GCC Hospitality Industry

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ALPEN CAPITAL

Alpen Capital was awarded the "Best Research House" at the Banker Middle East Industry Awards 2011, 2013 and 2014

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Glossary

Average Daily Rate (ADR): ADR is the average rate paid per room sold, arrived at by dividing total room revenue by number of rooms sold during a given period.

Occupancy Rate: Occupancy rate is the proportion of available rooms sold during a given period. It is calculated by dividing the number of rooms sold by the number of rooms available.

Revenue Per Available Room (RevPAR): RevPAR is a key performance metric in the hotel industry, calculated by dividing the total room revenue by total number of available rooms. It can also be arrived at by multiplying ADR and occupancy rate.

International Tourist Arrivals: Persons visiting a foreign country for at least 24 hours for reasons other than occupation are known as International Tourist Arrivals. A person making several trips to the same foreign country during a given period is counted as a new arrival each time in that country.

Leisure Tourism: Tourism for a purpose other than business is leisure tourism. Leisure tourism is characterized by comfort stay at hotels or resorts and spending time on experiencing local tourist attractions.

Tourism Spending: Spending within a country by its locals or international visitors on both leisure and business trips.

Tourist Accommodation: Any regular or occasional and chargeable or free facility that provides overnight accommodation for tourists.

Serviced Apartments: A apartment unit to be let out for accommodating tourists. The unit comprises of one or more rooms and has a kitchen unit, a bathroom and a toilet. Cabins, cottages, huts, bungalows, villas and summerhouses can be treated as serviced apartments

Millennial Generation: People born between 1982 and 2004 and alternatively referred to as generation Y or young adults.

Overall the performance of the GCC hospitality sector has been positive, partly due to the increase in supply that came in 2017. In cities like Dubai the increase in 3-4 star properties has helped to attract budget conscious travelers, while cities such as Amman and Muscat have welcomed more international hotel brands - helping to bring attention and draw loyal clientele from around the world.

I believe the market needs more three and four star properties as they provide increased opportunities to attract bigger numbers of potential travelers to the Middle East. This is an international audience who previously were traveling less frequently to this region due to budget restraints. If we are successful in combining this with more attractive and competitive flights, it is our objective as hoteliers to capitalize on capturing these guests by offering them the right accommodation to suit their needs.

In the past, owners were fully dependent on hotel operators for all hotel F&B outlets. Now with growing interest in the restaurant industry, more and more hoteliers seek experts within the industry to create strong restaurant concepts, or else they lose the opportunities in hotels and owners lease the spaces to established F&B brands. In the past decade hoteliers were increasingly realizing that with franchises that the name is important, but not as important as the management team maintaining brand standards.

Kevork Deldelian

Chief Operating Officer

Millennium Hotels & Resorts, UAE

Despite a slow-down in the past 2 years, 2018 seems to be a year of recovery for Muscat with a good growth in demand allowing hotels to yield on rates. That increase in demand is driven by a growth from traditional feeder markets from Europe but also KSA and Qatar while UAE has been negatively impacted by a drastic increase in airfare prices due to the increased demand in stopover business en-route to Doha. With the efforts put in place by Oman Tourism Authority, the destination keeps on asserting itself as the place to visit to first-hand experiencing the authentic Arabian hospitality and the well conserved captivating nature Oman is known for. With the opening of Muscat new airport, it's expected that new routes will be added allowing very needed new markets to open up such as the Nordics, CIS and greater China especially with the increase in hotel rooms supply Muscat started witnessing. The new investments in touristic projects are expected to result in additional marketing funds and efforts to be allocated in promoting further the destination as well as offering new facilities and services to keep the destination diverse and interesting for the new generation of travellers. As the industry is expecting millennial travellers to increase, more attention to the environment, conservation and technology are required therefore forcing hotels to invest more in those aspects and facilities. On the other hand, hospitality industry in general is failing to attract the interest of the new work force therefore making it hard to recruit new talents. With the increase in supply, it is expected the skilled hospitality work force to be even more difficult to find and retain.

Jurgen Doerr

General Manager

Shangri-La Barr Al Jissah Resort and Spa, Oman

"Recent trends show a downward growth pattern for individual properties, even though the total number of visitors in the region have increased. This is due to extensive expansion and new properties which is leading to reduced REVPARs and lower profit margins. The hospitality sector is a major consumer of electricity and water, and the increases in tariffs without substantial increases in revenues will surely hit the industry. Add to this the ongoing regional issues which has resulted in lower volumes of regional travel and spending within the GCC.

The authorities in UAE have made great strides by implementing easier visa process, increased activities and sightseeing for which they've introduced promotional packages for individuals and families to make it more attractive. The Tourism boards and authorities in other GCC countries need to follow suit to boost footfalls and revenues. New markets need to be tapped and awareness about the destination needs to be enhanced, which has been effectively done by the Tourism authorities in Bahrain. Such steps will assist in a revival for our industry."

Sarosh Aibara

Chief Operating Officer

Elite Hospitality Group, Bahrain

"Qatar has been enjoying tremendous growth in the hospitality sector in the past few years as many new hotels and tourism facilities are being built across the country. We are confident these developments will continue in the same pace and magnitude over the next 15 years and we expect the current boom will prompt for innovation in hospitality services.

Tourism is one of the major drivers of the country's economic diversification strategy, in line with the objectives of the Qatar National Vision 2030 and we are positive Qatar is on the right track to achieve these goals, having successfully won the hosting of one of the most highly anticipated global events, the FIFA World Cup 2022, which is already bringing in new investments. The Qatar Government is keen to ensure that the growth path for the country is paved for all the key sectors with as much as USD 200 billion worth of infrastructure investments earmarked to meet economic goals.

Qatar remains an ideal location for foreign investments and positions itself as a global leisure destination known for luxury and impeccable services. We are poised to face the future as promising, and we see them starting to unfold in many projects and facilities underway."

Omar Hussain Alfardan

President and CEO

Alfardan Group, Qatar

Over the past decade, the region has transformed into a global hub for travel and tourism, attracting visitors from all over the world. According to the United Nations World Tourism Organization, the region will attract 195 million visitors by 2030 - above the global average for any one region.

Travelers looking for luxury accommodation are increasingly searching for hospitality experiences that go beyond recognition and personalized services – they are looking for unique moments, or "emotional luxury." We are now witnessing various niche products being offered to guests within the luxury hotels segment that bring in a flavor of the local culture whilst being ultra-luxurious. Operators in the high-end hospitality segment have successfully developed the ability to merge local heritage with services and amenities that create money-can't buy experiences, creating lifetime memories for global travelers.

The industry is constantly evolving and adapting to current trends. In recent years, the hospitality and travel industry has seen an increased demand for 'experiential travel' especially among millennial travelers. Attitudes towards luxury tourism is shifting away from materialism to an interest in enriching experiences. 'New luxury' is about offering our guests a more authentic, genuine experience. Although, our guests still expect a high standard of services and exquisite product offerings, what sets us apart from other brands are personalized service and craftsmanship as well as an interesting story to tell – an experience that will help our guests connect with the hotel and make their stay memorable.

Hamad Abdulla Al Mulla

Chief Executive Officer

Katara Hospitality, Qatar

"GCC hospitality sector is going through a phase of transition. The sector was under pressure in the last few years but is expected to see renewed growth on account of the anticipated economic revival due to recovery of oil prices, upcoming mega events and aggressive strategies by the regional governments to promote tourism. GCC countries are making significant investments into the development of tourism and hospitality infrastructure including airport expansions to increase the handling capacity of anticipated visitor inflow. The industry is gearing up for the huge influx of tourists for mega events. Relaxation of visa rules by the governments in UAE and Qatar is expected to further boost tourist arrivals in these countries. Alpen Capital is optimistic about the growth prospects for the sector."

Rohit Walia

Executive Chairman

Alpen Capital

1. Executive Summary

The GCC hospitality industry, which has been under pressure in recent years is expected to gain positive momentum on the back of upcoming business and sports events; hotel constructions and expansions; new leisure attractions; government and regulatory initiatives. The World Expo 2020 in Dubai, World Championships in Athletics in 2019, FIFA World Cup 2022 and the World Aquatics Championships in 2023 in Qatar, are expected to generate significant demand for the GCC tourism and hospitality industry. The new hotel constructions and expansions across luxury and mid-market segment is expected to absorb the anticipated future demand. The GCC governments' active role in building suitable infrastructure including expansion of airports is expected to help increase its handling capacity of passengers. In addition, traveler-friendly initiatives like Visa-on-Arrival and free-of-cost visas are expected to offer better travel experience to tourists, thus supplementing the demand. The disruption and the digitization of the travel and GCC hospitality industry is expected to benefit the end consumer travelers in terms of better informed travel decisions, budget-friendly travel, and high-quality service experience.

1.1. Scope of the Report

This report provides a perspective of the GCC Hospitality Industry by presenting the current state of the industry and market dynamics. The report also covers the recent trends, growth drivers and challenges in the sector, along with the outlook until 2022. The report profiles some of the GCC countries and some of the prominent hospitality companies in the region, while highlighting their financial and valuation metrics.

1.2. Sector Outlook

- GCC hospitality market is projected to reach US$ 32.5 billion in 2022 from an estimated US$ 22.9 billion in 2017, implying a 5-year CAGR of 7.2% on the back of upcoming major events including World Expo 2020, FIFA World Cup 2022 and new leisure attractions.
- Between 2017 and 2022, GCC hotel supply is expected to grow at a CAGR of 4.01% to approximately 835,723 rooms, including Serviced Apartment Rooms.
- The ADR and RevPAR may come under pressure in the short term due to demand-supply mismatch in the market and stiff competition from the mid-market hotel segment and the Airbnb renting model. However, in the long term the industry is expected to perform well on account of significant international tourist arrivals for these events
- After the planned events (i.e. post-2022), there would be concerns of oversupply unless there is some visibility on future initiatives by GCC Governments to maintain the momentum.

1.3. Key Growth Drivers

- Dubai's World Expo 2020 and Qatar's FIFA World Cup 2022 are expected to attract a significant inflow of visitors into the countries thereby boosting hospitality and tourism industry. These events command a significant supply of hotel rooms to meet the anticipated demand. GCC has a number of infrastructure and hotel projects scheduled to open through 2022 to accommodate the future tourist inflow.
- In addition to events, the leisure attractions continue to be a major demand driver for the GCC hospitality industry with over 2,000 projects worth USD 200 bn in the pipeline.
- GCC MICE market is expected to also play its role in attracting visitors for its conferences and events.
- GCC countries are expected to witness an improvement in economic performance on account of recovery in oil prices leading to improved sentiment and increase in government spending.

- The religious tourism in Saudi Arabia is expected to see a significant increase on the back of expansion projects in Makkah and Medina, supported by Haramain High-Speed rail and the USD 7.2 bn expansion project of King Abdulaziz International Airport (KAIA).
- GCC countries have well-defined strategies to develop themselves as preferred travel destinations. They are making significant investments into the development of tourism and hospitality infrastructure including airport expansions to increase the handling capacity of anticipated visitor inflow. This is supported by regional air carriers offering attractive offers and discounts along with exclusive memberships in order to boost tourism activity in the region.
- GCC regions are easing the norms on visa regulations to promote tourism. Transit passengers are exempt from paying a transit visa fee for the first 48 hours in the UAE. Qatar has allowed visa free entry for citizens of 80 countries.

1.4. Key Challenges

- The mid-market hotels are expected to give competition to luxury hotel segment by offering rooms with basic yet suitable amenities at lower ADRs. Lately, Airbnb has seen early adoption in the GCC hospitality market in 2017 and is expected to penetrate the market further posing a threat to luxury and mid-market hotels.
- GCC countries face competition from established tourist destinations such as Egypt, Jordan and Turkey in Middle East and North Africa and emerging destinations in CIS countries. However, increased investments by the GCC countries' governments in the tourism sectors along with additional initiatives such as easing of visa norms, and a suite of attractive tourist destinations is expected to drive the demand for tourism across the region.
- Geopolitical concerns continue to exist in the GCC region with Qatar facing a trade and travel blockade. Additionally, any geopolitical or economic issues in the source markets could impact the GCC hospitality sector.
- Saudi Arabia and UAE were the first two regions to implement Value Added Tax (VAT) on January 1, 2018. VAT and other incidental taxes have increased the overall cost as a tourist destination which may impact price-sensitive travellers.
- Oversupply could strain the key operating metrics (occupancies, ADRs, RevPAR), thus affecting the industry's business fundamentals.

1.5. Key Trends

- The GCC hospitality sector is expected to witness increased market penetration by mid-market hotel segment through 2022. In addition, the industry is expected to also see increased adoption of Airbnb-type renting models.
- The GCC tourism industry has seen a rise in millennial travelers in the last few years and this is expected to continue. The millennial travelers opt for experience, authenticity and value for money proposition; hence, are more likely to stay at budget hotels as opposed to high-end luxury hotels.
- GCC is seeing emergence of home-grown brands. Regional players such as Emaar Hospitality, Rotana, CityMax Hotels and Habtoor Hotels are building room inventories and increasing their construction pipelines at a substantial rate.
- Mobile applications, smart technology and IoT have caused a disruption in the hospitality market. With every piece of information such as hotel amenities to hotel reviews being available at the fingertip of the consumer, each competitor is trying to differentiate itself in the market to grab the customer's mindshare and the market share.

2. The GCC Hospitality Industry Overview

GCC offers a good mix of attractions for travelers across varied interests including religious, business, leisure, sports and shopping festivals.

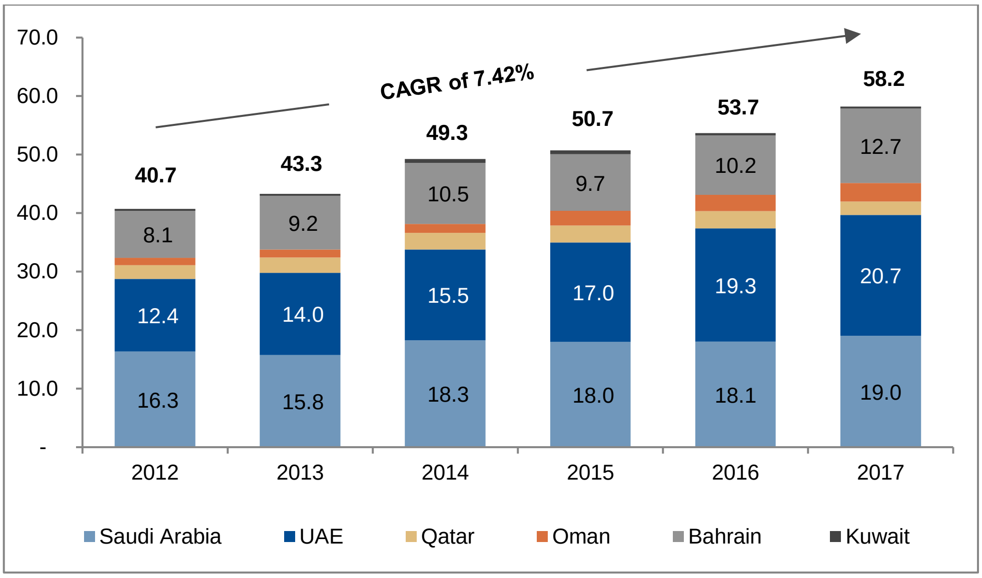
GCC hospitality sector has witnessed pressure on revenues and other operating parameters from 2015 to 2017 primarily due to steep fall in oil prices and geo-political issues. However, the industry is expected to show a reversal in the trend on account of recovery in oil prices, upcoming mega events, increased tourist inflow, positive regulatory initiatives and increased government spending/investments towards the hospitality and tourism sector. GCC offers a good mix of attractions for travelers across varied interests including religious, business, leisure, sports and shopping festivals, thus attracting millions of international travelers every year. World Expo 2020 in Dubai and FIFA World Cup 2022 in Qatar, and other upcoming events and initiatives, may trigger a significant demand in the region. In addition to the luxury hotels segment, there is spur in growth of mid-market or mid-sized hotels to attract travelers with a restrictive budget. Some of the new mid-market segment hotels include 25Hours, Mama Shelter and Ibis. The occupancy trends for majority of the GCC countries started reviving from the lows of 2015-16 which had triggered due to fall in oil prices and currency depreciation of key source markets. In 2017, Saudi Arabia and UAE had occupancy rates at 59% and 75%, respectively, a decline of 9.3% and 2.6% compared to 2015; this decline can be attributed to increase in hotel room supplies in the countries. The oversupply has affected the ADRs and the RevPAR across GCC since 2015. However, the tourist arrivals had a sequential growth since 2012.

2.1. *Tourist Arrivals*

GCC attracted 58.2 million international tourists in 2017 (a y-o-y increase of 8.44%).

GCC international tourist arrivals increased by 8.44% (y-o-y) to 58.2 million[1] in 2017 on account of strong leisure and business travelers' inflow from India, China, Russia, Saudi Arabia and Europe.

Exhibit 1: International tourist arrivals(mn) to GCC



Source: Department of Culture and Tourism – Abu Dhabi, Department of Tourism and Commerce Marketing (Dubai Tourism), Qatar Tourism Annual Report, Oman National Centre for Statistics and Information, Bahrain Tourism and Exhibition Authority, World Travel and Tourism Council (WTTC)

UAE, Oman and Bahrain witnessed the highest y-o-y growth in International tourist arrivals at 6.9%, 13.1% and 25%, respectively. Dubai being the most attractive business and tourist hub, continued to register the highest tourist inflows due to its world class infrastructure and

[1] Source: Qatar 2017 Annual tourism Report, Trading Economics, Trade Arabia, Gulf News, Alpen Capital

tourist attractions. Dubai's tourist arrivals increased by 6.2% (y-o-y) to 15.8 million in 2017, with India being the highest contributor at 2.1 million[2].

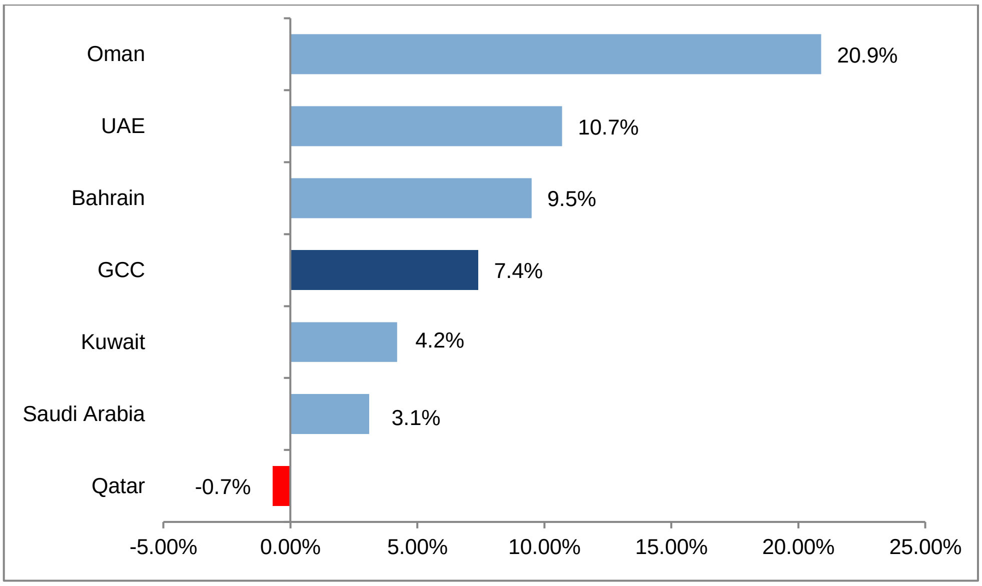
Dubai's on-going tourist campaign to attract 20 million visitors by 2020, along with featuring Indian Bollywood film star Shah Rukh Khan in its #bemyguest campaign played and is expected to continue to play a major role in boosting its tourism[2].

Saudi Arabia, known for its religious tourism for Umrah and Haj, recorded a modest 5.4% (y-o-y) growth to 19 million tourist arrivals[3] in 2017, on account of easing of the quota restrictions.

Qatar saw a major decline in tourist arrivals by 22.9% (y-o-y) to 2.3 million[4] as a few GCC countries (Saudi Arabia, UAE, Egypt and Bahrain) imposed a blockade which significantly affected inbound tourism from GCC countries. However, Qatar has taken new initiatives to boost its tourism including offering a free-of-cost visas.

Bahrain swiftly grew by 25% (y-o-y) to 12.7 million[5] backed by promotional campaigns and activities targeted at geographies directly served by Gulf Air, the national carrier of Bahrain. The country has planned to invest USD 10 bn[6] in the tourism, hospitality and retail project developments.

Exhibit 2: International Tourist Arrivals Growth (CAGR(%): 2012 - 2017)



Source: Gulf News, Trade Arabia, Qatar Tourism Annual Report, Trading Economics, WTTC

UAE and Saudi Arabia continue to remain top contributors to the GCC Travel & Tourist spending backed by highest international tourist arrivals

2.2. Travel and Tourist Spending

In 2017, GCC saw an increase in travel and tourist spending by 15.75% (from 2015) to USD 101.42 bn[6] on account of recovery in oil prices and increased inbound travelers from its key source markets.

UAE and Saudi Arabia continue to remain the top contributors in travel and tourist spending at USD 44.42 bn[7] and USD 30.40 bn[7], respectively in 2017.

[2] Source: 15.8 mn people visited Dubai in 2017, Gulf News, February 7, 2018
[3] Source: Travel and Tourism Economic Impact 2018 Saudi Arabia WTTC
[4] Qatar Annual Tourism Report 2017
[5] Source: Bahrain welcomes 12.7m tourists in 2017, Trade Arabia, February 1,2018
[6] Source: Bahrain for hotel operators and investors, Bahrain EDB, June 2017
[7] Source: Travel and Tourism Economic Impact 2018 Saudi Arabia, UAE, Qatar, Bahrain, Oman, Kuwait WTTC.

Travel and tourism spending in GCC increased by 15.75% (from 2015) to USD 101.42 bn in 2017.

UAE travel and tourism spending increased at a CAGR 14.80% during 2015-17 to USD 44.42 bn[8]. The increase in tourism as well as spending can be attributed to a number of factors such as:

- visa on arrival for Chinese and Russian citizens and Indian passport holders with a valid American visa or a Green Card.
- growth in disposable income coupled with rise in middle income migrant-consumers from some developing countries.
- Several initiatives by the government to enhance medical tourism in the country such as the world's first comprehensive medical tourism portal, Dubai Health Experience, which provides all health, travel, hospitality and visa services instantly. Globally, Dubai ranks 16th and 1st within the MENA region, as per the medical tourism index. By 2020, Dubai is targeting an inflow of 500,000 medical tourists per year.[9]

Exhibit 3: Travel & Tourism Spending in the GCC (2017)

Country	T&T Spending (A+B)		Leisure Spending (A)		Business Spending (B)	
	Value (US$ bn)	CAGR (%) (2015-2017)	Value (US$ bn)	Share (%)	Value (US$ bn)	Share (%)
World	5463.90	7.49%	4233.30	77.5%	1230.60	22.5%
GCC	101.42	15.75%	76.43	73.8%	24.99	26.2%
UAE	*44.42*	*14.80%*	*34.28*	*77.2%*	*10.14*	*22.8%*
Saudi Arabia	*30.40*	*22.07%*	*24.20*	*79.6%*	*6.20*	*20.4%*
Qatar	*14.22*	*11.69%*	*8.58*	*60.3%*	*5.64*	*39.7%*
Kuwait	*5.78*	*10.89%*	*4.10*	*70.9%*	*1.68*	*29.1%*
Oman	*3.83*	*12.98%*	*2.79*	*72.8%*	*1.04*	*27.2%*
Bahrain	*2.77*	*5.26%*	*2.48*	*89.5%*	*0.29*	*10.5%*

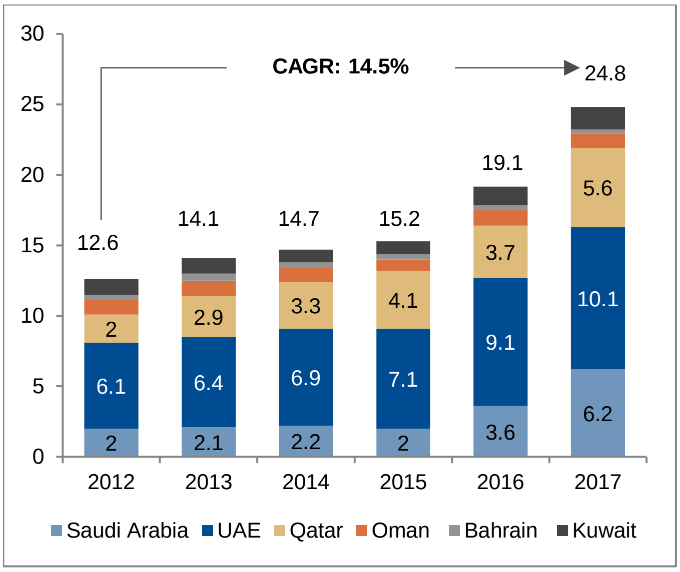
Source: WTTC

South Asia emerged as a major source market for Dubai, as it witnessed 2.1 million Indian tourists in 2017, followed by Saudi Arabia, UK, China, Russia and other GCC countries[10]. Series of investments in tourist attractions including Dubai Frame, the city's new beachfront district – La Mer, Etihad Museum, Dubai's first theatrical show – La Perle, IMG Worlds of Adventures and Dubai Parks and Resorts, are contributing in developing the tourism in Dubai. According to Travel and Tourism Economic Impact 2018, the leisure spending grew by 9.53% (y-o-y) to USD 34,283.9 mn whereas business spending increased by 11.45% (y-o-y) to USD 10,142.3 mn[11].

[8] Source: Travel and Tourism Economic Impact 2018 Saudi Arabia, UAE, Qatar, Bahrain, Oman, Kuwait WTTC.
[9] Source: Dubai focuses on sophistication and specialties in medical tourism, Saudi Gazette, April 28, 2018
[10] Source: 15.8 million people visited Dubai in 2017, Gulf News, February 7, 2018
[11] Source: Travel and Tourism Economic Impact 2018 Saudi Arabia, UAE, Qatar, Bahrain, Oman, Kuwait WTTC.

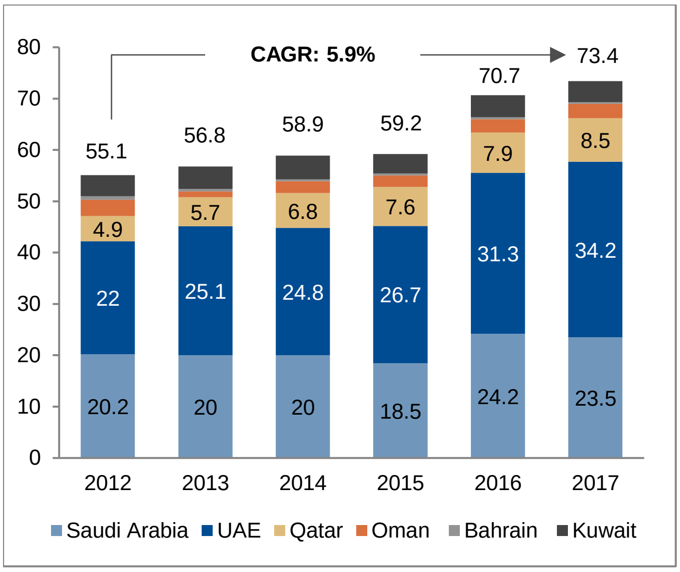
Qatar has the highest share in business spending in the GCC region on account of country's efforts to promote Qatar as a leading destination for business meetings, events and exhibitions. Qatar's business events segment contributed 5.3% to the country's non-hydrocarbons GDP in 2016. Bahrain`s leisure spending is almost similar to Oman despite its size. This is on account of high tourist arrivals from the neighboring countries and increased spending by the government towards the tourism sector. In December 2017, Bahrain Economic Development Board (EDB) announced that investments in the Bahrain tourism and leisure sector reached over USD 13 bn[12] in 14 separate projects which include Bahrain International Airport expansion, Dilmunia Mall, King Abdullah Medical City and new causeway linking Khalifa bin Salman Port of Bahrain to Saudi Arabian railway link among others.

