



THE HONGKONG AND SHANGHAI HOTELS, LIMITED

INVESTOR PRESENTATION
SEPTEMBER 2018



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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 ratios to insure against potential volatility

OVERVIEW OF THE BUSINESS COMPOSITION

HSH Group operates under three divisions

Hotels

- 10 hotels in operation, 3 hotels under development
-

Commercial Properties

- 5 commercial property assets spanning residential, office and retail
-

Clubs and Services

- Peak Tram, golf courses, club management and merchandising
-



COMPANY AT A GLANCE



PENINSULA HOTELS - OVERVIEW



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

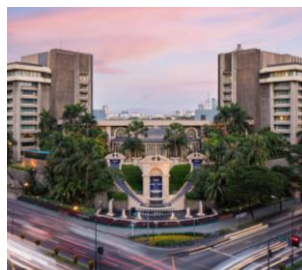
Rooms: 314
Ownership: 100%



The Peninsula Bangkok

Established: 1998

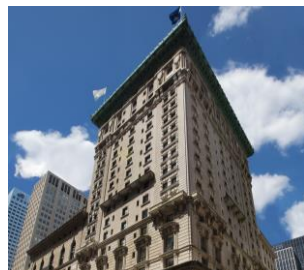
Rooms: 370
Ownership: 50%**



The Peninsula Manila

Established: 1976

Rooms: 469
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%

* The Group owns 100% economic interest of The Peninsula Beijing with a reversionary interest to the PRC partner at the end of the co-operating joint venture period

** Changed from 75% in August 2017

COMMERCIAL PROPERTIES - OVERVIEW



The Repulse Bay,
Hong Kong (residential and arcade)

Established: 1976 & 1989

GFA: 1,058,455 sq. ft. Ownership: 100%



The Peninsula Office Tower,
Hong Kong

Established: 1994

GFA: 75,082 sq. ft. Ownership: 100%



The Peak Tower,
Hong Kong (retail)

Established: 1996

GFA: 116,768 sq. ft. Ownership: 100%



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

Acquired: 2013

GFA: 44,218 sq. ft. Ownership: 100%



St. John's Building,
Hong Kong (office)

Established: 1983

GFA: 71,400 sq. ft. Ownership: 100%



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

Established: 1994

GFA: 175,903 sq. ft. Ownership: 70%**

** The Group owns 50% economic interest of The Landmark with a reversionary interest to the Vietnamese partner at the end of the joint venture period

CLUBS AND SERVICES - OVERVIEW



The Peak Tram,
Hong Kong

Established: 1888

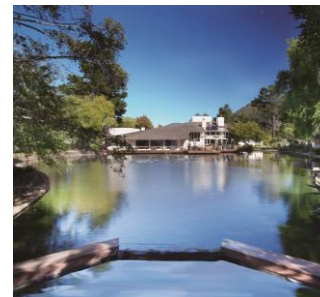
Ownership: 100%



Thai Country Club,
Bangkok, Thailand

Established: 1996

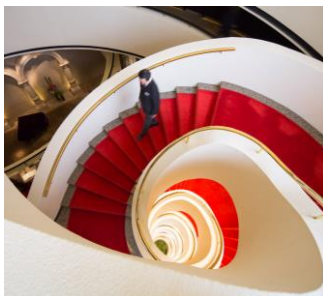
Ownership: 50%**



Quail Lodge & Golf Club,
Carmel, USA

Acquired: 1997

Ownership: 100%



Peninsula Clubs and
Consultancy Services

Established: 1977

Ownership: 100%



Peninsula Merchandising

Established: 2003

Ownership: 100%



Tai Pan Laundry,
Hong Kong

Established: 1980

Ownership: 100%

** Charged from 75% in August 2017

NEW PROJECTS - OVERVIEW



The Peninsula London

Ownership: 100%



The Peninsula Istanbul

Ownership: 50%



The Peninsula Yangon

Ownership: 70%

KEY RECENT ACHIEVEMENTS

- ✓ Peninsula London demolition completed by end December 2017; construction commenced
- ✓ Renovation of The Peninsula Beijing completed with full room inventory returned in August 2017
- ✓ Leasing of 21 avenue Klebler, Paris (November 2017)
- ✓ Opening of Z Bar built on The Peninsula Chicago rooftop (June 2018)
- ✓ Opening of YUN Summer Lounge built on The Peninsula Beijing rooftop (June 2018)
- ✓ Peninsula Merchandising product re-launch (June 2018)
- ✓ New Peninsula Hotels website launched (July 2018)



