

# Strong progress for Property Management

Interim report January-June 2016

Stockholm, 18 August 2016

Anders Nissen, CEO  
Liia Nõu, CFO

## Forward-looking statements

This presentation contains forward-looking statements. Such statements are subject to risks and uncertainties as various factors, many of which are beyond the control of Pandox AB (publ), may cause actual developments and results to differ materially from the expectations expressed in this presentation.

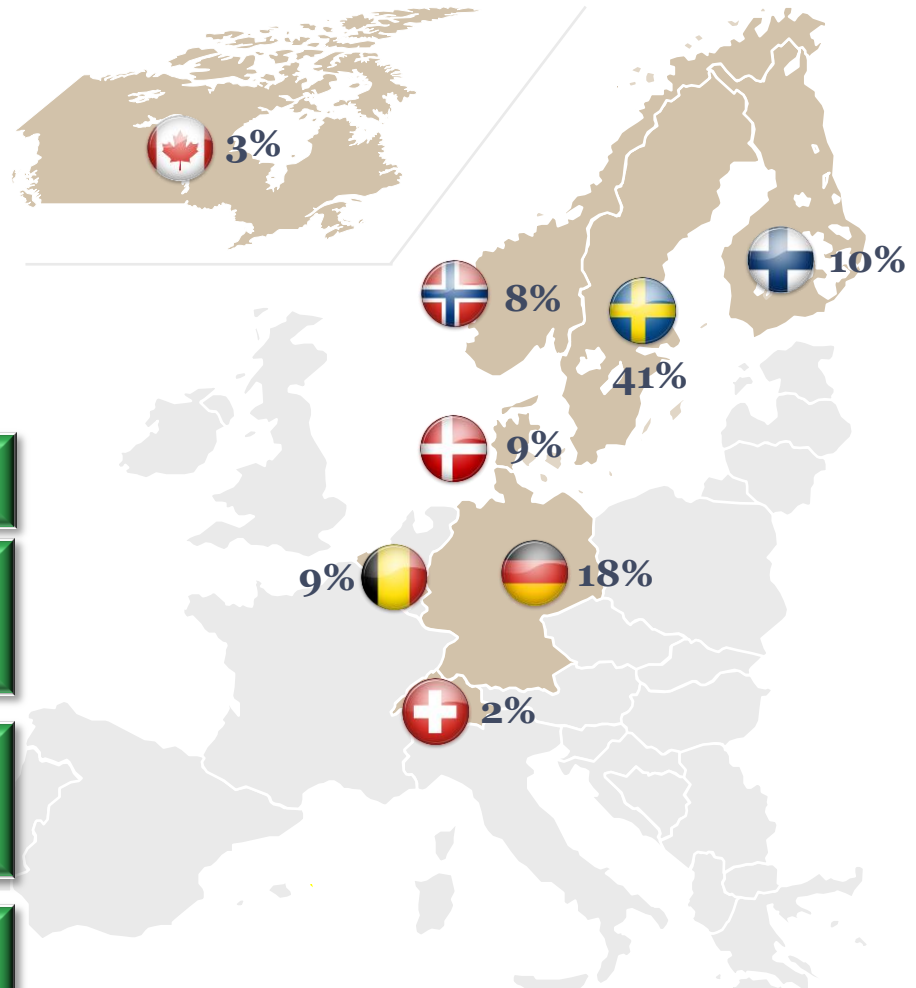
# Agenda

Introduction	Financial review	Market and business	Q&A
Anders Nissen	Liia Nõu	Anders Nissen	All participants

# This is Pandox

A leading northern European hotel property company

- Focused strategy on large hotel properties in the upper-medium to high-end segments in strategic locations.
- Active ownership model combining a large, attractive portfolio with excellent operational skills.



