



SCANDIC HOTELS

May 2020

Scandic

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EXECUTIVE SUMMARY

Since its IPO in 2015 Scandic has strengthened its position as the leading, responsible hotel company in the Nordic region

We have continued to execute on selected growth projects and successfully implemented efficiency measures across our platform to enhance profitability

This enabled us to achieve our best result ever in 2019 on both revenue and adjusted EBITDA

It has also meant we could execute quickly and forcefully in response to the Covid-19 outbreak

We immediately adjusted our operations and are in the process of adjusting our capital structure

The current environment is also an opportunity to accelerate our ongoing transformation

A wide-angle photograph of a modern hotel lobby. The ceiling is a prominent feature, featuring a complex, repeating geometric grid pattern with recessed lighting. In the center, a large, arched opening in a wall is illuminated from within, creating a warm, orange glow. Two large, leafy indoor trees are positioned on either side of this archway. In the foreground, two escalators with glass railings lead up from the bottom of the frame. The background shows a reception desk on the right and a bar area on the left, both with modern, minimalist decor. The overall atmosphere is clean, sophisticated, and warmly lit.

SCANDIC AT A GLANCE

SCANDIC TODAY – THE MARKET LEADING HOTEL COMPANY IN THE ATTRACTIVE NORDIC MARKET

SOLID DEMAND DYNAMICS UNTIL 2019

Demand has consistently outgrown supply in the Nordics, with a broad and well-balanced customer base

STRONG MARKET POSITION

#1 brand in the Nordics with an unrivalled geographic network and appealing room offering in the attractive mid-market

