



Team Synergos

Presents

**Economic Outlook<sup>®</sup>**

Four Seasons and the Hospitality  
Industry

March 3, 2006

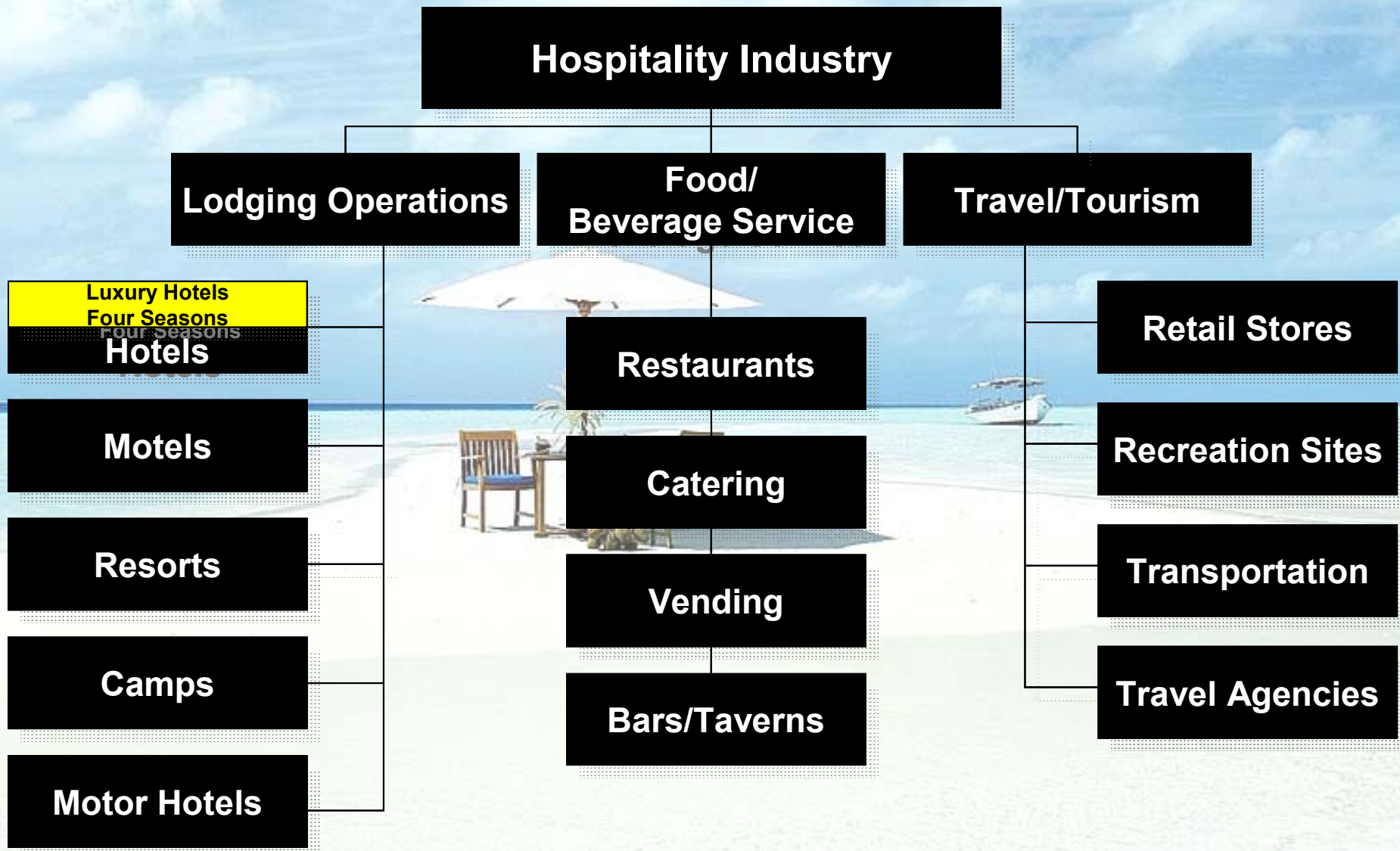
# Agenda

- **Introductions**
- **Hospitality Industry Analysis**
- **Firm Analysis**
- **Forecasts, Projections & Recommendations**
- **Economic Environment**
- **Macro Summary**



# Hospitality Industry Analysis

U.S. **hotel industry** consists of about 48,000 companies with combined annual revenue of \$90 billion.



# The Hospitality Industry

## Hospitality Industry

(includes lodging operations, food/beverage service, and travel/tourism)

## 5 Basic Types of Hotels

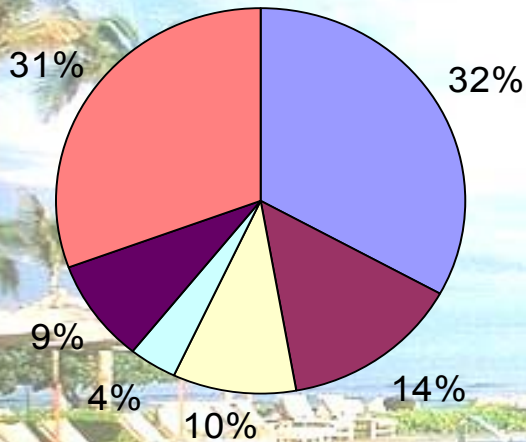
commercial, resort, residential, extended-stay, and casino

## Luxury Lodging Segment



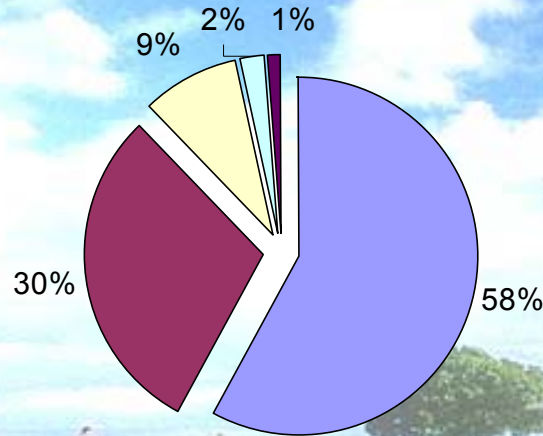
# Market Structure

## Hotel Property Locations



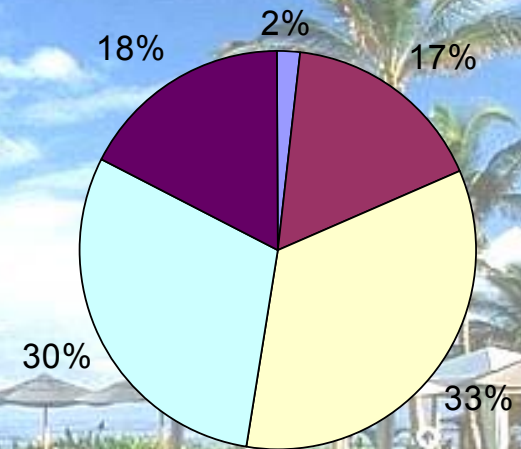
- Suburban
- Highway
- Urban
- Airport
- Resort
- Small Metro/Town

## Types of Rooms



- Under 75 rooms
- 75-149 rooms
- 150-299 rooms
- 300-500 rooms
- Over 500 rooms 503

## Room Rates



- Under \$30
- \$30-\$44.99
- \$45-\$59.99
- \$60-\$85
- Over \$85

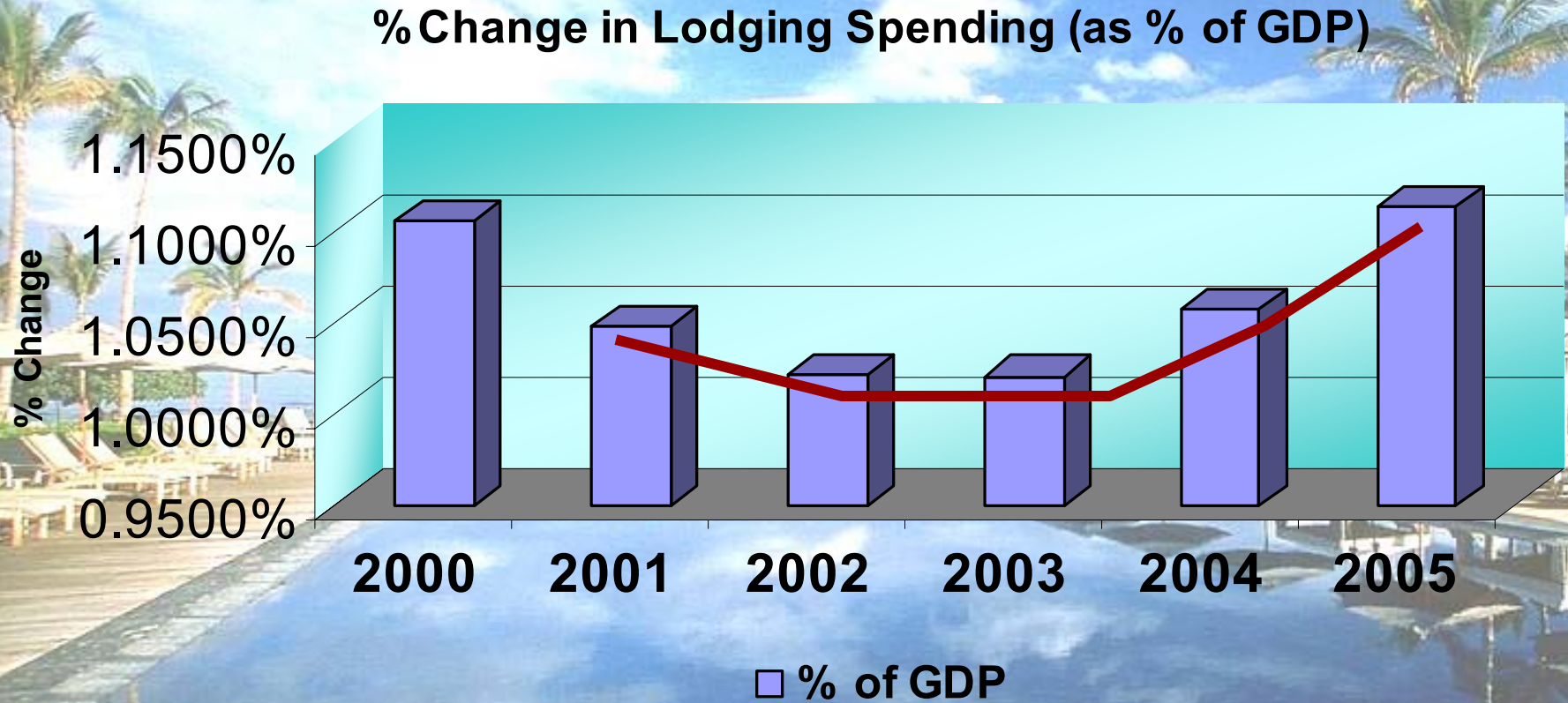
Source: U.S. Department of Commerce, International Trade Administration, Office of Travel & Tourism Industries

