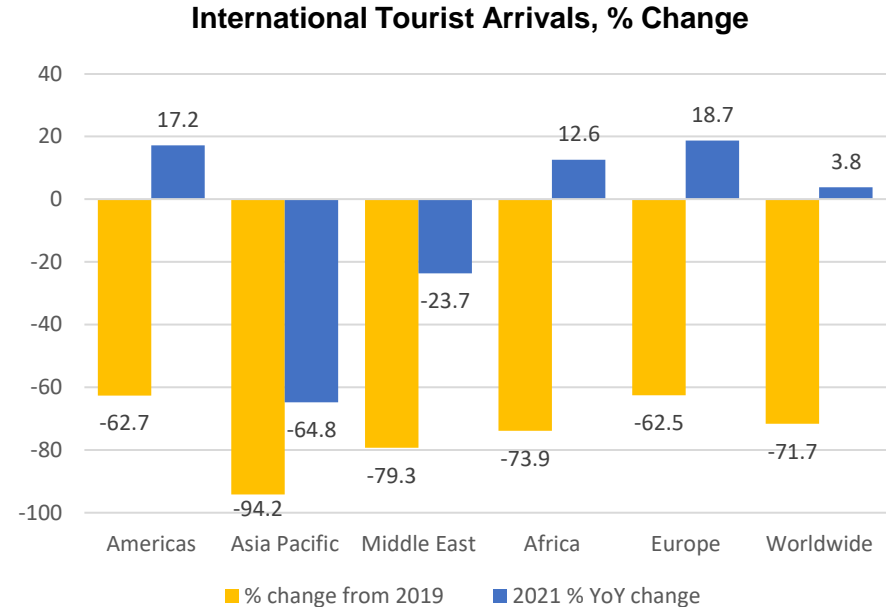
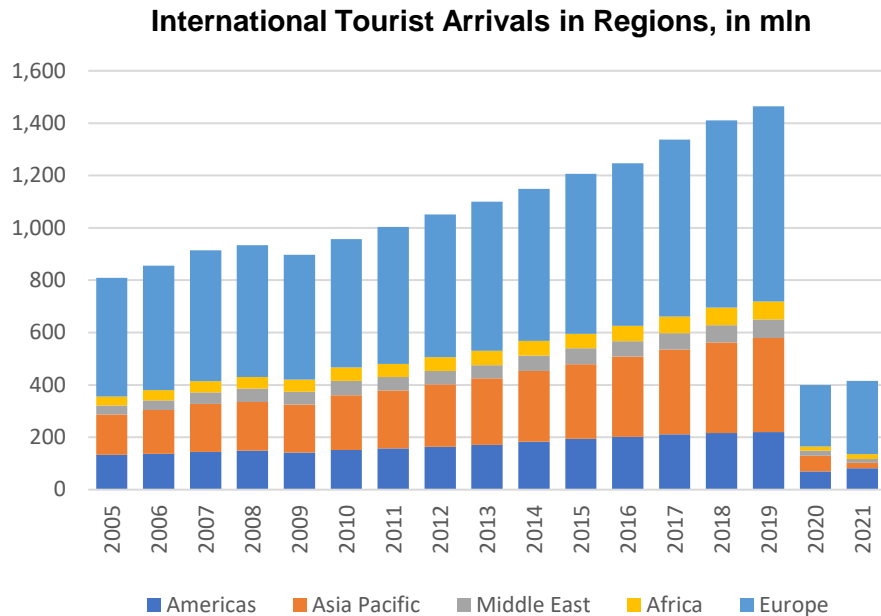




VERNY CAPITAL

Europe's Hotel Sector: Signs of Recovery

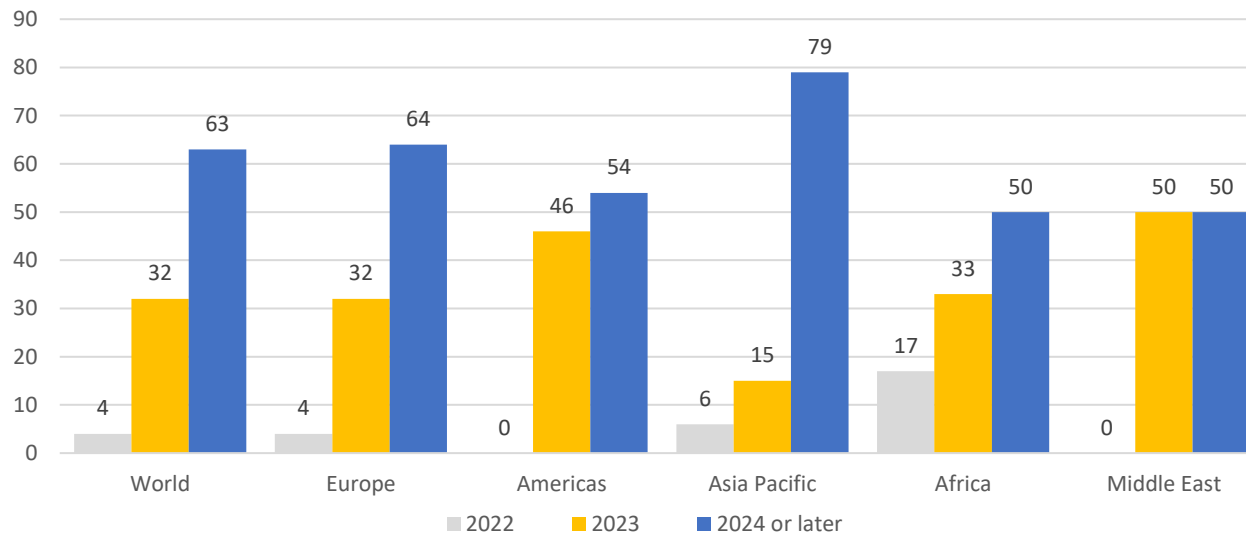
International tourist arrivals recovered by 3.8% YoY to 415mIn in 2021, driven by Europe and Americas



- ✓ **International tourist arrivals rebounded by 3.8% YoY to 415mIn arrivals in 2021** (2020: 400mIn). However, international tourist arrivals were **still 72% below the pre-pandemic level in 2019**. In 2020, international tourist arrivals declined by 73% YoY, the worst year on record for the global tourism sector.
- ✓ Rising rates of vaccination, combined with easing of travel restrictions due to increased cross-border coordination and protocols, have helped to release pent-up demand for international travels.
- ✓ The pace of tourist arrivals recovery remained uneven across regions. **Europe and Americas registered the strongest yearly results in 2021, at +18.7% YoY and +17.2% respectively**, but both still at 63% below the 2019-level of tourist arrivals.

International tourist arrivals could potentially grow by 30%-78% in 2022, but still at 50%-63% below pre-pandemic levels

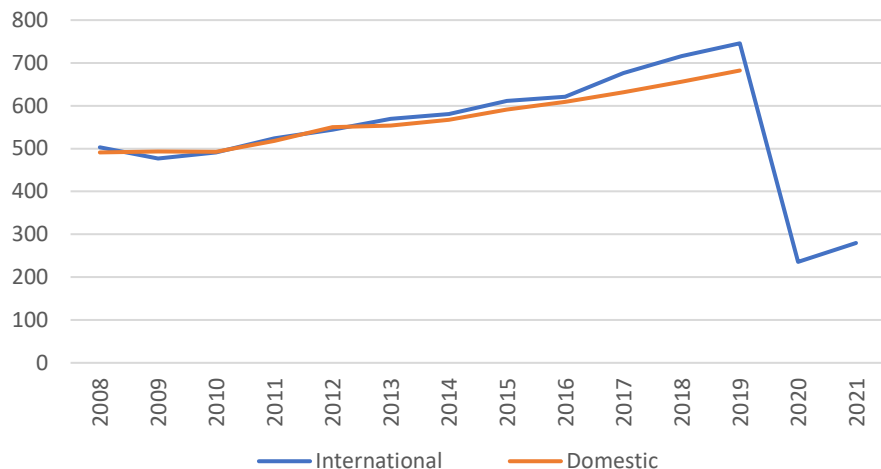
Survey Results: when do you expect international tourism to return to pre-pandemic 2019 levels in your country?



