

Company overview

August 2023





“We love our slogan ‘everyone can travel’. Our daily drive lies in enabling overnight stays for even the smallest budgets – with hotels and hostels which can always be found in top locations in Europe’s most attractive cities.

Our guests value the a&o concept: simple, honest, big and always with a smile. Here, every guest receives what they really need – whether it is just a bed for the night or the full package with full board, conference room and sightseeing programme for 50 people. We can and want to cater for small and large, quiet and loud, rich and poor, national and international, couples and school trips, juice and mojito. That is a&o – always more for your money.”

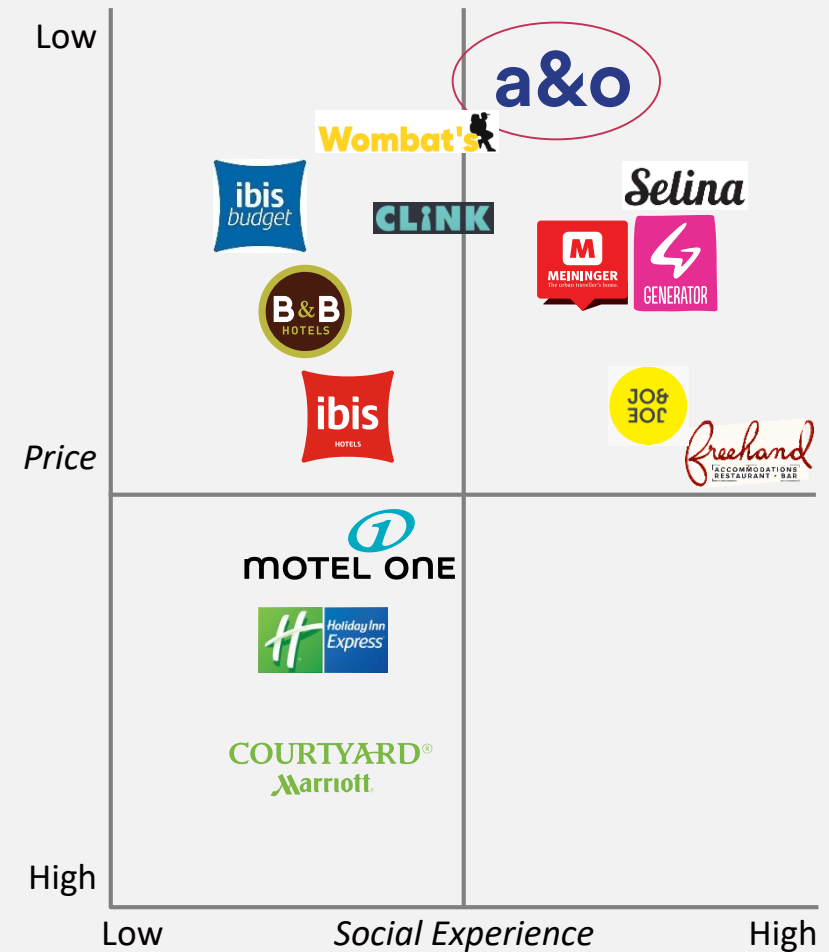
Oliver Winter, Founder and CEO, a&o Hotels and Hostels



