



# The Hongkong and Shanghai Hotels

## **Investor Presentation**

April 2021

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# HSH at a glance

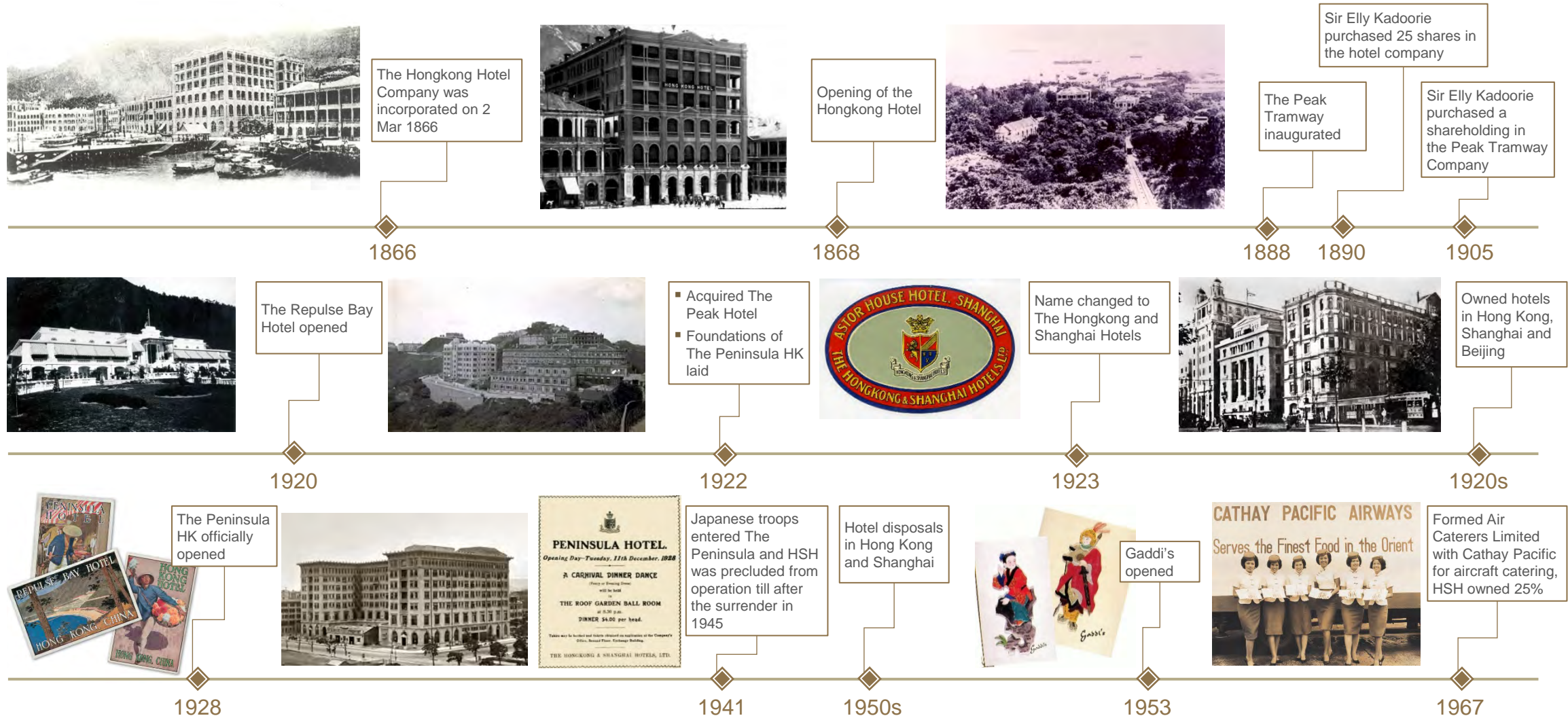
- We are a luxury hospitality and real estate group incorporated in 1866 and listed on the Hong Kong Stock Exchange (00045)
- We own and operate some of the world's finest luxury hotels under The Peninsula brand, as well as strategic real estate assets and tourism assets, including Hong Kong's famous Peak Tram
- Ten operational Peninsula hotels in exceptional city centre locations in Asia, US and Europe, with a further three under development in London, Istanbul and Yangon
- Three divisions including Hotels, Commercial Properties, and Clubs and Services
- HK\$54 billion in total assets



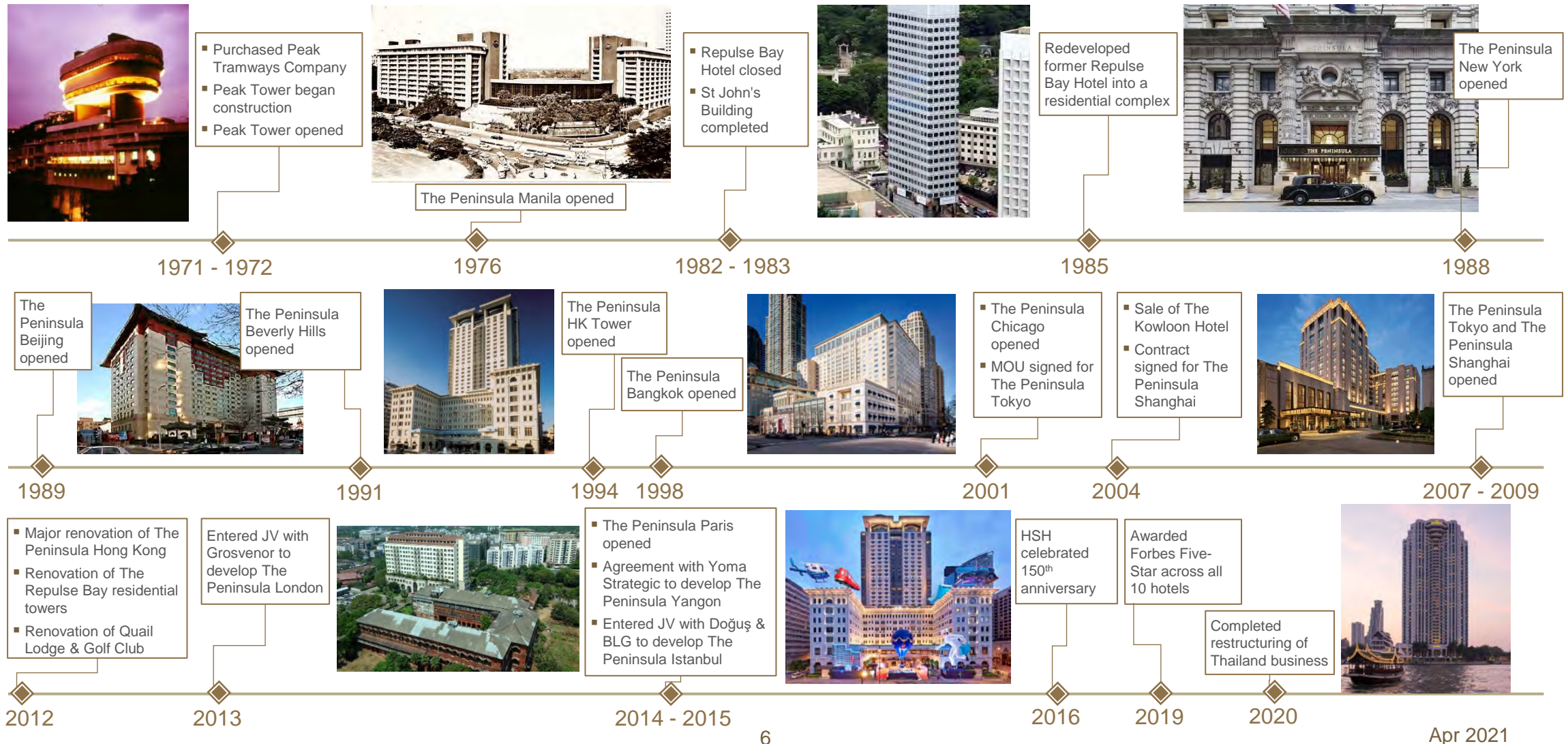
# Footprint in major global gateway cities



