GCC Hospitality Industry

April 13, 2011

ALPEN CAPITAL

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For any query regarding this report, please contact:

Sameena Ahmad

Managing Director

Sameena.ahmad@alpencapital.com

+971 (0) 4 363 4345

Sanjay Vig

Managing Director

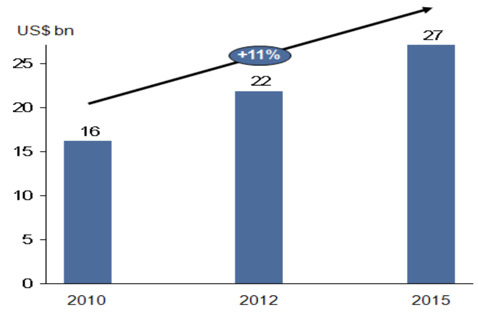
s.vig@alpencapital.com

+971 (0) 4 363 4307

DISCLAIMER:

1 At a Glance

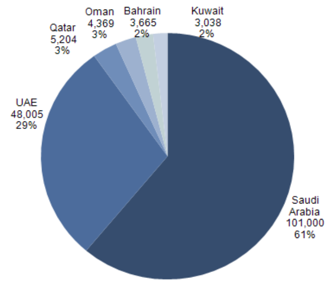
- Alpen Capital estimates room revenues from the Hotel industry in the GCC to be around US$ 16 billion in 2010 and will rise to US$ 27 billion in 2015 registering a CAGR of 11%. Saudi Arabia and UAE are the two biggest markets in the region with 89% share jointly. By 2015 the share of these two countries will marginally dip to 87%.



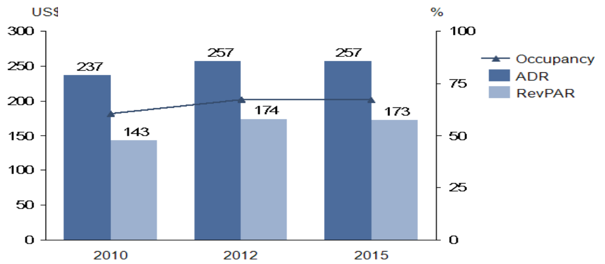
- According to WTTC, tourist arrivals to the region will go up from 41 million in 2010 to 64 million in 2020 which bode favourably for the Hospitality sector.

Tourist Arrivals ('000)			
Country	2010	2015	2020
Bahrain	8,568	11,459	12,198
Kuwait	5,074	5,473	5,860
Oman	1,357	1,564	2,091
Qatar	1,591	1,892	2,126
KSA	14,413	21,042	27,496
UAE	9,993	12,206	14,502
GCC	**40,996**	**53,636**	**64,273**

- According to the hotel rooms supply pipeline for the next 5 years, Saudi Arabia leads the way with 101,000 rooms which is 61% of the pipeline, followed by UAE with 48,005 rooms accounting for 29%.



- As per our forecasts, the key matrices in the region will stabilize in the coming years. Occupancy rates were 60% in 2010 and will remain steady at around 67%, 2012 onwards. ADR will stabilise at US$ 257 during from 2012 to 2015 while RevPAR is likely to be around US$ 173 during the same period.



- According to the Meetings Industry Research Report, which has research carried out at the beginning of this year with responses from over 600 international and regional buyers and suppliers, the UAE still dominates the region as the country of choice for meetings and events, with Dubai still the most popular emirate.

- The GCC hospitality sector is currently trading at a P/E of 15x average which is a discount compared to its Asian peers, trading at average of around 50x. EV/EBITDA for the industry is at a very attractive level of 10x compared to US and Asian average values of 26x and 24x respectively indicating attractiveness of the sector.

2 Report Highlights

2.1 Executive Summary

During the past decade, the Gulf Co-operation Council (GCC) has witnessed rapid socio-economic and demographic changes. Since 1998, GCC's real GDP grew at an annual average rate of 5.2% and by a cumulative total of 65%. Meanwhile, population rose from just over 28 million in 1998 to an estimated 39 million in 2008. It is likely to reach 53 million by 2020 with a significant proportion below 25 years age group according to EIU. The GCC economies are now perceived — not only as exporters of oil and gas, but also as major investment destinations due to booming tourism and hospitality sector, vibrant financial services sector, and large scale infrastructure projects.

Recently, the region suffered greatly due to the global economic slowdown which affected tourist arrivals thereby negatively impacting the hospitality sector. However, with gradual recovery in the global economic environment, the prospects for growth in both the tourism and hospitality sector have revived and the outlook seems bright in longer term.

Government initiatives such as investments in infrastructure projects, bids for global sports events, commitment to diversifying its economy and initiatives to stimulate the private sector are driving the growth of hotel markets at all levels. As a result, there are large numbers of investments planned by both, domestic and foreign players, and some of them are already in the construction phase. The current GCC hotel development pipeline comprises 437 hotels totalling 165,281 guest rooms. In 2010, the hospitality industry reported positive results on all key parameters - Occupancy, Average Daily Room rate (ADR) and Revenue per Available Room (RevPAR).

The outlook for the hotel industry for 2011- 2015 remains positive, however in the near term, the revenues may be affected due to supply of large number of rooms that are expected to enter the market over the next few years. Also important are the indications of a slow recovery in the key source markets like Europe, USA and some developed countries. The expansion of the middle class in both India and China will contribute greatly towards tourism receipts in the GCC. However we estimate the occupancy levels to hover around 68% for most of GCC for next three to four years.

Notwithstanding the current situation, the region remains an attractive destination for investors looking for medium to long term returns.

2.2 Scope of the Report

This report studies the Hospitality sector in the GCC with a focus on the hotel industry room availability and room revenues, its growth, performance and outlook for next few years. The report does not include revenues from F&B and events which range between 45-50% for the GCC region. The report assesses the current market scenario in order to understand its demand and supply dynamics, growth drivers and opportunities that lie in future. It also discusses the challenges and threats that might dampen profitability and affect its future outlook. The report attempts to analyse performance of this sector in terms of ADR, Occupancy and RevPAR over the past few years, as well as analyze the present market conditions with respect to the hotel development pipeline. The report covers each of the six countries in the GCC separately to gauge specific aspects that might impact the hotel market in each of these markets. The report also profiles major players from the region and evaluates their performance against its peers and the industry as a whole.

2.3 Investment Positives

The GCC hospitality sector is again nearing a demand boom. Travel and tourism, a big industry in the region is slowly grabbing attention of potential investors looking to benefit from this fast growing industry. Listed below are some investment merits for the Hospitality sector;

Macro Economic factors

IMF estimates the real GDP growth for the region at 3.69% in 2010 up from 1.85% in 2009 which is a healthy growth. It also predicts that average GDP growth rate for GCC to be 5.5% from 2011 to 2015. The Hospitality sector which bears a strong correlation with the economic development will certainly benefit from this growth.

Large tourist influx is expected to drive up volumes with a changing world, increase in middle class population, new feeder markets like China and India and most importantly intra regional travel which is expected to increase as the youth of the region enter the work force and are likely to travel more than people in older age groups.

The Hospitality sector is recovering in conjunction with the improvements in economic conditions particularly that of the developed countries which are its main source markets. Continued improvement and stability in these source markets will have a positive impact as more business activity will boost corporate travel which is a key driving factor for the hotel industry.

Industry specific factors

Based on the analysis of past trends, we estimate the key performance metrics of the hotel industry to stabilise in the coming years. Occupancy rates will be around 67% while RevPAR should improve by 11% during in the next 5 years.

There are plans for increasing the supply of hotel rooms throughout the region. The room supply is likely to grow by 30% in the next 5 years due to increased demand from tourist arrivals and Meetings, Incentives, Conventions and Exhibitions (MICE).

The rapid pace of economic diversification focusing on the various industries like Media and entertainment, Telecom, Pharmaceuticals and Green technology has fuelled the growth of the hospitality sector in the region creating a conducive environment for flow of business and leisure travellers. This has encouraged an expansion in the portfolio of hotels and hotel apartments. UAE dominates the region as the country of choice for meetings and events, with Dubai still considered the most popular emirate. Abu Dhabi and Qatar with their respective visions for 2030 are creating attractions and services to entice both business and leisure travellers alike.

Intra regional tourism is also expected to get a boost from the on-going development of projects, high disposable income and organic growth in each of the countries.

While the 'mass tourism' sector will continue to drive demand, 'adventure & eco tourism' will fast catch up. GCC countries have been expanding their network of tourism promotion offices across Europe and Asia in order to attract more visitors. Initiatives such as aggressive marketing strategies, theme festivals and hosting of large trade fairs and major events have also contributed to the increase in hotel room demand and occupancy.

Government support

Government support and initiatives to finance major infrastructure projects, easing of visa norms and raising FDI limits for investments in several non strategic sectors by some countries to up to 100% have given a boost to the hospitality sector.

2.4 Investment Negatives

Estimates and forecast could be negatively impacted if the growth rate is dampened by macroeconomic and political factors and delays in the upcoming hotel projects. Other issues like currency fluctuation change in government regulations and sustainability concerns might impact the overall performance of the hospitality industry.

Shortage of skilled manpower and high employee turnover continues to plague the industry; employee turnover in the industry is as high as 31% in GCC. With improvement in demand, attracting and retaining skilled manpower becomes increasingly important.

Rising cost of construction is also an area of concern for industry. Construction cost remains high compared to other regions because of building materials and labour. The industry had seen a 50 % rise in 2008 and there is fear that it might again rise considerably given the spate of projects. For a capital intensive industry like hospitality a small change can have a significant impact on the viability of new projects.

At the time of publishing this report, parts of the GCC region, and the surrounding larger MENA region, are under a wave of political uncertainty and unrest. Even though it is close to impossible to predict the start or the end of such protests, Alpen Capital has a long-term optimistic viewpoint on the region. However, prolonged political uncertainty can negatively impact the hospitality industry.

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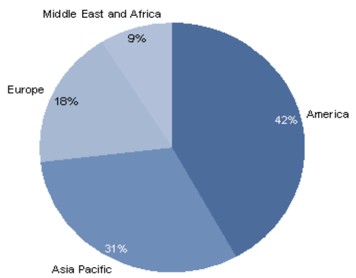
3 The Global Market Analysis

Although tourism and hospitality is one of the largest industries globally, spending on tourism and hotels is directly related to the economic cycle. Spending on leisure activities is amongst the first things that consumers cut back during times of economic hardship. The travel and hotel industry is thus affected by reduced demand when economy shows signs of slowdown. Since 2010 international tourism continued to recover from the decline it experienced for the past couple of years on account of economic crisis.

The number of hotel rooms that came on stream from December 2009 till November 2010 was 217,000 with the majority of it coming from the Americas (see chart1).

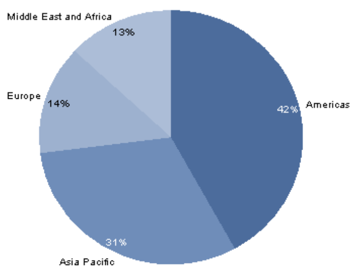
Chart 1: Room Supply: Recently Opened (2010)



Source: STR Global, Alpen Capital

For the next 4-5 years the room pipeline looks strong at 883,000 with Americas having the bulk of the pipeline followed by Asia pacific and Europe (see chart 2).

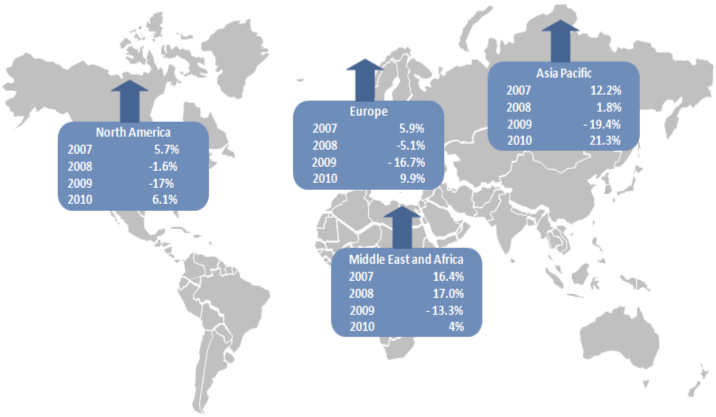
Chart 2: Room Supply Pipeline (Up to 2014)



Source: STR Global, Alpen Capital

According to a recent report, there has been an improvement on all the key metrics of the industry

Chart 3: Operating Statistics: Year-end RevPAR change (%)



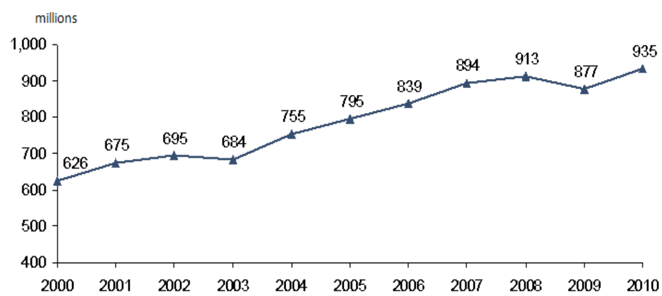
Source: STR Global

globally. RevPAR particularly has stabilised firmly in 2010 and is likely to strengthen further with increase in demand boosted by global travel (see chart 3).

International Tourism

International tourism made steady recovery in 2010 according to the Advance Release of the UNWTO World Tourism Barometer. Tourist arrivals were up by 6.7% (up 58 million) to 935 million, from 2009 and 22 million more than the pre-crisis peak level of 2008 (913 million)(see chart 4). All important destinations globally registered positive numbers, sufficient to offset recent losses. This recovery which was primarily because of emerging economies came at varying speeds. The rate was lower in advanced economies (+5%) and faster in the emerging ones (+8%) reflecting a global economic situation that is set to dominate in the near future.

Chart 4: International Tourist Arrivals



Source: UNWTO

Global demand in tourism stood firm in 2010, even with persistent economic uncertainty in major developed countries, political and social turbulence in a few and natural calamities such as the case of in disruption of air travel following a volcanic eruption in Iceland in April 2010 and the difficult weather conditions in parts of Europe and the USA in December 2010, and the more recent tsunami in Japan.

2010 also witnessed important mega-events such as sport, culture and exhibitions. These events attracted visitors and positioned host countries as attractive tourism destinations. Few noteworthy events include the Shanghai Expo in China, Winter Olympics in Canada, FIFA World Cup in South Africa, Beijing Asian Games and the Commonwealth Games in India.

Confirming these trends, over 300 experts from around the globe who are a part of the UNWTO Panel of Experts evaluated 2010's overall performance very positively and maintained their optimistic growth outlook for 2011 (see chart 5).

Chart 5: International Tourism 2011 – Growth Outlook by region

	2010	2011
World	**+6.7%**	**4% to 5%**
Europe	+3.2%	2% to 4%
Asia and Asia Pacific	+12.6%	7% to 9%
Americas	+7.7%	4% to 6%
Africa	+6.4%	4% to 7%
Middle East	+13.9%	7% to 10%

Source: UNWTO

Growth to Continue in 2011

Following global recovery in 2010, growth for the tourism sector is expected to continue in 2011 but at a slower pace. UNWTO forecasts international global tourist arrivals to grow around 4% to 5% in 2011, a rate slightly above the long-term average.

Hotel investment activity-2010

- Recent research shows that by September 2010, the global hotel investment market experienced a strong upturn with transaction volumes reaching US$12 billion, representing a 60 % increase over the same period last year
- The American region made the strongest recovery, with volumes increasing 179 % over the same period in 2009 to total US$ 4.8 billion
- Investments in the Asia Pacific region was least impacted by the global economic slowdown and remained strong at US$1.9 billion
- In Europe, Middle East and Africa (EMEA), investment volumes rose by 55 % y-o-y compared to the first three quarters of 2009, mostly due to gains witnessed in Europe. Hotel investment activity is picking up in Middle East but remains low compared to the developed world.
- With over US$ 1.4 billion of investment transacted UK has been the most active market in the EMEA region in 2010, followed by France with approximately US$ 715 million invested. Spain comes third with transactions valued at US$ 412 million.

Upside opportunities

- Business and consumer confidence has shown signs of improvement
- Interest rates and inflation continue to be at low levels and are expected to rise marginally in the short term
- Markets are expected to rebound after a slowdown due to latent demand and major tourist destinations are likely to gain from this opportunity
- Major feeder markets which were affected significantly in 2009 such as the US, Russian Federation or the UK are expected to rebound providing better inflow of tourists to the region
- The flexibility exhibited by the tourism and Hospitality sector in dealing with rapid fluctuations in demand and volatility of market conditions has positioned it better to take advantages of the near term boom phase

Downside risks

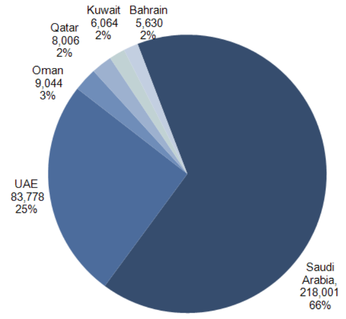
- Unemployment is the key challenge. Slow recovery in employment is expected in 2011; however this would not offset the jobs lost during the economic crisis
- Major source markets, such as Europe and the USA, are still fragile with fears of a double dip. The effect of the recent tsunami in Japan which is a large source market for tourism globally is yet to be ascertained but will certainly have a negative impact. With Japanese people feeling the sense of responsibility outward travel might be significantly cut down in order to improve domestic savings.
- Stimulus measures are likely to be phased on account of increasing public deficits, however a number of advanced economies may witness increases in taxes, thus exerting pressure on household and company budgets
- Oil prices remain volatile and with the rise in crude there is an expected hike in air travel cost that can dampen demand for international travel.
- Security threats and consequent difficulties can pose a challenge for international travelers because of associated costs.
- Pace of recovery of revenues and yields are expected to be slower than travel volumes.
- Introduction of taxes on travel as a means of adjusting public accounts deficits is a further challenge. Taxes affect tourism's ability to create jobs and economic growth; this would affect development of hospitality sector in emerging economies.

4 GCC Market Analysis

4.1 Market Size and Structure

The GCC hospitality industry registered US$ 16 billion in revenues from hotel rooms in 2010. The market had an estimated stock of 330,523 branded rooms (see chart 6) with Saudi Arabia and UAE constituting around 91% of the total. In the next 5 years, the room stock is likely to grow by 30%. The industry comprises of Luxury, Upscale, Mid-market and Budget rooms with several international companies operating alongside regional players to cater to the needs of different categories of travellers.

Chart 6: Room Supply Statistics: GCC – 2010



Source: STR Global

4.2 Methodology

To assess the performance of the industry, three important metrics have been taken into account to project the revenue namely; Average Daily Rate (ADR), Occupancy rates (OR), Revenue per available room (RevPAR). Capacity in terms of rooms available has also been estimated.

- ADR is the average daily rate which is calculated by dividing Total revenues by number of rooms sold
- Occupancy rate is the percentage of rooms that is expected to be booked out of the total number of rooms available
- Capacity means number of rooms that are fully constructed and ready for use
- Revenue per Available Room (RevPAR) is calculated by multiplying the ADR with Occupancy. RevPAR can also be calculated by dividing the total room revenue in a given period (excluding discounts and taxes and meals) by the number of available rooms in the same period.

We have forecasted the occupancy rates of the GCC region by correlating it with the GDP of the region. We infer that the occupancy rates are related with the level of tourism and business activity in the region which is reflected in the GDP. Therefore we used a regression equation under the “Ordinary Least Square Method” between the GDP (independent variable) and occupancy (dependent variable). Future ADR has been linked with occupancy rate and has been projected similarly.

Average occupancy rates = weighted average Occupancy rates with GDP of each countries used as weights.

