



The Stellar Dundee Hotel LP (“the Fund”)

Review for the trading year-ending 31 March 2024

The Fund’s performance in the period has fell short of budget by 31.5% at EBITDA level. Despite achieving an ADR in excess of budget, shortfalls were driven by occupancy falling 6.4% below expectation. Such shortfalls to budget were the result of a government contract to house Ukrainian refugees being rescinded in October 2023, with the budget accounting for it to remain in place over the full trading year.

However, having seen figures exceeded pre COVID-19 trading levels in the 2022/23 trading year, continued growth has been achieved with the year-end EBITDA eclipsing prior year figures by c.26.4%.

Market Commentary

As reported by Knight Frank, 2023 was a story of two halves in the hotel market with strong occupancy growth in regional UK hotels in H1 2023, followed by robust growth in ADR during H2 2023. Since the turn of the year Cushman Wakefield noted a c.6% increase in RevPAR compared to Q1 2023, propelled by tangible ADR growth of 4% to £107 (+27% increase against Q1 2019) and a 20 bps improvement in occupancy across UK hotels.

Growth in 2023 was boosted by the return of overseas visitors to regional cities with RevPAR of regional assets seeing a 12.2% uplift on 2022 (Knight Frank). Year-on-year the uplift in overseas arrivals increased by 22% across four of the UK’s busiest regional airports, just 3% below 2019 levels, with VisitBritain forecasting inbound tourism in 2024 to draw level with pre-covid numbers. Cushman Wakefield corroborated this sentiment in their market outlook which predicts leisure demand, which surpassed 2019 last year, to grow by 6% in 2024, with business demand expected to exceed 2019 levels by 2025.

Despite the growth in occupancy and ADR of 4.6% and 5.2% respectively above levels seen in 2022 (Knight Frank), F&B revenue remains subdued in regional assets. F&B profits remain 18% lower PAR than in 2019, suggesting that the recovery in conference and events still has some way to go. In combination with this, Savills note that the spreads between RevPar and GOPPAR have risen in recent months due to ongoing cost pressures.

Cushman Wakefield reported that Q1 investment volumes in the UK rose to record post-pandemic levels up 138% year-on-year. A positive view of the market is shared by Savills in their investment outlook, which suggests that transaction volumes in the UK are set to eclipse levels seen in 2023 with over a billion euros worth of transactions already complete in Q1 2024 (2.62bn euros in FY 2023).

Executive Summary

Year-end March 2024

Executive Summary	YE March 24	Budget	BudVar	LastYear	PYVar
Occupancy	81.4%	87.8%	(6.4%)	69.6%	11.8%
ADR	£69.68	£68.60	£1.08	£70.77	(£1.10)
RevPAR	£56.69	£60.23	(£3.538)	£49.27	£7.43
Total Revenue	£2,227,884	£2,622,381	(£394,497)	£1,845,753	£382,131
GOP	£469,006	£618,965	(£149,959)	£404,401	£64,606
Hotel EBITDA	£288,954	£421,850	(£132,896)	£228,588	£60,365



As the above table demonstrates, performance for the year fell short of a budget that included a government contract to house refugees. Considering this contract was prematurely terminated and no subsequent business was seen in trading figures post October 2023, full-year performance at the hotel represents strong growth year-on-year.

It is pleasing to see that performance has remained robust despite a lack of unique events or government contracts underpinning business activities which boosted performance in prior years.

Hotel Revenue

Year-end March 2024

Hotel Revenues	Actual	Budget	BudVar	% Var	LastYear	PYVar	% Var
Room Revenue	£1,971,268	£2,094,288	(£123,020)	(5.9%)	£1,708,275	£262,993	15.4%
F&B Revenue	£246,788	£526,293	(£279,505)	(53.1%)	£128,562	£118,226	92.0%
Other	£9,828	£1,800	£8,028	446.0%	£8,917	£912	10.2%
Total Revenue	£2,227,884	£2,622,381	(£394,497)	(15.0%)	£1,845,753	£382,131	20.7%

As previously referenced, consistent rates and occupancy have driven room revenue beyond historic benchmarks. However, revenue remains below budget expectation.

The shortfall in F&B revenue to budget is largely due to the conclusion of the contract to house Ukrainian refugees who had been driving this revenue stream.

