

INTERIM REPORT JANUARY-MARCH 2019

# Sustained profitable growth



Interim presentation

26 April, 2019

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# Sustained profitable growth

15%

R12M

Return on equity<sup>2</sup>

1

Add-on acquisitions

2

A strong Brussels market

3

Positive calendar effects

14%

IFRS 16

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

11%

Ex IFRS 16

1.3%

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

17.1%

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

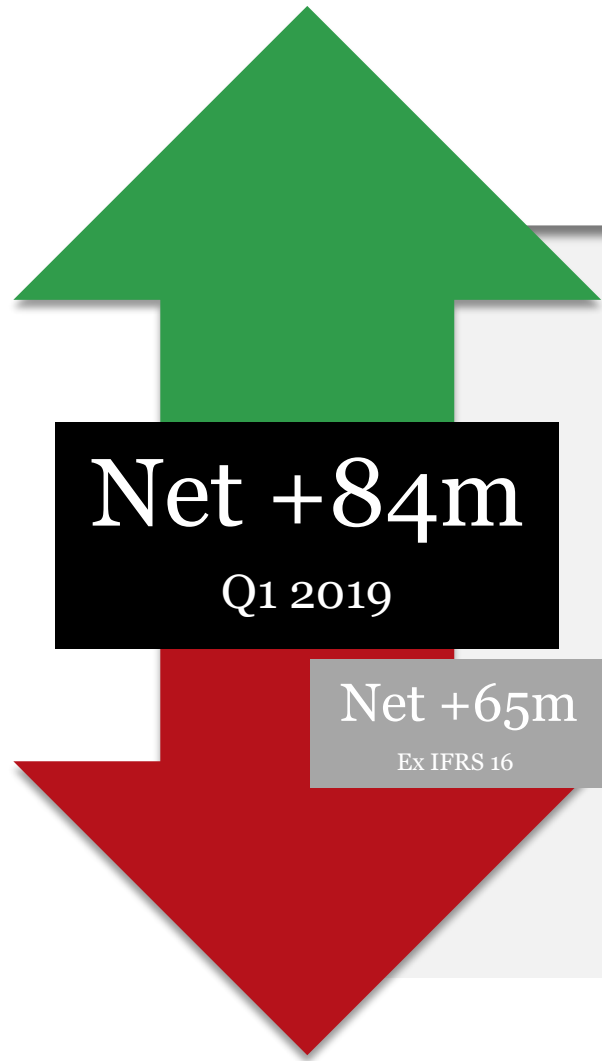
1) Measured as net operating income Property Management and gross profit plus depreciation Operating Activities

