



 *Sol Meliá.com*

 *HOTELES TRYP*

 *Sol Meliá*

**Acquisition of**

 *HOTELES TRYP*

# Tryp overview

## **Tryp: a leading hotel company in Spain (\*)**

- ☀ 7<sup>th</sup> largest hotel chain in Spain with strong presence in the urban segment: 60 hotels and 7,952 rooms as of June 00 of which 49 hotels and 6,190 rooms are city-type.
- ☀ Hotels spread all over Spain with significant market share in Madrid (20 hotels, 2,949 rooms)
- ☀ Presence in international resort market (Cuba, Tunisia and Portugal)
- ☀ Quality hotel portfolio mainly composed of leased hotels
- ☀ Sound financial condition and group profitability
- ☀ Recently renovated asset portfolio

## Leasing contracts

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<b>Length (up to)</b>	<b>N° Hotels</b>	<b>N° Rooms</b>
75 years	18	2,634
2001-2005	9	1,034
2006-2010	19	3,061
2011-2015	11	1,613
2016-2020	3	519

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Weighted average: 30.2 years

Includes signed projects.



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# The offer

## Economic terms of the offer

**Cash**

**Eur 162.3 mn**



**Sol Meliá shares**

**13,222,107 shares**




- ◆ Of which Eur 12 Mn will be spent by the vendors on CAPEX




- ◆ Stake in Sol Meliá after new shares issuance: 7.2%

**Value of the offer at agreed price of Eur 15: *Eur 360.6 Mn*** 

**Additionally Sol Meliá buys Fénix and Colón hotels at a price of *Eur 72.13 Mn*** 

 Subject to *due diligence* and legal documentation.

 Subject to Sol Meliá Shareholders General Meeting approval: Enlargement of the board of directors and Capital increase without pre-emptive rights.



## Consolidation perimeter

- ☀ The structure of the deal is an acquisition followed by an ulterior merger
- ☀ Maintenance of Tryp brand to substitute Sol Inn brand. High category hotels re-branded to Meliá.
- ☀ Bid for the 100% of shares including:
  - ◆ Stake in Ilha Bela (65%)
  - ◆ Stake in Tryp Mediterranée (85%)
  - ◆ Stake in Sofía Hoteles (49%)
  - ◆ Rent contracts, management, etc.
- ☀ Purchase of hotels Fénix and Colón for Eur 75.13 mn.

## Additional considerations

- ☀ 18 hotels owned by “Equity Inmuebles” are 75 years leased hotels
- ☀ Lock up period of 24 months for Tryp.
- ☀ Participation of shareholders in Sol Meliá’s board (1 seat).
- ☀ Integrated senior management team.
- ☀ Sale of Tryp shareholders stake will be controlled by Sol Meliá
- ☀ First call and veto power in perpetuity for the shares and for “Equity Inmuebles” hotels
- ☀ Sol Meliá’s control shareholder falls below 60% which implies 100% of consolidation in IBEX weighting



## Financials (\*)

	Sol Meliá		Tryp		Sol Meliá (Year End) Combined	
	<u>Dec 99</u>	<u>Dec 00 (E)</u>	<u>Dec 99</u>	<u>Dec 00 (E)</u>	<u>Dec 99</u>	<u>Dec 00 (E)</u>
<b>Revenues</b>	<b>658.5</b>	<b>788.6</b>	<b>132</b>	<b>184.9</b>	<b>790.5</b>	<b>973.5</b>
<b>EBITDA</b>	<b>200.4</b>	<b>258.3</b>	<b>17</b>	<b>30.2</b>	<b>217.4</b>	<b>288.5</b>
<b>PBT</b>	<b>115.5</b>	<b>168.3</b>	<b>10.6</b>	<b>26.6</b>	<b>126.1</b>	<b>194.9</b>
<b>Net</b>	<b>85.9</b>	<b>127.8</b>	<b>5.3</b>	<b>17.7</b>	<b>91.2</b>	<b>145.5</b>

\* Does not include either synergy benefits nor financing assumptions.

\* 2000 data for Sol Meliá based on market consensus. 2000 data for Tryp based on projection by Morgan Stanley , updated.

