www.pwc.com.gr

Hospitality Investment Strategies in Greece

February 2016

pwc

Executive summary

The market

- Greece is a significant global tourist destination, with 25 mn arrivals in 2015, up from almost 22 mn in 2014
- Tourism is not, by and large, dependent on Greek GDP, but its direct contribution exceeds 7%
- The hospitality industry has been growing fast and systematically in the last three years, but it is not particularly internationally competitive, mainly due to price
- In 2014, tourists spend about €590 per journey, with an average stay of 8.4 days, yielding about €13bn income
- There are about 9,745 hotels with approximately 405k rooms and 781k beds in the country, mainly concentrated (85%) in Crete, South Aegean, Central Macedonia and the Ionian islands
- Greek hospitality is mostly based on small 2* hotels (4,198 hotels), while 4* and 5* hotels account for only 17% of the total number
- There are only 367 hotels with more than 300 beds, representing 4% of the total number of hotels and 25% of bed capacity
- The hotel industry is fragmented with the average unit size in our sample at 247 beds. On average, each hotel company has only 1.5 units, while one company/one hotel account for about 47% of sample hotels. There are 87 Greek hotel chains and 6 non Greek hotel operators
- About 38% of all hotel companies are highly competitive with systematic growth, good profitability and little debt
- Most of the debt hotel industry (€4bn) is concentrated in the Zombie and Grey groups facing servicing issue. Hotels in Zombie categories appear overinvested and overcapitalised with negative return on equity
- The hospitality industry, will benefit from restructuring/refinancing about € 2bn over a reasonable time horizon, to restore the balance with operational profitability

- Hotels are unevenly distributed in Greece. Five main destinations account for 84% of all capacity and about 93% of revenues and profits. The majority of tourists are attracted to destinations, where the percentage of 4* and 5* hotels bed capacity is more than 25%
- For the upgrading of the tourism product around € 1.6bn will be spent up to 2022

Drivers of Economic Performance

- Hospitality economics are determined by destination, unit size and class and significantly influenced by the quality of management
- There are significant differences in performance between main and lesser destinations, with capacity problems at peak at main destinations and a lot of slack in lesser ones
- Higher star hotels tend to have better revenue and EBITDA per bed as well as margins than lower star hotels
- Unit size has a limited impact on hotel economics and does not appear that larger hotels have on average better financial performance than smaller ones
- The quality of management and the overall competitiveness of a hotel is the single most important determinant of value, given the other parameters

Geopolitical Developments

- The conditions in Middle East, Turkey and North Africa and the improving, relative to them, competitiveness of Greek hospitality, are supporting the continuing growth hypothesis
- Growth in tourist arrivals could be only halted by a global or European recession or major political events in Greece

Investment Strategies

- The Greek hotel M&A market is almost dormant. There are at least 225 hotels currently on offer, the majority at main destinations and asking prices almost 50% higher than the imputed equity values per bed.
- Very few transactions get to be completed every year and vast majority are of small size
- There are three strategies and a doubtful strategy for hospitality investments:
  - **add capacity** at main destinations through unutilised building permits
  - **upgrade hotels** to the next class
  - **develop lesser destinations** through acquisition of many hotels at one of them
  - **Zombie hotel acquisition is a doubtful strategy** with only few exceptions
- The most promising strategy in terms of value potential appears to be **lesser destination development** followed by capacity enhancement,with hotel upgrading at the bottom
- In the context of the capacity and upgrading strategies there are at main destinations, 221 Star and 153 Grey 5* and 4* and 3* hotels to be considered for acquisition at international EBITDA multiples
- At lesser destinations, where the privatisation of 14 regional airports could boost demand, there are 57 hotels, that could be acquired to develop specific destination
- The current structure of the industry along with its mild relative competitiveness and its underlying economics do not facilitated large scale transactions and consequently fast consolidation

Star/ Grey
5* - 4* - 3*/2*/1*

Add Capacity			
Group	Value multiples (x)		
	5*	4*	3*/2*/1*
Star	1.6	1.7	1.6
Grey	1.6	1.5	1.6

Up to 605 hotels, at main destinations

Star/ Grey
4* - 3*/2*/1*

Upgrade hotels		
Group	Value multiples (x)	
	From 4* --> 5*	From 3* -- >4*
Star	1.6	1.2
Grey	1.4	1.1

Up to 476 hotels

Star/ Grey
5* - 4* - 3*/2*/1*

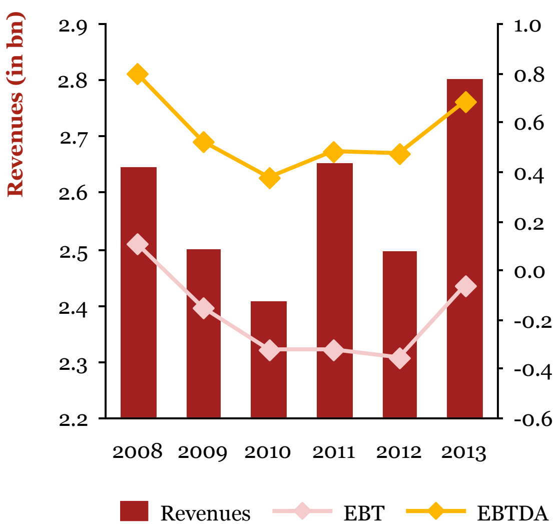
Develop Lesser Destinations			
Group	Value multiples (x)		
	5*	4*	3*/2*/1*
Star	3.7	2.0	1.6
Grey	1.8	1.8	1.5

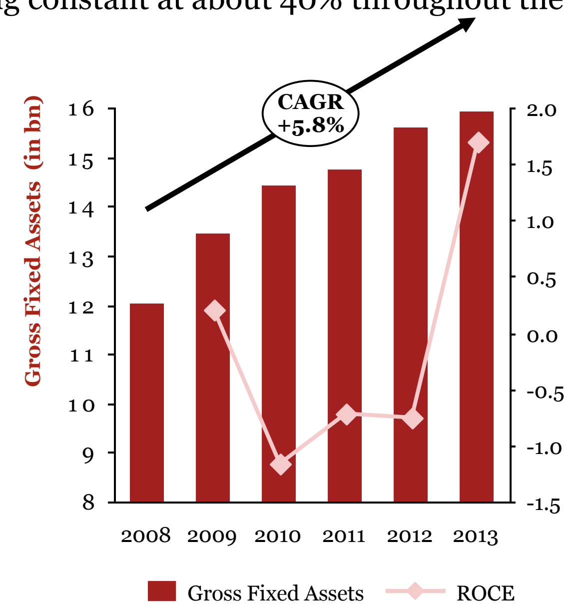
Up to 57 hotels at lesser destinations

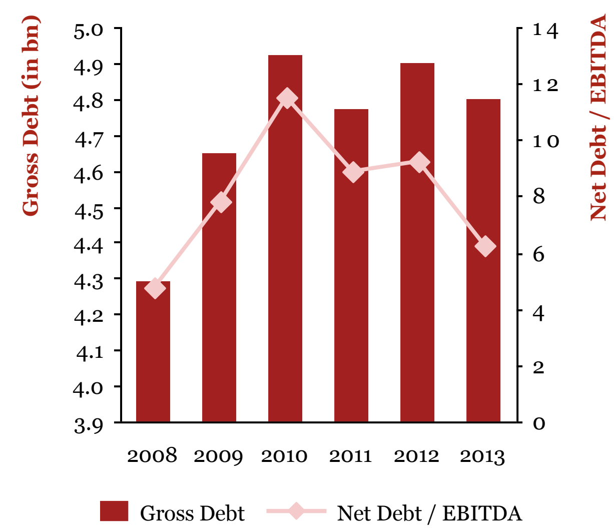
Hotel Competitiveness

During the crisis the profitability of the hotel industry was stable, with signs of improvement for hotels with annual revenue in excess of € 1mn p.a.

