QUARTERLY REPORT Q3 2020 | MOTEL ONE GROUP

KEY FACTS

THIRD QUARTER 2020:

- Investment in digitalisation and redesigns | PAGE 2–4
- Occupancy closes at 35% (previous year: 78%) | PAGE 5
- Revenue 56% below the previous year | PAGE 5
- Break-even reached at EBITDA level | PAGE 5

YTD SEPTEMBER 2020:

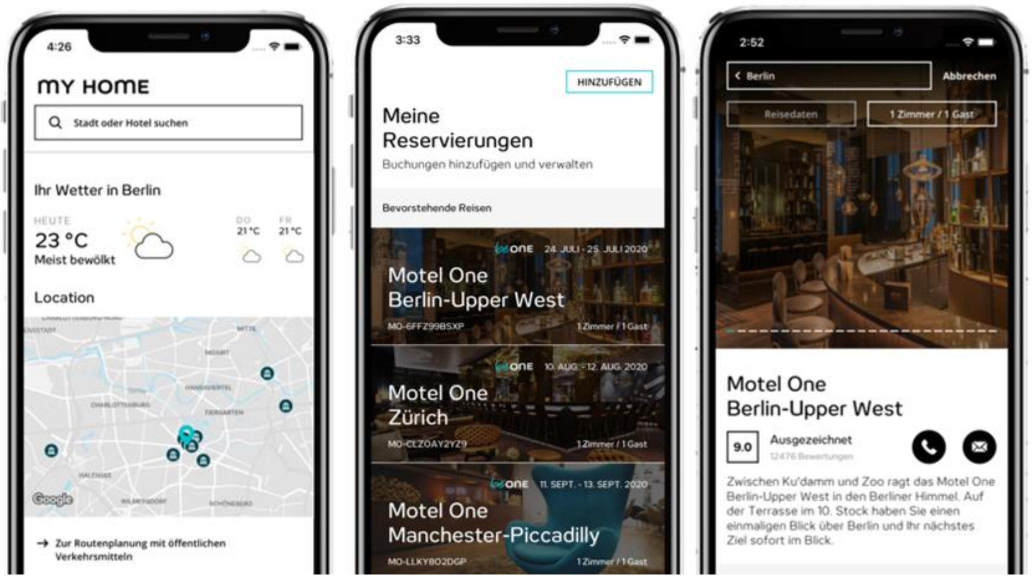
- Occupancy rate just 32% (previous year: 76%) | PAGE 5
- Revenue 55% below the previous year | PAGE 5
- Coronavirus has cost EUR 119 million to date | PAGE 5
- Prepared for a second wave of the pandemic | PAGE 7
- First new post-coronavirus contract | PAGE 8
- Crisis management, data protection, economic stimulus | PAGE 9
- Second wave of infection, prospects | PAGE 9
- Big picture | PAGE 10

MOTEL ONE IS INVESTING IN DIGITALISATION

Motel One is offering a completely redesigned app for iOS and Android to further digitalise the hotel experience and customer journey, and it has plenty of new functions in store. Room booking, travel management, payment, cancellation, weather info, tips for the surrounding area – the app is a true digital travel companion.

The relaunch will also allow all beOne members to store their individual booking preferences in the app and book even quicker and easily using the One Click Book function.

This further advance in our digital service is designed to make travel even more efficient, especially in these challenging times. Motel One is making a targeted investment in digitalisation and in future will add new and important functions and digital services to the app, such as online check-in, digital notification slip and intelligent push messages.



FIVE REDESIGNS POINT THE WAY FORWARD

Despite coronavirus, Motel One has pressed ahead with its ambitious redesign programme for its hotels. A total of five hotels have been completely redesigned with an investment volume of about EUR 22 million, and now offer compelling stories with individual, local themes.

Motel One Berlin-Hackescher Markt reflects the Art Nouveau architecture of the Hackesche Höfe, the largest enclosed courtyard complex in Berlin, which initially provided space for small manufacturers and later welcomed the creative projects of artists and freelancers. Collages and on-trend tape art by Berlin group 'TAPE THAT Collective' reinterpret the language of Art Nouveau and enrich the bar area with an artistic intervention that fills an entire wall. Also inspired by Art Nouveau are the striking hand-made tiles in shades of green and turquoise. The mix of art, upcycling, designer sofas, comfortable armchairs and artfully positioned lights results in that familiar Motel One lounge atmosphere, which invites guests to relax at any time of day.

