

# Langham Hospitality Investments And Langham Hospitality Investments Limited

1Q 2014



# Unique Exposure to the Attractive Hong Kong Hospitality Sector

## Favourable Macro Trends

- International trade / finance hub and popular shopping / tourist destination
- Structural growth in demand from mainland China
- Cyclical growth from recovery in the long-haul market

## Actively Managed Brands

- Internationally recognised
- Increasing global presence of Langham branded hotels
- Active manager with an “owner-manager” mentality

## Strategic Locations

- Prime locations on the Kowloon peninsula
- Major infrastructure and commercial centres under development
- Limited current and forecast future supply

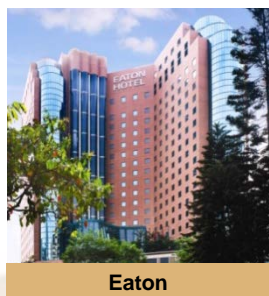
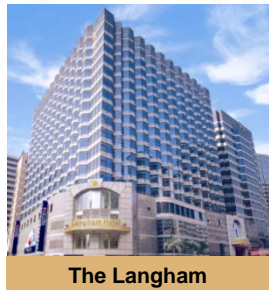
**LANGHAM**  
HOSPITALITY INVESTMENTS

- Our objective is to provide stable distributions with the potential for sustainable long term growth of such distributions and enhancement in the value of the hotel portfolio
- Accomplished through the lease structure, active asset management and ROFR from Great Eagle



# Our Hotels are Strategically Located on the Kowloon Peninsula in Hong Kong

## Kowloon Peninsula, Hong Kong



## Prime Shopping Destinations



- Close proximity of key tourist and shopping belts, existing and expanding commercial districts and future infrastructure
- Easily accessible via major roads, MTR stations, the Hong Kong International Airport and rail to mainland China

# High Quality Portfolio

## High Quality Langham Branded Hotels



### The Langham

Location	: Tsim Sha Tsui, Kowloon
Year of commencement	: 1994
HKTB rating	: High Tariff A Hotel
GFA ('000 sq.ft.)	: 375
Number of rooms	: 498
Facilities	: 5 restaurants, 1 ballroom, 4 meeting rooms, Jacuzzi, health club, fitness centre



### Langham Place Hotel

Location	: Mong Kok, Kowloon
Year of commencement	: 2004
HKTB rating	: High Tariff A Hotel
GFA ('000 sq.ft.)	: 580
Number of rooms	: 666
Facilities	: 5 restaurants, 1 ballroom, 3 meeting rooms, Chuan Spa, fitness centre



### Eaton Hotel

Location	: Yau Ma Tei, Kowloon
Year of commencement	: 1990
HKTB rating	: High Tariff B Hotel
GFA ('000 sq.ft.)	: 339
Number of rooms	: 465
Facilities	: 5 restaurants, 3 ballrooms, 2 meeting rooms, fitness centre

## Selected Awards



"Top 25 Hotels in China" and "Top 25 Hotels for Service in China" by TripAdvisor Travellers' Choice in 2013



Two-star Michelin award for T'ang Court



Best City Hotel – Hong Kong Award by TTG Travel Awards in 2012



"Top 25 Hotels in China" by TripAdvisor Travellers' Choice in 2012



One-star Michelin award for Ming Court



Condé Nast Gold List 2012



Spa Traveller Awards 2012



Best Eco Hotel 2012 in Hong Kong by HotelClub Hotel Awards (Hong Kong)



Capital Entrepreneur Green Enterprise Awards 2012 by Capital Entrepreneur



Three high quality Langham branded hotels with a combined 1,629 rooms strategically located on the Kowloon peninsula, Hong Kong

