



Lemon Tree Hotels Limited

Q1 FY20 Earnings Presentation

Aug 7, 2019



Disclaimer

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.



1	Company Overview
2	Chairman & Managing Director's Message
3	Performance Highlights
4	Financial & Operational Metrics
5	Key Developments / Business Updates
6	Annexures



**5,828
rooms;
57 hotels**



**2,000
rooms;
13 hotels**







**2,506
rooms;
33 hotels**



**1,322
rooms;
11 hotels**

Key Statistics

		Q1 FY19	Q4 FY19	Q1 FY20	31 th Jul FY20
	Cities	31	32	34	34
	Hotels	49	54	57	57
	Rooms	4888	5411	5828	5828
	Loyalty Members	786,159	947,776	1,008,307	1,029,669

Portfolio Breakup as on 30th June, 2019

Operational Portfolio	Owned		Leased		Managed		Total	
30.06.2019	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Lemon Tree Premier	6	1300	2	161	5	539	13	2,000
Lemon Tree Hotels	13	1241	4	321	16	944	33	2,506
Red Fox Hotels	5	759	2	193	4	370	11	1,322
Total	24	3300	8	675	25	1,853	57	5,828

In Pipeline	Owned		Leased		Managed		Total	
30.06.2019	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Lemon Tree Premier	1	142	0	0	7	523	8	665
Lemon Tree Hotels	1	79	0	0	17	1342	18	1,421
Red Fox Hotels	0	0	0	0	2	170	2	170
Aurika Hotels & Resorts	2	716	0	0	0	0	2	716
Total	4	937[#]	0	0	26	2,035	30	2,972

Of these owned 937 rooms in pipeline, currently 577 rooms are from Lemon Tree Premier, Mumbai International Airport. LTH is in the process of applying to convert some commercial spaces in this hotel to rooms. This will increase the hotel's inventory by 92 rooms to 669, in which case total owned inventory in pipeline will increase to 1,029.

Strategically positioned in key geographies with Lemon Tree share of total mid-priced hotel sector

- * Geographical spread across India and presence in key markets to cater effectively to corporate clients and business travelers
- * Hotel operations in each of the top 10 markets in India (based on hotel inventory)
- * Focus in key micro markets to address demand and optimize pricing
- * Hotels at locations with high barrier-to-entry such as close to major business centers, airports etc.
- * International Locations- (Hotels/Rooms)
 - Thimphu : 2 / 65
 - Kathmandu : 1 / 75
 - Dubai : 1 / 114

Jaipur: FY17 – 11%
FY21E – 10%

Ahmedabad: FY17 – 11%
FY21E – 9%

Mumbai: FY17 – NA
FY21E – 17%

Pune: FY17 – 5%
FY21E – 9%

Goa: FY17 – 4%
FY21E – 4%

Bengaluru: FY17 – 9%
FY21E – 8%



Delhi NCR: FY17 – 14%
FY21E – 16%

Kolkata: FY17 – NA
FY21E – 8%

Hyderabad: FY17 – 24%
FY21E – 21%

Chennai: FY17 – 5%
FY21E – 4%

Source : Horwath Report

Note: For FY21E, share based on total rooms by end of FY21 and Horwath projection of total mid-priced sector supply in these markets

Map updated as of 31st July, 2019

Chairman & Managing Director's Message



Commenting on the performance for Q1 FY20, Mr. Patanjali Keswani, Chairman & Managing Director – Lemon Tree Hotels Limited said,

"We have delivered a topline growth of 11.8% YoY in Q1 FY20 driven by a 2.7% YoY increase in ADR and addition of 394 rooms since the year ago period. Our EBITDA has grown by 10% YoY as per old accounting and by 31.4% as per new AS 116 accounting. We have posted a profit after tax of Rs. 0.9 Cr in Q1 FY20 according to old accounting standards as compared to Rs 2.2 Cr in Q1 FY19. As per AS 116, our Q1 FY20 PAT stood at Rs (2.2) Cr. We continued to maintain our occupancy premium showing a 76 bps YoY improvement in Q1 FY20 over Q1 FY19 despite addition of the new supply of 394 owned/leased rooms. On a same hotels basis the occupancies improved by 268 bps.

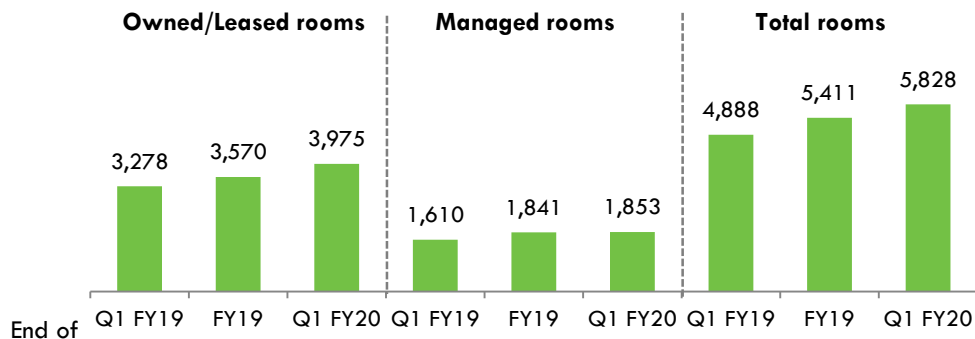
The hospitality industry scenario in the recent past hasn't panned out as expected due to the challenges faced by the airline industry, elections, liquidity crunch owing to the NBFC crisis and overall consumption slowdown. In such times, we have focused on driving more retail business through online and direct sales, to drive strong occupancies and deriving operating leverage.

We have commissioned our 303 room Lemon Tree Premier, Mumbai hotel towards the end of the quarter. This is our first owned hotel in Mumbai, the most demand dense market in the country. We believe this would further increase our brand awareness and result in significant value to our overall business. In the next few months, we will open our 142 room Lemon Tree Premier Kolkata Property and the 139 room Udaipur property under our new upscale brand Aurika. All these owned properties will operate in demand dense and high barrier-to-entry markets and will help boost our ADR's. We will also open close to 700 rooms under management contracts by March 2020.

