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Jupiter Hotel Group - Exploring Growth Options in Tourism under COVID-19

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Abstract:

At a time when Tourism is dramatically impacted by the new coronavirus outbreak, the Jupiter Hotel Group saw its expansion plan forcefully stopped. In the Sales and Development team – where the present Directed Research Internship took place – the goal was to find a way back to growth. By unpacking the competitive landscape and analyzing the Group's historical performance, it was possible to advance a set of strategic recommendations as to which course of action Jupiter should follow during the next 18 months. The present analysis proposes the Group could benefit from expanding vertically to Tourism Real Estate. This strategy would not only enable Jupiter Hotel Group to create financial conditions while mitigating systematic risk, but also sharpen its main sources for competitive advantage to return to the main strategy: Differentiation in Portuguese Accommodation.

Key Words:

Competitive Strategy; Tourism; Capacity Expansion; Strategic Growth

Executive Summary

Between 2013 and 2019, Jupiter Hotel Group (JHG) – a family-owned hotel chain operating the Accommodation sector in Portugal – engaged and developed an expansion path that made its hotel portfolio grow from 1 to 4 units between Lisbon and the Algarve. During those 6 years, in a process with significant risk factors, the Group benefitted from a prosperous environment surrounding the Tourism sector in Portugal and generated the financial resources needed to incentivize further growth and consequential profitability. However, when the industry was reaching historical highs and profit margins were the largest, an exogeneous shock in the new coronavirus outbreak forcefully brought the sector to a halt. After approximately 6 months of confinement and restrictions, Tourism and Hospitality were adversely affected. As such, JHG as well as other players need to make decisions regarding their growth intentions, with four natural options rising: maintain the portfolio; resume expansion either organically or inorganically; or divest by sacrificing one or more units.

The objectives for this Work Project are to draw a status quo of Tourism in Portugal, assess data provided by JHG and conclude with results and suggestions. These should concern the course of action to be undertaken by the company during the following 18 months in what regards expansion. The definition of these objectives results, firstly, from the role taken within the Group's Business Development Team during the Internship period. Additionally, they are the consequence of an approach based on concepts of Competitive Strategy – with Capacity being the variable under study.

1. Tourism Industry in Portugal

In order to assess Jupiter Hotel Group's status within the industry it operates and better understand the reasoning behind Competitive Strategy-related moves done throughout the years, it became relevant to evaluate Tourism in Portugal.

1.1. General Information and Evolution

Until 2019, the Tourism sector worldwide – and in Portugal – was showing consistent signs of sustainable evolution. According to data in Annex 1, Tourism sector achieved average growth of 4,3% during the same period (in what regards number of tourists) and 6,7% (in terms of revenue), presenting positive strong correlations with world economy (which grew 4,8% on average between 1990 and 2018).

Zooming the analysis in to Europe, it is possible to see that, during the last decades, the number of tourists grew an average of 3,4% per year, with the Southern region registering growth of 4,3%. Among the countries included in such region, Portugal presented slightly higher growth than the average, with CAGR of 6,5% between 1990 and 2018. Such evolution allowed the country to a market share of 3,2% of International Tourism in 2018 – consequently meaning a comeback from the market share losses that occurred between 1990 and 2010 (Annex 2).

From an internal point of view, data enables an important assessment to the weight of Tourism in the Portuguese Economy. In 2019, Tourism was once again the country's largest economic activity in terms of Exports, accounting for 19,7% of Total Exports and 52,3% of Service Exports; Revenue directly generated by the sector represented 8,7% of GDP; and roughly 20% of the jobs were directly or indirectly created by the sector (Annex 3). Additionally, it can be noticed that both Return on Assets and Return on Equity have been growing overall, with the exception of 2018 and 2019 (Annex 4).

When looking at geographical distribution within the country, the relevance of Algarve and Lisbon becomes clear: the south represents about 31% of national capacity (in no. of rooms in 2019) while the capital accounts for roughly 21%. The most common type of site is 4* followed by the 3*. This is a sign that qualified hospitality takes the largest slice in Portuguese Tourism – thus highlighting the role of hotels (Annex 5). Combining the metrics mentioned, it is possible to perceive how essential the contribution of Tourism is within the Portuguese Economy.

1.2. Market Structure

In 2019, there were 2034 registered Tourism Sites in Portugal. Out of those, 1464 are classified as hotels and 369 apartment-hotels (Annex 6). Moreover, during the same year, 109 new hotels were inaugurated: as 274 accommodation-related companies were born while 165 ceased activity (Annex 7). The data mentioned translates the reality surrounding the Tourism Industry until 2020: sustainable and accelerating growth year after year, more and more investment, and increasing fragmentation of the market.

Consolidating their positions for decades now, Pestana Hotels & Resorts (#1), Vila Galé Hotéis (#2) and Accor Hotels (#3) still occupy the pole position in the ranking for the Portuguese hotel chains with the largest accommodation capacity. Even though some changes took place between the remaining groups making it to the top 20, it is still possible to conclude that the top positions are well established and the tendency is for them to remain stable (Annex 8).

According to Deloitte's "*Atlas da Hotelaria 2019*", it is possible to calculate the weight of the top players in national capacity. Additionally, by looking into the size of these players and an average weight of their contributions to total services provided, one can then come to conclusions as to which market structure the Hotel Industry is closer. In

2019, top 20 hotel groups accounted for: 325 tourism sites (representing 16% of national capacity); 44.492 rooms (weighing 30,7% of national total); and 93.372 beds (which account for 30,3% of total capacity); with additional data from *Central de Balanços do Banco de Portugal* showing that about 90,5% of sales and services in the sector were provided by 20% of the largest players (Annex 9).

Therefore, it could be argued that the market structure to which Portuguese Tourism is closer is an Oligopoly: many small producers (accommodation units), but only a couple big ones; moreover, the larger players are not threatened by the remaining at national scale, meaning they are less likely to be harmed by strategic moves like price cutting.

1.3. Competitiveness: Porter's 5 Forces Approach

In evaluating the state of Competitiveness in Portuguese Tourism, Porter's 5 Forces Approach can be followed. The five dimensions are thus assessed:

Competitive Rivalry: The industry is fragmentated. Firms are able to attract customers with price cuts and marketing campaigns, although this is mostly applied to the case of independent players. For consolidated hotel chains, the standardization of quality criteria and customer experience has been strengthened over the years, allowing the most well-known to not be forced to enter price wars. This duality is also present when looking at profit margins of big groups compared with independent players (Annex 10). Overall, Competitive Rivalry can be classified as High.

Supplier Power – Seeing Travel Agencies as the main suppliers for Hotels, Supplier Power is nowadays weaker than before. The rise of online platforms such as Booking.com and TripAdvisor (Annex 11) has made the task of finding the most suitable hotel for accommodation easier and faster to complete. Furthermore, contracts with Travel

Agencies are usually not too strict, which means that switching from one to another does not comprise too high costs for the companies.

Buyer Power –The creation of booking platforms aligned with the work of travel agencies have been easing the client's search for their accommodation option. The transparency in information benefits the client's side. By being able to compare prices between many alternatives, potential clients can choose which hotel they want to have their stay at, which will naturally force units to strive even more for differentiation or price cutting. Buyer Power is high.

Threat of Substitution and of New Entry – The rationale for Buyer Power can be applied to Threat of Substitution and of New Entry. For the first, it is possible to understand that the constant innovation in booking platforms and travel agencies has helped customers align expectations with reality. Therefore, executives know that they are at constant risk of being seen as a worse alternative compared to a competitor hotel which can focus on the same client niche with similar facilities. As for the latter, data shows that, only in 2019, 120 new hotels were inaugurated in Portugal. This fact can be seen as the materialization of how there is a strong belief that the Tourism sector will keep on growing, with investment in the sector increasing largely year on year. Thus, both threats are considered high.

2. About Jupiter Hotel Group

2.1. About the Group

Founded in 2013, Jupiter Hotel Group (JHG) is a Family Business dedicated solely to the Tourism – Accommodation sector in Portugal. Currently, the Group consists of four hotel units which were either requalified or built from ground zero between 2013 and 2018 –

the timeframe to be considered as the Group's expansion period. Concretely, JHG is a hotel chain of which are part:

- Jupiter Algarve Hotel – a 4* family-vacation-oriented hotel in Praia da Rocha;
- Jupiter Lisboa Hotel – a 4* business/corporate hotel in Lisbon;
- Jupiter Marina Hotel – a 4* couples-focused hotel in Portimão;
- Jupiter Albufeira Hotel – a 5* all-inclusive hotel in Montechoro, Albufeira.

Going back to the date marking the creation of JHG in 2013, the executive board of the well-known Hotel Jupiter (founded in 1968) in Portimão took the decision to create the Jupiter Hotel Group (JHG). From then on, the Group would seek expansion opportunities with the strategic aim of growth into a chain. Alongside with a personal desire from the owner Mr. Renato Pereira, the board had identified the possibility to expand both organically and via acquisitions, and would soon take the first step.