- Sample revenues increased to € 2.8bn in 2013, marking the highest increase since 2008(12.2%)
- Gross fixed assets rose by 5.8% p.a. within 2008-2013 reaching € 16bn, steadily increasing
- Historically EBITDA decreased by 12.2% (2008-2012), a significant positive change is evident (45%) in 2013
- Total debt stood at € 4.8bn in 2013, 11.6% higher than 2008, but 2% lower than 2012
- Average Net Debt/EBITDA, as a measure of debt sustainability, dropped from 9.2x in 2012 to 6.2x in 2013
- Capital employed remains underemunerated, while on average hotel balance sheets are reasonably well capitalized, with Net Debt to Capital Employed remaining constant at about 40% throughout the period







Hotel companies showed an improvement in competitiveness from 2009 to 2013, with more than 67% retaining or improving their relative position

238 hotel companies (32% of total) moved **downwards**

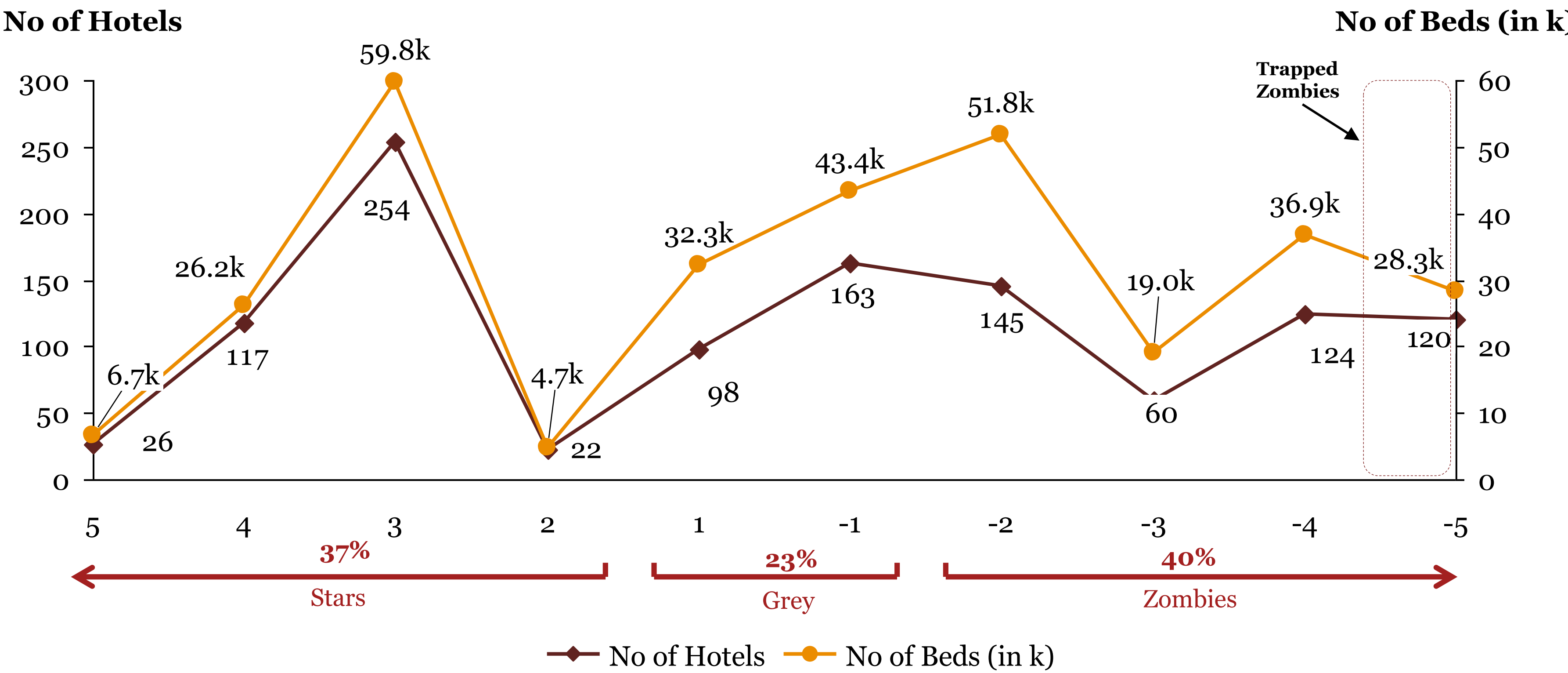
143 hotel companies (19% of total) remained in the **same** Group

364 hotel companies (49% of total) moved **upwards**

	2009/2013	5	4	3	2	1	-1	-2	-3	-4	-5	Total 2013
Star	5	1	4	3	1	1	3	2	0	1	4	20
	4	0	15	5	7	5	14	5	9	9	9	78
	3	0	15	18	4	4	46	11	20	13	18	149
	2	1	2	0	1	0	3	0	5	0	1	13
	1	0	1	5	2	12	4	10	3	14	7	58
	-1	2	7	6	7	3	26	8	26	10	7	102
	-2	0	3	4	0	5	15	16	4	25	17	89
	-3	0	4	4	1	1	15	1	12	0	3	41
	-4	0	0	5	0	3	9	17	8	17	19	78
Zombie	-5	1	5	14	1	3	26	7	13	22	25	117
	Total 2009	5	56	64	24	37	161	77	100	111	110	745
	% Change	300%	39%	133%	-46%	57%	-37%	16%	-59%	-30%	6%	

- Around half of the hotel companies moved to a higher category compared to 32% that moved downwards
- Since 2009, 92 hotel companies turned to Zombies (-5) to 2013, and 19 companies turned to Stars (5), whilst 19% remained in the same Group

37% of the hotel companies, representing 32% of bed capacity, belong to Star groups, with only 10% of the bed capacity in trapped Zombie hotel companies

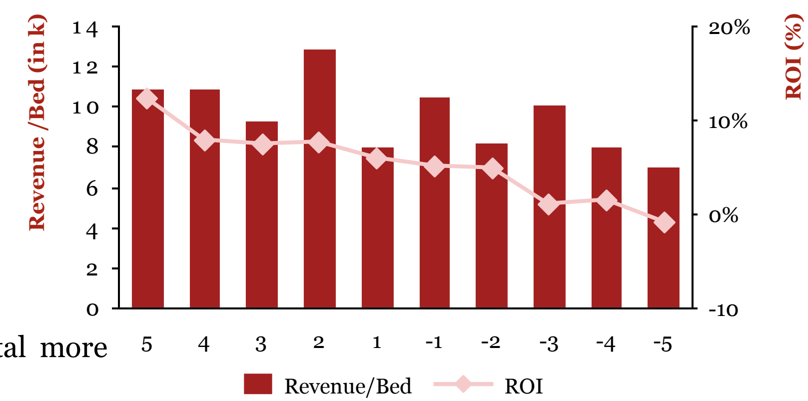


The typical hotel company tends to be small with annual revenues between €2.1mn to €4.8mn

