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Vivion: Exchanging Reality

Vivion has proposed a bond exchange to extend its maturities. (Muddy Waters remains short Vivion bonds.) Oddly, Vivion has not published up to date financials, and based on pro forma adjustments in the Exchange Offering Memorandum, it appears that Vivion has repaid portions of its shareholder loans (whose valuations – and existence – we have questioned). Investors might feel that they are getting some additional security based on changes to the pledges of entities owning UK hotels. To what extent are bondholders' interests served by this exchange offer? We think it's instructive to look at Vivion's Crowne Plaza Heathrow, Stockley Road, which is just another example of the egregiousness of Vivion's misrepresentations.

Vivion, for purposes of the bond exchange offer, values the Crowne Plaza Heathrow, Stockley Road at €94.6 million. Vivion's 2022 report to noteholders features a picture of this property, portraying it as a decidedly welcoming respite for travelers:[1]

[1] See Report to Note Holders, Slide 22 at https://vivion.eu/wp-content/uploads/2023/05/Vivion-FY2022-RTN.pdf

Below is a recent picture of the outside of the hotel, showing a property that would rationally be deemed "welcoming" only in the context of gulags:[2]

Our investigator, who visited the property, reported that the hotel "looks like a third world prison". Lest we be accused of putting up the fence and graffiti, it appears as though that description was apt over two years ago when, in May 2021, a headline in The Guardian referred to the hotel as "prison-like"[3]

[2] This is not to be confused with the Crowne Plaza Heathrow T4, which Vivion does not own.
[3] https://www.theguardian.com/uk-news/2021/may/18/home-office-ordered-to-move-torture-victim-out-of-prison-like-hotel

Home Office ordered to move torture victim out of 'prison-like' hotel

High court judge says Crowne Plaza near Heathrow airport is not suitable for trafficked asylum seeker

The Crowne Plaza hotel 'fails to meet the client's recovery needs', said his lawyer. Photograph: Chris J Ratcliffe/Getty Images

A judge in the high court has ordered the Home Office to move a torture and trafficking victim out of a "prison-like" hotel surrounded by an 8ft wall.

What's our point here? The crux of our short thesis has been that Vivion's property valuations (and financials) are untrustworthy. This hotel misrepresentation is just one of many reasons why we see Vivion bondholders taking haircuts – whether now or later. With respect to this property, Vivion might respond that the €94.6 million valuation for its Crowne Plaza Heathrow, Stockley Road was performed by the ever-reputable Savills. However, a CBRE valuation released in Q3 2022 shows that hotel valued at only €72.9 million.[4,5] That was already a ~10% increase over Savills' January 2022 report.[6]

[4] The valuation was performed in GBP (£62.6 million), which we convert to Euro at 1.16:1.
[5] https://www.cbre.co.uk/-/media/project/cbre/dotcom/ceuk/united-kingdom-emerald/home/services/invest-finance-and-value/loan-services/investor-reporting/ribbon-finance-2018-plc/quaterly-reports/q3-2022-v2.pdf
[6] See appendix

While the Crowne Plaza Heathrow, Stockley Road could be more egregiously misrepresented than other UK hotels that Vivion owns, this type of deception is consistent with our observations of Vivion's misrepresentations in its German portfolio and financials. Given that this exchange is seemingly enabling Vivion's shareholders to extract further repayments of shareholder loans (whose values – if not existence – we have questioned), investors should be asking whose interests are truly served by the exchange.

Appendix

The following tables show certain information on some of our hotel properties of our UK Portfolio by location:

as of 31 December 2022 Selected assets UK Hotels (unaudited)	**Fair value in millions of €**	**No. of keys**	**% of total portfolio value**	**% share of total Keys**
St Martins Lane	172.6	204	8.8	2
HI London – Regents Park	159.9	339	8.2	4
Sanderson Hotel	145.5	150	7.4	2
CP London – Heathrow	94.6	465	4.8	5
HI London – M4/J4	85.1	615	4.3	7
Total.....	**657.7**	**1,773**	**33.5**	**21**

Above: excerpt from Vivion's July 2023 Vivion Investments - Exchange Offer Memorandum, p.125
Crowne Plaza London Heathrow Valuation 94.6 million (£83.7 million)

Property List

ID	Property	Valuation (2022)	Current (Senior) Release Price	% of Pool (End of Period)	Date Sold	Release Price
1	Crowne Plaza Birmingham NEC	35,000,000	27,027,127	6.26%		
2	Crowne Plaza London Heathrow	62,600,000	47,498,076	11.19%		
3	Crowne Plaza Manchester Airport	34,300,000	32,395,231	6.13%		
4	Holiday Inn Basildon	9,600,000	9,666,318	1.72%		
5	Holiday Inn Brent Cross	21,900,000	16,558,392	3.91%		
6	Holiday Inn Brentwood	18,600,000	13,000,390	3.32%		
7	Holiday Inn Bristol	32,100,000	25,179,704	5.74%		
8	Holiday Inn Cambridge	33,000,000	23,534,438	5.90%		
9	Holiday Inn, Cardiff	11,700,000	10,468,735	2.09%		
10	Holiday Inn Guildford	26,700,000	23,176,772	4.77%		
11	Best Western Heathrow, Ariel - Bath Road	11,700,000	0	0.00%	19/11/2021	6,727,236
12	Holiday Inn Heathrow, M4 J4 - Sipson Road	66,800,000	48,928,741	11.94%		
13	Holiday Inn Regent's Park	65,500,000	47,398,552	11.71%		
14	Holiday Inn Maidenhead	30,400,000	22,579,626	5.43%		
15	Holiday Inn, Milton Keynes	20,600,000	17,740,246	3.68%		
16	Holiday Inn Oxford	27,600,000	19,170,911	4.93%		
17	Holiday Inn Sutton	19,700,000	11,563,505	3.52%		
18	Holiday Inn Edinburgh	26,400,000	25,975,899	4.72%		
19	Holiday Inn Glasgow Airport	17,000,000	19,170,911	3.04%		
20	Holiday Inn Bloomsbury	0	0	0.00%	31/12/2019	49,749,621
		559,500,000	**441,033,574**			

