

# **NH Hoteles Acquires Astron Hotels**

## Implementing a Pan-European Vision

**NH**  
**HOTELES**



[www.nh-hoteles.com](http://www.nh-hoteles.com)

February 2002



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- 2. Overview of the Transaction**
- 3. Overview of Astron**
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## **Executive Summary**

### A Step Further in NH's Pan-European Strategy



- **Acquisition of 53 mid-scale business-focused hotels in Germany, Austria and Switzerland**
- **Demonstrates continued execution of value-enhancing pan-European strategy**
- **Strong strategic fit with strong internal growth prospects**
  - Astron's experienced management stays in place to drive growth in Germany and other German speaking markets
  - Strong pipeline that secures growth over the next 4 years (14% CAGR in number of rooms)
- **Increase weight of leased hotels versus owned hotels**
- **Transaction structure**
  - 80% acquired upfront for €130m with a NH option to pay a portion in NH shares (a)
  - 20% to be acquired through a performance related mechanism that ensures long term commitment from Astron's management (b)
- **Reasonable valuation**
  - Attractive returns exceeding internal cost of capital targets
  - Accretive to earnings from 2002 on a Cash EPS basis and from 2003 on an EPS basis
  - Acquisition financed with proceeds from sale and lease back of assets
- **Expected closing on May 1, 2002 subject to German anti-trust approval**

(a) Consideration may change slightly depending on NH's share market price.

(b) Please see section 5 for further detail.



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## Overview of the Transaction

### Key Terms



- Acquisition of Astron Hotels, comprising 53 urban hotels (8,396 rooms) with 22 hotels (5,942 rooms) in the pipeline

	Germany	Austria	Switzerland	Hungary	Total
– Current	46	6	1	-	53
– Signed (2002-2005)	8	-	1	1	10
– Under Negotiation (2002-2005)					12
– Total	<b>54</b>	<b>6</b>	<b>2</b>	<b>1</b>	<b>75</b>

- Key terms of the transaction:

- Initial 80% stake: €130m with an NH option to pay a portion with NH shares (a)
- Put/Call (20%): Minimum of €31m for the PUT and €45m for the CALL. Higher price depending on Astron's performance and NH's market value (b)
- Total Price (100%): Minimum of €161m
- Structure: Purchase of subsidiaries of Astron that hold the leases and management of Astron's urban hotels
- Lock-up on NH's shares: 65% locked up for one year, and 30% locked up the following year
- 2001A EV/EBITDA Multiple: 8.4x (c)
- Financing: Cash raised from sale and lease back
- Leases Capitalized: Lease contracts valued at €280 - €448m (d)

- Conditional to German anti-trust approval

- (a) Consideration may change slightly depending on NH's share market price.
- (b) Please see section 5 for further detail.
- (c) Based on 80% of unaudited 2001 EBITDA for Astron of €15.5m (100%=€19.4m) and €130m price paid for 80% of the company (no debt to be assumed).
- (d) Using S&P and Moody's rule of thumb of 5x and 8x lease payments respectively.



## Overview of the Transaction

How Does Astron Fit within NH's Acquisition Criteria?



Strong strategic fit with a solid financial structure

- **Strategic fit**

- Presence in target market
- Business focus
- Mid-scale product

Does Astron fit?



- **Financial criteria**

- Reasonable Price
  - Minimum IRR (Full equity after taxes) of 10%
- Maintain financial flexibility
  - 1.0x Net Debt to Equity
  - 3.0x Net Debt to EBITDA







## Overview of the Transaction

### Transaction Rationale



#### Platform for growth through experienced local partner

- **Provides immediate platform for expansion of NH in Germany and German speaking markets**
  - Astron's experienced management remains in place
  - Strong internal growth prospects: pipeline of over 3,100 signed rooms (10 hotels) and a further 2,800 rooms (12 hotels) under negotiation
  - Difficult to become immediate major player in German market organically or through acquisitions
- **Established and well-recognized brand name in Germany and German speaking markets**
- **Strong strategic fit**
  - Complements focus on mid-scale urban properties
  - Geographically complementary portfolios
- **Management has already identified synergies from economies of scale in areas such as marketing, sales and processes and ITC systems**
- **Increase weight of leased hotels in the resulting portfolio moving towards a less capital intensive model**





