

Q3 2021 presentation

# A quarter of strong recovery

Liia Nõu, CEO and acting CFO

Anders Berg, Head of IR

27 October 2021



# Change of guards



➤ Liia Nõu CEO as of 23 August 2021



➤ Anneli Lindblom CFO as of 1 December 2021

Strategic position

# A well-diversified portfolio

## Pandox Group

**156**  
Hotel properties

**35,226**  
Rooms

SEK **61.3** bn  
Property market value

## Property Management

**135** | 136<sup>1)</sup>  
Leased properties

**29,123** | 29,323  
Rooms

**83%** | 83%  
Property market value

## Operator Activities

**21** | 20  
Operated properties

**6,103** | 5,903  
Rooms

**17%** | 17%  
Property market value

<sup>1)</sup> Proforma with h27 reclassified to Property Management per 1 October 2021

Strategic position

# A strong network of partners and brands



Pandox cooperates with more than 30 business partners and brands

Q3 2021 in brief

# On steadier ground

-2%

Return on equity <sup>2)</sup>

R12M

+17%

Growth in total  
net operating income <sup>1)</sup>

Jul-Sep 2021

+11%

LFL growth in NOI  
Property Management <sup>3)</sup>

Jul-Sep 2021

MSEK 4,202

Liquid funds and unutilised  
credit facilities

Per 30 September 2021

<sup>1)</sup> Measured as net operating income Property Management and gross profit plus depreciation Operating Activities.

<sup>2)</sup> Measured as growth in EPRA NRV, including dividend and excluding proceeds from directed share issue, at annual rate.

<sup>3)</sup> For comparable units adjusted for currency effects.

# Broad based improvements

- Clear improvement in demand and earnings in both business segments
- Higher variable contribution in Property Management mainly from leases without minimum guaranteed rent
- MSEK 15 and MSEK 7 in direct government support in Operator Activities and in Property Management respectively
- Repayment of deferred rent starting in the fourth quarter 2021

Revenue and result (MSEK)	21Q3	20Q3	YoY	LFL <sup>1)</sup>
Pandox Group revenue	939	799	18%	25%
Pandox Group NOI	575	492	17%	24%
Property Management revenue	652	630	3%	11%
Property Management NOI	553	531	4%	15%
Operator Activities revenue	287	169	70%	75%
Operator Activities NOI	22	-39	-	-
EBITDA	550	456	21%	-
Profit before value changes	210	145	45%	-
Cash earnings	270	194	39%	-

<sup>1)</sup> For comparable units adjusted for currency effects.

Current revenue

# Balanced revenue model

- Minimum rent and fixed rent from Property Management main source of revenue
  - More than MSEK 1,900 per year
  - More than MSEK 475 per quarter
  - Revenue-based rent of MSEK 147 in Q3 2021
- Limited variable revenue expected in leases with minimum guaranteed rent in 2021
- Revenues from Operator Activities of MSEK 287 in Q3 2021

Full and immediate impact from market recovery

35% of rooms

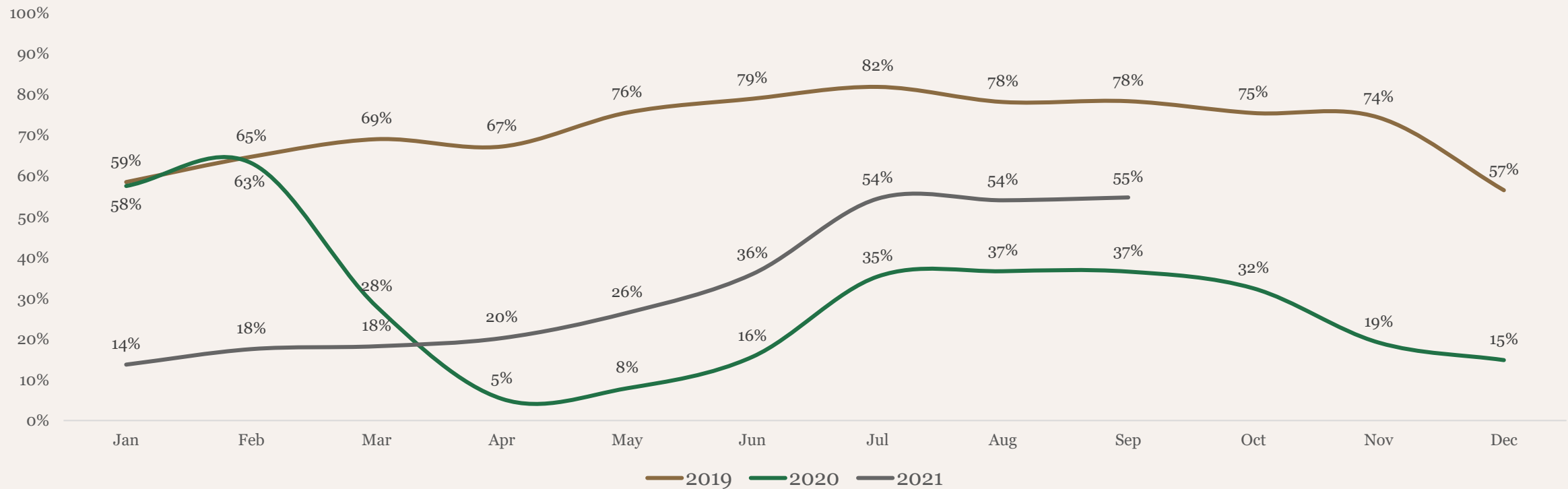
Gradual impact from market recovery

65% of rooms

Downside protection

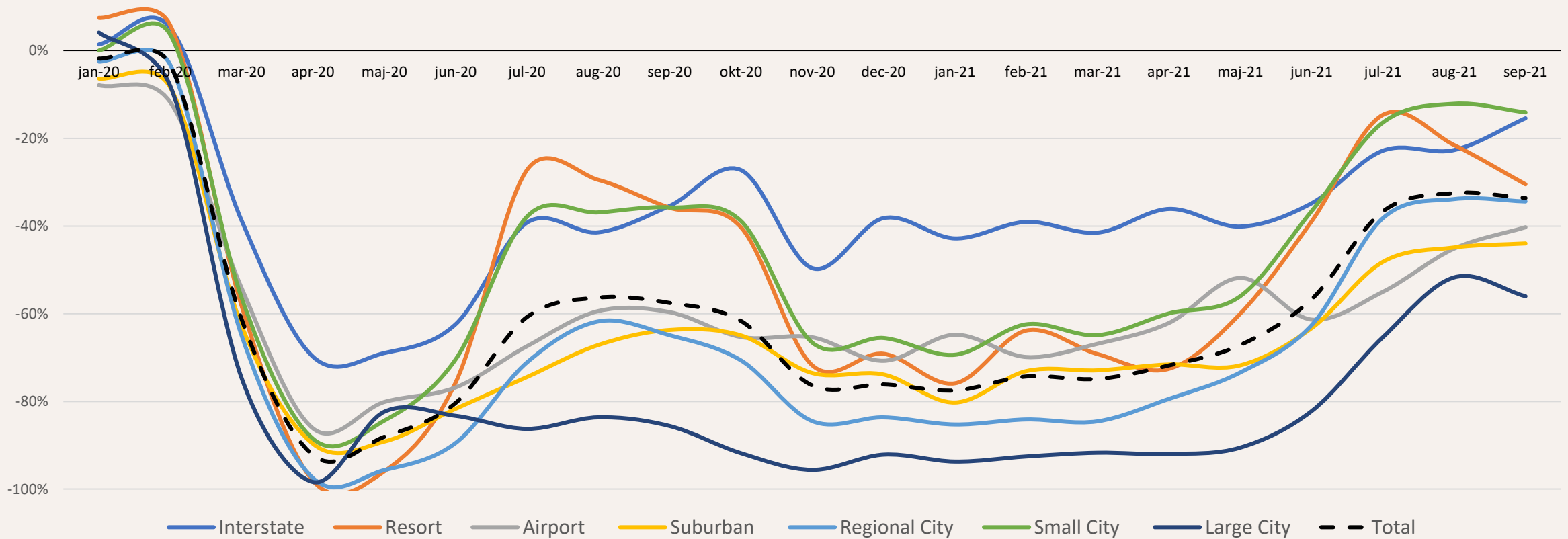
# Improving occupancy

## Property Management occupancy 2019—2021





# Occupancy by segment indexed vs. 2019



# RevPAR index Q3 2021 vs. Q3 2019



# nhow Brussels Bloom



- Property Management
- City center
- 305 rooms
- Revenue-based lease with NH Hotel Group
- Complete renovation
- Change to dynamic lifestyle brand nhow

