RADISSON HOTEL GROUP AB

(FKA REZIDOR)

Far View Presentation- Value X Vail

June 2018

DISCLAIMER

The information provided in this presentation is provided for informational purposes and is not investment advice or a recommendation to purchase or sell any specific security.

Far View Capital Management (“Far View”) has an economic interest in the price movement of the securities discussed in this presentation but Far View’s economic interest is subject to change without notice. While all the information contained in this presentation is believed to be accurate, Far View relied on information obtained from third parties and makes no warranty as to the completeness or accuracy of information obtained from such third parties, nor can it accept responsibility for errors of such third parties, appearing in this presentation. Any projections, forecasts and estimates contained in this presentation are speculative in nature and are based upon certain assumptions. It can be expected that some or all of such assumptions will not materialize or will vary significantly from actual results. Far View does not represent any opinion or projection will be realized. Far View has no obligation to update, modify or amend this presentation or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, project on, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

RADH OVERVIEW

Business

Radisson Hotel Group (RADH, fka Rezidor-REZT) operates, manages, and franchises the Radisson brand hotels in EMEA.

Why Is It Cheap

The stock is undervalued due to a significant overhang caused by the financial distress of 70% shareholder HNA, a Chinese travel and leisure conglomerate. Investors fear HNA dumping its shares, a fear exacerbated when HNA pledged 9% of its RADH shares as security for a loan.

Upside

New management has just announced a strategic plan with the goal to double EBITDA over the next 4 years. The plan has similarities to a plan the CEO succeeded with at his previous hotel group and its impact appears conservatively estimated. If this plan comes to fruition, RADH shares could be worth almost SEK 100.

Downside

RADH has a strong balance sheet with 40mln of net debt (0.4x EBITDA) which should help protect downside because the company's balance sheet is strong enough to survive any downturn. Even assuming a low multiple on cyclically depressed EBITDA, RADH should have downside protection at SEK ~16.

Risks

Risks include execution, an economic downturn, terrorism, HNA financial distress and HNA self-dealing among other factors

What is RADH

- Formerly known as Carlson Rezidor, Radisson Hotel Group (RADH) is the 5th largest hotel chain in Europe and the largest upper upscale brand
- Portfolio is geographically balanced with hotels in 78 countries
  - 34% of rooms in Western Europe, 30% in Eastern Europe, 18% Nordics, and 18% Middle East & Africa

Top 5 Hotel Chain in Europe (MKG)

	CHAIN	# Brands	# Hotels	# Rooms
1	ACCOR HOTELS	20	2,801	309,000
2	IHG	12	677	110,000
3	Marriott	30	507	104,000
4	Best Western	10	1,284	91,000
5	**CARLSON REZIDOR HOTEL GROUP**	**5**	**325**	**74,000**
6	Jin Jiang Hotels	9	999	71,000
7	Hilton	14	323	71,000
8	WHITBREAD	2	762	65,000
9	CHOICE HOTELS	10	409	51,000
10	Pierre & Vacances	1	353	49,000
11	NH HOTEL GROUP	4	316	47,000

*incl. Edwardian, Park Plaza

Largest Upper Upscale Brand

	UPPER UPSCALE BRANDS IN EUROPE	Hotels	Rooms
1	**Radisson BLU**	**186**	**44,717**
2	Hilton	126	35,719
3	Marriott	100	25,261
4	CROWNE PLAZA HOTELS & RESORTS	79	17,640
5	MELIÃ HOTELS & RESORTS	60	16,048
6	Clarion	103	15,554
7	Sheraton	53	15,247
8	THON HOTELS	76	10,969
9	MARITIM	36	10,189
10	EUROSTARS HOTELS	78	8,572
11	NH COLLECTION HOTELS	*47*	*4,700*

Source: MKG

Is RADH Cheap?

- RADH is valued far below European peers
  - Not due to lower quality hotels as RADH has higher than peer ADRs and similar occupancy
  - Lowest valued Scandic has seen its share price decline 35% due to a significant miss in Q4 17 results. Before that miss, Scandic was trading at 10x EBITDA and 8.6x EBITDAR.