Exhibit 4: Business Spending (USD bn) in the GCC



Source: WTTC

Exhibit 5: Leisure Spending (USD bn) in the GCC



Source: WTTC

Qatar saw an increase in travel and tourism spending by 4.41% to USD 14.2 bn[13] in 2017. Leisure tourism increased by 8.66% to USD 8,583.9 mn whereas business spending declined by 1.7% to USD 5,637 mn[14].

Saudi Arabia's travel and tourism spending grew at a CAGR of 22.07% during 2015-17, primarily driven by religious tourism; and government initiatives to broaden its scope beyond religious tourism to leisure and business tourism.

Kuwait, Oman and Bahrain tourism and hospitality markets had mixed trends and insignificant movements.

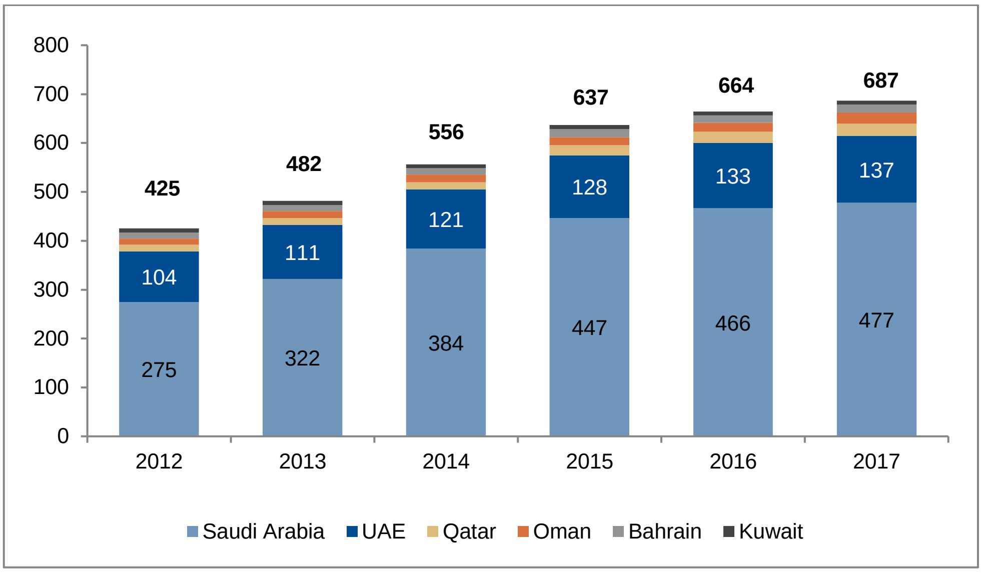
[12] Source: Bahrain tourism projects valued at over US $13 Billion, EDB Bahrain, Dec 27, 2018,

[13] Source: Travel and Tourism Economic Impact 2018 Qatar

[14] Source: Travel and Tourism Economic Impact 2018 Qatar

2.3. Hotel Supply

Exhibit 6: Room Capacity ('000) in GCC



Source: VisitDubai, VisitAbuDhabi, Colliers, Qatar Tourism Annual Report 2017, Oman Tourism Annual Report 2017, Hotelier MiddleEast

Hotel Supply in the GCC region increased by over 50,000 rooms/keys or 7.86% during 2015-17.

During 2015-17, hotel supply in GCC region increased by more than 50,000 rooms (7.86%) in an already oversupplied market. Dubai is known for its luxurious and high priced hotels, however the players are diversifying into mid-market hotels to attract the cost-conscious and budget-restricted travelers which include tourists from emerging countries such as India, China, Africa and Brazil. Dubai's hotel supply grew by 4.7% to 107,431 rooms in 2017 and is expected to reach 132,000 by the end of 2019 according to a study conducted by Dubai's Department of Tourism and Commerce Marketing (Dubai Tourism)[15]. The expected rapid increase in supply is primarily due to six-month World Expo 2020. Some of the mid-market hotels include Ibis, Holiday Inn, 25Hour, Mama Shelter and CityMax Hotels amongst others.

Qatar is witnessing an increase in hotel supply on account of FIFA World Cup 2022 which is expected to attract over a million visitors to the country. Qatar's hotel supply stood at 22,461 hotel rooms and 2,706 service apartments in 2017[16]. Qatar is expected to have a hotel supply of 46,000 rooms by 2022.

Saudi Arabia, known for its religious tourism and pilgrimage, has over 64,000 rooms[17] in the development phase. For tourism development, Saudi Vision 2030 includes plans for key investments in the tourism sector such as the Red Sea beach resort project, a luxury destination along Saudi Arabia's west coast which is scheduled to begin construction in early 2019.

Oman is a favorable tourist destination with economic, cultural, heritage, coastline and beachfront attractions along with an advantage of being placed as one of the key travel hub. It was also named as one of the top ten places to visit in 2017[18], by Lonely Planet. In order to boost tourism, Oman has plans to build the tourism infrastructure including the expansion of airport in Muscat and Salalah to accommodate more passenger traffic. The Oman Convention and Exhibition Centre (OCEC) which was inaugurated in 2016 and hosted approximately 28 events in 2017, attracts business travelers across the globe, thereby

[15] Source: Dubai's Hotel supply to reach 132,000 by the end of 2019, Hotelier Middle East, February 21, 2018.

[16] Source: Qatar tourism Annual Report 2017

[17] Saudi Arabia has 64,000 rooms in its pipeline, Hotelier Middle East, February 25, 2018

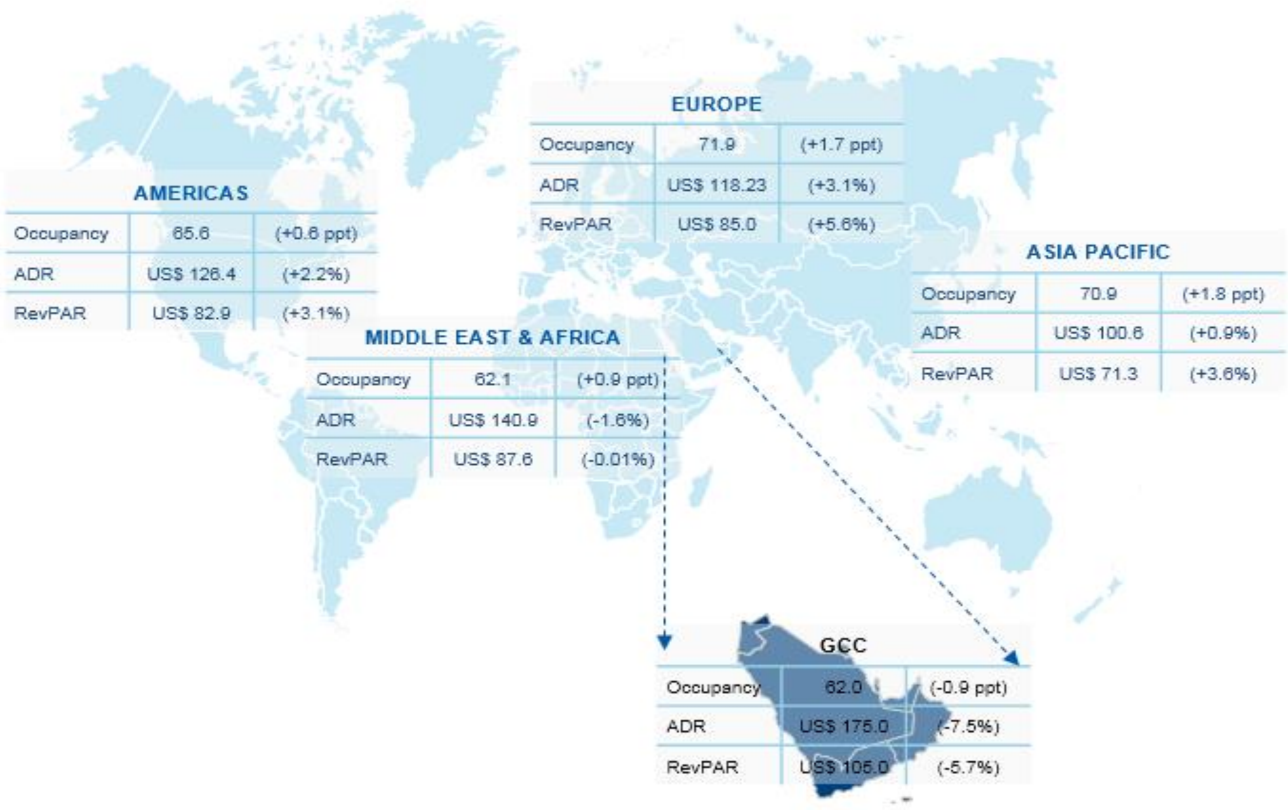
[18] Source: Oman makes it to Lonely Planet's top ten countries to visit in 2017, Muscat Daily October 26, 2016.

increasing demand for hotels. GCC is the top contributor to Oman's visitors' list followed by India, Germany, UK and Philippines. Muscat which is one of the key travel hub in Oman, had hotel supply of 10,924 rooms in 2017, and is expected to rise 12% annually by 2021 to 16,866 rooms[19].

2.4. Key Performance Metrics

Increase in hotel supply coupled with growth in mid-market hotels has led to a downward pressure on occupancy, ADR and RevPAR metrics which declined by 0.9 ppt, 7.5% and 5.7% respectively. However, GCC region fared better on ADR and RevPAR compared to other markets.

Exhibit 7: Global Hotel Industry Performance Metrics (2017)



Source: STR Global, Alpen Capital

The occupancy rates of GCC are comparable with Americas and Middle East & Africa

Occupancy Rate:

The occupancy rates of GCC are comparable with Americas and Middle East & Africa. In 2017, the Americas and GCC shared similar occupancy rates in the range of ~62% to 66%, whereas the Europe led at 72%, despite its political, regulatory and economic changes.

In 2017, UAE witnessed a slight decline in occupancy by 0.6% due to the downswing in Abu Dhabi occupancy to 72%, however towards the end of 2017, the occupancy rates of Abu Dhabi surged to 79.4%[20] on account of events such as Abu Dhabi food festival and New Year's Countdown Village. The occupancy in Dubai remained constant at 78% on account of increase in supply of hotel rooms being absorbed by a rise in demand. Abu Dhabi witnessed a decline in average occupancy to 72%,

[19] Source: Muscat's branded hotel supply to rise 12% annually by 2021, Hotelier Middle East, March 13, 2018.

[20] Source: Abu Dhabi hotel occupancy rate hits record level in December, Arabian Business, Jan 11, 2018

In 2017, despite an increase in the international tourist arrivals, Saudi Arabia witnessed a slight decline in occupancy rate to 59% primarily led by Jeddah (2017: 59%; a y-o-y 8.3% fall). Saudi Arabia is expected to supply 27,281 rooms in 2018[21], and also has a massive pipeline of hotels under construction.

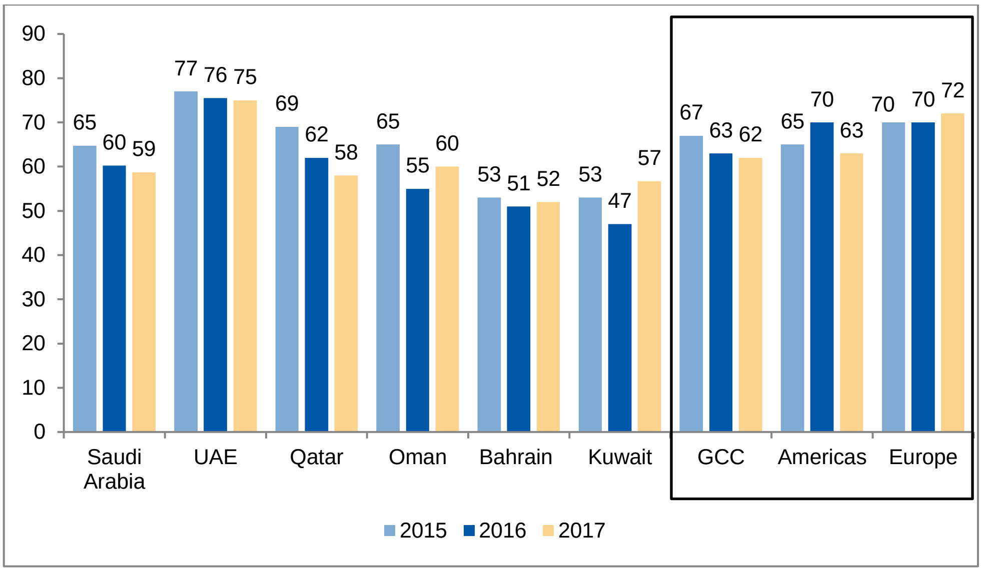
Kuwait witnessed a sharp recovery in the occupancy rate by 20.6% to 57% in 2017 (2016: 47%) despite flat tourist arrivals. It has plans to spend over USD 1 bn in promoting tourism to increase the tourist arrivals to 440,000 in 2024

In 2017, Qatar saw a y-o-y 6.5% decline in occupancy to 58% on account of imposed blockade.

Kuwait witnessed a sharp recovery in the occupancy rate by 20.6% to 57% in 2017 despite flat tourist arrivals. It has plans to spend over USD 1 bn in promoting tourism over the next seven years to increase the tourist arrivals to 440,000 in 2024[22].

Occupancy in Oman recovered sharply by 9.1% to 60% and Bahrain increased by 2% to 52% on account of increase in tourist arrivals.

Exhibit 8: Trend in Occupancy Rate (%)



Source: Colliers, Visit Abu Dhabi, Qatar Annual Report 2017, Trade Arabia, Alpen Capital

Average Daily Rate (ADR):

The GCC hospitality enjoys premium ADRs as compared to its global peers the Americas and Europe due to its different travel dynamics including, size of the industry, number of travelers, nature and number of tourist destinations, age or maturity of the industry, and demand-supply patterns.

ADRs were down for majority of the GCC countries from 2015 through 2017

The GCC hospitality industry has seen a secular trend of declining ADRs since 2015, on the back of fall in oil prices, geo-political issues, oversupply, and sluggishness in key source markets, among others. In 2017, GCC countries witnessed a decline in ADRs on account of oversupply. Dubai and Abu Dhabi registered a decline in ADR to USD 185 (y-o-y 4%) and USD 122 (y-o-y 4%), respectively on account of increase in hotel supply of mid-market hotels offering low ADRs.

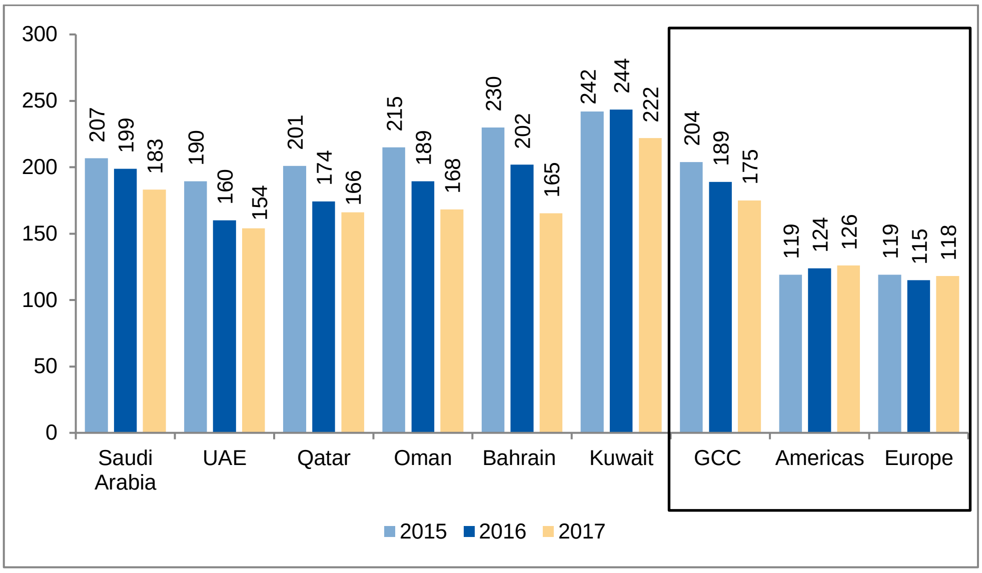
Saudi Arabia witnessed a decline in ADR to USD 183 (y-o-y 7.9%) in 2017. Jeddah, Riyadh, Makkah and Madinah saw a y-o-y decline in ADR by 1.6%, 10%, 18.7% and 0.4% respectively on account of oversupply of hotel rooms. Qatar witnessed a decline in ADR by

[21] Source: 84 new hotels set to open in Saudi Arabia by 2018, Arabian Business, Mar 3, 2018

[22] Source: Kuwait's Tourism Industry to be worth $ 1 billion by 2027, Arabian Business, April 13, 2017.

4.8% in 2017 on account of subdued demand due to geopolitical events. Oman, Bahrain and Kuwait registered a decline in ADRs by 11.1%, 18.1% and 8.8%, respectively in 2017.

Exhibit 9: Trend in ADR (USD)



Source: Colliers, Visit Abu Dhabi, Qatar Annual Report 2017, Trade Arabia, Alpen Capital

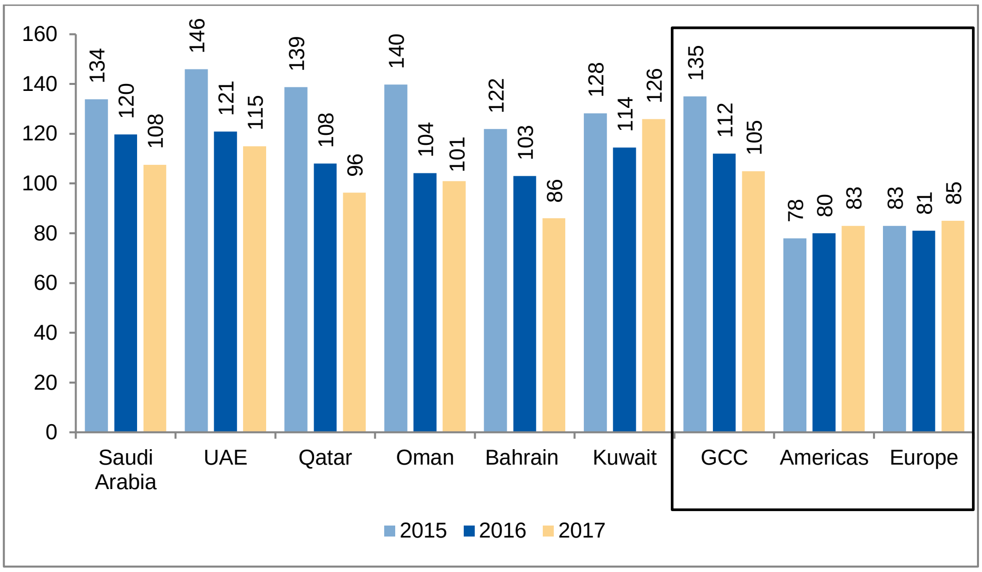
RevPAR:

Decline in ADR coupled with stagnant occupancy led to a decline in RevPAR for majority of the GCC countries

Stagnant occupancy coupled with falling ADR levels led to a decrease in RevPAR for most of the GCC countries. In 2017, UAE registered a decline in RevPAR of 4.95% (y-o-y) to USD 115 on account of decline in ADR. Kuwait witnessed a recovery in RevPAR from 114 (y-o-y -10.8% growth in 2016) to 10% growth to USD 126 in 2017 on account of increase in occupancy. Bahrain saw the highest decline in RevPAR by y-o-y 16.5% to USD 86 due to sharp decline in ADRs, followed by Qatar which saw a decline by y-o-y 11.11% to 96 in 2017. Saudi Arabia also saw a decline in RevPAR by 10% to 108 whereas Oman witnessed a marginal decline by 3.1% to 101, as compared to -25.5% in 2016

Kuwait witnessed a recovery in RevPAR to 126 in 2017 from 114 in 2016

Exhibit 10: Trend in RevPAR (USD)



Source: Colliers, Visit Abu Dhabi, Qatar Annual Report 2017, Trade Arabia, Alpen Capital

3. The GCC Hospitality Sector Outlook

3.1. Forecasting Methodology

This report forecasts the hospitality sector revenue for all the GCC countries through 2022. The projections take into consideration the expected room capacity, occupancy rates, and ADRs of hotels and serviced apartments as well as international tourist arrivals and population in the region.

The sources considered for the data points are:

- For international tourist arrivals, the IMF, WTTC, and each individual country's statistical or tourism ministry websites,
- For historical occupancy rates and ADRs, the Middle East Hotel Survey released by HVS, and
- For historical data on room capacity, the respective country's statistical or ministry websites.

The methodology adopted for projecting the annual revenue for each country is as below:

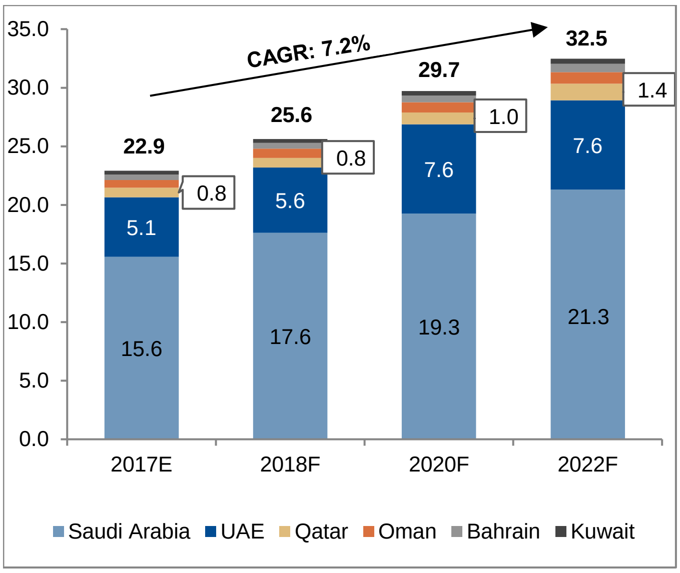
- Revenue = Average room capacity in the current and previous years x Occupancy rate x 360 days x ADR.

We have projected revenue of both hotels and serviced apartments. The room capacity forecasts have been arrived at after factoring in the government plans and upcoming room pipeline. Assumptions for the occupancy rates and ADRs are based on the past trends as well as on factors such as forthcoming room supply, estimated growth in international tourist arrivals, and other developments affecting the demand of the hospitality sector.

3.2. GCC Hospitality Market Forecast

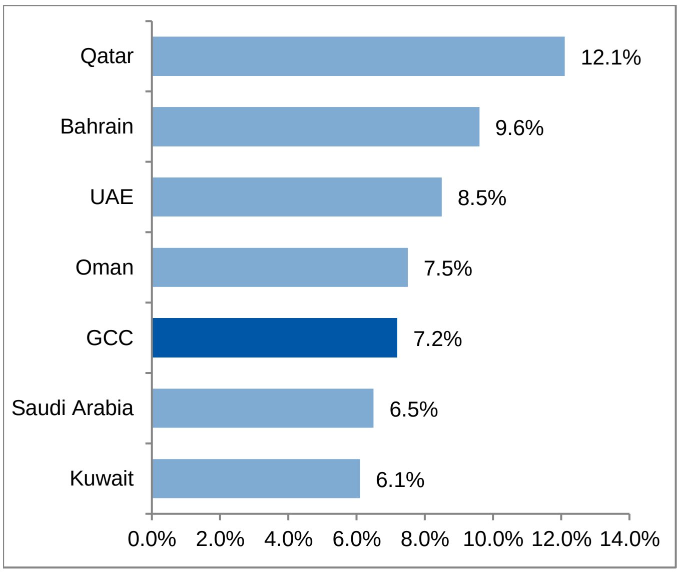
GCC hospitality sector revenue grew at a CAGR of 4.1% (2012-17) to USD 22.9 bn. It is expected to reach USD 32.5 bn by 2022, at a CAGR of 7.2% (2017-2022). The increase in revenue is expected to be primarily driven by mega events such as Dubai's World Expo 2020 and Qatar's FIFA World Cup 2022 and government initiatives to boost tourism.

Exhibit 11: GCC Hospitality Market Forecast for 2022 (USD bn)



Source: Alpen Capital (Note: E – Estimated; F- Forecasted)

Exhibit 12: Country-wise Hospitality Revenue Growth CAGR: 2017-2022F)



Source: Alpen Capital (Note: E – Estimated; F- Forecasted)

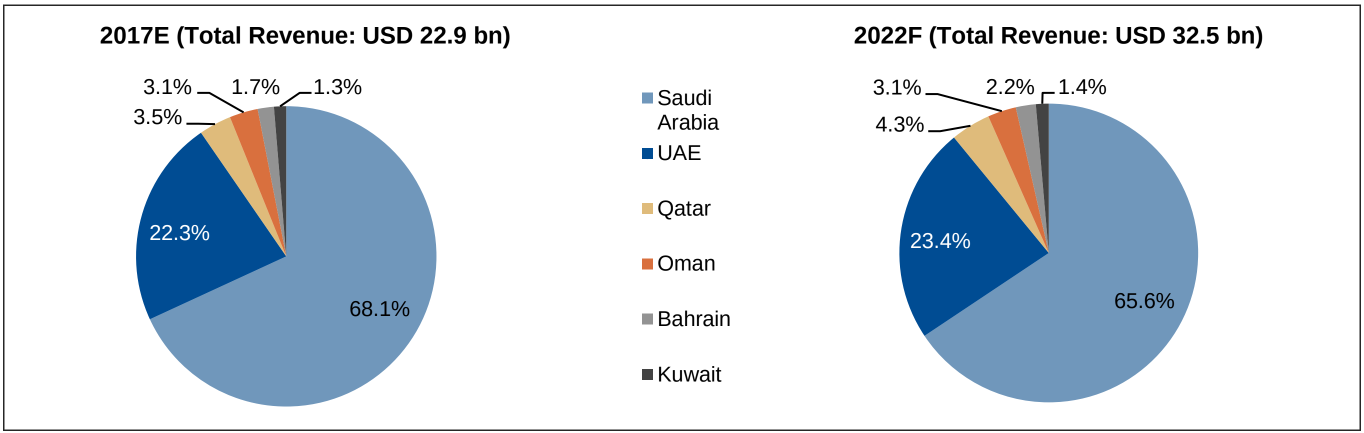
Qatar is expected to witness highest revenue growth rate during the forecast period on the back of significant investment activities for the upcoming mega event – FIFA World Cup 2022.

The growth in hospitality sector revenue of individual GCC countries is expected to range from 6.0% to 12.0%. Qatar is expected to witness highest revenue growth during the forecast period (2017-22) on account of significant investment activities in the tourism and hospitality sector for the upcoming FIFA World Cup 2022 event, which is expected to attract over 1.5 mn tourist arrivals in 2022. Bahrain is expected to outperform the GCC average backed by government-led initiatives and leisure segment driving the hospitality sector growth. UAE is expected to continue to grow above the GCC average on account of its attractive leisure and business tourism segment along with the World Expo 2020 which is expected to attract over 20 mn tourist arrivals.