About a&o: company overview

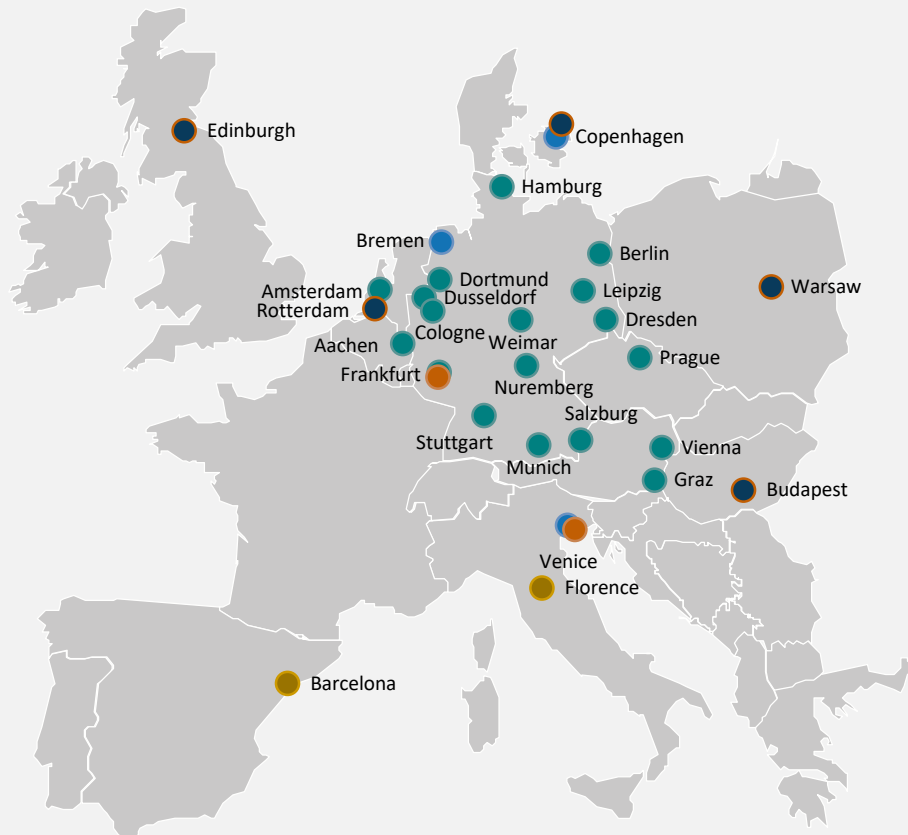
- a&o was founded in 2000 by Oliver Winter
- Today, Europe's market-leading and largest operator of hostels*
 - Operating 40 properties, 8,400 rooms and 29,000 beds
- Hybrid model offers two types of accommodation:
 - a private room (49% of rooms), and
 - a bed in a shared room (51%)
- Experienced owner-operator as well as institutional-quality tenant (40/60 owned and leased rooms)
- Headquartered in Berlin, ~100 person corporate team

* Excluding charitable youth hostel associations

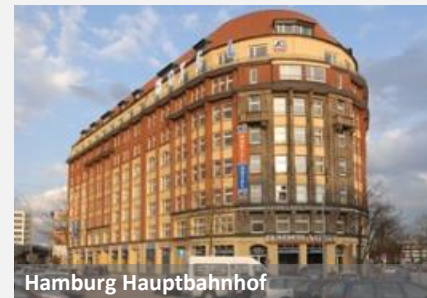


About a&o: from national to pan-European player

- Over 20 years, a&o has transitioned from a home-grown success story in Germany, to the largest pan-European player in 25 cities and 9 countries
- Most properties are in gateway markets such as Berlin, Munich, Frankfurt, Vienna, Prague, Amsterdam, Edinburgh and soon opening in Barcelona and Florence



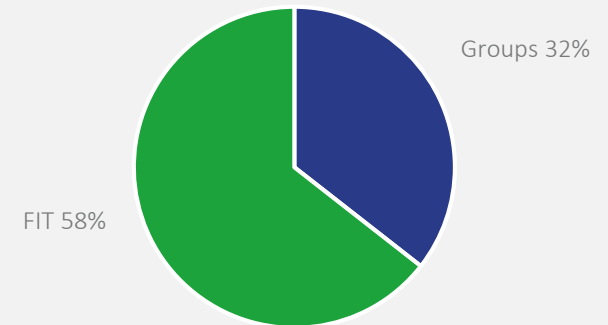
- Pre-2017 Footprint
- 2017 Openings
- 2018/19 Openings
- 2020/21/22 Openings
- Under Construction / Secured



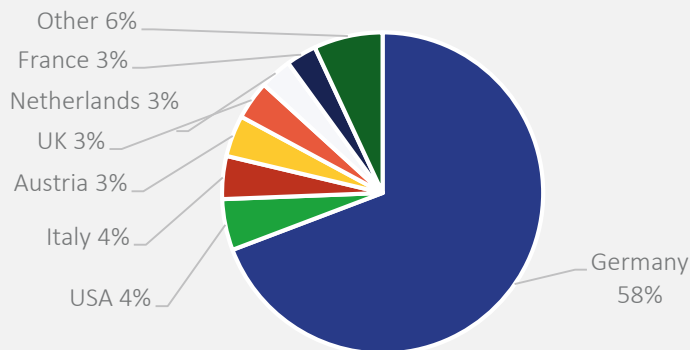
About a&o: our business mix

- The business model is volume-driven, based on a lean centralised approach and cost structure
- The company has maintained a strong focus on low complexity and low prices, with youth, large student groups, and smaller groups being its main customers
- Customer profile
 - Leisure focus over business
 - Younger demographic but not exclusively
 - Moving from groups (more than 10 guests) to FIT

