# Vivion Investments S.à r.l.
# H1 2020 results presentation

**Date: 15 September 2020**

# Key highlights

The business has remained resilient in the COVID-19 period

## H1 2020 Highlights:

1 GAV as of 30 June 2020 € 3,964 million (€ 3,739 million as of 31 December 2019)

- **€ 352 million increase in investment property**, due to acquisition completed in H1 2020
- Acquisition of 2 hotels in a prime location in London's West end in January 2020, increasing footprint in London to over 50% of the UK portfolio. Reorganization of hotels to dispose of operations in process
- Fair value adjustments: 3.6% decrease of UK portfolio, no material change for German portfolio fair value

2 H1 2020 **Revenues € 95.8 million, Adjusted EBITDA € 71.7 million, FFO € 36.3 million. I**ncrease in FFO in the period is due to acquisitions, operational improvements and disposing of its hotel operations[1]

3 The Company received a € 250 million **shareholder injection in January 2020** and completion of € 556 million capital raise (including Company's pro rata share) in subsidiary Golden Capital Partners in March 2020, resulting in aggregated **capital influx for the Group of € 522 million**

- Consolidated cash position of € 293m as of 30 June 2020

4 The Company has maintained a conservative credit ratios: **Net LTV at 39.5%**, **unencumbered assets ratio at 62.0%**

- Outstanding unsecured bonds have sufficient headroom across all covenants
- Average debt maturity over 4 years, no major debt expiring in 2020-2022

5 Stable operational performance: **overall WAULT of 12 years, Property Occupancy Rate of 94.3% and Annualized in-place rent € 187 million** as of 30 June 2020

- Strong collection rates across portfolios: **over 90% collection rate** for H1 2020 rents

Note: figures as of 30 June 20, excluding assets held for sale. Includes future leases and signed letters of intent to future commercial tenants.

[1] The Company is in the process of disposing the hotel operations of the London hotels acquired in January 2020, similar to the 2019 hotel reorganization

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# Key highlights

## Post H1 2020 Developments

1. **Active acquisition pipeline:** The Group continues to monitor the markets and source attractive (off market) opportunities with focus on growth in the German office category in top-7 cities
2. The Company has placed a **€200 million senior unsecured Pre-IPO convertible bond** in August 2020. The bond has a maturity of 5 years and a coupon of 2.25%. The bond is convertible at the option of the bondholder following an IPO
3. The Company has **repaid £59 million of secured mezzanine financing** in the UK which carried an annual interest of 6.25% + 3M LIBOR. No make whole payment was due. The annualized saving on interest expenses amount to approx. £4 million
4. A 12-month financial covenant waiver is agreed on the secured debt in place in the UK portfolio
   - The Company deposited £28 million in July in exchange for the 12-month covenant waiver
   - The closure of hotels during the lockdown in the UK has impacted metrics used for covenant testing purposes but has not impacted rental income due to Vivion, which continued to be paid
5. The Group entered into a €565 million secured bank facility for part of the German portfolio with attractive terms. Funds will be used to further enhance our portfolio
   - The loan, once drawn, will bear an interest rate in the range of 1.86% and 2.61% plus 3M EURIBOR with final maturity on 30 December 2026
   - Withdrawal of (parts of) the facility is subject to completion of certain conditions precedent. Upon withdrawal of the first funds from the facility the Group will pledge properties with a fair value of € 851.5 million. Until then, the properties will remain unencumbered
   - Taking this financing into consideration, the Company still has sufficient headroom under its covenants

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# COVID-19 business update

| | UK | Germany |
|---|---|---|
| **Rent collection** | ■ 100% rent collection rate during Q1-Q3 2020<br>■ To aid one tenant, the company agreed to defer approx. 6% of Q4 2020 rents, to be paid in monthly instalments in 2021 together with the regular rent payments<br>■ None of the in place corporate rent guarantees (average 40 months[1]) have been invoked | ■ No material deviation in top line performance, Over 90% collection rate for German portfolio in Q2 2020<br>■ 9% of rents in Q2 2020 are deferred and are scheduled to be recovered in H2 2020<br>■ Continue to monitor the situation together with local asset management teams |

**Business Update**

- The business has remained resilient in the COVID-19 period and experienced strong collection rates
- Asset and property management: Leasing activities remain strong across the portfolio. No material pipeline lease transactions have been abandoned due to COVID-19, as only short delays were experienced because of the lockdown and restriction on site visits
- Ku'damm: the first of the 3 buildings (ca 22,000 out of ca 62,000 sqm) is in use per Q3 2020 and is 100% let. The other two buildings are under modernization. No material delays due to COVID are reported as per today

**Liquidity**

- The Group has implemented a programme to actively reduce operating expenses and postpone non-essential capital expenditure where realistically possible
- The Group has a liquidity position of €293m as of 30 June 2020, to serve as liquidity cushion and provides the striking power when good market opportunities arise.
- The Shareholder Group remains committed to providing adequate liquidity to Vivion, as demonstrated by its recent equity injection in January 2020

[1] Aggregated rent on a weighted average basis, as of 30 June 2020.

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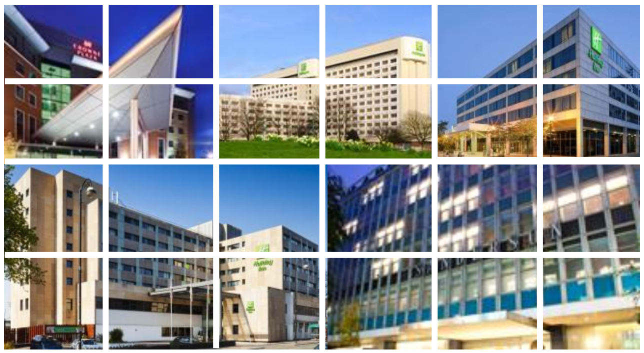
# 1 Company Background

# Vivion company overview

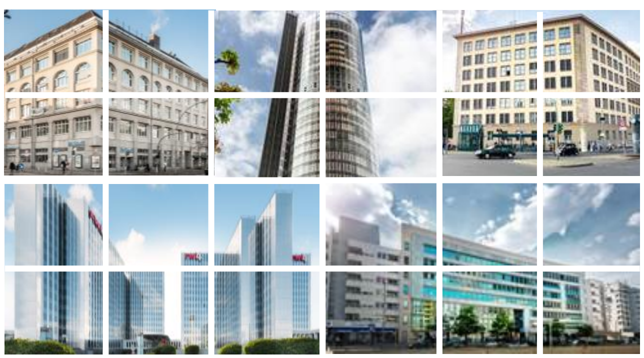
Diversified portfolio of UK hotel assets and German office properties

## Overview Of key assets

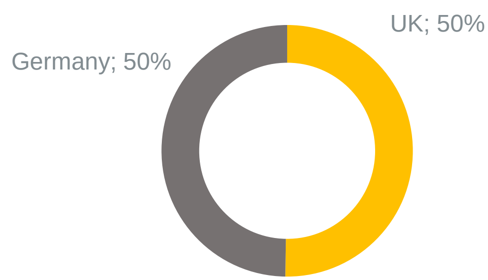
### United Kingdom (56 Assets / 8,874 Keys)



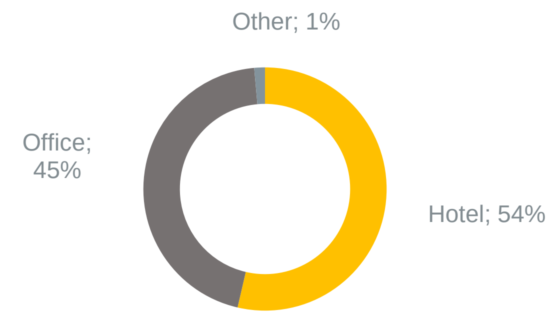
### Germany (38 Assets)



## Geographic split[1,2]




## Asset class split[1,2]




## Key consolidated figures (H1 2020)[1]

| | | | |
|---|---|---|---|
| GAV[2]: € 3,964 m | Annualised In-Place Rent[3]: € 187 m | WAULT[3]: 12.0 yrs | No. of Properties: 94 |
| Rental Yield[4]: 4.7 % | Annualised FFO[5]: € 73 m | EPRA NAV[6]: € 1,754 m | Property Occupancy Rate[3]: 94.3 % |

Note: GBP – EUR FX Rate assumed at 1.096.
[1] Excludes asset held in another EU jurisdiction [2] Includes IFRS16 adjustment and advance payments [3] Includes future leases and signed letters of intent to future commercial tenants. [4] Calculated as in-place rent divided by GAV. [5] Annualized FFO is FFO as of 30 June times two. [6] EPRA NAV interprets shareholder loans (including accrued interest) to be treated as equity.

