



COVIVIO HOTELS

DEBT INVESTOR PRESENTATION

SEPTEMBRE 2018

COVIVIO

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1. COVIVIO HOTELS: A EUROPEAN LEADER

A STABLE AND EXPERIENCED MANAGEMENT TEAM

SPEAKERS INTRODUCTION



Dominique Ozanne (40)

CEO of Covivio Hotels and Deputy CEO of Covivio

13 years in Hotel investments through Covivio Hotels

- > Dominique began his career at Covivo (ex. Foncière des Régions) in 2003 as Head of projects to the Chairman
- > He has been involved in the set up of Covivio Hôtels (ex. Foncière des Murs) in 2005 as Chief Operating Officer
 - > Since 2011, he has been CEO of Covivio Hotels
- > In 2018, Dominique was appointed Deputy CEO of Covivio



Gaël Le Lay (45)

Deputy CEO

*18 years in Hotel investments
Of which 5 years in Covivio Hotels*

- > Gaël worked 11 years at Accor, holding various positions
 - > He then headed the Hotel investment division of Axa Real Estate, for 7 years



Tugdual Millet (41)

CFO Covivio

16 years at Covivio, of which 9 years as CFO

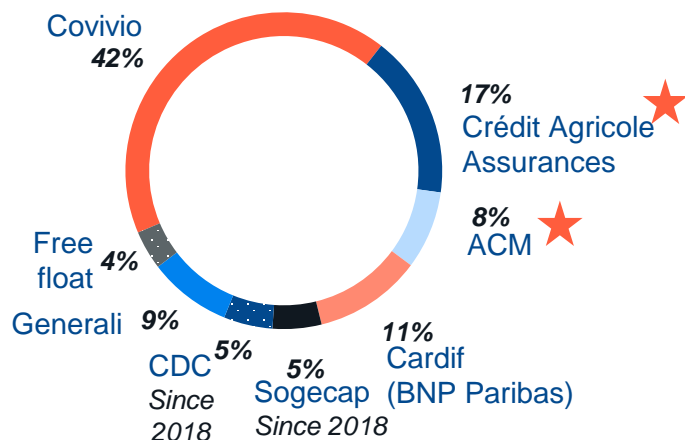
- > Tugdual has always been working at Covivio, working successively as Portfolio Manager, Head of Corporate Development & Financing and Financial Director of the Office business
- > In 2009 Tugdual was appointed CFO of Covivio

A SOLID AND LONGSTANDING SHAREHOLDING STRUCTURE



Covivio Hotels is the #1 Pan European Hotel REIT

€3.1 billion market capitalization ¹



★ Shareholders in both companies

✓ **Covivio Hotels owns all the assets it rents and operates**

✓ **All key shareholders have subscribed to the €300 million capital increase in June 2018**

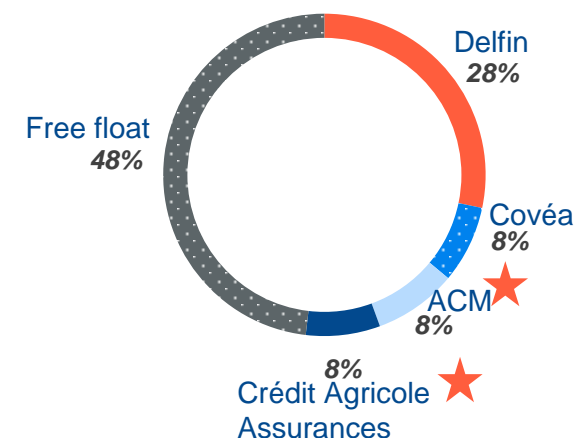


Strong links with Covivio Hotels

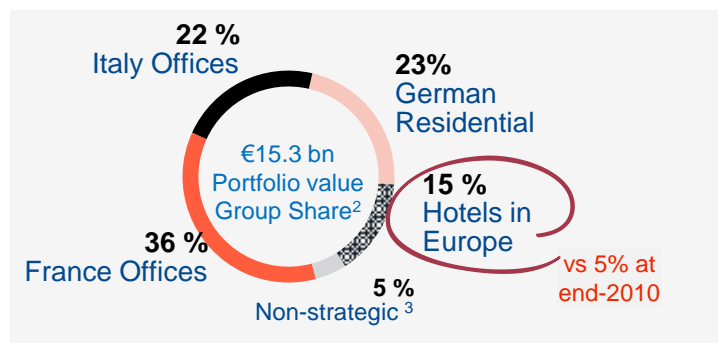
Covivio involvement in Covivio Hotels:

1. **Founded** Covivio Hotels in 2005
2. French SCA regime (limited partnership) with Covivio as General & Managing partner (“associé gérant”)
3. Providing **Property management** and **support functions** (financing, corporate, etc.)
4. Dominique Ozanne is **both CEO of Covivio Hotels and Deputy CEO of Covivio**

€7.5 billion market capitalization ¹



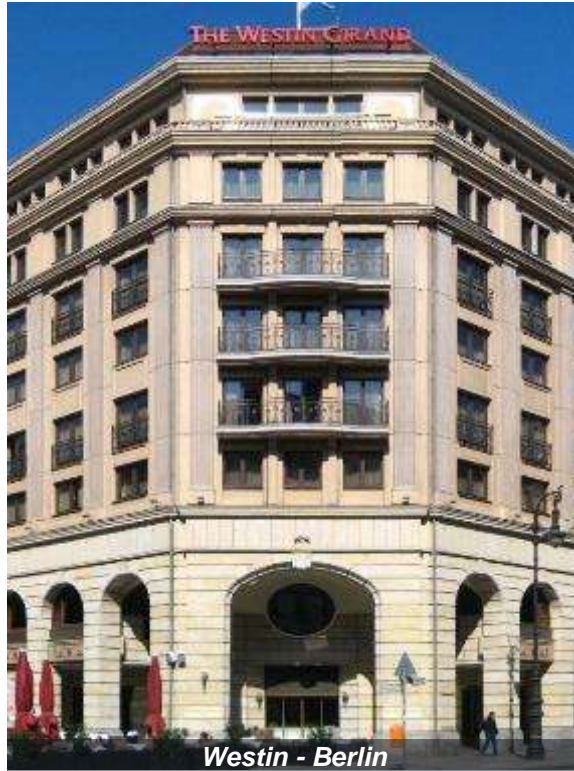
One of the three strategic segments of Covivio



¹ As of 30 August 2018. Including the contemplated merger with Beni Stabili

² H1 2018 figures. Including the contemplated merger with Beni Stabili and the hotel acquisition in the UK; ³ Retail in France and Italy, Car parks, Residential France

THE EUROPEAN HOTEL REIT LEADER



1

Focus on major
European cities

*Cities > 2 million overnight stays
per year*



2

Target the most profitable
hotels

*Mid to Upscale hotels
with EBITDAR margin >30%*



3

Client centric: be the preferred
partner of main operators

*18 partners across 31 brands, to choose the
best operator for each hotel in each country*

