

# Strong cash flow and high returns

Interim report January-September 2016

Stockholm, 10 November 2016

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## 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.

# We are proud of our third quarter

18%

Growth in cash earnings<sup>1</sup>

1

Strong hotel market.

2

Good operational performance.

3

Payoff on strategy.

9%

Growth in NOI  
Property Management<sup>2</sup>

5%

Growth in NOI  
Operator Activities<sup>2</sup>

19%

Return on equity<sup>3</sup>

1) Adjusted for one-time revenue of MSEK 60 and received tax compensation of MSEK 19 in Q3 2015.

2) Adjusted for currency effects and comparable units.

3) Measured as growth in EPRA NAV, including dividend, at annual rate.

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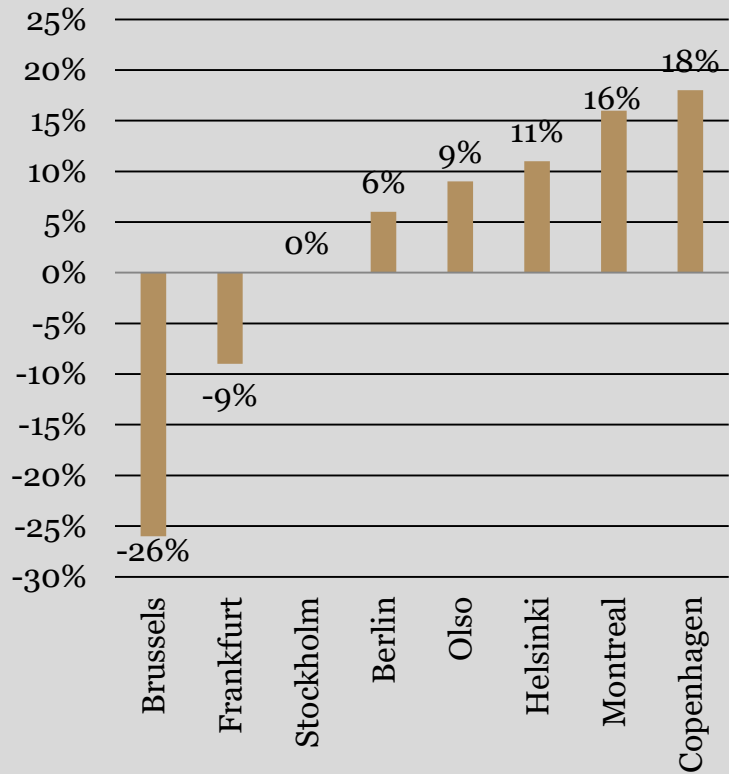
# Key drivers for Pandox

## Explaining the third quarter

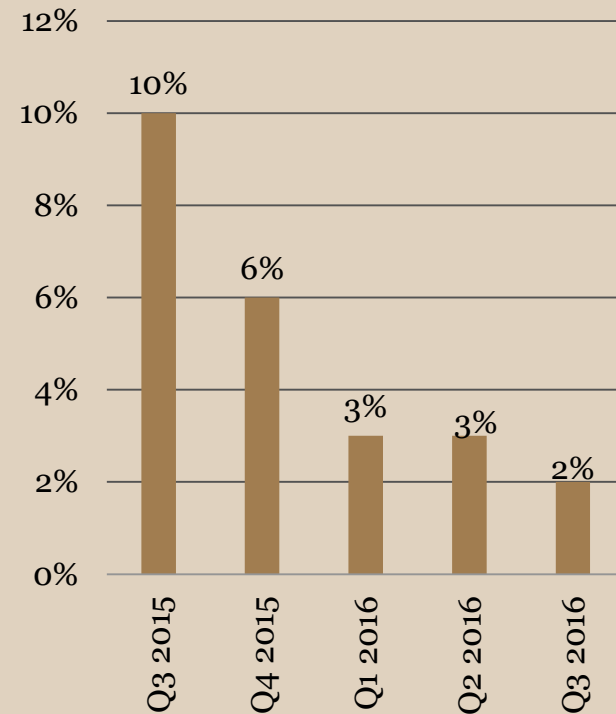
- 1** Portfolio of high quality hotels with strong positions generating good growth.  
*Growing at least in line with its competitive set.*
- 2** Revenue-based lease model paying off.  
*Enables Pandox to capitalise on a growing hotel market.*
- 3** Good return on renovations and investments.  
*Hotels coming back from renovation have grown faster than the market.*
- 4** Improvements in Operator Activities.  
*In various stages.*
- 5** Acquisitions paying off.  
*Leonardo (18 hotel properties) performing better than expected and better than the market.*

