banned all STRs in residential units in May, the Malaysian federal government noted that it is drafting STR guidelines – although we don't expect them to be as drastic as those in Penang
- Singapore will pilot a new class of serviced apartments with a minimum stay of 3 months, to avoid tenants competing with tourists
- Meanwhile, Thailand changed the definition of STRs to recognise smaller players in 2H 2023, a move welcomed by Airbnb but condemned by the Thai Hotels Association who feel it unfairly favours smaller players

Regional Hotel Occupancy (%)



Source: MOTS, BPS

Average Room Rates Thailand & Singapore (USD)



Source: STB, MOTS

Lifestyle hotels to become more predominant in the region

- More than 1,200 rooms at lifestyle hotels, e.g. The Standard, Mama Shelter, are set to launch in Singapore in 2023/ 2024, with a mix of luxury and boutique products
- YOTEL set to open in Kuala Lumpur and Bangkok in 2025, after its launch in Singapore in 2017
- Accor/ lifestyle brand Ennismore set to open 28 more properties in SE Asia, including TRIBE in Bangkok, Mondrian Singapore Duxton

Local hotel brands are expanding outside of Southeast Asia, using the allure of Asian hospitality

- Philippines' Hotel 101 Group are investing in new hotels in Japan, Spain and the US
- Thailand's Dusit Thani expanding into the Middle East, China, Anantara adding more properties in Europe
- Singapore's Raffles opens London property at The OWO

Experiences



Challenges facing Thai MICE industry



Innovation



New venues



Shorter travel times



Decreasing business trips

Source: TCEB

\$6.8 bil

Planned upgrade of Resorts World Sentosa over next 8 years

+20%

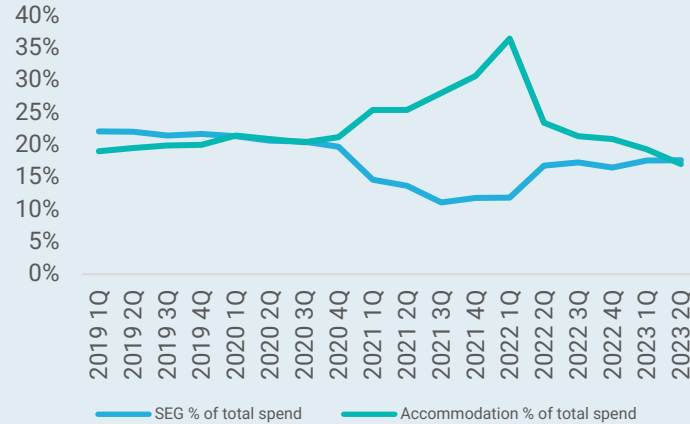
YoY increase of gaming segment revenue in 3Q 2023

+68%

YoY increase of non-gaming segment revenue in 3Q 2023

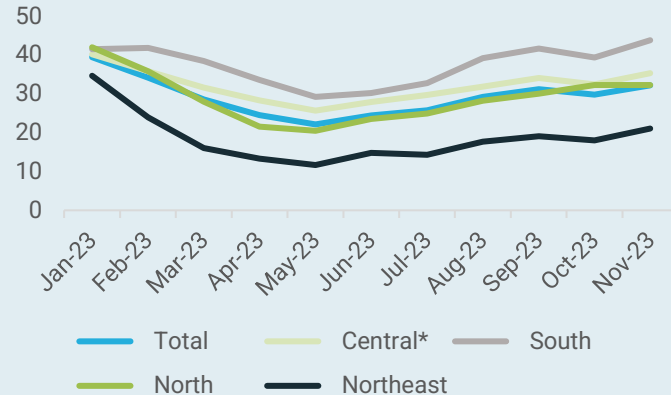
Source: Genting Singapore

Sightseeing, Entertainment & Gaming Share of Total Spend: Singapore (%)



Source: STAN

Share of revenue from conference/seminar package to total tourism revenue by Thai region (%)



Source: Bank of Thailand *Central includes Bangkok

Singapore gets serious about digitalising the attractions sector

- Singapore launched a Tourism (Attractions) Industry Digital Plan (IDP) covering 12 elements, including channel management, dynamic pricing, self-service ticketing kiosks, cybersecurity and sustainability-related goals

Singapore's SEG spend share remains steady in 1H 2023

- Singapore's total Sightseeing, Entertainment and Gaming (SEG) kept steady its overall share of spend, stabilising at 17%, whilst by contrast, accommodation saw a decline in overall share

Nightlife economy in focus for Thailand, Vietnam

- From 15 Dec, Thailand allowed nightlife operation hours to be extended until 4am in Bangkok, Chiang Mai, Chon Buri, Koh Samui, and Phuket, in a bid to increase its tourism revenue
- Vietnam has been targeting the "night economy" since the economy reopened, as it sees it as a channel to generate more tourism revenue. It launched 15 new night tourism products in Hanoi in November

Singapore's Sentosa Island welcomes new developments

- Genting Singapore is spending SGD\$6.8 billion to revamp Resorts World Sentosa, including to build a new 700-room hotel and a retail space as part of its deal with the Singapore government to invest
- Shangri-La Group opened a new beach entertainment precinct on Sentosa Island in Sep, featuring 8 experiences, including Asia's first gamified electric go-karting circuit; a mini-golf course; Singapore's first floating inflatable playground; and two beach clubs, among others

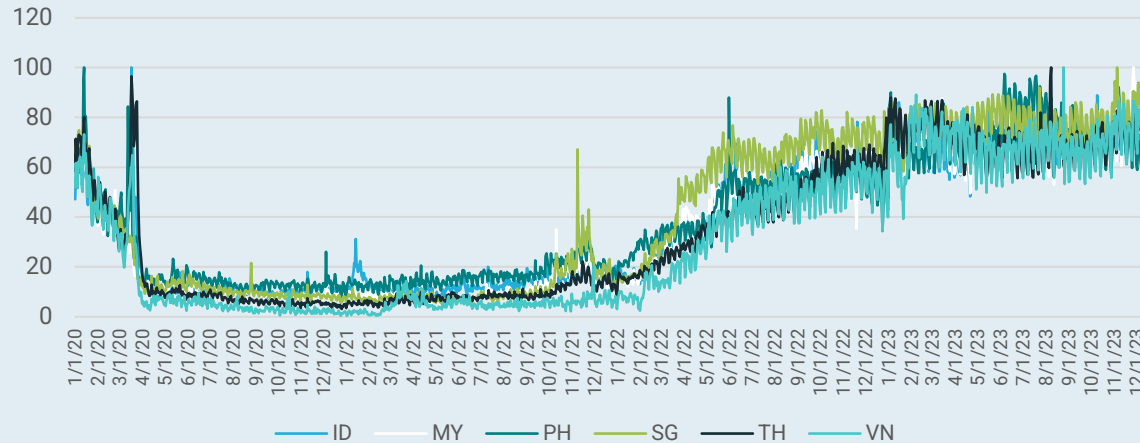
MICE spend share of total package in Southern Thailand far outpaces that of Bangkok

- Meanwhile, Thailand's Northeast region is not perceived as a MICE destination, despite TCEB's strategy to promote MICE in secondary tier cities

