
fattal פתאל
HOUSE OF HOTELS | בית של מלונות
Capital Market Presentation, June 2020

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 or tax consultant. The Information is only condensed information. Investment in securities, in general, and in the Company, in particular, 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.

Data regarding: (i) a summary of the number of hotels and hotel rooms according to ownership/rent/management, divided by sectors (ii) average daily income per room and average occupancy rates in the chain's hotels in the first quarter of 2020; - which are shown in slides No. 5, 15 and 16 are provided in this presentation for the first time as additional information for investors.

Fattal Group Business Card

42,873
rooms

221
hotels

19
countries

NIS 1.04 billions
Cash balances at March 31, 2020

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

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

The chain is growing abroad.
More than **100** destinations across Europe

As of the date of signing the financial statements

Q1/2020 results:

Revenues	EBITDAR	EBITDA
851 NIS millions	**162** NIS millions	**-35** NIS millions

Data including hotels under 50% ownership and before the impact of IFRS16

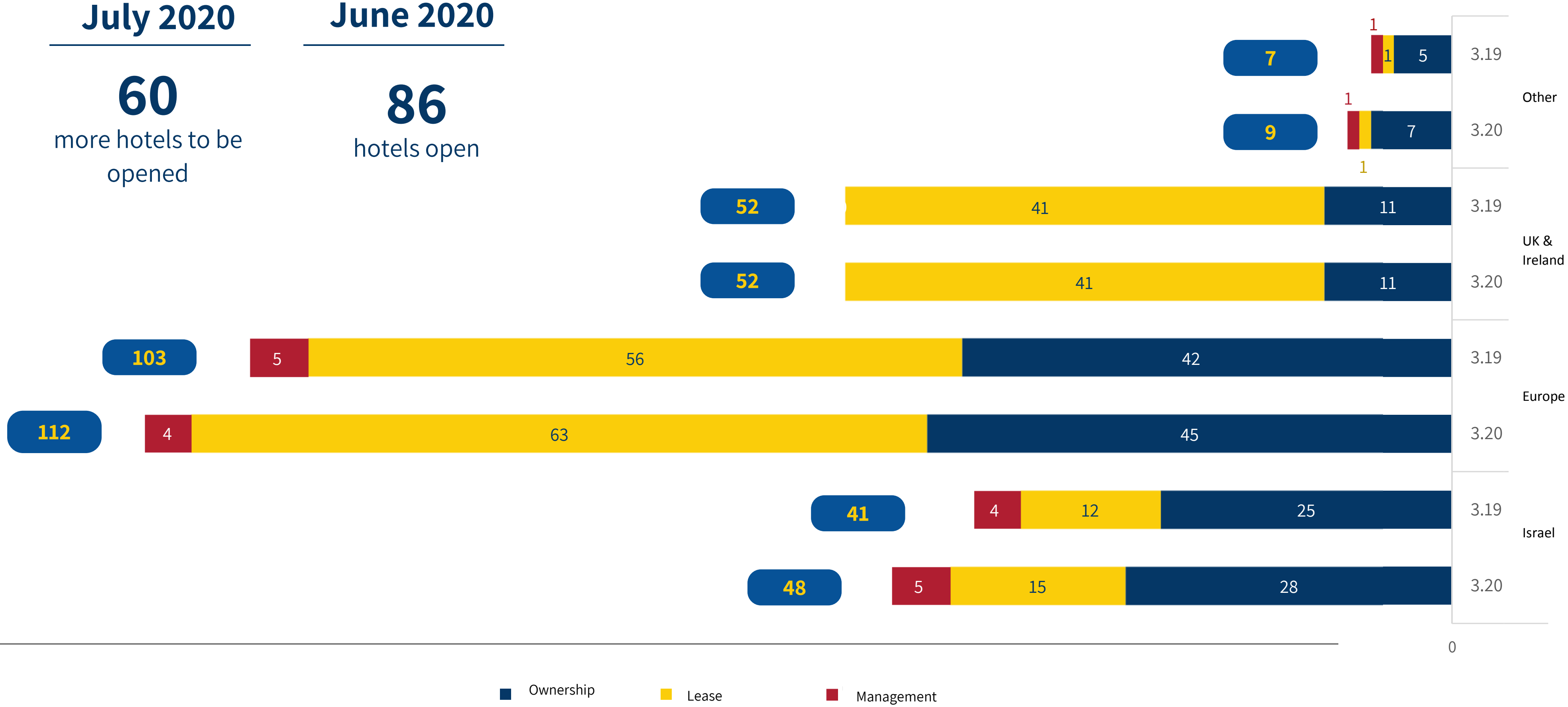
Number of Hotels[1]
Fattal Group

July 2020

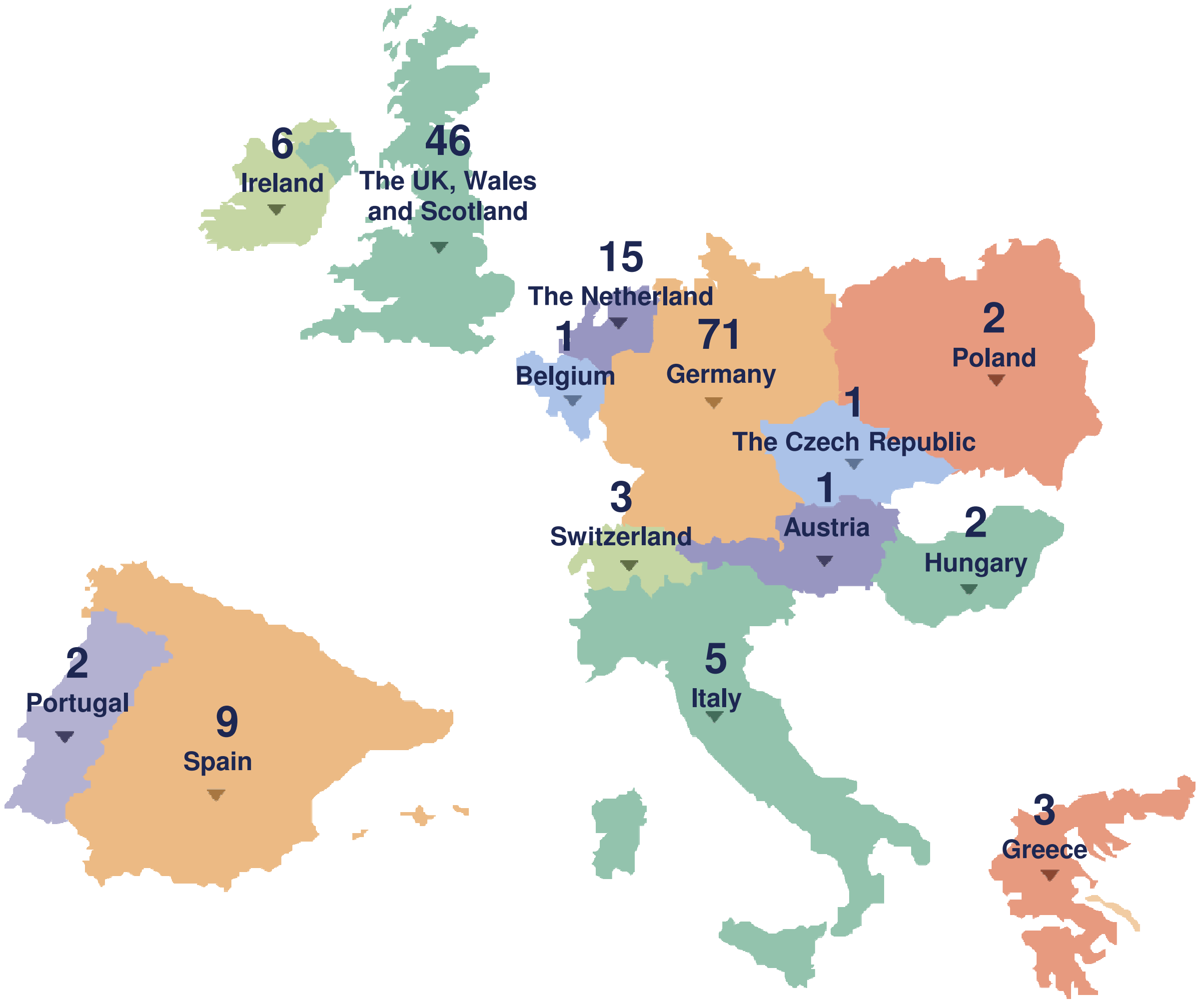
60
more hotels to be opened

June 2020

86
hotels open



1 As of March 31, 2020, there are 9 future hotels in Israel (994 rooms), 21 future hotels in Europe (5,296 rooms), 4 future hotels in the United Kingdom (850 rooms) and 4 future hotels in Greece and Cyprus (702 rooms).
2 As of date of publication of the report.



International Deployment – 19[1] countries

221 hotels

July 2020
60
Additional hotels to be opened

June 2020
86
Hotels open

[1] Including future hotels.

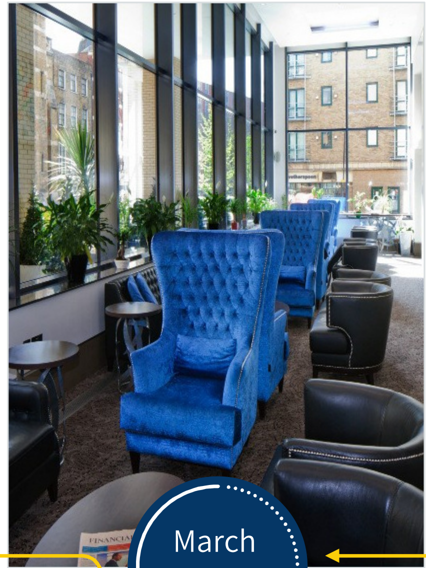
MAJOR EVENTS IN THE REPORTING YEAR

2020

Corona pandemic **COVID 19**

April 2019

Leonardo Royal Amsterdam hotel (490 rooms) was opened. Its building costs amounted to about EUR 56 million. The hotel is valued at about EUR 108 million



March 2019

4 hotels in London
1,311 rooms

January 2019

Entry of Accounting Standard **IFRS16**

The outbreak of the Corona pandemic and its impact on the Company

The outbreak of the Corona pandemic and the restrictions that have been imposed have, as mentioned above, resulted in very material damage to the Company's ongoing activities. Beyond the immediate implications, this is an “ongoing“ event whose results have not yet become completely clear and are expected to have long-term effects, both due to the impact on global growth and the possible changes in the travel and leisure habits of households and the business sector.