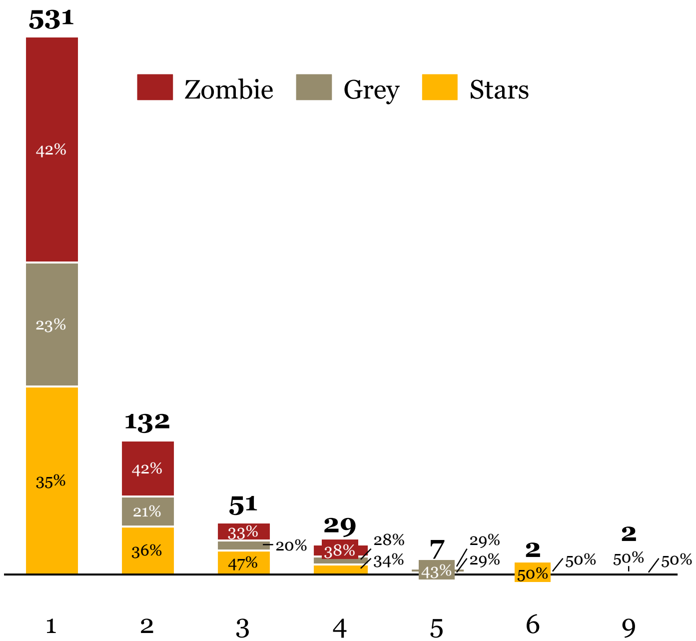
** € mn*

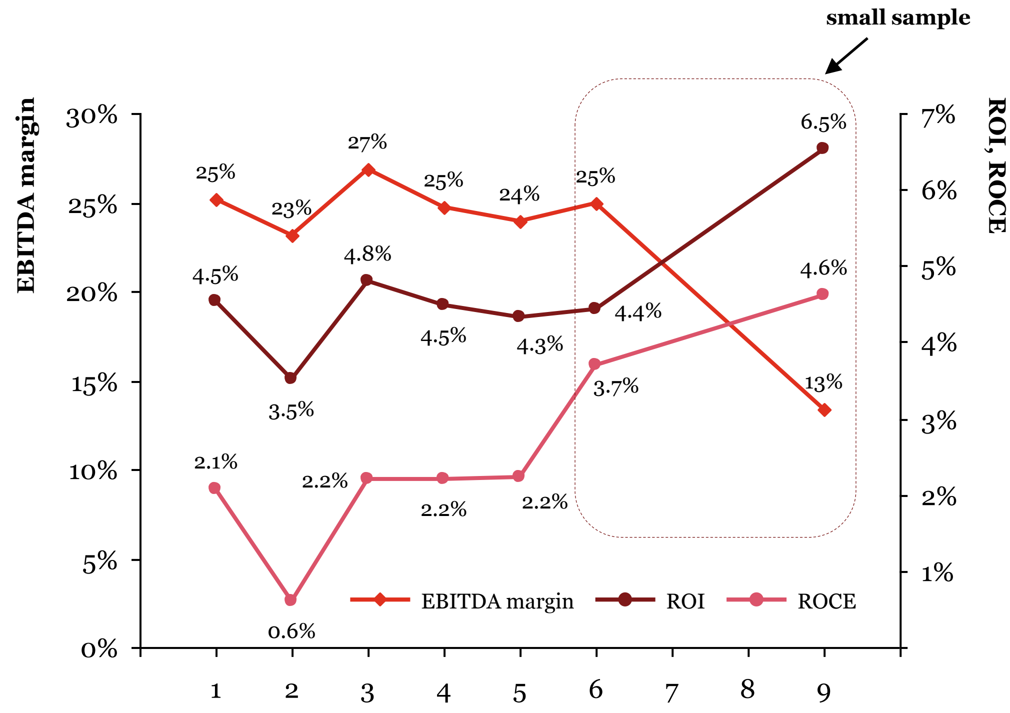
	Stars				Grey		Zombies			
Typical Company	**5**	**4**	**3**	**2**	**1**	**-1**	**-2**	**-3**	**-4**	**-5**
Revenue (€ in mn)	3.5	3.5	3.6	3.8	4.5	4.0	4.8	3.9	3.8	2.1
Cagr '08 - '13	13%	11%	8%	12%	1%	10%	-1%	8%	-4%	-13%
EBITDA (€ in mn)	1.2	1.2	1.2	1.1	1.4	1.2	1.3	0.3	0.4	-0.2
EBITDA margin	35%	33%	32%	29%	31%	29%	28%	9%	11%	-8%
EBT (€ in mn)	0.8	0.5	0.5	0.3	0.4	0.0	-0.1	-1.4	-1.0	-0.8
Gross Fixed Assets (€ in mn)	9.7	14.9	15.9	14.1	23.2	22.5	27.6	33.5	28.8	17.4
ROI	12%	8%	7%	8%	6%	5%	5%	1%	1%	-1%
Capital Employed (€ in mn)	4.0	11.0	10.0	8.3	11.6	16.2	20.1	22.6	23.0	10.8
ROCE	22%	6%	6%	4%	6%	3%	3%	-4%	-2%	-5%
Net Debt (€ in mn)	-0.3	0.1	1.6	-0.3	4.4	7.5	12.3	8.2	12.9	4.5
Net Debt/EBITDA	-0.2	0.1	1.4	-0.3	3.1	6.5	9.1	24.6	30.5	-28.0
# of Employees	6	19	9	19	9	14	18	32	29	40
# of Hotels	1.2	1.4	1.6	1.4	1.7	1.4	1.6	1.2	1.6	1.3
# of Beds	319	323	388	292	557	380	582	387	473	301

- As we move from Group 5 to Group -5, for a typical hotel company:
  - revenue growth drops
  - EBITDA margin on average drops from above 30% to less than 10%
  - revenue is slightly higher with the exception of real Zombies
  - profitability declines to below zero levels
  - gross fixed assets increase considerably, doubling across Zombies
  - significantly more capital is employed
  - more staff is employed
  - net debt increases disproportionately, downstream of Group 2
- In summary, Star hotel companies use less fixed assets and employ capital more productively than Zombie companies



Hotel groups on average tend to be as competitive as the single hotel companies





No of units per hotel company

Source: PwC sample and calculations

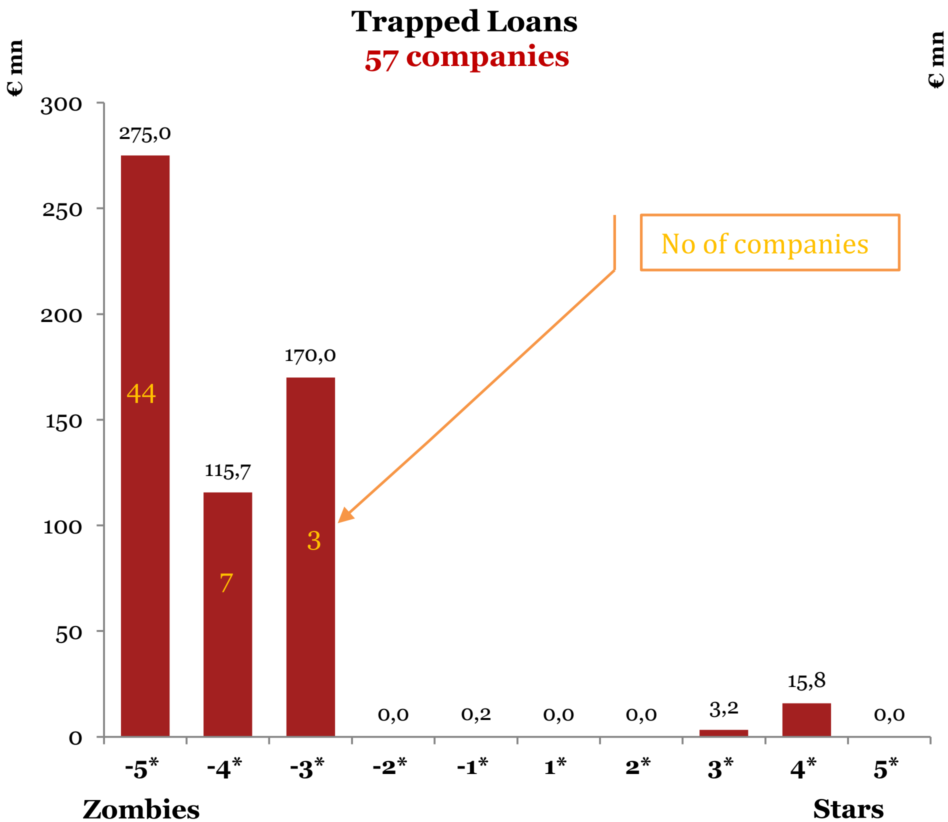
- 223 out of 531 single hotel companies (42%) is classified as Zombie, while 35% and 23% are Star and Grey respectively
- Companies with 3, 6 and 9 hotels are in general Stars

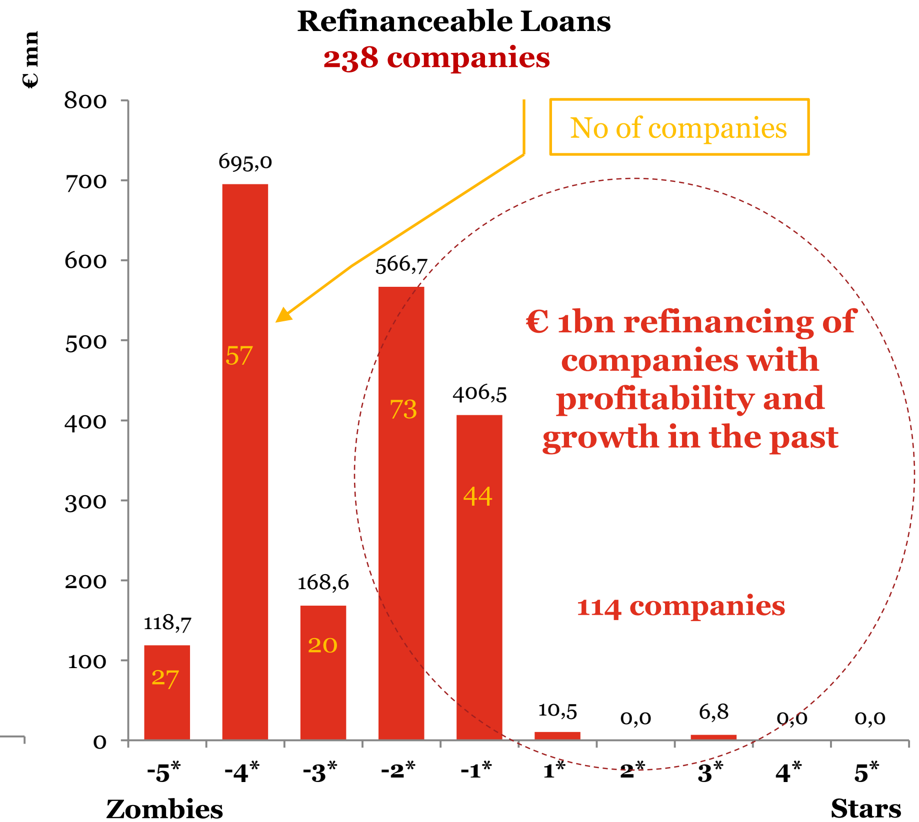
- Operational profitability is on average the same across hotel numbers per company
- Return on Investment and Return on Capital Employed tend to grow with the number of hotels in a Group, but sample sizes are very small for comfort

For the refinancing of the hospitality industry, over a reasonable time horizon, banks must…

