

Pat's Review

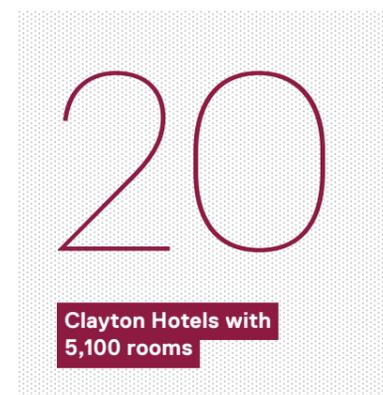


There is an old saying “that time flies when you are having fun” – We must be having great craic in Dalata because time is just flying by. We celebrated our tenth birthday in August of 2017 and are starting our fifth year as a listed company. Since flotation we have seen dramatic changes in the company.

In 2014 we had revenues of €79 million and adjusted EBITDA of €9 million. In 2017 we had revenues of €349 million and adjusted EBITDA of €105 million.

Over the past few years we put together a group of hotels that are well located, modern and well invested. We have developed two hotel brands that have significant traction particularly in the Irish market and are growing in the UK market. We have built really strong relationships with our key customers in all our locations. We have developed partnerships with our suppliers where they offer more than just product delivery. The most pleasing aspect of the last few years is the growth of our people. It is most rewarding to observe the large number of people that are growing up in Dalata. We now have foundations in place to continue building a long term sustainable business with excellent growth prospects.

2017 has seen a continuation of progress across all areas. There is great momentum in the business. You can sense the energy and the drive to improve and get things done. We know we have a long way to go and we cannot allow ourselves to become complacent in any way. It is so easy to become intoxicated with success and many organisations allow this to happen. In Dalata we are not great at celebrating success because we



know we have so much more to do. In 2017 we started the movement from acquisition to development and while we did complete some acquisitions in 2017 (Clayton Hotel Birmingham, Clayton Hotel Liffey Valley and Clayton Hotel Cardiff Lane, both in Dublin) we moved into a phase of new build with both extensions to existing hotels and new build hotels.

In Dalata we have the skillsets to do both acquisitions and develop new hotels and extensions. I am delighted that all our live building projects are on time and on budget. All of these projects will complete and open for business in 2018 with the exception of Maldron Hotel Newcastle which will open in early 2019 (there is a possibility Newcastle may open in 2018 but I am not promising that).

We are very focused on driving business in our existing portfolio of hotels. When a company is doing a lot of new development or acquisitions it is easy to lose focus on your current business. The way we are structured in Dalata means there is always someone “minding the shop”. We are currently building five new hotels and building four major extensions to existing hotels. This will add 980 new bedrooms to Dalata in 2018. We are also in planning for more hotels which will add an additional 1,000 plus bedrooms by 2020.

In Dalata we strongly believe in building our own brands which we will always remain in control of. We have built the two largest hotel brands ever to exist in Ireland with our Maldron and Clayton Hotels. We will continue to roll these out across key cities in the UK. Clayton Hotels are already performing well in the UK and we are looking forward to the opening of our new Maldron Hotel Newcastle. Both of these brands are continuing to build at pace.

We currently have:

- › 20 Clayton Hotels with 5,100 rooms
- › 13 Maldron Hotels with 1,757 rooms

By end of 2018 we will have:

- › 21 Clayton Hotels with 5,425 rooms
- › 17 Maldron Hotels with 2,552 rooms

We also have two Maldron Hotels in planning with 390 rooms and two Clayton Hotels in planning with 600 rooms. We are also developing a number of other brands in the company. There are three of these in existence today:

- › Grain and Grill
- › Club Vitae
- › Red Bean Roastery

Developing and controlling these ancillary brands in-house is key to maximising revenue and profitability in our ground floor operations. Grain and Grill is our food and beverage offering in our Maldron Hotels. We do not have a group branded food and beverage offering in our Clayton Hotels as each hotel has its own food and beverage offering.