Hotel Profitability

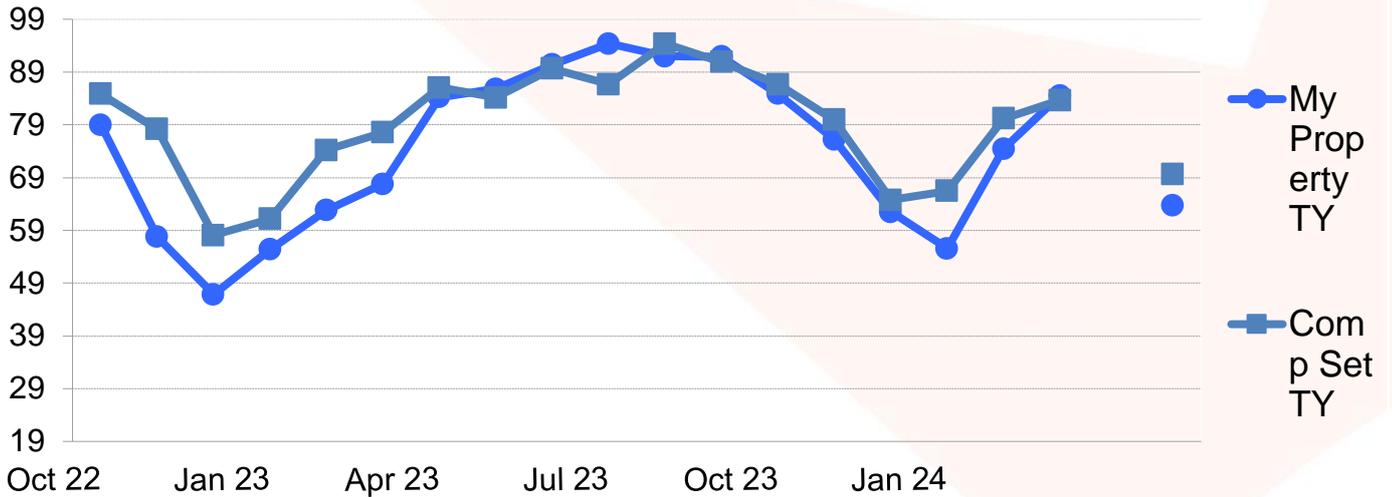
Year-end March 2024

Hotel Profitability	Actual	Budget	BudVar	% Var	LastYear	PYVar	% Var
GOI	£2,227,884	£2,622,381	(£394,497)	(15.0%)	£1,845,753	£382,131	20.7%
GOP	£469,006	£618,965	(£149,959)	(24.2%)	£404,401	£64,606	16.0%
NOP	£348,730	£496,756	(£148,026)	(29.8%)	£277,798	£70,932	25.5%
Hotel EBITDA	£288,954	£421,850	(£132,896)	(31.5%)	£228,588	£60,365	26.4%

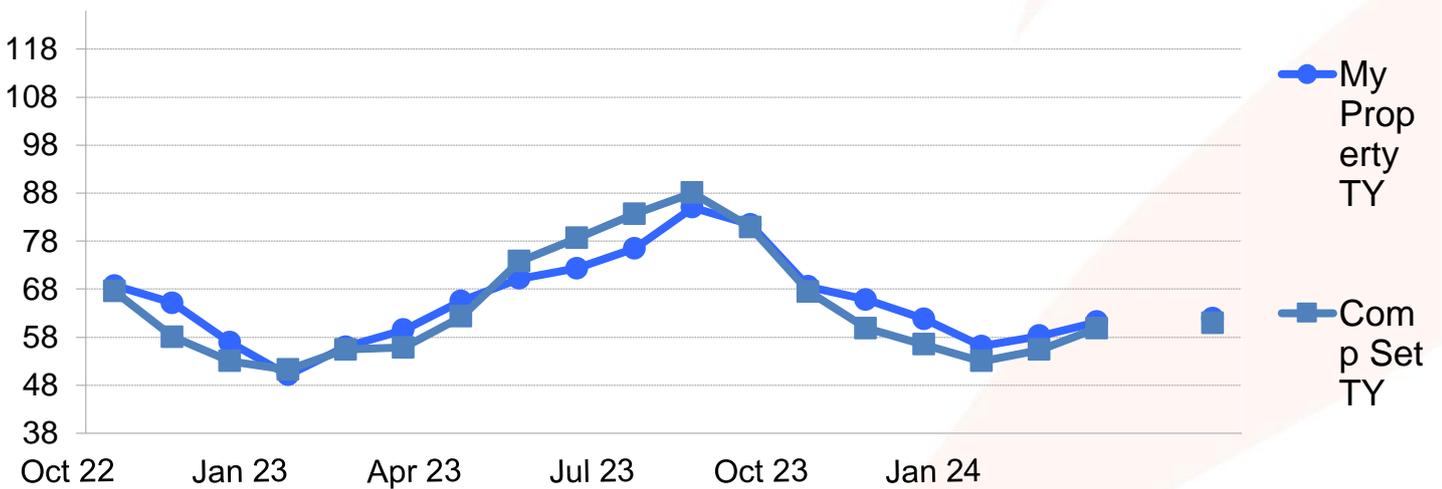
Despite operating in an uncertain market with additional competition entering the local market during the period, the Fund has performed well. Considerable outperformance at an EBITDA level of prior year numbers exhibits a strong direction of travel for the hotel, albeit behind budget.