PROVEN BUSINESS MODEL

Controlled and flexible cost base driving efficiency and profitability

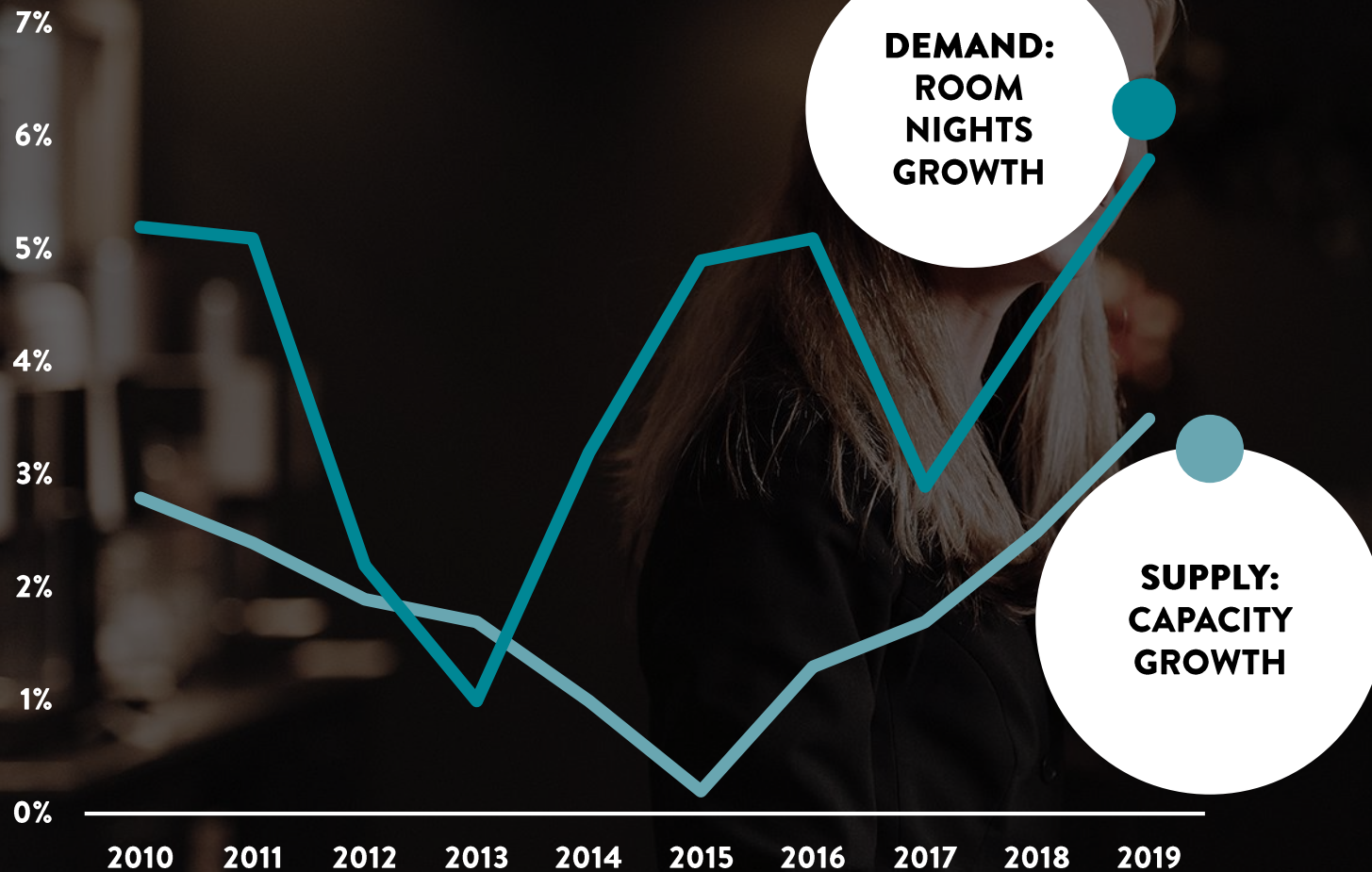
SUSTAINABLE OFFERING

Legacy of inspiring and driving change for sustainable hotel operations

STRONG CULTURE

Attractive employer with highly engaged team members leading to satisfied and loyal guests

