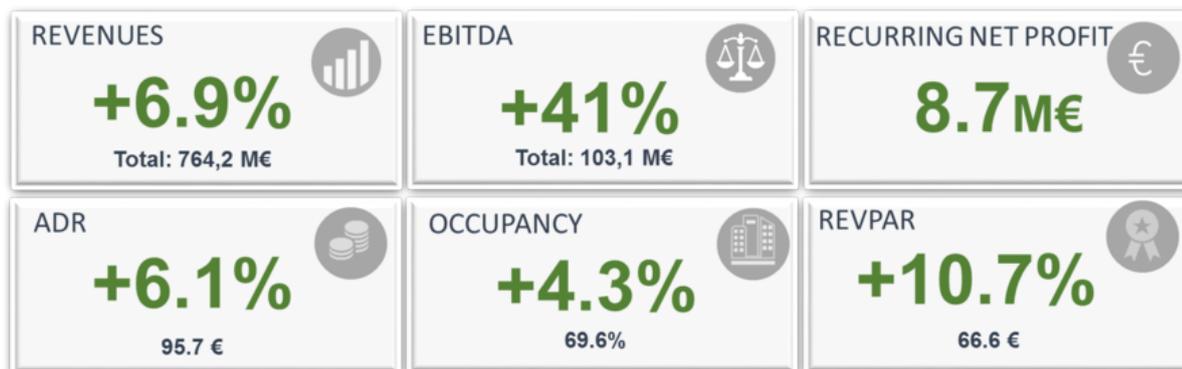


# NH Hotel Group posts 1H17 EBITDA growth of 41% and recurring net profit of € 8.7M, positive for the first time in first half since 2008

Highlights: revenue growth, enhanced efficiency and deleveraging



## - First-half 2017 results -

Positive trend in the company's hotel activity across all of its markets, particularly Benelux (+14.7%) and Spain (+12.5%), drove first-half revenue a solid 7% higher year-on-year to €764.2 million

Improved quality is driving relative outperformance in the company's top destinations, reaching a growth in RevPAR of 10.7%, shaped by growth in the ADR of 6.1% to €96 and growth in demand of 4.3%

Albeit hotel activity growth, efficiency improvements enabled a high revenue-to-EBITDA conversion ratio of 61%, leaving EBITDA at €103.1 million, up 41% from 1H16, improving the margin three percentage points

This significant growth in EBITDA allows a recurring net profit improvement of €14.1 million reaching €8.7 million, positive result for the first time in a first semester since 2008

Net profit, including non-recurring items, amounted to €7.6 million, totally due to the business improvement in the period. The €2.1 million year-on-year decline reflects the impact of a €15 million gain in 1H16 mainly from assets rotation, that this year are expected to be obtained at least the same level in the second half of 2017, through asset rotation transactions

## **- Financial targets -**

*NH Hotel Group is well positioned to exceed its current guidance for 2017 and has announced an Investor Day for September 28th in Madrid, at which it will update its targets for this year and provide new guidance for 2018-2019*

## **- Other significant developments -**

*Successful completion of the Company's debt refinancing, a process executed in two phases between last year and 2Q17, extending average maturities and reducing average costs*

*The Company held its Annual General Meeting on 29 June at which its shareholders approved the payment of a dividend from 2016 profits of €0.05 per share outstanding and the launch of a new long-term incentive plan aligned with shareholder interests*

**Madrid, 26 July 2017.** Today, NH Hotel Group presented its first-half 2017 results, which continue to evidence the momentum the Company has been showing since last year, marked by solid topline growth in all markets, outperformance relative to its competitors in its main destinations and efficient control over operating expenses.

Alfredo Fernández Agras, Chairman of NH Hotel Group's Board of Directors, believes that the strong improvement in earnings is the result of **coordination between the management team and the Board**: “We have a top-notch Executive Committee, which is focused on managing the business efficiently, and a multi-disciplinary boardroom, most of whose members are independent, which oversees execution of the defined business strategy and reviews the corporate governance. The **alignment of business interests and best practices** has fostered **value generation for our shareholders and sustained earnings growth during the last 12 months**”.

