



ANNUAL

2022 Irish Hotel Market Briefing



Crowe



JLL®



Current Trading Levels



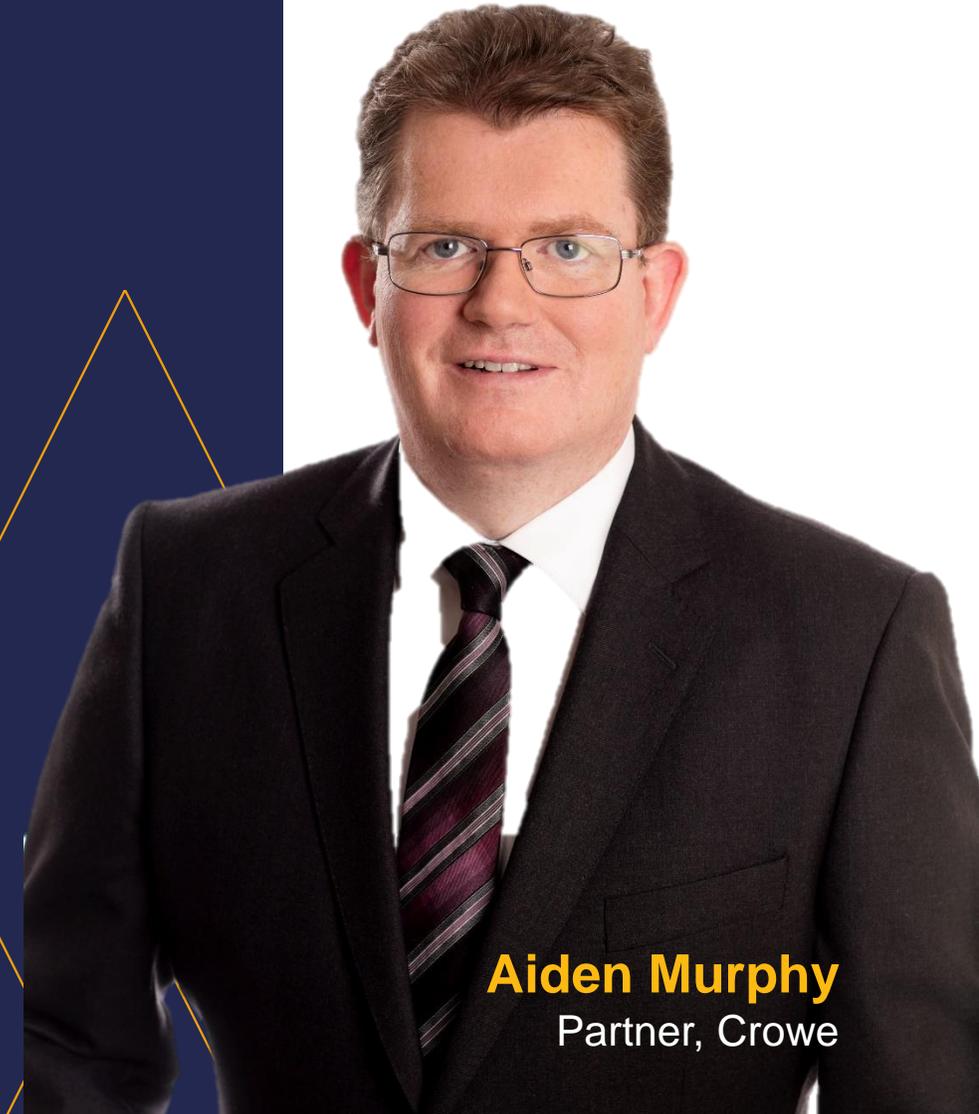
Pandemic Era



New-Era Trading Levels



Outlook & Conclusions



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Crowe's Annual Hotel Industry Survey

- The authoritative guide to performance of hotel sector in Ireland
- Crowe have been collating hotel benchmark information for over 25 years



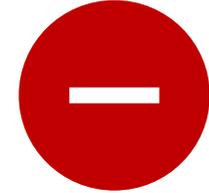
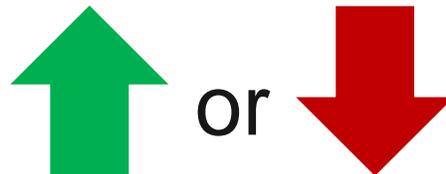
Trading Outlook – A race between higher revenues and higher costs



- Low infection rate
- Vaccine effectiveness
- Pent-up demand
- Recovering corporate travel
- Return to in-person events
- Return to office
- Cost increases passed on
- Govt. supports & contracts
- Stronger US\$
- Budget 2023

