



HOUSE OF HOTELS | בית של מלונות

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**Capital Market Presentation, December 2022**





# Disclaimer

This presentation is not the Company's offer of securities to the public and should not be interpreted as an offer of securities to the public. The presentation constitutes the Company's principal and marketing presentation. The information included in this presentation and any other information that shall be delivered during this presentation (hereinafter: "the Information") does not constitute a recommendation or an opinion of an investment consultant or a tax consultant. The Information is only condensed information. Investment in securities, in general, and in the Company, carries risk. You should take into account that past data does not necessarily indicate future performance. The purchase of the Company's securities requires an in-depth review of the information published by the Company and a legal, accounting, taxation and economic analysis thereof.

The data regarding: (i) summary of number of hotels and number of rooms according to ownership/rental/management segmented by sectors as of September 30, 2022; (ii) monthly occupancy rates in 2019; (iii) average daily income per room in 2022, by sector segmentation; (iv) the total expected investment in new hotels in the coming years; (v) revenues from the U Splash Hotel, Eilat in the first nine months of 2022 compared to the same period in 2019; (vi) the cost (including renovation) of the Palatin Hotel, Tel Aviv and estimated NOP per representing year; (vii) estimated NOP per representing year in the hotels purchased in Spain (from the ALUA chain); (viii) estimated NOP of Hotel Leonardo Vienna in a representing year; (ix) an expected investment in the Dilly Hotel and an estimated NOP in a representing year; (x) Up-to-date details about Rooms, SwitchUP and Master; (xi) distribution of revenues, EBITDA and EBITDAR (including a proportional share of hotels owned at a rate of 50%) according to sector segmentation in the third quarter of 2022; (xii) analysis of payroll and energy expenses by sector segmentation in 2019 and 2022, challenges and solutions; and (xiii) the Company's management's target regarding financial debt ratio to EBITDA; Slides 4, 15, 16, 19, 21, 22, 27, 28, 29, 30, 32, 33, 35, 40, 41 and 44 are presented for the first time in this presentation as additional information.







# Fattal Group Business Card



The Company was **established in 1998** by Mr. David Fattal



Israel's **largest and leading** hotel chain



Fast growth in Europe. More than **150** destinations across Europe

**253**

Hotels

**47,000**

Rooms



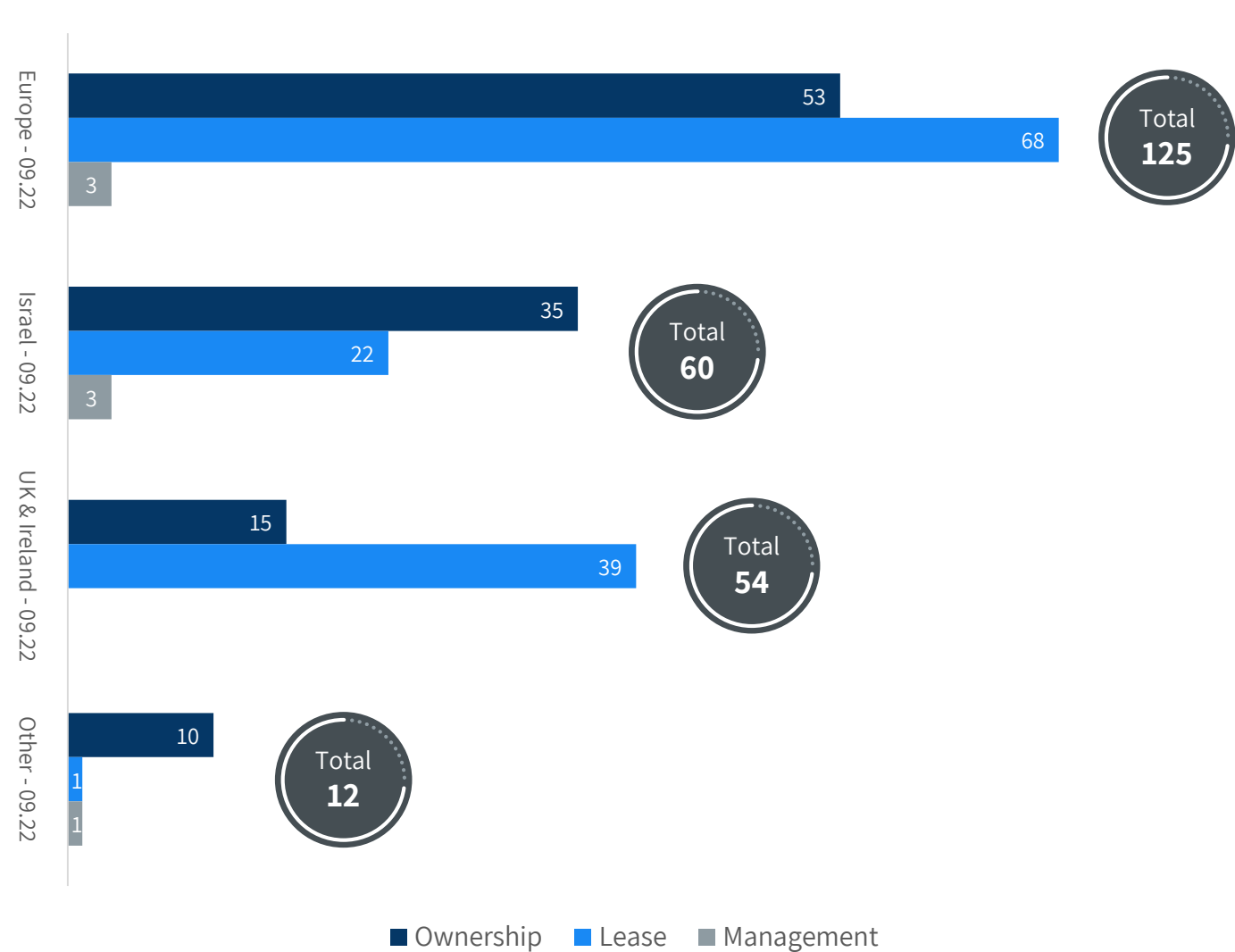
**20**

Countries

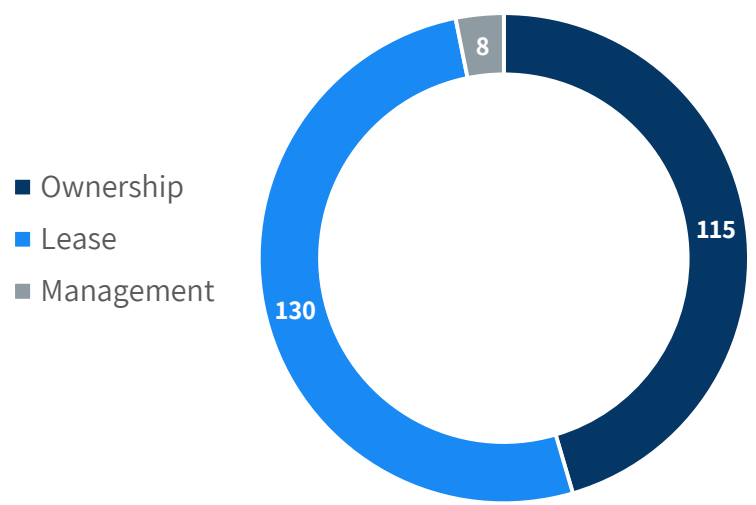
**NIS 0.7 billion**

Cash balances on the signing date of the report

# Number of Hotels<sup>1</sup>



Number of hotels by Rights



  
09/2022

**214**  
Active hotels

<sup>1</sup> As of 30.09.22 including 19 future hotels in Israel (2,295 rooms), 9 future hotels in Europe (2,520 room), 3 future hotels in United Kingdom (665 room) and 6 future hotels in Greece and Cyprus (989 rooms).

# Q3 The Best Quarter in the Company's History in a Growing Tourism Market



The chain's occupancy rates reached **81.6%**



**1.8**

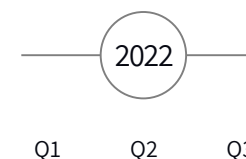
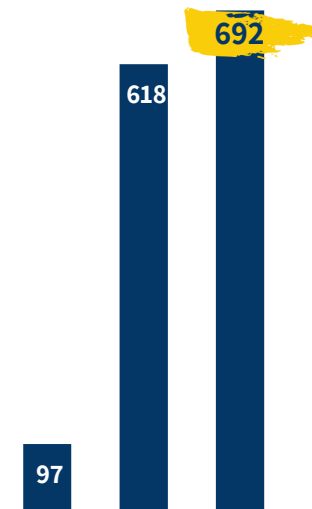
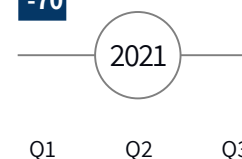
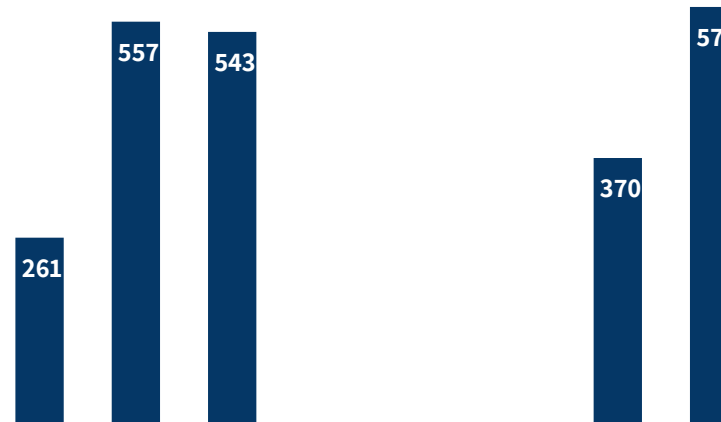
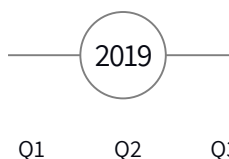
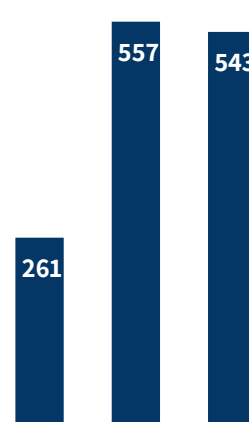
NIS billion  
Revenues<sup>1</sup>  
quarterly record

**692**

NIS million  
EBITDAR<sup>1</sup>  
quarterly record

**ADR**

We surpassed  
2019



EBITDAR - by quarters (NIS millions)

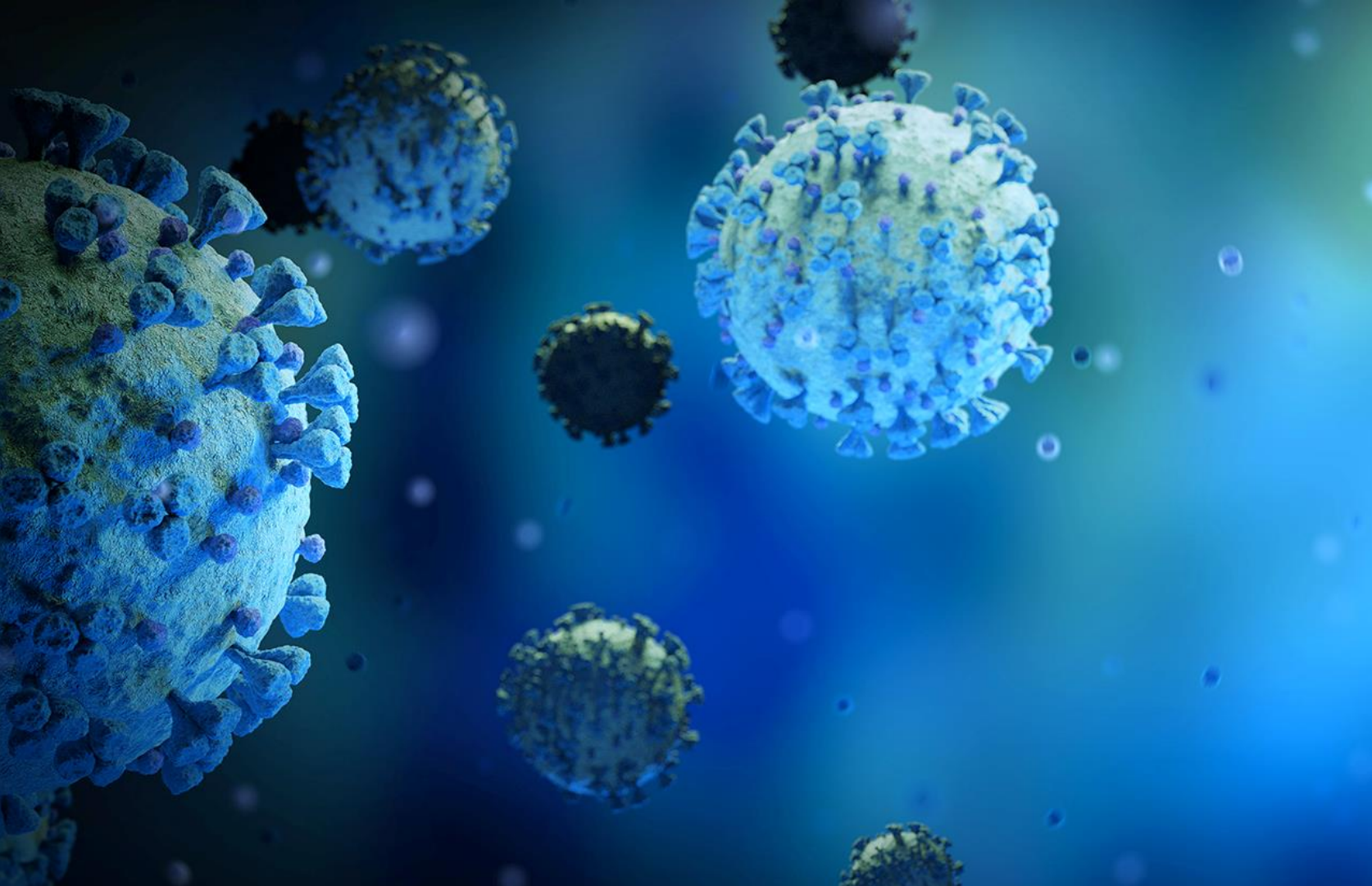
<sup>1</sup> Including the relative part of hotels under 50% ownership





# What will we talk about today?

- The Company's Successful Handling of the Covid-19 Crisis
- The Industry's Return to an Increased Working Pace
- Growth
- The Company's Financial Results – 30.09.22
- Challenges and Solutions –  
Work Force | Energy | Cost of Living
- Debt and Leverage Ratios in a Growing Company  
What's our Destination?



