

# Strengthened pan-European position

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Year-end  
presentation 12 ▪ 02 ▪ 2020  
2019

Pandox™

SERRA @Hotel Indigo Brussels City



The quarter in brief

# Robust business platform creates results

17%

R12M

Return on equity<sup>2)</sup>

- 1 Profitable and value-adding acquisitions
- 2 Positive underlying demand
- 3 Positive rental growth in several markets

10%

Oct-Dec 2019

11%

Jan-Dec 2019

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

3.7%

Oct-Dec 2019

1.9%

Jan-Dec 2019

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

-18.5%

Oct-Dec 2019

1.5%

Jan-Dec 2019

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

The quarter in brief

# Tangible increase in NOI

- Profitable acquisitions in both business segments
- Positive underlying demand
- Positive rental growth in several markets

Net +83m

Oct-Dec 2019<sup>1)</sup>

Net +332m

Jan-Dec 2019<sup>2)</sup>

- Renovation of Hotel Indigo Brussels City and Hilton Garden Inn Heathrow Airport
- A weaker meeting market in Brussels in October
- On-going repositioning of DoubleTree by Hilton Montreal
- One-off costs to improve the operating platform in Brussels
- Increased hotel supply in several markets

- 1) Excluding IFRS 16 the increase was MSEK 58, or 7 percent  
2) Excluding IFRS 16 the increase was MSEK 248, or 8 percent

<sup>1)</sup> Values at announcements

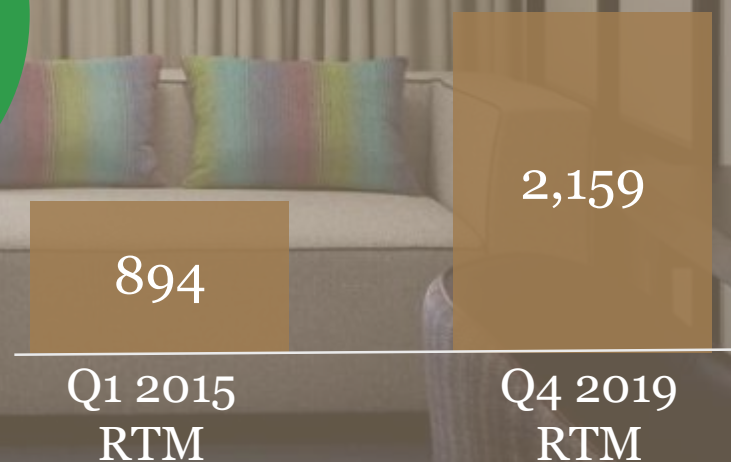
Financial position

# Profitable execution of strategy

Total net operating income (MSEK)



Total cash earnings (MSEK)



Strategic position

# A pan-European position created



Size and scale

Geographical presence

Partner network

Portfolio composition

Stakeholder recognition



Strategic position

# Good geographical balance

2%

19%

41%

38%

- ✓ 15 countries
- ✓ 90 destinations
- ✓ >30 brands and partners

Strategic position

# A strong network of brands and partners



Note: The logos are the property of the respective brand owners.

# Expansion in major markets in Europe

- 1 Total acquisition value of MEUR 537
- 2 13 hotels, 2,834 rooms in 11 cities in Germany and Netherlands
- 3 7 new cities, 5 new brands, 3 new partners
- 4 MEUR 30.8 in net operating income annualised<sup>1)</sup>

