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Pandox AB (PNDX.B.SE)

Q1 2024 Earnings Call

CORPORATE PARTICIPANTS

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MANAGEMENT DISCUSSION SECTION

Operator: Welcome to the Pandox Q1 Presentation for 2024. [Operator Instructions]

Now I will hand the conference over to Anders Berg. Please go ahead.

Anders Berg

Senior Vice President, Head-Communications & Investor Relations, Pandox AB

Thank you. Welcome to this presentation of Pandox's interim report for the first quarter 2024. And I'm here together with Liia Nõu, our CEO; and Anneli Lindblom, our CFO. And with us today, we also have Thomas Emanuel, Senior Director at STR. And as most of you know by now, STR is a leading independent research firm focused on the hotel market, and Thomas is here to share STR's view on the market. And the views expressed by STR are completely separate from Pandox, and the presentation is offered only as a service to Pandox's stakeholders. And please note also that Pandox – Thomas presentation will be held after we have completed our formal earnings presentation, including the Q&A.

And before we let Thomas in, Liia and Anneli will present the business update with financial highlights for the first quarter, followed by a Q&A session.

So with that, I hand over to Liia Nõu, the CEO of Pandox.

Liia Nõu

Chief Executive Officer, Pandox AB

Thank you, Anders, and good morning and welcome, everyone. I would like to start this presentation, as last time as well, with a quick overview of our key investment highlights on Pandox. We are active in travel and tourism. It's a global and highly dynamic industry with strong structural growth drivers. Travel and tourism is one of the largest industries in the world accounting for almost 10% of global GDP. We only invest in hotel properties. We are the largest listed pure hotel property owner in Europe with a unique portfolio of high-quality assets. We are an active owner with deep hotel expertise, and we work with all operational models and are focused on creating value across the whole value chain. We have inflation-protected revenue streams and minimum guaranteed rent from strong and skilled operators, which provide both upside and stability.

We have a high-quality project pipeline which we expect to accelerate our organic earnings and value growth. And we have ambitious ESG targets, including a substantial climate transition program with high ROI. Our property portfolio has an average valuation yield of approximately 6.25%, and with an average interest cost of 4.2%, we have a positive yield gap – yield spread of more than 200 basis points. And we only have bank financing with strong and positive lender relationships and low refinancing risk.

Our business model is to own, improve, and lease hotel properties to strong hotel operators under long-term revenue-based leases. And we do this through four principal value activities. It is property management, it's property development, portfolio optimization, and sustainability. And we are an active and engaged owner based on deep hotel expertise. We have two operational models. We do leases, and we have our own operations. In leases, which is our core business, we have stable and predictable cash flows. And in own operations – and our own operation is a unique transformation tool which enable us to take on and develop underperforming assets with an objective to sign new leases.

Pandox has a strong and well-diversified hotel portfolio. We have 158 hotel properties with approximately 35,600 rooms in 12 countries and 90 cities, and with a property market value of some SEK 71 billion with an average yield of 6.25%. We are divided into two mutually supportive and reinforcing business segments, Leases and Own Operations. And in leases, we lease hotel properties to skilled hotel operators under long revenue-based agreements open with a minimum guaranteed level, and this makes up for some 83% of our property value. And in Own Operations, we transform and run hotels in the properties we own, and this makes up for some 17% of our property market value.

Our focus in our portfolio is on upper mid-market hotels with mostly domestic demand, which is the backbone of the hotel market regardless of the phase of the hotel market cycle is in. We have also one of the strongest networks of brands and partners in the hotel property industry, and this is important as it ensures efficient operations and revenue management, which maximize the cash flows and property values and the continuous flow of business opportunities. A relatively large part of our investments is Leases, is also shared with the tenant, so – which lowers our risk.

