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

Accor: Financial Forecasting and Valuation

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

Rosário André

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Abstract

This equity research on AccorHotels is divided between two parts. The first part aims to analyze key hotel industry drivers, such as rooms, RevPAR and the M&A activity. Moreover, it provides a thorough company description.

The second part delves into the crucial factors influencing the valuation. It covers projections for revenues, cost structure, and invested capital. The culmination is a scenario-based Discounted Cash Flow (DCF) - Weighted Average Cost of Capital (WACC) analysis to determine a target price and provide a sell/hold/buy recommendation. The discounted cash flow analysis established a target price of €37.8 for December 2024. This assessment leads to a total return of 18%, resulting in a BUY recommendation.

MASTER IN FINANCE

ACCORHOTELS (ACCOR)

COMPANY REPORT

TOURISM

11 DECEMBER 2023

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Room for growth ahead

Accor faces the Uncertain Roaring 2020s

- The company's business model suffered significant changes with the spin-off of AccorInvest in 2017, adopting an asset-light model, which allows a faster network expansion, given the inexistence of CAPEX requirements of the fees business.

- **Baseline scenario:** $\text{CAGR}_{2023\text{-}27}$ in the **net room's unit CAGR of 2.6%** (guidance 3%-5%); strong openings in the M&F business in Europe, ASPAC and the Americas, and slower openings in MEA; negative net unit growth of rooms in owned & leased rooms; global **RevPAR $\textbf{CAGR}_{2023\text{-}27}$ of 3.6%** (guidance 3%-4%); ASPAC is the region with higher room for growth, given the later reopening to travel; the resurgence of Chinese travelers will have a positive top-line effect on Europe and the Americas; stagnation of MEA's RevPAR.

- **Downside** events: construction delays in Europe, ASPAC, and the Americas; intensification of the instability in MEA; further disinvestment in owned & leased; delayed business travel spending recovery; lower travel spending growth than in the pre-pandemic period.

- **Upside** events: stabilization of the geopolitical situation in MEA; further investment in owned & leased hotels; accelerated recovery of Chinese international travel to Europe and the Americas; higher travel spending growth than in the pre-pandemic period.

Company description

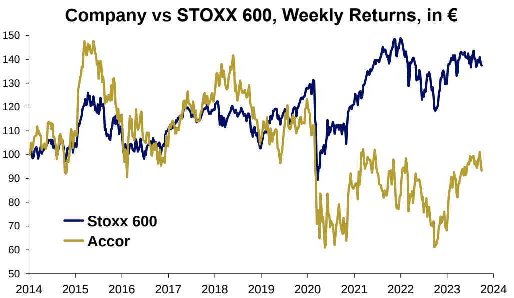
AccorHotels (Accor), established in 1967, is a Paris-based hotel powerhouse with an expected FY2024 capital gain of 7.3%, a dividend yield of 4.5% and a 5.7% buyback yield.

Recommendation:	**BUY**
Price Target FY24:	**37.8 €**
Upside / Downside	*+18%*
Price (as of 11-Dec-23)	**35.2 €**

Reuters: ACCP.PA, Bloomberg: AC: FP

52-week range (€)	22.98-35.47
Market Cap (€M)	9334.9
Outstanding Shares (M)	265

Sources: Bloomberg. Refinitiv.



Source: Bloomberg. Own Estimates.

(Values in € millions)	2022	2023E	2024E
Revenues	4225	4890	5337
EBITDA	676	947.2	1201
Net income	427	735	937
EPS	1.6	2.8	3.5
P/E	14.5	13.3	10.7
Number of Rooms (k)	802	822	844
Number of Hotels	5445	5581	5734
Occupancy Rate	59.8%	65.6%	70.0%
Average Daily Rate	103	110	114
RevPAR	62	72	80

Source: Company financial statements. Own estimates.

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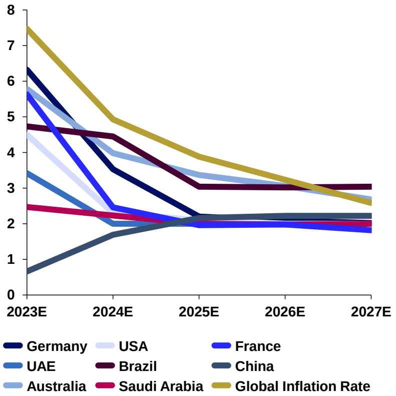
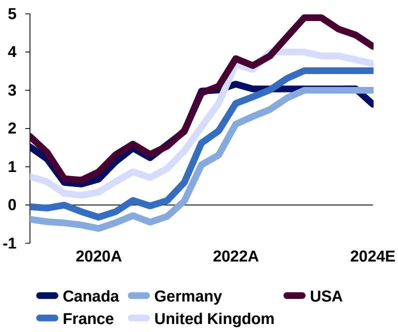
Industry Overview

Exhibit 1 – Estimated Inflation (in %)



Source: Statista. IMF. FED. ECB. Guerrero. Own estimates for Global Inflation Rate. These 8 countries represented more than 58% of Accor's portfolio in June 2023.

Exhibit 2 – Long-term interest rate forecast OECD, in %



Source: OECD. Five key countries in Accor's portfolio (c. 33% of total rooms in June 2023).

The Industry Overview section will cover the industry from a macroeconomic perspective. Then, we will analyze the RevPAR, occupancy rate (OR), average daily rate (ADR) of the whole industry, and industry-player specifics. We will also deep dive into the supply (rooms) breakdown across different segments and geographic regions. Moreover, we will assess the demand dynamics regarding leisure and travel consumer spending across the various geographies.

We will also address the industry dynamics regarding shareholder value creation and M&A activity. Finally, we will provide a detailed explanation of the criteria behind the closest peer selection.

Macroeconomic outlook

In this chapter we will assess the inflation dynamics, the interest-rate outlook and hotel market size dynamics.

Exhibit 1 shows the **global inflation rate**. We computed this metric using a weighted average between the inflation rate in each region and the number of Accor's rooms in each region, as of June 2023.

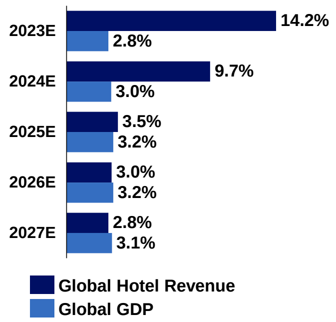
From 2023 to 2025, we retrieved Statista's expected inflation rate for Europe, Middle East and Africa (MEA), Asia-Pacific (ASPAC), and the Americas (North America, South America and the Caribbean).

From 2026 to 2027, we assumed inflation to converge to: i) 2% in Europe – ECB target[1]; ii) 5% in MEA[2]; and iii) 2.6% in ASPAC[3]. In the Americas, Accor is present mainly in Brazil and North America, with c. 52% and 30% of rooms, respectively. This way, we assumed a target inflation of 2.8% for the overall Americas, which results from the average of the target inflation of Brazil of 3.2%[4] weighted by all rooms in non-North America countries and the target inflation of USA of 2%[5], weighted by the corresponding rooms in the USA and Canada. Moreover, it is visible that the inflation rate in the countries with the highest share of rooms in each region is aligned with our adjusted global inflation rate.

Global inflation was relatively stable, around 3.5% from 2017 to 2020. However, with the pandemic recovery, as demand started to increase again and governments were creating fiscal and monetary stimulus when supply chain

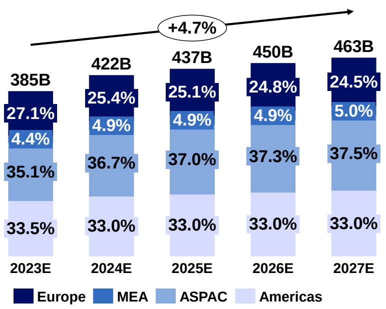
[1] (ECB).
[2] Statista's historical data.
[3] (IMF, 2023).
[4] (Guerrero, 2023).
[5] (Federal Reserve, n.d.).

Exhibit 3 – Estimated Global GDP vs Global Hotel Revenue Growth



Source: Statista.

Exhibit 4 – Hotel Revenues, in €



Source: Statista.

disruptions were still present, there was a surge in inflation on a global stage, peaking at 9.5% in 2022. Central banks increased **interest rates** to fight inflation, and the global inflation rate is expected to decelerate to c. 2.6% by 2027 gradually. The targeted global inflation that we consider in our analysis ends up being lower than the one estimated by Statista because of Accor's strong presence in Europe, the region with the lowest target inflation.

Right now, we live uncertain times of inflation deceleration and a hold on interest rate rises orchestrated by the FED and the ECB. Although the industry has been recovering in the last year, the current economic conditions may pose some frictions. Long-term interest rates are forecasted to stagnate/decrease in 2024 in five of the most important countries in Accor's portfolio, still at higher levels than in early 2021, which results in new projects becoming more expensive to finance and in potential hotel construction delays or the development of existing ones, since the investment might not be justified. Moreover, there could be a reduction in the demand for tourism, as consumer spending has an inverse relationship to interest rates, and consumers may avoid superfluous expenses such as unnecessary vacations or dinners at fine restaurants. Even business travel, an important segment of the hospitality industry, may become less frequent as companies adopt cost-saving measures.

The **hospitality industry** is very relevant to the global economy, representing **9.2%** of the world GDP in 2023, and **10.4%** before the COVID-19 crisis.[6]

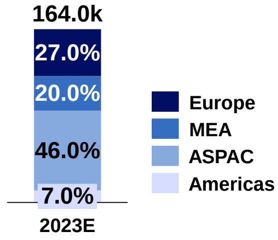
However, the industry suffered a massive hit of 61.8% worldwide in 2020 as the pandemic brought low demand and travel restrictions to the sector. The downturn in the hotel industry was much more significant than in terms of global GDP. The most impacted geographical region was Europe, which experienced a considerable downturn, as countries like France, the U.K., and Germany, where Accor has more rooms in Europe, closed to foreign travellers.

Nevertheless, the hotel industry is expected to surpass pre-pandemic levels worldwide in 2023, as governments started relaxing lockdown measures in 2022, which allowed tourists to travel again and spend time in hotels. Next, we will provide a market size outlook in the regions in which Accor is present.

Although the market size in Europe returned to pre-pandemic levels in 2022, its share in the global hotel industry market size is expected to decrease from 2023 to 2027, which suggests that the hotel industry in Europe has already reached a mature phase. Market size is expected to grow at a compound rate of 2.1% from 2023 to 2027, lower than the global market size. Americas, which includes the

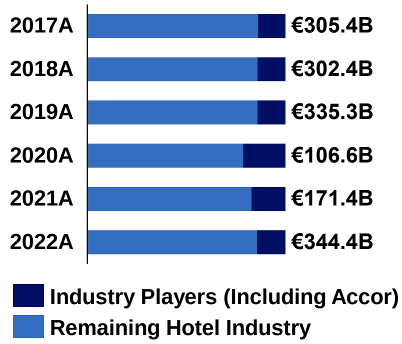
[6]((Statista, 2023)

Exhibit 5 –Pipeline Accor Rooms, by region



Source: Accor. June 2023

Exhibit 6 – Breakdown of Hotel Revenues



Sources: Bloomberg. Refinitiv. Own Estimates. Other industry players include InterContinental Hotels Group PLC, Hyatt Hotels Corp, Wyndham Hotels & Equity, Marriott Internacional Inc, Melia Hotels International SA, H World Group Ltd, Hilton Worldwide Holdings Inc, Choice Hotels International Inc, NH Hotel Group SA.

mature market, yet less mature than Europe, of North America (with expected growth of 4.0%), also includes South America and the Caribbean, with anticipated increases of 7.3% and 9.2%, respectively. This way, Americas' market size is expected to grow slightly below the global hotel market.

On the other hand, MEA is expected to be the largest growing market in the world, with a compound annual growth rate of over 8%. ASPAC is also expected to grow significantly over the following years, with expected compound growth of circa (c.) 6.5%.

Accor's pipeline is spread across the four regions. Holding c. 66% of its pipeline in markets that are projected to grow faster than the global market may position Accor to benefit from the upcoming growth in the hotel industry.

To assess the **market share of Accor in the hotel industry** we divided Accor's revenues by the industry revenues, which entails a 1.3% market share in 2023. Market share has not varied much since 2017 (+-0.3%).

Although it is important to understand the dynamics of the overall hotel industry, it is also important to recognize that Accor operates within a subset of this industry, as can be depicted in Exhibit 6. It mostly competes against other players specialized in establishing management and franchise agreements globally.

RevPAR

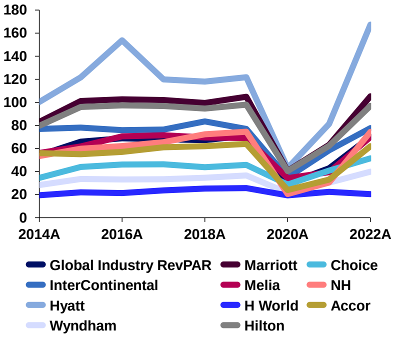
The hospitality industry is influenced by several key value drivers that may impact the profitability and sustainability of a hotel. It is important to note that these value drivers ultimately have an impact on the following key performance indicators in the hotel industry: **Average daily rate** (ADR), **Occupancy Rate** (OR) and, by extension, **Revenue per Available Room** (RevPAR).

ADR measures the average daily price a hotel charges for each room over a specific period, usually over one year. Its value is given by dividing total room revenues by the number of occupied rooms. OR is also an important metric of the hospitality industry as it reflects the percentage of occupied rooms in a hotel relative to the total number of available rooms at any given time. Together they form the primary indicator used to analyse the performance of a hotel, the revenue per available room (RevPAR). RevPAR is given by multiplying the ADR by the OR and is helpful to make comparisons among hotels regardless of their sizes and number of rooms.

The global RevPAR of a hotel chain is ultimately influenced by the breakdown of its room's portfolio across different geographies and segments, as well as by demand and supply dynamics.

▪ RevPAR Breakdown

Exhibit 7 – Industry RevPAR Worldwide, in €

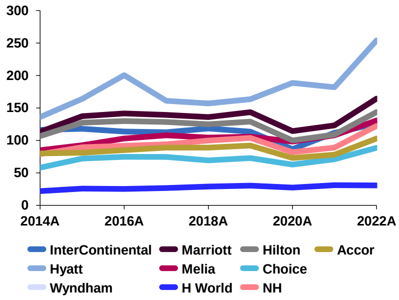


Sources: STR. Refinitiv. Annual Reports. Bloomberg. Own Estimates. Global RevPAR was converted from $ to € using the average exchange rate in each year.

From 2014 to 2019, global industry RevPAR grew at a CAGR of 5.6%. In 2014-2022, the CAGR was 3.3%. In 2019 the average RevPAR of the industry was €71.2, followed by a huge drop to €29.5 due to the COVID outbreak. In 2022 there was a surge of the global RevPAR to €70.2, suggesting that the industry was already close to pre-pandemic levels. To analyse these indicators further, we have collected data regarding RevPAR, ADR and OR for some of the biggest companies in the hospitality sector from 2014 to 2022 to get insights into the industry's performance at a company level.

At first glance, we observe from Exhibit 7 that the magnitude of RevPAR is very different across the industry players, which, as it was mentioned, can be influenced by the segments and geographies where each company operates. Some companies have a more extensive representation of specific geographies than others or focus on only one segment. However, despite the differences in the magnitude of RevPAR shown by each company, we observe that this indicator has a similar trend, growing at a minimal rate from 2014 to 2019, suffering a massive drop in 2020, slightly increasing in 2021 and finally having a steep recovery in 2022. We cannot consider only the RevPAR but should instead dig deeper into the components of this indicator, the ADR and OR.

Exhibit 8 – Industry Average Daily Rate Worldwide, in €

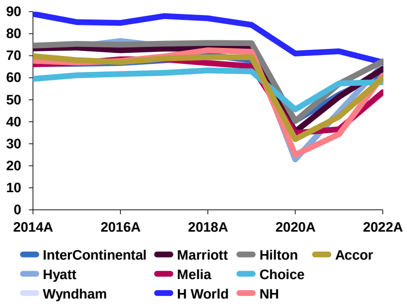


Sources: STR. Refinitiv. Annual Reports. Bloomberg. Own Estimates.
Note: Hyatt's ADR is increasing during COVID-19 because they only report the like-for-like RevPAR and hotels have closed in that year.

Exhibit 8 reveals the evolution of ADR, and just like RevPAR, we note that it has a wide range, but with most companies reporting ADR between €50 and €150. The disparity in the value of ADR across companies could be partly explained by the exposure each company has to different operating segments (economy, midscale and luxury & upscale). For instance, in 2022, 98% of Hyatt's room portfolio consisted of luxury & upscale hotels, the segment most associated with the highest ADR. On the other hand, H World has many hotels in the economy segment and very few are classified as luxury & upscale, which is aligned with its low ADR of around €20. Another reason for the disparity in ADR is the geographical breakdown. H World's hotels are mainly concentrated in China, a country whose hotel rates are usually lower than in Europe or America.

There is some volatility regarding this indicator; this happens due to imbalances in the supply and demand dynamics of hotels, so when demand increases, hotel managers can easily update the rates to meet the new demand. In addition, during the pandemic we observed a decrease in the ADR for most companies since it was a period of low demand. However, the decrease in ADR wasn't nearly as steep as the drop in RevPAR in 2020, so the former indicator alone couldn't have explained the latter. Then in 2022 we have a surge of the ADR, which is motivated by the end of the low demand period, as tourists are once again seeking for accommodation.

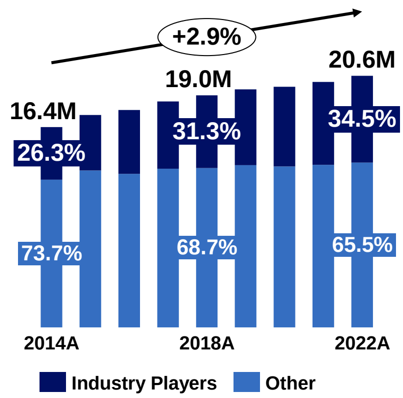
Exhibit 9 – Occupancy Rate Worldwide, in %



Sources: STR. Refinitiv. Annual Reports. Bloomberg. Own Estimates.

Finally, the occupancy rate can be visualized in Exhibit 9. Unlike the ADR, the OR presents a narrower range across companies, with all of them having this indicator to vary between 60% and 75%, apart from H World's, revealing a different pattern than its counterparts. Another particularity of the OR is that it remained relatively stable for most companies during the pre-COVID era, suggesting that the gap between hotel demand and supply remained relatively constant. However, when COVID hit, there was a sharp decrease in the OR of most companies, which was expected given that travel restrictions around the globe meant that the number of tourists would decrease and, by extension, the number of people frequenting hotels would plummet. Moreover, when countries relaxed the lockdown measures, we observed a rapid recovery of the OR. At the end of 2022, OR was almost as high as before the pandemic, except for H World, whose primary operations are in China, one of the few countries with severe lockdown policies in 2022.

Exhibit 10 – Industry room growth, by selected companies and other



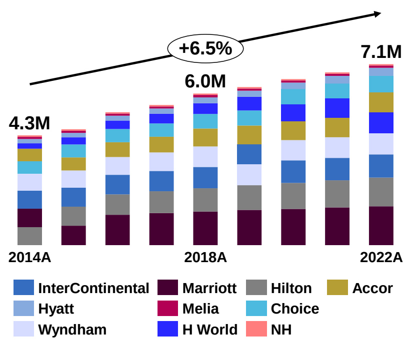
Sources: STR. Refinitiv. Annual Reports. Bloomberg. Own Estimates.

In conclusion, we expect that the occupancy rates will reach a stable point and ADR adjustments are the main driver of RevPAR. If hotel managers observe a higher demand, they may increase the daily rates without compromising OR. However, during a crisis, tourists may stop travelling as much, which causes OR to fall abruptly, negatively affecting RevPAR.

Rooms Breakdown (Supply)

The hospitality industry **has been growing** throughout the years, and one primary indicator is the **number of rooms**. We collected the number of rooms of the selected industry players to see how they compare with the whole industry (Exhibit 10). The growth of rooms in these companies accelerated faster than the overall industry as the proportion of rooms increased. More rooms were opened from 2014 to 2018 than from 2018 to 2022. This suggests that during the second set of four years, there was a **deceleration** in the construction of hotels motivated by the COVID-19 outbreak and **rising construction costs**.

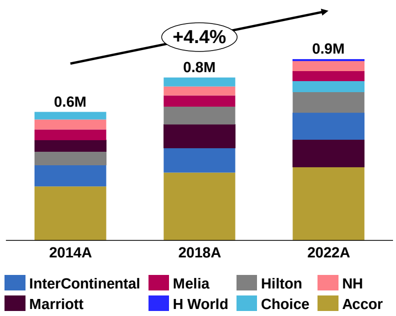
Exhibit 11 – Peers Rooms Supply



Sources: STR, Refinitiv, Statista, Peers Annual Reports.

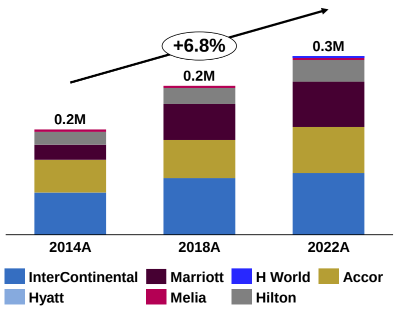
Considering only the selected industry players, the CAGR was 6.5% from 2014 to 2022. Marriot was the hotel chain with the highest increase in the number of rooms. Accor ranks in 6th place as the company with the highest number of rooms in 2022 worldwide. Like the industry, among Accor's competitors, the increase in the number of rooms was more significant in 2014-2018 than in 2018-2022, reflecting the difficulty that even these large companies had during the pandemic to expand.

Exhibit 12 – Rooms Europe



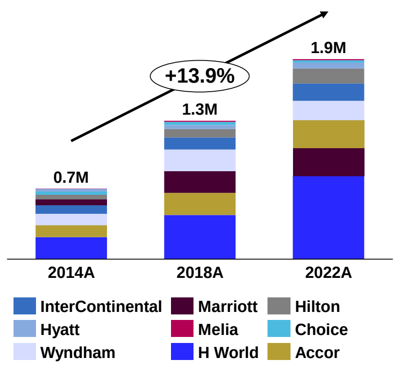
Sources: Refinitiv, Statista, Industry players annual reports.

Exhibit 13 – Rooms MEA



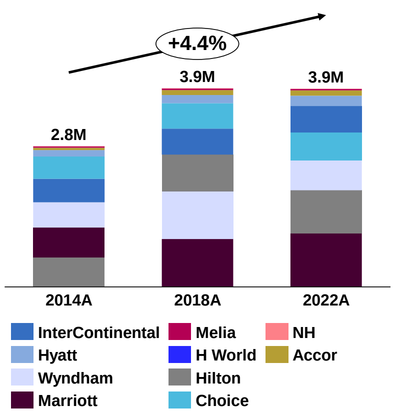
Sources: Refinitiv, Statista, Industry players annual reports.

Exhibit 14 – Rooms ASPAC



Sources: Refinitiv, Statista, Industry players annual reports.

Exhibit 15 – Rooms Americas



Sources: Refinitiv, Statista, Industry players annual reports.

Next, we will analyse the rooms regional breakdown of these companies, which will give us insights regarding the indicators we already mentioned in the previous section (ADR, OR, RevPAR).

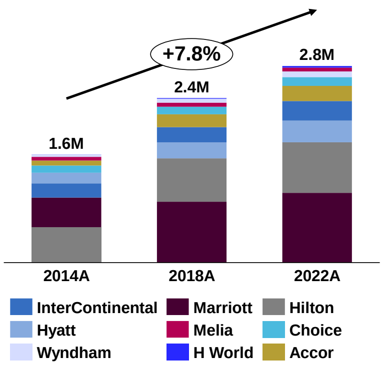
In the group of companies analysed, three of them are headquartered in Europe: Melia Hotels, NH Hotels, and Accor. While globally Accor ranks as the 6th largest company by number of rooms, in Europe it stands out as the market leader, with approximately 40% of the region's rooms under its portfolio (Exhibit 12). Europe is not only where Accor has its largest presence, but also where most of its portfolio is concentrated. Around 44% of the company's rooms are in the region, primarily in countries such as France, Germany, and the United Kingdom.

In the MEA region, Accor is no longer the leading hotel company regarding the number of rooms available (Exhibit 13). Instead, InterContinental Hotels has taken the lead. However, Accor is currently the second company with the most rooms, narrowly surpassing Marriott.

In this region, the countries where Accor has the most rooms are the United Arab Emirates, Saudi Arabia, Egypt, and Morocco. The ASPAC region, on the other hand, is mostly dominated by the Chinese group H World, which operates about 42% of the competitors' rooms of our analysis. Accor comes in 3rd on the list, with slightly fewer rooms in ASPAC than Marriott. Interestingly, the ASPAC region is also the region that presents the highest CAGR in the number of rooms among the selected companies (Exhibit 14).

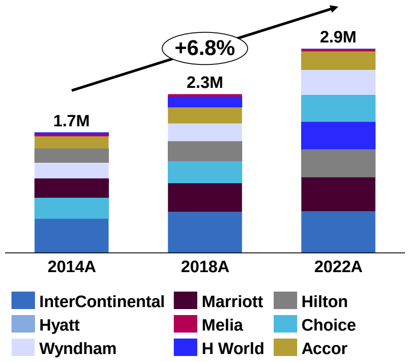
The growth in Accor's hotel portfolio can be attributed to the expansion of the hotel industry in China (the main location of the company's ASPAC hotels). Meanwhile, in the Americas, there is dominance by the USA-originated companies (Marriot, Hilton, Wyndham, Choice, and Hyatt). Despite Accor's focus on the European market, the company still operates 565 properties in the Americas, with over half of them in Brazil and most of the rest split between the United States and Canada. It is worth noting that most hotel chains have been investing more in the luxury & upscale, followed by the midscale segment and at last in the economy segment, since the first two segments charge higher rates. For a closer look at the increase in the number of rooms by segment type, please refer to Exhibits 16-18.

Exhibit 16 – Rooms Luxury



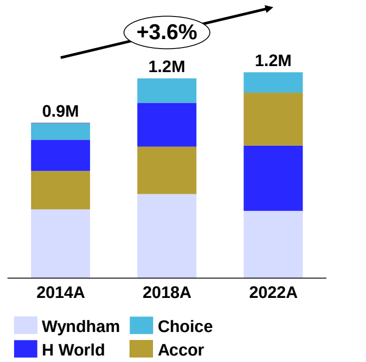
Sources: Refinitiv, Statista, Industry players annual reports.

Exhibit 17 – Rooms Midscale



Sources: Refinitiv, Statista, Industry players annual reports.

Exhibit 18 – Rooms Economy



Sources: Refinitiv, Statista, Industry players annual reports.

Demand Outlook

Next, we will review the outlook for two variables related to the demand-side of the hotels industry: market size of leisure and business travelling spending per region.

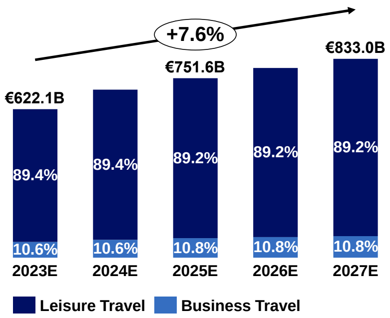
Leisure travel spending includes sales of all travel products made through intermediaries and direct suppliers to leisure travellers and unmanaged/transient/independent business travellers, whereas business travel spending only refers to sales of travel products through specialized travel agencies (TMCs) to a corporate or managed account held by an employer for facilitating the travel of its employees for business purposes, as well as from direct suppliers[7].

Before COVID-19 hit, from 2014 to 2019, the global market size of tourism travel (including leisure and business travel) was growing at a CAGR of c. 3.4% in Europe, 7.4% in MEA, 8.7% in ASPAC, and 7.1% in Americas. Between 2023 and 2027, travel spending growth in America is expected to be slightly lower than the pre-pandemic period (2014-2019). Total travel spending in Europe and ASPAC is expected to grow significantly more than between 2014 and 2019, while MEA is expected to grow at a slightly higher rate.

