

Short selling time share and travel agents

Maturing internet companies like Airbnb are fuelling a wave of change across the hotel and leisure industry as consumers change their booking habits, attracting short sellers to vulnerable incumbents.

- Tripadvisor and Flight Centre come under pressure as competition heats up in online booking
- Short sellers target time share operators Diamond Resorts and Wyndham Worldwide
- Royal Caribbean Cruises sees surge in short interest on earnings miss

Last minute holiday shorts

Despite recent consolidation efforts, Marriot International and Diamond resorts are among the most short sold travel and leisure companies globally with over a fifth of shares sold short in each.

First, the travel industry grappled with increased transparency as the internet penetrated the realm of travel agents. This saw the impressive rise of price comparison websites and budget airlines as value conscious consumers started sifting for the best deals themselves.

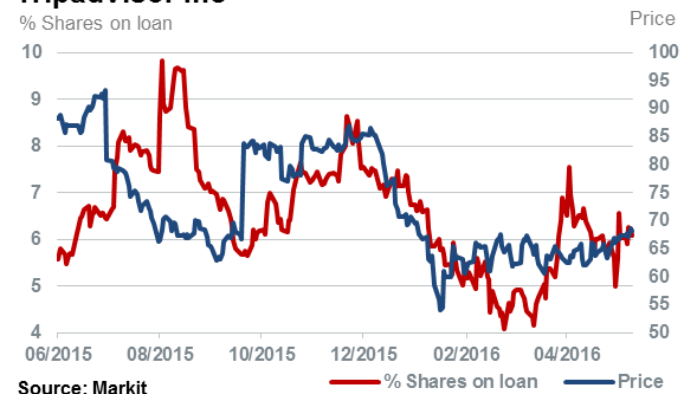
The value (and cost) of travel agents to the end consumer has arguably lost out to online booking portals, airlines directly and successful aggregators. However, three-decade-old Australian Flight Centre, with over 2000 high street branches worldwide, has managed to persevere thus far, delivering earnings and sales growth.

Flight Centre Travel Group Ltd



However, Flight Centre is struggling to get earnings back above 2014 levels and is attempting to convert to a more online, mobile centred business. Short interest meanwhile surged back above 12% in the past week, while the stock has continued on a 30% plunge since March.

Tripadvisor Inc



Booking Duopolies

While a decline in travel and other factors has seen more active shorting of Chinese online travel booking sites **Ctrip and Qunar**, duopoly sites Priceline (Booking.com) and Expedia (Trivago etc.) currently see negligible levels of short interest.

This is while competitor and lead supplier Tripadvisor has seen short sellers benefit from an almost 20% slide in shares in the past 6 months, with short interest declining to 6% currently.

Hotels and timeshare losing their novelty

While Airbnb growth will see the firm book almost 80m room nights in 2016 (from zero just 8 years ago) a **billion** nights is in reach within 10 years. This growth has undoubtedly come at the expense of traditional hotel and vacation providers, as well as limiting any substantial price growth in the industry.

The most shorted vacation provider in the world currently is Diamond Resorts with over a fifth of its shares outstanding on loan currently.

Diamond Resorts International Inc



The company sells vacation ownership (timeshare) and provides resort management and hospitality services. Shares have plummeted by 28% in the past 12 months; while short interest has risen seven fold reaching 21% of shares outstanding on loan.

This is despite a positive earnings growth and future current consensus outlook.

Wyndham Worldwide Corp



Joining Diamond Resorts is peer Wyndham Worldwide who has seen short interest rise threefold to 8.9% and shares shedding a fifth in the past year.

Marriott International Inc



Short interest in Marriot International has jumped almost five fold higher in the past 12 months rising above 21%. During this time the company almost **lost out on** its \$12.4bn bid to acquire Starwood Hotels & Resorts to a rival offer from Chinese insurance firm Anbang. The deal will see the company become one of the world's largest hotel chains.

Royal Caribbean Cruises Ltd



Not immune from changing terrestrial consumer trends is Royal Caribbean Cruises. The cruise liner has seen short interest almost double to 7.5% after an earnings miss in February 2016 with shares down a quarter year to date.

To receive more information on **Securities Finance, Research Signals, Exchange Traded Products, Dividend Forecasting** or our Short Squeeze model please **contact us**

To read this article on our commentary website please click [here](#).

Relte Stephen Schutte

Analyst

Markit

Tel: +44 207 064 6447

Email: relte.schutte@markit.com

For further information, please visit www.markit.com

The intellectual property rights to this report provided herein is owned by Markit Group limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omission or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, consequential damages, arising out of the use of the data. Markit is a trademark owned by the Markit group.

This report does not constitute nor shall it be construed as an offer by Markit to buy or sell any particular security, financial instrument or financial service. The analysis provided in this report is of a general and impersonal nature. This report shall not be construed as providing investment advice that is adapted to or appropriate for any particular investment strategy or portfolio. This report does not and shall not be construed as providing any recommendations as to whether it is appropriate for any person or entity to "buy", "sell" or "hold" a particular investment.