RADISSON HOSPITALITY

Q2 2019 & H1 RESULTS

BRUSSELS, 29th July 2019

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Radisson Blu Hotel & Residence, Riyadh Diplomatic Quarter, Saudi Arabia

Key Highlights

Very encouraging quarter: Best EBITDA in the company's history and all 5YP initiatives in line or ahead of plan

Revenue

- €261.9m Reported Revenue, +€8.2m vs. LY (+3.2%) due to a LFL&R revenue increase of +2.1% and openings of €4.8m
- €254.7m LFL&R Revenue, +€5.3m vs. LY (+2.1%) mainly driven by the lease business in the Rest of Western Europe +€4.2m (+3.8%)

EBITDA

- €54.8m Reported EBITDA, +€14.4m vs. LY (+35.6%), where of €9.2m due to the implementation of IFRS 16 *Leases*
- €46.2m Adjusted EBITDA, +€5.6m vs. LY (+13.8%)
- 20.9% EBITDA margin (+5.0 p.p.)
- 17.6% Adjusted EBITDA margin (+1.6 p.p.)
- Strong development in the Fee business

RevPAR

- Reported RevPAR +1.0%, positively impacted by new openings
- RevPAR LFL&R -0.4% impacted by ongoing renovations and lack of special events in key destinations as well as timing of Easter
- RevPAR LFL&R for leased hotels increased by +2.6%

Guidance & Q2 2019 Key developments

- We expect Revenue LFL&R to increase +4.5–5.0%
- We expect to reach an EBITDA margin between 12.0–12.5%
- Excellent progress done with the 5-year Operating Plan (5YP)
- Great expansion progress of new brands and destinations, with 16 signings and 6 openings in Q2 2019, driving to an excellent result on H1 well ahead of 5YP

Note: LFL&R is Like for like portfolio plus renovations at constant exchange rate. Adjusted EBITDA excludes items of one off-nature and the effect of the implementation of IFRS 16 *Leases*

Q2 2019 – Strong profit improvement

Highest Q2 Earnings ever in the history of the Company

	Profits and Loss M€	Q2 2019	Q2 2018	vs. LY m€	vs. LY %
	LFL&R Revenue	**254.7**	**249.4**	**5.3**	**2.1**
1	**Revenue**	**261.9**	**253.7**	**8.2**	**3.2**
	Payroll	-79.0	-82.2	3.2	3.7
	Other OPEX	-82.3	-75.9	-6.4	-8.3
	EBITDAR	**100.6**	**95.6**	**5.0**	**5.2**
	% over Revenue	38.4%	37.7%	0.7 pp	
	Rents & Guarantees	-46.0	-55.7	9.7	17.4
	Share of income in assoc.	0.2	0.5	-0.3	-60.0
2	**EBITDA**	**54.8**	**40.4**	**14.4**	**35.6**
	% over Revenue	20.9%	15.9%	5.0 pp	
	Depreciations	-19.6	-12.2	-7.4	-60.6
	Write-downs	-0.4	-0.1	-0.3	-206.0
	Lease modifications and terminations	-0.3	-1.0	0.7	70.0
3	**EBIT**	**34.5**	**27.1**	**7.4**	**27.3**
	% over Revenue	13.2%	10.7%	2.5 pp	
	Net financial expenses	-9.6	-0.5	-9.1	-1,820.0
	Income tax	-6.7	-6.1	0.6	9.8
4	**Net Income**	**18.2**	**20.5**	**-2.3**	**-11.2**

1 **Revenue** is +€8.2m (+3.2%) above last year. The LFL&R revenue increase of +€5.3m (+2.1%) and openings of +€4.8m is partly offset by FX of -€1.1m and exits of -€0.8m

2 **EBITDA** increased by +€14.4m (+35.6%) to €54.8m, which is mainly due to the implementation of IFRS 16 *Leases* (€9.3m) and the strong development in the fee business (€3.9m)

Adjusted EBITDA increased by +€5.6m (+13.8%) to €46.2m

3 **EBIT** increased by +€7.4m (+27.3%) to €34.5m, where of €3.2m is due to the implementation of IFRS 16

Adjusted EBIT increased by +€5.6m (+19.7%) to €34.0m

4 **Net Income** decreased by -€2.3m (-11.2%) to €18.2m. The increase in EBIT is offset by an increase of net financial expenses of €9.1m, due to the bond issuance in July last year and the implementation of IFRS 16

