President Statement for 2019 year

Orbis has gone through a fundamental transformation in 2019. We have redefined our business model by splitting into two business lines – Service company (Asset Light) and Hotel Real Estate (Asset Heavy). The sale of asset light part to Accor, allowed Orbis to become a pure hospitality real estate player. Both companies have now been developing fast and need to follow their guests' and partners' expectations and therefore get the most of their know-how in both businesses separately.

With 73 hotels located in 6 CEE countries Orbis enters a new era of growth together with a new shareholder – AccorInvest that is in the acquisition process of Orbis shares from Accor. In order to ensure best service quality and have access to international brands, Orbis entered into a management agreement with Accor for its 73 hotels, which is the next step in our cooperation. Our perspective is changing but we still strive to strengthen our leading position in the region and despite the intensive transformation process through the whole year, we were able to improve our performance in all strategic areas.

Performance

This very intensive year in terms of transformation and strategic changes in Orbis, we did not affect our ability to take full advantage of favourable economic climate and execution of our strategic targets to increase our results 6th year in a row. Robust financial performances was confirmed by 4.6% increase of like-for-like revenue up to PLN 1,419.6 million and operating EBITDA growth of 12.6% (up to PLN 499.1 million).

We delivered these very strong results in most of our key markets at the operational level as well, represented by 5.5% like-for-like RevPAR increase up to PLN 201 for the whole Group. We observed diversified performances depending on the country: +4.4% in Poland, +9.1% in Hungary and +4.2% in Czech Republic like-for-like growth. The growth came from our price strategy. We succeeded to leverage of our average price by +4.6% comparing to 2018, and kept stable occupancy rate.

Portfolio

After the closing of the Light Asset business sale by Orbis to Accor, all 66 franchise and managed hotels agreements together with asset light pipeline (42 hotels) were transferred to Accor portfolio. The transaction value amounted to PLN 1,218.4 million. Since then, Orbis portfolio consists of 73 owned and leased properties in 6 countries, i.e.: Poland, Hungary, Czech Republic, Romania, Slovakia and Lithuania. Orbis will capitalize on its unique know-how and expertise in the hotel investment space in CEE, to optimize its asset portfolio and create a long-term value with CAPEX investments. We already have 4 hotels in pipeline in key cities and prime locations of Poland and Hungary and we look for other valuable projects to expand the portfolio.

At the same time we are upgrading our products with numerous modernization projects. Key modernizations in 2019 took place in: Novotel Gdańsk Marina, Mercure Poznań Centrum, Novotel Kraków City West and Mercure Budapest Castle Hill. In order to maximize value creation, Orbis spent PLN 193.7 m on this purpose in 2019.

People

In this extremely challenging labour market in the region, we have to demonstrate we are among the "Best employer" in order to attract, retain, develop and value talents. The results of the engagement survey grew again by 3 p.p. to the level of 75% keeping us in the Top Quartile benchmark in Eastern Europe. The results for Poland increased as well and we were again in the Top Quartile for the country's benchmark and more over recognized for the second year in a row as Best Employer. Due to the transformation plan we proceeded in 2019 we have undertaken many activities in order to keep the employees informed and to facilitate their understanding of upcoming changes. Relatively low turnover and very high engagement as well as very good business results show that we are definitely successful in this area.

Looking forward, I have no doubts that the Group is well prepared to get the most of the opportunities arising from implementing a new strategy to strengthen its leading position in the CEE region. 2020 will be extremely important for Orbis not only due to integration with our new strategic partner but also due to the 100 year anniversary of Orbis we will celebrate soon. I am proud to be a part of this history and I would like to thank all our employees for their constant engagement, professionalism and trust which build our success and which will be crucial for the next one.

Gilles Clavie

President of the Management Board
& CEO Of Orbis S.A.