



TRADITION MEETS INNOVATION

THE HONGKONG & SHANGHAI HOTELS  
LIMITED

SINGAPORE ROADSHOW  
JUNE 2017





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# CREATING LONG TERM SHAREHOLDERS VALUE

## Our Strategy

- To own and operate a select number of the finest luxury hotels in the world.
- Leverage the considerable brand equity of “The Peninsula” in other areas
  - *Merchandising, Residential and Events*
- Maintain a portfolio of stable income producing real estate
  - *The Repulse Bay and the commercial arcades*
- Invest opportunistically in assets and businesses that complement our core competencies in service, real estate and tourism
  - *21 avenue Kléber*
- Maintain a strong balance sheet with conservative gearing
- Create long term shareholder value through capital appreciation and increasing returns on our invested capital



# OVERVIEW OF THE BUSINESS COMPOSITION

## HSH Group operates under three divisions

### Hotels

- 10 hotels in operation, 3 hotels under development

### Commercial Properties

- 6 commercial property assets spanning residential, office and retail

### Clubs and Services

- Peak Tram, golf courses, club management and merchandising



# PENINSULA HOTELS - OVERVIEW

Hotels	Group's Share of Interest
The Peninsula Hong Kong	100%
The Peninsula New York	100%
The Peninsula Tokyo	100%
The Peninsula Chicago	100%
The Peninsula Beijing	76.6%
The Peninsula Bangkok	75%
The Peninsula Manila	77.4%
The Peninsula Shanghai	50%
The Peninsula Paris	20%
The Peninsula Beverly Hills	20%



# COMMERCIAL PROPERTIES - OVERVIEW

Commercial Properties	Group's Share of Interest
The Repulse Bay Complex, Hong Kong	100%
The Peak Tower, Hong Kong	100%
St. John's Building, Hong Kong	100%
21 avenue Kléber, Paris	100% <span style="border: 1px solid red; border-radius: 10px; padding: 2px;">Under renovation</span>
1-5 Grosvenor Place, London	100% <span style="border: 1px solid red; border-radius: 10px; padding: 2px;">Redevelopment</span>
The Landmark, Vietnam	70%



# GROUP OVERVIEW – CLUBS & SERVICES

Clubs & Services	Group's Share of Interest
Thai Country Club	75%
Quail Lodge & Golf Club, USA	100%
The Peak Tram, Hong Kong	100%
Tai Pan Laundry, Hong Kong	100%
Peninsula Merchandising	100%
Peninsula Clubs & Consultancy Services	100%



# THE HONGKONG & SHANGHAI HOTELS FY 2016



# 2016 HIGHLIGHTS

- HSH celebrated its 150<sup>th</sup> anniversary in November 2016
- Satisfactory results in the light of the overall business environment and the renovation of The Peninsula Beijing
- The Peninsula Beijing completed the first phase of its renovation and the full inventory of 230 renovated rooms will be in operation by 3<sup>rd</sup> quarter 2017
- In September 2016, we acquired the 50% remaining leasehold interest in The Peninsula London project from Grosvenor
- Construction has started on the site of The Peninsula Istanbul
- The Peninsula Chicago completed its rooms renovation in April 2016, placing it at the top of the city in RevPAR for 2016

## RESULTS FOR FY 2016

HK\$ MILLION	2016	2015	VARIANCE
REVENUE	5,631	5,741	(2%)
EBITDA	1,288	1,440	(11%)
EBITDA MARGIN	23%	25%	(2pp)
NON-OPERATING ITEMS	29	277	(90%)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	675	1,000	(33%)
EPS (HK CENTS)	43	65	(34%)
UNDERLYING PROFIT	606	688	(12%)
UNDERLYING EPS (HK CENTS)	39	45	(13%)
TOTAL DIVIDEND PER SHARE (HK CENTS)	19	20	(5%)

## OPERATING RESULTS FOR FY 2016

HK\$ MILLION	2016		2015		VARIANCE
<b>REVENUE</b>					
HOTELS	4,040		4,073		(1%)
COMMERCIAL PROPERTIES	935		937		-
CLUBS AND SERVICES	656		731		(10%)
	<b>5,631</b>		<b>5,741</b>		<b>(2%)</b>
<b>EBITDA</b>					
		<i>Margin</i>		<i>Margin</i>	
HOTELS	649	16%	777	19%	(16%)
COMMERCIAL PROPERTIES	518	55%	538	57%	(4%)
CLUBS AND SERVICES	121	18%	125	17%	(3%)
	<b>1,288</b>	23%	<b>1,440</b>	25%	<b>(11%)</b>