Travel spending in **Europe** is expected to surpass pre-pandemic levels in **2023**. This is mainly due to the recovery of leisure travel spending, which has the highest share in overall travel spending, given that **business** travel spending is only forecasted to recover to pre-pandemic levels in **2024**.

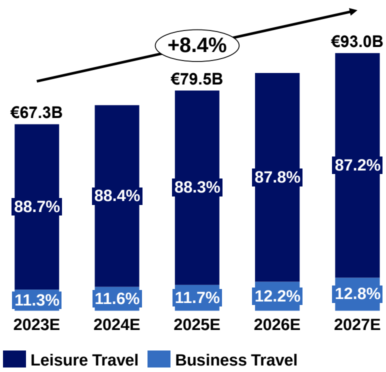
In **MEA**, travel spending in **2022** was already above pre-covid levels. It was also driven by **leisure** travel, which was above 2019 in **2022**, whereas **business** travel spending is expected to recover in **2024**.

Exhibit 19 – Leisure and Business Travel Spending in Europe (€)



Source: Euromonitor. Adjusted.

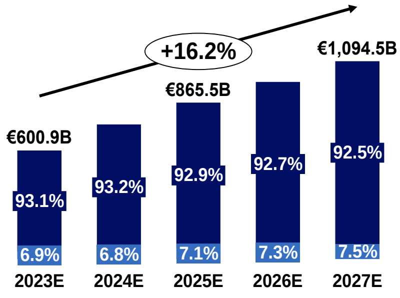
Exhibit 20 –Leisure and Business Travel Spending in MEA (€)



Source: Euromonitor. Adjusted.

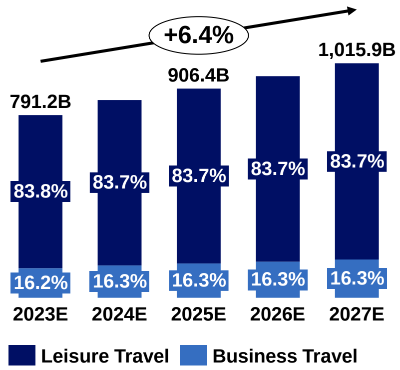
[7] (Euromonitor, 2023)

Exhibit 21 –Leisure and Business Travel Spending in ASPAC (€)



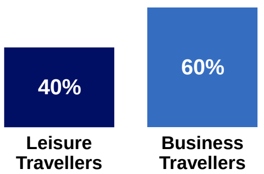
Source: Euromonitor. Adjusted.

Exhibit 22 –Leisure and Business Travel Spending in Americas (€)



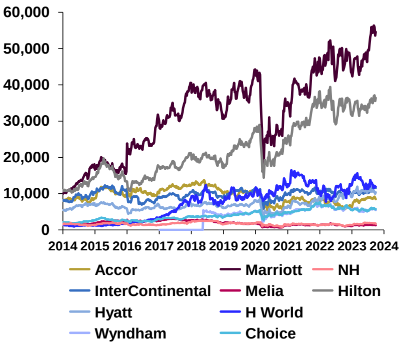
Source: Euromonitor. Adjusted.

Exhibit 23 – Accor's travellers' breakdown in 2019



Source: Accor's Investor Relations Department.

Exhibit 24 – Market Cap Evolution since 2014, in €



Sources: Bloomberg, Refinitiv and Yahoo Finance. Own Estimates.

ASPAC's travel spending is only expected to recover to 2019 levels in **2025** because of the prolongation of the restrictions in the free movement of people in some countries. Both **leisure** and **business** travel spending are expected to surpass pre-COVID levels in **2025**.

Finally, travel spending in the **Americas** already surpassed 2019 levels in **2022**. This was mainly driven by the fast recovery of **leisure** travel spending, which surpassed pre-COVID levels in **2022**. On the other hand, **business** travel spending is only expected to surpass pre-pandemic levels in **2025**.

The **share of business travel spending** in Europe and the Americas will not return to pre-COVID levels until 2027. MEA's share of business travel spending is expected to **recover by 2027**. On the other hand, the share of business travel spending in ASPAC's overall travel spending **has already surpassed** pre-COVID levels in 2022.

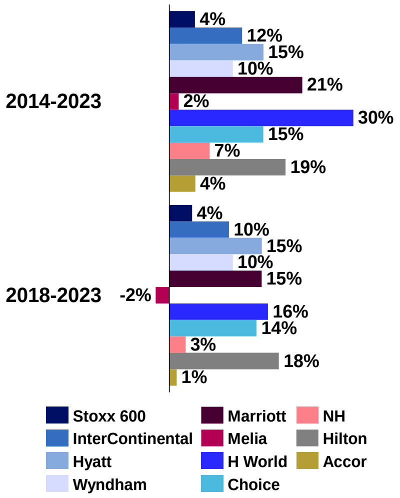
Following our inquiries of Accor's breakdown of tourists across leisure and business travellers, we were informed that in 2019 the share of business travellers was significantly higher than that of leisure travellers (Exhibit 23). This implies that Accor's network was much more dependent on business traveling than the overall market in 2019. This is especially relevant because business travellers spending is returning to pre-covid levels later than leisure travel spending, which **is expected to affect Accor's growth in the upcoming years**.

Indices

Accor has been listed on the stock market since 1983, resulting from the merger of Novotel SIEH and JBI. The shares are currently traded on the Euronext Paris stock exchange. They are included in the SBF 120 and STOXX 600, which track the performance of the 120 most liquid stocks listed on Euronext Paris and the performance of 600 large, mid, and small-cap European companies, respectively.

The average market cap of the company of 2023 stood at €8.4B, which is 19% lower than pre-pandemic levels. The company's performance was approximately in line with the index from 2014 to 2020. Then, with COVID-19, its relative performance dropped significantly and never returned to the index's level. The temporary global restrictions on the movement of people and the safety concerns with COVID-19 have had an enormous negative impact on the hotel industry. This translated into a significant decrease in Accor's market cap, a proxy for equity

Exhibit 25 – Average Excess Returns

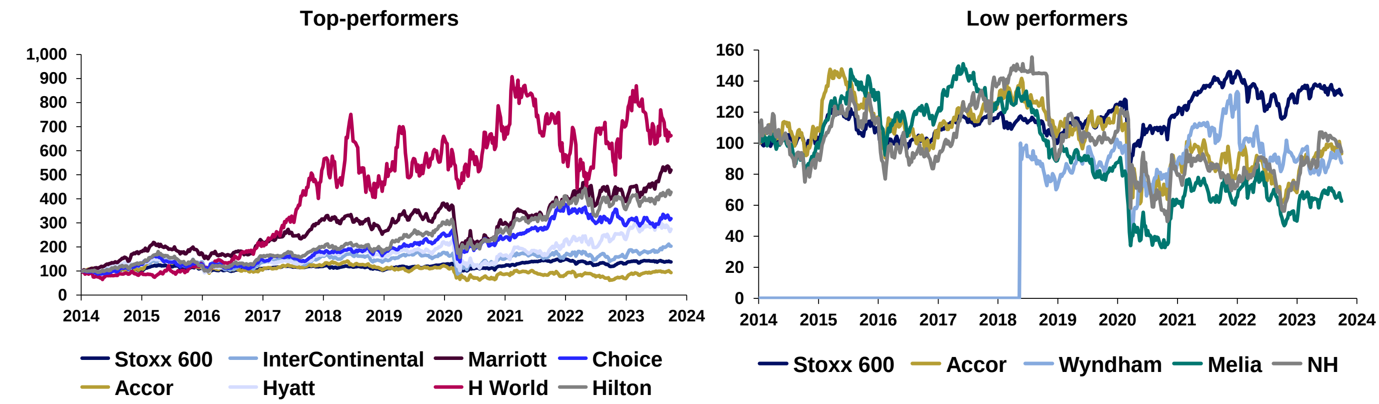


Sources: Bloomberg. Own Estimates. Exhibit captures the weekly excess returns of investing in these stocks (measured against the 10-year bund)

market value. Investors have not yet been able to recover the value lost derived from the COVID-19 pandemic. Moreover, Accor's average returns have been decreasing over time.

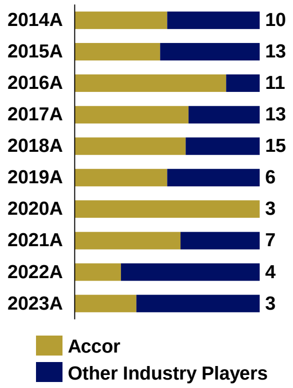
There is a clear distinction between European and non-European stock performance (Exhibit 26). Accor, Melia, and NH, the companies with higher exposure to the European market, are all also coincidently at the bottom of the table in terms of shareholder value creation from 2014 to 2023. Wyndham is the only American player performing worse than the market. Although there is a group of hotel players outperforming STOXX 600 in terms of weekly returns, Accor is one of the worst performers in the industry.

Exhibit 26 – Evolution of 100€ invested since 2014 to 2023



Sources: Bloomberg, Refinitiv and Yahoo Finance. Own Estimates. Date: 2014 – 2023. Exhibit captures the weekly returns of investing in these stocks.

Exhibit 27 – Breakdown of Acquisition Announcements



Sources: Bloomberg. Refinitiv (League Table Eligible Deals). Own Estimates. There were 36 acquisition announcements made by InterContinental, Hyatt, Marriott, Melia, H World, Hilton, Choice, and NH in the industry.

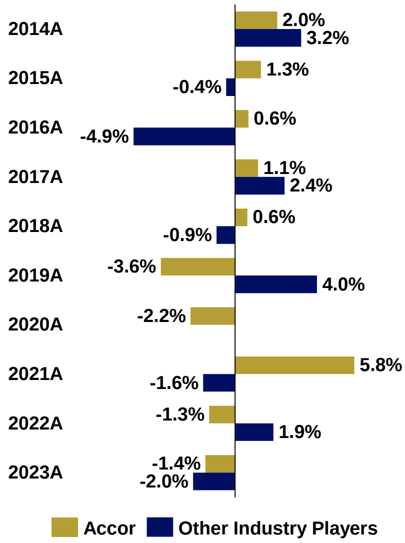
M&A Activity

As this industry is hugely brand-driven, companies are always looking to increase their market share through acquisitions. Since 1985, there have been more than 13800 deals in the hospitality industry, valued at $809 Billion (Benchmark International, 2019).

The breakdown of the deals between Accor and other industry players can be seen in Exhibit 27, from 2014 to 2022. Accor is by far the most active player engaged in transactions. It engaged as a buyer in 49 transactions from 2014 to 2023, more than 40% of all industry transactions.

These consolidation moves are generally designed to meet several core objectives, such as acquiring new geographic growth drivers, deepening local hotel networks in fast-growing regions, enhancing the brand portfolio, and being present

Exhibit 28 – Market Reaction to Acquisition Announcements



Sources: Bloomberg. Refinitiv. Own Estimates.

in new high-value-added segments. Studies have shown that, on average, lodging M&A is unique versus those in other industries because both the target and acquirer are better off following a merger (Canina, 2001).

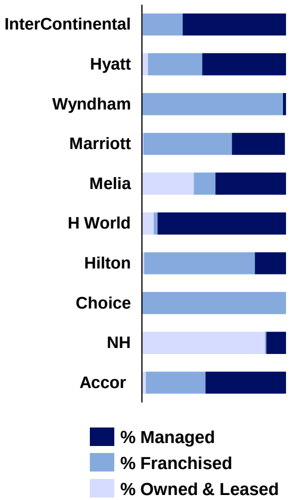
One analysed all acquisition announcements of the 10 industry players we have been considering so far, from 2014 to 2023. In Exhibit 28, we depict the average market reaction to an acquisition announcement, for each year. To assess this, we assumed the moment preceding the announcement to be one day before public disclosure of the acquisition, and the post-announcement moment to be five days after the respective press release. This way, the market reaction was calculated as the difference in price (return) between the moment before the announcement and the moment after the announcement.

In that period, the market perception of Accor's M&A activity was positive in 2014, 2015, 2016, 2017, 2018, and 2021. However, this perception was negative in 2019, 2020, 2022 and 2023. This contradicts the (Canina, 2001) argument - some M&A deals were positively viewed by the market, whereas others were not.

Peer Selection and Analysis

Even though we have selected nine other companies that compete with Accor to analyse the hospitality sector, not all of them share the same characteristics as Accor, and we will subset the group and find the most suitable peers[8]. The criteria include their operating strategy features: operating type, segment type, and region.

Exhibit 29 - Rooms per operating type 2022



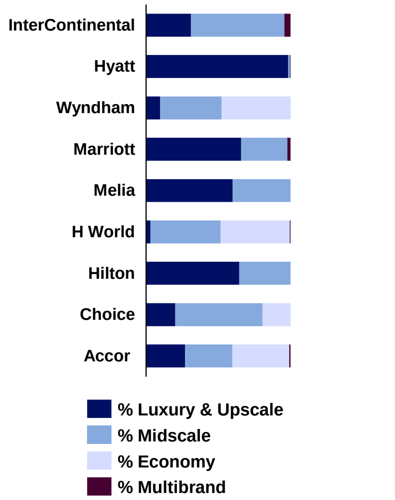
Sources: Bloomberg, Refinitiv, Annual Reports. Own Estimates.

The first criterion investigated is the **operating type**. Exhibit 29 shows the percentage of each operating type for every company. Accor is nowadays a company that operates an asset-light model, which means that most of its hotels are not owned by Accor. Instead, they are associated with management and franchise contracts. Since the ownership of these types of assets impacts the cost and revenue structure of the firm, the selected peers must share this characteristic. We can see that among these companies, only NH and Melia have a business model with a significant portion of owned & leased hotels, so we excluded them as close peers. We also excluded Wyndham and Choice, given that their portfolio is almost exclusively based on franchise agreements.

The criteria we should analyse next is the **segment type**. This is also an essential factor since it is related to the customers' preferences, so a company that focuses more on economy hotels is not necessarily competing against a company that invests more in luxury hotels. From Exhibit 30 we can see that most companies have a diversified portfolio of economy, midscale, and luxury & upscale hotels.

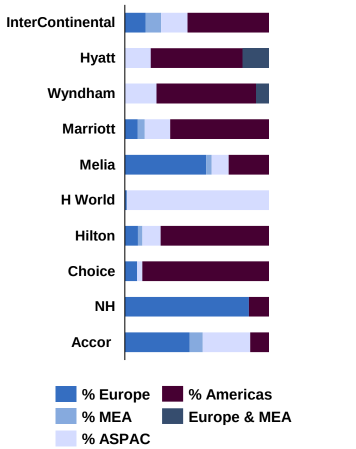
[8] Notes: Industry competitors: list of 10 players (including Accor). Closest peers: list of 4 players (including Accor).

Exhibit 30 - Rooms per segment 2022



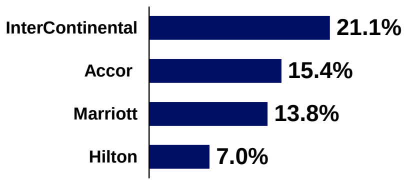
Sources: Bloomberg, Refinitiv, Annual Reports. Own Estimates.

Exhibit 31 – Rooms by Region 2022



Sources: Bloomberg, Refinitiv, Annual Reports. Own Estimates.

Exhibit 32 – Peers Average Revenues Growth 2015-2022



Source: Bloomberg. Refinitiv. Own Estimates.

However, the portfolio of the company Hyatt consists almost exclusively of luxury & upscale hotels, while Accor's network is not concentrated in a single segment. For this reason, we decided to also exclude Hyatt as potential peer.

Accor's portfolio is very diversified, whether in terms of strategic segment, or by **geographic presence**. We've already established that Accor has a strong presence in Europe, but it is also present in the Americas, MEA, and ASPAC regions. We should, therefore, look for companies that also have exposure to the global market and don't restrict themselves to a certain region. H World, for instance, is a Chinese company that has opened hotels in other parts of the world only in the last couple of years. Hence, in 2022, almost 99% of its portfolio was in China (Exhibit 31), which means that the conditions of the Chinese market will have a much more significant impact on this company than on Accor. Hence, H World is an unsuitable company to be classified as a peer of Accor.

It is important to note that each one of these companies is unique, and it is impossible to find actual comparable companies. However, we believe that Intercontinental Hotels, Marriott International and Hilton Hotels should be classified as Accor's closest comparable companies, given their diversified portfolio in terms of business type, segment and geography. From now on, when we want to make comparisons with Accor, we will analyse these three companies. Finally, this selection of companies will also be used to perform a relative valuation in a later stage of the report.

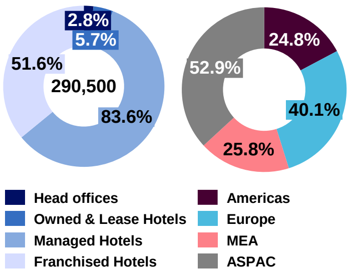
Company Overview

Company Description

Accor's diversified portfolio includes 40 brands, present in the economy, midscale, upscale and luxury segments in over 110 countries. Some of the brands in the luxury and upscale segment are Sofitel, Fairmont, MGallery, Pullman, Swissôtel, Mövenpick, and Grand Mercure Hotels and Resorts. Brands in the midscale segment include Novotel, Mercure, Mantra, and Adagio. Finally, brands in the economy segment include Ibis, Ibis Styles, Ibis Budget, and Rixos. Such diversified portfolio has put it slightly above the median of the table in terms of revenues growth, as can be seen in Exhibit 32.

Most of its revenues are associated with hotel services provided to owners, either via management & franchise (M&F) contracts or via its group worldwide distribution, reservation systems and marketing/sales initiatives. Accor's operating model will be analysed in depth later in the report.

Exhibit 33 – Employees Breakdown by Operating Type and Region

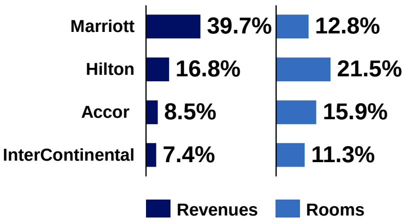


Source: Annual Report. Own Estimates.

Accor's diversified portfolio is also visible through its employees' breakdown across the four operating types and four geographic regions (Exhibit 33). In 2022, most head offices workers were in Europe, followed by the Americas. Most owned & leased employees were in ASPAC and Americas. The most representative region in M&F human capital is ASPAC, followed by Europe.

As previously discussed, Accor is one of the largest players in the lodging industry, with a market share in terms of rooms of c. 11% and a market share of c. 8.5% in terms of revenues, in 2022 (Exhibit 34), among the industry competitors. It is less capable of translating its global rooms network into revenues. Its revenues to rooms ratio (RRR) is the 5th lowest among the industry competitors (Exhibit 35).

Exhibit 34 – Market Share in 2022



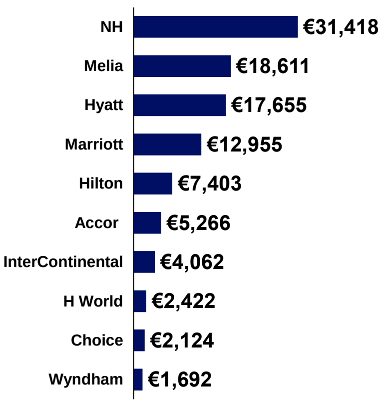
Source: Bloomberg. Refinitiv. Own Estimates. The market share is computed as a % of the total of the 10 industry players.

Accor's unique strategy explains this regarding operating type, segments, and regions. Assuming everything else holds constant, a higher share of owned & leased rooms in the portfolio implies a higher RRR. For example, NH and Melia have the higher share of owned and leased rooms and the highest RRR.

Moreover, for the same share of owned & leased rooms, a higher share of managed rooms implies a higher RRR, because the fees collected of actively operating a hotel are higher than just collecting royalty fees from its franchisees. In 2023, c. 76% of Accor's M&F revenues are from management contracts, while it just represented c. 57% of M&F rooms.

Operating Strategy

Exhibit 35 – Revenues to Rooms Ratio (RRR), 2022



Source: Bloomberg. Refinitiv. Own Estimates.

As a big player in the hospitality industry, one of the most important metrics that drives the operational side of the company's business is the number of rooms. The number of rooms is essential to estimate revenues, so we made forecasts regarding the number of rooms in each of the four regions, for each of the three operating types that are part of Accor's network.

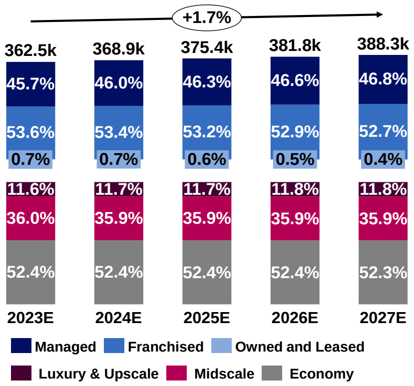
For 2023, we assumed a total room net unit growth of 2.5% (Accor's guidance was 2%-3%), and we derived the number of rooms per region and segment based on the proportions as of H1 2023.

Every year, the company reports the number of rooms in the pipeline by geographic region and operating type. The pipeline consists of the number of hotels that are yet to open/be constructed. In addition to the pipeline, Accor's guidance is that they intend to open said pipeline within 4 years.

Under our base scenario, we assumed that Accor would open 25% annually, from 2024 to 2027 for the M&F businesses. The only exceptions are the MEA M&F business and the owned & lease businesses globally. We do not expect that MEA openings will be on schedule in the future mainly due to the geopolitical instability of the region, and we do not expect owned & leased hotels to open as predicted by the pipeline due to the shift of Accor's business to an asset light model.

Moreover, we estimated the number of closed rooms in the past by taking the number of gross room openings each year and subtracting it from the net change in the number of rooms. Then, we estimated rooms closing further into the future based on the average rooms closed per region in the past. Finally, we estimated the total number of rooms by adding the gross openings to the total number of rooms in the previous year and subtracting the number of closed rooms.

Exhibit 36 - Rooms in Europe by segment and Operating Type



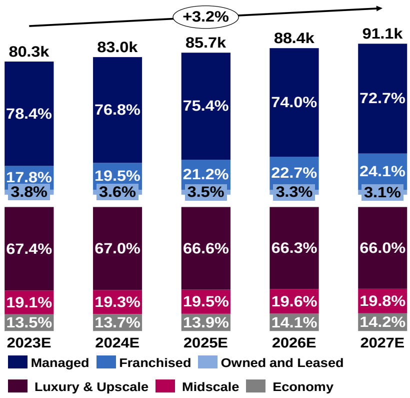
Source: Accor's statements; Own Estimates.

Exhibits 36-39 show our predictions of the number of rooms based on this approach. MEA is the region expected to grow its rooms the most. MEA is the region with less rooms in 2023, but it is expected to open proportionately more rooms than any other region. ASPAC is the second region expected to grow the most, given its pipeline, which represents almost half of Accor's total pipeline in 2023.

To determine the net change in segment-specific rooms for a region, we used a weighted average approach. We multiplied the total net change of each region by the weight of each segment type in the 2023 pipeline of that region. This way, the room estimation reflects the different segment strategies in each region.

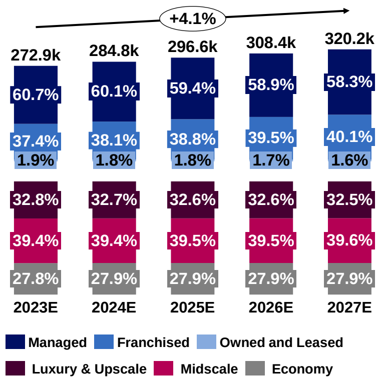
Our analysis results in a CAGR net unit growth of 2.6%, from 2023 to 2027, slightly below Accor's guidance range of 3%-5%.

Exhibit 37 - Rooms in MEA by segment and Operating Type



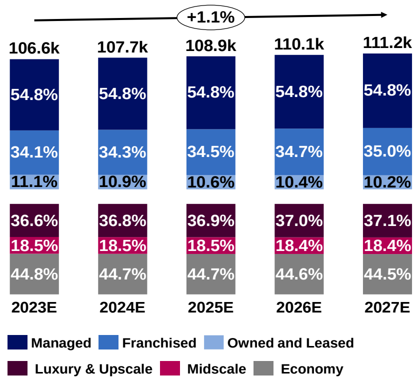
Source: Accor's statements; Own Estimates.

Exhibit 38 - Rooms in ASPAC by segment and Operating Type



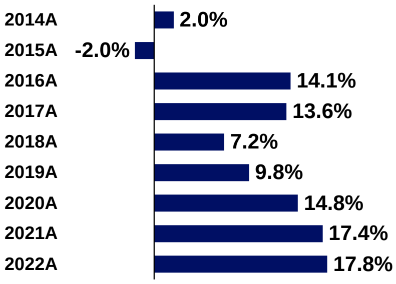
Source: Accor's statements; Own Estimates

Exhibit 39 - Rooms in Americas by segment and Operating Type



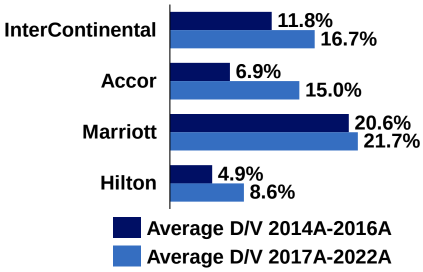
Source: Accor's statements; Own Estimates

Exhibit 40 – Accor's D/V Ratio



Source: Accor; Own Estimates

Exhibit 41 – Average Peers D/V Ratio



Source: Accor. Bloomberg. Own Estimates

Capital Structure and Balance Sheet Balancing

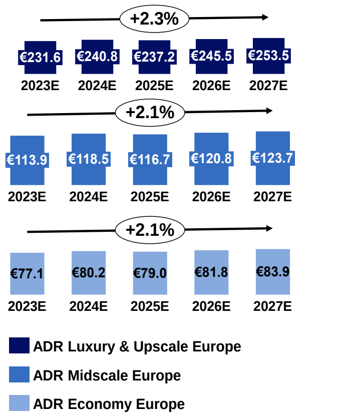
The company market net debt to market cap (D/V) ratio in 2022 was relatively higher than the closest peer's mean.

In 2017-2022, the mean closest comparable D/V ratio stood at circa 14%, relatively lower than current Accor's D/V ratio. This way, considering that the company's leverage ratio before 2020 was much lower than today, one assumed that the company is progressively converging to the average leverage ratio of the closest peers from 2017 to 2022, reaching it in the last year of the first implicit horizon (2033).

Do note that we defined an explicit horizon as the period between 2023 to 2027, in which we detailed every assumption. Then, in the first implicit horizon, we simplified some assumptions and assumed the company would reach a steady state in 2033. Later, in the second implicit horizon, we assumed the company would remain in that steady state.

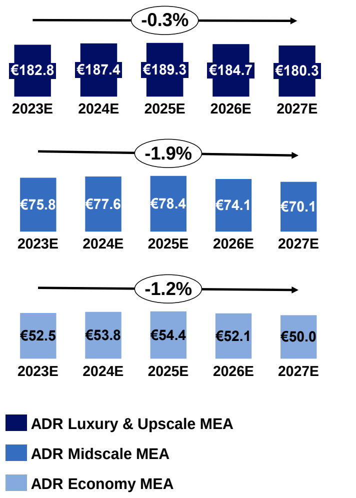
Considering that we performed a DCF - WACC valuation, we had to balance the balance sheet with the leverage ratio in market value – the only balancing method consistent with WACC assumptions. After estimating the fair EV, we estimated net debt as a percentage of fair EV, and the equity by difference of book value invested capital and net debt. We also estimated interest and the final value of taxes reflecting the market value leverage ratio.