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

# Stable increase in total net operating income

Based on a combination of factors

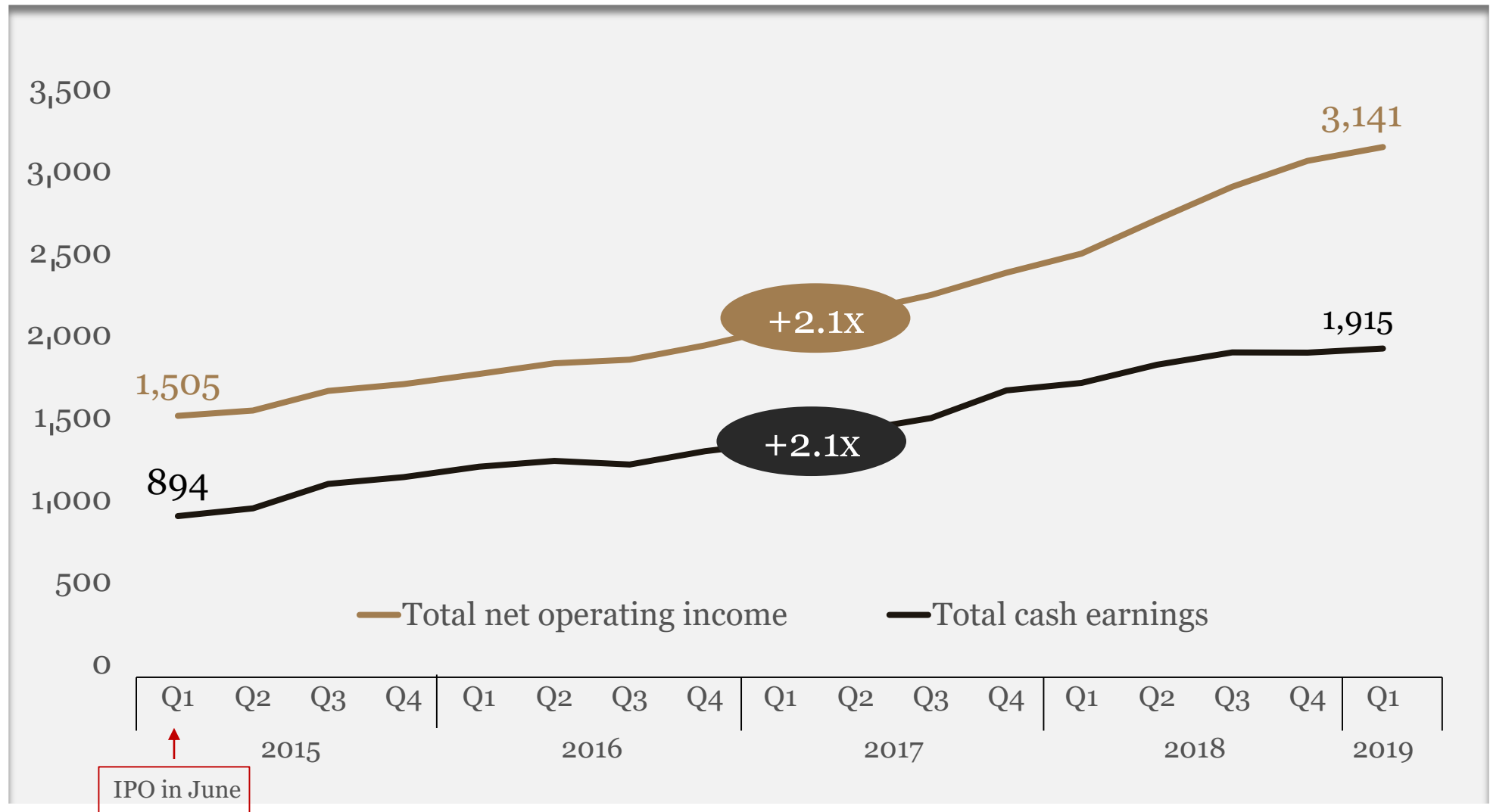


- + Acquisitions
- + Strong growth in Brussels and Berlin
- + Positive calendar effects

- Increased hotel supply
- Negative renovation effects

# Focus on profitable growth (R12M)

Continuously high business tempo reflected in earnings



# Portfolio overview

Well-diversified portfolio dominated by revenue-based leases

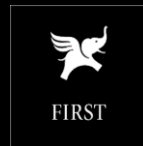
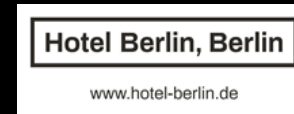
Pandox Group	Property Management	Operator Activities
144 Hotel properties	128 Leased properties	16 Operated properties
32,273 Rooms	27,314 Rooms	4,959 Rooms
SEK 56.7bn Property market value	85% Property market value	15% Property market value
	5.51% Valuation yield	6.71% Valuation yield

