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## **Host Property AB**

Market update 3Q2020

*30. October 2020*



## STATUS HOST PROPERTY AND HOTEL MARKET

### 3Q2020 YTD results (Audited)

- Host Property reported revenues of 48,5 MSEK and EBITDA of 27,7 MSEK 3Q 2020 year to date. EBITDA was 34,1 MSEK during the same period in 2019. Host Property has during the 3Q2020 YTD period reserved 10,5 MSEK for potential losses on receivables in the P&L as operating costs and balance sheet item receivables
- Host Property has audited the 2020 YTD figures per 3Q to get an updated evaluation and approval of the financial figures. The audit has among other factors and not limited to, evaluated revenue streams / receivables regarding potential write downs and/or other write downs for P&L and balance sheet items, including group company loans

### Hotel operator update

- The hotel operating companies (Tribe Hotels) for Host Property went into reconstruction June 24, 2020 - The reconstruction is still ongoing
- During July 2020, Host Hoteleiendom took 100% ownership of the operations at Tribe Hotels, including the operations at the nine Host Property hotel properties
- It has been important for Host Hoteleiendom to take action and ownership to continue operations and secure values at the hotel properties during this historic challenging time

### Revenues going forward

- Host Property is working closely with the hotel operating companies and the court approved reconstructor to achieve the best possible result for Host Property and the bondholders
- Rents for 4Q 2020 and onwards can be paid according to the actual earnings per hotel. A cash plan updated to the reconstructor per October 28, 2020 indicates a rent level of 25-50% of contract rent going forward. As for the hotel and travel industry in general, there is a historic high degree of uncertainty on financial estimates going forward

### Action plan

- Since the outbreak of COVID-19, the primary goal and strong commitment for Host Property have been to secure values for the Host Property portfolio for both shareholders and bondholders
- Host Property has during this period been active cutting costs, taken control of the operations of our hotels and working actively with potential new external hotel operators
- Host Property needs to invest to secure and build value. When the market comes back, which we believe it eventually will, we will be ready



# GOVERNMENTAL GRANTS DO NOT MATCH THE REPORTING SCHEDULE

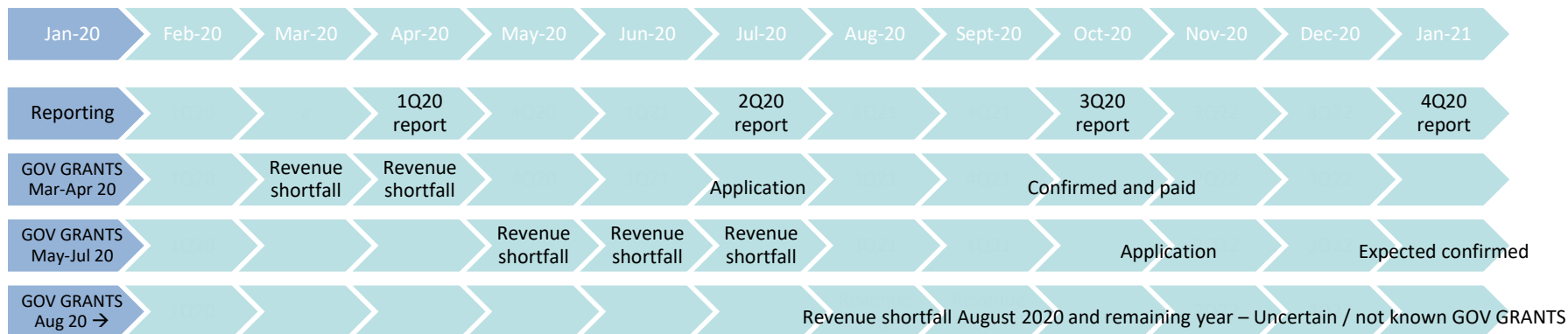
## Governmental grants March and April 2020

- After the implementations of governmental restrictions after the outbreak of COVID-19, the government shortly announced baseline principles for governmental grants during the spring of 2020
- However, the confirmation and payment of the March and April 2020 grants were not confirmed and paid before **October 19 2020** for the relevant Host Property hotel operating companies
- According to the Terms & Conditions (T&C), Host Property has to report within 30 days after the end of the quarter
- **Therefore, the grants were not confirmed before 3-6 months after Host Property was to report its quarterly reports according to the T&C**