STRONG AND CONSISTENT UNDERLYING DEMAND GROWTH IN THE NORDIC MARKET



SEVERAL GROWTH DRIVERS

Consistent GDP growth

Leisure travel

More appealing customer offerings

Individualization

Globalization

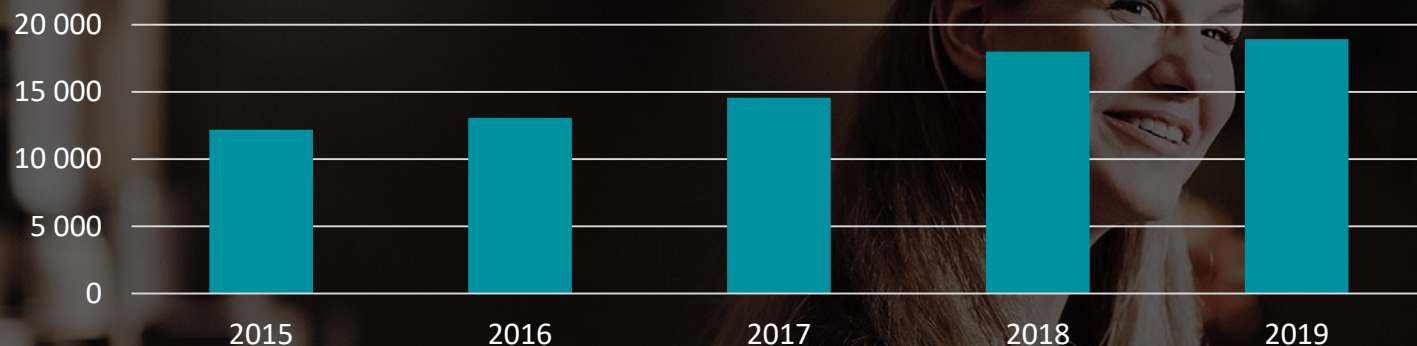
Low-fare airlines

Digital distribution

Source: National Statistics, Benchmarking Alliance

SOLID REVENUE AND EBITDA GROWTH SINCE 2015

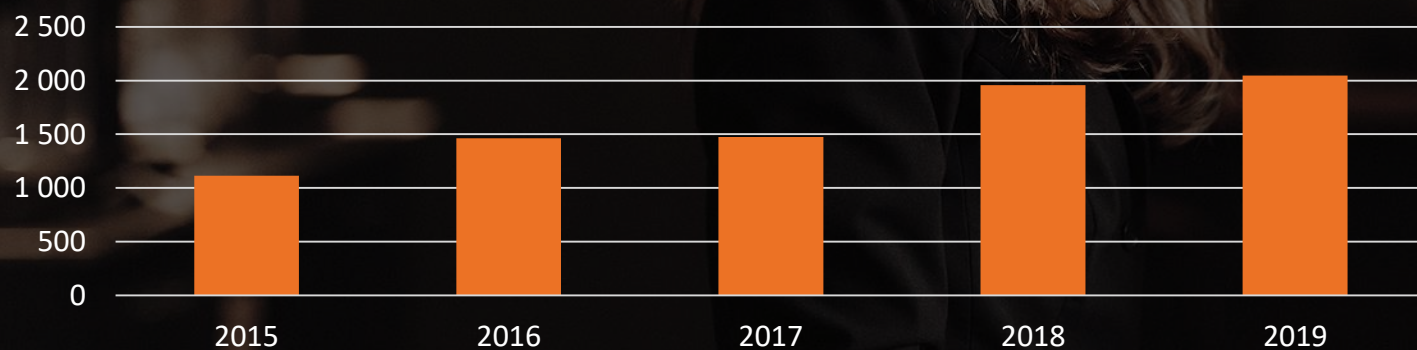
REVENUES (MSEK)



16%
Revenues
CAGR **since**
2015

Positive results supported by the strong integration of Rica Hotels in 2014 and Restel's hotels in 2017

Adj. EBITDA (MSEK)



Adj. EBITDA increased by almost 2x over the last 5 years

Source: National Statistics, Benchmarking Alliance

SCANDIC HAS ESTABLISHED AN UNRIVALLED NORDIC MARKET POSITION...

130 DESTINATIONS

53,000 ROOMS

15% NORDIC MARKET SHARE

254

SCANDIC

5

SIGNATURE
HOTELS

7

IHG

3

HILTON

...WITH A WELL-INVESTED AND COMPETITIVE HOTEL PORTFOLIO



Maintenance capex kept stable at around 4% of revenue over time

AN ATTRACTIVE BUSINESS MODEL

SEVERAL ADVANTAGES OF THE VARIABLE LEASE MODEL

- **Flexible cost structure adapted to changes in demand**
- **Control of customer offering**
- **Scandic capex limited to FF&E**
- **Margin stability over time**
- **Shared interest with landlords**
- **Limits the presence of international hotel chains**

FROM 2019 PEAK PERFORMANCE SCANDIC HAS EXECUTED QUICKLY IN A DIFFICULT 2020 ...

2019

Record year with revenue of 19 BSEK and adjusted EBITDA >2 BSEK

2020

Reduced non-rent costs by 70% from April, adjusted payment terms for rent and extended financing

