

Lemon Tree Hotels Limited



Q1 FY21 Earnings Presentation

6th Aug, 2020



aurika
HOTELS & RESORTS

UPSCALE


lemon tree
PREMIER

UPPER MIDSCALE


lemon tree
HOTELS

MIDSCALE


red fox
BY LEMON TREE HOTELS

ECONOMY

keys
PRIMA HOTELS
UPPER MIDSCALE

keys
SELECT HOTELS
MIDSCALE

keys
LITE HOTELS
ECONOMY

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Certain statements in this communication may be 'forward looking statements' within the meaning of applicable laws and regulations. These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Important developments that could affect the Company's operations include changes in the industry structure, significant changes in political and economic environment in India and overseas, tax laws, import duties, litigation and labour relations.

Lemon Tree Hotels Limited (LTH) will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.



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Lemon Tree – Snapshot as on 31st July, 2020



**Current (17% of Branded
Mid Market Hotels in India*)**

**8,006
rooms;
80 hotels**



Pipeline

**2,759
rooms;
29 hotels**



**By CY22 (20% of Branded
Mid Market Hotels in India*)**





**10,765
rooms;
109 hotels**

Brand	Current	Pipeline	by FY22
Aurika	139 Rooms; 1 Hotel	669 Rooms; 1 Hotel [#]	808 Rooms; 2 Hotels
Lemon Tree Premiere	2,207 Rooms; 15 Hotels	457 Rooms; 6 Hotels	2,664 Rooms; 21 Hotels
Lemon Tree Hotel	2,646 Rooms; 35 Hotels	1,451 Rooms; 19 Hotels	4,159 Rooms; 55 Hotels
Red Fox Hotel	1,423 Rooms; 12 Hotels	80 Rooms; 1 Hotel	1,503 Rooms; 13 Hotels
Keys	1,591 Rooms; 17 Hotels	40 Rooms; 1 Hotel	1,631 Rooms; 18 Hotels

*Source : Hotelivate – The Ultimate Indian Travel Hospitality Report 2019, Horwah HTL India Market Review 2018

[#]Aurika, Mumbai International Airport is in process of getting approval to increase the number of rooms to 669 rooms in place of the existing approval of 577 rooms.

Key Statistics

		Q1 FY20	Q1 FY21	YoY Var (%)
	Cities	34	48	41%
	Hotels	57	80	40%
	Rooms	5,828	8,006	37%
	Loyalty Members	1,008,307	1,171,494	16%

Chairman & Managing Director's Message



Commenting on the performance for Q1 FY21, Mr. Patanjali Keswani, Chairman & Managing Director – Lemon Tree Hotels Limited said,

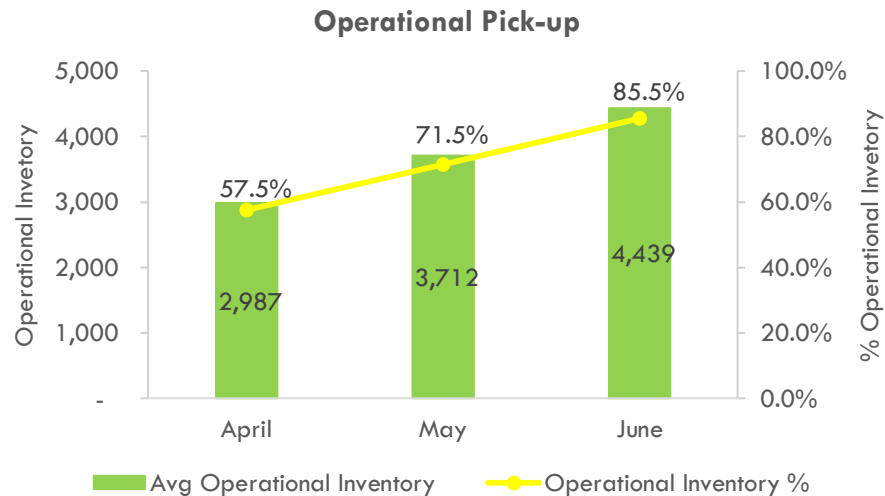
"Hospitality and tourism is among the worst affected industry due to ongoing lockdowns, corporate travel restrictions and the fear of getting infected to COVID – 19. There was a temporary shutdown of about 70% of the branded inventory in India in Q1, Industry occupancy fell steeply to 15% compared to 65-68% in same period last year, ADR crashed to 60% of last year's level. In Q1FY21, our revenue from operations dropped 71.1% y-o-y, our operating expenses dropped 62.2% y-o-y and we managed to record 7.5 Cr of EBITDA a drop of 84% y-o-y. Only 71% of our owned/leased inventory was operational. Our occupancy in operational hotels was 40.4%.

As a result of demand destruction, steep rate reduction, absence of meaningful support, etc., our prime focus in Q1 was to make our fixed expenses variable to the extent possible and defer all discretionary and non essential expenditure. Our leadership team took voluntary pay-cuts. We maintained strict control over Power & Fuel expenses and F&B cost. We negotiated and managed to get waiver from OEMs. Many of these measures will be permanent in nature which will lead to significant EBITDA margin expansion, when things get back to normal. I am glad to share that we succeeded in ensuring our expenses were below our revenues in Q1. Apart from the cost optimization measures, we took multiple initiatives to get as much business as possible and ensure that our occupancy remains at sustainable levels. The key demand segments for our business were Indians returning from abroad under Vande Bharat Mission opting for institutional quarantine, global IT majors for their business continuity planning teams and on duty doctors and paramedical staff who were advised to isolate themselves from their families. We have also tied up with two leading healthcare chains to increase their operational capacity by converting two of our hotels into healthcare facilities for asymptomatic patients.