Motel One Berlin-Hauptbahnhof is living up to its name, with design references from the current and historic adjacent station. As well as nostalgic railway clocks, the adjoining work area offers sanctuary in the form of numbered train compartments, assembled with loving details such as the brass lights and vintage leather upholstery from old carriages. The One Lounge combines brass, glass, aged wood and heavy leather armchairs. A large-scale artwork by renowned installation and media artist Christine Schulz watches over the dominant bar. It captures the movements of trains and people in the station in a compelling installation on printed wallpaper and glass in combination with neon lettering, video animation and projections.

Motel One Saarbrücken celebrates Franco-German friendship and the city's long history. A part of the One Lounge recalls a French bistro, while the old industrial lights reference the region's former steel works. Filigree rattan furniture meets curvaceous sofas and leather armchairs, floral prints and black-and-white rugs. With its fine wood and mirror panelling, the long bar dominates the room. The playfulness continues in the art; two Saarbrücken-based artists, German Joni Maier and French-born Nathalie Nierengarten, use fine strokes and broad humour to interpret the clichés and characteristics of both countries that form such a charming synthesis in Saarbücken.

At **Motel One Salzburg-Mirabell** Amadeus rocks the home of Mozart. Fine materials such as Viennese wicker, bronze inlay work and filigree glass light fixtures meet dark ceilings and gold lacquered wooden chairs. Tables printed with music scores stand before specially made leather furniture pieces, while two large trumpet chandeliers provide a visual fanfare above the work bench. And above it all, in large neon letters against a petrol-coloured wall, are the words: Rock me Amadeus.

At **Motel One Munich-East Side** everything revolves around the green side of Munich – natural splendour, inviting parks and the nearby Isar river. Artistic support came from graffiti and writing artist Loomit, who has been a major figure in Munich's graffiti scene for decades. His sprayed tableaux of typical Munich scenes show the city in a vibrant, colourful light. The bar in green milled stone flows through the One Lounge just as the green Isar flows through the city. Nature is all around in the form of green walls and ceilings with hundreds of real plants.

INCOME STATEMENT

Following the lockdown in the second quarter, Motel One must once again report a loss for the third quarter, caused by the pandemic. After the restart, the occupancy rate for July to September was 35% (previous year: 78%). The business is primarily stabilised by German-speaking Europe and Paris. Other European countries, particularly the UK, have still not fully emerged from lock-down, with occupancy in the single figures.

On a positive note, strict cost management, the flexibility of our employees and the key pillar of short-time work meant the company managed to record significant savings. The break-even at EBITDA level, with full rental payments, came with an occupancy level of just 35%. The EBITDA in the third quarter was EUR 1 million (previous year: EUR 48 million). However, after deprecia-tion, amortisation and the financial result, there was a quarterly loss of EUR 11 million to absorb, compared with a profit of EUR 20 million in the previous year.

	Q3			YTD September		
	2020	2019	+/-	2020	2019	Abw.
Statistics:			% py			% py
No. Hotels	74	73	1	74	73	1
No. Rooms	20.851	20.740	1	20.851	20.740	1
Occupancy (%)	35,2	78,3	-43	32,4	75,9	-44
ARR (EUR)	95,5	98,8	-3	99,4	98,3	1
Income Statement:	kEUR	kEUR	% py	kEUR	kEUR	% py
Revenue	64.530	146.126	-56	184.240	413.279	-55
EBITDAR	30.124	80.925	-63	74.143	225.120	-67
Lease payments	-25.948	-25.674	-1	-78.602	-75.581	-4
EBITDA ex Head Office	4.176	55.251	-92	-4.459	149.539	<100
Pre-Opening Expenses	-23	-580	96	-422	-1.079	61
Head Office Expenses	-2.773	-6.495	57	-7.838	-17.274	55
EBITDA	1.380	48.177	-97	-12.719	131.186	<100
Amortisation/Depreciation	-9.073	-16.326	44	-41.159	-42.712	4
EBIT	-7.693	31.851	<100	-53.878	88.474	<100
Financial Results	-3.628	-3.346	-8	-8.769	-7.672	-14
EBT	-11.321	28.505	<100	-62.647	80.802	<100
Income tax	0	-8.552	>100	0	-24.241	>100
NET RESULT	-11.321	19.953	<100	-62.647	56.561	<100