Adjusted Net Income was flat compared to last year and amounted to €21.5m

Q2 2019 – Strong conversion in the like-for-like portfolio

M€	Q2 2019	Q2 2018	Change	%	FX	Exits	New Hotels	One-Offs	Impl. IFRS 16	LFL&R	LFL&R (%)
Revenue	261.9	253.7	8.2	3.2%	–1.1	–0.8	4.8	—	—	5.3	2.1%
EBITDAR	100.6	95.6	5.0	5.2%	–0.5	0.2	2.3	–0.5	—	3.5	3.5%
EBITDA	54.8	40.4	14.4	35.6%	–0.2	0.5	2.3	–0.5	9.3	3.0	7.6%
EBIT	34.5	27.1	7.4	27.3%	0.0	0.5	2.3	–1.4	3.2	2.8	10.4%

- **FX** had a negative impact of -€1.1m on revenue but no impact on EBIT
- **Exits** include one Park Inn lease and one Radisson Blu lease with negative impact on revenue of -€1.6m. Exited managed and franchised hotels had a positive impact of €0.8m on revenue
- Contribution from **new hotels** of €2.3m to EBIT with a good profit conversion
- The implementation of **IFRS 16 *Leases*** has an impact of €9.3m on EBITDA and €3.2m on EBIT
- On a **LFL&R** basis, revenue is up +€5.3m (+2.1%) and EBIT is up +€2.8m vs. last year

H1 2019 – Strong profit improvement

Highest Q2 Earnings ever in the history of the Company

Profits and Loss M€	H1 2019	H1 2018	vs. LY m€	vs. LY %
LFL&R Revenue	**463.9**	**451.2**	**12.7**	**2.8**
1 **Revenue**	**475.3**	**459.9**	**15.4**	**3.3**
Payroll	-154.7	-158.8	4.1	2.6
Other OPEX	-154.1	-142.8	-11.3	-7.9
EBITDAR	**166.5**	**158.3**	**8.2**	**5.2**
% over Revenue	35.0%	34.4%	0.6 pp	
Rents & Guarantees	-85.8	-111.7	25.9	23.2
Share of income in assoc.	-0.6	-0.1	-0.5	-336.0
2 **EBITDA**	**80.1**	**46.5**	**33.6**	**72.3**
% over Revenue	16.8%	10.1%	6.7 pp	
Depreciations	-38.3	-23.0	-15.3	-66.5
Write-downs	-0.6	-0.2	-0.4	-195.5
Lease modifications and terminations	-0.3	-1.0	0.7	70.0%
3 **EBIT**	**40.9**	**22.3**	**18.6**	**83.4**
% over Revenue	8.6%	4.8%	3.8 pp	
Net financial expenses	-19.3	-0.6	-18.7	-3,116.7
Income tax	-6.8	-6.2	-0.6	-9.7
4 **Net Income**	**14.8**	**15.5**	**-0.7**	**-4.5**

1 **Revenue** is +€15.4m (+3.3%) above last year. The LFL&R revenue increase of +€12.7m (+2.8%) and openings of +€7.8m is partly offset by exits of -€2.9m and FX of -€2.2m

2 **EBITDA** increased by +€33.6m (+72.3%) to €80.1m, which is due to the implementation of IFRS 16 Leases (€24.0m), the strong revenue growth and the positive effects from the new hotel operation model

Adjusted EBITDA increased by +€11.4m (+24.4%) to €58.1m

3 **EBIT** increased by +€18.6m (+83.4%) to €40.9m, where of €10.9m is due to the implementation of IFRS 16

Adjusted EBIT increased by +€10.5m (+44.3%) to €34.2m

4 **Net Income** decreased by -€0.7m (-4.5%) to €14.8m. The increase in EBIT is offset by an increase of net financial expenses of €18.7m due to the bond issuance in July last year and the implementation of IFRS 16