Against the backdrop of restrictions on movement and gathering in Israel and Europe, the closing down of all leisure culture in Israel and Europe, and the issuing of closure orders for hotels in some of the operating countries, the Company closed most of its hotels operated by it in both Israel and Europe at the end of March 2020.

The outbreak of the Corona virus and the global spread of the Corona pandemic in the first quarters of 2020 pose a global macroeconomic risk and raises uncertainty as to future economic activity in Israel and worldwide and the effects expected on inflation and financial markets.

The outbreak of the Corona pandemic and its impact on the Company (continued)

As a result, **the Company undertook, and is undertaking, inter alia, the following actions** for the purpose of adjusting its cashflow expenditures to the material decline in revenue:

All returning workers are employed under a graded pay reduction policy (between 20%-45%).	Reducing and streamlining of manpower - both in the number of employees and the amount of working hours
At the same time as hotels are being opened, employees are re-absorbed proportionately under tight standards	Sending employees on unpaid leave / initiated vacations and job reductions.
The Company is in the process of reopening according to demand and as of this date 86 hotels in Israel and Europe are open.	Closing hotels where occupancy is low and transferring guests to other hotels on the network
	Reducing all Group welfare and training activities
	Reducing or eliminating retainers for external service providers and obtaining vendor discounts
The Company received a deferral (for years to come) in connection with rents totalling approximately NIS 33 million, as well as a reduction and waiver in connection with rents totalling approximately NIS 45 million.	Delay of rental payments for some of the hotels closed due to prevention and force majeure
David Fattal has waived about 34% of the third quarter 2020 management fee	David Fattal waived a 2019 bonus of NIS 5.8 million. In addition he waived management fees for the second quarter of 2020
	Stopping branding projects and projects in the digital field
	Activity for receiving discounts and deferring payments from various government authorities
	Stopping most investments and renovations in the Group's hotels

The Company estimates that performing the actions as outlined (as well as other actions the Company may take) may result in a significant reduction in the Group's current expenditure over the coming months, in a way that will reduce the direct impact of the very significant decrease in its revenues in the first quarters of 2020.