# One of the world's oldest hotel companies



# With history spanning more than 150 years



# Key strategic objectives

- Primary focus on high-end luxury consumers
- Long-term owner-operator of a small portfolio of some of the world's finest luxury hotels
- Majority of future growth from “The Peninsula” branded businesses
- Long-term value creation from developing and holding prime real estate in exceptional locations
- Balance between hotel and non-hotel assets and asset heavy and asset light operations
- Strong balance sheet and prudent financial management to insure against potential volatility





Our portfolio

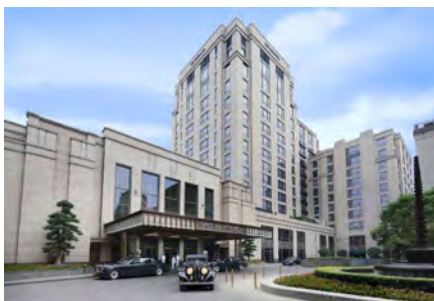
# The Peninsula Hotels



The Peninsula Hong Kong

Established: 1928

Rooms: 300 Ownership: 100%



The Peninsula Shanghai

Established: 2009

Rooms: 235 Ownership: 50%



The Peninsula Beijing

Established: 1989

Rooms: 230 Ownership: 76.6%



The Peninsula Tokyo

Established: 2007

Rooms: 314 Ownership: 100%



The Peninsula Bangkok

Established: 1998

Rooms: 370 Ownership: 100%



The Peninsula Manila

Established: 1976

Rooms: 351 Ownership: 77.4%



The Peninsula New York

Established: 1988

Rooms: 235 Ownership: 100%



The Peninsula Chicago

Established: 2001

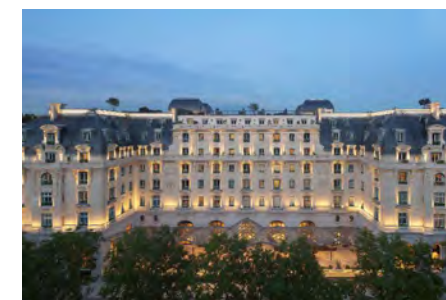
Rooms: 339 Ownership: 100%



The Peninsula Beverly Hills

Established: 1991

Rooms: 195 Ownership: 20%



The Peninsula Paris

Established: 2014

Rooms: 200 Ownership: 20%

Note: The Peninsula Bangkok restructuring was announced on 27 Aug 2020 and transaction completed on 28 Oct 2020

# Commercial Properties



The Repulse Bay Hong Kong  
(residential and arcade)

Established: 1976 & 1989  
GFA: 1,058,455 sqf Ownership: 100%



The Peninsula Office Tower  
Hong Kong

Established: 1994  
GFA: 75,082 sqf Ownership: 100%



The Peak Tower Hong Kong  
(retail)

Established: 1996  
GFA: 116,768 sqf Ownership: 100%



21 avenue Kléber, Paris, France  
(office & retail)

Established: 2013  
GFA: 44,218 sqf Ownership: 100%



St. John's Building Hong Kong  
(office)

Established: 1983  
GFA: 71,400 sqf Ownership: 100%



The Landmark, Ho Chi Minh City,  
Vietnam (office & residential)

Established: 1994  
GFA: 175,903 sqf Ownership: 70%

# Clubs and Services



Peninsula Merchandising

Established: 2003

Ownership: 100%



The Peak Tram Hong Kong

Established: 1888

Ownership: 100%



Peninsula Clubs and Services

Established: 1977

Ownership: 100%



Quail Lodge & Golf Club  
Carmel, USA

Established: 1997

Ownership: 100%



Tai Pan Laundry  
Hong Kong

Established: 1980

Ownership: 100%

# Projects under development



The Peninsula London

Ownership: 100%



The Peninsula Istanbul

Ownership: 50%



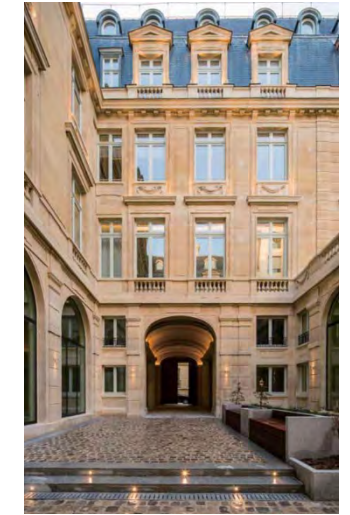
The Peninsula Yangon

Ownership: 70%



# Creating stakeholder value

# Continuous asset enhancement program



**21 avenue Kléber**  
Property acquisition and subsequent full refurbishment



**Quail Lodge**  
Full lodge renovation including improvements to the golf course



**The Peninsula Hong Kong**  
17-month room renovation program and expansion of Verandah restaurant



**The Peninsula Beijing**  
Hotel renovation combined 525 rooms into a 230 room all suite hotel



- **The Peninsula Chicago**  
Room renovation
- **The Peninsula New York**  
Combined five rooms to create the Fifth Avenue Suite

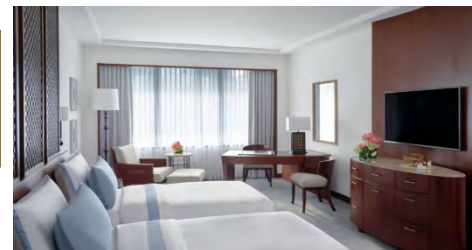


**The Peninsula Hong Kong**  
Shopping arcade renovation

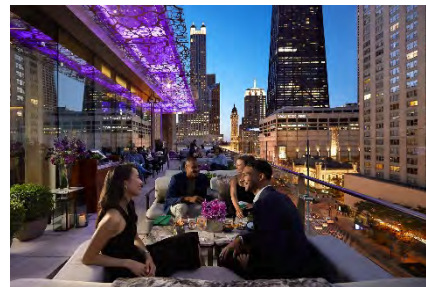


**Peak Tram**  
upgrade commenced

**The Peninsula Manila**  
Rooms soft refurbishment



**Quail Lodge**  
Building solar farm to harness energy



**The Peninsula Chicago**  
Designed and built the new rooftop bar

2012 – 2013

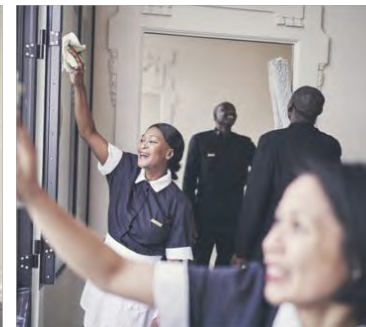
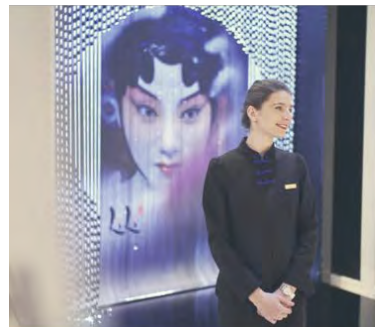
2014 – 2016