As a result, JHG executed four operations which led to considerable increases in size, capacity and revenue (described in the next sections). As per Annex 12 illustrates, with all operations completed after a 6-year period, the Group was able to increase its staff in 500%, grew total assets in 600%, saw revenue go up 1000% and EBITDA rose by 1100%.

Additionally, during the expansion period, and focusing on the mission of delivering quality and value in order to satisfy customers and staff – seen as the most important stakeholders – the Group dropped its activity in other branches in order to exclusively work in Tourism. After a 6-year period of growing expansion and 1 year more of consolidation, Jupiter Hotel Group is presently characterized as a Small-Mid Cap (SMC) and its Equity – fully owned by the Board – is valued at around € 38.000.000,00.

2.2. Expansion

2.2.1. Introduction to Growth Project

The Jupiter Hotel Group resulted of a decision taken in 2013 of creating a hotel chain. Personal aspirations of the board members were aligned with several indicators which pointed at the possibility of growth with increased value creation. Nevertheless, the board argues that 2013 was a bullish year in terms of willingness to invest in Portugal (Annex 13). In fact, the year marked the end of a 4-year period of readjustment to the Financial Crisis outcome in Portugal. Therefore, investment decisions bore the burden of systemic risk associated with the country. Access to financing was rationed in general, and the owners had been through an administrative rupture process that had led to loss of significant assets and capital vital to the growth of the Group. Still, the option to initiate expansion was preferred, divestment was ruled out and the organic path was chosen as the Group increased the capacity and quality of its own facility at the time (Jupiter Algarve Hotel). Afterwards, the strategy followed leaned towards a mix of organic and inorganic growth.

2.2.2. Initial Overall Analysis

Although Jupiter Hotel Group cannot yet be considered among the top groups in Portugal, the growth of the company (Annex 14) can be tested when assessing the evolution of the sort of deals made during the expansion period.

When categorizing between Horizontal and Vertical expansion, it is clear that every deal has consisted of a way to augment the group’s presence in the same industry and at the same stage of the value-creation process: JHG engaged projects that increased its hotel portfolio. Furthermore, there are no records of any expansion project regarding the acquisition of upstream or downstream players. The major reason justifying such fact is the intention of the board to exclusively dedicate its activity to hospitality.

Changing the scope to the division between Organic and Inorganic growth, JHG seems to reflect its evolution in size in the type of deals celebrated – this is, the Group was able to go from smaller deals that involved renovation of its own facilities to acquiring existent units. Concretely, the company started by developing its only unit at the time (Jupiter Algarve Hotel) which allowed for its increase in profitability while at the same time keeping low levels of risk in the way the firm's capital was being invested. As the decision to become a chain was consolidated, JHG opted for property rental in Lisbon – sacrificing part of its profitability in order to lower risk. The Group then achieved extremely high occupancy rates (Annex 14) and generated fair amount of capital enough to build its third unit from scratch. As a result of the sequence of many highly profitable years (Annex 14) and a lot of experience in serving the customers, Jupiter was then capable to embark on the riskiest of the projects by acquiring an extremely large unit already operating for many years.

2.2.3. Summary of Operations

2.2.3.1. Requalification of Hotel Jupiter & Spa into Jupiter Algarve Hotel

In 2014, Jupiter Hotel Group initiated the construction for requalification of its only unit at the time. Formerly known Hotel Jupiter & SPA (which opened doors first in 1968) gave place to Jupiter Algarve Hotel – officially the first of the Group – and substantial change was brought by the innovation of the site.

Behind such decision lied the willingness of the board to provide a more suitable service and conditions to its clients, given that the hotel was already well placed in platforms such as Booking and TripAdvisor, even though its infrastructure was not seen at the same level as the ranks attributed. The need for renovation in rooms from floors 1 to 8 as well as in the restaurant and bar had already been identified years ago. As such, the available liquidity could be directed to improving the facilities and thus the efficiency, functioning and quality of the hotel, which would consequently lead to the ultimate objective pursued – delivering value and satisfaction to both its clients and staff.

In terms of financing, a total of €2.180.000,00 was projected to be invested, out of which €982.377,04 did not have to be reimbursed to QREN's initiative (Annex 14.1).

Regarding capacity, the new Jupiter Algarve Hotel allowed for the construction of 3 more suite bedrooms (going from 180 to 183 in total number of rooms). Also, the parking lot was extended.

In what comes to employment and staff, the requalification allowed the opening of 50 new jobs (out of which 19 were classified as highly qualified – meaning they require academic level equal or greater than Bachelors – as established in *Portugal 2020*). The rest of the team was kept almost fully, therefore allowing the hotel to maintain its human resources and assets, benefit from the experienced staff as well as internal synergies and complementarity (Annex 14.1).

In terms of location, the hotel unit did not see its physical site expanded (even though its capacity increased slightly). Despite that, the renovation of the unit is somehow correlated with change regarding targeted segments: instead of only focusing in attracting family-vacation customers, the unit added another niche in business/corporate by adapting 3 specified divisions into meeting rooms for business, entertainment and professional related events. Furthermore, the creation of commercial, marketing and reservations departments allowed the Group to also target this corporate niche (Annex 14.1).

From a strategic point of view, the decision to start by the organic approach for growth can be accepted to be the outcome of consideration of some of the downside of mergers and acquisitions: by following this path, the Group managed to avoid overpaying for another unit that could be priced above its actual market value – which results from the fact that hotels of the size desired by JHG are profitable, therefore leading owners' willingness to sell down and consequently taking ask prices up; while it could also prevent the loss of resources and competencies that would be harder to retain in an operation such as a merger/acquisition.

2.2.3.2. Property Rental in Lisbon to function as Jupiter Lisboa Hotel

In 2015, Jupiter Hotel Group opened doors to its second unit – the inauguration of Jupiter Lisboa Hotel (another 4* hotel) would confirm that Jupiter had become a chain.

In pursuit of creating its own hotel chain, the Group strongly believed that it needed a unit in the capital of Portugal. Nevertheless, the acquisition of a building or even an already existent unit would require large amounts of capital that were out of reach for leveraged buyout. At that time, the opportunity appeared as the owner of a property located in the well-known Avenida da República was also looking for an investor to rent their fixed asset. The deal was completed in 2014 with the Group being responsible for the full furnishing, decorating and equipping of the hotel, as well as building the vast majority of its divisions, rooms, restaurant and Spa.

The new unit would focus on attracting both the business/corporate and city-break/touring segments of the market, offering a range of services to its customers: with 224 rooms, 7 floors for rooms, bar, rooftop terrace, gym, SPA, pool and 4 fully equipped meeting rooms. Moreover, the building also provided a public parking lot (with 6 floors) and a restaurant which, despite being located inside the hotel, was thought to work independently.

Given that the unique shareholder (owning JHG) invested €500.000,00 in the operation, the remaining €2.500.000,00 were obtained via debt (Annex 14.2). Being the first unit resulting from expansion, Jupiter Lisboa Hotel brought substantial capacity increase to the Group. The first unit had 183 rooms whilst the second had 224, which meant that the Group's capacity to receive customers was more than double.

With roughly the same type of services provided as Jupiter Algarve Hotel, Jupiter Lisboa would definitely need a larger staff. Highly qualified positions were mostly filled by new managers hired; team leading jobs were firstly taken by the mentioned experienced staff from the Algarve: as a strategic decision considering that these employees would be already instilled with the company's culture, therefore accelerating the learning process of the incoming ones (Annex 14.2); and the remaining were also allocated to new employees. In addition to this measure taken by the administration, further formation and education were provided.

The choice of expanding enabled both geographical and client segmentation. This operation allowed the Group to also target clients looking for the immediate service. On top of that, because the city itself attracts different interests, the new unit allowed JHG to also focus on city touring customers. Nevertheless, the main segment addressed by Jupiter Lisboa is the business/corporate one.

The strategic frame then allows one to conclude that this was the operation which allowed JHG to take off towards the status it has currently reached. In practical terms, the firm became owner of more than one hotel, therefore turning into a hotel chain in every sense of the term. Moreover, the increase in sales and revenue (Annex 14) as well as geographical presence allowed gains in power and influence in the Tourism picture in Portugal, thereby rising general public awareness. As such, and even though the financial advantages could never be disregarded, this operation made JHG able to position itself as one of the important hotel chains in Portugal.

2.2.3.3. Entry in a new segment niche: Jupiter Marina Hotel

In 2017, Jupiter Hotel Group inaugurated its third unit. After more than 1 year of construction, Jupiter Marina Hotel – a 4* all-service hotel – would open doors to receive a totally different type of customer: couples. Located just 2 km away from Jupiter Algarve Hotel, this unit was designed to capture more customers with different preferences, whilst making the most of possible synergies obtained from its proximity to the first unit.

The idea behind was originated when the possibility to acquire land located by Arade river was brought to the administration of JHG. The third unit is a 5-floor hotel with 150 rooms, unique rooftop bar, infinity pool, gym center, SPA and an independent restaurant. Additionally, a 70-car parking lot is available for clients staying in or simply looking for spending the afternoon or night in either the rooftop bar or restaurant.