Travel Services

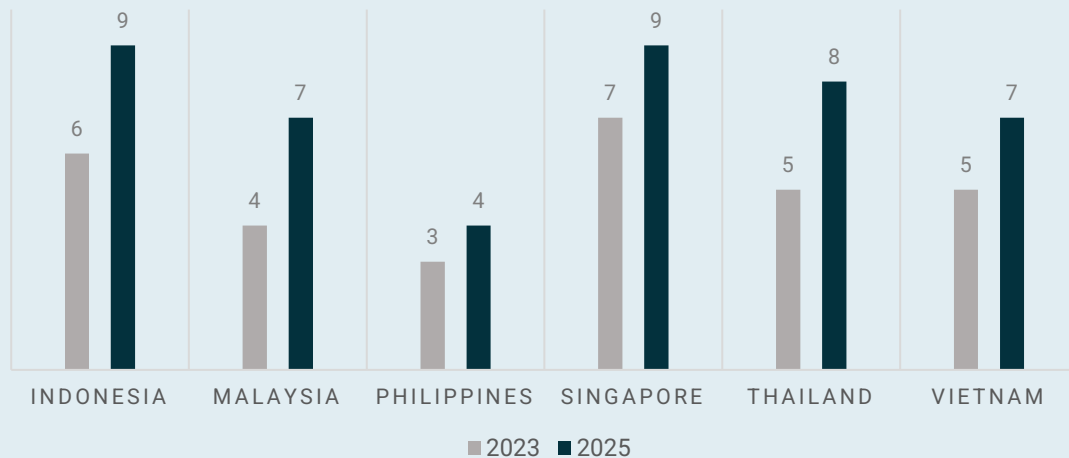


Outbound Travel Searches on Google to Worldwide Destinations



Source: Google Destination Insights. Y axis' 100 signifies highest interest levels in period Jan-22 to Dec-23

Forecast Online Travel GMV (\$B)



Source: Google e-Economy SEA 2023

OTAs are increasingly justifying their impact on local economies in a bid to garner support from authorities

- Traveloka/ PwC reported that from 2019 to 2022, it supported 179k tourism workers, around 1.6% of total tourism workers in Indonesia. It also claimed that it contributed \$10 bil USD to the Indonesian economy, accounting for 0.22% of total GDP
- Airbnb/ Oxford Economics also released a report, noting that Airbnb contributed RM5 bil to the Malaysian GDP, around 4.9% of tourism industry's contribution to GDP, and supported 57k jobs in 2022. In the Philippines it contributed \$840 mil USD to GDP and 103,800 jobs, and in Thailand 31 bil THB, 1.7% of tourism contribution to GDP, and 56,500 jobs
- Airbnb in particular is feeling pressure due to regulatory shifts in the region (see p. 9)

With the return of outbound travel comes the return of internet scams – and more sophisticated ways to detect them

- Singaporean Police reported that at least 30 customers since September 2023 fell foul of scammers who used the Booking.com in-app chat function to pose as hotel merchants and ask victims to click on a link to confirm their bookings
- Klook implemented AI to detect fraud when it launched its Taylor Swift Eras tour packages

TikTok partners with GoTo, will launch e-commerce platform

- TikTok announced a partnership with GoTo in a \$1.5 bil USD deal, which will permit it to operate as an e-commerce platform. It may provide a sales channel for smaller tourism SMEs, and pose competition to Indonesian incumbents Traveloka and Tiket.com

Pegipegi closes down after 12 years

- Dec-23 saw the announcement that Indonesian OTA Pegipegi would close, removing one less competitor in the Indonesian OTA space

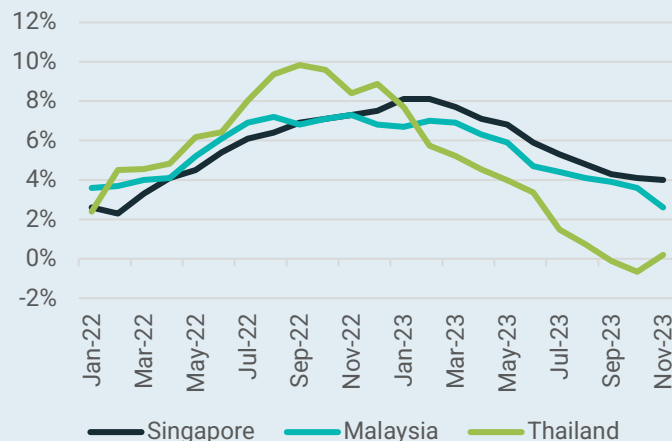
AirAsia rebrands Superapp to airasia move as part of transformation

- App aims to give “seamless access to travel and financial services on one single platform”
- It sees expanding and enhancing hotel services on the app as “critical steps” towards becoming the de-facto OTA in ASEAN

Food & Beverage



Food Inflation (%)



Source: DOSM, Singstat, Bureau of Trade and Economic Indices Thailand

Online Share of F&B Sales: Singapore (%)

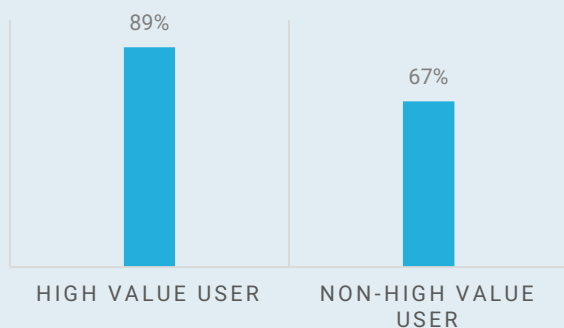


Source: SingStat

Food inflation could rise again in 1H 2024 due to El Niño phenomenon

- El Niño weather is expected to continue until Apr/ Jun 2024, hitting key staples such as rice exports from Thailand and triggering Indonesia and the Philippines to secure supplies
- Households in certain countries who also allocate a higher percentage of their consumer spend on F&B, including Indonesia (32%) and the Philippines (42%), could see discretionary spend slow to compensate
- The Indonesian National Food Agency projects food prices to remain high for the rest of the year and the ADB has warned authorities to “take policy steps to ensure that supply disruptions [...] do not raise food security challenges”

Users making Online Food Delivery purchases at least once per week (%)



Source: Google e-Economy SEA 2023

30%

of Singaporeans said that they have booked a destination to visit a specific restaurant

Source: Skyscanner

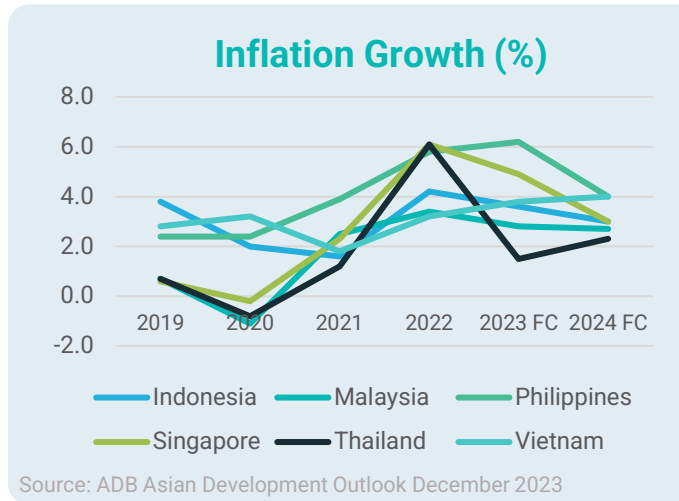
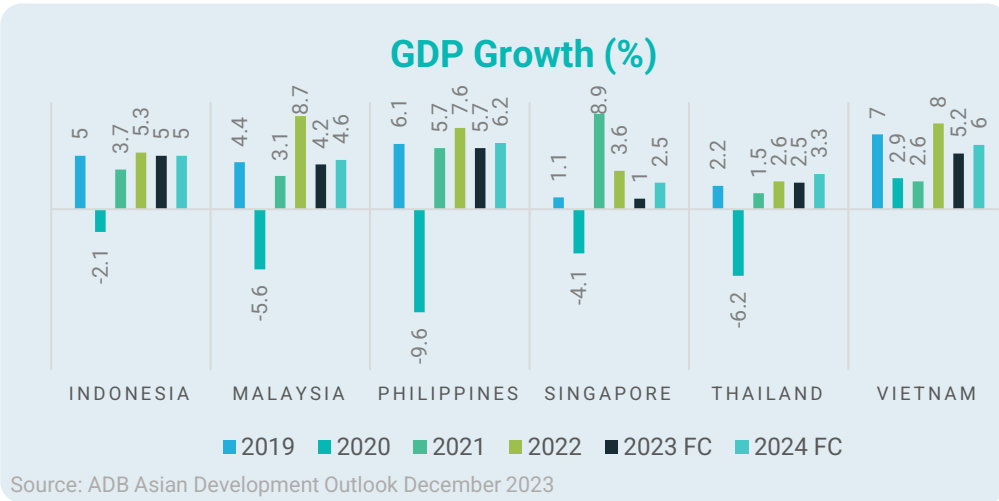
Gastronomy continues to feature as a major tourism promotional strategy – and will do so in the near future

