

Value creation in practice

Pandox has many tools to create value in the portfolio and the Company works in a structured and methodical way – also sometimes taking advantage of opportunities when they arise – to maximise profitability and cash flow in the hotel properties. Jonas Törner, SVP Business Intelligence, Erik Hvesser, SVP and Director of Property Management Nordics, and Martin Creydt, SVP and Director of Property Management International, talk more – from their own perspectives – about what they are doing to constantly improve Pandox’s value creation.



Erik, Martin and Jonas.

What does value creation mean to you?

Jonas: Pandox’s speciality is to acquire underperforming hotels and thereafter initiate value-creating measures to improve profitability – whether this is in operational productivity, investment and renovation, rebranding or using a different type of agreement. We have a very large toolbox.

Another recipe for value creation is for Pandox to be an active owner throughout the value chain; in other words, we can operate the hotel ourselves or in partnership with a strong operator – preferably with a revenue-based lease. Our ability to move throughout the value chain also reduces Pandox’s total risk profile.

Martin: Our work involves constant analysis, thinking in new ways, rethinking – and in this process it’s important to have an outside-in perspective. Some hotel properties need more than minor measures on the surface; they also require a comprehensive approach involving extensive renovation and repositioning. In order to perform a thorough analysis we need to continually evaluate the hotel’s position, product offering, guest segments, opportunities and risks, and combine this with the broad and deep hotel knowledge that Pandox possesses.

Is Pandox different from other actors in the industry in this respect?

Jonas: We’re a very active owner and we focus first and foremost on revenue-based leases. This model gives both Pandox and the operator a joint incentive to constantly improve the hotel product, increase market share and improve revenue and profitability, which in the end gives Pandox more rental income.

Erik: Pandox has deep industry knowledge and strong financial muscles. This enables us to acquire individual hotel properties or whole portfolios, which many other actors are not able to do due to complexity, operating model, geography or size. Pandox’s best business transactions often take place in these situations.

Martin: We are always out “in the field” looking at our own hotels and competing ones to see what works well and not so well, and to gather inspiration. We eat, breath and sleep hotels. We take pride in having excellent insight into the market dynamics in the locations where we operate, because what works in one market doesn’t necessarily work as well in other markets. Pandox is well-diversified geographically, on a micro level, in terms of demand type and brands in markets with different dynamics.

Jonas: We work closely with the operators while also retaining independence through a broad palette of brands and agreement models. This increases our flexibility and at the same time reduces risk.

Erik: We are constantly relying on our structured analysis process – the Pandox Method – which involves continual evaluation, where each hotel is compared with a number of competing ones and subjected to internal benchmarking. This is a robust process thanks to Pandox’s strong portfolio of 156 hotel properties in around 90 cities on two continents.

What have been the most important hotel trends in recent years?

Erik: The lobby is the heart of a hotel and a central point for meetings, co-working, meals and sharing ideas. The lobby has always been vital in providing a good first impression of a hotel, but now it has also become a much more important meeting place, in the local community for example.

Jonas: Segmentation and positioning of a hotel have become increasingly important – having, as both hotel property owner and operator, a deep understanding of the dynamics and conditions in each location.

Martin: As Pandox’s international portfolio grows, so too do our insights about different types of demand between markets. For example, Stockholm and Oslo have more in common than Stockholm and Sundsvall. Sundsvall, in turn, has more in common with markets such as Karlsruhe in Germany or Leeds in the UK.

What do you do to ensure that Pandox can keep up with trends and development going forward – how do you assess the business climate?

Jonas: Having a close partnership with operators in combination with a broad portfolio provides insight and knowledge from different value-creating projects.

Erik: As mentioned before, we are constantly out looking at our hotels in a broader context and trying to better understand market dynamics and customer segments. Important key factors for Pandox’s success and value creation are having an outside-in perspective, competent and driven employees in all parts of the organisation and a business culture characterised by curiosity.