Saudi Arabia's share in the GCC Hospitality sector is expected to decline by 2 ppts to 65.6% in 2022

Saudi Arabia's share in the GCC Hospitality market is expected to decline by 2.5 ppt to 65.6% in 2022 whereas the share of UAE is expected to increase by 1.1 ppt to 23.4% in 2022 driven by substantial room inventory coupled with mega events such as Expo 2020 which is expected to attract over 20 mn tourists into the country. Qatar's share is expected to increase by 0.8 ppt driven by major events such as FIFA World Cup 2022. Other regions such as Bahrain, Oman and Kuwait are expected to witness a slight increase on account of government efforts and investments to boost tourism in the region.

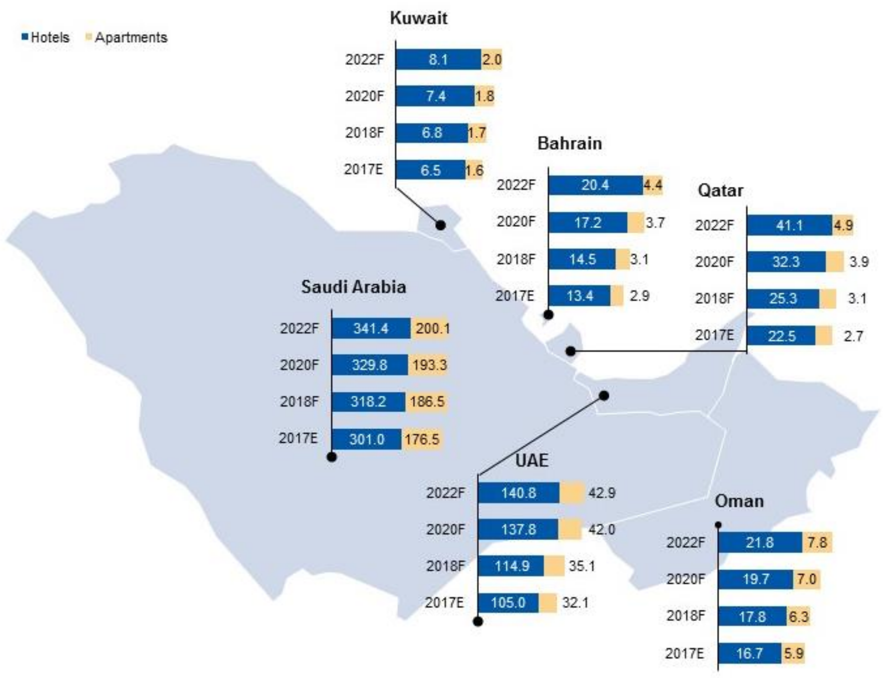
Exhibit 13: Country-wise Hospitality Sector Revenue Share



Source: Alpen Capital
Note: E – Estimated; F- Forecasted

The GCC hospitality industry is expected to command a significant supply of hotel rooms to cater to this upcoming demand. The host countries of these events have already initiated various hotel construction projects to be completed through 2022. In addition to luxury segment, Dubai (the host country of World Expo 2020) is also focusing on developing the mid-market hotel segment to attract travelers with restrictive budgets or (or cost conscious travelers). Qatar (the host country of FIFA World Cup 2022) is expected to have a healthy 5-year CAGR of hotel supply at 12.82% till 2022. Oman is expected to increase its hotel supply at a 5-year CAGR of 5.6% till 2022. Relatively, Kuwait's hotel supply is expected to rise at a 5-year CAGR of 4.4% till 2022.

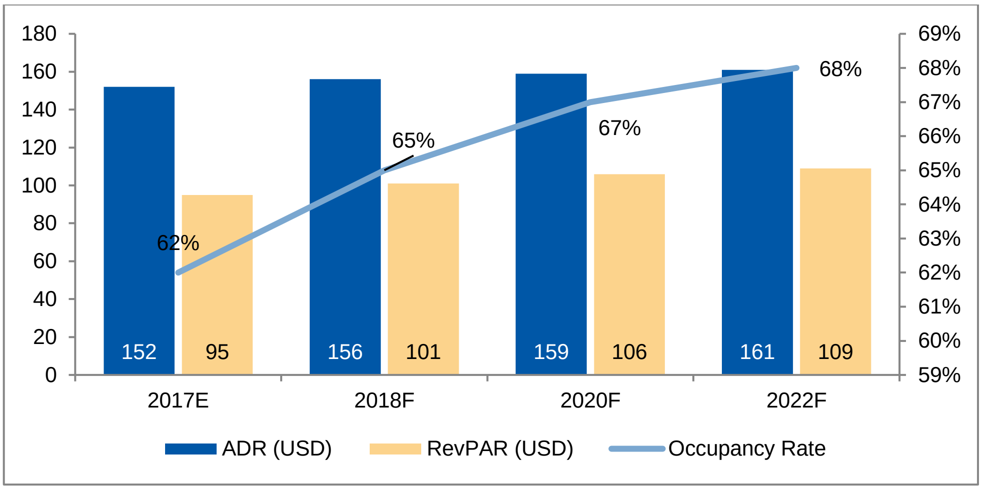
Exhibit 14: Forecast of Room Capacity in the GCC



Source: Alpen Capital
Note: E – Estimated; F- Forecasted

The occupancy and ADR of hotel and service apartments is expected to increase on account of mega events such as World Expo 2020 and FIFA World Cup 2022 which are expected to generate higher tourist arrivals (business and leisure tourists). Average GCC occupancy is expected to increase by 6 ppt from 62% in 2017 to 68% in 2022. Economic growth and government initiatives leading to increase in tourist arrivals are expected to support growth in occupancy and room rates. ADR is expected to increase at a CAGR of 1.1% to USD 161 in 2022 whereas the RevPAR is expected to increase at a CAGR of 2.9% to USD 109 in 2022.

Exhibit 15: Forecast of Operating Metrics in the GCC Hospitality Sector



Source: Alpen Capital
Note: E – Estimated; F- Forecasted

3.3. Country-wise Hospitality Market Forecast

SAUDI ARABIA:

Saudi Arabia hospitality market is expected to grow at a CAGR of 6.5% (2017-2022) to USD 21.3 bn mainly driven by religious tourism. Its international tourist arrivals are expected to grow at a 5-year CAGR of 2.8% to 21.8 mn in 2022, expansion in the hospitality sector is also expected to grow at a 5-year CAGR of 2.5% to reach 541,000 rooms in 2022. ADR is expected to grow at a 5-year CAGR of 1.3% to USD 166 by 2022, whereas the RevPAR is expected to grow at a 5-year CAGR of 3.8% to USD 110 by 2022. Saudi Vision 2030 aims to broaden its tourism to include domestic and international leisure tourism apart from the religious tourism. Total 27,281 rooms are expected to open in 2018 alone. It has a massive construction pipeline of 64,000 hotel rooms as on February 2018. The year 2018 is marked with significant hotel openings by reputed brands such as Hilton Riyadh Hotel & Residences, Copthorne Hotel Makkah, Jabel Omar; Swiss-Belhotel Al Aziziya Makkah, Millennium Hotel Jeddah, and Hilton Garden Inn Al Khobar.

Exhibit 16: Saudi Arabian Hospitality Market Forecast

Particulars	2017E	2018F	2020F	2022F
Revenue (USD Bn)	**15.6**	**17.6**	**19.3**	**21.3**
Hotels	11.5	13.0	14.2	15.8
Serviced Apartments	4.1	4.6	5.0	5.5
Key Operating Metrics				
Occupancy Rate	59%	62%	63%	66%
ADR (USD)	183	190	191	195
RevPAR (USD)	108	117	121	129
Total Room Capacity	**477,496**	**504,777**	**523,137**	**541,497**

Source: Alpen Capital
Note: E – Estimated; F- Forecasted

UAE:

UAE hospitality market is expected to reach USD 7.6 bn by 2022 at a 5-year CAGR of 8.5% (2017-2022). International tourist visits are expected to grow at a 5-year CAGR of 4.3% to 25.5 mn whereas the hotel supply is expected to grow at a 5-year CAGR of 6.0% to 183,718 hotel rooms. ADR is expected to grow at a 5-year CAGR of 1.3% to USD 149 till 2022, whereas the RevPAR is expected to grow at a 5-year CAGR of 2.1% to USD 116 by 2022. Dubai is expected to witness 20 mn international tourist arrivals by 2020 and its hotel supply is expected to reach 132,000 by 2019, which also includes the mid-market hotel segment which targets budget travelers. Abu Dhabi is an upcoming market with major tourist attractions including Sheikh Zayed Grand Mosque, Ferrari world, Warner Bros' World, YAS Island, Saadiyat Island, Abu Dhabi food festival and the New Year's Countdown Village. Abu Dhabi witnessed a 9.8% increase in international tourist arrivals to 4.875 mn people, in 2017. In February 2018, the occupancy rate rose to 81% on account of high supply of winter travelers from China, India, UK, Germany, Saudi Arabia and the US.

Exhibit 17: UAE Hospitality Market Forecast

Particulars	2017E	2018F	2020F	2022F
Revenue (USD Bn)	**5.1**	**5.6**	**7.6**	**7.6**
Hotels	4.3	4.7	6.4	6.5
Serviced Apartments	0.8	0.9	1.2	1.2
Key Operating Metrics				
Occupancy Rate	75%	77%	81%	78%
ADR (USD)	139	141	152	149
RevPAR (USD)	104	108	123	116
Total Room Capacity	**137,017**	**149,919**	**179,752**	**183,718**

Source: Alpen Capital
Note: E – Estimated; F- Forecasted

Qatar:

Qatar hospitality market is expected to grow at a CAGR of 12.1% (2017-2022) to USD 1.4 bn by 2022. Its hotel sector is dominated (70%) by 4-star and 5-star hotels. International tourist visits are expected to grow at a 5-year CAGR of 5.0% to 2.9 mn whereas the hotel supply is expected to grow at a 5-year CAGR of 12.8% to 46,000 hotel rooms. ADR is expected to grow at a 5-year CAGR of 0.5% to USD 164 till 2022, whereas the RevPAR is expected to decline at a 5-year CAGR of 0.4% to USD 91 by 2022. In 2017, Qatar witnessed a decline in international tourist arrivals to 57%, on account of imposed trade and travel bans for stirring regional instability, which also led to a 42% decline (y-o-y) in GCC tourists in same year. However, Qatar is considering it as an opportunity to become self-reliant, and also preparing to host FIFA World Cup 2022. Qatar is required to have 60,000 hotel rooms by 2022 as per FIFA guidelines. Qatar National Tourism Sector Strategy 2030, targets 5.6 mn international tourist arrivals by 2023[23]. To attract tourists, it has introduced new regulatory measures such as the free-of-cost 96-hour Transit visa stopover package.

Exhibit 18: Qatari Hospitality Market Forecast

Particulars	2017E	2018F	2020F	2022F
Revenue (USD Bn)	**0.8**	**0.8**	**1.0**	**1.4**
Hotels	0.8	0.8	0.9	1.3
Serviced Apartments	0.05	0.06	0.07	0.10
Key Operating Metrics				
Occupancy Rate	58%	55%	53%	56%
ADR (USD)	159	156	156	164
RevPAR (USD)	93	86	83	91
Total Room Capacity	**25,167**	**28,393**	**36,140**	**46,000**

Source: Alpen Capital
Note: E – Estimated; F- Forecasted

Oman:

Oman hospitality market is expected to grow at a CAGR of 7.5% (2017-2022) to USD 1.0 bn by 2022. International tourist visits are expected to grow at a 5-year CAGR of 1.3% to 3.4 mn whereas the hotel supply is expected to grow at a 5-year CAGR of 5.6% to approximately 29,635 hotel rooms in 2022. ADR is expected to decline at a 5-year CAGR of -0.9% to USD

[23] Source: Visit Qatar

144 till 2022, whereas the RevPAR is expected to grow at a 5-year CAGR of 0.6% to USD 93 by 2022. Oman is a suitable destination for cultural and heritage attractions along with a potential to capitalize on transit itineraries for stopover visitors. GCC visitors (48%) comprise majority of international tourist arrivals, followed by India (10%), Germany (6%), UK (5%) and Philippines (3%)[24] OCEC and Muscat Opera are expected to increase tourist visits and increase the occupancy by 4-5% in 2018.[25]

Exhibit 19: Omani Hospitality Market Forecast

Particulars	2017E	2018F	2020F	2022F
Revenue (USD Bn)	**0.7**	**0.8**	**0.9**	**1.0**
Hotels	0.6	0.7	0.7	0.8
Serviced Apartments	0.12	0.14	0.16	0.17
Key Operating Metrics				
Occupancy Rate	60%	64%	65%	65%
ADR (USD)	151	148	145	144
RevPAR (USD)	90	95	94	93
Total Room Capacity	**22,620**	**24,104**	**26,727**	**29,635**

Source: Alpen Capital
Note: E – Estimated; F- Forecasted

Bahrain:

Bahrain hospitality market is expected to grow at a CAGR of 9.6% (2017-2022) to USD 0.7 bn by 2022. Government-led tourism initiatives and leisure segment are the main triggers for growth. Moreover, Bahrain is being positioned as a wedding destination which is expected to further fillip to demand and the occupancy rate. International tourist visits are expected to decline to 10.2 mn in 2022 due to absence of major events/ triggers; whereas hotel supply is expected to grow at a 5 year CAGR of 8.8% to 24,761 hotel rooms by 2022. ADR is expected to be flat at USD 153, whereas the RevPAR is expected to grow at a 5-year CAGR of 0.7% to USD 83 in 2022.

Exhibit 20: Bahraini Hospitality Market Forecast

Particulars	2017E	2018F	2020F	2022F
Revenue (USD Bn)	**0.4**	**0.5**	**0.6**	**0.7**
Hotels	0.4	0.4	0.5	0.6
Serviced Apartments	0.05	0.05	0.07	0.08
Key Operating Metrics				
Occupancy Rate	52%	52%	53%	54%
ADR (USD)	154	148	149	153
RevPAR (USD)	80	77	79	83
Total Room Capacity	**16,242**	**17,671**	**20,918**	**24,761**

Source: Alpen Capital
Note: E – Estimated; F- Forecasted

[24] Tourism Rate Soar in Oman/ Abu Dhabi Hotel Guests on the Rise, pressreader, April 1, 2018.
[25] Source: Oman forecast to see double digit growth in tourists to 2021, Arabian Business, March 23, 2018

Kuwait:

Kuwait hospitality market is expected to grow at a CAGR of 6.1% (2017-2022) to USD 0.4 bn by 2022. International tourist visits are expected to grow at a 5-year CAGR of 4.4% to 0.5 mn whereas the hotel supply is expected to grow at a 5-year CAGR of 4.4% to approximately 10,112 hotel rooms. ADR is expected to be flat at USD 208, whereas the RevPAR is expected to grow at a 5-year CAGR of 1.7% to USD 126 by 2022 (from USD 116 in 2017). The Government is actively diversifying from the oil-based economy and making substantial investments in the hospitality and tourism sector to boost its economy. It is attracting famous hospitality brands such as Hilton, Four Seasons and The Avenues Mall in Kuwait City.

Exhibit 21: Kuwait Hospitality Market Forecast

Particulars	2017E	2018F	2020F	2022F
Revenue (USD Bn)	**0.33**	**0.35**	**0.39**	**0.45**
Hotels	0.29	0.30	0.34	0.39
Serviced Apartments	0.04	0.04	0.05	0.06
Key Operating Metrics				
Occupancy Rate	57%	57%	59%	61%
ADR (USD)	204	204	203	20
RevPAR (USD)	116	116	119	126
Total Room Capacity	**8,154**	**8,512**	**9,278**	**10,112**

Source: Alpen Capital
Note: E – Estimated; F- Forecasted

4. Growth Drivers

Mega Events, New Leisure Attractions, and MICE

Mega Events

GCC has lined up a series of business, sports/leisure, and industry events in next five years to boost the demand for tourism and hospitality industry.

World Expo 2020 and FIFA World Cup 2022 to act as major triggers for the GCC tourism and hospitality industry

Dubai's World Expo 2020, a six month long event is scheduled to take place between October 2020 and April 2021. Over 120 countries and 200 organizations are expected to participate and more than 25 million inbound travelers are expected from 180 countries, creating 300,000 jobs and boosting its hospitality and tourism industry[26].

Qatar is scheduled to host the FIFA World Cup 2022, which is expected to attract more than 1.5 million tourists in the country. The country has planned investments worth USD 2.3 bn for the World Cup and an additional USD 6.9 bn for transport and associated projects[27]. Qatar is expected to host the World championships in Athletics in 2019 along with the World Aquatics Championships in 2023.

New Leisure Attractions

UAE and Saudi Arabia account for 74% of leisure projects in the GCC region.

Leisure markets continue to act as a significant demand driver for the GCC hospitality and tourism sector. GCC has over 2,000 projects in the construction pipeline worth USD 200 bn[28]. UAE and Saudi Arabia account for 74% of leisure projects in the GCC region[29]. Saudi Arabia has over USD 64 bn worth of leisure projects in the construction pipeline[30]. UAE has some exciting theme parks scheduled to be opened for public in coming years which is expected to act as additional leisure attraction:

- Warner Bros' World Abu Dhabi, a 1.65 mn square foot indoor theme park worth USD 1 bn, is debuted to launch in summer 2018.
- SeaWorld Abu Dhabi, a massive marine life theme park is expected to debut in 2022.
- World of Legends theme park in Dubai, scheduled to open in 2019.

MICE

The GCC's Meetings, Incentives, Conferences and Events (MICE) market stood at USD 1.27 bn in 2017[31]. GCC has been a host to numerous MICE events such as IATA world symposium in October 2016 and is also scheduled to host various conferences and events such as the World Tunneling Congress in 2018, World Pulses Convention in 2020. Dubai remains the top choice for the business travelers for MICE events in GCC according to a study by an event management company, QnA International[32].

Growth in GDP

GCC countries are expected to witness an improvement in economic performance in 2018 after registering the lowest positive growth of 0.5% (2017) since 2009. The GCC region saw a sharp decline in GDP growth rate after 2015 oil crisis, which had also impacted the hospitality sector. The World Bank expects the GCC region to grow by 2.1% and 2.7% in

[26] Source: How Expo 2020 will boost Dubai's realty market, Pressreader, March 15, 2017.

[27] Source: Qatar spends US$ 500 mn a week on capital projects for FIFA World Cup 2022.

[28] Source: GCC Hospitality and Leisure sector has $2 bn projects underway, the big5, October 30, 2017

[29] Source: GCC Hospitality and Leisure sector has $2 bn projects underway, the big5, October 30, 2017.

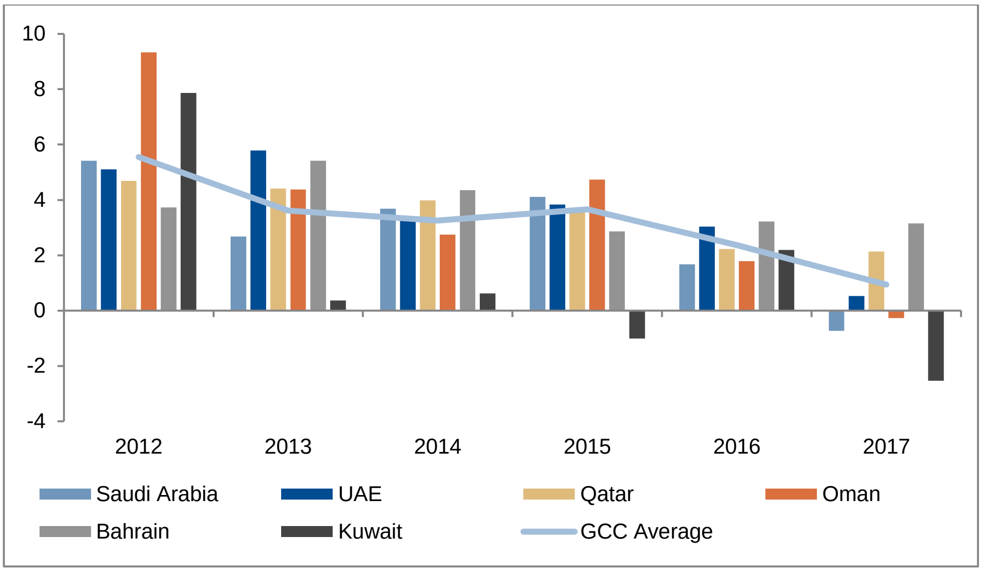
[30] Source: GCC Hospitality and Leisure sector has $2 bn projects underway, the big5, October 30, 2017.

[31] Source: Dubai remains 'top choice' for GCC destination, Trade Arabia, December 27, 2017

[32] Source: Qatar spends US$ 500 mn a week on capital projects for FIFA World Cup 2022.

2018 and 2019, respectively on account of recovery in oil prices[33]. The rebound in the oil prices has led to higher fiscal spending plans (supportive towards the non-oil sectors) in majority of the GCC budgets, which is expected to give policy makers room to pursue a gradual fiscal consolidation along with diversification of hydrocarbon/oil-based economies. It will also lead to an increase in investments and government spending in the hospitality sector to boost tourism activity in the region.

Exhibit 22: GCC region GDP (y-o-y) growth rate (%)



Source: Bloomberg, IMF

Religious Tourism

Saudi Arabia is expanding the Grand Mosque in Mecca to increase its capacity to 2.5 mn worshippers from the current 0.6 mn.

Under the Saudi Vision 2030 plan, it aims to double the Umrah travelers to 15 mn by 2020 and 30 mn by 2030

Saudi Arabia attracts the highest religious tourists in GCC, which acts as a major contributor to the country's economy. Religious tourist arrivals in Saudi Arabia has significantly improved to 2.35 mn in 2017 from a 10-year low in 2016, after easing of quota restrictions[34]. Saudi Arabia aims to boost the number of Hajj and Umrah pilgrims by undertaking projects over USD 50 bn[35]. Saudi Arabia is expanding the Grand Mosque in Mecca at an estimated cost of USD 26.6 bn in order to increase the mosque's capacity to 2.5 mn worshippers from the current 600,000[36]. While the Hajj takes place only for a specific period of time, the Umrah pilgrimage can be taken any time of the year. Under the Saudi Vision 2030 plan, it aims to double the Umrah travelers to 15 mn by 2020 and 30 mn by 2030[37]. The increase in tourists is expected to be supported by expansion projects in Makkah and Medina along with the Haramain High-Speed rail and the USD 7.2 bn expansion project of King Abdulaziz International Airport (KAIA)[38].

[33] Economic Growth in Gulf Region Set to Improve following a Weak Performance in 2017, World Bank, March 19, 2018.
[34] Source: Saudi Arabia aims to increase pilgrim numbers and non-religious tourism, Oxford Business Group
[35] Source: Saudi religious tourism set to rise following $50bn infrastructure investment, The National, August 28, 2017
[36] Source: Saudi religious tourism set to rise following $50bn infrastructure investment, The National, August 28, 2017
[37] Source: Saudi religious tourism set to rise following $50bn infrastructure investment, The National, August 28, 2017
[38] Source: Saudi religious tourism set to rise following $50bn infrastructure investment, The National, August 28, 2017

Long Term Tourism Strategies

Tourism and Hospitality sectors expected to help GCC nations diversify from oil based economies.

In 2015, Saudi Arabia unveiled its long term strategy – Saudi Vision 2030, which laid out six major initiatives to boost the travel and tourism industry. International tourist visits are expected to grow at a CAGR of 5.8% during 2018-22. Saudi Vision 2030 also aims to double the Saudi heritage sites registered with UNESCO by 2030. By increasing the capacity, creating attractions of international standards, improvement in the transport network system and quality of services offered to visitors such as improving visa applications, Saudi Arabia plans to attract 15 mn passengers by 2020 and 30 mn by 2030. The strategy also includes the initiative for development of integrated tourism destinations for families in Al Ula, Fursan Islands, and Al Raas Al Abyad shore; development of Okaz City in Taif region's rehabilitation of 80 archaeological sites of which three sites is expected to be listed on the UNESCO's World Heritage List and facilitate 122,000 student tours by 2020[39]. In October 2017, Saudi Crown Prince Mohammed bin Salman announced plans to build a new city on the Red Sea coast, 'NEOM'. The new city is expected to be funded by over USD 500 bn from the Saudi Government, its sovereign wealth fund and local and international investors. NEOM is expected to operate independent of the existing government framework and powered by clean energy. The 'NEOM' project is part of the Saudi Arabia's Vision 2030 strategy to reduce the dependency on oil, develop non-oil sectors and diversify the country's economy.

Dubai launched its Tourism strategy 2020 in May 2013 which laid down the strategic roadmap to attract 20 mn visitors by 2020. The strategy is focused on maintaining market share in existing source markets, increasing market share in high potential markets and increasing the number of repeat visitors. Dubai is expected to achieve its target of 20 mn visitors by 2020 on account of planned business events and leisure attractions. Dubai is aggressively investing in mega tourism developments which are scheduled to open before its flagship event World Expo 2020.

- **Marsa Al Arab** – a USD 1.7 bn comprehensive tourist destination is expected to spread across two man made islands,
- **The Tower** – a USD 1 bn building which is set to be the tallest building in the world,
- **Deira islands** – a mega development project consisting of four islands that is expected to add 23.5 kms of prime waterfront land to the city's coastline and,
- **Six Flags Dubai** – scheduled to open in the fourth quarter of 2019; the AED 2.6 bn project is set cover an area of 3.5 mn square feet.

Qatar National Tourism Strategy 2030 aims to increase the tourism spending up to QAR 40 bn and tourism's contribution to GDP to 4% in 2023.

Abu Dhabi department of culture and tourism developed a five-year strategic plan to establish, guide and deliver a blueprint which shapes their objectives and activities to 2021 and align with the strategic blueprint of the Abu Dhabi Economic Vision 2030[40].

Qatar National Tourism Sector Strategy (QNTSS) 2030 was launched in February 2014. The Next Chapter, a part of QNTSS 2030, lays out the plan for tourism development of Qatar. The QAR 2 bn redevelopment project of Doha is expected to attract 300,000 cruise visitors in the 2019-20[41]. The Next Chapter aims to attract 5.6 mn tourists by 2023[42] The tourism spending in Qatar is expected to reach QAR 40 bn in 2023[43]; and it aims to increase the tourism contribution to GDP to 4% in 2023 from 2.3% in 2016[44].

[39] Source: 6 tourism initiatives to be launched today, Saudi Gazette, July 3, 2017
[40] Source: Government.ae Abu Dhabi Economic Vision 2030
[41] Source: Visit Qatar (https://visitqatar.qa/corporate/QNTSS)
[42] Source: Visit Qatar (https://visitqatar.qa/corporate/QNTSS)
[43] Source: Visit Qatar (https://visitqatar.qa/corporate/QNTSS)
[44] Source: Visit Qatar (https://visitqatar.qa/corporate/QNTSS)

Launched in 2016, Oman's National Tourism Strategy (NTS) aims to increase international tourist arrivals to 11.7 mn per year by 2040[45] and boost the GDP contribution of the tourism sector to 6%[46]. Apart from increasing the hotel supply and employment, NTS aims to develop and promote a series of unique tourism destinations/clusters and offer a wide variety of experiences to encourage extended visits and greater engagement with the country's culture and natural sites.

Bahrain's new tourism strategy aims to increase the revenue from the sector to USD 1 bn annually by 2020 and increase the GDP contribution of the tourism sector to 6.6% in 2020[47]. The strategy focuses on increasing the average length of stay, improving overall accessibility to the kingdom, increasing the inflow of visitors arriving by cruise liner and expanding the hotel supply. It is also investing in improving the tourism infrastructure, including the USD 1.1 bn Bahrain International Airport expansion which is expected to increase the handling capacity to 14 mn passengers annually along with the expansion of the King Fahd Causeway, linking Bahrain to Saudi Arabia[48].