<sup>1)</sup> Value at announcements



Acquisitions in 2019

# HR Group 1.0

3 hotels  
565 rooms  
3 cities

Germany

Sale-and-lease-back  
with HR Group under  
the Dorint brand

Property Management  
MEUR 103  
Yield 5.6%  
Revenue-based lease

HR Group 1.0

# Dorint Hotel An den Westfalahallen Dortmund

City/congress

211 rooms

Full-service





HR Group 1.0

# Dorint Hotel An Der Kongresshalle Augsburg

City/congress

184 rooms

Full-service





HR Group 1.0

# Dorint Hotel am Dom Erfurt

City

160 rooms

Full-service



Acquisitions in 2019

# Grape Hospitality

2 hotels  
421 rooms  
2 cities

Germany  
Netherlands

Sale-and-managed-back  
with Grape Hospitality  
under the Novotel  
brand

Operator Activities  
MEUR 83  
Yield 6.5%



Grape Hospitality

# Novotel Den Haag World Forum

City/congress

216 rooms

Integrated full-service

world forum



Grape Hospitality

# Novotel Hannover

City/congress

205 rooms

Full-service

NOVOTEL

NOVOTEL

Acquisitions in 2019

# Maritim Hotel Nürnberg

1 hotel  
316 rooms  
1 city

Germany

Great potential from  
value-adding  
investments and  
repositioning

Property Management  
MEUR 61  
Yield 5.4%  
Short term fixed lease



Germany

# Maritim Hotel Nürnberg

City

316 rooms

Full-service



Acquisitions in 2019

# HR Group 2.0

7 hotels  
1,532 rooms  
5 cities

Germany

Sale-and-lease-back  
with HR Group under  
the Dorint, Pullman and  
Mercure brands

Property Management  
MEUR 290  
Yield 5.7%  
Initially fixed lease,  
converted to revenue-  
based lease by 2024

HR Group 2.0

# 7 hotels in Germany





Strategic position

# A well-diversified portfolio



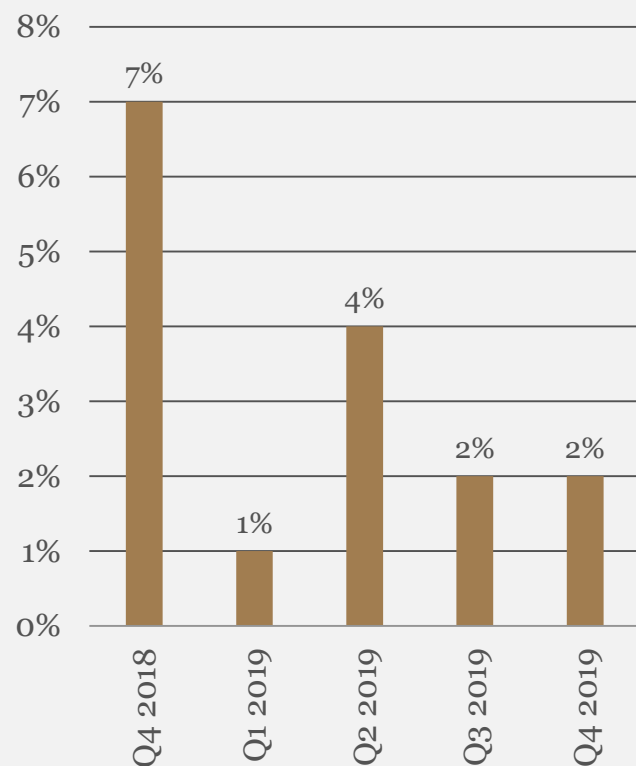
Including Maritim Nürnberg, closed 31 January 2020 at announced acquisition value (MEUR 61) and the EUR/SEK exchange rate per 31 december 2019.



RevPAR Q4 y/y

# Growth in most countries

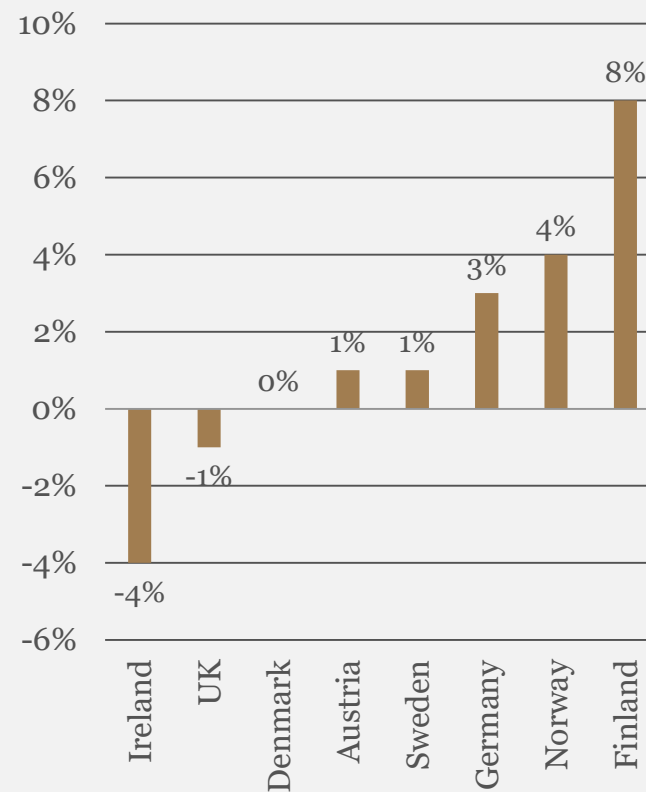
## Europe (RevPAR)



