

# Patience is a virtue

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ABG Nordic  
Property Tour

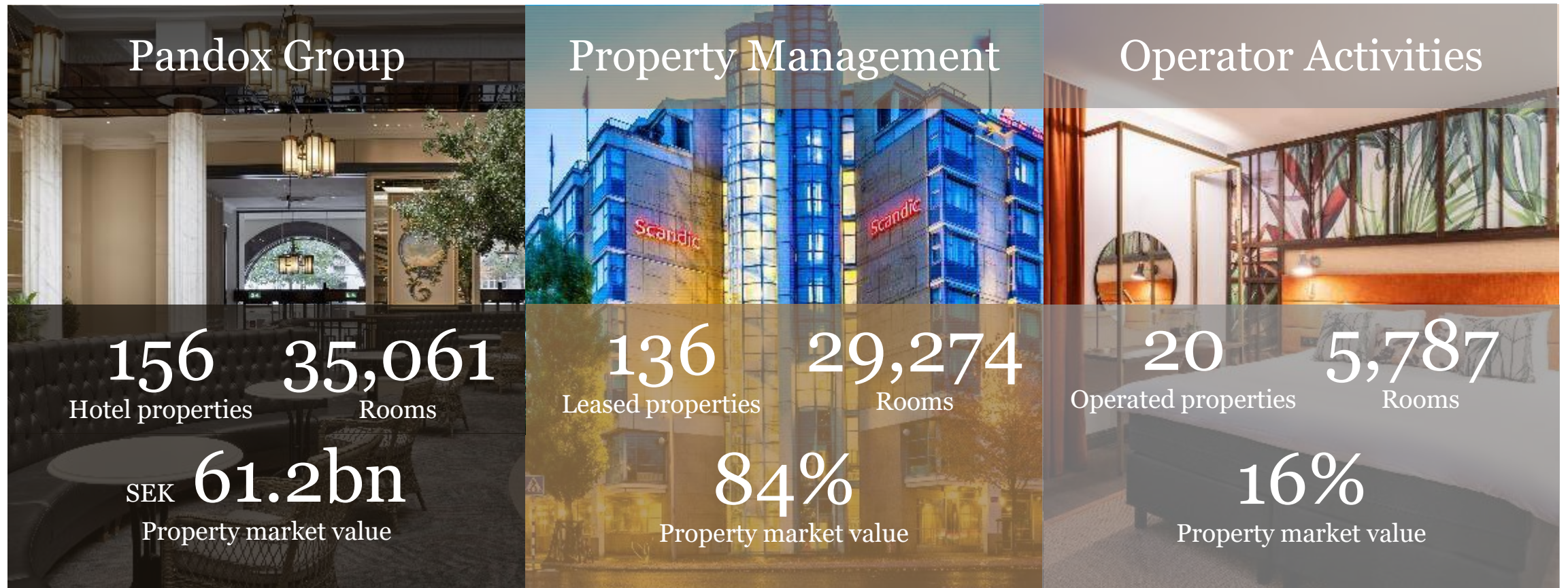
20 ▪ 05 ▪ 2021

Pandox™

Elevator lobby @Hotel Indigo Brussels - City

Strategic position

# A well-diversified portfolio



Strategic position

# A strong network of brands and partners



Note: The logos are the property of the respective brand owners.

Q1 2021 in brief

# Another tough quarter

- The negative trend from Q4 2020 continued
- Profitable and strong financial position
- Positive development in hotel markets outside Europe
- Attractive position in recovery phase

-9%

R12M

Return on equity<sup>2)</sup>

-34%

Jan-Mar 2021

Growth in total  
net operating income<sup>1)</sup>

-14%

Jan-Mar 2021

LFL growth in NOI  
Property Management<sup>3)</sup>

MSEK 4,689

31 Mar 2021

Liquid funds and unutilised  
credit facilities

1) Measured as net operating income Property Management and gross profit plus depreciation Operating Activities

2) Measured as growth in EPRA NRV, including dividend and excluding proceeds from directed share issue, at annual rate

