

# Two steps forward one step back

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Q3 2020  
presentation

23 ▪ 10 ▪ 2020



Pandox™

Exterior @Hilton Garden Inn London  
Heathrow

Strategic position

# A well-diversified portfolio



Strategic position

# A strong network of brands and partners



Note: The logos are the property of the respective brand owners.

# Recovery in line with expectations

- Strong summer period driven by domestic leisure demand
- Initial demand from domestic business
- Continued strong financial and liquidity position
- Government restrictions biggest threat

-5%

R12M

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

-47%

Jul-Sep 2020

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

-37%

Jul-Sep 2020

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

MSEK 5,348

30 Sep 2020

Liquid funds and unutilised credit facilities

1) Measured as net operating income Property Management and gross profit plus depreciation Operating Activities

2) Measured as growth in EPRA NAV, including dividend and excluding proceeds from directed share issue, at annual rate

3) For comparable units adjusted for currency effects

Q3 2020 in brief

# COVID-19 effects on Pandox

- Low demand due to COVID-19 related restrictions
- Minimum and fixed rent main source of income, also expected in Q4
- Strong increase in domestic leisure demand when restrictions lifted
- Unrealised value changes explained by lower cash flows 2020, 2021 and 2022
- Increase in trade account receivables reflecting new and temporary payment terms

Current revenue

# Diversified revenue base

- Revenues from different operational models and geographies
- Minimum rent and fixed rent main source of revenue
- Approximately MSEK 500 per quarter
- Revenue-based rents of MSEK 69 in Q3
- Revenues from Operator Activities of MSEK 169 in Q3
- Rent collection progressing in line with temporary payment terms
- No reductions in hotel rents given

## Property portfolio

# Valuations based on established method

### Value change

Change in value Investment Properties

	Figures in MSEK
Investment Properties, opening balance (1 January 2020)	53,697
+ Acquisitions <sup>1)</sup>	702
+ Investments in current portfolio	414
- Divestments	—
+/- Reclassifications <sup>2)</sup>	-739
+/- Revaluation of fixed assets to total comprehensive income for the period	—
+/- Unrealised changes in value	-1,246
+/- Realised changes in value	—
+/- Change in currency exchange rates	-620
Investment Properties, closing balance (30 September 2020)	52,208

Change in value Operating Properties, reported for information purposes only

	Figures in MSEK
Operating Properties, market value (1 January 2020)	9,772
+ Acquisitions <sup>3)</sup>	-9
+ Investments in current portfolio	274
- Divestments	—
+/- Reclassifications <sup>2)</sup>	739
+/- Unrealised changes in value	-913
+/- Realised changes in value	—
+/- Change in currency exchange rates	-49
Operating Properties, market value (30 September 2020)	9,814

