# H1 2014 RESULTS

**August 26, 2014**

SOFITEL LUXURY HOTELS pullman MGALLERY GRAND MERCURE THE SEBEL NOVOTEL Suite NOVOTEL Mercure adagio ibis ibis STYLES ibis budget hotelF1

# 1

# Sébastien Bazin
Chairman and CEO

# New strategy

## Fast deployment in 2014

- **Completed transformation of Accor's organization around HotelServices & HotelInvest**
- **Team fully on board in all segments and territories**
- **Financial reporting now fully aligned on the organization**
- **Strong consolidation of the Group's financial capacity**
- **Value enhancing acquisitions**
- **Transparency on Gross Asset Value**

# Key H1 Takeaways

## Strong achievements & new data

- **€219m EBIT, up 17.6% vs H1 2013**
- **12,284 rooms added, and 144,000 rooms in the pipeline**
- **HotelServices: Strong improvement of the EBITDA margin at 47.1%, up 2.5 pts vs H1 2013** *(excl. Sales & Marketing fund and Loyalty)*
- **Gross value of HotelInvest assets: €5.0bn to €5.5bn – ROI [1]: 10.6%**

*(1) Return On Investment: 12 rolling months restated EBITDA/ Mid-range Gross Asset Value*

# HotelServices

*At June-end 2014*

**≈ 3,650** hotels

**≈ 470,000** rooms

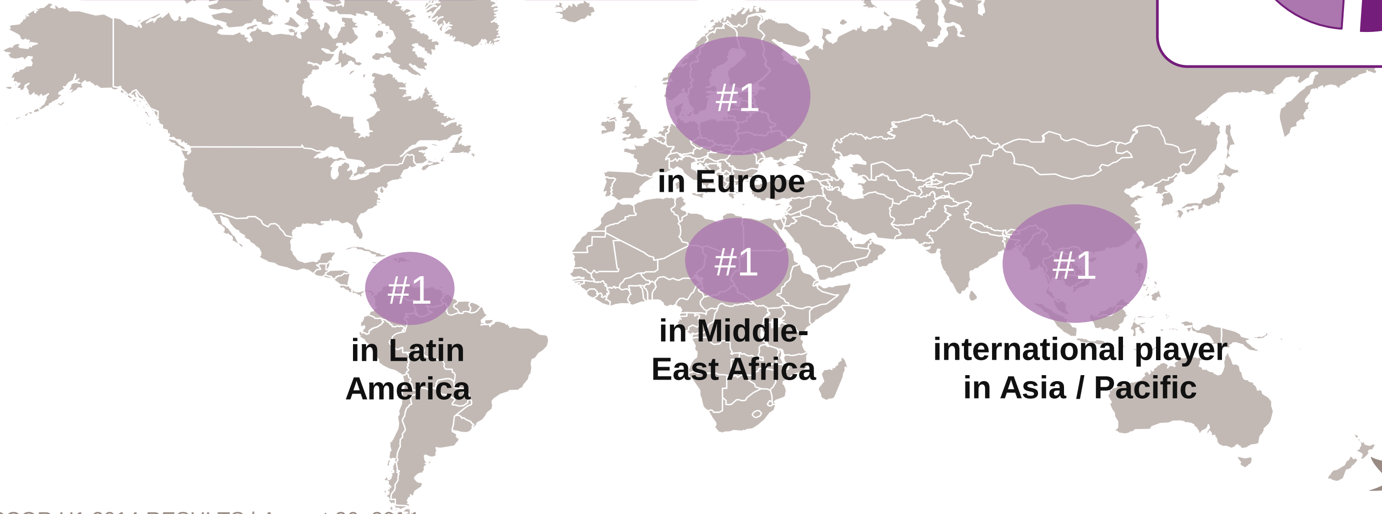
**144,000** rooms in pipeline

**≈ €5.7bn** system-wide gross revenue

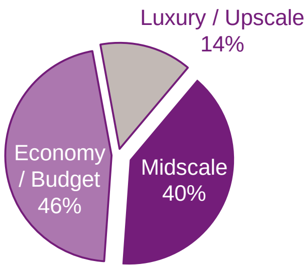
**≈ 58%** through Accor reservation system

**€1bn** gross revenue through Accor websites

**> 16m** loyalty members




## Unique & wide portfolio



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# Clients and Owners: top of mind, with digital services as a resource

**“Welcome”** the new digital solution that revolutionizes the guest’s experience presented last April, with 1,000 Accor hotels equipped by end 2014