*…**write off or heavily restructure** about* ***€0.6bn*** *(12% of sample loans)* and release the assets, mostly held by Zombies

*… **restructure/refinance** about **€ 2bn** (41% of sample loans) to restore the balance with operational profitability*





Summary

- Overall, the hotel industry has retained and slightly improved its competitiveness during the crisis
- More than one third of the hotels are truly competitive, in the Star groups
- A small percentage (12%) of companies are Zombies, with trapped debt of around €600mn
- The typical hotel firm is small with competitive companies being in general smaller than non competitive
- Zombie hotels tend to be bigger and significantly less productive than Star hotels in the 4* and 5* categories
- Hotel companies appear overinvested as we move down the competitiveness scale, however generally with sound capital structures
- Hotel groups tend to be as competitive as single hotel companies
- About 240 hotel companies will need to refinance approximately €2bn of debt, with 114 of them, representing €1bn, being profitable and growing. About €600mn are trapped loans

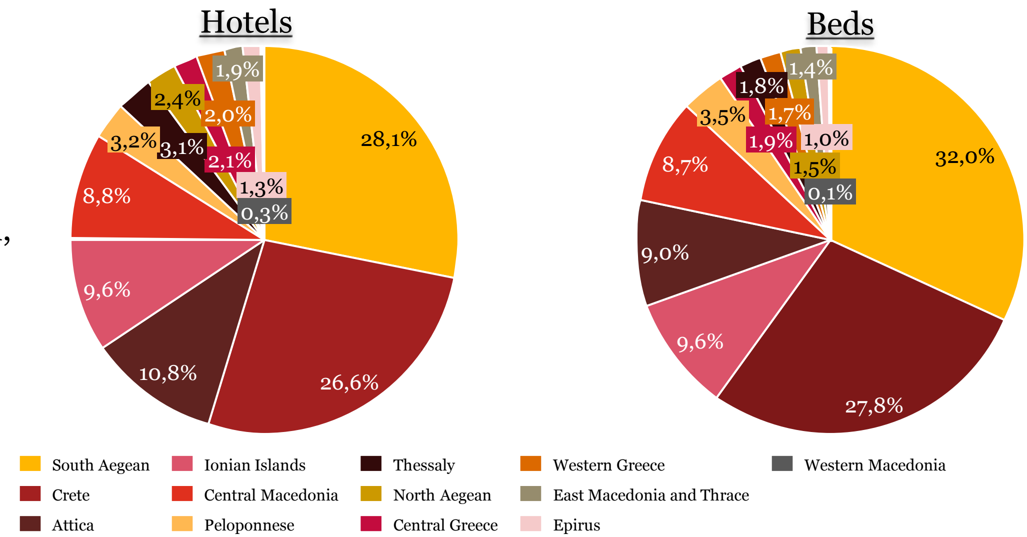
Hotel Performance Drivers

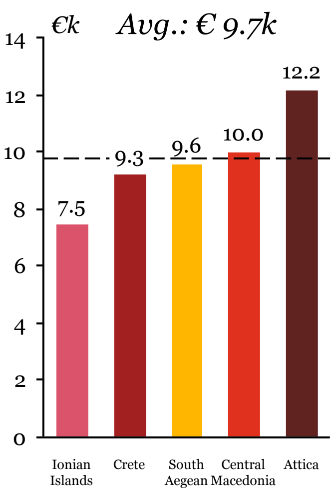
Destination, class, unit size, and the quality of management determine hotel economics

- Hotel economics appear to be dependent mainly on three variables:
  - **destination**
  - **class**
  - **size of unit**
- The quality of management also affects performance within each grouping, reflecting on its overall competitiveness
- Destination, or location at a more granular level, affects the rates earned per room, the average occupancy and to an extent capital cost because of land prices
- Class determines in the main the average rates charged, as well as the capital costs incurred in construction
- The size of the hotel unit influences the operating cost and the non room component of the revenue
- There is an important distinction in financial performance between operating profitability (EBITDA margin) and return on capital invested (ROI)

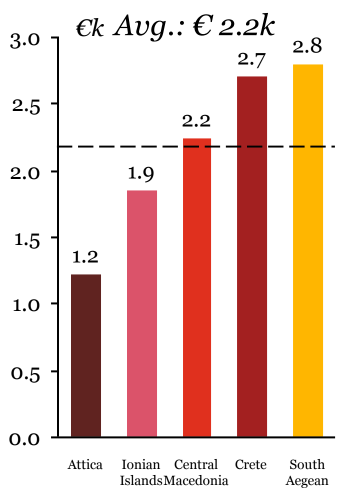
Five destinations account for 84% of all capacity

- Central Macedonia, Crete, Ionian Islands, South Aegean and Attica account for **84% of hotels, 91% of revenue**, **95% of EBITDA**, **86% of fixed assets** and **88% of net debt**
- Two destinations, Crete and Southern Aegean, have more than **40% of all capacity**
- Average **EBITDA margin** is around 23%, with Attica lagging
- Average **Return on Investment** is fairly robust at around 5%, with the exception of Attica

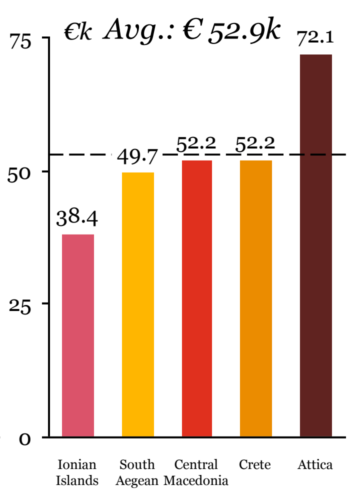




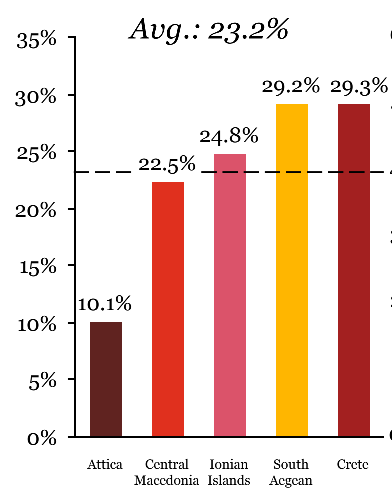
Revenue/bed



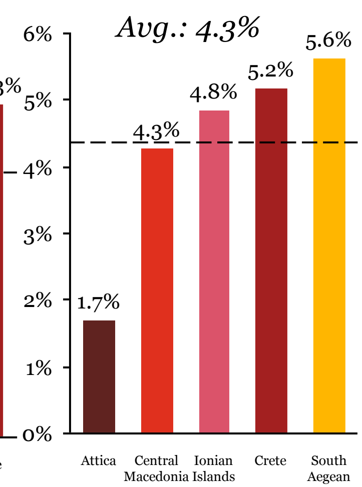
EBITDA/bed



Gross Fixed Assets/bed



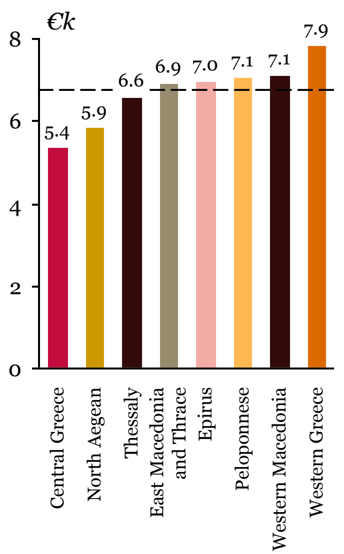
EBITDA margin



ROI

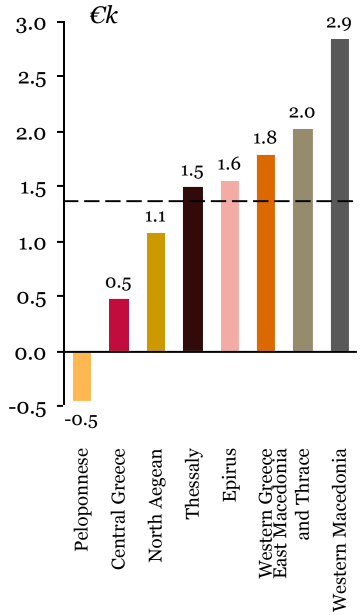
Lesser destinations show a lower performance

- **Eight destinations** (East Macedonia and Thrace, Northern Aegean, Western Greece, Western Macedonia, Epirus, Peloponnese and Central Greece) have less than 35 hotels each and in total account for less than 15% of all beds
- Revenue and EBITDA per bed figures for lesser destination are on average 31% and 36% lower than those for the main destinations, whilst Gross Fixed Assets are roughly at the same level
- Average EBIDA margin and Return on Investment show some variance between lesser destinations, and are on average 3.5pp and 1.5pp lower correspondingly than in the main destinations
- Main destinations tend to be served by larger 5 and 4 Star and small 4 and 3 Star hotels than lesser destinations