**-2.3%  
YTD**

**-9.3%  
YTD**

**-4.0%  
YTD**

### Comments per 30 September, 2020

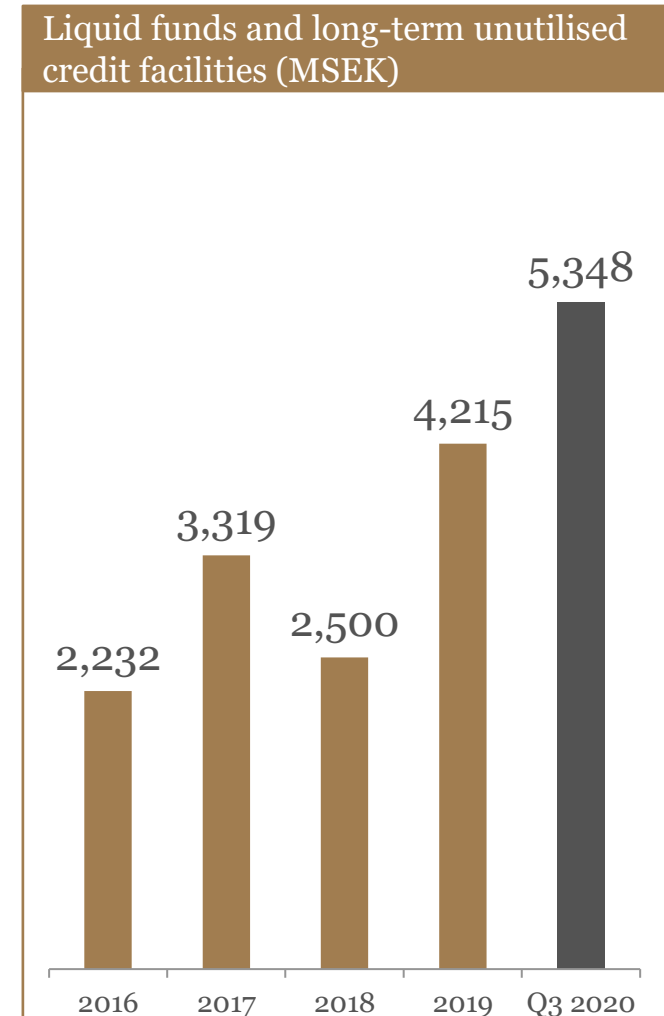
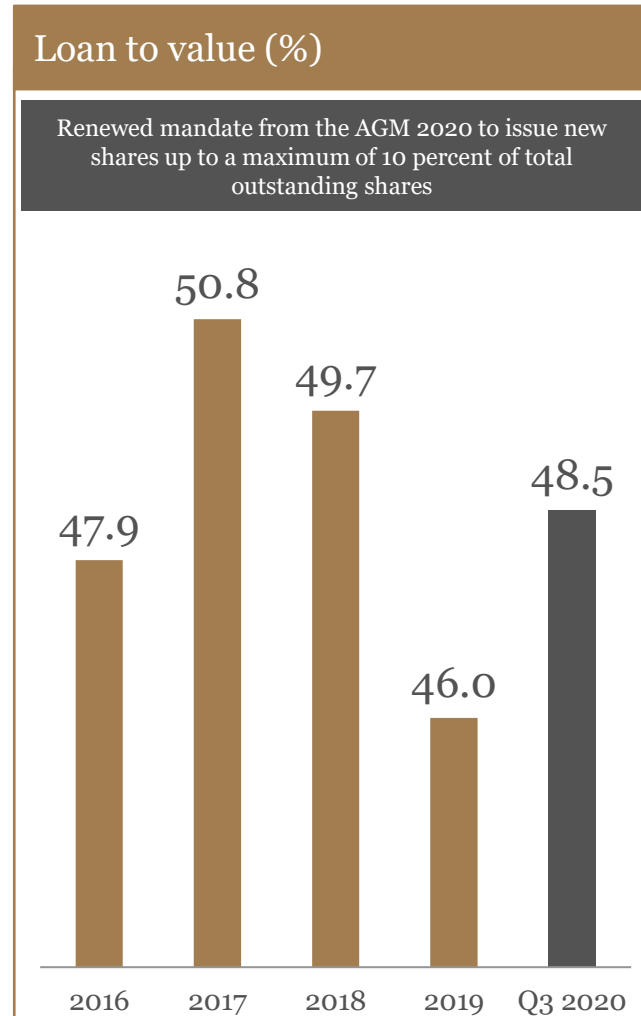
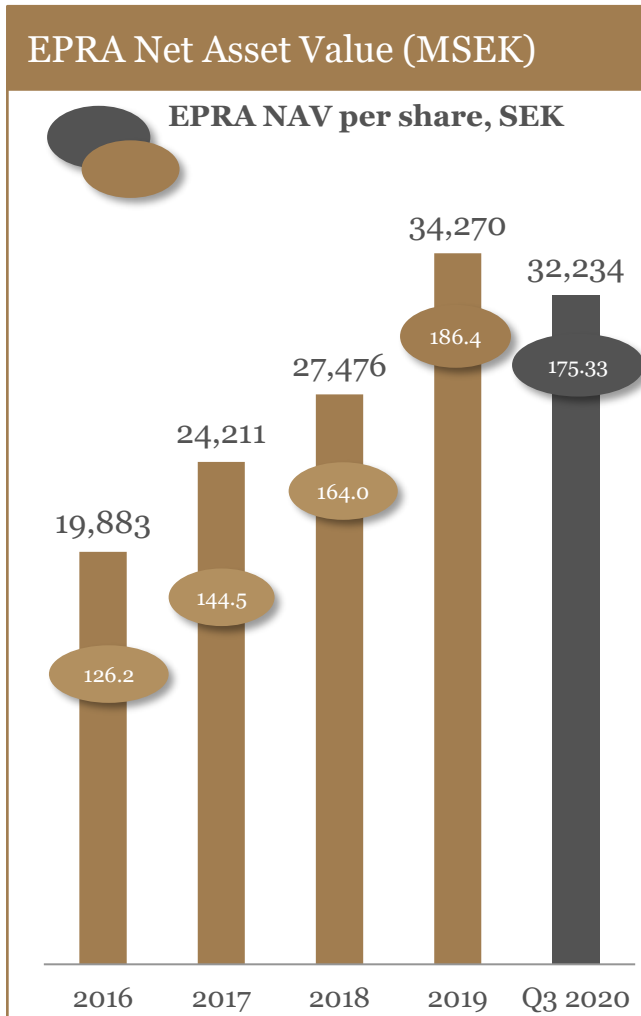
- Total property portfolio market value amounted to MSEK 62,022 (63,469)
- Average valuation yield for Investment Properties was 5.42 (5.41) percent and for Operating Properties 6.38 (6.41) percent
- Valuations made according to same method and model used since the IPO 2015
- Downward adjustments due to lower cash flows 2020, 2021 and 2022 as a direct result of COVID-19
- Conclusive transaction evidence still missing
- Only a few external valuations made in the third quarter 2020 due to practical limitations due to COVID-19
- Yield and cash flow expected to be estimated with greater precision in the coming quarters

