

INTERIM REPORT JANUARY-SEPTEMBER 2019

A balanced earnings development



Interim presentation

24 October, 2019

Anders Nissen, CEO
Liia Nõu, CFO

A balanced earnings development

19%

R12M

Return on equity²⁾

1

Value-adding acquisitions

2

Positive rental growth in several markets

3

Good development in Brussels

10%

Jul-Sep 2019

11%

Jan-Sep 2019

Growth in total
net operating income¹⁾

1.7%

Jul-Sep 2019

1.6%

Jan-Sep 2019

LFL growth in NOI
Property Management³⁾

-1.2%

Jul-Sep 2019

10.1%

Jan-Sep 2019

LFL growth in NOI
Operator Activities³⁾

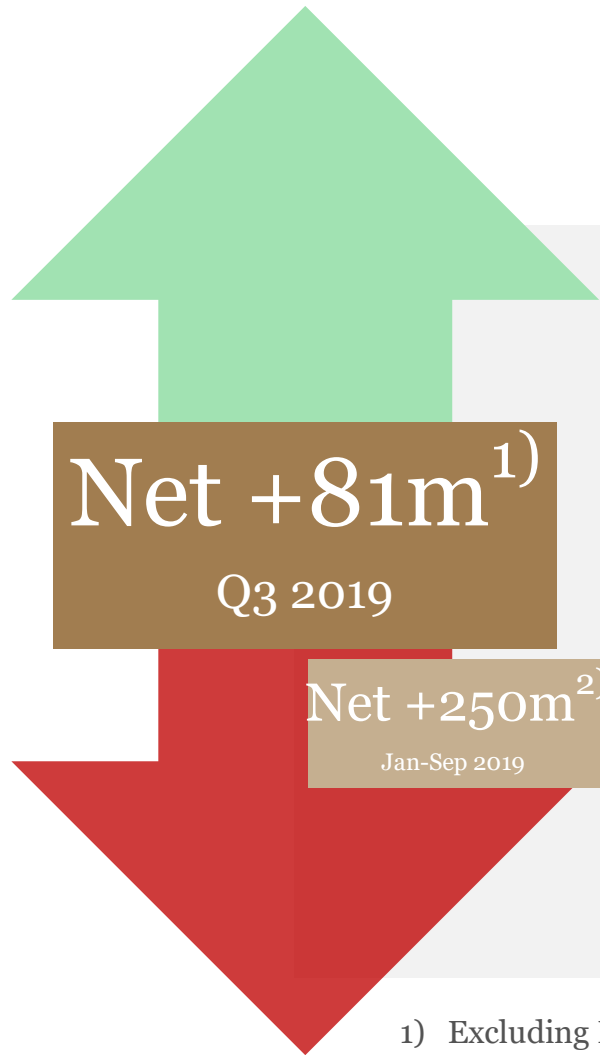
1) Measured as net operating income Property Management and gross profit plus depreciation Operating Activities

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

Tangible increase in total net operating income

Based on a combination of factors



- + Value-adding acquisitions
- + Good rental growth in Finland and Sweden
- + Good development in Brussels
- + Positive currency effects

