

Security: ARNT

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Home Member State: Croatia

Listing: Prime Market of the Zagreb Stock Exchange

Pula, 01.03.2024.

- **ZAGREB STOCK EXCHANGE**
- **CROATIAN FINANCIAL SERVICES SUPERVISORY AGENCY**
- **CROATIAN NEWS AGENCY**
- **COMPANY WEB SITE**

Subject: **Presentation of 2023 results - materials**
- Other non-regulated information

Arena Hospitality Group d.d. with registered office in Pula, Smareglina ulica 3, OIB: 47625429199 (hereinafter: the Company), further to the announcements of 23 February 2024 that on 01 March 2024 at 11 o'clock CET it will held the presentation of the business results of the Company for 2023, announces the materials from the presentation that will be presented to the interested public today.

The presented material will be available on the web page of the Company after the presentation.

Arena Hospitality Group d.d.

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Trgovački sud u Pazinu, MBS: 040022901; OIB: 47625429199; temeljni kapital 13.613.965,00 euro uplaćen u cijelosti, ukupan broj izdanih dionica 5.128.721; Predsjednik Nadzornog odbora: Boris Ernest Ivesha; Predsjednik Uprave: Reuel Israel Gavriel Slonim; Članovi Uprave: Manuela Kraljević, Devansh Bakshi, Edmond Pinto
IBAN: HR7223600001101213690 Zagrebačka banka d.d. Zagreb.



