



Smart decisions. Lasting value.

Profit Sustainability, Financial Planning and Hotel Debt





1

Profit Sustainability

2

Financial Planning

3

Hotel Debt Considerations

4

Conclusion

Ireland Hotel Industry Survey



Benchmarking Financial & Marketing Statistics

Analysis by:

- Classification
- Size
- Region

	2012	2015	2018
EBITDAR Per Room	€6.5k	€12.0k	€17.0k

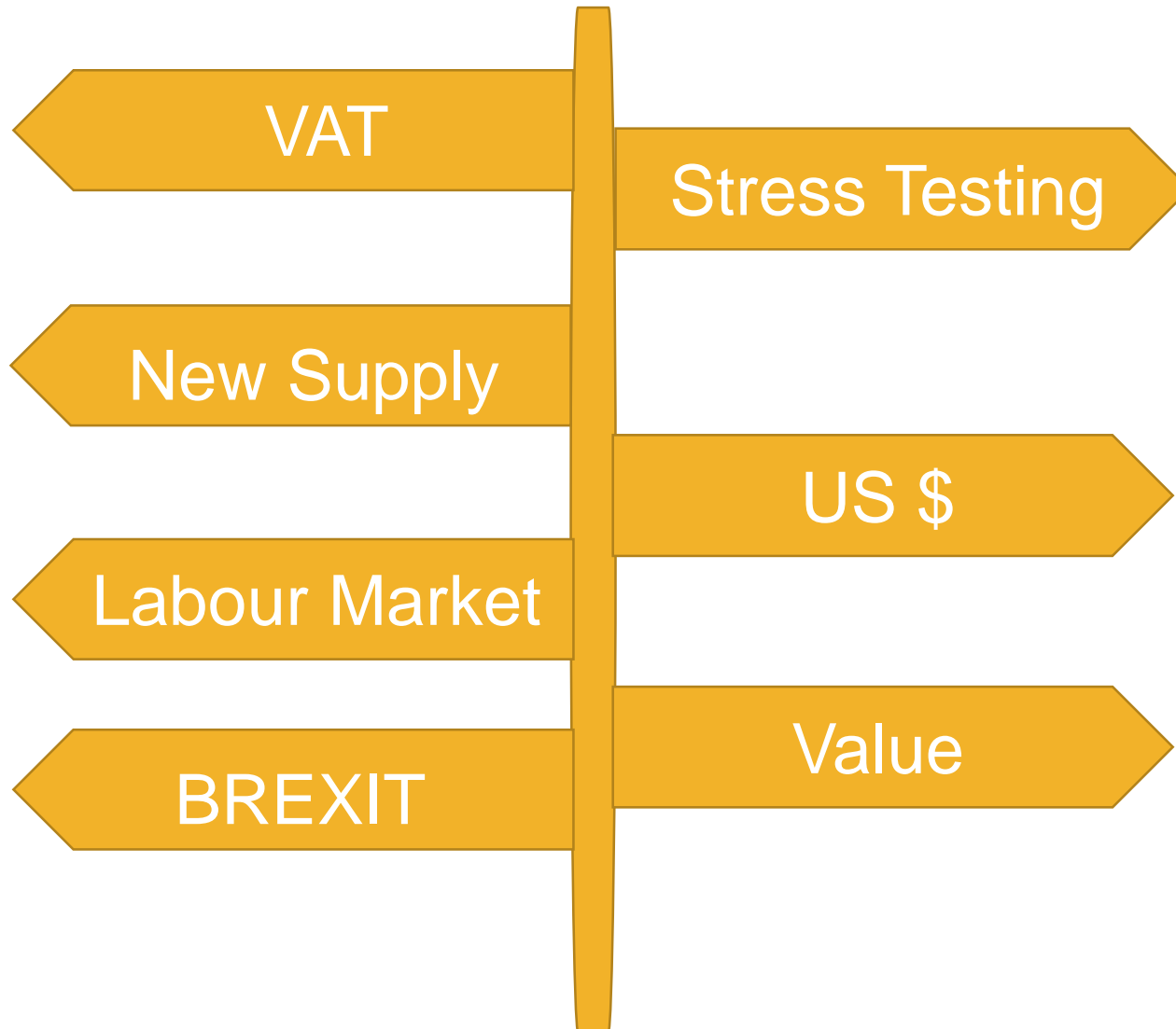
Volume Growth per annum



Profit Sustainability



Profit Sustainability Concerns



Hotel Room Numbers and Recent Years Growth Levels