# Covid-19 effects on Pandox

- Very difficult business conditions due to extended restrictions
- Minimum and fixed rent main source of income
- Stable earnings development, including some government support
- Cash flow impact from increase in trade account receivables, reflecting new and temporary payment terms, and investments in existing portfolio
- Negative unrealised value changes due to lower anticipated cash flows

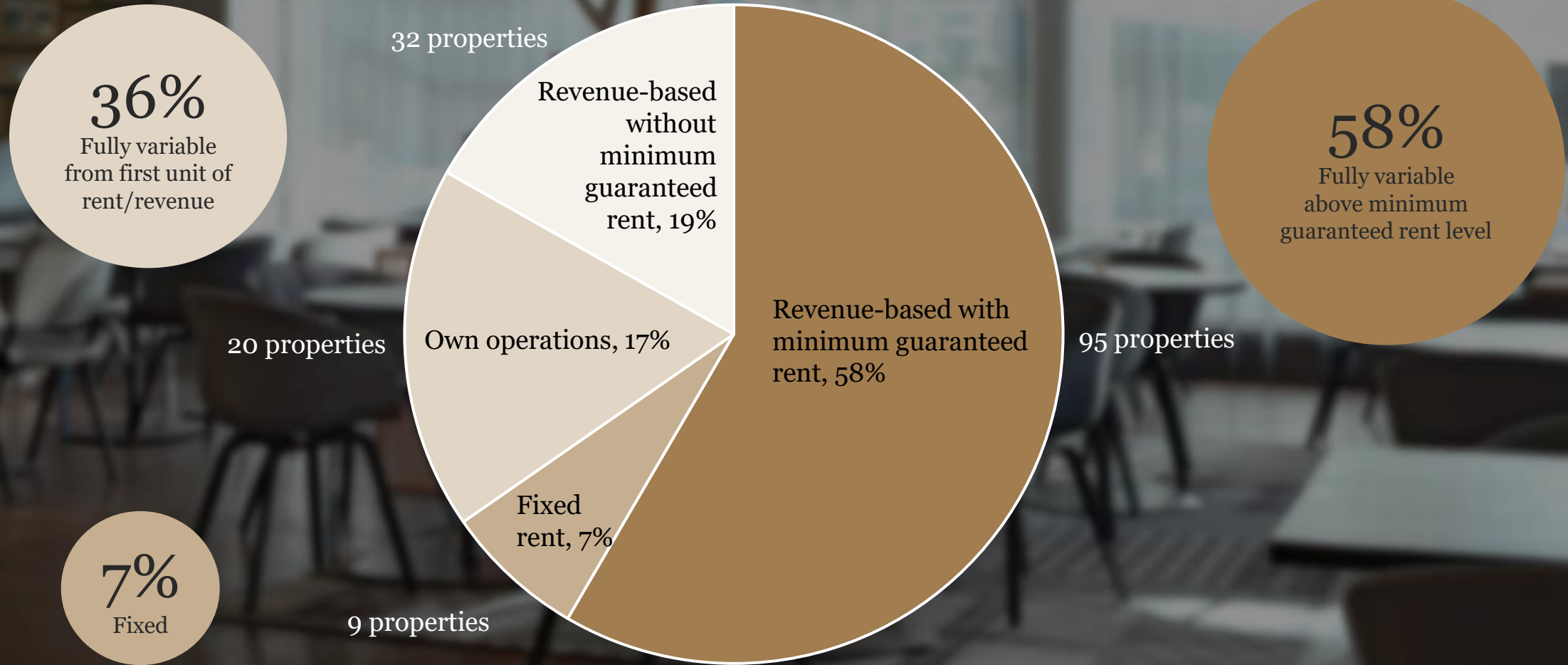
Current revenue

# Revenue model which limits fluctuations

- Revenues from a mix of operational models and agreement types
- Minimum rent and fixed rent from Property Management main source of revenue
  - Slightly less than MSEK 500 per quarter*
  - Revenue-based rents of MSEK 31 in Q1 2021*
- Revenues from Operator Activities of MSEK 92 in Q1 2021

