



How to navigate COVID-19 impact on hotel business?

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What is the current impact on hospitality sector globally?

COVID-19 pandemic spread lead to necessary travel and mass gathering restrictions further driving down sector results

12%

Lowest occupancy as of end of March is recorded in Europe, while US is at the level of 23% as pandemic spread to their soil

93%

Reduction of RevPAR in luxury class segment. Economy and midscale segments were most resilient with RevPAR reduction ranging from -55% to -70%.

40%+

Reduction in global international travel estimates, while domestic travel will drop 23% in 2020

3

Months is the shortest period of restoring operations after the initial hotel closures done as the response to crisis outbreak

How has the crisis affected the CEE region so far?

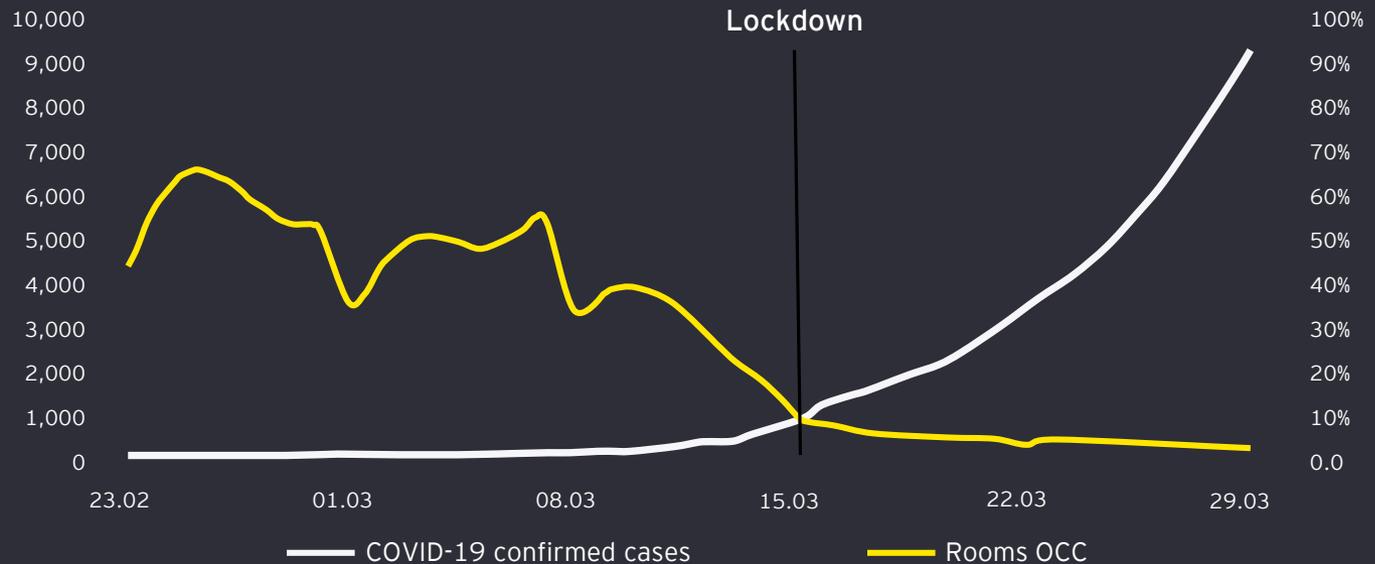
Quick upsurge in COVID-19 confirmed cases in the CEE, a week before the region lockdown, drove many industry parameters to a swift decline

Hotel room occupancy rates went down to single digits level since the lockdown, significantly driving the RevPAR levels that have experienced drop of more than 50% in one month time in all major cities of the region

Occupancy drop in major CEE cities

(from 29. March 2020)

Belgrade	- 60 %
Bratislava	- 73 %
Bucharest	- 74 %
Budapest	- 70 %
Krakow	- 70 %
Ljubljana	- 66 %
Prague	- 75 %
Riga	- 55 %
Sofia	- 73 %
Tallinn	- 68 %
Vilnius	- 54 %
Warsaw	- 67 %



