

# Stock Market Review



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# Enhancing the Corinthia brand

The opening of the London hotel development and its expected positive impact on the global positioning of the Corinthia brand was among the key themes mentioned by IHI's chairman Alfred Pisani in his address to stockbrokers earlier this week. The meeting was convened in conjunction with the publication of IHI's half-year results and the allotment of 1.8 million bonus shares to the free float shareholders following the approval at the recent Extraordinary General Meeting of the company.

Mr Pisani delved into great detail on the potential positive effect of the London hotel on the Corinthia brand as a hotel operator.

The chairman explained that this hotel is currently at an advanced stage of completion and well poised for its expected soft-opening early next year. Mr Pisani noted that this is a tremendous opportunity for the Corinthia brand as it seeks to compete in one of Europe's most important destinations.

The presence of Corinthia in London represents a quantum leap in the global positioning of Corinthia as a hotel operator and should provide additional value to the management company CHI.

Following the decision to maintain the management of owned properties rather than outsource these to other global hotel operators, the chairman explained that the key future strategic focus of CHI as the hotel management arm is to rapidly expand the number of management agreements of third party owned hotels under the Corinthia, Wyndham and Ramada Plaza brands.

However, in anticipation of the inauguration of the London hotel and CHI's focus on expanding its management portfolio, a number of important investments were required.

The chairman introduced two key personnel recently engaged by the management company to help in the objective of raising the quality of the managed properties and enhance the potential for other hotel owners to engage CHI as their operator.

Mr Pisani explained that a significant investment in their own distribution system was the key focus of the re-organisation within CHI.

The new distribution system 'Corinthia World' which has recently begun operating will also enable CHI to launch its own loyalty programme and this will be complemented by a significant

Corinthia London Hotel & Whitehall residences



2011



Corinthia Hotel St. Petersburg - Phase 2

- First phase currently being marketed
- Second phase development to commence 2011, including redevelopment of the remaining real estate
- 100% IHI holding

2012

Corinthia Benghazi

- 312 bedroom hotel and mixed-use real estate, incorporating residential apartments, commercial office space, retail and underground parking
- The project includes:
  - 33 apartments
  - 2,700m<sup>2</sup> of office space
  - 1,400m<sup>2</sup> of retail space
- Expected to open in 2013
- 75% IHI holding

2013



Medina Tower, Tripoli

- Retail mall, offices and apartments
- Construction and acquisition for the entire project estimated at €100m
- Comprises a Gross Floor Area of 200,000m<sup>2</sup> in a 39-storey tower
- Located on Tripoli's main boulevard
- Construction expected to be completed in H1 2014
- 25% IHI holding



2014

marketing budget in the international media to increase the awareness of the Corinthia brand.

Apart from the strong focus on the Corinthia brand, IHI is also working on various other developments within its property portfolio as well as a further issue of shares to international investors.

As noted at the last AGM IHI remains committed to a secondary listing of the company's shares on an international Stock Exchange and this listing will be made in conjunction with a new issue of up to 200 million shares.

However, the chairman stated in this week's meeting that the timing for this listing is very much dependent on the international stockmarket climate and the advice being given to IHI at the moment is to await improved investor sentiment so as to launch the share issue at a time most conducive to extracting an attractive valuation for the benefit of all shareholders.

The rationale for conducting such an important exercise in 2011 is also based on the timing of the official opening of the London hotel and the expected improved operational performance of the entire Group as there are clear signs emerging of a gradual improvement in the Group's main markets in which its properties are based.

In fact, the occupancy rate within IHI's properties during the second quarter of 2010 increased to 62.9 per cent compared to 52.7 per cent achieved in the second quarter of 2009.

IHI's managing director Joseph Fenech noted that this improved

occupancy rate is also evident during the third quarter of the year and this trend is expected to persist into 2011.

The financial statements for the first half of the 2010 may not make pleasant reading for shareholders as the Group registered a loss of €9.2 million. Overall revenue declined by 3.8 per cent to €49.4 million and this was mainly attributable to a sharp downturn in Tripoli.

On the other hand, it is encouraging to note that income from other destinations started to improve.

Revenue from the Bab Africa hotel in Tripoli declined by €5.1 million (29.2 per cent) in the first half of 2010 primarily as a result of the decline in occupancy during the Schengen visa dispute which restricted international access to the Libyan capital for several weeks.

The half-year results were also impacted by lower finance income and higher finance costs as well as the recognition of an amount of €1.4 million in pre-opening expenses at the London hotel.

Although the directors noted that the forecast operating results for 2010 are expected to be lower than for the previous year, the overall value of IHI at year-end could be enhanced by an uplift in the valuation of the London property in line with valuation benchmarks of similar hotels in the city.

The importance of the London property does not only lie in the valuation uplift and the positive impact on the Corinthia brand. Shareholders will also eagerly await the eventual disposal of the

12 exclusive apartments which could raise significant income streams according to feedback received by IHI's executives from some of the top estate agents in London.

Apart from the works being undertaken to complete the London Hotel and Whitehall residences, the current development portfolio of IHI includes (i) the second phase of the re-development of the remaining real estate in St Petersburg into additional office space and parking facilities; (ii) the construction of a mixed use development in Benghazi and (iii) the Medina Tower in Tripoli in which IHI has a 25 per cent shareholding.

In Benghazi the property which will be 75 per cent owned by IHI and the balance held by one of IHI's institutional shareholders LFICO, is being converted into a 312-bedroom hotel and a mixed-use real estate development comprising 33 apartments for sale as well as office and retail space for lease.

The current portfolio of hotels which in the immediate future will be complemented by the flagship property in London should start to register improved performances as the economic recovery gathers momentum.

Meanwhile IHI's executives are placing increased focus on strengthening the Corinthia brand and seeking to expand the hotel management activities of the business while tapping the international equity market at the opportune moment in order to embark on the next acquisition phase.

These are interesting times for IHI's shareholders.

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