

Earlier this year SHG commissioned BDO, International Consultants, to undertake a review of the Mantis Hotel. SHG received the final report from BDO last month, a summary of which can be found below.

**“Operational review and market demand study for the Mantis Hotel, Jamestown, and St Helena.” BDO July 2019**

**Highlights**

*1/ As one of the most remote islands in the world St Helena boasts an impressive history, natural and marine environment which are easily explored by visitors due to its small size. The mild tropical climates makes it an attractive destination to visit year round. Furthermore, the Saint Helenians (Saints) are friendly and welcoming. St Helena is also considered a safe destination with very little crime.*

*2/ The main driver for the development of the airport on St Helena and subsequent introduction of air access was the need to revive the island’s failing economy, reduce its dependency on UK budgetary support and in turn become a self-sustaining market led economy. The opening of the airport was delayed significantly as further safety and operational work was required to address the impact of difficult wind shear conditions on landing aircraft safety.*

*3/ At present St Helena finds itself in a period of economic transition with the new airport having been fully operational for just over a year. Arrival numbers have grown significantly, but are many years off the long-term forecast of 30,000 tourists per annum which in any event was predicated on the airport being able to accommodate larger aircraft.*

*4/ Due to smaller aircraft capacity and routing via Johannesburg visitors numbers are likely to grow at a more modest pace. The introduction of the second weekly flight is considered critical in enabling more flexible length of stays on the island and also in making two-centre holidays more realistic. The news that the second weekly flight will operate from Cape Town between December 2019 and February 2020 is positive.*

*5/ As an emerging destination which has only recently become accessible by air, awareness of St Helena as a tourist destination is growing, but it will take time to convert this into actual bookings and for the envisaged tourist numbers to materialise.*

*6/ Tour operators, in particular, will be concerned about the lengthy delays experienced during the first year of air access and it will take time for St Helena to build a reputation as a tried and tested destination with reliable access. At the latest count 51 tour operators feature St Helena which is encouraging.*

*7/ To date Enterprise St Helena’s (ESH) ability to attract large-scale private sector investment to support growth in tourism has been limited primarily due to the factors set out above. Furthermore, according to the Sustainable Economic Development Plan (SEDP), St Helena Government (SHG) needs to gain a credit rating so organisations operating in St Helena can raise international private finance.*

8/ *Internet access and banking facilities need to improve in order to facilitate better access to online bookings and payment with credit cards which in turn will encourage visitors to spend more whilst on the island.*

9/ *The location, quality, range of facilities and size of the hotel means that it is in a prime position to capitalise on the anticipated future growth in tourist arrivals to St Helena.*

10/ *During 2017/18 the Mantis Hotel made a loss of £273k at the EBITDA level, which is to be expected in view of the current trading environment combined with the high-cost structure on St Helena. The performance of the Mantis Hotel is expected to improve in future years.*

11/ *It is evident that as a new hotel in an emerging tourist destination the market entry period for the Mantis Hotel is taking longer than what would normally be expected. Typically, a hotel reaches a stabilised performance by its third year of operation, but this is more likely to be achieved by year five in the case of the Mantis Hotel.*

12/ *The future performance of the Mantis Hotel is inextricably linked to the capacity, frequency, reliability and cost of the flights to the island which at the present time are the main barriers to the hotel becoming profitable. However, with gradual growth in tourist arrivals to St Helena combined with a more efficient operation there is significant potential to improve the trading performance and in turn make the Mantis Hotel profitable at the EBITDA level.*

13/ *Within this context BDO believe that the location and characteristics of the 30-room Mantis Hotel make it the leading quality hotel on St Helena. As such it is well placed to draw a growing number of visitors to stay overnight as well as attract local residents to dine in its restaurant as well as attend special events organised by the hotel such as its sushi tastings and Valentine's dinner.*

14/ *Considering St Helena's remote location and the fact that the island has only been accessible by air for just over a year, it is not surprising that there is a very limited supply of visitor accommodation on the island. At present the Mantis Hotel is the only property to offer an international four-star standard product with the remainder of supply being made up of owner-operated small hotels, guesthouses and B&Bs together with a selection of self-catering accommodation.*

15 / *The development of the airport has thus far failed to attract the scale of investment in quality hotels originally envisaged. Instead developers and investor have adopted a 'wait and see' approach until such a time when St Helena has proven its ability to attract visitors in sufficient quantity to make further projects financially viable.*

16/ *Growth in leisure demand is critical to the future success of the tourism sector on St Helena thus destination marketing and collaboration with international tour operators remain key priorities in terms of raising awareness and generating future bookings.*

*17/ Unlike in a mature established destination, the performance of accommodation establishments on St Helena is inextricably linked to visitor arrivals by air with the flight route, frequency of services and size of aircraft having a critical impact on the demand for visitor accommodation be it serviced or self-catering. It is essential to work towards reducing the number of weather-related flight delays in order to build St Helena's reputation as a destination with frequent and reliable air access.*

*18/ Demand for serviced accommodation on St Helena is currently highly seasonal with leisure and business demand peaking between December and April. However, given the island's mild climate year round there is considered to be significant potential to grow demand during the current low season by offering promotional packages and special interest products.*

*19/ Improved access and increased awareness of what St Helena has to offer as a tourist destination should continue to stimulate demand for visitor accommodation. Thus the outlook for visitor accommodation demand is very positive, especially in the medium to long term.*

*20/ The Mantis Hotel is currently establishing itself as the leading quality hotel on St Helena seeking to draw demand from a range of leisure and business sources. In the early years the performance of the hotel will be highly dependent on growth in tourist arrivals to the island.*

*21/ At present, there are no other international four-star standard boutique hotels on St Helena and thus the Mantis Hotel is likely to remain the leading hotel for the foreseeable future whilst the island establishes itself as a tourist destination.*

Addressing the BDO Report, SHG applauded the huge achievement, by all those involved, in bringing the Mantis St Helena Hotel into operation. SHG has taken cognisance of the following points:

A good hotel, of international standard, is essential to the Islands' ambitions for international tourism. The location, quality, facilities and size of our Hotel means that it will be a prime position to capitalise on the growth in international tourists.

As an emerging destination which has only recently become accessible by air, awareness of St Helena as a tourist destination is growing, but it will take time to convert this into actual bookings and for the envisaged tourist numbers to materialise.

As a new hotel in an emerging tourist destination, the market entry period for Hotel is taking longer than what would normally be expected. Typically, a hotel reaches a stabilised performance by its third year of operation, but this is more likely to be achieved by year five of operation in the case of our Hotel.

The future performance of our Hotel is inextricably linked to the capacity, frequency, reliability and cost of the flights to the island which at the present time are the main barriers to the hotel becoming cost effective. However, with gradual growth in tourist

arrivals to St Helena combined with a more efficient operation there is significant potential to improve the trading performance.

SHG have since shared BDO's report with St Helena Hotel Development Ltd, SHG's wholly owned state entity and owner of the Mantis hotel.

Live to the challenge of low occupancy due to fewer international tourists, the owner has charged its operator (Mantis) to embark on a cost efficiency plan that better matches costs to revenues. The full year impact of this will be clear in 2020/21. Meanwhile the owner will be working with the operator to explore alternative models of operation, in response to fewer tourists.

As signalled from the outset, SHG remains committed to releasing the hotel to the private sector at the earliest opportunity.

**SHG,**  
**2 August 2019**