**Le Club Accorhotels** to offer more generosity and acknowledgement to its 16m members, as presented last June

**32%** of gross revenue generated trough Web sales in H1

**Digital day** to be held in London Thursday 30 October 2014

# HotelInvest

**1,369** hotels (o/w 368 owned) & **187,736** rooms

**77%** of hotels in Europe (France + NCEE)

**95%** of hotels in Budget / Economy / Midscale segments

**€5.0bn to €5.5bn** of Gross Asset Value

**10.6% ROI** [1] with 8% for owned assets, and 15% for leased hotels

*(1) Return On Investment: 12 rolling months restated EBITDA/ Mid-range Gross Asset Value*

## Restructuring underway

**97** hotels bought from Moor Park and Axa in H1

**13** hotels bought from Tritax in August

**368** hotels now owned by HotelInvest at June-end, generating 51% of NOI [2]

**All teams** now at full speed, following the arrival of John Ozinga in June 2014

*(2) Including the Moor Park and Axa portfolios as owned hotels (42% if consolidated as leased hotels )*

# HotelInvest KPIs by detention mode
# Restated from the Moor Park and Axa acquisitions

| *H1-2014 Figures* | Owned | Leased Hotels | Others | Total |
|---|---|---|---|---|
| **Number of hotels** | 368 | 1,001 | | 1,369 |
| **12 rolling months EBITDA** (€m) | 288 | 278 | | 557 |
| **FIXED ASSET**<br>**Gross fixed assets** (€bn)<br>*June-end* | 3.6 | 2.2 | | 6.0 |
| **GROSS ASSET VALUE**<br>**3rd party valuations** (€bn)<br>**ROI** (1) | [3.3 - 3.6]<br>8.3% | [1.6 - 2.1]<br>15.0% | | [5.0 - 5.5]<br>10.6% |

*NB: Moor Park and Axa are consolidated as owned hotels*

*(1) Return On Investment: 12 rolling months restated EBITDA/ Mid-range Gross Asset Value*



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# 2

# Sophie Stabile

Global CFO



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# H1 2014 Revenue: €2,593m, up 2.8% L/L

| | | |
|---|---|---|
| **+2.8%** | *Like-for-Like* €73.8m | **HotelServices: +5.7% comp (1); HotelInvest: +1.6% L/L** |
| **+0.7%** | *Expansion* €19.4m | **12,284 new rooms (92 hotels) opened in H1** |
| **-2.5%** | *Disposals* €(65)m | **Impact of the Asset Management program** |
| **-2.8%** | *Currency* €(75.1)m | **Strong effects of the Brazilian Real and the Australian dollar** |
| **-1.8%** | *Reported* €(46.9)m | |

*NB: H1 2013 and H2 2014 Revenue figures are restated from the IFRS 11 impacts*

*(1) Comparable (comp.) revenue growth – includes fees linked to expansion, at constant exchange rates*



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# HotelServices & HotelInvest: Sustained growth in profits

| *H1 2014 figures* | Hotel Services | Hotel Invest | Corporate & Intercos | Accor Group |
|---|---|---|---|---|
| **Revenue** | **582** | **2,286** | **(275)** | **2,593** |
| **EBITDAR** | **200** | **643** | **(36)** | **807** |
| *EBITDAR margin* | *34.3%* | *28.1%* | *N/A* | *31.1%* |
| **EBITDA** | **188** | **222** | **(34)** | **376** |
| *EBITDA margin* | *32.3%* | *9.7%* | *N/A* | *14.5%* |
| **EBIT** | **172** | **83** | **(36)** | **219** |
| *EBIT margin* | *29.6%* | *3.6%* | *N/A* | *8.4%* |
| **EBIT H1-2013 (restated)** | **161** | **60** | **(30)** | **191** |
| *EBIT margin (restated)* | *26.8%* | *2.6%* | *N/A* | *7.2%* |



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# Ebit breakdown by region: 78% in Europe

| | HotelServices | | HotelInvest | | Accor | | |
|---|---|---|---|---|---|---|---|
| | H1 2013 *Restated* | H1 2014 | H1 2013 *Restated* | H1 2014 | H1 2013 *Restated* | H1 2014 | L/L Change |
| **France** | 50 | 59 | 30 | 18 | 80 | 77 | (3.6)% |
| **NCEE** | 53 | 46 | 26 | 48 | 79 | 94 | +17.2% |
| **MMEA** | 15 | 20 | (16) | (7) | (1) | 13 | N/A |
| **Asia Pacific** | 17 | 21 | (2) | (2) | 15 | 19 | +23.3% |
| **Americas** | 18 | 15 | 3 | 7 | 21 | 22 | +21.5% |
| **Worldwide structures** | 8 | 11 | 19 | 19 | (3) (1) | (6) (2) | (25.2)% |
| **Total** | 161 | 172 | 60 | 83 | 191 (1) | 219 (2) | +17.6% |

