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Pandox AB (PNDX.B.SE)

Q2 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

[Abrupt Start]

Unverified Participant

...Now, I will hand the conference over to Head of IR and Communication, Anders Berg. Please go ahead.

[0G5626-E Anders Berg]

Thank you very much. Welcome, everyone, to this presentation of Pandox interim report for the second quarter and first half year 2025. 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 Henrik Karlsson, Business Development Manager at Benchmarking Alliance with us. And Alex and Henrik will provide a hotel market update on Europe and Nordics, respectively.

As you know, 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 we offer these presentations as a service to Pandox stakeholders. And as always, Alex and Henrik's presentations will be held after we have completed our formal earnings presentations, including the Q&A.

So, we start with Liia, an analyst business update and financial highlights for the second quarter 2025, followed by the Q&A session. Yes, we would like to hand over to Liia.

Unverified Participant

Thank you, Anders, and good morning and welcome, everyone. The second quarter was all in all stable, with growth in both business segments supported by acquisitions. Total revenues increased by 2%. Net operating income increased by 3% and cash earnings increased by 5%. Cash earnings per share decreased by 1%. Generally, demand remained stable, while average daily rate declined slightly. The business segment leases had a stable performance with revenues, net operating income and profitability in line with last year. Acquisitions contributed positively, including Pullman Cologne Hotel, which was taking over on April 1, as well as the new lease for Numa Brussels Royal Galleries.

Like-for-like revenues and net operating income was unchanged. In the business segment own operations, both revenue and profit increased, with contributions from acquisitions made in the UK in the second half of 2024. Demand was stable, but lower average daily rates affected RevPAR negatively. Like-for-like revenues and net operating income decreased by 3% and 4% respectively. This quarter, we had a tough comparable quarter in 2024. We had both the UEFA European Championships in Germany and Taylor Swift's Eras Tour. This was extra visible in our own operations hotels in Berlin and Dortmund, which were host cities during Euro 2024.

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Moreover, we also had a slight negative Easter effect versus last year, as well as a one-off revenue of SEK 22 million in Q2 2024 relating to Köln Bonn Airport. So, all in all, tough comps. The business outlook for the coming quarter is however, stable. End of quarter, our loan-to-value was 46.7% and we have a large financial capacity for new acquisitions and investments in the existing portfolio. Unrealized changes in values for the whole portfolio amounted to SEK 180 million and the weighted yield decreased by 3 basis points to 6.25%.

On June 3, Pandox and Eiendomsspar announced a possible offer for the Dalata Hotel Group. The Irish takeover rules restrict what we are permitted to communicate at this stage. The proposal, which has been rejected by Dalata's Board of Directors, essentially involves a cash offer of €6.05 per ordinary shares in Dalata, which values its company at around €1.3 billion.

On June 20, Pandox acquired approximately 2.2 million shares in Dalata, equivalent to around 0.8% of the issued share capital for a price of €6.30 per share. By 5 p.m. Irish Time on 15th of July. The consortium must either, a, announce a binding intention to make a bid for Dalata in accordance with Article 2.7 in the Irish Takeover Rules, or two, announce that it does not intend to make a bid for Dalata whereby this announcement under the Article 2.8 in the Takeover Rules will be considered as a statement of intent not to make an offer. Our business is to own, improve and lease hotel properties to strong hotel operator us under long-term, revenue-based leases. We do this through three principal value activities: property management, property development and portfolio optimization.

Our ultimate goal is value creation, which we achieved through distinct activities in our business segments, leases and own operations. Leases built upon long-term, revenue-based leases with skilled operators where we share risk and upside and have a joint incentives to improve the hotel product. Our own operation is an important tool for acquiring, repositioning and transforming hotels. The optionality is important for us. We can sign a new lease, divest the property or keep it in the segment as long as it's the best option for – from a value perspective.

Here, we have compounded annual growth rates for the markets we are currently active in. This is based on market data from STR over the period 2016 to 2025 year-to-date. Against them, we have also plotted the portfolio market value as of June 30. Obviously, our portfolio has changed quite a lot over this period, but it shows our current exposure to different markets -markets against their historical growth patterns. As you can see, Norway has had the highest growth with 4.9% annual growth, and Finland the lowest by 1.1%. Growth in our largest markets, due to Germany and Sweden, has ranged between 3.2% and 1.5%. And these growth numbers are not adjusted for the pandemic. They are as is.

