

November 28, 2021  
To our shareowners:



2020 and 2021 have been challenging years for the hospitality industry, with our Revenue Per Available Room (RevPAR) declining by an average of 63%, reaching €24. While the market average of €31 for 2020 showed a 58% drop compared to 2019. Unfortunately, we are seeing a steady trend - our RevPAR level is on average 12-14% below the industry level. Next, we will present a roadmap to increase these profits and achieve/exceed the market average by 2025.

The two main components of RevPAR are Occupancy Rate (%) and Average Daily Rate / ADR (€). We found that the drawdown is observed simultaneously for two indicators:

- *ADR* consistently lags the market level by 10%, which indicates that we are underestimating prices for accommodation in our hotels.
- *Occupancy Rate* significantly differed from the industry average during the COVID-19 pandemic, reaching an 11% difference in 2021 (based on data for January-September). In the before-COVID-19 period, the average difference was about 2–3% year-to-year. We have found that this is due to the particularly dire circumstances faced by our main types of guests.

To solve the arising problems, we decided to raise the ADR gradually. To do this, we decided to start with our flagship regions and hotels to test this system until 2023 and then implement the turnkey solution in the remaining hotels around the world. Europe (46%) and Asia Pacific / ASPAC (32%) are the most significant regions with the greatest flow of guests. The leading price segments in Europe are Economic and Midscale - 89% of the total flow of guests in Europe. The Midscale is leading with a small margin from other parts in the Asia Pacific, occupying 38% of the Asian market.

Thus, we should focus on these regional markets with the corresponding price segments: Europe - Economic & Midscale, ASPAC - Midscale. Our leading brands dominating these markets are:

- *Mercure*. The midscale leader with 67k and 35k available rooms in Europe and ASPAC. This hotel chain holds 46% of the market.
- *Novotel*. Our second leading brand in the Midscale sector. This brand occupies 41% of this market.
- *Ibis / Ibis Budget / Ibis Styles*. The Economic hotel chains account for 90% of the European market in our portfolio of brands.

Our main goal, as declared at our 2020 AGM, is to increase our stake in Pipeline. Thus, we decided to focus also on potential hotels that will be built until 2025, inclusive. On average, Novotel and Mercure hotel chains hold 58% of the respective market in Northern Europe and Southeast Asia, including Greater China. At the same time, 57% of the Ibis / Ibis Budget / Ibis Styles hotel chains in the Economic segment occupy the whole of Europe - North, and South. We have already focused on our critical properties to evaluate the option to increase the ADR.

We assessed the possibility of price increases in the Midscale segment in Northern Europe and Southeast Asia and concluded that the market was ready for such changes. Average guest ratings for Value for Money are at the top of the market (8.6 / 10 points), which corresponds to a very high level. With some caution, it is necessary to introduce such changes in the Novotel network in Northern Europe. However, the successful implementation in the context of Facilities and Staff suggests that the service provided may cost more.

The situation is different for the Ibis hotel chains, including Ibis, Ibis Styles, and Ibis Budget in the Economic segment. Guest reviews at Ibis and Ibis Styles indicate a willingness to raise prices. However, the average level of flagship Ibis Budget hotels in Europe suggests that there are problems in terms of Facilities and Staff, causing a decrease in the Value for Money indicator. We will take steps to improve the guest experience by increasing the range and availability of Facilities and the quality of our Staff. We expect such measures will lead to a willingness to pay more for Ibis Budget hotels.

