

## Press release

Stockholm, 13/12/2017

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### Pandox AB (publ) acquires hotel portfolio in the UK and Ireland with Fattal Hotels Group as operating partner

**Pandox AB (publ) (“Pandox”) has entered into an agreement with Lone Star for the acquisition of a portfolio with 37 hotel businesses. The transaction is made with Fattal Hotels Group (“Leonardo”) as operating partner, whereby Pandox, following a reorganisation of the portfolio, will retain 20 investment properties and one operating property in the UK and Ireland, and Leonardo will acquire the operational platform with 36 hotel operations under the “Jurys Inn” brand. The investment properties will be operated by Leonardo under long-term revenue-based lease agreements. The total acquisition price amounts to MGBP 800 on a debt free basis, corresponding to approximately MSEK 9,030 (\*). The acquisition is fully financed by a new bank loan, existing credit facilities and a loan from Leonardo of MGBP 120 to be set-off after the reorganisation, after which Pandox’s share of the total acquisition price will amount to MGBP 680, corresponding to approximately MSEK 7,680. The hotel property portfolio is expected to contribute the equivalent of approximately MSEK 450 in net operating income and MSEK 200 in cash earnings 2018, provided the acquisition is completed before year-end 2017.**

“The acquisition fulfils all Pandox’s strategic criteria regarding countries, cities and locations, as well as size, segment and profitability, contributing to a further diversification of our revenue base. The hotel properties are of high quality, belong to the profitable upper mid-market segment and will bring an immediate and substantial contribution to earnings. Through the acquisition, Pandox adds 20 new hotel cities to the portfolio and achieves a considerable market presence in the UK and the Republic of Ireland, which are large and dynamic hotel markets. The acquisition demonstrates Pandox’s ability to execute on its business strategy in international competition and grow with good profitability also in new markets.”, says Anders Nissen, CEO of Pandox.

“We are proud to continue consolidating and developing our collaboration with Pandox, our strong expansion partner. The mutual trust we have built up over the last few years forms the basis for our success. For us, the acquisition of Jurys Inn hotels represents a huge step forward in our growth. With this, we have the opportunity to further expand and strengthen our expertise and brand awareness in Europe. We look forward to this new challenge.”, says David Fattal, CEO of Fattal Hotels Group.

#### Drivers for the acquisition

1. The hotel properties fit well into Pandox’s acquisition strategy and contribute immediately and positively to Pandox’s earnings and cash flow.
2. The hotel property portfolio is consistently of high quality and comprises 21 full-service hotels in the upper-mid market segment with a total of 4,694 rooms and an average size of approximately 224 rooms. The hotels are recently renovated with very positive guest reviews.
3. Pandox will be established in 20 new hotel markets and gains a considerable market presence in the UK and Ireland.

(\* ) Based on GBP/SEK 11.29, which is used throughout this press release.

4. The hotels' locations and market positions are consistently strong with exposure to major flows and geographic proximity to important communication hubs, businesses and leisure activities.
5. The hotel property portfolio, including the operating property, has a yield of approximately 5.8 percent and the acquisition price per room corresponds to approximately MSEK 1.6.
6. The demand is derived mainly from domestic business and leisure travellers (e.g. Birmingham, Manchester, Leeds and Sheffield) and is complemented in many markets by considerable international demand (e.g. London, Dublin, Manchester, Glasgow and Belfast). The hotel properties complement Pandox's existing portfolio well in terms of demand and segmentation.
7. The 20 investment properties will be operated by Leonardo under 25-year revenue-based lease agreements with minimum guaranteed rent and shared investments, which is at the core of Pandox's business model. The minimum guaranteed rent amounts to approximately 83 percent based on estimates for 2018.
8. The operating property will be operated by Pandox under the brand Hilton Garden Inn. The hotel has 364 rooms and is located at London Heathrow Airport.
9. Pandox estimates that the portfolio offers good potential from recently completed renovations, which have not yet taken full effect, and an increased focus on revenue management.

#### **Transaction structure, acquisition price and financing**

The seller is a company owned by Lone Star. The buyer is Pandox AB via a wholly-owned subsidiary. The transaction comprises a portfolio of 37 hotel businesses, whereby Pandox, following a reorganisation of the hotel property portfolio, retains 20 investment properties in the UK and the Republic of Ireland (see list under portfolio overview below) and one operating property in England, and whereby Leonardo acquires the operations platform with 36 hotel operations under the Jurys Inn brand.