Exhibit 42 – Average Daily Rate in Europe



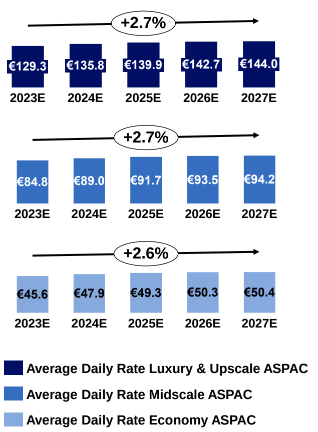
Source: Accor's statements; Own Estimates

Exhibit 43 – Average Daily Rate in MEA



Source: Accor's statements; Own Estimates

Exhibit 44 – Average Daily Rate in ASPAC



Source: Accor's statements; Own Estimates

Operating Model

RevPAR and Revenues Forecast

The two main drivers of Accor's revenue are the number of rooms and the RevPAR. In this chapter, we will forecast RevPAR and explain our revenue model.

- RevPAR Forecast

Accor reports its RevPAR region wise, and within each region by segment. To forecast Accor's revenues, we needed to estimate the future RevPAR for each region and operating segment.

Since RevPAR is the product between ADR and OR, we first forecasted each component for each region and segment until 2027. The company reports ADR and OR every year, from which we can analyse its evolution. However, the evolution from these figures does not represent the actual performance of the hotels since the high volume of acquisitions could distort these values. To accommodate this, we retrieved the like-for-like evolution of these metrics, because the like-for-like represents the values at constant scope of consolidation and exchange rates.

For the **ADR forecast**, we relied upon the previously analysed total travel spending forecasts and specific events that will occur in some regions. To assess when ADR reaches its stabilized moment and grows at the like-for-like growth rate, we considered whether the growth of the expected travel spending in the region in the upcoming years (CAGR 2023-2027) will surpass pre-covid growth (CAGR 2024-2019) or not. The higher the expected differential between forecasted and historical travel spending, the later the ADR would stabilize.

In **Europe**, we foresee that 2024 will be a strong year in terms of pricing for Accor, given three main events: i) the 2024 Olympic Games (Paris, France); ii) the UEFA EURO 2024 (Germany); iii) the recovery of business traveling spending to pre-COVID levels.

Sports events usually have a big impact on hotel revenues since they attract many travellers to where the event is hosted. The events will occur between June and August, in two countries that comprise 56% of Accor's Europe portfolio. Our analysis infers a 4% YOY increase in ADR from 2023 to 2024.

In 2025, we expect ADR to decrease by -1.5%, given the high base effect expected for 2024. Given that travel spending in Europe between 2023 and 2027 is expected to grow at a significantly faster pace than between 2014 and 2019, we expect that ADR will only reach the LFL growth in 2027.

In **MEA**, only a small increase of ADR is expected in 2023 given that it has a high base effect driven by QATAR World Championship in 2022.

Business travel spending is expected to recover to pre-covid levels only in 2024. Once again, given Accor's dependence on business travel, we expect ADR to peak its growth in 2024. MEA's region will only stabilize at its LFL growth in 2026 because total travel spending in the upcoming years is expected to grow slightly faster than before COVID-19. Given the region's geopolitical instability, the average LFL growth between 2017 and 2019 across all segments was negative.

In **ASPAC**, total travel spending (both business and leisure) is only expected to fully recover to pre-COVID levels in 2025. This way, we expect a strong pricing recovery in the upcoming years. Since total travel spending is expected to grow significantly faster than before COVID-19, we expect the LFL growth to be reached in 2027. The expected YOY growth of ADR in 2023 is 6%, and we assume it will gradually converge to the LFL growth in 2027.

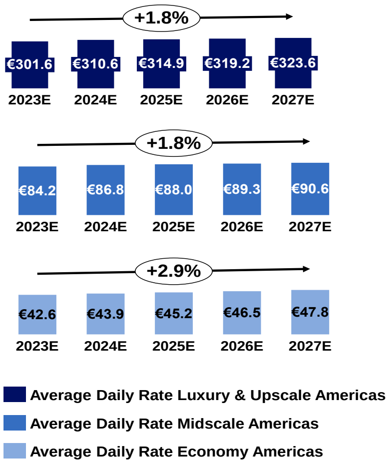
Regarding the **Americas**, although total travel spending has already recovered to pre-COVID levels (driven by leisure travel), considering that business travel spending is only recovering to 2019 levels in 2025, we consider that the ADR will grow by 4% in 2023. Since travel spending in the Americas is expected to grow at a slightly lower rate than before COVID-19, we expect YOY to converge to the LFL growth in 2025.

After forecasting the ADR for every region and segment, we made a weighted average of ADR per region, considering the weight of each segment's number of rooms to the total number of rooms of that region. Exhibits 42-45 show the expected evolution of ADR per region.

For the **OR forecast**, the methodology was simpler than ADR's. As we have seen in previous sections, the OR is a metric that usually remains stable throughout the years, except for extraordinary events that strongly affect the demand-supply dynamics, such as a pandemic.

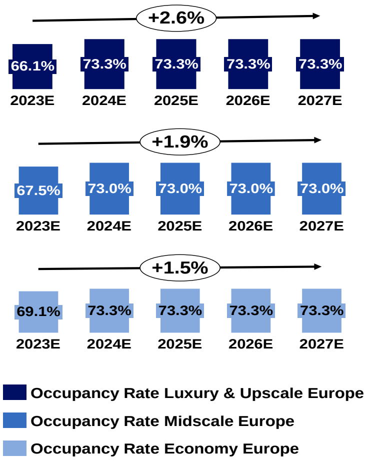
In **Europe**, Accor's occupancy rate is expected to return to pre-COVID levels at the beginning of 2024 (Yahoo, 2023). In 2025, although there is a high base effect with the major events of 2024, we do not expect a decrease in OR because of the resurgence of Chinese travellers. After being closed to the rest of the world for three years, one would think that tourists from China would be immediately eager to travel around the world again; however, the Chinese preferred to stay in China

Exhibit 45– Average Daily Rate in Americas



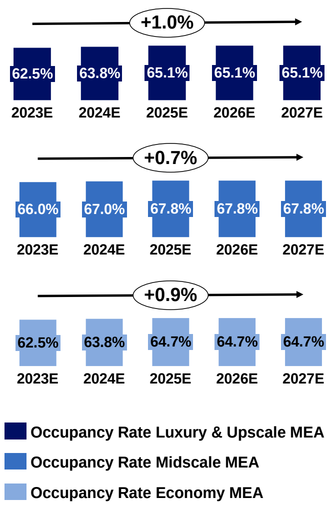
Source: Accor's statements; Own Estimates

Exhibit 46– Occupancy Rate in Europe



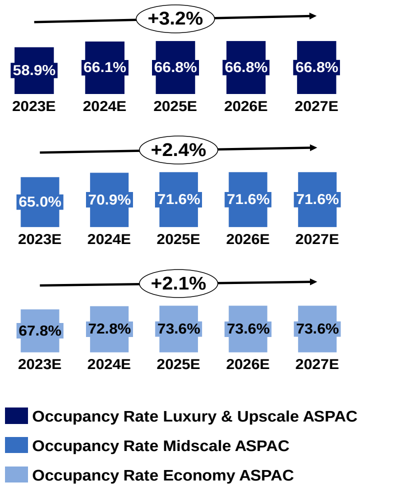
Source: Accor's statements; Own Estimates

Exhibit 47– Occupancy Rate in MEA



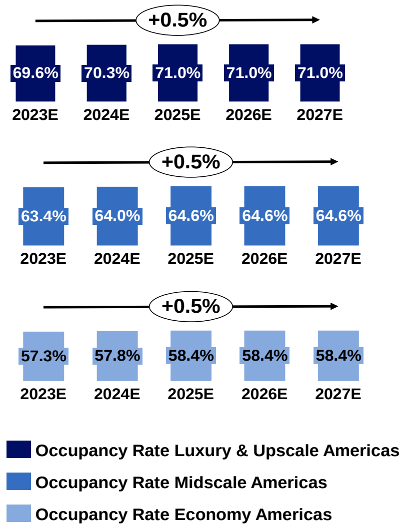
Source: Accor's statements; Own Estimates

Exhibit 48– Occupancy Rate in ASPAC



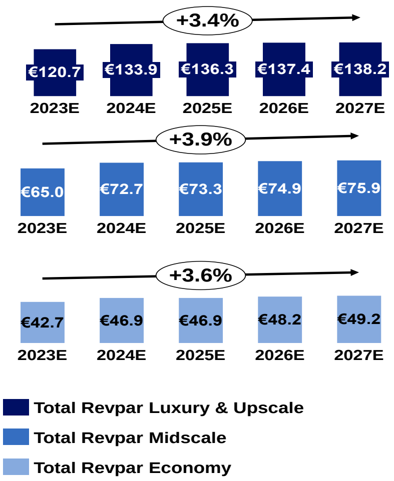
Source: Accor's statements; Own Estimates

Exhibit 49– Occupancy Rate in Americas



Source: Accor's statements; Own Estimates

Exhibit 50– Total RevPAR



Source: Accor's statements; Own Estimates

than engage in international travel (CNBC, 2023). We expect that Chinese international travel will fully recover in 2025. As a result, we assumed that in this year, the OR for Europe hotels will be higher than in 2019 and remain unchanged in 2026 and 2027. In **MEA**, we expect that the OR will take a little longer to fully recover due to the conflicts between Israel and Palestina, therefore we set the OR in MEA to be equal to that of 2019 only in 2025, remaining constant thereafter. In **ASPAC** OR is also expected to recover to pre-covid levels in 2024, reflecting the reopening of the major economies in the region. Then, we assume such OR to slightly increase in 2025 and to remain constant thereafter. In the **Americas** OR has already recovered in 2023 (Accor, 2023). Then, we assume it to slightly increase in the next two years, with a similar resurgence of Chinese travellers as in Europe. Exhibits 46-49 show the expected evolution of OR per region.

After calculating the ADR and OR for every region and segment, we multiplied the two metrics to get the RevPAR. Exhibit 50 shows the expected evolution of RevPAR according to our analysis. We are confident in our projections as according to Accor's presentation to investors, total RevPAR for the company will grow 20% in 2023, while we are expecting a more conservative growth of c. 17%, and the CAGR between 2023 and 2024 should fall within the range 3-4%, which is coherent with our projection of 3.6%.

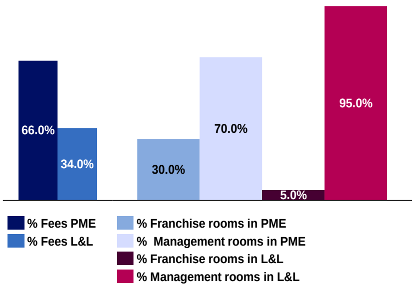
- Revenues Forecast

Accor divides its revenues across three typologies: HotelServices, Hotel assets & other (HA&O), and Holding/Intercos. **HotelServices** can be associated with **management and franchise** (M&F) contracts and **Services to Owners** (STO).

M&F revenues result from collecting fees from hotel owners in compensation for M&F agreements. It also includes commissions received on centralized purchases. To estimate the M&F revenues, we resorted to the previously projected RevPAR. Since Accor discloses M&F revenues by region, we thought that it would be most appropriate to forecast revenues using each region's total RevPAR. Our approach here was based on **estimating a certain fee for management and franchise contracts based on the total rooms' revenue** under such agreement and multiply that fee by the rooms revenues generated by these hotels, since ultimately Accor receives a percentage of those revenues. Even though management contracts revenues are ultimately based on the total hotel revenues plus an incentive fee, due to a lack of information regarding the F&B / other revenues in these hotels, as well as their profitability, we decided to assume, as a driver, the total room revenue. Considering that total room revenues are usually a stable part of total hotel revenues, this is a fair assumption.

For each region and operating type, we calculated the room revenues of the old and the new rooms. For the **old room revenues**, we multiplied the number of rooms by the region's RevPAR and by 365 days to get the total annual revenues. For the **new room revenues**, we multiplied the number of new rooms by the region's RevPAR with a discount and by 365 days. The rationale here is that when a new hotel opens, it does not immediately reach its potential RevPAR, but it may need some time to gain recognition, or it could open in the middle of the year. We assumed that each new hotel would take one year to start operating at its full potential, so the new hotel rooms would be transferred to the old rooms balance after one year. For the discount, we assumed a 50% decrease in RevPAR for that first year of operations.

Exhibit 51– Structure of the fees model



Source: Accor's statements; Own Estimates

Next, we estimated the M&F fees for each region based on the disclosed revenues between 2017 and 2022. We wanted to separate the management revenues from the franchised ones, but unfortunately, Accor only discloses those revenues altogether. In the Capital Markets Day in June, Accor presented a table with the structure of the fees model in 2023 (share of fees from each segment and share of rooms in each segment), which can be seen in more detail in Exhibit 51.

Exhibit 52– Fees for each region and operation

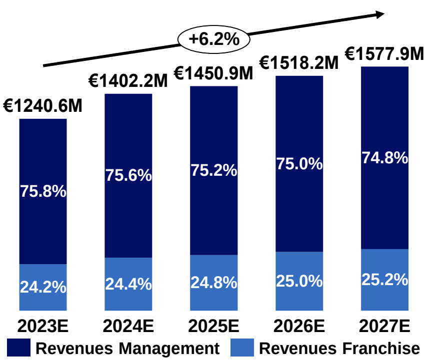
	Management	Franchise
Europe	11%	3%
MEA	6%	6%
ASPAC	5%	3%
Americas	9%	6%

Source: Own Estimates

To get the management part of M&F revenues in each region, we used the share of those revenues that belong to each segment (Premium, Midscale, and Economy (PME) vs Luxury and Lifestyle (LL)). Then we multiplied by the percentage of management rooms in each segment. The same approach was conducted with franchise operations. We should note that PME and LL refer to the most recent categorization of segments. For analysis purposes, we considered the old nomenclature.

Finally, to calculate the fee each year, we divided the management or franchise revenue received by Accor by the sum of old and new rooms' revenues. This ratio would give us a proxy of the fee charged by Accor, so we took an average of the fees between 2018 and 2022. We disregarded the year 2017 because the business model was different, which could distort the fee. We multiplied the fee by the estimated revenues of old and new rooms to forecast the revenues. Exhibit 52 summarizes the fees we assumed for each region and operating type to forecast said revenues.

Exhibit 53– M&F revenues Projection



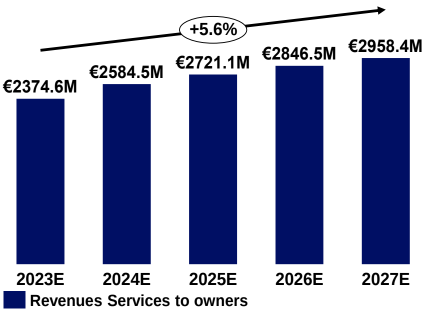
Source: Own Estimates

This method was used to forecast revenues within the **Explicit Horizon**, which we defined to be the period between 2023 and 2027. For the first **Implicit Horizon**, we assumed that M&F revenues in each region would grow at a rate that is converging to the inflation rate target of that region. The only exception is MEA since our model delivered a YOY growth in 2027 significantly lower than the inflation target. Hence, we assumed such growth to continue.

The next revenues segment is the STO, which includes all commercial and promotional services invoiced to hotel owners, encompassing marketing, IT, distribution, and the loyalty program, as well as shared services and the reimbursement of costs incurred on their behalf. Although this segment represents a big share of the revenues, Accor informed us that it contributes only marginally to the EBITDA, which suggests that most of its amount comes from reimbursing costs and salaries.

There are essentially three components in the STO segment: sales, marketing, distribution, and loyalty (SMDL), reimbursed costs, and other services. After a thorough analysis, we concluded that this is essentially the full reimbursement of two captions: **other operating expenses** and **salaries and social security charges recharged to owners**.

Exhibit 54– STO Revenues Projection



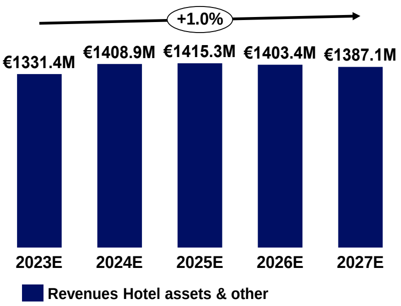
Source: Own Estimates

Like what was done in the M&F section, for the first implicit horizon we assumed that the growth of STO revenues would converge to the global inflation rate. Exhibit 54 shows the evolution of STO revenues until 2033.

HA&O is the revenue associated with the operator activities of owned and leased hotels, including the sale of accommodation services and catering services to customers and the management of the asset portfolio (hotel design, construction, refurbishment, and maintenance activities). It also includes other activities recently integrated into the group in 2021 via external growth transactions.

To estimate HA&O revenues, a similar approach to M&F was used. Accor only reports HA&O at a global level; however, since we have information regarding the number of hotels and rooms owned and leased by region, we decided to estimate these revenues regionally. For each region, we multiplied the RevPAR by the number of rooms owned and leased and by 365 days. We also computed the room revenues related to new rooms as described before. We then summed the room revenues of each region to get the total room revenues of HA&O. The room revenues, however, are only a component of this segment, the other being the **food & beverage and other businesses revenues**. Since we did not have the disaggregation of HA&O revenues, we estimated this caption by subtracting the past rooms revenues from the total HA&O revenues. Then, for the upcoming years, we estimated that this caption would grow at the same rate as the room revenues. Accor informed us that the other businesses were a residual part of this caption.

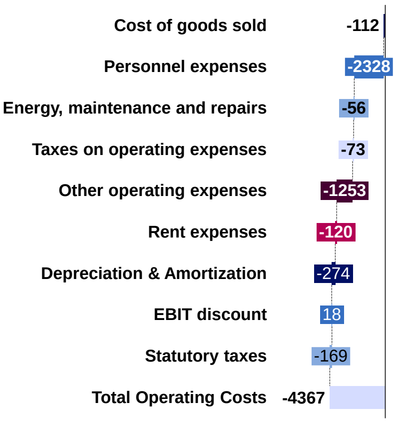
Exhibit 55 – HA&O Revenues Projection



Source: Own Estimates

As the HA&O is the disappearing segment of Accor's revenues, we expect that at the end of the Explicit Horizon, this segment's revenues will start decreasing, as the net growth in rooms is expected to be negative. Finally, for the first implicit horizon, we expect that revenues will decrease at the same rate as they did at the

Exhibit 56 – Breakdown of Total Operating Costs 2023 (€M)

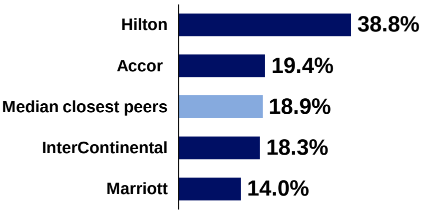


Source: Annual Reports. Own Estimates.

Exhibit 57 – Company-funded employees per room

Source: Annual Reports. Refinitiv. Bloomberg. Own Estimates.
Note: the figure displays the ratio of the number of employees whose compensation is fully supported by the company divided by the total number of rooms in its portfolio.

Exhibit 58 – Average EBITDA Margin 2017-2019 & 2022



Source: Annual Reports. Refinitiv. Bloomberg.

end of the explicit horizon. From Exhibit 55 one can see the evolution of HA&O revenues until 2033.

Finally, Accor's revenues have one more component, which has a negative impact. The last component is the **Holding/Intercos** and is related with **headquarters expenses**. Since in 2023 the company finalized the sale & leaseback of its headquarters, these expenses are expected to increase. We assumed that these expenses are increasing with the expected inflation rate for France during the explicit horizon. For the implicit horizon, we assumed they would keep growing a the expected inflation rate in France in 2027.

Cost Structure

The company's cost structure in 2023 is depicted in Exhibit 56. It is visible that the most significant operating costs are personnel expenses and other operating expenses, followed by depreciation and amortization.

Personnel costs primarily consist of payroll and related expenses in which Accor is the employer of the staff at the property. Part of it is recharged to owners (via the STO revenues caption, which has no EBITDA impact), and Accor supports part of it. While the estimation of the first is not relevant for valuation purposes because it is fully recharged to hotel owners, the second is particularly important. Personnel costs also include share-based costs, which are not cash outflows of the company because they are done directly between employees and the shareholders, and hence, they were adjusted in the cash flow map.

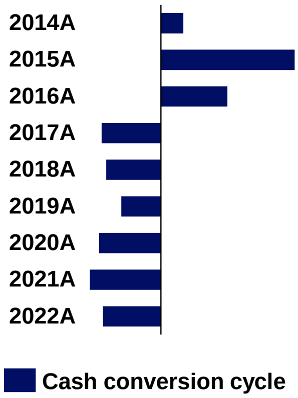
The salaries and social security charges (SSSC) supported by Accor are a function of the cost per employee and the number of employees in the head offices and in owned & leased hotels. The cost per employee is expected to increase by the global inflation rate (adjusted for Accor's rooms' geographical breakdown, as previously discussed). The number of employees in the head offices was assumed to increase in line with the Hotel Services revenues growth, although at a smaller pace. The number of employees in owned & leased hotels was obtained based on the following product:

$$\#\ of\ employees = Employees\ per\ Room * \#\ Owned\ \&\ Leased\ Rooms.$$

We assumed the ratio of 2022 to hold in the future. Since we assume that the number of owned and leased rooms decreases over time, SSSC supported by Accor is not expected to vary much between 2023 and 2027.

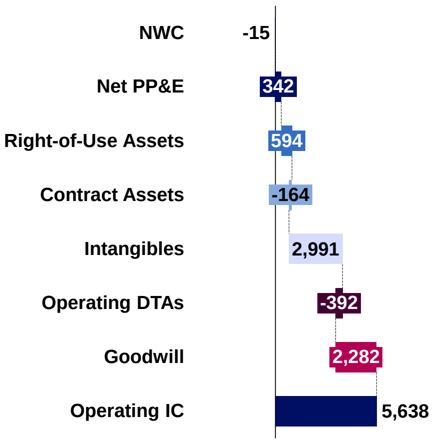
In the post-covid era, the number of employees per room directly employed by Accor increased significantly. This also occurred to Intercontinental, but not to Marriot and Hilton. It is visible that the two latter have a much lower ratio of

Exhibit 59 – Cash Conversion cycle before and after spin-off (€M)



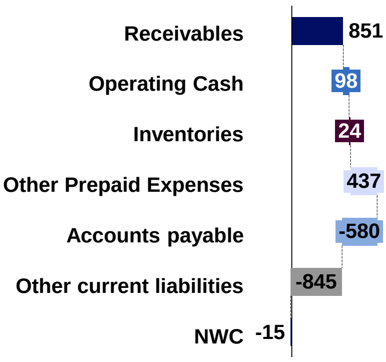
Source: Accor. Own Estimates.

Exhibit 60 – Breakdown of Accor's Core Invested Capital 2023 (€M)



Source: Accor. Own Estimates.

Exhibit 61 – Breakdown of Accor's NWC 2023 (€M)



Source: Accor. Own Estimates.

employees per room, capable of inputting a higher share of personnel costs in the hotel owners.

Other operating expenses include marketing, advertising and promotions, distribution, and information system costs. It is provided to hotel owners under M&F agreements and fully recharged to them. Therefore, similarly to personnel costs recharged to owners, this caption has no EBITDA impact.

Accor's EBITDA margin decreased dramatically with COVID-19, which is natural given that the sector was extremely affected by the pandemic. The EBITDA margin dropped from 20.4% to -24.0% in 2020 and we only expect it to come back to pre-COVID levels in 2024.

For the first implicit horizon, we expect the company to converge to the median EBITDA margin of its closest peers (from 2017 to 2023, excluding 2020 and 2021) in 2033, which will happen gradually over the explicit horizon.

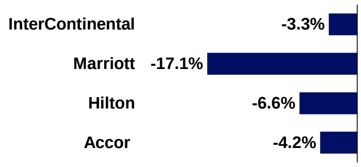
Core Invested Capital

The capital-light activity is visible by analyzing its core invested capital breakdown, with intangible assets representing the largest share of invested capital. Then, the second most significant caption is goodwill, which is associated with the high level of M&A activity of the company, as previously discussed.

Accor operates under an asset-light business model, emphasizing management and franchising over physical asset ownership. This model results in consistently negative Cash Conversion Cycle (CCC) which means suppliers are financing the operational activity of the company and indicates efficient fee collection and improved cash flows. The fee-based business model entails low reliance on inventory and enhances overall operating cycle efficiency. This is visible in Exhibit 60. After Accor's spin-off by selling owned & leased hotels to AccorInvest and engaging in management contracts to manage them back, Accor's cash conversion cycle became immediately negative.

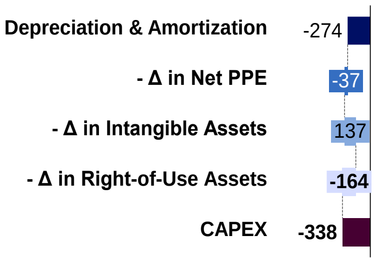
To assess Accor's NWC going forward, trade accounts receivable is driven by the average collection period, working cash is assumed to be 2% of total revenues, inventories are assumed to be driven by COGS times the average holding period. Other prepaid expenses / other receivables are assumed to be driven by total revenues. Accounts payable are assumed to be driven by COGS times the days payable outstanding. Finally, we included other current liabilities (VAT payable, wages salaries and payroll tax payables, income tax and other tax payables, other payables) to be driven by total revenues, except for wages salaries and payroll tax payables, which we assumed to be driven by personnel expenses.

Exhibit 62 – NWC to Revenues Peers 2017-2019 & 2022



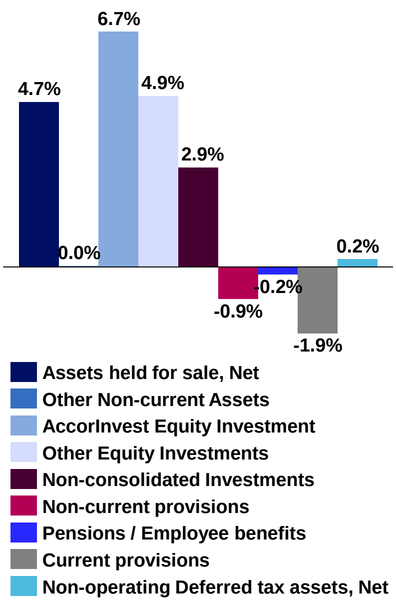
Source: Refinitiv. Own Estimates.

Exhibit 63 – Breakdown of Accor's CAPEX 2023 (€M)



Source: Annual Reports

Exhibit 64 – Non-core Invested Capital as % of EV 2022



Source: Bloomberg. Refinitiv. Own Estimates.

Further into the implicit horizon, we expect the ratio of net working capital to revenues to converge to its closest peer's industry median from 2017 to 2022 (excluding 2020 and 2021).

PP&E includes land and buildings, leasehold improvements, and equipment and furniture. To estimate CAPEX, we assume the following:

$$Gross\ land\ and\ buildings = Land\ and\ buildings\ per\ owned\ \&\ leased\ hotel * \#\ Owned\ \&\ Leased\ Hotels + Land\ and\ buildings\ Depreciation.$$

$$Gross\ equipment, furniture = Equipment, furniture\ per\ owned\ \&\ leased\ hotel * \#\ Owned\ \&\ Leased\ Hotels + Equipment, furniture\ Depreciation.$$

$$Gross\ Leasehold\ improvements = Leasehold\ improvements\ per\ leased\ hotel * \#\ Leased\ Hotels + Leasehold\ improvements\ Depreciation.$$

Considering Accor's asset-light strategy, we expect a further decrease in the number of owned and leased hotels in the future. Moreover, we assumed depreciation as a proxy for maintenance CAPEX.

Right-of-use assets accounts for the value of the lease agreements that are established for a certain period. It was projected in a similar way, mainly including the headquarters (which were sold and leased back this year), and the buildings (hotels leased).

Contract Assets, net includes advance payments to hotel owners, deferred income, and loyalty program liabilities. Since they are directly related to M&F contracts, M&F revenues are assumed as a driver.