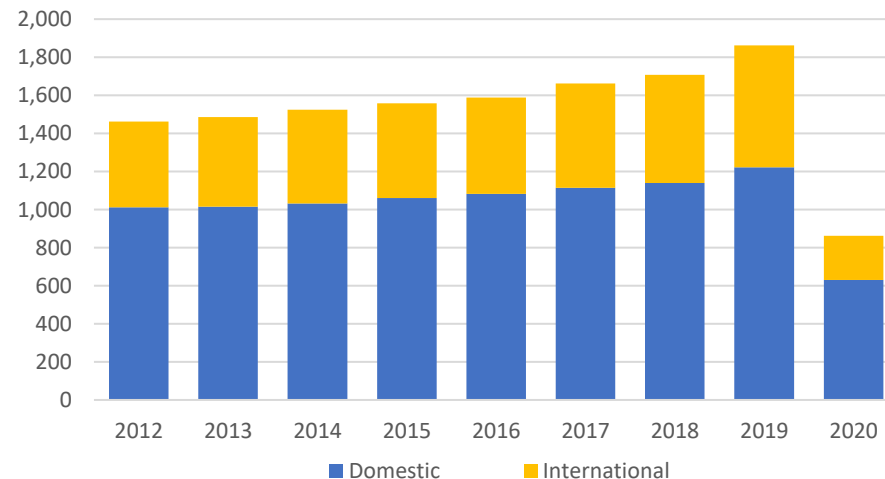
- ✓ According to the UNWTO December 2021 survey, 61% of tourism professionals see better prospects for 2022. While 58% expect a rebound in 2022, mostly during the third quarter, 42% point to a potential rebound only in 2023. A majority of experts (64%) now expect international arrivals to **return to 2019 levels only in 2024 or later**, up from 45% in the September 2021 survey.
- ✓ The **UNWTO Confidence Index shows a slight decline in January-April 2022**. A rapid and more widespread vaccination roll-out, followed by a major lifting of travel restrictions, and more coordination and clearer information on travel protocols, are the main factors identified for the effective recovery of international tourism.
- ✓ **International tourist arrivals could grow by 30% to 78% in 2022** compared to 2021. However, this would still be 50% to 63% below pre-pandemic levels.
- ✓ While international tourism bounces back, **domestic tourism continues to drive recovery** of the sector in an increasing number of destinations, particularly those with large domestic markets.

Europe recorded the highest international tourist arrivals globally of 279.8mIn in 2021, up from 235.7mIn in 2020

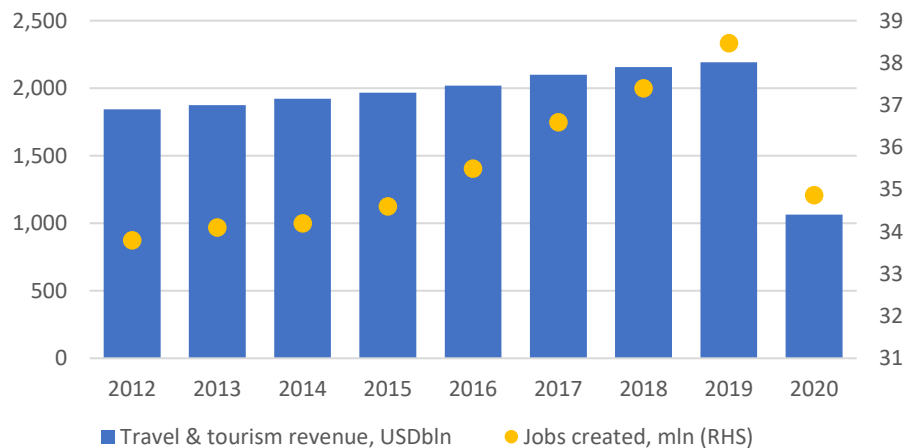
Europe's Tourist Arrivals, mIn



Tourism Expenditure in Europe, USD bln



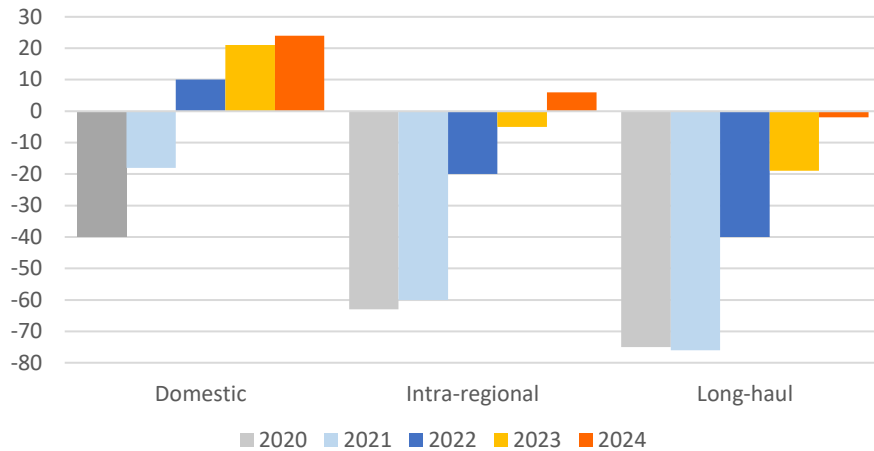
Europe's Travel & Tourism Sector Revenue (USD bln) and Contribution to Employment (mIn)



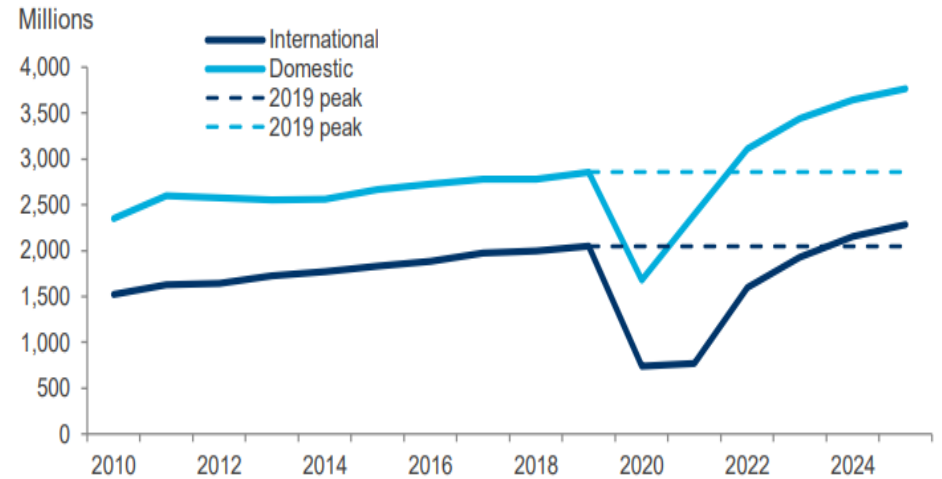
- ✓ Europe is the global leader in international tourism, it recorded the highest international tourist arrivals in 2021 vs. other global destinations.
- ✓ According to Eurostat data, domestic travels (i.e. among European countries) contribute to >50% of tourism in Europe in 2020-2021.
- ✓ In 2020, tourism expenditure from domestic tourists in Europe stood at USD631bln (-48.3% YoY), while that from international tourists was at USD231bln (-63.8% YoY).
- ✓ In 2020, Europe's revenue from the travel & tourism sector amounted to USD1,065bln and generated ~35mIn jobs (2019: USD2,191.2bln revenue, 38.5mIn jobs).