## Cost synergies

- ☀ Cost savings through increased purchasing power of the combined group
- ☀ Reduced unit marketing expenditure
- ☀ Central overheads savings
  - ▶ Administration 70%
  - ▶ IT 50%
  - ▶ Legal 100%
  - ▶ Marketing 70%
  - ▶ Commercial 90%
  - ▶ Board 75%
  - ▶ Operations 0%

**Eur 3.7M**

ESTIMATED COST SYNERGIES FOR 2001 OF 3.7 MILLION EUROS  
AT THE EBITDA LEVEL

## Revenue synergies

- ☀ Sol Meliá's relationships with tour operators will boost Tryp resorts results
- ☀ Central reservation benefits from incorporating Tryp into Solres
- ☀ Improved loyalty programs
- ☀ Optimise the use of existing brands by incorporating hotels into appropriate category
- ☀ Benefits from e-commerce initiatives (not yet contemplated in these calculations)

ESTIMATED REVENUE SYNERGIES FOR 2001 OF **3.17 M EUROS** AT THE EBITDA LEVEL - A COMBINED SYNERGY BENEFIT OF 6.87M EUROS

## Occupancy and A.D.R. upside ( Owned&leased Hotels)

	<u>TRYP</u>		<u>SOL MELIÁ</u>	
	1,999	2,000	1,999	2,000
<b><u>RESORTS</u></b>				
<b>Occupancy</b>	63.9%	69%	83.1%	82.7%
<b>ADR</b>	35.3	32.7	39.9	43.7
<b>RevPar</b>	<b>22.6</b>	<b>22.6</b>	<b>33.2</b>	<b>36.1</b>
<b><u>CITIES</u></b>				
<b>Occupancy</b>	68.7%	69.8%	72.3%	73.2%
<b>ADR</b>	67.2	74.5	70.5	79.9
<b>RevPar</b>	<b>46.2</b>	<b>52</b>	<b>51</b>	<b>58.5</b>

*NOTE: Data in Euro. 2,000 Prospects*

## Valuation

### EBITDA multiple analysis

<b>Acquisition of lease/management company</b>	<b>2000</b>	<b>2001</b>
<b>Sol Meliá <sup>(1)</sup></b>	<b>10.55x</b>	<b>9.17x</b>
<b>EBITDA Consensus Sol Meliá</b>	<b>258.3</b>	<b>297.02</b>
<b>EBITDA Projection Tryp before synergies</b>	<b>30.22</b>	<b>41.15</b>
<b>EBITDA Projection Tryp after synergies</b>	<b>-----</b>	<b>48.03</b>
<b>Purchase of Tryp before synergies<sup>(2)</sup></b>	<b>10.03x</b>	<b>7.36x</b>
<b>Purchase of Tryp after synergies<sup>(3)</sup></b>	<b>-----</b>	<b>6.31x</b>
<b>Colón and Fénix acquisition</b>	<b>2000</b>	<b>2001</b>
<b>Purchase Price</b>	<b>75.13</b>	<b>75.13</b>
<b>Rental Expense</b>	<b>4.66+0.75</b>	<b>5.06+0.78</b>
<b>Multiple (Rental)</b>	<b>13.89x</b>	<b>12.07x</b>
<b>Multiple (Gross Operating Profit)</b>	<b>9.57x</b>	<b>6.35x</b>

(1) Market consensus

(2) (2) At Friday 18th August closing price of 11.55

(3) Sol Meliá estimates 6.87 million euro synergies

(4) EBITDA Hard Rock 0.75 (2,000) and 0.78 (2,001)

implies a  
yield of  
7.2%

implies a  
yield of  
8.29%



## Estimated increase in EPS and CFPS (including synergies in 2,001)

	<b>2000</b>	<b>2001</b>
EBITDA PS	3.7%	9.3%
EPS	5.7%	25.2%
CFPS	0.9%	15.5%

*Note: Before financing and goodwill*

	<b>2000</b>	<b>2001</b>
EBITDA PS	3.7%	9.3%
EPS	5.7%	13.6%
CFPS	0.9%	8.2%

*Note: After financing, and before goodwill*



# **Sol Meliá & Tryp: a success story**

## **Strengthens dominant position in Spain and abroad**

- ☀ Enhancing of the leading position in the Spanish urban segment.
- ☀ Perfect fit of its urban/resort portfolio and category mix. Commercialisation complementarity in light of the growing urban tourism.
- ☀ Consolidation of Sol Meliá's position in Madrid as the clear leader in the city hotels.
- ☀ The acquisition will create a group with 18% share in the 13 main cities in Spain and 5% of Spanish resorts
- ☀ Reinforces dominant position in Cuba (37% market share) and strengthens its position in Tunisia (7.6% market share).
- ☀ Sol Meliá becomes the leader in the domestic ski segment.

