AccorHotels

BUY-Top pick confirmed even in a "Stress" scenario

Fair Value EUR48 vs. EUR53

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World Tourism expectations: Further growth

2015 another year of growth…

- According to the WTO, international tourist arrivals increased by 4.4% in 2015 to reach 1,181 million stays, up 50 million from 2014. This is the 6th consecutive year in which growth has exceeded the average of 4% in the past 10 years.
- 2015 growth was driven by exchange rates, mainly the appreciation of the USD encouraging outbound travel from the United States and a manmade crisis in many parts of the world.
- By geography, the imbalance persisted between growth in advanced economic destinations (+5%) and other developing regions. As a result, Europe, the Americas and Asia-Pacific all showed growth of around 5% while the Middle East was up by 3% and Africa down 3%.
- China continued to strengthen its position as a leading source of international tourists. In 2015, 109 million Chinese people travelled abroad (10 million in 2000) with 174 million forecast by the year 2019. Today, only 5% of China's population holds a passport and most stays concern Asia and neighbouring countries. Together, Hong Kong, Taiwan and Macao account for 70%. South Korea, Thailand, Japan and Vietnam follow. In terms of long distance destinations, the US was in the lead followed by France. Measures to facilitate visa attribution have played an important in attracting these visitors enabling groups to benefit from the windfall.

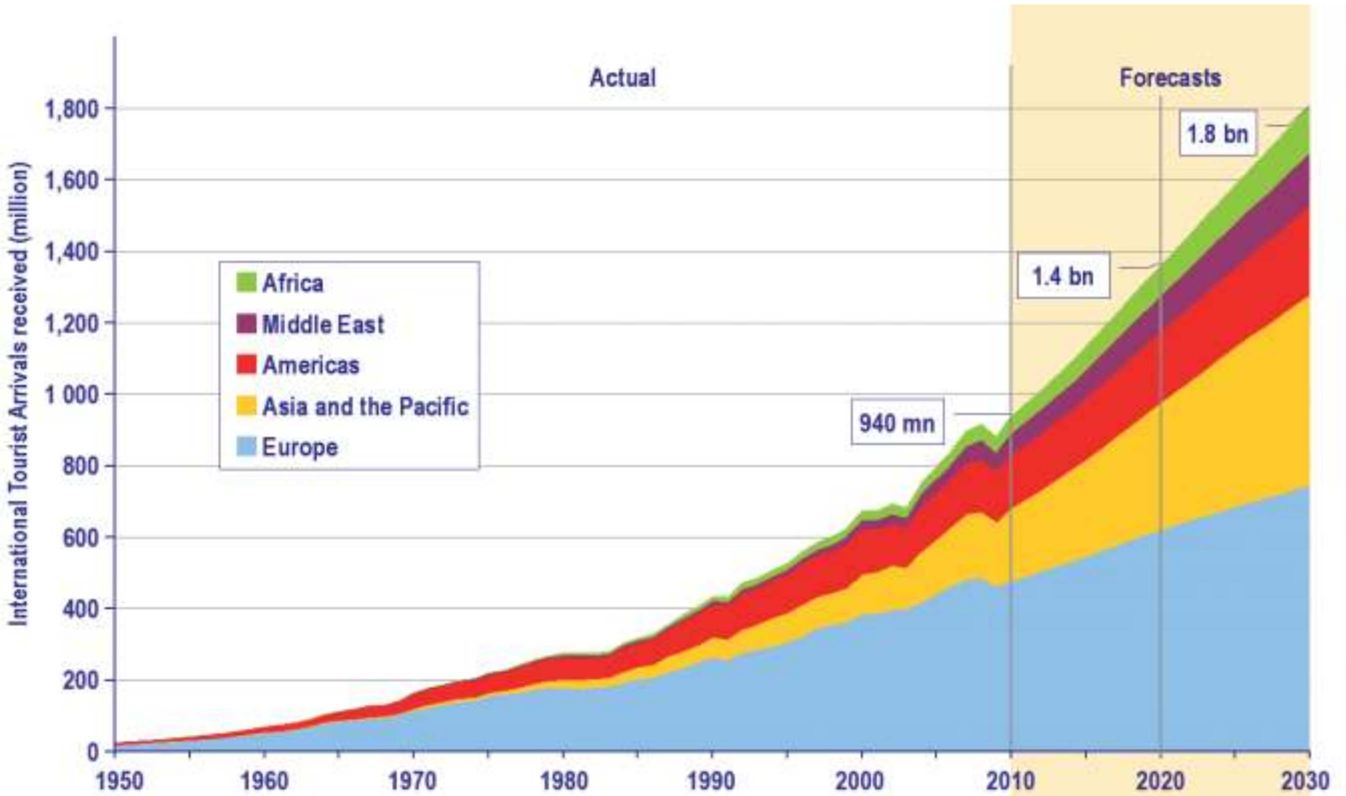
…with further growth expected for 2016 and beyond

- For 2016, the regions where the strongest growth may be expected are Asia-Pacific (+4% to +5%) and the Americsa (+4-5%), followed by Europe (+3.5-4.5%).
- Again in 2016, growth in Europe should be supported by weaker the EUR against the USD and other main currencies.
- Chinese travellers should represent 125 million

World Tourism expectations: Further growth

comments

UNWTO Tourism Towards 2030



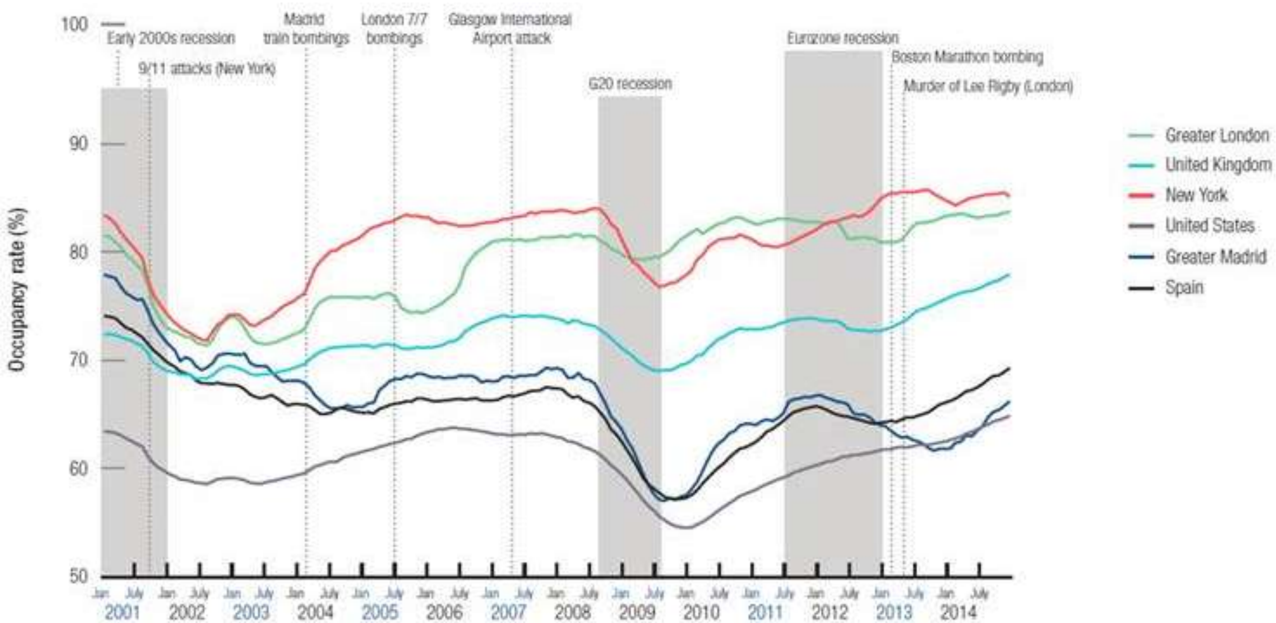
Source: UNWTO Tourism Highlights, 2015 Edition