2017 – Present



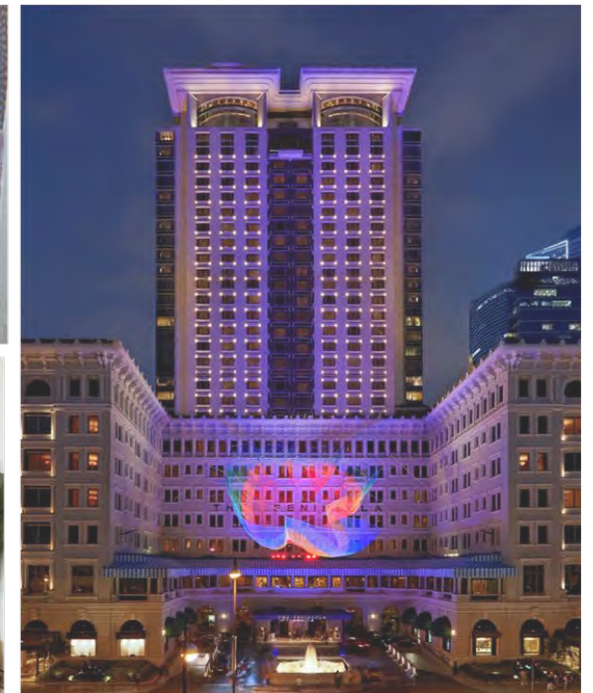
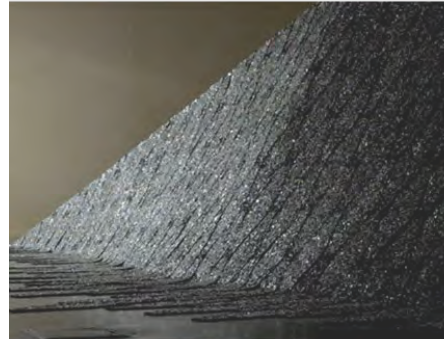
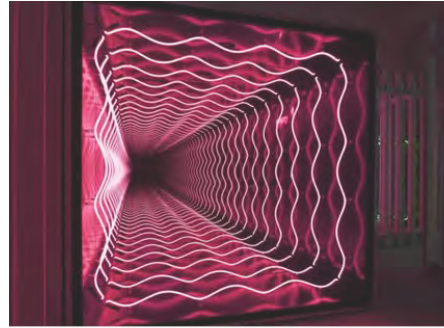
# Investing in our people

- People are the heart and soul of our company
- Emphasis on recruiting and retaining the best people
- WorkPlace 2025 initiative to modernize the workplace – three pillars of respecting our culture and heritage, embracing innovation and driving business performance
- Diverse and inclusive culture
- Hiring of strong leaders
- Growth of mental and physical well-being programs
- Internal cross exposure programs
- High employee engagement and satisfaction



# Partnership with contemporary art

- Introduced “The Eight Loves of The Peninsula Hotels” in May 2020 to allow guests to experience F&B, art, fashion & culture, exploration, transport, wellness, entertainment and community
- Position HSH as a vanguard in the art world
- Collaboration with contemporary artists both locally and globally
- Launched Art in Resonance in 2019 – A ‘travelling gallery’ that supports the cultural ecosystem
  - Newly commissioned works by emerging and midcareer artists
  - New artists added every year
  - Travels and grows between The Peninsula’s ten locations and hotels under development in London, Istanbul and Yangon



# The Peninsula Signature Events

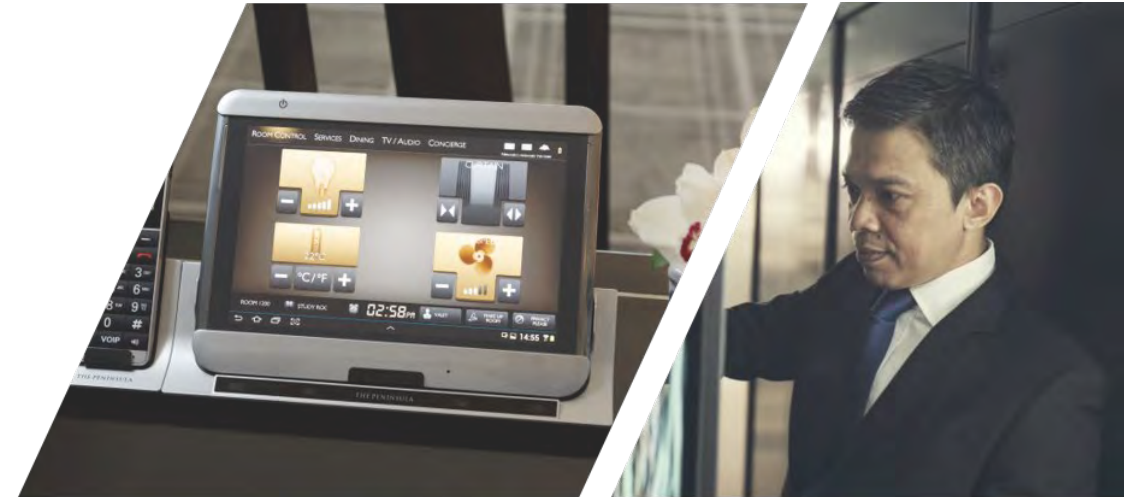
- Organized by The Peninsula Hotels, dedicated to creating world-class bespoke events at our properties
- Sponsored The Peninsula Classics Best of the Best Award since 2015
  - Amongst the top automotive awards in the world
  - Brings together eight of the concours circuits' elite best of show winners from around the globe
- Quail Lodge & Golf Club hosts four annual automotive-themed events
  - The Quail, A Motorsports Gathering
  - The Quail Rally
  - The Quail Motorcycle Gathering
  - The Quail Ride



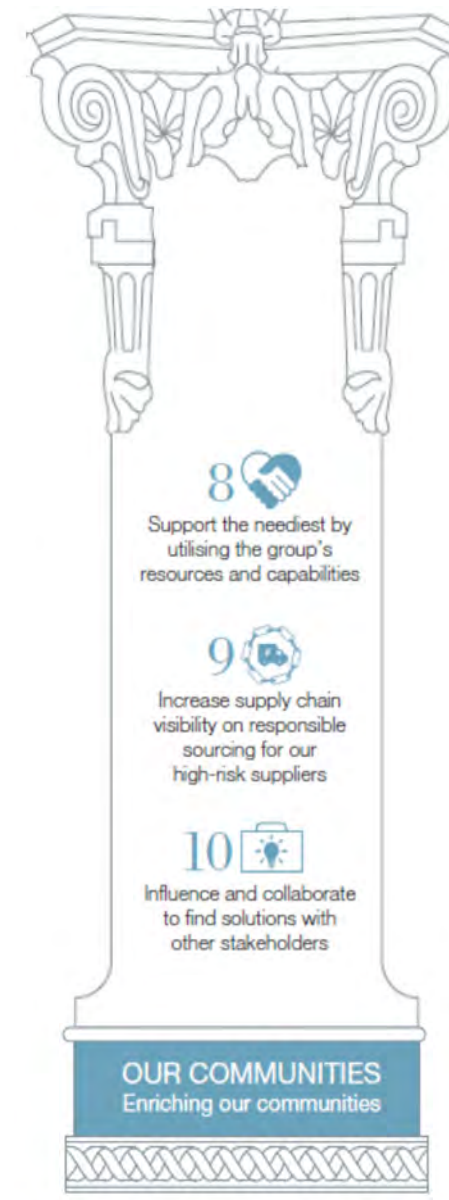
# Embarking on a digital transformation

- Committed to driving technology transformation across HSH
- Five departmental pillars spanning Operations, Sales & Marketing, Research & Technology, Finance and Human Resources
- Five year roadmap to drive transition from current best practice into a truly data-driven company
- Enhance guest and operations through digitization and data analytics
- Possibilities of delivery robots, voice recognition, virtual assistant, digital butler, virtual reality features

2016/17	Put in place initial business tools for data analysis – BigDATA
2017/18	Start of digital transformation, looking at Business Intelligence software, data analytics
2018/19	Enhance CRM
2019/20	Introduced a bespoke 24-hour PenChat private messaging service in Apr 20
2020/21	In Nov 20, “The Peninsula Promise” was offered to guests with extended and flexible schedule for check-in and check-out



