

**MASTER OF SCIENCE IN  
FINANCE**

**MASTERS FINAL WORK  
PROJECT**

**EQUITY RESEARCH:  
NH HOTEL GROUP, S.A.**

**LI PEI**

**OCTOBER 2022**

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**SUPERVISOR:  
VICTOR BARROS**

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## Abstract

This equity research report contains a valuation of NH Hotel Group S.A., following the ISEG's Master's in finance final work standards and written in accordance with the research report format proposed by the CFA Institute.

The tourism industry has been severely hit by the pandemic in the past two years, NHH group was selected to understand the impacts of the pandemic on hotel performance and the corresponding countermeasures against the current macroeconomic environment. A detailed evaluation and the respective estimation of NH Hotel Group S.A.'s intrinsic share price were performed for 2023YE.

This equity research was based on publicly available information and sources issued until October 11th, 2022. The target price was obtained through absolute valuation methods, the Discounted Cash Flow (DCF) method, complemented by the Adjusted Present Value (APV) method and the Relative Valuation method. Having reached the price target of €2.43 at 2023YE with an upside potential of 1.3% from the closing price of €2.40 on October 1<sup>st</sup>, 2022, the investing recommendation for NH Hotel S.A. is to **REDUCE** with high risk.

JEL classification: G10 ; G32; G34.

Keywords: Equity Research; Valuation; Mergers & Acquisitions; NH Hotel Group.

## Resumo

Este relatório de investigação patrimonial contém uma avaliação do NH Hotel Group S.A., seguindo os padrões finais de trabalho do ISEG em finanças e redigido de acordo com o formato de relatório de investigação proposto pelo Instituto CFA.

A indústria do turismo foi severamente atingida pela pandemia nos últimos dois anos, o grupo NHH foi seleccionado para compreender os impactos da pandemia no desempenho hoteleiro e as correspondentes contramedidas contra o actual ambiente macroeconómico. Foi realizada uma avaliação detalhada e a respectiva estimativa do preço intrínseco das acções do NH Hotel Group S.A. para 2023YE.

Esta pesquisa de equidade baseou-se em informações e fontes publicamente disponíveis emitidas até 11 de Outubro de 2022. O preço alvo foi obtido através de métodos de avaliação absoluta, o método do Fluxo de Caixa Descontado (DCF), complementado pelo método do Valor Presente Ajustado (APV) e o método da Avaliação Relativa. Tendo atingido o preço-alvo de 2,43 euros a 2023YE com um potencial de 1,3% do preço de fecho de 2,40 euros a 1 de Outubro de 2022, a recomendação de investimento para NH Hotel S.A. é de REDUCE com risco alto.

Classificação JEL: G10; G32; G34.

Palavras-chave: Pesquisa de equidade; Avaliação; Fusões e Aquisições; NH Hotel Group.

## **Acknowledgments**

This thesis is the culmination of a long and arduous journey-one that I have only been able to make as a result of the dedicated support I have received from so many people along the way. It was a journey posed with hardships and many challenges, which in turn helped sculpt me into who I am today.

With that, the deepest and sincerest gratitude goes to my supervisor Victor Barros for his continuous and invaluable guidance throughout this process. In addition, I am thankful to all my master's in finance professors at ISEG. I could not have achieved this without all their support. I would also gratefully acknowledge my dearest friends for their encouragement, friendship, and support since the beginning of this study. Last but not least, special thanks to my parents and family for their motivation, patience, love and care during my education and life journey.

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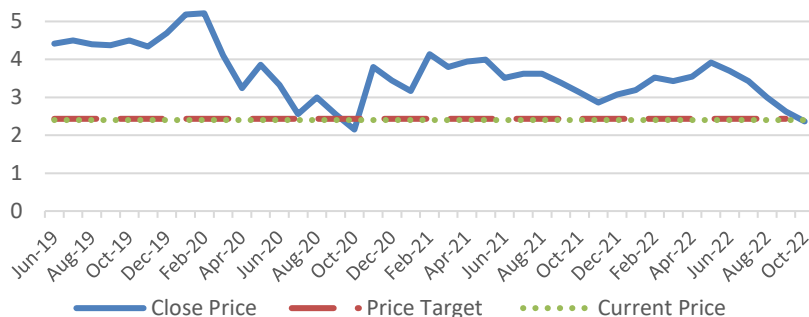
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# Abbreviations

|          |          |   |
|----------|----------|---|
| <b>A</b> | ADR      | Average Daily Rate                                |
|          | APV      | Adjusted Present Value                            |
| <b>B</b> | BICS     | Bloomberg Industry Classification System          |
|          | BME      | Bolsas y Mercados Españoles                       |
|          | BoD      | Board of Directors                                |
|          | BU       | Business Unit                                     |
|          | BUAM     | Business Unit America                             |
|          | BUNE     | Business Unit Northern Europe                     |
|          | BUSE     | Business Unit Southern Europe                     |
|          | <b>C</b> | CAGR  |
| CAPEX    |          | Capital Expenditure                               |
| CEO      |          | Chief Executive Officer                           |
| CNMV     |          | Comisión Nacional del Mercado de Valores          |
| CPI      |          | Consumer Price Index                              |
| CRP      |          | Country Risk Premium                              |
| <b>D</b> |          | DDM   |
|          | <b>E</b> | EBITDA  |
| ESG      |          | Environmental, Social and Governance              |
| <b>F</b> | FCFF     | Free Cash Flow to Firm                            |
|          | FCFE     | Free Cash Flow to Equity                          |
|          | FY       | Forecasted Year                                   |
| <b>G</b> | GDP      | Gross Domestic Product                            |
| <b>I</b> | IMF      | International Monetary Fund                       |
| <b>M</b> | M        | Million   |
|          | M&A      | Mergers and Acquisitions                          |
|          | MICE     | Meetings, Incentives, Conferences and Exhibitions |
|          | MRP      | Market Risk Premium                               |
| <b>N</b> | NHH      | NH Hotel  |
| <b>P</b> | PT       | Price Target                                      |
| <b>R</b> | REVPAR   | Revenue Per Available Room                        |
| <b>S</b> | SARD     | Sum of Absolute Rank Differences                  |
| <b>T</b> | T&T      | Travel and Tourism                                |
| <b>U</b> | UNWTO    | United Nations World Tourism Organization         |
| <b>W</b> | WACC     | Weighted Average Cost of Capital                  |
|          | WTTC     | World Travel & Tourism Council                    |
| <b>Y</b> | YE       | Year End  |
|          | YoY      | Year over Year                                    |

## 1. Research Snapshot

Figure 1 - Two-year Monthly Share Price



Source: Company Data

We initiate a REDUCE recommendation for NH Hotel Group S.A with a fiscal 2023YE price target of €2.43 using the discounted cash flow method, implying a 1.3% upside potential in comparison with the last closing price of €2.40 on October 1<sup>st</sup>, 2022, with high risk accessed. The adjusted present value method and relative valuation method support our recommendation that NH Hotel is undervalued but has limited potential in the coming year with the current economic recession. The dividend discount method was not employed due to its nonconstant dividends.

For 2021YE, NHH reached a total of €746.5 million in consolidated comprehensive income, which improved by +54.6% compared to €540 million in the previous year. However, the revenues are still -51.4% below pre-pandemic levels. The revenues almost tripled from €216 million in the first half to €618 million in the second half, implying a strong rebound with the easing of restrictions since May. Due to business reactivation, cost control strategy and direct aid subsidies, NHH reached a recurring net income of €-133.7 million in 2021, which improved by €303.5 million from €-437.2 million in 2020. The active capital structure restructuring and reinforcement through asset rotation, capital increase and debt refinancing resulted in a reduced financial debt from €998.1 million in 2020 to €813.1 million in 2021. Out of the increase in the available cash and other liquid assets of €243.9 million, €242 million syndicated credit line and €25 million credit line at 2021YE further increased the available contingency, allowing NHH reduces its gross debt.

Having gone through two years of unprecedented COVID-19 scenarios, the faster-than-expected recovery in leisure tourism and the reactivation of business travel since this March allowed NHH to achieve the best second-quarter performance in its history. The outstanding revenues of €190 million in June 2022 set a new monthly record high and the company reported a revenue of €509 million in Q2 surpassing the €469 million in Q2 2019, which implies a strong turnaround after the Omicron variant. The pricing strategy together with cost control measures drove the cash generation capacity (€136 million in the second quarter) and accelerated its recovery against the pandemic as well as inflation. The positive free cash flow activity since March allowed the net financial debt to drop by €105 million to €463 million in the first half year with liquidity standing at €618 million. The outperformance in the summer is expected to continue in September and October due to the return of larger congresses/events and long-distance international travellers offsetting the potential slowdown of leisure demand.

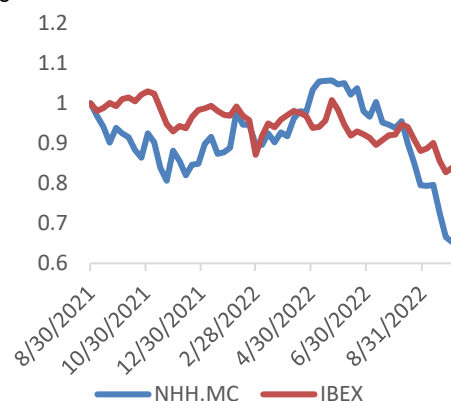
As one of the world's most important economic sectors, the pandemic crisis also sparked a rethink about how to restart and build back more sustainable, inclusive and resilient tourism. Considering the above pandemic level earning trends, improved liquidity and higher predictability of reactivation of both leisure and business travel demand, there is an overall stable outlook of NHH Group.

Table 1 - Financial Information

| Stock Performance   |                             |
|---------------------|-----------------------------|
| Price Target        | € 2.43                      |
| Current Price       | € 2.40                      |
| Monthly Price range | €2.15 - €5.22               |
| Upside potential    | 1.3%                        |
| Annualized return   | 1.1%                        |
| Recommendation      | REDUCE                      |
| Market Cap          | € 1 045.79                  |
| Stock Market        | Bolsas y Mercados Españoles |
| Share Outstanding   | 435.75 million              |
|                     | High Risk                   |

Source: NHH's 2021 Annual Report, Author's analysis

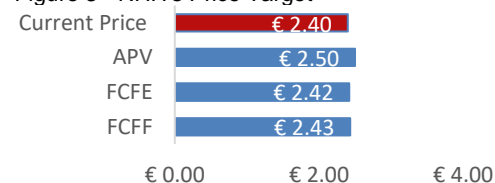
Figure 2 - Relative Price Performance



\* IBEX- benchmark stock market index of the Bolsa de Madrid, Spain's principal stock exchange

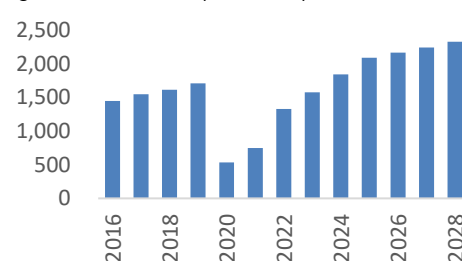
Source: Author's analysis

Figure 3 - NHH's Price Target



Source: Author's analysis

Figure 4 - Revenue (€ Millions)



Source: Author's analysis

## 2. Business Description

### The Company

NH Hotel Group S.A. is a consolidated multinational hotel operator among the Top 10 European hotel chains and the Top 30 worldwide, with a significant presence in Europe. The Group offers an unparalleled collection of hotels, operating 353 hotels with a total of 55,063 rooms, distributed for 30 countries, focused on urban positioning towards the upper segment. The Group consists of 6 brands. NHow Hotels, the upper-upscale design hotel that is an unconventional combination of contemporary architecture, design and luxury by prestigious architects and interior designers. NH Collection, within the upper-upscale segment, has hotels located in major capitals across Europe and Latin America with unique and authentic local characters. NH Hotels, within both the upscale and the midscale segment, has three and four-star urban hotels for both business and leisure guests, who demand an excellent location with the best price-quality relationship. Since Minor international tendered an offer for 100% of NH Hotel Group in 2018, now Anantara Hotels Resorts and Spas, Avani Hotels and Resorts, and Tivoli Hotels and Resorts are organized by NHH as well. The centralized business model with corporate headquarters and regional offices has enabled the Group to overcome the difficulties in the past two years.

### Organic Growth and Strategic Acquisition

NH Hotel Group was founded by Antonio Catalan Diaz with its first establishment, the Ciudad de Pamplona hotel in 1978 in Navara, Spain. By adding more establishments nationwide to its portfolio, it soon established as one of Spain's leading city hotel chains by the end of 1995 and started international expansion in Latin America in 1998 and other European countries in 1999 in the wake of the acquisition of a stake in Jolly Hotels (19.1%). NH Hotel Group continued its M&A-led international growth strategy in Europe, Latin America and Africa over the last decades. By 2011, NH Hotels launched a pioneering product, Eco-meeting, in the MICE segment and was positioned as one of the world's top 25 hotels and one of Europe's most important chains, with around 400 establishments and 60,000 rooms. In 2015, NHH completed the acquisition of the Latin American chain Hotel Royal and progressed to a joint venture in China to develop a new portfolio. In 2018, with the entry of Minor international as its main shareholder, NHH started to operate Minor hotels in Portugal and the former Boscolo portfolio. During the year 2021, there were no mergers and acquisitions activities. A private company Grupo Operadores de Hoteles Santa Fe, S.A. de C.V. was added to the scope of consolidation.

### Business Segments

In 2021, NH Hotel Group eliminated the Property segment, which was not influential, and reorganized the operating segments to improve the business process efficiency in the current pandemic situation. The Group had a revenue of €746.5m, as a result of several sources namely Hotel occupancy (€522.8 million), Catering (€146.7 million), Meeting rooms and others (€51.2 million) and Rentals and other services (€24.9 million).

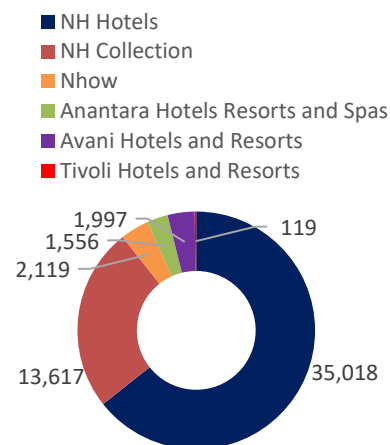
Meanwhile, the business can be segmented by the geographical distribution, which is led by individual managing directors and assessed by the Management Committee, namely America BU (13.4% of 2021 total rooms), Northern Europe BU (43.3% of 2021 total rooms) and Southern Europe BU (43.3% of 2021 total rooms). In this financial year, around 72 percental of the total 353 hotels and 55,063 rooms are in Spain, Germany, Italy and the Benelux. According to the breakdown of the balances on the Group's consolidated income statement, in 2021, Southern Europe BU (Italy and Southern Europe) had 56.74% of total revenue, Northern Europe BU had 37.16%, and America BU had 6.1%. During the pre-pandemic period of 2015-2019, the total revenue increased at a CAGR of 5.5%, with BUSE contributing a CAGR of 8.7% (56% of total revenue in 2019), BUNE contributing a CAGR of 3.3% (37% of total revenue

Table 2 - NHH at a glance (2021)

|                  |            |
|------------------|------------|
| <b>COUNTRIES</b> | 30         |
| <b>HOTELS</b>    | 353        |
| <b>ROOMS</b>     | 55,063     |
| <b>EMPLOYEES</b> | 11,584     |
| <b>GUESTS</b>    | 35 MILLION |

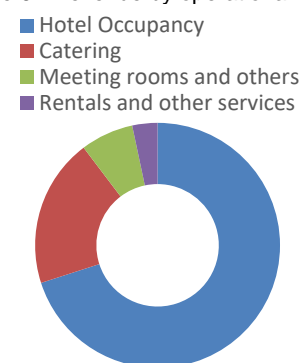
Source: NHH's 2021 Annual Report

Figure 5 - Rooms by brand



Source: NHH's 2021 Investor Presentation

Figure 6 - Revenue by operational segment



Source: NHH's 2021 Investor Presentation

Table 3 - Financial details

| Millions of Euros             | 2021           | 2020          |
|-------------------------------|----------------|---------------|
| Hotel Occupancy               | 522,778        | 348,18        |
| Catering                      | 146,68         | 111,175       |
| Meeting rooms and others      | 52,169         | 47,088        |
| Rentals and other services    | 24,857         | 29,707        |
| <b>Revenues</b>               | <b>746,484</b> | <b>536,15</b> |
| Operating subsidies           | 82,69          | 0,036         |
| Other operating income        | 4,25           | 7,816         |
| <b>Other operating income</b> | <b>86,94</b>   | <b>7,852</b>  |

Source: NHH's 2021 Annual Report

in 2019) and BUAM had a -3.3% CAGR (7% of total revenue in 2019). The pandemic cut the total revenue to €536.2 million in 2020 and recovered to €746.5 million in 2021, of which mainly from the southern Europe business unit with an increase of €150 million in revenues.

The breakdown of rooms by contract type is divided into four models according to the property ownership rights: 65% leased, 21% owned, 13% managed and 1% franchised contracts, with a total number of rooms of 55,063 by December 2021.

Table 4 - Breakdown by geography

|           | BU<br>AMERICA | BUNE    | BUSE    |
|-----------|---------------|---------|---------|
| Hotels    | 55            | 126     | 172     |
| Rooms     | 7,375         | 23,830  | 23,858  |
| Countries | 9             | 14      | 7       |
| Revenues  | 45,532        | 277,361 | 423,530 |

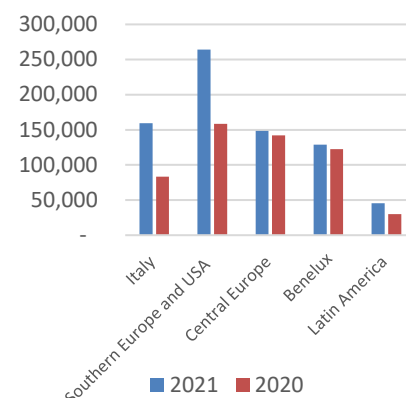
Source: NHH's 2021 Annual Report

Table 5 – Revenue revolution by geography

|                           | 2015        | 2016        | 2017        | 2018        | 2019        | 2020        | 2021        |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>BUSE</b>               | <b>50%</b>  | <b>50%</b>  | <b>50%</b>  | <b>50%</b>  | <b>56%</b>  | <b>51%</b>  | <b>57%</b>  |
| Total Revenue (€Million)  | 686         | 726.9       | 774.4       | 807.6       | 957.5       | 274.1       | 423.6       |
| Total Assets              | 1357        | 1248.9      | 1149.3      | 1068.3      | 1933.3      | 1953.6      | 1750.5      |
| Purchase of Fixed Assets  | 103.8       | 69.1        | 72.5        | 67.5        | 106.8       | 53.2        | 13.8        |
| <b>BUNE</b>               | <b>40%</b>  | <b>40%</b>  | <b>41%</b>  | <b>42%</b>  | <b>37%</b>  | <b>43%</b>  | <b>37%</b>  |
| Total Revenue(€Million)   | 552         | 583.8       | 628.8       | 677.8       | 629.3       | 232         | 277.4       |
| Total Assets              | 942.8       | 950         | 934.3       | 1052.9      | 1947.3      | 1928.9      | 2041        |
| Purchase of Fixed Assets  | 59.2        | 61          | 34.6        | 72.3        | 65.6        | 49.9        | 26.3        |
| <b>BUAM</b>               | <b>10%</b>  | <b>9%</b>   | <b>9%</b>   | <b>8%</b>   | <b>7%</b>   | <b>6%</b>   | <b>6%</b>   |
| Total Revenue(€Million)   | 138.6       | 137.3       | 142.9       | 127.9       | 121.3       | 29.9        | 45.5        |
| Total Assets              | 411         | 428.3       | 388         | 442         | 511.4       | 447.3       | 313.7       |
| Purchase of Fixed Assets  | 17.3        | 8.8         | 6.6         | 10.7        | 13.8        | 6.7         | 2.2         |
| <b>Consolidated Total</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> |
| Total Revenue(€Million)   | 1376.6      | 1447.9      | 1546.1      | 1613.4      | 1708.1      | 536.2       | 746.5       |
| Total Assets              | 2710.9      | 2627.2      | 2471.7      | 2563.1      | 4391.9      | 4329.9      | 4105.3      |
| Purchase of Fixed Assets  | 180.2       | 138.8       | 113.8       | 150.5       | 186.2       | 109.7       | 42.4        |

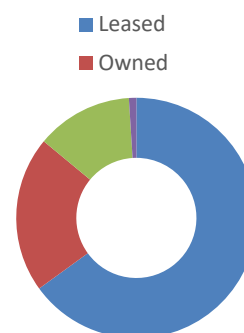
Source: Bloomberg

Figure 7 - Revenue changes by geographical markets



Source: NHH's 2021 Annual Report

Figure 8 - Breakdown by contract



Source: NHH's 2021 Annual Report

## Key drivers of Profitability

Main Revenue Drivers:

**Occupancy rate** provides information about the demand for the hotel's services and measures the utilization of a hotel's capacity, which is the ratio of the total number of occupied rooms divided by the total number of available rooms in a specific period. Because of the impact of the pandemic, the occupancy rate averaged 25% (-47%), which is the reported record low in 2020. In 2021, NH Hotel Group's occupancy rate reached 34% (+9%), which is the optimal level aligned with the urban hotel sector. Having been through the outbreak of Omicron variant and seasonality, the average occupancy rate improved from 40% in Q1 2022 to 69% in Q2 2022, achieving 54.4% in H1 2022, although the LFL occupancy rate remained -7% lower than 2019 Q2 level. Different geographical segments recovered at a different speed due to their local restriction policy and uneven returning of business travellers in key cities, namely Spain 55% (+11%), Italy 58% (+17%), Benelux 49% (+19%), Central Europe 47% (+16%) and Latin America 52% (+6%). Given the strong recovery in H1 2022, international travel is expected to recover earlier than previously anticipated, which stimulates the occupancy recovery respectively.

