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Pandox AB (PNDX.B.SE)

Q3 2025 Earnings Call

CORPORATE PARTICIPANTS

Anders Berg

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

Liia Nõu

Chief Executive Officer, Pandox AB

Anneli Elisabet Lindblom

Chief Financial Officer, Pandox AB

Aoife Roche

Vice President, Sales-EMEA, STR

Rasmus Kjellman

Chief Executive Officer, Benchmarking Alliance

OTHER PARTICIPANTS

Andres Toome

Analyst, Green Street Advisors (UK) Ltd.

Staffan Bülow

Analyst, Nordea Markets, Corporates & Institutions

MANAGEMENT DISCUSSION SECTION

Anders Berg

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

Thank you very much, and we would like to welcome all of you to this presentation of Pandox Interim Report for the Third Quarter 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 Aoife Roche, Vice President at STR, and Rasmus Kjellman, CEO at Benchmarking Alliance with us. Aoife and Rasmus will provide a hotel market update on Europe and Nordics, respectively. And 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. Please note that Aoife and Rasmus's presentations will be held after we have completed our formal earnings presentation, including the Q&A. So we start with Liia and Anneli's business update and financial highlights for the third quarter 2025, followed by the Q&A session.

So, with that, I hand over to Liia.

Liia Nõu

Chief Executive Officer, Pandox AB

Thank you, Anders, and good morning. And welcome, everyone. The hotel market improved in the third quarter, supported by a good event calendar and active leisure travel. Together with the profitable contribution from completed acquisitions, this resulted in increased earnings in both our business segments. In the Leases business segment, demand improved but varied across markets. The Nordics developed the best with good rent growth in Sweden, Norway, and Denmark, while Finland remained weaker. Overall, development in Germany and the UK was stable. Both revenue and profit increased in the Own Operations business segment. Demand

improved, while comparisons with the corresponding quarter last year eased with a gradual diminishing effect of the UEFA European Championships in Germany in 2024 as the quarter progressed.

Total revenues increased by 5%, net operating income increased by 8%, and cash earnings increased by 6%. Cash earnings per share increased by 1%, but adjusted for the financial net of SEK 37 million related to the ongoing acquisitions of Dalata Hotel Group, the increase was 7%.

In the quarter, several important steps have been taken towards completion of the acquisition of Dalata, which is expected to take place at the beginning of November this year. Financially, we start on a strong base going into the completion of the acquisition. Adjusted for the ongoing acquisition, the loan-to-value was 46.4% compared to 46.7% at the end of the second quarter. This will enable us to also continue to make profitable investments in our existing portfolio. We expect the acquisition to contribute to revenue and NOI already in the fourth quarter with full effect on the revenue and cash earnings for the full year 2026. However, there will be a negative effect from transaction costs accounted for in the fourth quarter.

On this page, we summarize some basic facts on Pandox. We are active in Europe, the world largest hotel and tourism market with strong structural growth drivers. We only invest in hotel properties and create value through active and engaged ownership. We have long-term revenue-based leases with a worth of 14 years and good guaranteed minimum rent levels with skilled operators.

Our portfolio has an average valuation yield of 6.24% and a yield spread of 240 basis points. We invest in climate change projects in our portfolio with good returns based on our SBTi-validated targets. And we have a strong cash flow and strong financial position, which enable us to drive continuous profitable growth through acquisitions of new properties as well as value-accretive investments in our existing portfolio. We have a strong and well-diversified hotel property portfolio consisting of 162 hotels with approximately 36,000 rooms in 11 countries and 90 cities with a property market value of approximately SEK 76 billion and, as said, a blended average yield of 6.24%.

We are divided into two mutually supportive and reinforcing business segments, Leases and Own Operations. Leases, where we own and lease out our hotel properties stands for 80% of the property market value. And in our Own Operations, we transform and run hotels in the properties we own and Own Operations makes up for 20% of our property market value. Our portfolio is upper mid-market hotels with mostly domestic regional demand, which is the backbone of the hotel market, regardless of which phase the hotel markets cycle is in.

We have one of the strongest networks of brands and partners in the hotel property industry, which ensures efficient operations and revenue management, which maximize cash flow and property values and continuous flow of business opportunities. And, also importantly, a relatively large part of the investment in leases is shared with the tenant, which lowers our risk.

I will later in this presentation share some data on what the portfolio will look like after the acquisition of Dalata as well. Our business is to own, improve, and lease hotel properties to strong hotel operators 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 distinctive activities in our business segments, Leases and Own Operations. Leases build upon long-term revenue-based leases with skilled operators, which share risk and upside and have joint incentives to improve the hotel products.

