

INTERIM REPORT JANUARY-SEPTEMBER 2018

# A stable quarter



Interim presentation

25 October, 2018

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# Continued profitable growth

20%

R12M

Return on equity<sup>2</sup>

1

Profitable acquisitions in new large markets

2

Good development in Brussels

3

Stable demand in the hotel market

31%

Q3

30%

9m

Growth in total  
net operating income<sup>1</sup>

2%

Q3

1%

9m

LFL growth in NOI  
Property Management<sup>3</sup>

4%

Q3

10%

9m

LFL growth in NOI  
Operator Activities<sup>3</sup>

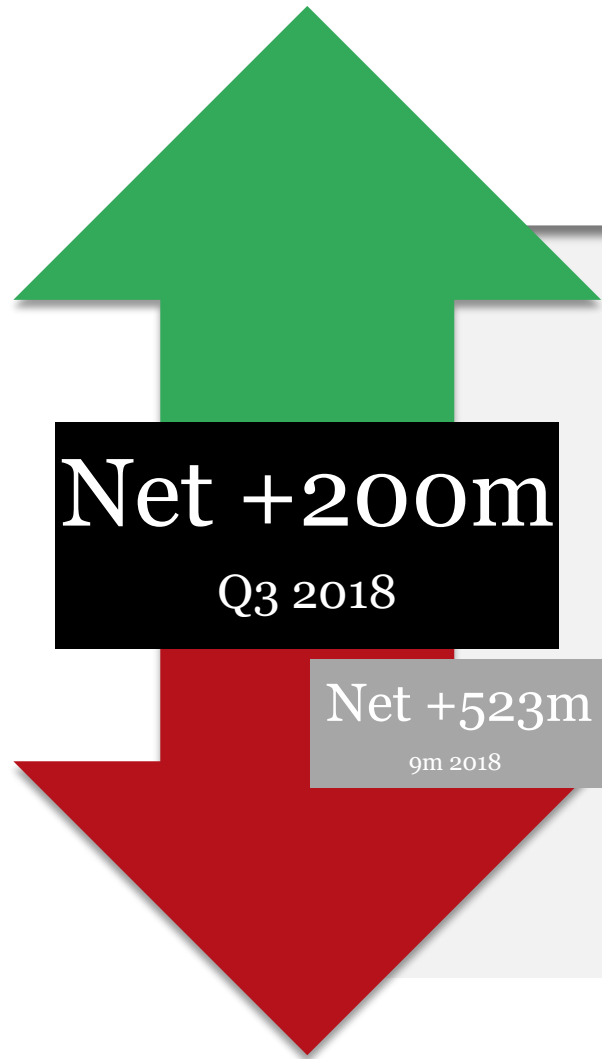
1) Measured as net operating income Property Management and gross profit plus depreciation Operating Activities.

2) Measured as growth in EPRA NAV, including dividend and excluding proceeds from directed share issue, at annual rate.

3) For comparable units adjusted for currency effects.