Pandox Group	Property Management	Operator Activities
112 Hotel Properties	92 Leased	20 Operated
SEK 32.1bn Portfolio Market Value	78% Portfolio Market Value	22% Portfolio Market Value
	5.8% Valuation Yield	7.6% Valuation Yield

*Based on portfolio market value as of 30 June 2016 (rounded percentages)*



---

# Business highlights April–June 2016

## Strong progress for Property Management

- Strong development for Property Management.
- Weaker development for Operator Activities, as expected.
- Property Management: rental income increased by 20 percent, LFL<sup>1</sup> an increase of 10 percent. Half of the growth was organic.
- Operator Activities: revenue decreased by 12 percent, LFL<sup>1</sup> a decrease of 10 percent. The decrease is primarily explained by the terror attacks in Brussels.
- Lease extension for 19 hotels in the Nordic region confirms our strategy and business model.
- Cash earnings increased by 11 percent.

# Financial summary

## Solid business progress

### Key figures

(MSEK)	Q2 2016	Q2 2015	chg %	6M 2016	6M 2015	FY 2015
<b>Revenue</b>						
<i>Property Management (Note 1,2)</i>	<b>464</b>	388	20	<b>850</b>	720	1,543
<b>Net operating income</b>						
<i>Property Management (Note 1,2)</i>	<b>398</b>	312	28	<b>718</b>	572	1,280
<b>Net operating income</b>						
<i>Operator Activities (Note 2)</i>	<b>125</b>	146	-14	<b>179</b>	197	416
EBITDA (Note 1)	<b>491</b>	439	12	<b>841</b>	729	1,603
Profit for the period (Note 1,3,4)	<b>474</b>	651	-27	<b>850</b>	1,025	2,131
Cash earnings (Note 1,3,4)	<b>354</b>	319	11	<b>589</b>	490	1,130
<b>Per share data (SEK)</b>						
Cash earnings (Note 1,3,4,5)	<b>2.34</b>	2.13	10	<b>3.89</b>	3.27	7.53
EPRA NAV (Note 4)	-	-	-	<b>114.03</b>	-	107.71

(Note 1) FY 2015 includes one-time gain of MSEK 60 in Q3. (Note 2) Reclassification of Mr Chip Hotel Kista in June 2015, Lillehammer Hotel in June 2015, and reclassification of Hotel Prince Philip in October 2015, Thon Hotel Fagernes in January 2016 and Thon Hotel Sørlandet in May 2016 to Operator Activities. (Note 3) FY 2015 includes compensation for tax expense of MSEK 19. (Note 4) FY 2015 includes extra tax expense of MSEK -29 in Q4. The total number of shares outstanding before and after full dilution are 150 000 000. (Note 5) After non-controlling interest.

### Comments on the quarter

- Solid growth and earnings progress.
- Positive LFL<sup>1</sup> growth in revenue and net operating income from Property Management of 10 percent and 13 percent, respectively.
- Negative LFL<sup>1</sup> growth in revenue and net operating income from Operator Activities of -10 percent and -15 percent respectively, as expected.
- Cash earnings increased by 11 percent.
- From year-end 2015, Investment Properties experienced an unrealised and realised portfolio value increase of 2.7 percent. For Operating Properties (information purposes only) the unrealised value increase was 1.2 percent.
- EPRA NAV per share amounted to SEK 114.03, an increase by SEK 6.32 from year-end 2015. Adjusted for dividend of SEK 3.80, the return is 9.4 percent.