Positive recovery to European tourism in 2022, fueled by domestic and intra-European travel demand

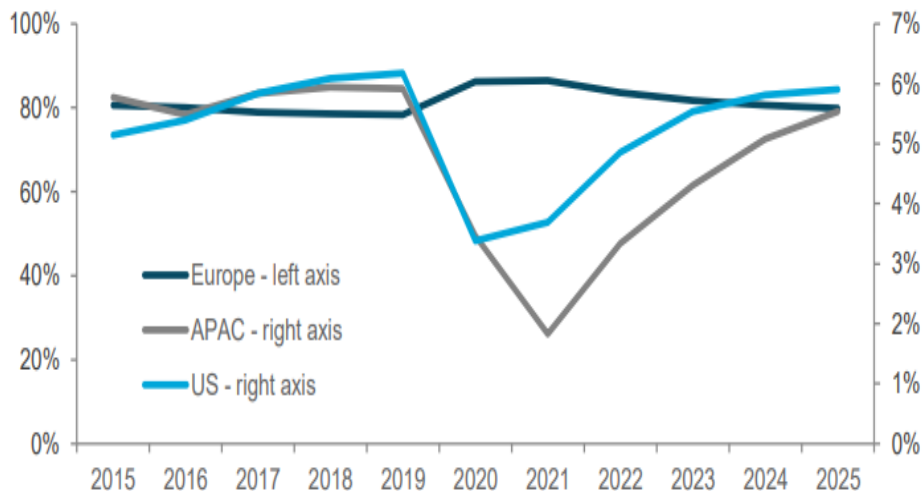
Number of Guest Nights in Europe by Travel Segments, % change from 2019 levels



Western Europe's Inbound & Domestic Guest Nights



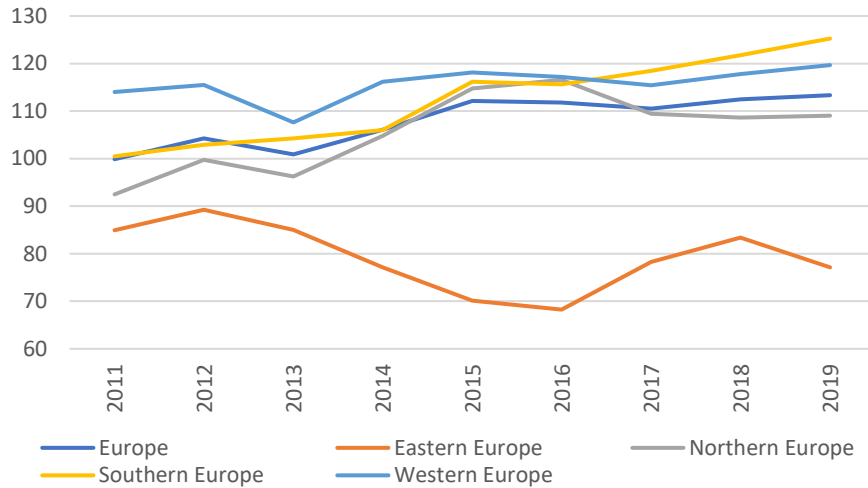
Share of Total Tourist Arrivals In Western Europe, %



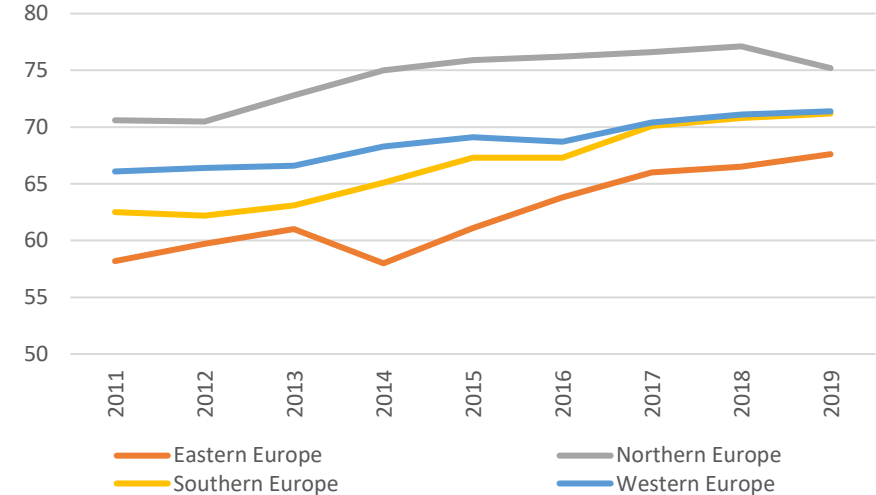
- ✓ The outlook remains positive with travel demand in Europe projected to be just 20% below pre-pandemic levels in 2022, **fueled by domestic and intra-European travel demand.**
- ✓ Domestic travel is expected to exceed pre-pandemic peaks in 2022, while international travel will not do so until 2024.
- ✓ This will **turn bode well for Europe's hotels performance.**
- ✓ Caution that **potential disruption of new Covid-19 variants and concerns on geopolitics** could impact the speed and course of the European travel recovery process.

Majority of European travelers will proceed with travel plans in 2022, where >61% respondents will do so in 1H22, benefitting European hotels