The outbreak of the Corona pandemic and its impact on the Company (continued)

As a result, **the Company undertook, and is undertaking, inter alia, the following actions** for the purpose of adjusting its cashflow expenditures to the material decline in revenue:

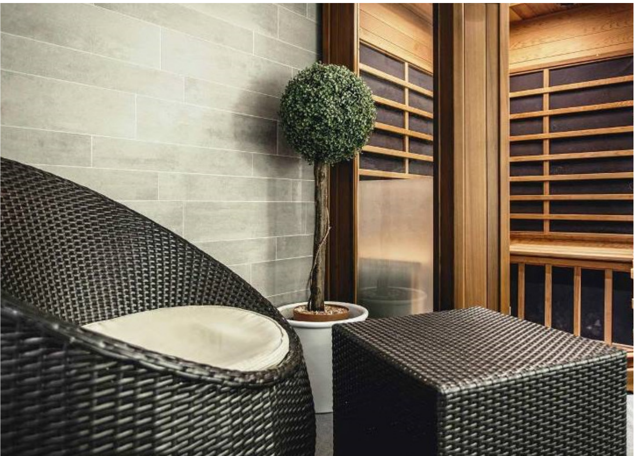
Issuance of equity for the Company amounting to NIS 100 million, by way of issuing rights to the Company's existing shareholders.	Refinancing some of the hotels	In some countries, the government has declared substantial government loan guarantees	Reviewing possibility of introducing partners to hotels in Europe	Reviewing possibility of selling hotels in Europe
↓	↓	↓		↓
As part of the rights issue Mr. David Fattal, the controlling shareholder in the Company, pledged to invest NIS 57 million in the Company's equity in accordance with his shareholding in the equity.	Banks in Israel and some European countries, which provided financing to the Company, deferred payments of principal totalling NIS 120m for a two-quarter period.	Approval in principle was obtained from a bank in Germany for a loan of EUR 60m and the Company is working to obtain such a loan from a bank in the UK amounting to £ 50m. In addition, loans totalling NIS 31 million were made in Israel.		The Company is negotiating with third parties to enter into Sale and Lease Back deals for 3 hotels in Europe worth EUR 136 million as of March 31, 2020 (approximately NIS 530 million).

Performing the operations as described may result in additional financial resources for the Company, estimated at approx. NIS 1 billion.

The outbreak of the Corona pandemic and its impact on the Company (continued)

It should be noted that the Company's ability to complete a significant portion of these actions depends on regulatory decisions made in the various countries and / or on the degree of cooperation and willingness of third parties (such as lenders and owners of hotels under third party ownership that are leased to the Group).

In the opinion of the Management and the Board of Directors, these operations together with cash and cash equivalents amount to approximately NIS 740 million, which the Group has, at the date of approval of the financial statements, will enable the Company to meet all its commitments in the coming year (i.e. until June 2021), in order to enable returning to routine operations without need of additional steps.

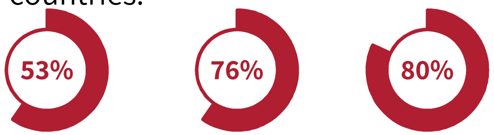



Exit Trend

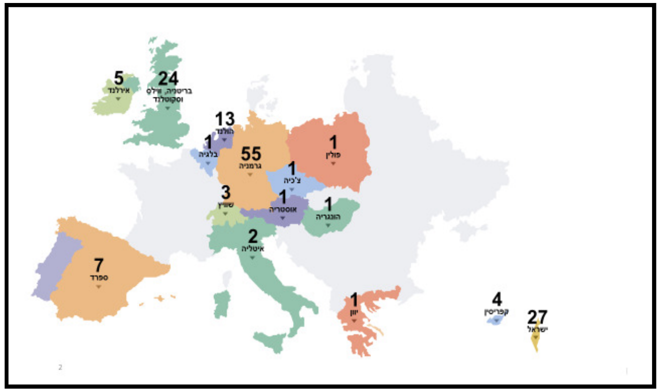
Accumulated future orders for June, July and August 2020 in major countries as of June 28, 2020:

189	69	50
(NIS million)	(NIS million)	(NIS million)
Israel	UK	Germany

Domestic tourism in major countries:



Israel UK Germany



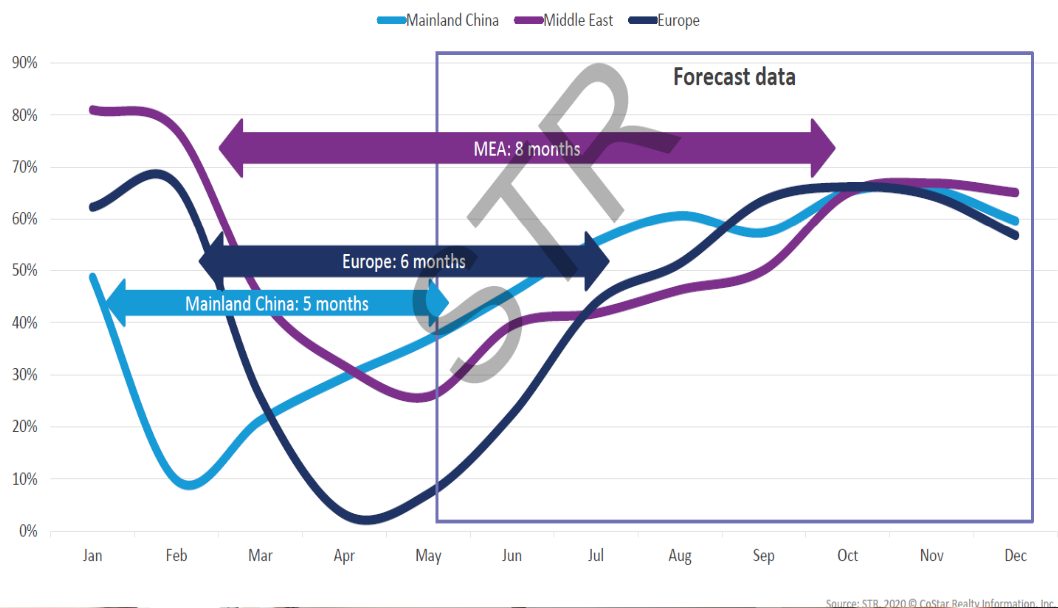
86 of the 183 Group hotels active in Israel and Europe are open and about 60 more hotels are expected to open during July 2020.

