



**VALAMAR**  
All you can holiday

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Today, we, as mrp hotels, had the chance to talk Mr. Franz Lanschuetzer (**Deputy Chairman of the Supervisory Board of Valamar hotels**). Our partner, Jan Hein Simons, talked to Mr. Landschuetzer in person about the current situation and how Valamar is coping with all the current and future challenges. Enjoy the following interview and get to know a variety of insights how one of Croatia's biggest hotel chains is coping at the moment.

*Dear Mr Lanschuetzer, could you briefly introduce yourself and the Valamar hotel group, as well as, its hotels / resorts Finances / profitability / expansion.*

Valamar Riviera is the leading Croatian tourism company which owns and operates 51 resorts along the Adriatic coast - in Istria, the islands of Krk, Rab and Hvar, Makarska and Dubrovnik, and in Obertauern, Austria. Valamar can accommodate approximately 58,000 guests per day in 36 hotels and resorts and 15 camping resorts.

In 2019, Valamar Riviera generated almost EUR 300 million in total revenues and 6.8 million overnights in 2019 which gives a market share of approx. 7% in Croatia. Adjusted operating profit amounted to EUR 101 million.

Croatia's borders with the EU were closed on March 18<sup>th</sup> and Valamar closed its operations and launched strategic action plans primarily aimed at maintaining liquidity and employment. Business was successfully "paused", all jobs have been preserved and the company has been preparing its "restart" focusing on ensuring liquidity until business normalization in 2021, modifying products and services to increase guest safety and accelerating digitalization projects.

*We hear a lot about the vast negative impact of the pandemic: What have you done to control the damage?*

Valamar Riviera is listed on the Leading Market of the Zagreb Stock Exchange. In addition to preserving jobs, Valamar's priority was to ensure sufficient liquidity until 2021, when business normalization is expected. In March, the decision regarding dividend payment for 2019 was revoked, and members of the Supervisory Board waived payment. Also, policies and mechanisms of negotiated deferred payment for 6 to 12 months concerning other stakeholders have been introduced, including sales partners, suppliers, contractors, banks and others, all with the aim of a balanced approach to crisis management and business sustainability in times of crisis.

*As it is said that the pandemic might follow us for years: How do you see it and how prepared are you?*

Valamar has modified its products and accelerated the development of digitization projects to adapt and improve services for the 2020 tourist season. In 2020, the accommodation capacities of hotels, resorts and camps will be reduced by 20% to provide even more space for guests in restaurants, at the reception, in swimming pools, on the beach and in other common facilities. The key innovations that will be implemented at the opening of properties are "V Health & Safety" program for the safety of guests, "CleanSpace 100% privacy" an enhanced system for cleaning rooms and mobile homes, "Valfresco Direk" online shopping and food delivery service, "Online reception" and the hotel concept "Bed & Brunch".

*Corona and the Operatives: Please describe the process of making hotels "Corona-compatible" for the season. What is the impact on; Product (spa, day care center, F&B, etc.), Service concepts (housekeeping & cleaning, etc.), Staff: New service guidelines, security. Safety and hygiene will become very important in a pandemic-ridden world. What have you found in certifications that can guarantee a safe environment for guests?*

In order to adapt to the new conditions in 2020, the **V Health&Safety program** of health, safety and environmental standards, as well as advanced cleaning protocols has been further enhanced in line with the recommendations of health organisations related to Covid-19. Every property in Valamar now has a **V Health&Safety Manager**, available to guests 24/7 throughout their stay, who is able to ensure adequate medical services for guests in cooperation with the Croatian health care system.

Valamar has also introduced the **"CleanSpace - 100% privacy" service** this season, to increase the safety of guests. The service guarantees that key contact points in rooms and mobile homes are thoroughly cleaned, disinfected and sealed for entry before the guest's arrival. In addition, guests can choose complete room privacy throughout the stay with the guarantee that staff will enter the accommodation unit exclusively at the guest's request.



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Two promotional campaigns **#stayinnature** and **#beachholidays** have been launched with the message that after **#stayathome** there is nothing better than a vacation in nature or on the beach, for which Valamar and Croatia have ideal conditions.

As part of the restart preparations, Valamar has developed a new service called **Valfresco Direkt** in just 60 days, which was launched in the beginning of June in Istria and is available now to all citizens, tourists and Valamar guests in campsites in Istria. Valfresco Direkt provides online ordering, purchase and delivery of local products directly to the customer's address or accommodation unit with special emphasis on partnerships with local producers and family farms. In addition to the wide range of fresh local products that support local producers, Valfresco also offers a selection of ready-made dishes from Valamar's cuisine.