Rounded figures

Source: STR Global

## Selected countries (RevPAR)



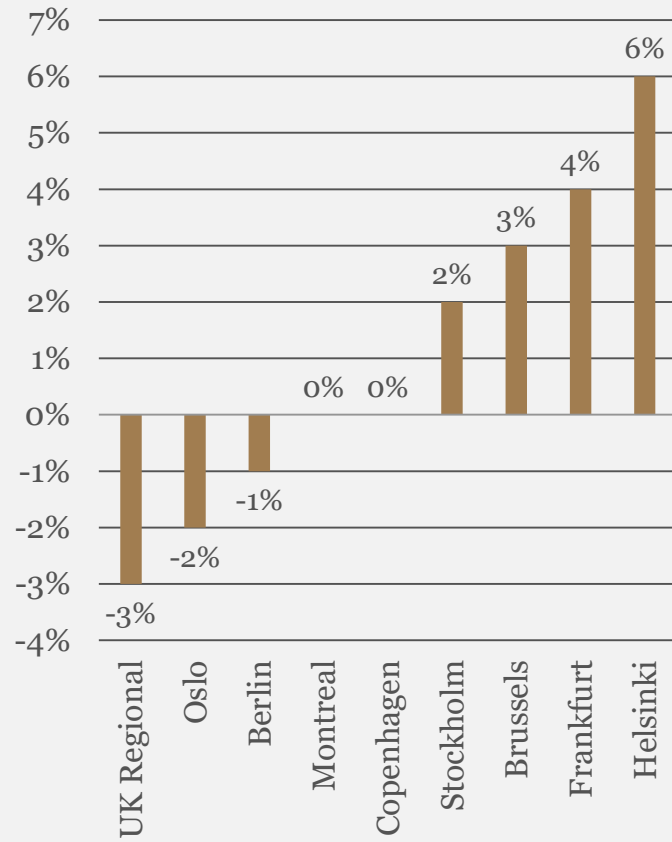
Rounded figures

Source: STR Global, Benchmarking Alliance

RevPAR Q4 y/y

# Negative supply effects in several markets

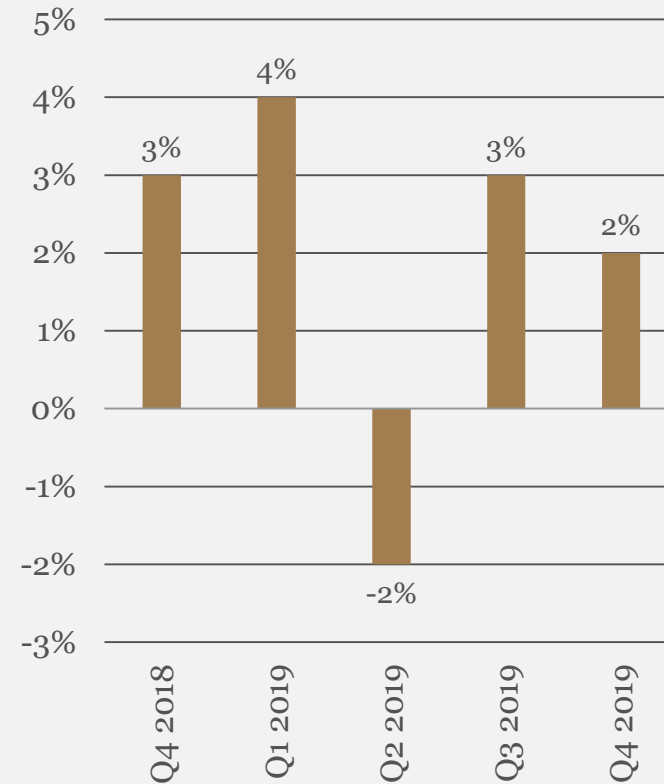
## Key markets (RevPAR)