**Average Daily Rate (ADR)** measures the average room prices that the customers pay and is the ratio of the total income from rooms in a specific period divided by the rooms sold in that specific period. The ADR dropped to €84 (-€19) in 2020 and recovered to €89 (+6.3%) in 2021, which was mainly driven by intra-European B2C demand and the returning B2B demand for MICE activates. ADR achieved €98 in Q4 2021, grew 34% compared to the beginning of the year because of the solid pricing strategy, but is still 9.8% below the 2019 Q4 level. To boost the revenue recovery, NHH promoted direct online channels and optimized their positioning to maximize the ADR. The ADR jumped from €90 in Q1 2022 to €128 in Q2 2022, achieving an average H1 ADR of €114 with a LFL growing +7% compared to 2019 Q2 level. Surging numbers of arrivals caused by strong pent-up demand and high household savings

Table 6 - Key Indicators

|                   | 2021   | 2020   | 2019   |
|-------------------|--------|--------|--------|
| <b>Avg Rooms</b>  | 47,473 | 47,743 | 46,052 |
| <b>Occupancy</b>  | 34%    | 25%    | 72%    |
| <b>ADR (€)</b>    | 89     | 81.9   | 102.9  |
| <b>RevPAR (€)</b> | 30.5   | 20.5   | 73.8   |

Source: NHH's 2021 Annual Report

have resulted in a substantial increase in ADR in the second quarter of the year, particularly in Southern Europe (Spain €131, Italy €161), and Benelux (€146). Central Europe and Latin America recovered at a lower pace due to the Ukraine war and higher dependence on trade fairs and events respectively. However, the rapid growing room rates are not considered sustainable and expect to normalize over 2023.

**Main Cost Drivers:**

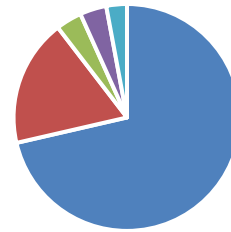
The personnel expenses are the main cost and can be breaking down into Wages, salaries and similar, social security contributions, Severance payments, Contributions to pension plans and similar and Other social expenses. Other operating expenses including Leasing, Outsourcing of services, Commissions and bonuses for customers, Supplies, Maintenance and cleaning, Laundry and related costs, Costs associated with information technologies, Marketing and merchandising, Taxes insurance and levies, Advisory services and Other external services. The total personnel expense in 2021 was €268.6 million while other operating expenses were €318.6 million. Although NHH tried to reduce its operating fixed and variable cost under the instruction of the contingency plan throughout the pandemic period. the operating expenses had an increase in 2021 due to the improving level of activity in its operation, namely outsourcing services, supplies and laundry related costs.

**Main Profitability Indicators:**

**RevPAR** determines the revenue generated per available room, whether it is occupied or unoccupied. It is the ratio of the total room revenue divided by the total number of rooms available in a specific period. In 2021, RevPAR (€30.5) increased by 46% compared to 2020 of €20.5 and remained 59% below 2019 level of €73.8. There was a better performance in southern Europe countries and those with lower restrictions, namely Italy +97%, Spain +83% and Latin America +54%. The RevPar achieved €36 in Q1 2022, showing a 289% increase compared to the same period of 2021, while still below Q1 2019 of €62 due to a lower occupancy rate and seasonality. As for other major hospitality groups, IHG's RevPar had a growth of 61% compared to the Q1 2021 level, approximately 82% of the same period in 2019; Wyndham Hotel & Resorts' RevPar increased 39% compared to previous years; Marriott's Global RevPar is up 96.5% compared to the first quarter of 2021; Hyatt's RevPar grew 107% in Q1 2022; Choice Hotel's RevPar increased 10.4% for the first quarter of 2022 and is expected to increase 10%-13% compared to 2019 full year RevPar; and Melia's RevPar follows the upward trend with an increase of 167.5% compared to the previous year.

Figure 9 - Personnel expense

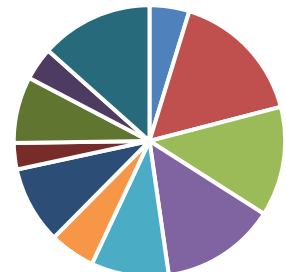
- Wages, salaries and similar
- Social security contributions
- Severance payments
- Contributions to pension plans and similar
- Other social expenses



Source: NHH's annual report

Figure 10 - Other operating expenses

- Leasing
- Outsourcing of services
- Commissions and bonuses for customers
- Supplies
- Maintenance and cleaning
- Laundry and related costs
- Costs associated with information technol
- Marketing and merchandising
- Taxes, insurance and levies
- Advisory services
- Other external services



Source: NHH's annual report annual report

## Strategy

From 2013 to 2019, NHH conducted a set of operating and financial transformations. During the period 2013 to 2015, NHH set its vision and started transforming the company, focusing on improving brand & experience, new pricing & revenue management strategy, portfolio optimization, asset repositioning and IT System plan. In the second phase, from 2016 to 2019, NHH aimed to reinforce its strength and maximize the return by increasing efficiency, improving cash flow generation ability and reducing leverage. During this stage, NHH established a new shareholder's dividend policy and obtained organic growth in EBITDA from 9% in 2013 to 17% in 2019. The solid position of the group in recent years is the result of a complete operational and financial transformation, particularly brand segmentation, portfolio optimization, significant investment in repositioning and systems, the focus on efficiency and cost optimisation, and the reduction of financial indebtedness. Compared to other European hotel chains like Accor and Melia, NHH has more centralized segmentation and positioning in urban cities and business travellers, while others have more diversified portfolios that cover both leisure and business segments. Moreover, NHH is smaller in terms of size and number of rooms, which is comparable with Private hotel chain Radisson Hospitality AB in urban positioning in key cities. During the pandemic, NHH conducted a set of contingency plans such as reducing labor and lease expenses to protect its cost base which resulted in having one of the highest absorption rates among other major hotel chains.

The NH Hotel Group continues to be at the forefront of innovation. The NH Rewards loyalty programme has more than 10 million members by the end of 2021, contributing 32% of total nights to recover the hotel operation during the pandemic. The reward scheme stimulates direct booking through the NH website over 69.6% of direct bookings are made by NH Rewards loyalty programme members. The fully integrated digital platform: NH Digital Core Platform allowed all the Group's hotel systems to be integrated enabling the Group to better serve its customers, maximizing its efficiency and creating values on a large scale. In 2019, NH Hotel Group launched the "Fastpass" service and has become the first European chain to offer three innovative services simultaneously, namely Check-in Online, Choose Your Room and Check-out Online.

"Feel Safe at NH" plan was put by the Group in all its portfolios to protect the health and safety of their guests and employees worldwide since 2020. From personal protective equipment application to hotel services digitization, NH hotel Group made effort to mitigate the negative impact of the pandemic crisis. The Group launched a series of initiatives to better adapt to the new trends focusing on business travelers in 2021.

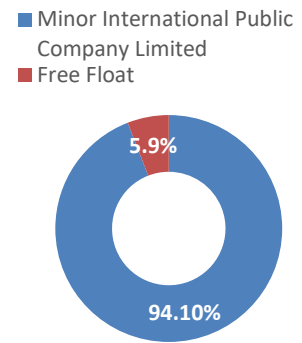
## Shareholder Structure

Minor International Public Company Limited acquired shares representing 94.13% of the share capital of NH Hotel Group, S.A. on June 11, 2018. According to the latest notifications received by the Company and the communications sent to the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores – CNMV), Minor International Public Company Limited is still the most significant shareholder at the end of the year, representing 94.1% of the share capital, with a free float of 5.9%. At the end of 2021, the total share capital of NH Hotel Group, S.A. comprised 435,745,670 bearer shares with a par value of 2 euros each.

## Dividend Policy

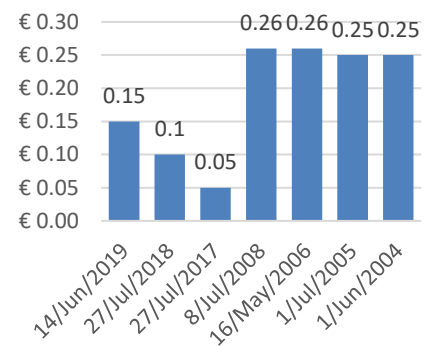
In 2021, NH Hotel Group S.A. did not distribute dividends as in 2020 due to the exceptional situation generated by the pandemic. The agreed 2019 dividend proposal of €0.15 per share was withdrawn, and the 90 million euros obtained as consolidated profit in 2019 would be maintained as legal and voluntary reserves. Between 2009 and 2016, NH Hotel did not declare or paid cash dividends on its common stock, since it allocated its earnings to the growth of the business. The latest dividend was

Figure 11 - Shareholding structure



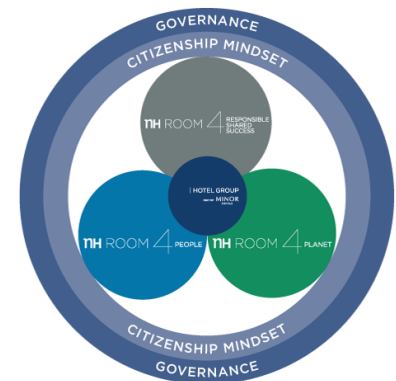
Source: NHH's 2021 Annual Report

Figure 12 - Dividend payments



Source: NHH's Dividends calendar

Figure 13 - NH ROOM4 Sustainable Business MODEL



Source: NHH's Sustainable Business Report

distributed on June 12, 2019, with a dividend yield of 3.37%. According to the analysis, it is estimated to have shareholders inactivated along with the recovery such as increased dividend payments. Therefore, the previous proposed dividend policy of €0.15 per share might be resumed from 2022 with a higher dividend yield of 6.25% based on its current price.

### 3. Management and Corporate Governance

#### Corporate Governance

The Corporate Governance system of NH Hotel Group is made up of the Bylaws, the Board of Directors Regulations, the General Shareholders' Meeting Regulations and the Internal Regulations for Conduct on Securities Markets, as well as the other rules, codes, internal procedures and corporate policies approved by the competent bodies of the Company. The Company has a Board of Directors, the highest management and representation entity of the Company, under the responsibility of the Chairman Mr. Alfredo Fernández Agras; an Executive Committee, with general decision capacity following legal and internal regulations; as well as an Audit and Control Committee, and Nomination, Remuneration and Corporate Governance Committee that deal with the analyses and follow-up of all areas of special relevance and good governance of the Company.

#### The Board of Directors

Table 7 - Composition of the Board of Directors

| <i>Name</i>                                      | <i>Position</i>  | <i>Category</i>     | <i>Audit and Control Committee</i> | <i>Nominations, Remuneration and Corporate Governance Committee</i> |
|--|------------------|---------------------|------------------------------------|---|
| <i>Mr. Alfredo Fernández Agras</i>               | <i>Chairman</i>  | <i>Independent</i>  |                                    | <i>X</i>  |
| <i>Mr. Ramón Aragonés Marín</i>                  | <i>CEO</i>       | <i>Executive</i>    |                                    |   |
| <i>Mr. José María Cantero de Montes-Jovellar</i> | <i>Director</i>  | <i>Independent</i>  | <i>X</i>                           | <i>X</i>  |
| <i>Mr. Kosin Chantikul</i>                       | <i>Director</i>  | <i>Proprietary</i>  |                                    |   |
| <i>Mr. Stephen Andrew Chojnacki</i>              | <i>Director</i>  | <i>Proprietary</i>  | <i>X</i>                           | <i>X</i>  |
| <i>Mr. William Ellwood Heineck</i>               | <i>Director</i>  | <i>Proprietary</i>  |                                    |   |
| <i>Mr. Fernando Lacadena Azpeitia</i>            | <i>Director</i>  | <i>Independent</i>  | <i>X</i>                           |   |
| <i>Mr. Rufino Pérez Fernández</i>                | <i>Director</i>  | <i>Executive</i>    |                                    |   |
| <i>Mr. Emmanuel Jude Dillipraj Rajakarier</i>    | <i>Director</i>  | <i>Proprietary</i>  |                                    |   |
| <i>Mr. Carlos Ulecia Palacios</i>                | <i>Secretary</i> | <i>Non-Director</i> | <i>X</i>                           | <i>X</i>  |

Source: NHH's 2021 Annual Report

Within the scope of the corporate object defined in the Bylaws, the BoD is empowered, to perform any acts of administration or disposal, under any legal title, except for those reserved to the exclusive competence of the General Shareholders' Meeting. It is formed by 9 members, of whom three are independent and have a presence in the Audit and control committee, and Appointments, remuneration and corporate governance committee. The audit and Control Committee is composed of two independent members, one proprietary member and one non-director. They are responsible for supervising the Company's internal control effectiveness, preparing statutory financial information, as well as internal and external auditing. Nominations, Remuneration and Corporate Governance Committee is composed of two independent members, one proprietary member and one non-director, who are in charge of proposing or reporting the appointment of Directors, evaluating both Board members and Senior Management remuneration issues, and controlling corresponding policies. Moreover, it is also responsible for managing corporate governance rules and the Corporate Social Responsibility Plan, to ensure compliance and propose the necessary Reports.

## Remuneration of the Board of Directors

Because of the impact of COVID-19 on the hospitality industry, the member of the Board voluntarily waived 50% of their remuneration from the start of the pandemic in March 2020, 20% from January to April and 100% in May and June 2021. In addition, there was a decrease of 20% in the fixed remuneration from January to June and received no variable remuneration for 2021. "Transactions on shares and/or other financial instruments" decreased in 2021 and have been considered as objective long-term remuneration accrued. Life insurance premium expensed 49k and other remuneration in kind expensed 20k. Excluding the Chief Executive Officer and the Chief Operations Officer, there are six members in the Management Committee, whose total annual remuneration decreased by over 50% in 2020 as well. In 2021, their fixed remuneration decreased by 20% from January to June 2021 with 0 variable remunerations in 2021. As a result, the actual remuneration was 38% less than their target remuneration in 2021.

Table 8 - Summary of remuneration (in thousands of €)

| Executive Directors                       | 2021     | Variation 2021/2020 |
|---|----------|---------------------|
| Mr. Ramón Aragonés Marín                  | 830      | 20%                 |
| Mr. Rufino Pérez Fernández                | 434      | 176%                |
| Independent Directors                     |          |                     |
| Mr. Alfredo Fernández Agras               | 153      | 31%                 |
| Mr. Fernando Lacadena Azpeitia            | 70       | 32%                 |
| Mr. José María Cantero de Montes-Jovellar | 71       | 26%                 |
| Mr. Emmanuel Jude Dillipraj Rajakarier    | -        | -                   |
| Mr. William Ellwood Heineck               | -        | -                   |
| Mr. Stephen Andrew Chojnacki              | -        | -                   |
| Mr. Kosin Chantikul                       | -        | -                   |
| Consolidated Results of the Company       | -145.257 | -72%                |
| Employees Average Compensation            | 21.83    | 14%                 |

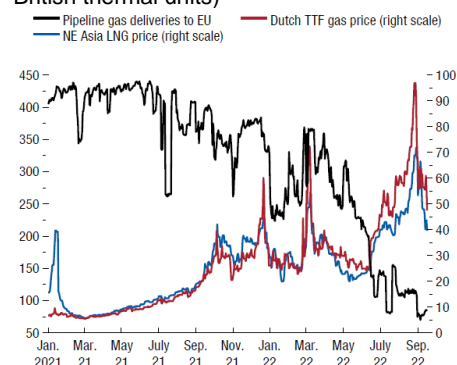
**Notes:** The proprietary directors representing the shareholder Minor International PLC have renounced their remuneration.

**Source:** NHH's 2021 Directors Remuneration Report

## Sustainability and ESG metric

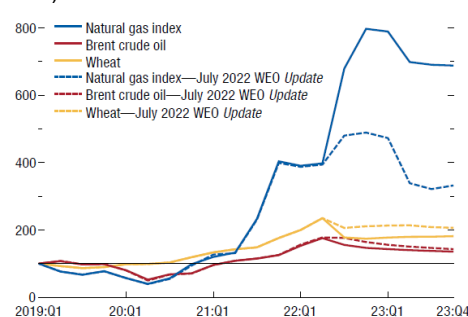
NHH places a high value on sustainability throughout its operation with several presences in sustainability indexes and rankings. S&P Global awarded NHH as the 3<sup>rd</sup> most sustainable company in the world within the hotel sector of 42 companies. NHH earned bronze class distinction and the industry Mover recognition by its outperforming sustainability improvement in its ESG evaluation in the hospitality sector. NHH promoted NH ROOM4 Sustainable Business strategy, which includes 3 aspects: NH ROOM4 People, NH ROOM4 planet and NH ROOM4 Responsible Shared Success, all of which are framed under the same premise of sustainable and ethical principles, responsible culture and spirit of citizenship. NH ROOM4 People focused on professional development opportunities and social projects in the communities. In 2021, NHH was included for the second time in the Bloomberg gender-equality index. NH ROOM4 Planet is committed to the environment through sustainable products, green energy and a circular economy. The Carbon Disclosure Project has a rating of B in 2020, recognizing the efforts made in the battle against climate change. NH ROOM4 Responsible Shared Success conveys human rights and ethical business principles throughout its value chain including customers, owners and suppliers. Since 2013, NHH has been included in the FTSE4GOOD index under its responsible management of the business. According to the CSRHUB, the Corporate Social Responsibility (CSR) & Environment, Social, Governance (ESG) ranking of NHH is higher than 99% of the other 30,482 companies and remains higher than the industry average composed of other 693 companies in Hotels, Motels & Restaurants industry. Regarding the ESG disclosure score, NHH achieved 55.31, above the peers' average of 52.21.

Figure 14 - Russian Gas Exports and Prices (Million cubic meters a day; US dollars per million British thermal units)



**Source:** International Monetary Fund, World Economic Outlook Database, October 11, 2022

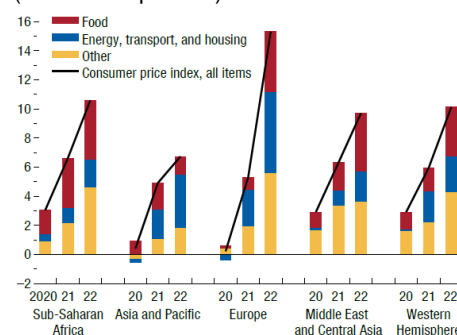
Figure 15 - Wholesale Food and Fuel Prices Expected to Moderate (Index, January 2019 = 100)



**Source:** International Monetary Fund, World Economic Outlook, October 11, 2022

**Note:** Natural gas index comprises European, Japanese, and US natural gas price indices.

Figure 16 - Inflation Driven by Food and Fuel (Annualized percent)



**Source:** International Monetary Fund, World Economic Outlook, October 11, 2022

## 4. Industry Overview and Competitive Positioning

### Global Economic Outlook

The past two years have been marked by the arrival of the pandemic, which resulted in a devastating effect on the global economy. This year, the tentative recovery was followed by the recessions due to the lingering effects of three powerful forces: the Russian invasion of Ukraine, a cost-of-living crisis caused by persistent and broadening inflation pressures, and the slowdown in China.

The **global GDP** is expected to drive a downward from 6.0% in 2021 to 3.2% in 2022 - remain unchanged, then slow to 2.7% in 2023 with a 0.2 percentage points lower than the July forecast. Reduced real incomes, undermining macroeconomic stability, global tightening monetary policy, a possible sudden stop of gas imports from Russia to European countries and lockdowns in China have slowed down the growth. It is possible that the global growth falls to 2.6% in 2022 and 2.0% in 2023 if the risks materialize and the inflation continues to go up, which would be the bottom 10% since 1970 and the weakest growth profile since 2001 except for the global financial crisis and COVID-19 pandemic. The recovery from the pandemic has been strong this year, although uneven across different economies due to differences in vaccination rates, the scale of macroeconomic support, the ability to reopen contact-intensive activities. However, the 2022 shocks and downside risks to the economic outlook remain elevated and is forecast to last longer than anticipated, which is causing acute challenges for many emerging markets and developing economies.

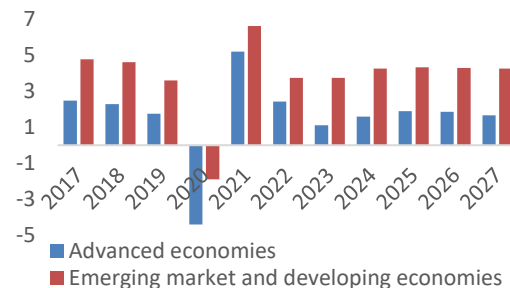
**Inflation** was the key theme of the beginning of 2022, as of January headline CPI hit new highs in the US at 7.5% and in Eurozone at 5.1%. As most of the restrictions were eased and economies were opening, demand accelerated while supply was slower to respond and there was a lingering supply-demand imbalances. The increase in demand increased the prices of key commodities such as oil and metals; food prices increased in emerging markets. The slowdown economic activities in China due to lockdowns further increased the tensions along the global supply chains given its size of economy and its important role in global trade activity. The rise in inflation is persistent and broadening alongside the appreciation of USD, even though employment is below pre-COVID levels in many economies, forcing price pressures on policymakers - balancing the need to support the recovery, while reassuring price stability and fiscal sustainability through monetary tightening. Looking forward, global inflation is expected to peak in the late 2022, reaching 8.8% from 4.7% in 2021, but to decrease to 6.5% in 2023 and to 4.1% by 2024.

**Russia's invasion of Ukraine** continues to destabilize the global economy and cause more people suffering region and internationally. Beyond the destruction of lives and livelihoods in Ukraine, the energy crisis in Europe has significantly pushed up the cost of living and hampered economic activities. Energy shortage in Europe due to the cutting deliveries to less than 20% of 2021 level has amplified stress on global commodity markets and quintupled the natural gas price since 2021. The possibility of significant geopolitical disruption has also increased the food price on the global market, despite the recent Black Sea grain deal.