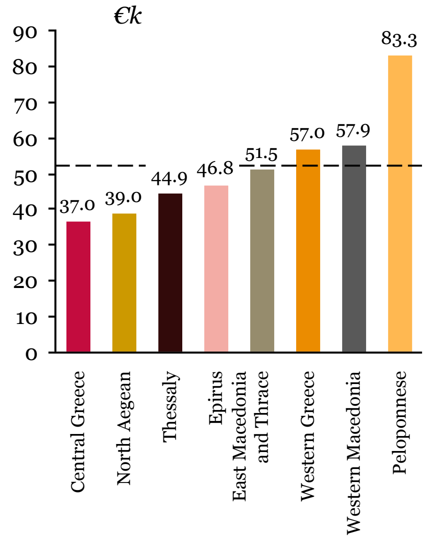
Revenue/bed

Avg. Main Dest.: € 9.7k
Avg. Lesser Dest.: € 6.7k
Gap € 3k



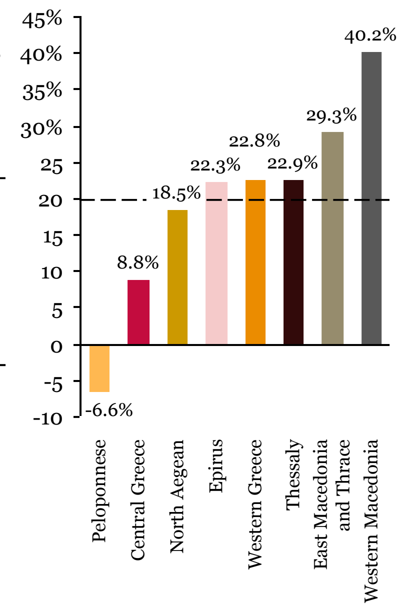
EBITDA/bed

Avg. Main Dest.: € 2.2k
Avg. Lesser Dest.: € 1.4k
Gap € 0.8k



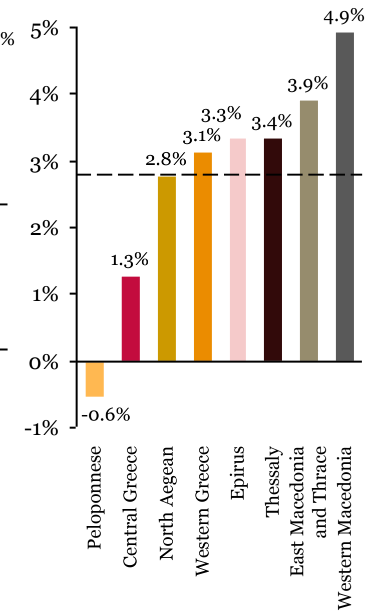
Gross Fixed Assets/bed

Avg. Main Dest.: € 52.9k
Avg. Lesser Dest.: € 52.2k
Gap € ok



EBITDA margin

Avg. Main Dest.: 23.2%
Avg. Lesser Dest.: 19.8%
Gap 3.4pps



ROI

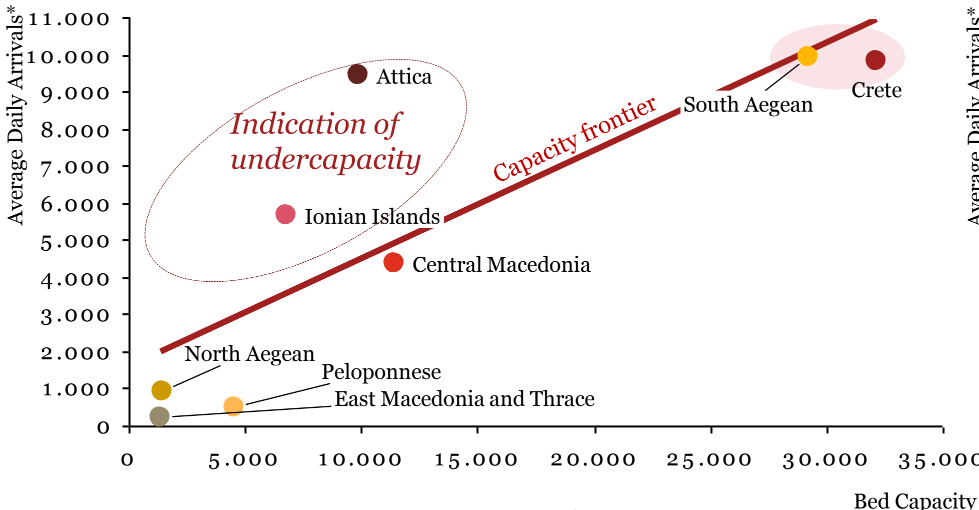
Avg. Main Dest.: 4.3%
Avg. Lesser Dest.: 2.8%
Gap 1.5pps

Zombies tend to be concentrated in lesser destinations, with the marked exception of Attica

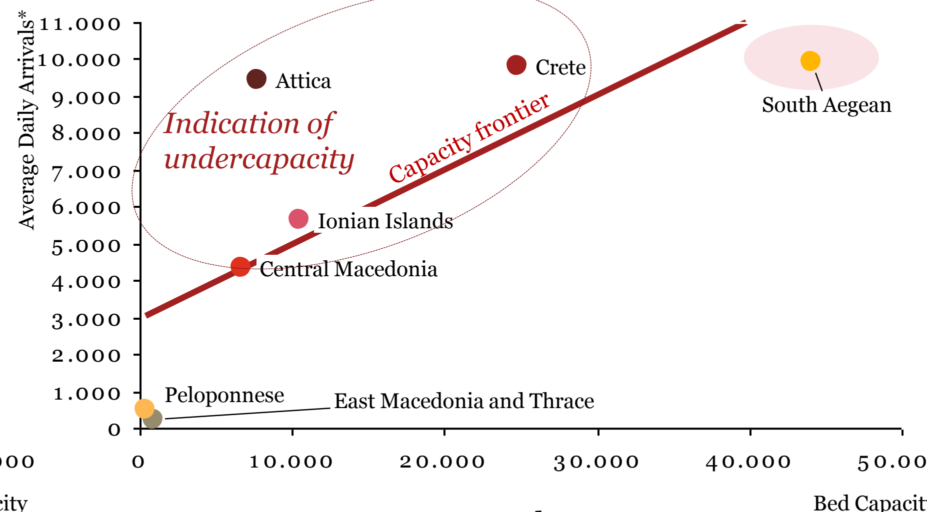
Destination	% Zombies	% Grey	% Stars
South Aegean	26%	30%	44%
Crete	27%	22%	51%
Attica	60%	20%	19%
Ionian Islands	29%	20%	51%
Central Macedonia	55%	18%	27%
Peloponnese	61%	28%	11%
Thessaly	57%	10%	33%
North Aegean	47%	33%	20%
Central Greece	75%	17%	8%
Western Greece	64%	14%	21%
East Macedonia and Thrace	53%	26%	21%
Epirus	60%	10%	30%
Western Macedonia	50%	25%	25%
Total	**41%**	**23%**	**36%**