## Investments

# DoubleTree by Hilton Brussels City

- Operator Activities
- City center
- 354 rooms and substantial meeting facilities
- Own operations with franchise agreement
- Full renovation and rebranding...
- ...to DoubleTree by Hilton



Operations taken over and renovation started

# Hotel property in Nuremberg

- Operator Activities
- City center
- 316 rooms and extensive meeting facilities
- Lease expired 31 August 2021, operations were taken over and the hotel property was reclassified to Operator Activities
- A major renovation and repositioning project has started – to be finished H2 2022 (hotel closed)



New lease agreement

# h27 leased to Motel One



- Property Management
- City center
- 200 rooms
- Operations taken over 1 April 2020, after which a full renovation and repositioning of the hotel was undertaken
- New attractive revenue-based lease with minimum guaranteed rent signed with Motel One 1 September 2021
- Reclassified to Property Management 1 October 2021

## Property portfolio

# Valuations based on established model

Change in value Investment Properties	MSEK
Investment Properties, opening balance (1 Jan, 2021)	50 181
+ Acquisitions	—
+ Investments in current portfolio	448
- Divestments <sup>1)</sup>	-6
+/- Reclassifications <sup>2)</sup>	-569
+/- Revaluation of fixed assets to total comprehensive income for the period	—
+/- Unrealised changes in value	-465
+/- Realised changes in value	—
+/- Change in currency exchange rates	1 038
<b>Investment Properties, closing balance (30 Sep, 2021)</b>	<b>50 627</b>
<b>Change in value Operating Properties (for information purposes only)</b>	
<b>Operating Properties, market value (1 Jan, 2021)</b>	<b>9 361</b>
+ Acquisitions	—
+ Investments in current portfolio	323
- Divestments <sup>3)</sup>	-6
+/- Reclassifications <sup>2)</sup>	569
+/- Unrealised changes in value <sup>1)</sup>	60
+/- Realised changes in value	—
+/- Change in currency exchange rates	321
<b>Operating Properties, market value (30 Sep, 2021)</b>	<b>10 628</b>

<sup>1)</sup> Impairment development costs

<sup>2)</sup> Maritim Hotel Nürnberg has been reclassified from Property Management to Operator Activities

<sup>3)</sup> Decommissioning FF&E

- Valuations made according to same method and established cash-flow model used since the IPO 2015
- Transaction evidence for yields remains inconclusive
- Approximately 83 percent of the properties externally valued during the past 12 months – on average some 5 percentage points below Pandox's internal valuations. Large dispersion both within and between markets/regions
- 25 external valuations carried out in the third quarter 2021 are on average some 3 percent above Pandox's internal valuations
- Reclassification of Hotel Maritim Nuremberg to Operator Activities per 31 August (closed for renovation)
- Reclassification of Hotel h27 to Property Management per 1 October
- Total property value of MSEK 61,255 (59,542) end-of-period
- Average valuation yield for Investment Properties was 5.45 (5.44) percent and for Operating Properties 6.40 (6.37) percent end-of-period

# Pandox's approach

Value change, MSEK	20Q1	20Q2	20Q3	20Q4	21Q1	21Q2	21Q3
Property Management	-611	-320	-315	-533	-351	-105	-9
Operator Activities	-347	-282	-284	-101	7	-4	57
<b>Total</b>	<b>-958</b>	<b>-1,560</b>	<b>-2,159</b>	<b>-2,793</b>	<b>-3,137</b>	<b>-3,246</b>	<b>-3,198</b>
Accumulated change, %	20Q1	20Q2	20Q3	20Q4	21Q1	21Q2	21Q3
Property Management	-1.1%	-1.7%	-2.3%	-3.3%	-4.0%	-4.2%	-4.2%
Operator Activities	-3.6%	-6.4%	-9.3%	-10.4%	-10.3%	-10.3%	-9.8%
<b>Total</b>	<b>-1.5%</b>	<b>-2.5%</b>	<b>-3.4%</b>	<b>-4.4%</b>	<b>-4.9%</b>	<b>-5.1%</b>	<b>-5.0%</b>

Note: Value changes are accumulated from Q1 2020, i.e., the start of the Covid-19 pandemic

Full risk

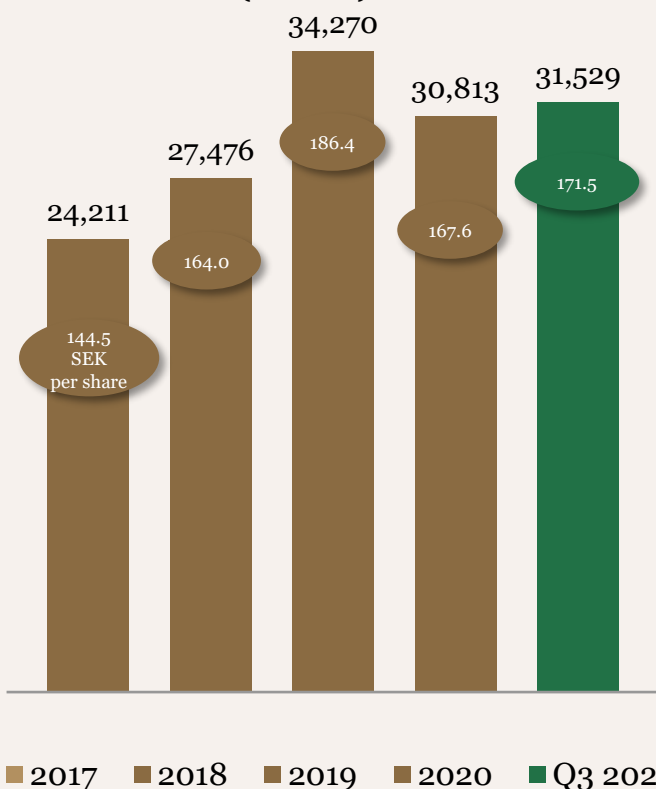
Shared risk

- High correlation between restrictions and demand
- Proof of strong recovery in hotel markets when restrictions are eased
- Banks are supportive and liquidity is strong
- Individual business plans for each hotel property
- Superior knowledge of the value drivers for each asset

