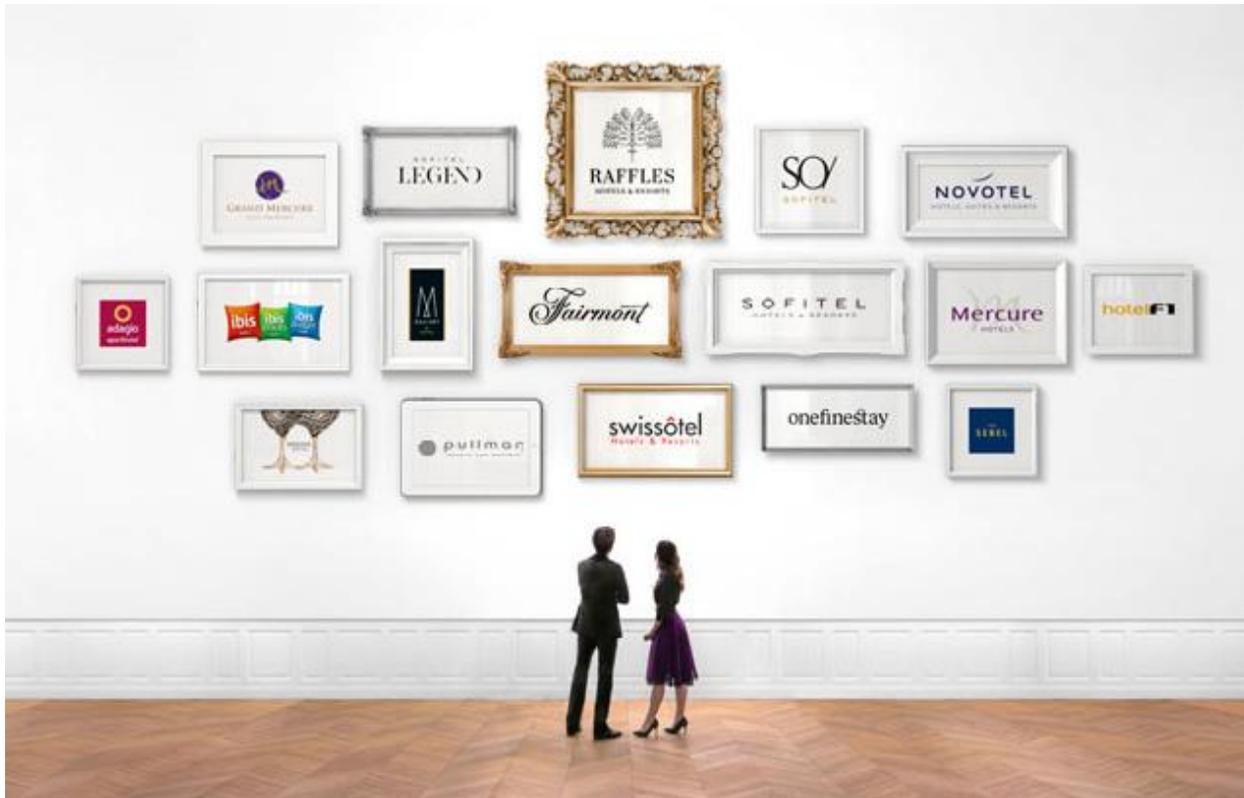


Why Accor's strategic FRHI deal is so great for Accor.

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Source : Joseph Fischer ~ Exclusive for 4Hoteliers.com

Exclusive Views: The recent announcement by Accor didn't surprise those who follow the global lodging market, it was a known fact that the owners of FRHI Hotels & Resorts - HRH Prince Alwaleed bin Talal Kingdom Holdings and the Qatar Investment Authority was looking to sell.



On the other hand, it was also known that Accor SA under the leadership of Sebastien Bazin was on the lookout for large merger/take-over deals.

For those of you who do not know or don't remember, last November Accor was on the verge of buying Louvre hotels from Starwood Capital. At the last minute Barry Sternlicht who owned Louvre decided on selling Louvre to the Chinese hospitality giant -Jin Jiang International Holdings Co Ltd.

From a pure strategic level, my opinion is that Accor is far better off with **FRHI deal**. Taking over FRHI would transform ACCOR SA from a France- European large hotel chain into a true global player.

It's not the number of rooms that Accor is getting here nor is it the great loyalty membership or distribution system. Accor did not make a size driven deal like **Marriott take-over** of Starwood Hotels.

In my view, what Accor is getting are several unique advantages:

1. A great Uber Luxury brand operator Fairmont Hotels with some of the world's most iconic hotels in its portfolio (Savoy London, The Plaza NYC and The Raffles in Singapore. One could argue that Accor already had Uber Luxury Brands such as Pullman and Sofitel Legend but I would disagree.
2. Increased global footprint in the luxury market with Swisshotels and Raffles. Those are good solid brands that are just too small to deal with the global competition from competing brands, OTA's and the Airbnb and its likes. Operating under the AccorHotel platform will provide better distribution as well as better development opportunities.
3. If we look at the financial aspects of the deal Accor did not have to spend a lot of cash just US\$ 840M. The rest is in 47.6 million new shares in Accor which will make QIA and Kingdom, Two of Accor's largest shareholders owning respectively 10.5 per cent and 5.8 per cent of the company.
4. This is nothing less than a brilliant move. Accor will enjoy two of the world's most experienced hotel investors on its board. Behind these companies are two of the world's well known financial investors – Prince Alwaleed and the QATARI Investment Authority which belongs to the Emir of Qatar. Having these two global Heavyweights as owners together with Colony Capital controlling Accor, will give Accor huge global development opportunities and deep pockets to take-over more medium sized hotel groups.
5. Move into residential – having luxury and more importantly Uber Luxury brands in Accor's portfolio will allow the company to move in a strong way into Luxury Residences in a similar manner to what Four Seasons, Ritz Carlton, Saint Regis and The Waldorf Astoria are doing

There are also upsides for Kingdom and QIA, becoming two of the largest shareholders in one of the world's largest hotel chains. For Kingdom holdings comes the question how would they focus their efforts having also part ownership of FOUR SEASONS and MOVENPICK hotels.

Big credit: I would like to point-out that since Sebastian Bazin took over the role of Chairman and CEO of Accor some two and a half years ago, this once 'sleeping European-French hotel giant' has changed.

In an article I wrote back in April 2013 titled: "Chairman ousted: Accor- Focus on what you do best". I called Accor for a "much needed change..." well, I must say that the change has come and it is a very positive change.