- Thailand aims for gastronomy to account for 25% of tourist spend by 2025, up from a targeted 20%, or 0.5 bil THB, in 2023
- Consumers from Southeast Asia are expressing a higher interest in food as a driver for destination choice

Grab sees that food ordering habits “remain sticky post-pandemic” despite no in-person dining restrictions

- Share of online F&B sales for Singapore has continued, despite a predicted slowdown
- Grab sees the Food & Transport vertical to grow from \$24 bil GMV in 2023 to \$31 bil GMC in 2025

2024 Economic Outlook Relatively Robust



Jet Fuel Costs: Asia & Oceania, w/e 29 Dec

\$/barrel	vs. 1 wk ago	vs. 1 mth ago	vs. 1 yr ago
100.93	-3.1%	-5.6%	-21.8%

Source: IATA, Jet Fuel Price Monitor

Growth slowed in Southeast Asia, as has inflation

- Whilst growth weakened in the region in 2023 due to the global economy slowdown and declining demand for manufacturing exports, these were offset by strong domestic demand and tourism growth
- Likewise, inflation eased, but as we noted on p.12, food inflation may yet be impacted due to El Niño in 2024

Geopolitical tensions are simmering in the background

- Southeast Asia is in the middle of two giants: China and the US, walking a tightrope between both sides. This largely neutral policy in 2023 has, for example, helped the region to reap the benefits of Russian arrivals into the region, but the Gaza conflict has also brought certain countries, such as Malaysia and Indonesia, into direct opposition with US policy
- China and the Philippines have also clashed regarding the South China Sea, and Myanmar is rapidly destabilising, bringing into question ASEAN's relevance as a political organisation

Jet fuel costs starting to trend higher on back of geopolitical tensions

- With the combination of tensions in the Middle East and the Northern Hemisphere winter, jet fuel prices are on the increase once more. Airlines are keeping a close watch on jet fuel, with Philippine Airlines' President noting economic headwinds for the region include "volatile fuel prices and the impact of world events"

Cross border payment linkages continue to accelerate

- Connections to the Alipay+ ecosystem have continued apace in H2 2023, including by Payments Network Malaysia (PayNet) and the Singapore Tourism Board, whilst some of the many cross border QR linkages which were launched in 2023 to ease travellers' payments included Cambodia-Vietnam, Thailand-Hong Kong and Indonesia-Singapore. We can expect more to launch in 2024

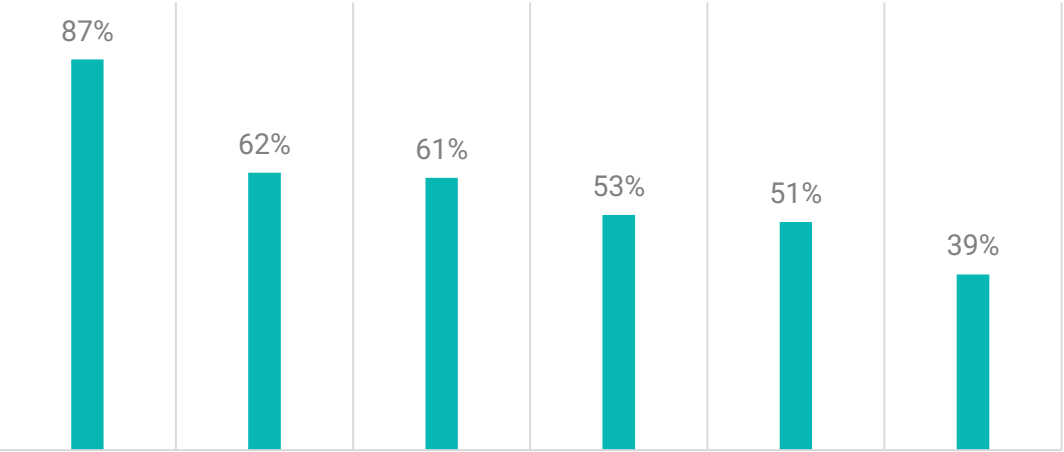
Weakening currencies against the USD

- The Thai Baht, Malaysian Ringgit and Indonesian Rupiah all tumbled against the USD in 2H 2023, and the Malaysian Ringgit dramatically weakened vs the Singapore Dollar
- As we have noted before, this depreciation is a double-edged sword for tourism: potentially giving a boost to inbound travellers as the destination is perceived to be cheaper, but inhibiting outbound tourism and impacting airlines' operational expenses, typically costed in USD

Visa waivers pick up speed, aiming at Chinese travellers

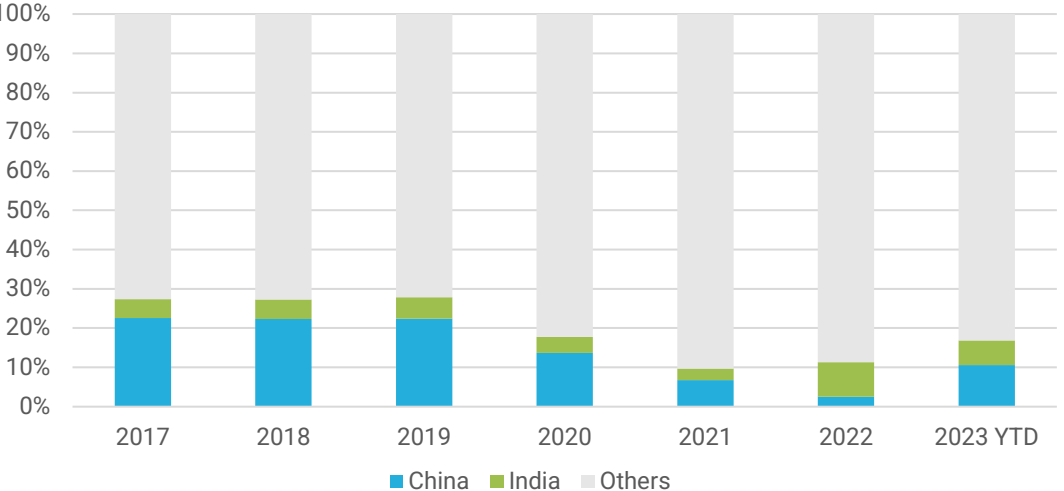


Recovery of Air Capacity to China in Dec-23 vs Dec-19 (%)



Source: OAG

China and India's shares of total int'l visitors for Indonesia, Singapore and Thailand (%)



Source: MOTCE, STAN, MOST

SE Asian countries are using visa easing as a marketing tool to attract more Chinese and Indian visitors – and we can expect more easing in 2024