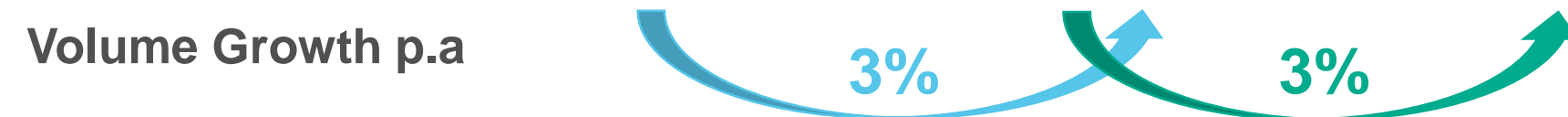
	2012	2015	2018
Total No. of Rooms Sold	13.3m	14.7m	16.3m



Occupancy	2012	2015	2018
Dublin	74%	81%	84%



Rest of Ireland	61%	66%	71%
------------------------	-----	-----	-----



International Visitor Numbers

	2012	2015	2018
Overseas Visitor Numbers	6.5m	8.6m	10.3m

Volume Growth p.a



International Visitor Numbers and Hotel Demand

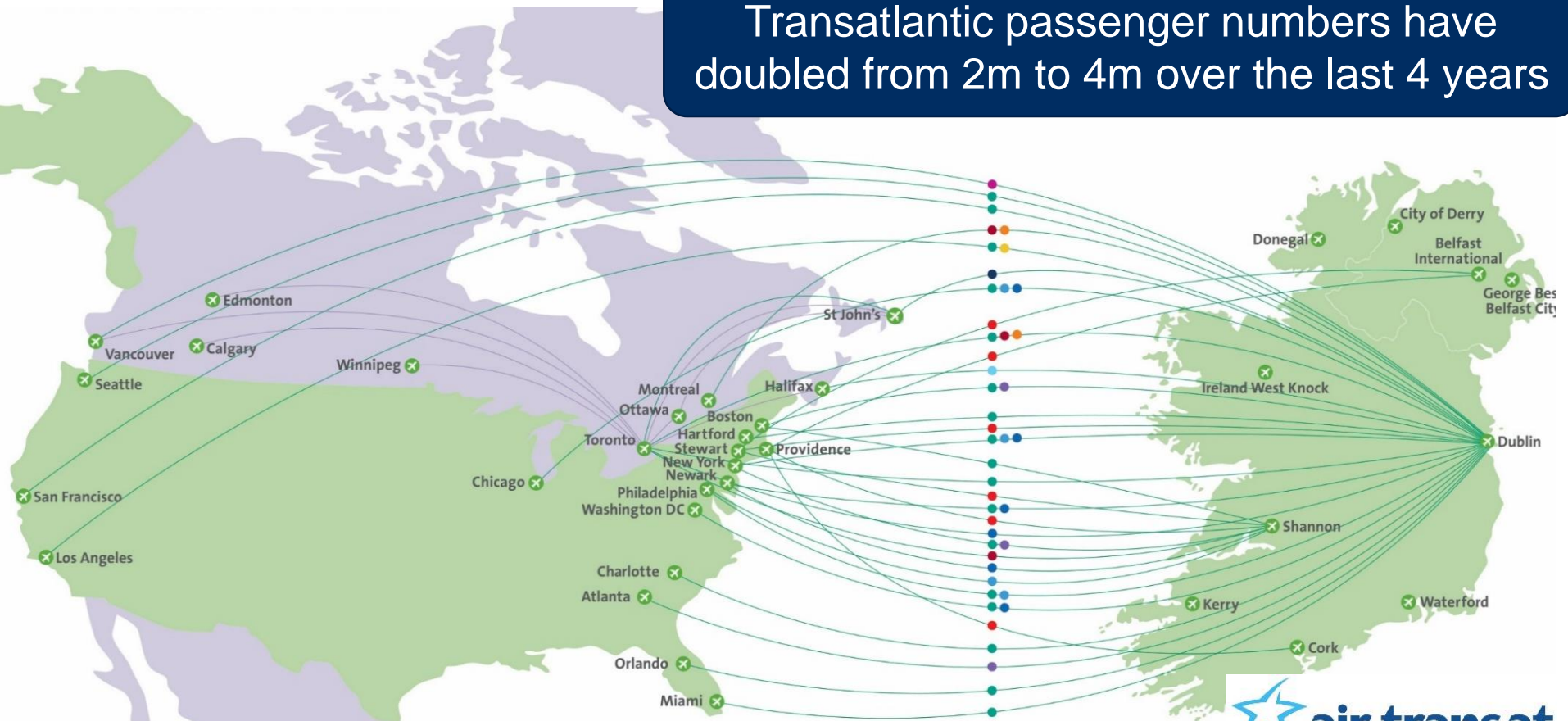
Total No. of Hotel Rooms Sold	13.3m	14.7m	16.3m
--------------------------------------	--------------	--------------	--------------