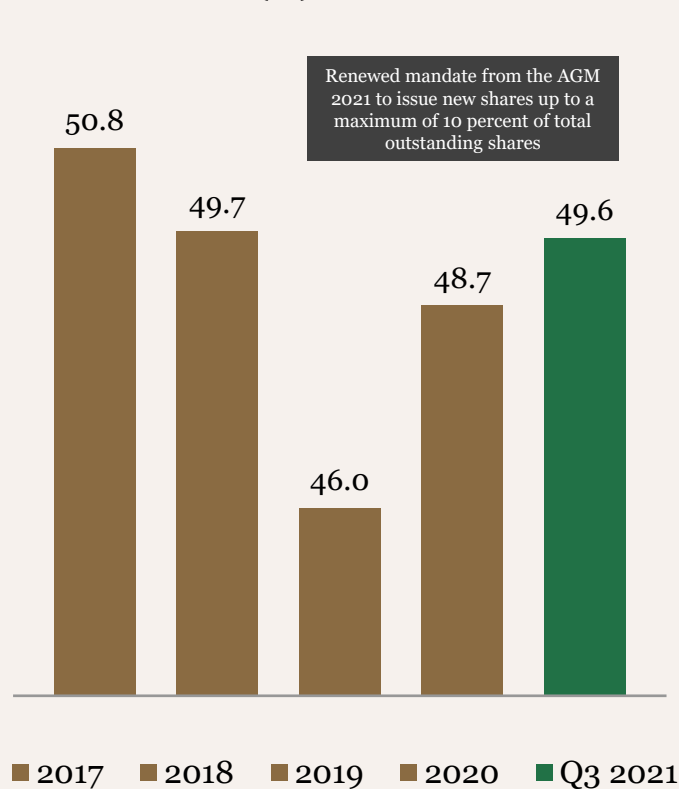


# Financing and capital structure

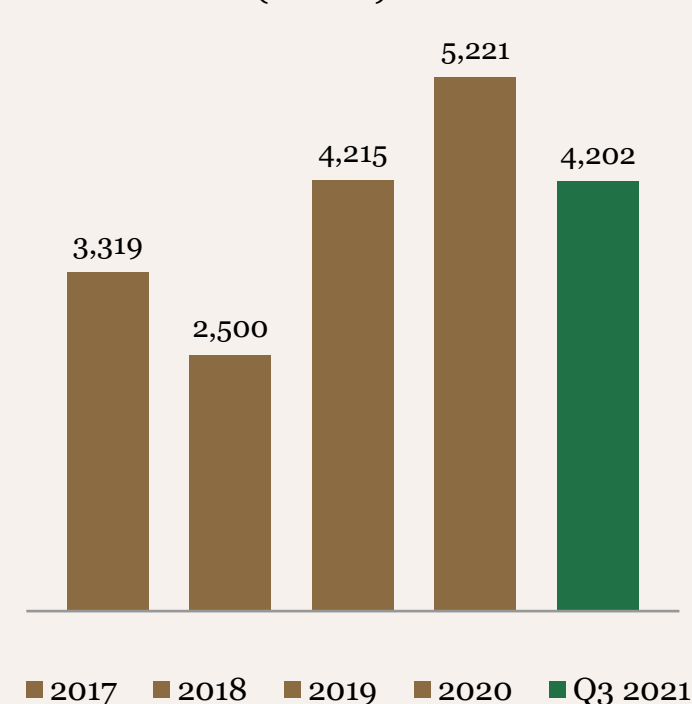
EPRA NRV (MSEK)



Loan to value (%)



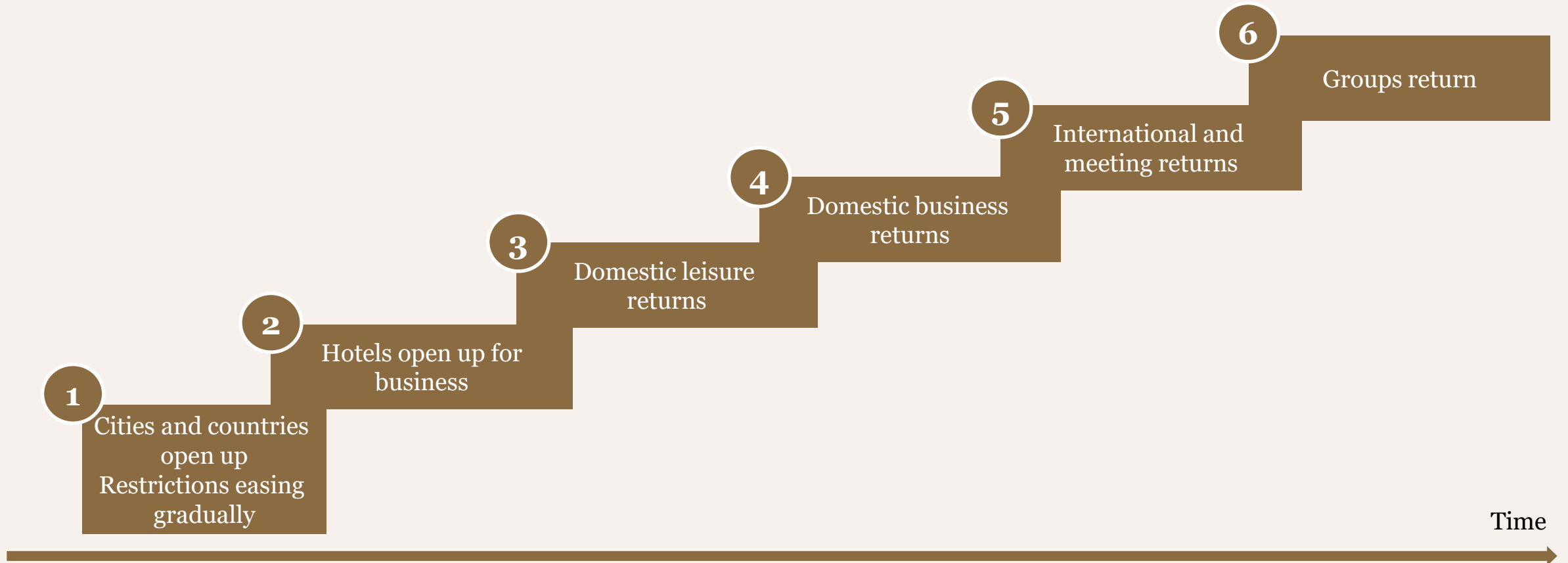
Cash and cash equivalents and long-term unutilised credit facilities (MSEK)



For definitions, see page 29 in Interim report January–September 2021

Six development levels...