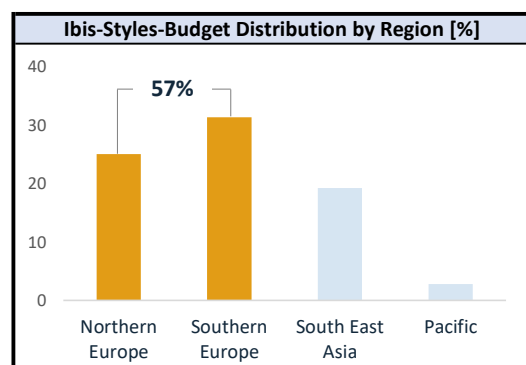
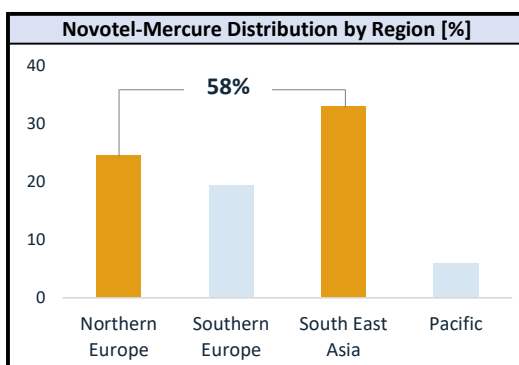
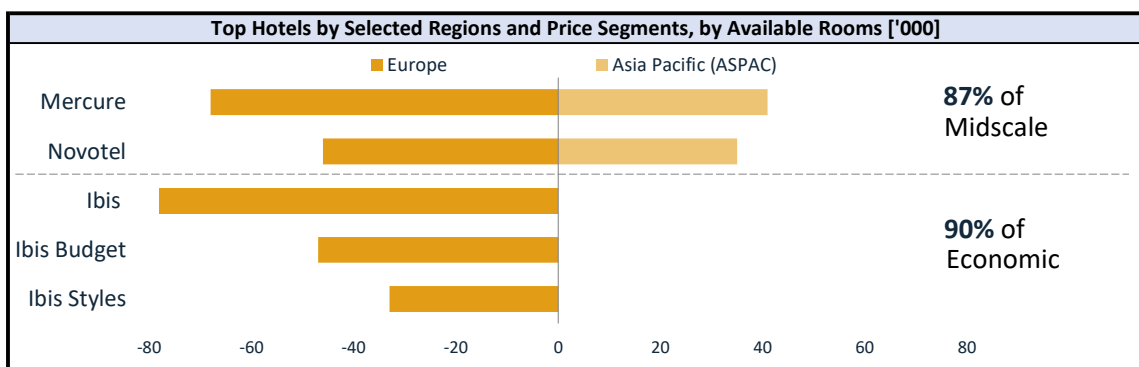
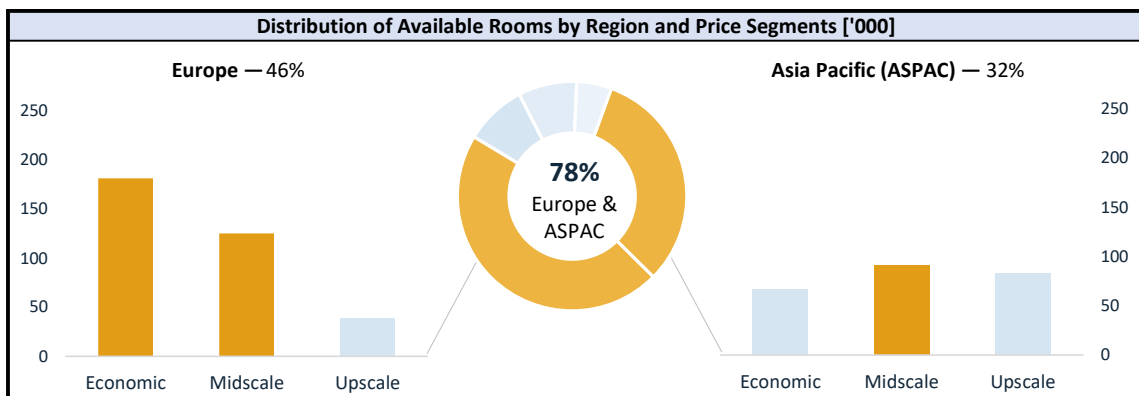
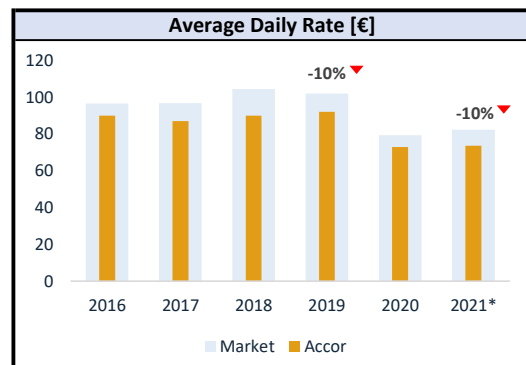
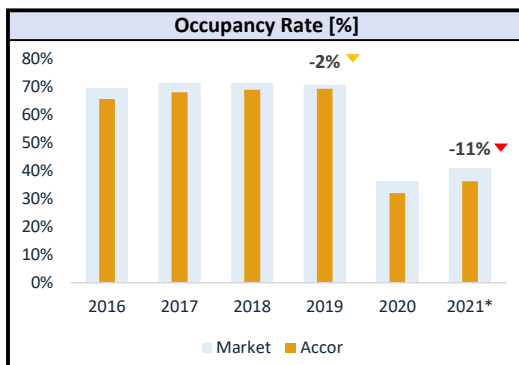
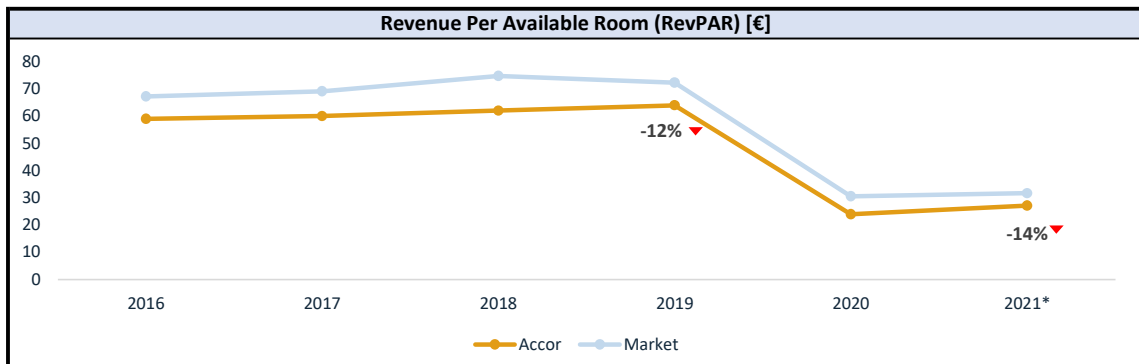
We understand that a price increase can lead to a churn of guests and an even lower Occupancy Rate. To avoid this, we analyzed our primary target audience. For Midscale and Economic, the main guest for all the brands mentioned above is a person who came to the city for business purposes from another region of the same country - Business & Domestic. Since COVID-19 has hit this category of guests hard, we propose to direct our main focus of the evolving loyalty program, which we announced at the 2020 shareholders meeting, to them. Also, by increasing the costs of marketing and support for this category, we can get help from the states, which will also be an advantage for our brands.

