

The Investor



Advent International is a global private equity firm focused on Europe, North America, Latin America and Asia. Founded in 1984, Advent has made more than 415 private equity investments in a range of sectors, including technology, business and financial services, health care, industrial and retail, as of September 2023. The firm invests between USD50 million and USD2 billion in companies with enterprise values of USD50 million to USD5 billion.

FUND NAME

Advent Latin American Private Equity Fund VII

FUND SIZE

USD2b

TOTAL AUM

USD95b

The Company



GHL Hotels is a third-party hotel operator with 62 properties in Colombia, Perú, Chile, Argentina, Ecuador, Central America and Spain. The Colombia-headquartered company has developed several hotel brands, including GHL Collection, GHL Relax and GHL Styte, and is authorized to operate hotels under international brands such as Marriott, Sonesta, Hyatt and Radisson. Each of GHL's properties offers accommodation, restaurants, entertainment and event space. As of September 2023, GHL has over 4,300 employees.

LOCATION

Andean Region and Central America

SECTOR

Hospitality

WEBSITE

en.ghlhoteles.com

DATE(S) OF INVESTMENT

SEPT '22

AMOUNT

CONFIDENTIAL

STAKE

MAJORITY



Global private equity firm Advent International first identified family-owned GHL Hotels as an ideal investment target in 2015. GHL, which started operations in 1964 with five hotels in the south of Colombia, had grown into one of the largest third-party hotel operators in the Andean region and Central America. The Advent team liked the company's asset-light business model, as GHL is primarily focused on managing the day-to-day operations of hotels held by independent owners, real estate investors and large brands. Advent also anticipates a significant shift in the region toward third-party operators, which had reached a market penetration of 19% in the United States, versus 14% in Latin America.

For years, the Advent team frequently reached out to GHL owner Jorge Londoño to track the company's progress. The conversation finally turned into an investment discussion in 2020 following the negative impact of the COVID-19 pandemic on the region's hospitality sector. After a nearly two-year due diligence process, Advent acquired a majority stake in GHL in September 2022 with a commitment to finance the company's growth over the following three years.

The Deal

Advent's initial priority was to strengthen GHL's management team and establish a transparent corporate governance structure. While Londoño retained a significant stake in GHL and would remain engaged through the board and various committees, Advent and Londoño recruited several new executives. The private equity firm also installed a Strategy & Transformation Officer and a Vice President of Investments who would craft and implement a strategy to accelerate growth.

GHL's Business Development team, alongside Advent, has defined a structured process to map and engage potential growth opportunities in the region. Between September 2022 and September 2023, GHL executed new contracts in Colombia, Peru and Chile.

In 2019, Advent acquired a majority stake in Texas-based third-party hotel management company Aimbridge Hospitality, which has a portfolio of 1,500 properties in 20 countries as of September 2023. The Advent team has been working with GHL to implement Aimbridge's best practices. Key initiatives include improving revenue management, procurement and centralization.

GHL's management team has delivered above-market occupancy rates and revenue per room. As of September 2023, GHL's occupancy rates are higher than 65%, on average, versus less than 60% across Colombia's hotel industry per the Colombian Hotel and Tourism Association. The company has also achieved higher revenues per available room (RevPAR) than competitor hotels operating in the same geographies and targeting a similar customer base. Calculated as total revenue divided by the total number of available rooms, GHL's RevPAR is USD70.71 for 2023, as of September, versus an average of USD57.77 for its competitors. This is also an improvement from GHL's 2022 RevPAR of USD58.32.

Inclusive & Sustainable Growth

While GHL has a presence in Bogotá, Lima and Santiago, most of its hotels are in secondary cities and smaller markets. The company prioritizes working with local communities and requires that 70% of the staff at each location be from that area. GHL has created local development initiatives that also serve as a screening process for employment. For example, GHL provides cooking classes for single mothers and young adults and uses the program to provide an entry point to potentially work with GHL's food and beverage team. Many of these initiatives target women as GHL strives for gender parity in its workforce. As of September 2023, 43% of its 4,300 employees identify as female.

GHL has an inclusive purchasing program that ensures a minimum percentage of procurements are sourced locally across all markets. Juliana Zapata Ramírez, Vice President at Advent International, explains, "GHL believes in taking care of the communities in which it operates. A substantial part of the hospitality experience comes from being able to provide an authentic and pleasant stay for hotel guests. This is accomplished by respecting local communities and providing long-term sustainable development through job creation and trainings."



To improve local operational and administrative skills related to the hospitality industry, GHL established the GHL Training School for both legacy and new employees. In 2022, nearly 650 employees participated in one or more of the 493 offered courses covering topics such as organizational culture, hotel security, the spirit of hospitality, biosecurity and more. GHL also operates an integrated training school for managerial skills in partnership with Colombia's Sergio Arboleda University, which requires 280 hours of education to receive certification. In 2022 and 2023, 150 and 123 GHL executives participated in the program, respectively.

From an environmental perspective, Advent worked with a sustainability consultancy firm to align environmental initiatives across GHL's portfolio and collect aggregate data. GHL is working to reduce single-use plastic bottles by 50%, eliminate plastic straws and ensure that 100% of the cleaners used by the company are biodegradable by 2024. It also introduced the *Blue Initiative Program*, which incentivizes guests to reuse bed linens and towels to reduce energy and water consumption. In 2022, GHL saved an additional 6% of energy and 7% of water consumed versus the prior year.

Outlook

The Advent team believes that GHL will continue to benefit from a pickup in tourism as the region recovers from disruptions related to the COVID-19 pandemic. To expand GHL's pipeline in Latin America, Advent conducted a systematic, bottom-up analysis in each market of interest to help the company identify and prioritize locations with which GHL could potentially execute long-term contracts to manage hotel operations. This initiative has resulted in the creation of a pipeline of over 20,000 additional rooms to add to GHL's existing portfolio of 7,300 rooms. Looking forward, Advent and GHL are seeking to secure over ten new contracts annually, as well as acquisitions of other third-party hotel operators. ●