

MILLENNIUM & COPTHORNE HOTELS PLC
TRADING UPDATE
First quarter results to 31 March 2019
 LEI: 2138003EQ104LZ1JNH19

Highlights for 1st quarter 2019:

	Q1 2019	Reported Currency			Constant Currency		
		Q1 2018	Change		Q1 2018	Change	
RevPAR	£70.01	£68.48	£1.53	2.2%	£70.65	£(0.64)	(0.9)%
Revenue - total	£215m	£217m	£(2)m	(0.9)%	£224m	£(9)m	(4.0)%
Revenue – hotel	£187m	£187m	-	-	£193m	£(6)m	(3.1)%
Profit before tax	£11m	£26m	£(15)m	(57.7)%	£26m	£(15)m	(57.7)%

* Like-for-like comparisons exclude the impact of acquisitions, closures and refurbishments; and they are stated in constant currency terms.

- Group RevPAR in constant currency for Q1 2019 decreased by 0.9% to £70.01 (Q1 2018: £70.65). Like-for-like* Group RevPAR decreased by 0.8%. Like-for-like* comparison excludes the Mayfair hotel and Millennium New Plymouth New Zealand.
- Operating performance was negatively impacted by refurbishment affecting major hotels in two of the Group's key gateway cities - London and Singapore. The Mayfair London property was partially closed in November 2017 and then fully closed in July 2018. The Orchard Hotel in Singapore has been under phased refurbishment since middle 2017.
- Total revenue in constant currency decreased by £9m, driven mainly by the impact of hotel refurbishment and lower contributions from the REIT hotels and property income.
- Pre-tax profit in constant currency for Q1 2019 decreased by £15m to £11m (Q1 2018: £26m). Profit was impacted by the Mayfair property refurbishment and lower contributions from Asian hotels, principally due to the Orchard Hotel Singapore refurbishment. In addition, REIT profit contributions were down by £3m and net finance cost was higher by £5m. In Q1 last year, CDL Hospitality Trusts recognised £3m profit from divestment of its two Australian properties.
- Management is in the final stage of discussions with Hilton regarding the Group's operation of the newly renamed Millennium Times Square New York, formerly known as the Millennium Broadway New York Times Square, as an affiliate of Hilton, with access to its reservation channels and loyalty programme.
- For the first 21 days of April 2019, like-for-like* Group RevPAR increased by 2.2%.

Mr Kwek Leng Beng, Chairman, commented:

"Despite the uncertainties and challenges in the global economy, we remain focused on making the best use of our hospitality assets. The Group is prioritising the refurbishment of our key gateway city properties to reposition our hotels, whilst seeking to minimise the short-term negative impact on our trading results. Operationally, we must successfully manage the refurbishment process and re-focus our sales efforts so as to improve yields. To that end, the affiliation agreement with Hilton for the Millennium Times Square New York will allow us to continue to manage one of our most significant hotels and help us to turn around the performance of the hotel more quickly."

Enquiries

Millennium & Cophorne Hotels plc

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FINANCIAL PERFORMANCE

	Q1 2019 £m	Reported Currency			Constant Currency		
		Q1 2018 £m	Change		Q1 2018 £m	Change	
			£m	%		£m	%
Hotel	187	187	-	-	193	(6)	(3.1)
Property	13	14	(1)	(7.1)	14	(1)	(7.1)
REIT	15	16	(1)	(6.3)	17	(2)	(11.8)
Total Revenue	215	217	(2)	(0.9)	224	(9)	(4.0)

For Q1 2019, hotel revenue in constant currency was down by £6m or 3.1% compared to the same period last year. Impact from Mayfair hotel closure was £3m.

Property revenues were lower by £1m or 7.1% in Q1 2019 as compared to last year due principally to lower sales of residential sections in New Zealand.

HOTEL OPERATIONS

For comparability, the following performance review is based on calculations in constant currency whereby 31 March 2018 RevPAR and average room rates have been translated at average exchange rates for the period ended 31 March 2019.

In constant currency, Group RevPAR decreased by 0.9% to £70.01 for the first quarter ended 31 March 2019. Average room rate was down 1.6% and occupancy increased by 0.5% points. Like-for-like Group RevPAR decreased by 0.8% compared to the same period last year.

