



Press Release

Emaar Hospitality Group sets new industry model in hotel management contracts to drive long-term value creation

- *Emaar Hospitality Group becomes the first international hotel operating company to offer incentive-fee-only management agreements, creating mutually beneficial opportunities for owners and operators*
- *The new contractual model removes the customary base management fee and links the operator's fee earnings exclusively to generated profit rather than revenue*

Dubai, UAE; April 26, 2017: Emaar Hospitality Group, the hospitality and leisure business of Emaar Properties PJSC, has introduced an industry-defining model for hotel management agreements.

This is a marked departure from the prevalent fee structure in the hospitality sector, where hotel operators receive a base fee as a percentage of gross revenue and an incentive fee based on the gross operating profit.

The alternative model offered by Emaar Hospitality Group is based only on an incentive fee, which is driven by the operator's ability to generate profits rather than revenues.

In an industry where the majority of global fees earned are linked to revenue, the new model aligns the interests of the owner and operator as it focuses on profit generation, replacing the emphasis on top-line results with a focus on bottom line achievement.

Olivier Harnisch, Chief Executive Officer of Emaar Hospitality Group, said the new management fee model sets an industry benchmark. "There will be greater responsibility on the operator to drive operating profits that will create sustained and long-term value for hotel owners, unlike under the prevailing model, where the operator earns a base management fee regardless of operating expenses.

"The distribution landscape in the hotel industry has changed dramatically over the past years and we feel that profit is a more powerful indicator of operator performance than revenue. We are leveraging our experience both as a hotel owner and operator in developing the new model. With ten years of history in developing and operating three industry leading hotel brands, we understand the operations side of hotels, and as part of the publicly listed Emaar Properties, we are also focused on continued value creation," said Harnisch.

"The new model brings two core strengths: One, it enhances owner-operator relationships with greater onus on the operator to drive profitability. Two, it creates lasting value for hotel owners, even in the face of challenging economic conditions as the operator will focus on minimising operating expenses and strengthening profits," explained Harnisch.

Emaar Hospitality Group has already signed several management contracts to operate hotels in the UAE, Saudi Arabia, Bahrain, Turkey and Egypt for other developers and hotel owners. The new model is offered in addition to standard model and gives the hotel owners the opportunity to choose between the two.



“With the new model, we are looking to expand our footprint in the UAE and other international markets to operate hotels with a clear commitment on our side to enhance operating profits. We have evaluated the market landscape in preparing the new model, and we see it as an ideal fit to all geographies,” said Harnisch.

Globally, the hospitality sector is relooking at owner-operator contracts with consideration given to how profits and revenues are apportioned. A study by CharlesRusselSpeechlys* observes that with the base fee and share of profit structure, owner and operator risk and reward are totally unaligned, "as the internal rate of return that operators generate from revenue-based fee was normally sufficient to make the contract profitable for the operator" irrespective of the hotel's profitability.

Unlike many international hotel operating companies that are shedding their property and focusing on hotel management agreements, Emaar Hospitality Group is not only expanding its management contract expertise but also strengthening its own development pipeline with a total of 20 hotel projects – in Dubai and Fujairah - as well as in international markets including Egypt, Bahrain, Turkey and Saudi Arabia.

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Source: * <http://bit.ly/2nYpxgi>

Note to Editors

About Emaar Hospitality Group:

Emaar Hospitality Group LLC is a wholly-owned subsidiary of Emaar Properties PJSC, the Dubai-based global property developer, and manages Emaar’s hospitality and leisure projects globally.

Defining its competency in managing mixed-use property developments, Emaar Hospitality Group owns and manages a diversified portfolio of assets including hotels, serviced residences, golf clubs, polo club, marina and lifestyle dining restaurants.

Emaar Hospitality Group has defined its credentials in the hotel industry with the launch of three brands, each with a distinct niche – Address Hotels + Resorts, Vida Hotels and Resorts and Rove Hotels.

Address Hotels + Resorts has brought a fresh identity to the global hospitality and service sector by setting new benchmarks with its gracious hospitality and exceptional service standards. Address offers a more personal and engaging experience to guests in a premium lifestyle environment, enriching the lives of its guests with luxury, style and elegance. Address Hotels + Resorts is set to operate hotels and serviced residences in Egypt, Turkey, Bahrain and other key markets in the region as well as in Dubai.

An upscale lifestyle hotel and residences brand, Vida Hotels and Resorts is for the new generation of business executives, entrepreneurs and leisure travellers. Positioned as a lively and vibrant hub where inspiring minds can create, connect and come alive, Vida hotels are a stimulating environment where style meets convenience and interactivity. Vida Hotels and Resorts has two properties in Dubai and is set to operate hotels and serviced residences in Bahrain, Saudi Arabia, and other key markets in the region as well as in Dubai.

Rove Hotels is a contemporary midscale hotel and residences brand developed by Emaar Hospitality Group for a joint venture of Emaar Properties and Meraas Holding. Designed for the new generation traveller and highly mobile socially connected global nomads who recognise value, stays connected through technology and gravitate towards culturally-inspired surroundings, Rove Hotels are reliable, modern, fuss-free and super-efficient. Rove Hotels has three properties in well-connected locations across Dubai and is set to operate further properties in the city.

The leisure assets of Emaar Hospitality Group include Arabian Ranches Golf Club, Dubai Polo & Equestrian Club and Dubai Marina Yacht Club. www.emaar.com

For more information, please contact:

Kelly Home | Mohini Parmar

ASDA'A Burson-Marsteller; +9714 4507 600

kelly.home@bm.com | mohini.parmar@bm.com