

A year in perspective

- a review of the European hotel market and outlook

Nick van Marken



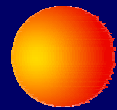
Chris Rouse



Mark Finnie



Nick van Marken



ANDERSEN

Where were we pre-9/11?

Economic environment

- volatility in global markets (notably TMT sector)
- slowdown in the US; stagnation in Japan
- uncertainty over growth in Germany
- debt default in Argentina
- foot and mouth outbreak in UK coming under control

Political

- on-going Middle East crisis
- terrorism in Europe

Global industry outlook pre-9/11

US

- slowdown evident

Europe

- southern - strong
- northern - variable
- overall revPAR growth positive

Asia-Pacific

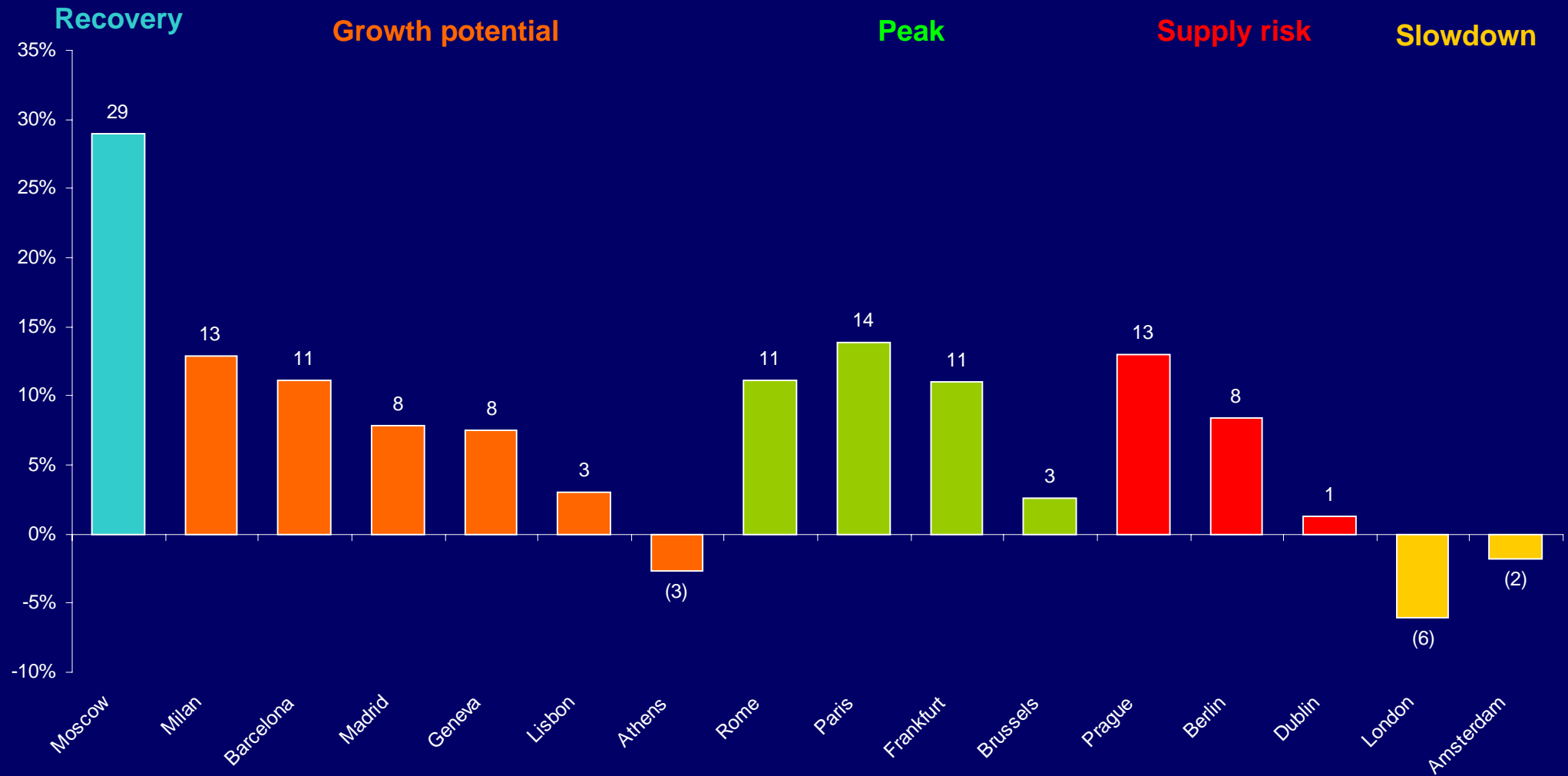
- mixed - general recovery in progress

Middle East

- mixed - *Intifada* impact



Europe - revPAR % change to August 2001



Post - 9/11 - “all bets were off”

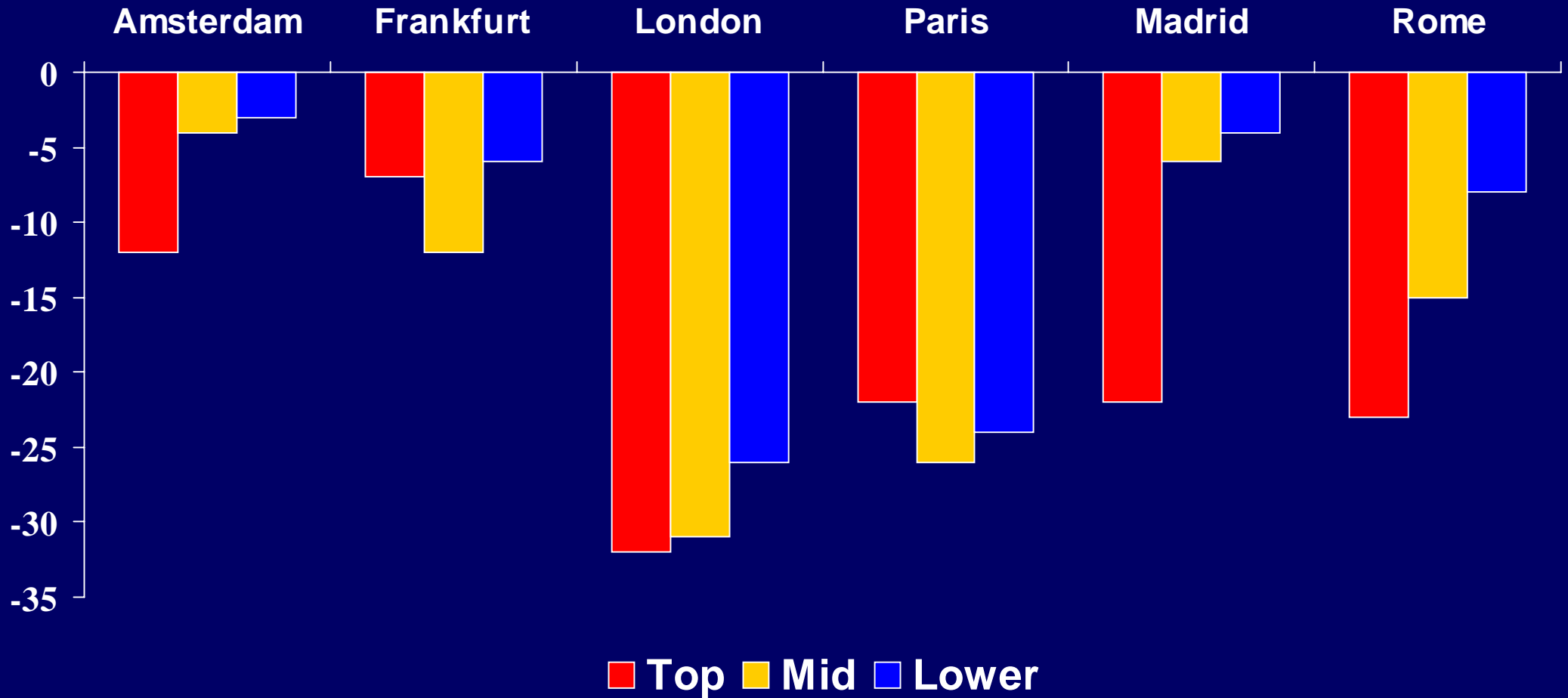
Immediate impact

- global crisis of confidence
- airlines slash routes and staffing
- significant decline in US outbound traffic

Market impact

- significant decline in gateway city revPAR
- upscale sector most affected
- provincial markets relatively insulated
- balance sheet pressure; capex cuts