Rounded figures

Source: STR Global, Benchmarking Alliance

## Stockholm (RevPAR)



Rounded figures

Source: Benchmarking Alliance

# Group financials

## A stable quarter

### Key figures

| (MSEK)                              | Oct-Dec<br>2019 | Oct-Dec<br>2018 | chg<br>% | FY<br>2019    |
|-------------------------------------|-----------------|-----------------|----------|---------------|
| <b>Revenue</b>                      | <b>810</b>      | 749             | 8        | <b>3,129</b>  |
| <i>Property Management (Note 1)</i> |                 |                 |          |               |
| <b>Net operating income</b>         | <b>716</b>      | 627             | 14       | <b>2,764</b>  |
| <i>Property Management (Note 1)</i> |                 |                 |          |               |
| <b>Net operating income</b>         | <b>159</b>      | 165             | -4       | <b>625</b>    |
| <i>Operator Activities (Note 1)</i> |                 |                 |          |               |
| EBITDA (Note 1)                     | <b>831</b>      | 749             | 11       | <b>3,215</b>  |
| Profit for the period (Note 1)      | <b>1,291</b>    | 775             | 67       | <b>2,700</b>  |
| Cash earnings (Note 1)              | <b>651</b>      | 485             | 34       | <b>2,161</b>  |
| <b>Per share data (SEK)</b>         |                 |                 |          |               |
| Earnings per share (Note 1,2,3)     | <b>7.30</b>     | 4.63            | 58       | <b>15.91</b>  |
| Cash earnings (Note 1,2,3)          | <b>3.70</b>     | 2.90            | 28       | <b>12.74</b>  |
| EPRA NAV (Note 3)                   | <b>186.40</b>   | 164.04          | 16       | <b>186.40</b> |

(Note 1) See page 23 in Year-end report January-December 2019 for summary of reclassifications, acquisitions and divestments.

(Note 2) Based on number of shares 177,629,890 for Q4 2019, 167,499,999 for Q4 2018 and 170,053,287 full-year 2019.

(Note 3) After non-controlling interest and number of shares 183,849,999.

### Comments on the quarter

- Property Management: LFL<sup>1</sup> increase in revenue and net operating income of 4.4 and 3.7 percent respectively
- Operator Activities: LFL<sup>1</sup> decrease in net operating income of 18.5 percent
- End of period, EPRA NAV per share amounted to SEK 186.40, an increase of SEK 22.36 from year-end 2018. Adjusted for dividend the annualised return was 17 percent
- For the year, Investment Properties experienced an unrealised and realised portfolio value increase of 3.2 percent. For Operating Properties (information purposes only) the unrealised value increase was 3.9 percent
- IFRS 16 applied from 1 January 2019

<sup>1)</sup>For comparable units adjusted for currency effects



# Property Management

## Improved organic growth

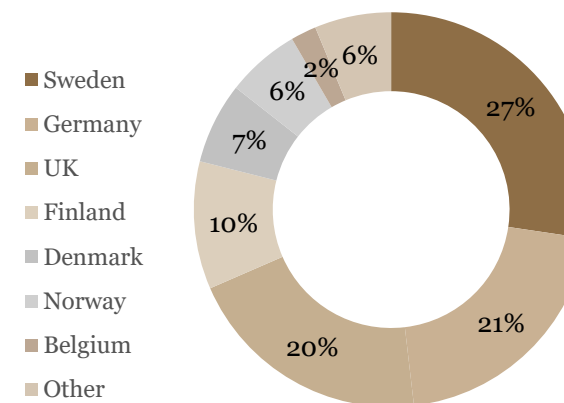
### Net operating income

| (MSEK)                      | Oct-Dec<br>2019 | Oct-Dec<br>2018 | FY<br>2019   |
|-----------------------------|-----------------|-----------------|--------------|
| Rental income               | 784             | 704             | 3,017        |
| Other property income       | 26              | 45              | 112          |
| Costs*                      | -94             | -122            | -365         |
| <b>Net operating income</b> | <b>716</b>      | <b>627</b>      | <b>2,764</b> |

Ex IFRS 16: MSEK 700

\*Including property administration costs

### Rental income Oct-Dec 2019, in %



- Q4 2019 LFL<sup>1)</sup> rental income and net operating income increased by 4.4 and 3.7 percent respectively
- Good contribution from acquisitions, positive market growth and market share gains from recent renovations
- Negative effects from new supply, renovations in selected markets and currency