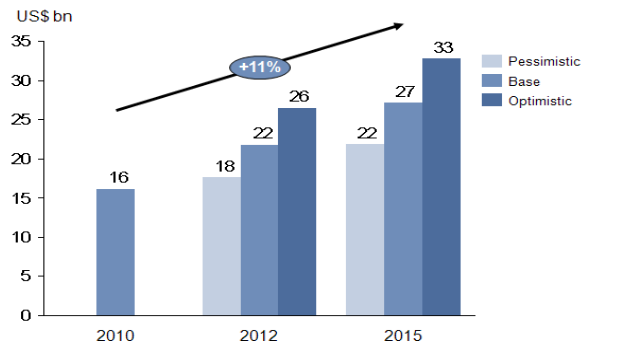
Average ADR has been calculated using the formula: Average ADR = weighted average ADR with occupancy rates of each country used as weights.

The hotel revenues has been calculated using = Average ADR * (Total Capacity * Average Occupancy rate* 360 days of the year). Revenues for the region have been arrived at by aggregating the revenue generated by each country in the hotel industry.

However, the overall hospitality industry revenues will be much higher and will include contributions from F&B and events as well which range between 45-50% for GCC.

4.3 Industry Performance

Chart 7: Hotel Revenues from Rooms



Source: Alpen Capital

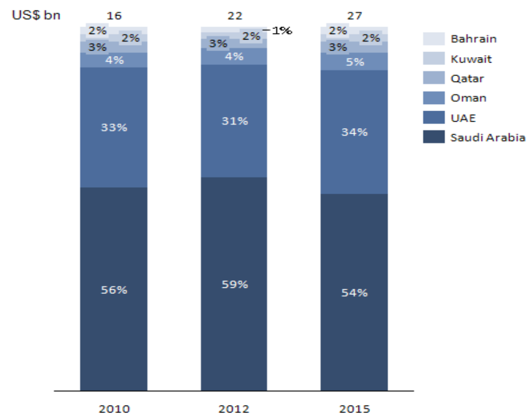
Base case: Our estimates for room revenues for the GCC hotel industry for the years 2012, and 2015 will stand at approximately US$ 22 billion and US$ 27 billion respectively growing at a rate of 11% from 2010 (see chart 7).

Optimistic case: Our optimistic estimate assumes an increasing supply of rooms coupled with increasing demand from tourist arrivals. This leads to occupancy rate increasing by 10% and ADR increasing by 10%. Under such circumstances, the room revenues for the GCC hotel industry for the years 2012 and 2015 will stand at approximately US$ 26 billion and US$ 33 billion respectively (see chart 7).

Pessimistic case: Our pessimistic estimate assumes an oversupply of rooms coupled with a decline in demand from tourist arrivals. This leads to a decline in occupancy rates by 10% and ADR by 10%. In such a scenario, the room revenues for the GCC hotel industry for the years 2012 and 2015 will stand at approximately US$ 18 billion and US$ 22 billion respectively (see chart 7).

Revenue share by countries as depicted in chart 8 shows Saudi Arabia and UAE accounting for around 89% in 2010, this overwhelming share is likely to continue till 2015 albeit with a small dip. Other countries will continue to remain small as compared to Saudi Arabia and UAE.

Chart 8: Hotel Room Revenues by Country

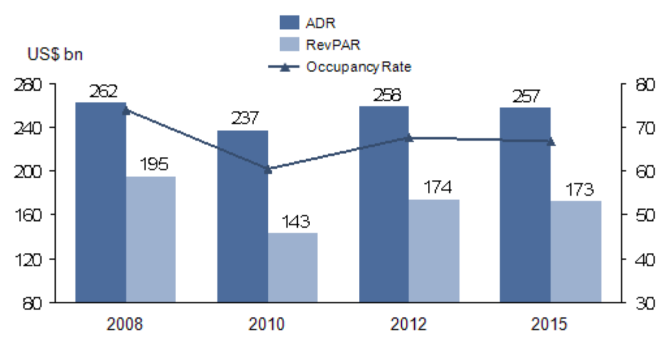


Source: Alpen Capital

GCC Hospitality industry performance (Operating Metrics)

Industry performance as measured by annualized RevPAR will stabilise at around US$ 173 during 2012 to 2015. ADR for the region will firm up to US$ 257, while occupancy rates will be around 67% for the same period (see chart 9). It is important to note that ADR and RevPAR in GCC are highest amongst global sub-regions

Chart 9: Performance of Hotel Industry -- GCC



Source: Alpen Capital

We have formulated our opinion on the GCC hospitality outlook based on supply and demand side factors. Accordingly, projections are based on two approaches:

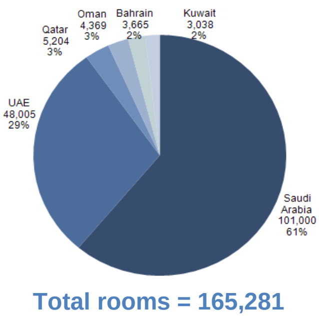
4.4 Supply Side

Supply-side approach: Forward estimates of the number of available rooms is based on the current and planned hotel projects – the hotel project pipeline has been comprehensively examined to gauge total no. of rooms expected to be added over next 4-5years. Consideration has been taken for delay in completion and cancellation of projects to assess the GCC hospitality market size over the next few years.

Room Supply Statistics

Current GCC hotel pipeline comprises of 437 hotels, totalling 165,281 guestrooms, according to STR Global latest construction pipeline report. Saudi Arabia leads in terms of number of rooms planned for development, followed by UAE and Qatar (see chart 10)

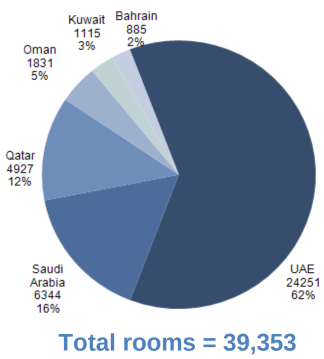
Chart 10: Rooms planned for development



Source: STR Global, Al Tameer, Alpen Capital

However in terms of rooms under construction UAE leads with 24,251 rooms (62%) as of 2010. Saudi Arabia follows with 6,344 rooms (16%). Qatar ranks third with 4,927 rooms (see chart 11). With the recent awarding and interest building for the 2022 Football World Cup, these numbers are expected to increase over the coming years.

Chart 11: Rooms in construction phase



Source: STR Global, Alpen Capital

4.5 Demand Side

Demand-side approach: Forward growth estimate is based on forecasts of tourist arrivals and tourist receipts (transits and leisure & business spending for international and regional visitors).

International Tourist Arrivals

In the past few years GCC has been one of the fastest growing regions. The international tourist arrivals in the region during 2008-10 shrunk from 43 million to 41 million. 2008 had seen the peak inflow of tourists due to booming economic conditions. The growth in tourist arrivals will continue to be moderate at 3.5% CAGR till 2020. Most countries will experience similar growth rates except for Kuwait (see chart 12).

Chart 12: Tourist arrivals

Country	International Tourist Arrivals ('000)				
	2008	2010	2015	2020	CAGR
Bahrain	8,213	8,568	11,459	12,198	3.4%
Kuwait	4,736	5,074	5,473	5,860	1.8%
Qatar	1,405	1,591	1,892	2,126	3.5%
Saudi	17,717	14,413	21,042	27,496	3.7%
Oman	1,486	1,357	1,564	2,091	2.9%
UAE	9,221	9,993	12,206	14,502	3.8%
GCC	**42,779**	**40,997**	**53,636**	**64,273**	**3.5%**

Source: World Travel & Tourism Council (WTTC)

As per WTTC, the number of tourists visiting GCC is expected to reach 64 million by 2020 which bode well for the future potential of the hospitality sector. Currently, the main source markets for tourists to the GCC are Europe, the UK and the region itself. Given the GCC's strategic gateway location, with millions of people living in short-haul flight distance, there is a lot of potential to develop non-traditional markets. With this view, many global hotel chains have entered and invested in the region. There has been improvement in tourist receipts by US$ 3billion from 2008 – 10. Tourist receipts which include expenses incurred on hotels, restaurants, travel and communication is likely to reach US$ 187 billion by 2020 registering around 7% CAGR (see chart 13). Qatar is expected to gain around 10% in tourist receipts which is highest amongst member countries.

Chart 13: Tourist Receipts

Country	Tourism Receipts US$ billion				
	2008	2010	2015	2020	CAGR
Bahrain	3.06	3.31	4.23	5.35	4.7%
Kuwait	7.46	7.85	11	15.02	6%
Qatar	3.79	4.35	7.28	11.80	**9.9%**
Saudi	26.71	29.11	49.69	72.88	8.7%
Oman	5.07	4.21	6.18	8.55	4.5%
UAE	37.87	38.45	53.14	73.59	5.7%
GCC	**83.94**	**87.28**	**131.52**	**187.18**	**6.9%**

Source: World Travel & Tourism Council (WTTC)

There is a focus on increasing differentiation between the GCC states with niche tourism offerings such as sports tourism, adventure and eco tourism, healthcare tourism, heritage and cultural tourism, diving and wildlife tourism while maintaining traditional leisure and retail-focused tourism and the important religious tourism. These initiatives will certainly have a positive impact on the industry as a whole and generate a larger inflow of tourists.

UAE, primarily through the success story of Emirates Airlines, has ensured Dubai as a strategic hub of choice for both leisure and business travellers. Emirates Airlines has partnered with various hotels as well as sponsoring key events in Dubai to attract visitors such as the Dubai Shopping Festival. Saudi Arabia has invested heavily into the hospitality sector to take advantage of the religious tourism segment.

Business travel and events

Chart 14: Business Tourist Receipts

Country	Receipts US$ billion				
	2008	2010	2015	2020	CAGR
Bahrain	0.35	0.38	0.46	0.54	4%
Kuwait	0.98	1.33	1.61	2.05	6.4%
Qatar	0.55	0.57	1.04	1.75	10.1%
Saudi	7.52	7.87	15.09	22.08	9.4%
Oman	1.27	0.97	1.50	1.99	3.8%
UAE	9.44	8.14	10.99	15.62	4.3%
GCC	**20.11**	**19.26**	**30.69**	**40.04**	**6.8%**

Source: World Travel & Tourism Council (WTTC)

Business travel had dipped considerably post 2008 which is also reflected in the lower travel receipts in 2010. The region is bouncing back as an important business destination since then and this improvement will continue for the next few years. Total business travel receipts are expected to touch US$ 40 billion by 2020. Qatar and Saudi Arabia will register growth rates of 10% and 9% respectively (see chart 14). UAE which receives the largest share of business travel receipts currently is likely to get overtaken by Saudi Arabia by 2015, however will continue to remain a major destination.

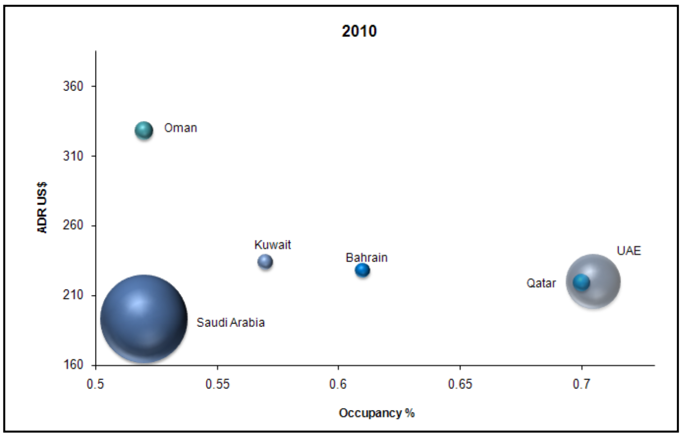
With the region recovering from the credit crisis, there is an increased focus on business travel, meetings and events. According to the Meetings Industry Research Report, which has research carried out at the beginning of this year with responses from over 600 international and regional buyers and suppliers, the UAE still dominates the region as the country of choice for meetings and events, with Dubai still the most popular emirate. The UAE government is investing heavily into attracting this lucrative segment. The Abu Dhabi Tourism Authority has entered into an associate partnership with the Meetings Professional International Foundation (MPIF), to help determine the most essential training requirements and training gaps that need to be addressed for expanding the meetings industry.

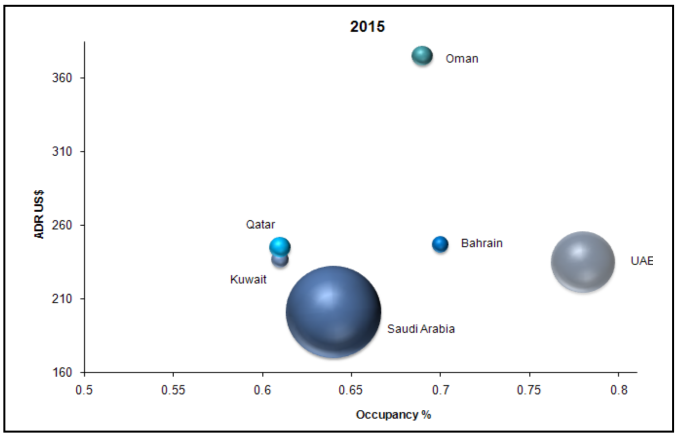
Major attractions for each country

The UAE has a lot to offer for both leisure and business travellers. Dubai is politically stable and has good connectivity around the world and flight connections through Emirates Airlines and Etihad Airways are excellent. It has a mature infrastructure offering convention centres, resort and business hotels, and good transport facilities. It also has invested into hotels attractions like the Burj Khalifa (the tallest free-standing structure in the world), shopping malls, desert tourism, and sporting events and festivals like the Dubai Duty Free Tennis Championships, the Dubai World Cup (the richest derby), the Dubai Desert Classic golf tournaments, the Dubai Shopping Festival. Abu Dhabi also has a lot to offer visitors. The emirate has ensured a diverse range of activities with the launch of the Yas Island development, which houses the Ferrari World theme park and the Abu Dhabi Formula One Grand Prix, alongside the upcoming branches of the Guggenheim and the Louvre museums, and natural attractions such as the Sir Bani Yas and Lulu islands.

Jeddah, in Saudi Arabia, is the transit hub for religious tourism and could withstand the recessionary pressures better, indicating that it is the most stable market for hospitality services. Saudi Arabia also holds almost 60% of regional meetings related to intergovernmental gatherings, and hosts the vast field of training related to the oil industry.

Chart 15: Operating Metrics Country wise





Source: HVS International, Alpen Capital , Size of Bubble indicates number of hotel rooms

The hosting of the 2022 FIFA World Cup has put a spotlight on Qatar and tremendous investments into infrastructure and facilities which include hotels will make Doha an important destination in the coming years.

With the initiatives taken by individual governments to promote travel and tourism our estimates suggest improvement in 3 key metrics that determine the performance of the hospitality sector for the next 5 years (see chart15).

4.6 Investment activity in GCC

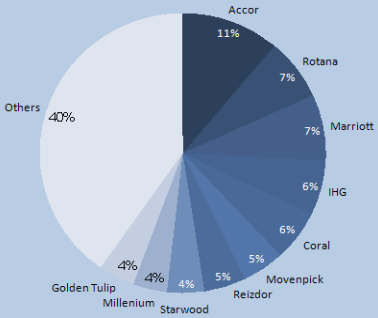
- Heavy spending was seen in the GCC hospitality industry on hotels during 2010 despite global economic woes. Cash expenditure on hotel projects under construction across the region was expected to top US$ 1.17 billion in 2010.

- Foreign investors, who had withheld their plans earlier, are now actively scouting the region for investment opportunities. Many are looking at expansions in next three to five years, because they believe there is tremendous potential in the hospitality sector based on anticipated future demand. Value of hotel projects throughout the region, under construction and due for completion in 2013-14 is expected to be around US$ 7 billion as per Dubai based Proleads. A list of major 5 star projects by operators and brands is shown below (see chart 17).

Investment Snapshot

- Four Seasons plans to open six hotels over the next five years it includes its first property in the UAE at Abu Dhabi. Its other new hotels are planned for Bahrain, Qatar, Kuwait and Oman.
- Marriott International plans to open 42 new hotels in the MENA region over the next three years
- Dusit is planning to open at least 15 hotels in the GCC and Middle East alone by 2015
- Leading brands such as Accor Group, Seven Tides are investing in the region with an array of new brands such as The Pullman (Accor) and the Grand Hall (Seven Tides) both respectively opening in Dubai
- The other key operators are planning to expand their brands include InterContinental, Rotana, Mövenpick, Fairmont, Starwood, Rezidor, Wyndham and Hilton. Starwoood plans to add 3 more St. Regis hotels in Doha and Dubai.
- Some key operators that are also growing their presence in the region include Mandarin Oriental (Abu Dhabi Saadiyat Island) , Hyatt Corporation and Banyan Tree Hotels & Resorts (see chart 16)

Chart 16: GCC Projects – Hotel Developments Planned 2009 – 2014 by Operators



Source: APS Media Group

Chart 17: Upcoming 5 Star Hotel Projects – by Operators

Country	Name Of The Project	Company	Brand	Opening Year
Bahrain	Renaissance Bahrain	Marriott International	Renaissance	2011
	Four Seasons Hotel Bahrain	Four Seasons Hotels and Resorts	Four Seasons	2014
	Bahrain Rotana	Rotana	Rotana	2011
	Shaza Manama Hotel	Shaza Hotels	Shaza	2011
	Conrad Bahrain	Hilton Hotels Corporation	Conrad	2012
	St Regis Bahrain	Starwood Hotels & Resorts	St Regis	2012
Oman	Movenpick Resort Salalah	Movenpick Hotels & Resorts	Movenpick	2014
	Banyan Tree Sifa	Banyan Tree Hotels and Resorts	Banyan Tree	2011
	Angsana Sifa	Banyan Tree Hotels and Resorts	Angsana	2011
	Radisson Sohar	The Rezidor Hotel Group	Radisson	2012
	Missoni Sifah	The Rezidor Hotel Group	Missoni	2012
	Four Seasons Resort Oman	Four Seasons Hotels and Resorts	Four Seasons	2013
	Angsana Sifah	Banyan Tree Hotels and Resorts	Angsana	2012
	Fairmont The Wave	Fairmont Hotels & Resorts	Fairmont	2013
	W Hotel Muscat	Starwood Hotels & Resorts	W	2013
	Westin Muscat	Starwood Hotels & Resorts	Westin	2014
Qatar	City Centre Rotana	Rotana	Rotana	2011
	Intercontinental Doha West Bay	IHG	Intercontinental	2011
	Four Seasons Hotel Doha at the Pearl	Four Seasons Hotels and Resorts	Four Seasons	2014
	CP Doha Airport	IHG	Crowne Plaza	2012
	Le Meridien Doha	Starwood Hotels & Resorts	Le Meridien	2011
	Regent Doha	The Rezidor Hotel Group	Regent	2013
	Shaza Doha Hotel	Shaza Hotels	Shaza	2012
	Royal Tulip Doha	Golden Tulip	Golden Tulip	2012
	Hilton Doha	Hilton Hotels Corporation	Hilton	2011
Saudi Arabia	Al Diyafa Radisson Blu Hotel, Makkah	The Rezidor Hotel Group	Radisson	2012
	Movenpick Hotel Riyadh	Movenpick Hotels & Resorts	Movenpick	2012
	Kempinski Hotel Jeddah	Kempinski Hotels	Kempinski	2012
	Movenpick Resort Al Waha, Al Khobar	Movenpick Hotels & Resorts	Movenpick	2011
	CP Riyadh	IHG	Crowne Plaza	2011
	Hilton Al Khobar Hotel & Residence	Hilton Hotels Corporation	Hilton	2012
Kuwait	IC Kuwait-Downtown	IHG	Intercontinental	2011
UAE	Conrad Dubai	Hilton Hotels Corporation	Conrad	2011
	The Regent Emirates Pearl, Abu Dhabi	The Rezidor Hotel Group	Regent	2012
	Swiss-Belhotel Resort Sharjah	Swiss-Belhotel International	Swiss-Belhotel	2011
	Movenpick Resort Ajman	Movenpick Hotels & Resorts	Movenpick	2011
	JW Marriott Lifestyle City	Marriott International	JW Marriott	2013
	Renaissance Dubai MotorCity	Marriott International	Renaissance	2011
	Intercontinental Abu Dhabi - Al Raha Beach	IHG	Intercontinental	2011
	St Regis Hotel and Residences Saadiyat Island	Starwood Hotels & Resorts	St Regis	2011
	W Festival City, Dubai	Starwood Hotels & Resorts	W	2011
	Luxury Collection Ras Al Khaimah	Starwood Hotels & Resorts	Luxury Collection	2012
	Westin Hotel, Golf and Spa	Starwood Hotels & Resorts	Westin	2011
	Jumeirah Etihad Towers	Jumeirah Hotels and Resorts	Jumeirah	2011
	Coral International, Abu Dhabi	Hospitality Management Holdings	Coral	2011
	Intercontinental Minah Al Arab - Ras Al Khaimah	IHG	Intercontinental	2011
	Coral Spa Resort, RAK	Hospitality Management Holdings	Coral	2011
	Coral Qasar Al Fala, RAK	Hospitality Management Holdings	Coral	2011
	Coral Beach Resort, Extension	Hospitality Management Holdings	Coral	2011
	JW Marriott Resort and Spa, Abu Dhabi	Marriott International	JW Marriott	2011
	Fairmont Kingdom of Sheba	Fairmont Hotels & Resorts	Fairmont	2011
	Fairmont Palm Hotel and Resort	Fairmont Hotels & Resorts	Fairmont	2011
	Movenpick Hotel Deira	Movenpick Hotels & Resorts	Movenpick	2011
	The Royal Amwaj Resort & Spa	Movenpick Hotels & Resorts	Movenpick	2011
	Movenpick Hotel & Residence Jumeirah Lakes Towers	Movenpick Hotels & Resorts	Movenpick	2011
	Radisson Blu Al Aqah Beach Resort, Fujairah	The Rezidor Hotel Group	Radisson	2011
	Radisson Blu Hotel Al Qurm, Ras Al Khaimah	The Rezidor Hotel Group	Radisson	2011
	Al Madinah Paradise Radisson Blu Resort	The Rezidor Hotel Group	Radisson	2011
	Radisson Hotel, Dubai Trade Centre District	The Rezidor Hotel Group	Radisson	2013
	Radisson DMCC Business Park Hotel	The Rezidor Hotel Group	Radisson	2012
	Radisson Hotel Jumeirah Dubai	The Rezidor Hotel Group	Radisson	2012
	Saadiyat Rotana Resort & Spa	Rotana	Rotana	2012
	St Regis Hotel & Residences Business Bay Dubai	Starwood Hotels & Resorts	St Regis	2013
	Coral Bay Resort, Ajman	Hospitality Management Holdings	Coral	2012
	Oceana Resort & Spa	Movenpick Hotels & Resorts	Movenpick	2011
	Movenpick Hotel Al Reem Island	Movenpick Hotels & Resorts	Movenpick	2012
	Movenpick Resort & Spa Al Ain	Movenpick Hotels & Resorts	Movenpick	2014

