



## The Stellar Dundee Hotel LP (“the Fund”)

### Review for the six months ending 30 September 2023

The Fund’s performance in the period has exceeded budget expectations by 7.8% at EBITDA level. Performance was driven by our ability to achieve an ADR significantly above budget whilst managing strong occupancy levels and minimising the cost of service.

Having seen a strong 2022/23 trading year with figures exceeded pre COVID-19 trading levels, continued performance has been achieved with the YTD September 2023 EBITDA not only exceeding budget but also eclipsing prior year figures by c.38%.

### **Market Commentary**

PwC highlighted how, despite strong growth and a heightening of demand in 2022, recovery in the UK hotel market has stalled in the face of continued volatility of trading conditions and rising operational costs. A disparity between London and the regions remains evident with YTD revenue per available room eclipsing pre-pandemic levels in London (100-105%). However, the same is not true in the regions (85-98%).

The hospitality sector has been able to partially offset inflation by passing costs onto consumers via increases in rates, without suffering a significant loss in occupancy rates. This however, has become increasingly difficult since the turn of the year as the effects of the cost-of-living crisis continue particularly outside London.

Challenges still remain in the UK hotel market with shorter booking windows, reduced corporate and international travel, costs of inflation and staffing shortages all persistent within the market. In their report Savills highlighted the reduced staycation figures, with households now prioritising holiday expenditure from excess savings as being partially responsible for the stagnation of the staycation industry in recent months.

Knight Frank reported the £3 billion of UK hotel investment in 2022 was 31% below the five-year average and 22% below the previous twelve months’ investment levels. However, there are signs that the UK hotel investment market has already become more settled with transactions set to eclipse 2022 figures for the full year 2023.

### **Executive Summary**

Six-months to September 2023

<b>Executive Summary</b>	<b>YTD Sep</b>	<b>Budget</b>	<b>BudVar</b>	<b>LastYear</b>	<b>PYVar</b>
Occupancy	89.8%	95.6%	(5.8%)	77.6%	12.2%
ADR	£75.48	£72.83	£2.65	£79.24	-£3.76
RevPAR	£67.78	£69.60	(£1.825)	£61.47	£6.31
<b>Total Revenue</b>	<b>£1,375,986</b>	<b>£1,481,083</b>	<b>(£105,097)</b>	<b>£1,130,532</b>	<b>£245,454</b>
GOP	£455,244	£432,120	£23,124	£394,963	£60,280
<b>Hotel EBITDA</b>	<b>£349,353</b>	<b>£324,202</b>	<b>£25,151</b>	<b>£252,887</b>	<b>£96,466</b>

As the above table demonstrates, performance for the year has exceeded expectations. This has been driven by the Fund’s ability to capture room rates in excess of budget without a significant compromise on occupancy levels, whilst also streamlining the costs of service.



It is pleasing to see that performance remained strong despite the early termination of a contract to house Ukrainian refugees. Importantly therefore, the hotel has exceeded budget expectations without any unique events driving ADR or occupancy as seen with events like Cop-26 in previous years.

Continual increases in business travel over the period have provided a positive outlook to the Fund's long-term recovery. Long stay business has been a crucial element of the hotel's continual recovery from the COVID-19 pandemic however, the contract to house Ukrainian refugees has now ended.

As previously reported, continual increases in ADR have benefitted the hotel however, performance has been significantly enhanced throughout 2023 due to the streamlining of expenses.

## Hotel Revenue

### Six-months to September 2023

Hotel Revenues	Actual	Budget	BudVar	% Var	LastYear	PYVar	% Var
Room Revenue	£1,178,348	£1,210,075	(£31,726)	(2.6%)	£1,068,663	£109,686	10.3%
F&B Revenue	£190,290	£270,108	(£79,818)	(29.6%)	£59,399	£130,892	220.4%
Other	£7,348	£900	£6,448	716.4%	£2,471	£4,877	197.3%
<b>Total Revenue</b>	<b>£1,375,986</b>	<b>£1,481,083</b>	<b>(£105,097)</b>	<b>(7.1%)</b>	<b>£1,130,532</b>	<b>£245,454</b>	<b>21.7%</b>

As referenced above, strong rates and stable occupancy have driven room revenue beyond historic benchmarks however, revenue remains below expectation YTD.

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 in recent months.

## Hotel Profitability

### Six-months to September 2023

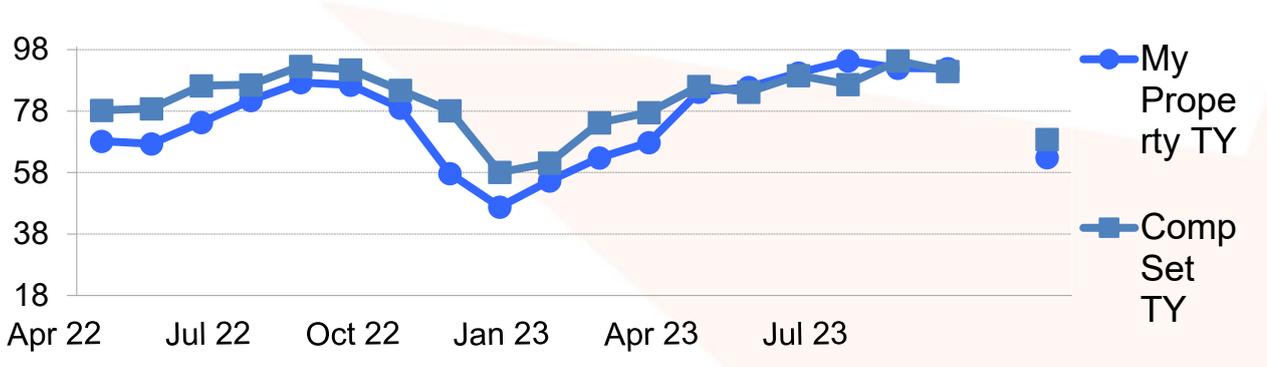
Hotel Profitability	Actual	Budget	BudVar	% Var	LastYear	PYVar	% Var
GOI	£1,375,986	£1,481,083	(£105,097)	(7.1%)	£1,130,532	£245,454	21.7%
GOP	£455,244	£432,120	£23,124	5.4%	£394,963	£60,280	15.3%
NOP	£395,270	£371,015	£24,255	6.5%	£291,066	£104,204	35.8%
<b>Hotel EBITDA</b>	<b>£349,353</b>	<b>£324,202</b>	<b>£25,151</b>	<b>7.8%</b>	<b>£252,887</b>	<b>£96,466</b>	<b>38.1%</b>

