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Hospitality Expo 2024

Mapping hotel financial performance post pandemic and the implications of increased business costs on development

Weldon Mather

20 February 2024

Audit / Tax / Advisory

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Our Hotel Tourism and Leisure Experience

Crowe is Ireland’s leading accountancy and business advisory firm serving the Hotel, Tourism and Leisure industry.

Our dedicated Hotel, Tourism and Leisure Division (Horwath HTL) is the oldest and largest hotel & tourism consultancy practice in the world and a member of UNWTO.

We produce the Ireland Annual Hotel Survey since 1995 as a benchmarking tool for the sector.

We work closely with our international HTL colleagues to bring you solutions through a combination of international experience and expert local knowledge.

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Sectoral Overview – Dublin Market (37% of Registered Rooms)

	2019	2020	2021	2022	2023	2024
Room Occupancy	82.7%	26.1%	35.5%	78.5%	~ 82%	?
Average Room Rate	€142.42	€103.51	€119.63	€169.36	~ €178	?
						?
Total Revenue	**€72,470**	**€18,346**	**€25,151**	**€72,989**	▲	
Total Operating Costs	€50,492	€20,335	€24,829	€50,726	▲	?
EBITDAR Profit before Supports	**€21,978**	**(€1,989)**	**€322**	**€22,263**	▲	?
Government Supports	-	€3,932	€6,750	€2,345		?
EBITDAR Profit after Supports	**€21,978**	**€1,943**	**€7,072**	**€24,608**	▲	?

Figures shown per available room

	2019	2023		
Average Room Rate	€142	€178	▲	€36 over 4 years (€9 average per year)
VAT Impact	9%	13.5%	▲	€8 vs increase of €9 in the last 12 months
EURIBOR	0%	3.9%	▲	Increased repayment burden

Challenging environment in 2024 to grow profit levels

Sectoral Overview – Dublin Market Revenue Mix

	2019	2020	2021	2022
Rooms	€43,045	€9,567	€14,929	€47,921
Food	€15,676	€4,014	€4,991	€13,398
Beverage	€9,269	€2,569	€3,071	€7,695
Other	€4,480	€2,196	€2,160	€3,975
Revenue Mix:				
Rooms	59.4%	52.1%	59.4%	65.7%
Food	21.6%	21.8%	19.8%	18.4%
Beverage	12.8%	14.0%	12.2%	10.5%
Other	6.2%	12.0%	8.6%	5.4%

Figures shown per available room

EBITDAR Profit before Supports %	30.3%	(10.8%)	1.3%	30.5%

- EBITDAR Margin had exceeded 2019 as greater share of revenues from accommodation
- If F&B is a key driver of revenue growth in 2024, this could impact overall EBITDAR Margin

Ireland led European rate and occupancy recovery by year end 2022

Sectoral Overview – Regional Ireland

	2019	2020	2021	2022	2023	2024
Room Occupancy	70.0%	30.8%	40.9%	69.7%	~ 72%	?
Average Room Rate	€102.44	€94.90	€121.18	€132.87	~ €141	?
						?
Total Revenue	€69,999	€26,514	€39,629	€77,711	▲	
Total Operating Costs	€58,354	€29,607	€41,381	€66,079	▲	?
EBITDAR Profit before Supports	**€11,645**	**(€3,093)**	**(€1,752)**	**€11,632**	▲	?
Government Supports	-	€6,059	€10,790	€2,908		?
EBITDAR Profit after Supports	**€11,645**	**€2,966**	**€9,038**	**€14,540**	▲	?

Figures shown per available room

	2019	2023		
Average Room Rate	€102	€141	▲	€39 over 4 years (€10 average per year)
VAT Impact	9%	13.5%	▲	€6 vs increase of €8 in the last 12 months

Further ahead in recovery, additional revenue growth in 2024 to drive profit?