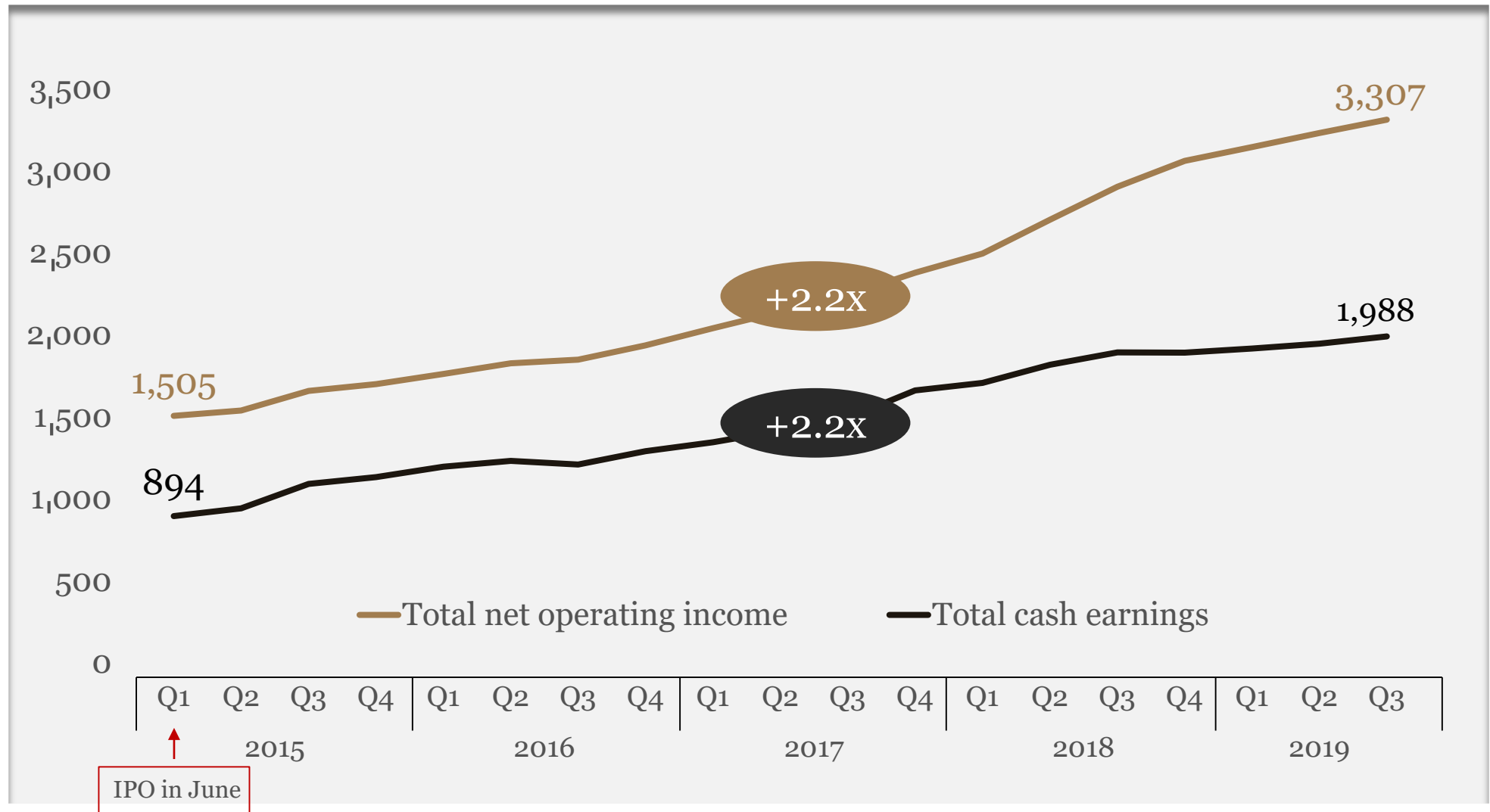
- Increased hotel supply in some markets
- Challenging comparative figures
- Renovation disturbances

1) Excluding IFRS 16 the increase was MSEK 61, or 7 percent

2) Excluding IFRS 16 the increase was MSEK 190, or 8 percent

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
146 Hotel properties	130 Leased properties	16 Operated properties
32,732 Rooms	27,773 Rooms	4,959 Rooms
SEK 59.7bn Property market value	85% Property market value	15% Property market value
	5.47% Valuation yield	6.53% Valuation yield

Based on portfolio market value as of 30 September 2019 (rounded percentages)

Acquisition of two hotels in the Hague and Hannover

Full-service hotels in growing congress and event destinations

- Operator Activities
- Purchase price of MEUR 83
- Initial yield of approximately 6.5 percent
- Managed by Grape Hospitality through a management agreement with Pandox under the Novotel brand
- Well-invested with good guest reviews and growth potential
- Total of 421 rooms
- MEUR 16 in sales and MEUR 5.4 in NOI (expected 2020)



Two full-service hotels in strategic locations

Well-positioned in their markets and with growth potential



Novotel Den Haag – 216 rooms – full-service

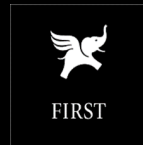
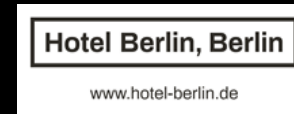


