

ESTONIA SPA HOTELS AS

Preparation for the Sale of Shares and Selection of an M&A Advisor

Request for Proposals (RFP) | 06.05.2026

1. Background and Objective

Pärnu City Government has initiated the preparatory process for the potential disposal of 100% of the shares in Estonia Spa Hotels AS.

The purpose of this tender is to identify and engage an experienced financial advisor who will provide comprehensive support to the owner and the company's governing bodies in preparing the disposal process and, if applicable, conducting the subsequent sale process.

The Client's objective is to carry out the process professionally and on market terms, with the aim of maximising the shareholder value and achieving the best possible transaction outcome.

The Service Provider must take into account that, in addition to the provisions of this RFP, the preparation and execution of the disposal of the shares will be subject to local government legislation, including the Pärnu municipal asset management rules and other applicable regulations.

Two-phase approach

The tender procedure is structured in two phases:

- 1) **Phase I** – valuation and preparation of sale readiness
- 2) **Phase II** – execution of the sale process (M&A advisory), including identifying buyers, structuring the transaction and completing the transaction

The purpose of this RFP is to select a Service Provider to execute Phase I (valuation and sale preparation).

At the same time, the Bidder is expected to include in its proposal a description of Phase II (execution of the sale process) and an indicative fee model, so that the Client can assess the Service Provider's overall capability to carry out the full process.

The Client has the right to enter into a separate agreement for the execution of Phase II with the Service Provider that has successfully completed Phase I without conducting an additional tender procedure. The Client prefers to continue in Phase II with the same Service Provider that has successfully completed Phase I and whose quality of service meets the Client's expectations.

International scope

This tender is addressed to both local and international financial advisors, investment banks and consulting firms, including from the Baltics, the Nordics and selected European target markets.

The Service Provider is expected to have:

- experience in executing cross-border transactions
- the ability to involve an international investor universe
- the ability to conduct the sale process in English

This RFP has been prepared in Estonian and English. In the event of any discrepancies of interpretation, the Estonian version shall prevail.

Proposals may be submitted in Estonian or English.

2. Brief Description of the Company

Estonia Spa Hotels AS is a company operating two spa hotels in Pärnu:

Estonia Resort Hotel & Spa	Estonia Medical Spa & Hotel
106 hotel rooms	193 hotel rooms
Wellness spa and conference centre	Medical spa, resort and rehabilitation services
2025 revenue: EUR 6.3 million	2025 revenue: EUR 5.2 million

2025 EBITDA: EUR 1.39 million

2025 EBITDA: EUR 0.72 million

The Group's consolidated revenue in 2025 was EUR 11.5 million, EBITDA was EUR 2.12 million and net profit was EUR 1.075 million.

An overview of the Pärnu accommodation market and tourism environment, as well as additional background information on the company, are attached to this RFP.

3. Scope of Services and Tasks (Phase I)

This section describes the scope of the Phase I service being procured (valuation and preparation of sale readiness), including analyses and activities, the purpose of which is to provide the shareholder with a comprehensive overview and basis for making the decisions required for the disposal of the shares.

3.1 Valuation of 100% of the Company's Shares

The Service Provider must provide an assessment of the fair value of 100% of the shares in Estonia Spa Hotels AS under at least three scenarios:

- Optimistic value (strategic value) – a scenario in which the buyer is a strategic investor who sees synergies and is prepared to pay a premium for market share, location or other strategic value;
- Conservative value (market value) – the ordinary fair market value in the current economic environment;
- Pessimistic value (liquidation value / quick-sale value) – value in the event of a forced sale or a significant cooling of the market.

3.2 Real Estate Valuation

In addition to the value of the shares, the Service Provider must provide an assessment of the value of the company's real estate from two perspectives:

- if the current land use and real estate use remain unchanged;
- if the land use may be changed.

The real estate valuation must be clearly separated from the valuation of 100% of the company's shares and is intended to serve as an input for the owner's decision-making, without making the entire process real-estate-centred.

3.3 Alternative Transaction Structures

The Service Provider must also analyse the following scenarios:

- the disposal of one operating spa hotel (carve-out) together with the entire related business, including:
 - accommodation, food and beverage, spa services
 - employees and management
 - contracts and operational functioning
- the value of the remaining company after the carve-out transaction
- the impact on the value of the Group as a whole

3.4 Additional Analyses

The Service Provider must prepare at least the following additional analyses:
Sensitivity analysis: modelling the impact of key risk factors (including interest rates, energy costs and labour costs) on the company's cash flows and value.

Alternative use analysis: a comparative assessment of the value of the shares as a going concern and as an alternative development project.

