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Hospitality Post COVID-19; **Making the Future Count**

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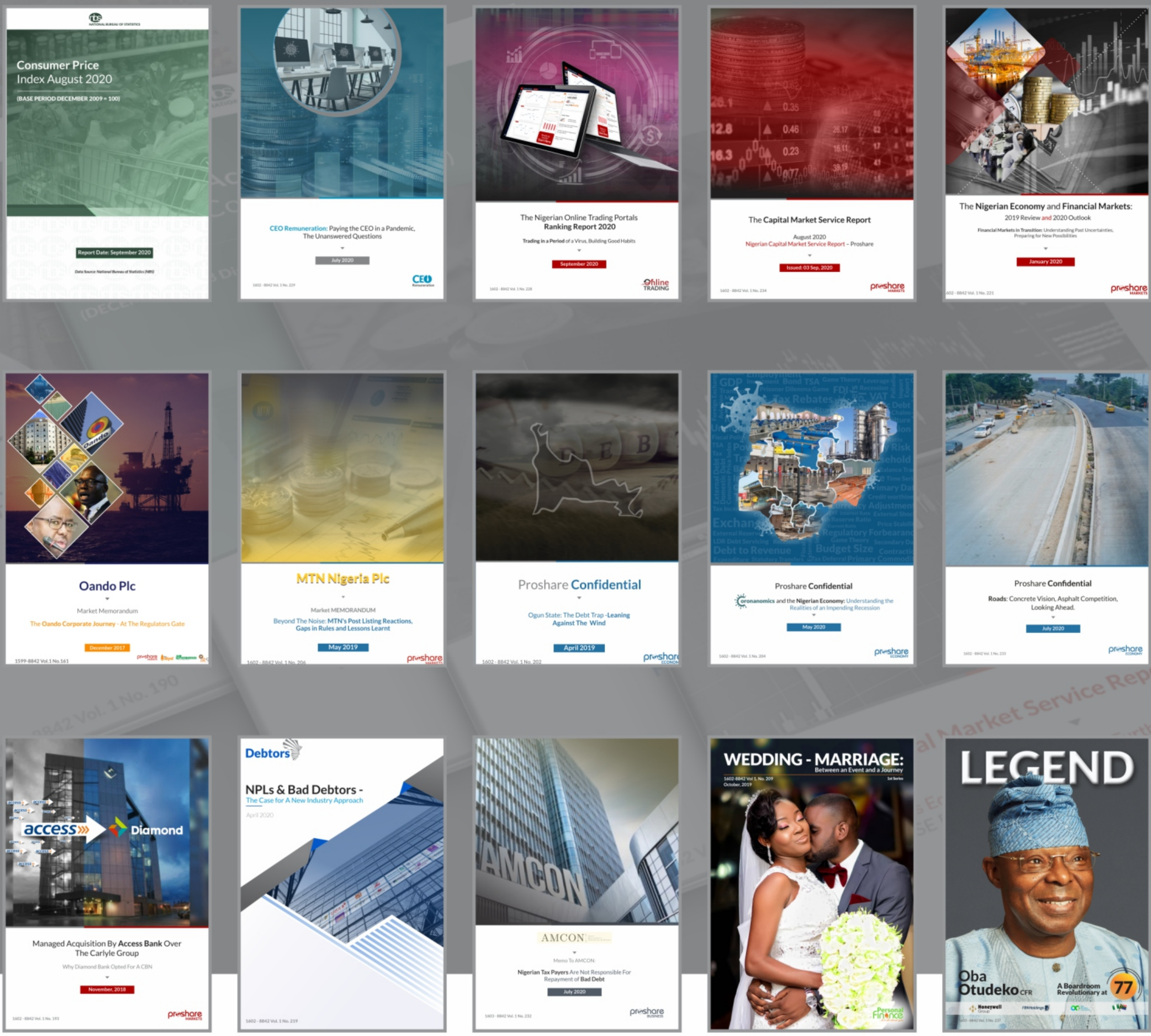
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CEO Remuneration: Paying the CEO in a Pandemic, The Unanswered Questions
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The Nigerian Online Trading Portals Ranking Report 2020
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"Great companies are built by people who never stop thinking about ways to improve the business".

J. Willard "Bill" Marriott

The global hospitality business has been in a mixed (as distinct from mixed-up) mind. African economies have been harmed by the consequences of COVID-19-induced economic restrictions on the hospitality industry leading to what economists have increasingly referred to as 'economic scarring'.

Economic scarring refers to the breaking of traditional links in economic relationships such as between borrowers and lenders, between suppliers and buyers, and between hotels and their customers. High contact service sectors were the hardest hit by the COVID-19 pandemic and have been victims of high levels of operating uncertainty. This has meant that airlines, transportation companies, air travel agencies, restaurants, and hotels have suffered downward spiraling revenues and profits since Q1 2020. It has also required that for sustainability service sector companies need to plug into new corporate realities as COVID-19 fears and actions begin to wane. As consumers ran up savings in the heat of the pandemic, a rebound of global and national economies may likely involve the unleashing of pent-up demand and an increase in local spending.

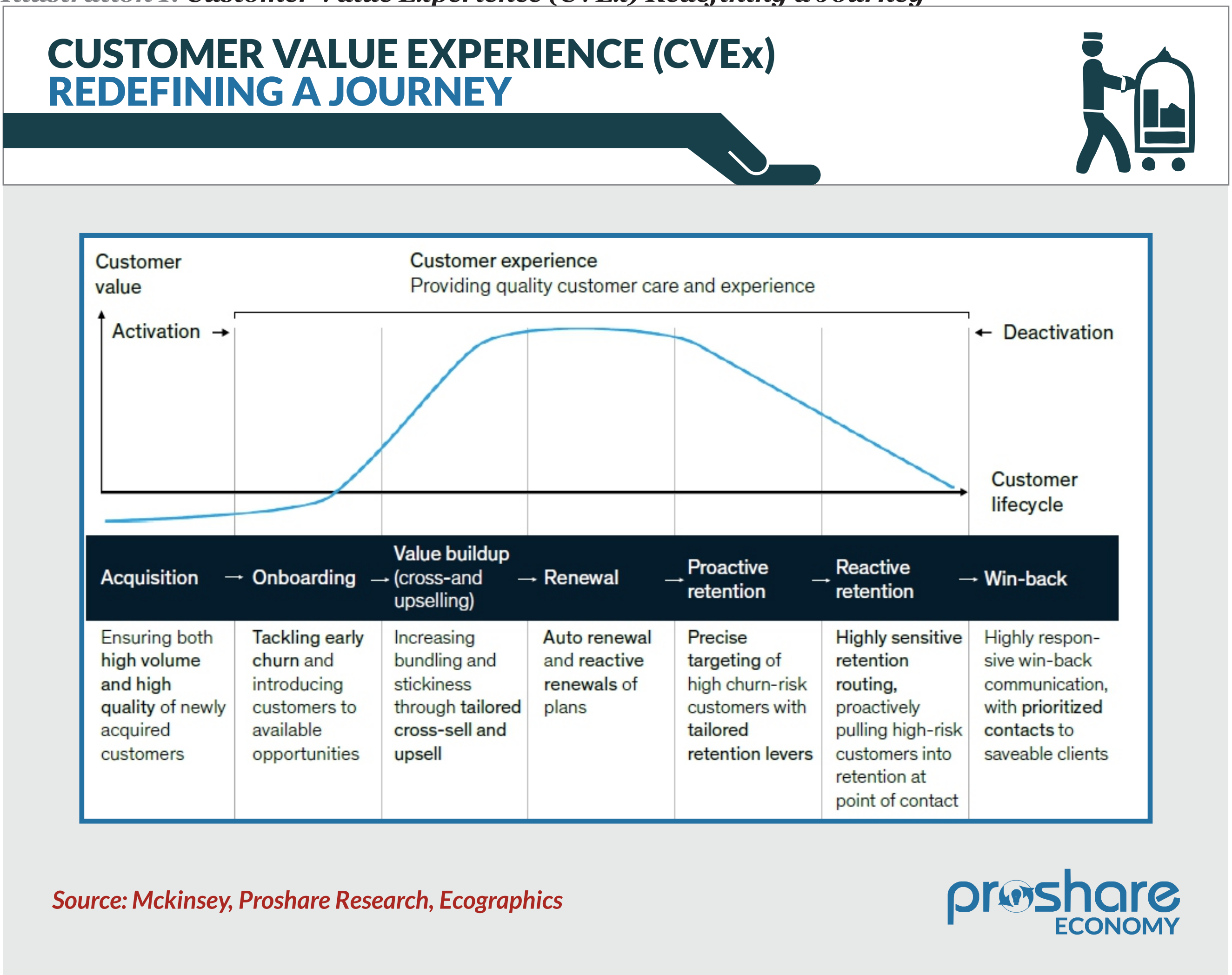
However, the new spending realities will differ somewhat from the pre-COVID-19 era as the nature, size, and timing of demand begins to shift. The demand for hospitality services would require more than short-stay real estate, it would require a whole new service delivery experience that sits within the new lifestyle habits of a hotel, restaurant, and airline patrons. For example, hotels should envisage a future of more flexible short stay pricing. Patrons of hotel rooms between Monday and Thursday may pay between 10% to 15% less per room than those booking rooms between Friday and Sunday.

Business visitors to hotels may require add-on service deliverables such as thicker note pads and jotters, longer-lasting pens, and pencils, stick-on notes, and high-speed broadband internet access. Hotels may do well to upscale staff skills by making it a policy for staff to be bilingual in at least two foreign languages such as English and French or Chinese Mandarin or Swahili.

A hotel that provides backup executive support such as an interpreter and a staff that could help with excel-based templates and business modeling tools would be a nose ahead of competitors, the marginal cost increase may be compensated by marginal revenue growth. Besides, with more individuals likely to be homebound with workers commuting and running their operational functions digitally, hotels may need to be creative in plugging into the new digital lifestyle. For instance, hotels could have arrangements with homebound executives to hold meetings at hotel meeting rooms on a membership basis.

The hotel would schedule meeting rooms for members while providing visual aid support and snacks and other refreshments. The hotel could even provide secretarial support with a secretary to take minutes and circulate resolutions. The problem would be that of confidentiality which could be handled through a non-disclosure agreement (NDA) signed by the hotel and staff requiring no electronic or non-electronic storage or transmission of information obtained at the meetings. Hotels would in months to come, put themselves at the centre of a patron's life experiences and support customers to smoothen the rough edges of their travel, work, or leisure journeys. The user interface and experience (UI/UX) of hotel customers must be raised significantly post COVID-19 if brick and mortar service providers hope to see a hockey stick rise in revenues and profits.

Illustration 1: ***Customer Value Experience (CVEx) Redefining a Journey***



Source: Mckinsey, Proshare Research, Ecographics

Scarring A Recovery

Without adjustments to old business models and approaches in 2021, economic scarring could be devastating. One channel of business destruction is the loss of jobs as old skills become near useless in a changing market with new skill requirements. For example, if hotels experience smaller farmgate supplies used by their chefs in preparing guest's meals then the hotels would need to scale back their operations, firms that transport the food would need to cut trips thereby causing job losses along the supply and support service value chain. The outlook would appear dim as the local economy's bounce-back would be without added job creation leading to a jobless recovery. The scarring process could lead to people losing their skills and motivation during the downturn, a situation that might persist even with renewed growth.

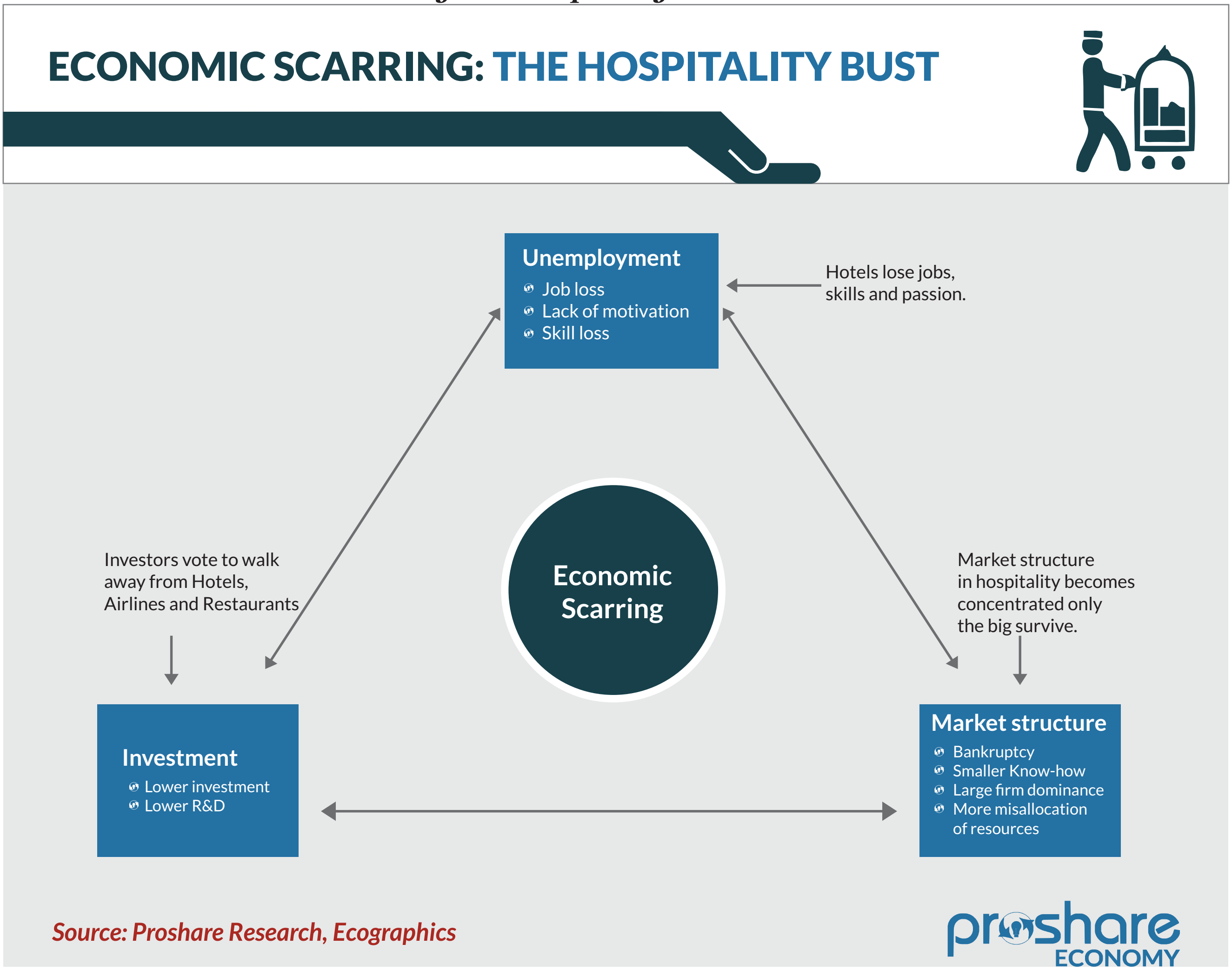
Another channel where scarring could hurt economies like Nigeria is lower investment commitments and reduced spending on research and development (R&D) as falling revenues lead to smaller investment outlays. Even with large public sector expenditures designed to spur stronger economic growth, lower investment and higher COVID-19-induced savings could push down the size of expected growth multipliers. For example, lower investments in the hospitality business (hotels, airlines, restaurants, night clubs, and cinemas) would pull back growth in the agriculture sector (a fall in food demand), airline sector (a smaller number of passengers per flight), and surface transportation (less intracity commute). These businesses and their respective backward and forward-looking value chains may be hurt by smaller investment inflows in 2021 and 2022 as economies continue to tackle the uncertain impacts of the coronavirus pandemic.

The third possible channel where economic scarring could be a pain in the neck for the hospitality business in Nigeria is rising costs. The headline inflation rate in Nigeria was 17.33% in February 2021 up from 16.47% in January and following a sustained rise throughout 2020. The rising inflation rate despite slow economic growth serves as a double whammy for the country's service sector as rising costs face down falling demand. Even in a post-COVID-19 era are going to have to walk the fine line between customer service expectations and their real disposal incomes. As the inflation rate rises, real disposable incomes fall and demand for goods and services takes a nasty hit.

The new economy would require companies to find opportunities for greater efficiency and effectiveness within the complex arithmetic of optimizing customer experiences at affordable costs. Bigger companies are likely to use their scale advantage to gradually outcompete smaller rivals leading to greater industry concentration in 2021 and 2022 with a raging river of complaints from customers who would see themselves paying much more for goods and services than would exist in more competitive markets. This would put pressure on the **Federal Competition and Consumer Protection Council (FCCPC)** over the next two to three years as mergers and acquisitions (M&As) pick up steam.

Illustration 2: Economics Scarring: The Hospitality Bust

*Illustration 2: **Economics Scarring: The Hospitality Bust***



The Scenario Buggy Wagon

Hospitality firms that are hoping to be around for a long time must begin to strategize around alternative scenarios. Q1 2021 is likely to see slow economic growth with analysts predicting a mild contraction despite the +0.11% gross domestic product (GDP) growth in Q4 2020 and the revised International Monetary Fund (IMF) outlook of +2.5% for Nigeria for 2021 (this was up from the earlier +1.5% forecast). The hard break recession of 2020 is not likely to reoccur in 2021 but a blistering Nike swoosh growth would also not happen. Demand for hotel and hospitality services would grow steadily over the next three quarters of 2021 and pick up steam in Q1 2022.

Companies like Ikeja Hotel Plc, Capital Hotels Plc, and Transcorp Hotels Plc should see stronger topline earnings in 2021 compared to 2020 but profitability may take a while longer in catching up as supply chain disruptions take time in being reestablished at favourable market costs.

The report on **page 32** notes that "*Amongst the listed companies on the NSE, Transcorp Hotels Plc recorded the highest percentage decline in its profits by -1,122.80% while Ikeja Hotel plc recorded a decline in its profit by -905.8%, Capital Hotels Plc -160.2%. On the other hand, Tourist Company of Nigeria Plc recorded an increase in its loss position by +439.67%. The losses incurred by the various* *hotels were the following: Ikeja Hotel Plc N6.72bn, Tourist Company of Nigeria Plc N6.53bn, Transcorp Hotels Plc N6.28bn, and Capital Hotels Plc N241.86m*".

The authors of the report also observed that "*the firms also recorded a decline in their revenue in 2020 with Tourist Company of Nigeria Plc recording the highest decline of -64.31% while the other hotels also saw the following decline in revenue; Capital Hotel Plc -62.36%, Ikeja Hotel Plc -59.5%, and Transcorp Hotels Plc -50.25%. Transcorp Hotel Plc recorded the highest revenue of N10.15bn in 2020 while Ikeja Hotel Plc recorded a revenue of N5.07bn, Capital Hotels Plc revenue was N1.95bn, and Tourist Company of Nigeria Plc N1.31bn*".

The three hotels should, all things being equal, see both revenues and profits rise in 2021, although the rise would be unequal depending on the hotel size. Smaller hotels may see slower recoveries in revenue and profit compared to their bigger rivals. A major feature of the post-COVID-19 (or with-COVID-19) economies is that recovery would see industry consolidation as larger corporations withstand the scarring of corporate growth more effectively than their smaller counterparts. How well hotel and hospitality activities rebound from the 2020 recession will depend on the actual scenario that plays out over the next three quarters of 2021.

Hotels would need to decide on their responses to three core areas of operations over the next few months:

- **Customer service delivery journey**-customer service experience and interaction in a physically distancing world, tactical considerations from service engagement to disengagement
- **Digital migration and behavioural adjustments**- customers would likely prefer hotel interfacing with less human-to-human contact, this may involve contactless booking, payments, and in-room services using digital technology. Safety and health considerations would take on higher priority.
- **Customer data collection, storage, retrieval, and privacy**- with hotels holding onto customer's data in terms of preferences, allergies, meeting schedules, and other forms of personal information, the process, and type of data collation, storage, protection, and retrieval would become increasingly critical aspects of hotel operations and hospitality businesses that want to guarantee sustainability would have to address the data management issue frontally.

The different economic and business scenarios that could play out in 2021 and 2022 need to be broached by hotel management and the most likely scenarios need to be isolated and policies and action plans created to address alternative outcomes. COVID-19 may become less of an existential threat to persons but its material effect on corporate businesses will linger.

Section 1 of this hospitality report starts with an overview of the state of the hospitality business in Nigeria and globally and underscores the need for the sector to reimagine its business and restrategize operations to support sustainability. **Page 11** of the report noted that *"The hospitality sector in Nigeria was not left out of the global COVID-19 crisis. The lockdown and social distancing measures pursued by the Federal and various state governments affected businesses involved in the hospitality ecosystem. Hotels recorded declines in their occupancy rates, profits, and patronage in most of their business* *segments while tourist companies recorded low tourist arrivals both domestically and internationally. All the hotels listed on the Nigeria Stock Exchange (NSE) recorded losses in 2020".*

The report in **Section 2** takes a look at the transition of the hospitality sector before and post COVID-19's eye of the storm in 2020. According to the report's authors *"The hospitality sector was initially projected to record significant growth in 2020 and 2021 stemming from a sustained upward trajectory in the past few years but the massive decline in the demand for hotel services, airline bookings, and tourist arrivals forced analysts to revise and dramatically reduce their 2020 and 2021 projection".*

The section noted that the business ecosystem for the hospitality sector would involve some major repair work on value chain reconnections and the squeezing of economies of scale to bring about a cost-to-revenue reduction across service types. This may mean substitution of human work for digital algorithms that enable computers to deliver routine services. This could make unnecessary the need for human bookkeepers, door attendants, store managers, booking officers, and other ancillary staff. For individuals to retain jobs in the sector that may need to upskill and reskill for the new service promise and customer expectation.

Section 3 of the report reviews the 2020 financial performance of the three hotels listed on what used to be called the Nigeria Stock Exchange (NSE) but is now known as the Nigerian Exchange (NGX). The three hotels had a torrid time in 2020 with their top and bottom-line operating performances caving in as revenues tumbled and general costs climbed. The biggest of the triumvirate of hospitality service providers was Transcorp hotels which saw a COVID-19-induced slide in cash and patronage as the COVID-inspired government lockdowns and travel restrictions took their toll. Nevertheless, Transcorp showed keenness in its plans to reverse its corporate fortunes and reposition its business within the realities of a changing hospitality industry dynamic. A few recovery plans may include flexible service pricing, reviewed pairing of flexible rebookings and cancellation policies, addressing the health and safety concerns of patrons frontally by revising operating procedures, and practices and entering twinning arrangements with feeder markets to provide scaled-up service quality.

The new look of the hospitality business in 2021 is captured in **Section 4** of the report where the authors note on **page 56** that *"It is expected that the hospitality sector in Nigeria will record slow growth in 2021. Hotels that would remain relevant in 2021 and the future would need to adapt to their business operations in companionship with new trends and the emerging hydraulics of the industry".*

They argue that *"hoteliers who are interested in maintaining and attracting new customers would need to emphasize safety and hygiene in their operations. Furthermore, they should have sufficient knowledge of emerging customer needs to support their forward-looking service delivery promise and plug into an evolving customer-centric environment e.g., virtual reality tours, mobile check-in service and so on".*

The last section of the report, **Section 5**, rounds up the review of how COVID-19 has affected the hospitality industry and provides an outlook on how the sector would survive and thrive after the virus has, to a large extent, been globally contained. The so-called 'new normal' would reflect accelerated changes imposed on global economies in general and the hospitality sector by the COVID-19 pandemic.

The faces of several businesses will undergo a remake between 2021 and 2022 as managements and boards work out new models for corporate sustainability which would consider the environment, society, and governance (ESG). Businesses will need to filter old frameworks and customer service delivery templates and reshape them to meet the new customer service expectations.

Tomorrow's business environment would require a level of deliberate and concerted action, vision, and consistency that companies in the past only considered as a passing fad. The new business mandate would require companies to understand the customer's transaction journey end-to-end and plug into the critical parts of the customer value experience (CVEx) to deliver income earning value.

Hospitality enterprises may be honeypots of cash in cyclically growing economies but without a forward-looking operational structure and plan, the hospitality businesses will still suffer financial pain even in a recovery. The sustainable businesses of tomorrow are here today, or at least they should be.