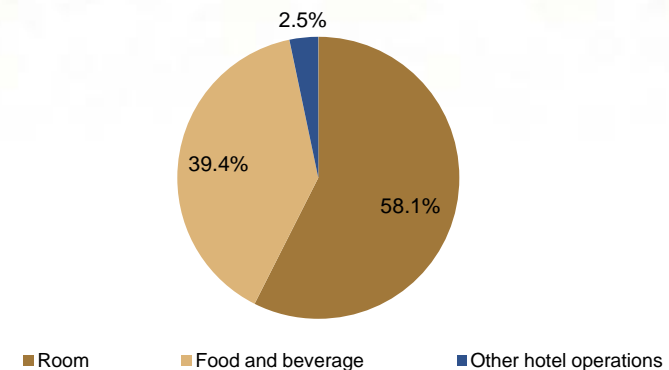


# ... and have a Balanced Mix of Room and Non-room Revenue

## Wide Range of Non-room Revenue Sources

- ✓ Range of award-winning facilities and services
  - Food and beverage
  - Banquet services
  - Meeting and conference facilities
  - Spa facilities
- ✓ Hosted more than 800 wedding banquets in 2013
- ✓ Relatively stable even during the global financial crisis
- ✓ Strong demand from non-hotel customers
- ✓ Well positioned to benefit from Hong Kong's growing MICE market

## Balanced Revenue Contribution<sup>(1)</sup>



## Award-winning Restaurants



### Michelin star-rated restaurants



Ming Court (One-star Michelin),  
Langham Place Hotel



T'ang Court (two-star Michelin),  
The Langham

## Quality Ballroom and Conference Spaces



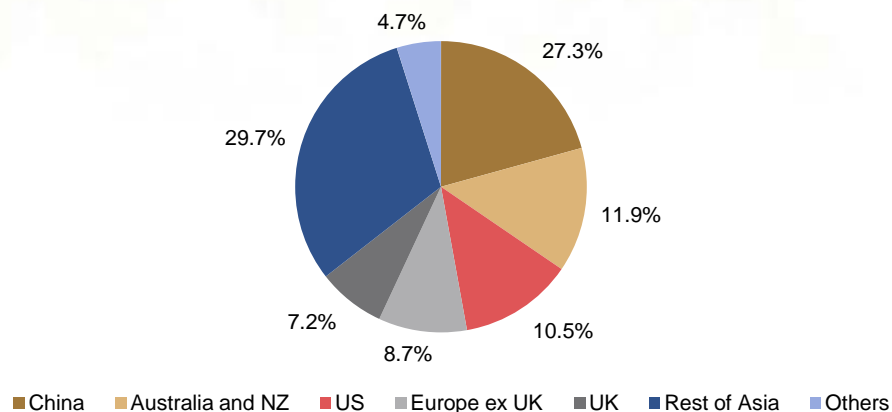
**We believe that the majority of the Hotels' food and beverage revenue was derived from customers who were not staying at the Hotels**

Note:

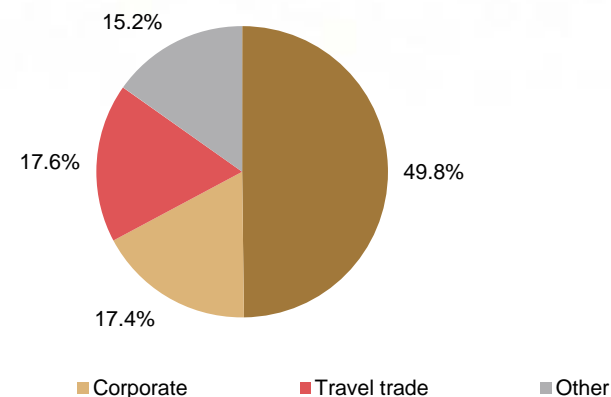
1. For the year ended 31 December 2013

# Our Customers are Diversified in Terms of both Geography and Customer Segment...

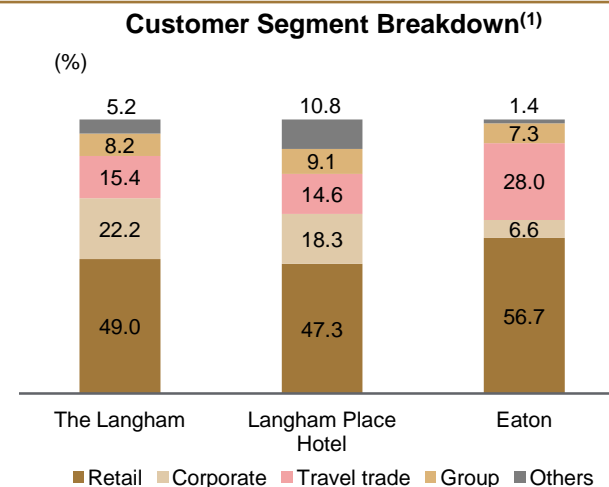
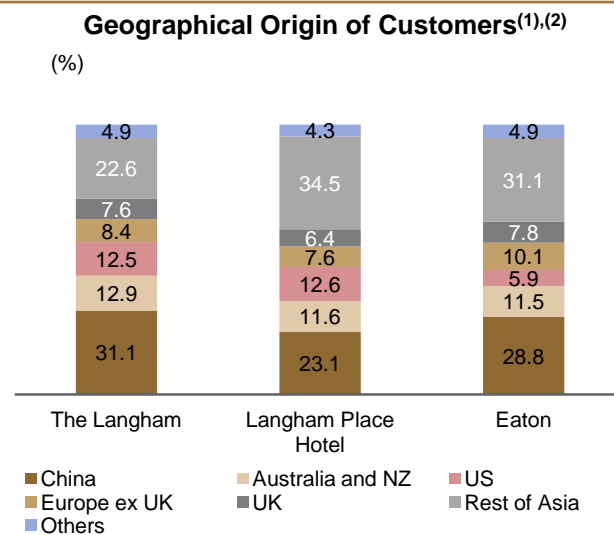
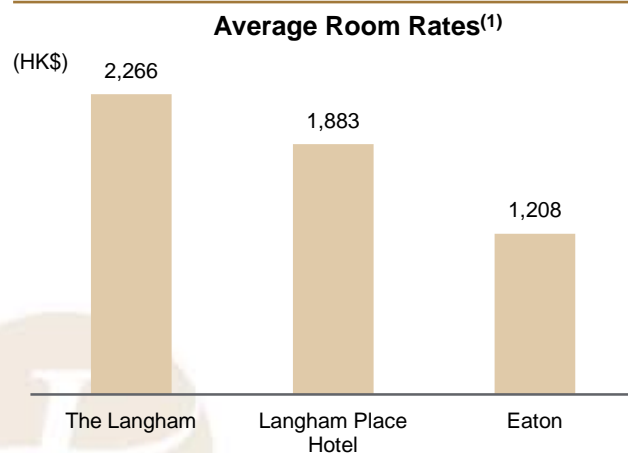
**Diversified Geographical Origin of Customers<sup>(1),(2)</sup>**



**Diversified Customer Segments<sup>(1)</sup>**



## Target Different Market Segments and Do Not Directly Compete with Each Other



Note:

1. For the year ended 31 December 2013

2. Based on self-reported data collected at the time of guest registration and have not been subject to audit or review by an independent third party. Such data excludes room revenue derived from airline crew and others from unidentified countries and other miscellaneous revenue and service charges

# Our Hotels are Managed under the Internationally Recognised Langham Brands by the Hotel Manager, Langham Hotels International Limited

## Our Unique Position



- Since 1865
- Unique style
- European heritage
- Classic charm
- Luxury bespoke service



- Luxury in a modern setting
- “Young at heart” style of service
- Features all of the hallmarks of “The Langham” brand



- Since 1990
- Mid-scale to up-scale brand
- Embodies modern design
- Value for money philosophy



## Description of the Hotel Manager

- Langham Hotels International Limited is a wholly-owned subsidiary of Great Eagle
- An operating track record of over 20 years
- One of the largest luxury hotel operators in Hong Kong
- Local expertise and experience
- Increasing exposure to other worldwide gateway cities