# Rankings of Spanish Companies

## RANKING AT NATIONAL LEVEL

	Hotels	Rooms
1- SOL MELIÁ + TRYP (*)	201	41.816
2- RIU	55	13.152
3- HUSA	140	11.246
4- NH HOTELES	83	9.749
5- BARCELÓ	28	7.962
6- FIESTA	33	7.877
7- H10	21	6.647
8- IBEROSTAR	17	5.221
9- HOTELES GLOBALES	30	5.219
10- GRUPOTEL	33	5.184
11- CATALONIA	30	4.090
12- HESPERIA	26	4.055
13- PARADORES	61	3.699
14- HOTETUR	14	3.316

Sources: Privatur July 00  
Hostelmarket June 00

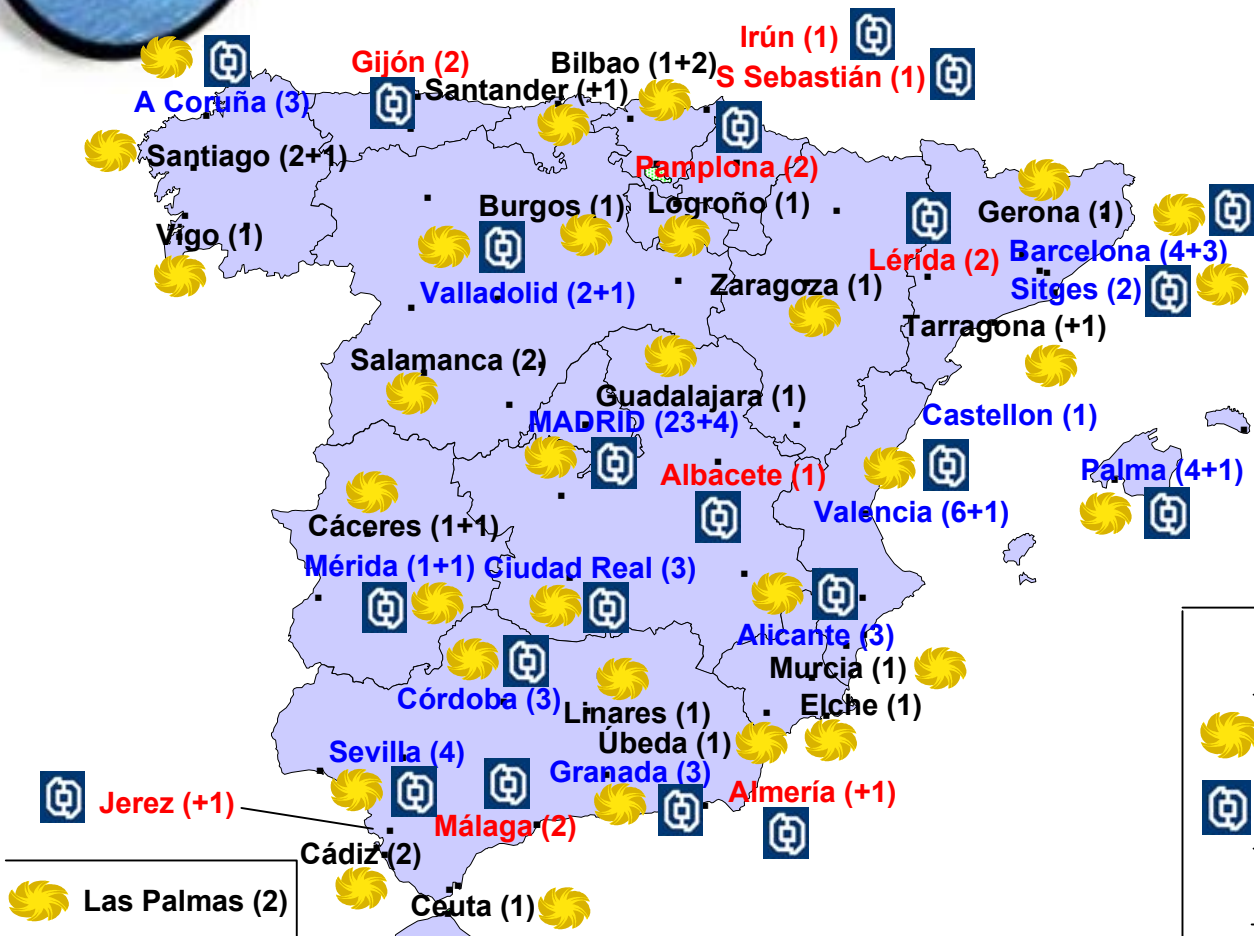
## RANKING Spanish cities

	Hotels	Rooms
1- SOL MELIÁ + TRYP	84	14,146
2- NH HOTELES	79	9,466
3- PARADORES	61	3,699
4- HUSA	36	3,495
5- CATALONIA	74	2,628
6- BARCELÓ	11	1,899
7- DIANA HOTELERA	16	1,834
8- ACCOR	13	1,646