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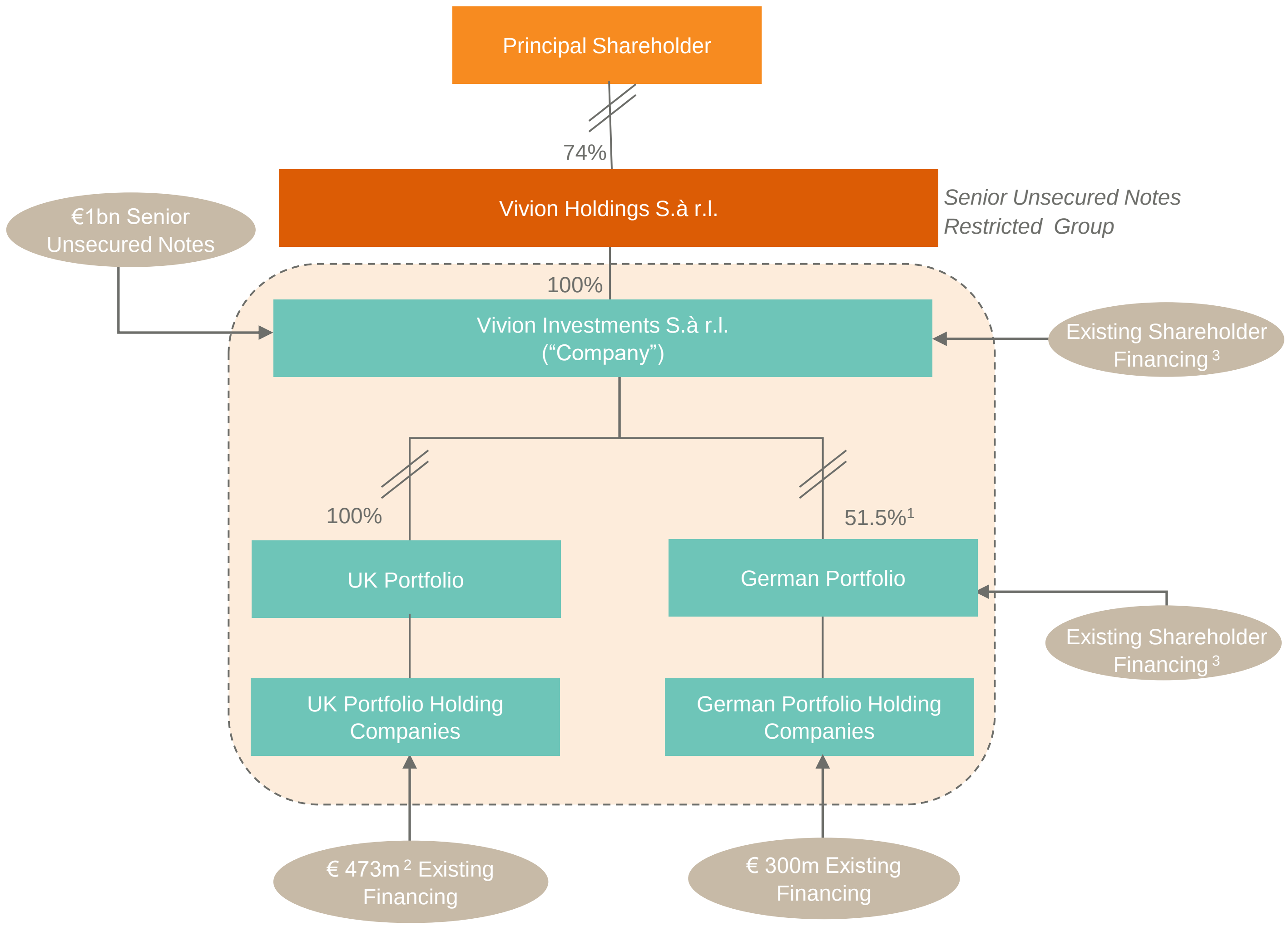
# Legal organization chart

As of 30th of June




Note: Simplified chart, not all legal entities shown.

[1] Golden indirectly holds substantially all of the share capital of the property-owning subsidiaries in the Golden Group. Non-controlling shareholders that are unaffiliated with us own directly or indirectly a minor percentage (ranging from 6% to 11%) of the share capital of these property-owning subsidiaries. These non-controlling shareholders do not have material voting or other control rights. [2] GBP – EUR FX Rate assumed at a constant rate of 1.096. [3] Loans from shareholders and non-controlling interests are unsecured and subordinated to the other group debt to third parties

# Highly experienced senior leadership team with proven European real estate track record operating within dedicated asset management platform of critical size

**Our leadership team has on average 18 years of experience in orivate and public real estate markets**

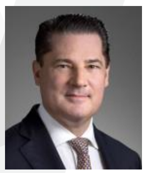
## Advisory Board

**Amir Dayan**
*Advisory Board*

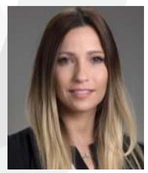
**Prof. Dr. Stefan Kirsten**
*Advisory Board*

**Beatrice Ruskol**
*Advisory Board*

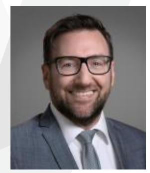
## Board of Managers of the Company



**Sascha Hettrich**
FRICS, *CEO*



**Ella Raychman**
*CFO*



**Oliver Wolf**
*Director*

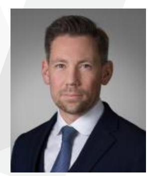
**Jan Fischer**
*Director*

## Senior Leadership Team

**Dr. Ralf Nöcker**
*CIO*

**Mirko Schwerdtner**
*Managing Director*
*Asset Management*

**Bert Schröter**
*Director*



**Sven Scharke**
*Head of Leasing*

**Simon Teasdale**
*Managing Director*
*UK Hotels*

**Dan Irroni**
*Finance Director*
*UK Hotels - CFO*

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# ESG & sustainability goals and targets

**Corporate Responsibility Report**

In 2020, Vivion intends to publish its first Corporate Responsibility report. The company's set ESG goals are:

| | |
|---|---|
| **Environ-mental** | ■ Pursuing energy efficiency and energy savings by performing an energy audit on our management assets<br>■ Examine to switching energy supply contracts to renewable electricity and green gas<br>■ Examine to invest in solar power systems for suitable properties and subsequently improving heat, power and cooling systems within our portfolio and making use of smart meters<br>■ Examine to minimize waste by analysing and introducing tailor-made waste management programs<br>■ Obtaining green certifications within our portfolio, such as LEED/BREEAM and DGNB |
| **Social** | ■ Vivion's goal is that all its properties can be used without any risk to health and safety. No incidents of non-compliance concerning health and safety were reported<br>■ All Tenant satisfaction and safety is important and to be considered as the backbone of our operations<br>■ On a day to day basis, the impact of COVID-19 on tenants is being monitored as our asset managers are in continuous and direct dialogue with tenants to access the situation. |
| **Governance** | ■ Vivion's Corporate Governance framework is continuously being monitored and improvements are being made to comply with changing regulations and to foster a culture of integrity that leads to a positive performing and sustainable business that is aligned with  the interests of the groups' Stakeholders.<br>■ Implementation of updated policies relevant to Governance, Risk Management, Corporate responsibility and Ethics |

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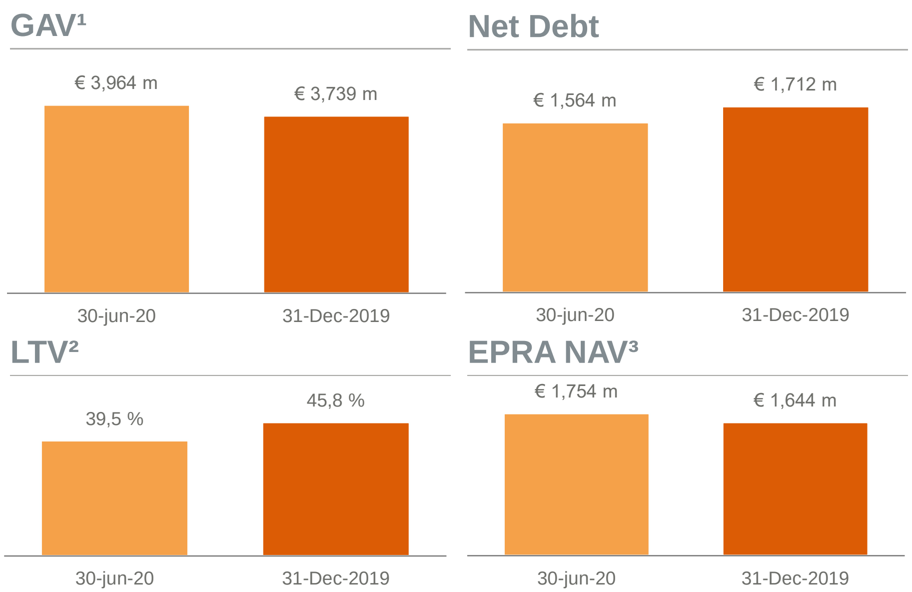
## Financial Results