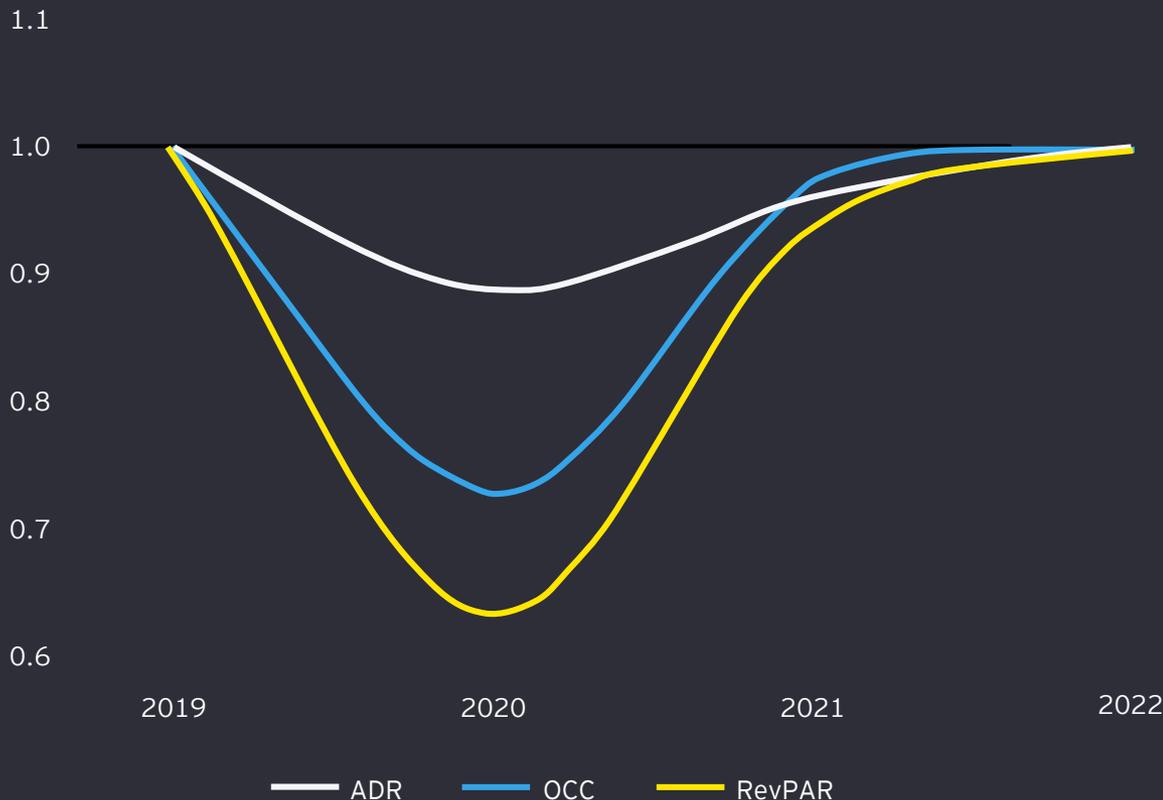
All class segments follow the similar path

Varying sets of government measures across the region made a very similar impact on the sector, with highest average occupancy margins between the classes being less than 10%

What is the current perspective on sector recovery?

Deep shock will leave significant sector-wide impact, but recovery is picking up with the pace of concern and containment measures reduction

Recovery of **average hotel RevPAR** for European markets to its 2019 level is expected in 2022



10pp

Rise in **China's occupancy level** in second half of March, recovering to 29%, as COVID-19 treat decreases and restrictions loosen

8

Months is the baseline outlook of **impact on travel** in Europe. Although duration of the travel bans remains uncertain, domestic travel is set to precede international travel recovery.

2022

Is the year when the **volume of international travel** is expected to reach again its 2019 level, while 2021 is set for rapid recovery, primarily driven by domestic travel

How to quickly adapt and respond to the changes in sector?