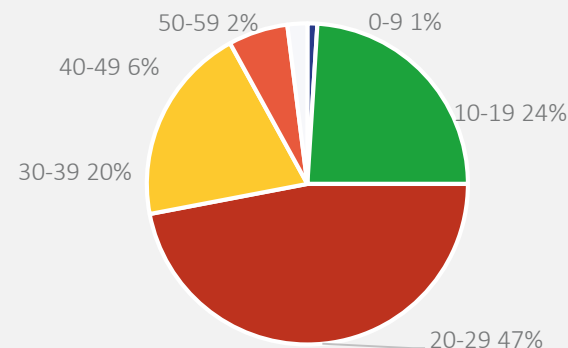
Revenue by Customer Type



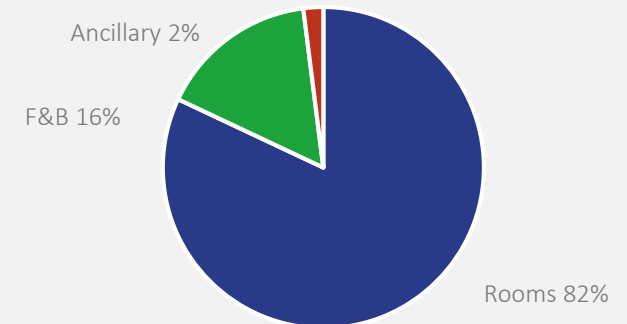
Revenue by Customer Origin



Revenue by Customer Age Group



Revenue by Product



a&o look and feel: common areas



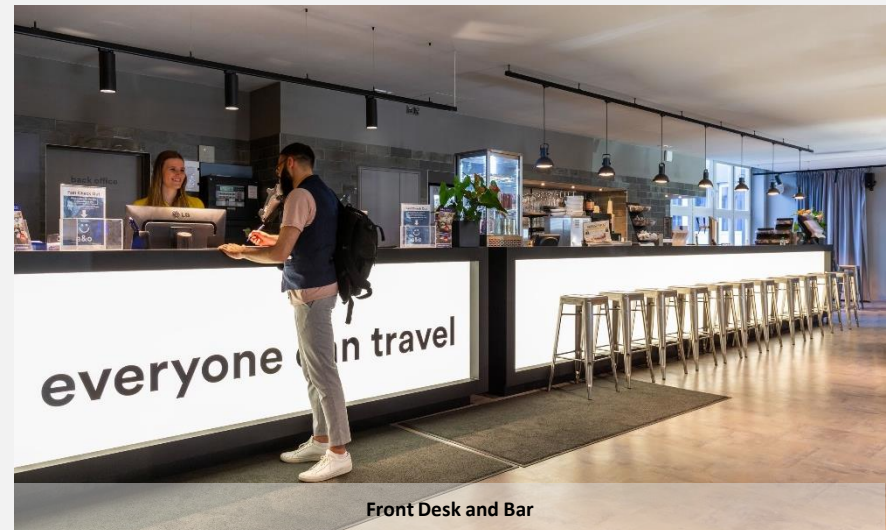
Group Breakfast Area



Lobby Area

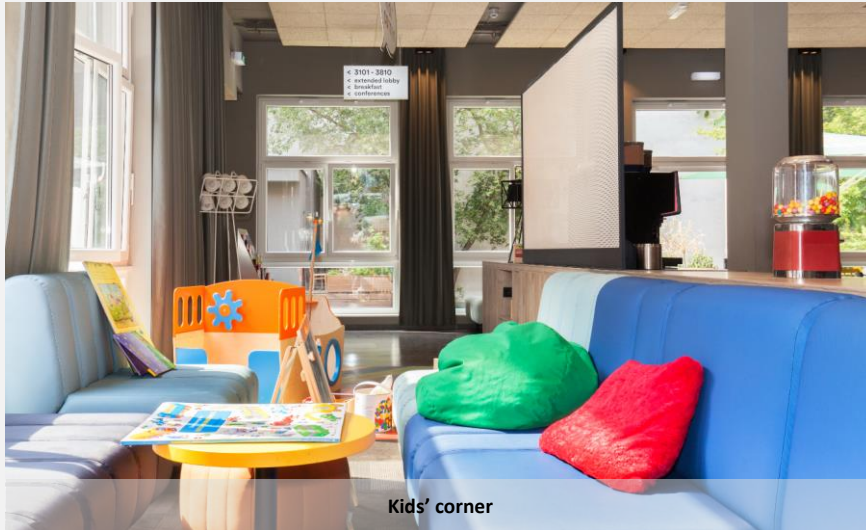


Individual Breakfast Area



Front Desk and Bar

a&o look and feel: room product and kids' corner



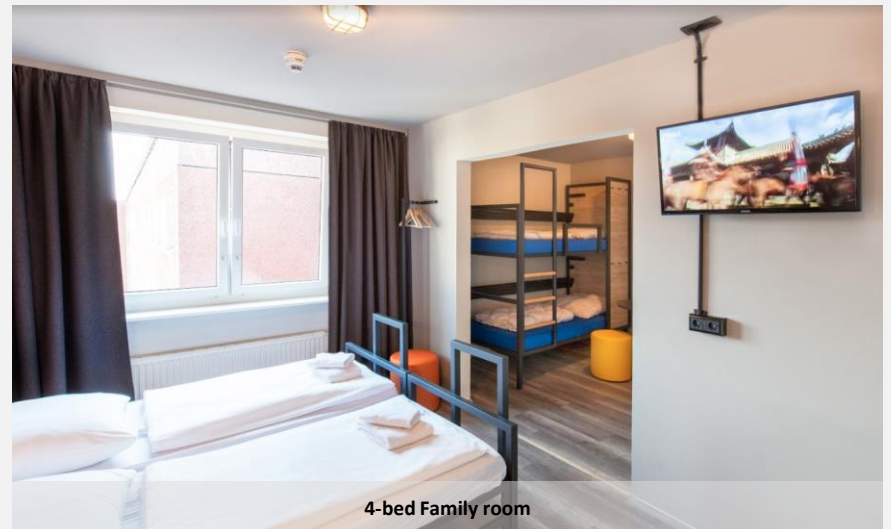
Kids' corner



Dormitory



Double room



4-bed Family room

Pictures from a&o Berlin Mitte – a&o 2.0 design













a&o brings scale and financial strength



- a&o is Europe's largest operator of hybrid hotel-hostels
- Privately-owned by TPG Real Estate, the real estate platform of leading global private investment firm TPG, which has more than \$135 billion of assets under management
- TPG Real Estate acquired a&o in 2017, with the CEO and management team fully-aligned through minority ownership
- a&o's lenders include Barclays, UniCredit, DKB and Erste Bank
- With its scale and mix of owned and leased properties, a&o is well-positioned to capitalise on growth opportunities
 - a&o announced the acquisition of its first UK property, a&o Edinburgh, in March 2021 for a cash purchase of £16 million



Rendering of a&o Edinburgh



a&o Board



John Scott, Chairman



Matthew Coleman



Donald J. McNamara



Michael Mücke

A strong management team and growth platform

- Led by CEO and founder, Oliver Winter, the management team is based in Berlin
- The company has extensive corporate resources as an operator, owner and developer – from finance, revenue management, operations, marketing and property development (undertaking new-builds and conversions)
- a&o has grown consistently through acquisition – as an owner-operator – and leases, through conservative underwriting and signing sustainable deals
- 2022 was a record year for the company, achieving over €170 million revenue, and exceeding 2019 by 15%