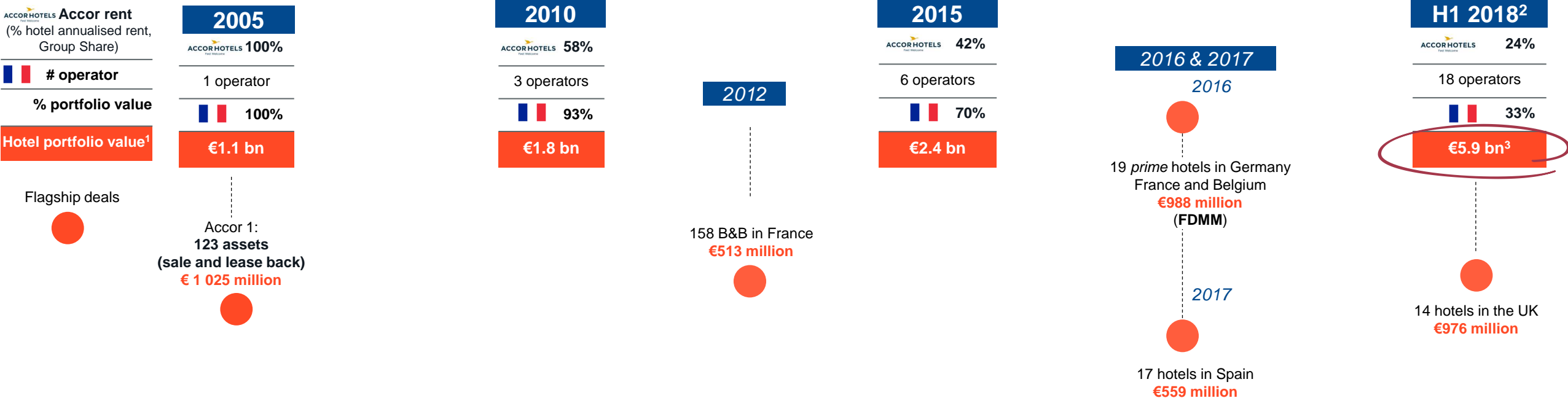
13 YEARS OF A SUCCESSFUL STRATEGY

+13% OF GROSS ASSET VALUE PER YEAR ON AVERAGE

Sale and leaseback

Support operators with strategic evolutions

*Acceleration of European development
Strengthen our hotel expertise*



LEADING PLAYER IN EACH OF THE MAJOR EUROPEAN MARKETS

A €5.9 bn hotel portfolio at end-June 2018¹

€5.4 bn in Covivio Hotels Group share¹

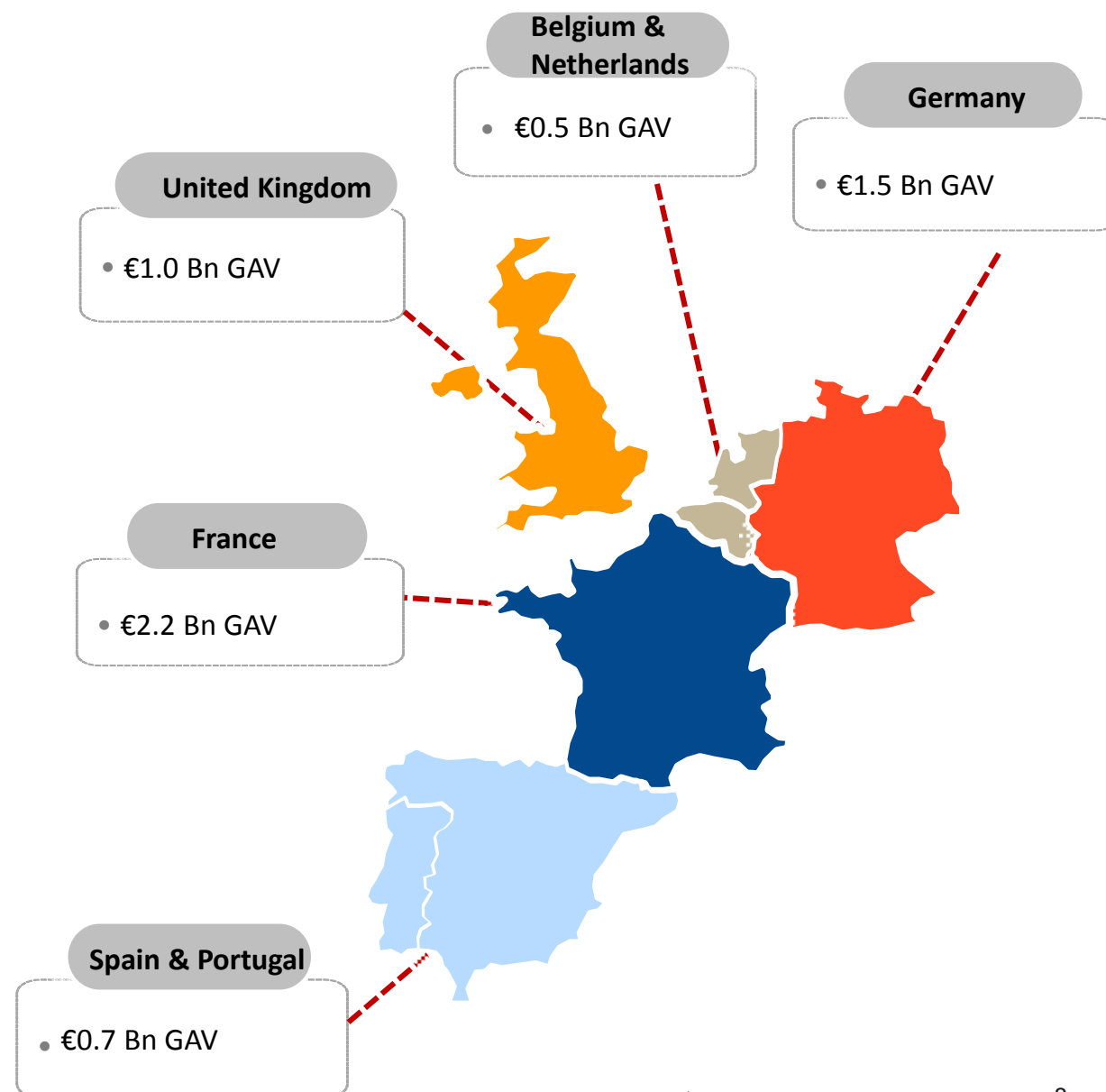


388 hotels
46,777 rooms

Critical size on each of our market

And €259 m of non-strategic retail assets

of which €79 million under disposal agreement

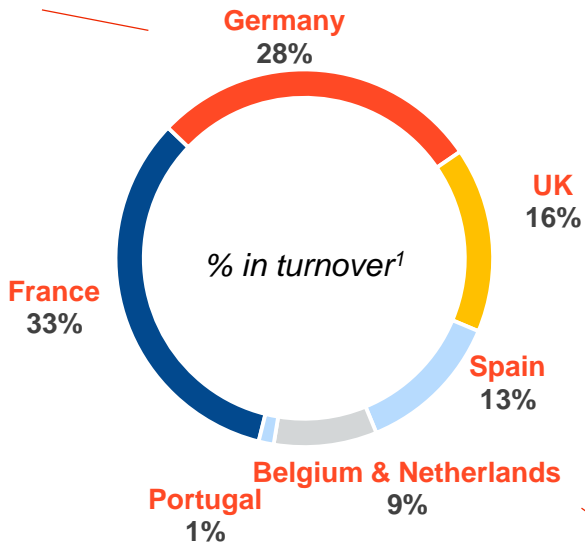


A WELL-DIVERSIFIED EUROPEAN FOOTPRINT FOCUS ON MAJOR CITIES

80% major European cities
(cities with more than 2 million overnight stays annually)

Germany main cities
Berlin, Dresde & Leipzig, Frankfurt, Munich, etc.

UK major cities
London, Edinburgh, Glasgow, Oxford, etc.



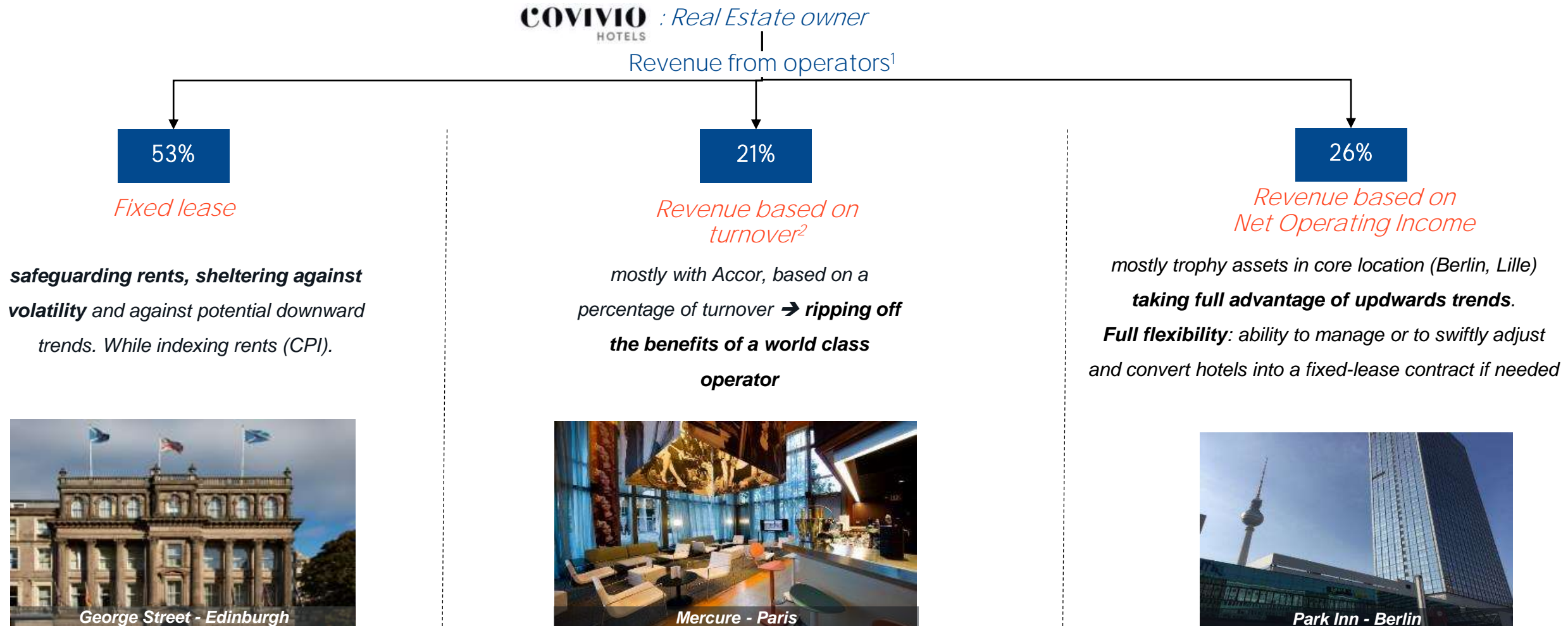
~80% in Barcelona & Madrid

Mainly Paris and major regional cities
(Lyon, Marseille, etc.)