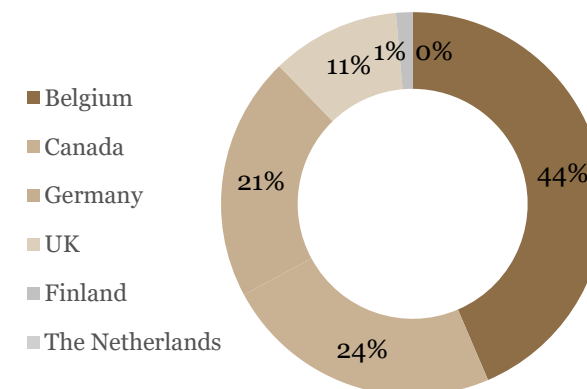
<sup>1)</sup>For comparable units adjusted for currency effects

# Renovations and repositionings

## Net operating income

| (MSEK)                              | Oct-Dec<br>2019                     | Oct-Dec<br>2018 | FY<br>2019 |
|-------------------------------------|-------------------------------------|-----------------|------------|
| Revenue                             | 645                                 | 626             | 2,424      |
| Costs                               | -536                                | -507            | -1,993     |
| <b>Gross Profit</b>                 | <b>109</b>                          | <b>119</b>      | <b>431</b> |
| Add: Depreciation included in costs | 50                                  | 46              | 194        |
| <b>Net operating income</b>         | <b>159</b>                          | <b>165</b>      | <b>625</b> |
|                                     | <small>Ex IFRS 16: MSEK 150</small> |                 |            |
| <b>NOI margin</b>                   | <b>25%</b>                          | <b>26%</b>      | <b>26%</b> |

## Revenues Oct-Dec 2019, in %



- Q4 2019 LFL<sup>1)</sup> revenue decreased by 5.2 percent and net operating profit decreased by 18.5 percent
- Revenue and earnings driven by acquisitions
- NOI negatively affected by several factors; (1) renovation of Hotel Indigo Brussels City and Hilton Garden Inn Heathrow Airport, (2) one-offs for improving efficiency of the operating platform in Brussels, (3) weaker meeting market in Brussels in October, as well as (4) on-going repositioning of DoubleTree by Hilton Montreal

<sup>1)</sup>For comparable units adjusted for currency effects



## Property portfolio

# Steady value increase in the quarter

### Net operating income

#### Change in value Investment Properties

|  | Figures in MSEK |
|--|-----------------|
| Investment Properties, opening balance (January 1, 2019)                     | 47,139          |
| + Acquisitions <sup>1)</sup>   | 4,020           |
| + Investments in current portfolio   | 412             |
| - Divestments <sup>2)</sup>  | -480            |
| +/- Reclassifications  | —               |
| +/- Revaluation of fixed assets to total comprehensive income for the period | —               |
| +/- Unrealised changes in value  | 1,389           |
| +/- Realised changes in value <sup>2)</sup>                                  | 96              |
| +/- Change in currency exchange rates  | 1,121           |
| Investment Properties, closing balance (December 31, 2019)                   | 53,697          |

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

|  | Figures in MSEK |
|--|-----------------|
| Operating Properties, market value (January 1, 2019)   | 8,058           |
| + Acquisitions <sup>3)</sup>                           | 881             |
| + Investments in current portfolio                     | 257             |
| - Divestments  | —               |
| +/- Reclassifications                                  | —               |
| +/- Unrealised changes in value                        | 313             |
| +/- Realised changes in value                          | —               |
| +/- Change in currency exchange rates                  | 263             |
| Operating Properties, market value (December 31, 2019) | 9,772           |

<sup>1)</sup> Refers to acquisition of ten hotel properties in Germany for MSEK 4,088 and adjustment of previous acquisitions of the Midland Manchester (MSEK 10) and the Jurys Inn portfolio (MSEK -78)

<sup>2)</sup> Refers to divestment of Hotell Hasselbacken

<sup>3)</sup> Refers to Novotel Hannover (MSEK 530) and Novotel Haag Forum (MSEK 376) adjustment Radisson Blu Glasgow (MSEK 4), Hilton Grand Place (MSEK 7) and Hilton Garden Inn (MSEK -36)