**Vaccines** against COVID-19 continue to be the key to exiting the health and economic crisis brought by the pandemic. Considering the virus persists and continues to evolve, ensuring equal access to vaccines, tests, and treatments worldwide is highly important to reduce uncertainty and thus allow a boost in economic activity. The full vaccination of the most clinically vulnerable populations and investment in research, disease surveillance, and health systems will still be needed. In the year 2021, compared to 60% at the beginning of the year, 90% of the hotels resumed their operations by the end of the year.

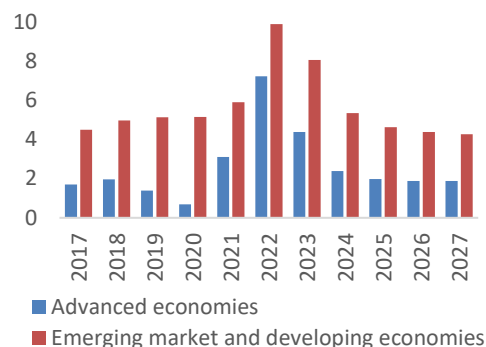
To conclude, such economic environment with the rises in petrol prices, increased inflation, the possible rise in interest rates and continuous interruption to the supply chains, could place additional pressure on the effective recovery of international tourism. Continued policy support by governments, strong international support to low-

Figure 17 - GDP growth by markets according to IMF estimates (Annual percent change)



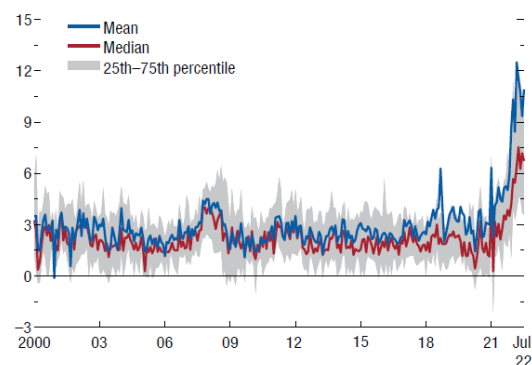
Source: International Monetary Fund, World Economic Outlook Database, October 2022

Figure 18 - Inflation rate, average consumer prices by economies (Annual percentage change)



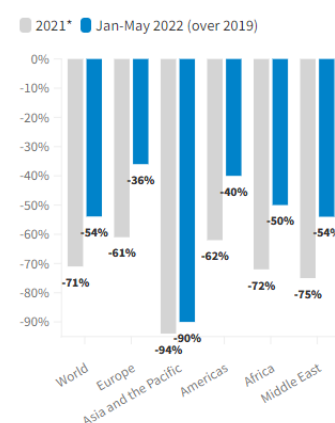
Source: International Monetary Fund, World Economic Outlook Database, October 2022

Figure 19 - Core Inflation and Its Distribution across Countries (Annualized percent)



Source: International Monetary Fund, World Economic Outlook, October 11, 2022

Figure 20 - International Tourist Arrivals (% change)



Source: World Tourism Organization (UNWTO) 2022

income countries and a successful vaccination rollout are key to assure a complete and durable global recovery.

## Global Tourism Outlook

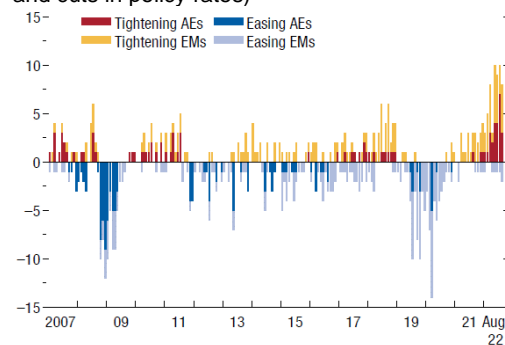
The pandemic resulted in devastating effects in many sectors, T&T being one of the most affected due to all the lockdown restrictions which involved international and domestic mobility and so affected hotels' performance. Moreover, the pandemic also highlighted the importance of the sector in socio-economic matters such as job creation, poverty reduction, and the driver of prosperity and diversity.

From 2011 to 2019, T&T GDP growth outpaced the overall economy GDP growth - in 2019, 4.7% T&T GDP growth vs 2.5% economic overall growth, thanks to countries such as the US, China, Japan, Germany, and Italy. This sector represented 10.3% of the global GDP - that is \$ 9,630 billion in 2019. Concerning job creation, T&T created 1 in 4 all-new jobs between 2014-2019 and incorporated 10.6% of all jobs - that is 334M. In 2020 these figures changed dramatically due to the pandemic. T&T contributions to global GDP declined by 50.4% compared to 2019, which is \$ 4,855 billion, whereas the overall economy declined by 3.3%. Regarding job creation, 62 million jobs were lost, leaving just 272 million jobs across the entire T&T ecosystem, mostly supported by government retention schemes and reduced hours. Moreover, 1 billion fewer international tourist arrivals were registered (-73% YoY), resulting in a fall in international visitor spending of an unprecedented 69.4%, whereas domestic visitor spending decreased by 45%, as a result of travel restrictions.

According to the WTTC's 2022 global economic impact report, the recovery of the sector was a bit lower than expected considering uneven vaccination across the world and lack of international coordination in terms of mobility. In this sense, 2021 T&T contribution to GDP was 5,812 billion which represented 6.1% of global GDP with an increase of 21.7% YoY, accounting for a \$1,37 billion increase - mainly driven by domestic spending of 85%. WTTC also states that at the current rate of recovery, in 2022 the T&T is expected to modestly register a YoY contribution to the GDP of 31.7%. In terms of job creation in 2021, the total T&T jobs reached 289 million with 18.2 million jobs created, representing a rise of 6.7%, followed by an expected increase of 18% in 2022. Europe and the Americas recorded a significant improvement in tourism economic activity in 2021 compared to 2020 (+19% and +17%, respectively), but both are still at 63% below pre-pandemic levels. By sub-regions, Mediterranean Southern Europe (+57%) and Central and Eastern Europe (+18%), Central America (+54%) and North America (+17%) also surpassed 2020 levels.

According to the UNWTO World Tourism Barometer, international tourist arrivals reached almost 250 million, showing a strong recovery in the first five months of 2022 compared to only 77 million in the previous year, which remained 36% lower than in 2019. Due to the increasing demand and ease of restriction, Europe led the recovery with more than four times (+350%) international arrival than the same period in 2021. For the Americas, the international arrivals doubled (+112%) while remaining 40% below the pre-pandemic level. As of the future scenario published by UNTWO in May 2022, the international arrivals are expected to reach 55% to 70% of the 2019 level this year, which can be further broken down by region: Europe 65%-80%, Americas 63%-76%, Africa and the Middle East 50%-70%, Asia Pacific 30%; while several factors could have an impact on the results including current economic condition, Ukraine war, continuous new covid variants, labour shortage and flight delays. Business travel could reduce in the short and medium-term due to the gradual adoption of digital solutions and hybrid formulas. However, according to the WTTC's report, shares of T&T spending in the business sector recovered at a faster pace (+30.9%) than the recovery in the Leisure sector (+25.1%), and the percentage share reached 20% which is almost the same compared to the pre-pandemic level of 21%.

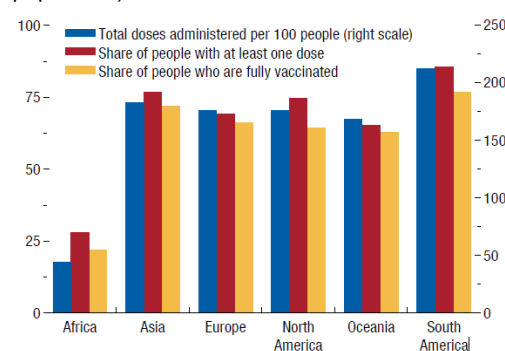
Figure 21 - Change in Monetary Policy Cycle among G20 Economies (Number of increases and cuts in policy rates)



Source: International Monetary Fund, World Economic Outlook, October 11, 2022

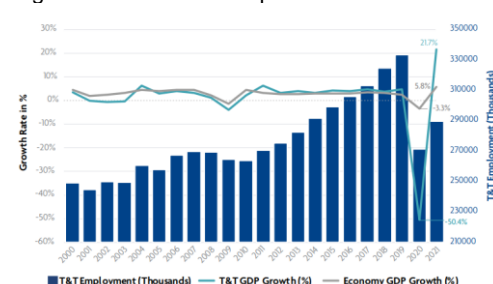
Note: AEs = advanced economies; EMs = emerging market economies

Figure 22 - Vaccination rollout (% of the population)



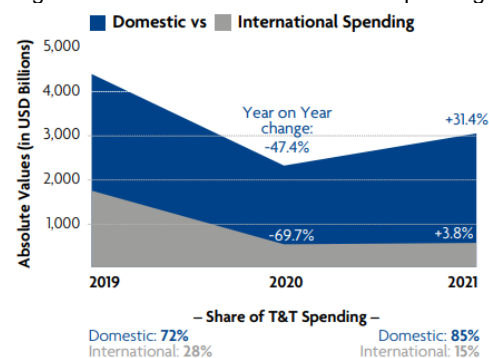
Source: International Monetary Fund, Latest data available are for September 13, 2022

Figure 23 - Economic Impact Timeline 2000-2021



Source: WTTC - Global Economic Impact & Trends 2021

Figure 24 - Domestic vs International Spending



Source: WTTC - Global Economic Impact & Trends 2021

## Global Hotel Supply

Hospitality is a broad industry, in which accommodation and T&T segments are strongly linked. The hotel industry is classified as a monopolistic competition market, being the US the largest market. Furthermore, it can be categorized by price levels – which range from Luxury Segment to Economy Segment, being the high-end segments, the most differentiated in offerings. Supply, which is represented as the number of hotels/rooms worldwide, is affected by the availability of capital and interest rates. Cost is the main barrier for market players to have a certain market share in this competitive industry, because of the capital required for physical building and maintenance, and the loyalty programme establishment. Considering that hotels are not a flexible asset, the sizable investments, the long periods it takes to get a license to build a hotel, and the difficulty it takes to find a location for it, supply generally remains stable and inelastic. In this case, the marketplace remains dominated by a few global or regional chains with up to 54% of the total rooms. The market size of the Global Hotels & Resorts industry, measured by revenue, has declined 1.3% per year on average between 2017 and 2022, which declined faster than the overall economy. In 2022, the market size is expected to grow 47.3% compared to the lowest point in the previous year.

## Global Hotel Demand

The hotel industry has high growth potential underpinned by several factors, although the overall demand remained resilient and suppressed due to the pandemic. It is unclear whether the pandemic will bring structural changes to demand, for instance, the technological improvement reduced business travel, which could lead to a shift in property uses. However, the rise of the new sector “bleisure and a more flexible working model may offset the impact of reducing business travel in the long run.

The demand is cyclical and fluctuates seasonally, mainly impacted by consumers’ desire to travel, population growth, and an expanding middle class in emerging markets with increasing disposable incomes and other variables.

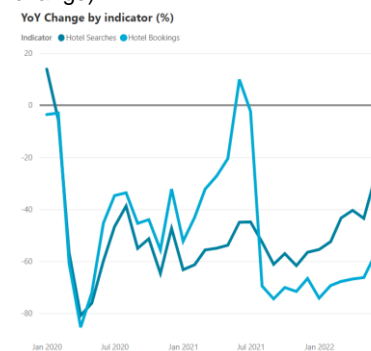
Events: Sports, music, technology and many other events and conferences held in the hotel area increase international and domestic mobility.

Seasonality: The lodging industry is operated in annual cycles. Throughout the year, hospitality occupancy rates vary due to two seasonality factors: 1) Climate, where seaside destinations are marked by most sales being made in the summer, and 2) Institutional factors, which result from decisions made at the national level, school calendar and holidays. For example, the ADR of hotels in Europe tends to be significantly higher in the summer months when the occupancy also increases. Thus, RevPAR also rises.

Economic Conditions: The lodging industry is cyclical and generally follows, on a lagged basis, the overall economy. GDP growth, business investment, corporate profits, employment growth, and purchase power are economic trends that have an impact on lodging demand. As mentioned, economic conditions are slowly improving which means that the demand is expected to pick up. Hotels benefit from higher occupancy rates when the economy is growing, and the foreign tourist market is expanding. While, in periods of recession and low tourism interest, the occupancy rates will be low (e.g.: During the peak of the pandemic).

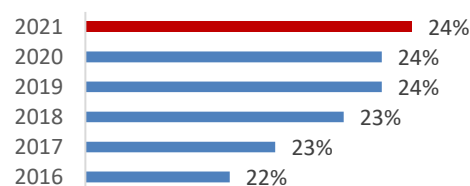
Domestic and international travel: According to Tourism Economics, currently, domestic guest nights have been surpassing international travel. In 2021, 88% of guests’ nights worldwide were attributed to domestic stays, and from 2022 onwards this trend is expected to remain high compared to pre-pandemic levels. Nevertheless, with the recent ease of international restrictions and higher vaccination rates, there has been an increase in traveler confidence, which has allowed for higher international mobility. However, global international arrivals are only expected to fully recover by 2024 or later. Regarding business travel, although there has been an increase in the events and meetings being held since the pandemic, it is expected to recover at a slower pace when compared to leisure travel in 2022, since people got used to the

Figure 25 - Hotel searches and bookings (% change)



Source: World Tourism Organization (UNWTO) 2022

Figure 26 - Share of top five branded hotel groups as % of global rooms supply



Note: IHG, Marriott International, Inc., Hilton Worldwide Holdings Inc., Wyndham Hotels & Resorts Inc., Accor S.A.

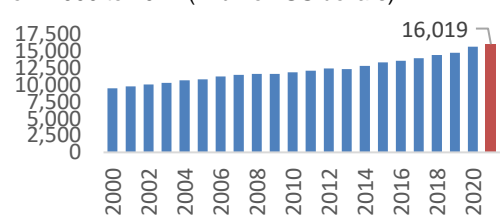
Source: STR

Figure 27 - Branded share of global industry supply and share of global industry active pipeline



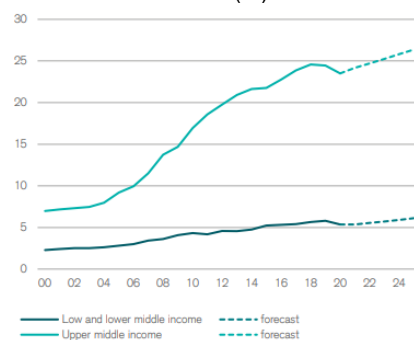
Source: STR

Figure 28 - Disposable personal income in the US from 2000 to 2021 (in billion US dollars)



Source: Statista

Figure 29 - Wealth share in emerging economies with a desire to travel (%)



Source: Credit Suisse - The Global wealth report 2021

home office and online business meetings. Domestic business travel is recovering faster, while international business travel is only expected to return to pre-covid levels in 2026.

**Safety & Security:** Terrorist attacks (e.g.: Paris attacks 2015) and natural catastrophes, negatively impact the occupancy rates in hotels. Nowadays, countries with higher vaccination rates may be considered more attractive to travel to, which can positively impact occupancy rates. Also, to regain the confidence of guests, hotels should provide "Safe stay" programs that allow on-site medical care, temperature checks, and hygiene products.

Other relevant factors impacting demand are historical heritage, the way government and public authorities promote tourism, location (i.e.: proximity to major tourist destinations), airport/railway infrastructures and cruise ports, amongst others.

According to the World Tourism Organization and Telefonica, global accommodation demand was updated until October 2020, United States had the highest number of international nights in hotels and similar establishments of 297,833 nights, followed by Spain of 223,481 nights. For the domestic side, Japan had the highest of 406,213 nights, followed by Germany of 234,569 nights. The hotel searches in June 2022 is still -28% below the pre-pandemic level with a total hotel booking remaining -57% below the pre-pandemic level. The latest data released by STR shows that the occupancy rate in June reached 66%, only 6 p.p, lower than the 2019 level.

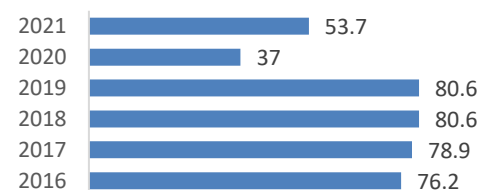
Overall, demand for hotels dropped drastically due to lockdowns, travel restrictions and social distancing caused by the pandemic. Rebound demand for domestic leisure was enhanced as vaccination rates across Europe increased and restrictions on mobility were eased.

## M&A Activity

The hotel market player has been continuously subject to intense competition from other hotel groups, specialists, or independent hotel operators. The initiatives by competitors, for instance, an increase in hotel supply, new business models or hotel repositioning could threaten one's market share. Thus, larger market concentrations through M&A activities can be one of the strategies for hospitality market player to reinforce their competitive position.

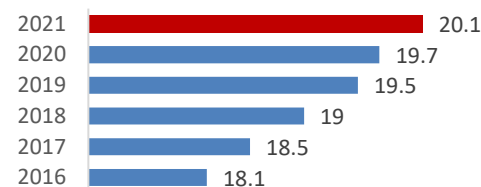
From the early days of the COVID-19 pandemic in 2020, the number of announced global M&A deals decreased from 2,349 to 1,984 in one month, while deal value decreased from US\$151.2 billion to US\$129.9 billion, hitting historical lows. In the first half of 2021, although the M&A market remained uncertain, the demand for hotel investment is overflowing given the improved global economy. There was an uptick in M&A activity, including big announcements such as Blackstone Group and Starwood Capital Group's \$6-billion, 566-asset deal in June 2021 to acquire Extended Stay America was substantial; and Hyatt Hotels Corporation's planned acquisition of Apple Leisure Group (ALG), a luxury resort-management services, travel, and hospitality group, from affiliates of KKR and KSL Capital Partners for \$2.7 billion in cash. In the fall of 2021, the major hotel deals reached \$14.4 billion according to the LW Hospitality Advisors' survey, a steady increase from \$4.66 billion in Q2 and \$8.1 billion in Q1 2021.

Figure 30 - Global industry RevPAR



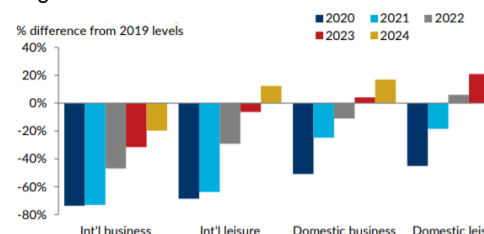
Source: STR

Figure 31 - Global rooms supply (M rooms)



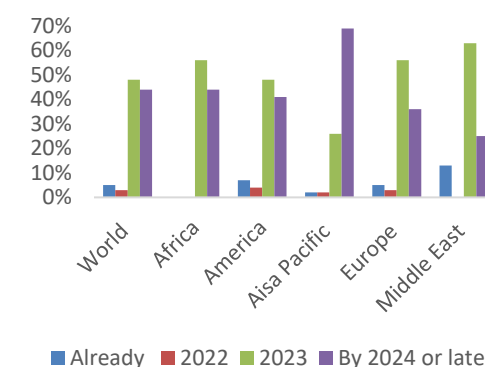
Source: STR

Figure 32 - Global Travel Expenditure by segment



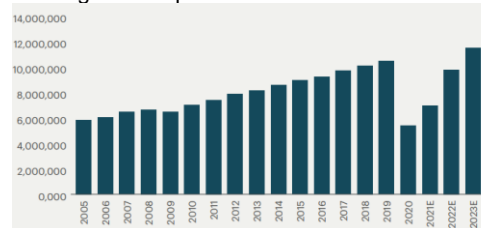
Source: Tourism Economics

Figure 33 - UNWTO Panel of Tourism Experts on the impact of COVID-19 on tourism and the expected time of recovery



Source: UNWTO, May 2022. Published: 06/06/2022

Figure 34 - Global hotel room night stays, with future growth expected



Source: Oxford Economics 2021

## Competitive Positioning

The hospitality market can be classified as monopolistic competition as there are many companies all around the world, offering similar but slightly different product services. NHH has a presence in both mid-scale and upper scale with a significant presence in Europe. As such, competitors were selected concerning their business nature, geographical distribution, and size. With the significant turning point of the pandemic in 2021, hotels started to reconsider their strategic priorities and analysis in-depth threats and opportunities in the current highly volatile market. Achieving profitability under the premise of sustainability and efficiency is still the main goal of hospitality market players, and their strategies share several similarities based on that.

Table 9 - Peer group

| Company Name                      | Identifier (RIC) | Country        | Market Cap (\$M) |
|-----------------------------------|------------------|----------------|------------------|
| Accor SA                          | ACCP.PA          | France         | 6,464            |
| Dalata Hotel Group PLC            | DHG.I            | Ireland        | 694              |
| InterContinental Hotels Group PLC | IHG.L            | United Kingdom | 9,692            |
| Melia Hotels International SA     | MEL.MC           | Spain          | 1,206            |
| PPHE Hotel Group Ltd              | PPH.L            | Netherlands    | 659              |
| Scandic Hotels Group AB           | SHOTE.ST         | Sweden         | 655              |
| Whitbread PLC                     | WTB.L            | United Kingdom | 6,051            |

Source: Refinitiv

Melia Hotels International SA introduced three major programmes: managing and generating income to make qualitative and sustainable progress in asset-light models; combining flexibility and productivity through digitalization to ensure the dynamism and transparency of the analytical and reporting model; transformation towards the sustainable model that provides long-run economic, environmental and social value.

Accor SA, InterContinental Hotels Group has restructured its business by selling almost all of the previously owned real estate. Instead, it aims to increase the revenue sources in growing areas and profitable segments through acquisitions and partnerships to build a hospitality ecosystem.