The numbers on the map on the left side of the rolling 12 months RevPAR in local currency. Just to give you a feeling for the current absolute differences between markets. Here, we would like to illustrate a few different yield spreads as an indication of our value creation over time. Starting from the bottom, we have the average cost of debt, followed by the blended yield on our portfolio, both at the end of the period, i.e. June 30 this year. The next two boxes are the average yield on investments. The first one is unadjusted for the year 2020 drop during the pandemic, while the second one excludes it. The underlying assumptions are outlined on the right-hand side of the page. The 10-year period is 2015 to 2025, for which we have aggregated investments net of divestments and the incremental increase in our net operating income. We have then divided the aggregate incremental increase in net operating income by the investments to derive an average yearly yield or return over the period.

It ranges from 7.4% to 11.7%, depending on if you adjust for the year 2020 drop in net operating income during the pandemic. The yield spread ranged from already a strong, healthy 240 basis points to 780 basis points. This quarter, I want to highlight two examples of recent investments that represents our way of working. We show our targets, our actions, and the results achieved. The key levers are RevPAR, incremental net operating income and

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return on investment. We start with Leonardo Hotel in beautiful Galway in lease – in the Leases business segment. Together with our partner Leonardo, we decided upon a full renovation of rooms, bathrooms and public spaces. The renovation, which was completed in 2024, well exceeded the targets with a RevPAR increase of 27% instead of the target assumption of 30%, thus resulting in the return on investment of 22%. The total investment landed on €4.2 million, or which Pandox share was approximately €2.7 million or approximately 64%. And the property market value uplift was 12%.

Another example is Scandic Park in Central Stockholm. Here, we converted existing spaces into new hotel rooms, renovate the existing rooms and public spaces as well as we created a new meeting and F&B concept. After completing the project in two phases due to the pandemic, the results have been strong, with a RevPAR increase of 23% and 20% increase up, a 23% and a 20% increase uplift in the property value. The total investment amounted to SEK 38 million, of which Pandox share was approximately SEK 20 million or 53%.

In coming presentations, we'll try to further explain our investment methodology with more cases. Here, we have a breakdown of the performance for a selection countries, regions and cities versus 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. Year-to-date, RevPAR increased in the 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 six months took place in Nordic regional markets, with Norway as a strong leader. Oslo, Copenhagen and Hannover were strong city markets.

However, several important markets for Pandox were slower in the period, most notably Brussels, Stockholm and London. Alex Robinson from STR and Henrik Karlsson from Benchmarking Alliance will talk more about the underlying trends in the hotel market later in this call. We have a strong and well-diversified hotel property portfolio consisting of 163 hotel properties with more than 36,000 rooms in 11 countries and 90 cities with a property market value of SEK 76 billion krona and an average yield of 6.25%. Please note that we have yet to formally finalize the acquisition of Elite Hotel Frost in Kiruna, which is expected to be completed in the third quarter. And also at the quarter end, we divested Quality Winn Göteborg for SEK 57 million.

We are divided into two – two mutually supportive and reinforces business segments, Leases and Own Operations. Leases would own a lease out our hotel properties stands for 80% of our property market value. In our own operations, we transform and run hotels and properties we own. Own Operations makes up for 20% of our property market value. And the focus of our portfolio is still upper mid-Market hotels with mostly domestic demand, which is the backbone of the hotel market, regardless of which phase hotel market cycle is in. We also have one of the strongest network of brands and partners in the hotel property industry. And this ensures efficient operations and revenue management which maximize cash flow and property values and a continuous flow of business opportunities. And also allow large part of the investments in leases is shared with the tenant, which lowers our risk.

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

[0BG20P-E Anneli Elisabet Lindblom]

Thank you, Liia, and good morning, everyone. In the second quarter, the group net operating income increased by 2% and group – sorry. Revenue increased by 2% and group net income increased by 3% driven by the acquisition and stable performance in the Lease business segment. As Liia said, we had a tough comparable quarter in which both the European Championship in Germany and the Taylor Swift Tour took place.

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Own Operations. So, stable demand but lower average daily rates meant mainly due to the strong comparable quarter which affected the like-for-like figures. We are expecting continue and stable growth, and for comparison figures to gradually become less challenging – challenging. Cash earnings and profitable changes in value increased by 5% and 4% respectively. Cash earnings per share decreased by 1%.

Now, a few words on currency. To reduce the currency exposure in foreign investments, Pandox aims to finance the investment in local currency. Equity is normal and 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 second quarter, currency was negatively measured on average rates, which we use for the income statement items. But it was positive measured on of period rates which we use for balance sheet items. With other words, the exact opposite compared to the first quarter.

As you know, we have the main part of our hotel properties outside Sweden and denominated in foreign currencies. This explains the positive effect on property values in EPRA NRV compared with the first quarter's figures.

On this slide, we show the change in the main valuation parameters for the total property portfolio year-to-date. And please remember that investment properties are recognized at fair value. According to IFRS, unrealized changes in value for operating properties are only reported for information purpose and is included in the EPRA NRV. For the first six months, the total unrealized changes in value were a positive SEK 194 million driven by lower gains. As I said earlier, changes in currency had a negative impact on balance sheet items for the period, with a decline in property values of approximately minus SEK 2.3 billion in the period.