Kuwait aims to attract 440,000 visitors by 2024 along with earmarking USD 1 bn to promote the country during that period[49]. It has a number of projects which is expected to share the multi-billion dollar development budget such as the expansion of Kuwait International Airport which is expected to reach a handling capacity of 25 mn passengers annually by 2025 along with Madinat Al Hareer and Silk City and Sheikh Saad Al-Abdullah Islamic Centre[50].

Airport Expansion

GCC nations are investing in the development of tourism infrastructure which includes expanding the airport capacity to complement the government's activity to boost tourism.

King Abdulaziz International Airport is expected to have a capacity to handle 30 mn passengers annually in phase 1 and 55 mn in phase 2 up to 100 mn after full completion

King Abdulaziz International Airport's(Saudi Arabia) first phase expansion worth USD 7.2 bn[51] completed its soft launch in May 2018. The new airport is expected to handle 30 mn passengers annually[52]. After the completion of the second phase, the airport is expected to handle 55 mn passengers, and 100 mn following the third and the final phase. King Khalid International Airport's (Saudi Arabia) renovation and expansion of terminal three and four project in Riyadh worth USD 1.45 bn[53] is expected increase the airport's capacity to handle between 20 and 25 mn passengers a year[54]. Similar expansion projects are being carried out in Taif, Yanbu, Al- Qassim and Hail.

Dubai International Airport is expected to handle 146.3 mn passengers by 2025

In 2017, Dubai secured USD 3 bn funding for the expansion and development of the Dubai International Airport (DXB) and Al Maktoum International Airport (DWC)[55]. The financing was raised by Department of Finance for the Government of Dubai, the Investment Corporation of Dubai, and Dubai Aviation City Corporation[56] It plans to convert DXB into the primary airport for Dubai which is expected to serve 146.3 mn passengers annually by 2025[57]. Abu Dhabi is set

[45] Source: Oman launches a 25-year tourism strategy, Oxford Business Group
[46] Source: Oman's national tourism strategy 2040 targets 6% rise in contribution to GDP, Times of Oman, February 15, 2016.
[47] Source: New tourism strategy and brand identity aim to increase average length of visitor stay in Bahrain, Oxford Business Group
[48] Source: New tourism strategy and brand identity aim to increase average length of visitor stay in Bahrain, Oxford Business Group
[49] Source: Kuwait to showcase at Dubai ATM multi-billion dollar 'Tourism Plan', Arab Times, March 21, 2017
[50] Source: Kuwait to showcase at Dubai ATM multi-billion dollar 'Tourism Plan', Arab Times, March 21, 2017
[51] Source: $7.2 billion King Abdulaziz International Airport is 88% complete, thebig5hub, June 4, 2017.
[52] Source: First Saudi flight departs from King Abdulaziz International Airport, Jeddah, Breaking Travel News, May 30, 2018.
[53] Source: King Khaled International Airport, Riyadh, Saudi Arabia, Airport technology
[54] Source: First Saudi flight departs from King Abdulaziz International Airport, Jeddah, Breaking Travel News, May 30, 2018.
[55] Source: Dubai government secures $3b financing for airport expansion, Gulf News, May 14, 2017.
[56] Source: Dubai government secures $3b financing for airport expansion, Gulf News, May 14, 2017.
[57] Source: Dubai government secures $3b financing for airport expansion, Gulf News, May 14, 2017.

to open its new terminal in the last quarter of 2019. The new terminal estimated over Dh 10 bn is expected to have a capacity of 84 mn passengers after its completion[58].

In 2017, Kuwait started off with construction of the new terminal at Kuwait International Airport. The new terminal estimated at USD 4.3 bn is expected to have the capacity to handle 25 mn passengers annually[59].

In March 2018, Muscat International Airport has undertaken a USD 1.8 bn expansion project that is expected to increase the airport's handling capacity to 12 mn passengers annually.[60]

Bahrain is expected to complete the first phase of construction of the new terminal at the Bahrain International Airport in the third quarter of 2019 and commence operations by September 2019. The USD 1.1 bn expansion project is expected to increase the handling capacity to 14 mn passengers.[61]

Eased Visa Regulations

The UAE cabinet has decided to exempt transit passengers from paying a transit visa fee for the first 48 hours in the UAE. The transit visa can also be extended for up to 96 hours for a fee of Dh50. This could significantly enhance tourist arrivals and T&T spending. In 2017, 50 million transit passengers went through Dubai airports of which 46 million transit visitors who did not exit the airport now have an opportunity to do so. Few leading hoteliers are considering to absorb the transit visa fees and offer special packages for city tours and discounted short and extended stays which is expected to lead to an increase in transit visitors opting for longer stopovers in Dubai. In August 2017, Qatar Tourism Authority announced visa-free entry for citizens of 80 countries in the region. A multi-entry waiver, valid for either 180 days or 30 days, would be issued free-of-charge at the port of entry along with a confirmed onward or return ticket. Qatar is also considering further enhancements to the visa policy including waiver for holders of visa/permit for GCC and Schengen countries, as well as UK, USA, Canada, Australia and New Zealand.

National Carriers as Catalyst to Tourism Growth

GCC based air carriers are offering attractive offers and discounts along with exclusive memberships in order to boost tourism activity in the region. Emirates is offering its customers – 'My Emirates Pass' which gives customers exclusive offers at over 250 locations along with special privileges on a range of theme parks and Spas. Qatar Airways has launched a stopover package which offers the transit passengers to travel around Doha city along with free hotel stays and complimentary transit visas. Oman Air recently expanded its air fleet with the purchase of thirty 737 Boeing Max and launched new routes to Istanbul in June, Morocco in July and the route to Moscow will be launched during the Winter Schedule 2018[62]. In 2016, the total air passengers carried by the three super-connectors of the Gulf region, Emirates, Etihad and Qatar Airways, increased at a CAGR of 14.7% to 104.5 mn from 26.5 mn in 2006[63]. The average annual growth in 2017 for seats departing, from Dubai stood at 2% for Emirates, from Abu Dhabi stood at 3% for Etihad Airways and from Doha stood at -1% for Qatar Airways[64]. In July 2018, the combined fleet size of the four UAE airlines reached 502, including Emirates fleet of 268, Etihad Airways – 120, FlyDubai's – 61 and Air Arabia's – 53[65].

[58] Source: Inside the new Abu Dhabi airport terminal; mega facility set to open in 2019, Gulf News, July 2, 2018.

[59] Source: Construction work begins on Kuwait's new $4.3 bn airport terminal, Gulf Business, May 10, 2017

[60] Source: Muscat International Airport Expansion, Airport Technology

[61] Source: New Bahrain Airport set for 2019 soft opening, MEED, February 28, 2018

[62] Source: Emirates Pass Returns For Second Summer To Boost UAE Tourism, AviationBusinessme June 9, 2018

[63] Source: A hard landing for the Gulf's airlines, Financial Times, September 5, 2017

[64] Source: A hard landing for the Gulf's airlines, Financial Times, September 5, 2017

[65] Source: UAE investing $23.16bn in airports infrastructure, Arabian Business, July 9, 2018

The UAE airlines add 4-5 aircrafts per month and the total fleet size is expected to cross 525 by the end of 2018[66]. In 2017, UAE's one of the largest aviation industry exhibition – Dubai Airshow, witnessed USD 114 bn worth of orders signed, including 225 Boeing 737 Max aircrafts by FlyDubai worth USD 27 bn and 40 Boeing B787-10 by Emirates Airlines worth USD 15.1 bn[67].

Hotel Projects Pipeline

Saudi Arabia's existing hotel pipeline of 64,000 rooms is more than 76% of its existing hotel room supply.

GCC region is geared to meet the upcoming demand by constructing additional rooms across the luxury and mid-market segments. Saudi Arabia has a current pipeline of 64,000 rooms.[68] In 2018, 27,281 rooms are expected to be inaugurated which include Hilton Riyadh Hotel & Residences; Copthorne Hotel Makkah, Jabel Omar; Swiss-Belhotel Al Aziziya Makkah; Millennium Hotel Jeddah; and Hilton Garden Inn Al Khobar[69]. Makkah is expected to receive the largest supply of new rooms with over 23,000 rooms in construction and over 32,000 rooms in pipeline40. Jeddah and Riyadh are expected to build 10,000 rooms across the three phases of pipeline[70].

Dubai's hotel room supply is expected to reach 132,000 in 2019

Dubai's hotel room supply is expected to reach 132,000 in 2019 from 107,717 in 2017[71]. Prominent hotel openings include Royal Central The Palm (207 keys) and Canal Central in Business bay (280 keys). Two luxury hotels by Caesars Palace – Caesars Palace Bluewaters Dubai (178 rooms) and Caesars Bluewaters Dubai (301 rooms) are set to debut in 2018.[72]

In December 2017, Qatar's hotel room supply stood at 25,167[73]. For the FIFA World Cup 2022, Qatar is expected to attract over 1.5 mn tourists and is required to maintain a supply of 60,000 hotel rooms according to FIFA guidelines. It has also planned to offer a wide range of accommodation options such as cruise ship hotel rooms, Bedouin-style tent for camping under the stars and short-term letting system similar to Airbnb. Prominent hotel openings in Qatar include Tivoli Al Najada Doha hotel (151 hotel rooms and suites), Oaks Al Najada Doha (100 keys) and Souq Al Wakra Hotel (101 keys)[74].

Oman's hotel supply is expected to reach 16,866 in 2021 from 10,924 in 2017. Muscat's branded hotel supply is expected to rise annually by 12% till 2021[75]. New hotel openings include Crown Plaza (300 keys), JW Marriott (304 keys). In 2017, Mövenpick Hotels & Resorts announced its plan to develop a third property in Muscat - Mövenpick Hotel Muscat Airport (370 keys).[76]

Bahrain has planned to introduce additional 5,100 five-star rooms by 2021[77]. According to Bahrain Economic Development Board, 15 four and five-star hotels and resorts estimated over USD 10 bn are scheduled to open in Bahrain by 2022[78]. These hotels include Vida Hotels & Resorts, Pullman, The One&Only Resort, Wyndham Grand Hotel and Fairmont[79].

66 Source: UAE investing $23.16bn in airports infrastructure, Arabian Business, July 9, 2018
67 Source: UAE investing $23.16bn in airports infrastructure, Arabian Business, July 9, 2018
68 Source: 84 new hotels set to open in Saudi Arabia in 2018, Arab Business, March 3, 2018.
69 Source: Saudi Arabia has more than 64,000 rooms in its pipeline, Arab Business, February 3, 2018.
70 Source: 84 new hotels set to open in Saudi Arabia in 2018, Arab Business, March 3, 2018.
71 Source: Dubai's hotel room supply to top 132,000 by end -2019, Arabian Business, February 20, 2018.
72 Source: Hotelier Middle East.
73 Source: Qatar tourism report 2017.
74 Source: Minor Hotels announces opening of three new hotels in Qatar during Spring 2018, Hospitality Interiors, November 8, 2017.
75 Source: Muscat's branded hotel supply to rise by 12% annually by 2021, Arabian Industry, March 13, 2018
76 Source: Muscat's branded hotel supply to rise by 12% annually by 2021, Arabian Industry, March 13, 2018
77 Source: 5,100 new hotel rooms to open in Bahrain by 2022, Trade Arabia, June 20, 2017
78 Source: Minor Hotels announces opening of three new hotels in Qatar during Spring 2018, Hospitality Interiors, November 8, 2017.
79 Source: 5,100 new hotel rooms to open in Bahrain by 2022, Trade Arabia, June 20, 2017

5. Challenges

Geopolitical Concerns

The GCC region had its share of geopolitical events, recently. In June 2017, Saudi Arabia, Bahrain, Egypt and UAE imposed blockade on Qatar with a 10-day ultimatum to meet 13 demands. The blockade includes imposing a ban on trade and travel along with withdrawing the ambassadors. Qatar however refused to comply with the demands and adopted isolation from rest of the GCC nations. The blockade was one of the factors that affected the Qatar tourism and hospitality industry on account of decrease in international tourist arrivals by 22.9% to 2.3 mn along with decrease in occupancy to 58% in 2017.

Increasing Competition

There is competition among GCC nations to capture a larger pie of the travel and tourism market. There is a pipeline of tourism attractions, new hotel constructions, business & trade incentives, and government focus from majority of the countries to woo tourists across the globe. The existing hotels are offering attractive discounts on room rates to increase the occupancy however at the cost of the ADRs, thus adding significant pressure on margins.

The mid-market hotel segment is giving a stiff competition to the luxury hotel segment, which has dominated the GCC hospitality sector in terms of supply and pricing for a long period of time. The mid-market hotel segment includes mid-range priced hotels with modern amenities at lower costs. It has helped generate market demand from emerging countries thereby increasing occupancy rates yet causing a downward pressure on ADR. STR Global analysis dated November 22, 2017 showed that Dubai budget and mid-scale sector outperformed the hotel sector with high compression nights (occupancy over 90%) for budget category increasing by 203% YoY and for mid-scale category increasing by 186% YoY whereas the overall hotel sector reported a 23% YoY increase in compression nights in September 2017[80]. Whereas, the ADR in Dubai and Saudi Arabia witnessed a 4.0% and 7.9% (y-o-y) decline to USD 154 and USD 183, respectively, in 2017.

Revenue for properties listed on Airbnb in Dubai increased by 421% to USD 3.3 mn between August 2015 and 2017 with listings tripling up to 3,249 units from 1,241 units with consistent ADR levels over three years at USD 154

The Airbnb model of renting apartments and Vilas has started gaining ground in GCC. Like developed countries, we expect a good adoption of this model in GCC, as there is a sizable inventory in the GCC real estate market with ever-increasing demand. Real estate investors are now diversifying into the holiday home rental market on account of lenient rules and higher yields in comparison to long-term leasing rental yields. With the relaxation of rules and regulations (e.g. a new Executive Resolution No. (1/2016) concerning the Second Edition of 'Dubai Holiday Home Rental Regulations'), it has become easier for homeowners to cut out the middleman and directly register their property on the website at competitive rates. The competitive pricing of the Airbnb model is expected to add further pressure on the ADRs and RevPAR. Airbnb has tied up with Dubai in 2016 and Ras Al Khaimah in January 2018. Revenue for properties listed on Airbnb in Dubai increased by 421% to USD 3.3 mn between August 2015 and 2017 with listings tripling up to 3,249 units from 1,241 units with consistent ADR levels over three years at USD 154[81].

[80] Source: 2018 hospitality forecast: closing in, Hotelier Middle East, January 25, 2018

[81] Source: Airbnb revenues up by 421 pc in Dubai, Trade Arabia, October 11, 2017

According to UNWTO, International tourism in North Africa has grown by 13% in 2017 showing signs of recovery. Globally, Egypt ranks 74th (gaining nine positions in last 2 years), according to World Economic Forum Travel and Tourism Competitiveness Report 2017

There is competition within GCC region as well as from other Middle East and North African countries such as Lebanon and Egypt, which are cost effective and have attractive tourist destinations and other emerging destinations in CIS countries. According to UNWTO, International tourism in North Africa has grown by 13% in 2017 showing signs of recovery. According to World Economic Forum Travel and Tourism Competitiveness Report 2017, globally Egypt ranks 74th (gaining nine positions in last 2 years), driven by increased government support for travel and tourism sector along with strengthening of cultural resources and easing of visa policies. Improvement in neighboring countries has provided an impetus in the competition between the countries to grab a bigger share of the tourism market.

Oversupply Concerns

Saudi Arabia has planned over 64,000 rooms across the three phases of hotel development pipeline which represents 76% of the existing hotel room inventory in the kingdom, according to STR Global's January 2018 pipeline report. The demand for hotels haven't increased at par with the supply, leading to a downward pressure on occupancy and ADR which declined by 2.5% and 7.9% (y-o-y), respectively. Dubai is witnessing a rise in the supply of hotel rooms along with the long construction pipeline of hotels on account of World Expo 2020. Mid-market hotels are gaining momentum and various hotel developers and operators have announced the opening of new mid-market hotels in the three to four star segment over the next three to four years. The demand for hotels however haven't kept the pace leading to a downward pressure on ADR, which declined from USD 231 in 2015 to USD 185 in 2017. Qatar is also expanding its hotel room capacity at a faster pace in order to meet the FIFA norms of 60,000 rooms. The blockade imposed by a few Gulf nations on Qatar had an impact on its tourist arrivals which declined by 13% (y-o-y) in 2017. The decline in demand is due to low tourist arrivals resulted in a downward pressure on the ADR which declined by 4.8% to USD 166. Bahrain, Oman and Kuwait witnessed a rise in occupancy however registered a decline in ADR on account of increase in competition amongst hotels.

After the scheduled events, there could be a possibility of oversupply due to lack of any new demand in absence of any new triggers. Hence, the occupancy levels, ADRs, and RevPAR may be affected in short term immediately after the events.

Geopolitical and Economic Concerns in Source Markets

Russian tourist arrivals declined by more than 50% after the oil crisis, thereby negatively impacting the GCC tourism market

The GCC key source markets include India, China, Russia and UK amongst others. Majority of the source markets are emerging nations who are currently dealing with geo-political tensions and economic problems that can have a negative impact on the GCC tourism market. In 2014, decline in oil prices led to a crisis in Russia with Ruble falling to record lows against currencies such as US dollar. Russian tourist arrivals declined by more than 50% after the oil crisis, thereby negatively impacting the GCC tourism market.

Impact of VAT on Overall Cost

The GCC VAT Framework Agreement signed by the six Gulf Cooperation Council member states, sets out a unified set of principles for VAT as a means for the individual GCC states to implement VAT legislation domestically allowing each state to exercise its discretion in various areas. The VAT was intended to be implemented by the GCC states by January 1, 2018. So far, only two GCC countries -Saudi Arabia and UAE have implemented VAT on the intended date.

The introduction of VAT has led to an increase in the cost of goods and services by 5% (global average: 15%) and the travel and shopping is expected to get dearer than before. However, the negative impact of VAT is expected to be short-lived and instead generate additional revenues for the governments. According to Dubai Government Authorities, the first year of VAT (i.e. 2018) is expected to generate USD 3.26 bn which is expected to further rise in 2019 to USD 5.4 bn. In July 2018, the UAE cabinet approved a plan to create a refund system for non-resident individuals/tourists to claim VAT back on goods bought in the UAE region to alleviate the negative impact of VAT on tourism spending. The refund system supports the growth of the tourism sector in the UAE and maintain its position as a global destination for tourists. It is expected to be implemented by Q4 2018. Dubai and Abu Dhabi also announced the reduction in taxes levied on hotels and restaurants from 10% to 7% to boost the economy and competitiveness.

6. Trends

Continued Growth of Mid-market Hotels

The hospitality industry in the GCC region especially Saudi Arabia and UAE are broadening their hotel segment by focusing on the mid-market segment. India and China account for significant contribution to the GCC tourist arrivals with India leading the list in 2017 with 2.1 mn tourist arrivals in Dubai in 2017[82]. In order to attract the budget conscious and cost restrictive travelers, hotel brands are shifting towards developing and expanding into the mid-market segment hotels.

In UAE, Dubai has seen a rapid rise in mid-market segment hotels with major hotel brands entering into the market such as Rove Hotels by Emaar Hospitality, Choice Hotels, Roda Hotels and Resorts, InterContinental Hotels Group (IHG), Hilton Garden Inn (Hilton), Park Inn (Carlson Rezidor) and Premier Inn (Whitbread) and easyHotel, Mama Shelter and 25Hours amongst others.

Saudi Arabia is also entering into the mid-market segment on account of increase in corporate demand for mid-market hotels, which is expected to grow at a CAGR of 16% by 2021[83]. New openings in 2018 by major hotel brands include Novotel (450 keys), Park Inn by Radisson (1,433 keys), Hilton Garden Inn (1,155 keys) and Four points by Sheraton (1,800 keys) amongst others.

Rise in Millennial Travelers

The rise in mid-market hotels can also be attributed to the rise in millennial travelers who opt for experience, authenticity and value-for-money proposition. The avid of occasional travelers, travel bloggers, young corporate solo travelers can be categorized as millennial travelers. However, budget-friendly hotel selection does not necessarily mean less spending power, but rather the millennial prefers to spend on other experiences such as theme parks, museums and concerts amongst others. The increase in millennial travelers can be attributed by,

- the cost-effective & customized travel packages,
- easy access to user-friendly mobile apps for seeking and posting instant check-ins, feedback, blogs, and photos & videos
- travel companion apps, which helps find a local companion to show the tourist destinations, and help experience the heritage and culture of the city

Evolution of Home-Grown Brands

GCC regional players have also joined the race in building room inventory as well as having a substantial construction pipeline. In December 2017, Emaar Hospitality, a Dubai based company, achieved a milestone of 10,000 rooms across its 11 operational hotels and 30 upcoming projects. It has over 2,500 operational rooms in Dubai and over 7,500 rooms are under development across the UAE, Saudi Arabia, Bahrain, Egypt, Turkey and the Maldives[84]. Rotana, an Abu Dhabi based company, will be building a new 200-room five-star hotel in Cairo city. The company has a robust pipeline of 48 properties that are scheduled to open before 2020. The company operates 16,161 keys across 60 hotels in 23 markets[85]. CityMax Hotels, a Dubai based company, has hotels spread across Dubai and Sharjah. In April 2018, the company announced the opening of hotels in Business Bay and Al Barsha in Dubai and Ras Al Khaimah, by Q4 2018, thus increasing the room supply to 8 hotels and

[82] Source: 15.8 million people visited Dubai in 2017, Gulf news, February 7, 2018

[83] Source: Saudi's mid-market sector to see CAGR of 16% between 2017 and 2021, Hotelier Middle East, February 28, 2018

[84] Source: Company website, filings

[85] Source: Company website, filings

2,333 rooms from 4 hotels and 1,384 rooms[86]. Habtoor Hotels, a Dubai based company, owns and operates a collection of luxury properties within the UAE such as Habtoor Grand Resort and Al Habtoor Polo Resort among others. In May 2018, the company launched a special promotion for GCC nationals for sale of homes at its 73-storey Noora Tower which features 546 luxury units, including four ultra-luxury penthouses scheduled for completion in July 2018[87].

Technology

Technology has become a key enabler in the hospitality sector with third-party technology platforms such as cloud, social, mobile and big data analytics combined with innovation accelerators like robotics, artificial intelligence and augmented reality to transform the industry. With the help of industry changing technologies, the hospitality industry in GCC is experiencing a digital disruption. Mobile technology and social media have increased customer to brand engagement thus leading to better customizations and tailoring of products and services as per the customer. Hoteliers have to actively decide digital marketing strategies in order to differentiate themselves in terms of price or experience to stay ahead of the curve. Hotels are leveraging Internet of Things (IoT) to provide advanced innovative digital solutions such as automated guestrooms which can control lighting, temperature and electronic devices, thereby improving guest satisfaction, comfort and safety.

[86] Source: Company website, filings

[87] Source: Company website, filings

7. Financial Performance and Valuation Analysis

This section covers the performance of major listed hospitality companies in the GCC region. The average revenue growth of -2.2% depicts pressure on the hospitality industry on the back of geopolitical events, excess supply, and declining occupancy, among others. Nine of eleven companies reported a negative revenue growth. The average EBITDA margin was 25.9% was lower than 2013-15 average of 29.5% and Net Income margin at an average of 13.9% was lower than 2013-15 average of 20.9%.

Exhibit 23 : Financial Performance of the Selected Hospitality Companies in the GCC

Company Name	Country	Market Cap (US$ Mn)	Revenue Growth 2015-17 (CAGR %)	Revenue FY2017	EBITDA Margin FY2017 (%)	Net Income Margin FY2017 (%)	Return on Assets FY2017 (%)	Return on Equity FY2017 (%)
Kingdom Holding Company	Saudi Arabia	8,750.0	-9.9	461	36.4	38.4	1.5	2.2
Abu Dhabi National Hotels	UAE	756.7	-3.8	347	27.9	19.5	2.5	3.0
Dur Hospitality Co.	Saudi Arabia	558.4	-4.7	129	34.0	18.7	3.6	5.1
National Corp for Tourism & Hotel	UAE	434.0	-7.4	198.2	NA	14.3	NA	NA
Abdul Mohsen Al-Hokair Tourism and Development Co	Saudi Arabia	329.1	-1.0	300	14.3	0.8	0.5	1.3
Gulf Hotels Group B.S.C.	Bahrain	308.7	7.3	99	30.9	29.6	9.3	10.3
IFA Hotels & Resorts-KPSC	Kuwait	210.1	0.7	208.5	7.1	-8.9	-2.0	-8.2
Gulf Hotels Oman Co Ltd SAOG	Oman	84.5	-5.4	21.2	32.2	19.8	4.7	5.7
National Hotels Co	Bahrain	81.8	-13.7	19.5	27.1	29.6	2.5	2.6
Kuwait Hotels SAK	Kuwait	38	-4.9	26.4	4.7	0.1	0.1	0.1
Kuwait Resorts Co KSCC	Kuwait	36.4	-3.7	35.5	36.9	17.6	4.9	7.3
Action Hotels PLC	Kuwait	31.2	15.8	58.3	24.4	-21.1	-2.3	-6.8
Hotels Management Company International SAOG	Oman	9.7	2.03	30.4	35.6	22.1	15.3	18.8
Average			**-2.2**		**25.9**	**13.9**	**3.4**	**3.4**
High			**15.8**		**36.9**	**38.4**	**15.3**	**18.8**
Low			**-13.7**		**4.7**	**-21.1**	**-2.3**	**-8.2**

Source: Bloomberg, Company Filings

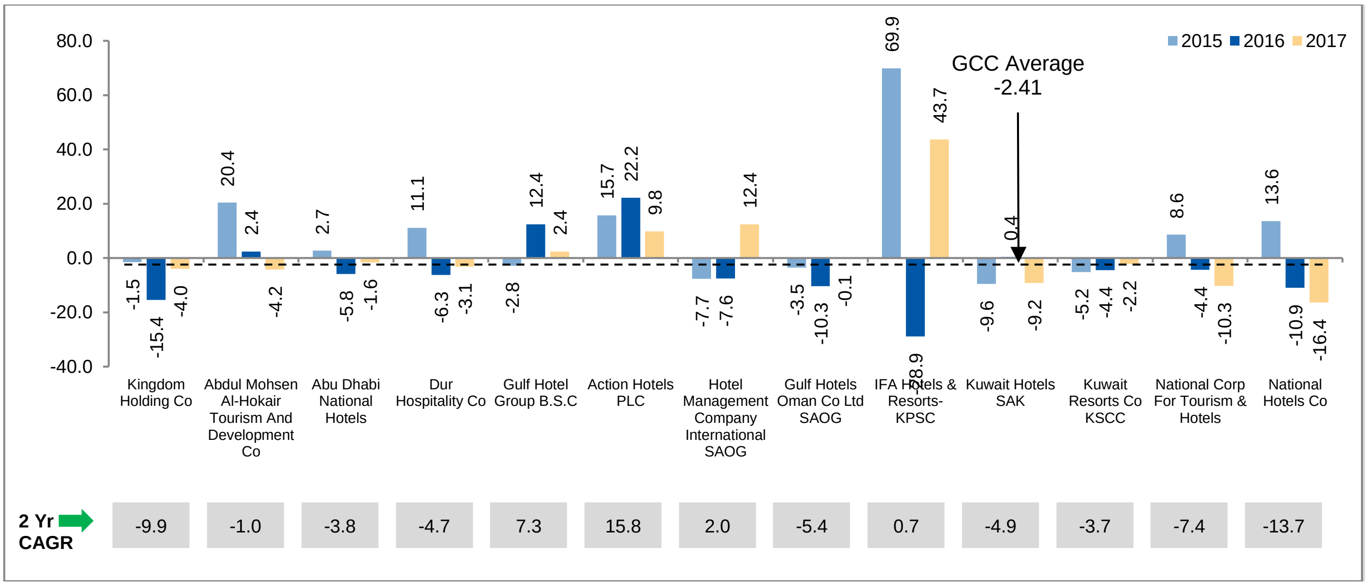
Revenue Analysis:

The total revenue of the above listed hospitality companies stood at USD 1.93 bn in 2017. The total revenue of these companies declined by 2.2% (y-o-y). Kingdom Holding Company, based in Saudi Arabia, is the highest contributor to the sector revenue at USD 461 mn (at 23.83%) followed by Abu Dhabi National Hotels at USD 347 mn (17.94%) and Abdul Mohsen Al-Hokair Tourism and Development Co at USD 300 mn (15.51%).