The generation of synergies played an important role in the Group's decision to build and open this third unit. From a marketing, communication, commercial and sales viewpoint, the Group could benefit from the fact that the teams operating these sectors already knew the product, location and experience considerably well. They would be able to explain and communicate the strong points of the Algarve, and reaching customers would be done the same way as in the first unit. Moreover, in what regards administrative services, IT and maintenance, the employees could be the same for both Jupiter Algarve and Marina, as the proximity between the two units allowed any worker with such responsibilities to quickly move between units and coordinate activities. Finally, from a supply chain approach, the Group was able to extend contracts with suppliers, increase orders in quantity and type and therefore benefit from scale economies by achieving discounts via bulk purchases. Nevertheless, profitability from synergy creation would not be enjoyed if the strategy would not be drawn in a way such that cannibalization could be avoided. From the very start of the operation, the board understood that cannibalization would not affect the success of this decision: mostly because the target for each unit was very different. As a reflection of the described synergies, the opening of Jupiter Marina Hotel was positively influenced by the ease of moving experienced staff from Jupiter Algarve to the new unit (Annex 14.3). In total, 36 jobs were created in the opening year with place for promotions and hiring.

JHG was responsible for the construction of this unit from ground zero. Consequently, the Capital needed for such an investment was high (€8.000.000,00 according to the board's business plan), which led the administration to seek aid from other investors and financing from the bank (Annex 14.3).

Summing the number of rooms of the two previous units (with a total of 407), Jupiter Marina Hotel allowed the Group's capacity to increase in 36,85%.

Jupiter Marina is a case of client segmentation rather than geographical expansion per se. In fact, this operation was key regarding the type of customer focused by the chain, as it was possible to attract the couple (more specifically Romance, Urban & River – R.U.A in Portuguese) niche (Annex 14.3).

Benefiting from synergies at the various points described, Jupiter Marina Hotel allowed for the extension of the client portfolio mainly, while enabling another profitable revenue stream for further growth.

2.2.3.4. Acquisition of Hotel Montechoro into Jupiter Albufeira Hotel

In 2018, Jupiter Hotel Group completed its last operation regarding expansion with the opening of Jupiter Albufeira Hotel – a 5* all-inclusive hotel dedicated to family-vacation with children. Having revealed itself a profitable investment (Annex 15), this project brought massive impact to the Group's status.

The possibility was originated when the former owners opened a Controlled Auction. From then on, the board put all efforts needed to close the deal and expand its presence in the Algarve to Albufeira – a location which was believed to be one of the trendiest in the south of Portugal in what regards family vacation.

As a 5* all-inclusive, there is a wide range of facilities provided by Jupiter Albufeira Hotel: the unit has a capacity of 408 bedrooms and is equipped with an independent parking lot, three themed restaurants, multiple ground floor and pool-side bars, one rooftop bar, two large pools, an in-site water park, tennis and football courts, one concert hall, games room, kids club, gym center and a SPA (Annex 14.4). As indicated above, this project was by far the largest in the history of the company. As such, the investment needed reached historical projected values of € 42.000.000,00 (Annex 14.4).

Similar to the case of Jupiter Marina Hotel, the belief in the success of this operation by the board was also the result of possible synergies generated by the proximity to two of the other Group-owned units. Hence, marketing, commercial and sales experienced the same benefits (although at a larger scale); IT and maintenance grew their team but still kept the leading positions, allowing the new unit to enjoy the know-how and experience of its staff; also, the company reinforced its position in regard of supply chain, as the introduction of such a large unit in its portfolio led to increases in bargaining power and willingness of suppliers to enhance partnerships – therefore generating scale and scope economies.

Following the same rationale as in previous operations, the Group saw its capacity increased majorly: which means that the inauguration of Jupiter Albufeira Hotel resulted in over 40% increase in total group's capacity. Reflecting the size of the project, 250 jobs were created with the opening of Jupiter Albufeira Hotel. Apart from IT and Maintenance (which are transversal to all four units), the Group hired people for many leading positions in Operations: F&B, Cleaning & Laundry, Reception and even General Manager. It is relevant to emphasize that this was a key metric in gathering the support for *Portugal 2020* initiative. Nevertheless, once again, the board decided to allocate experienced employees from all departments to help teach and guide the new teams hired specifically to work in Jupiter Albufeira Hotel.

Being located in Albufeira, the new unit had the group experiencing significant expansion in geographic terms. Such is due to the fact that, although Jupiter Albufeira Hotel is not located too distant from the other two units in the south, the existence of a Jupiter hotel in the other side of the Algarve enabled the targeting of customers who specifically look for units in locations such as Albufeira and Vilamoura. From a client segmentation viewpoint, there seems to have been little to no impact for JHG (Annex 14.4).

Overall, the last operation was arguably the most impactful in JHG's reality. Not only because it was the first time that the company decided to pursue a full unit acquisition, but also because the size and dimension of the unit itself forced every team to evolve rapidly in order to meet the historical standards regarding customer experience.

3. Jupiter Hotel Group's Position within the Industry

3.1. Strategy: Differentiation Leadership

The strategy followed is Differentiation Leadership. Taking the Porter's Generic Strategies Grid framework, it is possible to identify the market in which Jupiter competes (Tourism in Portugal) as being broad, while the company aims to capitalize from sources of Competitive Advantage that are related with differentiating its products and services.

The existence of Jupiter as a hotel operator for many decades allowed the group to create a unique identity. As such, occupancy rates have seen positive evolution from year to year, stabilizing at very high levels (Annex 16), even though Price management is still dynamic (Annex 17). Additionally, board and top management have acquired the know-how and capability to adapt to unexpected shocks to learning curve points that are difficult for competitors to reach. This has been key for Jupiter Hotel Group to become so keen on setting Differentiation as the strategy.

Finally, fixed assets (mainly hotel facilities) are also developed to the point that some features included in the customer experience become extremely hard to replicate by competition. A clear example can be the water park site located inside Jupiter Albufeira.

Metrics to prove the success of the Differentiation Strategy can be found in Pricing and ROI: regarding the first, it is possible to conclude that, for every single unit of the Group, the price offered is almost always at premium (Annex 17) when compared to the competitive set; as for the Return on Invested Capital, once again JHG is well positioned (Annex 15) – which is hardly often produced by Cost Leadership-type strategies.

3.2. Players typical behavior: Likelihood to Cooperate

As described and broken down previously, asymmetries in all kinds mark the Tourism Industry in Portugal. Consequently, the different players operating the sector will resort to their "best weapons" in their pursuit to survive and profit from such market conditions. The driver that is most affected by strategic moves from the players is Pricing. When assessing the likelihood of firms in Portuguese Tourism to cooperate regarding this variable, it is relevant to assess market conditions that affect Cooperative Pricing.

Firm Asymmetries is relevant to justify the difficulty in hotels price-cooperating. Different units provide extremely different customer experiences, therefore leading to distinct perceptions of value for money. From the star-classification of the unit to the rating on online platforms, there are many explicit points of difference that turn each unit unique (both from facility and service perspectives). Also, smaller firms may prefer to deviate from cooperative prices mostly, as variations in their demand can easily be the cause of a prosperous year or a year of significant losses.

Coming hand in hand with the reasoning above, Lumpy Orders are also a great part of the explanation for impossible Price Cooperation. Considering that the main touristic product in Portugal is Sun & Sea, prime periods such as the Summer incentivize players to review their offers. Because most of the times demand exceeds supply at such stage, hotels as a whole increase prices significantly, which could be a sign of cooperation. However, when peak time is over, pricing needs readjustment and the incentives to cooperate are shorter. It is during periods like these that players resort to discounts and promotion campaigns that force competitors to also undercut prices to be able to capture some of the demand.

In what regards Market Concentration, one can observe that the rise of alternatives as Airbnb came to disrupt the concentrated influence on some of the most well-known chains. The pressure applied is insufficient to lead Airbnb sites to become important players, but at the same time is employed to enough extent to force the top groups to stay aware. In that sense, even though market concentration is considerably high, the large number of firms operating drives chances of cooperation down.

Finally, Consumer Price-Sensitivity also plays its role in harming Cooperative Pricing. This comes as a result of more transparency in information available online and easily reached by any customer prior to the moment they end up making a reservation. By being aware that their clients are able to check if there is an alternative with similar ratings and features offering a lower price, units see temptation to cut prices. This also applies if competitors are expected to match.

Bridging the theoretical framework to the variable in which this analysis is focusing, it is possible to derive that Capacity often comes forward as a way to sidestep obstacles brought by such difficulty for the Industry to cooperate in prices. Therefore, the expansion of hotel groups enables the mitigation of the downside effects of cutting prices, much due to achievements of scale and scope economies, learning curves, among other factors. Arguably, this opens room for players to be incentivized to grow organic and inorganically – just as Jupiter Hotel Group has been doing.

3.3. Close competitors to reach

Given the fact that the focus of this Work Project is Competitive Strategy, more specifically in Capacity, and as result of this filtering process (Annex 18), the following hotel groups are identified as Close Competitors to Reach: Dom Pedro Hotels, MGM Muthu Hotels and Continental Hotels.

