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INNOVATION

## **Host Property AB**

Company update

*31. August 2020*



## HOST PROPERTY – MARKET UPDATE AUGUST 31, 2020

### Taking control of hotel operations

- Host Hoteleiendom AS has as of July 30, 2020 taken ownership of the hotel operating companies of the nine Host Property AB hotel properties
- Tribe Hotels (hotel operations) have reduced costs substantially over the last months - Cost base going forward materially lower than the historic average
- A number of the hotels have been closed for a period during the last months due to negative hotel operating EBITDA before rent costs
- Estimated REVPAR for 2020E still trending down – Expected continued weak markets for the remainder of the second half of 2020
- Still historic high uncertainty as far as estimates for the remaining of 2020 and going forward
- Major investment plans still on hold until signs of more positive travel activity in the Swedish regional markets

### Sundsvall – Renovation completed





## HOST PROPERTY – TAKING CONTROL OF HOTEL OPERATIONS

### Hotel operations – Tribe Hotels

- Host Hoteleiendom AS has as of July 30, 2020 taken ownership of the hotel operating companies of the nine Host Property AB hotel properties
- The Flying Elephant Group, the 100% owner of Host Hoteleiendom (and Host Property), has extensive knowledge of operating hotels in the Nordic region, from 1993 until 2018
- It has been important for Host Hoteleiendom to take action and ownership of the Tribe Hotels operating companies in the current situation to secure the long-term values of the hotel properties
- Host Hoteleiendom will in the coming months develop the strategy for Tribe Hotels – Still evaluating external operators
- There have not been made any changes in the lease contracts of the nine operating companies at the Host Property hotel properties in connection with the transaction