Next page. The hotel market was positive in the first quarter, which for Pandox translated into higher occupancy rates and resilient average prices. This despite the quarter being seasonally slow and the negative effect from the timing of Easter. Like-for-like, total revenues and total net operating income increased by 3% and 4% respectively. The timing of Easter had a negative effect of approximately 2% on total revenues. And I'm pleased that growth in cash earnings and EPRA NRV turned positive in the quarter. Cash earnings increased by 5%, and growth EPRA NRV was a positive 3%.

During the quarter, credit markets continued to improve, which is expected to drive both lower credit margins in upcoming refinancings and higher transaction activity in the hotel property market. More generally, it also supports our property valuations. Our financial flexibility remains high with an LTV of 47.7% when we adjust for the dividend, which we paid out in April. And our ICR is 2.6 based on the rolling four quarters. We have 100% bank financing, strong relationships, and positive discussions on the upcoming refinancing, i.e., our refinancing is low – risk is low.

We have now established a new normal and our references to the pandemic are over. Here is the RevPAR development level for our business segment Leases compared with 2023, last year. The numbers are on a comparable basis under the fixed currency. In the first quarter, RevPAR increased by approximately 2% compared with last year. And for the portfolio as a whole, increased occupancy rates drove most of the improvement while average prices was resilient. More to come on the following page.

Here we have a breakdown of the performance for a select number of countries, regions, and cities versus last year. We show average daily rate on the vertical axis and occupancy on the horizontal axis. Thus, origo is the point corresponding to 2023 on both ADR and occupancy. In the boxes, we indicate how much higher or lower RevPAR is compared with the corresponding period 2023.

As you see, in the first quarter, the hotel market with some variations developed positively. RevPAR increased in most markets driven by increased ADR, while occupancy was a little bit more dispersed. In terms of RevPAR, the greatest relative improvements took place in Germany and regional Finland, regional Norway, and UK regional. Thomas Emanuel from STR will talk more about these underlying trends in the European hotel market later in this call.

And with that, I hand over to Anneli Lindblom, our CFO.

Anneli Elisabet Lindblom

Chief Financial Officer, Pandox AB

Thank you, Liia. So, good morning, everyone. We are happy to report good numbers in the first quarter despite it being a seasonally slower quarter, including a negative effect in March from the timing of the Easter holidays. For the group, like-for-like growth was positive both in revenues, 3%, and in net operating income with 4%, supported by a positive and active hotel market. The timing of Easter has a negative effect on the total revenue of 2 percentage points, which will be neutralized in the second quarter. The Easter effect was marginally stronger in leases than it was in our own operations. Own operations performed well in the first quarter, supported by an active hotel market in Brussels. Like-for-like growth in revenue was 6% and in net operating income 22%. Cash earnings increased by 5% in the quarter and current tax amounted to minus SEK 45 million, and the efficient tax rate was 18%.

During the quarter, we had some special items. First, the SEK 40 million in revenue related to missing rents from previous years for our hotel property at Köln Bonn Airport that has been part of a legal process regarding permits. Secondly, SEK 38 million on the cost side related to commercial development of our portfolio in the UK and Germany. Adjusted for this, the net operating margin in the business segment leases was 86%.

So, on this slide, we show the change in the main valuation parameters for the total property portfolio year-to-date. And remember that investment properties are recognized at fair value. According to IFRS, unrealized changes in operating properties are only reported for information purpose, but is included in our EPRA NRV. In the first quarter 2024, the unrealized changes in value were flat. Marginal changes in yield and cash flow neutralized on a total basis. Currency had a large positive effect in the quarter. And as you know we have the main part of our hotel properties outside Sweden and denominated in foreign currencies. After the quarter, we have completed the divestment of our last hotel in Montreal and end of period the average valuation yield for investment properties was 6.10% and for operating property it was 6.98%.

