A Work Project, presented as part of the requirements for the Award of a Master Degree in Finance from the NOVA – School of Business and Economics.

ACCOR HOTELS EQUITY RESEARCH: Can the French Group challenge major payers in other regions without compromising its leading position in Europe and its customer´s retention rate?

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A Project carried out on the Master in Finance Program, under the supervision of:

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Abstract: This report, as part of a more extensive Equity Research on Accor Group, aims to thoroughly scrutinize the foundational elements influencing the value of the focal company. Such an analysis forms the bedrock for the subsequent valuation of Accor. In a climate marked by significant market volatility and uncertainty, comprehending the intrinsic value drivers of Accor´s business model and assessing how external factors may impact them becomes paramount.

Our examination encompasses a retrospective evaluation of Accor´s historical performance, coupled with an exploration of the broader macroeconomic and industry-specific outlooks.

Keywords (up to four): **Accor SA, Company Analysis, Tourism, Travel**

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This report is part of the Accor Hotels Equity Research SA report (annexed), developed by Francisco Fazenda and Rita Moreira Branco and should be read has an integral part of it

MASTER IN FINANCE

ACCOR, S.A.

COMPANY REPORT

TRAVEL & TOURISM

20TH DECEMBER 2023

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Accor Hotels Equity Research

Has the implementation of the asset-light strategy employed by the Group proven to enhance the value creation for the shareholders?

- According to the forecasted FY24 price target, the expected total return for shareholders is expected to be -3.86 euros per share as for 4 December 2023. In this sense, shareholders should **SELL** their Accor shares.

- In 2018, Accor officially transitioned into an asset light model. However, comparing to its main competitors, it is still far away of reaching the same operating and asset management efficiency.

- Even though Accor presents a very healthy balance sheet, with lower debt-to-equity ratios, when using the market values of equity, the company couldn't differentiate anymore from its main competitors.

- Macroeconomic factors such as inflation and GDP growth had a higher impact in the industry, mainly in the Average Room Rate and in the Occupancy Rate.

- The consumer patterns within the hotel industry exhibit a high degree of volatility, characterized by fluctuations in preferences and behaviours. These variations are evident in factors such as the duration of stays, with consumers exhibiting tendencies towards both longer and shorter visits.

Company description

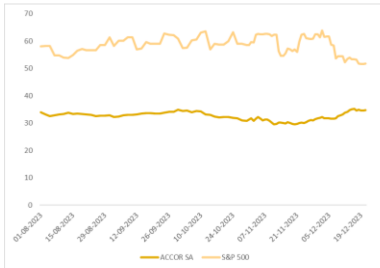
Accor is currently headquartered in France, being the largest hospitality company in Europe. Founded in 1967 by Paul Dubrele, Accor recently became an asset-light company aiming to have a more efficient growth. It has 43 hotel brands, from the economy to the luxury segment. The Group operates in four different geographical regions: Europe and North Africa, Asia and Pacific, Middle East and Africa and America.

Recommendation:	**SELL**
Price Target FY24:	**27.64 €**
Price (as of 26-Feb-24)	**36.51 €**

Reuters: Accor, Bloomberg: AC:FP

52-week range (€)	0.00-0.00
Market Cap (€m)	6047
Outstanding Shares (m)	264.89

Source: Bloomberg



Source: Yahoo Finance

(Values in € millions)	2022	2023E	2024F
Revenues	4224	4638	5458
Revenues from M&F	1052	1150	1239
Hotel Assets Revenues	1084	952	1083
EBITDA	695	740	869
Operating Margin	11.1%	12.2%	12.4%
ROIC	13.6%	6.2%	7.5%
Equity	5057	5159	5696
Invested Capital	6777	6342	7068
Net Debt	1720	1183	1372
Enterprise Value	5985	6247	7243
RevPAR Europe	63	71	75

Source: Accor Annual Report, Analysts

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Company Overview

Accor Group was founded in 1967 by Dubrule and Pélisson, with the opening of the first Novotel. The Group is currently headquartered in Tour Sequana, Issy-les-Moulineaux, France, being the largest hospitality company in Europe, owning, managing, and franchising hotels, resorts, and vacation properties.

The French Group unveiled its strategic priorities and its medium-term growth ambitious, during the Capital Markets Day in June 2023[1] – the goal is to accelerate sustainable growth, by focusing on: (1) Brands (consolidating leadership in Ibis, Novotel and Pullman; increasing network density using conversion brands (like Movenpick) and strengthening compliance with brands standards); (2) Key markets (consolidating the biggest and most profitable – Midscale and Economy -, while seizing opportunities in Premium price segment) and (3) Working on the efficiency of its growth mode, taking advantage of scale effects with a clear development strategy, enhancing tools and processes as well as discipline on cost control. At least, this is CEO´s Sébastian Bazin mindset for Accor SA´s prospects. This report will access the higher likelihood of failure, or conversely, if he possesses the capability to steer the company towards success.

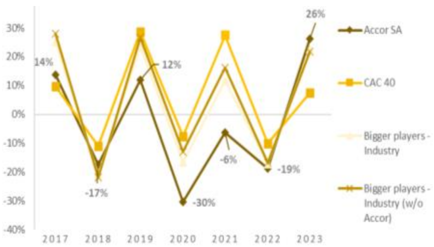

Figure 1. Evolution of TSR for Accor SA, CAC 40 index and major industry players

Source: Yahoo Finance

With shares being traded on the Euronext Paris stock exchange, SBF 120 and CAC 40 indexes, Accor SA is also included in some socially responsible investment indexes (FTSE4GOOD, as example). When analysing growth TSR (see Figure 1), a cyclical trend with altercate ups and downs is evident. This pattern shows positive returns in odd years and negative returns in even years.

Figure 2. Evolution of TSR for Accor SA and four competitors

Source: Yahoo Finance

In 2018, during the longest bull run in the stock market history, there was a significant drop, the largest since December 1931. This was primarily due to the US-China trade war, a slowdown in global economic growth, and concerns that the Federal Reserve was raising interest rates too rapidly[2]. Two years later, the Covid-19 pandemic brought the world to a standstill, leading to negative returns once again. In 2022, the sudden increase in interest rates by central banks to combat inflation caused European listings to suffer, reaching their lowest point in a decade[3].

Upon examining each competitor individually, it´s evident that Hilton and Marriott have consistently shown higher TSRs (see Figure 2). This is largely attributed to their robust financial performance and strong standing in the industry. In 2017,

[1] Accor SA website
[2] PBS.org
[3] Financial Times

€ per share	2020	2022	2023
Accor SA		1,05	0,71 + 0,34
Hilton	0,13	0,14 + 0,14 + 0,14	0,14 + 0,14 + 0,14 + 0,14
Marriott	0,26 + 0,42	0,38 + 0,29	0,37 + 0,25 + 0,25 + 0,25
IHG	0,4 + 0,78	0,44 + 0,86	0,95 + 0,48

Figure 3. Historical dividends distributed by main players

Source: Group´s Annual Reports and Bloomberg

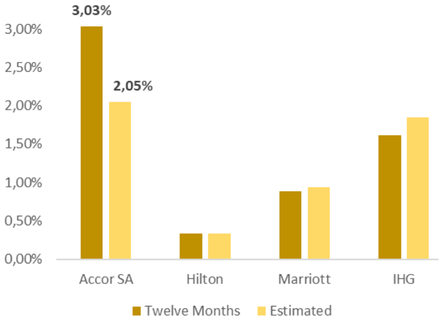

Figure 4. Twele months and expected dividend yield

Source: Bloomberg

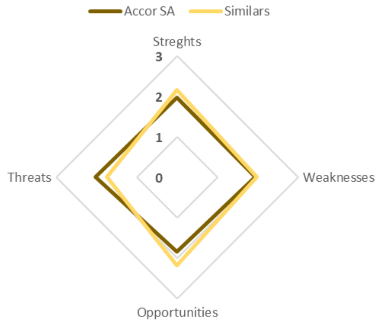

Figure 5. SWOT Analysis

3 is good and 1 is bad for opportunities and strengths, while the opposite is applicable to weaknesses and threats.

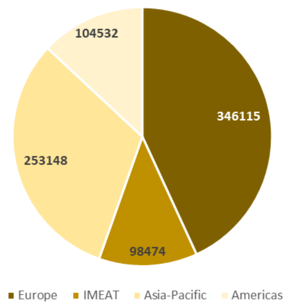

Figure 6. Room distribution per geographical market in 2022

Source: Accor SA Financial Report

Mariott International gave back $3.5 billion to its shareholders through stock buyback and dividends, causing its stock price to surge by nearly 45%[4]. This also sheds light on Hilton´s TSR in 2021[5].

Conversely, in the same year, AccorInvest shareholders greenlighted an initial capital increase of 150m€, followed by a second increase of 327m€ in March. These injections of money were part of AccorInvest´s financial debt restructuring strategy, which had a negative impact on the firm´s TSR. The capital increases led to the issuance of new shares, resulting in share dilution[6].

However, good news arrive for Accor´s shareholders – TSR is now at 26%, which is higher than the average of key players in the industry and the French index, only outperformed by Marriott (28%). This return is primarily due to the 20m€ that the group gained from a buy-back and its acquisition of a majority stake in AAC (Accor Acquisition Company), allowing the firm to complete several business combinations in sectors related to hospitality[7].

Regarding dividends, none of these companies distributed them in 2021, due to the pandemic. Upon examining the data (see Figure 3), it´s clear that IHG has a history of significant dividend distribution, with Marriott coming behind. Interestingly, despite having negative equity for several years – a situation also observed with Hilton – the UK Group continues to provide shareholder value, mainly driven by share buyback programs, which while beneficial in the short term, have the side effect of significantly increasing their debt.

In 2022, Accor SA issued a one-time dividend of 1.05€, outperforming its competitor based in Washington DC. This move compensated its shareholders after two consecutive years without dividends. However, this trend appears to be short-lived (see Figure 4) – Accor SA´s twelve-month dividend yield stands at 3.03%, with a projected yield of 2.05%, suggesting a return to its previous practice of not distributing earnings, contrary to the increasing trend observed among its peers. This shift in strategy by the French Group is linked to its decision to reinvest its profits internally (with exception of 2020, due to the negative result), particularly in the form of cash reserves. This approach, driven by the uncertainties of the coming years, also follows for the potential repayment of a portion of its debt obligations. A SWOT analysis was carried out to complement the assessment within peers (see Figure 5).

Strategic Model and Operating Segments

[4] Marriott International Inc., 2017 Annual Report
[5] Hilton Worldwide 2021 Annual Report
[6] Accor SA Press Release February 2022
[7] Accor SA website

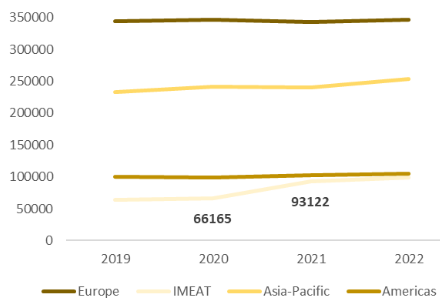

Figure 7. Room growth per geographical market

Source: Accor SA Financial Report

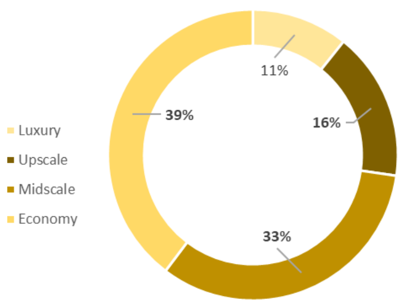

Figure 8. Rooms distribution per price segment in 2022

Source: Accor SA Financial Report

Growth Rate (2019-2022)	
Luxury and Upscale	11,04%
Midscale	9,85%
Economy	6,13%

Figure 9. Rooms growth rate per price segment, from 2019 to 2022

Source: Accor SA Financial Report

Figure 10. Accor SA main brands for each price segment

Source: Accor SA Financial Report

The portfolio of Accor SA consist of 43 different hotel brands, 5,445 hotels and 802,269 rooms, in more than 110 countries worldwide. The Group reports four different geographical regions where it operates, namely, Europe; India, Middle East, Africa & Turkey (IMEAT); Asia-Pacific (ASPAC) and Americas.

When it comes to the allocation of rooms by geographical region, Europe holds 43% of the total rooms available, followed by ASPAC, Americas and the Middle East (see Figure 6). The progression of room numbers per geographical market (see Figure 7) shows that the Covid-19 outbreak had minimal significant impact. In 2021, IMEAT saw a 40% growth, fuelled by a surge in RevPAR, prompting Accor SA to expand its room availability in this region. Over the coming years, Saudi Arabia plans to make substantial investments in tourism. Accor SA is well-positioned to reap the benefits of this acceleration growth, already boasting 23476 rooms in the country[8].

Over the past decade, Accor SA has focused its news developments on Asia (50%) and the Middle East (25%). Future plans indicate a continued emphasis in these areas – with growth expected in China and the wider Asian market. Accor SA has already doubled its portfolio in Japan, collaborating with Ebisu Resort LLC to transform the Daiwa Resorts portfolio into Grand Mercure and Mercure hotels. The Middle East remains a focus, and India´s potential (as the world´s most populous country) is not overlooked. In the Americas, the U.S. offers the most lucrative market, boasting the highest density and average room rate (ARR), but it´s nearing saturation. Accor SA´s presence is primarily in major cities such as New York, Toronto, and San Francisco, predominantly within the luxury and lifestyle division, striving to differentiate itself in this competitive market.

European markets contribute to 48% of the hotel fees, making it the most significant revenue source for Accor SA. The company greatly benefits from its robust network in France, which accounts for 43% of the Group´s total pipeline.

Delving into the price categories, Accor SA´s hotels can be classified into four distinct segments – Luxury & Lifestyle, Upscale, Midscale, and Economy.

The luxury segment of Accor SA comprises 85486 rooms, which make up only 11% of Accor SA´s total pipeline, compared to the Economy´s segment larger share of 39% (see Figure 8). However, the Luxury and Upscale segments are expanding at a much quicker pace than the other two. As a result, Accor SA is increasingly focusing on providing transformative experiences and high-quality customer services (see Figure 9). This strategy allows the French Group to aim for higher profit margins, as both these segments command premium tariffs for their services.

[8] Skift.com (Q&A: Exploring Accor´s Vision for Its Premium, Midscale and Economy Division)

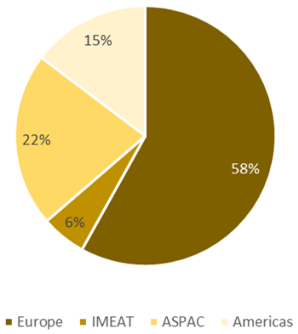

Figure 11. Economy room offering per region in 2022

Source: Accor SA Financial Report

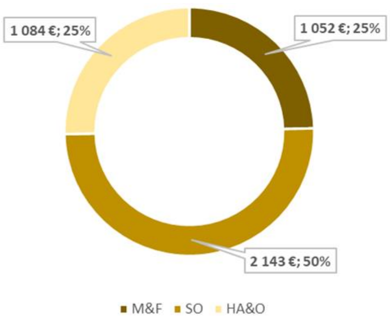

Figure 12. Revenues of Business models in 2022

Source: Accor SA Financial Report

Revenues and EBITDA (2022)		
(in million €)	*Revenues*	*EBITDA*
Europe	500	365
IMEAT	195	144
ASPAC	157	96
Americas	199	131

Figure 13. Revenues and EBITDA of M&F per regions in 2022

Source: Accor SA Financial Report

Accor SA´s luxury segment is most prominent in IMEAT (29%) and the Americas (32%), in terms of rooms numbers, primarily in managed hotels. This fact partly accounts for the higher RevPARs in these regions. Sofitel, their flagship brand, is established in nearly 50 countries with 121 hotels (see Figure 10). Pullman plays a crucial role in driving results in the upscale segment. With its presence in 43 countries and 153 hotels, it constitutes 5.6% of Accor SA´s total room offerings. This segment is predominantly active in Asia-Pacific (35%) and IMEAT (25%). The midscale sector, with 1960 hotels, has 48% of its presence in Europe. This segment is characterized by both managed and franchised hotels (920 franchised vs 736 managed). Mercure and Novotel lead the market, jointly accounting for 88% of the midscale rooms pipeline. Lastly, the Economy segment emerges as the dominant category (2797 hotels), primarily located in Europe and Asia-Pacific (see Figure 11). Accor SA leverages the capabilities of IBIS, IBIS Styles and IBIS Budget to deliver value.

As part of its strategic framework, Accor SA´s primary business is segment into four business models responsible for revenues generation: (i) Corporate & Intercos (C&I), (ii) Hotel Services, which is further split into Service to Owners (SO) and Management & Franchise (M&F), and (iii) Hotel Assets & Other (HA&O) (see Figure 12).

Firstly, the M&F segment is the hallmark of Accor SA due to its preponderance and nature, where the focus is on increasing fee revenues. Accor SA does not hire staff or manage these properties directly, which reduces exposure to economic variations and lessens reliance on leisure and business travellers.

Geographical wise, European markets lead in sales generation and outperform other regions (see Figure 13). IMEAT achieved the second highest core EBT, with a revenue growth of 153% compared to 2021. Accor has phased out managed hotels in this region while retaining franchised ones. This significant growth is attributed to the increased emphasis on the Luxury and Upscale sectors in this region. Following IMEAT is the Americas, with 92000 rooms, primarily in managed properties. The favourable core EBT in this region is explained by the interesting polarity in the type of brands with the spotlight towards Fairmont (luxury) and IBIS (economy). This region is characterized by more developed and profitable markets, such as the U.S. and Canada, and weaker economies, like some in South America. Lastly, investors might express concern over Asia Pacific, as it recorded the lowest EBITDA among the four regions. The Group maintained the same level of operational costs while failing to capture the demand that existed before 2019. This is particularly alarming since this geographical segment represents 32% of the total M&F rooms.

Secondly, by its very nature, the SO segment doesn´t inherently have a specific number of rooms or hotels. This segment includes the loyalty program and the redemption of promotional awards. Accor SA takes on the role of an agent in coordinating this redemption, as it doesn´t directly fulfil the obligation of award nights. This is the reason behind SO being the segment that generates the most revenues for the Group and why it was significantly affected by Covid-19. Despite this, it´s the least profitable segment, where operating expense related to sales and marketing are entirely accounted for (see Figure 14).

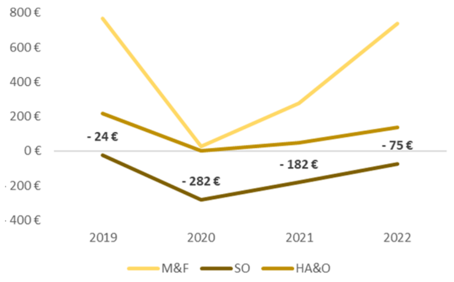

Figure 14. EBITDA over time of several business segments

Source: Accor SA Financial Report

Accor SA has received positive feedback regarding the strategy deployed in HA&O. Revenues have now surpassed pre-pandemic levels, despite a decrease in the number of hotels (see Figure 15), reckoning a growth of -54% compared to 2019. This can be fully attributable to the company´s ability to impose higher Average Room Rates (ARR) across all geographical regions within this segment, all of which have exceeded levels prior to the recent health crisis (see Figure 16).

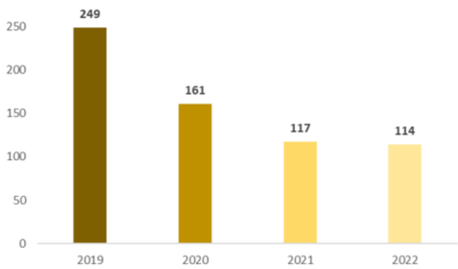

Figure 15. Number of Accor SA´s HA&O hotels over time

Source: Accor SA Financial Report

	2019	2022	Growth
Europe	101	176	**74%**
IMEAT	115	226	**97%**
ASPAC	107	251	**135%**
Americas	110	232	**111%**

Figure 16. HA&O ARR per region (in €)

Source: Accor SA Financial Report

Accor Invest

One of the most marked traits of Accor SA´s strategy is its growing shift towards an asset-light mode, working on decreasing the number of owned and leased hotels, while simultaneously investing in the franchising business model.

Over the past four years, Accor SA divested 70% of AccorInvest (see Figure 17) and 85.5% of Orbis, as well as selling and managing back 16 Movenpick hotels. These actions have considerably downsized Accor SA´s asset portfolio and overheads, including rents and investments. Currently, Accor directly owns or leases just 3% of its assets, enabling the company to significantly reduce costs.

Participation in AccorInvest	
2017	**100%**
2018	**35,20%**
2019	**30%**

Figure 17. Participation of Accor SA in AccorInvest

Source: Accor SA Financial Report

AccorInvest is a prominent hotel proprietor with a property portfolio that includes 115721 rooms spread across 26 countries. Their pipeline consists of 741 hotels that are either owned or leased, with 95% falling into the economy and midscale categories and 94% located in Europe. AccorInvest and Accor SA collaborate to deliver a comprehensive hospitality experience. This mutually beneficial relationship allows Accor SA to leverage AccorInvest´s real estate expertise, while AccorInvest benefits from Accor SA´s brand and operational management. Accor SA manages AccorInvest´s properties and pays rent for the leased assets.

In 2018, the company sold 64.8% stake of AccorInvest to international investors (Saudi Arabia´s Public Investment Fund and Singapore´s GIC Pte), allowing the Group to cash in 4.8b€ of cash proceeds, based on an EV of 6.3b€. The following year, Accor SA sold an additional 5.2% stake in AccorInvest for 204m€, reflecting a 12.9% increase in AccorInvest´s value. Morevover, Accor SA sold

85.8% of Orbis´s capital to AccorInvest, a transaction value at 1.06b€ and executed as a public offer for all outstanding shares in Orbis in March 2020.

Looking ahead, there are no signs that Accor SA plans to divest its remaining stake in AccorInvest, hence the need to value this firm separately. Given its private status and the absence of outstanding share numbers, a relative valuation was performed. It was projected that the subsidiary will have an equity value of -795€m€ in 2033, with Accor SA holding 611m€ of its equity-accounted investment. This is primarily due to AccorInvest´s strategy of selling a series of assets in Europe and Latin America to decrease its debt. The company aims to generate about 2b€ from sales, including hotels under the Sofitel brand in Paris, and also intends to renegotiate the terms and extend the maturity of 4b€ of debt due in 2025.

In conclusion, it´s crucial to note that the asset-light model isn´t entirely a true statement. This is because Accor SA transferred 70% of its assets to a subsidiary, having a current stake of 30%, where consolidation is no longer need, making it a "semi" asset-light model. This strategy was implemented to enhance the company´s appeal to shareholders by improving certain rations and financial figures.

Accor Live Limitless (ALL)

Accor Live Limitless (ALL) is the corporate loyalty program that falls under the Service to Owners (SO). However, before delving into the specifics and added value of ALL, it´s crucial to gain a deeper understanding SO, as there is a key piece of information that has yet to be discussed.

The SO segment essentially functions as a system fund under the management of Accor SA, which prevents the French company from generating any net profit (resulting in EBITDAs that are closer to zero). At least, in theory, since over the past four years, the French Group has struggled to balance operating costs with the revenues generated. This is partly due to the 2022 World Cup in Qatar and Accor SA´s efforts to enhance its competitiveness by chasing competitors who have already consolidated their position in this segment. This system is not designed to generate profit or loss for Accor SA in the long run. Instead, it serves the interests of the hotels in the Accor system and their third-party owners, who contribute to it through assessments and payments made by the hotels.

