

A clear game plan in a difficult situation

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Q1 2020
presentation

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Pandox™

Lobby @Radisson Blu Hotel, Basel

Q1 2020 presentation

Agenda

➤ Pandox business update and financial highlights for Q1 2020

Anders Nissen CEO

Liia Nõu CFO

➤ External hotel market update

Robin Rossmann, Managing Director International, STR

David Goodger, Managing Director EMEA, Oxford Economics

Johan Johander, Partner and Head of Research, Benchmarking Alliance

➤ Pandox summary and Q&A

Anders Nissen CEO

Liia Nõu CFO

Q1 2020 in brief

A quarter with two faces

- Positive start of the year with a stable growth in January and February
- Historic demand collapse in March, due to COVID-19 and unprecedented government actions
- Occupancy rates between 5-25 percent from mid-March across Europe

10%

R12M

Return on equity²⁾

-14%

Jan-Mar 2020

Growth in total
net operating income¹⁾

-12%

Jan-Mar 2020

LFL growth in NOI
Property Management³⁾

-78%

Jan-Mar 2020

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

The quarter in brief

COVID-19 lockdown destroyed the quarter

- Stable market in January-February
- Contribution from recent acquisitions
- Positive currency effects
- Support from minimum and fixed rent

- Historic demand collapse in March due to COVID-19 and unprecedented government actions
- Increased hotel supply in several markets
- Some renovation and repositioning costs

Net -97m

Jan-Mar 2020

Current revenue

Minimum and fixed rent

- Minimum rent and fixed rent main source of revenue
- Approximately MSEK 500 per quarter
- Minimum rent higher in Europe, lower in the Nordics
- Discussions about temporary payment terms when possible
- No changes in lease agreements
- Rent payments on track

Strategic position

A well-diversified portfolio



Including reclassification to Operator Activities of two hotel properties in Copenhagen, announced 2 April 2020.

Strategic position

A pan-European position



Size and scale

Geographical presence

Partner network

Portfolio composition

Stakeholder recognition

Strategic position

Good geographical balance

2.1%

18.7%

39.7%

39.6%

- ✓ 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.

COVID-19 effects on Pandox

- Very low demand due to COVID-19 and unprecedented government actions
- Currently, minimum and fixed rent main source of income
- Currently, Operator Activities at minimum capacity with almost no revenue
- Cost base now largely at par with minimum and fixed rent
- Pandox has taken part of government support within Operator Activities
- Negative unrealised value changes in Q1 explained by lower cash flows 2020
- Substantially larger negative earnings effect expected in Q2 2020

A very strange quarter

Key figures

(MSEK)	Jan-Mar 2020	Jan-Mar 2019	chg %	FY 2019
Revenue				
<i>Property Management (Note 1)</i>	672	685	-2	3,129
Net operating income				
<i>Property Management (Note 1)</i>	561	583	-4	2,764
Net operating income				
<i>Operator Activities (Note 1)</i>	20	95	-79	625
EBITDA (Note 1)	538	639	-16	3,215
Profit for the period (Note 1)	-668	407	n.a.	2,700
Cash earnings (Note 1)	262	367	-34	2,161
Per share data (SEK)				
Earnings per share (Note 1,2,3)	-3.63	2.43	n.a.	15.91
Cash earnings (Note 1,2,3)	1.43	2.18	-34	12.74
EPRA NAV (Note 3)	186.97	170.52	10	186.40

(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 183,849,999 for Q1 2020, 167,499,999 for Q1 2019 and 170,053,287 full-year 2019.

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

Comments on the quarter

- Property Management: LFL¹ decrease in revenue and net operating income of 11 and 12 percent respectively
- Operator Activities: LFL¹ decrease in net operating income of 78 percent
- End of period, EPRA NAV per share amounted to SEK 186.97, an increase of SEK 0.57 from year-end 2019. Adjusted for dividend the annualised return was 10 percent
- For the year, Investment Properties experienced an unrealised and realised portfolio value decrease of 1.1 percent. For Operating Properties (information purposes only) the unrealised value decrease was 3.6 percent

¹⁾For comparable units adjusted for currency effects

Valuations based on established method

Value change

Change in value Investment Properties

	Figures in MSEK
Investment Properties, opening balance (January 1, 2020)	53,697
+ Acquisitions ¹⁾	697
+ Investments in current portfolio	139
- Divestments	—
+/- Reclassifications	—
+/- Revaluation of fixed assets to total comprehensive income for the period	—
+/- Unrealised changes in value	-611
+/- Realised changes in value	—
+/- Change in currency exchange rates	1,435
Investment Properties, closing balance (March 1, 2020)	55,357

Change in value Operating Properties, reported for information purposes only

	Figures in MSEK
Operating Properties, market value (January 1, 2020)	9,772
+ Acquisitions ²⁾	-8
+ Investments in current portfolio	99
- Divestments	—
+/- Reclassifications	—
+/- Unrealised changes in value	-347
+/- Realised changes in value	—
+/- Change in currency exchange rates	472
Operating Properties, market value (March 31, 2020)	9,988

¹⁾ Refers to acquisition of Maritim Hotel Nürnberg in Germany of MSEK 648 and of complementing premises to Jurys Inn Cardiff.