Mainly Brussels & Amsterdam

AN OPTIMISED MIX BETWEEN TYPE OF REVENUES

Covivio Hotels owns all the assets it rents or operates

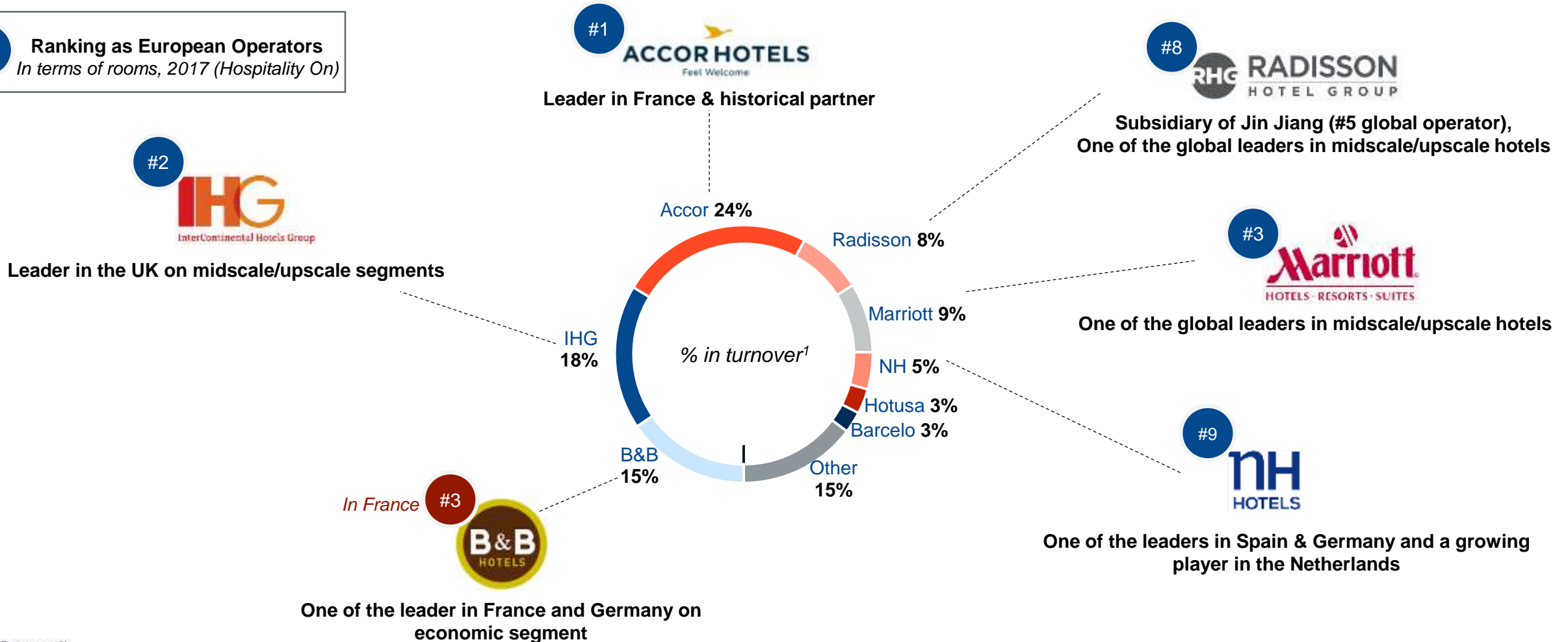


¹ Annualised H1 2018 figures, including the hotel acquisition in the UK at run rate
² Includes the variable part of leases with guaranteed minimum rent

LONG TERM PARTNERSHIP WITH THE LEADING OPERATORS

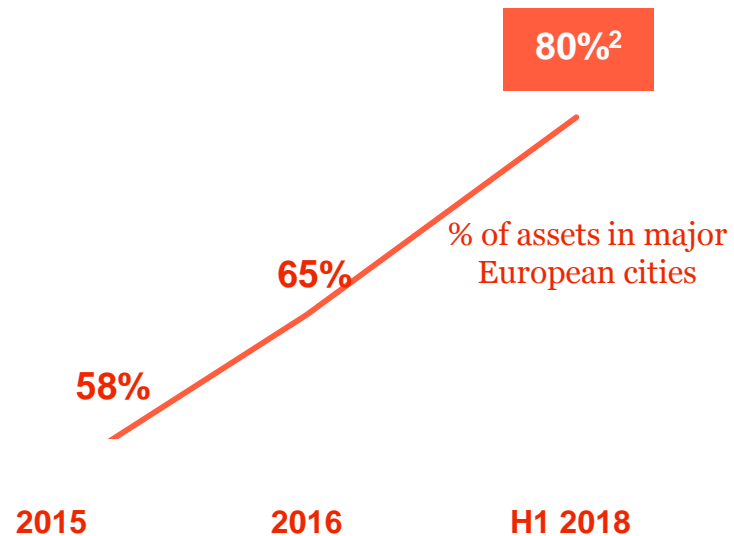
Long-term partnerships with the best operators in each countries throughout a diversified tenant base

#x Ranking as European Operators
In terms of rooms, 2017 (Hospitality On)



STRONG QUALITY OF THE PORTFOLIO

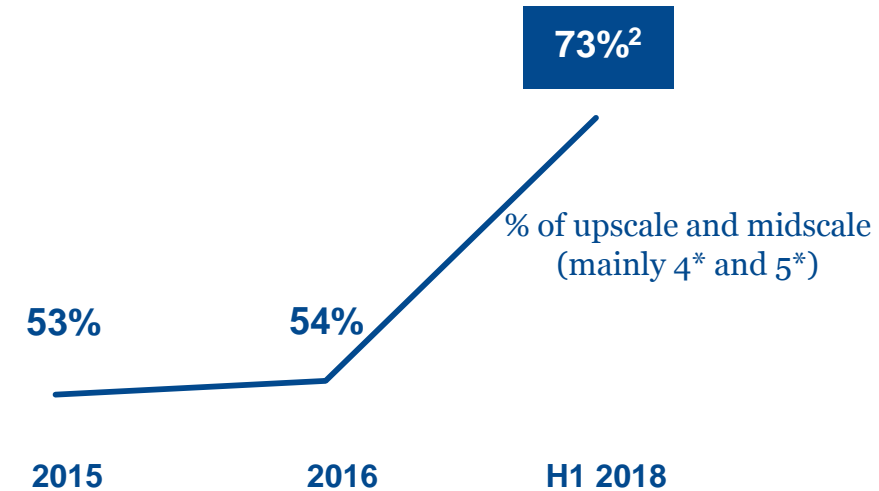
Focus on major European cities¹



Target 100% by 2022



Higher quality of hotels



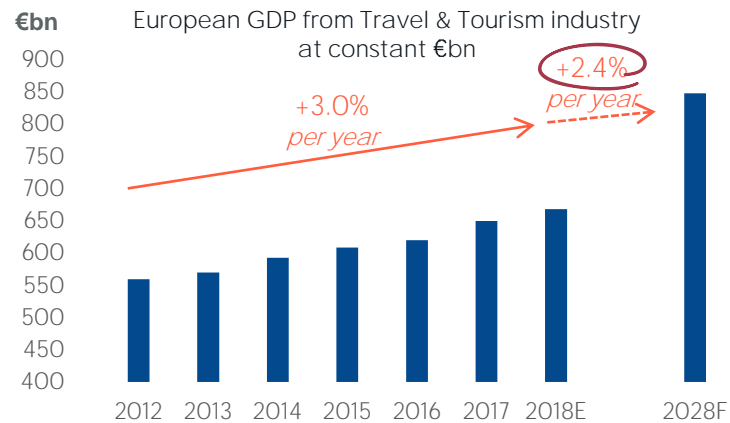
Target 75% by 2022



2. A WELL-ORIENTED HOTEL MARKET

HOTELS IN EUROPE BENEFITING FROM ROBUST FUNDAMENTALS

1 European travel & tourism industry is growing **faster than overall GDP...**



2018 – 2028F
European GDP from
Travel & Tourism industry
+2.4% per year

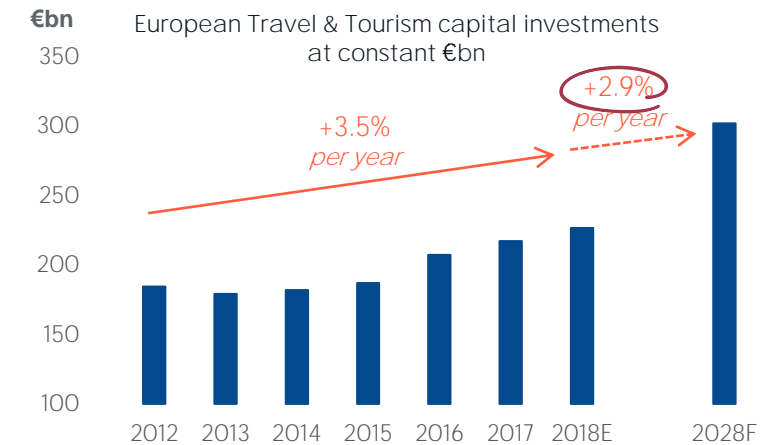
2 ...thanks to increasing international arrivals and spending



2018-2028F
International arrivals: **+3.5%**
Tourism spending: **+2.4%**

International tourist arrivals		
2015	2020	2030
1.2 billion	1.4 billion	1.8 billion

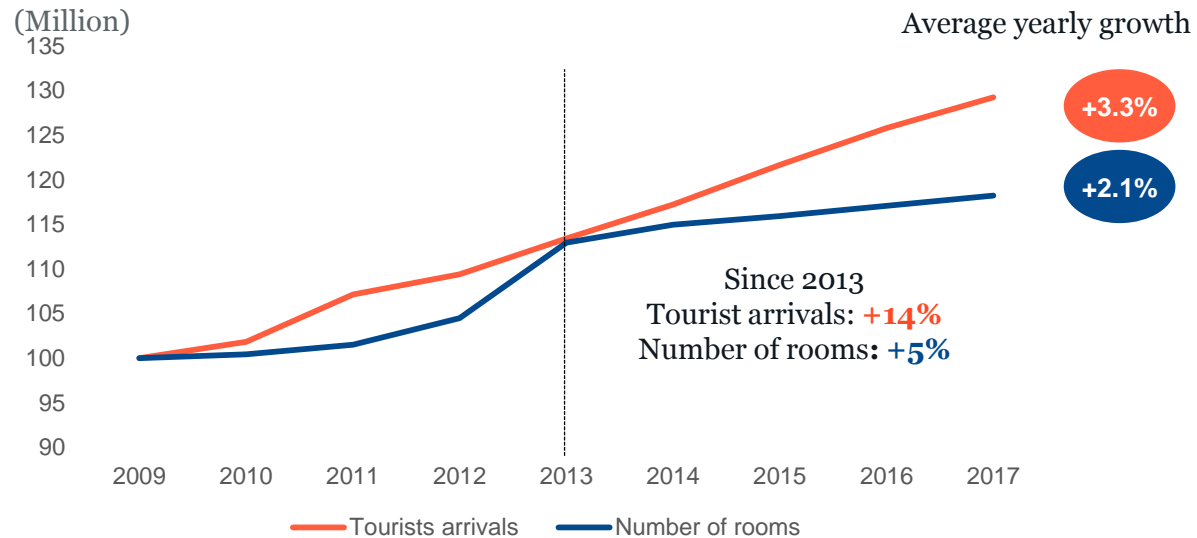
3 Investments in travel & tourism are accelerating