And in Own Operations, an important tool for acquiring, repositioning, and transforming hotels where we also have the optionality, which is – where also the optionality is important for us. We can sign new leases, we can divest the property or keep it in a segment as long as it's the best option 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 and year-to-date. Against them, we also plotted the portfolio market value as of 30th of September. Obviously, our portfolio has changed quite a lot over this period, but it shows our current exposure to different markets against the historical growth patterns. As you can see, Norway has had the highest growth with 5.3%, and Finland the lowest by 1.1%. Growth in our largest markets, UK, Germany, and Sweden has ranged between 3.3% and 1.2%. And these growth numbers are not adjusted for the pandemic, they are as is. The numbers on the map on a 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, and in this case, it's 30th of September. The next two boxes are the average yield on investment. The first one is unadjusted for the 2020 drop during the pandemic, while the second one excludes it. The underlying assumptions are outlined on the right-hand side of the page, and the period is 10 years, 2015 to 2025, for which we have aggregated investments, net of divestments, and the incremental increase in net operating income.

We have then divided the aggregated incremental increase in NOI by investments to derive at an average yearly yield or return over the period, and it ranges from 7.5% to 11.5%, depending if you adjust for the pandemic year. The yield spread ranged from already healthy 240 basis points to 780 basis points. Capital allocation is at the heart of what we do. Our focus is the expected and actual return, which is a product of many things rather than the property's location in a certain country or city. We evaluate each hotel property on an ongoing basis to ensure that each hotel property has an attractive yield potential, and we also analyze the effects on the property portfolio as a whole. We have an active acquisition strategy based on deep industry know-how, a long-term perspective, and the ability to act freely throughout the hotel value chain.

Over time, we are net buyers. At the same time, divestments is an important tool to free up capital for acquisitions and investments with a higher return potential. In the third quarter, we made two smaller divestments and our expectation is that we will be more active on the divestments in 2026, particularly in the Nordics.

Here, we have a breakdown of the performance for a selection of countries, regions, and cities versus 2024. You've seen this before. We show average daily rate, ADR, 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 growth has been mixed across our markets. Occupancy has been stable or growing in most markets, while average price have been more varied. In terms of RevPAR, the greatest relative improvements in the first nine month took place in the Nordic markets, with Norway as a leader and Sweden gradually picking up the pace.

Oslo and Copenhagen were strong city markets. I'm sorry. However, several important markets for Pandox saw only modest growth or declined such as Germany, Brussels, and UK regional. Aoife Roche from STR and Rasmus Kjellman from Benchmarking Alliance will talk more about the underlying trends in the hotel market later in this call.

As we now move closer to finalizing the acquisition of Dalata, we can share more details on the financial effects of it. In short, the end game is 31 investment properties with long-term based leases with an estimated market value of SEK 16.7 billion, which will be added to the business segment Leases, with a net initial yield estimated to be 6.95%. Rent is estimated to be SEK 1.2 billion per year, with a profitability in line with our existing lease agreements in the UK and Ireland.

Until the divestment to Scandic can be completed, the hotel operations is reported as Profit from discontinued operations with no effect on Own Operations. No significant effect on earnings for Pandox is expected to be reported under Profit from discontinued operations.

The balance sheet items, excluding the properties and related items are reported as Assets and liabilities held for sale. There are several ways to think about this transaction from a value perspective. Here, we illustrate the different value components in the transaction, starting from the left, from the purchase value, adding existing net debt in the target, adding estimated transaction cost and thereby deriving at an enterprise value, then taking into account the divestment of Scandic for the operating cash from our leased assets, adding value for assets under construction, and then deriving at an implied yield for the [ph] one (00:27:30) properties which we intend to keep of 8.4%.

This compared to the estimated market value for the same 31 investment properties with long-term revenue-based leases with an initial yield of 6.95% or a market value of SEK 16.7 billion when all steps have been completed in the transaction. The value is based on an estimated rental income of SEK 1.2 billion, with a similar NOI as in our other leases in the UK and Ireland, and an estimated average weighted yield of 6.95%. Compared, as I said, with an implied yield on the acquired properties of some 8.4%, we estimated – we estimate tentatively a value uplift of some SEK 3 billion.

Here's the tentative timeline of the main remaining steps in the transaction. The key upcoming event is the court hearing in Ireland on the 29th of October, where the scheme hopefully will be sanctioned. This will allow us to take the final steps toward closing of the transactions, which we expect to take place early November 2025. And here, we mapped out the 31 investment properties from Dalata, which we will add to the business segment Leases in the fourth quarter. We apologize in advance if some of the cities have been marked out wrongly. 21 of the properties are located in Ireland and 10 in the UK. Dublin and London are the biggest cities, markets with 11 and 5 hotel properties, respectively. And all hotels are well-established with leading commercial positions in the markets.