# Balance sheet overview

As at 30 June 2020

## KPI comparison




## Summary balance sheet

| EUR millions | 30-June-20 | 31-Dec-19 |
|---|---|---|
| GAV[1] | 3,964 | 3,739 |
| Cash and cash equivalents | 293 | 128 |
| Other assets (incl. held for sale) | 438 | 414 |
| **Total Assets** | **4,695** | **4,281** |
| Equity attributable to the owners of the company | 497 | 594 |
| Non-controlling interests | 478 | 393 |
| **Total Equity** | **975** | **987** |
| Bonds, loans and borrowings | 1,753 | 1,749 |
| Loans from related parties | 1,055 | 856 |
| Loans from non-controlling interests | 496 | 311 |
| Other liabilities (incl. held for sale) | 416 | 378 |
| **Total Liabilities** | **3,720** | **3,294** |

- **GAV remains stable in H1 2020: increase of 6%** between December 2019 and June 2020 as a result of:
  - Acquisitions: 2 hotels in London acquired in Jan 2020.
  - Valuation movements: valuation decrease in UK hotel portfolio of 3.6%
  - FX movements: Depreciation of GBP-EUR FX rate as of 30 June 2020 (1.10) vs 31-Dec-2019 (1.18)
- Decrease in net debt between December 2019 and June 2020. Additional secured debt netted against amortization and FX movements.
- **Leverage remains robust** and within internal target levels
  - LTV reduction largely attributable to equity injection in January and capital raise in Golden Capital Partners in March 2020
- **Growth in EPRA NAV** In H1 2020 due to acquisitions largely financed with **additional shareholder equity contribution** during the reporting period

[1] Defined as investment property + advance payments for investment property. Includes IFRS16 adjustment. [2] Defined as debt less cash and cash equivalents divided by GAV. [3] Defined as equity attributable to shareholders + loans from related parties (incl. accrued interest) + deferred tax liabilities – fair value of financial instruments.

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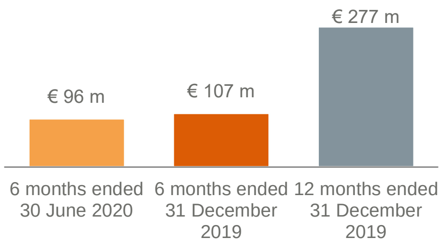
# Income statement overview

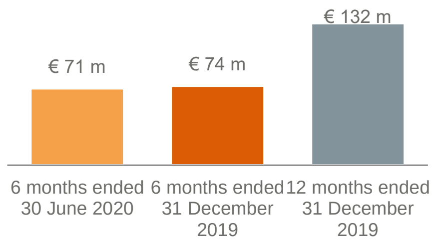
30 June 2020

## KPI comparison

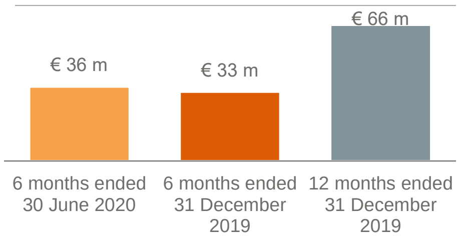
### Revenue




### Adjusted EBITDA




### FFO




## P&L highlights

| EUR millions | 6 months ended 30 June 2020 | 6 months ended December 2019 | 12 months ended December 2019 |
|---|---|---|---|
| Hotel income | 6 | 35 | 169 |
| Rental income | 82 | 67 | 99 |
| Service charge income | 8 | 5 | 10 |
| **Total revenues** | **96** | **107** | **277** |
| Total operating expenses | (14) | (20) | (98) |
| **Net operating income** | **82** | **87** | **179** |
| Selling & administrative expenses | (22) | (21) | (60) |
| Net gains on investment property | (51) | 445 | 599 |
| **Operating profit** | **9** | **511** | **718** |
| Interest expenses on third parties | (28) | (28) | (51) |

- In 2019, the group **transformed to a pure play property company** by disposing its hotel operations[1]. Removal of hotel operations related income in the P&L leads a substantial improvement in NOI margins and ensures stability of cash flows generated in the UK
- **Revenues -** In comparison to the six months and twelve months ended 31 December 2019, The revenue stream mix have changed, from revenues that are generated by hotel operation to revenues that are generated from rental income, this is due to the disposal of the hotel operations in August 2019
- In comparison to the six months ended 31 December 2019, a decrease in revenues is attributed mainly to the disposal of one hotel in the UK and the currency effect on the UK revenues, which was set of against higher rental income in UK and in Germany
- **Adjusted EBITDA and FFO** - 2019 operating expenses includes mainly one-off expenses that were not recurring and associated with the Corporate reorganization in the UK. In 2020 operating expenses includes mainly one-off expenses that were associated with the acquisition of the two London hotels during January 2020
- In comparison to the six months ended 31 December 2019, there was an increase in FFO which is due to the company acquisitions, operational improvements and disposing of its hotel operations
- KPIs do not take into account the full potential of Berlin acquisition which is believed to drive growth across all metrics

[1]The Company is in the process of disposing the remaining hotel operations of the London hotels acquired in January 2020, similar to the 2019 hotel reorganization.

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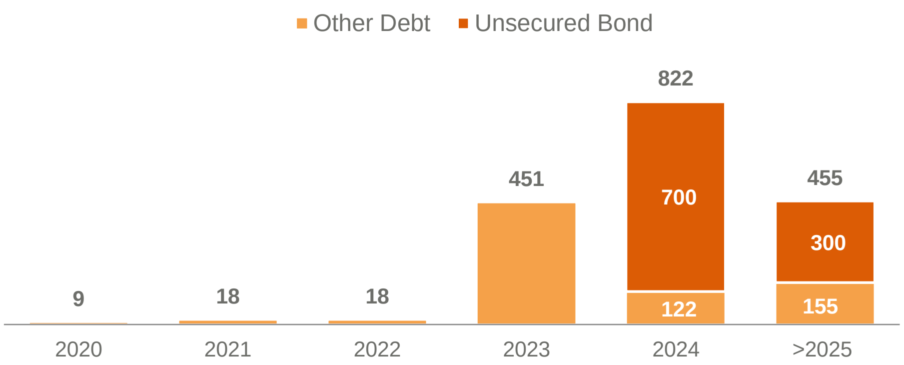
# Company debt profile

As at 30 June 2020

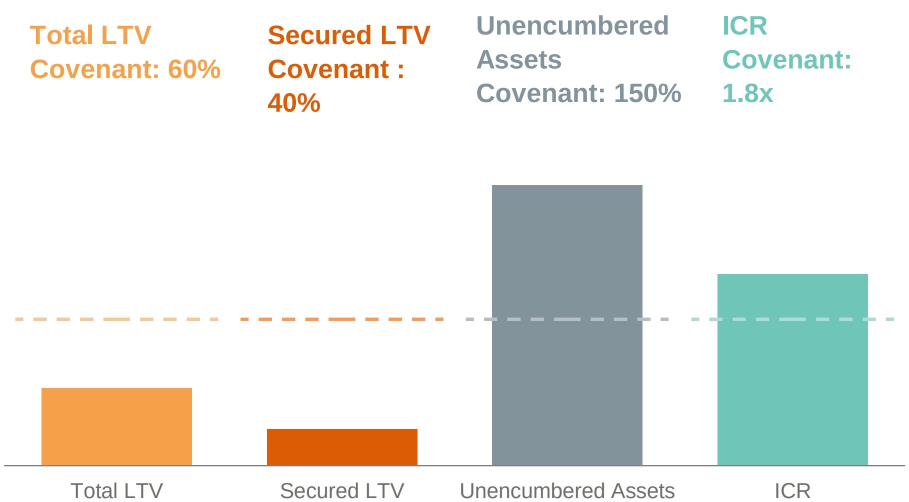
## Overview

- Attractive financing terms with no material debt maturing in 2020 – 2022
- Significant headroom across bond covenants, LTV and unencumbered asset ratio emphasize the prudent and robust financing structure and provide several potential financing options
- Debt profile excludes €200 million convertible bond issued in august 2020 and £59 million secured mezzanine loan repayment in July 2020.
- Average cost of debt pro forma the above transactions is 2.85%.