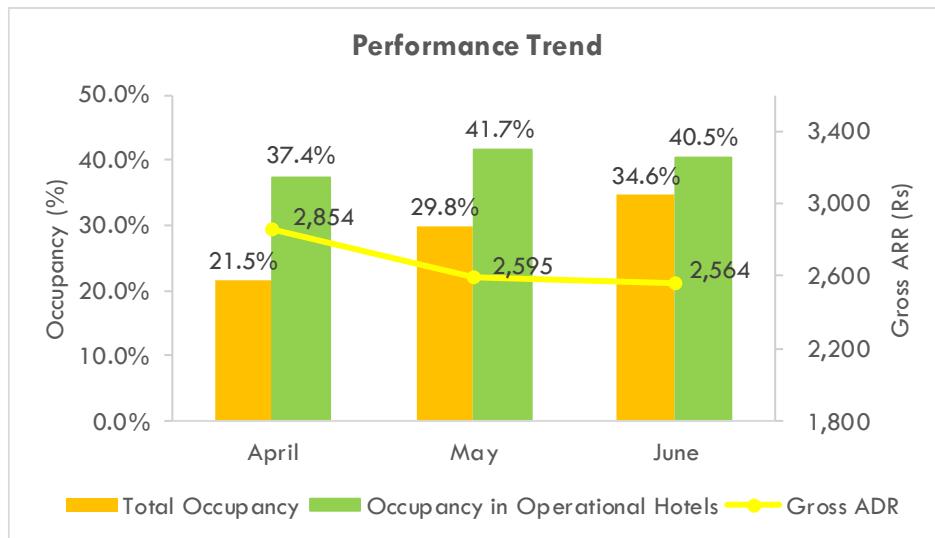
From the liquidity perspective, we have sufficient cash in the company to meet our total expenses including debt obligations for the next 4 quarters assuming the worst case scenario. Since June there has been a gradual lifting of curbs on hotel operations and under Unlock 3.0, hotels are now allowed to open in almost all states. We have gradually made our hotels operational with 85.5% of our owned/leased inventory operational in June as compared to 57.5% in April. We are seeing a slight but visible pick up in demand from MSME sector and retail demand pick up for staycations. We are hopeful that the hospitality industry will begin to see green shoots of demand recovery from H2 onwards."