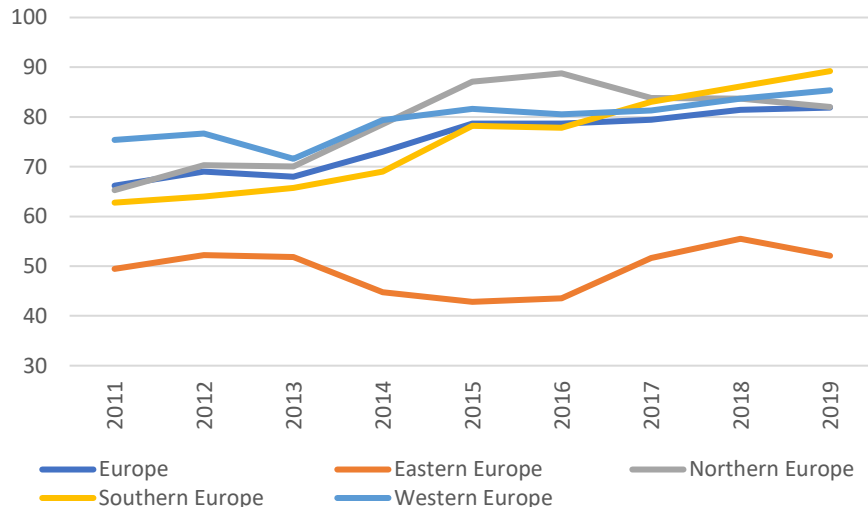
Europe's Hotel Average Daily Rate, EUR



Europe's Hotel Occupancy Rate, %



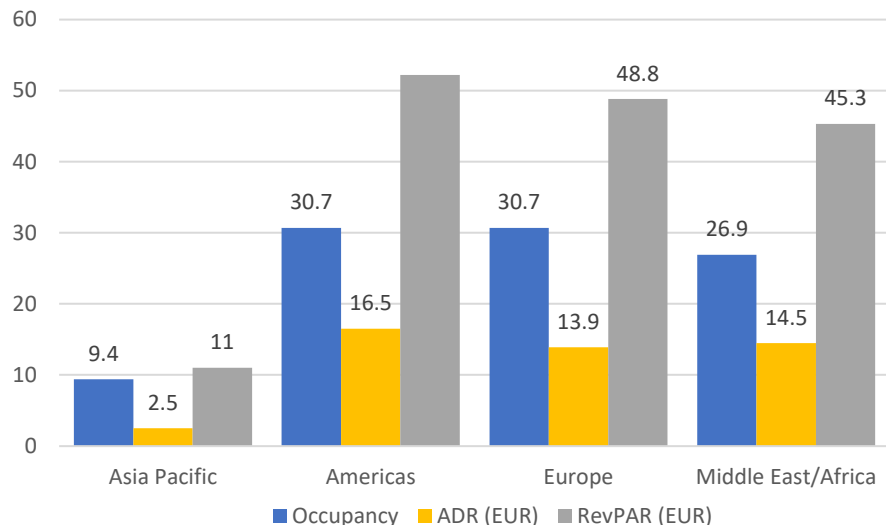
Europe's Revenue Per Available Room, EUR



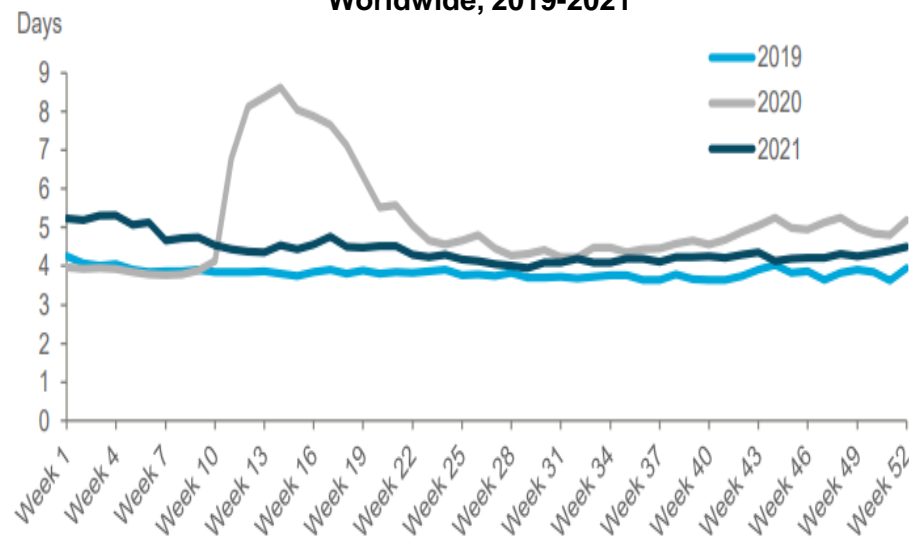
- ✓ According to the European Travel Commission, the wave of Omicron variant has slightly discouraged Europeans from travelling as seen in the 8% decline in travels in 2022.
- ✓ Despite this, the ETC survey reported 72% respondents would proceed with original travel plans for 2022, where >61% said they would travel in 1H22, demonstrating continued resilience in spite of disruption from Omicron.
- ✓ **50% prefer intra-European trips, while 32% opt for domestic trips.** The most preferred destinations include sun & beach spots (18%), city break (16%), nature & outdoors (14%), culture & heritage (13%), coast & sea (13%).

Hotel performance in Europe, Americas and the Middle East/Africa rebounded in 2021, while Asia Pacific lagged severely

Global Hotel Key Indicators, 2021, % YoY Change



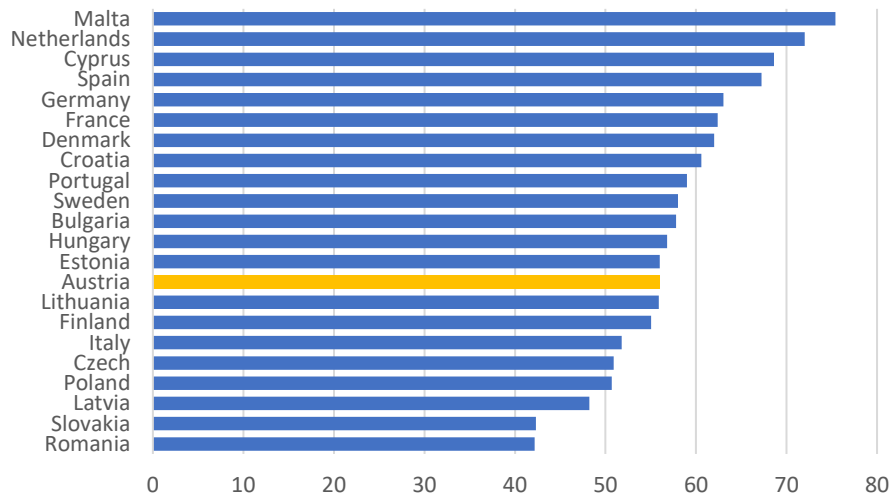
Average Length of Stay in Short-Term Rentals Worldwide, 2019-2021



- ✓ Hotel performance in Europe and Americas was broadly similar in 2021, but the Asia Pacific region lagged severely.
- ✓ **On occupancy growth, both Europe and Americas saw growth of 30.7%** and the Middle East / Africa grew 26.9%. The strongest region for **average daily rate (ADR) growth** was the Americas at 16.5%, followed by the Middle East/Africa 14.5% and **Europe 13.9%**. As such, the resultant **revenue per available room (RevPAR) growth** was the highest in Americas at 52.2%, slightly ahead of **Europe 48.8%** and the Middle East/Africa 45.3%.
- ✓ Asia Pacific's hotels key performance in 2021: occupancy growth 9.4%, ADR growth 2.5% and RevPAR growth slightly above 10%. Tight restrictions remain in China, and other Asian destinations that rely on China for inbound international tourists have struggled to see improvements in 2021.
- ✓ Pent-up demand saw short-term rentals occupancy levels in 2021 exceeding 2019 levels. With work more flexible and more intricate rules and restrictions to navigate, guests stayed in longer.

Austria's hotel occupancy rate stood at 56%, with Vienna higher at 76%

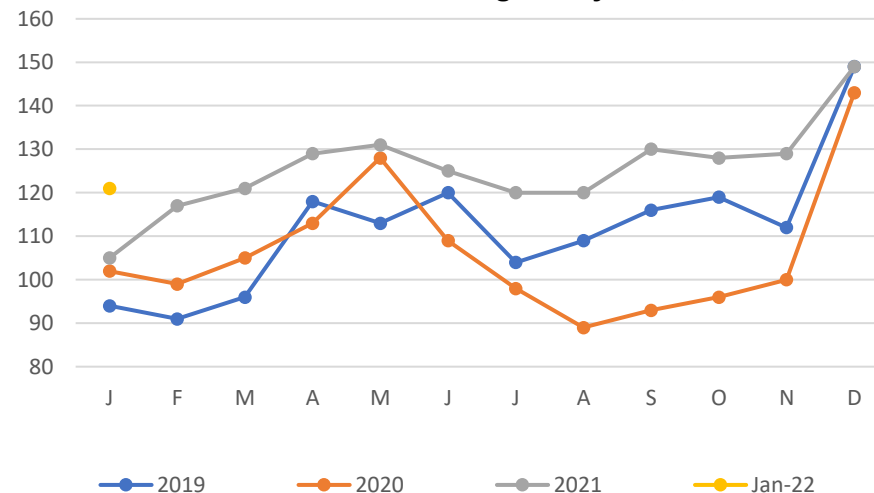
Europe's Hotel Occupancy Rate by Countries, %