Novotel Hannover – 205 rooms – full-service

The world of Pandox including announced acquisition



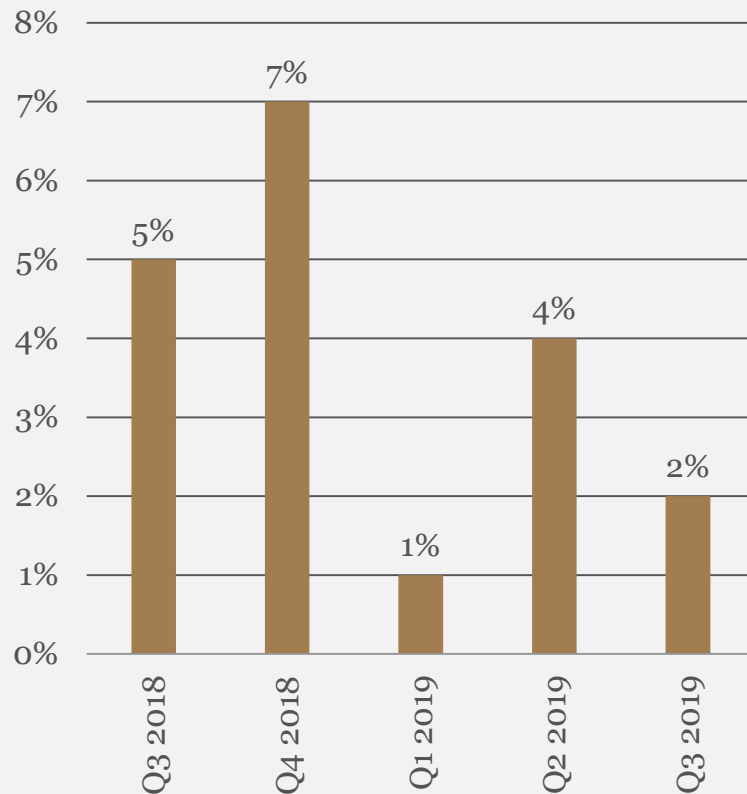
A broad selection of operators and brands



All brands and logos are the property of their respective owner

Demand remained positive (RevPAR Q3 y/y)

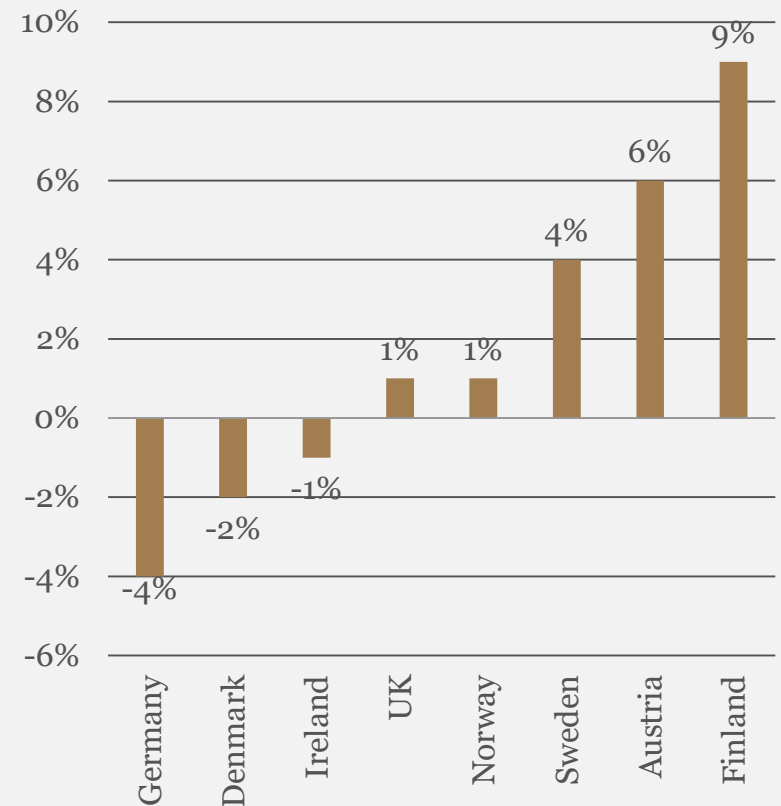
Europe (RevPAR)



