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Pandox AB (PNDX.B.SE)

Q1 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

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

Thank you. Good morning, and welcome to this presentation of Pandox Interim Report for the First Quarter 2025. And I'm here together with Liia Nõu, our CEO; and Anneli Lindblom, our CFO. And today we also have the pleasure of having both Alex Robinson, Director at STR; and Rasmus Kjellman, Managing Director at Benchmarking Alliance with us. Alex and Rasmus will provide a hotel market update on Europe and Nordics, respectively, which is particularly interesting given the current geo-economical changes around the globe.

STR and Benchmarking Alliance are both leading independent research firms dedicated to the hotel market, and the views they express are completely separate from Pandox. And the presentations are offered only as a service to Pandox's stakeholders. And Alex and Rasmus presentations will be held after we have completed our formal earnings presentation, including the Q&A.

So, now we start with Liia and Anneli's business updates and the financial highlights for the first quarter of 2025, followed by the Q&A session. Yes, Liia, please go ahead.

Liia Nõu
Chief Executive Officer, Pandox AB

Thank you, Anders, and good morning and welcome, everyone. The first quarter was stable with continued earnings growth for the group. Total revenues increased by 1%, net operating income by 5%, and cash earnings in total increased by 10% and per share by 4%.

Taking into account the one-off revenue last year of SEK 40 million, then total revenues increased by 4%. The business segment Leases [ph] sort of (00:01:50) stable performance. Again, adjusted for a one-time revenue of SEK 40 million for Köln Bonn Airport and a one-time cost of SEK 38 million for business development in the comparable quarter. Revenue and net operating income increased by 6% respectively. I also want to say that, note that an additional final SEK 22 million of one-off revenue related to Köln Bonn Airport came in in the second quarter last year.

Own Operations was negatively affected by slower demand, particularly in Brussels, and also some negative renovation effects. The first quarter is always smaller because of seasonality and slower demand can [ph] have now (00:02:36) proportional big impact on profitability in Own Operations. The business outlook for the coming quarters in Own Operations is positive. One thing to note is that the Swedish krona appreciated in the value quite strongly towards the end of the first quarter. This resulted in large negative translation effects for properties denominated in foreign currencies, which in turn explains the full decrease in EPRA, NAV per share in the quarter. Unrealized changes in values for the whole portfolio amounted to a positive SEK 40 million and the weighted yield was more or less unchanged at 6.28%. And also, our average interest rate came in at 3.9%, giving us a solid positive yield spread or close to 240 basis points.

During the quarter, our business tempo was high with the acquisition of Hotel Pullman Cologne in Germany and Elite Hotel Frost in Kiruna, in Sweden, which I will come back to later in this presentation. We also signed a new lease in Brussels for Hotel Hubert with the German hotel operator, Numa, which came into force 1st of April. And the hotel property was reclassified to leases also 1st of April. This new lease agreement will lead to a tangible value uplift for the hotel property in the second quarter. In the quarter, our loan to value was 45.7%, and if we include the paid dividends and the finalized acquisition in Germany, both in April, the loan to value was 47.4%. The world is a turbulent place. We focus on the data and the things that we can affect in our business every day, and our financial position is solid.

Here we have a breakdown of the performers for a selection of countries, regions and cities versus last year 2024. We show average daily rate on the vertical axis and occupancy on the horizontal axis. Thus, origo is the point corresponding to 2024 on both ADR and occupancy.

In the boxes, we indicate how much higher or lower RevPAR is compared with the corresponding period 2024. As you can see, in the first quarter, RevPAR increased in a majority of our markets, mostly driven by increased occupancy, while average prices were more varied. In terms of RevPAR, the greatest relative improvements in the first quarter took place in Nordic regional markets with Norway as a really strong leader.

Oslo, Copenhagen and Hannover were also strong city markets. However, several important markets for Pandox were slower in the first quarter and most notably Brussels, where there has been a lot of new capacity coming in. Alex Robinson from STR and Rasmus Kjellman from Benchmarking Alliance will talk more about the underlying trends in the hotel market later in this call. We had a strong and well diversified hotel property portfolio, consisting of 162 hotel properties with approximately 36,000 rooms in 11 countries and 90 cities. And with a property market value of close to SEK 74 billion, with an average yield of close to 6.3%.

And please note that the Hotel Pullman Cologne is not included since the transaction was closed 1st of April and that we have yet to formalize – formally finalized the acquisition of Elite Hotel Frost in Kiruna, Sweden. We are divided into two mutually supportive and reinforcing business segments, Leases and Own Operations. In Leases, where we own and lease out hotel properties stands for 79% of our property market value.

In Own Operations, which transform and run hotels and properties we own. Own Operations makes up for 21% of our property market value. And the focus of our portfolio is upper mid-market hotels with mostly domestic demand, which is the backbone of hotel markets, regardless of which phase of the hotel market [indiscernible] (00:07:12). We also have the strongest networks of brands and partners in the hotel property industry. This ensures efficient operations and revenue management which maximize cash flow and property values and a continuous flow of business opportunities. Also, [indiscernible] (00:07:32) large part of the investment releases is shared with the tenant, which lowers our risk.

