

Memorandum

Bookrunners

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Additional Information:

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Executive Summary

Introduction

WALK HOSPITALITY is a hotel operator, developing and managing international, reputable brands under franchise agreements. The company was founded by 5 highly experienced, complimentary partners, whose respective expertise cover the full spectrum of hospitality development and management.

The company specialises in 3 and 4 stars hotels and focuses on French and European opportunities.

WALK HOSPITALITY (<http://walk-hospitality.com/>) has already entered into two agreements by signing two renewable 12-year BEFA (commercial leases in the state of future completion):



With **Crédit Agricole Assurances**, for a **140-room, 4-star** hotel located in Toulouse-Blagnac under the brand **Residence Inn by Marriott** – Opening in September 2018



With private property owner and developer **FINAPAR**, for a **127-room, 3-star** hotel located in Lille under the brand **Moxy by Marriott** – Opening in Q4 2019

Industry overview - Worldwide

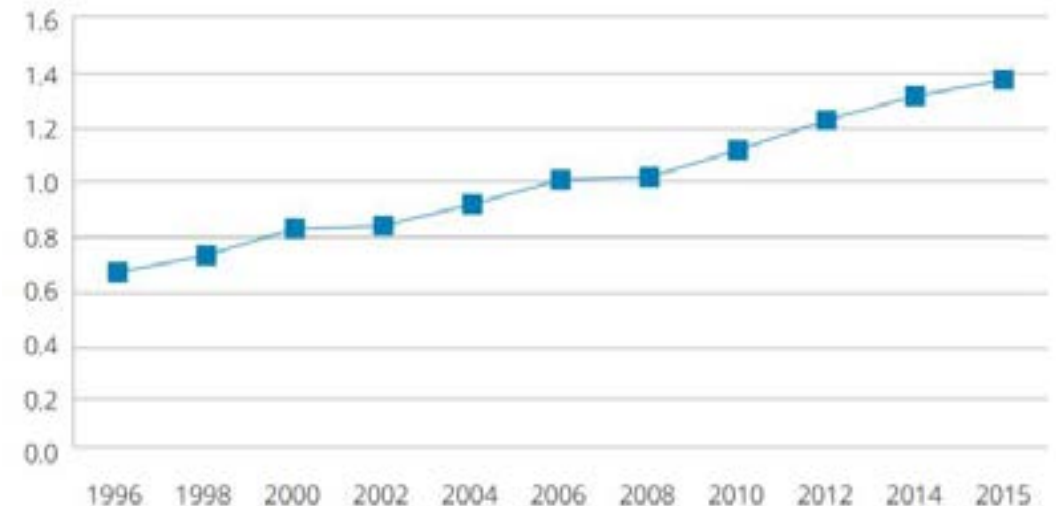
Global travel industry gross bookings reached \$1.6 trillion in 2017, making it one of the **largest and fastest growing sectors** in the world. Factoring in indirect economic contributions, travel and tourism now accounts for a staggering 10.2 percent of global GDP.

A strengthening global economy lies at the heart of industry growth. Each year, the global traveler pool is flooded with millions of new consumers from both emerging and developed markets, many with rising disposable incomes and a newfound ability to experience the world. **A sleeping giant has truly awakened** – the impact of which cannot be underestimated.

Over the past two decades, the number of international travel departures across the globe has more than doubled from roughly 600 million to 1.3 billion (see figure 1 below).

Many travelers from **emerging countries are leaving domestic borders for the very first time, injecting billions** of dollars of new growth into the travel economy and helping the industry outpace global GDP. Growth appears poised to continue, lifting the industry to new heights in 2018 and beyond.

Figure 1: Global international departures (1996-2015)



Source: World Bank

Industry overview – Europe (activities)

2016 was a mixed year for hotels in Europe as safety and security concerns impacted some destinations. In the end, **tourism proved resilient**: 12 million more tourists visited Europe than in the record breaking 2015 and more than 2.8 billion nights were spent in tourist accommodation in the EU alone.

Some Mediterranean destinations flourished: Spain recorded 75.3 million visitors and Barcelona's hotels saw 11% RevPAR growth; Portugal enjoyed bumper numbers and Porto hoteliers saw a mammoth 17 percent RevPAR increase; Dublin hotels also saw another great year with 16 percent RevPAR growth. At the other end of the spectrum, Paris, Brussels and Istanbul's tourism industries were badly hurt by the lingering effects of past terrorism attacks.

In 2017, stronger growth within the peripheral Eurozone economies –circa 1.5 percent– did fuel demand for holidays.

Growth in the US is also projected to pick up steam this year, and combined with a rising dollar may mean an increased numbers of US tourists flocking to Europe. Travel demand from further afield should also support hotels.

Despite unprecedented levels of geo-political uncertainty, tourism has therefore proved resilient. Cities such as Porto, Dublin and Budapest stood out in terms of revenue growth; Madrid, Lisbon, Prague and Barcelona enjoyed also a good growth.

Paris and London are projected returned to growth. Many destinations have invested in improving and promoting the quality of their tourism offering and are reaping the benefits. Paris, that will hold the Summer Olympic Games in 2024, can start planning ahead and improving its game.

Industry overview – Europe (investments)

European hotel transaction volume reached €21.7 billion in 2017, an increase of 22 percent over 2016 and the second-largest figure ever recorded, according to the most recent European Hotel Transactions report from HVS.

Single-asset transactions in Europe were up 16 percent year-on-year to a volume of €12.4 billion, continuing an upward trend and accounting for 57 percent of transaction volume, with some 323 hotels (59,500 rooms) sold in 2017 for more than €7.5 million.

Portfolio volume grew 29 percent in activity to €9.3 billion, with Spain accounting for the majority of interest at 36 percent, with nearly 300k rooms sold in the country in 2017 across 14 portfolios. This reflects the growing investor interest for Southern Europe.