In the quarter, we gained access to Hotel Pullman Cologne with a transaction value of €66 million. The formal acquisition of Elite Hotel Frost in Kiruna is expected to be completed during the third quarter. In the period, the average valuation yield for investment properties decreased 4 basis points to 6.09%, and for operating properties was 6.8%. The blended yield was 6.25%. Here, we have the average yield, the average interest on that in EPRA NRV per share quickly. In the period, growth in EPRA NRV was a positive 4% measured on an annual basis, adjusted for paid dividends and proceeds from the new share issue.

Our LTV at the end of the quarter amounted to 46.7%, which puts us firmly at the lower end of our policy range. The ICR on a rolling 12-month basis was 2.7 times on a sequential basis. And cash and credit facilities amounted to SEK 2.7 billion. And on top of that, we have unencumbered assets of some 2.3 billion for us on top of reserve. During the quarter, the positive trend from last year continued with the constructive financing climate with lower credit margins. In the second quarter, we refinanced loans of approximately SEK 3.9 billion, which make its close to SEK 20 billion over the last 12 months. End of quarter, sustainability linked loans, including green loans, accounted for 46% – 46% of total outstanding loans.

Looking ahead, we have SEK 2.3 billion of debt maturing within one year. We have strong and expanding bank relations across our markets and discussions on future financing and refinancings are ongoing and positive. We also note an increasing appetite among banks outside the Nordic regions. At the moment, 58% of the net debt is hedged, which is a lower level than in previous quarters.

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

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Unverified Participant

Thank you, Anneli. We are now enjoying a seasonally strong period for the hotel market. Consumers continue to prioritize travel, and the initial concerns over tariffs seem to have come a bit. Though, general market continues to show resilience and it's supported by strong underlying structural growth drivers. The comparison figures are becoming less challenging and business on the books in our own operations is stable. The events calendar in the second half of 2025 is promising with, for example, Oasis in the UK and a well-filled trade fair calendar in Germany. As before, we expect a positive contribution from acquisitions and investments in the existing portfolio. We continue to have a solid financial position with significant capacity for new hotel properties and investments in the existing portfolio.

And now, we move over to Q&A. Operator, we are now ready for questions. And please don't forget to hand the call back to us afterwards after were done with speaker's presentation.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions]

Q

Good morning. Can you hear me?

A

Yes.

Q

Perfect. So, I have a couple of questions. Starting off with the sort of intended bid on Dalata. Could you give any details on the intended bidder consortium, Eiendomsspar, Pandox, i.e. what is the intended ownership split between and Eiendomsspar and Pandox?

A

We – we are not able to actually comment anything on this process, but I promise you that we will comment at the latest Tuesday 5 p.m. Irish Time, unfortunately.

Q

Okay. That's – that's clear. And moving on and a question on the outlook for RevPAR growth. Can you repeat the same guidance as you've done in the last quarters where you expect relatively stable development of 0% to 4% in 2025? Or do you see, I mean, different outlook?

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A

Yes, basically, absolutely, the second quarter is stronger than the first quarter and we see the occupancies stable and positive, whereas the ADR is somewhat weaker in the destinations which have been sort of all-time high, like London, Edinburgh, for example. But all in all, we are – we are in line with our previous guidance.

Q

Okay. Thank you. And then a question on like-for-like growth in – in your portfolio, it was 0% for the segment Leases and down slightly for Own Operations. And comparing that to market-based on RevPAR development, it shows positive RevPAR growth in the Nordics, Germany and a bit more stable in the UK. And if we look into H2, do you expect that we will see positive like-for-like growth in Q3 and Q4 supported by the fact that we have seen, I mean, overall RevPAR growth on your markets.

A

Yes, most of the growth will, of course, come from the acquisitions we have done and also some – the investments we have done and remember like-for-like does not include where we do investments in our Own Operations and then lease it out. This is a strong sort of value contributor for us, value creation. But the RevPAR outlook is sort of flattish for the second half is – Occupancy is as I said, is increasing or stable and RevPAR is somewhat soft but still sort of in line with last year. So, so but we all remember we have easening comps because Q2 was – was had both the European – the football especially in June but also slightly in July, you had Taylor Swift, you had Easter effect and some one-offs. So, we are facing easier comps absolutely. And to that, of course, our investments as well as transformation and acquisitions.

Q

Okay. Thank you. And a question on the interest – average interest rates. Based on what you know today, do you see that the average interest rate could come down slightly over the next 6 to 12 months, owing to slightly lower bank margins and lower STIBOR? Do you have any – any swaps with very low levels that will mature and dampen that effect?