*Based on portfolio market value as of 31 March 2019 (rounded percentages)*

# The world of Pandox



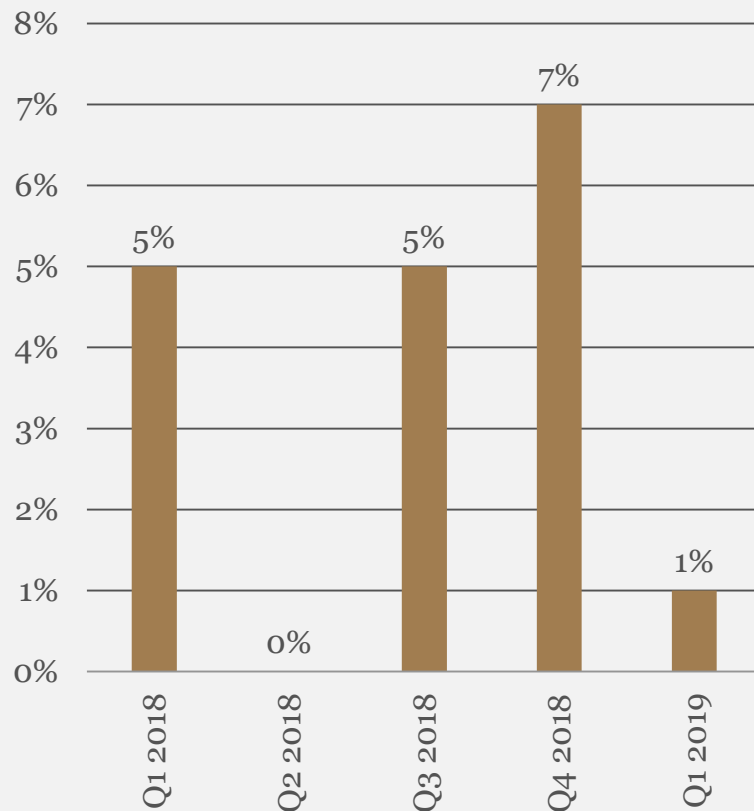
# A broad selection of operators and brands



All brands and logos are the property of their respective owner

# Timing of Easter supported growth (RevPAR Q1 y/y)

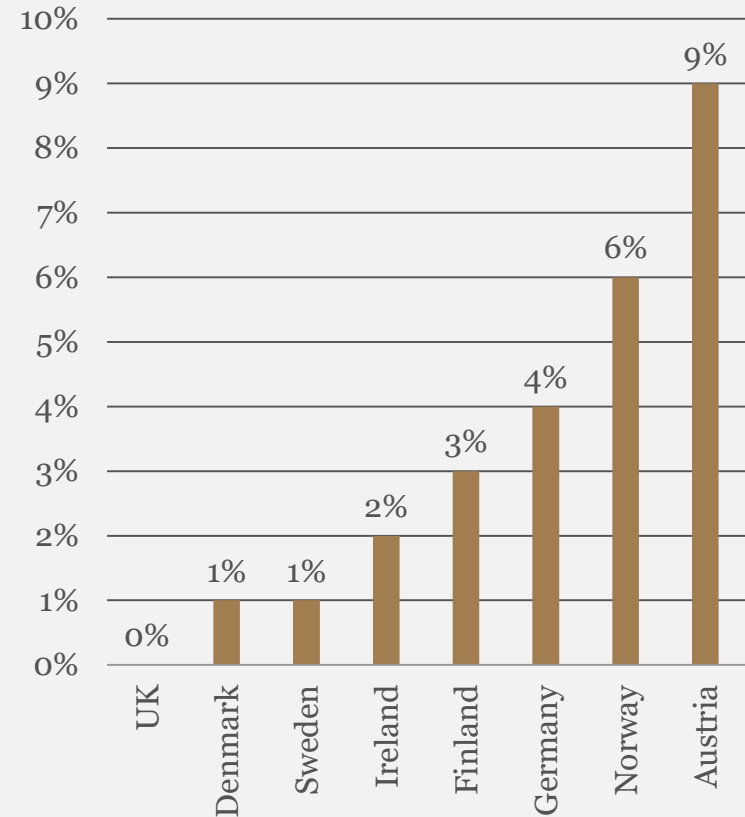
## Europe (RevPAR)