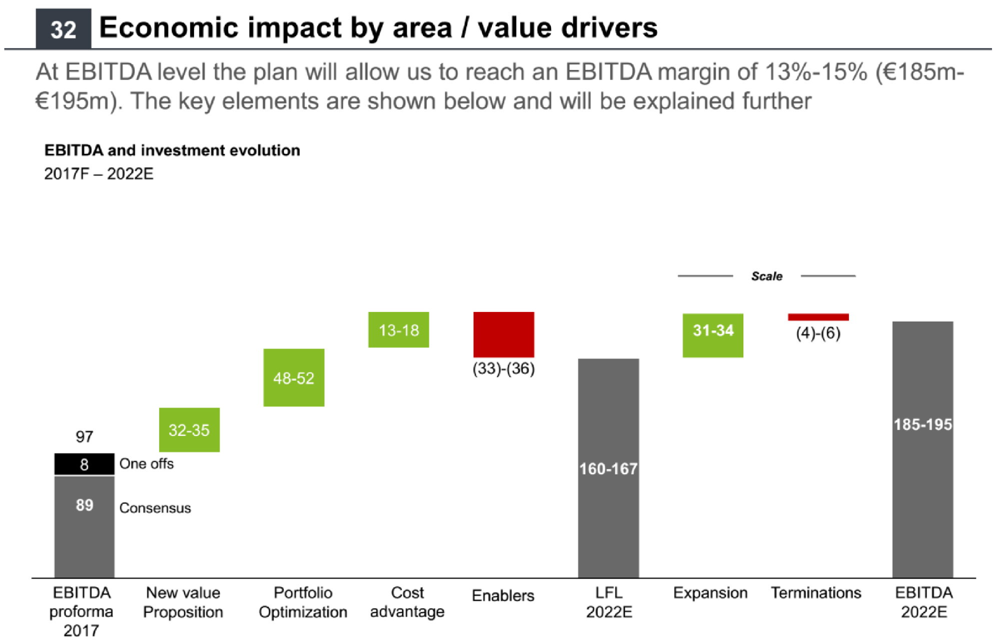
	REZIDOR HOTEL GROUP AB	**NH HOTEL GROUP SA**	**MELIA HOTELS INTERNATIONAL**	**SCANDIC HOTELS GROUP AB**
Share Price (6/26/18)	28.40	6.34	11.99	76.85
Shares	172.4	340.8	229.7	103.0
Mkt Cap	473.3	2,160.7	2,754.1	7,915.8
Net Debt & Other	43.1	704.2	620.3	5,397.0
EV	516.4	2,864.9	3,374.4	13,312.8
Capitalized Leases @8x	1,830.4	2,525.6	1,426.4	30,120.0
EV+ Cap Leases	2,346.8	5,390.5	4,800.8	43,432.8
EV/EBITDA-18	**5.1**	**10.9**	**10.0**	**7.6**
EV+ Cap Lease/EBITDAR	**7.1**	**9.3**	**9.3**	**7.9**

Why is RADH Cheap?

- **Chinese travel conglomerate HNA acquired 50% of RADH through 2016 purchase of Radisson master franchisor Carlson**
  - HNA then required to make mandatory offer for rest of RADH at SEK 35
  - RADH board recommended shareholders decline as price inadequate
  - 20% of shareholders accepted allowing HNA to increase ownership over 70%
- **Post acquisition, HNA has become severely distressed**
  - Publicly traded units halted on Chinese exchanges
  - Rumors of Chinese banks freezing credit lines to HNA units after missed payments
  - HNA had to delay payment for REZT tender as it had trouble getting needed funds out of China
- **Because of this distress, RADH shareholders concerned that HNA could be a distressed seller**
  - 9% of HNA RADH shares pledged as security for loan and transferred to lender's security account

What is the Strategic Plan

- **New CEO Federico Gonzalez (former CEO of NH Hotels) unveiled new strategic plan in Jan 2018 with the goal to double RADH EBITDA by 2022**
- **Plan is comprised of multiple elements to improve revenue**
    - Rebranding best hotels as upmarket Radisson Collection to increase ADRs 8-10%
    - Replace outdated Carlson system to improve revenue management capabilities
    - Rebrand group under Radisson name to reallocate resources towards customer-facing marketing
    - Invest 150mln refurbishment capex in targeted set of hotels with targeted 15-20% ROCE
- **RADH plan also involves cost saving measures**
    - Fix 14 hotels that are EBITDA loss-making (-15mln) by improving performance and renegotiating leases
    - Increase procurement savings rebates from 2% to 4-5% achieved at best-in-class peers
    - Centralize back office from multiple countries to single location to reduce duplication



Why is the Strategic Plan Feasible?