"A year of strong RevPAR growth across most of Europe was reflected in transaction levels, particularly in London, Amsterdam, Barcelona and Madrid. Other secondary markets such as capital cities in the CEE and Southern European resorts also enjoyed increased investor interest as hotel performance saw big improvements."

Peter Szabo, associate at HVS Hodges Ward Elliott

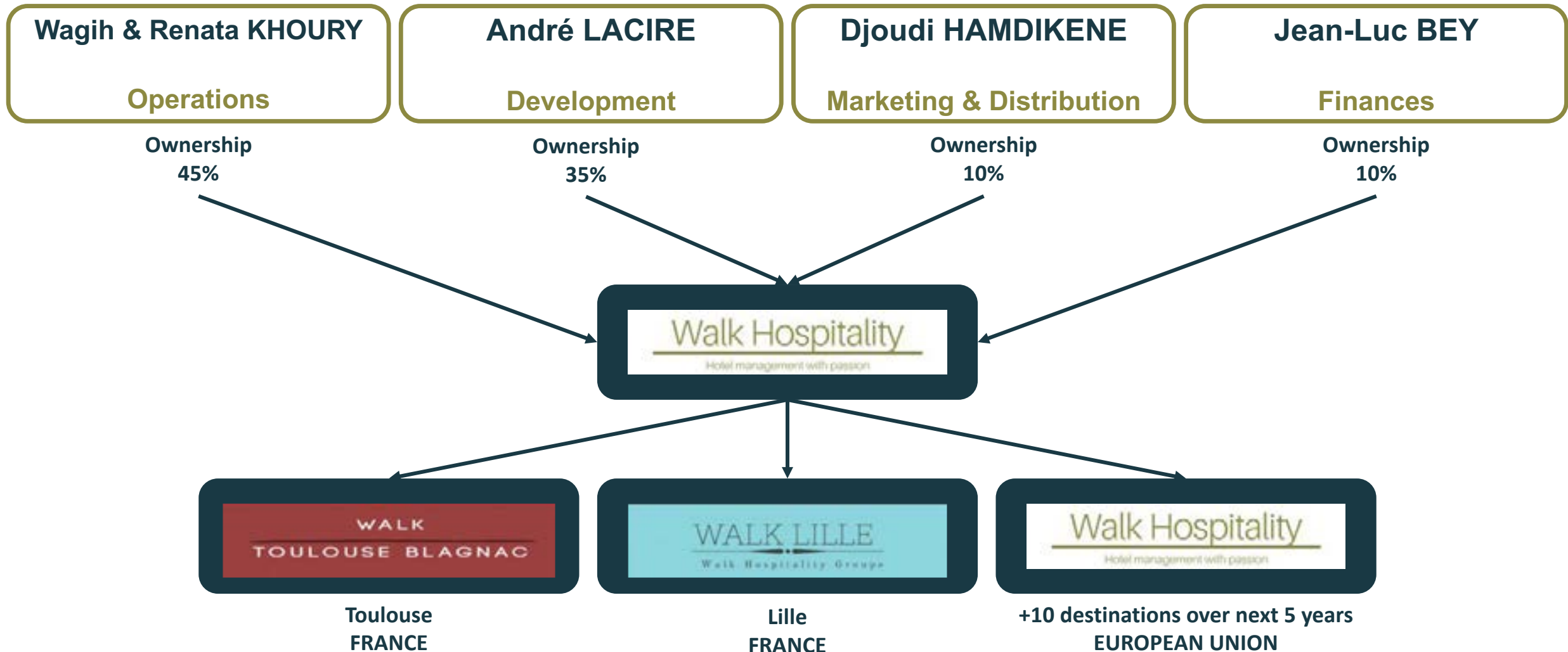
The UK regained its leading role in transaction activity, with sales volumes accounting for 25 percent of the region's total and reaching a value of €5.4 billion, up from €3.6 billion in 2016. Spain had a record year for hotel transactions, accounting for 23 percent of total activity and doubling 2016 results with sales at €5 billion. Transactions in Germany declined in 2017 after a record year in 2016, with portfolio sales down 38 percent to a value of €1.5 billion. However, single-asset sales grew, with Munich and Berlin proving particularly popular with investors.

London was once again the leading European hotel transaction market, with a total volume of around €2.5 billion, ahead of Amsterdam at €1.3 billion. Paris, however, fell to third place in the table, with €777 million-worth of transactions. Madrid and Barcelona recorded a combined transaction volume of €1.1 billion.

"Stability in both exchange rates and interest rates and the availability of hotel stock has helped Europe become popular among hotel investors, particularly private equity investors from North America. As we move into 2018, key factors that will influence the transaction market will be interest rates and staffing pressures. As stock becomes scarce in primary markets developers and investors will be increasingly looking at secondary markets such as Southern Europe or the CEE."

Magalí Castells, HVS associate

Company organizational structure



Wagih KHOURY

Specialised in designing, launching and managing hotels. Currently manages a team of 65 people.



Selected achievements

- Founding Partner of AHE – Hotel *Relays du Château* (Mercure) in Rambouillet (France)
- Founding Partner of AME – Hotel *AC by Marriott Stade Vélodrome* in Marseille (France)
- Managing Director of the *Danube Hotel* in Bratislava (Slovakia) – 300 rooms
- Managing Director of the *Hotel Villa Butterfly* in Marienbad (Czech Republic) – 96 rooms
- Managing Director of the *Hotel Sofitel Palm Beach* in Beirut, (Lebanon) – 94 rooms

André LACIRE

Hotel developer for more than 20 years on behalf of international groups and investors. Has established over the year an excellent relationship with the Marriott group.



