

TRAVEL AND HOSPITALITY

AccorHotels acquires Fairmont in \$3B deal

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Fairmont San Francisco

By FORREST CARDAMENIS

French hospitality group AccorHotels has finalized its acquisition of FRHI Hotels & Resorts, owner of the Fairmont, Raffles and Swisstel brands, for \$2.7 billion.

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On July 12, shareholders at the general shareholders meeting approved a transaction involving Qatar Investment Authority (QIA) and Saudi Arabia's Kingdom Holding Company (KHC) resulting in Accor's acquisition of FRHI. AccorHotels' global platform and digital expertise and FRHI's expertise in operating and marketing luxury hotels suggests mutual benefit.

"The remarkably similar cultures of Fairmont, Raffles, Swisstel and AccorHotels are helping to make organizational integration a smooth process," said Sbastien Bazin, Chairman and CEO of **AccorHotels**. "In fact, both organizations have demonstrated strong commitments to sustainability and community; a focus on providing differentiating customer service; a steadfast approach to meet and exceed guest expectations; and investment in innovation within the field of hospitality."

"This acquisition instantly positions AccorHotels as a key global player in the luxury market," he said. "FRHI's deep understanding of luxury and expertise in managing and marketing many of the world's most iconic hotels, combined with AccorHotels' global platform and investment in innovation, will allow us to win market share as hotel industry consolidation continues."

To acquire and merge

Together, QIA and KHC provided \$840 million in cash and the issuance of 46.7 million AccorHotels shares in consideration for the contributed FRHI shares. QIA now owns 10.4 percent of Accor's share capital, while KHC owns 5.8 percent.

"Today is a great day for our group," Mr. Bazin said. "The acquisition of these three emblematic luxury hotel brands is a historical milestone for AccorHotels.

"It will open up amazing growth prospects, lift our international presence to unprecedented heights, and build value over the long term," he said.



Fairmont's The Savoy

The acquisition has also given AccorHotels a makeover in the executive suite. Ali Bouzarif and Aziz Aluthman Fakhroo from QIA and KHC's Sarmad Zok will join its board of directors.

Additionally, Chris Cahill has been appointed as the group's first CEO, luxury brands. Mr. Cahill will lead the integration of FRHI into AccorHotels and will be responsible for strategy and operations of all three FRHI brands as well as Sofitel Legend, So Sofitel, Sofitel, MGallery by Sofitel and Pullman.

Mr. Cahill has previously served as the president and chief operating officer of FRHI, as the executive vice president of global operations for Las Vegas Sands Corp. and most recently on the boards of Temple Hotels and Morgaard.

Beginning immediately, consumers can now book hotels from the FRHI portfolio, such as the The Savoy in London and New York's The Plaza, via AccorHotels' Web site. No changes have been announced to FRHI loyalty programs.



Sofitel, New York

The complementary skill sets FRHI's record with luxury hotels and Accor's extensive loyalty base and digital capabilities position the newly merged company to consolidate consumer bases and leverage economies of scale to cut costs.

"We remain committed to providing guests with unparalleled service, while also keeping the ambition to deliver exceptional return on investment for our shareholders and hotel owners," Mr. Bazin said. "By leveraging the operational synergies between FRHI and AccorHotels, we are well-positioned to accelerate the growth of our luxury brands and offer guests even more exciting hotel choices and destinations to explore."

Fast track for growth

The Accor-FRHI merger is not the only high-profile acquisition in the hospitality industry to take place in recent months.

In early July, Marriott International received authorization from a number of markets where Starwood Hotels & Resorts operates properties following its acquisition of the hospitality chain.

After a prolonged back-and-forth complicated by competing offers, Starwood Hotels & Resorts signed an amended definitive merger agreement with Marriott International. The merger, which creates the world's largest hotel company, saw Marriott purchase Starwood for \$12.2 billion ([see story](#)).

Generally, merger and acquisition deals show signs of a healthy luxury market across most sectors, according to an executive from Deloitte Corporate Finance.

Luxury sales are climbing largely because of hotels and automobiles, but acquisition patterns show that fashion and jewelry are continuing to innovate and produce quality product. While the slowing economy has put luxury brands in

a tough position, healthy amounts of venture capital show that the sectors are healthy, meaning that proper marketing is the key component of growth ([see story](#)).

"AccorHotels strategic vision is to be the world's leading hotel group, and our company is now a stronger and more diverse organization with the addition of the Fairmont, Raffles and Swisstel brands," MR. Bazin said. "The Fairmont, Raffles and Swisstel brands will enjoy the scale and growth made possible by AccorHotels' global distribution network, most notably AccorHotels.com.

"The three brands will join one of the largest distribution networks in the global industry," he said. "At the same time, becoming part of a larger and more powerful organization should yield new development opportunities, increased sales and marketing presence, and greater cost and revenue synergies."

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