# Sustainable Luxury Vision 2030





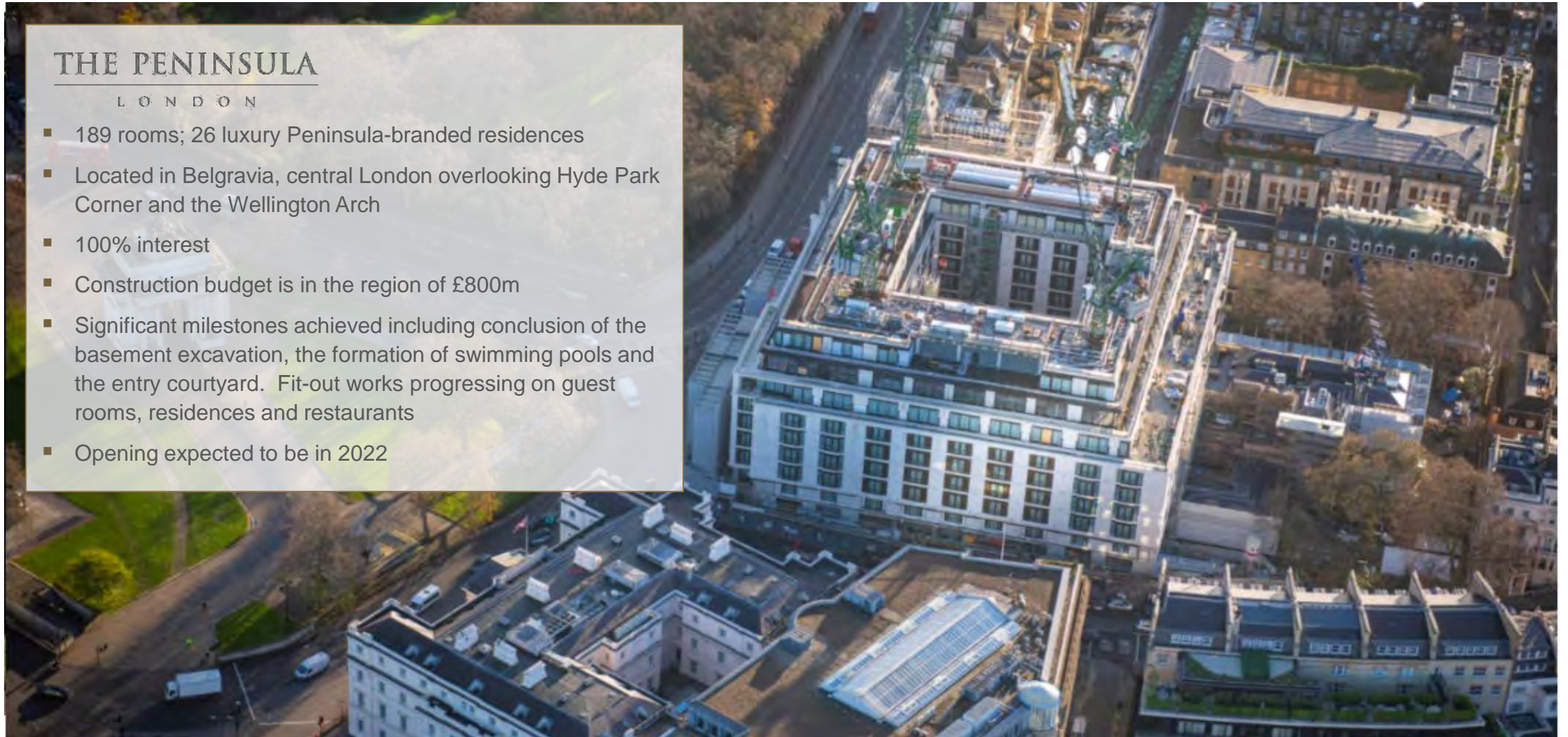
# Investing for the future

# The Peninsula London

## THE PENINSULA

L O N D O N

- 189 rooms; 26 luxury Peninsula-branded residences
- Located in Belgravia, central London overlooking Hyde Park Corner and the Wellington Arch
- 100% interest
- Construction budget is in the region of £800m
- Significant milestones achieved including conclusion of the basement excavation, the formation of swimming pools and the entry courtyard. Fit-out works progressing on guest rooms, residences and restaurants
- Opening expected to be in 2022

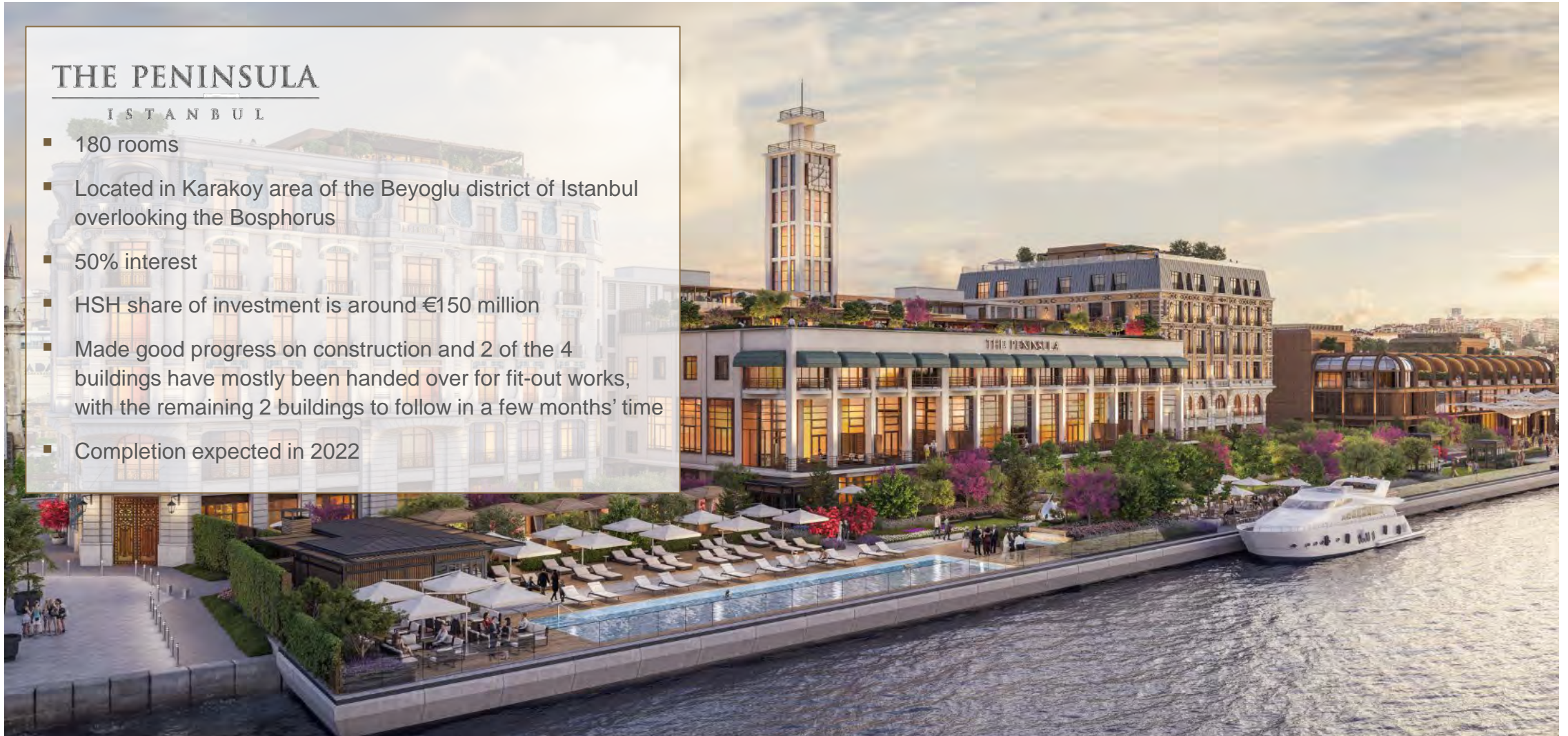


# The Peninsula Istanbul

## THE PENINSULA

ISTANBUL

- 180 rooms
- Located in Karakoy area of the Beyoglu district of Istanbul overlooking the Bosphorus
- 50% interest
- HSH share of investment is around €150 million
- Made good progress on construction and 2 of the 4 buildings have mostly been handed over for fit-out works, with the remaining 2 buildings to follow in a few months' time
- Completion expected in 2022



# The Peninsula Yangon

## THE PENINSULA

Y A N G O N

- 88 rooms
- Located in central Yangon, Myanmar
- 70% interest
- HSH share of investment is around US\$130 million
- Recent political developments causing great concern, temporarily closed the construction site
- Continue to evaluate immediate actions required and long-term decisions in respect of this project