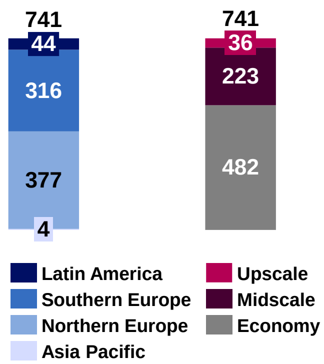
Intangible assets include trademarks, contracts, licenses/software, and others. Trademarks and Contracts, given that their value only increases with M&A transactions, will decrease by the corresponding estimated amortization, as we do not foresee any M&A transaction in the future (other than Potel et Chabot, whose only impact will be in the EV-equity bridge). Licenses/Software and others, given their link to the operations of the first and the lack of information on the latter, were assumed to be driven by total revenues.

Going further into the first implicit horizon, in 2028, we aggregated Net PP&E, Right-of-Use Assets, and Intangible Assets into Fixed and Intangible Assets. We assumed a maintenance CAPEX, i.e., capital expenditures to be equal to the corresponding depreciation and amortization.

As previously discussed, we do not expect any further M&A transactions, and since we also do not expect any impairment, we assume that Goodwill will remain perpetually constant.

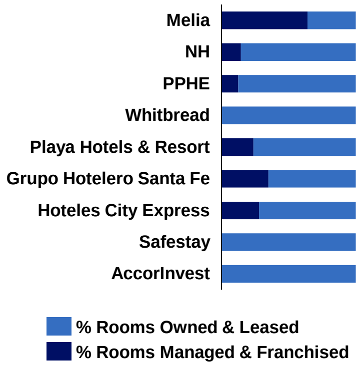
Non-Core Invested Capital

Exhibit 65 – Breakdown AccorInvest Hotels, 30/11/2023



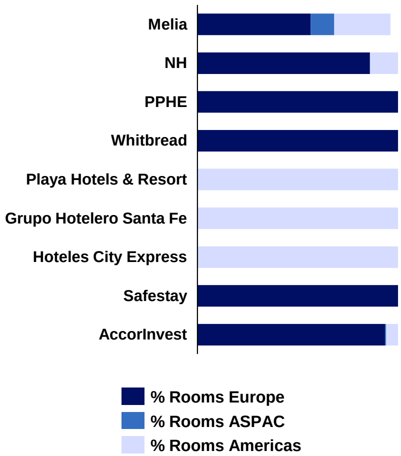
Source: AccorInvest

Exhibit 66 – Peer analysis Accor Invest - Operating type, 2022



Source: Bloomberg. Annual Reports and

Exhibit 67 – Peer analysis Accor Invest - Region, 2022



Source: Bloomberg. Annual Reports. Refinitiv. Own Estimates.

Accor's balance sheet includes assets and liabilities that are not directly related to its core business. These include equity investments and investments in non-consolidated companies, which comprise a significant portion of its balance sheet.

Accor's equity investments serve two primary purposes: i) establish strategic partnerships in specific geographies; ii) acquiring real estate assets that will be subsequently operated under Accor franchises or management teams.

AccorInvest is the primary asset, making up more than half of the carrying value of associates and joint ventures. This company owns and manages real estate assets operated under 12 Accor brands. AccorInvest is present mainly in Europe, the economy, and the midscale segments.

To estimate AccorInvest's revenues, since AccorInvest's hotels are owned & leased, and managed by Accor, we used the RevPAR of Accor for each geography, adjusted by AccorInvest's portfolio. Moreover, we assumed that the share of F&B and other revenues in room revenues in the future would be the average share of F&B and other revenues between 2014 and 2016 for each region.

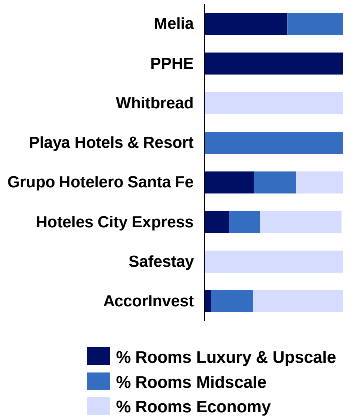
We conducted a peer analysis of AccorInvest to assess the expected market multiple of the company and its EBITDA margin. We retrieved a list of players operating in the hotels & restaurants industry from Refinitiv. Then, we removed all companies not directly associated with owning/leasing accommodation assets, and those that did not have a significant share of owned & leased hotels in its portfolio. This way, we arrived at the list of companies that are on Exhibits 66-70.

The EBITDA margin of AccorInvest is disclosed in 2015 and 2016, and in the annual report of 2016, Accor mentioned that AccorInvest planned to have an EBITDA margin of 25% in 2021. We assume that target was only reached in 2022 due to covid-19 and that the company will further improve it to the average of the eight peers in 2027.

Given our revenues forecast and EBITDA margin forecast, we estimated the EBITDA of AccorInvest in 2024. Then, we applied the mean 2024 EV/EBITDA multiple of the selected peers. This led to an estimated carrying value of AccorInvest in Accor's balance sheet of €811M in 2024.

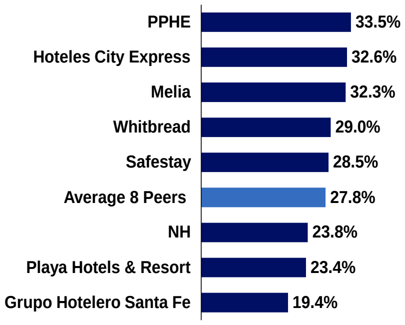
AccorInvest experienced a significant downturn during covid-19. In 2022, the company recovered to positive profits, and the group announced future asset disposals to reduce debt levels and promote financial health. AccorInvest announced it seeks to sell €2000M in hotels to slash debt in October (Bloomberg, 2023). AccorInvest already pursued a transaction with Covivio, buying ten hotels

Exhibit 68 – Peer analysis Accor Invest - Segment, 2022



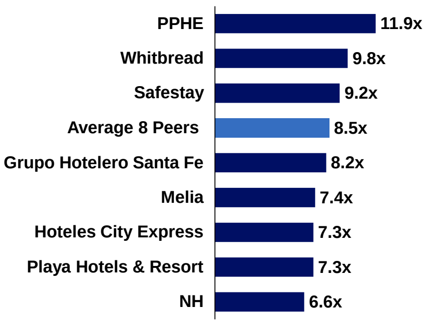
Source: Bloomberg. Annual Reports and presentations. Refinitiv. Own Estimates.

Exhibit 69 – Peer analysis AccorInvest – EBITDA Margin 2014-2019 & 2022



Source: Bloomberg. Annual Reports and presentations. Refinitiv. Own Estimates.

Exhibit 70 – Forward EV/EBITDA 2024



Source: Refinitiv. Own Estimates.

for €210M and selling 24 hotels for €260M. The assets transferred to Covivio reflect a 10.4x EBITDA multiple. Our analysis already incorporates the room portfolio after this transaction.

We did not consider the impact of these disposals on AccorInvest's total liabilities. We assume total liabilities as of 2022 will remain unchanged. However, this is irrelevant for valuation purposes because it would increase AccorInvest's carrying value, hence not affecting our **BUY** recommendation. Do note that Accor's lock-up period of 30% ownership in AccorInvest terminated in May 2023. However, Accor is not expected to sell its equity stake in the company before 2025. Our analysis assumes that Accor does not sell its stake in AccorInvest.

Valuation

Scenario-based DCF - WACC

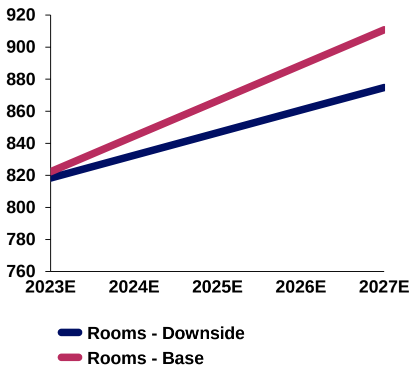
To derive the operating enterprise value of Accor on 31st December 2024, we performed a WACC - Discounted Cash Flow analysis since we believe Accor targets a leverage ratio in fair value.

To accomplish this goal, we estimated cash flows using an explicit horizon from 2023 to 2027, followed by an implicit horizon until 2033, in which we simplified some assumptions and assumed convergence to a steady state. In 2033, we assumed Accor would converge to its closest peers' EBITDA and that depreciation and amortization would remain constant. In the balance sheet, we assumed Accor converges to its closest peers NWC to revenues ratio and replacement CAPEX (i.e., CAPEX to be equal to depreciation). Finally, we extended these assumptions further into the future in the second implicit horizon (2034 to 2039) until free cash flows reached a stabilized growth rate.

We computed the terminal value of the company's unlevered free cash flows based on a perpetual growth rate of 2.3%. The future cash flows are discounted using our weighted average cost of capital (WACC) estimate.

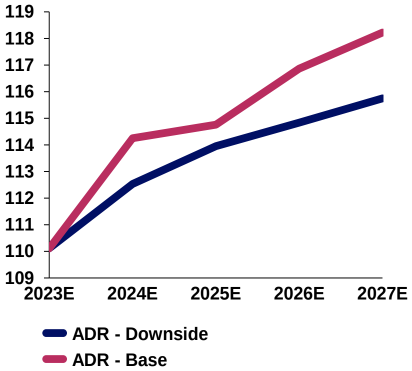
The company's performance will depend on several factors affecting the hotel industry. Therefore, we accommodated that using a scenario analysis based on statistically expected cash flows. We established three scenarios according to our beliefs of the future of the company's prospects: a base scenario, a downside, and an upside scenario.

Exhibit 71 – Total Rooms, in thousands – Base vs Downside



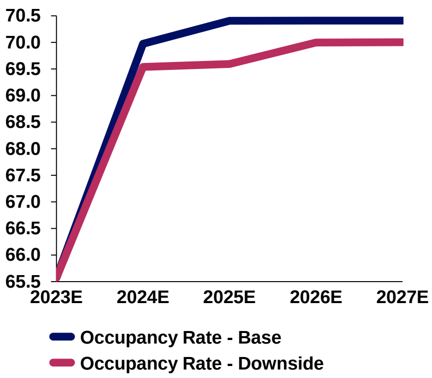
Source: Own Estimates.

Exhibit 72– Total ADR, in €– Base vs Downside



Source: Own Estimates.

Exhibit 73– Total OR, in %– Base vs Downside



Source: Own Estimates.

- Base Scenario

Our base scenario is the one we have been describing so far. We believe it is the most likely scenario, and therefore, we attributed a 70% probability to the respective unlevered free cash flows.

The upside and downside scenario are a variation of underlying assumptions of our base scenario related to the net unit growth of rooms and the evolution of ADR and OR.

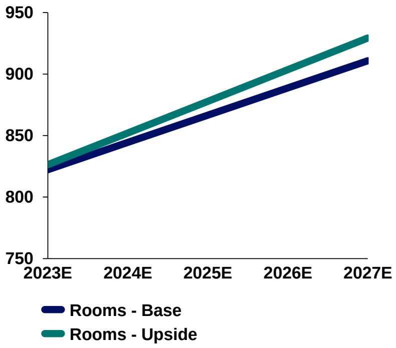
- Downside Scenario

Under this scenario, we not only considered a 2% net unit growth of rooms in 2023 (our base scenario entailed a 2.5% increase, with guidance being 2%-3%), but we anticipate that, given rising construction costs and potential changes in Accor's strategy in what concerns owned & leased hotels, the company will only open a smaller share of rooms of the pipeline in the upcoming four years. This way, from 2024 to 2027, instead of having annual gross openings representing 25% of M&F pipeline, we considered it would be 20%, due to construction delays (in MEA's M&F business we considered a further delay relatively to the base scenario, primarily driven by an intensification of the instability in the region – annual gross opening to 10% of the pipeline instead of the 15% in the base scenario). For the Americas owned & leased pipeline, in which we already considered Accor would only open 20% of its pipeline every year under our base scenario, we considered Accor would reduce even further the investment in owned & leased hotels (15% of the pipeline as gross annual openings).

Regarding ADR, we considered the following downside events, for each region.

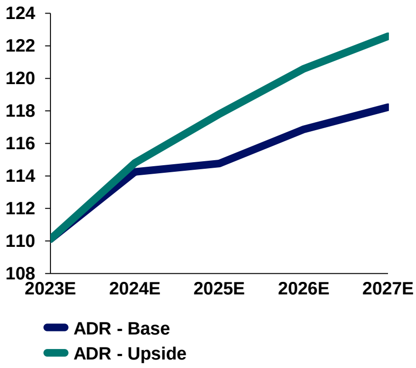
In **Europe**, 2024 will not be as strong as expected. Even though the Olympic Games and the UEFA Euro Cup will benefit Accor's business, under this scenario, there is a delay in business travel consumer spending recovery, to 2025. This way, ADR growth in 2024 and 2025 is lower. Moreover, we assume that travelling consumer spending will not be significantly higher than before COVID-19, which entails that the LFL growth will be achieved earlier (in 2026 instead of 2027). Finally, we also assumed that this LFL growth will be lower than under our base scenario. In **MEA**, considering the intensification of the instability in the region and its potential spread across the whole region, there is a potential decrease in the expected travel spending in the region since these tensions promote insecurity in the overall region. This way, we assume that ADR decreases in 2024 and that the negative LFL growth of ADR is reached in 2025. In **ASPAC**, this scenario entails a slower recovery of total travel spending, with the recovery to pre-COVID levels

Exhibit 74 – Total Rooms, in thousands – Base vs Upside



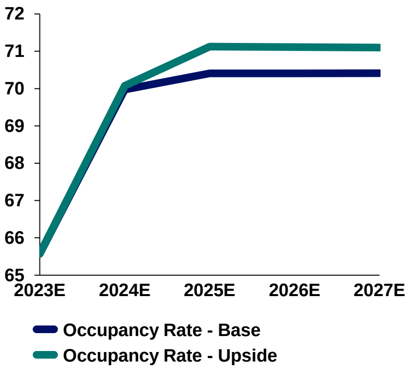
Source: Own Estimates.

Exhibit 75– Total ADR, in €– Base vs Upside



Source: Own Estimates.

Exhibit 76– Total OR, in % – Base vs Upside



Source: Own Estimates.

being in 2026 (instead of 2025 under the base scenario). This would imply that the LFL growth is reached in that year. Finally, in **Americas**, business travel spending recovery would be postponed to 2026, decreasing the growth rate of ADR in 2024.

The following downside events are anticipated, for each region, affecting **OR**.

In **Europe**, we assume the Chinese travel recovery will be postponed to 2026, hence decreasing the OR in 2025 and increasing in 2026, relatively to the base scenario. Under this scenario, the decrease in 2025 happens due to the high base effect of 2024 due to the sports events, which is not cancelled by the earlier Chinese recovery as in the base scenario. In **MEA**, we assume OR will not return to pre-covid levels due to the referred instability in the region. In **ASPAC**, OR will only recover to pre-pandemic levels in 2025. In the **Americas**, similarly to Europe, Chinese international travel recovery will be postponed one year.

This downside scenario has a 15% probability of unfolding. Applying these changes to our base scenario resulted in unlevered free cash flows -7.2% lower than in the base scenario.

- ## Upside Scenario

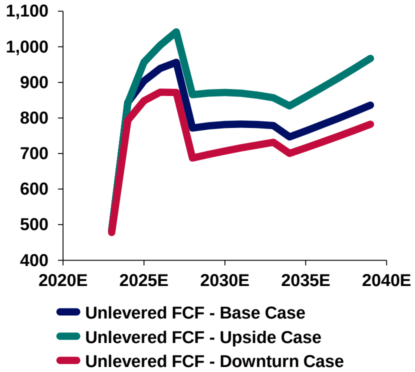
In this optimistic scenario, we anticipate a 3% net unit growth of rooms in 2023, surpassing our base scenario projection of 2.5% and aligning with the upper end of the guidance range of 2%-3%. Moreover, Accor's ability to navigate construction challenges and a different possibility for its owned & lease hotels strategy may lead to a more robust rooms gross opening.

From 2024 to 2027, this scenario entails a more aggressive approach to the owned & leased pipeline, with an increase of 10p.p. in the share of pipeline to open annually. This would imply that Accor's strategy to prioritize the adoption of an asset-light model is not as strong as under our base scenario. An identical increase was considered for MEA M&F business, in line with a shift to a period of higher geopolitical stability.

Regarding ADR, we considered the following upside events, for each region.

In the upside scenario for **Europe**, in 2025, we anticipate a stronger performance due to accelerated recovery in Chinese travelling. This would cancel the negative growth in 2025 due to the high base effect of 2024. In **MEA**, there exists the possibility of enhancing stability and, not only preventing its escalation throughout the region, but also the termination of the war. This optimistic outlook could contribute to increased confidence and a potential upturn in travel spending within the region. Consequently, we posit a positive ADR growth in 2026 and 2027, instead of the negative growth of the base scenario. In the **ASPAC** region, the upside scenario entails a return to pre-COVID travel spending levels by 2024, a year earlier than in the base scenario. Finally, in the **Americas**, the scenario includes the possibility of business travel consumer spending occurring in 2024 (instead of 2025), and LFL growth will occur one year later, assuming consumer spending growth in the post-pandemic period is higher than before COVID-19 (instead of slightly lower under the base scenario). In **Europe**, an optimistic outlook anticipates an accelerated recovery of Chinese travel. In this scenario, we project a slight increase in OR by 2025, surpassing the base scenario projections. In **MEA**, OR will return to pre-pandemic levels in 2024. In **ASPAC**, travel rebounding surpasses expectations and OR increases more than expected in 2025, in line with a stronger Chinese recovery. Like Europe, Chinese travel recovery will be stronger than expected in the **Americas**.

Exhibit 77– Statistically Expected Cash Flows, in



Source: Own Estimates.

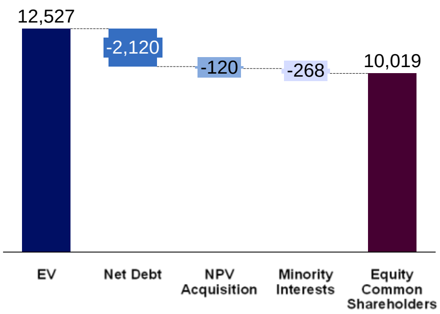
Given our expectations, this upside scenario has a 15% probability of unfolding. Applying these changes to our base scenario resulted in unlevered free cash flows 10.2% higher than in the base scenario.

- Enterprise value – Equity bridge

Discounting these statistically expected cash flows yielded the expected operating Enterprise Value for 2024 (Exhibit 77).

After we computed the Enterprise Value, we added the book value of non-material non-operating captions, such as other non-current assets, other equity investments (excluding AccorInvest), investments in non-consolidated companies, non-current provisions, pensions and other employee benefits, current provisions, and non-operating deferred tax assets.

Exhibit 78– EV -Equity Bridge



Source: Own Estimates.

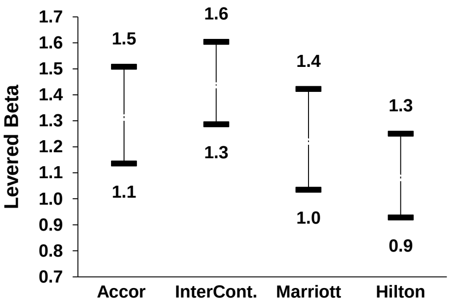
Finally, we subtracted the Net Debt and the value of the minority interests, for which we took the book value except for Ennismore and Rixos Hotels & Resorts, since they represent a relevant part of this caption. We estimated the EV of these two minority interests using a pro-rata to Accor's EV based on the number of rooms in their portfolio.

Our valuation model delivers a target price of **37.8€**, assuming the number of shares outstanding of June 2023. Based on our analysis, buying one share of Accor's stock on 11/12/2023 would yield a **17.6%** total return until December 2024, which can be decomposed between a **4.5%** dividend yield, a buyback yield of **5.7%** and **7.3%** capital gain. Therefore, we issue a **BUY** recommendation for Accor's stock.

Cost of Capital

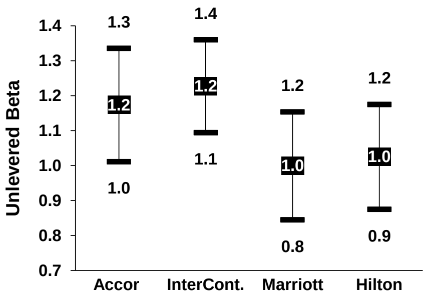
rD =
YTM – Probability of Default * LGD

Exhibit 79 – Levered Betas 95% confidence interval



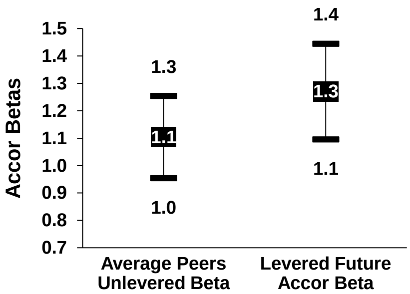
Source: Bloomberg. Own Estimates.

Exhibit 80 – Unlevered Betas 95% confidence interval



Source: Bloomberg. Own Estimates.

Exhibit 81 – Betas assumed in the valuation – Range of Fair Doubt



Source: Bloomberg. Own Estimates.

To estimate the cost of debt (rD) of Accor, we assumed that its current credit rating (BBB- (S&P, n.d.)) would hold in the future. Accor targets a leverage ratio and a credit rating of BBB (investment grade level). From 2001 to 2023, the only moment that Accor was downgraded to non-investment grade was during the pandemic, but it already returned to a BBB- rating. Hence, it is a fair assumption. Assuming such a target credit rating, we retrieved from Bloomberg Fair Value Yield Curve the corresponding YTM for the EUR Europe Composite BBB (10-years) S&P, which was 4.31%. For a credit rating of BBB- (S&P), the estimated annualized probability of default is 0.63%[9] , and we assume a loss given default (LGD) of 67.1%[10] (Bloomberg). This way, we get a rD of 3.9%. Such rD is similar to the one we get using the synthetic interest coverage ratio, which stood at 3.7%. The first is more accurate since it captures more information besides the company's interest coverage ratio.

We used the Capital Asset Pricing Model (CAPM) to derive a cost of equity estimation. To compute the levered beta of Accor, we first regressed its excess weekly returns against the STOXX 600 index, from 2018 to 2023. These data points already reflect the asset-light strategy (Exhibit 79).

There is one main reason contributing to our choice of **market portfolio** (other than being traded in the same currency as Accor). Do note that most investors in Accor's stock are investment managers with an unconstrained range of investment opportunities[11]. These investors are investing in Accor's stock because they want exposure to the European market (or the European hotels market). Similarly, investors typically invest in the STOXX 600 portfolio because they want their portfolios exposed to the European market. Hence, STOXX 600 is a fair proxy to the market portfolio, reflecting the "typical" investor in Accor's stock. Moreover, we used the 10-year German *bund* as a proxy to the **risk-free rate** (also traded in €).

Based on the estimated correspondence between the S&P credit rating and the average debt betas[12], we calculated the corresponding beta debt of each company. We also computed the average market cap from 2018 and 2023 based on their weekly stock prices and derived the leverage ratio of these companies over that period. These inputs allowed us to get the unlevered beta depicted in Exhibit 80.

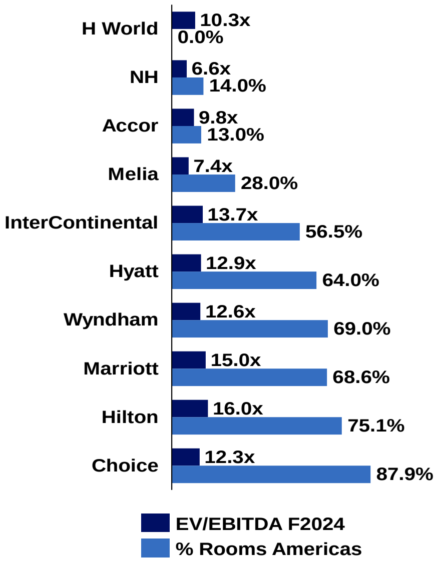
[9]Source: S&P Global Ratings Research and S&P Global Market Intelligence's CreditPro®.
[10] Bloomberg.
[11] Refinitiv.
12 Source: Valuation: Measuring and Managing the Value of Companies.

Exhibit 82 – Inputs of the Post-Tax WACC

Cost of Capital	
Target D/V	14.2%
Target E/V	85.8%
Corporate Tax Rate	25.8%
Cost of Debt @Rd	3.9%
Cost of Equity @Re	9.1%
Post-Tax WACC	**8.2%**

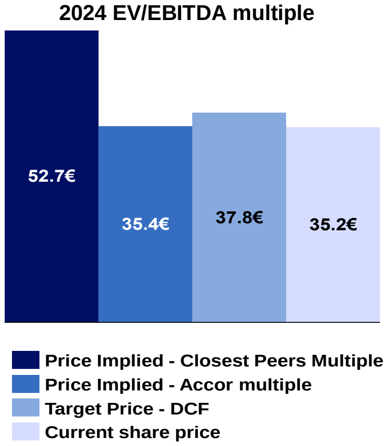
Source: Bloomberg. Own Estimates.

Exhibit 83 – Higher Americas exposure is associated with higher EV/EBITDA 2024



Source: Refinitiv. Bloomberg. Company Reports. Own Estimates.

Exhibit 84 – Implied price of the Forward 2024 EV/EBITDA multiple



Source: Refinitiv. Bloomberg. Company Reports. Own Estimates.
Note: closest peers multiple includes Accor.
Note: closest peers include Marriott, Hilton, InterContinental, and Accor.

Considering Accor's recent change to an asset-light model and its wide confidence interval, we decided to assume the average of the closest peers as our unlevered beta: 1.1. Then, taking Accor's target D/E ratio and a 0.10 beta debt, we reached future levered beta depicted in Exhibit 81.

We assume the market risk premium (MRP) to be 5%[13], which, applying CAPM, leads to an estimated unlevered cost of equity (rU) of 8.4% and levered cost of equity (rE) of 9.2%.

Accor progressively converges to a target D/E in 2033. This will translate into small capital structure changes from 2023 to 2033. Therefore, we assumed a fixed WACC throughout the whole cash flow horizon. We computed the post-tax WACC by applying the formula, $WACC = \frac{E}{V} * rE + \frac{D}{V} * rD * (1 - T)$, assuming France's corporate marginal tax rate of 2023 would remain unchanged[14].

Multiples valuation

We chose the EV/EBITDA forward 2024 multiple to triangulate our results and assess how the market values hotel companies.

The market is penalizing European hotel companies. Companies with higher exposure to the Americas region are trading at higher EV/EBITDA multiples, whereas those with higher exposure to Europe have a lower multiple (Exhibit 83). This penalization refers to what we discussed in the Indices section – European companies were bottom performers in shareholder return from 2014 to 2023 compared to their American counterparts. NH, Accor, and Melia, three companies with a high portfolio share relying on Europe (and poor past shareholder value creation), are trading at a significant discount compared to those with higher exposure to the Americas. With zero exposure to the Americas, H World is trading at a lower multiple. Choice also performed poorly in shareholder value creation but has a higher forward multiple than its European counterpart.

We did not find a relationship between the forward multiples and the company's operating strategy in terms of management, franchised, owned & leased, nor luxury & upscale, midscale, and economy. Similarly, there is no clear relationship between a higher EBITDA margin and a higher forward EV/EBITDA multiple, nor between a higher RevPAR and a higher multiple.

Accor's EV/EBITDA 2024 multiple is aligned with our **BUY** recommendation. Although the target price under this multiple is very close to the current share price, this would not change the underlying recommendation since the forecasted

[13] Corporate Finance, Berk and DeMarzo

Exhibit 85 – Price and Total return Sensitivity – WACC vs Terminal Growth

			Post- tax WACC				
					Base		
			6.90%	7.56%	8.21%	9.06%	9.91%
"g"		1.7%	40.6 €	38.4 €	36.5 €	34.1 €	32.0 €
		2.0%	41.4 €	39.1 €	37.1 €	34.7 €	32.5 €
	Base	2.3%	42.2 €	39.9 €	**37.8 €**	35.3 €	33.1 €
		2.7%	43.3 €	40.9 €	38.7 €	36.2 €	33.8 €
		3.1%	44.6 €	42.1 €	39.8 €	37.1 €	34.7 €

			Post- tax WACC				
					Base		
			6.9%	7.6%	8.2%	9.1%	9.9%
"g"		1.7%	25.3%	19.3%	13.7%	7.1%	1.2%
		2.0%	27.5%	21.3%	15.5%	8.7%	2.6%
	Base	2.3%	29.9%	23.5%	**17.6%**	10.6%	4.3%
		2.7%	33.1%	26.3%	20.2%	12.9%	6.3%
		3.1%	36.7%	29.7%	23.2%	15.6%	8.7%

Source: Own Estimates.

transactions with shareholders are large enough. If we apply the mean multiple of Accor's closest peers (which have a significantly higher exposure to the Americas market), the result is also in line with our **BUY** recommendation, although having an implicit capital gain significantly higher.