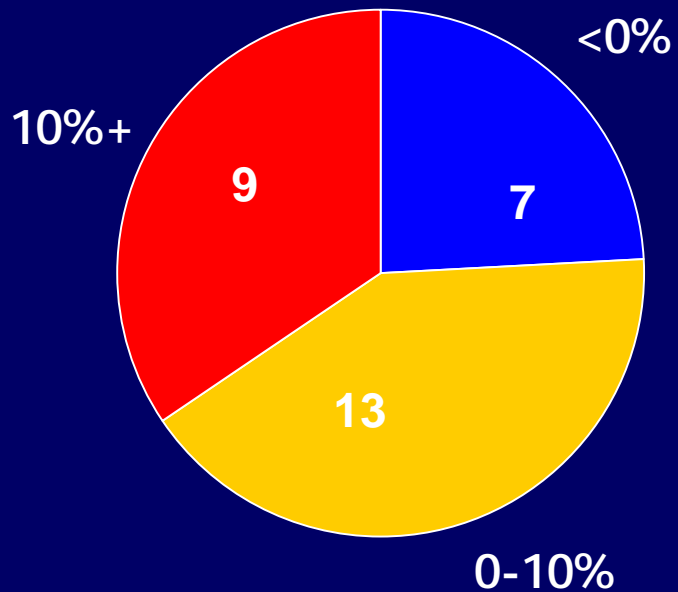
revPAR % change by market tier - Sept-Dec 2001



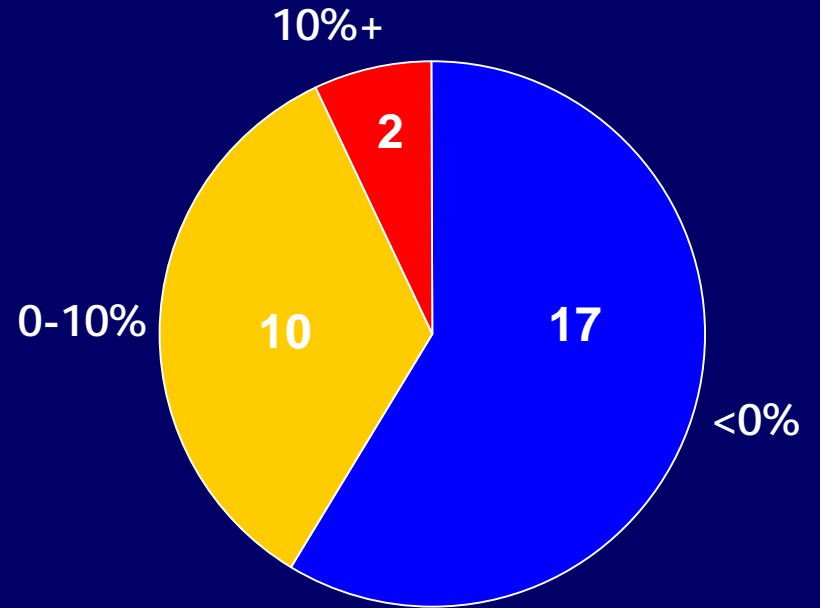
Where did we end 2001 - revPAR % change

Number of cities

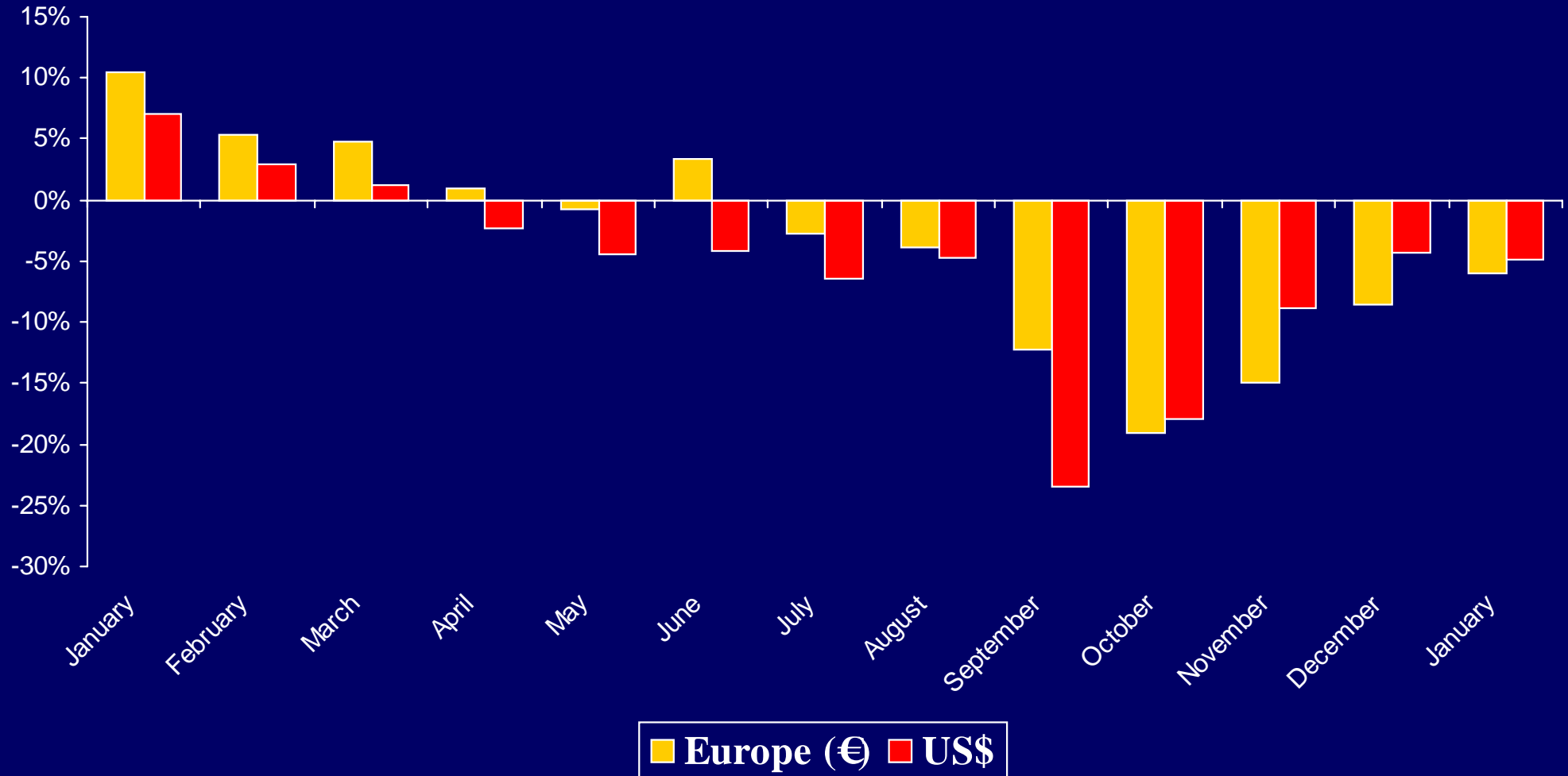
Aug YTD



2001



Europe & US - tracking each other? - monthly revPAR % change - 01/02



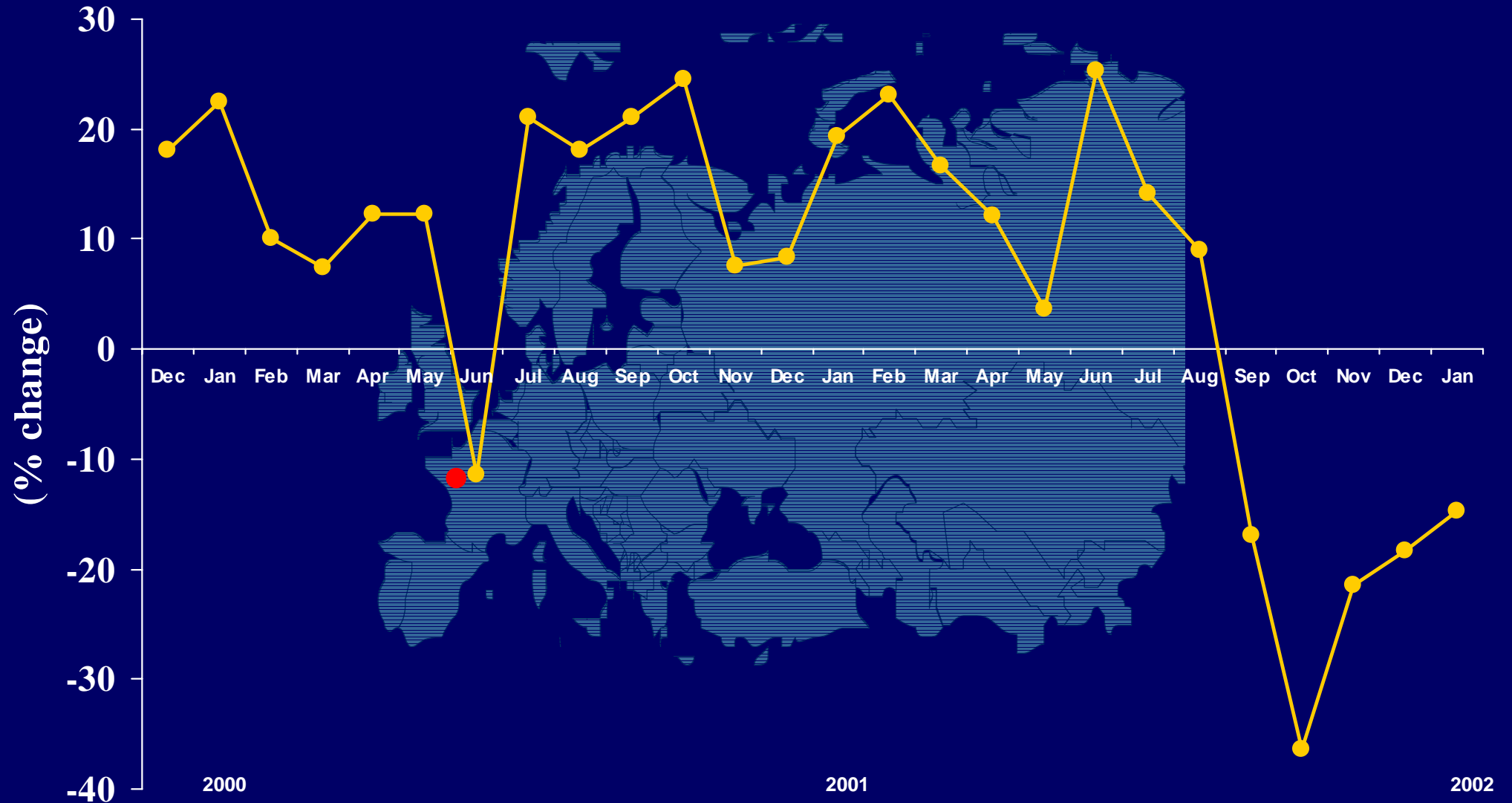
revPAR performance - Europe (2000-02)



