

Q3 2022 presentation

# Strong result in a strong hotel market

Liia Nõu, CEO  
Anneli Lindblom, CFO  
Anders Berg, Head of IR

27 October 2022



Quarter in brief

# Our strongest quarter so far

- › Strong growth in a restriction-free quarter
  - Return to normal seasonal pattern and business mix
  - Increased revenue-based rent and improvements in own operations
- › Substantial earnings improvement
  - Confirms the power of Pandox's business model
- › Strong financial position
  - Loan-to-value of 47.1 percent
  - Financing through banks only

Strategic position

# A well-diversified portfolio

## Pandox Group

**157**  
Hotel properties

**35,490**  
Rooms

SEK **68.3**<sup>bn</sup>  
Property market value

## Property Management

**135**  
Leased properties

**29,160**  
Rooms

**81%**  
Property market value

## Operator Activities

**22**  
Operated properties

**6,330**  
Rooms

**19%**  
Property market value

Strategic position

# A strong network of partners and brands



Pandox cooperates with more than 30 business partners and brands

Quarter in brief

# High business activity

+18%

Return on equity <sup>1)</sup>

R12M

+74%

LFL growth in NOI  
total <sup>2)</sup>

Jul-Sep 2022

+39%

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

Jul-Sep 2022

47.1%

Loan-to-value, net

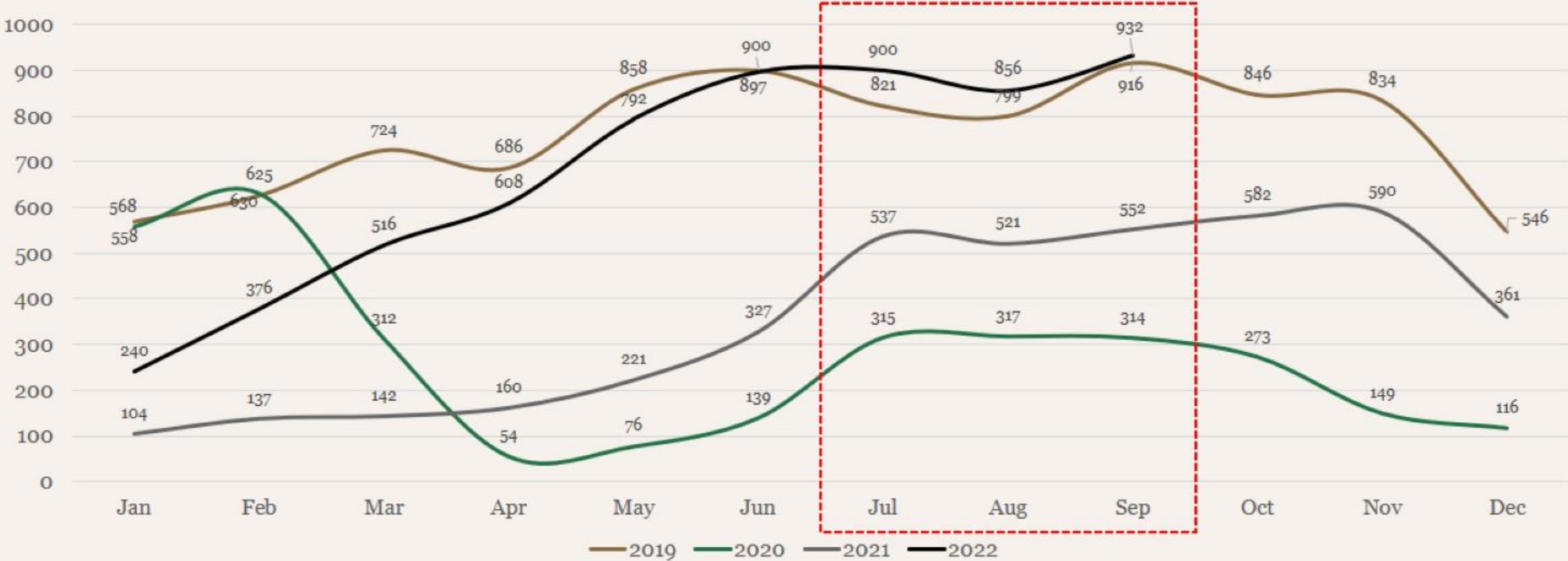
Per 30 September 2022

<sup>1)</sup> Measured as growth in EPRA NRV, including dividend and excluding proceeds from directed share issue, at annual rate.

<sup>2)</sup> Measured as net operating income Property Management and gross profit plus depreciation Operating Activities.