*(1) Including €(30)m of Corporate and Intercos*
*(2) Including €(36)m of Corporate and Intercos*



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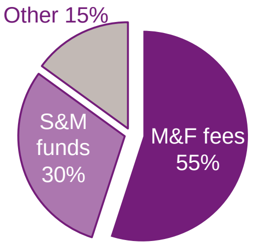
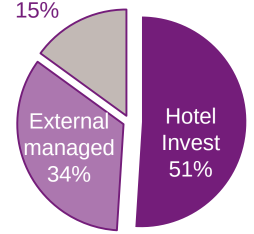
# HotelServices
## Strong performance lifted by emerging markets and expansion

| Key P&L elements (in €m) | H1 2013 *Restated* | H1 2014 |
|---|---|---|
| **Gross Revenues** | **€5.6bn** | **€5.7bn** |
| **Revenue** | **603** | **582** |
| **EBITDA** | **178** | **188** |
| *EBITDA margin* | *29.5%* | *32.3%* |
| ***Margin excl. S&M Fund and loyalty*** | ***44.6%*** | ***47.1%*** |
| **EBIT** | **161** | **172** |
| *EBIT margin* | *26.8%* | *29.6%* |
| **Cash-Flow elements (in €m)** | | |
| Systems Capex | (14) | (13) |
| Development Capex | (16) | (15) |
| **EBITDA – Total Capex** | **148** | **160** |
| ***% EBITDA*** | ***83.0%*** | ***85.0%*** |

**Breakdown of revenues**




**Breakdown of fees [1] by counterparty**




**Notes**

1 Fees comprising revenues from Management, Franchise and S&M

"S&M" : Sales & Marketing

"M&F" : Management & Franchise



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# Detailed P&L of HotelServices

| *H1 2014 Figures* | Managed & franchised | Sales & Marketing Fund | Other activities | Hotel Services |
|---|---|---|---|---|
| **Revenue** | **321** | **176** | **85** | **582** |
| **EBITDAR** | **175** | **7** | **17** | **200** |
| *EBITDAR margin* | *54.6%* | *4.2%* | *20.3%* | *34.3%* |
| **EBITDA** | **172** | **4** | **13** | **188** |
| *EBITDA margin* | *53.4%* | *2.1%* | *15.3%* | *32.3%* |
| **EBIT** | **164** | **(1)** | **9** | **172** |
| *EBIT margin* | *51.3%* | *(0.7)%* | *10.7%* | *29.6%* |
| ***H1 2013 EBIT margin (restated)*** | ***48.5%*** | ***(5.0)%*** | ***11.8%*** | ***26.8%*** |

**Good margin improvement linked to expansion and sound business levels**

1 Fees comprising revenues from Management, Franchise and S&M
"S&M" : Sales & Marketing / "M&F" : Management & Franchise



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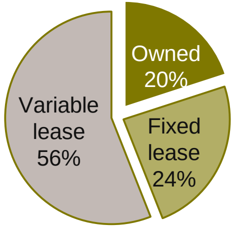
# HotelInvest
## 42% NOI Generated by Owned Hotels (1)

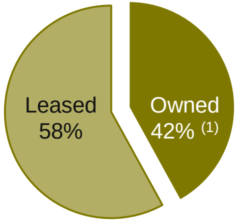
| Key P&L elements (in €m) | H1 2013 *Restated* | H1 2014 |
|---|---|---|
| **Revenue** | **2,336** | **2,286** |
| **EBITDAR** | **645** | **643** |
| *EBITDAR margin* | *27.6%* | *28.1%* |
| **EBITDA** | **212** | **222** |
| *EBITDA margin* | *9.1%* | *9.7%* |
| **EBIT** | **60** | **83** |
| *EBIT margin* | *2.6%* | *3.6%* |
| **Cash-Flow elements (in €m)** | | |
| Renovation & Maintenance Capex | (64) | (46) |
| **NOI (EBITDA – Maintenance Capex)** | **148** | **176** |
| *% EBITDA* | *69.6%* | *79.3%* |
| Development Capex | (94) | (89) |
| **EBITDA – Total Capex** | **54** | **87** |
| ***% EBITDA*** | ***25.3%*** | ***39.2%*** |

*NB: Moor Park and Axa portfolios are consolidated as variable leased hotels*
*(1) 51% if the Moor Park and Axa portfolios are restated as owned hotels*