# Peak Tram upgrade project

## Overview

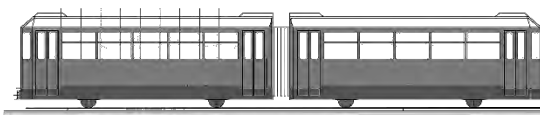
- Over 130 years of operation serving more than 6 million passengers a year
- HK\$734m investment by HSH
- Replace current 120-capacity tramcars with 210-passenger tramcars
- Replace haulage and control systems, lay new track rails and strengthen track foundations and bridges
- Refurbish termini to create additional queueing capacity at the lower terminus in a more comfortable and entertaining environment
- Upgrade surrounding public area
- Business will continue to be impacted in 2020 from service suspension
- Significantly improves visitor experience and enhances Hong Kong's tourism image in the long term

## Benefits

- ✓ Increase capacity by 75% from 120 to 210 passengers per trip
- ✓ Reduce passengers waiting times by over 70%
- ✓ Eliminate queues from the public areas outside the lower and upper termini
- ✓ Covered and temperature-controlled waiting area for up to 1,300 people
- ✓ Improve disability access



New tramcar scale reference



Current tramcar - 5th generation

## Timetable

End of 2018	Site works commenced
23 April to 21 July 2019	Completed first service suspension
End Jun 2021	Second planned service suspension (~5 months)
Late 2021	New Peak Tram system commences service



REFINING A CLASSIC  
**AN ICON  
IS REBORN**

經典重新演繹 再創矚目地標

THE PEAK TRAM  
山頂纜車



For Reference Only  
圖片只供參考



# 2020 Annual results recap

# 2020 review

- Business severely impacted by pandemic
- Hong Kong tourism businesses heavily affected. 6 out of 10 hotels temporarily closed
- Residential and office leasing held up reasonably well
- Substantial cost savings implemented group-wide whilst balancing staff welfare and maintaining operational and service levels
- Modest full year EBITDA loss
- Healthy liquidity cover
- No final dividend proposed
- New hotel developments affected by disruptions to construction labour force, supply chains and political crisis
- Peak Tram upgrade project impacted by pandemic and unforeseen ground conditions
- Completed restructuring of joint venture arrangements in Thailand



# Financial results

(HK\$ million)			
For the year ended 31 December	2020	2019	Changes
Revenue	2,710	5,874	-54%
Operating costs	(2,771)	(4,484)	38%
<b>EBITDA</b>	<b>(61)</b>	1,390	n.a.
Depreciation and amortization	(553)	(589)	6%
Net financing charges	(144)	(140)	-3%
Share of results of joint ventures	(269)	(17)	n.m.
Share of results of associates	(97)	(32)	-203%
(Decrease)/Increase in fair value of IPs	(732)	83	n.a.
Provision for impairment loss of PMN	(93)	-	n.a.
Tax	(31)	(192)	84%
(Loss)/Profit before taxation	(1,980)	503	n.a.
Non-controlling interests	40	(9)	n.a.
<b>(Loss)/profit attributable to shareholders</b>	<b>(1,940)</b>	494	n.a.
<b>Underlying (loss)/profit</b>	<b>(864)</b>	480	n.a.



# Earnings contribution by division

For the year ended 31 Dec	2020	2019	
(HK\$ million)	Combined total	Combined total	Change
<b>Revenue</b>			
Hotels	<b>1,831</b>	4,792	-62%
Commercial Properties	<b>777</b>	946	-18%
Clubs and Services	<b>339</b>	640	-47%
	<b>2,947</b>	6,378	-54%
<b>EBITDA</b>			
Hotels	<b>(479)</b>	878	n.a.
Commercial Properties	<b>440</b>	527	-17%
Clubs and Services	<b>(14)</b>	105	n.a.
	<b>(53)</b>	1,510	n.a.



# Cash flow summary

(HK\$ million)

For the year ended 31 Dec

	2020	2019
EBITDA	(61)	1,390
Changes in working capital and tax payment	(376)	(24)
<b>Net cash (used in) generated from operating activities before lease payments</b>	<b>(437)</b>	<b>1,366</b>
Capital expenditure on existing assets		
The Peak Tram upgrade project	(161)	(169)
Others (incl The Peninsula Hong Kong arcade)	(238)	(395)
Capital expenditure on new hotel projects	(1,771)	(1,330)
The Peninsula London	(1,378)	(1,074)
The Peninsula Yangon	(135)	(114)
Capital injection into the joint venture in Turkey	(258)	(142)
<b>Net cash outflow before financing activities</b>	<b>(2,607)</b>	<b>(528)</b>
Dividends paid	(47)	(107)
Net interest paid	(165)	(120)
Cash consideration and other related costs in respect of the restructuring of JV in Thailand	(571)	-
Lease rental, other receipts and payments	(135)	(39)
<b>Net cash outflow before financing</b>	<b>(3,525)</b>	<b>(794)</b>

# Debt profile and balance sheet

## Debt profile

**20%**

Net debt to  
total assets

**29%**

Net debt to  
shareholders equity

**1.9%**

Weighted average  
gross interest rate

**2.1 years**

Average debt  
duration

**-1.2x**

Cash interest  
coverage

**53%**

Fixed to floating  
interest rate ratio

Note: Debt related metrics exclude lease liabilities.

## Balance sheet

(HK\$ million)	2020	2019
As at 31 Dec		
Total cash	<b>520</b>	697
Total assets	<b>53,679</b>	53,061
Total debt	<b>11,182</b>	7,524
Net debt	<b>10,662</b>	6,827
Shareholders equity	<b>36,844</b>	39,054
Total equity	<b>37,152</b>	39,729



# Outlook

# Outlook

- Pandemic continues to affect almost all countries where we operate. China is seeing some recovery
- Expect substantial negative impact on our business for the foreseeable future unless significant turnaround in Covid situation
- Implemented measures to keep our staff and guests safe, financial management and stringent cost controls to continue
- Despite our cost control efforts, Group may sustain an operating loss in 2021
- Political developments in Myanmar causing great concern and we continue to evaluate long-term decisions
- Focus on delivery of new hotel projects
- The Peak Tram business will continue to be impacted in 2021 with the second phase of suspension
- Priority is to maintain a strong financial position for the Group in order to fund our large capital commitments
- Committed to the long-term development of the group and the Peninsula brand