# Good growth in important hotel markets (RevPAR Q3 y/y)

## Key markets



## Europe



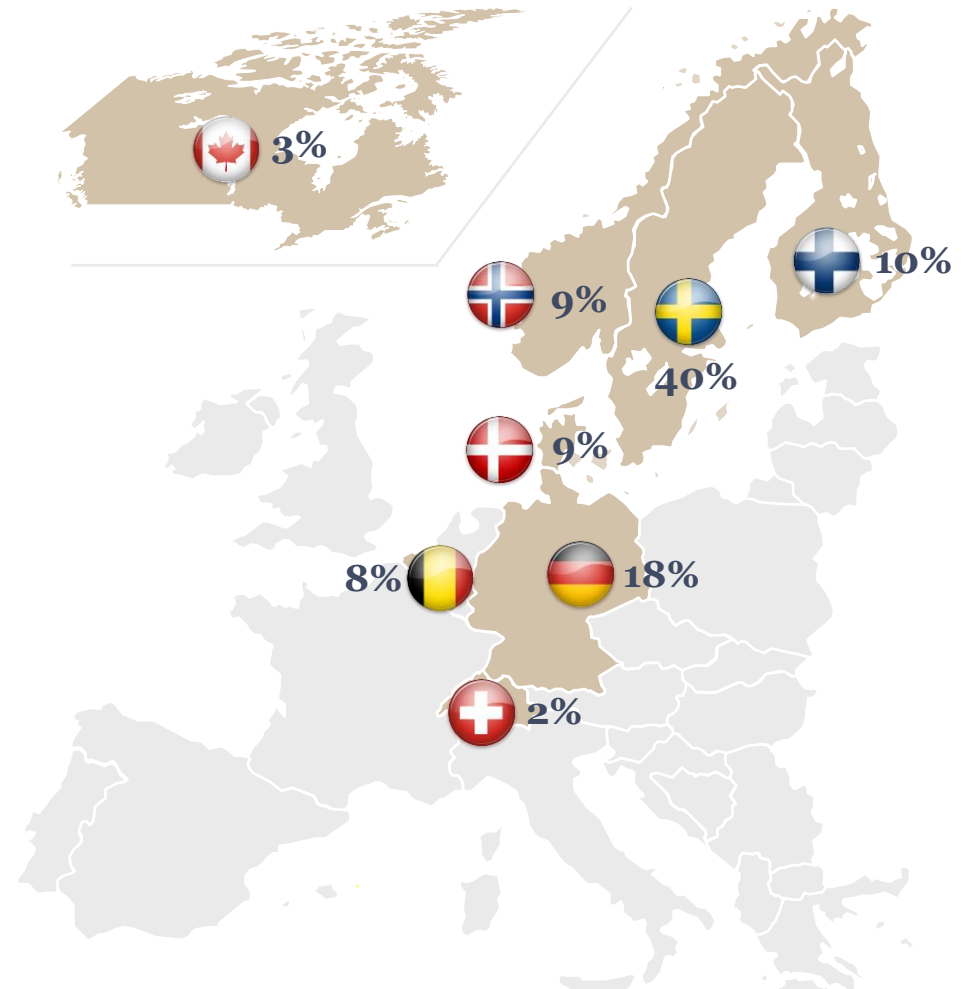
# This is Pandox today

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	91 Leased Properties	21 Operated Properties
SEK 33.1bn Portfolio Market Value	78% Property Market Value	22% Property Market Value
	5.7% Valuation Yield	7.6% Valuation Yield