There are indications of under capacity at the main destinations

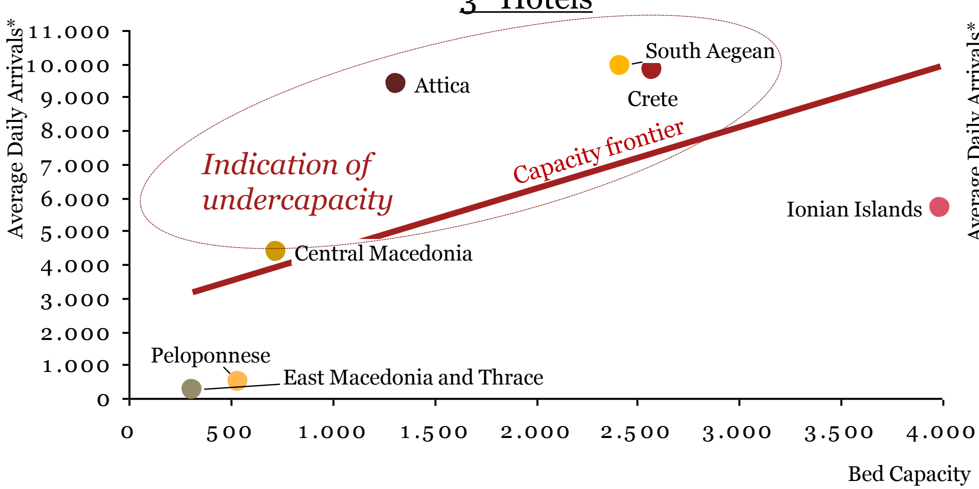
5* Hotels



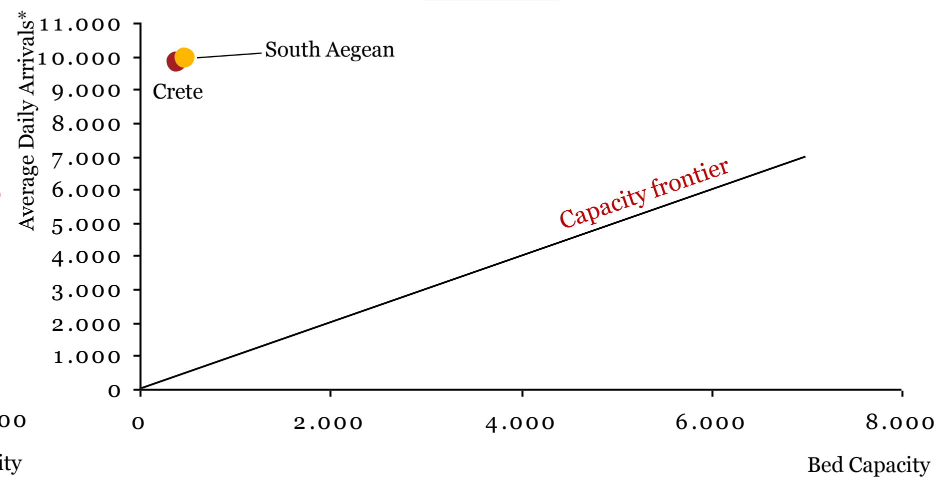
4* Hotels



3* Hotels

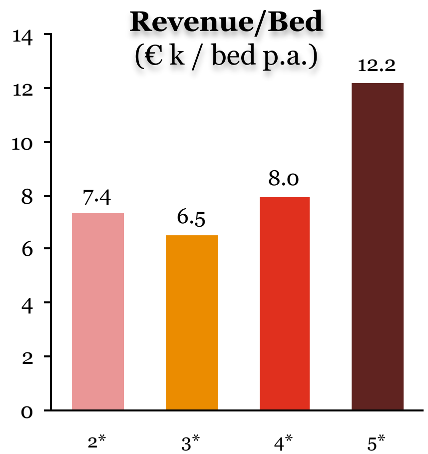


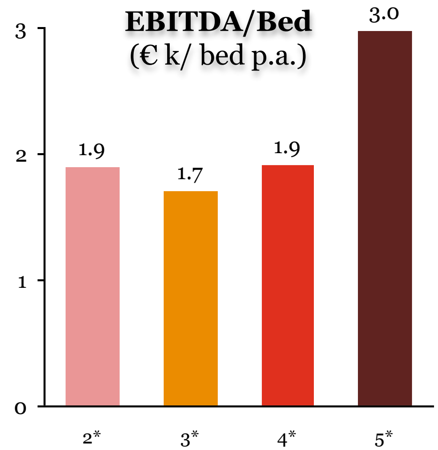
2* Hotels

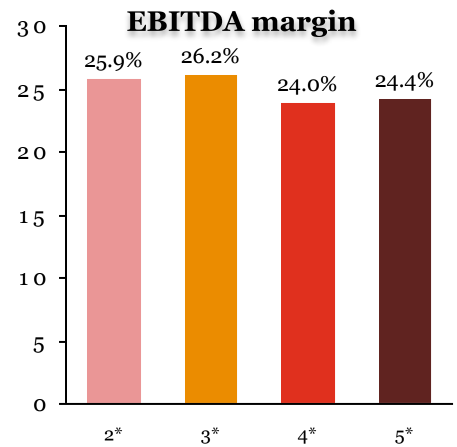


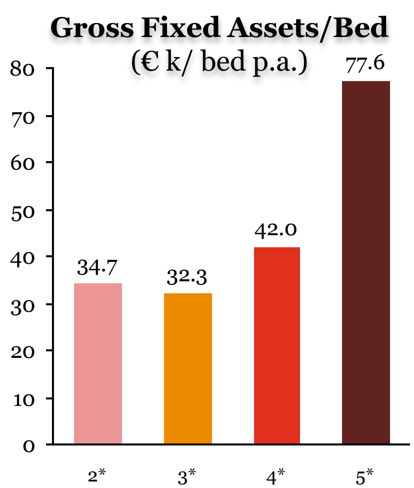
*Average Daily Arrivals *correspond* to the simple average of total Arrivals per day

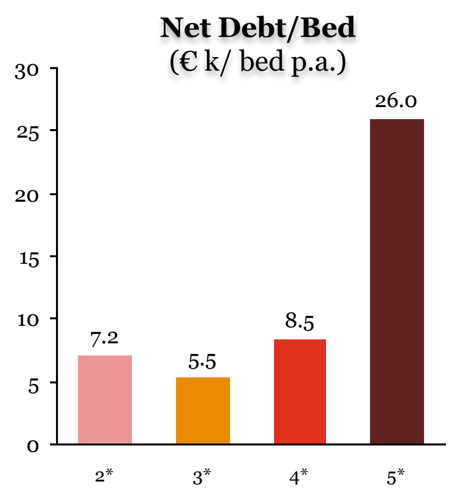
Performance and operational characteristics differ per Star category, with high Star hotels underperforming lower Star hotels in terms of profitability

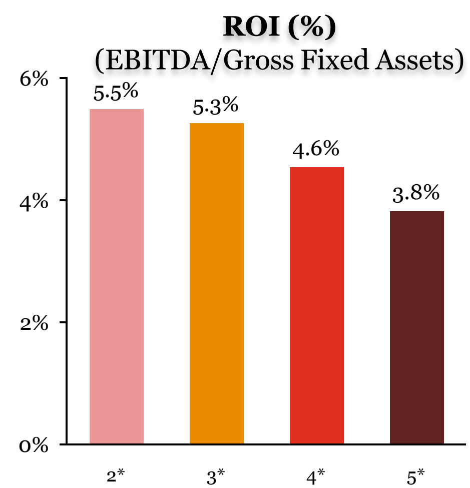








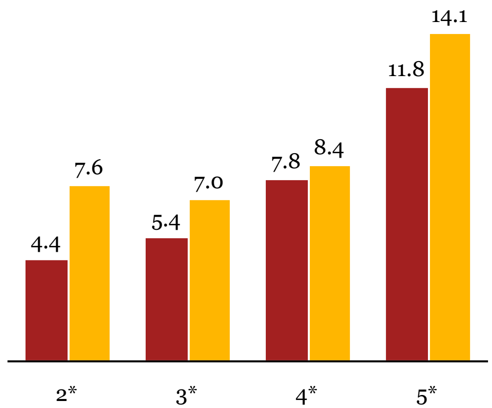




300- beds hotels, seem to perform slightly better in terms of operating profitability than 300+ bed hotels, but show very little difference on return on investment

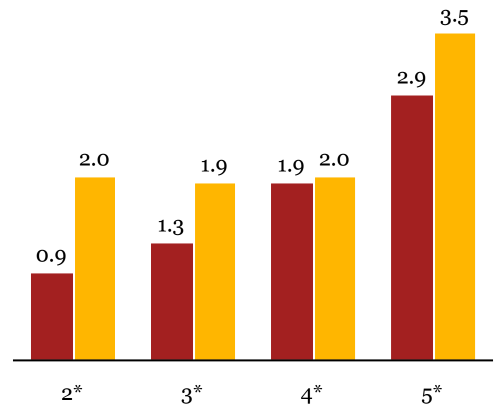
Revenue/Bed (€k)

Avg. difference.: € 1.9k



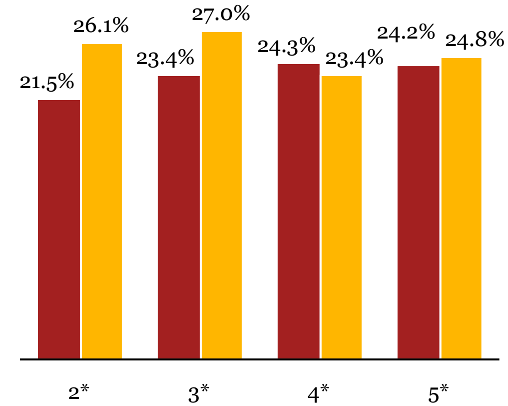
EBITDA/Bed (€k)