Whitbread PLC, Scandic Hotels Group AB focused on midscale segments and strategized to have long-term value creation and structural growth, which is in line with its ambitious sustainability programme. The financial flexibility supported by its freehold properties brings it a competitive advantage in investing in new markets. Diversity and inclusion were the newly added focuses of the group after the pandemic.

Dalata Hotel Group PLC has the strategic objective of growing sustainable shareholder value with a market-leading performance at existing hotels in Ireland and the UK. The sustainable business framework contains 4 main strategic priorities, namely People, Brands, Customers and Properties, through which to achieve targeted expansion.

PPHE Hotel Group Ltd intended to continue to focus on core, upper upscale, city-centre and lifestyle hotels and continue its investment in the leisure and outdoor hospitality offering. Meanwhile, continued to reinforce and strengthen its hospitality management platform to create more growth opportunities through managing hospitality assets for other parties.

## SWOT Analysis

| Strength  | Weakness  |
|---|---|
| <p><b>Wide presence</b> in the major business area in European capital cities. Vast portfolio and unparalleled collection of brands to meet customers' various needs.</p> <p>A <b>high value of money</b> to guests considering the quality and price.</p> <p>Several <b>M&amp;A activities</b> to increase market share and brand value.</p> <p>Well-performed in <b>ESG</b> and considered sustainability important throughout its operation.</p>   | <p><b>Low customer loyalty</b> and repeat customers.</p> <p><b>Occasionality</b>: Occupancy rates highly depend on MICE activities.</p> <p>Relatively <b>small chain</b> compared to other international hotel chains. Have no presence in the Asia Pacific market.</p>   |
| Opportunities   | Threats   |
| <p><b>Global market expansion</b>: Increase current customer base and boost global presence, especially expand the emerging market, and attract their growing demand</p> <p><b>Segment diversification</b>: demand is elastic and can immediately reward those companies who perform well according to the changing trend. Companies need to consider the younger generation's preferences and needs (shared economy, personalized offering, luxury segment, resort, etc.)</p> <p><b>Technology</b> is still underexplored in the hospitality industry, for instance, Artificial Intelligence in customer support, automation for check-in and checkout, blockchain for enhanced payment security, etc.</p> | <p><b>Changing consumer lifestyles and buying behaviour</b> may lead to different needs and expectations.</p> <p><b>Fierce Competition</b> due to market oversupply, business models have changed from traditional hospitality providers to online marketplaces providers, such as Airbnb, private accommodation rental, and share accommodation.</p> <p><b>Online meeting platform</b> could be a substitute for business travel, which could reduce the occupancy rate for hotels relied on business travel</p> <p><b>Highly sensitive to macroeconomic factors</b>: for example, the impact of the covid pandemic decreased the purchasing power of some guests.</p> |

## Porter's Five Forces Analysis



### Bargaining Power of Suppliers (3)

The overall bargaining power of suppliers is medium, but it can be varied depending on the suppliers on different functions. Most of the supplies of goods sold are adequate in the market, for instance, F&B raw materials, room facilities, cleaning materials, etc. A good relationship with suppliers can generate cost advantages and stay competitive in terms of the value of money. The distribution channel could increase the bargaining power of suppliers since the intermediaries such as Tripadvisor.com and Booking.com usually charge a commission fee, which ranges from 12% to 30%. Hotels need intermediaries to improve their exposure while they should limit the number of sales from those channels to ensure profitability.

### Bargaining Power of Customers (4)

The bargaining power is high in general. For hotels at a special location or during specific occasions, the power could be low because of the limited supply. With many prices comparing tools and room-booking platforms available online, a hotel guest who is price sensitive can easily compare and find the most cost-effective choice. Low switching costs increase guests' bargaining power and the free cancellation policy further squeezes margins. Some chain hotels have developed membership programs to improve guests' brand loyalty, even though the effect varies from person to person due to high substitute availability and changing guests' profiles.

### The threat of New Entrants (2)

There is a high initial capital expenditure required to start a business in the hospitality industry. Especially under the current pandemic situation, the hotel construction and layout need to consider adding more space for the common area or open space with good air circulation. Another issue is the lack of location available, which is critical for the hotel's positioning, will also have an impact on the entry of new players. Overall, the threat of new entrants is low.

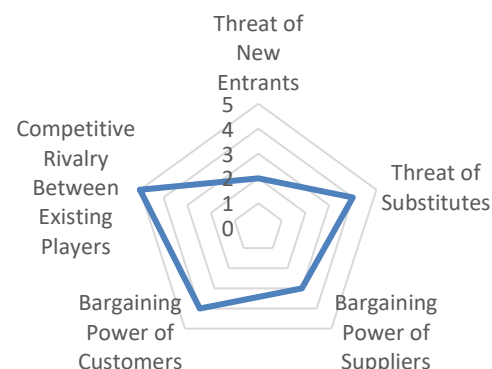
### The threat of Substitutes (4)

The threat of substitutes is high for many reasons. As a result of the covid-19 pandemic, online communication platforms have allowed people to reduce the need for business travel. Virtual meetings can indeed save more time and travel expenses for companies, thus business-type hotels could be affected. Moreover, private accommodation rental (e.g., Airbnb) keeps rising in most major cities worldwide. Shared accommodation platforms and apartment hotels have seen rapid growth in recent 5 years, while low-end hotels and motels have seen losses. As those private accommodation rental platforms become more regulated and mature, the competition between traditional hotels and those platforms will be fiercer.

### Competitive Rivalry Between Existing Players (5)

With a large number of hotel brands all around the world, the competitive rivalry between existing players is high. As the market is almost saturated and it is hard to further differentiate products or services, the hotel's positioning is the most important factor to success. Hotels with clear positioning in market segmentation can more precisely attract target customers. Moreover, with the changing needs, personalize services could improve guests' perception of value. Five-star hotels are the main players and are usually aligned to set the price. For lower-class hotels, their capacity to increase the price is limited.

Figure 35 - Porter's Five Forces Analysis spider chart



Source: Author's Analysis

## 5. Investment Summary

The final recommendation for NHH is to **Reduce**, which derives from a target price of €2.43 per share for 2023FY, using a WACC method, with an upside potential of 1.3% or a potential annualized return of 1.1% as of October 1<sup>st</sup>, 2022, with high risk due to the uncertain macroeconomic environment. This is justified by the following recovery from the pandemic and a more innovative business model with long-term sustainable revenue growth, cash flows and margins.

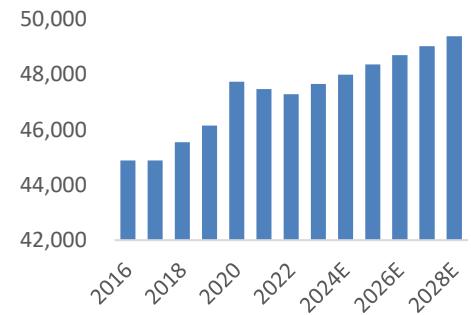
## Valuation Method

The price target of €2.43 was computed using the WACC method. To complement the WACC method, we also computed a DCF valuation using the Free Cash Flow to the Equity and Adjusted Present Value. The FCFE approach resulted in a share value of €2.42, and the APV resulted in a share value of €2.50, implying a potential of 0.9% and 4.2% respectively, and annualized potential of 0.7% and 3.4% respectively. Since the dividend policy of NHH was not stabilized due to the uncertainty of the hospitality market, DDM is not considered a reliable approach in this study. However, NHH will resume paying its dividend from 2023YE according to our estimation. Moreover, we conducted a relative valuation approach, namely the market multiples of P/BV, P/CF, EV/EBITDA and EV/Revenue. Considering the characteristics of the hospitality industry that have a higher amount of non-cash expenses (depreciation and amortization), relatively low sales in the last fiscal year and faster-than-expected recovery in this year, the P/B, P/CF and EV/EBITDA resulted in a high target price, comparing to EV/Sales multiple. As a result, the price target of applying median multiples is range from €2.18 to €2.50.

## Risks to Achieve Price Target

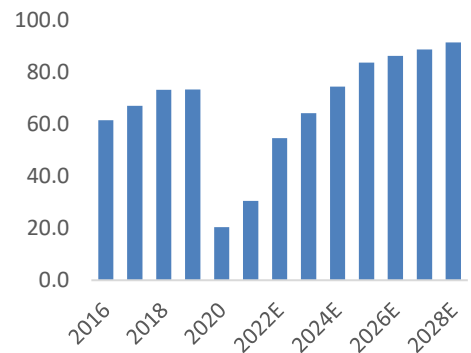
The major risks to achieving the price target are related to the uncertainty and unpredictability brought about by the pandemic and the current market. The macroeconomic downturn, with lower consumer disposable income and business profitability levels, could result in lower tourism and business travel-related spending. Hotel groups such as Marriott and Hilton, which are mainly high-end hotels, are now focusing on the economy and mid-range markets, resulting in a more intense supply of hotels in this market segment and the market competition has intensified. The company has been increasing its market share mainly through outbound acquisitions. If the Company has difficulty in finding suitable targets for acquisition or if the integration of acquisitions is not as expected, the overall growth and performance may shrink. A robustness test was conducted to assess how the estimated price target is affected by main driver changes. A sensitivity analysis was established with the WACC, Capex to revenue, market risk premium and the risk-free rate, which result implying the change in the price target due to a perceptual change in the chosen variable. As such, the obtained result can reinforce that NHH's shares are sensitive to these variables.

Figure 36 - Estimated number of hotel rooms



Source: Author's analysis

Figure 37 - Estimated RevPar



Source: Author's analysis

## 6. Valuation

Since the group only disclosed consolidated financial statements, the valuation was based on the global 6 years forecast from 2023YE to 2028YE. The absolute valuation methods were employed, namely the Discount Cash Flow (DCF), the Adjusted Present Value (APV), and a relative valuation of the Market-Based Valuation method was used to provide a robust assessment of the stock's value.

### Forecast Analysis

#### Revenue

The revenues were calculated by adding Room revenue, the multiplication product of the number of hotel room nights and the RevPAR of each geographic segment. The RevPAR was computed using occupancy rate multiply the average daily rate and is expected to recover to 88% of 2019 level in 2023, which is slightly lower than the forecast of rating agencies considering the recent market changes and grow at a CAGR of 7.3% from 2023 to 2028. According to the company expansion plan, the average rooms were estimated to grow at a historical CAGR of 0.72% in the major geographic segments namely Spain, Italy and Benelux. Considering the Group is transforming to asset light business model, of which the signups will be on an under-management basis, the capex will mainly be considered as a percentage of the revenue. In this case, the total revenue will reach 2328.4 million in 2028YE, corresponding to a 6 years CAGR of 8.1%.

## CAPEX and D&A

According to NHH Annual Report, the Company depreciates its property, plant and equipment following the straight-line depreciation method with an average estimated useful life of 20 years. The depreciation and amortizations were assumed as the percentages over the beginning period of PPE and intangibles, which is 7.1% and 16.2% respectively over the past five years. As for Capital expenditure, the major investment for the expansion plan was stopped in 2020 due to the pandemic and the Capex, including maintenance, refurbishment, systems and new openings, was 50% decreased on the original plan which refers to a reduction of 100M. In 2021, the Capex continued to be limited to below planned which is only 36.8M. Due to a lack of information concerning the values to invest in the following years, the Capex was forecasted based on its historical five years average percentage to revenue of 9.8%. Also, NHH group started its shift towards a more asset-light business model, which imply a higher capex flexibility. This assumption is in line with the estimation of Fitch in its rating commentary in May 2022 that NHH will have a single-digit's capex intensity.

### The cost of equity

The cost of equity was calculated through the CAPM method. The risk-free rate (Rf) was 2.11%, using the October 1<sup>st</sup>, 2022, Germany Bund 10-Year Yield. The average Unlevered Beta was 0.69 calculated by taking the average of NHH's peers' betas and levered with their capital structure. To include the risk of leverage and to consider the leverage effect, the estimated levered beta was calculated based on the industry debt-to-equity ratio and remain constant at 1.04 from 2022 to 2028 but resulted in different WACC due to the capital structure changes. Market Risk Premium and Country Risk Premium were 8.51% and 2.50% respectively, which are assumed to remain constant in the forecasting period. Those two premiums were calculated as the revenue share of each geographic segment by multiplying the MRP and CRP of each geographic segment, sourcing from the Damodaran database in July 2022 and supported by Survey Market Risk Premium and Risk-Free Rate used for 88 countries in 2022 (Fernandez, Martinez & Acín, 2022).

### The cost of debt

The cost of debt was calculated using the yield to maturity approach. The effective interest rate from last fiscal year was adjusted considering the increase in Euribor would bring up the cost for debt with a variable interest (account for 14% of total debt). The credit spread method was also considered using the formula (risk-free rate of return + country risk premium + credit spread) multiplied by (1-tax rate), in which values are retrieved from Damodaran's database. This method took into account the economic fluctuations, the company's specific debt usage and its credit rating. However, this approach was not considered appropriate with current volatile market condition. As a result, the company's pre-tax cost of debt is 6.76%, which is cohored with the loan yield of 6.861%, and the after-tax cost of debt is 5.07%.

### The long-run sustainable growth rate for terminal value

As one of the top 25 Hotel groups worldwide, the long-run sustainable growth rate of NHH was estimated to be slightly lower than the growth rate of the global hospitality industry, reaching a value of 1.21%. This rate was calculated through DuPont Approach and will remain constant throughout the forecasting period.

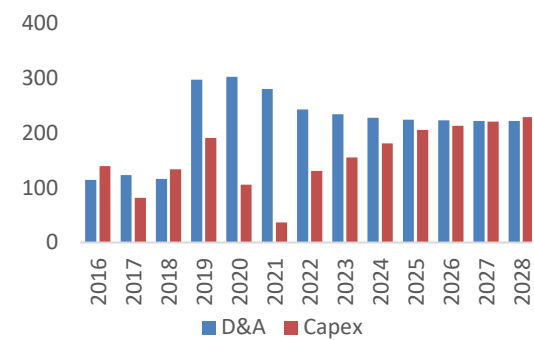
### WACC method

NHH was valued using DCF model with the Free Cash Flow to Firm, which was computed for the forecasted period of 2024YE to 2028YE and the respective terminal value for 2028YE. The enterprise value was achieved by summing the present value of FCFF and the terminal value at WACC. The 2023YE share price arrived at € 2.43, with an upside potential of 1.3% against the closing price of €2.40 on October 1<sup>st</sup>, 2022, which turns into a 1.1% annualized return.

### Flow to Equity Model

To complement the DCF method, the Cash Flow to Equity method was then applied to compute the equity value and reached a target price of €2.42 per share, indicating

Figure 38 - Capex and D&A evolution



Source: Author's Analysis

Table 10 - MRP and CRP

|                 | % Rev  | MRP    | CRP   |
|-----------------|--------|--------|-------|
| Italy           | 21.37% | 9.08%  | 3.07% |
| Southern Europe | 35.37% | 9.22%  | 3.21% |
| Central Europe  | 19.91% | 7.20%  | 1.19% |
| Benelux         | 17.25% | 6.54%  | 0.53% |
| Latin America   | 6.10%  | 12.23% | 6.22% |
|                 |        | 8.51%  | 2.50% |

Source: Author's Analysis

Table 11 - Price Target (WACC Method)

| WACC Method          |            |
|----------------------|------------|
| PV of FCFF at WACC   | 1,071.47   |
| PV of Terminal Value | 2,387.98   |
| Enterprise Value     | 3,459.45   |
| Cash (€)             | 61.67      |
| Debt (€)             | (2,368.23) |
| Minority Interest    | (48.97)    |
| Provision            | (44.10)    |
| Equity Value         | 1,059.82   |
| Number of shares     | 435.75     |
| Equity Value/Share   | € 2.43     |
| Current Price        | 2.4        |
| Upside potential     | 1.3%       |
| Annualized potential | 1.1%       |

Source: Author's analysis

Table 12 - Price Target (FTE Method)

| FTE Method                  |          |
|-----------------------------|----------|
| Present Value of FCFE at Ke | 525.99   |
| PV of Terminal Value        | 528.75   |
| Equity Value                | 1,054.74 |
| Number of shares            | 435.75   |
| Equity Value/Share          | € 2.42   |
| Upside potential            | 0.9%     |
| Annualized potential        | 0.7%     |

Source: Author's analysis

an upside potential of 0.9% against the closing price of €2.40 on October 1<sup>st</sup>, 2022, which turns into a 0.7% annualized return.

### Adjusted Present Value

To understand the tax shield benefits from the tax deduction of interest payment and debt capacity, APV method was employed and achieved a 2023YE price target of €2.50, representing an upside potential of 4.2% against the closing price of €2.40 on October 1<sup>st</sup>, 2022, which is slightly higher but still in line with the price targets obtain through WACC and FTE method. Debt capacity was computed as a fixed proportion of the present value of 774.48 million euros.

### Market-Based Valuation

A market-based valuation was performed in this analysis to supplement the absolute methods and the comparing market multiples of previously selected peer groups were employed. Due to the special case of the COVID-19 pandemic, which has direct impact on the industry over the past two years, some multiples appear above normal levels over the last trailing twelve months which are not considered appropriate to use for sustainable valuation. As a result, the price targets are higher with the rapid recovery in 2022. The peer median P/BV of 1.28x resulted in a price target of €2.46, the peer median EV/EBITDA of 8.70x resulted in a price target of €2.18, the peer median EV/Revenue of 2.21x resulted in a price target of €2.50 and the peer median P/CF of 4.10x resulted in a price target of €2.47 for 2023YE.

Table 13 - Price Target (APV Method)

| APV Method                           |            |
|--------------------------------------|------------|
| Present Value of FCFF at Ku          | 1,043.60   |
| PV of Terminal Value                 | 2,116.67   |
| Unlevered Intrinsic Enterprise Value | 3,160.27   |
| Present Value of Interest Tax Shield | 141.46     |
| PV of Terminal Value                 | 186.18     |
| Enterprise Value                     | 3,487.91   |
| Cash (€)                             | 61.67      |
| Debt (€)                             | (2,368.23) |
| Minority Interest                    | (47.36)    |
| Provision                            | (44.10)    |
| Equity Value                         | 1,089.88   |
| Number of shares                     | 435.75     |
| Equity Value/Share                   | € 2.50     |
| Upside potential                     | 4.2%       |
| Annualized potential                 | 3.4%       |

Source: Author's analysis

## 7. Financial Analysis

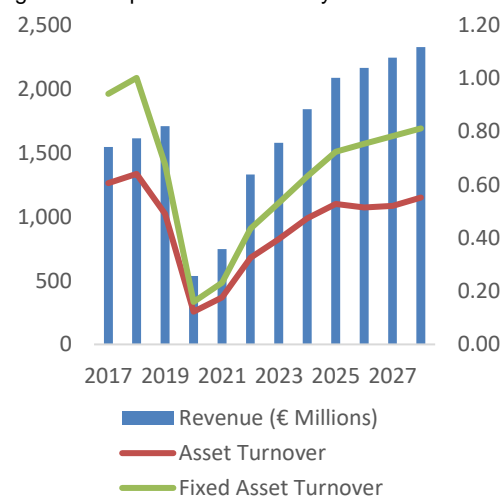
### Operational Efficiency

The Group's total revenues increased from €1,546.1M in 2017 to €1,708.1M in 2019 with an average CAGR of +3.4%. However, NH swung to a sharp annual loss in 2020 and the revenue plunged by 68.59% to €539.7M due to the economic impact of the pandemic. In 2021, the Group reported a positive net profit in Q4 for the first time since the pandemic thanks to the gradual recovery and internal cost control. In this circumstance, it is expected that NH will have revenue growth of a total of 8.08% CAGR 2023-2028, recovering revenue from €1578 million euros to €2328 million euros in 2028. As one of the most important ratios to measure operational efficiency, the asset turnover rate is expected to increase from 0.18 in 2021 to 0.55 in 2028 with the business returning. Similarly, the fixed asset turnover is also expected to triple from 0.23 in 2021 to 0.81 in 2028, exceeding the pre-pandemic level of 0.68. Thus, those indicators can show the improving efficiency of NH Group in generating more revenue from its total assets and fixed assets, respectively. Cash cycle days are expected to decrease from 69.5 days in 2021 eventually modeled to 50 days in 2028.

### Profitability

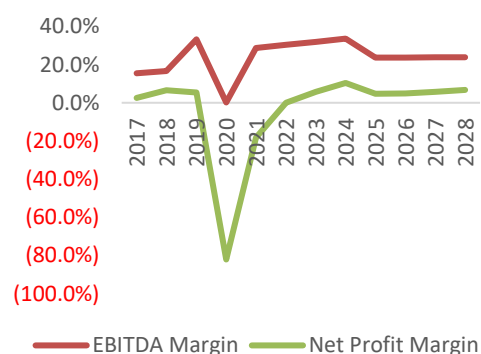
Along with all the market players in the hospitality industry, the profitability ratios of the NH group were significantly affected by the pandemic in the last two years. The EBITDA margin downed around 30 percentiles from 33.2% in 2019 to 0.2% in 2020. Nevertheless, it is forecasted to increase with the recuperation of the economy, reaching €555.2M in 2028 with a growth of 5.46% CAGR 2022-2028. To better understand the Group's profitability, ROE and ROA are also analysed. There was an upward trend before the pandemic with ROA and ROE growing at 31.2% and 66.9% CAGR 2017-2019. However, the pandemic weakened the ability to make full use of the asset or capital to generate revenue, with a ROA of -10.1% and a ROE of -58.4% in 2020. In the financial year 2021, the ROA and ROE only recovered to -3.2% and -18.1%, which is still far below the pre-pandemic level. In the following forecasted years, ROA and ROE are expected to have an upward trend, eventually achieving 3.8% and 10.7% in 2028.

Figure 39 - Operational Efficiency



Source: Author's analysis

Figure 40 - Profitability



Source: Author's analysis

## Solvency and Liquidity

The Group's Interest Coverage Ratio had been growing at a 4.3% CAGR 2017-2019. However, significantly dropped due to the pandemic in 2020. It is expected to have a smooth recovery in the following five years and achieve 2.6 in 2028, slightly above the pre-pandemic average level, which indicates the Group's debt repayment ability has recovered as capable as it was before the pandemic.