The cumulative results up to September indicate an occupancy rate of 32% (previous year: 76%) and revenues of EUR 184 million (previous year: EUR 413 million), representing a drop of 55%. The high losses during lockdown mean that the EBITDA, at EUR -13 million, is not comparable with the previous year. As at September, the net result now indicates a loss of EUR 63 million, following a profit of EUR 57 million the previous year. By this reckoning, the pandemic has cost us EUR 119 million to date.

CASH FLOW STATEMENT

Operating cash flow in the third quarter came in at EUR -4 million, compared with EUR 59 million in the previous year. Following the redesign capex, free cash flow came in at EUR -6 million, compared with EUR 39 million in the previous year. Debt cash flow came in at EUR 24 million (previous year: EUR -5 million), driven largely by the disbursement of new loans for the ongoing construction work. Investment in new hotels amounted to a total of EUR 14 million (previous year: EUR 9 million). Overall, cash inflow in the third quarter was EUR 4 million (previous year: EUR 25 million).

	Q3			YTD September		
	2020	2019	+/-	2020	2019	+/-
	kEUR	kEUR	% py	kEUR	kEUR	% py
EBITDA reported	1.380	48.177	-97	-12.719	131.186	<100
- Net Working Capital	-5.643	11.062	<100	115.477	84.804	36
Operating Cash Flow	-4.263	59.239	<100	102.758	215.990	-52
- ReDesign Capex	-1.569	-11.278	-86	-21.982	-33.297	-34
- Taxes	0	-8.552	<100	0	-24.241	<100
Free Cash Flow	-5.832	39.409	<100	80.776	158.452	-49
- Investing / Divesting Cash Flow	0	0		-10.998	0	
- Equity Cash Flow	160	-601	<100	-6.094	-3.894	56
- Debt Cash Flow	24.108	-4.930	<100	-3.114	11.651	<100
Cash Flow for Expansion Capex	18.436	33.878	-46	60.570	166.209	-64
- CAPEX new Hotels PROPCO	-9.732	-5.721	70	-26.452	-46.923	-44
- CAPEX new Hotels FF&E	-4.347	-3.014	44	-8.324	-10.231	-19
- Dividends	0	0		0	-70.000	<100
Net Cash Flow	4.357	25.143	-83	25.794	39.055	-34
- Cash carried forward	204.331	131.421	55	182.894	117.509	56
Cash at end of period	208.688	156.564	33	208.688	156.564	33

Thanks to the purchase price payment from the sale and leaseback transaction of the previous year, operating cash flow for the year to September came to EUR 103 million (previous year: EUR 216 million). A total of EUR 22 million (previous year: EUR 33 million) was invested in the redesign of existing hotels. Moreover, in connection with the sale and leaseback transaction, a total of EUR 11 million (previous year: EUR 0 million) was invested in financial assets. Debt cash flow, consisting of scheduled repayments, unscheduled repayments from the property transaction and new loans taken out for the ongoing construction work, resulted in a liquidity outflow of EUR 3 million.

Investment in new hotel properties amounted to EUR 26 million (previous year: EUR 47 million) and in FF&E to EUR 8 million (previous year: EUR 10 million). Despite the operating losses incurred as a result of coronavirus and the continued high level of investment, thanks to the sale and leaseback transaction and the shareholders' decision to waive a dividend payment, liquidity reserves rose by EUR 26 million (previous year: EUR 39 million). As at 30 September 2020, this brought cash holdings to EUR 209 million (previous year: EUR 157 million).