Numa from Germany is our most recent partner addition and we would like to wish them a warm welcome to the Pandox ecosystem. Including Elite Hotel Frost in Kiruna, which will be finalized later in the second quarter, we have acquired six hotel properties with a total value of some SEK 5.5 billion over the past eight months. These are well performance city hotels with strong brands and distribution while offering some additional improvement potential.

I will present the two most recent additions on the following slides. On April 1, we finalized the acquisition of Hotel Pullman Cologne in Germany. It's a well-positioned city center hotel, which is operated by co-invest under a fixed lease, which expires end of 2026. We acquired it for €66 million at an initial yield of 6.5%. We see potential to further increase the return average, a higher stabilized yield. Cologne is an interesting market, which is gradually attracting more leisure demand on top of the more traditional business and trade fair demand. And we now have four hotel properties in Cologne with a total of 995 rooms.

And this is a beautiful Elite Hotel Frost in Kiruna, Sweden, which we entered into an agreement to acquire in March. It's newly built hotel, which will be operated by elite hotels under revenue-based lease with minimum guaranteed rent. We expect the transaction to be finalized towards the end of the second quarter when the hotel also opens for the first time. The acquisition price is SEK 347 million, and we expect it to reach a stabilized deal of 7%. The acquisition is well aligned with our view on the northern part of the Nordic area as an attractive region with growing demand from both domestic and international leisure travelers looking for unique nature experiences.

We focus on maximizing the value of each individual hotel property. We do this by creating attractive hotel products and properties based on the uniqueness of each property. Own Operation is an important transformation tool. It gives us flexibility in acquisitions and enables us to drive change at a high speed, and perhaps most important for us, optionality by itself. It's a key value driver, and we work actively to maximize it, all with the objective to create continuous value growth.

And on the following slides, I will show you a few examples of recent investment projects in our standing portfolio. The first project is a comprehensive upgrade of Leonardo Royal Hotel Baden-Baden, which featured a new spa area and renovation of both rooms and public areas. The project was completed in the first quarter. Baden-Baden is an iconic wellness destination in Germany, dominated by leisure demand. The new product has been very well received by guests. And the hotel property belongs to the business area, Leases.

The second project is a room, bathroom, and technical upgrade of Leonardo Royal Frankfurt. Rooms and bathrooms were completed also in the first quarter 2025, and technical investments will be completed in the second quarter this year. Frankfurt is a strong business meeting and trade fair destination with mostly business demand. Also here, the new product has been very well received by guests. And the hotel property is also part of the business area, Leases.

The third project is a spa area development on two floors at the Vildmarkshotellet at Kolmården in Sweden. In addition, the hotel's energy systems have been completely upgraded with heat pumps. And the project was also completed in the first quarter of 2025. Kolmården houses Sweden's largest animal park and is a strong leisure destination, particularly in the summer season. With the development of the spa, Vildmarkshotellet will improve its possibilities to capture more demand also during seasons when the animal park is closed. The hotel property is again part of the business area, Leases.

And the fourth project which I will present here is the refurbishment of The Hotel Brussels, which includes a mini spa on the top floor, renovation of rooms and the addition of five new guest rooms. The spa was completed, again, in Q1 this year, while room upgrades will be finalized during the summer. Brussels is one of the most international hotel markets in Europe. It has traditionally been dominated by EU, nongovernment organizations and business demand, but in recent years, leisure demand has steadily increased. The hotel property is part of the business area, Own Operations.

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. In the first quarter, group net operating income increased by 5%, driven by the acquisitions and stable performance in the Lease business segment. Own Operations had a weaker start to the year due to a slower hotel market in mainly Brussels and some renovation and reclassification effects. The first quarter is always weaker because of seasonality, and slower demand can have an unproportional big impact on profitability in Own Operations. We have estimated that the timing of Easter compared with last year was largely neutralized by the loss of one day due to the leap year in the first quarter last year. Cash earnings and profit before changes in value, both increased by 10%, and cash earnings per share increased by 4%.

Now, a few words on currency. To reduce the currency exposure in foreign investments, Pandox's aim is to finance the investment in local currency. Equity is normally not hedged as Pandox's strategy is to have a long investment perspective. Currency exposures are largely in form of currency translation effects. In the first quarter, currency was neutral, measured on average rates which we used for the income statement, but negative measured on end of period rates which are used for the balance sheet. As you know, we have the main part of our hotel properties outside Sweden and denominated in foreign currencies. This explains the negative effect on property values and EPRA NRV based on the balance sheet. Based on the current level of exchange rates, it is likely average rates will be lower in the second quarter, with some negative translation effects on our income statement in the second quarter.

On this slide, we show the change in the main valuation parameters for the total property portfolio year-to-date. And please remember that the investment properties are recognized at fair value, but according to IFRS, unrealized changes in value for operating properties are only reported for information purpose and is included in EPRA NRV.