Introduction

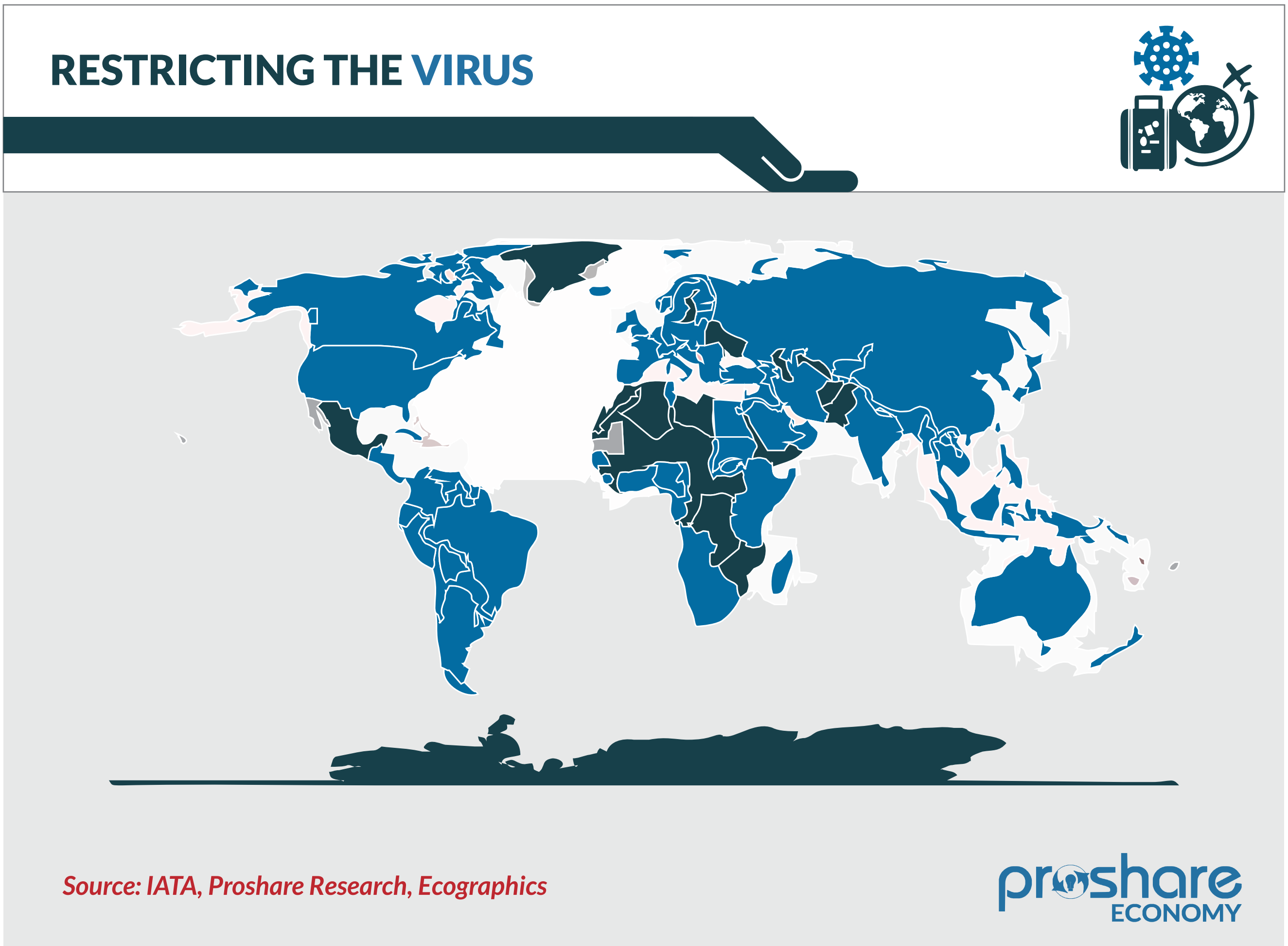
Introduction – A Post-COVID Reality

"*Bad companies are destroyed by a crisis; good companies survive the crisis, but great companies are defined by a crisis*" – **Andy Grove**

The effect of the unprecedented changes caused by the coronavirus pandemic hurt most economies and businesses. The pandemic caused an emergence of winners which include technology companies like Amazon, Facebook, Tesla, etc, and losers such as the hospitality sector, aviation sector, tourism sector, etc. Businesses that are concerned with staying afloat during the tough times had to re-imagine, re-strategize, and rethink their business model to adapt and stay relevant during the pandemic.

The hospitality sector was badly hit by the impact of the coronavirus pandemic. The restrictions of the movement of people both internationally and locally had a devasting impact on the sector (*see Illustration 3*). Most companies that operate in the hospitality sector struggled in 2020 while countries that depend on the tourism and travel sector such as Kenya, Greece, Iceland, etc, also struggled as they recorded a decline in their revenues.

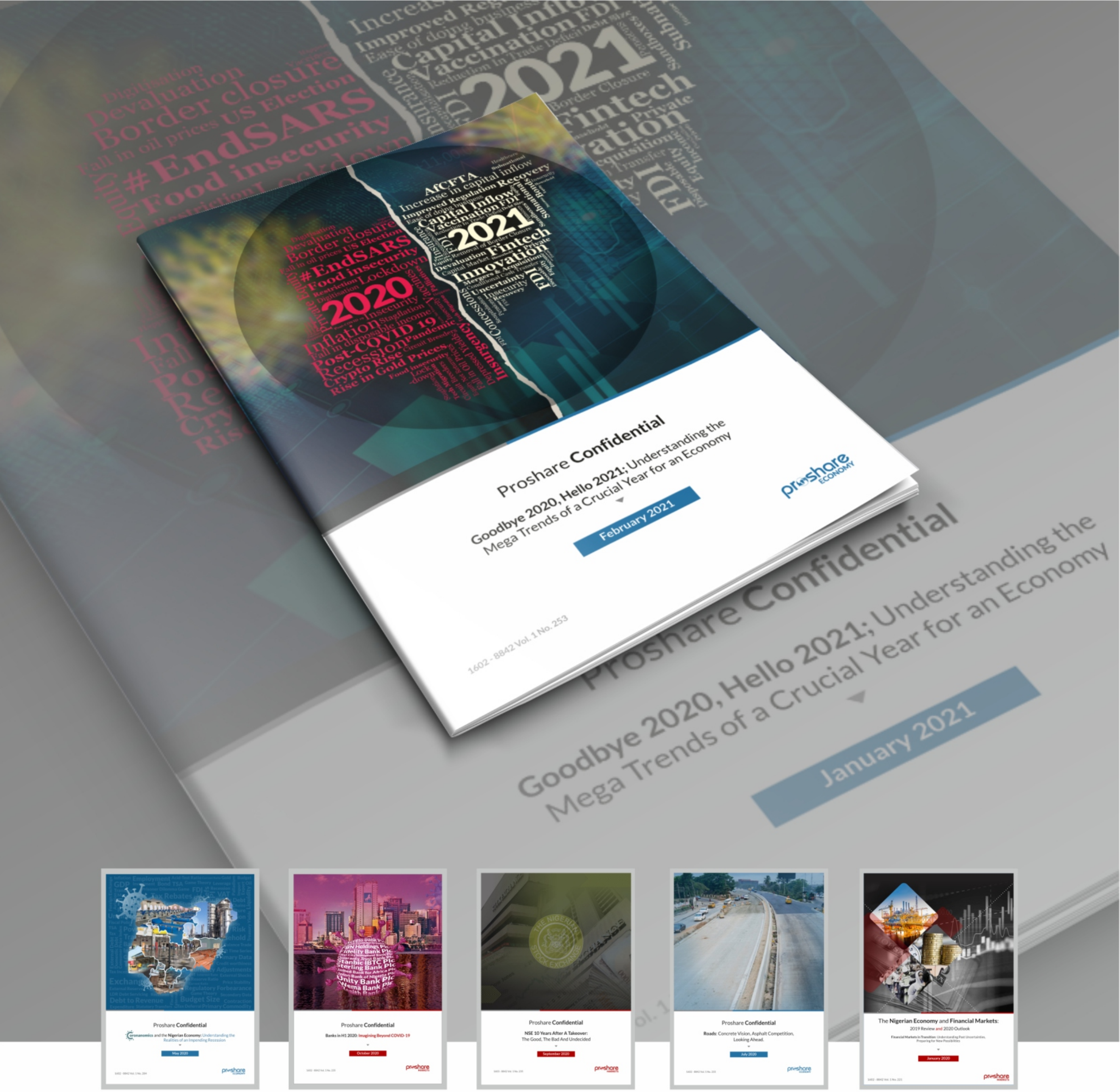
***Illustration 3:** Restricting the Virus*



The hospitality sector in Nigeria was not left out of the global crisis. The lockdown and social distancing measures pursued by the Federal and various state governments affected businesses involved in the hospitality ecosystem. Hotels recorded declines in their occupancy rates, profits, and patronage in most of their business segments while tourist companies recorded low tourist arrivals both domestically and internationally. All the hotels listed on the Nigeria Stock Exchange (NSE) recorded losses in 2020. Ikeja hotels recorded a loss of N1.75bn in 2020 while Capital Hotels Plc and Transcorp Hotels Plc recorded losses of N266m and N8.93bn, respectively. Some analysts believe that the fortunes of these companies would improve in 2021 on the back of a full re-opening of the economy, widespread COVID-19 vaccination, and an increase in travel. On the flip side, other analysts believe that the growth in the hospitality sector would be slow in 2021 hampered by the slow growth of the economy (estimated in some quarters to be between 2.1% and 2.5% in 2021), a decline in consumers disposable income, slow start to COVID-19 inoculation, a decline in consumer confidence and the enforcement of social distancing rules, etc.

The impact of the coronavirus pandemic sector has necessitated the need for hotels to adapt to the "new normal" to stay afloat and remain competitive. The hospitality market will need to rethink its operation and build anew. In the future, stakeholders in the hospitality sector will need to adapt to fit the new status-quo which is the "new normal" and forgo any hope of going back to "normal". For example, hotels that provide spaces for conference centers would record little patronage as most companies, government agencies, and stakeholders have resorted to hosting their events online. Hence, hotels that would remain relevant after the heat of the coronavirus pandemic cools off would need to invest aggressively in their digital future, rethink their marketing strategy, make bold moves towards innovation, etc. Therefore, the new thinking should be visionary and involve bold steps to adapt strategy to new trends in the hospitality sector.

Hospitality Before and After - The Unmaking of Hotels



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Goodbye 2020, Hello 2021; Understanding the Mega Trends of a Crucial Year for an Economy

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Hospitality Before and After – The Unmaking of Hotels

"The most important thing you can do is make the distinction between customer service and guest hospitality. You need both things to thrive, but they are completely different" ***- Danny Meyer***

The hospitality sector was initially projected to record significant growth in 2020 and 2021 stemming from a sustained upward trajectory in the past but the massive decline in the demand for hotel services, airlines, and tourist arrivals forced analysts to revise and dramatically reduce their 2020 and 2021 projections. Most businesses in the hospitality sector were forecast to experience declines in their financial positions in 2020.

Understanding the state of the hospitality sector before and after the coronavirus pandemic would mean dissecting the hospitality ecosystem. The hospitality ecosystem consists of the aviation sector, tourism and hotels, and trade sectors. Therefore, contraction in these sectors and the overall economy would hurt hospitality service delivery while recovery and expansion of these interconnected sectors would improve the outlook of the sector (*see Illustration 4*).

Illustration 4: How We Hang Together

Aviation Industry

Various countries in a desperate attempt to halt the further spread of the coronavirus locked down their economies. The movement of individuals was restricted, and a limit was placed on the number of people that could stay in a single location together in line with social distancing rules.

The aviation industry suffered a major decline because of the restrictions in the movement of people. The global aviation industry was thrown into utter confusion as it recorded historic lows in passenger movement, revenues, profit, and passenger confidence, for example, United Airlines recorded a loss of $7.07bn in 2020 while Delta Airlines recorded a loss of $12.4bn. Furthermore, some airline firms furloughed their staffs while others sacked staffs. To help the sector stay afloat various governments came up with different interventions and bail-out schemes. According to the International Air Transport Association (IATA) *"The COVID-19 crisis challenged the industry for its very survival in 2020. In the face of a half-trillion-dollar revenue drop (from $838bn in 2019 to $328bn in 2020) airlines cut costs by $365bn (from $795bn in 2019 to $430bn in 2020). Airlines cut expenses by an average of a billion dollars a day over 2020 and still racked up unprecedented losses. The impact could have been worse if not for $173bn in financial support by governments, bankruptcies could have been on a massive scale"* (see Table 1).

Table 1: ***Global Aviation: A Fix on Numbers***

GLOBAL AVIATION: A FIX ON NUMBERS

System-wide global commercial airlines	EBIT margin, % revenues					Net profit, $ billion				
	2017	2018	2019	2020E	2021F	2017	2018	2019	2020E	2020F
Global	7.5%	5.7%	5.2%	-31%	-7.1%	37.6	27.3	26.4	-118.5	-38.7
Regions										
North America	11.2%	9.1%	9.6%	-40%	-5.6%	17.8	14.5	17.4	-45.8	-11.0
Europe	7.9%	6.2%	4.8%	-38%	-9.5%	8.9	9.1	6.5	-26.9	-11.9
Asia-Pacific	6.3%	4.7%	3.7%	-18%	-4.6%	10.5	6.1	4.9	-31.7	-7.5
Middle East	-3.0%	-4.6%	-5.2%	-34%	-14%	0.1	-1.5	-1.5	-7.1	-3.3
Latin America	6.2%	2.7%	2.9%	-26%	-13%	0.5	-0.8	-0.8	-5.0	-3.3
Africa	0.8%	1.5%	1.0%	-37%	-19%	-0.2	-0.1	-0.1	-2.0	-1.7

Note: *Bankruptcy reorganization & large non-cash costs are excluded. Includes all commercial airlines. Historical data are subject to revision.*

Source: IATA estimates for regions. IATA forecast for 2020 and 2021.

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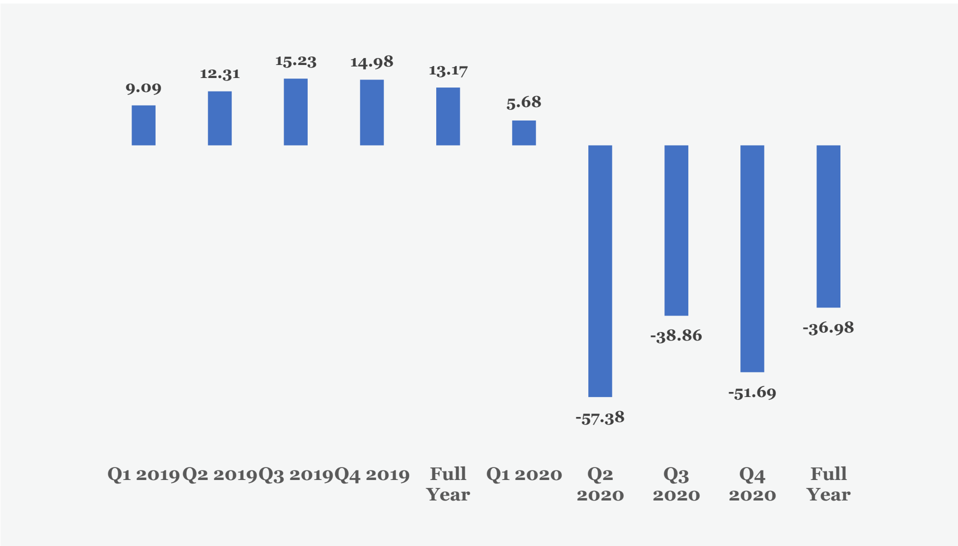
IATA forecast that the industry losses would continue in 2021, as it expected performance to be poor for some years. It predicted that there would be a net loss of $38.7bn in 2021 (deeper than the $15.8bn loss forecast for June). Furthermore, it projected that the second half of 2021 would record improvements after a difficult first half. The body expects aggressive cost-cutting combined with increased demand for 2021 (due to the re-opening of borders with testing and/or the widespread availability of vaccines) to see the industry turn cash-positive in the fourth quarter of 2021 which is earlier than previously forecast. Despite airline's cost cuts by 45.8% in 2020, revenues were down by 60.9%. This showed that airlines had lost $66 for every passenger carried in 2020 for a total net loss of $118.5bn. It is projected that this loss will be reduced sharply by $80bn in 2021. But airline professionals note that the prospect of losing $38.7bn in 2021 was nothing to celebrate. It was expedient to get borders safely re-opened without quarantine so that people would fly again.

Nigeria's aviation industry was also adversely affected by the pandemic as both domestic and international flights were suspended to prevent the spread of the coronavirus. According to the director-general of the Nigerian Civil Aviation Authority (NCAA) Captain Musa Nuhu, the coronavirus pandemic cost the airline industry almost $1bn (£766m), while the projected loss to Nigeria's economy was $800bn. The restrictions in international flights had adverse consequences for the revenues of hotels that host international events and conferences while tourist companies that rely on international travels and domestic customers from long distances also suffered losses. The decline in air transport activities was very conspicuous as its growth rate declined in 2020 by -36.98% from a growth of +13.17% in 2019. Also, the sector's contribution to the GDP declined from 0.12% in 2020 to 0.074% in 2019 (*see Chart 1*).

***Chart 1:* Nigeria Air Transport Growth (%)**



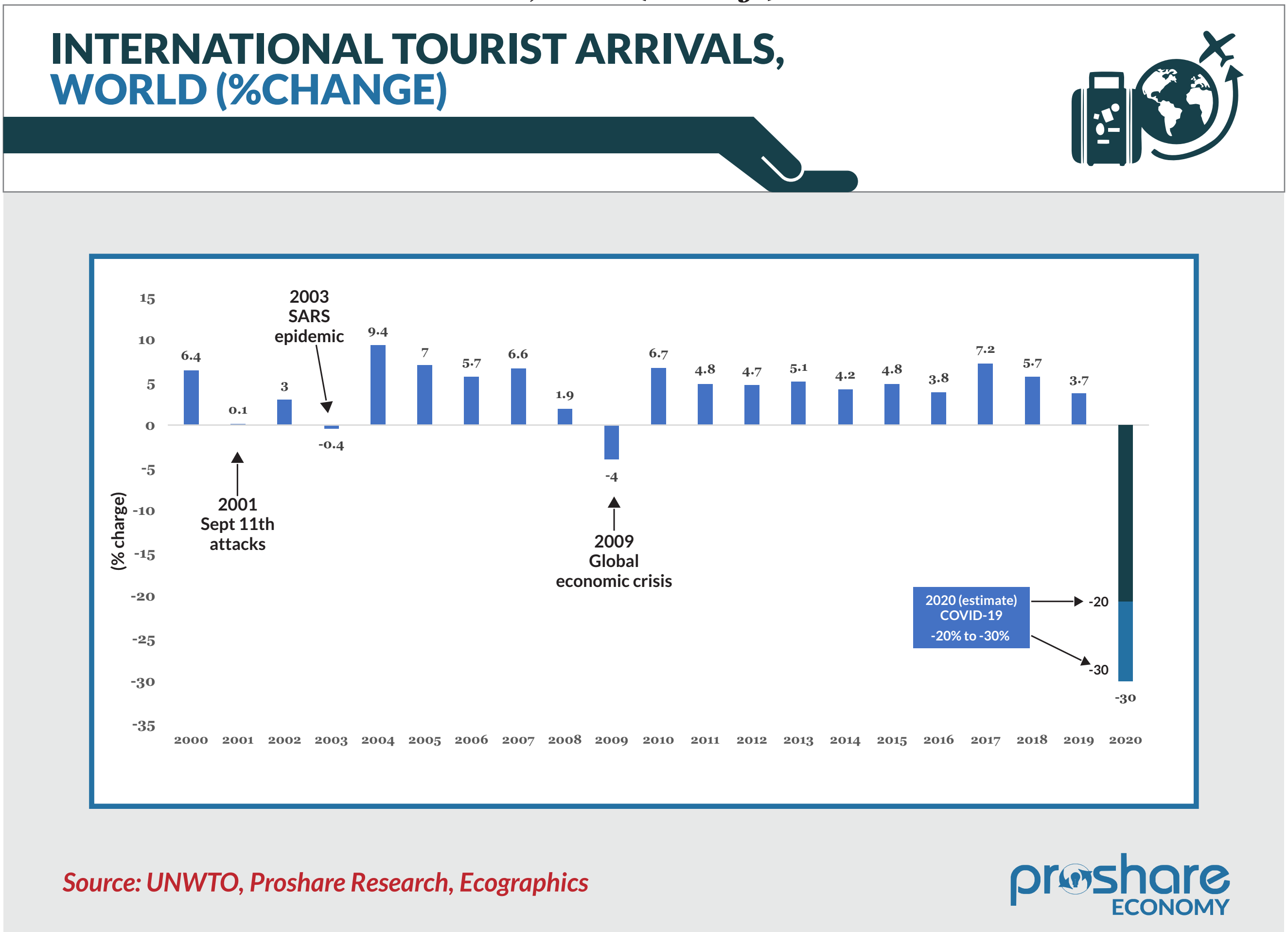
Source: NBS, Proshare Research

Tourism

The tourism industry is an integral part of the hospitality ecosystem. The coronavirus pandemic also left the tourism sector in a state of crisis as countries that depend on tourism as their main source of foreign earnings were hurt by the crisis. Countries such as Seychelles, Thailand, Fiji, Cape Verde were battered by the pandemic. Tourism accounts for about 10% of the global GDP. According to the Mobility Market

Outlook on coronavirus, the global revenue for the travel and tourism industry would be 17% lower than from 2019 (*see Chart 2*).

Chart 2: International Tourist Arrivals, World (%change)



According to the UNWTO World Tourism Barometer, international tourist arrivals (overnight visitors) declined by 72% in January-October 2020 compared to the same period in 2019. The decline was attributed to the slow virus containment, low travelers' confidence, and restrictions on travel put in place to curb the spread of the virus.

The decline in the first ten months of 2020 represented 900m fewer international tourist arrivals compared to the same period in 2019 and translated to a loss of US$935bn in export revenues from international tourism, more than 10 times the loss in 2009 under the impact of the global economic crisis. Asia and the Pacific region saw an -82% decline in arrivals in January-October 2020. The Middle East recorded a -73% decline, while Africa saw a -69% drop in ten months. International arrivals in both Europe and the Americas declined by -68% (*see Illustration 5*).

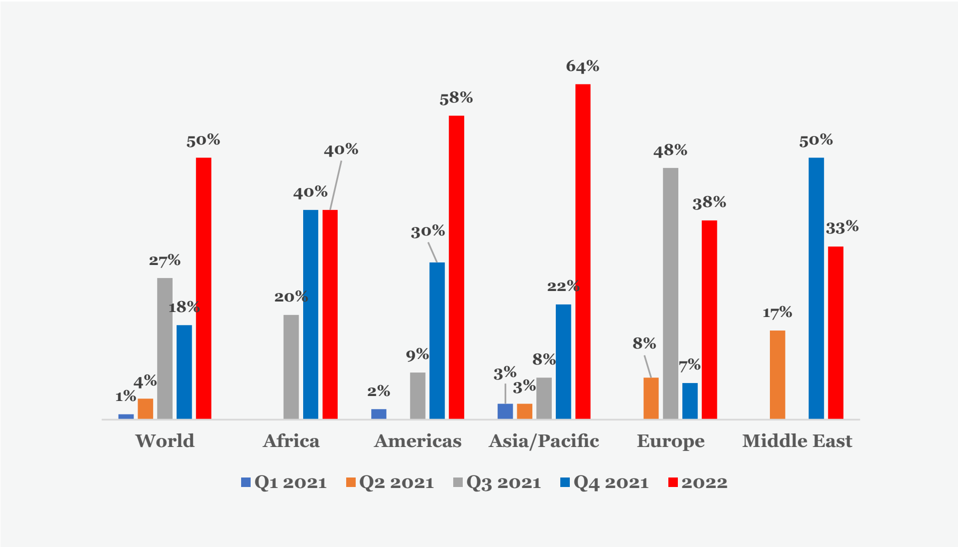
***Illustration 5:** International Tourist Arrivals January-October 2020*

Data on international tourism expenditure continues to reflect a very weak demand for outbound travel. However, some large markets such as the United States, Germany, and France have shown some shy recent signs of recovery.

While demand for international travel remains subdued, domestic tourism continues to grow in several large markets such as China and Russia, where domestic air travel demand has mostly returned to pre-COVID levels. Based on current trends, UNWTO expected that international arrivals declined by 70% to 75% for the whole of 2020. The estimated decline in international tourism in 2020 was equivalent to a loss of about 1bn arrivals and US$1.1trn in international tourism receipts. The plunge in international tourism could have resulted in an estimated economic loss of over US$2trn in global GDP, more than 2% of the world's GDP in 2019. Looking ahead, the roll-out of vaccines is expected to gradually increase consumer confidence and contribute to an easing of travel restrictions. UNWTO's extended scenarios for 2021-2024 point to a rebound in international tourism by the second half of 2021. Nonetheless, a return to 2019 levels in terms of international arrivals could take two and a half to four years.

Experts project that recovery in the tourism sector to pre-pandemic 2019 levels would not occur before 2023. But they see a rebound in international tourism by Q3 2021, while around 20% project a recovery only in 2022 (*see Chart 3*).