The nature of most of the hotels allows for a quick adjustment to the new reality

Forecasts and / or scenarios of STR and UNWTO on the manner and duration of recovery of the global hotel industry from the Corona crisis [1,2]

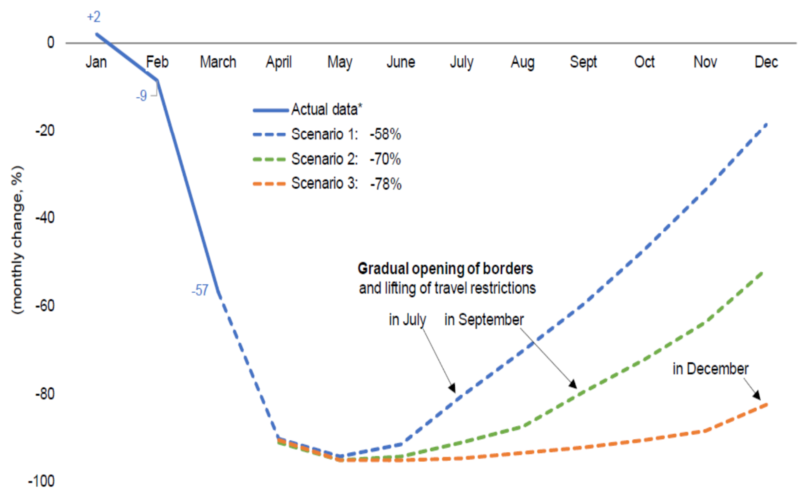
Short-term recovery modelled of China….

Full inventory reporting Occupancy, Forecast markets per Continent



Forward-looking scenarios depend on re-opening of borders

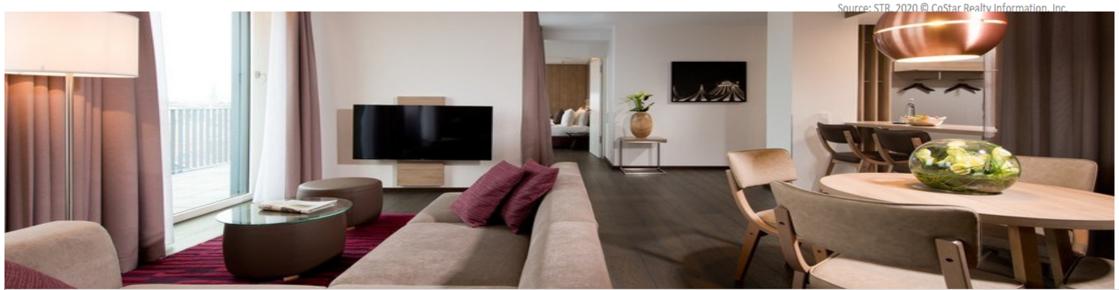
International tourist arrivals in 2020: three scenarios (YoY monthly change, %)



* Actual data through March includes estimates for countries which have not yet reported data.

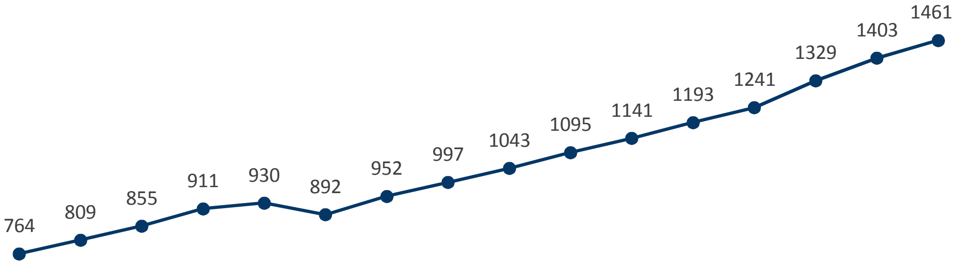
Source: UNWTO

Note: the scenarios presented in this graph are not forecasts. They represent alternative monthly change in arrivals based on the gradual opening of national borders and lifting of travel restrictions on different dates, still subject to high uncertainty.

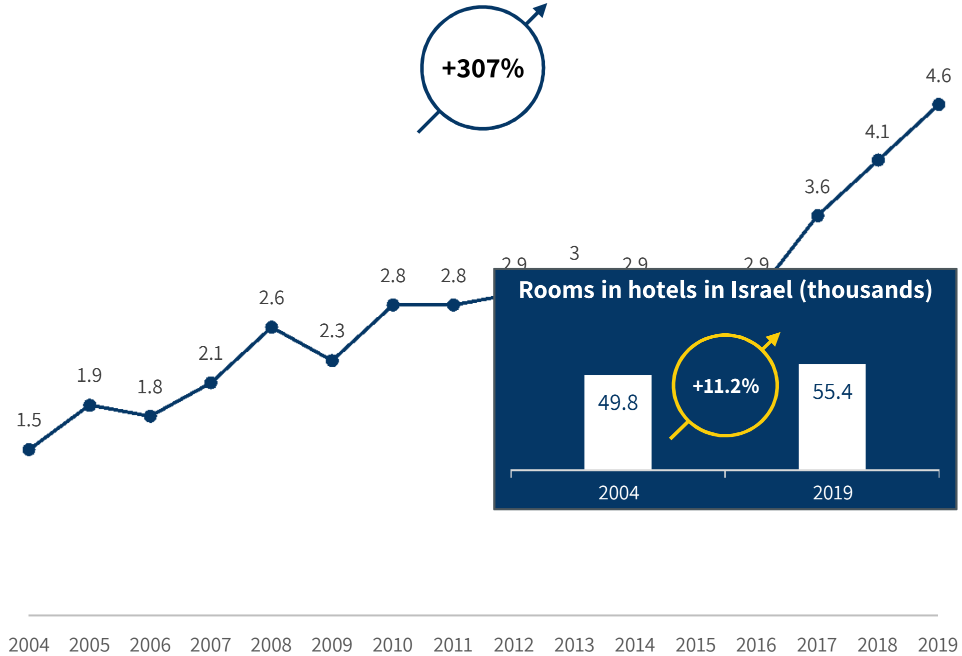


1 Founded in 1985, STR is a leading supplier of analytical data, analyses, benchmarks, and global hospitality market data based on, among other things, up-to-date information from 67,000 hotels in 180 countries around the world. It should be noted that the Company did not contact STR which posted the said information for its consent to the inclusion of the following information, which is public information published on the STR.Com website.
2 UNWTO is the United Nations World Tourism Organization. It . It should be noted that the Company did not contact the UNWTO who published the said information for its consent to the inclusion of the following information, which is publicly available information.

