

# International Hotel Investments plc

## New Bond Issue – 3.65% International Hotel Investments plc Unsecured Bonds 2031

Fixed Income Research

### Company Profile

International Hotel Investments plc ("IHI") is the holding company of the group and is dependent upon the operations and performance of its subsidiaries (refer to Annex 1 to view the organisation structure of the group).

IHI's principal activity, through its subsidiaries and associate companies is the ownership, development and operation of hotels, residential and commercial real estate.

IHI owns and manages eleven hotels, of which five are located in Malta with the remainder located in London, Lisbon, Budapest, Prague, St. Petersburg and Tripoli with a total room count of 3,666 as at year-end 2020 across the eleven hotels. IHI also manages a further four hotels owned by Corinthia Palace Hotel Company Ltd., the majority shareholder of IHI, which are located in Budapest, Tunisia, Prague and Sudan.

IHI also generates revenue through project management services and catering services whilst also representing the Costa Coffee franchise in Malta with thirteen outlets.

Furthermore, IHI also holds investment properties, including parcels of land together with residential and commercial properties located in Budapest, Malta, St. Petersburg, Tripoli and Moscow.

### Bond Issue

IHI has announced the issuance of an unsecured bond totalling €80.0 million bearing a coupon of 3.65% redeemable on the 26<sup>th</sup> of November 2031. The bond will pay interest on annual basis.

### Use of Proceeds

Proceeds from the bond issue will be used accordingly :-

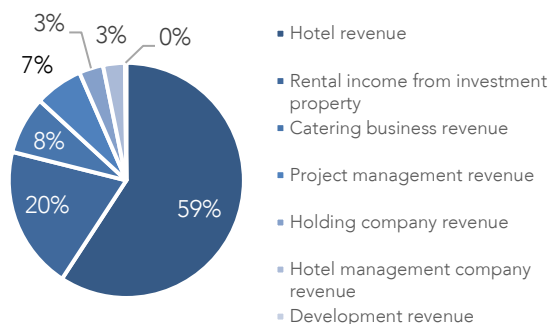
- €20.0 million to redeem the 5.8% International Hotel Investments plc 2021 bond;

### Bond Details

Issuer	International Hotel Investments plc
Industry	Hotels, Restaurants & Leisure
Coupon	3.65%
Frequency	Annual
Maturity	26 <sup>th</sup> November 2031
Par Value	€100
Min. Subscription	€2,000
Min. Increment	€100
Currency	EUR
Rank	Unsecured
Issue Amount	€80,000,000
Complex Instrument	Non-Complex

Source : International Hotel Investments plc Bond Prospectus;

### FY2020 – Revenue by Segment



Source : International Hotel Investments Plc Financial Statement;

- Circa €9.0 million to finance an obligation under the preliminary lease agreement for the Corinthia Hotel Rome which will be utilised for pre-operating costs, operating costs and capital expenditure related towards the general works for the development of the hotel;
- Circa €8.0 million to part-finance a premium payable under the management contract for the Corinthia Hotel New York;
- Circa €14.0 million will be used to part-finance the Corinthia Oasis preparatory works at the Hal-Ferh site which will be utilised to finance the excavation of the site, the demolition works, a boundary wall around the site and the development of a car park adjacent to the site;
- Circa €20.0 million to be loaned to a subsidiary of the issuer to finance the refurbishment of the Corinthia Palace Hotel & Spa and the Corinthia Hotel St. George's Bay totalling €5.0 million and €15.0 million respectively;
- Circa €8.15 million will be used by the issuer for general corporate funding purposes.

### Financial Highlights & Forecasts

IHI's revenue was significantly affected by the pandemic in FY2020. Revenue declined to €91.9 million from €268.3 million, a reduction of €176.4 million, given the lockdown measures and other restrictions imposed in all of the countries in which IHI operates (refer to Annex 2 which includes key performance indicators of the hotels).

Given the adverse business and economic conditions during FY2020, management undertook a significant cost-cutting exercise as direct and operating costs declined to €95.7 million from the prior year's €198.5 million. EBITDA was that of negative €3.8 million compared to the prior year's €69.8 million as the reduction in direct and operating costs was not enough to offset the decline in revenue.