Source: Hostelmarket Oct 99 and Sol Meliá





# Spanish market

## Urban hotels (\*)



## Resort hotels (\*)

Region	Hotels	Rooms
Andalucía	22	4
Aragón	1	0
Balearic Islands	27	0
Canary Islands	20	2
Catalonia	1	4
Valencia	5	0
Galicia	0	1
Murcia	1	0
<b>TOTAL</b>	<b>77</b>	<b>11</b>

	Urban	Resort	TOTAL
 Hotels	64	77	141
 Rooms	11,595	22,269	33,864
 Hotels	49	11	60
 Rooms	6,190	1,762	7,952
<b>Total HOTELS</b>	<b>113</b>	<b>88</b>	<b>201</b>
<b>Total ROOMS</b>	<b>17,785</b>	<b>24,031</b>	<b>41,816</b>

\* Including signed projects



## Summary

- ☀ Resulting company among the top ten hotel chains world-wide
- ☀ Indisputable leader in the Spanish urban segment.
- ☀ Blanket coverage in Spain.
- ☀ 50% more rooms than its closest competitor in the city segment in Spain (NH Hoteles).
- ☀ Easily digestible in terms of size.
- ☀ The transaction does not compromise future growth. Tryp will be acquired with no net debt.
- ☀ Prevents entry of foreign hotel chains in Spain.
- ☀ Strengthens dominant position in the fastest growing country in Europe (Spain) in the fastest growing segment of the hotel industry (urban). Sol Meliá becomes three times bigger than its closest competitor and it has 1/3 of the market share in Cuba.
- ☀ Terms of acquisition: EBITDA PS (9%), EPS (14%) and cash EPS (8%) enhancing in year 2001.
- ☀ Significant synergies in both, revenues and operating and structure costs
- ☀ Tryp management provides additional knowledge and expertise for future development.
- ☀ Positive fiscal impact of about EUR118 million



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# Sol Meliá & Tryp:

## Appendix



# TRYP: Hotel portfolio

12 <sup>th</sup> June 2000	Existing		Signed		Total	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
European cities	39	4,929	10	1,261	49	6,190
European resorts (*)	18	3,255	3	653	21	3,908
International	3	1,537	2	2,111	5	3,648
<b>CURRENT Total</b>	<b>60</b>	<b>9,721</b>	<b>15</b>	<b>4,025</b>	<b>75</b>	<b>13,746</b>

\* Includes Tunisia

12 <sup>th</sup> June 2000	Type of contract	
	Hotels	Rooms
Leased	63	9,354
Management	10	4,269
Franchised	2	123
<b>TOTAL</b>	<b>75</b>	<b>13,746</b>

12 <sup>th</sup> June 2000	Category Type	
	Hotels	Rooms
5 stars	11	2,450
4 stars	47	8,927
3 stars	12	1,857
2 stars	5	512
<b>TOTAL</b>	<b>75</b>	<b>13,746</b>

## Over 400 hotels and 100,000 rooms, becoming one of the top ten hotel chains world-wide

### Regional split of the groups

On 31th December 1999

	Sol Meliá		Tryp		Combined	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
European city	91	15,221	32	4,049	123	19,270
European resort	105	35,617	15	2,706	120	38,323
International	66	17,928	3	1,537	69	19,465
<b>CURRENT Total</b>	<b>262</b>	<b>68,766</b>	<b>50</b>	<b>8,292</b>	<b>312</b>	<b>77,058</b>



New PROJECTS	Sol Meliá		Tryp		Combined	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
European city	17	2,416	17	2,141	34	4,557
European resort	19	6,419	6	1,202	25	7,621
International	37	11,103	2	2,111	39	13,214
<b>Total NEW PROJECTS (*)</b>	<b>73</b>	<b>19,938</b>	<b>25</b>	<b>5,454</b>	<b>98</b>	<b>25,392</b>
<b>TOTAL</b>	<b>335</b>	<b>88,704</b>	<b>75</b>	<b>13,746</b>	<b>410</b>	<b>102,450</b>

\* 10 out of them have been included in net during the first semester of 2000.

