

'FAIRTREE WIGAN HOTELS' SHORT INTRO



WIGAN ACQUISITIONS Kft.
www.wiganacq.com

FAIRTREE

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EXECUTIVE SUMMARY

- Fairtree is an asset manager with in excess of £4bn of assets under management with a focused hotel Investment team
- Wigan Acquisitions is a specialist originator and manager of direct real estate co-investments across Europe with over €220m of direct real estate transactions and an additional €250m invested via a separate account platform
- Together with its co-investors, Fairtree and Wigan have partnered to launch a platform to build out a portfolio of best-in-class leisure hotels across Europe offering attractive yields and sustainable income to its capital partners
- Fairtree and Wigan are already working with private family office partners acquiring leisure hotels across the UK, CEE and DACH for proof of concept and looking for additional private capital to accelerate growth of the platform
- These types of leisure hotels have proven high occupancy year-round attractions and are increasingly sought-after as a result of the COVID-19 pandemic, which has led to a collapse in international visitors to hotels worldwide and a significant increase in demand particularly for family-friendly resort hotels from domestic clientele
- Most institutional investors have typically focused more on city centre hotels rather than resorts, which has resulted in resort investments offering relatively more attractive yields and long-term sustainable income prospects
- Fairtree and Wigan are looking to capitalize on this situation by utilizing its established network of local partners to identify and acquire single hotel assets and portfolios across continental Europe and the UK, with a special focus on countries within the DACH and UK regions
- The strategy will be to acquire such properties (range of €20 - 40m) at attractive entry yields (6 - 8%), put in place an operator that ensures strong covenant and/or negotiate a long lease contract to reduce risk
- The investment thesis provides like-minded private capital with access to a geographically-diversified portfolio featuring attractive distribution yields backed by long-term leases to high-quality multi-national tenants with rental guarantees (either existing or potential to extend), as well as significant capital growth opportunities through contracted annual rent increases.



CHANGES IN THE TRAVEL AND TOURISM MARKET

<ul style="list-style-type: none"> • Domestic tourism is booming and shown to have strong resilience • Nature tourism, leisure travel and local resorts increasingly in vogue • New demand for wellness resorts, holiday homes and even camper vans • Top holiday regions experiencing high demand, particularly due to Covid-19 restricting travel 	<ul style="list-style-type: none"> • International travel restrictions means less travel via flights, train and cruises • Car travel is the most preferred mode • Travel is taking place within UK, DACH and CEE countries wherever possible • Big brand operators moving away from city centre hotels to resorts for higher occupancy demand 	<ul style="list-style-type: none"> • Growing interest of investors and operators in the leisure and wellness segment • Managing liquidity a key parameter • Consolidation and takeovers in the operator market expected • 'First mover' opportunity to acquire assets at attractive entry yields
<ul style="list-style-type: none"> • Quarantine regulations create uncertainty • No clear rules with regard to upcoming winter travel season • Short term planning and predictability becomes difficult 	<ul style="list-style-type: none"> • Almost every sector affected by the on-going crisis • Worst effects of the crisis remain uncertain • Travel restrictions are expected to stay much longer than initially anticipated 	<ul style="list-style-type: none"> • Group holiday trips out of favour • Millennials continue to travel • Senior citizens will remain cautious or prefer secluded locations • Higher the income level, greater the willingness to travel and experience • Overseas travel will remain limited

Source : mrp Hotels consulting, Wigan Acq research



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BENEFITS OF FAIRTREE WIGAN HOTELS INVESTMENT STRATEGY

- A number of different single asset and portfolios of leisure hotels have been sourced across Europe and the UK, one of which is currently in exclusivity and due to be acquired (with family office capital partner); and others under evaluation including 10 all-round resorts with an estimated value of more than €300m
- The resort hotels either already have long term (10+ years) lease contracts, or offer the potential to change to such a structure with strong international covenant well known brand operators or to take on a new management contract
- If we can take advantage of being ahead of most institutional investors, who aren't so focused on the leisure hotel asset class, there is significant potential for capital growth through increasing rents and yield compression over the next 3-5 years
- Fairtree and Wigan Hotels will offer its private capital partners attractive tax-advantaged net returns of minimum 6-8% initial yields, equating to approx. 10% levered cash-on-cash per annum (assuming conservative loan-to-value)
- Overall objective for onward sale of the platform in 5-10 years to an institutional investor, trade buyers, partial exit through REIT structure equivalent or through listing as a Fund on the London stock exchange ('LSE' or 'AIM')