Now

Finance

- ▶ Focus on liquidity
- ▶ Stop all non-essential spending
- ▶ Negotiate real estate rent abatement
- ▶ Evaluate all relief opportunities (ex. employment tax decreases)
- ▶ Offer discounted gift cards and promote widely to customers

Clients

- ▶ Raise customer awareness and use social media
- ▶ Add new, attractive and long lasting functions
- ▶ Minimize in person exposure and turn to online transactions

Workforce

- ▶ Reduce staffing to accommodate decreased operations
- ▶ Pivot existing hourly workforce
- ▶ Reduce resources deployed on field support

Next

Finance

- ▶ Close down under-performing locations
- ▶ Postpone / cancel new investment and refurbishments
- ▶ Delay or terminate new hotel acquisitions
- ▶ Consider insurance as potential recovery

Workforce

- ▶ Ensure sufficient work force upon reopening
- ▶ Offer re-hiring incentives to top performers

Beyond

Finance

- ▶ Ensure company can maintain or increase pre-COVID-19 market presence once the conditions improve

Clients

- ▶ Understand the changes and impact on consumer decisions and long-lasting behaviors
- ▶ Refresh channels and content used to engage with consumers
- ▶ Optimize hotel footprint

Although immediate impact of the crisis is driving operations, liquidity and workforce issues, companies that are able to adapt quickly and prepare for mid-term changes in consumer demand and operating models in the sector will be better positioned to bounce back and capture new market opportunities in the aftermath of the pandemic.

How will COVID-19 affects hotel investments?

Measures:

1. Ownership and management: lockdown of the ongoing sales
2. Management (operations) contracts: fall of occupancy rates

Opportunities



- ▶ Crisis presents new hotel investment opportunities worldwide
- ▶ Competitive environment equally for new opportunistic investors & investors being on hold in anticipation of hotel market development
- ▶ Increased debt compliance requirements for investment financing
- ▶ Changing economic & social environment of the hotel industry
- ▶ Quick hotel investment market rebound - after restoring of hotel industry & tourism

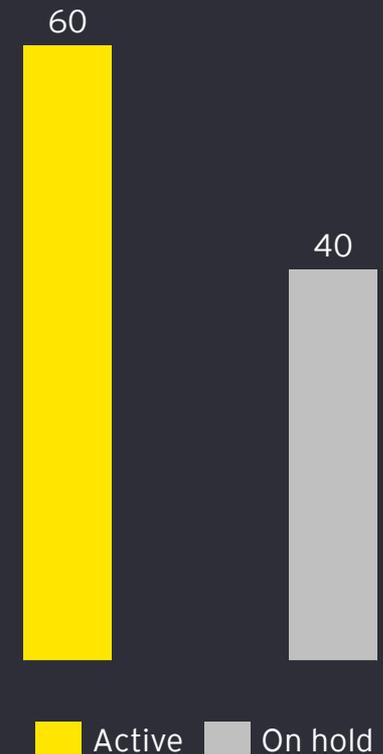
Consequences

Investment impact



- ▶ Larger spread of yields regarding hotels vs. offices (e.g.)
 - ▶ Higher risk of hotel investment
 - ▶ Higher risk of predictability & plausibility studies
- ▶ Insecurity of investment scenarios
- ▶ Debt financing contingencies added
- ▶ Longer DD periods
- ▶ Temporary bid spread
- ▶ More focused and revised investment parameters
- ▶ Deep impact on prime yields followed by commercial and residential incomes
- ▶ Counteracting measures
 - ▶ Impact magnitude duration unclear

Investors activity (% of total hotel investors)



What solutions can EY provide you with?

EY has mobilized experienced cross service line professionals to provide crisis solutions including:



Cost & Cash flow control

- ▶ Implementation of effective operations and working capital solutions around key business model elements



Divestment activity support

- ▶ Advising on selecting assets for divestment and assuring proper execution of the sale process



Employment optimization

- ▶ Facilitating conversation on enabling workforce productivity throughout the crisis and talent management strategies



Hotel concept remodeling

- ▶ Supporting concept remodeling process with market insight, feasibility studies and business modelling for various scenarios



Location repositioning

- ▶ Leading discussion on better understanding of possible geographical, demographic and functional repositioning



Debt financing restructuring

- ▶ Suggesting optimal use of current debt facilities including the governmental support and supporting restructuring negotiation process with banks and bondholders

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