1) Refers to acquisition of a hotel property in Germany of MSEK 649, complementing premises to Jurys Inn Cardiff and adjustments of previously completed acquisitions.

2) Refers to reclassification of two hotel properties in Denmark from Property Management to Operator Activities

3) Refers to adjustment of Novotel Hannover (MSEK -6) and Novotel Den Haag World Forum (MSEK -3)

# Financing and capital structure





# Three focus areas

- *Respond* – manage the acute phase of the crisis
- *Restart* – plan for the recovery
- *Reinvent* – what's next?

Market outlook 3.0

# Third update since start of pandemic

- Six development levels
- Several development phases

Six development levels...

# ...to get back to full performance



Phase 1

# The past

- COVID-19 virus arrived to Northern Europe in March
- Societies closed down and travel restrictions were implemented
- Occupancy 5–25 percent
- Market bottom in late April/early May

# Summer holidays

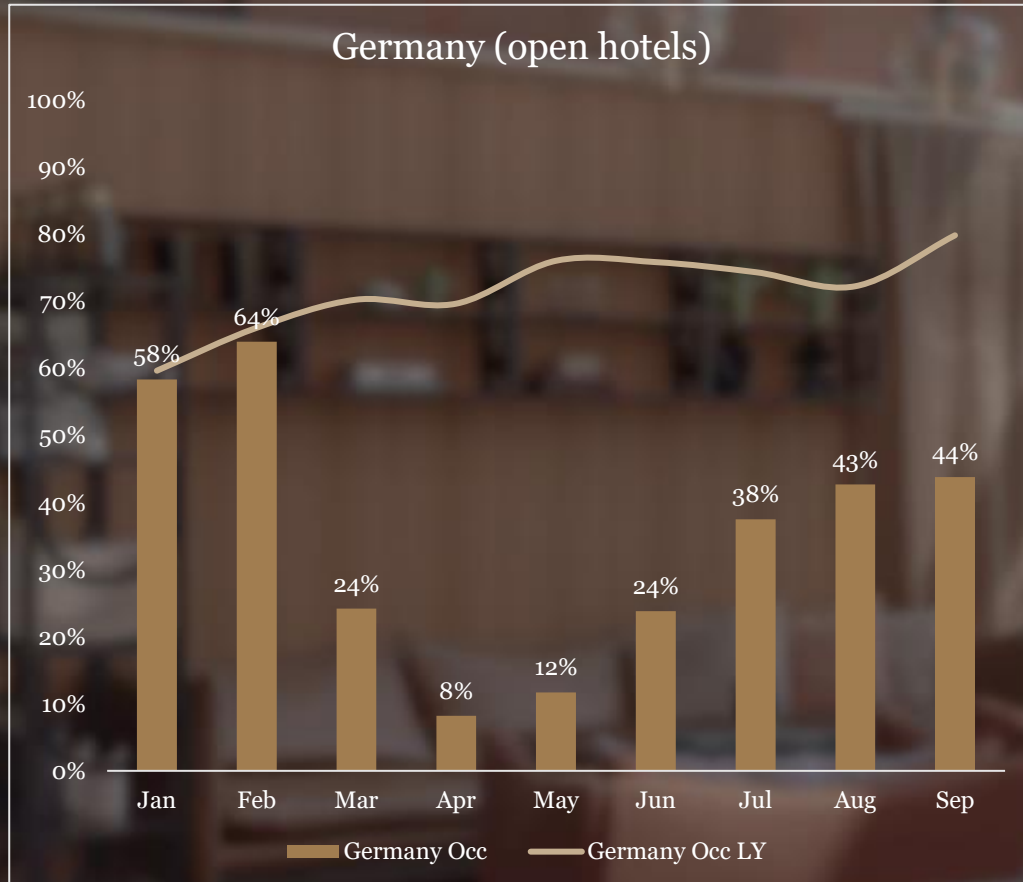
- Late May, restrictions were gradually eased and domestic travel allowed
- Domestic leisure demand returned quite immediately
- In the Nordics occupancy rose rapidly from 20 to 60 percent during the summer period (R7 days)
- Similar pattern in domestic markets across Europe
- Drivers were to travel, to meet friends and to experience life outside lockdown
- As expected, larger cities like London and Stockholm experienced weak demand (25–30%), due to high dependency on international travel and attractions

# After summer holidays

- After the summer holidays the leisure segment decreased during weekdays but remained stable over weekends
- Domestic corporate returned gradually as small and medium sized companies began to travel. Low demand from larger companies due to result of travel restrictions
- Domestic markets in the UK, Germany and the Nordics established at 40–55 percent occupancy
- International markets saw a certain increase from low levels
- Overall, a stronger market development than many expected