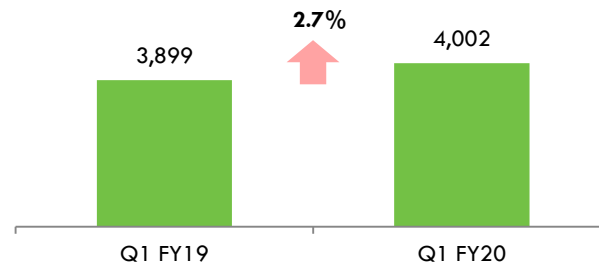
To conclude, this has been a busy and progressive quarter for us as we have successfully created a strong framework for sustainable long term growth. The market, after bearing some months of sluggishness, is showing trends of improvement June onwards. At Lemon Tree, our ability to adapt to market sentiments and cycles has ensured our operating metrics remain steady. Customer centricity and focus on execution remain the core focus of our business and we continue to strive to better ourselves to enhance value for all our shareholders."

Performance Highlights – Operational Metrics (Consolidated)

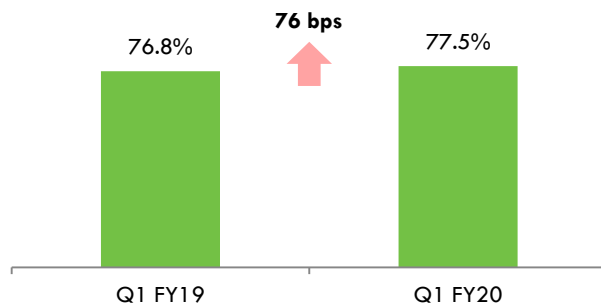
Operational Inventory



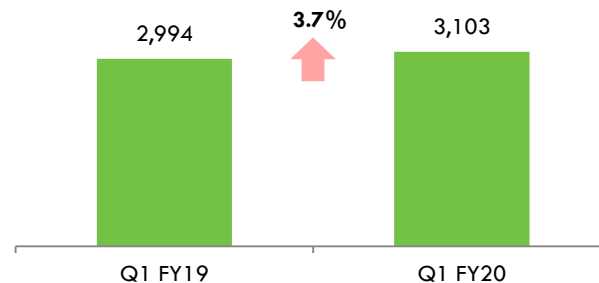
Average Daily Rate (Rs.)



Occupancy (%)



RevPAR (Rs.)



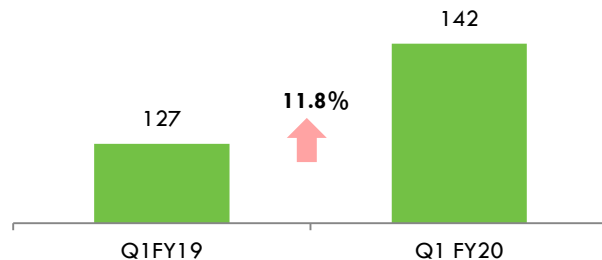
Note:

1. ADR, Occupancy and RevPAR are for our owned and leased hotels only.

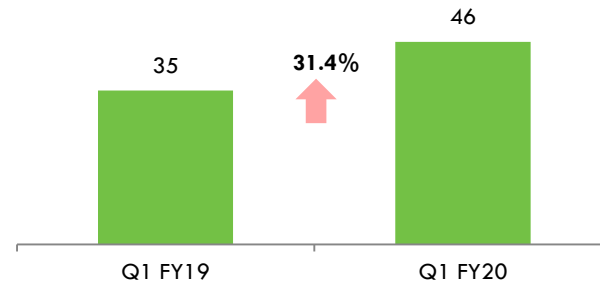
2. The results of this quarter are not indicative of full year's performance due to seasonal nature of the business.

Performance Highlights – Financial Metrics (Consolidated)

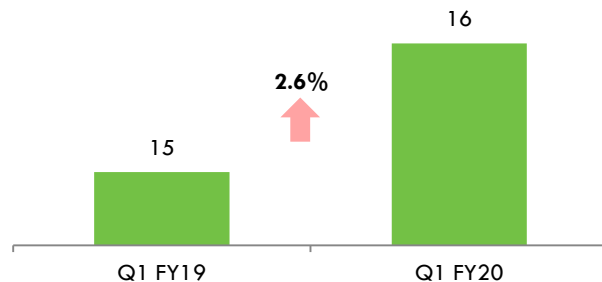
Total Income (Rs. Crores)



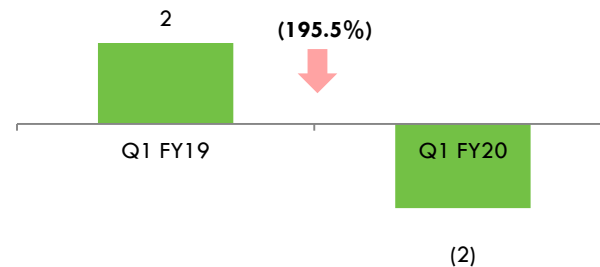
EBITDA (Rs. Crores)



Cash profit (Rs. Crores)



PAT (Rs. Crores)



Profit & Loss Statement (Consolidated)

(In Rs. Crores)	Q1 FY19	Q1 FY20 After IndAS 116 Adjustment	YoY Change (%)	Q1 FY20 Before IndAS 116 Adjustment	YoY Change (%)	FY19
Revenue from operations	126.9	140.9	11.0%	140.9	11.0%	549.5
Other income	0.2	1.3	508.5%	1.3	508.5%	9.9
Total income	127.1	142.2	11.8%	142.2	11.8%	559.4
Cost of F&B consumed	11.9	12.4	3.7%	12.4	3.7%	49.8
Employee benefit expenses	29.2	33.7	15.6%	33.7	15.6%	120.5
Other expenses	51.0	50.1	-1.9%	57.6	12.9%	210.4
Total expenses	92.1	96.2	4.4%	103.7	12.6%	380.7
EBITDA	35.0	46.0	31.4%	38.5	9.9%	178.7
EBITDA margin (%)	27.5%	32.4%	482 bps	27.1%	(47) bps	31.9%
Finance costs	19.7	30.9	57.0%	22.6	14.8%	84.7
Depreciation & amortization	13.1	17.2	30.9%	14.0	6.7%	54.1
PBT	4.3	(1.4)	-132.7%	2.6	-40.2%	45.3
Tax expense	2.0	0.7	-65.2%	1.6	-20.1%	(111)
PAT	2.2	(2.1)	-193.8%	0.9	-58.3%	56.4
Cash Profit	15.4	15.9	3.2%	14.9	-2.8%	110.5