Terrorist attacks: How the tourism business can bounce back

The hotel industry is becoming more resilient to shocks from terrorism

- After 9/11, the occupancy rate for **New York** hotels took 34 months to recover. In comparison, it took 12 months for **Madrid** hotels to find the same rate after the 2004 attacks and nine months for **London** hotels after those of July 2005. The attack in **Boston** and the murder of Lee Rigby in **London** had **limited impacts**.
- In Paris, the **“Charlie Hebdo”** and **“Hyper Cacher”** attacks in January 2015 also had a limited impact on hotel occupancies. Although domestic and regional travellers appear to be less deterred by isolated incidents, international demand is sensitive to the threat level portrayed by the press and travel advisories.

Occupancy rate trend in selected locations around the world



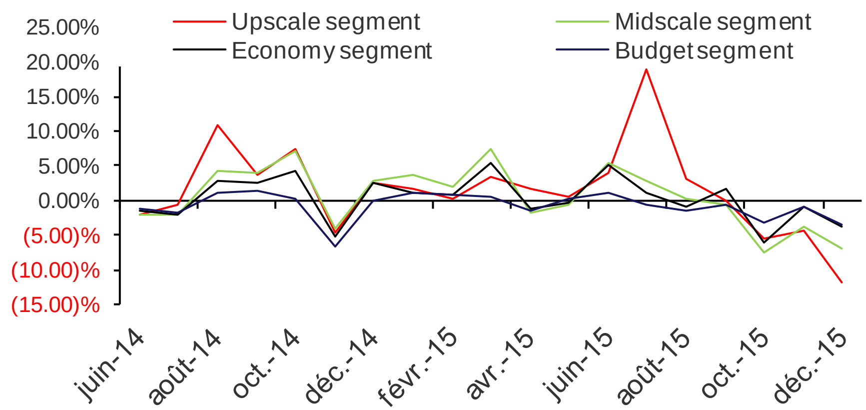
Source: STR Global and Deloitte analysis, strictly illustrative

Terrorist attacks: How tourism business can bounce back

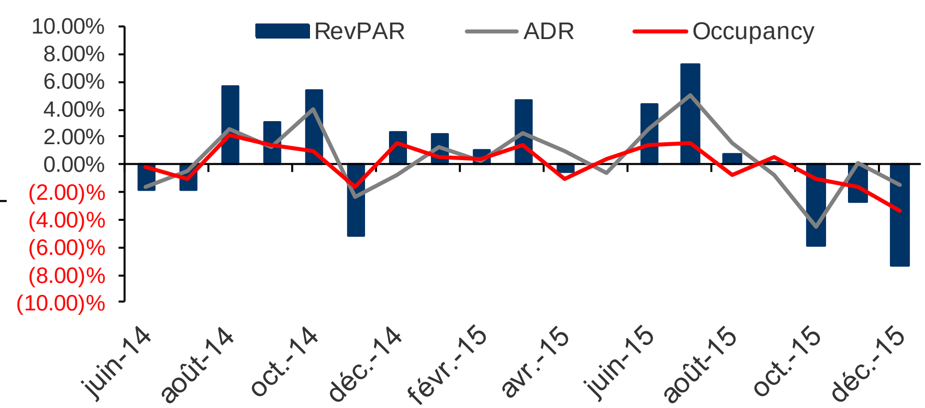
November 13th terrorist attack impacts in France

- Once again, France was significantly affected by the 13th November terrorist attacks with RevPAR down 7.4% in December despite the positive effect of COP 21 for almost 15 days. By segment, the upper scale segment was the most affected with RevPAR down 12% in December compared with -7% in midscale, -3.7% in economy and -3.4% in budget.
- All in all, RevPAR in France was only slightly positive at 0.1% in 2015 with Q4 down 5.3% o/w -7.3% in upper scale,-6.1% in midscale, -3.5% in economy and -2.5% in budget.
- For AccorHotels, our FY 2015 expectations are based on RevPAR growth of 3,3% having in mind that RevPAR was up 3,4% at the end of 9m. Regarding France, our RevPAR estimate is 1% for FY 2015 compared with +2,4% at the end of 9m which imply a RevPAR decrease of 3,5% in Q4 2015.

Hotel RevPAR trend by segment in France



Hotel trend in France



Source: MKG Hospitality ON; Bryan, Garnier & Co.

Terrorist attacks: How tourism business can bounce back

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…and a recovery depending largely on implementation of security protocols

- As after previous terrorist attacks, cancellations were first made by international travellers, particularly Asian, with a significant impact on occupancy rates in the upper scale segment (occupancy was down 7.3% in the upper scale segment in December compared with -3.8% in midscale hotels, -2.2% in economy and -2.3% in budget).
- As such, the ability of nations to implement security protocols to respond quickly and efficiently to terrorist attacks is essential to bounce back relatively quickly as did Paris following the "Charlie Hebdo" shootings or after the 13th November attacks.

Hotel RevPAR trend by segment in France

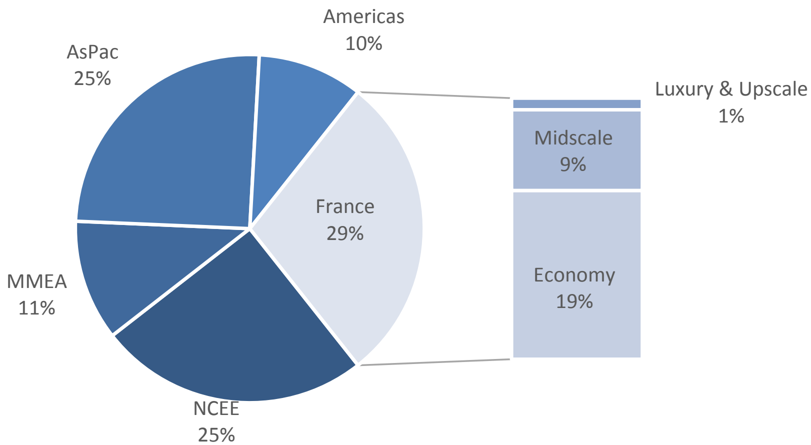
2015	Occupancy rate	% pts	ADR (€)	%	RevPAR	%
Paris intra-muros	79,40%	-3,4	156,2	0,40%	123,9	-3,70%
Ile de France hors Paris	70,30%	-1,6	74,6	-0,40%	52,5	-2,60%
Total France	65,40%	-0,3	85,6	0,50%	56	0,10%

Source: MKG Hospitality ON; Bryan, Garnier & Co.