revPAR performance - London (1999-02)



revPAR performance - Paris (1999-02)



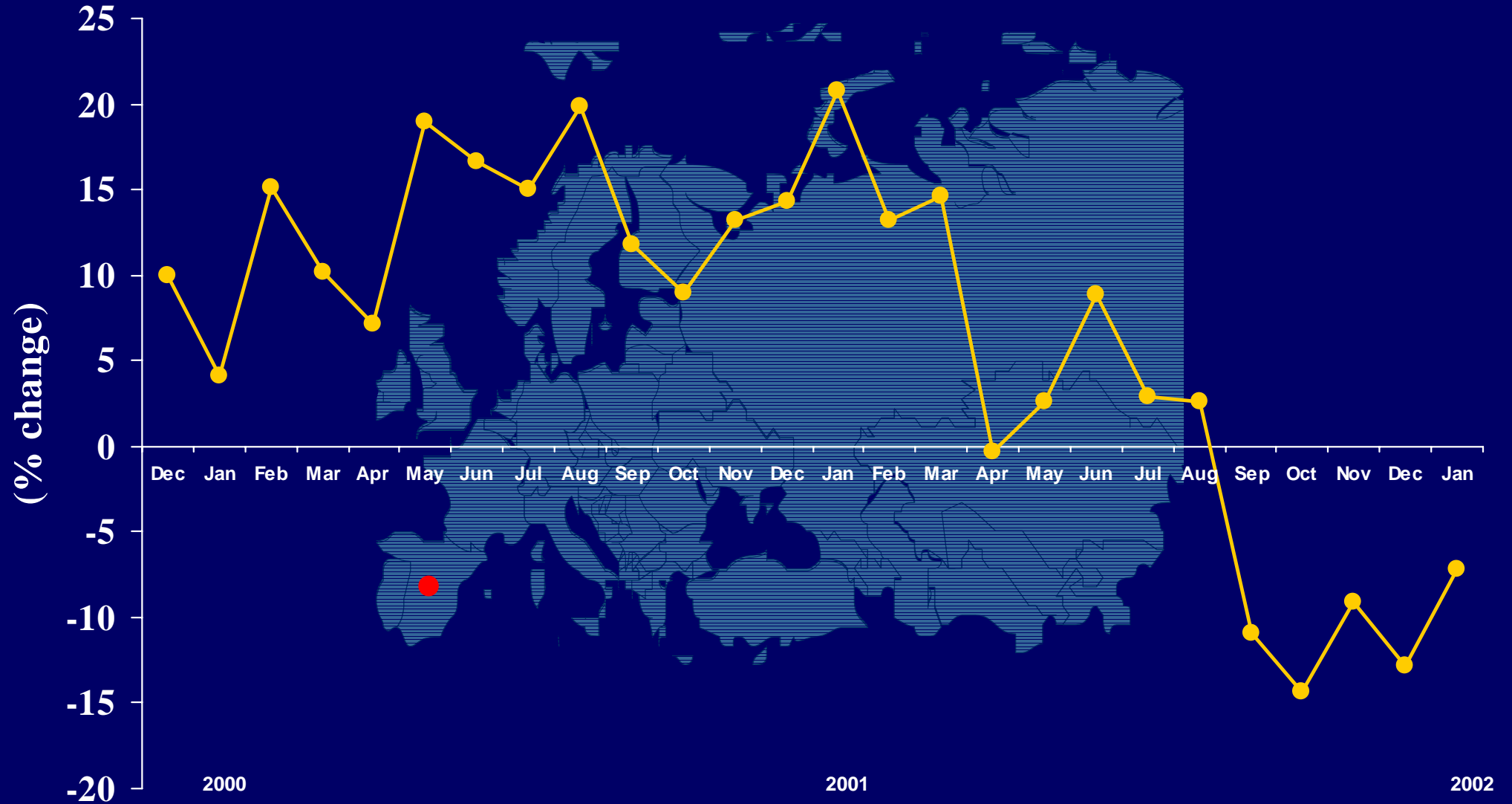
revPAR performance - Berlin (1999-02)



revPAR performance - Rome (1999-02)



revPAR performance - Madrid (1999-02)



revPAR performance - Amsterdam (1999-02)



So, what of the future?

Economic/political

- Improving outlook
- Uncertainty over US intentions in Middle East
- Potential volatility - notably oil price

Market

- Improved travel outlook - upturn in airline passengers
- Gateway revPAR decline is decelerating rapidly
- Transaction activity has and appears likely to continue
- Values should continue to trend upwards

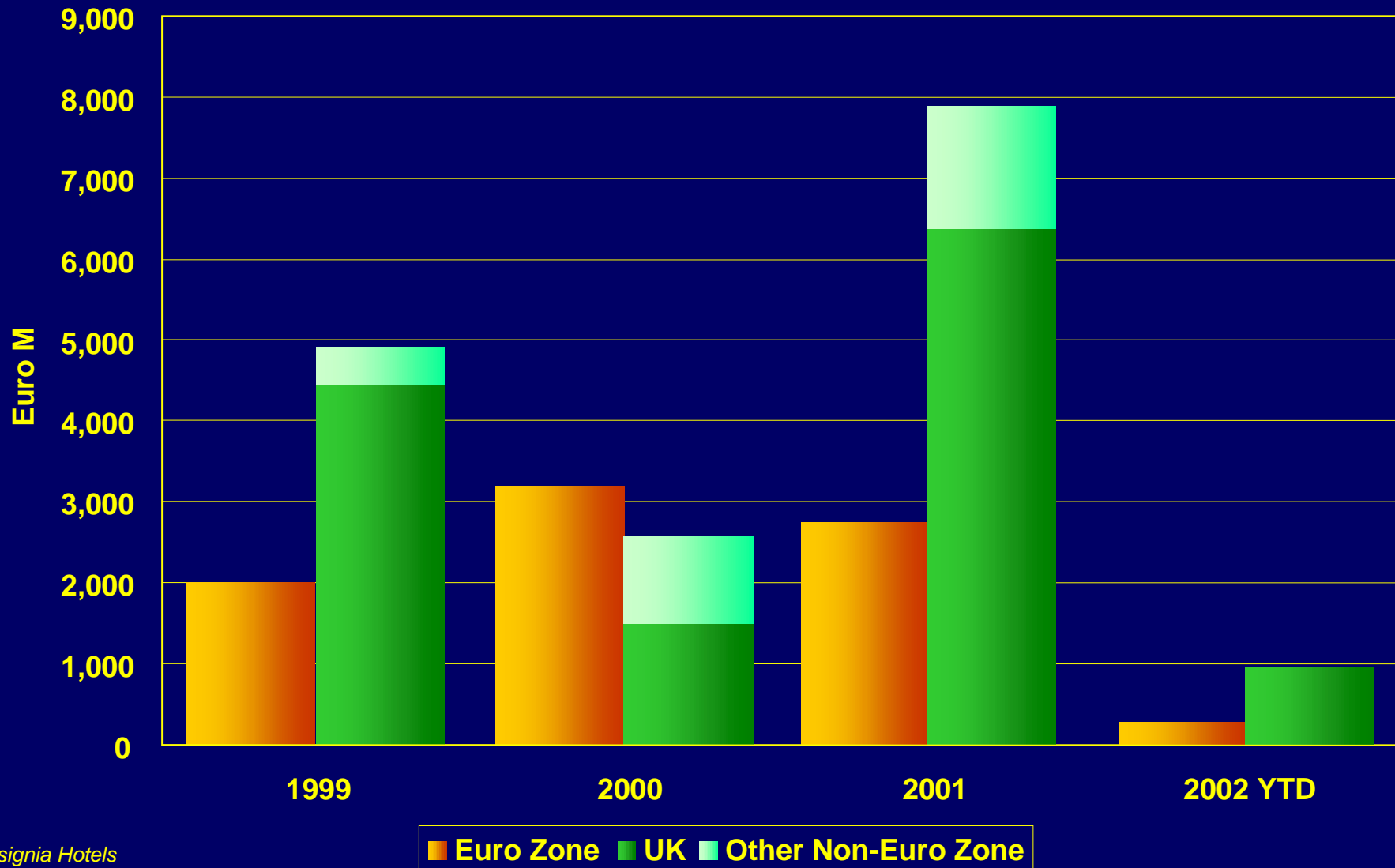
We will, however, continue to live with uncertainty