4. Suggestions for Expansion

Considering the strategic path followed in the last years, as well as the conditions under which Jupiter Hotel Group and the Tourism sector are subject to, suggestions to the Group's course of action during the next 18 months can be made. Therefore, in what comes to further growth options, JHG could consider between expanding (organically or via acquisitions), or divest. Nevertheless, with the Board still willing to continue the expansion process, while remaining aware of the serious impact brought by the pandemics, two options may be discussed – each comprising its pros and cons:

- Option 1: Acquiring a unit in Porto
- Option 2: Vertical Expansion towards Tourism Real Estate

For each option, a brief description shall be provided with the fundaments for its consideration, as well as some previsions regarding the strategic impact for the Group.

4.1. Option 1: Acquiring a unit in Porto

The first suggestion can be seen as continuation of the expansion path Jupiter has been pursuing during the last 6 years. Much in line with the reasoning behind the Jupiter Lisboa Hotel operation, having a unit in Porto (one of the most important cities in the country) is an old dream of the Board.

In finding a target unit, the first set of criteria considered consisted of: being located near historical center; being classified as either 4* or 5*; providing hotel service; and having capacity greater or equal to 50 rooms. After the first exclusion process, a second set of criteria was applied: not being part of a hotel chain; booking.com total score; and booking.com value-to-money score (Annex 19). As a result, two units were considered as possible selections: *Hotel Premium Porto Downtown* and *Hotel Dom Henrique –*

Downtown. Since only the latter provides its clients with Restaurant service (a Jupiter-must), *Hotel Dom Henrique – Downtown* is the unit selected for this analysis.

4.1.1. Strategic Fit

Hotel Dom Henrique – Downtown fits Jupiter's strategic plan in many levels.

Firstly, when evaluating past expansion projects, it is possible to verify the application of the Value Discrepancy Theory: JHG tends to acquire units/sites that might be underperforming and/or facing financial struggle. Given that *Dom Henrique* is among the units with the lower Booking.com score for the competitive set considered (hotels, 4* stars, located in the city-center and over 50-room capacity), there might be room to improve operation efficiency.

Secondly, the unit is already equipped with some of the facilities Jupiter resort to so to offer certain value-adding services: clients in *Dom Henrique* can enjoy a restaurant, fitness center, business center and rooftop bar. In this sense, the unit is similar to Jupiter Lisboa – a hotel that has provided positive results to the Group, and ranks among the top in several metrics.

Thirdly, in what comes to client segment, *Dom Henrique* is classified both in Booking.com and TripAdvisor as ideal for couples – a niche already targeted in Jupiter Marina, for which the Group has developed know-how in serving. Additionally, Pricing is also in line with Jupiter's average (currently, Dom Henrique is charging €132 per night between May and September 2021). This would avoid the risk of having to acquire new customers for the hotel (which is known to be much more expensive than retaining them).

Overall, the hotel gathers important features that are present in the Group's current units, therefore opening room for leverage resulting from learning curves and expertise. Moreover, *Dom Henrique* shows signs of room for improvement, which is also crucial for increased return on investment and, ultimately, value creation.

4.1.2. Impact in Industry

From a macro perspective, this acquisition could take Jupiter Hotel Group to the Top 20 Hotel Groups in Portugal (Annex 20) if the unit would see its capacity increased in at least 5 rooms. In the opposite direction, Continental Hotels would go down to the 21st position, with JHG getting closer to the likes of Luna Hotels Resorts, MGM Muthu Hotels and Turim Hotéis (both under a roughly 150 room difference).

From a differentiation stance, this would be of horizontal type, provided that it is related with customer preferences. Alongside being a portfolio expansion, the strategy aims to catch some of the travelers that would specifically choose Porto as their destination. As such, the Group would be simultaneously dodging potential cannibalization (as in comparison to building another unit in Algarve or Lisbon), and increasing its national market share (as Annex 19 showed). As for the reaction of competition, no significant consequences should be expected – as seen before, strategic reactions are mostly linked with Pricing instead of Capacity. At most, JHG can expect to increase its visibility, influence and brand image, as it would then own units in the North, Center and South of the country.

4.2. Option 2: Vertical Expansion towards Tourism Real Estate

In what could be interpreted as a slight shift from the usual strategic move of the Group, expanding activity to Tourism Real Estate could also be an interesting possibility. With four operations that involved planning, designing, building and commercialization, Jupiter has arguably grown its own capability to become an important player in this sector. Teams assigned to be responsible for following the previous projects have developed skills from know-how that are not easily found when it comes to such a specific dimension of Real Estate. As such, and provided that the Group also owns land and building sites with locations (mainly in Algarve) that may be attractive for touristic practices, there is room for Jupiter to expand vertically.

With the expansion period Jupiter went through over the past 6 years, one of the key takeaways from the initial stages was that, for each case, there would be significant disparity between projected and effective cost of production, deadlines and staff assigned (Annex 21). Consequently, and because potential investors are aware of such reality, negotiations to acquire land are often stopped at late stages, despite both parts agreeing on prices: knowing they might have to incur extra costs and need to postpone inauguration, buyers tend to drop deals – even more particularly when they have little to no experience in Accommodation.

Taking advantage of the property already owned, Jupiter could make use of the expertise acquired during its expansion process to sell the services of planning and commercialization (with building being in charge of a partner), and obtain profits from infrastructures ready to operate sold at premium.

4.2.1. Strategic Fit

Even though this suggestion would imply changes to the Group's current strategy, there is a fit between assets needed to perform it and potential perceived value of these services. Drawing on Resource Based View (RBV), it is possible to verify that Jupiter has both the intangible and tangible assets to perform this alternative: the properties to build on; and the human resources needed for planning and commercializing with maximum efficiency. Furthermore, when resorting to VRIO model, one can attest that both the resources are Valuable, Rare and hard to Imitate (from Top 20 hotel groups, only Pestana has adopted this strategy) and also Organized. Hence, Jupiter may have important drivers for Competitive Advantage in Tourism Real Estate, validating the option in strategic terms.

From Real Options Theory viewpoint, the possibility to enter this point of the product value chain rises in relevance. In times when future in business is considerably uncertain, resorting to strategies that can be broken down into option trees is a safer way of conducting investments. If Jupiter would initiate planning and building of a new hotel in one of the sites owned in Portimão, for instance, the option to take the final property to sell to an investor or become another Jupiter unit would make the investment less risky, as the Group could make use of the value of postponement (Annex 22).

4.2.2. Impact on Industry

Given that the majority of players operating this segment are construction companies that follow plans designed by hotel groups and investors, Jupiter's entry would not cause significant reaction. At most, once again as a result of the impact coming from coronavirus, Jupiter could serve as yet another example of hotel group that shifted its strategy in order to diversify and consequently mitigate investment risk.

5. Conclusion

Over the years, Jupiter Hotel Group has proven to be able to scale from its own operations in the Accommodation sector. As such, it is with hope and confidence that the Sales and Development team believe Jupiter will not only remain functioning during and after covid-19, but even manage to grow despite the tough conditions affecting Tourism.

When looking at both options suggested, SWOT analysis (Annex 23) showed there are both similarities and differences between the suggestions, but also exclusivity. This means that, even though both could be pursued at the same time, it would not be reasonable for Jupiter Hotel Group to approach both strategies.

On the one hand, expanding horizontally to Porto would be seen as continuing the path that has taken Jupiter to where it is nowadays. There could be room to close a deal for lower prices than before. Also, *Hotel Dom Henrique – Downtown* is an attractive target as it is not part of a chain and gathers both the features similar to Jupiter units – enabling the use of expertise to replicate best practices -, as well as room for improvement in areas Jupiter is usually strong at.

On the other hand, vertical expansion to Tourism Real Estate would also be an interesting move as it would allow the Group to benefit from its most important asset – Human Resources. Making use of the know-how gained from growth projects completed over the years could grant Jupiter a way of creating value from unused fixed assets in an industry niche where few players of such kind operate. Additionally, this would be a way of diversifying the Group's activity and investments, thus decreasing the negative effect of systemic risk which is more impactful than ever due to the outbreak of the new coronavirus.

Considering the latter points, expanding to Tourism Real Estate should be the way to go for Jupiter during the next 18 months. By reducing risk in the present while continuing working on building new touristic sites, Jupiter will be creating better financial conditions to enlarge its unit portfolio in the future, while benefitting from the increased expertise of its executives that can improve efficiency in expansion projects.

Therefore, ultimately, the decision to expand to Tourism Real Estate is not only a safer approach, but also a driver for Jupiter Hotel Group to return to sooner return to its main strategy: building, renovating and buying hotels that excel in differentiated services to provide clients with unforgettable experiences.

Appendix

Annex 1. Evolution of International Tourism Arrivals and Receipts, and World Economy between 1990 and 2018.

		Year				CAGR	
Indicator	**Unit**	**1990**	**2000**	**2010**	**2018**	**1990-2018**	**2010-2018**
International Tourist Arrivals	Millions	435	674	950	1401	4,27%	4,98%
International Tourism Receipts	Billions of $	271	495	986	1666	6,70%	6,78%
World GDP	Trillions of $	23,3	33,3	65,6	86,4	4,79%	3,50%

Source: World Tourism Organization and International Monetary Fund (World Economic Outlook Database, April 2018)

Annex 2. Evolution of Competitor countries in Tourism for the South/Mediterranean Europe area between 1990 and 2018.