Portfolio by operational models\*

# Balanced revenue mix



Revenue-based leases with minimum guaranteed rent

# Protects downside, may limit early stage growth

- Rent is variable but cannot fall below a certain minimum level
- For variable rent to materialise, accumulated rent (i.e. hotel revenue) must exceed the accumulated minimum level
- Limits the downside when hotel revenue is low, but may also limit early stage growth when hotel revenue increase from low levels and do not exceed the accumulated “minimum level”
- Minimum level depends on market practise, commercial considerations and contract age but is lower in the Nordic region



## Property portfolio

# Valuations based on established method

### Value change

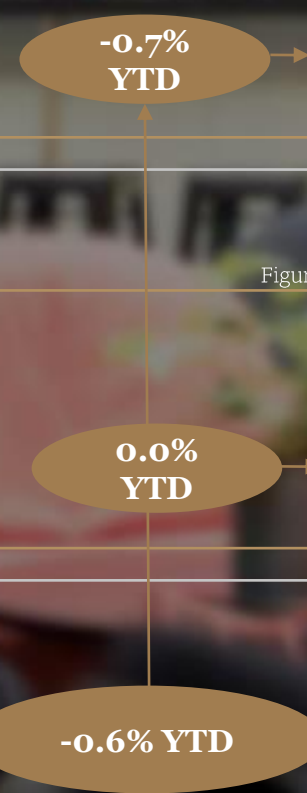
#### Change in value Investment Properties

	Figures in MSEK
Investment Properties, opening balance (1 January, 2021)	50,181
+ Acquisitions	—
+ Investments in current portfolio	153
- Divestments	—
+/- Reclassifications	—
+/- Revaluation of fixed assets to total comprehensive income for the period	—
+/- Unrealised changes in value	-351
+/- Realised changes in value	—
+/- Change in currency exchange rates	1,382
<b>Investment Properties, closing balance (31 March, 2021)</b>	<b>51,365</b>

#### Change in value Operating Properties, reported for information purposes only

	Figures in MSEK
Operating Properties, market value (1 January, 2021)	9,361
+ Acquisitions	—
+ Investments in current portfolio	128
- Divestments	—
+/- Reclassifications	—
+/- Unrealised changes in value <sup>1)</sup>	7
+/- Realised changes in value	-6
+/- Change in currency exchange rates	306
<b>Operating Properties, market value (31 March, 2021)</b>	<b>9,796</b>

<sup>1)</sup> Decommissioning FF&E



### Comments per 31 March, 2021

- Valuations made according to same method and model used since the IPO 2015
- Downward adjustments due to lower anticipated cash flows, mainly as a result of Covid-19
- Conclusive transaction evidence for yields still missing
- Yields and cash flow expected to be estimated with greater precision in the coming quarters
- Approximately 50 percent of the properties externally valued during the past 12 months
- External valuations are on average some 5 percentage points below Pandox's internal valuations, but exhibit large dispersion both within and between markets
- Total property portfolio market value amounted to MSEK 61,161 (59,542)
- Average valuation yield for Investment Properties was 5.46 (5.44) percent and for Operating Properties 6.38 (6.37) percent

## Property portfolio

# Fact-based approach

Value change, MSEK	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Property Management	-611	-320	-315	-533	-351
Operator Activities	-347	-282	-284	-101	7
Total	-958	-1,560	-2,159	-2,793	-3,137

Accumulated change, %	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Property Management	-1.1%	-1.7%	-2.3%	-3.3%	-4.0%
Operator Activities	-3.6%	-6.4%	-9.3%	-10.4%	-10.3%
Total	-1.5%	-2.5%	-3.4%	-4.4%	-4.9%

Full risk

Shared risk

Note: Value changes are accumulated from Q1 2020, i.e., the start of the pandemic

- High correlation between restrictions and demand
- Strong recovery in major markets outside Europe driven by domestic demand, when restrictions come down
- Relevant transactions point to steady valuations
- The jury's still out on behavioural changes