Performance vs Competitor Set

Monthly Occupancy (%) – Oct 2022 to Mar 2024

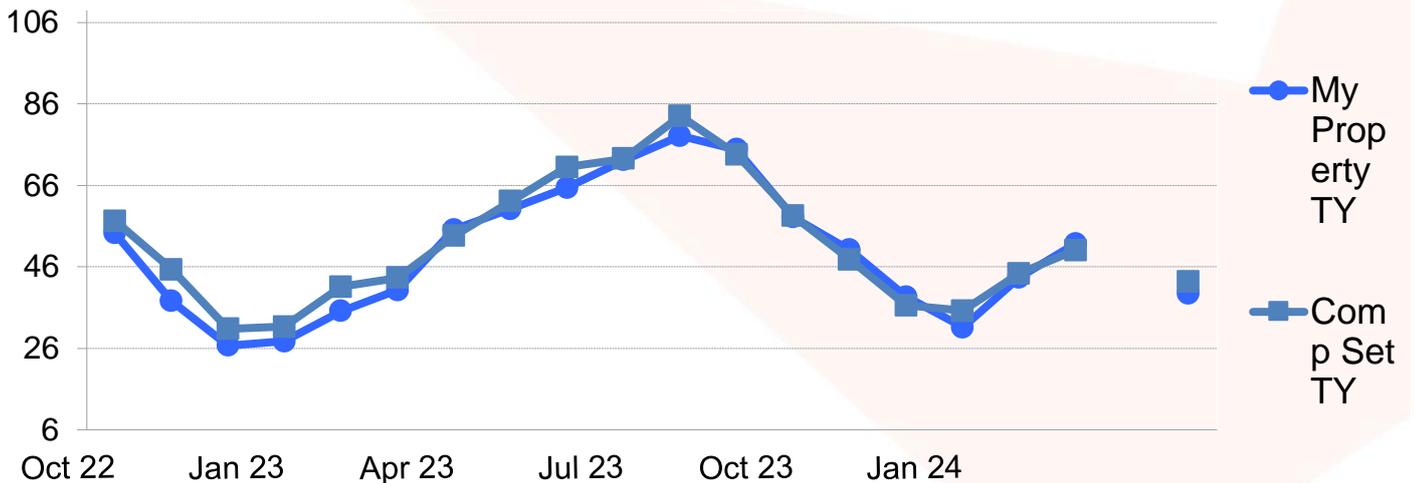


Monthly ADR – Apr 2022 to Sept 2023





Monthly RevPAR – Oct 2022 to Mar 2024



Frequently Asked Questions (FAQs)

To assist investors and their advisers, we have collated the most frequently asked questions that our client service team receive and have included our answers below.

Should you have any queries relating to the Fund or your investment, our client services team are readily available to assist and can be contacted on 020 3195 3500 or via email at enquiries@stellar-am.com.

How often are performance updates provided to investors?

Performance updates are issued on a half yearly basis by email. Once published, they can also be accessed at any point via our online portal: <https://www.stellar-am.com/portal/>.

What is the latest market valuation of my investment?

For an update on the current value of your investment, please contact our client services team on 020 3195 3500 or via email enquiries@stellar-am.com.

Is there any news on the CBILS (Coronavirus Business Interruption Loan) loan from NatWest for £250,000?

This was drawn down in July 2020 and is repayable over 6 years after this date.



Is there an updated timeline on exit?

There are no immediate plans to dispose of the asset and given the challenging market conditions in Dundee we believe any disposal is unlikely to generate any substantial value for investors unless trading performance improves substantially.

The ability of the hotel to generate sufficient trading profit during the Summer 2024 will determine whether the Fund has sufficient resources to see it through to Spring 2025 and beyond. We will naturally keep investors informed in this regard.

When will my tax certificate be available for tax year end April 2024?

Your tax certificate will be available in Q4 2024. These will be made available via our portal and can be emailed to you on request. Please contact enquiries@stellar-am.com

What is the taxation treatment of the Fund?

Income of the Partnership

Income arising to the Partnership will be treated for UK tax purposes as income arising directly to each Limited Partner in the proportion in which income is shared by the Limited Partners in accordance with the provisions of the Partnership Agreement. It is anticipated that rental income received by the Partnership will be fully used to pay the interest on the Loan Facilities and the balance of the rental income to amortise the Loan Facility balance. This will mean that there will be no distribution of profits to the Limited Partners. Interest payable on the Loan Facilities by the Partnership can be offset against the rental income of the Partnership for income tax purposes. Limited Partners should be aware that even though they will receive no distribution of net profits that they will still be liable to pay their share of the income tax due on those net profits at their marginal rate of tax direct to HMRC.

Capital Gains Tax

Each Limited Partner will be treated for the purpose of UK tax on chargeable gains as having a direct share in the Partnership Assets. The share of each Limited Partner will be equivalent to their interest in the Partnership Assets determined in accordance with the provisions of the Partnership Agreement. Upon the Partnership disposing of an asset to a third party, each Limited Partner will be treated as disposing of their share in the underlying asset. To the extent that any gain or loss arising on a disposal is treated for UK tax purposes as a capital gain or loss, each Limited Partner's share of any proceeds realised on disposal will be determined in accordance with the provisions of the Partnership Agreement. Any such capital gain will be based on the difference between the sale proceeds allocated to a Limited Partner's share in the Partnership Assets and the cost of the Limited Partner's Capital Contribution made to the Partnership before BPRA is taken into account.