# Solid increase in total net operating income

Based on a combination of factors

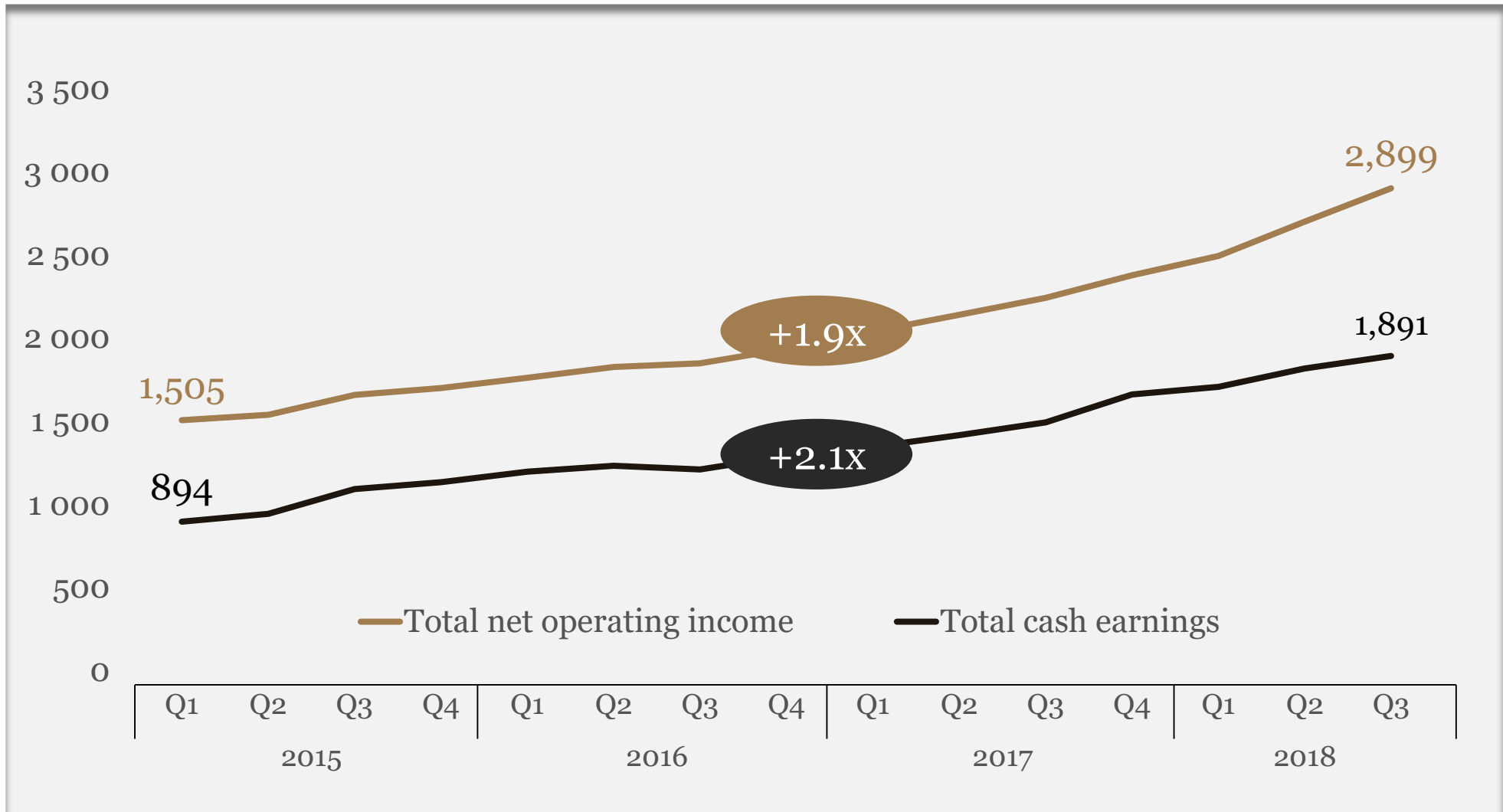


- + Strong performance in the UK and Ireland
- + Good growth in Brussels
- + Stable underlying demand in the hotel market

- Slightly weaker September than expected
- Some negative renovation effects
- Weak trade fair calendar in Germany

# Focus on profitable growth (R12M)

Continuously high business tempo reflected in earnings



# Portfolio overview

Well-diversified portfolio dominated by revenue-based leases

Pandox Group	Property Management	Operator Activities
143 Hotel properties	128 Leased properties	15 Operated properties
31,655 Rooms	29,945 Rooms	4,710 Rooms
SEK 53.3bn Property market value	86% Property market value	14% Property market value
	5.54% Valuation yield	6.74% Valuation yield