FINANCIAL HIGHLIGHTS

1H 2018 – KEY HIGHLIGHTS

Revenue

↑ 10%

- Positive contributions from majority of operations, in particular The Peninsula Beijing and The Peninsula Hong Kong
- Rental income from 1-5 Grosvenor Place ceased in 2018 for construction of The Peninsula London

EBITDA

↑ 18%

- Improved margin achieved by The Peninsula Hong Kong and The Peninsula Beijing
- Contribution from 21 avenue Klebler which was undergoing renovation in the last period

Capital Expenditure

- Total capex (normal & special) on existing assets down 38% in line with strategy
- Expenditure on new projects and acquisitions of HK\$0.7bn, up 95%

Financial Health

- Net debt to total assets remains low at 12%
- Cash interest cover healthy at 10.9x
- 74% of interest expense fixed

FINANCIAL HIGHLIGHTS – PROFIT AND LOSS

HK\$' million	1H 2017	1H 2018	Change
Revenue	2,596	2,850	10%
EBITDA	561	664	18%
EBITDA margin	22%	23%	1pp
Increase in fair value of investment properties	359	391	9%
Share of results of JV and associates	(37)	(33)	11%
Profit attributable to shareholders	519	644	24%
Underlying profit	181	255	41%

HOTELS DROVE EARNINGS GROWTH

HK\$ MILLION	1H 2018			1H 2017			2018 vs 2017
	GROUP'S SUBSIDIARIES	ASSOCIATES AND JV (2)	COMBINED TOTAL	GROUP'S SUBSIDIARIES	ASSOCIATES AND JV (2)	COMBINED TOTAL	
Revenue							
Hotels	2,158	268	2,426	1,926	251	2,177	11%
Commercial Properties	473	—	473	466	—	466	2%
Clubs and Services	219	—	219	204	—	204	7%
	2,850	268	3,118	2,596	251	2,847	10%
EBITDA (1)							
Hotels	378	56	434	292	69	361	20%
Commercial Properties	278	—	278	261	—	261	7%
Clubs and Services	8	—	8	8	—	8	-
	664	56	720	561	69	630	14%
EBITDA Margin							
Hotels	18%	21%	18%	15%	27%	17%	1pp
Commercial Properties	59%	—	59%	56%	—	56%	3pp
Clubs and Services	4%	—	4%	4%	—	4%	-
Overall EBITDA Margin	23%	21%	23%	22%	27%	22%	1pp

(1) Table includes management fees

(2) Effective share

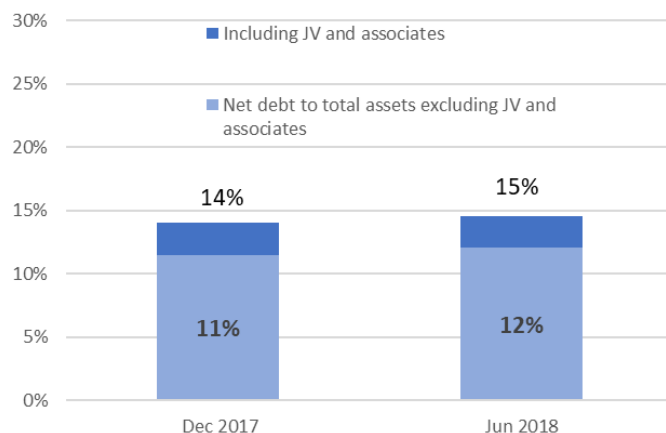
CAPITAL EXPENDITURE SHIFTING TO NEW PROJECTS

HK\$ MILLION	2017	2018
EBITDA	561	664
NET CHANGE IN WORKING CAPITAL AND TAX PAYMENTS	(98)	(18)
NET CASH GENERATED FROM OPERATING ACTIVITIES	463	646
CAPITAL EXPENDITURE ON EXISTING ASSETS	(323)	(200)
NET CASH INFLOW AFTER NORMAL CAPEX	140	446
DIVIDENDS AND NET FINANCING CHARGES	(128)	(95)
CAPITAL EXPENDITURE ON NEW PROJECTS	(347)	(678)
NET CASH INFLOW/(OUTFLOW) FOR THE PERIOD	(335)	(327)