Chris Rouse



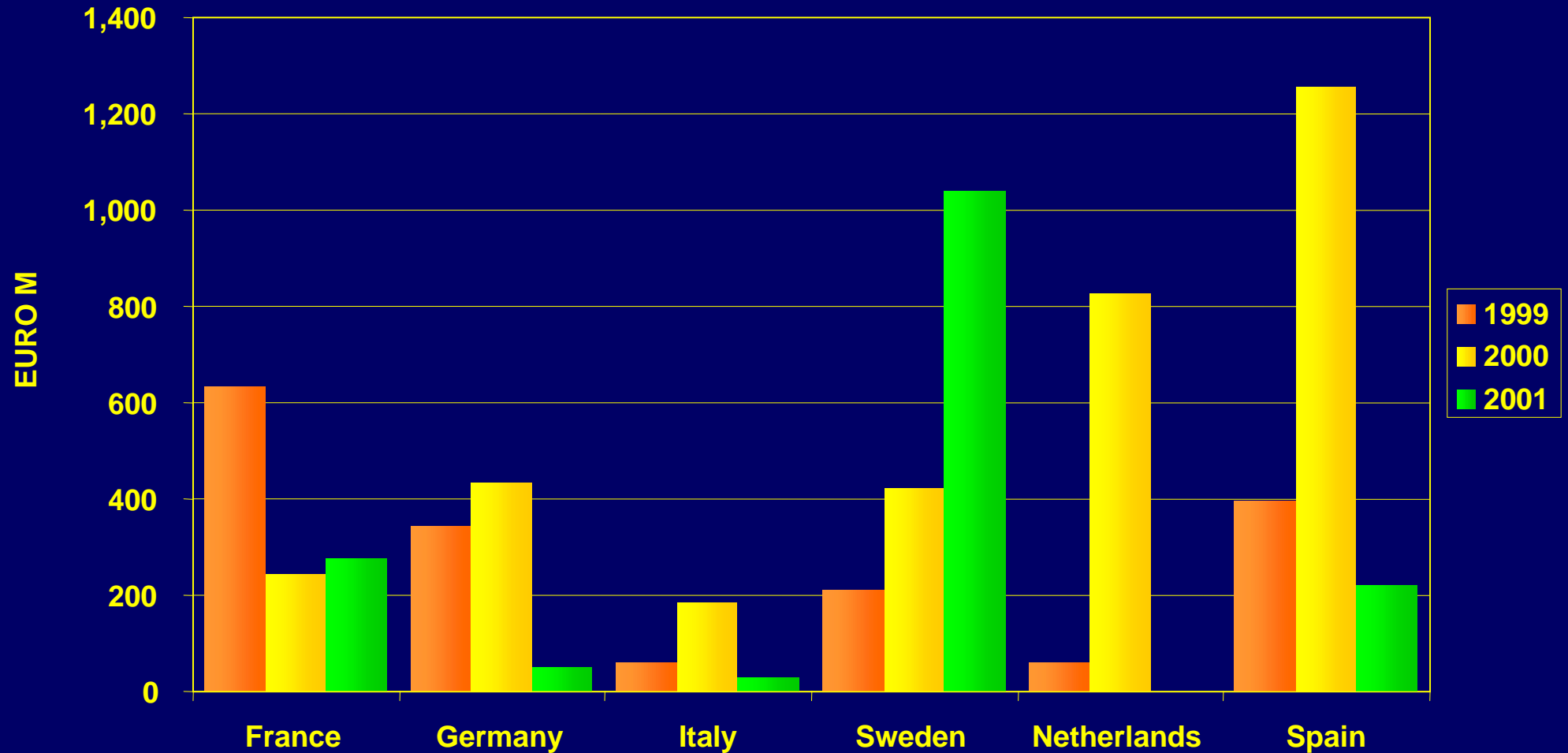
Transaction volume

Euro versus non-Euro zone



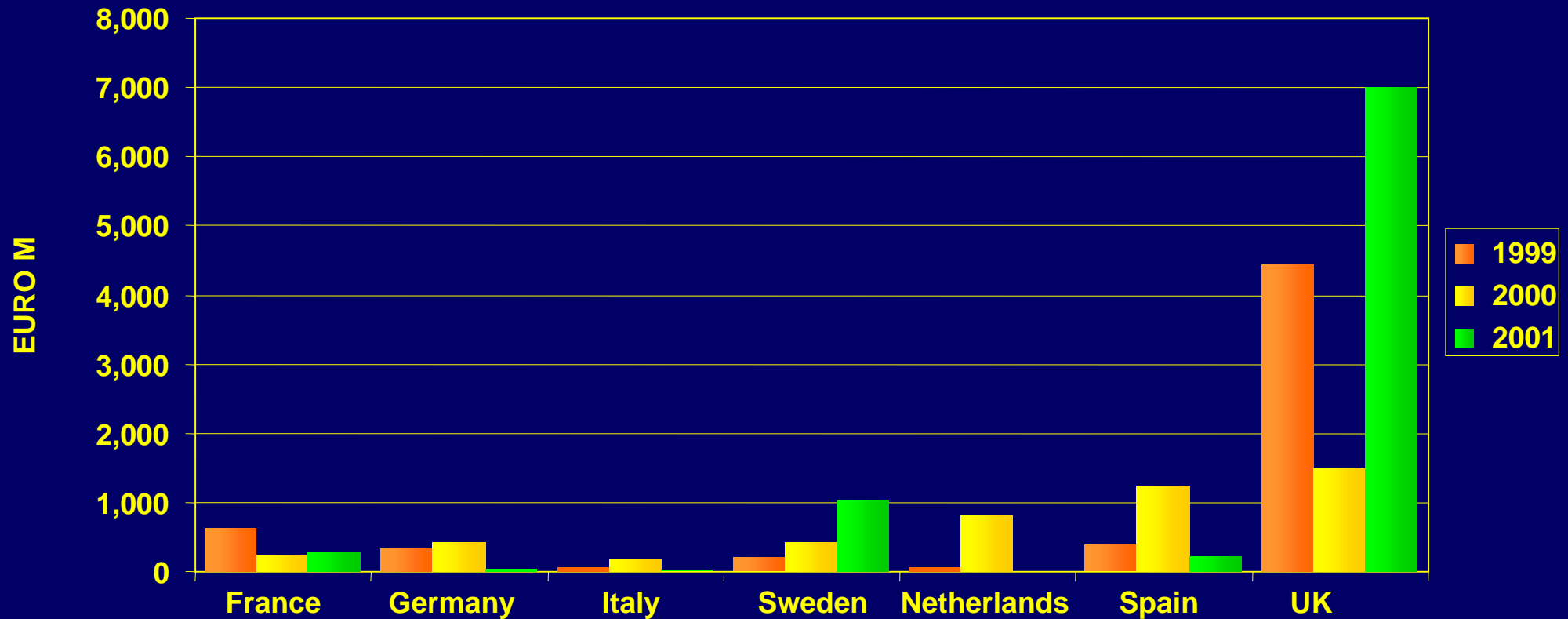
Transaction volume

Major Continental European markets



Transaction volume

Major European markets



Major corporate transactions

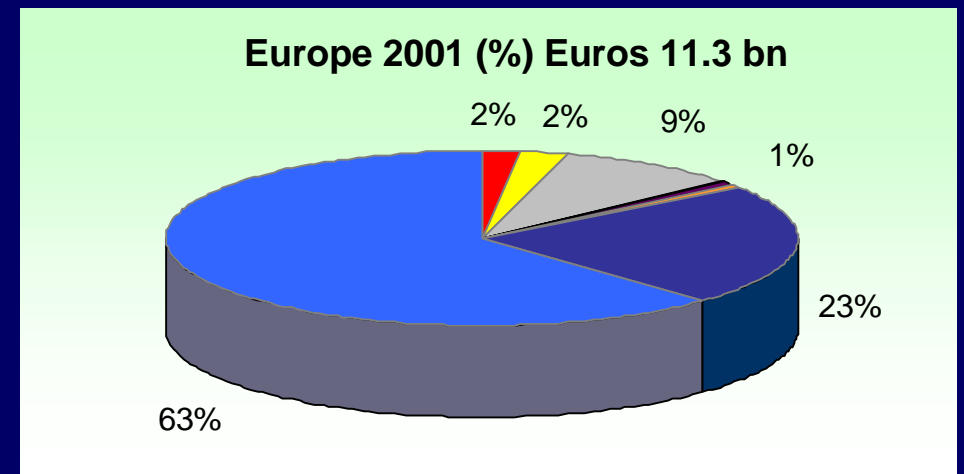
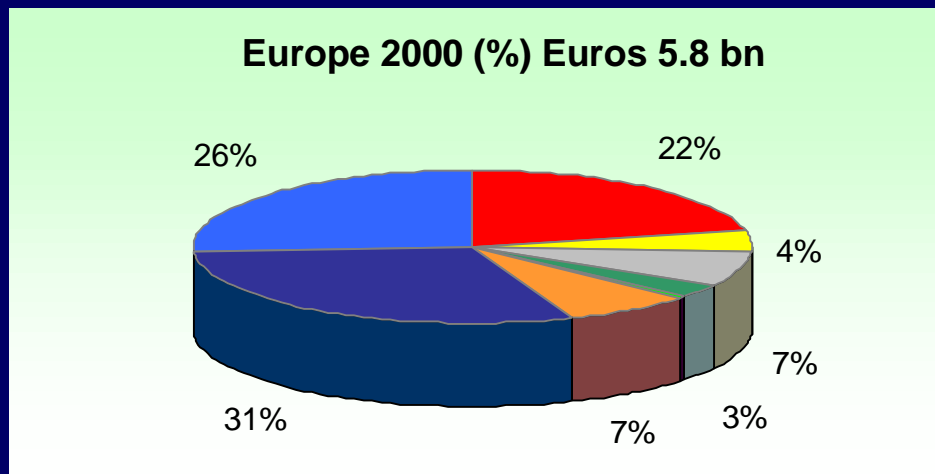
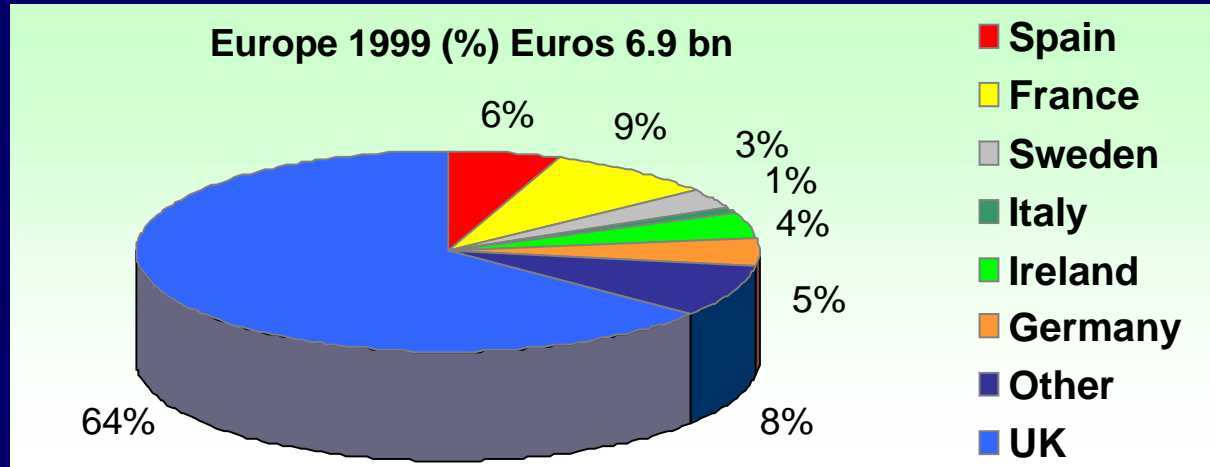
Group	Buyer	Price
		(€m)
Principal Hotels	Nomura PFG	395
Heritage Hotels	Macdonald Hotels Bank of Scotland	374
Posthouse Hotels	6 Continents	1,293