In FY2020, IHI also recorded an adjustment in the value of property and intangible assets amounting to a loss of €10.5 million compared to the prior year's loss of €3.7 million. The adjustment in FY2020 was driven by an impairment of goodwill amounting to €2.4 million together with an impairment of €5.2 million in the carrying value of the London apartment and a write-off totalling €2.9 million with respect to the work in progress on the Hotel Astoria. In fact, IHI reported an operating loss of €50.0 million in FY2020 compared to an operating profit of €34.2 million which was reported during the prior year.

IHI's share of results from associates and joint ventures amounted to a loss of €2.4 million in FY2020 compared to a loss of €4.0 million during the prior year. The loss from associates and joint ventures in FY2020 reflects the performance of the Golden Sands Resort and four months of timeshare operations which were discontinued in May 2020. While net finance costs remained stable at €22.9 million in FY2020, IHI reported "other operating costs" of €15.0 million, compared to "other operating income" of €6.9 million during the prior year due to the weakening of the Russian Rouble against the Euro which declined by 32%.

As a result, IHI reported a loss before tax of €90.4 million in FY2020, compared to a profit before tax of €13.9 million during the prior year.

According to forecasts provided by IHI's management, revenue is projected to increase by €24.2 million to €116.1 million in FY2021 given the expected improvement in the hospitality segment during the second half of the financial year and the consolidation of the Golden Sands Resort Ltd. following the acquisition undertaken by IHI to acquire the remaining 50% shareholding of the company in February 2021. The revenue improvement is also expected to be driven by the recovery in the Corinthia St. Petersburg and Corinthia London hotels which are expected to see a faster recovery in occupancy rates, compared to the other hotels, given their higher reliance on domestic demand.

EBITDA is expected to improve to €15.1 million as direct and operating costs are expected to increase to €101.0 million from €95.7 million. Operating losses are expected to improve to €15.3 million from €50.0 million as management does not expect any fair value gains or losses to be recorded in FY2021 while depreciation and amortisation are projected to decline to €30.4 million from €35.8 million. While losses from equity investments and joint ventures are projected to decline to €0.2 million, net finance costs are expected to increase to €24.4 million with "other operating costs" declining to €2.8 million. Given these expectations, IHI's management projects a loss before tax of €42.8 million for FY2021.

International Hotel Investments plc - Income Statement		Actual			Forecasts	
All figures in EUR 000's		FY2018	FY2019	FY2020	FY2021	FY2022
<b>Revenue</b>		<b>256,314</b>	<b>268,286</b>	<b>91,909</b>	<b>116,109</b>	<b>232,186</b>
Direct costs		(141,467)	(145,800)	(62,786)	(70,842)	(120,230)
<b>Gross profit</b>		<b>114,847</b>	<b>122,486</b>	<b>29,123</b>	<b>45,267</b>	<b>111,956</b>
Other operating costs		(47,343)	(52,696)	(32,873)	(30,196)	(57,134)
<b>EBITDA</b>		<b>67,504</b>	<b>69,790</b>	<b>(3,750)</b>	<b>15,071</b>	<b>54,822</b>
Depreciation and amortisation		(33,202)	(36,766)	(35,779)	(30,419)	(31,133)
Adjustments in value of property and intangible assets		3,944	(3,656)	(10,521)	-	2,000
Changes in value of liabilities and indemnification assets		143	4,798	-	-	-
<b>Results from operating activities</b>		<b>38,389</b>	<b>34,166</b>	<b>(50,050)</b>	<b>(15,348)</b>	<b>25,689</b>
Share of (loss) / profit of equity accounted investments		(1,364)	(3,951)	(2,448)	(219)	-
Finance income		833	546	702	312	207
Finance costs		(21,484)	(23,765)	(23,554)	(24,751)	(24,329)
Other operating costs		(7,902)	6,916	(15,012)	(2,779)	-
<b>Profit / (loss) before tax</b>		<b>8,472</b>	<b>13,912</b>	<b>(90,362)</b>	<b>(42,785)</b>	<b>1,567</b>
Taxation		(13)	(8,793)	14,713	8,600	(3,563)
<b>Profit / (loss) for the year</b>		<b>8,459</b>	<b>5,119</b>	<b>(75,649)</b>	<b>(34,185)</b>	<b>(1,996)</b>