And this is what our portfolio in the UK and Ireland will look like including Dalata. In total, it will include 63 hotels, of which 12 in Dublin and 11 in London. In number of rooms, the UK will account for 20% and Ireland, 12%. We thus increase our exposure to Ireland, in particular, but also to the UK market. In terms of destinations, our exposure will increase somewhat towards international destinations and decrease somewhat towards – from regional destinations. And with that, I like to hand over to Anneli Lindblom, our CFO.

Anneli Elisabet Lindblom

Chief Financial Officer, Pandox AB

Thank you, Liia. So, good morning, everyone. In the third quarter, revenue and group net operating income increased by 5% and 8% respectively, driven by acquisitions and improving demand in several Nordic markets. Own Operation also improved, supported by acquisitions and gradually easier comps due to the European Championship in football in Germany in June-July last year. Cash earnings and profit before change in value increased by 6% and 4% respectively. Adjusted for financial costs of SEK 37 million related to the acquisition of

Dalata, cash earnings increased by 12%. With the same adjustment, cash earnings per share increased by 7%. Currency was negative also in the third quarter. 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 larger in form of currency translation effects. In the third quarter, currency had a negative impact on both earnings and property values. As you know, we have the main part of our hotel properties outside Sweden and denominated in foreign currencies.

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 our EPRA NRV.

For the first nine months, the total unrealized changes in value were a positive SEK 284 million, driven by lower yields. As I said earlier, changes in currency had a negative impact on the balance sheet items for the period with a decline in property values of approximately minus SEK 3.1 billion in the period. On the 30th September, we finally closed the acquisition of Elite Hotel Frost in Kiruna with a transaction value of SEK 347 million.

We also divested two hotel properties for a total value of SEK 67 million. End of period, the average valuation yield for investment properties was unchanged at 6.09%. And for operating properties, it decreased by 4 basis points to 6.84%. The blended yield decreased 1 basis point to 6.24%.

And here, we have the average yield, the average interest on debt and EPRA NRV per share quarterly. In the period, growth of the EPRA NRV was a negative 2% measured on an annual basis adjusted for paid dividends and proceeds from the new shares.

Our LTV at the end of the quarter amounted to 52%. The increase is mainly explained by the acquisition of shares in Dalata done during Q3, which are not part of the LTV definition on the asset side. Adjusted for the ongoing acquisition of Dalata, loan-to-value was 46.4%, which puts us firmly on the lower end of our range -- our policy range, and provides a strong foundation for the completion of the transaction. The ICR on a rolling 12-month basis was 2.7 times on a sequential basis and only marginally affected by the ongoing acquisition. Cash and credit facilities amounted to SEK 2.5 billion. And on top of that, we have unencumbered assets with a value of some SEK 900 billion as an untapped reserve.

During the quarter, the constructive trend in our financing market continued. In the third quarter, we refinanced loans of SEK 2.9 billion, which makes it close to SEK 7 billion so far this year. End of quarter, sustainability-linked loans, including green loans accounted for more than half of total outstanding loans.

Looking ahead, we have SEK 4.8 billion on debt maturing within one year. And our bank relations are strong and expanding across our markets. We have ongoing discussions on future financing and refinancing. There is a strong appetite among not only the Nordic banks to finance our hotel properties. So, it's a really good bank market at the moment. 53% of the net debt is hedged, which is the lowest level since the first quarter 2023.

And with that, I hand back to you Liia.

Liia Nõu

Chief Executive Officer, Pandox AB

Thank you, Anneli. We have said it before, the hotel market remains resilient, supported by strong underlying structural growth drivers. For the fourth quarter, we expect a stable hotel market. We expect normal seasonality

with slower demand from mid-December to mid-January. We expect positive contribution from already completed acquisition and repositionings and subject to completion of the acquisition of Dalata in early November to recognize both revenue and cost in part of the fourth quarter. However, there will be a sizable negative earnings impact due to the accounting of one-off costs relating to the acquisition. For example, the majority of transaction costs, which will be part of the enterprise value, will be accounted for in the P&L in Q4.

For 2026, we expect the acquisition to contribute substantially to both NOI and cash earnings. And we look forward to the court hearing for sanction of the scheme on the 29th of October and to start working together with Dalata and Scandic to complete the transaction in the best possible way. We'll now move over to the Q&A. And operator, we are ready for questions. And please don't forget to hand back the call to us afterwards after our external speakers' presentation.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] The next question comes from Andres Toome from Green Street. Please go ahead.