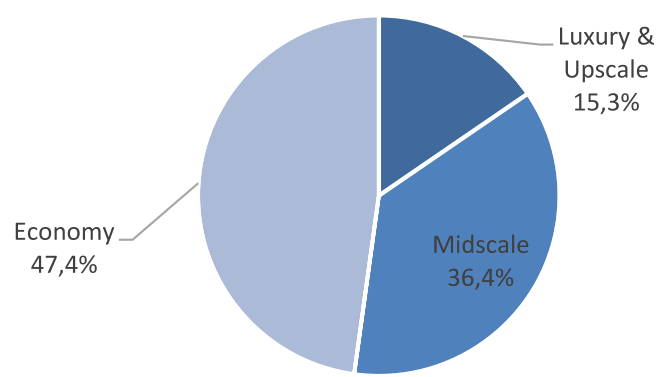
AccorHotels network

- At the end of 9m 2015, AccorHotels operated 3,815 hotels with 500,366 rooms o/w 36.7% owned & leased, 34.3% managed and 29% franchised.
- Some highlights by geography:
  1. In France, Paris/Ile de France with 433 hotels represents over 27% of the offer but generates over 60% of EBIT;
  2. In the Americas, Brazil is the main country accounting for 73.6% of the region with 220 hotels and 35,572 rooms.

AccorHotels offer per geography in number of rooms



AccorHotels offer per segment in number of rooms



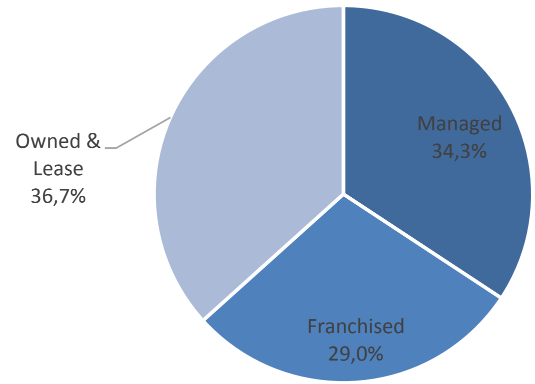
Source: AccorHotels; Bryan, Garnier & Co.

EBIT sensitivity to RevPAR and currencies

AccorHotels EBIT sensitivity to RevPAR changes (based on 2014 results and explained 50/50 by occupancy and ADR)

Sensitivity to RevPAR for 1% decline	HotelServices	HotelInvest	Total
Impact EBIT (EURm)	-3	-16	**-19**

Sensitivity to RevPAR for 1% increase	HotelServices	HotelInvest	Total
Impact EBIT (EURm)	4	11	**15**



AccorHotels EBIT sensitivity to RevPAR (based on 2014 results)

Currency sensitivities	In EURm on EBIT +/- 10%	% consolidated EBIT
GBP	7,8	13%
BRL	3,6	6%
AUD	2,9	5%
CHF	2,5	4%
USD (USA + South-East Asia)	2,4	4%
PLN	2,4	4%
Consolidated EBIT 2014	**602**	

Source: AccorHotels; Bryan, Garnier & Co. est.

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Our new "Base Case" scenario for 2016…

- Our main assumptions are the following:

1. **RevPAR growth** of 4.5% (vs. 4,8% previously) after 3.1% anticipated for 2015. In **France**, our RevPAR expectation is 3% after 1% in 2015e and -3.4% in Q4. France is set to be driven especially by the EURO 2016 football tournament in June and July and the motor show in Paris in October. In Brazil, the 2016 Summer Olympic Games should sustain RevPAR in a challenging economic environment.

2. **Expansion** is based on 20,000 new rooms per year (over 23,400 in the first 9m 2015 after c.30,000 in 2014).

3. A **forex** impact using average rates since the beginning of the year and the last exchange rate for the rest of the year.

4. The **digital plan** announced in October 2014 represents an investment of EUR225m between 2014 and 2018 (EUR5m in 2014, EUR73m in 2015, EUR74m in 2016, EUR48m in 2017 and EUR25m in 2018) o/w 55% on capex and 45% opex.

5. Positive impacts from all **the initiatives implemented** notably from Food & Beverage Procurement, the asset restructuring program and digital plan.

…and for 2017

- Our forecasts are based on RevPAR growth of 5.2%, o/w 3.5% for France. We have retained new rooms of 20,000.

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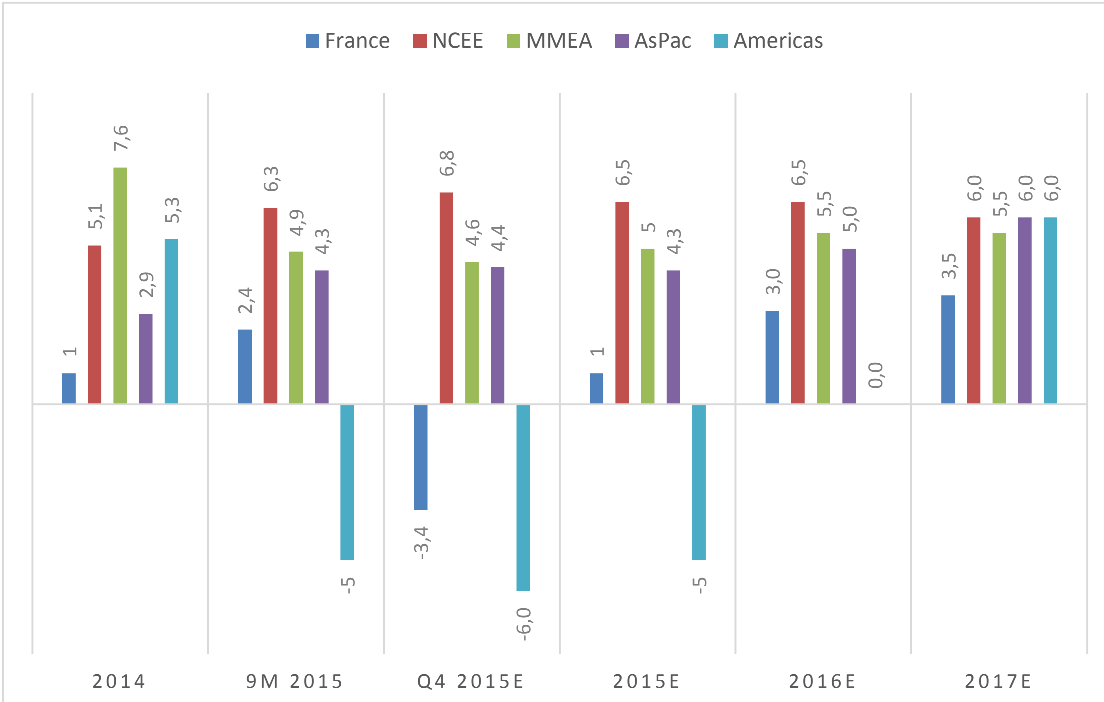
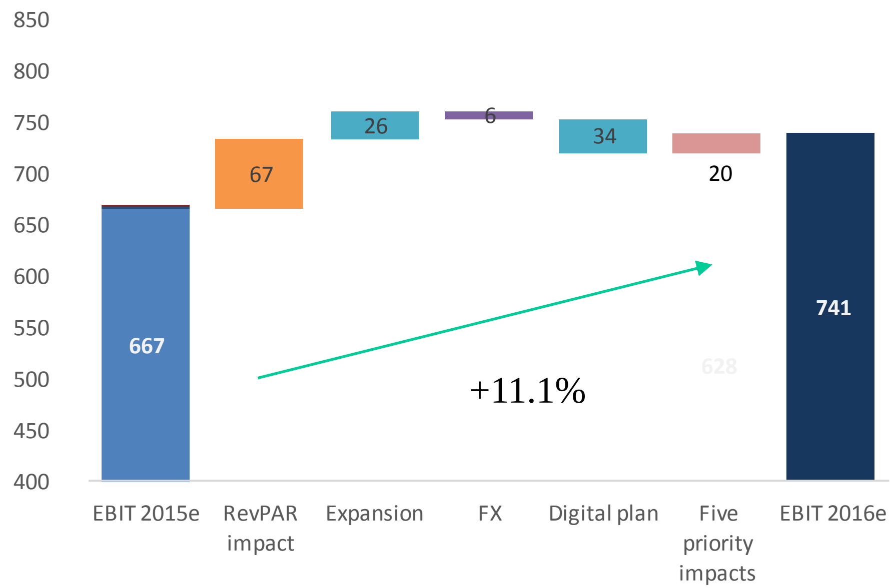
"Base Case" 2016e and 2017e RevPAR by geography