	2012	2015	2018
UK / N.I	17%	21%	15%
Number of Rooms	2.3m	3.1m	2.5m
Avg. Euro / Sterling Rate	0.81	0.73	0.88

	2012	2015	2018
US	8%	10%	16%
Number of Rooms	1.1m	1.5m	2.6m
Avg. Euro / Dollar Rate	1.28	1.11	1.18

Air Access – North America

Transatlantic passenger numbers have doubled from 2m to 4m over the last 4 years



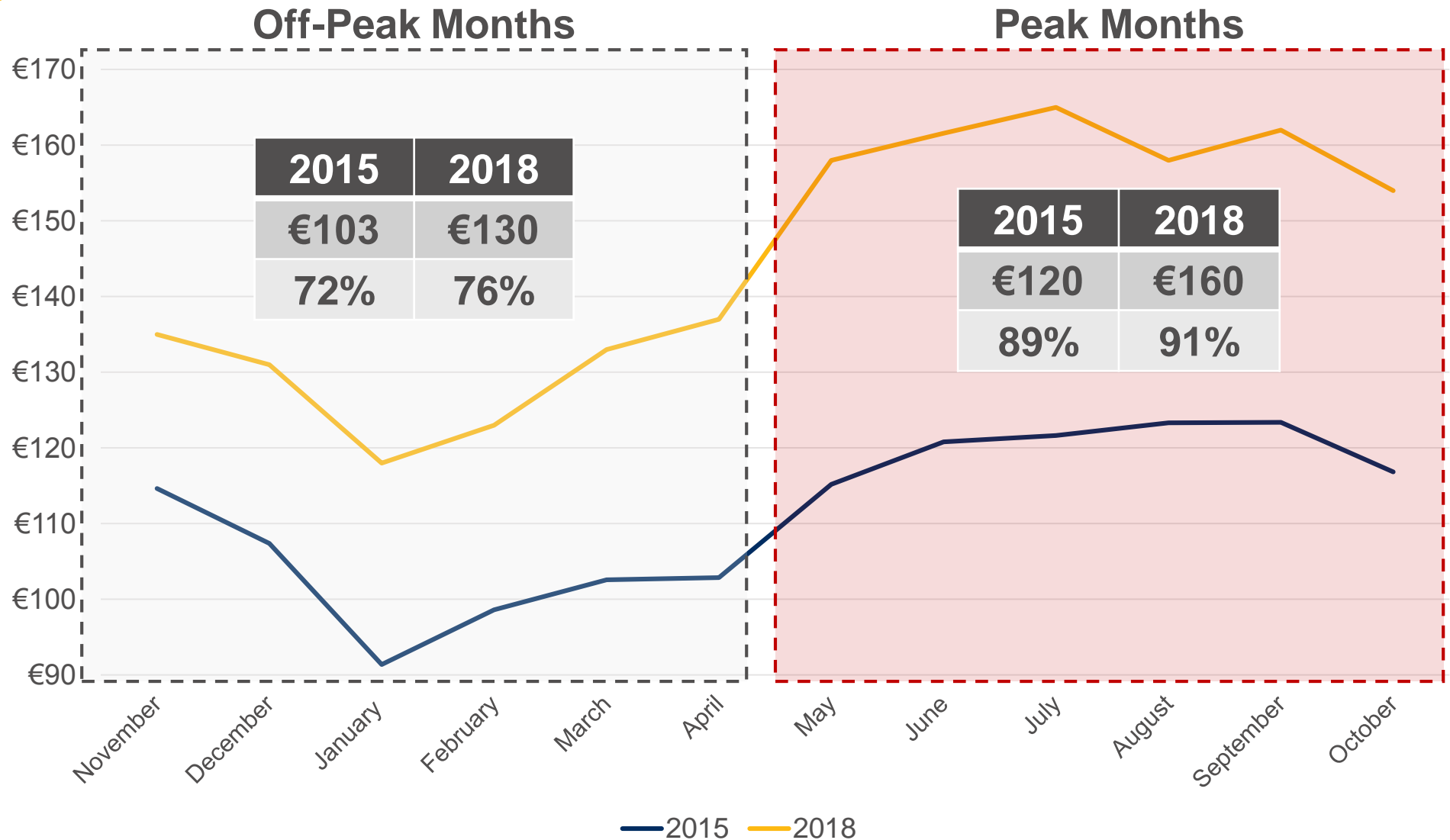
Strength of Domestic Economy and Hotel Sector