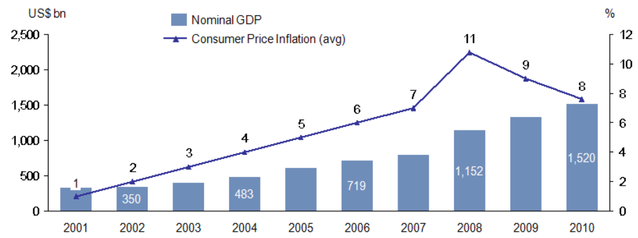
Source: HotelierMiddleEast

4.7 Growth Drivers

Continued economic growth compared with the G8 countries

The gulf economy has tripled in size during 2002 to 2008. Combined nominal GDP of the GCC region recorded a CAGR of 18.4% from 2001 to 2010. CPI inflation slowed down to 7.6 % in 2010 due to initiatives of the governments of the region in view of slowing global energy demand and the world financial crisis(see chart 18). Key to GDP growth were the governments who pumped liquidity into their regional banking systems to negate the steep decline in capital inflows and asset valuations. Governments also adopted strong fiscal policies by raising public spending to counter the slump in market demand. Continued rise in oil prices also helped GCC governments withstand economic pressures.

Chart 18: Nominal GDP and CPI (GCC region)



Source: IMF, IIF, National Authorities

Geographic Position at the centre of the major air routes

The GCC region connects many global destinations via a single flight more than any other hub. Given its strategic location, with millions of people living in short-haul flight distance, there is a great potential to develop non-traditional markets. From a global perspective, stagnation of existing global hub developments would require development of new ones, and the GCC region would be the ideal choice.

Demographics: Spending power of the "baby boomer" generation in the US and Europe

In the coming years, the US baby boom generation is expected to account for over 60 % of the nation's wealth and over 40 % of its expenditures. This generation is expected to drive growth in the travel and tourism sector including hospitality. The substantial investments in tourism infrastructure in the GCC region in theme /experience based offerings would help in capturing this high end market.

Expansion of the middle classes in India and China

China and India will continue to be the key hospitality markets. By 2015 these countries will have absolute year-on-year tourism growth greater than the United Kingdom, France or Japan, according to a report by Deloitte. The middle class of China and India is expected to bring far reaching changes to GCC hospitality sector as their travel patterns evolve from domestic to regional to international. India alone is forecasted to have 50 million outbound tourists by 2020. The growth of these outbound markets, will present the GCC tourism industry with exceptional opportunities for growth. Brazil is also being identified as another emerging source market for tourists, along with Russia, which is already a fairly established source market but which is seeing strong growth in outbound tourism.

Boost in Inbound Travel

GCC tourism economy depends heavily on intra-regional travel from countries such as Qatar, Kuwait, Saudi Arabia and Bahrain, all experiencing positive economic conditions.

High growth GCC markets for inbound travel in 2009 were Saudi Arabia, with 15.1%, and UAE at 7.9%. Many regional neighbours are closely linked culturally and religiously which provides further boost to this trend.

Niche tourism offerings

Sports tourism

Sports tourism is gaining popularity in the GCC with UAE leading the way by hosting multiple sporting events such as Dubai Duty Free Tennis Championships, the Dubai World Cup (the richest derby), the Dubai Desert Classic golf tournaments along with the Formula 1 Grand Prix at the Yas Marina circuit in Abu Dhabi. Bahrain with its Formula 1 circuit is also promoting sports tourism in a big way. Oman is also increasing focus on sports tourism. Qatar has recently won the bid to host the 2022 World Cup which will give a tremendous boost to its tourism. UAE is positioning itself as a major golf destination in the GCC. Four golf courses are under development in Dubai, while Abu Dhabi recently opened two new golf courses to add to the ten courses currently in the country. Dubai Sports City (DSC) will be one of the major sporting destinations in the GCC. It will host a 60,000 seat stadium, a 25,000 capacity cricket stadium, a 10,000 seat indoor arena, and a 5,000 seat hockey arena.

Event Based Tourism

Event-based tourism, which was earlier confined to the UAE, is gaining popularity throughout the GCC region. Dubai, the landmark of shopping festivals, attracted 4.18 million tourists in the first half of 2010, up 9% over the same period previous year; which took the total hotel revenues to US$1.8 billion as per the Dubai Department of Tourism and Commerce Marketing. Other regions such as Oman are also promoting event tourism by increasing the number of festivals and events every year. The Saudi Commission for Tourism and Antiquities (SCTA) organized a promotional campaign consisting of 18 summer tourist festivals in Saudi Arabia in 2010. The campaign included entertainment, shopping, sports, cultural and heritage events that were organized across the country.

Other niche tourism offerings developed in areas such as healthcare tourism, heritage and cultural tourism, diving and wildlife-oriented tourism, as well as traditional leisure and retail-focused tourism and the important religious tourism sector. UAE is a major hub for intra-regional travel due to its multi-dimensional offering of international festivals, trade fairs and major regional events. UAE is emerging as a popular destination for residents of Middle East who prefer to take short breaks at shorter and cheaper destinations compared with Europe.

Religious Tourism

Religious tourism is a major factor with Saudi Arabia generating more than US$ 7 billion in 2009 from visitors to Muslim pilgrimage sites and projecting visitor numbers to grow from over 12 million in 2009 to 15 million in 2013. With the world's Muslim population at over 1.6 billion and growing; and Saudi Arabia being the seat of Islam, the country is investing heavily into the religious tourism industry. It is constructing a $6bn, 276-mile rail link, which will connect the two holy cities, slashing journey times; a $2.4bn upgrade will increase the capacity of Medina airport from 3 million to 12 million passengers a year; and King AbdulAziz International airport in Jeddah will also expand its capacity, from 30 million travelers by 2012 to 80 million when finished.

Supportive Governments

The GCC governments are very supportive of their free trade and encourage foreign direct investment (FDI) and globalization. The level of FDI in the GCC economies is high with the majority of it going into real estate development and trade. Globalization has greatly improved the situation in the region by bringing in thousands of products, services and workers from all over the world which has helped in development of overall economy.

Countries like Qatar and Oman have enacted policies where investment up to 70%-100% is allowed for foreign entities in businesses related to tourism and entertainment. UAE has relaxed FDI norms for specific real estate projects. Bahrain and Kuwait too have eased rules on owning and leasing properties for non GCC companies. Other governments are also looking at allowing increased international participation in many sectors of the economy.

Aviation and Transit

Major airport expansion projects are planned in all the GCC countries. Airline companies in GCC region are also planning to increase their capacity of transporting passengers.

GCC countries are investing in aviation sectors in order to become a global hub for passengers and cargo. It is estimated that over US$ 220 billion of transport infrastructure projects are either under-execution or under planning stage in GCC. Main aim of these projects is to link various growth markets.

For instance, Saudi Arabia, is an important link not only to Africa and Kuwait, but is also emerging as a gate-way to Iraq and Europe via Turkey. Oman is developing its maritime networks linking the Arabian Peninsula to the Indian sub-continent and the rest of Asia. Dubai is a vital transit route between the East and West, North and South. UAE has emerged as a major hub for air traffic for Middle East region as well as on a global level; Dubai International Airport is the fourth largest airport globally for international passenger traffic.

The GCC's rapidly-expanding aviation industry, especially low-cost carriers, is a boost to inter-GCC travel and a reason the industry has stayed afloat. It has helped in opening up the markets to different types of tourists. New entrants such as flyDubai continued to drive this emerging segment. Developments by airlines in the region and the UAE, in particular, are designed to cater to an ever-expanding market and to increase air traffic from the major hubs. Dubai's major presence in the international aviation industry continues to flourish thanks in large part to Emirates Airlines.

Increasingly, leading airline companies in the GCC have crafted various tourist packages in partnership with hotel companies to boost tourist receipts. For instance, Emirates Airlines offers fly and stay packages during major festivals and events such as the annual Dubai Shopping Festival (DSF). The DSF was heavily marketed in neighboring countries like India where local Indian carriers like Jet Airways and Kingfisher Airlines were offering fly and stay packages for Indians travelling to Dubai for the DSF. Such attractive offers boost tourist arrivals which greatly benefit the hospitality industry.

Saudi Arabian Airlines in partnership with local Umrah operators has introduced Umrah packages which include stay in hotels arranged by a local tour operator. Bahrain Grand Prix teamed up with Gulf Air to offer various packages in order make the event accessible to people residing in GCC.

Dubai has also emerged as an important transit hub as well being a preferred stopover destination for passengers

Snapshot : Upcoming Aviation Projects

- Abu Dhabi Airports Company is increasing the capacity of Abu Dhabi International Airport to handle 20 million passengers per year by 2015
- Dubai's new Al Maktoum International Airport is expected to handle 80 million passengers per year by 2025
- Bahrain International Airports Company is working on a development plan that aims to increase the airport's capacity from 7 million passengers at present to 28 million passengers by 2030
- Kuwait International Airport has plans to double capacity from 7 million to 14 million passengers per year
- Oman Airports Management Company is planning to increase capacity of Muscat International Airport to 12 million passengers by 2014 from 4.5 million passengers at present. The longer-term target is 48 million passengers by 2050. A smaller airport at Salalah is to be expanded to handle around 1 million passengers per year by 2013
- Qatar's New Doha International Airport aims to handle 24 million people per year by 2011, rising to 50 million people by 2025
- Saudi Arabia's General Authority of Civil Aviation is expanding existing airports these include those at Riyadh, Jeddah and Medina—and adding a new one at Taif, at an estimated cost of US$ 10.5 billion over next few years

travelling on the Americas-Far East route. Dubai International's passenger traffic increased 5.2% year-on-year in February 2010 to 3.83 million, up from 3.64 million in the same month the year before. The upward trend continues after Dubai International recorded 15.5% passenger growth in 2010, ranking it fourth globally when it handled 46.3 million passengers, according to Airports Council International. Dubai now ranks slightly behind the world's top three international airports: London, Paris and Hong Kong.

4.8 Challenges

Middle East political uncertainty

At the time of publishing this report, parts of the GCC region and the surrounding larger MENA region are under a wave of political uncertainty and unrest. The wave of demonstrations and protests that started in Tunisia in December 2010 and then spread to Egypt, quickly influenced other populist uprisings in the surrounding countries. In the GCC, protests in Bahrain led to Saudi Arabia and other GCC nations sending their troops into Bahrain as well as imposition of a three-month emergency rule; while in Oman the protests have led to major governmental reshufflings. Sporadic protests have also taken place in Saudi Arabia while Qatar, Kuwait and the UAE have remained largely unaffected. Even though it is close to impossible to predict the start or the end of such protests, Alpen Capital has a long-term optimistic viewpoint on the region. In the short-term, tourist numbers will be affected by the uncertainty and will affect the ADR and RevPAR numbers for regions affected by political turmoil. For example, Bahrain's cancellation of the F1 Grand Prix in March 2011 due to political turmoil affected its hotel industry negatively. Dubai International stated that on Middle Eastern routes, passenger totals for February 2011 dropped by 33,036 while a decline of 28,395 passengers was recorded on African routes as traffic was affected by political unrest in Tunisia, Egypt, and Bahrain.

Global economic uncertainty and seasonality

The global economic crisis had impacted the GCC which was visible from the drop seen in Occupancy, ADR & RevPAR and also the dip in international tourist arrivals. Though the region did not suffer as much as the developed countries, the effects were still felt across the region and the hotel industry in particular.

Due to the seasonal nature of demand, revenues and room occupancy vary significantly during peak and non-peak periods. This industry essentially appeals to one's discretionary income, thus a growth in disposable income would be favourable to the sector. However, due to the non-essential nature of these services it is one of the first areas of spending that would be cut back during times of economic hardship.

Oversupply in hospitality industry

The large pipeline of hotel rooms would certainly put pressures on ADR and RevPAR in the near term and until the economy recovers fully and tourist arrivals gain pace. RevPAR in the GCC was around US$ 143 during 2010, compared to US$ 162 during the 2009. The large stock of stalled hotel developments indicates uncertainty while the lack of strategic investors and the non existence of specialized structures such as REIT are contributing to the lack of transactional activity in the region. However, the strong supply pipeline reflects confidence in the long-term growth potential of the industry (see chart 19).

Chart 19: Hotel Room Pipeline: 2011 – 2015

Hotel Room Pipeline (2011-15)	
Bahrain	3,665
Kuwait	3,038
Oman	4,369
Qatar	5,204
KSA	101,000
UAE	48,005
Total	**165,281**

Source: STR Global, Al Tameer

Note: Includes all declared projects

Talent management

An average hotelier spends a third of its revenues on labour costs, but employee turnover in the industry is as high as 31%. High employee turnover continues to plague the industry in GCC. Operators need robust strategic plans to reward and retain their employees to control turnover as employee retention has a strong correlation with satisfaction levels of guests.

Sustainability

Sustainability will become a major issue for the industry in the coming years. Like in other industries, scarcity of resources coupled with growing populations will create a challenging business environment for the hotel industry where different aspects of sustainability will need to be incorporated within the operations of the industry. Factors like water shortages, capital expenditure and significant electricity consumption will have a notable impact in the future.

Shortage of operators

Limited number of branded operators might hinder the growth of four and five-star hotels since there are a limited number of top branded hotels/resorts present in the GCC market. Brands already established in the GCC market might become less approachable for hotel owners since many operators have a non compete clause in their contract, limiting the opening of further properties within a defined geographic area as it effectively competes and dilutes profitability of their parent owners by targeting the same customer segments.

Rising cost of construction

Rising cost of construction is also an area of concern in GCC region. The costs of building in the Gulf region increased at an estimated rate of at 30% in 2007 alone, and a further 50% in the first half of 2008 based on the increase in building materials and labour costs. However, since then steel and cement prices have eased. Now with new demand coming into the market in 2010 construction cost is likely to go up again though not as much like in 2008. Minor cost escalation will have a strong impact on the viability new hotel properties.

Project financing

Project financing will also to be an area of concern for the industry. While debt finance is in place for projects that were announced prior to the downturn, tapping funds for new projects through the traditional lending avenues will be tough in the foreseeable future. Considering the risk involved in hotel investment, banks have adopted stringent lending standards leading to higher interest rates and lower loan-to-value ratios. Joint ventures, funds and wealthy individuals now need to be tapped into for sources of finance.

4.9 Industry trends

New avenues for investment

After the major changes in the residential/ commercial real estate platform, hotel projects are being favoured as a more secure long term investment option. Upscale developments are gaining popularity with luxury-upper scale and upscale developments representing 64% of the current ongoing pipeline. However, there is a noticeable shift towards mid-range /budget hotels where 3 stars hotels are now offering upgraded level of amenities, facilities and technologies that compete with the 4 stars segment. For example, mid-market hospitality players such as Landmark Group entered the market with brands such as Citymax leveraging on Dubai’s image as a strategic travel hub for the region.

Resort & spa facilities

Spa facilities are becoming an area of great interest for majority of hotel developments and represent a good potential for such services. Revenues from spa facilities are now an integral part of the overall hotel industry. As per a recent report, revenues for hotels spas in Dubai rose by 45.5% in the first quarter of 2010. Other services such as gymnasiums also recorded substantial growth thus providing fitness and wellness manufacturer and suppliers with unique opportunities across the hotels in the GCC and MENA regions.

Growth of budget segment

Budget segment has gained significant momentum recently with Travel Inn, Premier Inn, Express by Holiday Inn, and Easy Hotels rapidly joining the region's hotel list. The addition in capacity of budget airlines together with marketing efforts and growing of tourist markets is likely to provide further growth of this segment. The serviced apartment segment is also expected to see good growth in the coming years. This segment is very poorly represented within the industry at the moment. However, it is likely to grow based on the demand from customers willing to experience home like environment during travels and looking for a longer period of stay.

Entry of new operators

The GCC hotel market has seen entry of a number of new brands, particularly from other regions like Asia and Africa, such as: Fairmont, Raffles, Banyan Tree, JAL Hotels and Sun International. Existing operators are expected to introduce new brands and more new operators are likely to enter the market over the course of the coming years.

New partnerships between operators and property developers

With a large supply pipeline in the region, many property developers are looking at partnering with multi brand operators. Recent examples of such partnerships include: a joint venture between Premier Hotel LLC and Emirates Group and Intercontinental Hotels Group and Nakheel's regional agreement with Kempinski. In the coming years many such strategic partnerships are likely to be forged.

Strong local base

The regional hotel development in the region still exceeds the takeover market due to availability of land for development and low acquisition yields.

Residential offerings by hotel brands

Many branded hotel chains are looking at managing residential properties alongside their core hospitality operations. Investors too seem are keen on this concept as it provides strong and stable revenue stream.

Environmentally-friendly

Eco friendly ways of life are becoming an important factor in the region and given the amount of new developments underway, where green concepts and design can be incorporated; there is a good opportunity for smart thinking. The UAE is leading the way with several sustainable mixed-use projects. Masdar City, on the outskirts of Abu Dhabi, is set to become the world's first carbon-neutral and zero-waste city.

Sharia'a compliant brands to boost lifestyle tourism

Sharia'a compliant products and brands appeal to a wider base contrary to the popular feeling of its regional limitations attracting conscious travellers looking for an authentic experience. As per a recent estimate by Jones Lang LaSalle this segment of the market is expected to grow by around 20% in the next few years.