Figure 18. ALL loyalty program in PSG game jersey, wore by Neymar Jr

Another reason for the negative outcomes in this segment is related to the ALL-loyalty program. When a member accumulates points the corresponding revenue is frequently postponed, implying that revenues aren´t recognized instantly but rather reserved for future recognition when point are used. This can cause an

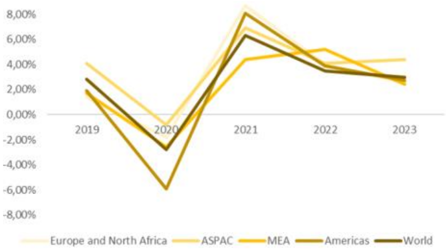

Figure 19. GDP Growth

Source: IMF

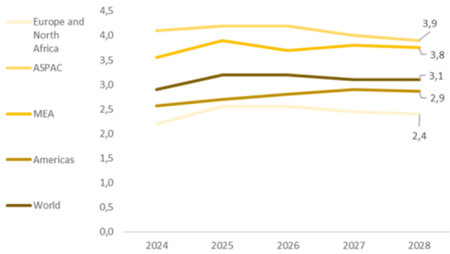

Figure 20. GDP growth forecasted (in %)

Source: IMF

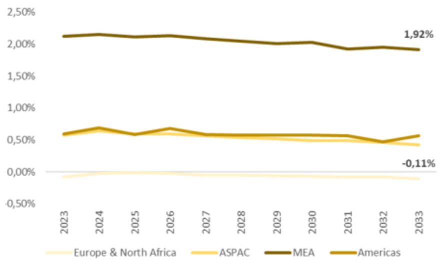

Figure 21. Population growth forecast

Source: IMF

annual rise in deferred revenue, which may lead to accounting deficit. However, these accounting deficits don´t necessarily represent the group´s actual cash situation or its ability to invest.

The objective of ALL is to deliver an all-encompassing hospitality experience, providing range of advantages, allowing members to accumulate and use points both during travel and at home. This includes cross-rewards collaborations with Qatar Airways, for example, which explains the increased costs in 2022 due to the World Cup. Accor is solidifying and enhancing the ALL program by deepening its alliances, notably with football club PSG. This partnership for the next four years is centred on promoting ALL, albeit in a distinct manner (see Figure 18). The primary aim of this partnership is to leverage PSG´s resources to engage with ALL members globally, providing them with unique and thrilling experiences.

ESG Impact

ESG is becoming an increasingly important topic in today´s world. Many companies have plans to make a difference and stand out from the crowd, but only a few are actually implementing their ideas. The French Group has formulated a new strategic framework for sustainability, which is built on three pillars: (i) functioning as a responsible Group, which includes having appropriate governance, adhering to compliance and ethics, making responsible investments, and overseeing ESG risks in the supply chain; (ii) showing respect for people and the environment; and (iii) providing positive hospitality.

Particularly in Europe, there is heightened public awareness, as stated by Jean-Jacques Morin, Deputy CEO of Accor SA. However, the main point is to recognize that while the implementation of ESG practices creates positive synergies for society and the world, translating these into a competitive advantage is challenging. Achieving financial value and differentiation through ESG initiatives is a tough task. Even if they succeed, the incorporation of ESG into business models is now enforced by regulatory bodies, obliging all players to comply and negating the creation of competitive advantage due to the ease with which rivals can replicate these measures. The ESG landscape is reminiscent of the technological differential seen a few years ago.

Macroeconomic Overview

Gross Domestic Product and Population Growth

The Real Gross Domestic Product (GDP) is a vital metric for evaluating a company´s worth, since its growth reflects a nation´s economic health. For Accor SA, the GDP was utilized to estimate occupancy rates, which in turn influenced

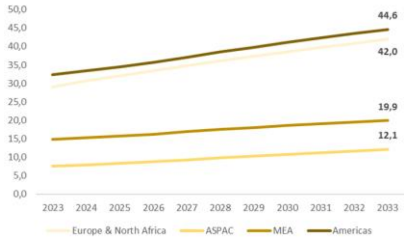

Figure 22. GDP per capita forecasting in thousands €

Source: Own calculations

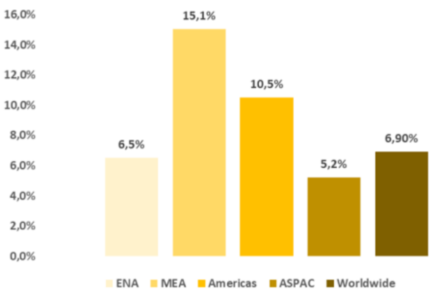

Figure 23. Inflation rate in 2023

Source: IMF

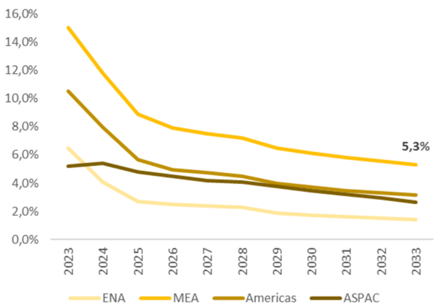

Figure 24. Inflation rate forecast

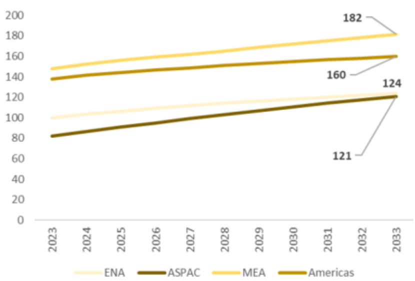

Figure 25. Average Room Rate forecasting in €

Source: Own calculations

revenue predictions. In conjunction with population forecasts, a per capita GDP was determined for various regions.

Traditionally, the global GDP growth has hovered around 3%, but this measure was significantly affected by the Covid-19 pandemic (see Figure 19). Long-term forecasts predict a surge in growth for Asia-Pacific (ASPAC) nations, followed by the Middle East and Africa (MEA) (see Figure 20). This is a positive sign considering Accor SA´s plans to expand their operations in these markets. In terms of population growth (see Figure 21), MEA is leading with the highest YoY growth rates, followed by America and ASPAC. Conversely, Europe´s population is on a downward trend due to a low birth rate.

When these two macroeconomic factors are combined (see Figure 22), the projected population surge in the MEA is offsetting GDP growth, thereby reducing the GDP per capita growth rate, while Americas are still expected to have the highest GDP per inhabitant. If Europe´s GDP per capita is increasing and remains high, ASPAC is struggling on driving a higher value, with a projected GDP per capita in 2033 that´s nearly four times lower in comparison with Europe´s GDP per capita (12.1€ thousands vs 42€ thousands).

Inflation

The economic measure, which signifies a widespread rise in the cost of goods and services over time, has already been factored into this macroeconomic perspective when analyzed real GDP in detriment of nominal GDP.

Examining past data and predictions from the International Monetary Fund (IMF), warnings bells are ringing – in 2023, the figures are alarmingly high, largely due to the conflict between Ukraine and Russia (see Figure 23). However, by 2033, inflation rates are projected to decrease, with MEA expected to experience more severe affects than other regions (see Figure 24), with an inflation rate of 5.3% in the final period analyzed.

Forecasting the trend of inflation over time is crucial as it influences revenue projections, given its significant impact on ARR, that is expected to grow at a rate lower than inflation for MEA and Americas (see Figure 25).

At first glance, this might seem like a daring assumption, but two factors should be considered: (I) while it´s true that ARR benefits from inflation, occupancy rates could theoretically suffer as a result, a subject that will be explored further, and (ii) inflation is a comprehensive macroeconomic indicator that isn´t solely influenced by or impacting the hospitality industry as it represents a steady increase in price levels in a general and sustained way.

Exchange rates		
	$/€	£/€
2022	**0,95**	**1,17**
2023	**0,91**	**1,16**

Figure 26. Average exchange rates

Source: Exchange Rates UK

(in million €)	Amount	Rate	% of total debt
EUR	2368	2%	89%
AUD	574	5%	22%
AED	33	3%	1%
JPY	30	-1%	1%
GBP	-32	0%	-1%
USD	-69	-1%	-3%
CHF	-205	1%	-8%
Other currencies	-42	8%	-2%
Bonds and bank borrowings	**2658**	**3%**	**100%**

Figure 27. Foreign exchange risk – bonds and bank borrowings by currency

Source: Accor SA 2022 Financial Report

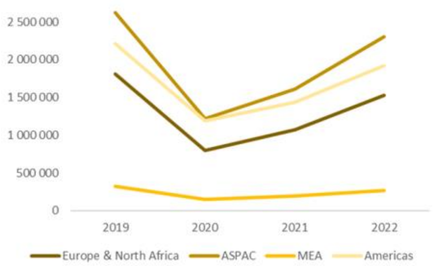

Figure 28. Tourism contribution to GDP in million €

Source: Statista

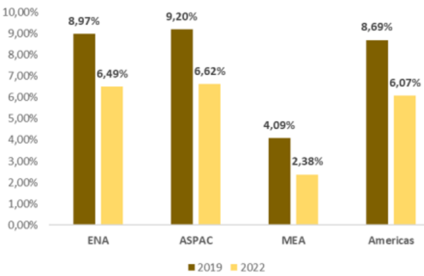

Figure 29. Tourism contribution to GDP

Source: Statista

Exchange Rates

Exchange differences arise due to the company´s global operations, which involve transactions in currencies other than its base currency. Therefore, transactions carried out by the Group companies in a currency different from the company´s functional currency are converted using the exchange rate on the date of the transaction.

Due to the foreign exchange risk, which refers to the potential losses from international financial transactions caused by currency value fluctuations, exchange rates warrant careful examination. If the currency of a country where Accor SA has operations depreciates against the Euro, the revenue from that country will decrease when converted back to Euros. This was clearly demonstrated in Accor SA´s 2022 results, where the consolidated RevPAR showed a global increase of 15% in Q4 2022 compared to the same period in 2019.

In 2023, the same trend was observed, with the dollar depreciating against the Euro, which is unfavourable for Accor SA. Meanwhile, the GBP remained relatively stable, albeit lower than the 2022 levels (see Figure 26). It´s worth noting that companies like Accor SA frequently employ financial instruments to protect against the risk of unfavourable currency fluctuations (see Figure 27).

Hotel Industry

Industry Indicators

- Tourism Contribution to the GPD

In terms of the contribution of tourism GDP, data from Statista (see Figure 28) indicates a significant impact due to Covid-19. This is not surprising, given the previously analysed poor performance of Accor SA during this period. It´s reasonable to assume that other global hotel corporations experienced similar challenges during this period, as they had to innovate in response to a significant drop in demand. This was largely due to customers´ fear of infection and restriction on movement. The region of ENA experienced the most drastic decline, with a decrease of 56.1%.

In 2022, the GDP contribution from tourism remained below the levels seen before the pandemic (see Figure 29). It is projected that ENA and ASPAC will exceed these pre-pandemic levels by 2025. As our world becomes more interconnected, tourism is increasingly driving economic value and is a key sector for GDP generation, which explains this growth assumption. By 2033, (see Figure

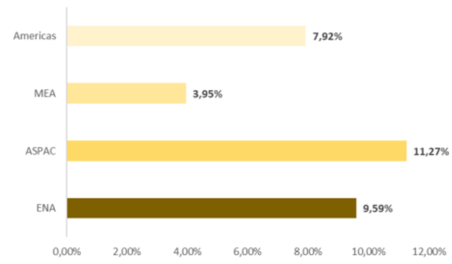

Figure 30. Tourism contribution to GDP in 2023

Source: Statista

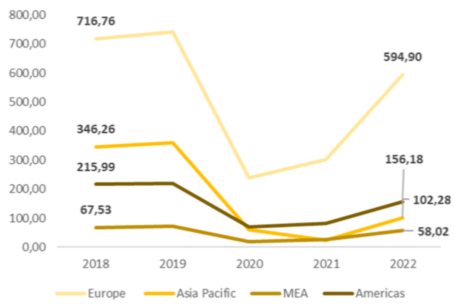

Figure 31. Number of international tourists arrivals in millions

Source: Statista

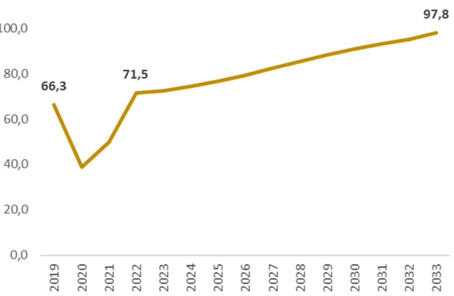

Figure 32. Per capita consumer spending on accommodation services forecasting (in €)

Source: Statista

30), it is expected that ASPAC will have the greatest influence on GDP, in contrast to MEA, where tourism is projected to contribute only 3.95% to GDP.

- Consumer Spending on Hotels and Tourism Arrivals

Following the in-depth analysis of inflation, it´s essential to examine consumer expenditure on hotels and the number of tourist arrivals. This will provide a comprehensive understanding of the potential impacts that chain hotels and Accor SA may face.

Alike the impact on GDP from tourism, data from Statista shows a decrease in international tourist arrivals compared to the pre-Covid 19 period for all regions (see Figure 31). However, there´s a silver lining for Accor SA – while the total number of tourists may not have reached the desired levels, consumer spending on hotel services has surpassed the levels seen in 2019 (see Figure 32). This trend is expected to continue, with a projected annual growth rate of 1% to 4%. By 2040, per capita consumer spending on hotel services is anticipated to be 59% higher than current levels.

Hotel Industry Trends and Risks

The worldwide economy is grappling with numerous uncertainties and risks, some of which are shared globally. Simultaneously, new possibilities are arising as business trends shift and consumer preferences evolve. Nonetheless, investors are primarily focused on the unique aspects of the sector and factors that can impact the Group.

- Peer-to-Peer Accomodation

Accor SA is currently witnessing a strengthening of competitive forces with the emergence of peer-to-peer (P2P) accommodation. This decentralized lodging system enables direct connections between property owners and guests via online platforms, circumventing traditional hospitality services. Property owners can lease or rent their properties directly to guests, who can search for, and book accommodations based on their preferences.

Airbnb, the most successful entity operating under the P2P business model, is a significant competitor in the lodging industry. Therefore, it´s crucial to examine how much of a threat it could pose to the French Group. It´s a fact that Accor SA and Airbnb function on different business models. In fact, the experience of Airbnb is inherently different – when a room, holiday apartment, RV, boat or even a castle is booked on Airbnb, a service fee ranging from 6% to 12% is added to the rental cost. This fee contributes to the revenue of the San Francisco-based organization, with the host receiving 3% of the transaction amount.

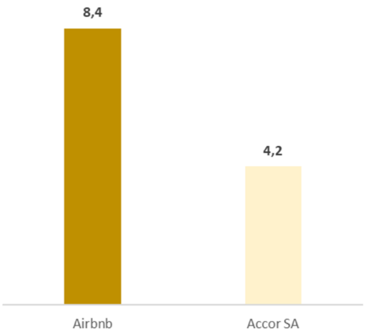

Figure 33. Revenues in billion in 2022

Source: Annual Reports

Airbnb´s revenues have grown by 74.6% from 2019 to 2022 (see Figure 33), which is more than double the sales of the French hotel chain. This underscores Airbnb´s quicker recovery from the Covid-19 pandemic, attributed to the simplicity and cost-effectiveness of its business model, as well as its increasing affordability and convenience. In 2022, the California-based company recorded 393.7 million nights and experiences, a stock price of $117.32, and a market capitalization of $75.89 billion.

In summary, the growth of Airbnb accommodations has adversely affected hotel revenues. However, this impact is not significantly felt by the French Group, as Airbnb has primarily disrupted the US hotel markets, especially in the mainstream segment. P2P accommodations has become popular due to its adaptability and the potential for hosts to generate income. However, it also brings up issues regarding regulation and safety. The swift expansion of this sector is credited to its freedom from extensive construction procedures. In revenue projections for Accor SA, the influence of Airbnb is considered.

- Online Booking Platforms

For many years, hotel chains primarily concentrated on their brands and the tangible aspects of a guests´ stay. To some extent, this passive strategy left them ill-prepared for the advent of online bookings, as well as the emergence of customer-to-customer platforms like Airbnb.

In 2014, Accor SA initiated three distinct programs to address the evolving dynamics of the hospitality industry. A year later, Accor SA demonstrated its commitment to collaboration with independence hotels. The French Group allowed these hotels to be listed on its website, offering them lower commission rates than those demanded by Online Travel Agencies (OTAs). This strategy served as a distribution channel aimed at reducing the bargaining power of OTAs and promoting more direct bookings. Currently, Accor SA is striving to counter this tendency and enhance its position by investing in technology. This includes the launch of their own Special Purpose Acquisition Company (SPAC). The SPAC was established with the objective of acquiring businesses operating in sectors adjacent to Accor SA´s core hospitality business, encompassing food and beverage, flexible working, wellness, and technology.

Despite the attempts, Accor SA needs to intensify its efforts to counter the influence and dominance of OTAs. It´s true that OTAs have evolved significantly, creating opportunities for the hospitality industry by driving additional demand for hotels. In 2019, OTAs contributed to more than 35b€ to the EU´s GDP and supported 650000 jobs. They also increased bookings, resulting in additional 133 million overnight stays in the EU. However, the negative externalities they have generated, affecting Accor SA and other industry players, are more profound. On the downside, OTAs have intensified competition, leading to lower prices for consumers. In 2019, hotel prices in the EU were on average 8.2% lower than they would have been without OTAs, resulting in customer savings of 20b€.

While OTAs enhance the visibility and accessibility of hotel properties, they levy substantial commissions ranging from 15% to 28%. This places a strain on the profit margins of hospitality firms. These effects underscore the necessity for Accor SA to innovate and navigate the changing market landscape.

- Consumer Patterns

“Bleisure” travel, the blending of work and tourism, has seen a surge in popularity. This trend has grown particularly during the Covid-19 pandemic when remote work become a necessity for some sectors. Technological advancements and the move towards flexible work schedules have made it possible for many individuals to prolong their business trips for leisure or to integrate work into their holiday plans. The capacity to work from any location could pose a potential risk to Accor SA if it does not adapt to this trend, however, if handled properly, it could also present an opportunity.

If Accor SA effectively promotes this service, it could potentially encourage customers to prolong their stays, thereby increasing occupancy rates and, consequently, enhancing its revenues. However, to cater the needs of business travellers, it´s essential for Accor SA to make substantial investments in redesigning their rooms and create working areas, and ensure a smooth transition between work and leisure environments to continue to acter to the diverse needs of these travellers.

“Daycation” is another rising trend in the hotel industry that ought to be further delved. It involves reserving hotel rooms, especially those of luxury brands, for specific periods during the day. This trend has been gaining momentum in the hospitality sector and allows hotels to optimize their room occupancy during off-pick hours, thereby generating extra revenue and maximizing the use of space.

The evolution of this trend provides a wider audience with a glimpse of premium luxury service without the need for an overnight stay (daytime slots are available at a discount that can reach up to 70%). Guests can indulge in the lavishness of these hotels and avail themselves of various hotel services, such as spa treatments, fitness facilities, pool areas, and wellness services, without incurring the cost of an overing stay. The influence of this trend will be factored into the revenue projections of the French Group.

Figure 34. Porter´s Five Forces framework applied to hotel industry

Source: Own assessment

An analysis using Porter´s Five Forces (see Figure 34) was performed to examine the industry structure and corporate strategy of the company. A rating system from 1 to 3 was established, where a score closer to 3 suggests a higher likelihood of that particular force (and vice-versa).

Peer Comparison

In the hospitality sector Accor SA´s main competitors are Marriott International, Hilton Worldwide Holdings, and Intercontinental Hotels Group. While there are other notable competitors such as Meliá, Hyatt, Choice Hotels International, and Wyndham, for a more detailed analysis, the focus relies on comparing Accor SA with the first three mentioned. Prior to delving into this inspection, it would be beneficial to conduct a preliminary assessment of revenues, market value, EBITs, Core EBTs and top-rated hotel brands. This will offer some context about these four players in relation to other firms in the hotel industry.

In terms of revenue (see Figure 35), Marriott leads the global hotel and resort industry with sales of 19.6b€, followed by MGM, a Nevada-based firm. The top six is rounded out by four more American Groups – Caesars, Hilton, Hyatt, and Las Vegas Sands – with Accor SA following closely, generating 4.2b€ in revenue in 2022, outperforming IHG, Meliá and Galaxy Entertainment. As one might except, market value tends to align with revenues, with a few notable exceptions. The same top-8 companies are relevant here, but IHG surpasses Accor SA, which drops to the eight position globally (see Figure 36). Marriott and Las Vegas Sands continue to hold the top spots, but Hilton climbs to third place, boasting a market value more than triple that of IHG. One factor contributing to these rankings is the prestigious hotel brands these groups own. For instance, Hilton Worldwide owns two out of the four most valuable brands in the sector in 2022 – Hilton ($12.04b) and Hampton by Hilton ($3.92). Similarly, IHG owns three of the top ten most valuable brands – Holiday Inn, Intercontinental, and Crowne Plaza. This allows the UK-based corporation to edge out the French Group by 3.9b€.

When considering the actual values of EBITs (see Figure 37), Accor SA falls behind its three primary competitors, with Marriott standing out as the group with the highest earnings before interest and taxes. This is somewhat expected given Marriott´s exceptional revenue generation capabilities. Therefore, evaluating the EBIT margin might provide more insightful conclusions (see Figure 38). In this measure, Hilton takes the lead, while Accor SA continues to lag behind the other players. Interestingly, Accor SA is the only company among the four analysed in the hospitality industry whose core EBT is lower than its EBIT, which could suggest some issues with its core operations.

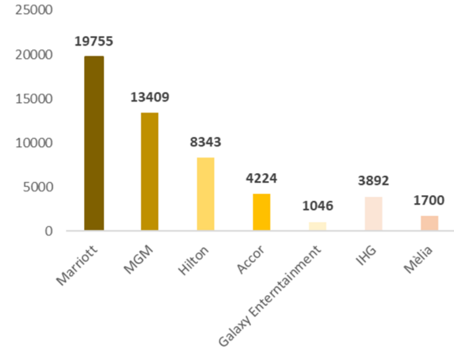

Figure 35. Revenues in m€ in 2022

Source: Annual Reports and Forbes

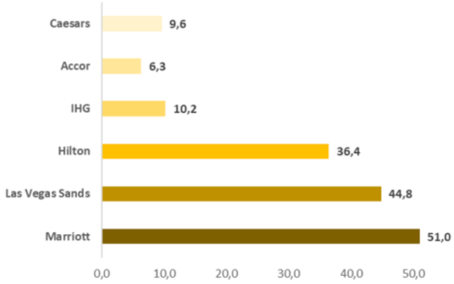

Figure 36. Market value in b€ in 2022

Source: Statista

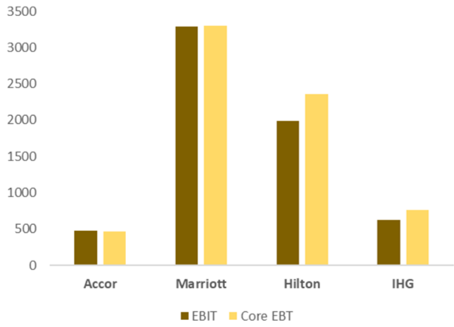

Figure 37. EBIT and Core EBT in 2022 in m€

Source: Annual Reports and own

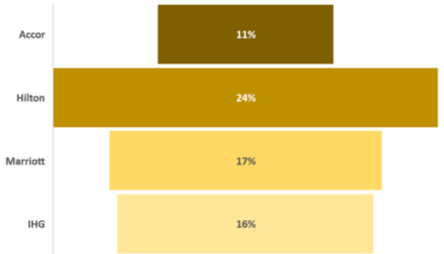

Figure 38. EBIT Margin in 2022

Source: Own calculations based on reported figures

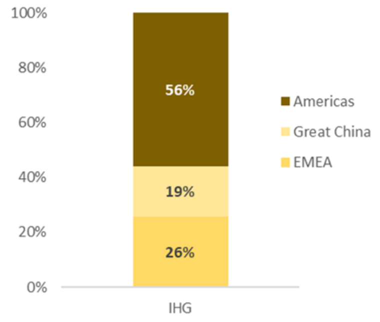

Figure 39. Room distribution per geography in 2022

Source: IHG 2022 Annual Report

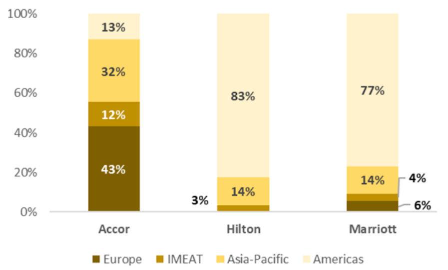

Figure 40. Room distribution per geography in 2022

Source: Annual Report 2022

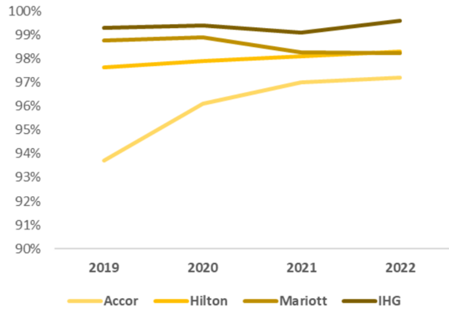

Figure 41. Fee business prevalence in hotel industry in 2022 (in terms of number of rooms)

Source: Annual reports

Business Models and Accounting Treatments

Delving on competitor´s operating models and comparing them with the French Group, it appears that all competitors have a different geographical focus (see Figure 39 and 40), explaining partially company´s success in Europe.