# Income statement

## Improved revenues and profit

### Key figures (MSEK)

	Q2 2016	Q2 2015	6M 2016	6M 2015	FY 2015
<b>Revenues Property Management</b>					
Rental income	451	372	825	691	1,431
Other property income	13	16	25	29	112
<b>Operator Activities</b>	536	609	978	976	2,046
<b>Total revenues</b>	<b>1,000</b>	<b>997</b>	<b>1,828</b>	<b>1,696</b>	<b>3,589</b>
Costs Property Management	-66	-76	-132	-148	-263
Costs Operator Activities	-448	-494	-872	-842	-1,767
<b>Gross profit</b>	<b>486</b>	<b>427</b>	<b>824</b>	<b>706</b>	<b>1,559</b>
- whereof gross profit Property Management	398	312	718	572	1,280
- whereof gross profit Operator Activities	88	115	106	134	279
Central administration	-32	-19	-56	-40	-94
Financial income	1	0	1	1	3
Financial expenses	-113	-115	-227	-230	-441
<b>Profit before changes in value</b>	<b>342</b>	<b>293</b>	<b>542</b>	<b>437</b>	<b>1,027</b>
<b>Changes in value</b>					
Properties, unrealised	319	307	519	670	1,387
Properties, realised	—	8	159	8	12
Derivatives, unrealised	-55	216	-179	183	203
<b>Profit before tax</b>	<b>606</b>	<b>824</b>	<b>1,041</b>	<b>1,298</b>	<b>2,629</b>
Current tax	-25	-5	-26	-10	-35
Deferred tax	-107	-168	-165	-263	-463
<b>Profit for the period</b>	<b>474</b>	<b>651</b>	<b>850</b>	<b>1,025</b>	<b>2,131</b>
<i>Profit for the period attributable to the shareholders of the parent company</i>	471	651	845	832	2,131
<i>Profit for the period attributable to non-controlling shareholders of the parent company</i>	3	—	5	—	—

### Comments on the quarter

- Strong demand in Sweden, Finland, Denmark and Germany and a positive calendar effect.
- Positive organic growth in the lease portfolio.
- Good growth and profitability for the acquired 18 hotel properties in Germany.
- The negative effect on NOI in Operator Activities from the terrorist attacks in Brussels amounted to approximately MSEK 28 in the second quarter, and MSEK 35 for the first six months.
- Current tax affected by higher profits in Germany and provision effects between the first and second quarter.

# Solid growth in rental income and NOI

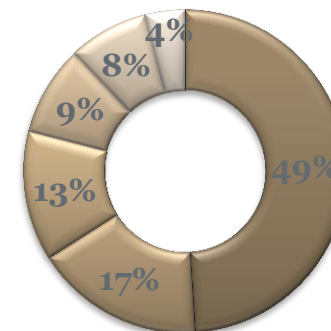
## Property Management

### Net operating income

(MSEK)	Q2 2016	Q2 2015	6M 2016	6M 2015	FY 2015
Rental income	451	372	825	691	1,431
Other property income*	13	16	25	29	112
Costs	-66	-76	-132	-148	-263
<b>Net operating income</b>	<b>398</b>	<b>312</b>	<b>718</b>	<b>572</b>	<b>1,280</b>

\*Includes one-time revenue of MSEK 60 from mediation in the third quarter 2015

### Rental income Jan-Jun 2016 in %



- Sweden, 49%
- Germany, 17%
- Finland, 13%
- Denmark, 9%
- Norway, 8%
- Other, 4%

- LFL<sup>1</sup> revenue and NOI from Property Management increased by 10 percent and 13 percent, respectively.
- Good demand in key hotel markets, and a positive calendar effect from Easter.
- RevPAR for the 18 hotel properties in Germany grew by 6.2 percent in the second quarter, compared with 5.9 percent for the German market as a whole, and at good profitability.

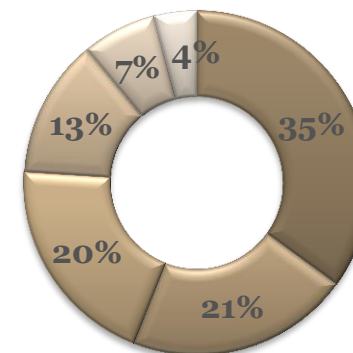
# The low point in profitability has been passed

## Operator Activities

### Net operating income

(MSEK)	Q2 2016	Q2 2015	6M 2016	6M 2015	FY 2015
Revenue	536	609	978	976	2,046
Costs	-448	-494	-872	-842	-1,767
<b>Gross Profit</b>	<b>88</b>	<b>115</b>	<b>106</b>	<b>134</b>	<b>279</b>
Add: Depreciation included in costs	37	31	73	63	137
<b>Net operating income</b>	<b>125</b>	<b>146</b>	<b>179</b>	<b>197</b>	<b>416</b>
<b>NOI margin</b>	<b>23%</b>	<b>24%</b>	<b>18%</b>	<b>20%</b>	<b>20%</b>
NOI margin adjusted for Grand Hotel Oslo	26%	27%	21%	22%	23%