Porters Five Forces Analysis

Elements	Status	Impact on the Industry	Description
Threat of New Entrants	**Moderate**	+/-	Even though entry barriers are high, since the industry is growing, and the region is increasingly being perceived as a tourism and business events destination, hoteliers will be encouraged to enter this segment, primarily in the high-end and budget segments. As major cities expand, for example Abu Dhabi developing the Saadiyat and Yas Islands, newer operators might like to enter the market. Alpen Capital believes the threat of new entrants to be Moderate.
Bargaining Power of Suppliers	**Moderate**	+/-	High-end hotels cannot compromise on quality and as such, the suppliers to such hotels will have bargaining power. On the other hand, budget hotels look for best value to provide to customers and will likewise look at best value from their suppliers. There is always a threat of new suppliers into the growing hospitality industry of the GCC region which dilutes bargaining power of suppliers. However, switching costs from one supplier to another can be high not only in financial terms but also in terms of quality. Alpen Capital believes the bargaining power of suppliers to be Moderate.
Competition Amongst Existing Players	**High**	+	Since there are many operators in the region, there is high competition. More and more players are expanding into the budget hotel segment to increase revenues and also looking at upcoming secondary cities for new sources of revenues. Alpen Capital believes the competition amongst existing players to be High.
Bargaining Power of Customers	**High**	+	The customer has a wide range of options available and the internet has only helped in the decision making process by helping the customer review and compare hotels and their services. Most customers are also price conscious and will usually frequent the hotel that gives them best value. Alpen Capital believes the bargaining power of customers to be High.
Threat of Substitutes	**Low**	-	Substitutes to the hotel industry are usually low and include alternative forms of leisure accommodation like camping, recreational vehicles or staying with friends and family. Switching costs range from negligible to high (e.g. the purchase price of a recreational vehicle). Alpen Capital believes the threat of substitutes to be Low.

***Suppliers** are defined as property owners, developers, real estate companies, architects, marketing consultants, management and training service providers and information and computer technology manufacturers*

5. Sector Valuation

5.1 Financial performance analysis

The peer group of top 17 listed companies in the region represent a significant portion of the revenue pie (see chart 20). In this section, we assess the financial performance of the top publicly listed hospitality companies in GCC.

Chart 20: Financial Performance

Company Name	Total Revenue (US$ Million)	Total Revenues, 1 Yr Growth %	EBIT Margin %	EBITDA Margin %	Net Income Margin %	Return on Equity %	Return on Assets %
Abu Dhabi National Hotels Co.	476.3	(3.0%)	14.9%	23.0%	17.4%	3.7%	-
National Corporation for Tourism & Hotels	145.5	(5.6%)	24.1%	32.8%	24.4%	20.5%	-
IFA Hotels & Resorts Co.	137.4	(59.3%)	(26.5%)	(22.0%)	(39.3%)	(24.7%)	(1.7%)
Gulf Hotel Group	86.6	6.9%	30.0%	39.4%	30.7%	21.1%	11.2%
Saudi Hotels & Resort Areas Co.	76.1	(61.5%)	45.2%	52.5%	43.0%	7.5%	4.3%
Kuwait Hotels	52.8	(4.7%)	4.2%	-	6.2%	9.5%	2.4%
Kuwait Resorts Company	40.1	(4.1%)	3.4%	-	(7.5%)	(3.9%)	0.4%
National Hotels Company	32.2	(10.7%)	52.1%	64.4%	49.9%	9.9%	6.0%
Bahrain Tourism Company	23.3	(10.4%)	42.2%	55.0%	42.3%	13.2%	7.8%
Gulf Hotels (Oman) Company Ltd	20.4	1.9%	40.2%	46.4%	36.0%	10.0%	6.0%
Oman Hotels and Tourism Co.	15.0	(10.0%)	24.4%	35.9%	15.4%	3.6%	2.7%
Salalah Beach Resort	9.5	(0.6%)	25.7%	33.5%	23.3%	-	-
Mashaer Holding Co.	5.2	(92.2%)	NM	-	2.9%	0.1%	(4.6%)
Interior Hotels Company	5.0	(3.1%)	30.1%	36.8%	27.3%	17.2%	10.0%
Tourism Enterprise Company	4.0	8.5%	15.0%	41.1%	10.5%	2.3%	1.9%
Al Batinah Hotels Company	3.3	(9.4%)	11.8%	19.9%	11.7%	6.0%	3.0%
Al Buraimi Hotel Company	1.9	6.2%	(27.6%)	(4.8%)	(27.6%)	(6.2%)	(2.8%)
Average	**66.7**	**(14.8%)**	**19.3%**	**32.4%**	**15.7%**	**5.6%**	**3.3%**
Median	**23.3**	**(4.7%)**	**24.3%**	**36.4%**	**17.4%**	**6.8%**	**2.9%**

Source: Capital IQ and Alpen Capital, (All Figures are LTM, NM denotes Not Meaningful , Red is below Average and Green is above Average)

Average revenue for the industry stands at US$ 66.7 million. **The top 5 companies of the sector contribute approximately 81 % of the total revenues of the above set**. The median operating margin (EBIT) of the industry stands at a 24.3% which is reasonably healthy. Some of the smaller companies like Bahrain Tourism Company, Gulf Hotels Oman Company and National Hotels Company have very high operating margins at above 40%.

The median Net Income margin for the industry stands at 17.4%. IFA Hotel has the lowest net income margin at -39.3% while National Hotel Company has the highest margin at almost 50%. Median ROE for the industry stands at 6.8% and with average industry ROE is at 5.6%, we feel as revenues expand, ROE will improve considerably. Gulf Hotel Group has the highest ROE at 21.1% whereas IFA Hotels have the lowest return at -24.7%.

Notable Companies

Within the industry the following companies deserve special mention:

- Gulf Hotel Group is one of the few companies that saw a significant growth in revenues. Even in other parameters the company is ahead of the industry average.
- Bahrain Tourism Company (BTC) has both EBIT and EBITDA margins way above the industry averages. Its ROE and Net Income margin are also above the industry averages, in spite of it being a small company with revenues much below major peers.
- Similar to BTC, National Hotels Company has EBIT margin and EBITDA margins much above industry averages. It's ROE of around 6% which is considerably healthy.
- National Corporation for Tourism & Hotels is the second largest company in terms of revenues in our industry set. Despite its size the Company has maintained impressive EBIT and Net Income margin which is substantially higher than the industry average.

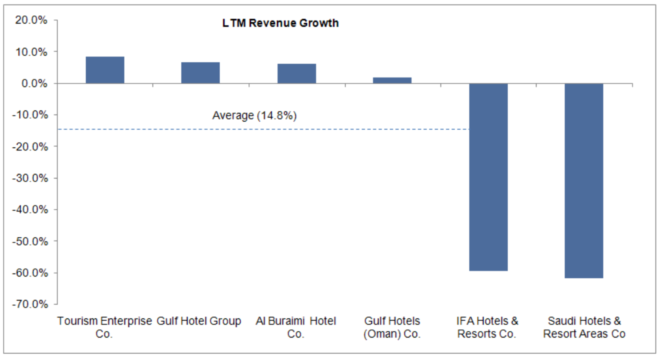
Revenue and Growth

The revenue of the hotel industry experienced a fall during the period of economic downturn, where these services were availed by individuals and corporates with much discretion. Abu Dhabi National Hotels Company (ADNH) registered revenues of US$ 476 million, followed by National Corporation for Tourism & Hotels with revenues of US$ 146 million and IFA Hotel at US$ 137 million, respectively. ADNH accounted for over 41% of the total revenue of the top 17 hotel companies in the GCC (see chart 21).

Among the minor contributors were Tourism Enterprise Company, Al Batinah Hotels Company., and Al Buraimi Hotel Company showing revenue of US$ 4 million, US$ 3.3 million, and US$ 1.9 million respectively.

Most companies had to withstand negative market pressures which reflect in their revenue growth for the year 2010. Amongst the large companies Saudi Hotels & Resort Areas Company and IFA Hotels experienced the highest dip at 62% and 60% respectively. Gulf Hotel Group, however, registered 7% growth in revenues during the same period.

Chart 21: Revenue Growth %



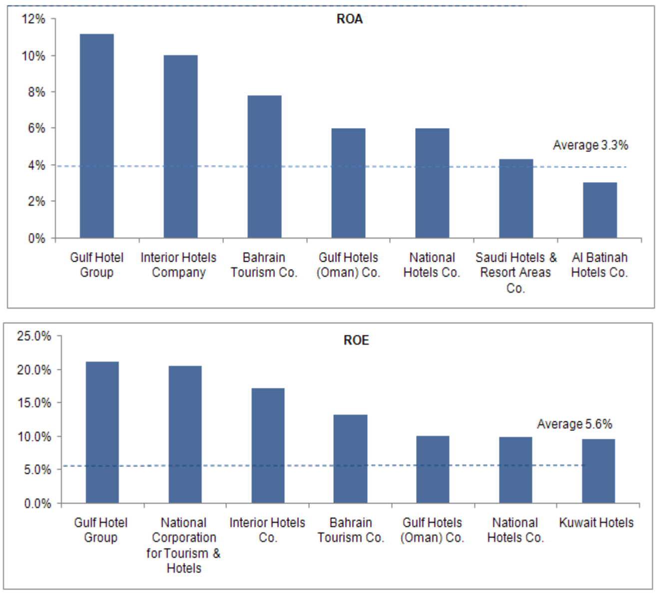
Source: Capital IQ, Alpen Capital.

Return on Assets and Equity

We look at ROA and ROE to rank the domestic players on the basis of profitability. Gulf Hotel Group and Interior Hotels Company showed an exceptional performance utilization of assets with returns of 11.2% and 10% respectively where the industry average is merely 3.3%. Companies like Bahrain Tourism Company and National Hotels & Company were good performers during the recovery phase. Mashaer Holding Co, Al Buraimi Hotel Company and IFA Hotels & Resorts Co. went into negative returns on asset as high as (4.6%), (2.8%), and (1.7%) respectively (see chart 22).

The average ROE is 5.6% for the year 2010 for the listed companies. Gulf Hotel Group and National Corporation for Tourism & Hotels had an outstanding return of over 20%. Bahrain Tourism Company, National Hotels Company BSC, and Kuwait Hotels show a competitive return averaging around 12% while IFA Hotels & Resorts Co., Al Buraimi Hotel Company and Kuwait Resorts Company accounted negative returns on equity (see chart 22).

Chart 22: ROA and ROE



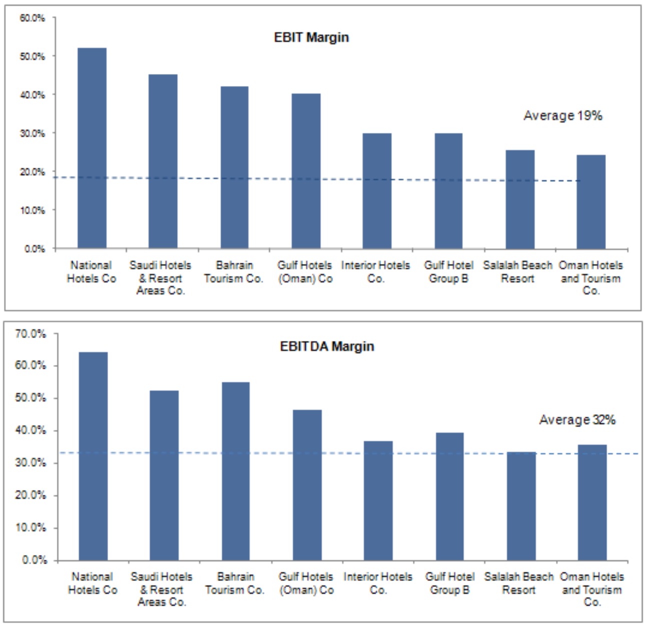
Source: Capital IQ, Alpen Capital

Operating Margin and EBITDA

The operating margin EBIT for the industry stood at 19.3% on an LTM basis. Saudi Hotels & Resort Areas Company, National Hotels Company, Bahrain Tourism Company and Gulf Hotels (Oman) exhibited excellent margins of over 40%. Two relatively small companies Salalah Beach Resort and Interior Hotels Company also had excellent operating margin above 25% (see chart 23).

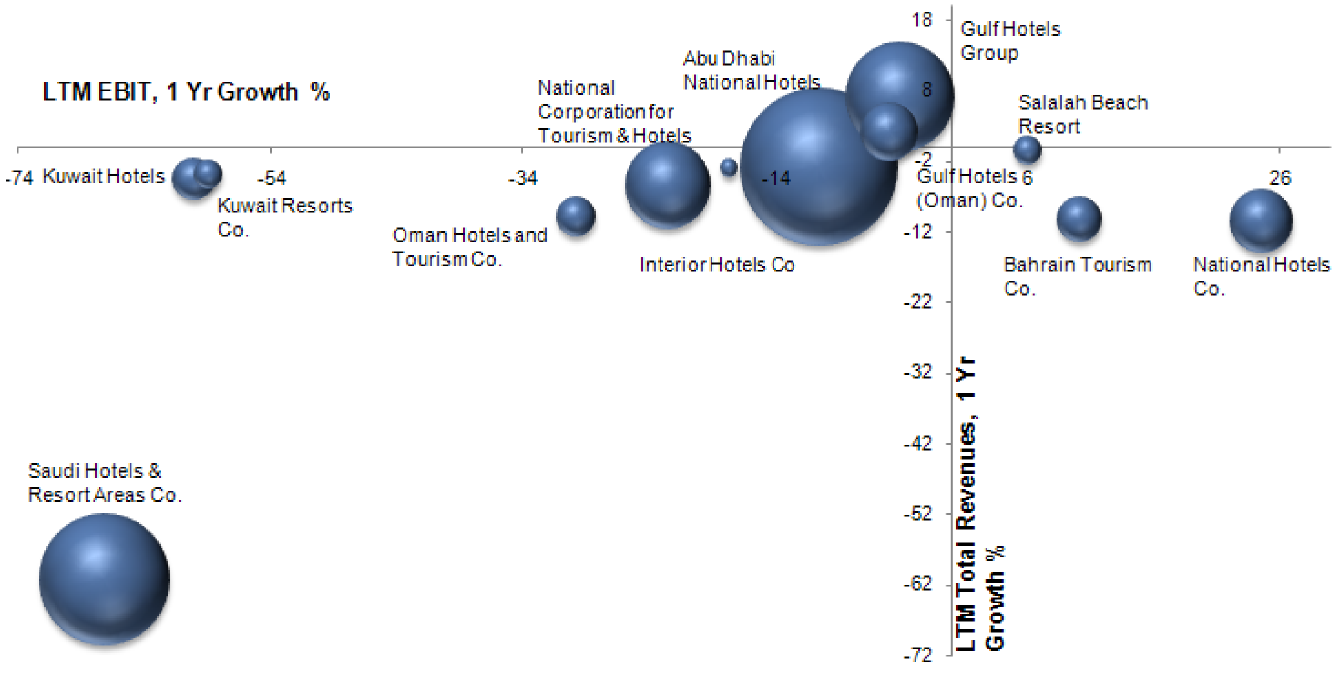
The top five companies based on EBITDA margin are National Hotels Company, Bahrain Tourism Company, Saudi Hotels & Resort Areas Company, Gulf Hotels (Oman) Company, Tourism Enterprises Company and Gulf Hotels Group. Average for these five players comes at approximately 52%, with National hotels reporting the highest margin at approximately 64%. Al Buraimi Hotel Company and IFA Hotels & Resorts Co were poor performers reporting negative margins of -4.8% and -22% respectively (see chart 23 and 24).

Chart 23: Operating margin



Source: Capital IQ, Alpen Capital

Chart 24: Operating margin and revenue growth (2010)



Source: Capital IQ, Alpen Capital , Bubble size indicates Market Capitalisation as on 11, April 2011

5.2 Ratio Analysis

Chart 25: Ratio Analysis

Company Name	P/Normalized EPS	P/BV	TEV/ EBITDA	Inventory Turnover Latest Quarter	Fixed Asset Turnover Latest Quarter	Current Ratio Latest Quarter
Abu Dhabi National Hotels Co	14.56x	0.34x	6.85x	-	-	-
National Corporation for Tourism & Hotels	9.63x	1.33x	6.79x	-	-	-
IFA Hotels & Resorts Co.	NM	3.54x	NM	-	1.3x	0.8x
Gulf Hotel Group	20.17x	2.56x	8.82x	9.5x	1.1x	3.4x
Saudi Hotels & Resort	-	-	12.50x	-	0.3x	1.7x
Kuwait Hotels	25.47x	1.47x	-	-	-	1.4x
Kuwait Resorts Co.	11.66x	0.34x	-	-	-	0.9x
National Hotels Co.	11.65x	0.70x	4.94x	-	-	2.5x
Bahrain Tourism Co.	9.74x	0.77x	2.79x	65.6x	0.6x	6.5x
Gulf Hotels (Oman) Co.	18.73x	1.34x	9.86x	236.0x	0.3x	1.7x
Oman Hotels and Tourism Co.	23.17x	0.68x	9.02x	31.4x	0.3x	0.8x
Salalah Beach Resort	-	-	8.09x	-	-	-
Mashaer Holding Co.	NM	0.35x	-	-	-	0.5x
Interior Hotels Co.	9.00x	1.03x	3.32x	9.2x	1.0x	7.2x
Tourism Enterprise Co.	-	-	36.87x	-	0.3x	6.5x
Al Batinah Hotels Co.	-	-	-	-	-	3.2x
Al Buraimi Hotel Co.	-	-	-	-	-	0.2x
GCC Average	**15.40x**	**1.28x**	**10x**	**70.34x**	**0.65x**	**2.66x**
Asia Pacific Average	**49.9x**	**2.21x**	**24.2x**	**2.19x**	**36.3x**	**1.95x**
US Average	**16.1x**	**1.13x**	**26.3x**	**1.75x**	**35.4x**	**1.48x**

Source: Capital IQ, Alpen Capital; Values in %, All Figures as on 11 April 2011, NM denotes Not Meaningful , Red and Green are below and above Average

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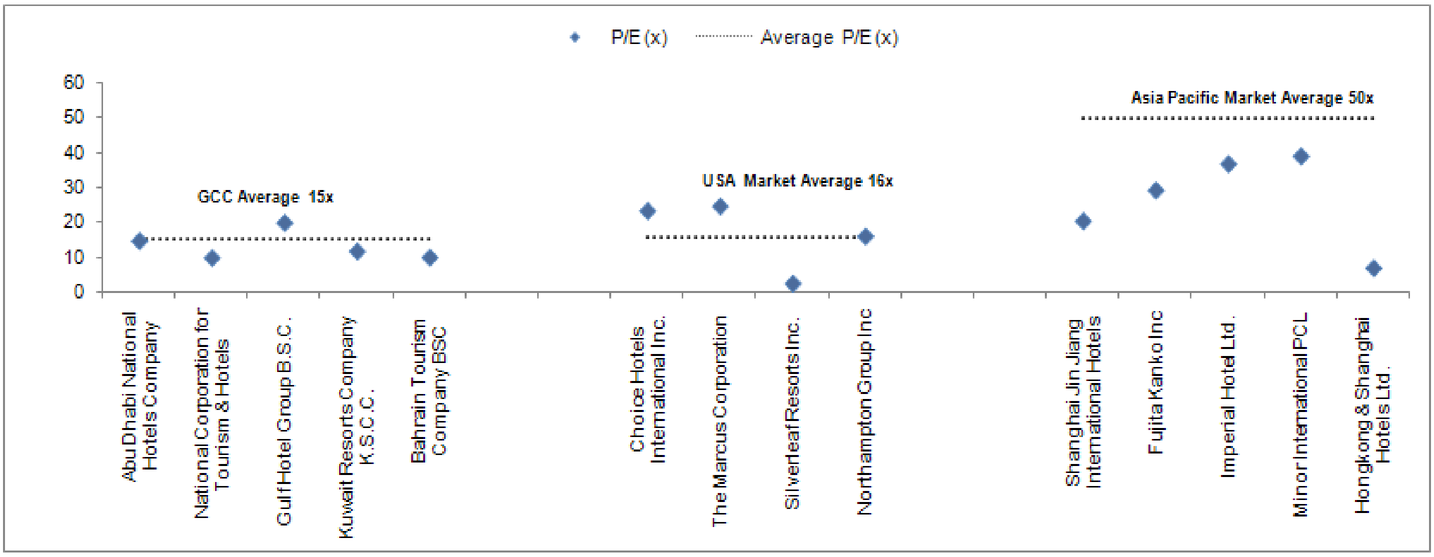
5.3 Valuation

Valuation based on current P/E

The GCC Hospitality sector is trading at a P/E of 15.4x. ADNH is trading at a high P/E of 14.5x whereas the most undervalued company is Bahrain Tourism Company with a P/E of 9.74x. Many players are trading at a P/E less than that of the industry average. We find the valuation attractive for companies such as Bahrain Tourism Co and National Corporation for Tourism & Hotels who are trading below the industry average but have showed good earnings potential. Most GCC players are trading at a discount compared to their global peers (see chart 26).

