QUARTERLY REPORT Q1 2020 | MOTEL ONE GROUP

KEY FACTS

FIRST QUARTER 2020:

OUTLOOK:

SHUTDOWN DUE TO COVID-19 PANDEMIC

After a strong start to 2020, the shutdown caused by the COVID-19 pandemic and its devastating effects on the tourism industry brought us to an abrupt standstill in March. From mid-March, the hotels were either closed on official orders or banned from accepting tourist visitors. As well as carrying out appropriate hygiene and preventive measures in the hotels and our head office, as a first step, we had to register for short-time working for the entire company starting 16 March 2020. The hotels only have an emergency team and head office employees are working from home.

EXISTENTIAL THREAT

The state bans in connection with Covid-19 represent a grave violation of fundamental rights and are a threat to the existence of the companies concerned, and their employees. The government has also failed to provide fair compensation.

Instead of unilateral interference with the economy, we need a mandatory, all-embracing moratorium for the duration of the shutdown, including freezing rents for the three months of standstill, for instance. That would be a fairer distribution of the effects of this crisis. Instead, commercial operators, including restaurateurs and hoteliers and especially their employees, are bearing an excessive share of the burden of lockdown. In the catering and hotel industry alone, this affects 2.4 million employees and their families. This crisis will significantly exacerbate social inequality.

WE NEED A SMART DEAL

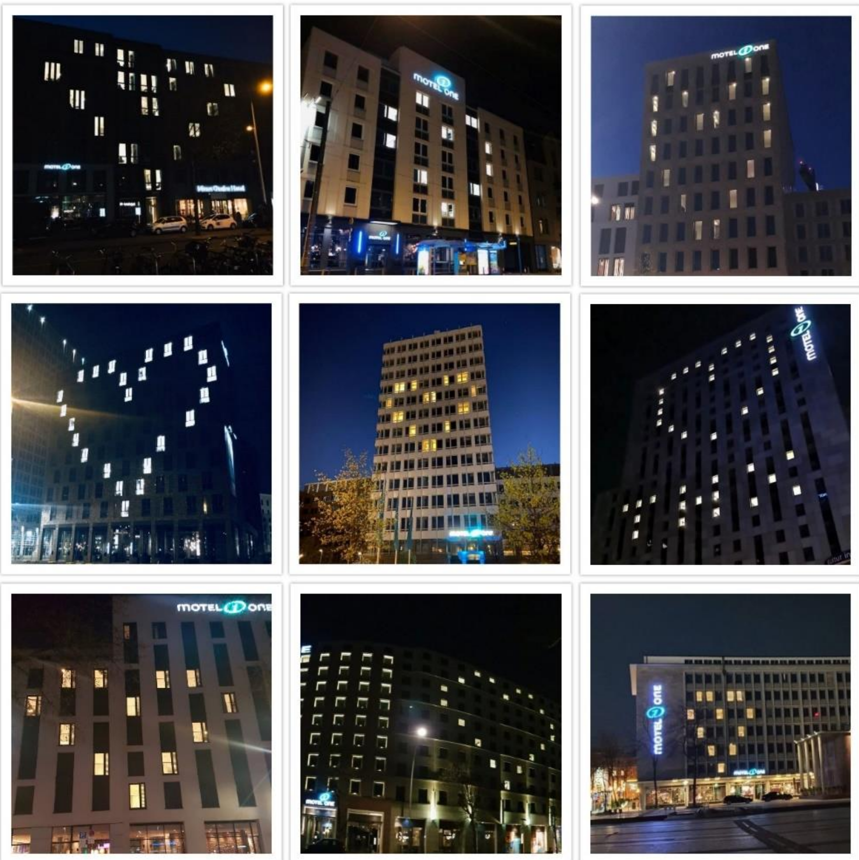
Many people have yet to comprehend the scale of this crisis. The usual tools won't do the job. An all-embracing approach across all industries is much more important than a patchwork approach. A SMART DEAL would mitigate the damage caused by the shutdown, promote sustainability and digitalisation projects, and at the same time boost the economy. It could be operated through tax-based solutions and/or compensation and incentives. It would have to be a kind of Marshall Plan that would take effect immediately, and extensive enough in scope to quickly overcome this crisis. It would stop companies and their employees from fearing for their very existence, by offering them optimism and prospects and preventing Covid-19 bankruptcies. Germany could become the engine for Europe, infecting our neighbours with our optimism and the SMART DEAL.