- Thailand set the pace when it came to easing visa requirements in the region, with new Prime Minister Srettha's aim to have an immediate uplift for Thailand's weakening tourism recovery. They have since announced that this visa waiver will remain permanently
- Malaysia followed, emboldened by China's 30-day visa waiver for Malaysian travellers, and Singapore and Indonesia have signalled that they are relooking at revising policies from Q1 2024
- Meanwhile, Cambodia declared 2024 the Year of Cambodia-China Tourism and Culture, and Vietnam's Minister of Tourism is pushing for visa reforms for Chinese and Indian travellers

Chinese travellers appear to be easily dissuaded by negative online press; better online reputation management required from destinations

- Thailand's visa waiver for Chinese travellers immediately prior to the peak travel period of October's Golden Week, did not reach its full potential, partly due to a mass shooting at a popular Bangkok shopping mall which killed one Chinese national, negatively impacting Thailand's perceived safety
- Thailand, and in Southeast Asia in general, also suffered from a tarnished reputation in 2H 2023, with the release of Chinese film *No More Bets* which focused on scams and human trafficking in the region.
- 85% of 54k Chinese travellers in a Weibo survey from earlier in the year said that they would not travel to ASEAN countries over fears of safety

Chinese travellers are at lower-than-expected levels of recovery into Southeast Asia

- At the start of 2023, governments were buoyed by the announcement that Chinese outbound travel would reopen, and upped their targets for Chinese nationals. At the end of 2023, we saw these high targets walked back, particularly for Thailand in Dec-23, which lowered it by 1.5 million
- A key reason for this slow recovery is due to air capacity: China-Thailand seat capacity in Dec-23 was at just 51% of Dec-19's capacity, and Chinese airlines have withdrawn their slots at Thai airports

India remains an attractive alternative option

- Whilst undeniably tourism ministries have placed considerable focus on the Chinese market, the visa easing has largely been granted for both China and India, as the region hedges their bets against a slow aviation recovery from China in 1Q 2024
- India will continue to be an important focus for the region for marketing and air linkages in 1H 2024

Sustainability in the Spotlight



Haze clouded the southern ASEAN region in 2H 2023, and is threatening northern ASEAN's tourism prospects for 1H 2024.

Single use plastics phased out across multiple destinations

- Indonesia declared a ban on single use plastics by end-2029, Co To Island in Vietnam and Occidental Negros in the Philippines enacted a ban on plastic bags

"Carbon-neutral", "net-zero emissions" terms gather speed

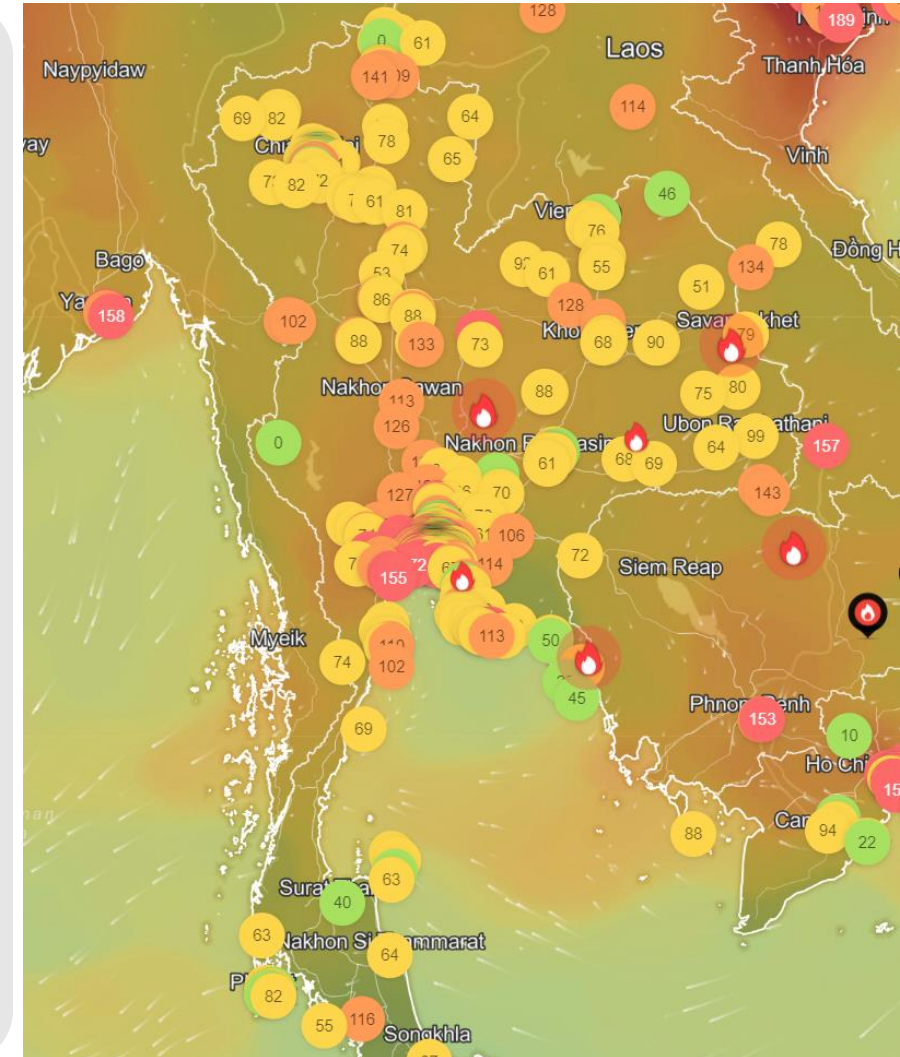
- Indonesia laid down its long-term plan for net-zero emissions by 2060. When it comes to tourism, it plans to start with energy and waste management in 20 hotels in Nusa Dua Bali, and the 5 Super Priority Destinations
- Krabi province in Thailand aims to be the country's first carbon-neutral province by 2040, with a collaboration between 10 national level agencies and 12 tourism operators

Haze hit southern Southeast Asia in 2H 2023, and Thailand is concerned about 2024

- Although Jakarta bore the brunt of haze-related issues in 2H 2023, Singapore and Malaysia got away quite lightly. They experienced some trans-boundary haze, but not at the levels initially feared, with no adverse tourism impact reported
- However, Thailand is concerned about the dry season at the start of 2024 and the potential for Chiang Mai and northern destinations to once more suffer diminished interest from tourists over its peak Songkran travel period. In Dec-23, Thailand already reported 15 provinces with red-code levels of smog
- Hanoi also suffered from higher levels of air pollution in Dec-23 and continues to suffer in Jan-24

A new way of measuring tourism impact could lead to positive soul-searching

- The Philippines was chosen as a pilot by the UNWTO for its new Statistical Framework for Measuring the Sustainability of Tourism (MST), which aims to measure the impact of tourism relating to the economy, environment and society
- If adopted region-wide, this could potentially see countries moving away from people counting to value counting – and with it, a whole rethink of what tourism should contribute to a community

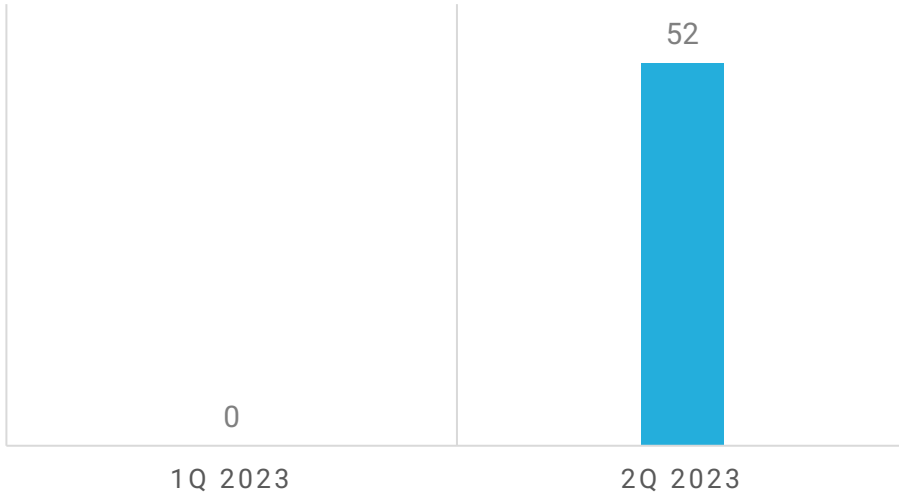


Sustainability in the Spotlight



Airlines in the region commit to target of 5% SAF utilisation rate by 2030, whilst climate change worsens operating environment for airports.