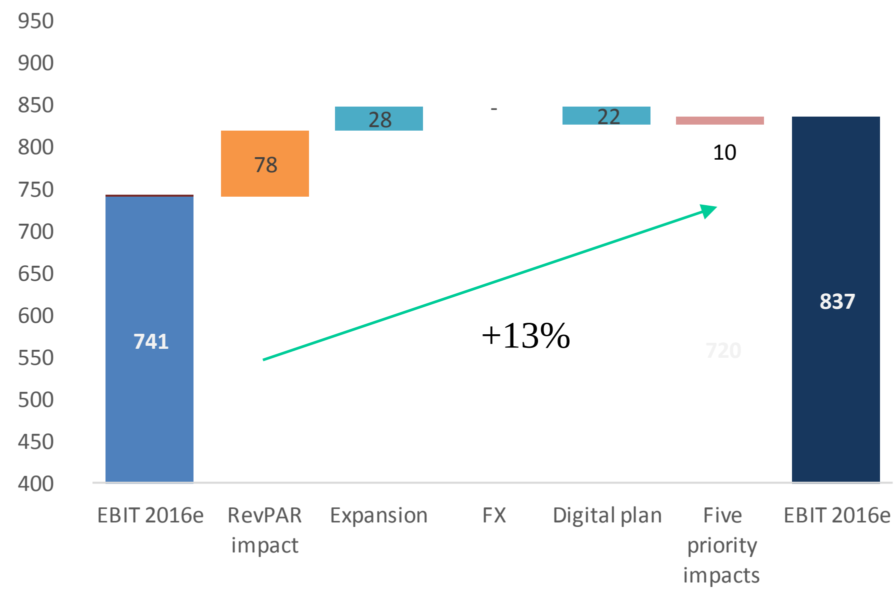
Source: Bryan, Garnier & Co. est.

"Base Case" 2016e and 2017e EBIT bridge

Accor Hotels 2016e EBIT bridge (w/o FRHI)



Accor Hotels 2017e EBIT bridge (w/o FRHI)



Source: Bryan, Garnier & Co. est.

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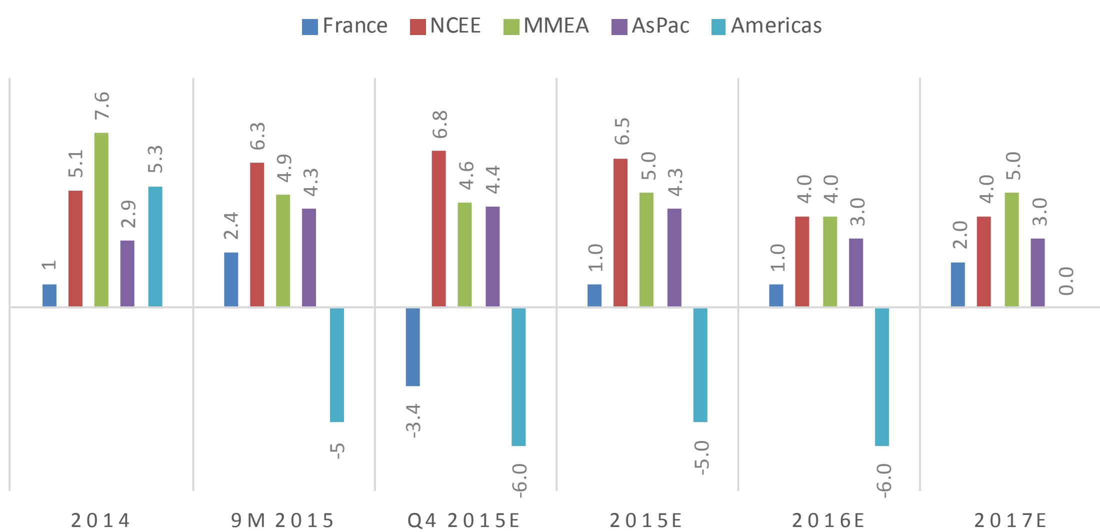
Our “Stress” scenario

- Compared with our “base case” scenario, changes concern RevPAR growth with the following assumptions:

1. **For 2016, RevPAR growth** of 1,9% for 2016 vs. 4,5% in our “Base Case” with notably no rebound in **France** compared to 2015 and higher negative RevPAR in **Americas** due to **Brazil**;
2. Some improvement in **2017** with a RevPAR growth of 2,9% (+5,2% in our “Base Case” scenario).
3. <u>Base on those hypotheses and all other things being equal</u>, our EBIT would move to EUR700m from EUR741m for 2016e and to EUR759m from EUR834m for 2017.