# Q & A



# Appendices

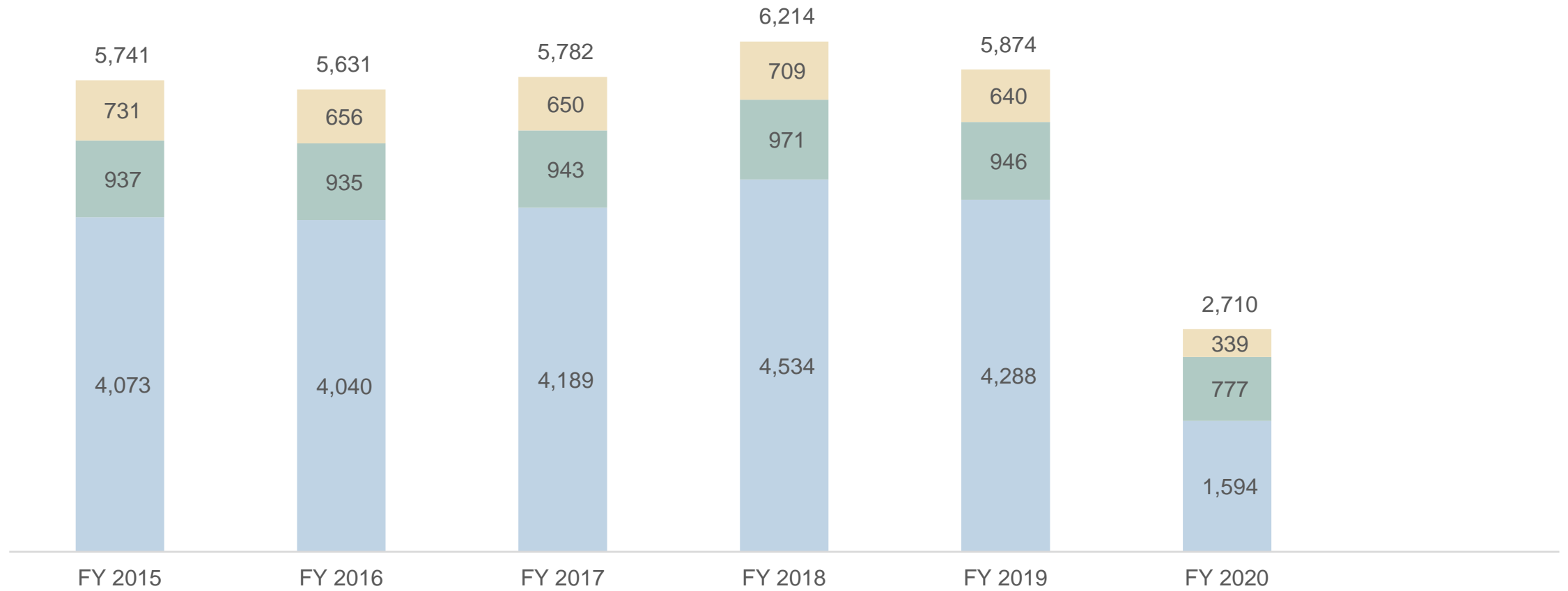
# Group revenue breakdown

Revenue (HK\$m)

Hotels

Commercial Properties

Clubs and Services

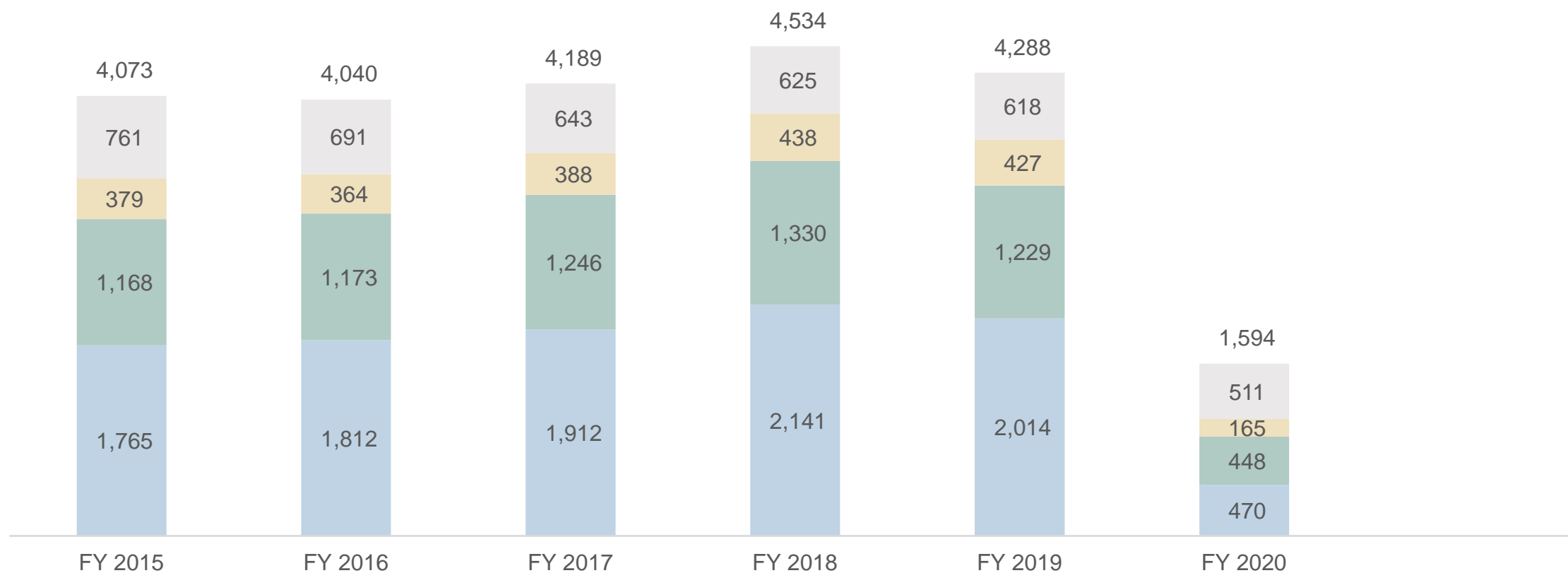


Note: Consolidated revenue, excludes share of JV and Associates.

# Hotels – Revenue breakdown

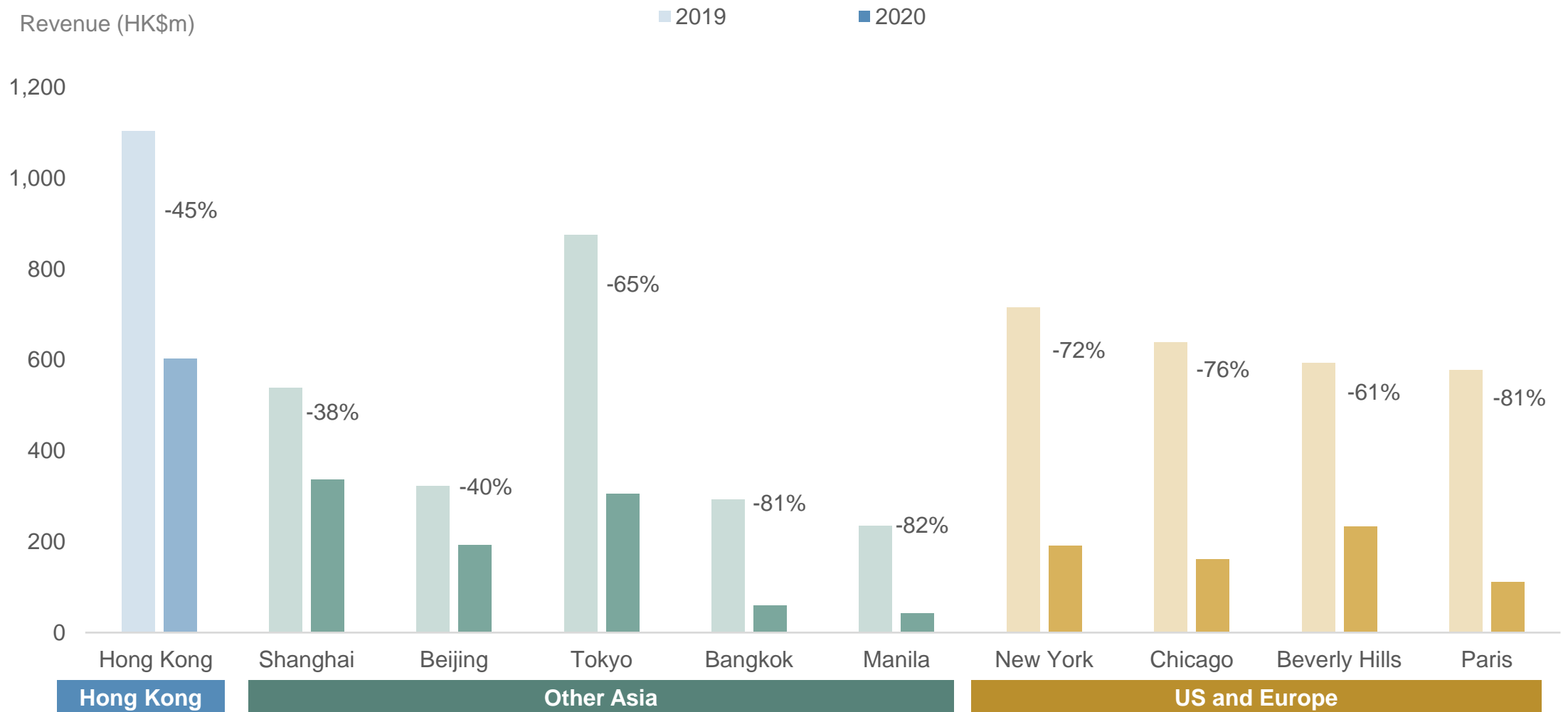
Revenue (HK\$m)

Rooms Food & Beverage Others Shopping Acrades and Office



Note: Consolidated revenue, excludes share of JV and Associates.