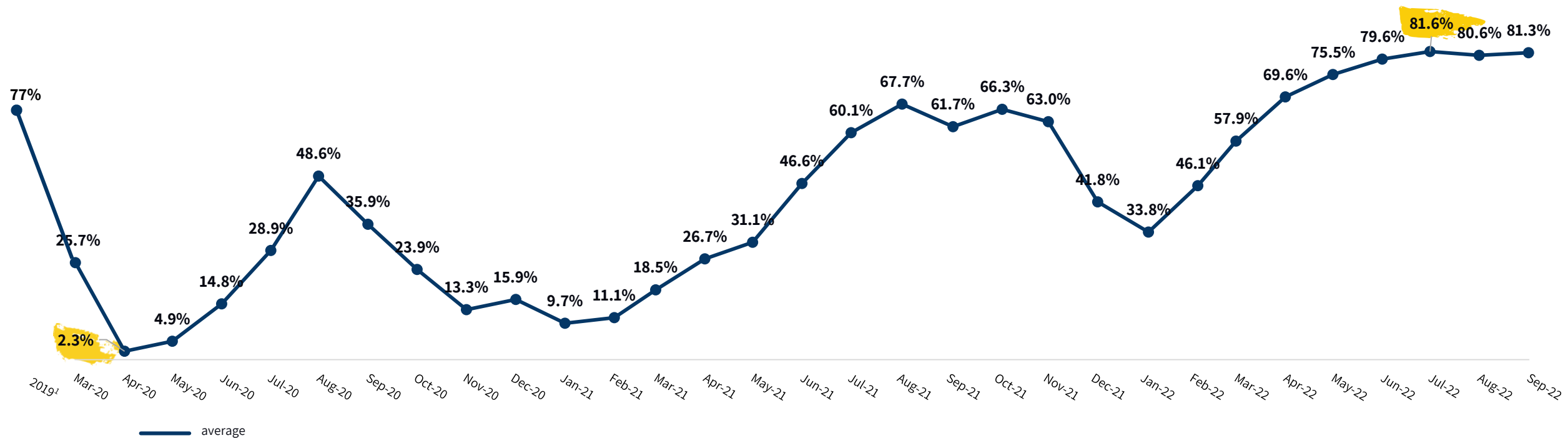
## The Company's Successful Handling of the Covid-19 Crisis



# Chain Occupancy Rates by Months - a Roller Coaster

2020-2022

## COVID-19



<sup>1</sup> 2019 average occupancy rates.



# Covid-19 Pandemic

2019-2022

## Responsible Management Throughout the Crisis

### Actions Taken During Covid-19



Improvement of hotels' operational efficiency



Stock market operations:  
**Issued bonds at approximately NIS 1,046 million**



Stock market operations:  
**Raising of equity about NIS 150 million**



Waiver/postponement of hotel rent:  
**approximately NIS 632 million**



State-guaranteed loans:  
Europe: approx. **EUR 67 million**  
(approx. **NIS 260 million**)  
Israel: approx. **NIS 134 million**



Grants received:  
**NIS 851 million**



Assets sales in Europe:  
**Net cash flow to the company approximately NIS 200 million**

# Opportunities in the Face of Crisis - GRANGE HOTELS



Phase 1

**March 2019**  
Lease Agreement – 25 Years  
**4 HOTELS, LONDON**  
**1,311 ROOMS**  
Annual rent £55M



Phase 2

**Hotel renovation**  
Owner participation-  
£35M



Phase 3

**2020 -**  
**The COVID-19 pandemic**  
Hotels closed  
**No income = inability to pay rent**



Phase 4

**11/2020-7/2021**  
No rent income => owners indebted to financial entities.  
**The company spots an opportunity, negotiates to reduce rent by approx. £52M over 4 years and acquires 50% of ownership in exchange for £55M.**





## The Industry's Return to an Increased Working Pace



# Tourism Market Trends



Tourism is no longer a luxury



Change in perception - experiences preferred over savings



The world's fastest-growing industry



Cities as holiday centers



B-Leisure



Baby Boomers



Globalization



Construction costs - increase in assets value



Customers that have not yet woken up

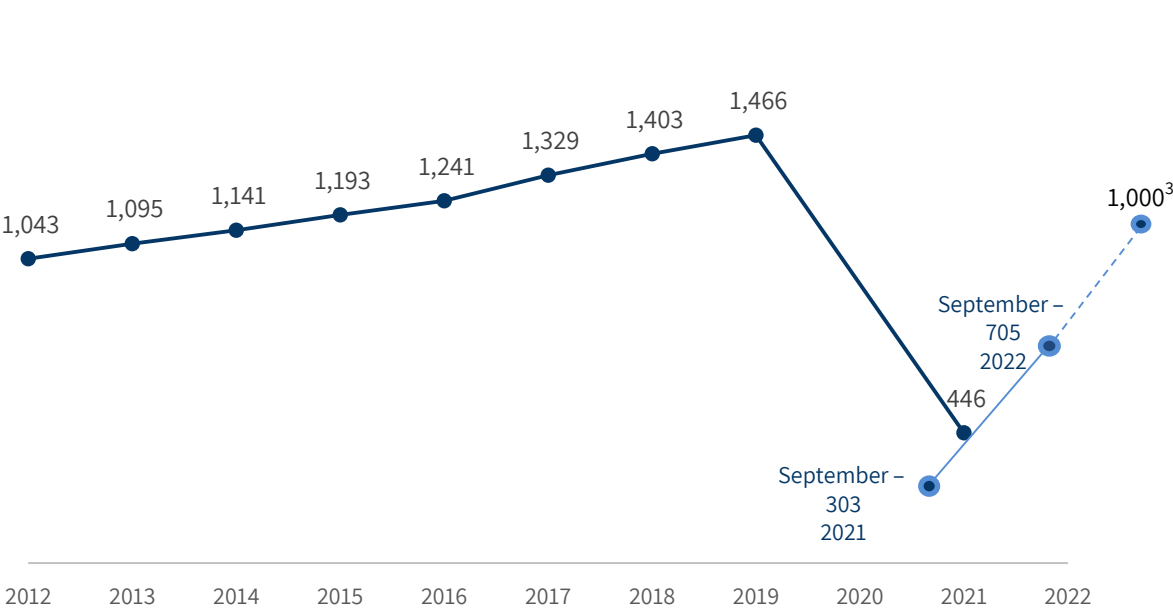


Significant slowdown in supply

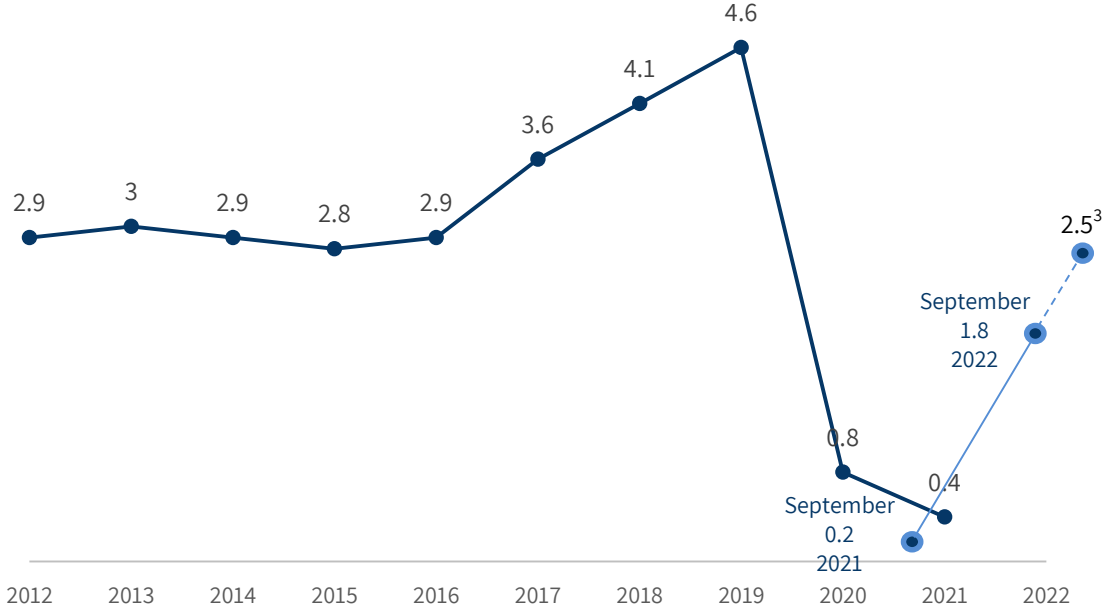


# Global Tourism Is Back

International tourists (in millions)<sup>1</sup>

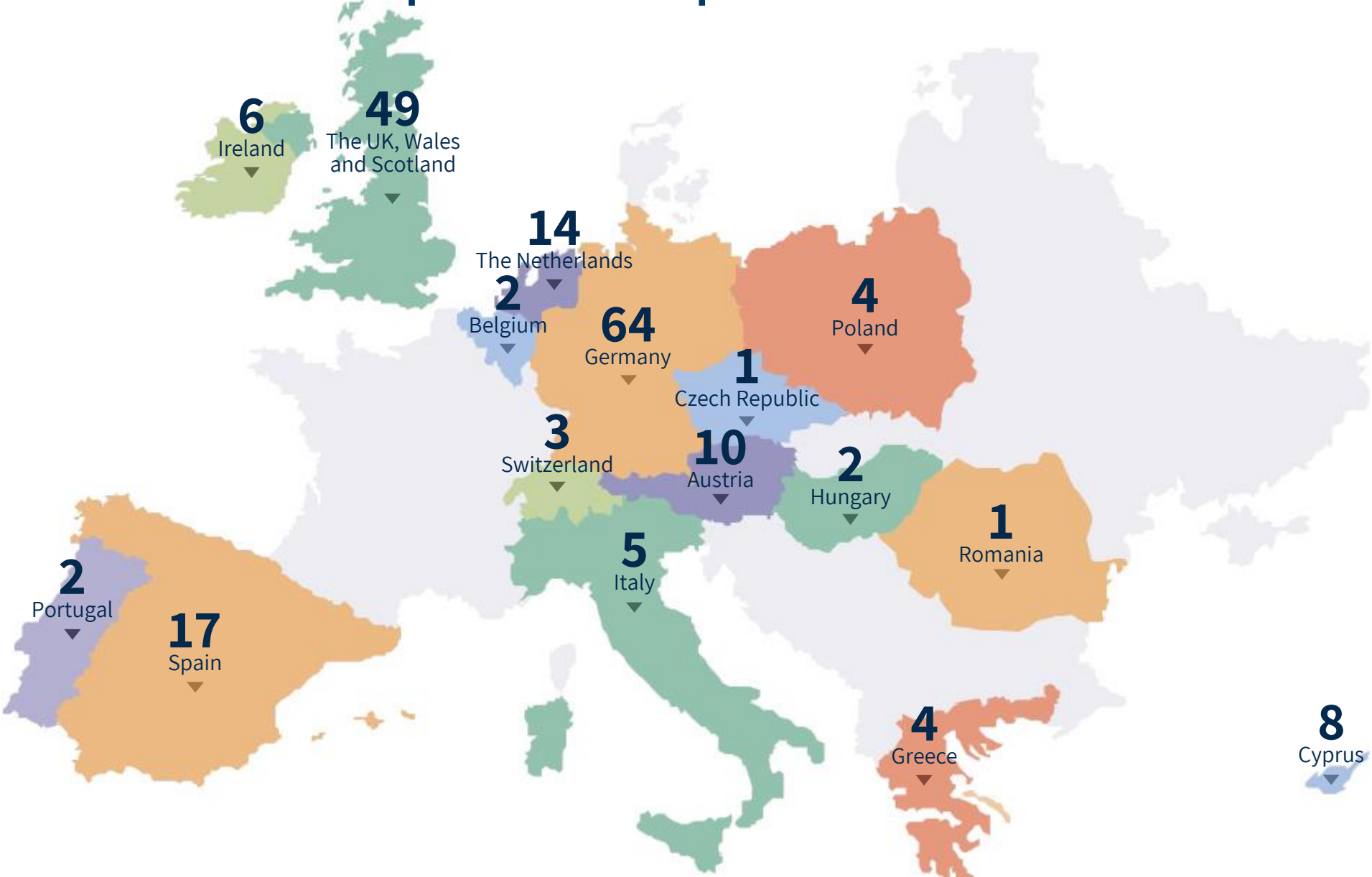


Tourists entering Israel (in millions)<sup>2</sup>



<sup>1</sup> World Tourism Organization (UNWTO) data  
<sup>2</sup> Israel Central Bureau of Statistics data  
<sup>3</sup> According to the Company's management's assessment