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## Overview of Astron

### Company Overview



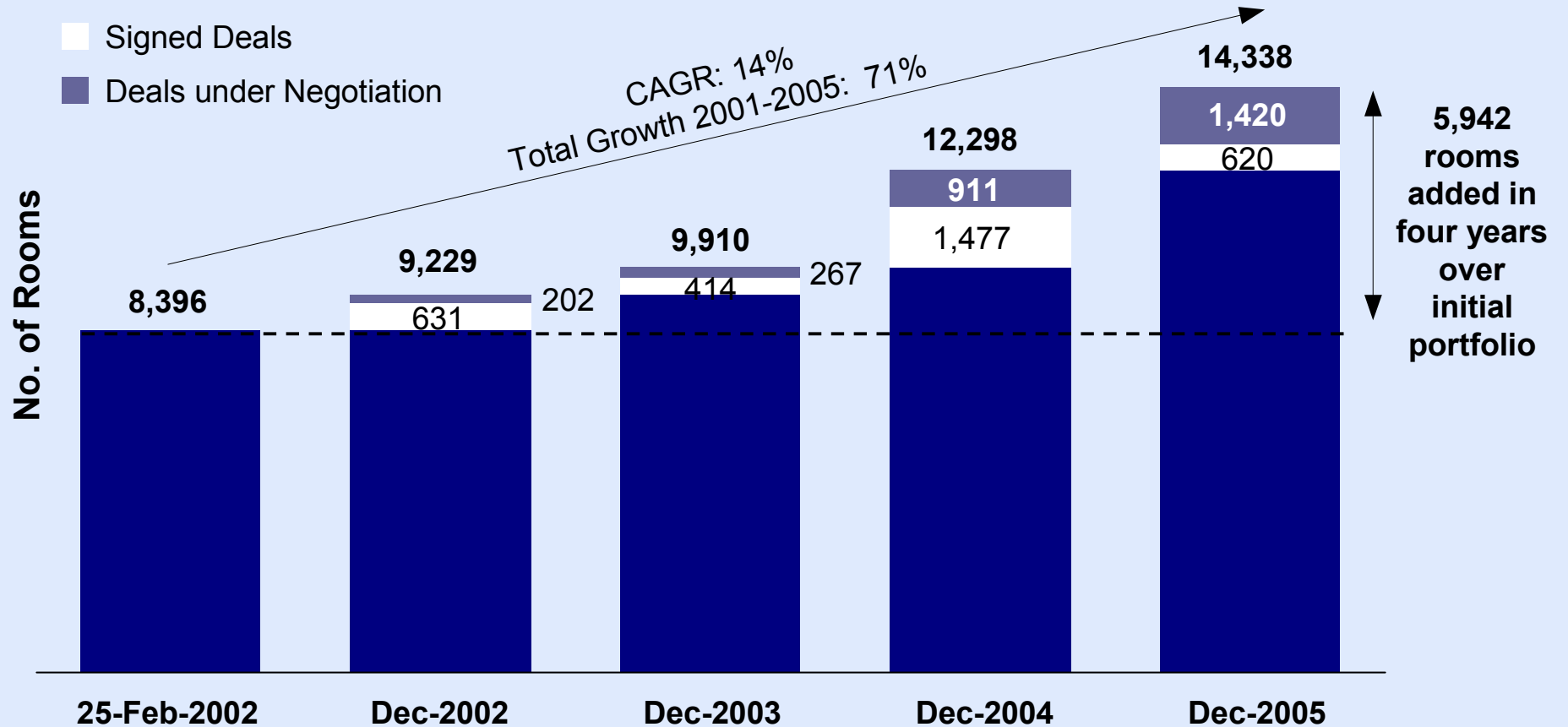
- **A leading urban hotel operator in Germany and the German speaking markets**
- **Founded in 1987, with strong growth in Revenues since 1998 with 17% CAGR**
  - Predominantly in Germany (46 hotels / 7,459 rooms)
  - Solid presence in Austria (6 hotels / 797 rooms)
- **Multi unit presence in strategic locations**
  - Assets mainly located in or near Central Business Districts, Airports and Fair Grounds
  - 5 hotels in Berlin, 6 in Munich, 4 in Frankfurt and 4 in Vienna