2018-2028F
European Travel & Tourism investments: **+2.9%**

HOTEL MARKET: STRONG FUNDAMENTALS SUPPORTING SUSTAINABLE GROWTH

Demand & supply evolution since 2009
average France, Germany, Spain & UK (rebased 100)

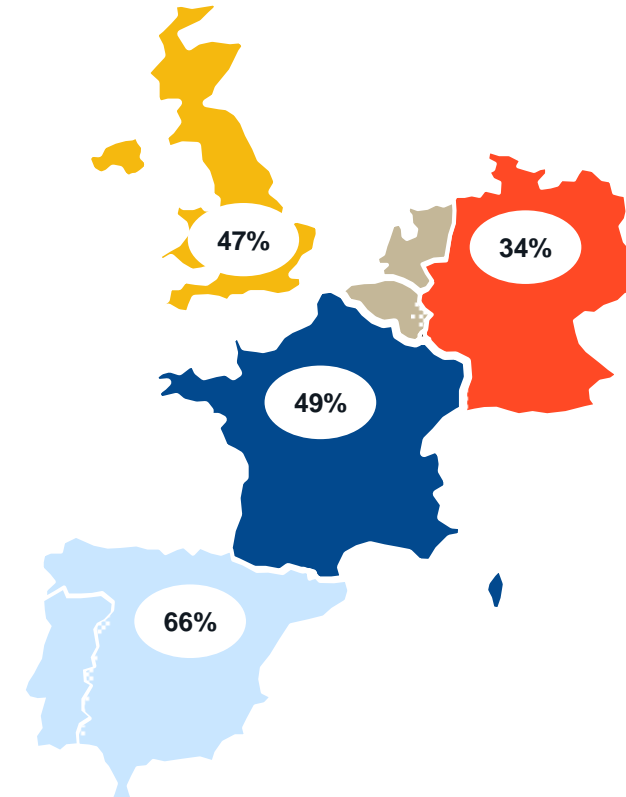


> Tourist arrivals acceleration has not been met with increase in room supply in Europe

- > Very sound market with offer lagging behind demand
 - > Better quality of the offer
- > Increasing occupancy rate and better growth expectations

Source: PwC

Chain penetration
(rooms), 2018



Hotels chains have high and increasing penetration rate vs independent hotels:

c.50% chain hotels penetration rate
average France, Germany, Spain & UK

Source: Hospitality On

FOCUS ON COLLABORATIVE ECONOMY: AIRBNB

Airbnb is a new player in the hotel sector...

Importance of collaborative economy

Airbnb was launched in 2007 in the US and has spread globally since

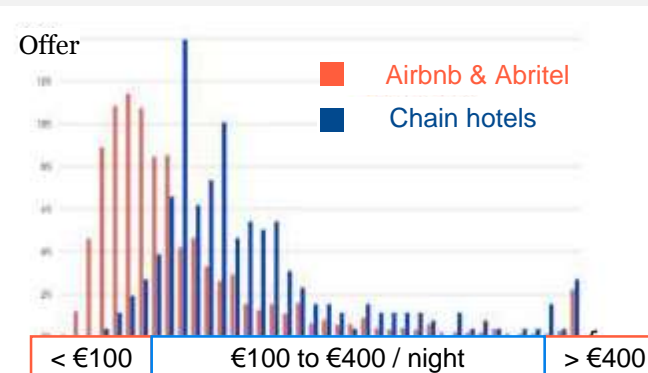


> *Airbnb pushed the development of innovative lifestyle concepts in the hotel industry*

...focused on specific segments...

A polarized offer

Airbnb offers are mainly on economic (<€100) and luxury segments (> €400)



> *Less impact on upscale and midscale segments*

Source: MKG

...and limited by strict regulation

Short term lease Regulation in Europe



✓ **Berlin, Barcelona, Amsterdam and London**

- Required agreement for the municipality, frequent controls,
 - Restriction on number of rental days:
Amsterdam (30 days in 2019), London (90 days)
 - Licence to be obtained by hosts (Amsterdam),
 - Registration of tourists
- Barcelona: Hosts are required to inform police of all stays within 24 hours prior to permit approval

Example of sanction in Berlin: €100 K / property



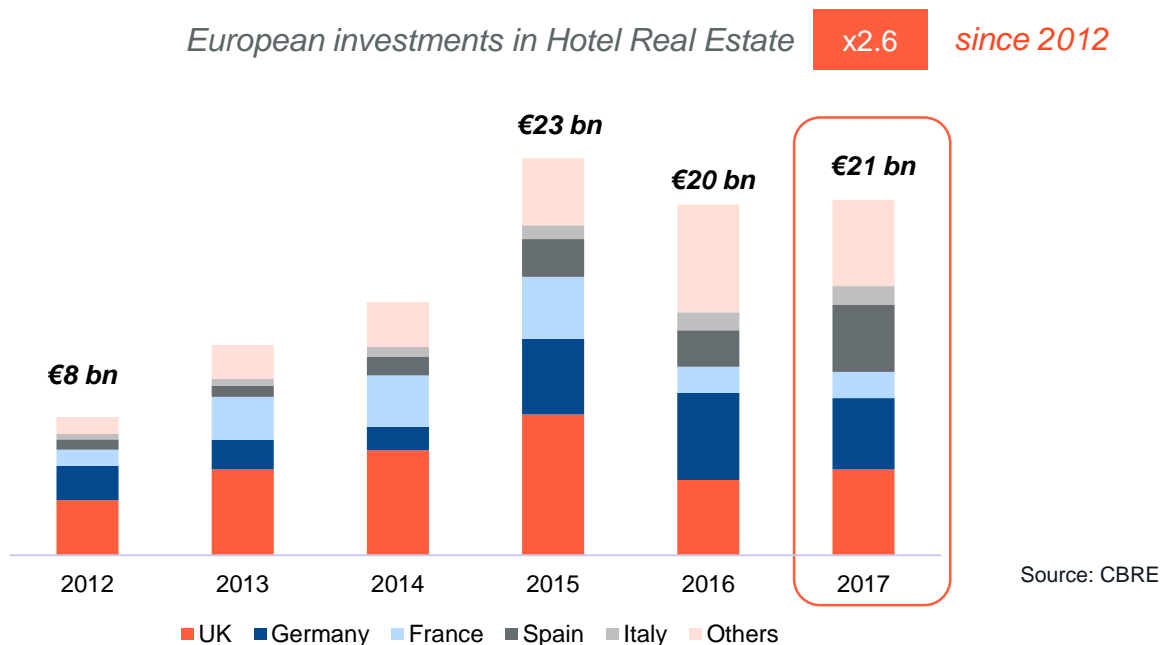
France

Restriction to 120 days a year for short term leases and mandatory disclosure, daily taxes

New law 2017: mandatory and automatic transmission from Airbnb to tax authority

THE HOTEL INVESTMENT MARKET IS HIGHLY LIQUID AND OFFERS SOLID VISIBILITY

The Hotel Industry is seeing a strong and sustained investment momentum



> **Emergence of newly structured markets** such as Spain

> (+ 254% from 2012 to 2016)

> **Structured and well established markets:** UK, France, Germany

Fuelled by institutional and Private Equity investors

> **Institutional investors:** **33%** of H1 2018 EMEA Hotel Investments

Of which



Saudi SWF



Singapor SWF



> **Private Equity investors:** **29%** of H1 2018 EMEA Hotel Investments

Of which



And other listed hotel platforms

Market
Capitalization
(31/08/2018)



~€2.6 bn



HISPANIA

~€2.0 bn



~€500 million

A WELL-ORIENTED HOTEL MARKET OFFERING LEVERAGE FOR REAL ESTATE OWNER

1

The Travel & Tourism industry is experiencing momentum and growing at an unprecedented **pace** ...