Action Hotels PLC, Gulf Hotels Group B.S.C. and Hotels Management Company International SAOG registered the highest revenue in terms of two-year CAGR at 15.8%, 7.31% and 2.03%, respectively. Action Hotels reported a high revenue growth on account of opening and operation of three new hotels in three countries – Ibis Styles Brisbane, Tulip Inn Ras Al Khaimah and Mercure Sohar. The number of operational rooms increased by 40% to 2,181 rooms[88]. Gulf Hotel Group B.S.C. reported a 5.9% (y-o-y) increase in hotel room operations despite the increase in hotel room inventory, declining occupancy and ADR. The Group is in the process of completing renovations in its Crown Plaza property and Gulf Convention Center, and upgradation of Gulf Hotel's Al Waha, La Pergola, Sherlock Holmes and Fusion outlets. Gulf Hotels Group B.S.C registered a decline in revenue in its hotel room operations and F&B segments, however the company registered a significant increase in Investment and interest income, thereby leading to a positive overall revenue growth of 2.4% (y-o-y) in 2017[89]. Hotels Management Company International S.A.O.G. witnessed an increase in revenue across hotel rooms, F&B and others in 2017, leading to a 12.4% (y-o-y) growth in revenues.[90]

In 2017, Kingdom Holding Company witnessed a (y-o-y) 4.0% drop in revenue on account of increased competition and declining ADR[91]. Dur Hospitality Co. registered a negative 4.7% 2015-17 CAGR in revenue on account of increase in competition in the hotel market in Riyadh and a decline in religious tourism due to quota restrictions by the Saudi government[92]. Abu Dhabi National Hotels saw a decline in revenue CAGR by 3.8% on similar grounds of competition, oversupply and fall in ADRs of hotel rooms[93]

Exhibit 24: Revenue Growth (%) of Hospitality Companies in the GCC



Source: Bloomberg, Company Filings

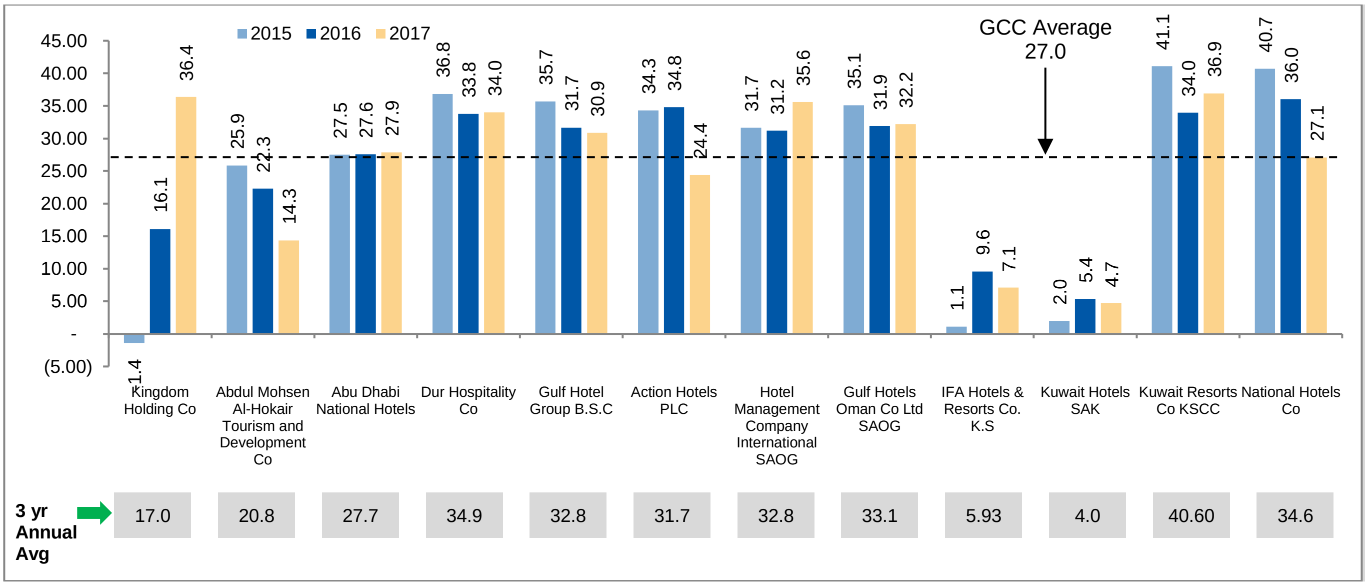
Profitability Analysis:

The 2017 EBITDA margin for the companies in the hospitality sector ranged from 4.7% to 36.9% (average 27.0%). Kingdom Holding Co. witnessed a major jump in EBITDA margin from -1.37% in 2015 to 36.35% in 2017 on account of decrease in hotel and operating costs

[88] Source: Action Hotels PLC Audited Results for the year ended 31 December 16, ADVFN, May 2, 2017
[89] Source: Company Filings
[90] Source: Company Filings
[91] Source: Company Filings
[92] Source: Company Filings
[93] Source: Company Filings

along with increase in other gains. Hotels Management company International SAOG witnessed an increase in EBITDA margin from 31.65% in 2015 to 35.7% in 2017. Abdul Mohsen Al – Hokair saw a decline in EBITDA margin from 25.86% in 2015 to 14.3% in 2017 due to a decline in hotel revenues coupled with rise in direct costs. Abu Dhabi National Hotels maintained stable margins over the last three years, whereas Dur Hospitality saw a slight decline in EBITDA margin from 36.83% in 2016 to 34.03% in 2017.

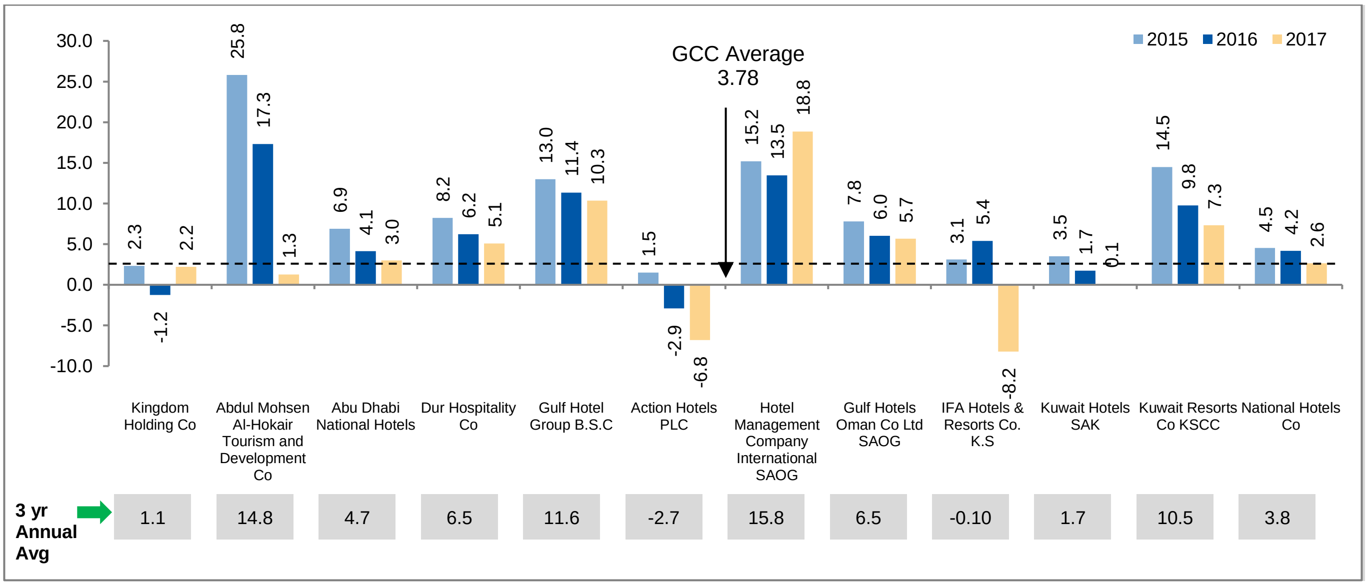
Exhibit 25: EBITDA Margin (%) of Hospitality Companies in the GCC



Source: Bloomberg, Company Filings

In 2017, industry average Return on Equity (ROE) stood at 3.78% with a majority of hospitality companies registering ROE below the average. Kingdom Holding Co's ROE increased to 2.2% in 2017 from -1.2% in 2016. The ROE for Abdul Mohsen Al-Hokair decreased to 1.3% in 2017 from 25.8% in 2015 due to a steep decline in net income (caused by decrease in revenue by 4.21% (y-o-y) coupled with increase in cost of revenue by 7.03%). Hotels management Company saw a revival in ROE in 2017 to 18.8% from 13.5% in 2016 owing to improvement in the revenue generation of the company by 12.5% (y-o-y).

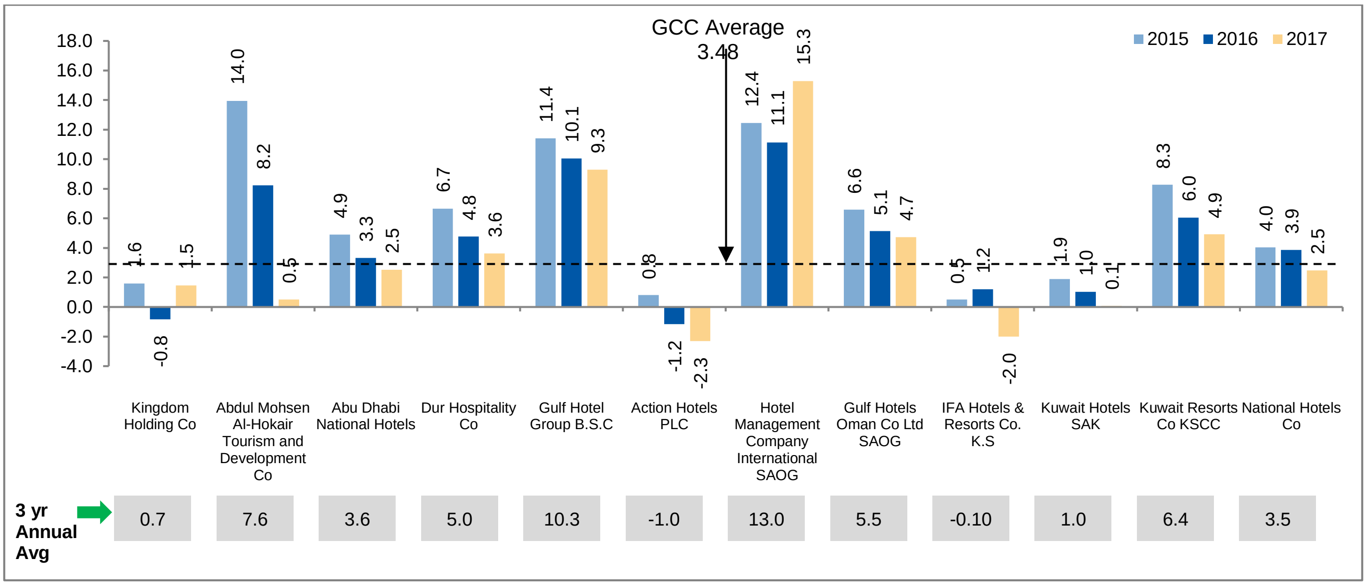
Exhibit 26: ROE (%) of Hospitality companies in the GCC



Source: Bloomberg, Company Filings

ROA of the selected companies stood at an average of 3.48%, with a majority of the companies performing below the industry average. In 2017, Hotel Management Company performed above the industry average on account of a significant jump of 37% in net revenue along with a marginal increase in total assets by 7%. Abdul Mohsen Al-Hokair Tourism, Dur Hospitality, and Gulf Hotel Group reported a sequential decline in ROA over last three years owing to decline in revenue along with increase in total assets.

Exhibit 27: ROA (%) of the Hospitality Companies in the GCC



Source: Bloomberg, Company Filings

Valuation (2017):

Exhibit 28: Key Valuation Ratios of Hospitality Companies in the GCC

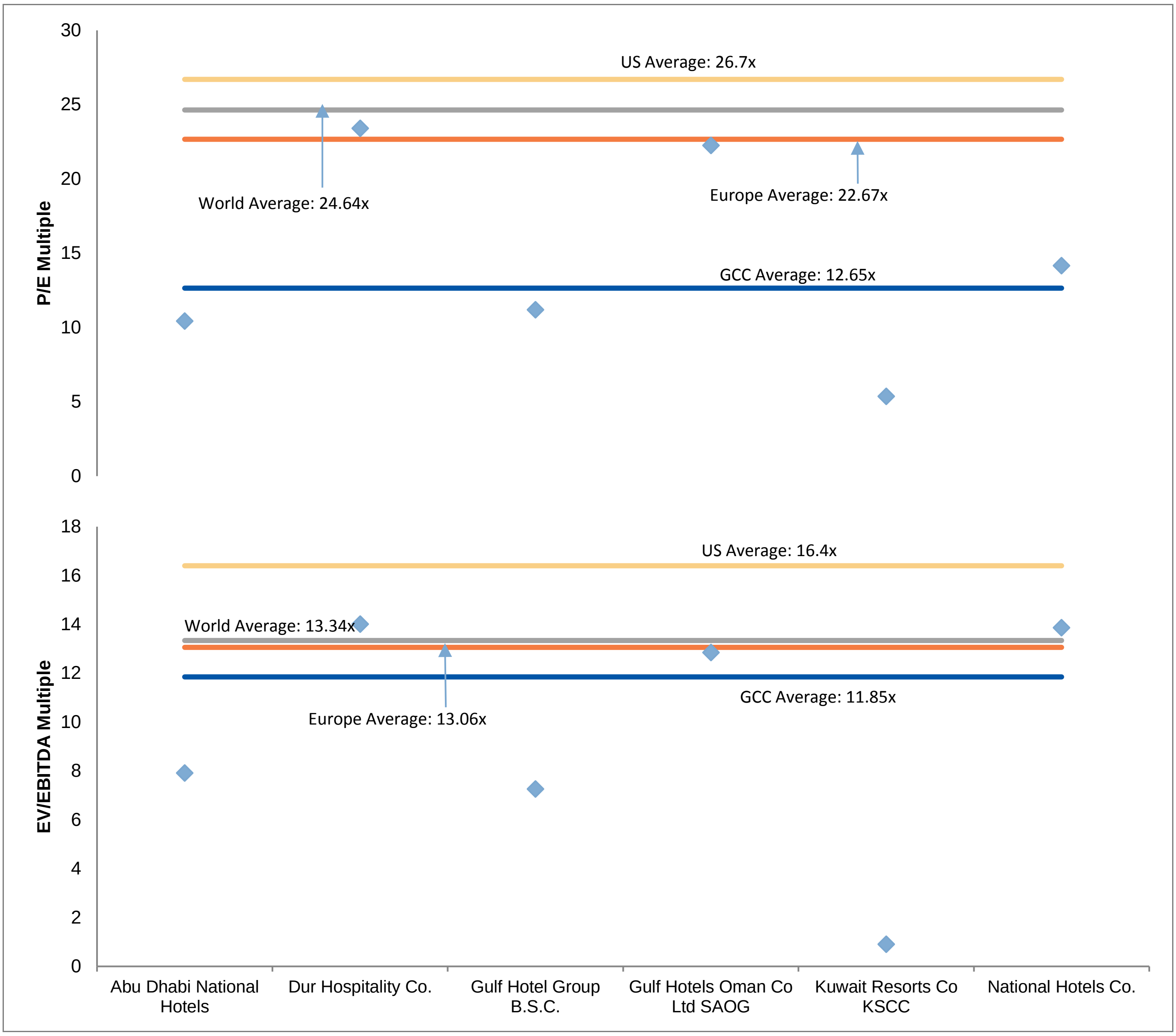
Company	TTM P/E (x)	EV/EBITDA (x)	P/B (x)
Kingdom Holding Co	46.18	311.73	1.06
Abdul Mohsen Al-Hokair Tourism and Development Co	NA	12.60	1.99
Abu Dhabi National Hotels	10.43	7.92	0.33
Dur Hospitality Co.	23.41	14.01	1.10
Gulf Hotel Group B.S.C.	11.20	7.26	1.07
Action Hotels PLC	NA	25.38	0.22
Hotels Management Company International SAOG	1.25	NA	0.30
Gulf Hotels Oman Co Ltd SAOG	22.26	12.85	1.14
IFA Hotels & Resorts-KPSC	NA	81.37	1.01
Kuwait Hotels SAK	NA	34.83	0.71

Company	TTM P/E (x)	EV/EBITDA (x)	P/B (x)
Kuwait Resorts Co KSCC	5.37	0.91	0.37
National Corp for Tourism & Hotel	13.14	NA	0.89
National Hotels Co	14.17	13.87	0.33
GCC Hospitality Average	12.65	11.85	0.81
Dow Jones US Hotel Index	26.7	16.4	7.27
MSCI Europe Hotels, Restaurants & Leisure Index	22.67	13.06	3.12
MSCI World Hotels, Restaurants & Leisure Index	24.64	13.34	6.48
Abu Dhabi Securities Exchange (ADSMI)	16.62	NA	1.34
DFM General Index	10.61	9.81	1.29
Tadawul All Share Index	17.19	13.08	1.62

Source: Bloomberg, Company Filings
Notes: Last updated on June 26, 2018; N/A – Not Available; Figures in red indicate below GCC average performance and those in green suggest performance at par with or above GCC average; Figures highlighted in grey are outliers and hence excluded from the GCC average

Abu Dhabi National Hotels (ADNH) and Hotels Management Company International (HMCI) registered positive y-o-y growth in revenues in comparison to its peers which saw a drop in the revenues in 2017. The two companies registered a higher ROE and ROA than the industry average which stood at 3.78% and 3.48%, respectively. ADNH, Gulf Hotels, HMCI and Kuwait Resorts Co. KSCC appears to be undervalued in comparison to the GCC Hospitality Industry average Price to Earnings Multiple (P/E), EV/EBITDA multiple and Price to Book multiple (P/B) which stood at 12.65x, 11.85x and 0.81x, respectively. In comparison to international Hospitality companies, GCC Hospitality companies are undervalued and trading at an average P/E of 12.65x, below World Average of 24.65x, US Average of 26.7x and Europe Average of 22.67x. Whereas the GCC Hospitality companies' average EV/EBITDA stood at 11.85x close to Europe Average of 13.06x, whereas the World Average stood at 14.82x and US average stood at 16.4x.

Exhibit 29 Comparison of Valuation Multiples

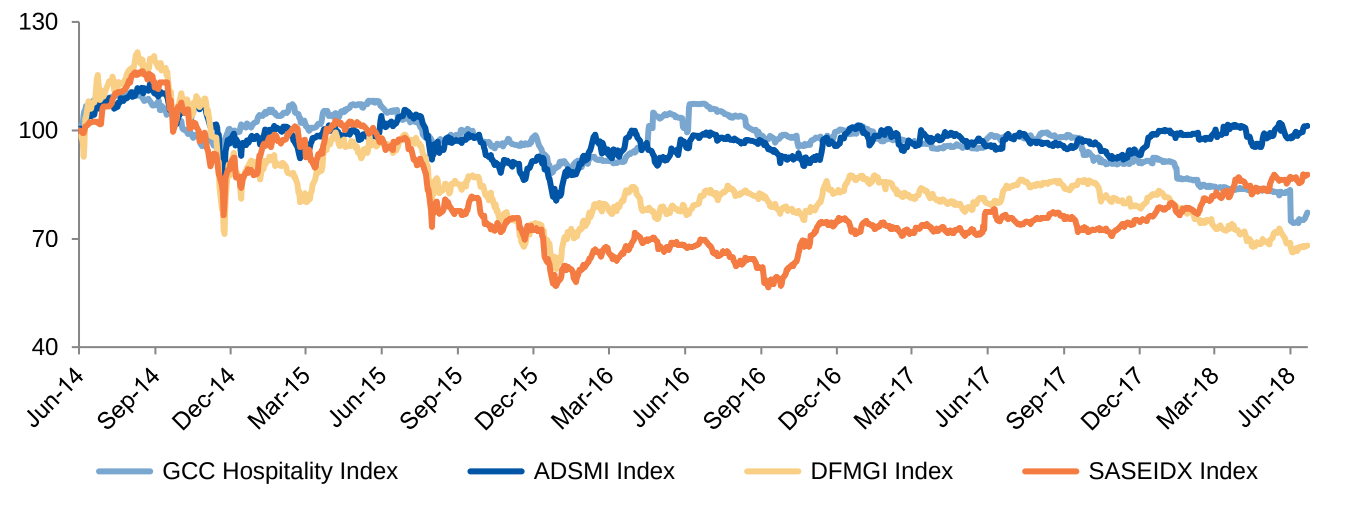


Source: Bloomberg

GCC Hospitality Index Trend:

The GCC hospitality Index has outperformed the broader market indices of the UAE and Saudi Arabia during the initial period in the last 4 years. Since 2017, the general indices have shown a signs of recovery due to increase in oil prices; whereas, the GCC Hospitality index has been under pressure, given the overall performance of the sector.

Exhibit 30: GCC Hospitality Index Trend



Source: Bloomberg, Company Filings

Note: The constituents of the GCC Hospitality Index include Abdul Mohsen Al-Hokair Tourism and Development Co, Abu Dhabi National Hotels, Action Hotels, Dur Hospitality., Hotel Management Co. Int'l, Kingdom Holding Co, Gulf Hotels Group B.S.C., Gulf Hotels Oman Co Ltd SAOG, IFA Hotels & Resorts-KPSC, Kuwait Hotels SAK, Kuwait Resorts Co KSCC, National Corp for Tourism & Hotel, National Hotels Co.

8. Merger & Acquisitions

Deal making activity witnessed number of transactions taking place in between 2016 and 2017 with majority of the transactions of cross-border nature. The GCC companies actively executed transactions to expand their global footprint. Qatar-based companies had executed the highest transactions followed by UAE, across target countries including the US, Italy and UK. Saudi Arabia and UAE continued to be a suitable location for majority of the acquisitions within GCC due to its established hospitality market. Based on disclosed consideration value, the largest deal was the acquisition of Starwood Hotels & Resorts Worldwide Inc by Nozul Hotels and Resorts at USD 214.1 mn in June 2016. The M&A activities in the hospitality sector are expected to grow on the back of consolidation and inorganic growth strategies of companies.

Exhibit 31: Major M&A Deals in the GCC Hospitality Industry

Acquirer Name	Acquirer Country	Target Name	Target Country	Announcement Date	Consideration (US$ Million)	Percent Sought (%)
Nozul Hotels & Resorts	Qatar	Starwood Hotels & Resorts Worldwide Inc-Hotels(2)	Italy	16-Jun-16	214.1	100.00
Qatar Investment Authority	Qatar	St Regis Hotel	United States	2-Dec-16	175.0	100.00
Alduwaliya Hospitality Co Inc	Qatar	Homewood Suites by Hilton New York Midtown Manhattan	United States	28-Jul-16	167.1	100.00
Twenty14 Holdings	United Arab Emirates	Waldorf Astoria Edinburgh	United Kingdom	16-Jan-18	120.0	100.00
Al Habtoor Investment LLC	United Arab Emirates	Imperial Hotels Austria GmbH	Austria	16-Feb-16	80.0	100.00
Al Rayyan Tourism Investment Co	Qatar	Viceroy Miami Hotel	United States	10-Jun-16	64.5	100.00
Al Sraiya Holding Group	Qatar	Skanska AB-Westin Warsaw Hotel	Poland	30-Dec-16	58.8	100.00
Hamad bin Jassim bin Jaber Al Thani	Qatar	San Domenico Palace Hotel Taormina	Italy	15-Mar-16	58.3	100.00
Al Sraiya Holding Group	Qatar	Club Quarters Hotels LLC-Washington, DC Hotel Business	United States	21-Jul-16	52.4	100.00
Alduwaliya Hospitality Co Inc	Qatar	Homewood Suites by Hilton at 465 New York Ave NW	United States	14-Feb-17	50.4	100.00
Bin Otaiba Investment Group	United Arab Emirates	Hyatt Regency Birmingham	United Kingdom	22-Sep-16	50.3	100.00
Aitken Spence Resorts (Middle East) LLC	Oman	Al Falaj Hotel	Oman	25-Jan-16	36.4	100.00
Mulkia Gulf Real Estate REIT Fund	Saudi Arabia	Vivienda Hotel Villas Al Hada,Riyadh	Saudi Arabia	30-Nov-17	25.3	76.00
Undisclosed Acquiror		Pearl Azure Hotel Management LLC	United Arab Emirates	18-Jan-16	19.1	10.00
Samena Capital Investments Ltd	United Arab Emirates	Imperativ Hospitality Pvt Ltd	India	19-Apr-18	16.7	33.00

Acquirer Name	Acquirer Country	Target Name	Target Country	Announcement Date	Consideration (US$ Million)	Percent Sought (%)
Mulkia Gulf Real Estate REIT Fund	Saudi Arabia	Vivienda Hotel Villas Al Hada,Riyadh	Saudi Arabia	11-Jun-18	8.2	24.00
Majda Tunisia Holding	Qatar	Club Dar Naouar	Tunisia	12-Jul-17	7.5	100.00
Al Zaman Group	Oman	Invesco Real Estate Ltd-Intercity Hotels Portfolio(4)	Germany	13-Mar-18	NA	100.00
Sami Al Angari	Saudi Arabia	Giverola Holiday SA	Spain	1-Mar-18	NA	100.00
Qatar Airways QSC	Qatar	Sheraton Melbourne Hotel	Australia	14-Feb-18	NA	100.00
First Kuwaiti Touristic Projects Co Offshore Sal	Kuwait	Syrian Saudi Co For Touristic Investment	Syria	16-Jan-18	NA	0.00
Millennium Hotels & Resorts Middle East & Africa	United Arab Emirates	Makkah Construction & Development Co SJSC-2 Hotels	Saudi Arabia	29-Aug-17	NA	100.00
Riyad REIT	Saudi Arabia	Burj Rafal Hotel Kempinski,Riyadh	Saudi Arabia	22-May-17	NA	100.00
The First Investor	United Arab Emirates	Warwick Hotel	United Arab Emirates	12-Apr-17	NA	100.00
Undisclosed Investor Bahrain	Bahrain	Kempinski AG	Germany	16-Feb-17	NA	0.00
Al Habtoor Group LLC	United Arab Emirates	Hilton London Wembley	United Kingdom	1-Feb-16	NA	100.00
Mubadala Development Co PJSC	United Arab Emirates	Hotel Gloria	Brazil	19-Jan-16	NA	100.00
Rezidor Hotel Group AB	Belgium	Nofa Equestrian Resort	Saudi Arabia	15-Apr-16	NA	100.00

Source: Thompson Reuters

Country Profile

SAUDI ARABIA

Key Growth Drivers

- **Religious Tourism:** Pilgrimage to Mecca and Medina is one of the key demand drivers for tourist attractions in Saudi Arabia. The Hajj is the second largest annual gathering of Muslims in the world. In 2017, Saudi Arabia registered an inflow of 2.35 mn worshippers to the Hajj a 26.34% (y-o-y increase) on account of easing of strict quota systems. The Grand Mosque is scheduled for completion in 2020 after which it will be able to accommodate 2.5 mn worshippers in comparison to its current capacity of 600,000 people.
- **Hotel room supply:** In 2017, Saudi Arabia registered an opening of ~30,000 hotel rooms and has over 64,000 hotel rooms in its development pipeline. Some of the major hotel openings include Swiss-Belhotel Al Khobar, Nobu Hotel Riyadh and Time Qurayyat Hotel amongst others.
- **Government Initiatives:** Saudi Arabia has launched six initiatives to boost the travel and tourism industry. 'The Custodian of the Two Holy Mosques' program consists of 79 projects that will be implemented for taking care of national culture and heritage. 'The Kafalah program' initiative aims to finance commercial establishments for tourism projects. Other initiatives include 'The Long Live Saudi Arabia Project', 'The Kingdom as a Muslim destination' initiative and 'The development of integrated tourist destinations'. The Post-Umrah initiative aims to encourage those performing the Umrah from all over the world to extend their stay in the kingdom via the Post-Umrah visa. It also aims at extending the stay of non-religious travelers such as business travelers and sport events attendees without changing their visas. Saudi Arabia aims to broaden its market from religious tourism to leisure and business tourism as well.