²⁾ Refers to adjustment of Novotel Hannover (MSEK -5) and Novotel Den Haag World Forum (MSEK -3).

-1.1%
YTD

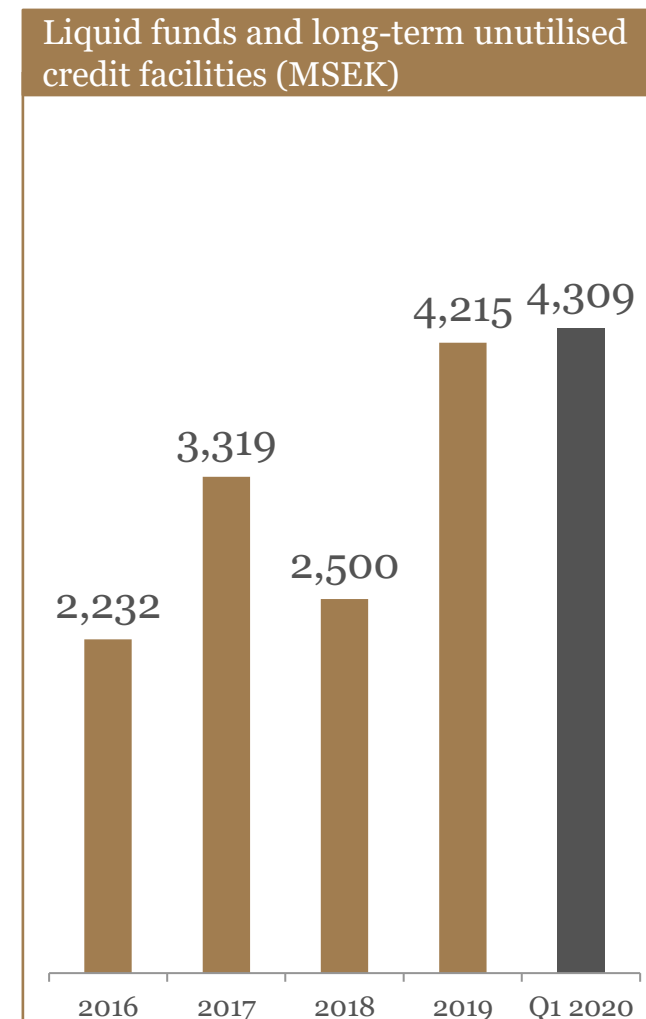
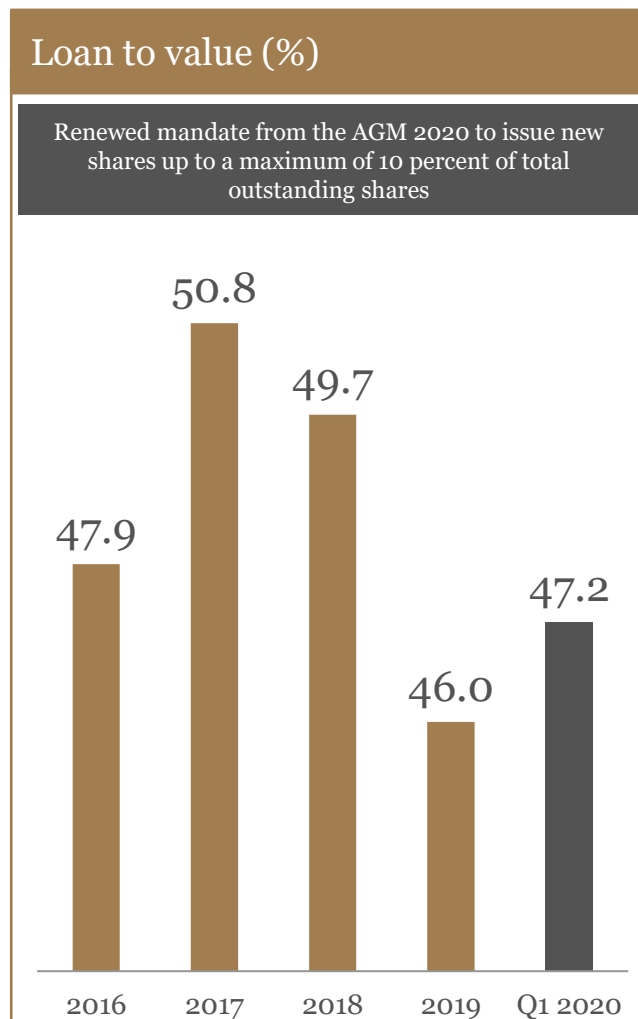
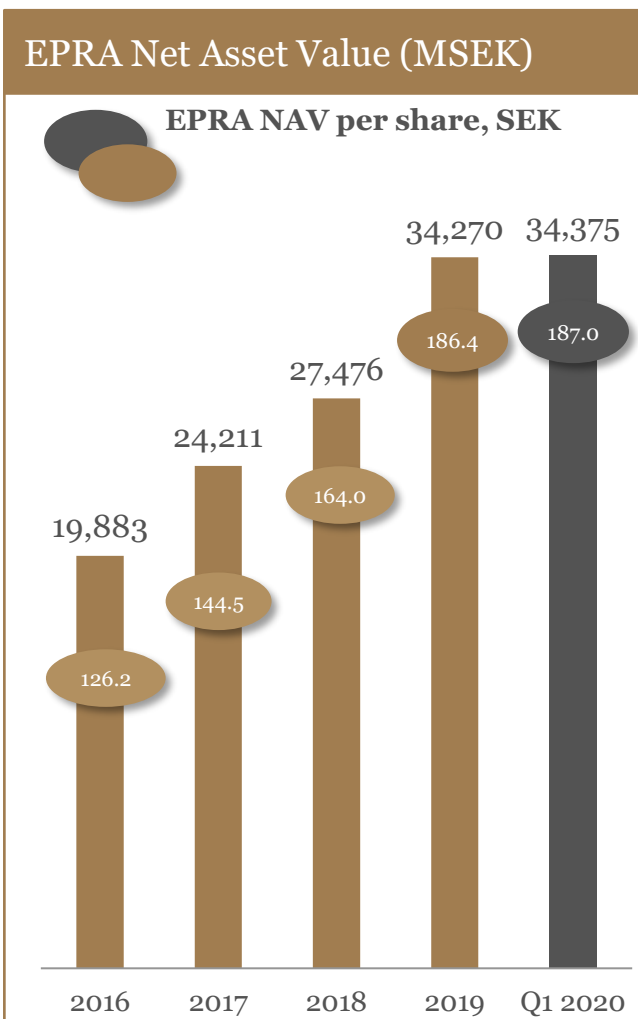
-3.6%
YTD