Discussion on Consolidated Financial & Operational Performance – Q1 FY20

Operational Rooms & Pipeline

- * As of 31st July 2019, operational portfolio comprised of 57 hotels and 5,828 rooms : 3,300 owned, 675 leased and 1,853 managed rooms; Pipeline includes of 937 owned/leased and 2,035 managed rooms
- * Propose to add another 958 rooms to the operational inventory by the end of Q4 FY20 of which 281 rooms are owned and 677 rooms are managed. All owned/leased rooms are opening in high barrier-to-entry and demand dense markets with high occupancies and ADR's. This addition of owned rooms includes 142 rooms in Kolkata and 139 rooms in Udaipur
- * Plan to operate 68 hotels with 6,786 rooms across 44 cities by end of Q4 FY20
- * Plan to operate 87 hotels with 8,800 rooms across 58 cities by CY21

Revenue

- * Total Revenue stood at Rs. 142.2 Cr in Q1 FY20, up 11.8% as compared to Rs. 127.1 Cr in Q1 FY19. Around 7% increase was on account of new inventory addition
- * ADR increased by 2.7% from 3,899 in Q1FY19 to 4,002 in Q1 FY20
- * Occupancy increased by 76 bps from 76.8% in Q1 FY19 to 77.5% in Q1 FY20. On same hotels basis it increased by 268 bps to 79.5%
- * Fees from managed hotels stood at Rs. 4.7 Cr (3.3% of the total revenue) in Q1 FY20 as compared to Rs. 4.2 Cr in Q1 FY19 (3.3% of the total revenue)

Cost

- * Total expenses stood at Rs. 96.2 Cr in Q1 FY20 as per the new AS 116 accounting, up 4.4% as compared to Rs 92.1 Cr in Q1 FY19. As per the old accounting the expenses grew by 12.6% in Q1 FY20. Around 7.4% increase was on account of new inventory addition.

Operating Margins

- * EBITDA, as per the new AS 116 accounting, increased by 31.4% from Rs. 35.0 Cr in Q1 FY19 to Rs. 46.0 Cr in Q1 FY20
- * EBITDA margins expanded by 482 bps from 27.3% in Q1 FY19 to 32.3% in Q1 FY20

Profit after tax

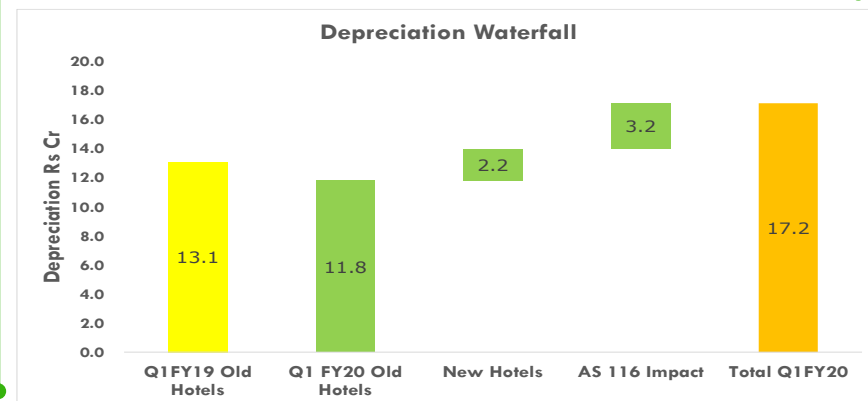
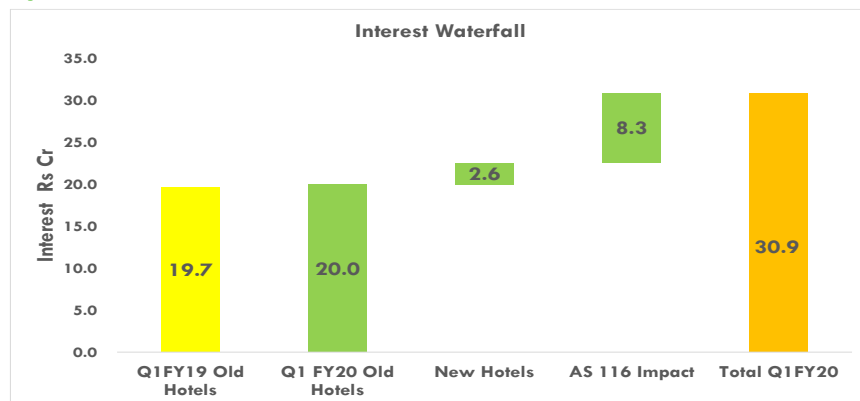
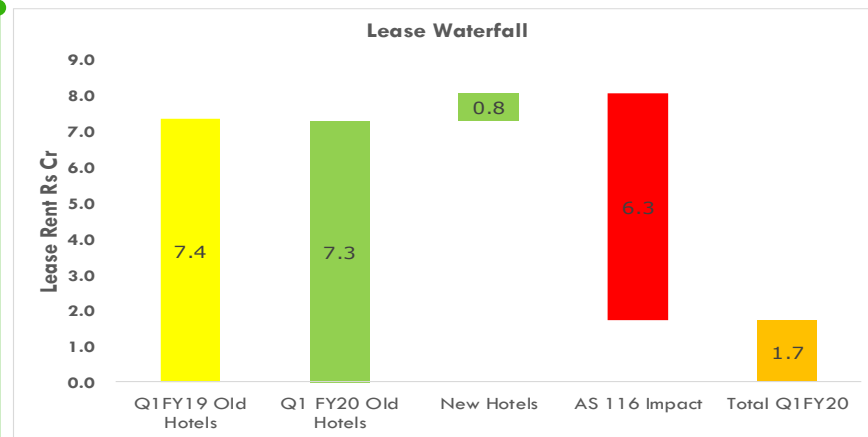
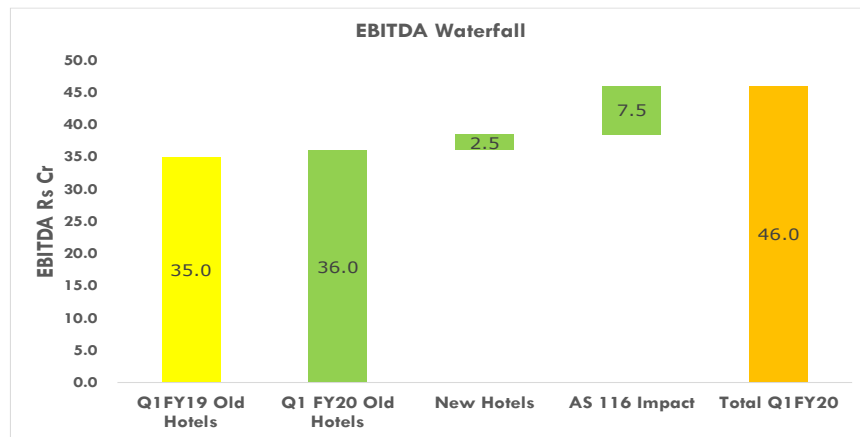
- * Profit after tax, as per the AS 116 accounting, stood at Rs (2.1) Cr in Q1 FY20 as compared to Rs 2.2 Cr in Q1 FY19. As per old accounting the Profit after tax stood at Rs 0.9 Cr.
- * Cash Profit for Q1 FY20 stood at Rs 15.8 Cr, 2.6% higher than Rs 15.4 Cr in Q1 FY19

