

Press release

Stockholm, 05/12/2015

Pandox acquires 18 hotels in Germany for approx. MSEK 3,700

Pandox AB (publ) has entered into an agreement to acquire 18 hotel properties in Germany with a total of 3,415 rooms. The acquisition price, for which bank financing is secured, amounts to MEUR 400, corresponding to approximately MSEK 3,700, on a debt free basis including minority interest. The acquired hotel portfolio is expected to contribute the equivalent of approximately MSEK 150 in cash earnings 2016. The hotels are positioned in the upper mid-market segment with a well-balanced demand mix and are primarily marketed under the brand name Leonardo Hotels. Pandox has signed new 25-year revenue based lease agreements with Fattal Hotels for all of the hotels with good rental guarantee levels. The sellers are the Leopard Group and Fattal Hotels. The acquisition is made together with Eiendomsspar AS as a minority shareholder with 5.1 percent.

“The acquisition fulfils all Pandox’s strategic criteria as regards size, city, location, market position and profitability, and strengthens our position on the important German market. The transaction is also completely in line with Pandox’s business model, which is based on long-term lease agreements. Furthermore, Fattal Hotels is a new strong long-term partner and the hotels have good development potential”, says Anders Nissen, CEO of Pandox.

“My company and I feel privileged that Pandox has decided to make a most significant investment in our hotels and buy 18 hotels in Germany under a lease agreement with Leonardo Hotels. Pandox is a well-known and fast growing hotel company in Europe, and we are honoured and flattered to work together. We look forward to a very close cooperation and hope that we will be able to further expand ourselves for our mutual benefit”, says David Fattal, CEO of Fattal Hotels.

Drivers for the acquisition

1. All of the hotel properties are located in Germany, which is a prioritised market for Pandox.
2. The hotels are located in international cities and regional cities with a balanced domestic and international demand.
3. The hotels are full-service products in the upper mid-market segment with a good average size of 190 rooms.
4. The hotels strengthen the lease portfolio and contribute to Pandox’s earnings via long-term revenue based lease agreements with guaranteed rents, which is the core of Pandox’s business model.
5. The hotels have good long-term development potential.
6. Fattal Hotels becomes a new strong long-term partner to Pandox under the brand name Leonardo Hotels.

Acquisition price and financing

The acquisition price amounts to MEUR 400, corresponding to approximately MSEK 3,700 at the current exchange rate, on a debt free basis including minority interest. The acquisition price per room amounts to approximately MSEK 1.1. The acquisition is financed by a new and agreed five year bank loan, existing bank loans and existing liquid funds.

Transaction structure

The seller is the Leopard Group, which is a holding company with property interests in the UK and Germany, and the Fattal Hotels of Israel. The acquisition is made in form of a take-over of the company, which owns the 18 hotel properties. Pandox AB completes the acquisition together with Eiendomsspar AS, which is a shareholder of Pandox AB, where Pandox AB's ownership share amounts to 94.9 percent and Eiendomsspar AS's ownership share amounts to 5.1 percent. This structure is considered the most efficient solution for all Pandox's shareholders.

Financial effects for Pandox at full consolidation and at current exchange rate

1. The acquisition is expected to increase Pandox's rental revenues by the corresponding amount of approximately MSEK 250 and cash earnings by the corresponding amount of approximately MSEK 150 in 2016, provided the acquisition is completed before year-end 2015.
2. The acquired portfolio has an initial yield of approximately 6.3 percent.
3. Fattal Hotels remains as a long-term lessee in all of the hotel properties with new 25-year revenue-based lease agreements with good rental guarantee levels.
4. Pandox's responsibility for future investments is limited to major technical investments and building structure, which means property costs are lower compared with Pandox's Nordic hotel property portfolio.
5. Pandox sees good potential to, in close cooperation with Fattal Hotels, make future cash flow enhancing investments in the acquired hotel property portfolio.
6. Based on the market value of the hotel property portfolio per 30 September 2015:
 - a. The portfolio value increases from approximately SEK 27.7bn to SEK 31.4bn.
 - b. Investment properties' share of the total property value increases from approximately 77 percent to approximately 80 percent.
 - c. Pandox's loan-to-value ratio (net) increases from approximately 44 percent to approximately 51 percent, which should be compared with the company's financial target of a loan-to-value ratio of 45-60 percent (gross) with normalised liquidity.