The total acquisition price amounts to 800 MGBP on a debt free basis, corresponding to approximately MSEK 9,030. The acquisition is financed by a new 5-year bank loan with Bank of America Merrill Lynch International, existing credit facilities and a loan from Leonardo in the amount of MGBP 120 to the acquiring company. After completion, a reorganisation will be implemented in accordance with a framework agreement between the parties, whereby the operational business will be transferred to Leonardo in satisfaction of the loan, after which Pandox's share of the total acquisition price is expected to amount to MGBP 680, corresponding to approximately MSEK 7,680.

During the reorganisation Leonardo will operate all Jurys Inn hotels, of which Pandox's 20 investment properties under management agreements which correspond to revenue-based lease agreements, including minimum guaranteed rent and property commitments. These are intended to be replaced by revenue-based lease agreements at the latest by the time the reorganisation has been completed. The reorganisation is expected to be completed during 2018.

The ultimate acquisition cost for Pandox is estimated at approximately MGBP 705, including costs for the reorganisation.



**Financial effects for Pandox at full consolidation, at current exchange rate and conditional on the transaction being completed before year-end 2017**

1. For the business segment Property Management, rental income is expected to increase by approximately MSEK 440 and net operating income by approximately MSEK 425 during 2018.
2. For the business segment Operator Activities, revenues are expected to increase by approximately MSEK 130 and net operating income by approximately MSEK 25 during 2018.
3. For Pandox as a whole cash earnings are expected to increase by approximately MSEK 200 during 2018.
4. The hotel property portfolio, including the operating property, has a yield of approximately 5.8 percent.
5. Pandox's responsibility for future investments is limited to major technical installations and building structure.
6. Pandox sees potential to, in close cooperation with Leonardo, make future cash flow enhancing investments in the acquired hotel property portfolio.
7. Based on the market value of the hotel portfolio per 30 September 2017:
  - a. The portfolio value increases from approximately SEK 41.0 billion to approximately SEK 48.9.
  - b. Investment Properties' share of the total property value increases from approximately 83 percent to approximately 85 percent.
  - c. Pandox's loan-to-value ratio increases from approximately 48 percent to approximately 56 percent, excluding the loan from Leonardo, which should be compared with the company's financial target of a loan-to-value ratio in the range of 45-60 percent.
8. In the fourth quarter 2017, marginal positive contributions are expected to rental income Property Management, revenue Operator Activities, net operating income Property Management and Operator Activities respectively.

**Terms and completion**

The acquisition is expected to be completed before year-end 2017 provided that certain customary closing conditions have been fulfilled, such as the seller's delivery of the acquired shares to Pandox and Pandox's payment for the shares.

**Financial reporting**

Pandox will consolidate the 21 hotel properties to 100 percent and report 20 under the business segment Property Management and one under the business segment Operator Activities, from the time of completion of the acquisition. See below for a list of the hotel properties.

The assets and liabilities attributed to the business, which will be divested to Leonardo, will be reported in the balance sheet as Assets held for sale and Debt related to assets held for sale until the ownership of these assets is transferred to Leonardo.

## Portfolio overview

The hotel property portfolio comprises 21 hotels in 20 cities, of which thirteen are in England, three in the Republic of Ireland, two in Scotland, one in Wales and one in Northern Ireland with a total of 4,694 rooms. All the investment properties are managed under the Jurys Inn brand and the operating property is managed under the Hilton Garden Inn brand. The hotels are full-service hotels in the upper mid-market segment with mainly local demand (Birmingham, Leeds and Sheffield) and elements of international demand (London, Dublin, Manchester, Cardiff and Belfast), which complements Pandox's existing portfolio well. The hotels have strong central locations for the business, conference and leisure segments. The portfolio acquisition provides Pandox with a considerable market coverage in the fifth largest hotel market in Europe, as measured in the number of guest nights, and a geographical area with a total population of approximately 70 million. The hotels have consistently strong central locations in cities forming part of larger urban areas (\*).