Recent Industry Developments

- In Q3 2017, two branded hotels Swiss Spirit and Centro Waha were opened, adding 370 keys in the market.
- In Q3 2017, Makkah witnessed an addition of 785 keys to its hotel room supply with the opening of M hotel Makkah.
- In 2017, Radisson blu made an addition to Jeddah's hotel supply with the opening of Radisson Blu Jeddah Al Salamah which had a capacity of 142 hotel rooms.

Source: Oxford business group, Hotelier Middle East. Hotel news resource.

Macro-economic Indicators

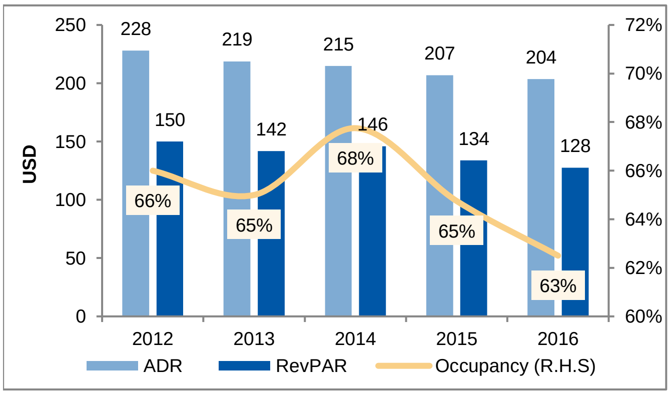
Indicators	Unit	2017	2018F	2022F
GDP growth at constant prices	%	-0.7	1.7	2.2
GDP per capita, based on PPP	USD	54,777	55,859	60,465
Population	mn	32.3	33.0	35.7
Int'l tourist arrivals	mn	19.03	17.68	21.83
T&T Spending	USD(bn)	30.4	31.57	36.34
T&T Contribution to GDP	%	3.4	3.5	4.09
Hotel and Serviced Apartment Rooms	no.	477,496	504,777	541,497

Source: IMF – April 2018, WTTC, Alpen Capital
Note: F – Forecast

Key Players

Company	Type
Abdulmohsen Alhokair Group for Tourism and Development	Owns and manages hotels and entertainment centers
Dur Hospitality Co	Owns and operates hotels
Kingdom Holding Company	Invests in hotel projects

Performance metrics of Branded Hotels



Source: HVS- 2017 Middle East Hotel Survey

UAE

Key Growth Drivers

- **World Expo 2020:** Dubai is expected to witness an inflow of 20 mn tourist arrivals in 2020. The World Expo 2020 is expected to attract tourists in between October 2020 and April 2021. It is estimated to create 300,000 direct jobs and over a million indirect jobs in the UAE.
- **Mid-Market Hotel Segment:** Dubai is broadening its hospitality sector to diversify into the mid-market segment to serve the cost conscious and budget restrictive travelers. Some of the existing mid-market hotels include Ibis, Park Inn, Hilton Garden Inn and Holiday Inn Express.
- **Leisure Attractions & Investments:** Leisure travel accounts for 77% of UAE's total tourism spending in 2017. Leisure activities such as theme parks, malls, shopping centers, cultural venues and amusement parks continue to serve as a major tourist attraction for travelers from all over the world. Some of the recently announced projects include the new IMG World of Legends Theme Park and Formula One theme park at Dubai's Motor City. Dubai plans to develop the Dubai International Airport (DXB) and Al Maktoum International Airport (DWC). DXB is expected to serve 146.3 mn passengers annually by 2025

Recent Industry Developments

- In January 2017, Rove Hotels launched its 286-key Rove healthcare city. InterContinental Hotel Group (IHG) opened InterContinental Fujairah, its first resort in the Middle East. In March 2017, Five Hospitality LLC opened Five Palm Jumeriah Dubai, a 477-key beachfront resort.
- In 2017, the mid-market hotel segment gained attention with numerous hotel openings and major branded hotels entering the segment. Aloft Hotels paved its way into the mid-market hotel segment with its 192-room Aloft the Palm Jumeriah hotel. CityMax Hotels will add 949 hotel rooms in the mid-market segment in Al Barsha, Business Bay and Ras Al Khaimah by Q4 2018.
- In August 2016, IMG World of Adventure was launched in Dubai. The theme park occupied 1.5 mn square feet along with an estimate cost of USD 1 bn. Warner Bros.' World Abu Dhabi is expected to launch in summer 2018. It is a 1.65 mn square feet theme park with six theme lands.
- In 2016, Miral and SeaWorld Entertainment Inc partnered to develop SeaWorld Abu Dhabi, a marine life themed park on Yas Island which is expected to open in 2022.

** Source: Dubai Chamber, Breaking Travel News.*

Macro-economic Indicators

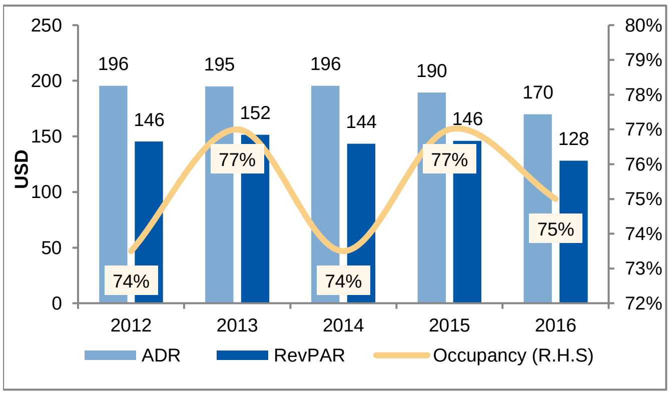
Indicators	Unit	2017E	2018F	2022F
GDP growth at current prices	%	0.5	2.0	3.1
GDP per capita, at current prices	USD	67,741	68,662	74,239
Population	mn	10.1	10.4	11.8
Int'l tourist arrivals	mn	20.68	21.27	25.52
T&T Spending	USD(bn)	44.42	46.39	54.64
T&T Contribution to GDP	%	5.1	5.36	6.29
Hotel and Serviced Apartment Rooms	no.	137,017	149,919	183,718

Source: IMF – April 2018, WTTC, Alpen Capital
Note: F – Forecast

Key Players

Company	Type
Abu Dhabi National Hotels	Owns and manages hotels
Almulla Group	Diversified player – Owns and manages hotels
Arenco Group	Diversified player - Owns and manages hotels
Emaar Hospitality Group	Owns and manages hotels
Habtoor Hotels	Owns and operates hotels
Jumeirah Group	Owns and operates hotels
Rotana Hotel Management Corporation PJSC	Owns and manages hotels
CityMax Hotels	Owns and manages hotels

Performance metrics of Branded Hotels



Source: HVS- 2017 Middle East Hotel Survey

Qatar

Key Growth Drivers

- **World Cup 2022:** The FIFA World Cup 2022 will be hosted in Qatar. The event is expected to attract over 1.2 mn visitors in Qatar. The budget for the World Cup is estimated between USD 8 bn to USD 10 bn. Moreover, Qatar witnessed an increased hotel construction and development activity on account of having a minimum of 60,000 rooms by 2022 as per FIFA guidelines. By 2021, Qatar is scheduled to open 21 new hotels consisting mainly five star and four star hotels.
- **Qatar National Tourism Strategy 2030:** In 2017, Qatar launched the 'next chapter' of its National Tourism Strategy 2030. The 'Next Chapter' charts a clear path of action from product and service development that will define and outline Qatar tourism experience. It aims to attract 5.6 mn visitors by 2023 and achieve an occupancy rate of 72%.
- **Increase in Hotel Supply:** Qatar witnessed an increase in hotel supply in 2017. The hotel supply according to DTZ reached to 25,000 in Q4 2017. Majority of the hotel supply in Qatar is dominated by 4 star and 5 star luxury brands, however it also saw openings in the mid-market hotel segments such as Premier Inn and Holiday Inn.

Recent Industry Developments

- In June 2017, the four Arab nations - Saudi Arabia, UAE, Bahrain and Egypt imposed a blockade (air, sea and land) on Qatar on account of funding terrorism.
- Qatar Government introduced a free-of-cost 96-hour Transit Visit visa-on-arrival for 80 nationalities, to attract more tourists.
- Qatar has a huge supply of hotels in its construction and development phase. Minor Hotels announced opening of three new hotels under its Tivoli and Oaks brands in 2018.
- In 2017, Intercontinental Hotel Group (IHG) opened its first Holiday Inn in Qatar - Holiday Inn Doha (Business Park).
- In 2018, Qatar is scheduled for the launch of a luxurious shopping destination, Place Vendome. It is inspired by high end shopping streets in Paris and will stretch over 1 mn square meter. It will host two five star luxury hotels - Le Meridien Lusail and the Luxury Collection Hotel, serviced apartments, high end shopping mall and a central entertainment place.

Source: Visit Qatar, DTZ, Hotelier Middle East

Macro-economic Indicators

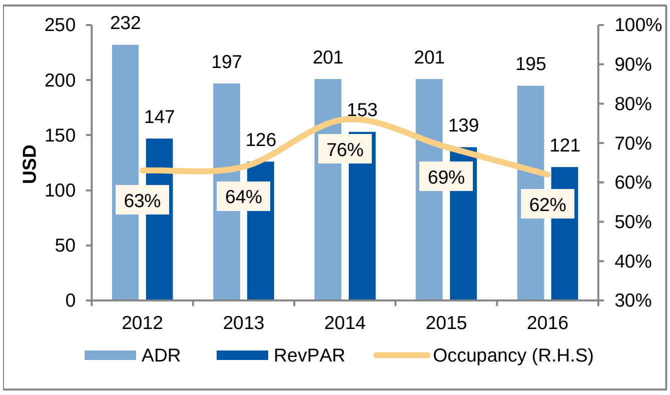
Indicators	Unit	2017E	2018F	2022F
GDP growth at current prices	%	2.1	2.6	2.9
GDP per capita, at current prices	USD	124,529	128,703	151,657
Population	mn	2.73	2.77	2.83
Int'l tourist arrivals	mn	2.26	1.75	2.89
T&T Spending	USD(bn)	14.22	13.82	19.15
T&T Contribution to GDP	%	3.3	3.234	4.52
Hotel and Serviced Apartment Rooms	no.	25,167	28.393	46,000

Source: IMF – April 2018, WTTC, Alpen Capital
Note: F – Forecast

Key Players

Company	Type
Al Faisal Holdings	Diversified player – Owns and manages hotels
Alfardan Group	Diversified player – Owns and manages hotels
Katara Hospitality	Owns and manages hotels

Performance metrics of Branded Hotels



Source: HVS- 2017 Middle East Hotel Survey

Oman

Key Growth Drivers

- **Vision 2040:** Oman government has significantly increased investments in the tourism and hospitality sector as it aims to attract 5 million international tourists in 2040, according to Oman tourism strategy 2040. Oman completed its Muscat international airport expansion in March 2018, increasing the annual passenger capacity to 20 mn. Mall of Oman, featuring 350 outlets in a 137,000 sq meters retail space is expected to be completed by 2020. Oman Air has introduced new air routes to new locations such as Casablanca, Istanbul, Manchester and Nairobi amongst others. As a part of the tourism strategy, it aims to increase the airline's footprint to 39 mn by 2030.
- **MICE Market:** Oman Convention and Exhibition Center (OCEC) is one of the major investment projects by the Government with the aim to increase business travelers to Oman. OCEC inaugurated its first phase (Exhibition space and Hospitality facilities) in October 2016. Business spending in Oman increased to USD 1.041 bn in 2017 and is expected to reach USD 1.662 bn by 2028.

Recent Industry Developments

- OCEC completed its first phase with the launch of the Exhibition Center in October 2016. From October 2016, OCEC has hosted 55 regional and international events. It is expected to complete the ionic Convention center (Phase 2) by June 2018.
- In Nov 2017, Crown Plaza, a part of OCEC, was inaugurated by the Oman Tourism Development Company. Crown Plaza comprises of 296 rooms with meeting and conference facilities.
- In March 2018, Kempinski inaugurated its first five star hotel in Muscat. Kempinski Hotel Muscat comprises of 310 hotel rooms and 12 restaurants and is one of the first hotels in Al Mouj tourism complex and caters to domestic as well as international tourists. JW Mariott and W hotel, are expected to debut in 2018 with 600 five star hotel room additions.

Source: Oxford Business Group, TravelTradeMena, ConstructionweekOnline

Macro-economic Indicators

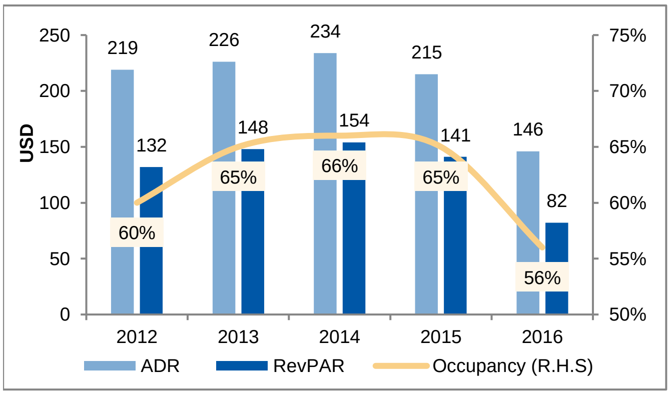
Indicators	Unit	2017E	2018F	2022F
GDP growth at current prices	%	-0.3	2.1	2.2
GDP per capita, at current prices	USD	45,157	45,723	48,291
Population	mn	4.13	4.26	42.82
Int'l tourist arrivals	mn	3.20	2.74	3.42
T&T Spending	USD(bn)	3.83	4.02	5.01
T&T Contribution to GDP	%	3.2	3.39	4.27
Hotel and Serviced Apartment Rooms	no.	22,620	24,104	29,635

Source: IMF – April 2018, WTTC, Alpen Capital
Note: F – Forecast

Key Players

Company	Type
Hotel Management Company International	Owns and operates a hotel
Zubair Corporation	Diversified, owns and operates hotels
Orascom	Diversified, owns and operates hotels

Performance metrics of Branded Hotels



Source: HVS- 2017 Middle East Hotel Survey

Bahrain

Key Growth Drivers

- **New Supply:** Bahrain's hotel pipeline has 15 four and five star hotels consisting of 5,100 hotel rooms according to CBRE. The development of new hotels which are expected to open by 2022 will cost above USD 10 bn. Some of the hotels scheduled to open include The One&Only resort, Wyndham Grand Hotel, Ibis Hotel, Pullman Hotel brand and Fairmont Vida Hotel & Resort amongst others.
- **Government Initiatives:** As per the Bahrain's large-scale infrastructure development plan, Bahrain International Airport is undergoing a modernization program costing USD 1.1 bn which will increase the passenger handling capacity from nine mn per year to 14 mn per year in 2020.
- **Leisure Activities:** Bahrain is promoting itself as a medical and events tourism destination. Bahrain government infrastructure projects include the development of shopping malls such as Dilmunia Mall and Marassi Galleria shopping complex. Bahrain aims at promoting medical tourism through the King Abdullah Medical City. Moreover, Bahrain Tourism and Exhibition Authority (BTEA) is also promoting Bahrain as a wedding destination which is acting as a significant demand driver for the hospitality sector.

Recent Industry Developments

- In April 2017, Hilton and Mabanee Company S.A.K agreed to open Bahrain's first 'Hilton Hotels and Resorts' property with a capacity of 210 rooms, located in The Avenues in Manama.

Macro-economic Indicators

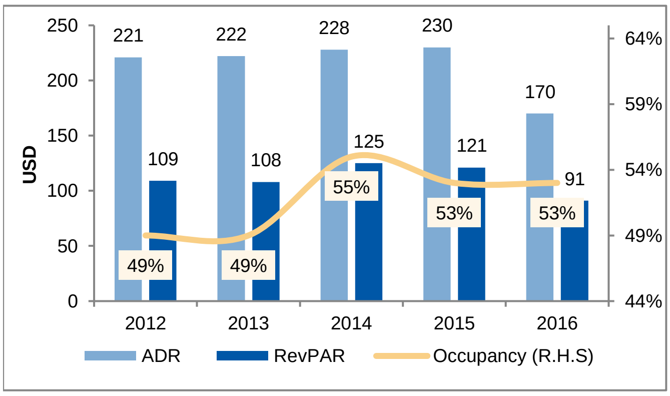
Indicators	Unit	2017E	2018F	2022F
GDP growth at current prices	%	3.2	3.0	2.3
GDP per capita, at current prices	USD	48,505	50,103	54,662
Population	mn	1.45	1.48	1.60
Int'l tourist arrivals	mn	12.70	8.93	10.23
T&T Spending	USD(bn)	2.77	2.89	3.41
T&T Contribution to GDP	%	4.2	4.34	5.17
Hotel and Serviced Apartment Rooms	no.	16,242	17,671	24,761

Source: IMF – April 2018, WTTC, Alpen Capital
Note: F – Forecast

Key Players

Company	Type
Elite Group International	Owns and operates hotels
Gulf Hotels Group BSC	Owns and operates hotels

Performance metrics of Branded Hotels



Source: HVS- 2017 Middle East Hotel Survey

Kuwait

Key Growth Drivers

- **Kuwait 2035 plan:** Kuwait's long term strategy plan aims at increasing the capacity of Kuwait International Airport (KIA) to 25 mn passengers per year. It has also planned to invest USD 1 bn in promoting tourism over the next few years to increase its international tourist arrivals to 440,000 per year by 2024.
- **Madinat Al-Hareer:** Kuwait has laid out plans for its city of silk - Madinat Al-Hareer which costs USD 132 bn. It boasts of a new international airport, sports complex, convention centers and a port to handle traffic from Iran and Iraq. The city also includes the Burj Mubarak al-kabir, which is expected to be the world's tallest building at 1,001 meters high.
- **Leisure:** Kuwait has been significantly investing in developing infrastructure such as Sabah Al-Ahmad Sea City which was built on large desert land and is surrounded by marine environment and beaches. It is expected to house 250,000 residents. Other development projects include Kuwait Olympic Village in Jaber-Al Ahmed City and Sheikh Saad Al-Abdullah Islamic Centre, which is due to open in 2020.

Source: Hotel Management, Hotelier Middle East, MEED

Recent Industry Developments

- In 2017, Four seasons opened its first hotel in Kuwait at Burj Alshaya. It featured 284 rooms along with banquet halls, indoor and outdoor pools and other leisure activities.
- Swiss-Belhotel entered into an agreement with Omniyat Real Estate to operate two properties, Swiss-Belboutique Bneid Al Gar, having a capacity of 58 rooms and targeting business as well as leisure travelers and Swiss-Belresidences Al Sharq, having a capacity of 68 rooms and targeting business travelers, both the hotels are scheduled to open in 2018.

Source: Arab Times, Arabian Business, newkuwait.gov

Macro-economic Indicators

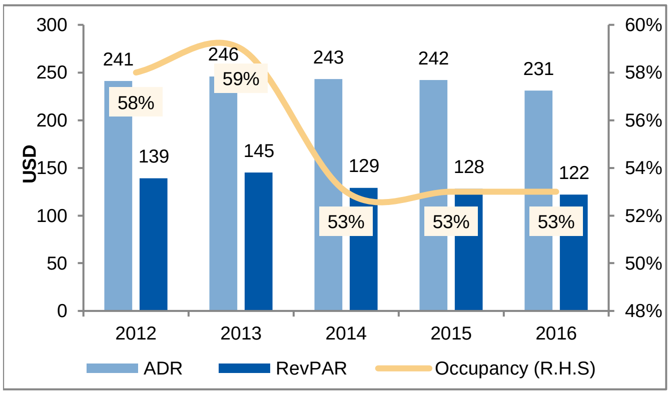
Indicators	Unit	2017E	2018F	2022F
GDP growth at current prices	%	-2.5	1.3	3.8
GDP per capita, at current prices	USD	66,163	66,673	75,105
Population	mn	4.40	4.52	5.05
Int'l tourist arrivals	mn	0.37	0.38	0.48
T&T Spending	USD (bn)	5.78	6.20	7.45
T&T Contribution to GDP	%	2.8	2.99	3.61
Hotel and Serviced Apartment Rooms	no.	8,154	8,512	10,112

Source: IMF – April 2018, WTTC, Alpen Capital
Note: F – Forecast

Key Players

Company	Type
Action Hotels Company	Owns and operates hotels

Performance metrics of Branded Hotels



Source: HVS- 2017 Middle East Hotel Survey

Company Profiles

Abdulmohsen Al Hokair Group (Publicly Listed) — Saudi Arabia

Company Description

Founded in 1965, Abdul Mohsen Al Hokair Tourism and Development Company primarily operates in the hospitality and entertainment segments in the Kingdom of Saudi Arabia and United Arab Emirates. It has 70 entertainment centers and 34 hotels across GCC.

Business Segments/Services Portfolio

- **Hospitality:** The Group has contracts with major international companies and has 34 hotels in various parts of the Kingdom and Gulf States. Some of the major hotel brands under its name include Hilton Wordwide, InterContinental Hotel Group (IHG), Carlson Rezidor, Accor Hotels and Louvre Hotels amongst others

  Entertainment: The Group maintains a leading position in the entertainment sector with 70 entertainment sectors and over 10 mn visitors a year. Its entertainment centers include sportainment, edutainment, soft play and family entertainment centers. Key players include Go go toys, Baroue, Snowy forest, sparky's, sky zone and flash bowling amongst others.

Recent Developments/Future Plans

- In March 2018, the group launched the latest Snowy, a snow forest with leisure activities such as skiing, kayaking and camping, in AlKhobar.
- In October 2016, the group launched its latest Sparky's in Riyadh Hamra Mall. The game center provides the latest mechanical games and simulation video games in its 2,315 square meters game center.

Source: Company filings, website, press releases

Current Price (US$)	*23.04*

Price as on June 26, 2018

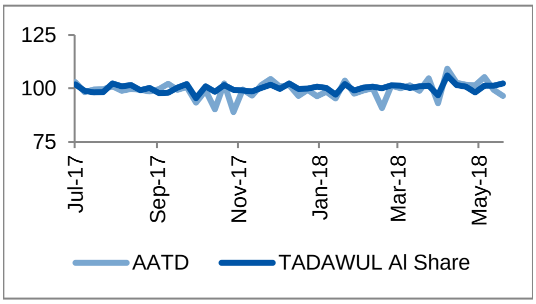
Stock Details	
Bloomberg ticker	AATD AB
52 week high/ low	32.95/20.06
Market Cap (US$ mn)	337.89
Enterprise value (US$ mn)	515
Shares outstanding (mn)	55.0

Source: Bloomberg

Average Daily Turnover ('000)		
	SAR	**US$**
3M	15,785.9	4,208.6
6M	16,534.7	4,407.8

Source: Bloomberg

Share Price Chart



Source: Bloomberg

Valuation Multiples		
	2016	**2017**
P/E (x)	16.67	154.25
P/B (x)	3.02	2.03
EV/S (x)	2.26	1.80
Dividend yield (%)	4.95	2.63

Source: Bloomberg

Shareholding Structure	
Abdulmohsen Al Hokair & Sons	31.50%
Abdulmohsen A. Al Hokair	12.46%
Others	56.04%
Total	**100%**

Source: GulfBase.

Financial Performance			
US$ Million	**2016 YE Dec**	**2017 YE Dec**	**Change (%)**
Revenue	312.88	299.73	-4.2
COGS	213.12	228.13	7.0
Operating Income	31.74	1.77	-94.4
Operating Margin (%)	10.14	0.59	
Net Income	33.68	2.32	-93.1
Net Income Margin (%)	10.76	0.77	
Return on Equity (%)	17.30	1.27	
Return on Assets (%)	4.14	2.98	

Key Comments

- Abdulmohsen Al-Hokair Group reported a decrease in profits by 93.1% on account of decrease in demand for hotels from individuals and corporate sector on the back of lower government and private sector's spending on conferences, meeting and exhibitions along with rising market competition.
- Company started cutting costs by clustering jobs and controlling electricity and utility consumption.

Source: Bloomberg, Company Filings

Abu Dhabi National Hotels (Publicly Listed) UAE

Company Description

Started in 1975, Abu Dhabi National Hotels (ADNH) owns and manages hotels and provides other hospitality services in the UAE. The company's broad range of hospitality offerings encompass hotels, restaurants, destination management services, catering, and transportation

Business Segments/Services Portfolio

- **Hotels and Restaurants:** ADNH has a portfolio of reputed and recognizable brands such as Sheraton Abu Dhabi Hotel & Resort, Le Meridien Abu Dhabi, Hilton Abu Dhabi, The Ritz-Carlton Abu Dhabi, Grand Canal and Park Hyatt Abu Dhabi Hotel and Villas amongst others.
- **Managed Hotels:** ADNH manages four hotels and two hotel apartments under the umbrella of Al Diar Hotels brand.
- **Restaurants:** ADNH manages restaurants under the umbrella of the Venetian Village, wherein franchises of internationally acclaimed restaurant brands are operated in The Ritz-Carlton Abu Dhabi, Grand Canal.
- **Hospitality:** ADNH also offers other hospitality services such as catering and transportation services through Al Ghazal Transport and ADNH Compass companies.

Recent Developments/Future Plans

- NA

Source: Company filings, website , press releases

Current Price (US$)	*2.79*

Price as on June 26, 2018

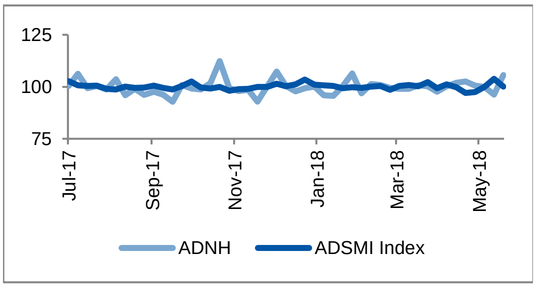
Stock Details	
Bloomberg ticker	ADNH UH
52 week high/ low	3.24/2.4
Market Cap (US$ mn)	759.62
Enterprise value (US$ mn)	787.66
Shares outstanding (mn)	1000.0

Source: Bloomberg

Average Daily Turnover ('000)		
	AED	**US$**
3M	2,944.25	801.59
6M	2,773.13	755.00

Source: Bloomberg

Share Price Chart



Source: Bloomberg

Valuation Multiples		
	2016	**2017**
P/E (x)	13	11.40
P/B (x)	0.38	0.34
EV/S (x)	2.64	2.25
Dividend yield (%)	2.21	4.28

Source: Bloomberg

Shareholding Structure	
Abu Dhabi Investment Council	17.50%
Emirates International Investment Company	10.72%
Others	71.78%
Total	**100.0%**

Source: GulfBase.