*Based on portfolio market value as of 30 September 2018 (rounded percentages)*

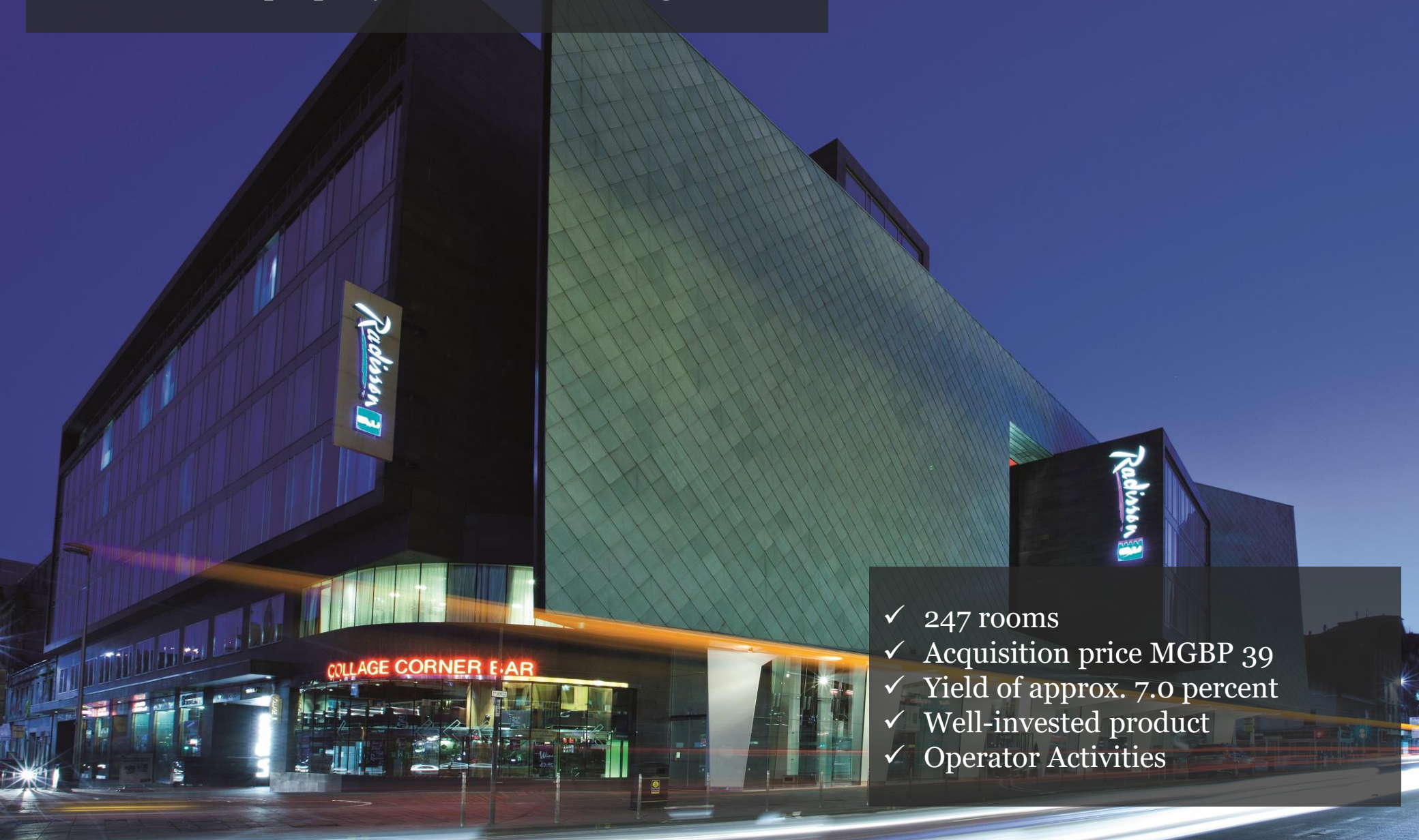
# The world of Pandox





# Radisson Blu Glasgow

Premium hotel property in downtown Glasgow



- ✓ 247 rooms
- ✓ Acquisition price MGBP 39
- ✓ Yield of approx. 7.0 percent
- ✓ Well-invested product
- ✓ Operator Activities



# The Midland Manchester

Landmark hotel property in the heart of Manchester



- ✓ 312 rooms
- ✓ Acquisition price MGBP 102
- ✓ Yield of approx. 5.7 percent
- ✓ Strong potential
- ✓ Property Management



# Hotel Hubert Brussels

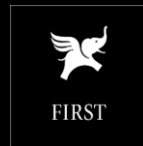
New lifestyle concept off to a good start



Grand Place

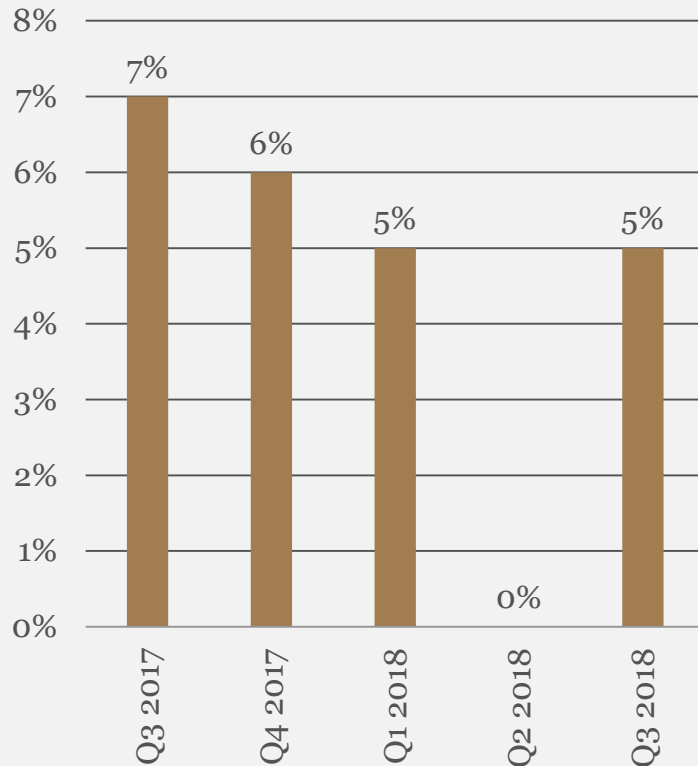
- ✓ 100 rooms
- ✓ Product development/rebranding
- ✓ MEUR 3.4 investment
- ✓ High expected ROI
- ✓ Operator Activities

# A broad selection of operators and brands



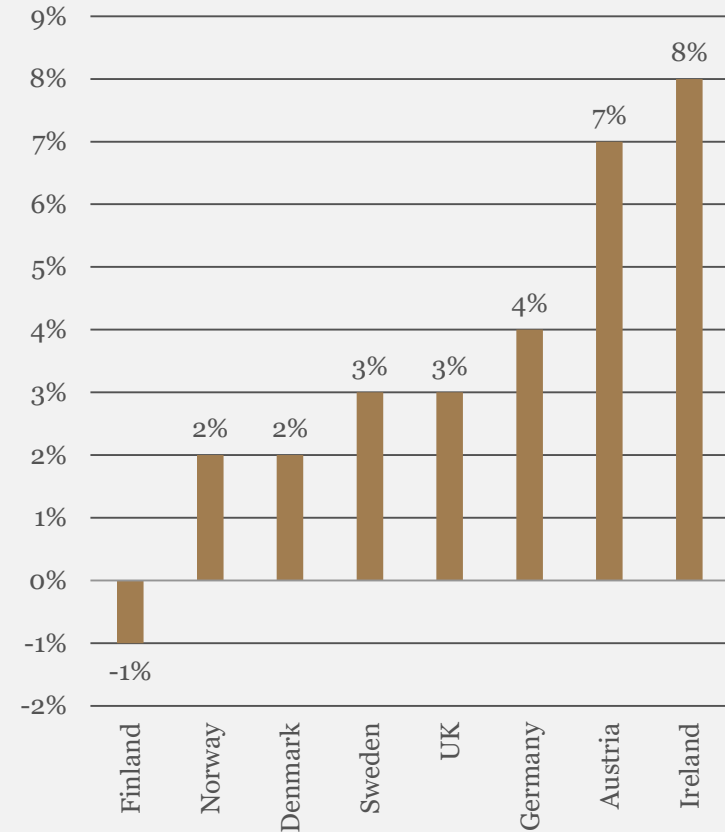
# Positive growth in most countries (RevPAR Q3 y/y)