+3.2%  
YTD

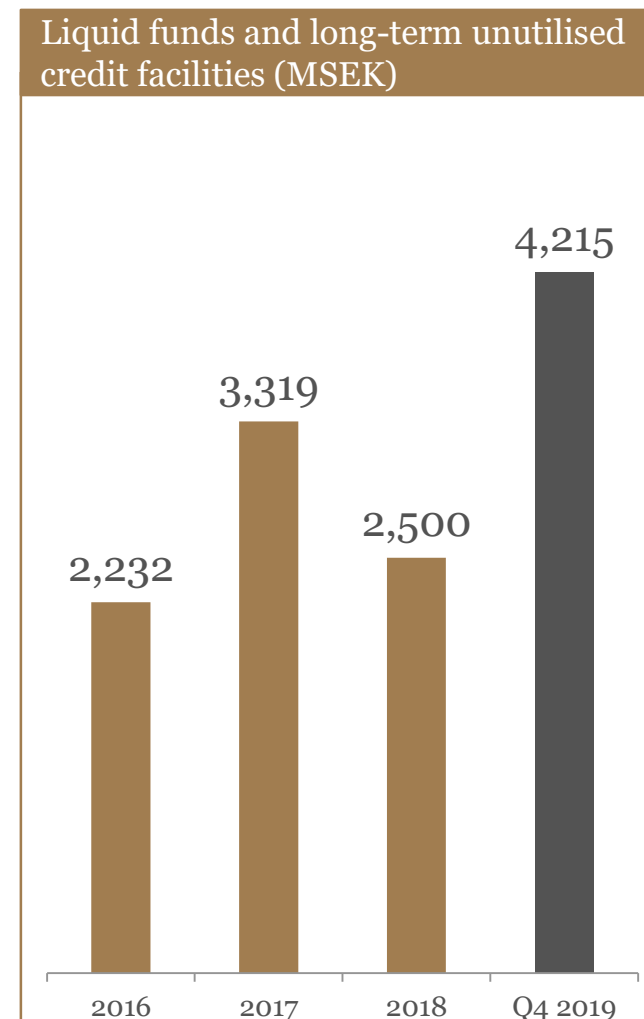