Key Comments

Financial Performance			
US$ Million	**2016 YE Dec**	**2017 YE Dec**	**Change (%)**
Revenue	352.83	347.03	-1.6
COGS	303.21	288.24	-4.9
Operating Income	38.72	44.16	14.1
Operating Margin (%)	10.97	12.73	
Net Income	66.37	67.49	1.7
Net Income Margin (%)	18.81	19.45	
Return on Equity (%)	4.14	2.98	
Return on Assets (%)	3.32	2.53	

Key Comments

- Abu Dhabi National Hotels witnessed a 2% y-o-y growth in net profits in 2017. The hotels division posted AED 815 mn in total revenue with AED 117 mn in next profits in 2017. ADNH's retail division posted AED 81 mn net profit, a 3% y-o-y increase. ADNH's share of profits from ADNH-Compass (catering and support services sector) stood at AED 102 mn. Al Ghazal Transport Company registered a net profit of AED 18 mn.

Source: Bloomberg, Company Filings

ACTION HOTELS PLC (Publicly Listed) UAE

Company Description

Established in 2005, Action Hotels is a leading owner, developer and asset manager of economy and mid-scale hotels in the Middle East and Australia. The company operates through four segments: Middle East hotel operations, Australia hotel operations, hotels under construction and undeveloped land sites. AHC runs branded hotels such as Ibis, Ibis budget, Mercure, Holiday Inn, Staybridge suites and Tulip Inn in partnership with global hotel operators such as Accor Hospitality SA, InterContinental Hotels Group (IHG), Whitbread Group Plc and Golden Tulip MENA SAS.

Business Segments/Services Portfolio

The company has fourteen completed and operational properties with a total capacity of 2,623 rooms.

- **Middle East:** It operates 10 properties across Kuwait, Oman, Jordan, Bahrain, Sharjah and Ras Al Khaimah.
- **Australia:** AHC owns four hotels in Australia across Brisbane and Melbourne.

Recent Developments/Future Plans

- AHC has substantial number of rooms under construction and plans to have an offering of 3,000 rooms by 2019.
- Company has two projects in pipeline , Mercure Riyadh Olaya, Saudi Arabia (126 Rooms) and Novotel Dubai Creek, UAE (220 Rooms)
- In March 2018, AHC announced the opening of the 347 key Novotel Melbourne South Wharf with advance bookings of over AUSD 3.5 mn.
- In August 2017, AHC opened its second hotel in Bahrain, Ibis Styles Manama diplomatic Area. It boasts of 95 rooms including 24 family suites, a restaurant, a meeting room and a gym.
- In March 2016, AHC announced the opening of its 368 key Ibis Styles Elizabeth Street hotel in Brisbane, Australia.

Source: Company filings, website, press releases

Current Price (GBp)	*16.00*

Price as on June 26, 2018

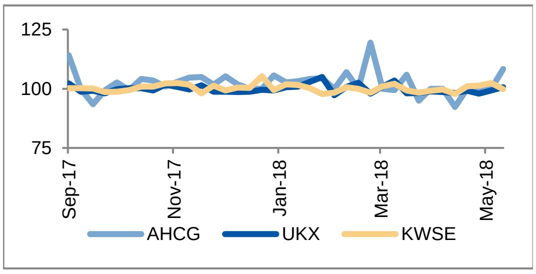
Stock Details	
Bloomberg ticker	AHCG LN
52 week high/ low	43.5/15.0
Market Cap (US$ mn)	31.28
Enterprise value (US$ mn)	295.73
Shares outstanding (mn)	147.6

Source: Bloomberg

Average Daily Turnover ('000)		
	GBp	**US$**
3M	7.01	9.74
6M	35.45	49.49

Source: Bloomberg

Share Price Chart



Source: Bloomberg

Valuation Multiples		
	2016	**2017**
P/E (x)	NA	NA
P/B (x)	0.52	0.30
EV/S (x)	6.30	6.63
Dividend yield (%)	4.86	3.42

Source: Bloomberg

Shareholding Structure	
Action Group Holdings Co. (K.S.C.C.)	71.32%
Legal & General Investment Management Ltd.	7.53%
Others	21.15%
Total	**100.0%**

Source: GulfBase.

Financial Performance			
US$ Million	**2016 YE Dec**	**2017 YE Dec**	**Change (%)**
Revenue	53.10	58.28	9.76%
COGS	15.56	17.58	13%
Operating Income	6.43	2.71	-52.56%
Operating Margin (%)	12.11	4.64%	
Net Income	-5.18	-12.29	-137.26%
Net Income Margin (%)	-9.76	-21.68%	
Return on Equity (%)	-2.89	-6.78%	
Return on Assets (%)	-1.15	-2.32%	

Key Comments

- In 2017, the total operational room count increased by 4% (y-o-y) to 2,276.
- Action Hotels witnessed a 9.76% growth in revenues on account of full year effect of new hotel openings in 2016.
- Net loss after tax increased due to impact of pre-opening, financing costs and depreciation of new hotels.

Source: Bloomberg, Company Filings

Al Faisal Holding (Privately Owned) Qatar

Company Description

Founded in 1964, as a small trading company of spare parts, Al Faisal Holding diversified into different sectors such as Property, Construction, Trading, Transport, Entertainment, Education, services and Information Technology division.

Business Segments/Services Portfolio:

Al Rayyan Tourism Investment Company (ARTIC) is a wholly owned subsidiary of Al Faisal holdings. ARTIC is engaged in real estate development, acquisition and leasing with a primary focus on the hospitality sector and hospitality related services both in Qatar and overseas. ARTIC has over 24 hotels and projects in the Middle East and Africa and Europe and North America regions. It also owns hospitality- related services which provides cost-effective support services in a shared service model, such as laundry and distribution and procurement services.

- **Qatar:** ARTIC has six hotel properties in Qatar which include City Center Rotana Hotel, Marriott Marquis City Center Doha Hotel, DoubleTree by Hilton Doha, Aiana Hotel, Hyatt Centric hotel and Shangri-La Hotel, Doha. ARTIC's hospitality services also include Deopolis Qatar LLC, a high end target market food service company. Its core business includes import of quality food and beverage products and distribution to hotels, restaurants and retail food stores. Its construction pipeline includes 'element', a 41 storey residential tower under development which includes 283 rooms, Grand Murwab City Center Doha which includes 256 rooms and suites, in addition to 97 fully furnished one, two and three bedroom apartments.
- **Egypt:** ARTIC operates two hotels and one mall in Egypt. Its construction pipeline boasts of a five star dining yacht under development - Nile Boat by Four Seasons, Hilton Hurghada Plaza which will include 461 rooms and 40 chalets, Aleph Hurghada Residencies featuring 96 fully furnished luxurious service apartments and Hurghada shopping mall.
- **Algeria:** ARTIC operates Al Jazi residence in Algeria, comprising of 408 apartments. The Algiers City center is under development featuring a shopping center and two designed hotels. The hotels will comprise of St Regis brand (222 rooms) and two other hotels with 188 room and 126 room capacity.
- **Europe:** ARTIC operates three hotels in Europe which include Grand Hyatt Berlin Hotel featuring 342 luxury hotel rooms and nine meeting rooms, Maritim Hotel Berlin, featuring 505 hotel rooms, three dining rooms and events facilities and Aleph Rome hotel, a five star hotel featuring 88 rooms and suites, four dining outlets and a health and wellness center.
- **USA:** ARTIC has five hotels in USA which include Radisson Blu Aqua hotel, which boasts of 334 hotel rooms, fitness spa rooms and other leisure facilities, St. Regis Bal Harbour resort, featuring 216 elegant rooms and suites and eight apartments, The Manhattan at Times square hotel, a 22 storey property featuring 685 rooms and suites and commercial space, St. Regis Washington, featuring 172 hotel rooms along with modern facilities, luxury rooms and state of the art technology and Miami Hotel, comprising of 146 hotel rooms, five commercial units and 38 condominium hotel units.

Recent Developments/Future Plans

- In July 2017, Aleph hotel, acquired by ARTIC in 2015, reopened as part of the exclusive Curio collection by Hilton which is a global portfolio of upper upscale, independent hotels and resorts.

Source: Company filings, website, press releases

Al Mulla Group (Privately Owned) KUWAIT

Company Description

Established in 1938, Al Mulla Group is a privately held diversified business group operating in eight countries and affiliations with over 200 brands. It has operations in healthcare, hospitality, travel and tourism and retailing and real estate.

Business Segments/Services Portfolio:

- **Hospitality:** Abjar Hotels International is the hospitality division of the Al Mulla group with a portfolio of franchise and managed properties covered limited service, two-star, three-star, four-star and five-star super premium property segments. The company's diversified portfolio of hotel brands includes Ritz Carlton Dubai, Sheraton Dubai Creek hotels and towers, Crown Plaza Dubai – Deira, Ramada Dubai, Ramada Jumeirah, Holiday Inn Express Dubai – Internet City, Airport, Safa Park and Jumeirah.
- **Healthcare:** The group carries operates its healthcare business through The American Hospital Dubai, UNIMED and MONROL UAE.
- **Travel and Tourism:** Established in 2006, Al Mulla Travels and Tourism is the youngest division of the Al Mulla Group. It offers travel related services for the inbound/outbound business and leisure sectors.
- **Real Estate:** This division manages the group's own property assets and offers third party management services.
- **Jewellery and Watches:** Al Mulla Jewellery Co LLC manages the Jewellery and Watches division of the group. It has a retail portfolio of seven multi-brand Kunooz jewellery boutiques and three dedicated Breitling showrooms in the UAE.

Recent Developments/Future Plans

- NA

Source: Company filings, website, press releases

Alfardan Group (Privately Owned) QATAR

Company Description

Established in 1989, Alfardan group has interests in multiple sectors which include distribution of passenger cars, ownership and operation of hotels, resorts, jewelry and watch retail outlets, providing foreign exchange and money transfer services, chartered marine services, management of hotels, distribution of lubricants, crushers, excavators, earth movers, wheel loaders and compactors, providing real estate property investment and development.

Business Segments/Services Portfolio

- **Alfardan Hospitality:** Launched in 2006, Alfardan hospitality manages the group's hotel ventures such as Kempinski Residencies and Suites Doha, Marsa Malaz Kempinski – The Pearl Doha and St. Regis Doha. Established in 2015 under the Alfardan Hospitality wing, Al Gassar Elite for events and occasions primarily specializes in corporate and special events design and production, weddings and audio-video and lights supply. It offers additional hospitality services which include customized spa experience and tailored therapies offered by Guerlain Spa Alfardan, professional dry cleaning and laundry services offered by Jeeves of Belgravia.
- **Alfardan Properties:** Established in 1993, Alfardan properties – Qatar is a luxury lifestyle service provider playing a significant role in Qatar's residential and commercial property development and management solutions sector. Alfardan properties – Oman was launched in 2007, it is a mixed-use scheme called Finaa Alazaibah which offers high quality products and services with a blend of traditional Arabic architecture, heritage designs and 21st century amenities.

Recent Developments/Future Plans

- NA

Source: Company filings, website , press releases

Arenco Group (Privately Owned) UAE

Company Description

Established in 1971, Arenco Group also known as A.A. Al Moosa Enterprises LLC is a diversified player engaged in businesses of architecture & engineering consultancy, interior design, real estate leasing, hotel, furniture trading, manufacturing of mattress and lighting systems, car rental and leasing services, laundry operations and joinery operations. The hospitality business is conducted through Arenco Real Estate, that was established in 1975 in Dubai and has a portfolio of properties that include apartments, villas, warehouses, offices, staff accommodation, and hotel apartments. The group's hospitality business mainly includes operation of hotel apartments under its brand Golden Sands and the management of luxury hotels in Dubai, Sharjah and Muscat.

Business Segments/Services Portfolio

Arenco Group's hospitality projects in Dubai, Sharjah and Muscat include:

- **Golden Sands Hotel Apartments:** This property includes 616 units, including studios and one, two, and three bedroom apartments. The property also encompasses a restaurant, swimming pool, sauna, and gymnasium.
- **Hilton Salalah Resort:** This hotel property comprises of 147 hotel rooms and suites, swimming pool, tennis court, Palm Grove restaurant, Sheba's Steak House, Whispers Bar, a ballroom having a capacity of 300 guests, and 3 meeting rooms.
- **Hilton Jumeirah:** This property is adjoining the Jumeirah beach and features 389 rooms, spa, gymnasium, and 15 restaurants, amongst others.
- **Hilton Jumeirah Residences:** These apartments are adjacent to Hilton Dubai Jumeirah Resort and is ideal for families or longer stays. These beach apartments offer a fully equipped kitchenette, with a washing machine, a lounge area and wireless internet access availability. These also provide easy connectivity to metro station, Downtown Dubai and Dubai International Airport.
- **Hilton Dubai Creek:** This hotel includes 150 guest rooms and suites along with dining options and a rooftop pool bar.
- **Ramada Sharjah:** This hotel apartment is complemented with a pool, gymnasium and sauna, two meeting rooms with audio-visual equipment for conferences and business events.
- **Crowne Plaza Muscat:** The property is situated at the tip of Qurum Beach. It provides outdoor tennis, squash, a steam room, an outdoor pool and fitness center. The only hotel in the area which offers private beach accessible only for the hotel residents.
- **Four Points by Sheraton Sheikh Zayed Road:** This hotel property has 384 rooms and 67 suites. The property also has swimming pool, restaurants, and a pub.
- **Four Points by Sheraton Downtown Dubai:** This hotel has a capacity of 250 rooms in addition to dining and other amenities.
- **Ramada Plaza Jumeirah beach residencies:** This hotel is located between Jumeirah Beach Residence's The walk and Dubai Marina. It offers a gym, an outdoor pool and complimentary Wi-Fi along with luxurious accommodations featuring large floor-to-ceiling windows, dining area and a flat screen television. It is suitably located with a two minute walk from the beach, 10 minute drive from Mall of Emirates and a 30 minute drive from Dubai International Airport.

Recent Developments/Future Plan:

- Arenco Group launched three iconic hotel projects namely, Hilton The Palm, TAJ Exotica Resort & Spa and Marriott The Palm - with a target opening date of first quarter of 2019. The luxurious properties located on the Palm Jumeirah will add 1,500. rooms and suites to the current inventory of hotel rooms in Dubai. The three hotels will feature 25 dining outlets making the properties a culinary destination offering diverse cuisines created to impress even the most sophisticated traveler with a rich taste and flair for food and beverages.

Source: Company filings, website, press releases

CityMax Hotels (Privately Owned) UAE

Company Description

Established in 2008, Citymax Hotels, part of the Landmark Group, is a high-tech revolution company in the mid-market hospitality and set to be the preferred choice among business and leisure travelers alike, valued for its premium services at affordable prices. The 3 hotels are spread across more than 1,300 rooms in Dubai and Sharjah. Strategically located in prime business and shopping districts in Al Barsha, BurDubai and Sharjah, Citymax is well known for their variety of dining options and well-equipped rooms.

Business Segments/Services Portfolio

- **Citymax Hotels Al Barsha:** This hotel is complemented with 376 standard and superior rooms, rooftop pool and gymnasium. The hotel is located in the center of the city allowing tourist attractions and shopping malls to be easily accessible.
- **Citymax Hotels Bur Dubai:** This property has 691 single, twin and wheelchair accessible rooms. It is just 20 minutes away from Dubai International Airport and a short ride away from some of the tourist site and malls.
- **Citymax Hotels Sharjah:** Located at Sharjah Business District, this property has 239 single, twin and wheelchair accessible rooms and 12 interconnected rooms. It is also equipped with 5 meeting rooms.
- **Citymax Aswan:** Located in the center of Aswan Plaza, a new tourist attraction comprising a shopping mall, multiple entertainment centers and 65 residences. The hotel offers 65 keys set over numerous floors along with leisure facilities including an outdoor swimming pool and cafe, sauna, Jacuzzi and an all-day-dining restaurant.

Recent Developments/Future Plans

- In April 2018, the company announced the opening of hotels in Business bay and Al Barsha in Dubai and Ras Al Khaimah, by Q4 2018, increasing to 8 hotels and 2,333 rooms from 4 hotels 1,384 rooms.
- In April 2018, the company appoints Aly Shariff as their new COO. Aly has nearly 25 years of experience in the hospitality industry, and will be responsible for operations and development of the Citymax Hotel brand.

Source: Company filings, website, press releases

Dur Hospitality Co. (Publicly Listed) SAUDI ARABIA

Company Description

Established in 1976, Dur Hospitality Co., formerly known as Saudi Hotels and Resorts Co., is an integrated hospitality player and a publicly listed company. Dur Hospitality Co. owns, develops, and manages a large portfolio of hospitality and residential properties across Saudi Arabia. The company operates 21 hospitality properties with over 2,000 rooms. Dur Hospitality Co. is also engaged in business of travel agency and provision of services for pilgrims to the Prophet's Mosque. The company operates its hotels and resorts through Dur Hospitality Makarim and other activities through Dur Hospitality Al-Jazira.

Business Segments/Services Portfolio

- **Hotels and Entertainment:** This segment represents revenues earned from hotels that are either self-operated or operated through an external operator, independent of the group.
- **Properties Owned:** This segment represents residential and commercial properties owned by the company, but utilized by or leased to others.
- **Services:** This division comprises revenue from the management and operation of hotels and properties, whether owned or not by the Group.

  Some prominent properties owned and/or managed by the company include, the Riyadh Marriott Hotel, Makarim Umm Al Qura Hotel, Makarim Al-Bait Hotel, The Diplomat Courtyard by Marriott, and the Makarim Mina Hotel

Recent Developments/Future Plans

- At the Arabian Hotel Investment Conference held in April 2018, Dur Hospitality Co. highlighted its 11 ongoing projects including Marriott Hotel and Marriott Executive Apartments in the Diplomatic Quarter - Riyadh. The hotel features 80 rooms and suites and more than 140 luxury hotel apartments, expected to be launched in late 2018, as well as the 144-room Holiday Inn Hotel and Suites in Jubail.
- The company also revealed about its other projects which include "Yanbu Courtyard Hotel and Residence Inn" which comprises of 90 hotel rooms and 60 hotel apartments, expected to be finalized by 2020, the expansion of Makarem Ajyad Makkah Hotel and Makarem Annakheel Village, and the expansion of the Holiday Inn Tabuk's wedding Lounge.
- The company also announced the completion of the preliminary designs for Holiday Inn Hotel and Suites in Al-Ahsa, which will include 60 hotel suites with recreational facilities.
- In April 2018, the company announced its plans to expand its presence within the Holy Cities by increasing the number of rooms to more than 5,000 operated by its own brand Makarem hotels, by 2023.

Current Price (SAR) ***19.98***

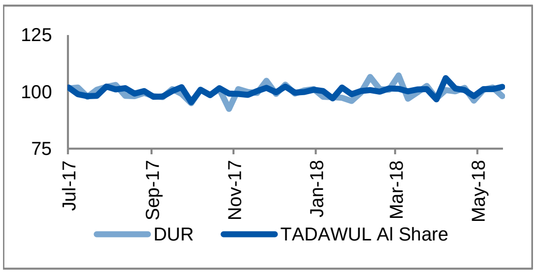
Price as on June 26, 2018

Stock Details	
Bloomberg ticker	DUR AB
52 week high/ low	22.10/17.00
Market Cap (US$ mn)	532.66
Enterprise value (US$ mn)	629.68
Shares outstanding (mn)	100

Source: Bloomberg

Average Daily Turnover ('000)		
	SAR	**US$**
3M	4,231.43	1,128.08
6M	3,760.91	1,002.59

Share Price Chart



Source: Bloomberg

Valuation Multiples		
	2016	**2017**
P/E (x)	21.56	20.98
P/B (x)	1.35	1.07
EV/S (x)	5.12	4.68
Dividend yield (%)	5.06	3.5

Source: Bloomberg

Shareholding Structure	
Assila Investment Company	27.14%
Public Investments Fund	16.62%
Al Issa (Mohammad Ibrahim Mohammad)	12.00%
Govt of Saudi Arabia	6.54%
Muhammad Ibrahim Abdullah Alsamli AlGhamdi	5.00%
Others	32.7%
Total	**100%**

Source: BSE Ltd.

Financial Performance			
US$ Million	**2016 YE Mar**	**2017 YE Mar**	**Change (%)**
Revenue	133.10	128.95	-3.12
COGS	93.88	94.15	0.29
Operating Income	30.97	25.69	-17.05
Operating Margin (%)	23.27	19.92	
Net Income	29.73	24.17	-18.70
Net Income Margin (%)	22.33	18.74	
Return on Equity (%)	6.24	5.08	
Return on Assets (%)	4.76	3.62	

Key Comments

- Dur Hospitality witnessed a decrease in revenues in 2017 on account of decline demand from business segments along with occurrence of partial closure of some of the hotel properties due to renovation works.
- It also recorded a loss from investments in equity accounted investees (Saudi Heritage Hospitality Company and Makarem Knowledge Hospitality Company) with an amount of SAR 4.2 mn due to absence of operating revenues as the projects of those companies are in operating phase.
- Company succeeded in imposing more control on the operating and G&A expenses.

Source: Bloomberg, Company Filings

Elite Group International (Privately Owned) BAHRAIN

Company Description

Established in 1991, Elite Group International (Elite Group) owns and operates hotels, serviced apartments, and resorts in Bahrain.

It is a part of the Dadabhai Group, a conglomerate with business interests in sectors such as construction, real estate, hospitality, travel and tourism, manufacturing, communication, and advertising. Elite Group currently has four all-suites hotels and three luxury residencies with an aggregate inventory of over 1,200 rooms and apartments in Bahrain.

Business Segments/Services Portfolio

- **Elite Crystal Hotel:** A four-star flagship hotel offering all-suites accommodation for business and leisure travelers. The hotel features 120 rooms and suites, four dining options, fitness and recreation club, banquet for meetings, conferences and events and three Circuit conference rooms.
- **Elite Resort & Spa:** A four-star family and luxury resort overlooking the Muharraq Bay, Elite Resort & Spa offers all-suites accommodation along with four distinct dining options, fitness and recreation club, heated swimming pool with separate kid's pool and conference rooms/banquet halls. The resort has a capacity of 154 rooms.
- **Elite Grande Hotel:** An all-suites hotel with a capacity of 130 rooms is located in the Al Seef area. The hotel is complemented with three dining options, one coffee shop, fitness and recreation club and a conference room.
- **Elite Seef Residence & Hotel:** A serviced apartment hotel offering 177 modern one bedroom suites, a fully equipped modular kitchen, a large poolside area, a garden, a Kids club, four dining options, and a conference room/banquet hall.
- **Elite Royale:** Service apartments with, area 110 sqm, queen bed, and 2 single beds. Each room is fully equipped with the master bedroom (ensuite with jacuzzi bath) with a queen-size bed, the second bedroom with 2 single beds.
- **Elite Tower:** Stylish apartments just 15-minute drive from Bahrain International Airport, 20 minutes from King Fahad causeway, and within walking distance from the city's largest shopping malls City Centre Bahrain.

Recent Developments/Future Plans

- NA

Source: Company filings, website, press releases

Emaar Hospitality Group (Privately Owned) UAE

Company Description

Emaar Hospitality Group LLC (Emaar Hospitality) is a wholly owned subsidiary of Dubai-based global property developer, Emaar Properties PJSC. Emaar Hospitality owns and manages a diversified portfolio of hospitality assets including hotels, serviced residencies, golf retreats, a polo and equestrian club, lifestyle dining outlets, and the Dubai Marina Yacht Club. Emaar Hospitality's flagship hotel brands include The Address Hotels + Resorts, Vida Hotels and Resorts, and Rove Hotels.

Business Segments/Services Portfolio

- **The Address Hotels + Resorts:** A premium luxury hotel and residences brand with properties such as The Address Downtown Dubai (196 rooms and 626 serviced residences), The Address Dubai Mall (244 rooms), The Address Dubai Marina (200 rooms), The Palace Downtown Dubai (242 rooms and 81 suites), and The Address Montgomerie Dubai (21 rooms).
- **Vida Hotels and Resorts:** An upscale boutique lifestyle hotel and residences brand that currently operates two hotels in Dubai namely, Vida Downtown Dubai (156 rooms) and Manzil Downtown Dubai (197 rooms). The company has expanded this brand by establishing its first property in Saudi Arabia, Vida Jeddah Gate Hotel and Residences (202 hotel rooms and 162 serviced residencies).
- **Armani Hotels:** This brand includes two hotels, Armani Hotel Dubai (160 rooms) and Armani Hotel Milano (95 room hotel) In Italy. These hotels are managed through a JV between Emaar Properties and Giorgio Armani S.P.A.
- **Rove Hotels:** A contemporary new midscale hotel and residences brand developed in a JV between Emaar Properties and Meraas Holding. The operational property under this brand include Rove Downtown Dubai (420 rooms), Rove City Centre (270 rooms), Rove Healthcare City (286 rooms), and Rove Trade Centre (270 rooms).
- **Nuran Serviced Residences:** The company manages the serviced residences at Dubai Marina having a capacity of 90 fully serviced apartments.
- **Leisure Clubs:** The group operates leisure attractions such as Arabian Ranches Golf Club, Dubai Polo & Equestrian Club, Dubai Marina Yacht Club, and The Montgomerie Dubai golf club.
- **Lifestyle Dining:** The group's dining options include AT.mosphere, Burj Khalifa, Toko, La Serre, Bistro & Boulangerie, Sean Connolly at Dubai Opera as well as Katana.

Recent Developments/Future Plans

- In April 2018, Emaar Hospitality Group LLC announced that it is looking for acquisitions and is eyeing 20 European cities for new hotels and planning to enter sub-saharan Africa as part of its international expansion push.
- In April 2018, Emaar Hospitality Group and Arada have joined hands to launch three new hotels in Aljada - Sharjah's new lifestyle hub.
- In April 2016, Emaar Hospitality announced its expansion plan to add 35 new hotels & serviced residences in the UAE and other markets. The expansion plan includes opening of new properties in Dubai, entering into new management contracts to operate hotels and serviced residences in Fujairah, the UAE and Saudi Arabia. The group also entered into management contracts for upcoming hotels and serviced residences projects in Bahrain, Turkey, and Egypt. The expansion would result in additional 3,835 hotel rooms and 4,249 serviced apartment keys in Dubai and 707 hotel rooms and 833 serviced apartment keys in other international markets.

Source: Company filings, website, press releases

Gulf Hotels Group B.S.C. (Publicly Listed) BAHRAIN

Company Description

Incorporated in 1967, Gulf Hotels Group B.S.C. (Gulf Hotels) owns the Gulf Hotel and manages several third-party hotels in Bahrain. Additionally, the company provides ancillary services and operates executive office spaces. Gulf Hotels has expanded its presence in Bahrain with the acquisition of Bahrain Tourism Company B.S.C. (BTC) in June 2016. BTC owns and operates the 246-room Crowne Plaza hotel and a travel division in Bahrain.

Business Segments/Services Portfolio

- **Hotel Operations:** This segment comprises operations of Gulf Hotel, a five-star hotel encompassing 361 rooms and suites, Gulf Executive Residence, an executive residence with 97 luxury apartments, and the Crowne Plaza. Additionally, the company manages the K Hotel (237 rooms), Gulf Court Manama (215 rooms), Asdal Gulf Inn (94 rooms) and Gulf Residence Amwaj (173 hotel apartments) in Bahrain, and Ocean Paradise Resort Zanzibar (100 chalets) in Tanzania.
- **Food and Beverage:** Under this division, the company is engaged in the retail sale of food and beverages, and the operation of and a 2,200-seat Gulf Convention Center. The company imports, retails, and distributes branded liquor through Gulf Brands International.
- **Commercial Activities:** Under this segment, the company conducts import, export, and sale of kitchen and household equipment and interior decorations.