## Owned & Leased Hotels of the resulting Group

	OWNED & LEASED RESORT HOTELS					
	Eur. Resorts (SOL)		Eur. Resorts (TRYP)		Resorts Group	
	1,999	2,000	1,999	2,000	1,999	2,000
<i>Data in Euro</i>						
<b>N. OF ROOMS</b>	15,329	14,533	2,365	2,869	17,694	17,402
<b>OCCUPANCY</b>	83.1%	82.7%	63.9%	69.0%	80.3%	80.1%
<b>A.R.R.</b>	39.9	43.7	35.3	32.7	39.3	41.8
<b>ROOM REVENUE</b>	148.4	158.5	17.0	24.1	165.4	182.6
<b>OTHER REVENUE</b>	109.2	117.6	17.4	28.5	126.5	146.0
<b>TOTAL REVENUE</b>	<b>257.6</b>	<b>276.0</b>	<b>34.4</b>	<b>52.6</b>	<b>291.9</b>	<b>328.6</b>

	OWNED & LEASED CITY HOTELS					
	Eur. cities (SOL)		Eur. cities (TRYP)		Cities Group	
	1,999	2,000	1,999	2,000	1,999	2,000
<b>N. OF ROOMS</b>	7,623	7,669	3,986	4,656	11,609	12,325
<b>OCCUPANCY</b>	72.3%	73.2%	68.7%	69.8%	71.0%	72.0%
<b>A.R.R.</b>	70.5	79.9	67.2	74.5	69.3	78.0
<b>ROOM REVENUE</b>	122.3	159.2	65.2	81.3	187.5	240.5
<b>OTHER REVENUE</b>	60.3	70.9	28.6	34.5	88.9	105.4
<b>TOTAL REVENUE</b>	<b>182.6</b>	<b>230.1</b>	<b>93.8</b>	<b>115.8</b>	<b>276.4</b>	<b>345.9</b>

	TOTAL OWNED & LEASED HOTELS					
	O & L hotels (SOL)		O & L hotels (TRYP)		O & L hotels Group	
	1,999	2,000	1,999	2,000	1,999	2,000
<b>N. OF ROOMS</b>	22,952	22,202	6,351	7,525	29,303	29,727
<b>OCCUPANCY</b>	79.3%	79.1%	67.0%	69.5%	76.4%	76.5%
<b>A.R.R.</b>	49.6	56.5	56.6	57.6	51.1	56.8
<b>ROOM REVENUE</b>	270.7	317.7	82.2	105.4	352.9	423.1
<b>OTHER REVENUE</b>	169.5	188.5	45.9	63.0	215.4	251.4
<b>TOTAL REVENUE</b>	<b>440.2</b>	<b>506.1</b>	<b>128.1</b>	<b>168.4</b>	<b>568.3</b>	<b>674.5</b>