### Breakdown of hotels by operating mode




### Contribution to NOI



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# HotelInvest P&L by detention mode

| *H1-2014 Figures* | Owned | Fixed lease | Var. lease | Others | Total |
|---|---|---|---|---|---|
| **Number of hotels** | 271 | 336 | 762 | | 1,369 |
| **Revenue** | 385 | 614 | 1 242 | 44 | 2 286 |
| **EBITDAR** | 91 | 192 | 359 | 1 | 643 |
| ***EBITDAR margin*** | *23.6%* | *31.3%* | *28.9%* | *1.5%* | *28.1%* |
| Rents | (5) | (159) | (257) | N/A | (421) |
| Depreciations & amort. | (51) | (28) | (51) | (9) | (139) |
| **EBIT** | 35 | 5 | 51 | (8) | 83 |
| ***EBIT margin*** | *9.1%* | *0.8%* | *4.1%* | *(18.3)%* | *3.6%* |
| ***Restated H1 2013 EBIT margin*** | *7.2%* | *(0.2)%* | *3.3%* | | *2.6%* |

**Good margin improvement reflecting positive momentum and cost consciousness**



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# HotelInvest – Tritax transaction

## A transforming operation in the UK market

- Acquisition of **13 hotels** and 1,194 rooms – previously operated as variable leased hotels
- Total consideration of **€89m** (£71m) - Accretive as soon as 2014
- **0.5 pt** increase in the contribution of owned hotels to HotelInvest's Net Operating Income
- **€39m** (£33m) reduction in adjusted net debt on an annualized basis
- 3 adjacent Formula 1 hotels to be restructured as extensions of the acquired ibis & ibis budget



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# Net profit up at €60m

| *In € millions* | H1 2013 | H1 2014 |
|---|---|---|
| **EBIT** | **191** | **219** |
| Net financial expense | (48) | (30) |
| Share of profits/(losses) of associates | 3 | 3 |
| **Operating profit before tax and non-recurring items** | **146** | **192** |
| Non-recurring items | (66) | (72) |
| Income tax expense | (43) | (51) |
| Minority interests | (4) | (7) |
| **Net profit/(loss) before discontinued operations** | **33** | **62** |
| Profit or loss from discontinued operations | 1 | (2) |
| **Net profit/(loss) attributable to shareholders** | **34** | **60** |



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# Positive recurring free cash flow at €151m

| *In € millions* | H1 2013 | H1 2014 |
|---|---|---|
| **Funds from operations** | 288 | 296 |
| Renovation & maintenance capex | (80) | (61) |
| Recurring expansion capex | (97) | (84) |
| **Recurring free cash flow** | 111 | 151 |

**Temporary slowdown in capex to be compensated in H2**

# Net Debt

| *In € millions* | H1 2013 | H1 2014 |
|---|---|---|
| **Recurring free cash flow** | **111** | **151** |
| Acquisitions [(1)] | 4 | (900) |
| Proceeds from disposals | 155 [(2)] | 65 |
| Dividends | (183) | (135) |
| Capital increase, net | 1 | 31 |
| Change in working capital | (3) | (15) |
| Hybrid financial instruments | - | 887 |
| Precompte Accor SA | (185) | - |
| Others | (53) | (116) |
| Cash flow from discontinued operations | - | (1) |
| **(Increase) / Decrease in net debt** | **(153)** | **(33)** |

*(1) H1 2013: Posadas for €4m*
*H1 2014: Moor Park for €(721)m and AXA for €(179)m*
*(2) Including Sofitel Paris le Faubourg for €113m*



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# Credit ratios:
in line with the investment grade status

| *In € millions* | FY 2013 | H1 2014 |
|---|---|---|
| **Gross debt** | **2,210** | **2,631** |
| Current financial assets | (1,984) | (2,372) |
| **Net debt** | **226** | **259** |
| Adjusted Funds from operations / Adjusted net debt[(1)] | 31.1% | **28.2%** |

*(1) Net debt adjusted for NPV of minimum lease payments discounted at 7%*

**A sound financial situation enabling Accor to pursue its transformation**

# On track to deliver sustainable growth

**Sound H1 2014 results have strengthened Accor's financial situation**

**France remains a concern, but other geographies growing**

**Expansion accelerates across all brands and regions**

**Transformation is being carried at good speed at HotelServices & HotelInvest**

## Full-Year EBIT target: €575m - €595m

# Roadmap

# Five priorities in 2014 – Work in progress

| | | | |
|---|---|---|---|
| 1 | Keep the momentum of a simple and cost-conscious organization | Effective | Ongoing |
| 2 | Place guests and partners top of mind | 1st semester 2014 | Welcome / Le Club Accorhotels |
| 3 | Respond to the digital and distribution challenges | 2014 | Digital Day Oct. 30, 2014 |
| 4 | Engage HotelInvest transformation | 2014 | Moor Park, Axa & Tritax |
| 5 | Strengthen brands and market shares | 2nd semester 2014 | Confirmed |



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# H1 2014 RESULTS

**August 26, 2014**