

Press release

Stockholm, 22/11/2019

Pandox acquires seven hotel properties in Germany for MEUR 290

Pandox AB (publ) has entered into an agreement to acquire seven hotel properties with a total of 1,532 rooms in Germany from HR Group. The total transaction value amounts to approximately MEUR 290, excluding minority. The acquisition is expected to be financed by liquid funds and new bank loans. The hotels will continue to be managed by HR Group under fixed leases with indexation, which will be converted into revenue-based leases by 2024 at the latest. The hotels are expected to contribute approximately MEUR 16.5 in rental income and MEUR 16.4 in net operating income, on an annualised basis. The acquisition is expected to close during the fourth quarter 2019.

“The acquisition is industrially sound and complements Pandox’s portfolio well both geographically and brand-wise and deepens our cooperation with the fast-growing HR Group. The hotel properties have strategic locations in stable domestic cities in Germany and are mainly driven by domestic demand with a good balance between the business, meeting and leisure segments. The hotels are full-service hotels in the upper mid-scale segment with an average size of 219 rooms with clear development and growth potential. The acquisition also further reinforces Pandox’s market position in the largest hotel market in Europe.”, says Anders Nissen, CEO of Pandox.

“HR Group is pleased to develop its strategic cooperation with Pandox, which is one of the leading hotel property companies in Europe. The transaction marks an additional key milestone in HR Group’s successful growth history to become the leading white-label hotel operator in Central Europe. We look forward to continuing to operate and develop the seven hotels together with our teams with the objective to create even better guest experiences.”, says Ruslan Husry.”, CEO of HR Group.

Hotel	City	Population in city area (*)	Location	No. Of rooms
Dorint am Main Taunus Zentrum Frankfurt	Frankfurt	750,000	Ring road	282
Mercure Hotel München Neuperlach Süd	Munich	1,460,000	Business park	253
Pullman Stuttgart Fontana	Stuttgart	635,000	Business park	252
Dorint Parkhotel Bad Neuenahr	Bonn/Neuenahr	350,000	Congress/resort	238
Mercure Hotel Frankfurt Eschborn Ost	Frankfurt	750,000	Business park	224
Mercure Hotel Frankfurt Airport	Frankfurt	750,000	Airport	150
Mercure Hotel Schweinfurt Maininsel	Schweinfurt	55,000	City	133
Total				1,532

(*) Statistisches Bundesamt

The acquisition of the hotel properties is made by indirect acquisition of shares in companies with an underlying property value of MEUR 290 on a debt free basis. The acquired hotel property portfolio has a yield of approximately 5.7 percent, before transaction costs. The seller is HR Group which also remains as a minority owner with 5.1 percent.

HR Group will operate the hotels initially under fixed leases indexed by 2 percent per year. The agreements will be converted to revenue-based leases with good minimum guaranteed levels, and a lease-term of at least 20-years, by the year 2024 at the latest. The tenant has a far-reaching responsibility for maintenance, repair and investments in the properties.

Pandox and HR Group have agreed on a joint investment programme of MEUR 20, of which Pandox's share amounts to MEUR 15. The investments are primarily focused toward upgrading of existing hotel rooms, bathrooms and public areas as well as creating more hotel rooms in existing hotels.

The acquisition is expected to close in the fourth quarter 2019, provided that all conditions in the share transfer agreement have been fulfilled. The hotel properties will be reported in the business segment Property Management.

Combined financial effects from communicated acquisitions during 2019

In the last six months, Pandox has entered into four agreements to acquire a total of 13 hotel properties – 11 in the business segment Property Management and two in the business segment Operator Activities – with a total of 2,834 rooms in strong regional city hubs in Germany and the Netherlands. The total acquisition value amounts approximately MEUR 537 with an initial yield in the range of approximately 5.4-6.5 percent. So far only one acquisition has been closed.

When all acquisitions have closed, they are expected to contribute a total of approximately MEUR 30.8 in net operating income, on an annualised basis, as stated in previous communication. The hotel property portfolio will consist of 156 hotels with approximately 35,000 rooms, of which 38 hotels with approximately 8,400 rooms in Germany which is the largest hotel market in Europe.

Based on the hotel property portfolio's market value per 30 September 2019, including communicated by not yet closed acquisitions (at EUR/SEK 10,66), the hotel property portfolio's market value amount to approximately MSEK 64,300. Loan to value amounts to approximately 47.3 percent including proceeds from directed share issue.

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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 05:35 CET on 22 November 2019.

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 146 hotels with approximately 32,700 hotel rooms in 15 countries. Pandox's business is organised into Property management, which comprises hotel properties leased on a long-term basis to market leading 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 listed on Nasdaq Stockholm. www.pandox.se

About HR Group

HR Group is an owner managed company founded in 2008. Since then HR Group has become one of the fastest growing hotel owner-operator companies within Central Europe and one of the leading hotel operators in Germany. Today, the group's portfolio stands at 34 properties with more than 4,800 keys in Germany, the Netherlands and Spain. As part of its growth strategy, HR Group cooperates with strong partners such as AccorHotels, Wyndham Hotels & Resorts, Hyatt Hotels & Resorts and Dorint Hotels & Resorts. www.hrg-hotels.de