Sale readiness (Red Flag) analysis: identifying potential legal, technical or financial obstacles and proposing measures to mitigate them prior to the disposal of the shares.

Value leakage analysis: an assessment of the potential reduction in the sale price if social or economic additional conditions are attached to the transaction (e.g. maintaining spa services, investment obligation).

Mapping of potential buyers: a high-level mapping of potential buyers that will form the basis for investor engagement in Phase II (strategic investors, private equity funds, international hotel groups, etc.).

3.5 Recommendations on the Sale Process

The Service Provider must provide recommendations on:

- the sale model:

- controlled auction
- targeted sale
- exclusive negotiation
- the transaction structure:
 - share deal vs asset deal
 - carve-out vs full sale
- target investor groups

3.6 Valuation Methodology

The Service Provider must use internationally recognised valuation methodologies, including:

- discounted cash flow method (DCF)
- trading comparables analysis
- transaction comparables analysis
- other relevant methods, where appropriate

The methodologies used must be:

- clearly described
- substantiated
- comparable with one another

3.7 Scope Limitations

The Service Provider shall not be responsible for:

- conducting full legal or technical due diligence; however, the Service Provider is expected to support the structuring and coordination of the respective process
- arranging buyer financing
- work related to a detailed technical or construction audit

Where necessary, the Service Provider may propose the involvement of additional advisors.

4. Investor Engagement and Sale Process (Phase II)

The Phase II activities and their scope described in this section are indicative, and their implementation depends on the results of Phase I and the corresponding decision of the Client. The Client's objective is to use the results of Phase I to establish a clear basis for launching the sale process (Phase II). In Phase II, the Service Provider is expected to proactively profile and target potential buyers and to lead the entire M&A process on an end-to-end basis, including identifying potential investors, engaging them and actively managing the sale process.

The proposal must describe:

- the investor identification strategy and channels
- previous experience in investor engagement
- target groups (strategic investors, private equity funds, international hotel groups)
- approach to contacting investors
- experience in international sale processes

The Service Provider is expected to take an active role in identifying and engaging buyers, not merely to provide analytical support.

During Phase II, the Service Provider is expected, among other things, to provide:

- **Preparation of sale documentation:** for example, preparation of a professional teaser and information memorandum.
- **Process and information-flow management:** communication with investors and management of communications, including between the Client and the shareholder.
- **Processing of offers:** collecting, structuring and financially and legally comparing potential offers.
- **Transaction completion support:** participation in contract negotiations in cooperation with the Client and the shareholder until successful closing of the transaction.

5. Service Deliverables

The service must result in at least the following deliverables:

- A written valuation report on the value of 100% of the shares
 - A written real estate valuation from two perspectives and separately for all real estate assets owned by the company
 - A sensitivity analysis of the impact of key risk factors
 - An overview of potential transaction obstacles and recommendations for mitigating them
 - An overview of the potential buyer universe
 - A written final recommendation to Pärnu City Government and Pärnu City Council on the model, logic, possible starting price and timetable of the further sale process. The written final recommendation must be presented in a form and level of detail that allows it to be used at different decision-making levels, including the Supervisory Board of Estonia Spa Hotels AS, Pärnu City Government and Pärnu City Council.
 - Presentation of the work results and key conclusions in meeting format to both Pärnu City Government and the Supervisory Board of Estonia Spa Hotels AS.
- The Service Provider must:
- conduct at least one 2–4-hour presentation of the work in Pärnu
 - participate in a question-and-answer session
 - be prepared for an additional follow-up meeting (virtually, if necessary)

The Client will ensure access to the necessary information.

The intellectual property rights to materials, analyses and other work created in the course of providing the service shall belong to the Client as of their acceptance, unless otherwise agreed in the agreement.

The Service Provider shall have the right to use its general methodology, knowledge and experience in other projects as well, provided that no confidential information is disclosed.

6. Requirements for the Service Provider

6.1 Expected Project Team

The Service Provider must present in its proposal the specific composition of the project team that will provide the service.

The project team must include at least the following roles:

- **Responsible partner / project manager** with previous experience in leading similar M&A transactions and responsibility for the entire project
- **Financial analysis lead or specialist** with experience in business valuation and financial modelling
- **Real estate valuation specialist** who meets international or Estonian valuation standards (e.g. IVS, RICS, EVS 875)
- **Legal advisor or cooperation partner**, where necessary, covering the initial legal aspects of the transaction

The Bidder must:

- describe the role and area of responsibility of each team member
- present the relevant experience and previous projects of the team members
- clearly distinguish who is involved in Phase I and who is involved in Phase II

The Client expects the key personnel named in the proposal to be actually involved in the execution of the project. Their replacement during performance of the agreement is permitted only with the Client's prior written consent.