The Group implemented a contingency plan to minimize the operational costs and preserve its liquidity with the premise of ensuring health and safety, aiming to adapt business and faster recovery. Different cost discipline and control measures were implemented, covering Personnel Adjustment, Reduction in Operational costs, Reduction in Leasing. These measures strengthened the Group's capital structure and liquidity with a solid financial base, which also reduced gross debts in 2021. In the forecasted period, the capital structure is expected to recover to the pre-pandemic level, with the debt ratio decreasing from 4.08 in 2021 to 1.58 in 2028.

Considering the group's liquidity, the significant amount of debt that matures in 2025 and 2026 and their rollover will indeed have an impact, namely on the quick ratio, current ratio and cash ratio. Those ratios are expected to reach 1.23, 1.25, and 0.71 respectively from 2023 to 2026 with the arrival of full recovery, which are similar to the pre-pandemic level while the cash ratio remains slightly higher due to the rollover of the debt. From 2027 to 2028, the ratios are projected to decline and normalize to 0.96, 0.98 and 0.44 due to the significant amount of capital lease payment.

## 8. Investment Risks

### System risk (SR)

Considering that cyberattacks are getting more sophisticated and diversified, the number of attack cases continues to increase in recent years. The loss of sensitive information of the business or customers, business interruptions, lawsuits deriving from system interruption, and other costs and liabilities caused by cyberattacks can cause significant financial losses or intellectual property losses. As such, NH Hotel Group needs to reinforce its strategies for the mitigation of cyber risks. In respect of that, the technology infrastructure should achieve the expected innovation with the balance between quality and cost control. Therefore, NH needs to catch up with technological developments to support its operations and business.

### Business Risks

#### Health and Safety Risks (BR1)

All the risks related to guests' health and safety, for instance, hygiene issue, fire risk and epidemics, etc. Regular sanitary inspection and fire drills can help mitigate potential risks.

#### Labour risk (BR2)

The unemployment rate tends to rebound since the covid pandemic. It is vital to retain a key quality management and staff team since the hospitality industry highly relies on qualified labour.

### Financial Risk

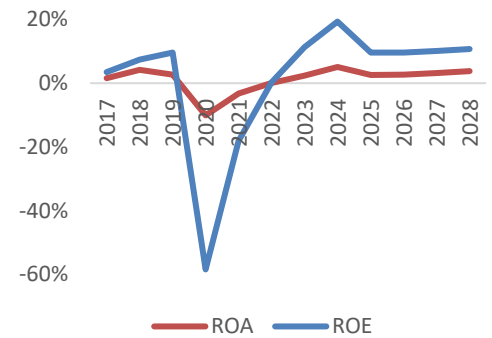
#### Credit Risk (FR1)

NH Hotel Group holds cash and cash equivalents in high credit rating entities, while their trade and other accounts receivable are mostly guaranteed. In this respect, there is no significant concentration of third-party credit risk to NH Hotel Group because of its highly diversified financial investment and well-distributed trade risks with short collection periods.

#### Interest Rate Risk (FR2)

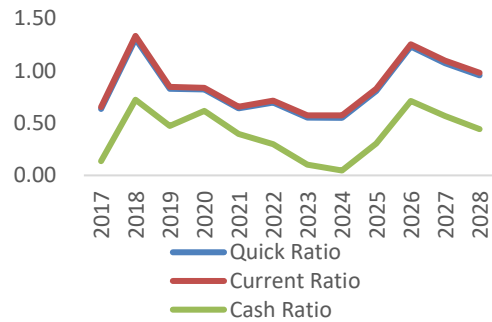
The rapid increase in interest rates harms the Group's financial assets and liabilities, which makes its interest expenses and cash flows exposed to the interest rate risk. According to the sensitivity analysis conducted by the group, an increase in the interest rate of 100 b.p, would result in a 1.914 thousand euro increase in financial

Figure 41 - DuPont/Earning Power



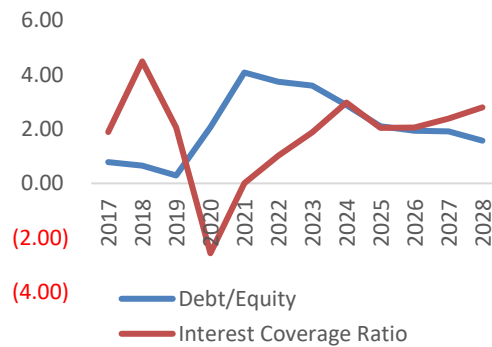
Source: Author's analysis

Figure 42 - Liquidity



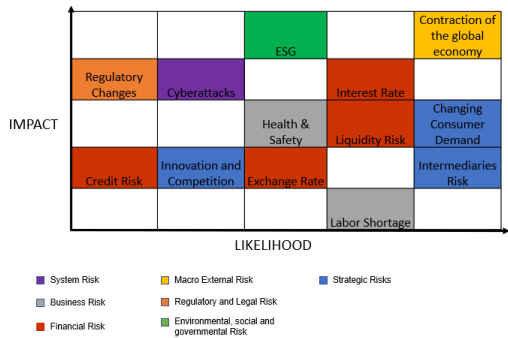
Source: Author's analysis

Figure 43 - Solvency



Source: Author's analysis

Figure 44 - Risk Matrix



Source: Author's analysis

expense. To mitigate the risk, the Group issued guaranteed convertible senior bonds to set part of its debt at a fixed interest rate.

#### Exchange Rate Risk (FR3)

NH Hotel Group is subjected to exchange rate fluctuation risk resulting from their investments in foreign countries, namely those in Africa and America, as well as the transactions made by those companies operating in different countries of non-eurozone. In this respect, the exchange rate can influence its financial performance and cash flows.

#### Liquidity Risk (FR4)

Due to the capital-intensive nature of the hospitality industry, exposure to adverse situations in debt or capital markets could hinder the group from meeting its short-term operational needs and long-term strategic goals. By closely monitoring the maturity schedule of the financial debt and managing the credit line, NHH can hedge part of this risk. Considering the group's current liquidity position, positive cash flow generating capacity and regular cash flow forecast, the liquidity risk is not significant. The company carried out financial restructuring in 2021 and plans to continue reducing its debt accumulated during the COVID-19 pandemic to increase its liquidity.

### Strategic Risks

#### Risk Related to Innovation of Operations (SR1)

Consumer demand has been changing in recent years with a shift towards collaborative economic service and self-service. Considering the high market power of consumers, changing social behavior patterns, preferences and demography can be seen as emerging risks. The new market players could significantly impact the demand for traditional types of accommodations. A failure in accessing markets and asset disinvestment can weaken the hotel's competitive market position. Having 95% city and 5% resort, NHH is one of Europe's largest city hotel companies. Therefore, it is critical to expand its offer to diversify the products and services proposed to guests and meet their expectations better, while attracting new guests.

#### Intermediaries Risk (SR2)

The increasing dependence on intermediaries, specifically online travel agencies (OTAs) and distributors can lead to the loss of control over the price. The group should increase sales from direct channels, namely the hotel website, Central Reservation System or by renegotiating commissions with intermediaries, to maximize the ADR.

#### Inability to find additional growth (SR3)

Inability to find additional ways of growing that permit sustainable and resilient growth that will safeguard the Company's future. NH should be capable of developing and executing a suitable Expansion/Growth Plan to counter the reaction of its competitors and assure continuous growth.

### Macro External Risks (MER)

The contraction of the global economy could shrink the group's revenues and profitability, which would have a negative impact on its future growth. Political perturbation, acts of terrorism or war can affect the ability of the company to operate efficiently and reduce the overall demand for hotels in the affected areas. The damage to hotel properties could not be fully covered by the current insurance policy and could increase the insurance premium.

### Regulatory and Legal Risks (RLR)

Arising from possible regulatory changes as well as non-compliance with internal and external regulations, which can be financial and/or ethical. Fraudulent activities can lead to restrictions on the hotel's business operations, increase operating costs and result in reputational damage. For instance, it is necessary to guarantee compliance with the General Data Protection Regulation (GDPR), aiming to take all privacy matters of company's operation into account. With adequate data protection and management, company can avoid potential risks and losses.

## Environmental, social and governmental risks (ESGR)

According to the Group's analysis, 35% of the total risks identified are related to ESG matters in 2021. The group is committed to reducing its environmental impacts under the strategic vision of sustainable and ethical principles. With the strategic vision of NH ROOM4 Sustainable Business, the group aims to create shared values at an economic, social and environmental level.

### Sensitivity analysis

To better assess the risks illustrated previously, a set of sensitivity analysis were carried out to evaluate the significance of changes in key variables on our valuation.

The sensitivity test to WACC and Capex to revenue was firstly conducted, setting WACC to 8.55% and Capex/revenue to 9.83% in the base case and the range of variability was defined based on their historical standard deviation. For the variable Capex to revenue, considering the asset-light leasing business mode and high maintenance requirement of the industry, it is the cost of the planned investment that is linked to the actual ability to generate cash flow, indicating the potential cost to maintain and improve the revenue. We find that decline in both variables would result in an upgraded of our recommendation. The share price ranges from €1.55 to €3.30. Then the sensitivity test to MRP and RF was conducted as well, applying the current rate of 8.5% and 2.1% as the base case and the range of variability was defined based on their historical standard deviation. We find that each decline of 20bps in MRP and RF could result in an upgraded of our recommendation as well. The share price ranges from €1.86 to €3.06. Nonetheless, the upgrade scenarios are unlikely given the current global economic outlook.

Figure 45 - PT sensitivity analysis with variable WACC rate and Capex to Revenue

|           |        | WACC |       |       |       |       |       |       |       |       |       |
|-----------|--------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|           |        | 2.43 | 8.32% | 8.38% | 8.44% | 8.50% | 8.55% | 8.61% | 8.67% | 8.73% | 8.79% |
| Capex/Rev | 8.88%  | 3.30 | 3.22  | 3.16  | 3.10  | 3.04  | 2.98  | 2.92  | 2.85  | 2.78  |       |
|           | 9.11%  | 3.18 | 3.06  | 3.01  | 2.96  | 2.90  | 2.83  | 2.77  | 2.70  | 2.64  |       |
|           | 9.35%  | 3.02 | 2.91  | 2.86  | 2.80  | 2.75  | 2.68  | 2.62  | 2.56  | 2.49  |       |
|           | 9.58%  | 2.86 | 2.75  | 2.70  | 2.65  | 2.59  | 2.53  | 2.47  | 2.41  | 2.34  |       |
|           | 9.83%  | 2.70 | 2.59  | 2.54  | 2.49  | 2.43  | 2.37  | 2.31  | 2.25  | 2.19  |       |
|           | 10.08% | 2.53 | 2.43  | 2.38  | 2.33  | 2.27  | 2.22  | 2.16  | 2.10  | 2.03  |       |
|           | 10.33% | 2.37 | 2.26  | 2.22  | 2.17  | 2.11  | 2.06  | 2.00  | 1.94  | 1.88  |       |
|           | 10.59% | 2.19 | 2.10  | 2.05  | 2.00  | 1.95  | 1.89  | 1.83  | 1.78  | 1.71  |       |
|           | 10.85% | 2.02 | 1.92  | 1.88  | 1.83  | 1.77  | 1.72  | 1.67  | 1.61  | 1.55  |       |

Source: Author's Analysis

Figure 46 - PT sensitivity analysis with variable MRP and RF

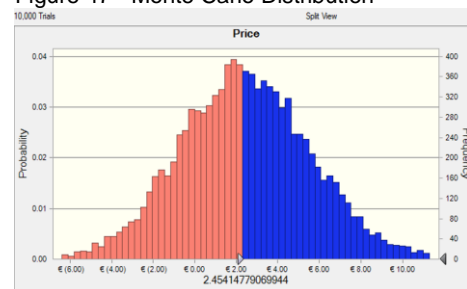
|    |      | MRP  |      |      |      |      |      |      |      |      |      |
|----|------|------|------|------|------|------|------|------|------|------|------|
|    |      | 2.43 | 7.8% | 8.0% | 8.1% | 8.3% | 8.5% | 8.7% | 8.9% | 9.1% | 9.3% |
| RF | 1.9% | 3.06 | 2.93 | 2.80 | 2.67 | 2.55 | 2.42 | 2.30 | 2.18 | 2.06 |      |
|    | 2.0% | 3.03 | 2.90 | 2.77 | 2.64 | 2.52 | 2.40 | 2.28 | 2.16 | 2.04 |      |
|    | 2.0% | 3.00 | 2.87 | 2.74 | 2.61 | 2.49 | 2.37 | 2.25 | 2.13 | 2.01 |      |
|    | 2.1% | 2.96 | 2.84 | 2.71 | 2.58 | 2.46 | 2.34 | 2.22 | 2.11 | 1.99 |      |
|    | 2.1% | 2.93 | 2.80 | 2.68 | 2.55 | 2.43 | 2.31 | 2.20 | 2.08 | 1.96 |      |
|    | 2.2% | 2.90 | 2.77 | 2.65 | 2.53 | 2.40 | 2.29 | 2.17 | 2.05 | 1.94 |      |
|    | 2.2% | 2.86 | 2.74 | 2.62 | 2.49 | 2.37 | 2.26 | 2.14 | 2.03 | 1.91 |      |
|    | 2.3% | 2.83 | 2.71 | 2.59 | 2.46 | 2.34 | 2.23 | 2.11 | 2.00 | 1.89 |      |
|    | 2.3% | 2.80 | 2.67 | 2.55 | 2.43 | 2.31 | 2.20 | 2.09 | 1.97 | 1.86 |      |

Source: Author's analysis

## Monte Carlo Simulation

The Monte Carlo Simulation based on the FCF method was performed to test how would the price be impacted by uncertain variables. The following parameters were employed: WACC, terminal growth rate, average daily rate, total room nights and Capex. The WACC and g are equal to the five-year projected rate with a mean of 7.44%, 0.98%, and standard deviation of 0.55%, and 0.16% respectively. While for ADR, total room nights and Capex are based on historical values from 2017-2021, with mean of 93.63, 10491, 155.6 and standard deviation of 7.05, 2597, and 55.93 respectively. The assumptions were then defined for the above variables for the valuation period from 2023 to 2028. We performed 100 000 iterations adjusting all key assumptions simultaneously to determine how potential risks have an impact on the target price. Summary statistics and distribution suggest a 51.54% probability of reaching prices with minimum upsides exceeding the current price of €2.4, cementing our REDUCE recommendation.

Figure 47 - Monte Carlo Distribution



Source: Author's analysis

Note: Blue side represents the 51.54% probability of reaching the current price of €2.4.

Figure 48 - Monte Carlo simulation assumption

|                         | Mean   | Std   |
|-------------------------|--------|-------|
| Capex (million Euro)    | 156    | 56    |
| WACC                    | 7.44%  | 0.55% |
| Terminal growth rate    | 0.98%  | 0.16% |
| ADR (Euro)              | 93.63  | 7.05  |
| Thousand of room nights | 10,491 | 2,597 |

Source: Author's Analysis

Figure 49 - Monte Carlo simulation results

| Statistic           | Forecast values |
|---------------------|-----------------|
| Trials              | 10,000          |
| Base Case           | € 2.45          |
| Mean                | € 2.45          |
| Median              | € 2.38          |
| Mode                | ---             |
| Standard Deviation  | € 3.15          |
| Variance            | € 9.95          |
| Skewness            | 0.1365          |
| Kurtosis            | 3.10            |
| Coeff. of Variation | 1.29            |
| Minimum             | € (8.49)        |
| Maximum             | € 16.57         |
| Mean Std. Error     | € 0.03          |

Source: Author's Analysis



### Appendix 3: Income Statement

|  | 2016       | 2017       | 2018       | 2019       | 2020       | 2021       | 2022       | 2023       | 2024       | 2025       | 2026       | 2027       | 2028       |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Period End Date                              | 31/12/2016 | 31/12/2017 | 31/12/2018 | 31/12/2019 | 31/12/2020 | 31/12/2021 | 31/12/2022 | 31/12/2023 | 31/12/2024 | 31/12/2025 | 31/12/2026 | 31/12/2027 | 31/12/2028 |
| Revenue (€ Millions)                         | 1,447.9    | 1,546.1    | 1,613.4    | 1,708.1    | 536.2      | 746.5      | 1,330.9    | 1,578.7    | 1,841.9    | 2,088.2    | 2,165.3    | 2,244.7    | 2,328.4    |
| Cost of Revenue, Total                       | 66.9       | 75.7       | 74.8       | 76.8       | 25.4       | 32.1       | 56.4       | 65.9       | 75.7       | 84.4       | 86.2       | 87.9       | 89.7       |
| Gross Profit                                 | 1,381.0    | 1,470.4    | 1,538.6    | 1,631.3    | 510.8      | 714.4      | 1,274.5    | 1,512.8    | 1,766.2    | 2,003.8    | 2,079.1    | 2,156.8    | 2,238.7    |
| Selling/General/Admin. Expenses, Total       | 699.7      | 724.6      | 737.8      | 532.4      | 302.3      | 307.6      | 503.9      | 544.9      | 574.1      | 860.5      | 892.2      | 924.9      | 959.4      |
| Depreciation/Amortization                    | 114.2      | 123.1      | 116.3      | 297.0      | 302.4      | 280.2      | 242.9      | 234.0      | 227.8      | 224.1      | 222.7      | 221.9      | 221.8      |
| Unusual Expense (Income)                     | 38.8       | (39.1)     | (85.7)     | 14.4       | 69.9       | (66.5)     | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        |
| Other Operating Expenses, Total              | 499.5      | 506.4      | 531.7      | 531.3      | 207.6      | 192.8      | 367.1      | 463.2      | 572.8      | 649.4      | 673.4      | 698.1      | 724.1      |
| Total Operating Expense                      | 1,380.3    | 1,429.8    | 1,460.6    | 1,437.5    | 837.7      | 812.7      | 1,170.3    | 1,308.0    | 1,450.4    | 1,818.5    | 1,874.4    | 1,932.8    | 1,995.0    |
| Operating Income                             | 28.8       | 155.4      | 238.5      | 256.2      | (371.4)    | 0.3        | 160.6      | 270.7      | 391.5      | 269.7      | 290.8      | 311.9      | 333.4      |
| Interest Inc.(Exp.),Net-Non-Op., Total       | (36.4)     | (51.0)     | (28.1)     | (10.5)     | (132.3)    | (121.6)    | (133.9)    | (120.1)    | (107.4)    | (108.2)    | (117.2)    | (106.7)    | (94.8)     |
| Other, Net                                   | 52.0       | (31.4)     | (25.0)     | (114.3)    | (11.9)     | (24.1)     | (24.1)     | (24.1)     | (24.1)     | (24.1)     | (24.1)     | (24.1)     | (24.1)     |
| Net Income Before Taxes                      | 44.4       | 73.0       | 185.4      | 131.4      | (515.6)    | (145.4)    | 2.6        | 126.5      | 260.0      | 137.5      | 149.6      | 181.0      | 214.5      |
| Provision for Income Taxes                   | 7.9        | 33.5       | 79.7       | 38.6       | (75.2)     | (9.3)      | 0.6        | 31.6       | 65.0       | 34.4       | 37.4       | 45.3       | 53.6       |
| Net Income After Taxes                       | 36.5       | 39.5       | 105.7      | 92.8       | (440.4)    | (136.1)    | 1.9        | 94.8       | 195.0      | 103.1      | 112.2      | 135.8      | 160.9      |
| Minority Interest                            | (3.4)      | (3.7)      | (3.5)      | (2.9)      | 3.2        | 2.3        | (0.0)      | (1.6)      | (3.3)      | (1.7)      | (1.9)      | (2.3)      | (2.7)      |
| Net Income Before Extra. Items               | 33.1       | 35.8       | 102.2      | 89.9       | (437.2)    | (133.8)    | 1.9        | 93.2       | 191.7      | 101.3      | 110.3      | 133.5      | 158.1      |
| Discontinued Operations                      | -2.3       | -0.3       | -0.6       | 0.1        | -0.1       | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 1.0        | 2.0        |
| Net Income after Non-Controlling/Minority Ir | 30.8       | 35.5       | 101.6      | 90.0       | (437.3)    | (133.8)    | 1.9        | 93.2       | 191.7      | 101.3      | 110.3      | 134.5      | 160.1      |
| EBITDA                                       | 181.8      | 239.4      | 269.1      | 567.6      | 0.9        | 214.0      | 403.5      | 504.7      | 619.3      | 493.9      | 513.5      | 533.8      | 555.2      |
| EBIT   | 67.6       | 116.3      | 152.8      | 270.6      | (301.5)    | (66.2)     | 160.6      | 270.7      | 391.5      | 269.7      | 290.8      | 311.9      | 333.4      |