In summary, although the EV/EBITDA forward multiple aligns with our recommendation, we expect a slightly higher price in 2024 than the implicit in its multiple.

Sensitivity Analysis

Then, we performed a sensitivity analysis on the inputs that might be affecting the recommendation based on their range of true doubt (RTD). Since we already incorporated our operating doubts into the statistically expected cash flows, the remaining inputs that may affect the recommendation are the post-tax WACC, the terminal growth rate, and the probabilities of the upside and downside scenarios, as well as the carrying value of AccorInvest in 2024.

Exhibit 86 – Price and Total return Sensitivity – Probabilities of Scenarios

			P(Downturn)				
					Base		
			5.0%	10.0%	15.0%	20.0%	25.0%
P(Upside)		5.0%	37.6 €	37.5 €	37.4 €	37.3 €	37.1 €
		10.0%	37.9 €	37.7 €	37.6 €	37.5 €	37.4 €
	Base	15.0%	38.1 €	37.9 €	**37.8 €**	37.7 €	37.6 €
		20.0%	38.3 €	38.2 €	38.0 €	37.9 €	37.8 €
		25.0%	38.5 €	38.4 €	38.3 €	38.1 €	38.0 €

			P(Downturn)				
					Base		
			5.0%	10.0%	15.0%	20.0%	25.0%
P(Upside)		5.0%	17.0%	16.7%	16.3%	16.0%	15.6%
		10.0%	17.6%	17.3%	16.9%	16.6%	16.2%
	Base	15.0%	18.3%	17.9%	**17.6%**	17.2%	16.9%
		20.0%	18.9%	18.5%	18.2%	17.8%	17.5%
		25.0%	19.5%	19.1%	18.8%	18.4%	18.1%

Source: Own Estimates.

We got the RTD of the post-tax WACC based on the 95% confidence interval of the levered beta, the range of true doubt of the market risk premium (4.5%-5.5%), and of the corporate tax rate (25.0% - 34.40%). The RTD of the latter is based on a possible corporate tax rate change by France's government, since president Macron has been decreasing corporate taxes over the past few years).

Under our base scenario, we assume that the perpetual growth rate equals to the growth rate of the unlevered free cash flows in 2039 implicit in our forecasts. Under the lower bound of the RTD, we incorporated the expected annual growth international tourist arrivals in 2027 (+1.7%), whereas 3.1% corresponds to the expected YOY global GDP growth in 2028, which is the cap to the growth (no industry can grow sustainably above GDP over the long-term).

Exhibit 87 – Price and Total return Sensitivity – EV/EBITDA Multiple

EV/ EBITDA 2024 AccorInvest	1Q	*7.3x*	36.6 €
		7.9x	37.2 €
	Base	*8.5x*	37.8 €
		8.9x	38.3 €
	3Q	*9.4x*	38.8 €
EV/ EBITDA 2024 AccorInvest	1Q	*7.3x*	14.5%
		7.9x	16.0%
	Base	*8.5x*	17.6%
		8.9x	18.7%
	3Q	*9.4x*	19.9%

Source: Own Estimates.

It is visible that the target price is more sensible to our RTD of the cost of capital than to the one of terminal growth. Nevertheless, under our RTD of these two inputs, the **BUY** recommendation is not affected, given that total shareholder return under such price target is expected to remain higher than 10%.

Considering the probabilities assigned to each scenario, we can conclude that no matter the probability that falls within the range 5%-25%, the **BUY** recommendation will not change. We arrived at the same conclusion regarding the EV/EBITDA multiple to use to value AccorInvest. Although using different multiples leads to different carrying values, the recommendation does not change, implying that the value of AccorInvest is not relevant for valuation purposes.

Appendix

Financial Statements

Income Statement – 2017 – 2022 – Historical Data

Income Statement- Reformulated	2017A	2018A	2019A	2020A	2021A	2022A
(€ in million)						
Revenues Management & Franchise	877.0	964.0	1,026.0	292.0	518.0	1,052.0
Revenues Services to owners	1,566.0	1,654.0	1,867.0	850.0	1,064.0	2,143.0
Revenues HotelServices	**2,443.0**	**2,618.0**	**2,893.0**	**1,142.0**	**1,582.0**	**3,195.0**
Revenues Hotel assets & other	**855.0**	**900.0**	**1,236.0**	**489.0**	**633.0**	**1,084.0**
Revenues Holding/Intercos	**-525.0**	**-236.0**	**-81.0**	**-9.0**	**-11.0**	**-54.0**
Revenues	**2,773.0**	**3,282.0**	**4,048.0**	**1,622.0**	**2,204.0**	**4,225.0**
Cost of goods sold	-67.0	-76.0	-107.0	-49.0	-54.0	-82.0
Gross Profit	**2,706.0**	**3,206.0**	**3,941.0**	**1,573.0**	**2,150.0**	**4,143.0**
Personnel expenses	-1,607.0	-1,722.0	-1,939.0	-1,115.0	-1,300.0	-2,097.0
Energy, maintenance and repairs	-53.0	-51.0	-70.0	-41.0	-45.0	-63.0
Taxes on operating expenses	-47.0	-46.0	-60.0	-41.0	-39.0	-50.0
Other operating expenses	-274.0	-627.0	-986.0	-753.0	-715.0	-1,166.0
Rent expenses	-104.0	-135.0	-62.0	-12.0	-30.0	-91.0
Operating Expenses	**-2,085.0**	**-2,581.0**	**-3,117.0**	**-1,962.0**	**-2,129.0**	**-3,467.0**
EBITDA	**621.0**	**625.0**	**824.0**	**-389.0**	**21.0**	**676.0**
Depreciation Net PP&E			-83.0	-48.0	-30.0	-30.0
Depreciation Right-of-Use Assets			-152.0	-94.0	-88.0	-79.0
Amortization			-120.0	-134.0	-130.0	-119.0
Depreciation & Amortization	**-103.0**	**-131.0**	**-355.0**	**-276.0**	**-248.0**	**-228.0**
EBIT	**518.0**	**494.0**	**469.0**	**-665.0**	**-227.0**	**448.0**
Deferred tax asset - Tax loss carry-forward	68.0	66.0	67.0	29.0	80.0	92.0
EBIT discount (from 2023 onwards)	0.00	0.00	0.00	0.00	0.00	0.00
Taxable EBIT	**518.0**	**494.0**	**469.0**	**-665.0**	**-227.0**	**448.0**
France statutory rate	*34.4%*	*34.4%*	*34.4%*	*32.0%*	*28.4%*	*25.8%*
Statutory Taxes	**-178.2**	**-169.9**	**-161.3**	**212.8**	**64.5**	**-115.6**
Tax adjustments	**174.1**	**-86.3**	**69.4**	**-685.2**	**58.8**	**60.7**
NOPLAT	**513.9**	**237.8**	**377.1**	**-1,137.4**	**-103.8**	**393.2**
Share Of Net Profit/(Loss) Of Equity-Investments	**28.0**	**80.0**	**3.0**	**-578.0**	**-273.0**	**33.0**
Dividend income	**4.0**	**4.0**	**5.0**	**1.0**	**3.0**	**7.0**
Other income and expenses (+/-)	**-99.0**	**-432.0**	**178.0**	**-957.0**	**555.0**	**63.0**
Provisions	**-23.0**	**11.0**	**27.0**	**2.0**	**-1.0**	**0.0**
Non operating result before taxes	**-90.0**	**-337.0**	**213.0**	**-1,532.0**	**284.0**	**103.0**
Statutory Taxes	**31.0**	**115.9**	**-73.3**	**490.2**	**-80.7**	**-26.6**
Loss/Profit discontinued operations	**71.0**	**2,303.0**	**20.0**	**257.0**	**77.0**	**43.0**
Non Operating Other comprehensive income	**-459.0**	**30.0**	**138.0**	**-344.0**	**77.0**	**255.0**
Non operating result	**-447.0**	**2,111.9**	**297.7**	**-1,128.8**	**357.3**	**374.4**
Financial Income	**23.0**	**7.0**	**19.0**	**19.0**	**4.0**	**13.0**
Financial Expenses	**-70.0**	**-98.0**	**-98.0**	**-157.0**	**-97.0**	**-34.0**
Net Financial result Before Taxes	**-47.0**	**-91.0**	**-79.0**	**-138.0**	**-93.0**	**-21.0**
Tax Shield	**16.2**	**31.3**	**27.2**	**44.2**	**26.4**	**5.4**
Net Financial result	**-30.8**	**-59.7**	**-51.8**	**-93.8**	**-66.6**	**-15.6**
Net income	**486.0**	**2,283.0**	**484.0**	**-1,988.0**	**91.0**	**427.0**
Total Comprehensive Income	**36.0**	**2,290.0**	**623.0**	**-2,360.0**	**187.0**	**752.0**

Income Statement – 2023 – 2027 – Explicit Horizon

Income Statement- Reformulated	2023E	2024E	2025E	2026E	2027E
(€ in million)	Explicit Horizon				
Revenues Management & Franchise	1,240.6	1,402.2	1,450.9	1,518.2	1,577.9
Revenues Services to owners	2,374.6	2,584.5	2,721.1	2,846.5	2,958.4
Revenues HotelServices	**3,615.2**	**3,986.6**	**4,172.0**	**4,364.6**	**4,536.3**
Revenues Hotel assets & other	**1,331.4**	**1,408.9**	**1,415.3**	**1,403.4**	**1,387.1**
Revenues Holding/Intercos	**-57.0**	**-58.4**	**-59.6**	**-60.8**	**-61.9**
Revenues	**4,889.6**	**5,337.1**	**5,527.6**	**5,707.2**	**5,861.6**
Cost of goods sold	-111.88	-119.50	-120.04	-119.03	-117.65
Gross Profit	**4,777.7**	**5,217.6**	**5,407.6**	**5,588.2**	**5,743.9**
Personnel expenses	-2328	-2461	-2585	-2698	-2798
Energy, maintenance and repairs	-56	-41	-42	-42	-43
Taxes on operating expenses	-73	-72	-75	-77	-79
Other operating expenses	-1253	-1315	-1366	-1410	-1447
Rent expenses	-120	-128	-129	-129	-128
Operating Expenses	**-3,830.5**	**-4,017.0**	**-4,196.3**	**-4,356.7**	**-4,494.7**
EBITDA	**947.2**	**1,200.6**	**1,211.3**	**1,231.5**	**1,249.3**
Depreciation Net PP&E	-35	-39	-38	-38	-37
Depreciation Right-of-Use Assets	-102	-117	-114	-111	-108
Amortization	-136	-166	-176	-181	-185
Depreciation & Amortization	**-274**	**-322**	**-329**	**-329**	**-330**
EBIT	**673.5**	**878.8**	**882.6**	**902.1**	**919.3**
Deferred tax asset - Tax loss carry-forward	73.6	55.2	36.8	18.4	0.0
EBIT discount (from 2023 onwards)	18.40	18.40	18.40	18.40	18.40
Taxable EBIT	**655.1**	**860.4**	**864.2**	**883.7**	**900.9**
France statutory rate	*25.8%*	*25.8%*	*25.8%*	*25.8%*	*25.8%*
Statutory Taxes	**-169.0**	**-222.0**	**-223.0**	**-228.0**	**-232.4**
Tax adjustments					
NOPLAT	**504.5**	**656.8**	**659.7**	**674.1**	**686.9**
Share Of Net Profit/(Loss) Of Equity-Investments	**-7.1**	**1.0**	**3.9**	**3.9**	**3.9**
Dividend income	**13.1**	**5.2**	**5.2**	**5.2**	**5.2**
Other income and expenses (+/-)	**-112.7**	**446.6**	**-260.9**	**-269.4**	**-276.6**
Provisions	**4.3**	**2.9**	**3.0**	**3.1**	**3.1**
Non operating result before taxes	**-102.4**	**455.6**	**-248.8**	**-257.2**	**-264.4**
Statutory Taxes	**26.4**	**-117.6**	**64.2**	**66.3**	**68.2**
Loss/Profit discontinued operations	**409.4**	**52.8**	**0.0**	**0.0**	**0.0**
Non Operating Other comprehensive income	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Non operating result	**333.4**	**390.9**	**-184.6**	**-190.8**	**-196.2**
Financial Income	**23.0**	**11.3**	**11.4**	**11.4**	**11.2**
Financial Expenses	**-161.6**	**-161.0**	**-160.2**	**-157.5**	**-153.8**
Net Financial result Before Taxes	**-138.6**	**-149.7**	**-148.7**	**-146.1**	**-142.7**
Tax Shield	**35.8**	**38.6**	**38.4**	**37.7**	**36.8**
Net Financial result	**-102.8**	**-111.1**	**-110.4**	**-108.4**	**-105.9**
Net income	**735.1**	**936.6**	**364.7**	**374.8**	**384.8**
Total Comprehensive Income	**735.1**	**936.6**	**364.7**	**374.8**	**384.8**

Income Statement – 2028 – 2033 – Implicit Horizon 1

Income Statement- Reformulated	2028E	2029E	2030E	2031E	2032E	2033E
(€ in million)	Implicit Horizon 1					
Revenues Management & Franchise	1,635.4	1,689.1	1,738.2	1,782.3	1,820.7	1,858.9
Revenues Services to owners	3,068.1	3,175.0	3,278.5	3,378.0	3,472.9	3,562.6
Revenues HotelServices	**4,703.5**	**4,864.1**	**5,016.7**	**5,160.3**	**5,293.6**	**5,421.6**
Revenues Hotel assets & other	**1,371.1**	**1,355.2**	**1,339.5**	**1,324.0**	**1,308.7**	**1,293.6**
Revenues Holding/Intercos	**-61.9**	**-61.9**	**-61.9**	**-61.9**	**-61.9**	**-61.9**
Revenues	**6,012.7**	**6,157.4**	**6,294.3**	**6,422.4**	**6,540.4**	**6,653.3**
Cost of goods sold						
Gross Profit	**5,892.0**	**6,033.8**	**6,168.0**	**6,293.5**	**6,409.2**	**6,519.7**
Personnel expenses						
Energy, maintenance and repairs						
Taxes on operating expenses						
Other operating expenses						
Rent expenses						
Operating Expenses	**-4,635.2**	**-4,771.9**	**-4,903.8**	**-5,029.8**	**-5,149.0**	**-5,265.0**
EBITDA	**1,256.9**	**1,261.9**	**1,264.2**	**1,263.7**	**1,260.2**	**1,254.7**
Depreciation Net PP&E						
Depreciation Right-of-Use Assets						
Amortization						
Depreciation & Amortization	**-330**	**-330**	**-330**	**-330**	**-330**	**-330**
EBIT	**926.9**	**932.0**	**934.3**	**933.7**	**930.2**	**924.7**
Deferred tax asset - Tax loss carry-forward						
EBIT discount (from 2023 onwards)						
Taxable EBIT	**926.9**	**932.0**	**934.3**	**933.7**	**930.2**	**924.7**
France statutory rate	*25.8%*	*25.8%*	*25.8%*	*25.8%*	*25.8%*	*25.8%*
Statutory Taxes	**-239.1**	**-240.4**	**-241.0**	**-240.9**	**-240.0**	**-238.6**
Tax adjustments						
NOPLAT	**687.8**	**691.5**	**693.2**	**692.8**	**690.2**	**686.1**
Share Of Net Profit/(Loss) Of Equity-Investments	**3.9**	**3.9**	**3.9**	**3.9**	**3.9**	**3.9**
Dividend income	**5.2**	**5.2**	**5.2**	**5.2**	**5.2**	**5.2**
Other income and expenses (+/-)	**-283.8**	**-290.6**	**-297.1**	**-303.1**	**-308.7**	**-314.0**
Provisions	**3.1**	**3.1**	**3.1**	**3.1**	**3.1**	**3.1**
Non operating result before taxes	**-271.5**	**-278.3**	**-284.8**	**-290.8**	**-296.4**	**-301.7**
Statutory Taxes	**70.0**	**71.8**	**73.5**	**75.0**	**76.5**	**77.8**
Loss/Profit discontinued operations	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Non Operating Other comprehensive income	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Non operating result	**-201.5**	**-206.5**	**-211.3**	**-215.8**	**-219.9**	**-223.9**
Financial Income	**11.2**	**11.2**	**11.2**	**11.2**	**11.2**	**11.2**
Financial Expenses	**-146.7**	**-145.4**	**-144.1**	**-142.7**	**-141.4**	**-140.1**
Net Financial result Before Taxes	**-135.6**	**-134.3**	**-132.9**	**-131.6**	**-130.2**	**-128.9**
Tax Shield	**35.0**	**34.6**	**34.3**	**33.9**	**33.6**	**33.3**
Net Financial result	**-100.6**	**-99.6**	**-98.6**	**-97.6**	**-96.6**	**-95.6**
Net income	**385.7**	**385.4**	**383.3**	**379.4**	**373.7**	**366.6**
Total Comprehensive Income	**385.7**	**385.4**	**383.3**	**379.4**	**373.7**	**366.6**

Income Statement – 2034 – 2039 – Implicit Horizon 2

Income Statement- Reformulated	2034E	2035E	2036E	2037E	2038E	2039E
(€ in million)	Implicit Horizon 2					
Revenues Management & Franchise	1,897.9	1,937.8	1,978.4	2,019.9	2,062.3	2,105.6
Revenues Services to owners	3,654.7	3,749.2	3,846.1	3,945.6	4,047.6	4,152.2
Revenues HotelServices	5,552.7	5,686.9	5,824.4	5,965.2	6,109.4	6,257.1
Revenues Hotel assets & other	1,278.6	1,263.8	1,249.2	1,234.7	1,220.4	1,206.3
Revenues Holding/Intercos	-61.9	-61.9	-61.9	-61.9	-61.9	-61.9
Revenues	6,769.4	6,888.8	7,011.7	7,138.0	7,268.0	7,401.5
Cost of goods sold						
Gross Profit	6,633.5	6,750.5	6,870.9	6,994.8	7,122.1	7,253.0
Personnel expenses						
Energy, maintenance and repairs						
Taxes on operating expenses						
Other operating expenses						
Rent expenses						
Operating Expenses	-5,356.9	-5,451.4	-5,548.7	-5,648.7	-5,751.5	-5,857.2
EBITDA	1,276.6	1,299.1	1,322.3	1,346.1	1,370.6	1,395.8
Depreciation Net PP&E						
Depreciation Right-of-Use Assets						
Amortization						
Depreciation & Amortization	-330	-330	-330	-330	-330	-330
EBIT	946.6	969.1	992.3	1,016.1	1,040.6	1,065.8
Deferred tax asset - Tax loss carry-forward						
EBIT discount (from 2023 onwards)						
Taxable EBIT	946.6	969.1	992.3	1,016.1	1,040.6	1,065.8
France statutory rate	*25.8%*	*25.8%*	*25.8%*	*25.8%*	*25.8%*	*25.8%*
Statutory Taxes	-244.2	-250.0	-256.0	-262.2	-268.5	-275.0
Tax adjustments						
NOPLAT	702.4	719.1	736.3	754.0	772.2	790.8
Share Of Net Profit/(Loss) Of Equity-Investments	3.9	3.9	3.9	3.9	3.9	3.9
Dividend income	5.2	5.2	5.2	5.2	5.2	5.2
Other income and expenses (+/-)	-319.5	-325.1	-330.9	-336.9	-343.0	-349.3
Provisions	3.1	3.1	3.1	3.1	3.1	3.1
Non operating result before taxes	-307.2	-312.8	-318.6	-324.6	-330.7	-337.0
Statutory Taxes	79.3	80.7	82.2	83.7	85.3	87.0
Loss/Profit discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0
Non Operating Other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0
Non operating result	-227.9	-232.1	-236.4	-240.9	-245.4	-250.1
Financial Income	11.2	11.2	11.2	11.2	11.2	11.2
Financial Expenses	-141.2	-142.5	-143.9	-145.4	-146.8	-148.3
Net Financial result Before Taxes	-130.0	-131.4	-132.8	-134.2	-135.7	-137.1
Tax Shield	33.5	33.9	34.3	34.6	35.0	35.4
Net Financial result	-96.5	-97.5	-98.5	-99.6	-100.7	-101.7
Net income	378.0	389.5	401.3	413.5	426.1	439.0
Total Comprehensive Income	378.0	389.5	401.3	413.5	426.1	439.0

Balance Sheet – 2017 – 2022 – Historical Data

Balance Sheet - Reformulated	2017A	2018A	2019A	2020A	2021A	2022A
(€ in million)	Historical Data					
Receivables	403.0	617.0	649.0	534.0	631.0	794.0
Operating Cash	55.5	65.6	81.0	32.4	44.1	84.5
Inventories	8.0	15.0	20.0	21.0	9.0	19.0
Other Prepaid Expenses	255.0	258.0	264.0	222.0	322.0	403.0
Operating Current Assets	**721.5**	**955.6**	**1,014.0**	**809.4**	**1,006.1**	**1,300.5**
Accounts payable	-398.0	-426.0	-441.0	-327.0	-391.0	-489.0
Other current liabilities	-530.0	-698.0	-703.0	-579.0	-609.0	-859.0
Operating Current Liabilities	**-928.0**	**-1,124.0**	**-1,144.0**	**-906.0**	**-1,000.0**	**-1,348.0**
NWC	**-206.5**	**-168.4**	**-130.0**	**-96.6**	**6.1**	**-47.5**
Net PP&E	**662.0**	**1,183.0**	**632.0**	**242.0**	**230.0**	**305.0**
Right-of-Use Assets	**0.0**	**0.0**	**531.0**	**377.0**	**318.0**	**430.0**
Operating Contract Assets, Net	**-33.0**	**-54.0**	**-38.0**	**-27.0**	**-73.0**	**-126.0**
Net Intangible Assets	**2,156.0**	**3,053.0**	**3,130.0**	**2,751.0**	**3,112.0**	**3,128.0**
Fixed and Intangible Assets	**2,785.0**	**4,182.0**	**4,255.0**	**3,343.0**	**3,587.0**	**3,737.0**
Operating Deferred tax assets	**-349.0**	**-515.0**	**-533.0**	**-435.0**	**-423.0**	**-394.0**
Operating Invested Capital without Goodwill	**2,229.5**	**3,498.6**	**3,592.0**	**2,811.4**	**3,170.1**	**3,295.5**
Goodwill	1,500.0	2,068.0	1,947.0	1,786.0	2,053.0	2,282.0
Operating Invested Capital with Goodwill	**3,729.5**	**5,566.6**	**5,539.0**	**4,597.4**	**5,223.1**	**5,577.5**
Assets classified as held for sale, Net	3,292.0	8.0	916.0	69.0	112.0	411.0
Other Non-current Assets	12.0	4.0	4.0	3.0	3.0	2.0
Equity Investments - Investments in associates, joint-ventures and affiliaries	672.0	2,177.0	1,841.0	1,155.0	898.0	1,012.0
Investments in non-consolidated companies	68.0	74.0	66.0	57.0	410.0	248.0
Non-current provisions	-103.0	-125.0	-89.0	-61.0	-63.0	-79.0
Pensions and other employee benefits, Net	30.0	39.0	33.0	-44.0	-26.0	-19.0
Current provisions	-106.0	-449.0	-316.0	-425.0	-282.0	-165.0
Non-operating Deferred tax assets, Net	43.0	102.0	98.0	68.0	24.0	19.0
Non-core Invested Capital	**3,908.0**	**1,830.0**	**2,553.0**	**822.0**	**1,076.0**	**1,429.0**
Overall Invested Capital	**7,637.5**	**7,396.6**	**8,092.0**	**5,419.4**	**6,299.1**	**7,006.5**
Excess Liquid Funds	**1,060.8**	**2,809.9**	**2,259.5**	**2,480.1**	**1,667.2**	**1,595.8**
Non-current financial assets, excluding non-consolidated investments	**89.0**	**265.0**	**317.0**	**123.0**	**185.0**	**190.0**
Financial Assets	**1,149.8**	**3,074.9**	**2,576.5**	**2,603.1**	**1,852.2**	**1,785.8**
Long-term financial debt	2,768.0	2,760.0	2,840.0	2,473.0	2,572.0	2,261.0
Short-term financial debt	237.0	1,268.0	306.0	969.0	630.0	608.0
Financial Debt	**3,005.0**	**4,028.0**	**3,146.0**	**3,442.0**	**3,202.0**	**2,869.0**
Long-term finance lease liabilities	0.0	0.0	461.0	314.0	263.0	377.0
Short-term Finance lease liabilities	0.0	0.0	87.0	102.0	90.0	92.0
Lease liabilities	**0.0**	**0.0**	**548.0**	**416.0**	**353.0**	**469.0**
Financial Liabilities	**3,005.0**	**4,028.0**	**3,694.0**	**3,858.0**	**3,555.0**	**3,338.0**
Net Debt	**1,855.2**	**953.1**	**1,117.5**	**1,254.9**	**1,702.8**	**1,552.2**
Equity	**5,782.3**	**6,443.5**	**6,974.4**	**4,164.5**	**4,596.3**	**5,454.3**
Net Debt & Equity	**7,637.5**	**7,396.6**	**8,092.0**	**5,419.4**	**6,299.1**	**7,006.5**

Balance Sheet – 2023 – 2027 – Explicit Horizon

Balance Sheet - Reformulated	2023E	2024E	2025E	2026E	2027E
(€ in million)			Explicit Horizon		
Receivables	851	916	936	953	965
Operating Cash	98	107	111	114	117
Inventories	24	26	26	26	25
Other Prepaid Expenses	437	463	464	464	461
Operating Current Assets	**1,410**	**1,512**	**1,537**	**1,557**	**1,568**
Accounts payable	-580	-619	-622	-617	-610
Other current liabilities	-845	-913	-950	-984	-1,014
Operating Current Liabilities	**-1,425**	**-1,533**	**-1,572**	**-1,601**	**-1,624**
NWC	**-14.8**	**-21.1**	**-35.6**	**-44.8**	**-56.0**
Net PP&E	**342**	**271**	**198**	**146**	**95**
Right-of-Use Assets	**594**	**572**	**552**	**532**	**513**
Operating Contract Assets, Net	**-164**	**-183**	**-187**	**-192**	**-197**
Net Intangible Assets	**2,991**	**2,975**	**2,883**	**2,739**	**2,588**
Fixed and Intangible Assets	**3,763.0**	**3,635.2**	**3,446.8**	**3,224.4**	**2,998.6**
Operating Deferred tax assets	**-392**	**-407**	**-410**	**-406**	**-400**
Operating Invested Capital without Goodwill	**3,356.3**	**3,207.2**	**3,000.9**	**2,774.0**	**2,542.4**
Goodwill	2,282	2,282	2,282	2,282	2,282
Operating Invested Capital with Goodwill	**5,638.3**	**5,489.2**	**5,282.9**	**5,056.0**	**4,824.4**
Assets classified as held for sale, Net	53	0	0	0	0
Other Non-current Assets	3	3	3	3	3
Equity Investments - Investments in associates, joint-ventures and affiliaries	1,083	1,196	1,196	1,196	1,196
Investments in non-consolidated companies	99	99	99	99	99
Non-current provisions	-77	-76	-74	-73	-71
Pensions and other employee benefits, Net	-18	-13	-9	-4	0
Current provisions	-136	-112	-92	-76	-63
Non-operating Deferred tax assets, Net	20	20	21	22	22
Non-core Invested Capital	**1,027.1**	**1,117.1**	**1,143.3**	**1,166.1**	**1,186.1**
Overall Invested Capital	**6,665.4**	**6,606.3**	**6,426.2**	**6,222.1**	**6,010.5**
Excess Liquid Funds	1624	1649	1638	1600	1544
Non-current financial assets, excluding non-consolidated investments	378	378	378	378	378
Financial Assets	**2,001.7**	**2,027.3**	**2,015.7**	**1,977.7**	**1,922.0**
Financial Debt	3591	3578	3560	3500	3419
Lease liabilities	571	569	566	557	544
Financial Liabilities	**4,162.7**	**4,147.5**	**4,125.8**	**4,056.2**	**3,962.7**
Net Debt	**2,161.1**	**2,120.2**	**2,110.1**	**2,078.5**	**2,040.6**
Equity	**4,504.3**	**4,486.2**	**4,316.1**	**4,143.6**	**3,969.9**
Net Debt & Equity	**6,665.4**	**6,606.3**	**6,426.2**	**6,222.1**	**6,010.5**