2021

RevPAR recovery with high cash conversion given slimmed cost base

Longer Term

Potential to exceed 11% adjusted EBITDA margin even with RevPAR below 2019 level

... TO RESET FOR STRONG GROWTH AND PROFITABILITY RECOVERY IN 2021 AND 2022



**IMPACT OF COVID-19
AND SCANDIC'S
IMMEDIATE RESPONSE**

SIGNIFICANT IMPACT ON MARKET DEMAND

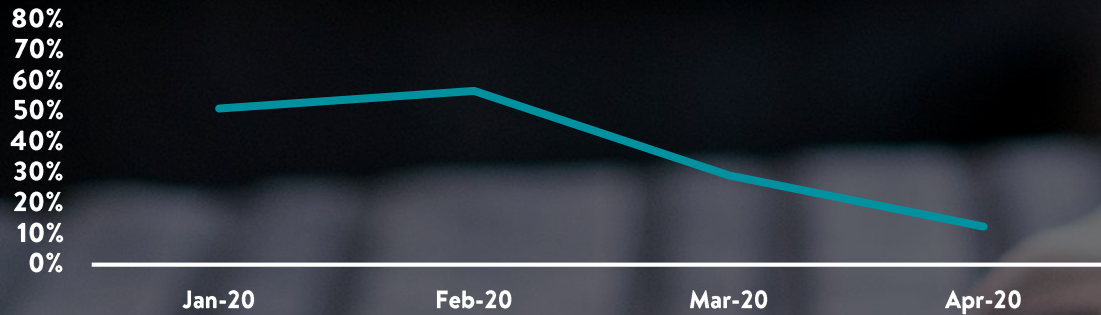
Bookings began to fall in late February

Reduced international travel and travel restrictions among corporate customers

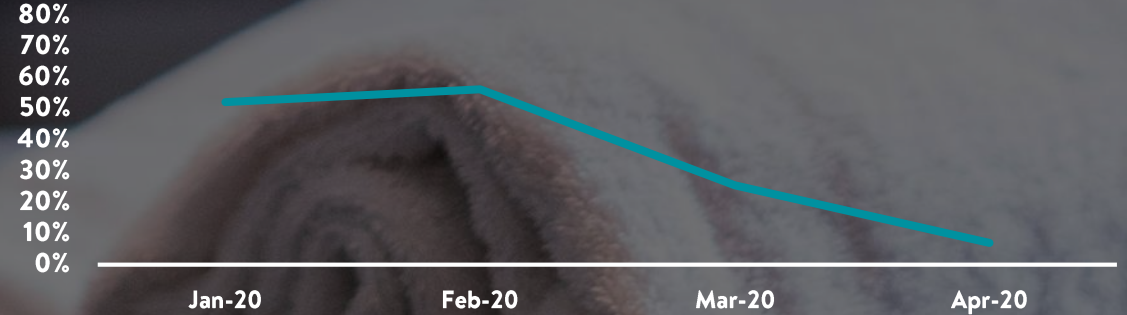
Measures taken by authorities to reduce the spread of Covid-19

LFL sales of -47% in March

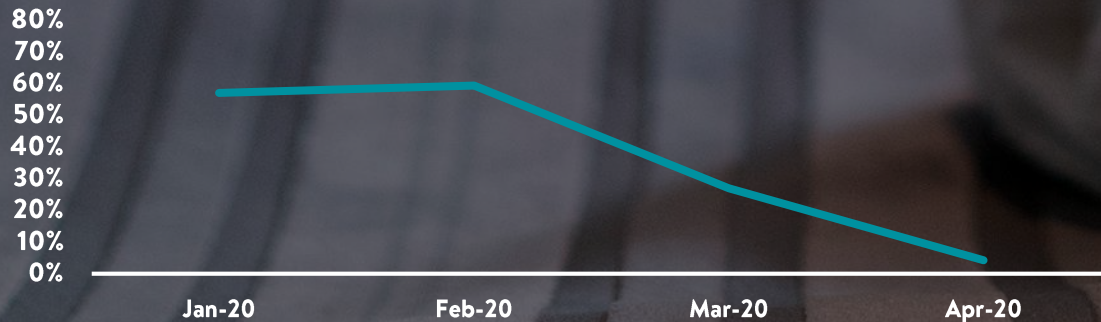
SWEDEN (TOTAL MARKET OCCUPANCY)



