Financial Review

I am very pleased with the financial performance of the Group in 2017. Our RevPAR growth outperformed the market in each of the three regions leading to an increase of 10.4% in Group RevPAR.

10.4%
Increase in Group RevPAR

42.9%
2017 Segments EBITDAR margin

€129m
Spent on hotel acquisitions in 2017

€1bn
Hotel assets at 31 December 2017

2017 was another very good year at Dalata for four key reasons. Firstly, the performance of our existing hotels was again very strong. Secondly, we had another year in which we managed to execute some very valuable acquisitions in Ireland and the UK. Thirdly, our development pipeline has proceeded on time and within budget and lastly, we made significant progress in defining and executing our UK growth strategy.

I am very pleased with the financial performance of the Group in 2017. Our RevPAR growth outperformed the market in each of our three regions leading to an increase of 10.4% in Group RevPAR. We converted additional revenue strongly to the EBITDAR line resulting in Segments EBITDAR margin growing from 41.4% to 42.9%.

We spent €129 million on acquisitions (business combination and hotel asset acquisitions) and €59 million on the ongoing construction of our new hotels and extensions. The first of our new hotels opens in Belfast in March 2018 while the 141-room extension at Clayton Hotel Dublin Airport will be completed by the end of May 2018. We continue to secure new hotel developments in the UK. We have entered into a lease for Clayton Hotel Birmingham and have secured agreements to lease new Clayton hotels in Manchester and Glasgow as well as a new Maldron hotel in Glasgow. As expanded on in later paragraphs, we have continued to invest in technology and property refurbishment. This delivers benefits to our customers while our focus on our people has meant that our employee satisfaction remains high. I firmly believe that if you maintain your product, exceed the expectations of the customers who stay with you and take care of the employees that serve those customers, the financial returns will follow for shareholders.

GROUP REVENUE & EBITDA

€'000	2017	2016	Variance
Revenue	348,474	290,551	19.9%
Adjusted EBITDA	104,873	85,132	23.2%
EBITDA	102,657	71,084	44.4%
Profit Before Tax	77,287	44,111	75.2%
Basic EPS	37.2 cents	19.1 cents	94.8%

Group Revenue grew by €57.9 million (19.9%) as a result of (i) the strong RevPAR growth within the existing portfolio, (ii) the full year contribution from those hotels acquired or first leased in 2016 and (iii) the revenue generated at hotels purchased in 2017. The additional revenue was converted strongly to the EBITDAR line. I will focus in more depth on this conversion within the commentary on the individual segments.

Rent increased substantially in 2017. There were a number of factors at play here, the most significant of which was the beginning of our leasehold at the Clayton Hotel Burlington Road Hotel in November 2016.

ADJUSTING ITEMS TO EBITDA

We isolate items that are not directly related to trading and are non-recurring in nature. In 2016, the adjusting items included impairment of goodwill, acquisition costs, stock exchange listing costs and net revaluation movements. The impairment of goodwill was the most significant at €10.3 million. There was no such impairment in 2017. The adjusting items in 2017 relate to a lower level of acquisition costs and net revaluation movements offset to a degree by gains on the disposal of properties and a subsidiary.

EARNINGS PER SHARE

Basic EPS has grown by a very satisfying 94.8% from 19.1 cent to 37.2 cent. This is driven primarily by the 44.4% increase in Group EBITDA to €102.7 million. The non-recurrence of the 2016 goodwill impairment charge of €10.3 million was a contributing factor to the €31.6 million increase in Group EBITDA. Our finance costs were lower due to the capitalisation of interest that related to borrowings used to fund our current development pipeline of new hotels and extensions. Our effective tax rate was also lower in 2017 at 11.6% (2016: 20.8%) due to (i) the impairment of goodwill in 2016 not being a tax-deductible cost and (ii) the benefit of tax losses from previous acquisitions to which no value had been initially attributed.