Source: STR Global

Rounded figures

## Selected countries (RevPAR)

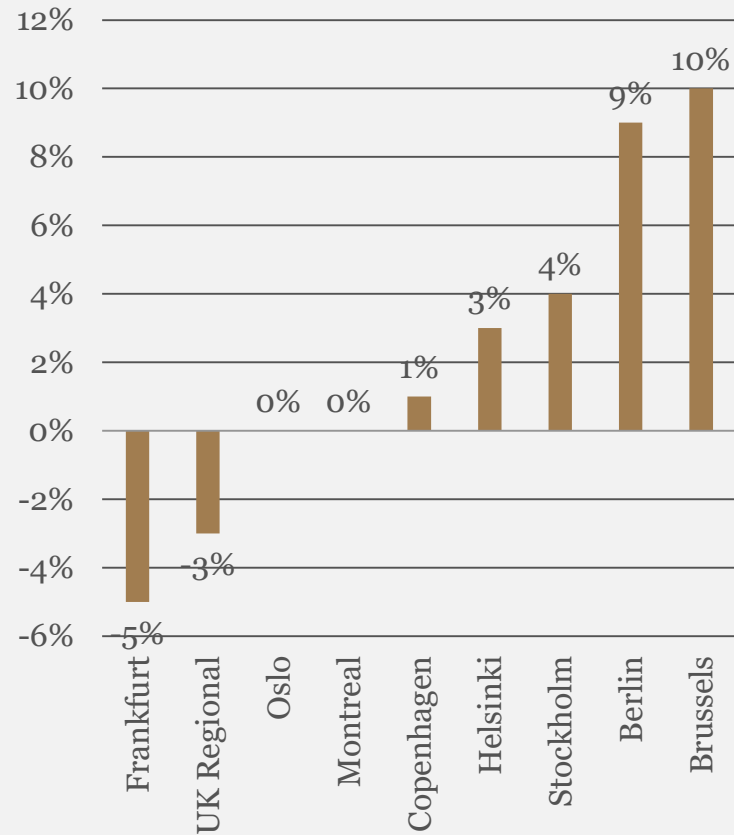


Source: STR Global, Benchmarking Alliance

Rounded figures

# Uneven development in key markets (RevPAR Q1 y/y)

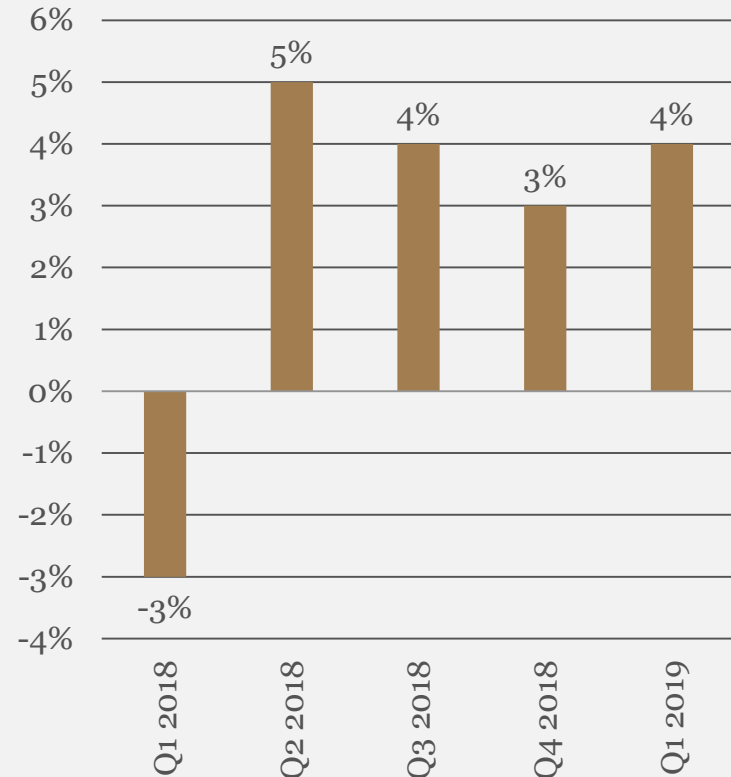
## Key markets (RevPAR)