Source : International Hotel Investments plc Bond Prospectus ;

In FY2022, management expects the recovery within the hospitality segment to continue as revenue is projected to be that of €232.2 million with the level of occupancy expected to be between 55% and 65% across its hotels. While direct and operating expenditure is expected to climb to €177.4 million, EBITDA is forecasted to be that of €54.8 million driven by the higher level of revenue. IHI is expected

to report an operating profit of €25.7 million in FY2022 as depreciation is expected to be that of €31.1 million with adjustments to the fair value in investment property expected to contribute €2.0 million following the sale of an apartment block in Rua Pinheiro Chaga in Lisbon which is currently being refurbished. Forecasts for FY2022 also show that net finance costs are projected to be that of €24.1 million with IHI expected to report a profit before tax for FY2022 of €1.6 million.

In FY2020, IHI's asset base, which totalled €1.54 billion, primarily consisted of owned hotels and investment properties. IHI's investment property included an apartment in London, valued at €35.6 million, which was marketed for sale last March and concluded the following August. IHI's net debt increased to €544.4 million compared to the prior year's €516.2 million. During the early phases of the pandemic, IHI engaged with a number of banks to defer capital repayments through deferral schemes and resetting banking covenants given the pandemic's affect on IHI's business. In FY2020, IHI paid off a maturing loan by replacing an €18.1 million bullet payment with a new loan from a different bank while it also utilised the EU-sponsored state scheme whereby companies can make use of soft loans totalling €24.5 million.

Management forecasts for FY2021 show that total assets are expected to increase by €28.5 million to €1.57 billion. While the increase is projected to be driven by the consolidation of the Radisson Blue Resort & Spa Golden Sands and an increase in cash balances, these increases will be partially offset by a decrease in the value of the Medina Tower in Libya, due to the devaluation of the Libyan Dinar, the sale of the London apartment and the exclusion of the Radisson Blue Resort & Spa Golden Sands as an equity investment following the acquisition.

Total liabilities are set to increase by €52.9 million in FY2021 to €823.8 million. The drivers behind the projected increase in liabilities in FY2021 is expected to be due to the increase in borrowings following the issuance of the bond together with the inclusion of the liabilities held by Golden Sands Resort Ltd. following the acquisition by IHI.

FY2022 forecasts provided by management show that total assets are expected to increase to €1.59 billion due to an increase in property, plant, and equipment of €39.2 million given the completion of the Grand Hotel Astoria and various refurbishment programmes. However, management expect to see a decline in IHI's cash balance to €46.9 million. In FY2022, liabilities are expected to increase by €19.6 million and total €849.7 million given projections of an increase in trade and other payables by €11.8 million and an increase in borrowings by €19.6 million to €665.9 million.

International Hotel Investments plc - Balance Sheet		Actual		Forecasts	
All figures in EUR 000's	FY2018	FY2019	FY2020	FY2021	FY2022
Intangible assets	71,966	72,432	68,035	71,041	69,430
Investment property	203,539	214,174	191,355	158,925	154,979
Property, plant and equipment	1,161,245	1,181,944	1,102,885	1,187,090	1,226,297
Right-of-use assets	-	13,776	11,690	9,561	7,621
Investments accounted for using the equity method	48,189	40,144	31,831	5,590	5,590
Other investments	-	8,401	7,198	9,082	11,418
Other financial assets at amortised cost and receivables	780	1,801	6,739	2,939	2,939
Deferred tax asset	10,963	9,233	14,214	14,717	14,717
Assets placed under trust management	3,645	3,698	-	-	-
<b>Non-Current Assets</b>	<b>1,490,327</b>	<b>1,545,603</b>	<b>1,433,947</b>	<b>1,458,945</b>	<b>1,492,991</b>

