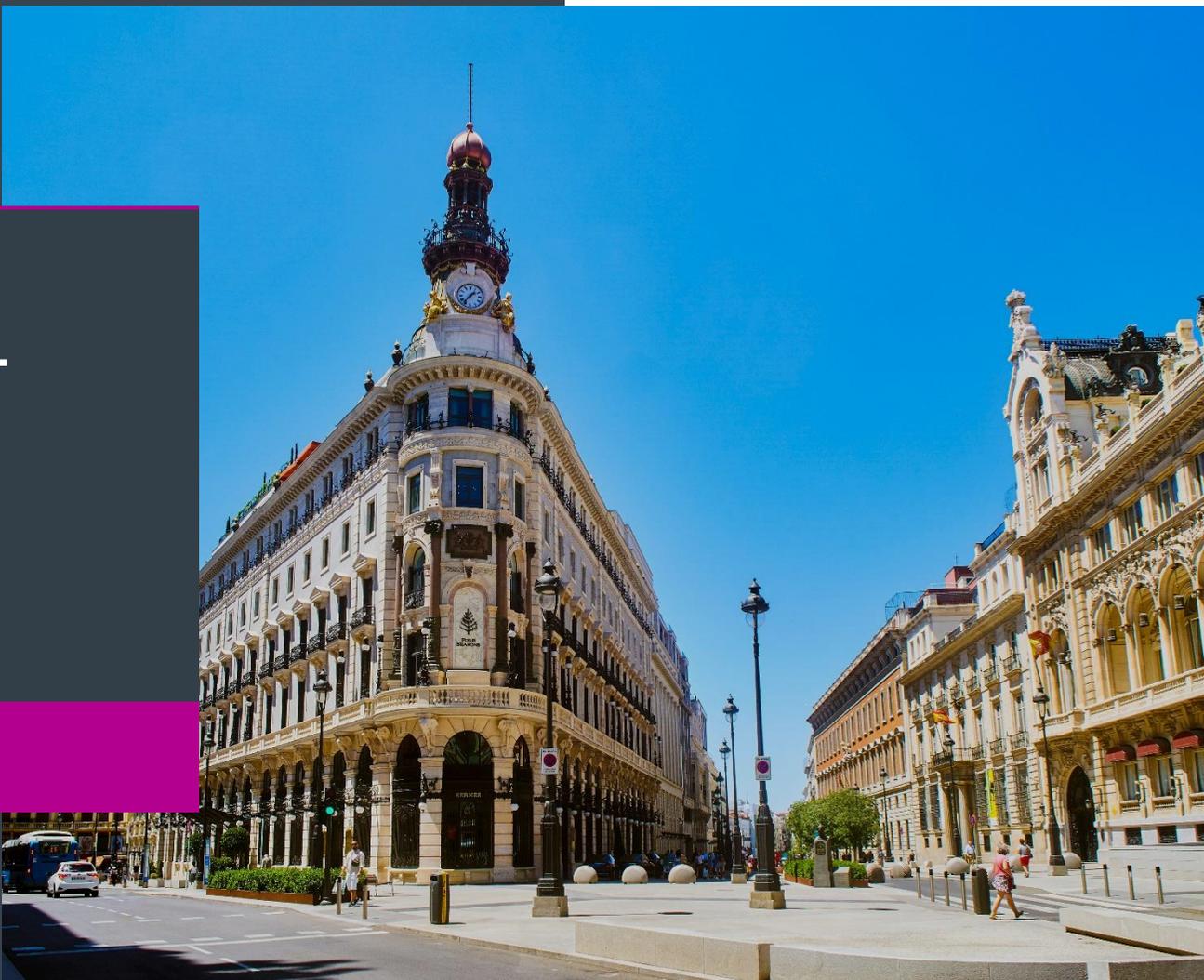


INTERNATIONAL BRANDS DEVELOPMENT

Spain 2023



Foreword

During 2010-2019, international demand grew steadily, positioning **Spain as the country with the most overnight stays in Europe (2019)**, ahead of France and Germany. The continuous internationalisation of tourism in Spain encouraged foreign hotel groups to **focus their growth on the country**, alongside the **entry of new investment funds** (currently the main type of investor).

Spain is in **a process of constant professionalisation** and adaptation to new management formulas. With a hotel supply still **dominated by independent hotels**, Spain offers many opportunities for the arrival of new hotel brands.

This report captures the evolution of the **28 international hotel groups that have carried out openings from November 2019 to December 2022**. It also provides an overview of international hotel groups' pipeline.

This report is based on Alimarket's Spanish hotel census in the hotel category.

We would like to thank **Valerie Schuermans and Oana Cristea** (Radisson Hotel Group), **Manuel Climent** (Marriott International), **Carlos Miró** (Hilton) and **John Alarcon** (Accor) for their participation in this report.



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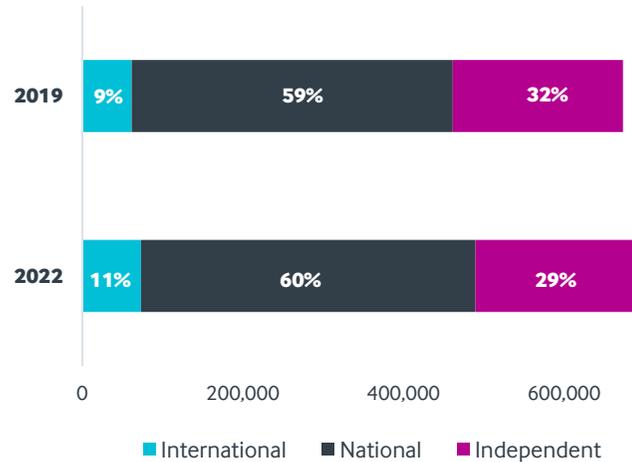
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International groups that have added hotels during the period