## Rankings - International Level (\*)

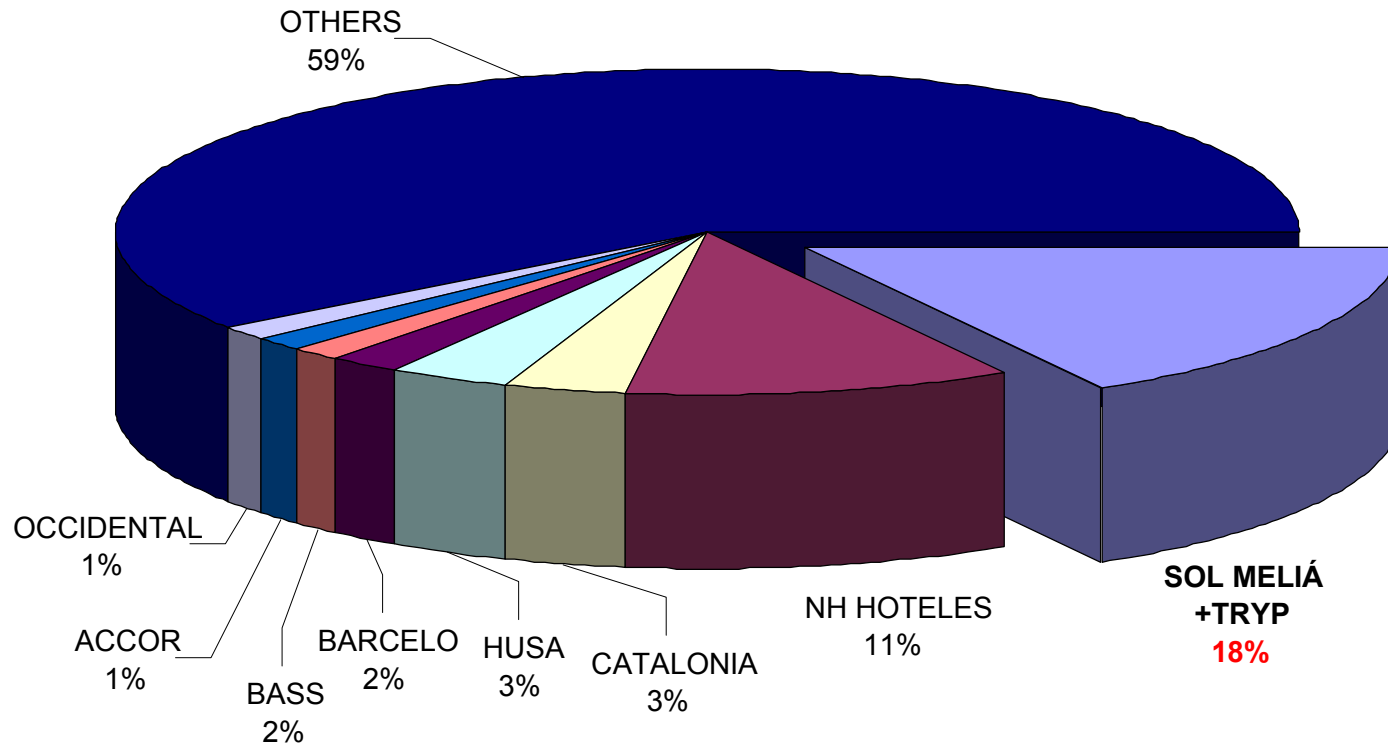
	Hotels	Rooms
1- CENDANT CORP.	6.315	542.630
2- BASS HOTELS & RESORTS	2.886	471.680
3- MARRIOTT INTERNATIONAL	1.888	355.900
4- ACCOR	3.234	354.652
5- CHOICE HOTELS INTERNATIONAL	4.248	338.254
6- BEST WESTERN INTERNATIONAL	4.037	313.247
7- HILTON HOTELS CORP.	1.700	290.000
8- STARWOOD HOTELS & RESORSTS	716	217.651
9- CARLSON HOSPITALITY	616	114.161
<b>10- SOL MELIÁ + TRYP</b>	<b>410</b>	<b>102.450</b>
36- RIU	86	23.000
39- NH + KRASNAPOLSKY	152	20.297
48- BARCELÓ	65	16.593
58- IBEROSTAR	39	13.213
59- OCCIDENTAL	53	13.070
71- HUSA	147	11.538
85- FIESTA	38	9.848

Source: Hotels July 00

Sol Meliá becomes de indisputable leader in the Spanish urban market

\* Including signed projects for Sol Meliá & Tryp

## Combined market share in the main Spanish cities (\*)



\* Madrid, Barcelona, Sevilla, Valencia, Zaragoza, Bilbao, Málaga, Valladolid, Alicante, Córdoba, Granada, Las Palmas, Palma de Mallorca



## Sol Meliá - Tryp presence in the Spanish urban segment (\*)

### Cities where Sol Meliá has presence, but not Tryp

- ▶ Bilbao
- ▶ Burgos
- ▶ Cáceres
- ▶ Cádiz
- ▶ Ceuta
- ▶ Elche
- ▶ Girona
- ▶ Gran Canaria
- ▶ Guadalajara
- ▶ Jalance
- ▶ Linares
- ▶ Logroño
- ▶ Murcia
- ▶ Salamanca
- ▶ Santander
- ▶ Santiago de C.
- ▶ Terrasa
- ▶ Trujillo
- ▶ Úbeda
- ▶ Vigo
- ▶ Zaragoza

### Cities where Tryp has presence, but not Sol Meliá

- ▶ Albacete
- ▶ Almería
- ▶ Avilés
- ▶ Gijón
- ▶ Irún
- ▶ Jerez
- ▶ Lleida
- ▶ Málaga
- ▶ Pamplona
- ▶ Puertollano
- ▶ San Sebastián