## **1Q17 earnings performance**

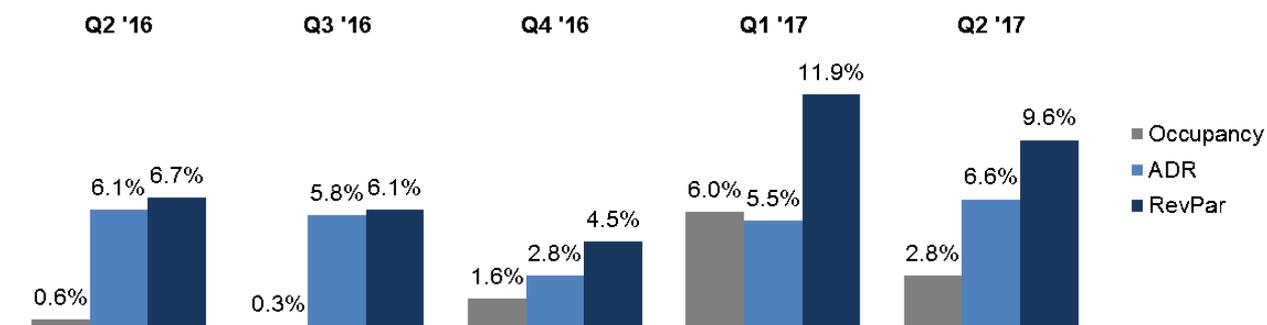
The Group's strong **revenue performance, namely year-on-year growth of 7% to €764.2 million**, is the result of the effort made to re-position the hotel portfolio in recent years, roll out the new guest service proposition and implement efficient tools and right revenue management strategies. The Company is growing solidly in all its markets and outperforming its direct competitors in its main destinations. As a result, NH Hotel Group saw its revenue increase by €49.1 million from 1H16.

According to the Chief Executive Officer of NH Hotel Group, Ramón Aragonés, the keys to the first-half results included **the strong revenue performance in all markets** and the **excellent revenue-to-EBITDA conversion ratio** of 61%, highlighting, in his opinion, operative efficiency: "the first-half results evidence the progress made on the cash generation front, efficiency improvements and deleveraging. They provide a **solid base for delivering our guidance for 2017** and updating our business plan for the next couple of years".

It is worth highlighting the Group's excellent topline performance in the first half in certain markets such as Benelux, where revenue rose by 14.7% thanks to the full recovery of the Brussels market and a strong showing in secondary cities, and Spain, where revenue was 12.5% higher, fuelled by an excellent trend in the ADR and occupancy across all destinations. Italy, meanwhile, posted revenue growth of 3.5%, and Central Europe, affected by the favourable line-up of trade fairs in 2016, the one-off impact of the closure of an 83-room hotel at the end of last year and the refurbishment of three key hotels in Berlin, Munich and Hamburg, registered – stripping out these effects - a growth of 1.7%. Lastly, revenue in Latin America was 8.8% higher year-on-year, thanks to strong business volumes in Mexico and Argentina, and despite currency devaluation in these markets.

The price management strategy rolled out during the reporting period paved the way for **growth in revenue per available room (RevPAR) of 10.7%, underpinned by growth in all markets**. It is worth highlighting the fact that 60% of the growth in RevPAR was driven by growth in the ADR of 6.1% to €96 in 1H17. Occupancy, meanwhile, increased by 4.3% to around 70%. The strategy pursued continued to enable **NH Hotel Group to outperform its direct competitors** in its main destinations, posting RevPAR and ADR growth that was 3.8 and 2.1 percentage points respectively, above that of its competitors, particularly in key city destinations.