Selected achievements

- AC Hotel by Marriott – Marseille Stade Vélodrome 4*
- Courtyard and Residence Inn by Marriott – Paris CDG airport
- Holiday Inn Express 3* - Montpellier Odysseum
- Courtyard Marriott 4* - Montpellier
- Hotel Mercure 4* - Clermont-Ferrand
- Crowne Plaza 4* - Montpellier
- NH Hotels 4* - Lyon
- Radisson Blu 4* - Paris

Founding partners

Djoudi HAMDIKENE

Consultant in Revenue Management and Distribution.



Selected achievements

- 10 years at various positions in the hospitality sector
- PACA region Revenue Manager with Accor Group
- Founder of his own consultancy firm, advising circa 50 hotels in any category, independent or chains, in France and Spain.

Renata KHOURY

Graduated in applied mathematics, founder of KH Management.



Selected achievements

- Worked for several years with Meydan Hotels group in management control and analytics
- Became Board Member to harmonise and standardise control across the group
- Founder of KH Management, a firm offering management control solutions to AHE and AME groups.

Jean-Luc BEY

CPA and Auditor.



Selected achievements

- 20 years of experience as a CPA
- Manages a team of 15 people

Key Investment Highlights



Funding requirement

- €2 000 000
- Corporate bonds



Bond structure

- **Type:** Bullet loan (*obligations in fine*)
- **Maturity:** 5 years
- **Coupon:** 8%
- **Interests payment:** Annual, on Dec. 31st
- **Nominal value:** €100k
- **Ranking:** Unsecured – Not subordinated



Funds allocation

- €1M allocated to operations in Toulouse
- €1M allocated to operations in Lille
- NO ALLOCATION to the holding CAPEX nor OPEX



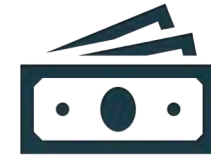
Rationale

- Hotels are valued between 80% and 300% of their annual turnover
- Key elements of valuation are location, attractiveness, ratings and financial performances



Anticipated value

- Applying a **prudential multiple** of 190%, the Toulouse 5-y expected value is of **~€9M**
- Applying a **prudential multiple** of 190%, the Lille 5-y expected value is of **~€7M**



Liquidity

- The sale of either hotel at a prudential valuation will **cover multiple times the bond repayment**

Transaction considerations

WALK HOSPITALITY was created and is managed by a **highly experienced team, supported by the largest hospitality group in the world**, Marriott. The first two establishments have been identified and contracts are in place. The Toulouse and Lille hotels are "operations only", with no property needing to be acquired. This will enable the company to move swiftly on simplified transactions and focus on operations.

The company will allocate €1 million per subsidiary (OpCo) to finance operations (in French, to finance the "*Fonds de commerce*", which is French notion encompassing the clientele and any tangible and intangible assets necessary to serve such clientele, excluding immovable property).

The transaction presented here derives its value from the two underlying investments. It does so at a **reduced risk** relative to equity, given the legal nature of debt, and with a **diversification** component offered by the two **uncorrelated** hotels, operated under different brands, addressing a different customer base and located in different cities.





Team

- The team is composed of 5 **highly experienced, complimentary** hospitality professionals



Business model

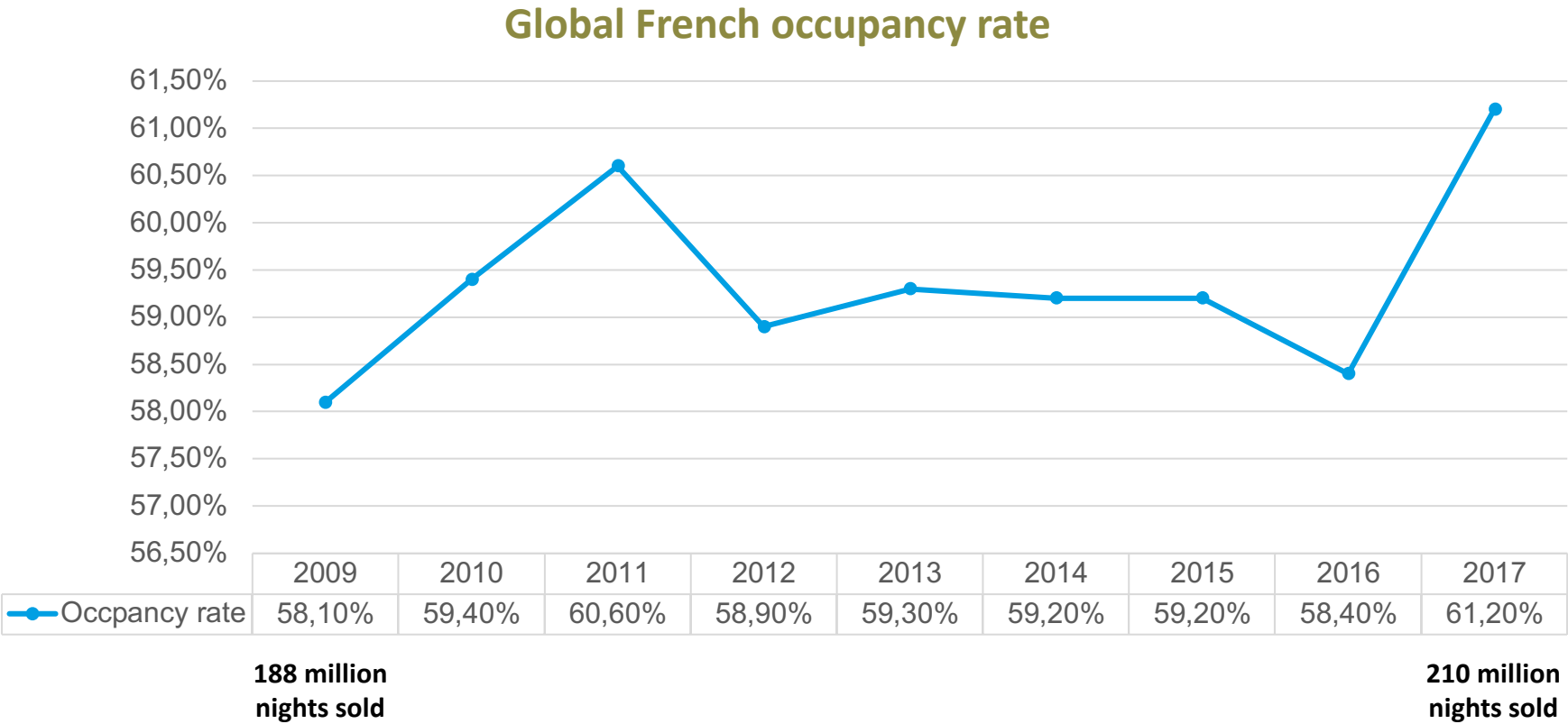
- **Flexible:** WALK HOSPITALITY can either solely operate hotels or also purchase and own the underlying properties, on a case by case basis, depending on **opportunities** encountered
- **Strong branding:** WALK HOSPITALITY enjoys excellent relationships with the Marriott group and can therefore operate franchises with solid and reputable brands. Furthermore, the company is free to operate franchises with other groups, always in pursuit of the best brands for their customers