	International Tourist Arrivals (in millions)				CAGR	Market Share			
Location	**1990**	**2000**	**2010**	**2018**	**1990-2018**	**1990**	**2000**	**2010**	**2018**
Southern/Mediterranean Europe	90,3	132,6	173,5	289,40	4,25%	20,70%	19,60%	18,30%	40,80%
Portugal	**3,9**	**5,6**	**6,8**	**22,80**	**6,51%**	**0,90%**	**0,80%**	**0,70%**	**3,20%**
Spain	34,1	46,4	52,7	82,77	3,22%	7,80%	6,90%	5,50%	11,70%
Greece	8,9	13,1	15	30,12	4,45%	2,00%	1,90%	1,60%	4,20%
Turkey	5,4	9,6	27	45,77	7,93%	1,20%	1,40%	2,80%	6,40%

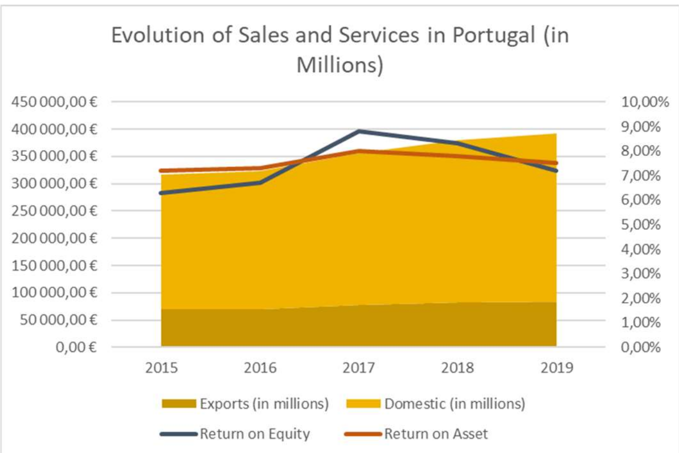
Source: World Tourism Organization and International Monetary Fund (World Economic Outlook Database, April 2018)

Annex 3. Weight of Tourism in Portuguese Economy in 2019.

Indicator	**Portugal (in millions)**	**Tourism (in millions)**	**Tourism Weight**
Total Exports	59 902,80 €	11 800,85 €	19,70%
Service Exports	35 269,30 €	18 445,84 €	52,30%
Revenue generated (% of PIB)	212 320,60 €	18 471,89 €	8,70%
Jobs Created	46400	9280	20,00%

Source: Turismo de Portugal and IPDT (2019)

Annex 4. Evolution of Tourism in terms of Sales, Services, ROE and ROA in Portugal between 2015 and 2019.

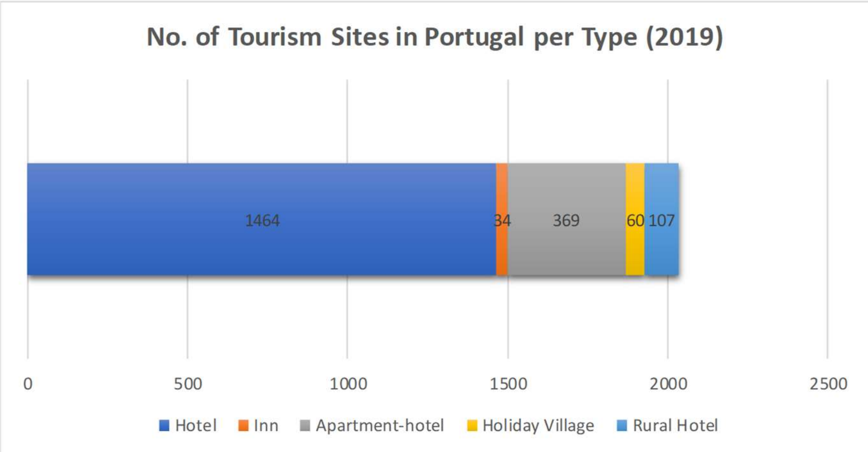


Annex 5. Distribution of Tourism Sites and Rooms per geography in Portugal in 2019.

	Tourism Sites		Tourism Sites per category (no.)			Rooms	
Location	no.	%	5*	4*	3*	no.	%
Portugal	2034	100%	163	773	671	144893	100%
North	447	22%	36	170	148	21734	15%
Centre	407	20%	33	155	134	20285	14%
Lisboa	325	16%	26	124	107	30428	21%
Alentejo	163	8%	13	62	54	7245	5%
Algarve	447	22%	36	170	148	44917	31%
Açores	102	5%	8	39	34	4347	3%
Madeira	142	7%	11	54	47	15938	11%

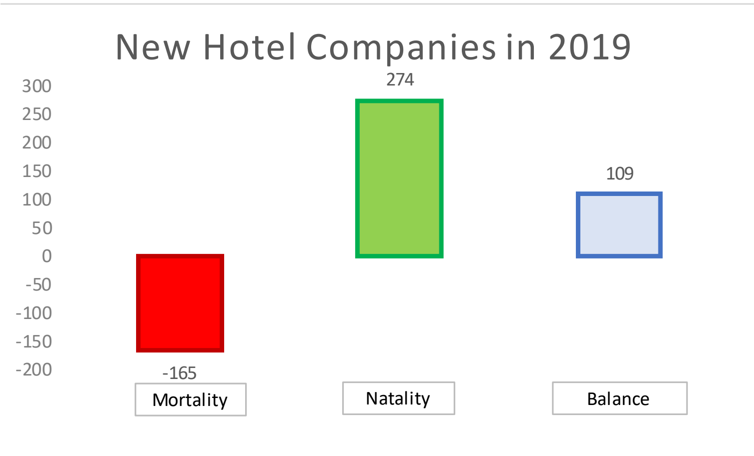
Source: Atlas da Hotelaria, Deloitte (2019)

Annex 6. Distribution of Tourism Sites in Portugal per type in 2019.



Source: Atlas da Hotelaria, Deloitte (2019)

Annex 7. Mortality, Natality and Balance of hotel companies in 2019.



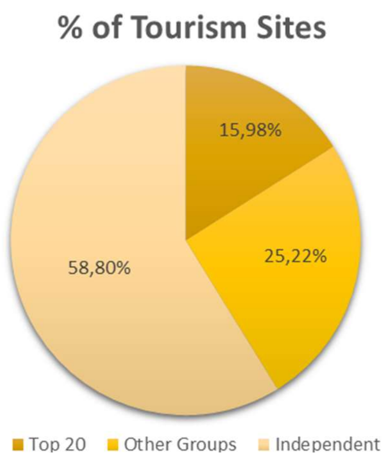
Source: Central de Balanços do Banco de Portugal (2019)

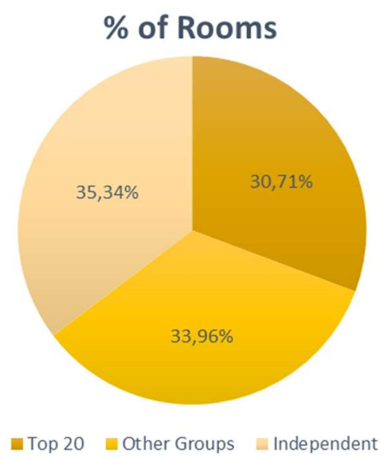
Annex 8. Top Hotel Groups operating in Portugal according to Capacity in 2019.

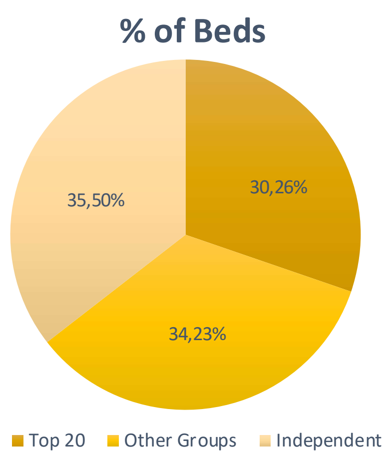
Rank (according to number of rooms)	Hotel Group	Tourism Sites		Rooms		Beds		International Presence
		#	% of total	#	% of total	#	% of total	
1	Pestana Hotels & Resorts / Pousadas de	73	3,6%	8137	5,6%	16596	5,4%	Yes
2	Vila Galé Hotéis	23	1,1%	4463	3,1%	9237	3,0%	Yes
3	Accor Hotels	32	1,6%	3339	2,3%	6598	2,1%	Yes
4	Minor Hotels	16	0,8%	2933	2,0%	6241	2,0%	Yes
5	Hoti Hotéis/ Meliá Hotels & Resorts	19	0,9%	2767	1,9%	5501	1,8%	No
6	Marriott Hotels & Resorts	12	0,6%	2521	1,7%	5822	1,9%	Yes
7	SANA Hotels	13	0,6%	2120	1,5%	4177	1,3%	Yes
8	VIP Hotels	12	0,6%	2066	1,4%	4252	1,4%	Yes
9	InterContinental Hotels Group - IHG	10	0,5%	1736	1,2%	3596	1,2%	Yes
10	DHM - Discovery Hotel Management	16	0,8%	1577	1,1%	3618	1,2%	No
11	Dom Pedro Hotels	7	0,3%	1399	1,0%	2915	0,9%	Yes
12	NAU Hotels & Resorts	10	0,5%	1387	1,0%	3778	1,2%	No
13	HF Hotéis Fénix	9	0,4%	1363	0,9%	2728	0,9%	No
14	Porto Bay Hotels & Resorts	9	0,4%	1348	0,9%	2674	0,9%	Yes
15	Hotusa Hotels	14	0,7%	1324	0,9%	2628	0,8%	Yes
16	Hotéis Real	9	0,4%	1304	0,9%	2806	0,9%	No
17	Turim Hotéis	14	0,7%	1238	0,9%	3142	1,0%	No
18	MGM Muthu Hotels	6	0,3%	1220	0,8%	2596	0,8%	Yes
19	Luna Hotels and Resorts	13	0,6%	1169	0,8%	2614	0,8%	No
20	Continental Hotels	8	0,4%	1081	0,7%	2273	0,7%	Yes
...	**Júpiter Hotel Group**	**4**	**0,2%**	**965**	**0,7%**	**2625**	**0,8%**	**No**
	Top 20	325	16,0%	44492	30,7%	93792	30,3%	
	Other Groups	513	25,2%	49199	34,0%	106095	34,2%	
	Independent	1196	58,8%	51202	35,3%	110033	35,5%	
	Total	2034	100%	144893	100%	309920	100%	