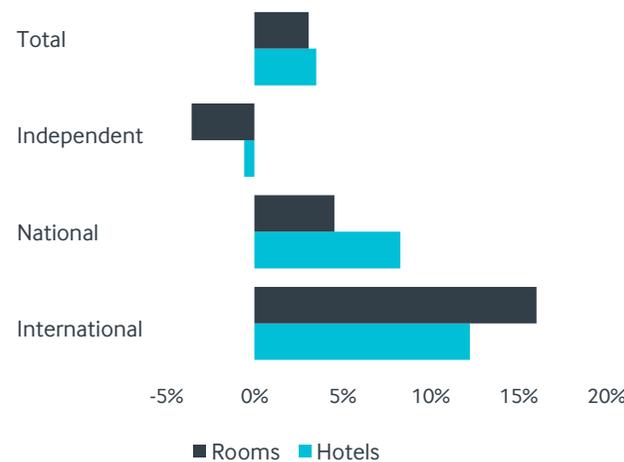


Spain Overview: 2019 vs 2022

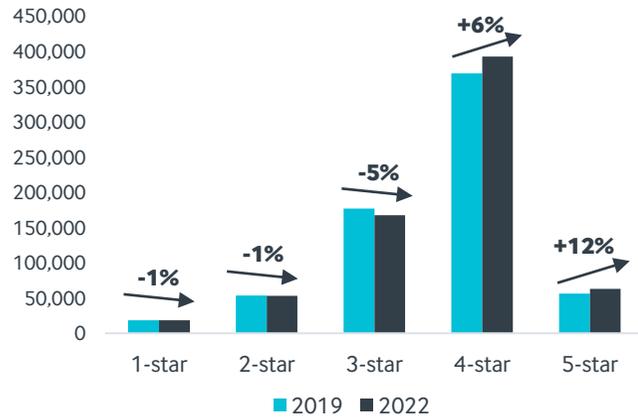
Number of rooms by origin and type of operator



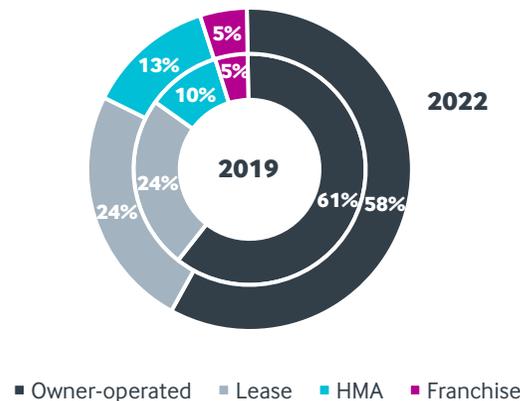
Variation in the number of hotels and rooms 2019 vs. 2022



Distribution and variation of hotel categories (rooms)



Type of contract of the hotel groups (rooms)



International groups have grown the most since 2019

- Historically, **independent hotels** have dominated the hotel landscape in Spain (**59% of total rooms in 2019**), however, in recent years this trend is changing
- Since 2019, **international groups have grown the most (+16% in rooms)**, followed by domestic groups (**+4.5% in rooms**)
- The growth of international groups has been achieved through the **incorporation of large hotels**, while domestic groups are growing through smaller hotels
- The market continues to be dominated by 4-star hotels although the **highest growth** was recorded in the **5-star category (+12% in rooms)** mainly due to the entry of international groups
- We note that owner-operated hotels continue to dominate (**58% in rooms from hotel groups**), although **management and franchise contracts have grown the most (+31% and +10%, respectively)**, evidencing the preference of international groups for these contracts
- Since half of the hotel room supply in Spain is from owner-operated hotels, it represents a huge opportunity for international hotel companies to **convert this supply to branded hotels**

Consolidation vs new entrants: A changing landscape

International Hotel Group	Activity pre-Nov. 2019			Activity Nov. 2019 – Dec. 2022			Closings Nov. 2019 – Dec. 2022		Total December 2022		Room
	Hotels	Rooms	%Rooms	Hotels	Rooms	%Rooms	Hotels	Rooms	Hotels	Rooms	Variation %
1 Marriott International	91	13,704	29.4%	10	1,032	4.6%	6	820	95	13,916	1.5%
2 Hyatt Hotels Corporation	5	1,217	2.6%	10	2,573	11.4%	4	993	47	12,749	947.6%
3 Apple Leisure Group	12	3,235	6.9%	24	6,717	29.7%	-	-	-	-	-
4 Accor Hotels	93	10,820	23.2%	8	1,276	5.6%	6	603	95	11,493	6.2%
5 B&B Hotels	30	2,950	6.3%	11	936	4.1%	-	-	41	3,886	31.7%
6 IHG	27	3,622	7.8%	6	791	3.5%	4	743	29	3,670	1.3%
7 Hilton	13	2,066	4.4%	7	1,216	5.4%	2	120	18	3,162	53.0%
8 Pierre & Vacances	6	1,339	2.9%	5	982	4.3%	1	141	10	2,180	62.8%
9 Radisson Hotel Group	3	665	1.4%	6	1,082	4.8%	-	-	9	1,747	162.7%
10 Hard Rock Hotels	-	-	-	4	1,488	6.6%	-	-	4	1,488	-
11 Leonardo	8	973	2.1%	3	465	2.1%	-	-	11	1,438	47.8%
12 Wyndham Hotels & Resorts	36	4,947	10.6%	4	368	1.6%	34	4,551	6	764	-84.6%
13 The Social Hub	-	-	-	2	623	2.8%	-	-	2	623	-
14 Easyhotel	1	204	0.4%	2	376	1.7%	-	-	3	580	184.3%
15 Club Med	-	-	-	1	485	2.1%	-	-	1	485	-
16 Deutsche Hospitality	1	164	0.4%	1	281	1.2%	-	-	2	445	171.3%
17 Ikos Resorts	-	-	-	1	430	1.9%	-	-	1	430	-
18 Best Western	4	311	0.7%	2	138	0.6%	1	68	5	381	22.5%
19 Pestana Hotels & Resorts	2	173	0.4%	1	168	0.7%	-	-	3	341	97.1%
20 Mandarin Oriental	1	120	0.3%	1	153	0.7%	-	-	2	273	127.5%
21 Sunset Hospitality Group	-	-	-	1	253	1.1%	-	-	1	253	-
22 Four Seasons	-	-	-	1	200	0.9%	-	-	1	200	-
23 Grupo Sonder	-	-	-	6	192	0.8%	-	-	6	192	-
24 Rosewood Hotels	-	-	-	1	154	0.7%	-	-	1	154	-
25 UMusic Hotels	-	-	-	1	130	0.6%	-	-	1	130	-
26 Experimental Group	1	43	0.1%	1	33	0.1%	-	-	2	76	76.7%
27 Standard International	-	-	-	1	67	0.3%	-	-	1	67	-
28 Nobis Hospitality Group	-	-	-	1	31	0.1%	-	-	1	31	-
Total	334	46,553		122	22,640		58	8,039	398	61,154	31.4%

