



Smart decisions. Lasting value.

# Review of Business Strategies for a Recovery and Inflationary Marketplace





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# Hotel Industry Survey

**Authoritative guide to performance of the hotel sector in Ireland.**

- Analyses hotel financial and operational performance, including occupancy and average daily rates
- Covers hotelier sentiment and key trends within the industry.
- Data presented by region, by size and by classification.



# Agenda



**Supply  
Trends**



**Investment  
Priorities**

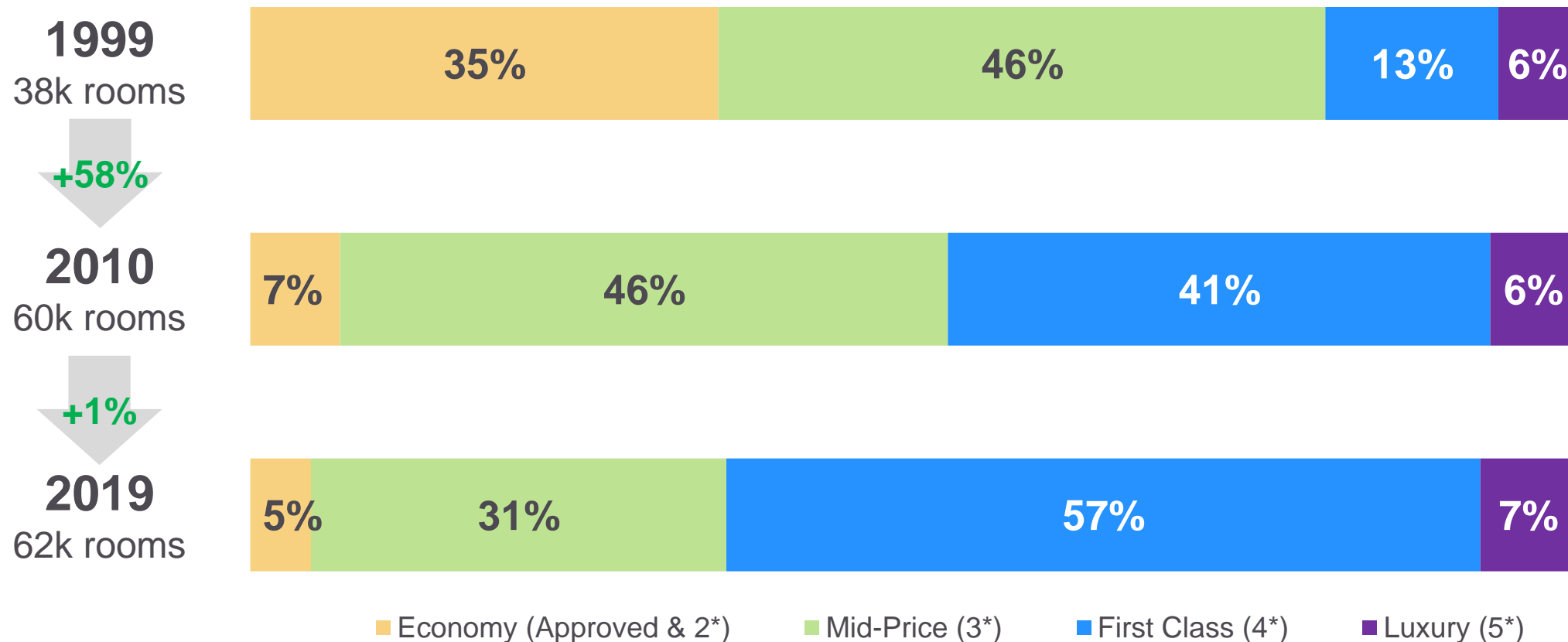


**Cost  
Mitigation**



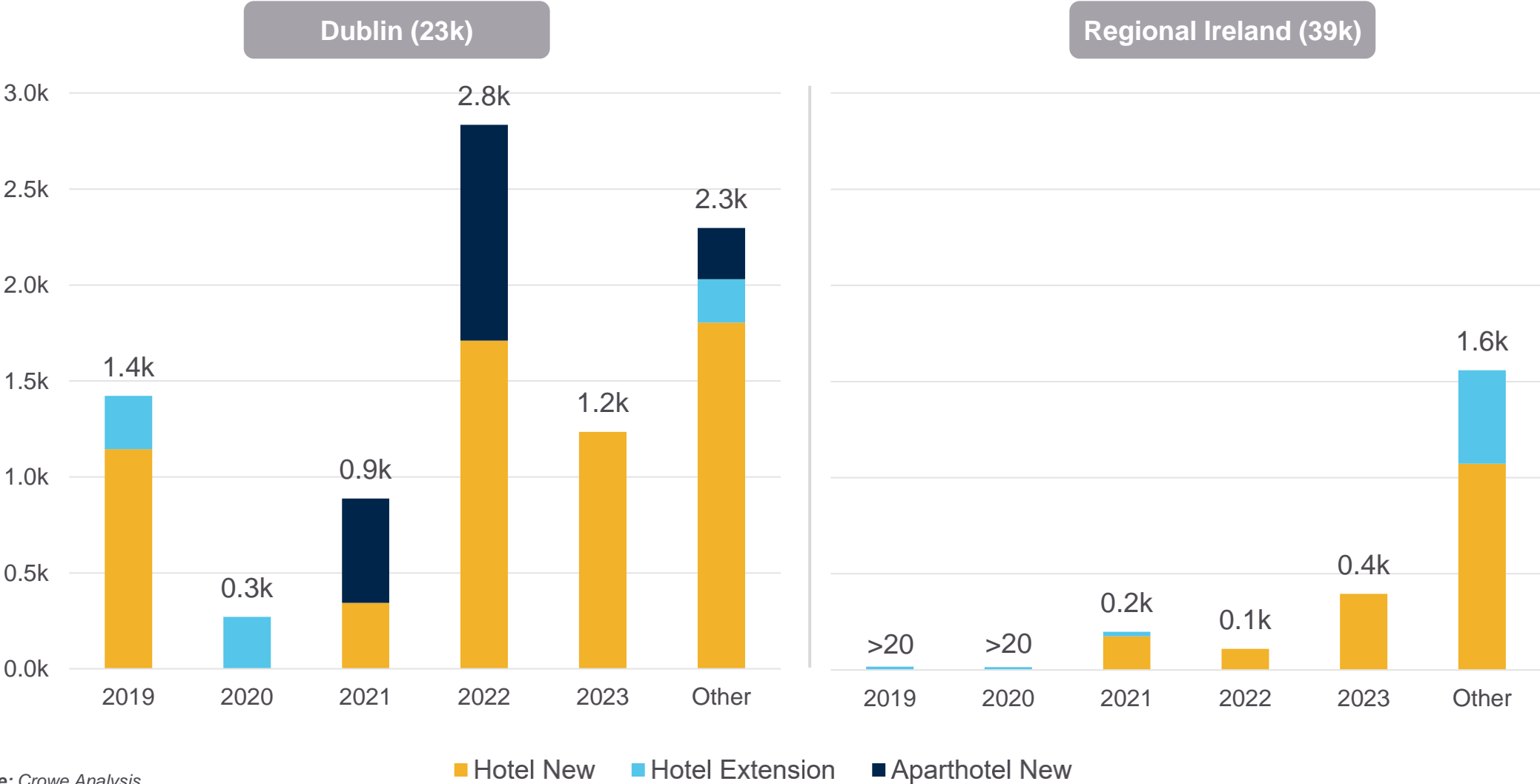
**Funding  
Investment**

