

# Profitability and Debt Structures – Term Loan Funding Considerations

May 2018

Audit | Tax | Advisory



I R I S H  
HOTELS  
FEDERATION

**1** Hotel Supply & Future Requirements

**2** Hotel Profitability &  
Expansion Feasibility

**3** Term loan availability and lender  
requirements



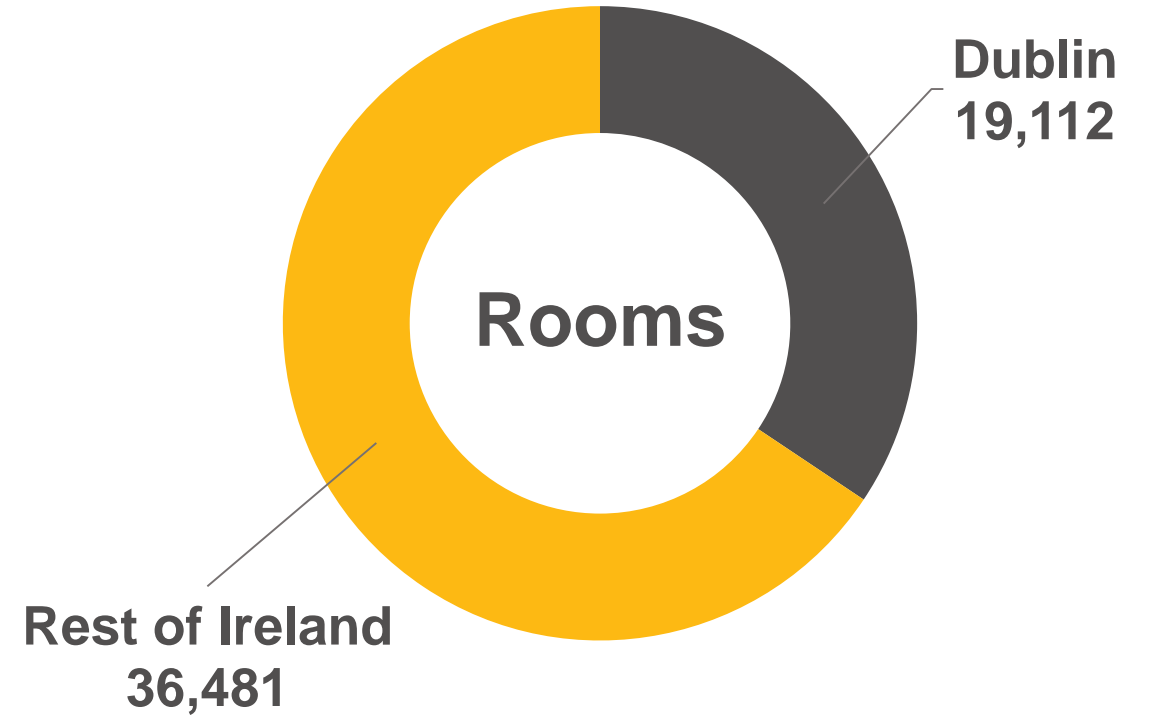
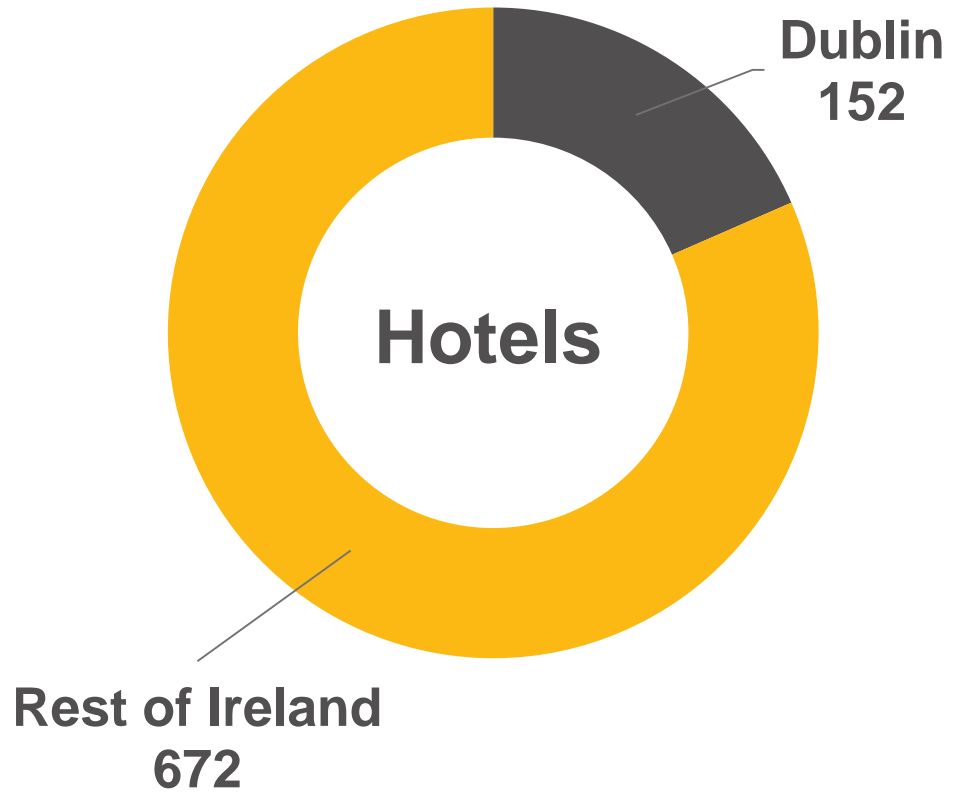