28 international groups have incorporated hotels in Spain

• During the period from November 2019 to December 2022, **28 international groups have added a total of 122 hotels and 22,640 rooms to their portfolios in Spain**

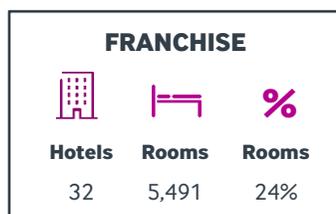
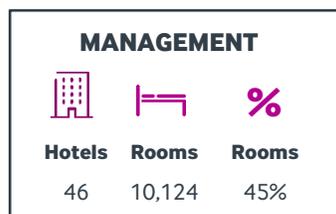
• **11 new hotel groups have entered Spain** during this period: including Four Seasons, Rosewood, Ikos and Club Med, among others

• **Hyatt's growth** was accelerated by the integration of **ALG's hotels into its portfolio** and both groups' openings during the period

• On the other hand, **Wyndham Hotels & Resorts has lost presence** (losing its position in the Top 10) **due to the end of the management of 34 hotels under its Tryp brand**, which are now managed by Meliá

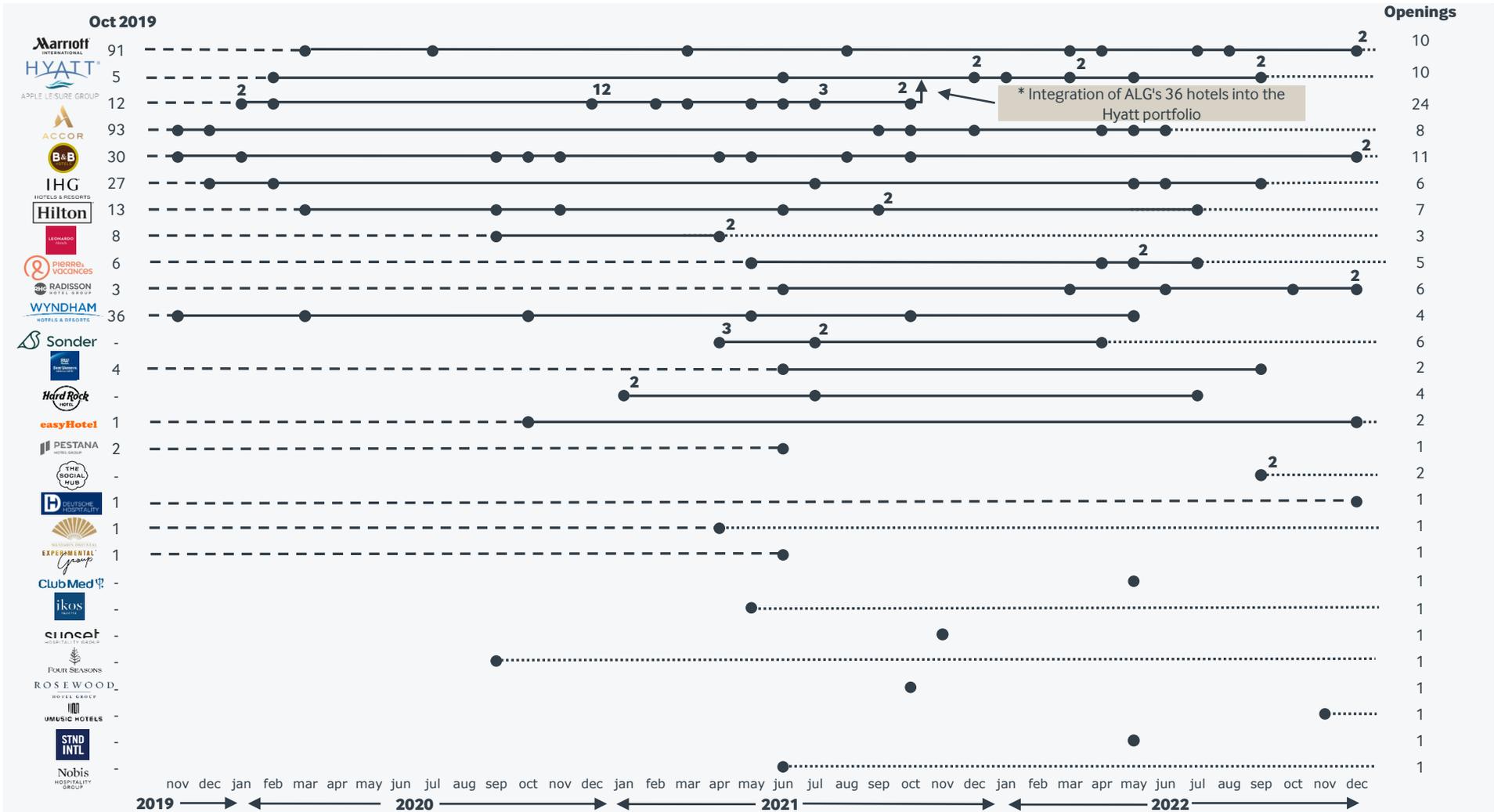
• International hotel groups prefer to expand in Spain through **management contracts (45%) or franchising (24%)**, as it generates less financial risk for the international brands and allows them to expand quickly

• This table only includes the international groups that **integrated hotels during the period**