International Hotel Investments plc - Balance Sheet - Continued		Actual			Forecasts	
All figures in EUR 000's		FY2018	FY2019	FY2020	FY2021	FY2022
Inventories		11,490	12,626	10,647	12,109	14,263
Other financial assets at amortised cost and receivables		1,683	125	43	43	43
Trade and other receivables		53,029	43,192	35,106	34,258	38,906
Taxation		2,527	3,922	3,324	3,322	3,322
Financial assets at fair value through profit or loss		8,485	8,909	9,250	8,018	-
Cash and cash equivalents		50,190	72,699	46,145	55,861	46,937
Assets placed under trust management		122	122	5,637	-	-
<b>Current Assets</b>		<b>127,526</b>	<b>141,595</b>	<b>110,152</b>	<b>113,611</b>	<b>103,471</b>
<b>Total Assets</b>		<b>1,617,853</b>	<b>1,687,198</b>	<b>1,544,099</b>	<b>1,572,556</b>	<b>1,596,462</b>
Called up share capital		615,685	615,685	615,685	615,685	615,685
Reserves and other equity components		7,943	31,073	(3,646)	(1,123)	(1,123)
Retained earnings (accumulated losses)		59,746	54,247	(8,803)	(37,404)	(39,174)
Minority interest		194,246	196,142	169,940	171,582	171,356
<b>Total Equity</b>		<b>877,620</b>	<b>897,147</b>	<b>773,176</b>	<b>748,740</b>	<b>746,744</b>
Bank borrowings		317,559	324,597	345,920	337,239	316,797
Bonds		202,507	222,584	203,061	282,581	283,037
Lease and other financial liabilities		59	11,202	9,767	7,416	5,720
Other non-current liabilities		102,552	106,885	92,479	93,964	90,449
<b>Non-Current Liabilities</b>		<b>622,677</b>	<b>665,268</b>	<b>651,227</b>	<b>721,200</b>	<b>696,003</b>
Bank overdrafts		5,899	7,236	9,762	9,843	17,217
Bank borrowings		34,618	38,200	17,465	16,617	48,800
Bonds		-	-	19,938	-	-
Lease and other financial liabilities		4,553	2,795	2,711	2,546	2,283
Other current liabilities		72,486	76,552	69,820	73,610	85,415
<b>Current Liabilities</b>		<b>117,556</b>	<b>124,783</b>	<b>119,696</b>	<b>102,616</b>	<b>153,715</b>
<b>Total Liabilities</b>		<b>740,233</b>	<b>790,051</b>	<b>770,923</b>	<b>823,816</b>	<b>849,718</b>
<b>Total equity and liabilities</b>		<b>1,617,853</b>	<b>1,687,198</b>	<b>1,544,099</b>	<b>1,572,556</b>	<b>1,596,462</b>

Source : International Hotel Investments plc Bond Prospectus ;

Given the impact of the pandemic, which was especially severe in the tourism and hospitality sector, IHI's credit profile deteriorated significantly in FY2020 as a result of operational losses and the increase in borrowings required to boost liquidity when cash generation from operating activities was significantly impacted. While business and economic conditions have started to improve as economies started to reopen, the weak period of operation results is expected to persist for the time being given that the tourism and hospitality sector is still impacted by travel restrictions and limited tourism demand. In fact, management expects occupancy levels to be restored on average across its hotels in 2024.