Number of red lightning strikes at Ninoy Aquino Int'l Airport, Philippines



Source: Rappler

SAF utilisation rate of 5% on the horizon for Asian airlines by 2030, but SAF production, education still lags behind

- The Association of Asia-Pacific Airlines (AAPA) has pledged an “aspirational” target of 5% SAF utilisation rate by 2030, but Singapore Airlines has cautioned that to meet this target, “you will need the supply to be there... We would like to see how supply can be encouraged, but we are not making any decision on how we are going to facilitate that”
- The Civil Aviation Authority of Singapore (CAAS) seems to be hesitant too, having completed its 20-month SAF pilot project, and concluding that whilst Changi Airport could be operationally ready to safely deploy SAF, the market isn’t ready. Just 2/3 of its SAF credits were sold, indicating that better education, outreach and government support is required
- Thailand finally forayed into SAF production, with the Bangchak Corporation to launch Thailand’s first SAF factory in early 2025 with a capacity of 1 million litres per day

Airlines and airports start to roll out carbon offsetting schemes for travellers as part of suite of sustainability measures

- Malaysia Airlines integrated its online checkout with CHOOOSE for carbon offsetting, whilst Changi Airports Group launched its own program, Changi Carbon Offsets

Growing lightning strikes impact operations at NAIA airport

- Ninoy Aquino International Airport in Manila saw a dramatic uptick in the number of “red lightning alerts” issued in 2Q 2023 compared to 1Q 2023. These require the airport to withdraw ground personnel from the tarmac, and can often impact operations for over an hour at a time, leading to rescheduling and cancellations
- Transportation Undersecretary for Aviation has noted that these alerts have become “more unpredictable and frequent due to climate change”, and although the airport has implemented measures to help it stop and start operations as swiftly as possible, backlogs still occur, impacting domestic and international routes

Sustainability in the Spotlight



Sustainability measures seen as key marketing proposition for convention centres, OTAs

25%

of Singapore hotel rooms have either obtained or started efforts to get internationally recognised sustainability certification as of Aug-23

0.1%

of 38,000 accommodations in Vietnam have the ASEAN Green Hotel certification

Larger hotel chains are starting to strike partnerships to tackle sustainability on a wider scale across their properties

- Resorts World Sentosa is collaborating with Honeywell to implement Singapore's first large-scale, cloud-based building management system (BMS) to help drive decarbonisation efforts
- Centara Hotels & Resort signed an MoU with SCG Cleanergy Company to research and plan solar energy use for the hospitality sector through the integration of SCG's Smart Grid electrical network

Overseas aid agencies are supporting lesser developed Southeast Asian economies to encourage tourism MSMEs' sustainability journey

- Quang Nam province in Vietnam partnered with the Swiss Tourism for Sustainable Development Project, with 11 tourism businesses awarded a "green" label
- SUSTOUR in Laos, funded by the EU's SwitchAsia, is supporting MSMEs to receive green certification from Travelife
- Carbon neutral tours launched by the Thai Ecotourism and Adventure Travel Association, are also supported by SwitchAsia

MICE convention centres are upping their sustainability focus as a marketing proposition

- Kuala Lumpur Convention Centre will be powered by green energy under the Green Electricity Tariff program, the first venue in Malaysia to get electricity from renewable sources
- Bangkok's IMPACT Exhibition Centre launched a new Green Meeting Package to support event planners to understand their carbon footprint
- SMX Convention Centre in Manila said it will "aggressively" promote its green meeting packages

Similarly, OTAs are highlighting their sustainable travel initiatives as a differentiator

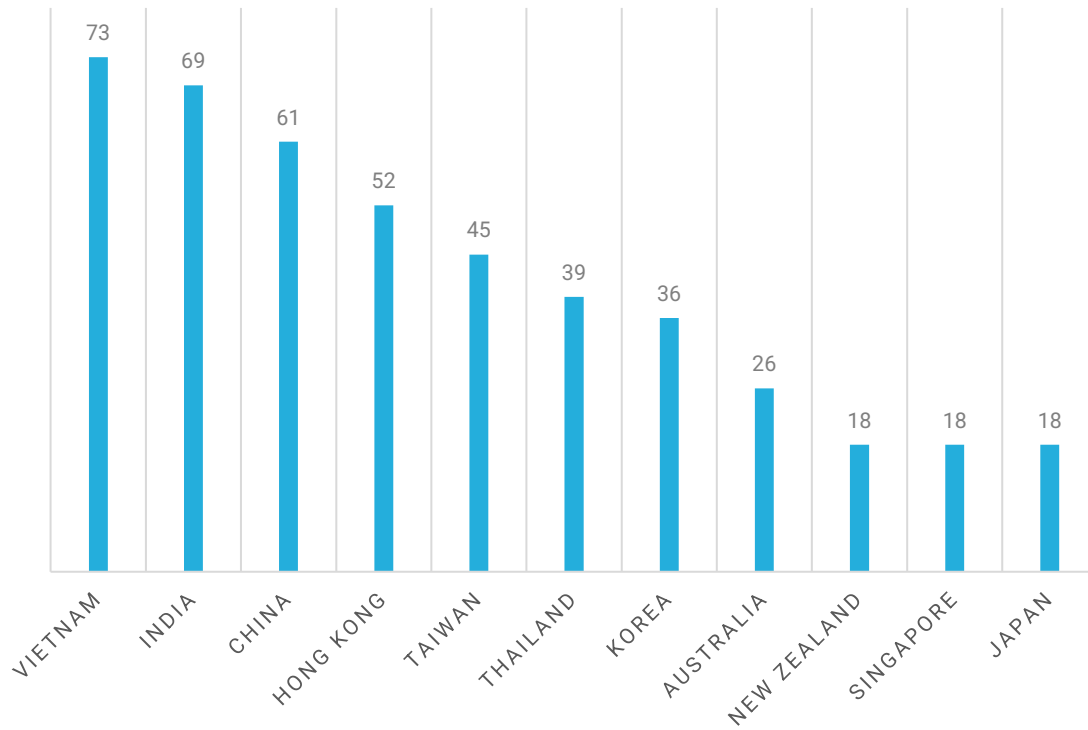
- Traveloka set the goal of becoming the most sustainable tech company in the region, with the best ESG rating amongst its competitors by 2024
- It also launched a carbon offsetting program at checkout for Singaporean travellers, and is offering filters to search for accommodation certified by GSTC standards
- Trip.com reported that 16 million travellers have chosen their sustainable travel options, and 1,000 hotel partners are engaged under its Low-Carbon Hotel Standard initiative

Sustainability in the Spotlight



Travellers are increasingly noting their preference for sustainable travel options, although new global study indicates that the correlation between preferences and action is far.