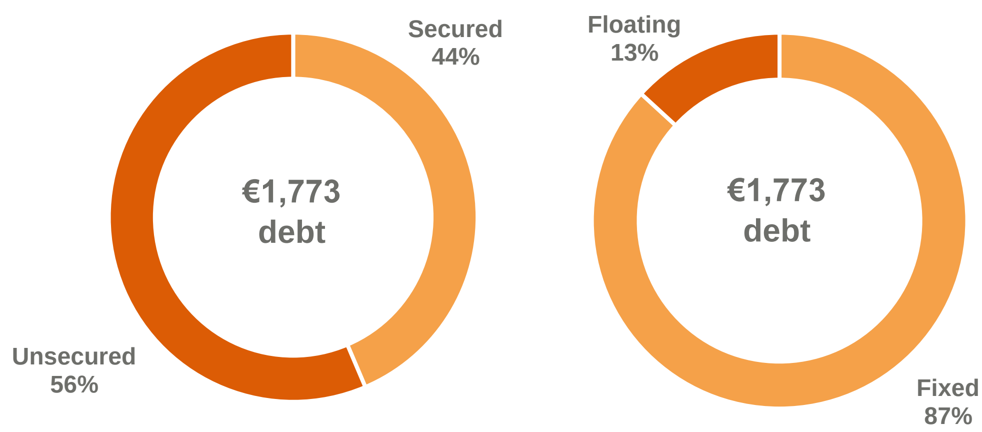
## Debt maturity profile (€m)




## Bond covenant headroom




## Debt profile (€m)




Note: based on debt as of 30th of June 2020. Amounts shown for the period ending 30st June each year. Amortization included in the schedule but not interest payments. GBP – EUR FX Rate assumed at a constant rate of 1.096. [2] Excludes long-term lease liabilities, accrued interest and capitalized transaction costs, fixed includes hedged.

The group obtained On 10 July 2020 the group obtained a covenant waiver for certain facilities in the UK. As a result, the Group classified GBP 134.4 million to short term loans. For more information see note 12 of the Reviewed H1 2020 FS.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## Portfolio

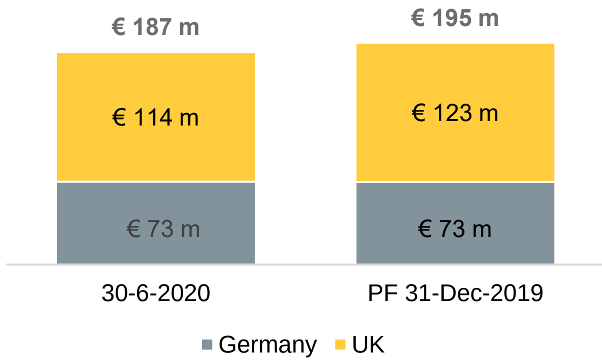
# Operational performance

30 June 2020

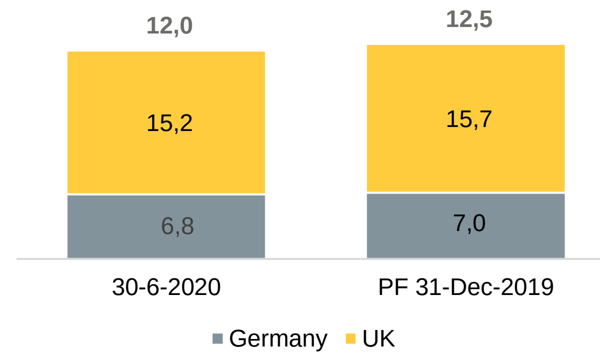
## Summary

- German portfolio performance remained stable in H1 2020. UK rental income decrease as a result of FX. **Long term lease agreements in place for UK portfolio unaffected.**
- 12.0 year WAULT as of 30 June 2020 **above industry standard**
- Pro forma number of assets as of Dec-19 included signed acquisitions, which are now all completed as of June-20 thanks to the **successful execution of the Company's pipeline**
- Assets which have **realised their value potential or no longer meet the Company's investment criteria** are held for sale, resulting in a slight reduction in the number of assets between Dec-19 and Jun-20
- **Leasing pipeline remains strong in Germany** which extended the lease maturity profile.
- KPIs do not take into account full potential of recent Berlin acquisition which is believed to drive further growth across all metrics

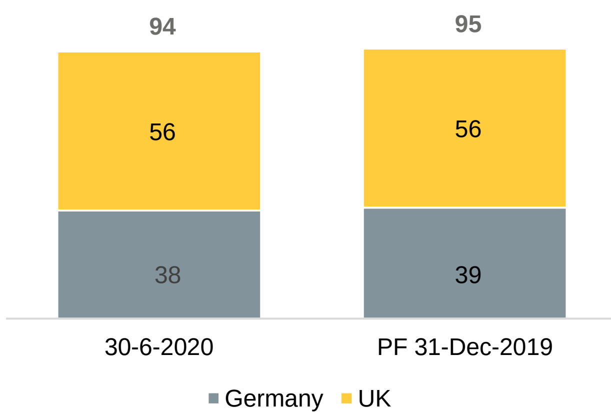
## Annualised In Place Rent (€ m)



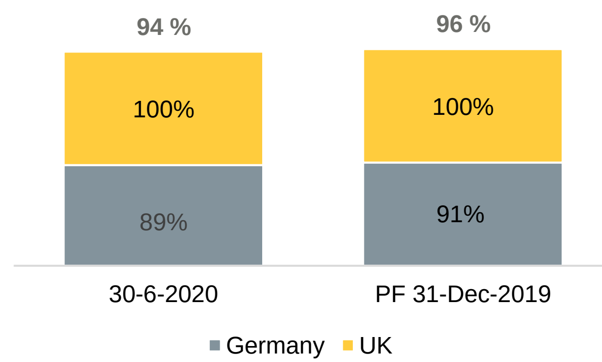

## WAULT (years)




## Number of Assets




## Occupancy (%)




Note: PF 31 December 2019 as presented in Report to Noteholders 2019 – 29 April 2020. All KPIs exclude assets held for sale as of 30 June 2020, Includes future leases and signed letters of intent to future commercial tenants.