## Selected Awards of Hotels Managed by the Hotel Manager



**We believe strong brand recognition is one of the factors that has enabled the Hotels to command prices at the high end of their competitive market segments**

# The Langham Brands have a Presence across Four Continents

## Hotels in Hong Kong and China

	<b>The Langham, Hong Kong</b> Location: Hong Kong Total rooms: 498
	<b>Langham Place Hotel</b> Location: Hong Kong Total rooms: 666
	<b>Eaton, Hong Kong</b> Location: Hong Kong Total rooms: 465
	<b>The Langham, Xintiandi, Shanghai</b> Location: China Total rooms: 357
	<b>Langham Place, Beijing Capital Airport</b> Location: China Total rooms: 372
	<b>Eaton Luxe, Nanqiao, Shanghai</b> Location: China Total rooms: 204
	<b>The Langham, Shenzhen</b> Location: China Total rooms: 352
	<b>Eaton Luxe, Xinqiao, Shanghai</b> Location: China Total rooms: 212
	<b>88 Xintiandi, Shanghai</b> Location: China Total rooms: 53
	<b>Langham Place, Guangzhou</b> Location: China Total rooms: 500

### Future pipeline in China<sup>(1)</sup>

Langham Place, Ningbo (2014)  
Langham Place, Datong (2015)  
Langham Place, Qingdao (2015)  
Langham Place, Xiamen (2014)  
Langham Place, Haining (2014)







Eaton Luxe, Qingdao (2014)  
The Langham, Haikou (2015)  
Langham Place, Dalian (2017)  
The Langham, Jakarta (2017)

## Hotels in India



**Eaton Smart, New Delhi Airport**  
Location: India  
Total rooms: 93

## Hotels in Europe / America

	<b>The Langham, London</b> Location: United Kingdom Total rooms: 378
	<b>Eaton Chelsea</b> Location: Canada Total rooms: 1,590
	<b>The Langham, Boston</b> Location: United States Total rooms: 318
	<b>The Langham, Pasadena</b> Location: United States Total rooms: 411
	<b>The Langham, Chicago</b> Location: United States Total rooms: 316
	<b>Langham Place Fifth Avenue, New York</b> Location: United States Total rooms: 214

## Hotels in Australia / NZ

	<b>The Langham, Auckland</b> Location: New Zealand Total rooms: 411
	<b>The Langham, Melbourne</b> Location: Australia Total rooms: 388
	<b>The Langham, Sydney</b> Location: Australia Total rooms: 96

- Currently manages a portfolio of 20 hotels comprising over 7,500 rooms
- Pipeline of hotels to be opened in next 4 years<sup>(1)</sup>

Note:

1. Source: Great Eagle Holdings Company filings





## 2013 Final Results

# Highlights of Final Results 2013

## Hotels outperformed its respective markets

- First full year reporting period consists of 216 operating days
- RevPAR on a 12-month basis continued to grow over 2013
- Performance of the hotels have outperformed their respective High Tariff A and B markets

## Results exceeded forecast in IPO prospectus

- Profit *excluding* revaluation gain came to HK\$247 million
- Distribution per share stapled unit after distribution waived over the reporting period was HK18.8 cents
- Which exceeded forecast by 7.3% and 3.2% respectively

## Lower expenses offset lower than expected NPI

- While rental income and NPI were less than forecast
- The above was offset by lower than forecast finance and operating expenses incurred
- Leading to overall outperformance compared with forecasts

## Past trend & Outlook

- Over the first six weeks of 2014, arrivals from China continued to grow, but arrival from majority of the long-haul markets have remained weak
- In terms of outlook, booking pace is encouraging, but booking window is short

# Hotels performance

## The Langham, Hong Kong

- Continued to accommodate more individual arrivals from Mainland China
- Witnessed softer demand from Europe, Australia and Japan

## Langham Place, Hong Kong

- The hotel shifted its focus to accommodate a larger proportion of leisure travelers from mainland China
- Hotel also saw a decline in demand for rooms from Australia and Japan

## Eaton Hotel, Hong Kong

- Had the highest growth in arrivals from mainland China amongst the three hotels in the portfolio.
- The hotel also attracted arrivals from some European countries like Germany and Spain

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- Revenue from food and beverage grew by 2% to 3% for the individual hotels, and all hotels saw weaker banqueting demand in the second half of 2013.
- All hotels witnessed margin expansions in 2013.