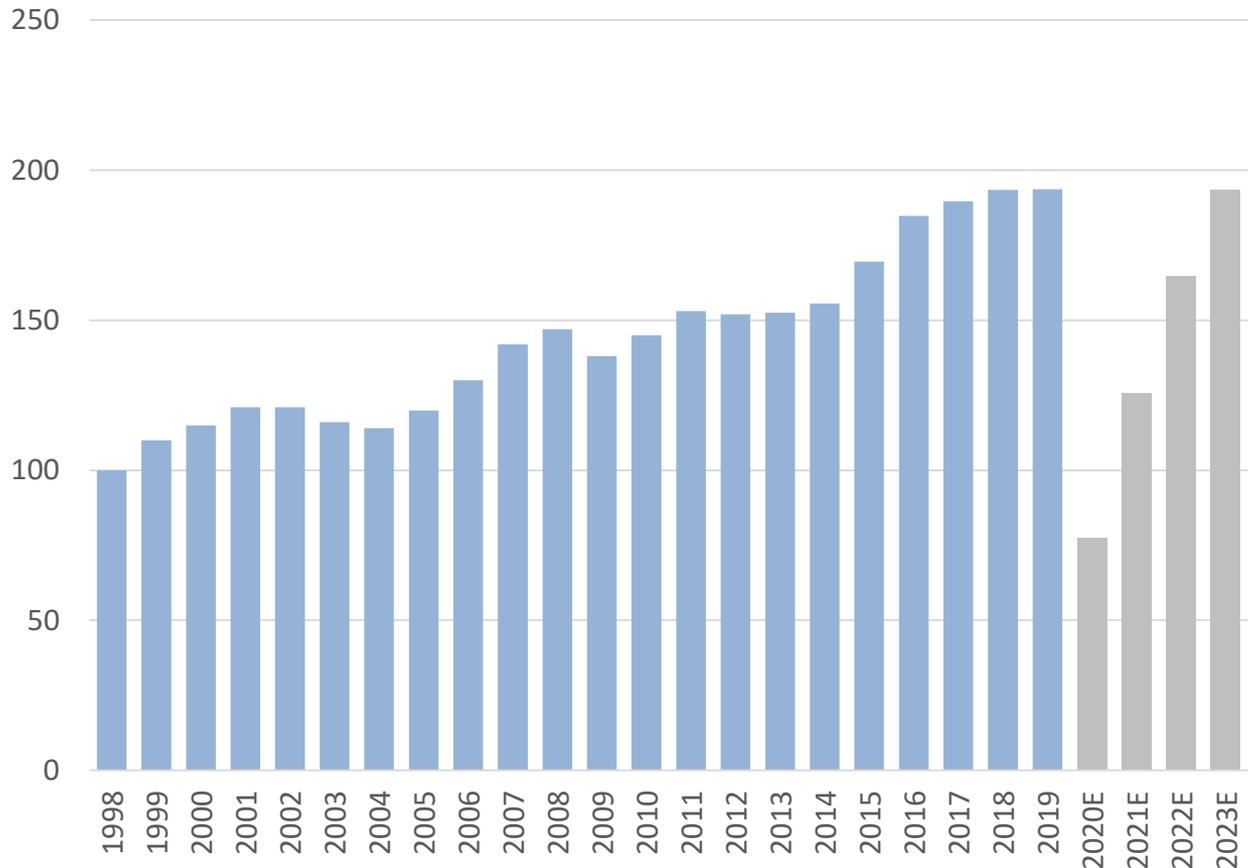


# HOTEL MARKET SWEDEN – ESTIMATES GOING FORWARD

## Assumptions – August 2020

- Minus 60% REVPAR for 2020E compared to 2019
- Minus 35% REVPAR 2021E compared to 2019
- Minus 15% REVPAR 2022E compared to 2019
- Normalized levels 2023E
- **There is historic high uncertainty regarding the estimates going forward**

## Hotel market – Sweden – REVPAR (Index 100 in 1998)

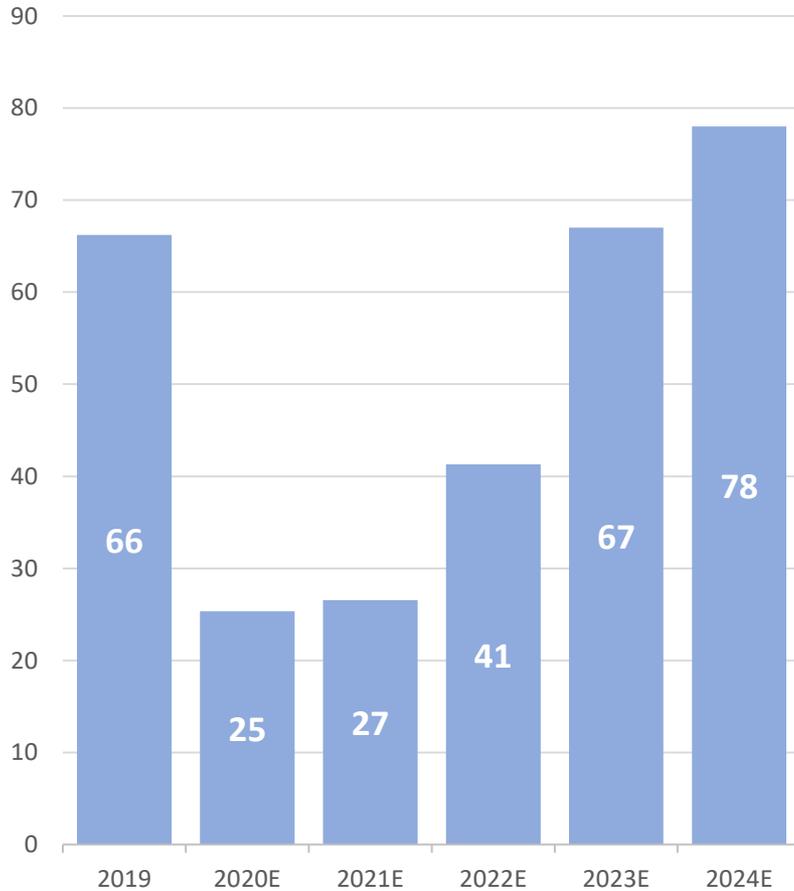


Source: Home Properties, SCB, Pangea Research, NHC, Tourist Economics and company estimates