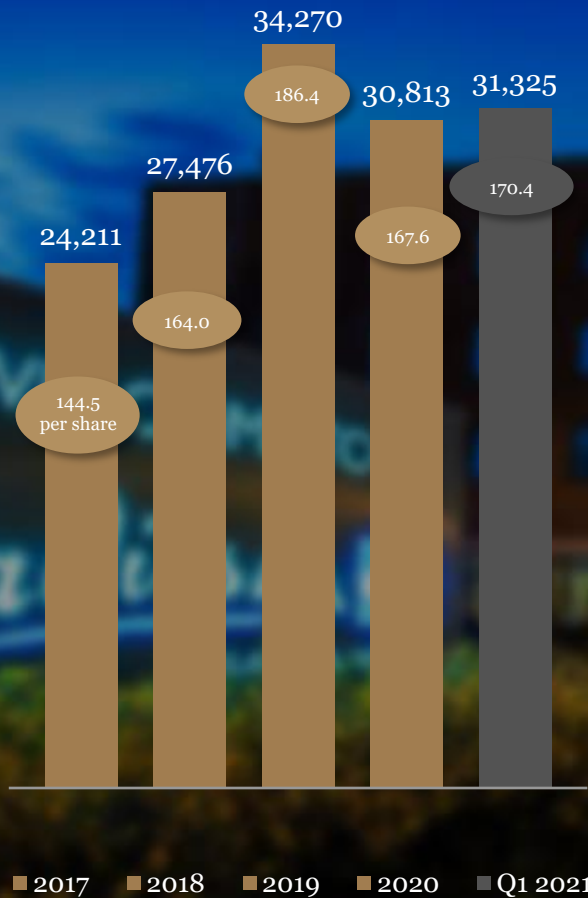
- Individual business plans for each hotel property
- Superior knowledge of the drivers for each asset