- **Four-year pipeline guarantees strong growth**
  - 10 signed hotels (3,142 rooms) and 12 hotels under negotiation (2,800 rooms)
- **Strong brand recognition in Germany and German speaking markets**
- **Lease based operating model with almost all of the hotels leased**
- **Relatively new and well maintained hotels with no substantial refurbishment capex requirements**



**Overview of Astron**  
Strong Pipeline



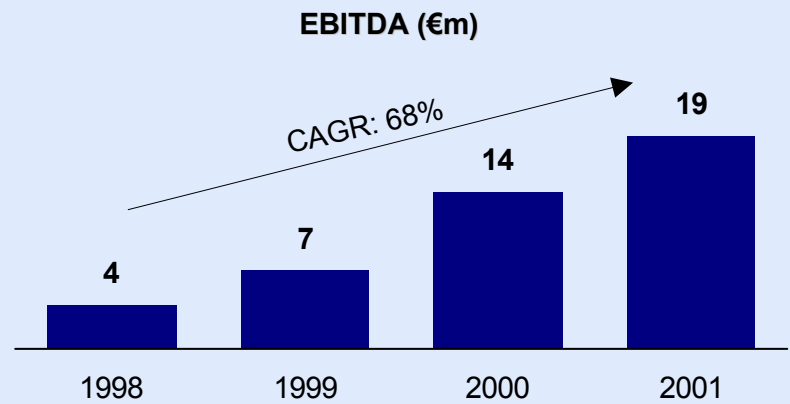
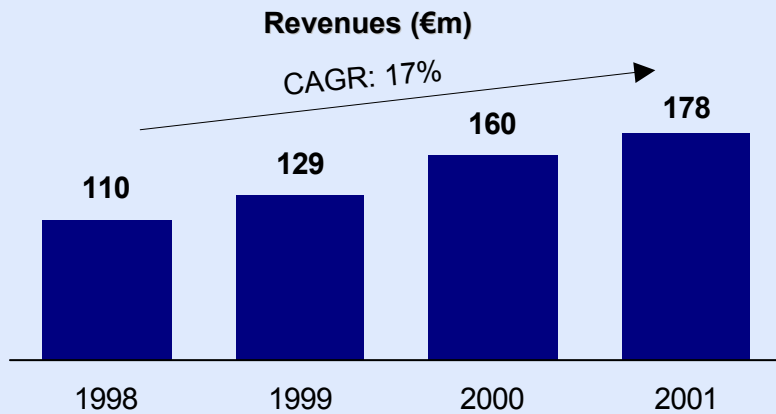
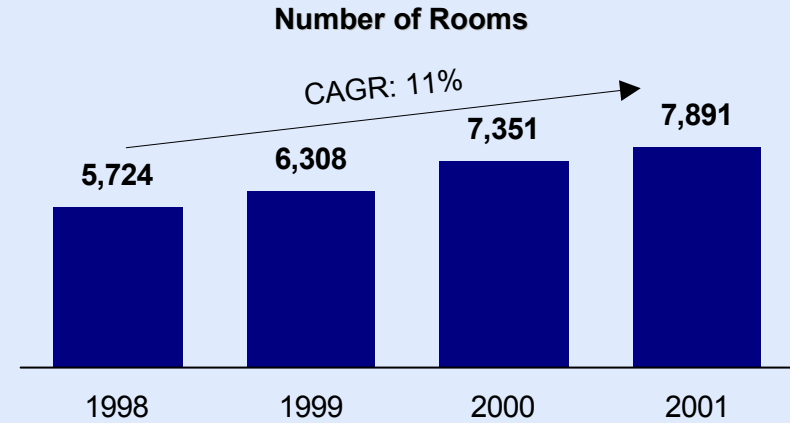
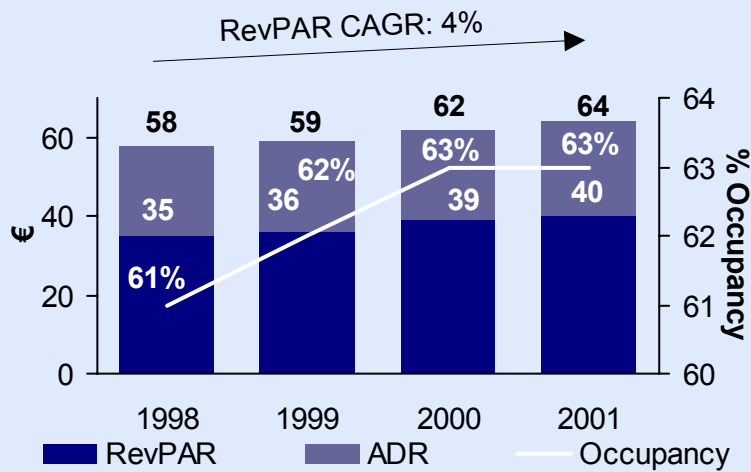
**Strong growth prospects achieved through lease contracts**