Adjusted Net Income was flat compared to last year and amounted to €16.7m

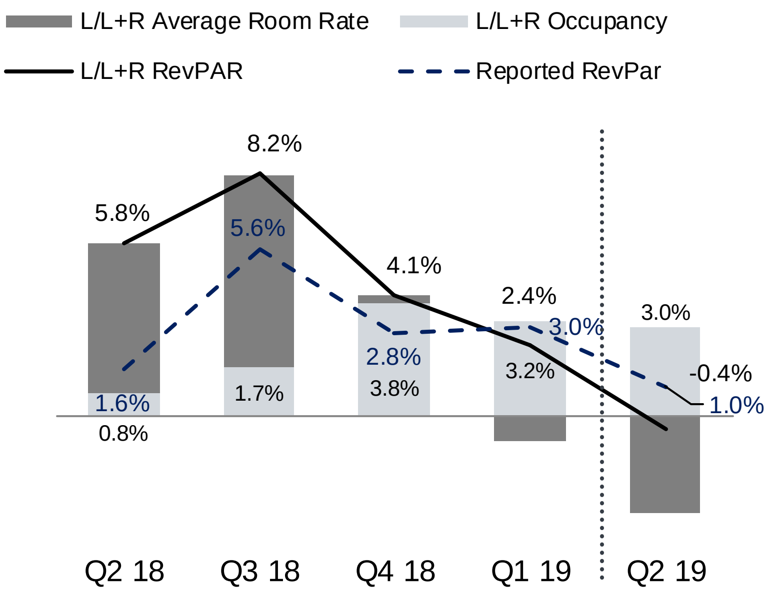
H1 2019 – Strong conversion in the like-for-like portfolio and positive impact from the implementation of IFRS 16 *Leases*

M€	H1 2019	H1 2018	Change	%
Revenue	475.3	459.9	15.4	3.3%
EBITDAR	166.5	158.3	8.2	5.2%
EBITDA	80.1	46.5	33.6	72.3%
EBIT	40.9	22.3	18.6	83.4%

FX	Exits	New Hotels	One-Offs	Impl. IFRS 16	LFL&R	LFL&R (%)
–2.2	–2.9	7.8	—	—	12.7	2.8%
–0.7	–0.7	3.9	–1.8	—	7.5	4.8%
–0.1	–0.1	3.9	–1.8	24.0	7.7	17.9%
0.1	–0.1	3.9	–2.8	10.9	6.6	33.1%

- **FX** had a negative impact of -€2.2m on revenue but a slight positive impact on EBIT
- **Exits** include one Park Inn lease and one Radisson Blu lease with negative impact on revenue of -€2.4m but positive impact on EBIT of €0.3m. Exited managed and franchised hotels had a negative impact of -€0.5m on revenue and -€0.4m on EBIT
- Negative **one-offs** of -€2.8m is mainly related to IT transformation projects and lease contract terminations
- The implementation of **IFRS 16 *Leases*** has an impact of €24.0m on EBITDA and €10.9m on EBIT
- On a **LFL&R** basis, revenue is up +€12.7m (+2.8%) and EBIT is up +€6.6m vs. last year

Q2 2019 – LFL&R RevPAR **+1.0% vs. LY**



NOTE: Like-for-like plus renovations: same hotels in operation plus renovations during 2018 and 2019 at constant exchange rates
2018 quarters follow same qualification of Q2 2019, using Ly Rate of 2018

- Reported RevPAR during Q2 2019 increased **+1.0% vs. LY**, less than previous quarters due to the **unrecoverable one off event (World Cup) in Russia last year**.
- **LFL&R RevPAR** for the leased and managed hotels was **-0.4% behind LY**, due to special events (EE with -7.1%), to as significant supply increase in Denmark (-6.6%) and to the current renovations (-4.7%).
- **Special events have been almost fully covered** as budgeted by the positive performance of the Leased portfolio with +2.6% vs LY.
- Excluding ongoing renovations, the performance of the **LFL&R Leased and Managed** would become **positive to last year with +0.4%**.
- To note the **significant ramp up of 2018 investments** with +6.3% vs Last Year.

Q2 2019 – Market share continues to grow with +2.1% in Q2

RGI development

	Q2 2018	Q2 2019	Diff %
RGI	104.7	106.8	2.1%
Leased Hotel RGI	*108.9*	*111.4*	*2.3%*
Managed Hotel RGI	*101.9*	*103.7*	*1.8%*

- Third best RGI development of Radisson Hotel Group since 3 years with +2.1% versus Q2 2019.
- 57% of the hotels improving RGI (101 positive of 178).
- Both Leased and Managed Hotels growing very fast respectively with +2.3% and 1.8%, mainly driven by Leased Comparable Hotels with +3.4%.
- Each Area is contributing to the growth, mainly driven by Middle East and Africa with +6.9%.