- Ind AS 116 – “Leases”, the new Accounting Standard came into effect from April 01, 2019
- Impact on Balance Sheet Statement
 - ✓ Lease liability will be recognized for the obligation to make lease payments and a corresponding Right to Use Asset will be created which will be depreciated in accordance with Ind AS 116 requirements
- Impact on Profit and Loss Statement
 - ✓ Lease payment gets replaced by depreciation on Right to Use Asset and Interest Expense on Lease Liability
 - ✓ EBITDA and EBITDA margins will increase
 - ✓ PBT, PAT and EPS will be lower in the initial years because the total value of depreciation and interest expense will be higher than actual lease expense in the initial years. This will get reversed in later years
- Application
 - ✓ The standard has been applied retrospectively with the cumulative effect of initially applying the standard, on the date of initial application (April 01, 2019)
 - ✓ The company has not restated comparative information, instead, the cumulative effect of initially applying this standard has been recognised as an adjustment to the opening balance of retained earnings as on 01 April 2019

Impact of Ind AS 116 on Consolidated Q1FY20 Results

Profit and Loss Statement Impact (In Rs. Crores)	Before Ind AS 116	Ind AS 116 Impact	After Ind AS 116
Lease Rent	8.1	(6.3)	1.7
Other Expenses	34.8	(1.2)	33.6
Net EBITDA	38.5	7.5	46.0
Interest Expense	22.6	8.3	30.9
Depreciation	14.0	3.2	17.2
Profit Before Tax	2.6	(3.9)	(1.4)
Tax	1.6	(0.9)	0.7
Profit After Tax	0.9	(3.0)	(2.1)
Cash Profit	14.9	0.9	15.9

Impact of Ind AS 116 on LHTL Q1FY20 Results as Waterfall



Operational Performance by Brands & Region – Q1FY20 vs. Q1FY19

Q1 FY20 vs. Q1 FY19

Parameters	Occupancy Rate (%)			Average Daily Rate (Rs.)			Hotel level EBITDAR/room (Rs. Lacs)			Hotel level EBITDAR Margin		
By Brand	Q1 FY20	Q1 FY19	Change (bps)	Q1 FY20	Q1 FY19	Change (%)	Q1 FY20	Q1 FY19	Change (%)	Q1 FY20	Q1 FY19	Change (bps)
Lemon Tree Premier	85.4%	82.1%	327	4,835	4,770	1.4%	2.0	2.3	(0.2%)	44.9%	46.3%	(138)
Lemon Tree Hotels	77.4%	73.9%	350	3,920	3,804	3.0%	1.3	1.1	20.6%	35.0%	31.3%	374
Red Fox Hotels	76.3%	76.1%	20	3,013	2,903	3.8%	0.9	1.0	(9.9%)	39.6%	43.3%	(245)

Parameters	Occupancy Rate (%)			Average Daily Rate (Rs.)			Hotel level EBITDAR/room (Rs. Lacs)			Hotel level EBITDAR Margin		
By Region	Q1 FY20	Q1 FY19	Change (bps)	Q1 FY20	Q1 FY19	Change (%)	Q1 FY20	Q1 FY19	Change (%)	Q1 FY20	Q1 FY19	Change (bps)
Delhi	80.8%	84.5%	(373)	4,339	4,148	4.6%	1.7	2.1	(16.1%)	40.0%	45.1%	(510)
Gurugram	79.5%	72.1%	743	3,972	3,967	0.1%	1.4	1.1	25.5%	34.4%	29.8%	467
Hyderabad	88.2%	77.2%	1094	4,005	3,762	6.5%	2.1	1.6	34.8%	49.2%	42.7%	644
Bengaluru	83.1%	82.6%	46	4,299	4,196	2.4%	2.0	1.9	5.0%	46.2%	44.8%	139

Note:

1) These performance results do not include LTP Mumbai, LTP Pune, RFH Dehradun and RFH Chandigarh

Expansion Plans – Hotels under Development

Under-development hotels	Type	Rooms	Expected Opening date	Ownership (%)
Lemon Tree Premier, Kolkata	Owned	142	Oct-19	57.98%
Lemon Tree Premier, Udaipur	Owned	139	Oct-19	57.98%
Lemon Tree Mountain Resort, Shimla	Owned	69	Apr-21	100.00%
Lemon Tree Vembanad Lake Resort, Alleppey, Kerala ¹	Owned	10	Oct-21	100.00%
Lemon Tree Premier, Intl. Airport, Mumbai ²	Owned	577	Nov-21	57.98%
Total		937		

- * Total estimated project cost is Rs. 12,900 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 30th June, 2019 is Rs. 6,350 million
- * Balance investment of Rs. 6,550 million will be deployed over the next 2 years in a phased manner, the majority of which will be through internal accruals

Notes: 1) Expansion in existing hotel.