Timeline: Openings

● New opening
 - - - Previous presence
 Hotel pipeline

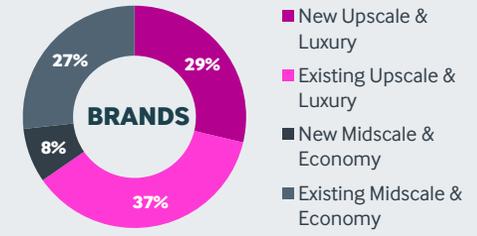


Location of the openings: A visible shift in interest



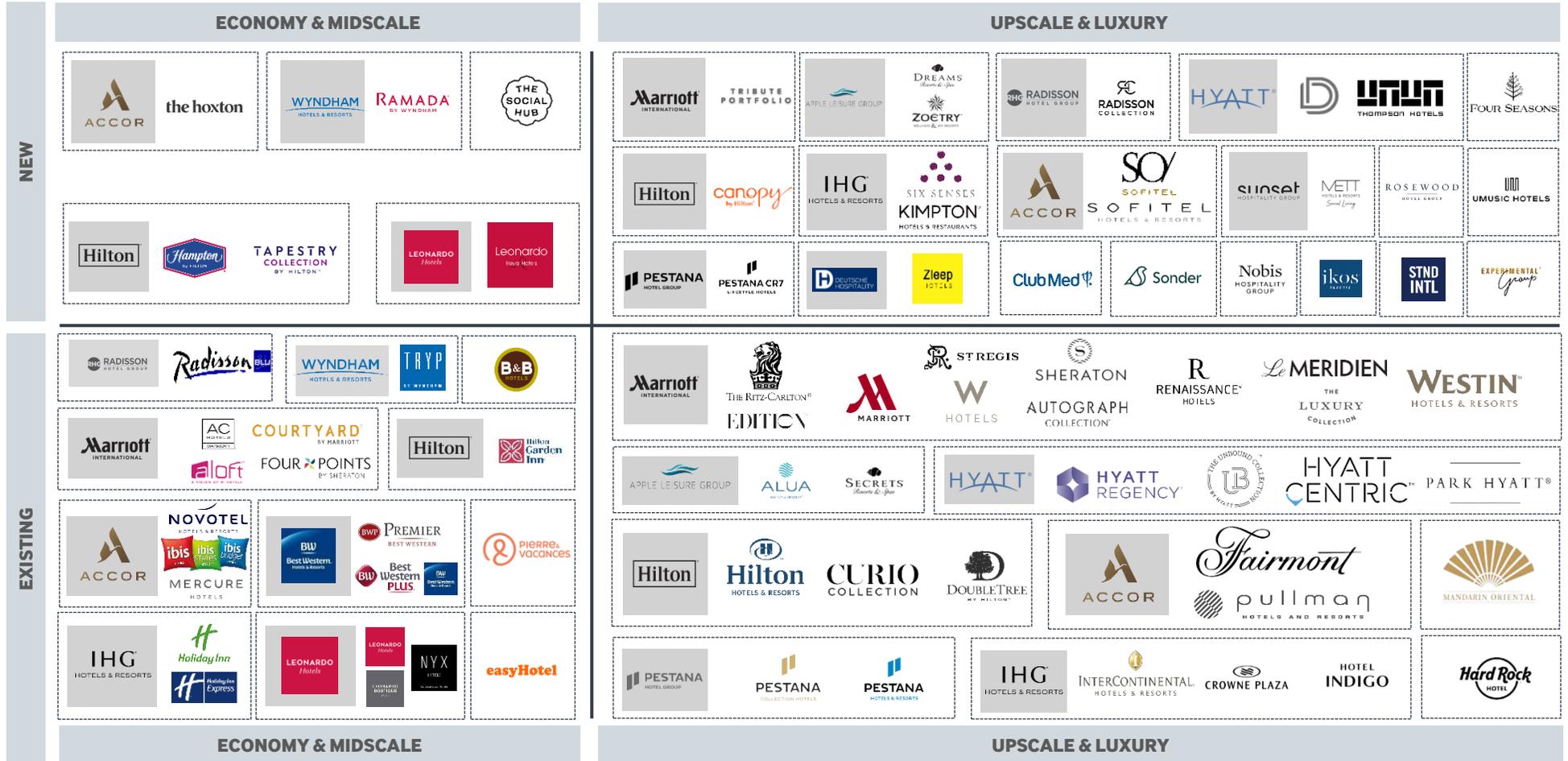
Madrid, Barcelona, and resort destinations lead the market

- **66% of the rooms** incorporated belong to the **resort segment (14,904 rooms)** whilst the **urban segment has integrated 34% of the rooms (7,736 rooms)**
- Despite the great interest in coastal areas, **major international luxury groups** continue to focus on **large cities**, such as Four Seasons and Rosewood in Madrid and Radisson in Sevilla, Barcelona and Bilbao
- **Secondary destinations** are beginning to generate interest for the groups' **budget brands** such as Ibis (Accor) in Lugo and Girona, HIEX (IHG) in Logroño, and B&B in Mataró and Sant Cugat
- During the period analysed, **29 new international brands entered Spain**, of which 23 are in the upscale and luxury segment and six in the midscale and economy segment

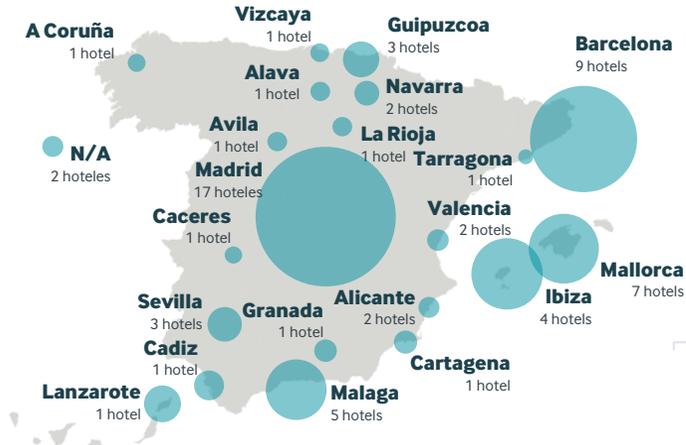


International Brands Landscape

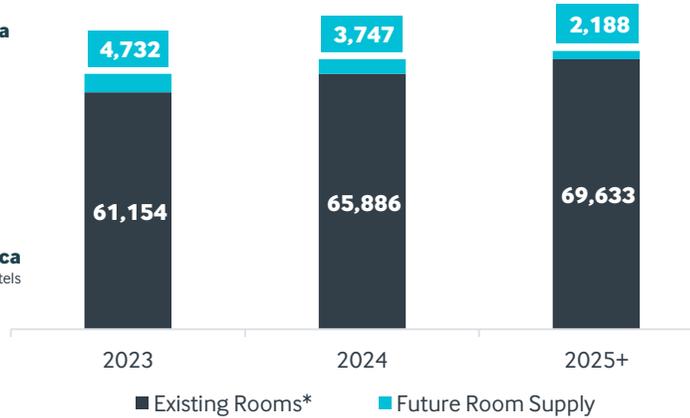
The 122 hotels that have opened in Spain have done so through 79 brands



Pipeline of the International Groups



The size of the bubble is proportional to the **number of rooms**. * Existing rooms refer to international hotel groups that have incorporated hotels by Dec. 2022.