# ...to get back to full performance



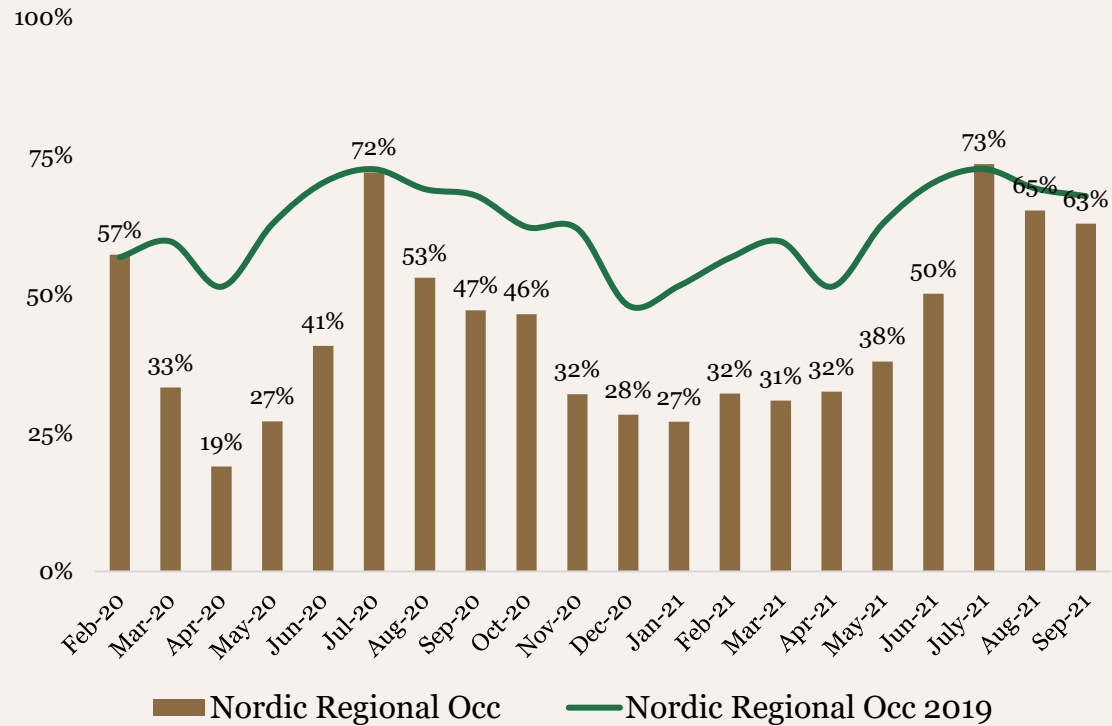
Hotel market development in Q3 2021

# Substantial improvements

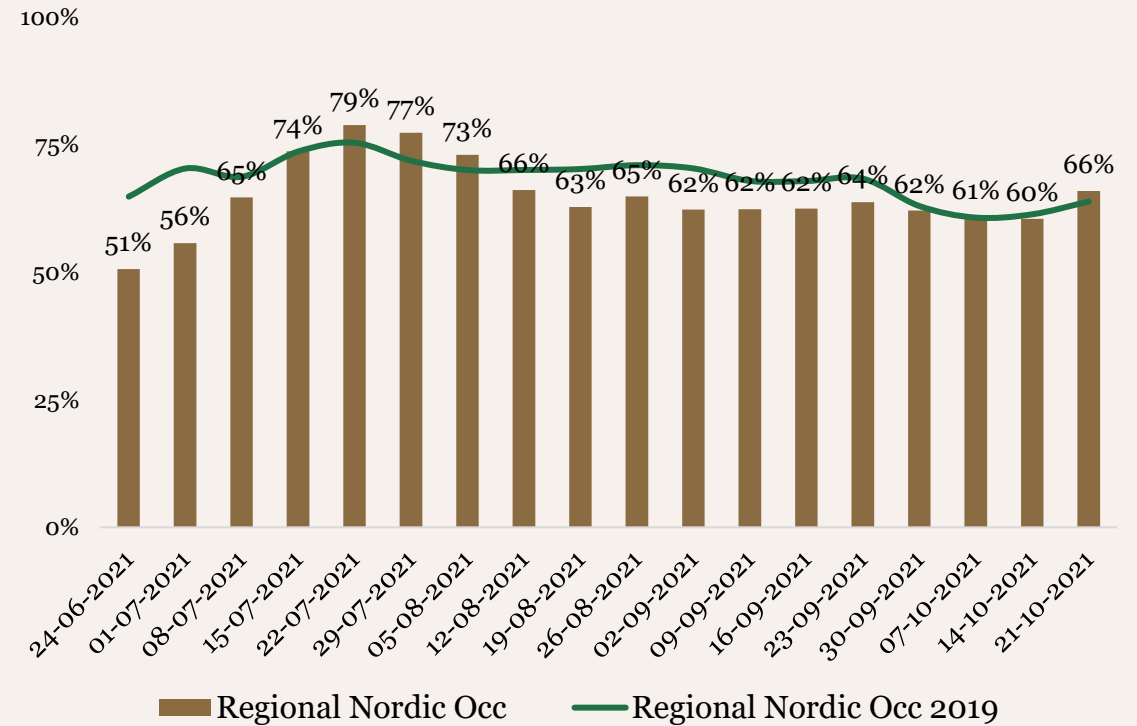
- Increased vaccination rates and removed restrictions
- Strong increase in demand with domestic leisure as the main driver
- Smaller and regional cities led the recovery and larger cities also improved
- Domestic business picked-up towards the end of the quarter
- Resilient ADR development
- International travel still impaired due to restrictions

# Nordic regional

## Monthly occupancy (open hotels)



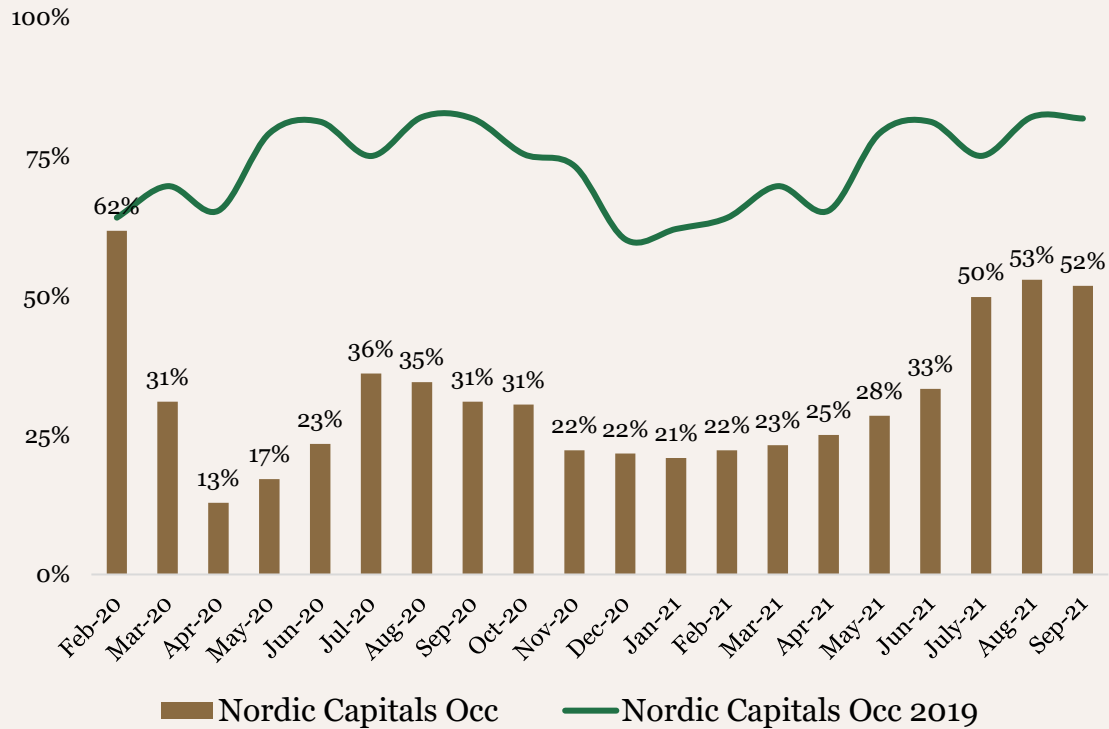
## Weekly occupancy (open hotels)