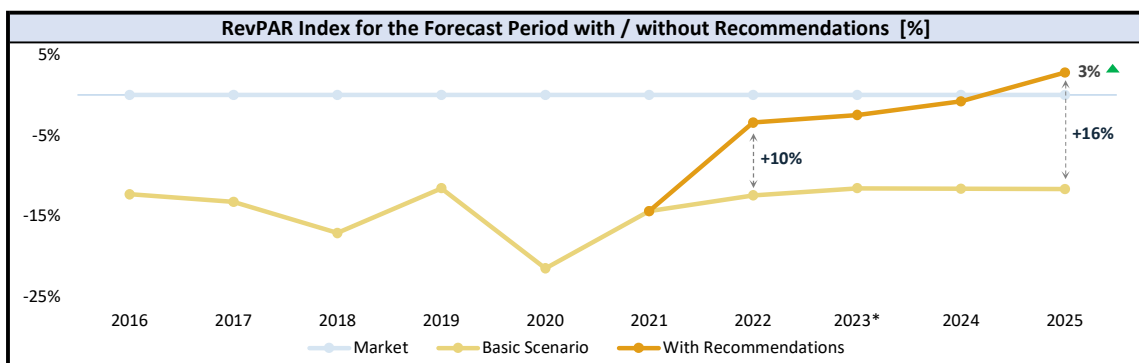
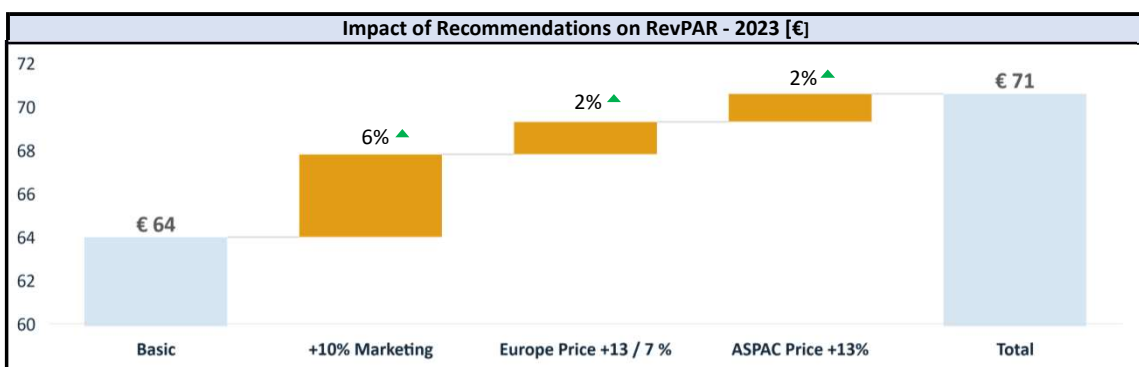
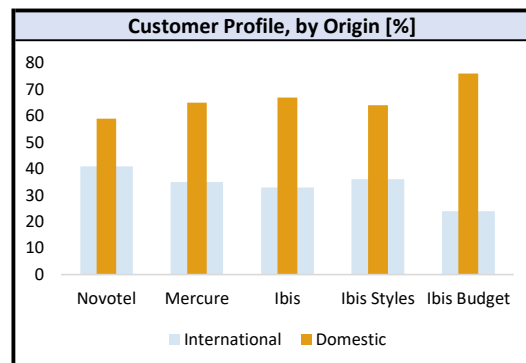
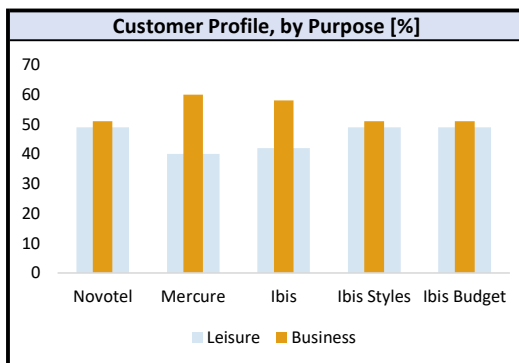
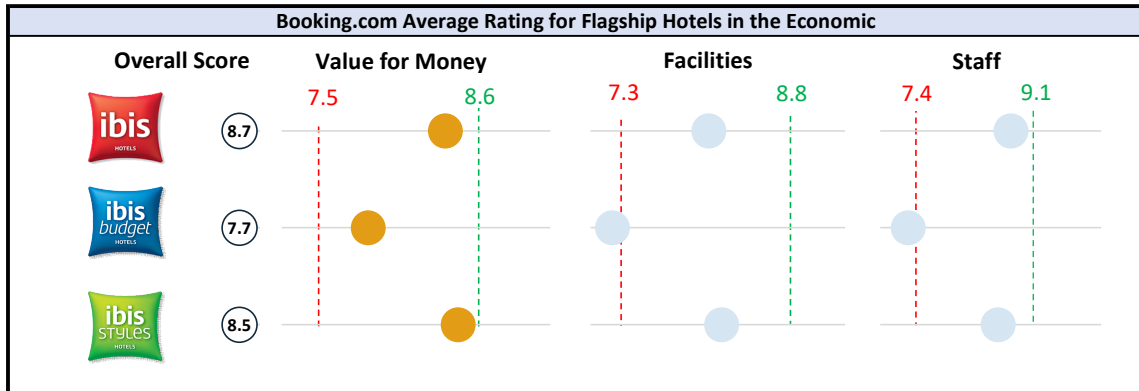
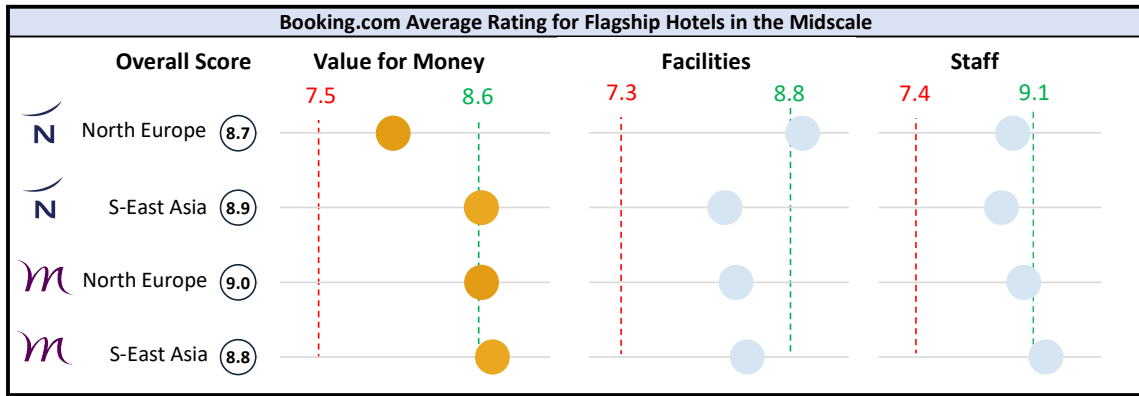
Thus, we are going to make several critical decisions that will allow RevPAR to be raised to the market average until 2025, inclusive (as of 2023 - compared to the estimates presented in our 2020 annual financial report):