## CASHFLOW & CAPITAL EXPENDITURE

HK\$ MILLION	2016	2015
<b>EBITDA</b>	<b>1,288</b>	<b>1,440</b>
NET CHANGE IN WORKING CAPITAL AND TAX PAYMENTS	(112)	(220)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>1,176</b>	<b>1,220</b>
CAPITAL EXPENDITURE ON EXISTING ASSETS	(1,000)	(476)
<b>NET CASH INFLOW AFTER NORMAL CAPEX</b>	<b>176</b>	<b>744</b>
DIVIDENDS AND NET FINANCING CHARGES	(194)	(159)
CAPITAL EXPENDITURE / INVESTMENT IN NEW PROJECTS	(1,419)	(916)
<b>NET CASH INFLOW/(OUTFLOW) FOR THE YEAR</b>	<b>(1,437)</b>	<b>(331)</b>

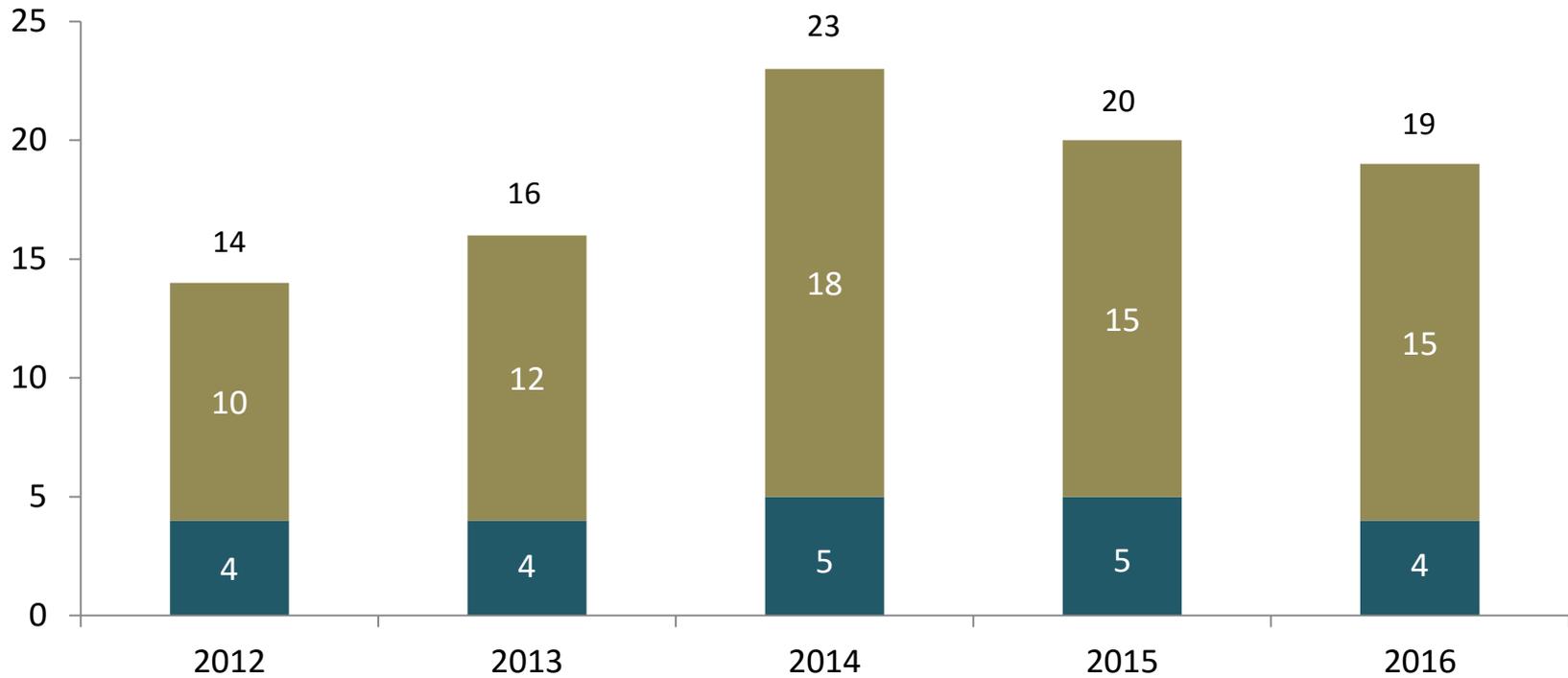
## STRONG BALANCE SHEET WITH CONSERVATIVE GEARING

HK\$ MILLION	2016	2015
GROSS BORROWINGS	6,998	6,192
NET BORROWINGS	4,911	3,273
NET GEARING	12%	8%
WEIGHTED AVERAGE GROSS INTEREST RATE	2.1%	2.2%
NET INTEREST COVER (TIMES)	8.6x	14.9x