Germany

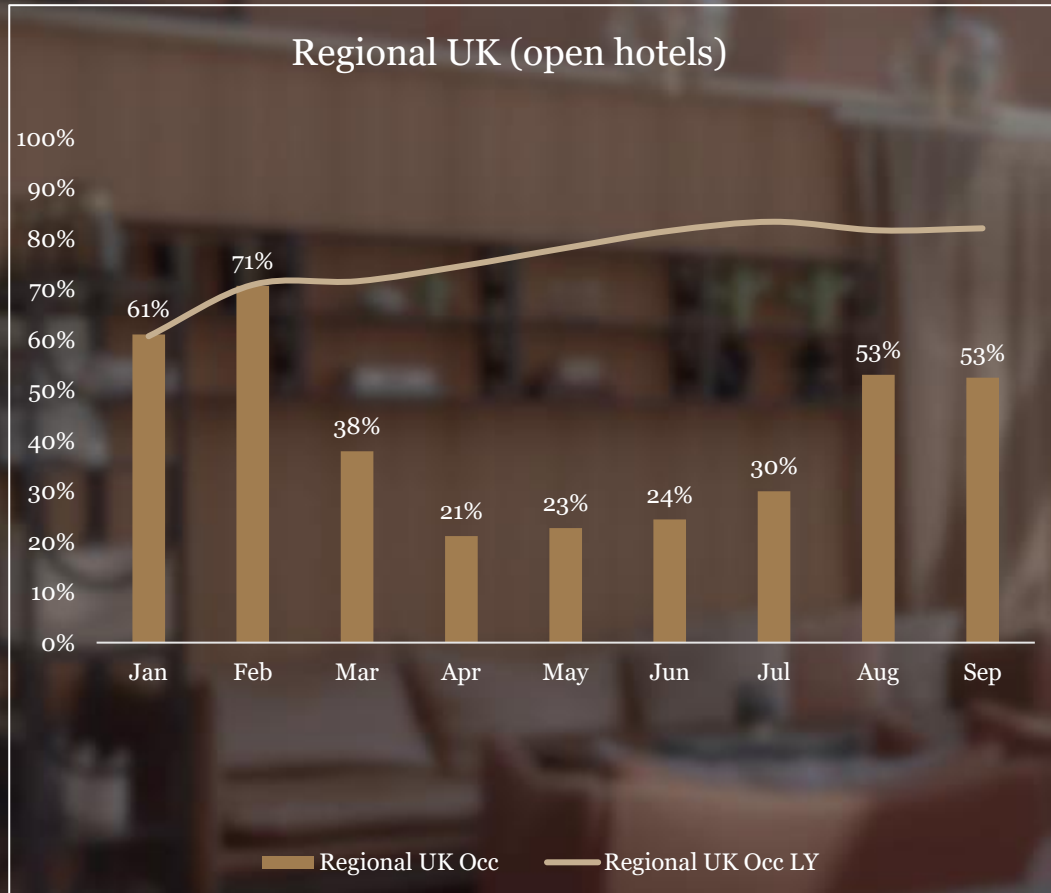
# Occupancy January–September 2020



Source: STR

Regional UK

# Occupancy January–September 2020

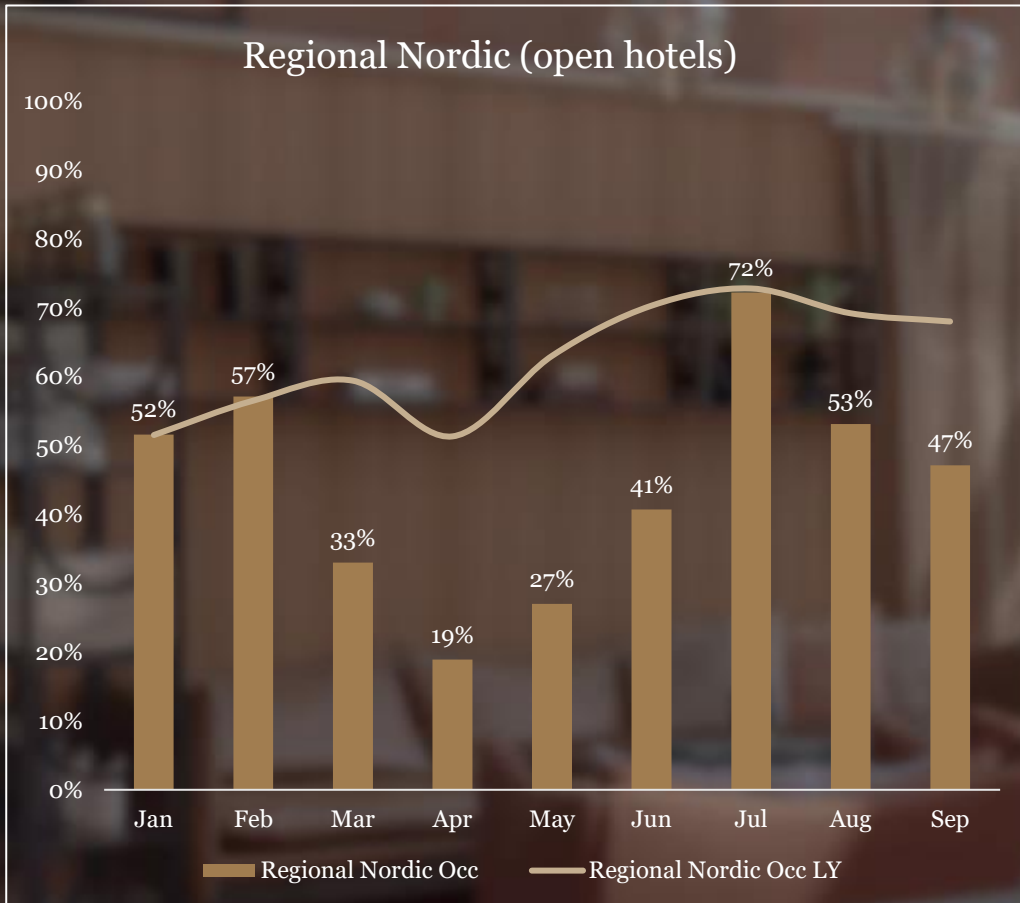