## Financial and market trends over 22 Years

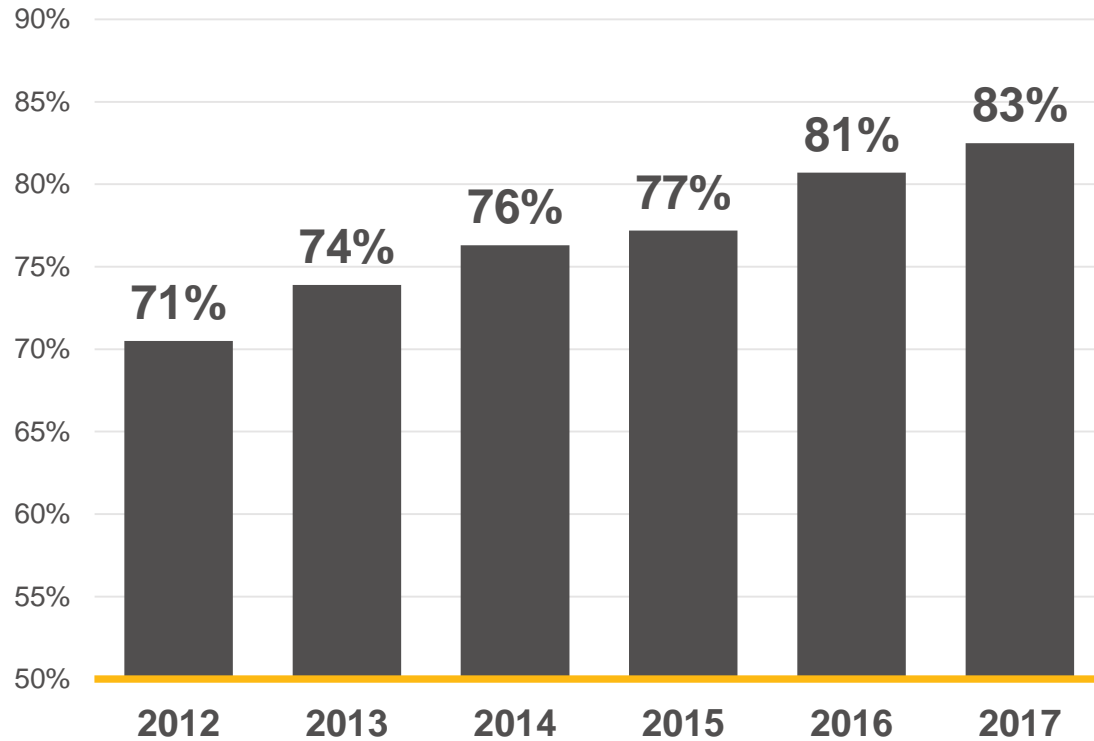




# Hotel Supply & Future Requirements

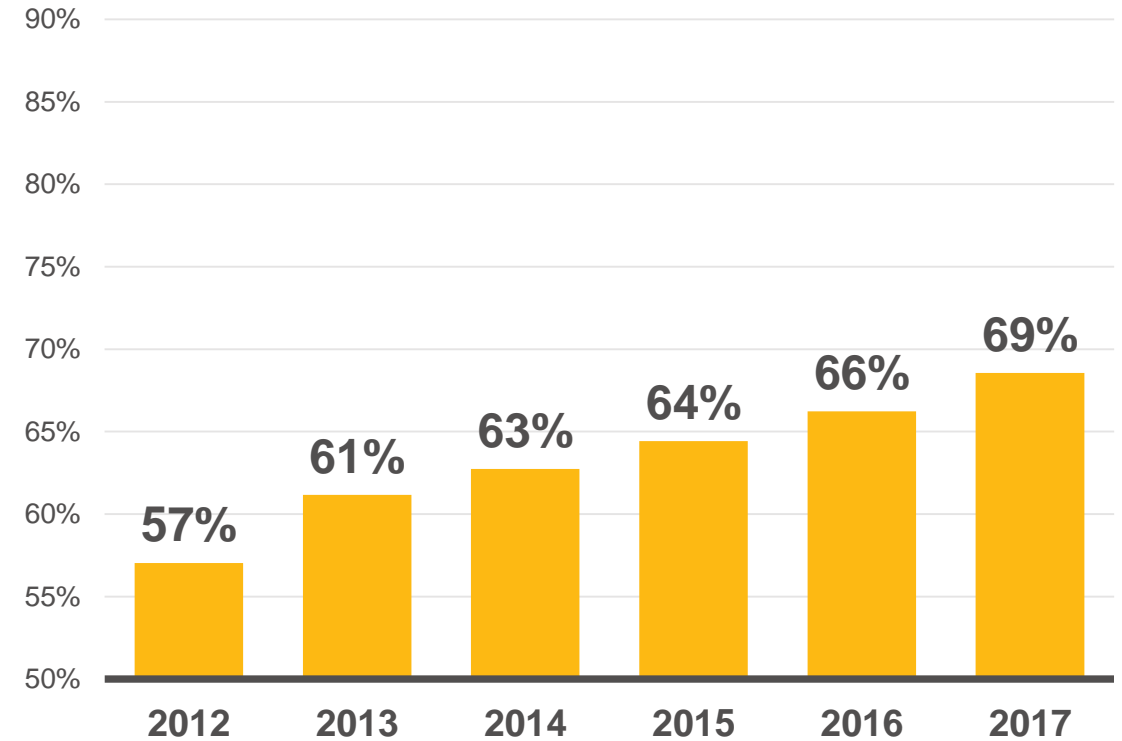


## Dublin



↑ 12% ↑ 900k more rooms sold

## Rest of Ireland

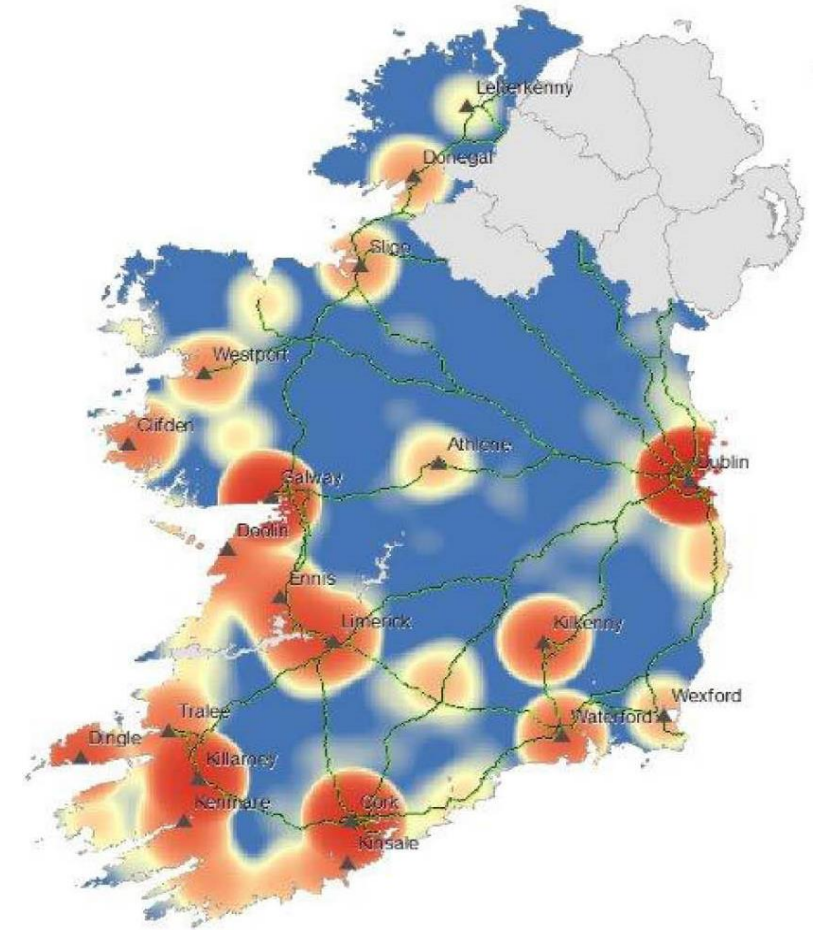


↑ 12% ↑ 1.6m more rooms sold



# Estimate of additional room stock requirements

	2017	2025	Growth
International Visitors to Ireland	8.9m	13.7m	+54%
Value of Sector	€4.9bn	€8.1bn	+65%
Employment	230,000	310,000	+35%
Exchequer Receipts	€1.13bn	€1.86bn	+65%
<b>Hotel Bedrooms</b>			<b>+11,000</b>



Source: ITIC & Fáilte Ireland

# What future hotel supply for Ireland might require?

Location	Rooms	2018	2019	2020	2021	2022	2023	2024	Total
Dublin	+5,500	19,000	+1,200	+1,500	+1,000	+600	+600	+600	24,500
Rest of Ireland	+5,500	36,500	+1,000	+1,500	+1,000	+1,000	+500	+500	42,000

## Dublin

**3,500** at new hotels  
**2,000** extensions

- If approx. 40 new rooms per hotel extension
- 33% of hotels in Dublin could undergo extensions by 2024