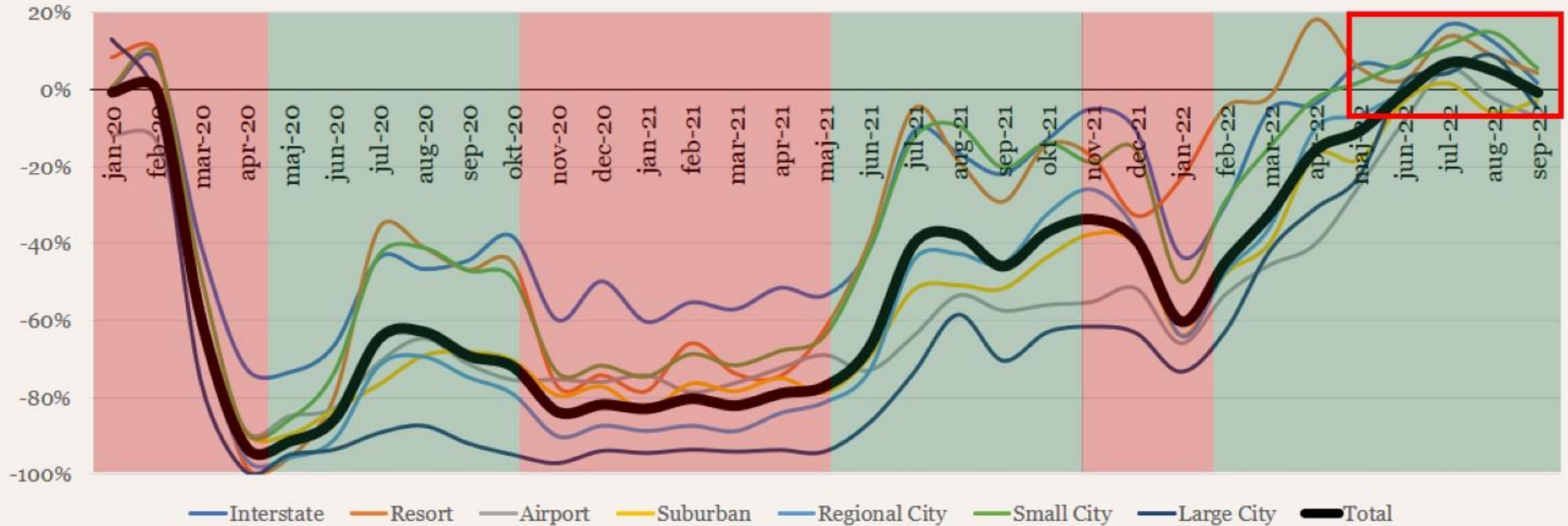
<sup>3)</sup> For comparable units adjusted for currency effects.

# RevPAR has fully recovered

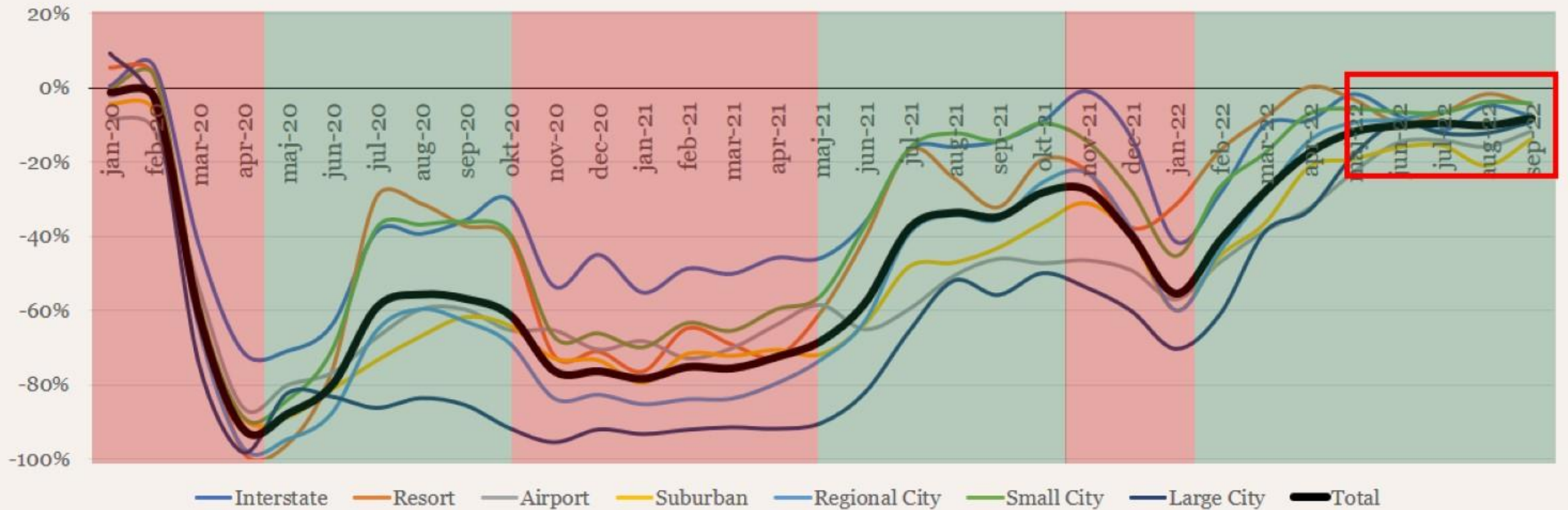


Pandox total portfolio

# RevPAR per segment indexed vs. 2019



# Occupancy by segment indexed vs. 2019





Acquisition

# NH Brussels Louise



- Operator Activities
- City center
- 246 rooms
- Purchase price of MEUR 35
- Existing strong local commercial and technical platform in Brussels
- Pandox currently evaluating the best commercial alternative for the hotel

Acquisition

# DoubleTree by Hilton Bath



- Operator Activities
- City center, 176 rooms, well invested
- Purchase price of MGBP 40
- Strong, strategic location in central Bath, attracting both leisure and business travelers
- Management agreement with Axiom Hospitality
- Stabilised yield of approximately 7.5 percent

Divestment

# InterContinental Montreal



- › Operator Activities
- › 357 rooms, owned since 2007
- › Transaction value MCAD 80
- › Right timing, right price
- › Buyer has a strong local presence in Montreal
- › Closing is planned for first quarter 2023

Recent examples

# Value-creating investments

Scandic Park, Stockholm



Hotel Pomander, Nuremberg



# Strong earnings leverage

- › Normalised earnings in a normalised hotel market
- › Strong growth in revenue, NOI and positive unrealised value changes
- › Cash earnings of MSEK 720 (270)
- › Repayment of deferred rent according to plan. MSEK 352 outstanding end Q3 vs 537 end Q2
- › MSEK 37 (15) in direct government support in Operator Activities and 48 (7) in Property Management, mainly for previous financial year\*

Revenue and result (MSEK)	22Q3	21Q3	YoY	LFL <sup>1)</sup>
Pandox Group revenue	1,673	939	78%	72%
Pandox Group NOI	1,059	575	84%	74%
Property Management revenue	967	652	48%	39%
Property Management NOI	866	553	57%	45%
Operator Activities revenue	706	287	146%	143%
Operator Activities NOI	193	22	777%	NM
EBITDA	1,037	550	89%	-
Profit before value changes	694	210	330%	-
Cash earnings	720	270	167%	-

1) For comparable units adjusted for currency effects.