# Fattal Hotel Group on the Map 1 – 20 Countries



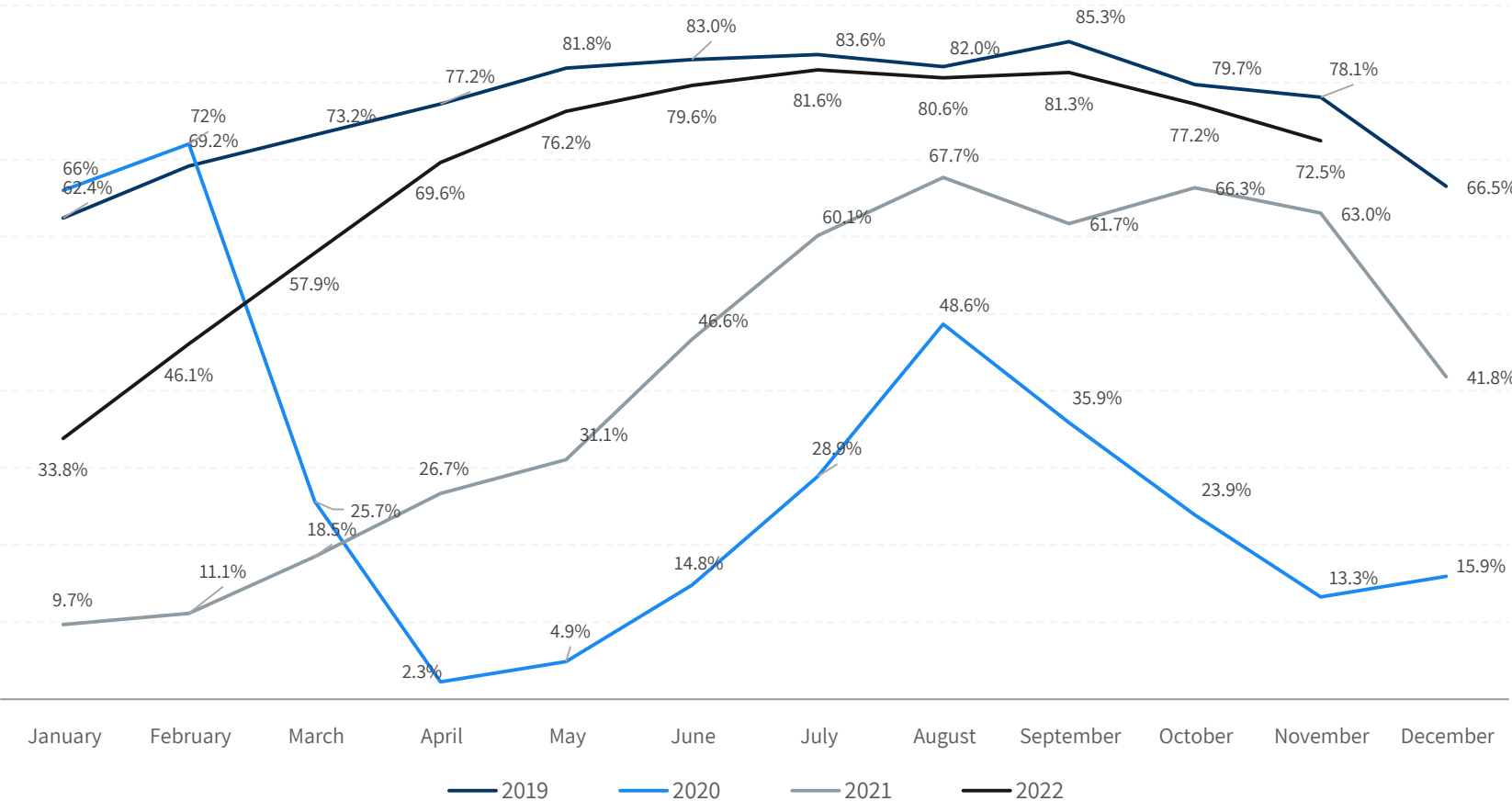
<sup>1</sup> Including future hotels.



# Occupancy and Revenue – Guests Return to Hotels

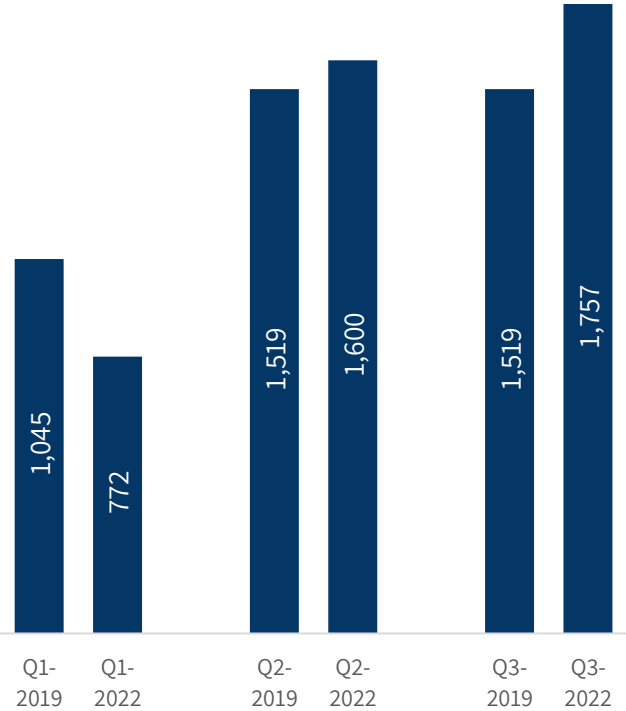


Occupancy by month



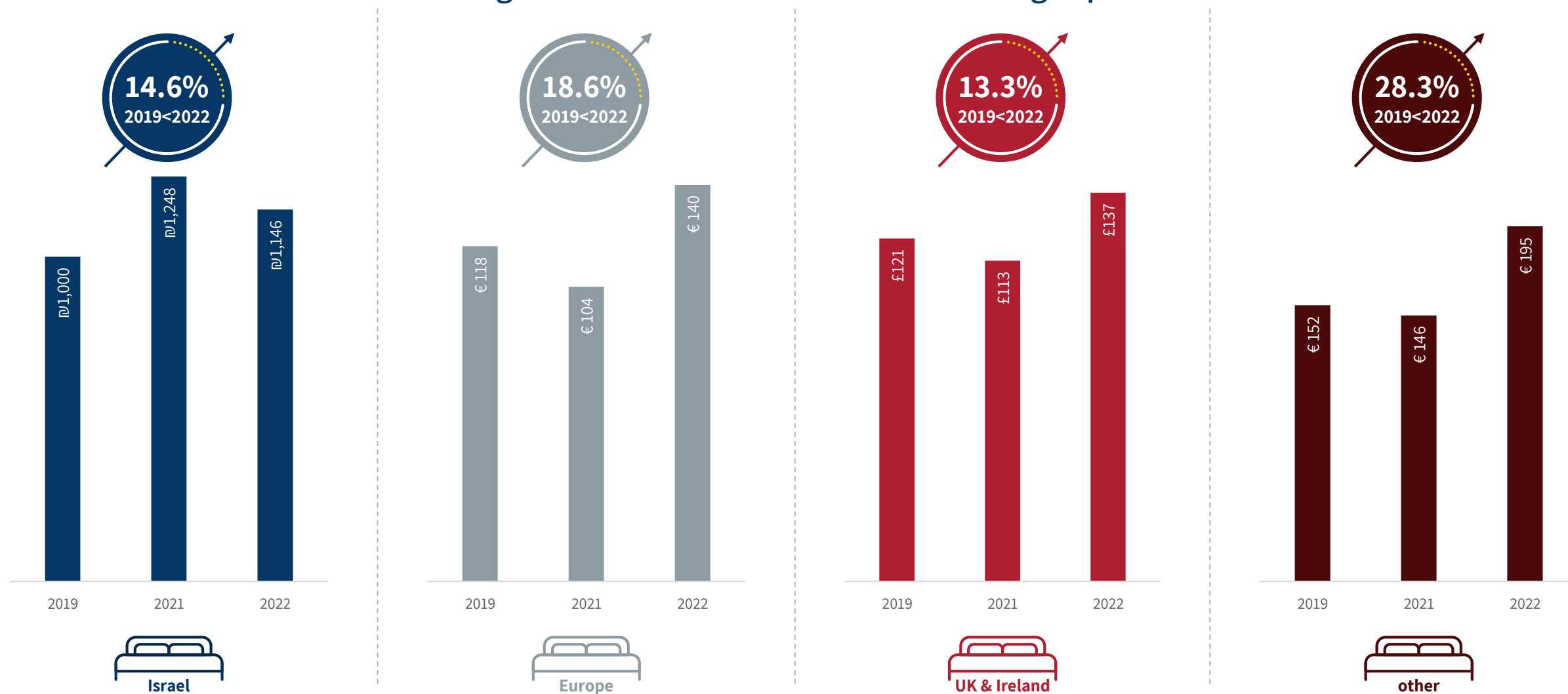
Quarterly revenue –  
(NIS million)

Record  
quarterly  
results



# Increase in Average Daily Revenue per Room<sup>1</sup> (ADR<sup>2</sup>) Q3

Dealing With the Effects of Inflation and Rising Expenses



<sup>1</sup>Including the relative part of hotels under 50% ownership.

<sup>2</sup>The ratio between the hotel's total revenues and the occupied rooms in the hotel. This figure does not include managed hotels.



Growth



# The Group's Strategy Moving Forward

Increase activity in high-demand areas while maintaining high return rates.

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Collaborate to reduce risk and increase expansion options

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Maintain the company's stable leverage over time with an emphasis on strong cash flow

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Continued hotel improvements and solidification of the Group's brands

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Open more luxury and boutique hotels as well as resorts.



# Looking Ahead - Opening Hotels in the Coming Years

## Owned

Israel	1	61	₪49
Germany	1	236	€41
Greece and Cyprus	*4	734	€45

Israel	1	208	₪84
UK	1	100	€19
Ireland	1	175	€12
Portugal	*1	554	€23

Israel	**5	792	₪581
UK	1	207	€33
Portugal	1	132	€23

Israel	*2	399	₪260
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## Leased

Israel	3	247
Germany	2	441

Israel	***4	411
Germany	1	374

Israel	2	145
Germany	1	336
UK	1	283

Israel	1	90
Germany	1	236

11 hotels

9 hotels

11 hotels

4 hotels

 Investment	 Number of rooms	 Number of hotels
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## Total

35  
Hotels



6,159  
Rooms



According to the Company's assessment, the opening of the hotels is expected to generate an annual EBITDA increase of approximately

**NIS 260 million**

The total expected investment in the coming years is approximately **NIS 1.7 billion**

\* Partial Ownership (2,432 rooms)

\*\* 4 hotels of which are partially owned

\*\*\* Including a management hotel in Jerusalem - expected to open in 2024 (88 rooms)





## Hotel Botanica | Haifa

The new and luxurious Hotel Botanica stands at the foot of the Bahai Gardens in the German Colony and combines a perfect and meticulous hospitality experience with a unique location.



**11/2022**  
Opening Date



**163**  
Number  
of rooms



Spectacular roof  
top view including  
a luxurious  
swimming pool



Deluxe  
spa



# U Splash Resort | Eilat

A perfect family hotel located at the entrance of Eilat, provides a fascinating vacation experience with a water park that is unique in the Eilat area.



Approx.  
NIS 83m  
Revenue  
1-9/2022



Approx.  
NIS 57m  
Water park  
renovation and  
construction



Approx.  
NIS 43m  
revenue  
1-9/2019





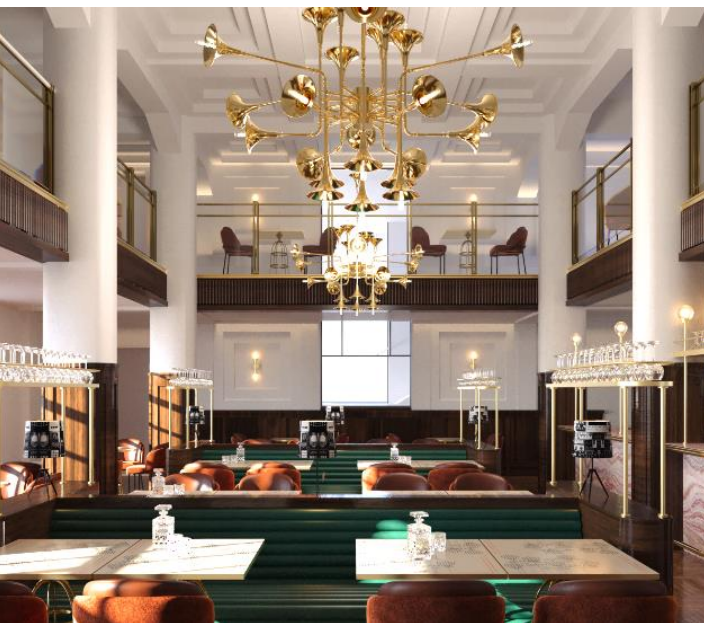


TEL - AVIV, Palatin Hotel.