Accor SA holds a leading position in the European market, whereas Marriott and Hilton have a stronger presence in the American market, particularly in the U.S, which makes these last two more comparable to each other. Despite Marriott offering more than twice the number of rooms compared to Hilton, both American firms follow a nearly-equal strategy, as evidenced by their regional contribution – they hold an equal market share in the Asia-Pacific, and their shares in the IMEAT region are almost identical. Marriott compensates for Hilton´s absence in Europe by increasing its share there, and further consolidates its presence in the U.S. It´s important to note that this analysis is relative (based on market share) and that Marriott offers more than double the number of rooms compared to Hilton.

IHG stands out as it groups Europe, the Middle East, Asia and Africa together in its geographical segmentation, while also reporting Greater China separately due to its significant presence. Interestingly, IHG seems to have the most similarities with Accor SA, however, it´s closer to behave like the other American enterprises. The French Group reports a combined total of 87% of its rooms in Europe, IMEAT, and Asia-Pacific, while IHG´s offerings in China and EMEA make up 45% of its total. What´s surprising is that IHG, a UK-based company, has chosen to focus heavily on the American market. This puts it in direct competition with major players like Marriott and Hilton, which offer 3x and 1.2x more rooms, respectively. This is even more surprisingly since IHG have more rooms than Accor SA to offer (1.04x more), thus, relative valuation previously emphasized just worsens this comparison.

This strategy leaves Accor SA with more opportunities to expand in the European market, where its pipeline strength is notably superior to IHG´s. After a comprehensive analysis, it appears that there isn´t a significant threat to the French Group´s stronghold in Europe. However, it should be mindful not to compromise its leading position in Europe by diverting too much focus elsewhere.

Shifting attention to different business segments, more insightful information can be derived, particularly when looking at franchised and managed properties, which reflect a broader industry trend (see Figure 41). At least 97.2% of all available rooms are generating fee revenue rather than being company-owned.

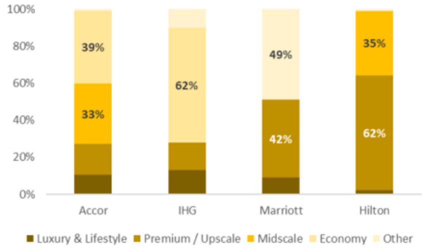

Figure 42. Price segments weights in terms of number of rooms in 2022

Source: Annual Reports

IHG stands out in the fee business, with a mere 0.4% of its room offerings falling under owned and leased hotels.

It´s noteworthy to mention Hilton, Marriott and IHG have been implementing this strategy since at least 2019, while, in contrast, Accor SA was managing 6% of owned and leased hotels in 2019. However, it began to align more closely with its competitors when it started to execute its asset-light model strategy. This approach was rapidly adopted in response to the onset of the pandemic.

To conclude, when it comes to pricing categories, the French hotel chain, with its 39% share in economy brands is most closely matched by IHG, which also prioritizes the economy segment with a larger share of 62% (see Figure 42). When the economy and premium offerings are combined, IHG is the leader with an 91% stake. The midscale segment is exclusively operated by Hilton and Accor SA, with the latter being outperformed by the American hotel chain by a marginal 2 percentage point. Hilton predominantly manages their hotels under the midscale and premium categories (with a combined share of 97%), leading in the upscale category, and is the one presenting a smaller stake in the luxury & lifestyle segment, comparing to other three hotel chains.

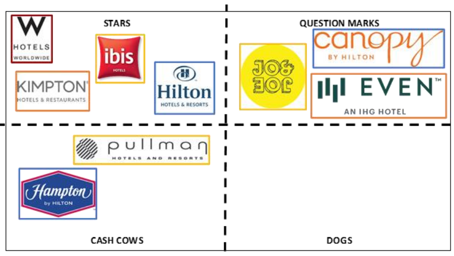

Figure 43. BCG matrix displaying different brands of the four Groups

Red border represents brands from Marriott, the yellow one from Accor SA, the orange from IHG and the blue from Hilton

Furthermore, Accor SA offers a diverse range of rooms across various price segments, in contrast to firms based in Maryland and Virginia, which operate within only three price segments. Marriott´s primary price segment is "Select", which is characterized by its smart and straightforward amenities and services. Within this segment, Classic and Distinctive brands are differentiated, with Courtyard and AC Hotels serving as examples, respectively.

A BCG Matrix was constructed using the brands from the four competitors, serving as a tool for broader strategic planning (see Figure 43).

PEER COMPARISON				
	ACCOR SA	*HILTON*	*MARRIOTT*	*IHG*
Revenues (m€)	4224	8343	19755	3892
EBIT (m€)	480	1991	3292	628
EBIT Margin	11%	24%	17%	16%
Core EBT (m€)	467	2355	3304	764
RevPar	**62**	**96,9**	**105,2**	**59,5**
Occupancy Rate	**59,80%**	**67,50%**	**64%**	**62,50%**
ARR	**103**	**143,6**	**164,4**	**95,2**
Rooms	802269	1074791	1525407	911000
Rooms in pipeline	216000	408000	496000	79095
Hotels	5445	6837	8288	5964
Hotels in pipeline	1247	2670	3000	1859
Geographical focus	**Europe - 43,1%**	**US - 70,2%**	**US & Canada - 63,3%**	**Americas - 56%**
% Fee Business	**97,20%**	**98,30%**	**98,22%**	**99,60%**
Price segment focus	**Economy - 39,3%**	**Upscale - 62%**	**Select - 49%**	**Ecoomy - 62%**

Regarding accounting practices, Marriott and Hilton complies with GAAP whereas Accor SA and IHG prepare theirs in line with IFRS, which might bring substantial differences, mainly in: methodology (GAPP is rules-based, offering detailed instructions for numerous scenarios, while IFRS is principles-based, providing broad guidance and allowing for more professional discretion), timing of

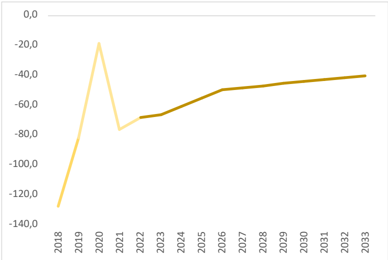

Figure 44: Cash Conversion Cycle Evolution for Accor, in days

Source: Accor Annual Report, Analysts

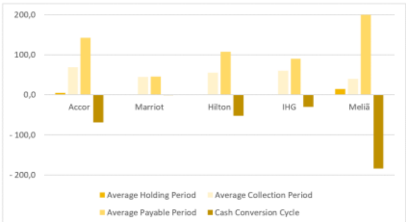

Figure 45: Cash Conversion Cycle Evolution for Accor and peers, in days

Source: Accor and Peers Annual Report, Analysts

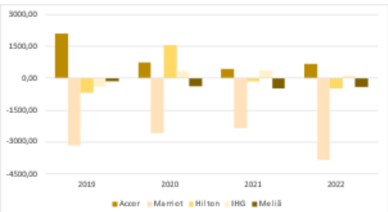

Figure 46: Evolution of net working capital of Accor and its peers, in €

Source: Accor and Peers Annual Report, Analysts

revenue and profit recognition (that may vary, with IFRS permitting the capitalization of certain development costs, while GAAP typically records these costs as they are incurred), and consolidation of entities (with Marriott required to do it based on majority voting rights, while Accor SA consolidates based on control solely).

Ratio Analysis

- ### Cash Flow Management

From 2018 to 2022, the hotel company maintained a relatively stable cash conversion cycle, except for 2020. During this year, the COVID-19 pandemic caused a decline in Accor's overall sales. In response, clients were granted extended payment terms, leading to an increase in the collection period (Figure 44).

In Figure 45, peers such as Marriott, InterContinental, and Hilton exhibited a longer cash conversion cycle compared to Accor and Melia. This disparity is influenced by a lower collection observed in Marriott, InterContinental, and Hilton, stemming from a higher proportion of fund revenue generated from monthly contributions paid by Hotel Owners at the start of each month. This fund revenue, integral to their asset-light model, doesn't follow the traditional accounts receivable process, providing an efficient inflow of cash. On the other hand, the funds derived from these monthly contributions are directly allocated to the property management, effectively bypassing conventional payables, leading to a lower payable period.

Contrastingly, Melia, with a significant number of owned and leased hotels, engages in direct negotiations with suppliers to secure extended payment terms, potentially lengthening the payable period.

In the future, Accor is expected to converge to the cash conversion cycle of peers with the asset light model more consolidated (Figure 44). In this sense, it is anticipated a gradual return of the average collection period to pre-pandemic levels witnessed in 2019, with a reduction of 1% annually starting in 2023. Simultaneously, the company expects a declining trend in the number of days it takes to settle with suppliers, projecting an annual decrease of 5% until 2026, followed by a 2% decrease from 2027 onwards.

- ### Liquidity Ratios and Net Working Capital

In 2022, Accor successfully bolstered its current ratio and net working capital, rebounding from the adverse impact of the Covid-19 pandemic in both 2020 and 2021 (Figure 46). Moreover, in 2020 and 2021, Accor took a strategic measure by suspending dividend payments. This decision aimed to augment the excess cash, enhance liquidity, and consequently, elevate the company's credit rating, rendering it more appealing to potential investors. Despite the positive trend in overall liquidity, Figure 47 indicates a declining cash ratio from 2020 to 2022. While Accor's general liquidity position is improving, the decrease in the firm's ability to meet its short-term obligations using only the cash currently available introduces higher executional risks for other current assets.

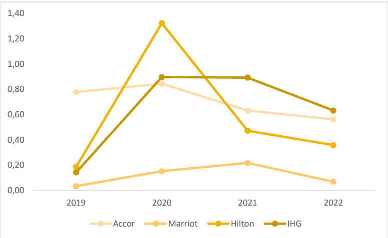

Figure 47: Cash Ratio Evolution for Accor and peers, in percentage

Source: Accor and Peers Annual Report, Analysts

In the peers' comparison, Accor and Intercontinental were the ones with a better liquidity position with the current ratio higher than one and a positive net working capital. If from a risk/creditor perspective, companies should be as liquid as possible, from a value creation and shareholders it might not be that good if that implies lower shareholder returns or less investment in the operating part.

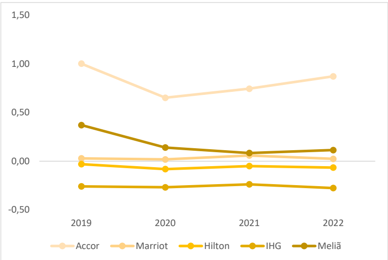

Figure 48: Solvency Ratio Evolution for Accor and peers, in percentage

Source: Accor and Peers Annual Report, Analysts

▪ Solvency and Financial Autonomy Ratios

Between 2018 and 2022, both the Solvency and Financial Autonomy ratios for Accor exhibited a consistent and stable trend. The Solvency ratio, often nearing reaching 1, underscored the company's ability to generate sufficient capital to meet its long-term obligations. The only exceptions to this stability were observed in 2020 and 2021, coinciding with the pandemic period (Figure 48).

In terms of the Financial Autonomy Ratio, Accor consistently maintained a ratio exceeding 25% throughout the same years. This signifies a robust level of independence from creditors, highlighting the company's capacity to fund its operations without heavy reliance on external financing.

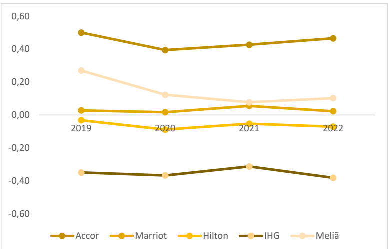

Figure 49: Financial Autonomy Ratio Evolution for Accor and peers (in %)

Source: Accor and Peers Annual Report, Analysts

Comparatively, when examining peers, none of them reported Solvency or Financial Autonomy ratios surpassing 15%. This difference can be attributed to Accor's financial management, characterized by lower debt relative to equity.

The variance in Financial Autonomy Ratios is tied to differences in asset amounts among peers (Figure 49). Although Accor and IHG generated comparable revenue, the assets of the peer were nearly three times lower. Intercontinental, following a more consolidated asset-light model with fewer owned hotels, displayed lower PPE values compared to Accor. Additionally, IHG not only possesses a more limited number of brands compared to Accor but also stands out as most of its brands were internally developed rather than acquired, resulting in their exclusion from the balance sheet.

▪ Capital Structure and Activity Ratios

As seen in Figure 50, Accor consistently maintained a debt-to-equity ratio below 1 over the analyzed years. However, in response to the challenges posed by the

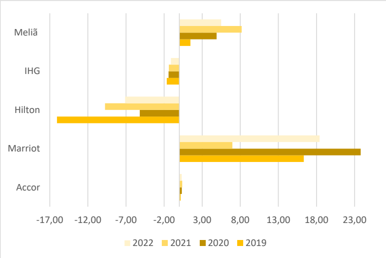

Figure 50: Debt to Equity Ratio of Accor and Peers, in percentage

Source: Accor and Peers Annual Report, Analysts

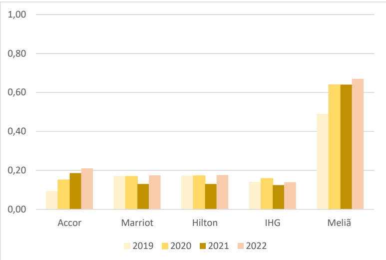

Figure 52: Debt to Enterprise Value for Accor and Peers, in percentage

Source: Accor and Peers Annual Report, Analysts

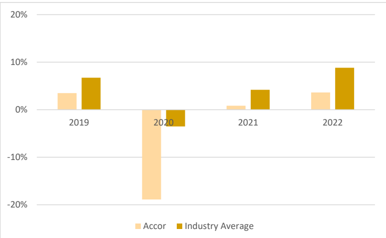

Figure 53: ROA for Accor and Industry, in percentage

Source: Accor and Industry Annual Report, Analysts

2020 and 2021 pandemic, the company faced an increase in net debt. In 2022, the hotel's debt-to-equity ratio showed a declining trend, attributed to robust cash generation from business recovery and divestitures in some hotel companies. Additionally, during the same year, Accor successfully paid down and chose not to renew a bank credit line maturing in 2022, further reducing its leverage. Concerning the debt-to-enterprise ratio, the hotel company was able to increase it from 14% in 2017 to 21% in 2022 (Figure 51).

Looking to figure 58, elevated leverage appears commonplace within the hotel industry. Hilton, Marriott and Intercontinental exhibit notably leveraged positions, with their debt-to-equity ratios skewing highly positive or negative. This skewed ratio stems from the low level of assets, resulting in shorter or negative book value of equity. In contrast, Accor maintains a financing structure where the book value of equity surpasses debt. This distinctive position is achieved through a relatively low amount of debt and other liabilities and a notably high level of non-operating cash, leading to the lowest debt-to-equity ratio among its peers. However, it is important to highlight that Accor owns more hotels than the three peers mentioned and employs a less consolidated asset-light model as well.

On the flip side, when examining the ratio of net debt to the market values of equity across industry peers, Accor demonstrated a ratio that aligns with the market, thus relinquishing the advantage observed when using book value of equity. On one hand, the Enterprise Value may encompass components that mitigate the impact of debt, thereby enhancing the positions of Intercontinental and Hilton since, despite having negative equity, both companies registered a positive ratio. Conversely, it could be linked to the positive sentiment in the market and the confidence in the growth prospects of Accor's peers (Figure 52).

In October 2023, Accor, prompted by an enhanced credit rating in previous year, unveiled a 400 euros million share buyback initiative aimed at returning 3 billion to shareholders. As per Fitch Ratings, this move is anticipated to facilitate Accor's ongoing deleveraging strategy and contribute to the reduction of its debt-to-equity ratio. The decision is underpinned by robust operating performance, marked by an increase in EBITDA, and a substantial surplus of excess cash.

In Figure 53, Accor's Return on Assets (ROA) was 4% in 2022, falling below the industry average of 9% for the same period. Notably, Accor's active involvement in mergers and acquisitions during these years introduces a dynamic that might take time to be fully reflected in the Income Statement. When contrasted with peers holding lower asset values, Accor's distinctive business strategy and recent acquisitions endeavors play a role in shaping its ROA performance.

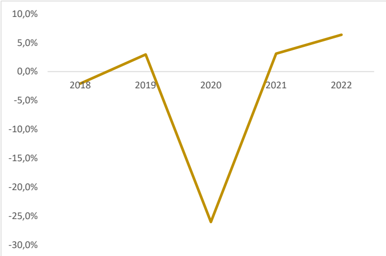

Figure 54: Core ROIC evolution of Accor, in percentage

Source: Accor Annual Report, Analysts

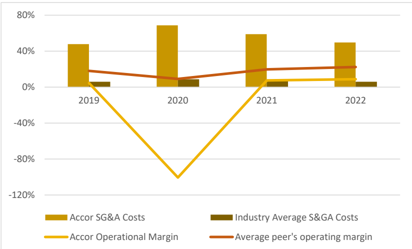

Figure 55: Core Operating Margin Evolution and its decomposition for Accor and Peers, in percentage

Source: Accor and Peers Annual Report, Analysts

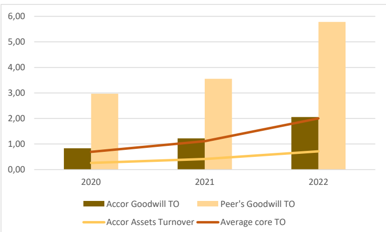

Figure 56: Core Asset Turnover for Accor and Peers and its decomposition, in absolute values

Source: Accor and Peers Annual Report, Analysts

- Core ROIC

The computation of core ROIC involved a one-year lag to better assess the impact of investments on the core results. In 2018, the year when Accor divested the majority stake of 58% in Accor Invest, core ROIC was negative due to unfavorable operating margins attributed to high restructuring costs associated with the model shift. In 2019, post the sale of an additional 5.2% of Accor Invest and the disposal of Orbis, Accor completed its asset-light transition, resulting in an increased core ROIC driven by higher sales. Despite the substantial impact of the COVID-19 pandemic in 2020, Accor surpassed both its pre-pandemic operating margins and asset turnover in 2022, reaching a value of 6.4%. This achievement is largely attributed to the enhanced operational efficiency inherent in the asset-light model (Figure 54).

Compared to peers, Accor presented a significantly lower core ROIC in all the years under analysis. Even in pandemic, the peers were able to maintain a positive return from its operations, showing efficiency of their asset-light model.

In terms of operating margins, represented in Figure 55, Accor's margin has seen an upward trajectory since 2020, reaching 8.6% in 2022, though still notably lower than its peers. Analyzing this margin by breaking down the two primary operating expenses, the COGS and personnel costs, reveals why Accor trails behind its peers. Accor is less efficient in SG&A costs, while its peers are less efficient in Fund Costs. However, the latter has minimal impact on the core result as the fund is expected to break even. On the other hand, Accor experiences significantly lower revenue generation per employee compared to its competitors, adversely affecting the operating margin.

Concerning asset turnover (Figure 56), it was divided into PP&E and Intangible Assets turnover and Goodwill turnover. The average ratios of peers exceed Accor's turnover ratios across the board. This indicates that both Accor's asset management policy and the acquisition premiums it paid resulted in a lower return compared to competitor acquisitions also reflecting the less developed asset-light model of Accor. Notably, IHG, the most comparable in terms of revenues, boasts a goodwill turnover six times higher than Accor. IHG's strategy of developing brands rather than acquiring them has contributed to reducing the required invested capital. Despite Accor also adopting an asset-light strategy, it still owns and leases 114 hotels, whereas IHG owns only 16 hotels. Finally, Accor's goodwill allocated MEA has been increasing during the past years, a region where the hotel company has recently increased its expansion and investment efforts. Consequently, it is anticipated that these regions will generate slower returns compared to, for example, Europe, where Accor has a more developed portfolio and a consolidated customer base.

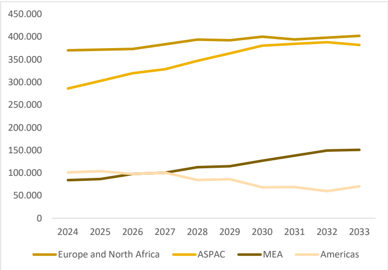

Figure 57: Number of Rooms Forecast per Region

Source: Accor Annual Report, Analysts

Sales Value Drivers

Accor relies on two primary sources of revenue generation: the Revenue Per Available Room (RevPAR) and the number of rooms available. The RevPAR, a key metric, can be broken down into two components – the Average Room Rate and the Occupancy Rate. Additionally, within the M&F segment, the fee rate serves as another significant driver of revenue.

Number of Hotels and Rooms per Region

The primary factors influencing the number of hotels include the rooms in the pipeline for each region and Accor's future strategic considerations.

In 2023, Accor's pipeline comprised 219,000 rooms across 1,273 hotels. In this context, it is anticipated that the number of rooms will experience a more pronounced growth rate, like the trend observed in previous years, until 2028 of 3%. Following this, a reduced growth rate of 2% is expected until 2030. Subsequently, it will stabilize at 1% per year from 2031 onwards. Also, it is expected that more than 70% of the hotel openings in the forecasted peers will be outside of Europe based on the hotel pipeline's constitution (Figure 57).

As of 2022, Accor maintains its market leadership in Europe, boasting a portfolio of over 3,059 Management and Franchise (M&F) properties, along with a pipeline of 58,320 rooms. In 2023, the hotel company strategically decided to integrate the North Africa and Turkey hotel portfolio into the European operations, directing its focus toward the growth and development of the portfolio in the MEA. The anticipation is that Europe will persist as a key presence in Accor's portfolio. Despite significant investments in Asia and the MEA region outlined in the Hotel Pipeline, it is expected that the number of rooms will continue to grow, with a CAGR from 2023-2033 of 1%.

In 2022, the ASPAC region achieved a significant milestone, with half of the hotel openings attributed to renowned brands such as Pullman, Mercure, Ibis, Novotel, and MGallery, representing over 45% of the rooms in the pipeline. Moving into 2023, the management team replicated the strategic approach taken in ENA, making a distinctive decision for the ASPAC region. Specifically, India was separated from the MEA portfolio and integrated into the ASPAC portfolio. This decision underscores Accor's strategic plan to invest in India, recognizing the status as the world's most populated country. Despite acknowledging the challenges in entering the Indian market, Accor remains resolute in its confidence in the long-term growth potential of India.