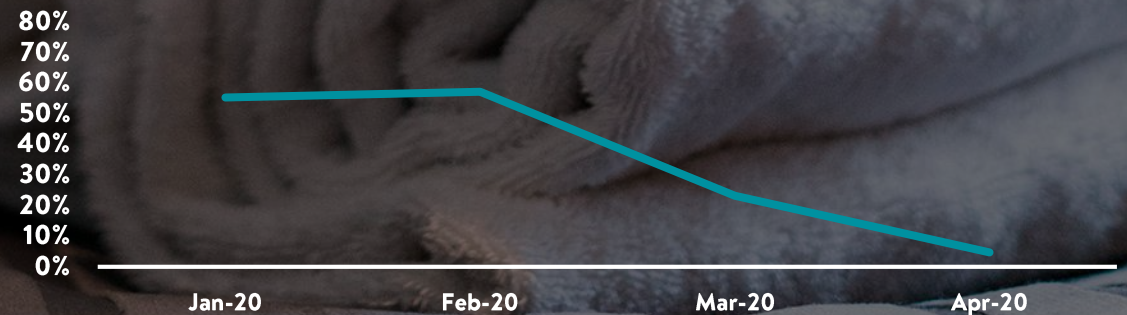
NORWAY (TOTAL MARKET OCCUPANCY)



FINLAND (TOTAL MARKET OCCUPANCY)



DENMARK (TOTAL MARKET OCCUPANCY)



Source: Benchmarking Alliance

RAPID AND FORCEFUL MEASURES TO REDUCE COST AND PROTECT CASH FLOWS

OPERATIONS

TEMPORARY CLOSURE OF MORE THAN 50% OF HOTELS

REDUCED STAFF NUMBER BY >80% INCLUDING FURLOUGH

TOTAL REDUCTION OF SOME 6,000 EMPLOYEES ⁽¹⁾

MANAGEMENT TAKEN A 20% VOLUNTARY PAY CUT

GOVERNMENT SUPPORT MEASURES IMPLEMENTED

TOTAL NON-RENT COST BASE REDUCED BY >70% FROM APRIL

“A demanding process to lay off or terminate the employment of so many team members”

(1) Mix of full-time and hourly-paid employees

IMMEDIATE IMPLEMENTATION OF COST SAVINGS SUPPORTED BY GOVERNMENT SUPPORT

CASH FLOWS

CANCELLATION OF 2019 DIVIDEND DISTRIBUTION

EXTENDED PAYMENT TERMS, PROJECT FREEZE AND RESCHEDULED CAPEX

AGREEMENT WITH LANDLORDS TO ADJUST PAYMENT TERMS:

- Variable with fixed minimum guarantee: 65% of rooms

- Fixed: 17% of rooms

- Variable: 18% of rooms

A wide-angle photograph of a modern hotel lobby. The ceiling is a complex, white, coffered grid with recessed lighting. The walls are a warm, terracotta color. In the center, there is a circular seating area with several tables and chairs. Large indoor trees are placed throughout the space. In the foreground, two escalators with glass railings lead up. The overall atmosphere is clean, bright, and contemporary.

**SCANDIC IS PREPARING
FOR THE FUTURE**

STABILITY & STRENGTH TO THE OTHER SIDE OF THE COVID-19 GLOBAL PANDEMIC

Scandic

- Leading market position
- Affordable proposition
- Unique **economies of scale**
- Proven **business model**
- Variable **cost structure**
- Strong **Intra-Nordic** business
- Opportunities** to expand Nordic footprint

Immediate Response

- Significant cost reductions
- Temporary hotel closures
- Postponed rent payments
- Reduced near term capex
- Projects postponed and put on hold

Medium Term Response

- New lean cost structure
- Adapt lease relationship to new market conditions
- Selective F&B offering
- Selective footprint expansion in the Nordics
- More efficient hotel configuration