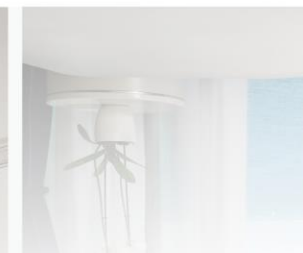
PARTNER BRANDS



Annual Report

2023

1st MAR 2024



PARTNER BRANDS



ARENA

HOSPITALITY GROUP



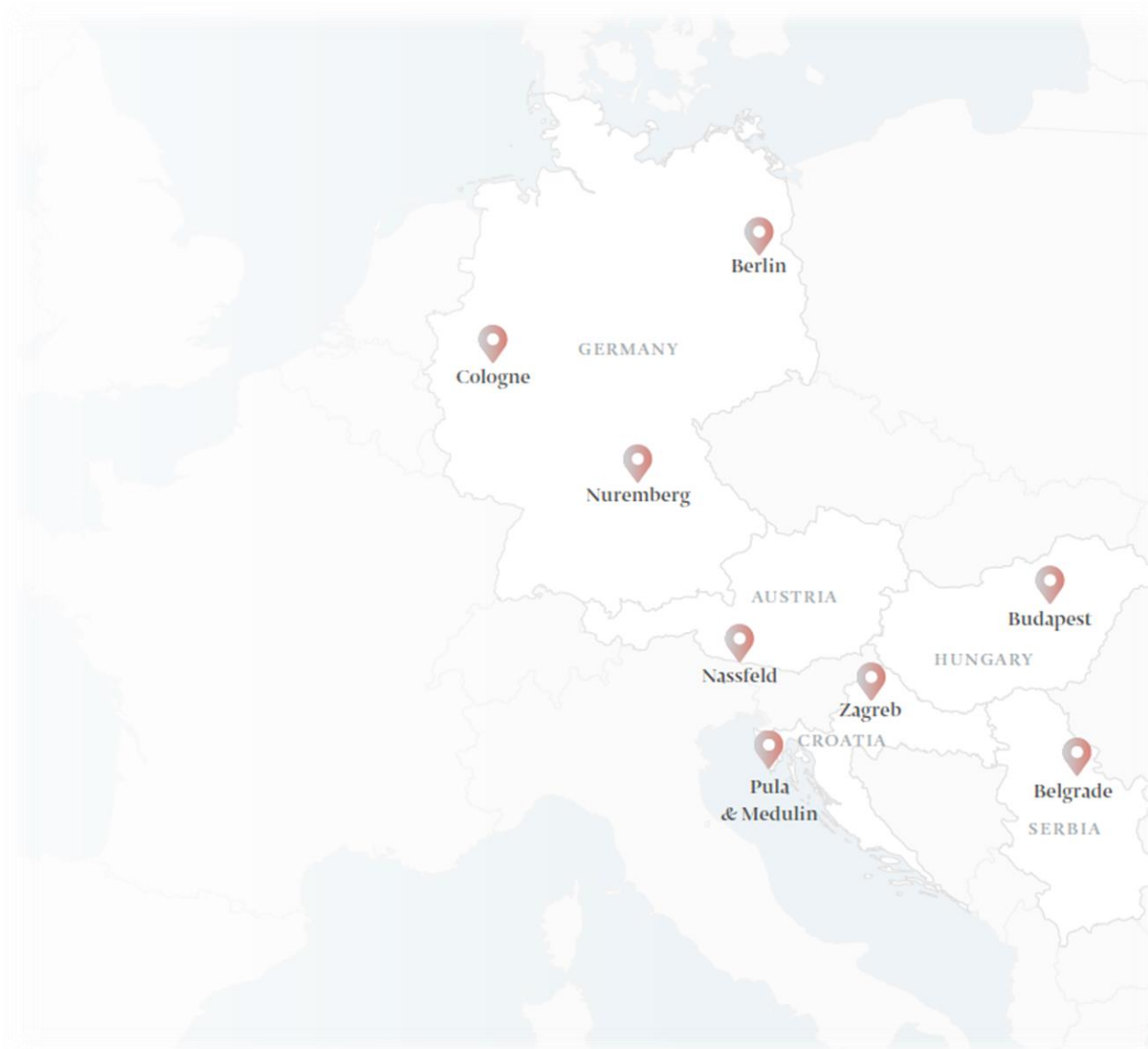
Presented by



DEVANSH BAKSHI, FCMA, MBA
Member of Management Board &
Chief Financial Officer

Table of contents

- HIGHLIGHTS
- OPERATING REVIEW
 - Group & Regional Operations
 - Consolidated Financial Statements
 - Outlook 2024
- LIQUIDITY & DEBT STRUCTURE
 - Net Debt and Cash
 - Debt Profile
- STRENGTHENING LONG TERM GROWTH
 - Investment Activities
- Q&A

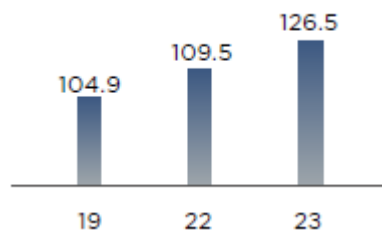




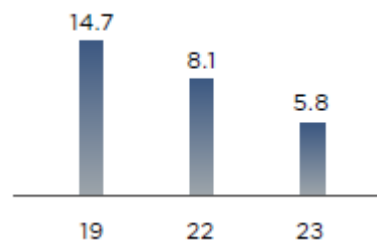
Highlights

FINANCIAL KPI'S

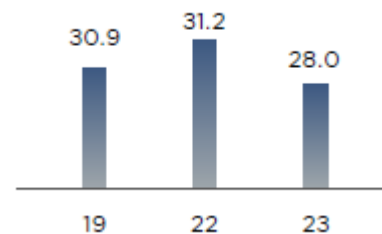
REVENUE (EUR MILLION)



PBT (EUR MILLION)

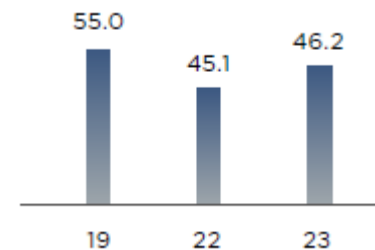


EBITDA (EUR MILLION)

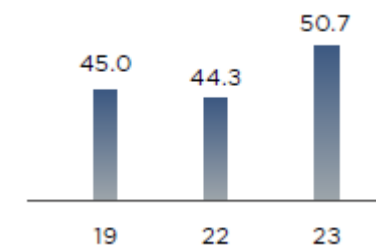


OPERATING KPI'S

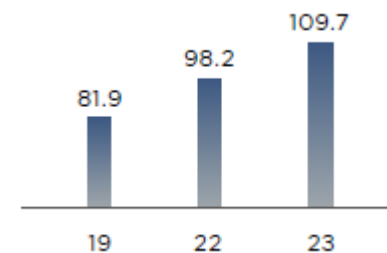
OCCUPANCY (%)



REVPAR (EUR)



AVERAGE DAILY RATE (EUR)