2) LTH is in the process of applying to convert some commercial spaces in this hotel to rooms. This will increase the hotel's inventory by 92 rooms to 669

Expansion Plans – Pipeline of Management Contracts (as of 31st July , 2019)

Management Contracts Pipeline	Rooms	Expected Opening date	Tenure (years)
Lemon Tree Premier, Rishikesh	66	Nov-19	12
Lemon Tree Hotel, Dubai	114	Nov-19	10
Red Fox Hotel, Vijaywada	90	Dec-19	10
Lemon Tree Hotel, Thimpu	27	Dec-19	12
Lemon Tree Premier, Dwarka	108	Dec-19	12
Lemon Tree Hotel, Shirdi	59	Jan-20	12
Lemon Tree Hotel, BKC, Mumbai	70	Jan-20	15
Lemon Tree Premier, Coorg	63	Jan-20	15
Red Fox Hotel, Neelkanth	80	Mar-20	12
Management Rooms to be Operational in FY 20	677		
Lemon Tree Hotel, Gulmarg	35	Apr-20	10
Lemon Tree Hotel, Jhansi	60	Apr-20	12
Lemon Tree Resort, Mussoorie	40	Apr-20	15
Lemon Tree Premier, Bhubaneshwar	76	Apr-20	10
Lemon Tree Hotel, Ranthambore	60	Aug-20	10
Lemon Tree Premier, Dindy	50	Sep-20	10
Lemon Tree Hotel, Aligarh	68	Sep-20	12
Lemon Tree Hotel, Sonamarg	40	Sep-20	10
Serviced Suites, Manesar	260	Sep-20	10
Lemon Tree Hotel, Bokaro	70	Sep-20	10
Lemon Tree Hotel, Gwalior	104	Sep-20	12
Lemon Tree Premier, Vijaywada	120	Sep-20	12
Lemon Tree Resort, Thimpu	38	Oct-20	10
Lemon Tree Hotel, Rishikesh	102	Nov-20	15
Lemon Tree Hotel, Ludhiana	60	Dec-20	10
Management Rooms to be Operational in FY 21	1183		
Lemon Tree Hotel, Kathmandu	75	Apr-21	10
Lemon Tree Hotel, Trivandrum	100	Sep-21	10
Total Pipeline	2035		

ANNEXURES

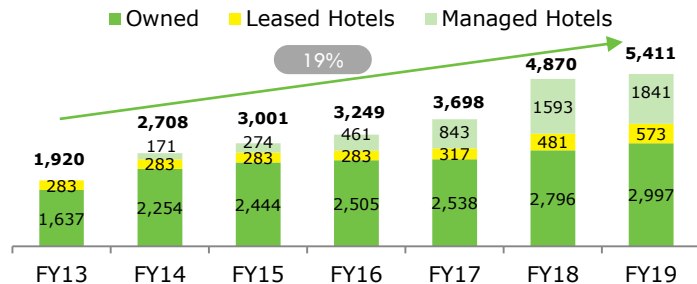


Strong operating performance

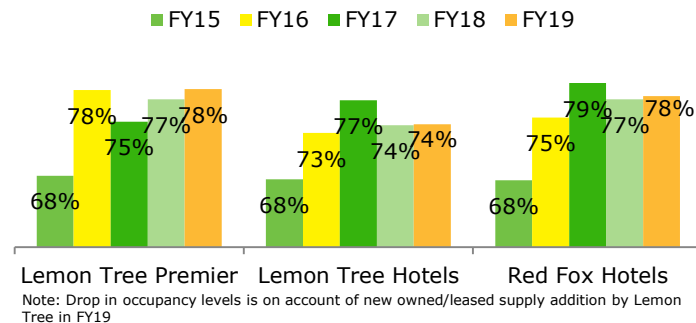
TBA



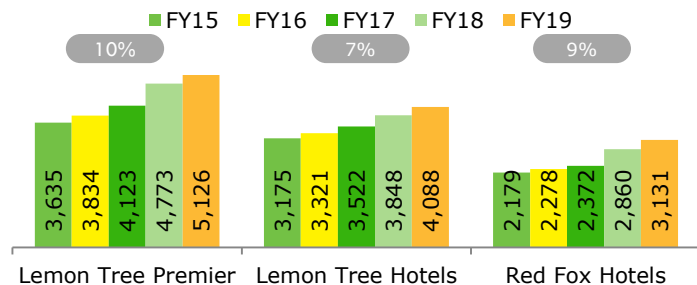
Rooms are being added...



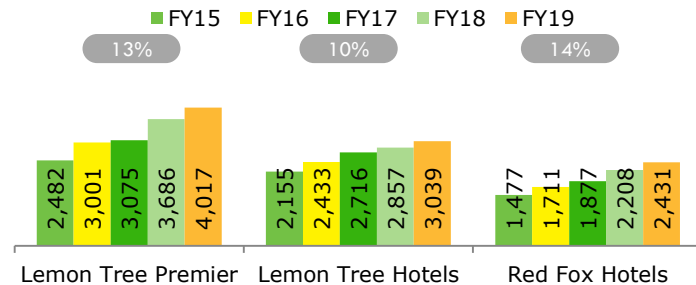
...and occupancy levels increasing...



...coupled with increasing ADR...