A

No, I would guess that the most effective with the lower margins, because we have ongoing discussion and it's a – it's a completely different kind of bank market at the moment. And also, as I said, we can also say that it's sort of a competition between outside Nordic banks. It's been the Nordic banks that that was sort of the first one start to lower the margins but we can also see that in other banks now. So, it's a good climate to do refinancing.

Q

Okay. Thank you. Final question from – for me, and that is about the yield in your portfolio. It was the variation yield was down slightly. And if we sort of guess on the outlook for – for yield changes, do you think that yield compression is likely in your portfolio over the next quarters based on what you see on the transaction market?

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A

What we see on the transaction market? Yes. So, yields have been – been tightening and we see small signs of actually value as valuating with lower yields. And take to that, hopefully interest rates coming down. So, there are all these sort of and we are optimistic that we will continue to see this. It's supported by transactions. And so, but yes, this is tthe same as ours in this case. We are positive.

Q

Yeah. Okay. Sounds good. Those were my questions. Thank you for the answers.

A

Thank you.

A

Thank you.

Operator: [Operator Instructions] There are no more phone questions at this time, so I hand the conference back to the speakers for any written questions.

Unverified Participant

We don't have any written questions. So, I would like to opportunity to move on and to hand over the call to our first guest.

A

Sorry to interrupt, Anders. There is a question coming in from [ph] Andreas Toome.

A

Okay. So, we'll let that one through just in a minute. Sorry. No.

A

Okay.

A

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Please go ahead, Andreas.

A

Sorry, Andreas, please go ahead. Yeah.

Q

Hi. Good morning. Just couple of questions, if I may. Firstly, can you maybe speak a little bit about what are you seeing in terms of cost inflation in your business and how do you see that progressing in the latter – latter part of this year?

A

What – when it comes to the cost, cost, we see that, of course, only in our Own Operations and mainly in our and they are up a bit but basically stabilized with the fact that we worked quite a lot with both sort of efficiency, digital solution, automization, etcetera, etcetera. But, of course, it puts a little bit everybody up on the toes in order to sort of offset this. But we sort of see that basically being quite balanced.

Q

Understood. And I guess in terms of what's happening in the UK, quite a lot of just increases on employment, you know, cost of doing business going up and there's a new budget probably coming with more tax increases as well. How do you – how do you see the UK compared to other regions in that respect?

A

Well, it's no big drama from what we see in our other markets. Of course, this is – this is part of our all of our budget process and that process is when we look at our operations. So, we are – we are trying to offset it by as much as possible. We don't see any dramatic squeezes everywhere, anywhere.

Q

Okay. Understood. And then my second question was more on external growth. And outside Dalata, I guess, how do you see the acquisition opportunity set at the moment? And I guess secondly, anything notable you would say in terms of how the market pricing is trending or the competition you are seeing for bidding?

A

Well, it's very much as it has been, was in the last quarter. We see a lot of more transactions out than last year, of course, and a quarter before. Of course, the turbulence and the uncertainty in the world also creates opportunities, especially as they make less institutional capital who sort of active more capital. And so, it's – and also, it's always or also the most active markets are outside Nordic. It's UK as usual where the large portfolios are out.

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You mentioned Dalata, but there is also other portfolios, of course. So, very much in line with what it looked like last quarter.

Q

Okay, understood. And maybe final question, on slide 5, you showed sort of economics in terms of the acquisitions you're doing and the redevelopments and comparing that against. I guess, the average cost of debt or the blended yield. But how do you think about your cost of equity in that equation? Do you consider that as well? Are you looking at more from the debt perspective?

A

Well, from this point in, it's in a total investment perspective. And, of course, it ties in with our LTV policy intervals between 45% and 60%. So, all in all, blended.

Q

Understood. Thank you.

Operator: Now, I hand the conference back to the speakers.

[0G5626-E Anders Berg]

Okay. Let's make a new attempt then to hand over to our first guest, Alex Robinson, from STR for a European hotel market update. And after Alex, Henrik Karlsson, from Benchmarking Alliance will follow. So, please go ahead, Alex.

Unverified Participant

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 some of the key themes that we've been tracking for 2025, starting with the divide in performance by regions. Looking at hotel cost performance. One of the big questions in the air in the wake of geopolitical concerns in terms of American travel, what can we expect in terms of summer 2025 knowing as many mentioned on the call that last year was a record summer and what we get a sense of looking forward.

If we start by looking at global demand, that's the number of rooms we're selling as an industry on a global scale. The good news is, is that we continue to sell more rooms, not to the double-digit levels that we saw when we were still in the latter stages of recovery. But demand remains robust for the global hotel industry. So, that means if we then turn to look at occupancy, if we're selling more rooms, occupancy continues to rise. And you may look at Europe and say single-digit-percentage growth, but that's particularly impressive when you go back to January 2020 and think that there have been as many as 400,000 hotel rooms that have opened since then. 100,000 hotel rooms opening in 2021, almost 90,000 in 2022.