Number of international tourists (millions) [1]



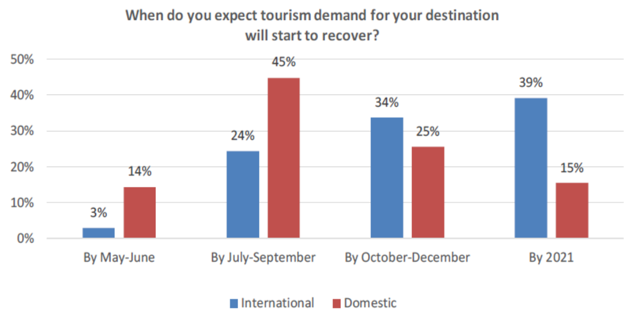
Tourist arrivals to Israel (millions) [2]

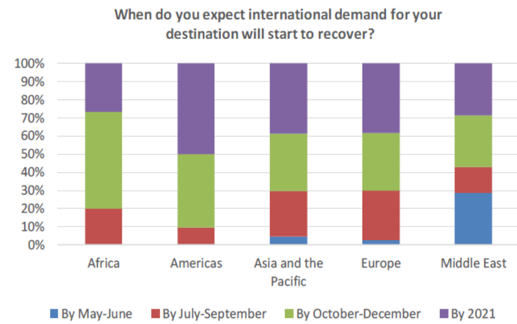


UNWTO
World Tourism Organization

Domestic demand expected to recover faster than international demand

International demand would recover by Q4 and mainly in 2021 according to the UNWTO Panel of Experts survey responses



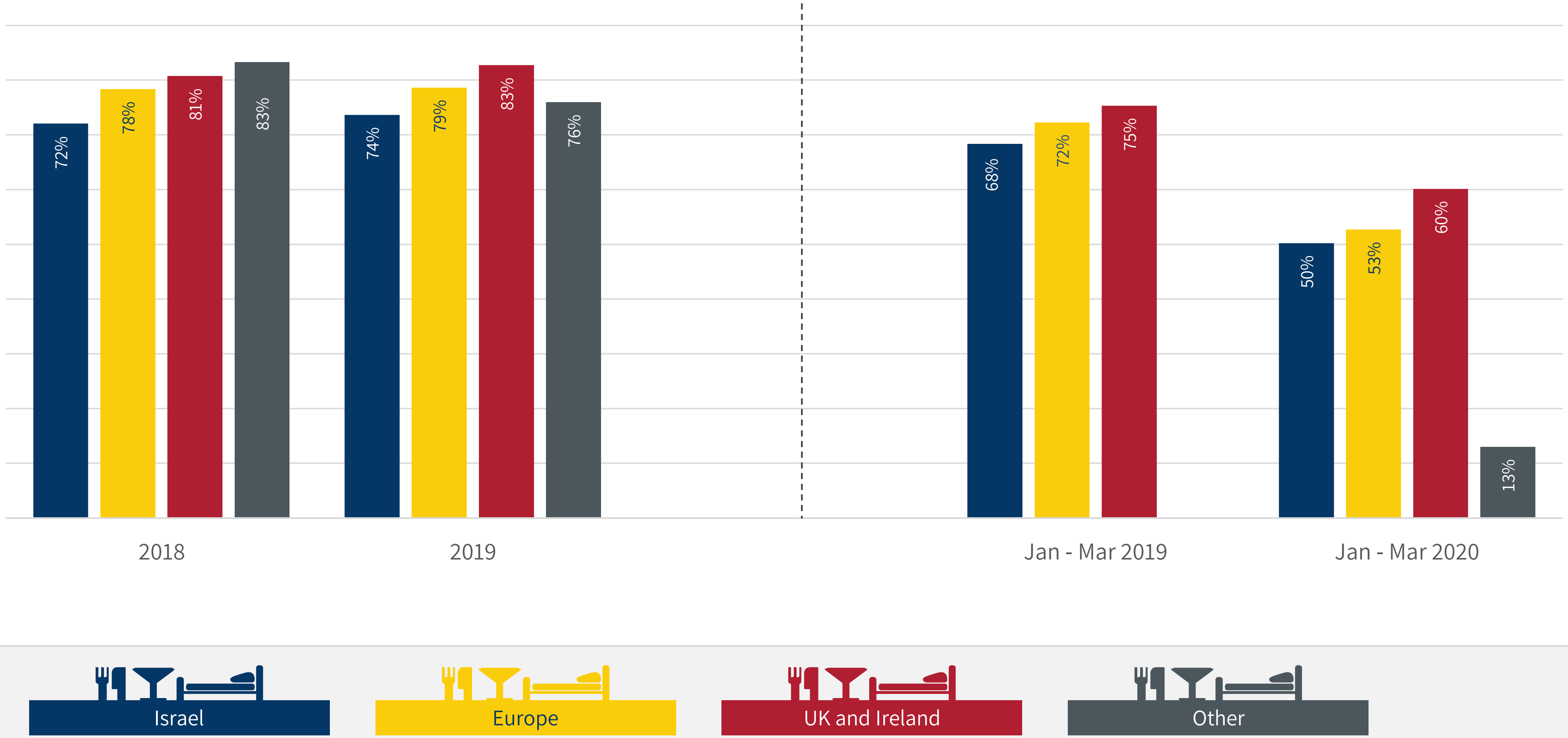


Source: World Tourism Organization (UNWTO)

1 Data of UN International Tourism Organization (UNWTO)
2 CBS data

The Company's Occupancy Data

Average Occupancy Rates in the Chain [1]