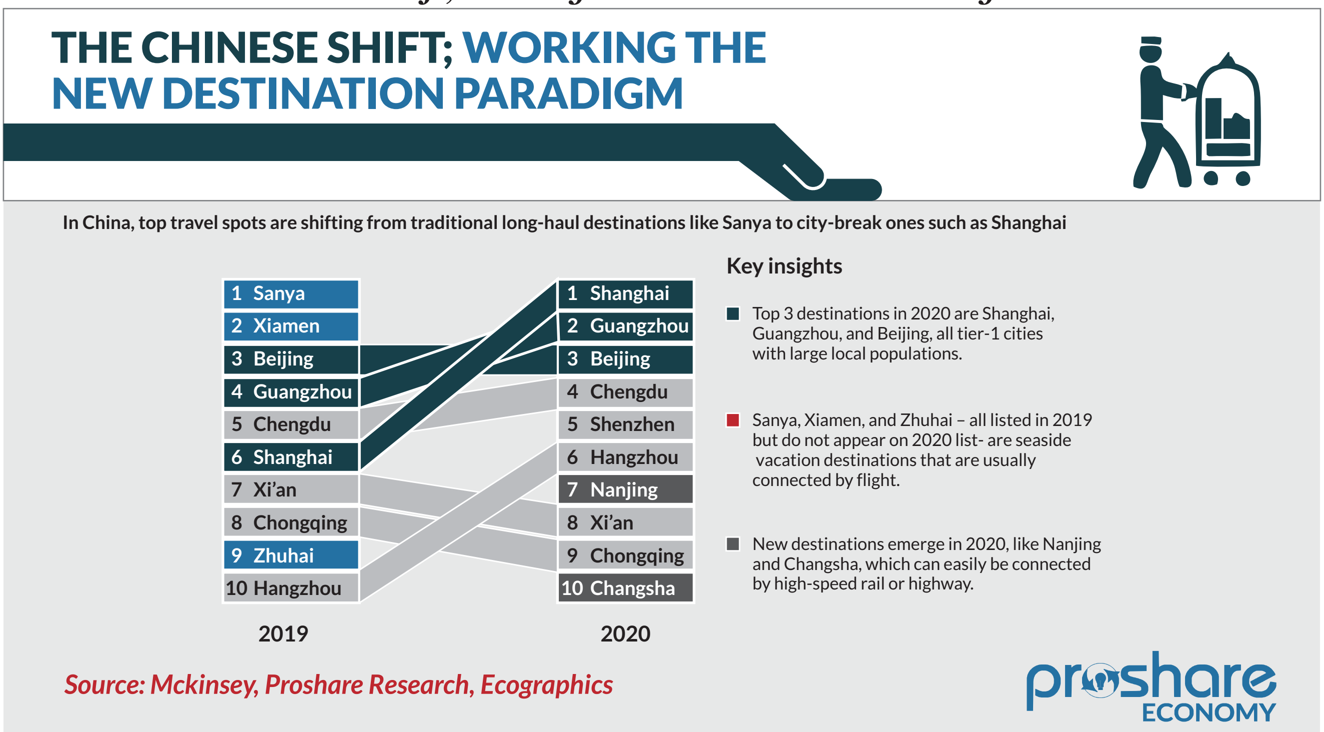
***Chart 3:* Projected Recovery for International Tourism**



Source: UNWTO, Proshare Research

For countries that have recorded rebounds in tourism such rebounds have been primarily driven by domestic tourism but in most cases, it has been partial, not being able to compensate for the decline in international demand. For example, as domestic travel in China gradually regained momentum, leisure seekers were cautious and preferred destinations closer to home (*see Illustration 6*).

***Illustration 6:* The Chinese Shift; Working the New Destination Paradigm**



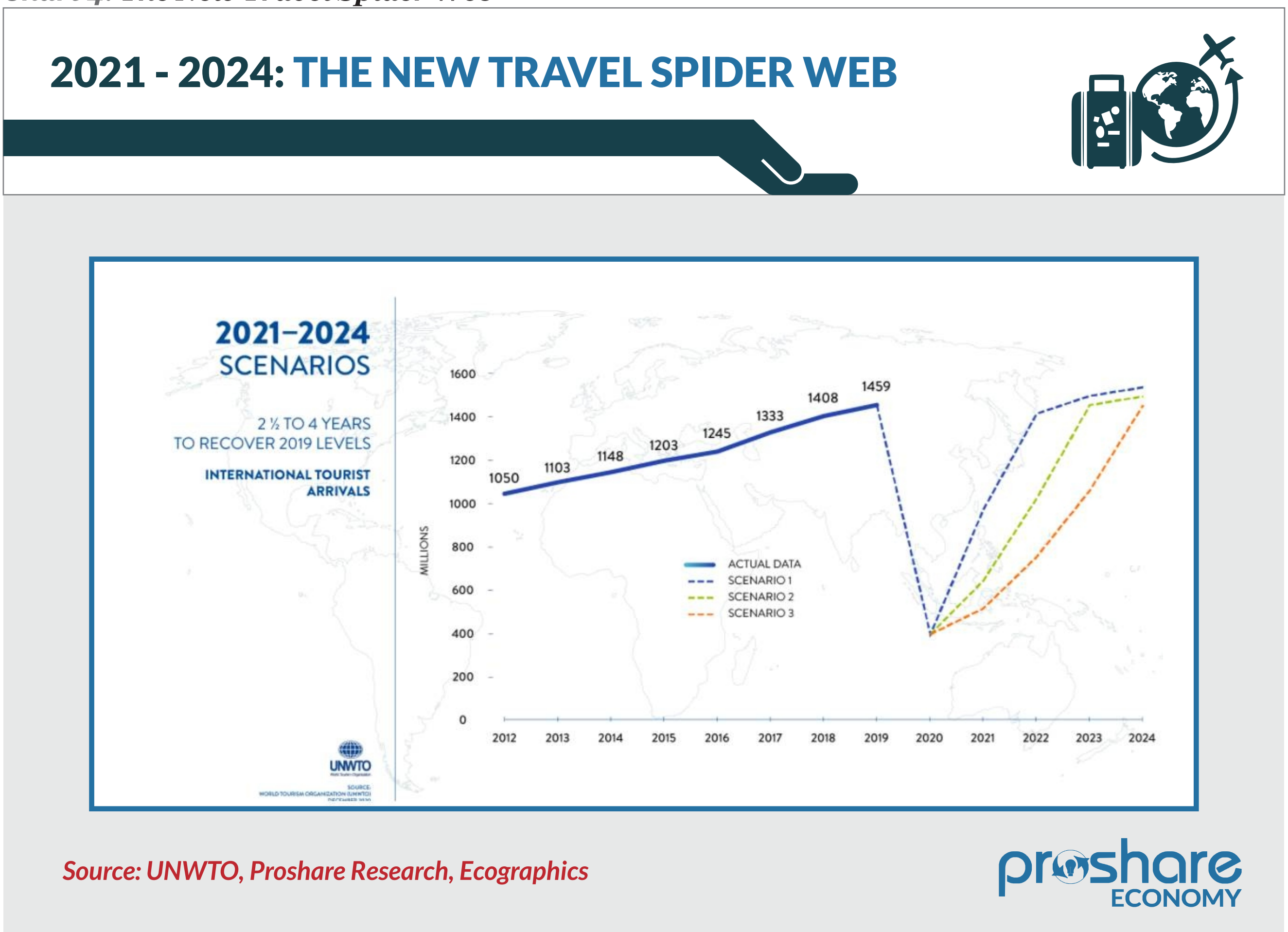
Scenarios for 2021-2024

In the outlook beyond 2020, international arrivals are expected to rebound in 2021, based on the assumption of a gradual reversal of the pandemic, the roll-out of COVID-19 vaccines, improvement in traveler's confidence, and lifting of travel restrictions by the middle of the year. The expected rebound is also a consequence of the large pent-up demand after months of closed borders and travel bans. The extended scenarios presented here are in terms of yearly totals, not growth.

The rebound is expected to continue in 2022 as travel conditions normalize and the pandemic is contained globally. The recovery times for each scenario are summarized below:

- Scenario 1: recovery in 2½ years (mid-2023)
- Scenario 2: recovery in 3 years (end of 2023)
- Scenario 3: recovery in 4 years (end of 2024)

Chart 4: ***The New Travel Spider Web***



COVID-19 Related Policy Shifts

Numerous policies have been embarked upon by different economies to help the travel and tourism sector stay afloat. For example, the Italian government approved the sum of €180m towards tax credits for redevelopment and improvement of hospitality and spa sector companies, including agritourism businesses, hostels, and campsites. Also, the Australian government launched a $14.4m initiative that included two funding programs. The $10.4m Tourism Recovery Fund provides one-off cash grants of $6,500 to up to 1,600 individual small businesses. The remaining $4m was committed towards a Tourism Business Survival Grant package, which provided grants of $25,000 to $100,000 for tourism operators. The table below provides a snapshot of some of the policies adopted by some select countries in support of the travel and tourism sector (*see Table 2*).

Table 2: COVID-19: The New Travel and Tourism Tactics

COVID-19: THE NEW TRAVEL AND TOURISM TACTICS

Country	Top Initiatives
Australia	**Support for Aviation** • The government provided the Qantas and Virgin Australia groups with an initial investment of up to AUD165 million to allow them to maintain a limited domestic flight network. This is to allow the movement of essential and defense workers; Australians returning from overseas, after they have completed the mandatory quarantine period; and essential freight like medical supplies and personal protective equipment. This support is in addition to the over AUD1 billion support for the Australian aviation industry in response to COVID -19 by the Federal Government. **Support for Tourism Industry** • The WA Government launched a $14.4 million initiative that includes two funding programs. The $10.4 million Tourism Recovery Fund provides one-off cash grants of $6500 to up to 1600 individual small businesses. The remaining $4 million was put towards a Tourism Business Survival Grants package, which provides grants of $25,000 to $100,000 for tourism operators. • The Australian Capital Territory Government provided additional, targeted, support for Canberra's Hotels and hospitality industry. Businesses received a range of industry-specific measures such as fee rebates, waivers, and reductions to help them get back on track. The government also provided fee-free infection control training across four nationally accredited infection control skill sets. • What's more, the government announced that over AUD233 million is being injected into tourism and other infrastructure. On top of previous measures for the sector, it announced new infrastructure and upgrades for 4 four National Commonwealth parks which include better facilities for viewing, improved staff housing, upgraded water stations, and walking tracks. • On 11 September, the government announced it will inject AUD50 million to restart the business events sector in the form of grants to encourage businesses to attend Australian events, trade shows, and conferences within Australia. The grants will help cover the exhibiting costs such as exhibition space hire, display design and manufacturing, travel, and accommodation. Under the Business Events Exhibitor Grants program, Australian businesses exhibiting at an approved business meeting, convention, conference, and incentives event in 2021 can apply for upfront grants to cover up to 50% of their costs (AUD10,000 – AUD250,000). • On 27 and 28 September, the government announced continued support for its two aviation programs and a AUD 250 million package for regional tourism. The Domestic Aviation Network Support (DANS) program was extended until 31 January 2021 and the Regional Airline Network Support (RANS) program was extended until 28 March 2021. Both of these programs help maintained jobs and connectivity across major and regional routes. • The AUD250 million packages for regional Australia includes two measures: an AUD50 million Regional Tourism Recovery initiative to assist businesses in regions heavily reliant on international tourism and AUD200 million for an additional round of the Building Better Regions Fund to boost local infrastructure in regional communities. AUD100 million of the Building Better Regions Fund will be dedicated to tourism-related infrastructure.

Country	Top Initiatives
Brazil 	**Support for tourism** • On 8 May, the government announced BRL5 billion for the T&T sector to preserve jobs and companies. 80% of the funds was allocated to small and micro companies – which make up the majority of the sector – and 20% was allocated to large companies. • The General Tourism Fund, previously only available to public financial agents, is now open to private financial agents meaning that more financial agents can offer specific credit to the tourism sector. Also, companies can now request up to BRL$30 million in loans. The fund is still allocating 80% to small and micro companies and 20% to large companies. **Support for aviation** • The specific measures relating to civil aviation include the postponing of payments of air navigation tariffs that would be charged between March and June to September to December; the extension for the reimbursement of tickets for airline companies of up to 12 months; the postponing of concession payments until 18 December; and the renegotiation of airline debt.
Canada 	**Support for tourism** • Destination Canada will invest CAD30 million over 18 months with Provincial and Territorial Marketing Organizations to support the recovery of communities. A new stimulus development fund was also announced that will provide $16 million to support the Indigenous tourism industry. Businesses that rent in Parks Canada places (national parks, national historic sites, and national maritime conservation areas) are now eligible for Government relief of up to 75% of eligible commercial rents for April, May, and June 2020 or equivalent amounts of annual rents.
China 	**Support to the Aviation Industry** • The Civil Aviation Administration of China (CAAC) rolled out fiscal policies to aid the civil aviation industry. Preferential policies included tax relief and subsidies to reduce the business risks faced by aviation enterprises: • Revenues generated from transporting anti-epidemic materials and express delivery are exempt from VAT and necessary compensation is granted if they undertake major flight tasks. • CAAC waived airlines' payment to the government's civil aviation development fund starting from 1 January and encouraged aviation firms to keep their international flights running. • Enhanced coordination with finance and tax agencies to pool more capital and better utilize policy toolkit to help enterprises.
Hong Kong SAR 	**Support for tourism** • The airport authority will purchase 500,000 air tickets to help airlines with cashflow and save tickets for the future. It will also purchase from the supporting services at the airport to help these companies with cashflow. • Some 1,350 travel events have received payments through the Anti-Epidemic Fund's Travel Agents Subsidy Scheme to help them tide over the financial difficulties arriving from the outbreak (approved February 21). Each eligible travel agent may receive a one-off subsidy of HK $80,000. 98% of all licensed travel agents in Hong Kong have registered for the payment. • The Licensed Guesthouses Subsidy Scheme allows eligible guest houses to receive a once-off subsidy of either $50,000 or $80,000, depending on their size, to assist them. By 13 March, 1 770 guest houses had registered for the scheme. • On 18 April the second round of measures to provide further economic relief under the Anti-epidemic Fund was approved. The Travel Agents and Practitioners Support Scheme and the Hotel Sector Support Scheme are now open for applications. Under this second round, subsidies for the T&T sector include a subsidy ranging from HKD20, 000 to HKD200,000 to each licensed travel agent and a monthly subsidy of HKD5,000 for six months for each travel agent's staff member and accredited freelancer whose main occupation is tour guiding. • For accommodation, the measures include a subsidy of up to HKD400,000 for licensed hotels and an increase of the once-off subsidy for guesthouses. The subsidy for guesthouses is between HKD300,000 and HKD400,000, depending on their size. For the cruise industry, the government will waive the monthly fixed rent and management fees for six months for the Kai Tak Cruise terminal and refunding berth deposits for canceled ship calls during the suspension of immigration services at the cruise terminal when they schedule other ship calls in the future. Measures for drivers of tour service coaches were also announced. • On 28 September, as part of its Anti-epidemic Fund, the Government announced additional support for travel agents, tour guides, and tour service drivers. Licensed travel agents will be offered a subsidy directly proportional to the number of staffs they have, using a subsidy level of $5,000 per travel agent staff member as the basis of calculation. Travel agents without any staff will also receive a $5,000 one-off subsidy. Some 1,700 agents are expected to benefit from this scheme. The fund will provide a one-off $15,000 subsidy to each travel agent's staff and freelance accredited practitioner whose main occupation is tourist guide or tour escort. About 20,000 people are expected to benefit. Tour service coach drivers will each receive a one-off $6,700 subsidy. Some 3,400 drivers are expected to benefit. Those who have received previous support for tourism under this fund do not need to apply for the additional support; a text will be sent to them about the relevant subsidy.

Country	Top Initiatives
Hong Kong SAR	**Hong Kong Tourism Board** • An additional HKD700 million (US$90.2 million) has been allocated for the Hong Kong Tourism Board to bolster external promotion. The Hong Kong Tourism Board will launch a plan to strengthen its support for the trade and joint promotions, to speed up the recovery of Hong Kong tourism with a budget of HK$400 27 million. The initiatives will cover local and overseas travel agencies, hotels, airlines, and attractions, as well as the retail, dining & Meetings, Incentives, Conventions, and Exhibitions (MICE) industries.
Italy 	**Support for Tourism** • The new measures introduced in May also include support for tourism, a sector that accounts for nearly 13 percent of the Italian economy. • Low -income families will receive a "holiday bonus" of up to €500 to be spent on accommodation, while hotels and beach resorts will benefit from tax discounts. • The government also announced €2 billion in aid to help businesses that will have to adapt their activities to meet new social distancing requirements, particularly in the tourism sector. • The government set up a 500 million Euro fund to deal with the damage suffered by the aviation industry and the Alitalia operation. Additional support pledged in August includes: • €180 million towards tax credits for redevelopment and improvements for hospitality and spa sector companies, including agritourism businesses, hostels, and campsites. • A €100 million fund to help municipalities faced with lower revenues due to the reduction in people paying tourism taxes. • Further allowances of €1,000 for some categories of workers suffering due to COVID -19 restrictions, including seasonal workers in tourism, spas, and entertainment establishments. • Increasing the fund to support travel agencies, tour operators, and tourist guides by €265 million for 2020. • A grant for the purchase of Italian food and wine raw materials for catering establishments with a loss of turnover from March to June 2020 of at least 25% compared to the same period in 2019. The minimum contribution is €2,500. • Extending the moratorium on SME loans and mortgage payments to 31 March 2021 for companies in the tourism sector. It is only available until 31 January 2021 for others. • Availing a non -repayable grant for touristic activities open to the public in the historic centres of art cities. • An additional €90 million in funds for State museums. The initial Relaunch package provided a €210 million emergency fund to support museums, historic sites, event providers, and other cultural enterprises, as well as subsidies totaling €100 million to State museums and places of culture to cover lost ticket revenues during 2020. • A further €3 billion for the Travel & Tourism sector, including €15 million in tourism promotion.

Source: Proshare Research, Ecographics

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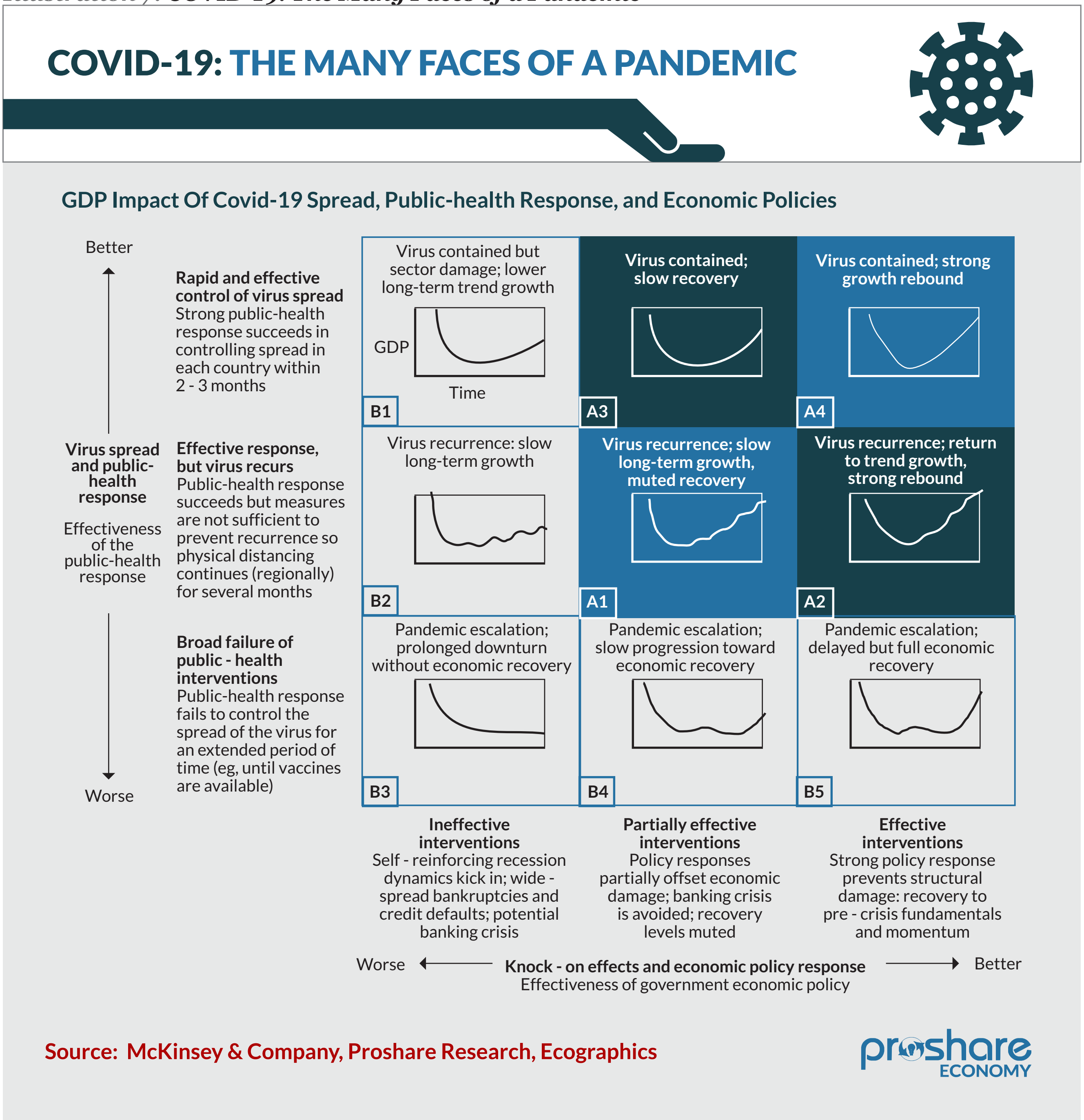
Overall Economy

The performance of the overall economy, as well as the government's policy response to the coronavirus pandemic, affected the hospitality sector. For example, Nigeria's rising inflation, slow growth rate, and slow rate of vaccination are projected to affect the recovery of Nigeria's hospitality sector in 2021. Also, unlike advanced economies that have poured huge sums of stimulus into the hospitality sector, Nigeria's weak fiscal balance has limited its ability to pass a stimulus package to help trigger a quick rebound in the hospitality sector.

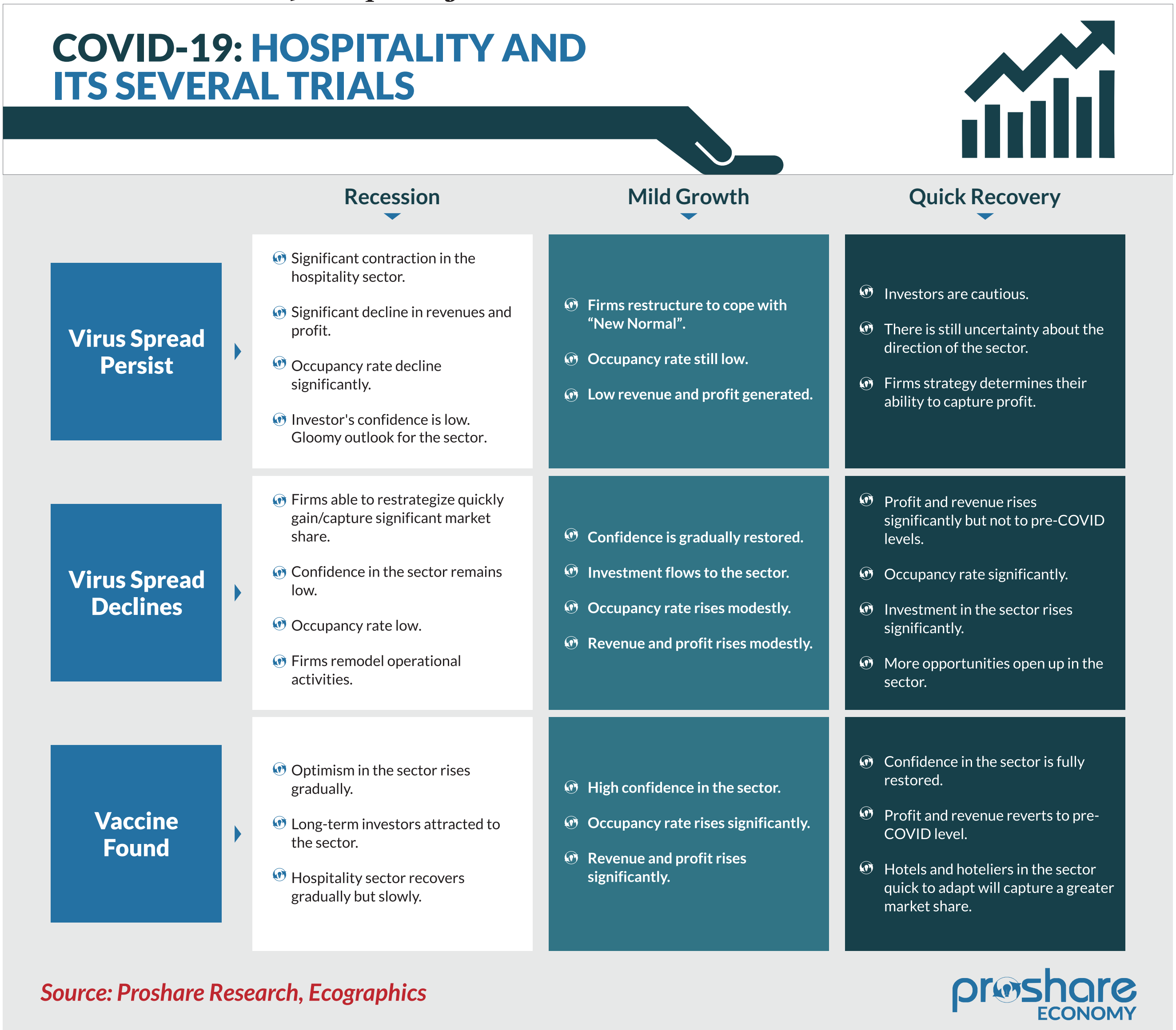
According to Mckinsey, there are nine potential scenarios for the recovery of national economies, based on the extent to which the pandemic spread is controlled, as well as the effectiveness of economic policies intended to counter the effects of a quarantine. The best economic outcome for the hospitality sector is scenario A4 where the virus is contained and there is a strong growth rebound. On the other hand, in scenario B3 where the pandemic escalates and there is a prolonged downturn without economic recovery, the hospitality sector's rebound might be longer (*see Illustration 7*).

Illustration 7: COVID-19: The Many Faces of a Pandemic



A continuous imposition of lockdown to curtail the spread of the virus would adversely affect the hospitality sector. On the other hand, the government's rapid response in curtailing the virus and a quick rebound in the overall economy will trigger a speedy sector recovery. For example, if the virus is contained but there is a slow recovery in the economy, we will expect a slow recovery in the hospitality sector while if the virus surges and there is slow growth in the overall economy, then a rebound in the hospitality sector would be far from sight. The best possible outcome for the hospitality sector is a quick stamp down on the spread through vaccination accompanied by a quick rebound of the global economy (*see Illustration 8*).