In the first quarter 2025, the total unrealized changes in value were a positive SEK 14 million. The first quarter is always a weaker quarter with limited read through for the rest of the year. As I said earlier, changes in currency had a negative impact on the balance sheet items with a decline in property value of minus SEK 3.4 billion in the first quarter.

In the quarter, we gained access to Radisson Blu Tromsø with a transaction value of NOK 750 million. We also signed an agreement to acquire Hotel Pullman Cologne, but this transaction was not closed until 1st of April. So, this one will be seen in the second quarter. We also signed an agreement to acquire Elite Hotel Frost in Kiruna, as Liia said, which is expected to be completed during the second quarter.

End of period, the average valuation yield for investment properties was 6.13%, and for operating property, it was 6.89%. The blended yield was 6.28%.

Here we have the average yield, the average interest on debt and EPRA NRV per share quarterly from the end of 2019. 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 of around 240 basis points. In the first quarter, growth in EPRA [ph] NAV (00:17:47) was positive 2.1%, measured on an annualized basis, adjusted for paid dividend and proceeds from the new share issue.

Our LTV at the end of the quarter amounted to 45.7%, which puts us firmly at the lower end of our policy range. Including the acquisition of Hotel Pullman Cologne completed 1st of April and the dividend paid in mid-April, the LTV is 47.4%. The ICR on a rolling 12-month basis was flat and was 2.7 times on a sequential basis. Cash and credit facilities amounted to SEK 3.4 billion, and on top of that, we still have unencumbered assets of some SEK 1.4 billion as an untapped reserve.

During the quarter, the positive trend from last year continued with a constructive financing climate with gradually lower credit margins. In the first quarter, we refinanced loans of SEK 428 million, which makes it close to SEK 18 billion refinanced over the last 12 months. And we now have, at the end of the quarter, 42% of total outstanding loans sustainability-linked.

Looking ahead, we have SEK 3.4 billion of debt maturing within one year, of which the major part is in the second quarter 2025. And we have strong and expanding bank relations across our markets and discussions on future financing and refinancing are ongoing and positive. At the moment, 67% of the net debt is hedged, which means that the [ph] effect from movements (00:19:51) in market rates remains relatively [ph] slow (00:19:55).

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

Liia Nõu

Chief Executive Officer, Pandox AB

Thank you, Anneli. The hotel market continues to show resilience and is supported by strong underlying growth drivers. Leisure travelers have continuously prioritized travel and experiences over other consumption, and business demand have gradually recovered. The hotel market is dependent on economic activity, and the current turmoil around tariffs have created some uncertainty among companies. However, so far, business on the books is stable.

Although we are facing tough comps due to the Euro 2024 in Germany last year, there's a nice event calendar in the UK and the trade fair calendar in Germany is solid for the second half. Indications are that European travelers are cancelling or postponing their trips to US at a much higher rate than US travelers to Europe, which so far has been stable. Some, but not all, European travelers will probably reschedule the travel to other European destinations instead, which may add support to the European hotel market. As before, we also expect a positive contribution from acquisition and investments in our existing portfolio.

My final note, we are committed to keeping up our positive business momentum. We focus on the data and what we can affect in our business. And we are always on the hunt for more profitable acquisitions, more high-yielding investments, and to create value in every part of the hotel value chain.

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

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] The next question comes from Staffan Bulow from Nordea. Please go ahead.

Staffan Bulow Q
Analyst, Nordea Bank ABP

Good morning, and thank you. I hope that you can hear me.

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

Yes, we can.

Liia Nõu A
Chief Executive Officer, Pandox AB

Absolutely.

Staffan Bulow Q
Analyst, Nordea Bank ABP

Perfect. So, I have a couple of questions. I think I'll ask them individually. And starting off with the outlook for RevPAR growth, I think in the last conference call that you mentioned that you expect RevPAR to grow 0% to 4% in 2025. Do you still see that following the turbulent macro environment in Q1?

Liia Nõu A
Chief Executive Officer, Pandox AB

Yes, on sort of – on the short term, of course, there is more uncertainty, but there is nothing supporting otherwise so far. So, with the underlying trends that European travelers cancelling their trips to US, US travelers to Europe is stable, even though it's expected to probably diminish a little bit. We are still sort of – there's – we are not changing that guidance in itself. But of course, there is, as everybody else [ph] noticed (00:23:18), more turmoil and uncertainty on the short term.

Staffan Bulow Q
Analyst, Nordea Bank ABP

Okay. I see. Thank you. And also, another question on demand, so to say. In Q1, we saw some US airline companies lower their guidance and they mainly commented on this being driven by weaker domestic travel. But one might, of course, worry that this might spread to Europe. Is it sort of possible to quantify demand from domestic travelers and international travelers in your portfolio? Let's say, if we would see a significant decrease of US travelers to Europe, how big is your exposure to cities with large demand from US?