Covid-19 Impact

- Reduction in travel
- Government measures
- Cancellations of events

2020 BUSINESS CASE IN THE COVID-19 ENVIRONMENT

KEY DEMAND ASSUMPTIONS	Q1 – Q2 2020	<ul style="list-style-type: none"> Assumes occupancy levels between 7% to 11% for Q2 2020 and a mix of open, closed or partially closed hotels
	Q3 – Q4 2020	<ul style="list-style-type: none"> Operating costs excluding rents reduced by >70% from April from last year's level of 1,000-1,100 MSEK per month Recovery phase assumed to gradually start in the second half of the year <ul style="list-style-type: none"> Expect local demand to come back first Significant exposure to domestic and intra-regional travel Majority mid-market and affordable customer offering Demand expected to be supported by public stimulus Capitalize on Scandic's >2.5m loyalty members
KEY FINANCIAL IMPLICATIONS	Revenues	<ul style="list-style-type: none"> Q1 revenues impacted by LFL sales drop of 47% in March compared to 2019 Q2 revenues expected to be negatively affected by low occupancy of 7% to 11% LFL FYE 2020 revenues expected to be down by more than 50%
	Costs and Cash Flow	<ul style="list-style-type: none"> Agreements with property owners to extend payment terms Governmental support and further measures applied Near-term capex reduced

SECURED FINANCING AFTER NEW CREDIT FACILITY AND RIGHTS ISSUE

NEW CREDIT FACILITY OF 1,150 MSEK AND BRIDGE OF 250 MSEK FROM EXISTING BANK GROUP⁽¹⁾

- 1,150 MSEK will be made available after the completion of the Rights Issue and fully repaid by the end of 2021

RIGHTS ISSUE OF 1,750 MSEK WITH SUPPORT OF KEY SHAREHOLDERS, BOARD AND MANAGEMENT

- The three largest shareholders Stena Sessan, AMF and Formica Capital have committed to subscribe for their pro rata portion, in aggregate 41.6% of the Rights Issue⁽²⁾
- In addition, AMF will subscribe for an additional 500 MSEK of the Rights Issue, equivalent to approximately 28.6% of the Rights Issue⁽²⁾

LIQUIDITY WITH A SIGNIFICANT MARGIN IS SECURED THROUGH TO FYE 2021

- Substantial liquidity headroom even under a pessimistic recovery scenario secured to the end of 2021
- Liquidity needs are expected to peak during H1 2021 due to the seasonal build-up of working capital and settlement of certain deferred rent, tax and fees payments

ENABLES SCANDIC TO SUSTAIN A PERIOD OF EXTREMELY LOW OCCUPANCY AND FURTHER STRENGTHEN ITS COMPETITIVE POSITION AS THE LEADING AND RESPONSIBLE NORDIC HOTEL COMPANY

(1) The facilities are subject to final documentation and satisfaction of customary conditions precedent, please refer to details in the Company press release dated 29 April 2020.

(2) Subject to customary conditions, please refer to details in the Company press release dated 29 April 2020.

A modern, multi-level office lobby with a grid-patterned ceiling, indoor trees, and escalators. The space is well-lit with warm tones and features contemporary decor, including a bar area and seating zones. The text is overlaid in the center of the image.

STRENGTHS & OPPORTUNITIES IN A POST COVID-19 ENVIRONMENT

ONGOING MEASURES TO CONTINUE TO BUILD LONG TERM LEAN OPERATIONS

Costs

- **Adapt lease agreements to new market conditions**
- **Adapt distribution and marketing costs**
- **Improve cost efficiency of F&B offering**
- **Adjust staffing and organization in hotels and support offices**

IT

- **Improve efficiency in IT operations**
- **Stricter priorities in IT development**

Capex and Pipeline

- **More efficient and rescheduled maintenance capex**
- **Potential re-scheduling and reconfiguration of pipeline hotels**

ATTRACTIVE POSITION TO BENEFIT EARLY FROM DEMAND UPTICK POST COVID-19

1

Resilient local and regional demand

Local and regional travel and market will likely come back faster than international