Vienna's Hotel Key Indicators

Year/key indicators	Average daily rate, EUR	Occupancy rate, %	Revenue per available room, EUR
2011	93	72	67
2012	96	72	69
2013	93	71	66
2014	95	72	69
2015	100	73	72
2016	98	75	73
2017	99	75	74
2018	100	76	76

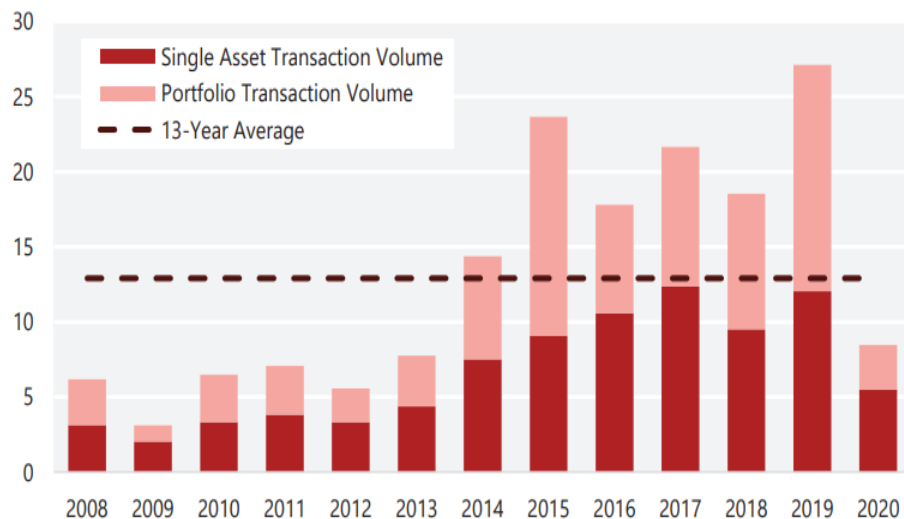
Vienna's Hotel Average Daily Rate, EUR



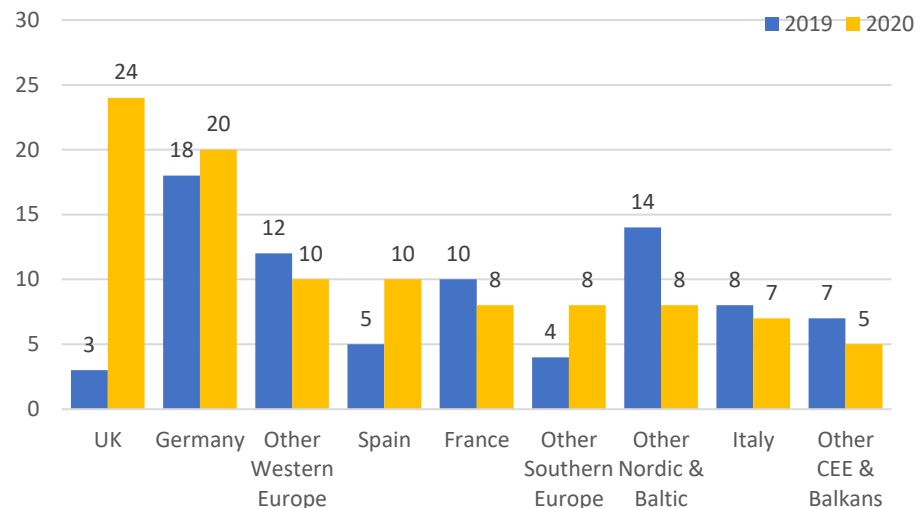
- ✓ The most preferred countries likely to be visited in 1H22 include Spain (60%), France (58.4%), Italy (57.3%).
- ✓ Meanwhile, 15% respondents said they revealed plans to carry out a business trip or participate in events/conferences in 1H22.
- ✓ **Austria's hotel occupancy rate stood at 56%, with Vienna's higher at 76%** (Western Europe average: 71.4%).
- ✓ **Vienna's hotel average daily rate rebounded to EUR121 in January 2022**, in line with gradual recovery in travel demand (Jan 2021: EUR105, Jan 2020: EUR102, Jan 2019: EUR94).

European hotel transaction valued at EUR8.5bln in 2020, a decline of 69% from 2019 peak of EUR27.1bln

Europe's Total Hotel Transaction Volume, USD bln



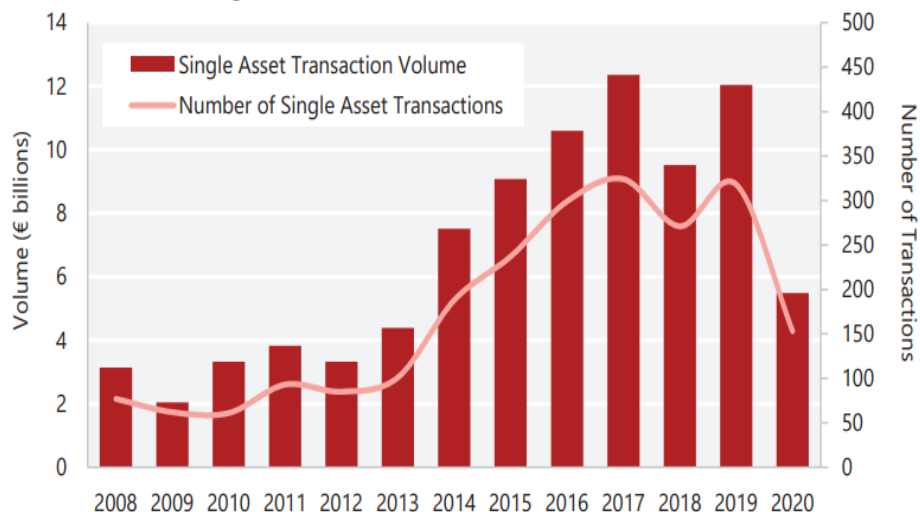
Regional Share of Transaction Volume, %



- ✓ The **European hotel transaction value fell 69% YoY to EUR8.5bln in 2020**, while **total number of transactions declined by 66% YoY to 291**. 48% of the total transaction value occurred in 1Q20, reflecting transactions that were agreed pre-pandemic.
- ✓ The **average sales price per room declined to EUR194,000 in 2020** (2019: EUR206,000), and the **number of rooms per transaction also declined by 4% YoY**. As such, the **average sales price per hotel fell by 9% YoY**.
- ✓ A **total of 291 hotels and more than 44,000 rooms exchanged owners in 2020**, where 153 hotels (24,000 rooms) were sold as single asset transactions (valued at EUR5.5bln), while 138 hotels (19,795 rooms) were sold as part of portfolio deals (at EUR3.0bln).
- ✓ **This 65:35 split between single asset and portfolio volume in 2020 represented a shift in favor of single assets** (2019: 45:55, 10-year average: 55:45).

Europe hotel single assets transaction value fell by 54% YoY to EUR5.5bln in 2020, the lowest since 2013

Single Assets Transaction Value, USD bln



- ✓ A total of 153 hotels (24,000 rooms) exchanged owners via single assets transaction in 2020, a **decline of 51.9% YoY**.
- ✓ The **average number of rooms per transaction for single asset deals fell 10% YoY to 156** (vs. 2019 and 10-year average of 170).
- ✓ **Average price per hotel declined 5% in 2020**, but the average sales per room was largely unchanged.