Q1 FY21 Operating Performance Trends

Increasing Operational Inventory

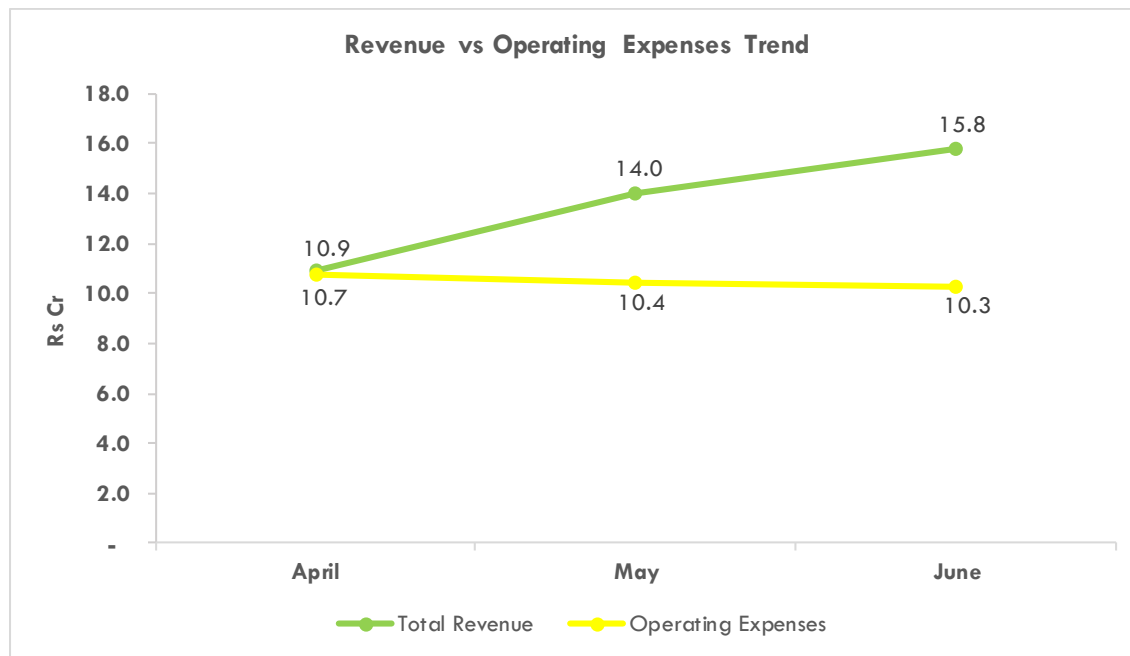


Rising Occupancy Levels From March End Lows



Trends for the 5,192 owned/leased rooms

Constantly Improving Operating Efficiency

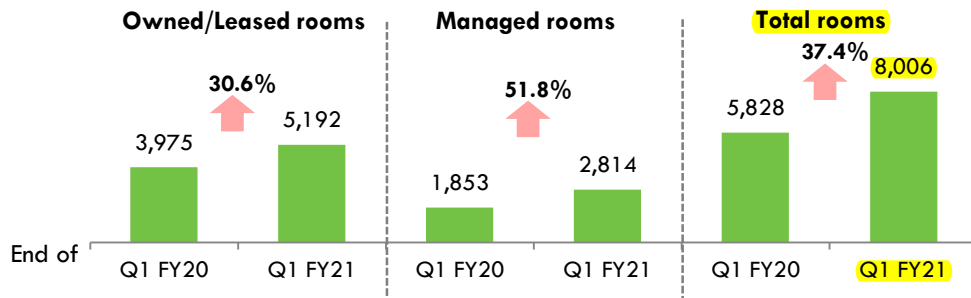


Notes:

1. Total Revenue includes Revenue from Owned and Leased hotels and Fees from Managed hotels
2. Operating Expenses include Hotel operating expenses for Owned and Leased hotels (including shut hotels)

Q1 FY21 Performance Highlights – Operational Metrics (Consolidated)

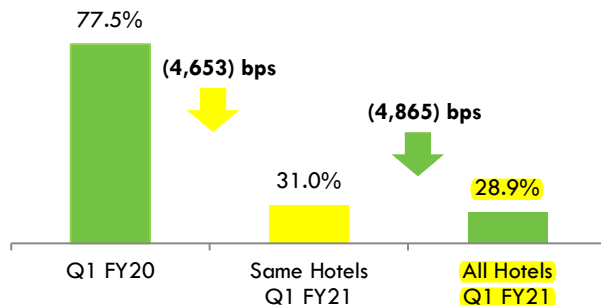
Operational Inventory



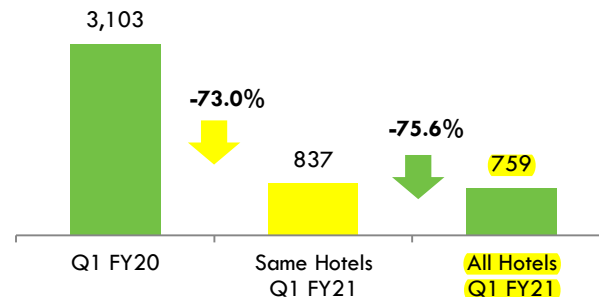
Average Daily Rate (Rs.)



Occupancy (%)



RevPAR (Rs.)

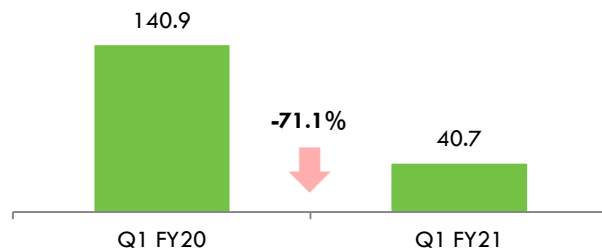


Notes:

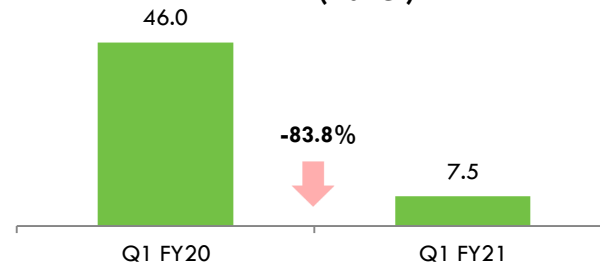
1. ADR, Occupancy and RevPAR are for our owned and leased hotels only.
2. Same hotels exclude hotels which were commissioned during the past 12 months i.e. Lemon Tree Premier Mumbai, Lemon Tree Premier Kolkata, Aurika Udaipur and Keys hotels.

Q1 FY21 Performance Highlights – Financial Metrics (Consolidated)

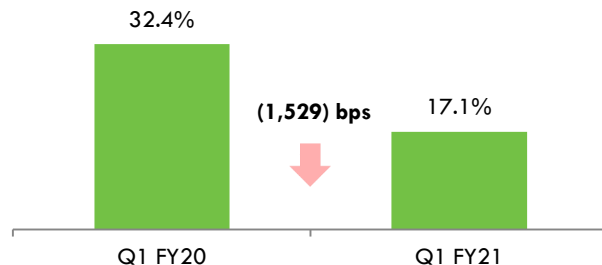
Revenue from Operation (Rs. Cr)



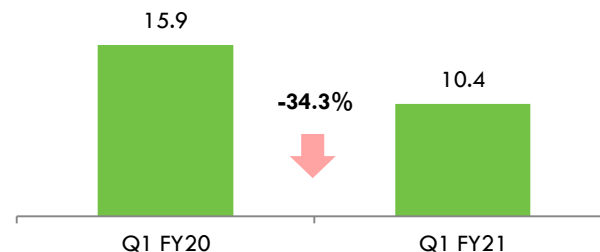
EBITDA (Rs. Cr)