Liia Nõu A
Chief Executive Officer, Pandox AB

Yeah. Well, all in all, as you know, our portfolio is mainly domestic and local demand. So, maybe 15% is international demand, whether that would be sort of intra-European, US, et cetera, et cetera. But – so, again, the – we believe that the net effect of – only in March, we saw a 17% reducement of European travelers going to US. So, we think it's a net positive. But there will, of course, be some net balance of that. But then on top of that, of course, a more unified and stronger Europe hopefully will also create more and more economic activity and which will sort of give more growth in Europe. So, all net-net, we do expect it to be stable or positive.

Staffan Bulow
Analyst, Nordea Bank ABP

Q

Okay. Interesting. And I have a question, if we look into Q2 and considering Q2 last year when the European Championship took place, I'm wondering if is it reasonable to expect that we will have negative like-for-like growth in revenue owing to very tough comps in Q2 last year?

Liia Nõu
Chief Executive Officer, Pandox AB

A

Yeah. There's a lot of moving pieces, but I think what I mentioned on the call, we have the one-off also in Q2 of SEK 22 million in revenue, all related to the same one-off we had in Q1 with the Köln Airport. This was related to a argument around the hotel for two or three years, and we finally won that, and all of that revenue was then contributed SEK 40 million in Q1 and SEK 22 million in the second quarter.

We are meeting tough comps. We are meeting Euro 2024. We are meeting Taylor Swift, et cetera, et cetera. But then again, business on the books and also the fair trades and [indiscernible] (00:26:26) market, we do expect it to be sort of not materially different. So, it will be offset, but of course, we are meeting tough comps. Also in Q2, we had the sort of Easter, whereas we now have – we had the sort of Easter effect. But all in all, it should be sort of not too dramatic changes.

I don't know, Anneli, if you want to add to that?

Anneli Elisabet Lindblom
Chief Financial Officer, Pandox AB

A

I think that's – I mean, it's kind of stable.

Staffan Bulow
Analyst, Nordea Bank ABP

Q

Yeah. Okay. I see. And then I have a question on net operating income. I think from my point of view, net operating income from Leases surprised positively and net operating income from Own Operations was a bit weaker than what I expected at least. And just looking at net operating income from Own Operations in Q1, I think it was SEK 87 million this quarter, SEK 91 million one year ago, and like-for-like revenue was down a bit. Would you say that this is something temporarily that like-for-like in Own Operations was negative or should we extrapolate this in Own Operations?

Liia Nõu
Chief Executive Officer, Pandox AB

A

No. I think the Q1 as such is a slow quarter. We had especially Brussels was weak quarter and slightly disappointing with a lot of more new capacity, but not in a dramatic way. What is sort of disturbing is that we had two hotels, DoubleTree Brussels and Mayfair, under renovation. We reclassified 1st of April Hotel Hubert to the

Lease segment where we signed the lease with Numa. But before that, in March, the hotel was to a large extent closed. So, there's a lot of moving pieces back and forth.

And of course, also sort of it's the slowest or the smallest quarter, meaning that fixed cost will have maybe a unproportionately large impact. So, the margin was 13%, last year the margin was 14% in Own Operations. This is absolutely the slowest quarter. Business on the books when it looks coming on – next coming quarters are more in line with before.

Staffan Bulow
Analyst, Nordea Bank ABP

Q

I see. That's clear. Thank you. And one final question from me, and that is about the outlook for acquisitions. You've announced two acquisitions in Q1 at high yields. And looking into the next 12 months, do you still see similar opportunities in your geographic and at the same yields or has anything changed on the outlook for acquisitions?

Liia Nõu
Chief Executive Officer, Pandox AB

A

No real change in acquisitions. And as I said, we are on the hunt. We like value-accretive acquisitions, especially UK, Germany and the Nordic region. The last turmoil is, of course, putting maybe the interest rates on hold, but we don't know that yet. But then again, uncertainties sometimes create even more opportunities for us to find attractive transactions. So, we basically have the same – we see the same amount of opportunities going forward.

Staffan Bulow
Analyst, Nordea Bank ABP

Q

Great. Thank you. Those were my questions. Thank you for answering them.

Liia Nõu
Chief Executive Officer, Pandox AB

A

Thank you.

Operator: The next question comes from Fredrik Stensved from ABG Sundal Collier. please go ahead.

Fredrik Stensved
Analyst, ABG Sundal Collier AB

Q

Thank you. And good morning. If we start with a couple of follow-ups on demand, Liia, you mentioned in the CEO statement that Brussels was slightly weaker in Q1, but the booking situation for Q2 is solid. Is that a Brussels-specific comment or is it for the portfolio or the booking situation for the whole portfolio in general?

Liia Nõu
Chief Executive Officer, Pandox AB

A

I think we can actually say it's the situation for the whole portfolio in general. Q1, again, is a slow quarter, started out with a lot of turmoil, especially corporates maybe postponed some of their sort of group travel, et cetera. But otherwise, the business on the books looks to be [ph] in line (00:31:23) with last year. So, we are positive on that.

Fredrik Stensved
Analyst, ABG Sundal Collier AB

Q

Perfect. And just to make sure, when you refer to the booking situation, is that an occupancy figure only, or is it occupancy and pricing, or is it, like, total RevPAR that goes into that booking figure?