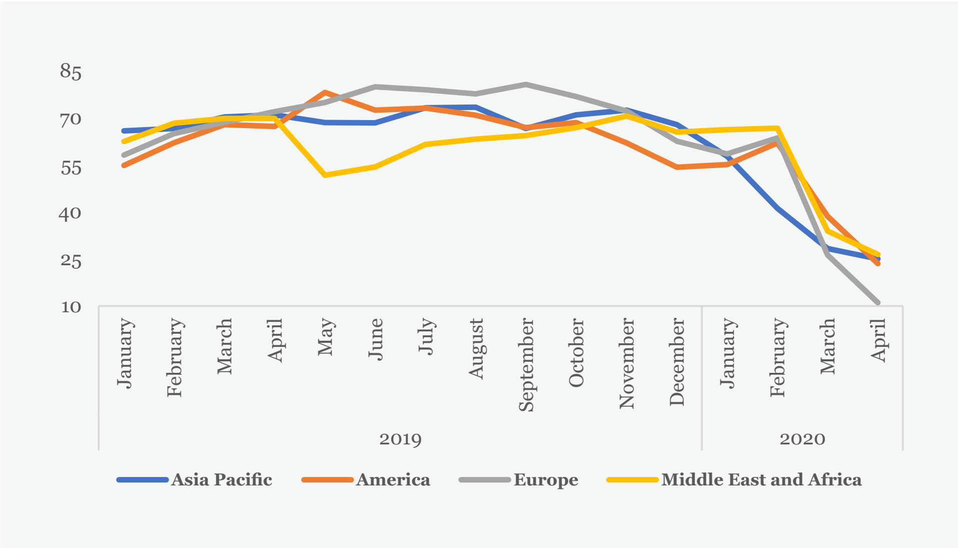
Illustration 8: COVID-19: Hospitality and its Several Trials



Hotel

There has been a decline in the global occupancy rate of hotels. At the peak of the pandemic in March and April 2020, Europe was the continent with the lowest occupancy rate followed by America, Asia Pacific, and the Middle East & Africa (*see Chart 5*).

*Chart 5: **Hotel Occupancy Rate (%)***



Source: Statista, Proshare Research

Most regions in the world recorded declines in the occupancy rate, Average Daily Rate (ADR), and revenue per available room (RevPAR). In Africa, occupancy and RevPAR contracted to an all-time low, as of December 2020 Africa's occupancy rate stood at 29.0%, ADR contracted by -3.3% Y-o-Y while Rev PAR declined by -54.1% Y-o-Y. There was also a decline in occupancy rate, ADR, and RevPAR in the Middle East region. As of December 2020, the occupancy rate in the Middle East stood at 45.9% a decline of -30.3% Y-o-Y while its ADR and RevPAR declined by -17.3% and -42.4% respectively.

On the other hand, the US economy at the peak of the pandemic as of November 2020, recorded a decline in its occupancy rate by -34.5% to 40.3%. Its ADR declined by -27.7% in November 2020 Y-o-Y while its RevPAR declined by -52.6% Y-o-Y to US$36.67 (*see Table 3*).

*Table 3: **Global Hotel Performance***

GLOBAL HOTEL PERFORMANCE

	Period	Occupancy Rate	(Y-o-Y)	ADR	(Y-o-Y)	Rev PAR	Y-o-Y
Middle East	Dec-20	45.9%	-30.3%	US$117.23	-17.3%	US$53.77	-42.4%
Africa	Dec -20	29.0%	-52.6%	US$103.12	-3.3%	US$29.86	-54.1%
Qatar	Dec -20	56.6%	-14.8%	QAR356.13	-4.4%	QAR 201.5	-18.5%
UAE	Dec -20	51.7%	-29.3%	AED418.83	-16.5%	AED 216.45	-41%
USA	Nov-20	40.3%	-34.5%	US$90.92	-27.7%	US$36.67	-52.6%

Source: STR, Proshare Research, Ecographics

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The coronavirus pandemic has also led to a paradigm shift in global hotel operations. The old paradigm in hotel operations involved the use of human labour to do cleaning and sanitization but the new paradigm would involve the use of new generation robots equipped to clean and engage in other routine hotel housekeeping chores (*see Illustration 9*).

Illustration 9: New Paradigm Vs Old Paradigm

NEW PARADIGM VS OLD PARADIGM

	Old Paradigm	New Paradigm
Hygiene	Human labour employed to do cleaning and sanitization	New generation robots equipped to clean e.g electrostatic sprays to UV rays to sanitize hallways and other areas.
Contact-less Service	Human services significantly employed in check-ins and check-outs. Paper menus used.	Smart voice assistants. Digital menu boards or tablets with anti-microbial screens. Check-ins and outs by technology.
Technology Replacing Lack of Manpower	Manpower significantly employed	Widespread deployment of robots as receptionist cleaning staff and waiters. Robots will be used in hotels accommodating patients infected with the novel coronavirus.

Source: Proshare Research, Ecographics

Opportunities and Threats in the Hospitality Ecosystem

Despite the challenges posed by the pandemic virus, it has been noted that there are opportunities that the pandemic has created. For example, the aviation sector is currently facing liquidity crises attributed to the pandemic virus, despite the challenges, experts have noted that there are opportunities in the sector i.e., airports and airlines can gain competitive advantage by tailoring services, addressing customer needs such as health and safety and social distancing, capturing additional market share. Furthermore, airports and airlines can reduce operational costs including overheads and floor requirements by redesigning working models, adopting flexible working practices such as work from home policies, implementing virtual handovers to reduce person-to-person contact, and airports can minimize and adapt capital expenditure based on terminal runaway capacity demand.

The tourism sector also faced challenges in 2020; the reluctance to travel limited tourist arrivals, social distancing restricted interaction, health and safety protocols measures reduced capacity, etc. The coronavirus pandemic pushed businesses to re-think their models such as re-engineering of operational workflow, adaptation through innovation, digitization, safety, hygiene, and cleaning protocol. Also, the pandemic created opportunities for tourism operators to come up with flexibility with booking policies, refunds, and prices to stimulate local and international demand.

Hotels were not left out of the challenges posed by the pandemic. Some of the challenges faced by the hotels include the increase in the cost of safety and cleaning expenses which adversely affected hotel profitability, fluctuations in demand due to a decline in consumer's disposable income, and a fall-off in revenues from general services. The pandemic presents opportunities for hoteliers to change their strategy e.g., hoteliers could focus on the switch in customer perceptions and experience and optimizing the full use of technology in business operations (*see Table 4*).

Table 4: Hospitality: Of Spots and Swots

HOSPITALITY: OF SPOTS AND SWOTS

Aviation Sector

Challenges

- Airlines need to overcome customer apprehension.
- IATA estimates that only 30 out of more than 700 airlines will survive without government intervention.
- Global air travel could lose more than €228 billion in 2020.
- Airports Council International estimates that European airports could lose 700 million passengers (28%) and €14 billion in revenue.
- Liquidity crisis: the typical airline had no more than two months' worth of cash and cash equivalents coverage of revenues at the beginning of 2020.
- Airports and airlines need to ensure procedures that can support a smooth relaunch of operations.

Opportunities

- Airports and airlines can gain competitive advantage by tailoring services, addressing customer needs such as health, safety and social distancing, to capture additional market share.
- Airports and airlines can reduce operational costs including overheads and floor requirements by redesigning working models via:
  - Adopting flexible working practices, such as work-from-home policies.
  - Implementing virtual handovers to reduce person-to-person contact.
- Airports can minimise and adapt capital expenditure based on terminal and runway capacity demand.

Tourism Sector

Challenges

- Reluctance to travel will limit tourist arrivals.
- Expected health and safety protocols and social distancing measures both from governments and tour operators will reduce capacity.
- Significant disruption in the airline industry, due to the lockdown and travel restrictions in key source markets.
- Uncertain length of the pandemic, potential of resurgence and vaccine unavailability.
- Uncertainty increasing, weighing on consumer and business confidence.

Opportunities

- Government support.
- A 'new norm' can push businesses to re-think their business model, such as re-engineering of the hotel's operational workflow.
- Adaptation through innovation, digitisation, safety, hygiene, and cleaning protocols.
- Flexibility with booking policies, refunds, and prices to stimulate local and international demand.

Hotels	
Challenges	**Opportunities**
- Employee costs are expected to stay high in the short run, since recent legislation passed by many countries protects employees against redundancy. - The cost of safety and cleaning expenses will increase dramatically, with some businesses opting for disposable materials where possible, such as menus and cutlery. - Debt servicing ability may be affected, either temporarily or permanently, leading to a pressing need for extensive restructuring. - Businesses are expected to experience fluctuations in demand due to a decrease in consumers' disposable incomes.	- Focus on the switch in customer perceptions and experience. - Alliance between hotels to stay afloat. - Optimizing the full use of technology in business operation.

Source: Proshare Research, Ecographics

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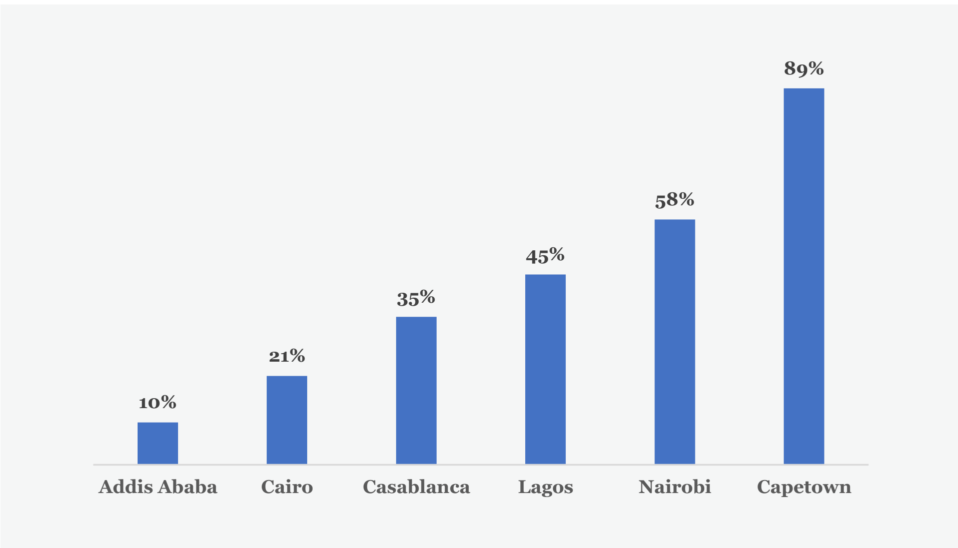
Hotels – A Peep into Performance

Hotels – A Peep into Performance

"True hospitality is when someone leaves your home feeling better about themselves. Not better about you." – **Shauna Nacquist**

Most sectors of the Nigerian economy struggled and recorded slow growth in 2020 because of the coronavirus. Nigeria's hospitality sector struggled in 2020 due to the imposition of lockdowns and social distancing rules. Service sectors and activities such as tourism, hotels, restaurants, event centers, clubs, etc, who host events and attend to several people simultaneously struggled with the limitation of the number of people that could gather, and the lockdown of non-essential services businesses at the peak of the pandemic. According to data from JLL, the percentage of hotel rooms closed in Lagos during the peak of the pandemic stood at 45% (*see Chart 6*).

Chart 6: ***Percentage of Rooms Closed as of 30th April 2020***

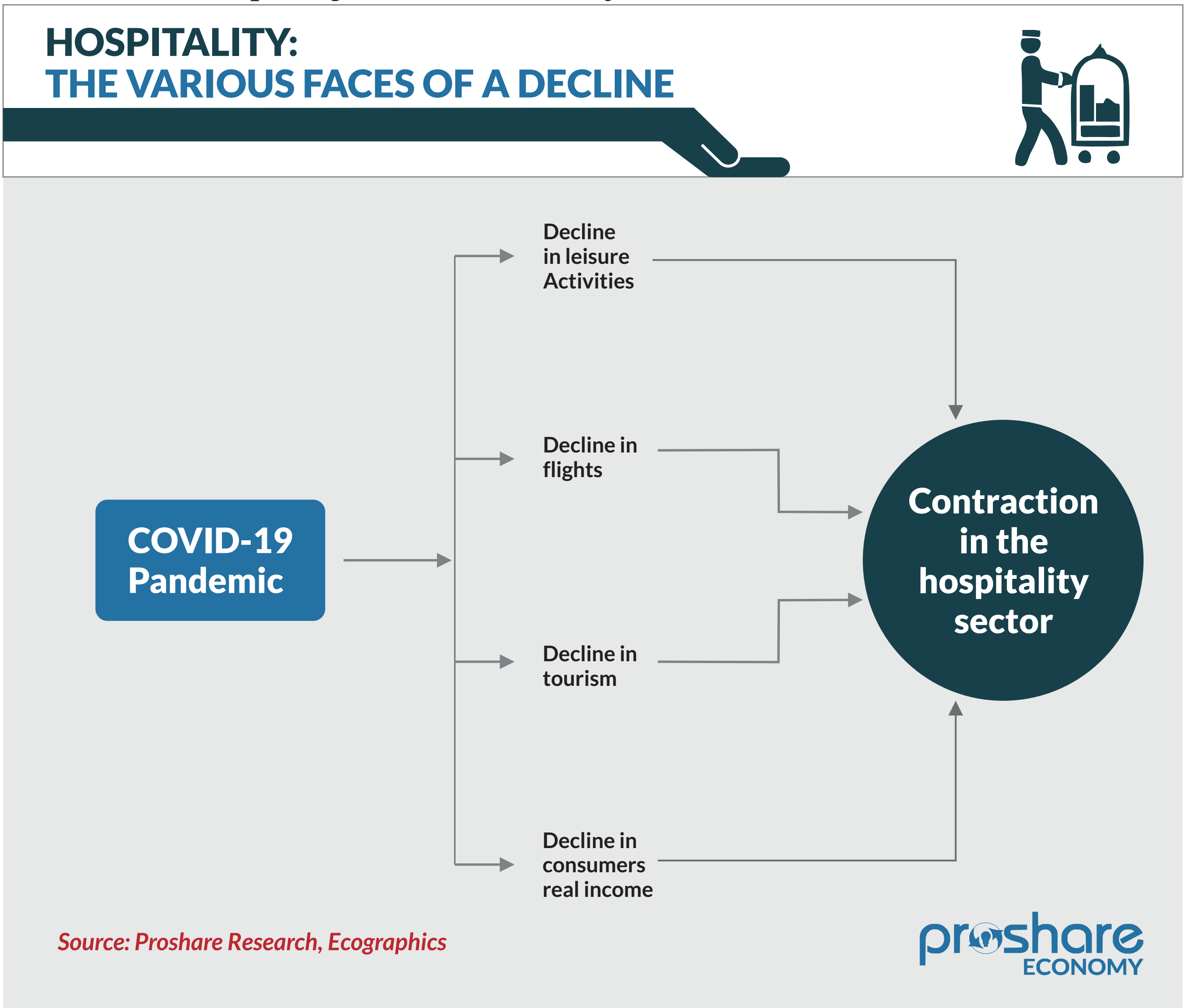


Source: JLL, CDC

Despite the full re-opening of the economy, the services sector continues to struggle due to limits on gatherings, high administrative and maintenance costs, and low consumer confidence due to fear of contracting the virus (*see Illustration 10*).

Illustration 10: Hospitality:
The Various Faces of a Decline

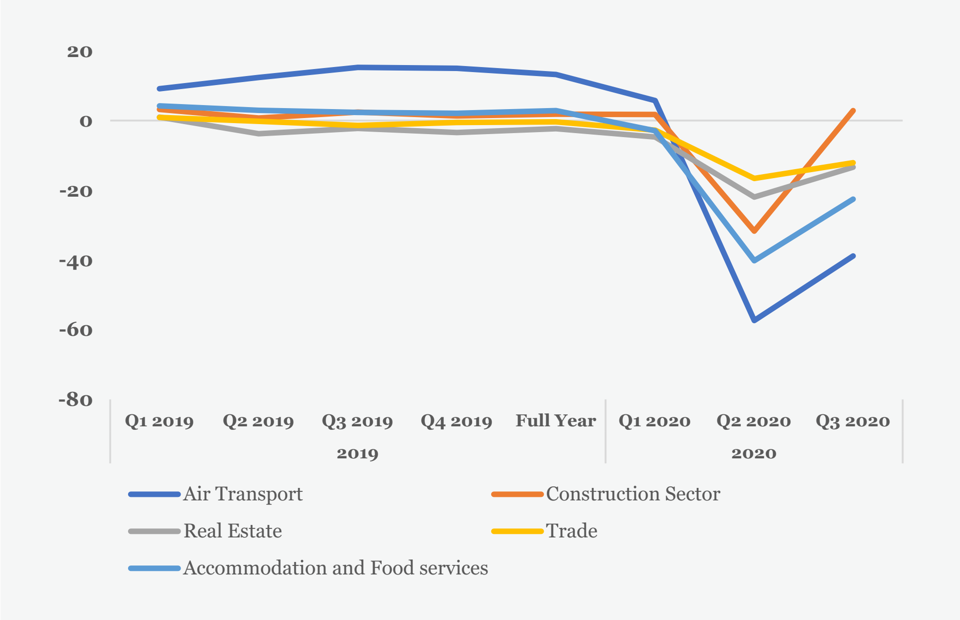
Illustration 10: ***Hospitality: The Various Faces of a Decline***



It is projected that the hospitality sector will record slow growth in 2021 due to the combination of various factors such as the restricted/limited capacity of airlines, the rising spread of the virus, delayed vaccine roll-out. Evidence from hotel companies listed on the Nigeria stock exchange reveals that the pandemic ate deep into their books as they recorded a significant decline in the profits and revenue in 2020. Furthermore, Nigeria airline firms were also adversely affected by the pandemic in 2020. To reduce the cost of operations, airline companies like Arik airlines, Air peace airline had to sack staff, while tourism agencies or companies had to temporarily shut
operations, etc.

A breakdown of economic data reveals that most sectors connected with the hospitality sector contracted in 2020. At the heart of the pandemic in Q2 and Q3 2020, air transport contracted by -57.38% and -38.86% respectively. Furthermore, other sectors such as the trade and accommodation sector also recorded contractions in Q2 and Q3 2020. Trade contracted by -16.59% in Q2 2020 and -12.12% in Q3 2020 while the accommodation & food services contracted by -40.19% in Q2 2020 and -22.61% in Q3 2020 (*see Chart 7*).

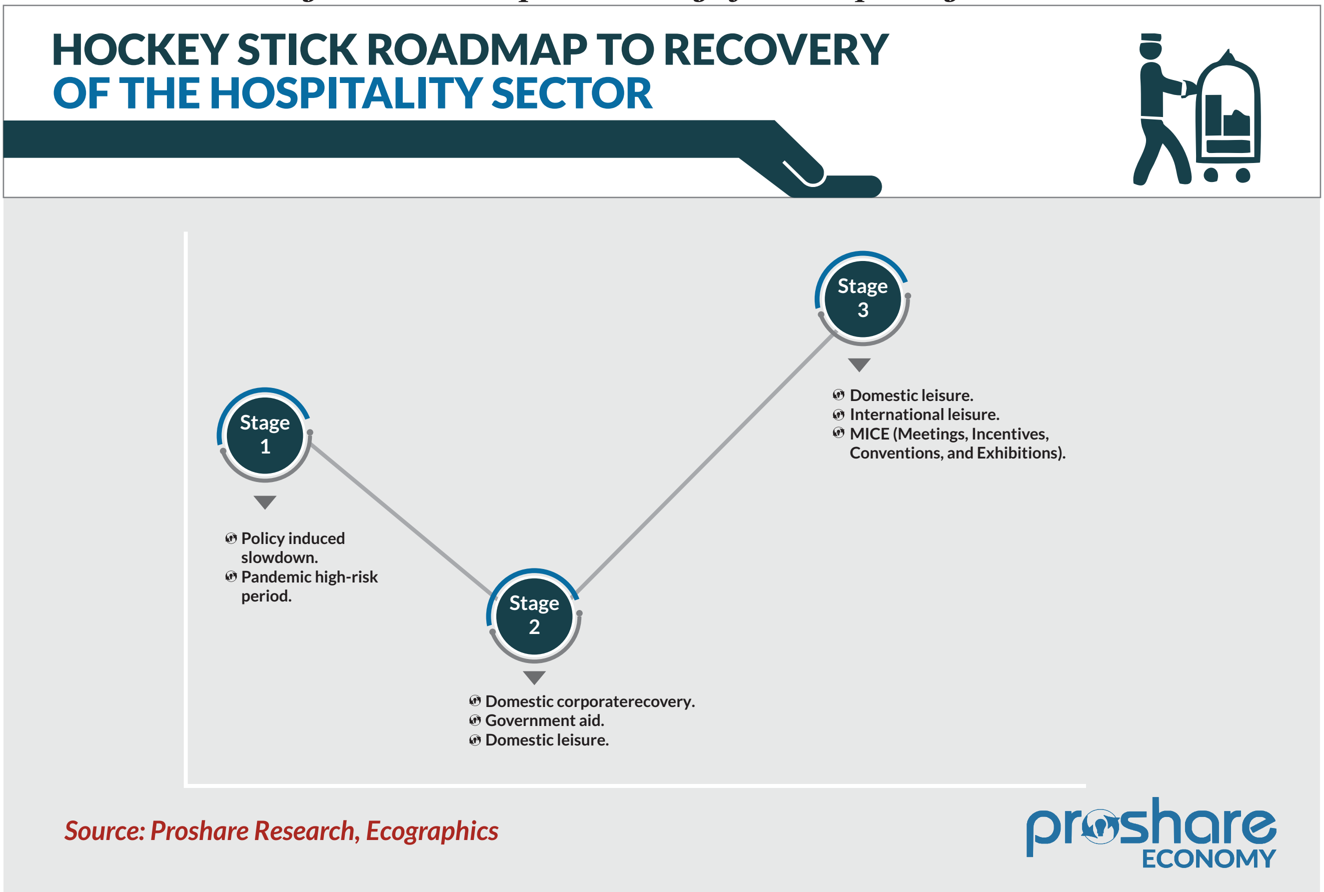
Chart 7: ***Interconnected Sectors with the Hospitality Sector (%)***



Source: NBS, Proshare Research

Analysts have predicted that the hospitality sector recovery in Nigeria would depend on so many factors such as the containment of the spread of the virus, recovery in confidence in travel and tourism, the broad domestic economic outlook, and global economic growth (*see Illustration 11*).

Illustration 11: ***Hockey Stick Roadmap to Recovery of the Hospitality Sector***



Understanding the Dynamics of the Impact of the COVID-19 Pandemic on Hotel Investment

The coronavirus pandemic has changed investment dynamics in the hospitality sector in Nigeria. If the pandemic lingers further than expected it is projected that hotel investments will slow down as investors vote with their feet by pivoting cash to a more rewarding enterprise. Besides, during periods of sector uncertainty, it is expected that many distressed assets would be sold, and project development pipelines would shrink.

On the flip side, proper containment of the virus could lead to a recovery in hotel investment, a resurgence of institutional investors, a decline in distressed assets, and a growing interest in operational assets. Hoteliers are counting on effective government policy to contain the spread of the virus and a rise in government fiscal stimulus to bolster the local economy (*see Table 5*).

Table 5: COVID-19: Hospitalizing Hospitality

COVID-19: HOSPITALIZING HOSPITALITY

	Factors	Virus Spread Lingers	Herd Immunity Vaccinations
1	Investment	Hotel investment will slow	Hotel investment picks up
2	Types of investment	Opportunistic investors	Institutional investors
3	Assets	A lot of distressed assets are sold	Decline in distressed assets
4	New hotel development	Development pipeline will slow	Pick-up in new development
5	Change in investor's interest	Non-operational developments with 1-2 years to completion will gain interest among investors	Interest in operational assets

Source: Proshare Research, Ecographics

Dissecting the Financial Results of Companies in Nigeria's Hospitality Sector

All the hotels listed on the Nigeria Stock Exchange (NSE) had a turbulent 2020 as they all recorded a significant decline in their profits and revenues. Amongst the listed companies on the NSE, Transcorp Hotels Plc recorded the highest percentage decline in its profits by -1,122.80% while Ikeja Hotel plc recorded a decline in its profit by -905.8%, Capital Hotels Plc -160.2%. On the other hand, Tourist

Company of Nigeria Plc recorded an increase in its loss position by +439.67%. The losses incurred by the various hotels were the following: Ikeja Hotel Plc N6.72bn, Tourist Company of Nigeria Plc N6.53bn, Transcorp Hotels Plc N6.28bn, and Capital Hotels Plc N241.86m.

All the firms also recorded a decline in their revenue in 2020 with Tourist Company of Nigeria Plc recording the highest decline of -64.31% while the other hotels also saw the following decline in revenue; Capital Hotels Plc -62.36%, Ikeja Hotel Plc -59.5%, and Transcorp Hotels Plc -50.25%. Transcorp Hotels Plc recorded the highest revenue of N10.15bn in 2020 while Ikeja Hotel Plc recorded a revenue of N5.07bn, Capital Hotels Plc revenue was N1.95bn, and Tourist Company of Nigeria Plc N1.31bn (*see Table 6*).