Source: STR Global, Benchmarking Alliance

Rounded figures

## Stockholm (RevPAR)



Source: Benchmarking Alliance

Rounded figures

# Financial highlights

Stable and positive earnings growth

## Key figures

(MSEK)	Q1 2019	Q1 2018	chg %	FY 2018
<b>Revenue</b>				
Property Management (Note 1)	<b>685</b>	621	10	<b>2,971</b>
<b>Net operating income</b>				
Property Management (Note 1)	<b>583</b>	528	10	<b>2,517</b>
	<small>Ex IFRS 16 568</small>			
<b>Net operating income</b>				
Operator Activities (Note 1)	<b>95</b>	66	44	<b>540</b>
	<small>90</small>			
EBITDA (Note 1)	<b>634</b>	560	13	<b>2,909</b>
	<small>615</small>			
Profit for the period (Note 1)	<b>407</b>	452	-10	<b>2,823</b>
Cash earnings (Note 1)	<b>362</b>	336	8	<b>1,890</b>
<b>Per share data (SEK)</b>				
Earnings per share (Note 1,2,3)	<b>2.43</b>	2.69	-10	<b>16.83</b>
Cash earnings (Note 1,2,3)	<b>2.16</b>	2.00	8	<b>11.26</b>
EPRA NAV (Note 3)	<b>170.52</b>	-	-	<b>164.04</b>

(Note 1) See page 21 in interim report January-March 2019 for summary of reclassifications, acquisitions and divestments.

(Note 2) Based on total and weighted number of shares 167,499,999 for Q1 2019, Q1 2018 and FY 2018.

(Note 3) After non-controlling interest.

## Comments on the quarter

- Property Management: LFL<sup>1</sup> increase in revenue and net operating income of 1.3 percent respectively
- Operator Activities: LFL<sup>1</sup> increase in net operating income of 17.1 percent
- End of period, EPRA NAV per share amounted to SEK 170.52, an increase of SEK 6.48 from year-end 2018. Adjusted for dividend the annualised return was 15 percent
- For the year, Investment Properties experienced an unrealised and realised portfolio value increase of 0.3 percent. For Operating Properties (information purposes only) the unrealised value increase was 0 percent
- IFRS 16 applied from 1 January 2019

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

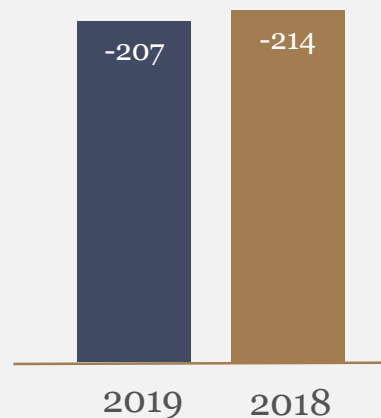
# Financial expense

Reflects several factors

## Financial expense

(Q1'19 vs Q4'18)

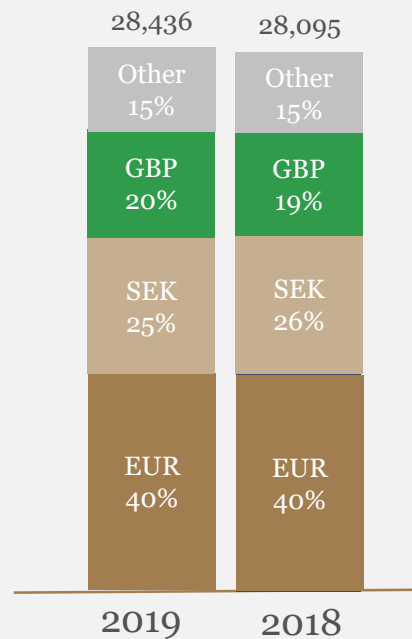
IFRS 16: Financial cost use-of-right  
assets MSEK -19



Several factors at play

## Loan portfolio

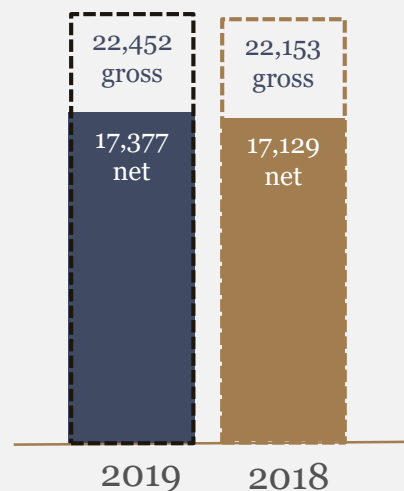
(End Q1'19 vs end Q4'18)