Liia Nõu
Chief Executive Officer, Pandox AB
A

Well, it's occupancy in general, but what we can see maybe is that, so far, with the exception of Norway, it's – the RevPAR has been sort of increasing, but it's more occupancy-driven than ADR-driven and you see actually some cities where the ADR has actually gone down, like London for example. But business on the books, occupancy-driven, absolutely.

Fredrik Stensved
Analyst, ABG Sundal Collier AB
Q

Understood. And then a question on lending margins. You point out that new acquisitions have come with a lower credit margin, and then you also point out SEK 3.4 billion in renegotiations in the upcoming year, most of which will be in Q2, I believe, if I heard you correctly. Is it possible to sort of quantify the margin potential in renegotiations; i.e., in the SEK 3.4 billion that's going to be renegotiated ahead?

Anneli Elisabet Lindblom
Chief Financial Officer, Pandox AB
A

I mean, of course – I mean, this is loan that we are refinancing. So, of course, we will be aiming for a better margin. But I mean, it's not – I mean, [indiscernible] (00:33:18) I would say, a bit – I mean, it will of course affect the total margin of the group, but perhaps not that heavily. I mean, we have done some refinancing, but we are aiming for lower margin. So, it will give effects, but I mean, it's not like a big leap down.

Liia Nõu
Chief Executive Officer, Pandox AB
A

And if I may add to that then, of course, if you – we all remember the [ph] awful (00:33:51) quarters during the COVID...

Anneli Elisabet Lindblom
Chief Financial Officer, Pandox AB
A

Yeah.

Liia Nõu
Chief Executive Officer, Pandox AB
A

...and of course, if you just look one year ago, margins have come down maybe 75 to even 100 basis points. But then again, interest rates haven't moved down as quickly. And we are replacing some old interest rate hedges. So, the reduced – the lower total average interest cost is continuing to go down. It will be by the lower credit margins, but of course, there will be also some offsets where previous positive hedges will run out.

Anneli Elisabet Lindblom
Chief Financial Officer, Pandox AB
A

So, you have a mix.

Fredrik Stensved
Analyst, ABG Sundal Collier AB
Q

Perfect. Understood. And then, finally, or my last question also sort of a follow-up on acquisitions. You have done acquisitions in several markets or several countries. If we look ahead, is there any market that sort of stands out as better or worse do you think?

Liia Nõu
Chief Executive Officer, Pandox AB

A

Well, there's a lot of opportunities, and I usually repeat myself by saying that UK is the most transactional market, there are more opportunities, it's more liquid market. Then, again, [ph] Sonia (00:35:19), the UK interest rate is 150 to 200 basis higher. So, of course, you need to find those accretive transactions. So, as you see, we have been acquiring last year in UK for 8%, 9%, whereas we may be [ph] acquiring (00:35:37) for around 6.5%, 7% in the Nordic. We are looking for everything that is accretive. And, again, generally, UK is more transaction basis, but it seems like both Germany and the Nordics have opened up quite a lot.

Fredrik Stensved
Analyst, ABG Sundal Collier AB

Q

Perfect. Thank you very much. That's all from me.

Liia Nõu
Chief Executive Officer, Pandox AB

A

Thank you.

Operator: [Operator Instructions] No more questions at this time. So, I hand the conference back to the speakers for any closing comments.

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

Yeah. With that, we thank you all for your questions. And now we move on to the external market presentations, starting with Alex Robinson. So, please go ahead, Alex.

Alexander Robinson
Director, Industry Partners-STR, CoStar Group, Inc.

Good morning, everyone. And thank you very much to the Pandox team for hosting me this morning. We'll start by taking a look at hotel demand, and that's the number of rooms that we sell as a global hotel industry. And you can see here, indexed back to 2019, we continue to sell more rooms than we did during the biggest disruption to our industry.

On to the next view, where you'll see that, while we're not hitting those double-digit peaks while we were still somewhat in a [indiscernible] (00:37:17) position, we're still growing overall anywhere from 2% to 3%. Some elements of seasonality present, but overall, we continue to sell more rooms as an industry.

If we then translate that to a longer-term trend, and I think it's important when you talk about a lot of the disruption, there's no doubt that the implications of wider macroeconomic changes, which we'll touch upon later, but here we have UK gross domestic product and hotel demand, and you can see it is quite an indicator of the trajectory of where we may be headed. And if you think back to 2001, September 11, on the aviation industry, global financial crisis, advent of Airbnb, COVID, but you can see the overall resilience here of hotel demand. And I think that's particularly important [ph] to take this apart (00:38:06) during these times.

If we then take a view of occupancy by region, you can see as demand rises, so does occupancy. And I think what's important to look at, if you go back to January 2020 to present day, we've had as many as 350,000 new hotel rooms opened across Europe. So, while we're selling more rooms, we're also [indiscernible] (00:38:32) a bigger pool of inventory and occupancies continue to grow, which I think is very impressive indeed.