Aligned with the company's belief in the immense growth potential of China, the broader Asian market, and the long-term prospects of India, the ASPAC region is poised for substantial growth. It is anticipated that the region will elevate its significance in the total number of rooms, expanding from 32% in 2022 to 38% in 2033. This growth trajectory is underpinned by a projected Compound Annual Growth Rate (CAGR) of 3% from 2023 to 2033.

In July of 2023, Accor entered in a strategic partnership with Ebisu Resort LLC, marking a significant milestone in its expansion initiatives in ASPAC, more specific, in Japan. The partnership involved the acquisition of the Daiwa Resorts portfolio, comprising 23 properties and over 6,000 rooms across the country. Accor's strategic objective with this venture is to undertake extensive renovations and rebrand the Daiwa portfolio, transforming it into Grand Mercure and Mercure hotels.

Like Asia and the Pacific, Accor also recognizes the increasing influence of the Middle East post-pandemic, placing particular emphasis on Saudi Arabia's substantial investment in tourism over the next decade. Consequently, the company has made the strategic decision to separate Turkey and India, aiming to concentrate its focus on the potential growth opportunity presented by the Middle East. In the LFY, 15% of the hotel openings were in IMEAT and a weight of 20% in total rooms in pipeline. For next years, Accor is set to play a key role in Saudi Arabia's hospitality growth, aligning with Vision 2030. Recent strategic partnerships include projects in Madinah, Riyadh with a Erth Real Estate Company, and a significant deal with Amsa Hospitality. The company's 30-year presence in Saudi Arabia, 43 existing properties, and a pipeline of 56 developments underscore its dedication to shaping the Kingdom's hospitality future. Upcoming openings like Raffles Jeddah and Fairmont Ramla Serviced Residences Riyadh reinforce Accor's impactful footprint in the region. It is projected that MEA will equal IMEAT's in 2022 value by 2027 and continue growing to 150,916 rooms in 2033 with a CAGR 2023-2033 of 7%.

In the Americas, there was slow growth in the number of hotels in 2022 compared to 2019, unlike the growth observed in IMEAT and ASPAC. In 2022, 13% of Accor’s rooms were from this region with a weight of 7% in the rooms in the pipeline - the smallest among the regions. The U.S. stands out as a premier global market due to its highest density and average room rate. However, the saturation caused by the significant presence of major players in the hospitality sector, such as Marriot and Hilton, has led Accor to make comparatively lower investments in this region. It is forecasted that, with the substantial amount invested in MEA and Asia, the Americas will lose its weight in the total number of rooms moving forward, with a negative CAGR 2023-2033 of -4%.

Occupancy Rate

Covid-19 significantly impacted occupancy rates as travel restrictions took hold, causing a notable decline in hotel bookings. The pandemic-induced limitations led to subdued travel demand, directly influencing the occupancy levels across the hospitality industry.

Europe and North Africa faced substantial pandemic-related challenges, with their 2023 occupancy rate reaching 90% compared to the pre-pandemic level in 2019. The expectation is that this region will recover to its pre-pandemic rate by 2024 (Figure 58). Following this recovery, it is projected that Accor's region Europe and North Africa will capture half of the growth in the tourism sector's weight in the total GDP of the region until 2025. Subsequently, as the weight stabilizes, growth is anticipated to align with the established growth rate of this weight, reaching an occupancy rate of 79.9% in 2033.

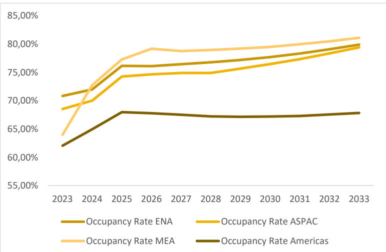

Figure 58: Occupancy Rate Forecast per Region

Source: Accor Annual Report, Analysts

In ASPAC, notably, the tourism contribution to the GPD ratio in the ASPAC region is projected to surpass the global average as well as the ENA one. However, Accor's occupancy rate in 2022 was still 80% below the on registered in 2019. In that sense, forecasts indicate that the region will achieve its pre-pandemic occupancy rate of 70% by 2024. Additionally, the region is expected to leverage a quarter of the exponential growth in the relative weight of tourism and the region's GPD until 2025. Subsequently, as growth moderates, it will maintain a consistent rate, projecting a CAGR of 1% from 2023 to 2033, reaching a rate of 77% in 2033.

On the other hand, in MEA, it is anticipated to return to its pre-pandemic value by 2023, with robust growth in tourism contribution to the region's gross domestic product, not only outpacing the worldwide average but all the weight's average growth of the other regions. Also, due to its lower density compared to Asia Pacific, it is forecasted to capture 50% of the growth in the relative weight of tourism and the region's GPD until 2025. In 2033, the region will have an occupancy of 81.1%.

On the opposite direction, Americas Tourism Contribution to GPD ratio has been growing above the worldwide one, the same as the Europe one. In that sense, Accor's occupancy rate in America will only reach the pre-pandemic rates in 2024. Subsequently, as growth moderates, it will maintain a consistent rate, projecting a slower CAGR of 0.89% from 2023 to 2033, reaching a rate of 67,84% in 2033.

Average Room Rate

Accor's Average Room Rate (ARR) is anticipated to reflect some of the inflationary growth over the forecasted years, aligning with the company's pricing segment strategy. Also, the exchange rate instability can affect price's volatility.

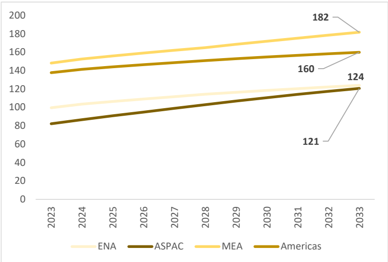

Figure 59: Average Room Rate Forecast per Region

Source: Accor Annual Report, Analysts

In Europe & North Africa, the Average Daily Rate (ADR) recorded in the first semester of 2023 was 97 euros per room, significantly higher than in 2022 (Figure 59). This increase is attributed not only to the impact of inflationary growth but also to the inclusion of Turkey in the European portfolio, where over 50% of its hotel portfolio falls within the Luxury and Upscale segment. As discussed in the macroeconomic overview, it is anticipated that inflation will grow at a slower rate, influencing the average room rate, which is projected to reach 124€ in 2033. A similar trend is expected in Asia Pacific, where, due to its price segment composition, the region is forecasted to maintain the lowest average room rate growing at the region's inflation. Also, in 2023, half of India's portfolio from the midscale segment which contributed to an increase of the ARR of the region.

For MEA and the Americas, the forecast suggests that average room rates (ARR) will not fully absorb the impact of inflation. Accordingly, it is projected that the ARR for MEA will incorporate 25% of the inflationary growth until 2028. Subsequently, as the conditions stabilize, it is expected to absorb 33% onwards. The region had, in 2022, 60% of its portfolio belonging to the upscale and luxury segment that has a growing prospective justifying the higher average room rate of 182 euros in 2033. For Americas, it is expected to growth 33% above the inflation leading to a CAGR 2023-2033 of 1,5% per year.

Forecasting

Revenues Forecast

Accor's overall revenue can be broken in three main segments: the Hotel Services segment, with the Management and Franchised and Service to Owners segments and the Hotel Assets one. In January 2023, Accor's CEO announced the creation of two new divisions with the objective of maximizing the EBITDA growth: the Premium, Midscale & Economy division and the Luxury & Lifestyle Division. Whereas the first one is focused on Geography, the last one is organized by brand to make it easier to identify profitable brands.

Accor derives a specific percentage known as the management and a royalty fee from the total room revenue generated by M&F hotels. The management agreements have a base management fee and a performance fee whereas the franchise agreements a royalty is charged Accor to sales, marketing and trademarked distribution. While the exact percentage is not explicitly disclosed by the company, our past estimations, which have remained relatively stable, have led to average fee rates of 6.1% in the Europe, 3.9% in ASPAC, 5.9% in IMEAT and 7.5% in America.

For the Management and Franchised sector (see Figure 60), Europe is poised to maintain its dominance, accounting for over 42% of segment sales in 2033, totaling 846 million euros. The primary drivers are the RevPAR (97 euros per room in 2033) and the increasing number of rooms, resulting in a CAGR of 4% from 2023 to 2033. Approximately 99.2% of the region's rooms will belong to the franchised and management segment, while Hotel Assets will constitute a mere 0.8% of the region's portfolio since most of its owned hotels were sold to AccorInvest's. In fact, 98% of the hotel's subsidiary portfolio are in Europe. The segment is expected to maintain a compounded growth rate of 1%, preserving its weight in the total number of hotels.

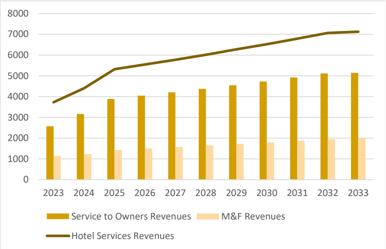

Figure 60: Total Revenue Forecast per segment

Source: Accor Annual Report, Analysts

Concerning ASPAC, the region is expected to achieve a CAGR of 7% from 2023 to 2033, showcasing the company's optimism about the region's growth. Despite the majority of Asia's hotel portfolio belonging to the midscale and economy segments, the RevPAR is anticipated to be the primary growth driver. This is attributed to the region's promising economic prospects, particularly reflected in the occupancy rate. In 2033, the Management and Franchised (M&F) rooms are expected to increase 1.5 times more than in 2022, with a RevPAR of 93 euros. The hotel assets' rooms' weight in the total number of rooms in Asia is projected to remain stable at 2%. This results in a total of 923 million euros in rooms generated by the region in 2033.

MEA is expected to almost double its revenues in 2033 compared to 2022. Following the separation of Turkey and India, there will be an increased focus on the luxury and upscale segment, reflected in the RevPAR of 144 euros in 2033. Unlike Europe, this region is anticipated to have 83% of its portfolio belonging to the management segment and only 13.5% to the franchised one. This distinction is a key reason why Accor sees high growth potential in the region, given that management contracts have a defined base fee, whereas in franchised contracts, it is contingent on the hotel's performance. The Middle East and Africa are expected to achieve 691 million euros in sales in 2033, a CAGR of 11% between 2023 and 2033.

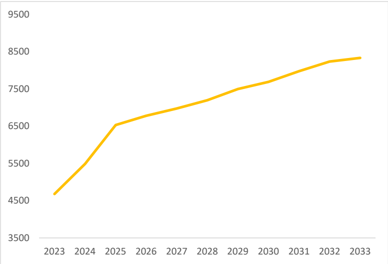

Figure 61: Total Revenues Forecast

Source: Accor Annual Report, Analysts

In the Americas, as previously discussed in the report, a disinvestment by Accor is anticipated. The revenue for Management and Franchised sectors is expected to decrease by 5% in 2033 compared to 2022. However, since many the company's owned hotels are in this region, and with an average room rate forecasted at 201 euros for the segment, it is expected that Hotel Assets sales will contribute more to the revenue in the Americas, with an expected value of 394 million euros by 2033. Like the MEA region, a significant portion of the region's portfolio also belongs to the luxury segment, justifying the higher RevPAR of 106 euros in 2023.

Regarding the Service to Owners segment, more intense revenue growth is expected until 2025, with a CAGR of 22% from 2022 to 2025. Beyond that period, it is anticipated to grow at 4% per year until 2032, and ultimately stabilize with a 1% growth per year.

Overall, Accor anticipates achieving sales of 8,296 million euros in 2033, nearly double the amount recorded in 2022 (Figure 61).

Operating expenses Forecast

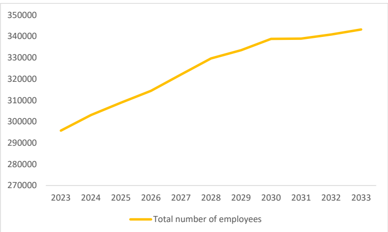

Figure 62: Total number of Employees Forecast

Source: Accor Annual Report, Analysts

Most Accor's operating costs are tied to the company's sales. Property rents, energy and maintenance costs, and COGS are expected to grow with Hotel Assets revenue. Regarding personnel costs, it is projected to reach 2,353 million euros by 2033. To estimate Accor's number of employees, it was assumed that the workforce would depend on the number of hotels or rooms the company operates. We chose to use the highest correlation (number of employees and number of rooms) and applied the same growth rate for the number of rooms but slightly lower (0.3% lower) for each year (see Figure 62). The number of employees per hotel and per room is also expected to remain stable during the forecasted years. Other operating expenses are primarily related to the Services to Owners segment and, therefore, will follow the same growth as the segment's revenues. Lastly, Depreciation and Amortization are expected to grow with the values of PP&E.

Invested Capital Forecast

Accor's invested capital is projected to be 8,776 million euros in 2033. PP&E is expected to increase in 2023 compared to 2022 due to high restructuring costs associated with the company's buildings and remain stable for the rest of the forecasted years.

On the other hand, right-of-use assets are anticipated to show an increase in 2023, reflecting the sale and leaseback of Accor's head office building located in

Issy-les-Moulineaux. From 2023 onwards, this account is expected to decrease with an annual rent payment of 22 million euros. Based on the conclusions drawn from the Cash Flow management section, net working capital is expected to decrease over some years. Lastly, Accor is expected to continue its M&A activity until 2027, primarily focusing on the lifestyle division to differentiate itself from competitors. From 2028, it is projected that goodwill will decrease due to the slowdown in the company's activities.

Weighted Average Cost of Capital

Accor's cost of capital was determined by considering the assumptions below regarding the cost of equity and the cost of debt. Additionally, a consistent tax rate of 15.5% in the future was assumed. The calculations resulted in a WACC of 11.6%.

- ### Cost of Equity (Re)

To calculate the cost of equity, the CAPM model was used. Having in mind that the beta needs to reflect the portfolio of investor, Accor´s excess returns were regressed against its respective market, CAC 40 index, using the monthly returns from November 2017 until November 2023, resulted in a levered beta of 1,31. The same approach was conducted for peers – a regression analysis on the excess returns of peers against their respective market index (S&P 500 Index in $, FTSE 100 Index in GPB and IBEX 35 Index in €) – to get the leveraged betas of peers. Only for Intercontinental, the levered beta was retrieved directly from Bloomberg due to some inconsistences in the relation between company's share price and market index.

The leveraged betas were then unlevered based on each company's current debt-to-equity ratio, ensuring conclusions were not influenced by Accor's peers' financing structures. Anticipated is Accor's net debt-to-equity ratio converging to the industry median, targeting 23%. This aligns with the company's October 2023 announcement unveiling a 400 million EUR share buyback initiative, returning 3 billion EUR to shareholders. The move is expected to facilitate Accor's ongoing deleveraging strategy, contributing to reducing its debt-to-equity ratio. With a focus on consolidating its credit rating, significant changes in the capital structure are not anticipated. These computations led to a re-levered beta of 1,29 and an unlevered one of 1,07.

	Marriott	Hilton	IHG	Meliá	Hyatt	Choice Hotels	Accor
Raw Beta	1,58	1,23	1,24	1,81	1,39	1,28	**1,31**
Adjusted Beta	1,39	1,15	1,16	1,54	1,26	1,19	1,21
Beta Upper Range	1,92	1,51	0,00	2,13	1,77	1,54	1,59
Beta Lower Range	1,23	0,95	0,00	1,49	1,02	1,01	1,02
Net Debt/EV	17%	19%	14%	64%	19%	19%	15%
Equity/EV	83%	81%	86%	36%	81%	81%	85%
Target Net Debt/Equity	21%	23%	16%	174%	24%	24%	**23%**
Target Net Debt/EV	17%	19%	14%	64%	19%	19%	**19%**
Target Equity/EV	83%	81%	86%	36%	81%	81%	**81%**

Table 1: Levered Betas Calculation[9]

The risk-free rate (Rf) utilized for the computation of the cost of capital is based on the U.S. 10-year government bond rate, standing at 4.23% as of December 9, 2023, sourced from Bloomberg. As for the Market Risk Premium, given the expansive geographical coverage of Accor's portfolio, an equity risk premium analysis was conducted on a country-by-country basis. The Market Risk Premium for Accor was calculated by aggregating the Mature Market Risk Premium (5%) for each country within Accor's hotel base. The total was then determined by considering the country's weight in the overall number of rooms, resulting in an overall Market Risk Premium of 7.03%.

With this beta of equity, the risk-free rate and the market risk premium, the cost of equity was equal to 13%.

- Cost of debt (Rd)

To determine the cost of debt, we analyzed Accor’s perpetual hybrid bond which holds a BB rating from S&P. The calculation incorporated the bond's yield to maturity (YTM) along with associated default and recovery rates. Utilizing Fitch's estimations of a 0.65% probability of default and a 44.20% recovery rate, coupled with a YTM of 5.54% retrieved from Bloomberg, it led to a cost of debt to be approximately 5.18%

Intrinsic Valuation

The DCF model was employed for Intrinsic Valuation, given the expectation of no significant changes in the company's financing approach for its operational activities. The core Enterprise value of Accor was calculated by discounting the sum of one year after unlevered operational FCF with the EV of that same year. A perpetual growth of 0.75% in the company´s FCF from 2033 onwards was projected. Subsequently, the book value of the non-core segment for the year 2024 was incorporated, resulting in a total enterprise value (EV) of 7,243 million euros. Finally, adding the non-core value and subtracting net debt yielded an equity value of 6,047 million euros. This corresponds to a share price of 22.83

[9] Source: Bloomberg, Analysts

euros and a total shareholders loss of 8.67 per share, encompassing equity gains and transactions with shareholders.

(in million €)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
NOPLAT	378	382	463	648	717	746	805	905	935	1017	1083	1119
Net Operating Cash Flow	**606**	**556**	**657**	**869**	**946**	**988**	**1050**	**1156**	**1193**	**1284**	**1356**	**1392**
Investment Cash Flow	**515**	**124**	**930**	**1499**	**658**	**112**	**288**	**396**	**309**	**364**	**353**	**166**
Invested Capital	6205	6156	6892	8170	8598	8469	8511	8656	8707	8804	8884	8776
Check line			*TRUE*	*TRUE*	*TRUE*	*TRUE*	*TRUE*	*TRUE*	*TRUE*	*TRUE*	*TRUE*	*TRUE*
Unlevered Operational FCF		**431**	**-273**	**-629**	**289**	**875**	**762**	**760**	**885**	**920**	**1003**	**1227**
ROIC		6,2%	7,5%	9,4%	8,8%	8,7%	9,5%	10,6%	10,8%	11,7%	12,3%	12,6%
RR		-13,0%	159,0%	197,0%	59,7%	-17,4%	5,3%	16,0%	5,4%	9,5%	7,4%	-9,6%
Control RR		*FALSE*	*FALSE*	*FALSE*	*FALSE*	*TRUE*	*TRUE*	*TRUE*	*FALSE*	*FALSE*	*TRUE*	*FALSE*
Diff		*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
RONIC			65,72%	19,90%	4,59%	4,33%	52,37%	34,90%	7,54%	26,42%	18,20%	10,12%
g			-8,53%	31,63%	9,04%	2,59%	-9,10%	1,86%	1,21%	1,43%	1,74%	0,75%
EV	**5985**	**6247**	**7243**	**8712**	**9432**	**9649**	**10005**	**10403**	**10723**	**11046**	**11322**	**11407**

(In million €)	
WACC	11,58%
Non-Core Fair Value	176
Enterprise Value	**7243**
Net Debt	**1372**
Equity	8792
Number of shares outstanding	264,89
Evaluated Share Price	**33,19**
Current Price	32,86
Shareholder´s Gains (per share)	**1,70**
Recomendation	**HOLD**

Table 2: Discounted Cash Flow Evaluation[10]

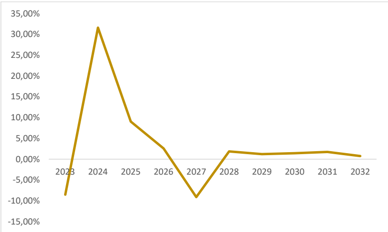

Figure 63: Growth Rate Evolution

Source: Accor Annual Report, Analysts

Long-term value drivers

The terminal value will depend on Accor's long-term value drivers: both the growth rate and the return on invested capital.

- Growth

Anticipated is a perpetual growth rate of 0.75% for Accor's NOPLAT from 2033 onwards (Figure 63). This rate results from multiplying the return on newly invested capital (10.12%) by the reinvestment rate of the previous year (7.4%). The Tourism Contribution relative to Nominal GDP is projected to grow at approximately 1% per year from 2028 to 2023, with expectations of continuing this trend. Consequently, Accor's projected growth aligns with the sector growth rate, acknowledging that the company is expected to continue operating without perpetual outperformance of the economy. The sources of Accor's growth are anticipated to stem from both inorganic growth through M&A activities and portfolio momentum. This expectation is underpinned by the assumption that consumers will spend more on accommodation services per capita, with an average growth of 2.51% from 2033 to 2040, benefitting the overall market. While Accor has the potential to boost its market share through expansion in emerging markets such as ASPAC and MEA, it is unreasonable to assume that this can lead to long-term growth. Unless the hotel company possesses unlimited cash, competitors are likely to retaliate and engage in price competition, negating any sustainable advantage for both.

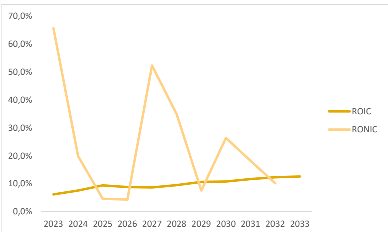

Figure 64: ROIC and RONIC Forecasted Evolution

Source: Accor Annual Report, Analysts

- ROIC and RONIC

It is expected that RONIC will stabilize at 10.2% from 2033 onwards. While the ROIC surpassed the cost of capital in 2023, indicating a potential competitive advantage for Accor, sustaining this advantage over the long term is unlikely. The projection is that ROIC (12.6%) will converge towards the cost of capital, with

[10] Source for the number of shares: Accor SA´s Disclosure of Share Capital and Voting Rights (June 20, 2023)

RONIC falling below it (Figure 64). Despite potential competitive advantages, such as a price premium in regions like MEA due to the superior quality of Accor's luxury brand portfolio or cost efficiency in ASPAC through economies of scale, maintaining differentiation in a highly competitive hotel industry is not likely to happen. Additionally, the risk of competitors replicating successful strategies, as highlighted in the Porter's Five Forces analysis, adds to the complexity.

Sensitivity Analysis

In addressing the inherent uncertainty associated with WACC estimations, it was conducted a sensitivity analysis. The aim was to assess the fluctuations in WACC under diverse inputs, concentrating specifically on evaluating the sensitivity of the Re. This involved considering variations in the Market Risk Premium (MRP) within the range of 6.93% to 7.13% and adjusting the relevered beta equity across the interval of 1.00 to 1.57.

Furthermore, the sensitivity of the cost of equity is in a range between 11.14% and 15.40%, while the cost of debt varies from 3.68% to 6.68%. Subsequently, a comprehensive analysis of the share price was conducted, considering various scenarios for both the cost of capital and the perpetuity growth (refer to Table 3) and access how much that your affect report's recommendation (Table 5). The determination of g values involved an extra sensitivity analysis on Return on Net Invested Capital and Reinvestment Rate, mirroring the methodology applied in the WACC analysis (see Table 3).