a&o Management



Oliver Winter, CEO



Andre Bleeker, CFO



Phillip Winter, CMO



James Simmonds, CIO



Torsten Loos, COO

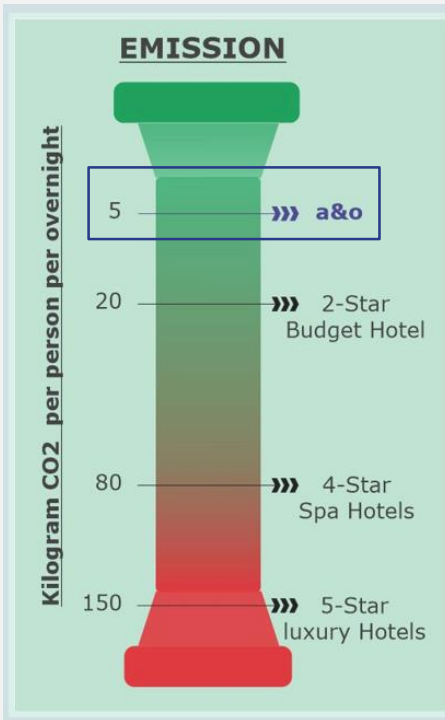


Anne Spanjersberg, HR & ESG



Marin Knez, Revenue, BI & IT

Our goal: to be net zero in 2025



Only 5.9 kg CO2 per overnight stay

This means that **a&o** is already 5x more environmentally friendly compared to other budget hotels or 75% below the consumption shown by other hotels.

We save water

Since 2006, **a&o** has been using water-saving shower heads. This allowed 150,000,000 litres water to be saved. This is equivalent to about one million filled bathtubs.

Our approach to waste management

- Since 2000, **a&o** separates all waste in the houses
- Since 2007, **a&o** uses biodegradable cleaning agents
- Since 2017, **a&o** has already completely passed on the use of plastic toothbrush cups.
- **a&o** does not use needless small packaging (e.g. for jams or butter)

Sustainable a&o properties

- 36 of our 40 buildings are existing properties
- Advantages: Some of our houses already reach the highest energy efficiency rating Class A
- Goal: Maximum energy efficiency for all our houses and reduce CO2 emissions
- We have been growing our own herbs since 2018.



a&o is the first lodging company to achieve a 2-star Sustainable Fitch rating





- **a&o's** various social commitments, ranging from sponsoring youth sports teams and discounted stays to partnerships with organisations including Caritas, SOS-Kinderdorf (Children's Villages) and Arbeiter-Samariter-Bund (Workers' Samaritan Federation).
- During the pandemic, **a&o** provided more than 200,000 nights of accommodation for socially-distressed people through Caritas.
- Working with SOS-Kinderdorf, **a&o** has pledged 1,000 nights per year, for the last 12 years, for children to stay for free in any property (to enable them to take part in field trips).
- **TPG** has a longstanding commitment to fostering strong ES performance. Specifically, The Rise Fund was founded in 2016 by **TPG** and offers deep expertise in business solutions to help achieve the United Nations' Sustainable Development Goals. With more than \$12 billion of assets under management across The Rise Funds, **TPG** Rise Climate, and the Evercare Health Fund, **TPG's** impact investing funds work with growth-stage, mission-driven companies that have the power to change the world.
- In addition to **a&o's** management protocols and corporate governance, as a portfolio company of TPG, **a&o** is rated externally by Fitch Ratings and Moody's as part of our financing agreements



An attractive business model in the good times...

- The hybrid hotel-hostel model is attractive to investors, owing to its superior levels of profitability and ROI metrics, compared to conventional hotels
 - Achieving a higher bed:room ratio than hotels, this drives higher revenue per room and more revenue per sqm
 - With limited F&B facilities and a low-cost centralised model, this requires fewer employees onsite and achieves higher profit margins, maximising cash generation per sqm
 - Combined with lower fit-out costs than budget hotels, and requiring fewer sqm per room, yields a higher return on capital
- As an owner-operator, a&o has maintained an owner-centric, profit-focused philosophy, which has attracted a loyal base of landlords that like the business model
 - Landlords include 13 family offices and five institutional investors – with several landlords owning multiple properties

	Budget Hotels	Hybrid Hotel / Hostel
		
Unit Pricing	€60 per Room	€25 per Bed
Room Density	1 Bed per Room	Avg. 3.5 Beds per Room
Room Occupancy	65%	50%
Revenue per Room	€39	€44
EBITDA Margin	45%	50%
EBITDA per Room	€18	€22
Est. Build Cost per Room	€70-80K	€60-70K
Return on Capital	8-10%	10-13%