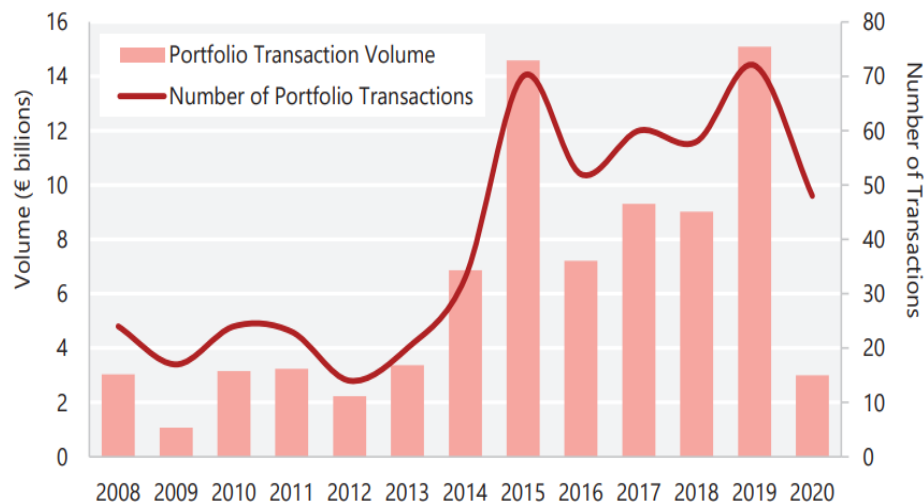
Single Assets Deals: Top European Countries by Value 2020

Country	Value EUR mln	Avg price per room EUR	Hotels	Rooms	% chg volume	% total volume	% total rooms
Germany	1,735	149,000	60	11,676	-57	20	27
Spain	818	141,000	31	5,797	-29	10	13
France	696	206,000	34	3,375	-68	8	8
Italy	562	423,000	14	1,330	-68	7	3
Greece	435	135,000	13	3,218	54	5	7
Switzerland	358	803,000	6	445	1	4	1
Sweden	316	174,000	11	1,814	14	4	4
Portugal	255	108,000	19	2,372	-50	3	5
Netherlands	251	163,000	9	1,535	-87	3	4

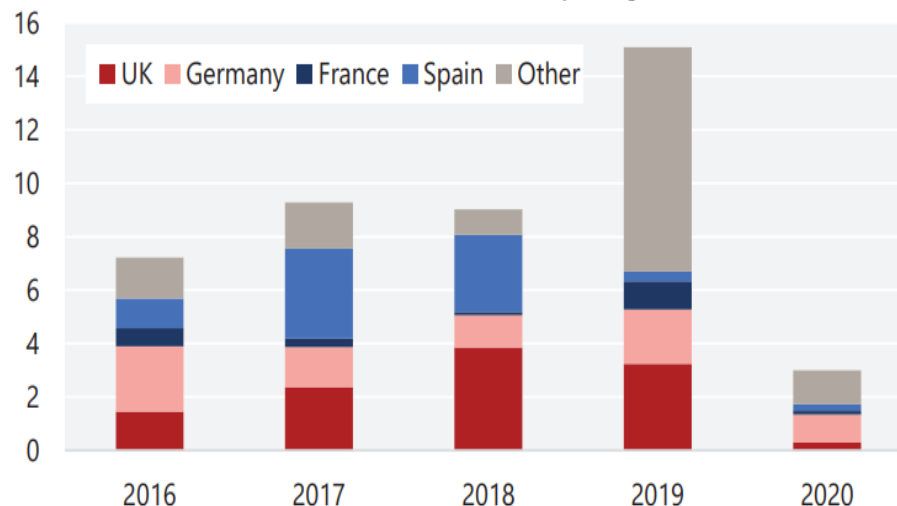


Europe hotel portfolio transaction value fell by 80% YoY to EUR3.0bln in 2020

Portfolio Transaction Value, USD bln



Portfolio Transaction Value by Region, EUR bln



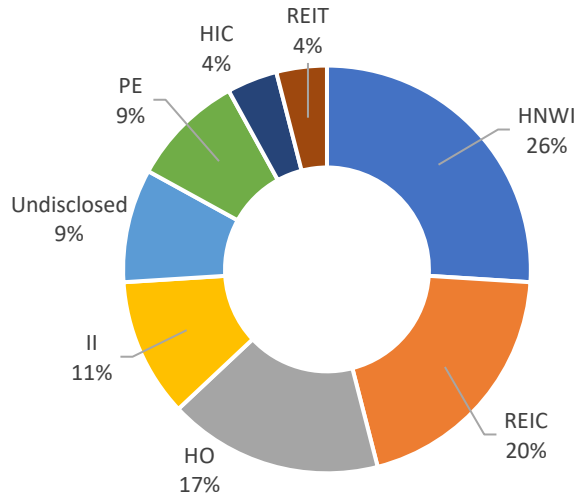
Top European Countries by Portfolio Transaction Value 2020

Country	Value EUR mln	% change
Germany	1,062	-48
Italy	323	-41
Spain	270	-26
France	205	-81
Portugal	176	-55
Hungary	132	53
Greece	129	-31
Czech Republic	102	-25
Iceland	84	-

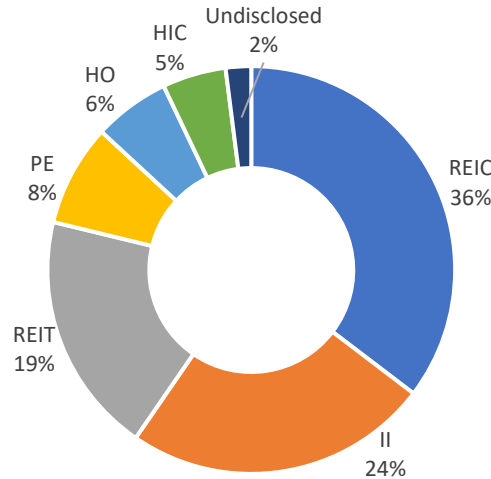
- ✓ The total number of hotels changed hands via portfolio transaction declined by 74% YoY to 138, representing 19,795 rooms (-74% YoY).
- ✓ There were 48 transactions in 2020, 33% fewer than 2019, indicating a significant reduction in the average number of hotels per portfolio to 2.9 in 2020 (2019: 7.3).
- ✓ The average price per room fell 23% YoY to EUR152,000 in 2020 (2019: EUR197,000), while the average number of rooms per transaction fell to 412 (2019: 1,064).

Buyer and Seller types in Single Assets and Portfolio Transactions

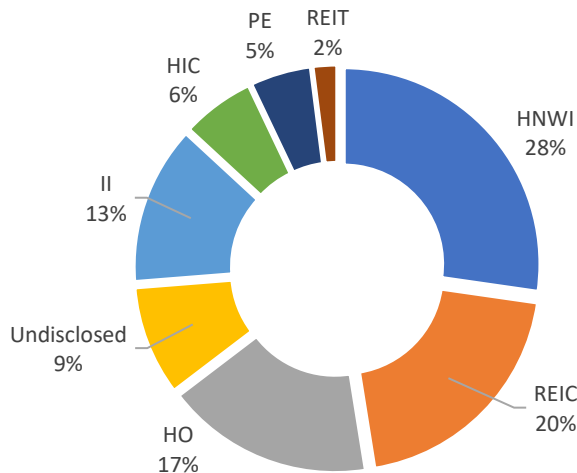
Single Asset Transaction: Buyers



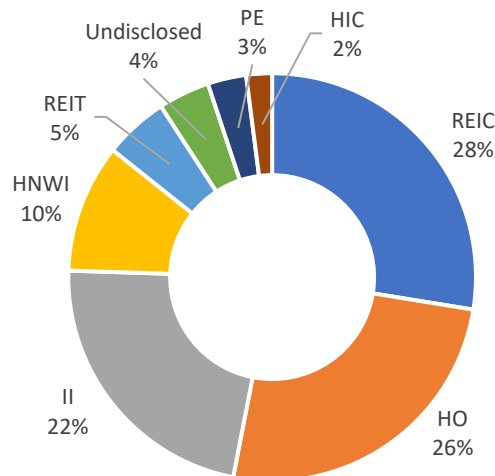
Portfolio Transaction: Buyers



Single Asset Transaction: Sellers



Portfolio Transaction: Sellers



✓ Real Estate Investment Companies were the largest buyers in 2020, accounted for 25% of all acquisitions (20% of single assets purchases, 36% of portfolio deals).

