

# NH Hotel Group improves its results by 10% and accomplishes strategic milestones on time

01 SEPTEMBER 2014, HILVERSUM

## SUMMARY

*NH Hotel Group consolidates recent quarterly earnings with increases in Average Daily Rate (ADR), Occupancy and RevPAR. The average daily rate (ADR) has grown in the second quarter with 0.8% (2.5% in constant currency terms) on a like-for-like basis, confirming the anticipated shift in the RevPAR mix. The change in trend is particularly relevant in July, as for the first time, the rise of ADR (2,1% and 3,6% in constant currency terms) is superior to the increase of occupancy levels (+2%), showing an increase of RevPAR of +4.1% (5,7% in constant currency terms). In the first-half of 2014 RevPAR like-for-like (revenue per available room) increased with 2.54% (4,35% in constant currency terms). Positive hotel business dynamics were confirmed in all of the Company's Business Units; personnel expenses were flat year-on-year despite the increase in activity, while expenses related to implementing the strategic plan were higher as expected. Recurring net profit rose by 10.8% year-on-year, while consolidated net profit was distorted by the impact of the sale of the NH Grand Hotel Krasnapolsky last year, which continues to be operated by the Company under a management agreement.*

**Hilversum**, 1 September 2014. Today NH Hotel Group presented its results of the first half of 2014, showcasing the on-going improvement in earnings evidenced in the last quarters of 2013, in line with the Company's forecast.

The positive trend in like-for-like RevPAR in the first half, underpinned by growth in prices (+0.2%) and occupancy (+2.3%), shows an increase in comparable revenues of 2.4% (€13.7 million), despite the negative effect of the exchange rate (€10.0 million). Nevertheless, and as a result of hotels removed from the scope of consolidation (€19.2 million), consolidated revenues fell by €6.6 million (-1.1%).

Regarding the positive trend in RevPAR, it is important to highlight that it reflects an improvement in its composition in the second quarter, showing an increase in prices after two years of contraction, thereby consolidating the growth registered in the last 12 months and evidencing the positive impact of implementation of the strategic plan initiatives.

As a result, recurring Group EBITDA amounted to €45.7m in the first half, which is slightly

lower than last year, due to the lack of contribution of the hotels that have exited the portfolio, as well as the adverse impact of the exchange rates in Latin America.

As for the forecast for the third quarter, the July figures reveal significant growth in occupancy rates (+2%), ADR (+2.1%) and RevPAR (+4.1%), pointing to further consolidation of the upward trend of recent months.

#### Evolution of the Strategic Plan:

**2014:** The guidance for the full year is maintained, which calls for RevPAR growth of between 3% and 5%, shaped by greater momentum in the second half thanks to the launch of a series of revenue-enhancing initiatives contemplated in the strategic plan. Recurring EBITDA is expected to grow by between 5% and 10% year-on-year, excluding the impact of asset sales.

**Repositioning plan:** The Company expects to refurbish approximately 41 hotels in 2014. As for the refurbishment operations that have been completed or are planned, the bookings evolution after re-opening and expectations on the projects currently under execution, are showing an improvement in consumer perception, with potential ADR growth substantially stronger than that registered year-to-date in the second half of the year.

NH Collection Palazzo Barocci (Venice), NH Alonso Martínez (Madrid), NH Firenze (Florence) and NH Berlin Mitte (Berlin) have already been renovated and re-opened this year. For these hotels, a growth in revenue from room sales of 13.5% has been achieved after refurbishment works, despite the short comparable period. The most important project – the refurbishment of the NH Collection Eurobuilding in Madrid – is close to completion, with a reopening scheduled for early September. During the summer period, 14 hotels started renovating and another 23 will begin in the forthcoming weeks.

**Brand management:** Guest feedback on the Group's hotels is very encouraging, while the trend in terms of individual hotel positioning (the so-called Popularity Index) in the cities in which NH Hotel Group operates is similarly positive. Overall, the guest feedback score has improved by 0.4 to 8.2, which has in turn driven an improvement in the Popularity Index of 3%.

As for the NH Collection brand (with 23 hotels as of August 1st 2014), the score year-to date is running at 8.8 (+0.4), evidencing improvement in the Popularity Index of over 30%, with the NH Collection properties commanding 60% of the top 25 hotels in the cities in question. These higher scores are the result of the investments made by the Group in its 'Brilliant Basics' (TVs, mattresses, pillows, showers, hairdryers, amenities, etc.).

**Pricing and revenue management strategy:** The "B2C Pricing project", a new price and room categorization architecture to foster a price-led recovery, is currently being implemented

in various Business Units. This project is planned to be fully rolled out by December 2014.

**IT infrastructure and support functions:** Marketing- and IT investments encompass important projects such as the renewal of hotel signage, IT systems migration, the definition and execution of the new advertising campaign worldwide, the launch of mobile applications and the upgrade and integration of the commercial website. The integration of the new website is progressing as scheduled and the various domains are expected to be launched in August and September.

**Asset sales and portfolio optimization:** In June the Company announced the sale of the NH Amsterdam Centre as part of a sale & lease-back construction at a value of €52.4m, as part of an asset disposal plan designed to generate proceeds of €125m. The Company continues to negotiate on several fronts at varying stages of development, which includes the exit of 44 hotels during the period 2013-2014. At the end of the first half of 2014, the Company has exited 25 hotels, keeping 13 within the Group thanks to the agreements reached with the owners (better financial conditions or investment commitments). During the second half it is foreseen the exit of the remaining 6.

**Lease expense:** Between leases that have already been renegotiated and those pending execution, the Company has locked in almost 70% of its lease saving target for the year, implying annualized savings in the first half of €8.1m, of which €4.4m are permanent.



## IMAGES

NH HOTEL GROUP P&L ACCOUNT			
(€ million)	6M 2014	6M 2013	2014/2013
TOTAL REVENUES	614,2	620,8	(1,1%)
GROSS OPERATING PROFIT	178,3	191,4	(6,9%)
EBITDA	45,7	52,7	(13,3%)
EBIT	3,1	7,8	(60,0%)
NET RECURRING RESULT	(25,4)	(28,5)	10,8%
Non Recurring EBITDA	2,0	35,3	(94,4%)
Other Non Recurring Items	(19,4)	(6,8)	(186,2%)
NET RESULT including Non-Recurring activity	(42,8)	0,1	

## SPOKESPEOPLE



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### ABOUT NH HOTEL GROUP

#### Over NH Hotel Group

NH Hotel Group is beursgenoteerd in Spanje met ruim 375 hotels in 28 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. NH Hotel Group wil binnen 5 jaar in de top-2 staan van hotelketens die zowel zakelijke- als privéreizigers overwegen op het moment dat zij een reis plannen. Hiertoe wordt op grote schaal geïnvesteerd in faciliteiten, IT en trainingen. Onlangs werd NH Hotel Group bekroond met een Zoover Award voor Beste Hotelketen 2014. Kijk voor meer informatie op [www.nh-hotels.com](http://www.nh-hotels.com).

#### About NH Hotel Group

NH Hotel Group is listed on the IBEX 35 stock exchange of Madrid and has over 375 hotels in 28 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. NH Hotel Group wants to be part of the top-2 hotel chains that business- and leisure travelers consider at the moment of planning a trip. To achieve this, the chain is investing in facilities, IT and trainings. Recently the NH Hotel Group was awarded with a Zoover Award for Best Hotel Chain of the Netherlands 2014. For more information, visit [www.nh-hotels.com](http://www.nh-hotels.com).

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## NH Hotel Group pressroom

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