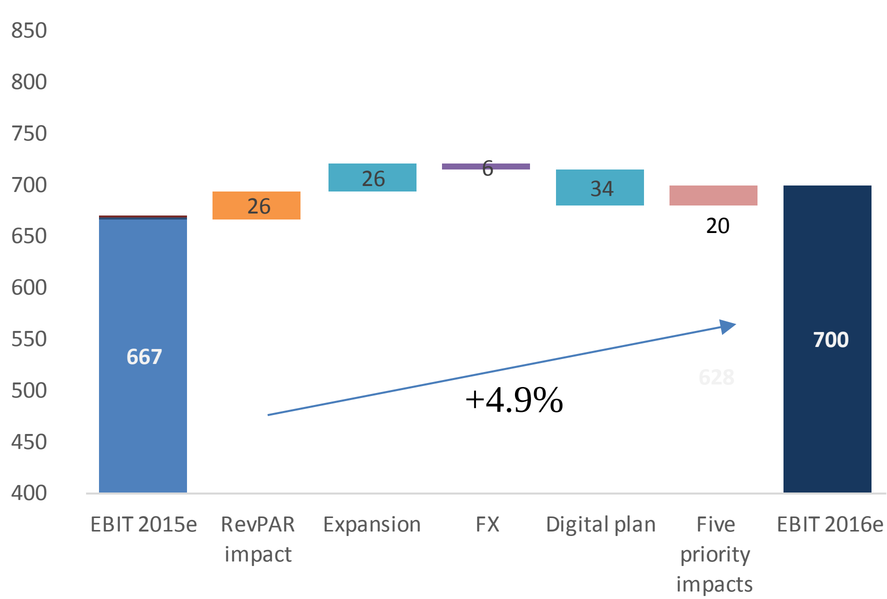
2016e and 2017e RevPAR by geography: “Stress” scenario



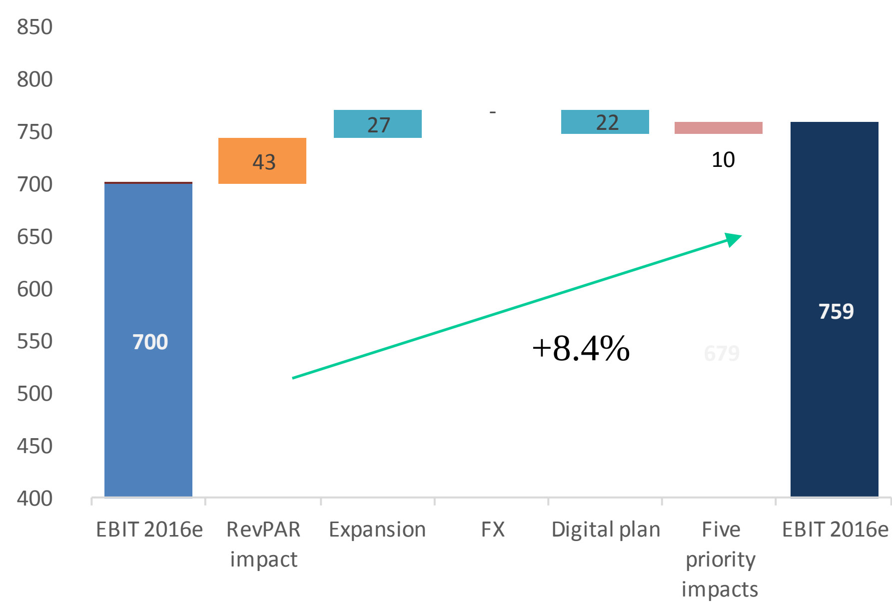
Source: Bryan, Garnier & Co. est.

"Stress" scenario 2016e and 2017e EBIT bridge

Accor Hotels 2016e EBIT bridge (w/o FRHI)



Accor Hotels 2017e EBIT bridge (w/o FRHI)



Source: Bryan, Garnier & Co. est.

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"Base Case" scenario valuation: Our DCF points to a Fair Value of EUR48

- Our calculation is based on the following assumptions:
  1. WACC of 8.6% (same level as calculated by AccorHotels-source 2014 Registration Document) with a cost of capital of 8.7% assuming:
     - A market risk premium of 6.4% which is calculated on the basis of an arithmetical average of three-year risk premiums on the Stoxx50, Stoxx600 and CAC40 indices.
     - A risk-free rate of 2%, which corresponds to the average over five years of ten-year rates in the five main European countries, namely Germany, France, the UK, Italy and Switzerland.
     - A Beta of 1.04.

  2. A growth-rate to infinity of 2.5% as of 2025 with normal average EBIT margin of 15% compared with a margin of 11% in 2014, 11.8% in 2015e, 12,7% in 2016e and 13,8% in 2017.

  3. An average recurring tax rate of 30%.

  4. Maintenance capex of 4%.

"Stress" scenario valuation: Our DCF points to a Fair Value of EUR42

- Lower EBIT growth due to lower RevPAR is the main difference compared with our "Base Case" scenario, all other things being equal.

"Base Case" valuation: DCF model and sensitivity to growth-rate and WACC

EUR m	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Long-assumptions
Revenue	5 848	6 076	6 301	6 524	6 743	6 958	7 168	7 372	7 569	7 759	
% chg. In revenue	*7,2%*	*3,9%*	*3,7%*	*3,5%*	*3,4%*	*3,2%*	*3,0%*	*2,8%*	*2,7%*	*2,5%*	*2,5%*
EBIT	**741**	**837**	**878**	**919**	**960**	**1001**	**1042**	**1083**	**1124**	**1164**	
EBIT margin	*12,7%*	*13,8%*	*13,9%*	*14,1%*	*14,2%*	*14,4%*	*14,5%*	*14,7%*	*14,8%*	*15,0%*	*15,0%*
- IS	222	251	263	263	288	300	313	325	337	349	
+ DAP	351	364	362	358	353	347	340	332	322	310	
as a % of revenue	*6,0%*	*6,0%*	*5,7%*	*5,5%*	*5,2%*	*5,0%*	*4,7%*	*4,5%*	*4,2%*	*4,0%*	*4,0%*
+ Chg in WCR	27,6	35,2	32,0	28,4	24,4	20,2	15,6	10,7	5,5	0,0	
as a % of revenue	*0,5%*	*0,6%*	*0,5%*	*0,4%*	*0,4%*	*0,3%*	*0,2%*	*0,1%*	*0,1%*	*0,0%*	*0%*
Operating Cash Flow	**898**	**985**	**1 008**	**1 001**	**1 050**	**1 068**	**1 085**	**1 101**	**1 114**	**1 125**	
- Capex	234	243	252	261	270	278	287	295	303	310	
as a % of revenue	*4,0%*	*4,0%*	*4,0%*	*4,0%*	*4,0%*	*4,0%*	*4,0%*	*4,0%*	*4,0%*	*4,0%*	*4,0%*
Free Cash Flow	**664**	**742**	**756**	**740**	**780**	**790**	**799**	**806**	**811**	**815**	
Discount coefficient	*0,93*	*0,85*	*0,79*	*0,72*	*0,67*	*0,61*	*0,57*	*0,52*	*0,48*	*0,44*	
Discounted FCF	**615**	**633**	**594**	**536**	**520**	**485**	**452**	**420**	**389**	**360**	

Sum of discounted FCF	**5005**
Terminal Value	**6100**
- Net Debt	135
- Minority Interest	221
+ Financial investments (book value)	609
Equity Value	**11357**
Number of shares (m)	235,4
Fair Value (EUR)	**48,3**
Last Price (EUR)	34,65
Upside/Downside	**39,3%**

		Growth rate (i)				
	48,3	**2,0%**	**2,3%**	**2,5%**	**2,7%**	**3%**
	7,80%	51,9	53,6	54,8	56,1	58,3
	8,05%	49,8	51,3	52,4	53,6	55,5
	8,30%	47,9	49,3	50,3	51,3	53,0
WACC	**8,55%**	46,2	47,4	**48,3**	49,2	50,7
	8,80%	44,5	45,6	46,4	47,3	48,7
	9,05%	43,0	44,0	44,8	45,5	46,8
	9,30%	41,6	42,5	43,2	43,9	45,0

Source: Bryan, Garnier & Co.