תל-אביב, מלון פלטיין

## Palatin Hotel | Tel Aviv

An iconic building in the heart of Tel Aviv with a glorious history. At the time of its construction and opening in 1926 it was considered the most central, innovative and luxurious hotel in the city



**NIS 15m**  
Estimated NOP  
in a representative  
year



**2023**  
Expected  
opening



**61**  
Number  
of rooms



**NIS 150m**  
Cost including  
renovation



# NYX | Jerusalem

A lifestyle hotel in the heart of Jerusalem, in the lively Mahane Yehuda market



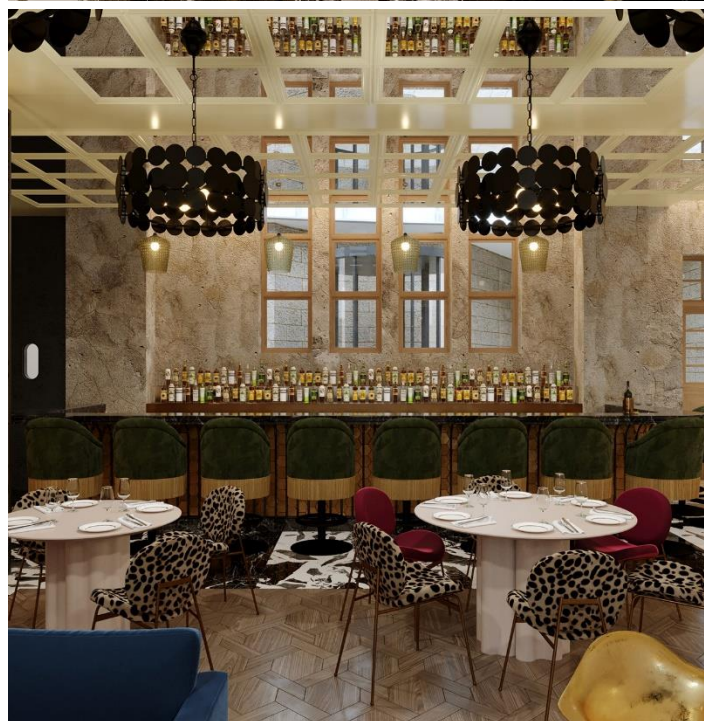
170  
Number  
of rooms



Leased



2024  
Opening year







## Luxury Resort in the Heart of the Desert

The MIDBAR resort ("Desert") will include 109 rooms with private pools, a luxurious spa and restaurants under the management of Chef Ran Shmueli



2025  
Opening year



109  
Number  
of rooms



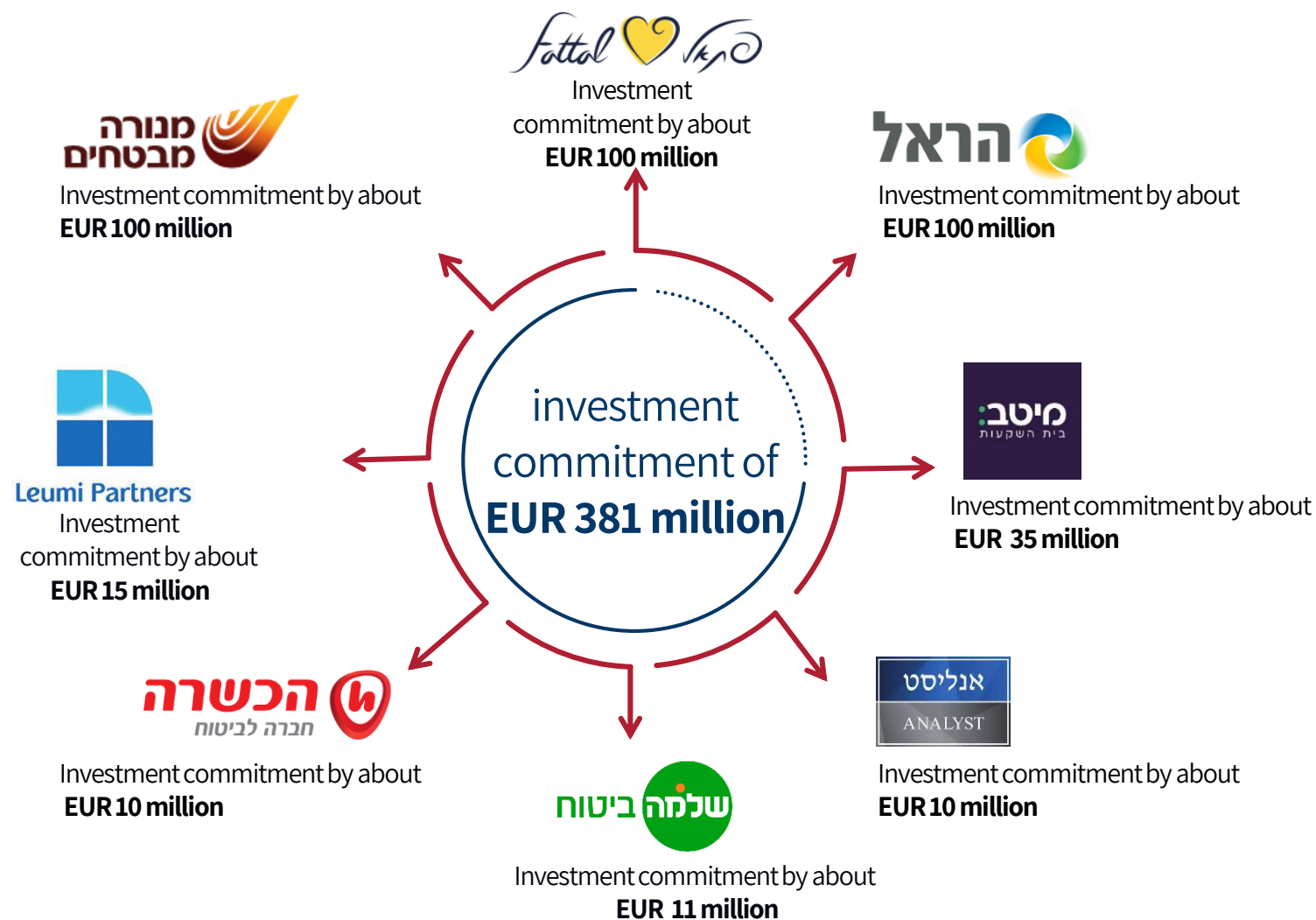
Spectacular  
view



Private pools  
and luxurious  
spas









# Growth Engine - Establishing a Hotel Partnership in Europe





# Growth Engine - Establishing a Hotel Partnership in Europe

	<b>Spain</b> - Malaga, Mallorca, Ibiza	1,380	8 Hotels
	<b>Cyprus</b> - Larnaca, Latchi	206	2 Hotels
	<b>Poland</b> - Krakow	60	1 Hotel
	<b>Greece</b> - Nafplio	105	1 Hotel
	<b>Austria</b> - Vienna	211	1 Hotel
	<b>England</b> - London	283	1 Hotel

**Total**



**14** Hotels



**2,245** Rooms

**386M€**

The Value of  
transactions  
signed as of  
today





# Six Hotels in Spain

3 hotels in Ibiza and 3 hotels in Palma de Mallorca.  
The hotels are located in attractive areas on the  
beaches of Ibiza and Mallorca, rated as 4-star hotels,  
and feature 1,119 rooms.



€16m

Estimated NOP in a  
representative year



1,119

Number  
of rooms



€165m

Purchase cost







## Leonardo Hotel Vienna | Austria

Leonardo Vienna is a brand new 3-star hotel feature 211 rooms across 8 floors. The construction was completed a few months ago. The hotel opened in November 2022.



€3.5m

Estimated NOP in a representative year



211

Number of rooms



€32m

Purchase cost





## Hotel "The Dilly" | London

Opened in 1908, the iconic Dilly Hotel is centrally located between Piccadilly and Regent Street in the heart of London. The hotel has built a substantial reputation over the last 114 years as one of London's finest hotels, and in the past, was honored to receive the royal Patronage of King George V.



**£18.5m**

Estimated NOP in a representative year



**283**

Number of rooms



**£75m**

Expected investment



**£90m**

Purchase cost



# Identifying Trends in a Changing Market



## ROOMS

Coworking spaces

Offering work stations, private offices and meeting rooms for rent

**15 complexes**

**With a total area of about 65,000 square meters**



## SWITCHUP

A service providing a real estate solution for companies looking to settle in new offices

by renting properties, adjusting them and renting them to the customer

**Total area – approximately 160,000 square meters**

**Perfectly suited for 65 customers**



## MASTER

Offering a unique hospitality experience of luxury apartments with hotel services in Israel and Europe.

**Approximately 420 apartments by the end of 2023**



## FATTAL TERMINAL

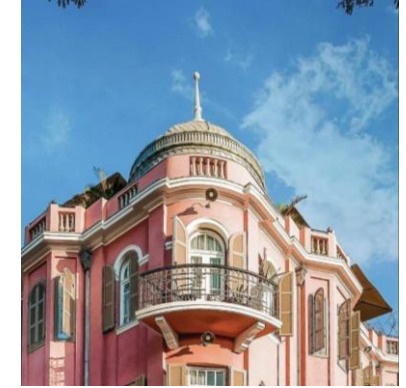
A luxurious passenger lounge that includes private guest rooms, a meeting room, a duty-free complex and more