Short-term cash flow effect  
YES

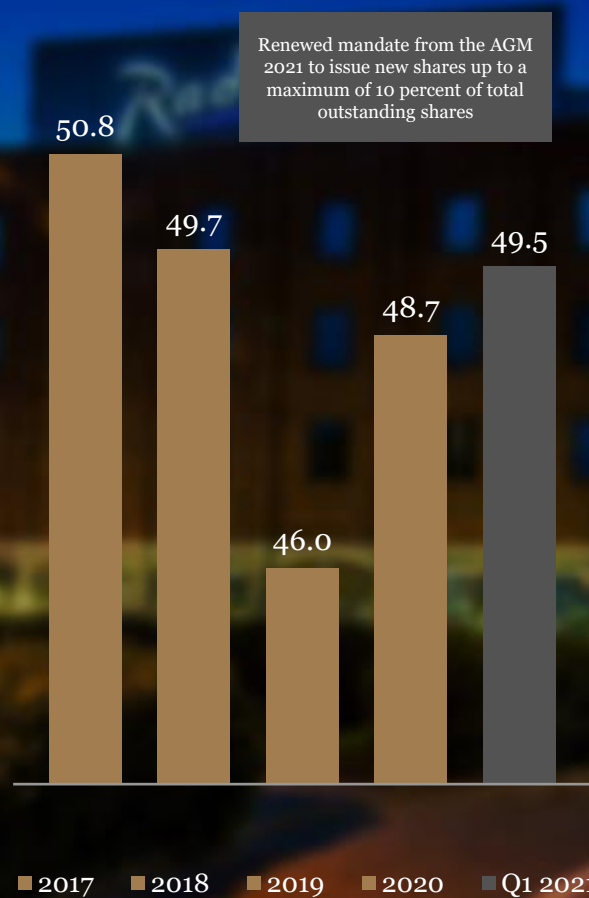
Long-term yield effect  
NO

# Financing and capital structure

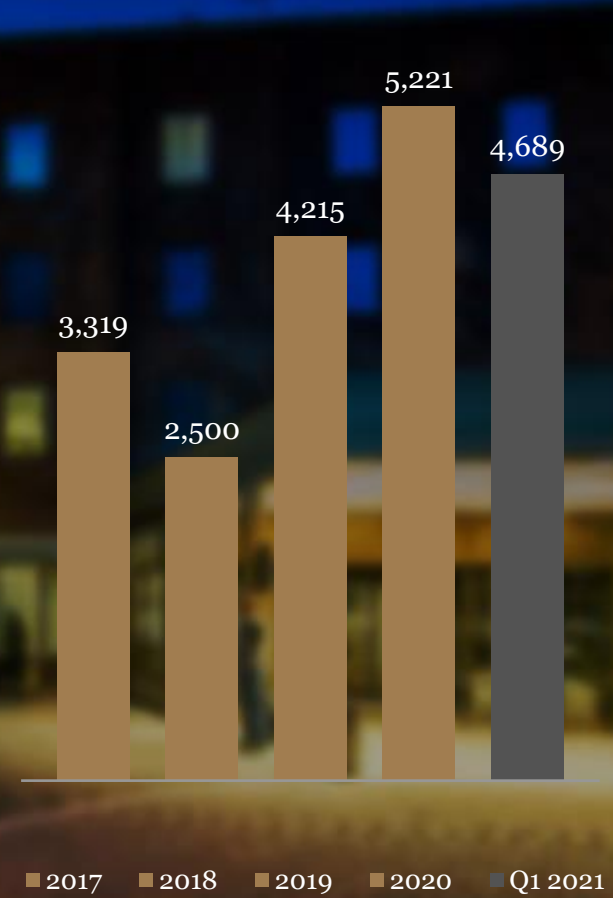
EPRA NRV (MSEK)



Loan to value (%)



Cash and cash equivalents and long-term unutilised credit facilities (MSEK)



# Three focus areas

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

Six development levels...

# ...to get back to full performance



# Recap

- Covid-19 arrived in Northern Europe in March 2020
- Societies locked down and economic activity decreased substantially
- With restrictions lifted in June/July, a recovery started across Europe with domestic leisure as main driver
- After the holiday period, local business travelers returned and Q4 looked promising
- In October new restrictions were imposed, demand decreased substantially across all segments
- The low demand environment continued in Q1 2021
- Vaccination programs gaining speed and we are hopefully on the doorstep to eased restrictions