# Investment over last 20 years – pre-COVID



Source: Crowe Ireland's Annual Hotel Industry Survey

# Rooms Pipeline



Source: Crowe Analysis

# Investment Priorities During Recovery Phase



# Invest to...



**Protect  
profit levels**



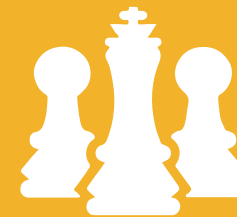
**Respond to  
new limiting  
factors**



**Reposition  
for emerging  
demand**



**Maintain  
asset value**



**Expand in a  
'capital light'  
way**



# Investment Priorities

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## People

- Career Progression
- Training & Development
- Work / Life Balance



## Technology

- Smart rooms
- Performance indicators
- Greater efficiencies



## ESG

- Longer-term planning over immediate savings
- CAPEX required

# Cost Mitigation Strategies



# Payroll Benchmark – 2019

PAR	Dublin		Regional Ireland	
Revenue				
Rooms	€43,045		€25,980	
Food & Beverage	€24,945		€36,212	
Other	€4,480		€5,611	
Total Revenue	€72,470		€67,803	
*Department Payroll & Related				
Rooms	17.0%	€7,318	25.0%	€6,486
Food & Beverage	33.2%	€5,204	32.2%	€11,660
Other	22.9%	€2,123	31.8%	€1,786
**Total	23.0%	€16,668	29.4%	€19,934
**Undistributed Payroll & Related				
**Total	8.2%	€5,943	8.7%	€5,921
Overall Total	31.2%	€22,611	38.1%	€25,855

\* As a percentage of department revenues | \*\* As a percentage of total revenues

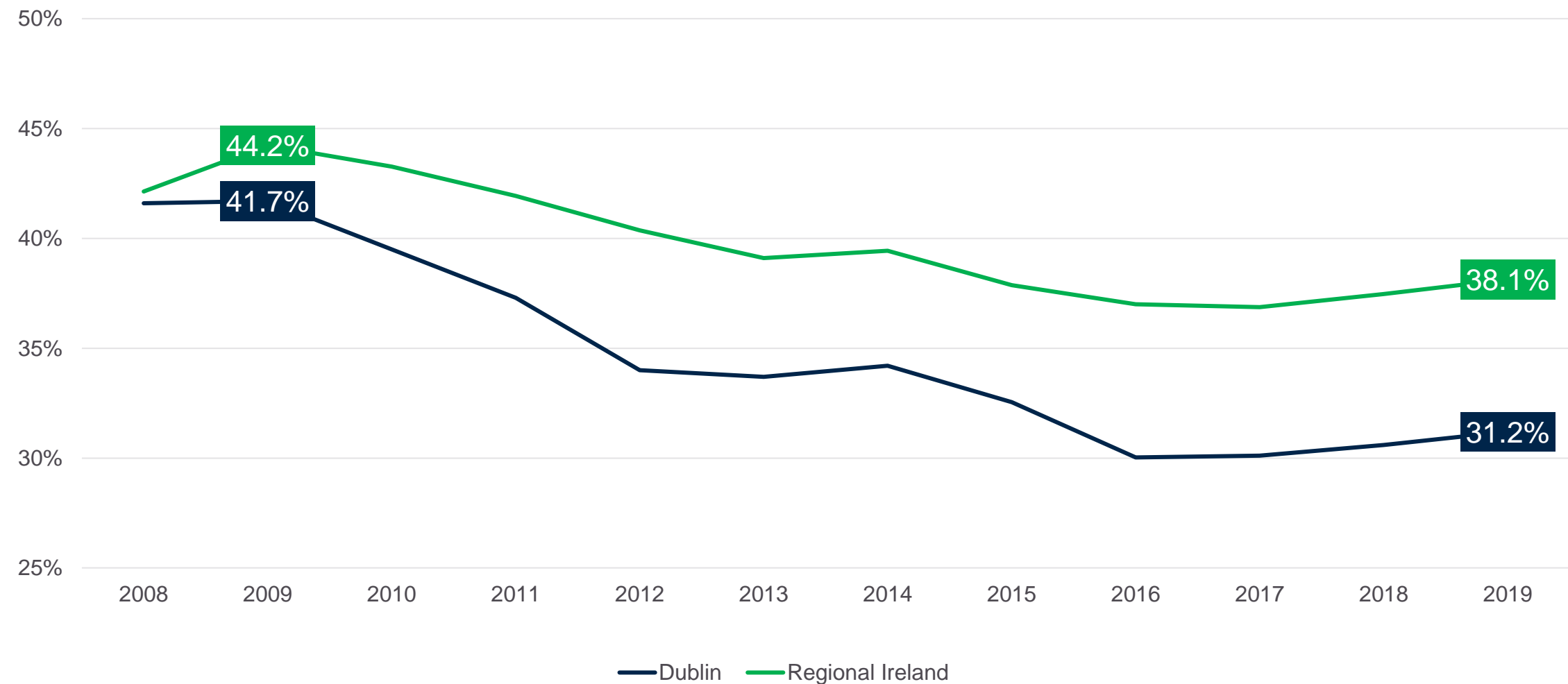
Source: Crowe Ireland's Annual Hotel Industry Survey

Higher payroll percent in Regional Ireland given their higher levels of F&B revenues.