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# Portfolio overview

## Diversified hotel portfolio in the UK and office property portfolio in Germany

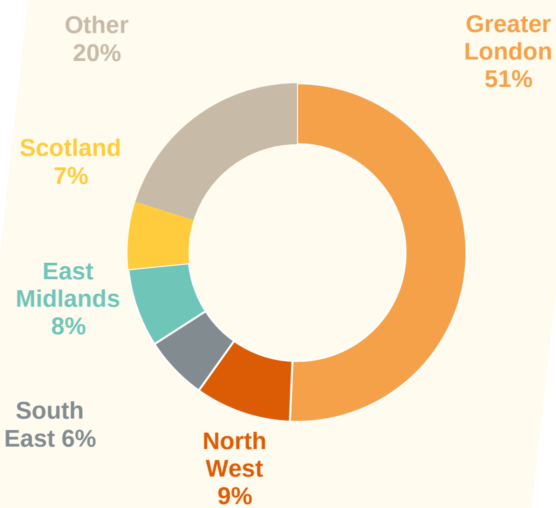
GAV: € 1,929 m

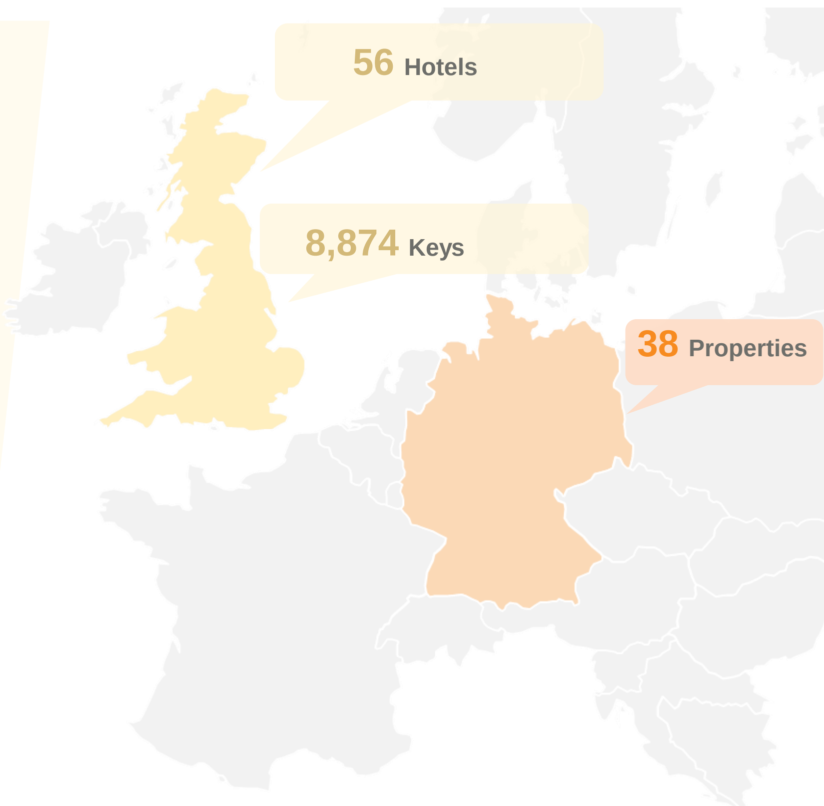
GAV: € 1,911 m

### United Kingdom

| Class | % GAV | # properties |
|---|---|---|
| Hotel | 100% | 56 |
| **Total** | **100%** | **56** |

### Hotel properties by region

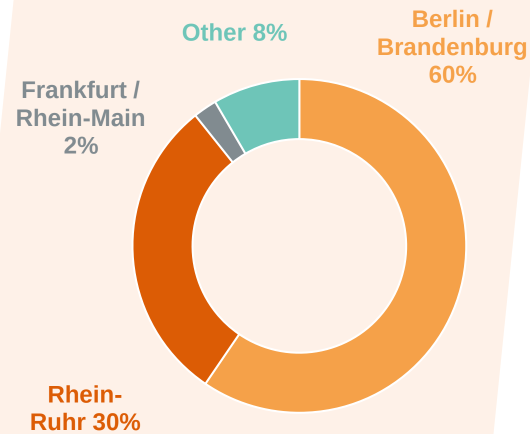



### Germany

| Class | % GAV | # properties |
|---|---|---|
| Hotels | 7% | 3 |
| Office | 90% | 26 |
| Other | 3% | 9 |
| **Total** | **100%** | **38** |

### Office properties by region




Note: as of 30-06-2020, includes IFRS 16 adjustment . GBP – EUR FX Rate assumed at 1.096.

# High quality real estate portfolio in strategic locations

Assets strategically diversified across major German cities

## H1 2020 Summary

- The German portfolio performance has remained resilient in the Covid-19 period and experienced strong collection rates
- Leasing activities remain strong across the portfolio. Property Occupancy Rate is 89%, with a material portion due to strategic vacant areas in some of the (newly acquired) properties.
- Ku'damm: the first of the 3 buildings (ca 22,000 out of ca 62,000 sqm) is in use per Q3 2020 and is 100% let. The full potential of Berlin acquisition which will drive growth across all metrics which is expected to crystalize in the next 12-18 months.

## Key metrics (June 2020)

GAV: **€1.9bn**

Property Occupancy: **89%**

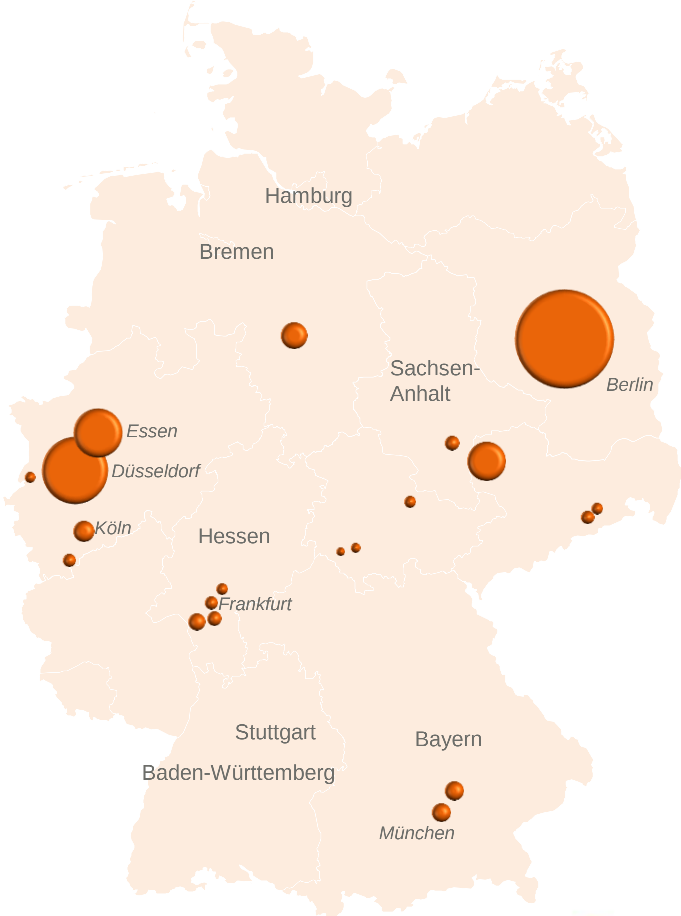
**WAULT: 6.8 years**

Annualised in-place Rent: **€73m**

## Geographic footprint of German portfolio

✓ **Office portfolio primarily in Tier 1 cities across Germany with strong micro locations**

✓ **Berlin focused; 59% of German office portfolio[1]**




Note: Size of bubble represents share of investment property value. All figures as 30 June 2020, excluding assets held for sale. includes futures leases or letters of intent that have been signed by future tenants.

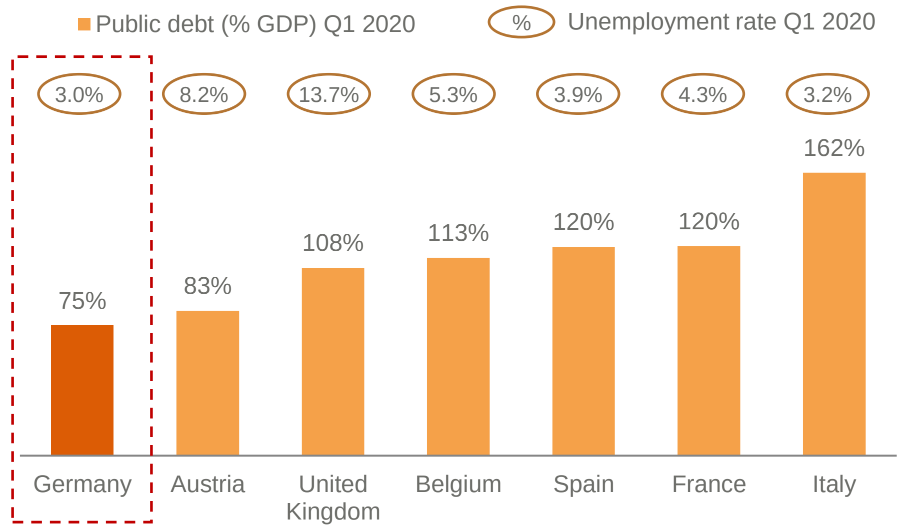
[1] Berlin / Brandenburg region. excluding assets held for sale.