Here we have the average yield, the average interest on debt and EPRA NRV per share quarterly from just before the pandemic and up until today. Cash flow were adjusted downwards during the pandemic and adjusted upwards when the recovery started after it, both in internal and in our external valuations, while the yields were stable. However, in line with rising market interest rates, yields moved higher starting in the fourth quarter 2022 and through 2023. Despite higher yields and higher market interest rates, EPRA NRV per share has increased compared with 2019, and we have a tangible and positive yield spread. Also, growth in EPRA NRV was positive with 3% measured on an annual basis and adjusted for paid dividends.

As you can see, the end of the first quarter, the LTV was 46.6% and the ICR on a rolling 12-month was 2.6 times. Adjusted for the dividends paid in April, the LTV was 47.7% and remains at the lower end of our policy range while the ICR is resilient. Cash and unutilized credit facilities amounted to SEK 3 billion at the end of the quarter. And please note that we still have unencumbered assets of SEK 3.8 billion as some sort of untapped reserve. And again Pandox has two sources of financing, equity and bank loans secured by underlying properties. We have no market financing in the form of bonds and we have no external rating requirements. Given our business model with focus on hotels and variable rent, this has proven to be the most efficient and predictable financing over time.

On the right, we highlight our capital structure at the end of the period. Based on the closing price of yesterday, Pandox is valued at a discount to EPRA NRV with 17%.

The financing climate improved further in the first quarter. We refinanced loans of SEK 3 billion with a three-year maturity and with good credit margins. Out of the SEK 3 billion, more than SEK 2.1 billion was sustainability-linked and all in all we now have SEK 4.3 billion of our loans sustainability-linked. Looking ahead, we have SEK 6.7 billion on debt maturing within one year, of – and out of this SEK 3.1 billion in the fourth quarter this year. And as said before, we have strong relations with our banks and discussions on future refinancing are ongoing and very positive. And based on the discussion we have, we expect lower credit margins in the upcoming refinancing. At the moment, we have 76% of the net debt hedged, which means that the effects of further increase in market rates is relatively low. Some adjustments of existing interest rate swaps has lowered the average fixed rates in this period versus Q4 2023.

And with that, I hand back to Liia for some final remarks.

Liia Nõu

Chief Executive Officer, Pandox AB

Thank you, Anneli. Our message from the year-end report that we expect some RevPAR growth in the hotel market in 2024 is supported by the developments in the first quarter, and this is still valid. There is a strong event calendar in Europe with Euro 2024 in Germany and the Olympic Games in France. We see inflation coming down in our markets, which paves the way for lower interest rates. This should be positive for economic activity and both business and leisure travel. And generally speaking, hotel demand is dependent on economic activity, and the main risks are still geopolitical and the potential effects on economic activity and travel. The negative Easter effect we saw in this quarter is expected to be neutralized in the second quarter.

And with that, we now move over to Q&A. So, operator, we are now ready for questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] The next question comes from Albin Sandberg from Kepler Cheuvreux. Please go ahead.

Albin Sandberg
Analyst, Kepler Cheuvreux SA (Sweden)

Q

Yes. Hi, there. Morning. Three questions, please. And looking a little bit on how you have transformed your portfolio over time here now and sold off Canada, maybe there's one more left [ph] and I can't clearly recall (00:18:34). But anyhow, are there any other markets that would be of interest for you now as the market seems to be sort of opening up gradually here for more transactions? Or will you stay in the core markets you are in now?

Liia Nõu
Chief Executive Officer, Pandox AB

A

Good morning, Albin. And yes – well, we – as we said, we like to be where we are. So we are in 12 countries. And we sold now – we sold the last hotel we had in Montreal, but we are open to also see new markets. I mean, typically we see more transaction coming up within the UK, Germany, et cetera, but we would more see ourselves in Northern or Western Europe still.

Albin Sandberg
Analyst, Kepler Cheuvreux SA (Sweden)

Q

Great. And then when we look at, let's say, the overall demand in your portfolio specifically, I think you have referred to the fact that business travel, meeting travels and so on had lagged a little bit in the recovery. Is that still the case? And what's your sort of base case assumption for, let's say, the overall business meeting contribution compared to where we were pre-COVID?