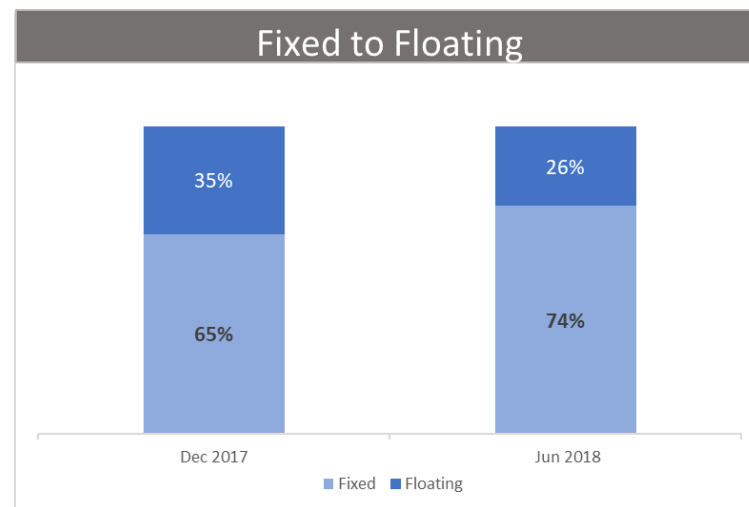
TREASURY METRICS

- Funding for all major projects secured
- Leverage expected to increase with cumulative project payments
- Comfortable with peak leverage assumptions (stress tested)