# Overview of Astron

## Impressive Growth Track Record (a)



(a) Represents acquired portfolio only.



## Overview of Astron

### German Market Overview



Acquiring the third largest domestic hotel company in the highly fragmented market of the largest European economy

July 2001

Rank	Domestic Hotel Operator	Hotels (a)	Rooms (a)
1	Dorint	68	11,441
2	Steigenberger Hotels	63	9,876
<b>3</b>	<b>Astron Hotels (b)</b>	<b>41</b>	<b>7,060</b>
4	Maritim Hotels	35	9,684
5	Sorat	22	1,988
6	Lindner	13	1,995
7	Queens	13	1,923
8	Kempinski	10	2,541

(a) German hotels only.

(b) 46 hotels and 7,459 rooms as of December 2001.

Source: PKF research as of July 2001

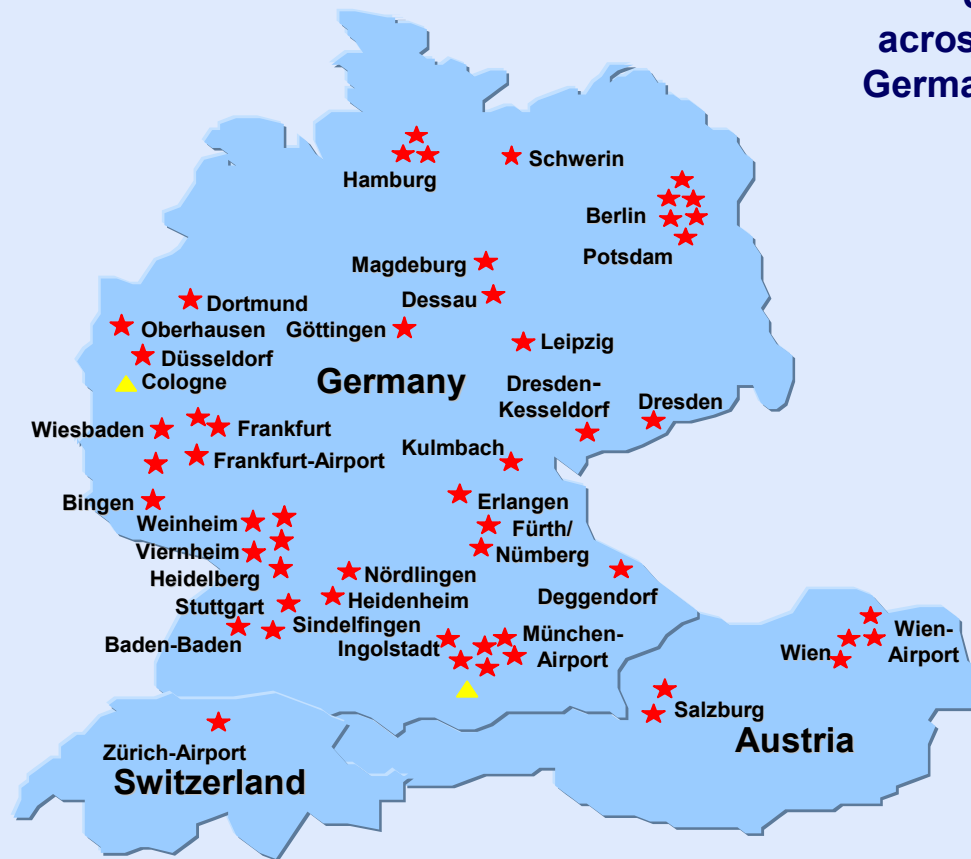


# Overview of Astron

## Map of Portfolio



Solid coverage  
across Germany and the  
German speaking markets



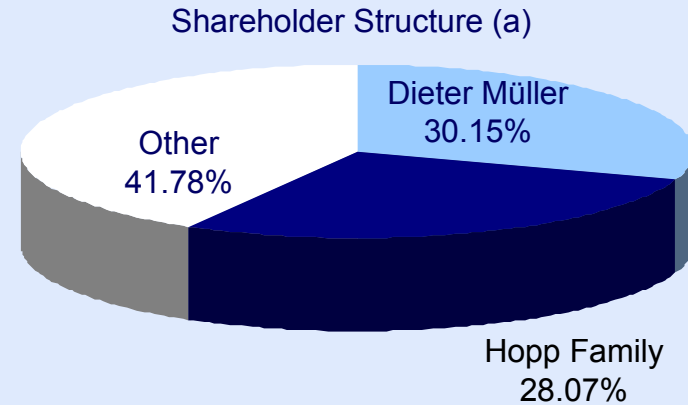
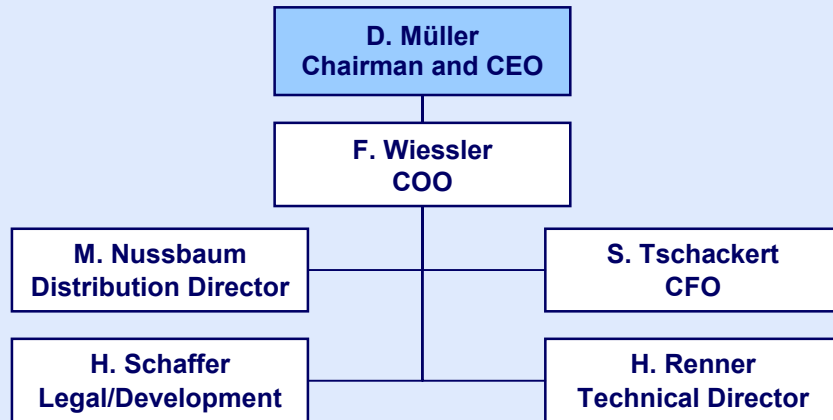
★ Already Operating    ▲ Operating in 2002



## Overview of Astron Astron Management



### Experienced management team committed to business combination



Name	Position	Experience
D. Müller	Chairman and CEO	Accor (1975-1987). CFO Accor Germany (1982-1987), Chairman Accor Gastronomica. Founder of Astron.
F. Wiessler	COO	Accor (1980-1987). Joined Astron in 1987. Promoted to COO and became Astron Board member in 1993.
S. Tschackert	CFO	Accor (1980-1996). CFO Ibis Germany. Responsible for development of ETAP hotels in Germany. Astron CFO since 1996.
M. Nussbaum	Distribution	Distribution Director since 1998. Joined Astron in 1994.
H. Schaffer	Legal & Development	Accor (1983-1993). Responsible for legal and HR for France and Germany. Joined Astron in 1993.
H. Renner	Technical Director	Accor (1979-1993). Development Manager for Germany and Austria. Joined Astron in 1994.

(a) Including preferential shares. Source: 2000 Annual Report.





## Overview of Astron

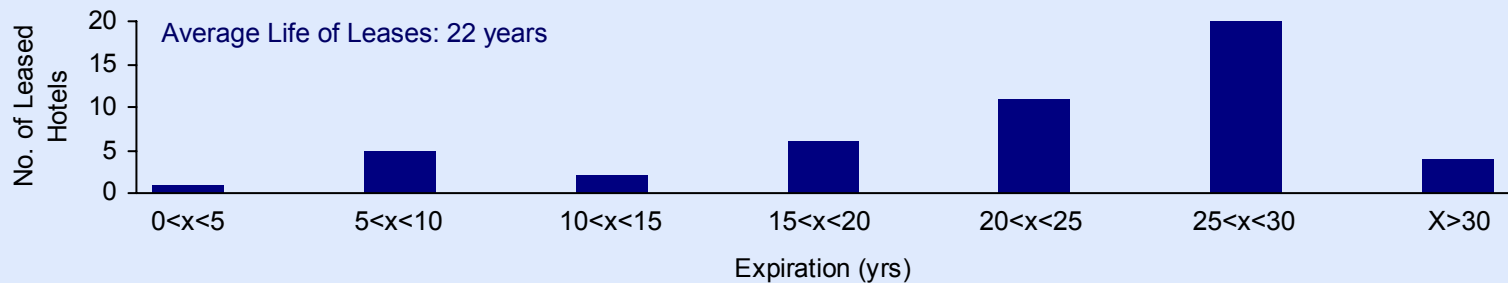
### Summary of Terms of Lease Contracts



#### Long term leases provide for stability in future cash flows

- Average remaining length of 22 years
- More than 65% of owners are institutional
- Description of lease commitments
  - 44 leases are fixed of which 90% are only adjusted for 50%-75% of inflation
  - 9 leases are turnover and/or GOP related
  - Some of them provide for rent step ups allowing a few years for the operation to grow before the full rent is due

#### Distribution of leases





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## **Astron's Fit within NH Strategy**