## Governmental grants May-July 2020

- The application period for the May, June and July 2020 regarding governmental grants is scheduled between October 20 and November 30, 2020
- Expected confirmation and payment is expected to be 6-8 weeks after the end of the application period, expected in late January 2021
- **Therefore, the grants are not expected to be confirmed before 3-6 months after Host Property was to report its quarterly reports according to the T&C**
- The government has not decided on whether to support the hotel sector with governmental grants for the August and remaining of the 2020 year at this point in time

### Timing of governmental grants do not match reporting schedule



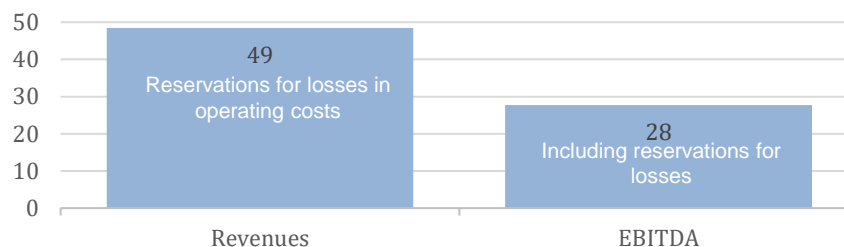


## REVENUES AND EBITDA – 3Q 2020 YTD AND GOING FORWARD

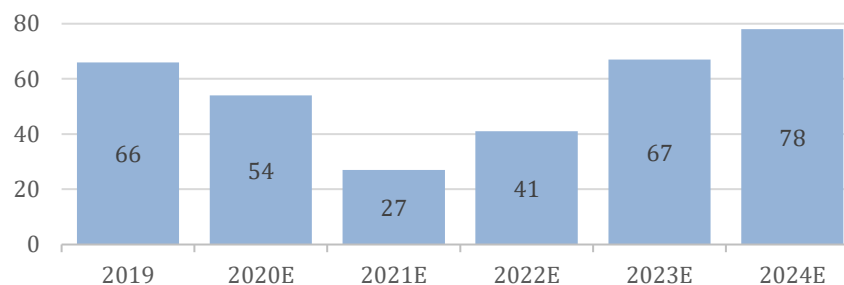
### Revenue guiding increased based on latest development

- Host Property has worked closely together with the Tribe Hotels operating companies regarding governmental grant packages during 2020
- On October 19, 2020 the relevant Host Property operating companies received SEK 6,5 million in governmental grants for the March and April 2020 period
- Based on the same principles, the same operating companies are estimated to receive about SEK 11 million during the May, June and July 2020 period (but not expected to be paid before January 2021)
- Despite the governmental grants to the operating companies and the current cash balance, there is a risk that Host Property may incur losses on 3Q 2020 YTD reported revenues. Host Property has therefore reserved SEK 7.3 million in potential rent losses for 3Q 2020 YTD report. In addition, SEK 3,2 million has been reserved for other potential losses of receivables, mainly related to Billingeus from 2019 booked financial items
- The 3Q 2020 YTD and the reservations of potential losses on receivables have been evaluated together with the reconstructor and auditor as of October 28, 2020
- The uncertainty for the full year figures and coming years is historic high and may change materially going forward

### Revenues and EBITDA – 3Q 2020 YTD - SEKm



### Revenues going forward – Estimates - SEKm



### ICR-calculation based on reported and audited figures

Interest coverage ratio (SEKt)	Q3 20 LTM
EBITDA	56,279
Total interest expenses	31,834
<b>Interest coverage ratio</b>	<b>1.77x</b>