### Appendix 4: Common-Size Income Statement

|  | 2016       | 2017       | 2018       | 2019       | 2020       | 2021       | 2022       | 2023       | 2024       | 2025       | 2026       | 2027       | 2028       |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Period End Date                              | 31/12/2016 | 31/12/2017 | 31/12/2018 | 31/12/2019 | 31/12/2020 | 31/12/2021 | 31/12/2022 | 31/12/2023 | 31/12/2024 | 31/12/2025 | 31/12/2026 | 31/12/2027 | 31/12/2028 |
| Revenue (€ Millions)                         | 100.0%     | 100.0%     | 100.0%     | 100.0%     | 100.0%     | 100.0%     | 100.0%     | 100.0%     | 100.0%     | 100.0%     | 100.0%     | 100.0%     | 100.0%     |
| Cost of Revenue, Total                       | 4.6%       | 4.9%       | 4.6%       | 4.5%       | 4.7%       | 4.3%       | 4.2%       | 4.2%       | 4.1%       | 4.0%       | 4.0%       | 3.9%       | 3.9%       |
| Gross Profit                                 | 95.4%      | 95.1%      | 95.4%      | 95.5%      | 95.3%      | 95.7%      | 95.8%      | 95.8%      | 95.9%      | 96.0%      | 96.0%      | 96.1%      | 96.1%      |
| Selling/General/Admin. Expenses, Total       | 48.3%      | 46.9%      | 45.7%      | 31.2%      | 56.4%      | 41.2%      | 37.9%      | 34.5%      | 31.2%      | 41.2%      | 41.2%      | 41.2%      | 41.2%      |
| Depreciation/Amortization                    | 7.9%       | 8.0%       | 7.2%       | 17.4%      | 56.4%      | 37.5%      | 18.3%      | 14.8%      | 12.4%      | 10.7%      | 10.3%      | 9.9%       | 9.5%       |
| Unusual Expense (Income)                     | 2.7%       | -2.5%      | -5.3%      | 0.8%       | 13.0%      | -8.9%      | 0.0%       | 0.0%       | 0.0%       | 0.0%       | 0.0%       | 0.0%       | 0.0%       |
| Other Operating Expenses, Total              | 34.5%      | 32.8%      | 33.0%      | 31.1%      | 38.7%      | 25.8%      | 27.6%      | 29.3%      | 31.1%      | 31.1%      | 31.1%      | 31.1%      | 31.1%      |
| Total Operating Expense                      | 95.3%      | 92.5%      | 90.5%      | 84.2%      | 156.2%     | 108.9%     | 87.9%      | 82.9%      | 78.7%      | 87.1%      | 86.6%      | 86.1%      | 85.7%      |
| Operating Income (EBIT)                      | 2.0%       | 10.1%      | 14.8%      | 15.0%      | -69.3%     | 0.0%       | 12.1%      | 17.1%      | 21.3%      | 12.9%      | 13.4%      | 13.9%      | 14.3%      |
| Interest Inc.(Exp.),Net-Non-Op., Total       | -2.5%      | -3.3%      | -1.7%      | -0.6%      | -24.7%     | -16.3%     | -10.1%     | -7.6%      | -5.8%      | -5.2%      | -5.4%      | -4.8%      | -4.1%      |
| Other, Net                                   | 3.6%       | -2.0%      | -1.5%      | -6.7%      | -2.2%      | -3.2%      | -1.2%      | -1.5%      | -1.3%      | -1.2%      | -1.1%      | -1.1%      | -1.0%      |
| Net Income Before Taxes                      | 3.1%       | 4.7%       | 11.5%      | 7.7%       | -96.2%     | -19.5%     | 0.2%       | 8.0%       | 14.1%      | 6.6%       | 6.9%       | 8.1%       | 9.2%       |
| Provision for Income Taxes                   | 0.5%       | 2.2%       | 4.9%       | 2.3%       | -14.0%     | -1.2%      | 0.0%       | 2.0%       | 3.5%       | 1.6%       | 1.7%       | 2.0%       | 2.3%       |
| Net Income After Taxes                       | 2.5%       | 2.6%       | 6.6%       | 5.4%       | -82.1%     | -18.2%     | 0.1%       | 6.0%       | 10.6%      | 4.9%       | 5.2%       | 6.0%       | 6.9%       |
| Minority Interest                            | 0.0%       | 0.0%       | 0.0%       | 0.0%       | 0.0%       | 0.0%       | 0.0%       | 0.0%       | 0.0%       | 0.0%       | 0.0%       | 0.0%       | 0.0%       |
| Net Income Before Extra. Items               | -0.2%      | -0.2%      | -0.2%      | -0.2%      | 0.6%       | 0.3%       | 0.0%       | -0.1%      | -0.2%      | -0.1%      | -0.1%      | -0.1%      | -0.1%      |
| Discontinued Operations                      | -0.2%      | 0.0%       | 0.0%       | 0.0%       | 0.0%       | 0.0%       | 0.0%       | 0.0%       | 0.0%       | 0.0%       | 0.0%       | 0.0%       | 0.1%       |
| Net Income after Non-Controlling/Minority Ir | 2.1%       | 2.3%       | 6.3%       | 5.3%       | -81.6%     | -17.9%     | 0.1%       | 5.9%       | 10.4%      | 4.9%       | 5.1%       | 6.0%       | 6.9%       |
| EBITDA                                       | 12.6%      | 15.5%      | 16.7%      | 33.2%      | 0.2%       | 28.7%      | 30.3%      | 32.0%      | 33.6%      | 23.7%      | 23.7%      | 23.8%      | 23.8%      |
| EBIT   | 4.7%       | 7.5%       | 9.5%       | 15.8%      | -56.2%     | -8.9%      | 12.1%      | 17.1%      | 21.3%      | 12.9%      | 13.4%      | 13.9%      | 14.3%      |

### Appendix 5: Cash Flow Statement

|   | Forecast | 2022       | 2023       | 2024       | 2025       | 2026       | 2027       | 2028       |
|---|----------|------------|------------|------------|------------|------------|------------|------------|
|   |          | 31-12-2022 | 31-12-2023 | 31-12-2024 | 31-12-2025 | 31-12-2026 | 31-12-2027 | 31-12-2028 |
| Cash Flow-Operating Activities (€ Millions) |          |            |            |            |            |            |            |            |
| (+)EBIT                                     |          | 160.6      | 270.7      | 391.5      | 269.7      | 290.8      | 311.9      | 333.4      |
| (+)Depreciation & Amortization              |          | 242.9      | 234.0      | 227.8      | 224.1      | 222.7      | 221.9      | 221.8      |
| (-) Income taxes                            |          | (0.6)      | (31.6)     | (65.0)     | (34.4)     | (37.4)     | (45.3)     | (53.6)     |
| (-) Increase in operating assets            |          | (80.7)     | (44.4)     | (47.1)     | (44.1)     | (13.6)     | (14.0)     | (14.7)     |
| (+) Increase in operating liabilities       |          | (35.9)     | 24.8       | 25.9       | 87.7       | 0.7        | 45.9       | 11.7       |
| Cash from Operating Activities              |          | 286.3      | 453.4      | 533.0      | 503.1      | 463.3      | 520.4      | 498.5      |
| Cash Flow-Investing Activities (€ Millions) |          |            |            |            |            |            |            |            |
| Capital Expenditures                        |          | (130.8)    | (155.2)    | (181.1)    | (205.3)    | (212.8)    | (220.7)    | (228.9)    |
| Cash from Investing Activities              |          | (130.8)    | (155.2)    | (181.1)    | (205.3)    | (212.8)    | (220.7)    | (228.9)    |
| Cash Flow-Financing Activities (€ Millions) |          |            |            |            |            |            |            |            |
| Interest Paid                               |          | (133.9)    | (120.1)    | (107.4)    | (108.2)    | (117.2)    | (106.7)    | (94.8)     |
| Minority Interest                           |          | (0.0)      | (1.6)      | (3.3)      | (1.7)      | (1.9)      | (2.3)      | (2.7)      |
| Other, Net                                  |          | (24.1)     | (24.1)     | (24.1)     | (24.1)     | (24.1)     | (24.1)     | (24.1)     |
| Dividends Paid                              |          | (0.1)      | (5.8)      | (12.0)     | (6.3)      | (6.9)      | (8.4)      | (10.0)     |
| Debt matured                                |          | (309.9)    | (258.2)    | (237.5)    | (222.8)    | (208.0)    | (235.4)    | (229.7)    |
| Issuance of Debt                            |          | 242.0      | 0.0        | 0.0        | 254.2      | 400.0      | 0.0        | 0.0        |
| Cash from Financing Activities              |          | (226.1)    | (409.8)    | (384.3)    | (109.0)    | 41.9       | (376.9)    | (361.3)    |
| Net Change in Cash                          |          | (70.6)     | (111.6)    | (32.3)     | 188.9      | 292.4      | (77.1)     | (91.7)     |
| Net Cash - Beginning Balance                |          |            | 243.9      | 173.3      | 61.7       | 29.4       | 218.2      | 433.5      |
| Net Cash - Ending Balance                   |          |            | 173.3      | 61.7       | 29.4       | 218.2      | 433.5      | 341.8      |

## Appendix 6: Key Financial Ratios

|                            | 2017    | 2018    | 2019    | 2020    | 2021    | 2022    | 2023    | 2024    | 2025    | 2026    | 2027    | 2028    |
|----------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Revenue (€ Millions)       | 1,546.1 | 1,613.4 | 1,708.1 | 536.2   | 746.5   | 1,330.9 | 1,578.7 | 1,841.9 | 2,088.2 | 2,165.3 | 2,244.7 | 2,328.4 |
| Operating efficiency       |         |         |         |         |         |         |         |         |         |         |         |         |
| A/R Turnover               | 8.2     | 10.0    | 11.0    | 4.0     | 6.3     | 8.4     | 8.0     | 8.0     | 7.9     | 7.5     | 7.5     | 7.5     |
| Avg. A/R Days              | 44.4    | 36.3    | 33.2    | 90.7    | 58.1    | 43.4    | 45.5    | 45.8    | 46.4    | 48.4    | 48.5    | 48.4    |
| Inv Turnover               | 7.7     | 7.4     | 7.1     | 2.7     | 3.6     | 5.5     | 5.5     | 5.5     | 5.4     | 5.2     | 5.2     | 5.2     |
| Avg. Inventory Days        | 47.5    | 49.3    | 51.1    | 137.2   | 100.1   | 66.8    | 66.3    | 66.9    | 67.8    | 70.8    | 70.8    | 70.8    |
| A/P Turnover               | 0.3     | 0.3     | 0.3     | 0.1     | 0.2     | 0.2     | 0.3     | 0.3     | 0.3     | 0.2     | 0.2     | 0.2     |
| Avg. A/P Days              | 57.8    | 59.4    | 64.8    | 92.0    | 88.7    | 71.1    | 66.6    | 66.8    | 63.1    | 69.2    | 69.2    | 69.2    |
| Asset Turnover             | 0.61    | 0.64    | 0.49    | 0.12    | 0.18    | 0.33    | 0.40    | 0.48    | 0.53    | 0.52    | 0.52    | 0.55    |
| Fixed Asset Turnover       | 0.94    | 1.00    | 0.68    | 0.16    | 0.23    | 0.43    | 0.53    | 0.63    | 0.72    | 0.75    | 0.78    | 0.81    |
| Cash Cycle (Days)          | 34.1    | 26.2    | 19.5    | 135.9   | 69.5    | 39.1    | 45.2    | 45.8    | 51.0    | 50.0    | 50.0    | 50.0    |
| Profitability              |         |         |         |         |         |         |         |         |         |         |         |         |
| Gross Margin               | 95.1%   | 95.4%   | 95.5%   | 95.3%   | 95.7%   | 95.8%   | 95.8%   | 95.9%   | 96.0%   | 96.0%   | 96.1%   | 96.1%   |
| EBITDA Margin              | 15.5%   | 16.7%   | 33.2%   | 0.2%    | 28.7%   | 30.3%   | 32.0%   | 33.6%   | 23.7%   | 23.7%   | 23.8%   | 23.8%   |
| Operating Margin           | 10.1%   | 14.8%   | 15.0%   | (69.3%) | 0.0%    | 12.1%   | 17.1%   | 21.3%   | 12.9%   | 13.4%   | 13.9%   | 14.3%   |
| Pretax Margin              | 4.7%    | 11.5%   | 7.7%    | (96.2%) | (19.5%) | 0.2%    | 8.0%    | 14.1%   | 6.6%    | 6.9%    | 8.1%    | 9.2%    |
| Net Profit Margin          | 2.6%    | 6.6%    | 5.4%    | (82.1%) | (18.2%) | 0.1%    | 6.0%    | 10.6%   | 4.9%    | 5.2%    | 6.0%    | 6.9%    |
| DuPont/Earning Power       |         |         |         |         |         |         |         |         |         |         |         |         |
| Asset Turnover             | 0.61    | 0.64    | 0.49    | 0.12    | 0.18    | 0.33    | 0.40    | 0.48    | 0.53    | 0.52    | 0.52    | 0.55    |
| x Net Profit Margin        | 2.6%    | 6.6%    | 5.4%    | (82.1%) | (18.2%) | 0.1%    | 6.0%    | 10.6%   | 4.9%    | 5.2%    | 6.0%    | 6.9%    |
| ROA                        | 1.5%    | 4.2%    | 2.7%    | (10.1%) | (3.2%)  | 0.0%    | 2.4%    | 5.1%    | 2.6%    | 2.7%    | 3.2%    | 3.8%    |
| x Leverage (Assets/Equity) | 2.23    | 1.77    | 3.60    | 5.78    | 5.61    | 5.45    | 4.69    | 3.80    | 3.66    | 3.59    | 3.20    | 2.83    |
| ROE                        | 3.5%    | 7.4%    | 9.6%    | (58.4%) | (18.1%) | 0.3%    | 11.3%   | 19.3%   | 9.6%    | 9.6%    | 10.1%   | 10.7%   |
| ROIC                       | 1.9%    | 4.8%    | 2.5%    | (11.6%) | (3.9%)  | 0.1%    | 2.9%    | 6.1%    | 3.1%    | 3.1%    | 3.9%    | 4.7%    |
| ROCE                       | 7.5%    | 11.7%   | 8.6%    | (9.8%)  | 0.0%    | 4.6%    | 8.1%    | 12.1%   | 8.3%    | 8.4%    | 8.8%    | 9.6%    |
| Liquidity                  |         |         |         |         |         |         |         |         |         |         |         |         |
| Quick Ratio                | 0.64    | 1.31    | 0.83    | 0.82    | 0.64    | 0.70    | 0.55    | 0.55    | 0.81    | 1.23    | 1.07    | 0.96    |
| Current Ratio              | 0.65    | 1.33    | 0.85    | 0.84    | 0.66    | 0.71    | 0.57    | 0.57    | 0.83    | 1.25    | 1.10    | 0.98    |
| Cash Ratio                 | 0.14    | 0.72    | 0.47    | 0.62    | 0.40    | 0.30    | 0.10    | 0.05    | 0.30    | 0.71    | 0.57    | 0.44    |
| Solvency                   |         |         |         |         |         |         |         |         |         |         |         |         |
| Assets/Equity              | 2.23    | 1.77    | 3.60    | 5.78    | 5.61    | 5.45    | 4.69    | 3.80    | 3.66    | 3.59    | 3.20    | 2.83    |
| Debt/Equity                | 0.78    | 0.66    | 0.29    | 2.07    | 4.08    | 3.74    | 3.60    | 2.88    | 2.10    | 1.93    | 1.91    | 1.58    |
| % LT Debt to Total Capital | 0.21    | 0.18    | 0.58    | 0.71    | 0.67    | 0.66    | 0.62    | 0.56    | 0.53    | 0.54    | 0.50    | 0.45    |
| LT Debt ratio              | 0.57    | 0.67    | 0.81    | 0.85    | 0.82    | 0.82    | 0.80    | 0.78    | 0.76    | 0.77    | 0.74    | 0.71    |
| Interest Coverage Ratio    | 1.9     | 4.5     | 2.1     | (2.6)   | 0.0     | 1.0     | 1.9     | 3.0     | 2.0     | 2.1     | 2.4     | 2.8     |
| Equity Multiplier          | 2.2     | 1.8     | 3.6     | 5.8     | 5.6     | 5.5     | 4.7     | 3.8     | 3.7     | 3.6     | 3.2     | 2.8     |

## Appendix 7: Forecasting Assumptions

| I/S                      | 2016   | 2017    | 2018    | 2019    | 2020    | 2021    | 2022     | 2023     | 2024     | 2025                    | 2026     | 2027     | 2028     | Assumption   |
|--------------------------|--------|---------|---------|---------|---------|---------|----------|----------|----------|-------------------------|----------|----------|----------|--|
| Revenue                  | 1447.9 | 1,546.1 | 1,613.4 | 1,708.1 | 536.2   | 746.5   | 1,330.9  | 1,578.7  | 1,841.9  | 2,088.2                 | 2,165.3  | 2,244.7  | 2,328.4  | Revenue appendix   |
| YoY Growth %             |        | 6.78%   | 4.35%   | 5.87%   | -68.61% | 39.22%  |          |          |          | CAGR= 10.22%            |          |          |          |  |
| Gross Profit             | 1381.0 | 1,470.4 | 1,538.6 | 1,631.3 | 510.8   | 714.4   | 1,274.5  | 1,512.8  | 1,766.2  | 2,003.8                 | 2,079.1  | 2,156.8  | 2,238.7  | Historical average gross margin growth rate  |
| Gross margin             | 95.4%  | 95.1%   | 95.4%   | 95.5%   | 95.3%   | 95.7%   | 95.8%    | 95.8%    | 95.9%    | 96.0%                   | 96.0%    | 96.1%    | 96.1%    |  |
| Gross margin growth rate |        | -0.3%   | 0.3%    | 0.1%    | -0.2%   | 0.4%    |          |          |          | Average = 0.1%          |          |          |          |  |
| Selling/General/Admi     | 699.7  | 724.6   | 737.8   | 532.4   | 302.3   | 307.6   | 503.89   | 544.89   | 574.11   | 860.46                  | 892.21   | 924.94   | 959.43   | Gradual returns to the 2019 level until 2024 and considered to remain stable during the forecasted period                                    |
| as % of rev              | 48.33% | 46.87%  | 45.73%  | 31.17%  | 56.38%  | 41.21%  | 0.38     | 0.35     | 0.31     |                         |          |          |          |  |
| as % of rev growth rate  |        | -1.46%  | -1.14%  | -14.6%  | 25.2%   | -15.2%  |          |          |          | CAGR= -3.3%             |          |          |          |  |
| Depreciation/Amortiz     | 114.20 | 123.10  | 116.30  | 297.00  | 302.40  | 280.20  | 242.90   | 234.03   | 227.81   | 224.13                  | 222.65   | 221.88   | 221.79   | CAPEX and D&A appendix   |
| Amortization of Acqu     | 4.70   | -       | -       | -       | -       | -       | -        | -        | -        | -                       | -        | -        | -        | Hard to predict, assume 0 amortization of Acquisition cost during the period of 2022-2026  |
| Unusual Expense (Inc)    | 38.80  | (39.10) | (85.70) | 14.40   | 69.90   | (66.50) | -        | -        | -        | -                       | -        | -        | -        | Hard to predict, assume 0 impairment during the period of 2022-2026  |
| Other Operating Expe     | 499.50 | 506.40  | 531.70  | 531.30  | 207.60  | 192.80  | 367.13   | 463.23   | 572.82   | 649.43                  | 673.40   | 698.10   | 724.13   | Gradual returns to the 2019 level until 2024 and considered to remain stable during the forecasted period                                    |
| as % of rev              | 34.50% | 32.75%  | 32.96%  | 31.10%  | 38.72%  | 25.83%  | 0.28     | 0.29     | 0.31     | 0.31                    | 0.31     | 0.31     | 0.31     |  |
| as % of rev growth rate  |        | -1.7%   | 0.2%    | -1.9%   | 7.6%    | -12.9%  |          |          |          | CAGR= 2%                |          |          |          |  |
| Interest Inc.(Exp.),Net  | -36.4  | -51     | -28.1   | -10.5   | -132.3  | -121.6  | (133.93) | (120.14) | (107.38) | (108.19)                | (117.17) | (106.73) | (94.79)  | Historical average interest rate as % of total debt adjusted with Euribor rate increase  |
| Total Debt               | 861.00 | 483.20  | 420.70  | 2522.90 | 3057.90 | 2738.40 | 2,640.22 | 2,368.23 | 2,116.72 | 2,132.66                | 2,309.72 | 2,103.91 | 1,868.52 |  |
| Interest Rate as %       | -4.23% | -10.55% | -6.68%  | -0.42%  | -4.33%  | -4.44%  |          |          |          | Average = -5.07%        |          |          |          |  |
| Other, Net               | 52     | -31.4   | -25     | -114.3  | -11.9   | -24.1   | (24.10)  | (24.10)  | (24.10)  | (24.10)                 | (24.10)  | -        | (24.10)  | Remain consistant to the nominal value of 2021.  |
| Provision for Income     | 7.90   | 33.50   | 79.70   | 38.60   | (75.20) | (9.30)  | 0.65     | 31.61    | 65.00    | 34.36                   | 37.39    | 45.26    | 53.62    | Spanish companies pay taxes at the general tax rate of 25% irrespective of whether they apply the consolidated or separate taxation schemes. |
|                          |        |         |         |         |         |         |          |          |          | Effective Tax rate= 25% |          |          |          |  |
| Minority Interest        | -3.4   | -3.7    | -3.5    | -2.9    | 3.2     | 2.3     | (0.03)   | (1.60)   | (3.30)   | (1.74)                  | (1.90)   | (2.29)   | (2.72)   | Remain consistant to the percentage of net income in 2021.   |
| as % of net income       | 9.3%   | 9.4%    | 3.3%    | 3.1%    | 0.7%    | 1.7%    |          |          |          |                         |          |          |          |  |
| Discontinued Operati     | -2.3   | -0.3    | -0.6    | 0.1     | -0.1    | -       | -        | -        | -        | -                       | -        | -        | -        | Remain consistant to the nominal value of 2021.  |

