

## Mahindra Holidays & Resorts India Limited (MHRIL)

### Analyst Meet Highlights

Date & Time	June 11, 2019; 4:30 PM IST
Event	Investors & Analyst Meet – June 2019, Hotel Four Seasons, Worli, Mumbai
Participants from MHRIL	<ul style="list-style-type: none"><li>• Mr. Arun Nanda, Chairman</li><li>• Mr. Kavinder Singh – Managing Director &amp; CEO</li><li>• Mrs. Akhila Balachandar – Chief Financial Officer</li></ul>

We thank all the participants for attending Mahindra Holidays & Resorts India Limited Analyst Meet on 11<sup>th</sup> June 2019 in Mumbai.

We would like to share highlights of the meet with our other stakeholders who were not able to attend the meet. The Analyst Meet Presentation which was shared at the meet has been uploaded on the Company Website and Stock Exchanges.

### Industry Scenario

- Domestic travel & tourism industry is currently pegged at \$247 bn and is estimated to grow at 7% p.a. till 2028. Leisure Travel dominates the overall segment accounting for 95% of the overall spends.
- Hotel rooms are estimated to grow at ~4% CAGR over the next 5 years
- Occupancy rate for FY18 was 66.6%

### Club Mahindra Products

- CMH 25 - The 25-year core Club Mahindra product focused on families with age bracket of 32-50 years
- Bliss – A 10-year point based flexible product to target the audience of 50+ years
- GoZest – To cater the travel needs of millennial & create a prospective pipeline for CMH 25 product
- Corp Fundays - A 10-year point based Corporate Membership program

### Customer Value Proposition

- Members perceive “**huge value**” as the membership tenure increases (more resorts, more experiences at prepaid price), over 25 years tenure
- Flexibility to “**Choose Holiday**”, to travel with “**Extended Family**”, to travel across “**61 Beautiful Resorts & Beyond**”
- Destination Network

- 61 Resorts in India & South East Asia
- 33 Holiday club Resorts in Europe
- 103 partner hotels across Asia, Europe & US
- 4300 Resorts in 110 countries through RCI
- An option to subscribe for “**Club M Select**” which provides privileges like
  - Hotel deals - Up to 40% off across 4 lakhs+ hotel options around the world
  - Gourmet Dinning – Up to 25% flat discount
  - Cruises – 13% cashback across 12,000+ cruises globally
  - Privileged access to 24 Golf Clubs across India at discounted rates
  - & Many More
- Member engagement through In-Resort Signature Dinning, Specialty Restaurants & Experiential Activities
- Curated vacations to improve engagement

### **Member Journey – Then & Now**

- From 7 days of holidays every year, Club Mahindra has evolved as a preferred leisure partner with its offerings like- Inventory Exchange Program, Curated Vacations, City Experience/Dreamscapes and privilege program “**Club M Select**”
- Many technological advancements have been carried over the past few years to enable a seamless booking experience website and mobile app

### **Levers of Growth**

- Increasing the geographical reach by targeting Tier 2 & Tier 3 cities
- Innovation in member acquisition through various channels like digital, referrals, tie-ups with brands etc. which will eventually reduce the cost of acquisition of the members
- Member engagement at various touchpoints to improve member experiences
- Enhancing member experience using digital & analytics tool

### **Inventory Addition Plans**

- Additional investment of INR 800 – 1,000 Crs over next 5 years to take the total room inventory count to 5000 by 2024
- Addition in inventory can be through
  - Greenfield / Brownfield Expansion
  - Lease Route
  - Resort Acquisition

## **Financial & Operational Highlights**

- Consistently high occupancies of more than 85% for FY17 & FY18. FY19 occupancies were ~83% due to unprecedented floods in Kerala & Coorg in August
- Income trend as per old accounting standard Ind AS 18 from FY15 to FY19
  - VO Income CAGR growth of 6%
  - Resort Income CAGR growth of 14%
  - ASF Income CAGR growth of 11%
  - Interest & Other CAGR Income of 14%
  - Total Income CAGR growth of 10%
- EBITDA margins consistently high in the range of ~25% from FY15 to FY19
- PBT margins increased to 21% in FY19 from 16% in FY15
- CAGR of PBT of 23% from FY15 to FY19
- CAGR of PAT of 19% from FY15 to FY19
- More than **1,000 crores of operating cash flow generated over the past 4 years**
- Targeting to add members with higher down payment & lower EMI tenure

## **Predictability of Revenue**

- Change in the accounting standard from Ind AS 18 to Ind AS 115 has helped to predict the revenue model better
- At the base-case scenario of constant member addition and constant AUR at FY19 levels; Revenue from VO income should increase to Rs. ~ 458 crs in FY24 as compared to Rs. ~ 315 crs in FY19 with incremental deferred cost.
- At the base-case scenario VO Deferred Revenue could increase to Rs 6667 crs by FY24 as compared to Rs 5107 crs in FY19
- At the base-case scenario of constant member addition at FY 19 levels and estimating 3% increase in ASF revenues (which is linked to the CPI and WPI index) from FY 19 levels, ASF revenues should increase to Rs. 410 crs in Fy 24 from Rs. ~261 crs in FY19. to Rs. ~410 crs.

## **Few highlights on our Finland subsidiary, Holiday Club Resorts Oy (HCR)**

- Mahindra Holidays owns 96.47% of HCR Oy
- HCR has a total of 33 resorts across Finland, Sweden & Spain
  - 25 resorts in Finland (incl. 7 Spa hotel resorts)
  - 2 resorts in Sweden (incl. 1 Spa hotel resorts)
  - 6 resorts in Spain
- Mr. Kavinder Singh – Managing Director & CEO of Mahindra holidays is now also the Vice Chairman of HCR Oy.
- Appointment new CEO, Ms. Maisa Romanainen for HCR, who comes with 29+ years of experience in retail and consumer space.

- Debt in HCR reduced from 51.7 m€ in September 2014 (at the time of acquisition) to 22.8 m€ in March 19
- Focus in HCR will be to rationalize the cost & add new sources of revenues
  - Build a Global Vacation Club (India, Europe & Beyond) using synergies of both companies
- Dip in profitability in HCR for FY19 was primarily due to 2 reasons
  - Exceptionally warm summer in Finland (and Europe) affected the performance of spa hotels and timeshare. This has had a direct impact on the EBIDTA of the company.
  - Challenges in the construction projects in Sweden, which resulted in a one-off loss of 2.9 m€ on account of rework and bringing new contractors to complete the work.

### **Key Takeaways from the Meet**

- **Strong & Resilient Business Model:** Growing cumulative member base generates multiple annuity revenue streams
- **Strong Balance Sheet:** Robust operating cash flows will support growth in room inventory without taking recourse to debt
- Focus on **Experience Ecosystem, Technology & Analytics, Innovation in Customer Acquisition** will grow member base going forward
- **Predictability** of Revenue streams
  - Growing Deferred Revenue & **VO Income**
  - Track record of high occupancy of **80%+** ensures **Resort Revenue Growth**
  - ASF Revenues
- **Target of ~5000 Rooms by 2024** through Greenfield, Brownfield, Resort Acquisitions and Leases
- **New CEO – Maisa Romananien** at HCR will drive **Operational Excellence and Synergy** with Mahindra holidays