\*) All outstanding government grants relating to Covid-19 were received during the quarter. Pandox's assessment is that no obstacles prevail for the parent company's ability to pay dividend for the financial year 2022 should the board of directors' so propose.

# Solid improvement trend in variable revenue

Variable revenue in Property Management



Growing number of leases with minimum contractual rent generating variable revenue



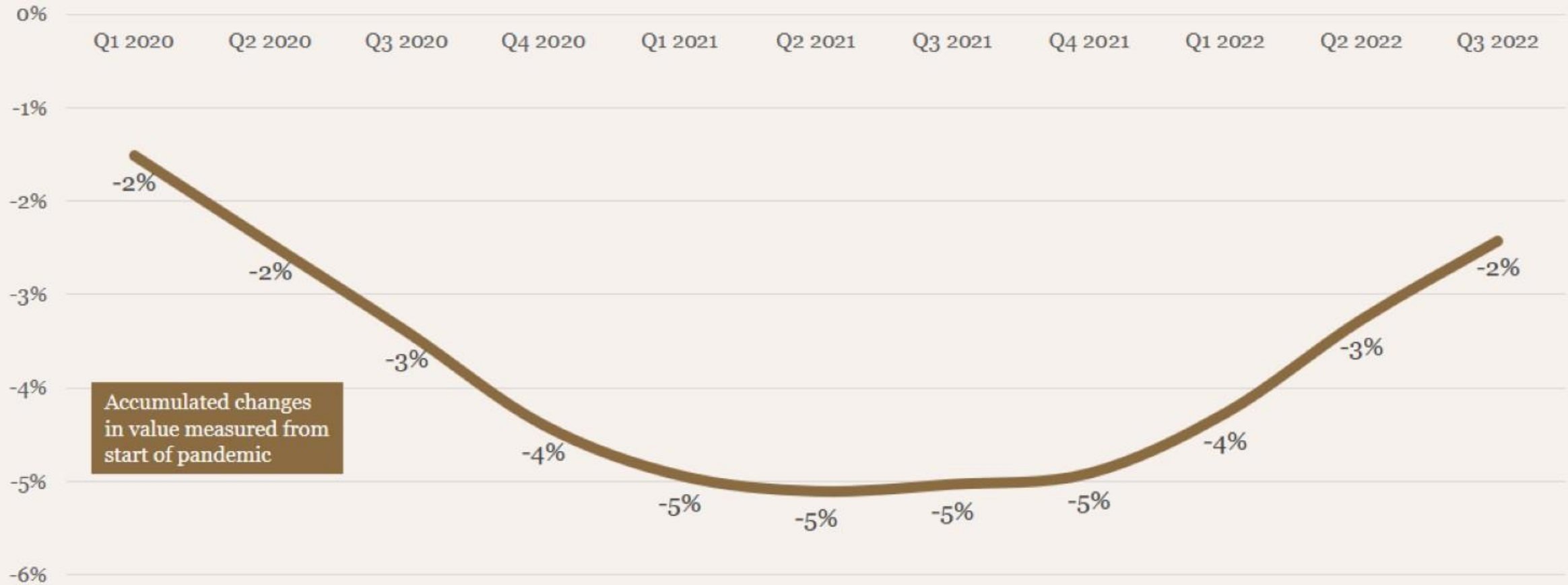
## Property portfolio

# Positive changes in value

Change in value Investment Properties	MSEK	
Investment Properties, opening balance (1 Jan, 2022)	52,215	
+ Investments in current portfolio	306	
- Divestments	-127	
+/- Unrealised changes in value	1,252	+2.4%
+/- Realised changes in value	-6	
+/- Change in currency exchange rates	1,942	
Investment Properties, closing balance (30 Sep, 2022)	55,582	
<b>Change in value Operating Properties (for information purposes only)</b>		
<b>MSEK</b>		
Operating Properties, market value (1 Jan, 2022)	10,380	
+ Acquisitions	878	
+ Investments in current portfolio	318	+3.1%
+/- Unrealised changes in value	332	
+/- Change in currency exchange rates	767	
Operating Properties, market value (30 Sep, 2022)	12,675	+2.5%

- Pandox performs internal valuation of its hotel properties each quarter and Investment Properties are recognised at fair value. The value of Operating Properties is reported for information purposes only and is included in EPRA NRV calculations.
- The property values are based on Pandox's internal valuation. External valuation of the properties is also conducted for comparative purposes.
- Approximately 97 percent of the properties externally valued in the past 12 months, based on value
- Total unrealised and realised changes in value of MSEK 1,578
- Total property value of MSEK 68,257 (62,596) end-of-period
- Average valuation yield Investment Properties 5.45 (5.44) percent and Operating Properties 6.43 (6.37) percent end-of-period
- Acquisition of DoubleTree by Hilton Bath (UK) and NH Brussels Louise (Belgium), and divestment of Scandic Kajanus (Finland)
- Divestment of InterContinental Montreal, Canada, to be completed in Q1 2023