# German economy has already seen a substantial operational return

## COVID-19 update for Germany

- Germany issued strict social distancing measures on March 22
- In view of the lower infection rate Germany announced on May 6 steps to relax the COVID-19 measures, which are made on a city, state and region level.
- All non-essential shops were shut and public gatherings of more than two people were banned, with selected states (e.g. Bavaria and Saarland) having put residents on lockdown
- Government approved a €2.0bn worth total package (more than half of last year GDP), outspending all other EU countries on relative basis
- Since mid-may, the economy has been gradually reopening with schools, restaurants and hotels being able to reopen
- On 16 June 2020, the country opened the borders to EU citizens
  - Germany still restricts travellers into the country coming from COVID hotspots

## German economy remains strongest in post COVID world




## Legislative measures implemented in Germany

- Tenants remain obliged to pay rent on time
- The landlord's right to terminate tenancies has been restricted > rents debts from the period between 1 April 2020 and 30 June 2020 do not entitle the landlord to an extraordinary cancelation of the rent contract if related to COVID-19
- The regulations initially apply until 30 June 2020 and can be extended under certain conditions
- The same mechanism applies to service charges and VAT
- Interest has to be paid on the outstanding rents until full repayment
- The outstanding rent including the service charges (April, May and June 2020) have to be paid later on to the landlord, by June 2020 at the latest

Source: company information, press release, European CDC research as of July 2020

# Office market update Germany – market activity is rising again

## Vacancies increase only slightly – prime rents unchanged

- In the first six months of the year, around 1.8 million sqm of office space in the Big 7 was either let to tenants or to owner-occupiers. This corresponds to a year-on-year decline of almost 36%
- Despite the weak demand, the current situation on the supply side is currently propping up rental prices or keeping them at pre-coronavirus levels
- The low point in vacancies has been reached and volumes are slowly rising again from their respective all-time lows.
- In the first half of 2020, office space completions amounted to a total of around 438,000 sqm, which almost matched the volume recorded for the first half of 2019. Of all new building space 87% has already been rented or handed over. A total of 615,000 sqm is still in the pipeline, all of which is already under construction
- With an average office prime yield of 2.91% for the seven strongholds in Q2, the price level is even slightly lower compared to Q1, and 15 basis points lower in a 12-month comparison. German real estate proved to be remarkably resilient in the past three months

Source: JLL Office Market overview – published in July 2020

## Prime rents remained unchanged

*Tenants are still willing to pay prime rents for prime space in the best locations*

**Prime Office Rents (€/sqm/month)**

| | Q4 2019 | Q2 2019 | Q2 2020 | % |
|---|---|---|---|---|
| Berlin | 37.00 | 35.50 | 37.00 | 4.2 |
| Düsseldorf | 28.50 | 28.00 | 28.50 | 1.8 |
| Frankfurt/M | 41.50 | 40.50 | 41.50 | 2.5 |
| Hamburg | 29.00 | 29.00 | 30.00 | 3.4 |
| Cologne | 26.00 | 25.00 | 26.00 | 4.0 |
| Munich Region | 41.00 | 40.00 | 41.00 | 2.5 |
| Stuttgart | 24.50 | 24.00 | 25.50 | 6.3 |

## Vacancies increase only slightly

*Still a limited choice of modern, flexible, high-quality space*

**Vacancy incl. Space for subletting**

| | Q4 2019 | | Q2 2019 | | Q2 2020 | | % |
|---|---|---|---|---|---|---|---|
| | m² | Quote (%) | m² | Quote (%) | m² | Quote (%) | |
| Berlin | 376,500 | 1.8 | 371,500 | 1.8 | 379,700 | 1.9 | 2.2 |
| Düsseldorf | 526,700 | 5.8 | 573,200 | 6.3 | 566,500 | 6.2 | -1.2 |
| Frankfurt/M | 637,300 | 5.5 | 700,500 | 6.1 | 728,400 | 6.3 | 4.0 |
| Hamburg | 452,400 | 3.0 | 505,600 | 3.4 | 406,200 | 2.7 | -19.7 |
| Cologne | 168,000 | 2.2 | 199,000 | 2.6 | 169,600 | 2.2 | -14.9 |
| Munich Region | 478,500 | 2.3 | 493,600 | 2.4 | 561,900 | 2.7 | 13.8 |
| Stuttgart | 206,700 | 2.3 | 187,700 | 2.1 | 182,700 | 2.1 | -2.7 |

## Yields are slowly becoming more differentiated

*Prime yields remained in robust form after the first six months*

**Office Prime Yields in %**

| | Q4 2019 | Q2 2019 | Q1 2020 | Q2 2020 |
|---|---|---|---|---|
| Berlin | 2.90 | 2.75 | 2.65 | 2.65 |
| Düsseldorf | 3.20 | 3.10 | 3.10 | 3.10 |
| Frankfurt/M | 2.95 | 2.85 | 2.85 | 2.85 |
| Hamburg | 3.05 | 2.95 | 2.95 | 2.85 |
| Cologne | 3.20 | 3.20 | 3.20 | 3.20 |
| Munich Region | 3.10 | 3.00 | 2.80 | 2.80 |
| Stuttgart | 3.05 | 2.95 | 2.95 | 2.95 |

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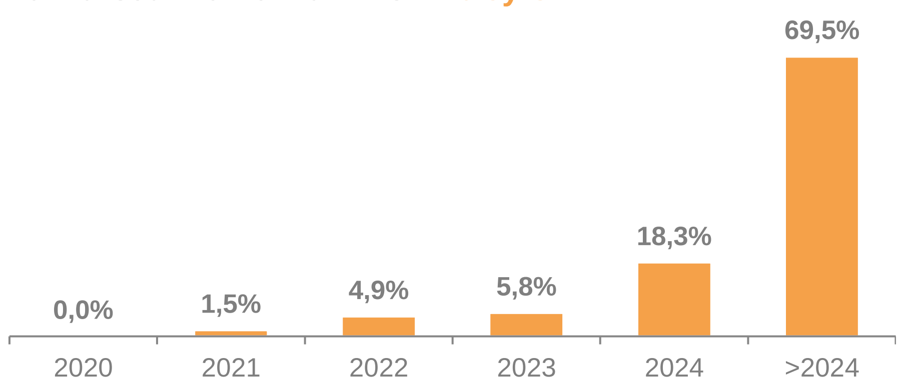
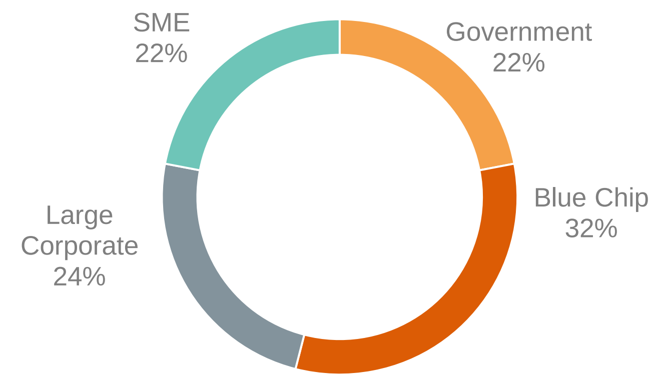
# Vivion has a high quality tenant base comprising government institutions and blue chip companies with a long term WAULT

## Lease Expiry Profile

Normalised Pro-Forma WAULT: **6.8yrs**




## Tenant Size Breakdown [1]




## Lease Features

1. Inflation indexed leases
2. Euro denominated
3. Most German leases are double net (tenants responsible for all operating expenses, repairs and maintenance)

**Stable rental income from high quality tenant base including government institutions**

## Major Tenants by NLA as of 2020 [1]

| Tenant | | NLA (sqm) | % total NLA[1] |
|---|---|---|---|
| innogy | *National Utilities Provider* | 56,337 | 12.4% |
| BLB NRW | *Agency of the German Federal State of NRW* | 22,280 | 4,3% |
| LGLN | *Government Administrator* | 13,501 | 3,0% |
| myToys | *Online retailer* | 11,314 | 2,5% |