## Europe (RevPAR)



Source: STR Global

## Selected countries (RevPAR)

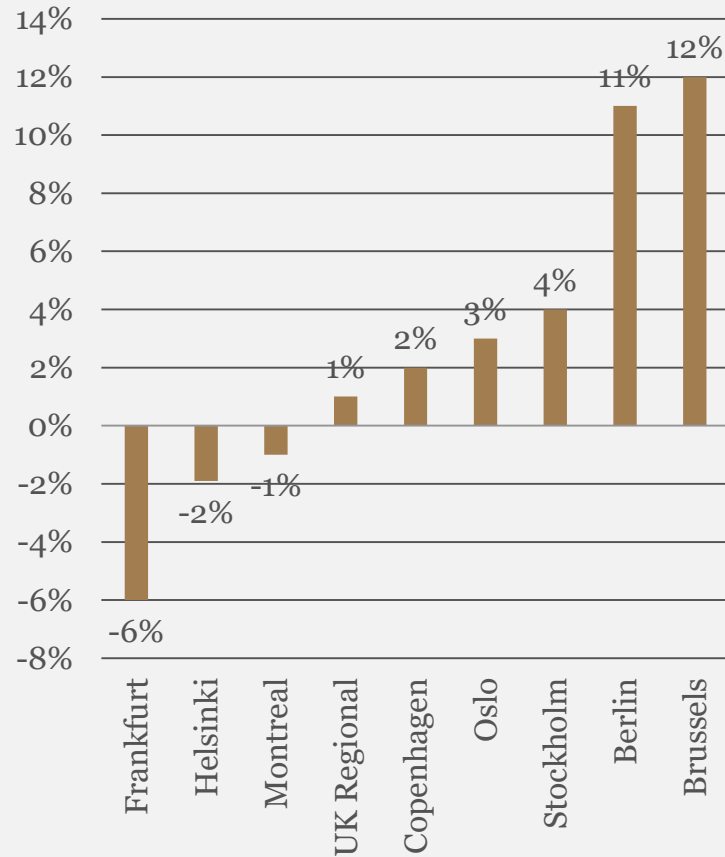


Source: STR Global, Benchmarking Alliance



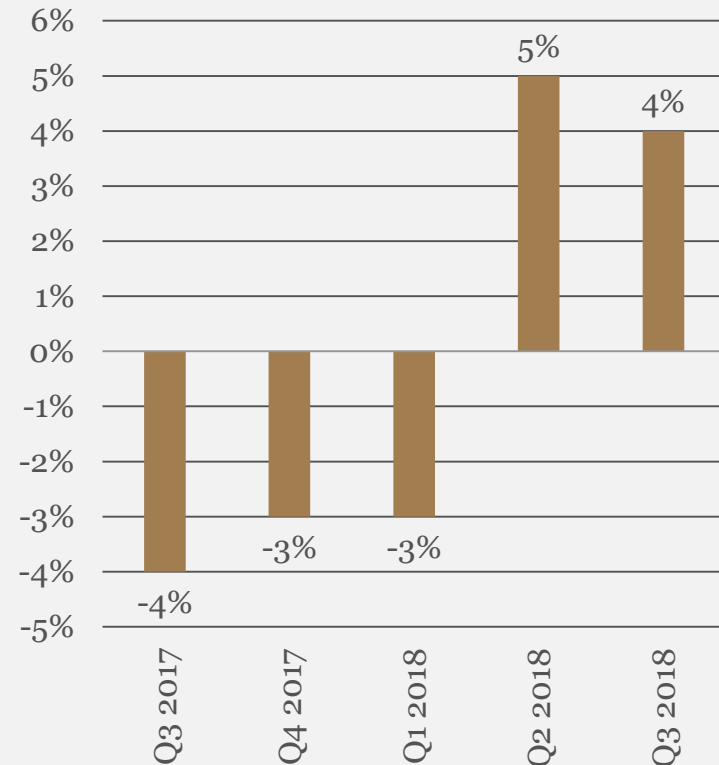
# Some growth variations in key markets (RevPAR Q3 y/y)