DIVIDENDS

In February 2018, the Board announced its intention to commence the payment of dividends during 2018. Having reviewed carefully our cash flow projections for the next three years, we concluded that we have the capacity to pay a dividend without restricting our growth strategies. In the same way as we pay interest to our lenders and rent to our landlords, we feel it is appropriate to pay dividends to our shareholders. It is intended that the dividend will be in the range of 20% to 30% of profit after tax.

DELIVERING OUR PROMISE

We have entered into a lease for Clayton Hotel Birmingham and have secured agreements to lease new Clayton hotels in Manchester and Glasgow as well as a new Maldron hotel in Glasgow.

TRADING REVIEW BY SEGMENT
Dublin

€'000	2017	2016	Variance
Room revenue	141,725	107,370	34,355
Food and beverage revenue	46,198	35,392	10,806
Other revenue	12,782	9,183	3,599
Total revenue	200,705	151,945	48,760
EBITDAR	99,006	72,992	26,014
Rent	(26,376)	(19,520)	(6,856)
EBITDA	72,630	53,472	19,158
EBITDAR margin %	49.3%	48.0%	130bps

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Dublin hotels

11%

RevPAR increase at our Dublin hotels (excluding Clayton Hotel Burlington Road)

49.3%

2017 Dublin EBITDAR margin

Performance Statistics

(reflects full 12 months' performance of the hotels in this portfolio for both years regardless of when acquired – Clayton Hotel Burlington Road is excluded from the RevPAR statistics because its performance in the transitional period since its November 2016 acquisition has a disproportionate impact because of its size).

	2017	2016	Variance
Occupancy	86.4%	85.1%	130bps
Average room rate	€114.52	€104.79	€9.73
RevPAR	€99.00	€89.17	€9.83

Dublin remains our key market with 3,992 rooms, it generated 57.6% of Group revenue and 61.2% of the Group's Segment EBITDA in 2017. Therefore, I am delighted to report that we continued to outperform the Dublin market as a whole in 2017 with RevPAR growth (excluding Clayton Hotel Burlington Road) of 11.0% versus the market as a whole at 7.7%. I believe that this outperformance is a result of (i) our decentralised revenue management model, (ii) the benefits of our ongoing refurbishment programme and (iii) our mix of business being less reliant on the transient segment where growth in rates is currently more difficult to achieve. Clayton Hotel Cardiff Lane, Clayton Hotel Dublin Airport, Clayton Hotel Leopardstown, Maldron Hotel Dublin Airport, The Gibson Hotel and the Tara Towers Hotel all performed exceptionally well.

The full year impact of the Clayton Hotel Burlington Road added €8.4 million to food and beverage revenue. Growth in food and beverage revenue in other hotels continues to be more modest than growth in rooms revenue. Helped by the introduction of the Alkimii payroll management system in mid-2016, I am very pleased to see food and beverage department profit margins grew from 29.7% to 30.9%.

The existing Dublin hotels achieved a 'like for like' EBITDAR increase of €9.6 million, reflecting a very strong 75.0% conversion of additional revenue to EBITDAR. We are very focused on the conversion of additional revenue to profit and I am very pleased with the conversion rate we achieved in Dublin. EBITDAR margin came in at a very strong 49.3% for the year.

Rent increased by €6.9 million versus 2016 due to the full year impact of the acquisition of the leasehold interest at the Clayton Hotel Burlington Road (November 2016) and The Gibson Hotel (March 2016). There were increases in performance related rent payments in the Ballsbridge Hotel and Maldron Hotel Dublin Airport. The acquisition of certain parts of the long leasehold interests of the Clayton Hotel Cardiff Lane resulted in a rent saving of €1.2 million in 2017. The purchase of a property (€1.4 million) and a revised lease for another property (€0.6 million) during 2017 resulted in a €2 million release of estimated accruals and liabilities.

We added 35 new rooms in November to our Clayton Hotel in Dublin Airport. A further 106 rooms will be added in May 2018. Our new Maldron Hotel in Kevin Street, Dublin opens in June 2018 and there will be a new Clayton Hotel in Charlemont, Dublin by November 2018. We are also building extensions at Maldron Hotel Parnell Square and Clayton Hotel Ballsbridge in Dublin.