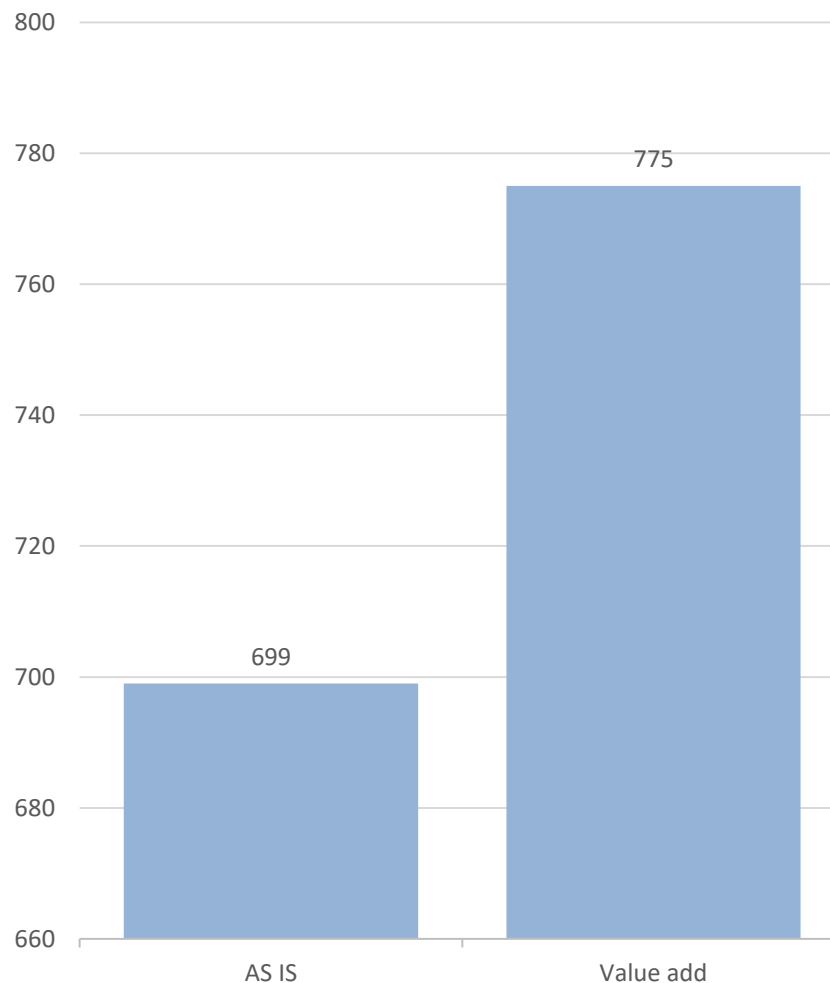


# HOST PROPERTY VALUATION

## Valuation overview

- Nordic Hotel Consulting valued the properties with a total value of SEK 757 million as of end of June 2020
- During the last month, Host Property and Nordic Hotel Consulting have conducted a detailed strategic evaluation of a number of investment scenarios on each property
- The main purpose is to invest in projects with the highest return on investment given the current market situation and outlook going forward
- Nordic Hotel Consulting have based the value-add valuation with an estimated capex of approximately SEK 100 million, with focus on selected investments with best return on equity
- The value-add valuation from NHC estimates a net value gain given recommended investments – SEK 76 million
- NHC have looked at AS IS, selected investments and/or full renovations at each hotel property compared to the market potential

## Valuations summarized – SEKm – October 2020



The valuation is based on a SEK 150 million investment at Billingeus in the development case. Host has an agreement of a SEK 45 million payment if development of the property in accordance with agreement with Skövde Municipality



# HOST PROPERTY VALUATION AND INVESTMENT PLAN

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## Valuation overview

- Host Property is continuously evaluating the different investment scenarios on each property to ensure the best return on investments given the current market status and outlook. In addition, the company has to make sure to include necessary technical investments in properties to sustain value. The analysis includes renovations, freeing up new commercial areas, alternative use and technical investments necessary to sustain value.
- It is important to have an active investment plan going forward to both sustain and the increase the value of the properties. There is, however, high complexity connected to the investment decisions due to the market uncertainties and the ongoing operator discussions.
- Host Property is confident to identify the projects with the highest return on investment given the current market situation and outlook.