### Revenues Jan-Jun 2016 in %



- Belgium, 35%
- Canada, 20%
- Denmark, 7%
- Germany, 21%
- Norway, 13%
- Other, 4%

- LFL<sup>1</sup> revenue and NOI decreased by -10 percent and -15 percent respectively, reflecting the negative effects from the terror attacks in Brussels. Our earlier estimate of a negative impact of around MSEK 40 for the full year 2016 still stands.
- Denmark, Canada and Germany performed well, while Norway and Sweden were affected by some efficiency improvement costs related to recent taking over of operations.



# Property portfolio

## Yield compression and cash flows

Change in value (MSEK)	
Investment properties, beginning of the period (Jan 1, 2016)	25,062
+ Acquisitions	—
+ Investments	76
- Divestments <sup>1</sup>	-887
+/- Reclassifications	-186
+/- Unrealised changes in value	519
+/- Realised changes in value <sup>2</sup>	159
+/- Change in currency exchange rates	416
<b>Investment Properties, end of period (June 30, 2016)</b>	<b>25,159</b>
Operating Properties (reported for information purposes only)	
Operating Properties, market value beginning of the period (Jan 1, 2016)	6,375
+ Acquisitions	—
+ Investments	81
- Divestments	—
+/- Reclassifications	186
+/- Unrealised changes in value	76
+/- Realised changes in value	—
+/- Change in currency exchange rates	247
<b>Operating properties, market value end of period (June 30, 2016)</b>	<b>6,965</b>