Chart 26: P/E Relative Valuation Chart

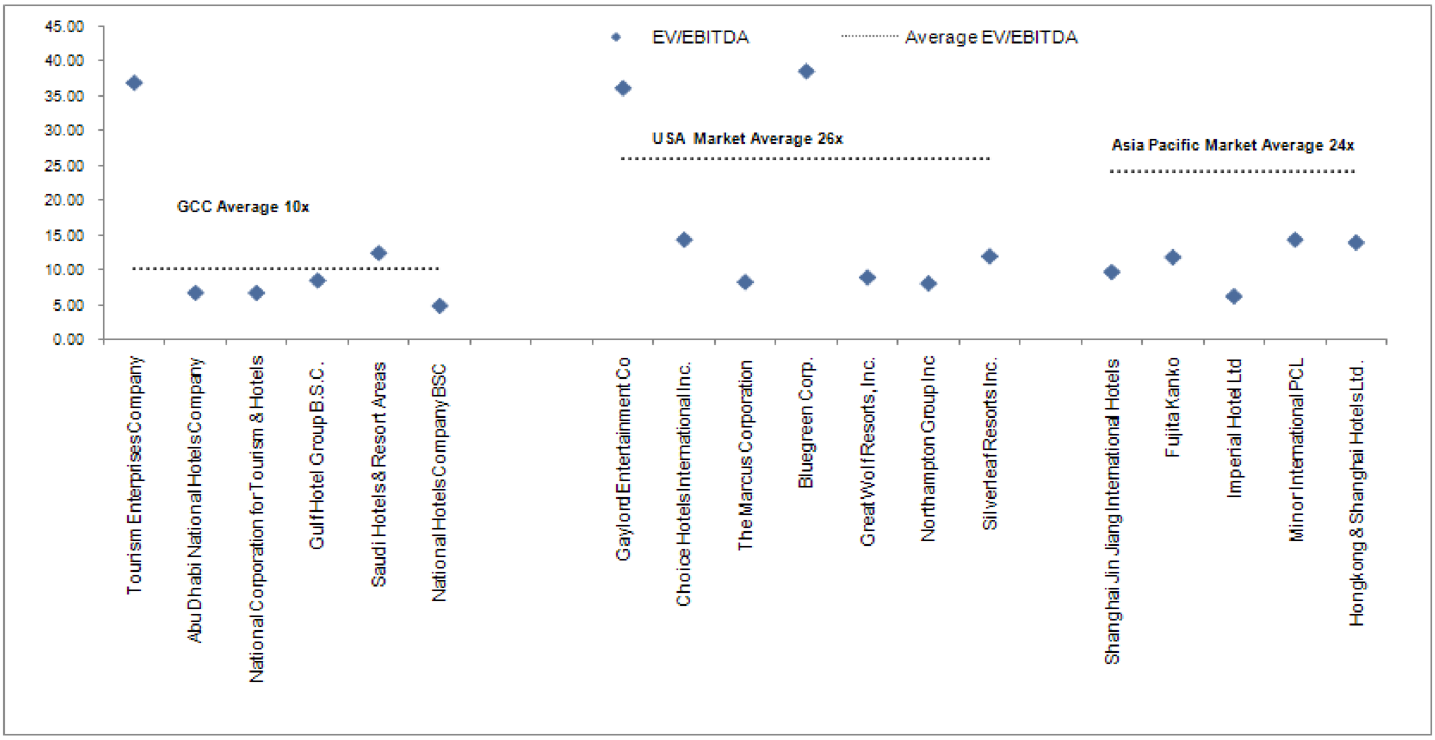


Source: Capital IQ, Alpen Capital

Valuation based on EV/EBITDA

GCC hospitality companies are trading at an average EV/EBITDA of 10x. Tourism Enterprises Company reported highest EV/EBITDA ratio of 37x. ADNH the biggest company in the sector has an attractive ratio of 6.9x. The GCC hospitality sector has the lowest EV/EBITDA as compared to other regions. This makes the GCC hospitality sector one of the most attractive markets to invest in at the current levels (see chart 27).

Chart 27: EV/EBITDA Valuation Chart



Source: Capital IQ, Alpen Capital

Valuation against global players

GCC companies trade at an average EV/EBITDA of about 10x as compared to 26x for American markets and 24x for Asia Pacific market peers. While for P/E, GCC companies at 15.4x compares similar to American companies but at a significant discount to Asia Pacific peers. The average P/E and EV/EBITDA numbers for Asia Pacific and the American region have been derived taking into account a large number of hotel companies to get the best representation of the industry. But for illustration purpose, the companies that closely resemble GCC peers in terms of total revenue have been listed below. We contend that companies in the GCC are undervalued given huge future potential and the strong pipeline. The region with its focus on tourism through MICE, entertainment and mega sports events is expected to provide a significant boost to the hospitality industry in the future (see chart 28).

Chart 28: Valuation: GCC vs. Global Peers

Company Name	EV/EBITDA	P/E
GCC Region		
Abu Dhabi National Hotels Company	6.8x	14.5x
Gulf Hotel Group	8.82x	20.2x
National Corporation for Tourism & Hotels	6.79x	9.6x
Bahrain Tourism Company BSC	2.79x	9.7x
Tourism Enterprise Company	36.9x	NM
National Hotels Company BSC	4.94x	11.7x
Gulf Hotels (Oman) Company Limited SAOG	9.86x	18.7x
Saudi Hotels & Resort Areas Company	12.5x	NM
Average	**10x**	**15.4x**
USA Market		
Gaylord Entertainment Co	36.10x	NM
Choice Hotels International Inc.	14.40x	23.1x
The Marcus Corporation	8.33x	24.4x
Bluegreen Corp.	38.5x	NM
Great Wolf Resorts, Inc.	9.00x	NM
Northampton Group Inc	8.14x	15.8x
Silverleaf Resorts Inc.	12.03x	2.24x
Average	**26x**	**16x**
Asia Pacific Markets		
Shanghai Jin Jiang International Hotels	9.78x	20.2x
Fujita Kanko Inc	11.9x	29x
Hongkong & Shanghai Hotels Ltd.	14x	6.67x
Imperial Hotel Ltd.	6.29x	36.6x
Minor International PCL	14.4x	38.8x
Average	**24.2x**	**49.9x**

Source: Capital IQ, Alpen Capital; NM denotes Not Meaningful

Country Profiles

Kingdom of Saudi Arabia

Macro-economic indicators

Indicators	Unit	2010E	2015E
GDP	*US$ bn*	434.4	656.4
Population	*mn*	26.1	29.0
Inflation	*%*	5.5	4
Share of Travel & Tourism in GDP	*%*	2.8	2.8
Overnight Visitor Arrivals	*mn*	12.3	18.9

Source: IMF, WTTC , Alpen Capital

Overview

Sovereign debt rating: On Feb 15, 2011, Moody's raised foreign- and local-currency government debt ratings one notch to Aa3, the fourth-highest grade, from A1 with a stable outlook.

Key Pulic Companies

Company	Number of Hotels under Management/ Affiliates
Saudi Hotels and Resort Areas Company	19
Tourism Enterprises Company	1

Source: Zawya

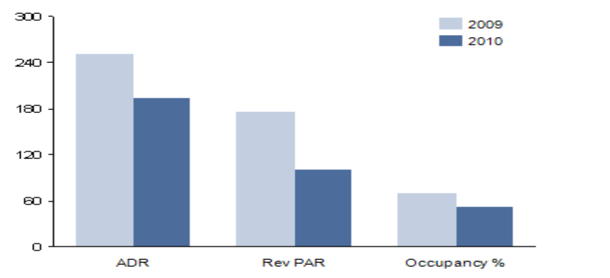
Room Supply Saudi Arabia

Current room supply	Planned Increase in percentage	Rooms in construction phase
218,001	46 %	6,344

Source: STR Global

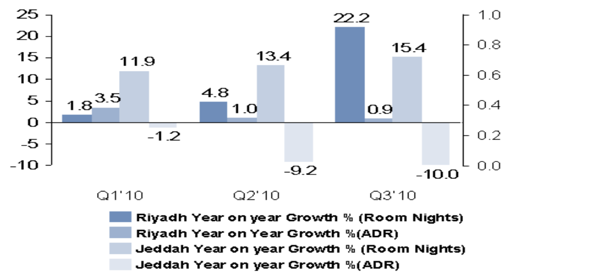
Key Insights

Chart 29: Performance trend Saudi Arabia



Source: HVS International, Alpen Capital

Chart 30: KSA year on year growth



Source: Travelclicks's eMonitor Report

Trends

- Religious tourism remains the predominant reason for overseas visitors, generating over 50% of the inbound trips
- The cities of Mecca and Medinah have become the focus for major investment in hotels and leisure development
- The existing hotel market in Saudi Arabia is largely driven by the corporate business and in particular the three and four star hotel segment. This represents 62% of all hotels in the market
- Business tourism is also growing in the region given Saudi Arabia's status as the world's largest oil exporter, not to mention its other large industries
- In 2010, Key performance indicators for hotels in Saudi Arabia show decrease in ADR of over 23% compared to the last year. Occupancy rates also declined by 18 % (see chart 29)
- Saudi Arabia reported lowest ADR and RevPAR figures in GCC, respectively at US$ 193 and US$ 101 in 2010 (see chart 29)

- Major new hotel developments include the Mövenpick, Ritz Carlton, Kempinski and Wyndam hotels in Riyadh which are all anticipated to open in 2011 and 2012 and will double the number of rooms available in the city. In Jeddah, the Rocco Forte collection has signed an agreement to manage a new luxury hotel also due to open in 2011
- Other three high profile hotel developments include the Raffles Makkah Palace which is due to open Q3 2010, the Fairmont Clock Royal Tower due to open in 2011 and the Swissotel, which will add a further 1,562 rooms, also forecast to open in Q3 2011

The industry scenario

- Both the government and foreign investment have triggered a hospitality boom in the past 3 years. The existing hotel market in Saudi Arabia is driven by the business travellers, particularly in the three star and four star categories. This represents 62 % of its hotel market. However, the cities of Mecca and Medina are one of the chief factors that create a handsome market for the hospitality sector in this region. The tourism authority announced in 2009 that it aims to attract 88 million tourists and generate more than USD 30 billion by 2020.

Drivers

- The hotel industry in Saudi Arabia is emerging to become one of the backbones of the economy
- The extraordinary seasonal market of Mecca and Medina is drawing investments in massive amount in hotels and leisure development. BMI forecasts that there will be 319,000 hotel rooms by 2014, from 218,001 in 2009
- Business tourism is growing in this region given Saudi Arabia’s status as the world’s largest oil exporter
- The hotel market is expected to improve given the present recovery scenario, both from the developed and the emerging economies
- The capital of the oil driven economy brings lot of business to the hotel industry primarily for business, accounting for 54% of the demand, followed by individuals visiting friends and families constituting 38%
- Jeddah, second-largest retail destination in the Gulf after Dubai, is a summer and leisure escape destination for Saudis. The Red Sea coastline could be an advantage when promoting tourism in the city where about 1,000 rooms are planned to enter the market by 2013.

United Arab Emirates

Macro-economic indicators

Indicators	Unit	2010E	2015E
GDP	*US$ bn*	239.6	348.4
Population	*mn*	5.05	5.6
Inflation	*%*	1.9	3.5
Share of Travel & Tourism in GDP	*%*	6.2	6.5
Overnight Visitor Arrivals	*mn*	9.9	12.2

Source: IMF, WTTC, Alpen Capital

Overview

Sovereign debt rating: Unrated

Key Public Companies

Company	Number of Hotels under Management/ Affiliates
Abu Dhabi National Hotels	20
National Corporation for Tourism and Hotels	9
Rotana Hotel Management	23

Source: Zawya

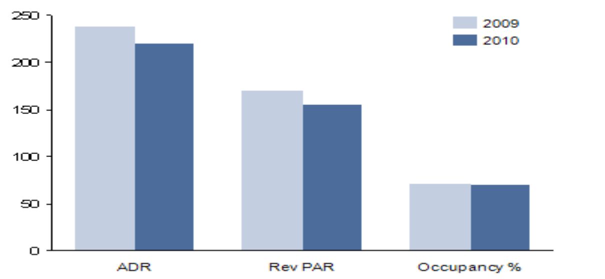
Room Supply UAE

Current room supply	Planned Increase in percentage	Rooms in construction phase
83,778	57%	24,251

Source: STR Global

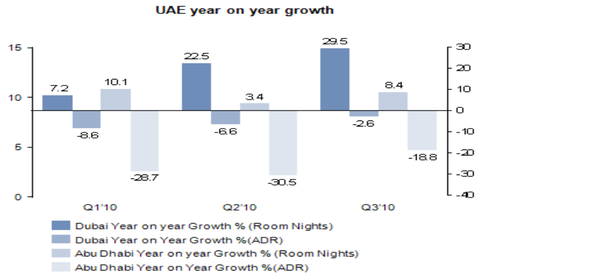
Key Insights

Chart 31: Performance trend UAE



Source: HVS International, Alpen Capital

Chart 32: UAE year on year growth



Source: Travelclicks's eMonitor Report

Trends

- The UAE tourism sector continues to witness good growth as both Dubai and Abu Dhabi announced increases in hotel guests
- 2010 was a difficult year for the hotel sector across the UAE, ADR and RevPAR declined by 8% and 9% compared with 2009 (see chart 31)
- In 2009, the Abu Dhabi Tourism Authority announced an intention to drive tourism growth and a target of welcoming 2.3 million visitors annually to the capital by 2012

The Industry Scenario

- In terms of tourist infrastructure, Dubai, and the UAE as a whole, offer excellent standards of accommodation along with the incentive of tax-free shopping. Abu Dhabi is also being regarded as one of the prominent destinations by tourists. About 40% of hotels in Dubai and 30% in Abu Dhabi are 3 stars or less, the vast majority of which are unbranded with travellers looking to trim their spending.

- Dubai International recorded 15.5% passenger growth in 2010, ranking it fourth globally when it handled 46.3 million passengers, according to Airports Council International. ADTA (Abu Dhabi Tourism Authority) announced an increase of 16% to 1.48 million in the number of hotel guests in the first half of 2010. Domestic tourism climbed 15% to 616,238, while international guests rose 17%.

Drivers

- Dubai generates maximum revenue from tourism for UAE and is expected to overtake oil export. The tourism industry has accounted for steady growth in Dubai's GDP. The Government's commitment to diversifying the economy has meant that continuing investment in the tourism industry is assured.
- The emergence of budget brand accommodation in Dubai and Abu Dhabi is a sign of maturing tourism taking care of that section of the travellers who try to trim down accommodation expenses
- According to ADTA, the 2011 tourism agenda aims at delivering 1.9 million hotel guests staying in around 22,000 hotel rooms and contributing 11.1% to the emirate's overall non-oil GDP
- Several more upcoming global sporting events in 2011, including Mubadala World Tennis Championship and Abu Dhabi HSBC Golf Championship, part of the European PGA Tour, will also help Abu Dhabi hotels to sustain the growth momentum

Kuwait

Macro-economic indicators

Indicators	Unit	2010E	2015E
GDP	*US$ bn*	117.3	176.8
Population	*mn*	3.6	3.9
Inflation	*%*	4.1	3.1
Share of Travel & Tourism in GDP	*%*	2.9	2.4
Overnight Visitor Arrivals	*'000*	321.3	478.3

Source: IMF, WTTC , Alpen Capital

Overview

Sovereign Debt Rating: On Feb 2011, Moody's rated Kuwait at Aa2 while S&P assigned an AA- rating.

Key Public Companies

Company	Number of Hotels under Management/ Affiliates
Kuwait Resorts Company	1
IFA Hotels and Resorts	

Source: Zawya

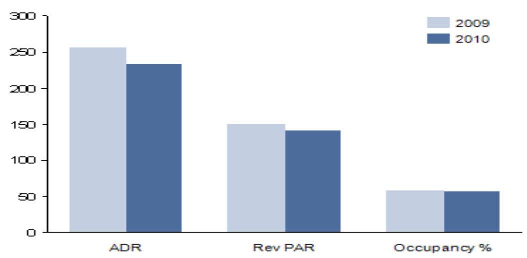
Room Supply Kuwait

Current room supply	Planned Increase in percentage	Rooms in construction phase
6,064	50%	1,115

Source: STR Global

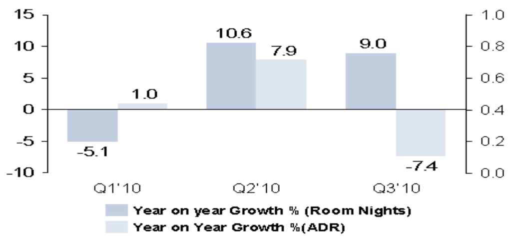
Key Insights

Chart 33: Performance trend Kuwait



Source: HVS International, Alpen Capital

Chart 34: Kuwait year on year growth



Source: Travelclicks's eMonitor Report

Trends

- Kuwait remains predominantly a corporate destination and, in the absence of any leisure projects in the pipeline, occupancy percentages in the city are likely to hover around low 60s in the near term
- In terms of occupancy Kuwait reported a drop of approximately 2% in 2010 compared with previous year. ADR and RevPAR declined by 8% and 7% respectively (see chart 33)
- Room Nights recorded a year on year growth of 9% in Q3' 2010 (see chart 34)
- In 2008, five-star hotels operated by international hotel chains dominated the market supply. However, with the opening of the Ibis Salmiya (2008), investors appear to divert their focus away from luxury properties in recognition of the potential of alternative asset types in Kuwait City, such as lower priced hotels and extended-stay properties
- Despite some delays in construction Kuwait has a number of international hotels projected to open by 2011. These include the Four Seasons Hotel Kuwait City (2011), Jumeirah Messilah Beach Hotel (2011) and the Ritz Carlton Kuwait (2011). The Intercontinental Kuwait Downtown has also commenced construction and is due to launch Q1 2012. Rezidor Hotel Group also opened its Missoni Hotel in March 2011.

The Industry Scenario

- Kuwait depends heavily on oil revenues, as oil accounts for roughly half of its nominal GDP and more than 80% of government revenues. The hotel demand in Kuwait City is generated primarily by Commercial sources. It remains predominantly a corporate destination and has announced a number of major development projects which it hopes will attract international tourism.

Drivers

- Both the government and private sector have taken important strides to improve the country's tourism infrastructure, with the expansion of Kuwait International Airport and the planned addition of 3,500 new hotel rooms by 2011
- Strong Islamic traditions make this country a very attractive destination to Arab heritage tourists, despite intense competition from other states in the Gulf
- Despite some delays in construction, Kuwait has a number of international hotels projected to open by 2011 which include the Four Seasons Hotel Kuwait City (2011), Jumeirah Messilah Beach Hotel (2011) and the Ritz Carlton Kuwait (2011). The Intercontinental Kuwait Downtown has also commenced construction and is due to launch Q1 2012

Challenge Ahead

- Tourism in Kuwait faces challenges due to a very strong local currency that makes it less attractive as a business or leisure destination. Anecdotal evidence suggests that even Kuwaiti investors invest in tourism overseas more than inside their country.

