

Press release

Paris, November 27, 2013

A new strategy to enhance growth and sustained value creation

- **Redefinition of the Group's business model** around its 2 core missions, for maximum operational performance & sustainable growth:
 - **HotelServices:** a hotel operator and brand franchisor that will be fee-oriented and P&L driven.
 - **HotelInvest:** a hotel owner and investor that will be yield-oriented and balance sheet driven.
 - **A value-oriented, disciplined hotel ownership strategy**, entailing notably the end of expansion through leases, and no further disposals of owned hotels, unless they are structurally underperforming assets.
 - **A new organization** built by geography, consistent in all markets, at lower running costs. The brands will be grouped by segment.
 - **A new Executive Committee** with 10 members, including the 5 regional Heads of operations.
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Sébastien Bazin, Chairman and CEO of Accor, commented:

"Accor is a strong and unique group poised to derive benefit from rich opportunities. However, it deserves a much higher ambition to create sustained value. It requires the in-depth, rapid transformation of both its business model and its organization, as well as a clear and long term vision, and to stay the course. With this new strategy, our aim is to unlock Accor's full potential through its two core activities and maximize value creation for shareholders."

A new model, recognizing two mutually reinforcing core competencies

With this new organization, Accor re-emphasizes the group's two core competencies, i.e. **asset management** and **services to owners**, by separating their functions, their missions and their targets in order to build a better performing business model.

All 1,400 hotels of **HotellInvest** will be operated by **HotelServices** through management contracts. Each business unit will have its own reporting, with separate P&L, Cash-Flow statement and balance sheet. They will report to single Executive Committee. The Group will retain key central functions including Finance, HR, Legal and Communication.

HotelServices: hotel operator & brand franchisor

HotelServices is pure fee-oriented hotel operator & brand franchisor, that boasts with strong brands, a winning path in distribution, and robust development. It will comprise the Management & Franchise, Sales & Marketing, distribution and IT departments.

It will operate nearly 3,600 hotels and 460,000 rooms worldwide under 14 brands worldwide across all segments. Its room portfolio will consist of 46% in the economy segment (ibis, ibis Styles, ibis *budget*, Adagio Access, hotelF1), 40% in the midscale segment (Novotel, Mercure, Adagio), and 14% on the Luxury/upscale segment (Sofitel, Pullman, MGallery, Grand Mercure, The Sebel).

This high margin and cash generative business will be driven by three business priorities:

- **Maximize fee generation**, by adjusting our service offer to better meet partners expectations, focusing on fee generation rather than contract wins, and managing costs to optimize results for both our partners and Accor.
- **Accelerate in CRM, Loyalty and digital services**. Resources will be allocated in priority to program & system development, to increase Le Club Accorhotels loyalty members' contribution to hotel revenues and to foster Revenue Management agility, in order to maximize the top-line, with a better use of OTAs as additional revenue growth partners.
- **Implement a segmented strategy to strengthen brands**
 - Luxury / Upscale : a service excellence and flagship strategy in key gateways to increase brand equity
 - Midscale : a focus on innovation to enhance brand offer & differentiation
 - Economy / Budget : capitalize on ibis megabrand success to secure leadership & scale

HotelServices will communicate on selected KPIs to reflect its 100% asset-light profile: system growth, RevPAR and Gross revenue, GOP and drop-through, Net Promoter Score (guest satisfaction), Fee revenue, EBITDA and EBIT margins, as well as Free Cash Flow.

Based on 2012 pro forma figures, **HotelServices'** revenue stands at €1,119m and EBITDA at €387m.

HotellInvest: a hotel owner and investor

HotellInvest will be a hotel owner and investor, and will comprise the Owned & Leased and shared service activities. It will start with a portfolio of c.1,400 hotels of which nearly 300 are in full ownership. More than 85% of this portfolio is located in Europe and more than 95% is in the economy/budget and midscale segments. Owned hotels account for about 50% of the Net Operating Income at inception, and the objective is to increase this share to over 75%.

HotellInvest's strategy will be value-oriented and based on four pillars:

- **Build the first hotel investor in the economy & midscale segments** in Europe with strategic positions in emerging countries, and **consolidate the owned hotel base**. Hence **no further disposals of owned hotels unless they are structurally underperforming assets**.
- **Focus on delivering cash-flow and reducing volatility**, notably via the reduction of non-performing leases based on three criteria (GOP margin before fees, Net Operating Income and Location) and with the ability to terminate leases.
- **Manage & rationalize the asset portfolio** with an active approach towards to creating value through strategic capex allocation.
- Support Accor Group development strategy through **selective and profitable ownership, and stop the development through lease**, with no new contracts signed from now on (except those already committed).

The above-mentioned strategy will be deployed on a hotel-by-hotel basis depending on the ownership structure of each hotel.

HotellInvest will communicate on its own selected KPIs to reflect its long-term ownership profile: Portfolio arbitrage, Capex allocation, Net Operating Income, Development Capex, Net Asset Value, ROCE and IRR for new projects and debt ratios.

Based on 2012 pro forma figures, **HotellInvest** revenue stands at €5,122m and EBITDA at €531m.

Towards a leaner & more efficient organization

The group will move from the current hybrid set-up to a geography-based organization with consistent accountability in all the regions. This organization structure will enable decision-making that is closer to the frontline at lower running costs. The brands will be clustered in three segments, "Luxury/Upscale", "Midscale" and "Economy/Budget" with synergies in support functions across the brands.

In addition, Sofitel will now be able to contribute its expertise to the "Luxury/Upscale" segment which marketing functions will be relocated in Asia.

Accor will be managed by a new 10-member Executive Committee that will include the five regional heads of operations, and Sven Boinet, who joins as Group Managing Director, Chief Transformation Officer, Human Resources and Legal Affairs. The new management team will impulse a new operating mode within the group, to enhance clarity, agility and accountability in the decision process.

In a nutshell, Accor will now rely on:

- A clear & long-term vision supported by a more simple & agile organization
- Specific and dedicated KPIs to follow and monitor the execution of the strategy
- One team, two complementary missions with clearly identified skills
- A structure built to maximize operating performance and create value for shareholders and all stakeholders

Accor, the world's leading hotel operator and market leader in Europe, is present in 92 countries with nearly 3,600 hotels and 460,000 rooms. Accor's broad portfolio of hotel brands – Sofitel, Pullman, MGallery, Novotel, Suite Novotel, Mercure, Adagio, ibis, ibis Styles, ibis budget and hotelF1 – provides an extensive offer from luxury to budget. With more than 160,000 employees in Accor brand hotels worldwide, the Group offers its clients and partners 45 years of know-how and expertise.

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