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



# Financial highlights July – September 2016

A good quarter overall

## Key figures

(MSEK)	Q3 2016	Q3 2015	chg %	9M 2016	9M 2015	chg %	FY 2015
<b>Revenue</b>							
<i>Property Management (Note 1,2)</i>	<b>479</b>	458	5	<b>1,329</b>	1,178	13	1,543
<b>Net operating income</b>							
<i>Property Management (Note 1,2)</i>	<b>409</b>	403	1	<b>1,127</b>	974	16	1,280
<b>Net operating income</b>							
<i>Operator Activities (Note 2)</i>	<b>130</b>	115	13	<b>309</b>	312	-1	416
EBITDA (Note 1)	<b>512</b>	495	3	<b>1,353</b>	1,222	11	1,603
Profit for the period (Note 1,3,4)	<b>592</b>	425	39	<b>1,442</b>	1,450	-1	2,131
Cash earnings (Note 1,3,4)	<b>386</b>	407	-5	<b>975</b>	896	9	1,130
<b>Per share data (SEK)</b>							
Cash earnings (Note 1,3,4,5)	<b>2.55</b>	2.71	-6	<b>6.45</b>	5.97	8	7.53
EPRA NAV (Note 4)	-	-	-	<b>120.53</b>	104.45	15	107.71

(Note 1) FY 2015 includes one-time revenue of MSEK 60 in Q3 relating to mediation with Nordic Hospitality Group AS.

(Note 2) Reclassification of The Hub Hotel & Livingroom in June 2015, Lillehammer Hotel in June 2015, Best Western PLUS Hotel Prince Philip in October 2015, Thon Hotel Fagernes in January 2016, Thon Hotel Sørlandet in May 2016 and Meetingpoint Haffjell in September 2016 to Operator Activities. (Note 3) FY 2015 includes received tax compensation of MSEK 19 in Q3 and extra tax cost of MSEK -29 in Q4. (Note 4) The total number of shares outstanding before and after dilution is 150,000,000. (Note 5) After non-controlling interest.

## Comments on the quarter

- Property Management: LFL<sup>1</sup> growth in revenue and net operating income of 7 percent and 9 percent, respectively.
- Operator Activities: Improved profitability with a LFL<sup>1</sup> increase in net operating income of 5 percent.
- Higher financial net reflects both larger loan portfolio and commitment fees tied to unutilised credit facilities.
- EPRA NAV per share amounted to SEK 120.53, an increase by SEK 12.82 from year-end 2015. Adjusted for dividend of SEK 3.80, the annualised return is 19.0 percent.
- From year-end 2015, Investment Properties experienced an unrealised and realised portfolio value increase of 4.2 percent. For Operating Properties (information purposes only) the unrealised value increase was 1.4 percent.

# Clear organic growth in rental income and NOI

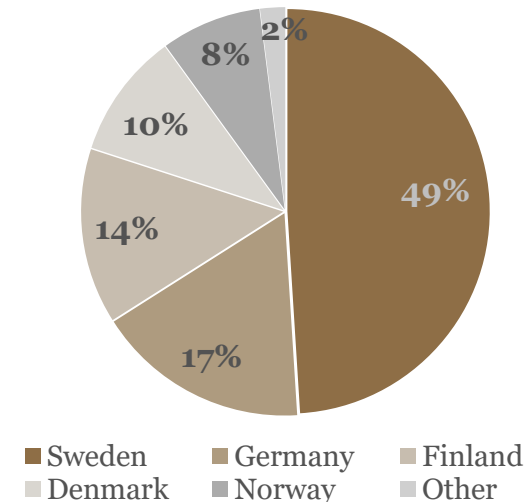
## Property Management

### Net operating income

(MSEK)	Q3 2016	Q3 2015	9M 2016	9M 2015	FY 2015
Rental income	459	389	1,284	1,080	1,431
Other property income	20	69	45	98	112
Costs*	-70	-55	-202	-204	-263
<b>Net operating income</b>	<b>409</b>	<b>403</b>	<b>1,127</b>	<b>974</b>	<b>1,280</b>