Qatar

Macro-economic indicators

Indicators	Unit	2010E	2015E
GDP	*US$ bn*	126.5	230.5
Population	*mn*	1.7	2.1
Inflation	*%*	1.0	4.0
Share of Travel & Tourism in GDP	*%*	0.7	0.7
Overnight Visitor Arrivals	*'000*	1591.5	1892.6

Source: IMF, WTTC, Alpen Capital

Overview

Sovereign debt rating: NA

Key Public Companies

Company	Number of Hotels under Management/ Affiliates
Qatar National Hotels Company	6

Source: Zawya

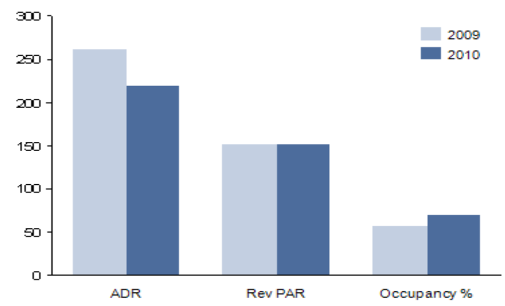
Active Pipeline Qatar

Current room supply	Planned Increase in percentage	Rooms in construction phase
8,006	65%	4,927

Source: STR Global

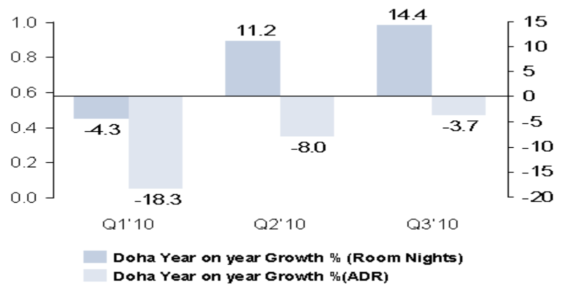
Key Insights

Chart 35: Performance trend Qatar



Source: HVS International, Alpen Capital

Chart 36 :Qatar year on year growth



Source: Travelclicks'seMonitor Report

The Industry Scenario

- According to the Economist, in 2009 Qatar was ranked the second-richest country in the world by purchasing power parity. It recorded an average annual real GDP growth of 13.4% between 2004 and 2009. This has led the Government to increase its expenditure on infrastructure and hotels allocating USD 20 billion from 2008 to 2014.
- Although Qatar improved its occupancy by 12% in 2010 , it did not witness significant change in RevPAR on account of 16% decline in ADR (see chart 35)

Drivers

- The country has played host to the 2011 Asian Football Cup, and is also hosting the 2022 World Cup. This has triggered a significant investment in high-end tourism developments such as the Lusail City and the planned Qatar Entertainment City.
- The USD 20 billion Pearl -Qatar island project is expected to be complete in 2013
- In early 2010, the Government implemented a law removing the 49% limit of foreign ownership in tourism and other sectors, which should help increase foreign direct investment in the country

- In April 2010 the government suspended plans for visa requirements for citizens of 33 countries including the UK and USA after objections from airlines and other tourism-dependent businesses
- Tourist arrivals in Qatar is estimated to touch 1.8 million in 2014, with the number of business visits growing at an average annual rate of 11.9% over 2009-2014
- The Qatar Tourism Authority estimates 40 new hotels to open in 2010-2011.
- Aggressive plans are being undertaken by the Government to transform Doha into a business and knowledge resource centre as a consequence of which major infrastructural, commercial and leisure projects are being undertaken
- The Qatar Tourism Authority estimates 40 new hotels and around 7,000 rooms to open in 2010-2011
- The government is executing aggressive plans to transform Doha into a business and knowledge resource centre in the Middle East, and major infrastructural, commercial and leisure projects are currently under construction as a consequence
- Qatar is also spending heavily to boost cultural, sport, and educational tourism. The country hosted the 2011 Asian Football Cup, and has won the bid to host the 2022 World Cup
- On the cultural front, Qatar plans to open six museums in the next five years

Oman

Macro-economic indicators

Indicators	Unit	2010E	2015E
GDP	*US$ bn*	53.8	79.0
Population	*mn*	2.9	3.5
Inflation	*%*	4.3	2.8
Share of Travel & Tourism in GDP	*%*	3.0	3.0
Overnight Visitor Arrivals	*mn*	1.1	1.3

Source: IMF, WTTC ,Alpen Capital

Overview

Sovereign Debt Rating: On March 9, 2011 S&P placed its ‘A/A-1’ long-term and short-term local and foreign currency ratings on the Sultanate of Oman on CreditWatch with negative implications.

Key Companies

Company	Number of Hotels under Management/ Affiliates
Oman Hotels & Tourism Company	5
Gulf Hotels (Oman) Company	1

Source: Zawya

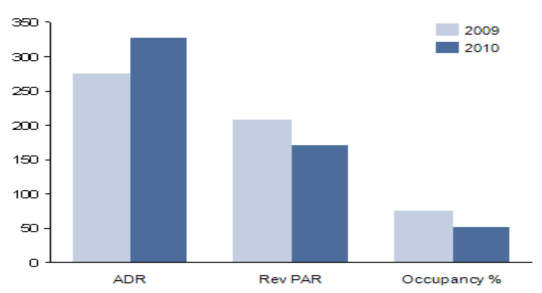
Room Supply Oman

Current room supply	Planned Increase in percentage	Rooms in construction phase
9,044	48%	1,831

Source: STR Global

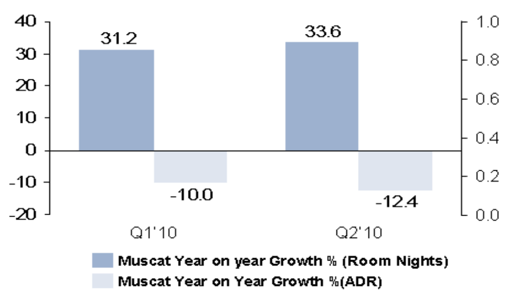
Key insights

Chart 37: Performance trend Oman



Source: HVS International, Alpen Capital

Chart 38: Oman year on year growth



Source: Travelclicks'se Monitor Report

- The supply of hotel rooms in Oman has traditionally been dominated by the five star sector accounting for nearly 40% of the market
- In common with many leisure destinations around the world, Oman experienced a dip in both visitor numbers and average spend in 2009
- In 2010, Oman reported 19% increase in ADR compared with previous year however RevPAR declined by 21% on account of 24% decline in occupancy (see chart 37)
- Compared with other GCC nations, Oman reported lowest occupancy figure of almost 52% in 2010 (see chart 37)
- Oman recently eased its visa policies to make it possible for nationals of up to 60 countries to receive entry visas on arrival at the airport
- Oman is actively repositioning its travel and tourism industry; adventure/trekking tourism and eco-tourism has emerged as a new unique selling proposition. It is also focusing on spas, Yachts, and conferences, as well as emphasizing great importance on domestic tourism

The Industry Scenario

- Oman is the only country in the region to provide a salient blend of cultural, natural, and ecological attractions with countless activities such as diving, desert safaris, mountain hiking etc, all within a natural and well conserved environment.

Drivers

- **Oman's Vision:** The Government is coordinating with the private sector to invest more than USD 10 billion in tourism projects, which is expected to attract 12 million tourists annually by 2020 as compared to 3.2 million per annum at present
- A major expansion of Muscat International Airport, which when finished in 2011, will be able to accommodate more than 12 million annual visitor arrivals
- **Government Initiatives:** Oman recently eased its visa policies to make it possible for nationals of up to 60 countries to receive entry visas on arrival at the airport
- **Luxury to adventure**: Oman is banking on adventure/trekking tourism and eco-tourism which has emerged as a new unique selling proposition. It is thus promoting adventure tourism through packages sold by specialized travel retail outlets

Challenges ahead:

- The current political uncertainty and populist demonstrations have affected tourism and business travel to Oman. We believe this is a short-term scenario and in the long-term the hospitality sector in Oman continues to have a positive outlook

Bahrain

Macro-economic indicators

Indicators	Unit	2010E	2015E
GDP	US$ bn	21.7	31.5
Population	mn	1.1	1.2
Inflation	%	2.6	2.5
Share of Travel & Tourism in GDP	%	6.7	6.8
Overnight Visitor Arrivals	mn	5.5	6.6

Source: IMF, WTTC, Alpen Capital

Overview

Sovereign Debt Rating: On Feb 21, 2011, Bahrain's long-term rating was reduced by one level to A-, the fourth-lowest investment grade, and the short-term rating lowered to A-2 by Standard & Poor's.

Key Companies

Company	Number of Hotels under Management/ Affiliates
National Hotels Company	1
Bahrain Tourism Co.	1

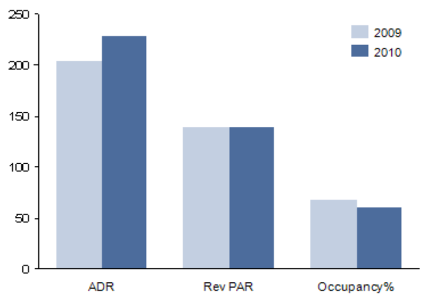
Source: Zawya

Room Supply Bahrain

Current room supply	Planned Increase in percentage	Rooms in construction phase
5,630	65%	885

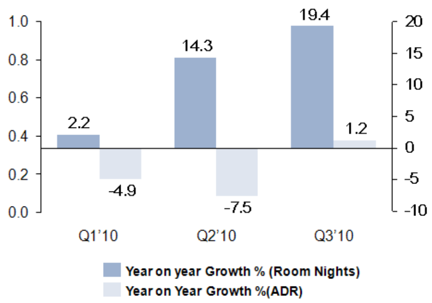
Key insights

Chart 39: Performance trend Bahrain



Source: HVS International, Alpen Capital

Chart 40: Bahrain year on year growth



Source: Travelclicks's eMonitor Report

- Five-star hotels account for approximately 27% of the rooms in the market; this category is largely defined by renowned international operators
- Four-star hotels account for 35% of the market; however, these hotels tend to be locally branded and their quality may vary significantly from one property to another
- In 2010, Bahrain reported 11% rise in ADR compared with previous year however it did not witness significant change in RevPAR on account of 4% decline in occupancy rate (see chart 39)
- In 2010, Bahrain reported second lowest RevPAR amongst GCC nations
- There are a significant number of hotel rooms under construction. The majority of this new supply is classified as five-star and luxury hotels in resort destinations. Approximately 40% is scheduled to come into the market in 2010, which is expected to put further pressure on both occupancy and average rate, especially in the absence of serious signs of recovery in the region
- Tourism in Bahrain continues to face strong competition from established Gulf destinations such as Dubai, which offers a similar mix of sun, sand and a liberal atmosphere. More recently, the aggressive rate war in Dubai has resulted in Bahrain losing a number of visitors to the more established destination

The Industry Scenario

- The economy of Bahrain is one of the most diversified and is least reliant on oil. It serves as a major financial centre for the Gulf region and much of the Arab world. Tourism currently contributes between 12% and 15% of the country's GDP, while the Government's objective is to make this sector contribute at least 30% in ten years. Five star hotels accounts for around 27% of the rooms in the market whereas four star hotels account for 35% of the market. European and American visitation to Bahrain is minimal. The main source market for Bahrain is the Arab world, which accounts for more than 70% of the total number of arrivals.

Drivers

- Bahrain's tourism development is expected to be backed by the growth in new budget airlines in Saudi Arabia. It will become cheap for Saudi Arabians living in Riyadh and Jeddah to fly to Dammam and then drive into Bahrain along King Fahd Causeway
- Bahrain is venturing into the development of alternative hotel asset classes (timeshare and condominium products)
- The projects of the Durrat al Bahrain, Amwaj Islands and Al Areen will not only enable the Government to position the economy as an attractive leisure destination for religious visitors, but also bring international exposure to the country

Challenges ahead

- Bahrain, considered as a local weekend destination rather than an international luxury destination. Hence, the transition from a budget, local weekend destination to an international luxury destination may be challenging
- It faces strong competition from established Gulf destinations such as Dubai, which offers a similar mix of sun, sand and a liberal atmosphere.
- The current political uncertainty and populist demonstrations have affected tourism and business travel to Bahrain. We believe this is a short-term scenario and in the long-term the hospitality sector in Bahrain continues to have a positive outlook especially due to its proximity to Saudi Arabia and its strong financial sector

Company Profiles

Abu Dhabi National Hotels Company

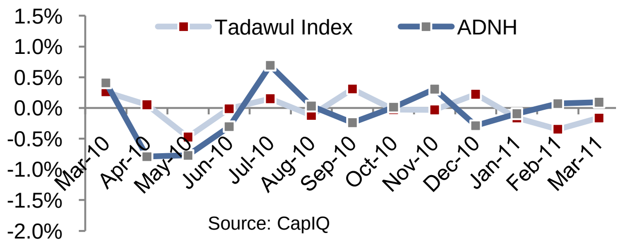
Public: UAE

Stock data

Capital IQ ticker	ADNH
Price (US$)	0.74
52 Week High/Low	1.14/0.74
Enterprise value (US$ mn)	750
Market cap (US$ mn)	743

Source: Capital IQ, As of 11th April 2011

Stock chart



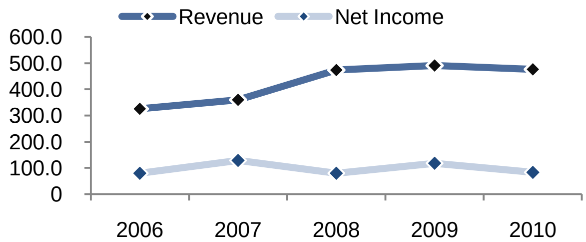
Source: CapIQ

Performance summary

(US$ mn)	2009	2010	% change
Revenue	491.0	475.8.0	-3.0%
COGS	372.7	404.9	8.7%
EBITDA Margin (%)	21.7%	71.0	1.3pp
Net Income margin (%)	24.0%	14.9%	-6.6pp
ROE (%)	5.3%	3.7%	-1.6pp
ROA (%)	2.1%	NA	NA

Source: Zawya , Capital IQ and company website

Operational Performance Chart

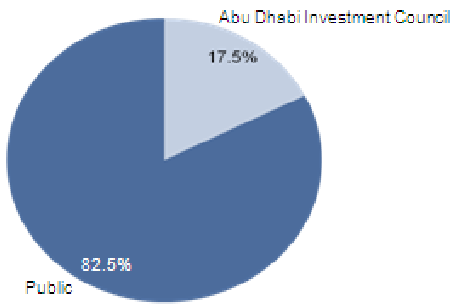


In $ Millions
Source: CapIQ

Business description and Shareholding

Overview

Abu Dhabi National Hotels Company was incorporated in 1975 and is based in Abu Dhabi, United Arab Emirates. The company engages in the ownership and management of hotels in the United Arab Emirates. The company owns five hotels in the UAE, including Hilton International Abu Dhabi, Hilton International Al Ain, Abu Dhabi Sheraton Hotel, Le Meridian Abu Dhabi, and Sofitel Dubai. In addition, it manages tourist and leisure outlets, as well as provides catering, cleaning, and facilities management services to various business sectors, such as construction camps, oil and gas, hotels, private and public hospitals, palaces, clubs, etc.



Recent developments and future plans

- In April 2010, ADNH announced an investment of US$ 762 million in developing hotels in Abu Dhabi. This project includes a large hotel with 595 rooms and suites, including 100 villas, surrounded by water channels. With an investment outlay to the tune of US$ 408 million, the Grand Canal is the first project of its kind and will includes 17 restaurants and 20 shops and at the same time The Grand Canal offers visitors a romantic experience as in Venice, which will attract millions of tourists annually.
- In May 2010, Park Hyatt Abu Dhabi resort on Saadiyat Island, the first resort on the island was completed at a cost of US$ 199 million. The company is continuing its plans for future growth and expansion for tourism development, along with the Strategic Plan of the Emirate of Abu Dhabi in 2030.

National Corporation For Tourism and Hotels

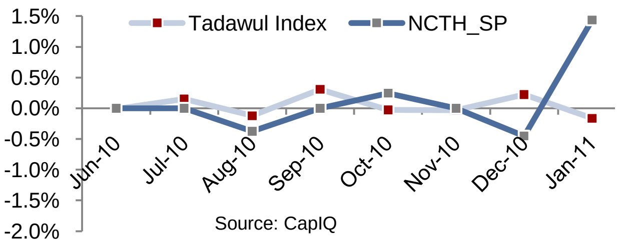
Public: UAE

Stock data

Capital IQ ticker	NCTH
Price (US$)	1.93
52 Week High/Low	2.1/0.84
Enterprise value (US$ mn)	325
Market cap (US$ mn)	215

Source: Capital IQ, As of 11th April 2011

Stock chart



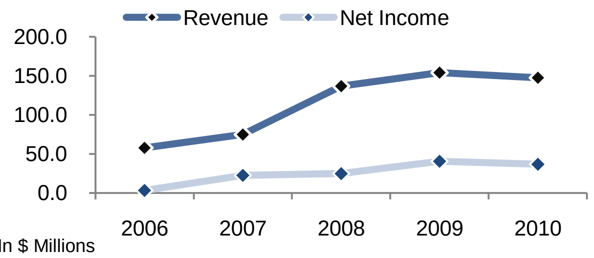
Source: CapIQ

Performance summary

(US$ mn)	2009	2010	%Change
Revenue	154.2	147.6	-4.3%
COGS	73.7	75.1	1.9%
EBITDA Margin (%)	39.6%	37.3%	-2.3pp
Net Income margin (%)	26.3%	24.9%	-1.4 pp
ROE (%)	24.9%	21.4%	-3.5 pp
ROA (%)	8.0%	6.9%	-1.1 pp

Source: Capital IQ, Zawya and company website

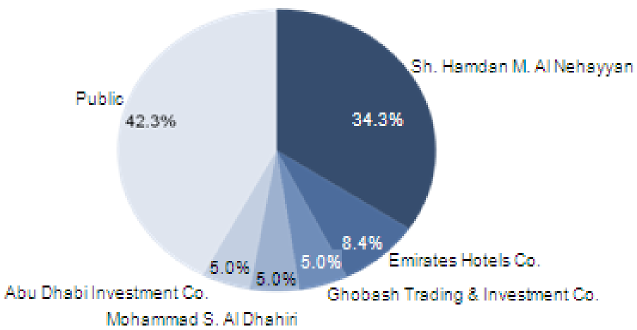
Operational Performance Chart



In $ Millions
Source: CapIQ

Business description and Shareholding

Overview



National Corporation for Tourism and Hotels was founded in 1996 and is based in Abu Dhabi, the United Arab Emirates. The company owns, manages, and invests in hotels and leisure complexes in the United Arab Emirates. It also provides catering services comprising corporate, event and hospitality, universities and schools, hospitals, and industrial catering services. In addition, the company engages in the management and development of a mixed-use residential and resort complex located at Nareel Island, Abu Dhabi. Further, it holds 50% interests in a joint venture, National Transportation Company L.L.C., which engages in the ownership and operation of a fleet of deluxe taxis and buses.

Recent developments and future plans

- National Corporation for Tourism & Hotels now manages the 216-bedroom InterContinental Al Ain Resort through its subsidiary, Danat Hotels & Resorts, re-branded as Danat Al Ain Resort from January 1, 2011.