QUALITY REPUTATION - EMEA

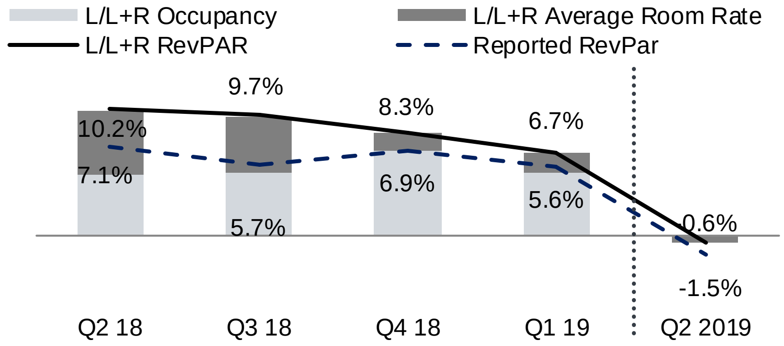
	Q2 2018	Q2 2019	Diff %
Booking.com score	**8.3**	**8.4**	**+0.1**
Booking.com online reviews	86K	96K	+11%
Global Review Index (GRI)	**85.5%**	**86.4%**	**+0.9**
Total online reviews	175K	200K	+14%
Guest Satisfaction Survey - Overall Experience Score	**8.02**	**7.94**	**-0.08**

- Historical GRI* positive growth of **almost + 1** p.p. vs LY
- Booking.com still the main source of online reviews (48%)
- Loyal guests (GSS) with a slight decrease of Overall Experience Score – action plan already in place to recover during the summer

*Note: Figures fot LFL&R Managed & Leased Hotels with 3rd Party RGI Data; *Quality scores algorithm based on all online reviews channels + OTAs*

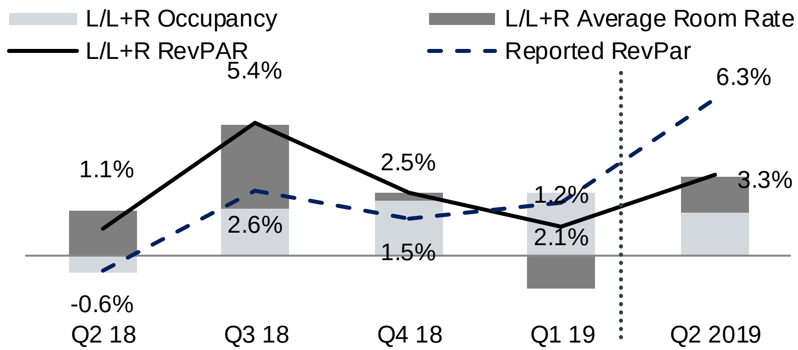
Q2 2019 – Positive performance driven mainly by Western Europe

NORDICS



- Reported RevPAR decreased by -1.5% vs. LY mainly due to FX (-2.7%).
- LFL&R Leased and Managed was short of last year by -0.6% mainly driven by Denmark (-6.6%) and by the important supply increase in Copenhagen where RHG has lost two points less than competition, generating +2.0% in RGI change.
- Excluding hotels under renovation, RevPAR grew by 1.0%
- Norway, 44% of the room revenue share, grew by 1.4%, strongly supported by Comparable hotels (+14.5% and +8.5%), followed by Sweden (23% of share) with only -0.2%.