EBITDA Margin (%)



Cash profit (Rs. Cr)



Notes:

1. Q1 FY21 performance is not indicative of the full year performance
2. The cash profit for Q1 FY21 is before payment of interest for the quarter, which has been deferred to September

Consolidated Profit & Loss Statement – Q1 FY21

Rs. Cr	Q1 FY20	Q1 FY21	YoY Change (%)
Revenue from operations	140.9	40.7	-71.1 %
Other income	1.3	3.1	147.2%
Total expenses	96.2	36.3	-62.2%
EBITDA	46.0	7.5	-83.8%
EBITDA margin (%)	32.4%	17.1%	(1,529)
Finance costs	30.9	48.7	57.5%
Depreciation & amortization	17.2	27.1	57.8%
PBT	(1.4)	(67.7)	NA
Tax expense	0.7	(7.1)	NA
PAT	(2.1)	(60.6)	NA
Cash Profit	15.9	10.4	-34.3%

Note: The cash profit for Q1 FY21 is before payment of interest for the quarter, which has been deferred to September

Consolidated Profit & Loss Statement Breakup – Q1 FY21

Rs. Cr	Same Hotels			New Hotels ¹	Total without Keys Hotels			Keys Hotels	Total		
	Q1FY20	Q1FY21	YoY Change	Q1FY21	Q1FY20	Q1FY21	YoY Change	Q1FY21	Q1FY20	Q1FY21	YoY Change
Inventory	3,672	3,672	0.0%	584	3,672	4,256	15.9%	936	3,672	5,192	41.4%
ARR	4,002	2,699	-32.5%	3,521	4,002	2,795	-30.1%	1,587	4,002	2,626	-34.4%
Occupancy	77.5%	31.0%	(4,653)	25.8%	77.5%	30.3%	(4,725)	22.5%	77.5%	28.9%	(4,865)
RevPAR	3,103	837	-73.0%	909	3,103	847	-72.7%	357	3,103	759	-75.6%
Revenue from Operations	140.9	31.3	-77.8%	5.1	140.9	36.4	-74.2%	4.3	140.9	40.7	-71.1%
Other Income	1.3	1.7	36.4%	0.0	1.3	1.7	38.0%	1.4	1.3	3.1	147.2%
Total expenses	96.2	27.8	-71.1%	3.9	96.2	31.7	-67.1%	4.6	96.2	36.3	-62.2%
EBITDA	46.0	5.3	-88.5%	1.2	46.0	6.5	-86.0%	1.0	46.0	7.5	-83.8%
EBITDA margin (%)	32.4%	16.0%	(1,638)	23.1%	32.4%	16.9%	(1,543)	18.0%	32.4%	17.1%	(1,529)
PBT	(1.4)	(41.2)	NA	(19.1)	(1.4)	(60.3)	NA	(7.4)	(1.4)	(67.7)	NA

Note : New Hotels include: Lemon Tree Premier Mumbai, Lemon Tree Premier Kolkata & Aurika Udaipur

Operational Performance by Brands & Region – Q1 FY20 vs. Q1 FY21

Parameters	Occupancy Rate (%)			Average Daily Rate (Rs.)			Hotel level EBITDAR/room (Rs. Lacs)			Hotel level EBITDAR Margin		
By Brand (#Rooms)	Q1 FY20	Q1 FY21	Change (bps)	Q1 FY20	Q1 FY21	Change (%)	Q1 FY20	Q1 FY21	Change (%)	Q1 FY20	Q1 FY21	Change (bps)
Lemon Tree Premier (1,158)	78.8%	42.2%	(3,659)	4,820	3,176	-34.2%	2.1	0.5	-74.4%	43.7%	39.6%	(414)
Lemon Tree Hotels (1562)	77.4%	27.5%	(4,896)	3,920	2,467	-37.1%	1.3	0.1	-95.1%	35.0%	9.2%	(2,587)
Red Fox Hotels (850)	76.1%	23.1%	(5,302)	3,039	2,089	-31.3%	1.0	0.1	-94.4%	42.4%	12.0%	(3,038)

Parameters	Occupancy Rate (%)			Average Daily Rate (Rs.)			Hotel level EBITDAR/room (Rs. Lacs)			Hotel level EBITDAR Margin		
By Region (#Rooms)	Q1 FY20	Q1 FY21	Change (bps)	Q1 FY20	Q1 FY21	Change (%)	Q1 FY20	Q1 FY21	Change (%)	Q1 FY20	Q1 FY21	Change (bps)
Delhi (636)	80.8%	39.4%	(4,142)	4,339	3,204	-26.2%	1.7	0.4	-74.5%	40.0%	34.5%	(546)
Gurugram (529)	79.5%	24.5%	(5,499)	3,972	2,983	-24.9%	1.4	0.1	-94.4%	34.4%	9.7%	(-2,475)
Hyderabad (663)	88.2%	35.8%	(5,236)	4,005	3,259	-18.6%	2.1	0.6	-73.1%	49.2%	49.3%	9
Bengaluru (493)	83.1%	42.0%	(4,104)	4,299	2,297	-46.6%	2.0	0.1	-88.9%	46.2%	23.0%	(2,320)

Note:

1) These performance results do not include Lemon Tree Premier Mumbai, Lemon Tree Premier Kolkata, Aurika Udaipur and Keys.