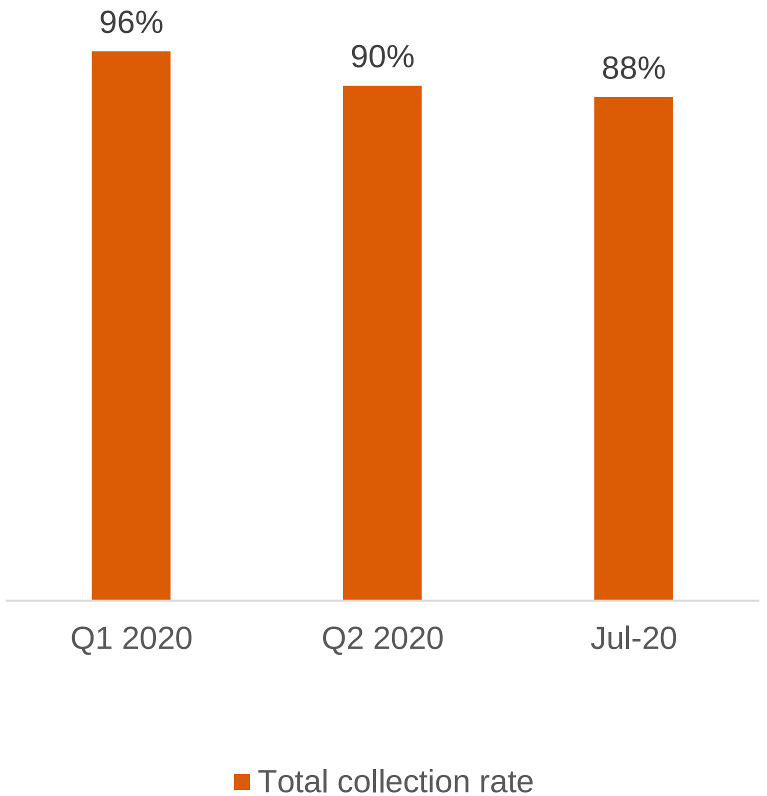
[1] Office category

# Limited impact on rent collections in Germany in first two quarters

## Situation overview

| | |
|---|---|
| **Portfolio and tenants** | ▪ Office properties represent 90% of the Group's German portfolio<br>▪ Government institutions, blue chip and large corporate tenants account for 78% of the office rent<br>▪ Majority of tenants were not directly impacted by the lockdown in Germany which ran from Mid-March to Mid-June 2020 |
| **Rent collections** | ▪ Collection rate for German office portfolio was over 90% in H1 2020.<br>  ▪ Of the invoiced rent not collected in Q2 across the German portfolio, 9% was deferred and is expected to be collected in the next 6 months and only 0.7% was lost due to insolvencies.<br>▪ Further aid provided to tenants by way of acceleration of existing incentives and rent free in exchange for lease extension<br>▪ As per today, Q3 collection levels are in line with H1. |
| **Capex** | ▪ Kudamm : first building in use as of Q3 (100% let) and remaining buildings continue to be modernized. The est. capital expenditure is expected to be € 50 million in the aggregate over the next 12 months. |

## Rent collections



# High quality real estate portfolio in strategic locations

Mainly in prime locations across UK big cities

## Geographic Footprint


Hilton
Holiday Inn
CROWNE PLAZA HOTELS & RESORTS
BW Best Western Hotels & Resorts

## H1 20 Summary

- Highly diversified portfolio of attractive hotel properties in the United Kingdom
- Predominantly Mid-market Branded hotels enjoy balanced mix of leisure and business from both the UK and abroad.
- Majority of hotels remained open during lockdown, accommodate key workers and COVID-related guests

## H1 2020 Key Metrics

**GAV:** €1.9bn

**# of Hotels:** 56

**Rooms:** 8,874

**Property Occupancy Rate:** 100%

**NRI Yield:** 5.9%

**Annualised in-place Rent:** €114m

**WAULT: 15.2 years**

Note: All figures as 30 June 2020. Size of bubble represents share of investment property value. GBP – EUR FX rate assumed at 1.1096. 2 Including rent for the London Hotels that were acquired in January 2020, based on signed non-binding LOI

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# Long leased, credible and diversified tenants across the UK portfolio

## Substantial protection to near term market turbulence

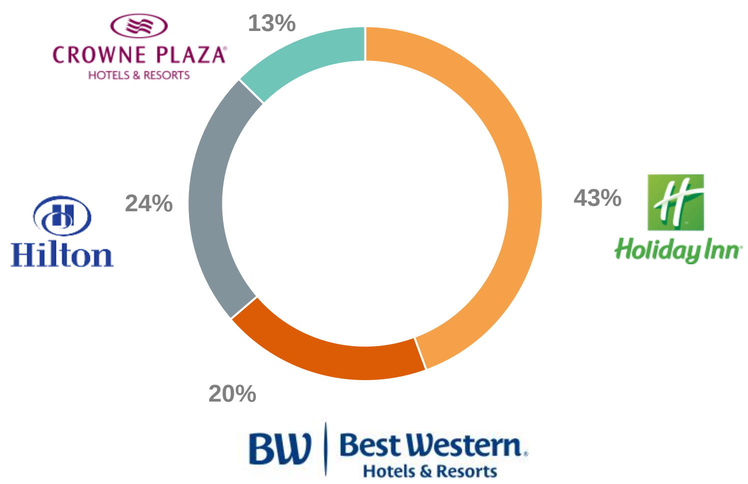
1. **Secure income stream** from long term and defensive lease structure with no operational exposure

2. **Long term** leases (15.2 year WAULT[1]) with **high quality** tenants

3. **Rental guarantees** in place for average of 40 months[2]

4. Well **diversified customer base** providing natural hedge to the UK economy

## Established well-known hotel brands [3]




## Branding update

- **In 2020, 26 hotels were rebranded to Best Western hotels (previously Hallmark)**
- **The rebranding did not impact the long-term lease agreements in place at these hotels**
- **The company believes the rebranding will support the operators as they further improve hotel performance benefitting from Best Western's brand, distribution network and savings on commissions**

[1] Including London Hotels that were acquired in January 2020, based on signed non-binding LOI. [2] In aggregated rent on a weighted average basis as of 30 June 2020.
[3] Does not include London Hotels acquired in January 2020

# 100% rent collections in UK for first three quarters

## Situation overview

| | |
|---|---|
| **Rent collections** | **100% collection rate for Q1, Q2 and Q3 2020 rents**<br>None of the provided rent guarantees (40[1] months on a weighted average basis) have been invoked<br>None of its UK tenants have requested a rent-free period or rent reduction<br>To aid one tenant, the company agreed to defer approx. 6% of Q4 2020 rents, to be paid in monthly instalments in 2021 together with the regular rent payments. |
| **Hotel operations** | Several hotels remained open during the UK lockdown as these hotels had secured substantial income through contracts with the UK authorities to accommodate key workers and COVID-related guests. A number of these contracts are still in place, generating additional income and support the operators in rental payments.<br>Currently, 67%[1] of the hotels are open and we expect the remaining to re-open the upcoming months, as the hotel operators continue to assess their opening strategy<br>Domestic leisure demand is leading the recovery of the UK regional hotel market. The strong geographic location of the hotel portfolio together with its end-user diversification and brand positioning position the hotels to recover well in comparison its peer set. |
| **Operator measures** | The hotels which are currently open have implemented a variety of comprehensive health and safety measures in order to comply with UK government regulation<br>- Such measures include, amongst others, implementing social distancing signage, health screening and illness response and enhanced cleaning procedures<br>The hotel operators continue to reduce operational expenses as hotels are closed / operate at lower occupancy levels including the utilization of the COVID-19 Job Retention scheme. |

[1] Based on annualized rent for the UK hotel portfolio.

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# UK Government has been announced measures to support the hospitality sector

### COVID-19 update for the UK

- On 23 March 2020, the UK government introduced three new measures:
  - closing non-essential shops and community spaces
  - requiring people to stay at home, except for very limited purposes
  - stopping all gatherings of more than two people in public
- On July 4 2020, the UK reopened commercial and leisure operations

### Legislative measures implemented in the UK impacting rent collections

- With the Coronavirus Act 2020, which became law on March 25 2020, tenants remain obliged to pay rent on time, but landlords were unable to forfeit a lease and commence possession proceedings if a tenant failed to pay rent until 30 June 2020
- Landlords are under no legal obligation to waive rent during these unprecedented times

### Government has recently provided boost to tourism in UK

- On July 8, 2020 the Chancellor Sunak delivered what he described as the 'phase two' fiscal response to the virus:
  - Announced a scheme offering firms a £1000 cash bonus payment for every furloughed employee that is retained after the scheme ends in October (and provided they remain in employment until January 2021)
  - **VAT for the hospitality and amusement sector will be lowered more significantly from 20% to 5%**
- Businesses in the retail, hospitality and leisure sectors in England will not have to pay business rates for the 2020 to 2021 tax year.