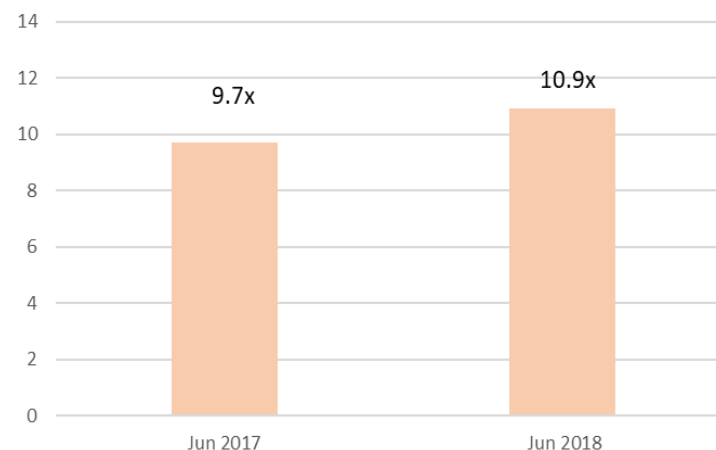
Net debt to total assets



Fixed to Floating



Cash interest cover

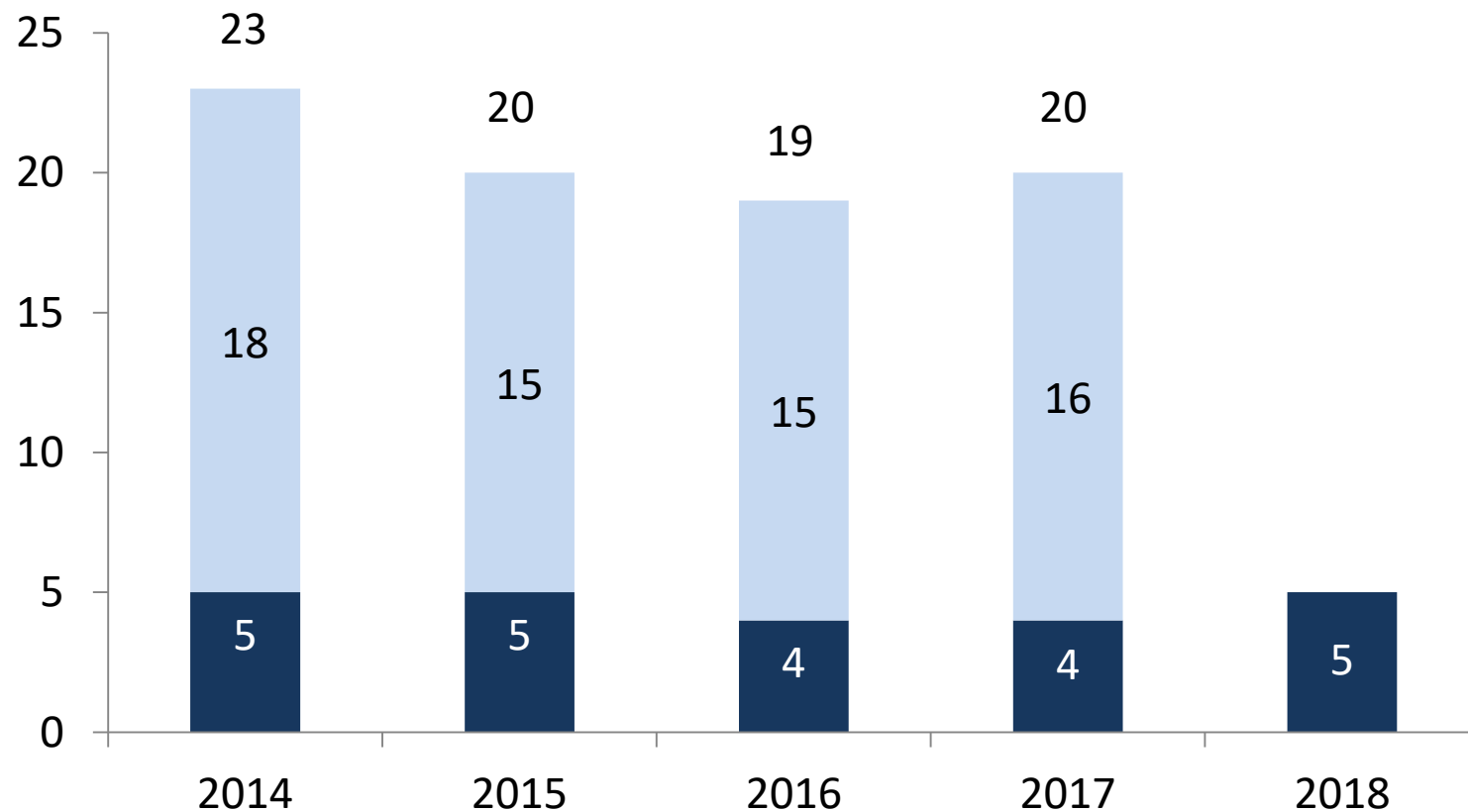


DIVIDEND PER SHARE IN LINE WITH EARNINGS GROWTH

HK cents

■ Interim dividend

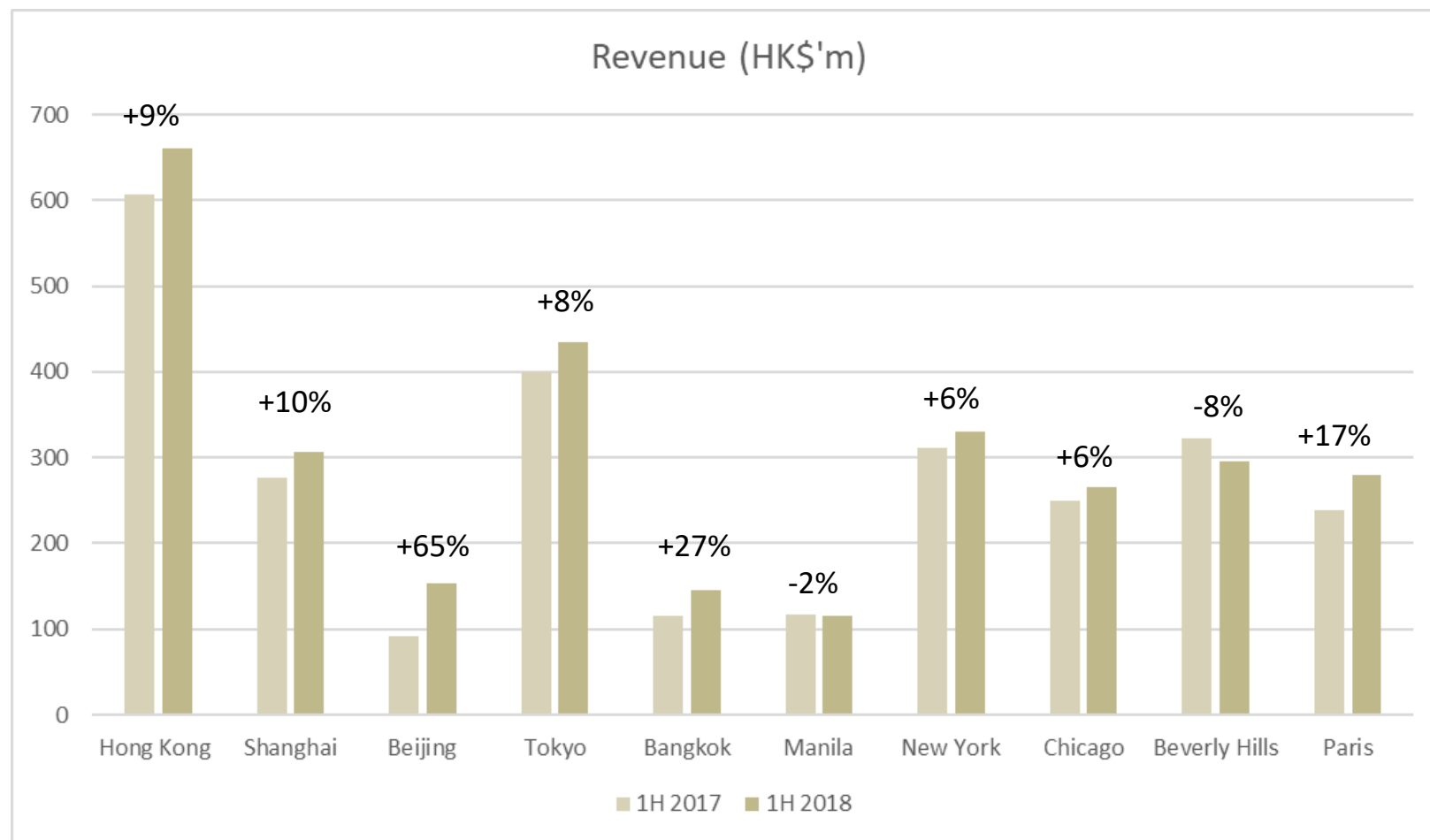
■ Final dividend