Saudi Hotels & Resort Areas Company

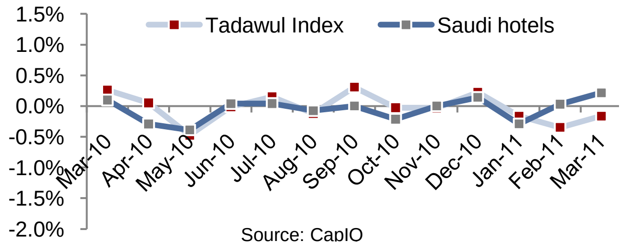
Public: Saudi Arabia

Stock data

Capital IQ ticker	4010
Price (US$)	7.36
52 Week High/Low	8.29/5.67
Enterprise value (US$ mn)	498
Market cap (US$ mn)	508

Source: Capital IQ, As of 11th April 2011

Stock chart



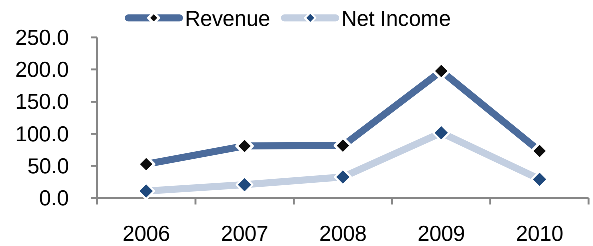
Source: CapIQ

Performance summary

(US$ mn)	2009	2010	%Change
Revenue	197.4	73.0	-63.0%
COGS	87.1	35.5	-59.2%
EBITDA Margin (%)	55.9%	51.3%	-4.6pp
Net Income margin (%)	51.4%	40.0%	-11.4 pp
ROE (%)	25.6%	NA	NA
ROA (%)	12.9%	NA	NA

Source: Capital IQ, Zawya and company website

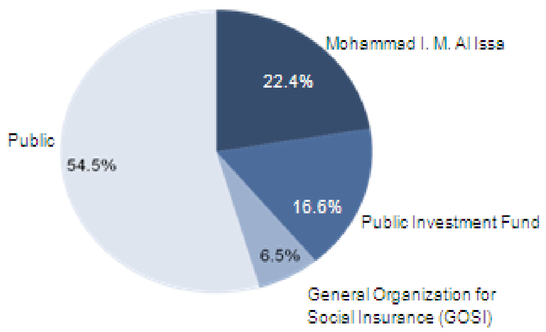
Operational Performance Chart



In $ Millions
Source: CapIQ

Business description and Shareholding

Overview



Saudi Hotels & Resort Areas Company was founded in 1976 and is based in Riyadh, South Arabia. Saudi Hotels & Resort Areas Company constructs, owns, manages, operates purchases, affiliates, and rents hotels, restaurants, entertainment centers, travel and tourism agencies, and various beaches. The company also engages in developing, dividing, building, or renting lands. Saudi Hotels Co. has investments in other companies, namely: Tabuk Hotels Co. 52.38%, Makkah Hotels Co. 51.11%, Al Nakheel Resorts Co. 50.63%, Gulf Resorts Co. 50.48%, Madinah Hotels Co. 50%, Riyadh Hotels & Entertainment Co. 50.41%. The total investments of Saudi Hotels & Resort Areas Co. in these companies are approximately US$ 121 million.

Recent developments and future plans

- In July 2010, Saudi Hotels & Resort Areas Company signed an agreement to acquire a 30,000 square meter land plot located on King Khaled Road for US$ 11 million

Tourism Enterprises Co.

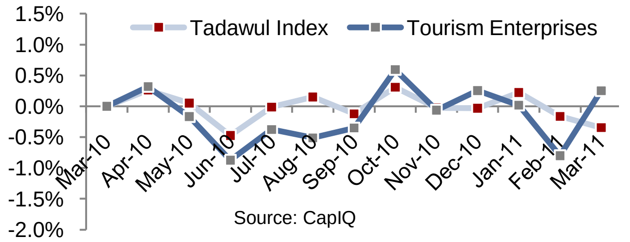
Public: Saudi Arabia

Stock data

Capital IQ ticker	4170
Price (US$)	6.55
52 Week High/Low	9.09/4.53
Enterprise value (US$ mn)	61
Market cap (US$ mn)	66

Source: Capital IQ, As of 11th April 2011

Stock chart



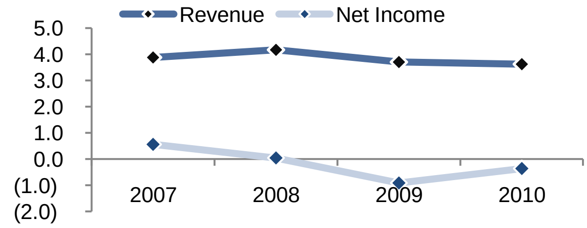
Source: CapIQ

Performance summary

(US$ mn)	2009	2010	% change
Revenue	3.7	3.9	-2.7%
COGS	2.4	1.9	-22.9%
EBITDA margin (%)	6.2%	22.5%	16.29pp
Net income margin (%)	24.4%	-9.8%	35.2
ROE (%)	4.8%	NA	NA
ROA (%)	-2.3%	NA	NA

Source: Capital IQ, Zawya and company website

Operational Performance Chart

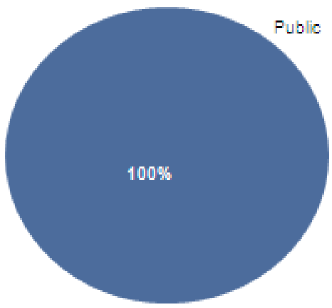


In $ Millions
Source: CapIQ

Business description and Shareholding

Overview

Tourism Enterprise Co. was founded in 1991 and is based in Dammam, Saudi Arabia. The company engages in the ownership and management of Palm Beach Resort in Saudi Arabia. The Palm Beach Resort includes approximately 1,300 meters of private sandy beach, approximately 165 chalets, and approximately 100 suites and cabanas. The company is investing US$ 2.6 million in Aljazirah Tourism Co. in Bahrain.



Oman Hotels & Tourism Company

Public: Oman

Stock data

Capital IQ ticker	OHTS
Price (US$)	8.06
52 Week High/Low	8.45/8.06
Enterprise value (US$ mn)	54
Market cap (US$ mn)	44

Source: Capital IQ, As of 11th April 2011

Stock chart

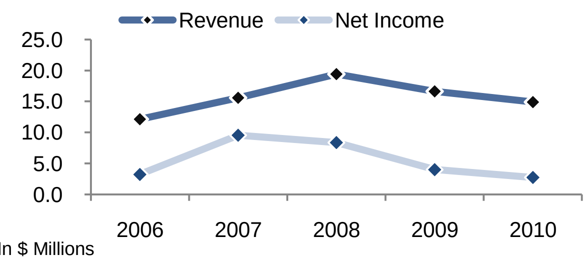
NA

Performance summary

(US$ mn)	2009	2010	% change
Revenue	16.6	14.9	-10.2%
COGS	9.8	9.7	-1.0%
EBITDA margin (%)	40.7%	23.9%	-4.8pp
Net income margin (%)	24.1%	15.4%	-5.6pp
ROE (%)	6.4%	3.5%	2.0pp
ROA (%)	3.8%	2.9%	1.0pp

Source: Capital IQ, Zawya and company website

Operational Performance Chart

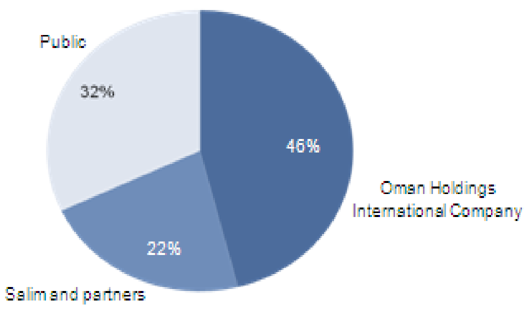


In $ Millions
Source: CapIQ

Business description and Shareholding

Overview

Oman Hotels and Tourism Company SAOG was founded in 1991 and is based in Muscat, Oman. The company is the wholly owned subsidiary is Al Sharqiya Hotels & Tourism Company SAOC, which owns and operates Sur Plaza Hotel. The Company's principal activity is the ownership and operation of al Falaj Hotel, Ruwi Hotel, Al Wadi Hotel, and Sur Plaza Hotel as well as managing restaurants. The Company's business segments are segregated into Hospitality and Investments. Hospitality provides various services to guests, segmented into Rooms, Food and Beverage, Recreational facilities, among others. Investments consist of investments in subsidiaries and associates.



Gulf Hotels (OMAN) Company Limited

Public: Oman

Stock data

Capital IQ ticker	GHOS
Price (US$)	28.6
52 Week High/Low	25.74/25.74
Enterprise value (US$ mn)	93
Market cap (US$ mn)	98

Source: Capital IQ, As of 11th April 2011

Stock chart

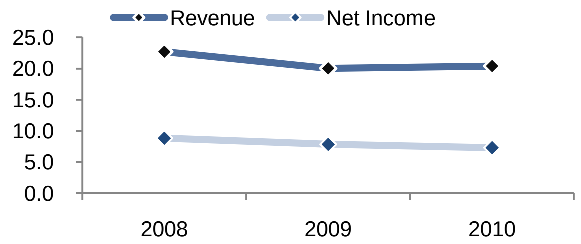
NA

Performance summary

(US$ mn)	2009	2010	% change
Revenue	20.0	20.4	2.0%
COGS	10.1	10.9	7.9%
EBITDA margin (%)	48.5%	46.4%	2.1pp
Net income margin (%)	39.2%	36.0%	3.5pp
ROE (%)	10.3%	10.0%	-0.3pp
ROA (%)	6.0%	6.0%	-0.0pp

Source: Capital IQ, Zawya and company website

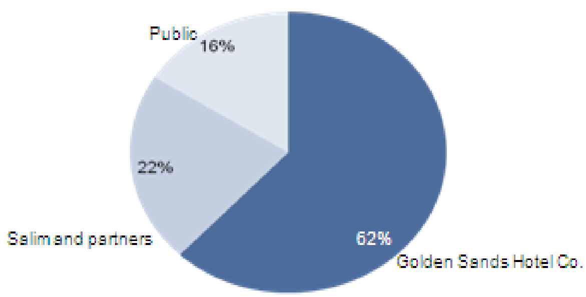
Operational Performance Chart



In Million
Source: CapIQ

Business description and Shareholding

Overview



Gulf Hotels (Oman) Company Limited SAOG is an Oman-based public joint stock company that operates in the hospitality and tourism industry. Gulf Hotels (Oman) Company Limited SAOG was incorporated in 1977 and is based in Muscat, Oman. The Company owns and operates Crown Plaza Hotel in Muscat, through its subsidiary, Arabian Hotel Management Company LLC. The Hotel is licensed and marketed by InterContinental Overseas Holding Corporation. Situated in a 10-acre garden area, the hotel features 205 guest rooms, golf courses, meeting rooms, tennis courts, swimming pool, children's pool, squash courts, a fitness centre, restaurants and bars. The company, through its subsidiary, also provides hotel management services.

Bahrain Tourism Company

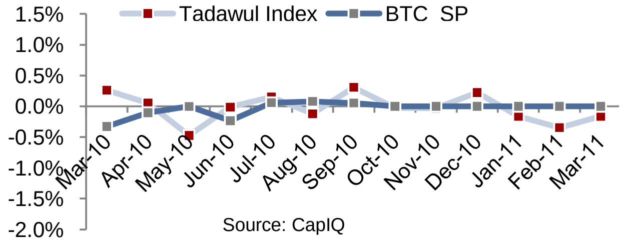
Public: Bahrain

Stock data

Capital IQ ticker	BTC
Price (US$)	0.92
52 Week High/Low	0.85/1.01
Enterprise value (US$ mn)	36
Market cap (US$ mn)	60

Source: Capital IQ, As of 11th April 2011

Stock chart

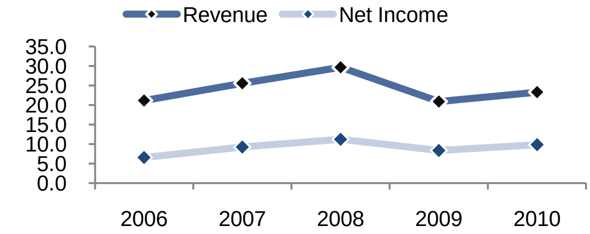


Performance summary

(US$ mn)	2009	2010	% change
Revenue	20.9	23.3	11.5%
COGS	12.6	13.6	7.9%
EBITDA margin (%)	55.2%	55.0%	-0.2pp
Net income margin (%)	40.0%	42.3%	2.3pp
ROE (%)	11.6%	13.2%	1.6pp
ROA (%)	6.7%	7.8%	1.0pp

Source: Capital IQ, Zawya and company website ,
Note: 2010 Figures are LTM September 2010

Operational Performance Chart

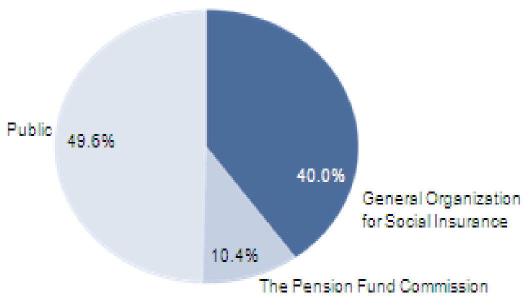


In $ Millions
Source: CapIQ

Business description and Shareholding

Overview

Founded in 1974, Bahrain Tourism Company BSC was founded in 1974 and is based in Diplomatic Area, Bahrain. The company engages in hotel management such as Holiday Inn Hotel Bahrain, real estate development, in addition to travel business and tourism.



Bahrain Tourism Company BSC engages in building and investing in hotels and other tourism projects primarily in Bahrain. It owns the Crowne Plaza Bahrain Hotel and the Bahrain Conference Center. The company also operates BTC Travel and Tourism division that offers airline reservation and ticketing for various carriers, car hire, and hotel reservation; operates as a business travel agent; and promotes outbound and inbound travel and tourism. In addition, it invests in property, shares, managed funds, and deposits.

National Hotels Company

Public: Bahrain

Stock data

Capital IQ ticker	NHOTEL
Price (US$)	1.18
52 Week High/Low	1.18/1.18
Enterprise value (US$ mn)	102
Market cap (US$ mn)	118

Source: Capital IQ, As of April 2011

Stock chart

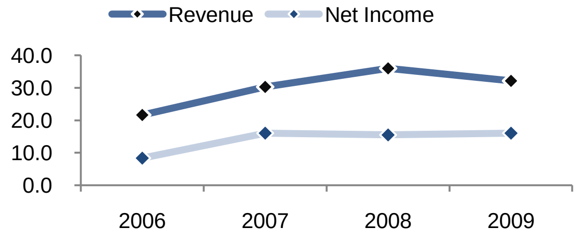
NA

Performance summary

(US$ mn)	2009	2010	% change
Revenue	32.2	NA	NA
COGS	15.4	NA	NA
EBITDA margin (%)	64.4%	NA	NA
Net income margin (%)	49.9%	NA	NA
ROE (%)	9.9%	NA	NA
ROA (%)	6.0%	NA	NA

Source: Capital IQ, Zawya and company website

Operational Performance Chart

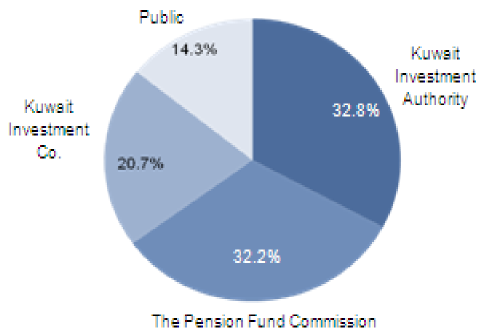


In $ Millions
Source: CapIQ

Business description and Shareholding

Overview

Founded in 1974, National Hotels Company is based in Manama, Bahrain. The company engages in the ownership of a deluxe five-star hotel, Diplomat Radisson SAS Hotel, in the Kingdom of Bahrain. The hotel comprises 246 refurbished rooms, bars, restaurants, and banquet and conference facilities.



Kuwait Resorts Company

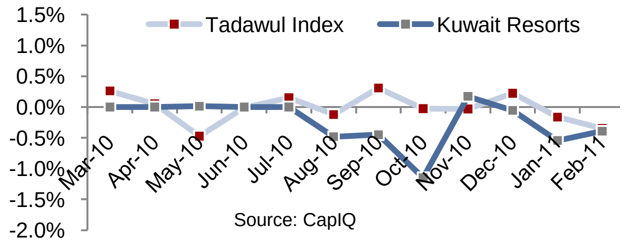
Public: Kuwait

Stock data

Capital IQ ticker	MUNTAZAHAT
Price (US$)	0.13
52 Week High/Low	0.30/0.13
Enterprise value (US$ mn)	-
Market cap (US$ mn)	24

Source: Capital IQ, As of 11th April 2011

Stock chart



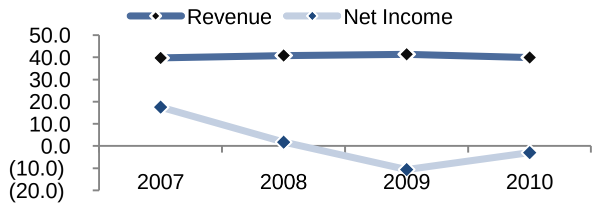
Source: CapIQ

Performance summary

(US$ mn)	2009	2010	% change
Revenue	41.5	40.0	-3.6%
COGS	26.3	26.6	1.0%
EBITDA margin (%)	NA	NA	NA
Net income margin (%)	-25.8%	-7.5	18.3pp
ROE (%)	-13.6%	3.9%	9.7pp
ROA (%)	0.4%	0.35%	0.05pp

Source: Capital IQ, Zawya and company website

Operational Performance Chart

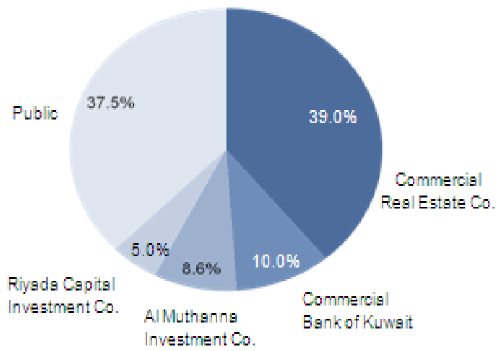


In $ Millions
Source: CapIQ

Business description and Shareholding

Overview

Incorporated in 2002, Kuwait Resorts Company is based in Kuwait City. It develops and manages holiday resorts, hotels, health clubs, and recreational centres and investing in other real estate companies locally and internationally.



Kuwait Resorts Company KSCC has investment activities, mainly in the tourism industry. The Company's activities include acquiring properties, developing and selling and/or renting them to interested parties inside and outside Kuwait; developing and managing holiday resorts, hotels, health clubs and recreational centres, and investing in other real estate companies locally and internationally. Kuwait Resorts Company owns the Hilton Kuwait Resort on the beach of Kuwait with two swimming pools, a health club, tennis courts, a spa, eight meeting rooms, a ballroom and a business centre. The Company owns also Bahrain Resort Company.