### Trend in key hotel indicators by quarter



## First-half relative performance to competitors

1H17	% chg. in ADR		Relative chg. in
	NHH	Compset	ADR
<b>Total NHH</b>	<b>4.6%</b>	<b>2.5%</b>	<b>2.1pp</b>
<b>Spain</b>	12.1%	10.1%	2.0pp
<b>Italy</b>	1.7%	-2.1%	3.8pp
<b>Benelux</b>	5.6%	0.3%	5.3pp
<b>Central Europe</b>	-2.3%	0.7%	-2.9pp

1H17	% chg. in RevPAR		Relative chg. in
	NHH	Compset	RevPAR
<b>Total NHH</b>	<b>9.1%</b>	<b>5.3%</b>	<b>3.8pp</b>
<b>Spain</b>	17.9%	12.0%	5.9pp
<b>Italy</b>	5.2%	3.7%	1.5pp
<b>Benelux</b>	16.1%	5.3%	10.8pp
<b>Central Europe</b>	-1.3%	1.8%	-3.1pp

Key cities for which there is a market source for this metric  
Source: STR/MKG/Fairmas (average growth for the peer group)

Despite the growth in business volumes in the first half, the efficiency measures and cost controls implemented have permitted an **excellent revenue-to-EBITDA conversion ratio of 61%**, allowing the Company to report a **significant growth in EBITDA of 41%** in the first six months of the year to **€103.1 million**.

As a result, the Group presented a **positive recurring net profit for the first time in a first half since 2008**, specifically reporting a profit of **€8.7 million** compared to a bottom-line loss of €5.5 million in 1H16. Reported net profit - including non-recurring net items - amounted to €7.6 million (down €2.1 million), affected somewhat by a tough comp as a result, mainly, of gains generated in the first half of 2016 on asset rotation transactions which, in 2017, are expected materialise in the second half this year.

### Consolidated NH Hotel Group income statement:

NH HOTEL GROUP P&L ACCOUNT				
[€ million]	6M 2017	6M 2016	Var.	
	€ m.	€ m.	€ m.	%
<b>TOTAL REVENUES</b>	<b>764.2</b>	<b>715.1</b>	<b>49.1</b>	<b>6.9%</b>
<b>GROSS OPERATING PROFIT</b>	<b>260.6</b>	<b>226.5</b>	<b>34.0</b>	<b>15.0%</b>
<b>EBITDA BEFORE ONEROUS</b>	<b>103.1</b>	<b>73.0</b>	<b>30.1</b>	<b>41.2%</b>
<b>NET RECURRING INCOME</b>	<b>8.7</b>	<b>(5.5)</b>	<b>14.1</b>	<b>N/A</b>
<b>NET INCOME including Non-Recurring</b>	<b>7.6</b>	<b>9.7</b>	<b>(2.1)</b>	<b>(21.3%)</b>

## Deleveraging

Strong cash flow generation during the period enabled the Company to reduce its debt by €20 million to €721 million between year-end and 30 June.

### **Hotel business performance by market**

*(like-for-like hotel data + hotels under refurbishment)*

**Spain** performed excellently throughout the first half, boosted by business dynamism in cities such as Madrid and Barcelona, where revenue rose by 12.5% and 11.1% respectively, with the secondary cities showing a strong performance of 10.2%. RevPAR across this market registered a like-for-like growth of 16.9%, driven by growth of 10.3% in the ADR and of 5.9% in the occupancy rate. Revenue in the Spanish unit rose by 12.5% to €196.1 million, while EBITDA doubled to €28.5 million.

**Benelux** registered significant business volume growth thanks to the refurbishment work carried out in early 2016, the full recovery of the Brussels market and good momentum in secondary cities. Benelux posted growth in occupancy of 8.0% and growth in the ADR of 7.9% for RevPAR improvement of 16.5%. This market generated €162.2 million of revenue, up 14.7% year-on-year. EBITDA in Benelux amounted to €29.4 million in 1H17, up 50% or €9.8 million.

**Italy** presented like-for-like RevPAR growth of 6.2%, shaped by growth in the ADR and in occupancy of 3.7% and 2.4%, respectively. This market has been particularly strong in the secondary cities in recent months. Revenue in this market rose by 3.5% to €132.9 million, while EBITDA jumped 20.1% to €24.3 million.

**Central Europe** reported RevPAR growth of 2.8% in 1H17, driven by growth in the occupancy rate and ADR of 2.6% and 0.3% respectively, despite the tough comp in terms of trade fair timing in Germany. This market registered revenue of €187.8 million, down 1.1% due to the refurbishment work at three hotels in Berlin, Munich and Hamburg with 354 rooms updated during the first half. The impact was offset at the EBITDA level by control over operating costs so that EBITDA rose by 3.7% year-on-year to €8.2 million.