## Key markets (RevPAR)



Source: STR Global, Benchmarking Alliance

## Stockholm (RevPAR)



Source: Benchmarking Alliance

# Financial highlights

## Strong earnings growth

Key figures				
(MSEK)	Q3 2018	Q3 2017	chg %	FY 2017
<b>Revenue</b>	<b>810</b>	589	38	<b>2,202</b>
<i>Property Management (Note 1)</i>				
<b>Net operating income</b>	<b>698</b>	511	37	<b>1,882</b>
<i>Property Management (Note 1)</i>				
<b>Net operating income</b>	<b>142</b>	129	10	<b>494</b>
<i>Operator Activities (Note 1)</i>				
EBITDA (Note 1)	<b>806</b>	610	32	<b>2,252</b>
Profit for the period (Note 1)	<b>833</b>	551	51	<b>3,148</b>
Cash earnings (Note 1)	<b>537</b>	462	16	<b>1,660</b>
<b>Per share data (SEK)</b>				
Earnings per share (Note 1,2,3)	<b>4.98</b>	3.47	44	<b>19.89</b>
Cash earnings (Note 1,2,3)	<b>3.20</b>	2.91	10	<b>10.46</b>
EPRA NAV (Note 3)	<b>158.44</b>	136.47	16	<b>144.54</b>

## Comments on the quarter

- Property Management: LFL<sup>1</sup> increase in revenue and net operating income of 2 percent respectively
- Operator Activities: LFL<sup>1</sup> increase in net operating income of 4 percent
- EPRA NAV per share amounted to SEK 158.44, an increase of SEK 13.90 from year-end 2017. Adjusted for dividend and new share issue the annualised return was 20 percent
- YTD Investment Properties experienced an unrealised and realised portfolio value increase of 1.9 percent. For Operating Properties (information purposes only) the unrealised value increase was 2.1 percent

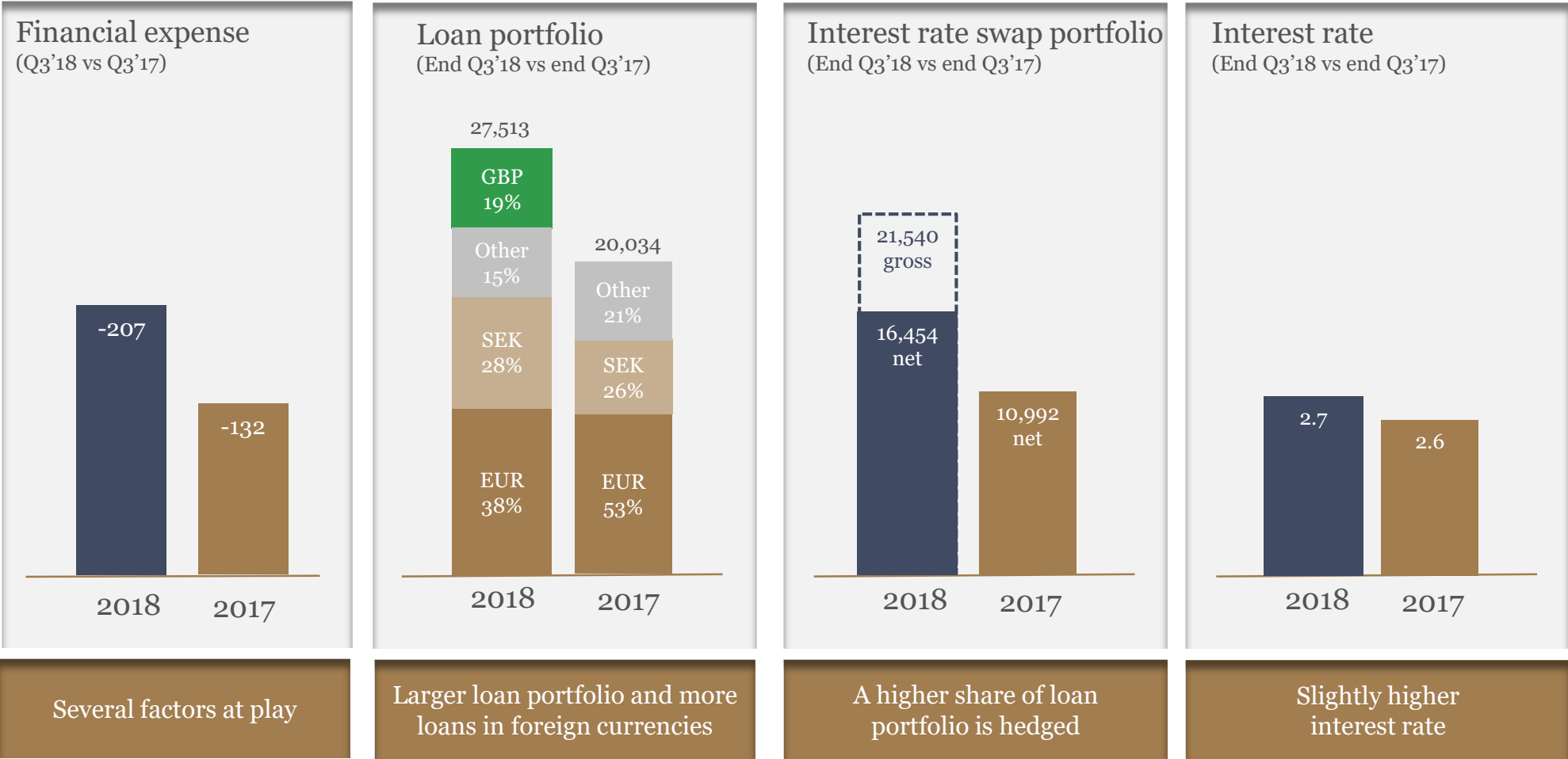
(Note 1) See page 23 in interim report January-September 2018 for summary of reclassifications, acquisitions and divestments.