6.2 Requirements for the Service Provider

The Service Provider is expected to have the capability to cover the financial, real estate and initial legal matters of this phase. The Service Provider may submit a proposal independently or as a consortium / together with partners.

The requirements for the Service Provider are as follows:

- Demonstrable previous experience in valuing companies or shareholdings and preparing sale processes, preferably in transactions with a size and complexity comparable to that of Estonia Spa Hotels AS.
- Preferably previous experience in transactions or valuations in the hospitality, real estate or service sectors
- The Service Provider must have the capability to value 100% of the company's shares and to arrange a professional real estate valuation. The real estate valuation must be based on internationally recognised standards (e.g. International Valuation Standards (IVS) or RICS Valuation – Global Standards). Where necessary, the valuation must also comply with the Estonian property

valuation standard series (EVS 875), and the valuation report must be signed by a property valuer holding the relevant professional certificate.

- Capability to identify the key legal red flags in the first phase of the transaction
- Preferably previous experience with assignments commissioned by the public sector or a local government
- Absence of conflicts of interest with potential buyers or other related parties
- Identification of the team assigned to the specific transaction, together with their roles
- Ability to work in Estonian and English.

7. Evaluation Criteria

The proposals will be evaluated on the basis of the criteria set out in this section. A detailed description of the evaluation criteria, the evaluation methodology and the substantive interpretation of the criteria are provided in Annex 2 to this RFP.

Proposals will be evaluated on the basis of the following criteria:

Criterion	Weight
Team experience	25%
Understanding of the terms of reference and work plan	20%
Methodology	20%
Investor engagement capability	15%
Price and fee model	20%

7.1 Evaluation Methodology and Content of the Criteria

A 5-point scale will be used for evaluating proposals:

Score	Explanation
5	Very strong – exceeds expectations

4	Good – fully meets expectations
3	Satisfactory – with minor deficiencies
2	Weak – significant deficiencies
1	Insufficient – does not meet the requirements

When evaluating price proposals, the logic of the fee model and its link to the result of the service will be taken into account in addition to the total cost, not merely the lowest price.

7.2 Evaluation Committee

The proposals will be evaluated by a committee comprising representatives of Pärnu City Government and Estonia Spa Hotels AS.

The committee may involve independent experts, in particular in the field of M&A and business valuation, to ensure professional and impartial evaluation of the proposals.

If two or more proposals receive the same total score, preference will be given to the proposal with the higher score under the quality criteria (including team experience, work plan and methodology).

If the quality criteria scores are also equal, the final decision will be made by the evaluation committee, based on the overall quality of the proposals and their compliance with the objective of the terms of reference.

The Client has the right to invite selected Bidders to a presentation/interview before making the final decision.

Before final scores are confirmed, the evaluation committee may jointly discuss the assessments to ensure consistent interpretation of the criteria and comparability of the proposals.

7.3 Fee Model

The Bidder is requested to submit:

- Phase I fee (valuation)
- indicative fee model for Phase II

In Phase II, preference is given to a fee model that includes a success fee linked to the successful completion of the transaction. The success fee shall be calculated on the basis of the transaction value (enterprise value or equity value, depending on the transaction structure).

The recommended success fee structure may be progressive, for example:

- up to EUR 10 million: X%
- EUR 10–20 million: Y%
- above EUR 20 million: Z%

Or alternatively:

success fee = agreed percentage (%) of the final transaction value

The Client prefers a fee model that:

- is clearly linked to transaction success and value
- incentivises the Service Provider to maximise the transaction value
- is market-based and proportionate to the size of the transaction

The fee model must be clear, transparent and justified. The Client expects the fee model to be balanced and not to allocate a disproportionately large portion of the fee to Phase I, considering the two-phase nature of the service and the potential scope of Phase II.

If a **conflict of interest exists** (including links to potential buyers, advisors or other parties involved in the transaction), the Bidder will be disqualified from the process. The Service Provider must confirm the absence of conflicts of interest in a separate declaration included in its proposal.

8. Timetable

Indicative process timetable (deadlines are based on Eastern European Time (EET)):

- Bidders may submit questions until 13 May 2026.
- The Client will respond to questions on a consolidated basis by no later than 19 May 2026.
- Deadline for submission of proposals: **28 May 2026 at 17:00 (EET)**.
- Review of proposals and selection of the Service Provider by no later than **12 June 2026**.
- Conclusion of the agreement by no later than **26 June 2026**.

The Service Provider must take into account that the valuation results, analyses and recommendation on the further sale process must be submitted to the owner no later than **three months after conclusion of the agreement**.