**Latin America** posted a very positive performance across all markets. RevPAR rose by 9.3% in 1H17, thanks to growth in the ADR of 7.6% and in occupancy of 1.6%. Revenue was 8.8% higher year-on-year at €67.9 million.

By region, Mexico posted topline growth of 11.1% (real exchange rate), attributable to the repositioning in 2016 of the NH Collection Mexico Reforma; in Mercosur, revenue growth was even higher, at 19.0%, driven by higher business volumes (occupancy: +10%) as well as price growth (+11.1%); lastly, revenue in Colombia was flat.

#### **- Financial targets -**

The strong earnings performance year-to-date, coupled with the positive outlook for the quarters to come, position NH Hotel Group to exceed the current guidance set for 2017.

Elsewhere, the Company has announced that it is holding its **Investor Day** on September 28th in Madrid, at which it will update its targets for this year and provide new guidance for **2018-2019**.

#### **- Other significant developments -**

##### **Successful conclusion of the efforts to reinforce the Company's financial structure**

NH Hotel Group has concluded its two-phase refinancing process (the first phase having been undertaken in 2H16 and the second in 2Q17), **extending the maturity profile and reducing gross debt and average cost of debt**.

During the second quarter of 2017, taking advantage of the Group's business and earnings momentum, and a propitious capital markets environment, the Company decided to refinance a portion of the bonds it issued in 2013 ahead of maturity by expanding the issue carried out in September 2016. Against this backdrop, in April 2017, the Group repaid €150 million of 6.875% bonds due 2019 using cash and the proceeds from the issuance of €115 million of new 3.17% bonds due 2023.

##### **Key AGM resolutions**

NH Hotel Group held its Annual General Meeting on June 29th at which its shareholders approved the **payment of a dividend against 2016 profit of around €17 million**, which is equivalent to €0.05 (before withholding tax) per outstanding share.

The Company's shareholders also approved a **new long-term incentive plan aligned with shareholder value generation interests**. The plan, which will be tied to the share price, will be targeted at 100 beneficiaries and contingent upon delivery of recurring EBITDA and net profit generation targets.



## Wendy Kuiper

PR & Communications Manager

[w.kuiper@nh-hotels.com](mailto:w.kuiper@nh-hotels.com)

+31 6 21280528

---

### ABOUT NH HOTEL GROUP

#### Over NH Hotel Group

NH Hotel Group is beursgenoteerd in Spanje met bijna 400 hotels in 30 landen in Europa, Afrika en Noord- en Zuid-Amerika. Onder de NH Hotel Group vallen de 3- en 4-sterren urban NH Hotels, de NH Collection flagship hotels, de nhow designhotels en de Hesperia vakantieresorts. Wereldwijd staan meer dan 20.000 medewerkers dag en nacht klaar om de beste service tegen de beste prijs te leveren voor de jaarlijks ruim 16 miljoen gasten. De hotels van NH Hotel Group zijn bekroond met de Zoover Award voor Beste Hotelketen 2014, 2015 en 2016. Kijk voor meer informatie op [www.nh-hotels.com](http://www.nh-hotels.com) en [www.nh-collection.com](http://www.nh-collection.com).

#### About NH Hotel Group

NH Hotel Group is listed on the IBEX 35 stock exchange of Madrid and has nearly 400 hotels in 30 countries in Europe, Africa and North- and South-America. The portfolio of the NH Hotel Group includes the 3- and 4- star urban NH Hotels, the NH Collection flagship hotels, the nhow designhotels and the Hesperia holiday resorts. Worldwide more than 20.000 employees work day and night to deliver the best service for the best price to the 16 million guests the hotel chain welcomes yearly. The hotels of NH Hotel Group have been rewarded with the Zoover Award for Best Hotel Chain of 2014, 2015 and 2016. For more information, visit [www.nh-hotels.com](http://www.nh-hotels.com) and [www.nh-collection.com](http://www.nh-collection.com).



NH Hotel Groupnewsroom