Andres Toome

Analyst, Green Street Advisors (UK) Ltd.

Hi, good morning. Just a few questions from me, please. Firstly, just wondering, on leisure demand and especially in Sweden, quite a bit of improvement. Do you see sort of the monetary and fiscal stimulus that is coming in Sweden helping consumer confidence and internal demand? Would you say that's the reason? Or is it more to do with just sort of not so tough comps last year?

Liia Nõu

Chief Executive Officer, Pandox AB

I think it's a bit of both. There is still some hesitation in the sort of the overall market, but you see some easing. And we have, as I said, a very strong summer. So, I think it's a bit of the both actually.

Andres Toome

Analyst, Green Street Advisors (UK) Ltd.

Thank you. And then [indiscernible] (00:38:37).

Liia Nõu

Chief Executive Officer, Pandox AB

We also have international inbound traffic coming in and especially from the US, it's still continuing. And whereas, again, as I said before, Europe is not traveling so much outside the US. So the net is actually quite positive as well.

Andres Toome

Analyst, Green Street Advisors (UK) Ltd.

Perfect. Thank you. And then, my second point was just around demand in the business segment. There's, of course, quite a lot of sort of measures being brought forward in Europe, especially in the Nordics and Germany in terms of fiscal and defense spending. Would you say that is starting to become visible at all for the hotel sector activity? Or how you perceive that?

Liia Nõu

Chief Executive Officer, Pandox AB

A

I think there's still some way to go. There has been, as I said, especially in Germany, but it's still a little bit awaiting. There will be a gradual effect. But we do expect a stable and sort of a stronger second half onwards.

Andres Toome

Analyst, Green Street Advisors (UK) Ltd.

Q

Perfect. Thank you. And then, my last point is just on external growth. Of course, the Dalata acquisitions was quite sizable. But how do you sort of see other opportunities out there, both in terms of scale and value creation perspective, which would be sort of akin to what you were able to do with Dalata?

Liia Nõu

Chief Executive Officer, Pandox AB

A

Yeah. Well, we are, as you are aware, excited about the Dalata acquisition. We do expect sort of an underlying stable growth, even though it's a sort of modest growth in most of the markets, but still a growth. Then on top of that, the acquisitions, and on top of that, our value-creative investments. We do look at capital allocation quite a lot also to enable us to do more value-accretive acquisitions. So, we like to, again, keep the wheels spinning quicker and quicker basically. And it's also quite an attractive time for doing both acquisitions. So, I think there's a favorable time to both dispose of assets, but also to look at further acquisitions.

Andres Toome

Analyst, Green Street Advisors (UK) Ltd.

Q

And do you think there's a lot of opportunities out there for similar scale as Dalata was? Or would you expect sort of more smaller deals?

Liia Nõu

Chief Executive Officer, Pandox AB

A

Well, for the time being, we have our hands full. I think there is – in the short-term, medium-term is probably a little bit more on the smaller side, for at least from our perspective, because, again, these larger acquisition take quite a lot of time to actually consume sort of. And we have a busy year in front of us also to integrate and to work together with Dalata and Scandic in the best possible way.

Andres Toome

Analyst, Green Street Advisors (UK) Ltd.

Q

Thank you. And then, maybe finally, on the other end of that sort of net external growth picture, you've done some disposals as well. What sort of part of the portfolio do you think you could recycle? And how much do you think you can bring down LTV with that after this Dalata acquisition?

Liia Nõu

Chief Executive Officer, Pandox AB

A

Well, we believe, as I said, it's a favorable time for doing transactions. And I think there's an appetite for us leasing high-quality portfolio, especially in the Nordics, which have a potential after recovery, after pandemic. So, there is -- it allows for giving us liquidity to do more investments and [ph] normac (00:42:39) acquisitions. I don't want to give a specific number, but we do believe there is a sizable or sort of sizable appetite depending on what type of [ph] lease (00:42:54). But we do have – we do expect some divestments. We will, with our strong cash

flow, come back to our target of around 50% quite quickly, but we will also look at capital allocation in a further way.

Andres Toome

Analyst, Green Street Advisors (UK) Ltd.

Understood. Thank you.

Q

Operator: The next question comes from Staffan Bülow from Nordea. Please go ahead.