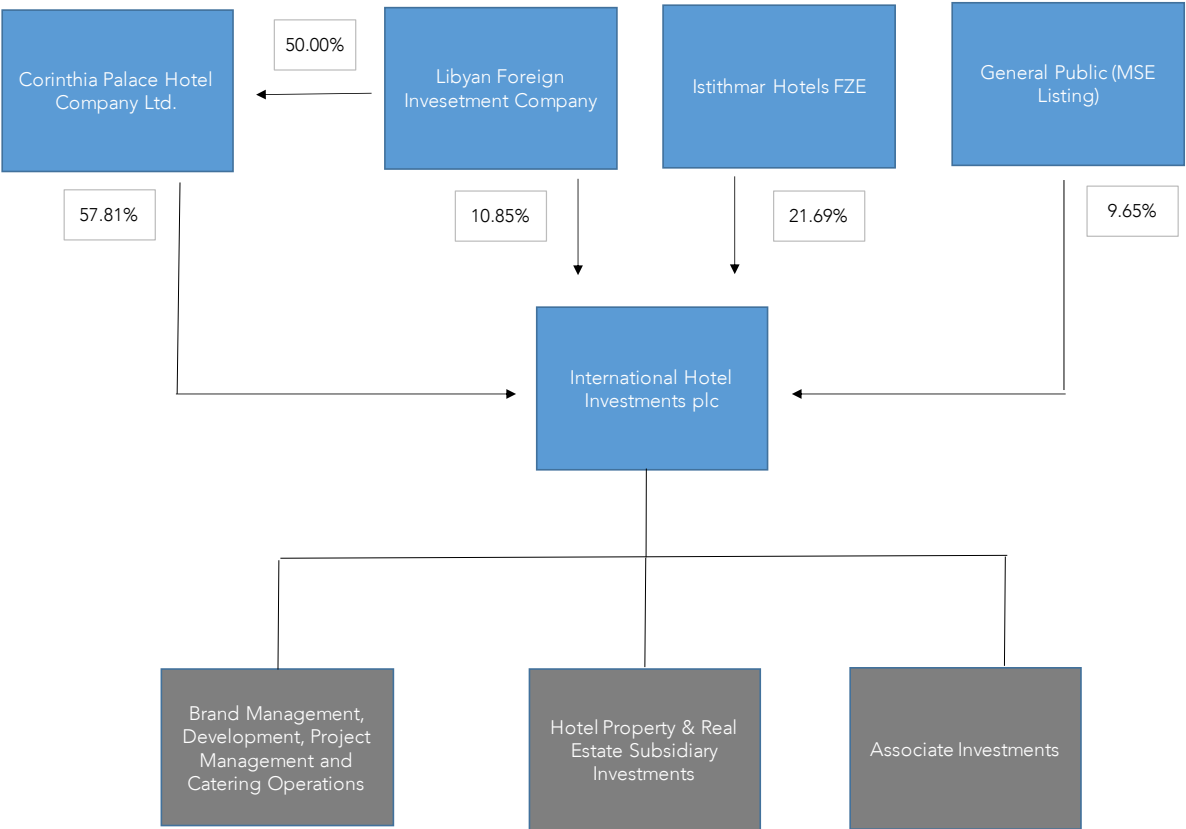
Based on these projections, the Issuer's profitability is expected to remain weak over the next few years and below the levels achieved in 2019. In fact, the EBITDA and operating profit margins will only

improve to 24% and 11% by FY2022 compared to the FY2019 margins of 26% and 13% respectively. Net leverage is expected remain elevated at 11.44x in FY2022 compared to 7.60x in FY2019 given the increase in borrowings and the expectations that EBITDA will still be c.21.4% below FY2019 levels. Interest cover is expected to climb to 2.25x in FY2022 but will remain below FY2019 level of 2.94x given the increase in finance costs and weaker profitability.

International Hotel Investments plc - Key Financial Ratios	Actual			Forecasts	
	FY2018	FY2019	FY2020	FY2021	FY2022
EBITDA Margin	26%	26%	-4%	13%	24%
Operating Profit Margin	15%	13%	-54%	-13%	11%
Net Leverage	7.75x	7.60x	N/A	39.84x	11.44x
Interest Coverage	3.14x	2.94x	N/A	0.61x	2.25x
Gearing Ratio	37%	37%	42%	45%	46%

**Source :** International Hotel Investments plc Bond Prospectus, Curmi & Partners Ltd.;

Annex 1- Organisational Structure



Source : International Hotel Investments plc Bond Prospectus;