If we then go ahead and turn to pricing, we'll be well familiar [ph] with the (00:38:44) double-digit gains we've experienced in recent years, now to more moderate gains year-to-date. But as those on the call have stated, the first quarter is typically a quieter one and we wait to get into the summer season before we see more material rise in pricing. And if you do look to South America and North Africa, here you can see large double-digit increases, but please know that inflation within those economies does weigh within those figures and should be treated with a pinch of salt.

If we then transition into North, East, South and West, or what we're calling the European regional divide. And we'll start by looking at that occupancies indexed to 2019. You can see the different groupings there. UK and Ireland already recovered, actually exceeding. Southern Europe ever so close, really aided by national leisure travel. And then, a number of regions, notably DACH, CEE as well, which have perhaps been slower to initially recover due to not absorbing as much international demand, [ph] but to (00:39:48) the axis horizontal there, you can see those are the regions that are growing the most year-on-year. So, really starting to provide us with the growth while other regions have recovered.

Looking then to compression nights, and I think this is really key. If we were providing this presentation to you in 2018, 2019, this was what everyone and all were talking about and for many brands, operators looking at compression nights, effectively, when the market is sold out or very close to sold out, and the good news is here you can see the selection of key markets, there's a huge amount of nights. And while we'd love to have European Championships every year or a Taylor Swift every year, even without those, you can see we're still able to drive compression. We may not be able to have quite the same level, but the markets are back, they're busy, and there are opportunities for revenue managers to maximize that profit and yield.

Transitioning through to a capital and key city view there, you can see again, as we remarked [indiscernible] (00:40:50) not the busiest time, but still occupancy growth single-digit. And when you think about some of the supply, new openings across many markets, that's quite impressive indeed. When you take the likes of the Budapest, for example, we have supply growth as much as 4% or 5%, but still occupancy growth as much as 11%. When we change views, they're looking at a collection of key cities across Central and Eastern Europe. Noted a moment ago that those markets and regions had been slightly slower to recover. Now, while Western Europe is perhaps showing single-digit growth, some of these key markets here are helping to see that growth over Tbilisi, particularly impressive when you consider in recent months as much as 12% supply increase. So, really impressive overall to contend with some of that new inventory coming to market.

Well, let me take a look at a regional overview of occupancy change by quarter, starting with the first quarter of 2024 into where we stand now at the end of Q1 2025. And no surprise there, as [indiscernible] (00:41:52) Eastern Europe by far in a way leading the charge in occupancy. But again, to frame that in the context of being slower to recover where we know that western, northern and southern Europe had been quicker.

So, if we turn to average daily rate, stand out growth for all relative to where we came from to 2019, but there is no doubt that if you look [indiscernible] (00:42:16) nations in the front quadrant there, that the Mediterranean is the stand out. And what's particularly impressive here is if you look to the horizontal axis, you can see that the year-over-year growth for many of those, if you take the Greece, Spain, Portugal still actually getting close to some double-digit figures overall. The UK as well, notable as such, 6% even if trading in London [ph] is (00:42:40) expected for the first quarter. But more on average daily rate as we head into one of the key themes, pardon me, that we see across the world as well, where we look at [ph] post (00:42:52) performance by class.

And simply put, the higher the hotel class, the higher the revenue per available room. And I thought it was interesting some of the remarks earlier about airlines, the US airlines in particular on their recent earnings calls and what we can expect that to mean for transatlantic demand and from the most [ph] recent earnings calls, a remark that (00:43:09) in the premium as a business cabins, they're still seeing growth and it's in the main or the economy cabins where they're seeing challenges. And that also reflects the trend that we're seeing across the world [ph] than Europe section (00:43:23), where a luxury and upscale hotels are seeing to take a guess that's not as exposed to the challenges in the economy, whereas economy and midscale are indeed more exposed to [indiscernible] (00:43:37) traveler.

But if we then turn to 2023, and it's important not to forget that economy was the quickest to recover overall during the pandemic, particularly [indiscernible] (00:43:49) can see and really able to push ahead in terms of rate. So that being said, if they get to the finish line quicker and they're running that marathon a second time out, that personal best gets harder to be through some exceptional training.

But if we then go ahead to full year in 2024, we'll know, no doubt that luxury has pushed ahead there. And you can see that Europe actually, when you compare it with [indiscernible] (00:44:14), it's been outperforming overall. And we know that Q1 while perhaps single steady digit growth, but once we get into the summer, that's really where Europe pulls ahead from the rest of the world.

If we then look at that performance by class, if you're talking about by day a week, it's clear to see for your weekday read corporate, weekend leisure and then shoulder your [indiscernible] (00:44:38) is that luxury is charging ahead across all of those day patterns. And if you look at the growth composition of revenue per available room, it's very much a recipe that's weighted towards average daily rate occupancy [indiscernible] (00:44:52), primarily led by average daily rate. And that's true for all classes you can see here for the full year 2024.

And looking then we can see the overall driver post what it was for the period 2015 to 2019 and then to 2024. As much as things changed, they also stayed the same. You can see that rate? The primary driver of both for [indiscernible] (00:45:17) and as well for classes overall.