IFA Hotels and Resorts Company

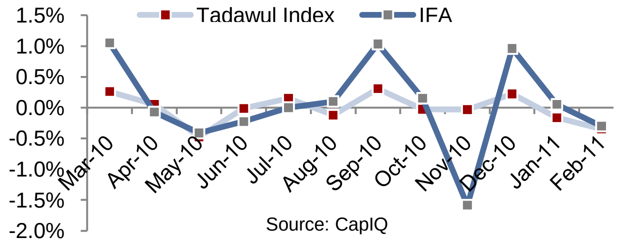
Public: Kuwait

Stock data

Capital IQ ticker	IFAHR
Price (US$)	1.64
52 Week High/Low	2.24/1.54
Enterprise value (US$ mn)	1263
Market cap (US$ mn)	709

Source: Capital IQ, As of 11th April 2011

Stock chart



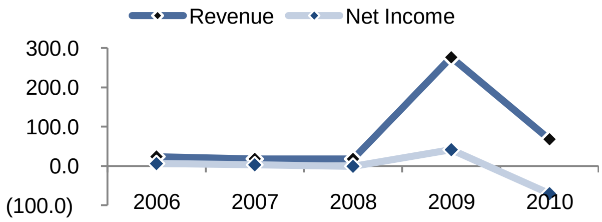
Source: CapIQ

Performance summary

(US$ mn)	2009	2010	% change
Revenue	258.9	69.0	-73.4%
COGS	135.0	51.1	-62.2%
EBITDA margin (%)	40.1	-67.1	-267.4%
Net income margin (%)	15.5%	-97.3%	-112.7%
ROE (%)	16.2%	-38.4%	-54.7pp
ROA (%)	3.2%	-4.8%	8.0pp

Source: Capital IQ, Zawya and company website

Operational Performance Chart



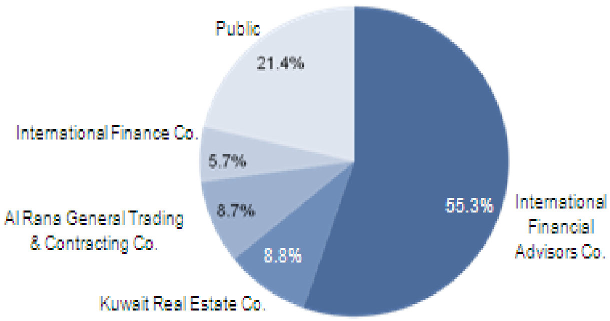
In $ Millions
Source: CapIQ

Business description and Shareholding

Overview

IFA Hotels & Resorts' is headquartered in Kuwait and its main operating office is in Dubai. The company has regional offices in all its development locations and an international network of agents.

The company is engaged in the development of premier integrated and mixed-use hotel and tourism resort projects and luxury leisure services. It is listed on the Kuwait and Johannesburg Stock Exchanges.



Globally, IFA Hotels & Resorts has entered into strategic alliances and joint venture partnerships with leading companies such as Kingdom Hotel Investments (Saudi Arabia), Nakheel (UAE), United Investments Portugal, RCI (part of Cendant), Tongaat-Hulett Developments (South Africa), Boschendal Ltd (South Africa), Raimon Land (Thailand), Ohlthaver & List (Namibia), Indian Ocean Resorts (Seychelles) and most recently Related (United States)

Recent developments and future plans

In December 2010, IFA Hotels & Resorts, through its asset management subsidiary company, IFA Hotel Investments (IFA HI) secured financing of US$ 115 million for its Fairmont Palm Jumeirah hotel project structured and arranged by Standard Chartered Bank

In February 2011, IFA Hotels & Resorts announced the launch of 'Zire Wongamat in Pattaya featuring a total of 480 units, with a mix of studios and one- or two-bedroom units, as well as large contemporary duplexes.

Kuwait Hotels Company

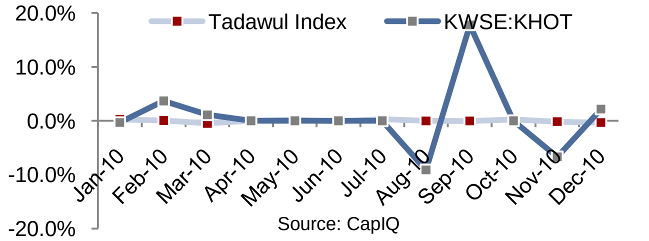
Public: Kuwait

Stock data

Capital IQ ticker	KHOT (KWSE)
Price (US$)	0.92
52 Week High/Low	2.24/1.54
Enterprise value (US$ mn)	51
Market cap (US$ mn)	52

Source: Capital IQ, As of 11th April 2011

Stock chart



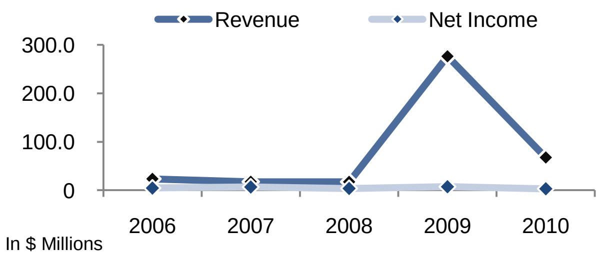
Source: CapIQ

Performance summary

(US$ mn)			% change
Revenue	56.9	52.8	-7
COGS	42	41.5	-1
EBITDA margin (%)	NA	NA	NA
Net income margin (%)	13.1	6.2	-6.9
ROE (%)	22.1	9.5	-12.6
ROA (%)	7.2	2.4	-4.8

Source: Capital IQ, Zawya and company website

Operational Performance Chart

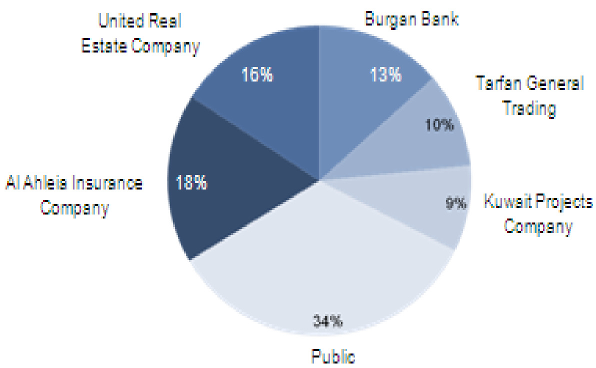


In $ Millions
Source: CapIQ

Business description and Shareholding

Overview

The company was founded in 1962 and is based in Safat, Kuwait. It is engaged in the ownership, operation and management of hotels and residential properties. The company also provides catering and hospitality services and manufactures and sells pastries and bakery foods.



Its subsidiary Safir International Hotel Management, deals with hotel and resort management. Its services also include management services, pre-planning, integrated marketing, branding, and cross selling. The Company's other subsidiaries include Safat Catering Company K.S.C., Kuwait Catering Company K.S.C., Safir International Hotel Management Company.

Al Buraimi Hotel Company

Public: Oman

Stock data

Capital IQ ticker	NA
Price (US$)	NA
52 Week High/Low	NA
Enterprise value (US$ mn)	NA
Market cap (US$ mn)	NA

Source:

Stock chart

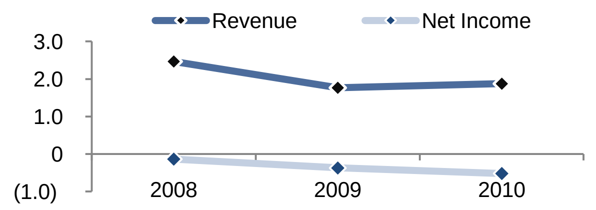
NA

Performance summary

(US$ mn)	2009	2010	% change
Revenue	1.8	1.9	6
COGS	1.2	1	-10
EBITDA margin (%)	-21.6	-4.8	16.8
Net income margin (%)	-20.9	-27.6	-6.7
ROE (%)	-4.2	-6.2	-2
ROA (%)	-4	-2.8	1.2

Source: Capital IQ, Zawya and company website

Operational Performance Chart

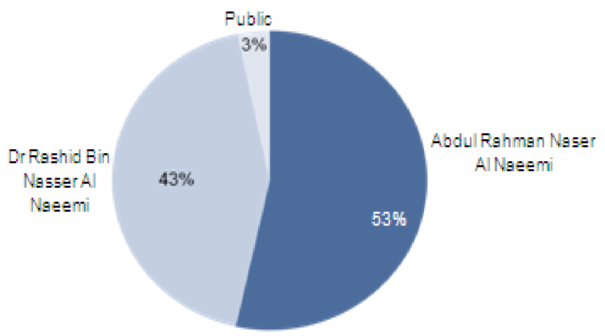


In $ Millions
Source: CapIQ

Business description and Shareholding

Overview

The Company owns and operates Al Buraimi Hotel, which consist of business center facilities, restaurants, swimming pool and a tennis court. The hotel is located on the Omani border with the United Arab Emirates.



Al Batinah Hotels Company

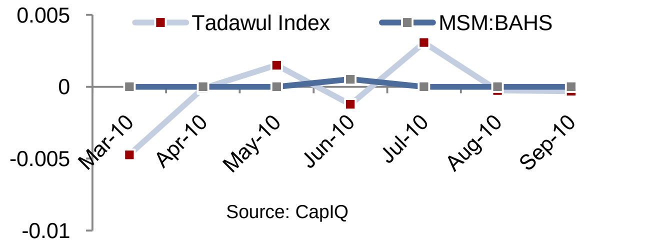
Public: Oman

Stock data

Capital IQ ticker	NA
Price (US$)	NA
52 Week High/Low	NA
Enterprise value (US$ mn)	NA
Market cap (US$ mn)	NA

Source: Capital IQ

Stock chart

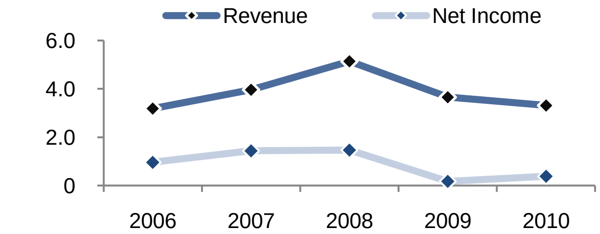


Performance summary

(US$ mn)	2009	2010	% change
Revenue	3.7	3.3	-9
COGS	3.4	2.7	-22
EBITDA margin (%)	10.6	19.9	9.3
Net income margin (%)	4.9	11.7	6.8
ROE (%)	2.8	6	3.2
ROA (%)	0.8	3	2.2

Source: Capital IQ, Zawya and company website

Operational Performance Chart

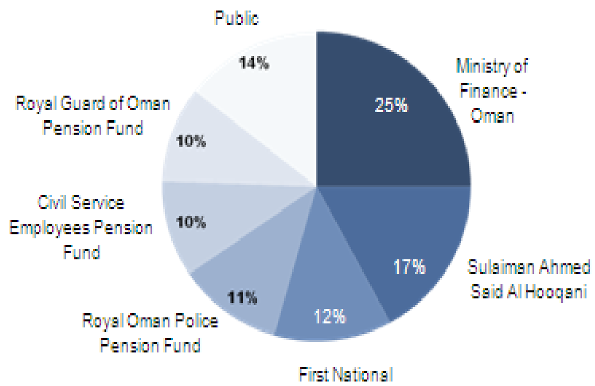


In $ Millions
Source: CapIQ

Business description and Shareholding

Overview

Established in 1992 Company's principal activity is the ownership and operation of Sohar Beach Hotel, which is located 240 kilometers North-East of Muscat.



ALPEN CAPITAL

Interior Hotels Company

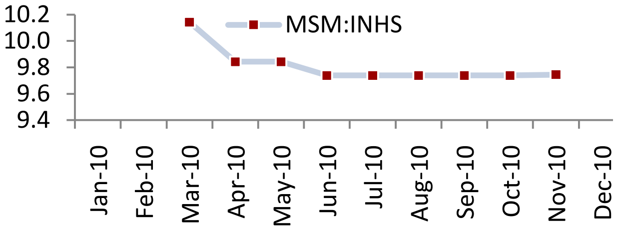
Public: Oman

Stock data

Capital IQ ticker	INHS (MSM)
Price (US$)	9.75
52 Week High/Low	9.75/9.75
Enterprise value (US$ mn)	6
Market cap (US$ mn)	8

Source: Capital IQ, As of 11th April 2011

Stock chart



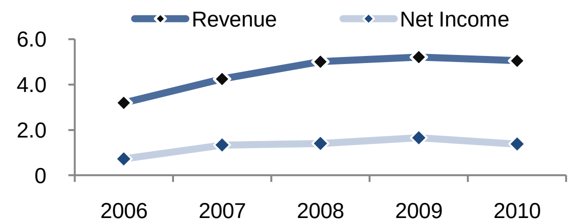
Source: CapIQ

Performance summary

(US$ mn)	2009	2010	% change
Revenue	5.2	5	-3
COGS	2.3	2.4	5
EBITDA margin (%)	41.5	36.8	-4.7
Net income margin (%)	31.7	27.3	-4.4
ROE (%)	24.4	17.2	-7.2
ROA (%)	13.3	10	-3.3

Source: Capital IQ, Zawya and company website

Operational Performance Chart

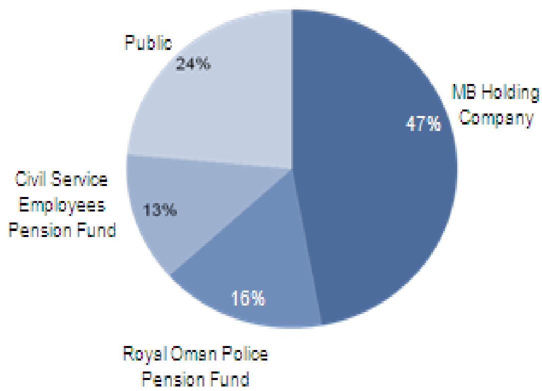


In $ Millions
Source: CapIQ

Business description and Shareholding

Overview

Interior Hotels Company is based in Oman. The company's principal activity is the ownership and operation of the Golden Tulip Nizwa Hotel located in Nizwa city. The hotel offers 120 rooms of different types comprising singles, doubles, twins and triples besides this the hotel also has conference and banquet facilities,



Salalah Beach Resort

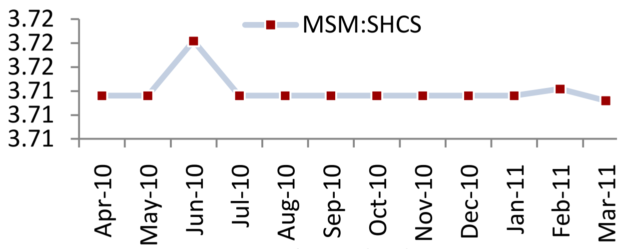
Public: Oman

Stock data

Capital IQ ticker	SHCS (MSM)
Price (US$)	3.72
52 Week High/Low	3.72/ 3.72
Enterprise value (US$ mn)	26
Market cap (US$ mn)	23

Source: Capital IQ, As of 11th April 2011

Stock chart



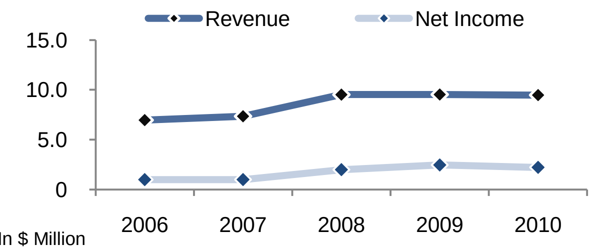
Source: CapIQ

Performance summary

(US$ mn)	2009	2010	% change
Revenue	9.54	9.48	-1
COGS	5.9	7	20
EBITDA margin (%)	31.8	33.5	1.7
Net income margin (%)	25.7	23.3	-2.4
ROE (%)	16.4	NA	NA
ROA (%)	5.9	NA	NA

Source: Capital IQ, Zawya and company website

Operational Performance Chart

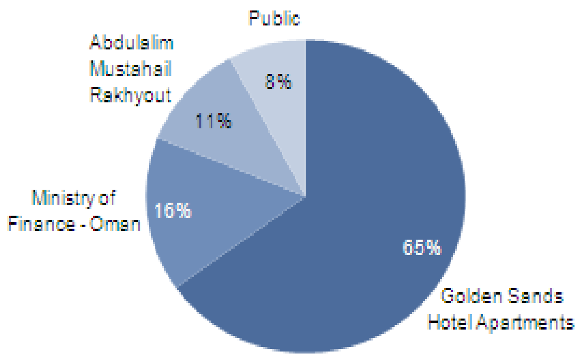


In $ Million
Source: CapIQ

Business description and Shareholding

Overview

Founded in 1998, Salalah Beach Resort is based in Salalah, Oman. It was earlier known as Salalah Hilton Company. It owns Hilton Salalah Resort, which is located in the south of Oman and managed by Hilton International Company.



Gulf Hotel Group

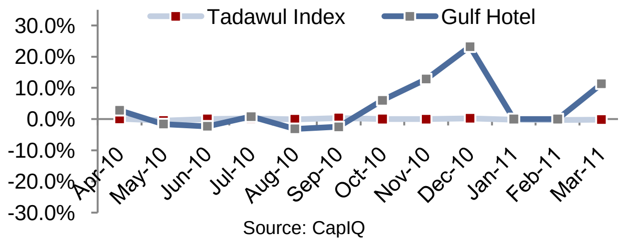
Public: Bahrain

Stock data

Capital IQ ticker	BHOTEL (BAX)
Price (US$)	2.11
52 Week High/Low	2.39/ 1.40
Enterprise value (US$ mn)	301
Market cap (US$ mn)	348

Source: Capital IQ, As of 11th April 2011

Stock chart



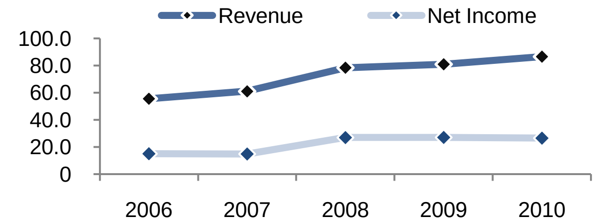
Source: CapIQ

Performance summary

(US$ mn)	2009	2010	% change
Revenue	81.0	86.6	7
COGS	43.5	49.2	13
EBITDA margin (%)	42.6	39.4	-3.2
Net income margin (%)	33.5	30.7	-2.8
ROE (%)	24.2	21.1	-3.1
ROA (%)	13.3	11.2	-2.1

Source: Capital IQ, Zawya and company website

Operational Performance Chart

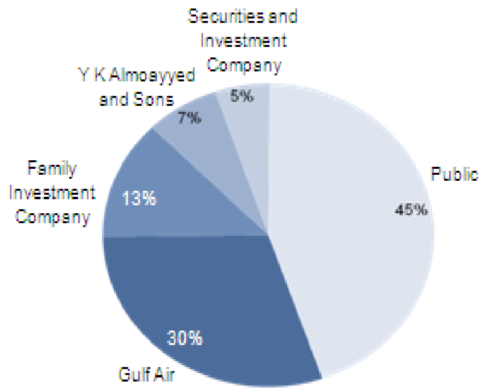


In $ Million
Source: CapIQ

Business description and Shareholding

Overview

The company is based in Bahrain and was founded in 1967. Its owns and operates a number of domestic and international holiday resorts, these include KHotel, Gulf Hotel and Gulf Executive Residence in Bahrain, and Ocean Paradise Resort, Zanzibar in the Republic of Tanzania. It also owns the Gulf Convention Centre, a venue for exhibitions, conferences, and weddings. The company is also present in the beverages industry through its subsidiary, Gulf Brands International, which imports, retails, and distributes alcoholic and non-alcoholic beverages throughout the Kingdom.



Boubyan Petrochemicals Co. (K.S.C.)

US$ 100,000,000

Term Credit Facility

Bukhatir Investments Limited

US$ 245,000,000

Syndicated Term Loan Facility & Commodity Murabaha

Emirates Trading Agency LLC
&
ETA Star Holding Limited

US$ 200,000,000

Syndicated Term Loan Facility

Al Khaliji Commercial Bank, QSC

US$ 100,000,000

Medium Term Credit Facility

Oman Insurance Co. (P.S.C.)

US$ 100,000,000

Syndicated Working Capital Revolver Facility

Berber Cement Company

US$ 130,000,000

Musharaka Sukuk

Union Taxi LLC

Strategic Joint Venture

Axiom Telecom LLC
with
Pantaloon Retail (India) Ltd

Strategic Joint Venture

Mohammed Jalal & Sons W.L.L.

US$ 65,000,000

Syndicated Secured Term Loan Facility

Al Bannai Group

Acquisition of

fono

Acquisition

ANC Group of Companies

USD 21,000,000

Acquisition Financing

SCHMIDLIN

Participants
Al Hilal Bank
Commercial Bank International

Al Jazeera Steel Products Company S.A.O.G.
(Listed on Muscat Securities Market)
Acquisition of Strategic Equity Stake
by
Global Buyout Fund LP

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