Liia Nõu
Chief Executive Officer, Pandox AB

A

Yeah. What we see – well, again, Q1 is a typical slow quarter. What we see in the market and in the statistics is that business is picking up – business travel is picking up quite good, and that together with the groups and events, et cetera, makes it promising. So basically, we are very much back on pre-pandemic levels. And what's lagging is still the Asian traffic, which is coming back strongly but it will take a little bit more time. But everything else is basically more or less on track.

Albin Sandberg
Analyst, Kepler Cheuvreux SA (Sweden)

Q

Okay. Great. And then as always, a bit in terms here in the mornings and I see you have changed a little bit your reporting. It seems like you provided more information and I think that's good. But the break – sorry, the bridge between equity and NRV, I couldn't really find that. And maybe it's on your web page or I haven't looked it.

Anneli Elisabet Lindblom
Chief Financial Officer, Pandox AB

A

It's on the web page.

[indiscernible] (00:20:56 – 00:24-00)

Albin Sandberg
Analyst, Kepler Cheuvreux SA (Sweden)
Q

Yeah, okay.

Anders Berg
Senior Vice President, Head-Communications & Investor Relations, Pandox AB
A

Actually these details [indiscernible] (00:21:00) with the – well, with the work for...

Albin Sandberg
Analyst, Kepler Cheuvreux SA (Sweden)
Q

Okay. Okay.

Anders Berg
Senior Vice President, Head-Communications & Investor Relations, Pandox AB
A

...measurements.

Albin Sandberg
Analyst, Kepler Cheuvreux SA (Sweden)
Q

And also, whether you did any major, let's say, changes in your operating properties on the like-for-like value change in Q1?

Anneli Elisabet Lindblom
Chief Financial Officer, Pandox AB
A

Well – no, we did not do any changes in that.

Anders Berg
Senior Vice President, Head-Communications & Investor Relations, Pandox AB
A

Sorry, can you repeat the question so we can just understand it?

Albin Sandberg
Analyst, Kepler Cheuvreux SA (Sweden)
Q

Yeah, no. I just wanted to understand if your – in the operating properties, which I know you only do for market purposes, did you do any major value change assumptions on your operating properties? I understood for the leases, very small.

Anneli Elisabet Lindblom
Chief Financial Officer, Pandox AB
A

No, not really. No. No. It was a marginal, small negative change, but it was really, really marginal. So all in all, I think it's a flat, positive flat.

Anders Berg
Senior Vice President, Head-Communications & Investor Relations, Pandox AB
A

A slight decrease on cash flow and a slight sort of decrease in yields. Yeah.

Albin Sandberg
Analyst, Kepler Cheuvreux SA (Sweden)

Q

Okay. Thank you. That's all for me.

Anneli Elisabet Lindblom
Chief Financial Officer, Pandox AB

A

Thank you.

Operator: The next question comes from Markus Henriksson from ABG Sundal Collier. Please go ahead.

Markus Henriksson
Analyst, ABG Sundal Collier AB

Q

Thank you. Good morning, everyone. I have two questions. First, on the refinancing, that you highlight that you now get a bit lower credit margins. If we go back, you were a bit suffering in the COVID-19 while everyone enjoyed low credit margins and then they increased. Could you help a little bit on kind of the size of it? Are we saying 5 bps? Is it 15 bps? Or any help you can give us there. And also for the upcoming refinancings, if it's similar to what you saw now with the SEK 3 billion refinancing? Thank you.

Anneli Elisabet Lindblom
Chief Financial Officer, Pandox AB

A

Well, I think it takes a little bit of time before this all rolls out. And of course, it – but what we do see is that the banks are – I mean, we have now [ph] one or some two (00:23:02) years where we come out of the pandemic in some sort. And our internal – their internal credit ratings on us have now come back to what it was pre-COVID. So pre-COVID, we have credit margins of something between 160 basis points, 170 basis points. We were up again maybe plus 200 basis points and 250 basis points even when it's the worst, and it's gradually coming down. So we expect this at some point in time hopefully to come back at pre-pandemic levels. That will take some time. But, of course, in each and every refinancing which goes over a three-year period, we are talking about maybe I would say anything between 30 basis points to 40 basis points.