\*Including property administration costs

### Rental income Jan-Sep 2016 in %



- › LFL<sup>1</sup> rental income and net operating income increased by 7 percent and 9 percent, respectively.
- › Stable demand from all guest segments and relatively limited new supply.
- › Good hotel markets in Finland, Denmark, Germany, plus stabilisation in Norway. Growth in Sweden was flat explained by a very strong comparison period in 2015.

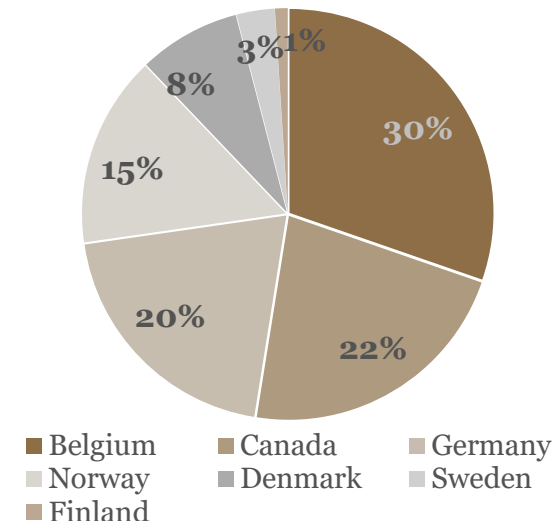
# Improved profitability

## Operator Activities

### Net operating income

(MSEK)	Q3 2016	Q3 2015	9M 2016	9M 2015	FY 2015
Revenue	561	534	1 539	1 510	2 046
Costs	-466	-454	-1 338	-1 296	-1 767
<b>Gross Profit</b>	<b>95</b>	<b>80</b>	<b>201</b>	<b>214</b>	<b>279</b>
Add: Depreciation included in costs	35	35	108	98	137
<b>Net operating income</b>	<b>130</b>	<b>115</b>	<b>309</b>	<b>312</b>	<b>416</b>
<b>NOI margin</b>	<b>23%</b>	<b>22%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>
NOI margin adjusted for Grand Hotel Oslo	25%	24%	22%	23%	23%

### Revenues Jan-Sep 2016 in %



- › LFL<sup>1</sup> revenue decreased by 2 percent while net operating income increased by 5 percent.
- › The hotel market in Brussels have gradually improved but at a slower pace than expected.
- › The negative effect of the terrorist attacks on net operating income from Operator Activities is now estimated at just over MSEK 40 for full-year 2016 compared to full-year 2015.
- › Strong performance in Denmark, Canada and Germany.



# Property portfolio

Yield compression and cash flows explain value increase

## Change in value (MSEK)

Investment Properties, beginning of the period (Jan 1, 2016)	25,062
+ Acquisitions	—
+ Investments	106
- Divestments <sup>1</sup>	-887
+/- Reclassifications	-295
+/- Unrealised changes in value	888
+/- Realised changes in value <sup>1</sup>	159
+/- Change in currency exchange rates	759
Investment Properties, end of period (September 30, 2016)	25,792

+4.2%  
YTD

## Operating Properties (reported for information purposes only)

Operating Properties, market value beginning of the period (Jan 1, 2016)	6,375
+ Acquisitions	—
+ Investments	140
- Divestments	—
+/- Reclassifications	295
+/- Unrealised changes in value	91
+/- Realised changes in value	—
+/- Change in currency exchange rates	405
Operating Properties, market value end of period (September 30, 2016)	7,306