# Hotels – Revenue by property

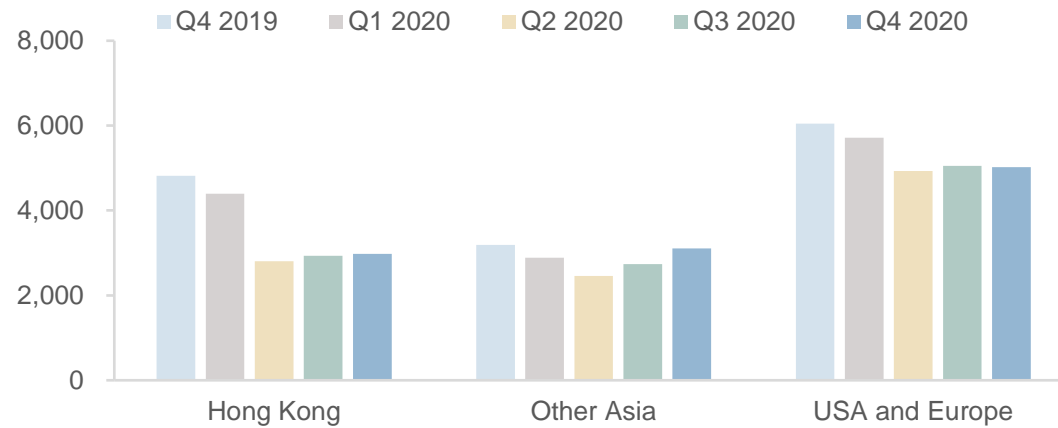


Note: Excluding proceeds from sale of apartments in The Peninsula Shanghai

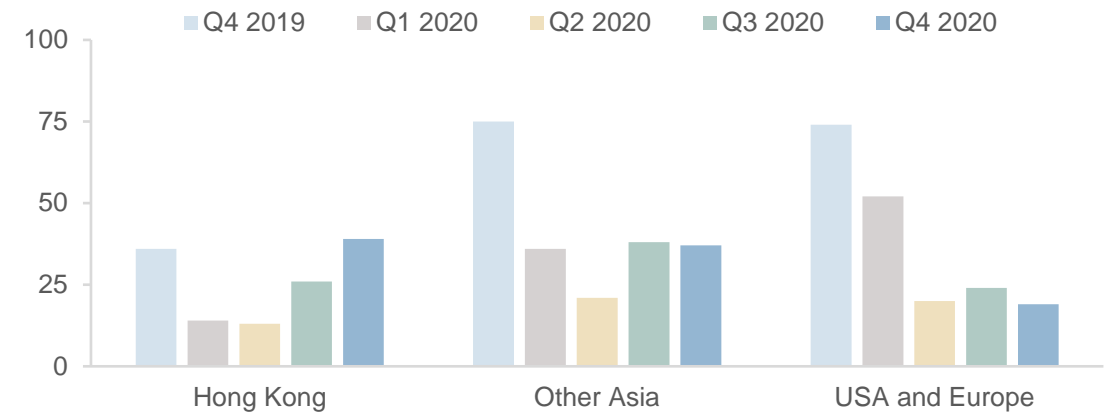
# Hotels – Quarterly operating statistics



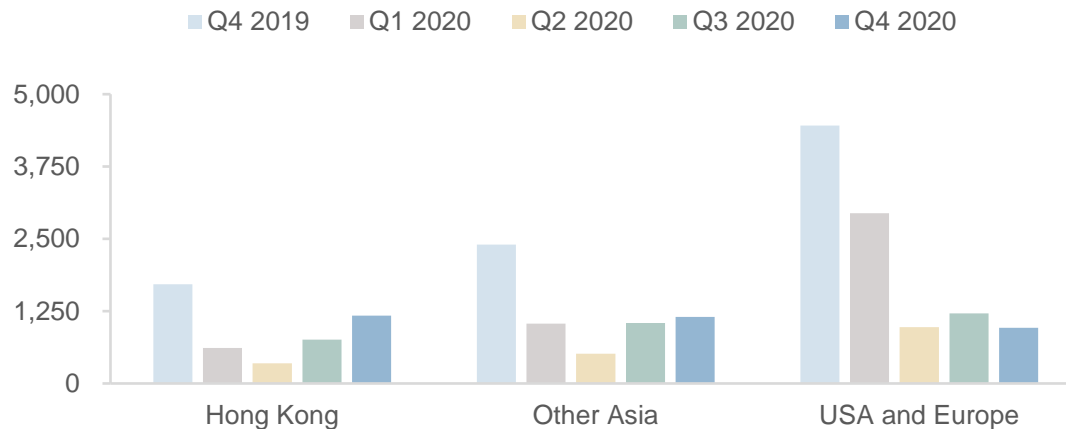
Average room rate (HK\$)



Occupancy rate (%)



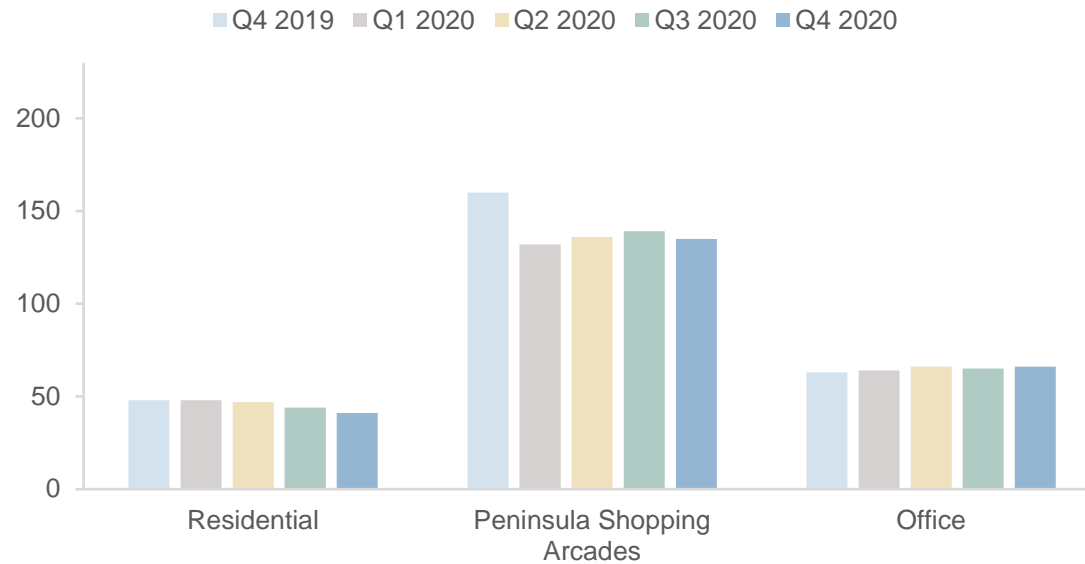
RevPAR (HK\$)



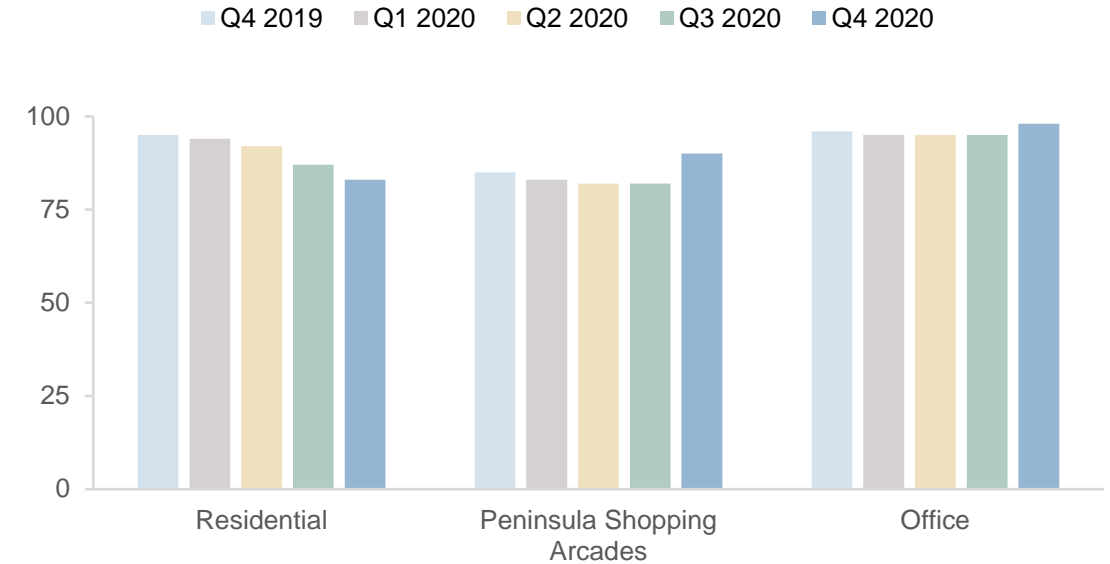
Note: Includes JV and Associates hotels.