Staffan Bülow

Analyst, Nordea Markets, Corporates & Institutions

Good morning and thank you for the presentation. I have a couple of questions. First, on UK and Ireland, that would become a rather substantial share of your portfolio if the Dalata acquisition is closed. Could you elaborate what you see on those two markets in terms of RevPAR for 2026? And also, if there are any structural long-term growth drivers you see on the Dalata geographies which you perhaps don't see in Germany and Nordics?

Q

Liia Nõu

Chief Executive Officer, Pandox AB

Well, I think the – said, the 31 investment properties, which we intend to keep are in the dynamic markets. I mean, over time, especially Dublin and London are high RevPAR markets with sort of stable, strong underlying demand. So, we haven't given any guidance, and I think we'll come back to STR when it comes to the outlook for UK and Ireland, but a stable growth. This year, it's been stable, but both from the ADR and their occupancy perspective.

A

Staffan Bülow

Analyst, Nordea Markets, Corporates & Institutions

Okay, that's clear. And a question on the Dalata portfolio. I appreciate that you've provided additional information. Could you say something about the financing structure in terms of LTV and cost of debt?

Q

Liia Nõu

Chief Executive Officer, Pandox AB

So, for the existing Dalata financing?

A

Staffan Bülow

Analyst, Nordea Markets, Corporates & Institutions

Yeah, exactly.

Q

Liia Nõu

Chief Executive Officer, Pandox AB

[indiscernible] (00:45:25) what we have already included in our 2.4% and 2.7% announcement is that we have a sort of a margin of, I think it's 2.25% originally going up 2.50%. So underlying LIBOR, underlying SONIA within [indiscernible] (00:45:46) 2025 as on the margin. And then, of course, there's typically some arrangement fees that are linked to this. But basically very much in line with what we previously had on the sort of acquisition debt.

A

Staffan Bülow

Analyst, Nordea Markets, Corporates & Institutions

Q

Okay.

Liia Nõu

Chief Executive Officer, Pandox AB

A

And when it comes to LTV, we are -- if we -- as we also announced earlier, coming out from 46%, 47%, there will be accounting-wise a increase in LTV, which will peak around 9% or so in the sort of mid 50s. But with the sort of -- with the structure we have, it translates into an LTV, which is close to 52% or so.

Anneli Elisabet Lindblom

Chief Financial Officer, Pandox AB

A

Yeah. And if in the quarter, the number of the effect in the LTV will be reported in the coming quarters.

Staffan Bülow

Analyst, Nordea Markets, Corporates & Institutions

Q

Okay. Perfect.

Anneli Elisabet Lindblom

Chief Financial Officer, Pandox AB

A

The effect from Dalata acquisition.

Liia Nõu

Chief Executive Officer, Pandox AB

A

Yeah.

Staffan Bülow

Analyst, Nordea Markets, Corporates & Institutions

Q

Okay, perfect. And then, one final question from me. There was an article in local media [indiscernible] (00:46:50) mentioned that Pandox are looking to sell hotels in in the Nordics. Could you perhaps comment the rationale for this? Is it about balance sheet strengthening after the Dalata deal? Or is it rather that you see favorable prices in the Nordics or sort of why would you like to divest in -- specifically in the Nordics?

Liia Nõu

Chief Executive Officer, Pandox AB

A

Yes, as I mentioned just before, I think this is a favorable time for doing transactions. There's a quite good pricing picture and sort of interesting yields. Of course, it allows for getting some liquidity to do more value-creative acquisitions and investments, and also to get quicker back to the 50% LTV, which we are comfortable with. But it's more an opportunistic, it's not a need to do, but it's more a wish to do and to just sort of see whether there is an appetite for a high-quality portfolio in the Nordics with a great potential after the recovery in our market.

Staffan Bülow

Analyst, Nordea Markets, Corporates & Institutions

Q

Thank you. Those were my questions.

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

Anders Berg

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

It appears we have no written questions. So, with that, we thank you for the questions we got on the phone. And then we move over to the external hotel market presentations. And I hand over the word to Aoife for that. Please go ahead.

Aoife Roche

Vice President, Sales-EMEA, STR

Good morning. So looking back on European performance this year requires some perspective. Performance has been lackluster, but that does depend which market class you are looking at, and of course, the comps. Uncertainty has bred some indecision and it has slowed things down in the first half of the year, but the summer months give us great confidence that the year will end positively.

But first, a helicopter view on global performance. Supply growth is quite stable, showing 1% growth in August. Europe recorded a similar trend with the majority of pipeline in early phase planning and in the in-construction stages.