- 10% increase in the marketing and support budget for local businesses in the respective European and Southeast Asian countries will result in a 6% increase in RevPAR.
- ADR increase in the Midscale in Northern Europe by 13% and Economic segment in Europe by 7% will lead to a rise in RevPAR by 2%.
- ADR increase in Southeast Asia in the Midscale segment by 13% will lead to a rise in RevPAR also by 2%.

Thus, implementing these recommendations will raise our RevPAR from € 64 (2019) to € 71 in 2023. Starting in 2024, we plan to adopt this solution for other brands in other regions, which will lead to the RevPAR market average in 2024 and ahead of it by 3% in 2025. If we do not begin to implement these solutions, our market lag will be approximately 13% in 2025.

We thank you for your attention.





References		
	Data	Source
1	<i>Hotel Portfolio</i>	AccorHotels Group. Hotel Portfolio. 2020
2	<i>Accor - RevPAR, Occupancy Rates, ADR</i>	AccorHotels Group. RevPAR by December. 2016-2020
3	<i>Market - RevPAR, Occupancy Rates, ADR</i>	Statista - 2016-2021 (2021 calculated based on the average of Jan-May). European Commission Report - 2021
4	<i>Brands Available Rooms</i>	AccorHotels Group. Hotel Portfolio. 2020
5	<i>Brands Statistics</i>	AccorHotels Group. Brands Factsheet (Novotel, Mercure, Ibis, Ibis Styles, Ibis Budget). 2021
6	<i>Booking.com Scores</i>	Booking.com