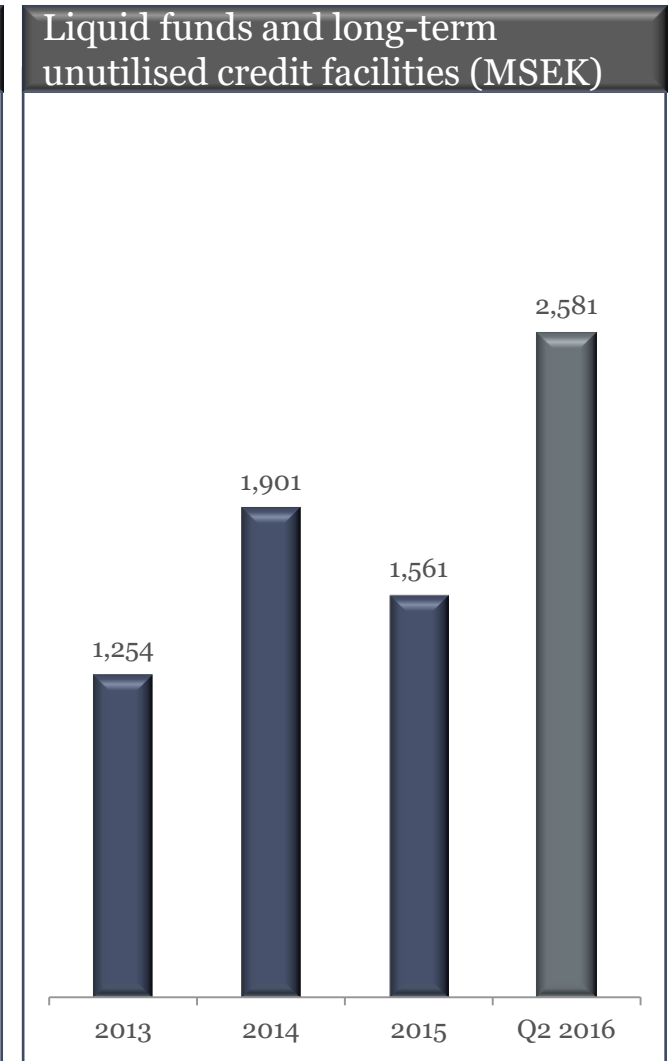
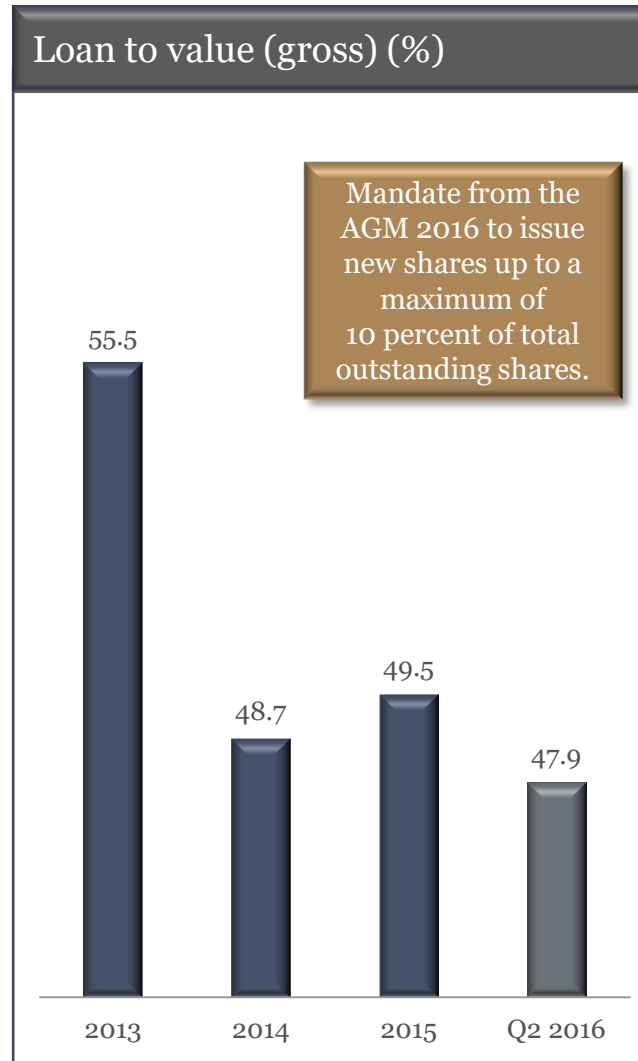
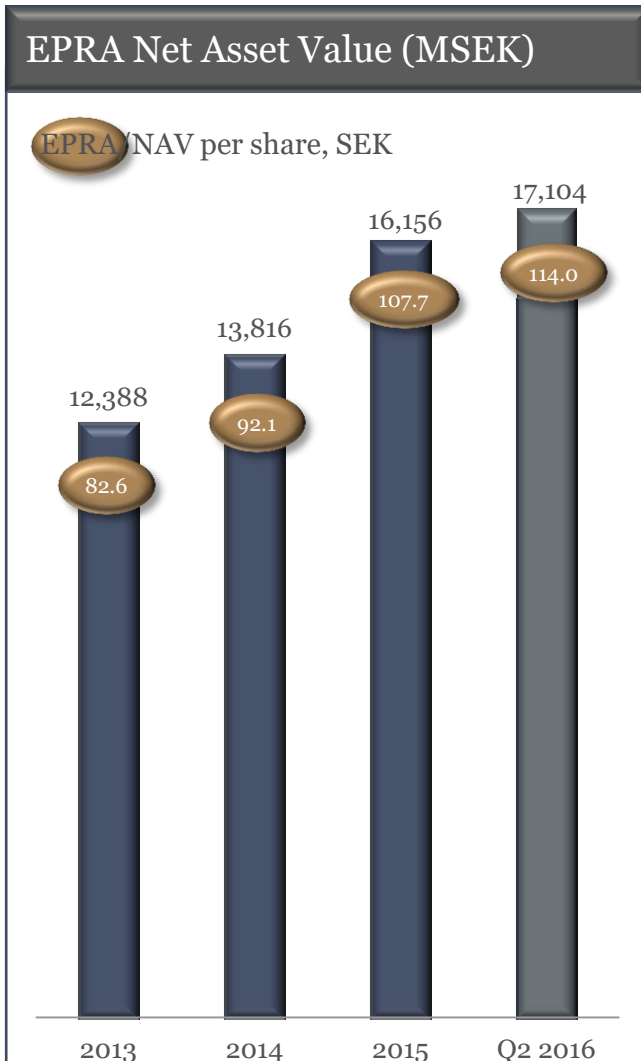
<sup>1, 2</sup> Refers to divestment of eight Investment Properties 31 March 2016.