Markus Henriksson
Analyst, ABG Sundal Collier AB

Q

Very clear. Thank you for that. Then you highlighted your ongoing projects that will contribute around SEK 130 million to NOI here in 2024. Could you highlight a little bit the kind of impact in this quarter, or is it very kind of back end heavy in the second half of 2024? Any help you can give us there?

Anneli Elisabet Lindblom
Chief Financial Officer, Pandox AB

A

Yeah, it's very back end heavy. We have the Mayfair, which is expected to come out in the end of next year which is turning to Hobo. We have the Citybox, which will open up this summer. We have Fridhemsplan, which is closed and will also open up now up to summer. So basically – and then we had, of course, our hotel in Nuremberg which we opened up in September but Scandic took over 1st of March, and that's also to the latter part of this quarter. So, second half heavy.

Markus Henriksson
Analyst, ABG Sundal Collier AB

Q

Thank you for that. And then one last question. We have a one-off in the segment Leases and also on the top line. Could you highlight a little bit going forward do you foresee already now any similar type of investments or one-time fees that we should be aware of?

Liia Nõu
Chief Executive Officer, Pandox AB

A

No. And the one-time we had on the revenue, that of course have to do with the fact that we regained registration of our HBR of the hotel in Köln Bonn Airport, which we have been haggling about for now three years. And this is sort of – this is the ramped up revenue we hadn't – they owed us for – during the pandemic period. We don't have any other hotels which somebody has tried to get from us. And on the one-time costs we have on the cost side, that has to do with actually that we announced in the end of last year the prolongation of the extension of our portfolio in Germany. So these are costs relating to that.

Anneli Elisabet Lindblom
Chief Financial Officer, Pandox AB

A

And it's one-offs.

Liia Nõu
Chief Executive Officer, Pandox AB

A

And they are all one-off [indiscernible] (00:26:05).

Markus Henriksson
Analyst, ABG Sundal Collier AB

Q

Perfect. Thank you for that. Those were my questions.

Liia Nõu
Chief Executive Officer, Pandox AB

A

Thank you.

Operator: There are no more questions at this time. So I hand the conference back to the speakers for the next part of the presentation.

Anders Berg
Senior Vice President, Head-Communications & Investor Relations, Pandox AB

Yes. And with this, we are happy to introduce Thomas Emanuel from STR to give us an overview of the latest developments in the hotel market. Please go ahead, Thomas.

Unverified Participant

Thank you very much indeed, and good morning to everybody on the call. So I'll take you through a brief overview of hotel performance. If we can move to the next slide, please. And this showcases global demand that the number of rooms sold by month versus 2019. And the good news, as you can see now, is that for 15 consecutive months, we have seen global demand higher than in the corresponding months of 2019. So as a global hotel industry, we are back and we are selling more rooms than we were prior to the pandemic.

If we move to the next slide, we can see, though, that there's been a slight shift in terms of year-on-year revenue streams. In the last month, we've actually seen a 0.4% decline in the number of rooms sold in February and March versus those same months in 2023. But the reason for that, we believe, can be explained on the next slide, please, which showcases the US room demand, which has actually been negative now for the last 10 months or so. However, when looking at that data in more detail, this is almost all at the economy end of the market in the US, which is considerably more challenged at present than the higher classes of property.