Despite trading conditions, the appetite for travel remains positive, albeit somewhat subdued. The economy is vulnerable and volatile and the consumer is quite cautious, and this is duly reflected in the soft demand growth that we have recorded year-to-date August. However, on a more positive note, if we strip out the United States and Mainland China from the global demand numbers, we observe a 2% growth in demand year-to-date. With demand growth somewhat subdued, we observe occupancy growing at a similar pace, and we can see Europe growing here by 1%. Demand stimulation often brings rate elasticity, but buoyant markets and more specifically market classes, are propping this 2% ADR growth we are seeing year-to-date in Europe. If we look at it from a RevPAR perspective, global RevPAR is up 3% or 4.2% when we exclude the US due to those declines in occupancy.

So, let's move to Europe. Much like the trend globally, the year-on-year change is similar with demand growth in Europe slowing down to single-digits with August matching the global demand growth rate of 1%. Occupancy growth is led by countries that perhaps have more availability in terms of their recovery post-pandemic, and in many cases, more affordability, case in point, Central and Eastern Europe. But if we decouple occupancy from ADR and we look at RevPAR, we observed that occupancy gains don't always drive rate gains. Despite low occupancy gains, the perennial appeal of Southern Europe shows little price resistance for the high-end traveler.

Luxury and upper upscale hotels contribute their lion's share of this growth. And of course, the sheer presence of the American traveler is accelerating that ADR. Elsewhere, consumer caution creates a more challenging climate for some, most evident in UK's performance, which is at the end of August, down by 0.2%.

And of course, after a rich calendar of events in 2024, Germany and France are seeing some declines in rates. Whereas, on the left-hand side of this chart, you see Spain, Portugal, Greece, Ireland, and Italy, and some emerging countries in Central and Eastern Europe continue to grow their rates. Albeit, in some cases, quite modestly, where ADRs are possibly touching a ceiling-like markets in Greece and Italy.

The summer was always going to be a very tough one for Europe when drawing comparisons to a bumper summer of 2024. Non-repeat music and sporting events were going to be sorely missed. However, with September's results surprisingly strong, hitting 3.3% growth in RevPAR, year-to-date, Europe is showing a 1.9% growth. This Q3 growth is propped up by events, sporting and music, and of course, international demand. Much

of this international demand, however, is being pushed towards Southern Europe, with a relatively high proportion of high-end hotels, it is no surprise that these countries such as France, Italy, and Greece are capturing much of this international business. But the summer has most definitely pulled Europe up and out of any danger zone. In fact, 73% of all European submarkets grew RevPAR in September. Compare this to March, where only 44% were in positive territory and June 53%. The 2025 trend is tracking closely to 2008 post-GFC until August when it broke away and hit that 73% versus 42% in September 2008. This may be the end of our cautionary tale as we go into Q4.

Now, without those events, we may not have seen such a strong Q3. The Oasis tour was a welcome relief for many UK cities and drove strong RevPAR through occupancy and rates. Compression also made a comeback with Cardiff and Birmingham almost to capacity. After a tough first half, the UK has seen some positive results in Q3 across all classes. Year-to-date September, UK gained a positive position versus last year. And now year-to-date, we are boasting 0.5% growth on 2024. Germany, on the other hand, endures continued negative growth, down 3% on last year at September year-to-date.

With little international demand to speak of and a very cautious domestic consumer, events are forming a crucial part of their recovery, as demonstrated on this slide by the impact of the biennial and NUGA Conference in Cologne and Sibos in Frankfurt. Much like events, groups have a very important parts to play for hotels. 20% of all occupied rooms midweek in Europe are by a group traveler. Although less impactful than the transient traveler, the opportunity to drive ADR through group business is an important component to supporting the top and bottom line.

Now, international demand fully recovered in Europe in 2023, and it played a huge role in Europe's 2024 performance, particularly that of the luxury segment. With consumer caution a recurring theme, we observe one constant, that is that where demand is soft, so too is rate, except in the case of luxury hotels. Out of 500 hotels globally boasting an ADR of over \$1,000, the majority of these are in Europe. Italy, France, Spain and Greece, making up the vast majority and thereby explaining the ADR performances I showed earlier. Transatlantic routes from the US are holding steady. And although ADR growth may be muted this year for many markets, this is not the case for the US-dollar traveler, as you can see in the slide. 6% more expensive in Ireland versus a 1% ADR growth, as an example. Now, despite Europe being a more expensive choice for the American traveler, departures to Europe have remained very strong and year-to-date have grown by 5% on last year.