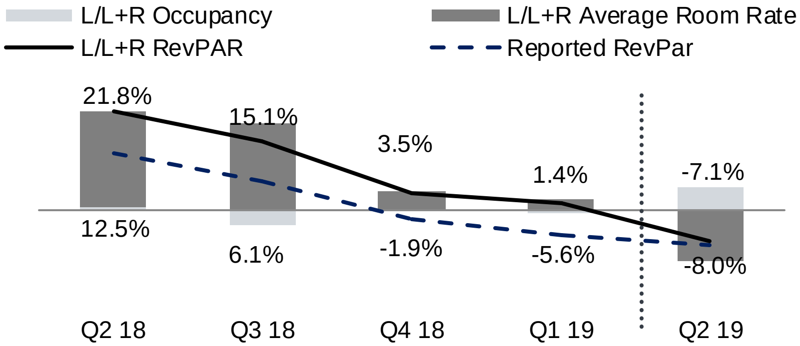
ROWE



- Reported RevPAR grew +6.3% vs. LY with a RevPAR LFL&R growth of 3.3%, partially offset by ongoing renovations (flat to last year) and supported by a positive FX (+0.6%).
- Highest RevPAR LFL&R growth in Austria (+13.8%), followed by France (+10.9%), despite the Yellow Vest protests, Belgium (+7.7%), Italy (+6.7%), Germany (+4.9%), Spain (+3.2%) and Switzerland (+2.4%)
- Excluding hotels under renovation, RevPAR grew by 3.9%

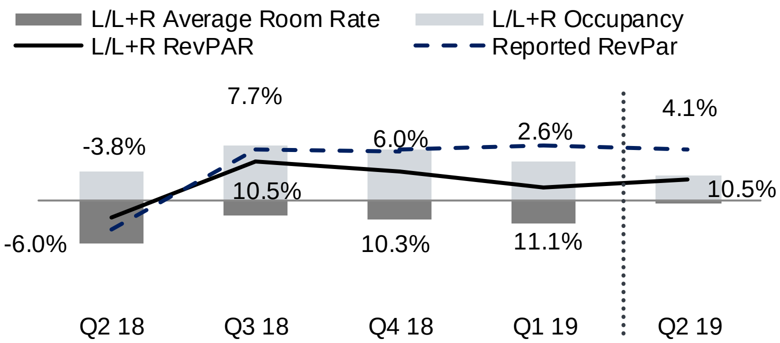
Q2 2019 – EE is facing challenges while MEA continues with strong development

EASTERN EUROPE



- Reported RevPAR was -8.0% vs. LY, slightly impacted by FX (-0.9%) and strongly impacted by one-off events.
- RevPAR LFL&R decreased by -7.1%, driven by average rate (+11.4%) and by the lack of the World Cup in Russia (-11.4%) and of the Champions' League Final in Kiev (-25.9%).
- Russia, (with ca 40% of the LFL&R room revenue share) has indeed lost -18.4%, followed by Ukraine with -25.9% because of the lack of the Champions' League Final in Kiev and the second round of the President Election.

MIDDLE EAST & AFRICA



- Reported RevPAR was 10.6% vs. LY, supported by a positive FX impact (+3.9%)
- RevPAR LFL&R grew +3.8% mainly supported by a recovery in volumes (+4.9%) with a stable ADR year-on-year.
- RevPAR LFL&R per market remain mixed, with a positive performance in several markets (e.g. Bahrain +19%, Egypt +31%, Lebanon +36%, Morocco +23%, Tunisia +47%) offset by UAE. To note that both South Africa and Saudi Arabia returned to be positive respectively with +3.7% and +2.7%.
- Excluding hotels under renovation, RevPAR grew by 4.6%

Q2 2019 – Lease Business

Strong growth in Rest of Western Europe. Nordics impacted by renovations and the timing of Easter

Nordics

- Revenue decreased by -€3.2m (-3.1%) due to the strengthening of the Euro (-€1.8m) and the exit of one property (-€1.2m). Revenue LFL&R is flat (-€0.2m) due to the timing of Easter and renovations
- EBIT increased by +€1.0m. The positive impact of the implementation of IFRS 16 (+€2.9m) is partly offset by higher costs for depreciation and termination of lease contracts

Nordics			
M€	Revenue	Revenue LFL&R	EBIT
Q2 2019	100.7	102.6	13.4
Q2 2018	103.9	102.8	12.4
Var	–3.2	–0.2	1.0
% Var	–3.1%	–0.2%	8.1%

Rest of Western Europe

- Revenue increased by +€4.5m (+4.1%) due to strong LFL&R growth (+€4.1m) and positive FX impact (+€0.8m)
- EBIT increased by +€2.1m (+2.6%) mainly due to revenue increase and the introduction of the New hotel Operation model. The implementation of IFRS 16 had no impact on EBIT

Rest of Western Europe			
M€	Revenue	Revenue LFL&R	EBIT
Q2 2019	113.9	113.1	10.3
Q2 2018	109.4	109.0	8.2
Var	4.5	4.1	2.1
% Var	4.1%	3.8%	2.6%