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So, we continue to sell into a much bigger pool of rooms, but that's testament to the overall strength of demand that occupancy continues to rise. If we then look at pricing, we can see more moderate in terms of ADR growth, your eyes maybe drawn to Northern Africa, South America, large double-digit gains there. But please do note that inflation weighs within those figures. If you then look to Asia, excluding Mainland China, around 6% growth. They're still in the latter stages of recovery themselves, whereas in Europe, 3% of growth today and we're yet to get into the summer period, which we know can be key for overall rate growth.

If we then transition to look at China, Europe and the US. Here, we're looking at RevPAR for a rolling three-month period. What you can clearly see Europe in the blues that July, August, the importance of the summer in 2024. And if you then look at this year, you can see we're at an inflection point starting in April and May, which again points to the importance of a leisure summer for Europe as a region.

Transitioning to our next slide, we'll talk to our first theme, which is the divide in performance. And for those of you keeping up with broader performance, you know that it is very much led by the Mediterranean and UK and Ireland. You can see that remains the case here overall in terms of occupancy relative to 2019. But UK and Ireland fully recovered there. So, those regions that have been lagging there. If you look at the Benelux, for example, France, 4% or 5% year-on-year growth as you see towards the bottom there. So, those regions that haven't made the full recovery have the largest overall year-on-year gains.

If we then take a look at a wider map, you looking at key cities, key destinations, you can see more moderate occupancy gains. If you've already recovered to pre-pandemic levels and you've contended with the large number of openings that we spoke about earlier, you can see more modest gains that you would have expected to see overall. There are some notable gains you can see in Budapest there, ever so strong demand as we're seeing, also to the Baltics, which we've seen some strong recovery numbers overall. But if you look at Europe, more moderate growth year-to-date on a city and key destination level.

Transitioning then to the lens of average daily rate and it's one that continues to reemphasize the theme, the Mediterranean, the pricing power of those leisure destinations. And just look at the likes of Greece, Spain, Portugal. Not only are they in ever so strong terms relative to 2019, they're also continuing to grow year-on-year. If you look to the more meager growth that we see in Germany, the good news is, is that even after a record year last year, we're still seeing some moderate grades of around 3%. And all regions, as you can see there, with the exception of France, given how important the Olympics was last year, all regions with positive growth today.

Transitioning there, we can see an illustration again on a map view of the divide between north and south. It's very much clear to see if we look to the northern destinations, more muted growth. As you grow south in Europe, you can see more pricing power there. And when you think that there are some leisure destinations that are not on this map, that's where you also continue to really see the pricing power as we head into summer.

Transitioning then into the theme of luxury. And one of the big buzzwords that you hear originating from the US and globally is the bifurcation where luxury hotels lead and economy hotels a bit more of a challenge. And what you'll see on this next view is relative change to 2019, but also 2025 year-to-date. So, we know that luxury is standout for rate growth relative to 2019, and that continues to be the case here in 2025, albeit the values on the Y-axis in 2025, as you'd expect more reasonable than double digit. But good news, as you can see, is that economy, at least on a global level, also making the gains there. But again, that hypothesis remains true, which is luxury and upper upscale lifestyle hotels continuing to push onwards.

If we then look at our next view, we look at global on the last slide now, we're looking at Europe. You can see more challenging trading for our economy, there are occupancy negative for the year, fostering overall negative

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RevPAR growth. And the higher the hotel class, the higher the revenue per available room growth. As you see for luxury and upper upscale there both the standout and real standout performance from luxury.

Onto the next view, we can look at the UK, which I know some of you on the call questions in terms of trading. And while it has had a tougher start to the year, as you can see across all hotel classes, luxury and upper upscale being the ones that have able to yield occupancy. And I think that's actually even more so impressive in luxury, particularly when you look to London, which has had quite a robust pipeline of openings overall. And this reflects a global trend, again, what we're seeing where luxury and upper upscale hotels stronger in terms of trading, while economy hotels a bit more challenged today. Though, I do think worth noting that economy hotels the first to recover relative to 2019 so perhaps somewhat victims of an early recovery, but also as we had understandably know, more exposed to the wider macroeconomic conditions, those guests staying in those hotels, more exposed to wider inflation.

If we transition then, to our next theme, is can we count on the Americans to continue coming for travel? One of the big questions that we didn't have as much in our minds in 2024, but a lot to start the year in 2025 and policy that would potentially influence that. So, if we then transition here, you can see, US departures here, percentage change year-over-year and then for the month just gone year-to-date. And you can see the good news is overall is that if we look year-to-date, still more US departures to Europe. And keep in mind, we are already at record levels outpacing that 2019. So, the story broadly there is positive even with all of the uncertainty, both economically, politically, Americans still looking to travel to Europe for the summer of 2025.