MOTEL ONE IS WELL POSITIONED

Motel One has used the last 10 years' worth of retained earnings to build up equity of over EUR 500 million, with an equity ratio of 80%. In response to the Covid-19 crisis, the shareholders have foregone their planned dividends to strengthen the liquidity reserve. The management team is setting an example by foregoing their wages for the duration of the shutdown. A relief fund worth EUR 10 million has been set up to reduce social hardship among employees in lower wage brackets affected by short-time working.

SOLIDARITY AND COHESION

Despite the short-time working arrangements in place throughout the Group, employees have displayed great solidarity and cohesion. The teams also set an example by thanking workers throughout the healthcare system, the food industry, the emergency services and the police. A 'thank you' in the form of a heart shape is shining from numerous Motel One facades throughout Europe.



INCOME STATEMENT

For the first time in the history of Motel One, the shutdown in March brought a loss – EUR 6 million – following a profit of EUR 12 million in the previous year. The occupancy rate was 25% (previous year 67%) and revenue was EUR 20 million (previous year EUR 46 million).

	Month March			YTD March		
	2020	2019	+/-	2020	2019	+/-
Statistics:			% py			% py
No. Hotels	74	71	4	74	71	4
No. Rooms	20.851	20.160	3	20.851	20.160	3
Occupancy (%)	25	67	-42	50	65	-15
RevRoSold (EUR)	128	111	17	103	102	2
Income Statement:	kEUR	kEUR	% py	kEUR	kEUR	% py
Revenue	20.330	46.416	-56	98.585	119.932	-18
EBITDA	-2.828	15.653	<100	14.582	31.622	-54
EBIT	-5.683	12.344	<100	3.614	20.065	-82
EBT	-6.430	11.553	<100	1.167	17.729	-93
NET PROFIT	-4.501	8.087	<100	817	12.410	-93
Performance:	% Rev	% Rev	% Pts.	% Rev	% Rev	% Pts.
EBITDAR	28,7	51,6	-23	41,4	46,7	-5
Lease payments	-42,6	-17,9	-25	-26,6	-20,3	-6
EBITDA	-13,9	33,7	-48	14,8	26,4	-12
EBIT	-28,0	26,6	-55	3,7	16,7	-13

With a relatively normal January and February, the occupancy rate for the first quarter was 50% (previous year 65%). Revenue fell by 18% to EUR 99 million (previous year EUR 120 million) and the EBITDA, which was EUR 32 million in the previous year, was reduced to EUR 15 million. January and February were enough to secure a small profit for the first quarter of 2020 of EUR 1 million (previous year EUR 18 million).

CASH FLOW STATEMENT AND BALANCE SHEET

Cash flow in the first quarter of 2020 is influenced by the purchase payment made in March for the previous year's property transaction with a net cash inflow of EUR 87 million. Adjusted for these items, the cash flow would have been EUR -5.9 million in March and EUR -5.5 million for the first quarter.