# Hotel market recovery lifts property values

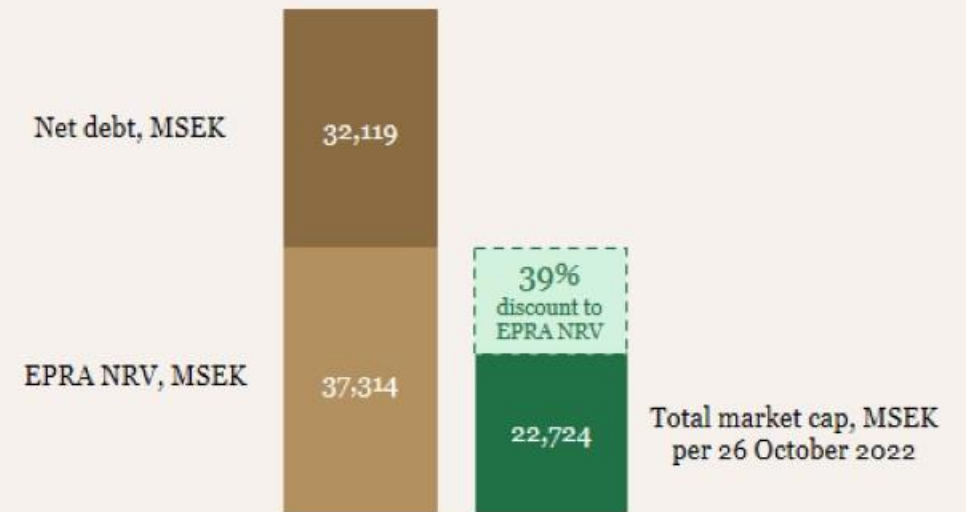




# Well-proven financing strategy

- › Well-proven financing strategy built on long-term relationships with banks and shareholders
- › Equity and mortgage-backed bank loans are Pandox's sources of financing
- › No market financing in the form of bonds/hybrids and no external rating requirements
- › Given Pandox's business model, mortgage-backed bank loans are the most effective and predictable source of financing

Capital structure, per 30 September 2022



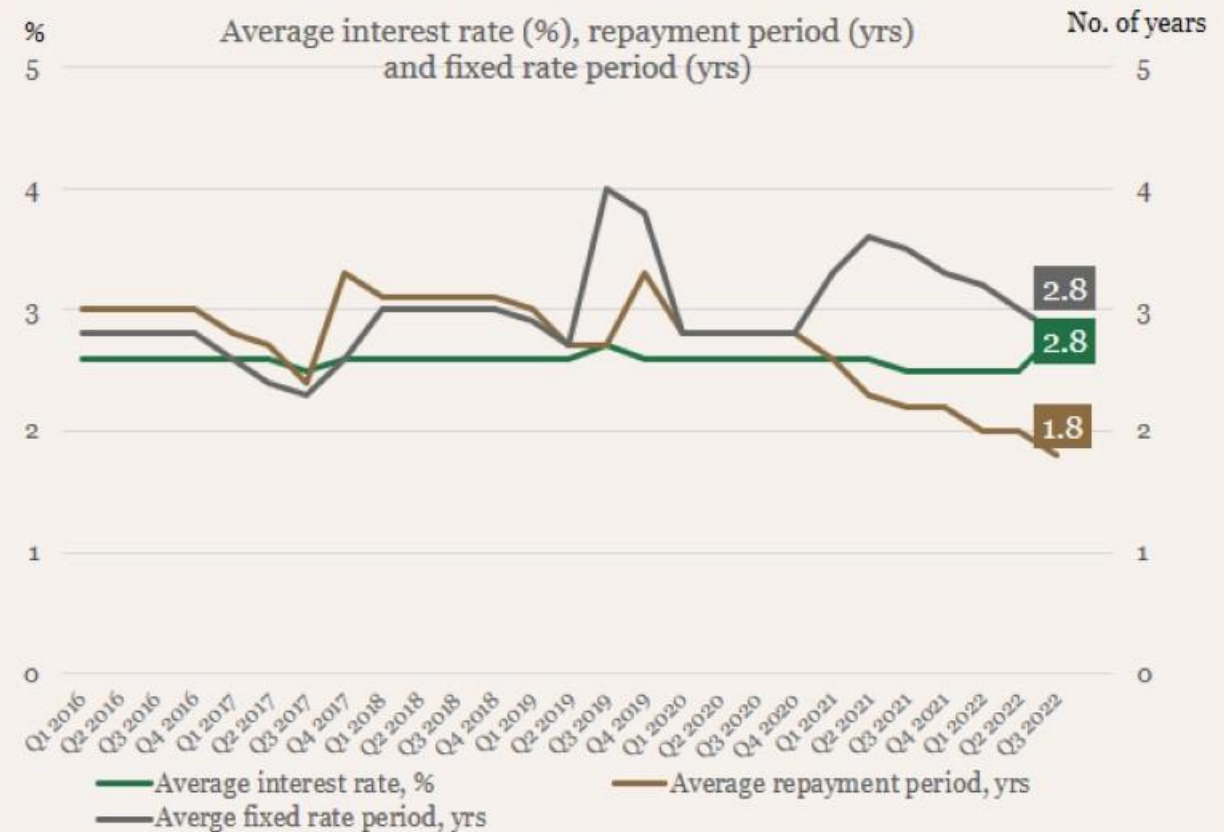
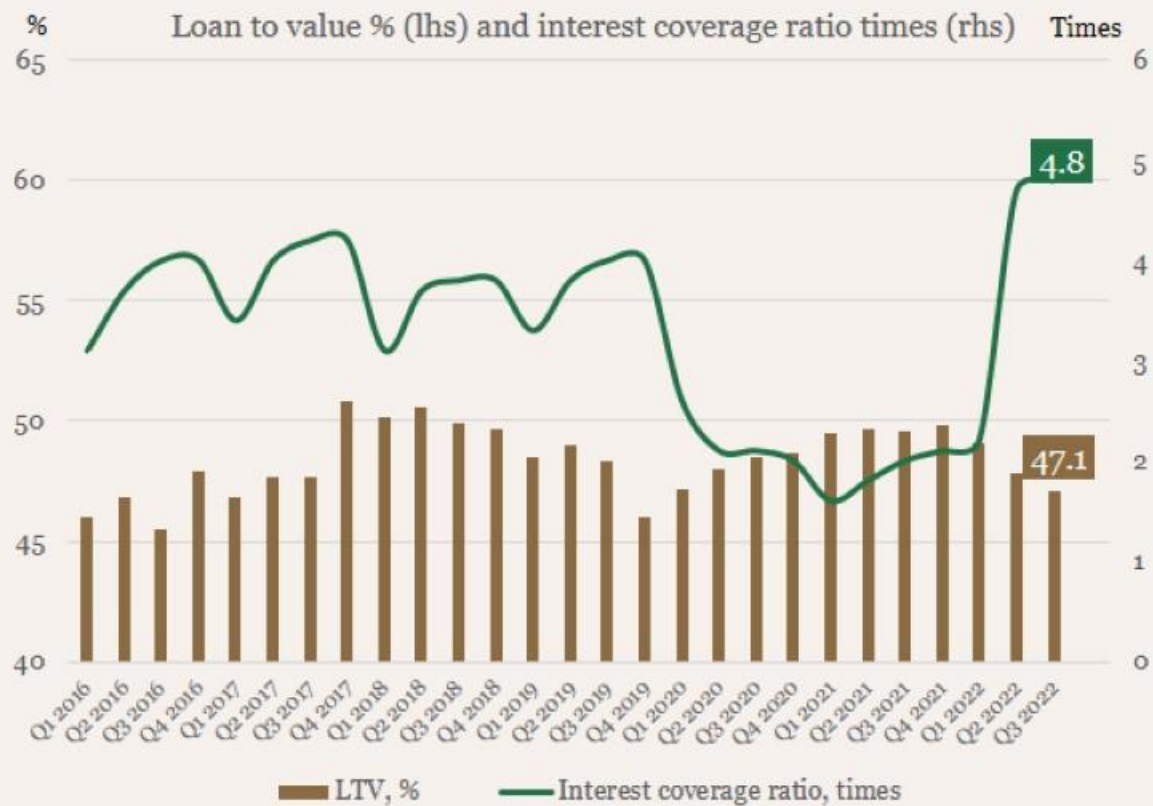
# Positive dialogues with lenders