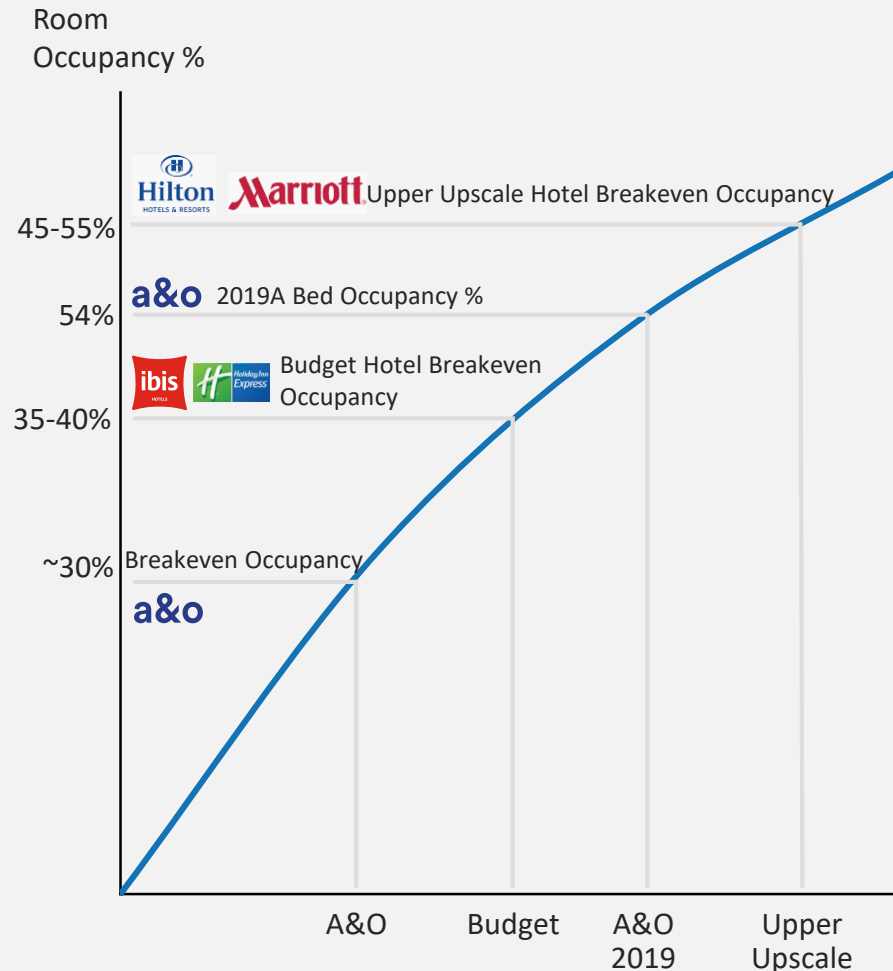


BNL
GRUPPO BNP PARIBAS

e Euro Ejendomme

...and a resilient business model in the tough times

Illustrative Break-Even Occupancy



- With an Average Bed Rate of €25, a&o is much less price sensitive than midscale and upscale hotels, especially when market downturns or oversupply causes compression of hotel room rates
- The pandemic has demonstrated the resilience of a&o's business model owing to a much lower break-even point – around 30% occupancy rate – up to 10% points lower than budget hotels
- Coming out of the pandemic:
 - a&o has proven to be a reliable partner, not losing any properties or landlords
 - a&o has not asked for rent waivers or permanent rent deductions (and no guarantees have been drawn)
 - a&o is amongst the quickest operators to recover

We did it again:

**Occupancy August 2021
same as August 2019!**

#everyonecantravel

a&o
aohostels.com

City-centre locations, or up to 15 minutes away from city centres via public transport (train stations, metro and tube)

Target city locations

Iberia: Madrid, Barcelona, Lisbon, Porto, Valencia, Seville, Malaga and Bilbao

Italy: Milan, Rome, Bologna, Turin, Verona and Genoa

UK and Ireland: London, Dublin, Manchester, Glasgow, Liverpool and Brighton

Germany: Berlin, Munich, Rostock, Munster, Hannover and Freiburg

Poland: Krakow

Benelux: Amsterdam, Brussels

France: Paris, Lyon

Nordics: Stockholm

Austria: Vienna, Innsbruck

Greece: Athens

Note: priority markets

GEOGRAPHICAL PRESENCE

(excluding Florence and Barcelona under construction)