2

...**Chain** operators are competing to establish in central and new locations while renewing their offer, **but...**

3

Scarcity of long-term hotel real estate owners able to quickly deploy the full real estate value chain to support chains' strategy

As the leading European Hotel Real Estate owner, **COVIVIO HOTELS** appears pivotal for most of the chain operators... offering it high bargaining power to:

- ▶ Work with the best partners in each location
- ▶ Choose the best revenue structure for our assets (lease or management contract)
- ▶ Impose performance clause to be flexible in the choice of our operators



3. ILLUSTRATIVE CASE STUDIES

ACCORHOTELS: HIGHLIGHTS ON A SUCCESSFUL LONG-TERM PARTNERSHIP

A €1.1 bn lease portfolio

74 hotels in France (89%) & Belgium (11%)

Variable rents indexed on hotel revenues

2005

Acquisition of 123 assets with 12-year leases

2015

Lease extension with AccorHotels: **+12 years firm at passing rents**

2016

Disposal of 45 hotels with low performances in secondary locations

Disposal price: €361 million

Average Daily Rate per room: ~€90

Strategy

- > **Asset management** in partnership with HotelInvest
- > **Optimise portfolio** through additional constructability



GERMANY: AN ICONIC OPERATING PROPERTIES PORTFOLIO

60% of total
Hotel portfolio in
Germany

~€880 million mainly in Berlin¹

Revenue based on Net Operating Income

9 hotels 4-5* | City center locations

60% Berlin ; 40% Dresden & Leipzig

Average Daily Rate per room: <90 € in Berlin

Strong performance

>30%
EBITDA
margin

+11%
EBITDA growth
since acqui.



Park Inn - Berlin



Westin - Berlin



Pullman - Dresden



Westin - Dresden

Drivers for future growth

Average Daily Rate Per Room still below comparable major European cities

Asset management leverage (such as the Ibis in Dresden)

Ebitda growth through capex program: room renovation and creation of suites in the Park Inn

A CRITICAL SIZE LEASE PORTFOLIO IN SPAIN

Successful entry in Spain:

December 2016

17 hotels 4-5* | City center locations

€559 million acquisition price
€168 thousands / room

80% Barcelona & Madrid

Average Daily Rate per room: <100€ in
Barcelona & Madrid

Strong performance

>40%
EBITDAR
margin

+7.2%
value creation
since acq.



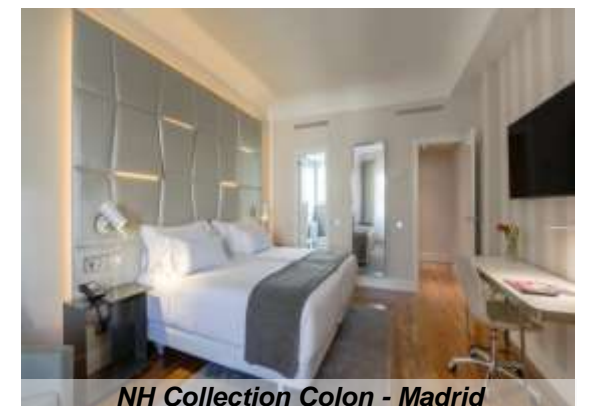
AC Forum – Barcelona



Eurostars Gran Marina - Barcelona



Paseo Del Arte - Madrid



NH Collection Colon - Madrid

Drivers for future growth

Variable rent component thanks to RevPar¹ growth

Lease renegotiations trough rebranding: >+50% potential rent increase on the Madrid Paseo del Arte

Disposal of non-core hotels: potential disposal margin >15% on an asset in a secondary location

2018 – ACQUISITION IN THE UK: START OF A LONG TERM PARTNERSHIP WITH IHG (1/2)

€976 million¹

Funding sources:

- Capital increase: €300 million
- Mortgage Debt: €454 million
- Cash: €223 million



14 hotels in lease in the major UK cities

Closing Q2 2018

Hotels location by city



4* and 5* hotels

Prime locations in city-centers
2,638 rooms



2018 – ACQUISITION IN THE UK: START OF A LONG TERM PARTNERSHIP WITH IHG (2/2)

A highly secured transaction...

✓ Secured
operations

New partnership
with a major hotel operator

IHG

25-year triple net lease

5.0% yield on minimum guarantee fully indexed

>30% EBITDAR Margin



...offering value creation levers

✓ Dynamic
market

RevPar¹ +5.6% in 2017
despite Brexit

The 4th most popular
destination in Europe

The 1st investment market
for hotels in Europe

✓ Upside
potential

6% target yield on a run rate basis
through variable rent component

Asset management
through capex & rebranding





4. A STRONG OPERATIONAL AND FINANCIAL PROFILE

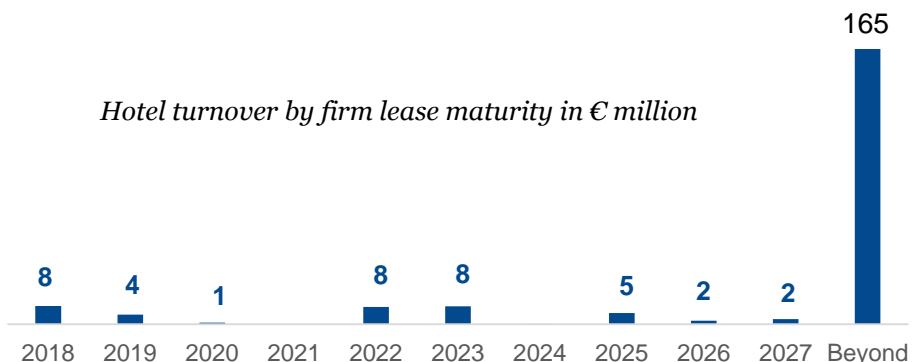
STRONG VISIBILITY ON REVENUE

Strong long-term visibility...

> Lease maturity since 2015 **>10 years**

> Occupancy rate since the beginning **100%**

Hotel turnover by firm lease maturity in € million



14,5 years
in H1 2018¹

... coupled with accelerating operating results

Lease properties

(owned and leased to 3rd parties)

Rents - like-for-like Year-on-Year growth

+3.2%

+5.5% from variable
rents
2017

+3.3%

+5.0% from variable
rents
H1 2018

Operating properties

(owned and operated)

EBITDA – like-for-like Year-on-Year growth

+2.8%²

2017

+4.2%

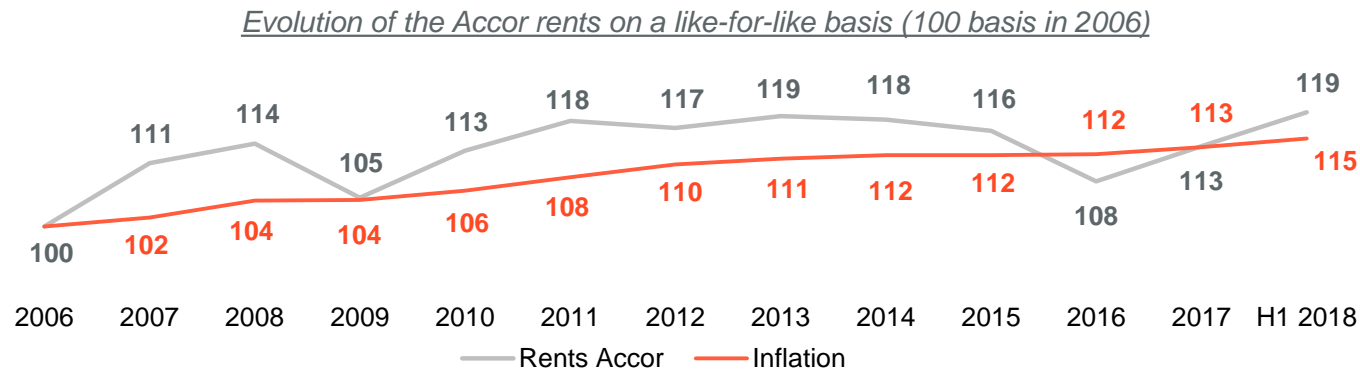
H1 2018

RESILIENCE OF ACCOR REVENUES



ACCOR HOTELS ranks 6th in the global hotel industry and #1 in Europe¹

Most of Covivio Hotels variable rents today come from AccorHotels revenues, representing 24% of total hotel revenue², strongly decreasing from 62% in 2014



Like-for like rental growth from Accor portfolio of 19% since 2006

Proven resilience to adverse context

- > in 2009/10 after the economic crisis: only 1 year to revert to pre-crisis level
- > in 2016/17 after the terrorists attacks in Paris: only 18 months to revert to pre-crisis level

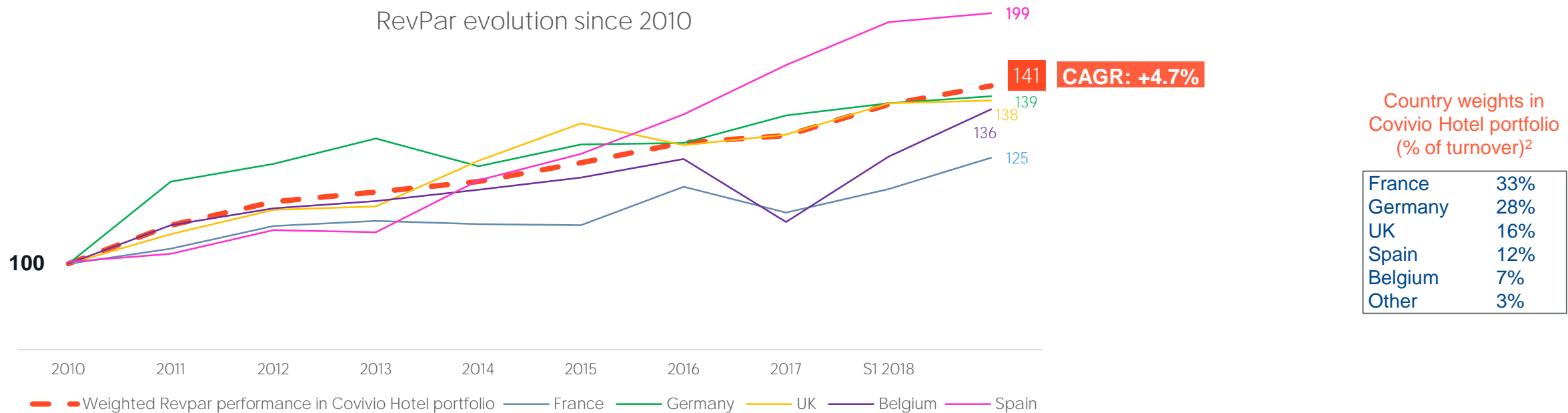


Mercure - Paris

BENEFITS FROM GEOGRAPHICAL DIVERSIFICATION

Geographic diversification offers the best strategy to rip-off the benefits of overall long-term dynamics, while protecting against the specific volatility of each country

