

Press release

Stockholm, 2016/11/18

Pandox AB (publ) acquires hotel portfolio in Europe for approximately MSEK 4,100

Pandox has entered into an agreement with Invesco Real Estate to acquire seven hotel properties in Europe – four in Germany, two in Austria and one in the Netherlands – with a total of 1,744 rooms. The acquisition price amounts to MEUR 415, corresponding to approximately MSEK 4,100, on a debt free basis. The hotels are of very high quality, positioned in the upper full-service segment and operated by well-known hotel operators under long-term revenue-based lease agreements with good rental guarantee levels. The acquisition is fully financed by a new bank loan and existing credit facilities. The acquired portfolio is expected to contribute the equivalent of approximately MSEK 140 in cash earnings 2017.

“The acquisition fulfills all Pandox’s strategic criteria regarding size, location, market position and profitability, as well as contributes to a further diversification of our revenue base. The hotel properties are of very high quality, are operated by well-known hotel operators under long-term revenue-based lease agreements and will give a substantial revenue contribution to Pandox’s already strong lease portfolio. Through the acquisition Pandox enters two new hotel markets and four new interesting hotel cities. We strengthen our presence in Germany, which is the largest hotel market in Europe, and add two new strong operators to our cooperation portfolio. With this acquisition we also demonstrate that there is substantial potential for Pandox to grow its core business with good profitability on the major hotel markets in Europe”, says Anders Nissen, CEO of Pandox.

Drivers for the acquisition

1. The hotel property portfolio is of very high quality and comprises full-service hotels in the upper segment with an average size of 250 rooms (approx.).
2. The acquisition price per room amounts to an attractive MSEK 2.35 (approx.).
3. Strengthens Pandox’s market position in Germany with an additional three hotels in Frankfurt, Hamburg and Cologne, and one hotel in Munich, which is a new city for Pandox.
4. Establishes Pandox in Austria and the Netherlands with three hotels in Vienna, Salzburg and Amsterdam, which are all new countries and cities for Pandox.
5. The hotels are located in major cities with strategic positions and a good balance between the business and leisure segments, as well as international and domestic demand.
6. The hotels are operated by well-established hotel operators (NH Hotels, Rezidor and Grand City Hotels) under well-known brands (NH, Radisson Blu and Park Hotel Amsterdam) with long-term revenue-based lease agreements with rental guarantee levels and shared investments, which is the core of Pandox’s business model.
7. The hotels contribute immediately and positively to Pandox’s earnings and cash flow.

Acquisition price and financing

The acquisition price amounts to MEUR 415, corresponding to approximately MSEK 4,100 at current exchange rate, on a debt free basis including non-controlling interest related to the four German hotel properties, and after deduction of deferred tax. The acquisition is financed by a new five year bank loan with Aareal Bank amounting to approximately MEUR 270 and other existing credit facilities.

Transaction structure

The seller is Invesco Real Estate via its European Hotel Real Estate Fund II. Pandox AB completes the acquisition of the four hotel properties in Germany together with Eiendomsspar AS as minority shareholder with 5.1 percent. This structure is considered the most efficient solution for all shareholders in Pandox.

Financial effects for Pandox at full consolidation and at current exchange rate

1. The acquisition is expected to increase Pandox's rental income by the corresponding amount of approximately MSEK 250 and cash earnings by the corresponding amount of approximately MSEK 140 in 2017, provided the acquisition is completed before year-end 2016.
2. The acquired portfolio has a yield of approximately 5.7 percent.
3. All rental agreements are revenue-based with rental guarantee levels. The acquired portfolio's average maturity (WAULT) is 19 years.
4. Pandox's responsibility for future investments is limited to major technical installations and building structure, which means property costs are lower compared with Pandox's Nordic hotel property portfolio.
5. Pandox sees potential to, in close cooperation with the hotel operators, make future cash flow enhancing investments in the acquired hotel property portfolio.
6. Based on the market value of the hotel portfolio per 30 September 2016, and Hilton Grand Place Brussels:
 - a. The portfolio value increases from approximately SEK 33.1 billion to approximately SEK 37.7 billion.
 - b. Investment Properties' share of the total property value increases from approximately 78 percent to approximately 79 percent.
 - c. Pandox's loan-to-value ratio (net) increases from approximately 45.5 percent to approximately 52.2 percent, which should be compared with the company's financial target of a loan-to-value ratio (gross) of 45-60 percent with normalised liquidity.

Terms and completion

The acquisition is expected to be completed before year-end 2016, provided that customary approvals from authorities have been received, and the terms in the share transfer agreement have been fulfilled.

Financial reporting

Pandox will consolidate the acquired hotels to 100 percent and report these under the business segment Property Management, and report non-controlling interest at the consolidated group level, from the time of completion of the acquisition.

Portfolio overview

The acquired hotel property portfolio comprises seven hotels with 1,744 rooms. The hotels are marketed under the brands NH, Radisson Blu and Park Hotel Amsterdam. The hotels are positioned in the stable and profitable upper full-service segment and are located in international cities (Vienna, Munich, Amsterdam, Frankfurt and Hamburg) with a high share of international demand, and regional cities (Cologne and Salzburg) with a high share of regional demand, which in total create a well-balanced demand mix. The hotels have strong locations for both the business and leisure segment. They benefit from a dynamic event market and the fact that the cities are also attractive leisure destinations.

Hotel	Country	City	No. of rooms	Location
NH Vienna Airport	Austria	Vienna	499	Airport
Radisson Blu Cologne	Germany	Cologne	393	City/congress
NH Munich Airport	Germany	Munich	236	Airport
Park Hotel Amsterdam	The Netherlands	Amsterdam	189	City
NH Frankfurt Airport	Germany	Frankfurt	158	Airport
NH Salzburg City	Austria	Salzburg	140	City
NH Collection Hamburg City	Germany	Hamburg	129	City
Total			1,744	



Invitation to telephone conference 18 November 2016, at 10:00 CET

Based on the acquisition Pandox invites investors, analysts and media to a webcasted telephone conference 18 November 2016, at 10:00 CET.

To follow the presentation online go to <http://media.fronto.com/cloud/pandox/161118>. To participate in the conference and ask questions, please call one of the telephone numbers indicated below about 10 minutes before the start of the presentation. The presentation material will be made available at www.pandox.se.

SE: +46 (0)8 503 36 434

UK LocalCall: 08444933800

US LocalCall: 16315107498

Conference ID: 22157551

A recorded version of the presentation will be available at www.pandox.se.

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This information is information that Pandox AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 07:00 CET on 18 November 2016.

About Pandox

Pandox is a leading owner of hotel properties in Northern Europe with a focus on sizeable hotels in key leisure and corporate destinations. Pandox's hotel property portfolio currently comprises 113 hotels with more than 24,000 hotel rooms in eight countries. Pandox's business is organised into Property management, which comprises hotel properties leased on a long-term basis to market leading regional hotel operators and leading international hotel operators, and Operator activities, which comprises hotel operations executed by Pandox in its owner-occupied hotel properties. Pandox was founded in 1995 and the company's B shares are, as of 18 June 2015, listed on Nasdaq Stockholm. www.pandox.se

About Invesco Real Estate (IRE)

IRE is a global real estate firm, which has been providing real estate investment and property asset management services since 1983, first in the US and then expanding into Europe and Asia. Globally, IRE has US\$71.3bn of assets under management and over 441 staff in 21 offices around the world. In Europe, we have eight offices in London, Munich, Milan, Madrid, Paris, Prague, Luxembourg and Warsaw, and around 140 employees. We manage 130 assets across 13 European countries and have US\$7.9bn of assets under management.