Avg. difference.: € 0.6k



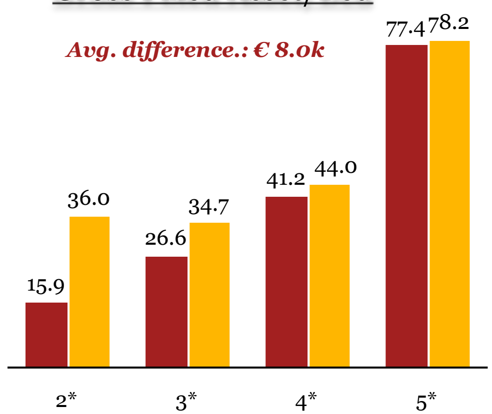
EBITDA margin

Avg. difference.: € 2.0pps



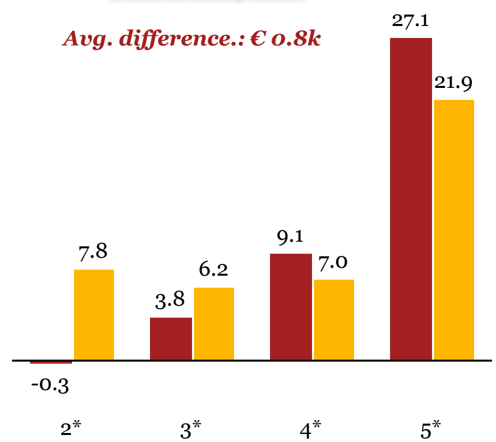
Gross Fixed Asset/Bed

Avg. difference.: € 8.0k



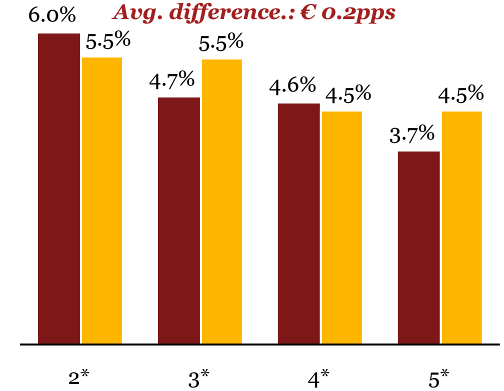
Net Debt/Bed

Avg. difference.: € 0.8k



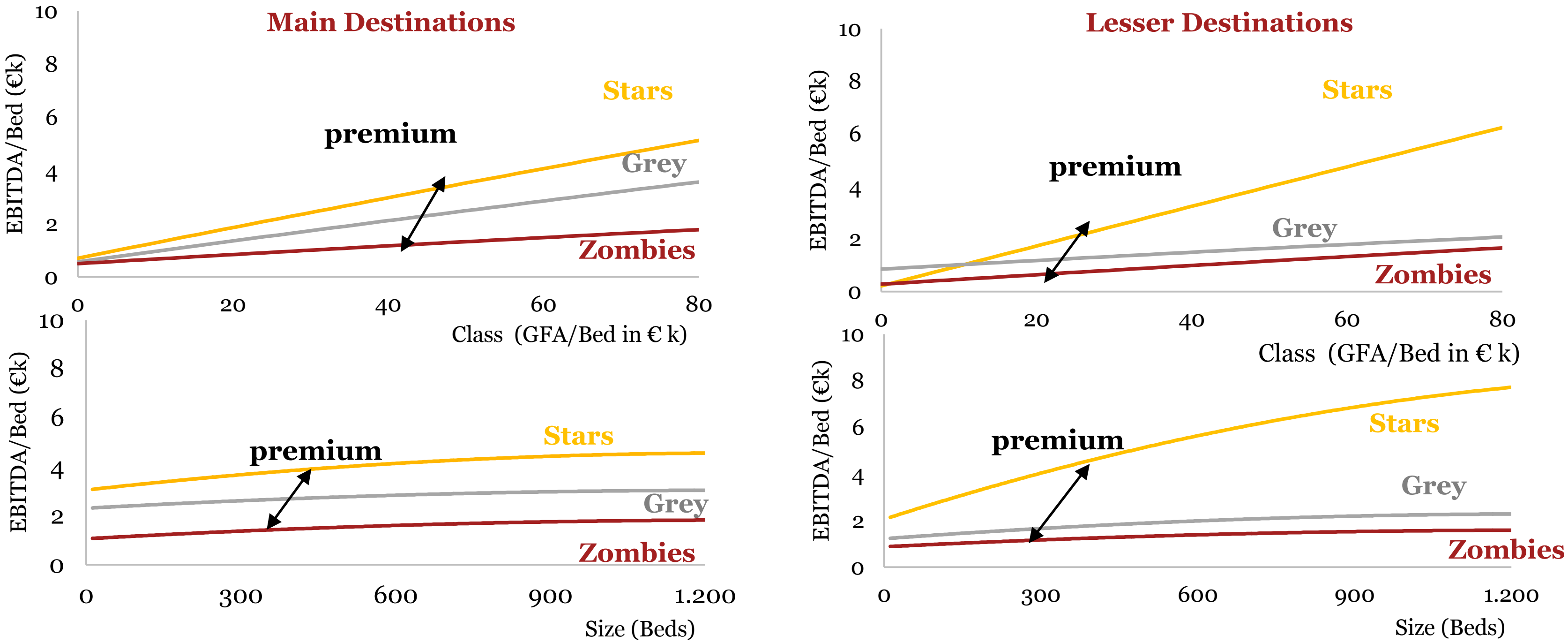
ROI

Avg. difference.: € 0.2pps



300+ **300-**

Primarily class and secondarily the unit size determine profitability at any given destination with significant distance between main and lesser destination



ln (EBITDA/Bed) = -1.72 + 0.11 ln(Revenue) + 0.77 ln(GFA/Bed)

ln (EBITDA/Bed) = -1.16 +0.07 ln(Revenue) + 0.73 ln(GFA/Bed)

ln (EBITDA/Bed) = -1.27 + 0.15 ln(Revenue) + 0.58 ln(GFA/Bed)

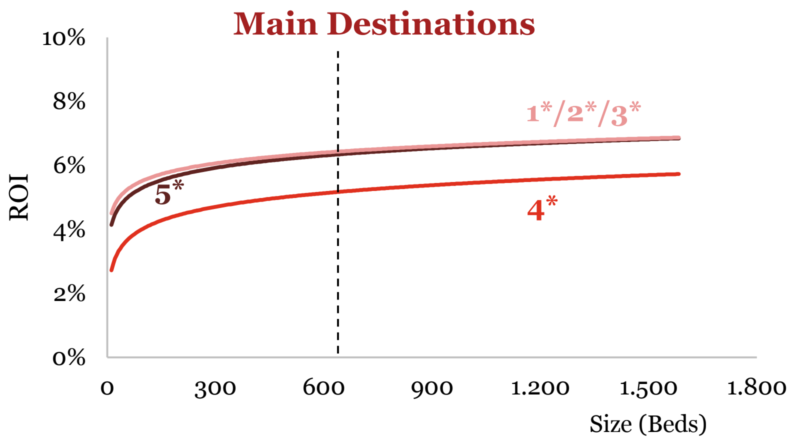
ln (EBITDA/Bed) = -7.40 + 0.37 ln(Revenue) + 0.95 ln(GFA/Bed)

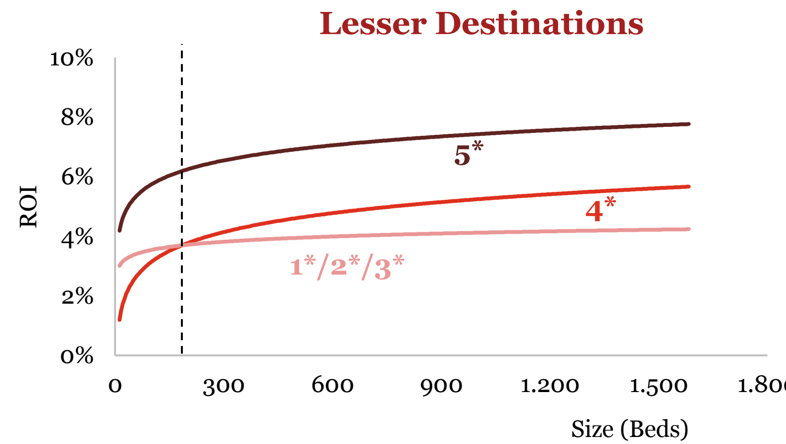
ln (EBITDA/Bed) = 0.18 ln(Revenue) + 0.44 ln(GFA/Bed)

ln (EBITDA/Bed) = -3.32 + 0.18 ln(Revenue) + 0.72 ln(GFA/Bed)

- Star, Grey, and Zombie hotel performance is driven in general by the same variables, but there are systematic differences in their performance
- EBITDA/Bed at main destinations is strongly dependent on class and secondarily on size, with marked differences between main and lesser destinations
- Star hotels in lesser destinations perform considerably better than all others
- Grey hotels in lesser destinations tend to be more comparable to Zombie hotels
- In general, extra investment in a hotel or capacity addition are rewarded by diminishing increases in EBITDA/bed