## Evaluation criterias

- Value add from investement and return on investment
- Sustain long term property value
- Cap rate
- Ongoing operator evaluation / search
- Timing of market recovery post the ongoing pandemic
- Local market performance (Hotel, F&B, Retail, Office)
- Alternative use of property / conversion / lease levels
- New supply in pipeline
- Market liquidity
- Negotiations with Skövde Municipality



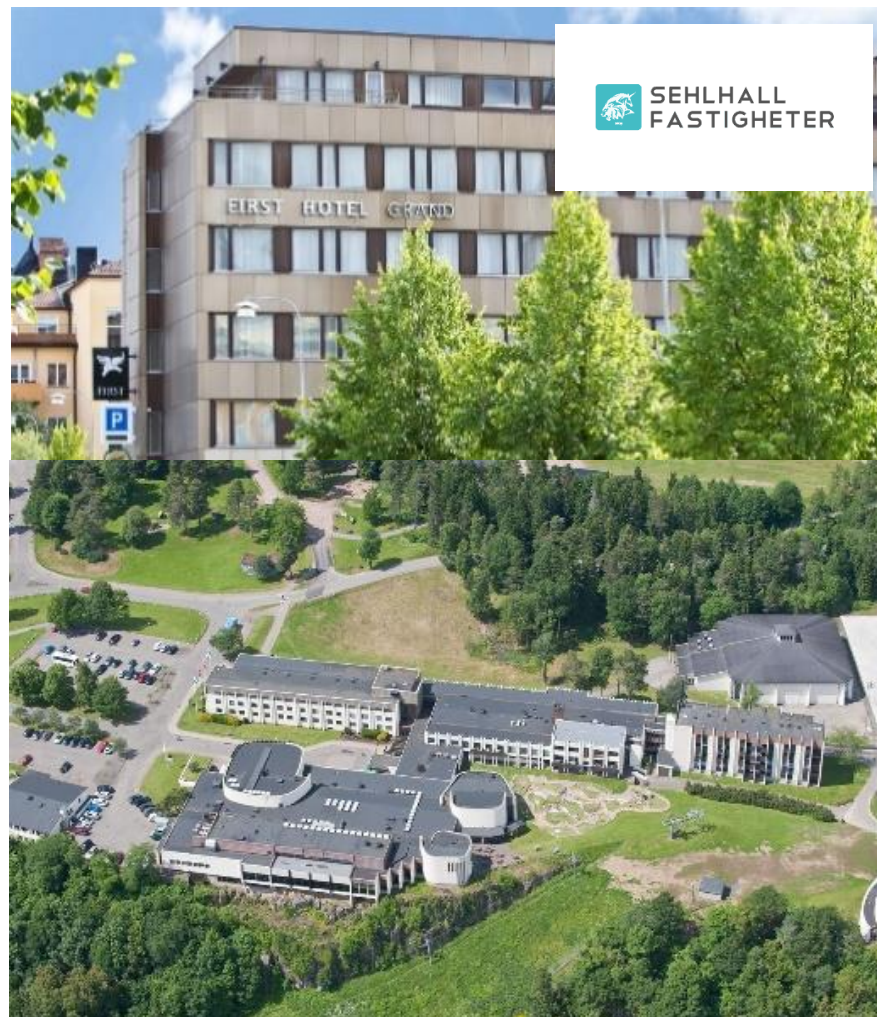


# STRATEGIC ALLIANCE WITH SEHLHALL – COMMUNITY SERVICE PROPERTIES

## Comments

- Host Property and Sehlhall work together to evaluate and develop relevant JV projects - The development projects under evaluation have no (zero) valuation in current valuation reports and represents upside in values if carried through according to plan
- Possible JV projects will be carried out in separate JVs where Host Property's equity portion is potential plots into the JV. No building phase will be started before the project is sold to an external party
- Strong management group and board in Sehlhall Fastigheter, with extensive track record in developing community service properties in the Swedish market – Strong knowledge in local markets where Host Property has its properties
- Sehlhall and Host have identified 3-4 potential projects to develop community type properties at the current Host Property plots and/or properties. The process is still in an early phase – slowed somewhat down by the restriction effects of COVID-19. Still, the long-term potential is highly positive with strong long-term drivers to create values at these locations

## Sehlhall Fastigheter – Specialized community service developer



Newco JV 50/50% Host and Sehlhall – Case study *	SEK
JV purchase agreement plot from Host conditioned regulation and other relevant milestones for community service housing	✓
JV, led by Sehlhall, to negotiate regulation and lease contract with local municipality	✓
JV, led by Sehlhall, to negotiate a turnkey construction contract	✓
JV to sell property “forward” turnkey community service property to pension fund / institutional investor	170m
Building phase to start – cost covered by buyer	130m
Host Property to be paid cash for plot plus 50% profit	15m+20m