Source: Atlas da Hotelaria, Deloitte (2019)

Annex 9. Weight of Top 20, Other Groups and Independent Operators in Tourism Sites, Rooms and Beds in Portugal in 2019.







Source: Atlas da Hotelaria, Deloitte (2019) and Estimates computed

Annex 10. Net Margin comparison between Pestana Group and Hotel Industry in 2018.

Industry	Industry Sales	4 385,50 €
	Industry Net Profit (in millions)	399,60 €
	# of Companies	3902
	Industry Average Net Profit (in thousands)	102,00 €
	Industry Average Net Margin	9,11%
Large	Segment Sales	1 072,00 €
	Net Profit of the Segment (in millions)	147,30 €
	# of Companies in Segment	27
	Average Net Profit (in thousands)	5 455,56 €
	Segment Average Net Margin	13,74%
Medium	Segment Sales	1 880,80 €
	Net Profit of the Segment (in millions)	226,30 €
	# of Companies in Segment	265
	Average Net Profit (in thousands)	853,96 €
	Segment Average Net Margin	12,03%
Small	Segment Sales	1 156,70 €
	Net Profit of the Segment (in millions)	100,90 €
	# of Companies in Segment	848
	Average Net Profit (in thousands)	118,99 €
	Segment Average Net Margin	8,72%
Micro	Segment Sales	276,00 €
	Net Profit of the Segment (in millions)	-74,90 €
	# of Companies in Segment	2762
	Average Net Profit (in thousands)	-27,12 €
	Segment Average Net Margin	-27%
Pestana Hotels & Resorts / Pousadas de Portugal	Sales	364,90 €
	Net Profit of the Segment (in millions)	68,20 €
	Net Margin	18,69%

Source: Pestana Financial Report (2018) and Central de Balanços do Banco de Portugal

Annex 11. Evolution of no. of reviews in TripAdvisor and Booking.com between 2014 and 2019.

TripAdvisor	
Year	**No. of Reviews (in millions)**
2014	200
2015	320
2016	465
2017	600
2018	730
2019	859

Source: Statista (2019)

Booking	
Year	**No. of Reviews (in millions)**
2014	11,1
2015	17,7
2016	25,7
2017	28,3
2018	34,4
2019	40,5

Source: Statista (2019)

Annex 12. Change in Staff, Assets, Revenue and EBITDA of Jupiter Hotel Group between 2013 and 2019.

Year	2013	2019	Absolute Change	Change (in %)
Staff	79	473	394	500%
Assets	13 684 504,14 €	95 791 529,00 €	82 107 024,86 €	600%
Revenue	2 983 014,36 €	32 813 158,00 €	29 830 143,64 €	1000%
EBITDA	940 263,58 €	11 283 163,00 €	10 342 899,42 €	1100%

Source: Jupiter Hotel Group Financial Reports 2013 and 2018

Annex 13. Change in Investment in Tourism per country between 2014 and 2018.

External Comparison

Country	Investment in Tourism in Country in 2014 (Millions)	Investment in Tourism in Country in 2018 (Millions)	Change (%)
UE27	24 661,90 €	31 809,73 €	29%
Germany	3 575,30 €	5 121,50 €	43%
Belgium	1 143,00 €	1 352,80 €	18%
Croatia	385,30 €	655,10 €	70%
Denmark	287,50 €	347,90 €	21%
Spain	2 116,40 €	4 212,00 €	99%
Finland	175,00 €	237,00 €	35%
France	6 554,30 €	8 344,70 €	27%
Greece	860,90 €	3 957,30 €	360%
Italy	3 455,40 €	4457,70 €*	29%
Portugal	**800,90 €**	**1 946,60 €**	**143%**
Holand	784,00 €	1 256,90 €	60%
Sweden	712,10 €	1 188,70 €	67%
UK	8 544,20 €	11022,02 €*	29%
Norway	330,50 €	340,10 €	3%
Switzerland	1 309,00 €	1 464,20 €	12%

Source: World Tourism Organization and International Monetary Fund (World Economic Outlook Database, April 2018)

Annex 14. Summary of each Jupiter Hotel Group unit in 2019.

Unit	Inaugurated in	Location	Classification	Segment	Booking.com	Investment (Exp.)	Av. Occup. (2019)	Revenue (2019)
Jupiter Algarve Hotel	1968 (2013*)	Portimão	4*	Beach & Sun	8.8/10	2 180 000,00 €	82,75%	6 337 223,00 €
Jupiter Lisboa Hotel	2015	Lisbon	4*	Business/ City Tour	9.0/10	3 000 000,00 €	90,72%	10 813 671,00 €
Jupiter Marina Hotel	2017	Portimão	4*	Couples/ Romance/ Urban & River	8.9/10	8 000 000,00 €	90,89%	3 854 908,00 €
Jupiter Albufeira Hotel	2018	Albufeira	5*	Family Vacation	8.7/10	42 000 000,00 €	82,21%	11 807 356,00 €

*Renewed in 2013

Source: Jupiter Hotel Group, Booking.com

Extraordinary Information on Operations:

14.1. Jupiter Algarve Hotel:

- Financing: Access to financing was limited in 2014, and due to the fact that this would be the first operation of dimension (in financial terms) in the Group's history, there was the belief that the project could present low risk and solid potential for profitability, then enabling the possibility of further expansion (as would take place in the following years). Although the time was not the most tempting in what regards macroeconomics and the tourism sector in particular, the Group had a valuable partner in *SI Inovação Quadro de Referência Estratégica Nacional* (QREN) – a community-directed initiative that would provide the necessary capital plus additional vantages upon the fulfillment of specific metrics: A- Quality of the project; B- Project's Impact in the Company's Competitiveness; C- Project's Contribution for National Competitiveness; and D- Project's Contribution for Regional Competitiveness and Economical Cohesion of the Territory. Given that JHG was able to fulfill the requirements which were graded from 1-5 (being that a higher score than 3,5 would enable privileges).

- Human Resources: Little to no training was needed to restart operating, although as an outcome of the focus having become the staff too, additional formation was provided to employees so to increase the quality of the service and value the Group's human assets.
- Targeted segment: It is relevant to refer that, although the usual type of client was not neglected, the increase in quality resulting from renovated facilities and creation of said departments led to an increase in average pricing, therefore attracting clients with more willingness to pay.

14.2. Jupiter Lisboa Hotel:

- Financing: As explained, the full acquisition of either a building or an existent unit was beyond JHG's willingness to pay and financial power. It is then obvious that the chance to rent a property in a location such as Avenida da República was soon seen as a tempting offer. Still, the cost of the rent per se was the double of the net revenue generated by the first unit – something that would force the Group to look for additional financing. Debt was divided into €750.000,00 via CCC credit; €600.000,00 via real estate leasing; and €1.150.000,00 via Medium/Long-term Loan.
- Human Resource: When it came the time to hire the teams to work in JLH, the board decided that some of the experienced staff that had been working in the first unit could be of crucial importance in order to ensure that the brand image would prevail and the new employees could both have a support in performing daily tasks as well as someone to help in their professional qualification.

14.3. Jupiter Marina Hotel:

- Human Resources: The tactic of having some employees acting as trainers and leaders to the new staff enabled faster integration and catching up with the Group's high standards for quality of service.

- Financing: Concretely, the investment in fixed assets was financed as follows: €6.075.000,00 via medium/long-term loan, €700.000,00 via real estate leasing, and the remaining €1.225.000,00 via other investors.
- Couple (R.U.A) niche: Typically, these are customers that travel as two (with their partner) and are looking for a quiet, peaceful and romantic place to stay.