### Comments

- Total property portfolio market value per 30 June, 2016, amounted to MSEK 32,124.
- Per 30 June, 2016, average valuation yield Investment properties 5.8 (Year-end 2015: 5.9) percent.
- Per 30 June, 2016, average valuation yield operating properties 7.6 (Year-end 2015: 7.5) percent.
- External valuations performed on 25 percent of the property portfolio in the second quarter, in line with and confirms Pandox's internal valuations.
- Reclassification of Thon Hotel Fagernes and Thon Hotel Sørlandet from Investment properties to Operating properties.
- Eight hotels in Sweden divested for MSEK 850 in March.

# Financing and capital structure

Solid growth in EPRA NAV and continued high financial flexibility



---

# Good growth and profitability

## Summary of financial section

- Good development with positive organic growth in the lease portfolio.
- LFL<sup>1</sup> rental income and net operating income from Property Management increased by 10 percent and 13 percent, respectively.
- LFL<sup>1</sup> revenue and net operating income from Operator Activities decreased by 10 percent and 15 percent, respectively.
- High financial flexibility based on sustainable cash earnings growth and low financial leverage.

# Overall, market conditions remain favourable

## RevPAR development quarterly change (in local currency)

Market	FY 2013	FY 2014	FY 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
<b>USA</b>	<b>5%</b>	<b>8%</b>	<b>6%</b>	<b>7%</b>	<b>6%</b>	<b>5%</b>	<b>3%</b>	<b>3%</b>
New York <sup>1</sup>	4%	3%	-2%	-2%	1%	-2%	-1%	-3%
Montreal	6%	10%	7%	9%	5%	6%	5%	1%
<b>Europe</b>	<b>2%</b>	<b>6%</b>	<b>7%</b>	<b>6%</b>	<b>10%</b>	<b>6%</b>	<b>3%</b>	<b>3%</b>
London <sup>1</sup>	1%	3%	2%	-2%	5%	1%	-4%	-3%
Brussels	2%	3%	2%	8%	13%	-10%	-8%	-29%
Berlin	0%	5%	8%	15%	7%	7%	6%	0%
Frankfurt	5%	-2%	9%	18%	16%	1%	4%	3%
Stockholm	0%	2%	9%	-3%	23%	11%	4%	20%
Oslo	4%	1%	8%	14%	10%	7%	2%	0%
Helsinki	-5%	2%	2%	-3%	6%	6%	6%	12%
Copenhagen	6%	4%	11%	10%	12%	14%	3%	15%