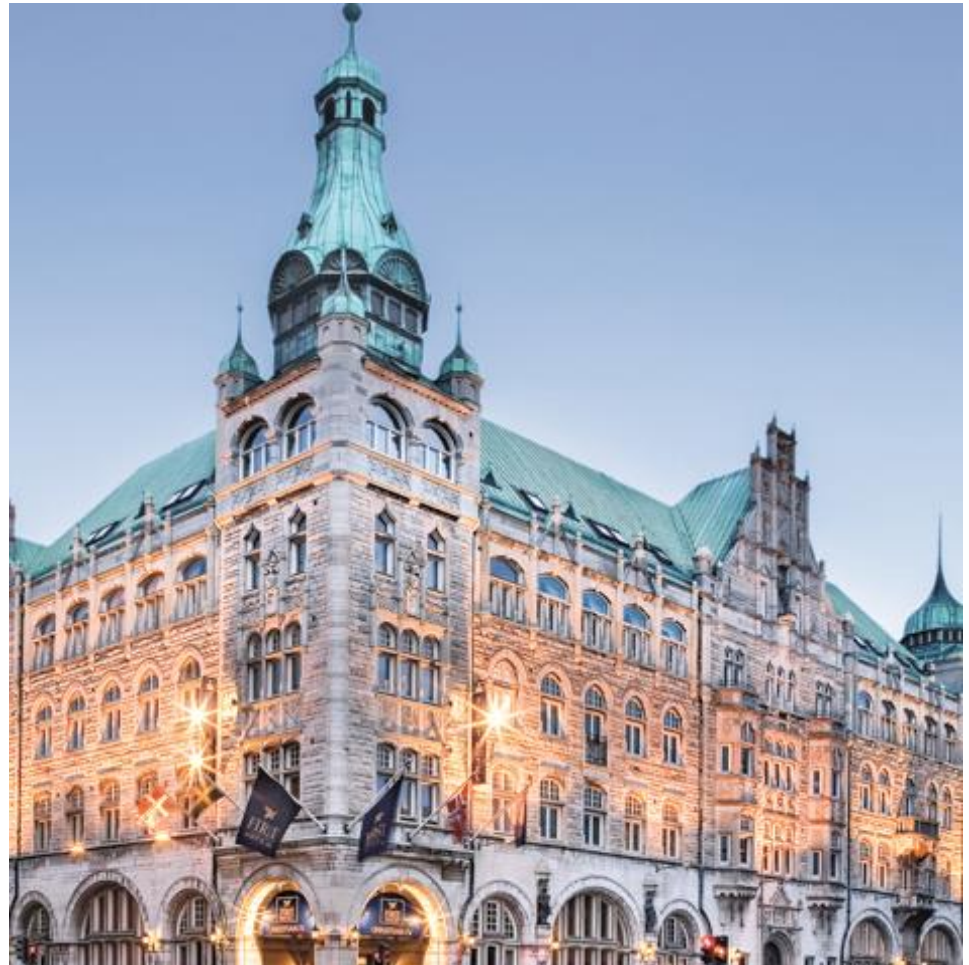
\* Simplified JV and project development plan for illustration purposes



## FLYING ELEPHANT - STRONG TRACK RECORD IN TURBULENT PERIODS

### Flying Elephant Group has experience in challenging times

- Established both hotel operations and franchise during the 1990's in Sweden – took full control of the hotel ecosystem during a period when there were no alternative to outsource hotel operation
- Ownership and management of hotel properties during and the aftermath of the bank crisis in Sweden in the 1990's
- Maneuvered through the financial crisis during the 2008-2009 period and beyond as both hotel operator and hotel property owner
- **Significant knowledge and experience to manage and develop Host Property's hotel property portfolio in the coming challenging years**