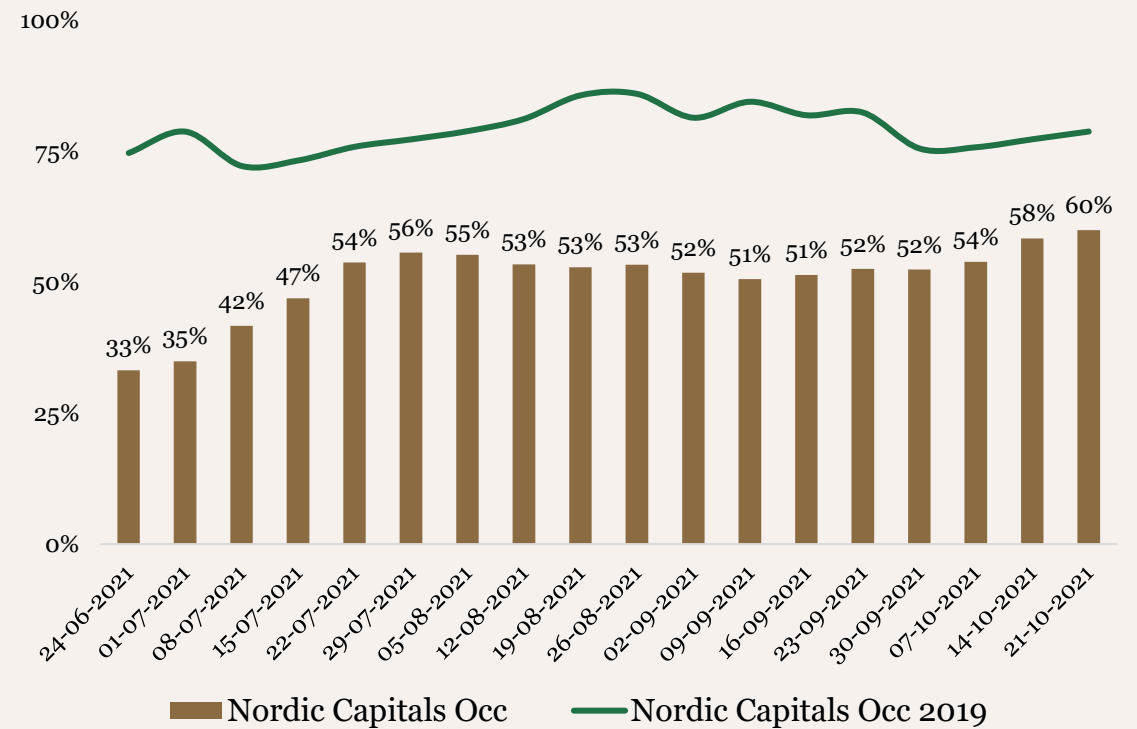
Source: Benchmarking Alliance (open hotels only)

# Nordic capitals

## Monthly occupancy (open hotels)



## Weekly occupancy (open hotels)

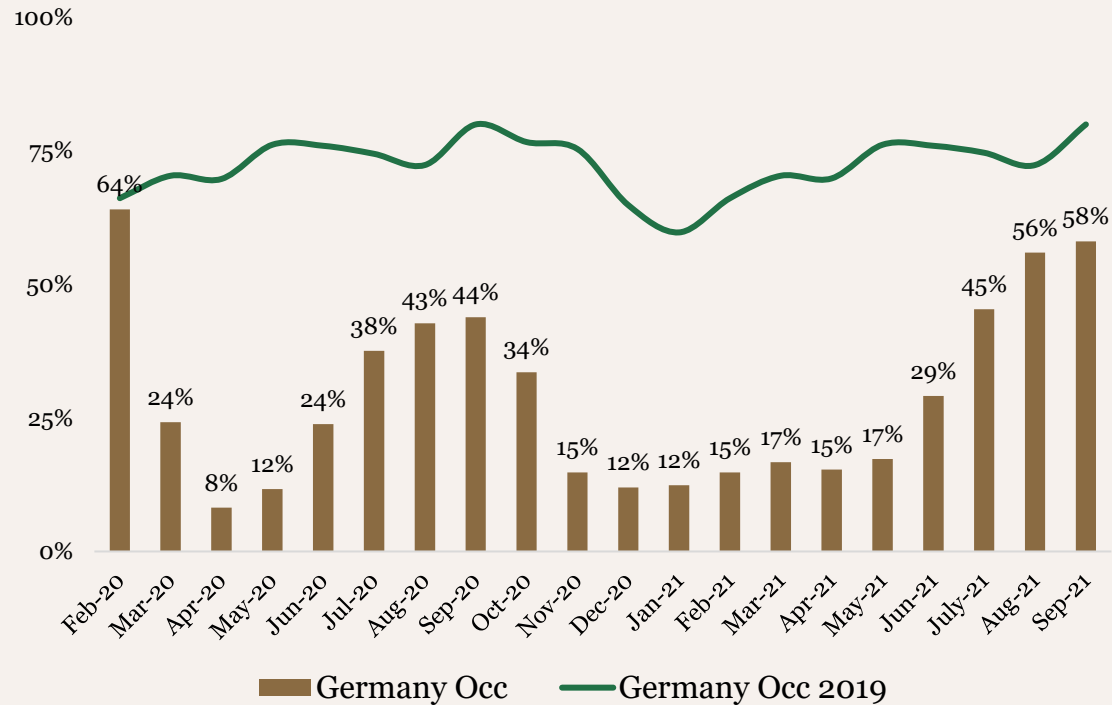


Source: Benchmarking Alliance (open hotels only)

# Hotel market development

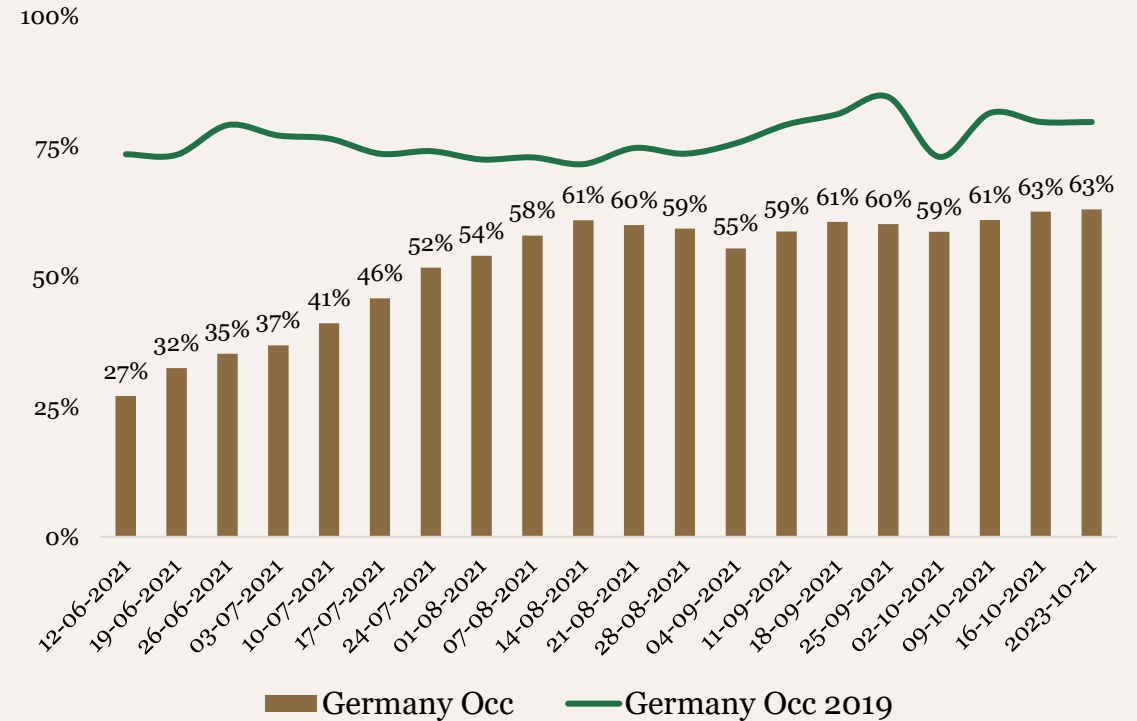
## Germany

### Monthly occupancy (open hotels)



Source: STR (open hotels only)