| B/S  | 2016           | 2017           | 2018            | 2019           | 2020           | 2021           | 2022     | 2023     | 2024     | 2025     | 2026     | 2027     | 2028     | Assumption  |
|--|----------------|----------------|-----------------|----------------|----------------|----------------|----------|----------|----------|----------|----------|----------|----------|---|
| <b>ASSETS</b>                                |                |                |                 |                |                |                |          |          |          |          |          |          |          |   |
| <b>Current Assets</b>                        |                |                |                 |                |                |                |          |          |          |          |          |          |          |   |
| Cash & Equivalents<br>as % of total asset    | 138.6<br>5.28% | 80.2<br>3.24%  | 265.9<br>10.37% | 289.3<br>6.59% | 320.9<br>7.41% | 243.9<br>5.94% | 173.27   | 61.67    | 29.36    | 218.24   | 510.59   | 433.46   | 341.80   | Historical average cash and equivalent as % of Total asset                            |
| Account and Other Receivables<br>as % of rev | 200.7<br>13.9% | 175.3<br>11.3% | 145.8<br>9.0%   | 164.9<br>9.7%  | 101.5<br>18.9% | 136.3<br>18.3% | 179.85   | 213.33   | 248.89   | 282.18   | 292.59   | 303.33   | 314.64   | Historical average Receivables as % of Revenue  |
| Total Inventories<br>as % of COGS            | 9.9<br>14.8%   | 9.8<br>12.9%   | 10.4<br>13.9%   | 11.1<br>14.5%  | 8.0<br>31.5%   | 9.6<br>29.9%   | 11.04    | 12.90    | 14.82    | 16.54    | 16.88    | 17.21    | 17.56    | Historical average Inventory as % of COGS   |
| Other Current Assets<br>as % of rev          | 59.4<br>4.1%   | 120.6<br>7.8%  | 68.1<br>4.2%    | 53.6<br>3.1%   | 5.4<br>1.0%    | 13.2<br>1.8%   | 48.88    | 57.98    | 67.65    | 76.70    | 79.53    | 82.44    | 85.52    | Historical average other current assets as % of Revenue                               |
| <b>Non-current Assets</b>                    |                |                |                 |                |                |                |          |          |          |          |          |          |          |   |
| Property/Plant/Equipment                     | 1,701.5        | 1,583.3        | 1,637.6         | 3,414.7        | 3,309.7        | 3,111.3        | 3,008.74 | 2,936.32 | 2,893.26 | 2,875.87 | 2,866.82 | 2,865.68 | 2,872.23 | CAPEX and D&A appendix  |
| Goodwill                                     | 117.7          | 111.7          | 109.5           | 106.6          | 101.1          | 96.1           | 96.10    | 96.10    | 96.10    | 96.10    | 96.10    | 96.10    | 96.10    | Remain consistent to the nominal value of 2021.                                       |
| Intangibles, Net                             | 126.4          | 151.1          | 110.5           | 83.8           | 128.2          | 126.9          | 117.39   | 110.97   | 107.28   | 105.81   | 105.05   | 104.96   | 105.50   | CAPEX and D&A appendix  |
| Long Term Investments                        | 23.3           | 20.2           | 20.6            | 12.6           | 46.6           | 46.2           | 46.20    | 46.20    | 46.20    | 46.20    | 46.20    | 46.20    | 46.20    | Remain consistent to the nominal value of 2021.                                       |
| Note Receivable - Long Term                  | 78.4           | 65.2           | 42.6            | 35.3           | 35.7           | 27.9           | 27.90    | 27.90    | 27.90    | 27.90    | 27.90    | 27.90    | 27.90    | Remain consistent to the nominal value of 2021.                                       |
| Other Long Term Assets, Total                | 171.3          | 154.4          | 152.1           | 220.0          | 273.0          | 294.0          | 294.00   | 294.00   | 294.00   | 294.00   | 294.00   | 294.00   | 294.00   | Remain consistent to the nominal value of 2021.                                       |
| <b>LIABILITIES</b>                           |                |                |                 |                |                |                |          |          |          |          |          |          |          |   |
| <b>Current Liabilities</b>                   |                |                |                 |                |                |                |          |          |          |          |          |          |          |   |
| Accounts Payable<br>as % of Op exp           | 229.8<br>16.6% | 223.0<br>15.6% | 252.7<br>17.3%  | 257.5<br>17.9% | 164.6<br>19.6% | 230.6<br>28.4% | 225.25   | 251.75   | 279.16   | 350.00   | 360.77   | 372.01   | 383.98   | Historical average account payable as % of Total operating expense                    |
| Accrued Expenses<br>as % of Op exp           | 32.5<br>2.4%   | 37.2<br>2.6%   | 37.5<br>2.6%    | 40.3<br>2.8%   | 19.2<br>2.3%   | 28.7<br>3.5%   | 31.50    | 35.21    | 39.04    | 48.95    | 50.46    | 52.03    | 53.70    | Historical average accrued expenses as % of Total operating expense                   |
| Notes Payable/Short Term Debt                | 2.2            | 246.2          | 0.1             | -              | -              | -              | -        | -        | -        | -        | -        | -        | -        | Remain consistent to the nominal value of 2021.                                       |
| Current Port. of LT Debt/Capital Leases      | 23.2           | 11.7           | 4.9             | 256.2          | 276.7          | 280.4          | 250.15   | 236.32   | 222.30   | 206.87   | 191.94   | 221.52   | 215.79   | Debt schedule - Annual report details for maturities of the debt for operating leases |
| Other Current liabilities<br>as % of Op exp  | 83.9<br>6.1%   | 73.4<br>5.1%   | 72.3<br>5.0%    | 58.6<br>4.1%   | 59.4<br>7.1%   | 74.2<br>9.1%   | 71.11    | 79.48    | 88.13    | 110.50   | 113.90   | 117.45   | 121.23   | Historical average accrued expenses as % of Total operating expense                   |
| <b>Non-current Liabilities</b>               |                |                |                 |                |                |                |          |          |          |          |          |          |          |   |
| Long Term Debt                               | 836.4          | 459.0          | 414.0           | 452.3          | 972.1          | 785.0          | 967.22   | 945.38   | 930.19   | 1,168.43 | 1,152.37 | 1,138.50 | 1,124.62 | Debt schedule   |
| Capital Lease Obligations                    | 1.4            | 12.5           | 1.8             | 1,814.4        | 1,809.1        | 1,673.0        | 1,422.85 | 1,186.53 | 964.23   | 757.36   | 965.41   | 743.89   | 528.10   | Debt schedule   |
| Deferred Income Tax                          | 175.0          | 167.4          | 177.5           | 180.1          | 171.6          | 186.4          | 186.40   | 186.40   | 186.40   | 186.40   | 186.40   | 186.40   | 186.40   | Remain consistent to the nominal value of 2021  |
| Minority Interest                            | 44.1           | 43.5           | 52.4            | 57.2           | 49.6           | 49.0           | 48.97    | 47.36    | 44.07    | 42.33    | 40.43    | 38.14    | 35.42    | Calculated by subtracting the annual minority interest from I/S                       |
| Other Liabilities, Total                     | 34.0           | 39.0           | 47.3            | 8.8            | 11.5           | 21.9           | 21.90    | 21.90    | 21.90    | 21.90    | 21.90    | 21.90    | 21.90    | Remain consistent to the nominal value of 2021  |
| <b>LIABILITIES</b>                           |                |                |                 |                |                |                |          |          |          |          |          |          |          |   |
| Common Stock, Total                          | 700.5          | 700.5          | 784.4           | 784.4          | 784.4          | 871.5          | 871.50   | 871.50   | 871.50   | 871.50   | 871.50   | 871.50   | 871.50   | Remain consistent to the nominal value of 2021  |
| Retained earning                             | 585.1          | 604.8          | 730.7           | 493.9          | 127.9          | 8.8            | 10.62    | 99.63    | 282.64   | 379.40   | 484.67   | 612.05   | 762.90   | Calculated by Begin RE + Net Income - Dividend  |
| Treasury Stock - Common                      | (40.0)         | (39.3)         | (2.5)           | (1.6)          | (0.4)          | (0.3)          | (0.30)   | (0.30)   | (0.30)   | (0.30)   | (0.30)   | (0.30)   | (0.30)   | Remain consistent to the nominal value of 2021  |
| Other Equity, Total                          | (133.8)        | (157.5)        | (60.9)          | (58.4)         | (162.9)        | (147.9)        | (147.90) | (147.90) | (147.90) | (147.90) | (147.90) | (147.90) | (147.90) | Remain consistent to the nominal value of 2021  |

## Appendix 8: Capex and D&A

|                                     | 2016           | 2017           | 2018          | 2019           | 2020           | 2021           | 2022   | 2023   | 2024   | 2025   | 2026      | 2027   | 2028   |
|-------------------------------------|----------------|----------------|---------------|----------------|----------------|----------------|--------|--------|--------|--------|-----------|--------|--------|
| PPE                                 | 1701.5         | 1583.3         | 1637.6        | 3414.7         | 3309.7         | 3111.3         | 3008.7 | 2936.3 | 2893.3 | 2875.9 | 2866.8    | 2865.7 | 2872.2 |
| Intangibles                         | 126.4          | 151.1          | 110.5         | 83.8           | 128.2          | 126.9          | 117.4  | 111.0  | 107.3  | 105.8  | 105.1     | 105.0  | 105.5  |
| D&A                                 | 114.2          | 123.1          | 116.3         | 297.0          | 302.4          | 280.2          | 242.9  | 234.0  | 227.8  | 224.1  | 222.7     | 221.9  | 221.8  |
| Depreciation<br>as % of PPE         | 92.60<br>5.4%  | 101.30<br>6.4% | 92.40<br>5.6% | 280.20<br>8.2% | 286.40<br>8.7% | 265.30<br>8.5% | 222.3  | 215.0  | 209.8  | 206.7  | 205.5     | 204.8  | 204.7  |
| Amortization<br>as % of Intangibles | 21.6<br>17.1%  | 21.8<br>14.4%  | 23.9<br>21.6% | 16.8<br>20.0%  | 16<br>12.5%    | 14.9<br>11.7%  | 20.6   | 19.1   | 18.0   | 17.4   | 17.2      | 17.1   | 17.0   |
| Capex<br>as % of revenue            | 139.4<br>5.40% | 81.8           | 133.7         | 190.8          | 105.5          | 36.8           | 130.8  | 155.2  | 181.1  | 205.3  | 212.8     | 220.7  | 228.9  |
|                                     |                |                |               |                |                |                |        |        |        |        | Avg rate= | 9.8%   |        |

Notes: The greater part of investments were stopped, except those that are legally required or in a very advanced stage. Implementation of 2020 Capex (maintenance, refurbishment, systems and new openings) was reduced by around €100m which is a 50% decrease on the original plan for 2020.

## Appendix 9: Debt schedule

| Million Euros                                    | 2021    |        | 2022   |        | 2023   |        | 2024   |        | 2025   |        | 2026   |        | 2027   |        | 2028   |        |
|--|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|  | LT      | ST     | LT     | ST     | LT     | ST     | LT     | ST     | LT     | ST     | LT     | ST     | LT     | ST     | LT     | ST     |
| Guaranteed senior notes                          | 400     |        | 400    |        | 400    |        | 400    |        | 400    |        | 400    |        | 400    |        | 400    |        |
| Fixed borrowing costs                            |         | 8.089  |        | 8.089  |        | 8.089  |        | 8.089  |        | 8.089  |        | 8.089  |        | 8.089  |        | 8.089  |
| Debt instruments and other marketable securities | 400     | 8.089  | 400    | 8.089  | 400    | 8.089  | 400    | 8.089  | 400    | 8.089  | 400    | 0      | 400    | 8.089  | 400    | 8.089  |
| <b>Unsecured loans</b>                           | 326.119 | 5.09   | 271.73 | 54.39  | 262.02 | 9.71   | 254.16 | 7.86   | 254.16 | 8.00   | 246.16 | 8.00   | 238.16 | 8.00   | 230.16 | 8.00   |
| <b>Subordinated loans</b>                        | 40      |        | 40.00  |        | 40.00  |        | 40.00  |        | 40.00  |        | 40.00  |        | 40.00  |        | 40.00  |        |
| <b>Mortgages</b>                                 | 20.359  | 3.07   | 18.29  | 2.07   | 12.37  | 5.92   | 11.13  | 1.24   | 10.37  | 0.77   | 10.37  |        | 10.37  |        | 10.37  |        |
| <b>Credit lines</b>                              | 5       | 12.00  | 242.00 | 5.00   | 234.00 | 8.00   | 226.00 | 8.00   | 218.00 | 8.00   | 210.00 | 8.00   | 202.00 | 8.00   | 194.00 | 8.00   |
| <b>Arrangement expenses</b>                      | -10.088 | (2.64) | (7.34) | (2.74) | (4.48) | (2.86) | (1.51) | (2.97) | (0.30) | (1.21) | (6.90) | (0.30) | (4.41) | (2.49) | (1.92) | (2.49) |
| Effect of renegotiation of debt IFRS 9           | 3.569   | 1.05   | 2.51   | 1.06   | 1.44   | 1.07   | 0.36   | 1.08   | -      | 0.36   | -      | 0.36   | -      | 0.36   | -      | 0.36   |
| Borrowing costs                                  |         | 1.43   |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Bank borrowings                                  | 384.959 | 20.00  | 567.18 | 59.78  | 545.34 | 21.84  | 530.14 | 15.20  | 522.23 | 15.91  | 499.63 | 16.06  | 486.12 | 13.87  | 472.61 | 13.87  |
| <b>Total</b>                                     | 784.959 | 28.08  | 967.18 | 67.87  | 945.34 | 29.93  | 930.14 | 23.29  | 922.23 | 24.00  | 899.63 | 16.06  | 886.12 | 21.96  | 872.61 | 21.96  |

|                                 | 2016         | 2017         | 2018         | 2019           | 2020           | 2021           | 2022           | 2023           | 2024           | 2025           | 2026           | 2027           | 2028           | Remaining |
|---------------------------------|--------------|--------------|--------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------|
| Current Port. of LT Debt        |              |              |              |                |                |                | 59.78          | 21.84          | 15.20          | 15.91          | 16.06          | 13.87          | 13.87          |           |
| Current Port. of Capital Leases |              |              |              |                |                |                | 250.15         | 236.32         | 222.30         | 206.87         | 191.94         | 221.52         | 215.79         | 528.10164 |
| Current Port. of LT Debt        | 23.2         | 11.7         | 4.9          | 256.2          | 276.7          | 280.4          | 309.93         | 258.16         | 237.50         | 222.79         | 208.01         | 235.39         | 229.66         |           |
| <b>Total Debt</b>               | <b>861.0</b> | <b>483.2</b> | <b>420.7</b> | <b>2,522.9</b> | <b>3,057.9</b> | <b>2,738.4</b> | <b>2,640.2</b> | <b>2,368.2</b> | <b>2,116.7</b> | <b>2,132.7</b> | <b>2,309.7</b> | <b>2,103.9</b> | <b>1,868.5</b> |           |

## Appendix 10: Net Working Capital

|                                  | 2016          | 2017          | 2018           | 2019           | 2020           | 2021           | 2022           | 2023           | 2024           | 2025           | 2026           | 2027           | 2028           | Remaining |
|----------------------------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------|
| Operating asset                  | 270.0         | 305.7         | 224.3          | 229.6          | 114.9          | 159.1          | 239.8          | 284.2          | 331.4          | 375.4          | 389.0          | 403.0          | 417.7          |           |
| Trade and Other Receivables      | 200.7         | 175.3         | 145.8          | 164.9          | 101.5          | 136.3          | 179.8          | 213.3          | 248.9          | 282.2          | 292.6          | 303.3          | 314.6          |           |
| Inventories                      | 9.9           | 9.8           | 10.4           | 11.1           | 8.0            | 9.6            | 11.0           | 12.9           | 14.8           | 16.5           | 16.9           | 17.2           | 17.6           |           |
| Other Current Assets             | 59.4          | 120.6         | 68.1           | 53.6           | 5.4            | 13.2           | 48.9           | 58.0           | 67.6           | 76.7           | 79.5           | 82.4           | 85.5           |           |
| Operating liabilities            | 369.4         | 345.3         | 367.4          | 612.6          | 519.9          | 613.9          | 578.0          | 602.8          | 628.6          | 716.3          | 717.1          | 763.0          | 774.7          |           |
| Accounts Payable                 | 229.8         | 223.0         | 252.7          | 257.5          | 164.6          | 230.6          | 225.2          | 251.8          | 279.2          | 350.0          | 360.8          | 372.0          | 384.0          |           |
| Accrued Expenses                 | 32.5          | 37.2          | 37.5           | 40.3           | 19.2           | 28.7           | 31.5           | 35.2           | 39.0           | 48.9           | 50.5           | 52.0           | 53.7           |           |
| Other Current liabilities, Total | 83.9          | 73.4          | 72.3           | 58.6           | 59.4           | 74.2           | 71.1           | 79.5           | 88.1           | 110.5          | 113.9          | 117.4          | 121.2          |           |
| Current Capital Leases           | 23.2          | 11.7          | 4.9            | 256.2          | 276.7          | 280.4          | 250.1          | 236.3          | 222.3          | 206.9          | 191.9          | 221.5          | 215.8          |           |
| <b>NWC</b>                       | <b>(99.4)</b> | <b>(39.6)</b> | <b>(143.1)</b> | <b>(383.0)</b> | <b>(405.0)</b> | <b>(454.8)</b> | <b>(338.2)</b> | <b>(318.6)</b> | <b>(297.3)</b> | <b>(340.9)</b> | <b>(328.1)</b> | <b>(360.0)</b> | <b>(357.0)</b> |           |

## Appendix 11: Revenue

| Occupancy rate |      |      |      |      |      |      |       |       |       |       |       |       |       |             |
|----------------|------|------|------|------|------|------|-------|-------|-------|-------|-------|-------|-------|-------------|
|                | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E |             |
| Spain          | 69%  | 71%  | 76%  | 75%  | 28%  | 46%  | 52%   | 60%   | 67%   | 72%   | 72%   | 72%   | 72%   | 2022 Q2 67% |
| Italy          | 66%  | 68%  | 69%  | 70%  | 22%  | 37%  | 49%   | 56%   | 63%   | 68%   | 68%   | 68%   | 68%   |             |
| Benelux        | 66%  | 69%  | 72%  | 53%  | 23%  | 26%  | 37%   | 42%   | 47%   | 65%   | 65%   | 65%   | 65%   |             |
| Europe Central | 71%  | 73%  | 76%  | 73%  | 29%  | 30%  | 51%   | 58%   | 66%   | 73%   | 73%   | 73%   | 73%   |             |
| Latin America  | 63%  | 64%  | 69%  | 61%  | 18%  | 31%  | 43%   | 49%   | 55%   | 64%   | 64%   | 64%   | 64%   |             |
|                | 67%  | 70%  | 73%  | 72%  | 25%  | 34%  | 50%   | 57%   | 64%   | 70%   | 70%   | 70%   | 70%   |             |
|                |      |      |      |      |      |      | 0.70  | 0.80  | 0.90  |       |       |       |       |             |

High inflation will likely impact consumer spending over time and poses risks to the continued recovery - Lower occupancy rate and higher ADR

| ADR            |       |       |       |       |      |       |              |       |       |       |       |       |       |      |
|----------------|-------|-------|-------|-------|------|-------|--------------|-------|-------|-------|-------|-------|-------|------|
|                | 2016  | 2017  | 2018  | 2019  | 2020 | 2021  | 2022E        | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | CAGR |
| Spain          | 85.6  | 92.3  | 96.9  | 104.1 | 80.3 | 89.2  | 110.6        | 115.4 | 120.4 | 125.7 | 131.2 | 136.9 | 142.9 | 4.4% |
| Italy          | 103.1 | 110.8 | 114.2 | 123.3 | 95.8 | 114.4 | 131.0        | 136.3 | 141.9 | 147.6 | 153.6 | 159.9 | 166.4 | 4.1% |
| Benelux        | 100.4 | 114.5 | 117.5 | 114.9 | 94.0 | 96.6  | 122.1        | 126.1 | 130.3 | 134.6 | 139.0 | 143.6 | 148.4 | 3.3% |
| Europe Central | 88.9  | 88.8  | 92.9  | 91.4  | 76.4 | 81.3  | 97.1         | 98.5  | 100.0 | 101.5 | 103.0 | 104.5 | 106.0 | 1.5% |
| Latin America  | 78.9  | 75.7  | 79.6  | 72.2  | 56.5 | 93.4  | 99.2         | 103.1 | 107.1 | 111.3 | 115.6 | 120.1 | 124.8 | 3.9% |
|                | 91.4  | 96.5  | 100.4 | 102.6 | 81.9 | 89.0  | 109.0        | 112.2 | 115.6 | 119.0 | 122.6 | 126.2 | 130.0 | 3.0% |
|                |       |       |       | 4%    |      |       | Recovery - F | 6.2%  |       |       |       |       |       |      |

| RevPar         |      |      |      |      |      |      |       |       |       |       |       |       |       |      |
|----------------|------|------|------|------|------|------|-------|-------|-------|-------|-------|-------|-------|------|
|                | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E |      |
| Spain          | 58.9 | 65.1 | 73.5 | 77.9 | 22.2 | 41.0 | 57.9  | 69.1  | 81.1  | 91.1  | 95.1  | 99.2  | 103.5 |      |
| Italy          | 67.8 | 74.8 | 78.8 | 86.6 | 21.3 | 41.8 | 64.4  | 76.6  | 89.6  | 100.6 | 104.7 | 108.9 | 113.4 |      |
| Benelux        | 66.0 | 79.3 | 84.2 | 60.3 | 21.5 | 24.7 | 44.9  | 53.0  | 61.6  | 87.2  | 90.1  | 93.1  | 96.2  |      |
| Europe Central | 62.7 | 64.6 | 70.3 | 66.8 | 21.9 | 24.0 | 49.7  | 57.6  | 65.8  | 74.1  | 75.2  | 76.3  | 77.4  |      |
| Latin America  | 49.3 | 48.2 | 54.8 | 44.3 | 10.3 | 29.1 | 42.6  | 50.6  | 59.2  | 71.3  | 74.1  | 77.0  | 80.0  |      |
|                | 61.6 | 67.2 | 73.3 | 73.5 | 20.5 | 30.5 | 54.6  | 64.3  | 74.5  | 83.8  | 86.3  | 88.9  | 91.5  |      |
|                |      |      |      | 6%   |      |      | 74%   | 88%   | 101%  |       |       |       |       | 7.3% |

| Average rooms         |               |               |               |               |              |              |               |               |               |               |               |               |               |              |
|-----------------------|---------------|---------------|---------------|---------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|
|                       | 2016          | 2017          | 2018          | 2019          | 2020         | 2021         | 2022          | 2023E         | 2024E         | 2025E         | 2026E         | 2027E         | 2028E         |              |
| Spain                 | 11,161        | 11,736        | 11,422        | 12,124        | 12,349       | 12,041       | 11,900        | 12,034        | 12,170        | 12,307        | 12,446        | 12,586        | 12,728        |              |
| Italy                 | 7,330         | 7,182         | 7,325         | 7,417         | 7,674        | 7,844        | 7,744         | 7,831         | 7,920         | 8,009         | 8,099         | 8,191         | 8,283         |              |
| Benelux               | 8,720         | 8,455         | 8,979         | 8,952         | 9,825        | 9,635        | 9,865         | 9,976         | 10,089        | 10,203        | 10,318        | 10,434        | 10,552        |              |
| Europe Central        | 12,470        | 12,088        | 12,258        | 12,295        | 12,387       | 12,459       | 12,285        | 12,336        | 12,352        | 12,363        | 12,359        | 12,339        | 12,349        |              |
| Latin America         | 5,204         | 5,425         | 5,566         | 5,360         | 5,508        | 5,495        | 5,495         | 5,484         | 5,468         | 5,490         | 5,486         | 5,484         | 5,482         |              |
|                       | 44,885        | 44,886        | 45,550        | 46,148        | 47,743       | 47,474       | 47,289        | 47,662        | 47,998        | 48,372        | 48,708        | 49,034        | 49,394        |              |
|                       |               |               |               |               |              |              | 1.1%          |               |               |               |               |               |               | 0.72%        |
| Thousand of room r    | 11170         | 11396.0       | 11723.0       | 11916.0       | 4160.0       | 5875.0       | 8,651         | 9,965         | 11,290        | 12,430        | 12,516        | 12,600        | 12,692        |              |
| Room revenues         | 1,014.2       | 1,089.6       | 1,149.8       | 1,222.9       | 348.2        | 522.8        | 942.9         | 1,118.4       | 1,304.9       | 1,479.4       | 1,534.0       | 1,590.2       | 1,649.5       |              |
| Other revenues%       | 30%           | 30%           | 29%           | 28%           | 35%          | 30%          | 29%           |               |               |               |               |               |               |              |
| Other revenues        | 433.724       | 456.5         | 463.583       | 485.219       | 187.97       | 223.706      | 388.03        | 460.28        | 537.00        | 608.83        | 631.29        | 654.45        | 678.85        |              |
| <b>Total revenues</b> | <b>1447.9</b> | <b>1546.1</b> | <b>1613.4</b> | <b>1708.1</b> | <b>536.2</b> | <b>746.5</b> | <b>1330.9</b> | <b>1578.7</b> | <b>1841.9</b> | <b>2088.2</b> | <b>2165.3</b> | <b>2244.7</b> | <b>2328.4</b> | <b>8.08%</b> |

The H1 results show strong recovery, giving a 9% increase compared to 2019 levels, mainly resulted from pricing strategy in ADR. Consumers are willing to pay higher room rate due to the delayed gratification and revenge spending after pandemic. However, this could be not sustainable over long run, especially with current inflation.

