

Perspectives on the
Bermuda hospitality sector
Strategic considerations for the
hotel industry



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The hospitality sector is a vital cog of the Bermuda economy. Hotels, restaurants, cafes and bars employ about 13% of filled jobs in Bermuda and, using the Government of Bermuda's Accommodation and Food Service classification as proxy for the sector, contributes about 4% in real Gross Domestic Product ("GDP") (Government of Bermuda's The Bermuda Job Market Employment Briefs, August 2020 & Annual Gross Domestic Product 2019 Highlights, October 2020, respectively).

BMD 235 million, 4%	Accommodation and Food Service real GDP (BMD) and proportion of real GDP (%), 2019
13%, 4,689	Hotels, restaurant, cafes and bars proportion (%) of total jobs filled and number, 2019

In line with Bermuda's flat real economic growth in recent years (0.8% real GDP growth rate 2015-2019, average), Bermuda's hospitality sector has grown by 2.2% on average in real terms over the same period. This situation has been exacerbated by the emergence of the Covid-19 pandemic which has been a challenging development for the world economy, Bermuda included.

0.8%	Bermuda overall real GDP change, 2015-2019 % average
2.2%	Accommodation and Food Service real GDP change, 2015-2019 % average

Sectors, such as tourism and hospitality in general, that rely on travel and the seamless movement of people across borders have been the most impacted. Notwithstanding encouraging developments given increasing vaccinations across the world, highly impacted businesses such as hotels should evaluate and consider long term strategic alternatives available to them. This is especially the case given the likelihood that Covid-19 could bring long-term economic uncertainty.

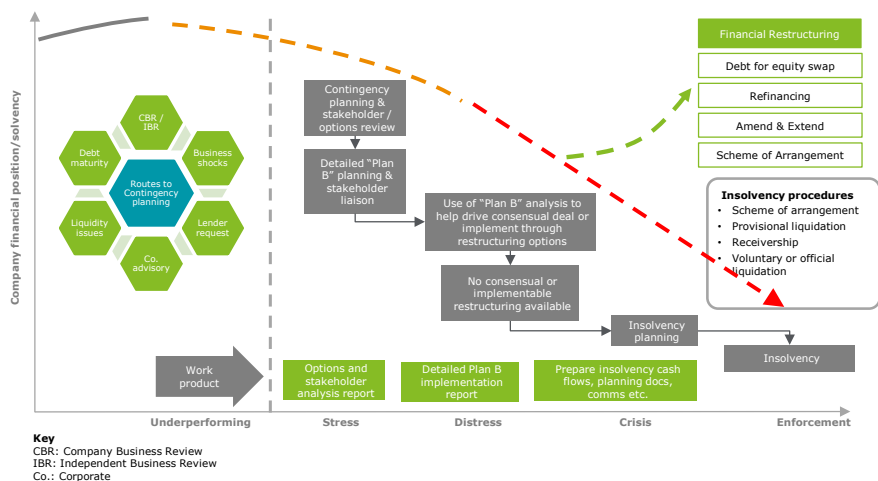
Our restructuring services

Our Restructuring Services team offers a comprehensive end-to-end financial restructuring service to potentially distressed companies and their stakeholders. At a high level, our services comprise restructuring advice, which typically involves preparing an options analysis for stakeholder management, often with a business review. Our team has expert knowledge of formal rescue and insolvency procedures which, combined with deep situational experience across a broad range of industries, enables us to provide strategic contingency

planning and insolvency advice. The breadth of our Restructuring Services team enables Deloitte to design detailed and viable solutions, which can be delivered across borders, industries and processes. The fundamental elements of our approach are:

- Establishing alternative strategies;
- Identifying key concerns and managing the stakeholders throughout the process;
- Working with tax and legal advisors to devise a practical implementation plan; and
- Delivering insolvency-based solutions.

Deloitte's global reach ensures that we are able to act both domestically and cross-border, utilizing the breadth and depth of our global network of member firms. We help our clients with consensual restructuring deals or planning for, and implementing, formal insolvency solutions. Our support will take different forms depending on each client and their needs.



Our approach

Our approach is focused on the critical issues in each situation, and we support companies, financial stakeholders and potential investors by:

- Advising on and developing consensual and non-consensual restructuring plans, both financial and operational, using our sector specialists where appropriate.
- Developing alternative strategies to an existing restructuring plan, either as a genuine alternative or to expedite a restructuring process.
- Using our international experience to deliver restructuring solutions across borders.