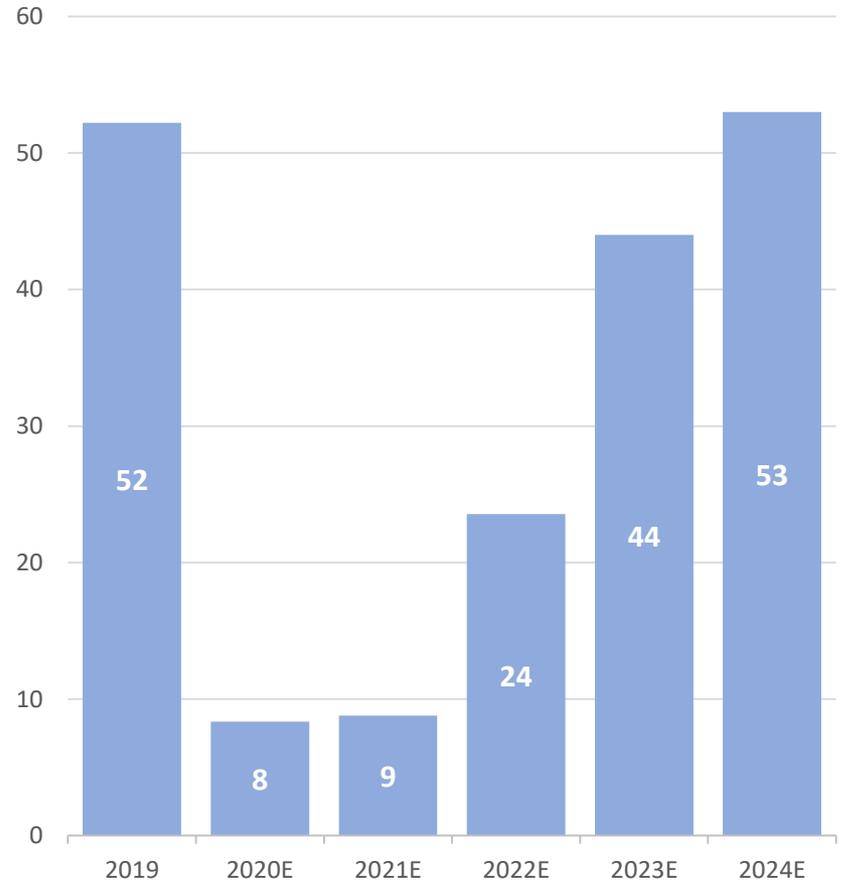


# FINANCIAL FIGURES HOST PROPERTY - ESTIMATES

Gross revenue SEKm - Estimates



EBITDA SEKm - Estimates



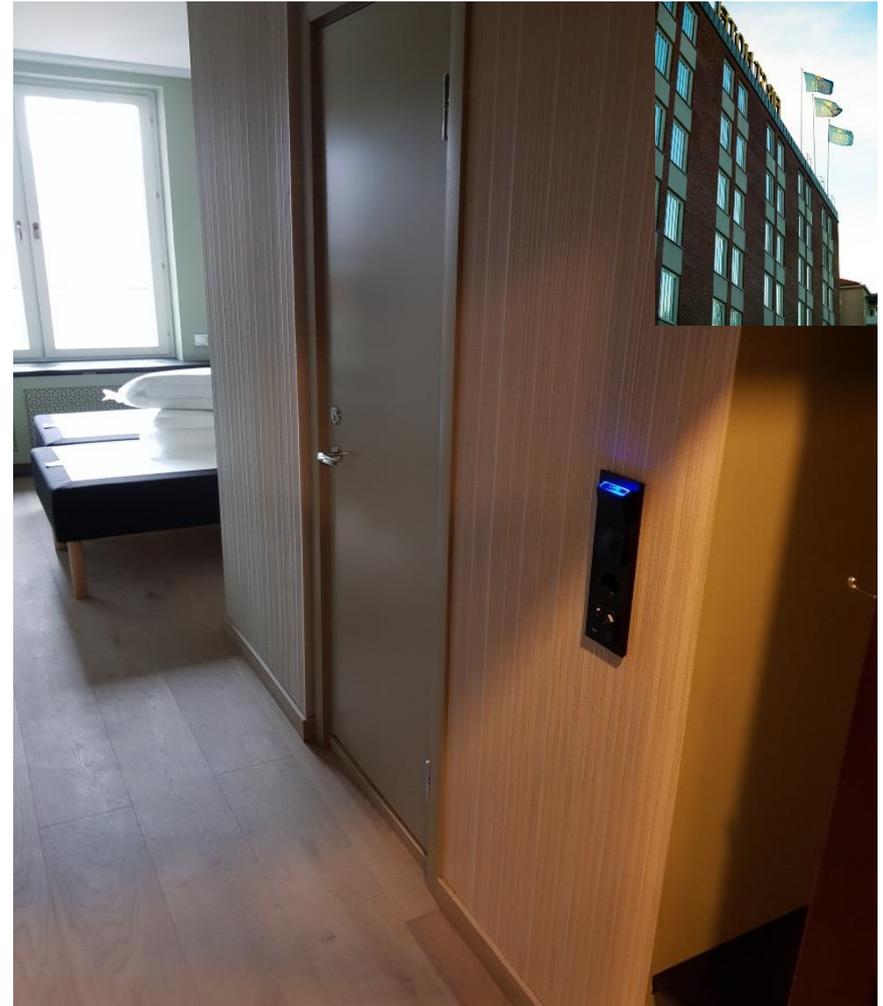


## RENOVATION PROCESS AND CASH POSITION

### Renovation process

- Sundsvall renovation finalized in May 2020
  - Renovation of 110 rooms, corridors and 70 windows
- Renovation of Karlskrona and Billingeus started in November 2019
  - Currently on hold
- Evaluating all major investments in regards of the new normal and general high uncertainty
  - Revised investment plans when travel and hotel markets normalize
- Smaller investments to keep the hotel properties in line with technical and commercial requirements
- SEK 103 million in cash position as of August 31, 2020

### Sundsvall – Renovation completed



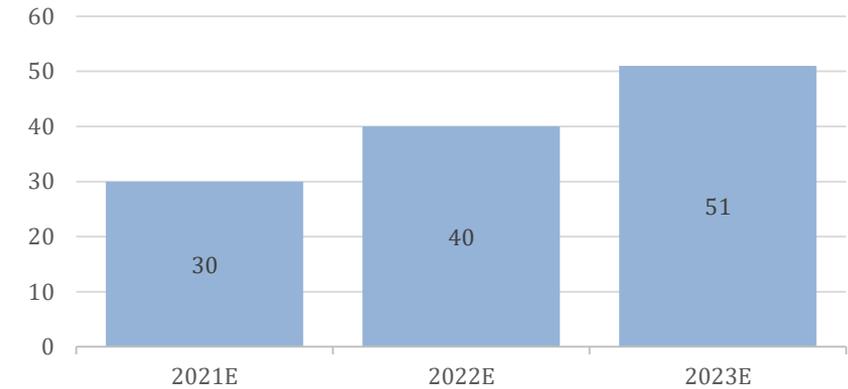