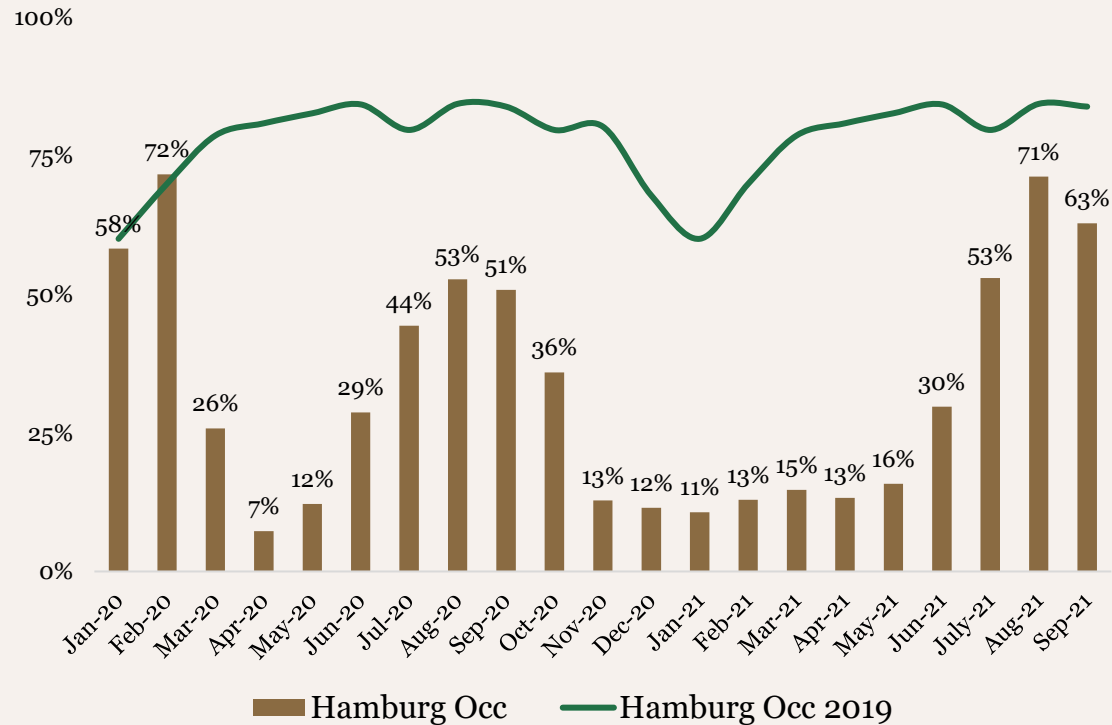
### Weekly occupancy (open hotels)



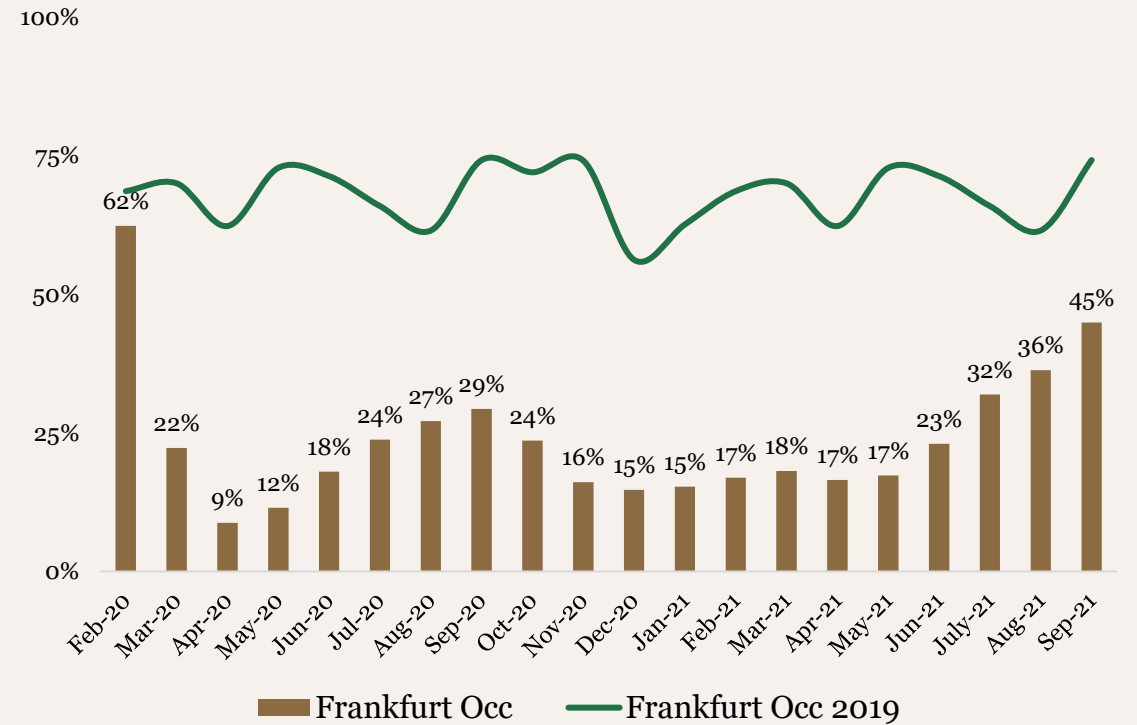
Source: Fairmas (open hotels only)

# Germany regional vs. international

## Hamburg monthly occ (open hotels)



## Frankfurt monthly occ (open hotels)

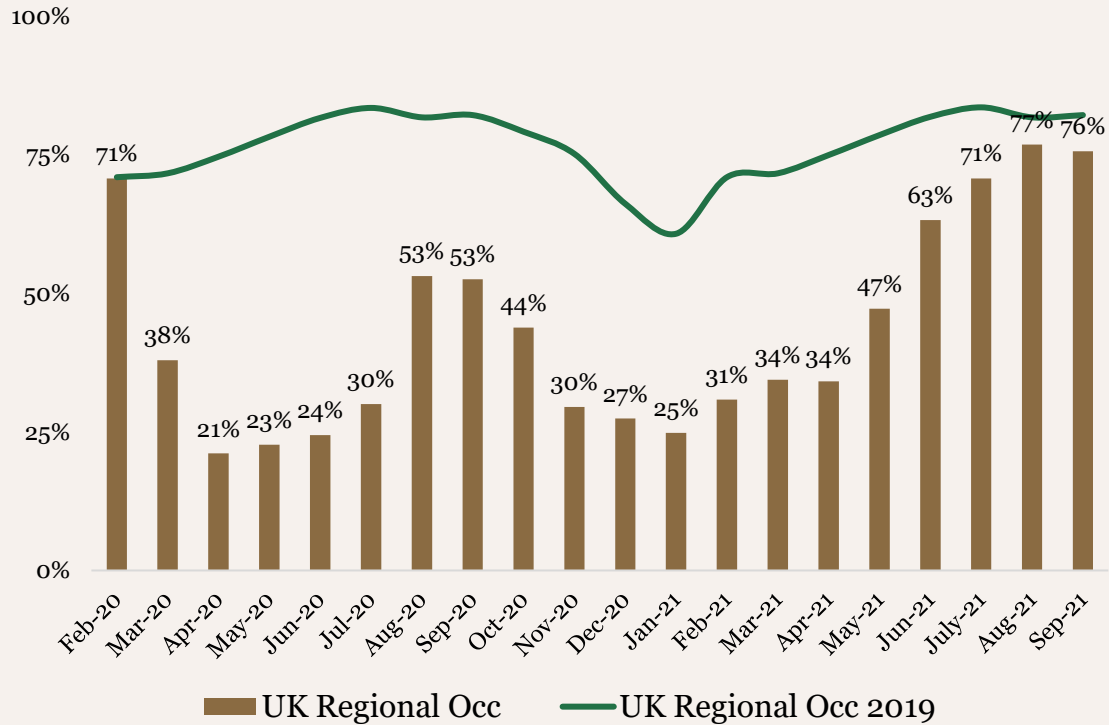


Source: STR Global (open hotels only)