Balance Sheet – 2028 – 2033 – Implicit Horizon 1

Balance Sheet - Reformulated	2028E	2029E	2030E	2031E	2032E	2033E
(€ in million)			Implicit Horizon 1			
Receivables						
Operating Cash						
Inventories						
Other Prepaid Expenses						
Operating Current Assets						
Accounts payable						
Other current liabilities						
Operating Current Liabilities						
NWC	-102.1	-150.3	-200.4	-252.2	-305.4	-360.0
Net PP&E						
Right-of-Use Assets						
Operating Contract Assets, Net						
Net Intangible Assets						
Fixed and Intangible Assets	2,998.6	2,998.6	2,998.6	2,998.6	2,998.6	2,998.6
Operating Deferred tax assets	-400	-400	-400	-400	-400	-400
Operating Invested Capital without Goodwill	2,496.3	2,448.2	2,398.1	2,346.3	2,293.1	2,238.4
Goodwill	2,282	2,282	2,282	2,282	2,282	2,282
Operating Invested Capital with Goodwill	4,778.3	4,730.2	4,680.1	4,628.3	4,575.1	4,520.4
Assets classified as held for sale, Net	0	0	0	0	0	0
Other Non-current Assets	3	3	3	3	3	3
Equity Investments - Investments in associates, joint-ventures and affiliaries	1,196	1,196	1,196	1,196	1,196	1,196
Investments in non-consolidated companies	99	99	99	99	99	99
Non-current provisions	-71	-71	-71	-71	-71	-71
Pensions and other employee benefits, Net	0	0	0	0	0	0
Current provisions	-63	-63	-63	-63	-63	-63
Non-operating Deferred tax assets, Net	22	22	22	22	22	22
Non-core Invested Capital	1,186.1	1,186.1	1,186.1	1,186.1	1,186.1	1,186.1
Overall Invested Capital	5,964.4	5,916.2	5,866.2	5,814.4	5,761.2	5,706.5
Excess Liquid Funds	1403	1384	1366	1347	1327	1308
Non-current financial assets, excluding non-consolidated investments	378	378	378	378	378	378
Financial Assets	1,780.7	1,762.4	1,743.7	1,724.6	1,705.3	1,685.6
Financial Debt	3261	3232	3202	3172	3142	3113
Lease liabilities	519	514	509	504	500	495
Financial Liabilities	3,780.0	3,745.7	3,710.8	3,676.0	3,641.5	3,607.8
Net Debt	1,999.4	1,983.3	1,967.1	1,951.3	1,936.2	1,922.2
Equity	3,965.0	3,933.0	3,899.0	3,863.1	3,825.0	3,784.3
Net Debt & Equity	5,964.4	5,916.2	5,866.2	5,814.4	5,761.2	5,706.5

Balance Sheet – 2034 – 2039 – Implicit Horizon 2

Balance Sheet - Reformulated	2034E	2035E	2036E	2037E	2038E	2039E
(€ in million)	Implicit Horizon 2					
Receivables						
Operating Cash						
Inventories						
Other Prepaid Expenses						
Operating Current Assets						
Accounts payable						
Other current liabilities						
Operating Current Liabilities						
NWC	-366.3	-372.8	-379.4	-386.3	-393.3	-400.5
Net PP&E						
Right-of-Use Assets						
Operating Contract Assets, Net						
Net Intangible Assets						
Fixed and Intangible Assets	2,998.6	2,998.6	2,998.6	2,998.6	2,998.6	2,998.6
Operating Deferred tax assets	-400	-400	-400	-400	-400	-400
Operating Invested Capital without Goodwill	2,232.1	2,225.7	2,219.0	2,212.2	2,205.2	2,197.9
Goodwill	2,282	2,282	2,282	2,282	2,282	2,282
Operating Invested Capital with Goodwill	4,514.1	4,507.7	4,501.0	4,494.2	4,487.2	4,479.9
Assets classified as held for sale, Net	0	0	0	0	0	0
Other Non-current Assets	3	3	3	3	3	3
Equity Investments - Investments in associates, joint-ventures and affiliaries	1,196	1,196	1,196	1,196	1,196	1,196
Investments in non-consolidated companies	99	99	99	99	99	99
Non-current provisions	-71	-71	-71	-71	-71	-71
Pensions and other employee benefits, Net	0	0	0	0	0	0
Current provisions	-63	-63	-63	-63	-63	-63
Non-operating Deferred tax assets, Net	22	22	22	22	22	22
Non-core Invested Capital	1,186.1	1,186.1	1,186.1	1,186.1	1,186.1	1,186.1
Overall Invested Capital	5,700.2	5,693.8	5,687.1	5,680.3	5,673.2	5,666.0
Excess Liquid Funds	1303	1299	1294	1290	1285	1280
Non-current financial assets, excluding non-consolidated investments	378	378	378	378	378	378
Financial Assets	1,681.3	1,676.9	1,672.3	1,667.6	1,662.7	1,657.8
Financial Debt	3137	3168	3199	3231	3263	3295
Lease liabilities	499	504	509	514	519	524
Financial Liabilities	3,636.3	3,671.8	3,707.8	3,744.5	3,781.7	3,819.4
Net Debt	1,955.0	1,994.9	2,035.5	2,076.9	2,118.9	2,161.7
Equity	3,745.2	3,698.8	3,651.6	3,603.4	3,554.3	3,504.3
Net Debt & Equity	5,700.2	5,693.8	5,687.1	5,680.3	5,673.2	5,666.0

Cash Flow Map – 2018 – 2022 – Historical Data

Cash Flow Map	2018A	2019A	2020A	2021A	2022A
(€ in million)			Historical Data		
EBIT	494	469	-665	-227	448
France statutory rate	*34.40%*	*34.40%*	*32.00%*	*28.40%*	*25.80%*
Statutory Taxes	-170	-161	213	64	-116
Tax adjustments	-86	69	-685	59	61
NOPLAT	**238**	**377**	**-1,137**	**-104**	**393**
Depreciation & Amortization	131	355	276	248	228
Share-based payments	21	28	30	38	43
Net Cash Flow	**390**	**760**	**-831**	**182**	**664**
Net PP&E	1,183	632	242	230	305
- Δ in Net PPE	-521	551	390	12	-75
Net Intangible Assets	3,053	3,130	2,751	3,112	3,128
- Δ in Intangible Assets	-897	-77	379	-361	-16
Right-of-Use Assets	0	531	377	318	430
- Δ in Right-of-Use Assets	0	-531	154	59	-112
- Net CAPEX	**-1,549**	**-412**	**647**	**-538**	**-431**
Operating Contract Assets, Net	-54	-38	-27	-73	-126
- Δ in Operating Contract Assets, Net	**21**	**-16**	**-11**	**46**	**53**
- Δ in Fixed and Intangible Assets	**-1,528**	**-428**	**636**	**-492**	**-378**
NWC	-168	-130	-97	6	-48
- Δ in Working Capital	**-38**	**-38**	**-33**	**-103**	**54**
Operating Deferred tax assets	-515	-533	-435	-423	-394
- Δ in Operating Deferred tax assets	**166**	**18**	**-98**	**-12**	**-29**
Operating FCF before goodwill	**-1,010**	**312**	**-327**	**-424**	**311**
Goodwill	2,068	1,947	1,786	2,053	2,282
- Δ in Goodwill	**-568**	**121**	**161**	**-267**	**-229**
Operating FCF after goodwill	**-1,578**	**433**	**-166**	**-691**	**82**
YOY	**-**	**-127.4%**	**-138.3%**	**316.8%**	**-111.8%**
Share Of Net Profit/(Loss) Of Equity-Investments	80	3	-578	-273	33
Other income and expenses (+/-)	-432	178	-957	555	63
Provisions	11	27	2	-1	0
Dividend income	4	5	1	3	7
Non operating result before taxes	-337	213	-1,532	284	103
Statutory Taxes	116	-73	490	-81	-27
After-tax Non-operating result	**-221**	**140**	**-1,042**	**203**	**76**
Non-core Invested Capital	1,830	2,553	822	1,076	1,429
- Δ in Other Funds Invested	**2,078**	**-723**	**1,731**	**-254**	**-353**
Non Operating Other comprehensive income	**30.00**	**138.00**	**-344.00**	**77.00**	**255.00**
Loss/Profit discontinued operations	**2303.00**	**20.00**	**257.00**	**77.00**	**43.00**
Non Operating FCF	**4,190**	**-425**	**602**	**103**	**21**
Unlevered Firm FCF	**2,612**	**8**	**436**	**-588**	**103**
Net Financial result Before Taxes	-91	-79	-138	-93	-21
Tax Shield	31	27	44	26	5
Net financial result, after tax	**-60**	**-52**	**-94**	**-67**	**-16**
Net Debt	953	1,118	1,255	1,703	1,552
Δ in Net Debt	**-902**	**164**	**137**	**448**	**-151**
Cash Flow Financing Debt	-962	113	44	381	-166
Δ in Equity	661	531	-2,810	432	858
Total Income	-2,290	-623	2,360	-187	-752
Restatements	13	38	-4	-48	11
Transactions with Shareholders	-1,616	-54	-454	197	117
Share-based payments	-21	-28	-30	-38	-43
Restatements	-13	-38	4	48	-11
Net Change in Equity (in Cash)	**-1,650**	**-120**	**-480**	**207**	**63**
Financing Free Cash Flow	**-2,612**	**-8**	**-436**	**588**	**-103**

Cash Flow Map – 2023 – 2027 – Explicit Horizon

Cash Flow Map	2023E	2024E	2025E	2026E	2027E
(€ in million)	Explicit Horizon				
EBIT	674	879	883	902	919
France statutory rate	*25.80%*	*25.80%*	*25.80%*	*25.80%*	*25.80%*
Statutory Taxes	-169	-222	-223	-228	-232
Tax adjustments	0	0	0	0	0
NOPLAT	**505**	**657**	**660**	**674**	**687**
Depreciation & Amortization	274	322	329	329	330
Share-based payments	38	38	38	38	38
Net Cash Flow	**816**	**1,017**	**1,026**	**1,041**	**1,055**
Net PP&E	342	271	198	146	95
- Δ in Net PPE	-37	71	72	52	52
Net Intangible Assets	2,991	2,975	2,883	2,739	2,588
- Δ in Intangible Assets	137	16	92	145	151
Right-of-Use Assets	594	572	552	532	513
- Δ in Right-of-Use Assets	-164	22	21	20	19
- Net CAPEX	**-338**	**-213**	**-144**	**-113**	**-109**
Operating Contract Assets, Net	-164	-183	-187	-192	-197
- Δ in Operating Contract Assets, Net	**38**	**19**	**4**	**6**	**5**
- Δ in Fixed and Intangible Assets	**-300**	**-194**	**-140**	**-107**	**-104**
NWC	-15	-21	-36	-45	-56
- Δ in Working Capital	**-33**	**6**	**15**	**9**	**11**
Operating Deferred tax assets	-392	-407	-410	-406	-400
- Δ in Operating Deferred tax assets	**-2**	**15**	**3**	**-5**	**-6**
Operating FCF before goodwill	**482**	**844**	**904**	**939**	**956**
Goodwill	2,282	2,282	2,282	2,282	2,282
- Δ in Goodwill	**0**	**0**	**0**	**0**	**0**
Operating FCF after goodwill	**482**	**844**	**904**	**939**	**956**
YOY	**489.4%**	**75.2%**	**7.1%**	**3.9%**	**1.8%**
Share Of Net Profit/(Loss) Of Equity-Investments	-7	1	4	4	4
Other income and expenses (+/-)	-113	447	-261	-269	-277
Provisions	4	3	3	3	3
Dividend income	13	5	5	5	5
Non operating result before taxes	-102	456	-249	-257	-264
Statutory Taxes	26	-118	64	66	68
After-tax Non-operating result	**-76**	**338**	**-185**	**-191**	**-196**
Non-core Invested Capital	1,027	1,117	1,143	1,166	1,186
- Δ in Other Funds Invested	**402**	**-90**	**-26**	**-23**	**-20**
Non Operating Other comprehensive income	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Loss/Profit discontinued operations	**409.36**	**52.79**	**0.00**	**0.00**	**0.00**
Non Operating FCF	**735**	**301**	**-211**	**-214**	**-216**
Unlevered Firm FCF	**1,217**	**1,145**	**693**	**725**	**740**
Net Financial result Before Taxes	-139	-150	-149	-146	-143
Tax Shield	36	39	38	38	37
Net financial result, after tax	**-103**	**-111**	**-110**	**-108**	**-106**
Net Debt	2,161	2,120	2,110	2,078	2,041
Δ in Net Debt	**609**	**-41**	**-10**	**-32**	**-38**
Cash Flow Financing Debt	506	-152	-120	-140	-144
Δ in Equity	-950	-18	-170	-173	-174
Total Income	-735	-937	-365	-375	-385
Restatements					
Transactions with Shareholders	-1,685	-955	-535	-547	-559
Share-based payments	-38	-38	-38	-38	-38
Restatements					
Net Change in Equity (in Cash)	**-1,723**	**-993**	**-573**	**-585**	**-597**
Financing Free Cash Flow	**-1,217**	**-1,145**	**-693**	**-725**	**-740**

Cash Flow Map – 2028 – 2033 – Implicit Horizon 1

Cash Flow Map	2028E	2029E	2030E	2031E	2032E	2033E
(€ in million)	Implicit Horizon 1					
EBIT	927	932	934	934	930	925
France statutory rate	*25.80%*	*25.80%*	*25.80%*	*25.80%*	*25.80%*	*25.80%*
Statutory Taxes	-239	-240	-241	-241	-240	-239
Tax adjustments	0	0	0	0	0	0
NOPLAT	**688**	**692**	**693**	**693**	**690**	**686**
Depreciation & Amortization	330	330	330	330	330	330
Share-based payments	38	38	38	38	38	38
Net Cash Flow	**1,056**	**1,059**	**1,061**	**1,061**	**1,058**	**1,054**
Net PP&E						
- Δ in Net PPE						
Net Intangible Assets						
- Δ in Intangible Assets						
Right-of-Use Assets						
- Δ in Right-of-Use Assets						
- Net CAPEX						
Operating Contract Assets, Net						
- Δ in Operating Contract Assets, Net						
- Δ in Fixed and Intangible Assets	**-330**	**-330**	**-330**	**-330**	**-330**	**-330**
NWC	-102	-150	-200	-252	-305	-360
- Δ in Working Capital	**46**	**48**	**50**	**52**	**53**	**55**
Operating Deferred tax assets	-400	-400	-400	-400	-400	-400
- Δ in Operating Deferred tax assets	**0**	**0**	**0**	**0**	**0**	**0**
Operating FCF before goodwill	**772**	**778**	**781**	**783**	**781**	**779**
Goodwill	2,282	2,282	2,282	2,282	2,282	2,282
- Δ in Goodwill	**0**	**0**	**0**	**0**	**0**	**0**
Operating FCF after goodwill	**772**	**778**	**781**	**783**	**781**	**779**
YOY	**-19.3%**	**0.8%**	**0.5%**	**0.2%**	**-0.2%**	**-0.3%**
Share Of Net Profit/(Loss) Of Equity-Investments	4	4	4	4	4	4
Other income and expenses (+/-)	-284	-291	-297	-303	-309	-314
Provisions	3	3	3	3	3	3
Dividend income	5	5	5	5	5	5
Non operating result before taxes	-271	-278	-285	-291	-296	-302
Statutory Taxes	70	72	73	75	76	78
After-tax Non-operating result	**-201**	**-207**	**-211**	**-216**	**-220**	**-224**
Non-core Invested Capital	1,186	1,186	1,186	1,186	1,186	1,186
- Δ in Other Funds Invested	**0**	**0**	**0**	**0**	**0**	**0**
Non Operating Other comprehensive income	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Loss/Profit discontinued operations	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Non Operating FCF	**-201**	**-207**	**-211**	**-216**	**-220**	**-224**
Unlevered Firm FCF	**570**	**571**	**570**	**567**	**561**	**555**
Net Financial result Before Taxes	-136	-134	-133	-132	-130	-129
Tax Shield	35	35	34	34	34	33
Net financial result, after tax	**-101**	**-100**	**-99**	**-98**	**-97**	**-96**
Net Debt	1,999	1,983	1,967	1,951	1,936	1,922
Δ in Net Debt	**-41**	**-16**	**-16**	**-16**	**-15**	**-14**
Cash Flow Financing Debt	-142	-116	-115	-113	-112	-110
Δ in Equity	-5	-32	-34	-36	-38	-41
Total Income	-386	-385	-383	-379	-374	-367
Restatements						
Transactions with Shareholders	-391	-417	-417	-415	-412	-407
Share-based payments	-38	-38	-38	-38	-38	-38
Restatements						
Net Change in Equity (in Cash)	**-429**	**-455**	**-455**	**-453**	**-450**	**-445**
Financing Free Cash Flow	**-570**	**-571**	**-570**	**-567**	**-561**	**-555**

Cash Flow Map – 2034 – 2039 – Implicit Horizon 2

Cash Flow Map	2034E	2035E	2036E	2037E	2038E	2039E
(€ in million)	Implicit Horizon 2					
EBIT	947	969	992	1,016	1,041	1,066
France statutory rate	*25.80%*	*25.80%*	*25.80%*	*25.80%*	*25.80%*	*25.80%*
Statutory Taxes	-244	-250	-256	-262	-268	-275
Tax adjustments	0	0	0	0	0	0
NOPLAT	**702**	**719**	**736**	**754**	**772**	**791**
Depreciation & Amortization	330	330	330	330	330	330
Share-based payments	38	38	38	38	38	38
Net Cash Flow	**1,070**	**1,087**	**1,104**	**1,122**	**1,140**	**1,159**
Net PP&E						
- Δ in Net PPE						
Net Intangible Assets						
- Δ in Intangible Assets						
Right-of-Use Assets						
- Δ in Right-of-Use Assets						
- Net CAPEX						
Operating Contract Assets, Net						
- Δ in Operating Contract Assets, Net						
- Δ in Fixed and Intangible Assets	**-330**	**-330**	**-330**	**-330**	**-330**	**-330**
NWC	-366	-373	-379	-386	-393	-401
- Δ in Working Capital	**6**	**6**	**7**	**7**	**7**	**7**
Operating Deferred tax assets	-400	-400	-400	-400	-400	-400
- Δ in Operating Deferred tax assets	**0**	**0**	**0**	**0**	**0**	**0**
Operating FCF before goodwill	**747**	**764**	**781**	**799**	**817**	**836**
Goodwill	2,282	2,282	2,282	2,282	2,282	2,282
- Δ in Goodwill	**0**	**0**	**0**	**0**	**0**	**0**
Operating FCF after goodwill	**747**	**764**	**781**	**799**	**817**	**836**
YOY	**-4.1%**	**2.3%**	**2.3%**	**2.3%**	**2.3%**	**2.3%**
Share Of Net Profit/(Loss) Of Equity-Investments	4	4	4	4	4	4
Other income and expenses (+/-)	-319	-325	-331	-337	-343	-349
Provisions	3	3	3	3	3	3
Dividend income	5	5	5	5	5	5
Non operating result before taxes	-307	-313	-319	-325	-331	-337
Statutory Taxes	79	81	82	84	85	87
After-tax Non-operating result	**-228**	**-232**	**-236**	**-241**	**-245**	**-250**
Non-core Invested Capital	1,186	1,186	1,186	1,186	1,186	1,186
- Δ in Other Funds Invested	**0**	**0**	**0**	**0**	**0**	**0**
Non Operating Other comprehensive income	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Loss/Profit discontinued operations	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Non Operating FCF	**-228**	**-232**	**-236**	**-241**	**-245**	**-250**
Unlevered Firm FCF	**519**	**531**	**545**	**558**	**572**	**586**
Net Financial result Before Taxes	-130	-131	-133	-134	-136	-137
Tax Shield	34	34	34	35	35	35
Net financial result, after tax	**-96**	**-97**	**-99**	**-100**	**-101**	**-102**
Net Debt	1,955	1,995	2,036	2,077	2,119	2,162
Δ in Net Debt	**33**	**40**	**41**	**41**	**42**	**43**
Cash Flow Financing Debt	-64	-58	-58	-58	-59	-59
Δ in Equity	-39	-46	-47	-48	-49	-50
Total Income	-378	-389	-401	-414	-426	-439
Restatements						
Transactions with Shareholders	-417	-436	-449	-462	-475	-489
Share-based payments	-38	-38	-38	-38	-38	-38
Restatements						
Net Change in Equity (in Cash)	**-455**	**-474**	**-487**	**-500**	**-513**	**-527**
Financing Free Cash Flow	**-519**	**-531**	**-545**	**-558**	**-572**	**-586**

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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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This report is part of the "AccorHotels - Room for Growth Ahead" report (annexed), developed by Nuno Nobre (39135) and Guilherme Rodrigues (52961) and should be read has an integral part of it.

Table of Contents

Introduction

In this comprehensive joint report, we analyse AccorHotels, a company with over 5000 hotels in its network. The main objective is reaching a per-share price target. The joint report is divided into two parts.

The first part evaluates the macroeconomic environment, the industry value drivers and examines the company's strategy. My pair covered the first part.

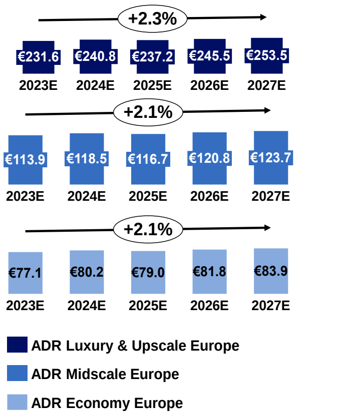
The second part, which corresponds to the present report, is dedicated to an analysis of the company's financial figures. One estimated the operating enterprise value of the company based on a scenario-based WACC – DCF valuation, with an upside and a downside scenario. Such assessment relies on the first part of the joint report, given that it relies on the strategy of the company and the market it is inserted in. Moreover, considering that the company has a significant weight of its invested capital in the non-core business and a substantial share of minority interests, we carefully analyzed it and discussed its best valuation methodology.

Based on such analysis, we issue a price target of 37.8€ for December 2024, which yields a total return of 18%, which can be decomposed between a capital gain of 7.3%, a share buyback of 5.7%, and a dividend yield of 4.5%.

Operating Model

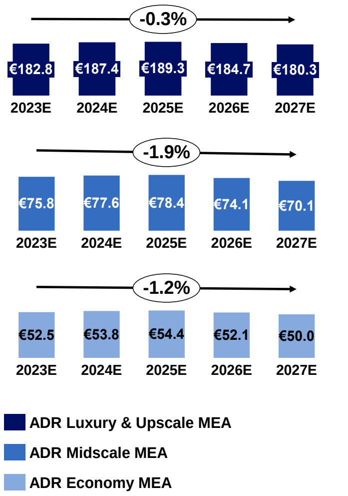
RevPAR and Revenues Forecast

Exhibit 42 – Average Daily Rate in Europe



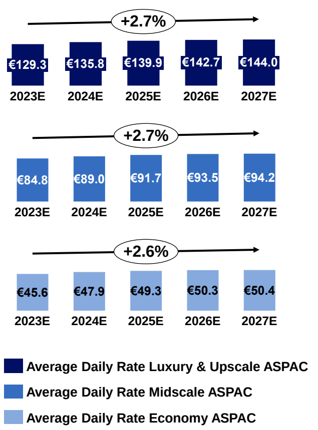
Source: Accor's statements; Own Estimates

Exhibit 43 – Average Daily Rate in MEA



Source: Accor's statements; Own Estimates

Exhibit 44 – Average Daily Rate in ASPAC



Source: Accor's statements; Own Estimates

The two main drivers of Accor's revenue are the number of rooms and the RevPAR. In this chapter, we will forecast RevPAR and explain our revenue model.

- RevPAR Forecast

Accor reports its RevPAR region wise, and within each region by segment. To forecast Accor's revenues, we needed to estimate the future RevPAR for each region and operating segment.

Since RevPAR is the product between ADR and OR, we first forecasted each component for each region and segment until 2027. The company reports ADR and OR every year, from which we can analyse its evolution. However, the evolution from these figures does not represent the actual performance of the hotels since the high volume of acquisitions could distort these values. To accommodate this, we retrieved the like-for-like evolution of these metrics, because the like-for-like represents the values at constant scope of consolidation and exchange rates.

For the **ADR forecast**, we relied upon the previously analysed total travel spending forecasts and specific events that will occur in some regions. To assess when ADR reaches its stabilized moment and grows at the like-for-like growth rate, we considered whether the growth of the expected travel spending in the region in the upcoming years (CAGR 2023-2027) will surpass pre-covid growth (CAGR 2024-2019) or not. The higher the expected differential between forecasted and historical travel spending, the later the ADR would stabilize.

In **Europe**, we foresee that 2024 will be a strong year in terms of pricing for Accor, given three main events: i) the 2024 Olympic Games (Paris, France); ii) the UEFA EURO 2024 (Germany); iii) the recovery of business traveling spending to pre-COVID levels.

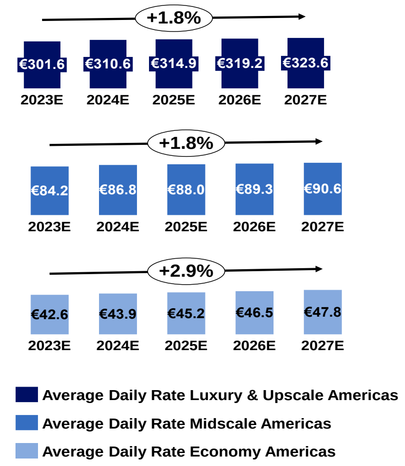
Sports events usually have a big impact on hotel revenues since they attract many travellers to where the event is hosted. The events will occur between June and August, in two countries that comprise 56% of Accor's Europe portfolio. Our analysis infers a 4% YOY increase in ADR from 2023 to 2024.

In 2025, we expect ADR to decrease by -1.5%, given the high base effect expected for 2024. Given that travel spending in Europe between 2023 and 2027 is expected to grow at a significantly faster pace than between 2014 and 2019, we expect that ADR will only reach the LFL growth in 2027.

In **MEA**, only a small increase of ADR is expected in 2023 given that it has a high base effect driven by QATAR World Championship in 2022.

Business travel spending is expected to recover to pre-covid levels only in 2024. Once again, given Accor's dependence on business travel, we expect ADR to peak its growth in 2024. MEA's region will only stabilize at its LFL growth in 2026 because total travel spending in the upcoming years is expected to grow slightly faster than before COVID-19. Given the region's geopolitical instability, the average LFL growth between 2017 and 2019 across all segments was negative.