Source: STR Global

Rounded figures

Selected countries (RevPAR)

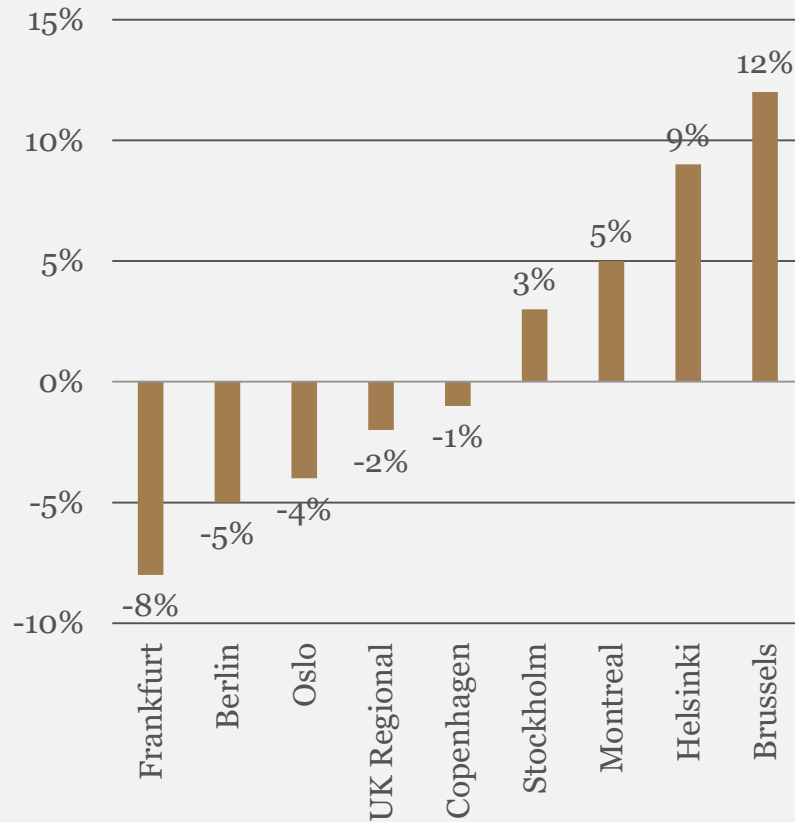


Source: STR Global, Benchmarking Alliance

Rounded figures

Diversification limits portfolio fluctuations (RevPAR Q3 y/y)

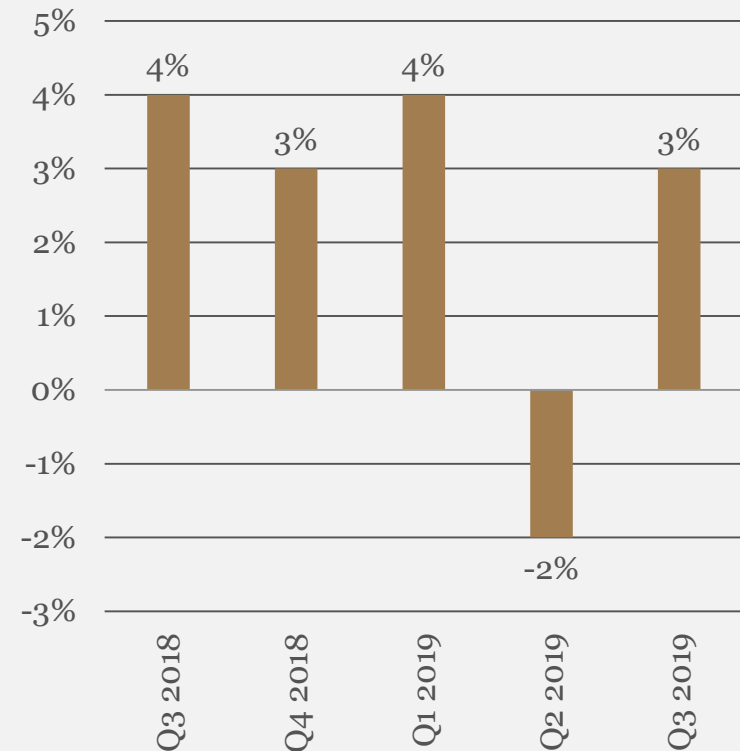
Key markets (RevPAR)