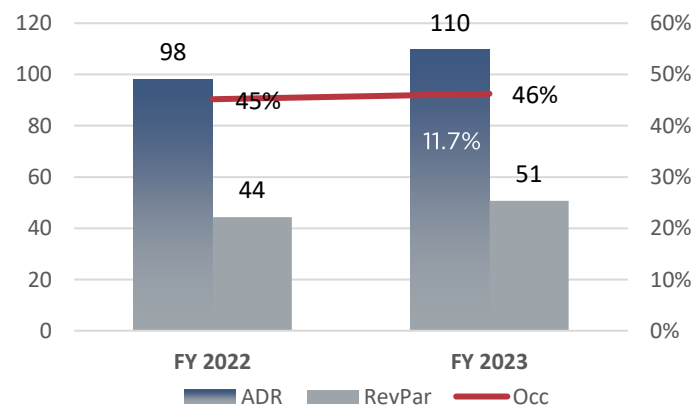
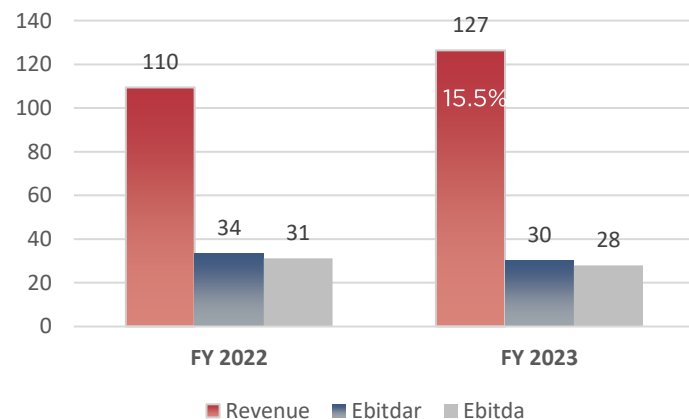
Operating Review





2023 Operating Review - Group

EUR m



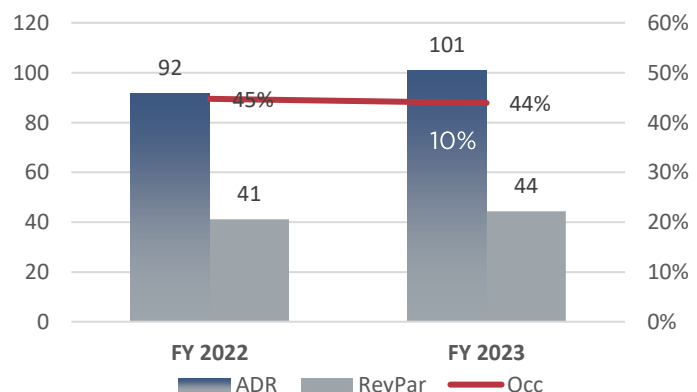
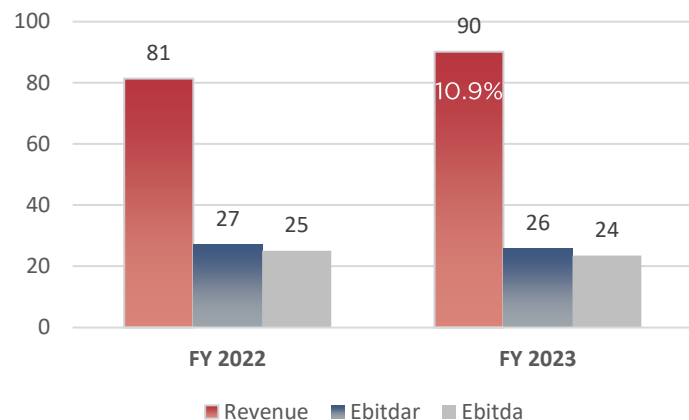
KEY COMMENTS

- A record year with performance exceeded our 2022 performance by 15.5%.
- Strong topline growth in Croatia. Strong recovery in Germany however still behind 2019 levels.
- Post investment positioning of Grand Hotel Brioni Pula, Franz Ferdinand Nassfeld and Park Plaza Budapest. art'otel Zagreb successfully launched in October 2023.
- Reported EBITDA was EUR 28.0 million (2022: EUR 31.2 million) Adversely impacted by increases in utility costs (EUR 3.3m), staff expenses and consumable costs.
- Lack of COVID related government grants in 2023, still available in 2022 circa EUR 3m. Refund accrual of Government grants worth EUR 0.9m.
- Accommodation revenue grew 16.2% to EUR 105.7 million supported by a strong average daily rate of EUR 109.7, an increase of 11.7%.
- Occupancy increased by 111 basis points to 46.2%. This led to RevPAR of EUR 50.7, an 14.5% increase on the prior year.