Q1 2019	RevPAR			Occupancy			Average Room Rate		
	Q1 2019 £	#Q1 2018 £	Change %	Q1 2019 %	Q1 2018 %	Change %pts	Q1 2019 £	#Q1 2018 £	Change %
New York	111.69	113.42	(1.5)	76.9	75.2	1.7	145.33	150.73	(3.6)
Regional US	48.17	48.89	(1.5)	51.5	50.7	0.8	93.50	96.52	(3.1)
Total US	69.17	70.14	(1.4)	59.9	58.8	1.1	115.48	119.38	(3.3)
London	82.93	78.72	5.3	73.7	69.3	4.4	112.53	113.66	(1.0)
Rest of Europe	45.15	47.04	(4.0)	62.8	64.7	(1.9)	71.86	72.72	(1.2)
Total Europe	63.07	63.28	(0.3)	68.0	67.0	1.0	92.78	94.40	(1.7)
Singapore	83.40	85.49	(2.4)	86.5	86.6	(0.1)	96.45	98.67	(2.2)
Rest of Asia	57.83	59.85	(3.4)	62.2	63.0	(0.8)	92.90	94.98	(2.2)
Total Asia	67.73	69.78	(2.9)	71.6	72.2	(0.6)	94.56	96.70	(2.2)
Australasia	90.71	88.80	2.2	91.3	91.2	0.1	99.34	97.37	2.0
Total Group	70.01	70.65	(0.9)	69.1	68.6	0.5	101.27	102.96	(1.6)

In constant currency whereby 31 March 2018 RevPAR and average room rates have been translated at average exchange rates for the first quarter ended 31 March 2019.

US

US RevPAR for Q1 2019 decreased by 1.4% to £69.17 (Q1 2018: £70.14). Average room rate dropped by 3.3% and occupancy increased by 1.1% points.

New York RevPAR fell by 1.5% to £111.69 (Q1 2018: £113.42) due to decrease in room rates by 3.6%; offset partially by increase in occupancy of 1.7% points. Regional US also has the same trend with a 1.5% decrease in RevPAR during Q1 2019.

The US federal government shutdown and Polar Vortex during January this year have negatively impacted demand, especially corporate transient and group travels. There were also two major non-repeat citywide events in Los Angeles and Minneapolis that took place during Q1 last year.

Europe

Europe RevPAR during Q1 2019 fell slightly by 0.3% principally due to the lower room rates.

London RevPAR increased by 5.3% to £82.93 (Q1 2018: £78.72). Occupancy increased by 4.4% points. Average room rate fell by 1.0% during Q1 2019. The Mayfair hotel, which has been closed for refurbishment since July 2018, is anticipated to re-open in mid-2019. Like-for-like London RevPAR excluding the Mayfair hotel increased by 4.9% with average room rate up by 5.1% and occupancy down slightly by 0.1% point. The higher average room rate was due to the substitution of a portion of the air crew business with higher price retail business at premium properties.

RevPAR for Rest of Europe dropped by 4.0% with decreases in both occupancy and average room rate of 1.9% points and 1.2% respectively.

Asia

Asia RevPAR during Q1 2019 decreased by 2.9% to £67.73 (Q1 2018: £69.78) due to decreases in both occupancy and average room rates of 0.6% points and 2.2% respectively.

Singapore RevPAR decreased by 2.4%. Occupancy was down slightly by 0.1% point. Average room rate was also down by 2.2%. The Group's hotels in Singapore continued to suffer from weaker demand from the corporate sector. The refurbishment work at Orchard Hotel involving guest rooms and public areas has also negatively affected the region's performance. There were certain non-repeat events such as Singapore Airshow and government meetings that took place last year.

Australasia

RevPAR for New Zealand during Q1 2019 increased by 2.2% with increases in both occupancy and average room rate of 0.1% point and 2.0% respectively.

Excluding Millennium New Plymouth which was acquired in February last year, like-for-like Australasia RevPAR grew by 2.3%. The three top contributors were Kingsgate Hotel Te Anau, M Social Auckland and Millennium Hotel Queenstown.

Developments

The Sunnyvale California project comprises the construction of a 263-room hotel and a 250-unit residential apartment block on 35,717m² mixed use freehold landsite. The ground-breaking ceremony was held on 16 October 2018. Construction of the apartment element will commence first and the whole project is expected to complete in Q1 2021. The hotel will be branded as M Social to fit with the expected guest profile. Total construction cost is estimated at US\$180m (£136m).