**Is there available funding?**

**€1.5bn**

## Rest of Ireland

**2,000** at new hotels  
**3,500** extensions

- If approx. 30 new rooms per hotel extension
- 20% of hotels in regional Ireland could undergo extensions by 2024





# Hotel Profitability & Extension Feasibility

## Rest of Ireland – Change in Hotel Profitability

80 Bed Hotel	2012	2017
	€	€
<b>REVENUE</b>		
Rooms	1.13m	1.74m
Food & Beverage & Other	2.24m	3.42m
<b>Total Revenue</b>	<b>3.37m</b>	<b>5.16m</b>
<b>Total Departmental Profit</b>	<b>1.38m</b>	<b>2.29m</b>
<i>Departmental Profit (%)</i>	<i>41%</i>	<i>44%</i>
<b>Profit Before Finance</b>	<b>0.32m</b>	<b>0.84m</b>
<i>Profit Before Finance (%)</i>	<i>10%</i>	<i>16%</i>

 **54% Room Sales**

 **€500k Payroll**

 **29% Profit Conversion**

	80 Bed	100 Bed
	€	€
<b>REVENUE</b>		
Rooms	1.74m	2.17m
Food & Beverage & Other	3.42m	3.89m
<b>Total Revenue</b>	<b>5.16m</b>	<b>6.06m</b>
<b>Total Departmental Profit</b>	<b>2.29m</b>	<b>2.72m</b>
<i>Departmental Profit (%)</i>	<i>44%</i>	<i>45%</i>
<b>Profit Before Finance</b>	<b>0.84m</b>	<b>1.10m</b>
