

PPHE Hotel Group

Q3 update

Sticking to the script

Q319 has seen PPHE deliver against a strong comparative (eg like-for-like rate-led RevPAR +4%). Unsurprisingly, given positive market reports (Q319 RevPAR +5%, per STR), London, PPHE's largest profit source, has been the driver, boosted by maturing properties and the newly repositioned Holmes Hotel. The Netherlands has also traded well, with similar investment payoff, notably at the flagship Victoria Amsterdam. In its busiest period, Croatia defied competition to match record FY18 revenue thanks to high-profile campsite investments. With current-year expectations unchanged ahead of key Q4 trading, longer-term growth is driven by a £300m development pipeline with all hotels in the UK and the Netherlands now open and key projects such as art'otels in London and New York well in hand.

Year end	Revenue (£m)	EBITDA (£m)	Adj. EPS* (p)	EPS** (p)	DPS (p)	EV/EBITDA (x)
12/17	325.1	107.3	104.0	64.2	24.0	11.1
12/18	341.5	113.2	115.0	77.5	35.0	11.1
12/19e***	353.0	123.0	119.0	79.0	38.0	12.3
12/20e***	371.0	128.0	128.0	82.5	41.0	12.0

Note: *EPRA (IFRS depreciation charge replaced by maintenance capex charge of 4% of revenue), excluding exceptional items. **Normalised, excluding amortisation of acquired intangibles and exceptional items. ***After adoption of IFRS16.

PPHE is on course to meet 2019 earnings expectations after a solid Q3 despite contrasting regional RevPAR performances. In the absence of a breakdown, we assume that the company's London focus ensured it benefitted from domestic and international leisure demand which drove market RevPAR gain, as reported by STR (+5%), IHG (+3%) and AccorHotels (+2%). By comparison, the Netherlands and Germany saw only mild gain in yield, while Croatia RevPAR was slightly down in the face of competitive pressures (marginal rise in foreign tourist nights in Pula in July and August, reported by the Croatian Bureau of Statistics). However, listed subsidiary Arena's accounts show Q3 revenue up 2% owing to a first full period by Arena One 99 Glamping and initial returns from the revamped Kažela campsite, which more than made up for a shortfall by apartment resorts. Management is prudent ahead of its strongest quarter. While this accords with the 'cautious outlook', newly confirmed by GL, London's largest hotel owner/operator, there could be a general election boost from accommodating campaign teams, given PPHE's South Bank focus.

Travel & leisure

1 November 2019

Price 1,840p
Market cap £780m

Net debt (£m) at 30 June 2019	523.8
Shares in issue	42.4m
Free float	50.4%
Code	PPH
Primary exchange	LSE
Secondary exchange	N/A

Share price performance



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.

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