Architecture and engineering designs in relation to the construction of a 300-room hotel and a 250-unit serviced apartment complex on Yangdong development land, situated adjacent to Millennium Seoul Hilton, are still to be finalised. Total construction cost is anticipated to be around KRW130b (£87m).

Hotel refurbishments

The on-going refurbishment work at the Mayfair hotel which is now renamed The Biltmore, Mayfair, is expected to complete in mid-2019. The hotel will have 257 luxurious guest rooms plus 51 designer suites.

The refurbishment work of the public areas at the Orchard Hotel has substantially completed, with the ground floor lobby and F&B outlets completed in December last year and the ballroom and meeting spaces completed in March this year. The refurbishment of the 260 units of guestrooms at the Orchard Wing is currently still in progress, with 7 out of 11 floors completed. The remaining 4 floors are targeted to complete in Q2 2019.

Disposals

During Q1 last year, CDLHT disposed of its investment in two hotels in Australia, the Mercure Brisbane and Ibis Brisbane for A\$77m (£45m) generating a profit of £3m.

Board & management changes

As previously announced, Mrs Vicky Williams will be joining M&C's Board of Directors as an independent Non-Executive Director immediately following the Company's Annual General Meeting scheduled on 10 May 2019. Ms Paola Bergamaschi Broyd joined the Board as an independent Non-Executive Director on 21 March 2019.

The search for a permanent Group Chief Executive Officer is on-going.

New accounting standard

The Group adopted "IFRS 16 Leases" with effect from 1 January 2019 using modified retrospective approach. IFRS 16 results in lessees accounting for operating leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 Leases. Lessees will recognise a 'right of use' ("ROU") asset and a corresponding financial liability on the balance sheet. The asset will be amortised over the period of the lease and the financial liability measured at amortised cost.

This announcement contains certain statements that are or may be forward-looking with respect to the financial condition, results or operations and business of Millennium & Copthorne Hotels plc. By their nature forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. Undue reliance should not be placed on forward looking statements which speak only as of the date of this document. The Group accepts no obligation to publicly revise or update these forward-looking statements or adjust them to future events or developments, whether as a result of new information, future events or otherwise, except to the extent legally required.

**Condensed consolidated income statement (unaudited)
for the three months ended 31 March 2019**

	First Quarter 2019 Unaudited £m	First Quarter 2018 Unaudited £m	Full Year 2018 Audited £m
Revenue	215	217	997
Cost of sales	(102)	(101)	(436)
Gross profit	113	116	561
Administrative expenses	(100)	(95)	(423)
Other operating income	-	3	30
Other operating expense	-	-	(63)
Operating profit	13	24	105
Share of profit of joint ventures and associates	6	5	29
Finance income	4	6	9
Finance expense	(12)	(9)	(37)
Net finance expense	(8)	(3)	(28)
Profit before tax	11	26	106
Income tax expense	(1)	(4)	(13)
Profit for the year	10	22	93
Attributable to:			
Equity holders of the parent	1	8	43
Non-controlling interests	9	14	50
	10	22	93

The financial results above derive from continuing activities.

**Condensed consolidated statement of financial position (unaudited)
as at 31 March 2019**

	As at 31 March 2019 Unaudited £m	As at 31 March 2018 Unaudited £m	As at 31 Dec 2018 Audited £m
Non-current assets			
Property, plant and equipment	3,284	3,035	3,153
Lease premium prepayment	–	100	103
Investment properties	656	565	668
Investment in joint ventures and associates	357	321	358
Other financial assets	42	–	43
	4,339	4,021	4,325
Current assets			
Inventories	5	4	5
Development properties	114	107	115
Lease premium prepayment	–	2	2
Trade and other receivables	97	84	102
Cash and cash equivalents	364	356	375
	580	553	599
Total assets	4,919	4,574	4,924
Non-current liabilities			
Interest-bearing loans, bonds and borrowings	(744)	(788)	(789)
Employee benefits	(13)	(17)	(14)
Provisions	(9)	(9)	(9)
Other non-current liabilities	(19)	(17)	(15)
Lease liabilities	(102)	–	–
Deferred tax liabilities	(164)	(182)	(172)
	(1,051)	(1,013)	(999)
Current liabilities			
Interest-bearing loans, bonds and borrowings	(362)	(186)	(313)
Trade and other payables	(209)	(202)	(220)
Provisions	(1)	(2)	(2)
Lease liabilities	(4)	–	–
Income taxes payable	(19)	(18)	(27)
	(595)	(408)	(562)
Total liabilities	(1,646)	(1,421)	(1,561)
Net assets	3,273	3,153	3,363
Equity			
Issued share capital	97	97	97
Share premium	843	843	843
Translation reserve	428	356	491
Treasury share reserve	(4)	(4)	(4)
Fair value reserve	4	–	5
Retained earnings	1,339	1,316	1,338
Total equity attributable to equity holders of the parent	2,707	2,608	2,770
Non-controlling interests	566	545	593
Total equity	3,273	3,153	3,363