## Annex 2- Hotel Key Performance Indicators

Revenue per Hotel in EUR 000s	FY2016	FY2017	FY2018	FY2019	FY2020
Corinthia Hotel Budapest	23,457	25,820	26,360	28,111	6,116
Corinthia Hotel St. Petersburg	14,103	15,789	16,500	15,661	3,171
Corinthia Hotel Lisbon	21,907	24,753	26,404	27,792	7,358
Corinthia Hotel Prague	16,819	19,256	20,099	20,477	3,514
Corinthia Hotel Tripoli	799	2,040	3,778	3,446	5,148
Corinthia Hotel St. George's Bay	15,765	16,717	16,499	16,088	7,344
Marina Hotel St. George's Bay	9,880	10,251	10,269	9,798	1,908
Corinthia Palace Hotel & Spa Malta	8,117	8,575	8,166	8,663	3,053
Corinthia Hotel & Residences London	53,274	57,929	61,370	66,770	20,280
Radisson Blu Resort & Spa Golden Sands	29,179	30,840	32,032	32,050	5,647
Radisson Blu Resort St. Julian's	12,811	13,805	13,927	12,894	2,375
<b>Total Hotel Revenue</b>	<b>206,111</b>	<b>225,775</b>	<b>235,404</b>	<b>241,750</b>	<b>65,914</b>
Gross Operating Profit per Hotel in EUR Millions					
Corinthia Hotel Budapest	8,577	9,501	8,952	9,966	724
Corinthia Hotel St. Petersburg	5,871	7,076	8,522	7,377	-612
Corinthia Hotel Lisbon	6,740	8,128	8,667	9,051	467
Corinthia Hotel Prague	5,160	5,950	6,373	6,833	-2,161
Corinthia Hotel Tripoli	2,764	2,510	4,061	4,997	6,938
Corinthia Hotel St. George's Bay	4,399	5,257	4,819	4,180	1,517
Marina Hotel St. George's Bay	3,048	3,310	3,355	3,047	14
Corinthia Palace Hotel & Spa Malta	1,138	1,201	640	950	-767
Corinthia Hotel & Residences London	16,716	18,019	20,594	20,591	-221
Radisson Blu Resort & Spa Golden Sands	-	-	-	-	-
Radisson Blu Resort St. Julian's	-	-	-	-	-744
<b>Total Hotel Gross Operating Profit</b>	<b>54,413</b>	<b>60,952</b>	<b>65,983</b>	<b>66,992</b>	<b>5,899</b>
Occupancy Level %					
Corinthia Hotel Budapest	78%	80%	81%	82%	14%
Corinthia Hotel St. Petersburg	60%	58%	54%	59%	17%
Corinthia Hotel Lisbon	72%	69%	69%	68%	13%
Corinthia Hotel Prague	66%	73%	74%	74%	11%
Corinthia Hotel Tripoli	0%	5%	5%	5%	16%
Corinthia Hotel St. George's Bay	81%	79%	77%	75%	33%
Marina Hotel St. George's Bay	83%	80%	82%	80%	12%
Corinthia Palace Hotel & Spa Malta	73%	72%	66%	68%	16%
Corinthia Hotel & Residences London	72%	74%	76%	77%	21%
Radisson Blu Resort & Spa Golden Sands	-	-	-	-	-
Radisson Blu Resort St. Julian's	76%	76%	75%	69%	13%
<b>Average Hotel Occupancy</b>	<b>66%</b>	<b>67%</b>	<b>66%</b>	<b>66%</b>	<b>17%</b>
Average Room Rate in EUR					
Corinthia Hotel Budapest	129	139	135	146	147
Corinthia Hotel St. Petersburg	122	141	165	141	92
Corinthia Hotel Lisbon	109	133	140	146	140
Corinthia Hotel Prague	78	83	86	89	70
Corinthia Hotel Tripoli	185	187	178	185	161
Corinthia Hotel St. George's Bay	137	151	154	150	120
Marina Hotel St. George's Bay	117	126	123	122	77
Corinthia Palace Hotel & Spa Malta	110	121	128	134	114
Corinthia Hotel & Residences London	433	480	486	511	518
Radisson Blu Resort & Spa Golden Sands	-	-	-	-	-
Radisson Blu Resort St. Julian's	123	134	137	137	99

Source : International Hotel Investments plc Financial Analysis Summary;