Source: STR Global, Benchmarking Alliance

Rounded figures

Stockholm (RevPAR)



Source: Benchmarking Alliance

Rounded figures

Financial highlights

Positive rental growth

Key figures

(MSEK)	Q3 2019	Q3 2018	chg %	FY 2018
Revenue	851	810	5	2,971
<i>Property Management (Note 1)</i>				
Net operating income	761	698	9	2,517
<i>Property Management (Note 1)</i>				
Net operating income	160	142	12	540
<i>Operator Activities (Note 1)</i>				
EBITDA (Note 1)	881	806	9	2,909
Profit for the period (Note 1)	242	833	-71	2,823
Cash earnings (Note 1)	581	535	9	1,890
Per share data (SEK)				
Earnings per share (Note 1,2,3)	1.45	4.98	-71	16.83
Cash earnings (Note 1,2,3)	3.47	3.18	9	11.26
EPRA NAV (Note 3)	184.03	158.44	16	164.04

(Note 1) See page 24 in interim report January-September 2019 for summary of reclassifications, acquisitions and divestments.

(Note 2) Based on total and weighted number of shares 167,499,999 for Q3 2019, Q3 2018 and FY 2018.

(Note 3) After non-controlling interest.

Comments on the quarter

- Property Management: LFL¹ increase in revenue and net operating income of 2.6 and 1.7 percent respectively
- Operator Activities: LFL¹ decrease in net operating income of 1.2 percent
- End of period, EPRA NAV per share amounted to SEK 184.03, an increase of SEK 19.99 from year-end 2018. Adjusted for dividend the annualised return was 19 percent
- For the year, Investment Properties experienced an unrealised and realised portfolio value increase of 2.3 percent. For Operating Properties (information purposes only) the unrealised value increase was 4.1 percent
- IFRS 16 applied from 1 January 2019

¹For comparable units adjusted for currency effects

Positive effects from diversification

Property Management

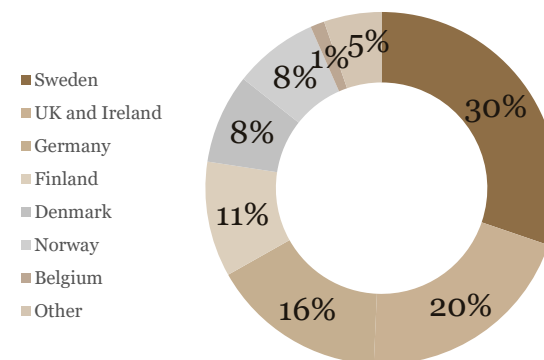
Net operating income

(MSEK)	Q3 2019	Q3 2018	FY 2018
Rental income	820	766	2,809
Other property income	31	44	162
Costs*	-100	-112	-454
Net operating income	761	698	2,517

Ex IFRS 16: MSEK 748

*Including property administration costs

Rental income Jul – Sep 2019 in %



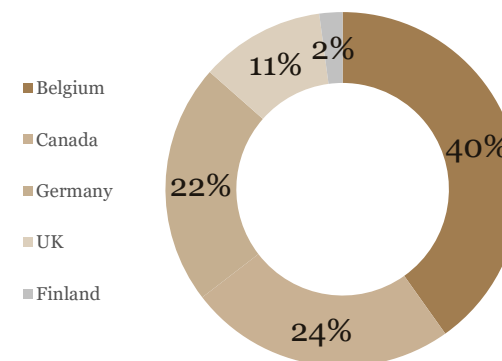
- Q3 2019 LFL¹⁾ rental income and net operating income increased by 2.6 and 1.7 percent respectively
- Good contribution from acquisitions, growth in Sweden and Finland, and positive currency effects
- Negative effects from new supply and renovations in selected markets