2023 Operating Review- Croatia

EUR m

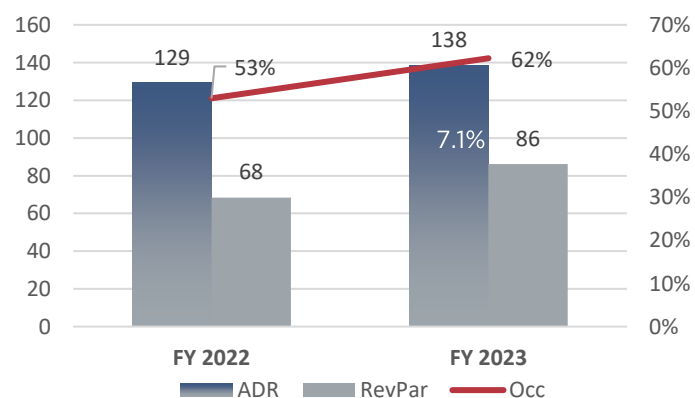
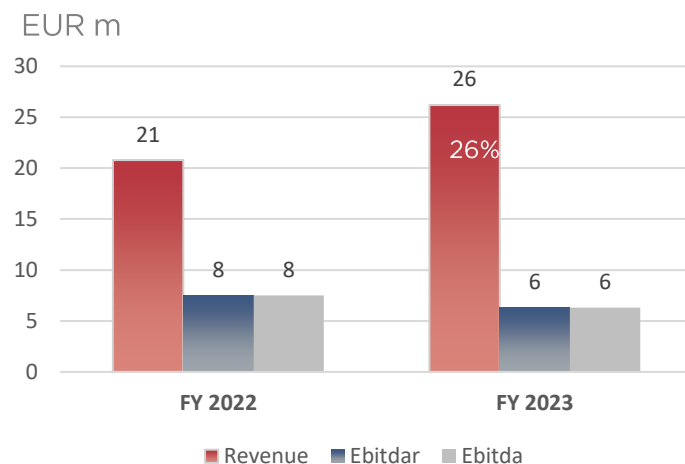


KEY COMMENTS

- All three operating segments realised an increase in revenue, reflecting our rate-led strategy which once again delivered higher average daily rates, alongside higher year-on-year RevPAR.
- The strongest results were reported by hotels and apartments which increased by 15%, supported by Grand Hotel Brioni Pula which continues to mature
- Reported EBITDA was EUR 23.5 million (2022: EUR 25.1 million).
- EBITDA adversely impacted by significant year-on-year increase in utility costs, which were 71% higher (EUR 2.5 million).
- Other increases such as national minimum wage and inflationary increases also contributed to dilution of EBITDA
- Main growth contributed from accommodation revenue increased by 10.8% supported by increase in average daily rate of 10% to EUR 101.0 (2022: EUR 91.8)



2023 Operating Review - Germany

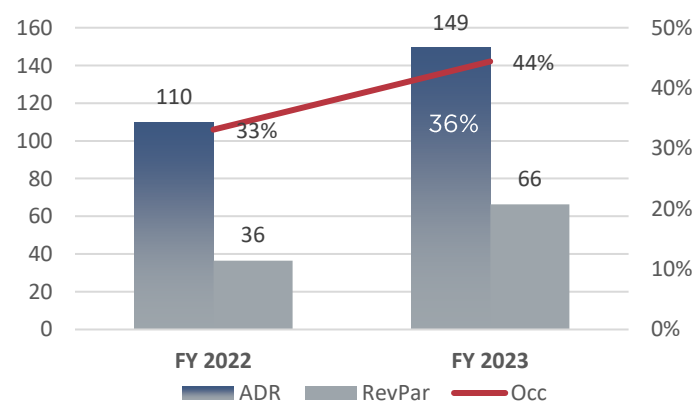
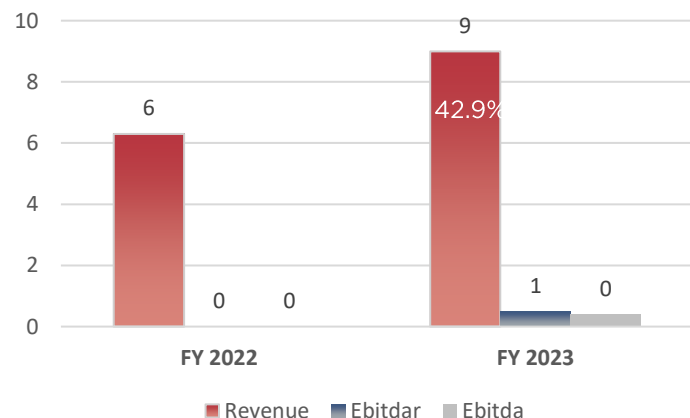