International Hotel Groups Pipeline	Hotels	Rooms	% Rooms	1-star	2-star	3-star	4-star	5-star	N/A
Accor Hotels	15	2,560	24.0%	366	346	260		1,442	146
Marriott International	7	1,867	17.5%			204	608	1,055	
Intercontinental Hotels Group - IHG	10	1,349	12.6%		105	276	821	147	
Leonardo Hotels	4	1,037	9.7%				1,037		
Hilton	7	698	6.5%			72	360	266	
Hyatt Hotels Corporation	2	642	6.0%					642	
B&B Hotels	4	422	4.0%		347		75		
Mandarin Oriental	2	337	3.2%					337	
The Social Hub	1	328	3.1%				328		
Ikos Resorts	1	319	3.0%					319	
Four Seasons Hotels & Resorts	2	230	2.2%					230	
EasyHotel	2	170	1.6%	75	95				
Meininger Hotels	1	163	1.5%		163				
Grupo Sonder	2	138	1.3%	20			118		
Banyan Tree	1	90	0.8%					90	
Evok Hotels	1	87	0.8%					87	
Umusic Hotels	1	78	0.7%					78	
Nobu Hospitality	2	70	0.7%					70	
Nobis Hospitality Group	1	32	0.3%					32	
Virgin Limited Edition	1	26	0.2%					26	
Stein Group	1	24	0.2%					24	
Total	68	10,667		461	1,056	812	3,347	4,845	146

Fly-to-quality without overlooking secondary locations

- Over the next three years, **68 hotels** (10,667 rooms) of the main international groups plan to open in Spain
- Nearly half of the rooms in the pipeline are **5-star hotels**. The entry of international luxury groups will probably generate an increase in both the quality of tourism and the ADR of the locations that will host these hotels
- Madrid, Barcelona, Mallorca, Ibiza, Sevilla, the Costa del Sol and the Basque Country** will be the **prime entry points** for international hotel groups, however, secondary destinations are also invested in quality tourism

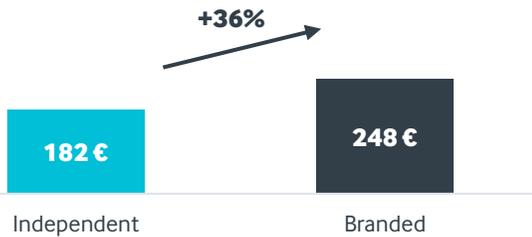
- International groups in resort destinations are projecting **bigger hotels** than in urban areas
- Accor** and other groups expressed their wish to continue to grow in Spain through the entry of new brands such as Hyde, Mondrian, Handwritten or Greet, which will add **+2,500 rooms to their portfolio until 2025**

68 HOTELS **10,667** ROOMS

*** CAUTION:** The information refers to hotels announced until February 28, 2023.

Impact of International Brands

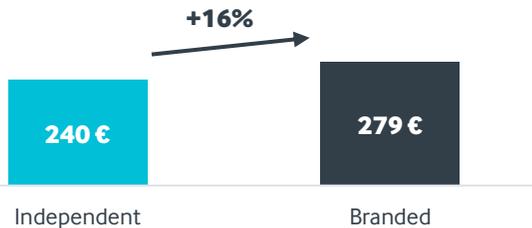
Madrid 4-star average quoted rates



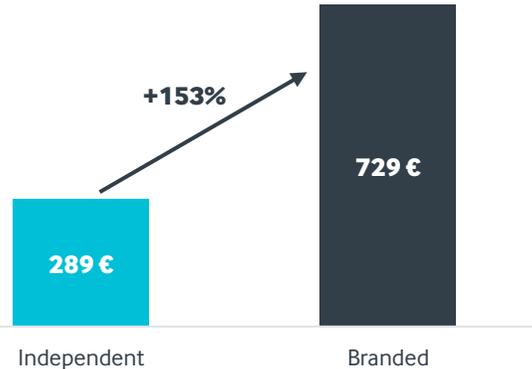
Barcelona 4-star average quoted rates



Palma 4-star average quoted rates



Marbella (Puerto Banus) 5-star average quoted rates



Internationally branded hotels achieve higher rates

An analysis of the rates of four key destinations in Spain was carried out to study the **impact of international brands according to the destination**. Hotels located in **the same location and category** were selected for the analysis

- Typically, brands deliver a **rate premium** compared to independent hotels.
- Especially in **Marbella**, a resort market with a large influx of international luxury tourism, we see much higher rates in internationally branded hotels **(+153%)**
- **Madrid** is another clear example of the impact of international brands on rates **(+36%)**, in addition to being the destination with the most openings by international groups **(+21 hotels)**
- The opening of international brands is generally accompanied by **an investment in CAPEX**, a factor that allows higher rates to be obtained
- In the case of **Madrid and Barcelona**, this difference is amplified in the 5-star category, where major **international brands** have entered, **increasing the average price of the luxury market**

Note: The average rate has been calculated on the basis of a standard double room from November 2022 to November 2023 at the most economic rate. This is a gross public price including breakfast, OTA commission and VAT.