So what does that all mean for occupancy? So if we can please move to the next slide, you'll be able to see occupancy percentage change for March year-to-date versus 2023 along with the actual occupancy figure and it is something of a mixed picture. As you can see, there are some regions, which are slightly down year-on-year, Northern Africa, Southern America, China. And also, unsurprisingly based on the last slide, a slight decline in North America. However, the European market, which is obviously the focus of this call, is continuing to grow positively with 2% increase in the first quarter of the year versus 2019 – sorry, 2023. My apologies.

So, if we can move now to the next slide and this is showing European occupancy average rate and RevPAR percentage change year-on-year and what we see is a decelerating picture. Now, that firstly is not surprising because we are obviously comparing a recovered market to an already recovered market as such. So, the growth that we were seeing as we came out of the pandemic, of course, is not going to be sustained, but we still see growth even though it is decelerating somewhat. But I think we have some good new stories as we look forward at the European market if we can move to the next slide.

And this slide showcases business on the books for this current quarter as of the 1st of April. And what we have done is break this down by day of week. So, you have got those shoulder nights, Sunday and Thursday, then the core weekdays, Monday through Wednesday, and then the weekends, of course, Friday and Saturday nights. And Friday and Saturday night is consistent in terms of business on the books. We see a 1% increase in the shoulder nights, but we see a 3% increase in the weekdays, Monday to Wednesday, which points to the continuing return and the promise of corporate travel to the European hotel industry and this is also pushing through to average rates.

So, if we move again to the next slide, please, there's quite a bit going on. So, I will take a moment to explain. This is the average rates for the first quarter in 2022, 2023 and 2024 by again shoulder nights, weekdays, and weekends. And then the percentage change is the percentage change versus the first quarter of 2019. So, if we go back to 2022, we can see that weekdays in particular were considerably behind in terms of average rate, whereas leisure, weekends, already ahead. Move forward to 2023 and you can see how quickly the weekday was catching up to the weekends. And then as we move into the current year, you will see that gap closing even further. So, the growing demand during the week is allowing rates to be pushed on a Monday to Wednesday nights, growing at a slightly higher pace than we see on other weeknights.

If we move to the next slide, please, one of the patterns that we saw in 2023 was the really strong summer that Europe enjoyed. And if you look back to the end of 2022 and the beginning of 2023 here, you'll see Europe versus the US is very much in line. And then as we moved into the summer, European markets soared ahead of what the US was doing. This is RevPAR, and it has retained that premium. And if we look at business on the books for this quarter that we're currently in as of the 1st of April as well as the next quarter, Q3, so obviously the core summer months, you will see that we are ahead 2 percentage points ahead of where we were in terms of occupancy. So, obviously, that points to the continuation of a strong summer season once more for Europe.

Moving to the next slide, we can look at things on a country level. So, this is a rolling 12 (sic) 12 months (00:32:27). So, this is looking at April of 2023 through to March of 2024, indexed once again to 2019. And you can see that the UK and Ireland are back just about above 19 (sic) 2019 (32:39) levels. Then we see Southern Europe, Western Europe, and a couple of outliers there. But ultimately all within sort of 8 percentage to 10 percentage points away from 2019. But if you look at the year-on-year percentage change, you can see actually Southern Europe doing really rather well, catching up quite nicely and then we also see quite a good growth across the [ph] DACH (00:33:02) market as well. So, all things continuing to move in the right direction.

And if we move to the next slide, you will see the same chart but for average daily rates. And we all know that rates have recovered and are considerably ahead of where they were. But we sort of have two buckets here, those that have enjoyed a lot of US demand and a lot of leisure demand and then those other European markets. So, Southern Europe is certainly ahead by a greater margin. But again if you look at the percentage changes for the last 12 months, all of those markets enjoying continued and sustained average rate growth.