-1.5%
YTD

Comments per 31 March, 2020

- Total property portfolio market value amounted to MSEK 65,345 (63,469)
- Average valuation yield for Investment Properties was 5.42 (5.41) percent and for Operating Properties 6.40 (6.41) percent
- Valuations in the first quarter 2020 made according to same method and model used since the IPO 2015
- No external valuations made in the first quarter 2020 due to practical limitations due to COVID-19, among other things
- Downward adjustments due to lower cash flows 2020 as a direct result of COVID-19
- Transaction evidence missing and yields currently difficult to establish
- Yield and cash flow expected to be estimated with greater precision in the coming quarters

Financing and capital structure



Three focus areas

- Respond – manage the acute phase of the crisis
- Restart – plan for the recovery
- Reinvent – what's next?

Respond

Five priorities

1

Liquidity – Cash is king!

- Operating costs, capex and investments have been reduced
- SEK 4.3 billion in liquid funds and unutilised credit facilities
- Close and constructive dialogue with business partners on temporary payment changes when possible
- Close and constructive dialogue with lenders on refinancing, new financing and adjustment of conditions in existing credit agreements taking COVID-19 into consideration

2

Earnings – Minimise losses!

- Annual contractual minimum rent of approximately MSEK 2,000 – corresponding to MSEK 500 per quarter – and cost base now largely at the same level

Respond

Five priorities

3

Business – Stay alive!

- Keeping hotels open with limited service gives several advantages:

Contact with local market

Easier to manage the property

First on the frontlines when activities start up again

Only marginal higher cost compared to have hotels closed

4

Properties – Protect the asset!

- Pandox is ready to act to protect the asset by taking over operations when necessary

5

Leadership – Keep up the spirit!

- Open, active and visible leadership

Restart

Plan for the recovery

- The hotel market has hit bottom and we are waiting for the world to open again
- The recovery will come in phases
- First green shoots in June-July
- Domestic and regional demand from leisure and business will lead the recovery
- Occupancy in Europe of around 40 percent towards the end of the fourth quarter
- Economy and mid-market hotels – easily reached by car or train – are the winners

Reinvent

What's next?

- Business and leisure will remain largely the same...
- ...but with new demands and new product segments
- “Less is more”, more local products, sustainability and good citizenship
- Large meetings, sports and cultural events will take time to recover (vaccine)
- All changes creates new opportunities
- Pandox in a good position

Clear game plan in a difficult situation

- Q2 2020 will be substantially weaker than Q1 2020
- Revenue mainly minimum and fixed rent
- Revenue-based rent and Operator Activities will gradually pick-up in H2 2020
- Solid financial position and strong staying power
- Pandox is in a good relative position with a clear game plan





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