1. **Plan is conservatively estimated with multiple cushions to protect EBITDA projections**
    1. 14-15mln reserve for "future ideas" (new areas to spend money) and in case of an economic downturn
    2. Net of 33-36mln of incremental spend on reinvestment and enablers
2. **RADH and Carlsson have not been optimally managed in the past**
    1. Current and former employees note poor prior management
        1. "Carlson (is) a great portfolio of brands that just needed love, attention, care and investment"
        2. Rezidor failed to do "many basic things from a revenue management and strategic pricing point of view"
        3. "When I first joined the company (Carlson), I realized that things could have been better. We were totally uncompetitive with our main competitors… We found there was a lot of space for improvement.... We found about 25 areas, which we converted into initiatives and developed into a 5 year strategic plan."
    2. Did not invest in proper revenue management system of back office IT infrastructure
    3. Duplicative back offices in each market which was very inefficient
    4. Failed to do "many basic things from a revenue management and strategic pricing point of view"
3. **Very similar to plan that Gonzalez succeeded with as CEO of NH Hotels**
    1. Include similar key actions (see next page for side by side comparison)
    2. RADH install the same IT system that CEO installed at NHH
    3. NHH EBITDA **doubled** between 2013 and 2017 and exceeded expectations (233 vs. 200mln target)
4. **Share purchases by members of management team including CRO and COO who are very involved with plan and were members of management team at NHH**

Why is Strategic Plan Feasible (2)?

Strategic Plans are Very Similar

RADH Strategic Plan

25 Diagnostic (ii/ii)

We need to review our strategy to get a profit in line with the market and create a best-in-class growth platform to ensure sustainability

Revenue Growth	Value proposition	• Potential to **improve pricing differentiation** of **30-35 of the best hotels** vs other Blu (positioning, marketing investment and experience) and many opportunities of midscale due to current brand portfolio (Park Inn) could move to upscale • Potential to **raise RevPAR above** competitors with new revenue management capabilities, new marketing approach, better distribution systems and increased brand contribution
Revenue Growth	Portfolio optimization	• Opportunity to **improve ROCE of accelerated CAPEX** by 5-10 p.p. in line with benchmark of 15%-20% (ROCE of 10% on €154m CAPEX executed in ´13-´15 period) • **Potential to increase ADR** in **30-35 hotels** through renovation and refurbishments • Opportunity to **improve operating performance** optimizing hotel operations • **High rent** levels (1.3x coverage), 14 loss-makers impact EBITDA (**-€15.5m**) & 27 in EBIT (**-€28.3m**)
Operating Margin	Cost advantage	• Potential increase of **procurement savings contribution** (2.3% of OPEX savings vs 4-5% best in class) • **Integration of support functions** (excluding shared services / revgen) between **Central, Areas and Hotels** will drive cost reductions(16% support cost increase, with 4.5% revenue increase ('13-'16 period) • Opportunity to **re-allocate resources** by account potential, **decrease reservation costs** and to **optimize channel mix**
Enablers		• **IT systems improvement** could significantly increase **efficiency** and **revenue growth** • Strengthening the **collaboration** between **Carlson and Rezidor** and between **Areas and HQ** could deliver significant **revenue and cost reductions**
Scale		• Opportunity to boost **revenue growth** by **expanding in higher RevPAR markets** and **minimizing lease exits** (1.5% growth in revenues, while room growth 2.3% in ´13-´16 period) • Opportunity to **improve owners revenue**, costs and asset management

NHH Strategic Plan

INITIATIVES		DESCRIPTION
Revenues increase	New value proposition	• **Brand Architecture and Experience** • Pricing strategy and increased **investment in marketing**
Revenues increase	Portfolio optimization	• **Repositioning Plan**: €200-220 investment • **Asset Rotation** of owned assets that do not fit either with the new product or NH strategy
Margin Increase	Direct sales increase	• Reduction of intermediation costs **increasing direct online sales** (web site and mobile applications) • **Sales strategy by** channels and **strategic pricing** (prices-value and **yield management** by market)
Margin Increase	Cost efficiency	• Optimization of support functions (i.e. administration), and purchases • **Leases adjustment plan**
Growth		• **Strengthen presence in Europe and Latam** • **JV China**
ENABLERS		• IT, Human Resources and Sustainability initiatives • Global **business culture**