	2012	2015	2018
Total No. of Rooms Sold	13.3m	14.7m	16.3m
Market Share	64%	58%	54%
No. of Rooms	8.6m	8.5m	8.8m
Income Tax	€17.7bn	€20.1bn	€23.0bn
Annual Growth Rate	-	5%	5%

Concerns Over Labour Market Availability

	2012	2015	2018
Unemployment	423k	316k	127k
Total Revenue Per Room	€47k	€60k	€72k
Payroll %	39.4%	36.6%	34.5%
Payroll Per Room	€19k	€22k	€25k

Dublin Average Room Rates



Dublin Supply Growth and Impact on Hotel EBITDAR Per Room

Dublin Hotel EBITDAR Per Room
€24.5k

50

Reduction in capacity nights

-6%

(€1.5k)

Rate (25%)

ADJUSTED EBITDAR Per Room
€23.0k

Potential Impact of VAT Hike

	Dublin	Rest of Ireland	Small (<50 Rms)
Rooms €	41k	25k	22k
Food €	18k	27k	33k
Beverage / Other €	14k	18k	23k
Total €	73k	70k	78k
EBITDAR €	23.0k	13.0k	12.0k
EBITDAR %	31%	18%	15%
Adjusted for 50% of VAT €	(1.3k)	(1.2k)	(1.3k)
Adjusted EBITDAR €	21.7k	11.8k	10.7k
EBITDAR Impact %	- 5.5%	- 9%	- 11%

Potential Impact of VAT Hike

	Dublin	Rest of Ireland	Small (<50 Rms)
Rooms €	41k	25k	22k
Food €	18k	27k	33k
Beverage / Other €	14k	18k	23k
Total €	73k	70k	78k
EBITDAR €	23.0k	13.0k	12.0k
EBITDAR %	31%	18%	15%
Adjusted for 50% of VAT €	(1.3k)	(1.2k)	(1.3k)
Adjusted EBITDAR €	21.7k	11.8k	10.7k
EBITDAR Impact %	- 5.5%	- 9%	- 11%