# Distribution of Lodging Customer Base

Year	Biz Travel	Leisure Travel	Age/% of Total	Average Income (HH) in USD	Average Number of Nights
2004	50%	50%	35-54/52%	72,600	=> 3 (37%) Biz => 3 (27%) Leisure
2003	52%	48%	35-54/53%	82,800	=> 3 (36%) Biz => 3 (27%) Leisure
2002	54%	46%	35-54/54%	81,600	=> 3 (33%) Biz => 3 (27%) Leisure
2001	57%	43%	35-54/53%	69,147	=> 3 (33%) Biz => 3 (26%) Leisure

**Leisure travel has increased and business travel has decreased as a percent of travel**

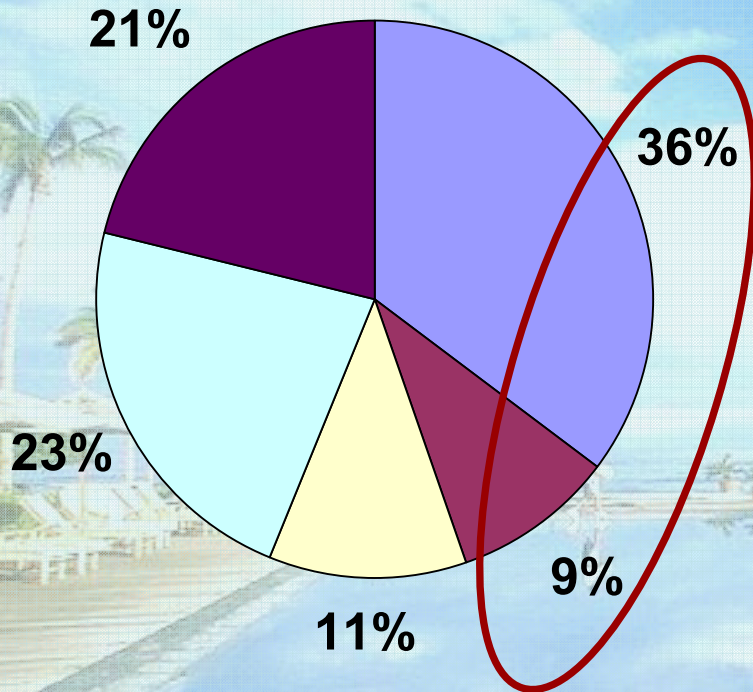
# Lodging Industry Spending (as % of Real GDP)



**Impact of World Events (such as 9/11, SARs), Tech Bubble Burst, Travel Anxiety, Tightening of Security, Visa Restrictions**

# Expense Structure of the Lodging Industry

## Lodging Expense Composition



- Salaries and Wages
- Employee Benefits
- Advertising
- Selling
- Other

**Labor**  
comprises **45%**  
of the lodging  
industry annual  
expense.

Source from: PKF Hospitality Research

# Industry Expense Challenges

## Hotel Energy Consumption

*Hotel Energy Usage Breakdown as a % of an an average Hotel's Budget*

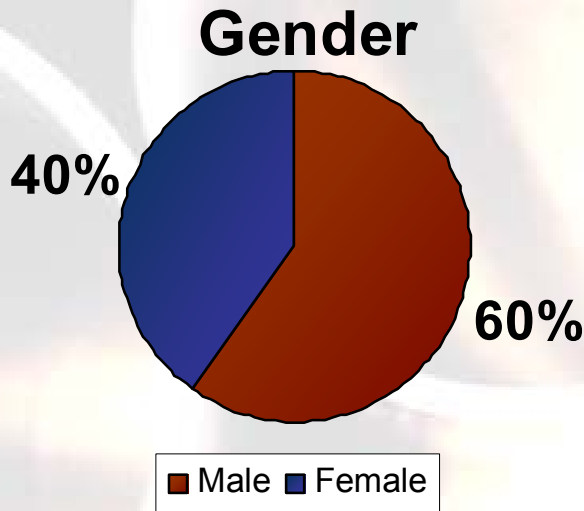
<b>Water Heating</b>	<b>40.3%</b>
<b>Lighting</b>	<b>18.2%</b>
<b>Space Heating</b>	<b>17.7%</b>
<b>Cooling</b>	<b>6.2%</b>
<b>Cooking</b>	<b>5.2%</b>
<b>Office Equipment</b>	<b>3.0%</b>
<b>Refrigeration</b>	<b>1.7%</b>
<b>Ventilation</b>	<b>1.3%</b>
<b>Other</b>	<b>6.4%</b>

Source: U.S. Environmental Protection Agency's Star Buildings Partnership



# Luxury Segment Analysis

# Market Profile – Demographics & Tastes



<b>Average Age</b>	<b>43</b>
<b>Average Annual HH Income</b>	<b>\$ 440,000</b>
<b>Average Net Worth</b>	<b>\$ 3,400,000</b>

<b>KEY ATTITUDE</b>	<b>% AGREE</b>
Luxury is good	95%
I have a long list of places I want to travel	85%
Even when the economy bad, I will spend on luxuries	85%

<b>KEY FACTORS IN CHOOSING A HOTEL</b>	<b>SCORE (OUT OF 10)</b>
Impeccable service	9.5
Is welcoming	9.4
Consistent in providing service that exceeds my needs	9.4

# Major Players in Luxury Segment

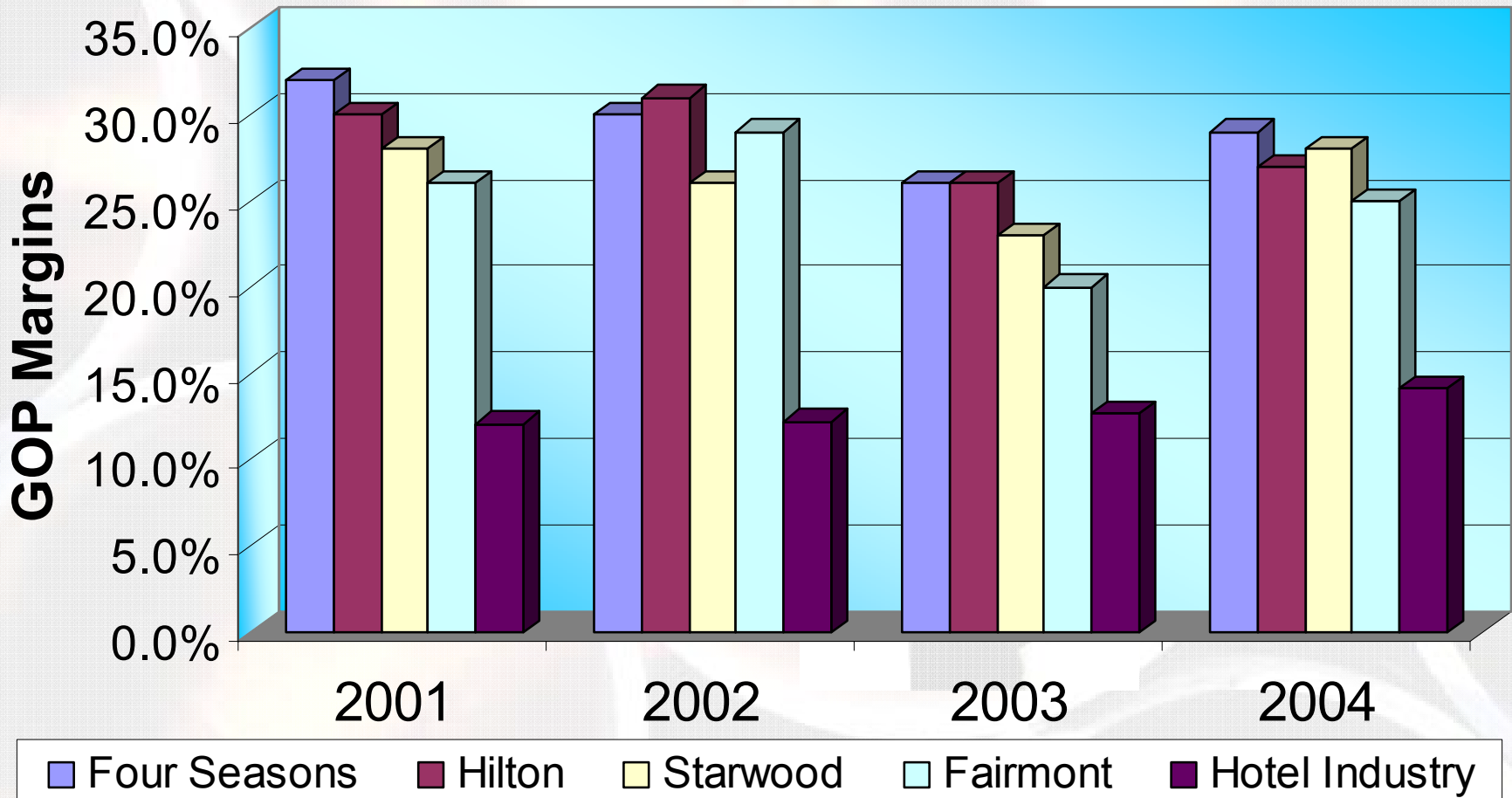
- Four Seasons
- Ritz-Carlton
- Fairmont
- Starwood
- Le Meridien
- The Peninsula
- Loews
- St. Regis