From all of the above, we can conclude that trading is stable. Occupancy growth is supported by a supply growth that is diluted somewhat due to delays, cancellations, and closures. And at the pan-European level, active pipeline rooms have grown by 2% year-over-year to July, but with growth concentrated in the early phase planning and the in-construction phases, final planning phase rooms fell by 28% relative to 2024. This is further compounded by closures for every room that closes, only three more open, and although that does sound very positive pre-COVID, that ratio was 5:1. Looking to the future, supply growth expectations in 2025 and 2026 are below historical averages. But the short to medium-term looks positive as occupancy stabilizes, supply growth is muted, this allows greater rates to grow as we go into Q4 and onwards to Q1 2026.

Another positive sign comes from our business on the books data, which is showing positive business on the books versus same time last year for all major markets. 2025 was a year that had the economy as a headwind, and it also had comps that were brutal. Germany and UK markets were dealt a poor hand as a result. And here, you can see all of our forecast markets as of August 2025, the forecast for full year 2025.

On the next slide, a more positive picture for 2026, although it will have its challenges, we expect more European markets to yield a positive RevPAR performance. New supply or some event offsets may make it more

challenging for some. And, of course, Amsterdam is yet to take on a new VAT rate, which will undoubtedly impact ADR. So, in the short-term we expect muted growth, but as we move to the medium-term, normalcy resumes with occupancy and ADR resuming their fair share of contribution to RevPAR growth.

To sum up, I'm sure you will have your own takeaway today, but I will highlight some. Market dynamics differ greatly across the continent and are dependent on a myriad of factors ranging from source markets to demand and supply drivers. Uncertainty has [ph] bred indecision (00:59:27) throughout the first half of 2025, but we do foresee a positive end to the year with supply and demand factors underpinning the outcome as in-markets class.

Thank you so much for your attention and I am now going to pass over to Rasmus at Benchmarking Alliance.

Rasmus Kjellman

Chief Executive Officer, Benchmarking Alliance

Thank you very much. And good morning, everyone. I am Rasmus Kjellman, CEO of Benchmarking Alliance, and I will give you some of the latest numbers for the Nordic Hotel industry. This will be a lot of information in about 10 minutes in a very high pace. So if you have any questions afterwards, just reach out to Pandox or to me, and I'd be happy to help. So, Benchmarking Alliance is the largest supplier of benchmarking for hotel market data in the Nordics and the Baltics. We strive for the best possible coverage in those markets, and we are based in Stockholm, Sweden. We, as you see, started in 2010 and we offer benchmarking for hotels, conference venues, spas and campings. So, starting up with the Nordics.

Looking at the country-wide averages in the Nordics and the Baltics, we see a positive trend through the entire field. Blue boxes show the year-to-date 2025 RevPAR development compared to last year, and the orange boxes show last quarter Q2. And generally, we see an increase in RevPAR in all countries. In Finland, the increase is a bit slower, where we have seen a lot of new supply in some of the local Finnish markets, as well as a slower recovery from the Asian markets and the proximity to Russia holding back the recovery.

Baltics are continuing to recover after years of lost Russian demand and other negative effects from the war in Ukraine, where travelers are finding their way back to the Baltics, in particular to Riga. Moving to the capitals. Oslo has a strong development with Nor-Shipping, a large maritime industry conference, as well as several smaller events driving demand. In the Copenhagen, [ph] there's the Endo-ERN Conference, the WynEurope, the Copenhagen Rock Festival and Robbie Williams (01:01:58) events on the same weekend, all driving high demands and record levels in ADRs. Stockholm have difficulties in replacing the extreme demand of last year, generated by Taylor Swift and Bruce Springsteen and the ECCO Congress. Helsinki, May and June good Congress months and the Helsinki Metal Music Festival in August affected positively.

At Reykjavik, bouncing back again after long periods of volcano eruptions last year, interesting to see that the rest of Icelandic is increasing more than Reykjavik as the countryside hotel suffers more from than the Reykjavik hotels .

If we go in a bit more of details here, we can see the available rooms, sold rooms, occupancy, ADR, and RevPAR in each city. In Stockholm, the lack of Congress and concerts this year mainly had an effect on rates. In Copenhagen, we see an increase mostly through demand, and Oslo, a really nice development in both rates and demand. In Oslo, Savoy closed and undergoing total renovation by new owners, and Helsinki struggles to get the prices up even if demand is there. And Reykjavik had some new supply, but it's showing increase in both demand and price. Also Tallinn and Riga show a good development all over. Riga, however, mainly in rates, but also coming from low levels.