## DIVIDEND PER SHARE

HK cents

■ Interim dividend ■ Final dividend



# THE PENINSULA HOTELS



THE PENINSULA  
HONG KONG



THE PENINSULA  
SHANGHAI



THE PENINSULA  
BEIJING



THE PENINSULA  
TOKYO



THE PENINSULA  
MANILA



THE PENINSULA  
BANGKOK



THE PENINSULA  
NEW YORK



THE PENINSULA  
BEVERLY HILLS



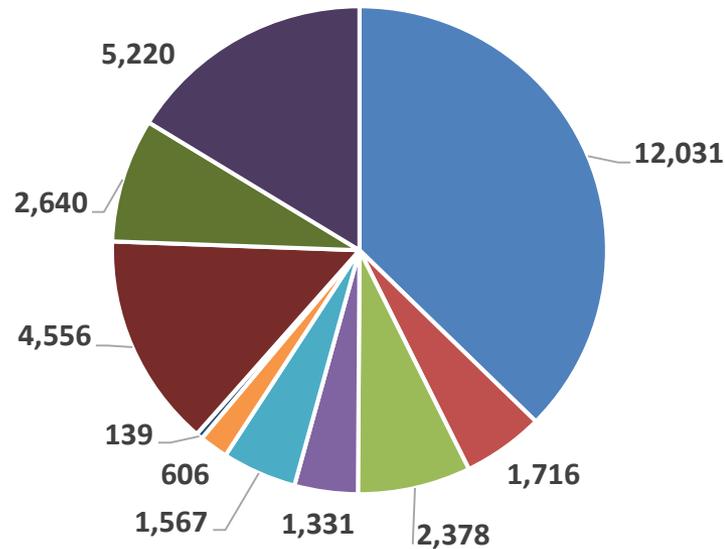
THE PENINSULA  
CHICAGO



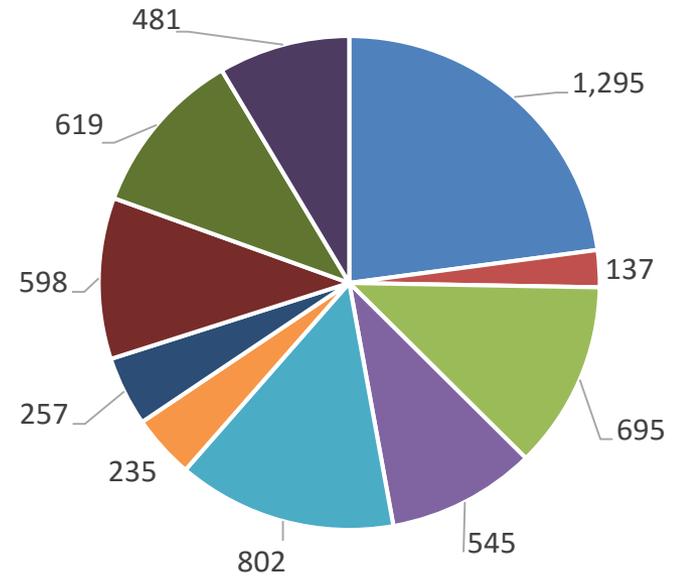
THE PENINSULA  
PARIS

# THE PENINSULA HOTELS

Fair value valuation\*\* (HK\$'m)



Revenue (HK\$'m)



- The Peninsula Hong Kong
  - The Peninsula New York
  - The Peninsula Tokyo
  - The Peninsula Manila
  - The Peninsula Beverly Hills
- The Peninsula Beijing
  - The Peninsula Chicago
  - The Peninsula Bangkok
  - The Peninsula Shanghai\*
  - The Peninsula Paris