## Fattal Limited Edition

The company's luxury hotels collection

**The program includes 9 Israeli hotels**



## 7MINDS

A company for the establishment, operation and management of boutique hotels

**11 hotels**

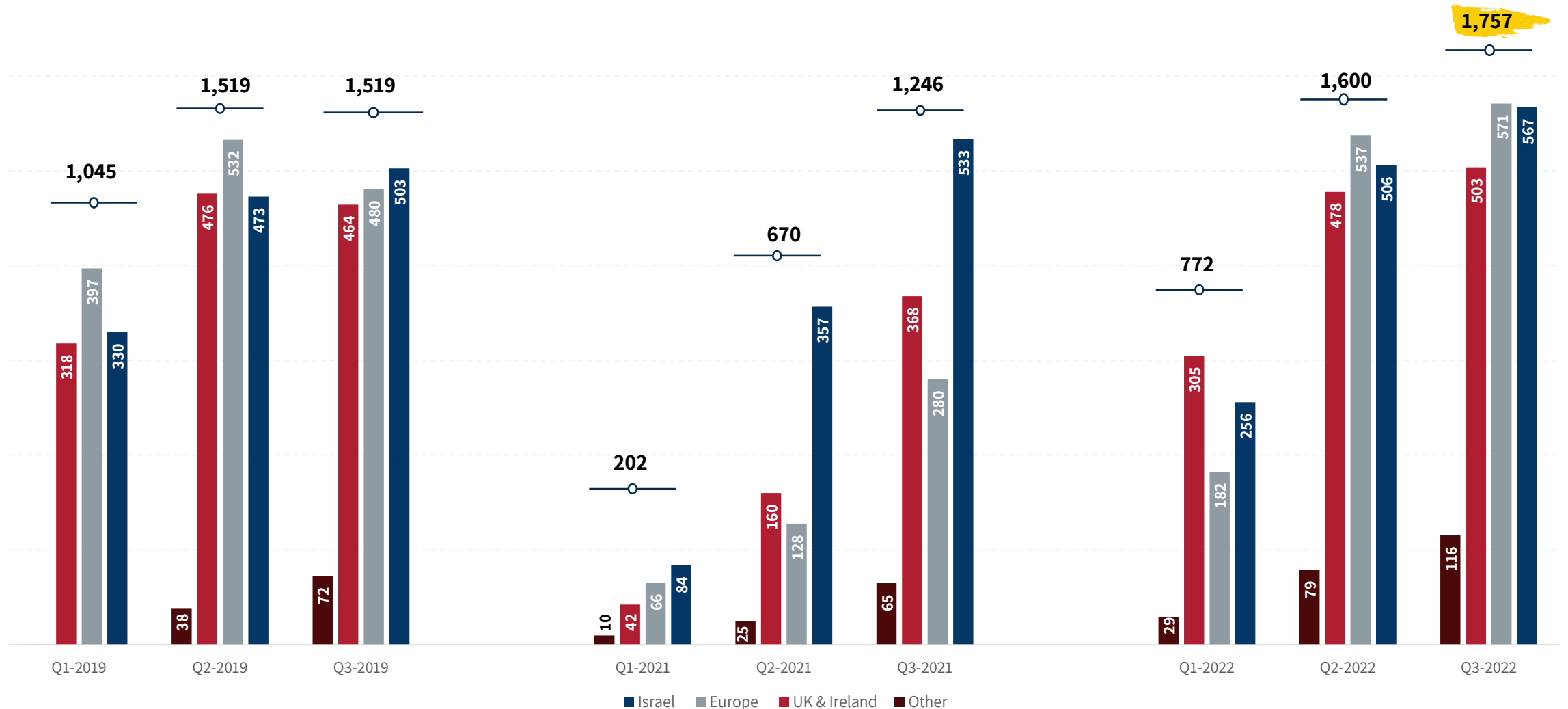
**Approx. 840 rooms**



## The Group's Financial Results 30.9.22

# Main Financial Data – Quarterly Revenues<sup>1</sup> (NIS millions)

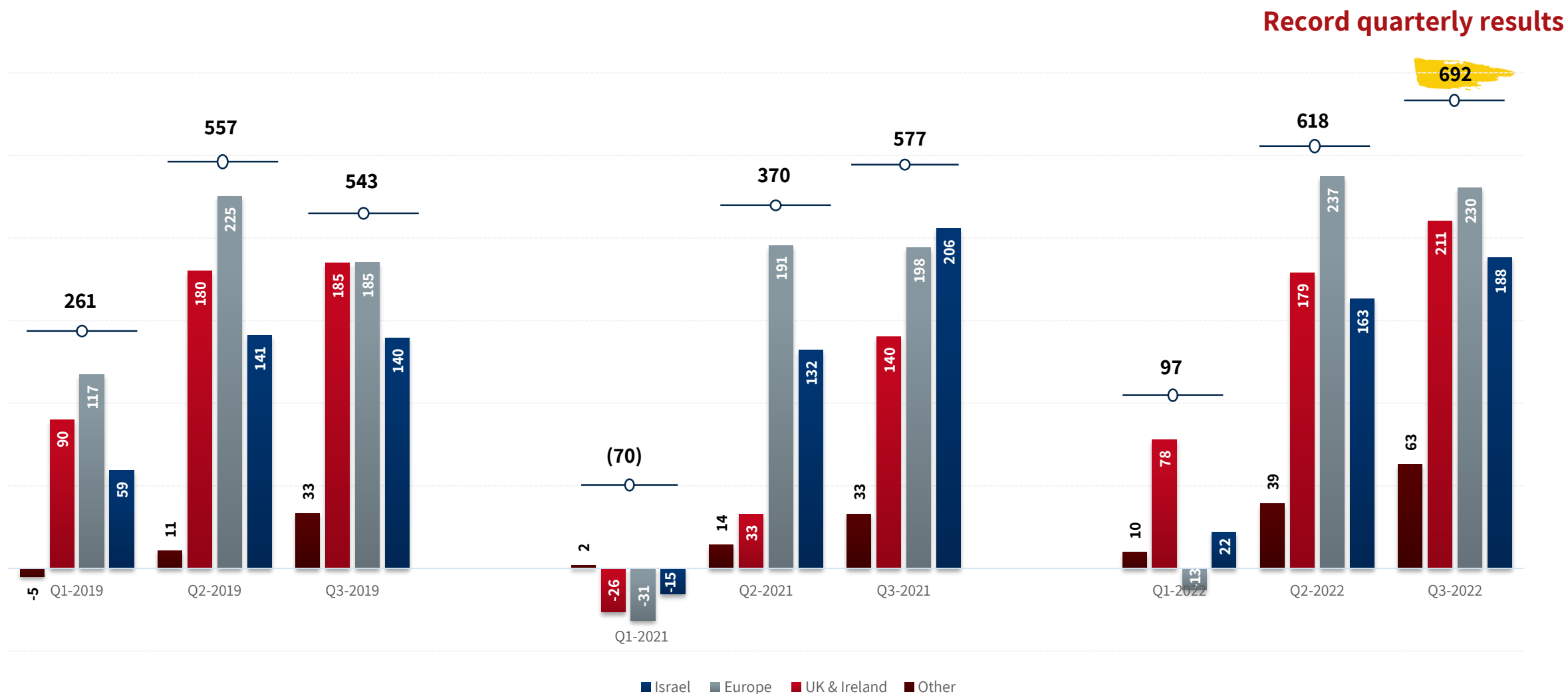
Record quarterly results



<sup>1</sup> Including the relative part of hotels under 50% ownership



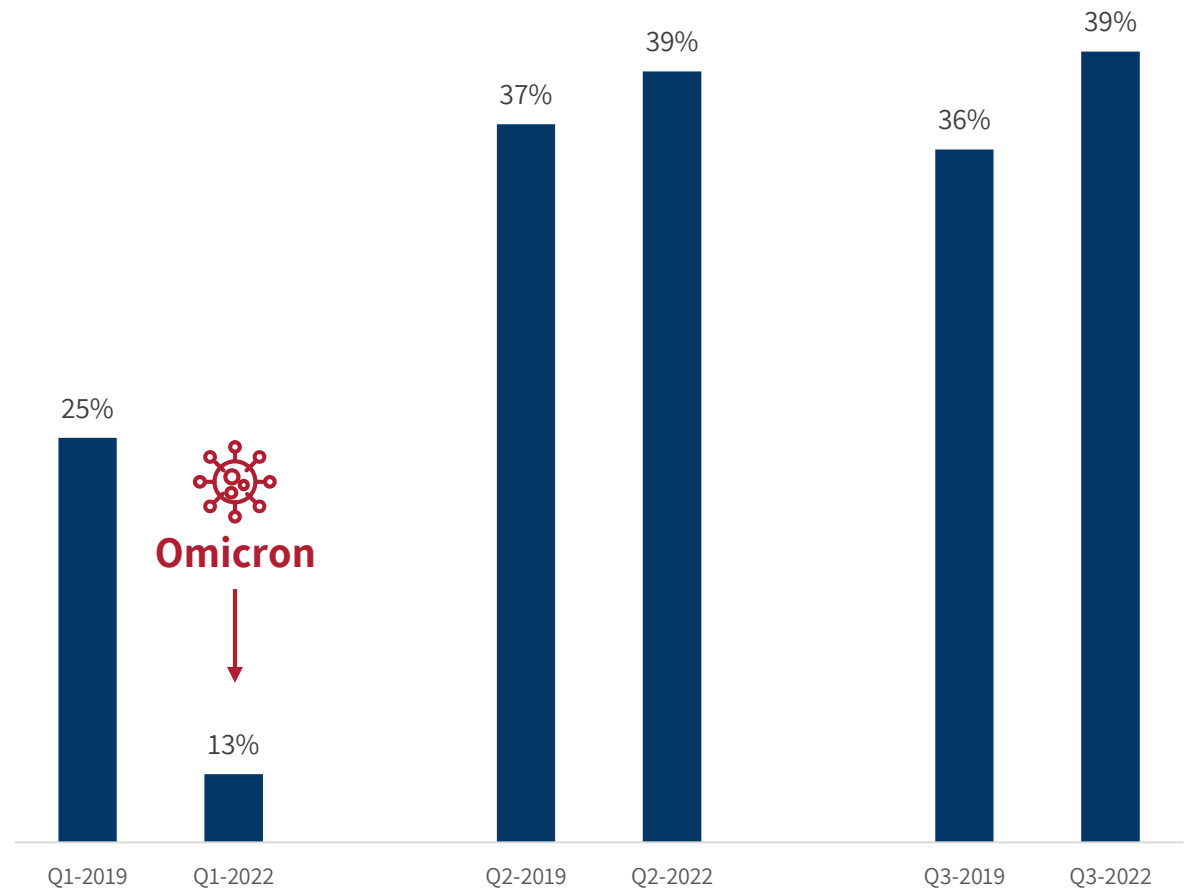
# Main Financial Data - EBITDAR by Quarters<sup>1</sup> (NIS millions)



<sup>1</sup> Including the relative part of hotels under 50% ownership

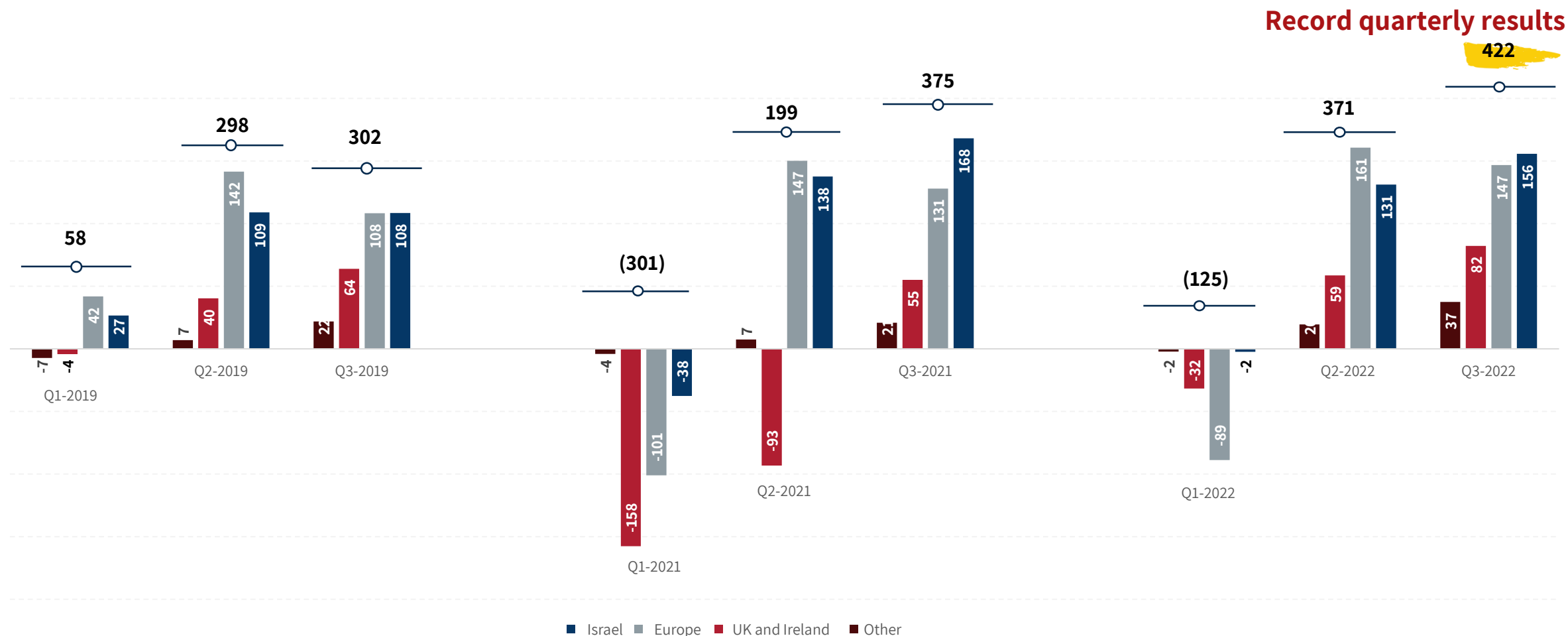


## EBITDAR Turnover Rate Increases Steadily





# Main Financial Data - EBITDA by Quarters<sup>1</sup> (NIS Millions)



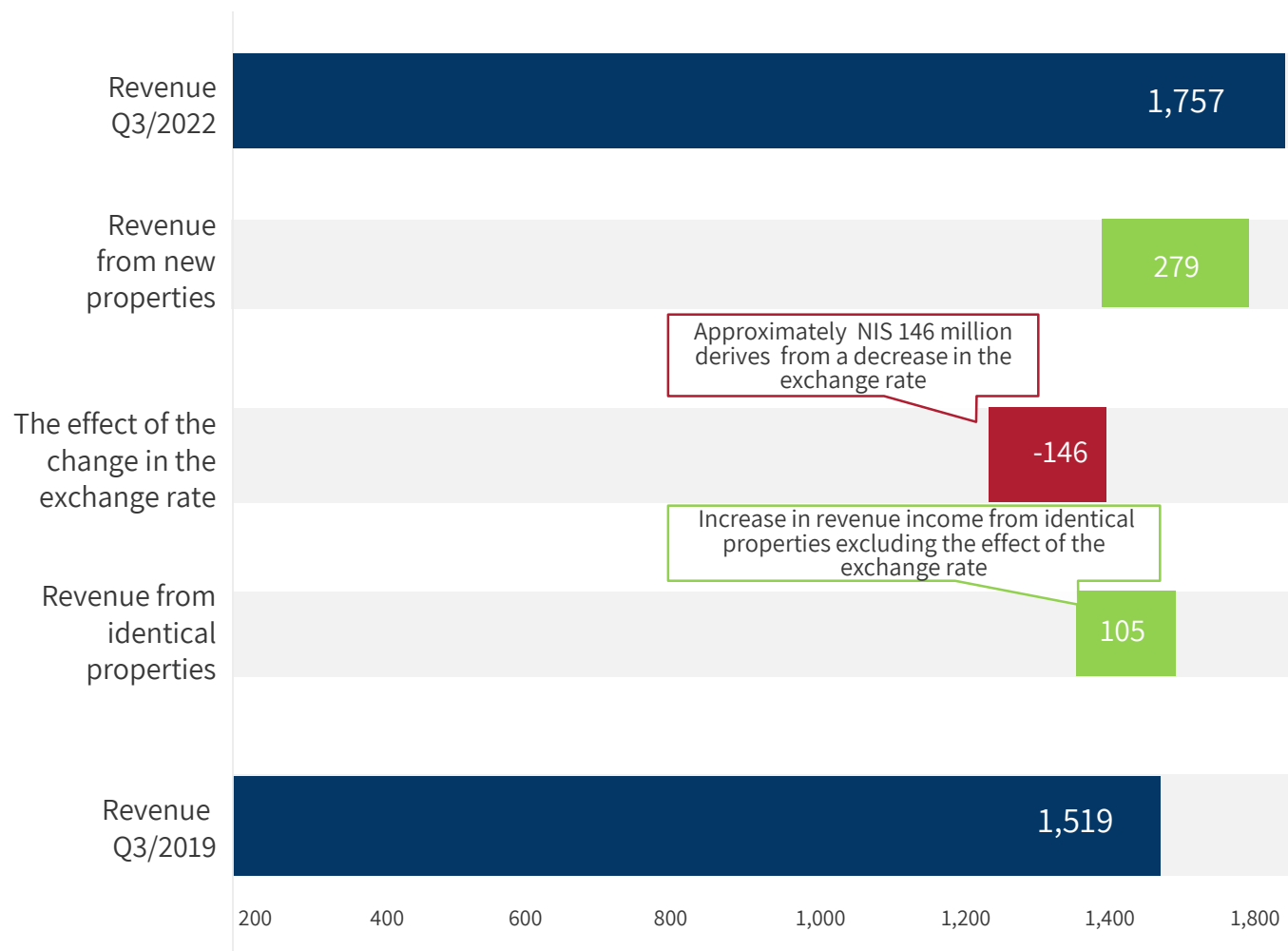
**Annual EBITDA of approximately NIS 1,100 million, excluding the Omicron<sup>2</sup> first quarter**  
(approx. 26% higher than in 2019)

<sup>1</sup> Including the relative part of hotels under 50% ownership.