# Leasing – Quarterly operating statistics

Average monthly yield per sqf (HK\$)

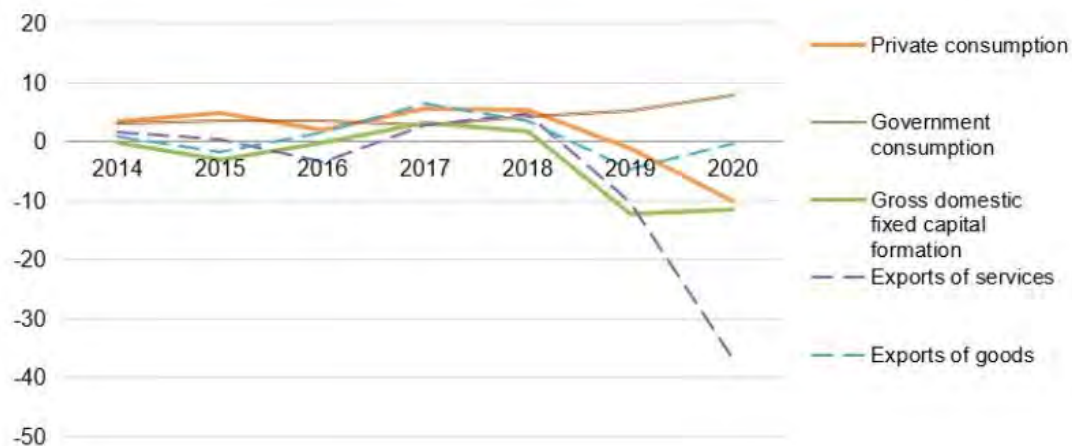


Occupancy rate (%)

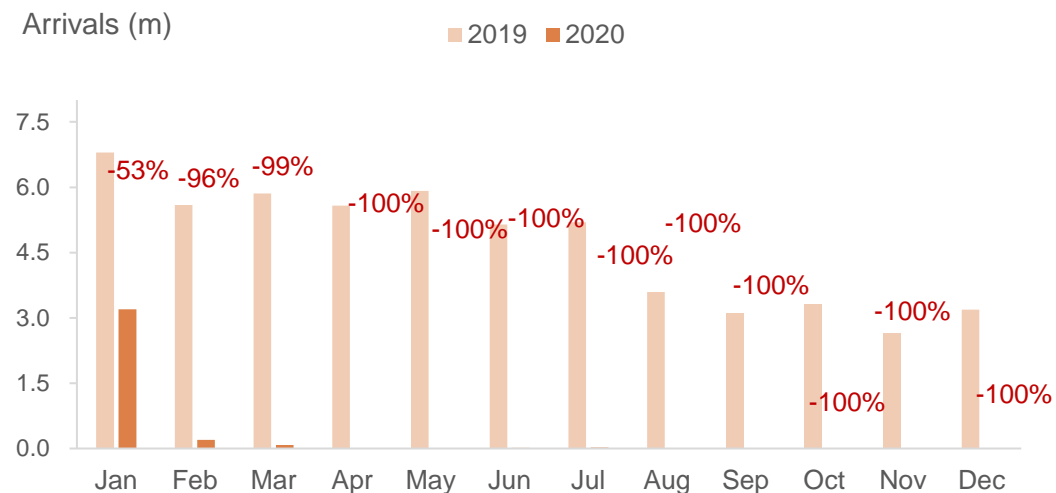


# Hong Kong macro data

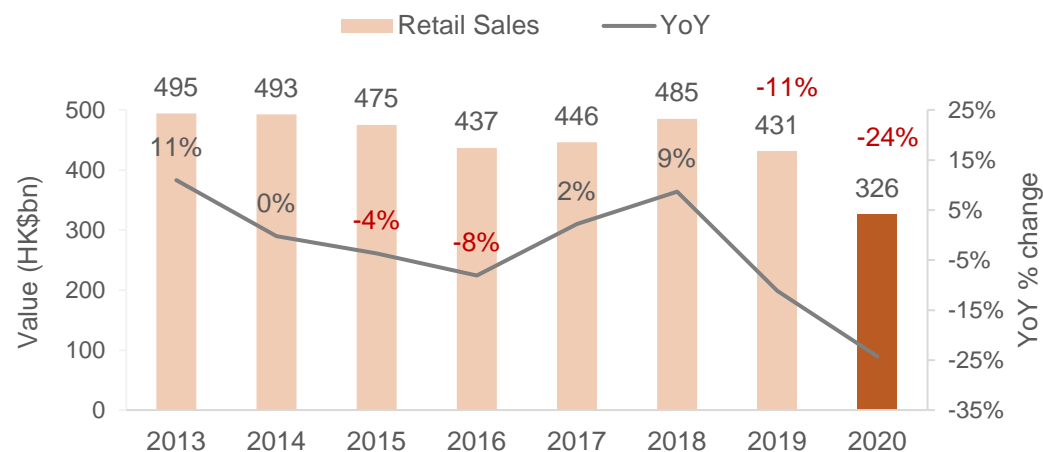
Real GDP growth by selected components (yoy change) <sup>1</sup>



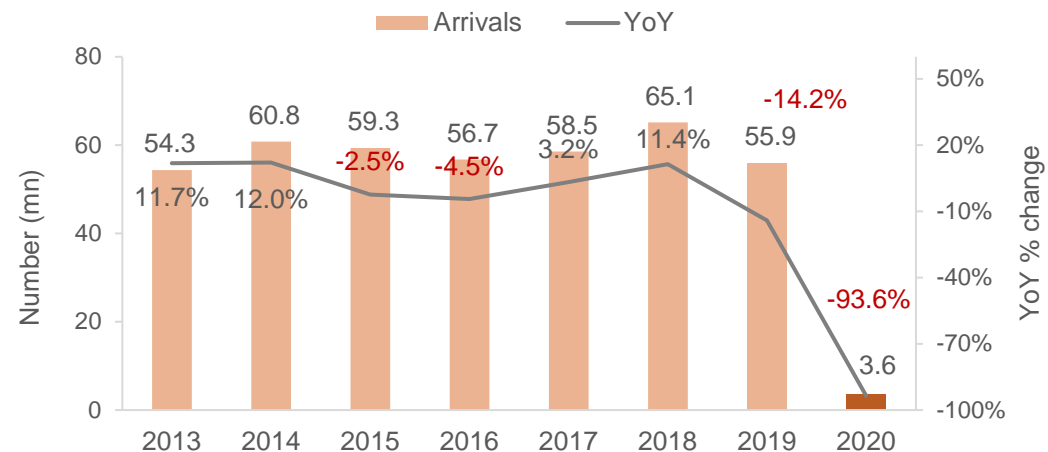
Monthly visitor arrivals (yoy change) <sup>2</sup>



Retail sales <sup>3</sup>



Total visitor arrivals <sup>2</sup>



<sup>1</sup> Hong Kong Trade Development Council

<sup>2</sup> Hong Kong Tourism Board

<sup>3</sup> Census and Statistics Department