2

Customer price consciousness

Affordable value proposition

3

Well-known and trusted brand

Market leading customer loyalty program

4

Targeted expansion in existing markets

Trusted and well-connected business partner to the landlords

SOLID DEMAND DYNAMICS IN SCANDIC'S MARKETS

RESILIENCE

GROWTH

Market Fundamentals

~4% Nordic demand growth p.a. 2010-2019, equal to 10-12,000 rooms per year

~6% Demand growth p.a. 2010-2019 in capital cities

Leisure market has grown ~5% p.a. 2010-2019

~5-6% Non-Nordic demand growth p.a. 2010-2019 in all Nordic markets

Scandic's Market Position

INTRA NORDIC
~80% OF GUEST NIGHTS

~40% OF ROOM NIGHTS IN CAPITALS

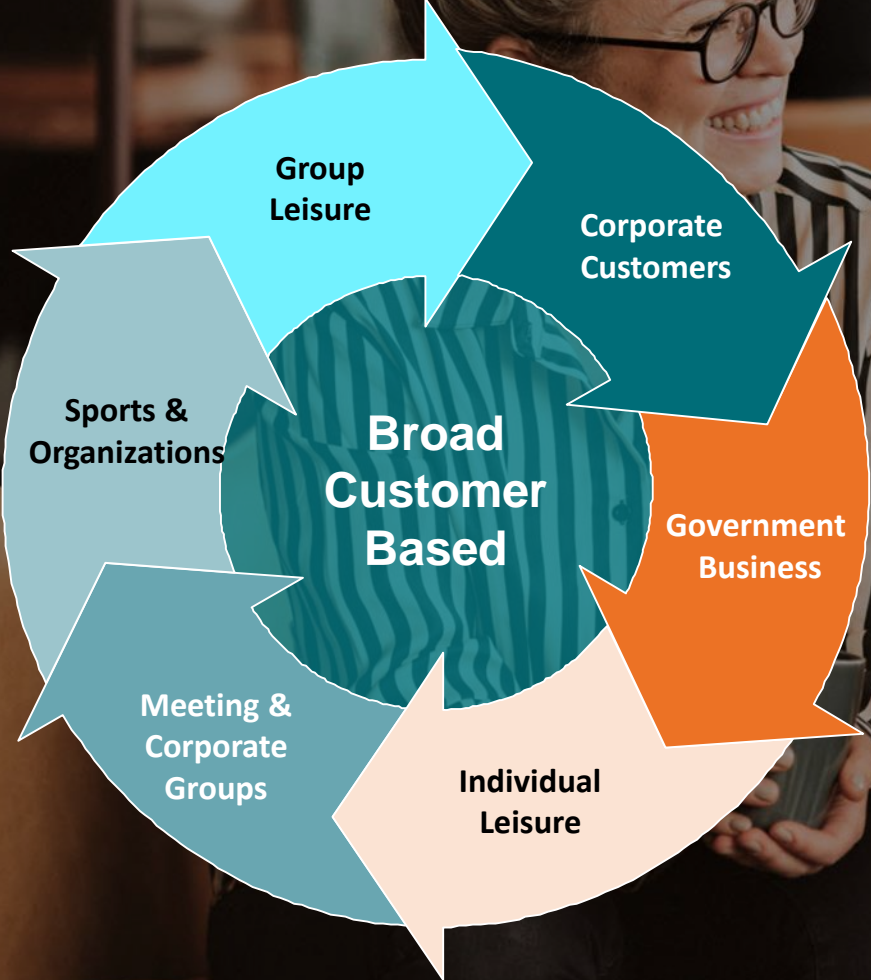
~33% LEISURE NIGHTS

~20% NON-NORDIC GUEST NIGHTS

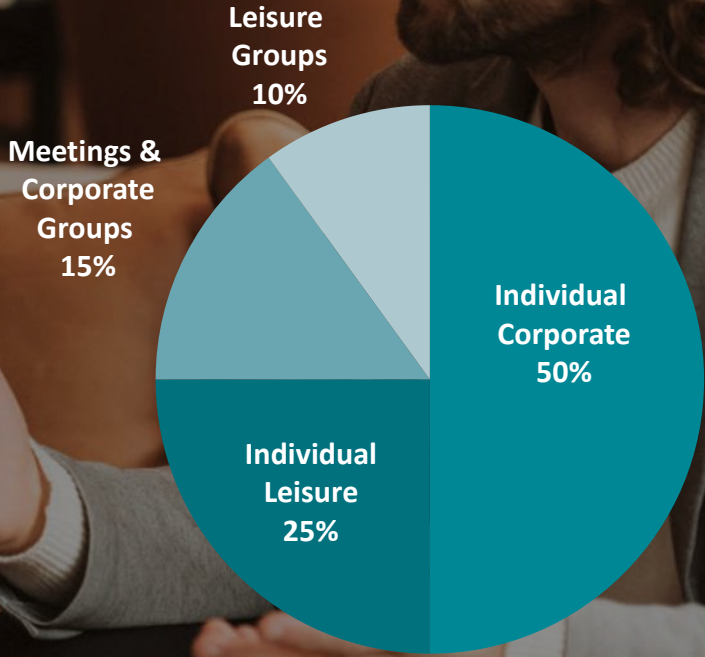
Source: National Statistics

Scandic

BROAD AND WELL-BALANCED CUSTOMER BASE



ESTIMATED DISTRIBUTION OF ROOM NIGHTS



3

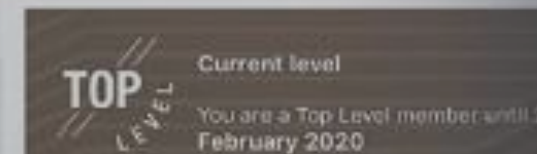
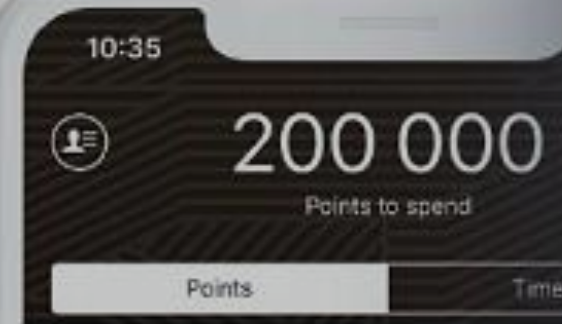