	Share Price					WACC						
	22,83	9,58%	9,98%	10,38%	10,78%	11,18%	11,58%	11,98%	12,38%	12,78%	13,18%	13,58%
Perpetual Growth	2,75%	BUY	HOLD	HOLD	SELL	SELL	SELL	SELL	SELL	SELL	SELL	SELL
	2,35%	BUY	HOLD	SELL	SELL	SELL	SELL	SELL	SELL	SELL	SELL	SELL
	1,95%	HOLD	SELL	SELL	SELL	SELL	SELL	SELL	SELL	SELL	SELL	SELL
	1,55%	HOLD	SELL	SELL	SELL	SELL	SELL	SELL	SELL	SELL	SELL	SELL
	1,15%	SELL	SELL	SELL	SELL	SELL	SELL	SELL	SELL	SELL	SELL	SELL
	0,75%	SELL	SELL	SELL	SELL	SELL	SELL	SELL	SELL	SELL	SELL	SELL
	0,35%	SELL	SELL	SELL	SELL	SELL	SELL	SELL	SELL	SELL	SELL	SELL
	-0,05%	SELL	SELL	SELL	SELL	SELL	SELL	SELL	SELL	SELL	SELL	SELL
	-0,45%	SELL	SELL	SELL	SELL	SELL	SELL	SELL	SELL	SELL	SELL	SELL
	-0,85%	SELL	SELL	SELL	SELL	SELL	SELL	SELL	SELL	SELL	SELL	SELL
	-1,25%	SELL	SELL	SELL	SELL	SELL	SELL	SELL	SELL	SELL	SELL	SELL

Table 5: Sensitivity Analysis Report Recommendation to WACC and Perpetual Growth

Source: Accor Annual Report, Analysts

Ultimately, the expected range for WACC was performed to increase and decreased 0.4% compared to the expected one, with g anticipated to vary between a negative one of -0.35% and 3.7%. These changes led to a projected share price ranging from 26.51 euros and 51.99 euros (see Table 5).

In summary, the sensitivity analysis indicates that, even if we assume a significantly faster market growth, Accor is not anticipated to surpass peers' performance and to growth above the market. This highlights the intricacies involved and the need for a prudent approach when forecasting Accor's future.

	Growth rate					RONIC						
	0,7%	22,62%	20,12%	17,62%	15,12%	12,62%	10,12%	7,62%	5,12%	2,62%	0,12%	-2,38%
RR	14,90%	3,4%	3,0%	2,6%	2,3%	1,9%	1,5%	1,1%	0,8%	0,4%	0,0%	-0,4%
	13,40%	3,0%	2,7%	2,4%	2,0%	1,7%	1,4%	1,0%	0,7%	0,4%	0,0%	-0,3%
	11,90%	2,7%	2,4%	2,1%	1,8%	1,5%	1,2%	0,9%	0,6%	0,3%	0,0%	-0,3%
	10,40%	2,4%	2,1%	1,8%	1,6%	1,3%	1,1%	0,8%	0,5%	0,3%	0,0%	-0,2%
	8,90%	2,0%	1,8%	1,6%	1,3%	1,1%	0,9%	0,7%	0,5%	0,2%	0,0%	-0,2%
	7,40%	1,7%	1,5%	1,3%	1,1%	0,9%	0,7%	0,6%	0,4%	0,2%	0,0%	-0,2%
	5,90%	1,3%	1,2%	1,0%	0,9%	0,7%	0,6%	0,4%	0,3%	0,2%	0,0%	-0,1%
	4,40%	1,0%	0,9%	0,8%	0,7%	0,6%	0,4%	0,3%	0,2%	0,1%	0,0%	-0,1%
	2,90%	0,7%	0,6%	0,5%	0,4%	0,4%	0,3%	0,2%	0,1%	0,1%	0,0%	-0,1%
	1,40%	0,3%	0,3%	0,2%	0,2%	0,2%	0,1%	0,1%	0,1%	0,0%	0,0%	0,0%
	-0,10%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%

Table 3: Sensitivity Analysis to RR and RONIC[11]

[11] Accor Annual Report, Analysts

Share Price						WACC						
	22,83	9,58%	9,98%	10,38%	10,78%	11,18%	11,58%	11,98%	12,38%	12,78%	13,18%	13,58%
Perpetual Growth	2,75%	38,72	35,80	33,20	30,87	28,76	26,86	25,12	23,54	22,08	20,75	19,52
	2,35%	36,91	34,23	31,83	29,66	27,70	25,91	24,28	22,78	21,41	20,14	18,97
	1,95%	35,30	32,82	30,59	28,57	26,73	25,05	23,50	22,09	20,78	19,57	18,45
	1,55%	33,85	31,55	29,46	27,57	25,83	24,25	22,79	21,44	20,20	19,05	17,98
	1,15%	32,53	30,38	28,43	26,65	25,01	23,51	22,13	20,85	19,66	18,56	17,53
	0,75%	31,34	29,32	27,49	25,80	24,26	22,83	21,51	20,29	19,15	18,10	17,11
	0,35%	30,24	28,35	26,62	25,02	23,55	22,20	20,94	19,77	18,68	17,67	16,72
	-0,05%	29,24	27,46	25,81	24,30	22,90	21,61	20,40	19,28	18,24	17,26	16,35
	-0,45%	28,32	26,63	25,07	23,63	22,30	21,06	19,90	18,83	17,82	16,88	16,00
	-0,85%	27,47	25,86	24,38	23,00	21,73	20,54	19,43	18,40	17,43	16,52	15,67
	-1,25%	26,68	25,15	23,74	22,42	21,20	20,06	18,99	17,99	17,06	16,18	15,35

Table 4: Sensitivity Analysis to WACC and Perpetual Growth[12]

Accor Valuation - EV/EBITDA		
	ALL	SIMILARS
Multiple	20,70	25,65
Accor EBITDA	0,66	0,66
Accor EV	13,75	17,03
Accor Net Debt	1,65	1,65
Accor Equity	12,10	15,38
Accor #Shares	0,26	0,26
PT	46,16	58,71
25 Quartile	36,02	55,21
75 Quartile	46,87	80,22

Table 6: EV to EBITDA multiple

Source: Bloomberg, Analysts

Multiples Valuation

By using the comparable valuation, we can compare Accor's equity to direct competitors. The comparable market multiples that we used were Enterprise value for EBITDA (Table 6), Price for Earnings (Table 8), Enterprise value for Sales (Table 7).

The peers chosen were Marriot, Hilton, Intercontinental, Hyatt, Choice Hotels International and Wyndham Hotels & Resorts. From those, it was conducted an analysis to understand which ones were more comparable to Accor based on the Market capitalization, Debt to Enterprise value ratio, EPS growth and Beta unlevered. Based on that, Hyatt, Intercontinental and Wyndham were chosen as the ones most similar to Accor. However, in the EV/EBITDA multiple, the similar ones were leading to overvalued multiples due to operational difference so the average with all the peers was used.

Accor Valuation - EV/Sales		
	ALL	SIMILARS
Multiple	3,70	3,34
Accor Revenues	4,90	4,90
Accor EV	18,15	16,34
Accor Net Debt	1,65	1,65
Accor Equity	16,50	14,69
Accor #Shares	0,26	0,26
PT	62,96	56,08
25 Quartile	43,37	44,01
75 Quartile	84,02	76,55

Table 7: EV to Sales multiple

Source: Bloomberg, Analysts

Comparing the PE and the EV/EBITDA multiples, we conclude that PE is more accurate for growth-oriented companies and industries as the price component accounts for the market's future expectations. However, we are comparing companies from the same industry but not with the same capital structures so the EV/EBITDA can be more useful.

Accor Valuation - P/E		
	ALL	SIMILARS
Multiple	18,84	16,63
Accor EPS	2,30	2,30
PT	43,33	38,25
25 Quartile	32,97	27,20
75 Quartile	55,75	10,54

Table 8: Price to Earnings multiple

Source: Bloomberg, Analysts

The multiple valuations, particularly EV to EBITDA, align more closely with the DCF share price, proving to be suitable for the hotel industry despite some variations between companies. On average, an EV/EBITDA multiple based on the chosen peer group suggests a share price of 46.16 euros, falling within a range of 36.02€ and 46.87€. It is acknowledged that the peers differ mainly in served price segments and room count. To address the inherent assumptions and limitations of both valuation methods, we have assigned a weight of 20% to the share price obtained through the EV/EBITDA multiple in the final recommended share price.

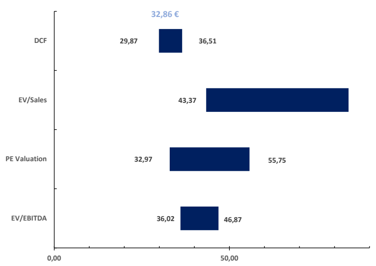

Figure 65: Football Field Chart

Source: Accor Annual Report,

[12] Source: Accor Annaul Report, Analysts

Final Recommendation

The analysis of Accor both in financial & management and strategic Terms, led us to the recommendation of holding the stock. Since the DCF implies more a forward-looking and the relative valuation implicitly reflects better the current market situation, it was decided to give a weight a 20% weight to the EV/EBITDA multiple and a 80% weight to the DCF price. This would lead to a price target of 35.79 euros per share. Assuming this price, if an Accor share is bought in 4 of December 2023, the shareholders can expect a gain of 4.29 euros per share over a 12-month period.

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Introduction

Accor Group has established itself as a prominent force in the European hospitality sector, specializing in hotel ownership, management, and franchising. Globally, it holds the sixth position among hospitality companies. The company´s trajectory, from inception to its current status, reflects a commitment to innovation and leadership within the industry. This commitment is evident in Accor´s mission, outlined in the 2022 annual report, which aims to "make a positive contribution for society by continuing to develop and connect people through creating environmentally friendly experiences." This underscores the company's dedication to societal well-being and sustainability.

In response to the unprecedented challenges brought about by the COVID-19 pandemic, Accor demonstrated resilience by strategically transitioning into an asset-light model. This shift has not only optimized asset management and operations but also showcased adaptability in the face of adversity. Despite previous successes, Accor is cognizant of emerging disruptive forces, including shifts in consumer behaviour, macroeconomic factors, and geopolitical uncertainties. The company's proactive response to these uncertainties will play a crucial role in determining its future performance.

This individual report encompasses the company overview of the French Group, where different price segments, distinct operating segments and geographical regions are brought into discussion. Macroeconomic prospects on indicators like inflation, GDP growth, as well on more hospitality industry related, such as,total contribution on GDP were further analysed, together with the increasing trends and risks that Accor SA might face in a constantly evolving world. This first part is ended with the introduction to the peer comparison.

In tandem with this individual report, the joint report offers an overview of the company, coupled with an in-depth analysis of the hotel industry, exploring trends and risks. The identification of macroeconomic risks and trends further considers their implications for Accor's business.

The analysis collectively supports a HOLD recommendation for Accor shares, indicating a perceived current undervaluation. This recommendation is the result of a careful examination of the company's financials, growth prospects, and risk factors, ensuring originality and avoiding plagiarism in the language and structure of the report. It underscores a nuanced understanding of Accor's strategic positioning and its ability to navigate the evolving dynamics of the hospitality industry.

Company Overview

Accor Group was founded in 1967 by Dubrule and Pélisson, with the opening of the first Novotel. The Group is currently headquartered in Tour Sequana, Issy- les-Moulineaux, France, being the largest hospitality company in Europe, owning, managing, and franchising hotels, resorts, and vacation properties.

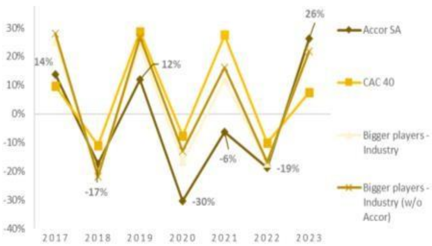

Figure 1. Evolution of TSR for Accor SA, CAC 40 index and major industry players

Source: Yahoo Finance

Figure 2. Evolution of TSR for Accor SA and four competitors

Source: Yahoo Finance

The French Group unveiled its strategic priorities and its medium-term growth ambitious, during the Capital Markets Day in June[1] – the goal is to accelerate sustainable growth, by focusing on: (1) Brands (consolidating leadership in Ibis, Novotel and Pullman; increasing network density using conversion brands (like Movenpick) and strengthening compliance with brands standards); (2) Key markets (consolidating the biggest and most profitable – Midscale and Economy, while seizing opportunities in Premium price segment) and (3) Working on the efficiency of its growth mode, taking advantage of scale effects with a clear development strategy, enhancing tools and processes as well as discipline on cost control. At least, this is CEO´s Sébastian Bazin mindset for Accor SA´s prospects. This report will access the higher likelihood of failure, or conversely, if he possesses the capability to steer the company towards success.

With shares being traded on the Euronext Paris stock exchange, SBF 120 and CAC 120 indexes, Accor SA is also included in some socially responsible investment indexes (FTSE4GOOD, as example). When analysing growth TSR (see Figure 1), a cyclical trend with altercate ups and downs is evident. This pattern shows positive returns in odd years and negative returns in even tears.

In 2018, during the longest bull run in the stock market history, there was a significant drop, the largest since December 1931. This was primarily due to the US-China trade war, a slowdown in global economic growth, and concerns that the Federal Reserve was raising interest rates too rapidly[2]. Two years later, the Covid-19 pandemic brought the world to a standstill, leading to negative returns once again. In 2022, the sudden increase in interest rates by central banks to combat inflation caused European listings to suffer, reaching their lowest point in a decade[3].

Upon examining each competitor individually, it´s evident that Hilton and Marriott have consistently shown higher TSRs (see Figure 2). This is largely attributed to

[1] Accor SA website
[2] PBS.org
[3] Financial Times

€ per share	2020	2022	2023
Accor SA		1,05	0,71 + 0,34
Hilton	0,13	0,14 + 0,14 + 0,14	0,14 + 0,14 + 0,14 + 0,14
Marriott	0,26 + 0,42	0,38 + 0,29	0,37 + 0,25 + 0,25 + 0,25
IHG	0,4 + 0,78	0,44 + 0,86	0,95 + 0,48

Figure 3. Historical dividends distributed by main players

Source: Group´s Annual Reports and

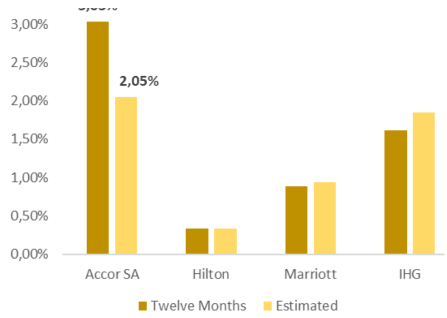

Figure 4. Twele months and expected dividend yield

Source: Bloomberg

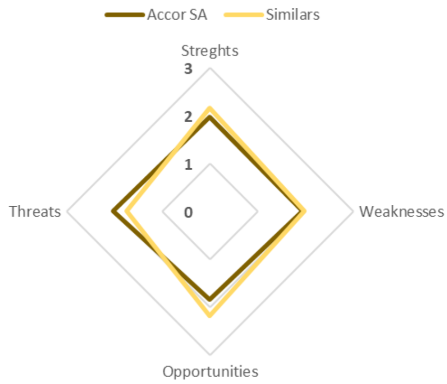

Figure 5. SWOT Analysis

3 is good and 1 is bad for opportunities and strengths, while the opposite is applicable to weaknesses and threats.

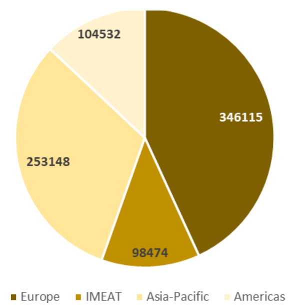

Figure 6. Room distribution per geographical market in 2022

Source: Accor SA Financial Report

their robust financial performance and strong standing in the industry. In 2017, Mariott International gave back $3.5 billion to its shareholders through stock buyback and dividends, causing its stock price to surge by nearly 45%[4]. This also sheds light on Hilton´s TSR in 2021[5].

Conversely, in the same year, AccorInvest shareholders greenlighted an initial capital increase of 150m€, followed by a second increase of 327m€ in March. These injections of money were part of AccorInvest´s financial debt restructuring strategy, which had a negative impact on the firm´s TSR. The capital increases led to the issuance of new shares, resulting in share dilution[6].

However, good news arrive for Accor´s shareholders – TSR is now at 26%, which is higher than the average of key players in the industry and the French index, only outperformed by Marriott (28%). This return is primarily due to the 20m€ that the group gained from a buy-back and its acquisition of a majority stake in AAC (Accor Acquisition Company), allowing the firm to complete several business combinations in sectors related to hospitality[7].

Regarding dividends, none of these companies distributed them in 2021, due to the pandemic. Upon examining the data (see Figure 3), it´s clear that IHG has a history of significant dividend distribution, with Marriott coming behind. Interestingly, despite having negative equity for several years – a situation also observed with Hilton – the UK Group continues to provide shareholder value, mainly driven by share buyback programs, which while beneficial in the short term, have the side effect of significantly increasing their debt.

In 2022, Accor SA issued a one-time dividend of 1.05€, outperforming its competitor based in Washington DC. This move compensated its shareholders after three consecutive years without dividends. However, this trend appears to be short-lived (see Figure 4) – Accor SA´s twelve-month dividend yield stands at 3.03%, with a projected yield of 2.05%, suggesting a return to its previous practice of not distributing earnings, contrary to the increasing trend observed among its peers. This shift in strategy by the French Group is linked to its decision to reinvest its profits internally (with exception of 2020, due to the negative result), particularly in the form of cash reserves. This approach, driven by the uncertainties of the coming years, also follows for the potential repayment of a portion of its debt obligations. A SWOT analysis was carried out to complement the assessment within peers (see Figure 5).

Strategic Model and Operating Segments

[4] Marriott International Inc., 2017 Annual Report
[5] Hilton Worldwide 2021 Annual Report
[6] Accor SA Press Release February 2022

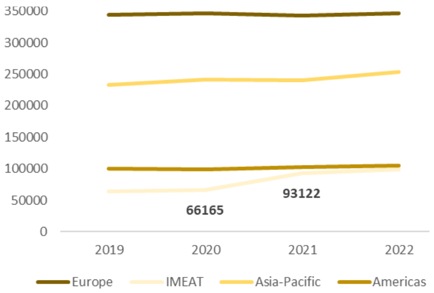

Figure 7. Room growth per geographical market

Source: Accor SA Financial Report

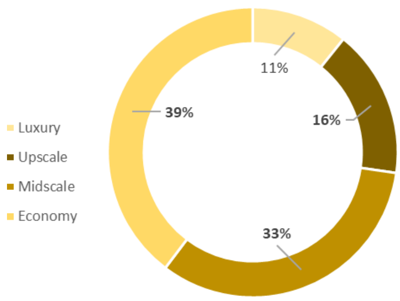

Figure 8. Rooms distribution per price segment in 2022

Source: Accor SA Financial Report

Growth Rate (2019-2022)	
Luxury and Upscale	11,04%
Midscale	9,85%
Economy	6,13%

Figure 9. Rooms growth rate per price segment, from 2019 to 2022

Source: Accor SA Financial Report

Figure 10. Accor SA main brands for each price segment

Source: Accor SA Financial Report

The portfolio of Accor SA consists of 43 different hotel brands, 5,445 hotels and 802,269 rooms, in more than 110 countries worldwide. The Group reports four different geographical regions where it operates, namely, Europe; India, Middle East, Africa & Turkey (IMEAT); Asia-Pacific (ASPAC) and Americas.

When it comes to the allocation of rooms by geographical region, Europe holds 43% of the total rooms available, followed by ASPAC, Americas and the Middle East (see Figure 6). The progression of room numbers per geographical market (see Figure 7) shows that the Covid-19 outbreak had minimal significant impact. In 2021, IMEAT saw a 40% growth, fuelled by a surge in RevPAR, prompting Accor SA to expand its room availability in this region. Over the coming years, Saudi Arabia plans to make substantial investments in tourism. Accor SA is well-positioned to reap the benefits of this acceleration growth, already boasting 23476 rooms in the country[8].

Over the past decade, Accor SA has focused its news developments on Asia (50%) and the Middle East (25%). Future plans indicate a continued emphasis in these areas – with growth expected in China and the wider Asian market. Accor SA has already doubled its portfolio in Japan, collaborating with Ebisu Resort LLC to transform the Daiwa Resorts portfolio into Grand Mercure and Mercure hotels. The Middle East remains a focus, and India´s potential (as the world´s most populous country) is not overlooked. In the Americas, the U.S. offers the most lucrative market, boasting the highest density and average room rate (ARR), but it´s nearing saturation. Accor SA´s presence is primarily in major cities such as New York, Toronto, and San Francisco, predominantly within the luxury and lifestyle division, striving to differentiate itself in this competitive market.

European markets contribute to 48% of the hotel fees, making it the most significant revenue source for Accor SA. The company greatly benefits from its robust network in France, which accounts for 43% of the Group´s total pipeline.

Delving into the price categories, Accor SA´s hotels can be classified into four distinct segments – Luxury & Lifestyle, Upscale, Midscale, and Economy.

The luxury segment of Accor SA comprises 85486 rooms, which make up only 11% of Accor SA´s total pipeline, compared to the Economy´s segment larger share of 39% (see Figure 8). However, the Luxury and Upscale segments are expanding at a much quicker pace than the other two. As a result, Accor SA is increasingly focusing on providing transformative experiences and high-quality customer services (see Figure 9). This strategy allows the French Group to aim

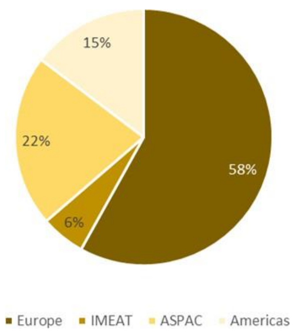

Figure 11. Economy rooms in 2022

Source: Accor SA Financial Report

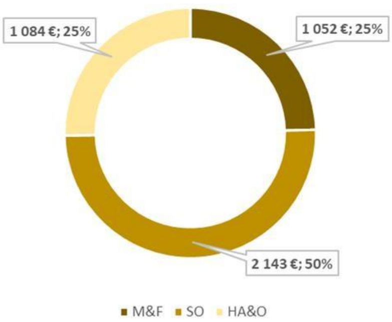

Figure 12. Revenues of Business models in 2022

Source: Accor SA Financial Report

Revenues and EBITDA (2022)		
(in million €)	*Revenues*	*EBITDA*
Europe	500	365
IMEAT	195	144
ASPAC	157	96
Americas	199	131

Figure 13. Revenues and EBITDA of M&F per regions in 2022

Source: Accor SA Financial Report

for higher profit margins, as both these segments command premium tariffs for their services.

Accor SA´s luxury segment is most prominent in IMEAT (29%) and the Americas (32%), in terms of rooms numbers, primarily in managed hotels. This fact partly accounts for the higher RevPARs in these regions. Sofitel, their flagship brand, is established in nearly 50 countries with 121 hotels (see Figure 10). Pullman plays a crucial role in driving results in the upscale segment. With its presence in 43 countries and 153 hotels, it constitutes 5.6% of Accor SA´s total room offerings. This segment is predominantly active in Asia-Pacific (35%) and IMEAT (25%). The midscale sector, with 1960 hotels, has 48% of its presence in Europe. This segment is characterized by both managed and franchised hotels (920 franchised vs 736 managed). Mercure and Novotel lead the market, jointly accounting for 88% of the midscale rooms pipeline. Lastly, the Economy segment emerges as the dominant category (2797 hotels), primarily located in Europe and Asia-Pacific (see Figure 11). Accor SA leverages the capabilities of IBIS, IBIS Styles and IBIS Budget to deliver value.

As part of its strategic framework, Accor SA´s primary business is segment into four business models responsible for revenues generation: (i) Corporate & Intercos (C&I), (ii) Hotel Services, which is further split into Service to Owners (SO) and Management & Franchise (M&F), and (iii) Hotel Assets & Other (HA&O) (see Figure 12).

Firstly, the M&F segment is the hallmark of Accor SA due to its preponderance and nature, where the focus is on increasing fee revenues. Accor SA does not hire staff or manage these properties directly, which reduces exposure to economic variations and lessens reliance on leisure and business travellers.