Sectoral Overview – Regional Ireland Revenue Mix

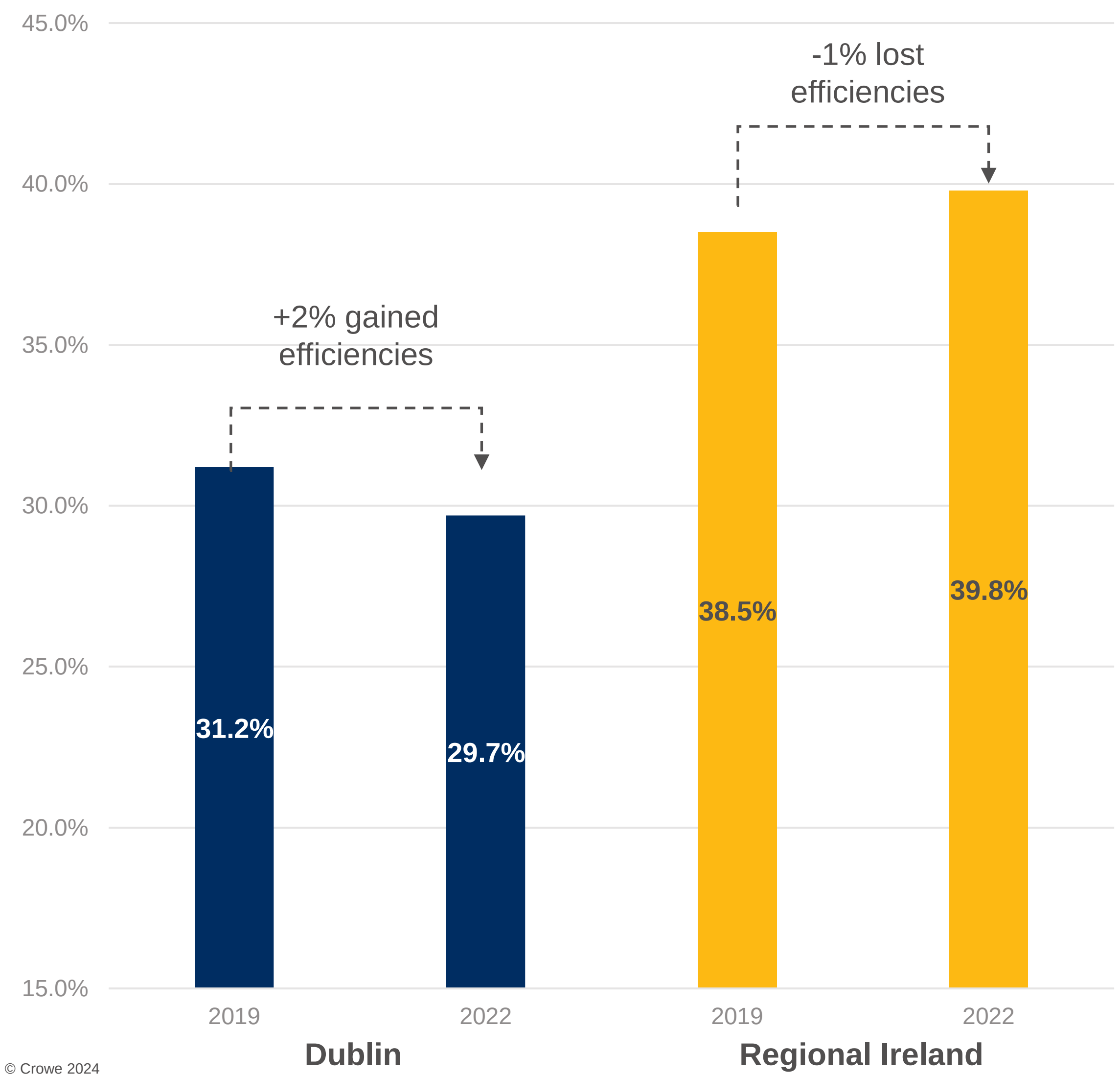
	2019	2020	2021	2022
Rooms	€26,185	€10,546	€17,348	€33,781
Food	€25,100	€8,547	€11,431	€25,486
Beverage	€12,753	€4,175	€5,836	€12,581
Other	€5,961	€3,246	€5,014	€5,863
Revenue Mix:				
Rooms	37.4%	39.8%	43.8%	43.5%
Food	35.9%	32.2%	28.8%	32.8%
Beverage	18.2%	15.7%	14.7%	16.2%
Other	8.5%	12.2%	12.7%	7.5%