- › MSEK 12,730 of debt maturing within one year, of which MSEK 9,162 during H1'23
- › Proactive and positive dialogue with banks on refinancings
- › Recent developments in the credit market imply that Pandox's interest costs will rise gradually in 2023
- › Loan-to-value ratio at lower end of financial target range and solid "cash" position
- › Strong interest cover ratio

Key metrics (at end of period)	22Q3	21Q3	YoY	FY 2021
Net interest-bearing debt, MSEK	32,119	30,387	6%	31,159
EPRA NRV, MSEK	37,314	31,529	18%	31,905
Loan to value, %	47.1	49.6	NA	49.8
Interest cover ratio, times	4.8	2.5	NA	2.1
Average interest on debt, %	2.8	2.5	NA	2.5
Average fixed rate period, years	2.8	3.5	NA	3.3
Average repayment period, years	1.8	2.2	NA	2.2
Cash and unutilised credit facilities, MSEK	4,511	4,202	7%	3,576

## Financial summary

# Key debt metrics

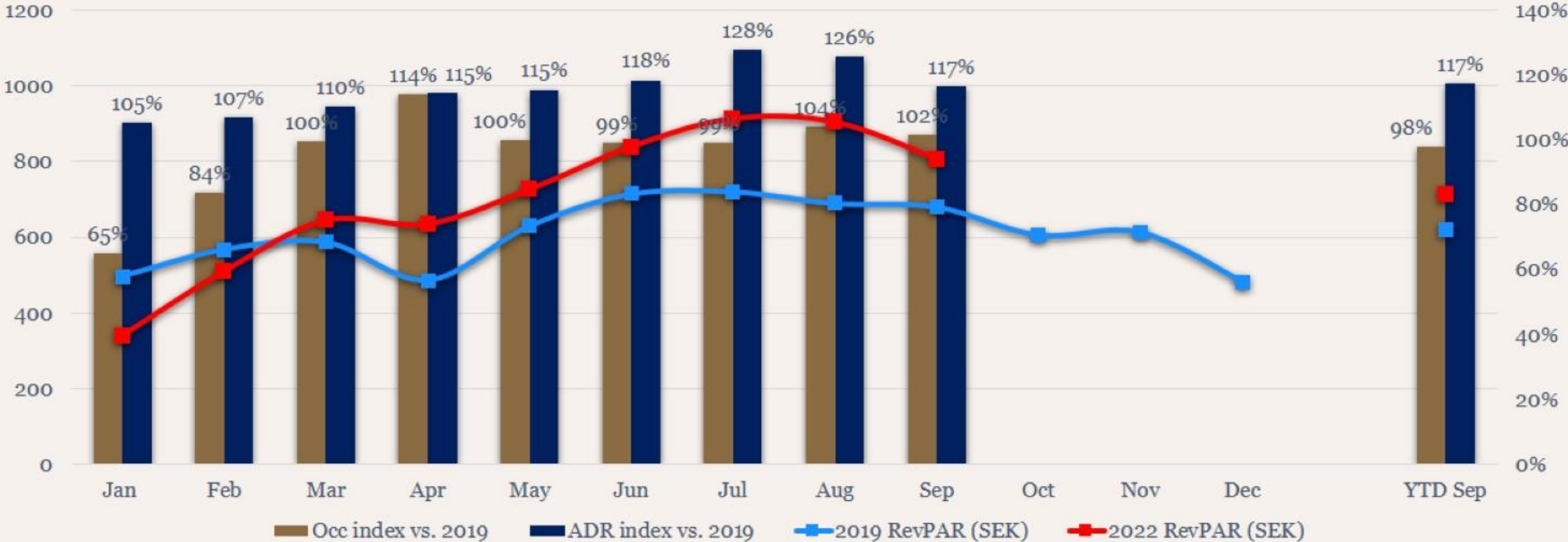


# A return to normality

- › First restriction-free quarter since Q4 2019
- › RevPAR recovered to pre-pandemic levels
- › Strong ADR development in all markets, while occupancy is trailing slightly
- › Normal seasonal pattern and business mix
- › Biggest relative recovery in larger cities, while smaller ones continue to perform well
- › So far, rising inflation and higher energy prices have not had any clear negative impact on hotel demand