Hotel	Country	City	Population in city area (*)	No. of rooms	Location
Jurys Inn London Croydon	England	Croydon	9,896,000	240	City
Hilton Garden Inn London Heathrow (**)	England	London	As above	364	Airport
Jurys Inn Birmingham	England	Birmingham	2,488,200	445	City
Jurys Inn Manchester	England	Manchester	2,434,100	265	City
Jurys Inn Dublin	Ireland	Dublin	1,350,000	182	City
Jurys Inn Glasgow	Scotland	Glasgow	980,800	321	City
Jurys Inn Sheffield	England	Sheffield	830,500	259	City
Jurys Inn Leeds	England	Leeds	774,100	248	City
Jurys Inn Cork	Ireland	Cork	543,000	133	City
Jurys Inn Bradford	England	Bradford	531,200	198	City
Jurys Inn Belfast	Northern Ireland	Belfast	479,100	190	City
Jurys Inn Middlesbrough	England	Middlesbrough	469,600	132	City
Jurys Inn Cardiff	Wales	Cardiff	357,200	142	City
Jurys Inn Brighton	England	Brighton	348,700	210	City
Jurys Inn Galway	Ireland	Galway	258,000	130	City
Jurys Inn East Midlands	England	Derby	254,300	164	Airport
Jurys Inn Swindon	England	Swindon	217,200	229	City
Jurys Inn Oxford	England	Oxford	159,600	240	City
Jurys Inn Cheltenham	England	Cheltenham	115,000	122	City
Jurys Inn Hinckley Island	England	Hinckley	50,000	362	City
Jurys Inn Inverness	Scotland	Inverness	50,000	118	City
<b>Total</b>	<b>5 countries</b>	<b>20 cities</b>	<b>22,586,600</b>	<b>4,694</b>	<b>NM</b>

(\*) Source: Centre For Cities, NRS Scotland, Central Statistics Office Ireland, Eurostat

(\*\*) Will be reported under the business segment Operator Activities



## **Invitation to telephone conference**

Following the acquisition, Pandex invites investors, analysts and media to a webcasted telephone conference 13 December 2017, at 15:00 CET.

To follow the presentation online go to <https://edge.media-server.com/m6/p/maqrvztx>. To participate in the conference and ask questions, please call one of the telephone numbers indicated below about 10 minutes before the start of the presentation. The presentation material will be made available at [www.pandex.se](http://www.pandex.se).

Sweden: +46(0)850653942 (Tollfree 0200883464)  
UK: +44 (0)3303369411 (Tollfree 08002797204)  
Ireland: +353(0)12465621 (Tollfree 1800936686)  
US: +17205430214 (Tollfree 8002817973)

Confirmation code: 2238260

A recorded version of the telephone conference will be available at [www.pandex.se](http://www.pandex.se).

## **FOR MORE INFORMATION, PLEASE CONTACT:**

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This information is information that Pandex AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above on 13 December 2017 at 14:40 CET.

### **About Pandex**

*Pandex is a leading owner of hotel properties in Northern Europe with a focus on sizeable hotels in key leisure and corporate destinations. Pandex's hotel property portfolio currently comprises 122 hotels with approximately 27,000 hotel rooms in eleven countries. Pandex's business is organised into Property management, which comprises hotel properties leased on a long-term basis to market leading regional hotel operators and leading international hotel operators, and Operator activities, which comprises hotel operations executed by Pandex in its owner-occupied hotel properties. Pandex was founded in 1995 and the company's B shares are listed on Nasdaq Stockholm. [www.pandex.se](http://www.pandex.se)*

### **About Fattal Hotel Group**

*Fattal Hotel Group is a leading Middle East and European hotel operator. Fattal was founded by career hotelier, David Fattal, in 1998 and the business has become synonymous with innovation within the hospitality sector. Fattal operates 126 hotels in 14 countries. Over the past decade, Fattal expanded its operations into Europe where it now manages 88 hotels across Europe with 45 in Germany and 7 hotels under the Leonardo brand in the UK.*

### **About Jurys Inn**

*Jurys Inn is a hotel group founded in Ireland that believes that every guest deserves to 'Stay Happy'. There are 36 hotels operating under the Jurys Inn brand and they are known for their warm, friendly service and convenient locations within easy reach of top attractions, amenities and transport hubs.*

### **About Lone Star**

*Lone Star is a leading global private equity firm that invests globally in real estate, equity, credit and other financial assets. Since the establishment of its first fund in 1995, Lone Star has organized seventeen private equity funds with aggregate capital commitments totaling over \$70 billion.*