KEY COMMENTS

- The recovery of our German city portfolio continued in 2023, driven by domestic leisure demand and returning meeting and events and trade fairs.
- As a result, total revenue increased by 26% to EUR 26.2 million (2022: EUR 20.8 million).
- EBITDA impacted by rising labour costs and inflationary increases in the cost of goods and services impacted profitability.
- Year on year circa EUR 3m government grants not repeating in 2023.
- Accommodation revenue increased by 26.4% to EUR 22.5 million (2022: EUR 17.8 million). RevPAR increased by 25.9% to EUR 86.2 (2022: EUR 68.5).
- Occupancy levels rebuilding to 62.3% (2022: 53%) and a 7.1% year on year increase in average daily rates.

2023 Operating Review - CEE Region

EUR m



KEY COMMENTS

- Total reported revenue increased by 42.9% to EUR 9.0 million (2022: EUR: 6.3 million), which reflected an average daily rate of EUR 149.4 and occupancy of 44.4%.
- Park Plaza Budapest was rebranded in March 2023 (formerly art'otel budapest) and the subsequent improving revenue was driven by increased demand and strong rates.
- Arena Franz Ferdinand Nassfeld grew marginally in its first year after investment and had a slow start in 2023.
- In Belgrade, the former Arena 88 Rooms Hotel was closed in March 2023 for a EUR 3 million refurbishment and rebranding programme. The hotel has reopened as Radisson RED in February 2024.
- EBITDA was EUR 0.4 million, as a result of improved contributions from our hotels in Budapest and Austria which are building operational performance following refurbishments to reposition and upgrade them to upper upscale hotels operating all year round.
- Payroll increases were unusually high with double digit increase in national minimum wages in Hungary and collective agreement Austria.
- Utilities cost doubled in the region



2024 Outlook

KEY TOPICS

- Business trend in 2024 is ahead of last year same time and we remain optimistic. Resilient leisure demand and our ability to drive revenue growth through our well-invested portfolio. Challenges persist with airlines schedule which is improving , however still behind 2019 levels.
- Maturing recent investments will gradually add to the topline, especially Grand Hotel Brioni Pula, which also won the 'Best Hotel in Croatia' at the 2023 Croatian Tourism Awards. Stabilising of Franz Ferdinand after investment in 2023.
- Repositioning of art'otel zagreb and Radisson RED Belgrade to contribute to business performance
- Germany and city portfolio recovering well. Germany has a strong returning trade fairs and European football championship.
- Well hedged electricity contracts in Croatia, Germany and Gas in Hungary. Maintaining spot rates where fixed pricing is higher. However, we have seen dramatic improvement in the market pricing and expect significant savings in 2024.
- Payroll increase in Germany and Austria normalised and expected to be slightly above 5%. Croatia national minimum wage growth is 20% and we will try to mitigate full impact.
- Land concession bylaw passed and in place effective 1st Jan 2024
- Fixed interest rates offer certainty on cash outflows associated with finance costs
- Cautious in capital investments and however still opportunistic if a good deal is presented.
- Continue with our share buyback program and proposed dividend of EUR 0.75