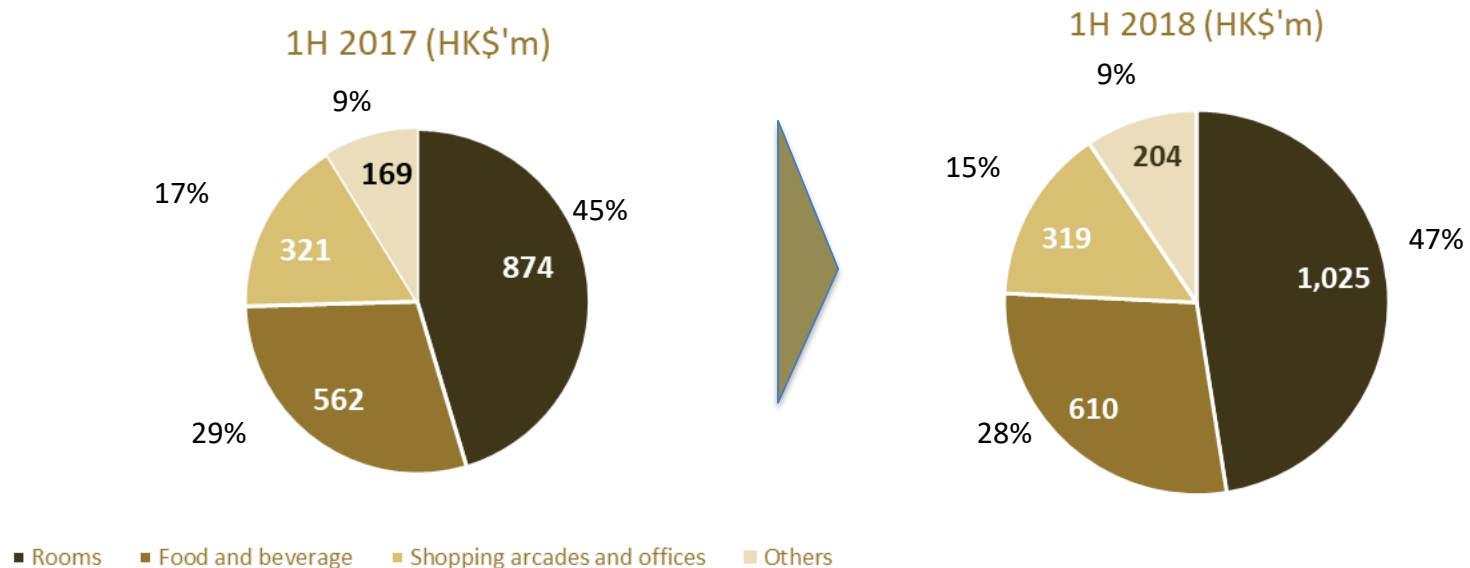
PERFORMANCE HIGHLIGHTS BY DIVISION



PENINSULA HOTELS – FINANCIAL HIGHLIGHTS



PENINSULA HOTELS – REVENUE BREAKDOWN



Group's subsidiaries only excluding JV and associates

PENINSULA HOTELS – OPERATING STATISTICS



PENINSULA HOTELS - RETAIL MOMENTUM PICKING UP