Size and currency

## Interest rate swap portfolio

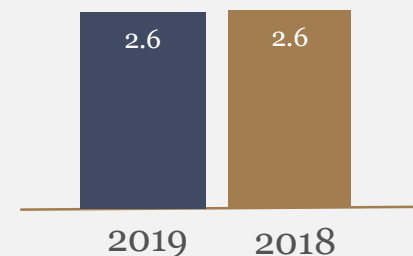
(End Q1'19 vs end Q4'18)



Hedging

## Interest rate

(End Q1'19 vs end Q4'18)



Interest rate

# On balance, stable growth

## Property Management

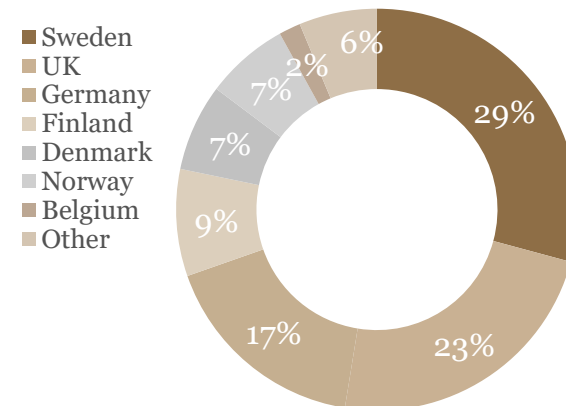
### Net operating income

(MSEK)	Q1 2019	Q1 2018	FY 2018
Rental income	641	600	2,809
Other property income	44	21	162
Costs*	-102	-93	-454
<b>Net operating income</b>	<b>583</b>	<b>528</b>	<b>2,517</b>

Ex IFRS 16: MSEK 568

\*Including property administration costs

### Rental income Jan – Mar 2019 in %



- Q1 2019 LFL<sup>1</sup> rental income and net operating income increased by 1.3 percent respectively
- Continued market share gains in the UK and Ireland
- Improved trade fair calendar in Germany
- New supply and negative renovation effects in selected markets
- Positive currency and calendar effects

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

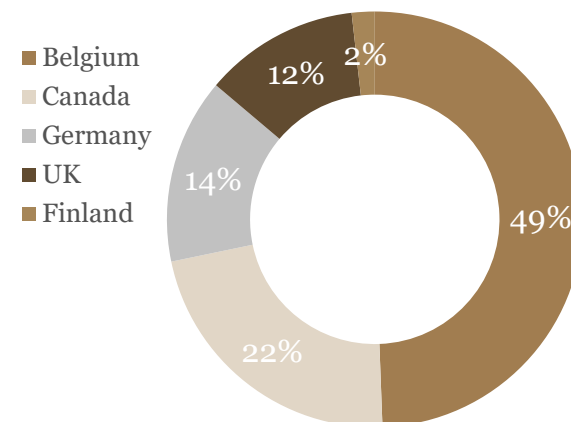
# Good growth and conversion

## Operator Activities

### Net operating income

(MSEK)	Q1 2019	Q1 2018	FY 2018
Revenue	506	431	2,153
Costs	-458	-404	-1,776
<b>Gross Profit</b>	<b>48</b>	<b>27</b>	<b>377</b>
Add: Depreciation included in costs	47	39	163
<b>Net operating income</b>	<b>95</b>	<b>66</b>	<b>540</b>
	<small>Ex IFRS 16: MSEK 90</small>		
<b>NOI margin</b>	<b>19%</b>	<b>15%</b>	<b>25%</b>