Exhibit 45– Average Daily Rate in Americas



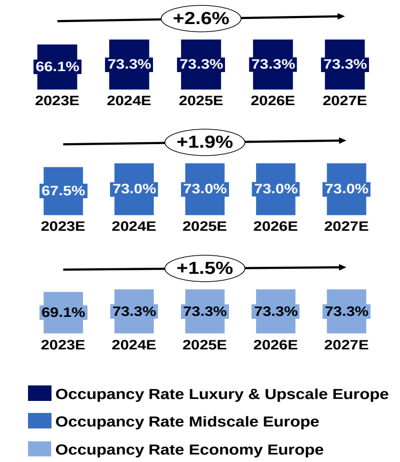
Source: Accor's statements; Own Estimates

In **ASPAC**, total travel spending (both business and leisure) is only expected to fully recover to pre-COVID levels in 2025. This way, we expect a strong pricing recovery in the upcoming years. Since total travel spending is expected to grow significantly faster than before COVID-19, we expect the LFL growth to be reached in 2027. The expected YOY growth of ADR in 2023 is 6%, and we assume it will gradually converge to the LFL growth in 2027.

Regarding the **Americas**, although total travel spending has already recovered to pre-COVID levels (driven by leisure travel), considering that business travel spending is only recovering to 2019 levels in 2025, we consider that the ADR will grow by 4% in 2023. Since travel spending in the Americas is expected to grow at a slightly lower rate than before COVID-19, we expect YOY to converge to the LFL growth in 2025.

After forecasting the ADR for every region and segment, we made a weighted average of ADR per region, considering the weight of each segment's number of rooms to the total number of rooms of that region. Exhibits 42-45 show the expected evolution of ADR per region.

Exhibit 46– Occupancy Rate in Europe

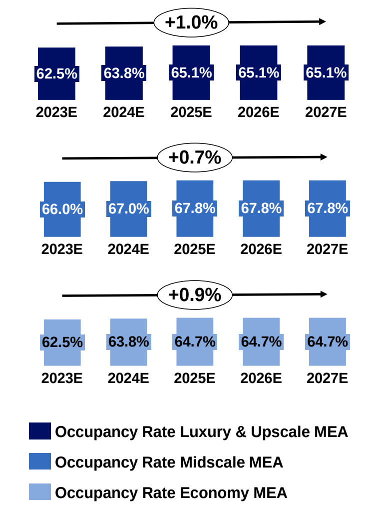


Source: Accor's statements; Own Estimates

For the **OR forecast**, the methodology was simpler than ADR's. As we have seen in previous sections, the OR is a metric that usually remains stable throughout the years, except for extraordinary events that strongly affect the demand-supply dynamics, such as a pandemic.

In **Europe**, Accor's occupancy rate is expected to return to pre-COVID levels at the beginning of 2024 (Yahoo, 2023). In 2025, although there is a high base effect with the major events of 2024, we do not expect a decrease in OR because of the resurgence of Chinese travellers. After being closed to the rest of the world for three years, one would think that tourists from China would be immediately eager to travel around the world again; however, the Chinese preferred to stay in China than engage in international travel (CNBC, 2023). We expect that Chinese international travel will fully recover in 2025. As a result, we assumed that in this year, the OR for Europe hotels will be higher than in 2019 and remain unchanged in 2026 and 2027. In **MEA**, we expect that the OR will take a little longer to fully recover due to the conflicts between Israel and Palestina, therefore we set the OR in MEA to be equal to that of 2019 only in 2025, remaining constant thereafter. In **ASPAC** OR is also expected to recover to pre-covid levels in 2024, reflecting the reopening of the major economies in the region. Then, we assume such OR to slightly increase in 2025 and to remain constant thereafter. In the **Americas** OR has already recovered in 2023 (Accor, 2023). Then, we assume it to slightly increase in the next two years, with a similar resurgence of Chinese travellers as in Europe. Exhibits 46-49 show the expected evolution of OR per region.

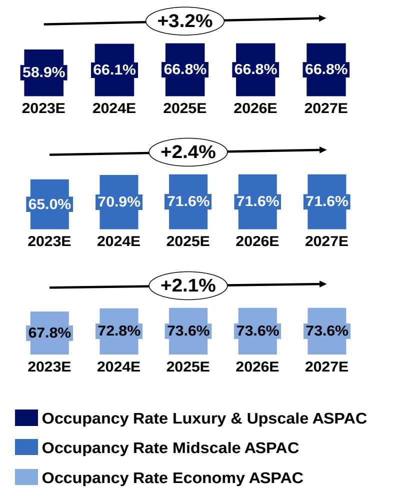
Exhibit 47– Occupancy Rate in MEA



Source: Accor's statements; Own Estimates

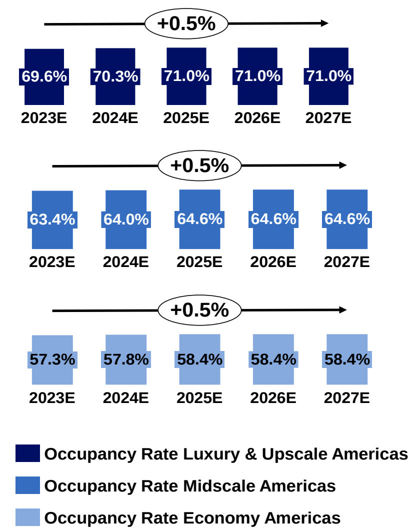
After calculating the ADR and OR for every region and segment, we multiplied the two metrics to get the RevPAR. Exhibit 50 shows the expected evolution of RevPAR according

Exhibit 48– Occupancy Rate in ASPAC



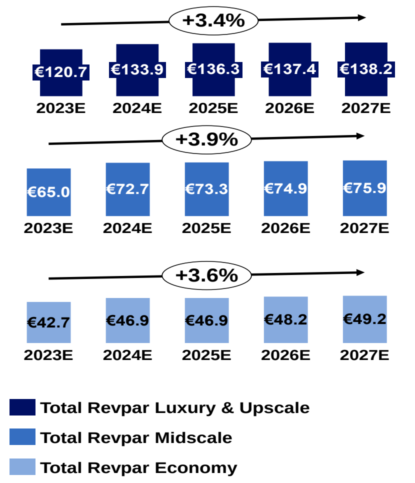
Source: Accor's statements; Own Estimates

Exhibit 49– Occupancy Rate in Americas



Source: Accor's statements; Own Estimates

Exhibit 50– Total RevPAR



Source: Accor's statements; Own Estimates

to our analysis. We are confident in our projections as according to Accor's presentation to investors, total RevPAR for the company will grow 20% in 2023, while we are expecting a more conservative growth of c. 17%, and the CAGR between 2023 and 2024 should fall within the range 3-4%, which is coherent with our projection of 3.6%.

- Revenues Forecast

Accor divides its revenues across three typologies: HotelServices, Hotel assets & other (HA&O), and Holding/Intercos. **HotelServices** can be associated with **management and franchise** (M&F) contracts and **Services to Owners** (STO).

M&F revenues result from collecting fees from hotel owners in compensation for M&F agreements. It also includes commissions received on centralized purchases. To estimate the M&F revenues, we resorted to the previously projected RevPAR. Since Accor discloses M&F revenues by region, we thought that it would be most appropriate to forecast revenues using each region's total RevPAR. Our approach here was based on **estimating a certain fee for management and franchise contracts based on the total rooms' revenue** under such agreement and multiply that fee by the rooms revenues generated by these hotels, since ultimately Accor receives a percentage of those revenues. Even though management contracts revenues are ultimately based on the total hotel revenues plus an incentive fee, due to a lack of information regarding the F&B / other revenues in these hotels, as well as their profitability, we decided to assume, as a driver, the total room revenue. Considering that total room revenues are usually a stable part of total hotel revenues, this is a fair assumption.

For each region and operating type, we calculated the room revenues of the old and the new rooms. For the **old room revenues**, we multiplied the number of rooms by the region's RevPAR and by 365 days to get the total annual revenues. For the **new room revenues**, we multiplied the number of new rooms by the region's RevPAR with a discount and by 365 days. The rationale here is that when a new hotel opens, it does not immediately reach its potential RevPAR, but it may need some time to gain recognition, or it could open in the middle of the year. We assumed that each new hotel would take one year to start operating at its full potential, so the new hotel rooms would be transferred to the old rooms balance after one year. For the discount, we assumed a 50% decrease in RevPAR for that first year of operations.

Next, we estimated the M&F fees for each region based on the disclosed revenues between 2017 and 2022. We wanted to separate the management revenues from the franchised ones, but unfortunately, Accor only discloses those revenues altogether. In the Capital Markets Day in June, Accor presented a table with the structure of the fees model in 2023 (share of fees from each segment and share of rooms in each segment), which can be seen in more detail in Exhibit 51.

To get the management part of M&F revenues in each region, we used the share of those revenues that belong to each segment (Premium, Midscale, and Economy (PME) vs Luxury and Lifestyle (LL)). Then we multiplied by the percentage of management rooms in each segment. The same approach was conducted with franchise operations. We should note that PME and LL refer to the most recent categorization of segments. For analysis purposes, we considered the old nomenclature.

Finally, to calculate the fee each year, we divided the management or franchise revenue received by Accor by the sum of old and new rooms' revenues. This ratio would give us a proxy of the fee charged by Accor, so we took an average of the fees between 2018 and 2022. We disregarded the year 2017 because the business model was different, which could distort the fee. We multiplied the fee by the estimated revenues of old and new rooms to forecast the revenues. Exhibit 52 summarizes the fees we assumed for each region and operating type to forecast said revenues.

This method was used to forecast revenues within the **Explicit Horizon**, which we defined to be the period between 2023 and 2027. For the first **Implicit Horizon**, we assumed that M&F revenues in each region would grow at a rate that is converging to the inflation rate target of that region. The only exception is MEA since our model delivered a YOY growth in 2027 significantly lower than the inflation target. Hence, we assumed such growth to continue.

The next revenues segment is the STO, which includes all commercial and promotional services invoiced to hotel owners, encompassing marketing, IT, distribution, and the loyalty program, as well as shared services and the reimbursement of costs incurred on their behalf. Although this segment represents a big share of the revenues, Accor informed us that it contributes only marginally to the EBITDA, which suggests that most of its amount comes from reimbursing costs and salaries.

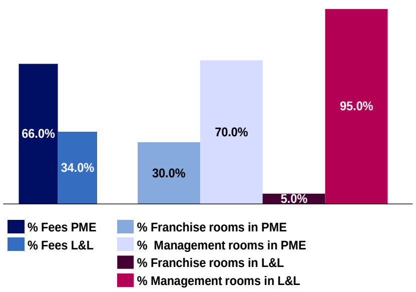
There are essentially three components in the STO segment: sales, marketing, distribution, and loyalty (SMDL), reimbursed costs, and other services. After a thorough analysis, we concluded that this is essentially the full reimbursement of two captions: **other operating expenses** and **salaries and social security charges recharged to owners**.

Like what was done in the M&F section, for the first implicit horizon we assumed that the growth of STO revenues would converge to the global inflation rate. Exhibit 54 shows the evolution of STO revenues until 2033.

HA&O is the revenue associated with the operator activities of owned and leased hotels, including the sale of accommodation services and catering services to customers and the management of the asset portfolio (hotel design, construction, refurbishment, and maintenance activities). It also includes other activities recently integrated into the group in 2021 via external growth transactions.

To estimate HA&O revenues, a similar approach to M&F was used. Accor only reports HA&O at a global level; however, since we have information regarding the number of hotels and rooms owned and leased by region, we decided to estimate these revenues regionally. For each region, we multiplied the RevPAR by the number of rooms owned and leased and by 365 days. We also computed the room revenues related to new rooms as described before. We then summed the room revenues of each region to get the total room revenues of HA&O. The room revenues, however, are only a component of this segment, the other being the **food & beverage and other businesses revenues**. Since we did not have the

Exhibit 51– Structure of the fees model



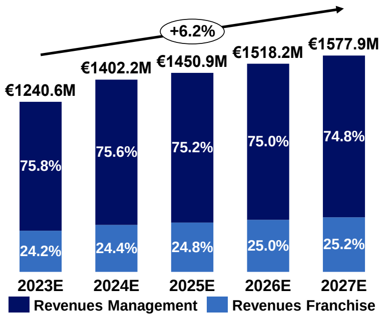
Source: Accor's statements; Own Estimates

Exhibit 52– Fees for each region and operation

	Management	Franchise
Europe	11%	3%
MEA	6%	6%
ASPAC	5%	3%
Americas	9%	6%

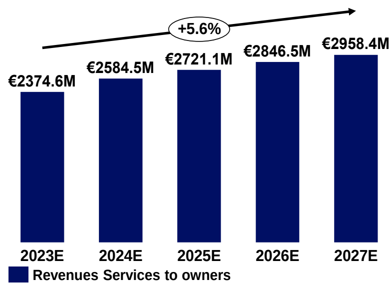
Source: Own Estimates

Exhibit 53– M&F revenues Projection



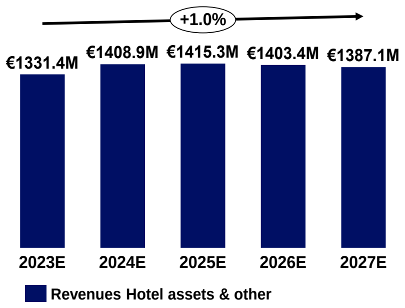
Source: Own Estimates

Exhibit 54– STO Revenues Projection



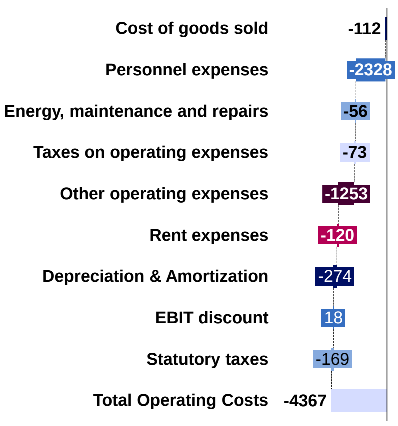
Source: Own Estimates

Exhibit 55 – HA&O Revenues Projection



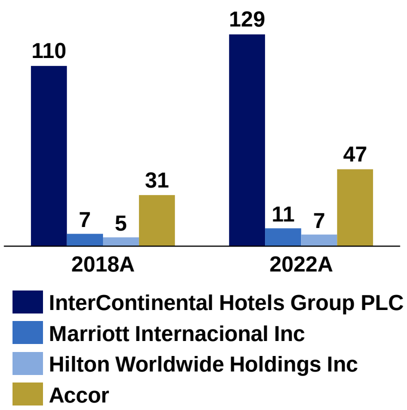
Source: Own Estimates

Exhibit 56 – Breakdown of Total Operating Costs 2023 (€M)



Source: Annual Reports. Own Estimates.

Exhibit 57 – Company-funded employees per room



Source: Annual Reports. Refinitiv. Bloomberg. Own Estimates.
Note: the figure displays the ratio of the number of employees whose compensation is fully supported by the company divided by the total number of rooms in its portfolio.

disaggregation of HA&O revenues, we estimated this caption by subtracting the past rooms revenues from the total HA&O revenues. Then, for the upcoming years, we estimated that this caption would grow at the same rate as the room revenues. Accor informed us that the other businesses were a residual part of this caption.

As the HA&O is the disappearing segment of Accor's revenues, we expect that at the end of the Explicit Horizon, this segment's revenues will start decreasing, as the net growth in rooms is expected to be negative. Finally, for the first implicit horizon, we expect that revenues will decrease at the same rate as they did at the end of the explicit horizon. From Exhibit 55 one can see the evolution of HA&O revenues until 2033.

Finally, Accor's revenues have one more component, which has a negative impact. The last component is the **Holding/Intercos** and is related with **headquarters expenses**. Since in 2023 the company finalized the sale & leaseback of its headquarters, these expenses are expected to increase. We assumed that these expenses are increasing with the expected inflation rate for France during the explicit horizon. For the implicit horizon, we assumed they would keep growing a the expected inflation rate in France in 2027.

Cost Structure

The company's cost structure in 2023 is depicted in Exhibit 56. It is visible that the most significant operating costs are personnel expenses and other operating expenses, followed by depreciation and amortization.

Personnel costs primarily consist of payroll and related expenses in which Accor is the employer of the staff at the property. Part of it is recharged to owners (via the STO revenues caption, which has no EBITDA impact), and Accor supports part of it. While the estimation of the first is not relevant for valuation purposes because it is fully recharged to hotel owners, the second is particularly important. Personnel costs also include share-based costs, which are not cash outflows of the company because they are done directly between employees and the shareholders, and hence, they were adjusted in the cash flow map.

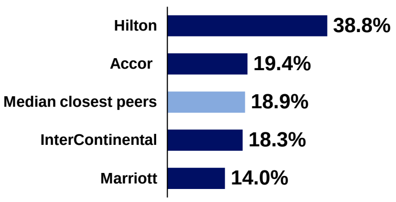
The salaries and social security charges (SSSC) supported by Accor are a function of the cost per employee and the number of employees in the head offices and in owned & leased hotels. The cost per employee is expected to increase by the global inflation rate (adjusted for Accor's rooms' geographical breakdown, as previously discussed). The number of employees in the head offices was assumed to increase in line with the Hotel Services revenues growth, although at a smaller pace. The number of employees in owned & leased hotels was obtained based on the following product:

$$\#\ of\ employees = Employees\ per\ Room * \#\ Owned\ \&\ Leased\ Rooms.$$

We assumed the ratio of 2022 to hold in the future. Since we assume that the number of owned and leased rooms decreases over time, SSSC supported by Accor is not expected to vary much between 2023 and 2027.

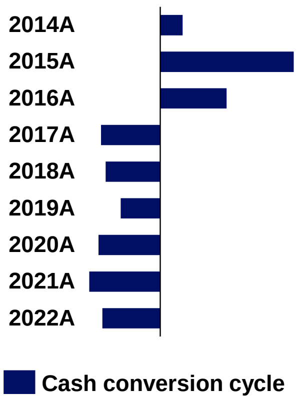
In the post-covid era, the number of employees per room directly employed by Accor increased significantly. This also occurred to Intercontinental, but not to Marriot and Hilton. It is visible that the two latter have a much lower ratio of employees per room, capable of

Exhibit 58 – Average EBITDA Margin 2017-2019 & 2022



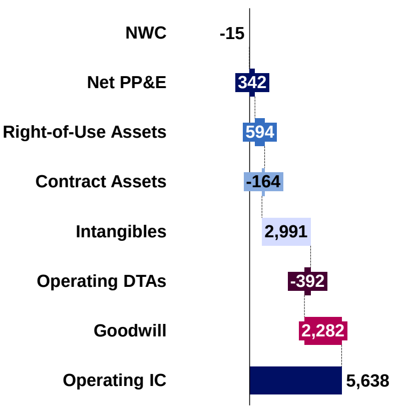
Source: Annual Reports. Refinitiv. Bloomberg.

Exhibit 59 – Cash Conversion cycle before and after spin-off (€M)



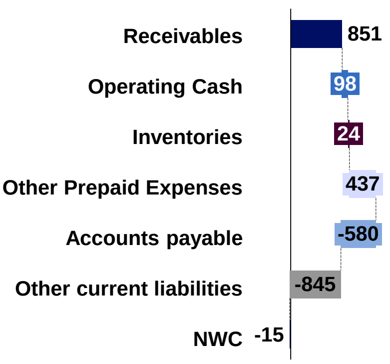
Source: Accor. Own Estimates.

Exhibit 60 – Breakdown of Accor's Core Invested Capital 2023 (€M)



Source: Accor. Own Estimates.

Exhibit 61 – Breakdown of Accor's NWC 2023 (€M)



Source: Accor. Own Estimates.

inputting a higher share of personnel costs in the hotel owners.

Other operating expenses include marketing, advertising and promotions, distribution, and information system costs. It is provided to hotel owners under M&F agreements and fully recharged to them. Therefore, similarly to personnel costs recharged to owners, this caption has no EBITDA impact.

Accor's EBITDA margin decreased dramatically with COVID-19, which is natural given that the sector was extremely affected by the pandemic. The EBITDA margin dropped from 20.4% to -24.0% in 2020 and we only expect it to come back to pre- COVID levels in 2024.

For the first implicit horizon, we expect the company to converge to the median EBITDA margin of its closest peers (from 2017 to 2023, excluding 2020 and 2021) in 2033, which will happen gradually over the explicit horizon.

Core Invested Capital

The capital-light activity is visible by analyzing its core invested capital breakdown, with intangible assets representing the largest share of invested capital. Then, the second most significant caption is goodwill, which is associated with the high level of M&A activity of the company, as previously discussed.

Accor operates under an asset-light business model, emphasizing management and franchising over physical asset ownership. This model results in consistently negative Cash Conversion Cycle (CCC) which means suppliers are financing the operational activity of the company and indicates efficient fee collection and improved cash flows. The fee-based business model entails low reliance on inventory and enhances overall operating cycle efficiency. This is visible in Exhibit 60. After Accor's spin-off by selling owned & leased hotels to AccorInvest and engaging in management contracts to manage them back, Accor's cash conversion cycle became immediately negative.

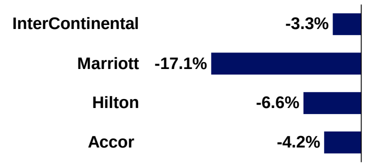
To assess Accor's NWC going forward, trade accounts receivable is driven by the average collection period, working cash is assumed to be 2% of total revenues, inventories are assumed to be driven by COGS times the average holding period. Other prepaid expenses / other receivables are assumed to be driven by total revenues. Accounts payable are assumed to be driven by COGS times the days payable outstanding. Finally, we included other current liabilities (VAT payable, wages salaries and payroll tax payables, income tax and other tax payables, other payables) to be driven by total revenues, except for wages salaries and payroll tax payables, which we assumed to be driven by personnel expenses.

Further into the implicit horizon, we expect the ratio of net working capital to revenues to converge to its closest peer's industry median from 2017 to 2022 (excluding 2020 and 2021).

PP&E includes land and buildings, leasehold improvements, and equipment and furniture. To estimate CAPEX, we assume the following:

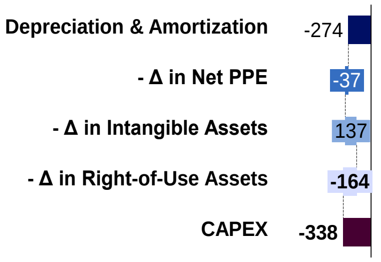
$$Gross\ land\ and\ buildings = Land\ and\ buildings\ per\ owned\ \&\ leased\ hotel * \#\ Owned\ \&\ Leased\ Hotels + Land\ and\ buildings\ Depreciation.$$

Exhibit 62 – NWC to Revenues Peers 2017-2019 & 2022



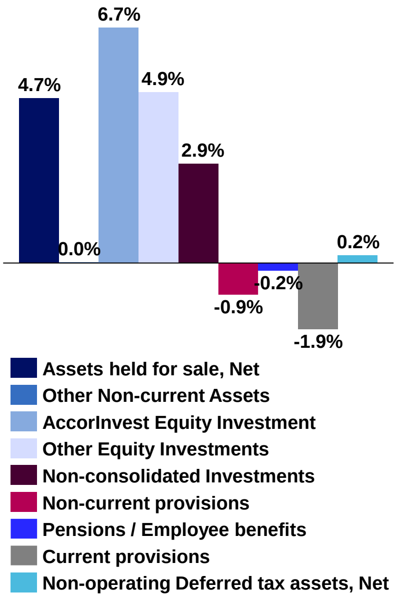
Source: Refinitiv. Own Estimates.

Exhibit 63 – Breakdown of Accor's CAPEX 2023 (€M)



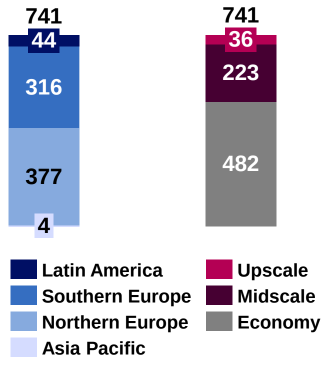
Source: Annual Reports

Exhibit 64 – Non-core Invested Capital as % of EV 2022



Source: Bloomberg. Refinitiv. Own Estimates.

Exhibit 65 – Breakdown AccorInvest Hotels, 30/11/2023



Source: AccorInvest

$$Gross\ equipment, furniture = Equipment, furniture\ per\ owned\ \&\ leased\ hotel * \#\ Owned\ \&\ Leased\ Hotels + Equipment, furniture\ Depreciation.$$

$$Gross\ Leasehold\ improvements = Leasehold\ improvements\ per\ leased\ hotel * \#\ Leased\ Hotels + Leasehold\ improvements\ Depreciation.$$

Considering Accor's asset-light strategy, we expect a further decrease in the number of owned and leased hotels in the future. Moreover, we assumed depreciation as a proxy for maintenance CAPEX.

Right-of-use assets accounts for the value of the lease agreements that are established for a certain period. It was projected in a similar way, mainly including the headquarters (which were sold and leased back this year), and the buildings (hotels leased).

Contract Assets, net includes advance payments to hotel owners, deferred income, and loyalty program liabilities. Since they are directly related to M&F contracts, M&F revenues are assumed as a driver.

Intangible assets include trademarks, contracts, licenses/software, and others. Trademarks and Contracts, given that their value only increases with M&A transactions, will decrease by the corresponding estimated amortization, as we do not foresee any M&A transaction in the future (other than Potel et Chabot, whose only impact will be in the EV-equity bridge). Licenses/Software and others, given their link to the operations of the first and the lack of information on the latter, were assumed to be driven by total revenues.

Going further into the first implicit horizon, in 2028, we aggregated Net PP&E, Right-of-Use Assets, and Intangible Assets into Fixed and Intangible Assets. We assumed a maintenance CAPEX, i.e., capital expenditures to be equal to the corresponding depreciation and amortization.

As previously discussed, we do not expect any further M&A transactions, and since we also do not expect any impairment, we assume that Goodwill will remain perpetually constant.

Non-Core Invested Capital

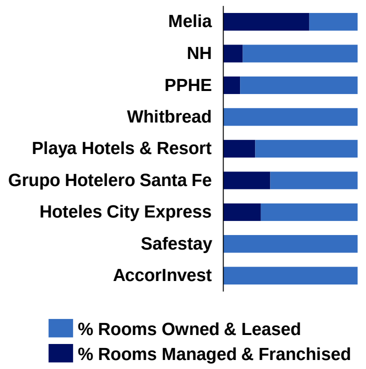
Accor's balance sheet includes assets and liabilities that are not directly related to its core business. These include equity investments and investments in non-consolidated companies, which comprise a significant portion of its balance sheet.

Accor's equity investments serve two primary purposes: i) establish strategic partnerships in specific geographies; ii) acquiring real estate assets that will be subsequently operated under Accor franchises or management teams.

AccorInvest is the primary asset, making up more than half of the carrying value of associates and joint ventures. This company owns and manages real estate assets operated under 12 Accor brands. AccorInvest is present mainly in Europe, the economy, and the midscale segments.

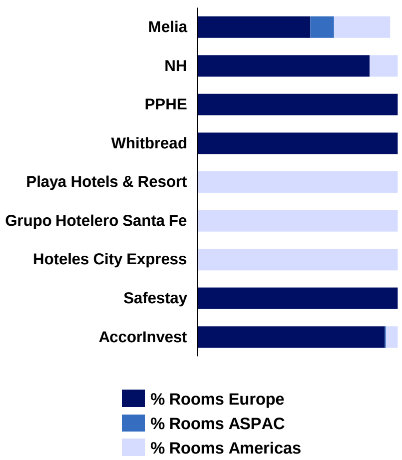
To estimate AccorInvest's revenues, since AccorInvest's hotels are owned & leased, and

Exhibit 66 – Peer analysis Accor Invest - Operating type, 2022



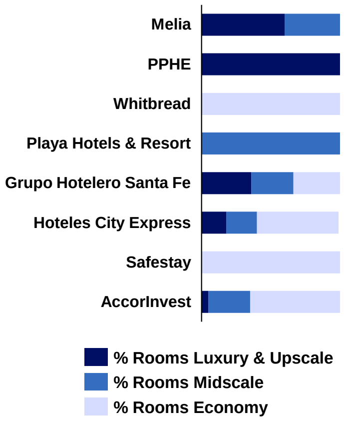
Source: Bloomberg. Annual Reports and

Exhibit 67 – Peer analysis Accor Invest - Region, 2022



Source: Bloomberg. Annual Reports. Refinitiv. Own Estimates.