That's also bolstered by transatlantic routes offering record seat capacity from an airline perspective. One of the interesting notes from the airlines is they see strong, strong growth at the front of the cabin, which again reemphasizes that theme of luxury hotels, business class, traveler, likely staying in a luxury hotel continues to remain a robust segment.

If we then take a look at the dollar in terms of pricing power, what it means for US travelers, we noticed depreciating we can see the rate increases relative in dollars higher than what we'd see overall that you can still not necessarily be reflected in the numbers, because if we look at the next slide, US travel to London in this example, still continuing to forge ahead. Down for the month just gone, but still ahead year-to-date.

If we then take a look forward and what we can anticipate for the future, we know and mentioned on the call that the summer 2025 has a lot to live up to. We can see number of compression nights here overall year-to-date. And the good news is even without some of those really key one-off events, you talk about the Euros which you wait to return in 2028 or Taylor Swift, the likes of Adele and Munich. We still are having situations where markets are selling out, revenue manager is able to yield effectively.

If we then take a look at our forecast quarterly here, there is no doubt, even with the number of compression nights we've seen in 2025, we know we can't replace the likes of the Olympics, Eras Tour and others. So, we do expect that pricing power in the third quarter to be a tough comp as we've noted before. But then as we head into Q4 and Q1 into 2026, we can see strong, robust growth in terms of rate. And then a more reasonable, solid but unspectacular level of growth as we head into Q2 and Q3 of 2026.

On to the next slide, we see here business on the books. And while broadly speaking, you can see a few outliers there in the likes of Vienna, Barcelona which perhaps have more swings, business on the books is broadly equal to last year, if not with some ever so slight declines, which you may say business on the books being flat. But when you think about what we're comping over, actually that in itself is quite encouraging. So, nothing to shout about, but also something to be steadfast and appreciate as well.

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On to our next slide, it's really important to look at the long-term view. Yes, maybe a more challenging year in terms of comping over events. But look at the long-term, overall strength of demand. You can see here huge levels of demand growth. These are the number of rooms that are being sold. And each of these markets across Europe and really is a testament to the strength and the desire for people to come and stay in our industry.

And that if we go to the next slide, if we look at supply, is contending with huge levels of supply as guests are traveling in record numbers, so are investors investing capital. So, we're still seeing growth even with robust demand, having to contend with these levels of supply.

And then into our next view here, the usual suspects in terms of pipeline and development, not much of an order change overall in terms of perspective, nations that have rooms in development. And then into our next view, you'll see here I spoke about huge levels of openings which you can see in 2021 and 2022. Given the broader financing environment, we see that there will be more muted openings in the year ahead. And in here, we'll wrap up with our key European cities forecast. There, you can see the range of growth from, say, 8% in Budapest which we mentioned robust demand all the way through to Hamburg, again, comping over some events as well as increased supply increases that's around out there.

In final slide, there we can see divide in European performance remains, particularly led by the Mediterranean, luxury continues to set the pace. The good news is that the US traveler is still here for the summer 2025, less openings could be a tailwind and while occupancy is flat on the books to last year, some rate gains will be limited. But the overall long-term trend for the industry is positive.

Thank you very much and look forward to speaking later. Thank you.

Unverified Participant

Thank you, Alex. And my name is Henrik and I'm from Benchmarking Alliance and let's head to the Nordic markets a bit and look at the latest numbers and trends.

So, just if we move on to the first slide, just very quickly. Who are we? So, we are the largest supplier of benchmarking and market data in the Nordic countries. We always strive for the best possible coverage in all the markets we work in. We're based in Stockholm, Sweden, and we offer benchmarking and market data not only for hotel KPIs but also for meeting and conference revenue, as well as spa and camping.

So, let's look at the Nordics in general. And if we look at the country wide averages in the Nordics and the Baltics and we look at the RevPAR development, the blue box will show you the development in total of 2024 and the orange boxes will show you so far 2025, Q1 and Q2. And we can say that the positive trend from last year continues and we see that in all the countries the RevPAR development is positive also the first half of 2025. And Iceland, who had a more modest increase last year, mainly because of the volcano eruptions that took place there several times, is now increasing its RevPAR power again in a higher pace.

We won't be focusing so much on the Baltics now, but we see also really good numbers there, too, after the years of lost Russian demand and other negative effects on the war in Ukraine, we can now see that demand is coming back to the Baltics again.