Jenny Packham at PBJ



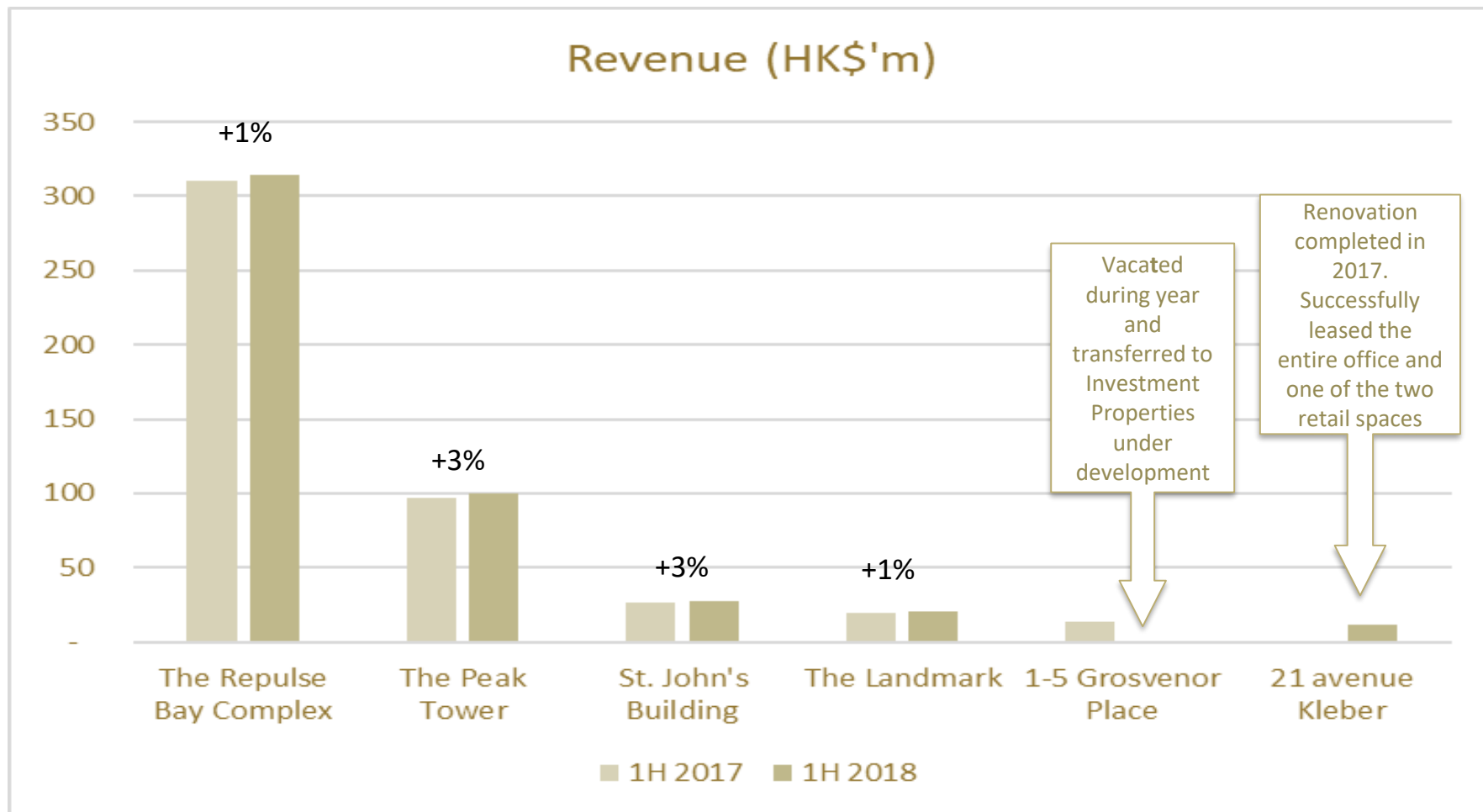
Mikael D wedding at PBJ



Lan Yu Haute Couture at PSH

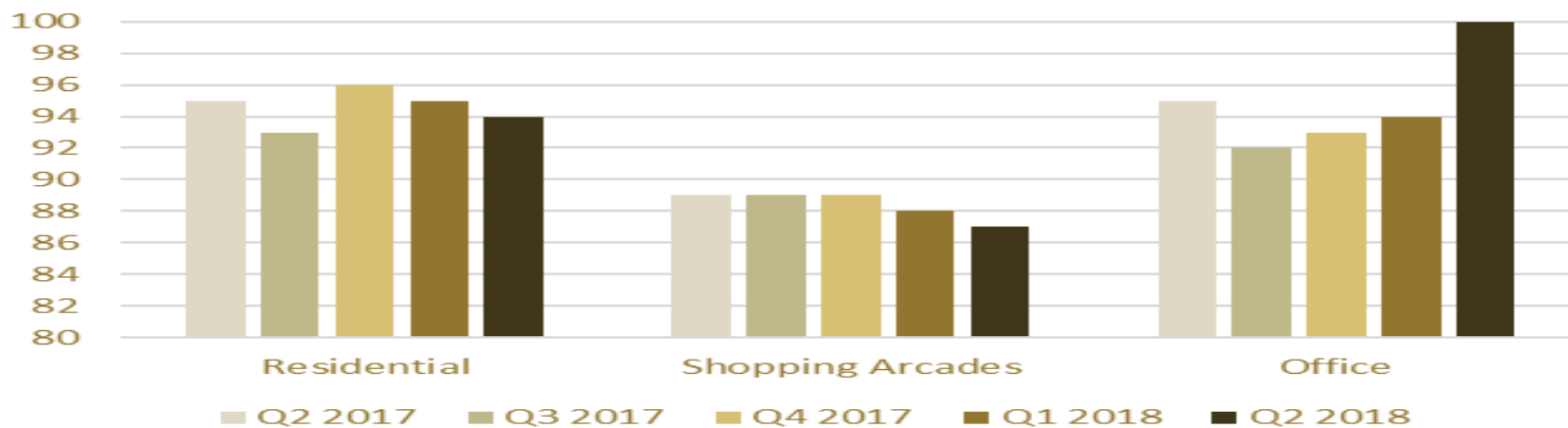
- Momentum across our arcades picked up in recent months
- Recent focus on haute couture and bridal brands that are destinational
- Select new brands in 2018 (all the only stores in the city):
 - *Jenny Packham wedding/couture (The Peninsula Beijing, The Peninsula Shanghai)*
 - *Mikael D wedding (The Peninsula Beijing)*
 - *Top Bridal (The Peninsula Beijing)*
 - *Lan Yu Haute Couture (The Peninsula Shanghai)*