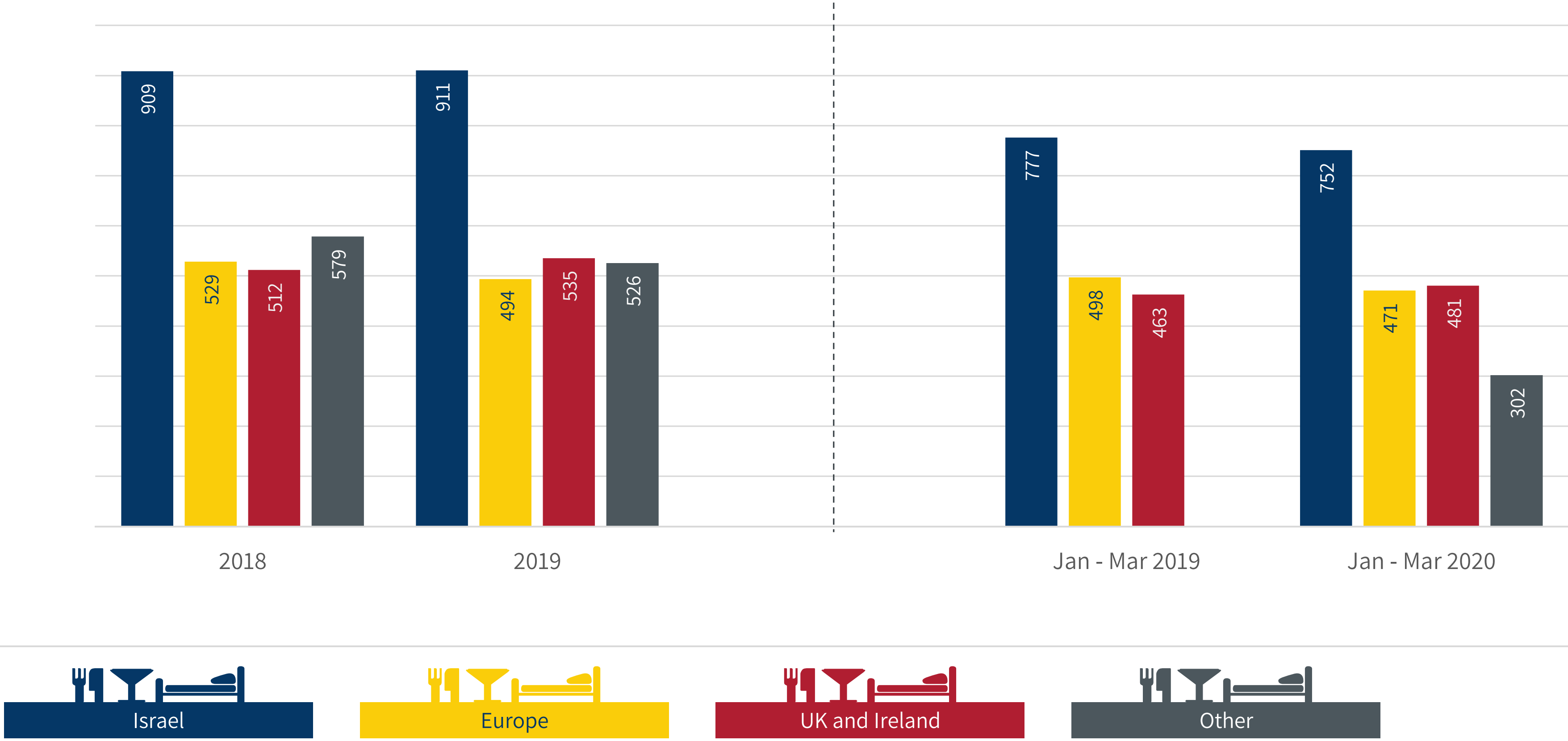


[1] Including relative share of hotels under 50% ownership

DATA OF AVERAGE REVENUE PER ROOM

Average Daily Revenue per Room [1] (ADR[2])

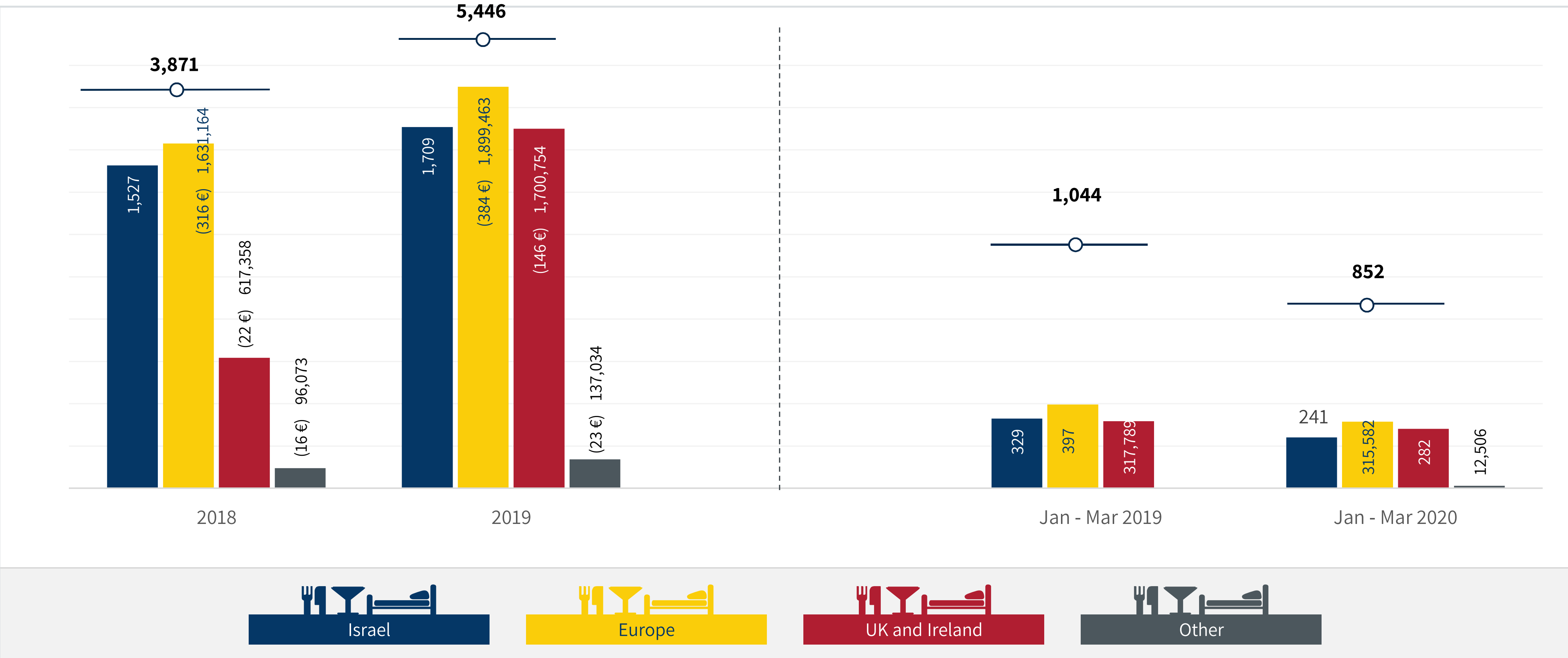
(in NIS)



[1] Including hotels under 50% ownership
[2] The ratio of the hotel's total revenue to the number of all rooms occupied in the hotel. This figure does not include managed hotels.