Source: STR



Nordic regional

# Occupancy January–September 2020



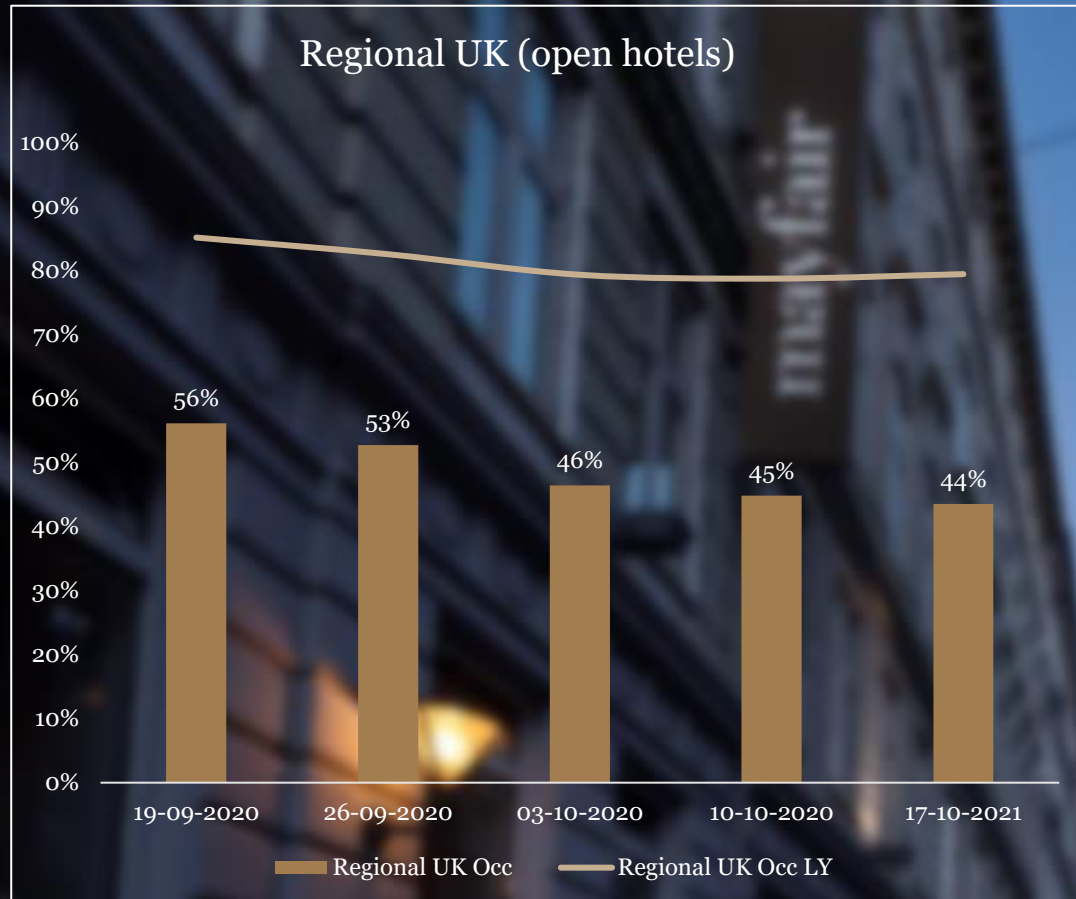
Source: Benchmarking Alliance and aggregated by Pandox