"Stress" scenario valuation: DCF model and sensitivity to growth-rate and WACC

EUR m	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Long-assumptions
Revenue	5 548	5 626	5 711	5 807	5 912	6 026	6 152	6 289	6 437	6 598	
% chg. In revenue	*1,7%*	*1,4%*	*1,5%*	*1,7%*	*1,8%*	*1,9%*	*2,1%*	*2,2%*	*2,4%*	*2,5%*	*2,5%*
EBIT	**700**	**759**	**781**	**805**	**831**	**859**	**888**	**920**	**953**	**990**	
EBIT margin	*12,6%*	*13,5%*	*13,7%*	*13,9%*	*14,1%*	*14,2%*	*14,4%*	*14,6%*	*14,8%*	*15,0%*	*15,0%*
- IS	210	228	234	234	249	258	266	276	286	297	
+ DAP	351	364	352	340	328	315	303	290	277	264	
as a % of revenue	*6,3%*	*6,5%*	*6,2%*	*5,8%*	*5,5%*	*5,2%*	*4,9%*	*4,6%*	*4,3%*	*4,0%*	*4,0%*
+ Chg in WCR	27,6	35,2	31,3	27,3	23,1	18,9	14,4	9,8	5,0	0,0	
as a % of revenue	*0,5%*	*0,6%*	*0,5%*	*0,5%*	*0,4%*	*0,3%*	*0,2%*	*0,2%*	*0,1%*	*0,0%*	*0%*
Operating Cash Flow	**869**	**930**	**930**	**914**	**932**	**935**	**939**	**944**	**950**	**957**	
- Capex	234	243	244	246	248	251	253	257	260	264	
as a % of revenue	*4,2%*	*4,3%*	*4,3%*	*4,2%*	*4,2%*	*4,2%*	*4,1%*	*4,1%*	*4,0%*	*4,0%*	*4,0%*
Free Cash Flow	**635**	**687**	**685**	**668**	**684**	**684**	**686**	**687**	**690**	**693**	
Discount coefficient	*0,93*	*0,85*	*0,79*	*0,72*	*0,67*	*0,61*	*0,57*	*0,52*	*0,48*	*0,44*	
Discounted FCF	**588**	**586**	**539**	**483**	**456**	**420**	**388**	**358**	**331**	**306**	

Sum of discounted FCF	**4457**
Terminal Value	**5188**
- Net Debt	135
- Minority Interest	221
+ Financial investments (book value)	609
Equity Value	**9897**
Number of shares (m)	235,4
Fair Value (EUR)	**42,1**
Last Price (EUR)	34,65
Upside/Downside	**21,4%**

		Growth rate (i)				
	42,1	**2,0%**	**2,3%**	**2,5%**	**2,7%**	**3%**
	7,80%	45,2	46,6	47,6	48,7	50,6
	8,05%	43,4	44,7	45,6	46,6	48,2
	8,30%	41,8	42,9	43,8	44,6	46,1
WACC	**8,55%**	40,3	41,3	**42,1**	42,9	44,2
	8,80%	38,9	39,8	40,5	41,2	42,4
	9,05%	37,6	38,4	39,1	39,7	40,8
	9,30%	36,4	37,2	37,7	38,3	39,3

Source: Bryan, Garnier & Co.

Valuation of the new structure after HotelInvest fully restructured: EUR49

- **HotelInvest** restructuration:
  1. The assets to be restructured in view of the earnings and profitability targets set by the group, especially the contribution of fully-owned hotels to NOI of more than 75% (vs. 63,5% in 2014), are primarily set to concern assets operated under lease contracts.
  2. The group's restructuring is primarily set to involve the acquisition of assets currently under variable lease contracts. Confirmed by the group, this is the assumption that we have chosen and modelled in order to reach the earnings targets set by the group and value HotelInvest in its new configuration.
  3. Full restructuration should be completed by 2017 (2016 expected by management when announce in 2014)

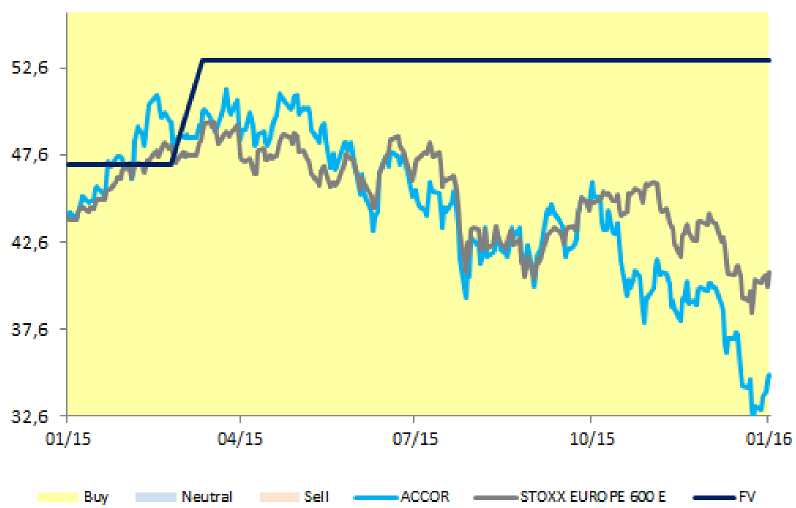
- Concerning **HotelServices**, we have assumed the group is capable of opening 30,000 rooms in gross organic terms and 20,000 in net terms with average growth in RevPAR of 3% out to 2018.
- In all, **AccorHotels** should be should be capable of generating 2017 EBIT after restructuring of EUR942m compared with EUR843m currently estimated.
- **In terms of valuation, the current value of HotelInvest on the basis of 2017 results works out to EUR28 per share and that of HotelServices on the basis of a DCF calculation to EUR21.**

AccorHotels

ACCOR				
Last Price (E)				35,0
Market Cap (Em)				8 237
EV (BG estimate, EURm)				8 390
EPS CAGR (11-14e)				4,9%
Gearing (2015)				5,0
	2014	2015	2016	2017
Sales (EURm)	5 454	5 670	5 848	6 076
% change yoy		4,0%	3,2%	3,9%
EBITDA (EURm)	923	1 019	1 093	1 201
EBIT (EURm)	602	667	741	837
EBIT margin	11,0%	11,8%	12,7%	13,8%
EPS (EUR)	1,7	1,9	1,7	1,9
P/E (x)	20,9	18,2	20,6	18,1
EV / Sales	1,54	1,48	1,43	1,38
EV / EBIT	13,9	12,6	11,3	10,0
Dividends (EUR)	1,0	1,0	1,1	1,3
Div. yield	2,7%	2,9%	3,1%	3,6%
Net debt	159	153	135	118
EV	8 396	8 390	8 373	8 356
vs. consensus	**2014**	**2015**	**2016**	**2017**
Sales	5 454	5 655	5 828	6 177
BG vs. IBES	*0,0%*	*0,3%*	*0,3%*	*-1,6%*
EBITDA	923	1 011	1 122	1 256
BG vs. IBES	*0,0%*	*0,8%*	*-2,6%*	*-4,4%*
EBIT	602	664	732	880
BG vs. IBES	*0,0%*	*0,5%*	*1,3%*	*-4,9%*
EPS	1,57	1,78	1,99	2,29
BG vs. IBES	*6,8%*	*8,1%*	*-14,6%*	*-15,2%*
DPS	0,95	0,99	1,09	1,22
BG vs. IBES	*0,0%*	*1,1%*	*0,9%*	*2,4%*