HIGH DEGREE OF RECURRING BUSINESS AND LEADING LOYALTY PROGRAM

Scandic Friends
>2.5m members

Is the largest hotel program in the Nordics, enabling:

- **Digital journey**
- **Stronger relationships, customer ownership and loyalty**
- **Controlled distribution and personalization**

~35% of room revenue from Scandic Friends



- Benefits
- ✓ Higher value on restaurant voucher (EUR 15/night)
 - ✓ Extended access to reward nights
 - ✓ 48-hour room guarantee
 - ✓ In-room welcome gift

[View All Benefits](#)

10:45

Stockholm

7-9 March

3 Guests

Reward Night X



Haymarket by Scandic

50 000 Points

5.0 km to city centre



Scandic

POTENTIAL EXPANSION IN EXISTING MARKETS

WE BELIEVE ATTRACTIVE OPPORTUNITIES WILL LIKELY ARISE IN SCANDIC'S CORE MARKETS OVER THE NEXT MONTHS

- SCANDIC IS THE MOST TRUSTED OPERATOR AND BRAND**
- PROVEN EXECUTION AND INTEGRATION TRACK-RECORD**
- >50% OF PORTFOLIO WITH 8 BLUE-CHIP LANDLORDS**
- LONGSTANDING RELATIONSHIPS WITH LANDLORDS**
- OVER 11 YEARS' OF AVERAGE LEASE DURATION**