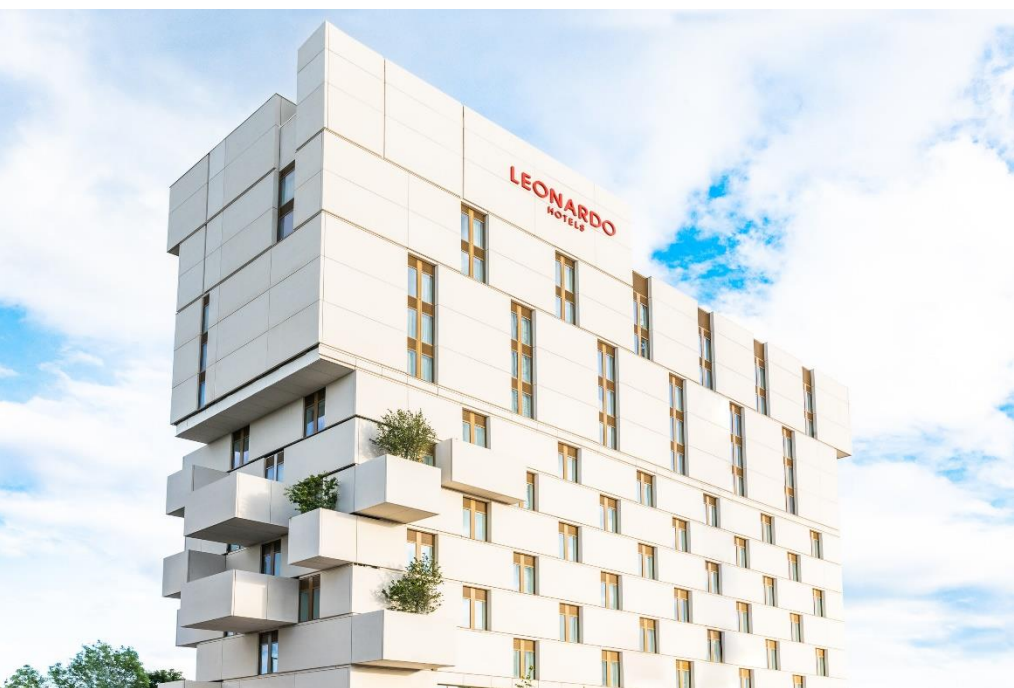
<sup>2</sup> In addition of the first quarter of 2019



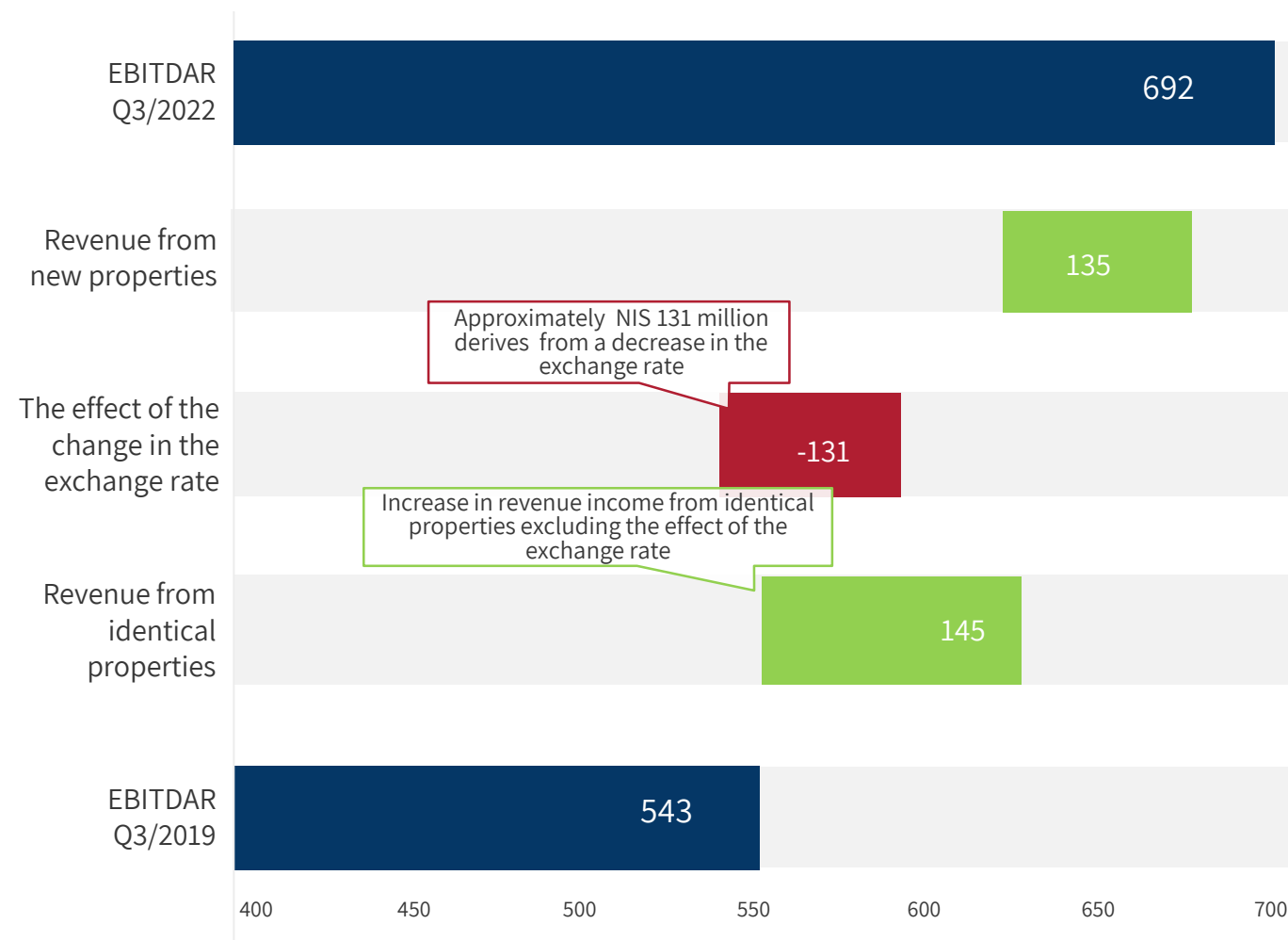
## Segmentation of quarterly revenue cycle from identical properties - Q3



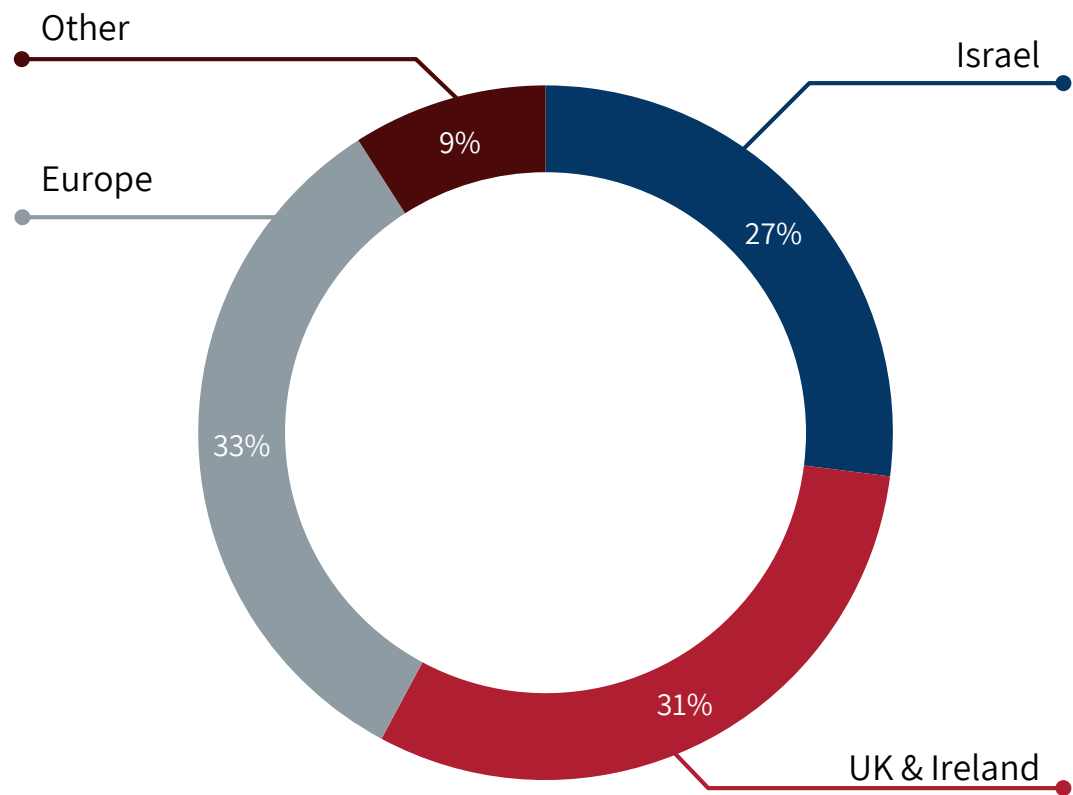




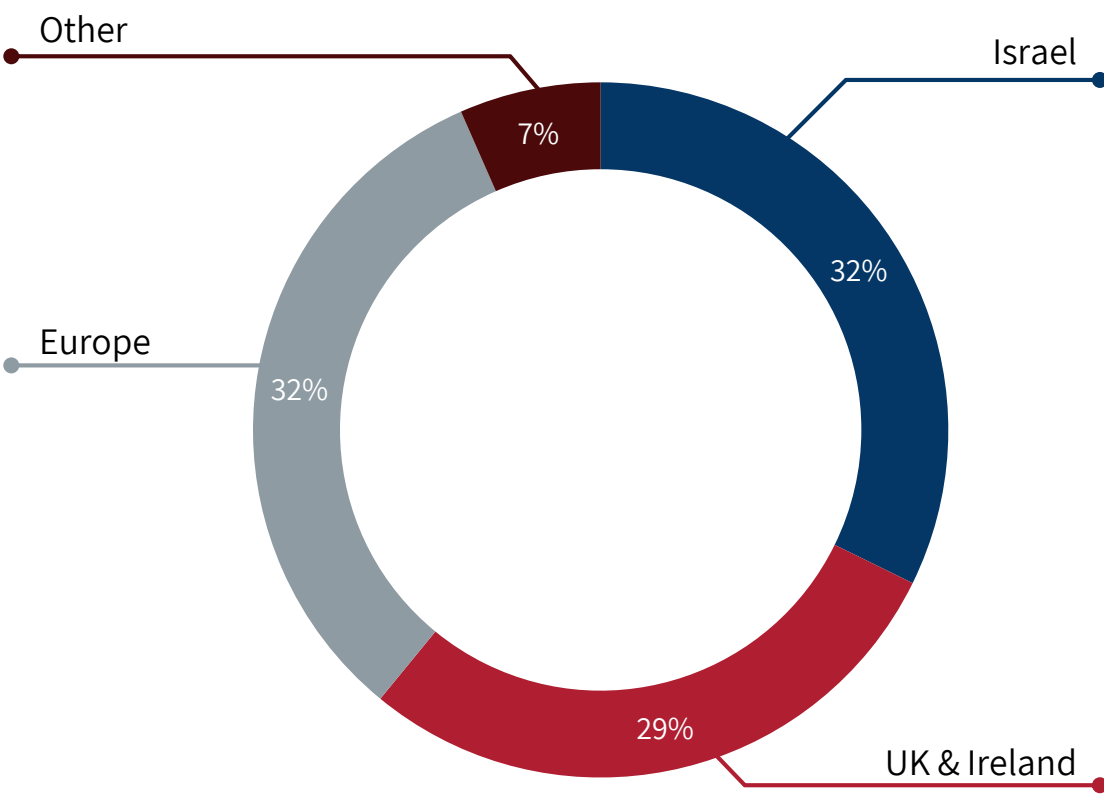
# Segmentation of quarterly EBITDAR from Identical properties - Q3



# EBITDAR Distribution - Q3/2022



# Revenue Distribution – Q3/2022



Including the relative part of hotels under 50% ownership.