\* Excluding proceeds from sales of apartments for revenue under The Peninsula Shanghai

\*\* Value of 100% of the property



## A new Grand Suite at **The Peninsula New York**



**The Peninsula Paris has been awarded the highly coveted 'Palace' distinction**

# NO. 1 WAITANYUAN

## Inaugural Grande Affaire de Champagne



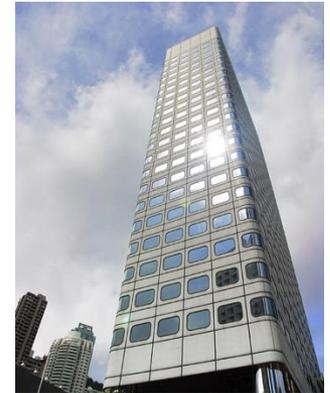
# COMMERCIAL PROPERTIES DIVISION



THE REPULSE BAY COMPLEX,  
HONG KONG



THE PEAK TOWER,  
HONG KONG



ST. JOHN'S BUILDING, HONG  
KONG



LANDMARK, VIETNAM



21 AVENUE KLEBER, PARIS

Under renovation

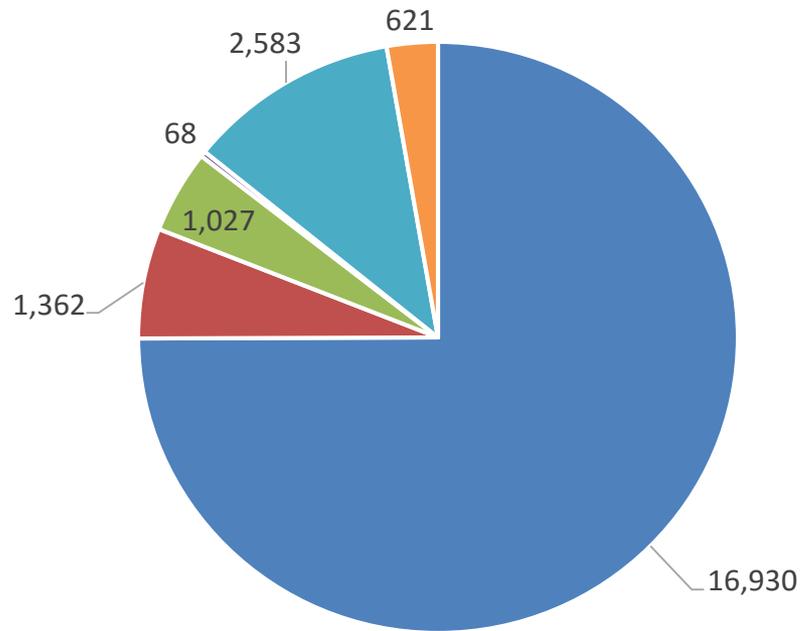


1-5 GROSVENOR PLACE,  
LONDON

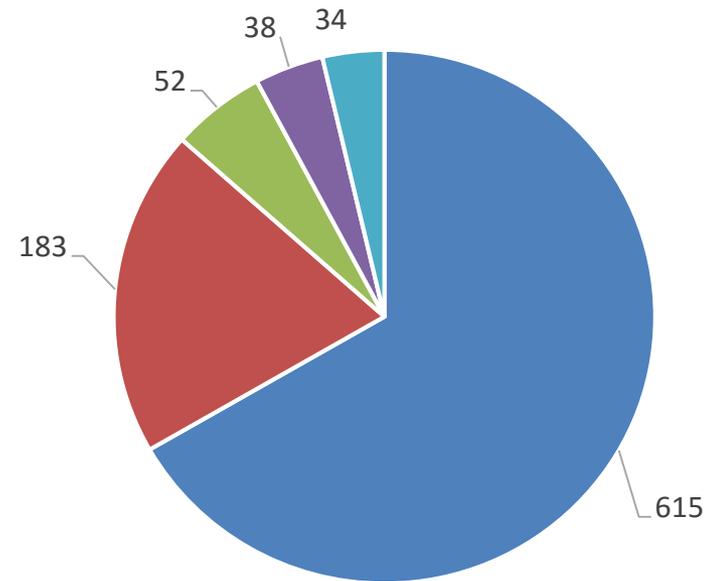
Redevelopment

# COMMERCIAL PROPERTIES DIVISION

Fair value valuation (HK\$'m)