(Note 2) Based on total and weighted number of shares 167,499,999 for Q3 2018, 157,499,999 for Q3 2017 and 157,856,163 for FY 2017.

(Note 3) After non-controlling interest.

# Financial expense

More loans in foreign currencies





# Good growth and strong profitability

## Property Management

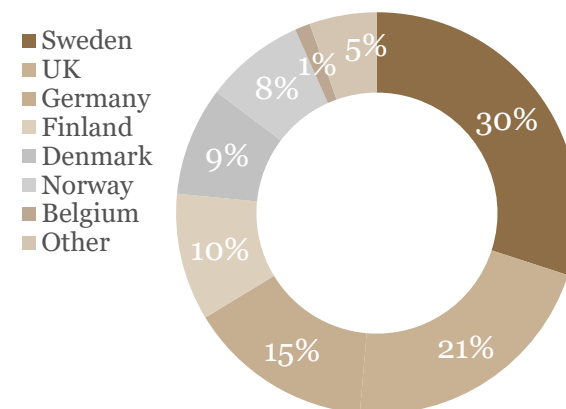
### Net operating income

(MSEK)	Q3 2018	Q3 2017	FY 2017
Rental income	766	569	2,121
Other property income	44	20	81
Costs*	-112	-78	-321
<b>Net operating income</b>	<b>698</b>	<b>511</b>	<b>1,882</b>

\*Including property administration costs

Acquisition of the Midland Manchester expected to close during the fourth quarter 2018

### Rental income July-September 2018 in %



- Q3 2018 LFL1 rental income and net operating income increased by 2 percent respectively
- Continued strong development in the UK and Ireland (not in the comparable portfolio)
- Nordics as a whole showed positive growth
- Some negative renovation effects

# Brussels continues to drive earnings growth

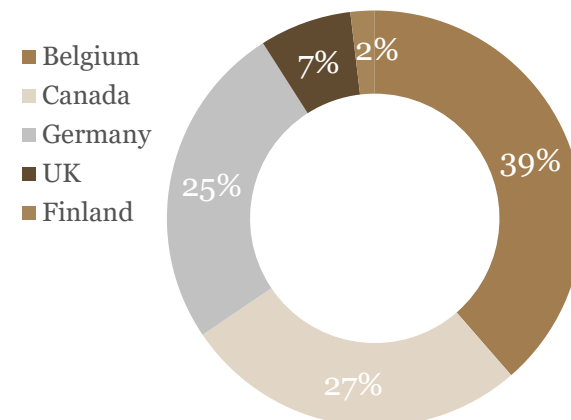
## Operator Activities

### Net operating income

(MSEK)	Q3 2018	Q3 2017	FY 2017
Revenue	531	463	2,067
Costs	-429	-373	-1,743
<b>Gross Profit</b>	<b>102</b>	<b>90</b>	<b>324</b>
Add: Depreciation included in costs	40	39	170
<b>Net operating income</b>	<b>142</b>	<b>129</b>	<b>494</b>
<b>NOI margin</b>	<b>27%</b>	<b>28%</b>	<b>24%</b>

Acquisition of the Radisson Blu Glasgow expected to close during the fourth quarter 2018

### Revenues July-September 2018 in %



- › Q3 2018 LFL<sup>1</sup> revenue and net operating profit increased by 4 percent respectively
- › NOI improvement mainly driven by Brussels
- › Hotel Hubert opened in September 2018 after having been closed for renovation since December 2017

# Property portfolio

## Some yield compression in the quarter

### Change in value (MSEK)

#### Change in value Investment Properties

	Figures in MSEK
Investment Properties, beginning of the period (January 1, 2018)	42,548
+ Acquisitions <sup>2)</sup>	8
+ Investments in current portfolio	243
- Divestments	—
+/- Reclassifications <sup>1)</sup>	657
+/- Revaluation of fixed assets to the profit for the year <sup>1)</sup>	117
+/- Unrealised changes in value	822
+/- Realised changes in value	—
+/- Change in currency exchange rates	1,415
Investment Properties, end of period (September 30, 2018) <sup>3)</sup>	45,810

**+1.9%  
YTD**

#### Change in value Operating Properties, reported for information purposes only

	Figures in MSEK
Operating Properties, market value (January 1, 2018)	7,573
+ Acquisitions	—
+ Investments in current portfolio	217
- Divestments	—
+/- Reclassifications <sup>1)</sup>	-773
+/- Unrealised changes in value	159
+/- Realised changes in value	—
+/- Change in currency exchange rates	295
Operating Properties, market value (September 30, 2018)	7,471

**+2.1%  
YTD**

**+2.0% YTD**

<sup>1)</sup> Refers to reclassification of two hotel properties to Property Management in Q1 2018.