Performances	ACCOR	Abs.	Rel.	STOXX EUROPE 600 E	Abs.
Last close	35,00			342,27	
Since 29/01/15	44,08	-20,6%	-14,4%	368,76	-7,2%
1 week	33,16	5,6%	4,4%	338,36	1,2%
1 month	40,01	-12,5%	-6,5%	365,81	-6,4%
3 months	44,41	-21,2%	-12,5%	379,95	-9,9%
6 months	44,28	-21,0%	-10,8%	386,24	-11,4%
1 year	44,33	-21,0%	-15,3%	367,05	-6,8%
29/05/14	38,19	-8,3%	-7,7%	344,51	-0,6%

ACCOR : BUY - FV € 53



Source: Bryan, Garnier & Co.

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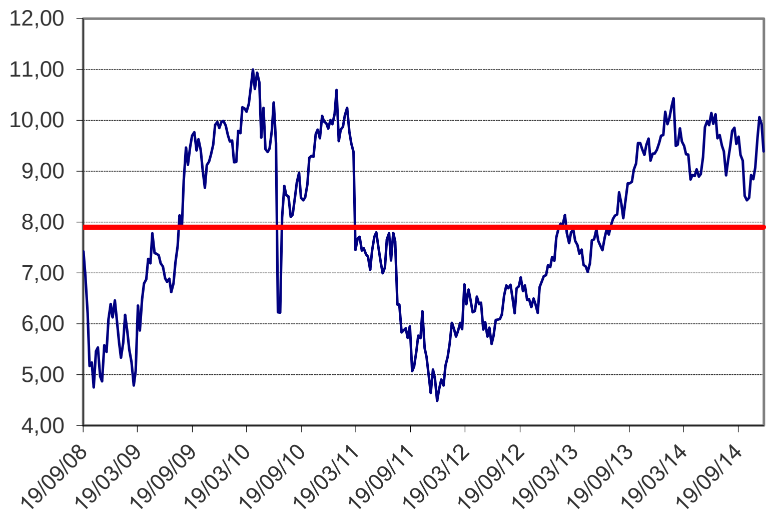
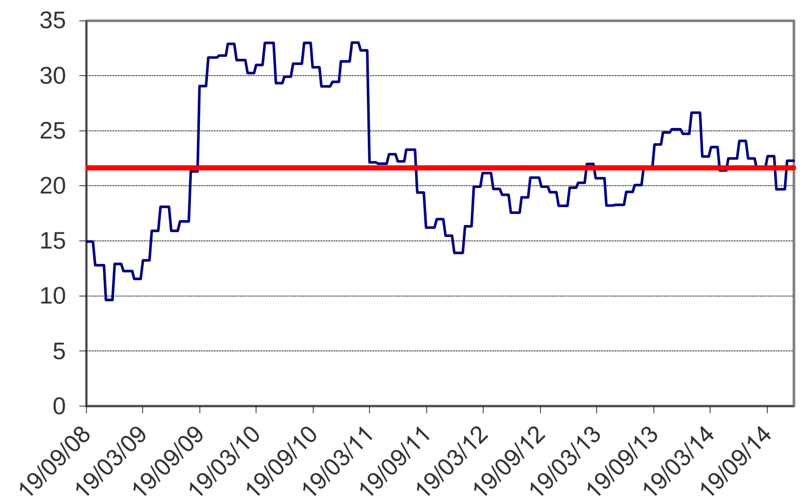
AccorHotels 1-year forward EV/EBITDA an P/E historical valuation





Source: IBES consensus; Bryan, Garnier & Co.

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Valuation vs. European and US peers

	Last price	EV 2015e	EV 2016e	EV /Sales 2015e	EV /Sales 2016e	EV/EBITDA 2015e	EV/EBITDA 2016e	EV/EBIT 2015e	EV/EBIT 2016e	PER 2015e	PER 2016e
ACCOR	35	8 547	8 842	1,51	1,47	8,46	7,62	12,88	11,68	19,7	17,6
IHG	2297	8 306	8 492	4,52	4,54	10,75	10,16	12,20	11,40	18,9	17,0
MELIA	10,02	2 780	2 619	1,68	1,61	9,99	9,90	14,91	15,04	32,7	24,9
NH HOTELS	3,81	1 305	1 405	0,94	0,88	8,32	6,74	20,35	13,12	115,5	34,6
MILLENIUM	415,60	193 160	191 040	2,28	2,25	8,63	8,58	11,13	11,09	15,9	16,5
WHITBREAD	4000,00	788 210	815 690	3,02	2,68	11,76	10,31	15,63	13,65	18,9	16,8
REZIDOR	29,30	538	547	0,55	0,52	5,78	4,93	10,69	8,11	16,9	12,1
Average				2,07	1,99	9,10	8,32	13,97	12,01	34,07	19,92

	Last price	EV 2015e	EV 2016e	EV /Sales 2015e	EV /Sales 2016e	EV/EBITDA 2015e	EV/EBITDA 2016e	EV/EBIT 2015e	EV/EBIT 2016e	PER 2015e	PER 2016e
MARRIOTT INTL.'A'	61,28	20 054	20 417	1,38	1,27	11,56	10,56	14,41	12,59	19,6	16,4
CHOICE HOTELS INTL.	44	3 094	3 070	3,67	3,51	12,91	12,09	13,58	12,66	20,0	17,9
HILTON WORLDWIDE HDG.	2 297	8 306	8 492	4,52	4,54	10,75	10,16	12,20	11,40	18,9	17,0
STARWOOD HTLS.& RSTS. WORLDWIDE	62	11 913	11 625	2,06	2,01	10,03	9,67	14,58	13,20	20,7	18,9
WYNDHAM	65	10 291	10 286	1,87	1,79	7,93	7,49	9,74	9,08	12,7	11,6
Average				2,70	2,63	10,63	9,99	12,90	11,78	18,38	16,35

Source: IBES consensus; Bryan, Garnier & Co.

Appendix

China Lodging: Strategic alliance finalised

A "groundbreaking" alliance to strengthen the two groups' respective footprints

- The alliance is set to accelerate both groups' expansion, especially in China.
    1. China Lodging is one of the most significant hotels groups in China and the 13th largest hotel group in the world with c.2,800 hotels and 280,000 rooms at the end of December 2015. China Lodging operates hotels under lease, franchised and managed models with seven brands covering all market segments from upscale (Joya hotel, Manxin Hotels & Resorts) to Midscale (JI Hotels, Starway) and economy (Hanting, Elan and Hi Inn).
    2. AccorHotels (3,815 hotels with over 500,000 rooms) currently has 149 hotels in China compared with a total number of rooms of 33,760.
    3. AccorHotels takes a stake of 10.8% and a seat on the Board of directors.