# Strong comeback for domestic travel

- The largest segment in the hotel market – domestic travel – has made a comeback. Slower recovery for international travel
- First signs of smaller meetings
- Resort and midscale/economy hotels in domestic markets with “drive/train-to-distance” are the winners so far
- People who are not allowed to travel for business, travel privately at weekends
- When restrictions go down, demand goes up and vice versa
- Indications of restrictions beginning to affect the market unevenly

Regional UK

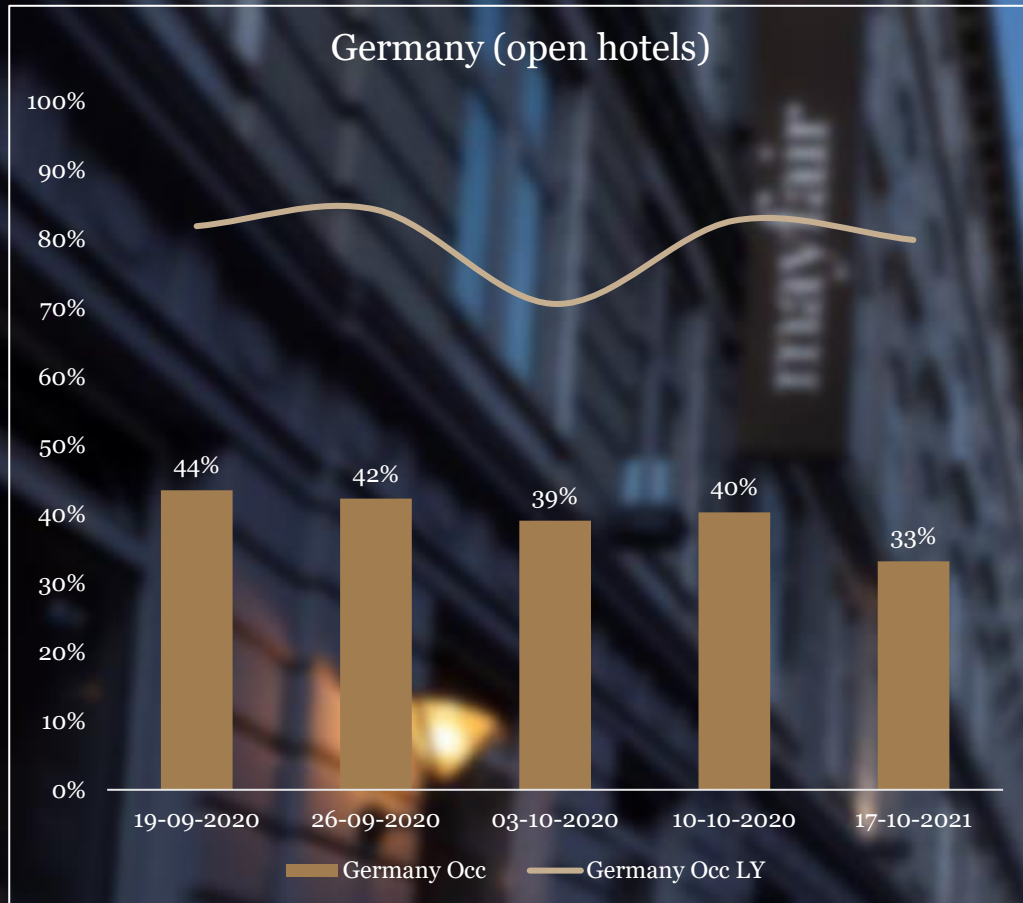
# Occupancy effect from new restrictions