Exhibit 68 – Peer analysis Accor Invest - Segment, 2022



Source: Bloomberg. Annual Reports and presentations. Refinitiv. Own Estimates.

managed by Accor, we used the RevPAR of Accor for each geography, adjusted by AccorInvest's portfolio. Moreover, we assumed that the share of F&B and other revenues in room revenues in the future would be the average share of F&B and other revenues between 2014 and 2016 for each region.

We conducted a peer analysis of AccorInvest to assess the expected market multiple of the company and its EBITDA margin. We retrieved a list of players operating in the hotels & restaurants industry from Refinitiv. Then, we removed all companies not directly associated with owning/leasing accommodation assets, and those that did not have a significant share of owned & leased hotels in its portfolio. This way, we arrived at the list of companies that are on Exhibits 66-70.

The EBITDA margin of AccorInvest is disclosed in 2015 and 2016, and in the annual report of 2016, Accor mentioned that AccorInvest planned to have an EBITDA margin of 25% in 2021. We assume that target was only reached in 2022 due to covid-19 and that the company will further improve it to the average of the eight peers in 2027.

Given our revenues forecast and EBITDA margin forecast, we estimated the EBITDA of AccorInvest in 2024. Then, we applied the mean 2024 EV/EBITDA multiple of the selected peers. This led to an estimated carrying value of AccorInvest in Accor's balance sheet of €811M in 2024.

AccorInvest experienced a significant downturn during covid-19. In 2022, the company recovered to positive profits, and the group announced future asset disposals to reduce debt levels and promote financial health. AccorInvest announced it seeks to sell €2000M in hotels to slash debt in October (Bloomberg, 2023). AccorInvest already pursued a transaction with Covivio, buying ten hotels for €210M and selling 24 hotels for €260M. The assets transferred to Covivio reflect a 10.4x EBITDA multiple. Our analysis already incorporates the room portfolio after this transaction.

We did not consider the impact of these disposals on AccorInvest's total liabilities. We assume total liabilities as of 2022 will remain unchanged. However, this is irrelevant for valuation purposes because it would increase AccorInvest's carrying value, hence not affecting our **BUY** recommendation. Do note that Accor's lock-up period of 30% ownership in AccorInvest terminated in May 2023. However, Accor is not expected to sell its equity stake in the company before 2025. Our analysis assumes that Accor does not sell its stake in AccorInvest.

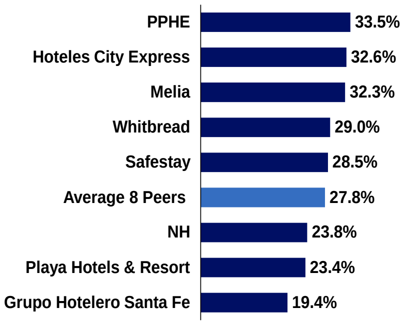
Valuation

Scenario-based DCF - WACC

To derive the operating enterprise value of Accor on 31st December 2024, we performed a WACC - Discounted Cash Flow analysis since we believe Accor targets a leverage ratio in fair value.

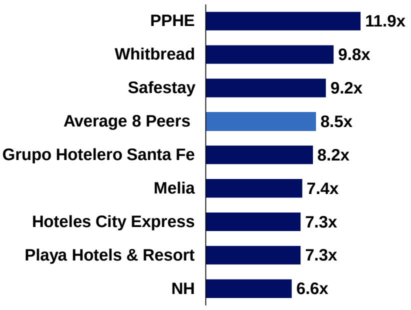
To accomplish this goal, we estimated cash flows using an explicit horizon from 2023 to

Exhibit 69 – Peer analysis AccorInvest – EBITDA Margin 2014-2019 & 2022



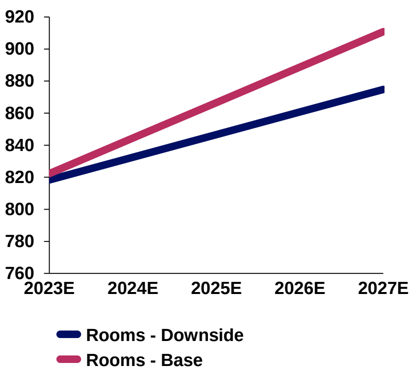
Source: Bloomberg. Annual Reports and presentations. Refinitiv. Own Estimates.

Exhibit 70 – Forward EV/EBITDA 2024



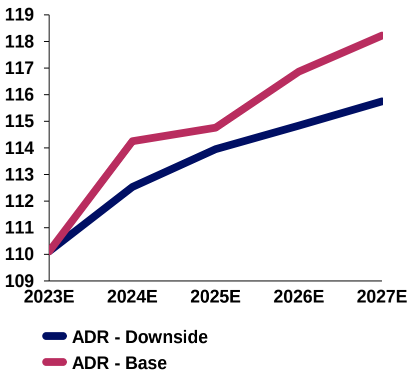
Source: Refinitiv. Own Estimates.

Exhibit 71 – Total Rooms, in thousands – Base vs Downside



Source: Own Estimates.

Exhibit 72– Total ADR, in €– Base vs Downside



Source: Own Estimates.

2027, followed by an implicit horizon until 2033, in which we simplified some assumptions and assumed convergence to a steady state. In 2033, we assumed Accor would converge to its closest peers' EBITDA and that depreciation and amortization would remain constant. In the balance sheet, we assumed Accor converges to its closest peers NWC to revenues ratio and replacement CAPEX (i.e., CAPEX to be equal to depreciation). Finally, we extended these assumptions further into the future in the second implicit horizon (2034 to 2039) until free cash flows reached a stabilized growth rate.

We computed the terminal value of the company's unlevered free cash flows based on a perpetual growth rate of 2.3%. The future cash flows are discounted using our weighted average cost of capital (WACC) estimate.

The company's performance will depend on several factors affecting the hotel industry. Therefore, we accommodated that using a scenario analysis based on statistically expected cash flows. We established three scenarios according to our beliefs of the future of the company's prospects: a base scenario, a downside, and an upside scenario.

- Base Scenario

Our base scenario is the one we have been describing so far. We believe it is the most likely scenario, and therefore, we attributed a 70% probability to the respective unlevered free cash flows.

The upside and downside scenario are a variation of underlying assumptions of our base scenario related to the net unit growth of rooms and the evolution of ADR and OR.

- Downside Scenario

Under this scenario, we not only considered a 2% net unit growth of rooms in 2023 (our base scenario entailed a 2.5% increase, with guidance being 2%-3%), but we anticipate that, given rising construction costs and potential changes in Accor's strategy in what concerns owned & leased hotels, the company will only open a smaller share of rooms of the pipeline in the upcoming four years. This way, from 2024 to 2027, instead of having annual gross openings representing 25% of M&F pipeline, we considered it would be 20%, due to construction delays (in MEA's M&F business we considered a further delay relatively to the base scenario, primarily driven by an intensification of the instability in the region – annual gross opening to 10% of the pipeline instead of the 15% in the base scenario). For the Americas owned & leased pipeline, in which we already considered Accor would only open 20% of its pipeline every year under our base scenario, we considered Accor would reduce even further the investment in owned & leased hotels (15% of the pipeline as gross annual openings).

Regarding ADR, we considered the following downside events, for each region.

In **Europe**, 2024 will not be as strong as expected. Even though the Olympic Games and the UEFA Euro Cup will benefit Accor's business, under this scenario, there is a delay in business travel consumer spending recovery, to 2025. This way, ADR growth in 2024 and 2025 is lower. Moreover, we assume that travelling consumer spending will not be significantly higher than before COVID-19, which entails that the LFL growth will be achieved earlier (in 2026 instead of 2027). Finally, we also assumed that this LFL growth will be lower than under our base scenario. In **MEA**, considering the intensification of the instability in the region and its potential spread across the whole region, there is a potential decrease in the expected travel spending in the region since these tensions promote insecurity in the overall region. This way, we assume that ADR decreases in 2024 and that the negative LFL growth of ADR is reached in 2025. In **ASPAC**, this scenario entails a slower recovery of total travel spending, with the recovery to pre-COVID levels being in 2026 (instead of 2025 under the base scenario). This would imply that the LFL growth is reached in that year. Finally, in **Americas**, business travel spending recovery would be postponed to 2026, decreasing the growth rate of ADR in 2024.

The following downside events are anticipated, for each region, affecting **OR**.

In **Europe**, we assume the Chinese travel recovery will be postponed to 2026, hence decreasing the OR in 2025 and increasing in 2026, relatively to the base scenario. Under this scenario, the decrease in 2025 happens due to the high base effect of 2024 due to the sports events, which is not cancelled by the earlier Chinese recovery as in the base scenario. In **MEA**, we assume OR will not return to pre-covid levels due to the referred instability in the region. In **ASPAC**, OR will only recover to pre-pandemic levels in 2025. In the **Americas**, similarly to Europe, Chinese international travel recovery will be postponed one year.

This downside scenario has a 15% probability of unfolding. Applying these changes to our base scenario resulted in unlevered free cash flows -7.2% lower than in the base scenario.

- Upside Scenario

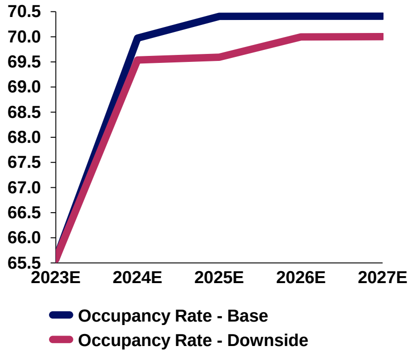
In this optimistic scenario, we anticipate a 3% net unit growth of rooms in 2023, surpassing our base scenario projection of 2.5% and aligning with the upper end of the guidance range of 2%-3%. Moreover, Accor's ability to navigate construction challenges and a different possibility for its owned & lease hotels strategy may lead to a more robust rooms gross opening.

From 2024 to 2027, this scenario entails a more aggressive approach to the owned & leased pipeline, with an increase of 10p.p. in the share of pipeline to open annually. This would imply that Accor’s strategy to prioritize the adoption of an asset-light model is not as strong as under our base scenario. An identical increase was considered for MEA M&F business, in line with a shift to a period of higher geopolitical stability.

Regarding ADR, we considered the following upside events, for each region.

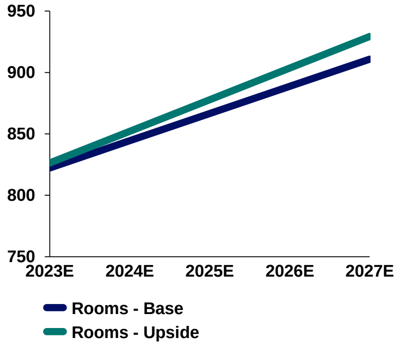
In the upside scenario for **Europe**, in 2025, we anticipate a stronger performance due to accelerated recovery in Chinese travelling. This would cancel the negative growth in 2025 due to the high base effect of 2024. In **MEA**, there exists the possibility of enhancing stability and, not only preventing its escalation throughout the region, but also the termination of the war. This optimistic outlook could contribute to increased confidence and a potential upturn in travel spending within the region. Consequently, we posit a positive

Exhibit 73– Total OR, in %– Base vs Downside



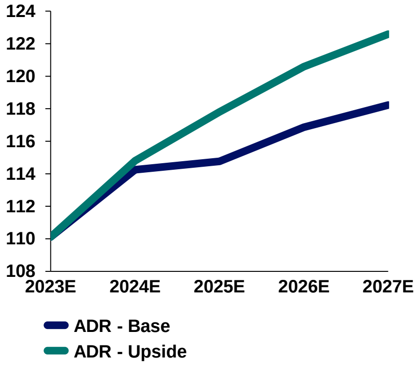
Source: Own Estimates.

Exhibit 74 – Total Rooms, in thousands – Base vs Upside



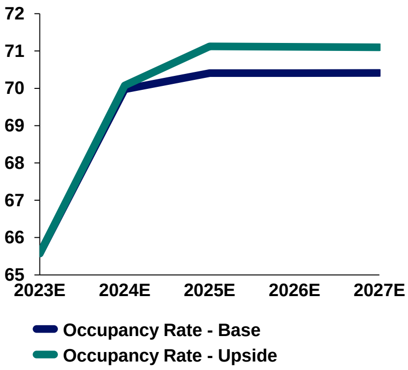
Source: Own Estimates.

Exhibit 75– Total ADR, in €– Base vs Upside



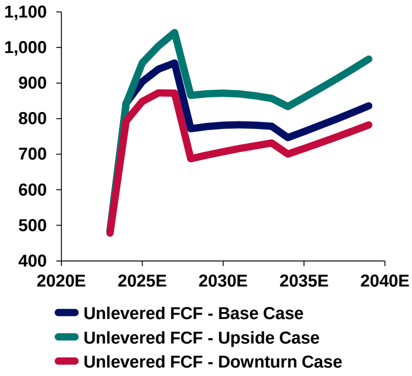
Source: Own Estimates.

Exhibit 76– Total OR, in % – Base vs Upside



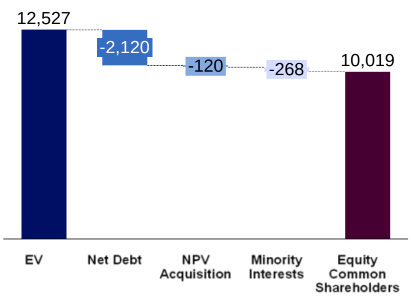
Source: Own Estimates.

Exhibit 77– Statistically Expected Cash Flows, in



Source: Own Estimates.

Exhibit 78– EV -Equity Bridge



Source: Own Estimates.

ADR growth in 2026 and 2027, instead of the negative growth of the base scenario. In the **ASPAC** region, the upside scenario entails a return to pre-COVID travel spending levels by 2024, a year earlier than in the base scenario. Finally, in the **Americas**, the scenario includes the possibility of business travel consumer spending occurring in 2024 (instead of 2025), and LFL growth will occur one year later, assuming consumer spending growth in the post-pandemic period is higher than before COVID-19 (instead of slightly lower under the base scenario). In **Europe**, an optimistic outlook anticipates an accelerated recovery of Chinese travel. In this scenario, we project a slight increase in OR by 2025, surpassing the base scenario projections. In **MEA**, OR will return to pre-pandemic levels in 2024. In **ASPAC**, travel rebounding surpasses expectations and OR increases more than expected in 2025, in line with a stronger Chinese recovery. Like Europe, Chinese travel recovery will be stronger than expected in the **Americas**.

Given our expectations, this upside scenario has a 15% probability of unfolding. Applying these changes to our base scenario resulted in unlevered free cash flows 10.2% higher than in the base scenario.

- Enterprise value – Equity bridge

Discounting these statistically expected cash flows yielded the expected operating Enterprise Value for 2024 (Exhibit 77).

After we computed the Enterprise Value, we added the book value of non-material non-operating captions, such as other non-current assets, other equity investments (excluding AccorInvest), investments in non-consolidated companies, non-current provisions, pensions and other employee benefits, current provisions, and non-operating deferred tax assets.

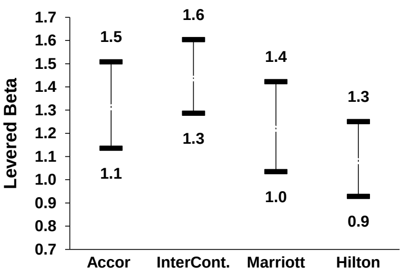
Finally, we subtracted the Net Debt and the value of the minority interests, for which we took the book value except for Ennismore and Rixos Hotels & Resorts, since they represent a relevant part of this caption. We estimated the EV of these two minority interests using a pro-rata to Accor's EV based on the number of rooms in their portfolio.

Our valuation model delivers a target price of **37.8€**, assuming the number of shares outstanding of June 2023. Based on our analysis, buying one share of Accor's stock on 11/12/2023 would yield a **17.6%** total return until December 2024, which can be decomposed between a **4.5%** dividend yield, a buyback yield of **5.7%** and **7.3%** capital gain. Therefore, we issue a **BUY** recommendation for Accor's stock.

Cost of Capital

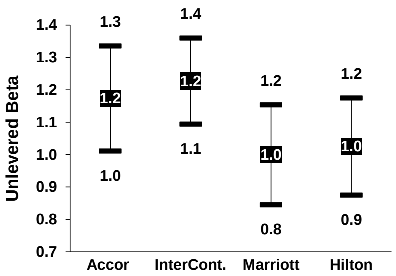
rD = YTM – Probability of Default * LGD

Exhibit 79 – Levered Betas 95% confidence interval



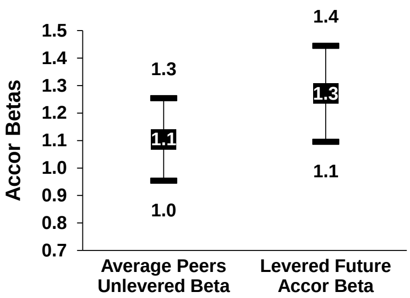
Source: Bloomberg. Own Estimates.

Exhibit 80 – Unlevered Betas 95% confidence interval



Source: Bloomberg. Own Estimates.

Exhibit 81 – Betas assumed in the valuation – Range of Fair Doubt



Source: Bloomberg. Own Estimates.

To estimate the cost of debt (rD) of Accor, we assumed that its current credit rating (BBB- (S&P, n.d.)) would hold in the future. Accor targets a leverage ratio and a credit rating of BBB (investment grade level). From 2001 to 2023, the only moment that Accor was downgraded to non-investment grade was during the pandemic, but it already returned to a BBB- rating. Hence, it is a fair assumption. Assuming such a target credit rating, we retrieved from Bloomberg Fair Value Yield Curve the corresponding YTM for the EUR Europe Composite BBB (10-years) S&P, which was 4.31%. For a credit rating of BBB- (S&P), the estimated annualized probability of default is 0.63%[1] , and we assume a loss given default (LGD) of 67.1%[2] (Bloomberg). This way, we get a rD of 3.9%. Such rD is similar to the one we get using the synthetic interest coverage ratio, which stood at 3.7%. The first is more accurate since it captures more information besides the company's interest coverage ratio.

We used the Capital Asset Pricing Model (CAPM) to derive a cost of equity estimation. To compute the levered beta of Accor, we first regressed its excess weekly returns against the STOXX 600 index, from 2018 to 2023. These data points already reflect the asset-light strategy (Exhibit 79).

There is one main reason contributing to our choice of **market portfolio** (other than being traded in the same currency as Accor). Do note that most investors in Accor's stock are investment managers with an unconstrained range of investment opportunities[3]. These investors are investing in Accor's stock because they want exposure to the European market (or the European hotels market). Similarly, investors typically invest in the STOXX 600 portfolio because they want their portfolios exposed to the European market. Hence, STOXX 600 is a fair proxy to the market portfolio, reflecting the "typical" investor in Accor's stock. Moreover, we used the 10-year German *bund* as a proxy to the **risk-free rate** (also traded in €).

Based on the estimated correspondence between the S&P credit rating and the average debt betas[4], we calculated the corresponding beta debt of each company. We also computed the average market cap from 2018 and 2023 based on their weekly stock prices and derived the leverage ratio of these companies over that period. These inputs allowed us to get the unlevered beta depicted in Exhibit 80.

Considering Accor's recent change to an asset-light model and its wide confidence interval, we decided to assume the average of the closest peers as our unlevered beta: 1.1. Then, taking Accor's target D/E ratio and a 0.10 beta debt, we reached future levered beta depicted in Exhibit 81.

We assume the market risk premium (MRP) to be 5%[5], which, applying CAPM, leads to an estimated unlevered cost of equity (rU) of 8.4% and levered cost of equity (rE) of 9.2%.

[1] Source: S&P Global Ratings Research and S&P Global Market Intelligence's CreditPro®.
[2] Bloomberg
[3] Refinitiv
[4] Valuation: Measuring and Managing the Value of Companies.
[5] Corporate Finance, Berk and DeMarzo.

Exhibit 82 – Inputs of the Post-Tax WACC

Cost of Capital	
Target D/V	14.2%
Target E/V	85.8%
Corporate Tax Rate	25.8%
Cost of Debt @Rd	3.9%
Cost of Equity @Re	9.1%
Post-Tax WACC	**8.2%**

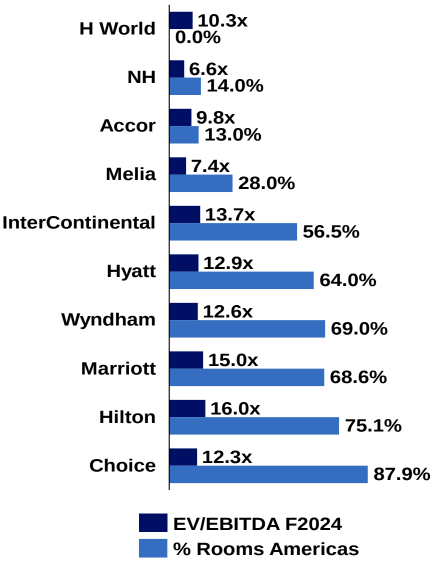
Source: Bloomberg. Own Estimates.

Accor progressively converges to a target D/E in 2033. This will translate into small capital structure changes from 2023 to 2033. Therefore, we assumed a fixed WACC throughout the whole cash flow horizon. We computed the post-tax WACC by applying the formula, $WACC = \frac{E}{V} * rE + \frac{D}{V} * rD * (1 - T)$, assuming France's corporate marginal tax rate of 2023 would remain unchanged[6].

Multiples valuation

We chose the EV/EBITDA forward 2024 multiple to triangulate our results and assess how the market values hotel companies.

Exhibit 83 – Higher Americas exposure is associated with higher EV/EBITDA 2024



Source: Refinitiv. Bloomberg. Company Reports. Own Estimates.

The market is penalizing European hotel companies. Companies with higher exposure to the Americas region are trading at higher EV/EBITDA multiples, whereas those with higher exposure to Europe have a lower multiple (Exhibit 83). This penalization refers to what we discussed in the Indices section – European companies were bottom performers in shareholder return from 2014 to 2023 compared to their American counterparts. NH, Accor, and Melia, three companies with a high portfolio share relying on Europe (and poor past shareholder value creation), are trading at a significant discount compared to those with higher exposure to the Americas. With zero exposure to the Americas, H World is trading at a lower multiple. Choice also performed poorly in shareholder value creation but has a higher forward multiple than its European counterpart.

We did not find a relationship between the forward multiples and the company's operating strategy in terms of management, franchised, owned & leased, nor luxury & upscale, midscale, and economy. Similarly, there is no clear relationship between a higher EBITDA margin and a higher forward EV/EBITDA multiple, nor between a higher RevPAR and a higher multiple.

Exhibit 84 – Implied price of the Forward 2024 EV/EBITDA multiple

Source: Refinitiv. Bloomberg. Company Reports. Own Estimates.
Note: closest peers multiple includes Accor.
Note: closest peers include Marriott, Hilton, InterContinental, and Accor.

Accor's EV/EBITDA 2024 multiple is aligned with our **BUY** recommendation. Although the target price under this multiple is very close to the current share price, this would not change the underlying recommendation since the forecasted transactions with shareholders are large enough. If we apply the mean multiple of Accor's closest peers (which have a significantly higher exposure to the Americas market), the result is also in line with our **BUY** recommendation, although having an implicit capital gain significantly higher.

In summary, although the EV/EBITDA forward multiple aligns with our recommendation, we expect a slightly higher price in 2024 than the implicit in its multiple.

Sensitivity Analysis

Then, we performed a sensitivity analysis on the inputs that might be affecting the recommendation based on their range of true doubt (RTD). Since we already incorporated our operating doubts into the statistically expected cash flows, the remaining inputs that may affect the recommendation are the post-tax WACC, the terminal growth rate, and the probabilities of the upside and downside scenarios, as well as the carrying value of

AccorInvest in 2024.

We got the RTD of the post-tax WACC based on the 95% confidence interval of the levered beta, the range of true doubt of the market risk premium (4.5%-5.5%), and of the corporate tax rate (25.0% - 34.40%). The RTD of the latter is based on a possible corporate tax rate change by France's government, since president Macron has been decreasing corporate taxes over the past few years).

Under our base scenario, we assume that the perpetual growth rate equals to the growth rate of the unlevered free cash flows in 2039 implicit in our forecasts. Under the lower bound of the RTD, we incorporated the expected annual growth international tourist arrivals in 2027 (+1.7%), whereas 3.1% corresponds to the expected YOY global GDP growth in 2028, which is the cap to the growth (no industry can grow sustainably above GDP over the long-term).

It is visible that the target price is more sensible to our RTD of the cost of capital than to the one of terminal growth. Nevertheless, under our RTD of these two inputs, the **BUY** recommendation is not affected, given that total shareholder return under such price target is expected to remain higher than 10%.

Considering the probabilities assigned to each scenario, we can conclude that no matter the probability that falls within the range 5%-25%, the **BUY** recommendation will not change. We arrived at the same conclusion regarding the EV/EBITDA multiple to use to value AccorInvest. Although using different multiples leads to different carrying values, the recommendation does not change, implying that the value of AccorInvest is not relevant for valuation purposes.

Exhibit 85 – Price and Total return Sensitivity – WACC vs Terminal Growth

			Post- tax WACC				
					Base		
			6.90%	7.56%	8.21%	9.06%	9.91%
"g"		1.7%	40.6 €	38.4 €	36.5 €	34.1 €	32.0 €
		2.0%	41.4 €	39.1 €	37.1 €	34.7 €	32.5 €
	Base	2.3%	42.2 €	39.9 €	**37.8 €**	35.3 €	33.1 €
		2.7%	43.3 €	40.9 €	38.7 €	36.2 €	33.8 €
		3.1%	44.6 €	42.1 €	39.8 €	37.1 €	34.7 €

			Post- tax WACC				
					Base		
			6.9%	7.6%	8.2%	9.1%	9.9%
"g"		1.7%	25.3%	19.3%	13.7%	7.1%	1.2%
		2.0%	27.5%	21.3%	15.5%	8.7%	2.6%
	Base	2.3%	29.9%	23.5%	**17.6%**	10.6%	4.3%
		2.7%	33.1%	26.3%	20.2%	12.9%	6.3%
		3.1%	36.7%	29.7%	23.2%	15.6%	8.7%

Source: Own Estimates.

Exhibit 86 – Price and Total return Sensitivity – Probabilities of Scenarios

			P(Downturn)				
					Base		
			5.0%	10.0%	15.0%	20.0%	25.0%
P(Upside)		5.0%	37.6 €	37.5 €	37.4 €	37.3 €	37.1 €
		10.0%	37.9 €	37.7 €	37.6 €	37.5 €	37.4 €
	Base	15.0%	38.1 €	37.9 €	**37.8 €**	37.7 €	37.6 €
		20.0%	38.3 €	38.2 €	38.0 €	37.9 €	37.8 €
		25.0%	38.5 €	38.4 €	38.3 €	38.1 €	38.0 €

			P(Downturn)				
					Base		
			5.0%	10.0%	15.0%	20.0%	25.0%
P(Upside)		5.0%	17.0%	16.7%	16.3%	16.0%	15.6%
		10.0%	17.6%	17.3%	16.9%	16.6%	16.2%
	Base	15.0%	18.3%	17.9%	**17.6%**	17.2%	16.9%
		20.0%	18.9%	18.5%	18.2%	17.8%	17.5%
		25.0%	19.5%	19.1%	18.8%	18.4%	18.1%

Source: Own Estimates.

Exhibit 87 – Price and Total return Sensitivity – EV/EBITDA Multiple

EV/ EBITDA 2024 AccorInvest	1Q	*7.3x*	36.6 €
		7.9x	37.2 €
	Base	*8.5x*	37.8 €
		8.9x	38.3 €
	3Q	*9.4x*	38.8 €
EV/ EBITDA 2024 AccorInvest	1Q	*7.3x*	14.5%
		7.9x	16.0%
	Base	*8.5x*	17.6%
		8.9x	18.7%
	3Q	*9.4x*	19.9%

Source: Own Estimates.