TRADING REVIEW BY SEGMENT
Regional Ireland

€'000	2017	2016	Variance
Room revenue	41,648	36,100	5,548
Food and beverage revenue	26,529	25,174	1,355
Other revenue	7,863	7,193	670
Total revenue	76,040	68,467	7,573
EBITDAR	21,450	18,170	3,280
Rent	(1,179)	(1,939)	760
EBITDA contribution	20,271	16,231	4,040
EBITDAR margin	28.2%	26.5%	170bps

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Regional Ireland hotels

9.1%

RevPAR increase at our Regional Ireland hotels

28.2%

2017 Regional Ireland EBITDAR margin

Performance Statistics

(reflects full 12 months' performance of the hotels in this portfolio for both years regardless of when acquired)

	2017	2016	Variance
Occupancy	75.5%	74.0%	150bps
Average room rate	€92.03	€86.16	€5.87
RevPAR	€69.45	€63.68	€5.77

Our Regional Ireland portfolio operates 1,643 rooms and represented 21.8% of the Group's total revenue and 17.1% of the Group's Segments EBITDA in 2017. 70% of revenues in our Regional Ireland portfolio are generated in the cities of Cork, Galway and Limerick.

Dalata's hotels in Regional Ireland achieved a RevPAR growth year on year of 9.1%. RevPAR in our Cork hotels grew by 8.7% versus the market growth of 13.6%. Maldron Hotel Shandon Cork City and Clayton Hotel Silver Springs outperformed the market. RevPAR growth at Clayton Hotel Cork City was impacted by a significant refurbishment project in Q1 2017 and the changeover from the Clarion Global Distribution System (GDS). RevPAR in our Galway hotels grew by 6.6% versus the market growth of 7.6%. Clayton Hotel Galway and Maldron Hotel Galway achieved higher than market RevPAR growth but Maldron Hotel Sandy Road was behind market growth due to the impact of (i) very strong trading performance in 2016 where the hotel benefitted from a very large demand for rooms generated by a local project and (ii) the beginning of the redevelopment project at the hotel in the final quarter. Our Limerick hotels grew RevPAR by 18.4% versus the market growth of 13.2%.

Food and Beverage revenue increased by €1.4 million due to full year impact of Clayton Hotel Cork City, Clayton Hotel Limerick and Clayton Hotel Sligo (€1.2 million) and €0.2 million growth in other properties on a like for like basis. Food and Beverage profit margins grew slightly from 25.3% to 25.5% and this remains an area of focus for us as we seek to reap the full benefit of technology introduced in the Group.

EBITDAR grew on a 'like for like' basis by €2.8 million reflecting an excellent 71.8% conversion of additional revenue to the EBITDAR line. This was driven primarily by very strong conversion of rooms revenue to rooms department profit. EBITDAR margin for the year came in at 28.2%.

Rent decreased by €0.4 million due to the purchase of the freehold of Maldron Hotel Portlaoise (May 2017) and a further €0.4 million due to the full year impact of the freehold acquisition of Maldron Hotel Shandon Cork City in September 2016 and Clayton Hotel Limerick in June 2016.

Maldron Hotel South Mall Cork is scheduled to open in December 2018. We are also adding 63 rooms to Maldron Hotel Sandy Road in Galway as part of a full redevelopment of that hotel. Both are exciting new developments within our Regional Ireland portfolio.

TRADING REVIEW BY SEGMENT

United Kingdom (Local Currency)

£'000	2017	2016	Variance
Room revenue	41,957	37,866	4,091
Food and beverage revenue	14,017	13,440	577
Other revenue	5,168	4,176	992
Total revenue	61,142	55,482	5,660
EBITDAR	23,718	21,883	1,835
Rent	(2,862)	(3,274)	412
EBITDA contribution	20,856	18,609	2,247
EBITDAR margin	38.8%	39.4%	(60bps)

Performance Statistics

(reflects full 12 months' performance of the hotels in this portfolio for both years regardless of when acquired)

	2017	2016	Variance
Occupancy	83.0%	80.3%	270bps
Average room rate	£80.31	£75.67	£4.64
RevPAR	£66.64	£60.78	£5.86