# HOTEL OPERATIONS – INDICATIVE OFFERS HOTEL OPERATIONS

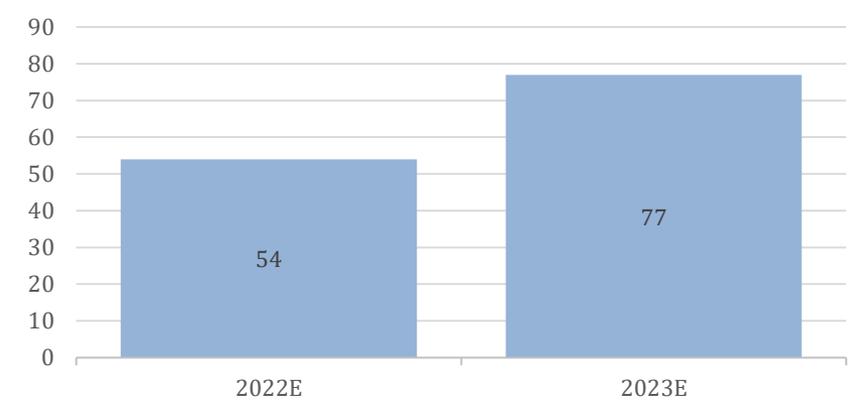
## Minimum rent and revenue-based component

- Host Property is currently in the process of evaluating external hotel operations (indicative offers) of the nine hotels and has received indicative offers
- Estimates based on indicative offers. 2021E based on minimum rent. 2022E and 2023E based on minimum rent and revenue-based rent
- Rental levels expected below 2019 levels and current lease contracts - but still a step in the right direction as far as the new normal for the hotel market
- Host Property and potential new external hotel operator to invest 60-100 million each to put the hotels in position to reach the market potential over the next years (when market normalizes)
- **Host Property investments important to attract new attractive lease contracts in a historic challenging market**