Renovation and start-up cost weighed on earnings

Operator Activities

Net operating income			
(MSEK)	Q3 2019	Q3 2018	FY 2018
Revenue	600	531	2,153
Costs	-491	-429	-1,776
Gross Profit	110	102	377
Add: Depreciation included in costs	50	40	163
Net operating income	160	142	540
	Ex IFRS 16: MSEK 153		
NOI margin	27%	27%	25%

Revenues Jul – Sep 2019 in %



- Q3 2019 LFL¹⁾ revenue increased by 2.3 percent and net operating profit decreased by 1.2 percent
- Revenue driven by acquisitions, good development in Brussels and German domestic regional cities, as well as positive currency effects
- NOI negatively affected by renovation of Hilton Brussels City and start-up costs for DoubleTree by Hilton Montreal

¹⁾For comparable units adjusted for currency effects

Property portfolio

Strong value increase in the quarter

Change in value (MSEK)

Change in value Investment Properties

	Figures in MSEK
Investment Properties, opening balance (January 1, 2019)	47,139
+ Acquisitions ¹⁾	987
+ Investments in current portfolio	277
- Divestments ²⁾	-480
+/- Reclassifications	—
+/- Revaluation of fixed assets to total comprehensive income for the period	—
+/- Unrealised changes in value	993
+/- Realised changes in value ²⁾	96
+/- Change in currency exchange rates	1,670
Investment Properties, closing balance (September 30, 2019)	50,682

Change in value Operating Properties, reported for information purposes only

	Figures in MSEK
Operating Properties, market value (January 1, 2019)	8,058
+ Acquisitions ³⁾	-25
+ Investments in current portfolio	142
- Divestments	—
+/- Reclassifications	—
+/- Unrealised changes in value	328
+/- Realised changes in value	—
+/- Change in currency exchange rates	476
Operating Properties, market value (September 30, 2019)	8,979

¹⁾ Refers to acquisition of three hotel properties in Germany for MSEK 1,051 and adjustment of previous acquisitions of the Midland Manchester (MSEK 8) and the Jurys Inn portfolio (MSEK -73)

²⁾ Refers to divestment of Hotell Hasselbacken for MSEK 480

³⁾ Refers to adjustment Radisson Blu Glasgow (MSEK 4), Hilton Grand Place (MSEK 7) and Hilton Garden Inn (MSEK -36)