And looking to end the section with a view on group ADR is, and I think this is an interesting one when we think about what has been a headwind for us that is not for their group business as much as, say, 80% recovered, but still yet to close that final gap. And you can see the importance of some of the events we talked about in terms of the [ph] EURO, Taylor Swift, the Olympics, (00:45:39), just how important those [indiscernible] (00:45:43) but I do think the group could be a tailwind, though, notwithstanding some of the challenges that we'll touch upon in a moment.

And as you can see on to the next slide there, it's very hard to open any news [indiscernible] (00:45:55) myself guilty on the train this morning, trying to read through the [ph] FT (00:46:00), almost everything you read is indeed about the tariffs in the US. And if we go ahead onto the next slide and alluded slightly in terms of the US, earnings calls for the major airlines is understandably so that US outbound travel to Europe is at risk and we know how key that's been for us for many markets, particularly [indiscernible] (00:46:21).

So if you think about some of the record seat factors the airlines are operating within, they are saying that they do anticipate some growth this year, but actually now leveling off to perhaps [indiscernible] (00:46:34) and actually perhaps the slowdown in terms of the economy cabin. But premium travel still to go ahead. Though, as we know, booking patterns, a long window still to take stock of what the full effects may be. But absolutely, one dynamic as we move throughout the rest of the year.

If we then take a look at the impact on the US economy and as it relates to inflation expectations and what that may mean for Americans in terms of their sensitivity to spend some portfolio, that's for individual, 401(k)s and so forth, anywhere from say 10% to 15% affected somewhat they may have been, if people feel wealthier or they're indeed more inclined to spend. So, one, to watch for the US traveler. But if some of those US airline calls are anything to go by and premium travel is still taking [ph] route (00:47:19), that's confidence that we can take forward overall.

And then looking at a softening dollar, [ph] potentially (00:47:25), the US dollar is hitting record highs which has allowed those Americans to come over and feel as though they're having their dollar go further when they spend overall. But if we look at that gap, you can still see not a [ph] huge off (00:47:39) of those highs and the situation is ever changing. Indeed, in the next few weeks and days could become more stable, but absolutely an element to watch overall. And weaken consumer sentiment actually lower the intent to travel and you can see some of that America First sentiment and when we look at the data the SCR is tracking, most of the impact we've seen is for those markets near the Canadian border. We're not seeing as many Canadians move into the US. Also markets like Las Vegas, where you have 25% of all international arrivals being Canadian, has had an impact. Florida, some of those snowbird markets.

So, having those impacts more domestically [indiscernible] (00:48:16) nations that have a higher share of US international nights and those are the flags where I travel. Guidance has been issued overall, but still very much at an early stage still remaining and [indiscernible] (00:48:29) is bearing out to some degree in the data. It's not jumping out to any large extent at this moment in time.

And if we close by looking at our forecasts, our forecasts here at STR every February, August and November, our forecast analysts now getting together to put together the May event, still yet to be fully quantified and you can see here for the aggregate forecast of cities, their occupancy is expected to take over, as we did expect in light of some of the macroeconomic news for ADR to get back to a more single digit range of growth and occupancy pushing forward. Thank you ever so much for taking the time to join this morning and look forward to passing over. Thank you.

Rasmus Kjellman

Chief Executive Officer, Benchmarking Alliance

Hi, everyone. I'm Rasmus Kjellman, CEO of the Benchmarking Alliance. And in the next 10 minutes I will walk you through the market data specifically for the Nordics and the Baltics. And there will be a lot of data in a short period of time, so prepare for a high case.

So, starting with just mentioning what Benchmarking Alliance is, we are the large supplier of [ph] daily hotel market data (00:49:39) for the Nordics and [indiscernible] (00:49:38) the team here in Stockholm. Then just following with the Nordics and starting with looking at 2024 as a whole, it was, as you can see in the blue digits here, a good year for almost all markets with an increase in all markets. The only exception here is from the significant increases is the Icelandic market that has been affected by volcanic eruptions during several periods of last year. And when we add Q1 numbers into this picture, we see the same kind of behavior and development, all markets developing, but [indiscernible] (00:50:27) market a bit slower.

If we focus on the Nordic capitals, we can see that Stockholm had a fantastic year last year. We had the Taylor Swift, we have the [ph] ECO Congress (00:50:45), we had Bruce Springsteen, so a really strong development for the Stockholm market. Oslo was positively affected by evenly spread out conferences in months over June and July and also September. Copenhagen has positively affected by music competitions in Malmö – Eurovision Song Contest, where the rates went up for that weekend by 24%.

Also Helsinki, [indiscernible] (00:51:14) development with the [indiscernible] (00:51:13) conference in June and [indiscernible] (00:51:16) in July and Reykjavik had several months of negative development, but ended on the positive side.

Moving to the next slide and this is an illustration that shows the development of supply index number from 2022. So, to sum up this picture, the supply in Helsinki has increased significantly during this period, while Stockholm can also have had more moderate increases and during a period of time there were several venues in Stockholm closed for renovation. So the inventory actually decreased during that period.