# 2013 Final Results

From Listing date 30<sup>th</sup> May 2013 to the end of December 2013

	2013
	(HK\$ '000)
Fixed Rental Income	133,151
Variable Rental Income	335,649
Rental Income from retail shops	2,964
<b>Gross Rental Income</b>	<b>471,764</b>
Property operating expenses	(18,670)
Services Fees (Including hotel management fee)	(58,702)
<b>Net Property Income</b>	<b>394,392</b>

Note:

1. The first distribution entitlement will be made for the period from the listing date to 31 December 2013

# 2013 Final results

**From Listing date 30<sup>th</sup> May 2013 to the end of December 2013**

	2013
	(HK\$ '000)
<b>Net Property Income</b>	<b>394,392</b>
Other income	4,452
Increase in fair value of investment properties	25,554
Trust and other expenses (including listing expense amounting to HK\$34.748 mil)	(42,839)
Net finance cost	
Finance cost	(76,755)
Interest income	5,154
<b>Profit before tax</b>	<b>(309,958)</b>
Income tax	(37,571)
<b>Profit attributable to holders of Share Stapled Units</b>	<b>272,387</b>
<b>Profit attributable to holders excluding the impact of fair value change</b>	<b>246,833</b>
<b>Forecast profit stated in the prospectus</b>	<b>230,000</b>

Note:

1. The first distribution entitlement will be made for the period from the listing date to 31 December 2013

# 2013 Final results

**From Listing date 30<sup>th</sup> May 2013 to the end of December 2013**

Adjustment to Distributable Income:	2013
	(HK\$ '000)
Profit attributable to holders of share stapled units for the period	<b>272,387</b>
Listing expense	34,748
Hotel management fee and licence fee paid in share stapled units	47,090
Amortisation of debt upfront fee	20,016
Deferred tax	19,483
Depreciation	1
Cash contribution to FF&E reserve	(14,966)
Increase in fair value of investment properties	(25,554)
Non-cash net exchange gain	(4,452)
<b>Distributable income to Share Stapled Unitholders</b>	<b>348,753</b>
<b>Distribution per unit (HK\$) - after distribution waiver</b>	<b>0.188</b>
<b>Distribution per unit (HK\$) - before distribution waiver</b>	<b>0.174</b>

Note:

1. The first distribution entitlement will be made for the period from the listing date to 31 December 2013



# 2013 Final results

## Hotels operating performance for a twelve-month period

	Average Daily Rooms Available		Occupancy		Average Room Rate		RevPAR	
	2013	2012	2013	2012	2013	2012	2013	2012
The Langham, Hong Kong	<b>495</b>	495	<b>88.9%</b>	81.6%	<b>2,266</b>	2,239	<b>2,013</b>	1,927
Langham Place, Hong Kong	<b>652</b>	653	<b>90.7%</b>	89.2%	<b>1,883</b>	1,866	<b>1,707</b>	1,665
Eaton, Hong Kong	<b>452</b>	445	<b>95.1%</b>	94.9%	<b>1,208</b>	1,198	<b>1,149</b>	1,138
Y-o-y growth in 2013	Occupancy		Average Room Rate		RevPAR		Food and Beverages	
	(in % pts)							
The Langham, Hong Kong	2.8		1.2%		4.5%		3.0%	
Langham Place, Hong Kong	1.5		0.9%		2.5%		2.0%	
Eaton Smart, Hong Kong	0.2		0.8%		1.0%		2.0%	
<b>Respective markets</b>								
High Tariff A Hotels	1.0		-3.1%		-1.9%			
High Tariff B Hotels	(2.0)		-2.2%		-4.3%			

Note:

1. The Langham and Langham Place are classified as Tariff A hotels, whereas the Eaton is classified as a Tariff B hotel.

# Balance sheet

**Current Unit price  
implying a discount**

- The hotel properties were revalued at HK\$16,696 m, and NAV attributable to share stapled unitholders is HK\$5.33 per unit.
- Current unit price of LHI is implying a discount to NAV.