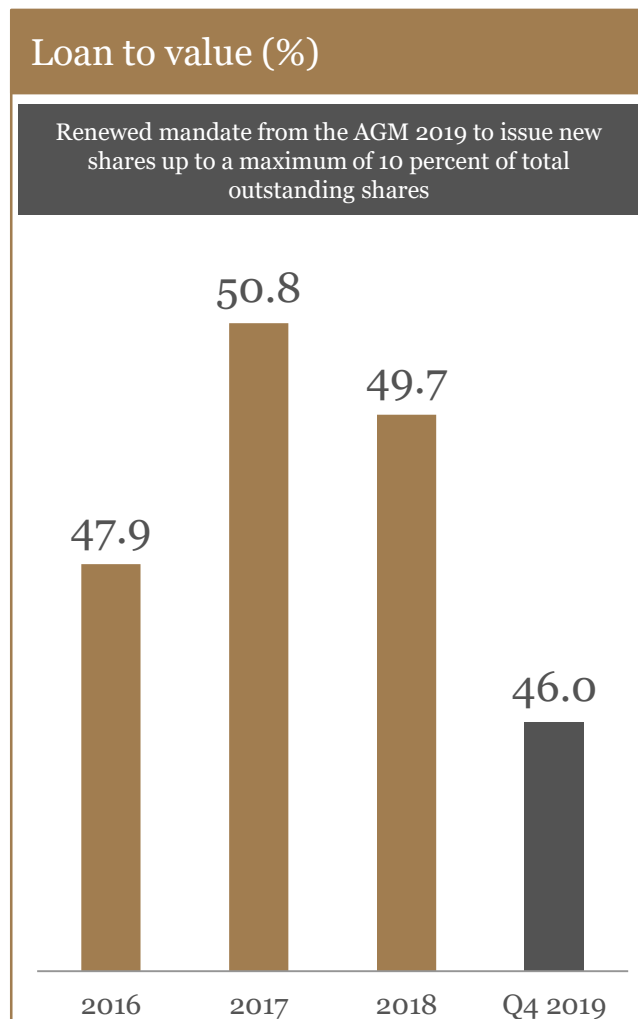
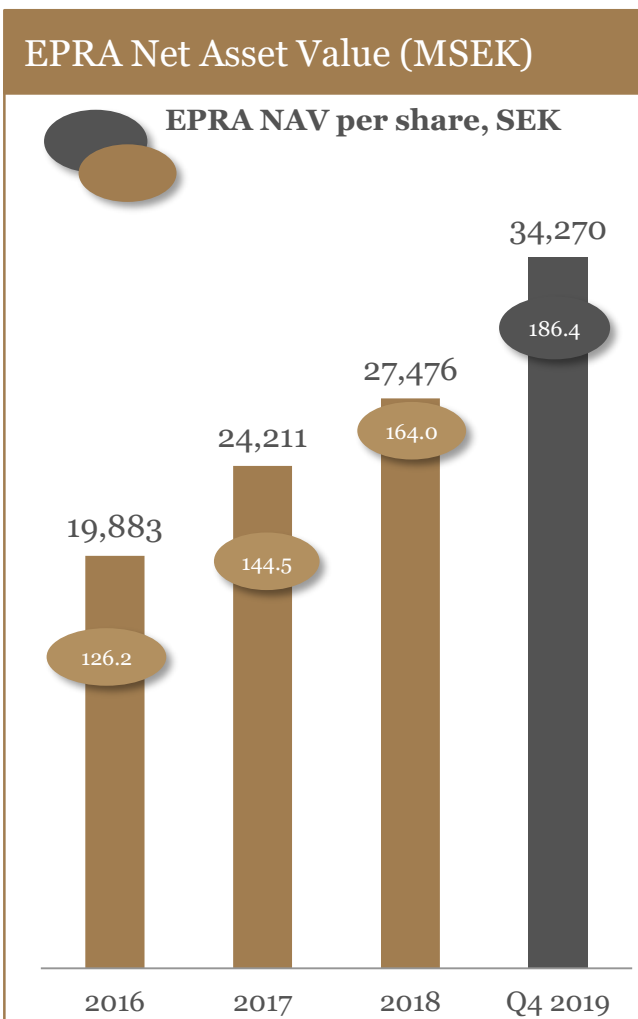
+3.9%  
YTD