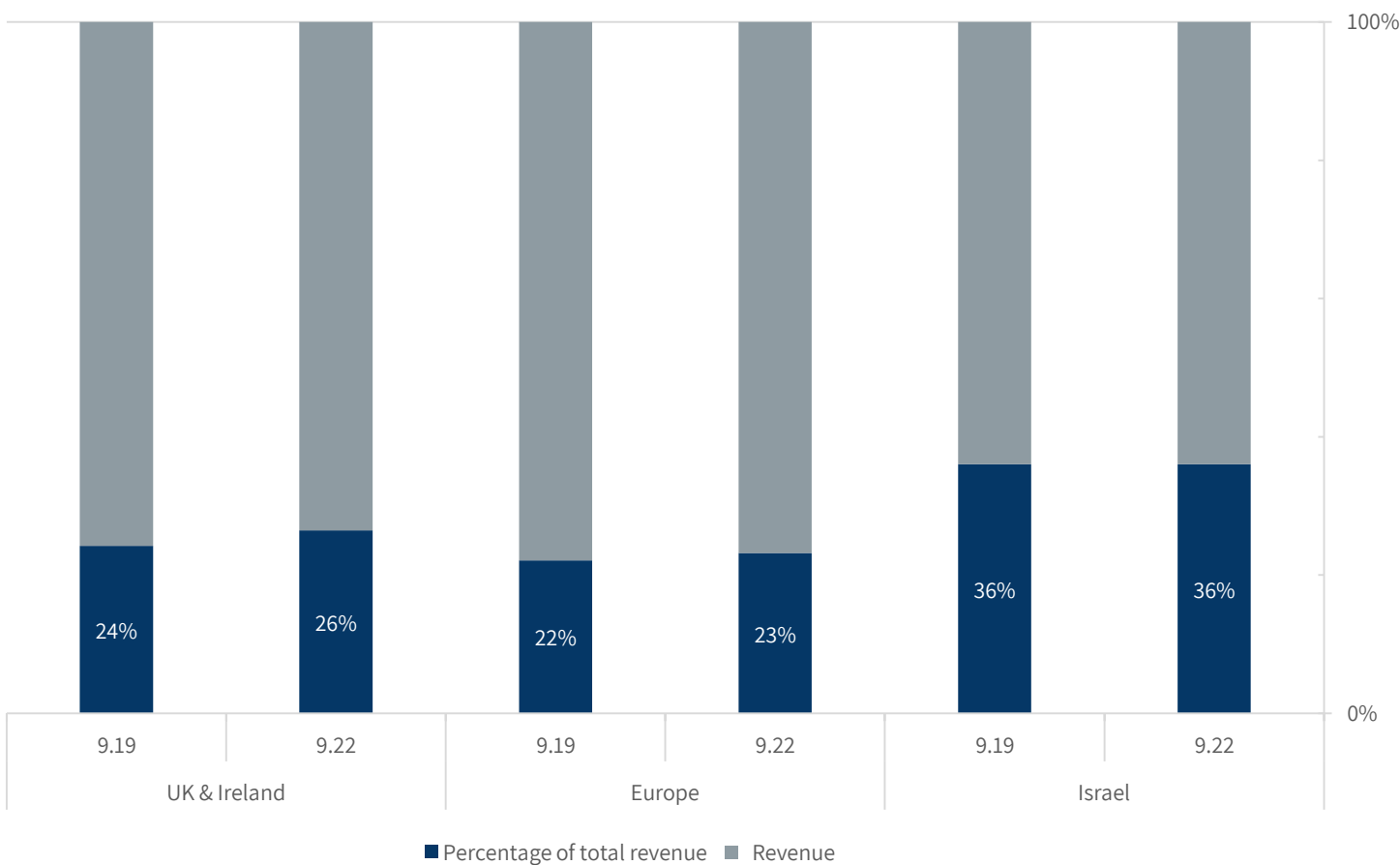
# Challenges and Solutions

Workforce | Energy | Cost of Living

# Expense Aspect - (Q3)



## % of Payroll Costs from Total revenue



## Challenges

- Workforce shortage
- Rising payroll costs



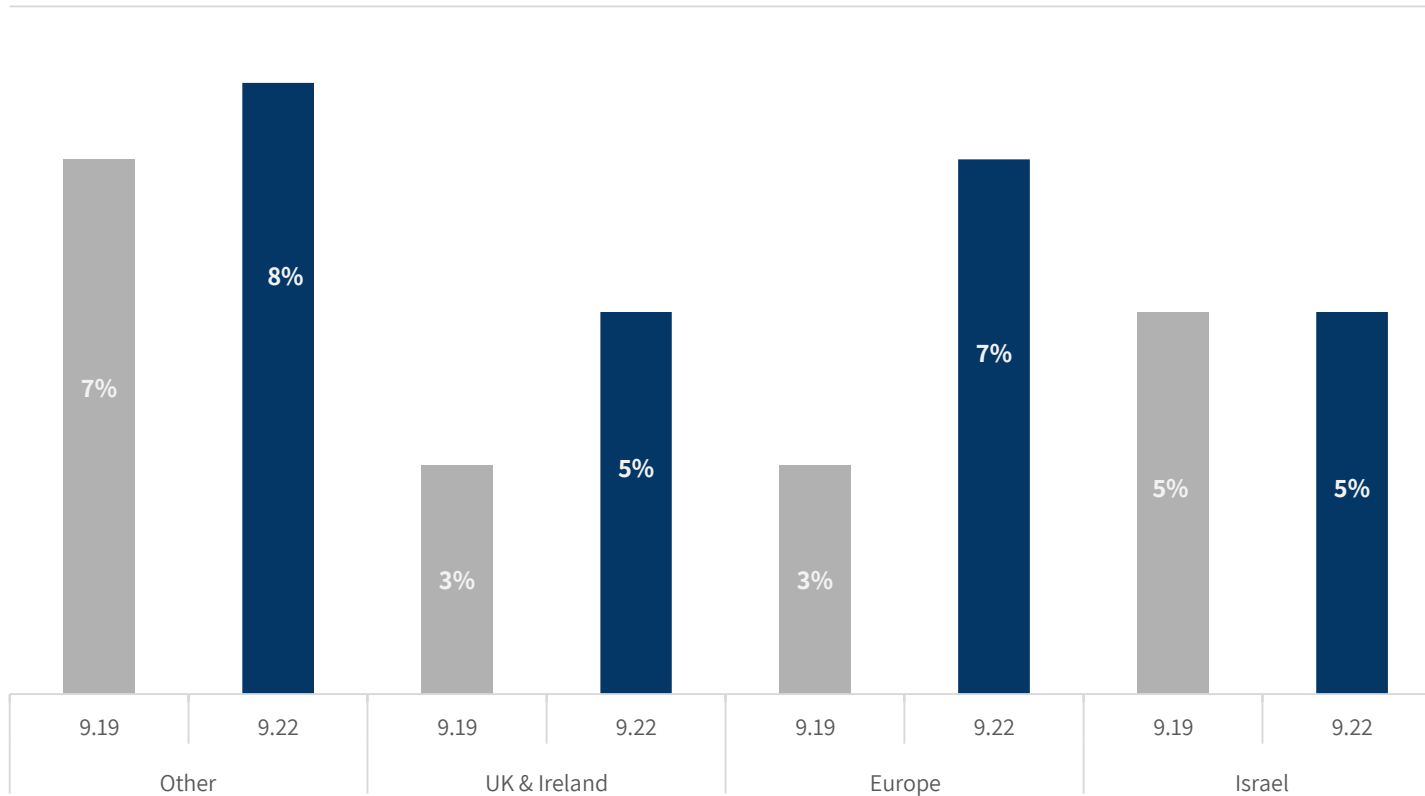
## Solutions

- Technology – mechanized processes
- Regional or national service centers
- Moving of European reservation/service centers to areas with available workforce
- Constant streamlining of efficient employment and retention of existing workforce



# Expense Aspect (Q3)

## % of Energy expenses from Total Revenue



## Challenges

Rising energy costs



## Solutions

Subsidies in some European countries

Most new hotels (especially in Germany) have a geothermal system and therefore are not affected by the rising energy prices