***Table 6:* Snapshot of Companies in the Hospitality Sector Results in 2020**

SNAPSHOT OF COMPANIES IN THE HOSPITALITY SECTOR RESULTS IN 2020

Company	Metrics	2019	2020	Change (%)
Transcorp Hotels Plc	Profit	N613.74m	N6.28bn (loss)	-1,122.80%
	Revenue	N20.4bn	N10.15bn	-50.25%
	Equities	N57.54bn	N61.1bn	6.19%
	Net debt-to-equity	26.05%	31.30%	20.15%
Capital Hotels Plc	Profit	N401.78m	N241.86m (loss)	-160.20%
	Revenue	N5.18bn	N1.95bn	-62.36%
	Equities	N6.74bn	N14.58bn	116.32%
Ikeja Hotel Plc	Profit	N834.95m	N6.72bn (loss)	-905.8%
	Revenue	N12.52bn	N5.07bn	-59.50%
	Equities	N19.37bn	N20.82bn	7.49%
	Debt-to-equity	36.34%	37.9%	4.29%
Tourist Company of Nigeria Plc	Profit	N1.21bn(loss)	N6.53bn (loss)	439.67%
	Revenue	N3.67bn	N1.31bn	-64.31%
	Equities	N11.2bn	N4.64bn	-58.57%
	Debt-to-equity	184.27%	554.71%	201.03%

Note: *The figures used for TCN Plc are unaudited figures for FYE 2020*

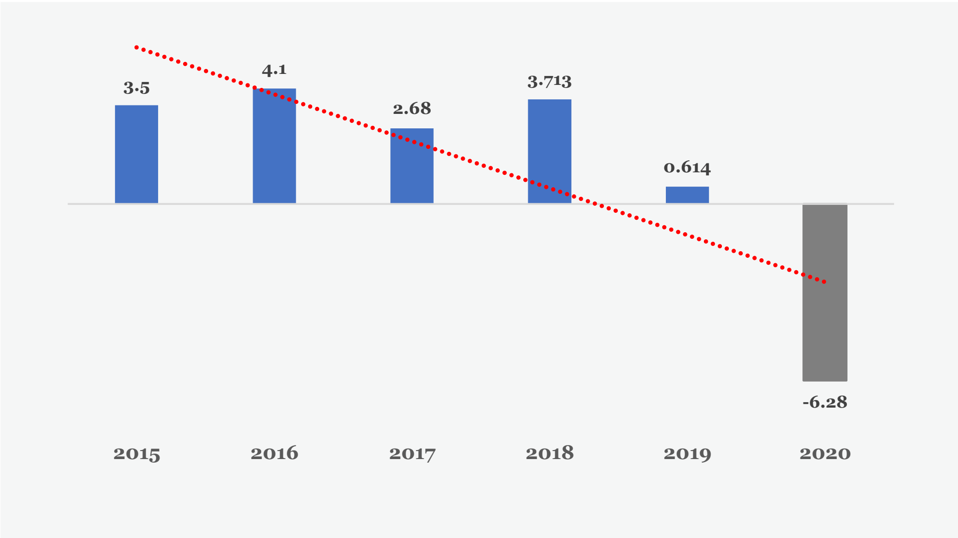
Source: NSE, Proshare Research, Ecographics

Transcorp Hotels Plc

PAT

Transcorp Hotels Plc recorded a loss of N6.28bn in 2020 from a profit of N614m in 2019. The loss could be attributed to the lockdown imposed and the decline in confidence in the hospitality sector (*see Chart 8*).

*Chart 8: **Transcorp Hotels Plc PAT (N'bn)***

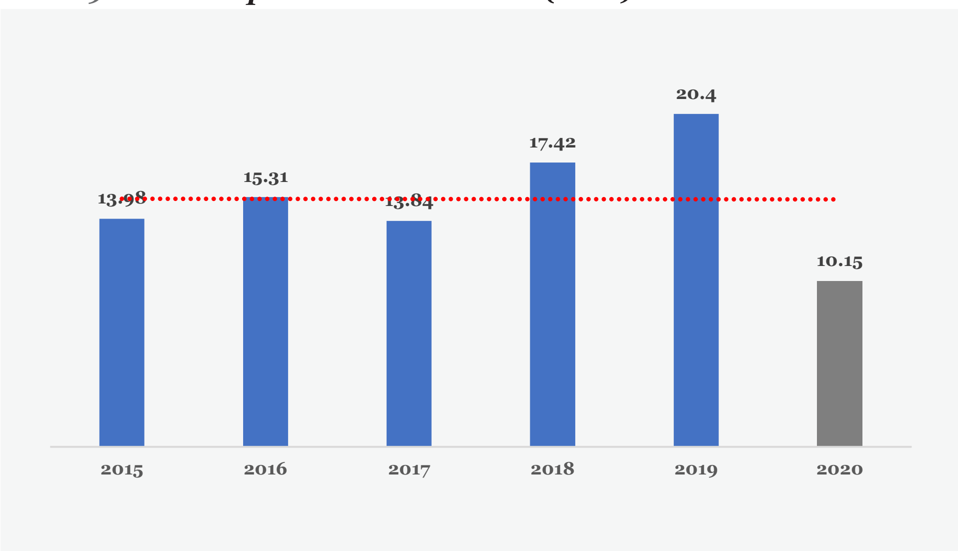


Source: Transcorp Hotels Plc Financial Statement, Proshare Research

Revenue

Transcorp Hotels Plc revenue declined by -50.25% to N10.15bn from N20.4bn in 2019. The decline in revenue was attributed to the low patronage of hotels caused because of the lockdown (*see Chart 9*).

*Chart 9: **Transcorp Hotels Plc Revenue (N'bn)***



Source: Transcorp Hotels Plc Financial Statement, Proshare Research

Its various revenue sources were rooms N6.5bn, food & beverage N2.51bn, shop rental N693.79m, service charge N83.66m, and other operating revenue N362.15m. Furthermore, all its revenue segments recorded a decline in 2020. The largest decline of -95.10% was recorded in service charge while segments like rooms declined by -50.79%, foods & beverages -61.54%, shop rental -13.16%, other operating revenue -57.5% (*Table 7*).

Table 7: ***Breakdown of Transcorp Hotels Plc Revenue (N'bn)***

BREAKDOWN OF TRANSCORP HOTELS PLC REVENUE (N'BN)

	2015	2016	2017	2018	2019	2020
	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn
Rooms	9.3	9.19	8.51	10.74	12.66	6.5
Foods & Beverages	3.96	4.22	4.09	5.24	5.98	2.51
Shop Rental	0.557	0.3	0.625	0.673	0.798	0.693
Service Charge	0.166	0.144	0.128	0.121	0.157	0.0084
Other Operating Revenue	0.53	0.7	0.489	0.652	0.807	0.362

Source: Transcorp Hotels Plc Financial Statement, Proshare Research

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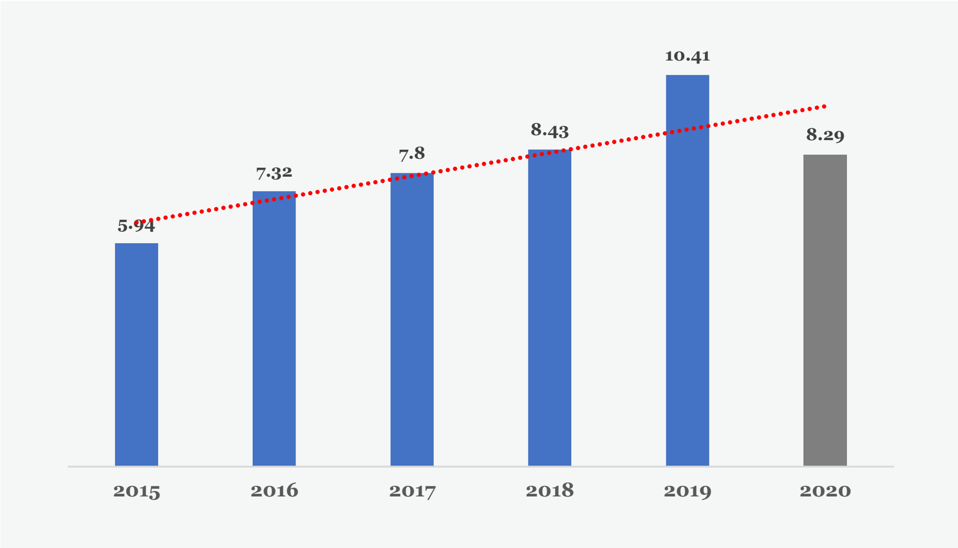
Administrative Expenses

Transcorp administrative expenses fell by -20.37% to N8.29bn in 2020 from N10.41bn in 2019. The decline in administrative expenses was attributed to a fall in economic activities because of the pandemic. The decline in administrative expenses was attributed to the decline in staff cost -32.3%, auditors remuneration -16.12%, management and incentive fees -64.11%, director's remuneration -56.93%, bank charges -35.18%, repairs and maintenance -30.21%, energy cost -13.66%, group services and benefits -50.76%, health, safety and medical -30.8%, IT, telecommunication and securities -20.48%, licenses, fees and rates -46.17%, marketing, sales & advertisement -54.42%, travel, logistics & accommodation -57.08%, stationery, printing and office supplies -34.13%, other administrative expense -7.513% (*see Chart 10*).

Chart 10: ***Transcorp Hotels Plc Administrative Expenses (N'bn)***

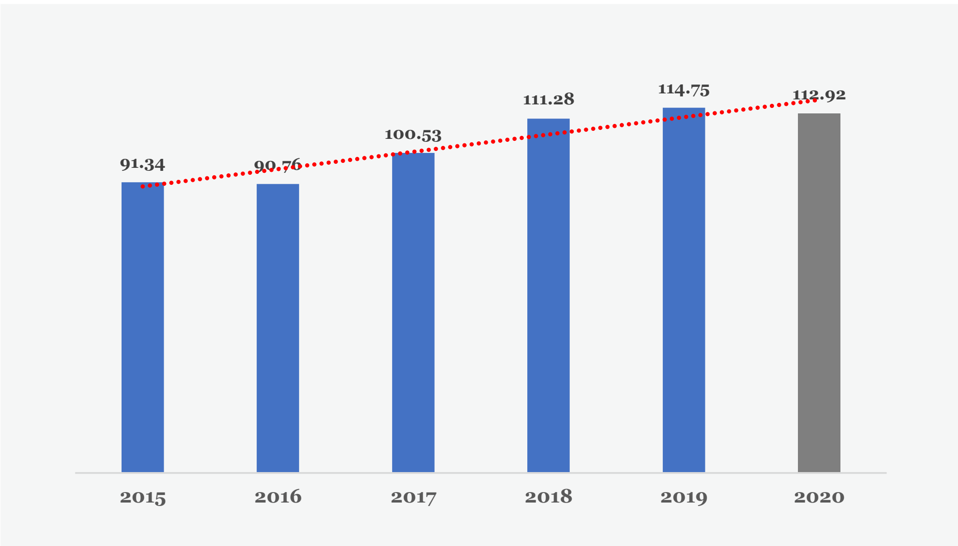


Source: Transcorp Hotels Plc Financial Statement, Proshare Research

Total Assets

Transcorp Hotels Plc's total assets declined slightly by -1.59% to N113.1bn in 2020 from N114.75bn in 2019. Some components of the total assets recorded decline while others recorded increases. Components that increased were inventories +10.55%, prepayments +34.23% while other components that recorded declines were property, plant & equipment -0.83%, intangible assets -9.57%, cash and short-term deposit -25.05% (*see Chart 11*).

Chart 11: ***Transcorp Hotels Plc Total Assets (N'bn)***

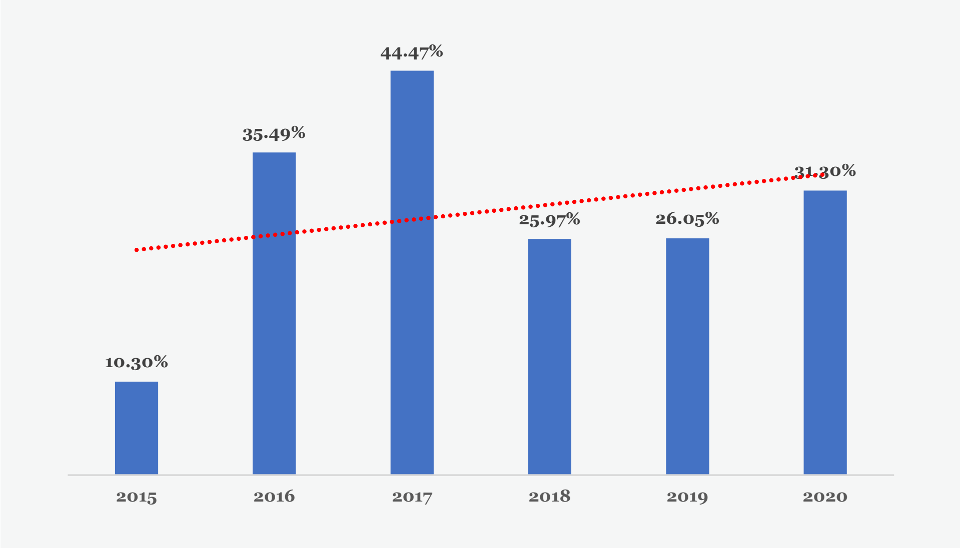


Source: Transcorp Hotels Plc Financial Statement, Proshare Research

Net debt to Equity

Transcorp Hotel's net debt to equity ratio declined from 26.05% in 2019 to 31.3% in 2020. Despite the decline in cash and short-term deposit by -25.05%, the net debt to equity ratio declined when compared to previous years as Transcorp Hotels Plc reduced its borrowing drastically by -35.22% in 2020 (*see Chart 12*).

*Chart 12: **Transcorp Hotels Plc Net-debt to Equity***

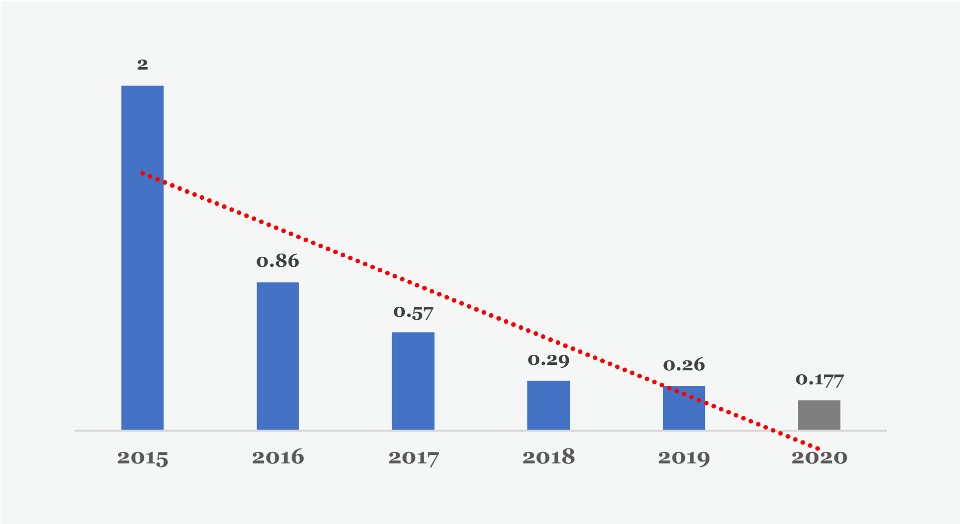


Source: Transcorp Hotels Plc Financial Statement, Proshare Research

Current Ratio

The hotelier's current ratio declined from 0.26 in 2019 to 0.177 in 2020. This means that Transcorp Hotels had liquid assets of N0.17 for every N1 in short-dated liabilities. The decline in the current ratio could be attributed to the decline in current assets by -16.42% in 2020 and the rise in current liabilities by +25.45% (*see Chart 13*).

*Chart 13: **Transcorp Hotels Plc Current Ratio***

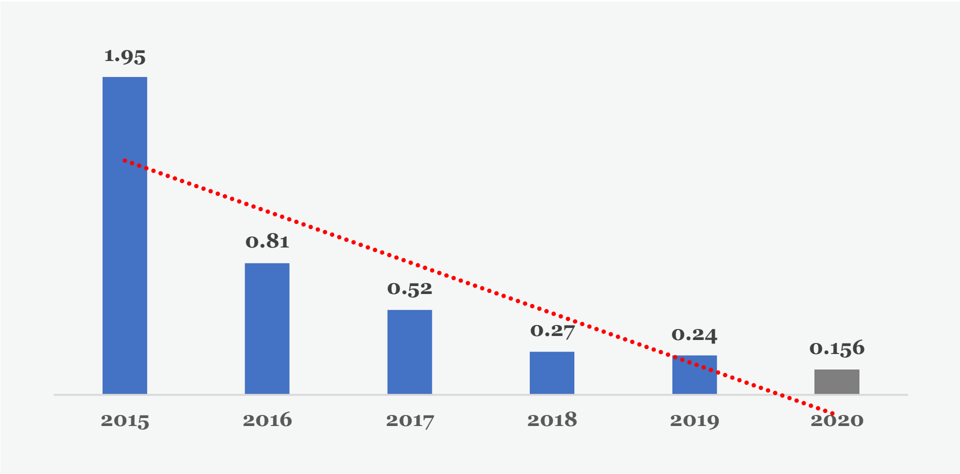


Source: Transcorp Hotels Plc Financial Statement, Proshare Research

Acid-test Ratio

The hospitality group's acid-test ratio slumped from 0.24 in 2019 to 0.156 in 2020. This suggests that for every N1 of current liabilities, Transcorp Hotel had N0.156 of very liquid assets to cover its immediate obligations. Furthermore, the acid-test ratio is lesser than the current ratio of 0.16. The difference can be attributed to the rise in inventory by +10.55% rising from N528.78bn in 2019 to N584.54bn in 2020 (*see Chart 14*).

Chart 14: ***Transcorp Hotels Plc Acid-test Ratio***

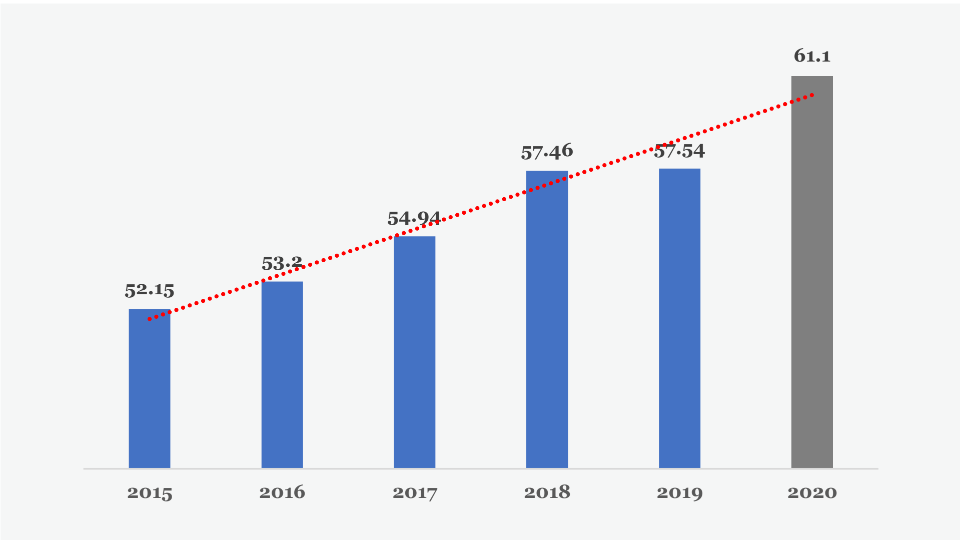


Source: Transcorp Hotels Plc Financial Statement, Proshare Research

Equity

The company's equity rose by +6.19% from N57.54bn in 2019 to N61.1bn in 2020. There was an increase in its equities despite the decline in retained earnings by -12.63%. The rise in equities could be attributed to a rise in share capital by +34.74% and share premium +211.41% (*see Chart 15*).

Chart 15: ***Transcorp Hotels Plc Equity (N'bn)***



Source: Transcorp Hotels Plc Financial Statement, Proshare Research

Transcorp and Covid-19: The Remaking of a Hospitality Giant

Dupe OLUSOLA
MD/CEO Transcorp Hotels Plc

Transcorp Hotels Plc, is Nigeria and indeed Africa's leading hospitality Company with over 30 years' experience and 800 hotel rooms between Abuja and Calabar. Transcorp Hotels is committed to redefining service standards across the continent while remaining truly and authentically African.

What was the occupancy rate in 2019 and 2020?

Occupancy was 64% in 2019. In 2020, we closed the year at an occupancy of 33%. This was mainly due to the global impact of the COVID-19 pandemic.

We started the year 2020 optimistic with detailed plans and budget to surpass the N20bn revenue performance achieved in 2019, with our Q1 2020 occupancy averaging at 53%. However, with the global Coronavirus Pandemic, the hospitality sector world over, including Transcorp Hotels Plc. was negatively impacted. Starting from mid-March, we began to see a downward turn in our performance indicators with occupancy as low as 5% in April 2020.

Our primary goal was to survive as individuals and as a business, to adapt and to thrive in a new, changing, and unprecedented environment. We focused on quickly adjusting to the "new normal" and remained positive and proactive as we introduced and successfully implemented our strategies and initiatives for the season. We prioritized the implementation of strategies and protocols that were aimed at promoting the safety of our employees, guests, and stakeholders.

Despite all odds, we continued to implement our notable strategies as well as novel and innovative initiatives aimed at curtailing our imminent loss position. These include;

- Launching of new business lines and initiatives such as Drive-in Events, Food Delivery, and Laundry Services.
- Increased marketing to maintain visibility with our customers during the lockdown period.
- Introduction of activities around the hotels to cater to leisure and local demand.
- Introduction of packages – Staycation, work-from-hotel and so much more.
- Introduction of innovative products such as the Hilton CleanStay programme to increase guest comfort and assurance of safety.
- Cost management activities.

This proactive approach was pivotal in the remarkable recovery recorded in Q3 and Q4 of 2020, with monthly occupancy rising to a high of 55% in December compared to 10.9% in June. The revenue performance in December was an impressive N1.2bn, coming up to 75% of the previous year's performance for the same period, despite the impact of the pandemic.

And so far in 2021, we are happy with the progress we have seen. We have successfully diversified our business to cater to the leisure segment.

Transcorp Hotels Plc, is Nigeria and indeed Africa's leading hospitality Company with over 30 years' experience and 800 hotel rooms between Abuja and Calabar. Transcorp Hotels is committed to redefining service standards across the continent while remaining truly and authentically African.

What was the occupancy rate in 2019 and 2020?

Occupancy was 64% in 2019. In 2020, we closed the year at an occupancy of 33%. This was mainly due to the global impact of the COVID-19 pandemic.

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And so far in 2021, we are happy with the progress we have seen. We have successfully diversified our business to cater to the leisure segment.

What segments of the hotel business were most severely hit by the coronavirus pandemic?

The lockdown was among the measures targeted at curbing the spread of the virus, and this affected all our business segments as we traditionally offer customer-facing services. At the onset of the pandemic, we began to see major cancellations of group events because of the travel ban, international airport closures, government enforcement of social distancing and restricted numbers allowed for gatherings.

In compliance with Government regulation and Covid-19 protocols, we had to shut down all the restaurants in the hotel and switched to take away food service (at the peak of the pandemic).

Large gatherings were prohibited; therefore, no events, meetings or conferences were held. Our concessionaires were also shut down and we had to grant some rebates to their rent payments.

Despite the adverse effect of the COVID-19 pandemic on all our business segments, we remained resilient and took a critical and fundamental decision to remain open and maintain operations at both the Transcorp Hilton Abuja and Transcorp Hotels Calabar, assessing that the cost to shut down and restart outweighed the cost of 'keeping the lights on' during the 3-month lockdown between March and June.

What strategies have been put in place to help the hotel bounce back?

During the lockdown and when the Nigerian economy was gradually reopening in phases to give room for improvement in economic activities, the hospitality service ventures were amongst other non-essential sectors that remained closed during the first phase.

The pressure for revenue generation became more paramount during the period even as we continued to explore more cost-saving measures. We proactively identified and launched the following initiatives:

- Food Delivery and Take-Away Service Service;
- Laundry pick-up and delivery service.
- Drive-in events hosting concerts and cinema.We prioritized and intensified stakeholder engagement throughout the entire period:
- Checking up on long stay guests
- Letters and messages to corporate and individual customers
- Active engagement on social media to maintain ***"Top of Mind Awareness"***

With the huge emphasis on safety post-COVID-19, we introduced the Clean Stay Program, which involved the intensified cleaning of our rooms and all public areas at accelerated intervals, sealing off all vacated rooms so that incoming guests break the seal to gain access to the room and a complete/general re-orientation towards hygiene and health safety of all our guests and visitors. This has put our Hotel in the top pick for Hospitality services.

We also made cost reduction and savings part of our key focus as we successfully optimized our workforce, renegotiated contracts with vendors and suppliers, restructure our loans, amongst others.

Post lockdown, we began to exploit our delivery offerings that were in line with changing priorities for the hospitality sector. These include:

- Hybrid events by offering conferencing facilities that leverage technology to ensure that our guests can have a mix of both physical and virtual meetings.
- Digitalized guest experiences & Contactless Services;
- Staycation and local leisure drive; Specifically, the activities we put up in December attracted so many and resulted in the increased performance in December. These festive activities were actively pushed to attract families, singles from Abuja and other locations to the hotel. Transcorp Hilton Abuja was adjudged the prime holiday destination in Abuja for individuals and families who were unable to travel out of the city.