## Minimum rent SEKm – Based on indicative offers



## Revenue based rent SEKm - Based on indicative offers





## 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**





## THE FLYING ELEPHANT GROUP – 27 YEARS IN THE INDUSTRY

1993	First Hotels was established through the acquisition of Hotel Reisen and four other hotel properties in Sweden
1996	Division of hotel operations and property ownership (First Hotels and Host Hoteleiemdom). Expansion in Sweden with the acquisition of 19 hotels
1997	Opened Millennium in Oslo and Marin in Bergen
1999	Developed and opened the 403 room Vesterbro in Copenhagen, the city's first new hotel opening in 18 years
2003	Opened the five-star First Hotel Skt. Petri in Copenhagen
2006	Acquired Noble House in Oslo and Mogenstrup Kro in Næstved
2007	Hotel Statt Karlskrona and Hotel Christian IV in Kristianstad were acquired
2008	Noble House reopened as the boutique hotel Grims Grenka
2011	Issued first bond. Took over operation of 12 hotels in Denmark which became First Hotels
2012	Sold Ambassadeur in Drammen and Plaza in Västerås
2013	Completed restructuring of the Group by selling Skt Petri and Vesterbro in Copenhagen and Amaranten in Stockholm
2013	Tribe is new tenant in the portfolio due to a split of First Hotels into one hotel operations company (Tribe) and one brand company (First)
2015	First Hotels established in Spain through dual brand agreement with Petit Palace (31 hotels)
2016	Bond issue secured in eight Swedish hotels, financing partly to cover refurbishments
2017	Total refurbishment of Hotel Reisen initiated
2018	Merged hotel chain and hotel operations with Belvar, where Flying Elephant retains 33.3% ownership
2019	Property portfolio with market value of NOK 2.5 billion with a well diversified financing structure