Stress testing profit

	Dublin	Rest of Ireland	Dublin	Rest of Ireland
Occupancy	83.5%	71%	80%	68%
ARR	€137	€95	€129	€89
Rooms €	41.0k	25.0k	37.6k	22.1k
Other €	32.0k	45.0k	28.1k	40.9k
Total Revenue €	73.0k	70.0k	65.7k	63.0k
<i>Dept. Profit %</i>	<i>57.6%</i>	<i>45.6%</i>	<i>56.3%</i>	<i>44.3%</i>
<i>Dept. Profit €</i>	<i>42.0k</i>	<i>32.0k</i>	<i>37.0k</i>	<i>27.9k</i>
Other Overheads €	19.0k	19.0k	18.1k	18.1k
EBITDAR €	23.0k	13.0k	18.9k	9.8k
Profit Impact %			- 17%	- 24%

Stress testing profit to see profit impact on 10% fall in revenue

	Dublin	Rest of Ireland	Dublin	Rest of Ireland
Occupancy	83.5%	71%	80%	68%
ARR	€137	€95	€129	€89
Rooms €	41.0k	25.0k	37.6k	22.1k
Other €	32.0k	45.0k	28.1k	40.9k
Total Revenue €	73.0k	70.0k	65.7k	63.0k
<i>Dept. Profit %</i>	<i>57.6%</i>	<i>45.6%</i>	<i>56.3%</i>	<i>44.3%</i>
<i>Dept. Profit €</i>	<i>42.0k</i>	<i>32.0k</i>	<i>37.0k</i>	<i>27.9k</i>
Other Overheads €	19.0k	19.0k	18.1k	18.1k
EBITDAR €	23.0k	13.0k	18.9k	9.8k
Profit Impact %			- 17%	- 24%

Financial Planning



Financial Planning

1. Maintain a steady state operation
2. Deciding to build on more rooms as a means to lift revenue and profits
3. See high point of cycle as opportunity to take a profit on the sale of the business