Source: STR

Germany

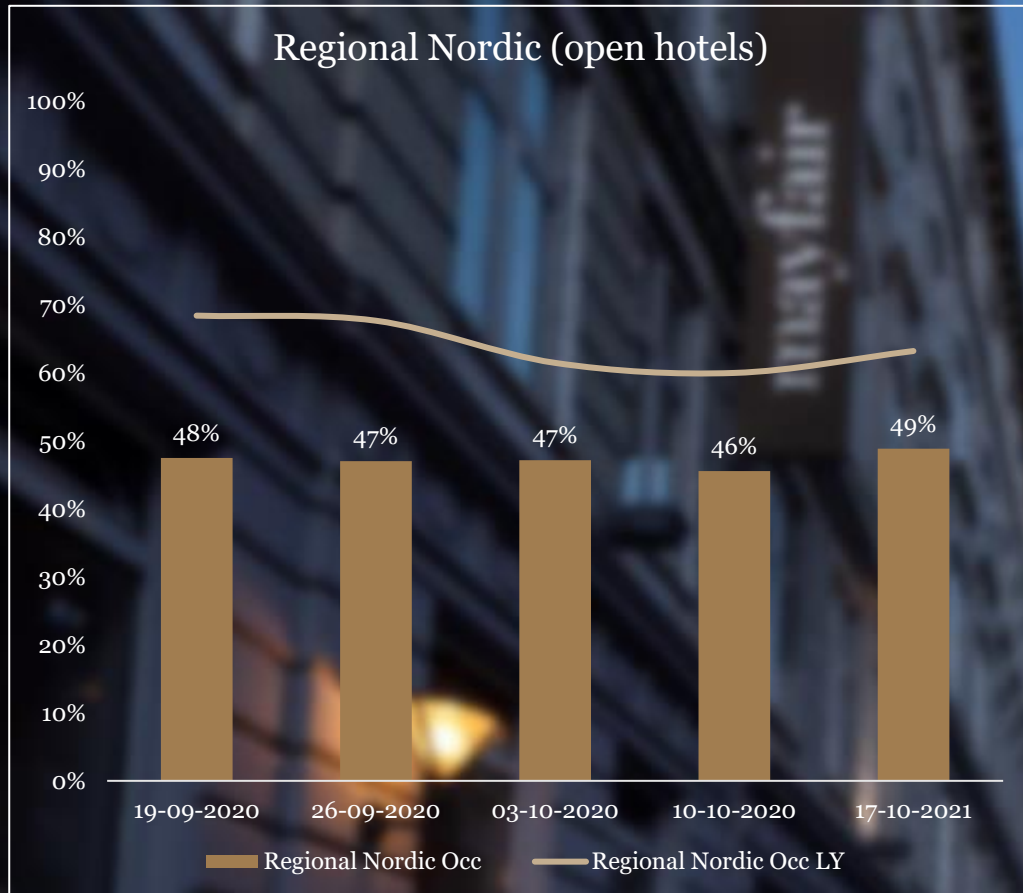
# Occupancy effect from new restrictions



Source: Fairmas

Nordic regional

# Occupancy effect from new restrictions



Source: Benchmarking Alliance and aggregated by Pandox

Phase 4

# Year-end 2020

- Our assessment is that new restrictions will have mixed impact in Q4 2020
- Marginal impact in Sweden, Norway and Finland
- Negative impact trend in Germany
- Larger negative impact in the UK, Belgium, the Netherlands and Denmark

Outlook for Q4 vs Q3

# Stable development

- We expect stable revenues in Property Management
- We expect Operator Activities to be slightly weaker (Brussels and the Hague)
- New restrictions are pushing the recovery a bit further out, but the effects are limited for Pandox:
  1. *Portfolio dominated by domestic and regional hotels (84% of total)*
  2. *Strong focus on the Nordics*
  3. *Lease model with minimum guaranteed rent*

Six development levels...

# ...to get back to full performance







# Q&A



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