**Top players comprise 17% of total hotel market share**

Source from: Urban Land Institute Survey, 2004

# Luxury segment enjoys higher profit margins

While profits margins have shrunk from 01 to 03, there was a rebound in 2004.



Mingalaba

Witlkommen



**Welcome**  
*Ukwemuke la* *Beiny'nu*

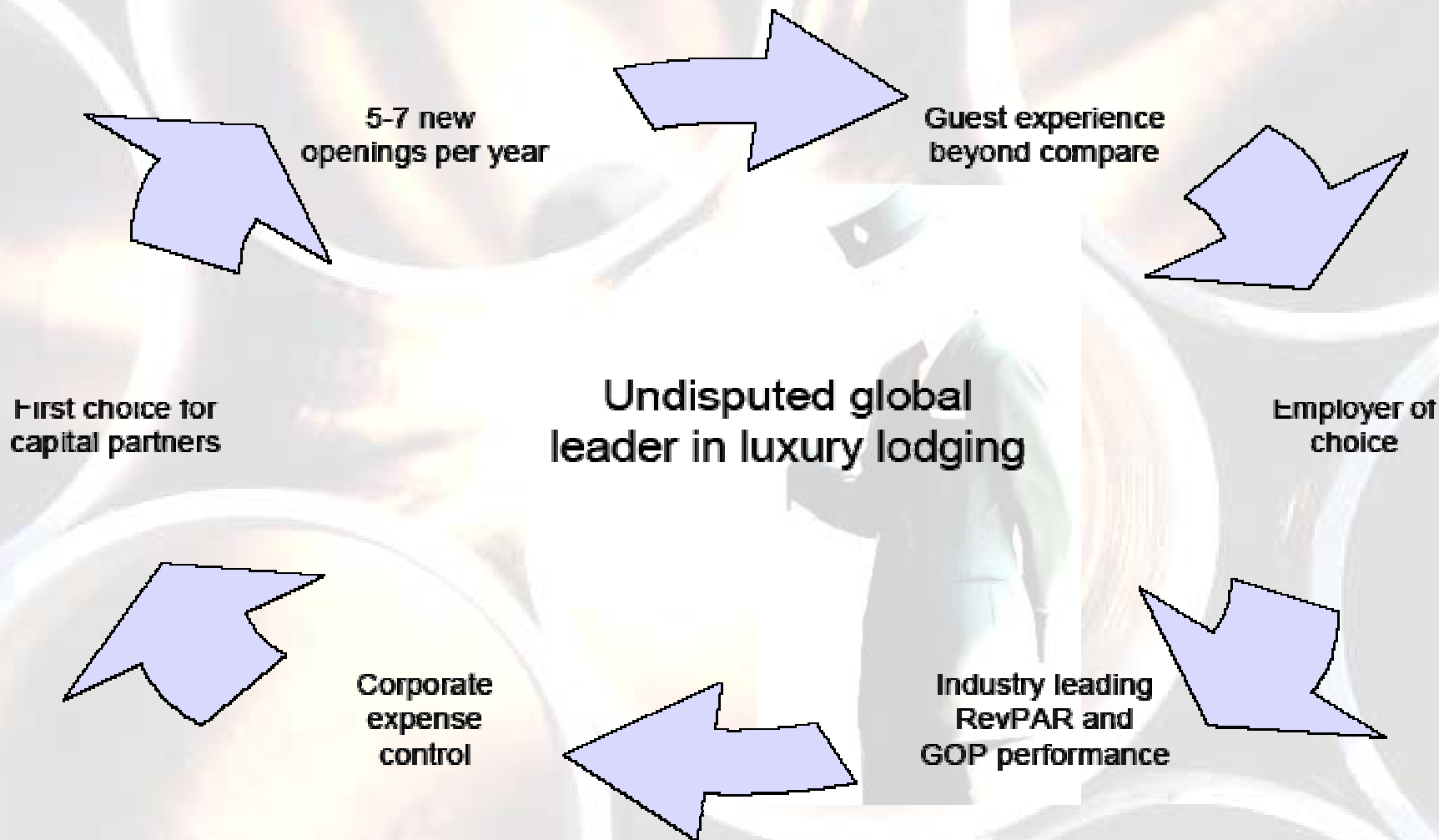
**to Four**  
*Maliu mai*

**Seasons**

witlkommen

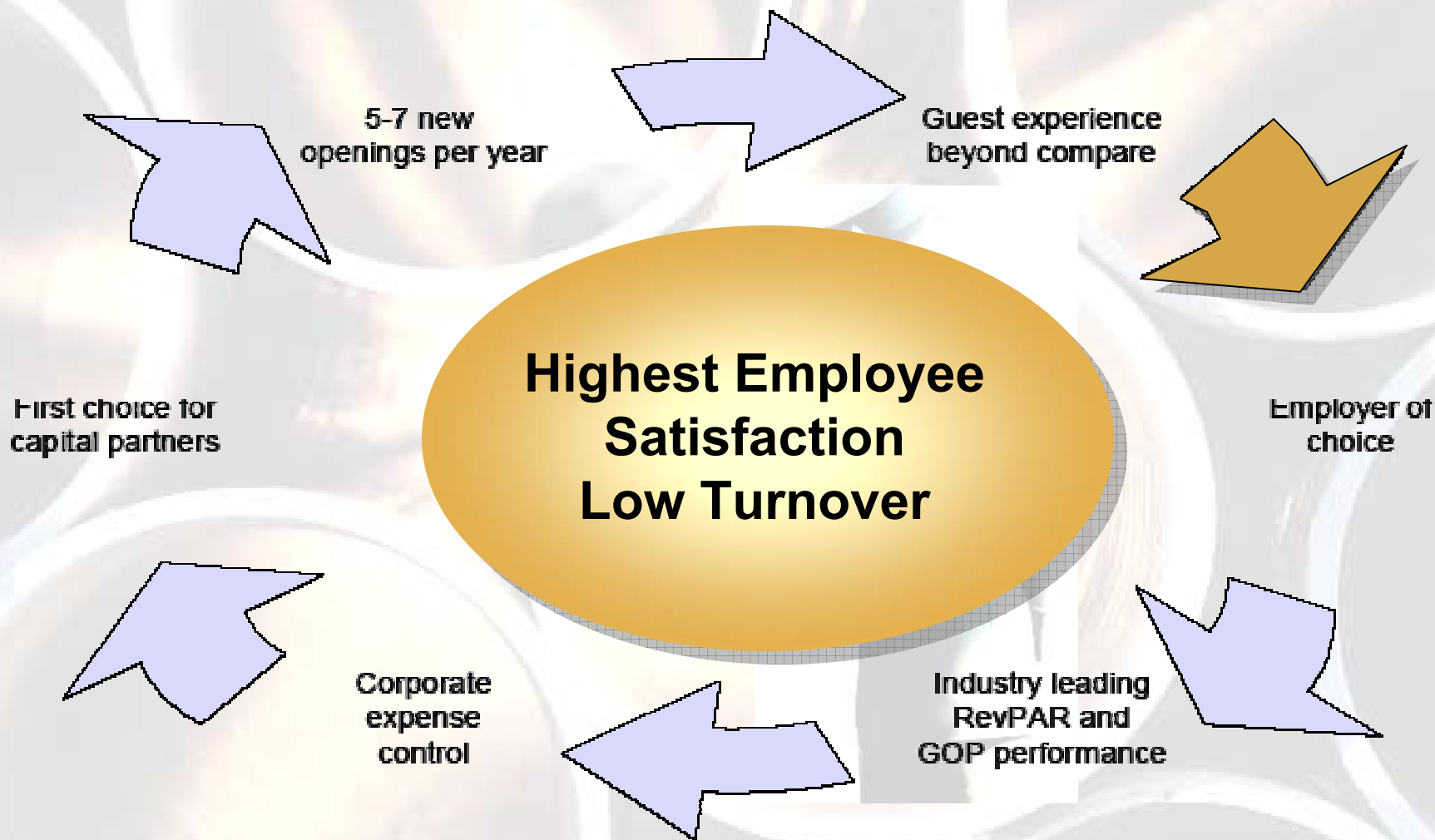
Akwaba

# Four Seasons Mission and Overall Goal



Source from: Four Seasons

# Four Seasons Mission and Overall Goal



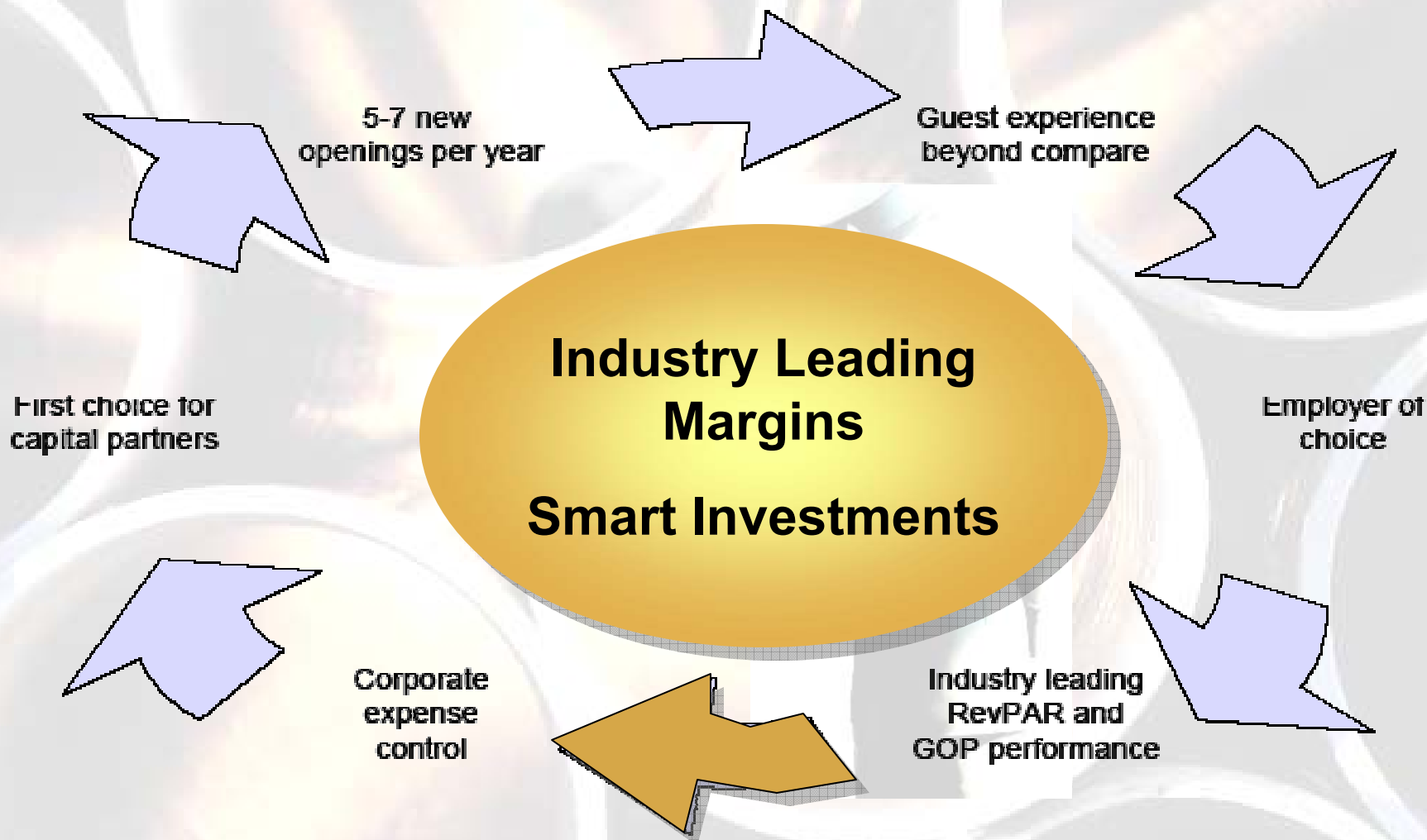
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# Four Seasons Mission and Overall Goal