The economic impact of the COVID-19 pandemic has further emphasised the need for us to stay focused and committed to our drive and keenness to deliver more ground-breaking and viable projects like the Transcorp Hilton Abuja Upgrade and refurbishment, while taking due cognisance of our financial position and prevailing economic conditions.

Accordingly, we have prioritised key projects that will enable us to deliver the hotel's key strategies towards becoming the leading Hospitality brand in Africa. Starting from Nigeria, the hotel aims to build a strong footprint in high population cities across the West African region, while providing the highest service standards which the hotel is well-known for and for which it has earned various awards and recognitions.

In January 2021, we announced our plans to launch Aura, a first-of-its-kind digital hospitality platform that connects customers and travellers to quality accommodation, great food and exciting experiences from all over Africa with ease.

Aura is an integral pillar of our Asset-Light Strategy of Transcorp Hotels, which will fully commence in Q2 2021 in Nigeria, and will serve as a one-stop-shop, providing atailored price for short-stay accommodation and luxury hospitality experiences for business and leisure travellers.

What government policies are needed to help the hotels in Nigeria to stay afloat as the hospitality sector was one of the hardest hit sector by the pandemic?

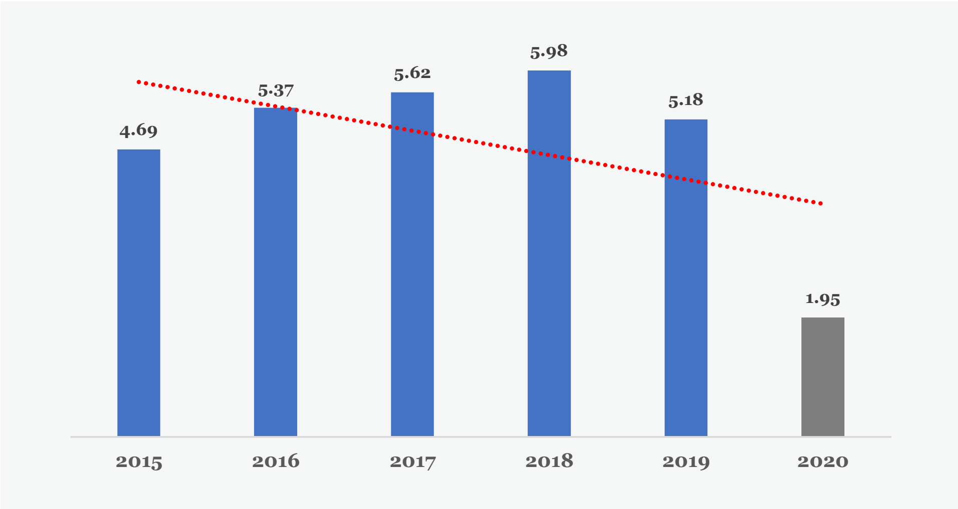
- Government Bailout: Several economies in the world were badly hit by the pandemic and to assuage the pain caused in major

Capital Hotels Plc

Revenue

Capital Hotels Plc's revenue fell in 2020 by -62.36%. This was largely attributed to the lockdown imposed by the government which affected its customer base. Its revenue declined from N5.18bn in 2019 to N1.95bn in 2020 (*see Chart 16*).

***Chart 16:* Capital Hotels Plc Revenue (N'bn)**



Source: Capital Hotels Plc Financial Statement, Proshare Research

The highest contributor to Capital Hotels Plc's revenue was its rooms 47.79%, food & beverage 34.84%, and other services 17.37%. As expected, there was a decline in all the revenue components of the business in 2020, rooms fell by -64.5%, foods and beverage dipped by -66.76%, and other services tumbled by -34.79% (*see Table 8*).

Table 8: Breakdown of Capital Hotels Plc (N'bn)

Table 8: ***Breakdown of Capital Hotels Plc (N'bn)***

BREAKDOWN OF CAPITAL HOTELS PLC (N'BN)

	2015	2016	2017	2018	2019	2020
	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn
Rooms	2.48	2.84	3.1	3.23	2.62	0.93
Food and Beverage	1.84	2.03	2.05	2.26	2.04	0.678
Other Services	0.368	0.495	0.466	0.478	0.533	0.296

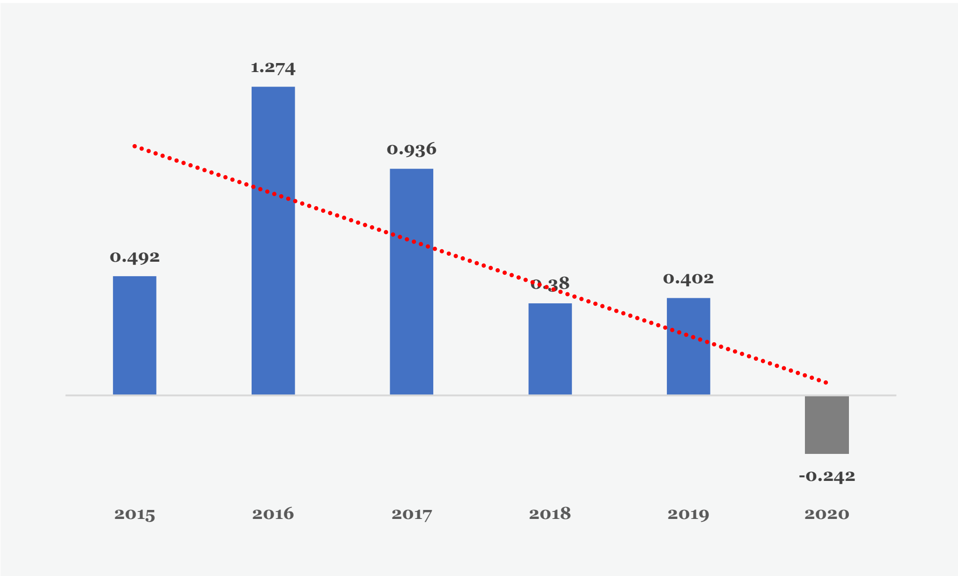
Source: Capital Hotels Plc Financial Statement, Proshare Research

proshare ECONOMY

PAT

In 2020, Capital Hotels Plc recorded its first loss in over six years. It recorded a loss of N241.86m in 2020 from a profit of N401.78m in 2019. The decline in its profit could be attributed to the decline in its revenue by -62.36% caused by the coronavirus pandemic (*see Chart 17*).

Chart 17: ***Capital Hotels Plc PAT (N'bn)***

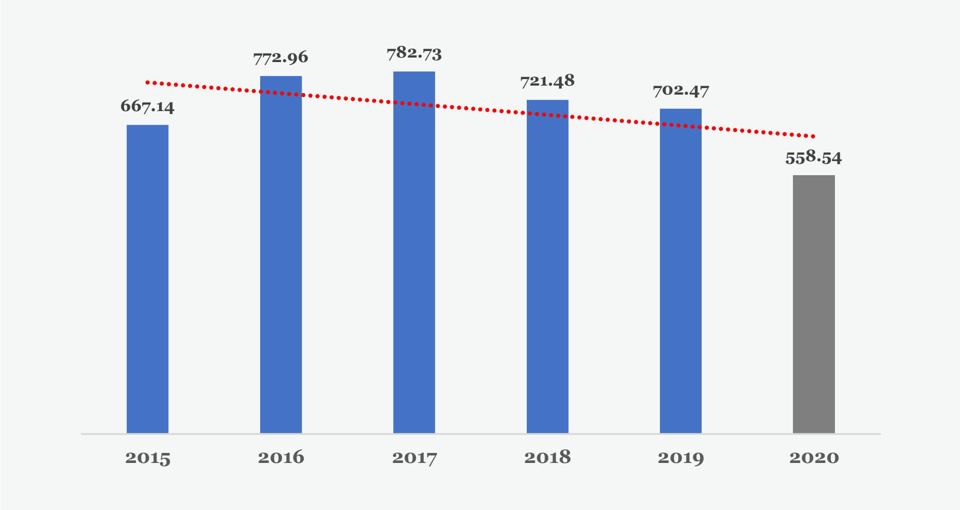


Source: Capital Hotels Plc Financial Statement, Proshare Research

Administrative Expenses

Capital Hotels Plc recorded a decline in its administrative expenses by -20.49% to N558.54bn in 2020 from N702.47bn in 2019. It recorded a decline in AGM expenses, bank charges, communication cost, depreciation & amortization, directors' expenses, legal & professional expenses, employee's costs, medical expenses, transport & travels, and other expense (*see Chart 18*).

Chart 18: ***Capital Hotels Plc Administrative Expenses (N'bn)***

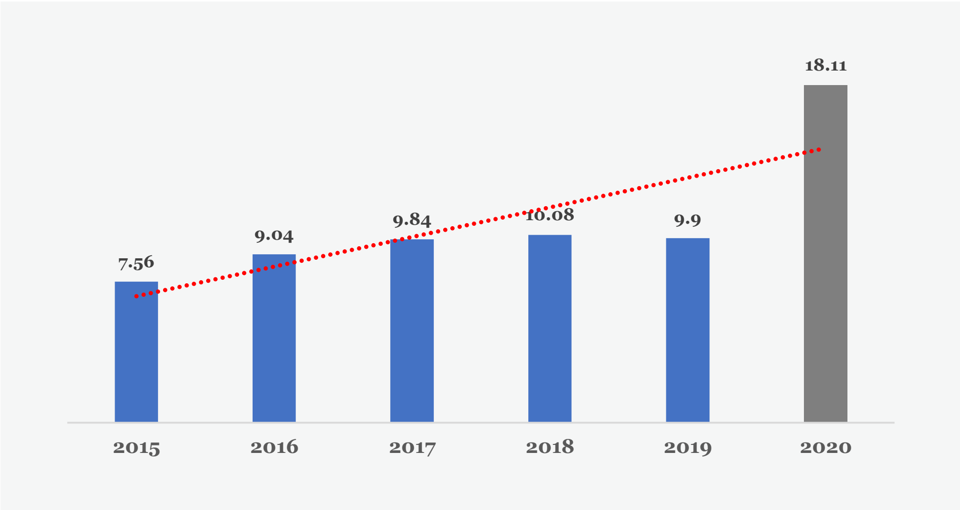


Source: Capital Hotels Plc Financial Statement, Proshare Research

Total Assets

Capital Hotels Plc recorded an increase in its total assets by +82.93% to N18.11bn in 2020 from N9.9bn in 2019. The rise in total assets was attributed to the large rise in property, plant & equipment by +155.26% to N15.52bn in 2020 from N6.08bn in 2019 (*see Chart 19*).

Chart 19: ***Capital Hotels Plc Total Assets (N'bn)***

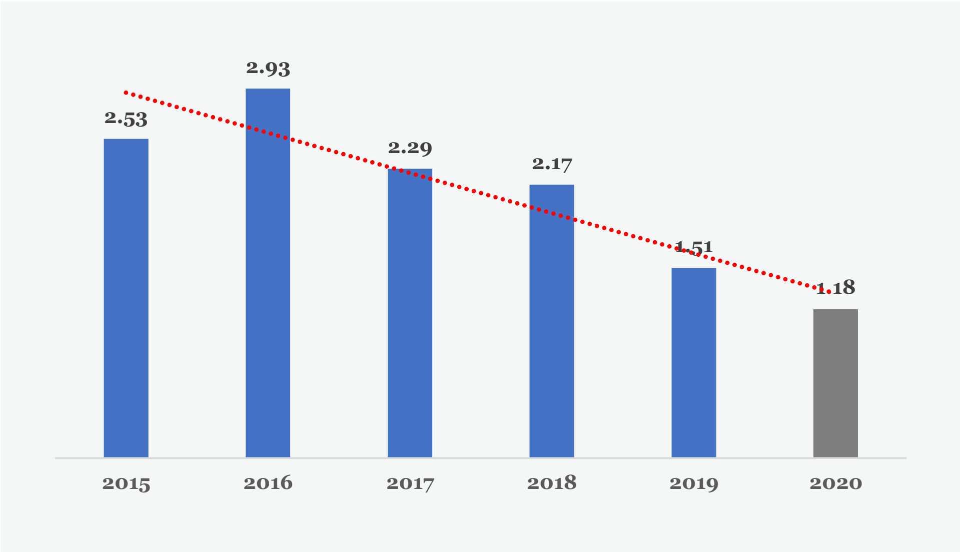


Source: Capital Hotels Plc Financial Statement, Proshare Research

Current Ratio

The hotel group's current ratio slid from 1.51 in 2019 to 1.18 in 2020. This meant that Capital Hotels had liquid assets of N1.18 for every N1.00 in short-dated liabilities. The decline in the current ratio was ascribed to a dip in its current assets which skidded lower than the decline in current liabilities. Its current assets fell by -31.42% while its current liabilities slipped by -12.35% (*see Chart 20*).

Chart 20: ***Capital Hotels Plc Current Ratio***

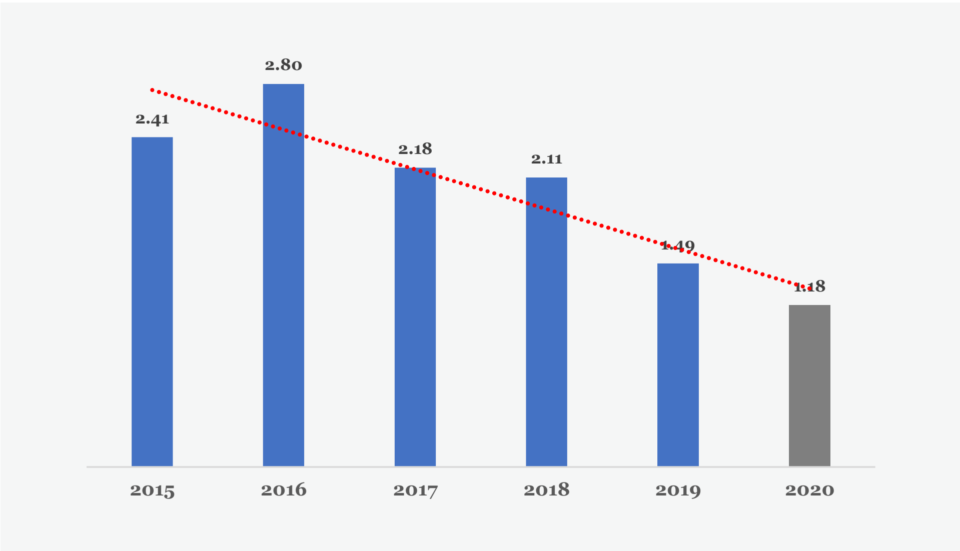


Source: Capital Hotels Plc Financial Statement, Proshare Research

Acid-test Ratio

Capital Hotels Plc acid-test ratio declined to 1.18 in 2020 from 1.49 in 2019. This suggests that for every N1 of current liabilities, Capital Hotel had N1.18 of very liquid assets to cover its immediate obligations (*see Chart 21*).

Chart 21: ***Capital Hotels Acid-test Ratio***

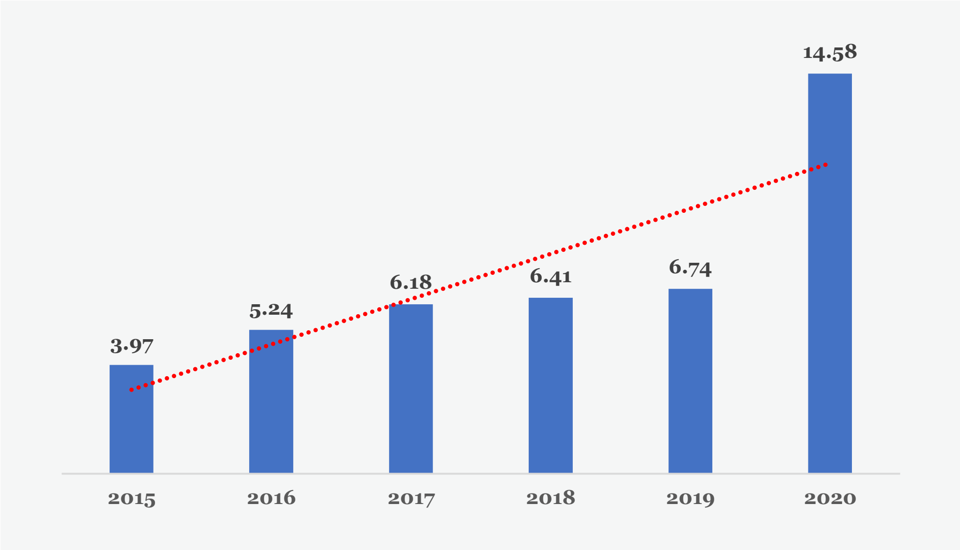


Source: Capital Hotels Plc Financial Statement, Proshare Research

Equity

Capital Hotels Plc recorded its highest equity in seven years. Its equity grew by +128.85% to N14.58bn in 2020 from N6.74bn in 2019 (*see Chart 22*).

Chart 22: ***Capital Hotels Plc Equity (N'bn)***



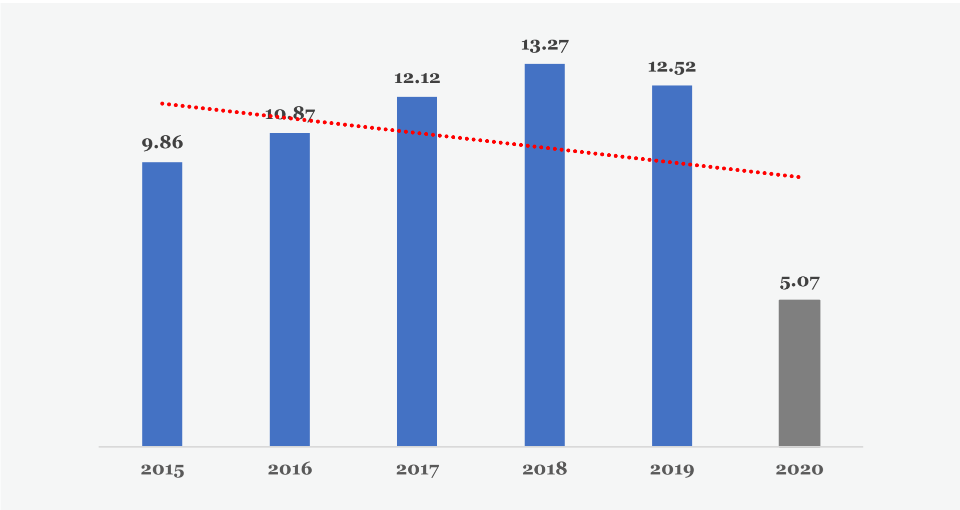
Source: Capital Hotels Plc Financial Statement, Proshare Research

Ikeja Hotel Plc

Revenue

Ikeja Hotel Plc revenue declined by -59.5% to N5.07bn in 2020 from N12.52bn in 2019. Like other hotels in Nigeria, the effect of the coronavirus pandemic hit Ikeja Hotels plc harshly. All its revenue components fell in 2020 led by a drop in hotel room revenues which slumped by -62.39%, food and beverages dipped by -61.96%, and minor operating departments fell by -1.64% (*see Chart 23*).

Chart 23: ***Ikeja Hotel Plc Revenue (N'bn)***



Source: Ikeja Hotel Plc Financial Statement, Proshare Research

In 2020, Ikeja hotel's largest revenue came from its room segment which accounted for 57.79% of revenue, while other segments such as food and beverages were responsible for 31.16% of revenue, the minor operating department was responsible for 11.09% (*see Table 9*).

Table 9: ***Breakdown of Ikeja Hotel Plc Revenue***

BREAKDOWN OF IKEJA HOTEL PLC REVENUE

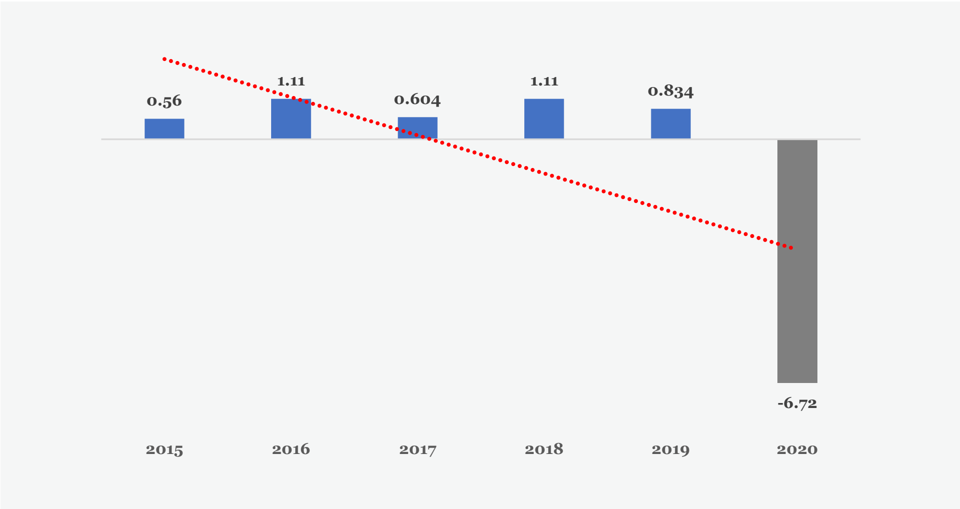
	2015	2016	2017	2018	2019	2020
	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn
Rooms	5.82	6.42	7.18	7.82	7.79	2.93
Food and Beverage	3.5	3.87	4.03	4.28	4.15	1.6
Minor Operating Departments	0.54	0.57	0.916	1.13	0.571	0.562

Source: Ikeja Hotel Plc Financial Statement, Proshare Research

PAT

Ikeja Hotel Plc recorded a loss of N6.72bn in 2020 from a profit of N834.95m in 2019. The loss incurred could be attributed to the lockdown which led to a decline in revenue by -59.5% (*see Chart 24*).

Chart 24: ***Ikeja Hotel Plc PAT (N'bn)***

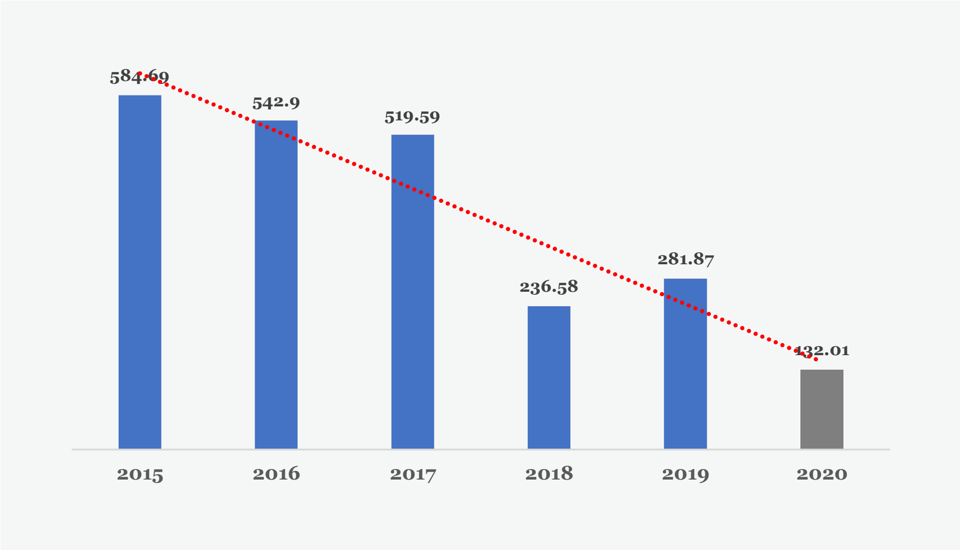


Source: Ikeja Hotel Plc Financial Statement, Proshare Research

Expenses

The hotelier recorded a decline in sales & marketing expenses by -53.17% while its administrative expenses rose by +265.22% (*see Chart 25*).

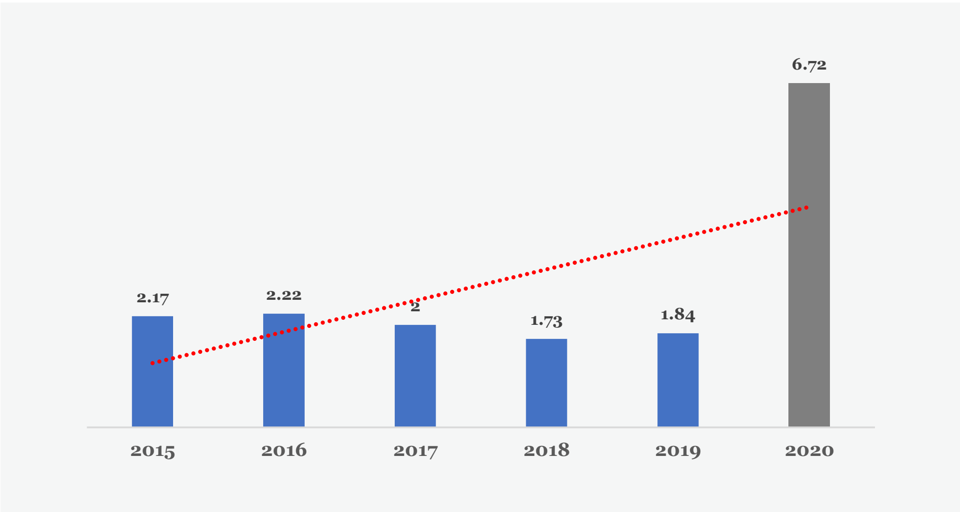
Chart 25:* *Ikeja Hotel Plc Sales & Distribution Expenses (N'bn)



Source: Ikeja Hotel Plc Financial Statement, Proshare Research

Sales & marketing expenses dropped to N132.01bn in 2020 from N281.87bn in 2019. Furthermore, administrative expenses rose from N1.84bn in 2019 to N6.55bn in 2020 (*see Chart 26*).