Swissôtel Holdings	Raffles Holdings	268
Scandic Hotels	Hilton Group	971
Le Meridien Group	Nomura PFG	3,148
Astron Hotels (2002)	NH Hotels	161
Total		6,610

Compass' disposal of Forte Hotels

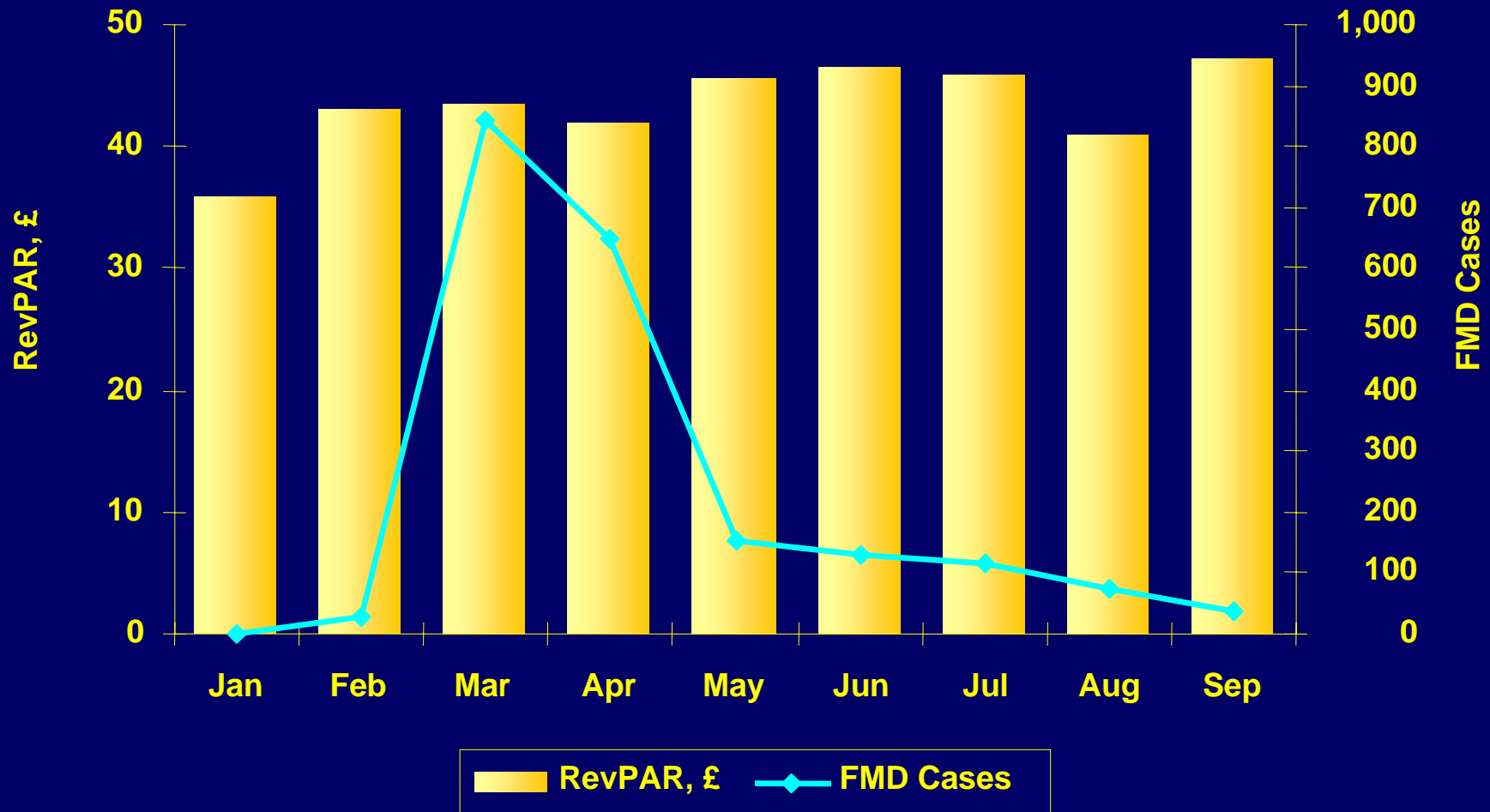
Entity	Buyer	Price
		(€m)
Cavendish Hotel	De Vere Hotels	97
Cumberland	Nomura PFG	240
Regent and Strand Palace*	London & Regional	170
Heritage Hotels	Macdonald Hotels	347
Posthouse Hotels	6 Continents	1,293
Le Meridien Group	Nomura PFG	3,148
Return of Forte Name	Sir Rocco Forte	0
Total		5,295