*An important topic in operations is the further development via digitalization so that the "touch less" process becomes part of the new 1½m social distancing. How did you solve that in Valamar?*

As a result of accelerating digital initiatives in 2020, Valamar has introduced many innovations. The main focus was on Online reception, which is now available to all guests of hotels and campings. Guests also have the option of Self check-in points in case if they haven't previously made an online check-in, as well as tablets to input their data at reception, ensuring social distance in case they had not checked-in earlier..

In campsites we have also introduced our Mobile app and various other digital solutions where guests can easily obtain information, contacts, maps, a la carte offers, order via the Valfresco Direkt web shop, have towels changed, mini bars refilled or order drinks at our beach bars.

A few years ago we also launched the Valamar Experience Concierge online platform for booking the best experiences in the destination, which has now proven even more relevant.

*How is Valamar's Management handling the current (financial) crisis caused by Covid 19?*

Valamar started opening its camping resorts in May, and continued with the opening of its hotels and resorts throughout June concurrently with the opening of borders and the normalization of travel from leading source markets.

*What is the owner structure concerning hotels: Has this relationship changed during the crisis since sales are much lower compared to the previous season?*

Valamar Riviera owns and operates its properties. A part of our portfolio is co-owned by our investment partners, the Croatian pension funds. The company is listed on the Zagreb Stock Exchange so shareholders are important stakeholders. Everyone has approached the crisis in a constructive way to ensure that the company is able to sustain a prolonged fall in demand and tourism activity.

*As Valamar has recently shown to expand into other countries, what are the expansion plans for after the crisis?*

Our expansion plans have been put on hold for the last quarter, and we have begun to re-evaluate the situation. We agree that such a crisis might open up new opportunities and are eager to pursue them, preferably with long-term equity partners. However, its too early to be more specific.

*Corona Impact – What do you expect from the high season (compared to the forecast and 2019)? What is your current relationship with distribution partners like, since your expectations differ from the current state? Corona will likely be with us for a while without a vaccine.*

Valamar has, in agreement with its stakeholders, social partners, and the state's support, managed to successfully pause its business, protect jobs and prepare for the restart of the tourist season in 60 to 90 days of the COVID-19 crisis. Croatia has a good plan for the phased opening of the summer tourist season which started in May and June focusing on leading source markets. Croatia also has the advantage of being available as an automobile-destination for our source markets.

Assuming the epidemiological situation is stable and the public and private sectors cooperate well, Croatia summer season should see up to 50% of volume compared to 2019. Our best performing properties are campings, mainly the invested premium properties there.

We cannot predict how long the virus will be around without a vaccine or proper cure, but tourism is possible in these times if we follow the given hygiene recommendations and maintain social distancing. Our summer leisure products are mainly outdoor reducing the risk of infection to a minimum with proper precautions.

#### *What have you done differently concerning cancellation conditions (a new (2nd) wave could come)?*

Valamar Holiday Vouchers have been prepared providing flexibility to change travel dates (2020/2021) so that guests can transfer the number of days from 2020 to any other date in 2020. If the guest won't be able to fulfill his reservation in 2020, he can transfer it to 2021. Our guests can change their reservation up to 4 days before arrival. We've also prepared additional benefits to individual guests. Sales for 2021 are open to provide an alternative to guests who cannot plan their stay with us this summer, and we are already receiving new bookings for the next season.

#### *How did the pandemic influence your pricing?*

Valamar's pricing has been dynamic for several years, but this year we find little opportunity for yielding upwards. However, we believe it is not sustainable to offer our products at heavily discount prices, especially concerning premium products, so our rates are more or less the same as last year.

#### *How will less occupancy, less efficiency under the influence of additional costs influence P&L?*

Regarding profitability this year, it is safe to say that we will not earn the amortization back this year. We will see at the end of the year what the bottom line finally looks like.

#### *What does the year look like from September? The year 2020 is 'written off' by some colleagues in the leisure hotel industry; how do you see it and what are your expectations for 21-23?*

It is too early to look beyond September now, as the situation is so dynamic and ever-changing. If you had asked me 2 months ago, I would have suggested not to open at all this year, in the meantime some of our premium properties are running at 90%+ of (reduced) capacity. This season will see lots of ups and downs, steered by the Covid situation development and the extreme media attention that is accompanying it.

We are hopeful that 2021 will be back to normal and we are budgeting accordingly.