Case study: Hotel Barcelona 1882 → Radisson Blu 1882 Barcelona



Hotel Name	Radisson Blu 1882 Barcelona Sagrada Familia
Category	4-star
No. of Rooms	182 rooms
Location	Còrsega, 482, 08025 Barcelona
Operator	Radisson Hotel Group
Opening Date	2018 → 2022 (re-opening)
Booking.com	8.9*



*Extraction date: December 2022

Case Study: Branded vs Unbranded

Main KPI's	Variation
RevPAR	+13%
GOP (k €)	+891
GOP (Var.%)	+19%
GOP Margin	+2.5 pts

Main Drivers

- **ADR Prioritisation vs. Occupancy**
- **Better distribution: 40% direct channels**
- **More efficient management: implementation of SOPs**
- **Improved contracts with suppliers**
- **Brand effect**

Since Radisson's rebranding, the hotel has increased its GOP by 19%

- In 2019 results of the Barcelona 1882 hotel being an independent hotel and the 2023 budget after Radisson's entry, following a small investment, have been compared
- There is a significant **13% increase in RevPAR** driven by a significant uplift in ADR (+26%) through improved **revenue management**
- The improvement is also driven by a **decrease in departmental costs, due to more efficient management** of the hotel, mainly in the operating departments, and the implementation of SOPs (Standard Operating Procedures)
- **Indirect costs increase** mainly due to higher **utilities costs** caused by the global situation (despite lower occupancy) and higher **marketing costs** related to the brand
- A **significant 19% increase in GOP** was observed after the entry of an international brand such as **Radisson Blu** into an independent hotel

Conclusions

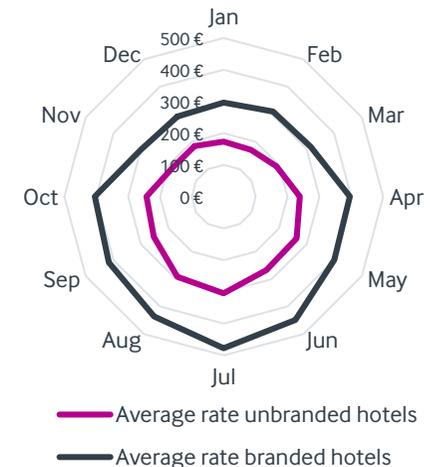


- New Upscale & Luxury
- Existing Upscale & Luxury
- New Midscale & Economy
- Existing Midscale & Economy

122 hotels with 29 new brands opened during the period

- During the period analysed (Nov.19 - Dec.22) **122 hotels of international brands were incorporated in Spain**, with Hyatt Hotels being the most active group (during 2021 the 36 ALG hotels were integrated into the Hyatt group), followed by B&B Hotels, which since its first opening in Spain in 2015 has grown to 41 hotels today
- Of those openings, **11 were from new groups** with no presence pre-November 2019: Four Seasons, Rosewood, Ikos...
- **2/3** of the brands that opened in the period analysed did so under **upscale and luxury brands**. Almost **half of the brands** that have entered this segment have done so **for the first time in Spain**, with Six Senses, Thompson, SO/, Four Seasons and Tribute being particularly noteworthy. In the **economy and midscale segment**, 6 new brands have opened and 21 have continued their expansion in the country
- By 2026 the main international groups are planning to open **68 hotels (approximately 10,667 rooms)** in Spain. from are due to open in Spain with around 45% of the rooms in the 5-star category, proving the confidence that the major chains continue to have in the Spanish luxury segment
- Our review of 4 key destinations in Spain (Madrid, Barcelona, Palma city and Marbella), clearly **highlights the differences in rates that come with an international brand**, even with a greater impact on the markets, **reaching 62% higher rates**
- **With more opportunities across more locations and segments, Spain's leisure prominence and perceived business stability together with the prospect of further internationalisation, hotel owners and investors have shown tremendous interest in Spain whether on the coast, key international hubs or emerging regional cities**

Rate Comparison



Christie & Co Talks



Manuel Climent

Marriott International
Director of Development
Spain & Portugal



Carlos Miró

Hilton
Managing Director Development
Spain & Portugal



John Alarcon

Accor Hotels
Senior Development Director
Spain & Portugal

Christie & Co Talks: Manuel Climent | Marriott International (I)

What have been the challenges and opportunities you have faced at Marriott over the past few years regarding the expansion strategy?

Challenges

- **High competition** from national and international chains when it comes to AAA assets
- **Reduction of the investment time horizon**, which makes it difficult to create medium and long-term relationships
- **Hotel management** in view of the **high mobility restrictions** at the international level
- **Transfer of employees** from the hotel industry to other sectors such as food or logistics

Opportunities

- Numerous opportunities for change of ownership and **sophistication in the sector**
- Increased understanding of **franchise agreements**, which has generated new business opportunities with operators and owners
- **Little presence at the resort level**, which has allowed the company to grow in consolidated international destinations where it did not have such a strong presence

Spain is characterized by a strong presence of national hotel groups and independent hotels, in addition to an increasing influx of white-label operators. How does Marriott differentiate itself from the rest of the competitors to face this market dynamic? In such a context, which model do you think has a better chance: franchise or HMA?

Our franchisees are a **source of opportunity** and we are comfortable working with various players across the economy/midscale, upscale/upper upscale and luxury segments. **In the ultra-luxury segment, Marriott International manages its brands and does not franchise them.** We have a lot of repeat franchisees, so loyalty is not just about hotel guests.

We have **32 successful and well-differentiated/segmented brands** to offer to owners and franchisees, very consolidated at a global level and with excellent results to show. Our distribution channel is the largest in the world in terms of customer loyalty with more than **170 million customers globally** and growing at a rate of **1.5 million per month**.

The preferred model in the Iberian Peninsula and in EMEA, in general, is the franchise model, with more than 80% of contracts signed under this modality.

“

We continue to detect great opportunities in the Iberian Peninsula, both in the leisure and urban segments, preferably in consolidated destinations in demand by international clientele. The degree of satisfaction of owners and franchisees is quite high, with a high percentage of repeat partners.

”



Manuel Climent

Marriott International
Director of Development
Spain & Portugal

Christie & Co Talks: Manuel Climent | Marriott International (II)

Besides international recognition, what value do you think Marriott can bring to hotel owners?

- Improved distribution, increased total hotel revenues, international recognition, delivery, design, operational and construction standards
- **Liquidity** when selling assets is subject to management or franchise contracts
- **Security to operators** in the form of a lease agreement on the cash flows to be generated

What are Marriott's development forecasts for the Spanish hotel market? What is the pipeline of projects and brands in the short to medium term?