Revenue (HK\$'m)



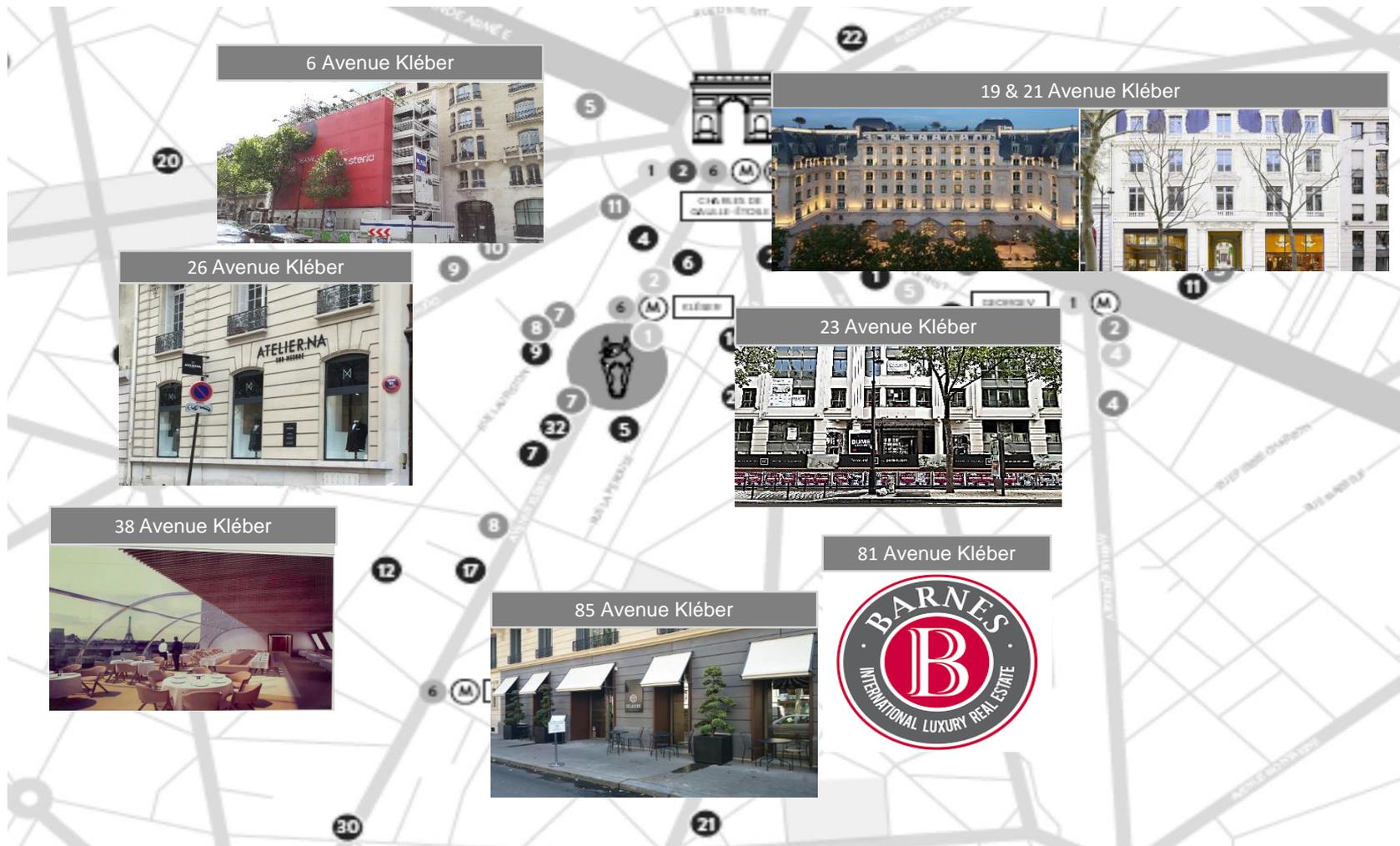
- The Repulse Bay Complex
- The Peak Tower
- St John Building
- The Landmark
- 1-5 Grosvenor Place
- 21 avenue Kléber