*unlikely to compete

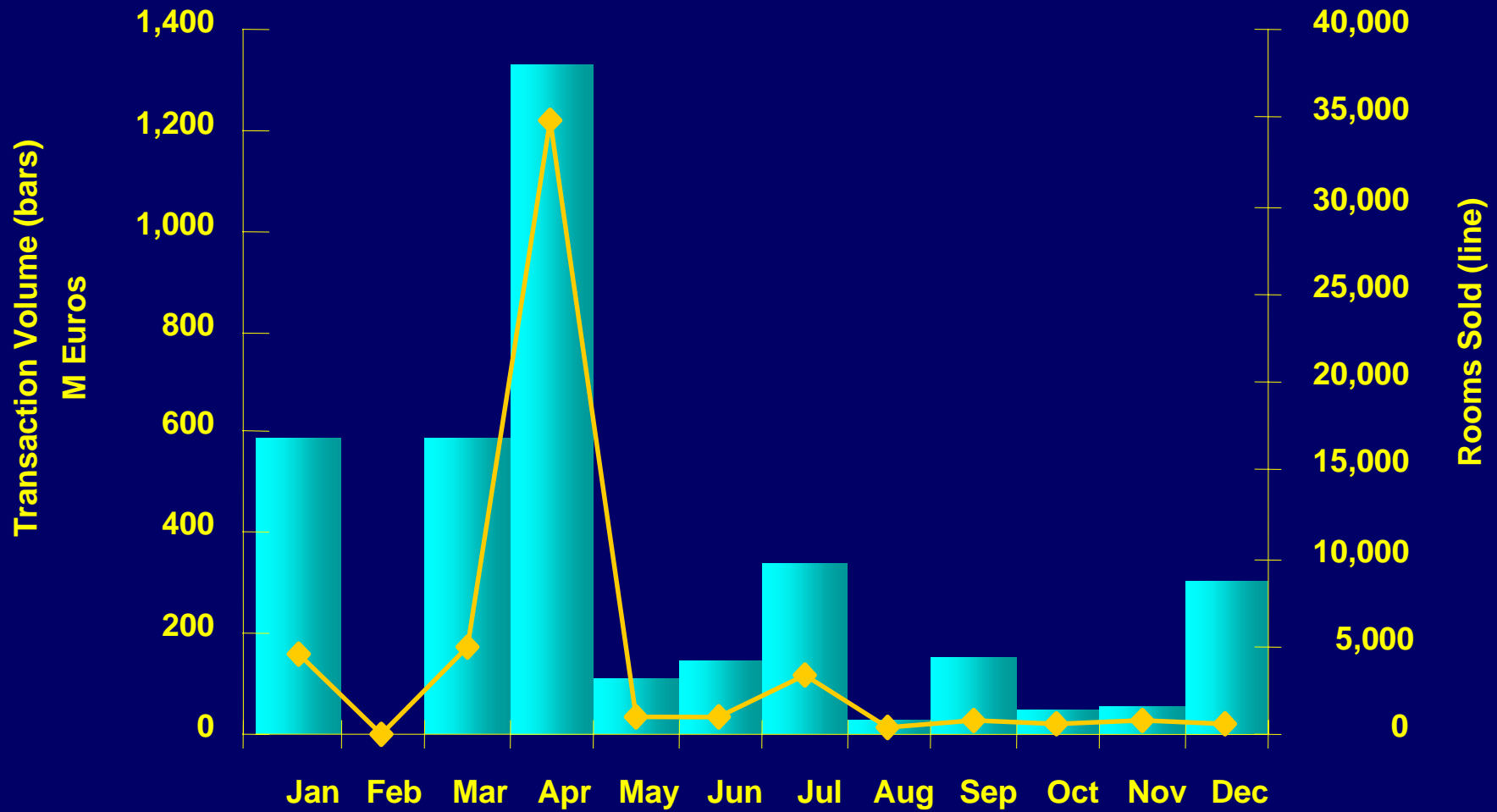
European transactions by country



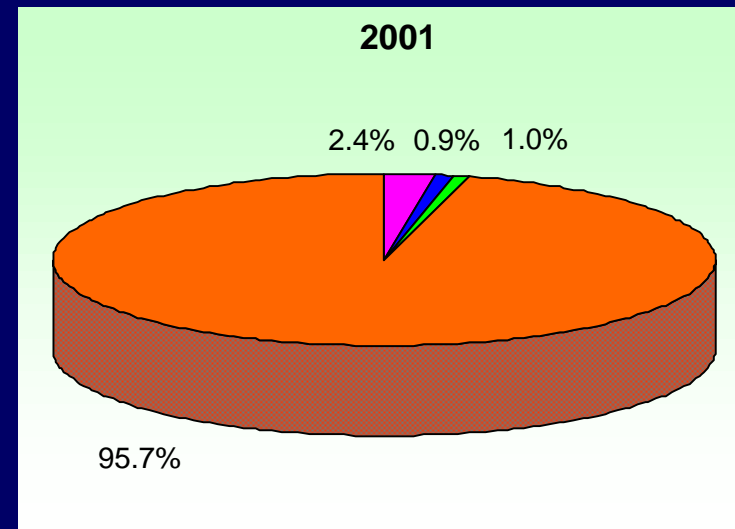
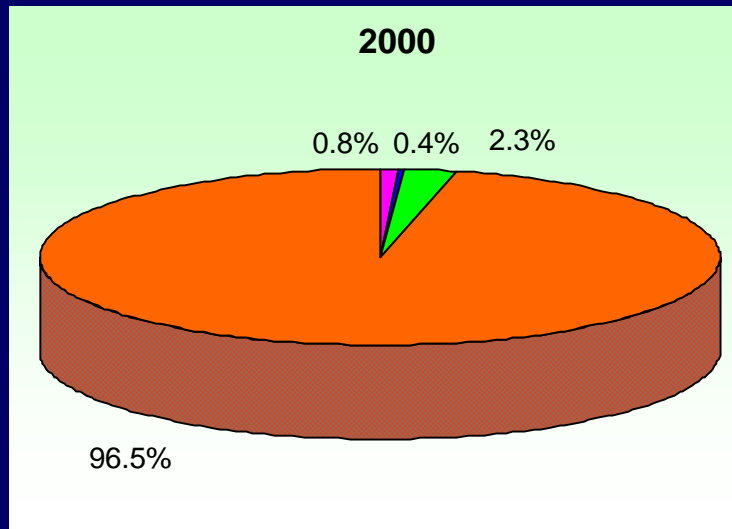
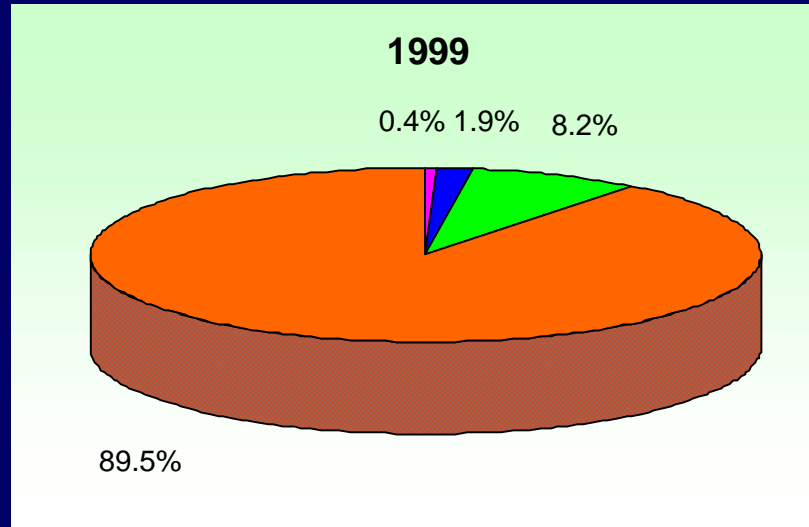
Impact of foot and mouth on the regional UK market