- Staff shortages across all departments.
- Relook at what is possible.
- Technology can reduce labour requirements.
- Sector facing into a period where payroll costs will be higher.

# Historic Payroll – Cost Percentages



Source: Crowe Ireland's Annual Hotel Industry Survey

# Utilities Benchmark – 2019

Hotel	A	B	C	D
Rooms	50 - 100		150 - 200	
Classification	4*		4*	
Leisure Centre				
Utilities POR	€7.50	€13.00	€5.50	€8.00
Utilities PAR	€1,850	€2,850	€1,750	€2,350

## Key considerations

- Energy costs are rising rapidly.
- Hotels are yet to experience the height of cost increases.
- Hotels with leisure centres are experiencing highest cost increases.
- Investment to curtail energy use is now a major priority.

Source: Crowe Ireland's Annual Hotel Industry Survey



# Implications of Rising Costs – Dublin

Dublin 182 rooms		
	2019	2022
Revenue	€13,190k	€13,190k
Department Expenses (excl. Payroll)	€2,493k	+ 3% €2,568k
Total Payroll	€4,107k	+ 10% €4,518k
Utilities	€409k	+ 60% €654k
All Other Overheads (excl. payroll)	€1,424k	+ 7% €1,524k
Fixed Charges	€765k	€765k
<b>Profit (EBITDAR)</b>	<b>€3,992k</b>	<b>€3,161k</b>
<b>Profit %</b>	<b>30%</b>	<b>24%</b>
Impact on Profit		- €831k
Impact per Room		€4.5k

Impact on profit may be mitigated by ability to increase price and / or achieve efficiencies.



- Labour market shortages will exacerbate payroll requirements.
- Higher utility costs impact profit when revenues not above 2019 levels.

# Implications of Rising Costs – Regional Ireland

Regional Ireland 102 rooms		
	2019	2022
Revenue	€6,938k	€6,938k
Department Expenses (excl. Payroll)	€1,710k	+ 3% €1,762k
Total Payroll	€2,638k	+ 10% €2,902k
Utilities	€310k	+ 60% €496k
All Other Overheads (excl. payroll)	€719k	+ 7% €770k
Fixed Charges	€377k	€377k
<b>Profit (EBITDAR)</b>	<b>€1,184k</b>	<b>€631k</b>
<b>Profit %</b>	<b>17%</b>	<b>9%</b>
Impact on Profit		- €553k
Impact per Room		€5.4k

Impact on profit may be mitigated by ability to increase price and / or achieve efficiencies.



- Similar potential impacts of rising costs hurting profit levels.
- Regional Ireland properties could be more heavily impacted.

# How can investment reduce...

...the requirement for labour?



Smart hotels e.g., self check-in /  
self check-out



Upskilling of staff to meet new  
requirements



... the consumption of energy?



Real-time consumption  
monitoring



Modern equipment for long-term  
planning



# Focus on Energy Cost

	Pre-COVID	% Increase	2022
<b>Solution 1 – Pool covering</b>			
Pool Covering Cost	€9,000	20%	€10,800
Energy Savings	€3,000	60%	€4,800
<b>Payback</b>	<b>3.0 years</b>		<b>2.3 years</b>
<b>Solution 2 – Pool filtration</b>			
Pool Filtration Cost	€40,000	20%	€48,000
Annual Savings	€8,000	60%	€12,800
<b>Payback</b>	<b>5.0 years</b>		<b>3.8 years</b>

*\* Term loans can balance capital cost cashflow as repayments funded by savings achieved.*

## Key considerations

- Process improvement, real-time analytics and KPIs.
- Decreased costs.
- Market will pay a higher price for asset that possess a low carbon footprint.

SEAI – [Accelerated Capital Allowance](#)

100% capital allowance on energy savings investment.