Despite operating in an uncertain market, YTD the Fund has performed well. Considerable outperformance at an EBITDA level of both budget and prior year numbers exhibits a strong direction of travel for the hotel.

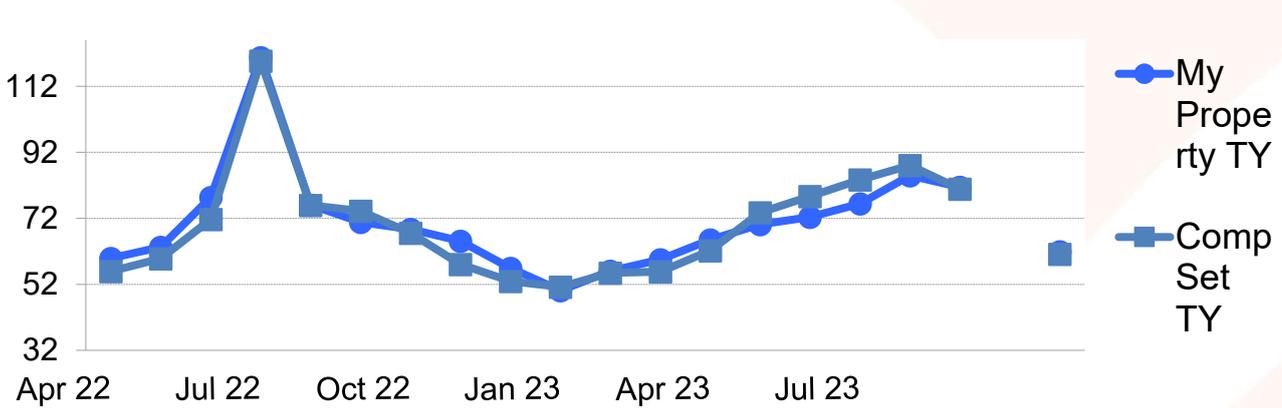


**Performance vs Competitor Set**

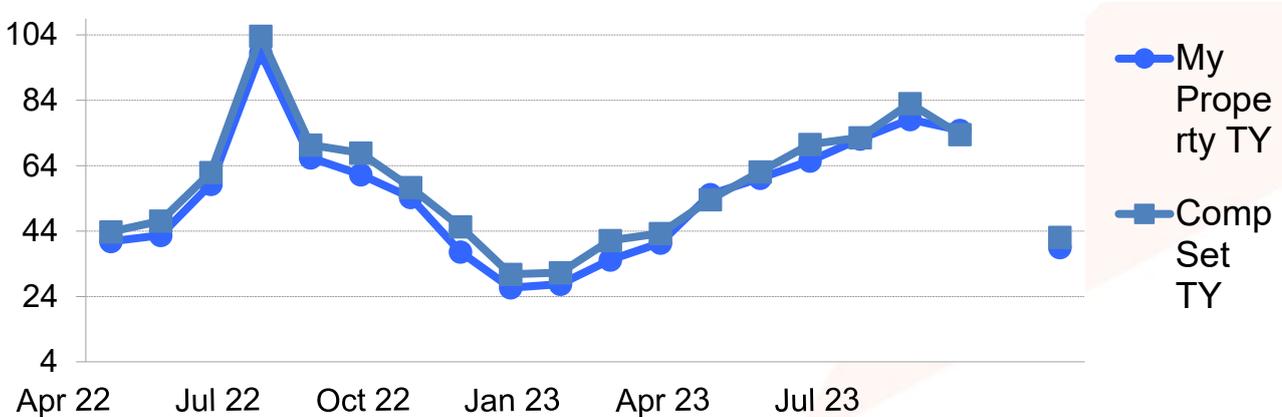
**Monthly Occupancy (%) – Apr 2022 to Sept 2023**



**Monthly ADR – Apr 2022 to Sept 2023**



**Monthly RevPAR – Apr 2022 to Sept 2023**





## **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](mailto: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](mailto: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. NatWest is unable to advance any further funds or support as a result of COVID –19. Further information is available in our update of 26 March 2021.

### **I submitted my *Investor Response Form* in relation to the future of the Fund, when will a meeting of investors be held?**

A meeting was held which approved the resolution to allow the Operator (Stellar) to raise further funds. Dialogue continues with interested parties, and we will write to investors once matters have been finalised. However, with the improvement of trading performance and the impact of the Ukrainian business in the coming year, the immediacy to conclude these matters has dissipated.

### **When will my tax certificate be available for tax year end April 2023?**

Your tax certificate will be available in Q4 2023. These will be made available via our portal and can be emailed to you on request. Please contact [enquiries@stellar-am.com](mailto: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.

### **What is the process for surrender and how long should it take to receive the proceeds?**

At the time of investment, it was stated that the transferability of an interest in the Partnership would be restricted. We are currently unaware of any potential buyers for interests, so unfortunately would not be able to facilitate a sale at this time.