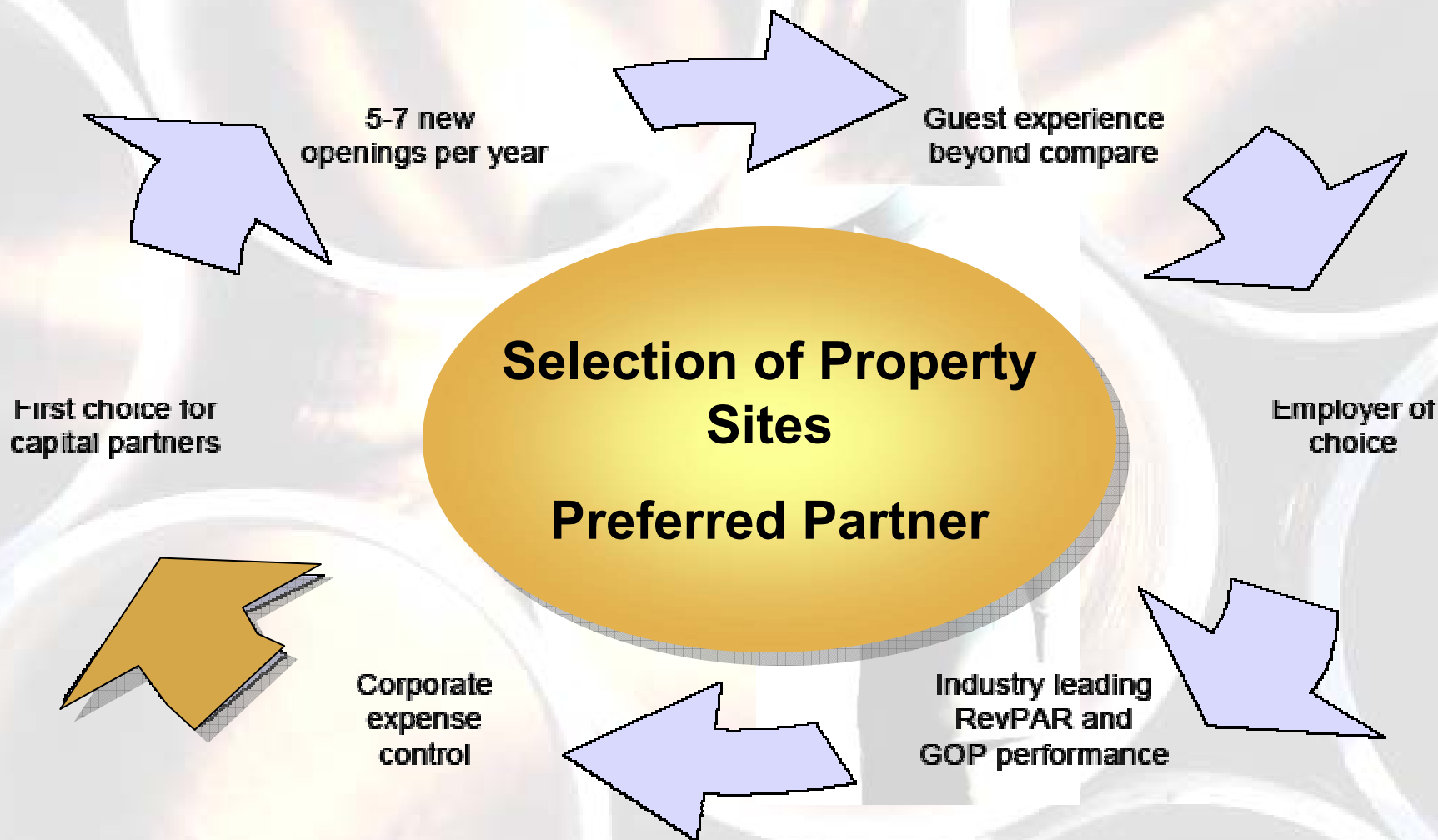
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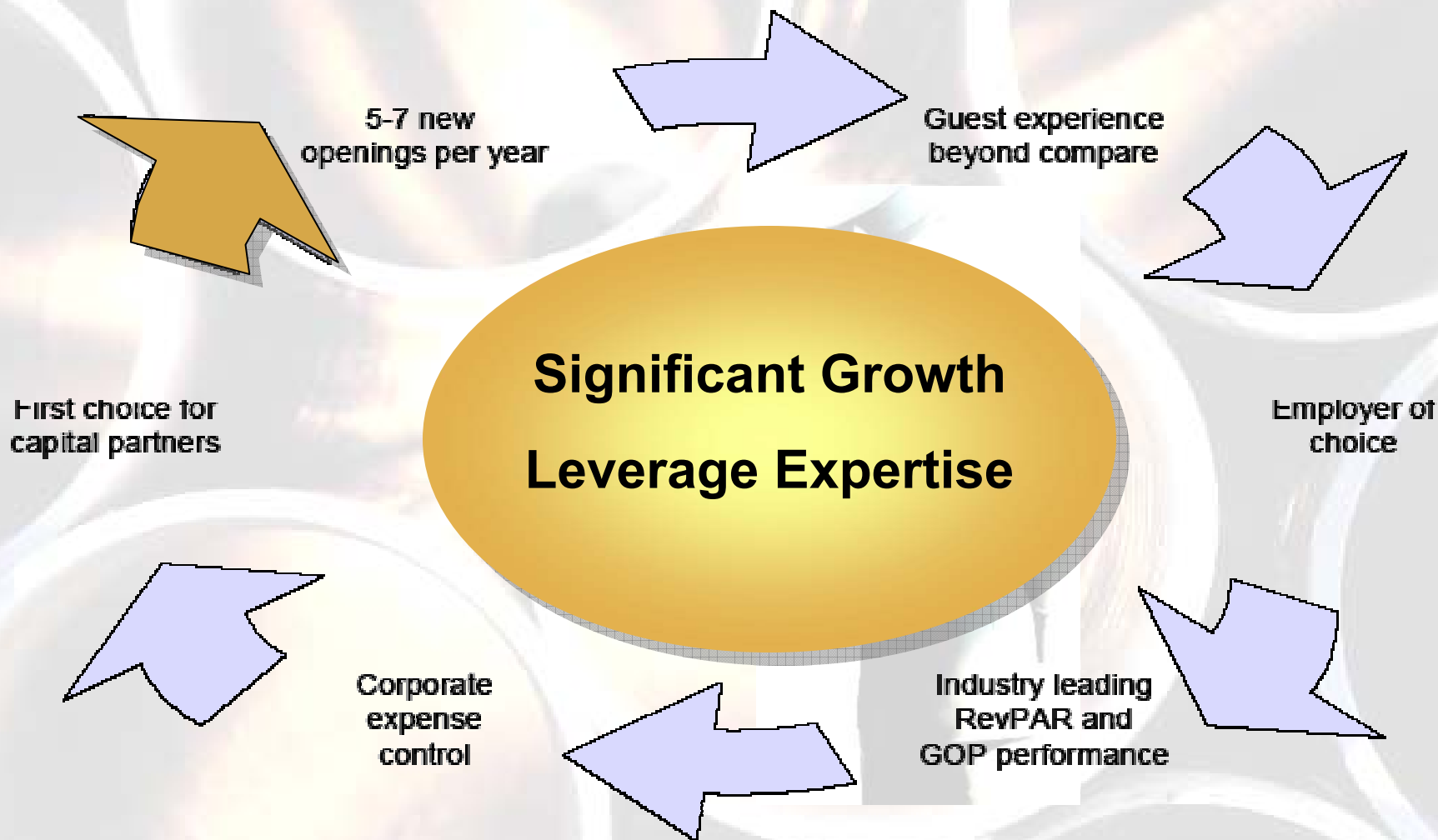
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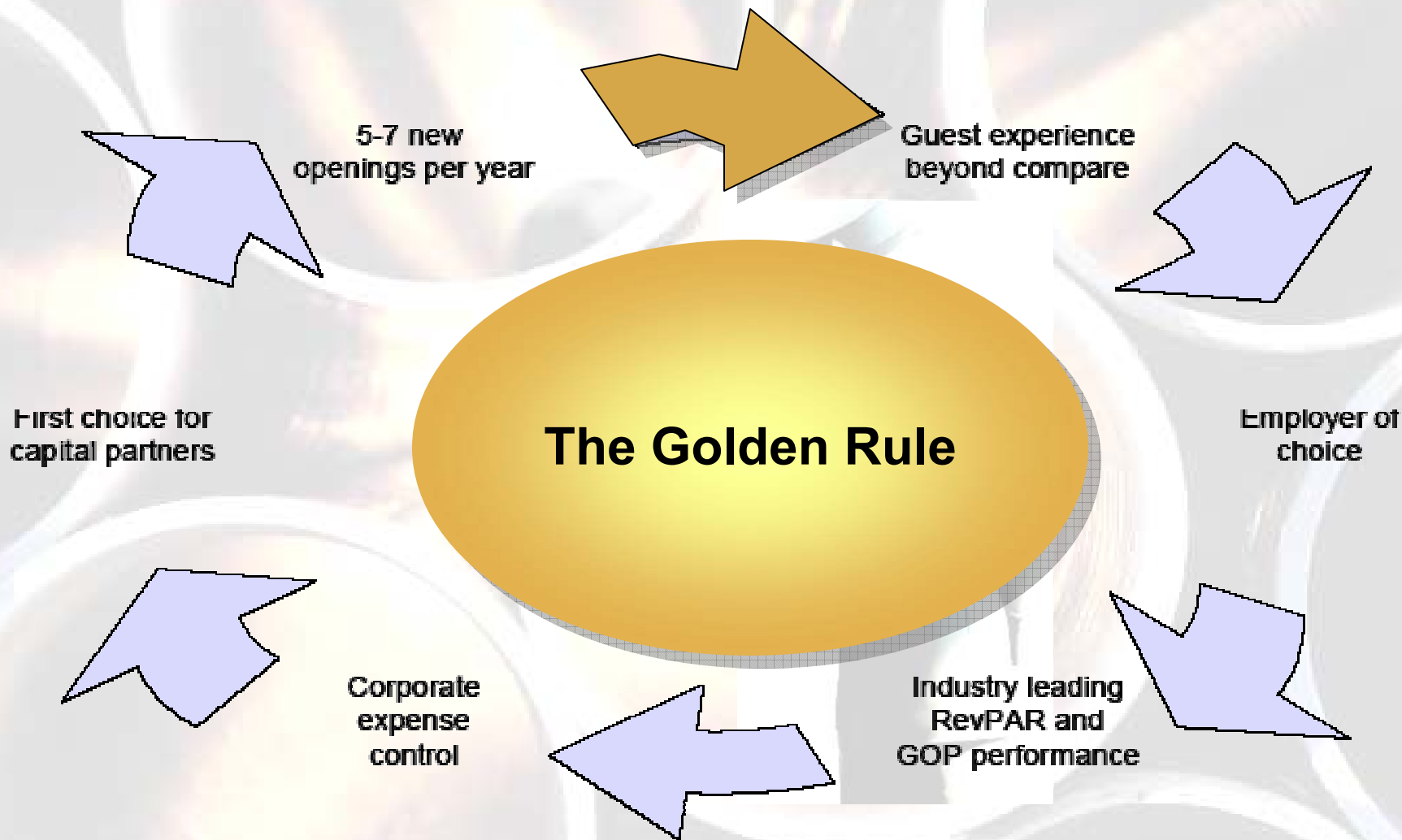
Source from: Four Seasons

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Source from: Four Seasons