14.4 Jupiter Albufeira Hotel:

- Services Provided: Furthermore, the hotel hires multiple external services related with animation for clients and shows to be held in the concert hall and throughout the rest of the hotel. If the clients are still interested in visiting beaches around the Algarve or any other location of tourist interest, Jupiter Albufeira Hotel also provides daily transportation for the various destinations.
- Financing: a total of €42.000.000,00 divided by €17.500.000,00 via medium/long-term loan; €13.050.000,00 via Equity; €6.070.000,00 via Portugal 2020 (community-directed initiative to incentivize production, investment and internationalization of the economy following a sustainable framework); €5.000.000,00 via guarantee contract with Jet2; and €380.000,00 via real estate leasing.
- Additional information on client segmentation: Nonetheless, large families (meaning parents and children) were particularly more focused given the facilities provided by the hotel.

Annex 15. IRR calculated by the Accounting team assuming 70% impact on revenue for 2020 and slow growth then on.

	Jupiter Algarve	Jupiter Lisboa	Jupiter Marina	Jupiter Albufeira
Invested Capital (exp.)	2 180 000,00 €	3 000 000,00 €	8 000 000,00 €	42 000 000,00 €
Investment per Room	11 912,57 €	13 392,86 €	53 333,33 €	102 941,18 €
Net Operating Income (2019)	2 288 964,00 €	4 766 272,00 €	1 358 250,00 €	4 643 448,00 €
Net Operating Income per Room (2019)	12 508,00 €	21 278,00 €	9 055,00 €	11 381,00 €
IRR (assuming pessimistic COVID scenario)	17,7%	53,5%	17,6%	8,5%

Source: Jupiter Hotel Group

Annex 16. Average Occupancy Rate per unit in 2019.

	Jupiter Algarve				Jupiter Lisboa				Jupiter Marina				Jupiter Albufeira			
	RNTS	BNTS	Freq.	Average Occupancy Rate	RNTS	BNTS	Freq.	Average Occupancy Rate	RNTS	BNTS	Freq.	Average Occupancy Rate	RNTS	BNTS	Freq.	Average Occupancy Rate
2016	53959	107990	2,00	84,25%	65509	131904	2,01	83,56%	-	-	-	-	-	-	-	-
2017	55479	109828	1,98	86,62%	70676	139385	1,97	90,15%	3566	6362	1,78	79,24%	-	-	-	-
2018	53946	105180	1,95	84,22%	69533	133496	1,92	88,69%	29285	56005	1,91	91,66%	24367	65433	2,69	79,63%
2019	53001	101224	1,91	82,75%	71122	134465	1,89	90,72%	29039	54719	1,88	90,89%	71441	191286	2,68	82,21%

Source: Jupiter Hotel Group

Annex 17. Price comparison between each unit and competitive set in 2019.

*Even though its management is forcefully dynamic (as a result of the seasonality effect), it is still a fact that Jupiter does not enter price wars with its alternatives for any of the four units – a point that is only possible when the customers believe there is enough motive to spend more in order to stay at one of Jupiter hotels instead of a competitor.

Price Comparison with Competitive Set

Jupiter Algarve + Jupiter Marina

Hotel	Category	Rooms	Booking.com	TripAdvisor
Vista Marina Apartamentos Turísticos	4*	121	7.6/10	4.0/5
Tivoli Marina Portimão	4*	196	8.7/10	4.5/5
Hotel Oriental	4*	90	8.8/10	4.5/5
Hotel da Rocha	4*	158	8.9/10	4.5/5
Jupiter Algarve	4*	180	8.8/10	4.5/5
Jupiter Marina	4*	150	8.9/10	4.5/5

	PvP (double BB)						
Hotel	**April**	**May**	**June**	**July**	**August**	**September**	**October**
Vista Marina Apartamentos Turísticos	65 €	65 €	99 €	125 €	180 €	85 €	60 €
Tivoli Marina Portimão	68 €	68 €	77 €	178 €	188 €	112 €	62 €
Hotel Oriental	88 €	88 €	128 €	160 €	198 €	136 €	65 €
Hotel da Rocha	60 €	60 €	87 €	153 €	202 €	112 €	60 €
Jupiter Algarve	**75 €**	**81 €**	**110 €**	**168 €**	**190 €**	**114 €**	**60 €**
Jupiter Marina	**85 €**	**92 €**	**121 €**	**184 €**	**195 €**	**120 €**	**66 €**
Minimum	60 €	60 €	77 €	125 €	150 €	75 €	60 €
Maximum	88 €	88 €	128 €	178 €	202 €	136 €	66 €
Average	68 €	68 €	95 €	149 €	184 €	104 €	62 €

Jupiter Lisboa

Hotel	Category	Rooms	Booking.com	TripAdvisor
Hotel 3K Europa	4*	140	8.5/10	4.0/5
Sana Malhoa Hotel	4*	185	8.6/10	4.5/5
HF Fenix Lisboa	4*	192	8.6/10	4.0/5
Radisson Blu Hotel Lisbon	4*	221	8.3/10	4.0/5
Holiday Inn Lisbon-Continental	4*	220	8.2/10	4.0/5
Jupiter Lisboa Hotel	**5***	**224**	**9.0**	**4.5/5**

	PvP (double BB)						
Hotel	**April**	**May**	**June**	**July**	**August**	**September**	**October**
Hotel 3K Europa	80 €	109 €	89 €	89 €	89 €	93 €	93 €
Sana Malhoa Hotel	74 €	94 €	71 €	71 €	68 €	77 €	74 €
HF Fenix Lisboa	75 €	96 €	89 €	85 €	82 €	85 €	82 €
Radisson Blu Hotel Lisbon	93 €	95 €	90 €	99 €	90 €	111 €	111 €
Holiday Inn Lisbon-Continental	94 €	106 €	88 €	70 €	81 €	116 €	78 €
Jupiter Lisboa Hotel	**119 €**	**136 €**	**140 €**	**122 €**	**130 €**	**127 €**	**126 €**
Minimum	74 €	94 €	71 €	70 €	68 €	77 €	74 €
Maximum	94 €	109 €	90 €	99 €	90 €	116 €	111 €
Average	83 €	100 €	85 €	83 €	82 €	96 €	88 €

Jupiter Albufeira

Hotel	Category	Rooms	Booking.com	TripAdvisor
Club Hotel Riu Guarana	4*	500	8.2/10	4.5/5
Adriana Beach Club Hotel Resort	4*	439	8.3/10	4.0/5
Club Humbria	4*	193	8.9/10	4.5/5
Alvor Baia Hotel-Apartamento	4*	402	8.3/10	4.0/5
Salgados Palm Village Apartments & Suites	4*	283	8.4/10	4.0/5
Hotel Vila Galé Náutico	4*	233	7.8/10	4.0/5
Be Live Family Palmeiras Village	4*	517	8.2/10	4.0/5
Pestana Delfim Beach & Golf Hotel	4*	312	7.5/10	3.5/5
Oura View Beach Club	5*	180	7.7/10	4.0/5
Jupiter Albufeira Hotel	**5***	**408**	**8.7/10**	**4.5/5**

PvP (double BB)							
Hotel	April	May	June	July	August	September	October
Club Hotel Riu Guarana	148 €	148 €	183 €	244 €	290 €	220 €	148 €
Adriana Beach Club Hotel Resort	124 €	124 €	202 €	258 €	297 €	197 €	124 €
Club Humbria	124 €	124 €	199 €	256 €	300 €	226 €	124 €
Alvor Baia Hotel-Apartamento	114 €	114 €	216 €	289 €	345 €	250 €	114 €
Salgados Palm Village Apartments & Suites	195 €	195 €	320 €	364 €	390 €	255 €	294 €
Hotel Vila Galé Náutico	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Be Live Family Palmeiras Village	112 €	112 €	219 €	293 €	337 €	151 €	116 €
Pestana Delfim Beach & Golf Hotel	135 €	135 €	190 €	254 €	305 €	194 €	149 €
Oura View Beach Club	160 €	160 €	210 €	285 €	285 €	230 €	160 €
Jupiter Albufeira Hotel	**204 €**	**204 €**	**327 €**	**393 €**	**408 €**	**263 €**	**254 €**
Minimum	112 €	112 €	183 €	244 €	290 €	151 €	114 €
Maximum	139 €	139 €	217 €	280 €	319 €	215 €	141 €
Average	195 €	195 €	320 €	364 €	390 €	255 €	195 €

Source: Booking.com

Annex 18. Filter conditions to define close competitors to reach in 2021.

Filtering Process
Has to be part of the 2019 Top 20 regarding rooms available (for quality-standard purposes);
Number of units under portfolio less than 9 (as it is not plausible to assume more than 4 unit acquisitions in the upcoming months for JHG to catch up);
Major part of the units must be classified as either 4* or 5* (once again for quality-standard purposes);
Major part of the units must be of hotel type (which is the kind of service Jupiter hotels offer).

Annex 19. 1st and 2nd Filters used to define target unit in Porto.