Hotel market development

# Nordic regional

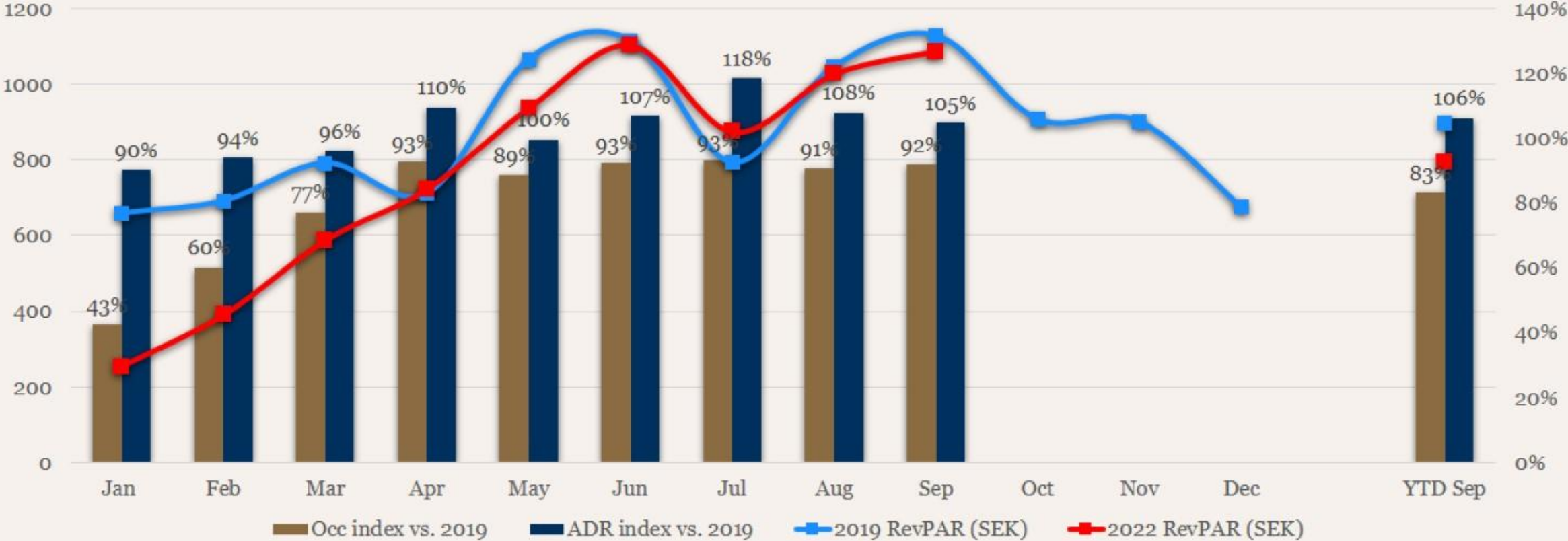


Source: Benchmarking Alliance



Hotel market development

# Nordic capitals

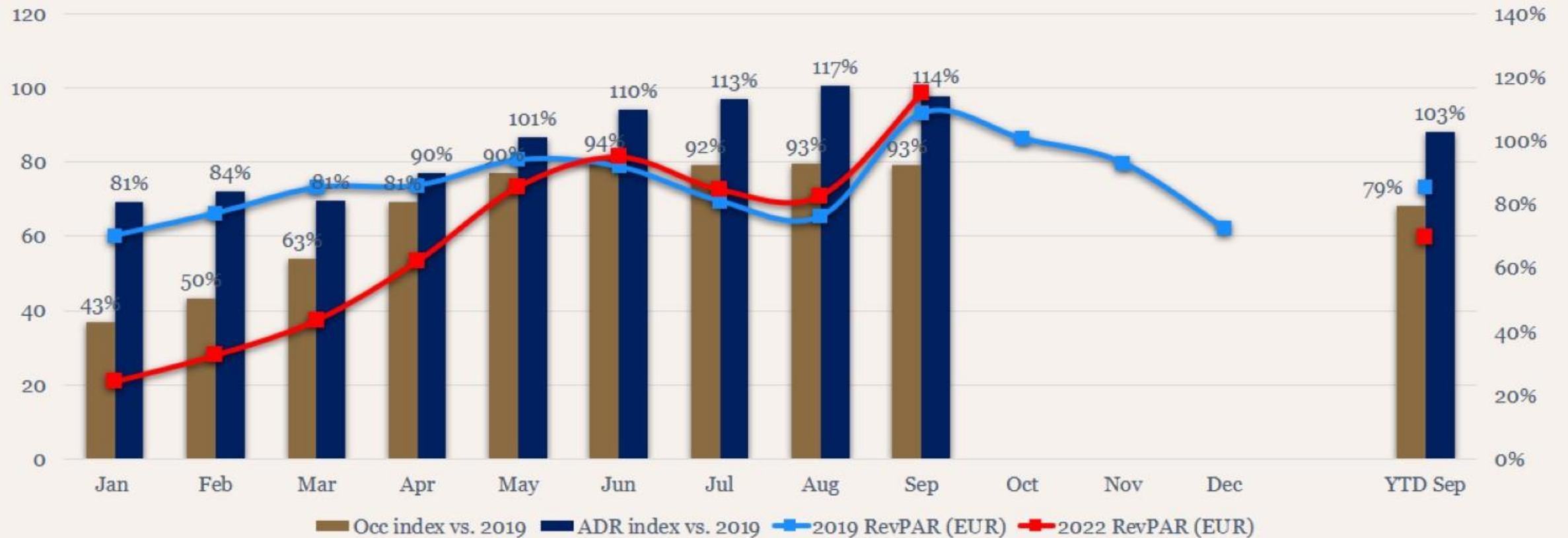


Source: Benchmarking Alliance



## Hotel market development

# Germany



Source: STR Global

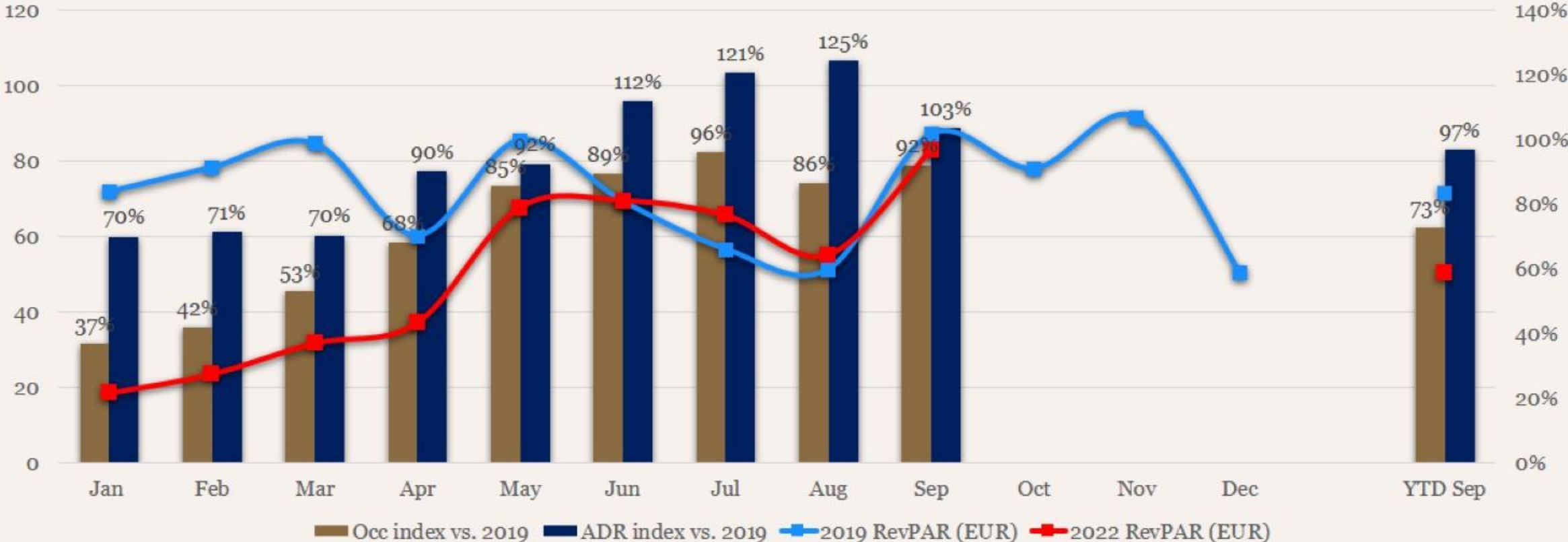


Interim report Q3 2022

23 October 2022 23

Hotel market development

# Frankfurt



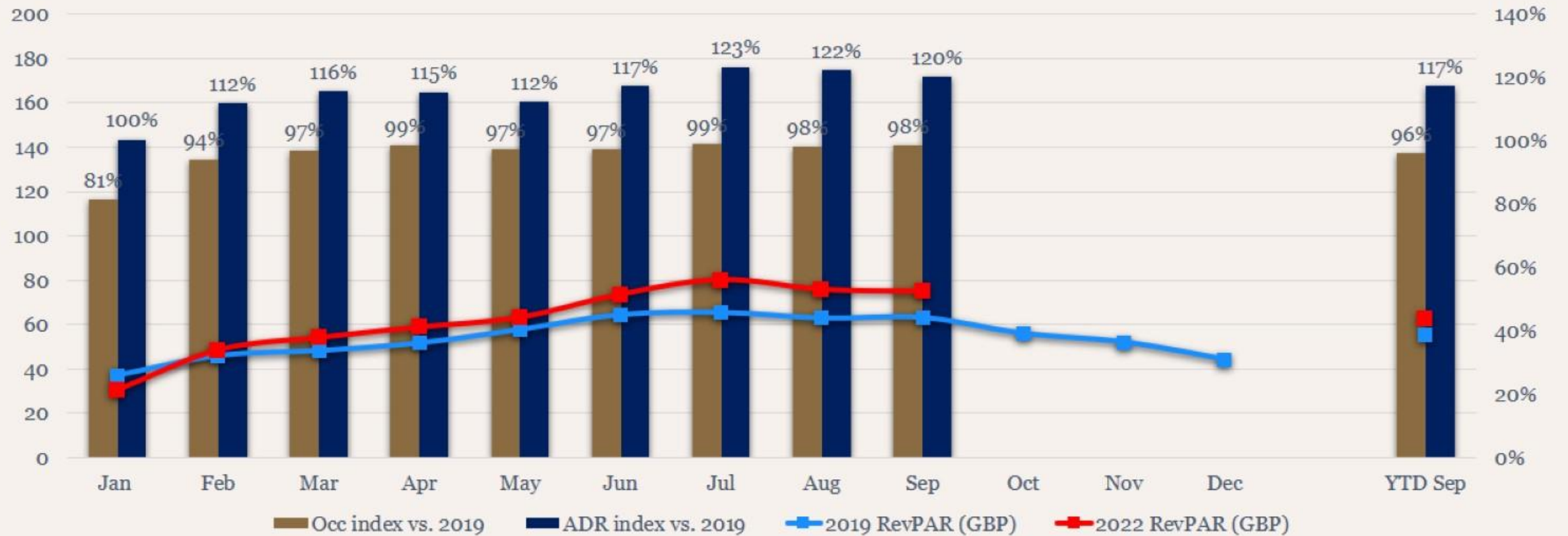
Source: STR Global





# Hotel market development

## UK regional



Source: STR Global

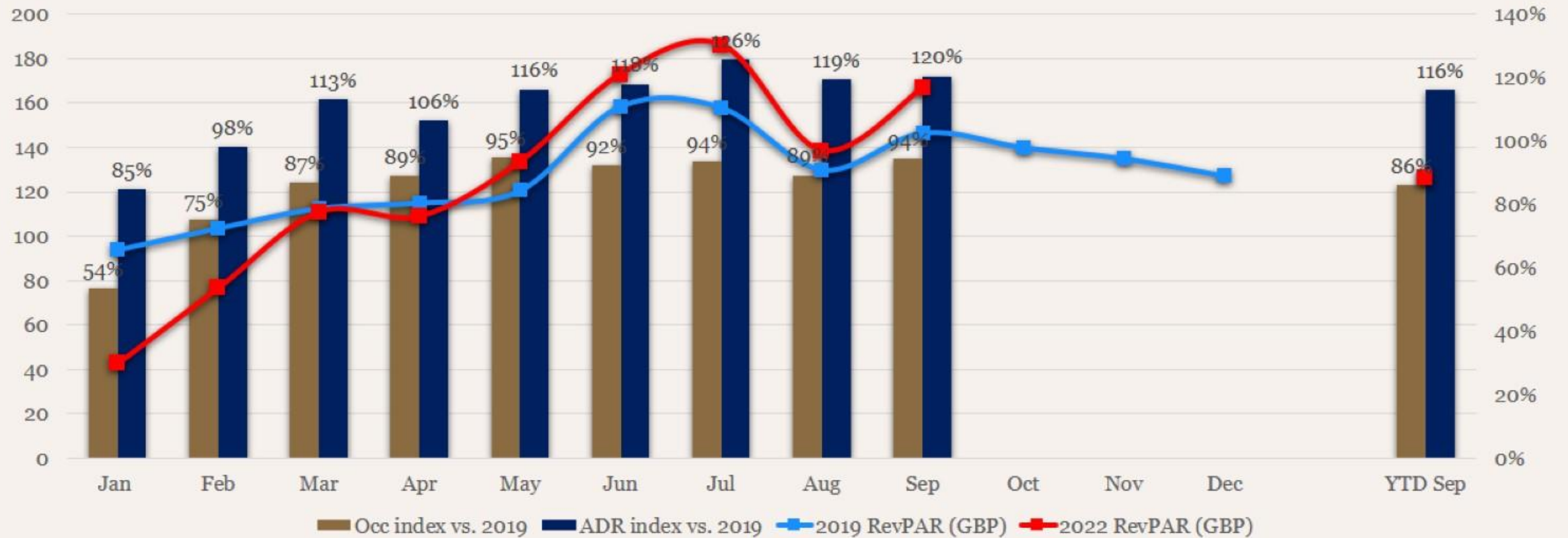


Interim report Q3 2022

27 October 2022 25

## Hotel market development

# London



Source: STR Global



Interim report Q3 2022

27 October 2022 26

# Good starting point in more uncertain times

- › RevPAR at or above 2019 levels in the third quarter