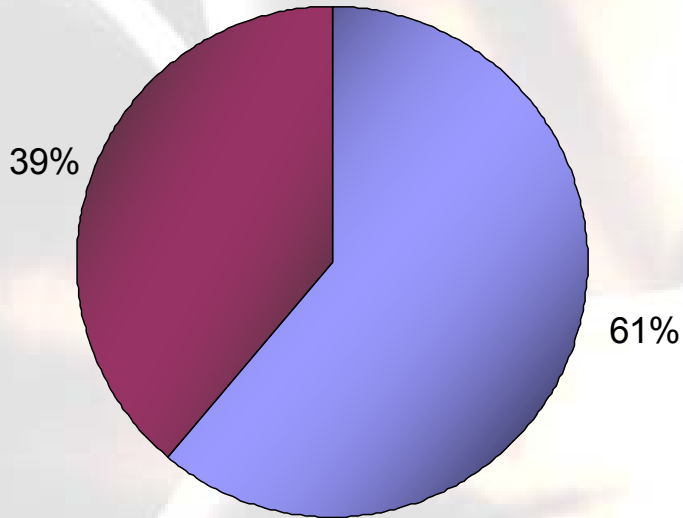
# Four Seasons Mission and Overall Goal



Source from: Four Seasons

# Business Model: Management vs. Ownership

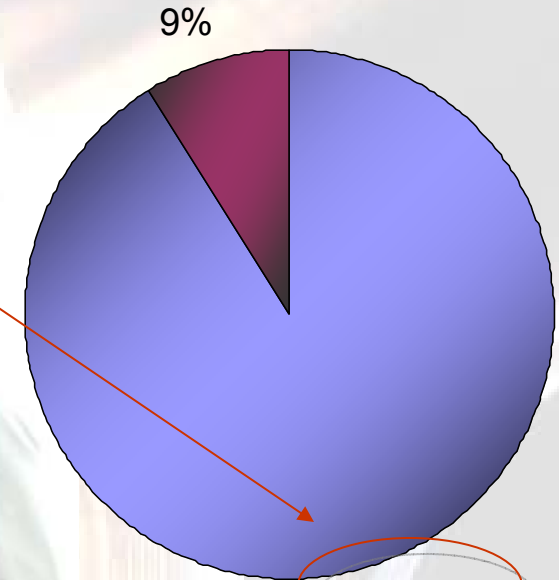
1990 EBITDA Distribution



■ Management ■ Ownership

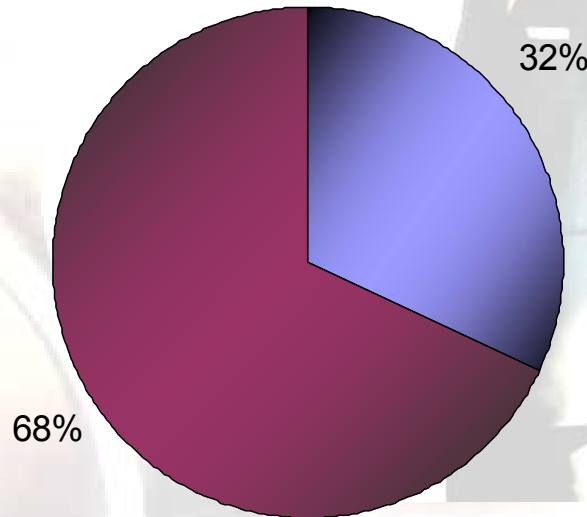
**Management  
allows lower  
capital  
expenses.**

