

PPHE Hotel Group

Travel & leisure
2 March 2021

Phased recovery expected

PPHE's FY20 results demonstrate how well management has managed operating costs and cash in what is described as 'the most testing year'. Management enters FY21 with a confident message on liquidity and its commitment to medium-term development plans. The success of vaccination roll-outs produces a more favourable outlook than for some time. Management points to an 'encouraging early uplift' in demand in the UK following the new timetable for easing restrictions and early signs of potential recovery in business-related custom later in the year. The shares continue to trade at a large discount, c 36% to the new and updated EPRA NRV of 2,208p/share.

FY20: Strong control of costs and cash

Group revenue fell by c 72% in FY20 as occupancy declined to 28% (FY19: 80.6%) and the average room rate fell by 18%, leading to a RevPAR decline of 72% to £29.4. Strong cost control enabled management to restrict a y-o-y decline in revenue of £256m to a more modest y-o-y reduction in EBITDA of £133m to an EBITDA loss of £10.1m, and a similar £131m change in normalised PBT to a loss of £89.8m. As previously reported, management is confident in its liquidity position with available cash resources of £198m including undrawn facilities. The year-end cash position of c £114m compares favourably with FY19's £153m given the delta in profitability and the difficult operating environment.

FY21: Improved outlook

There is no doubt the operating outlook has improved for PPHE as the ongoing roll-outs of COVID-19 vaccines should enable travel restrictions to be eased in the coming months. Management believes the location of the majority of PPHE's hotels in desirable city hubs, and the prior refurbishment programme, leave it well placed to benefit from an initial recovery in leisure demand once travel restrictions ease. Thereafter, the group's recovery in profits will be sensitive to the pace and scale of recovery in business-related and leisure travel. The World Travel Organisation estimates a return to FY19 revenue levels for the travel industry in 2023–25.

Valuation: 36% discount to new EPRA NRV

With the results, management provided a new and updated EPRA asset-based, Net Reinstatement Value (NRV) for the group at end-FY20 of 2,208p/share, a reduction of c 15% from FY19's 2,593p. The NRV and two other measures replace the previously-quoted NAV (2,546p/share for FY19). The objective of the NRV is to highlight the value of the net assets on a long-term basis. The current share price of 1,410p is at a discount of 36% to the quoted NRV.

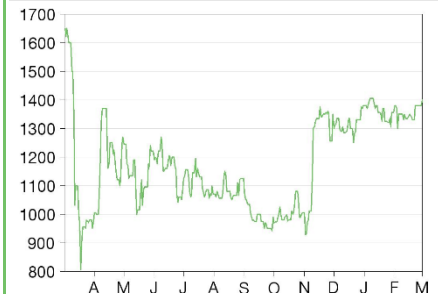
Consensus estimates

Year end	Revenue (£m)	EBITDA (£m)	Reported EPS (p)	DPS (p)	P/E (x)	Yield (%)
12/19	357.7	122.9	80.0	37.0	17.6	2.6
12/20	101.8	(10.1)	(192.0)	0.0	N/A	N/A
12/21e	242.3	59.4	(38.2)	0.0	N/A	N/A
12/22e	321.0	100.8	20.1	20.7	70.1	1.5

Source: Refinitiv

Price 1,410p
Market cap £599m

Share price graph



Share details

Code	PPH
Listing	LSE
Shares in issue	42.5m

Business description

PPHE Hotel Group (formerly Park Plaza Hotels) is an integrated owner and operator of four-star, boutique and deluxe hotels in gateway cities, regional centres and select resort destinations, predominantly in Europe.

Bull

- Prime locations in key cities that have typically rebounded quickly.
- Present in the whole value chain.
- Management confident on liquidity position.

Bear

- Uncertain outlook for business travel.
- Recovery in key cities post COVID may be different from prior downturns.
- Much of the company's cost base is fixed, which can be mitigated by yield management.

Analysts

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