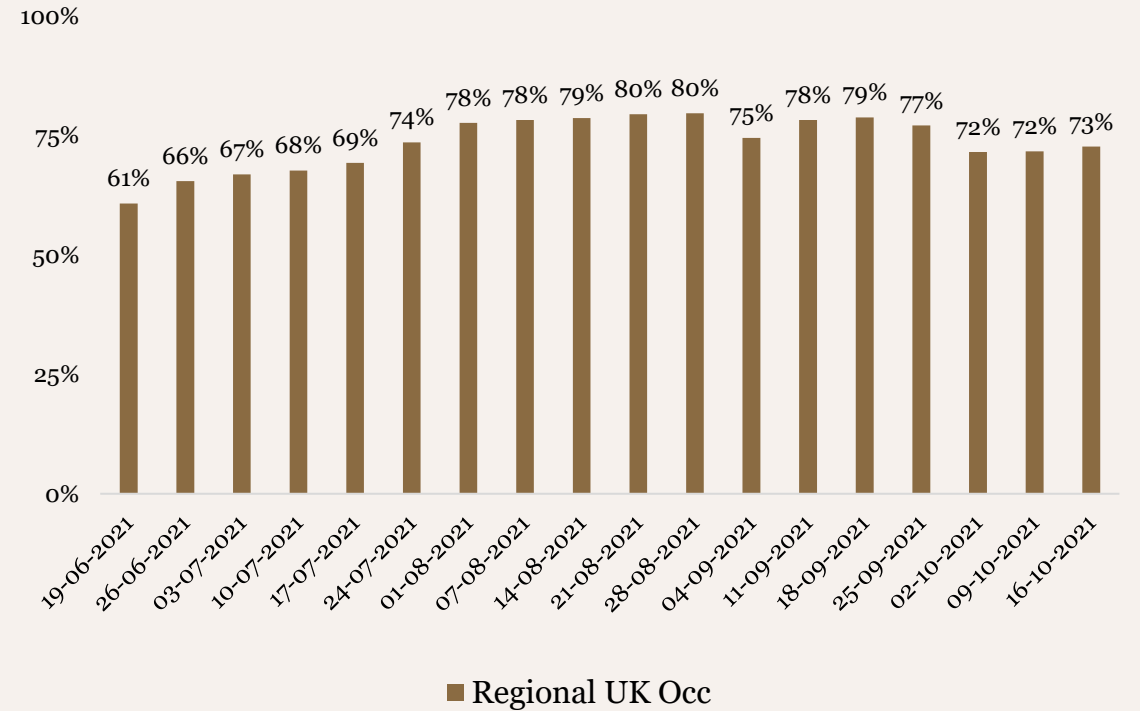
# Hotel market development

## UK Regional

### Monthly occupancy (open hotels)



### Weekly occupancy (open hotels)

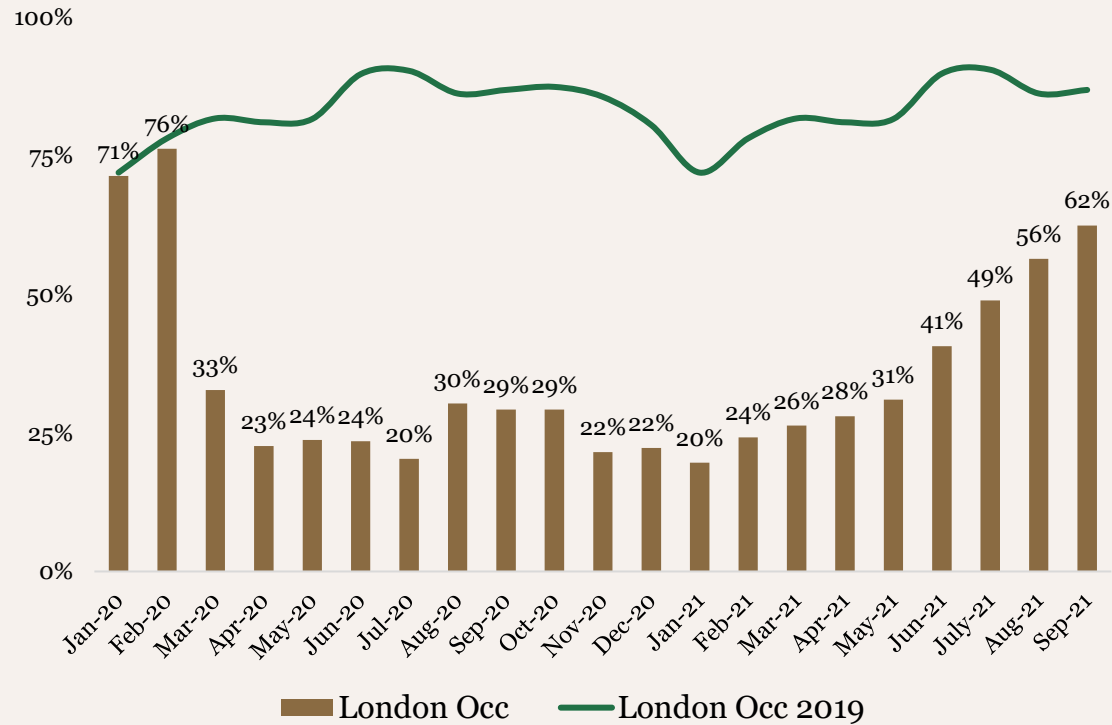


Source: STR Global (open hotels only)