Core Strategy



The Acquisition of Astron Reinforces NH's Key Strengths

**Pan-European Strategy**

**Leading Positions in Core Markets**

**Focus on Urban Hotel Segment**

**Geographic and Operational Diversification**

**Focus on Profitable Growth**

**M&A and Integration Experience**

**Experienced Management**

**Financial Flexibility**



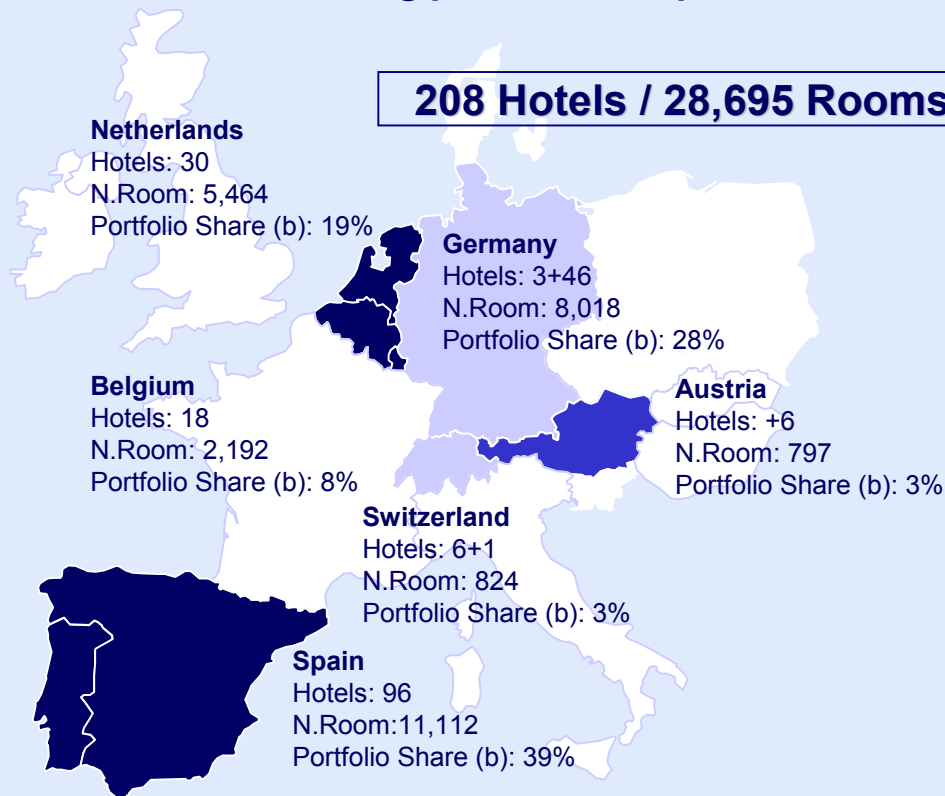
## Astron's Fit within NH Strategy

### Pan-European Presence



### Strong platform to expand further into Europe

**208 Hotels / 28,695 Rooms (a)**



### Key Facts

- 1) European hotels will comprise 84% of total portfolio by rooms, 95% of EBITDA
- 2) Existing leading market positions in Spain, Benelux and German speaking markets
- 3) Growing presence in Switzerland
- 4) Incipient presence in Portugal, with one hotel
- 5) Additional foothold in Latin America/Mexico representing 12% of portfolio

### Legend

- Existing NH Presence
- Astron/NH Presence
- Astron Presence
- No Presence

(a) As of 25 February 2002, pro-Forma for Astron acquisition. European hotels only.  
 (b) % of European rooms.

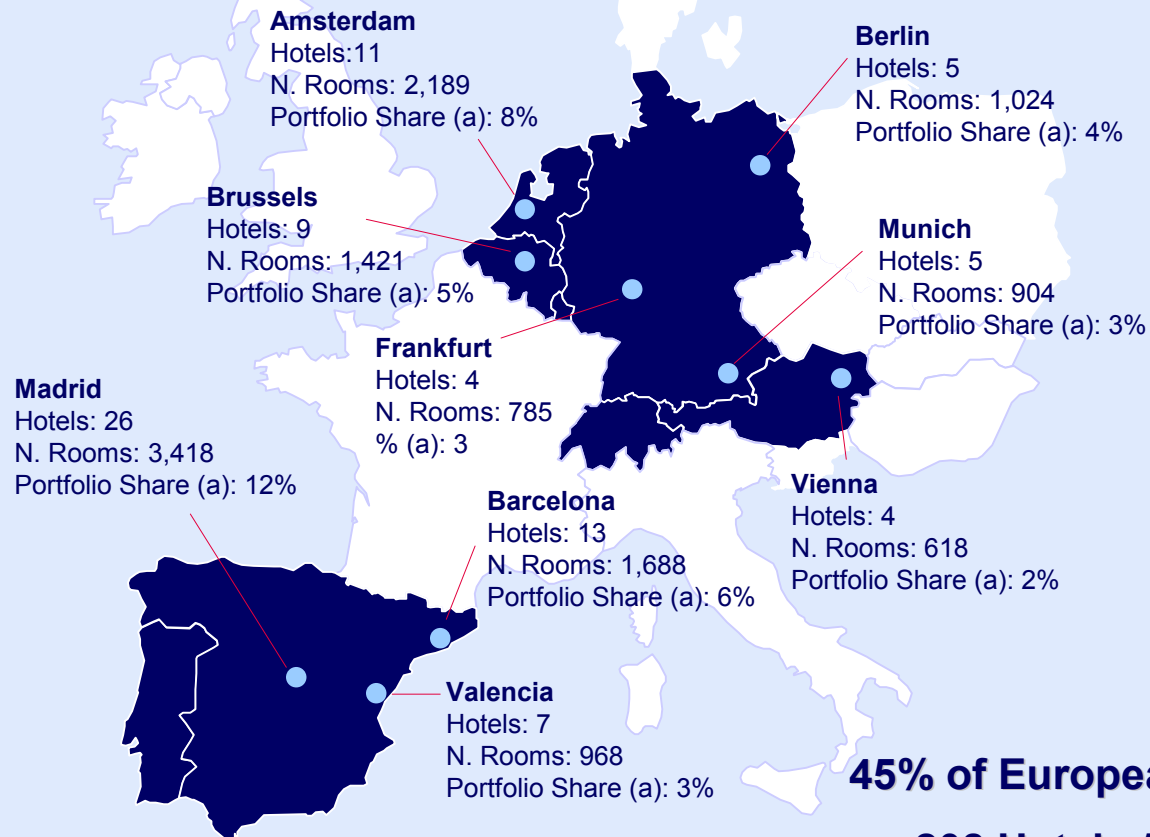


## Astron's Fit within NH Strategy

### Leading Position in Core Markets



Focus on urban hotel strategy with a leading presence in gateway cities in NH's markets



**45% of European Room Portfolio**  
**208 Hotels / 28,695 Rooms**

(a) % of European Rooms, pro-Forma for Astron acquisition.



