

PPHE Hotel Group

On track

Trading update

Travel & leisure

PPHE continues to deliver with a firm end to the year reinforcing confidence that expectations for 2017 will be met (results due in late February). Like-for-like RevPAR growth of c 4% (our estimate) in Q4 is impressive in the teeth of pronounced market slowdown in London, while double-digit yield gain in the first nine months was flattered by weak comparatives and currency. Notwithstanding short-term caution about renovations and costs, PPHE is admirably placed to exploit its very considerable financial flexibility. Its modest rating recognises neither its excess liquidity (likely £200m+ cash post-Hoxton acquisition) nor its asset backing.

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	10.9
12/16	272.5	94.1	34.2	73.9	21.0**	11.2
12/17e	326.0	106.0	33.5	65.9	22.0	9.9
12/18e	350.0	113.0	40.0	78.5	23.0	9.0

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

After a first half marked by recovery from a challenging 2016, the rest of 2017 saw predictably slower growth on more normal comparatives. Disclosure of 11% like-for-like RevPAR growth for the full year suggests c 4% improvement in the final quarter, which is respectable as not materially boosted by either currency or buoyant Croatia (Q4 is its low season). Consequently, while regional performance is not disclosed, we may infer, as in Q3, low-digit RevPAR gain in London, PPHE's largest profit source, which is ahead of the market (-1%), as reported by STR, and in line with our forecasts.

The current period should see material payoff from recent transformative investment in London and Germany, offset in part by a step-up in renovations, notably at Victoria Amsterdam and Sherlock Holmes London. In addition, excitingly, overall excess liquidity in both PPHE and Arena should spur significant development initiatives across the estate and without recourse to issuing equity.

1 February 2018

Price 1,115p
Market cap £472m

Net debt (£m) at 30 June 2017	559.0
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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