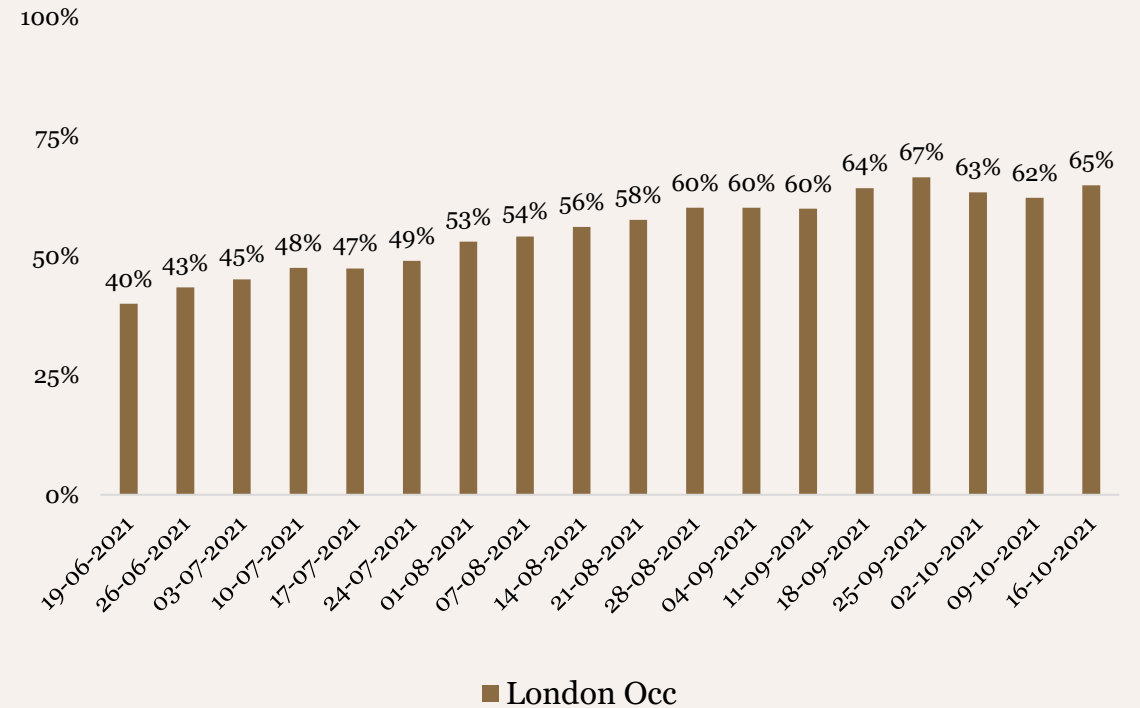


# London

## Monthly occupancy (open hotels)



## Weekly occupancy (open hotels)



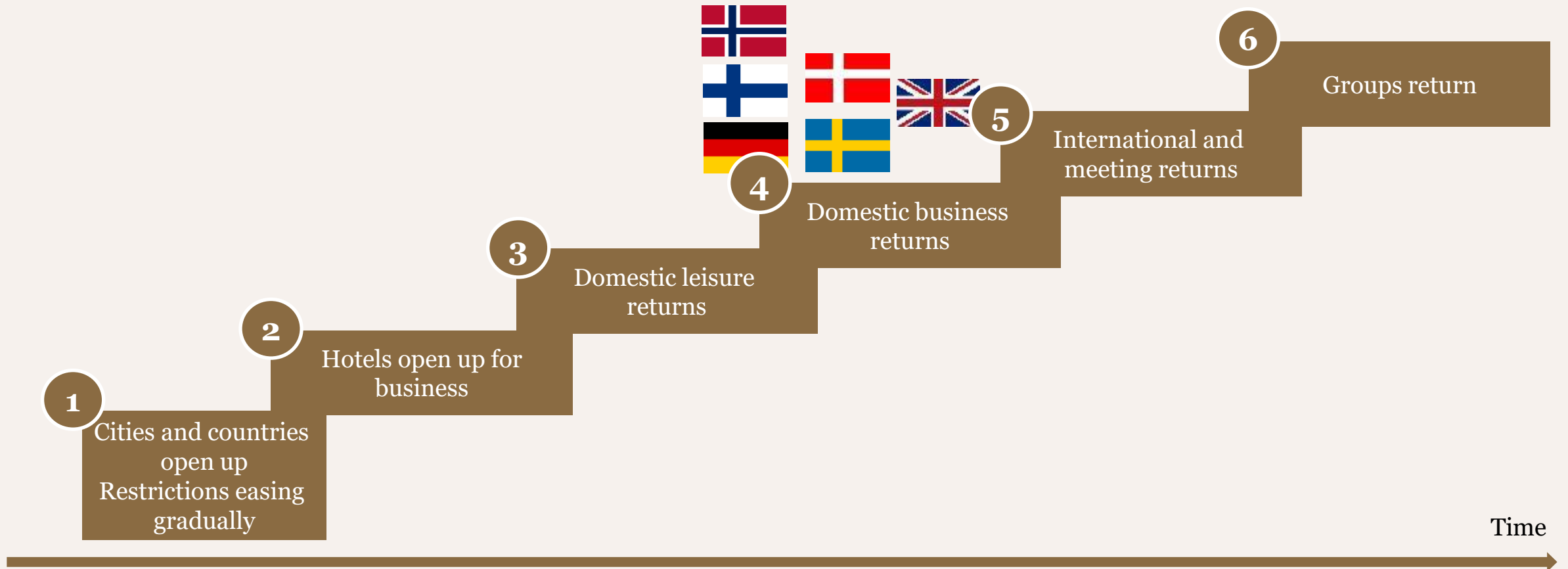
Source: STR Global (open hotels only)

# Back to office will lead to more travel

- High economic activity and corporate profitability
- Offices are opening up and demand for meetings is growing
- Companies are reducing internal travel restrictions
- Pick-up in white collar travel (from low levels) during September/October
- Mostly business transient and smaller meetings
- Demand for regional meetings is increasing in Operator Activities
- Trade fair calendars are gradually being restored (with healthy demand)
- Fewer trips but with more hotel nights is possible

Six development levels...

# ...to get back to full performance



# Improved conditions for growth

- High economic activity and pent-up demand for travel
- Domestic leisure demand expected to remain strong
- Gradual increase in business travel expected based on office and trade fair reopenings
- For 2022, variable rent is likely in a majority of lease agreements with minimum guaranteed rent, provided that the recovery continues
- The main uncertainty is governments' response to seasonal variations in infection rates and new virus variants

Pandox Hotel Market Day

23 November 2021

HOTEL MARKET DAY 2021



# Q&A



# Appendix



Based on 2019 actual revenue and RevPAR

# Property Management

Rental income, MSEK

3,129

Occupancy, %

71

Approximate occupancy level for variable rent in leases with minimum guaranteed rent

Country	Approx. occupancy	Hotels	Rooms
Switzerland	40-45%	1	206
Sweden	40-45%	28	5,823
Finland	45-50%	8	2,108
Norway	50-55%	6	1,112
Belgium	52-57%	2	519
Denmark	60-65%	2	414
Germany	60-65%*	33	6,876
UK	60-65%**	18	4,277
Ireland	70-75%	3	445
Netherlands	75-80%	1	189
Austria	80-85%	2	639
<b>Total</b>		<b>104</b>	<b>22,608</b>

\*Adjusted for 9 fixed leases with 1,977 rooms

\*\*Adjusted for 1 fixed lease with 312 rooms



Based on 2019 actual revenue and RevPAR

# Property Management

Approximate occupancy level for variable rent in leases with minimum guaranteed rent

Country	Approx. occupancy	Hotels	Rooms
Switzerland	40-45%	1	206
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Netherlands	75-80%	1	189
Austria	80-85%	2	639
<b>Total</b>		<b>104</b>	<b>22,608</b>

Fully variable leases

Country	Hotels	Rooms
Switzerland	-	-
Sweden	14	2,965
Finland	5	814
Norway	8	1,461
Belgium	-	-
Denmark	4	1,028
Germany	-	-
UK	1	398
Ireland	-	-
Netherlands	-	-
Austria	-	-
<b>Total</b>	<b>32</b>	<b>6,666</b>

Total

Hotels	Rooms
1	206
42	8,788
13	2,922
14	2,573
2	519
6	1,442
33	6,876
19	4,675
3	445
1	189
2	639
<b>136</b>	<b>29,274</b>

\*Adjusted for 9 fixed leases with 1,977 rooms

\*\*Adjusted for 1 fixed lease with 312 rooms

Based on 2019 actual revenue and RevPAR

# Operator Activities

Revenue, MSEK

2,424

Occupancy, %

73

Full exposure from  
the first unit of  
revenue and cost

Belgium	Germany	Canada	UK	Denmark	Netherlands	Finland	Total hotels and rooms
7	5	2	2	2	1	1	20
1,955	1,490	952	611	403	216	160	5,787



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