# Astron's Fit within NH Strategy

As a Result: Diversified and Pan-European Portfolio (a)

*Growing diversification of NH's portfolio*

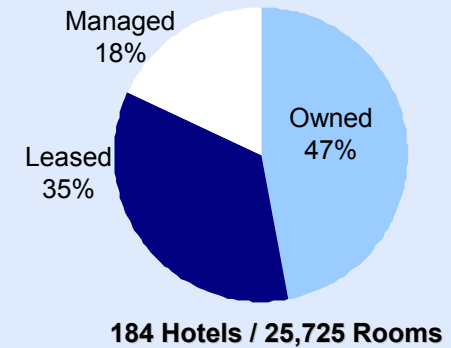
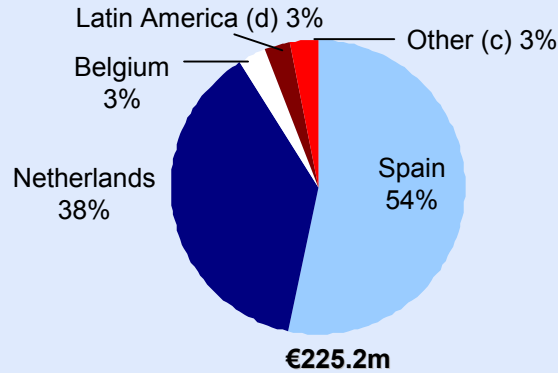
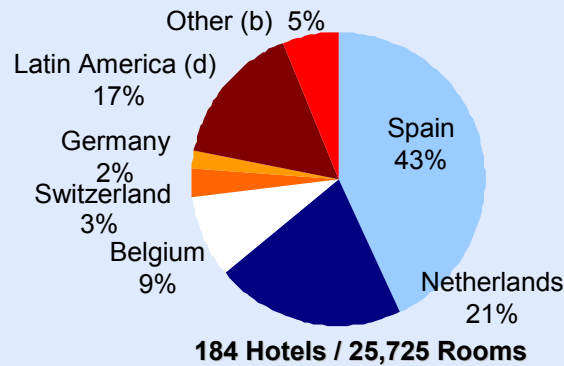


By Geography

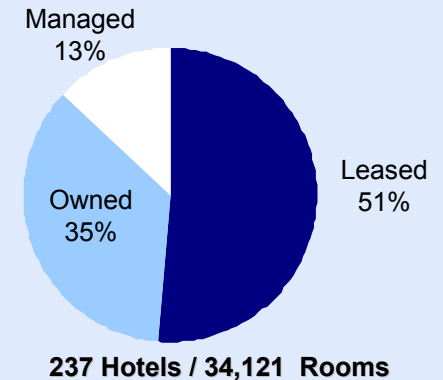
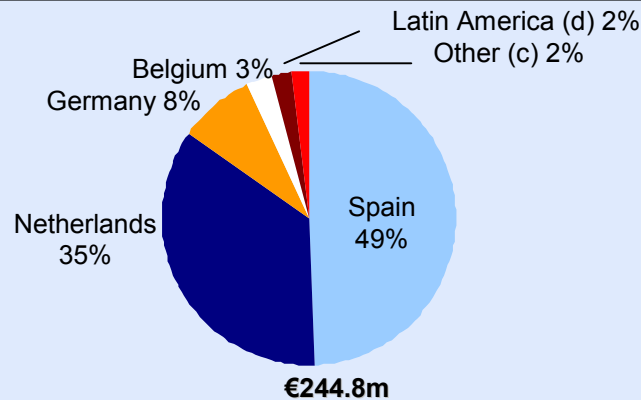
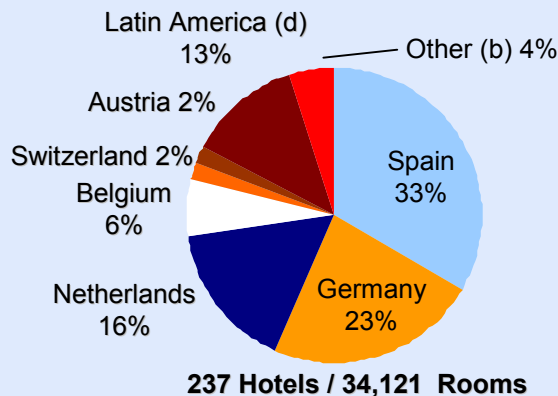
By EBITDA 2001

