



## Leveraging its Position as the Only Airport-Based National Health and Wellness Provider in COVID Times

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### Key Points

XpresSpa controls valuable real estate in 27 airports making it the largest health and wellness focused company operating in airports. It is in a unique position to offer relevant and sometimes critical services to passengers, airport authorities, airlines, and government agencies like the CDC.

As its airport spa business ground to a halt in February 2020 at the beginning of the COVID-19 pandemic, XpresSpa leveraged its existing airport presence and created XpresCheck, which has quickly become the largest COVID-19 testing company in US airports.

XpresCheck has experienced a rapid ramp with patient fees to its practices growing from nil in June 2020 to about \$10 million per month by August 2021. Despite US vaccination rates now above 65%, XpresCheck has continued to see strong trends in its business. The company's discussions with airport authorities and airline managements indicate that COVID testing is likely to remain in place for many international destinations for the foreseeable future.

The bulk of XpresCheck's current revenues comes from overseas-bound passengers taking COVID tests that are required for entry into a foreign country. However, we believe there is potential demand for additional testing services, including biosurveillance for international passengers entering the US and health monitoring of airport and airline employees.

XpresSpa also believes it can leverage its airport locations and engage travelers with an expanded portfolio of health and wellness services. This will include its legacy airport spa business, as well as a new concept, Treat, which will offer an extensive suite of airport-based health and wellness services.

XpresSpa has a solid balance sheet with ample capital to fund its growth initiatives and its recently announced buyback of up to 15% of its shares.

### Catalyst Monitor

XpresCheck should continue to expand the current passenger testing business with additional CDC mandates and additional airline and airport contracts.

The company should continue the roll out of Treat with the prospective opening of the first two physical operations.

### Our Insights

#### The Opportunities

XpresSpa Group has built up a successful airport-based COVID testing business. Outbound international passenger testing is becoming a standard element of international travel just as extended security measures became standard after 9/11. As the only national health provider in US airports, XpresSpa Group is also in a position to build on this business with additional contracts with airlines and airports as well as biosurveillance assignments with the CDC and other governmental entities.

As travel resumes, the traditional spa business is expected to return, having generated \$45M in annual revenues pre-COVID. The company is in the initial launch stage of Treat, a new airport-based business that will offer a wide range of new health and wellness products and services for travelers. Treat may also enable XpresSpa Group to expand its business digitally beyond airports via its website and its app.

#### The Obstacles

As vaccination rates continue to grow, testing requirements could be reduced for some international destinations. In addition, further CDC contracting activity could be less than expected. Treat is a compelling new concept that leverages XpresSpa Group's airport presence and experience, but there can be execution risk, as with any new business or concept.