Figures shown per available room

EBITDAR Profit before Government Supports %	16.6%	(11.7%)	(4.4%)	15.0%

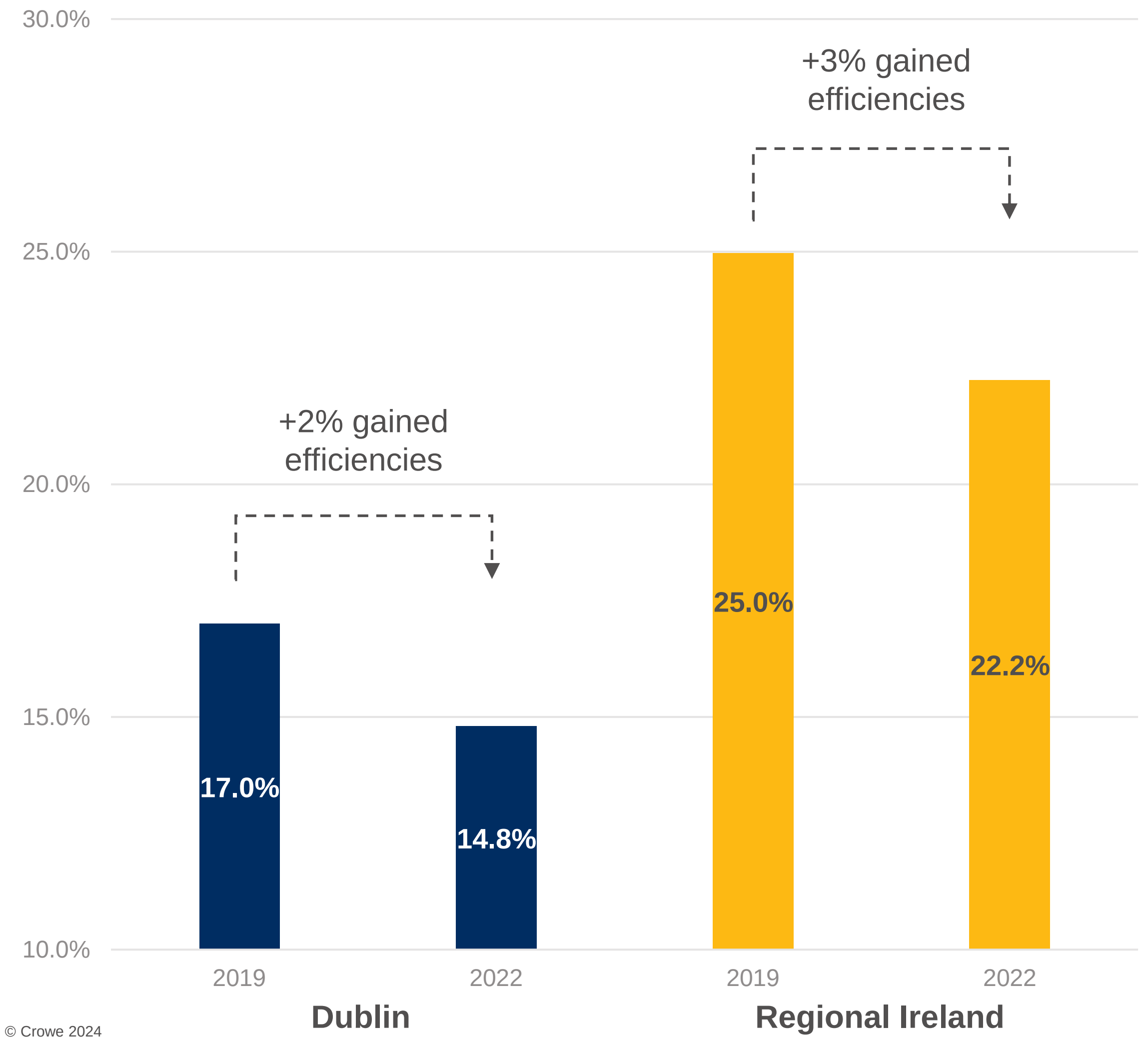
- EBITDAR Profitability is down on 2019 levels
- F&B accounts for 49% of revenue and is attracting higher costs
- Utility Cost up 58% from 2019

Overall Payroll (as % of Total Revenue)



- Hotels in Dublin gained payroll efficiencies (+2%), whereas hotels in Regional Ireland lost efficiencies (-1%)