Geographical wise, European markets lead in sales generation and outperform other regions (see Figure13). IMEAT achieved the second highest core EBT, with a revenue growth of 153% compared to 2021. Accor has phased out managed hotels in this region while retaining franchised ones. This significant growth is attributed to the increased emphasis on the Luxury and Upscale sectors in this region. Following IMEAT is the Americas, with 92000 rooms, primarily in managed properties. The favourable core EBT in this region is explained by the interesting polarity in the type of brands with the spotlight towards Fairmont (luxury) and IBIS (economy). This region is characterized by more developed and profitable markets, such as the U.S. and Canada, and weaker economies, like some in South America. Lastly, investors might express concern over Asia Pacific, as it recorded the lowest EBITDA among the four regions. The Group maintained the same level of operational costs while failing to capture the

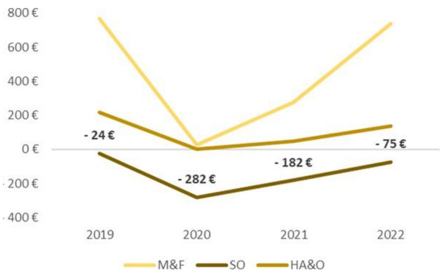

Figure 14. EBITDA over time of several business segments

Source: Accor SA Financial Report

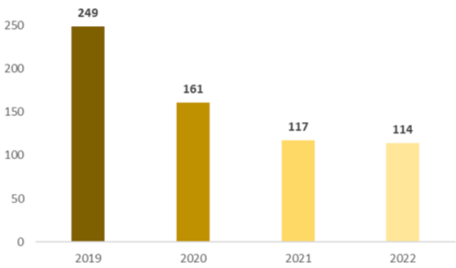

Figure 15. Number of Accor SA´s HA&O hotels over time

Source: Accor SA Financial Report

	2019	2022	Growth
Europe	101	176	**74%**
IMEAT	115	226	**97%**
ASPAC	107	251	**135%**
Americas	110	232	**111%**

Figure 16. HA&O ARR per region (in €)

Source: Accor SA Financial Report

demand that existed before 2019. This is particularly alarming since this geographical segment represents 32% of the total M&F rooms.

Secondly, by its very nature, the SO segment doesn´t inherently have a specific number of rooms or hotels. This segment includes the loyalty program and the redemption of promotional awards. Accor SA takes on the role of an agent in coordinating this redemption, as it doesn´t directly fulfil the obligation of award nights. This is the reason behind SO being the segment that generates the most revenues for the Group and why it was significantly affected by Covid-19. Despite this, it´s the least profitable segment, where operating expense related to sales and marketing are entirely accounted for (see Figure 14).

Accor SA has received positive feedback regarding the strategy deployed in HA&O. Revenues have now surpassed pre-pandemic levels, despite a decrease in the number of hotels (see Figure 15), reckoning a growth of -54% compared to 2019. This can be fully attributable to the company´s ability to impose higher Average Room Rates (ARR) across all geographical regions within this segment, all of which have exceeded levels prior to the recent health crisis (see Figure 16).

Accor Invest

One of the most marked traits of Accor SA´s strategy is its growing shift towards an asset-light mode, working on decreasing the number of owned and leased hotels, while simultaneously investing in the franchising business model.

Over the past four years, Accor SA divested 70% of AccorInvest (see Figure 17) and 85.5% of Orbis, as well as selling and managing back 16 Movenpick hotels. These actions have considerably downsized Accor SA´s asset portfolio and overheads, including rents and investments. Currently, Accor directly owns or leases just 3% of its assets, enabling the company to significantly reduce costs.

AccorInvest is a prominent hotel proprietor with a property portfolio that includes 115721 rooms spread across 26 countries. Their pipeline consists of 741 hotels that are either owned or leased, with 95% falling into the economy and midscale categories and 94% located in Europe. AccorInvest and Accor SA collaborate to deliver a comprehensive hospitality experience. This mutually beneficial relationship allows Accor SA to leverage AccorInvest´s real estate expertise, while AccorInvest benefits from Accor SA´s brand and operational management. Accor SA manages AccorInvest´s properties and pays rent for the leased assets.

In 2018, the company sold 64.8% stake of AccorInvest to international investors (Saudi Arabia´s Public Investment Fund and Singapore´s GIC Pte), allowing the Group to cash in 4.8b€ of cash proceeds, based on an EV of 6.3b€. The following year, Accor SA sold an additional 5.2% stake in AccorInvest for 204m€,

Participation in AccorInvest	
2017	**100%**
2018	**35,20%**
2019	**30%**

Figure 17. Participation of Accor SA in AccorInvest

Source: Accor SA Financial Report

reflecting a 12.9% increase in AccorInvest´s value. Morevover, Accor SA sold 85.8% of Orbis´s capital to AccorInvest, a transaction value at 1.06b€ and executed as a public offer for all outstanding shares in Orbis in March 2020.

Looking ahead, there are no signs that Accor SA plans to divest its remaining stake in AccorInvest, hence the need to value this firm separately. Given its private status and the absence of outstanding share numbers, a relative valuation was performed (see Figure 20). It was projected that the subsidiary will have an equity value of -795€m€ in 2033, with Accor SA holding 611m€ of its equity-accounted investment. This is primarily due to AccorInvest´s strategy of selling a series of assets in Europe and Latin America to decrease its debt[9]. The company aims to generate about 2b€ from sales, including hotels under the Sofitel brand in Paris, and also intends to renegotiate the terms and extend the maturity of 4b€ od debt due in 2025.

In conclusion, it´s crucial to note that the asset-light model isn´t entirely a true statement. This is because Accor SA transferred 70% of its assets to a subsidiary, having a current stake of 30%, where consolidation is no longer need, making it a "semi" asset-light model. This strategy was implemented to enhance the company´s appeal to shareholders by improving certain rations and financial figures.

Accor Live Limitless (ALL)

Accor Live Limitless (ALL) is the corporate loyalty program that falls under the Service to Owners (SO). However, before delving into the specifics and added value of ALL, it´s crucial to gain a deeper understanding SO, as there is a key piece of information that has yet to be discussed.

Figure 18. ALL loyalty program in PSG game jersey, wore by Neymar Jr

The SO segment essentially functions as a system fund under the management of Accor SA, which prevents the French company from generating any net profit (resulting in EBITDAs that are closer to zero). At least, in theory, since over the past four years, the French Group has struggled to balance operating costs with the revenues generated. This is partly due to the 2022 World Cup in Qatar and Accor SA´s efforts to enhance its competitiveness by chasing competitors who have already consolidated their position in this segment. This system is not designed to generate profit or loss for Accor SA in the long run. Instead, it serves the interests of the hotels in the Accor system and their third-party owners, who contribute to it through assessments and payments made by the hotels.

Another reason for the negative outcomes in this segment is related to the ALL-loyalty program. When a member accumulates points the corresponding revenue

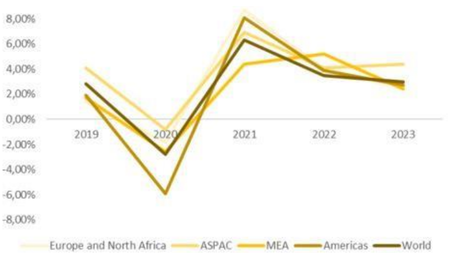

Figure 19. GDP Growth

Source: IMF

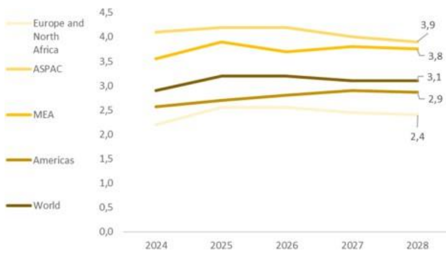

Figure 20. GDP growth forecasted (in %)

Source: IMF

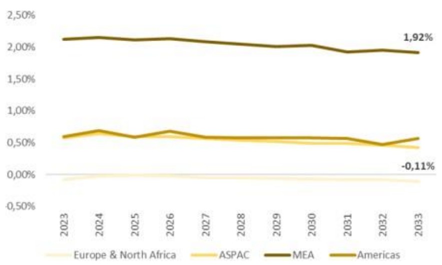

Figure 21. Population growth forecast

Source: IMF

is frequently postponed, implying that revenues aren´t recognized instantly but rather reserved for future recognition when point are used. This can cause an annual rise in deferred revenue, which may lead to accounting deficit. However, these accounting deficits don´t necessarily represent the group´s actual cash situation or its ability to invest.

The objective of ALL is to deliver an all-encompassing hospitality experience, providing range of advantages, allowing members to accumulate and use points both during travel and at home. This includes cross-rewards collaborations with Qatar Airways, for example, which explains the increased costs in 2022 due to the World Cup. Accor is solidifying and enhancing the ALL program by deepening its alliances, notably with football club PSG. This partnership for the next four years is centred on promoting ALL, albeit in a distinct manner (see Figure 18). The primary aim of this partnership is to leverage PSG´s resources to engage with ALL members globally, providing them with unique and thrilling experiences.

ESG Impact

ESG is becoming an increasingly important topic in today´s world. Many companies have plans to make a difference and stand out from the crowd, but only a few are actually implementing their ideas. The French Group has formulated a new strategic framework for sustainability, which is built on three pillars: (i) functioning as a responsible Group, which includes having appropriate governance, adhering to compliance and ethics, making responsible investments, and overseeing ESG risks in the supply chain; (ii) showing respect for people and the environment; and (iii) providing positive hospitality.

Particularly in Europe, there is heightened public awareness, as stated by Jean-Jacques Morin, Deputy CEO of Accor SA (source 12). However, the main point is to recognize that while the implementation of ESG practices creates positive synergies for society and the world, translating these into a competitive advantage is challenging. Achieving financial value and differentiation through ESG initiatives is a tough task. Even if they succeed, the incorporation of ESG into business models is now enforced by regulatory bodies, obliging all players to comply and negating the creation of competitive advantage due to the ease with which rivals can replicate these measures. The ESG landscape is reminiscent of the technological differential seen a few years ago.

Macroeconomic Overview

Gross Domestic Product and Population Growth

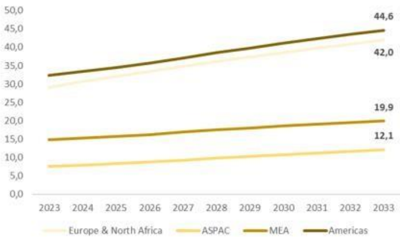

Figure 22. GDP per capita forecasting in thousands €

Source: Own calculations

Figure 23. Inflation rate in 2023

Source: IMF

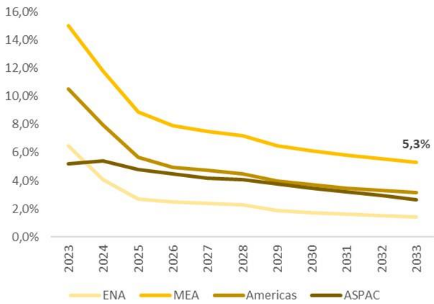

Figure 24. Inflation rate forecast

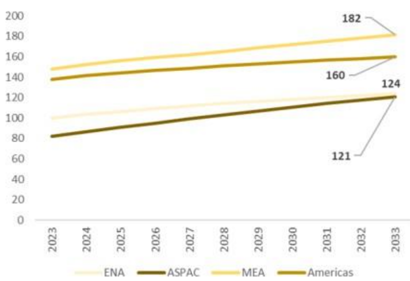

Figure 25. Average Room Rate forecasting in €

Source: Own calculations

The Real Gross Domestic Product (GDP) is a vital metric for evaluating a company´s worth, since its growth reflects a nation´s economic health. For Accor SA, the GDP was utilized to estimate occupancy rates, which in turn influenced revenue predictions. In conjunction with population forecasts, a per capita GDP was determined for various regions.

Traditionally, the global GDP growth has hovered around 3%, but this measure was significantly affected by the Covid-19 pandemic (see Figure 19). Long-term forecasts predict a surge in growth for Asia-Pacific (ASPAC) nations, followed by the Middle East and Africa (MEA) (see Figure 20). This is a positive sign considering Accor SA´s plans to expand their operations in these markets. In terms of population growth (see Figure 21), MEA is leading with the highest YoY growth rates, followed by America and ASPAC. Conversely, Europe´s population is on a downward trend due to a low birth rate.

When these two macroeconomic factors are combined (see Figure 22), the projected population surge in the MEA is offsetting GDP growth, thereby reducing the GDP per capita growth rate, while Americas are still expected to have the highest GDP per inhabitant. If Europe´s GDP per capita is increasing and remains high, ASPAC is struggling on driving a higher value, with a projected GDP per capita in 2033 that´s nearly four times lower (12.1€ thousands vs 42€ thousands).

Inflation

The economic measure, which signifies a widespread rise in the cost of goods and services over time, has already been factored into this macroeconomic perspective when analyzed real GDP in detriment of nominal GDP.

Examining past data and predictions from the International Monetary Fund (IMF), warnings bells are ringing – in 2023, the figures are alarmingly high, largely due to the conflict between Ukraine and Russia (see Figure 23). However, by 2033, inflation rates are projected to decrease, with MEA expected to experience more severe affects than other regions (see Figure 24), with an inflation rate of 11% in the final period analyzed.

Forecasting the trend of inflation over time is crucial as it influences revenue projections, given its significant impact on ARR, that is expected to grow at a rate lower than inflation for MEA and Americas (see Figure 25).

At first glance, this might seem like a daring assumption, but two factors should be considered: (I) while it´s true that ARR benefits from inflation, occupancy rates could theoretically suffer as a result, a subject that will be explored further, and (ii) inflation is a comprehensive macroeconomic indicator that isn´t solely

Exchange rates		
	$/€	£/€
2022	**0,95**	**1,17**
2023	**0,91**	**1,16**

Figure 26. Average exchange rates

Source: Exchange Rates UK

(in million €)	Amount	Rate	% of total debt
EUR	2368	2%	89%
AUD	574	5%	22%
AED	33	3%	1%
JPY	30	-1%	1%
GBP	-32	0%	-1%
USD	-69	-1%	-3%
CHF	-205	1%	-8%
Other currencies	-42	8%	-2%
Bonds and bank borrowings	**2658**	**3%**	**100%**

Figure 27. Foreign exchange risk – bonds and bank borrowings by currency

Source: Accor SA 2022 Financial Report

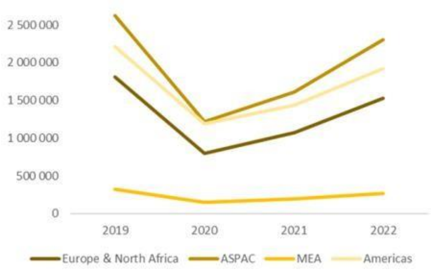

Figure 28. Tourism contribution to GDP in million €

Source: Statista

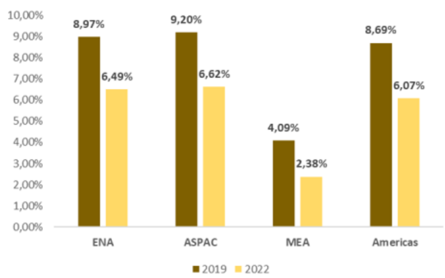

Figure 29. Tourism contribution to GDP

Source: Statista

influenced by or impacting the hospitality industry as it represents a steady increase in price levels in a general and sustained way.

Exchange Rates

Exchange differences arise due to the company´s global operations, which involve transactions in currencies other than its base currency. Therefore, transactions carried out by the Group companies in a currency different from the company´s functional currency are converted using the exchange rate on the date of the transaction.

Due to the foreign exchange risk, which refers to the potential losses from international financial transactions caused by currency value fluctuations, exchange rates warrant careful examination. If the currency of a country where Accor SA has operations depreciates against the Euro, the revenue from that country will decrease when converted back to Euros. This was clearly demonstrated in Accor SA´s 2022 results, where the consolidated RevPAR showed a global increase of 15% in Q4 2022 compared to the same period in 2019.

In 2023, the same trend was observed, with the dollar depreciating against the Euro, which is unfavourable for Accor SA. Meanwhile, the GBP remained relatively stable, albeit lower than the 2022 levels (see Figure 26). It´s worth noting that companies like Accor SA frequently employ financial instruments to protect against the risk of unfavourable currency fluctuations (see Figure 27).

Hotel Industry

Industry Indicators

- Tourism Contribution to the GPD

In terms of the contribution of tourism GDP, data from Statista (see Figure 28) indicates a significant impact due to Covid-19. This is not surprising, given the previously analysed poor performance of Accor SA during this period. It´s reasonable to assume that other global hotel corporations experienced similar challenges during this period, as they had to innovate in response to a significant drop in demand. This was largely due to customers´ fear of infection and restriction on movement. The region of ENA experienced the most drastic decline, with a decrease of 55.1%.

In 2022, the GDP contribution from tourism remained below the levels seen before the pandemic (see Figure 29). It is projected that all regions, except Americas, will exceed these pre-pandemic levels by 2025. As our world becomes

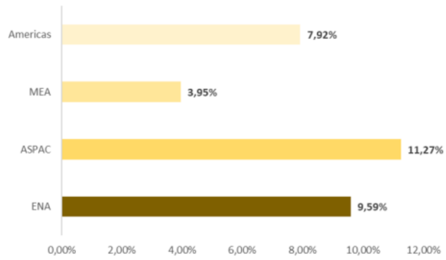

Figure 30. Tourism contribution to GDP in 2023

Source: Statista

Figure 31. Number of international tourists arrivals in millions

Source: Statista

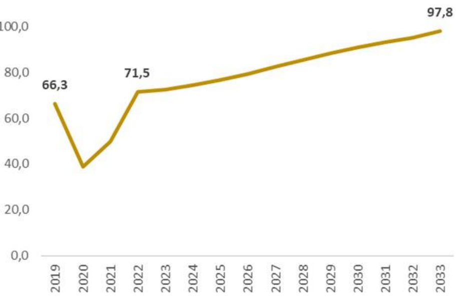

Figure 32. Per capita consumer spending on accommodation services forecasting (in €)

Source: Statista

more interconnected, tourism is increasingly driving economic value and is a key sector for GDP generation, which explains this growth assumption. By 2033, (see Figure 30), it is expected that ASPAC will have the greatest influence on GDP, in contrast to MEA, where tourism is projected to contribute only 3.95% to GDP.

- Consumer Spending on Hotels and Tourism Arrivals

Following the in-depth analysis of inflation, it´s essential to examine consumer expenditure on hotels and the number of tourist arrivals. This will provide a comprehensive understanding of the potential impacts that chain hotels and Accor SA may face.

Alike the impact on GDP from tourism, data from Statista shows a decrease in international tourist arrivals compared to the pre-Covid 19 period for all regions (see Figure 31). However, there´s a silver lining for Accor SA – while the total number of tourists may not have reached the desired levels, consumer spending on hotel services has surpassed the levels seen in 2019 (see Figure 3w). This trend is expected to continue, with a projected annual growth rate of 1% to 4%. By 2040, per capita consumer spending on hotel services is anticipated to be 59% higher than current levels.

Hotel Industry Trends and Risks

The worldwide economy is grappling with numerous uncertainties and risks, some of which are shared globally. Simultaneously, new possibilities are arising as business trends shift and consumer preferences evolve. Nonetheless, investors are primarily focused on the unique aspects of the sector and factors that can impact the Group.

- Peer-to-Peer Accomodation

Accor SA is currently witnessing a strengthening of competitive forces with the emergence of peer-to-peer (P2P) accommodation. This decentralized lodging system enables direct connections between property owners and guests via online platforms, circumventing traditional hospitality services. Property owners can lease or rent their properties directly to guests, who can search for, and book accommodations based on their preferences.

Airbnb, the most successful entity operating under the P2P business model, is a significant competitor in the lodging industry. Therefore, it´s crucial to examine how much of a threat it could pose to the French Group. It´s a fact that Accor SA and Airbnb function on different business models. In fact, the experience of Airbnb is inherently different – when a room, holiday apartment, RV, boat or even a castle is booked on Airbnb, a service fee ranging from 6% to 12% is added to

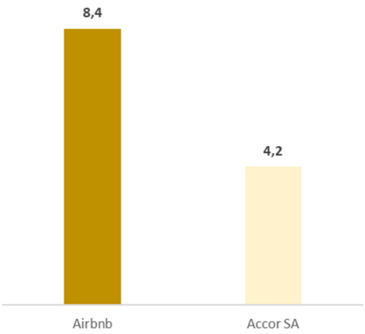

Figure 33. Revenues in billion in 2022

Source: Annual Reports

the rental cost. This fee contributes to the revenue of the San Francisco-based organization, with the host receiving 3% of the transaction amount.

Airbnb´s revenues have grown by 74.6% from 2019 to 2020 (see Figure 33), which is more than double the sales of the French hotel chain. This underscores Airbnb´s quicker recovery from the Covid-19 pandemic, attributed to the simplicity and cost-effectiveness of its business model, as well as its increasing affordability and convenience. In 2022, the California-based company recorded 393.7 million nights and experiences, a stock price of $117.32, and a market capitalization of $75.89 billion.

In summary, the growth of Airbnb accommodations has adversely affected hotel revenues. However, this impact is not significantly felt by the French Group, as Airbnb has primarily disrupted the US hotel markets, especially in the mainstream segment. P2P accommodations has become popular due to its adaptability and the potential for hosts to generate income. However, it also brings up issues regarding regulation and safety. The swift expansion of this sector is credited to its freedom from extensive construction procedures. In revenue projections for Accor SA, the influence of Airbnb is considered.

- Online Booking Platforms

For many years, hotel chains primarily concentrated on their brands and the tangible aspects of a guests´ stay. To some extent, this passive strategy left them ill-prepared for the advent of online bookings, as well as the emergence of customer-to-customer platforms like Airbnb.

In 2014, Accor SA initiated three distinct programs to address the evolving dynamics of the hospitality industry. A year later, Accor SA demonstrated its commitment to collaboration with independence hotels. The French Group allowed these hotels to be listed on its website, offering them lower commission rates than those demanded by Online Travel Agencies (OTAs). This strategy served as a distribution channel aimed at reducing the bargaining power of OTAs and promoting more direct bookings. Currently, Accor SA is striving to counter this tendency and enhance its position by investing in technology. This includes the launch of their own Special Purpose Acquisition Company (SPAC). The SPAC was established with the objective of acquiring businesses operating in sectors adjacent to Accor SA´s core hospitality business, encompassing food and beverage, flexible working, wellness, and technology.

Despite the attempts, Accor SA needs to intensify its efforts to counter the influence and dominance of OTAs. It´s true that OTAs have evolved significantly, creating opportunities for the hospitality industry by driving additional demand for hotels. In 2019, OTAs contributed to more than 35b€ to the EU´s GDP and supported 650000 jobs. They also increased bookings, resulting in additional 133 million overnight stays in the EU. However, the negative externalities they have generated, affecting Accor SA and other industry players, are more profound. On the downside, OTAs have intensified competition, leading to lower prices for consumers. In 2019, hotel prices in the EU were on average 8.2% lower than they would have been without OTAs, resulting in customer savings of 20b€.

While OTAs enhance the visibility and accessibility of hotel properties, they levy substantial commissions ranging from 15% to 28%. This places a strain on the profit margins of hospitality firms. These effects underscore the necessity for Accor SA to innovate and navigate the changing market landscape.

- Consumer Patterns (include the two that I have)

“Bleisure” travel, the blending of work and tourism, has seen a surge in popularity. This trend has grown particularly during the Covid-19 pandemic when remote work become a necessity for some sectors. Technological advancements and the move towards flexible work schedules have made it possible for many individuals to prolong their business trips for leisure or to integrate work into their holiday plans. The capacity to work from any location could pose a potential risk to Accor SA if it does not adapt to this trend, however, if handled properly, it could also present an opportunity.

If Accor SA effectively promotes this service, it could potentially encourage customers to prolong their stays, thereby increasing occupancy rates and, consequently, enhancing its revenues. However, to cater the needs of business travellers, it´s essential for Accor SA to make substantial investments in redesigning their rooms and create working areas, and ensure a smooth transition between work and leisure environments to continue to acter to the diverse needs of these travellers.