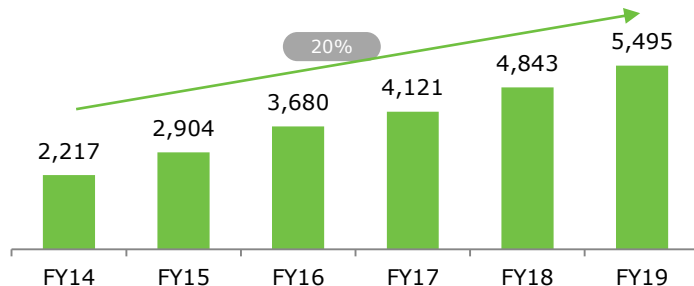
...leading to a RevPAR growth



Strong Growth and improving margins

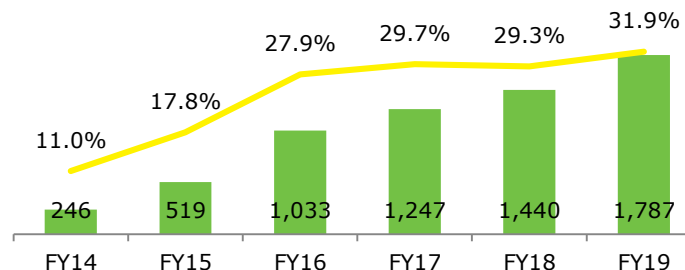
Revenue has increased at 20% over the last 5 years...

Revenue from operations (Rs. million)



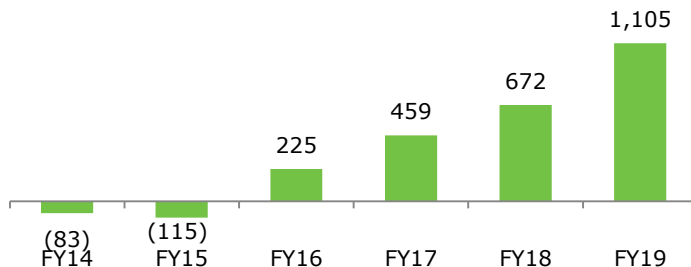
...coupled with increasing EBITDA margins

EBITDA & EBITDA margins



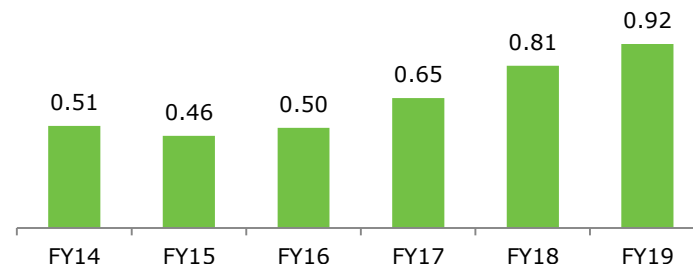
Increasing cash profit* growth

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



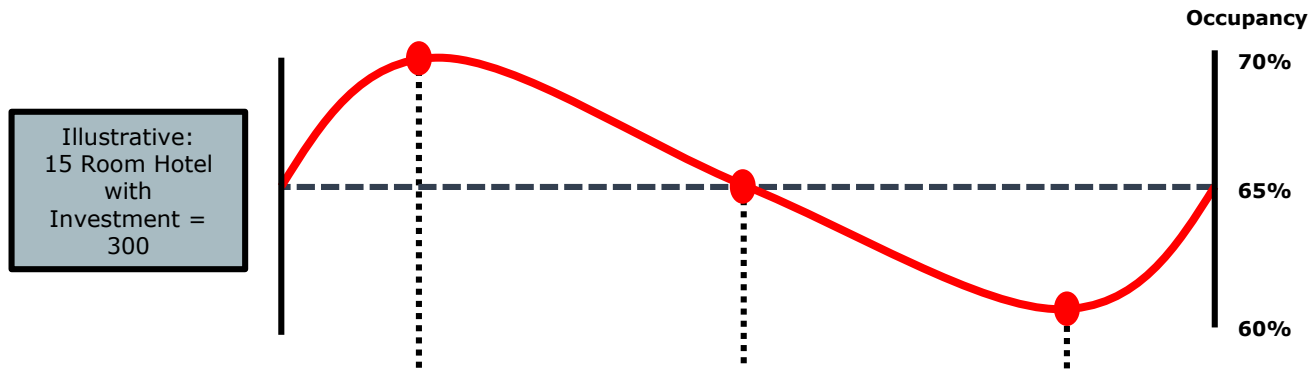
Gearing low

Debt/Equity



Note: FY14, FY15 and FY16 figures are from Lemon Tree Prospectus. FY17, FY18 and FY19 figures are from audited balance sheet.