### Revenues Jan – Mar 2019 in %



- › Q1 2019 LFL<sup>1</sup> revenue and net operating profit increased by 7.5 and 17.1 percent respectively
- › NOI improvement driven by Brussels, Radisson Blu Glasgow, currency and calendar
- › Some cost still related to the rebranding of DoubleTree by Hilton Montreal

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

# Property portfolio

## A quiet quarter

### Change in value (MSEK)

#### Change in value Investment Properties

	Figures in MSEK
Investment Properties, opening balance (January 1, 2019)	47,139
+ Acquisitions	0
+ Investments in current portfolio	99
- Divestments	—
+/- Reclassifications	—
+/- Revaluation of fixed assets to total comprehensive income for the period	—
+/- Unrealised changes in value	131
+/- Realised changes in value	—
+/- Change in currency exchange rates	1,017
Investment Properties, closing balance (March 31, 2019)	48,386

**+0.3%  
YTD**

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

	Figures in MSEK
Operating Properties, market value (January 1, 2018)	8,058
+ Acquisitions <sup>1)</sup>	16
+ Investments in current portfolio	44
- Divestments	—
+/- Reclassifications	—
+/- Unrealised changes in value	5
+/- Realised changes in value	—
+/- Change in currency exchange rates	204
Operating Properties, market value (March 31, 2019)	8,327

**+0.0%  
YTD**

**+0.2% YTD**

### Comments per 31 March, 2019

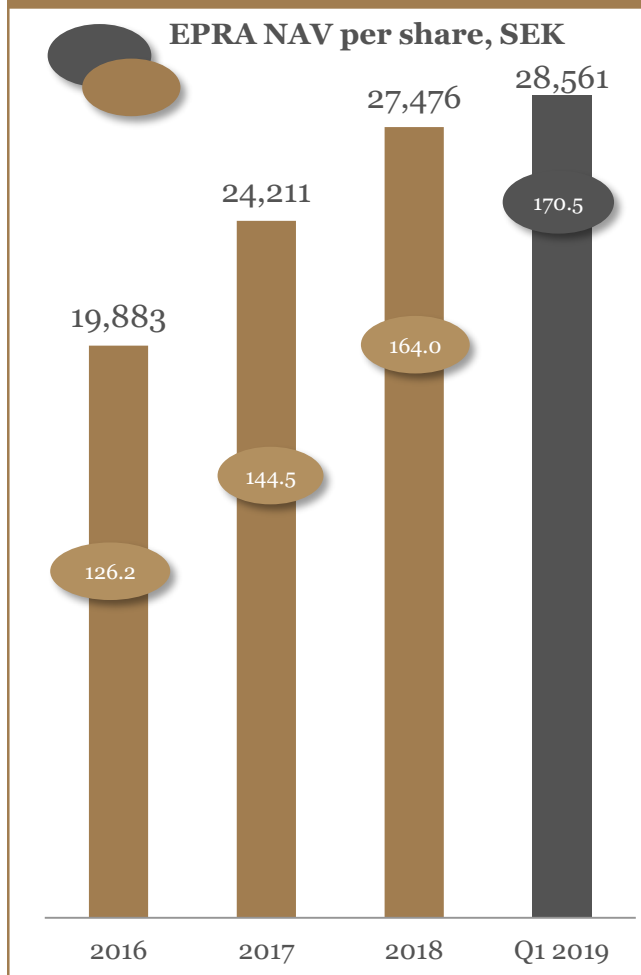
- Total property portfolio market value amounted to MSEK 56,713 (55,197)
- Average valuation yield for Investment Properties was 5.51 (5.51) percent and for Operating Properties 6.71 (6.74) percent
- Only around 7 percent of property portfolio externally valued in Q1
- External valuations in line with and confirms Pandox's internal valuations

<sup>1)</sup> Refers to adjustment Radisson Blu Glasgow and Hilton Grand Place.