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Moving to the next slide, we take a closer look at the capitals in our area. Obviously, 2024 was a fantastic year for, first of all, for Stockholm. The Taylor Swift effect that hit there, the ECCO Congress in the beginning of the year, Bruce Springsteen concerts, etcetera. In Oslo, we also had a lot of – a lot of conferences and events affecting the market last year. However, if we go back to Stockholm and look at the start of this year, we obviously see a small decrease there and that is mainly because of the Taylor Swift effect last year and the ECCO Congress in the beginning of the year that wasn't replaced with any similar event this year.

However, in Oslo, we see – we see the other way around, Nor-Shipping Conference, a large maritime industry conference that took place this year had a very positive effect on the RevPAR, as well as some smaller events as well that taking place this spring. In Copenhagen, the conference Endo-ERN, WindEurope and the Copenhagen Rock Festival and Robbie Williams on the same weekend actually brought up prices to new record levels in ADR in Copenhagen. Helsinki as well, May and June especially have been really good Congress months there. And if we just mentioned Reykjavik in Iceland, it's interesting to see that it's actually the rest of Iceland that is increasing more than Reykjavik. But most probably it's also because it was the countryside hotels in Iceland that – that affected – was affected mostly by the volcano eruptions last year. So, it's the swinging back of the RevPAR is higher for them.

Moving to the next slide, we see – we just look very quickly at the supply chains in the Nordic capitals. And we can just see that for some of the capitals in the Nordic area, the supply of rooms has increased close to 15% to 20% during the past three to four years, especially Copenhagen, Helsinki and Reykjavik. However, if we look at the last 12 months, we can see that it's quite stable. The one thing that we see now is that some of the hotel that closed in Stockholm for a long time, for a long – long-term renovation such as Scandic [indiscernible] (01:01:24) Villa Foresta, Royal Park now opening soon again and had an effect on the supply as well.

And moving on to the next slide, the capitals development more in detail, Q1 and Q2 2025. And we can see that the available rooms, sold rooms, occupancy, ADR and RevPAR in each city. In Stockholm, the lack of congresses and concerts this year mainly had an effect on rates, not so much demand. In Copenhagen, we see an increase in mostly through demand and also have a really nice development in both rates and demand. Helsinki, however, struggling to get prices up even if demand is there. Reykjavík had some new supply coming in last year but is anyway showing increase in both demand and price, also [indiscernible] (01:02:15) show really good development all over.

And in the next slide I have added also TRevPAR, just to see the combination of RevPAR and TRevPAR. And TRevPAR is total revenue per available room. So, in this number, we also take ancillary revenue into consideration. And ancillary revenue has increased RevPAR in both Stockholm and Copenhagen, whereas in Oslo being more stable and in Helsinki it has actually decreased, holding back the TRevPAR development . And it's interesting to look at the total revenue as well as other revenue in the hotel such as food, beverage and heating and events departments, etcetera, don't necessarily follow the rooms department development. And this is why we also collect this data.

Moving on to the segments, we can see that in Stockholm it has been a pretty stable development all over. However, some decrease in occupancy in the luxury segment. Even though rates continue to increase. In the budget segment, we actually see the other way around. So, occupancy wise, it's the midscale and the budget segments who are leading.

Moving on to Oslo, it's a really positive trend in all the segments here, not much to say about it. We can see both demand and price increase in all the segments.

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Moving on to Copenhagen, somewhat the same trend as in Stockholm. Luxury segment is starting to slowdown in demand, but rates are still increasing. Our other luxury segment is almost driving the price increases on its own, only smaller changes in the segments. And then the reason for the drop in the budget segment is that we actually have some properties that stopped reporting. So, on the actual numbers, average rooms and sold rooms, we see a decrease. However, the KPI still show the – the average of the reporting venues and there we see very small changes.

Moving on to Helsinki and last among the Nordic capitals, the Hotel Maria and NH Hotel Collection new luxury properties in Helsinki, adding more supply to the luxury segment. However, this capacity has been utilized very well. As you can see, sold rooms is increasing even more, bringing up the occupancy. Maybe at the cost of a slightly lower rate, but in general, it looks really good and in the other segments there are only small changes.

So, looking into the countries a little bit more in detail and starting with Sweden and we look at the Swedish cities. So, in Sweden we cover 36 markets including, all the regional – regional cities as well. And we don't have time now to go through all this, of course. But in this graph, just to show you a little bit how they are placed, the further up on this graph they are, that means the – a higher ADR and the further to the right, a higher occupancy.

So, looking at Sweden so far this year, we can see that the market with the highest RevPAR at the moment is Visby. It's a very small market on the island of Gotland, very leisure driven in the summer. However, there is also a politics event every summer that brings a lot of demand and a lot of RevPAR to Visby which just took place in the end of June and that is why we see Visby so high up on this – on this map. So, a bit surprising we can see that Stockholm is not on top. But if we look at this same picture in the end of the year, we will see – we will see a different a different picture, definitely.