Chart 26:* *Ikeja Hotel Plc Administrative Expenses (N'bn)

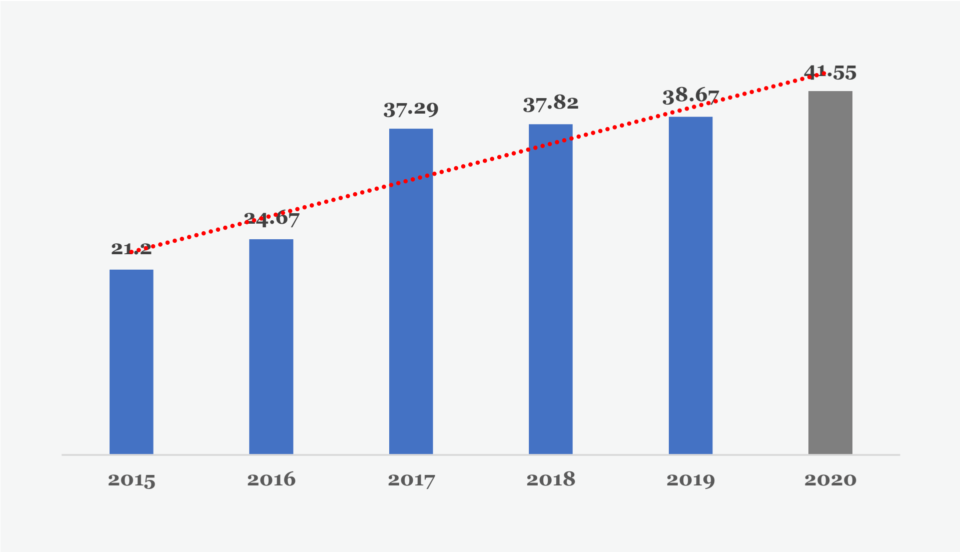


Source: Ikeja Hotel Plc Financial Statement, Proshare Research

Total Assets

The owner of Sheraton and Federal Palace hotels recorded an increase in total assets by +7.45% to N41.55bn in 2020 from N38.67bn in 2019. Its total non-current assets increased by +18.45% while its currents assets declined by -9.38% respectively (*see Chart 27*).

Chart 27: ***Ikeja Hotel Plc Total Assets (N'bn)***

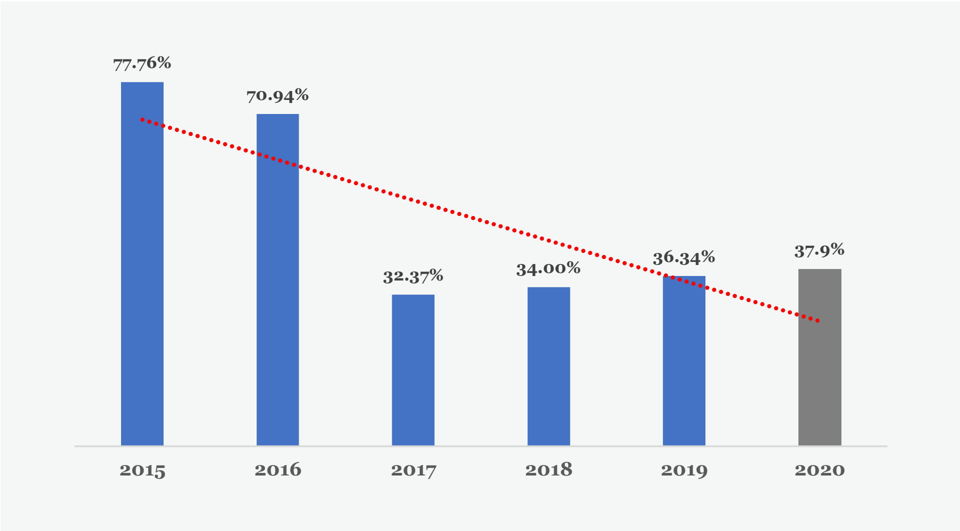


Source: Ikeja Hotel Plc Financial Statement, Proshare Research

Debt to Equity Ratio

The company's debt-to-equity ratio rose to 37.9% in 2020 from 36.34% in 2019. The increase in its debt-to-equity ratio is attributed to the rise in debt and the decline in equity. Its debt increased by +12.07% to N7.89bn while its equities declined by -7.49% to N20.82bn (*see Chart 28*).

Chart 28: ***Ikeja Hotel Plc Debt-to-Equity Ratio (%)***

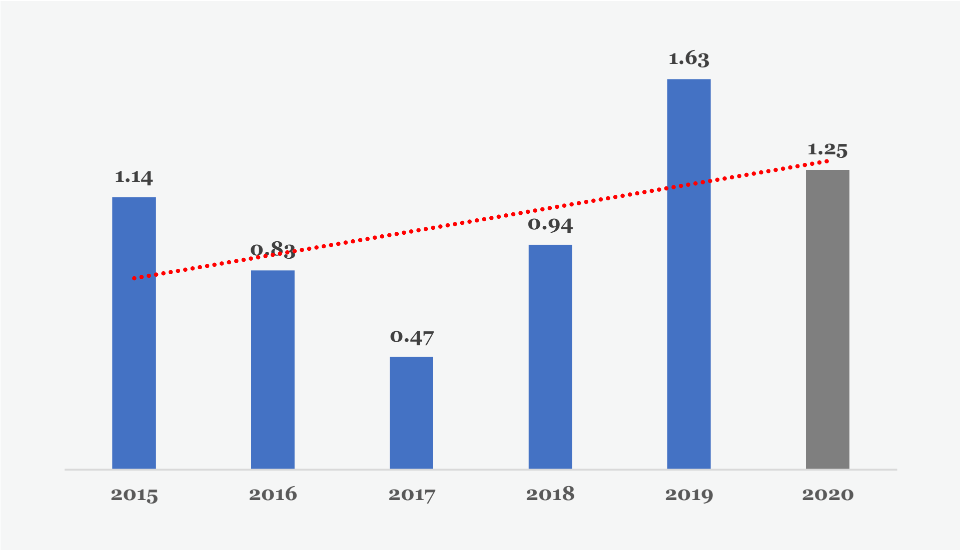


Source: Ikeja Hotel Plc Financial Statement, Proshare Research

Current Ratio

The business's current ratio dropped to 1.25 in 2020 from 1.63 in 2019. This means that Ikeja Hotel had liquid assets of N1.25 for every N1 in short-dated liabilities. Ikeja Hotels Plc's decline could be attributed to an increase in current liabilities by +10.88% while its current assets declined by -9.38%. Its current liabilities increased from N9.93bn in 2019 to N11.01bn in 2020. On the other hand, its current assets declined from N15.25bn in 2019 to N13.82bn in 2020 (*see Chart 29*).

Chart 29: ***Ikeja Hotel Plc Current Ratio***

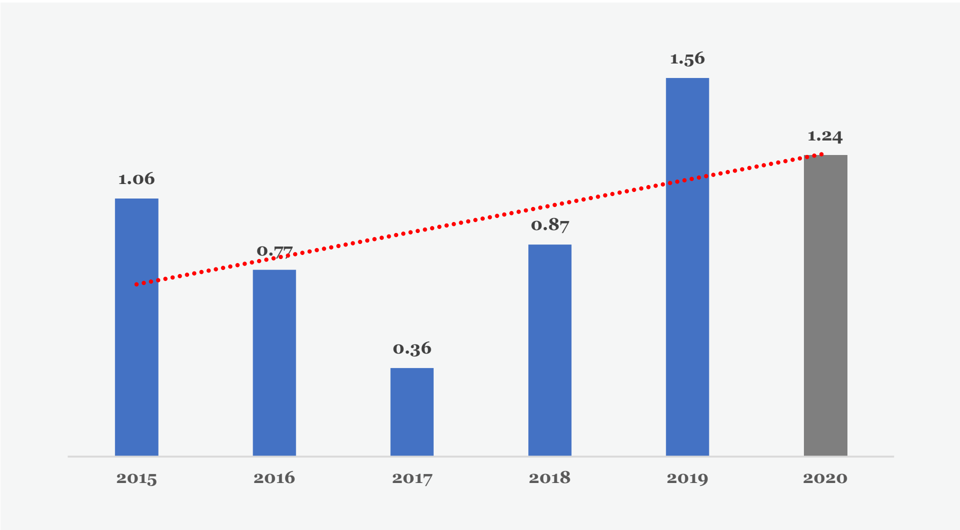


Source: Ikeja Hotel Plc Financial Statement, Proshare Research

Acid-test Ratio

Ikeja Hotels Plc acid-test ratio declined to 1.24 in 2020 from 1.56 in 2019. This suggests that for every N1 of current liabilities, Ikeja Hotels had N1.24 of very liquid assets to cover its immediate obligations. The decline in acid-test ratio could be attributed to the decline in inventory by -7.68%, current assets -9.38%, and the rise in current liabilities by -79.94% (*see Chart 30*).

Chart 30: ***Ikeja Hotel Plc Acid-test Ratio***

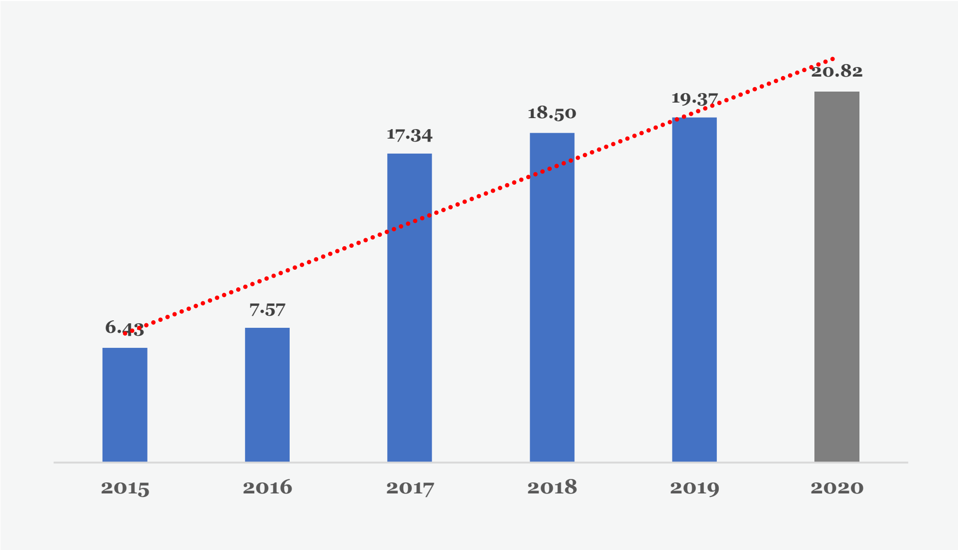


Source: Ikeja Hotel Plc Financial Statement, Proshare Research

Equity

Ikeja Hotels Plc equity increased by +7.49% to N20.82bn in 2020 from N19.37bn in 2019. The largest component of equities that recorded decline was retained earnings that recorded a decline of -49.15% to N6.27bn in 2020 from N12.33bn in 2019 (*see Chart 31*).

Chart 31: ***Ikeja Hotel Plc Equity (N'bn)***



Source: Ikeja Hotel Plc Financial Statement, Proshare Research

Ikeja Hotel: How to Break Past a Covid-19 Barrier

- **What was the occupancy rate in 2019 and 2020?**
  2019 was 66.2% while 2020 was 28.3%

- **What segments of the hotel business were most severely hit by the coronavirus pandemic?**
  All

- **What strategies have been put in place to help the hotel bounce back?**
  Promotion Activities
  Safety Protocols
  Cost Control

- **What government policies are needed to help the hotels in Nigeria to stay afloat as the hospitality sector was one of the hardest hit sector by the pandemic?**
  Loan Support and improvement in infrastructure.

- **Do you think the recent AfCFTA would benefit the hospitality sector, Hotels in particular?**
  Not really because of the economic situation, infrastructure and security.

- **Given the commencement of vaccination in Nigeria, and the full opening of the economy, what is your outlook for the hospitality sector?**
  The hospitality sector will start to witness more activity, though the recovery will be slow.

- **How are you thinking and reimagining the business in a world of increasingly remote and digital engagements?**
  Employment/upgrade of technology to make the hotel competitive, and proactive to the new trend.

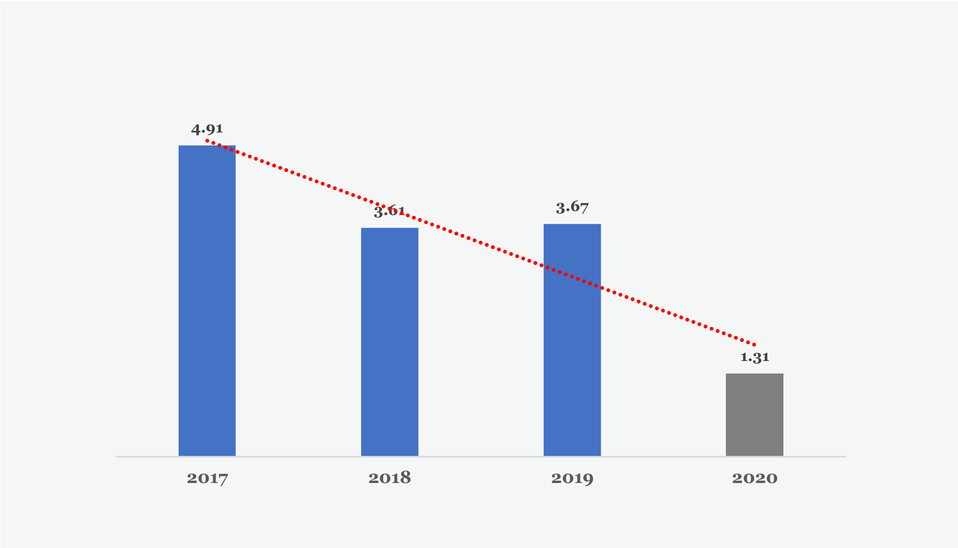
Ikeja Hotel Plc

Tourist Company of Nigeria Plc

Revenue

Tourist Company of Nigeria recorded its lowest revenue in four years in 2020. The drop-off in revenue was attributed to the impact of the coronavirus pandemic on operations. The company's revenue slumped by -64.31% to N1.312bn in 2020 from N3.67bn in 2019 (*see Chart 32*).

Chart 32: TCN Plc Revenue (N'bn)



Source: TCN Plc Unaudited Financial Statement for FYE 2020, Proshare Research

A breakdown of its revenue components reveals that the hospitality sector contributed N785m (59.79%) in 2020 while its gaming segment contributed N528m (40.21%). Both segments contribution to the revenue declined in 2020; gaming -58.1%, hospitality -67.35% (*see Table 10*).

Table 10: Breakdown of TCN Plc Revenue Sources

BREAKDOWN OF TCN PLC REVENUE SOURCES

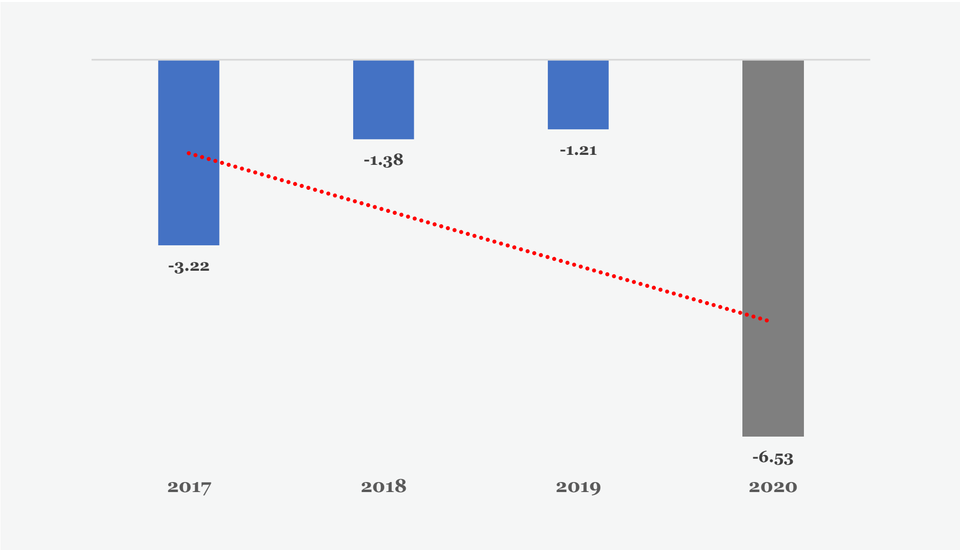
	2017	2018	2019	2020
	N'bn	N'bn	N'bn	N'bn
Gaming	2	1.39	1.26	0.528
Hospitality	2.91	2.22	2.404	0.785

Source: TCN Plc Unaudited Financial Statement for FYE 2020, Proshare Research

PAT

TCN Plc saw an increase in its loss in 2020 made worse by the coronavirus pandemic. The loss incurred rose from N1.21bn in 2019 to N6.53bn in 2020 (*see Chart 33*).

Chart 33: TCN Plc PAT (N'bn)

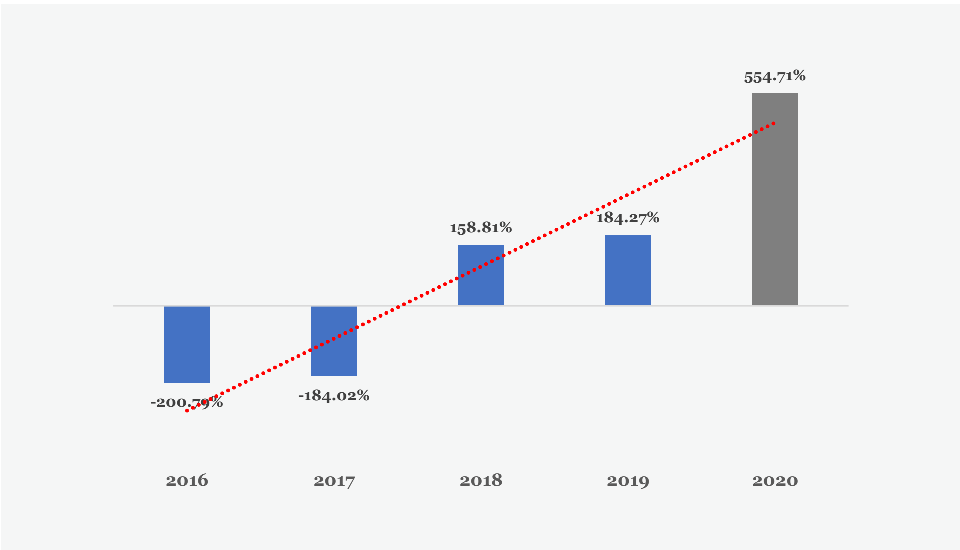


Source: TCN Plc Unaudited Financial Statement for FYE 2020, Proshare Research

Debt-to-Equity Ratio

TCN saw a rise in the business's debt-to-equity ratio to 554.71% in 2020 from 184.27% in 2019. This meant that TCN was overleveraged. The significant increase was associated with a sharp rise in its borrowings by +24.71% and a fall in its equities by -58.57% 2020 (*see Chart 34*).

Chart 34: TCN Plc Debt-to-equity Ratio (%)

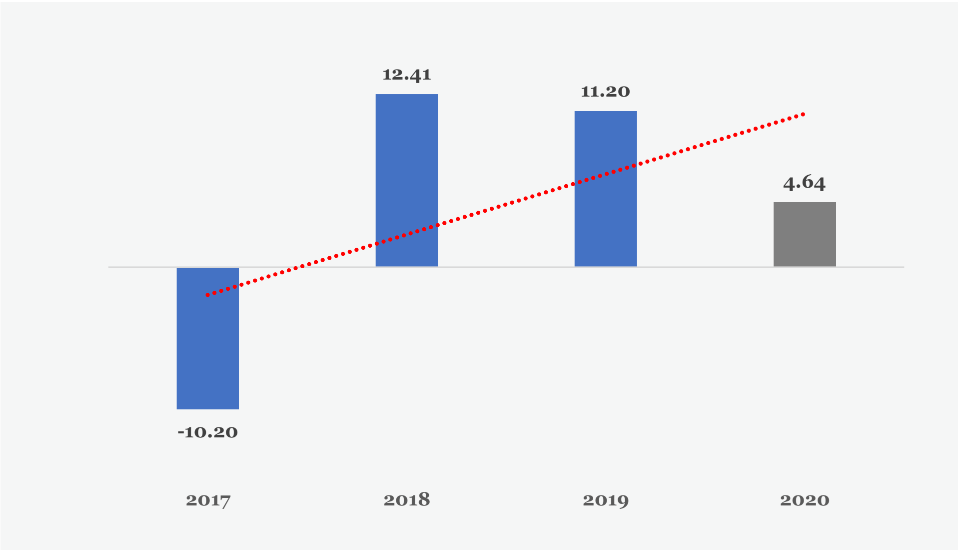


Source: TCN Plc Unaudited Financial Statement for FYE 2020, Proshare Research

Total Equity

TCN Plc total equity fell by -58.57% to N4.64bn in 2020 from N11.20bn in 2019. The decline in total equity was ascribed to the increase in accumulated losses to N20.61bn in 2020 from N14.08bn in 2019 (*see Chart 35*).

Chart 35: TCN Plc Total Equity (N'bn)

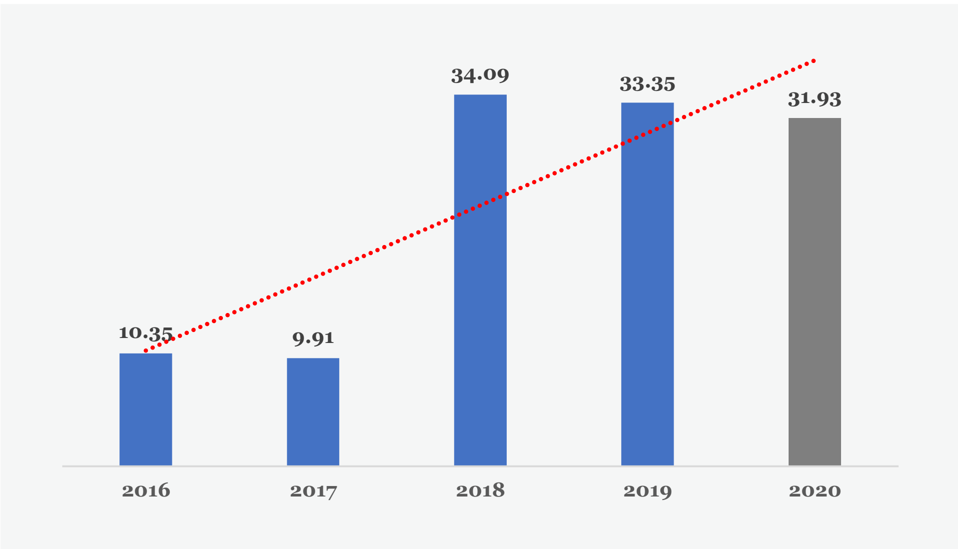


Source: TCN Plc Unaudited Financial Statement for FYE 2020, Proshare Research

Total Assets

The hotel group's total assets slumped by -4.26% to N31.93bn from N33.45bn in 2019. Both its current and non-current assets dipped by -1.94% and -44.3% respectively. Its non-current assets declined from N31.52bn in 2019 to N30.91 in 2020 while its current assets fell from N1.83bn in 2019 to N1.02bn in 2020 (*see Chart 36*).

Chart 36: TCN Plc Total Assets (N'bn)

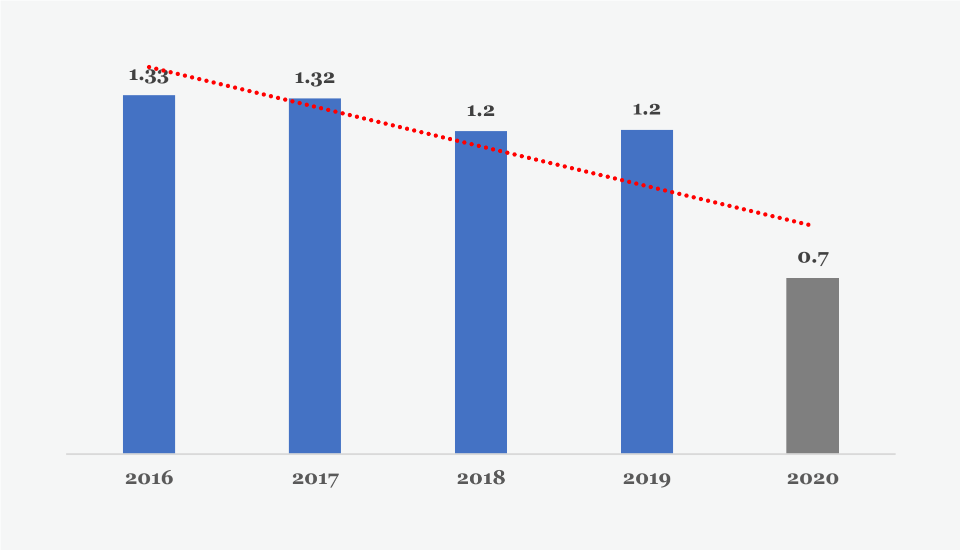


Source: TCN Plc Unaudited Financial Statement for FYE 2020, Proshare Research

Current Ratio

The hospitality provider's current ratio dipped to 0.7 in 2020 from 1.2 in 2019. This implied that TCN had liquid assets of N0.7 for every N1 in short-dated liabilities. The decline in its current ratio was attributed to the dip in current assets by -1.94% and the increase in current liabilities by +2.43% (*see Chart 37*).