# 21 AVENUE KLÉBER

Under renovation



# The gentrification of avenue Kléber



# CLUBS AND SERVICES DIVISION



THE PEAK TRAM



THAI COUNTRY CLUB



QUAIL LODGE & GOLF CLUB, CARMEL



PENINSULA CLUBS



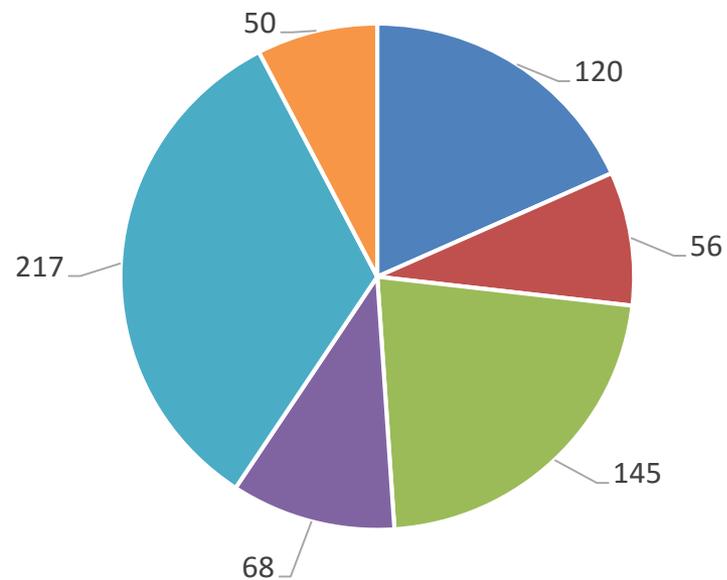
PENINSULA  
MERCHANDISING



TAI PAN LAUNDRY

# CLUBS AND SERVICES DIVISION

Revenue (HK\$'m)



- The Peak Tram
- Thai Country Club
- Quail Lodge & Golf Club
- Peninsula Clubs & Consultancy Services
- Peninsula Merchandising
- Tai Pan Laundry

# PENINSULA MERCHANDISING

## Product innovation strategy to drive revenue

Before

Food  
Non-Food  
Mooncakes



2016-2018 vision  
4 major categories



- Launch 160 products this year
- Emphasize Innovation
- Seasonal Activation
- Increase supplier's quality