When applying the historical performance (RevPar since 2010) of Covivio Hotels' main countries to the current geographical exposure, it translates into steady growth & low volatility

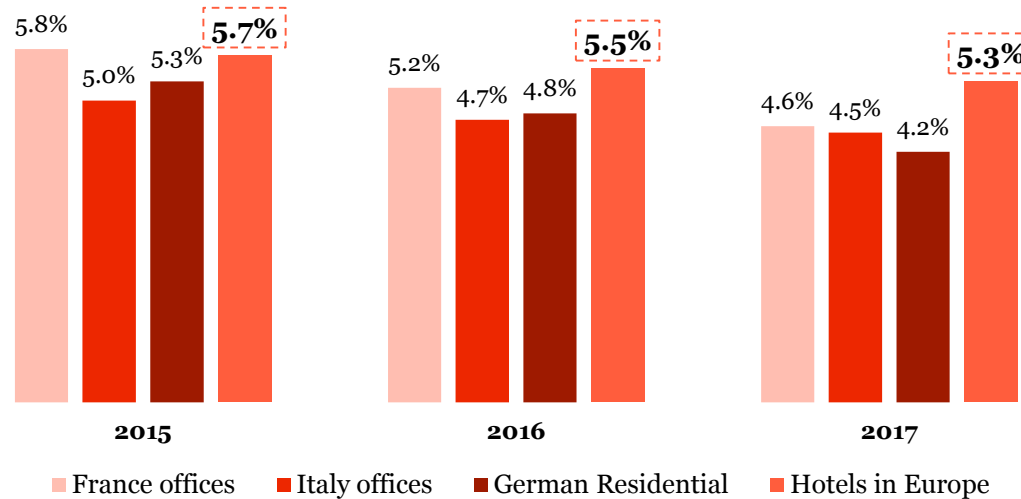


HOTELS, AN ATTRACTIVE ASSET CLASS (1/2)

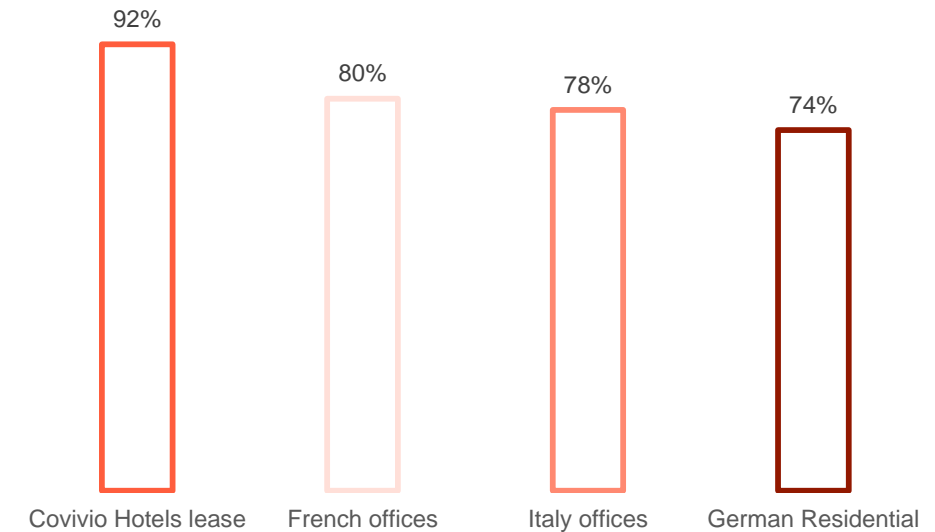
1

A higher rental yield compared to other asset classes...

Covivio Net IFRS rental yield



2017 EBITDA margin vs peers¹



2

...with a low risk of vacancy

100%

Occupancy rate since the beginning

>10 years

Average firm lease maturity since 2015

HOTELS, AN ATTRACTIVE ASSET CLASS (2/2)

3

Stronger anchoring of operators to real estate compared to other asset classes:

- > Hotel real estate is central to the operating activity of operators
- > Valuation of the business is tied to real estate
- > **Low tenant risk and high reliance to Real Estate owner**

Successful track record of renewing all the leases at passing rent:

With Accor in 2015 (+12 years), with B&B in 2017 (+12 years)

4

Profitability is key in keeping in place tenant and attracting new one

- > Covivio Hotels to maintain targeting hotels with EBITDAR margin >30%
- > Creation of long-term partnership with profitable operator

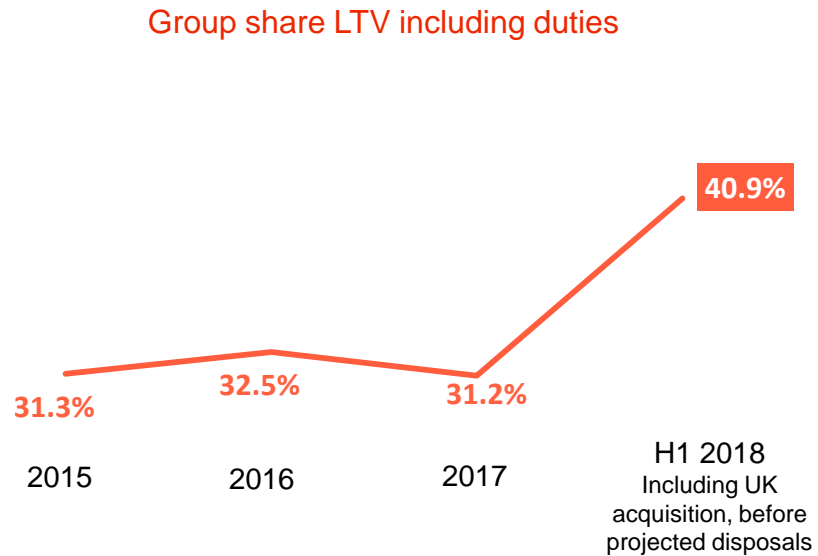


Meininger - Paris

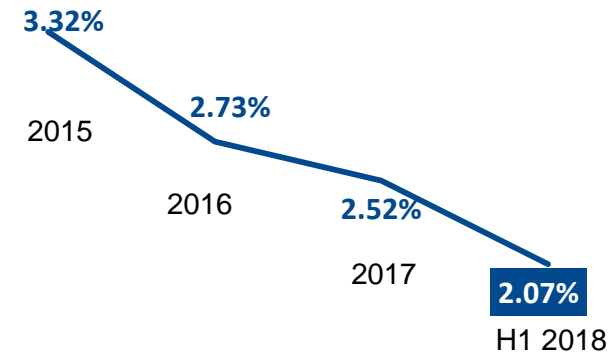
CONSERVATIVE CREDIT METRIC AND RESILIENT CASH FLOW

COVIVIO HOTELS

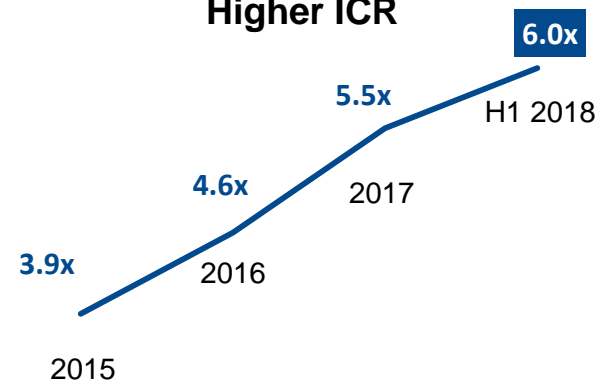
Disciplined debt ratios
LTV target of 40%