*Chart 37: **TCN Plc Current Ratio***

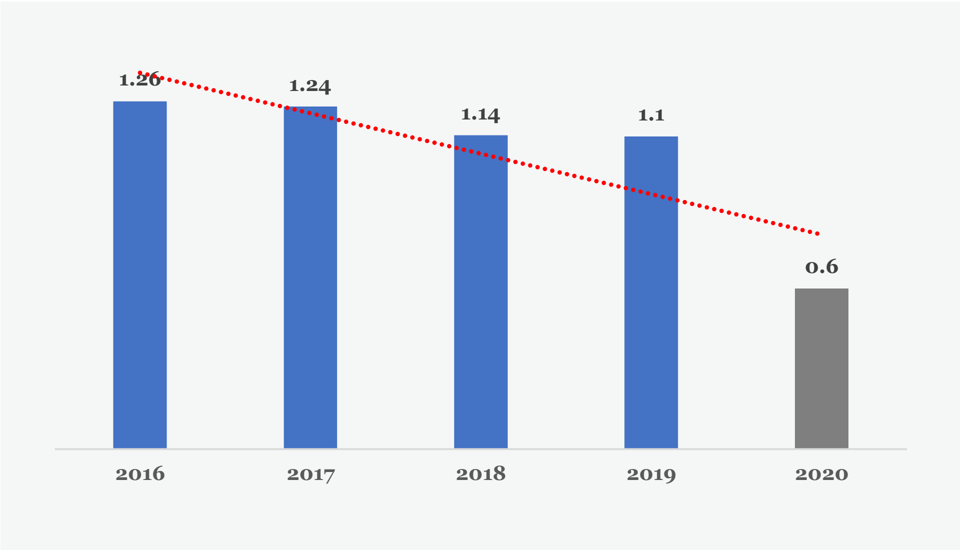


Source: TCN Plc Unaudited Financial Statement for FYE 2020, Proshare Research

Acid-test Ratio

TCN's acid-test ratio dipped to 0.6 in 2020 from 1.1 in 2019. This suggested that for every N1 of current liabilities, the Tourist Company of Nigeria had N0.6 of very liquid assets to cover its immediate obligations. The fall was ascribed to the rise in inventory by +4.11% to N115.17m in 2020 from N110.63m in 2019 (*see Chart 38*).

*Chart 38: **TCN Plc Acid-test Ratio***



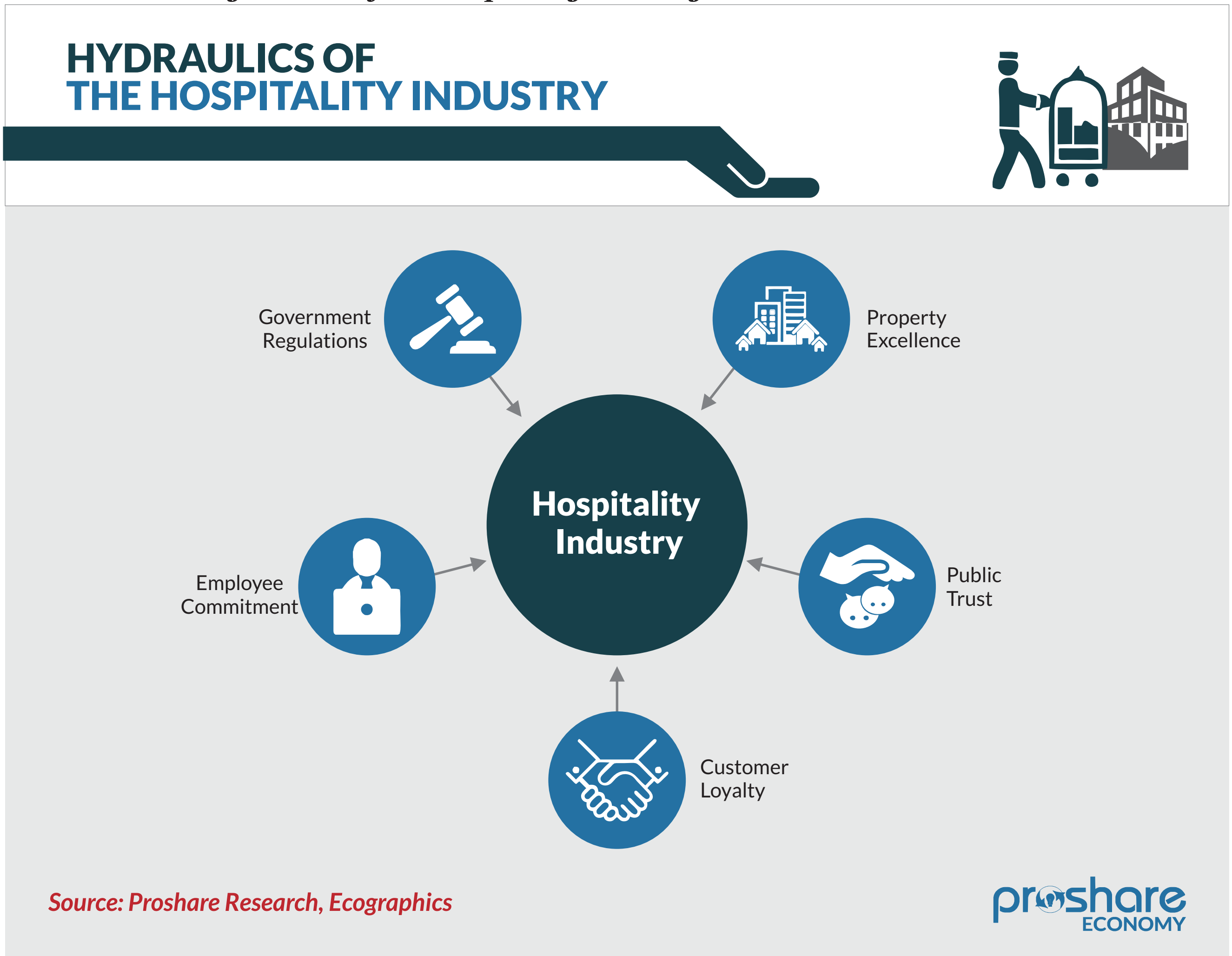
Source: TCN Plc Unaudited Financial Statement for FYE 2020, Proshare Research

Hospitality: The Future is Now

*"It's not your customers' job to remember you, it is your obligation and responsibility to make sure they don't have the chance to forget you" - **Patricia Fripp***

It is expected that the hospitality sector in Nigeria will record slow growth in 2021. Hotels that would remain relevant in 2021 and the future would need to adapt to their business operations in companionship with new trends and the emerging hydraulics of the industry (*see Illustration 12*).

Illustration 12: Hydraulics of the Hospitality Industry



For example, hoteliers who are interested in maintaining and attracting new customers would need to emphasize safety and hygiene in their operations. Furthermore, they should have sufficient knowledge of trends in which customers would be interested to guarantee their feel and comfort in the hotel's environment e.g., virtual reality tours, mobile check-in service, etc (*see Table 11*).

Table 11: ***Trends that Shape the Hospitality Sector in a Pandemic***

TRENDS THAT SHAPE THE HOSPITALITY SECTOR IN A PANDEMIC

	Factors	Motivations
1	Safety & Hygiene	Emphasizing safety and hygiene could be the difference between generating bookings and having customers look elsewhere.
2	Contactless Payment	Many customers and staff members feel uncomfortable handling cash and providing the option for contactless payment may be a necessity rather than luxury.
3	Enhance F & B Delivery at Home	To stay afloat, many restaurants and establishments offering food adapted to the COVID situation by increasing food and beverage deliveries, allowing customers to enjoy something akin to the restaurant experience at home.
4	Virtual Reality Tours	Virtual reality ranks among the most exciting hospitality technology trends, providing the means for potential hotel guests or restaurant diners to experience what their surroundings will be like, all from the comfort of their own home. This can be crucial for moving these people from the planning stage to committing to a visit.
5	Mobile Check-In Service	To reduce human-to-human contact, some hotels and other forms of accommodation adopted mobile check-in service. Mobile check-ins allow customers to benefit from self-service and make the arrivals part of the customer experience much faster.
6	Local Experience	Another trend that those in the hospitality industry are getting to grips with is the desire for tourists or travellers to enjoy local experiences. Many people do not simply want to experience a life like their own, but in a different location. Instead, they want to experience an authentic way of life in the location they visit.

Source: Proshare Research, Ecographics

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Hotels: Planning a Recovery

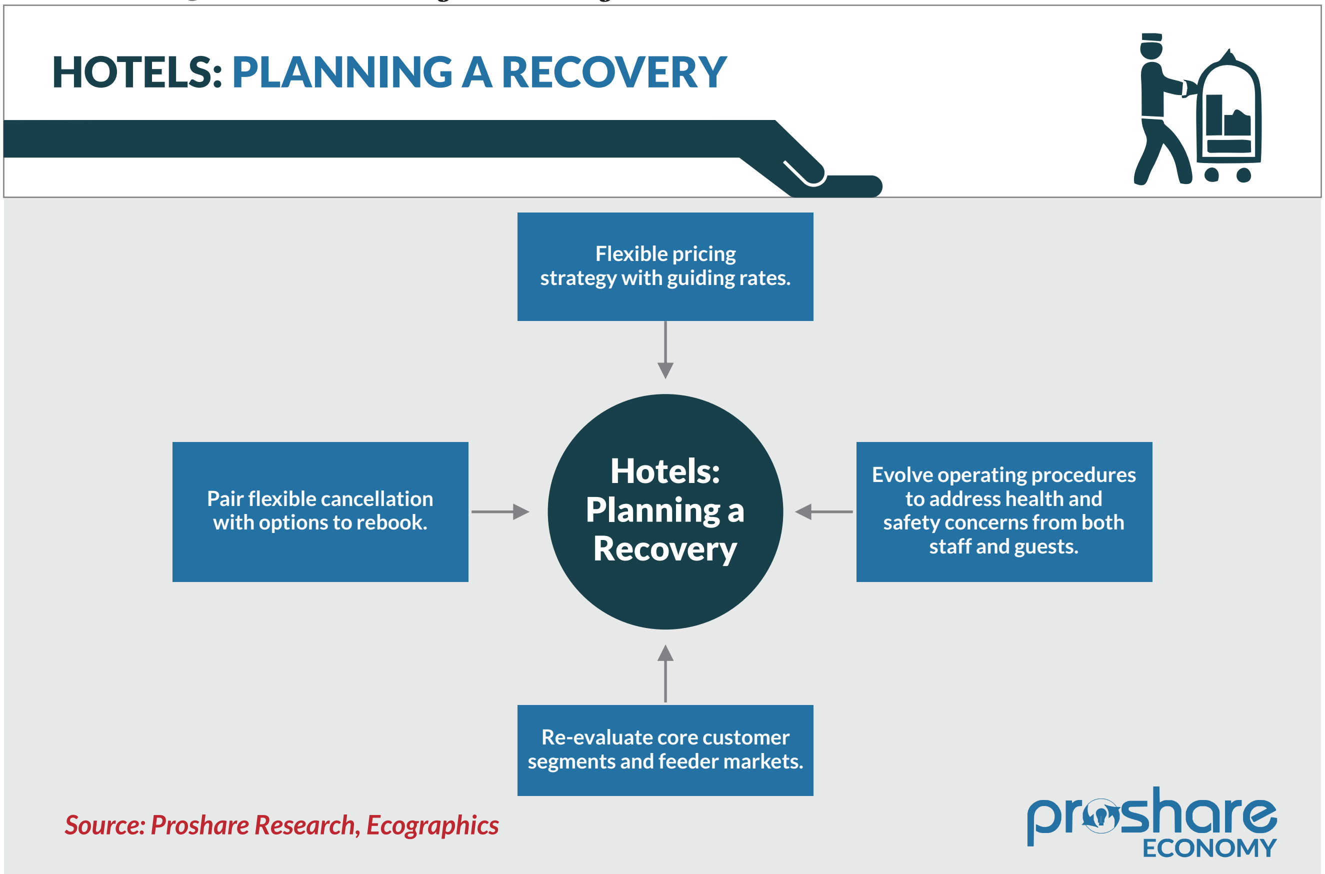
Most hotels in Nigeria recorded declines in their profit in 2020 as the effect of the coronavirus pandemic took its toll on their profit and loss accounts and statements of financial positions. Therefore, most hotels would be concerned with the task of engineering a recovery in 2021 amidst uncertainty. Some strategies that could be adopted by hoteliers include adopting flexible pricing strategies with guiding rates, pair flexible cancellations with options to rebook, evolve operating procedures to address health and safety concerns from both staff and guests, re-evaluate core customer segments, feeder markets, etc.

The coronavirus pandemic has necessitated the need for hotels to re-evaluate core customer segments to guide their decision-making and marketing strategies. Hotels need to understand how far their guests travel from and how long it takes for them to arrive at their destination and their purchasing power ability and how it has been affected by the pandemic. Also, it is important to understand the demographic characteristics of guests to understand if they are locals, regionals, or international guests, which language do they speak? etc. Understanding travel purposes makes it easier to strategize and appeal to core customer feelings and service experiences. This is so because customers who travel for leisure would have different expectations from those who travel for business.

An automated marketing campaign strategy would help hotels navigate through the year 2021. According to the website, hospitalitynet.org *"hotels can develop an automated marketing campaign for the anniversary of past guests' stay, prompting them to come back and relive the memories, develop an automated marketing campaign for past guests' birthdays with an exclusive package or complementary offering, develop automated marketing campaigns around loyalty status offering ongoing perks and inviting members to come back and stay, and set up an online travel agency bounce-back campaign, prompting those who have booked through online travel agencies to book through the direct website"*.

Evolving operating procedures to address health and safety concerns of both staff and guests by hotels will help restore customer's confidence and trigger a rebound in the sector. Winning the confidence of customers would require a thoughtful examination of current business processes to prioritize the wellness of staff and guests through social distancing and sanitization while maintaining the core of the experience customers know and love (*see Illustration 13*).

***Illustration 13:* Hotels: Planning a Recovery**



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Conclusion - Reimaging Progress, the Many Faces of the New Industry

The new business realities of tomorrow would require major mental maps to shift business paradigms towards restrategizing, reimaging, and rethinking operating activities, especially for service sector enterprises. Managements and corporate boards need to integrate technology into their business plans and make the customer's service delivery journey the center of business strategy.

Chief executive officers of service companies can no longer hide behind their chief technology officers (CTOs) to mask their ignorance of how technology will reinvent their businesses. Chief executives of hospitality companies must unlearn, learn, and relearn the basic frameworks and platforms upon which their digital future will rest. While the CTO may understand the nuts and bolts of technology, the CEO must understand the strategic imperatives of technology in a quickly changing service delivery ecosystem.

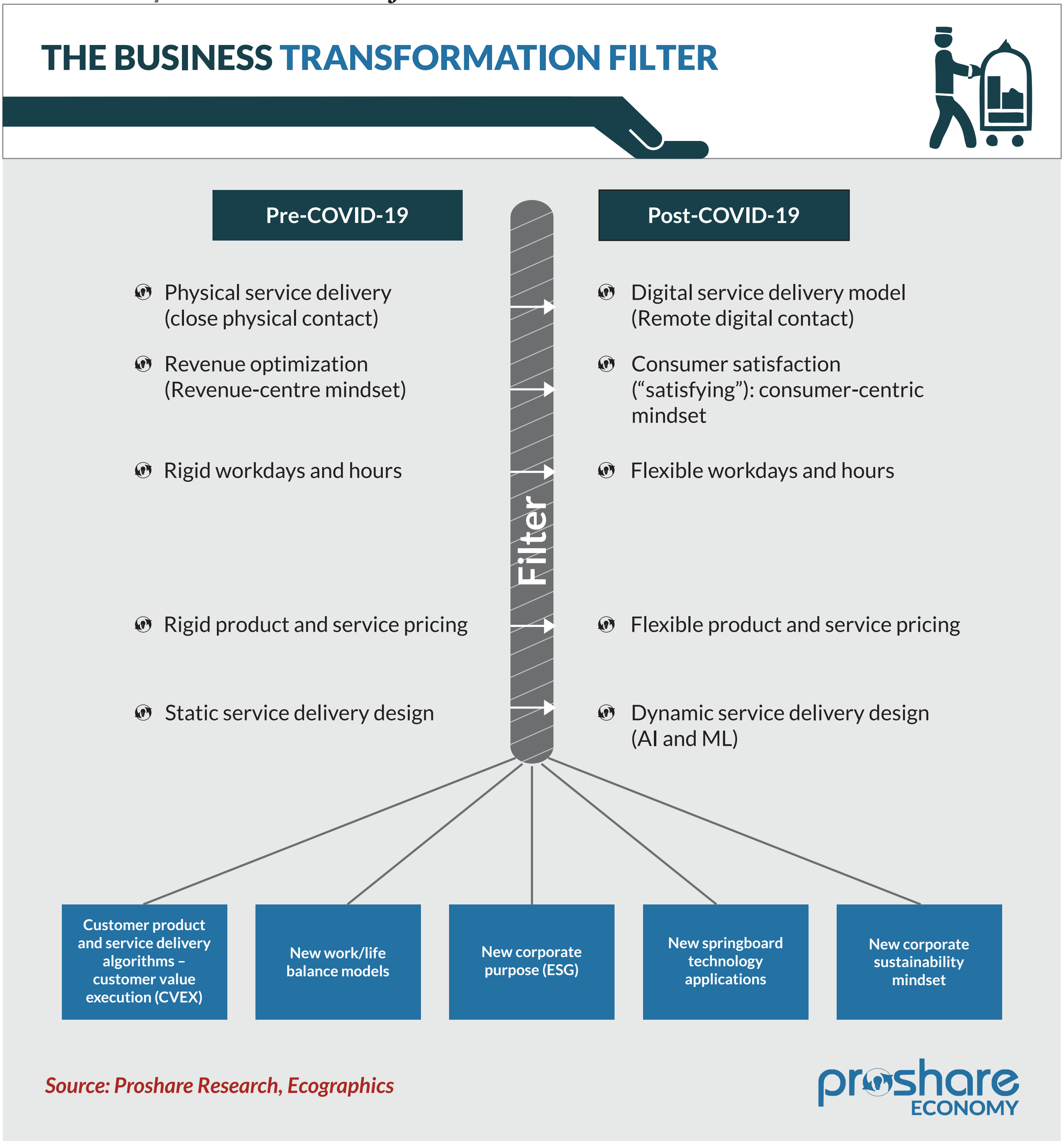
For example, what roles could unstructured supplementary service data (USSD) play in assisting hotels provide digital register of riskless payments services to customers? Customers could simply enter a USSD code and pay for the hotel's sauna service, gym facility, and perhaps food service such as a buffet lunch. Customers could also use codes on their mobile devices to access bespoke services and pay for such services as secretarial support services or meeting room services, possibilities are limited only by the imagination.

Hotels could enter into **co-opetition** arrangements with other hotels to provide customers with a national travel tour vacation experience for families at group tour discount rates with price flexibility based on time of year. Service delivery experiences for customers can be made 'fungible' or flexible such that it is designed to meet the specific demand expectation of the particular customer. By taking advantage of machine learning (ML) and artificial intelligence (AI) hotels can provide experiential journeys tailored to customers' preferences. Indeed, going forward, the difference between sustainable hotel operations and those of their unsustainable counterparts who get caught with their trousers around their ankles when the next disruption occurs would be the integration of technology that is responsive, predictive, and corrective.

The new business realities would need to filter out old biases and set new agenda (*see Illustration 14*).

Illustration 14: The Business Transformation Filter

*Illustration 14: **The Business Transformation Filter***



Recommendation-Getting the Government to Give a COVID-Jab

At the heart of the recovery of the hospitality sector is government support. The fiscal authorities need to give the sector a shot in the arm to enable it to recover from a nightmare operating season in 2020. Given the importance of the hospitality business to the overall economy, it is vital that the government supports the sector to trigger a quick rebound. Some policies that could help jumpstart a gradual recovery of patronage, earnings, and cash flows include but are not limited to the following:

- Refinancing of existing loan obligations through the Bank of Industry at a 5% lending rate.
- Suspension of some tax obligations for two years.
- Creating a window to help players in the sector access the official exchange rate to meet FX obligations.
- Direct government bailout targeted at reducing the sectors debt overhang.
- Large expenditure on vaccines to hasten inoculation and restore confidence in the economy.
- Improving the national image by tightening security and strengthening health and other social infrastructure. A reduction in country risk assessment would strongly lead to the influx of business travellers and holidaymakers into the country and improve the hospitality sector revenue outlook and free operating cash flows. Investors in the sector would likely see improved returns on equity (ROE) and earnings per share (EPS).

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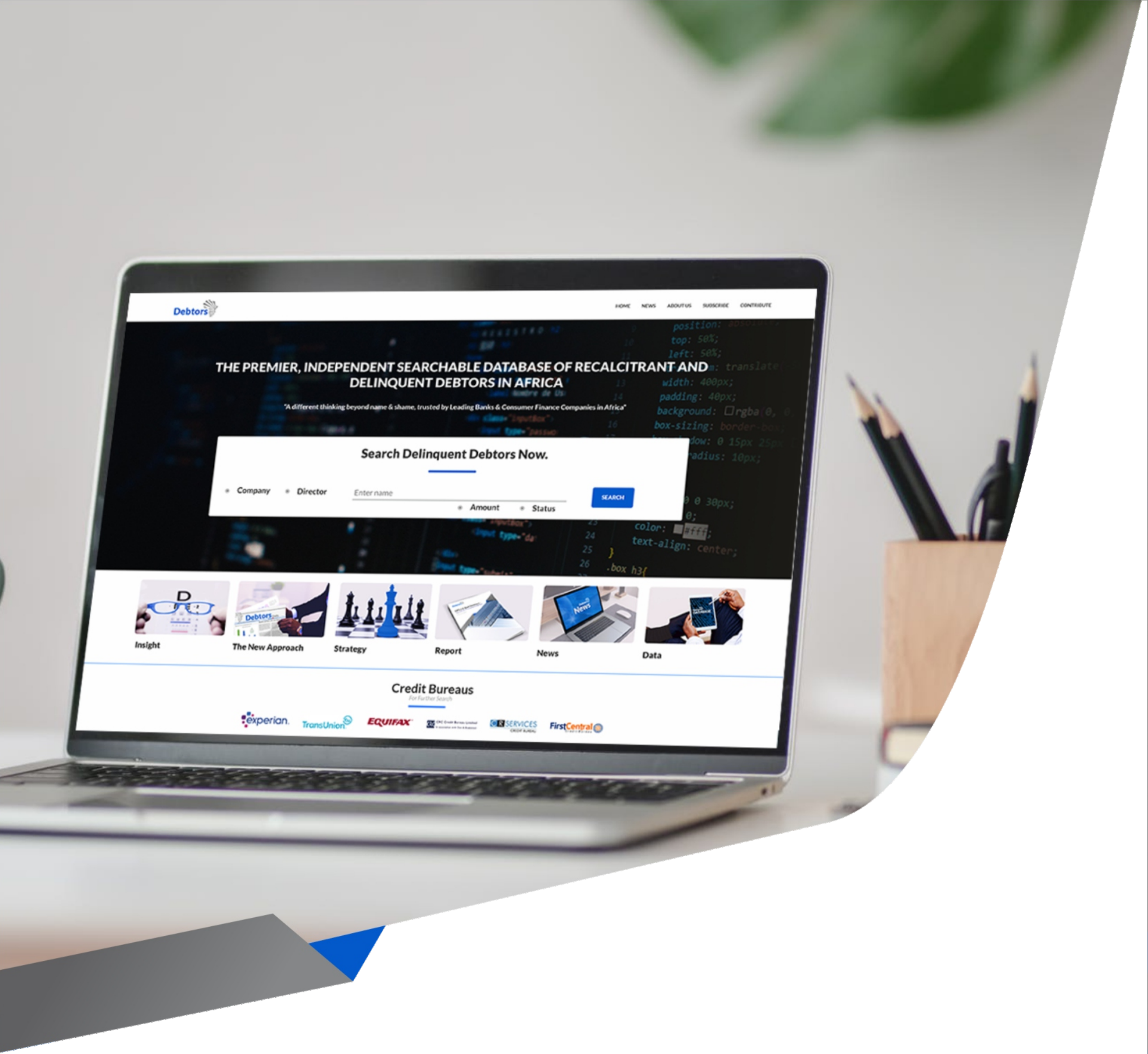
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Chief Economist/Managing Editor

CONTACTS

This report was put together by **Teslim SHITTA-BEY**, and **Adesola BOROKINNI** under approval by Proshare Research. Contact Authors vide teslim.bey@proshareng.com and saheed.kiaribe@proshareng.com, Production of report put together by Proshare **Graphics.**

Editorial Team:

Grace 'Jare-AJUWON grace.ajuwon@proshareng.com

Reshu BAGGA reshu.bagga@proshareng.com

Teslim SHITTA-BEY teslim.bey@proshareng.com

Saheed KIARIBE saheed.kiaribe@proshareng.com

PROSHARE NIGERIA: The Upper Room Plot 590b,
Lekan Asuni Close Omole
Phase II, Isheri LGA P.O.Box 18782, Ikeja,
Lagos, Nigeria.

0700 PROSHARE

+234 805 585 2156

contact@proshareng.com

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