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UK hotels

9.6%

RevPAR increase at our UK hotels

38.8%

2017 UK EBITDAR margin

Our UK portfolio consists of 1,731 rooms and represented 20.0% of the Group's total translated revenue and 20.0% of the Group's translated Segments EBITDA in 2017. Given our current growth ambitions in the UK, we look very closely at the performance of our UK portfolio. For that reason, I am delighted that we managed to grow RevPAR by 9.6% in 2017. We performed particularly well in Leeds, Manchester and Cardiff and these are the types of regional cities that we plan to locate new hotels within. We also performed very well in London where the extended and refurbished Clayton Hotel Chiswick performed strongly.

Food and Beverage revenue rose on an overall basis by £0.6 million. The impact of the sale of the Croydon Park Hotel and the acquisition of the Clayton Hotel Birmingham broadly cancelled each other out in terms of food and beverage revenue. Excluding the disposed Croydon Park Hotel and the acquired Clayton Hotel Birmingham, Food and Beverage profit margins fell marginally from 32.3% to 31.5% reflecting some inflationary pressures on payroll and food costs.

EBITDAR increased by £1.8 million in 2017. This was predominately driven by the performance of the existing UK hotels. As anticipated, the margin achieved in Clayton Hotel Birmingham in the second half of 2017 is lower than the Group's normal margins as it takes time and expense to implement Dalata's operating model. Excluding the results of Croydon Park Hotel and Clayton Hotel Birmingham, EBITDAR margin grew at our UK hotels from 40.2% to 40.5%.

Rent has decreased by £0.4 million due to the disposal of Croydon Park Hotel in June 2017 and the freehold acquisition of Clayton Hotel Cardiff in October 2016. These savings were offset to a degree by the subsequent sale and lease backs of Clayton Hotel Cardiff in June 2017 and Clayton Hotel Birmingham in August 2017.

Our new Maldron Hotel opens in Belfast in March 2018. A new Maldron is also currently under construction in Newcastle while we announced three very exciting new hotel developments in Glasgow (2) and Manchester during 2017. The full UK pipeline now consists of over 1,300 rooms.

1,731

Rooms in our UK portfolio

MANAGED HOTELS

€'000	2017	2016	Variance
Revenue and EBITDA	1,986	2,641	(655)

Income from management contracts continues to decrease in line with our strategy to focus on an owned and leased portfolio. We are not actively seeking any additional hotels to manage.

CENTRAL OVERHEADS & SHARE BASED PAYMENTS

€'000	2017	2016	Variance
Central overhead	(12,371)	(9,146)	3,225
Share-based payment expense	(1,690)	(1,214)	476
Total	(14,061)	(10,360)	3,701

We have continued to invest in our central office team. We have increased resources across all our main functions as we continue to support our growing portfolio as well as seeking out new opportunities to grow further. During 2017, we started building a small central UK team which supports the hotels in the areas of operations, revenue management, sales and recruitment. This is a very important step in the evolution of our UK strategy as it provides a platform to support our future growth in the UK. We have also increased our central marketing spend to support the growth of our brands across all three regions.

The increase in the share-based payment expense reflects both the cost of the Long-Term Incentive Plan (LTIP) and the very strong take-up in our Save As You Earn (SAYE) scheme which is available to all employees.

FINANCE COSTS

€'000	2017	2016	Variance
Interest expense on loans	7,346	7,535	(189)
Impact of interest rate swaps and caps	1,348	1,206	142
Other finance costs	2,327	1,778	549
Net exchange loss on loans and borrowings and cash	204	977	(773)
Interest capitalised to property, plant and equipment	(1,589)	-	(1,589)
Total finance costs	9,636	11,496	(1,860)

Finance costs decreased by €1.9 million in 2017 predominately due to €1.6 million of interest being capitalised to the hotels currently under construction. Approximately 30% of our euro denominated borrowings are subject to an interest cap until September 2019. We have taken out interest rate swaps covering 58% of sterling denominated borrowings up until February 2020. As LIBOR was less than the rate we fixed, we incurred a further interest cost of €1.3 million on top of actual interest paid.