What's the Upside

- If RADH succeeds in the strategic plan, there is significant upside. Under the plan, EBITDA should reach ~190mln by 2022
  - If RAD trades at 9x 2022 EBITDA then the stock would be worth **SEK ~100 per share, ~3.5x current share price and a 37% CAGR over the next 4 years**
  - SEK 100k would be ~15x FCF and under 8.5x EBITDAR

Strategic Plan EBITDA	190.0		Strat Plan EBITDAR	418.8		Strat Plan EBITDA	190.0
Multiple	9.0x		Multiple	8.5x		D&A	(82.7)
EV	1,710.0		EV	3,559.8		Interest	(2.0)
Net Debt	(43.1)		Net Debt	(43.1)		Taxes	(28.4)
MKt Cap (EUR)	1,666.9		Cap Leases	(1,830.4)		D&A	82.7
Mkt Cap (SEK)	17,245.0		MKt Cap (EUR)	1,686.3		Capex	(50.0)
Share Price (SEK)	**100.02**		Mkt Cap (SEK)	17,446		FCF	109.6
			Share Price (SEK)	**101.18**		Per Share (SEK)	6.57
Upside	***252%***					Multiple	15.5x
4 Year CAGR	***37%***					**Share Price (SEK)**	**101.89**

What's the Downside Protection?

- Strong balance sheet with only 40mln of net debt (0.4x EBITDA) should protect downside
  - SEK 15 of book value per share
- Valuation on cyclically depressed earnings suggests limited downside
  - 1 EUR change in REVPAR ~7mln change in EBITDA, return to 2011 REVPAR & EBITDA drops ~47mln to 51mln

2011 REVPAR	63.0
2017 REVPAR	69.7
REVPAR Change	**(6.7)**
EBITDA per 1e REVPAR	7.0
EBITDA Change	**(46.9)**
2017 Adj EBITDA	98.2
Implied Downside EBITDA	**51.3**

- Capitalize cyclically depressed EBITDA at 6x and REZT would be worth SEK 16, a 40% decline from current levels
  - 6x depressed EBITDA is conservative with peers at 8-10x current EBITDA

Downside EBITDA	51.3	Down EBITDAR	280.1	Downside EBITDA	51.3
Multiple	6.0x	Multiple	7.6x	D&A	(42.2)
EV	307.8	EV	2,128.8	Interest	(2.0)
Net Debt	(43.1)	Net Debt	(43.1)	Taxes	(1.9)
MKt Cap (EUR)	264.7	Cap Leases	(1,830.4)	D&A	42.2
Mkt Cap (SEK)	2,738.5	MKt Cap (EUR)	255.3	Capex	(40.0)
Share Price (SEK)	**15.88**	Mkt Cap (SEK)	2,640.8	FCF	7.4
		Share Price (SEK)	**15.32**	Per Share (SEK)	0.44
Upside	***-44%***	*Downside*	*-46%*	Multiple	36.0x
4 Year CAGR	***-14%***			**Share Price (SEK)**	**15.95**
		Book Value	253.7		
		Share Price (SEK)	**15.22**		

Risks

1. **Execution**- Ambitious improvement plan with multiple elements including rebranding, refurbishment and IT upgrades
2. **Economic Downturn**- Cyclical demand and fixed cost structure of hotel industry exposes them to risks from recession. Could be hedged with short of European peers.
3. **Terrorism**- RADH at risk of terrorist attack. 2015 attack on managed hotel in Bamako, Mali killed 22 people
4. **HNA Financial Distress**- If HNA enters severe distress, their RADH shares could be dumped, especially the lender-controlled shares
5. **HNA Self-Dealing**- While board has multiple independent members, HNA is controlling shareholder and could try to take advantage of minority shareholders

CONTACT INFORMATION

Far View Capital Management, LLC

info@farviewcapitalmgmt.com

646-838-4401

Explore more presentations at VALUExVail.com