Cash Flow Statement	Month March			YTD March		
	2020	2019	+/-	2020	2019	+/-
	kEUR	kEUR	% py	kEUR	kEUR	% py
EBITDA reported	-2.828	15.653	<100	14.582	31.622	-54
- Net Working Capital	149.508	2.808	>100	146.084	72.047	>100
Operating Cash Flow	146.680	18.461	>100	160.666	103.669	55
- Re-Design Capex	-5.953	-3.758	58,4	-11.254	-8.380	34
- FX Rate Fixed Assets	5.249	35	>100	5.922	54	>100
- Taxes	1.929	-3.466	<100	-350	-5.319	-93
Free Cash Flow after taxes	147.905	11.272	>100	154.984	90.024	72
- Investing / Divesting Cash Flow	-10.998	0		-10.998	0	
- Equity Cash Flow	-2.550	58	<100	-2.458	32	<100
- Debt Cash Flow	-49.724	-1.118	>100	-52.985	-23.007	>100
Cash Flow for Expansion Capex	84.633	10.212	>100	88.543	67.049	32
- CAPEX new Hotels PROPCO	-3.078	-1.404	>100	-6.405	-3.914	64
- CAPEX new Hotels FF&E	-654	-1.120	-42	-825	-2.694	-69
- Dividends	0	0		0	0	
Net Cash Flow	80.901	7.688	>100	81.313	60.441	35
Cash at end of period	264.207	177.950	48,5	264.207	177.950	48
- as working Cash	100.000	100.000	0	100.000	100.000	0
- as Cash Reserve	164.207	77.950	>100	164.207	77.950	>100

After deducting working cash of EUR 100 million, which was unchanged from the previous year, on 31 March 2020, the liquidity reserve was topped up to reach EUR 164 million (previous year EUR 78 million). The shareholders have already declared a dividend waiver to ensure liquidity.

Net Balance Sheet	March, 31				
	2020		2019		+/-
	kEUR	%	kEUR	%	%
Fixed Assets	679.903	100	705.896	100	-4
Equity	545.645	80	501.881	71	9
Net working capital	93.569	14	70.003	10	34
Net debt	40.689	6	134.012	19	-70
EBITDA Rolling 12 months	158.920		158.147		
Net Debt/EBITDA	0,3		0,8		

Equity increased to EUR 546 million (previous year EUR 502 million), corresponding to a ratio of 80% (previous year 71%).

Net debt was reduced to EUR 41 million (previous year EUR 134 million).

HOTELS IN OPERATION AND DEVELOPMENT

There are 74 hotels in operation (previous year 71) with 20,851 rooms (previous year 20,160). Of these, 51 hotels (previous year 50) are in Germany and 23 (previous year 21) in European cities. There are 24 owned hotels subject to leasing structures (previous year 22) with 5,861 rooms (previous year 5,281).

Structure	March 31, 2020			March 31, 2019			+/- py	
	Hotels	Rooms	%	Hotels	Rooms	%	Hotels	Rooms
in operation								
Germany	51	14.342	69	50	14.092	70	1	250
International	23	6.509	31	21	6.068	30	2	441
Total in operation	74	20.851	100	71	20.160	100	3	691
as Owned Hotels	13	3.400	16	15	3.655	18	-2	-255
as Hotels	11	2.461	12	7	1.626	8	4	835
as Rented Hotels	50	14.990	72	49	14.879	74	1	111
under development								
Germany	17	5.233	65	17	5.134	63	0	99
International	10	2.835	35	10	2.973	37	0	-138
Total Pipeline secured	27	8.068	100	27	8.107	100	0	-39
as Owned Hotels	5	2.042	25	7	2.525	31	-2	-483
as Rented Hotels	22	6.026	75	20	5.582	69	2	444
Total secured								
Germany	68	19.575	68	67	19.226	68	1	349
International	33	9.344	32	31	9.041	32	2	303
Total	101	28.919	100	98	28.267	100	3	652
as Owned Hotels	18	5.442	19	22	6.180	22	-4	-738
as Hotels	11	2.461	9	7	1.626	6	4	835
as Rented Hotels	72	21.016	73	69	20.461	72	3	555