Significant development based on the agreement

- AccorHotels' economy and midscale platforms in China will be integrated into China Lodging Group, which will become AccorHotels' exclusive master franchisee, operating and developing in Mainland China, Mongolia and Taiwan. Upscale brands will still be managed and developed by AccorHotels and China Lodging Group will take a 10% stake in AccorHotels' luxury and upscale businesses in China. The aimis to accelerate both groups' development and China Lodging plans to open 350 to 400 new hotels under AccorHotels brands in the next five years.
- Moreover, this agreement will offer combined loyalty programmes together representing 75m cardholders with a network of 6,600 hotels around the world.

FRHI (closing Q2 2016): a major move for AccorHotels

A network fitting perfectly with that of AccorHotels

- With a total number of 155 hotels (over 56,000 rooms) o/w 40 under construction (13,000 rooms), FRHI brands will strengthen AccorHotels: i) in the luxury segment, from a share contribution of 19% to 35% of HotelServices, ii) in the US market with 42 more hotels in gateway cities, iii) and inhigh-end client databases, mostly based in the US, including three million loyalty members.
- Most of the hotels (108) are operated under long-term management contracts (average remaining term of 28 years). Six hotels are under lease contracts and one is owned (Barbados). Regarding the luxury segment, the portfolio will represent 10 brands with a total number of 645 hotels (490 AccorHotels and 155 FRHI) o/w 170 under construction (134 AccorHotels and 40 FRHI).

Expensive but justified regarding the quality of the brands…

- Based on an enterprise value of c. USD2.9bn (USD840m in cash + market value of USD2bn for the 46.7 million of shares based on one-month VWAP of EUR40.3), FRHI is being paid 13.8x 2016e EBITDA post synergies estimated by management at EUR65m.
- Before synergies and based on 2016e EBITDA of USD140m including the USD20m share of EBITDA from JV investments, the total amount represents c.21x EV/EBITDA which compares for example with 21.5x for Kimpton Hotel & Restaurant bought by IHG at the end of 2014.
- Regarding synergies, i.e EUR65m, the full benefit should be reached within three years (2018) and would mainly stem from costs for 80% (55% from support cost optimisation, 30% marketing and distribution efficiency and 15% hotel P&L maximisation) and revenue for 20%. Implementation costs are estimated at EUR120m.

FRHI (closing Q2 2016): a major move for AccorHotels

…that should be accretive on EPS from year 2 including run-rate synergies

- The closing is scheduled by the end of H1 and FRHI is likely to be consolidated in H2 2016. On that basis, taking into account 2/3 of synergies implementation cost i.e. USD80m in 2016 and 1/3 in 2017 with positive impact of USD40m and the full benefit in 2018 (as anticipated by AccorHotels), **FRHI would be dilutive by around 10% on 2016e EPS, 3% on 2017e EPS and positive by c.2% in 2018 on our "Base Case" scenario.**

Airbnb: a new challenge for hoteliers

- Between September 2014 and August 2015, 140,000 French hosts welcomed guests into their homes, generating 176,800 booked listings and EUR481m. Offers from hoteliers represent over 652,000 rooms o/w c.144,000 operated by **AccorHotels**.
- Paris has become the city in the world that has the most housing present on Airbnb. Some 60,000 homes are now offered by Airbnb or other sites in Paris (i.e. representing an estimated of 40,000 rooms if we assume that there are 2 bedrooms per home, rented at most 120 days per year given the current regulations).
- The sharing economy has created a new category of economic players - people as businesses - to which the application of existing laws is often unclear, thereby creating unfair competition.
- Today, the main criticism from historical players concerns the politics rather than the desire to protect themselves against these new business models.
- For the time being, undoubtedly **AccorHotels** is one of the main hoteliers suffering from Airbnb expansion in Paris/Ile de France.

The sharing economy

Current regulations in certain European countries

	France	Catalonia	Spain: Regional regulation Balearics	Canary	Greece	Germany: Regional regulation Germany	Berlin	Italy
Prior declaration	Not required if the property is the principal residence of the owner, or the tenant if the owner allows it	Registration mandatory on tourism register with a certificate of habitability. Must state the name, address, phone number of owner, a statement of responsibility, the name of the company in charge of maintenance and assistance. The operating permit may be denied if the project is considered as non-conforming to the PLU.	For apartments, total marketing ban for "tourist" use, but can be an "occasional" location (= contractual wording, keywords and "tourist" distribution channels being prohibited). For homes: declaration, entry on the regional tourism register, statement of responsibility and the certificate of habitability mandatory. Booking fee for authorisation €24 / room. Sharing of rental prohibited. Co-owners of the possibility of banning any casual rental (lease <3 years).	The accommodation must be located in an authorised area (total ban if the unit is in a "tourist area" PLU). Statement of responsibility, certificate of habitability, recorded on the tourism register and mandatory authorisation by condominium trustee. Required to rent the entire property if the use is "touristy" = no shared rental, but still allowed for non "tourist" use	None	Legal framework defined at regional level (state / city-state), and in some cities by a specific framework. Prior authorisation of the owner required for tenants.	Renters must also obtain a licence from their municipal district.	Statement from the local authorities and the tourist office
Maximum duration	Four months per year (beyond which requires compulsory declaration and change of use permission)	31 consecutive days per stay + four months of rent per year in total	None	No limit but renting must remain "occasional" otherwise be reclassified as commercial activity	None	No maximum rent but must remain "occasional". Definition at the discretion of the courts. The activity can be reclassified as "commercial".		245 days per year (beyond which professional activity is considered)
Maximum capacity	None	For all the appartment, as defined in the certificate of habitability. For shared rentals: max. 2 bedrooms, and compulsory presence of the owner.	6 bedrooms, 12 people	Defined by the certificate of habitability	None	None		3 bedrooms
Information obligation	None	Mandatory notice of the category and unique registration number	Mandatory notice of the category, unique registration, price, times of arrival/departure. Dpending on the municipality, the neighbours must be notified.	Mandatory notice of the category, unique registration and price	None	None		None
Classification	Optional	Optional	Required	No	None	None		None
Mandatory services	None	Support, maintenance, official claim form from the regional authorities	Regular cleaning, maintenance, guest reception, helpline 24/24 7/7	Telephone support from 8h to 20h	None	None		None, if let for less than 245 days a year
Minimum equipment	Standard applicable to housing regulations (includes smoke alarms, safety equipment for swimming pools)	Must be furnished	Minimum number of bathrooms (depending on capacity), equipment for food storage and household linen	First aid kit, minimum sized beds, hygienic conditions, household linen	Fire extinguisher, emergency exit and fire compliance audit twice a year, only for capacities greater than 19 people	Not nationally defined by regional regulations applicable to the construction (residential)		None

Source: MKG Hospitality ON; Bryan, Garnier & Co.

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