If we now move to the next slide, please, this is just a quick look at our European gateway cities and we can see occupancy percentage change for the last 12 months on a rolling 12 (sic) 12 months (00:33:55) basis. And again for the vast majority of markets, it continues to be positive. You have got some standout growth certainly taking place across Central and Eastern Europe as well as Copenhagen there with a 7% increase. And if we move to the next slide, you'll see average rates across the board, with the exception of Istanbul, Turkey challenged in many ways economically at the moment which is having an impact on ADRs. But elsewhere, we have got positive rate growth, continued sustained accepted rate growth, double-digit increases again year-on-year in many markets. And these gateways for the most part are exceeding the rate growth that we see across the country as a whole. And you can see there being led double digits Rome, Vilnius, Prague, really the standouts.

Moving to the next slide, I'll just quickly touch upon class. And this is RevPAR, 5-year indexed from 2019, and we can see all classes fully back at the end of last year, slightly higher growth at the top and the bottom end of the market. And if we look then to the next slide, the business on the books, here we have taken a selection of European markets and looked at the class. As we can see, a slightly stronger growth at the economy end of the sector in terms of business on the books for this quarter. Midscale, ever so slightly down, but then upper mid-scale and above still seeing that growth, particularly a bit stronger there as you can see in upper mid-scale at 2%.

If we can please move to the next slide. Now, this is quite an interesting slide and the title is a little bit tongue in cheek, but it does showcase a very important point. And we are looking here at 2017 versus 2023, and the first question you may ask is why. Well, the reason for that is that the challenges were identical in those two years. And this is week-on-week occupancy percentage change and just look at the correlation. It is almost identical. So, as we said, who said forecasting was difficult and you can't learn from the past? Very clear patterns emerging here. And if we move to the next slide, you'll see again a similar scenario. And this time, we moved forward a year, of course, to keep those calendars consistent and you can see just how similar it is. So, this chart may well be a good one to look at the upcoming occupancy percentage changes across the continent.

Moving to the next slide, just a quick few slides on Germany. This is occupancy on a rolling seven-day basis, so this is daily data [ph] the (00:36:44) last few years again versus 2019. It's a pattern I'm sure you will expect to see. But the good news is that dark blue line fairly consistently in Q1 anyway ahead of the orange line. So, growing year-on-year and continuing to close the gap towards 2019 there. If we move to the next slide, average rates, again, we can see for the most part that dark blue line ahead of any other line. So, just underlying the rate growth that we have seen across Germany and this again should be further enhanced by the return of the corporate demand that I mentioned, along with a full master calendar in 2024 for the first time really since 2019, which of course will benefit a number of major German cities.

Moving on to the last slide, as was mentioned on the call, Europe is hosting not only the Olympic Games in Paris but also the European Championships in Germany. And we have got business on the books for the European group stages here. And those orange bars represent match days. So, understandably you're seeing slightly stronger business on the books in smaller cities. So, it's not so impactful in the major markets, so in Hamburg, for example, but you can see in some of those smaller markets, Leipzig, Cologne, Stuttgart, et cetera, the impact is already very visible. And of course, we would expect to see that continue as we move through to the knockout stages later on in the tournament.

So, on to the next slide, please. And this is our forecast. This is an aggregation of the European cities that you can see listed at the bottom of the chart here. So, our forecast for 2024 remains bullish. We believe that RevPAR will grow by around 5% this year, which is fairly evenly split, as you can see between occupancy and average rate. We then believe that it will drop down slightly for the following few years to around the 2% mark, which is not abnormal when you look at historical data. For that time period, we believe certainly at the start of that, slightly more growth from occupancy, not surprising when you consider how much rates have been pushed over recent years. But I think the important thing to point out here is we do believe that we will continue to see growth across the European market in the coming years ahead.

And then if you just move to the next slide, just a thank you very much all for your attention. I'll now pass you back to the Pandox team and wish you all a very good day ahead. Thank you.

Liia Nõu

Chief Executive Officer, Pandox AB

Okay. Okay. Thank you, Thomas, for this hotel market update. And thank you all for participating in this call. We really appreciate your time and interest in Pandox. And you have to save the date for our interim report for Q2, which is published on 12th of July.

And with this, we wish you all a nice spring. Take care, and goodbye.