BALANCE SHEET

The key changes on the asset side are the low fixed assets and the higher cash holdings. Fixed assets were reduced due to the property transaction in December 2019, while cash holdings – as described in the cash flow statement above – increased 33% to reach EUR 209 million (previous year: EUR 157 million). On the liabilities side, the key change is the revenue-related reduction in trade payables.

	September, 30				
	2020		2019		+/-
Balance Sheet:	kEUR	%	kEUR	%	%
Fixed assets	693.463	73	760.670	78	-9
Current assets	46.146	5	52.266	5	-12
Cash and cash equivalents	208.688	22	156.564	16	33
Cash & Assets	948.297	100	969.500	100	-2
Equity	475.720	50	473.648	49	0
Provisions	54.460	6	62.308	6	-13
Financial liabilities	355.740	38	351.956	36	1
Other Liabilities	59.310	6	77.876	8	-24
Non repayable grant	3.067	0	3.712	0	-17
Equity & Liabilities	948.297	100	969.500	100	-2
Net Balance Sheet:					
Equity	475.720	69	473.648	62	0
Net working capital	70.691	10	91.630	12	-23
Net debt	147.052	21	195.392	26	-25
- as debt pipeline	104.192	15	82.479	11	26
Leverage Framework:					
EBITDA Rolling 12 months	32.055		170.008		-81
Net Debt/EBITDA	4,6		1,1		3,4
Net Debt/EBITDA adj. Pipeline	1,3		0,7		0,7

On the net balance sheet, the changes since the previous year outlined above were reflected in a 23% reduction in net working capital and a 25% fall in net debt. The equity ratio increased to 69% (previous year: 62%). The net debt/EBITDA indicators deteriorated due to the pandemic-related slump in the EBITDA to 4.6x (previous year: 1.1x) and adjusted for the financing pipeline to 1.3x (previous year: 0.7x).

With its strong balance sheet and substantial liquidity reserves of EUR 209 million, Motel One is well prepared for the second wave of the pandemic. In addition, further back-up is available on call in the form of a KfW loan of EUR 162 million.

HOTELS IN OPERATION AND DEVELOPMENT

The hotels in operation are unchanged from the previous quarter at 74 (previous year: 73 hotels with 20,851 rooms (previous year: 20,740). Of these, 51 hotels (previous year: 51) are in Germany and 23 (previous year: 22) are in European cities. In total, 24 owned hotels are subject to leasing structures (previous year: 24) with 5,861 rooms (previous year: 5,861).

Structure	September 30, 2020			September 30, 2019			+/- py	
	Hotels	Rooms	%	Hotels	Rooms	%	Hotels	Rooms
in operation								
Owned Hotels	13	3.400	16	17	4.235	20	-4	-835
Leased Hotels	11	2.461	12	7	1.626	8	4	835
Rented Hotels	50	14.990	72	49	14.879	72	1	111
Total in operation	74	20.851	100	73	20.740	100	1	111
- Germany	51	14.342	69	51	14.342	69	0	0
- International	23	6.509	31	22	6.398	31	1	111
under development								
Owned Hotels	5	2.024	25	5	1.944	26	0	80
Rented Hotels	23	6.226	75	20	5.635	74	3	591
Total Pipeline secured	28	8.250	100	25	7.579	100	3	671
- Germany	17	5.236	63	16	4.939	65	1	297
- International	11	3.014	37	9	2.640	35	2	374
Total								
Owned Hotels	18	5.424	19	22	6.179	22	-4	-755
Leased Hotels	11	2.461	8	7	1.626	6	4	835
Rented Hotels	73	21.216	73	69	20.514	72	4	702
Total	102	29.101	100	98	28.319	100	4	782
- Germany	68	19.578	67	67	19.281	68	1	297
- International	34	9.523	33	31	9.038	32	3	485

In development are 28 hotels (previous year: 25) with 8,250 rooms (previous year: 7,579). Of these, 17 (previous year: 16) with 5,236 rooms (previous year: 4,939) are in Germany and 11 (previous year: nine) with 3,014 rooms (previous year: 2,640) are in development in European cities. Five hotels (previous year: five) are being developed for the Group's own property portfolio and 23 (previous year: 20) with external investors. Coronavirus is likely to cause delays in the completion and handover of pipeline projects.