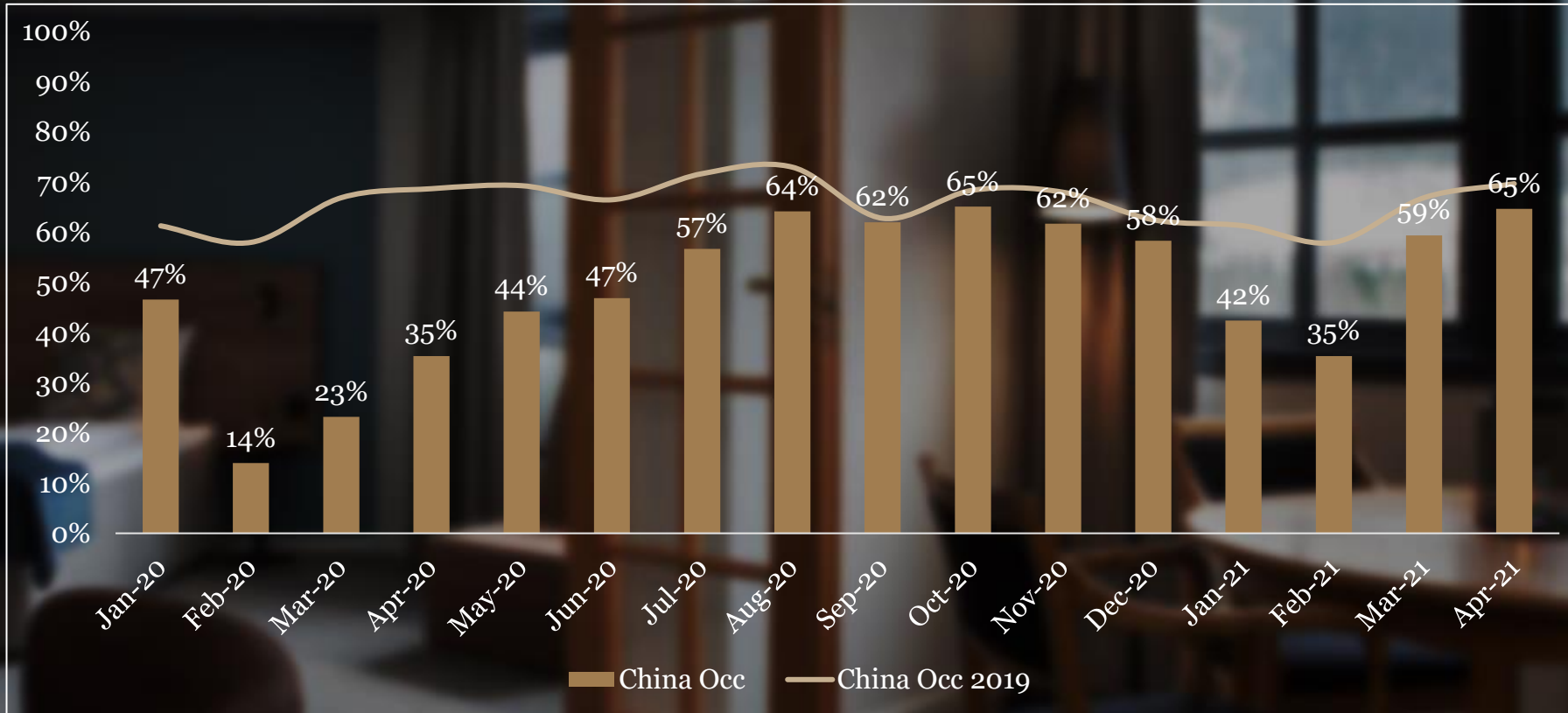
Hotel markets ahead of Europe

# China

- Hotel market in China first out in the recovery phase
- The driver is domestic leisure followed by domestic business
- Meeting segment has improved significantly, large conventions are taking place
- Large cities like Shanghai and Beijing are improving
- Strong domestic demand trend compensating for lack of international travellers

Hotel markets ahead of Europe

# China: Occupancy



Source: STR (open hotels only)