+3.3% YTD

### Comments per 31 December, 2019

- Total property portfolio market value amounted to MSEK 63,469 (55,197)
- Average valuation yield for Investment Properties was 5.41 (5.51) percent and for Operating Properties 6.41 (6.74) percent
- Approximately 34 percent of property portfolio externally valued in the fourth quarter
- External valuations in line with and confirms Pandox's internal valuations
- Acquisition of two Operating Properties – one in the Hague (Netherlands) and one in Hannover (Germany)
- Acquisition of ten Investment Properties in Germany
- Acquisition of Maritim Hotel Nürnberg in Germany closed 31 January 2020

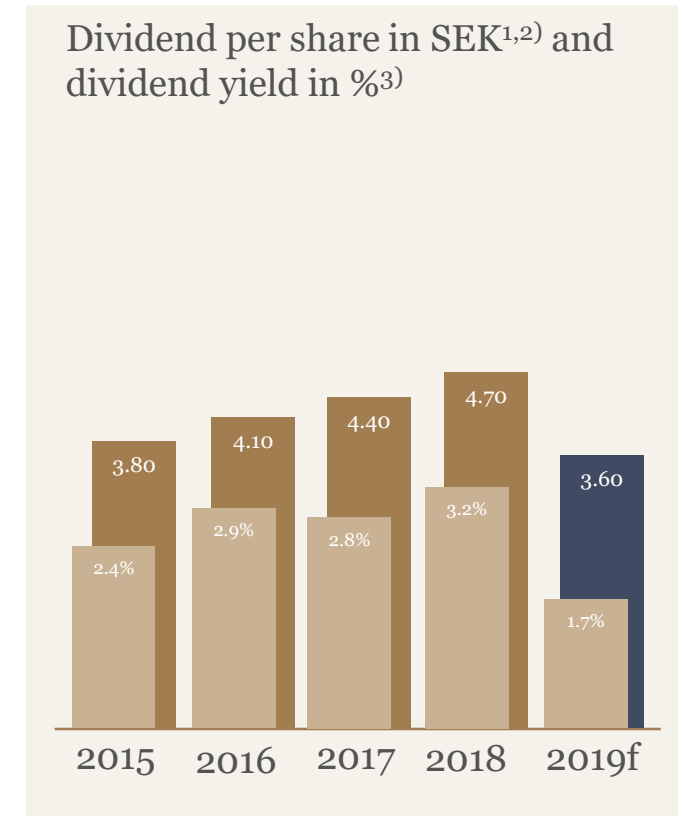
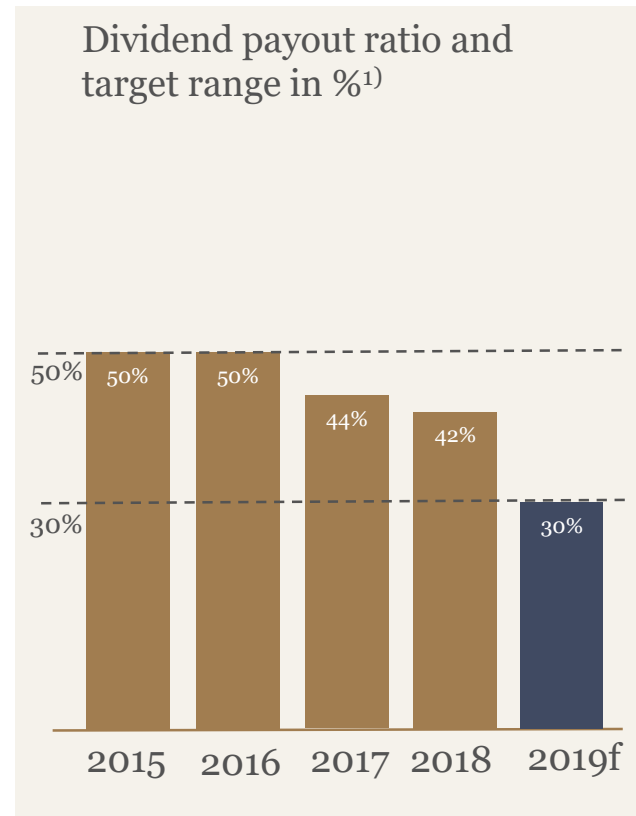
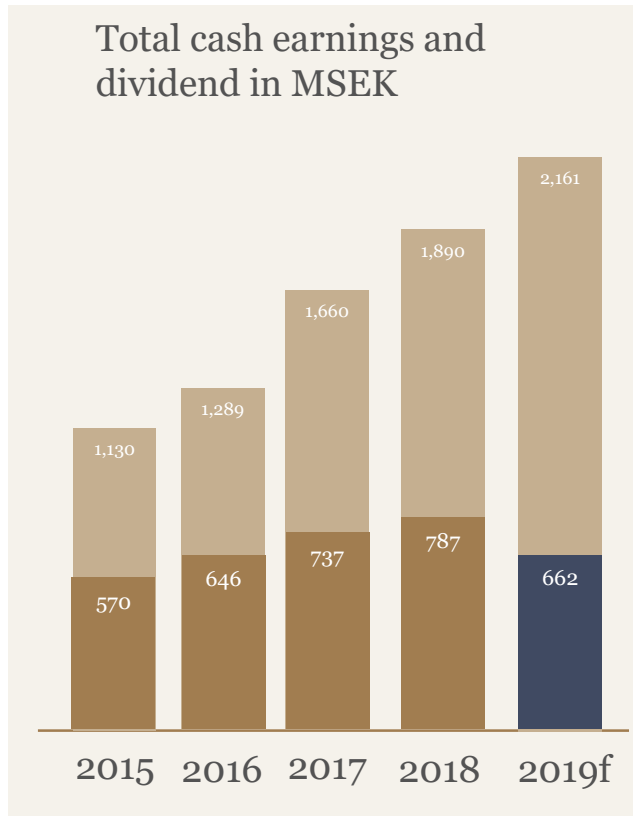
# Strong financial position





Dividend adjusted to new target range

# Building capacity for future opportunities



1) Total dividend divided by total cash earnings per share. For 2019 the proposed dividend is used.

2) Total dividend divided by total number of outstanding shares end of year.

3) Dividend per share divided by the closing share price end of year.

Future

# The main drivers for growth











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