The hotel business cycle

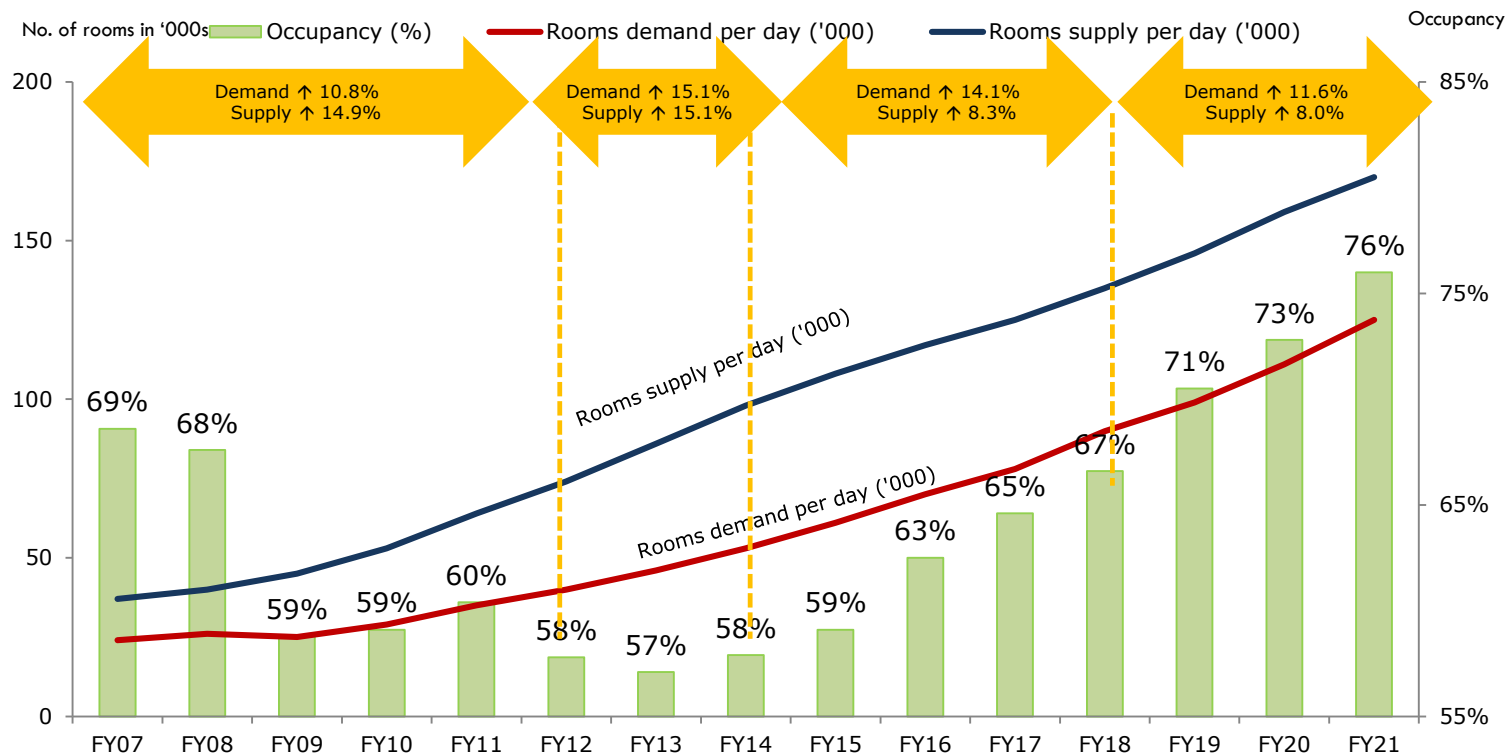


Cycle	Top (2)	Middle (3)	Bottom (2)
Occupancy	70% or more	63-68%	60% or less
Rooms Sold	12	10	8
Average Daily Rate	13	10	7
Revenue	156	100	56
Expenses	60	50	40
EBITDA	96	50	16
Hotel RoCE	32%	17%	5%
Sustainable Debt:Equity Coverage	Full Debt	1:1	No Debt

Note: Hotel RoCE is calculated as Hotel level EBITDA/Capital deployed for operational hotels.

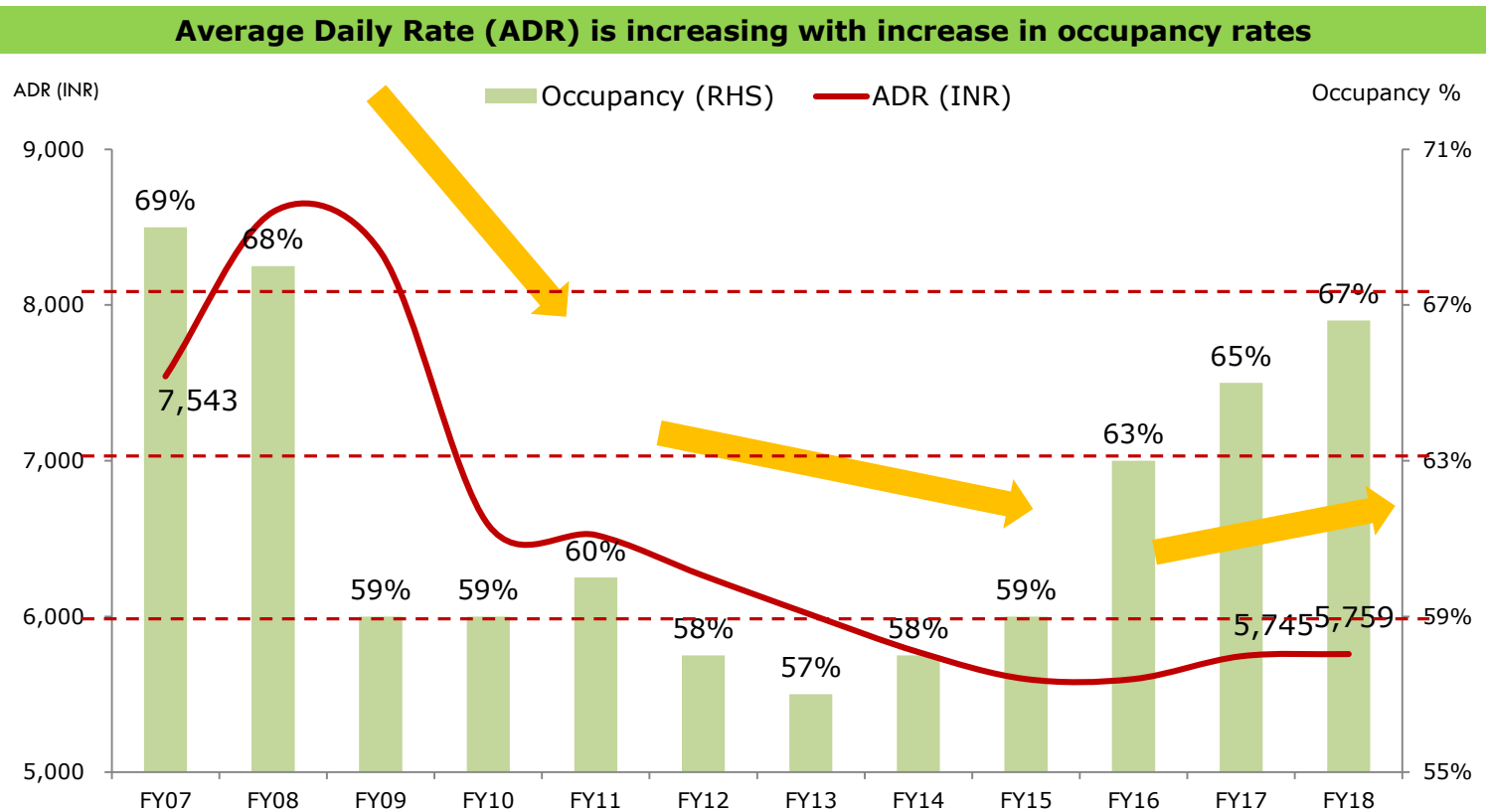
Indian hotel industry is at an inflection point