Discussion on Consolidated Financial & Operational Performance – Q1 FY21

Revenue

- * Revenue from operations stood at Rs. 40.7 Cr in Q1 FY21, down 71.1% as compared to Rs. 140.9 Cr in Q1 FY20. On same hotels basis, revenue from operations was down by 77.8%
- * ADR decreased by 34.4% from 4,002 in Q1 FY20 to 2,626 in Q1 FY21. On same hotels basis, ARR decreased by 32.5% to 2,699 in Q1 FY21. For new hotels, ARR was 3,521 (30.4% higher than same hotels). For Keys hotels, ARR was 1,587 (41.2% lower than same hotels)
- * Occupancy decreased by 48.6% from 77.5% in Q1 FY20 to 28.9% in Q1 FY21. On same hotels basis it decreased by 46.5% from 77.5% in Q1 FY20 to 31.0% in Q1 FY21. For new hotels, occupancy was 25.8% (5.2% lower than same hotels). For Keys hotels, occupancy was 22.5% (8.5% lower than same hotels)
- * Fees from managed hotels stood at Rs. 0.5 Cr in Q1 FY21 (1.1% of Revenue from operations)

Cost

- * Total expenses stood at Rs. 36.3 Cr in Q1 FY21 down 62.2% as compared to Rs 96.2 Cr in Q1 FY20. On same hotels basis, expenses decreased by 71.1% to Rs 27.8 Cr in Q1 FY21 from Rs 96.2 Cr in Q1 FY20

Operating Margins

- * EBITDA decreased by 83.8% from Rs 46.0 Cr in Q1 FY20 to Rs 7.5 Cr in Q1 FY21
- * EBITDA margin, contracted by 1,529 bps from 32.4% in Q1 FY20 to 17.1% in Q1 FY21

Profit after tax

- * Profit after tax decreased from Rs (2.1) Cr in Q1 FY20 to Rs (60.6) Cr in Q1 FY21
- * Cash Profit for Q1 FY21 stood at Rs 10.4 Cr, 34.3% lower than Rs 15.9 Cr in Q1 FY20

Expansion Plans – Hotels under Development

Under-development hotels	Type	Rooms	Expected Opening date	Ownership (%)
Lemon Tree Mountain Resort, Shimla	Owned	69	TBD	100.00%
Lemon Tree Vembanad Lake Resort, Alleppey, Kerala ¹	Owned	10	TBD	100.00%
Aurika, Intl. Airport, Mumbai ²	Owned	669	End of CY22	57.98%
Total		748		

* Total estimated project cost is Rs. 9,910 million

* Total capital deployed/capital expenditure already incurred (i.e. CWIP + Security Deposit for leased assets under-development + Land Capitalised + Capital advances – Capital creditors) as on 30st June, 2020 is Rs. 3,226 million

Notes: 1) Expansion in existing hotel.

2) Aurika, Mumbai International Airport is in process of getting approval to increase the number of rooms to 669 rooms in place of the existing approval of 577 rooms.

Expansion Plans – Pipeline of Management Contracts (as of 31st July, 2020)

Management Contracts Pipeline	Rooms	Expected Opening date	Tenure (years)
Lemon Tree Premier, Dwarka	108	Sep-20	12
Lemon Tree Hotel, Baga, Goa	44	Oct-20	15
Lemon Tree Premier, Bhubaneshwar	76	Jan-21	10
Lemon Tree Hotel, Jhansi	60	Nov-20	12
Lemon Tree Premier, Vijaywada	120	Dec-20	12
Lemon Tree Hotel, Aligarh	68	Dec-20	12
Red Fox Hotel, Neelkanth	80	Jan-21	12
Lemon Tree Hotel, BKC, Mumbai	70	Jan-21	15
Keys Prima, Dehradun	40	Feb-21	15
Lemon Tree Premier, Coorg	63	Mar-21	15
Management Rooms to be Operational in FY21	729		
Lemon Tree Resort, Mussoorie	40	May-21	15
Lemon Tree Hotels, Nagarkot, Nepal	51	Sep-21	10
Lemon Tree Hotel, Bokaro	70	Sep-21	10
Lemon Tree Hotel, Kathmandu	75	Sep-21	10
Lemon Tree Hotel, Trivandrum	100	Sep-21	10
Serviced Suites, Manesar	260	Sep-21	10
Lemon Tree Resort, Thimpu	38	Oct-21	10
Lemon Tree Hotel, Rishikesh	102	Oct-21	15
Lemon Tree Hotel, Ludhiana	60	Oct-21	10
Lemon Tree Hotel, Gulmarg	35	Oct-21	10
Lemon Tree Hotel, Agra	62	Jan-22	10
Lemon Tree Hotel, Darjeeling	55	Apr-22	15
Lemon Tree Hotel, Sonamarg	40	Uncertain	10
Lemon Tree Hotel, Ranthambore	60	Uncertain	10
Lemon Tree Premier, Dindy	50	Uncertain	10
Lemon Tree Hotel, Durgapur	80	Uncertain	10
Lemon Tree Hotel, Gwalior	104	Uncertain	10
Total Pipeline	2,011		