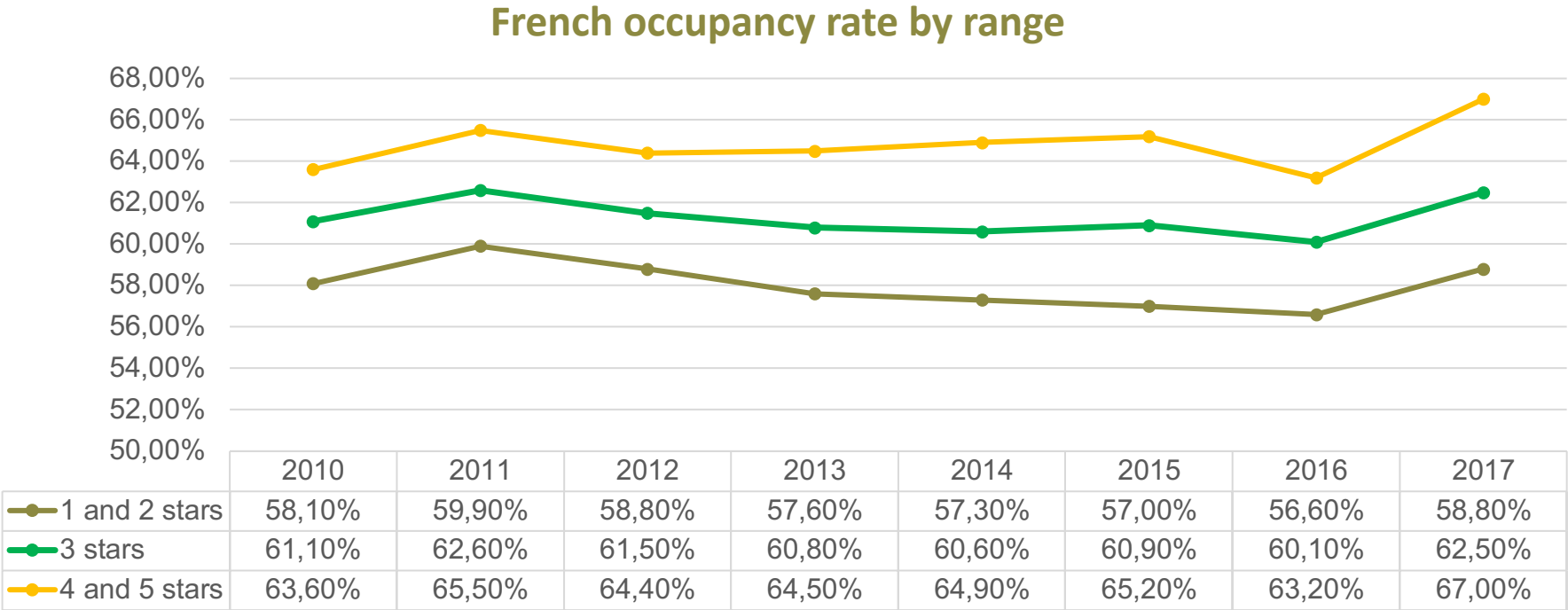


Market

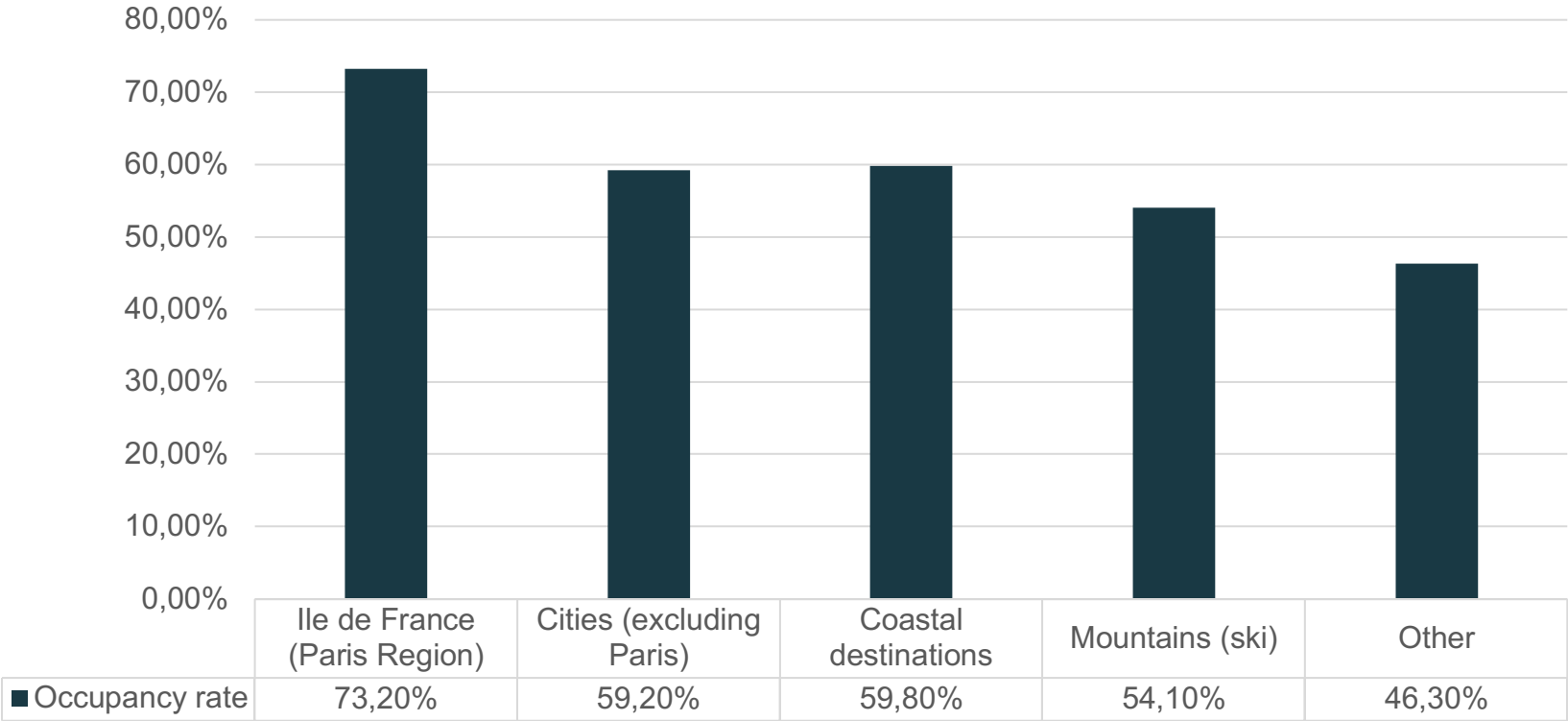
- **Growth is back in Europe**
- **Intra-European travels are rising**, both for personal and professional tourism
- Growth in foreign and emerging economies creates **growing middle classes eager to travel to Europe**

Industry Overview

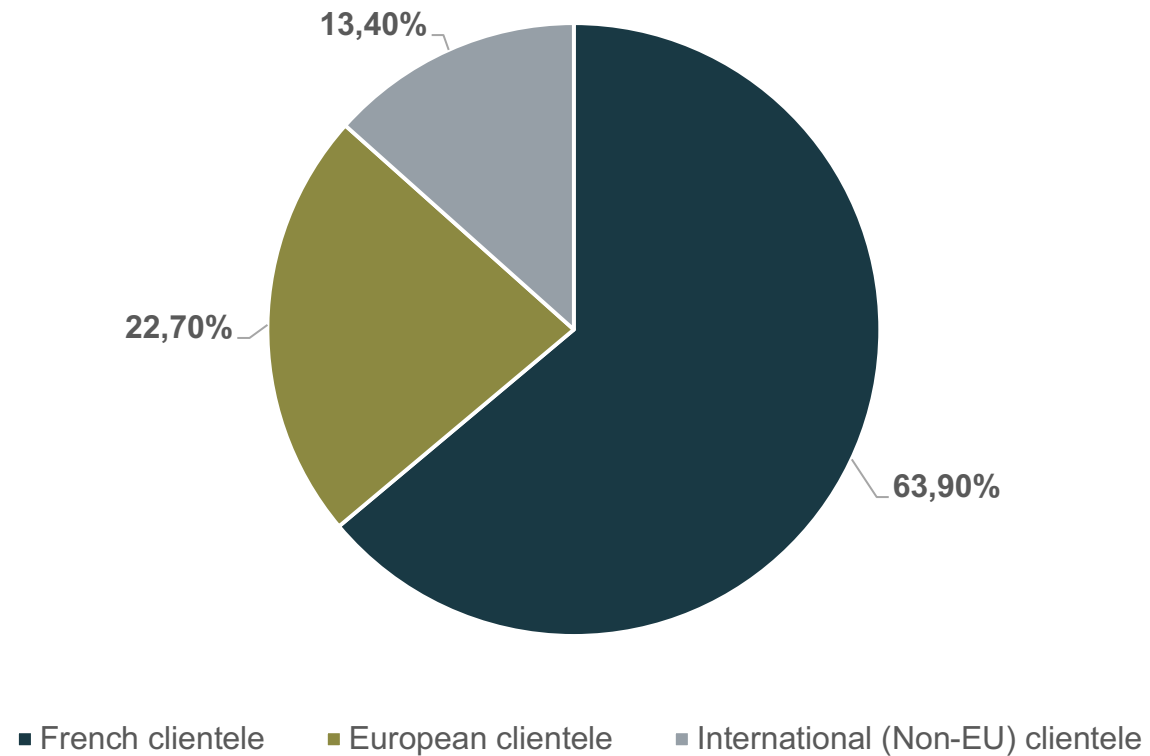




Occupancy rate by destination in 2017



French occupancy by clientele citizenship



French occupancy by citizenship

Customers arriving from	Number of visitors	Evolution 2017/2014
UK	10 808 000	-7.6%
USA	8 657 000	+11.9%
Germany	6 680 000	+4%
Belgium	5 645 000	+3.7%
Spain	5 043 000	+13.9%
Italy	4 467 000	-17.3%
China	3 386 000	+39.6%
Switzerland	3 333 000	+7.6%
Netherlands	3 314 000	+5.2%
Russia	1 415 000	-30.5%
Japan	1 344 000	-41.8%



