English Language Travel Industry Report 2018
Key Highlights

EFL (Teaching English as a Foreign Language) statistics for 2018 published by the National Statistics Office (NSO) reported a sustained level of language student arrivals, in comparison to 2017, which was a fairly positive year for the sector. In 2018 arrivals reached more than 87,000 students, 13.5% higher than 2016 levels.

Student weeks, on the other hand were down 11.9% as a result of shorter stays resulting primarily from a shift in student mix, with junior students accounting for 53% of total student arrivals (vs 52% in 2017, 50% in 2016 and 48% in 2015). Consequently, the average length of stay fell to 17.3 days in 2018 from 20.9 days in 2016.

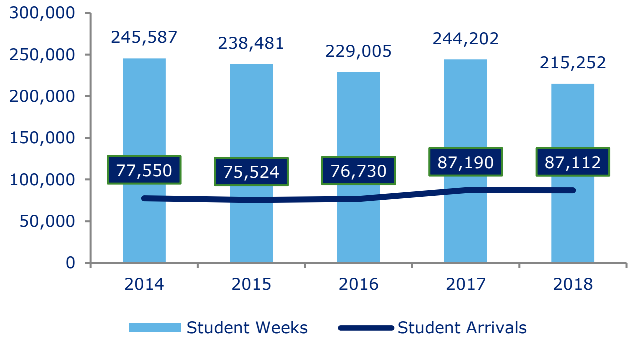
The English Language Travel (ELT) sector in 2018 accounted for approximately 8.1% of total tourist guest nights and around 6.5% of total tourist expenditure. Deloitte estimates place indicative total expenditure by ELT students in 2018 at approximately €137 million.

The ELT sector remains an important niche market for the tourism industry in Malta. The sector plays an important role in the diversification strategy of the local tourism sector to promote a more diverse profile of visiting tourists and less reliance on traditional core inbound markets.

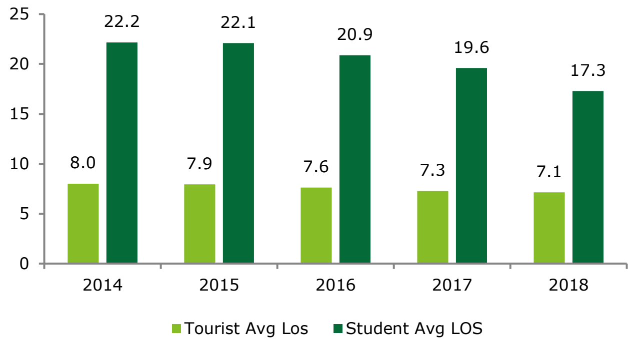
The sector today attracts students from countries which are not traditional tourist source markets for Malta, such as Brazil, Japan, Colombia and Turkey; with length of stays typically extending more than 30 days. In 2018 these non-traditional markets accounted for around 28% of total students weeks registered by the industry.

Italy, France and Germany remain top source markets for the ELT sector in Malta with a 32% share of all student weeks registered during 2018.

Student arrivals & weeks*



Average length of stay (days)*



*Source: NSO

The annual FELTOM survey carried out by Deloitte shows that total net revenue from this sector in 2018 decreased by 7.1% when compared to the previous year. This revenue drop was mainly driven by volume rather than spend as the average turnover per student week (net of agency commissions) improved by 5.4%.

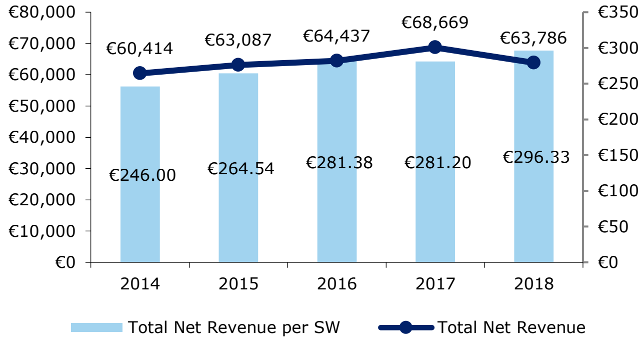
Revenue growth per student week was mostly driven by accommodation revenue which increased by 6% in line with general accommodation prices across the island. Tuition revenue also increased slightly by 1.2%. Other ancillary revenue generated through activities increased by 13.9%, from €33.16 per student week in 2017 to €37.78 in 2018.

The FELTOM-Deloitte survey shows that during 2018, total direct costs per student week increased by 7.8%. The increase was however muted by the decline in student weeks, resulting in an overall decrease of 5% in the total direct costs reported by the industry. Accommodation costs per student week continued to increase. Total teacher payroll costs during 2018 remained relatively flat when compared to the previous year. The number of teaching staff, as reported by the NSO, was however down 16%, which effectively implies higher payroll costs per teacher employed. Activity costs increased by 19.5%.

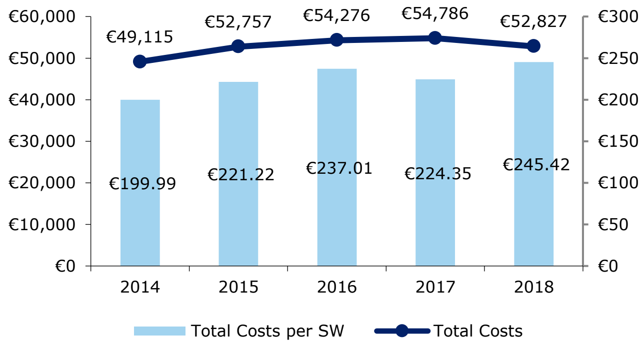
Total overhead costs have been contained as a result of lower marketing costs (-14.5%), energy and utility costs (-13.9%) and administration costs (-0.9%). Rent and non-teaching payroll costs increased by 3.7% and 2.2% respectively.

Total direct contribution in 2018 decreased by 9.8% when compared to the previous year. This drop was mainly the result of lower volumes, as the average contribution per student week actually improved by 2.3%. Overall profitability of the sector is estimated to have fallen to approximately €10.9 million. Despite this deterioration, profitability levels are still marginally higher those registered in 2015 and 2016. On a per student week basis, there has also been a marked improvement over 2016, driven primarily by higher average turnover and controlled overheads in 2018.

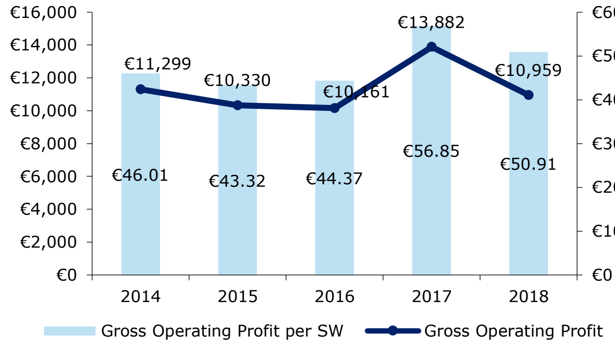
Total revenue (€000s)



Total costs (€000s)



Gross operating profit (€000s)



Contact us:

Raphael Aloisio
Leader - Financial Advisory
Tel: +356 2343 2000
Email: raloisio@deloitte.com.mt

Glenn Fenech
Manager - Economic Advisory
Tel: +356 2343 2322
Email: glfenech@deloitte.com.mt

Deloitte
Deloitte Place
Mriehel Bypass
Mriehel BKR 3000
Malta

Tel: +356 2343 2000
Fax: +356 2131 8196

www.deloitte.com/mt