Lower cost of debt

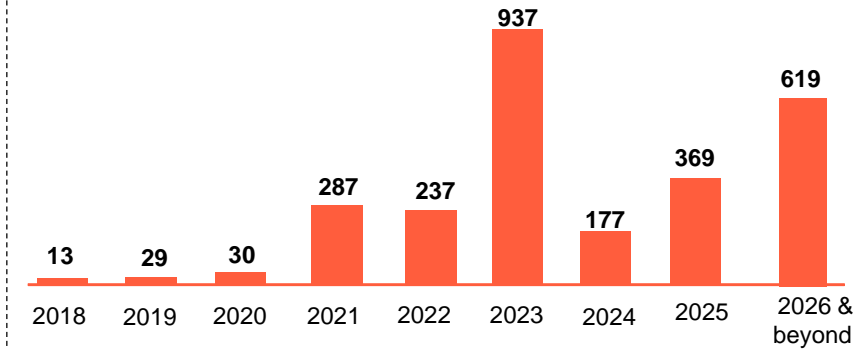


Higher ICR

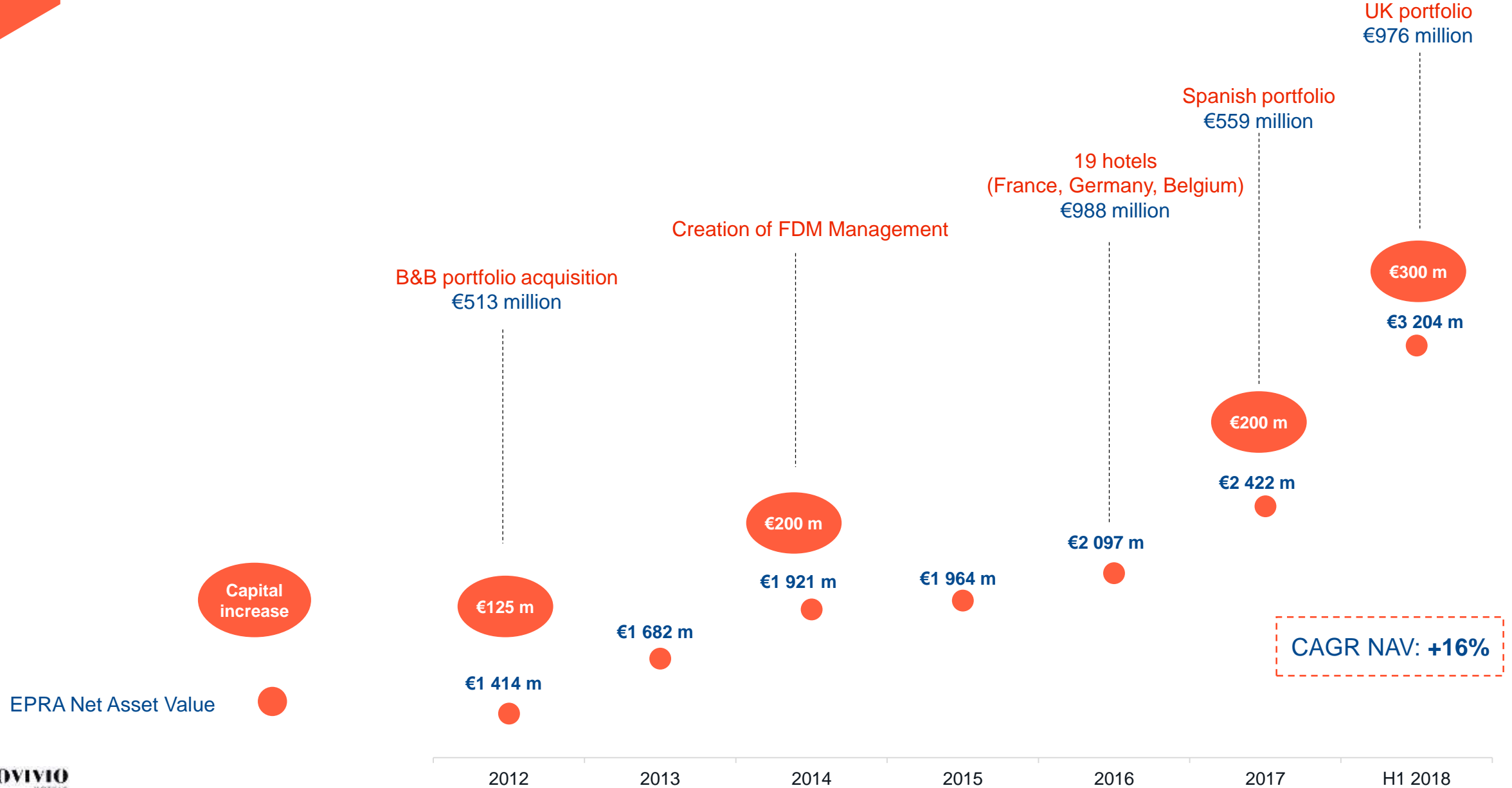


Debt maturities under control:
5.8 years on average¹

Maturities in €million Group share¹



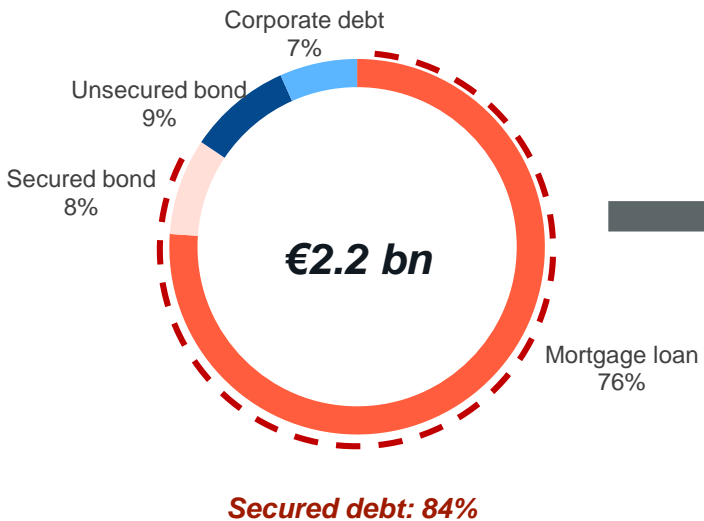
VERY STRONG COMMITTMENT OF SHAREHOLDERS TO SUPPORT & FINANCE COVIVIO HOTELS DEVELOPMENT



A DIVERSIFIED DEBT STRUCTURE WITH ROBUST HEDGING RATE

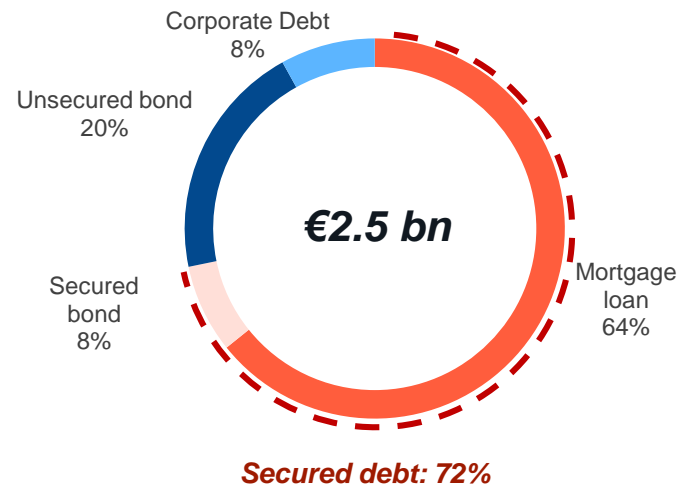
Breakdown of the debt by nature

H1 2018¹



End 2018, expected

*Illustrative impact with a €300 m bond,
the UK portfolio acquisition, refinancing of certain mortgage debts &
certain contemplated asset disposals*



Liquidity²: ~€200 million of undrawn RCF and ~€50 million of cash

Secured debt¹ as % of total portfolio

H1 2018

~36%

Expected following
contemplated bond

*Illustrative impact with a €300 m bond,
the UK portfolio acquisition
Refinancing of certain mortgage debts &
Certain contemplated asset disposals*

<30%

A Secured financial structure (H1 2018)

Hedging rate

92%

Hedging average maturity

7 years

¹ Group Share, Committed
² At end August 2018

¹ Group Share, Outstanding debt



5. CREDIT HIGHLIGHTS



KEY CREDIT HIGHLIGHTS

Business profile

1. Top 1 position in major European cities
2. Well diversified geographical footprint & operators base
3. Positioning on well-oriented market supported by mega trends
4. Long-term partnership with leading operators in each country
5. Balanced portfolio, mainly midscale to upscale
6. High-predictability of revenues:
 - >10-year average maturity
 - 100% occupancy
 - Top asset quality
 - Low tenant risk
7. High rental yield

Financial profile

1. A supportive shareholder base
2. A long-dated debt maturity profile
3. A conservative 40% LTV target
4. Limitation on secured debt
5. Strong liquidity position
6. A strong commitment from Covivio

