



Net Value

Marketing Travel On The Internet

Travelport Q1

Travelport's overall Q1 results are difficult to compare directly with 2007 because of various corporate changes.

There was no change in total corporate revenue - stuck at US\$666mn - but this includes Orbitz in 2007, but excludes Worldspan. Excluding both those - to make the comparison fair - the results showed 3% growth to US\$486mn.

(In 2007, Travelport sold off part of Orbitz, and now owns only 48%. As a result, Orbitz results are now excluded from corporate Travelport results. Orbitz had a poor Q1, see separate report.)

The following shows comparative data:

• Revenue.

• Galileo; US\$412mn, down 1%. However, by cutting costs, increasing yields etc, Travelport managed to get a 6% growth in gross profit.

• GTA (which was Gullivers Travel); US\$74mn, up 30%. And gross profits up 125% (but the resulting total is small, US\$9mn).

• Worldspan; US\$180mn, a significant 14% fall.

Earlier, we speculated that the only real value for Travelport's purchase of the GDS Worldspan (WS) was to prevent it being bought another company, and thus become a rival to Travelport's Galileo. This substantial decline (and in segments, see below) indicates Travelport will let WS die.

If there is a similar decline in the second half, that would seem to confirm that likelihood. Adding credibility to our comments is the fact that gross profits fell 35%. Is Travelport switching some GDS costs from Galileo to WS?

• Operations.

• Galileo. Total segments fell 3% to 72.5mn (of which Americas fell 7% to 26.7mn, and rest-of-world fell 1% to 45.8mn).

• WS. Segments fell 19% to 35.7mn; no geographical breakdown.

• GTA. Total transaction value increased 20% to US\$391mn.

Orbitz Q1

Q1 results for Orbitz have been presented as showing good progress. To us, see table, they indicate trouble, albeit probably a result of economic and travel slowdown. And overall, and despite being considered a mature on-line travel agency, Orbitz is still losing (more) money; the US\$15mn loss was 50% higher than Q1 2007.

Orbitz results in, Q1 2008

Item	US\$m	Growth,%
Gross bookings		
Air	2071	-1.1
Non-air	804	3.1
US	2387	-5.7
Rest-of-world	488	41.4
Total	2875	0.0
Net revenue		
Air	95	-4.0
Non-air	124	9.7
US	168	1.2
Rest-of-world	51	10.9
Total	219	3.3
Net loss	-15	50.0

Source: company.

(Main Orbitz brands are Cheap Tickets, Ebookers, Hotel Club, Rates To Go.)

• **Gross bookings**; the value of bookings through Orbitz sites.

US\$2.9bn, an unchanged total. But there were declines in two sectors - air, and activity in the US. These two are probably related - a slowdown in business activity, to date primarily in the US.

Internet companies are thought to be in a better position in a downturn, but these results indicates perhaps not. However, the 3% growth in non-air bookings - which, in relative terms, looks good - may be an indicator, but this category represents under half of the air total.

The big decline is in US sales. They fell 6%, but the total is so big that this represents a fall of US\$143mn. Likewise, the 41% growth in the rest-of-world needs to be enumerated; unusually, that is the same figure as the loss in US sales - US\$143mn.

• **Net revenue**; the figure that Orbitz

receives. Similar patterns, but some significant differences.

The total increased 3%, but there were increases in the main categories, except for air bookings - which fell a sizeable 4%. Non-air yields for Orbitz are much better than for air (15% instead of 5%), so not only is non-air net better than air, but it increased almost 10% in Q1.

Also, the US held revenue levels steady, increasing 1%, but the rest-of-world, following 11% growth, is now one-third the US total.

China online

New data from Research and Markets, a company, on the China online travel market has still not clarified a mistake we highlighted in its last report - and it has not advised its customers of its error.

Data in one of R&M's reports released in 2007 put the value of the China online market in 2006 at US\$1.5bn (quoted in US\$). We noted that this did not tally with a previous R&M report that put the market at US\$178.5mn (at US\$1 to Y7.00) in 2005, and growing 52.8% to US\$272.9mn in 2006, with R&M expecting the market to reach US\$1.86bn in 2010.

That said, R&M frequently takes data from other sources, without reference and commentary, and so these different figures may actually be from different original sources.

A new report from R&M puts the 2007 total at US\$364mn, following a 65.4% growth. R&M forecasts that the market will increase 70.9% this year to US\$626mn, and reach US\$781mn in 2010.

China online travel booking market has developed rapidly. According to the survey:

• Tourism (presumably inbound and outbound, and all travel, not just tourism) accounted for two-thirds of China's total.

• Those who have made a hotel reservation by internet amounted to 70.2% of China's total, those who have booked air tickets accounted for 70.7%, and holiday products 20.3% of China's total.