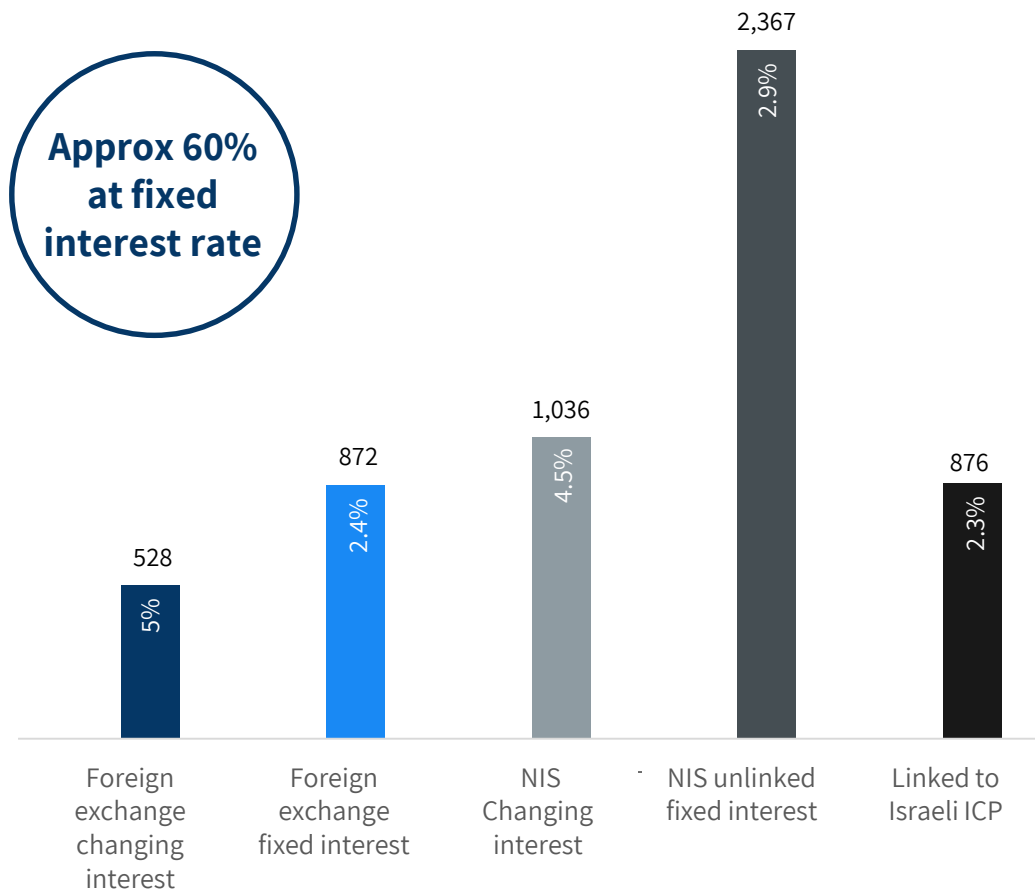


## Debt and Leverage Ratios in a Growing Company What's our Destination?

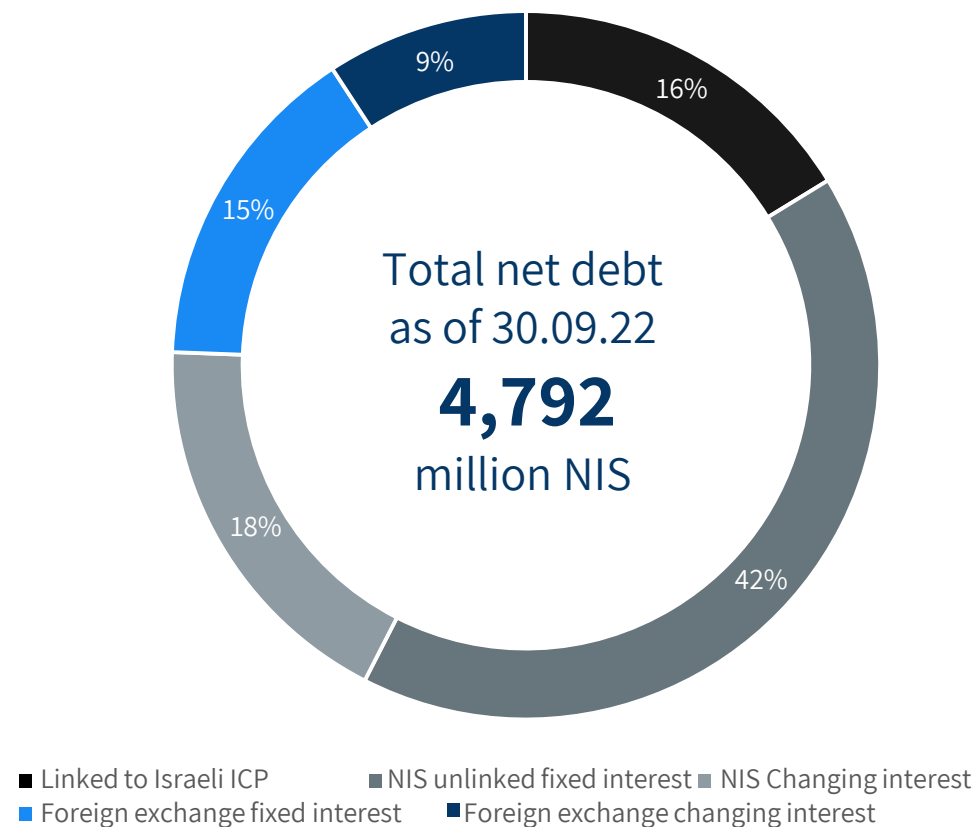


# Key Debt Metrics(NIS millions)

Debt and average interest rate  
as of 30.09.22



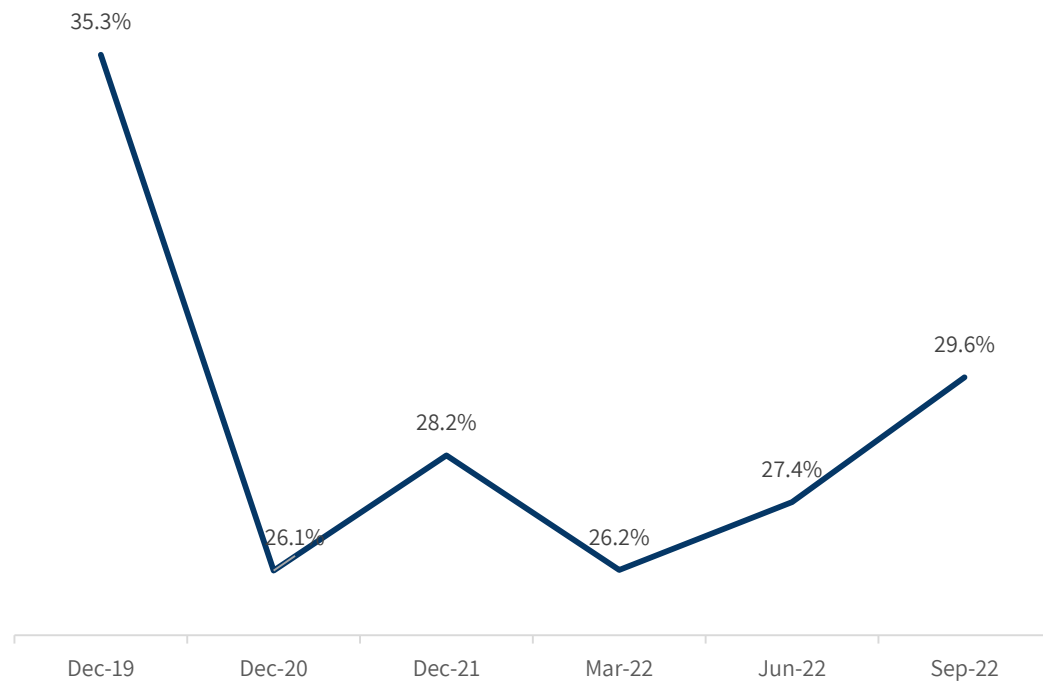
Balance by debt type



**The Company holds a total of NIS 300 million  
in unpledged assets**

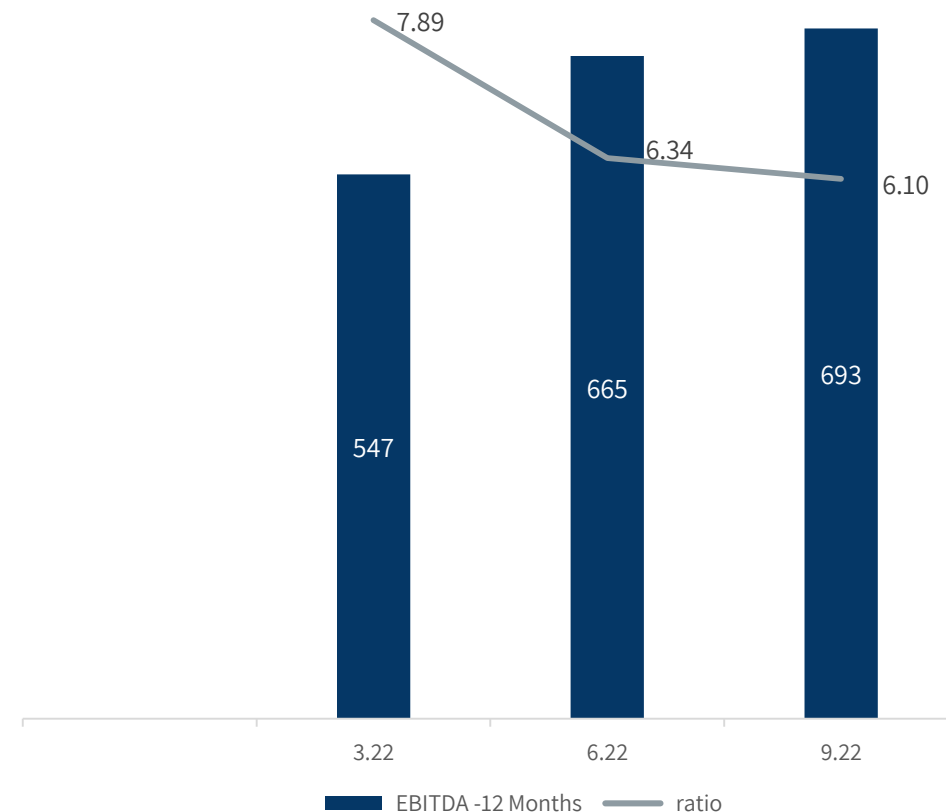
# Financial Ratios (NIS Millions)

## Gradual increase in Ratio of equity to total assets



The company meets all its covenants

## Declining debt/EBITDA ratio



The company has set a target to reach a ratio of approx. **5** by September **2023**

# Financial Ratios to Repayment

## Debentures (Series B) <sup>1,2</sup>

	09/2022	As per Trust Deed
Shareholders' Equity	3,232 (NIS million)	Not less than 1,250 (NIS million)
Ratio of equity to total assets	29.6%	Not less than 22.5%
Ratio of net financial adjusted debt to adjusted EBITDA	6.10	Not more than 8

## Convertible Debentures (Series 1) <sup>1,2</sup>

	09/2022	As per Trust Deed
Shareholders' Equity	2,312 (NIS million)	Not less than 1,400 (NIS million)
Ratio of net financial debt to net CAP	64.04%	Not more than 76%

## Debentures (Series C) <sup>1,2</sup>

	09/2022	As per Trust Deed
Shareholders' Equity	2,312 (NIS million)	Not less than 1,400 (NIS million)
EBITDA	1,590	Not less than 700 (NIS million)
Ratio of net financial debt to net CAP	64.04%	Not more than 76%

## Debentures (Series D) <sup>1,2</sup>

	09/2022	As per Trust Deed
Shareholders' Equity	2,312 (NIS million)	Not less than 1,370 (NIS million)
Ratio of net financial debt to net CAP	61.10%	Not more than 76%



**Rating: A3.il Positive**

<sup>1</sup> As of September 30, 2022, the Company meets all the standards to which it is obligated pursuant to review of the proforma as stated in section 11.3 in the Directors' Report.

<sup>2</sup> For a definition of the terms "net financial debt", "EBITDA" and net CAP, see section 11.3 of the Company's Board of Directors report as of September 30, 2022, which is included in the Company's quarterly report of the same date.



# Consolidated Balance Sheet (NIS millions)

	Sep-22			Sep-21	Dec-21
	Data prior to implementation of IFRS16	Impacts of IFRS16	As shown in the Financial Statements		
Current Assets	1,653	(52)	1,601	1,963	1,405
Long Term Investments and Other Assets	3,239	11,074	14,313	14,236	13,906
Fixed Assets	6,034	-	6,034	5,319	5,488
<b>Total Properties</b>	<b>10,926</b>	<b>11,022</b>	<b>21,948</b>	<b>21,518</b>	<b>20,799</b>
Short Term Credit	817	-	817	635	634
Other Current Liabilities	1,283	372	1,655	1,721	1,444
Loans and Bonds – Long Term	4,827	-	4,827	4,678	4,476
Deferred taxes	371	-	371	259	322
Others	397	11,570	11,967	12,419	11,963
<b>Total Liabilities</b>	<b>7,695</b>	<b>11,942</b>	<b>19,637</b>	<b>19,712</b>	<b>18,839</b>
<b>Shareholders' Equity</b>	<b>3,231</b>	<b>(920)</b>	<b>2,311</b>	<b>1,806</b>	<b>1,960</b>
<b>Total Liabilities and Equity</b>	<b>10,926</b>	<b>11,022</b>	<b>21,948</b>	<b>21,518</b>	<b>20,799</b>



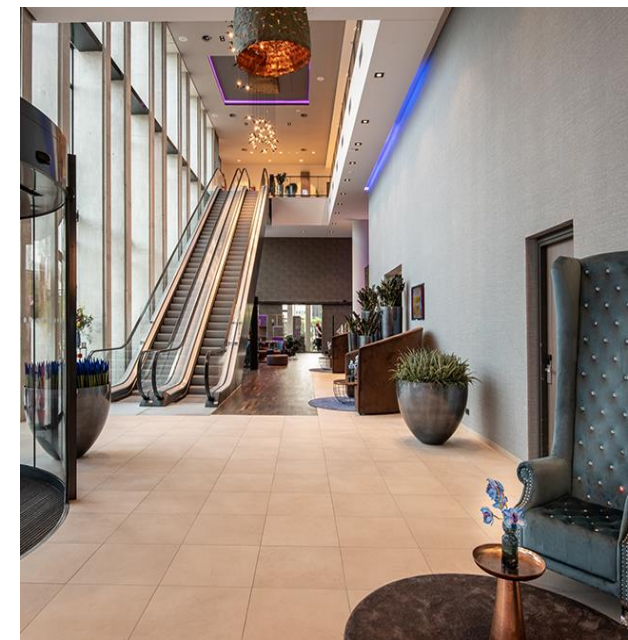
# Profit and Loss Statement (NIS million)

	7-9/22		7-9/21	
	Data prior to implementation of IFRS16	Impacts of IFRS16	As shown in the Financial Statements	
Revenues from Hospitality Services and Others	1,695	-	1,695	1,208
Total Operating Expenses	1,036	-	1,036	656
Operating income before rent, depreciation and reductions (EBITDAR)	659	-	659	552
Total Rent	291	(247)	44	1
Operating income before depreciation and amortization (EBITDA)	368	247	615	551
Depreciation	(75)	(163)	(238)	(239)
Other Income (Expenses), Net	3	(1)	2	30
Profit before Financing	296	83	379	342
Financing Expenses, Net	(92)	(158)	(250)	(229)
Group's Share in the Subsidiaries' Earnings	7	1	8	8
Tax Expenses (Tax Benefit)	(63)	22	(41)	(27)
<b>Net Income</b>	<b>148</b>	<b>(52)</b>	<b>96</b>	<b>94</b>
Net Loss Attributed to Shareholders of the company	148	(52)	96	94
Net Earnings (loss) Attributed to Non-controlling Interests				
<b>Real FFO</b>	<b>298</b>		<b>298</b>	<b>287</b>



# Profit and Loss Statement (NIS million)

	1-9/22			1-9/21	1-12/21
	Data prior to implementation of IFRS16	Impacts of IFRS16	As shown in the Financial Statements		
Revenues from Hospitality Services and Others	3,955	-	3,955	2,049	3,041
Total Operating Expenses	2,639	-	2,639	1,204	1,854
Operating income before rent, depreciation and reductions (EBITDAR)	1,316	-	1,316	845	1,187
Total Rent	787	(723)	64	2	4
Operating income before depreciation and amortization (EBITDA)	529	723	1,252	843	1,183
Depreciation	(226)	(487)	(713)	(717)	(952)
Other Income (Expenses), Net	(3)	21	18	208	269
Profit before Financing	300	257	557	334	500
Financing Expenses, Net	(198)	(477)	(675)	(673)	(860)
Group's Share in the Subsidiaries' Earnings (Losses)	(6)	0	(6)	5	(1)
Tax Expenses (Tax Benefit)	(10)	66	56	130	139
<b>Net Income</b>	<b>86</b>	<b>(154)</b>	<b>( 68)</b>	<b>(204)</b>	<b>( 222)</b>
Net Earnings Attributed to Shareholders of the company	86	(154)	(69)	(207)	(225)
Net Earnings Attributed to Non-controlling Interests			1	3	3
<b>Real FFO</b>	<b>340</b>		<b>340</b>	<b>67</b>	<b>128</b>





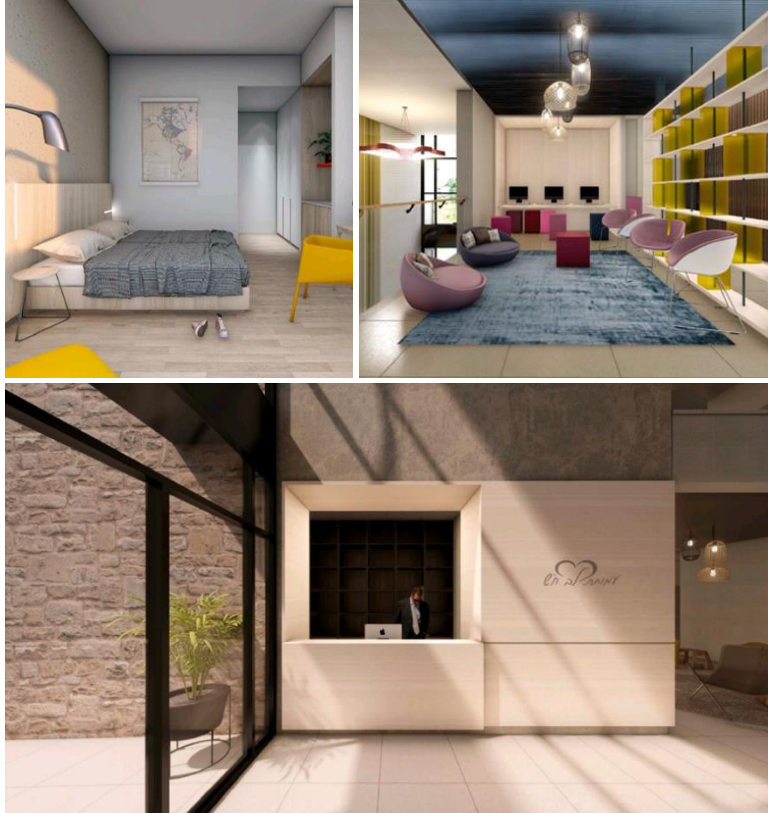
# Giving Back to the Community

Establishment of the "Lev Chash" home for children afflicted with cancer and their families in Haifa (Rambam Hospital) and Tel Aviv (Ichilov Hospital). Opening expected in early 2023.

The Company intends to establish 5 homes for children afflicted with cancer and their families in different medical centers throughout the country over the course of 10 years.

The Company employs approximately 270 employees with disabilities in various positions.

The Company endorses various NGOs such as: HaKav HaMeached, Leket Israel, Larger Than Life, Ezra Lemarpe.



## The environment

1. Energy efficiency
2. Green energy



## Social responsibility

1. Donation
2. Volunteering
3. Accessibility



## Corporate Governance

1. Strict ethical business conduct
2. Transparency towards shareholders and stockholders



## ESG

Platinum rating in the "Maale" index in 2022



## Summary

### 01

The Covid-19 crisis is behind us – and we came out of it stronger

### 02

2022 –  
Record results

### 03

Looking ahead – continued growth: Improvement of existing hotels, addition of new hotels, successful partnership with investors

### 04

Debt - the Company aims at a coverage ratio of 5





*Fattal* ♥ *פאטל*

HOUSE OF HOTELS | בית של מלונות

Thank you for your attention!