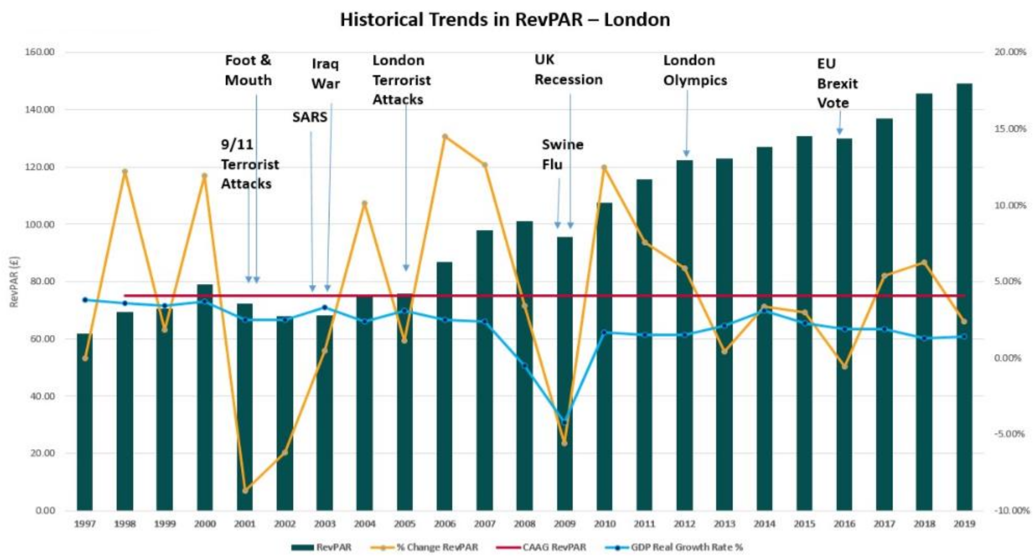
# UK hotel market has started to show signs of improvement

## Occupancies have started to show signs of improvement

- As a result of the UK easing government restrictions, July saw around 62% of UK hotels open in comparison to 25% in June. As a result of lower international demand and group cancellations, London has seen a limited number of hotels reopen, reporting a total of only 41% open in July, whilst regional UK markets reported a total of 54% of hotels open.
- Demand for regional UK markets over the London market is reflected in the ADR gap between the two markets. Whereas the ADR gap in July 2019 was £96, by July 2020 it had reduced to only £21. This is further reflected in occupancy levels as regional-UK's occupancy saw an increase up to 18 July from the start of June, whilst London realized a decline for the same period for open hotels
- The significant growth in GDP next year is expected to bring the UK's level of economic output back in line with pre-COVID levels by early 2022
- Prior to the outbreak of COVID-19, the global economic crisis in 2008 was the last occasion when the UK witnessed a decline in inbound visitor arrivals. The graph on the right shows the year-on-year changes in inbound tourism to the UK, with declines in Total Inbound Visitor Arrivals in both 2001 and 2009.

## London market rebound expected strongly

- The potential for the London market to rebound strongly once COVID-19 is contained and travel restrictions eased is positive.
- Since the global financial crisis of 2008, London achieved year-on-year RevPAR growth of 4.6%, despite strong growth in hotel supply of 35%.
- The graph below shows London's RevPAR performance over a 20-year period and what becomes immediately apparent is the resilience over time of the London hotel market. The change in global travel and the changing patterns in leisure spend have contributed to the strength and robustness of the sector.




Source: JLL Office Market overview – published in July 2020, Knight Frank the impact on the UK hotel market report, published April 2020.

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# A

# Appendix

# Selected portfolio assets: Germany

## Düsseldorf - Völklinger Strasse


A 47,000 sqm property, located close to Düsseldorf‘s Medienhafen area in the Düsseldorf-Unterbilk district, a thriving commercial area which lies on the right bank of the Rhine river.

Main tenants include Bau- und Liegenschaftsbetrieb NRW, a government tenant which leases over 20,000 sqm of the building.

## Essen - Opernplatz

The property is the tallest building in North Rhine-Westphalia and is an Essen landmark.

The property in centrally located within the Südviertel of Essen, approximately 450m south of the main railway station.

Leading German electricity supplier Innogy occupies the entire 56,000 sqm property.

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# Selected portfolio assets: Germany

## Berlin - Kurfürstendamm

The 62,500 sqm asset is located at the intersection of Kurfürstendamm and Uhlandstraße, in Berlin

A prime location for retail, residential and office tenants. The asset is predominantly for office use.

Berlin is Europe's third most visited capital city; tourism rates and overnight stays have grown by 51% in the last 5 years

## Berlin - Potsdamer Strasse

The assets located at Potsdamer Strasse are listed, but modernized, 1930's office buildings situated in the vibrant Schöneberg district of Berlin, Germany's capital city and largest investment market with the most dynamic economy in the country.

Potsdamer Strasse is one of the main North-South thoroughfares through the capital city originating at the world-famous Potsdamer Platz. The asset complex is located at the southern end of the route beside the Kleistpark U-bahn (underground railway) station.

# Selected portfolio assets: Germany

## Berlin - Karl Liebknecht Strasse

The property is situated in the north-east section of Berlin-Mitte, close to Alexanderplatz, a major transport interchange and one of the most visited areas in the capital. Tourist attractions include the landmark Fernsehenturm (TV tower)

## Berlin - Bundesallee

The property on Bundesallee is situated on a busy north-south thoroughfare in one of Berlin's popular office districts and lies next to the Berliner Strasse U-Bahn station at the intersection of Bundesallee and Berliner Straße.

# Selected portfolio assets: Germany

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## Düsseldorf – Fritz Vomfelde Strasse

The 15,978 sqm building is prominently located in Dusseldorf's District 4 on the left bank of the Rhine in a popular business district close to public transport connections and to Brusseler Strasse, one of the principal fast routes through the city.

Operational metrics have been significantly improved by an innovative letting and management campaign

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# Selected portfolio assets: Germany

Munich - Gustav Heinemann Ring

Centrally located in a well-established business park near the airport of Munich, this property offers approx. 7.800 sqm of office space for a range of tenants mainly from the technology sector.

The property is near fully-let and the length of its leases, together with the strength of the location and the high overall quality, contribute to the strong value of this asset.

# Selected Portfolio Assets: UK

## London - St Martin's Lane

St Martin's Lane Hotel is a flagship hotel in Covent Garden, the heart of London's West End.

It was developed as an office building in the early 1970s and converted to a hotel by French designer Philippe Starck, reopening in 2000.

The hotel is located across 8 floors and comprises 204 guestrooms which include 14 suites, a penthouse and an apartment. There is a restaurant and two bars as well as a business centre and four meeting rooms with a 120 person capacity.

## London - Sanderson

The Sanderson is a flagship hotel located on Berners Street, in London's prestigious Fitzrovia district.

The location benefits from excellent public transport connections including multiple London Underground stations and national rail stations.

The hotel comprises eight floors with 150 guestrooms including both bedrooms and suites. The 400 person capacity across its two meeting rooms and additional function space positions the hotel as an ideal conference location.

# Selected portfolio assets: UK

## London - Holiday Inn Regents Park


The hotel is located within a short walking distance to multiple London Underground stations and is 45 minutes from Heathrow Airport by car.

The City is easily accessible, making the hotel attractive to both the business and leisure/tourism markets. The hotel has 332 standard and executive level bedrooms, as well as nine meeting rooms

## Birmingham – Crowne Plaza


The Crowne Plaza Birmingham NEC combines the reassurance of an upscale brand with a worldwide reputation and proximity to Birmingham Airport.

The hotel is close to the National Exhibition Centre, where some of the UK's largest trade shows and events are staged

The hotel comprises 242 bedrooms which include standard, deluxe and executive rooms. There are also seven meeting rooms, the largest of which can host meetings of up to 200 delegates.

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# Selected portfolio assets: UK

## Chester – The Queen

The Queen, which was originally opened as a railway hotel in 1860 and occupies a triple-A location in the centre of historic Chester.

The historic city has a range of attractions - the Roman city walls, the famous Chester Zoo and the extensive Grosvenor shopping centre.

The Queen has 221 bedrooms and 10 meeting rooms the largest of which can hold up to 250 delegates.

## Oxford - Holiday Inn

The original selection of the location has been one key to the success of and high demand for Holiday Inn Oxford.

The hotel is situated to the north of the city, which provides access to Bicester Village outlet centre, as well as to the historic city centre of this university city.

The hotel has 218 bedrooms and 11 meeting rooms.

# Selected portfolio assets: UK

## London - Holiday Inn Heathrow

Situated close to the M4 motorway, the hotel is near the Heathrow Express rail service which reaches central London in 20 minutes and is only 15 miles from central London by road.

The Hotel has two dining areas and one lounge bar that are all based on the ground floor. The asset which has 615 bedrooms, also includes 14 meeting rooms, the largest of which can hold up to 250 delegates.

## Manchester - Crowne Plaza Manchester Airport


Crowne Plaza Manchester Airport combines an upscale, internationally recognised brand with proximity to one of the UK's most important regional airports. It is conveniently located next to terminals 1 & 3 of Manchester airport.

The hotel comprises 299 bedrooms including, standard, deluxe and executive standard rooms. The hotel also has eight meeting rooms that can hold up to 150 delegates.

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# Selected portfolio assets: UK

Stratford upon Avon - Welcombe

The Welcombe is based on a Grade II listed former mansion house set in 157 acres of grounds.

The hotel provides 85 bedrooms which include standard, executive and suite room categories.

The hotel is also a popular wedding destination while timeshare apartments and an 18-hole championship golf course, golf club and spa facilities add other dimensions to the business.

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