Slowing supply and rising demand is expected to increase occupancy



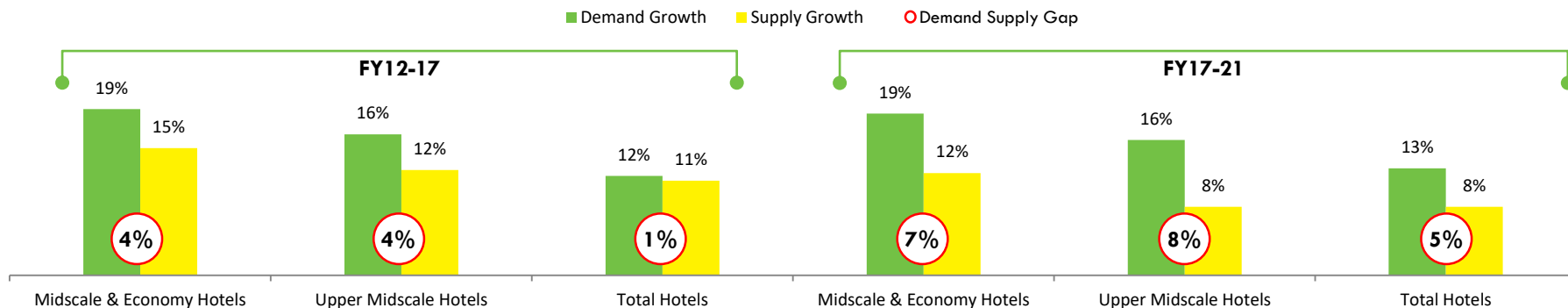
Source : Horwath Report 2017, Hotelivate Trend and Opportunities Report 2018

Increasing occupancy leading to increase in room rates

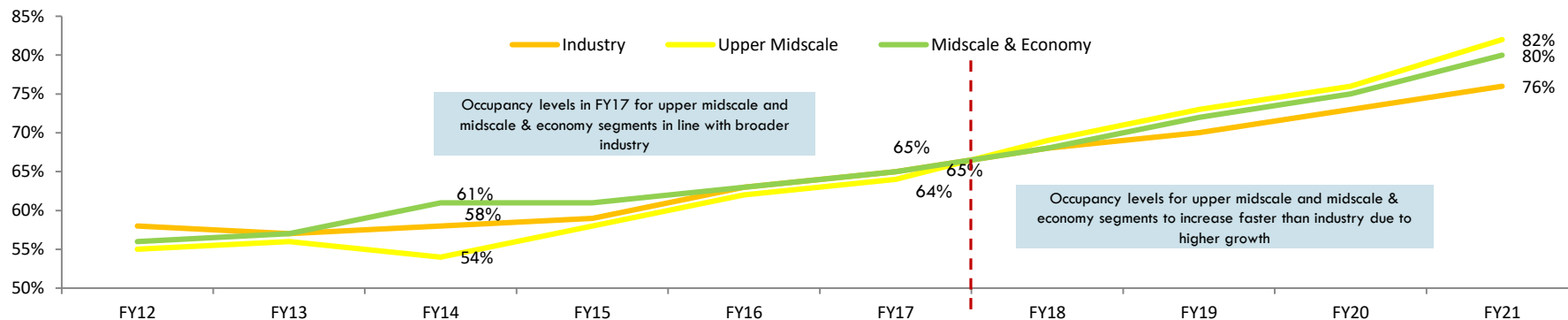


Mid-priced hotel sector expected to have higher demand supply gap resulting in higher growth in occupancy

Mid-priced hotel sector expected to continue having higher demand-supply gap leading to...



...faster growth in expected occupancy



Lemon Tree Hotels Limited (LTH) Q1 FY20 Earnings Conference Call

Time

- 6:30 PM IST on Wednesday, August 7, 2019

Conference dial-in Primary number

- Primary number: +91 22 6280 1141 / +91 22 7115 8042

Local access number

- +91 70456 71221 (Available all over India)

International Toll Free Number

- Hong Kong: 800 964 448
- Singapore: 800 101 2045
- UK: 0 808 101 1573
- USA: 1 866 746 2133

Lemon Tree Hotels (LTH) is the largest mid-priced hotel sector chain, and the third largest overall, on the basis of controlling interest in owned and leased rooms, as of June 30, 2017, according to the Horwath Report. LTH operates in the mid-priced hotel sector, consisting of the upper midscale, midscale and economy hotel segments and seeks to cater to Indian middle class guests and deliver differentiated yet superior service offerings, with a value-for-money proposition.

LTH opened its first hotel with 49 rooms in May 2004 and plans to operate 87 hotels with 8,800 rooms, across 58 cities by CY 2021 in India and abroad.

Lemon Tree hotels are located across India, in metro regions, including the NCR, Bengaluru, Hyderabad and Chennai, as well as tier I and tier II cities such as Pune, Ahmedabad, Chandigarh, Jaipur, Indore and Aurangabad. New hotels will open shortly in Mumbai, Pune, Kolkata and Udaipur.

For more information about us, please visit www.lemontreehotels.com or contact:

Kapil Sharma (Chief Financial Officer)

Lemon Tree Hotels Ltd

Tel: +91 11 4605 0174 / +91 11 4605 0153

E-mail: cfo@lemontreehotels.com

Anoop Poojari / Varun Divadkar

CDR India

Tel: +91 22 6645 1211 / 97637 02204

E-mail: anoop@cdr-india.com

varun@cdr-india.com