Segment results

	Q1 2019								Total Group £m
	New York £m	Regional US £m	London £m	Rest of Europe £m	Singapore £m	Rest of Asia £m	Australasia £m	Central Costs £m	
Revenue									
Hotel	27	28	20	14	32	40	26	-	187
Property operations	-	1	-	-	1	2	9	-	13
REIT	-	-	-	7	4	3	1	-	15
Total revenue	27	29	20	21	37	45	36	-	215
Hotel gross operating profit/(loss)	(5)	1	7	1	12	11	14	-	41
Hotel fixed charges ¹	(7)	(6)	(4)	(2)	(1)	(8)	(2)	-	(30)
Hotel operating profit/(loss)	(12)	(5)	3	(1)	11	3	12	-	11
Property operating profit	-	1	-	-	-	2	5	-	8
REIT operating profit/(loss)	-	-	-	2	(1)	-	1	-	2
Central costs	-	-	-	-	-	-	-	(8)	(8)
Operating profit/(loss)	(12)	(4)	3	1	10	5	18	(8)	13
Share of joint ventures and associates profit	-	-	-	3	-	3	-	-	6
Add: Depreciation and amortisation	2	3	1	2	4	5	1	1	19
EBITDA ²	(10)	(1)	4	6	14	13	19	(7)	38
Less: Depreciation and amortisation									(19)
Net finance expense									(8)
Profit before tax									11

	Q1 2018								Total Group £m
	New York £m	Regional US £m	London £m	Rest of Europe £m	Singapore £m	Rest of Asia £m	Australasia £m	Central Costs £m	
Revenue									
Hotel	25	27	22	15	33	40	25	-	187
Property operations	-	1	-	-	1	2	10	-	14
REIT	-	-	-	7	4	4	1	-	16
Total revenue	25	28	22	22	38	46	36	-	217
Hotel gross operating profit/(loss)	(4)	2	8	2	13	13	13	-	47
Hotel fixed charges ¹	(8)	(6)	(6)	(3)	(1)	(8)	(1)	-	(33)
Hotel operating profit/(loss)	(12)	(4)	2	(1)	12	5	12	-	14
Property operating profit	-	1	-	-	-	2	6	-	9
REIT operating profit	-	-	-	3	-	1	1	-	5
Central costs	-	-	-	-	-	-	-	(7)	(7)
Other operating income - REIT	-	-	-	-	-	-	3	-	3
Operating profit/(loss)	(12)	(3)	2	2	12	8	22	(7)	24
Share of joint ventures and associates profit	-	-	-	-	-	5	-	-	5
Add: Depreciation and amortisation	2	3	1	-	3	5	1	1	16
EBITDA ²	(10)	-	3	2	15	18	23	(6)	45
Less: Depreciation and amortisation									(16)
Net finance expense									(3)
Profit before tax									26

¹ Hotel fixed charges include depreciation, property taxes & insurance and management fees.

² EBITDA is earnings before interest, tax and, depreciation and amortisation.