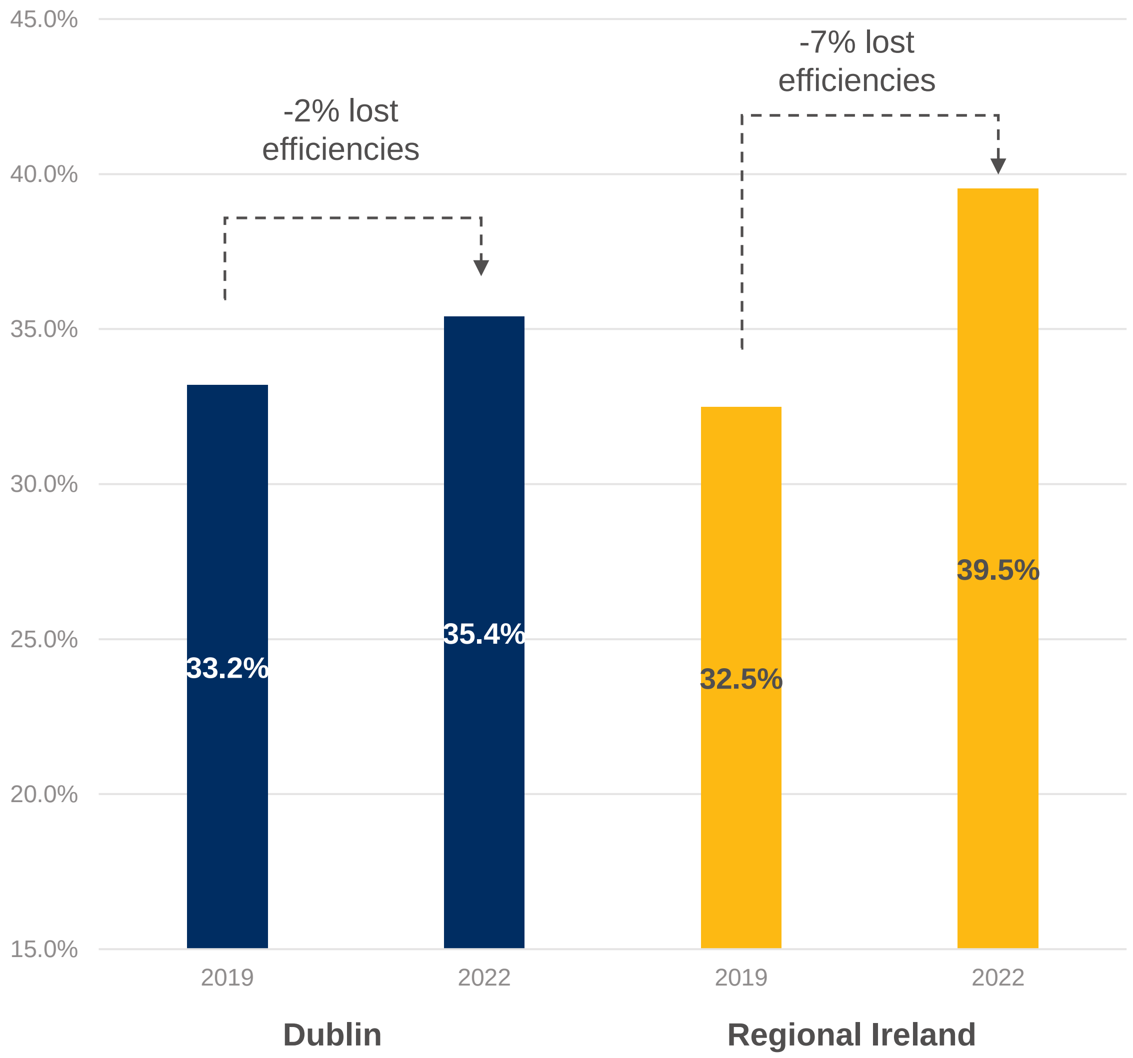
Rooms Departmental Payroll (as % of Room Revenue)



- ▸Hotels in Regional Ireland experienced greater efficiency (+3%) than hotels in Dublin (+2%)
- ▸Risk that payroll costs increase faster than room revenue growth and efficiency is eroded

F&B Departmental Payroll (as % of F&B Revenue)

- Hotels in Regional Ireland in ramping up F&B Revenues incurred very significantly higher labour costs
- Expect this has already corrected in 2023



Ireland Hotel Market Outlook 2024

- Impact of Increased VAT Rate
- Pace of Room Rate Growth
- Growth in Auxiliary Revenues (potential impact on margin)
- Rising Labour, Pension & Sick Pay Costs
- Renewal of Government Contracts
- Short Term Lets Legislation
- Capacity & Slowing Supply of New Rooms
- Investing to enhance profit and value