Other finance costs include the negative yield on cash held in money-market funds, the amortisation of debt capitalised costs and commitment fees on loans and borrowings. The increase in other finance costs compared to 2016 is due to the amortisation of costs which were capitalised on the Group's loans and borrowings.

OPERATING CASHFLOW

€'000	2017	2016	Variance
Net cash from operating activities	95,207	77,813	17,394
Amounts paid for refurbishment capital expenditure	(14,633)	(12,411)	(2,222)
Interest and finance costs paid	(10,101)	(9,983)	(118)
Adjusting cash items	1,260	3,964	(2,704)
Free cashflow	71,733	59,383	12,350
Key performance indicators			
Conversion of adjusted EBITDA to cash	68.4%	69.8%	(140 bps)
Net debt to Adjusted EBITDA	2.4	2.4	-

€71m
Free cashflow in 2017

2.4x
Net debt to Adjusted EBITDA

We define free cashflow as the net cash generated to fund acquisitions, development expenditure and loan repayments. Our portfolio is now generating high levels of free cashflow for three primary reasons. Firstly, our decentralised operating model is delivering high returns from our hotels. Secondly, it has been our stated strategy to purchase modern hotels that can be maintained to high standards at a reasonable ongoing cost. We allocate approximately 4% of revenue each year to refurbishment capital expenditure for this purpose. Finally, our low level of gearing with a net debt to adjusted EBITDA of 2.4x results in a relatively low interest charge.

We generated over €71 million in free cashflow in 2017 which together with (i) the proceeds from sale and leaseback transactions and (ii) further drawdown of our loan facilities, we were able to fund scheduled loan repayments, acquisitions and the construction of our development pipeline.

GROUP FINANCING

€'000	2017
Loans and borrowings at start of the year	280,415
New facilities drawn down	36,680
Capital repayment	(49,896)
Effect of foreign exchange movements	(8,211)
Amortisation of debt costs	1,151
Loans and borrowings at end of the year	260,139

The Group's loans and borrowings amounted to €260.1 million at 31 December 2017, of which €196.5 million (£174.4 million) was denominated in sterling. We deliberately hold a greater share of debt in sterling as it acts as a natural hedge against the impact of sterling exchange rate fluctuations on the euro value of our UK assets. The weakening in the value of sterling during 2017 reduced the euro value of those sterling loans in 2017.

On 6 July 2017, we increased the revolving credit facility by €50 million to €80 million. On 16 July 2017, we drew down £30.0 million from the multi-currency revolving credit facility to fund the purchase of Hotel La Tour in Birmingham. We subsequently repaid that amount on 11 August 2017 after the sale and leaseback of the same property. On 28 December 2017, €2.5 million was drawn from the revolving credit facility to fund working capital requirements.

At 31 December 2017 the Group had undrawn facilities of €99.7 million. Net debt to adjusted EBITDA was unchanged at 2.4x. This is well within our objective of keeping the ratio at 3.5x or below when we are fully invested.

The current debt facilities are due to expire in early 2020. However, we are engaging with banking partners early to discuss refinancing options and strategies.

PROPERTY, PLANT AND EQUIPMENT

€'000	2017	2016
Property, plant & equipment	998,812	822,444

The value of the Group's property, plant and equipment was almost €1 billion at 31 December 2017. This is a significant milestone when you consider the comparable amount was only €23.9 million in June 2014. Revaluation gains of €155.1 million since 2014 reflect both the quality of the assets we have bought and the value at which we acquired them.

The total value of property, plant and equipment increased by €176.4 million in 2017 due to additions (€210.3 million), a net revaluation gain (€52.1 million) and capitalised borrowing costs of €1.6 million. These increases were offset by the sale and leaseback transactions of two hotels (€62.1 million), the depreciation charge (€15.7 million) and adverse foreign exchange movements in the value of sterling which decreased the value of the UK hotel assets by €10.0 million.