Chains

- Mainly located in Paris, Paris region and major cities
- Represent 20% of total hotels in France
- 82 rooms per establishment on average
- 67.5 million rooms rented in 2017



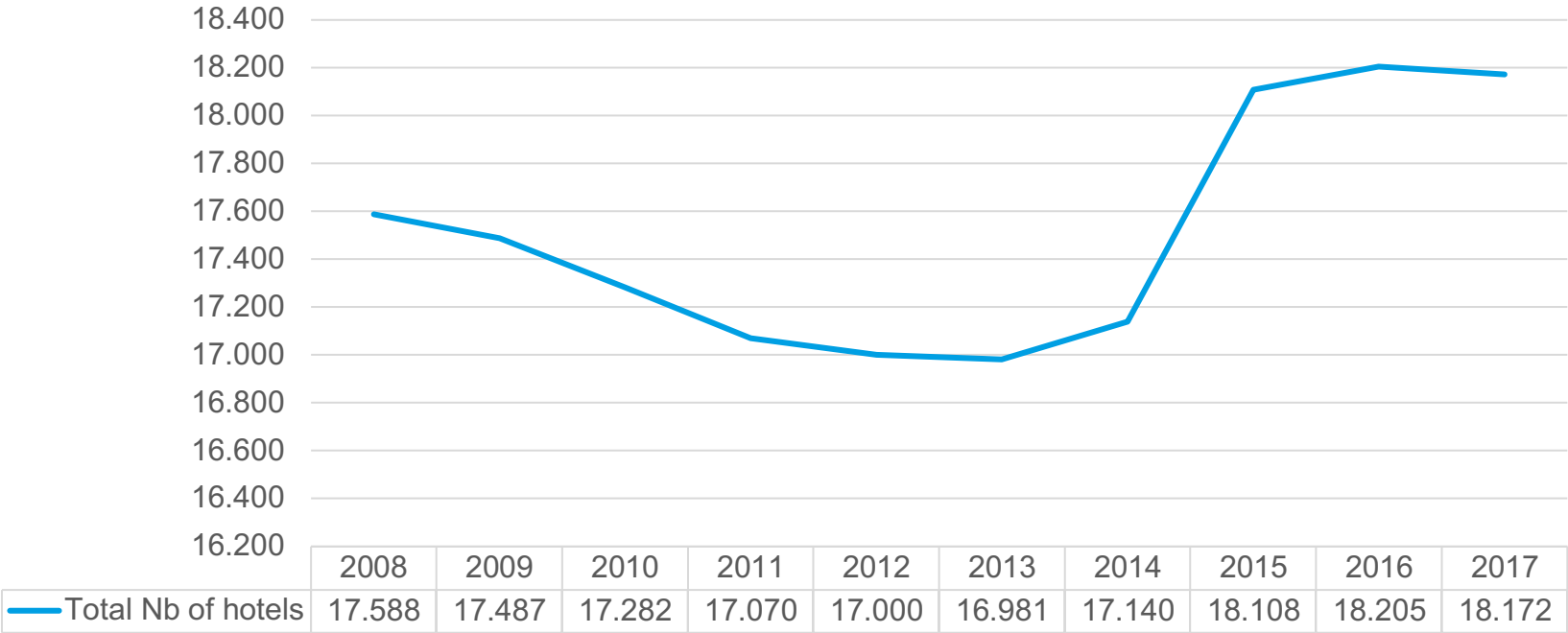
Independents

- Mainly located in smaller cities
- Represent 80% of total hotels in France
- 26 rooms per establishment on average
- 64.1 million rooms rented in 2017

French hotel accommodation landscape

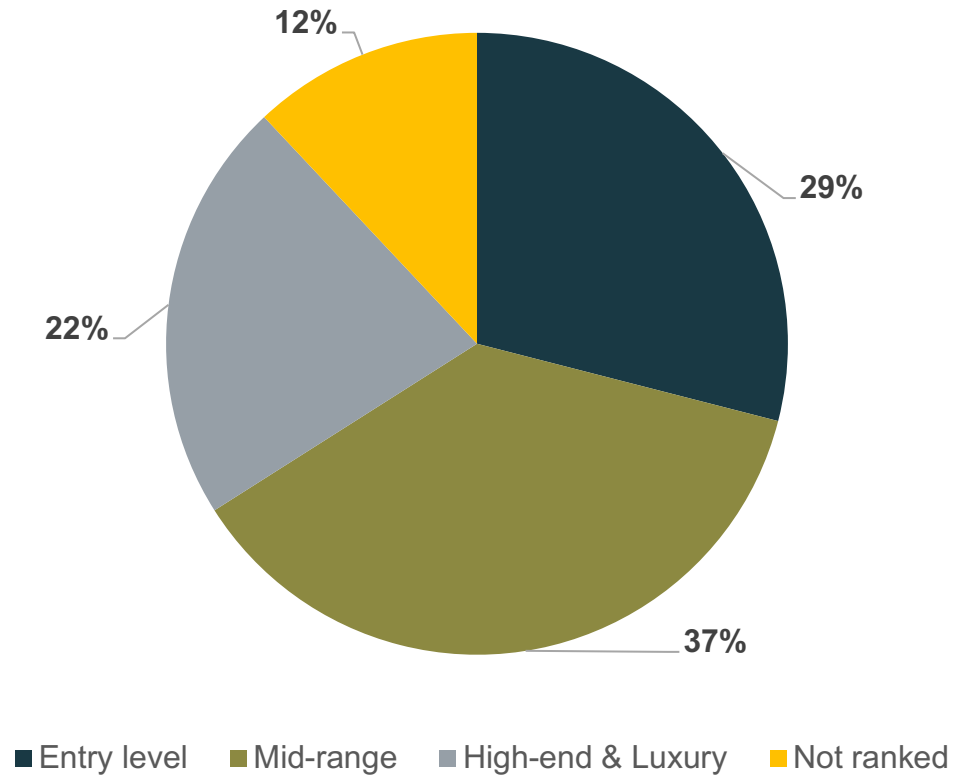
Hotel classification	2013	2017	Evolution	Average capacity in 2017 (in rooms)
Not ranked	6 098	4 321	-30%	18
*	538	672	+24%	50
**	4 017	5 124	+27%	30
***	4 822	5 973	+23%	40
****	1 280	1 761	+37%	70
*****	226	321	+42%	67
Total hotels	16 981	18 172	+7%	37
Total rooms	619 322	648 871	+4%	-

