

actis

Plateno Hotel
Group

Trusted by
millions to deliver
great quality,
service and value

July 2016



Plateno Hotel Group

Plateno Hotel Group (formerly 7 Days Inn) is a leading economy and mid-range hotel chain in China. Combining efficient service, clean rooms and great value for money, it has a large and growing customer base, dominated principally by business travellers and tourists.

Context

Over the last decade, China has seen explosive growth in the demand for budget and mid-priced hotel accommodation – both from domestic business travellers and tourists. The country's burgeoning economy has also produced an expanding consumer class that is increasingly taking advantage of new leisure and travel opportunities. Online research and booking has also become the norm.

The Actis approach

Actis has a sound understanding of the consumer preferences and megatrends within growth markets; it also has a strong track record of investing in the Chinese consumer sector. Since 2001 we have invested over \$2bn in consumer-facing businesses and over \$680m in consumer companies in China.

Actis evaluated several opportunities in the Chinese budget hotel sector before identifying 7 Days. We were drawn to the deal by the enthusiasm of its committed management team, strong underlying business and large customer base.

What did we do?

Actis originally invested in Plateno in 2008. The company was small but growing rapidly – and had a loyal customer base of around 800,000 customers. The plan was to focus principally on backing the company's founder and his capable management team's plan to develop the company's 'Leased and Operated' model. Over the next five years, the company grew to become No 2 in the Chinese budget hotel sector.

In 2013, recognising that the company was undervalued, we committed additional capital to support Plateno's delisting from the New York Stock Exchange (NYSE). By the time the company went private, the loyalty scheme had risen to 70 million customers: the single largest hotel membership programme in China. We invested significantly in the membership scheme, linking it up to online customer services and an advanced electronic and mobile booking system to deliver added value and customer satisfaction.

The delisting from NYSE coincided with an increasing requirement from consumers for upgrades and mid-range hotel accommodation, which necessitated a change in strategy. Actis supported the upgrade of design and décor in the company's existing hotels and created some mid-tier brands in response to demand. As part of a raft of improvements to operational excellence, we closed underperforming hotels and centralised purchasing activity; this increased buying power and also standardised products and services across the group.

The positive power of capital Actis and Plateno worked hard to build and formalise comprehensive and robust health, safety and environmental policies and practices across the business. With the full support of the founder and management team we established a series of protocols to implement controls, record incidents and maintain compliance.

These included focusing on critical compliance issues including fire safety and food hygiene. Aspects of business integrity – eg obtaining key permits were also reviewed and addressed. Notwithstanding the legal and moral aspects of 'doing the right thing' to protect hotel guests and staff, trade sale buyers increasingly value the implementation – and evidence – of good ESG practices.

With Actis' support, formal processes were established so that no hotel in the group can open without a valid fire permit or operating licence. All Plateno hotels are checked for fire safety at least once a year via a standard audit programme. A senior member of the management team takes the lead role on compliance, covering all safety and environmental issues.

How did we do?

Our seven-year relationship with Plateno demonstrates that Actis is prepared to commit to a long term partnership with the right business. In close collaboration with the management team, Actis transformed Plateno from a chain of 160 budget hotels in 28 cities into one of China's leading hotel operators, with over 2,500 hotels in over 300 cities and a partnership with Hilton Hotels and Resorts. When we invested Plateno consisted of a single brand of economy hotels. Together with management we have grown the business into an acclaimed multi-brand hotel company.

In February 2016, Actis announced the sale of Plateno to JinJiang Hotels. With JianJiang's strategic investment, Plateno becomes part of China's number one hotel group and with the management team still running the business Plateno is well positioned to continue its growth.