Club Vitae is our leisure club brand. These clubs are attached to our hotels and attract outside paid membership but are free to hotel guests. Each has a fully equipped gym and swimming pool. We currently have 14 clubs and a total of 13,000 external members.

Red Bean Roastery is our coffee house brand. We have been rolling these out in each of our hotels over the past year. We currently have sixteen coffee docks in our Maldron and Clayton Hotels.

The roll out of another eighteen coffee docks will continue this year across existing hotels and will be in all new build hotels. All of this is a very clear strategy in Dalata to own and operate our own brands.



9
hotels in the pipeline plus

4
extensions with

2,234
rooms (including extensions)

5
hotels opening by Q1 2019 with

1,244
rooms (including extensions) and

4
hotels opening in 2020 with

990
rooms

When I meet with investors, I talk a lot about our people and growing our own. I also said as we open new hotels the senior teams will come internally. So this is a flavour of what's happening:

- > **Mike Gatt** moves from GM of Maldron Hotel Derry to open Maldron Hotel Belfast City. He is replaced by **Linda Folan**, Deputy GM of Clayton Hotel Leopardstown.
- > **Lynn Cawley** moves from Maldron Hotel Dublin Airport to open Clayton Hotel Charlemont. She is replaced by **Dara McEaney**, Deputy GM in Clayton Hotel Dublin Airport.
- > **Ann Marie Traynor** moves from GM Maldron Hotel Smithfield to open Maldron Hotel Kevin Street, she is replaced by **Patrick Cass** Deputy GM Maldron Hotel Parnell Square.
- > **Robert McCarthy** moves from GM Maldron Hotel Shandon Cork, he is replaced by **Tracy Newman** Deputy GM Clayton Hotel Silversprings Cork.
- > **Anna Wadcock** moves from GM Clayton Hotel Birmingham to Maldron Hotel Newcastle.

The result of these moves and others means that over one hundred people get promoted further enhancing the "grow your own" strategy. We have just completed our third employee survey. Overall I am reasonably happy with the results. However there are a number of areas which need our improvement. This will continue to be our focus this year. The survey is an excellent way of engaging with our people and gives us very clear guidance to the things we need to improve in this critical area.

I mentioned earlier how we are very focused on our customer engagement. It is relatively simple to engage with our large customers and we do a lot in this space. As always we need to do more. With our individual customers it is more difficult as in the new digital age you are not as close to your customer as

you would like. We have, however, developed a very robust system of customer feedback and this allows us to take corrective action in our product and service. Part of the General Managers bonus is based on performance in this area. I am comfortable with the progress we are making here. We will continue our efforts on constant improvement.

This year we will have seen the introduction of MIFID II. This will change the way we engage with our shareholders. In Dalata we believe in very open accessible engagement with our shareholders. In November 2017, we had a very successful Capital Markets Day in London. We also encourage our shareholders to visit our business and get to understand what we are about. We also believe that access to the CEO and Deputy CEO's is very important.



This page: Red Bean Roastery

Opposite: Grain & Grill Restaurant, Maldron Hotel Portlaoise



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We celebrated our
tenth birthday in 2017

While this is time consuming we believe it is the correct way to ensure our message gets out there. We visit many shareholders and attend many investment conferences each year. For an organisation the size of Dalata we believe we can cover a lot of ground and this will not change.

Each year that I have written the piece for the annual report I say that the coming year will be one of great opportunities for Dalata, well this year is no different. We are looking forward to all our new hotel openings and the opening of the hotel extensions. I am also looking forward to announcing more exciting projects that are currently bubbling. Work continues on the existing hotels with refurbishment going at a pace.

My thanks to our Board and our people for the outstanding efforts in 2017. It simply can't be done without you. I come to work every day with the same energy and enthusiasm as I've always had. The energy comes from all the talented driven young and not so young people in Dalata.

Long may it last.

Pat McCann
Chief Executive