Depending on unit size and classes, different types of hotel emerge as most profitable in terms of return on investment





ln(ROI) = 0.11 ln(Revenue) -0.42 ln(GFA/Bed)
ln(ROI) = -2.18 + 0.15 ln(Revenue) -0.29 ln(GFA/Bed)
ln(ROI) = -1.08 + 0.09 ln(Revenue) -0.29 ln(GFA/Bed)

ln(ROI) = 3.12 + 0.15 ln(Revenue) - 0.77 ln(GFA/Bed)
ln(ROI) = -2.84 + 0.27ln(Revenue) - 0.41ln(GFA/Bed)
ln(ROI) = -4.50 + 0.07 ln(Revenue) -0.02 ln(GFA/Bed)

- The performance differences are greater in lesser than for the main destinations
- At the main destinations, 5* hotels and 1*/2*/3* hotels demonstrate similar performance, while 4* hotels perform about 2 pps lower
- Within the lesser destination cluster, 5* hotels have the best return on investment, comparable to main destination hotels. Between the other two classes, for less than 200 beds 1*/2*/3*, hotels have better returns, with 4* hotels emerging after that mark

Summary

- Destination, class, unit size, and the quality of management determine hotel economics
- Five destinations account for 84% of all capacity
- Lesser destinations which cover 16% of capacity show a lower performance than the main destinations
- Zombies tend to be concentrated in lesser destinations, with the marked exception of Attica
- There are indications of under capacity at the main destinations
- Performance and operational characteristics differ per Star category, with high Star hotels underperforming lower Star hotels in terms of profitability
- 300- beds hotels, seem to perform slightly better in terms of operational profitability than 300+ bed hotels, but show very little difference on return on investment
- Primarily class and secondarily the unit size determine profitability at any given destination with significant distance between main and lesser destination
- Depending on unit size and classes, different types of hotel emerge as most profitable in terms of return on investment

Investment Strategies

The investment context

- Tourism has been growing consistently since 2011 and is not, by and large, driven by Greek GDP
- The conditions in Middle East, Turkey and North Africa and the improving, relative to them, competitiveness of Greek hospitality, are supporting the continuing growth hypothesis
- Growth in tourist arrivals could be only halted by a global or European recession or major political events in Greece
- There are 754 hotel companies 1,129 hotels with revenues more than €1mn p.a.; only 367 of the hotels have 300+ beds, whilst less than 60 of the companies are trapped Zombies
- Hospitality economics are driven by **destination**, **class** and **unit size** and strongly influenced by the quality of management
- There are about 240 Zombie hotel companies in fairly good shape carrying about €2 bn of excess, but refianaceable, loans
- About €1.6bn of investment is planned to improve the tourism infrastructure in the period up to 2020
- There has been very little visible M&A activity in the hospitality industry in recent years, with very few and only one sizeable transactions recently

There are at least 225 hotels currently on offer, with asking prices per bed considerably higher than the imputed equity value per bed

Destinations	No of Hotels	Asking Price (€ k)	Average Asking Price (€ k/hotel)	Beds	Beds/Hotel	Average Asking Price/bed (€ k)	Average estimated Equity Price/bed (€ k)	Estimated Equity Value/bed (% Asking Price/bed)
South Aegean	49	282,420	5,764	5,992	122	47.1	27.8	58.9%
Crete	24	479,150	19,965	9,122	380	52.5	27.0	51.3%
Ionian Islands	35	337,050	9,630	9,382	268	35.9	18.4	51.3%
Central Macedonia	26	273,950	10,537	6,607	254	41.5	23.0	55.5%
Attica	42	327,920	7,808	6,371	152	51.5	16.5	32.1%
Main destinations sub total	**176**	**1,700,490**	**9,662**	**37,474**	**213**	**45.4**	**24.8**	**54.8%**
Western Greece	3	15,000	5,000	518	173	29.0	18.4	63.5%
Western Macedonia	1	1,800	1,800	100	100	18.0	27.8	154.6%
Epirus	2	4,000	2,000	189	95	21.2	16.0	75.5%
Thessaly	4	21,200	5,300	486	121	43.6	15.6	35.8%
Peloponnese	16	92,200	5,763	3,718	232	24.8	5.8	23.5%
Central Greece	23	198,280	8,621	6,955	302	28.5	6.8	23.9%
Lesser destinations sub total	**49**	**332,480**	**6,785**	**11,966**	**244**	**27.8**	**11.21**	**40.3%**
Total	**225**	**2,032,970**	**9,035**	**49,440**	**220**	**41.1**	**23.21**	**56.4%**

Source: PwC research

- Hotels on offer are concentrated in the main destinations (78%)
- There are typically small units with about 220 beds on average priced at €45k/bed for main destination or €28k/bed for lesser destinations
- The asking prices per bed in the main destinations are 63% higher than in the lesser destinations
- The typical equity value for a hotel at each destination is between about 45% lower than the average asking price, with the difference being more salient (60%) for lesser destinations

There are only three investment strategies (1/2)

- **Strategy A: Add capacity at main destinations by acquiring hotels (up to 605 hotels) with immediate expansion potential**
  - capacity in certain locations of the five main destinations is short of the potential demand
  - to cope with the current trend of incoming tourists, hotels need to expand and possibly new units will be built at certain locations
  - when new units are combined in locations with existing ones, the economics improve markedly
  - investments in upgrading and renovation are also due after years of underinvestment
  - profitability improvement tend to be bigger for Star hotels
  - typical hotel EV will range from €46k to €23k per bed
- **Strategy B: Acquire and upgrade hotel units to the next class (up to 476 hotels)**
  - upgrading to the next class will increase room rates at the expense of the incremental investment necessary and higher operating cost
  - upgrading increases both operational profitability and return on investment
  - the profitability improvement tends to be bigger for Star hotels at main destinations
  - typical hotel EV will range from €37k to €24k per bed

Star/ Grey
5* - 4* - 3*/2*/1*

Add capacity			
Group	Value multiples (x)		
	5*	4*	3*/2*/1*
Star	1.6	1.7	1.6
Grey	1.6	1.5	1.6

Up to 605 hotels, at main destinations

Star/ Grey
4* - 3*/2*/1*

Upgrade		
Group	Value multiples (x)	
	4*-->5*	3*-->4*
Star	1.6	1.2
Grey	1.4	1.1

Up to 476 hotels

There are only three investment strategies (2/2)

- **Strategy C: Develop lesser destinations by acquiring a number of hotels at the same destination (57 hotels in total)**
  - at lesser location hotels tend to underperform
  - acquiring a number of hotels at a lesser destination and marketing them aggressively will improve their operating economics
  - hotels for acquisitions could be Stars or Greys, and occasionally Zombies, in the 5* and 4* classes
  - developing a new destination could prove expensive and may require state support for the upgrade of infrastructure and for marketing
  - there are about 20 hotels in a number of lesser destinations that could be acquired cheaper than the cost of investment
  - the most relevant lesser destination for this strategy are East Macedonia and Thrace, Epirus and Western Greece
  - typical hotel EV will range from €70k to €12k per bed
- **Zombie acquisition is a doubtful strategy (only 54 hotels)**
  - The acquisition cost plus the upgrade cost plus the repositioning and marketing costs could prove greater, smaller or equal to the market value, rendering the process uncertain

Star/ Grey
5* - 4* - 3*/2*/1*

Develop lesser destinations			
Group	Value multiples (x)		
	5*	4*	3*/2*/1*
Star	3.7	2.0	1.6
Grey	1.8	1.8	1.5

Up to 57 hotels at lesser destinations

Conclusions

Greek hospitality: A land of opportunities?

- Tourism is growing consistently since 2011 and it is not by and large driven by Greek GDP. The tourism industry is mildly competitive
- The hospitality industry is fragmented with small scale hotel companies
- Hospitality economics are determined by **destination**, **unit size** and **class** and influenced by the quality of management
- There are at least 225 hotels currently on offer, at asking prices 77% on average higher than the typical equity value for the hotel cluster. However very few hotel transactions are completed every year
- There are three strategies and a no-strategy for hospitality investments:
  - **add capacity** at main destinations through unutilised building permits
  - **upgrade hotels** to the next class
  - **develop lesser destinations** through acquisition of many hotels at one of them
  - **Zombie acquisition is a doubtful strategy** with only few exceptions
- The most promising strategy in terms of value potential appears to be **lesser destination development** followed by capacity enhancement,with hotel upgrading at the bottom
- In the context of these strategies there are at main destinations, 221 Star and 153 Grey 5* and 4* hotels to be considered for acquisition at international EBITDA multiples
- At lesser destinations, where the privatisation of 14 regional airports could boost demand, there are 57 hotels, 18 of which could be acquired relatively cheap against the capital already invested
- The current structure of the industry along with its mild relative competitiveness and its underlying economics do not facilitated large scale transactions and consequently fast consolidation