We have a **strong brand presence in the Iberian Peninsula** and will be adding **new brands where we can add value**, such as Moxy Barcelona or Residence Inn by Marriott Lisbon. We are also consolidating our core Marriott brand with a project in Spain.

In 2022 we have signed more than 2,000 rooms in the Iberian Peninsula, in different areas and with different brands and partners, so we are optimistic for 2023. **There are several portfolios in the market that we are analysing in detail.**

“

We are attentive to the different hotel portfolios that are currently on the market without losing sight of boutique or family or independently managed hotels that require support from us, generating value through marketing or direct management.

”



Manuel Climent

Marriott International
Director of Development
Spain & Portugal

Christie & Co Talks: Carlos Miró | Hilton (I)

What have been the challenges and opportunities you have faced at Hilton over the past few years regarding the expansion strategy?

*The changing economic landscape of recent years has led to **increased demand across Europe for conversions of independent hotels to more well-known international branded properties**. Owners of these hotels are finding increased opportunities, business stability and global brand recognition by quickly **converting these properties to Hilton brands**, such as **LXR Hotels and Resorts, Tapestry Collection by Hilton and Curio Collection by Hilton**. Spain has a significant number of independent hotels that would benefit from such affiliation with our brands and we continue to see significant growth opportunities for this segment.*

*We are also experiencing **continued demand for our focused service brands, Hilton Garden Inn and Hampton by Hilton**. In addition to being popular and internationally recognized brands among our guests, **our owners tend to appreciate the efficient operating and staffing model**, which has historically generated a significant return on investment.*

*There remains a **clear opportunity for Hilton's luxury and lifestyle brand offerings** in Spain as well. **Luxury hospitality in Spain has evolved rapidly** with the opening of its first hotels in the country by national and international luxury hotel chains. There is a strong desire for this type of product from our **146 million Hilton Honors members**, many of whom want to experience one of our luxury hotels in destinations such as Madrid or the Costa del Sol.*

*Meanwhile, there are **considerable opportunities for Motto by Hilton**, our brand of **lifestyle micro-hotels with an urban twist**. Motto takes the best elements of a lifestyle hotel: **efficient and flexible rooms, activated social spaces, central urban locations, locally inspired design and food and beverage, and a community atmosphere**. **We recently opened Motto by Hilton Rotterdam Blaak**, which offers flexible room configurations, including the ability to book up to nine connecting rooms.*

*In terms of challenges, it is clear **that the industry has faced a number of obstacles in recent years**, including a **global labour shortage**. Hilton has been building an **award-winning work culture** for more than a century, and we are focused on **retaining and recruiting top talent** through a number of initiatives. Our most recent campaign, **"Find Your Thing,"** aims to solidify our employer brand in the talent market as we continue to invest in building an incredible workplace culture. In fact, in 2022, **Hilton has been ranked by Great Place to Work** as the second best workplace globally and among the top 10 best workplaces in 12 EMEA markets, including Spain and Portugal.*

“

Hotel owners are finding increased opportunities, business stability and global brand recognition by converting their properties to Hilton brands. Spain has potential to convert a significant number of independent hotels into Hilton brands.

”



Carlos Miró

Hilton
Director of Development
Spain & Portugal

Christie & Co Talks: Carlos Miró | Hilton (II)

Spain is characterized by a strong presence of national hotel groups and independent hotels, in addition to an increasing influx of white-label operators. How does Hilton differentiate itself from the rest of the competitors to face this market dynamic? In such a context, which model do you think has a better chance: franchise or HMA?

*Hilton works with owners to create sustainable value and we take a long-term view in all our partnerships. We work with a wide range of owners on a **managed or franchised basis**. We have a highly refined and successful franchise model that has been part of Hilton's development strategy for many years, but at the same time, we remain a **highly sought-after management company**, given our global scale and depth of experience.*

*We focus on finding the most appropriate **contract type that delivers the best return for owners while meeting the needs of travellers**.*

Besides international recognition, what value do you think Hilton can bring to hotel owners?

*For independent hotel owners, partnering with a strong international brand and global network, in addition to international recognition, has clear advantages. With Hilton's diverse portfolio of brands, **owners can find the solution that best suits their development opportunities and goals**. With more than 146 million Hilton Honors members worldwide, owners are immediately **connected to a truly global market with enormous potential**. Owners in our network also benefit from Hilton's commercial services, from corporate group sales to global marketing campaigns and other specialized services. Hilton's scale allows it to **negotiate booking agreements** that may be inaccessible to independent hotels. In addition, our Hilton Supply Management team leverages our size and networks **to drive economies of scale, forging alliances with best-in-class suppliers and negotiating industry-leading pricing on service contracts, products and supply chain solutions**.*

*Finally, owners benefit from **IT solutions that help streamline hotel operations**. Our single, fully integrated technology platform offers a wide range of services, and our system provides real-time visibility into financial data, streamlines front desk processes, and manages billing and payments. This level of investment is made possible by our **global scale and forward-thinking innovation**.*

“

Thanks to our size, we can leverage economies of scale, forging alliances with the best suppliers and negotiating industry-leading prices.

”



Carlos Miró

Hilton
Director of Development
Spain & Portugal

Christie & Co Talks: Carlos Miró | Hilton (III)

What are Hilton’s development forecasts for the Spanish hotel market? What is the pipeline of projects and brands in the short to medium term?

Hilton has more than **25 hotels open or under development** across Spain under **nine distinct brands**, including Hilton Barcelona Diagonal Mar, Hilton Garden Inn Sevilla, Canopy Madrid Castellana, Atocha Hotel Madrid, Tapestry Collection by Hilton, the recently opened Hampton by Hilton hotels in both Barcelona and Madrid and the recently opened Hilton Mallorca Galatzo. Our success in Spain is based on the strength of our **diverse range of brands** and there are many opportunities for further expansion in Spain.

Our strong pipeline is a testament to this. **In early 2023, we will open two hotels under the Curio and Tapestry Collection brands.** Both brands are experiencing strong momentum in the region, and we are likely to see more in the coming years. The hotels under these collections maintain their **unique identities while allowing owners to have visibility** to our 146 million Hilton Honors members and benefit from Hilton's business support services. **This is incredibly attractive and provides market advantages for owners.**

In the medium to long term, we are also likely to see other brands coming to market in strategic locations such as the **Costa del Sol and the north coast.**

“

Hilton has more than 25 hotels open or under development throughout Spain under nine different brands.