**Cash on hand amounted  
HK\$752 million**

- Distributions for second half period will be paid together with distributions declared for the first half of 2013.
- As at 31 December 2013, LHI had a cash balance of HK\$752 m.

**Spread out maturities  
upon refinancing**

- A term loan of HK\$6,800 m was drawn on listing date, which will become mature in May 2016.
- Upon refinancing of the loan, the Group will try to spread out maturities to minimise refinancing risk in the long term.

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- With a total borrowing to gross assets of 38.7%, and interest expense coverage ratio at about five times.
- LHI 's financial position is healthy.

# Going forward, we have an i) Acquisition Growth Strategy,.....

## The Great Eagle ROFR – Initial Focus in Asia

- Completed standalone hotel in Asia which GE proposes to sell<sup>(1)</sup>
- Completed hotels in Asia which GE is offered opportunity to buy<sup>(1)</sup>
- Uncompleted hotels upon completion in Asia<sup>(2)</sup>
- Completed hotels to be branded under the Langham brands or other Eaton brands<sup>(1)</sup>

## LHI Strengths as an Acquirer

- ✓ Owner-operator
- ✓ Senior management's track record in acquisition and development
- ✓ Attractive initial core Hong Kong portfolio

### Acquisition criteria:

(a) Total return enhancing; (b) Initial focus on hotels in Asia; (c) Strong fundamentals, organic growth and asset enhancement potential

## Great Eagle's Remaining Global Portfolio<sup>(3)</sup>



The Langham, London



The Langham, Boston



The Langham, Melbourne



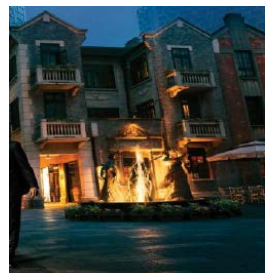
The Langham, Sydney



The Langham, Auckland



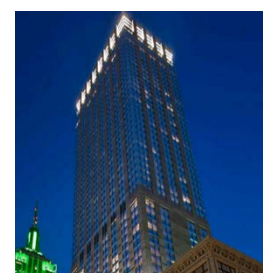
The Langham, Pasadena



The Langham, Xintiandi



Eaton Chelsea, Toronto



Langham Place, New York



The Langham, Chicago

Note:

1. Which the Great Eagle Group owns an over 30% interest and that is being managed/proposed to be managed under the Langham Brands or Other Eaton Brands
2. Any uncompleted, stand-alone hotel development project in Asia to be operated under the Langham Brands or Other Eaton Brands on completion and any completed hotel to be segregated from the multi-purpose development of which it forms a part, and in which the Great Eagle Group owns an over 30% interest, provided that completion or segregation, as applicable, occurs prior to the expiry of the Great Eagle ROFR
3. These properties are not subject to the existing ROFR, except The Langham, Xintiandi and The Langham, Dalian, which are technically subject to ROFR
4. To be opened in 2017

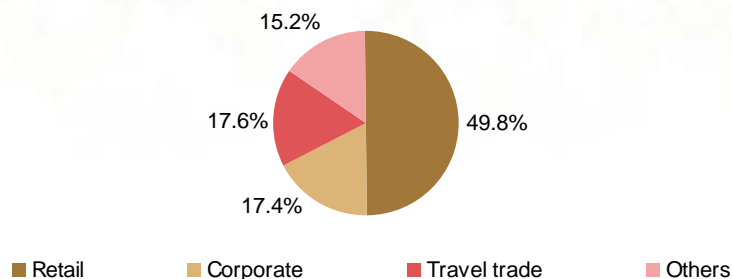
### Pipeline hotels:

- ✓ The Langham, Dalian<sup>(4)</sup>



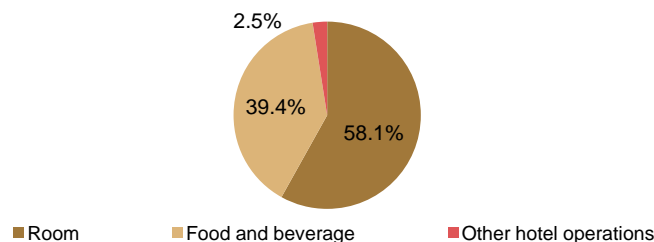
....as well as an ii) Active Asset Management Strategy to grow distributions for our share stapled unitholders

### Customer Mix<sup>(1)</sup>



- ✓ Actively managed customer mix to maximise RevPAR
- ✓ A degree of revenue stability from corporate and travel trade segments
- ✓ Upside potential to increase proportion of retail customers when opportunity arises

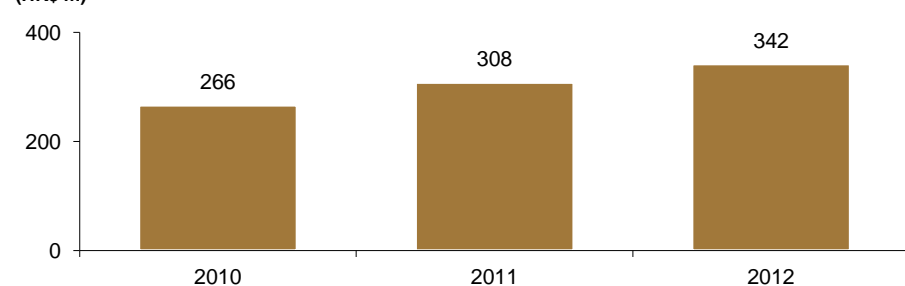
### Food and Beverage Contribution to Revenues<sup>(1)</sup>



- ✓ Award winning food and beverage outlets
- ✓ Hong Kong customer base not affected by changes in demand from overseas travellers
- ✓ Ballrooms and conference spaces earn additional revenue

### Eaton Hotel Room Refurbishment

(HK\$ m) **94 rooms refurbished during 2012 – room revenue remains resilient**



- ✓ Eaton's soft refurbishment of 94 rooms in 2012 (c.20% of total rooms)
- ✓ Refurbished with a view to rejuvenate and modernise the rooms
- ✓ Optimise the Hotel's value by commanding higher room rates post-refurbishment

Note:

1. For the year ended 31 December 2013

# Past examples of our Active Asset Management Strategy

## Growing Non-room Revenue



**Transformation of Eaton Retail Centre / Cinema into Catering and Ballroom Spaces**

## Identifying New Sources of Revenue



An empty, underutilised and unlicensed space was converted into “the backyard”



**Transformation of empty space into “the backyard”**

- The Hotel Manager has a proven track record of active asset management and asset enhancement
- We intend to work closely with the Hotel Manager to seek to identify other such opportunities

## To conclude, LHI is well positioned and will benefit from the Attractive Outlook of the Hong Kong Hospitality Sector

### Favourable Macro Trends

- Benefit from the potential demand versus supply gap. The Hong Kong Government expects Hong Kong to receive c. 70m and c. 100m tourists in 2017 and 2023 respectively (2013: 54.3m ).

### Actively Managed Brands

- Global brand with an “owner-manager” mentality

### Strategic Locations

- Prime locations on the Kowloon peninsula

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- Our objective is to provide stable distributions with the potential for sustainable long term growth of such distributions and enhancement in the value of the hotel portfolio



Thank You