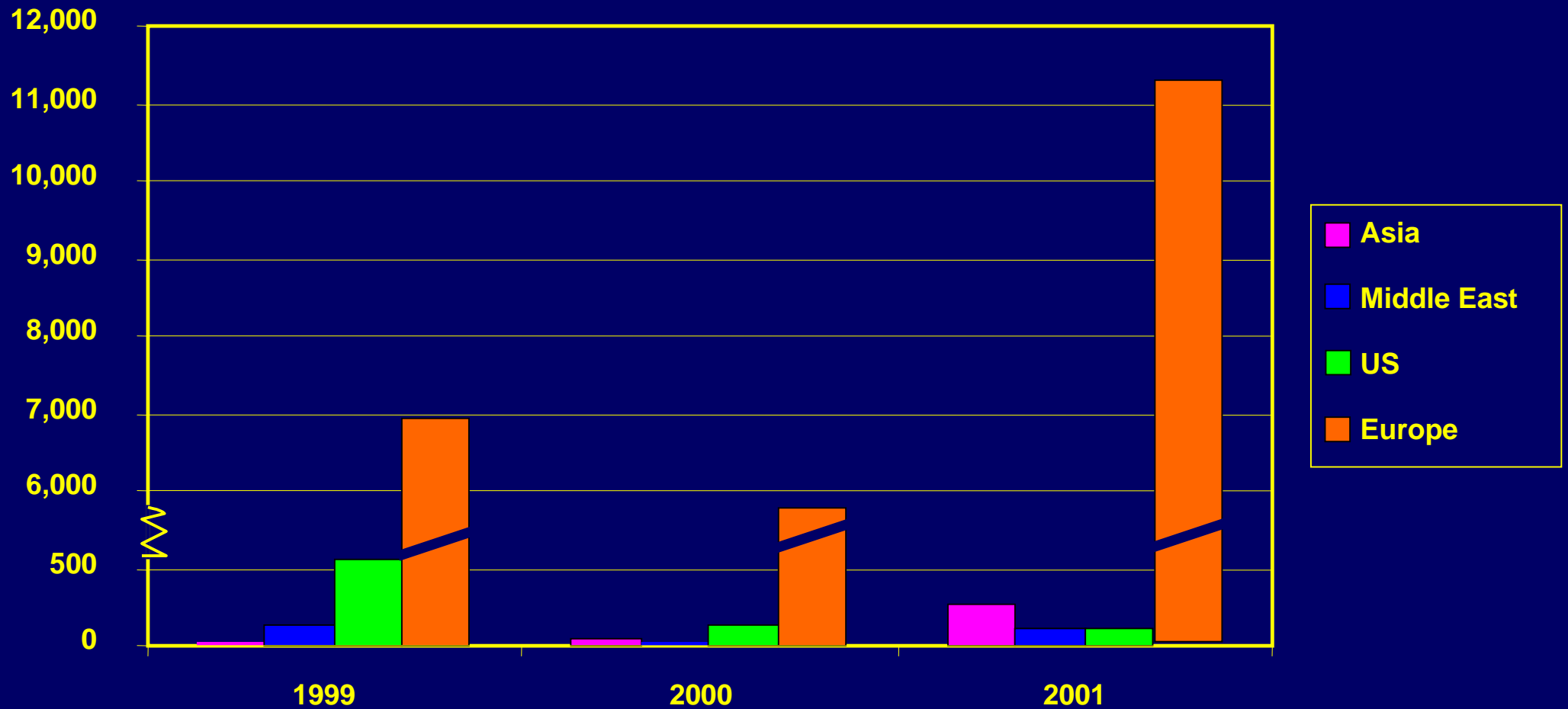
Transaction volume per month 2001



Sources of investment capital (%)



Sources of investment capital (€m)



European yields

Hotel	Country	Yield
		(%)
Posthouse Hotels	UK	12.7
Villa Magna	Spain	10.6
Le Meridien	Worldwide	10.0
2 Hotels	Sweden	9.0
12 Meridien	UK	7.6
11 Hilton Hotels	UK	6.9
Heathrow Park	UK	5.7

Mark Finnie

Deutsche Bank 

2001 - A pretty uneventful year!

	Jan 1	Dec 31
Accor	€45	€41
Hilton Group	209p	211p
NH Hoteles	€13	€11
Six Continents	729p	680p
Whitbread	550p	549p

2001 - Key events for the market

- Trading - pre- and post
- M&A
- New sources of funding
- Equity market review
- Outlook