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Carlos Miró

Hilton
Director of Development
Spain & Portugal

Christie & Co Talks: John Alarcon | Accor Hotels (I)

What have been the challenges and opportunities you have faced at Accor over the past few years regarding the expansion strategy?

Challenges

- *The limited existence of new projects to be developed in 'green field'*
- **The strong competition from mainly national operators that use the rental contract as a growth strategy.** However, we can enter this model with **white-label operators**, with whom we are actively working in the search for new opportunities, but they are not as aggressive in rentals
- **Competition from international operators** investing heavily in guarantees and key money
- **Search for investment opportunities at reasonable prices**, which we are studying with Accor's external investors

Opportunities

- **Entrance into the luxury segment:** So Sotogrande, Fairmont La Alcaidesa, SLS Barcelona, Sofitel Barcelona Skipper, etc.
- We have very strong brands in the **Ultra-luxury segment** where we are actively seeking to position ourselves
- To be a company with a **wide range of brands**, from the economy segment in which we are national leaders, through midscale and premium to luxury and premium lifestyle with Ennismore
- **Wide range of 'soft brands'** both at economy level with Greet, where sustainability and second use makes a soft brand for this segment, and the recently announced HandWritten brand for upper-midscale or lower-upscale hotels, the consolidated Mgallery brand for upscale and upper-scale hotels and the Emblems brand for luxury hotels. All these brands are clearly focused on hotels with their **own personality and style where the main contribution comes from the Accor label and affiliation**
- **Entry into the vacation segment.** In 2022 with the Mercure Benidorm and So Sotogrande or the future Fairmont La Alcaidesa. **Potential development with urban prestige brands** such as Novotel, Sofitel or Pullman, without a resort presence in Spain and Portugal
- **Professionalization of the sector** with the entry of professionalized international investors (institutional, etc.) who understand the contribution of large international hotel groups to management and franchising
- Growing presence of **private label operators** seeking international brands under franchise
- Numerous opportunities for **change of ownership and sophistication** in the sector
- **Increased understanding of franchise agreements**, which has generated new business opportunities with operators and owners
- Little presence at the resort level, which has allowed the company to **grow in consolidated international destinations** where it did not have such a strong presence

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Being a company with a wide range of brands, from the economy segment in which we are national leaders, through midscale and premium, to luxury and lifestyle, where we are booming with new projects.

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John Alarcon

Accor Hotels
Director of Development
Spain & Portugal

Christie & Co Talks: John Alarcon | Accor Hotels (II)

Spain is characterized by a strong presence of national hotel groups and independent hotels, in addition to an increasing influx of white-label operators. How does Accor differentiate itself from the rest of the competitors to face this market dynamic? In such a context, which model do you think has a better chance: franchise or HMA?

*From the point of view of our competitors, our main difference is that we are a **group of European origin**, and that makes us special in two aspects. On a commercial level, **our approach is very international but with strong local roots in the European market**, and on a relationship level with the owners because being European, we are **more flexible** than our American competitors.*

*Our vision is that **the franchise model has more scope**, although it all depends on the profile of the owner. The owners of independent hotels or national chains are beginning to understand the **importance of the distribution and commercial benefits that large hotel groups can provide**. This commercial strength, efficiently used in the context of good operational management by national/independent owners who manage costs very well, **is a 'win-win' for independent hoteliers and for us within the franchise growth model**.*

*The HMA, however, **will continue to be fundamental in the luxury and lifestyle segments**, as the complexity of their operations and the need to maintain very high service standards continue to advise us to manage the assets directly.*

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Owners of independent hotels or national chains are beginning to understand the importance of the distribution and commercial benefits that large hotel groups can bring.

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John Alarcon

Accor Hotels
Director of Development
Spain & Portugal

Christie & Co Talks: John Alarcon | Accor Hotels (III)

Besides international recognition, what value do you think Accor can bring to hotel owners?

- **Distribution.** Reaching customers who are not affiliated with these distribution locomotives is too expensive and unprofitable.
- **Lower commissions with the large OTAs** than with independent hotels
- Access to **Accor's ALL loyalty program with 78m Loyalty Members**
- Global visibility
- **High brand awareness** in nearby European outbound destinations, and **excellent awareness in the French market**, which is essential for Spain and accessible by car and train (fewer carbon emissions in the future)
- Operational, marketing, brand, and supplier support
- **Access to the latest technology.** Cost prevents individual owners from keeping abreast of continuous technological advances at all levels, from distribution to power generation or food processing
- Wide range of optional services such as **Revenue Management, Distribution Advisor, Food & Beverage, etc.**
- **Variety and wide range of brands.** 43 in the case of Accor covering all segments from Economy to Ultra-Luxury.
- Openness and understanding of new business models such as **Branded Residence, and co-living**, as well as extensive expertise. Accor is a pioneer in the development of new brands and business models.
- **Great support in everything related to ESG**, one of the most developed areas in Accor with great experience, credibility and reputation.

What are Accor's development forecasts for the Spanish hotel market? What is the pipeline of projects and brands in the short to medium term?

Accor's development plan is based on two fundamental pillars:

- 1) **Consolidation and growth of our brand portfolio** in the economy, midscale, upscale and upper-upscale segments, also in the vacation segment where we have room for potential growth.
- 2) **Growth in the Luxury and Ultra-Luxury segment** where we have top-tier brands such as Sofitel, Emblems, Fairmont, Raffles and Orient Express, and in the Lifestyle segment where we have Ennismore's 14 brands.

In the short-term pipeline in Spain, we would like to mention as relevant projects the launch of new brands such as **Hyde, Mondrian, Handwritten and Greet**.

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In the short-term pipeline in Spain, the launch of new brands such as Hyde, Mondrian, Handwritten and Greet are relevant projects.

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John Alarcon

Accor Hotels
Director of Development
Spain & Portugal

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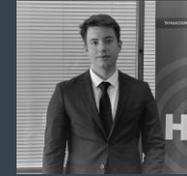
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