2004 EBITDA Distribution



■ Management ■ Ownership

1992 EBITDA Distribution

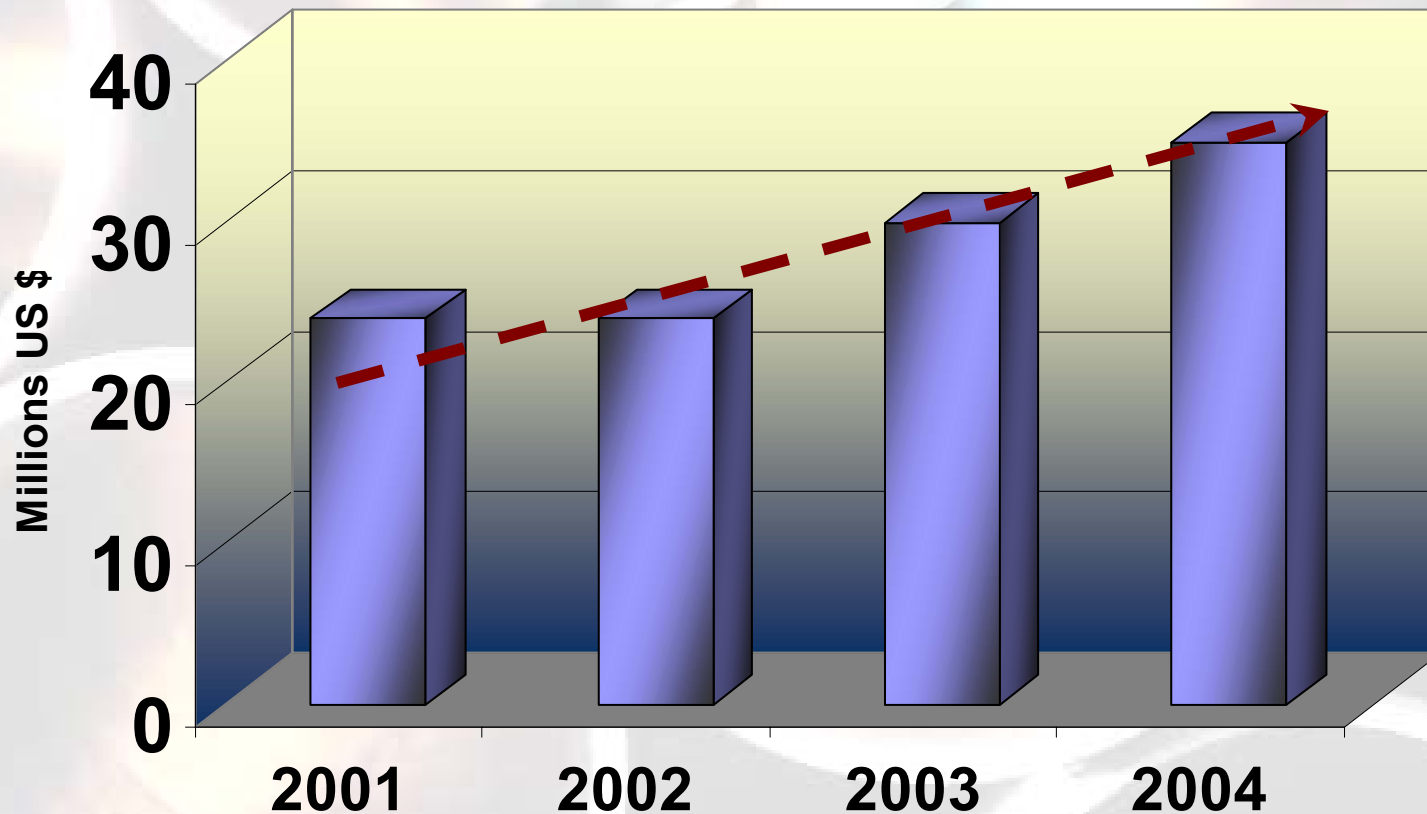


■ Management ■ Ownership

# Firm Analysis - Corporate Expenses

**Increase in corporate expenses to support new hotel growth and expansion - mainly staffing.**

**Four Seasons Corporate Expense (\$US)**



# ***Brand Strength and Strategies***

- **Four Seasons Hotels and Resorts ranks highest in overall guest satisfaction**
- **Company Values**
  - Employees focus on customer service
  - The Golden Rule
- **Strategic Partnership with Investors**
- **Marketing Strategy**
  - Outperformed all competitors – highest RevPAR

***Forecasting***

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***Projections***

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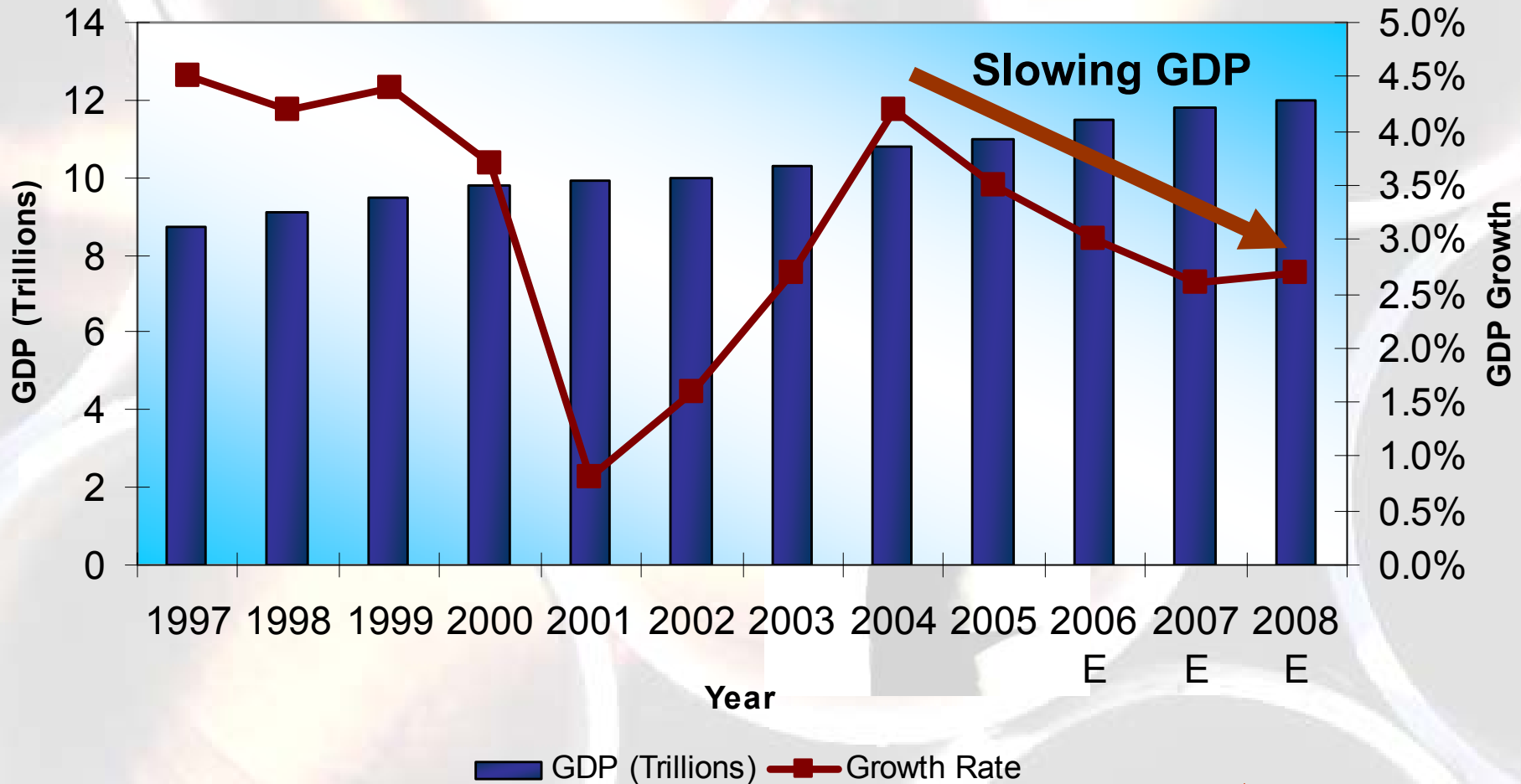
***Recommendations***