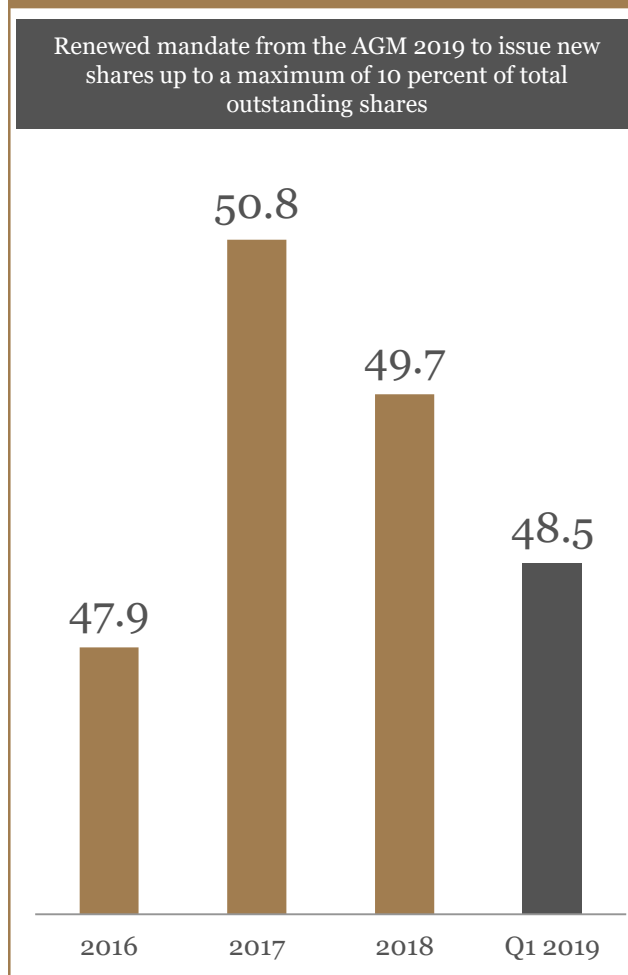
# Financing and capital structure

Sustained growth in EPRA NAV and maintained financial flexibility

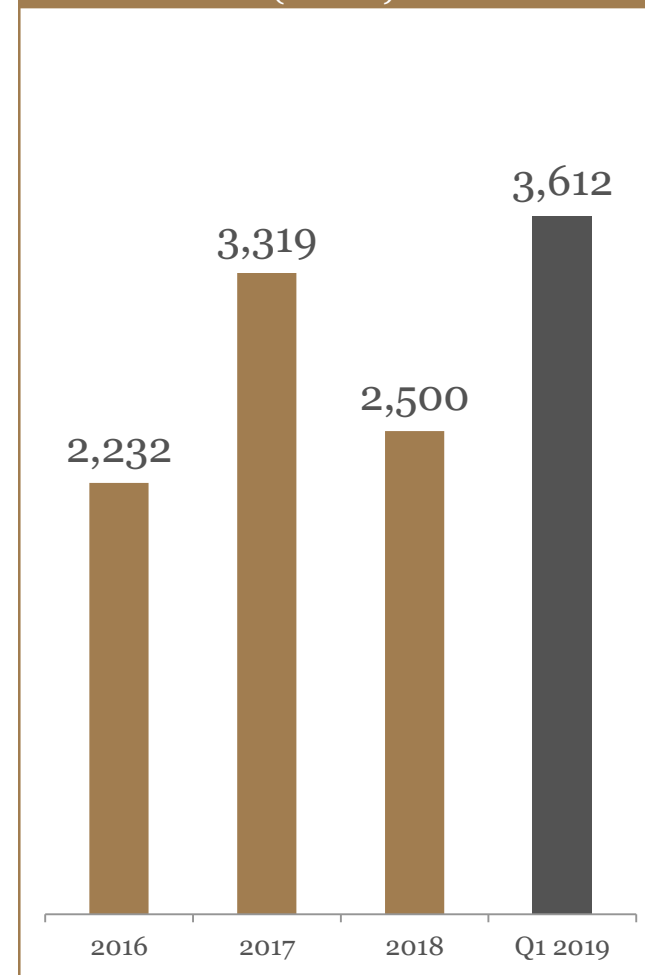
## EPRA Net Asset Value (MSEK)



## Loan to value (%)



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



# The main drivers for growth





# Q&A



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