- › Profitable business model and normalised earnings
- › Good financial position and strong cash flow
- › Energy and financial cost will increase in 2023
- › Variable revenues offer protection against both inflation and higher interest rates
- › Disposable income and business cycle risks meeting strong underlying demand

Pandox Hotel Market Day

# THE FUTURE OF WORK AND WHAT IT MEANS FOR HOTELS

15th November 2022, 13.00–16.30 (CET)



**CARL FREY**

Director, Future of Work at Oxford  
Martin School University of Oxford



**JUNE KOH**

Total Workplace Partner  
Cushman & Wakefield



**ERIC JAFARI**

Chief Development Officer  
Edyn



**RACHELE FOCARDI**

Founder  
Xyz at Work



**UMRAN BEBA**

Partner  
August Leadership



**IDA TROIVE**

CHRO  
Parks and Resorts Scandinavia AB



**VANESSA BORKMANN**

Prof. Dr.-Ing.  
Fraunhofer-Institut



**JENS MATHIESEN**

CEO  
Scandic



**LIIA NÕU**

CEO  
Pandox



**CHRISTIAN RINGNES**

Chairman of the board  
Pandox



**JAN WIFSTRAND**

Moderator



**PEPPER**

Corporate Dog  
Pandox

Join us for insights into how work is changing, how workplaces are being shaped after the pandemic and what hotels can do to stay relevant and attractive both as products and workplaces.



Q&A





Pandox AB (publ)

Box 15

SE-101 20 Stockholm

Sweden

Tel: +46 8 506 205 50

[www.pandox.se](http://www.pandox.se)

Org. Nr. 556030-7885

**Forward-looking statements.**

This presentation contains forward-looking statements. Such statements are subject to risks and uncertainties as various factors, many of which are beyond the control of Pandox AB (publ), may cause actual developments and results to differ materially from the expectations expressed in this presentation.