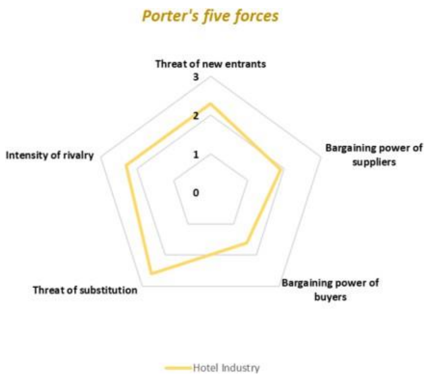

Figure 34. Porter´s Five Forces framework applied to hotel industry

Source: Own assessment

“Daycation” is another rising trend in the hotel industry to ought to be further delved. It involves reserving hotel rooms, especially those of luxury brands, for specific periods during the day. This trend has been gaining momentum in the hospitality sector and allows hotels to optimize their room occupancy during off-pick hours, thereby generating extra revenue and maximizing the use of space.

The evolution of this trend provides a wider audience with a glimpse of premium luxury service without the need for an overnight stay (daytime slots are available at a discount that can reach up to 70%). Guests can indulge in the lavishness of these hotels and avail themselves of various hotel services, such as spa treatments, fitness facilities, pool areas, and wellness services, without incurring the cost of an overing stay. The influence of this trend will be factored into the revenue projections of the French Group.

An analysis using Porter´s Five Forces (see Figure 34) was performed to examine the industry structure and corporate strategy of a company. A rating system from 1 to 3 was established, where a score closer to 3 suggests a higher likelihood of that particular force (and vice-versa).

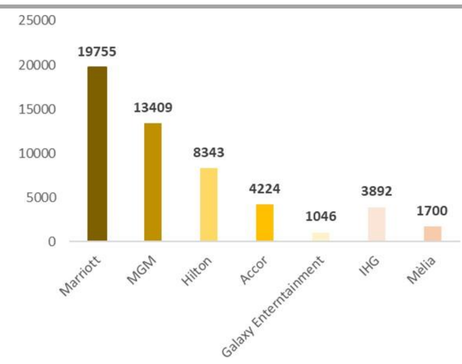

Figure 35. Revenues in m€ in 2022

Source: Annual Reports and Forbes

Peer Comparison

In the hospitality sector Accor SA´s main competitors are Marriott International, Hilton Worldwide Holdings, and Intercontinental Hotels Group. While there are other notable competitors such as Meliá, Hyatt, Choice Hotels International, and Wyndham, for a more detailed analysis, the focus relies on comparing Accor SA with the first three mentioned. Prior to delving into this inspection, it would be beneficial to conduct a preliminary assessment of revenues, market value, EBITs, Core EBTs and top-rated hotel brands. This will offer some context about these four players in relation to other firms in the hotel industry.

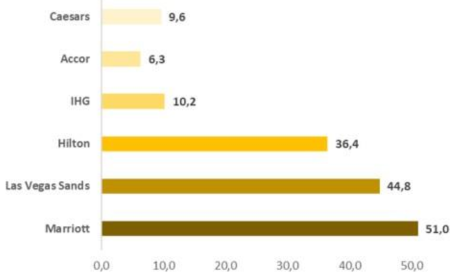

Figure 36. Market value in b€ in 2022

Source: Statista

In terms of revenue (see Figure 35), Marriott leads the global hotel and resort industry with sales of 19.6b€, followed by MGM, a Nevada-based firm. The top six is rounded out by four more American Groups – Caesars, Hilton, Hyatt, and Las Vegas Sands – with Accor SA following closely, generating 4.2b€ in revenue in 2022, outperforming IHG, Meliá and Galaxy Entertainment. As one might except, market value tends to align with revenues, with a few notable exceptions. The same top-8 companies are relevant here, but IHG surpasses Accor SA, which drops to the eight position globally (see Figure 36). Marriott and Las Vegas Sands continue to hold the top spots, but Hilton climbs to third place, boasting a market value more than triple that of IHG. One factor contributing to these rankings is the prestigious hotel brands these groups own. For instance, Hilton Worldwide owns two out of the four most valuable brands in the sector in 2022 – Hilton ($12.04b) and Hampton by Hilton ($3.92). Similarly, IHG owns three of the top ten most valuable brands – Holiday Inn, Intercontinental, and Crowne Plaza. This allows the UK-based corporation to edge out the French Group by 3.9b€.

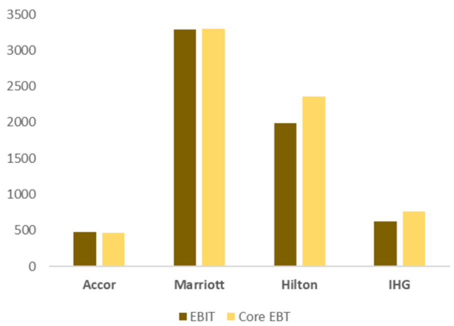

Figure 37. EBIT and Core EBT in 2022 in m€

Source: Annual Reports and own

When considering the actual values of EBITs (see Figure 37), Accor SA fails behind its three primary competitors, with Marriott standing out as the group with the highest earnings before interest and taxes. This is somewhat expected given Marriott´s exceptional revenue generation capabilities. Therefore, evaluating the EBIT margin might provide more insightful conclusions (see Figure 38). In this measure, Hilton takes the lead, while Accor SA continues to lag behind the other players. Interestingly, Accor SA is the only company among the fur analysed in

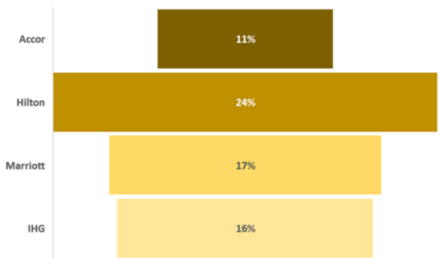

Figure 38. EBIT Margin in 2022

Source: Own calculations based on reported figures

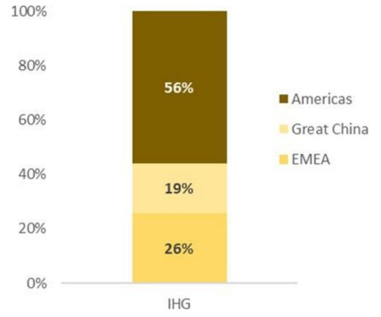

Figure 39. Room distribution per geography in 2022

Source: IHG 2022 Annual Report

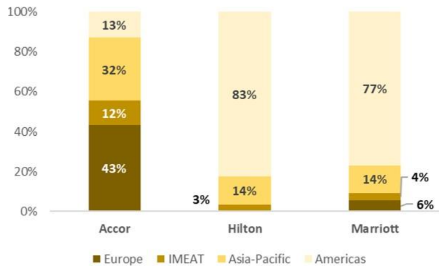

Figure 40. Room distribution per geography in 2022

Source: Annual Report 2022

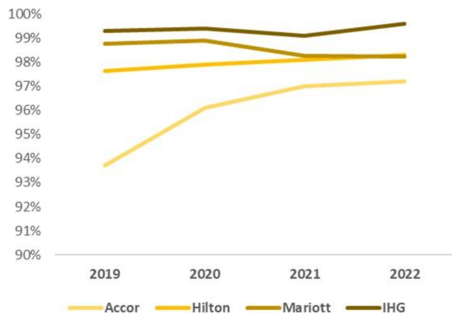

Figure 41. Fee business prevalence in hotel industry in 2022 (in terms of number of rooms)

Source: Annual reports

the hospitality industry whose core EBT is lower than its EBIT, which could suggest some issues with its core operations.

Business Models and Accounting Treatments

Delving on competitor´s operating models and comparing them with the French Group, it appears that all competitors have a different geographical focus (see Figure 39 and 40), explaining partially company´s success in Europe.

Accor SA holds a leading position in the European market, whereas Marriott and Hilton have a stronger presence in the American market, particularly in the U.S, which makes these last two more comparable to each other. Despite Marriott offering more than twice the number of rooms compared to Hilton, both American firms follow a nearly-equal strategy, as evidenced by their regional contribution – they hold an equal market share in the Americas, and their shares in the IMEAT region are almost identical. Marriott compensates for Hilton´s absence in Europe by increasing its share there, and further consolidates its presence in the U.S. It´s important to note that this analysis is relative (based on market share) and that Marriott offers more than double the number of rooms compared to Hilton.

IHG stands out as it groups Europe, the Middle East, and Asia together in its geographical segmentation, while also reporting Greater China separately due to its significant presence. Interestingly, IHG seems to have the most similarities with Accor SA, however, it´s closer to behave like the other American enterprises. The French Group reports a combined total of 87% of its rooms in Europe, IMEAT, and Asia-Pacific, while IHG´s offerings in China and EMEA make up 45% of its total. What´s surprising is that IHG, a UK-based company, has chosen to focus heavily on the American market. This puts it in direct competition with major players like Marriott and Hilton, which offer 3x and 1.2x more rooms, respectively. This is even more surprisingly since IHG have more rooms than Accor SA to offer (1.04x more), thus, relative valuation previously emphasized just worsens this comparison.

This strategy leaves Accor SA with more opportunities to expand in the European market, where its pipeline strength is notably superior to IHG´s. After a comprehensive analysis, it appears that there isn´t a significant threat to the French Group´s stronghold in Europe. However, it should be mindful not to compromise its leading position in Europe by diverting too much focus elsewhere.

Shifting attention to different business segments, more insightful information can be derived, particularly when looking at franchised and managed properties, which reflect a broader industry trend (see Figure 41). At least 97.2% of all

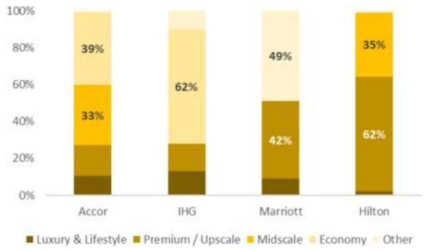

Figure 42. Price segments weights in terms of number of rooms in 2022

Source: Annual Reports

available rooms are generating fee revenue rather than being company-owned. IHG stands out in the fee business, with a mere 0.4% of its room offerings falling under owned and leased hotels.

It´s noteworthy to mention Hilton, Marriott and IHG have been implementing this strategy since at least 2019, while, in contrast, Accor SA was managing 6% of owned and leased hotels in 2019. However, it began to align more closely with its competitors when it started to execute its asset-light model strategy. This approach was rapidly adopted in response to the onset of the pandemic.

To conclude, when it comes to pricing categories, the French hotel chain, with its 39% share in economy brands is most closely matched by IHG, which also prioritizes the economy segment with a larger share of 62% (see Figure 42). When the economy and premium offerings are combined, IHG is the leader with an 81% stake. The midscale segment is exclusively operated by Hilton and Accor SA, with the latter being outperformed by the American hotel chain by a marginal 2 percentage point. Hilton predominantly manages their hotels under the midscale and premium categories (with a combined share of 97%), leading in the upscale category, and is the one presenting a smaller stake in the luxury & lifestyle segment, comparing to other three hotel chains.

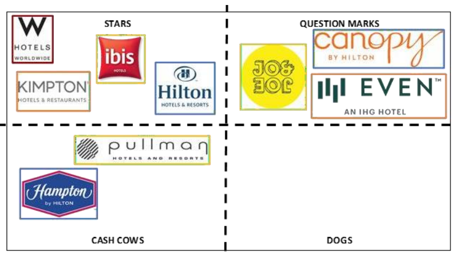

Figure 43. BCG matrix displaying different brands of the four Groups

Red border represents brands from Marriott, the yellow one from Accor SA, the orange from IHG and the blue from Hilton

Furthermore, Accor SA offers a diverse range of rooms across various price segments, in contrast to firms based in Maryland and Virginia, which operate within only three price segments. Marriott´s primary price segment is “Select”, which is characterized by its smart and straightforward amenities and services. Within this segment, Classic and Distinctive brands are differentiated, with Courtyard and AC Hotels serving as examples, respectively.

A BCG Matrix was constructed using the brands from the four competitors, serving as a tool for broader strategic planning (see Figure 43).

PEER COMPARISON				
	ACCOR SA	***HILTON***	***MARRIOTT***	***IHG***
Revenues (m€)	4224	8343	19755	3892
EBIT (m€)	480	1991	3292	628
EBIT Margin	11%	24%	17%	16%
Core EBT (m€)	467	2355	3304	764
RevPar	**62**	**96,9**	**105,2**	**59,5**
Occupancy Rate	**59,80%**	**67,50%**	**64%**	**62,50%**
ARR	**103**	**143,6**	**164,4**	**95,2**
Rooms	802269	1074791	1525407	911000
Rooms in pipeline	216000	408000	496000	79095
Hotels	5445	6837	8288	5964
Hotels in pipeline	1247	2670	3000	1859
Geographical focus	**Europe - 43,1%**	**US - 70,2%**	**US & Canada - 63,3%**	**Americas - 56%**
% Fee Business	**97,20%**	**98,30%**	**98,22%**	**99,60%**
Price segment focus	**Economy - 39,3%**	**Upscale - 62%**	**Select - 49%**	**Ecoomy - 62%**

Regarding accounting practices, Marriott and Hilton complies with GAAP whereas Accor SA and IHG prepare theirs in line with FRS, which might bring substantial differences, mainly in: methodology (GAPP is rules-based, offering detailed instructions for numerous scenarios, while IFRS is principles-based, providing broad guidance and allowing for more professional discretion), timing of revenue and profit recognition (that may vary, with IFRS permitting the capitalization of certain development costs, while GAAP typically records these costs as they are incurred), and consolidation of entities (with Marriott required to do it based on majority voting rights, while Accor SA consolidates based on control solely).

Appendix

Financial Statements

Forecasted Balance Sheet															
Million € (except per share data)	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**
Core operations															
Operating cash	43	135	222	103	81	115	136	141	140	149	155	158	163	170	171
Operating Cash (% Revenues)	*1,1%*	*8,3%*	*10,1%*	*2,4%*	*1,8%*	*2,1%*	*2,1%*	*2,1%*	*2,0%*	*2,1%*	*2,1%*	*2,1%*	*2,1%*	*2,1%*	*2,1%*
Property, plant and equipment	632	242	230	305	366	348	371	363	373	361	369	355	360	353	367
Property, plant and equipment (Per Hotel Asset Hotel)	*2,084*	*0,683*	*0,932*	*1,026*	*1,35*	*1,19*	*1,27*	*1,23*	*1,25*	*1,24*	*1,24*	*1,24*	*1,24*	*1,24*	*1,24*
Property, plant and equipment (Per Hotel Asset Room Room)	*0,00066*	*0,00234*	*0,00266*	*0,00504*	*0,0053*	*0,0052*	*0,0053*	*0,0052*	*0,0052*	*0,0052*	*0,0052*	*0,0052*	*0,0052*	*0,0052*	*0,0052*
Property, plant and equipment (Other PP&E)	*82*	*64*	*59*	*75*	*95*	*85*	*90*	*88*	*89*	*88*	*88*	*88*	*88*	*88*	*88*
Property, plant and equipment (% Hotel Assets Revenues)	*51%*	*49%*	*36%*	*28%*	*38%*	*32%*	*31%*	*29%*	*31%*	*31%*	*30%*	*30%*	*30%*	*30%*	*30%*
Inventories	20	21	9	19	23	31	39	38	38	37	37	36	36	35	34
Holding Period (days)	*6,68*	*9,56*	*4,27*	*5,56*	*5,28*	*5,02*	*4,76*	*4,53*	*4,30*	*4,08*	*3,88*	*3,69*	*3,50*	*3,33*	*3,16*
Trade Receivables	649	534	631	794	808	941	1108	1139	1161	1186	1223	1242	1276	1304	1307
Collection Period (days)	*58,50*	*120,24*	*104,50*	*68,61*	*63,56*	*62,92*	*62,29*	*61,67*	*61,05*	*60,44*	*59,84*	*59,24*	*58,65*	*58,06*	*57,48*
Other Intangible Assets	3130	2720	3112	3128	3090	3652	4409	4601	4695	4841	4998	5146	5301	5459	5453
Intangible Assets (% Hotel Services Revenues)	*77%*	*168%*	*141%*	*74%*	*83%*	*83%*	*83%*	*83%*	*81%*	*80%*	*80%*	*79%*	*78%*	*77%*	*77%*
Contract assets	216	201	289	339	443	440	531	589	614	620	652	684	709	735	743
Contract Assets (% Revenues Hotel Services)	*7,5%*	*17,6%*	*18,3%*	*10,6%*	*11,9%*	*10,0%*	*10,0%*	*10,6%*	*10,6%*	*10,3%*	*10,4%*	*10,5%*	*10,4%*	*10,4%*	*10,4%*
Right-of-use-Assets	531	377	318	430	588	584	571	566	540	507	496	456	440	409	406
Right-of-use Assets (Per Hotel)	*1,811*	*1,888*	*2,632*	*3,684*	*3,16*	*3,16*	*3,16*	*3,29*	*3,19*	*3,20*	*3,21*	*3,22*	*3,21*	*3,21*	*3,21*
Right-of-use Assets (Other Right-of-use Assets)	*80*	*73*	*10*	*10*	*231*	*209*	*187*	*165*	*143*	*121*	*99*	*77*	*55*	*33*	*11*
Right-of-use Assets (% Hotel Asset Revenues)	*43,0%*	*77,1%*	*50,2%*	*39,7%*	*61,8%*	*53,9%*	*47,1%*	*46,0%*	*45,1%*	*43,0%*	*40,6%*	*39,2%*	*37,1%*	*34,9%*	*33,7%*
Trade Payables	441	327	391	489	588	785	1000	987	1004	1022	1041	1058	1078	1097	1081
Payable Period (days)	*147*	*149*	*186*	*143*	*136*	*129*	*123*	*116*	*114*	*112*	*110*	*107*	*105*	*103*	*101*
Contract liabilities	254	228	182	226	378	536	543	549	613	645	650	679	715	742	745
Contract liabilities (% Revenues Hotel Services)	*8,8%*	*20,0%*	*11,5%*	*7,1%*	*10,1%*	*12,2%*	*10,2%*	*9,9%*	*10,6%*	*10,7%*	*10,4%*	*10,4%*	*10,5%*	*10,5%*	*10,4%*
Wages salaries and payroll tax payables	219	167	192	241	223	231	248	246	249	256	260	265	264	265	267
Wages Salaries (Per Number of Employees)	*0,00073*	*0,00063*	*0,00083*	*0,00083*	*0,00075*	*0,00076*	*0,00080*	*0,00078*	*0,00077*	*0,00078*	*0,00078*	*0,00078*	*0,00078*	*0,00078*	*0,00078*
Loyalty Program Liabilities	-	-	180	239	321	343	439	432	457	466	490	499	520	536	543
Loyalty Program (% Revenues)	*-*	*-*	*8,17%*	*5,66%*	*6,91%*	*6,29%*	*6,76%*	*6,40%*	*6,59%*	*6,51%*	*6,56%*	*6,52%*	*6,54%*	*6,53%*	*6,54%*
Godwill	1947	1807	2053	2282	2266	2678	3234	3374	3232	3199	3168	3131	3095	3058	2931
Goodwill (% of Hotel Services Revenues)	*67%*	*158%*	*130%*	*71%*	*61%*	*61%*	*61%*	*61%*	*56%*	*53%*	*51%*	*48%*	*46%*	*43%*	*41%*
Core Invested Capital	**6254**	**5315**	**5919**	**6205**	**6156**	**6892**	**8170**	**8598**	**8469**	**8511**	**8656**	**8707**	**8804**	**8884**	**8776**
Non Core Business															
Equity-accounted investments	1841	1168	898	1012	1118	1140	1202	1194	1160	1142	1130	1112	1091	1072	1056
Weight of Accor Invest	*33,6%*	*53,1%*	*61,1%*	*57,9%*	*59,5%*	*59,5%*	*59,5%*	*59,0%*	*59,5%*	*59,4%*	*59,4%*	*59,4%*	*59,3%*	*59,4%*	*59,4%*
Weight of other investments	*66,4%*	*46,9%*	*38,9%*	*42,1%*	*43,5%*	*38,7%*	*35,4%*	*37,3%*	*38,9%*	*39,4%*	*39,0%*	*39,8%*	*40,9%*	*41,6%*	*42,1%*
Value of other Equity-accounted investments	*1222*	*548*	*349*	*426*	*487*	*441*	*426*	*445*	*451*	*450*	*441*	*443*	*447*	*446*	*445*
Deferred tax assets	218	173	192	193	192	234	310	343	359	385	430	444	482	512	528
Defered tax assets (% EBT)	*32,2%*	*(7,9%)*	*362,3%*	*35,5%*	*33,8%*	*34,7%*	*34,3%*	*34,3%*	*34,4%*	*34,3%*	*34,3%*	*34,4%*	*34,3%*	*34,3%*	*34,3%*
Other Assets	268	225	325	405	507	564	644	576	657	587	670	599	683	611	697
Growth	*6,6%*	*(16,0%)*	*44,4%*	*24,6%*	*25,2%*	*11,3%*	*27,0%*	*2,0%*	*2,0%*	*2,0%*	*2,0%*	*2,0%*	*2,0%*	*2,0%*	*2,0%*
Assets classified as held for sale	1761	395	406	687	189	222	264	274	282	291	303	311	323	333	337
Assets classified as held for sale (% Revenues)	*43,5%*	*24,4%*	*18,4%*	*16,3%*	*4,1%*	*4,1%*	*4,1%*	*4,1%*	*4,1%*	*4,1%*	*4,1%*	*4,1%*	*4,1%*	*4,1%*	*4,1%*
Deferred tax liabilities	621	513	561	540	538	546	541	542	542	543	542	542	542	542	542
Pensions and other benefits	-	-	56	47	92	85	90	91	90	92	93	94	95	96	97
Pensions and other benefits (% of Personnel Costs)	*-*	*-*	*5,0%*	*3,6%*	*4,3%*	*4,0%*	*4,1%*	*4,1%*	*4,1%*	*4,1%*	*4,1%*	*4,1%*	*4,1%*	*4,1%*	*4,1%*
Pensions and other benefits (% Revenues)	*-*	*-*	*2,5%*	*1,1%*	*2,0%*	*1,6%*	*1,4%*	*1,3%*	*1,3%*	*1,3%*	*1,2%*	*1,2%*	*1,2%*	*1,2%*	*1,2%*
Provisions	405	555	345	244	410	377	376	402	391	376	372	370	362	355	350
Provisions (% Equity-Accounted Investments)	*22,0%*	*47,5%*	*38,4%*	*24,1%*	*36,7%*	*33,1%*	*31,3%*	*33,7%*	*33,7%*	*32,9%*	*32,9%*	*33,3%*	*33,2%*	*33,1%*	*33,1%*
Liabilities associated with assets classified as held for sale	845	326	294	276	76	89	106	110	113	117	122	125	130	134	136
Liabilities associated with assets classified as held for sale (% Revenues)	*20,9%*	*20,1%*	*13,3%*	*6,5%*	*1,6%*	*1,6%*	*1,6%*	*1,6%*	*1,6%*	*1,6%*	*1,6%*	*1,6%*	*1,6%*	*1,6%*	*1,6%*
Current Liabilities	484	412	417	618	704	886	997	1050	1081	1124	1160	1194	1239	1280	1294
Current Liabilities (% Revenues)	*12,0%*	*25,4%*	*18,9%*	*14,6%*	*15,2%*	*16,2%*	*15,3%*	*15,6%*	*15,6%*	*15,7%*	*15,6%*	*15,6%*	*15,6%*	*15,6%*	*15,6%*
Non Core Invested Capital	**1733**	**155**	**148**	**572**	**187**	**176**	**310**	**191**	**241**	**153**	**245**	**141**	**211**	**121**	**201**
Total Invested Capital	**7987**	**5470**	**6067**	**6777**	**6342**	**7068**	**8480**	**8789**	**8709**	**8665**	**8901**	**8848**	**9014**	**9005**	**8104**
Financing Business															
Excess Cash	**2297**	**2377**	**1489**	**1577**	**2013**	**1839**	**1503**	**1354**	**1296**	**1246**	**1164**	**1092**	**1022**	**968**	**944**
% Net Financial Debt	*197%*	*173%*	*83%*	*92%*	*88%*	*88%*	*88%*	*89%*	*88%*	*88%*	*88%*	*88%*	*88%*	*88%*	*88%*
Excess cash	2236	2339	1444	1540	1968	1799	1460	1313	1254	1204	1122	1050	980	926	903
Current financial assets	61	38	45	37	45	40	42	41	43	42	41	42	42	42	42
Other non-current financial asets	**383**	**170**	**595**	**438**	**472**	**502**	**471**	**481**	**481**	**484**	**479**	**481**	**481**	**481**	**481**
% Net Financial Debt	*33%*	*12%*	*33%*	*25%*	*24%*	*28%*	*26%*	*26%*	*26%*	*26%*	*26%*	*26%*	*26%*	*26%*	*26%*
Debt	**3847**	**3924**	**3869**	**3735**	**3669**	**3713**	**3624**	**3622**	**3605**	**3625**	**3614**	**3605**	**3596**	**3594**	**3586**
Non-current financial debt	2840	2473	2572	2261	2238	2216	2194	2172	2150	2183	2175	2170	2169	2174	2172
Non current financial debt (% Debt)	*73,8%*	*63,0%*	*66,5%*	*60,5%*	*61,0%*	*59,7%*	*60,5%*	*60,0%*	*59,6%*	*60,2%*	*60,2%*	*60,2%*	*60,3%*	*60,5%*	*60,6%*
Non-current lease liabilities	461	314	263	377	354	318	328	344	336	332	335	337	335	334	335
Non current lease liabilities (% Debt)	*12,0%*	*8,0%*	*6,8%*	*10,1%*	*9,6%*	*8,6%*	*9,0%*	*9,5%*	*9,3%*	*9,1%*	*9,3%*	*9,3%*	*9,3%*	*9,3%*	*9,3%*
Current financial debt	306	969	630	608	628	709	644	647	657	650	644	637	631	625	619
Current financial debt (% Debt)	*8,0%*	*24,7%*	*16,3%*	*16,3%*	*17,1%*	*19,1%*	*17,8%*	*17,9%*	*18,2%*	*17,9%*	*17,8%*	*17,7%*	*17,6%*	*17,4%*	*17,2%*
Current lease liabilities	87	102	90	92	93	94	92	93	93	93	93	93	93	93	93
Current lease liabilities (% Debt)	*2,3%*	*2,6%*	*2,3%*	*2,5%*	*2,5%*	*2,5%*	*2,5%*	*2,6%*	*2,6%*	*2,6%*	*2,6%*	*2,6%*	*2,6%*	*2,6%*	*2,6%*
Minority Interests	153	66	314	397	356	376	366	366	369	367	367	368	367	368	368
Minority Interests (% Debt)	*4,0%*	*1,7%*	*8,1%*	*10,6%*	*9,7%*	*10,1%*	*10,1%*	*10,1%*	*10,2%*	*10,1%*	*10,2%*	*10,2%*	*10,2%*	*10,2%*	*10,3%*
Net Invested in Financial Activities	**1167**	**1377**	**1785**	**1720**	**1183**	**1372**	**1650**	**1787**	**1828**	**1895**	**1971**	**2032**	**2093**	**2145**	**2161**
Equity	**6820**	**4093**	**4282**	**5057**	**5159**	**5696**	**6830**	**7003**	**6881**	**6769**	**6930**	**6816**	**6922**	**6860**	**6816**