APPENDIX 1: KEY OPERATING STATISTICS
for the three months ended 31 March 2019

Owned or leased hotels*	Q1 2019 Constant currency	Q1 2018 Constant currency	Q1 2018 Reported currency	FY 2018 Reported currency
Occupancy (%)				
New York	76.9		75.2	86.3
Regional US	51.5		50.7	57.6
Total US	59.9		58.8	67.1
London	73.7		69.3	80.1
Rest of Europe	62.8		64.7	71.2
Total Europe	68.0		67.0	75.6
Singapore	86.5		86.6	85.9
Rest of Asia	62.2		63.0	68.1
Total Asia	71.6		72.2	75.0
Australasia	91.3		91.2	82.5
Total Group	69.1		68.6	73.3
Average Room Rate (£)				
New York	145.33	150.73	141.16	191.78
Regional US	93.50	96.52	90.39	103.51
Total US	115.48	119.38	111.80	140.96
London	112.53	113.66	113.66	127.22
Rest of Europe	71.86	72.72	72.95	78.94
Total Europe	92.78	94.40	94.51	104.22
Singapore	96.45	98.67	95.01	97.26
Rest of Asia	92.90	94.98	93.22	95.74
Total Asia	94.56	96.70	94.06	96.42
Australasia	99.34	97.37	96.65	88.61
Total Group	101.27	102.96	99.80	111.31
RevPAR (£)				
New York	111.69	113.42	106.22	165.49
Regional US	48.17	48.89	45.79	59.61
Total US	69.17	70.14	65.69	94.52
London	82.93	78.72	78.72	101.89
Rest of Europe	45.15	47.04	47.18	56.18
Total Europe	63.07	63.28	63.35	78.76
Singapore	83.40	85.49	82.32	83.56
Rest of Asia	57.83	59.85	58.74	65.17
Total Asia	67.73	69.78	67.87	72.29
Australasia	90.71	88.80	88.14	73.13
Total Group	70.01	70.65	68.48	81.57
Gross Operating Profit Margin (%)				
New York	(18.8)		(15.4)	15.6
Regional US	4.4		7.4	19.3
Total US	(7.0)		(3.6)	17.4
London	33.6		34.5	41.0
Rest of Europe	8.6		12.8	21.8
Total Europe	23.2		25.8	33.2
Singapore	37.6		40.2	39.3
Rest of Asia	27.8		32.3	34.5
Total Asia	32.1		35.8	36.5
Australasia	54.9		54.5	49.0
Total Group	21.9		25.2	30.5

For comparability, the 31 March 2018 Average Room Rate and RevPAR have been translated at average exchange rates for the three months ended 31 March 2019.

* excluding managed, franchised and investment hotels.

APPENDIX 2: HOTEL ROOM COUNT AND PIPELINE
as at 31 March 2019

Hotel and room count	Hotels			Rooms		
	31 March 2019	31 December 2018	Change	31 March 2019	31 December 2018	Change
Analysed by region:						
New York	4	4	-	2,238	2,238	-
Regional US	15	15	-	4,559	4,559	-
London	7	7	-	2,266	2,266	-
Rest of Europe	23	23	-	3,741	3,741	-
Middle East	37	36	1	12,327	11,980	347
Singapore	7	7	-	3,011	3,011	-
Rest of Asia	23	23	-	9,005	9,006	(1)
Australasia	24	24	-	3,522	3,522	-
Total	140	139	1	40,669	40,323	346

Analysed by ownership type:						
Owned or Leased	66	66	-	19,437	19,437	-
Managed	14	14	-	3,537	3,537	-
Franchised	45	44	1	13,408	13,062	346
Investment	15	15	-	4,287	4,287	-
Total	140	139	1	40,669	40,323	346

Analysed by brand:						
Grand Millennium	10	10	-	3,986	3,986	-
Millennium	55	57	(2)	17,828	18,108	(280)
Copthorne	34	34	-	6,699	6,700	(1)
Kingsgate	7	7	-	671	671	-
Other M&C	16	15	1	5,576	5,570	6
Third Party	18	16	2	5,909	5,288	621
Total	140	139	1	40,669	40,323	346

Pipeline	Hotels			Rooms		
	31 March 2019	31 December 2018	Change	31 March 2019	31 December 2018	Change
Analysed by region:						
Middle East	14	17	(3)	7,080	8,181	(1,101)
Asia	6	6	-	1,770	1,770	-
Regional US	1	1	-	263	263	-
Rest of Europe	2	1	1	658	318	340
London	1	1	-	308	308	-
Total	24	26	(2)	10,079	10,840	(761)

Analysed by ownership type:						
Managed	4	4	-	1,191	1,191	-
Franchised	15	18	(3)	7,398	8,499	(1,101)
Investment	2	1	1	377	37	340
Owned	3	3	-	1,113	1,113	-
Total	24	26	(2)	10,079	10,840	(761)

Analysed by brand:						
Grand Millennium	1	1	-	318	318	-
Millennium	14	16	(2)	5,649	6,479	(830)
Copthorne	3	3	-	2,396	2,396	-
Third Party	2	1	1	377	37	340
Other M&C	4	5	(1)	1,339	1,610	(271)
Total	24	26	(2)	10,079	10,840	(761)