Note: The dates are under the best case scenario and as per latest update from owners based on their lines of credit

ANNEXURES



Portfolio Breakup as on 31st July 2020 - Operational

Operational Portfolio	Owned		Leased		Managed/Franchised		Total	
15.05.2020	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Aurika	1	139	0	0	0	0	1	139
Lemon Tree Premier	7	1,442	2	161	6	604	15	2,207
Lemon Tree Hotels	13	1,241	4	321	18	1,084	35	2,646
Red Fox Hotels	5	759	2	193	5	471	12	1,423
Keys Prima	0	0	0	0	1	115	1	115
Keys Select	7	936	0	0	7	493	14	1,429
Keys Lite	0	0	0	0	2	47	2	47
Total	33	4,517	8	675	39	2,814	80	8,006

Portfolio Breakup as on 31st July 2020 - Pipeline

In Pipeline	Owned		Leased		Managed/Franchised		Total	
1.02.2020	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Aurika	1	669#	0	0	0	0	1	669
Lemon Tree Premier	0	0	0	0	6	457	6	457
Lemon Tree Hotels	1	79	0	0	19	1,434	20	1,513
Red Fox Hotels	0	0	0	0	1	80	1	80
Keys Prima	0	0	0	0	1	40	1	40
Keys Select	0	0	0	0	0	0	0	0
Keys Lite	0	0	0	0	0	0	0	0
Total	2	748	0	0	27	2,011	29	2,759

#Aurika, Mumbai International Airport is in process of getting approval to increase the number of rooms to 669 rooms in place of the existing approval of 577 rooms.

Strategically positioned in key geographies with Lemon Tree share of total branded hotel sector

Jaipur: FY20 – 5.2%
FY24E – 3.5%

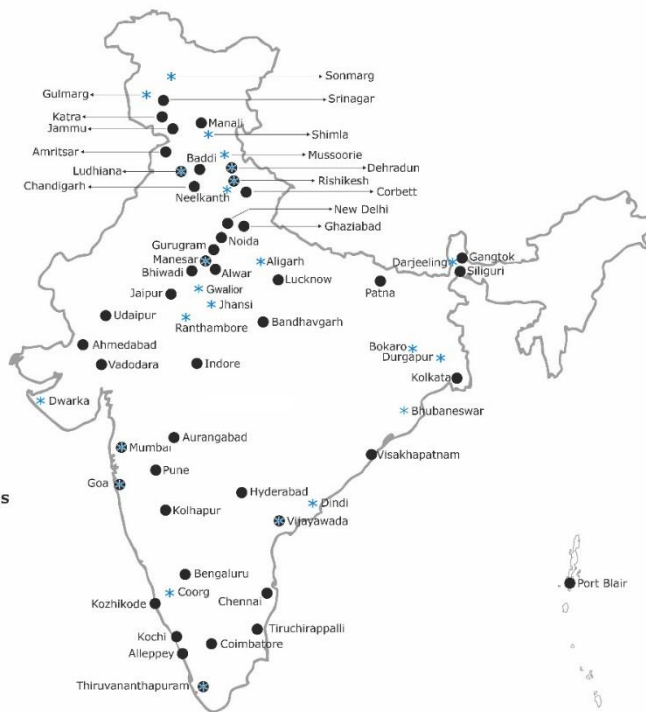
Ahmedabad: FY20 – 5.4%
FY24E – 3.3%

Mumbai: FY20 – 3.2%
FY24E – 6.4%

Pune: FY20 – 9.4%
FY24E – 8.4%

Goa: FY20 – 4.9%
FY24E – 4.3%

Bengaluru: FY20 – 6.1%
FY24E – 4.6%



Delhi NCR: FY20 – 6.8%
FY24E – 7.1%

Kolkata: FY20 – 3.8%
FY24E – 2.6%

Hyderabad: FY20 – 9.5%
FY24E – 7.5%

Chennai: FY20 – 1.9%
FY24E – 1.9%

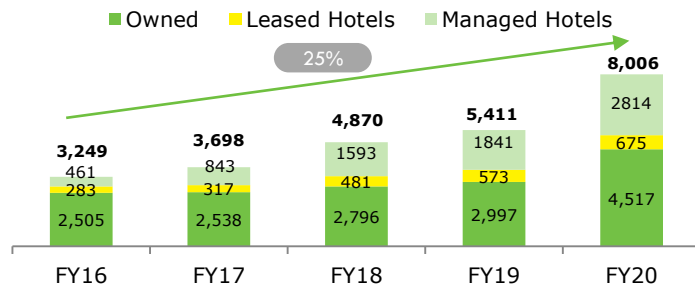
Source : Hotelivate Trends and Opportunities report 2019

Note: The FY24 expected market share has been calculated on the basis of current pipeline on hotels only