+2.3%
YTD

+4.1%
YTD

+2.7% YTD

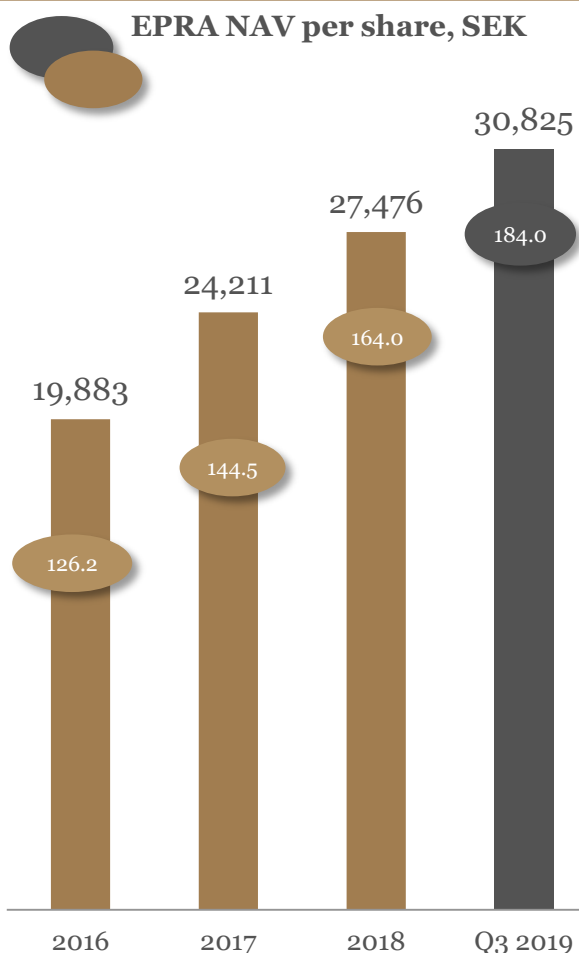
Comments per 30 September, 2019

- Total property portfolio market value amounted to MSEK 59,661 (55,197)
- Average valuation yield for Investment Properties was 5.47 (5.51) percent and for Operating Properties 6.53 (6.74) percent
- Approximately 38 percent of property portfolio externally valued in Q3
- External valuations in line with and confirms Pandox's internal valuations
- Acquisition of three hotel properties in Germany completed 1 July
- Divestment of hotel building in Sweden completed 2 September
- Agreement to acquire two hotel properties in Germany and Netherlands 17 October, expected to be completed during Q4 2019

Financing and capital structure

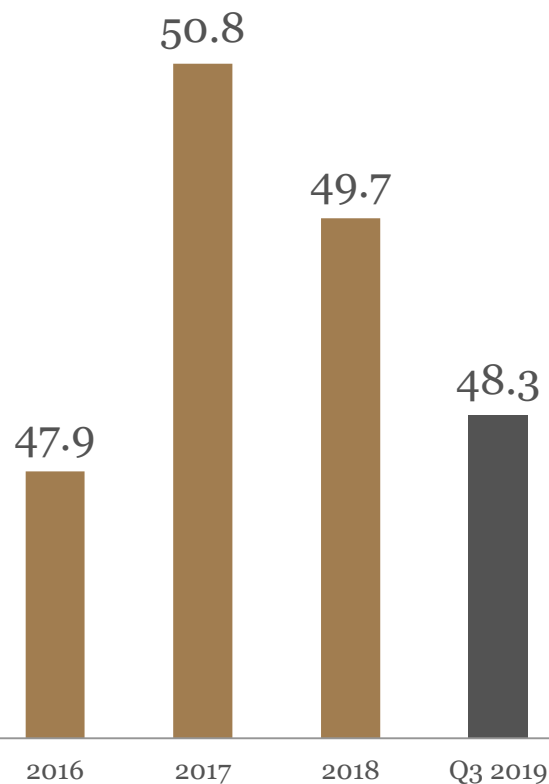
Sustained growth in EPRA NAV and maintained financial flexibility

EPRA Net Asset Value (MSEK)

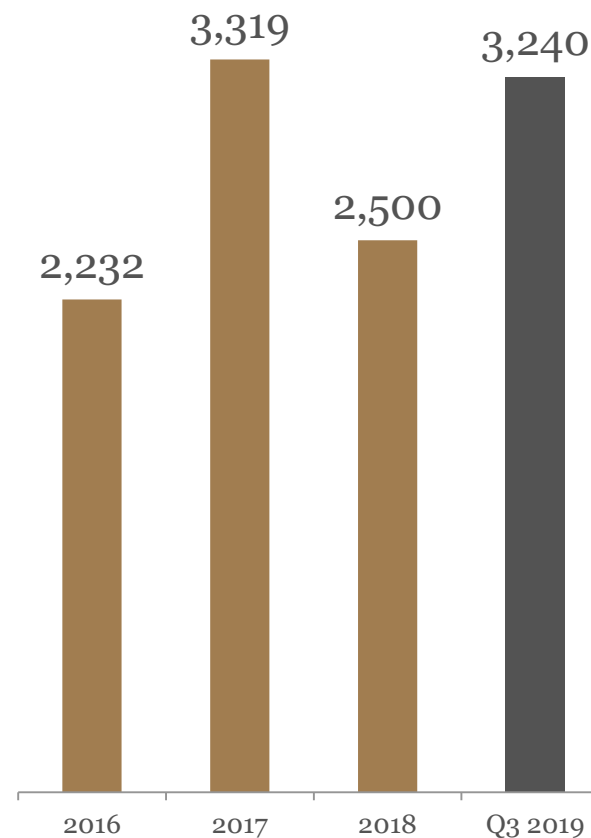


Loan to value (%)

Renewed mandate from the AGM 2019 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







Head office
Pandox AB (publ)
Box 15
SE-101 20 Stockholm
Sweden

Visiting address
Vasagatan 11
Stockholm
Sweden

Tel: +46 8 506 205
www.pandox.se
Org.nr. 556030-7885

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