<i>Profit Before Finance (%)</i>	<i>16%</i>	<i>18%</i>

**20** Bed Extension  
results in **€260k**  
increase in EBITDA

Based on IRR of **10%**  
this could support  
investment of **€130k**  
per room



# Dublin – Change in Hotel Profitability

120 Bed Hotel	2012	2017
	€	€
<b>REVENUE</b>		
Rooms	2.55m	4.57m
Food & Beverage & Other	2.15m	3.46m
<b>Total Revenue</b>	<b>4.70m</b>	<b>8.03m</b>
<b>Total Departmental Profit</b>	<b>2.34m</b>	<b>4.55m</b>
<i>Departmental Profit (%)</i>	<i>50%</i>	<i>57%</i>
<b>Profit Before Finance</b>	<b>0.92m</b>	<b>2.46m</b>
<i>Profit Before Finance (%)</i>	<i>20%</i>	<i>31%</i>

 **79% Room Sales**

 **€700k Payroll**

 **46% Profit Conversion**

	120 Bed	150 Bed
	€	€
<b>REVENUE</b>		
Rooms	4.57m	5.71m
Food & Beverage & Other	3.46m	3.92m
<b>Total Revenue</b>	<b>8.03m</b>	<b>9.63m</b>
<b>Total Departmental Profit</b>	<b>4.55m</b>	<b>5.59m</b>
<i>Departmental Profit (%)</i>	<i>57%</i>	<i>58%</i>
<b>Profit Before Finance</b>	<b>2.46m</b>	<b>3.18m</b>
<i>Profit Before Finance (%)</i>	<i>31%</i>	<i>33%</i>