✓ REIC acquisitions valued at EUR2.1bn in 2020, a decline of 72% YoY.

✓ Real Estate Investment Companies were the largest sellers in 2020, accounted for 23% of total sales (20% of single assets purchases, 27% of portfolio deals).

✓ REIC sales valued at EUR1.9bn in 2020, a decline of 63% YoY.

HIC: Hotel Investment Companies
 HO: Hotel Operators
 II: Institutional Investors
 PE: Private Equity
 REIC: Real Estate Investment Companies
 REIT: Real Estate Investment Trust

Outlook for Europe hotel sector & hotel deals in 2022

- ✓ A survey with the panel of UNWTO experts showed that **61% of tourism professionals see better prospects for 2022**. While 58% expect a rebound in 2022, **mostly during the third quarter**, 42% point to a potential rebound only in 2023. A majority of experts (64%) expect international arrivals to return to 2019 levels only in 2024 or later. **The UNWTO projects international tourist arrivals globally to grow by 30%-78% in 2022.**
- ✓ **Europe is the global leader in international tourism**, it recorded the **highest international tourist arrivals of 279.8mln in 2021, up by 18.7%** from 235.7mln in 2020. However, international tourist arrivals to Europe was still 62.5% below the 2019-levels.
- ✓ According to the European Travel Commission, the **outlook remains positive with travel demand in Europe projected to be just 20% below pre-pandemic levels in 2022, fueled by domestic and intra-European travel demand**. Domestic travel is expected to exceed pre-pandemic peaks in 2022.
- ✓ **International tourist arrivals to Europe is only expected to return to pre-pandemic levels in 2024 or later**. Despite this, from a global perspective, **Europe's international tourism in 2022 is projected to recover faster than other world regions, with a notable recovery anticipated from the US market**, Europe's #1 pre-pandemic long-haul source country.
- ✓ **Coupled with higher inflation environment (resulting in ADR pricing power), this will in turn bode well for Europe's hotel demand and performance.**
 - According to auditing & booking platform Tripbani, the room rates in five-star European hotels are on average USD31 more expensive today vs. February 2019. In contrast, the room rates in Asia Pacific region are USD51 lower on average than they were pre-pandemic. Business travelers are gradually returning in Europe, while reducing the number of trips, they opt to stay longer in higher-end hotels, helping to drive up room rates.
- ✓ Caution that **potential disruption of new Covid-19 variants and concerns on geopolitics** could impact the speed and course of the European travel recovery process.

Outlook for Europe hotel sector & hotel deals in 2022 (cont')

- ✓ The spread of the pandemic put a halt to hotel deals activity in Europe with transaction value of EUR8.5bln in 2020 and an estimate of EUR10.7bln in 2021, around a third of the amount registered in 2019.
- ✓ Investors from North America and Asia Pacific were almost absent from the Europe hotel deals market, and except for HNW investors, all investor types saw overall declines in acquisition appetites. The largest net sellers were hotel operators.
- ✓ According to HVS, **Europe hotel deals activity recovery is expected in 2022 and beyond** underpinned by:
 - **Continued vaccine rollouts and the gradual opening of international borders** is expected to unleash a wave of pent-up leisure demand;
 - While **corporate and MICE* business** still lag behind (pandemic has forced digitalization upon companies), these segments are **expected to return gradually**;
 - **Rising traveler & investor confidence**, coupled with the opening of debt capital into the hospitality space (for low risk, outperforming hotel asset types) will help push transaction volumes to pre-pandemic levels;
 - **There is still very significant capital vying to get ahead of the recovery curve by snapping up well-located hospitality assets in Europe.** Prequin estimates USD300bln in undeployed capital raised for real estate investments.
- ✓ **Challenges:** Rising development costs due to rising energy & commodity prices, global supply-chain disruptions, labour shortages and higher inflation could lead to general contraction in new hotel openings. Major central business district development remains challenging given slow office re-openings, a lag in larger convention bookings, higher operating/labour costs, and even higher construction costs than average project.

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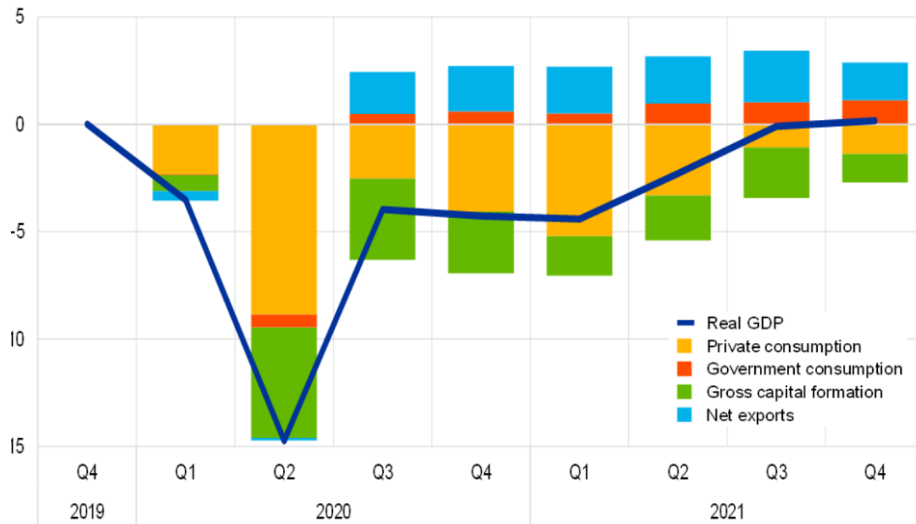
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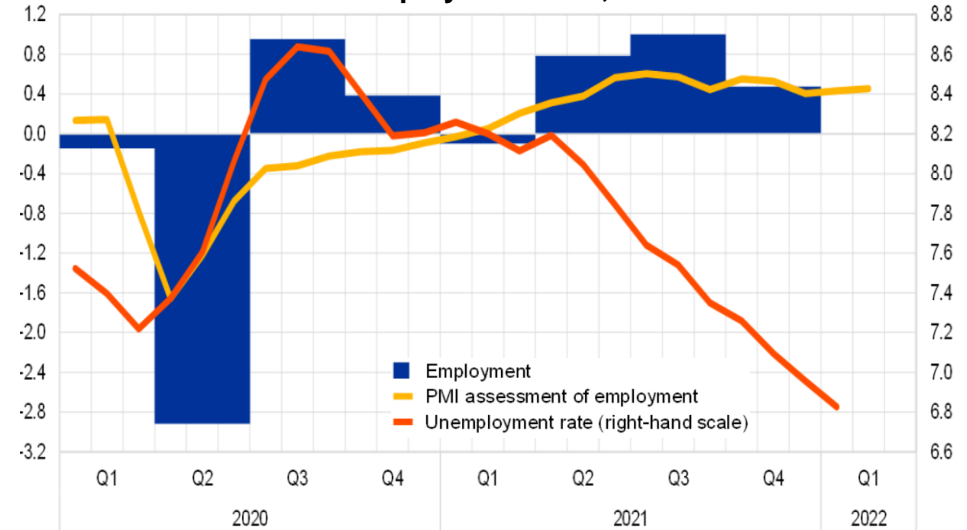
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Appendix: Euro area GDP stands on par with pre-pandemic level by end-2021, supported by domestic demand and accommodative policies