Let me just flip the slides here. So, if we're looking for the capital development in 2025, ancillary revenue has increased TRevPAR in Stockholm. And in Copenhagen, we see a more stable, whereas, in Oslo, Helsinki, and Reykjavik, it has decreased holding back the TRevPAR development. And it's very interesting to look at the total revenue, as well as other revenue in the hotel such as food beverages, meeting events and don't necessarily follow the room development. So, this is why we believe looking at total revenue is very interesting.

Diving into the segments. In the Stockholm market, there is some new supply in the Luxury segment, holding back the occupancy levels while rates continue to increase. Mid-scale segments supply is due to capacity reopened after renovation and rebranding, and even though demand is there, the lack of events in concerts this year can mostly be seen as loss of average rates in all segments except in luxury.

Moving to Oslo, so it's a very steady and positive trend in all segments. The Mid-scale and budget hotels previously mentioned can be seen in the loss of supply.

Moving to Copenhagen. Luxury segment is starting to slow down in demand, but rates are still increasing. The upgoing trend can be seen in all segments, while it's only upscale and midscale hotels that can enjoy higher demand as well.

Moving to Helsinki. Last of the Nordic capitals. Hotel Maria and Collections adding more supply to the Luxury segment. However, the capacity has been utilized well, maybe at a cost or slightly lower rates. Otherwise, only smaller changes in the lower segments.

So, if we look in even more details to the Swedish market, we cover 36 markets, including all regional cities. And in this graph, each bubble represents the market and the size of the bubble represents the RevPAR. So, if we look at the development for these bubbles in the next slide, we see that Västervik is developing it's RevPAR very strong and there's a lot of corporate projects in that area as well as active destination marketing from Västervik.

In Uppsala, we see Sweden Live Music Conference in January. And left you in the bottom with a very weak development or negative development affected by the Northvolt's bankruptcy.

Moving to the Norway, and in the same way, looking at the different market, Tromso is the Norwegian market with the highest RevPAR and here is the [indiscernible] (01:07:47) and the Midnight Sun has helped those markets a lot. And Oslo is the highest occupancy.

So, looking at the development for those markets. Trondheim very strong with the Ski World Championship in the end of February and beginning of March, and Kristiansund had a very strong summer with an increase in the month of July with 25%. And Bodo had a cultural capital opening weekend last year in February, or [indiscernible] (01:08:25) last year in March. That was not replaced in any way this year.

Moving to Denmark. Copenhagen is maybe not surprisingly the strongest market in Denmark. And looking at the development for the Danish markets, [ph] Valeer (01:08:56) has a strong development, large amount of out-of-order rooms last year due to renovations that are now back in sale. But in general, a strong development in all the countries – in all the markets.

Moving to Finland, we see Rovaniemi and the Arctic tourism Santa Claus bringing people from all over the world through Rovaniemi, with also seeing increased direct flights to the area. Helsinki is far behind, but of course, it's also a much larger market. Otherwise, most of the Finnish markets range on an ADR over €100 to €110 and an occupancy between 55% and 70%.

So, looking at the development of those local market, Rovaniemi, together with [ph] Nordic cities (01:09:58), Helsinki, Espoo, and Tampere is the ones increasing in Finland, Pori affected by slower corporate demand, as well as Vantaa and Helsinki airport area struggling with [ph] lower (01:10:11) supply increase with two new hotels opening during last year.

So, as final part, looking into the future bookings. So, if we look at the future bookings, 365 days from the 1st of October versus last year, we see a strong increase with future bookings in Stockholm. It's more than 20% up compared to last year's. This is the ECCO Congress coming back in February. We have the EHA Hematology Congress in June and there is two concerts by Bad Bunny on Strawberry Arena in July bringing up demand.

If we look at the Oslo market, the market is up more than 9% with the tradeshow [ph] TravelMatch (01:11:13) for the travel industry taking place in January, driving up the demand in that period. Looking at Copenhagen, this market is also very strong development, more than 19% up. We see a very small general increase in the future bookings for the rest of this year and the beginning and the start of next year.

And last, but not least. Helsinki 13% up in the future bookings, very positive. In the beginning of 2026, it's maybe a bit pretty slow compared to last year with Congress missing out, but in general, a strong development. So, that's a lot of market data in a few minutes. If you have any questions, please reach out to Pandox or to me, and I'm handing the word back to Pandox. Thank you.

Anneli Elisabet Lindblom

Chief Financial Officer, Pandox AB

Thank you. And thank you for this great comprehensive hotel market updates. And thank you all for participating in this call. We really appreciate your time and interest in Pandox. Our year-end report for 2025 will be published on the 5th of February 2026. And now we wish you a nice autumn, and don't forget to stay at our hotels when you're on the road. Thank you so much.

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