



Review of Business Strategies for a Recovery and Inflationary Marketplace

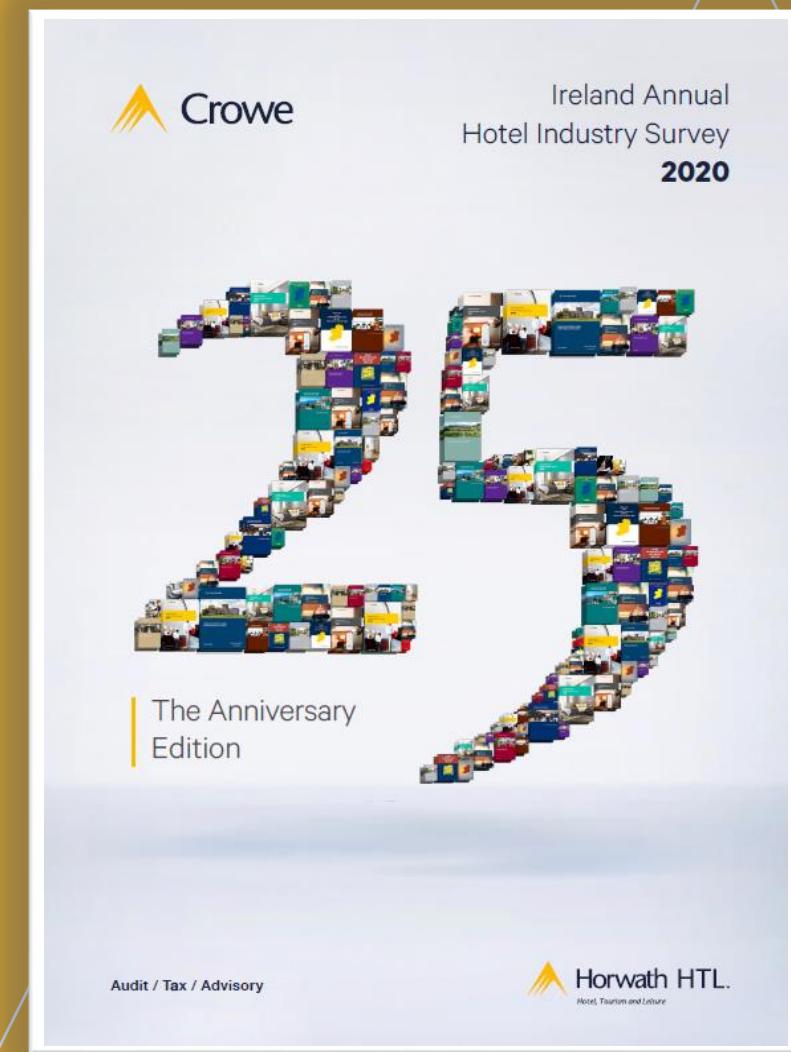


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Hotel Industry Survey

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

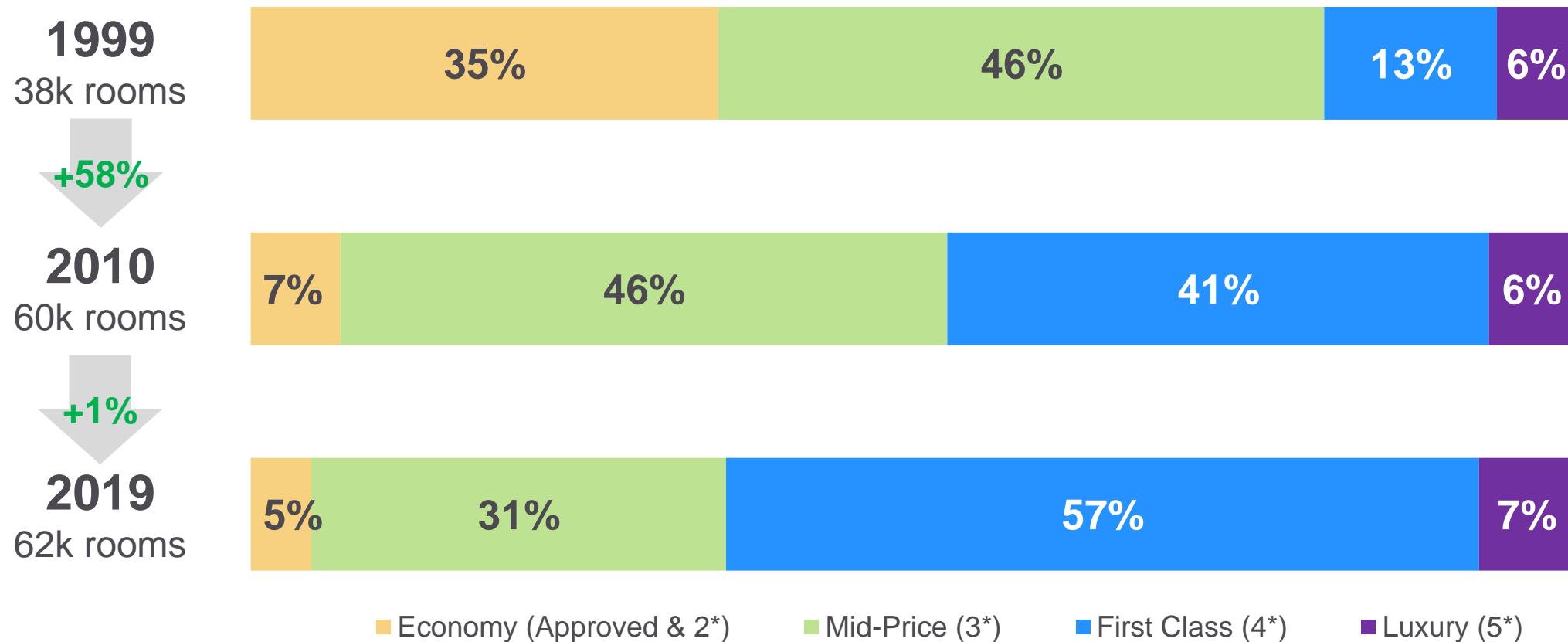


Cost
Mitigation



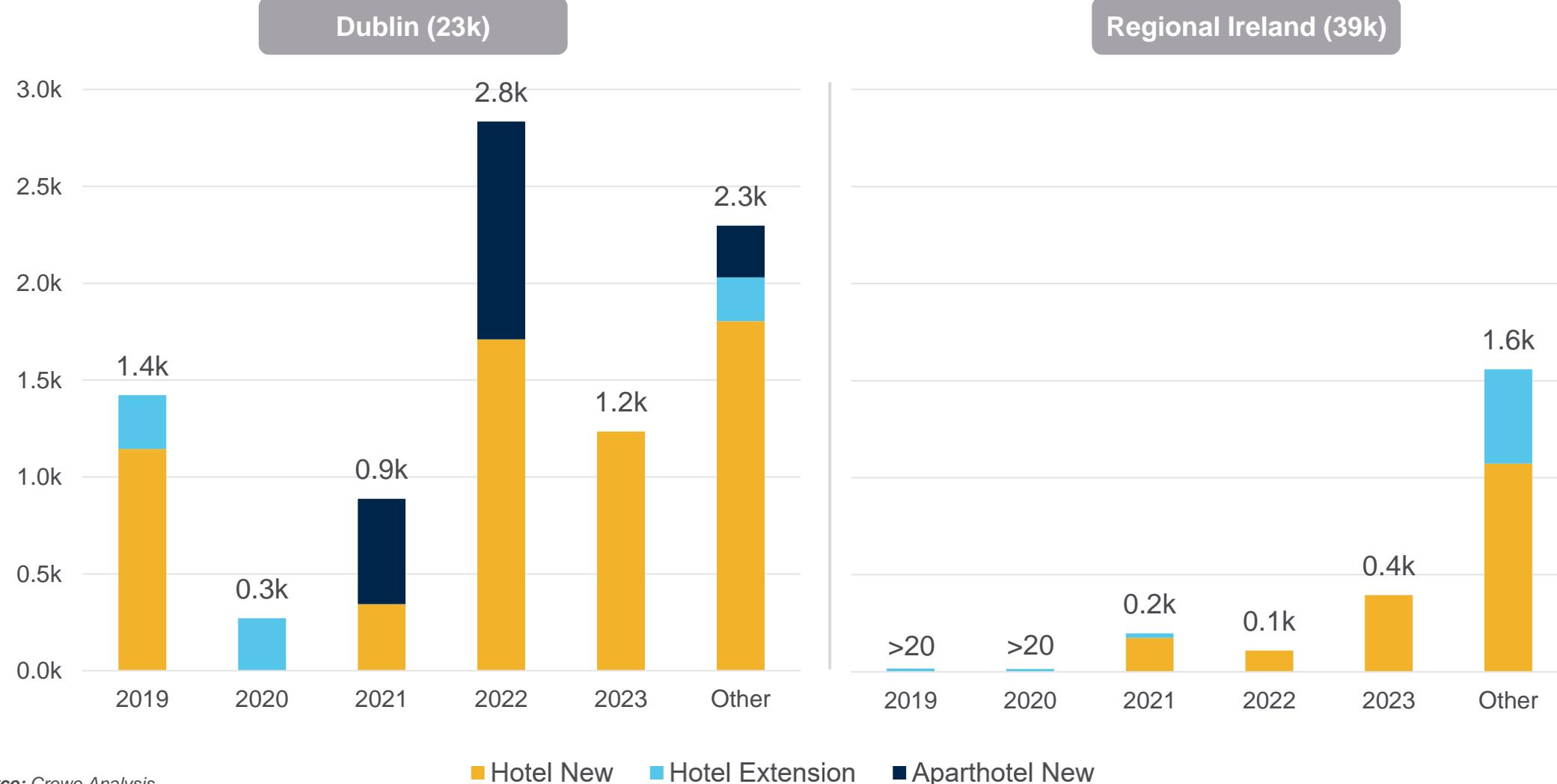