<sup>2)</sup> Refers to adjustment of acquisition.

<sup>3)</sup> Including assets held for sale of MSEK 286.

### Comments per 30 September, 2018

- Total property portfolio market value amounted to MSEK 53,281 (50,121)
- Average valuation yield for Investment Properties was 5.54 (5.57) percent and for Operating Properties 6.74 (7.27) percent
- External valuations in line with and confirms Pandox's internal valuations

#### Portfolio changes 2018 YTD:

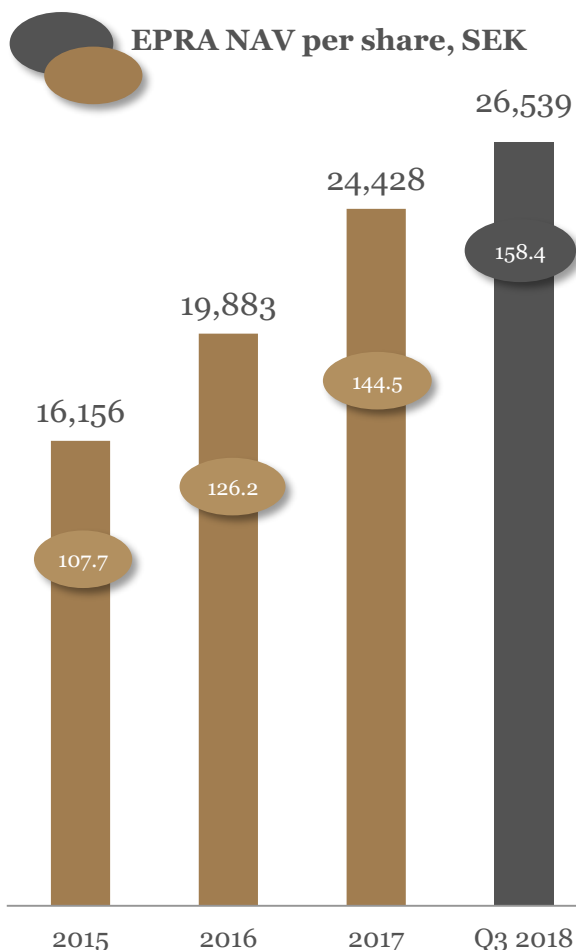
- Reclassification of two hotels to Property Management 1 February
- Acquisition of Radisson Blu Glasgow and the Midland Manchester expected to close in the fourth quarter



# Financing and capital structure

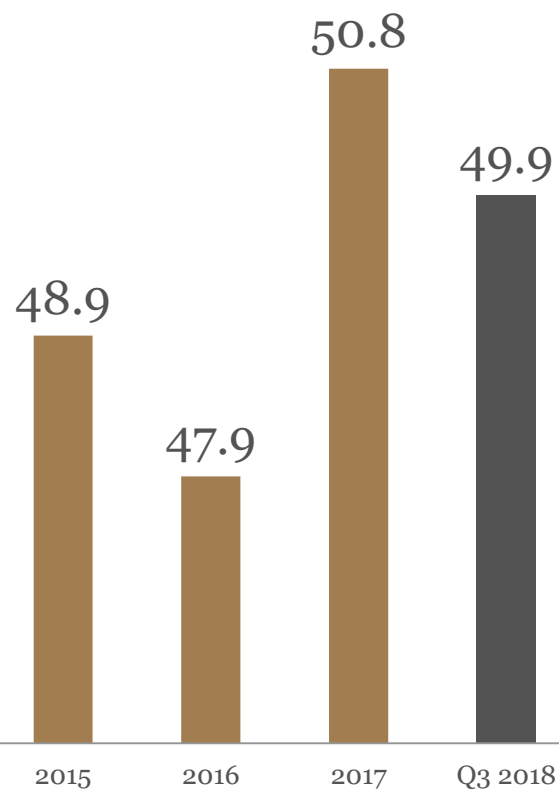
Sustained growth in EPRA NAV and maintained financial flexibility