## A new packaging: Using the Hotel's icons and luxury positioning

2012 - 2016



From 2017



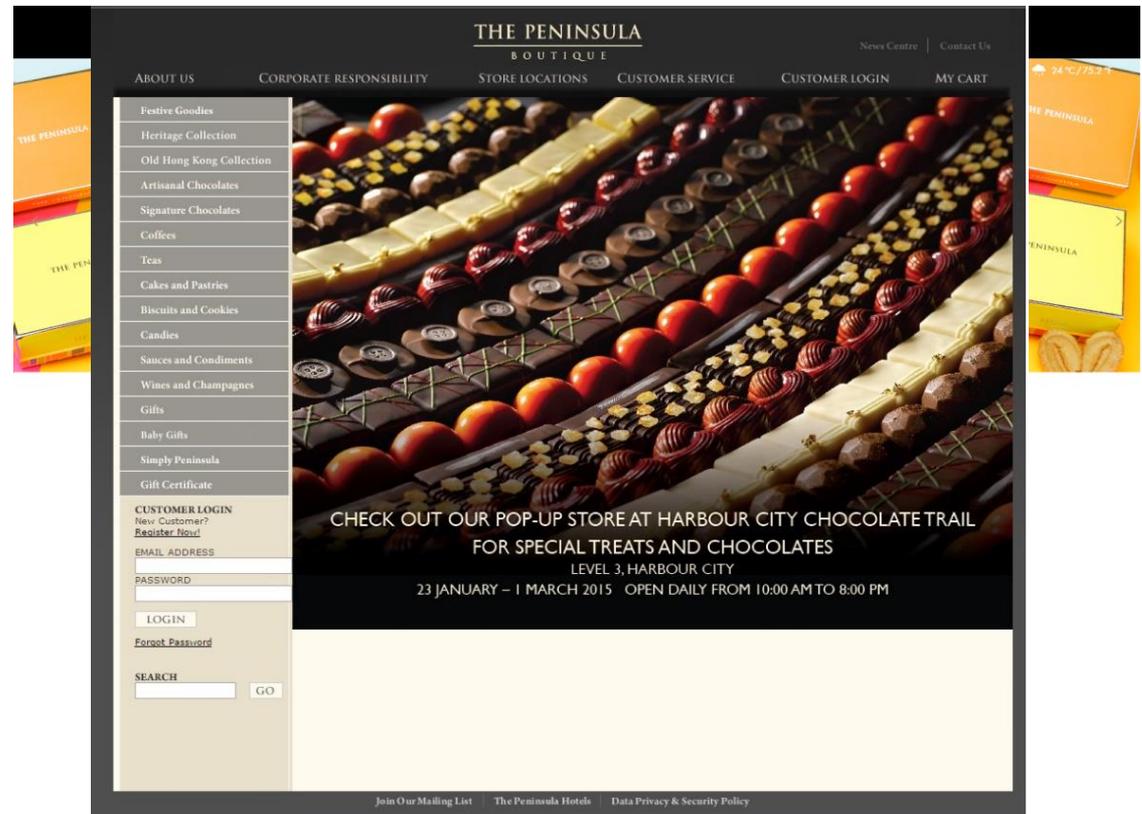
# PENINSULA MERCHANDISING

Digital focus since 2016: A new E-commerce website and Social Media platforms

## Award-winning website

Excellence in Design Silver Award by  
Marketing Magazine –  
Marketing Excellence Awards 2016