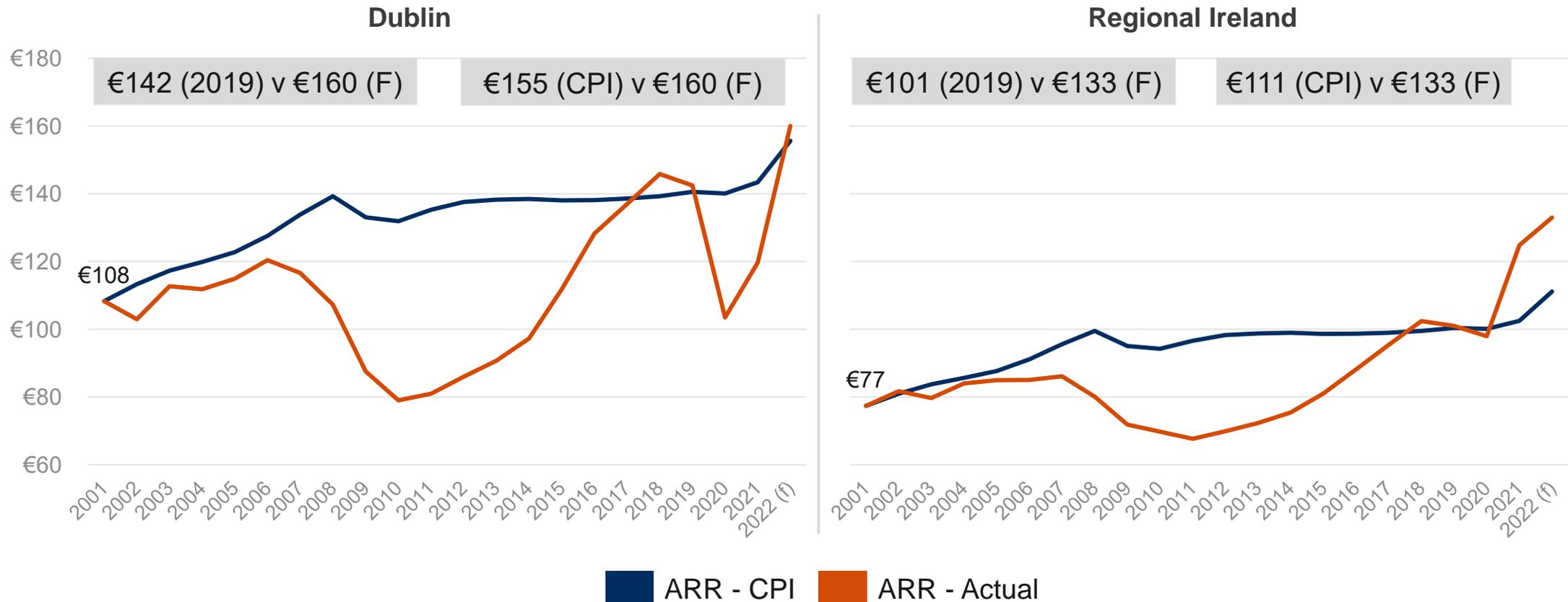


PROFITS



- 13.5% VAT
- Ongoing cost inflation
- Gas & electricity bills
- Recruitment challenges
- Airport and flight disruptions
- Cost of travel
- Unwillingness to travel
- Sustainability
- Rising interest rates
- Sterling £ weakness

Growth in Average Room Rate



There is sufficient demand to deliver pre-pandemic Occupancy levels and the key question is whether the increased ARR for 2022 can be maintained?

Pandemic-Era Decimation of Revenues & Profits

	2019 €m	2020 €m	€ Change
Total Revenues	4,300	1,500	(2,800)
Operating Costs ex. Payroll	1,850	860	(990)
Payroll Costs	1,550	820	(730)
EBITDAR before Supports	900	(180)	(1,080)
CRSS & Other	-	60	-
Payroll Supports	-	280	-
EBITDAR after Supports	900	160	(740)

2020 EBITDAR reduction not sufficient to meet 'normal' year outgoings



Interest	c. €150m
Loan principal	c. €400m
CAPEX	c. €150m
Corporation Tax	c. €100m
Owner dividend / expansion of activities	c. €100m
Total Outgoings 2019	c. €900m

Source: Crowe Ireland's Hotel Industry Survey

Hotels would have experienced solvency issues without Govt. supports

Pandemic-Era Decimation of Revenues & Profits

	2019 €m	2021 €m	€ Change
Total Revenues	4,300	2,300	(2,000)
Operating Costs ex. Payroll	1,850	1,150	(700)
Payroll Costs	1,550	1,200	(350)
EBITDAR before Supports	900	(50)	(950)
CRSS & Other	-	120	-
Payroll Supports	-	500	-
EBITDAR after Supports	900	570	(330)

2021 EBITDAR not sufficient to cover all business requirements and obligations, therefore cashflow rationing was required

- CAPEX catch-up required for two years – c. €300m
- Loan principal may not be reduced for two years – potential for nonperforming loans
- Taxes deferred to assist cashflow – c. €250m

Source: Crowe Ireland's Hotel Industry Survey

Hotels entered 2022 with a weakened balance sheet

Impact of Two Years Lost Trade

Financial Impact

- Total EBITDAR shortfall – c. €2.1bn
- Reduced by value of Govt. supports
 - CRSS/Grants – c. €180m
 - Payroll supports – c. €780m

Sector financial shortfall

c. €1.1bn

Non-financial Impact

- Staffing levels and sector skill base
- Need to re-establish source markets and connectivity
- Supply chain management



The Bounce Back



Government
Support



Pent-up
Demand



Rapid Ramp-up of
Airline Schedules



Pricing
Policies



Rebuild Balance
Sheets & Reserves



Supply Allocated to
Displaced Nationals

Outlook & Conclusions

- **2022 mid-year outlook – hoteliers were positive that profits could beat pre-pandemic levels**
- **Recent falling business and consumer confidence is denting this early optimism**
- **Period of uncertainty ahead as to whether profits at hotels will grow, stagnate or fall from pre-pandemic levels**
- **Key issue will be ability to fund CAPEX that will allow hotels overcome “challenges of cost inflation”**
- **The quality of the management team will make a big difference**

Thank you

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