## 3Q 2020 YTD P&L

Profit & Loss Host Property AB consolidated <i>(SEK 1,000)</i>	Host	Host
	2020 YTD Q3	2019 YTD Q3
<b>OPERATING INCOME</b>	<i>(1000 SEK)</i>	<i>(1000 SEK)</i>
Rent income	48 456	43 088
Other operating income	0	381
Profit from property sale	0	0
<b>Total operating income</b>	<b>48 456</b>	<b>43 469</b>
<b>OPERATING COSTS</b>		
Depreciations	-6 075	-3 870
Other operating costs	-20 777	-9 365
<b>Total operating costs</b>	<b>-26 852</b>	<b>-13 235</b>
<b>EBIT</b>	<b>21 604</b>	<b>30 234</b>
<b>Ebitda</b>	<b>27 679</b>	<b>34 104</b>
<b>FINANCIAL INCOME AND COSTS</b>		
Other interest income	4 274	364
Other financial income	0	0
Net interest costs	-25 208	-14 113
Other financial costs	-10 413	-2 049
<b>Net financial items</b>	<b>-31 347</b>	<b>-15 798</b>
<b>EBT</b>	<b>-9 743</b>	<b>14 436</b>
Tax payable	0	0
Taxes	222	0
<b>NET PROFIT</b>	<b>-9 521</b>	<b>14 436</b>



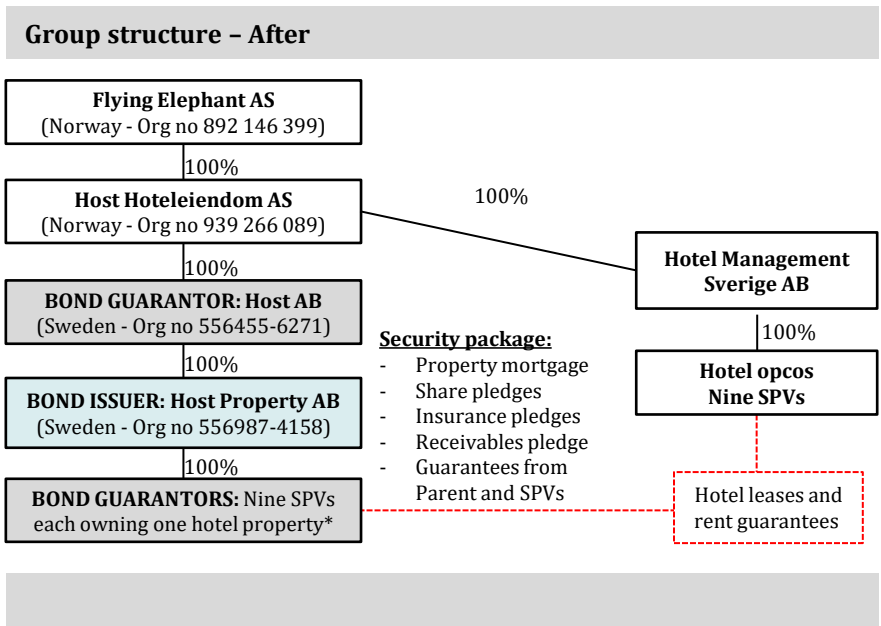
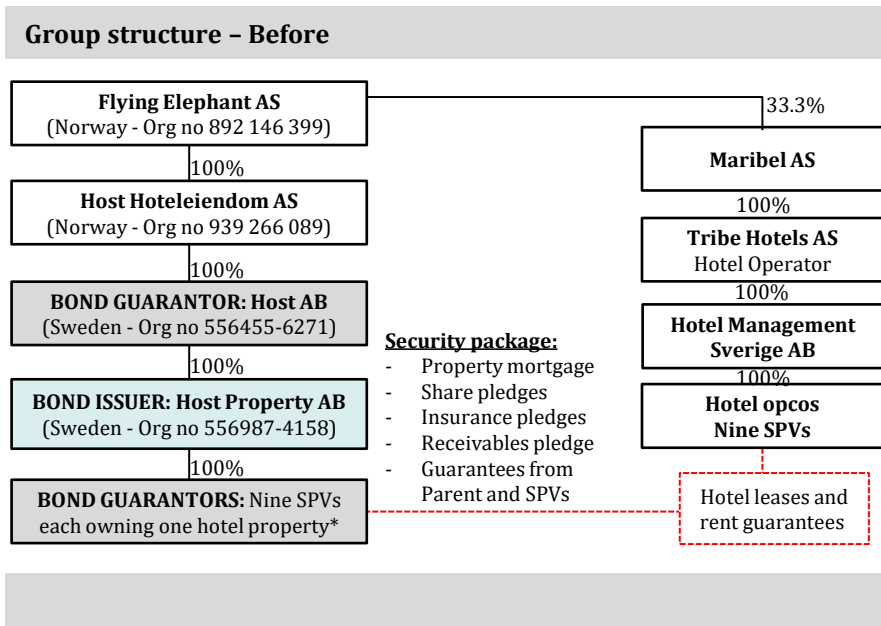
## 2020 YTD 3Q BALANCE SHEET