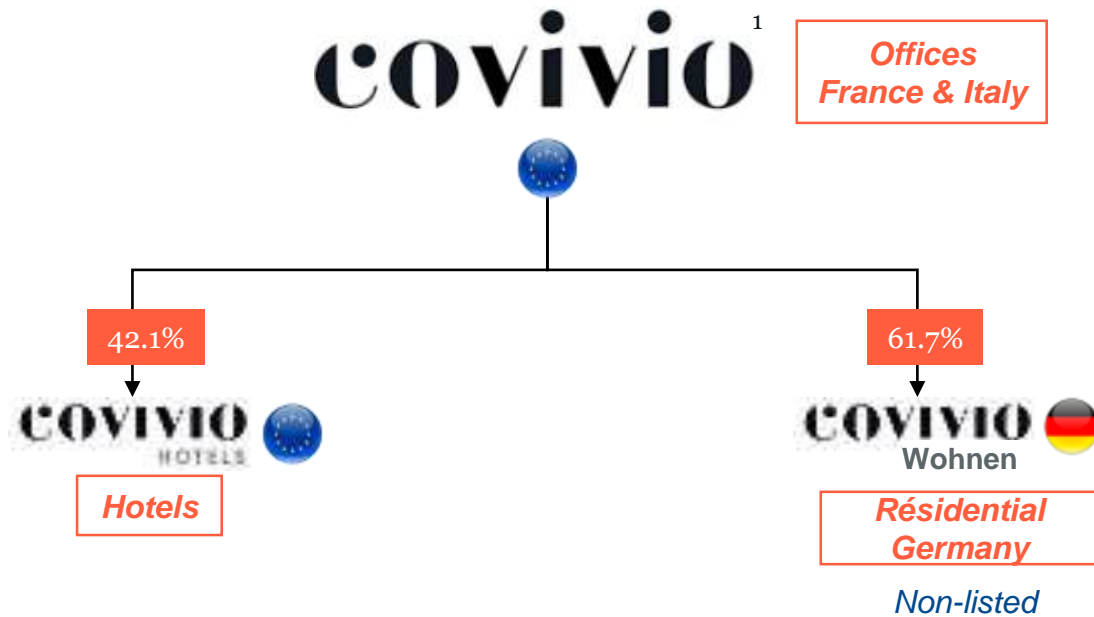


APPENDIX



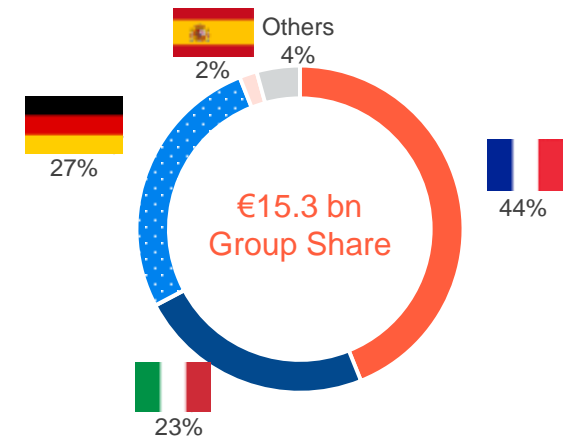
A) COVIVIO GROUP

COVIVIO GROUP OVERVIEW

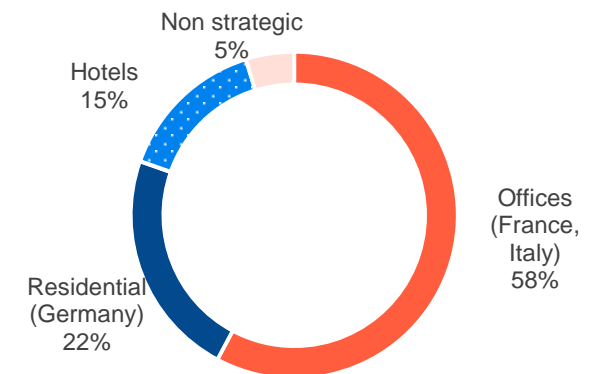


Covivio is listed in Euronext Paris (€6.8 bn market capitalisation²)

*A €23 bn portfolio, with a European footprint¹
Geographical split¹ (Group Share)*



Asset type split¹ (Group Share)





COVIVIO HOTELS: A LIMITED PARTNERSHIP, WITH COVIVIO AT THE HELM

The *société en commandite par actions* (**SCA**) is a limited partnership structure.

- **Shareholders: The particularity of the SCA compared to other types of limited partnership is that it has two separate and distinct kind of shareholders.**

General partners: The general partners bear an unlimited and joint liability. In practice, they are usually appointed managers of the company (**FDM Gestion, owned at 100% by Covivio**).

Limited partners: The limited partners should be considered equivalent to regular shareholders in other types of limited partnership structure. The limited partners bear a limited liability.

- **Management of the SCA: The SCA is managed by a manager (*gérant*, **FDM Gestion**) whose actions are controlled by a supervisory board (*Conseil de surveillance*).**

COVIVIO: A SECURED AND SOLID DEBT PROFILE

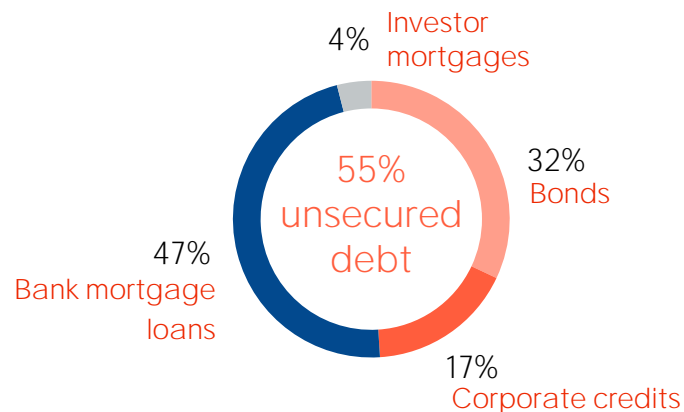
H1 2018

LTV including duties
42.4%

Cost of debt
1.55%

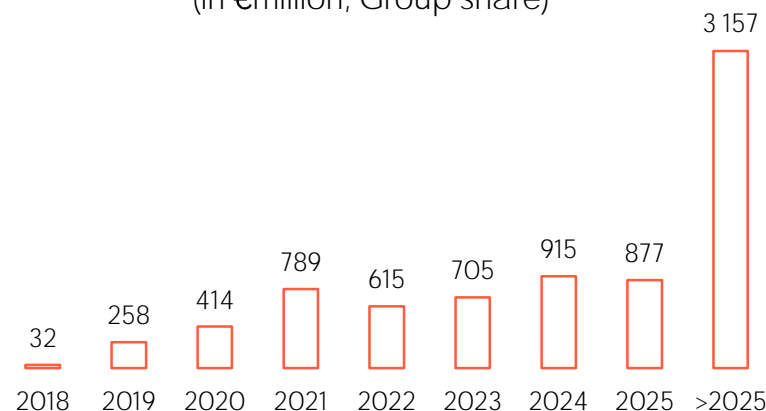
S&P rating
BBB, positive outlook

Strong diversification in financing



Debt maturities under control

6.0 years maturity
(in €million, Group share)



Full compliance with the covenants

(in €million, Group share)

Ratio	Covenant	June 2018
LTV (covenant definition)	60.0%	46.1%
ICR	200%	541%
Secured debt ratio ¹	25.0%	6.7%

Hedge
79% / 7.3 years



B) MAIN ASSETS

TOP 10 ASSETS – RUSSEL SQUARE, LONDON



334 rooms - 5*

1 restaurant
4 bars
9 meeting rooms



TOP 10 ASSETS – PARK INN ALEXANDERPLATZ, BERLIN



1 012 rooms - 4*

2 restaurants
1 bar
12 meeting rooms



TOP 10 ASSETS – THE WESTIN GRAND BERLIN



400 rooms - 5*

2 restaurants
1 bar
11 meeting rooms



TOP 10 ASSETS – CHARLOTTE SQUARE, EDINBURGH



199 rooms - 5*

1 restaurant
1 bars
6 meeting rooms



TOP 10 ASSETS – MERCURE TOUR EIFFEL



405 rooms - 4*

1 restaurant
1 bar
11 meeting rooms



TOP 10 ASSETS – EUROSTARS GRAND MARINA



291 rooms - 5*

1 restaurant
1 bar
1 outside pool
24 meeting rooms



TOP 10 ASSETS – GEORGE STREET, EDINBURGH



240 rooms - 5*

1 restaurant
1 bar
8 meeting rooms



TOP 10 ASSETS – AC FORUM, BARCELONA



364 rooms - 4*

1 restaurant
1 bar
1 outside pool
18 meeting rooms



TOP 10 ASSETS – IBIS CAMBRONNE, PARIS



523 rooms - 3*

1 restaurant
1 bar
6 meeting rooms

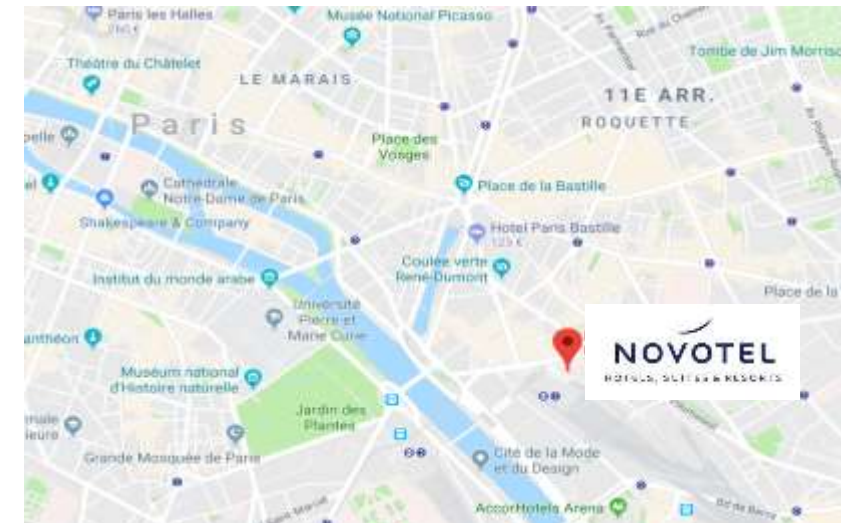


TOP 10 ASSETS – NOVOTEL GARE DE LYON, PARIS



253 rooms - 4*

1 restaurant
1 bar
6 meeting rooms





C) MAIN TRENDS

FOUR TRENDS RESHAPING THE HOTEL INDUSTRY

1 Demand is changing

Focus on consumer experience and price optimization

Key attributes and drivers of consumers are changing

Previous traveler

Disconnected

Privacy

Money

Status

Separated outlets

New traveler

Connected

Community

Experience

Relationship

Shared open-space

2 Hotels are adapting

Strong emphasis on services...

Guest kitchen

Collaborative fooding



Meininger - Berlin

F&B Highlight

Friendly, gourmet & locavore restaurant



Mama Shelter - Paris

...and lifestyle concepts

Lifestyle lobby

Open common spaces



Citizen M - La Défense

Natural Design

Garden plots on the hotel rooftop



Yooma - Paris

FOUR TRENDS RESHAPING THE HOTEL INDUSTRY

3

New concepts and products

New operators are emerging

Targeting young and urban travelers



Existing ones are adapting



AccorHotels new lifestyle brand



IHG high-end experience-oriented brand

4

Location is key

The Westin and the Park Inn, two highly profitable hotels in Berlin



A key value for Meininger:

“Meininger: **central**, affordable and modern”

Meininger headline



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