Consolidated Income Statement

	€ '000		
	2023	2022	Change
Revenues	126.498	109.512	16.986
Operating expenses	-96.066	-76.041	-20.025
EBITDAR	30.432	33.471	-3.039
Rental expenses and concession fees: land	-2.382	-2.290	-92
EBITDA	28.050	31.181	-3.131
Depreciation, amortisation and impairment	-18.392	-15.627	-2.765
EBIT	9.658	15.554	-5.896
Financial expenses	-5.177	-6.218	1.041
Financial income	2.561	175	2.386
Other expenses	-1.411	-1.685	274
Other income	298	11	287
Share in result of joint ventures	-131	236	-367
Profit/(loss) before tax	5.798	8.073	-2.275
Income tax benefit/(expense)	-2.144	-3.264	1.120
Profit/(loss) for the year	3.654	4.809	-1.155

KEY COMMENTS

- Total revenue increased by EUR 17.0 million exceeded our 2022 record performance. The Group's 2023 financial performance pleasingly surpassed 2019 levels, whereby the Groups revenue grew 20.6% compared with 2019.
- Total operating expenses significantly increased by EUR 20.0 million due to cost inflation across energy (Eur 3.3m), labour due to national minimum wages and consumable goods. Impact of government grants in Germany circa EUR 4m.
- Increase in depreciation costs due to higher investments in the last two preceding years namely, Grand Hotel Brioni, Camp Stoja, art'otel Zagreb, Park Plaza Budapest and Franz Ferdinand Nassfeld
- Financial income increased to EUR 2.6 million owing to forex rate translation on balance sheet date plus income on deposits.



Consolidated Balance Sheet - Assets

	€ '000		
	2023	2022	Change
ASSETS			
Non-current assets			
Intangible fixed assets	1.201	548	653
Property, plant and equipment	353.292	337.401	15.891
Right-of-use assets	33.059	32.240	819
Inventories	2.066	2.131	-65
Interest in joint ventures	6.256	5.602	654
Other non-current financial assets	1.029	1.530	-501
Deferred tax asset	8.674	10.046	-1.372
Restricted deposits and cash	9.335	8.747	588
	414.912	398.245	16.667
Current assets			
Inventories	843	590	253
Other current financial assets	0	0	0
Trade receivables	2.610	2.079	531
Other receivables and prepayments	1.481	2.882	-1.401
Income tax receivable	99	320	-221
Cash and cash equivalents	50.348	70.437	-20.089
	55.381	76.308	-20.927
Total assets	470.293	474.553	-4.260

KEY COMMENTS

- Non-current assets increased by EUR 16.7 million to EUR 414.9 million (2022: EUR 398.2 million) mostly as a result of investments mainly art'otel zagreb and Campsite refurbishment.
- At 31 December 2023, the Group's cash position stood at EUR 50.3 million (2022: EUR 70.4 million). Due to regular loan repayments and financing of capital investments.



Consolidated Balance Sheet - Equity & Liabilities

	€ '000		
	2023	2022	Change
<u>EQUITY AND LIABILITIES</u>			
Equity:			
Issued capital	13.614	13.614	0
Share premium	151.668	151.668	0
Hedging reserve	210	1.142	-932
Other reserves	41.631	42.144	-513
Accumulated earnings/(losses)	6.314	6.197	117
Total equity	213.437	214.765	-1.328
Non controlling interest			
Total equity	213.437	214.765	-1.328
Non-current liabilities:			
Bank borrowings	162.251	174.517	-12.266
Lease liability	35.799	34.880	919
Provisions	6.020	6.020	0
Other liabilities	1.329	631	698
	205.399	216.048	-10.649
Current liabilities:			
Trade payables	4.567	4.582	-15
Current lease liability	3.546	4.501	-955
Other payables and accruals	14.483	11.983	2.500
Liabilities towards related parties	1.209	1.264	-55
Bank borrowings	27.652	21.410	6.242
	51.457	43.740	7.717
Total liabilities	256.856	259.788	-2.932
Total equity and liabilities	470.293	474.553	-4.260

KEY COMMENTS

- Non-current liabilities decreased by EUR 10.6 million to EUR 205.4 million (2022: EUR 216.0 million) mostly due to payment of bank loans.
- Current liabilities amounted to EUR 51.5 million, an increase of EUR 7.7 million (2022: EUR 43.7 million), primarily due to increased liabilities toward bank loans owing to timing difference in repayments.