Q2 2019 – Fee Business

Continued strong development

Rest of Western Europe

- Fee revenue increased by +€2.8m (+27.5%) due the positive impact of exits and new openings
- EBIT increased by +€2.8m (44.4%) as a consequence of the strong revenue development

Eastern Europe

- Fee revenue increased by +€1.5m (+12.9%), mainly due to new openings
- EBIT increased by +€0.6m (6.7%) mainly due to the revenue growth

Middle East, Africa & Others

- Fee revenue increased by +€1.3m (+20.0%), mainly due to new openings and exits
- EBIT increased by +€0.7m (+15.6%) due to the fee revenue increase

Revenue (M€)	NO	RoWE	EE	MEAO	Total
Q2 2019	3.1	13.0	13.1	7.8	37.0
Q2 2018	3.3	10.2	11.6	6.5	31.6
Var	–0.2	2.8	1.5	1.3	5.4
% Var	–6.1%	27.5%	12.9%	20.0%	17.1%

EBIT (M€)	NO	RoWE	EE	MEAO	Total
Q2 2019	1.5	9.1	9.6	5.2	25.4
Q2 2018	1.6	6.3	9.0	4.5	21.4
Var	–0.1	2.8	0.6	0.7	4.0
% Var	–6.2%	44.4%	6.7%	15.6%	18.7%

Cash Flow and Balance Sheet

Cash flow impacted by change in working capital, investments in the lease portfolio and interest paid

H1 (m€)	2019	2018
Cash flow before working capital changes	71.2	41.8
Change in working capital	–29.8	–8.9
Cash flow from operating activities	**41.4**	**32.9**
Investing activities	–27.4	–28.7
Free cash flow	**14.0**	**4.2**
Financing activities	–33.3	1.5
Cash flow for the period	**–19.3**	**5.7**

In M€	Jun. 30, 2019	Jan. 1, 2019 (adj)
Total assets	1,100.2	1,113.6
Net working capital	–61.8	–88.2
Net cash (net debt)	–478.1	–473.1
Equity	171.5	156.0

- Improved cash flow before working capital due to increase in EBITDA and partly due to the implementation of IFRS 16 *Leases* (+€24.0m)
- Change in working capital, mainly due to lower accounts payables and accrued expenses per end of June 2019
- The lower cash out from Investing activities vs 2018 is due to the in-flow from financial investments in 2019
- Cash flow used in financing activities of -€33.3m, compared to +€1.5m last year. The decrease is mainly due to the implementation of IFRS 16 (-€24.0m) and payment of interest on the high-yield bond. Positive amount in 2018 due to the use of overdraft
- Net cash position is negative (-€478.1m) by the end of the period; Lease liabilities of €458.4m, the Bond of net €241.4m and the Prizeotel loan of €8.9m is offset by €230.6m in cash and cash equivalents

Strong quarter for signings

Radisson Blu at Porsche Design Tower Stuttgart, Germany

Mansard Riyadh, A Radisson Collection Hotel and Residences, Saudi-Arabia

SIGNINGS	Q2 2019	Q2 2018	YTD 2019	YTD 2018
Hotels	16	10	33	21
Rooms	2,857	1,268	6,734	3,306

- Signings in line with strategy with 7 hotels (1,167 rooms) signed in Europe (Germany x2, Cyprus x2, Poland x2 and Romania)
- In Q2 2019, 1 lease has been signed (168 rooms). All other agreements were asset light and equally split between franchised (8) and managed (7).
- Good momentum of new brands development (1 Collections, 1 RED, 6 Radissons)

Radisson Blu Hotel, Prague, Czech Republic

Radisson Blu Hotel & Residence, Riyadh Diplomatic Quarter, Saudi Arabia

OPENINGS	Q2 2019	Q2 2018	YTD 2019	YTD 2018
Hotels	6	2	12	11
Rooms	926	271	2,214	1,966

- In Q2 2019 one leased hotel opened (Radisson Blu Hotel, Prague)
- All other hotel openings were asset-light
- 4 hotels opened in emerging markets
- Expansion to new countries: Algeria and Niger


Q&As


FEDERICO J. GONZÁLEZ
PRESIDENT & CEO


SERGIO AMODEO
EXECUTIVE VP & CFO

Forward Looking Statements

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