If we move on to the next slide, we can also see the change from last year for the Swedish cities. And – and on top here, we see the small city of [indiscernible] (01:06:19) also a mainly leisure destination. However, they have had some company projects taking place in [indiscernible] (01:06:27) which is bringing up the RevPAR there, as well as a very active destination company, working [indiscernible] (01:06:35) who is marketing the area very well. Further we see a nice development in Uppsala and Kiruna. In Uppsala, for example, we had – there was a Sweden live music conference in January and affecting the RevPAR part positively. And if we look on – on the bottom of this page and the markets who are decreasing right now, we can see, for example, Jönköping [indiscernible] (01:07:04) Jönköping, the exhibition had two large exhibitions last year, Q1, Elmia Solar and [indiscernible] (01:07:09) and these were not replaced by anything large this year. So, that's the reason for the decrease there.

And obviously we all know what's happening in [indiscernible] (01:07:25) the effects from the Northvolt battery factory that slows down will obviously show on the – on the hotel market as well.

And moving on to Norway, same thing here. We see the Norwegian cities on this graph here and [indiscernible] (01:07:49) obviously is doing really, really well here. High RevPAR, the highest RevPAR in Norway. Really good at the Aurora tourism and marketing themself as the place to go to. So, that's really interesting to see. Oslo, obviously is the second largest market, RevPAR wise in Norway.

Moving on to the changes in Norway and Trondheim on top, and that is because of the [indiscernible] (01:08:25) championships end of February and that boosted the market there. Then of course [indiscernible] (01:08:32) we see that increasing still. But if you look at the decrease on the bottom, we see Bodø, and the reason is that the last year was the Culture Capital of Europe, Bodø, which and also then a large conference – confidence in last year in March. And this was not replaced this year.

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Moving on to Denmark, same picture in Denmark, smaller country, less markets, but nevertheless really interesting to look at. Not so surprisingly, Copenhagen is the largest market RevPAR wise in Denmark. However, we also have now [indiscernible] (01:09:19) Faroe Islands, which is quite interesting to see, slightly lower RevPAR, but I would say pretty high rates, even higher rates in Faroe Islands than in Copenhagen. However, the occupancy is a bit lower. So, this is – this is something that we see in this typical summer destination where the mainly – the main part of the occupancy is sold in the summertime, where the prices are high, which – which give them high ADR. But if we look on a longer period, for example, in this case, six months, the occupancy is lower.

And looking at Denmark and changes so far this year, we see that almost all markets are increasing in Denmark. So, that's really nice to see. [indiscernible] (01:10:14) is a very, very small market and they had a lot of out of order rooms last year due to renovations and they are now back in the market. So, that's the reason for the increase there.

Last but not least, Finland. And if we look at the Finnish cities, Rovaniemi is really sticking out here, the Arctic Tourism, Santa Claus bringing people from all over the world to Rovaniemi who also have now increased – increased number of direct flights bringing people up there. Helsinki is actually far behind being the capital of Finland, but of course it's also larger markets, more rooms, etcetera.

Looking at the change in Finland, it's Rovaniemi together with the largest cities in Helsinki is the largest cities in Finland, Helsinki, Espoo and Turku that are increasing. The West Coast cities, Vantaa and Pori are experiencing worst times there right now, at least during the first two quarters for 2025.

Okay. And then lastly, just look at the future and the on the books. So, we collect on the books for the next 365 days. And starting with Stockholm, we see a positive trend. Actually, the ECCO Congress is coming back again next year. So, that's what we see there in – in 2026. Also, a large congress in June a next year EHA Hematology Congress is coming back. Otherwise, the trend is very similar to last year. However, we see a small increase in general in August, September and also October and November.

Looking at Oslo, very similar trend to last year. However, we see that the summer and the beginning of the fall is the on the books is slightly higher than last year. Also, some events starting to generate demand in the beginning of 2026.

Looking at Copenhagen, a couple of smaller conferences in July and also the Copenhagen Half Marathon in September really sticks out here. But in general, also a slightly higher on the books compared to last year. And also, if we look at Helsinki, a really nice August and September, we are actually up 30% in August and September versus last year. And the main event affecting the on the books is currently the Helsinki Metal Music Festival in August.

And that concludes my presentation for today. You're welcome to contact me if you have any questions or if you're interested in more detailed information about total market data in the Nordics. Thank you very much.

Operator: I hand the conference back to the speakers for any closing comments.

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Thank you, Alex and Henrik for your hotel market updates and thank you all for participating in this call. We really appreciate your time and interest in Pandox. Our interim report for the third quarter will be published on the 23rd of October. And now, we wish you all a fantastic summer. Don't forget to stay at our hotels when you are on the road. Goodbye, everyone.

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