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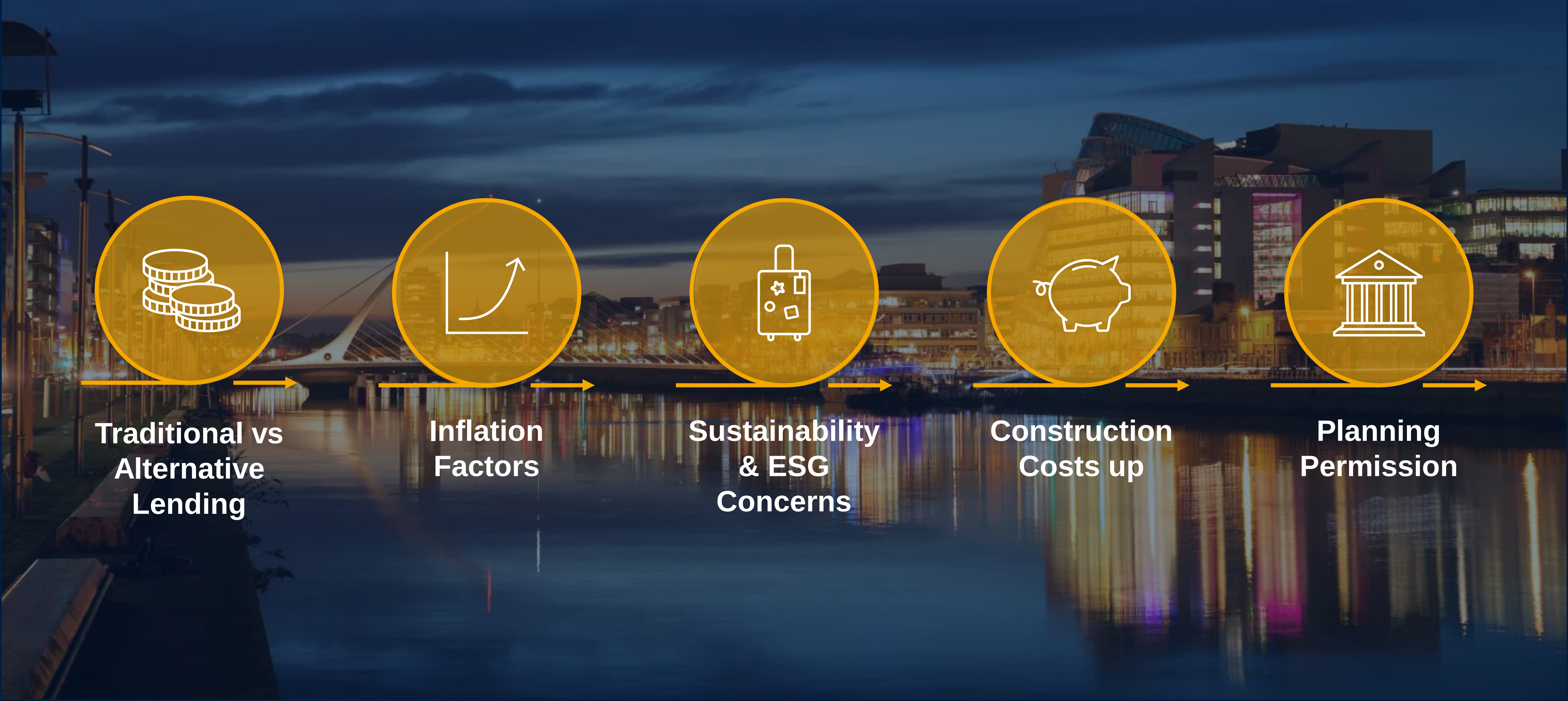
The implications of increased business costs on development

Going forward the sector has concerns as to whether it is in a period where the continued inflationary impact on both revenue and costs make it challenging to sustain profits.

Crowe Ireland Annual Hotel Industry Survey 2023

Key Factors Impacting Development



Traditional vs Alternative Lending

Inflation Factors

Sustainability & ESG Concerns

Construction Costs up

Planning Permission

Faster Activation of Your ESG Improvement Journey

Historic Approach	New Approach
Individual contribution and dedicated sustainability ‘green’ teams.	ESG engages all stakeholders and ingrained in decision-making processes. Targets linked to compensation.
Grants and tax breaks for energy efficient and low-carbon investment.	Energy and water conservation built into hotel design and refit and reported on P&L (EWW).
Guest opt-in programs for water conservation, energy reduction, and other eco-friendly practices.	ESG measured across the supply chain (legislatures, lenders, investors, insurers, and clientele).
Handful of sustainability-centric hotels.	More visibility on sustainability indexing and certifications (OTAs and GSTC).

Larger hotels obliged to provide specified level of financial and auxiliary reporting

Investment in people and product and return on investment metrics will be required

esg@crowe.ie

3 Promising Sentiments for 2024

Guest will continue to pay for premium authentic experiences.

Rate growth will moderate but remain steady.

Non-traditional lenders growth & awareness of unique sectoral opportunities.

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Thank you

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