Additions to property, plant and equipment

€'000	2017	2016	Variance
Hotel assets acquired (including development sites)	129,027	131,749	(2,722)
Expenditure on new pipeline (including extensions)	59,064	3,043	56,021
Refurbishment capex expenditure	14,633	12,411	2,222
Development capex expenditure	7,547	13,028	(5,481)
Additions to property, plant and equipment	210,271	160,231	50,040

The Group spent €129.0 million on the acquisition of hotel assets during 2017. As part of the acquisition of the trading businesses of Clarion Hotel Liffey Valley (now trading as Clayton Hotel Liffey Valley) in August and Hotel La Tour, Birmingham (now trading as Clayton Hotel Birmingham) in July the Group acquired property assets valued at €22.7 million and €34.6 million respectively. Clayton Hotel Birmingham was subsequently sold and leased back through a separate transaction.

The Group purchased a further 104 rooms in the Clayton Hotel Liffey Valley in two separate transactions totalling €10.6 million, bringing the total owned room count to 257 bedrooms. Certain elements of the long leasehold interest of Clayton Hotel Cardiff Lane (232 rooms, the public areas and a vacant conference area) were acquired in two distinct transactions totalling €48.2 million. The Group also purchased the freehold interest of Maldron Hotel Portlaoise for a cost of €8.5 million (the adjoining foodcourt was simultaneously sold to a third party for €1.7 million).

The construction of Maldron Hotel Kevin Street, Clayton Hotel Charlemont and Maldron Hotel

€1bn
Hotel assets at 31 December 2017

€210m
Additions to property, plant and equipment in 2017

889
Rooms refurbished during 2017

Belfast City continued in 2017. We commenced construction of Maldron Hotel South Mall Cork in the final quarter of 2017. We also commenced construction of extensions at three of our Dublin hotels and one of our Galway hotels at various points during the year. The total spend on these hotel development projects was €59.1 million during 2017.

In addition to the amount spent on acquisitions the Group spent €22.2 million on other capital expenditure. In total 889 rooms were refurbished during 2017. €14.6 million was invested in on-going maintenance projects to refurbish rooms and public areas, upgrade technology and ensure the Group continues to adhere to health and safety standards. A further €7.6 million was spent bringing newly acquired hotels in line with brand standards.

GOODWILL AND INTANGIBLE ASSETS

€'000	2017	2016
Opening balance at start of the year	54,267	46,803
Acquisition of leasehold interest	-	20,500
Transferred from investment property	682	-
Impairment losses during the year	-	(10,325)
Amortisation of intangible assets	(24)	
Movement in exchange rates	(363)	(2,711)
Closing balance at end of the year	54,562	54,267

There were no significant movements in the value of goodwill and other intangible assets during the year ended 31 December 2017. The main components of the balance at year end are:

- Goodwill of €33.4 million – an impairment review of the goodwill valuation was carried out at 31 December 2017 and it was concluded that the carrying value of €33.4 million was appropriate
- An intangible asset with an indefinite life representing the Group's leasehold interest in The Gibson Hotel, which was acquired as part of the Choice Hotel Group business combination in March 2016 and has a carrying value of €20.5 million

NEW ACCOUNTING STANDARDS

IFRS 16 Leases

The new accounting standard on leases comes into effect from 1 January 2019 onwards. We outlined at our Capital Markets Day in November 2017 the potential impact of the standard on Dalata and this presentation is available in the Investor section of our website **www.dalatahotelgroup.com.**

Under the new standard, the distinction between operating and finance leases is removed for lessees and almost all leases are reflected in the statement of financial position. As a result, an asset (the right-of-use of the leased item) and a financial liability to pay rental expenses are recognised. Fixed rental expenses will be removed from the profit or loss account and replaced with finance costs on the lease liability and depreciation on the right-of-use asset. Variable lease payments which are dependent on external factors such as hotel performance will be recognised directly in profit or loss.

Despite the significant impact of the accounting change on our financial statements we do not see any material impact on strategy or the commercial negotiations of new leases. There will be no impact on cashflow. Additionally, bank covenants as currently calculated under existing debt arrangements will not be impacted as their calculation is based on GAAP on date of entry into the agreements.