- Using insolvency to manage onerous liabilities.
- Achieving recoveries in contentious scenarios by using insolvency powers to pursue investigations and asset recoveries.

We have a proven track record of using restructuring and insolvency services to add value in difficult situations for all stakeholders.

Our select offerings

Business review & options analysis

A business review is a detailed analysis, usually performed by an external party, to assess the company's solvency and performance. It allows the party to gain an in-depth understanding of the business and its processes, key drivers, constraints, risks, and opportunities, as well as develop an understanding of the underlying industry that it operates within.

A business review is usually the first step for a potentially distressed business.

Our business reviews provide real commercial, operational and financial challenges to management's business plans and an evaluation of the risks and potential upsides of meeting the forecasts. Through our multi-level analysis, we establish a realistic set of "post-vulnerability" numbers which form a basis upon which stakeholders can assess future profits and cashflow, and the value of the business with confidence.

Business reviews are not just "about the numbers", but also about the operations of businesses and the markets in which they operate. Hence, we regularly work with sector experts when performing business reviews, and thereafter, in developing implementation plans and supporting businesses with post-deal services (i.e. from monitoring through to operational or financial restructuring).

Options analysis requires our insolvency, valuations and tax professionals, working with relevant sector experts, to identify and develop realistic restructuring solutions. As financial restructurings have become more complex, we increasingly provide contingency planning services to facilitate a successful outcome.

Restructuring advice

Early identification, evaluation and prioritization of the options available to stakeholders are key to achieving a successful outcome. These could include a covenant reset, a refinancing, an amend and extend, a restructuring, a sale of all or part of the business, or possibly an insolvency event.

Insolvency

Insolvency is much maligned as being “the end of the road” for businesses. That is undoubtedly the case of a permanent liquidation; however, other insolvency/ court approved solutions can provide valuable relief and facilitate the restructuring and emergence of a viable business. This can include a scheme of arrangement, or a soft touch liquidation aimed at restructuring a business.

How we support our clients

	What do we do?	Why do we do it?
Lenders	<ul style="list-style-type: none"> Assess security and leverage to understand contingency options, which will often include enforcement. Undertake Entity Priority Model (“EPM”) / Estimated Outcome Statement (“EOS”) analysis to benchmark returns that lenders may receive in various scenarios. 	<ul style="list-style-type: none"> Underpins the options available to lenders and informs negotiating leverage. Will often be used to compare against consensual alternative to assess “delta”. Analysis often used in credit meetings.
Corporates	<ul style="list-style-type: none"> Identify options available to the Company, which will often include development of defensive plans to counter action from other stakeholders. Assist directors (alongside legal advice) when a company is facing insolvency. 	<ul style="list-style-type: none"> Assists a company in developing its own “Plan B” in the event that creditors seek to disrupt the preferred route. Demonstrates directors acting responsibly and assists with going concern and other statutory duties.
Existing / new investors	<ul style="list-style-type: none"> Identify down side scenarios to illustrate what the worst-case outcome could look like. Undertake EPM / EOS analysis to assess potential returns on exit, either now or at a later date. 	<ul style="list-style-type: none"> Informs investment decisions and will often be used in the decision making process of whether to invest further funds or seek an exit. Analysis assists in credit making decisions.

With approximately 500 dedicated professionals across the Caribbean and Bermuda region of whom nearly 200 are locally based in Bermuda, our Deloitte Restructuring team provides financial advisory, contingency planning & insolvency advisory services to underperforming and financially distressed businesses, their lenders, stakeholders and advisors.

We use our expertise to identify the causes of underperformance, work collaboratively to identify the best strategy for business recovery and then develop an optimal financial and/or operational restructuring solution.

We will then support the implementation of the optimal solution through either a solvent or insolvent route.

Our exceptional strength lies in our access to industry expertise and service line functionalities, combined with our experience in complex cross-border transactions involving multiple jurisdictions. We deliver real value to each engagement utilizing innovative processes and analytical tools to enhance the client experience and maximize impact.

Our clients comprise a wider range of stakeholders including boards of companies, their lenders/investors or other stakeholders such as regulators. We work collaboratively with our teams around the globe to deliver services wherever our clients require.

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