Best idea in Web Design –  
The MARKies Awards 2017



# Renovation Projects

# The Peninsula Chicago Renovation



Start date: April 2015

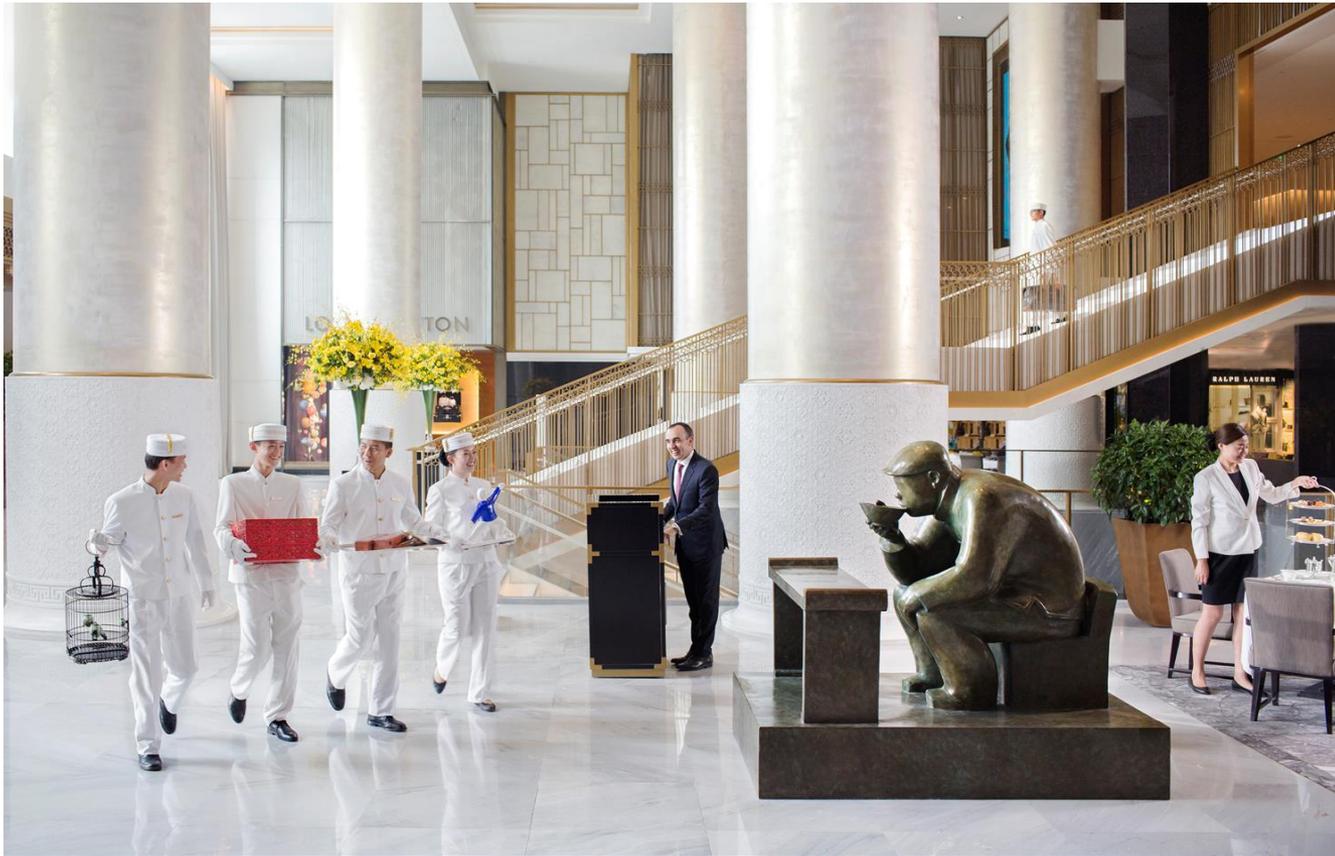
Completion date: April 2016

Cost: US\$35.7 million



**The Peninsula Chicago** enjoyed a RevPAR ranking of No. 1 in the city despite significant new supply.

# Renovation project at The Peninsula Beijing



Start date: 2015

Completion date: 3<sup>rd</sup> quarter 2017

Cost: RMB890 million







# New Hotel Projects

# THE PENINSULA LONDON



Location: 1-5 Grosvenor Place in Belgravia, Central London (overlooking Hyde Park Corner and the Wellington Arch)

Group's interest: 100%

Project construction cost: Approximately £600 million

Project detail: Mixed use development with 189-room hotel and 24 to 28 of luxury residential apartments for sale

# THE PENINSULA LONDON – WORK IN PROGRESS



# THE PENINSULA YANGON



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Location: Central Yangon, Myanmar

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Group's interest: 70%

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Group's share of investment: Approximately US\$100 million

# THE PENINSULA YANGON – WORK IN PROGRESS



# THE PENINSULA ISTANBUL



Location: Karakoy area of the Beyoglu district of Istanbul overlooking the Bosphorus

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Group's interest: 50%

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Group's share of investment: Approximately €150 million

# THE PENINSULA ISTANBUL –WORK IN PROGRESS



Building 1



Building 3

## PROGRESS ON SUSTAINABLE LUXURY 2020

- Group Corporate Responsibility Committee chaired by CEO with COO & CFO as members
- Energy intensity reduced by 19.8% from 2006-08 baseline
- Implemented BREEAM in the renovation of The Peninsula Beijing
- Increase in sustainably sourced items – paper, tea, chocolate, coffee
- Re-launched *Naturally Peninsula* as the choice for sustainable, organic and healthy fare for guests

For more information, please refer to HSH CRS Report 2016:  
<http://www.hshgroup.com/en/sustainable-luxury/sustainability-reports>

## 2017 HIGHLIGHTS

- The Peninsula Beijing renovation – about half of the inventories have been in operation with completion expected on 3<sup>rd</sup> quarter 2017.
- The Peninsula London – Vacant possession by end of May 2017 and demolition work in progress.
- Peninsula Merchandising – actively looking to expand its retail foot print in Asia.
- No 1 Waitanyuan – From April 1<sup>st</sup> 2017 onwards, it is fully managed and operated by The Peninsula Shanghai which diversify its portfolio of services, facilities and event spaces in one of Shanghai's most iconic period buildings. It has already arranged couple of events with the recent inaugural Grande Affaire de Champagne from 2<sup>nd</sup> to 4<sup>th</sup> June.
- Hotels RevPAR shown growth in 1<sup>st</sup> quarter 2017 with Hong Kong increased by 3%, other Asia by 3% and USA and Europe by 17% as compared to first quarter 2016.

# OUTLOOK



- Hotel portfolio exhibited improved operating conditions in 1<sup>st</sup> Quarter 2017 and we hope this continues with higher economic growth being recorded in most markets
  - we remain somewhat cautious, however, of Middle East demand during traditional high season over Summer
- Return to full inventory of The Peninsula Beijing will see all ten hotels operating at full capacity for the first time in 3 years.
- Residential and retail leasing has been slightly softer in 1<sup>st</sup> quarter 2017 and will likely remain subdued, however, the sentiment of high-end Hong Kong retail in particular has improved since 2016. Office leasing is seeing growth.
- The Group remains focused on driving revenue through more focused marketing and working more closely with our tenants for mutual benefit.
- We also continue to look at containing costs and improving efficiency to drive higher margins across all business units.
- Our Group continues to maintain a strong balance sheet.



Q & A