Key Financial Data

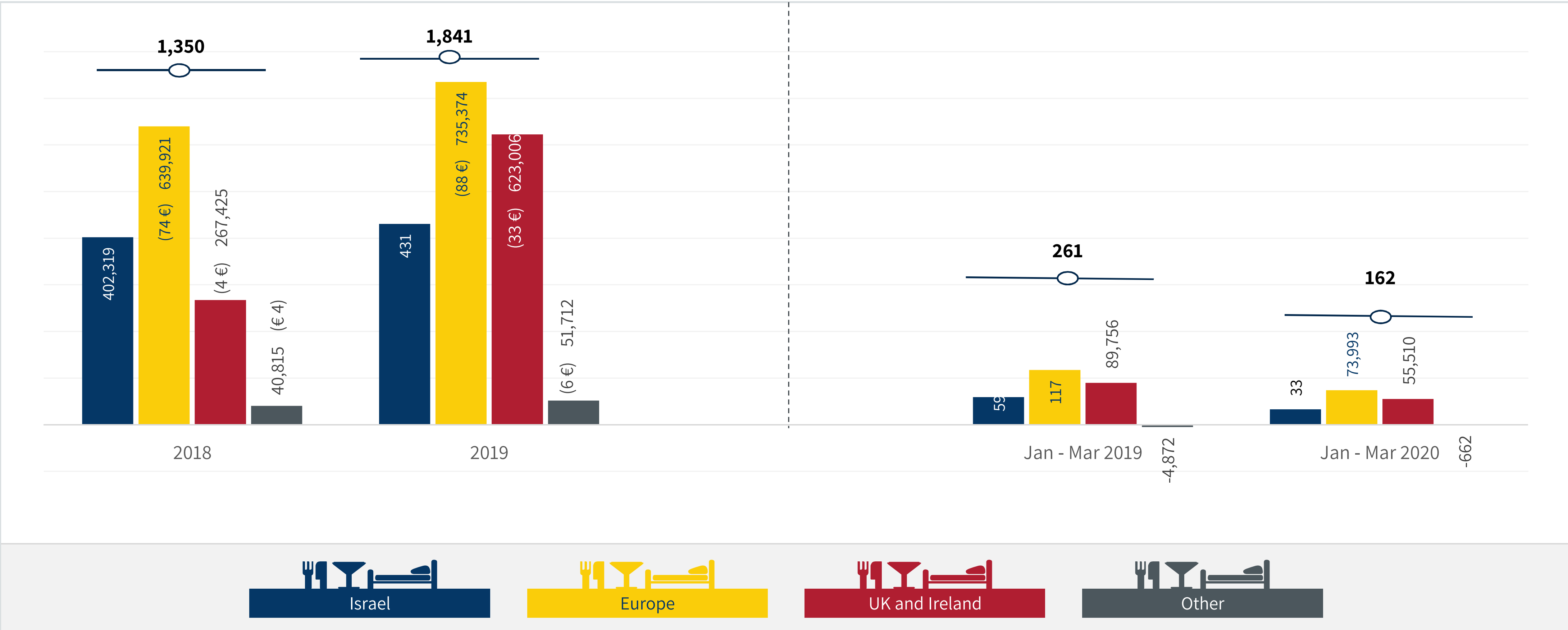
Fattal Chain Revenues (NIS million) 1



[1] Including the relative part of hotels under 50% ownership%.

Key Financial Data (cont.)

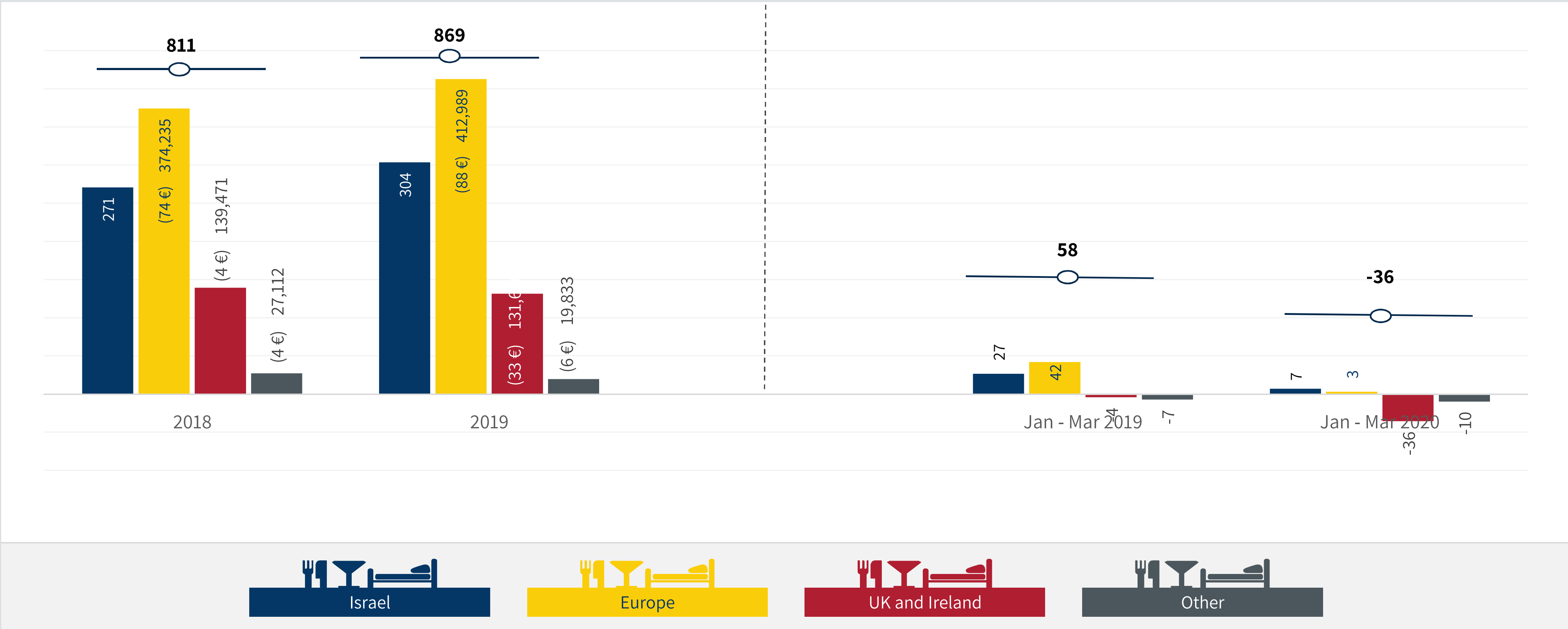
EBITDAR (NIS million) [1]



[1]Including the relative part of hotels under 50% ownership%.