## EPRA Net Asset Value (MSEK)

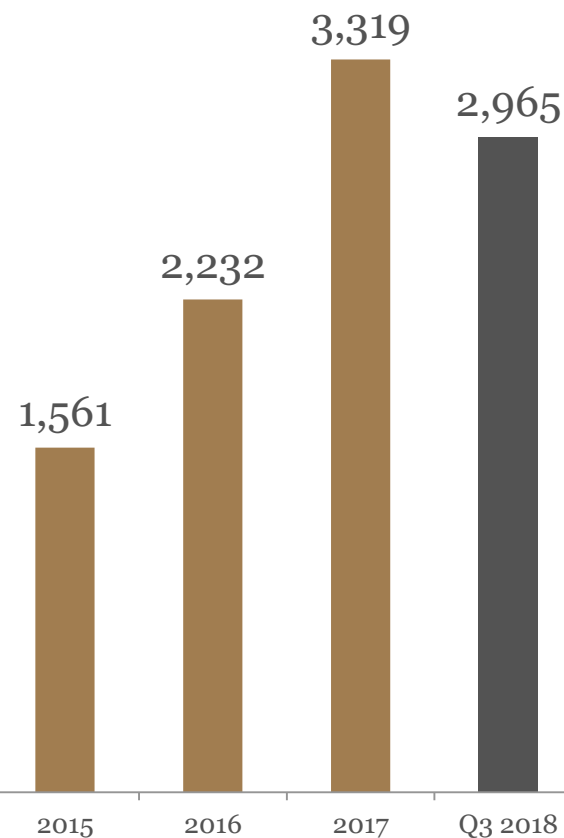


## Loan to value (%)

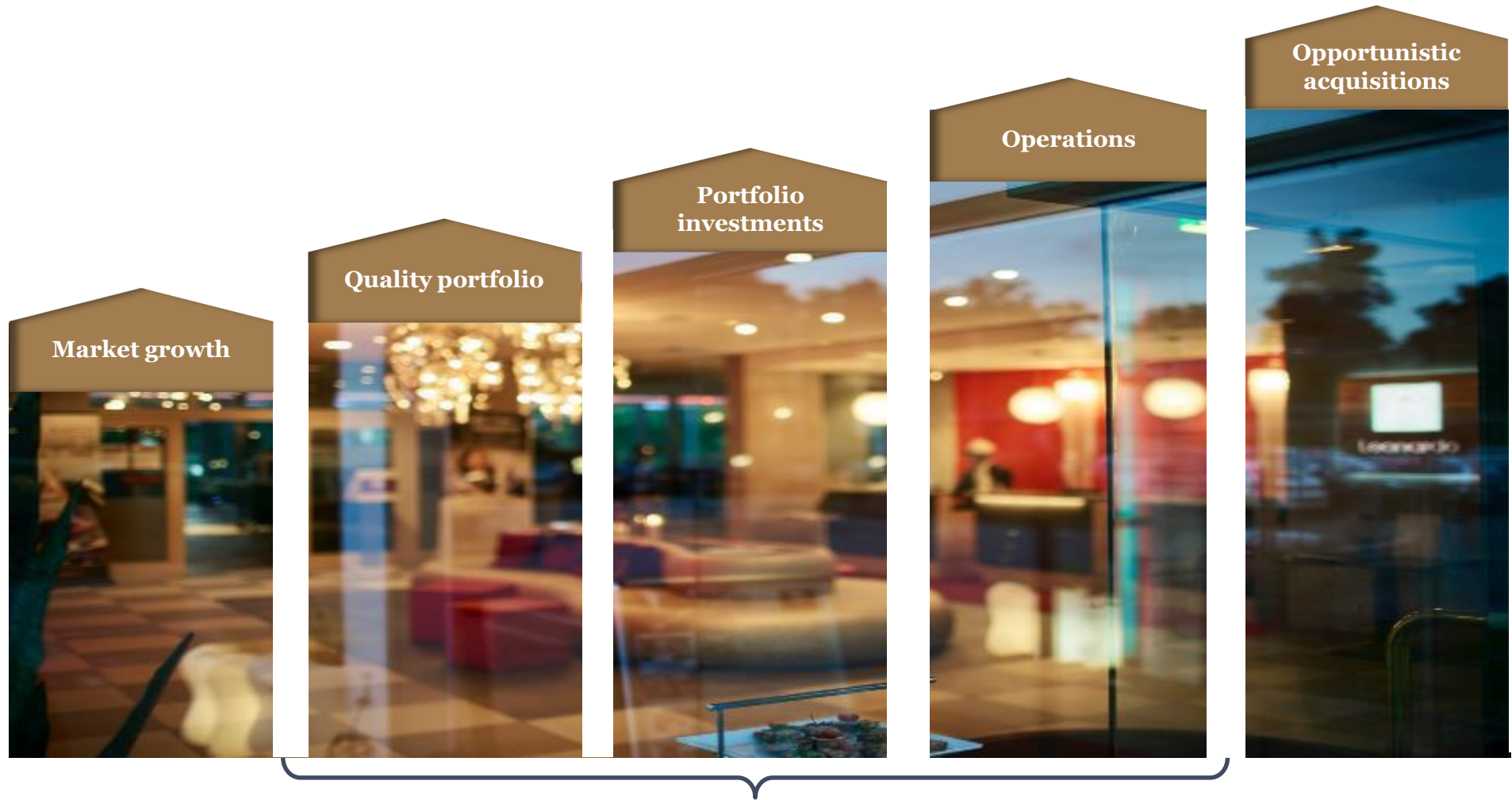
Renewed mandate from the AGM 2018 to issue new shares up to a maximum of 10 percent of total outstanding shares



## Liquid funds and long-term unutilised credit facilities (MSEK)



# The main drivers for growth in cash earnings







# Q&A



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