# Forecasting



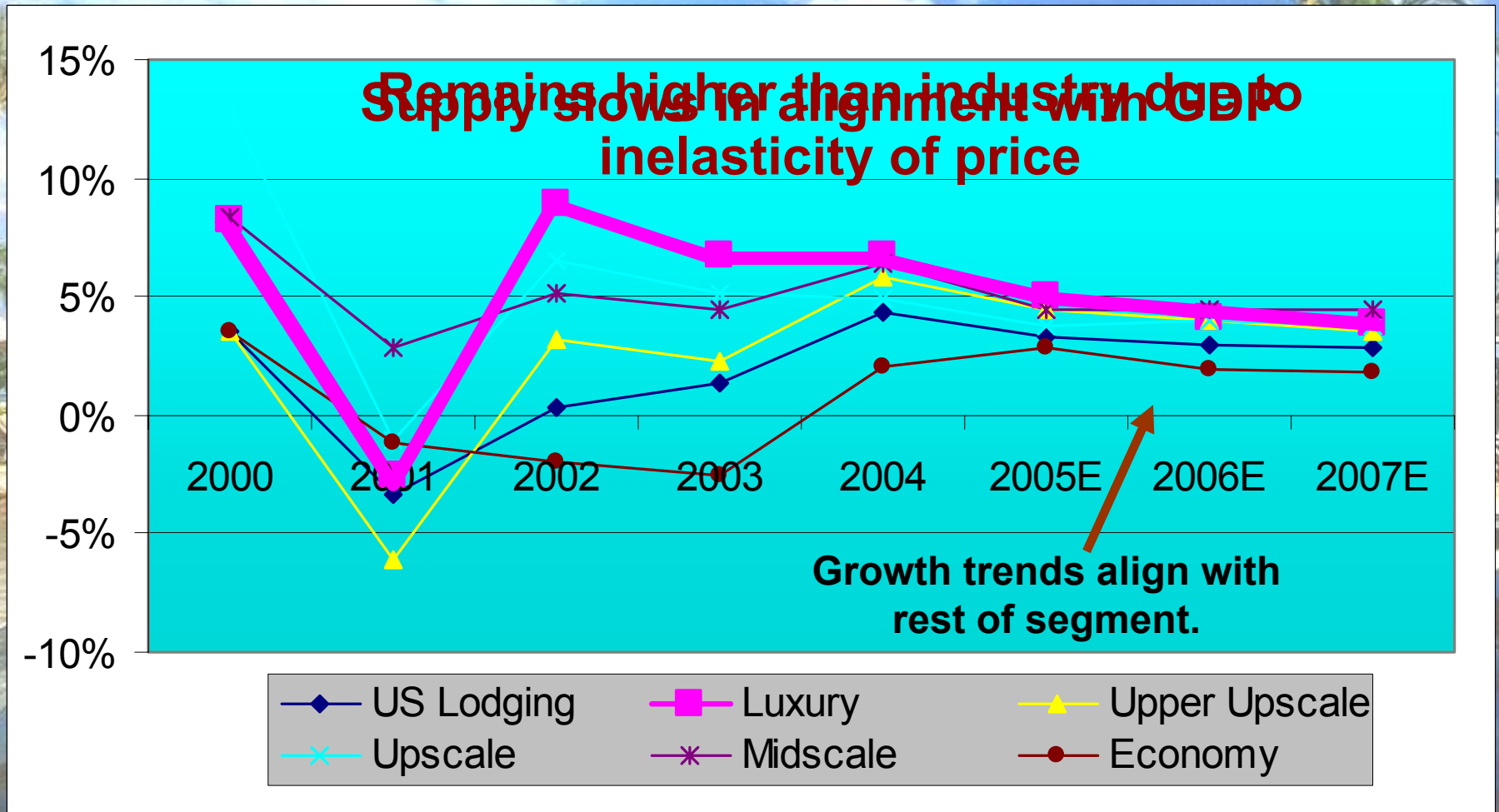
# GDP Forecast

**Less business income for the business traveler and slowing demand among business travelers for luxury hotels**



# Hotel Industry Supply

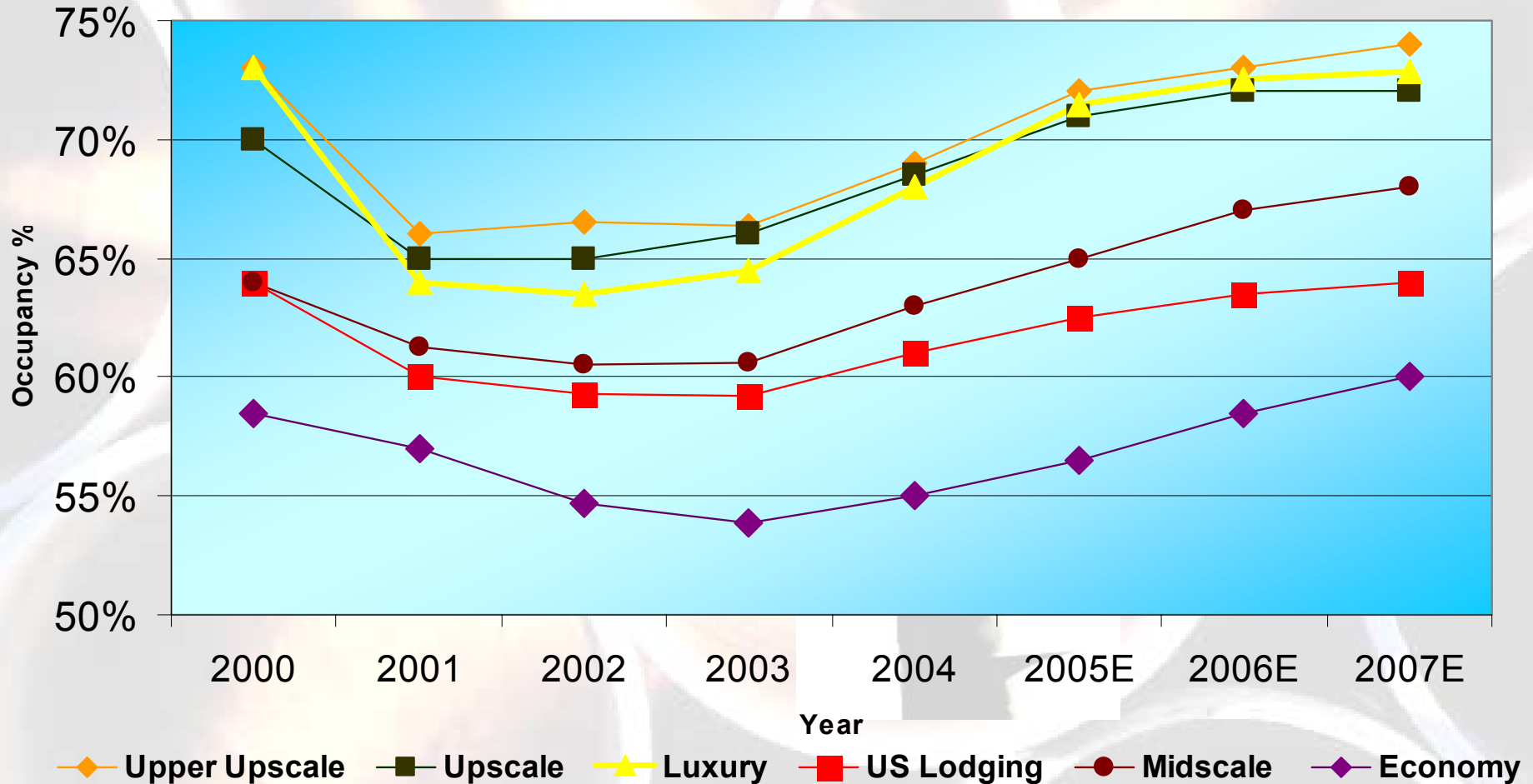
## US. Hotel Supply Forecast



Source of segment data: PriceWaterhouse Coopers  
(December 2005)