Key Financial Data (continued)

EBITDA (NIS million)[1] Prior to the Impact of Standard IFRS 16



[1] Including the relative part of hotels under 50% ownership.

Hotels with Future Opening Date [1]

Location		Rooms	Date	Expected Costs[1] (M.EURO)
Nicosia, Cyprus	Owned (50%)	198	2022	10
Barcelona, Spain	Owned (50%)	204	2021	10
Porto, Portugal	Owned (33%)	560	2021	23
Dublin, Ireland	Owned (50%)	175	2022	15
Eilat, Israel[2]	Owned (51%)	279	2020	8
Manchester, England	Owned	275	2022	40
Hamburg, Germany	Owned	236	2021	39
Tel Aviv, Israel	Owned	85	2022	35
Athens, Greece	Leased	217	2021	18
Tsaloniki, Greece	Owned (50%)	122	2021	8
Limassol, Cyprus	Owned (50%)	165	2022	15
Dead sea, Israel	Owned	198	2024	30
Lisbon, Portugal	Owned	132	2023	22
Liverpool, England	Owned	200	2022	27
Bucharest, Romania	Owned	81	2020	9
Edinburgh, Scotland	Owned	90	2022	18
Total (15 Hotels)		**3,217**		

1 Future transactions that were signed up to the date of approval of the financial statements

2 The hotel managed by the Company before the acquisition transaction.

Location		Rooms	Date
Offenbach Germany	Leased	203	2020
Zurich, Switzerland	Leased	116	2020
Bristol, England	Leased	197	2021
Nürnberg, Germany	Leased	238	2021
Eschborn, Germany	Leased	234	2021
Warsaw, Poland	Leased	331	2020
Frankfurt, Germany	Leased	348	2022
Augsburg, Germany	Leased	235	2021
Jerusalem, Israel	Leased	168	2021
Tel Aviv, Israel	Leased	56	2021
Tel Aviv, Israel	Leased	85	2022
Koln, Germany	Leased	238	2023
Hamburg, Germany	Leased	142	2022
Jerusalem, Israel	Leased	90	2023
Koln, Germany	Leased	336	2022
Jerusalem, Israel	Leased	72	2023
Leipzig, Germany	Leased	236	2024
Kibbutz Tzuba, Israel	Leased	152	2023
Koln, Germany	Leased	250	2023
Hamburg, Germany	Leased	191	2022
Berlin, Germany	Leased	374	2024
Düsseldorf, Germany	Leased	261	2023
Hamburg, Germany	Leased	209	2023
Nürnberg, Germany	Leased	222	2023
Jerusalem, Israel	Managed	88	2022
Total (25 Hotels)		**5,072**	

CONSOLIDATED BALANCE SHEET (NIS million)

	Mar 2020			Mar 2019	Dec 2019
	Data prior to implementation of IFRS16	**Impacts of IFRS16**	**As shown in the Financial Statements**		
Current Assets	1,756	(123)	1,633	1,579	1,823
Long Term Investments and Other Assets	2,300	11,695	13,995	14,301	14,213
Fixed Assets	5,868	-	5,868	5,551	5,752
Total Properties	**9,924**	**11,572**	**21,496**	**21,431**	**21,788**
Short Term Credit	483	-	483	404	455
Other Current Liabilities	983	259	1,242	1,347	1,335
Loans and Bonds – Long Term	4,515	-	4,515	3,795	4,133
Deferred taxes	316	-	316	347	396
Others	430	11,808	12,238	12,676	12,351
Total Liabilities	**6,727**	**12,067**	**18,794**	**18,569**	**18,670**
Shareholders' Equity	**3,197**	**(495)**	**2,702**	**2,862**	**3,118**
Total Liabilities and Equity	**9,924**	**11,572**	**21,496**	**21,431**	**21,788**

Profit and Loss Report (NIS million)

	1-3/20			1-3/2019	1-12/2019
	Data prior to implementation of IFRS16	**Impacts of IFRS16**	**As shown in the Financial Statements**		
Revenues from Hospitality Services and Others	839	-	839	1,024	5,342
Total Operating Expenses	674	-	674	765	3,532
Operating income before rent, depreciation and reductions (EBITDAR)	165	-	165	259	1,810
Total Rent	210	(208)	2	16	115
Operating income before depreciation and amortization (EBITDA)	(45)	208	163	243	1,695
Depreciation	84	154	238	200	894
Other Expenses, Net	87	-	87	5	36
Profit before Financing	(216)	54	(162)	38	765
Financing Expenses, Net	63	159	222	142	718
Group's Share in the Subsidiaries' Earnings (Losses)	(10)	1	(9)	2	11
Tax Expenses (Tax Benefit)	59	27	86	14	(17)
Net Income	**(230)**	**(77)**	**(307)**	**(88)**	**41**
Net Earnings Attributed to Shareholders of the company	(230)	(77)	(307)	(88)	38
Net Earnings Attributed to Non-controlling Interests	0-	-	0-	0	3
Real FFO	**(78)**	**-**	**(78)**	**3**	**543**

Cash Flow Statement (NIS million)

	1-3/20	1-3/19	1-12/19
Cash flows from operating activities	79	43	973
Cash flows for investing activities	(265)	(396)	(1,037)
Cash flows from financing activities	366	248	304

Financial Ratios for Repayment[1]

Debentures (Series B) [1,2]

As per Trust Deed	03/2020	
Not less than 1,250 (NIS million)	3,197 (NIS million)	Shareholders' equity
Not less than 22.5%	32.2%	Ratio of equity to total assets
Not more than 8	5.72	Ratio of net financial debt to adjusted EBITDA

Debentures (Series C) [1,2]

As per Trust Deed	03/2020	
Not less than 1,400 (NIS million)	2,702 (NIS million)	Shareholders' equity
Not less than 700 (NIS million)	1,615 (NIS million)	EBITDA
Not more than 76%	58.6%	Ratio of net financial debt to net CAP

The financial standards in connection with the EBITDA data will not be reviewed from the date of publication of the Company's quarterly report as of March 31, 2020 until (including) the date of publication of the Company's quarterly report as at March 31, 2021

1 As of March 31, 2020, the Company meets all the standards.
2 For the 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 March 31, 2020 which is included in the Company's quarterly report at that date.

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Thank you for your attention!