

PPHE Hotel Group

Steady as she goes

Trading update

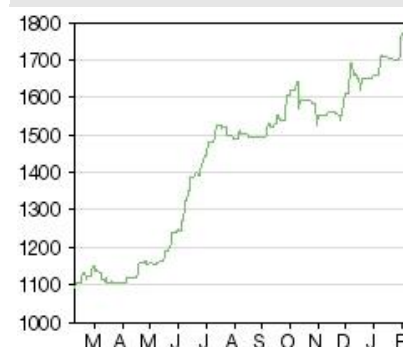
Travel & leisure

5 February 2019

Price 1,755p
Market cap £742m

Net bank debt (£m) at June 2018	474.0
Shares in issue	42.3
Free float	23%
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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PPHE has hit the spot yet again with Q4 rate-led RevPAR growth of c 8% (our estimate), which is a marked acceleration on the previous nine months. Driven by a strong holiday season in London, the company's major profit source, and by encouraging early returns on its key Victoria Amsterdam renovations, this is impressive, given a demanding comparative. On course to meet management's 2018 expectations (results due c 28 February), PPHE looks also to be coping with Brexit uncertainty (Q119 bookings are good according to management), while longer-term growth reflects a £190m investment programme with key projects in the Netherlands and London well in hand. Expansion remains on the cards, even if management is reluctant to pay up, viz the recent London Grange deal (1,300 rooms) at c £750,000 per key.

Year end	Revenue (£m)	EBITDA (£m)	PBT* (£m)	EPS* (p)	DPS (p)	EV/EBITDA (x)
12/16	272.5	94.1	34.2	69.9	21.0**	14.1
12/17	325.1	107.3	34.5	64.2	24.0	10.7
12/18e	340.0	112.0	38.0	68.8	34.0	10.5
12/19e	350.0	118.0	44.0	81.6	36.0	9.8

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, share-based payments. **Plus 100p special dividend.

Disclosure of 5% like-for-like RevPAR gain for 2018 suggests c 8% improvement in the final quarter, which is respectable as boosted by neither currency nor Croatia (Q4 is its low season). Therefore, while regional performance is not disclosed, we may infer buoyancy in London in line with the market (+10%), as reported by STR, as well as a boost from significantly higher rates at newly-renovated Netherlands flagship Victoria Amsterdam.

The current period should see continued material payoff from recent transformative investment in London and Amsterdam, offset in part by repositioning Sherlock Holmes London and Vondelpark Amsterdam (both due to complete in Q2). Brexit and London room supply remain a concern (GL, the capital's largest owner-operator, has newly confirmed its "cautious outlook") but current trading is resilient and PPHE is cheered that its in-sourcing programme is meeting staffing challenges.

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