First prize is the takeover of existing hotels

– alternatively grade B and obsolete office conversions are interesting

- a&o's strategy is to target existing properties with operating licenses (instead of new-builds) including:
 - **Budget to Midscale to Upscale hotels:** more than 100 rooms, older properties (in need of capex to meet modern brand standards), unencumbered by brand, operator or tenant
 - **Larger hostels** (minimum 350 beds)
- **We are expanding through leases and acquisitions:**
 1. **Leases** with family offices and institutional investors
 - Lease existing hotels and hostels from owners and re-brand
 - Work with investors to lease newly-acquired properties*
 2. **Acquisitions** supported by TPG (larger deals in gateway cities, and portfolio deals in primary and secondary cities)
- **a&o offers attractive lease terms to landlords:**
 - Strong financial backing and reputation post-pandemic
 - Fixed rent, 100% index-linked, guaranteed by parent plus rent deposit
 - a&o funds refurb, re-brand and fit-out costs (landlord funds building and systems repairs and replacements, as required)
 - In-house technical team charges zero technical services fees

Lease Agreements

- **Typology of deal:** Lease agreement for existing hotels/hostels
- **Type of lease agreement:** Fixed with preference for double-net leases
- **Term:** long-term lease agreements (initial term of 20 years with further extension options for the tenant)
- **Rent review mechanism:** CPI indexation
- **Guarantee scheme:** Corporate guarantee from parent company
- **FF&E/OS&E/IT:** provided and paid by a&o

Acquisitions supported by TPG

- **Typology of deal:** Strong preference for acquisition of existing hotels/hostels with licenses in place (asset or share deals)
- **Gateway cities:** London, Paris, Dublin, plus regional portfolio deals across primary and secondary cities across Europe
- **Larger deal sizes:** requiring > €15m equity

* For opportunities that do not fit with TPG, a&o signs leases with 3rd party investors to support acquisitions

Depending on location, market and demand:

- **Room count:** around 120 (ranging from 70 to 200)
- **Room mix:** 30% to 50% as 2-bed private rooms, and remaining space as 4 bed to 8 bed dormitories
- **Gross internal area:** 4,500 sqm (from 3,500 sqm to 7,000 sqm)
- **GIA per room:** 38 sqm (from 35 sqm to 50 sqm)
- **3.5x average bed:room ratio** (9 to 11 sqm per bed)
- Minimal space required for restaurants (e.g. breakfast room required), bar (optional) and back of house (centralised approach requires less onsite office space and laundry is outsourced)



Room sizes (room and bathroom)*

- 1 bed room (SR) Single Room > 13- 16 sqm
- 1 Bed Accessible Room (SR-Dis) Single Disabled Room 15- 18 sqm
- 2 Bed - Room (DR) Double Room > 16-19 sqm
- 2 Bed - Room Accessible (DR-DIS) Double Room Disabled
- 4 Bed - Room (4FA) 4 Family Room > 22-24 sqm
- 4 Bed - Room (4-Dorm)> 18-20 sqm
- 6 Bed - Room (6FA) 6 Family> Room 25- 28 sqm
- 6 Bed - Room (6-Dorm) > 24-26 sqm
- 8 Bed - Room (8FA) 8 Family Room > 29-34 sqm
- 8 Bed - Room (8-Dorm) > 29-31 sqm

* Subject to local building regulations

Case study: Lease operator selection for Hotel Rotterdam City

– a&o was selected due to our competitive rent, low capex and quick takeover

PKF managed the operator selection – a&o was selected given our **compelling business model**, **ability to create value** for the landlord, and **attractive lease terms**:

- 03-Mar-22: a&o submitted our lease proposal
- 04-Apr-22: JPI HIC acquired the hotel comprising 115 rooms and total GFA of 5,600 sqm ([link](#))
- 29-Apr-22: signed lease agreement
- 01-May-22: a&o commenced operations
- 06-Jul-22: rebranded as a&o Rotterdam City

a&o was able to **increase the bed count** to support **a competitive rent** (outperforming a major lifestyle competitor), whilst **requiring much less capex** and **start paying rent immediately** (with no closure period) – underpinned by our **strong covenant**

- The capex programme will be funded and managed by a&o during our tenancy, commencing November 2022



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