Funding
Investment

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**



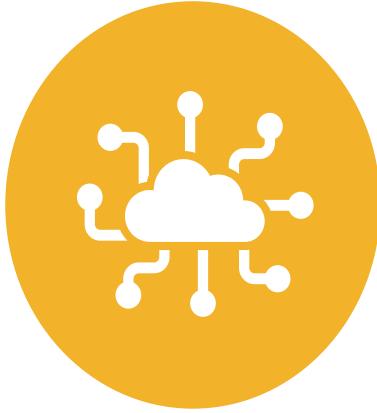
**Expand in a
'capital light'
way**

Investment Priorities



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

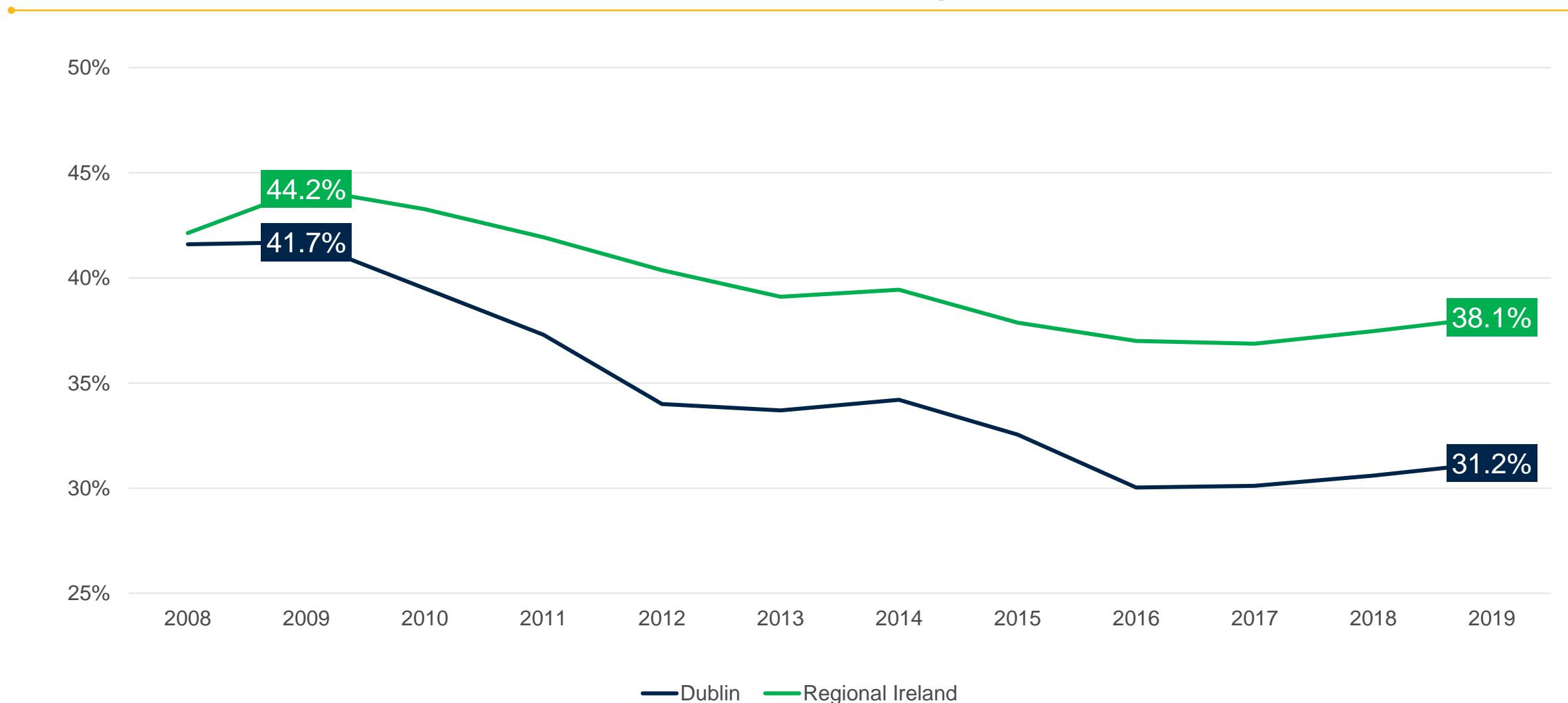
Source: Crowe Ireland's Annual Hotel Industry Survey

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

Source: Crowe Ireland's Annual Hotel Industry Survey

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.

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
Profit (EBITDAR)	€3,992k		€3,161k
Profit %	30%		24%
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
Profit (EBITDAR)	€1,184k		€631k
Profit %	17%		9%
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
Solution 1 – Pool covering			
Pool Covering Cost	€9,000	20%	€10,800
Energy Savings	€3,000	60%	€4,800
Payback	3.0 years		2.3 years
Solution 2 – Pool filtration			
Pool Filtration Cost	€40,000	20%	€48,000
Annual Savings	€8,000	60%	€12,800
Payback	5.0 years		3.8 years