	2020 YTD Q3	2019 Year		2020 YTD Q3	2019 Year
<b>LONG TERM ASSETS</b>			<b>EQUITY</b>		
<b>INTANGIBLE ASSETS</b>			<b>PAID-IN EQUITY</b>		
Deferred taxes	0	0	Share capital	500	500
Licenses/rights/goodwill	0	0	<b>Total paid-in equity</b>	<b>500</b>	<b>500</b>
<b>Total intangible assets</b>	<b>0</b>	<b>0</b>	<b>EARNED EQUITY</b>		
<b>FIXED ASSETS</b>			Profit for period	-9 521	31 885
Land and buildings	589 891	595 136	Other equity	385 227	353 343
Machines, inventory and equipment	8 381	9 211	<b>Total earned equity</b>	<b>375 706</b>	<b>385 228</b>
Projects	84 256	43 725	<b>Total equity</b>		
<b>Total fixed assets</b>	<b>682 528</b>	<b>648 072</b>		<b>376 206</b>	<b>385 728</b>
<b>FINANCIAL LONG TERM ASSETS</b>			<b>DEBT</b>		
Investment in subsidiaries	0	0	<b>PROVISIONS FOR COMMITMENTS</b>		
Investments in shares	0	0	Deferred taxes	66 912	67 134
Other long term receivables	55 638	13 774	<b>Total provisions for commitments</b>	<b>66 912</b>	<b>67 134</b>
<b>Total financial long term assets</b>	<b>55 638</b>	<b>13 774</b>	<b>OTHER LONG TERM DEBT</b>		
<b>Total Long Term Assets</b>	<b>738 166</b>	<b>661 846</b>	Debt to financial institutions	500 000	500 000
<b>CURRENT ASSETS</b>			Other long term debt	163	144
<b>RECEIVABLES</b>			<b>Total other long term debt</b>	<b>500 163</b>	<b>500 144</b>
Accounts receivables	42 159	13 208	<b>SHORT TERM DEBT</b>		
Intercompany receivables	60 499	42 573	Debt to financial institutions	0	0
Other receivables	75	45 495	Accounts payables	7 004	8 569
Prepaid costs	9 196	17 557	Taxes payable	1 218	1 004
<b>Total receivables</b>	<b>111 929</b>	<b>118 833</b>	Intercompany debt	5	10 268
<b>CASH AND BANK DEPOSITS</b>			Other short term debt	7 949	4 434
Cash, bank deposits etc.	109 362	196 602	<b>Total short term debt</b>	<b>16 176</b>	<b>24 275</b>
<b>Total cash and bank deposits</b>	<b>109 362</b>	<b>196 602</b>	<b>Total debt</b>	<b>583 251</b>	<b>591 553</b>
<b>Total Current Assets</b>	<b>221 291</b>	<b>315 435</b>	<b>TOTAL DEBT AND EQUITY</b>		
<b>TOTAL ASSETS</b>	<b>959 457</b>	<b>977 281</b>		<b>959 457</b>	<b>977 281</b>

Total cash including unrestricted cash equals SEK 109m. Cash on Refurbishment Account equals SEK 102.6m and unrestricted cash equals SEK 6.8m



# APPENDIX - GROUP STRUCTURE BEFORE AND AFTER – SECURITY PACKAGE



- During 2019, the Flying Elephant Group AS was a 33% financial investor in Maribel AS
- Maribel AS was established in December 2018 as a merger between hotel operating companies Tribe Hotels (Nordics) and Belvar (European) plus franchise company First Hotel

- In July 2020, Host Hoteleiendom took 100% ownership of the Tribe Hotels operating companies and First Hotels
- As part of the transaction, Host Hoteleiendom took ownership of the nine hotel operating companies operating the Host Property hotel properties
- The ultimate owner, Flying Elephant AS has owned the Tribe Hotels operating companies since the 1990-ties and has long term knowledge of the operations