# Funding Investment





# Funding Options

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## Retail Banks

- Lower interest rate
- Senior debt
- Longer term
- Reliance on historic performance



## Alternative Lenders

- Higher interest rate
- Senior / Mezz debt
- Shorter & longer term options
- Focus on future trading potential

# Lenders

## Retail Banks

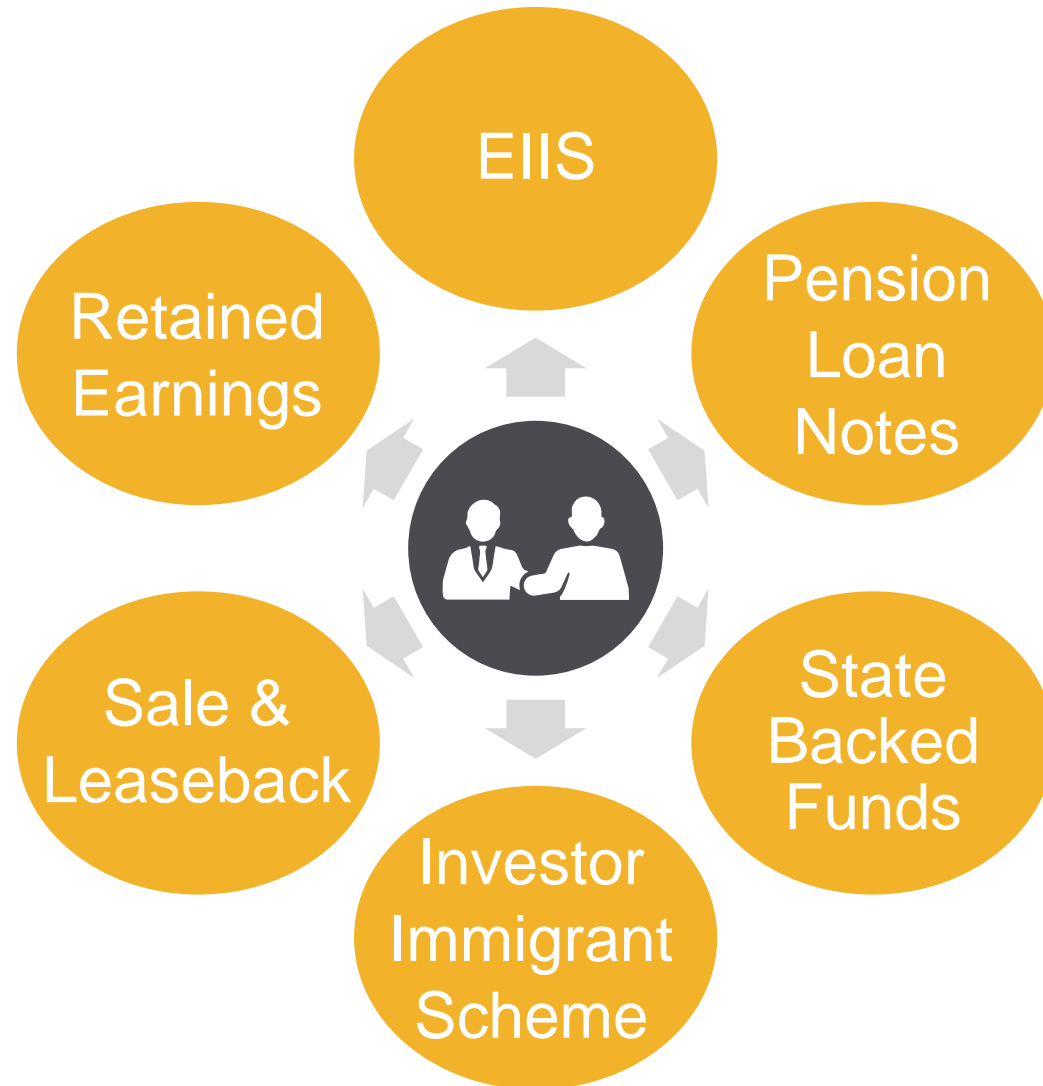


## Alternative Lenders



# Other Funding Options

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# Key Takeaways



*\* Term loans should be available for investment and will ease burden on cashflow.*



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# Thank you!

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