The full impact of this standard on the Group's financial position and performance continues to be assessed. The Group does not intend to early adopt IFRS 16 and prior year financial information will not be restated resulting in no impact on retained earnings on transition.

An illustrative example of how the standard could impact the Group is presented in note 23 to the financial statements for the year ended 31 December 2017 on page 163. As these calculations use a notional discount rate that is not indicative of what the actual rate will be (as the rate cannot yet be determined), the disclosure in note 23 is purely for illustrative purposes.

IFRS 15 Revenue from Contracts with Customers

Under IFRS 15, all revenue from customer contracts will be recorded on a gross basis with commissions deducted separately as cost of sales. The impact is limited to a reclassification between revenue and cost of sales in profit or loss, with no overall effect on profit. If IFRS 15 had been effective from 1 January 2017, this would have resulted in an increase in revenue of €3.6 million for the year ended 31 December 2017, with a corresponding increase in cost of sales of the same amount.

The Group will adopt IFRS 15 in the consolidated financial statements for the year ending 31 December 2018 and will restate the comparative numbers for the year ended 31 December 2017. Accordingly, revenue will increase as it is presented on a gross basis and cost of sales will increase due to the inclusion of commissions.

EVOLVING GROWTH STRATEGY

When we first floated Dalata in 2014, our focus was very much on purchasing hotel assets at very attractive prices in markets that we believed were about to recover very strongly. We continued that strategy into 2015.

In 2016, when we felt that there was less value available on the market, we focused on purchasing sites where we could develop new hotels as well as identifying opportunities to extend some of our existing hotels.

In 2016, we also exploited the strength of our balance sheet covenant for the first time in securing a long-term leasehold interest at Clayton Hotel Burlington Road in Dublin.

In 2017, we focused on constructing those new hotels and extensions but we also managed to execute some very attractive acquisitions. We had long sought to purchase the effective freehold interests of Clayton Hotel Cardiff Lane and in 2017, our patience paid off when we acquired 232 rooms, the public areas and a vacant conference area for €48.2 million in two separate transactions. We also managed to secure 257 rooms and the public areas of the now rebranded Clayton Hotel Liffey Valley for €33.6 million in three separate transactions.

In 2017, our UK strategy also gathered momentum. We partnered with M&G Real Estate to execute a sale and leaseback of our Clayton hotel in Cardiff. We teamed up with Deka Immobilien to secure a leasehold interest in the now rebranded Clayton Hotel Birmingham. Our operational expertise and the strength of our balance sheet is attractive to these partners and also helped us secure agreements to lease new hotels on completion in Glasgow (2) and Manchester.

In 2018, we will be focused on completing the projects that will deliver an additional 980 rooms to the Group. We will also be focused on getting these hotels up and running operationally as quickly as possible. The senior management teams have either been appointed or identified for each of the new hotels. We will also look to secure a further 1,200 rooms for our development pipeline.

Our growth strategy has evolved over the last four years and will continue to evolve into the future.

CONCLUSION

As you can see from the previous paragraph, we continue to be very hungry for further growth. However, we are equally focused on maximising the returns from our current portfolio.

We are very focused on developing our people to both ensure that the existing hotels are operated to the highest standards and new managers are trained for the pipeline we are building. We are constantly asking our customers what they think of us and acting on their feedback. We continue to develop our brands and believe that it is a significant advantage when you are the sole operator of your own brands.

We are investing in technology to help us better serve our customers, better manage our people, better manage our revenue opportunities and deliver operational efficiencies. The key is to now ensure that we use that technology effectively to deliver the expected benefits.

If we focus on our people, our product, our brands and our customers and support that focus with smart use of technology, financial returns to our shareholders will follow strongly. That is the focus for 2018.

I said last year that the journey had only begun. It now continues and it looks like a very exciting road ahead.

Dermot Crowley
Deputy Chief Executive
Business Development & Finance

DELIVERING OUR PROMISE

If we focus on our people, our product, our brands and our customers and support that focus with smart use of technology, financial returns to our shareholders will follow strongly.