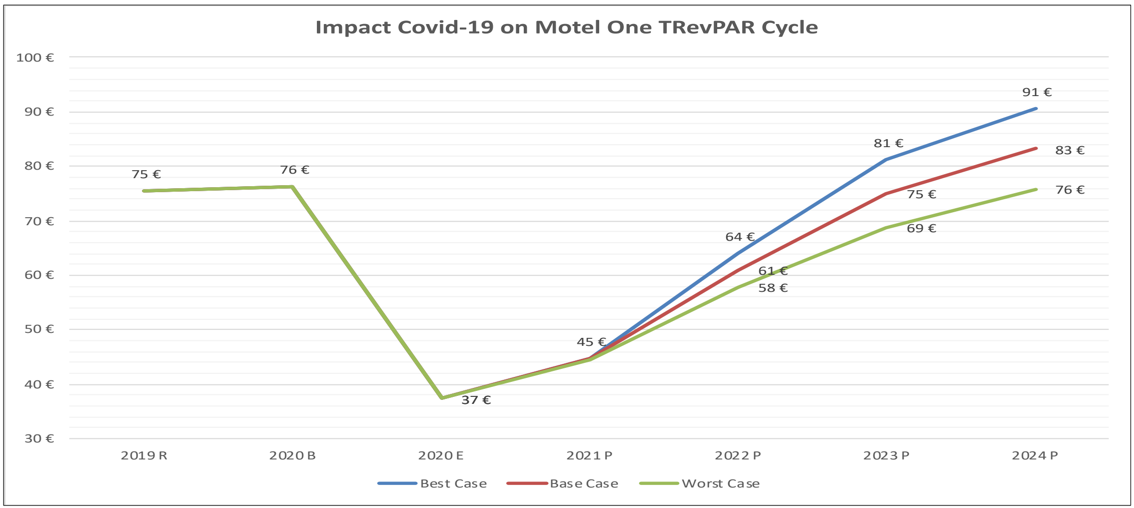
Of these, 27 are in development (previous year 27) with 8,068 rooms (previous year 8,107). Of these, 17 hotels with 5,233 rooms (previous year 5,134) are in development in Germany and 10 hotels with 2,835 rooms (previous year 2,973) in European cities. Five hotels (previous year seven) are being developed for the Group's own property portfolio and 22 (previous year 20) with external investors. CORONAVIRUS is likely to cause delays in the completion and handover of pipeline projects. Overall, an increase to 101 hotels (previous year 98) with 28,919 rooms (previous year 28,267) is contractually secured.

IMPACT OF COVID-19 ON FUTURE BUSINESS DEVELOPMENT

The economic damage from the pandemic is enormous and the crisis is likely to result in a global recession. The decisive factors here are the duration of the shutdown and the subsequent recovery phase. For the shutdown, we assumed a period from mid-March to late May. For the recovery phase, we have taken the RevPAR cycle following the 2007/2008 financial crisis as our guide, as the financial crisis was also associated with a global recession. Based on these premises, the shutdown and its subsequent effects will see the company incurring significant losses in comparison to PRE-CORONAVIRUS business planning. For the 2020–2024 planning period, we anticipate a loss in sales of up to EUR 1.1 billion and in EBITDA of up to EUR 700 million – depending on the scenario.

OUTLOOK

Each scenario assumes that TRevPAR and thus sales will collapse by around 50% in 2020 compared to 2019 as a result of the shutdown and the remaining restrictions. In 2021, we can assume that there will be no recovery until the second half of the year, provided a vaccine is available by then.



The worst-case scenario for the ensuing years is that we will only return to the PRE-CORONAVIRUS level of EUR 76 in 2024. The base case brings this forward to late 2023, the best case to mid-2023. There are valid arguments for each scenario, in particular that in addition to an estimate of demand, the growth of additional capacities in the market will also be adjusted downward as a consequence of the crisis. The measures taken by European governments to stimulate the economy will also have a major impact on the duration of the recovery.

Munich, April 2020