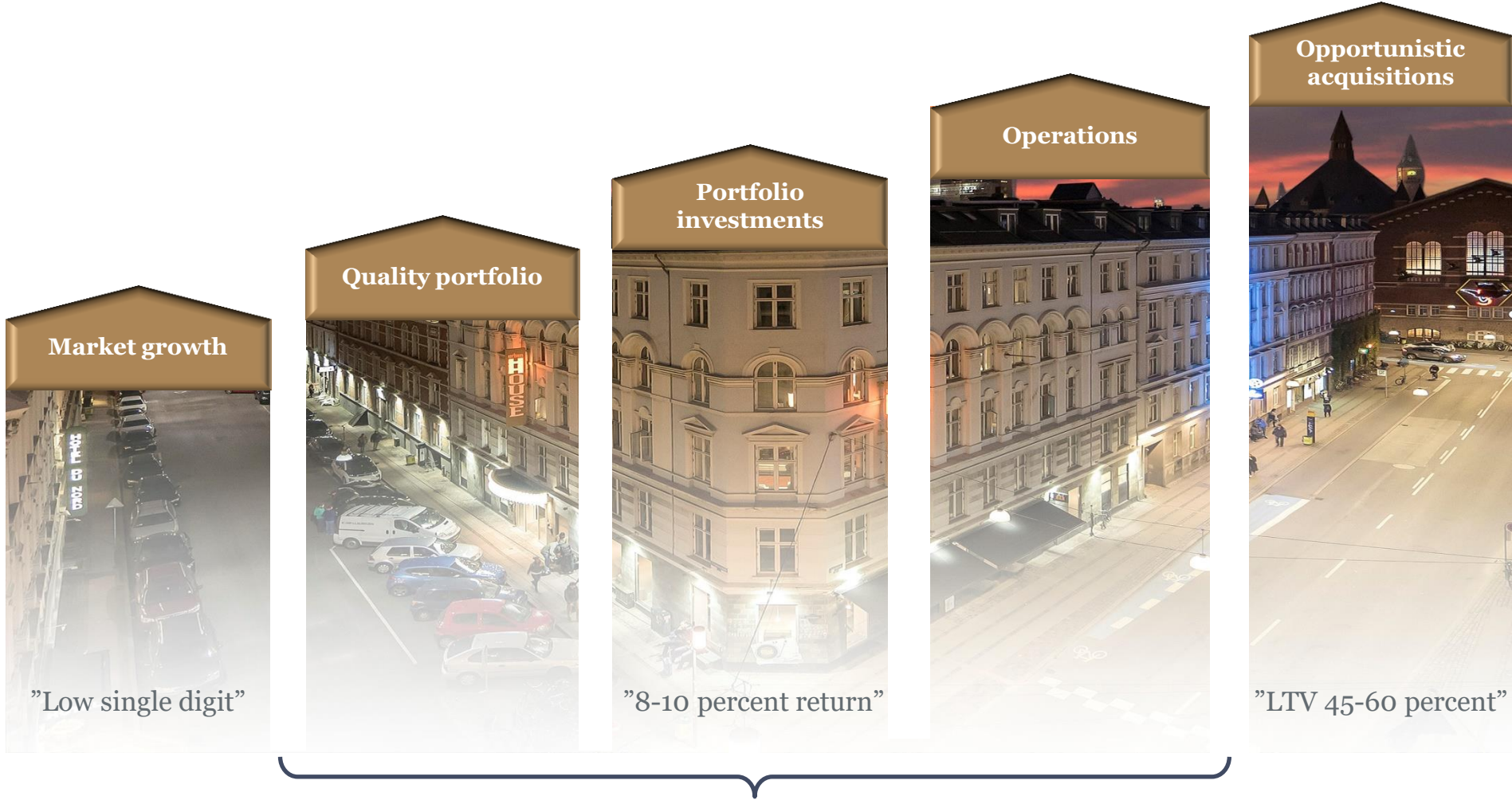
<sup>1</sup> Pandox does not have any direct business exposure to these markets but they are important for the overall assessment of the global hotel market.

Source: STR (USA, Canada, Europe, Finland), Benchmarking Alliance (Sweden, Norway, Denmark).

## Comments

- Good performance in key markets.
- Continued growth in North America.
- 3 percent RevPAR growth in Europe in Q2, but with regional differences.
- Strong demand in Sweden, Finland, Denmark and Germany and a positive calendar effect.
- Stockholm (+20%) benefitted from large events.
- Helsinki (+12%) continued to benefit from Asian demand.

# Key growth drivers for cash earnings



# Q&A

**Pandox AB (publ)**

Interim address:  
Box 15  
SE-101 20 Stockholm  
Sweden

Visiting address:  
Vasagatan 11, 9th floor  
Stockholm  
Sweden

[www.pandox.se](http://www.pandox.se)

**Financial calendar:**

- November 10, 2016 – Interim report, Q3 2016
- November 22, 2016 – Hotel Market Day
- February 16, 2017 – Year-end report 2016