Respondents willing to pay for sustainable accommodation choices (%)



Source: Booking.com Travel Confidence Index 2023

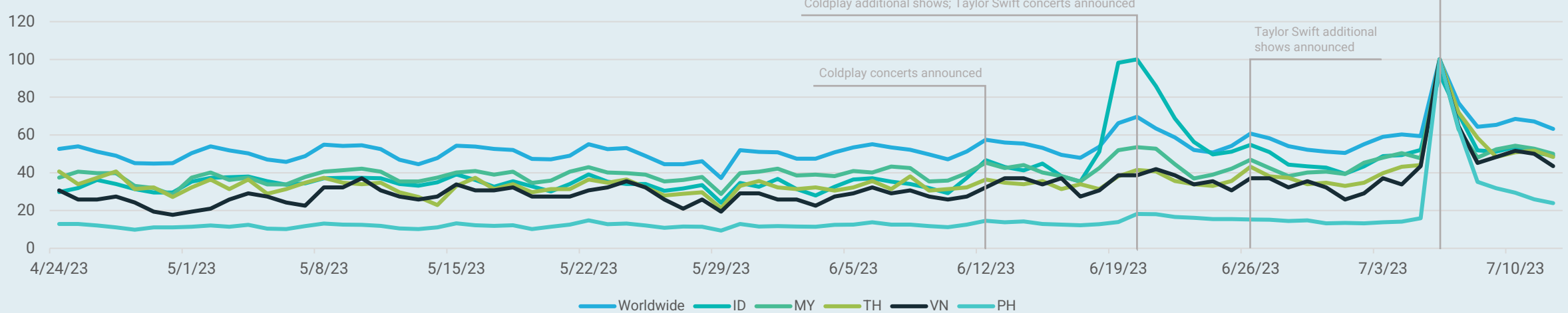
Global Phocuswright study shows that sustainability beliefs are not necessarily reflected in travel booking actions

- A research report on Sustainability Dissonance in June 2023, targeting the US and major European markets, took the methodology of first surveying travellers on historical trips without indicating that the survey was to focus on sustainability, and then asked them questions on their beliefs and attitudes towards sustainability in the second half of the survey
- This provided sharply contrasting pictures of what travellers believe and actually do - for example, whilst 55% of the German travellers surveyed said that they are more likely to choose lodging based on its environmental friendliness, as opposed to price, just 9% ranked sustainability as a top 5 influencing factor for choosing between similar properties of a similar price, location and comfort for their most recent trip
- This methodology was focused on Western travellers, and we forecast similar reports will be launched in 2024 to examine Asian travellers' attitudes and behaviour
- This might challenge OTA research (like that on the left from Booking.com), which shows a very positive momentum towards sustainability as a burgeoning motivator for travel bookings in the region

Music and event-based tourism on the rise



Accommodation-related searches for Singapore in 2023



Singapore maximised music tourism to generate continued interest, create multiplier effect

- Despite ADR reaching highs in Singapore and its limited size, Singapore succeeded in securing Taylor Swift's Eras tour for 6 nights in 2024, her only stop in Southeast Asia, and one of just two in Asia
- As we've seen worldwide, the Tylornomics effect was triggered, with Agoda reporting that searches for accommodation in Singapore increased 160X, driven by regional markets, and Traveloka saw a 6X increase in flight bookings during the concert period, with demand coming mainly from Indonesia, Vietnam, and China
- Singapore will also welcome 6 Coldplay concerts, the largest number in the region. ForwardKeys noted that booked tickets from Southeast Asia to Singapore as of 9 Oct 2023 showed a 241% YoY increase from 23-31 Jan 2024
- Both Singaporean travel services and accommodation have benefited from the concerts, with Klook launching its own special packages for the Taylor Swift concerts, and Marina Bay Sands selling VIP tickets and a 3N VIP stay for \$10k SGD, \$15k SGD and \$50k SGD respectively
- The Singapore Ministry of Trade and Industry noted that concerts are "a very large... economic (value-added) activity" due to their total spend in the destination, excluding the concert ticket

Other countries in the region want to mimic Singapore's success, but face challenges

- Indonesia has admitted that its long processing time for concert permits is impacting its potential and is planning a digitalised process, whilst Malaysia faces challenges amongst more conservative factions

Generative AI, Machine Learning and Robotics Starting To Be Used for Real-World applications



68%

of Singaporeans are interested to use AI to plan their trip, higher than global average of 50%

“As a consumer, I use travel agencies to reduce my pain points. I don’t want to explore every possible destination option, and, crucially, I do not want to make any mistakes when booking. What I do want is advice and guidance. Something that AI will never be able to provide.”

- Carlos Muñoz, chief commercial officer of HBX Group

Increasing number of airports piloting and implementing automation to increase efficiencies

- Changi Airport’s T2 installed a fully automated early baggage storage system to handle 2,400 bags
- It is also testing a baggage screening system for use at the gates with AI and machine learning to interpret X-ray images, to speed up the process by 50%
- Singapore is developing a new gantry for travellers, Next Generation Clearance, which would see travellers clear immigration without stopping in just 10 secs, using biometric information
- Airports of Thailand is trialling a Smart Path automated biometric ID system for pre-security screening and self-serviced boarding
- Automatic immigration checking was implemented in Dec-23 at Bangkok Suvarnabhumi Intl Airport for outbound international travellers

OTA real-world application of Generative AI started to take off in 2H 2023, will be expanded in 1H2024

- Skyscanner launched its inspirational tool, Dream and Discover, aimed at the Singaporean market in 1H 2023
- Agoda’s CEO noted that GenAI’s biggest opportunity was the automation of their internal and back-office processes, or software development
- Klook launched its K.AI service, fully integrated into its Things to Do pages across 8 languages, to allow it to scale faster

Hotels use robotics for beach clean-ups

- Hyatt Regency Bali and Andaz Bali are rolling out a “Hyatt BeBot” beach cleaning robot that operates in a smart, autonomous manner

Travel & Hospitality Pain Points

Post COVID-19 exposing legacy issues and industry challenges



Brands and airlines want to reduce their **over-dependence on OTAs and GDSs**



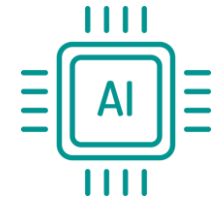
Adapting to the **needs of the modern business traveller** – loyalty, payments, leisure, expense management



Understanding **consumer preferences and personalising offerings**



Managing **complex loyalty programs** and driving engagement in a crowded landscape



Incorporating **Generative AI** into business processes and driving better customer experience



Dealing with a wide range of **technology options** and navigating integrations with legacy systems



High OTA distribution costs and responding to the emergence of new models - influencers, emerging social media platforms and super apps



Responding to **new traveller groups**, such as digital nomads and female solos



Introducing **decarbonisation** initiatives and meeting customer and regulatory **sustainability** expectations



Evolving product to appeal to **new age customer demands** such as wellness, social-responsible and immersive tourism