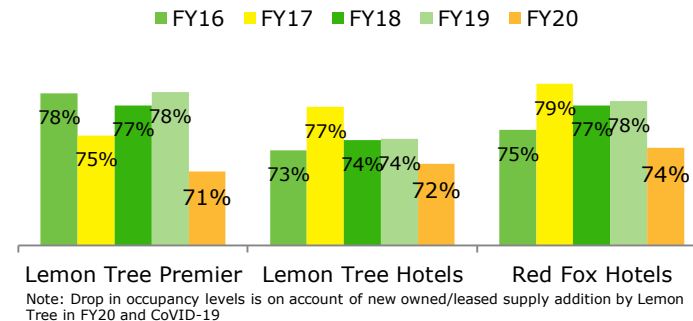
Map updated as of 15th May, 2020

Strong operating performance

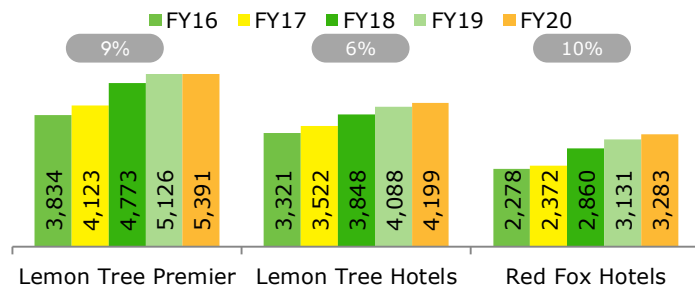
Rooms are being added...



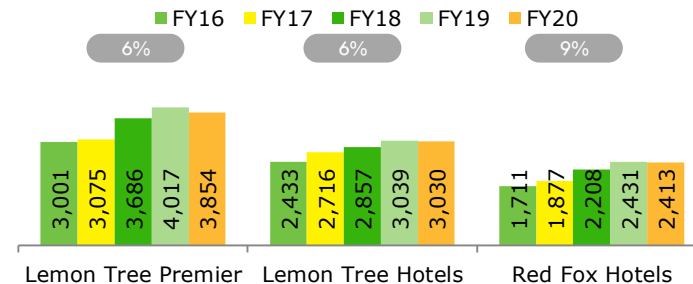
...and occupancy levels increasing...



...coupled with increasing ADR...



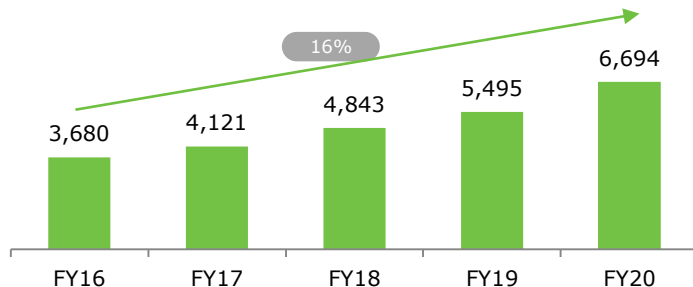
...leading to a RevPAR growth



Strong Growth and improving margins

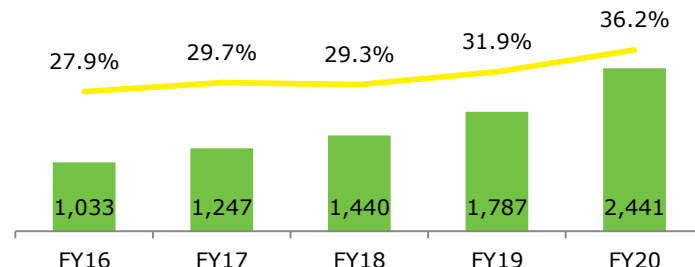
Revenue has increased at 20% over the last 5 years...

Revenue from operations (Rs. million)



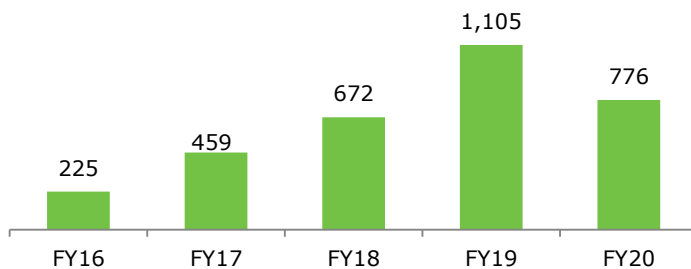
...coupled with increasing EBITDA margins

EBITDA & EBITDA margins



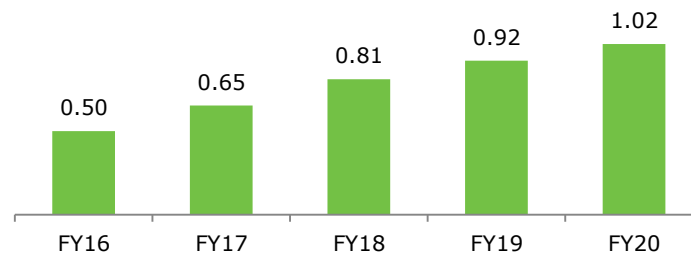
Increasing cash profit* growth

Cash Profit (PAT + Depreciation) (Rs. million)