Financial Planning Focus Areas



Yield / Revenue Management



Invest in hotel



Maintain Customer Relationship



Invest in Staff – LT Incentive Plans



Sales team ramp up



Cost Curtailment

Hotel Debt Considerations



Debt Levels / Equity Levels and Value of Irelands Hotel Sector

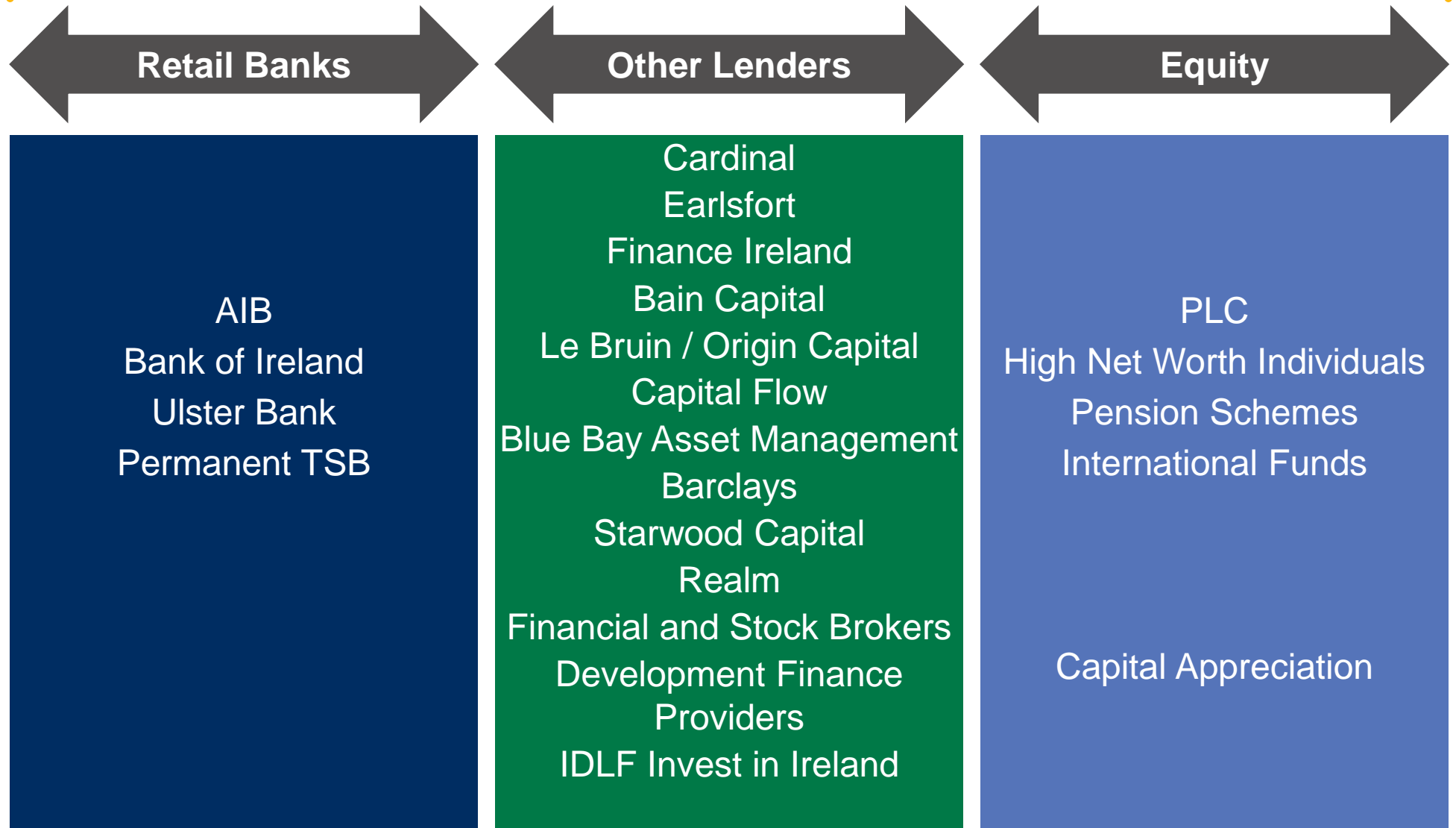
	2015	%	2018	%
Value of Hotel Sector	€6.7bn		€10.7bn	
Debt Levels (Good Loans)	€3.3bn	49%	€3.7bn	34%
Equity	€3.4bn	51%	€7.0bn	66%



Affordable Loan Levels in Hotel Sector

	Dublin	Rest of Ireland	Small (<50 Rms)
Total Revenue €	73k	70k	78k
EBITDAR €	23k	13k	12k
<i>EBITDAR %</i>	31%	18%	15%
Capex (3% of Revenue) €	3k	2k	3k
Corp Tax @ 12.5% €	2k	1k	1k
Available for Debt Service €	18k	10k	8.5k
Debt Service Cover (1.2x) €	15k	8k	7k
Loan @ 3.5% over 15 years €	170k	95k	82.5k
Loan @ 5% over 15 years €	150k	85k	75k

Analysis of Hotel Sector Capital Structure



Issues for Consideration when Arranging Debt Facilities

- ✓ Personal Guarantees
- ✓ Loan Commitment Period
- ✓ Repayment Profile
- ✓ Negative Pledges limits on Salary/ Pension/ Drawings
- ✓ Ongoing Information Requirements
- ✓ Cash flow
- ✓ Corporate Structure
- ✓ Valuations
- ✓ Subordination
- ✓ Debt Service Cover Levels
- ✓ Approvals for Capital Expenditure
- ✓ Purpose



2015 – 2018
Revenue Growth
Attainable



2018 Onwards
Profit Conversion
More Challenging



Smart decisions. Lasting value.

Thank you!

Crowe
Marine House
Clanwilliam Place
Dublin 2
Ireland

Tel: +353 1 448 2200
www.crowe.ie



Aiden Murphy
Partner

Aiden.murphy@crowe.ie

Crowe Ireland is a member of Crowe Global, a Swiss veren. Each member firm of Crowe Global is a separate and independent legal entity. Crowe Ireland and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global and specifically disclaim any and all responsibility or liability for acts or omissions of Crowe Global or any other Crowe Global member.