

# PPHE Hotel Group

## Waterloo sunset

The proposed sale and leaseback of Park Plaza Waterloo, the largest London hotel opening in 2017, is impressive testimony to the success of the PPHE business model. Its endorsement as developer and asset owner is evident not only in an effective c 100% return in just four years but in its reinforcement of 2016 market valuations of other key assets. Moreover, a long-term lease on attractive terms (low yield of 3.5%) retains interest in this positive complement to its unmatched South Bank presence (c 2,500 rooms). While our forecasts are unchanged, we highlight the release of c £80m for reinvestment and an additional c 300p/share (£126m), of which c 85p realised, to the company's latest 'fair value' adjustment of c 1,000p/share to the end December 2016 NAV of 782p/share.

Year end	Revenue (£m)	EBITDA (£m)	PBT* (£m)	EPS* (p)	DPS (p)	EV/EBITDA (x)
12/15	218.7	80.1	31.8	76.1	20.0	9.4
12/16	272.5	94.1	34.2	73.9	21.0**	10.0
12/17e	315.0	102.0	36.0	73.9	22.0	9.4
12/18e	334.0	110.0	44.0	90.8	23.0	8.5

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

Following last year's special dividend of 100p/share, the Waterloo transaction further underlines PPHE's substantial hidden reserves. An independent valuation of £250m reveals a doubling of book value and while this is only 65% released owing to provision of a leaseback, the sales price of £161.5m still yields a premium of c 85p/share. Stated rent of £5.6m pa reflects a yield of just 3.5% and is comfortably absorbed in a business generating in excess of £10m EBITDA pa, when stabilised. While this may not be met by the interest saving on expected £80m net cash proceeds, the P&L impact is not material and, most important, PPHE retains its trading position in a successful property. There is no change to net debt as the existing £80m construction debt is replaced by a £160m finance lease less the aforementioned proceeds.

The London market remained notably buoyant in May (RevPAR +9%, per STR). Although too early to assess the effect of repeated upset (the London Bridge attack), there is justifiable confidence from the boost to international tourism from pound devaluation and a strong summer events schedule.

Sale and leaseback

Travel & leisure

3 July 2017

**Price** 840p  
**Market cap** £355m

Net debt (£m) at 31 December 2016	584.9
Shares in issue	42.3m
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.

### Analysts

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