## Hotel Key Performance Indicators Cont'd

Revenue per Available Room in EUR	FY2016	FY2017	FY2018	FY2019	FY2020
Corinthia Hotel Budapest	101	111	109	117	20
Corinthia Hotel St. Petersburg	74	82	89	84	15
Corinthia Hotel Lisbon	109	133	140	146	18
Corinthia Hotel Prague	51	60	63	66	8
Corinthia Hotel Tripoli	0	4	8	9	26
Corinthia Hotel St. George's Bay	111	119	119	111	39
Marina Hotel St. George's Bay	97	101	101	97	9
Corinthia Palace Hotel & Spa Malta	80	87	84	92	18
Corinthia Hotel & Residences London	312	356	369	396	110
Radisson Blu Resort & Spa Golden Sands	-	-	-	-	-
Radisson Blu Resort St. Julian's	93	102	103	95	13
Gross Operating Profit per Available Room in EUR					
Corinthia Hotel Budapest	19,493	21,593	20,485	22,805	1,649
Corinthia Hotel St. Petersburg	15,131	18,237	21,964	19,013	-1,590
Corinthia Hotel Lisbon	13,012	15,691	16,732	17,473	902
Corinthia Hotel Prague	9,573	11,039	11,824	12,677	-3,922
Corinthia Hotel Tripoli	9,244	8,395	13,582	16,712	23,127
Corinthia Hotel St. George's Bay	17,596	21,028	19,353	16,787	6,068
Marina Hotel St. George's Bay	15,240	16,550	16,775	15,235	70
Corinthia Palace Hotel & Spa Malta	-	-	4,354	6,463	-5,113
Corinthia Hotel & Residences London	56,857	61,289	72,514	72,504	-781
Radisson Blu Resort & Spa Golden Sands	-	-	-	-	-
Radisson Blu Resort St. Julian's	-	-	-	-	-2,952
Number of Rooms					
Corinthia Hotel Budapest	440	440	437	437	439
Corinthia Hotel St. Petersburg	388	388	388	388	385
Corinthia Hotel Lisbon	518	518	518	518	518
Corinthia Hotel Prague	539	539	539	539	551
Corinthia Hotel Tripoli	299	299	299	299	300
Corinthia Hotel St. George's Bay	250	250	249	249	250
Marina Hotel St. George's Bay	200	200	200	200	200
Corinthia Palace Hotel & Spa Malta	-	-	147	147	150
Corinthia Hotel & Residences London	294	294	284	284	283
Radisson Blu Resort & Spa Golden Sands	329	329	329	338	338
Radisson Blu Resort St. Julian's	252	252	252	252	252
Total Number of Rooms	3,509	3,509	3,642	3,651	3,666
Star Rating by Hotel	2 - Star	3 - Star	4 - Star	5 - Star	
Corinthia Hotel Budapest					✓
Corinthia Hotel St. Petersburg					✓
Corinthia Hotel Lisbon					✓
Corinthia Hotel Prague					✓
Corinthia Hotel Tripoli					✓
Corinthia Hotel St. George's Bay					✓
Marina Hotel St. George's Bay				✓	
Corinthia Palace Hotel & Spa Malta					✓
Corinthia Hotel & Residences London					✓
Radisson Blu Resort & Spa Golden Sands					✓
Radisson Blu Resort St. Julian's					✓

Source : International Hotel Investments plc Financial Analysis Summary;

**Disclaimer**

The information presented in this report is solely provided for informational purposes and is not to be interpreted as investment advice, or to be used or considered as an offer or a solicitation to sell, or an offer or solicitation to buy or subscribe for any financial instruments, nor to constitute any advice or recommendation with respect to such financial instruments. To the extent that you rely on the Information in connection with any investment decision, you do so at your own risk. The Information does not purport to be complete on any topic addressed. The Information may contain data or analysis prepared by third parties and no representation or warranty about the accuracy of such data or analysis is provided. In all cases where historical performance is presented, please note that past performance is not a reliable indicator of future results and should not be relied upon as the basis for making an investment decision. Investors may not get back the amount originally invested. The value of investments can fall as well as rise and past performance is no indication of future performance. The Information is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use is contrary to law, rule or regulation. Certain information contained in the Information includes calculations or figures that have been prepared internally and have not been audited or verified by a third party. Use of different methods for preparing, calculating or presenting information may lead to different results. Curmi & Partners Ltd. is a member of the Malta Stock Exchange, and is licensed by the MFSA to conduct investment services business.