Corporate Challenges



The Resurgence of Business Travel

Pain Points	Industry Observations	Biggest Concerns Regarding Traveling for Business																					
Expense Management	Travel decision makers have greater need for more flexible payment and expense management tools , dynamic tools for travel spend optimization, and end-to-end tools for travel and expense management. - Mastercard	<table border="1"> <thead> <tr> <th data-bbox="1401 492 1949 521">Business Travelers</th> <th data-bbox="1961 492 2497 521">Travel and Finance Managers</th> </tr> </thead> <tbody> <tr> <td data-bbox="1401 535 1949 592">Timely information about changes in travel procedures</td> <td data-bbox="1961 535 2497 592">Delivering good information about changes in travel procedures</td> </tr> <tr> <td data-bbox="1401 599 1949 656">Staying healthy while traveling</td> <td data-bbox="1961 599 2497 656">Delivering frequent updates about new travel policies</td> </tr> <tr> <td data-bbox="1401 664 1949 721">Frequent updates about new company travel policies</td> <td data-bbox="1961 664 2497 721">Flexibility to fix problems while traveling</td> </tr> <tr> <td data-bbox="1401 728 1949 785">Destination entry requirements</td> <td data-bbox="1961 728 2497 785">Explaining changes to our company's travel policy and expensing</td> </tr> <tr> <td data-bbox="1401 792 1949 849">Changes to company travel and expense policy</td> <td data-bbox="1961 792 2497 849">Knowing where employees are</td> </tr> <tr> <td data-bbox="1401 856 1949 913">Paying for travel expenses on a personal credit card</td> <td data-bbox="1961 856 2497 913">Destination entry requirements</td> </tr> <tr> <td data-bbox="1401 921 1949 978">Support for fixing problems while traveling</td> <td data-bbox="1961 921 2497 978">Support to stay healthy while traveling</td> </tr> <tr> <td data-bbox="1401 985 1949 1042">None of the above</td> <td data-bbox="1961 985 2497 1042">Paying for travel expenses on a personal credit card</td> </tr> <tr> <td></td> <td data-bbox="1961 1049 2497 1106">None of the above</td> </tr> </tbody> </table>		Business Travelers	Travel and Finance Managers	Timely information about changes in travel procedures	Delivering good information about changes in travel procedures	Staying healthy while traveling	Delivering frequent updates about new travel policies	Frequent updates about new company travel policies	Flexibility to fix problems while traveling	Destination entry requirements	Explaining changes to our company's travel policy and expensing	Changes to company travel and expense policy	Knowing where employees are	Paying for travel expenses on a personal credit card	Destination entry requirements	Support for fixing problems while traveling	Support to stay healthy while traveling	None of the above	Paying for travel expenses on a personal credit card		None of the above
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Outdated Travel Policies relating to Bleisure	Visiting trips are usually designed to improve connectivity, morale, and retention, so they may incorporate more leisure time and activities. But the challenge with this is that many companies still rely on old travel policies that were written pre-pandemic, when this concept didn't really exist. -Travelport																						
Sustainability	With sustainability being a clear corporate priority for many, travel suppliers have invested significantly in initiatives to reduce their carbon footprint and demonstrate their green commitment. - Deloitte Insights																						
Lack of Integration	Increasingly, travel and finance managers are requesting tools that can seamlessly link fragmented pieces of the full experience — including booking, trip management, customer service, and expensing — all in one convenient interface. - Skift	The survey highlights that the importance of companies to use travel management platforms to deliver timely information about changes in travel procedures.																					

Corporate Challenges

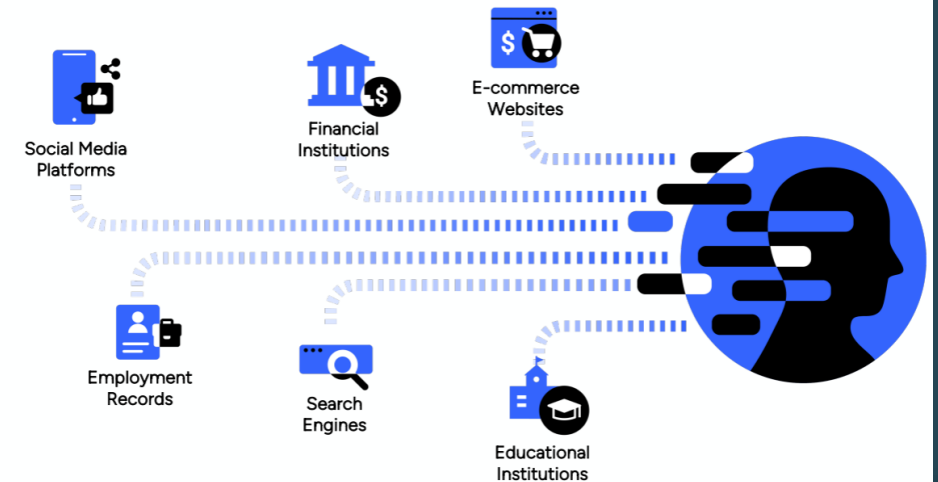


Understanding Consumer Preferences Holistically

Pain Points	Industry Observations
Improved Customer Experience	Travelers want excellent customer service through personalized guest engagements, tailored corporate contracts and unique event activations – Hilton
Need for Actionable Insights	As the world evolves with great advances in technology and ever-changing consumer trends, more industries including the tourism sector are tapping on data analytics to enhance their competitive edge and improve their business performance through actionable insights. – Singapore Tourism Board
Growth towards Frictionless Travel	SITA FlexBox is a compact device that empowers travelers disembarking cruises to swiftly check themselves in for their flights from the cruise terminal before transferring to the airport. This frees up space and resources within the terminal and enables more seamless interlinking of intermodal sea and air trips. - SITA
Hyper Personalization	A prescriptive approach has never been what we have been about. I believe what has differentiated Miraval and will differentiate Hyatt as its wellbeing programming evolves is that we treat people as individuals and take a personal approach to meeting the needs of our customers and clients because wellbeing is personal. - Miraval Hyatt

Holistic View of Digital Identity

OUR IDENTITY LACKS A HOLISTIC VIEW



Consumers are looking for a comprehensive integrated self-view in the digital world, to exercise authority over their data, and make informed usage decisions. This allows consumers extract value from their data by sharing their data with trusted organizations to hyper personalize services and experiences.

Source: Skift, Statista, : IDC Affinidi Consumer Identity Management Survey, 2023 for organisations and consumers in North America, India and Singapore