Forecasted Income Statement

Million € (except per share data)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Core Business															
Revenue	**4049**	**1621**	**2204**	**4224**	**4638**	**5458**	**6495**	**6740**	**6939**	**7162**	**7459**	**7653**	**7940**	**8200**	**8296**
Revenue from M&F Segment	1026	292	518	1052	1150	1239	1428	1503	1570	1643	1725	1794	1869	1945	1983
ENA	*525*	*131*	*232*	*500*	*561*	*579*	*659*	*681*	*711*	*748*	*769*	*802*	*808*	*836*	*846*
ASAP	*214*	*72*	*98*	*157*	*217*	*234*	*283*	*312*	*336*	*368*	*406*	*443*	*468*	*492*	*489*
MEA	*107*	*36*	*77*	*195*	*156*	*193*	*220*	*266*	*270*	*310*	*325*	*369*	*410*	*455*	*459*
Americas	*181*	*52*	*111*	*199*	*216*	*233*	*266*	*244*	*253*	*217*	*225*	*180*	*184*	*162*	*188*
Weight in Total Core Revenues	*25%*	*18%*	*24%*	*25%*	*25%*	*23%*	*22%*	*22%*	*23%*	*23%*	*23%*	*23%*	*24%*	*24%*	*24%*
Growth	-	*-72%*	*77%*	*103%*	*9%*	*8%*	*15%*	*5%*	*4%*	*5%*	*5%*	*4%*	*4%*	*4%*	*2%*
Revenue from Service to Owners Segment	1867	850	1064	2143	2575	3164	3888	4044	4205	4374	4549	4731	4920	5117	5142
Weight in Total Core Revenues	*46%*	*52%*	*48%*	*51%*	*56%*	*58%*	*60%*	*60%*	*61%*	*61%*	*61%*	*62%*	*62%*	*62%*	*62%*
Growth	-	*-54%*	*25%*	*101%*	*20%*	*23%*	*23%*	*4%*	*4%*	*4%*	*4%*	*4%*	*4%*	*4%*	*0%*
Revenue from Hotel Assets Segment	1236	489	633	1084	952	1083	1212	1231	1198	1180	1221	1164	1186	1173	1206
Weight in Total Core Revenues	*31%*	*30%*	*29%*	*26%*	*21%*	*20%*	*19%*	*18%*	*17%*	*16%*	*16%*	*15%*	*15%*	*14%*	*15%*
Growth	-	*(60,44%)*	*29,45%*	*71,25%*	*(12,19%)*	*13,76%*	*11,92%*	*1,57%*	*(2,67%)*	*(1,55%)*	*3,50%*	*(4,67%)*	*1,89%*	*(1,11%)*	*2,83%*
Revenue from Corporate & Intercos	-81	-9	-11	-54	-39	-28	-33	-38	-35	-34	-35	-35	-35	-35	-35
Weight in Total Core Revenues	*-2%*	*-1%*	*0%*	*-1%*	*-1%*	*-1%*	*-1%*	*-1%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Growth	-	*(88,89%)*	*22,22%*	*390,91%*	*(28,24%)*	*(27,26%)*	*17,02%*	*16,66%*	*(10,08%)*	*(3,00%)*	*4,00%*	*1,38%*	*(2,18%)*	*0,01%*	*0,76%*
Costs	**-3763**	**-3243**	**-2523**	**-3757**	**-4071**	**-4783**	**-5591**	**-5739**	**-5896**	**-6042**	**-6207**	**-6359**	**-6537**	**-6709**	**-6758**
Operating Expenses	-3224	-2011	-2183	-3549	-3861	-4544	-5339	-5484	-5619	-5763	-5924	-6070	-6238	-6404	-6453
Cost of Goods Sold	*-107*	*-49*	*-54*	*-82*	-83	-94	-101	-103	-102	-100	-103	-98	-100	-99	-102
Per Hotel	*0,430*	*0,304*	*0,462*	*0,719*	*0,715*	*0,795*	*0,834*	*0,842*	*0,822*	*0,831*	*0,833*	*0,836*	*0,837*	*0,846*	*0,829*
% of HA&O Revenues	*8,66%*	*10,02%*	*8,53%*	*7,56%*	*8,69%*	*8,70%*	*8,37%*	*8,33%*	*8,53%*	*8,48%*	*8,43%*	*8,44%*	*8,47%*	*8,46%*	*8,45%*
% of Core Revenues	*2,64%*	*3,02%*	*2,45%*	*1,94%*	*1,78%*	*1,73%*	*1,56%*	*1,52%*	*1,47%*	*1,40%*	*1,38%*	*1,28%*	*1,26%*	*1,21%*	*1,23%*
Personnel expenses	*-1939*	*-1115*	*-1300*	*-2097*	*-2120*	*-2144*	*-2167*	*-2190*	*-2213*	*-2237*	*-2260*	*-2283*	*-2307*	*-2330*	*-2353*
Per employee	*0,0065*	*0,0042*	*0,0056*	*0,0072*	*0,0072*	*0,0071*	*0,0070*	*0,0070*	*0,0069*	*0,0068*	*0,0068*	*0,0067*	*0,0068*	*0,0068*	*0,0069*
Per Hotel	*0,3850*	*0,2170*	*0,2454*	*0,3851*	*0,3800*	*0,3755*	*0,3713*	*0,3676*	*0,3616*	*0,3560*	*0,3545*	*0,3515*	*0,3539*	*0,3543*	*0,3544*
% of Hotel Core Revenues	*47,89%*	*68,78%*	*58,98%*	*49,64%*	*45,71%*	*39,28%*	*33,36%*	*32,50%*	*31,90%*	*31,23%*	*30,30%*	*29,83%*	*29,05%*	*28,41%*	*28,36%*
Property rents	*-62*	*-12*	*-30*	*-91*	-49	-56	-71	-76	-67	-67	-71	-68	-68	-68	-70
Per leased hotel	*0,36*	*0,08*	*0,27*	*0,83*	*0,44*	*0,49*	*0,61*	*0,65*	*0,56*	*0,58*	*0,60*	*0,60*	*0,59*	*0,60*	*0,59*
% of HA&O Revenues	*5,02%*	*2,45%*	*4,74%*	*8,39%*	*5,15%*	*5,18%*	*5,87%*	*6,15%*	*5,59%*	*5,70%*	*5,83%*	*5,82%*	*5,73%*	*5,77%*	*5,79%*
Energy, maintenance and repairs	*-70*	*-41*	*-45*	*-63*	*-64*	*-76*	*-81*	*-81*	*-81*	*-80*	*-82*	*-78*	*-80*	*-79*	*-81*
Per Hotel	*0,281*	*0,255*	*0,385*	*0,553*	*0,555*	*0,641*	*0,665*	*0,663*	*0,650*	*0,660*	*0,660*	*0,662*	*0,664*	*0,671*	*0,657*
Per owned and leased hotel	*0,281*	*0,255*	*0,385*	*0,553*	*0,555*	*0,641*	*0,665*	*0,663*	*0,650*	*0,660*	*0,660*	*0,662*	*0,664*	*0,671*	*0,657*
% of Hotel Assets Revenues	*5,66%*	*8,38%*	*7,11%*	*5,81%*	*6,74%*	*7,01%*	*6,67%*	*6,56%*	*6,75%*	*6,75%*	*6,68%*	*6,68%*	*6,71%*	*6,71%*	*6,70%*
Taxes	*-60*	*-41*	*-39*	*-50*	*-47*	*-47*	*-45*	*-46*	*-47*	*-46*	*-46*	*-46*	*-46*	*-46*	*-46*
% of Core EBT	*20,91%*	*(2,53%)*	*(12,26%)*	*10,71%*	*8,33%*	*7,03%*	*4,97%*	*4,57%*	*4,51%*	*4,15%*	*3,70%*	*3,56%*	*3,30%*	*3,12%*	*3,01%*
Other Operating Expenses	*-986*	*-753*	*-715*	*-1166*	-1497	-2126	-2874	-2989	-3109	-3233	-3362	-3497	-3637	-3782	-3801
% of Service to Owners Revenues	*52,81%*	*88,59%*	*67,20%*	*54,41%*	*58,14%*	*67,20%*	*73,92%*	*73,92%*	*73,92%*	*73,92%*	*73,92%*	*73,92%*	*73,92%*	*73,92%*	*73,92%*
Depreciation and amortization	-328	-274	-249	-228	-174	-194	-221	-229	-242	-245	-251	-258	-267	-273	-274
% of PPE and Intangible assets	*5,75%*	*5,75%*	*4,62%*	*3,99%*	*5,02%*	*4,84%*	*4,62%*	*4,62%*	*4,78%*	*4,71%*	*4,68%*	*4,70%*	*4,72%*	*4,70%*	*4,70%*
% of PPE	*51,90%*	*113,22%*	*108,26%*	*74,75%*	*47,40%*	*55,74%*	*59,49%*	*63,19%*	*64,90%*	*67,85%*	*68,03%*	*72,84%*	*74,15%*	*77,34%*	*74,58%*
% of Intangible assets	*6,46%*	*6,05%*	*4,82%*	*4,21%*	*5,62%*	*5,30%*	*5,01%*	*4,98%*	*5,16%*	*5,07%*	*5,03%*	*5,02%*	*5,04%*	*5,01%*	*5,02%*
Other Income and Expenses	-211	-958	-91	20	-37	-45	-31	-26	-35	-33	-32	-31	-33	-32	-32
Impairment losses	*-181*	*-1031*	*-51*	*61*	*-5*	*28*	*12*	*24*	*15*	*20*	*18*	*19*	*18*	*19*	*18*
% of Equity-accounted investments	*(6033,33%)*	*178,37%*	*18,68%*	*184,85%*	*0,40%*	*2,48%*	*0,99%*	*2,02%*	*1,29%*	*1,73%*	*1,57%*	*1,72%*	*1,64%*	*1,74%*	*1,74%*
% of non-current contract assets	*83,80%*	*512,94%*	*17,65%*	*17,99%*	*1,02%*	*(6,42%)*	*(2,24%)*	*(4,10%)*	*(2,44%)*	*(3,19%)*	*(2,72%)*	*(2,80%)*	*(2,52%)*	*(2,54%)*	*(2,47%)*
% of Δ in non-current contract assets	-	*6873,33%*	*(57,95%)*	*122,00%*	*(4,33%)*	*(897,42%)*	*13,02%*	*41,56%*	*61,23%*	*307,11%*	*56,27%*	*58,85%*	*70,54%*	*73,13%*	*219,16%*
% of intangible assets and PPE	*4,81%*	*34,81%*	*1,53%*	*1,78%*	*0,13%*	*(0,71%)*	*(0,25%)*	*(0,49%)*	*(0,29%)*	*(0,38%)*	*(0,33%)*	*(0,35%)*	*(0,32%)*	*(0,32%)*	*(0,32%)*
% of Δ in Intangible assets and PPE	-	*128,88%*	*(13,42%)*	*67,03%*	*(19,70%)*	*5,20%*	*1,52%*	*13,17%*	*14,37%*	*14,67%*	*10,77%*	*14,34%*	*11,17%*	*12,31%*	*254,73%*
Restrucutring costs	*-8*	*-167*	*-14*	*-38*	*-20*	*-60*	*-33*	*-38*	*-38*	*-42*	*-38*	*-39*	*-39*	*-39*	*-39*
Other non-recurring income and expenses	*-22*	*240*	*-26*	*-3*	*-13*	*-14*	*-10*	*-12*	*-12*	*-11*	*-12*	*-12*	*-12*	*-12*	*-12*
Core Result Before Taxes	**286**	**-1622**	**-319**	**467**	**567**	**675**	**904**	**1001**	**1044**	**1121**	**1252**	**1294**	**1403**	**1491**	**1538**
Statutory Taxes	-61	357	602	-72	-142	-169	-226	-250	-261	-280	-313	-323	-351	-373	-385
Statutory Tax Rate	*21,30%*	*22,01%*	*188,69%*	*15,47%*	*25,00%*	*25,00%*	*25,00%*	*25,00%*	*25,00%*	*25,00%*	*25,00%*	*25,00%*	*25,00%*	*25,00%*	*25,00%*
Tax adjustments	-40	-364	-119	-17	-43	-43	-30	-33	-37	-36	-34	-35	-36	-35	-35
Core Result	**185**	**-1629**	**164**	**378**	**382**	**463**	**648**	**717**	**746**	**805**	**905**	**935**	**1017**	**1083**	**1119**
Non-core Business															
Other Income and Expenses	389	1	646	43	261	238	297	209	251	249	252	240	248	247	247
Reversal of pension provisions	37	0	0	0	0	0	0	0	0	0	0	0	0	0	0
% of provisions	*9%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Gains and losses on disposal	352	1	646	43	261	238	297	209	251	249	252	240	248	247	247
Share of net results of equity-accounted investments	3	-578	-273	33	70	77	85	93	102	113	124	136	150	165	182
Non-Core Result Before Taxes	**392**	**-577**	**373**	**76**	**331**	**315**	**381**	**303**	**354**	**361**	**376**	**377**	**398**	**412**	**428**
Statutory Taxes	-83	127	-706	-12	-83	-79	-95	-76	-88	-90	-94	-94	-99	-103	-107
Statutory Tax Rate	*21,23%*	*22,00%*	*189,29%*	*15,47%*	*25,00%*	*25,00%*	*25,00%*	*25,00%*	*25,00%*	*25,00%*	*25,00%*	*25,00%*	*25,00%*	*25,00%*	*25,00%*
Tax adjustments	30	-81	81	12	11	6	27	14	14	15	18	15	16	16	16
Other comprehensive income	139	-372	96	325	187	203	203	243	211	219	211	224	215	220	215
Profit from discountinued operations	20	257	77	43	72	60	49	38	27	16	5	0	0	0	0
Total Non-core Result	**498**	**-646**	**-79**	**444**	**517**	**505**	**565**	**522**	**517**	**521**	**515**	**522**	**529**	**545**	**553**
Financing Operations															
Net Financial Expense	-75	-108	-109	-84	-97	-92	-89	-93	-90	-89	-90	-90	-90	-89	-89
% Debt previous year	-	*2,81%*	*2,78%*	*2,17%*	*2,59%*	*2,51%*	*2,42%*	*2,51%*	*2,48%*	*2,47%*	*2,49%*	*2,48%*	*2,48%*	*2,48%*	*2,48%*
Financing Result Before Taxes	**-75**	**-108**	**-109**	**-84**	**-97**	**-92**	**-89**	**-93**	**-90**	**-89**	**-90**	**-90**	**-90**	**-89**	**-89**
Statutory Taxes	16	24	206	13	24	23	22	23	22	22	22	22	22	22	22
Statutory Tax Rate	*21,23%*	*22,00%*	*189,29%*	*15,47%*	*25,00%*	*25,00%*	*25,00%*	*25,00%*	*25,00%*	*25,00%*	*25,00%*	*25,00%*	*25,00%*	*25,00%*	*25,00%*
Tax adjustments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Financing Result	**-59**	**-84**	**97**	**-71**	**-72**	**-69**	**-67**	**-70**	**-67**	**-67**	**-67**	**-67**	**-67**	**-67**	**-67**
Total Comprehensive Income	**624**	**-2359**	**182**	**751**	**826**	**899**	**1147**	**1170**	**1196**	**1259**	**1353**	**1390**	**1479**	**1560**	**1604**

Forecasted Statement of Cash Flows															
Million € (except per share data)	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**
Core EBT	**287**	**-1623**	**-318**	**467**	**567**	**675**	**904**	**1001**	**1044**	**1121**	**1252**	**1294**	**1403**	**1491**	**1538**
Core Statutory Tax	-61	357	602	-72	-142	-169	-226	-250	-261	-280	-313	-323	-351	-373	-385
Core Tax Adjustments	-40	-364	-119	-17	-43	-43	-30	-33	-37	-36	-34	-35	-36	-35	-35
NOPLAT	**186**	**-1630**	**165**	**378**	**382**	**463**	**648**	**717**	**746**	**805**	**905**	**935**	**1017**	**1083**	**1119**
Depreciation and amortization	328	274	249	228	174	194	221	229	242	245	251	258	267	273	274
Gross Free Cash Flow	**514**	**-1356**	**414**	**606**	**556**	**657**	**869**	**946**	**988**	**1050**	**1156**	**1193**	**1284**	**1356**	**1392**
(-) Net Capex		116	-237	-303	-235	-175	-244	-221	-252	-234	-259	-244	-272	-267	-287
(-) Changes in net working capital		-143	-83	92	85	31	34	-50	1	-10	-18	1	-21	-13	-16
(-) Increase in other operating assets and liabilities - net		553	-287	-75	10	-374	-733	-246	-3	-78	-149	-103	-107	-110	10
(-) Increase in intangibles - Goodwill		140	-246	-229	16	-412	-555	-141	142	34	30	38	36	36	127
Operating Free Cash Flow	**514**	**-690**	**-439**	**91**	**431**	**-273**	**-629**	**289**	**875**	**762**	**760**	**885**	**920**	**1003**	**1227**
Growth rate		*-234%*	*-36%*	*-121%*	*373%*	*-163%*	*130%*	*-146%*	*203%*	*-13%*	*0%*	*16%*	*4%*	*9%*	*22%*
Non Core EBT	**392**	**-577**	**373**	**76**	**331**	**315**	**381**	**303**	**354**	**361**	**376**	**377**	**398**	**412**	**428**
Non-core statutory taxes	-83	127	-706	-12	-83	-79	-95	-76	-88	-90	-94	-94	-99	-103	-107
Non-core tax adjustments	30	-81	81	12	11	6	27	14	14	15	18	15	16	16	16
Profits from discountinued operations	20	257	77	43	72	60	49	38	27	16	5	0	0	0	0
Other comprehensive income, net of tax	139	-372	96	325	187	203	203	243	211	219	211	224	215	220	215
Non-Core NOPLAT	**498**	**-646**	**-79**	**444**	**517**	**505**	**565**	**522**	**517**	**521**	**515**	**522**	**529**	**545**	**553**
(-) Changes in non-operating assets and liabilities - net		1578	7	-424	385	11	-134	119	-49	87	-91	103	-69	90	-80
Non-Operating Free Cash Flow	**498**	**932**	**-72**	**20**	**902**	**515**	**431**	**641**	**468**	**609**	**424**	**626**	**460**	**634**	**473**
Growth rate		*87%*	*-108%*	*-128%*	*4354%*	*-43%*	*-16%*	*49%*	*-27%*	*30%*	*-30%*	*48%*	*-26%*	*38%*	*-25%*
FREE CASH FLOW TO FIRM	**1012**	**242**	**-511**	**111**	**1333**	**242**	**-198**	**930**	**1343**	**1370**	**1184**	**1510**	**1380**	**1637**	**1699**
Growth rate		*-76%*	*-311%*	*-122%*	*1096%*	*-82%*	*-182%*	*-570%*	*44%*	*2%*	*-14%*	*28%*	*-9%*	*19%*	*4%*
Interest	-75	-108	-109	-84	-97	-92	-89	-93	-90	-89	-90	-90	-90	-89	-89
Tax Shields	16	24	206	13	24	23	22	23	22	22	22	22	22	22	22
Change in net financial debt		296	160	-147	-495	168	289	136	38	70	75	60	62	52	16
Change in minority interests		-87	248	83	-42	21	-10	0	3	-2	0	1	0	0	0
Net changes in equity		-365	3	24	-724	-362	-14	-997	-1317	-1371	-1192	-1503	-1374	-1622	-1648
TOTAL FCF FROM INVESTORS		**-240**	**508**	**-111**	**-1333**	**-242**	**198**	**-930**	**-1343**	**-1370**	**-1184**	**-1510**	**-1380**	**-1637**	**-1699**
Growth rate			*-312%*	*-122%*	*1096%*	*-82%*	*-182%*	*-570%*	*44%*	*2%*	*-14%*	*28%*	*-9%*	*19%*	*4%*

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Buy	Expected total return (including expected capital gains and expected dividend yield) of more than 10% over a 12-month period.
Hold	Expected total return (including expected capital gains and expected dividend yield) between 0% and 10% over a 12-month period.
Sell	Expected negative total return (including expected capital gains and expected dividend yield) over a 12-month period.

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