Gearing low

Debt/Equity



Consolidated Profit & Loss Statement – FY20

Rs. Cr	FY19	FY20 Before IndAS 116 Impact	YoY Change (%)	IndAS 116 Impact	FY20 After IndAS 116 Impact	YoY Change (%)
Revenue from operations	549.5	669.4	21.8%		669.4	21.8%
Total expenses	380.7	464.3	21.9%	-33.2	431.1	13.2%
EBITDA	168.8	205.1	21.6%	33.2	238.3	41.2%
EBITDA margin (%)	30.7%	30.6%	(7)		35.6%	489
Other income	9.9	5.8	-41.8%		5.8	-41.8%
Finance costs	84.7	124.9	47.5%	36.6	161.6	90.7%
Depreciation & amortization	54.1	73.2	35.2%	14.0	87.2	61.1%
PBT	45.3	15.3	-66.3%	-17.4	(2.2)	-104.8%
Tax expense	(11.1)	15.5	-239.4%	-4.6	10.9	-197.7%
PAT	56.4	(0.2)	-100.4%	-12.8	(13.0)	-123.1%
Cash Profit	110.5	72.9	-34.0%	4.6	77.6	-29.8%

Consolidated Balance Sheet Snapshot – FY20

Rs. Cr	FY19	H1 FY20	FY20
Shareholder's Funds	875.0	824.7	823.0
Non-controlling interests	432.2	430.9	721.8
Total Shareholder's equity	1,307.2	1,255.6	1,544.8
Total Debt	1,204.2	1,334.9	1,577.5
Other Non-current liabilities	38.0	381.4	464.2
Other Current liabilities	222.4	258.5	176.3
Total Equity & Liabilities	2,771.8	3,230.4	3,762.8
Non-current assets	2,575.3	2,979.4	3,603.6
Current assets	196.6	251.0	159.2
Total Assets	2,771.8	3,230.4	3,762.8
Debt to Equity (x)	0.92	1.06	1.02
Average cost of borrowing (%)	9.40%	9.62%	9.60%

Operational Performance by Ageing – FY19 vs. FY20

Parameters	Financial year	Adult Hotels (Stable - older than 3 years)	Toddler Hotels (Stabilizing - between 1-3 years old)	Infant Hotels (New - less than 1 year old)	Under-development hotels
Hotels ¹	FY20	24	6	11	2
	FY19	21	7	2	
Operating Rooms (year-end)	FY20	2,855	715	1,622	748
	FY19	2,727	551	292	
Occupancy Rate (%)	FY20	75.2%	67.1%	56.4%	Deep demand markets (high occupancies)
	FY19	79.2%	69.9%	36.3%	
Average Daily Rate (Rs.)	FY20	4,399	4,027	4,438	2.0x of Adult Hotels in that year*
	FY19	4,197	4,082	4,200	
Hotel level EBITDAR ² /room (Rs. Lacs)	FY20	6.9	5.5	2.3	High*
	FY19	7.2	4.9	1.1	
Hotel level EBITDAR ² Margin (%)	FY20	44%	39%	39%	High*
	FY19	44%	33%	40%	
Hotel level ROCE ^{*3} (%)	FY20	12%	5%	2%	1.5x of Adult Hotels in that year*
	FY19	13%	4%	1%	

Notes:

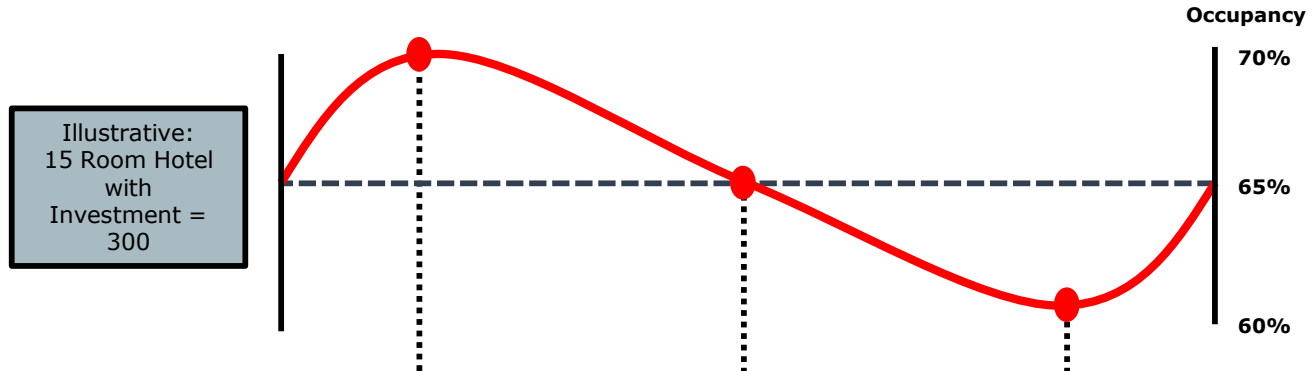
1) During the year FY20 3 hotels moved from toddler to adult category, 2 hotels moved from infant to toddler category and 11 new hotels entered into the infant category

2) Hotel level EBITDAR measures hotel-level results before lease rentals, debt service, depreciation and corporate expenses of the owned/leased hotels, and is a key measure of company's profitability

4) Hotel level RoCE is calculated as : (Hotel level EBITDAR - lease rentals)/Capital deployed for operational owned & leased hotels

* Post stabilization.

The hotel business cycle



Cycle	Top (2)	Middle (3)	Bottom (2)
Occupancy	70% or more	63-68%	60% or less
Rooms Sold	12	10	8
Average Daily Rate	13	10	7
Revenue	156	100	56
Expenses	60	50	40
EBITDA	96	50	16
Hotel RoCE	32%	17%	5%
Sustainable Debt:Equity Coverage	Full Debt	1:1	No Debt