Terms and completion

The acquisition is expected to be completed by the end of 2015, and is conditional upon having received necessary approvals by German authorities, and the fulfillment of the terms in the share transfer agreement.

Financial reporting

Pandox will consolidate the acquired hotels to 100 percent and report these under the business segment Property Management, and report minority interest at the consolidated group level, from the first quarter 2016.

Portfolio overview

The acquired hotel property portfolio consists of 18 hotels with 3,415 rooms in 12 German cities. The hotels will be marketed under the brand name Leonardo, which means that the hotels currently managed under the brand name Holiday Inn will be converted to Leonardo when the agreements expire. The hotels have either recently been refurbished or are currently under refurbishment. The hotels are positioned in the stable and profitable upper medium class segment in international cities such as Frankfurt, Düsseldorf and Hamburg with a high share of international demand, and regional cities, such as Cologne, Hannover and Mönchengladbach with a high share of regional demand, which in total create a well-balanced demand mix. A majority of the hotels have very strong locations for the business segment and many are located in cities with a dynamic event market for both the business and the leisure segment.

Hotel	City	Number of rooms	Location
Leonardo Royal Frankfurt	Frankfurt	449	City centre
Holiday Inn Frankfurt Airport North	Frankfurt	295	Airport
Leonardo Royal Düsseldorf Königsallee	Düsseldorf	253	City centre
Leonardo Hannover Airport	Hannover	213	Airport
Leonardo Wolfsburg City Center	Wolfsburg	212	City centre
Holiday Inn Düsseldorf Airport	Düsseldorf/Ratingen	199	Airport
Leonardo Hamburg City Nord	Hamburg	182	Ring road
Leonardo Hannover	Hannover	178	Central residential
Leonardo Köln-Bonn Airport	Cologne	177	Airport
Leonardo Heidelberg	Heidelberg	169	Ring road
Leonardo Heidelberg-Walldorf	Heidelberg/Walldorf	161	Central
Leonardo Royal Köln am Stadtwald	Cologne	150	Central residential
Leonardo Mannheim City Center	Mannheim	148	City centre
Leonardo Karlsruhe	Karlsruhe	147	City centre
Leonardo Düsseldorf City Center	Düsseldorf	134	City centre
Leonardo Mönchengladbach	Mönchengladbach	128	City centre
Leonardo Royal Baden-Baden	Baden-Baden	121	City centre
Leonardo Aachen	Aachen	99	City centre
Total		3,415	



Invitation to telephone conference 7 December 2015, at 08:00 CET

Based on the acquisition Pandox invites investors, analysts and media to a webcasted telephone conference 7 December 2015, at 08:00 CET.

To follow the presentation online go to <http://media.fronto.com/cloud/pandox/151207>. To participate in the conference and ask questions, please call one of the telephone numbers indicated below about 10 minutes before the start of the presentation. The presentation material will be made available at www.pandox.se.

SE: +46 (0)8 5052 0110

UK: +44 (0)20 7162 0077

US: +1 334 323 6201

Access Code: 956626

A recorded version of the presentation will be available at www.pandox.se.

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Pandox AB (publ) is required to publish this information under the Swedish Securities Market Act and/or Financial Instruments Trading Act. The information was submitted for publication on 5 December 2015 at 08:00 CET.

This press release has been translated from Swedish. The Swedish text shall govern for all purposes and prevail in the event of any discrepancy.

About Fattal Hotels

The Fattal Hotel Chain is Israel's largest hospitality organization with 35 hotels and 7,500 rooms under its management. These hotels are well distributed across the country in all major tourist venues – Tel Aviv, Jerusalem, Tiberias, Dead Sea and Eilat. The Chain owns and manages 60 (including this portfolio) Leonardo-branded hotels in Europe. See more at: <http://www.fattal-hotels.com/about-us> and <https://www.leonardo-hotels.com/>

About Pandox

Pandox is a leading owner of hotel properties in Northern Europe with a focus on sizeable hotels in key leisure and corporate destinations. Pandox's hotel property portfolio currently comprises 103 hotels with approximately 22,000 hotel rooms across eight countries. Pandox's business is organised into Property management, which comprises hotel properties leased on a long-term basis to market leading regional hotel operators and leading international hotel operators, and Operator activities, which comprises hotel operations executed by Pandox in its owner-occupied hotel properties. Pandox was founded in 1995 and the company's B shares are, as of 18 June 2015, listed on Nasdaq Stockholm. www.pandox.se