By Operating Model

**NH Standalone**



**Pro-Forma After Transaction**

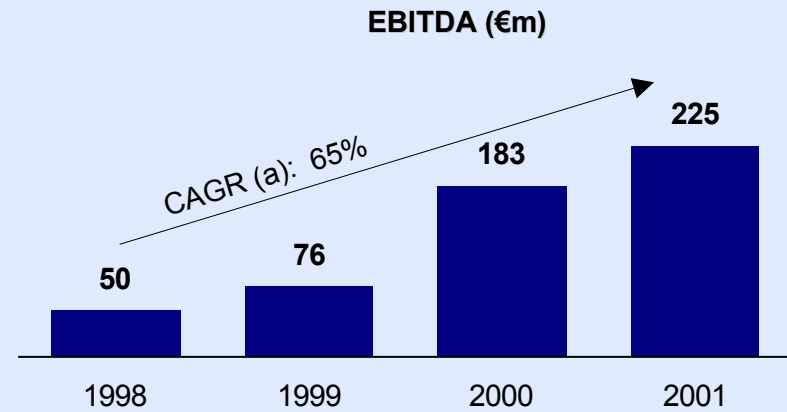
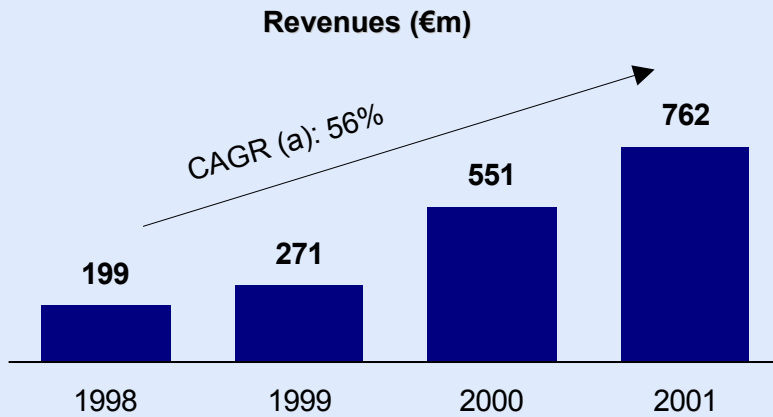
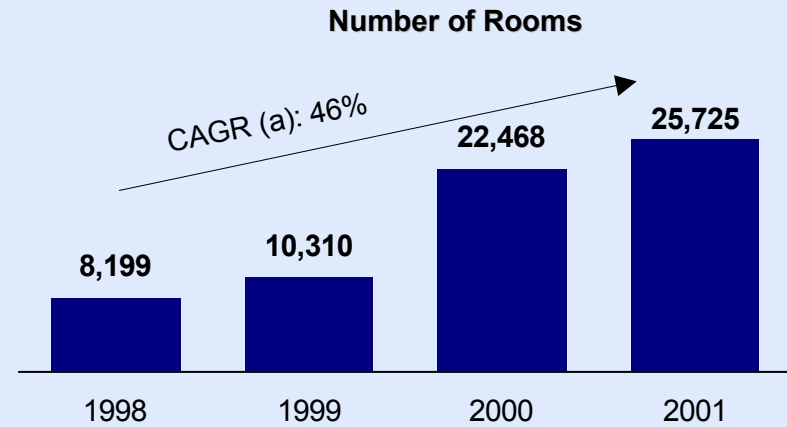
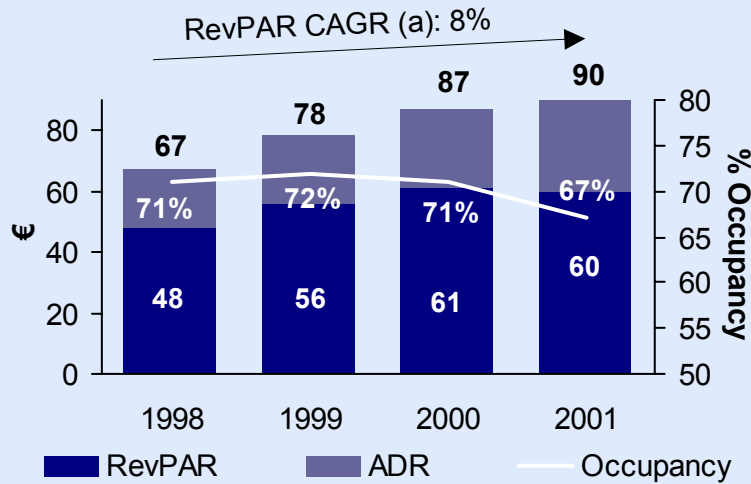


(a) Breakdown by rooms as of 25 February 2002. Excludes signed hotels.  
 (b) Includes 6 hotels in Portugal, South Africa, Israel, Ghana, Tunisia and Malta.  
 (c) Includes Sotogrande.  
 (d) Includes hotels in Mexico, Chile, Cuba, Brazil, Argentina and Uruguay.



## Astron's Fit within NH Strategy

Continuing NH's Trend of Profitable Growth



(a) CAGR stands for compounded annual growth rate.





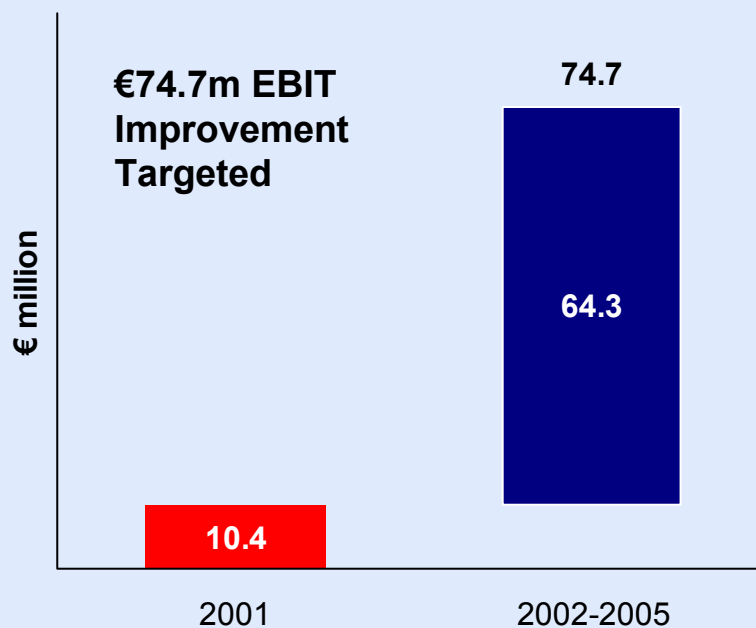
## Astron's Fit within NH Strategy

### M&A and Integration Experience



### Leverage the experience of the Krasnapolsky merger to successfully integrate Astron

- Integration process of NH – Krasnapolsky merger well under way on a number of fronts
- Main achievements in 2001 from the cost savings plan, the unification of the 9 commercial offices world wide and the integration of the Central Reservation System



- Cross Selling
- Brand Strengthening
- Greater Volume Discounts
- Improved Contract Terms
- Integration of Cultures
- Economies of Scale
- Optimise Capital Employed
- Uniform PMS
- CRS Platform



## **Astron's Fit within NH Strategy**

### Integration Plan with Astron



A comprehensive and well-executed integration plan will result in meaningful synergies

- **Integration plan to be completed within six months of closing**
- **Integration teams to analyse achievable synergies in the areas of:**
  - ITC Systems and Central Reservation Systems (CRS)
  - Purchasing
  - Branding
  - Sales and Marketing
  - Finance and Development
- **The branding strategy will be analysed together with Astron's management to maximize the integration benefits**



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## Financial Considerations

### Transaction Structure



#### 80% of Astron (Acquired Upfront)

- €130m with an option to pay a portion in NH shares (a)