Recent Developments/Future Plans

- The newly opened two-storey commercial laundry, the Gulf Hotel Laundry Services, provides laundry services to many organizations in Bahrain.
- The company is also expanding with its construction of hotel in Dubai, UAE, Gulf Hotel Business Bay, expected to open in 2019. This property is complemented with 240 bedrooms, three fine-dining restaurants, a variety of function halls and meeting facilities, a spa and fitness center.
- Plans are underway to construct a 120 unit serviced apartment facility in Juffair, the construction commenced in 2016 and will take 22 months to complete. The project will feature 108 deluxe serviced apartments of 1, 2 and 3 bedroom apartments together with food and beverage options and health and recreation facilities.

Source: Company filings, website, press releases

Current Price (BHD)	*0.525*

Price as on June 26, 2018

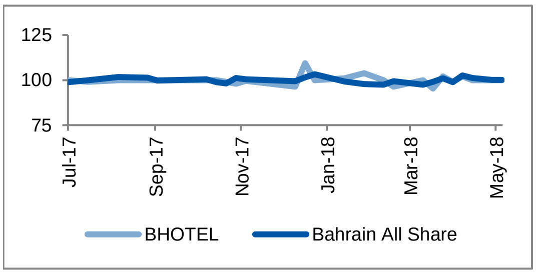
Stock Details	
Bloomberg ticker	BHOTEL BI
52 week high/ low	0.55/0.47
Market Cap (US$ mn)	311.41
Enterprise value (US$ mn)	220.75
Shares outstanding (mn)	225.9

Source: Bloomberg

Average Daily Turnover ('000)		
	BHD	**US$**
3M	22.17	58.79
6M	12.06	31.99

Source: Bloomberg

Share Price Chart



Source: Bloomberg

Valuation Multiples		
	2016	**2017**
P/E (x)	7.45	10.71
P/B (x)	1.26	1.08
EV/S (x)	2.37	2.27
Dividend yield (%)	3.96	5.70

Source: Bloomberg

Shareholding Structure	
Bahrain Mumtalakat Holding Co. B.S.C.	25.47%
Social Insurance Organization (Pension) Civil & Military	12.56%
Family Investment Company	10.81%
YK Almoayyed & Sons	6.33%
Others	44.83%
Total	**100%**

Source: GulfBase.

Financial Performance			
US$ Million	**2016 YE Dec**	**2017 YE Dec**	**Change (%)**
Revenue	96.48	98.80	2.41
COGS	59.83	63.39	5.94
Operating Income	20.17	18.24	-9.55
Operating Margin (%)	20.90	18.46	
Net Income	26.54	29.26	10.26
Net Income Margin (%)	27.51	29.62	
Return on Equity (%)	11.36	10.34	
Return on Assets (%)	10.05	9.29	

Key Comments

- Gulf Hotels Group witnessed a marginal increase of 2.41% in revenue. Profitability of the Hotel and F&B segment declined due to increase in gross operating costs and depreciation. However, the losses from the two segments were set off due to a huge jump in Investment and other activities segment income.
- Company will continue to expand and renovate properties, including opening of the Gulf Executive Residence in Juffair in Q3 2018 along with expanding into the Dubai Hotel market and the Sri Lankan retailing sector.

Source: Bloomberg, Company Filings

Habtoor Hotels (Privately Owned) UAE

Company Description

Habtoor Hotels is a subsidiary of Al Habtoor Group, a conglomerate having operations across sectors of hospitality, construction, automotive, vehicle leasing, real estate, education and publishing. Habtoor Hotels operates hotels and resorts in the UAE and overseas through partnerships with international hospitality players such as IHG, Marriott International, Hilton Worldwide, and Starwood Hotels & Resorts. The company also provides ancillary hospitality services such as catering through Metropolitan Catering Dubai and laundry services through Al Habtoor Laundry.

Business Segments/Services Portfolio

- **UAE:** The company operates following seven hotels locally
  - **Habtoor Grand Resort, Autograph Collection:** A five-star 446-room hotel located on Dubai's Jumeirah Beach;
  - **Waldorf Astoria Dubai Palm Jumeirah:** A luxury hotel encompassing 320 rooms and suites, a private beach, meeting space, and a 600-capacity ballroom;
  - **The St. Regis Dubai:** A luxury hotel with a capacity of 234 rooms and suites;
  - **W Dubai - Al Habtoor City:** A next generation hotel property comprising 356 rooms and suites;
  - **The Westin Dubai, Al Habtoor City:** This 41-storey hotel comprises of 1,004 rooms, including 142 suites;
  - **Metropolitan Hotel Dubai:** A four-star boutique hotel featuring 334 rooms;
  - **St. Regis Dubai, Al Habtoor Polo Resort & Club:** This resort features 182 rooms and 52 suites complemented by eight culinary venues and the Iridium spa.
- **International:** Habtoor Hotels has seven assets in the international markets including, two in Hungary, two in Lebanon, and one each in the US, the UK, and Austria.
- Al Habtoor Motors has a network of nine showrooms, nine service centers, four body shops and ten parts centers.
- The group's real estate division includes commercial and residential properties.
- The group's education segment operates two schools, Emirates International School - Jumeirah and Emirates International School - The Meadows.
- The publishing arm of the group produces publication including Al Shingdagah magazine, a bilingual corporate magazine.

Recent Developments/Future Plans

- In May 2018, the company launched a special promotion for GCC nationals for sale of homes at its 73-storey Noora Tower which features 546 luxury units, including four ultra-luxury penthouses scheduled for completion in July 2018.

Source: Company filings, website, press releases

ALPEN CAPITAL

Hotels Management Company International SAOG (Publicly Listed) OMAN

Company Description

Incorporated in 2002, Hotels Management Company International SAOG (HMCI) is engaged in the establishment, ownership, leasing, and management of hotels, motels, rest houses, health clubs, beach cabins, apartments, and similar facilities in Muscat, the Sultanate of Oman. HMCI owns and operates the Chedi Muscat Hotel. The hotel is managed by General Hotel Management Ltd., which has hotel operations across the world. The hotel has a strength of 355 employees.

Business Segments/Services Portfolio

The company's business primarily comprises the operations of Chedi Muscat Hotel

- **Rooms:** The hotel comprises 158 Omani-style guestrooms and villas spread over an area of 21-acre garden oasis. The rooms are categorized into suites, superior, deluxe, deluxe club, chedi club suites, and executive junior rooms.
- **Food and Beverage:** Under this segment, HMCI reports revenue from restaurants, bars, room services, banquettes, lobby lounge, shisha court yard, and tobacco selling. The hotel has six restaurants and two executive meeting rooms.
- **Others:** The hotel provides other hospitality services including a 13-suite Balinese spa, boutique, telephone service, transport service, and laundry services.
- Apart from these, the hotel is equipped with three swimming pools, including a 103- meter long pool, and a health club.

Recent Developments/Future Plans

- NA

Source: Company filings, website, press releases

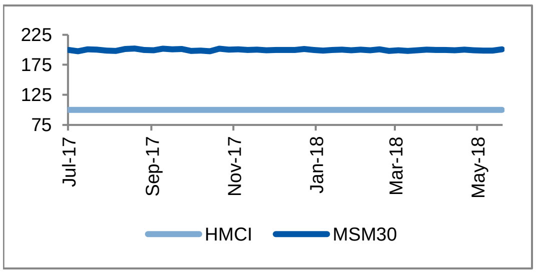
Current Price (OMR)	1.250

Price as on June 26, 2018

Stock Details	
Bloomberg ticker	HMCI OM
52 week high/ low	1.25/1.25
Market Cap (US$ mn)	9.74
Enterprise value (US$ mn)	-2.54
Shares outstanding (mn)	3

Source: Bloomberg
Note: The information on average daily turnover is not available, as the security is not traded.

Share Price Chart



Source: Bloomberg

Valuation Multiples	2016	2017
P/E (x)	2.0	1.45
P/B (x)	0.28	0.27
EV/S (x)	-	-
Dividend yield (%)	72	80

Source: Bloomberg

Shareholding Structure	
Al Shaba Investments Co., LLC	39.67%
Government of Oman	20.00%
Capital E Financial Group	10.00%
Al Habtoor (Sultan Ahmad Al Habtoor)	5.00%
Others	25.33%
Total	**100.0%**

Source: GulfBase.

Financial Performance			
US$ Million	**2016 YE Dec**	**2017 YE Dec**	**Change (%)**
Revenue	27.03	30.39	12.43
COGS	18.50	19.13	3.37
Operating Income	5.36	7.70	.
Operating Margin (%)	19.82	25.33	
Net Income	4.87	6.71	37.65
Net Income Margin (%)	18.03	22.08	
Return on Equity (%)	13.45	18.84	
Return on Assets (%)	11.14	15.29	

Key Comments

- NA

Source: Thomson Reuters Eikon, Company Filings

ALPEN CAPITAL

Jumeirah Group (Privately Owned) UAE

Company Description

Incorporated in 1997, Jumeirah Group operates luxury hotels and resorts across the GCC and other international markets. Additionally, it also operates restaurants, spas, serviced apartments, and water parks. It is a part of Dubai Holdings, a government owned company with business interests in sectors such as real estate, hospitality, financial services, and media and entertainment. Jumeirah Group currently operates over 20 hotels across the world, including 10 in the GCC.

Business Segments/Services Portfolio

- **Hotels and Resorts:**
  - **GCC:** The group operates ten hotels and resorts in the GCC, of which nine hotels and resorts are in the UAE and one in Kuwait. The UAE hotel properties include, Burj Al Arab Jumeirah (202 duplex suites), Jumeirah Beach Hotel (599 rooms and suites), Jumeirah Creekside Hotel (292 rooms and suites), Jumeirah Emirates Towers (400 luxurious rooms and suites), Jumeirah Zabeel Saray (379 rooms), Jumeirah Zabeel Saray Royal Residences (38 royal residences), Madinat Jumeirah resort (includes four hotels with a total capacity of over 1,200 rooms), Jumeirah Living at World Trade Centre (377 luxurious residences), and Jumeirah at Etihad Towers and Residences (382 rooms and 199 luxurious serviced residences). The group operates Jumeirah Messilah Beach Hotel & Spa (316 luxury rooms, 80 serviced apartments, and 12 villas) in Kuwait.
  - **International:** The group has a 176-room hotel in Baku; a 134-room hotel in Turkey; a 217-room hotel in Frankfurt; a 115-room hotel in Istanbul; a 393-room hotel in Shanghai; a 121-room hotel in Spain; two hotels in Maldives featuring beach villas, beach and island revives, and sanctuaries; and three hotels in London with an aggregate capacity of 304 rooms and 130 contemporary residences.
- **Restaurants:** The group operates over 50 independent restaurants and bars through its restaurant management firm – Jumeirah Restaurants Group Dubai. Key brands include The Noodle House, Rivington Grill, and the Ivy.
- **Other Offerings:** The group owns a water park (the Wild Wadi Waterpark), a spa (Talise spa), a hospitality academy (The Emirates Academy of Hospitality Management), corporate and private catering (Jumeirah Hospitality), recognition and rewards programme (Jumeirah Sirius) and Jumeirah Emirates Office Tower.

Recent Developments/Future Plans

- The group has embarked upon an aggressive expansion plan with five properties under development in the UAE, namely Jumeirah Living Marina Gate, Zabeel Houseby Jumeirah Al Seef, Zabeel House by Jumeirah Greens, Jumeirah Saadiyat Island, Jumeirah Al Wathba Desert Resort, and Jumeirah Business Bay in Dubai and in Abu Dhabi. Further, the group has one property under development each in Oman, Jordan, Saudi Arabia and Turkey, 7 in Asia Pacific Region and one in Europe.
- The group has plans to double its portfolio to 42 properties by 2018.

Source: Company filings, website, press releases

Katara Hospitality (Privately Owned) QATAR

Company Description

Katara Hospitality (KH), formerly known as Qatar National Hotels Limited, was established in 1970. It is a global hotel owner, developer and operator based in Qatar. KH currently owns properties across Qatar, Egypt, Morocco, UK, France, Italy, Spain, The Netherlands, Switzerland, Singapore and Thailand. KH operates owned and non-owned hotels through its standalone operating arm, Murqwab Hotel Group.

Business Segments/Services Portfolio

Katara has created a rich portfolio of properties, partnering with some of the best brands in the hotel industry. The group owns 21 hotels, operates 6 hotels and has 3 hotels under development globally.

- **Qatar:** Doha Marriott Hotel; The Ritz-Carlton, Doha; Movenpick Hotel Doha; Sharq Village & Spa operated by The Ritz-Carlton Company; Sheraton Grand Doha Resort & Convention Hotel; Somerset West Bay Doha; Sealine Beach, A Murwab Resort; Simaisma, a Murwab Resort; The Avenue, A Murwab Hotel; Saraya Corniche operated by Murwab Hotel Group.
- **International:** Le Royal Monceau - Raffles Paris; Buddha-Bar Hotel Paris; The Peninsula Paris; InterContinental Carlton Cannes; InterContinental Amstel Amsterdam; InterContinental Madrid; Excelsior Hotel Gallia, Milan; The Westin Excelsior Rome; The Savoy, A Fairmont managed Hotel; Schweizerhof Bern; Renaissance Sharm El Sheikh Golden View Beach Resort;

  Chiva-Som; Raffles Hotel Singapore; Hotel Royal Savoy Laussane; Adriah Boutique Hotel, London; Burgenstock Hotel at Burgenstock Resort Lake Lucerne; Palace hotel at Burgenstock Resort Lake Lucerne; Residences at Burgenstock Resort Lake Lucerne.

Recent Developments/Future Plans

- In October 2017, Katara Hospitality announced the launch of its subsidiary, Qetaifan Projects Company, to develop and manage Qetaifan Island North. Qetaifan Islands is a development located off Lusail City in Doha, Qatar, comprising of Qetaifan Island Norh, which will be developed by Qetaifan Projects company and Qetaifan Island South, develop by Lusail Real Estate Development Company. Both islands are connected to the Lusail mainland through two iconic hanging bridges.
- The company is focused on enhancing its portfolio to 60 hotels by 2026. Some of its development plan in Qatar includes: Grand Murwab City Center-opening in 2018, City Gate Hotel-opening in 2018, Al Messila, Resort & Spa, Doha-opening in 2018, Salwa Beach Complex, Doha-opening in 2019, Five-Star Hotel at Katara Towers-opening in 2020, Six-Star Hotel & Residence at Katara Towers-opening in 2020. Another property, Tazi Palace Hotel, Morocco-opening in 2020.

Source: Company filings, website, press releases

Kingdom Holding Company (Publicly Listed) SAUDI ARABIA

Company Description

Founded in 1980, Kingdom Holding Company (KHC) is a Riyadh-based diversified investment holding company. The company's investment interests are in sectors of hospitality, real estate, media and publishing, entertainment, social media and technology, finance and investment services, petrochemicals, education, consumer and retail, health care, aviation, and agriculture. The company's main subsidiary is Kingdom Hotel Investments (KHI), which invests in hospitality projects. KHI currently holds investments in 18 hotels in 13 countries managed by international luxury and upscale brands such as Four Seasons, Fairmont, Raffles, and Movenpick.

Business Segments/Services Portfolio

- **Hotels:** This segment comprises investments in associate companies and subsidiaries engaged in the business of owning and managing hotel properties and related activities. The company's main hotel properties include Four Seasons Hotel George V, Paris (244 rooms), Four Seasons Hotel Toronto (259 rooms), and Fairmont managed hotels - The Plaza, (282 rooms) and The Savoy (268 rooms).
- **Real Estate and Domestic:** Investments in local entities and activities related to owning and developing land and real estate projects.
- **Equity:** Under this segment, KHC earns revenue from investments in securities, associate companies, and private equity.

Recent Developments/Future Plans

- In April 2018, KHC signed an agreement to sell Movenpick Hotels & Resorts (MHR) to Accor Hotels where KHC is also an investor. The completion of the transactions is expected in the second half of 2018.
- KHC signs Smart City Consulting Agreement on ICT Infrastructure and Smart Services Design for Jeddah Tower & Jeddah Economic City Project in March 2018.

Source: Company filings, website, press releases

Current Price (SAR)	*8.77*

Price as on June 26, 2018

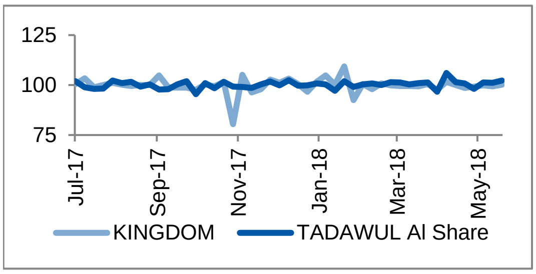
Stock Details	
Bloomberg ticker	KINGDOM AB
52 week high/ low	11.3/7.9
Market Cap (US$ mn)	8666.36
Enterprise value (US$ mn)	9413.15
Shares outstanding (mn)	370.6

Source: Bloomberg

Average Daily Turnover ('000)		
	SAR	US$
3M	3,585.83	956.14
6M	2,694.51	718.39

Source: Bloomberg

Share Price Chart



Source: Bloomberg

Valuation Multiples		
	2016	2017
P/E (x)	-	46.67
P/B (x)	1.58	1.05
EV/S (x)	23.51	20.50
Dividend yield (%)	1.84	5.7

Source: Bloomberg

Shareholding Structure	
Prince Alwaleed Bin Talal Bin Abdulaziz Al Saud	95.00%
Others	5.00%
Total	**100%**

Source: GulfBase.

Financial Performance			
US$ Million	**2016 YE Dec**	**2017 YE Dec**	**Change (%)**
Revenue	481.06	461.42	-4.08
COGS	380.31	341.90	-10.10
Operating Income	33.74	390.43	1,057.17
Operating Margin (%)	7.01	84.61	
Net Income	-93.31	176.94	NA
Net Income Margin (%)	-19.40	38.35	
Return on Equity (%)	-1.23	2.22	
Return on Assets (%)	-0.83	1.47	

Key Comments

- Kingdom Holding Co. turned profitable in 2017 with an increase in net profit of SAR 663.7 mn from a loss of SAR 249.8 mn in 2016, driven by growth in dividends income and higher income and gain from investments

Source: Bloomberg, Company Filings

Lakhraim Business Group (Privately Owned) UAE

Company Description

Tetra Hospitality Investments LLC (Tetra Hospitality), is the holding company for the Lakhraim Business Group with its interests spanning in Hotels, Hospitality Service and Food & Beverage. The company owns hotel assets and manages a number of 3, 4 and 5 star properties across the Middle East and Africa. Tetra Hospitality is also a major shareholder in National Corporation of Tourism and Hotels, a company listed on the Abu Dhabi Stock Exchange and which owns the Intercontinental Hotel, Abu Dhabi and Danat Hotels and Resorts.

Business Segments/Services Portfolio

- Tetra Hospitality in partnership venture with Millenium & Copthorne Hotels PLC, operates over 18 hotels in the region and has a pipeline of over 50 hotels in its management portfolio.
- Tetra Hospitality has ownership interest with Ritz Carlton DIFC Hotel, Crowne Plaza Hotel Sheikh Zayed Road Dubai, Crowne Plaza Hotel Abu Dhabi, Sands Hotel Abu Dhabi, Kingsgate Hotel Abu Dhabi and some hotel assets under construction.
- Tetra Hospitality is a major shareholder in National Corporation of Tourism and Hotels (NCT&H), an Abu Dhabi based listed company which owns the Iconic Intercontinental Hotel, Abu Dhabi and Danat hotels and resorts.

  Edesia Group S.A. is the F&B arm of Lakhraim Business Group and offers a range of food and support services to clients across F&B concept development and master franchising of renowned F&B brands.

Recent Developments/Future Plans

- NA

Source: Company filings, website, press releases

ALPEN CAPITAL

Orascom (Privately Owned) UAE

Company Description

Orascom Construction Limited, a listed company, is a global engineering and construction contractor primarily focused on infrastructure, industrial and high-end commercial projects in the Middle East, North Africa, the United States, and the Pacific Rim for public and private clients. It was originally founded in 1950 in Upper Egypt. It operates under three distinct and separate brands namely Orascom, Contrack and The Weitz Company. In addition to construction, company pursues value accretive concessionary contracts. To complement its construction businesses, the company has investments in two facility management companies and companies focused on the manufacturing of fabricated steel products, glass curtain walling, paints and concrete pipes. It employs around 53,000 people in over 20 countries and is listed on NASDAQ Dubai and the Egyptian Exchange.

Business Segments/Services Portfolio

- **Orascom:** The company is based in Cairo, Egypt and is an engineering, procurement and construction contractor operating across the United States, the Middle East and Africa. Orascom's track records ranges from water treatment plants and power stations to five star hotels and office sky scrapers. Cairo Festival City, Iowa Fertilizer Company and New Cairo Wastewater Treatment Plant.
- **Contrack Watts:** Founded in 1985, Contrack Watts is an international construction company based in Virginia, United States. It provides engineering, procurement and construction services as well as facilities operation and maintenance primarily on federal and infrastructure projects throughout the Pacific Rim, Middle East and Central Asia.
- **The Weitz Company:** It is a general contractor, design-builder and construction manager based in Des Moines, Iowa. It was founded in 1855 and hence one of the oldest commercial general contractors in the United States. The company undertakes commercial, federal and plant services construction projects in the United States and the Pacific Rim. In 2012, Orascom has acquired 100% stake in this company.
- **The Besix Group:** The Besix Group, established in 1909 in Belgium, offers engineering, procurement and construction services. It operates in 20 countries in the construction, real estate and concession sectors. The construction specialization of this company includes buildings, infrastructure and environmental projects, industrial civil engineering, maritime and port works and real estate development.

Recent Developments/Future Plans

- In June 2018, Dubai based Abraaj Group offloaded USD 52 mn stake in Orascom Construction.
- In March 2018, Orascom Construction JV was awarded a USD 180 mn contract for Furjairah International Airport Expansion, UAE.
- In May 2018 Orascom construction announced joint venture with FCC Aqualia, a subsidiary of FCC to commence construction At Abu Rawash Wastewater Treatment Plan in Egypt.
- In April 2018 the company announced the achievement of mechanical completion at Natgasonline, the largest methanol production facility in the United States.
- In Feb 2018, Orascom announced the inauguration of the Multipurpose Applications by Thermodynamic Solar (MATS) plant in Borg El Arab, Egypt. The plant comprises of an integrated concentrated solar power and water desalination facility in a desert area. Orascom participated in the funding of the project and the construction of the plant.

Source: Company filings, website, press releases

Rotana Hotel Management Corporation PJSC (Privately Owned) UAE

Company Description

Founded in 1992, Rotana Hotel Management Corporation PJSC (Rotana) operates as a hotel management company headquartered in Abu Dhabi. The company has a portfolio of 60 hotel properties in countries like Bahrain, Egypt, Iraq, Jordan, Saudi Arabia, Kuwait, Lebanon, Libya, Oman, Qatar, Sudan, Syria, and the UAE with over 43 hotels and serviced apartments in the GCC with over 12,000 rooms. The hotels are run under brands such as the Rotana Hotels & Resorts, Centro Hotels, Rayhaan Hotels & Resorts, Arjaan Hotel Apartments, and The Residences.

Business Segments/Services Portfolio

- **Rotana Hotels & Resorts:** Offers a wide range of services and facilities though its portfolio of four-star and five-star hotel properties. In addition to well-furnished rooms and suites, the hotels are equipped with extensive in-room amenities, sophisticated bars, classic pubs, club lounges, huge wedding ballrooms, and modern business facilities.
- **Arjaan Hotel Apartments:** Offers fully furnished and serviced hotel apartments with 24/7 room service for long stay. Facilities include high-speed Wi-Fi facilities, LCD televisions, and fully equipped and furnished kitchens, among others.
- **Centro Hotels:** A lifestyle brand targeted to meet the demands of the new generation traveler seeking luxury at reasonable rates. Facilities provided in these hotels include affordable superior-class accommodation, 24-hour deli-style dining and take-away service, wireless connectivity, gymnasium, swimming pools, private meeting rooms, and business centers.
- **Rayhaan Hotels & Resorts:** Four-star and five-star hotels and resorts with an alcohol-free hospitality concept and equipped with well-designed rooms and suites, intelligently designed bathrooms, luxury beds and linens, and wireless connectivity, among others.
- **The Residences:** Furnished and unfurnished non-serviced branded residences with essential facilities for long stay visitors or those seeking a permanent home.

Recent Developments/Future Plans

- The group officially inaugurated the Pearl Rotana Hotel in Abu Dhabi on April 17, 2018. The property is complemented with 315 rooms and suites equipped with various facilities.
- The company made its foray into the European side of Istanbul, with the opening of its two new hotels, Centro WestSide and WestSide Arjaan. The four-star deluxe hotel, Centro WestSide, features 152 rooms and suites. The WestSide Arjaan offers 153 fully-furnished one and two-bedroom serviced hotel apartments to cater to the long-stay visitors.
- The company has announced signing a new management agreement in the capital of Egypt at Arabian Travel Market (ATM) in 2018. The company also has a pipeline of 48 properties schedule for opening before 2020. The company currently operates across its 60 hotels in 23 markets and with the launch of the hotels under construction, it will have its presence in 40 cities globally.

Source: Company filings, website, press releases

Zubair Corporation (Privately Owned) OMAN

Company Description

Founded in 1967, Zubair Corporation is a Muscat-based business conglomerate operating in diverse fields such as energy and logistics, engineering, construction and contracting, automotive, real estate and hospitality, financial services and manufacturing. The company conducts businesses through 60 group companies spread across Oman, the Middle East, India, the Far East, Europe, and the US. The hospitality business comprises Shangri-La Barr Al Jissah Resort & Spa, an integrated luxury resort with three hotels offering 640 rooms in Oman.

Business Segments/Services Portfolio

- **Real Estate & Hospitality:** This division focuses on project management, development of projects and maximizing value through strategic asset management. The business develops and manages luxury property such as, Barr Al Jissah, comprising four bedroom town homes, six-bedroom cliff top villas, and a luxury resort named Shangri-La Barr Al Jissah Resort & Spa. The resort managed by Shangri-La includes three hotels namely, Al Waha (The Oasis), Al Bandar (The Town), and Al Husn (The Castle). This division also comprises an investment, asset management, and a real estate development company named Inma Property Development LLC.
- **Automotive:** This division deals in saloon cars, four-wheel-drive pickups, luxury SUVs, high performance sports marques, commercial vehicles, and construction-related vehicles and equipments.
- **Energy & Logistics:** Through this division, the company offers an array of products, services, and solutions to the energy industry (upstream & downstream) in Oman and elsewhere. The company provides advisory services on business acquisition strategies, spearheading consortiums, and arranging content for large integrated proposals.
- **Engineering, Construction & Contracting:** Under this division, the company provides a wide range of services such as switchgear / substation equipment, interior fit-outs and furnishing, and special building material products, among others.
- **Exploration & Production:** Under this division, the company explores, develop and produces hydrocarbons, development of oil & gas resources in Oman as well as other countries and production of gas and condensates.
- **Financial Services:** Provides asset management and financial planning services for the group.
- **Manufacturing:** This division is principally engaged in the manufacturing and marketing of FMCG and industrial products such as bottled water, sweets and biscuits, detergents, abrasives and plastics.

Recent Developments/Future Plans

- NA

Source: Company filings, website, press releases

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