Consolidated Cash Flow Statement

	€ '000		
	2023	2022	Change
Net cash provided by operating activities	27,323	28,391	-1,068
Net cash used in investing activities	-33,952	-32,615	-1,337
Net cash provided by financing activities	-13,447	29,305	-42,752
Cash and cash equivalents at end of year	50,348	70,437	-20,089

KEY COMMENTS

- Net cash provided from operating activities decreased by EUR 1.0 million; the high inflation environment led to a significant increase in operating expenses, particularly electricity costs in Croatia, which impacted the Group's performance.
- No Material change to investment activities
- Lower debt financing in resulted in less cash contribution, whereas in 2022 we took new loans for investments mainly refinancing of Camp Kazela, HBOR Liquidity Loan. Additionally, dividend payment EUR 3.5m in 2023.
- Cash reduced as a result of equity towards capital investments and no major new financing.

Liquidity and Debt Structure





Net debt as at 31 Dec 2023

Debt Composition

EUR M	FY 2023	FY 2022	Change
Net Debt	179	165	14
Cash	50	70	-20
Bank Borrowings	190	196	-6
Lease Liability	39	39	0

KEY COMMENTS

- Net debt increased for EUR 14 million on year-on-year basis mostly due to decrease in cash position.
- The Group had a cash position of EUR 50.3 million. This was down due to equity towards capital investment and payment of dividends and no new financing.
- Regular debt amortisation. The Group also manages its loan covenants effectively in the context of both managing risk and the competitive lending landscape in all the regions it operates.
- No significant change in lease liability and the group does not have any deferred loan liabilities.



Group Debt Profile at 31 Dec 2023

DEBT STRUCTURE

% Fixed Rate Debt

94%

Weighted Cost of Debt

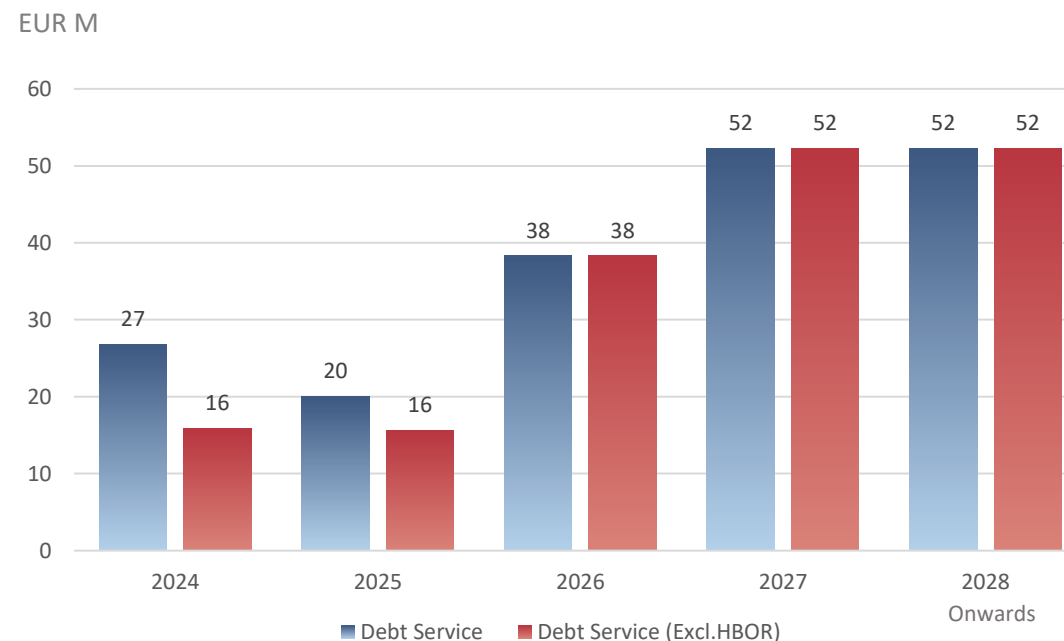
2.2%

Term of Debt

5.8
years

Net Leverage

6.4



NOTES

- Weighted cost of debt excludes HBOR liquidity loan
- Repayments of HBOR Covid 19 liquidity loan amounting to EUR 11 million in 2024 and EUR 4,4 million in 2025
- Loan maturities starting 2026 onwards.

Strengthening Long Term Growth





Investments Update



ARENA

HOSPITALITY GROUP

A MEMBER OF PPHE HOTEL GROUP

Thank you!

DISCLAIMER

Arena Hospitality Group d.d. (Arena)

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