Euro Area Real GDP and Components, %



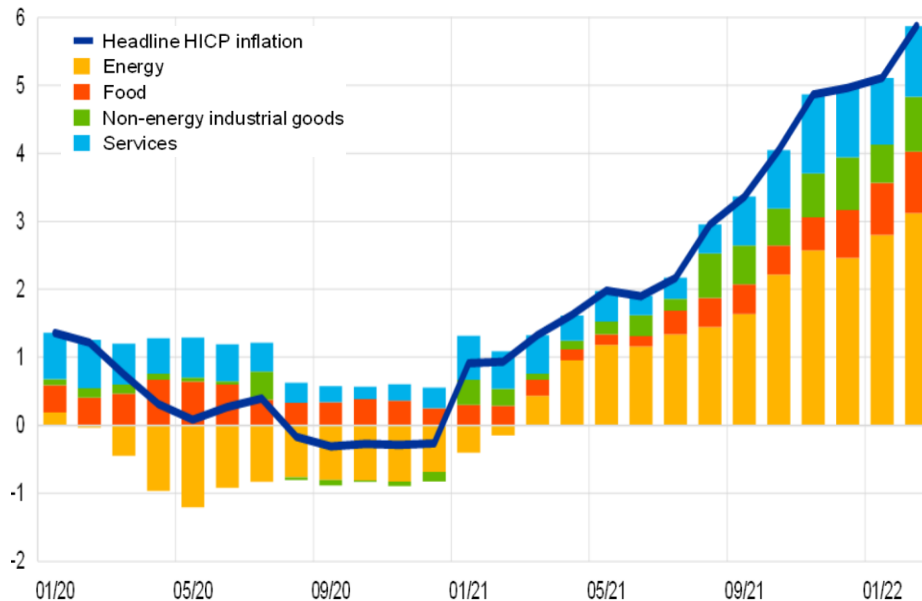
Euro Area: Employment, PMI Employment Indicator, Unemployment Rate, %



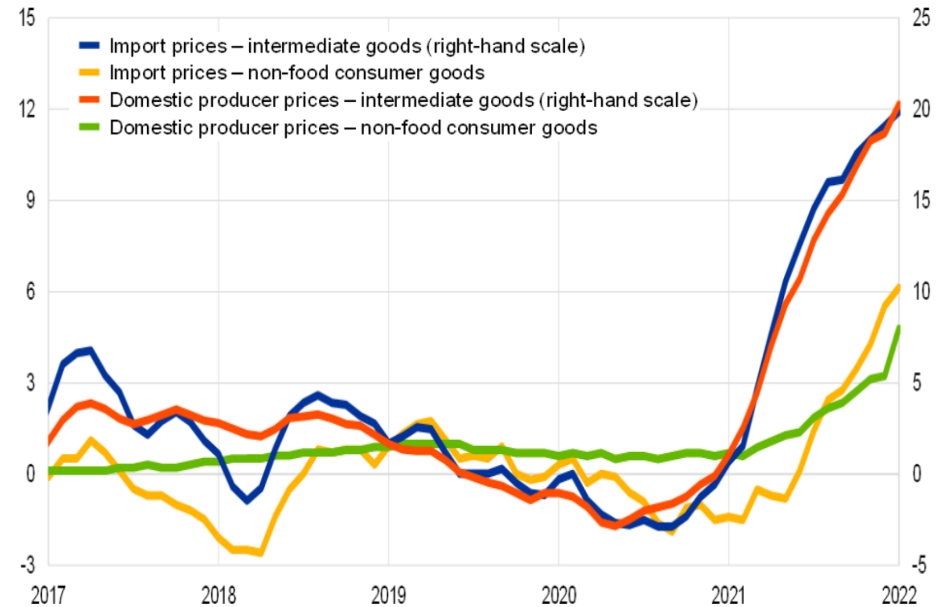
- ✓ Following two quarters of strong expansion, euro area GDP growth slowed to 0.3% QoQ in 4Q21. The European Central Bank (ECB) estimates euro area GDP growth of 5.4% in 2021 vs. -6.4% in 2020.
- ✓ Economic activity and demand are expected to remain weak in 1H22 as the Russia-Ukraine war will have a material impact on euro area economic activity through higher energy and commodity prices, disruption of international trade and weaker confidence.
- ✓ On the other hand, measures to contain the spread of Omicron have had a milder impact than expected and are now being lifted. The supply disruptions caused by the pandemic also show some signs of easing and the labour market has continued to strengthen.
- ✓ Against this backdrop, the euro area economy should still grow positively in 2022, but the pace will be slower than was expected before the war outbreak. The ECB projects euro area GDP growth of 3.7% in 2022 and 2.8% in 2023.

Appendix: Euro area inflation surged to a new peak of 7.5% in March driven by higher energy costs

Euro Area: Headline Inflation and Its Component, %



Euro Area: Consumer Price for Non-Energy Industrial Goods, %



- ✓ Euro area inflation continued to accelerate to 7.5% in March from 5.8% in February, driven by higher energy prices. Inflation is expected to remain elevated and more broad based in coming months, but returning to official target by 2023-2024. The ECB raised its inflation forecasts for the euro area to 5.1% in 2022 and 2.1% in 2023.
- ✓ The ECB's monthly net asset purchases under the Asset Purchase Program (APP) will be gradually reduced in 2Q22 (April: EUR40bln, May: EUR30bln, June: EUR20bln), and will end in 3Q22 if economic data supported such decision.
- ✓ Any adjustment to the ECB's key interest rate will take place some time after the end of net purchases under the APP and will be gradual. Market players are now pricing in 50bps of interest rate hikes by end-2022.

Appendix: Impact of the Russia-Ukraine war on European tourism

- ✓ The sharp spike in energy prices directly affects the costs of transportation and tourism services while also posing risks to wider consumer demand in Europe.
- ✓ The war also threatens Europe's international image as a safe destination in long-haul markets, as well as causing disruptions in air connectivity.
- ✓ However, the international tourism industry is less affected by the war vs. the Covid-19 pandemic. The direct impact being the loss of Russia-Ukraine and the territories surrounding the conflict as important market for tourism destinations. A survey conducted on travel sentiment and destination reputation shows that only one-third of the conversations on travelling to Europe are about the Russia-Ukraine conflicts vs. 50%-70% conversations on Covid-19 during the pandemic widespread.
- ✓ According to the ETC, after 2 years of uncertainty, this is the first year that people are showing a very strong desire to travel. In North America, travelers are not cancelling their plans, but postponing or just adapting their itinerary within Europe. Furthermore, big markets of France, Italy and Spain remain largely unaffected in terms of travel reputation.
- ✓ With the lack of tourist arrivals from Russia, the most affected being cities on the Mediterranean and the Black Sea (% share of arrivals from Russia July-December 2021: Rimini 35%, Bourgas 26%, Paphos 23%, Lamaca 11%, Varna 9%).