M & A



New sources of funding



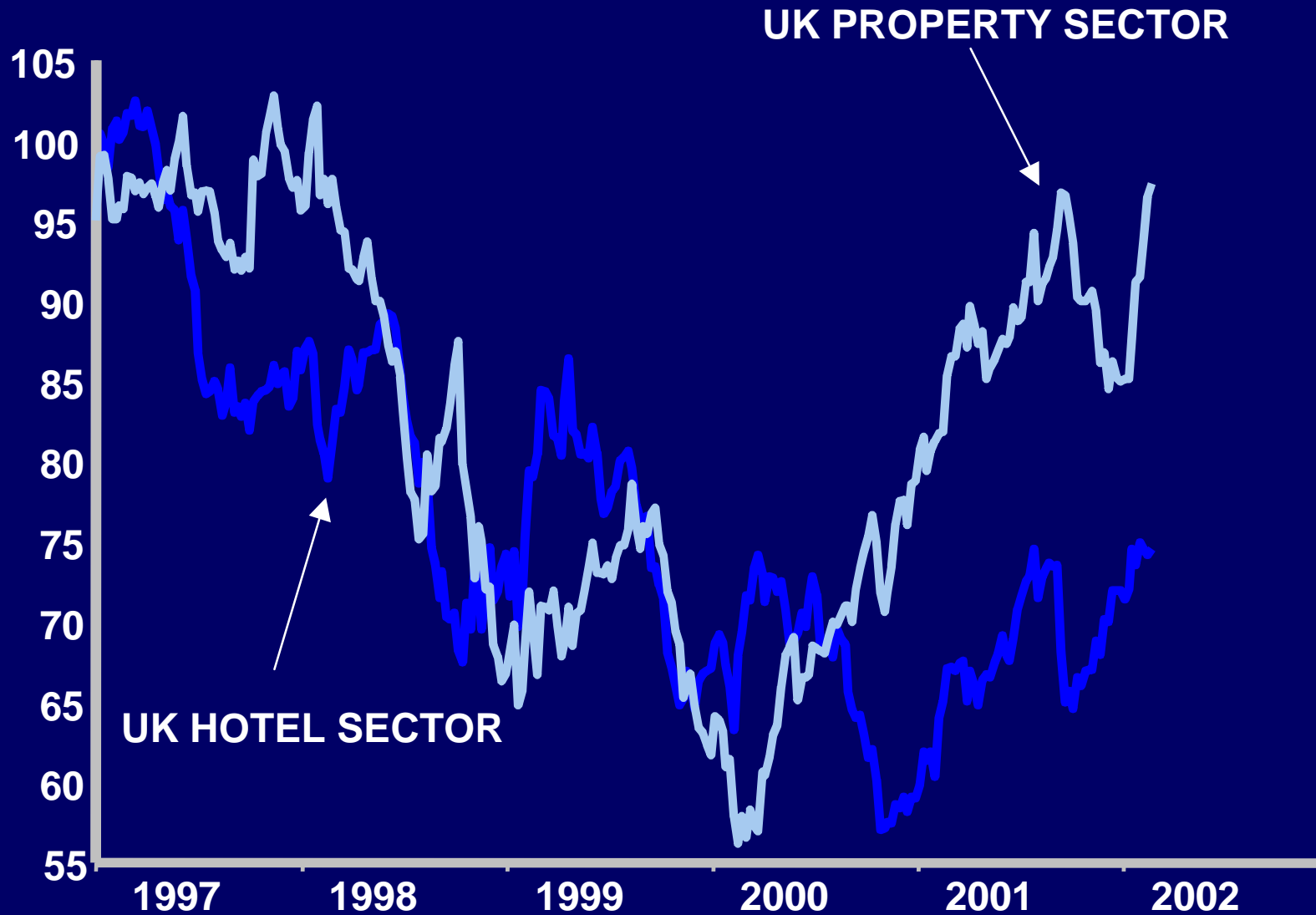
 The Royal Bank
of Scotland

 BANK OF SCOTLAND



NOMURA

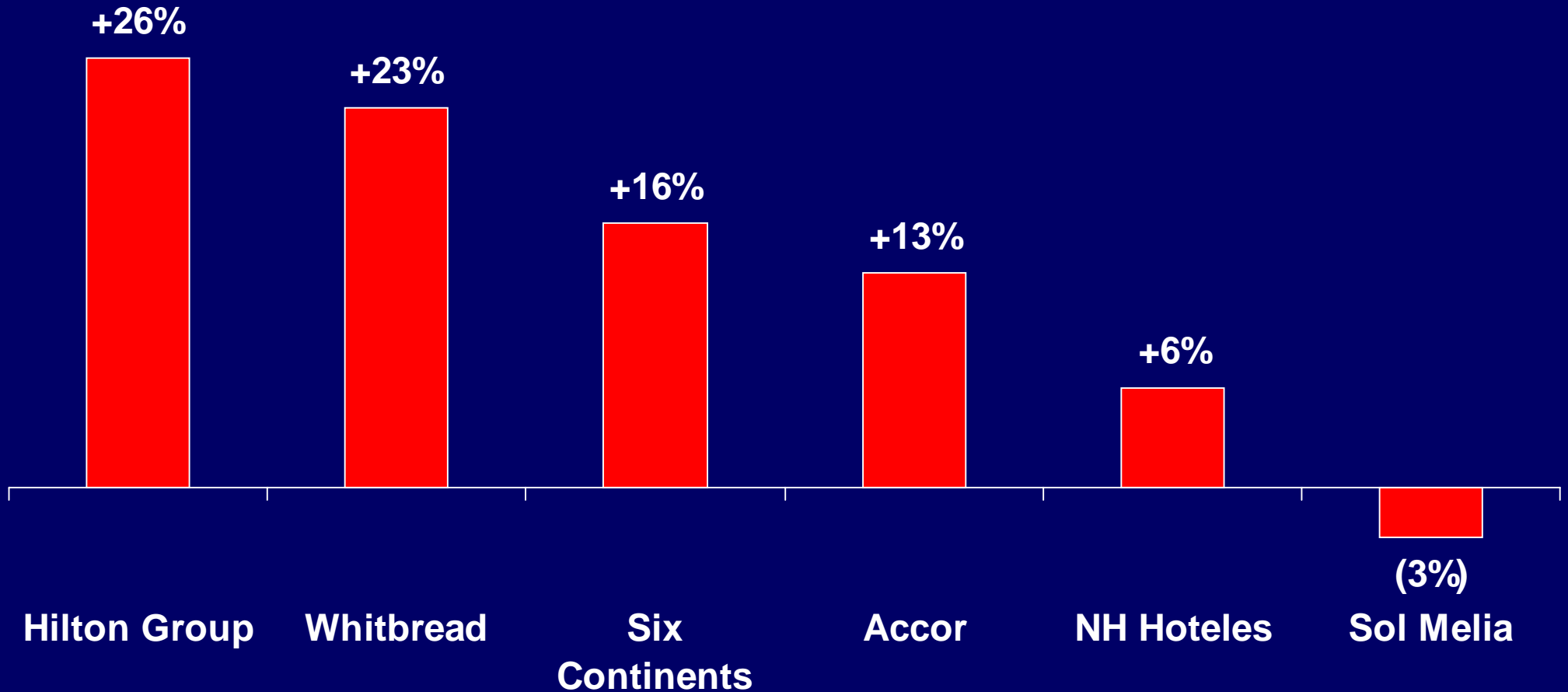
Hotels sector vs property sector



Note: Share price performance relative to FT All-Share

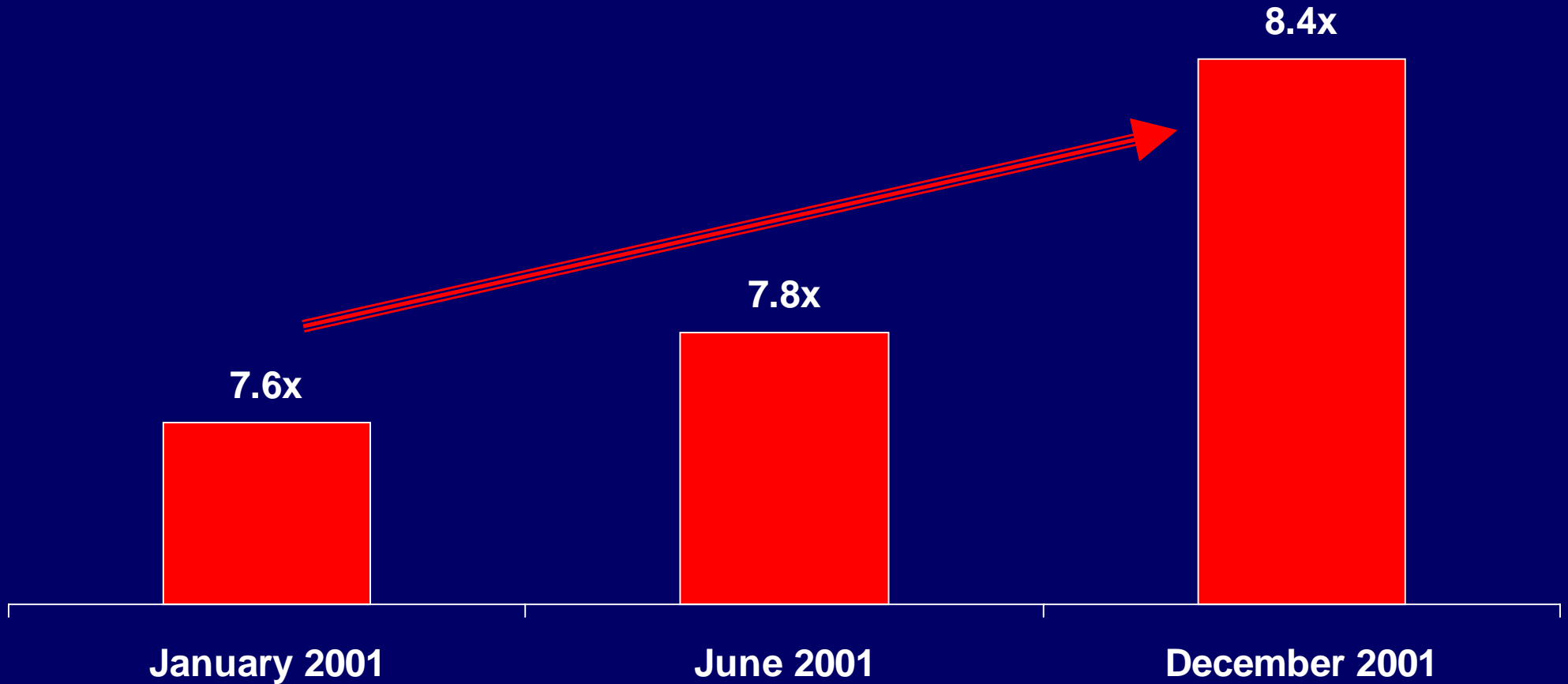
Source: DATASTREAM

Equity markets - winners and losers



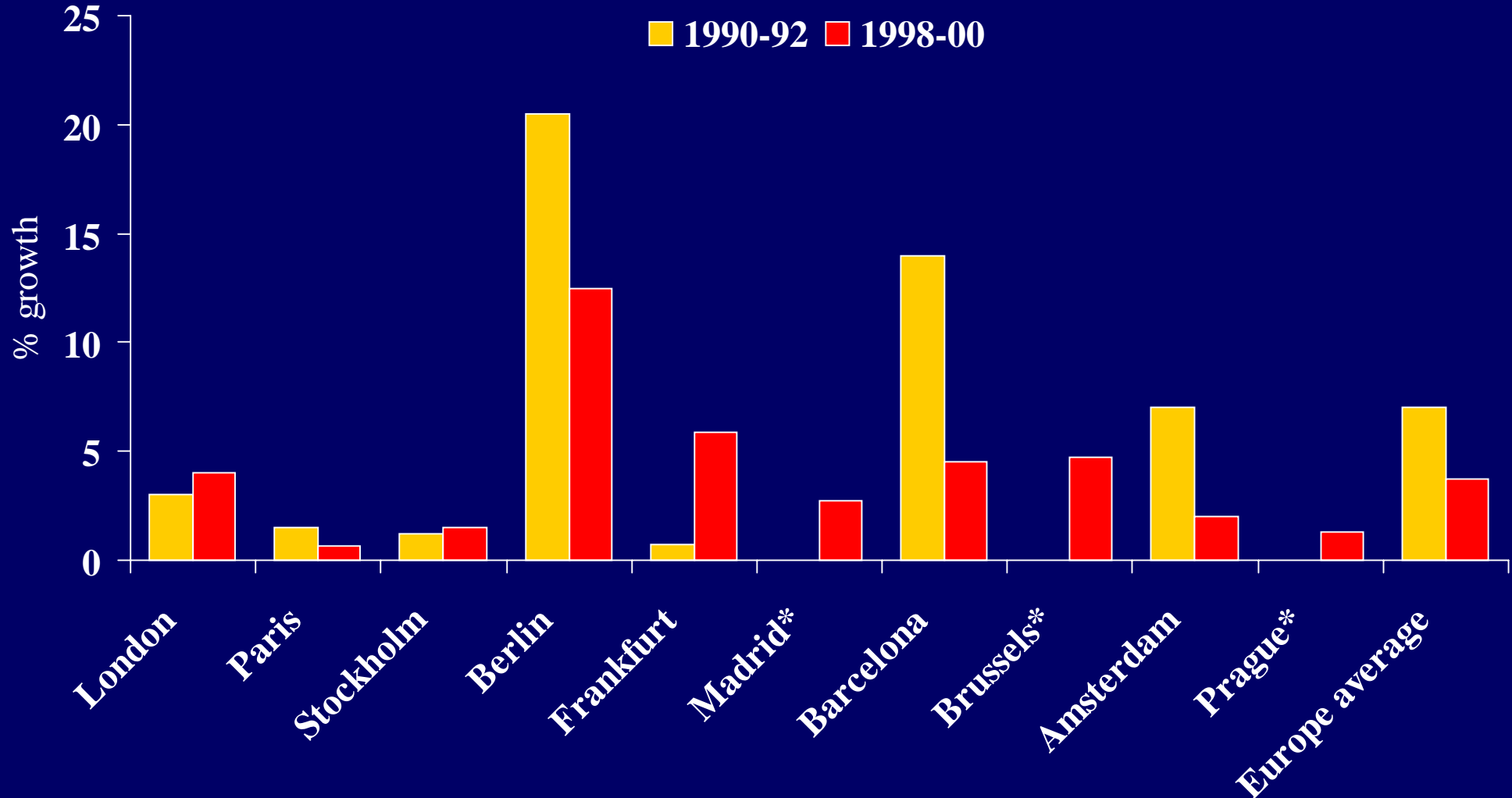
NB: Relative to Eurostoxx

Multiple expansion



Note: 2001 EBITDA multiple - European hotel sector

Constrained supply growth



- The most reassuring aspect of all?

Source: Jones Lang LaSalle

Outlook - M & A

Willing buyers



Willing sellers



A final thought . . .

Who is being 'long-term' now?

	Capex budget	Share price
		(%)
Hilton	Cut	+22
Accor	Cut	+30
Sol Melia	Deferred	+9
Millennium & Copthorne	Deferred	+24
NH Hoteles	Cut	+11
Whitbread	Deferred	+35

Note: Share price movement since September 20