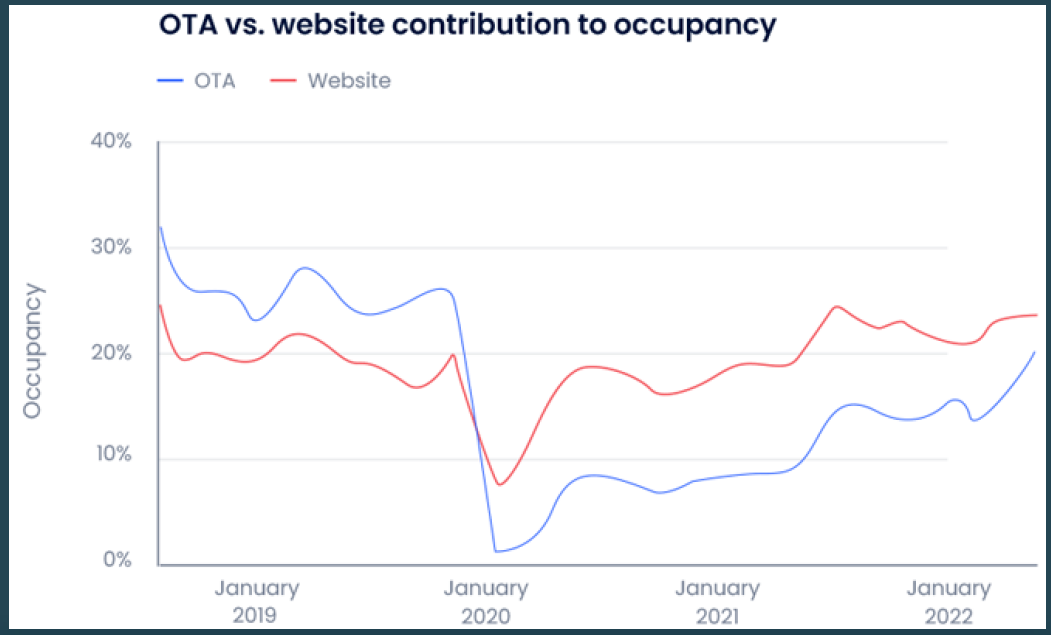
Corporate Challenges



Disrupting Legacy Technologies like OTAs and GDSs

Pain Points	Industry Observations
High Distribution Cost	A commission is a fee that a hotel pays to a third party for helping them to acquire a customer. There is generally a substantial difference between what the guests pay and how much the hotel receives. For a traditional travel agent, that commission is about 10%, while an OTA like Booking.com can charge as much as 25%. - Mews Hospitality
Low Customer Retention	In response to data and feedback from more than 40 million members, Hilton recognized that guest preferences are changing as choices expand while brand loyalty is becoming more important than ever but harder to win, particularly with the continued reliance on OTAs by consumers. - Hilton
Limited Pricing Power	American, Delta and United have given us indications in the last 10 days that they've been able to push up the price of fares and/or the prices of their so-called "ancillary services" (things like checking bags and selecting a seat that used to be included in the fare price)... but not by much due to the commissions paid to third-party distribution partners; certainly not by enough to cover a nearly 40% year-over-year increase in the cost of fuel for their plan. - Forbes
Lack of Channels to Upsell	In the past, customers who booked travel through third-party distribution partners may have had subpar booking and travel management experiences with limited access to fares and packages. - American Airlines

Shift from OTAs to direct hotel website bookings



Over the years, hotels have been increasing sales through direct website bookings, reducing their reliance on OTAs over the years due to the high commissions that they have to pay OTAs. However, hotels still maintain a presence on OTAs as they provide a broad reach and exposure to potential guests who may not be familiar with the hotel's brand. We note that the other sales channels for hotels include travel agents.

Source: Skift, CloudBeds

1H 2024: Technology Investment Opportunities

















Food & Beverage	Accommodation	Experiences	Travel Services	Transportation
Gastronomy Tourism	Labour Management and Productivity Tools	Wellness & Medical Tourism	Generative AI	Labour Management and Productivity Tools
	Robotics and Automation	Socially-Responsible & Immersive Tourism	Discovery and Booking	Sustainable Air Fuel Platforms
Food Waste Management & Sustainability	Environmental & Energy Solutions	Music and Event-Based Tourism	Remote Work and Travel Platforms	Net Zero Travel
	Personalized Guest Experiences	Social Commerce Enablers	Consumer Preferences Wallet	Synchronization and Real Time Data Sharing
Dynamic Pricing	Revenue Optimisation	Distribution and Channel Management Tools	Specialist OTAs & Travel Distribution Platforms	Delay & Re-routing Solutions

Start-Up Opportunities



Discovery and Booking

Investment Thesis	Startup Opportunities
Inspiration-Driven Travel Experiences	  
Integrated Multichannel Booking Platform	  
Emerging Technologies and Innovation	   
Sustainable and Responsible Travel Bookings	   











Revenue Optimisation

Investment Thesis	Startup Opportunities
Increasing Hotel Occupancy	   
Tools to Upsell Customers	    
Increasing Efficiency for Hotels	    
Low Customer Acquisition Cost	   

Start-Up Opportunities



Digital Identity

Investment Thesis	Startup Opportunities
Credentials Solutions	   
Preference Solutions	   
Loyalty Solutions	   
Security Solutions	   

Investment Universe



Food & Beverage	Accommodation	Experiences	Travel Services	Transportation
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<p>Sustainable Packaging Alternative Proteins, Food Safety & Traceability</p> <p>Customer Feedback</p> <p>Contactless Ordering & Payment Health & Nutrition</p> <p>Procurement Platforms Food Delivery, Labour Management & Productivity Tools</p> <p>POS & Payments</p> <p>Food Waste Management Sustainable Food</p> <p>Casual Worker Management Tools, Customer Relationship Management</p> <p>Supply Chain & Procurement Omnichannel Restaurants</p> <p>Delivery and Cloud Kitchens</p> <p>Kitchen Robotics & Dynamic Pricing Digitization</p>	<p>Labour Management & Productivity Tools Wi-Fi 6, Contactless/Voice/Robo Guest Interaction Tools</p> <p>Alternative Holiday Accommodation Smart Living</p> <p>Distribution platforms, Revenue Management System</p> <p>Loyalty platforms Remote Working, Digital Nomads & Co-living Community</p> <p>Great Merging between Short Term Rentals and Hotels</p> <p>Guest Experience, Hotel Property & Customer Management System Cleaning, Air Quality and Environmental</p> <p>Environmental & Energy Solutions Local Event Engagement Platforms</p> <p>Robotics & Automation</p>	<p>Digital/Contactless Customer Experience</p> <p>Yield Management Software NFTs, Virtual Tours</p> <p>Personalised Shopping</p> <p>Distribution & Aggregation Platforms Contactless Retail Experience, Event Organisation</p> <p>Virtual Event Platform</p> <p>Wellness & Medical Tourism Customer Engagement & Retention</p> <p>Wearables & Alternative Payment IOT Devices</p> <p>MICE Planning & Management, Gamification, Immersive Theatres & Augmented Sites</p> <p>Digital and Franchise Tour Models, Niche Experiences</p> <p>Socially-responsible & Immersive Tourism</p> <p>Hybrid Events & Metaverse</p>	<p>Airport Check-In, Consumer Data Analytics & AI</p> <p>Digital Identity</p> <p>Tour Booking & Tour Guide Empowerment Decentralized Distribution Platforms (Blockchain)</p> <p>Generative AI Telecommunication & Roaming Service</p> <p>On Demand Covid-19 Testing</p> <p>Demand Engines for Direct Bookings Health Passport</p> <p>Specialist OTAs, Social Commerce Enablers</p> <p>Cross-Language Communications, Itinerary Construction Platforms</p> <p>Remote Travelling through Live Streaming</p> <p>FX, Payments, Lending & Insurance, Social Media Marketing</p> <p>Buy Now Pay Later</p>	<p>Facial Recognition Software Co-Ownership & Sharing Mobility Platforms</p> <p>Carbon Reducing & Offsetting Digital Duty Free</p> <p>Frictionless Travel</p> <p>Sustainable Air Fuel, Labour Solutions Digital/Contactless Customer Experience</p> <p>Labour Management & Productivity Tools Air Cargo Handling</p> <p>Air Ticket Distribution</p> <p>Loyalty Program Disruptors, Net Zero Travel</p> <p>Seamless End-to-End Tracking, Last Mile Delivery</p> <p>Synchronization and Real Time Data Sharing</p> <p>Autonomous Aircraft Servicing, Road Traffic Analysis</p> <p>Delay & Re-routing solutions, Mobility-as-a-Service Personalized Mobility</p>
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Invested	Investible Areas	Less Investible Areas
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Key Catalysts & Risks



Key Catalysts

- Inflation has peaked and declined consistently over the past quarters
- Declining energy prices is expected to bolster consumer spending and contribute modestly to a positive economic outlook
- Airline industry has recovered well as well as increasing capacity and is fast-approaching pre-pandemic levels
- Travel demand will continue to remain strong as consumers continue to prioritize the value of experiences and connections over things

Key Risks

- Decelerating global growth and elevated recession risks
- High interest rates amplify business risks and dampen the business outlook
- Possible pronounced consumer pullback given stubborn inflation and low consumer confidence
- Investment sentiment weakened as investors shift from inflation fears to growth concerns
- Global political tensions might worsen, which will negatively affect T&H sector.



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