The original valuation of the portfolio was £692,200,000. The Bloomsbury asset was sold on 31/12/2019 and the Best Western Ariel on 19/11/2021. Total Loan Repaid for the two assets was £56,476,857. **Savills have revalued the properties. Total Portfolio Value (Sum of individual market values) is £559,500,000.**

Above: CBRE's 3Q 2022 Investor Report - Crowne Plaza London Heathrow Valuation £62.6 million (€72.9 million)

Report & Valuation

Project Ribbon Portfolio – 18 UK hotels

savills

EXECUTIVE SUMMARY	
Portfolio Overview	• The Ribbon Portfolio comprises 18 freehold and leasehold hotels located across Great Britain, totalling 4,347 bedrooms (at the date of valuation). • In 2018 Apollo sold 20 hotels (which formed the majority of the portfolio known as "LRG3", and which included the subject hotels) to Vivion Capital Partners for £742 million. The purchase equated to £153,274 per bedroom and reflected a c.7.0% gross yield. Goldman Sachs provided the financing for the acquisition and securitised this via a CMBS transaction. • In January 2020 the Holiday Inn Bloomsbury was sold to Imperial London Hotels Limited for £90 million (£284,810 per bedroom) and in October 2021, the Best Western Ariel (Heathrow) was sold. It is the remaining 18 hotels (the original "LRG3 portfolio" less the Holiday Inn Kensington Forum, the Holiday Inn Mayfair, the Holiday Inn Bloomsbury and the Best Western Ariel) which form the subject of this valuation.
Tenure & Operational Agreements	• Seven of the properties are held freehold, 10 are owned on a leasehold basis and one property is held part freehold and part leasehold. Six of the leasehold properties have terms of under 60 years. • Each of the properties is operated by the owner via an internal management agreement with its management company LGH Hotel Management Limited (LGHHM) hereafter referred to as 'the Manager'. The hotels are operated subject to franchise agreements to trade under the Holiday Inn and Crowne Plaza brands.
Business Overview	• In January 2022, we received 9 months of trading performance for April 2021 to December 2021. We have analysed this information and taken it into account in our valuations.

VALUATIONS

Ref.	Property	Tenure (years unexpired)	Keys	Market Value (£)	Value per key (£)	Cap Rate	% change from June 2021 Valuation Report
1	Crowne Plaza Birmingham NEC	Leasehold (105.0)	242	32,600,000	134,711	6.75%	0.6%
2	Crowne Plaza London Heathrow	Freehold	465	57,000,000	122,581	5.50%	0.2%
3	Crowne Plaza Manchester Airport	Leasehold (40.7)	299	33,000,000	110,368	8.75%	0.3%
4	Holiday Inn Basildon	Leasehold (47.8)	148	9,000,000	60,811	9.00%	0.0%
5	Holiday Inn Brent Cross	Freehold	154	20,100,000	130,519	5.75%	2.6%
6	Holiday Inn Brentwood	Freehold	149	17,700,000	118,792	6.75%	0.6%
7	Holiday Inn Bristol	Freehold	211	30,000,000	142,180	6.50%	0.3%
8	Holiday Inn Cambridge	Freehold	161	30,000,000	186,335	6.25%	2.0%
9	Holiday Inn Cardiff	Leasehold (50.3)	157	11,100,000	70,701	8.50%	2.8%
10	Holiday Inn Guildford	Leasehold (88.3)	168	25,300,000	150,595	6.75%	1.6%
11	Holiday Inn Heathrow M4J4	Freehold	615	58,800,000	95,610	6.00%	1.2%
12	Holiday Inn London Regent's Park	Leasehold (44.3)	339	62,200,000	183,481	5.50%	0.7%
13	Holiday Inn Maidenhead	Freehold	197	29,500,000	149,746	6.50%	1.7%
14	Holiday Inn Milton Keynes	FH / Part LH (92.7)	166	19,600,000	118,072	6.75%	1.2%
15	Holiday Inn Oxford	Leasehold (99.4)	154	26,200,000	170,130	5.75%	2.3%
16	Holiday Inn Sutton	Leasehold (92.3)	119	18,900,000	158,824	6.50%	2.2%
17	Holiday Inn Edinburgh	Leasehold (48.2)	303	25,200,000	83,168	8.00%	3.7%
18	Holiday Inn Glasgow Airport	Leasehold (47.8)	300	16,300,000	54,333	8.50%	0.0%
			4,347	**522,500,000**	**120,198**		

Above: Savills January 2022 Valuation - Crowne Plaza London Heathrow Valuation £62.6 million (€72.7 million)