**Value (80%):**  
= €130m

#### 20% of Astron (Put/Call)

##### PUT OPTION

###### Greater of:

- Prevailing LTM EBITDA multiple of NH applied to the LTM EBITDA figure for Astron, or
- If exercised during:
  - First 3 years: €31m
  - Following 4 years: €45m

##### CALL OPTION

###### Greater of:

- Prevailing LTM EBITDA multiple of NH applied to the LTM EBITDA figure for Astron, or
- €45m

**Minimum Value Range (20%):**  
€31m - €45m

**Total Minimum Value Range (100%) = €161m - €175m**

(a) Consideration may change slightly depending on NH's share market price.  
Note: LTM stands for Last Twelve Months



## Financial Considerations

Impact, Valuation and Transaction Financing



### Reasonable price paid with optimal financing ...

#### Valuation

- 8.4x implied 2001 EBITDA Multiple (a)
- Implied 2001 EBITDAR multiple of 8.1x (b)
- Below recent market comparable transactions
- Below NH's 2001 market multiple

#### Financing

- Recent sale and lease-back of 4 Spanish hotels for €91.5m
  - 7% gross fixed yield
  - CPI indexed
- Maintain financial flexibility
  - Net Debt to Equity below 1.0x
  - Net Debt to EBITDA below 3.0x

### ... to create shareholder value

- Cash EPS enhancing in 2002
- EPS enhancing in 2003
- Exceeds our minimum IRR target (Full equity after taxes) of 10%

(a) Based on 80% of unaudited 2001 EBITDA for Astron of €15.5m (100%=€19.4m) and €130m price paid for 80% of the company (no debt to be assumed).

(b) Leases capitalised as per Moody's rule of thumb of 8x.



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## Summary

Implementing a Pan-European Vision



- Strong strategic fit
- Reasonable price paid while maintaining financial flexibility
- Astron's management has proven track record and is committed to new project
- Growth prospects in Germany and German speaking markets through existing pipeline
- Increase weight of leased portfolio moving to a less capital intensive model

Demonstrates continued execution of value-enhancing pan-European strategy

NH will continue to participate in the consolidation process in Europe with the focus on entering major European markets (i.e. France, Italy and UK)





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## Astron Portfolio Breakdown

### Current Portfolio – 25 February 2002



Country	City	Hotel	Rooms	Country	City	Hotel	Rooms
Austria	Salzburg	Salzburg Carlton	39	Germany	Hamburg	Hamburg-Altona	232
	Salzburg	Salzburg-City	140		Heidelberg	Heidelberg	156
	Vienna	Wien Atterseehaus	73		Heidenheim	Heidenheim	83
	Vienna	Wien	106		Hirschberg	Hirschberg/Heidelberg	114
	Vienna	Wien-Belvedere	114		Ingolstadt	Ambassador Ingolstadt	119
	Vienna	Convention Center Vienna Airport	325		Kulmbach	Kulmbach	103
Germany	Baden Baden	Schlosshotel Buhlerhohe	90		Leipzig	Leipzig an der Messe	308
	Berlin	Berlin Heinrich Heine	98		Magdeburg	Magdeburg	143
	Berlin	Berlin-Treptow	126		Munich	Munchen Appartments	161
	Berlin	Berlin-Alexanderplatz	225		Munich	Munchen Deutscher Kaiser	174
	Berlin	Berlin/Potsdam	243		Munich	Munchen-Neue Messe	253
	Berlin	Berlin-Mitte	392		Munich/Unterhaching	Munchen/Unterhaching	80
	Bingen	Bingen	135		Munich-Airport	Munchen-Airport	236
	Deggendorf	Deggendorf	125		Nordlingen	Nordlingen	98
	Dessau	Dessau	153		Nürnberg/Fürth	Nurnberg/Forthaus Furth	112
	Dortmund	Dortmund	190		Nürnberg/Fürth	Nurnberg/Furth	118
	Dresden	Dresden	269		Oberhausen	Oberhausen	172
	Dresden-Kesselsdorf	Dresden-Kesselsdorf	126	Potsdam	Potsdam Voltaire	156	
	Düsseldorf	Dusseldorf-City	338	Schwerin	Schwerin	144	
	Erlangen	Erlangen	138	Stuttgart	Stuttgart Airport	117	
	Frankfurt	Frankfurt-Messe	22	Stuttgart/Sindelfingen	Stuttgart/Sindelfingen	103	
	Frankfurt/Rhein-Main	Frankfurt/ Rhein-Main	310	Viernheim	Viernheim	121	
	Frankfurt/Moerfelden	Frankfurt/Moerfelden	299	Weinheim	Weinheim OttHeinrich	25	
	Frankfurt-Airport	Frankfurt-Airport	154	Weinheim	Weinheim	187	
	Göttingen	Gottingen	114	Wiesbaden	Wiesbaden	166	
	Hamburg	Hamburg	119				
	Hamburg	Hamburg-Horn	172	Switzerland	Zurich	Zurich-Airport	140
				<b>Total</b>		<b>53 Hotels</b>	<b>8,396 rooms</b>



## Astron Portfolio Breakdown

Pipeline 2002 – 2005



Country	City	Hotel	Rooms
<b>Opening in 2002</b>			
Germany	Cologne	Köln Follerstrasse	205
	Munich	München Messe II	222
	Hirschberg	Extension HD Rooms	18
<b>Total</b>	<b>2 Hotels</b>		<b>445</b>
<b>Total Signed Deals 2003-2005</b>		<b>8 Hotels</b>	<b>2,697</b>
<b>Deals Under Negotiation 2002-2005</b>		<b>12 Hotels</b>	<b>2,800</b>
<b>Total Pipeline</b>		<b>22 Hotels</b>	<b>5,942</b>
<b>Total N. of Hotels End 2005</b>		<b>75 Hotels</b>	<b>14,338</b>



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