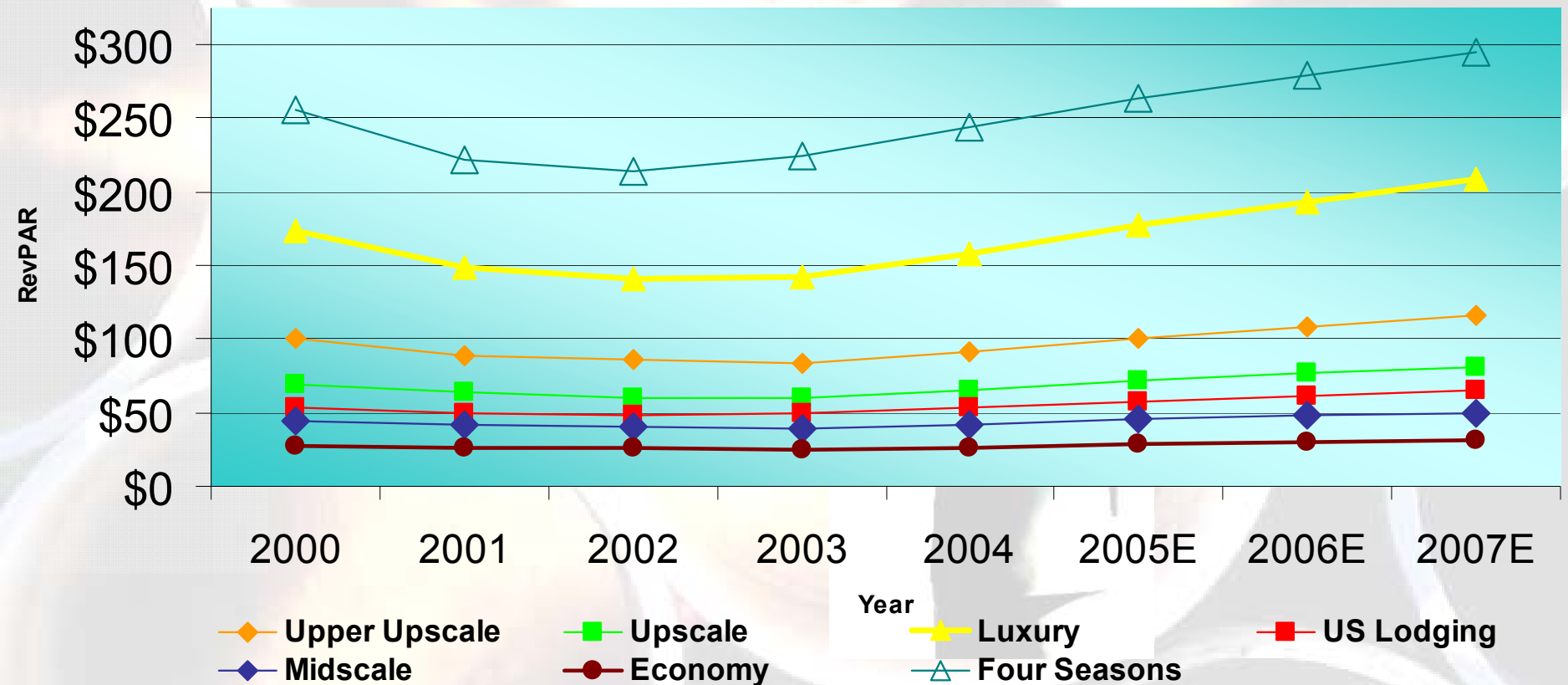
# Hotel Industry Demand

## Occupancy Forecast by Segment US Hotel Industry



# Demand Forecast of Hotel Industry

## Revenue per Average Room (RevPAR) by Segment US Hotel Industry

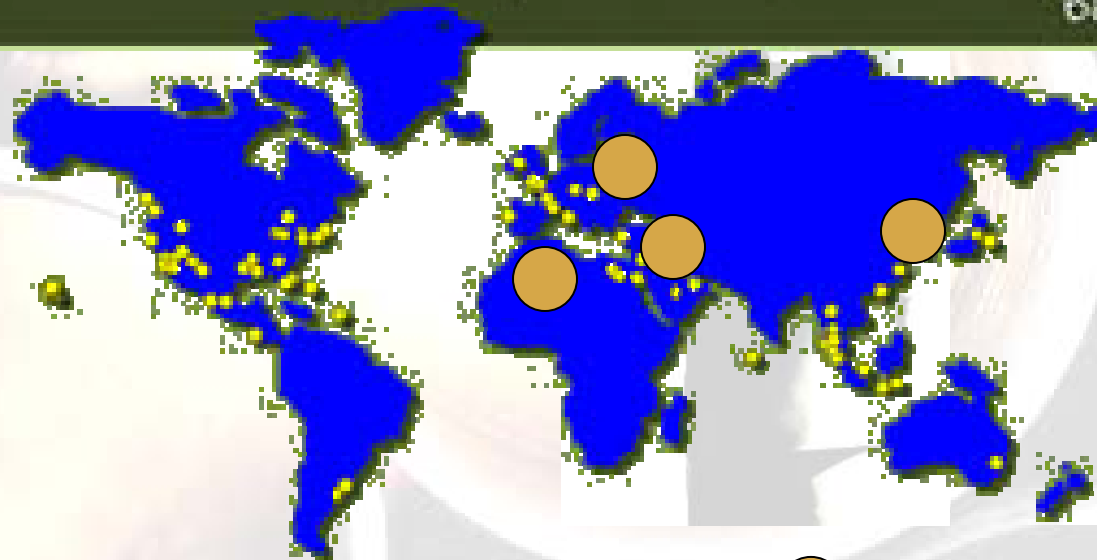


Source of segment data: PriceWaterhouse Coopers  
(December 2005)

Source of Four Seasons: 2003 and 2004 Four Seasons Annual  
Reports

# Expansion Opportunities

	No. of Properties	%	No. of Rooms	%	Avg. Size of Property	No. of Hotels	No. of Resorts
Americas	33	48%	9,008	52%	273	18	15
EMEA	19	28%	3,761	22%	198	17	2
Asia Pacific	16	24%	4,600	26%	288	11	5
<b>Totals</b>	<b>68</b>	<b>100%</b>	<b>17,369</b>	<b>100%</b>	<b>255</b>	<b>46</b> 68%	<b>22</b> 32%



 **Recommended Expansion**

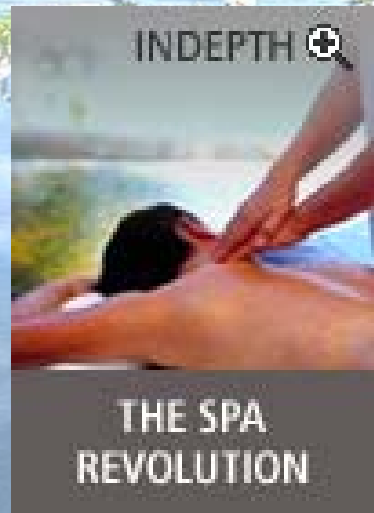
\*Source: Four Seasons Investor Relations

# Macro Summary

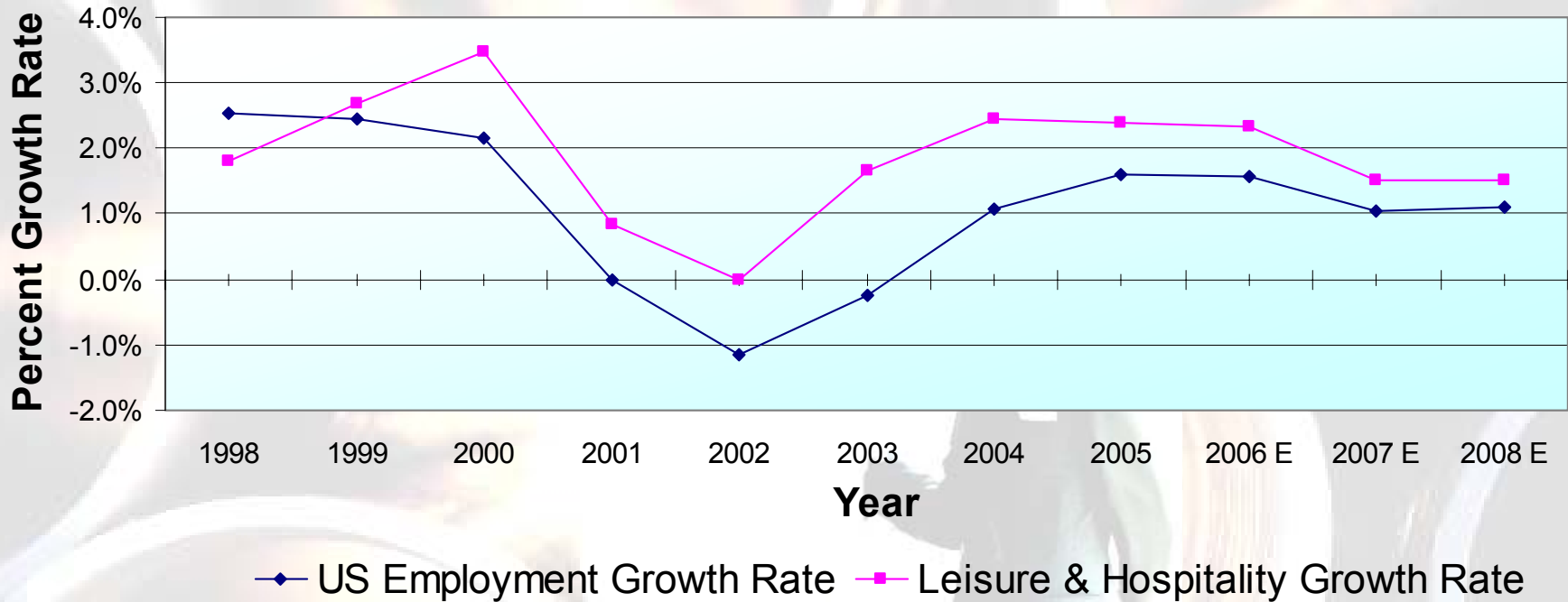


"I tell you JB, it would cost us more than we can afford."

# Factors Influencing Macro Economic Impacts



# Employment Growth Rate



**Employment in hospitality follows trend of the overall employment growth rate but remains above rate**

# US Dollar to World Currency



# US Dollar to World Currency





**Thank You!**

**Wish You Were Here?**



**Questions?**