Total evolution of French hotels (in hotel quantity)



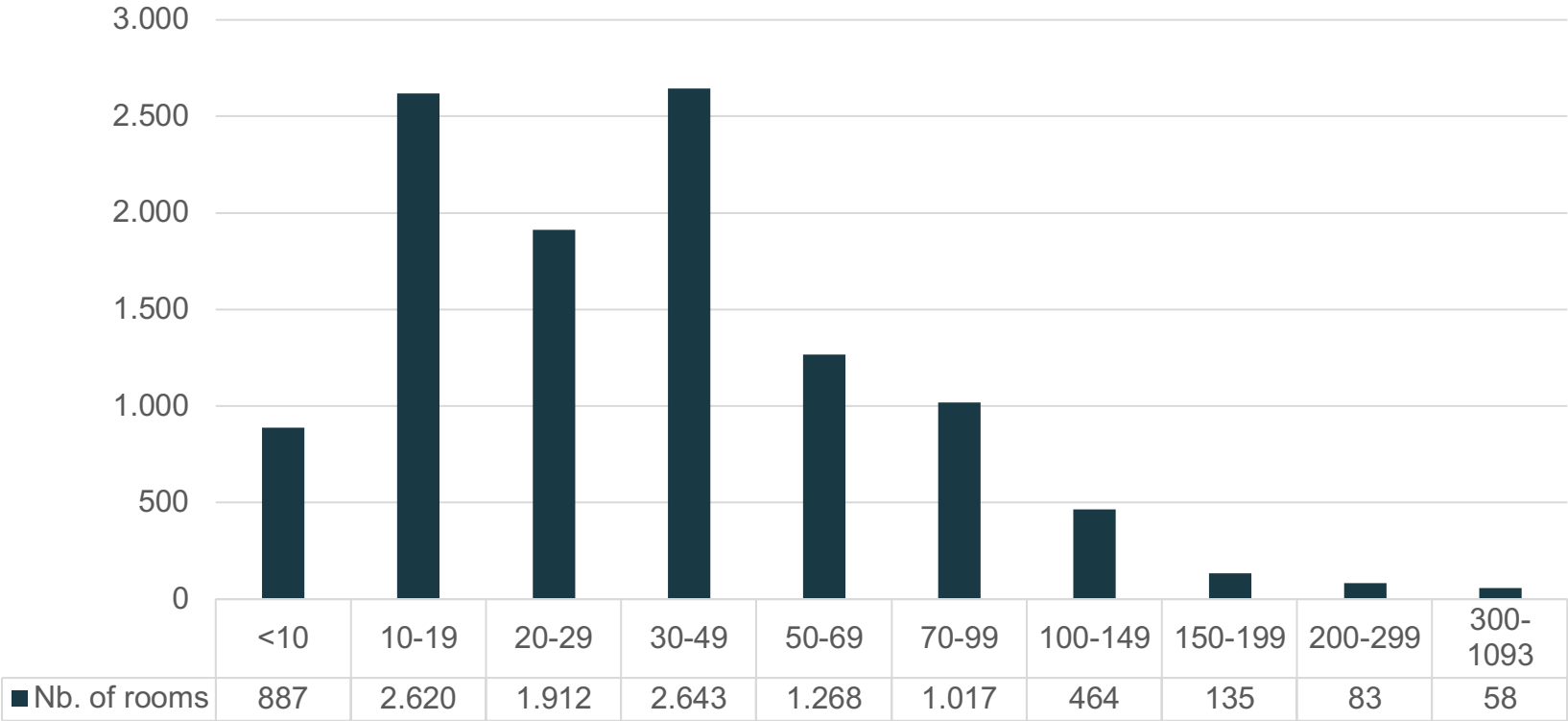
Range distribution per volumes in 2017

Range distribution per volume of rooms in 2017



Distribution of French hotels by rooms

Distribution of French hotels by their available rooms



In 2016, the French hotel industry lost €900 million to the consequences of the Paris and Nice terrorist attacks. In 2017, hotels occupation grew a solid six percent, but RevPAR didn't go up at the same rate, partly because of the pricing war being waged by the main European destinations. The most impacted segments were the entry-level's, whose main attractivity factor is super-low prices, and the luxury segment, which depends heavily on foreign customers.

Therefore, the segment that did show the **most resilience** in 2016, with a decrease of only one percent, was the **three-star hotel midrange market**.

In its 2017 hospitality market study, Deloitte pointed out the main trends hotel would have to follow to comply with new trends and expectations from the market.