**30** Bed Extension  
results in **€720k**  
increase in EBITDA

Based on IRR of **10%**  
this could support  
investment of **€240k**  
per room

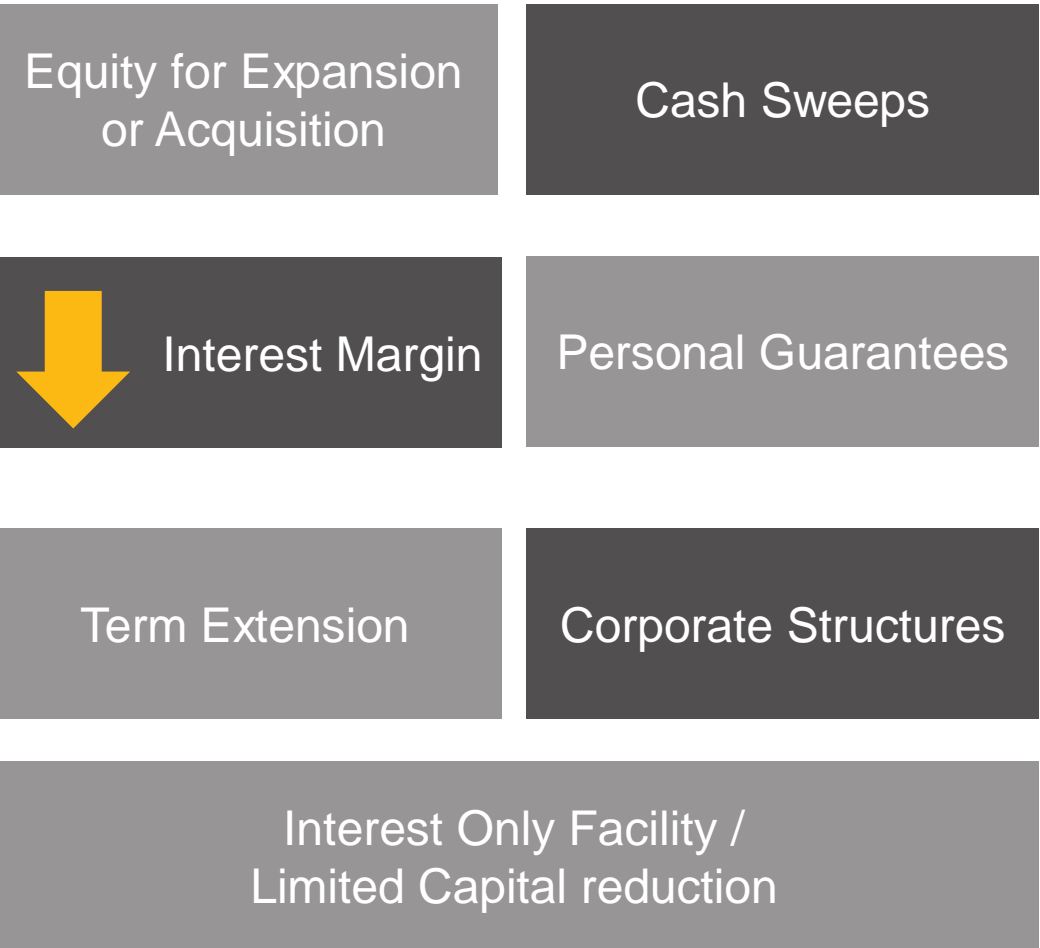


Term loan availability and lender requirements



# Typical Loan Structure – Rest of Ireland

80 Bed Hotel	2017
Turnover	€5.16m
Net profit before finance	€0.84m
Lending Multiple	6 x
Loan Availability	€5.1m
Loan Per Key	€63k
Interest Rate @3.5%	
20 Year Loan Repayment	€0.35m
Capex Provision @3%	€0.15m



# Typical Loan Structure – Dublin

120 Bed Hotel	2017
Turnover	€8.03m
Net profit before finance	€2.46m
Lending Multiple	7 x
Loan Availability	€17.2m
Loan Per Key	€143k
Interest Rate @3.5%	
20 Year Loan Repayment	€1.19m
Capex Provision @3%	€0.24m

Equity for Expansion  
or Acquisition

Cash Sweeps



Interest Margin

Personal Guarantees

Term Extension

Corporate Structures

Interest Only Facility /  
Limited Capital reduction

**Greater Feasibility**  
for projects and  
**Funding** is less of a  
constraint



# Thank you

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