## Appendix 12: MRP and CRP

| Country                | MRP          | CRP          | Damodaran 2022 July |        |              |
|------------------------|--------------|--------------|---------------------|--------|--------------|
| <b>Italy</b>           | <b>9,1%</b>  | <b>3,07%</b> |                     |        |              |
| <b>Southern Europe</b> | <b>9,2%</b>  | <b>3,2%</b>  |                     |        |              |
| Spain                  | 8,2%         | 2,23%        | Revenue             | %      | MRP          |
| Portugal               | 8,7%         | 2,66%        | Italy               | 159,54 | 21,37%       |
| France                 | 6,7%         | 0,69%        | Southern Europe     | 263,99 | 35,37%       |
| Tunisia                | 16,5%        | 10,48%       | Central Europe      | 148,58 | 19,91%       |
| USA                    | 6,0%         | 0,00%        | Benelux             | 128,78 | 17,25%       |
| <b>Central Europe</b>  | <b>7,2%</b>  | <b>1,2%</b>  | Latin America       | 45,532 | 6,10%        |
| Germany                | 6,0%         | 0,00%        |                     |        | 12,23%       |
| Austria                | 6,6%         | 0,56%        |                     |        | <b>8,51%</b> |
| Czech Republic         | 6,8%         | 0,84%        |                     |        | <b>2,50%</b> |
| Hungary                | 8,7%         | 2,66%        |                     |        |              |
| Poland                 | 7,2%         | 1,18%        |                     |        |              |
| Romania                | 9,1%         | 3,07%        |                     |        |              |
| Slovakia               | 7,2%         | 1,18%        |                     |        |              |
| Switzerland            | 6,0%         | 0,00%        |                     |        |              |
| <b>Benelux</b>         | <b>6,5%</b>  | <b>0,5%</b>  |                     |        |              |
| Netherlands            | 6,0%         | 0,00%        |                     |        |              |
| Belgium                | 6,8%         | 0,84%        |                     |        |              |
| Luxembourg             | 6,0%         | 0,00%        |                     |        |              |
| Ireland                | 7,0%         | 0,99%        |                     |        |              |
| United Kingdom         | 6,8%         | 0,84%        |                     |        |              |
| <b>Latin America</b>   | <b>12,2%</b> | <b>6,2%</b>  |                     |        |              |
| Argentina              | 22,8%        | 16,78%       |                     |        |              |
| Brazil                 | 10,2%        | 4,21%        |                     |        |              |
| Chile                  | 7,0%         | 0,99%        |                     |        |              |
| Colombia               | 8,7%         | 2,66%        |                     |        |              |
| Ecuador                | 20,0%        | 13,98%       |                     |        |              |
| Mexico                 | 8,2%         | 2,23%        |                     |        |              |
| Uruguay                | 8,7%         | 2,66%        |                     |        |              |

## Appendix 13: WACC calculation and long-run sustainable growth rate

### Cost of Equity - CAPM

|   |        |  |
|---|--------|--|
| Germany Bund 10 Year Yield                  | 2.11%  | Sep 30 2022  |
| Average Unlevered Beta (corrected for cash) | 0.69   | Average of NHH's peers betas, unlevered by average D/E ratio |
| Average Levered Beta                        | 1.35   | Damodaran 2022 Jan (for reference)                           |
| Estimated levered beta                      | 1.04   |  |
| Cost of Equity (Ke) - CAPM                  | 10.92% |  |

### Cost of Debt

| Yield to Maturity Approach          | Amount    | Percentage                        |
|-------------------------------------|-----------|-----------------------------------|
| Gross debt - fixed interest rate    | 2,355,153 | 86%                               |
| Gross debt - variable interest rate | 383,247   | 14%                               |
| Euribor 3m rate                     | -0.6%     | 12/31/2021                        |
|                                     | 1.2%      | 9/30/2022                         |
| Increase in variable interest rate  | -0.8%     |                                   |
| Pretax Cost of Debt                 | 6.76%     | in line with the loan yield 6.861 |
| Corporate tax rate                  | 25.00%    |                                   |
| Effective interest rate             | 5.07%     |                                   |

| WACC             | 2023     | 2024     | 2025     | 2026     | 2027     | 2028     | Terminal |
|------------------|----------|----------|----------|----------|----------|----------|----------|
| Total Debt       | 2,368.23 | 2,116.72 | 2,132.66 | 2,309.72 | 2,103.91 | 1,868.52 | 1,358.66 |
| Total Equity     | 822.93   | 1,005.94 | 1,102.70 | 1,207.97 | 1,335.35 | 1,486.20 | 1,996.06 |
| Weight of Debt   | 0.74     | 0.68     | 0.66     | 0.66     | 0.61     | 0.56     | 0.41     |
| Weight of Equity | 0.26     | 0.32     | 0.34     | 0.34     | 0.39     | 0.44     | 0.60     |
| Pre-tax WACC     | 7.84%    | 8.10%    | 8.18%    | 8.19%    | 8.38%    | 8.61%    | 9.24%    |
| WACC             | 6.58%    | 6.96%    | 7.07%    | 7.08%    | 7.34%    | 7.66%    | 8.55%    |

| Terminal growth rate | 2023         | 2024         | 2025        | 2026        | 2027        | 2028         | Terminal     |
|----------------------|--------------|--------------|-------------|-------------|-------------|--------------|--------------|
| Net Income           | 94.84        | 194.99       | 103.09      | 112.17      | 135.78      | 160.86       |              |
| Dividends            | 5.83         | 11.98        | 6.33        | 6.89        | 8.41        | 10.01        |              |
| Equity               | 822.93       | 1005.94      | 1102.70     | 1207.97     | 1335.35     | 1486.20      |              |
| Sales                | 1578.70      | 1841.86      | 2088.21     | 2165.26     | 2244.68     | 2328.39      |              |
| Assets               | 3857.37      | 3825.46      | 4039.53     | 4335.66     | 4271.28     | 4201.45      |              |
| (NI-Div)/Equity      | <b>10.8%</b> | <b>18.2%</b> | <b>8.8%</b> | <b>8.7%</b> | <b>9.5%</b> | <b>10.2%</b> |              |
| ROE                  | <b>12%</b>   | <b>19%</b>   | <b>9%</b>   | <b>9%</b>   | <b>10%</b>  | <b>11%</b>   |              |
| NI/Sales             | 6%           | 11%          | 5%          | 5%          | 6%          | 7%           |              |
| Sales/Assets         | 41%          | 48%          | 52%         | 50%         | 53%         | 55%          |              |
| Assets/Equity        | 469%         | 380%         | 366%        | 359%        | 320%        | 283%         |              |
| g                    | 1.2%         | 3.5%         | 0.8%        | 0.8%        | 1.0%        | 1.1%         | <b>1.21%</b> |

#### Appendix 14: FCFF and WACC method

| Free Cash Flow to Firm        | 2023          | 2024          | 2025          | 2026          | 2027          | 2028          | Terminal        |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| EBIT*(1-t)                    | 203.02        | 293.60        | 202.31        | 218.12        | 233.91        | 250.02        | 239.59          |
| Depreciation and Amortization | 234.03        | 227.81        | 224.13        | 222.65        | 221.88        | 221.79        | 223.65          |
| (-)Net Increase in NWC        | (19.69)       | (21.27)       | 43.63         | (12.83)       | 31.94         | (3.03)        | 7.69            |
| (-) CAPEX                     | (155.19)      | (181.06)      | (205.27)      | (212.85)      | (220.66)      | (228.88)      | (209.74)        |
| <b>Free Cash Flow to Firm</b> | <b>262.17</b> | <b>319.08</b> | <b>264.80</b> | <b>215.10</b> | <b>267.08</b> | <b>239.90</b> | <b>261.19</b>   |
| <b>PV of FCFF (at wacc)</b>   | <b>262.17</b> | <b>298.32</b> | <b>230.99</b> | <b>175.18</b> | <b>201.15</b> | <b>165.83</b> | <b>3,599.65</b> |

|                                   |                 |  |            |  |  |  |  |
|-----------------------------------|-----------------|--|------------|--|--|--|--|
| Present Value of FCFF at wacc     | 1,071.47        |  |            |  |  |  |  |
| PV of Terminal Value              | 2,387.98        |  |            |  |  |  |  |
| <b>Enterprise Value</b>           | <b>3,459.45</b> |  |            |  |  |  |  |
| (+) Cash (€)                      | 61.67           |  |            |  |  |  |  |
| (-) Debt (€)                      | (2,368.23)      |  |            |  |  |  |  |
| (-) Minority Interest             | (48.97)         |  |            |  |  |  |  |
| (-) Provision                     | (44.10)         |  |            |  |  |  |  |
| <b>Equity Value</b>               | <b>1,059.82</b> |  |            |  |  |  |  |
| Number of shares outstanding (mm) | 435.75          |  |            |  |  |  |  |
| <b>Equity Value/Share</b>         | <b>€ 2.43</b>   |  | 12/31/2023 |  |  |  |  |
| Current Price                     | 2.4             |  | 9/30/2022  |  |  |  |  |
| Upside potential                  | 1.3%            |  | 457        |  |  |  |  |
| Annualized potential              | 1.1%            |  |            |  |  |  |  |

#### Appendix 15: FTE method

| Free Cash Flow to Equity        | 2023           | 2024        | 2025          | 2026          | 2027           | 2028            | Terminal      |
|---------------------------------|----------------|-------------|---------------|---------------|----------------|-----------------|---------------|
| FCFF                            | 262.17         | 319.08      | 264.80        | 215.10        | 267.08         | 239.90          | 261.19        |
| (-)Interest expense             | (90.10)        | (80.53)     | (81.14)       | (87.88)       | (80.05)        | (71.09)         | (80.14)       |
| (+)Net Borrowing                | (258.16)       | (237.50)    | 31.37         | 191.99        | (235.39)       | (229.66)        | (95.84)       |
| <b>Free Cash Flow to Equity</b> | <b>(86.10)</b> | <b>1.04</b> | <b>215.03</b> | <b>319.22</b> | <b>(48.36)</b> | <b>(60.86)</b>  | <b>85.21</b>  |
| <b>PV of FCFE (at Ke)</b>       | <b>(86.10)</b> | <b>1.16</b> | <b>264.57</b> | <b>435.67</b> | <b>(73.21)</b> | <b>(102.20)</b> | <b>887.91</b> |

|                                   |                 |  |  |  |  |  |  |
|-----------------------------------|-----------------|--|--|--|--|--|--|
| Present Value of FCFE at Ke       | 525.99          |  |  |  |  |  |  |
| PV of Terminal Value              | 528.75          |  |  |  |  |  |  |
| <b>Equity Value</b>               | <b>1,054.74</b> |  |  |  |  |  |  |
| Number of shares outstanding (mm) | 435.75          |  |  |  |  |  |  |
| <b>Equity Value/Share</b>         | <b>€ 2.42</b>   |  |  |  |  |  |  |
| Upside potential                  | 0.9%            |  |  |  |  |  |  |
| Annualized potential              | 0.7%            |  |  |  |  |  |  |

## Appendix 16: APV method

| Adjusted Present Value                      | 2023            | 2024   | 2025   | 2026          | 2027   | 2028   | Terminal |
|---|-----------------|--------|--------|---------------|--------|--------|----------|
| <b>FCFF</b>                                 | 262.17          | 319.08 | 264.80 | 215.10        | 267.08 | 239.90 | 261.19   |
| <b>PV of FCFE (at Ku)</b>                   | 262.17          | 295.16 | 226.26 | 169.84        | 193.58 | 158.76 | 3,292.60 |
| Interest Tax Shield                         | 44.64           | 40.05  | 35.79  | 36.06         | 39.06  | 35.58  | 31.60    |
| PV of Interest Tax Shield                   | 48.07           | 40.05  | 33.11  | 30.81         | 30.84  | 25.79  | 20.91    |
| Present Value of FCFF at Ku                 | 1,043.60        |        |        |               |        |        |          |
| PV of Terminal Value                        | 2,116.67        |        |        |               |        |        |          |
| <b>Unlevered Intrinsic Enterprise Value</b> | <b>3,160.27</b> |        |        |               |        |        |          |
| Present Value of Interest Tax Shield        | 141.46          |        |        |               |        |        |          |
| PV of Terminal Value                        | 186.18          |        |        | Debt capacity | 774.48 |        |          |
| <b>Intrinsic Enterprise Value</b>           | <b>3,487.91</b> |        |        |               |        |        |          |
| (+) Cash (€)                                | 61.67           |        |        |               |        |        |          |
| (-) Debt (€)                                | (2,368.23)      |        |        |               |        |        |          |
| (-) Minority Interest                       | (47.36)         |        |        |               |        |        |          |
| (-) Provision                               | (44.10)         |        |        |               |        |        |          |
| <b>Equity Value</b>                         | <b>1,089.88</b> |        |        |               |        |        |          |
| Number of shares outstanding (mm)           | 435.75          |        |        |               |        |        |          |
| <b>Equity Value/Share</b>                   | <b>€ 2.50</b>   |        |        |               |        |        |          |
| Upside potential                            | 4.2%            |        |        |               |        |        |          |
| Annualized potential                        | 3.4%            |        |        |               |        |        |          |

## Appendix 17: Peers selection

| Peers selection                   |                  |                |                     |      |                 |               |           |        |                |                          |              |            |       |                |            |
|-----------------------------------|------------------|----------------|---------------------|------|-----------------|---------------|-----------|--------|----------------|--------------------------|--------------|------------|-------|----------------|------------|
| Company Name                      | Identifier (RIC) | Country        | Mkt Cap Million EUR | Beta | OpProfit Margin | EBITDA Margin | NI Margin | ROA    | Asset Turnover | Avg Op Profit Margin 5y  | D/A          | D/E        | Peers | Unlevered Beta | Tax rate   |
| NH Hotel Group SA                 | NHH.MC           | Spain          | 1,203               | 1.13 | 0.1%            | 28.7%         | -18.2%    | -3.2%  | 0.18           | 22.2%                    | 67%          | 200%       |       |                |            |
| Accor SA                          | ACCP.PA          | France         | 6,464               | 1.18 | 14.6%           | 1.0%          | 0.6%      | 0.1%   | 0.21           | 30.3%                    | 33%          | 49%        | Yes   | 0.87           | 25%        |
| Dalata Hotel Group PLC            | DHG.J            | Ireland        | 694                 | 1.02 | 12.6%           | 34.7%         | -3.3%     | -0.3%  | 0.11           | 30.7%                    | 42%          | 73%        | Yes   | 0.62           | 13%        |
| Hilton Grand Vacations Inc        | HGV.N            | United States  | 4,587               | 1.30 | 16.7%           | 28.1%         | 7.5%      | 4.0%   | 0.42           | 21.3%                    | 37%          | 60%        | Yes   | 0.88           | 20.76%     |
| Hyatt Hotels Corp                 | H.N              | United States  | 9,807               | 1.01 | -10.9%          | 1.9%          | -7.3%     | 0.1%   | 0.28           | 12.2%                    | 35%          | 53%        | yes   | 0.72           | 24.10%     |
| InterContinental Hotels Group PLC | IHG.L            | United Kingdom | 9,692               | 1.18 | 17.0%           | 24.9%         | 9.1%      | 5.4%   | 0.60           | 13.8%                    | 69%          | 225%       | No    | 0.45           | 26.60%     |
| Melia Hotels International SA     | MEL.MC           | Spain          | 1,206               | 1.46 | -17.6%          | 6.1%          | -23.9%    | -4.8%  | 0.20           | 30.4%                    | 70%          | 235%       | Yes   | 0.52           | 22.20%     |
| PPHE Hotel Group Ltd              | PPH.L            | Netherlands    | 659                 | 1.02 | -15.9%          | -0.7%         | -37.1%    | -3.2%  | 0.09           | 30.1%                    | 46%          | 85%        | Yes   | 0.60           | 19%        |
| Scandic Hotels Group AB           | SHOTE.ST         | Sweden         | 655                 | 0.74 | -4.4%           | 27.1%         | -16.6%    | -2.8%  | 0.24           | 19.0%                    | 87%          | 672%       | No    | 0.12           | 21%        |
| TUI AG                            | TUIGn.DE         | Germany        | 2,796               | 1.28 | -38.7%          | -16.9%        | -52.4%    | -11.4% | 0.32           | 16.2%                    | 49%          | 94%        | No    | 0.78           | 31.50%     |
| Whitbread PLC                     | WTB.L            | United Kingdom | 6,051               | 1.32 | 13.3%           | 21.7%         | 2.5%      | 0.5%   | 0.19           | 44.4%                    | 49%          | 96%        | Yes   | 0.77           | 25%        |
|                                   |                  |                |                     | 1.19 |                 |               |           |        |                | <b>Industry DE ratio</b> | <b>42.4%</b> | <b>93%</b> |       | <b>0.69</b>    | <b>21%</b> |

## Appendix 18: Relative Valuation

| Company Name                  | P/BV   | EV/EBITDA | EV/Revenue | P/CF   | Total shares |
|-------------------------------|--------|-----------|------------|--------|--------------|
| NH Hotel Group SA             | 1.20   | 6.70      | 2.00       | 3.90   | 435.75       |
| Accor SA                      | 1.30   | 10.10     | 2.21       | 10,0   |              |
| Dalata Hotel Group PLC        | 0.60   | 8.70      | 2.84       | 0.10   |              |
| Hilton Grand Vacations Inc    | 1.60   | 6.10      | 1.80       | 9.80   |              |
| Hyatt Hotels Corp             | 2,5    | 11,7      | 1.90       | 15,3   |              |
| Melia Hotels International SA | 2,2    | 8.60      | 2.20       | 4.10   |              |
| PPHE Hotel Group Ltd          | 1.80   | 12,2      | 3.85       | 11,7   |              |
| Whitbread PLC                 | 1.10   | 10.00     | 3.42       | 13,0   |              |
| Average                       | 1.28   | 8.70      | 2.60       | 4.67   |              |
| Median                        | 1.30   | 8.70      | 2.21       | 4.10   |              |
| Price target Average          | € 2.42 | € 2.18    | € 3.92     | € 2.81 |              |
| Price target Median           | € 2.46 | € 2.18    | € 2.50     | € 2.47 | € 2.401      |

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### Recommendation System

| Level of Risk | SELL  | REDUCE      | HOLD/NEUTRAL | BUY         | STRONG BUY |
|---------------|-------|-------------|--------------|-------------|------------|
| High Risk     | 0%≤   | >0% & ≤10%  | >10% & ≤20%  | >20% & ≤45% | >45%       |
| Medium Risk   | -5%≤  | >-5% & ≤5%  | >5% & ≤15%   | >15% & ≤30% | >30%       |
| Low Risk      | -10%≤ | >-10% & ≤0% | >0% & ≤10%   | >10% & ≤20% | >20%       |

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