NEXT STEPS AND CONCLUSION

- **Fairtree Wigan team has already initiated the following:–**
 - a) *Sourced and evaluated a number of potential target resort investments in strategic locations across UK, DACH and CEE regions*
 - b) *Progressed to pre-DD stage on first such transaction with family office backing*
 - c) *Completed site visits on resort hotels across UK, Austria and Germany with additional site visits and follow-on meetings with respective hotel owners planned in the coming weeks*
 - d) *Presenting the strategy and opportunity to selected equity capital partners for provisional backing on the transactions under active evaluation*
 - e) *Holding discussions with both international operators (likes of Accor, Radisson) as well as regional sector specialists (likes of RIMC, Falkensteiner) to ascertain the right management partners*
 - f) *Discussing with bank lenders on potential LTVs, margins, covenant checklist and preliminary term-sheets*
- In the current climate, the resort hotels and hospitality sector has proven high demand (and repeat annual bookings) from domestic clientele, which is expected to continue and be further enhanced by coronavirus
- The majority of the single asset hotels and portfolios in the pipeline are fully stabilised operations with proven high occupancy, strong trading track records and long lease terms. The predictable income is fully indexed on an annual basis
- The initially selected portfolio of resort hotels tenants includes one of the leasing club concepts across German-speaking markets and with a track record of significant capital growth
- The opportunity is for like-minded capital to partner with Fairtree Wigan Hotels to acquire the select portfolio of resort hotels, benefit from relatively high fixed yield returns with sustainable income and build out the platform to sufficient scale to profit from an onward sale to institutional investor(s)

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APPENDIX



WIGAN ACQUISITIONS TRACK RECORD

- Capital-raising for CEE's largest privately owned mixed-use development company and cross-over shareholding for naval port privatization
- Acquisition & management of food retail-anchored assets (across Central & Eastern Europe for regional platform of US pension fund
- NPL portfolio origination, JV partner structure, bid underwriting and deal execution for global loan servicing and local asset management company
- Acquisition of Budapest-located core office and retail buildings with Hungarian PE & Hong Kong fund as private co-investment; follow-on acquisition of 2 additional prime city centre located office and flagship retail buildings partnering with separate account investor
- Strategic investment advisory mandate for office and retail portfolio of over €2.2bn (book value) spanning 6 countries across CEE/SEE, partnering with global opportunistic investing platform
- Asset management and bid underwriting for target Spanish REO residential portfolio of approx. €45m, partnering with Luxembourg-based multi-family office
- €30m financing for residential development in Balearic Island
- Asset management and bid underwriting for target Spanish REO residential portfolio of approx. €200m, partnering with Zurich and Singapore-based multi family office
- Advised on Dutch listed property fund's acquisition of the real estate assets of a London AIM-listed property company, with a gross asset value of circa €60m, including post-acquisition shareholding in the fund

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FAIRTREE TRACK RECORD

- Fairtree Alternative Real Estate is part of the Fairtree Group, an international investment manager that manages alternative and long only investment portfolios across all global asset classes for institutional clients and high net worth individuals
- Fairtree has sourced, negotiated and completed 23 UK hotel transactions in the last 5 years totaling in excess of £320m
- Fairtree was the lead arranger and sponsor of a large luxury UK hotel group acquisition during 2020
- Fairtree arranged and advised on senior debt in excess of £200m
- Fairtree arranged and advised on the successful listing and rating by S&P of USD100m+ bonds as junior debt for hotel investments
- Fairtree has strong ties with high street banks, debt funds and private family office funders
- Fairtree also owns established hotel management company Providence Hospitality
- Providence Hospitality is a full service hotel management company specializing in leisure assets based in the UK and South Africa



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