The Bidder is requested to submit its work plan together with milestones, workload and expected deadlines.

The Bidder must submit:

- interim report (6 weeks)
- final report (12 weeks)

The exact timetable will be agreed with the selected Service Provider.

9. Proposal Submission and Contact

9.1 Proposal Content and Structure

The Bidder must submit a proposal with at least the following structure:

1. Overview of the Service Provider
2. Project team (names, roles, experience)
3. Relevant previous experience and references
4. Understanding of the terms of reference
5. Work plan and timetable
6. Description of the methodology
7. Approach to investor engagement (for Phase II)
8. Price proposal and fee model
9. Confirmation of absence of conflicts of interest

The Client has the right to request clarifications and additional information from Bidders regarding the submitted proposals.

9.2 Submission of Proposals

The RFP will be published on the Estonian tender portal and additionally directed to selected international and local financial advisors. The RFP will also be prepared in English to ensure international competition.

Proposals must be submitted electronically in PDF format by no later than **28 May 2026 at 17:00 (EET)** to: hange@spaestonia.ee.

Proposals submitted after the deadline will not be considered, unless the Client decides otherwise for a justified reason.

The minimum validity period of a proposal is 30 calendar days from the submission deadline.

The Client will not reimburse any costs related to preparing the proposal.

Questions and Communication

All questions related to the tender must be submitted in writing by e-mail to the following contact person:

Andrus Aljas

Chairman of the Management Board

Estonia Spa Hotels AS

+372 5552 5552

andrus@spaestonia.ee

The Client will consolidate the questions and answers and, where necessary, share them anonymously with all Bidders to ensure equal treatment.

Communication Rules

All proposals and tender-related communication must take place through the designated contact person and the official e-mail channel.

Direct communication with other representatives of Estonia Spa Hotels AS, Pärnu City Government or the Supervisory Board is not permitted.

This arrangement ensures:

- transparency of the process
- equal treatment of all Bidders
- full documentation

10. Confidentiality

This RFP and all information related to the tender process are confidential. By submitting a proposal, the Service Provider confirms that it will not disclose information related to the process to third parties without the Client's prior written consent.

11. Governance and Decision-Making Process

The tender procedure and the possible subsequent sale process will be conducted within a structured decision-making framework involving:

- Pärnu City Government (owner)
- Supervisory Board of Estonia Spa Hotels AS
- Management Board of Estonia Spa Hotels AS

Decision points (Phase I)

The following key decisions will be made during Phase I:

1. Selection of the Service Provider
2. Approval of the valuation report and analyses
3. Selection of sale scenarios and transaction structure
4. Decision to launch the sale process (Phase II)

In its analysis, the Service Provider must also take into account the expectations of potential investors and market conditions that may affect the transaction structure and realisable value.

Decision points (Phase II – indicative)

If the sale process is launched:

1. Approval of the sale strategy and target investor groups
2. Evaluation of indicative offers and shortlist
3. Evaluation of binding offers

4. Selection of the preferred investor
5. Approval of the final transaction

Role allocation

- **Management Board** – operational cooperation with the advisor, provision of information
- **Supervisory Board** – oversight and preparation of strategic decisions
- **Pärnu City Government and City Council** – final decisions

The Service Provider is expected to be capable of supporting all decision-making phases and preparing decision materials.

12. Rights of the Client

The Client reserves the right to:

- not select any proposal
- negotiate with one or more Bidders
- modify the tender conditions during the process
- terminate the tender procedure for a justified reason

The Client is not obliged to reimburse Bidders for costs incurred in participating in the tender procedure.

13. Conclusion of the Agreement

The service agreement will be concluded as a tripartite agreement between Estonia Spa Hotels AS, Pärnu City Government and the Service Provider. The costs related to the agreement will be borne by Estonia Spa Hotels AS, which has the consent of the Supervisory Board of Estonia Spa Hotels AS for this purpose.

The lead client and day-to-day contact under the agreement will be Estonia Spa Hotels AS, unless otherwise agreed in the agreement.

14. Governing Law and Dispute Resolution

This tender procedure and the legal relationships arising from it are governed by the laws of the Republic of Estonia. All disputes related to the tender procedure shall be resolved in the courts of the Republic of Estonia.

15. Annexes

The following annexes form an integral part of this RFP:

Annex 1. Financial and background information on the company (Info Pack)

Annex 2. Detailed description of the evaluation criteria

Annex 3. Draft agreement

This RFP together with its annexes constitutes an integrated document. The Client may specify or supplement the annexes during the tender procedure, while ensuring equal access to information for all Bidders.