Kristianstad



Kalmar



Grims Grenka



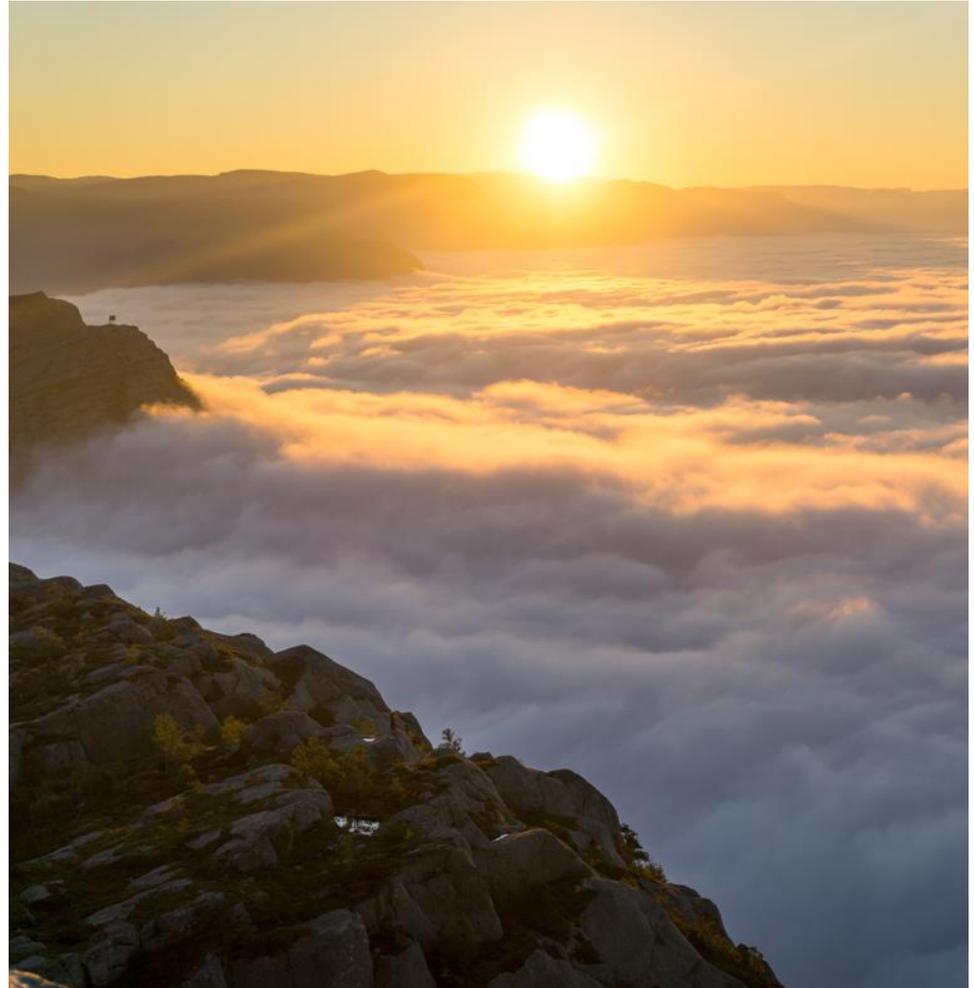


## SUMMARY – HOST PROPERTY PLAN GOING FORWARD

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### The sun will rise again

- Host Property has over the last months worked on a number of initiatives to secure operations and long-term value
- Host Property sees positive results of these initiatives but needs some more time to align and coordinate to a new normal and basis going forward
- Host Property has confidence finding good long-term solutions to bondholders and other stakeholders
- Host Property is working for the bond investors to find the best possible solution – common interest to find good long-time solutions for bondholders and the equity owner (Flying Elephant)
- Host Property is working together with Nordea Bank Abp to bring forward an amendment plan in the Terms & Conditions (T&C) for the Host Property SEK 500 million bond issue
- Host Property will present the suggested amendments to the T&C in a bond holder meeting as soon as the amendment plan is ready
- Host Property will keep the investors updated on the bond amendment process and market development in general





# Profit & Loss

Profit & Loss Host Property AB consolidated		
<i>(SEK 1,000)</i>		
	Host	Host
	2020	2019
	YTD Q2	YTD Q2
<b>OPERATING INCOME</b>		
	<i>(1000 SEK)</i>	<i>(1000 SEK)</i>
Rent income	32 377	27 528
Other operating income	0	381
Profit from property sale	0	0
<b>Total operating income</b>	<b>32 377</b>	<b>27 909</b>
<b>OPERATING COSTS</b>		
Depreciations	-4 051	-2 584
Other operating costs	-6 926	-5 909
<b>Total operating costs</b>	<b>-10 977</b>	<b>-8 493</b>
<b>EBIT</b>	<b>21 400</b>	<b>19 416</b>
<b>Ebitda</b>	<b>25 451</b>	<b>22 000</b>
<b>FINANCIAL INCOME AND COSTS</b>		
Other interest income	3 098	161
Other financial income	479	0
Net interest costs	-16 723	-10 525
Other financial costs	-2 317	-1 363
<b>Net financial items</b>	<b>-15 463</b>	<b>-11 727</b>
<b>EBT</b>	<b>5 937</b>	<b>7 689</b>
Tax payable	0	0
Taxes	148	0
<b>NET PROFIT</b>	<b>6 085</b>	<b>7 689</b>



# Balance sheet

	2020 YTD Q2	2019 Year		2020 YTD Q2	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	6 084	31 885
Land and buildings	591 639	595 136	Other equity	385 227	353 343
Machines, inventory and equipment	8 657	9 211	<b>Total earned equity</b>	<b>391 311</b>	<b>385 228</b>
Projects	83 597	43 725	<b>Total equity</b>		
<b>Total fixed assets</b>	<b>683 893</b>	<b>648 072</b>		<b>391 811</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	66 986	67 134
Other long term receivables	11 637	13 774	<b>Total provisions for commitments</b>	<b>66 986</b>	<b>67 134</b>
<b>Total financial long term assets</b>	<b>11 637</b>	<b>13 774</b>	<b>OTHER LONG TERM DEBT</b>		
<b>Total Long Term Assets</b>	<b>695 530</b>	<b>661 846</b>	Debt to financial institutions	500 000	500 000
<b>CURRENT ASSETS</b>			Other long term debt	144	144
<b>RECEIVABLES</b>			<b>Total other long term debt</b>	<b>500 144</b>	<b>500 144</b>
Accounts receivables	33 855	13 208	<b>SHORT TERM DEBT</b>		
Intercompany receivables	73 187	42 573	Debt to financial institutions	0	0
Other receivables	44 279	45 495	Accounts payables	6 393	8 569
Prepaid costs	16 390	17 557	Taxes payable	373	1 004
<b>Total receivables</b>	<b>167 711</b>	<b>118 833</b>	Intercompany debt	0	10 268
<b>CASH AND BANK DEPOSITS</b>			Other short term debt	6 921	4 434
Cash, bank deposits etc.	109 387	196 602	<b>Total short term debt</b>	<b>13 687</b>	<b>24 275</b>
<b>Total cash and bank deposits</b>	<b>109 387</b>	<b>196 602</b>	<b>Total debt</b>	<b>580 817</b>	<b>591 553</b>
<b>Total Current Assets</b>	<b>277 098</b>	<b>315 435</b>	<b>TOTAL DEBT AND EQUITY</b>		
<b>TOTAL ASSETS</b>	<b>972 628</b>	<b>977 281</b>		<b>972 628</b>	<b>977 281</b>