Overall, an increase to 102 hotels (previous year: 98) with 29,101 rooms (previous year: 28,319) is contractually secured. Following the lockdown, our development team is back up to full speed and we will systematically take the opportunities that arise from this crisis for our further growth. In September, for example, we secured a top site in a prime central Vienna location, near the Museumsquartier complex.

CRISIS MANAGEMENT, DATA PROTECTION, ECONOMIC STIMULUS

Unfortunately Germany did not use the recovery phase after the lock down at the beginning of the year to better equip the healthcare system with additional nurses and to set up the digitalisation of the health authorities.

Digitalisation should have prevented an exponential growth in the pandemic, in the form of an effective tracing app; this has not been the case. Health authorities are too overwhelmed to trace chains of infection offline. Although the technology exists, data protection provisions are preventing its effective use. Why does the protection of personal data, which in any case has long coursed through the servers of Google, Apple and Amazon, outweigh all other basic rights? The pandemic has seen a large number of basic personal rights violated and the national economy has taken an extreme battering.

Short-time work and KfW loans are key stabilisation tools of the German Federal Government's economic stimulus and crisis management package. The industry will only see limited benefit from the temporary reduction in value-added tax, as it comes at a time when revenue expectations are low.

In our view, shortcomings here include the coronavirus legislation, which falls short of the mark in terms of the rent moratorium, the restriction of bridging allowances to SMEs, and the cap on tax loss carrybacks to a maximum of EUR 5 million. In addition, the restrictions do not reflect the structure of the industry. The economic stimulus package also lacks investment incentives. In regard to the impending second lockdown for the industry, politicians are urgently requested to improve resolutions.

SECOND WAVE OF INFECTION, PROSPECTS

The second wave of the pandemic has reached Germany. It appears that the infection hotspots are the super-spreader events of parties and family celebrations rather than travel and hotel accommodation. The sector has spent enormous sums on its hygiene concepts and invested heavily in making hotel accommodation safe. Instead of issuing travel warnings and bans on overnight stays, and thus steering Europe's entire tourism industry deeper into crisis, politicians should instead concentrate on the primary causes.

Psychologically, travel warnings and bans on overnight stays function much like a lockdown. Consequently, following a slight increase in the third quarter we expect to see considerable losses in the fourth quarter. Due to the irritation of the population, occupancy hast already dropped since mid-October.

WE MUST LEARN TO LIVE WITH CORONAVIRUS

Not to stir up fears, but to show perspectives on how we can live with the coronavirus. The virus will be with us for at least another year. We cannot bring the public and cultural life to a standstill for such a long period of time. The collateral damage is already obvious today. Even without a vaccine, science assumes that with consistent compliance of rules and regulations (keeping distance, hygiene measures, wearing a mask and ventilation) the risk of being infected is reduced. With quick tests and a warning app, which is not limited by data protection, other effective tools would be available to contain the virus. Even if vaccines are available it will take some time to get a significant portion of the population vaccinated. Governments are called on to offer prospects and create the conditions under which we can live with coronavirus. When people are offered a clear outlook, it is much easier to motivate them to comply with coronavirus rules and reduce their contact for a finite period.

BIG PICTURE

We should not let the pandemic distort our view of long-term trends. In the short term, there is huge uncertainty around COVID-19, which will be a continued strain on global tourism. A recovery will only take place when we learn to live with the pandemic. Nevertheless, we believe that in retrospect, the crisis will have left no more than a dent in the megatrend of tourism. The global trends in travel will continue to be driven by the rising income of the world's population.

We will be living in a hybrid working world in the post-coronavirus era. Coronavirus has consolidated the trend towards digital, mobile working, working from home and video conferencing. This will have both a negative and positive impact on demand for hotels. Video conferencing will replace a large number of business trips, especially day trips.

The trend towards working from home or remotely will mean that individuals no longer necessarily have to live close to their employer. As a result, the requirement to spend a number of days working on-site for these companies will thus generate additional overnight stays for business purposes. Mobile working also offers a new sort of flexibility and greater freedom for travel.

The hotel industry was a successful industry with promising growth prospects before coronavirus and will remain so after coronavirus.

Munich, October 2020