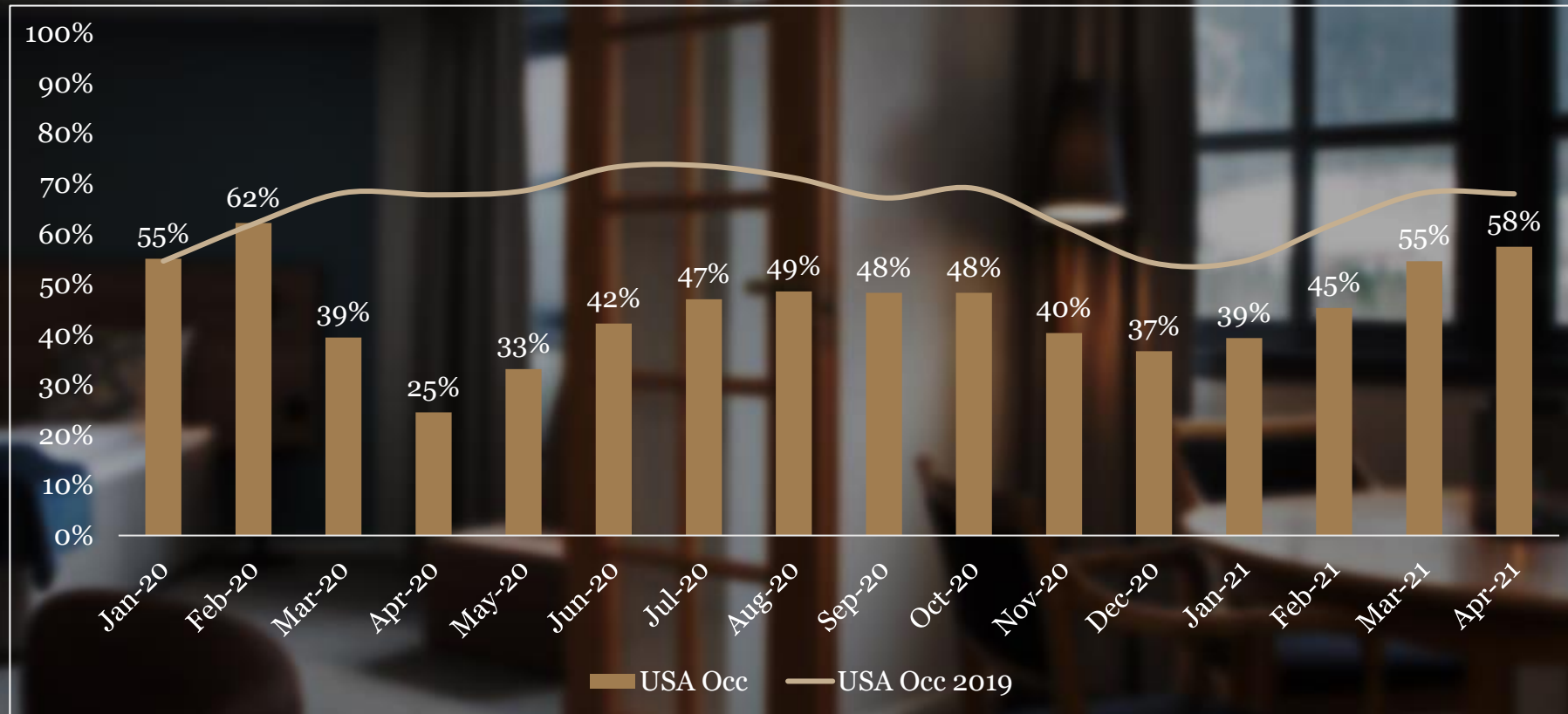
Hotel markets ahead of Europe

# USA

- Successful vaccination rollout has led to eased restrictions and travel confidence
- Also here, demand is driven by domestic leisure and local businesses
- Early signs of meeting and event demand, however, still low levels
- April occupancy at around 80 percent of 2019 level...
- ...despite low meeting and event activity, and low international demand

## Hotel markets outside Europe

# USA: Occupancy



Source: STR (open hotels only)

Six development levels...

# ...to get back to full performance



# It all depends on the restrictions

- Assuming Europe is a quarter behind the USA and the restrictions will decrease at the same rate...
- ...the recovery will start in Q2 2021 and the holiday period will be strong
- During autumn, the market will establish itself at level 4, supported by domestic leisure and local/regional business
- Pandox has more than 80 percent of rooms in domestic and regional markets

# Contract structure gives different revenue exposures

Full and immediate impact from market recovery	36%	Operator Activities	17%
		Revenue-based leases without minimum guaranteed rent	19%
Gradual impact from market recovery	64%	Revenue-based leases with minimum guaranteed rent	58%
		Fixed leases	7%

Given the hotel market's weak start of the year and the design of the agreements, only limited variable revenue is expected in leases with minimum guaranteed rent in 2021

# High prices – no distress

- The transaction market is gradually opening – since the outbreak of Covid-19 approx. 15 major single acquisitions have been completed, which Pandox deems relevant
- Hotel operators have been active sellers
- Interest in portfolios is increasing, but so far, few acquisitions have been completed
- The transactions confirm and exceeds Pandox's own valuations in the relevant markets
- No distressed prices or distressed assets

Hotel	No. of rooms	Price per room (KEUR)
Clarion Hotel Amaranten, Stockholm	461	Approx. 320
SKT. PETRI, Copenhagen	288	Approx. 520
Leonardo Royal Berlin Alexanderplatz	346	Approx. 170
Leonardo Hotel Munich City West Leonardo Hotel & Residence Munich	368	Approx. 209
Clayton Hotel Charlemont, Dublin	187	Approx. 347

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