+1.4%  
YTD

+3.6% YTD

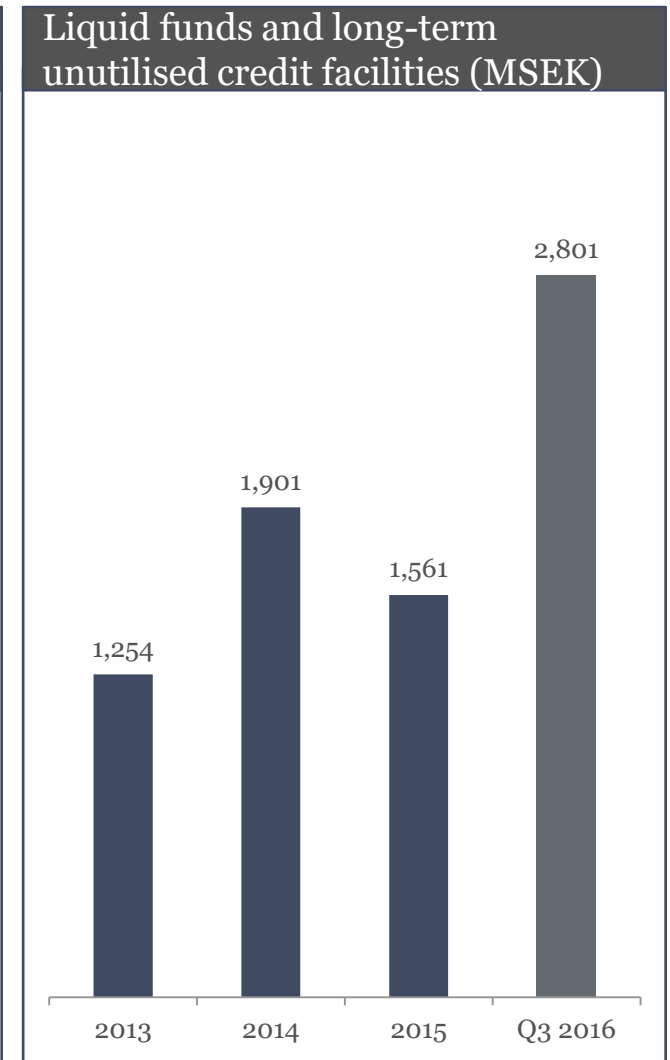
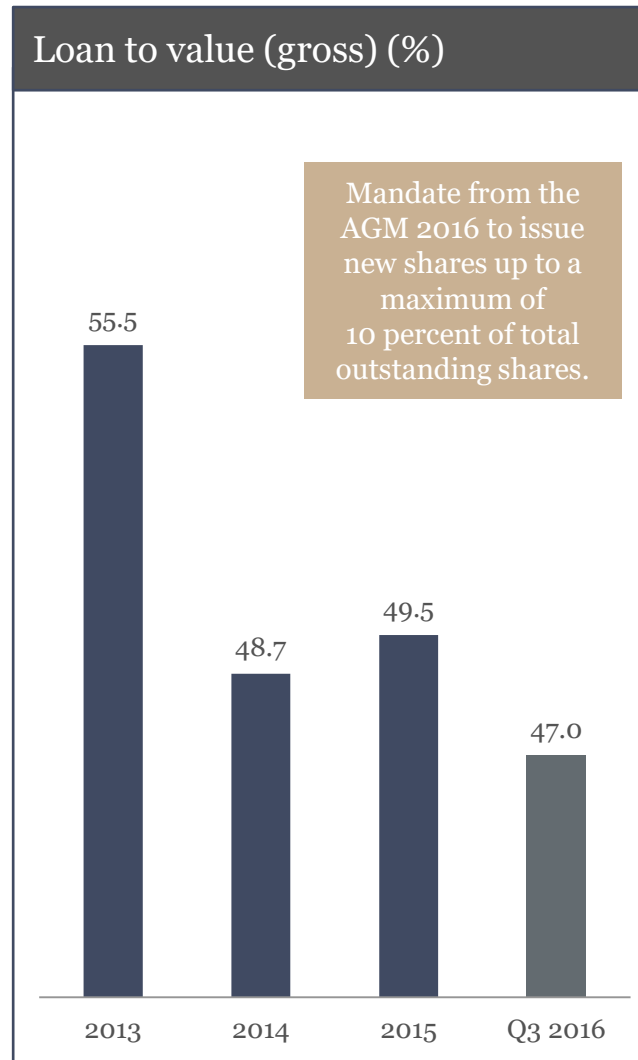
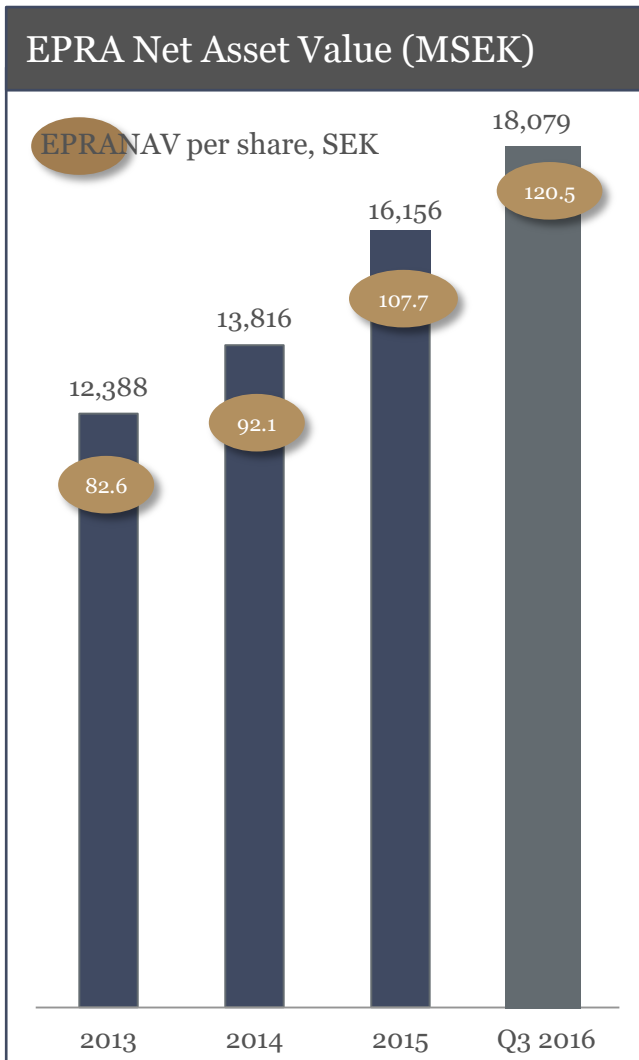
<sup>1</sup> Refers to divestment of eight Investment Properties 31 March 2016.

## Comments

- Total property portfolio market value per 30 September, 2016, amounted to MSEK 33,098.
- Per 30 September, 2016, average valuation yield for Investment Properties was 5.7 (Year-end 2015: 5.9) percent.
- Per 30 September, 2016, average valuation yield for Operating Properties was 7.6 (Year-end 2015: 7.5) percent.
- External valuations performed on 25 percent of the property portfolio in the third quarter, in line with and confirms Pandox's internal valuations.
- Reclassification of Thon Hotel Fagernes (Jan), Thon Hotel Sørlandet (May) and Meetingpoint Hafjell (Sep) from Investment Properties to Operating Properties.
- Eight hotels in Sweden divested for MSEK 850 in March 2016.

# Financing and capital structure

Solid growth in EPRA NAV and high financial flexibility



# A summary of the main drivers for growth in cash earnings



# Q&A

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**Financial calendar:**

- November 22, 2016 – Hotel Market Day
- February 16, 2017 – Year-end report 2016
- May 4, 2017 – Interim Report, January-March 2017