

JML FINANCE (LUXEMBOURG) SARL

JULIUS MEINL LIVING ACQUIRES OPERATING APARTHOTEL IN BUDAPEST

Julius Meinl Living PLC, through its group companies, acquires prime real estate assets for development into serviced residences that the group will then operate itself (“Julius Meinl Living”).

Julius Meinl Living PLC is fully owned by the Meinl family who, over the last 150 years, have demonstrated their expertise in Central and Eastern Europe in consumer goods, retail and real estate. The aparthotels will offer five star rooms for four star prices and will operate under the brand “Julius Meinl House”.

New Property Acquisition

Julius Meinl Living is pleased to announce that it has signed binding documentation for the purchase of a third property, the Escala Hotel & Suites in Budapest. This property:

- Is being acquired through the acquisition of the SPV whose main asset it is.
- Has a purchase cost of approximately €7 million on a cash and debt free basis.
- Has a built area of 4,093m² and currently has 50 guest rooms with an average size of 50.2m². There is also a breakfast lounge and parking for 20 cars.
- Is located in the Corvin district of central Budapest, approximately a 15 minute walk from the city’s main sites and from the main business districts also.
- Was opened in 2010 and for 10 years until March 2020 operated as an aparthotel by Frasers Hospitality. It has since been operated by the owner as a four star property.
- Achieved consistent pre-covid occupancy levels in excess of 90%, revenues of €1.4 – 1.5 million and net operating income (NOI) margins of 40 – 45%. Through 2020, it achieved lower occupancy but remained profitable at the NOI level.

Once the acquisition has completed, Julius Meinl Living intends to:

- Invest a limited amount in the property in order to secure and enhance its performance. This investment will increase the number of rooms to 51.
- Operate the property under a brand of its own, reflecting it having a positioning in the market that is distinct from Julius Meinl Living’s core “Julius Meinl House” offering of “five star rooms for four star prices”.
- Return revenues to pre-covid levels and achieve further growth thereafter, together with growing the NOI margin towards the group’s long term target of 55 – 60%.

For Julius Meinl Living, this approach brings with it many benefits:

- Integration of an operating property in advance of the opening of the Senovazne Namesti property, with many resulting opportunities to test offerings, capabilities and systems.
- Immediate and continuing cash generation.
- The option, as the group expands to operate properties under more than one brand, thereby targeting and growing the aparthotel market at different levels.

The acquisition of the Escala Hotel & Suites is subject to approval by the Hungarian government. This is expected to take approximately two months.

The bank financing of the acquisition is currently at the signed term sheet stage. It is anticipated that binding loan documentation will enable bank debt to be drawn down at the time the acquisition completes.

Existing Properties

The group's first property is under development on Senovazne Namesti in Prague, in the Czech Republic, and will have 168 guest rooms and apartments. The main construction works commenced in July 2019 and are now [substantially complete and the main focus is switching to the installation of fixtures, fittings and systems, as well as testing]. The property is on track to open in Q4 of this year. To ensure that the property trades successfully upon opening, Julius Meinl Living is currently building its hospitality, sales and marketing teams. For the purposes of Julius Meinl Living's 2020 group accounts, prepared according to IFRS, this property has a net development value of €65.7 million. Stabilised revenues from this property are expected to exceed €8 million per annum from 2026

The group's second property is on Bulevar vojvode Bojovica in Belgrade, Serbia and is part of a wider development called "K-District". Julius Meinl Living has contracted to acquire this property by means of a binding forward purchase agreement. It will have 129 guest rooms and apartments in addition to 96 underground parking spaces. Construction of this property is underway and opening is targeted for Q2 of 2022. For the purposes of Julius Meinl Living's 2020 group accounts, prepared according to IFRS, this property has a net development value of €27.0 million. Stabilised revenues from this property are expected to exceed €3.5 million per annum from 2026.

Branding

Both the Prague and the Belgrade properties will operate under the brand "Julius Meinl House". This brand embodies the heritage and tradition of service associated with the name "Julius Meinl" whilst introducing it to the lodging sector and the idea that for its guests, a "Julius Meinl House" should be a "home away from home". More information is available at www.juliusmeinlhouse.eu.

Future Developments

Julius Meinl Living continues to progress negotiations to seek additional pipeline opportunities funded by its diversified capital structure including the public listed bonds issued in 2019 by JML Finance (Luxembourg) S.a.r.l, maturing in 2024.