Criteria	1st Set				2nd Set			
Hotel	Location	Classification	Type of Service	Room Capacity	Hotel Chain*	Booking.com Total Score	Booking.com Value-to-money Score	Selection
Vila Galé Porto	City Center	4*	Hotel	292	Vila Galé Hotéis	8.2	7.6	
Hotel Premium Porto Downtown	City Center	4*	Hotel	56	No	8.3	7.8	
Eurostars das Artes	City Center	4*	Hotel	89	Eurostars Hotels	8.3	7.8	
Hotel Dom Henrique - Downtown	City Center	4*	Hotel	112	No	8.4	7.9	✓
Porto Trindade Hotel	City Center	4*	Hotel	52	No	8.4	8.1	
Mercure Porto Centro Santa Catarina	City Center	4*	Hotel	147	Accor Hotels	8.5	7.8	
ABC Hotel Porto - Boavista	City Center	4*	Hotel	52	No	8.5	8.2	

*- Does the site belong to a Group owning more units?

Annex 20. Expected change in Top 20 Hotel Groups in Portugal if JHG would acquire Hotel Dom Henrique – Downtown and increased its room capacity in at least 5.

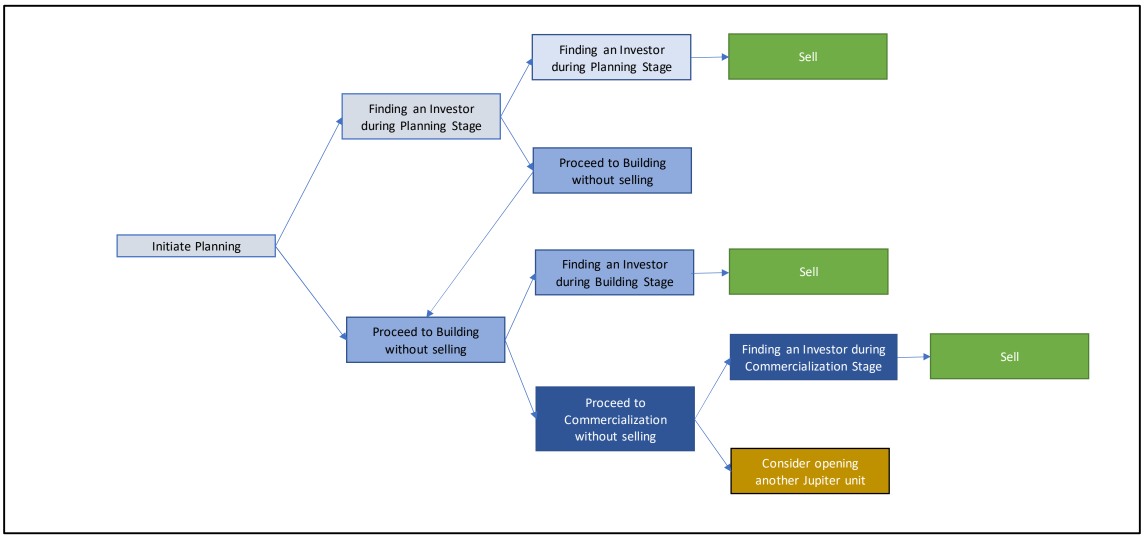
Rank (according to number of rooms)	Hotel Group	Tourism Sites		Rooms		International Presence
		#	% of total	#	% of total	
1	Pestana Hotels & Resorts / Pousadas de	73	3,6%	8137	5,6%	Yes
2	Vila Galé Hotéis	23	1,1%	4463	3,1%	Yes
3	Accor Hotels	32	1,6%	3339	2,3%	Yes
4	Minor Hotels	16	0,8%	2933	2,0%	Yes
5	Hoti Hotéis/ Meliá Hotels & Resorts	19	0,9%	2767	1,9%	No
6	Marriott Hotels & Resorts	12	0,6%	2521	1,7%	Yes
7	SANA Hotels	13	0,6%	2120	1,5%	Yes
8	VIP Hotels	12	0,6%	2066	1,4%	Yes
9	InterContinental Hotels Group - IHG	10	0,5%	1736	1,2%	Yes
10	DHM - Discovery Hotel Management	16	0,8%	1577	1,1%	No
11	Dom Pedro Hotels	7	0,3%	1399	1,0%	Yes
12	NAU Hotels & Resorts	10	0,5%	1387	1,0%	No
13	HF Hotéis Fénix	9	0,4%	1363	0,9%	No
14	Porto Bay Hotels & Resorts	9	0,4%	1348	0,9%	Yes
15	Hotusa Hotels	14	0,7%	1324	0,9%	Yes
16	Hotéis Real	9	0,4%	1304	0,9%	No
17	Turim Hotéis	14	0,7%	1238	0,9%	No
18	MGM Muthu Hotels	6	0,3%	1220	0,8%	Yes
19	Luna Hotels and Resorts	13	0,6%	1169	0,8%	No
20	**Júpiter Hotel Group**	**5**	**0,2%**	**1082**	**0,7%**	**No**
21	Continental Hotels	8	0,4%	1081	0,7%	Yes
	Top 20	322	15,8%	44493	30,7%	
	Other Groups	516	25,4%	49198	34,0%	
	Independent	1196	58,8%	51202	35,3%	
	Total	2034	100%	144893	100%	

Annex 21. Disparity in Total Cost (excluding Net Working Capital) and in Inauguration dates per unit.

	Total Cost net of NWC		Inauguration	
Unit	**Projected**	**Effective**	**Projected**	**Effective**
Jupiter Algarve Hotel	2 180 000,00 €	2 400 000,00 €	30/03/2015	30/03/2015
Jupiter Lisboa Hotel	1 850 000,00 €	1 900 000,00 €	01/04/2015	25/07/2015
Jupiter Marina Hotel	8 000 000,00 €	12 700 000,00 €	01/06/2017	03/09/2017
Jupiter Albufeira Hotel	42 000 000,00 €	48 300 000,00 €	01/04/2018	03/07/2018

Source: Jupiter Hotel Group

Annex 22. Real Options Tree if Jupiter would expand to Tourism Real Estate.



Annex 23.

SWOT Analysis for the acquisition of Hotel Dom Henrique – Downtown

Strengths	**Weaknesses**
• Complementarity of product and service in terms of customer preferences, nearby sites of interest, and overall conditions for Porto to become a diversified touristic destination. • Historical, cultural and natural patrimony of the city and surroundings; • Safety and Tranquility associated with the destination; • Attractive climate and temperatures; • High degree of receptiveness to tourists from local population; • Potential for high value-for-money ratio; • Proximity to airport and other modes means such as air, sea and road; • Considerable proximity to main international markets.	• Low qualification of human resources in the sector; • Low likelihood for players at different stages of value creation chain to collude; • Short contribution from population in and for Tourism; • Range of touristic points of interest still below the main European destinations; • Little competitiveness and number of flight connections to Porto when compared with the main European destinations; • Lack of urban and territorial ordering; • Short number of parking lots; • High level of traffic inside the city.
Opportunities	**Threats**
• Reduced impact of seasonality as a result of product and service diversification; • Aging population with financial capacity to travel for longer and repetitive stays; • Emerging of new consumption patterns which benefit destinations with diversified range of products and services; • Existence of international markets such as Brazil, USA, Russia and Scandinavia with low significance in Porto but considerable potential to become relevant; • Extension of Demand as a result of continuous Globalization; • Investment in Education, Academic and Professional training/formation that increases the value of services provided; • Investment in access, communication and transportation infrastructures.	• Serious global crisis as a result of the new coronavirus outbreak; • Instability of international Economy; • Risk of forced lockdowns; • Lower willingness to pay; • Increasing levels of unemployment; • Significant decrease in the level of confidence of customers worldwide; • Shorten of liquidity in credit market; • High level of dependence to a relative narrow range of markets (namely, the Portuguese, Spanish and German); • Reduced number of flights to Portugal; • Low levels of qualified and innovative entrepreneurship; • Emerging competitive destinations with more affordable prices; • Lack of capability to level with Investment capacity of other destinations.

SWOT Analysis for expansion to Tourism Real Estate

Strengths	**Weaknesses**
• Expertise gained from past operations of such kind; • Know-how and network developed for this activity; • Possession of sites already thought and placed for touristic activities; • National recognition of success in expansion operations of such kind; • Possibility of turning project initially thought for sale in a new Jupiter unit; • Insignificant expected reaction from competitors (and consequently less obstacles to operate).	• Risk of defocus in regard to main activity; • Need to reinforce team that would be in charge; • Small sphere of influence; • Potential struggle associated with scaling (in terms of human resources, intangible assets and capital); • Customer acquisition costs for the first operations.
Opportunities	**Threats**
• Risk mitigation through activity and investment diversification; • Significant drop in land prices as a consequence of covid-19; • Increased bargaining power to negotiate with constructor partners as a result of covid-19; • Considerably little number of competitors operating the niche; • Reduce in seasonality effect typical for firms operating Accommodation only; • Increasing demand for Real Estate.	• Large amounts of capital needed; • Decreased support measures by Government and Banks for the Real Estate sector; • Increased difficulty in finding access to capital for these means; • Risk of investing in long-term sustainability of this activity and eventually deciding to drop it; • Rising interest rates; • Acquisition of existent units closing down potentially more attractive.