* 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



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

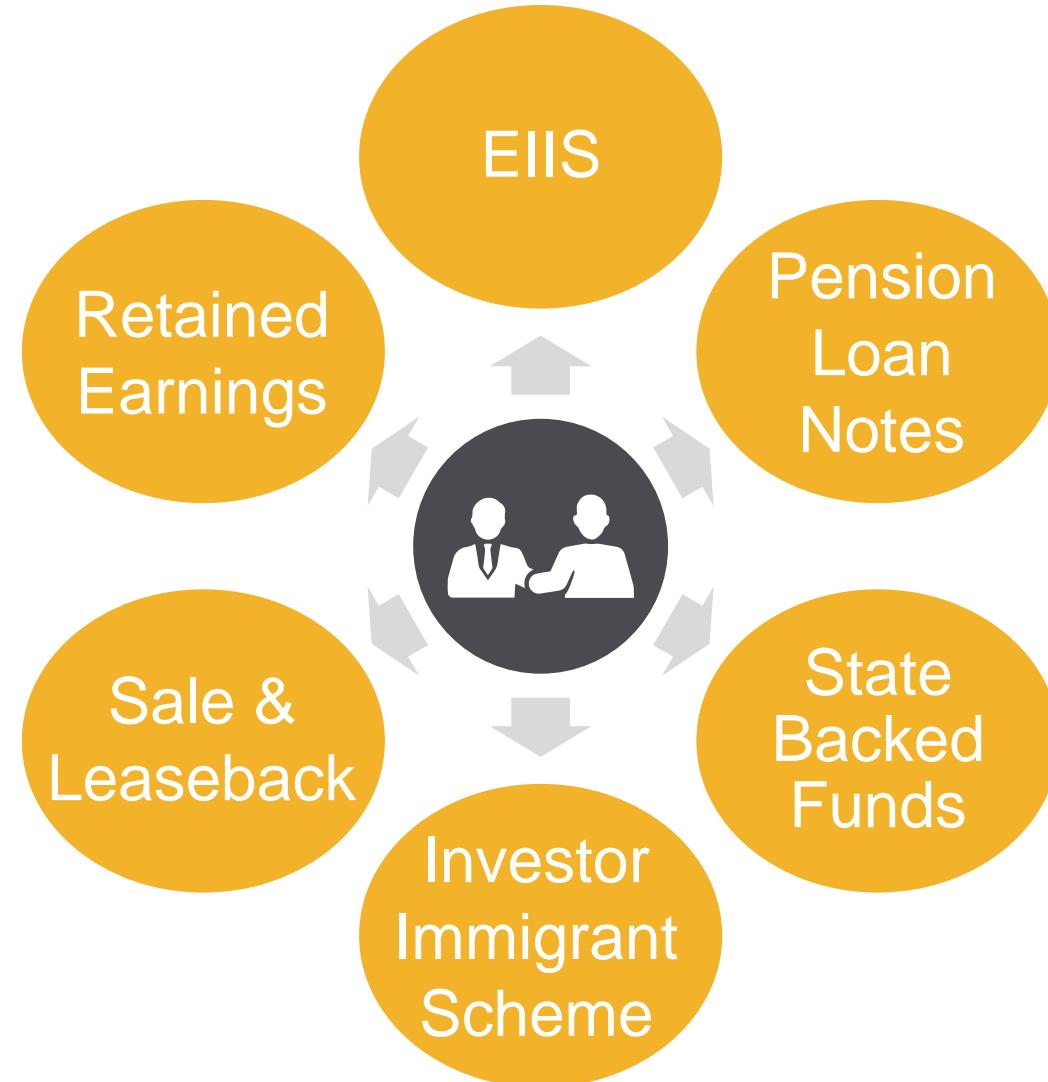
Retail Banks



Alternative Lenders



Other Funding Options



Key Takeaways

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graph LR; A((Optimise Cashflow)) --> B[Review Revenue Potential]; A --> C[Decrease Cost]; B --> D((Enhanced Profitability + Increased Asset Value)); C --> D
```

Optimise
Cashflow

Review Revenue Potential

- ✓ Product Review
- ✓ Space Maximization

Decrease Cost

- ✓ Improve Productivity
- ✓ Energy & Staff Costs

Enhanced
Profitability
+
Increased
Asset Value



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

Thank you!

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