- > The first focus is on **Human Capital**. Indeed, the digitalisation of the hospitality sector did offer tourists access to a variety of accommodation solutions: entire apartments with no personnel, individual rooms within a larger property with shared commons, B&Bs, etc. Therefore, traditional hotels must justify their staff by using such staff as a value creating factor to the customers.
- > Second, focus should be on the creation of new concepts, **creating identifiable experiences**. Hotels shouldn't try and please everyone but concentrate on clearly identified market segments and enrich their concept to create **hotels with a signature**.
- > Third, efforts must be dedicated to **F&B**. Indeed, new trends in restauration must be captured by hotels to provide their customers with services up to date with their expectations. Let us remember that hotels are now booked online where ratings have become the main deciding factor. Offering excellent food services plays a major part in overall notes and comments.

Company Overview



Team

- The team is composed of 5 **highly experienced, complimentary** hospitality professionals



Growth

- WALK HOSPITALITY has signed a **privileged strategic agreement** with Marriott to develop **10 new hotels over the next 5 years** in France and other UE states.



Partnership

- WALK HOSPITALITY is one of only two companies in Europe to have earned a **privileged agreement** whereas **Marriott guaranties rental payments for 5 years** to WALK's financial partners



HR Management

- **HR based management:** reinforcing team spirit and employee fidelity by implementing virtuous methods aimed at creating an outstanding working atmosphere



Excellence in Quality

- **Relentlessly improving quality** so that every establishment is renowned for its quality of service, manifested by excellent customer satisfaction



Eco-responsibility

- Respecting environmental dispositions and implementing **good-practices at every level**



Local insertion

- Developing in-depth local contacts and participate to the local reputation and vibrancy

Brands



Marriott is the world leading hospitality group, with a rich portfolio of brands encompassing various hotel lines and concepts.

The excellent relationship between WALK HOSPITALITY and Marriott will enable WALK to answer any opportunity encountered with the appropriate answer by picking the fitting brand.

As previously mentioned, WALK HOSPITALITY has agreed to open 10 establishment over the next 5 years. The company has already entered into two agreements by signing two renewable 12-year BEFA (commercial leases in the state of future completion). This Memorandum will therefore focus on such operations.



With **Crédit Agricole Assurances**, for a **140-room, 4-star** hotel located in Toulouse-Blagnac under the brand **Residence Inn by Marriott** – Opening in September 2018



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Toulouse project overview



Residence Inn, Marriott

This brand was developed to serve the market of extended stays, with spacious rooms equipped with a kitchenette, targeting travelling business people. **This Residence Inn will be the first to open in France.**

Toulouse, Blagnac

The city of Blagnac, just outside of Toulouse, enjoys a great dynamism created by the Airbus group and the myriad of other companies in the Aerospace sector. This city employs 33k people while counting only 23k residents. The Aerospace sector being dynamic, it attracts every year hundred of thousands of visiting international professionals.

Andromeda site

The Andromeda site is the first eco-borough in the Toulouse area. 200 000m² of office space are expected, thus reinforcing the area's business attractiveness.



Business travel

- Designed to serve the market of business travellers
- Rooms are designed to accommodate medium to long term stays
- Rooms are spacious, customizable and feature a kitchenette



F&B

- A Residence Inn offers various facilities, such as bars, breakfast services and boutiques



Fitness & Social

- Public areas comprise fitness room, conference rooms, and salons
- This dynamic services bring life to the hotel and are very appreciated by travellers

Residence Inn concept



Lille project

Moxy Hotels

This 3-star brand was developed as a fresh and innovative boutique-hotel, mixing elegant design with fine services at an affordable price. The rooms are equipped with technology, service is modern and warm.

Lille

Lille is the 4th biggest city in France, 6th largest employer and 2nd most dynamic place in the office property market. Euralille, Lille's business district, is the 3rd in France.

Pharmacy faculty district

Set-up in the building that used to house the faculty of pharmacy, this hotel is located nearby parking spaces, plenty of restaurants and bars, food stores, residential buildings and a theatre. The airport is only 11km away and the train station is easily accessible, only 12 minutes away on foot.





Technology

- Rooms are equipped with technology, where guests can stream music or films



Lobbies

- Lobbies are like a living room with a bartender where guests can relax or enjoy passing time in a cozy, smart atmosphere



Design

- Design lies at the heart of the concept, developing spaces with a distinctive atmosphere and a strong personality

Lille project – Moxy concept

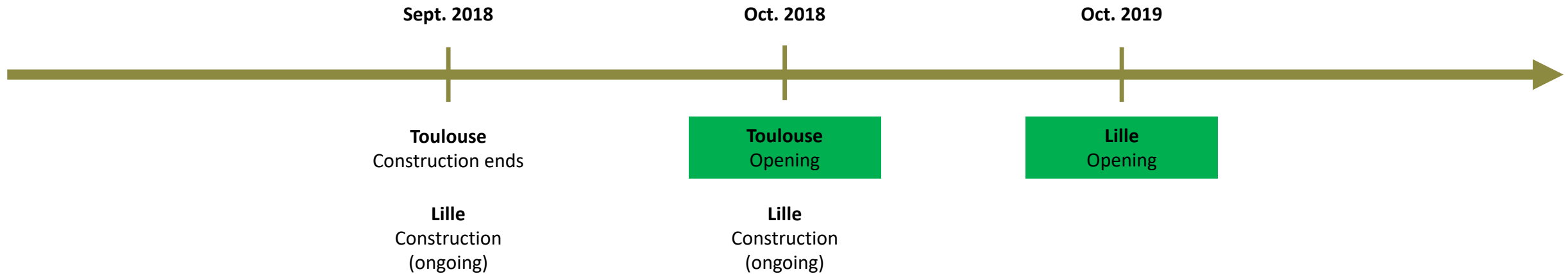


Moxy concept



Planning

Toulouse & Lille timeline





Thank you for your interest in WALK HOSPITALITY.

For more information, please contact our person in charge:

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