COMMERCIAL PROPERTIES – FINANCIAL HIGHLIGHTS

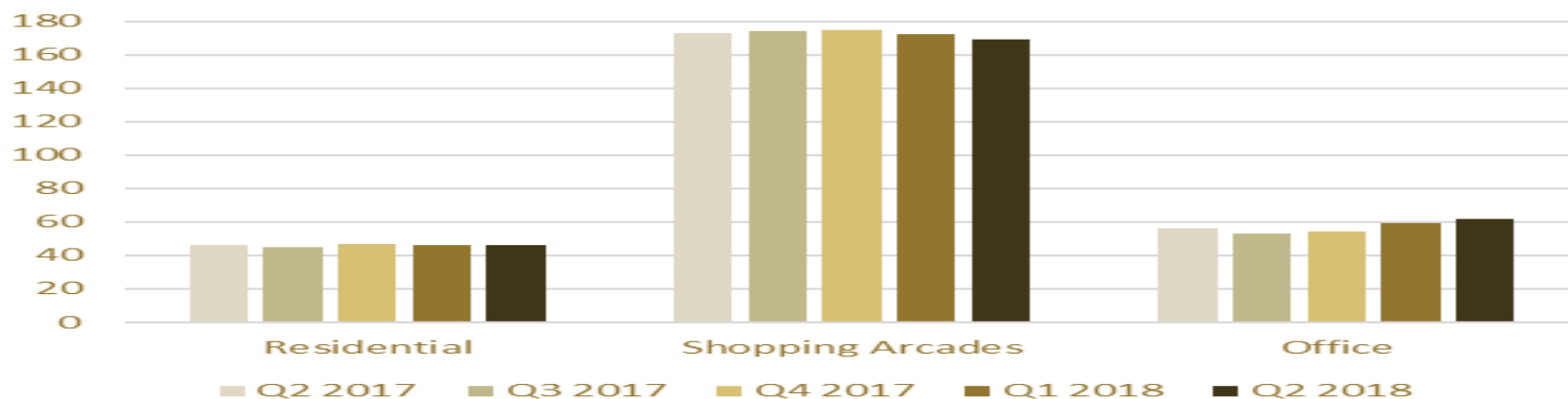


COMMERCIAL PROPERTIES – LEASING

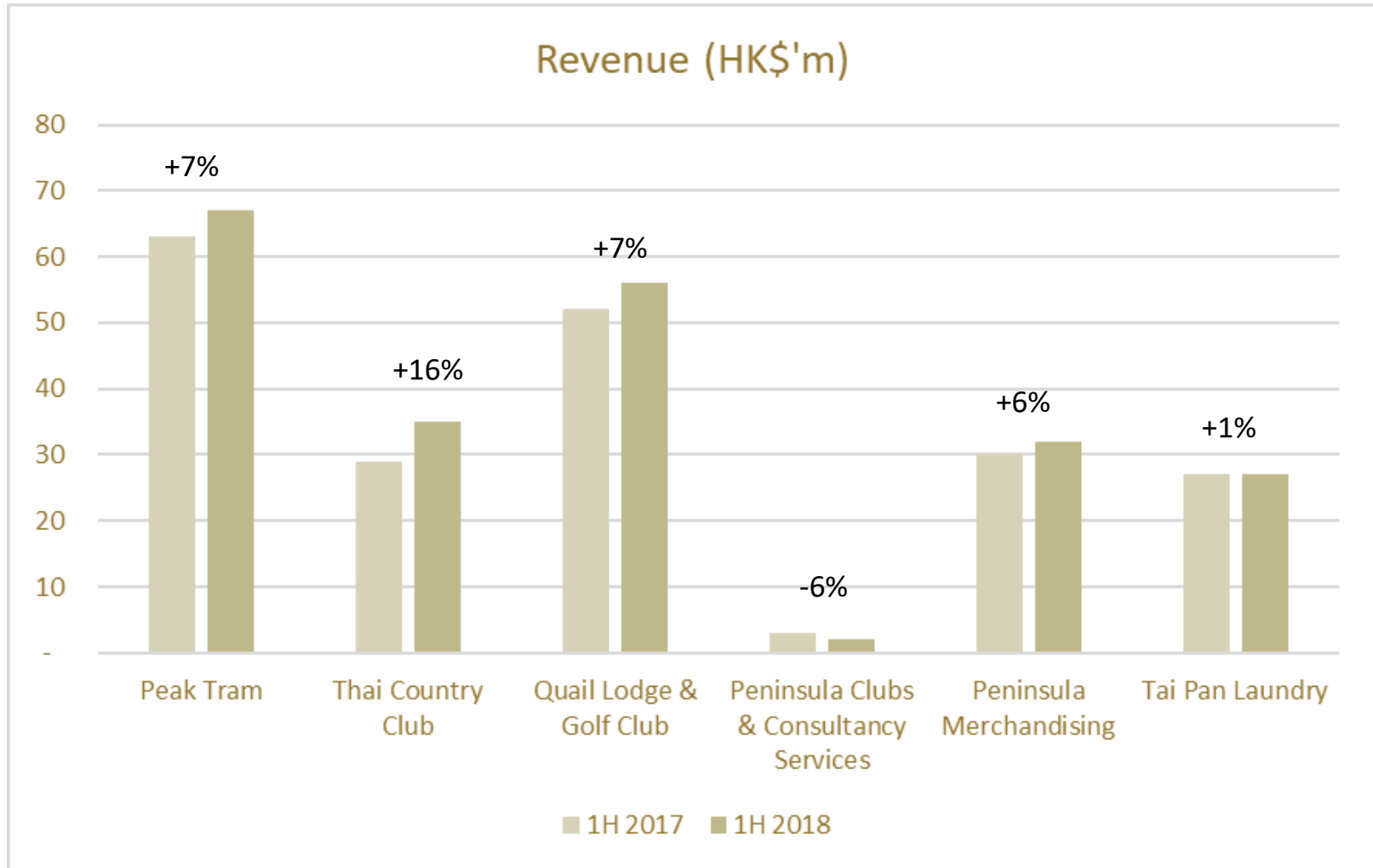
Occupancy Rate (%)



Average Monthly Yield per available square foot (HK\$)



CLUBS AND SERVICES – FINANCIAL HIGHLIGHTS



ASSET ENHANCEMENT INITIATIVES



21 avenue KLEBLER - PARIS



- Acquired in June 2013
- Conveniently located immediately adjacent to The Peninsula Paris on Avenue Klebler.
- Building restored in keeping with its heritage
- Office 100% leased to financial services firm Bridgepoint
- One of two retail joints leased to fashion house VOS

Z BAR – THE PENINSULA CHICAGO



- Commenced construction in August 2017
- Opened in June 2018
- Features iconic views of Chicago skyline
- Built on previously unused rooftop
- Previous Bar conversion to function space

YUN SUMMER LOUNGE – THE PENINSULA BEIJING



- Opened in June 2018
- Beijing city views
- Awarded “Hotel Bar of the Year” by *That’s Beijing* editor’s choice



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 £650 million

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

THE PENINSULA LONDON – EXCEPTIONAL LOCATION



THE PENINSULA YANGON



Location: Central Yangon, Myanmar

Group's interest: 70%

Group's share of investment: Approximately US\$126 million

THE PENINSULA ISTANBUL



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

Group's interest: 50%

Group's share of investment: Approximately €150 million

Q & A