Moving to the next slide and looking into the details on the capitals. There are a lot of details in the graph and we will not have time to all of them. But I will summarize it for you. So, in Stockholm, we see a slightly increase of RevPAR driven by rates. In Copenhagen, we see an increase of RevPAR driven by occupancy. In Oslo, increase in RevPAR driven by both rates and occupancy. Helsinki increase in RevPAR driven by occupancy and compensating for the weaker rates. And the lower rates in Helsinki, supposed will be driven by increased inventory during the last year.

In Reykjavik, no increase in RevPAR as increase rates were neutralized by less occupancy, Tallinn increase in RevPAR driven by occupancy, and Riga increase in RevPAR driven by both occupancy and the rates. And if we move to the next slide and see how the capitals develop, when we still look at both the revenue per available room and also the total revenue per available room, we can see that both Stockholm and Copenhagen, the ancillary revenue increased significantly more than the RevPAR, while in Reykjavik, the total revenue is in a negative growth as a result of volcano eruptions affecting [indiscernible] (00:53:29) is harder.

So looking into the segments in Stockholm, there are really no big hits within Stockholm. Most notable is perhaps that the Luxury segment is somewhat down. This is a segment that have been in strong development earlier, but now is slightly down. If we in the same way looked after the different segments for Oslo, we can see generally strong market in all segments. There are 16 available rooms but generally strong market. In the same way, looking at Copenhagen and the segments here, we can see the prices in luxury is significantly up and occupancy [ph] is – and (00:54:28) budget is significantly down in both luxury and budget. So we can see somewhat of a movement in the Copenhagen market to the middle segment in Europe. If we look in the same way at the Helsinki market, there is a significant increase of new rooms in the Luxury segment and that has been well compensated in the sales.

So if we move into the details of Sweden and start by looking at different cities within Sweden for 2024, all of these bubbles represent the different local markets. We follow 36 different local markets within Sweden and you can see the rates on the left axis and the occupancy on the bottom axis and the circle indicates the RevPar. There are of course a lot of differences in the markets. We won't have the time to analyze them all, [ph] there (00:55:43) you can see Stockholm, Västervik and Varberg sa being real strong markets, [indiscernible] (00:55:48) in Sweden.

And if we move to the next slide where we follow-up on the development for the local markets during Q1, we see a very strong development for Västervik, we see a strong development for Uppsala, where we had [indiscernible] (00:56:08) music conference in January. And on the other hand, we see negative development for [ph] Jönköping (00:56:13) that last year had Elmia fair and the two large – Elmia fair had two large exhibitions during Q1 last year, that is not being in Q1 this year.

So, in the same way, look into the Norwegian market, on the local market, where in Norway, we can see the bubbles in this graph showing really strong development for Tromsø and of course also Oslo. Tromsø and Bodø both benefiting from the [indiscernible] (00:56:55) and the midnight sun tourism. And even if we in the same way look at the development for the different markets that's for Q1, we can see a very strong development for the Trondheim that had the ski world championship in the end of the February and beginning of March. And in bottom we can see Bodø that last year had a cultural capital opening weekend and also the [indiscernible] (00:57:24) this year.

In the same way looking into Denmark at the local market, we perhaps as expected can see Copenhagen as a strong market, but we also can see Torshavn with even higher rates. And looking at the development, in the top here, we have Aalborg, and in the bottom we have Kolding. So last [indiscernible] (00:57:58) looked at, we have Finland. We can see a very strong [indiscernible] (00:58:02) market in Rovaniemi, and a weaker market in Espoo. And when we looked at the development for the local markets, we see Espoo even though it's a weak market is in a strong development during Q1.

So, last but not least, looking at the future bookings for the major capitals. If we start by looking for – on the books for Stockholm, we see a slightly increase here within the Stockholm market, 0.8%. And then you have to take in account, last year was a very strong year for Stockholm markets. We had many concerts, including Taylor Swift. So, yeah, slight increase here. And we also see a negative effect [indiscernible] (00:58:54) affecting on the books here.

Moving on to Oslo, we see a very strong development on the Oslo markets, pretty much [ph] how you own (00:59:09) the whole period, even though there is some negative Easter effect. There are festivals going on in Oslo. There are – yeah, different [ph] rock festivals. This is ICE conference, and so all (00:59:20). And looking at Copenhagen, we see a small decline in the Copenhagen [indiscernible] (00:59:34) market and we can see positive effects for [ph] Bobby Williams (00:59:36) in June and [indiscernible] (00:59:39) conference in July and the Copenhagen Half Marathon, that's generally down a bit.

That's all for me. Thank you very much. Just reach out if I can be of any help, and let me hand over to the Pandox team. And Anders?

Anders Berg

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

Thank you, Alex and Rasmus, for your hotel market updates. And thank you all for participating in this call. We really appreciate your time and interest in Pandox. And our interim report for the second quarter this year will be published on the 11th of July. So thank you for your interest and goodbye.