

PPHE Hotel Group

Busy on all fronts

Trading update

Travel & leisure

4 May 2018

Price 1,160p
Market cap £491m

Net bank debt (£m) at December 2017 408.1
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.

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Despite further slowdown in London, its major market, the strength and diversity of PPHE's portfolio has ensured a 'solid' Q118 and confidence that 2018 expectations can be met. Although Q1 regional performance is not disclosed, overall 1% RevPAR gain may reflect a marginal dip in the capital, as was the case for the market, which is creditable given a demanding comparative. Growth in Croatia and Germany was encouraging, if offset by renovation in the Netherlands. Current projects are well in hand, while management looks to exploit flexibility after Waterloo's sale and leaseback and Arena's fund-raising. PPHE's rating underestimates its excess liquidity (£200m+ cash post-Hoxton purchase) and asset backing (fair value c £20/share).

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**	11.4
12/17	325.1	107.3	34.5	64.2	24.0	8.4
12/18e	340.0	112.0	38.0	68.8	26.0	8.2
12/19e	357.0	118.0	44.0	81.6	28.0	7.5

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

Despite headwinds, Q118 RevPAR was still slightly ahead of a strong Q117. London looks to have braved an above-trend supply of new rooms and pressures on UK household spending and real income growth to deliver yield performance close to that of the market (-1% per STR). A willingness to cut room rates confirms management alertness to currency-led curbs on the spending power of visitors (per IPS, visits to UK -7% in Q417 vs +10% in Q117). Conditions remain challenging in 2018; GL, London's largest hotel owner/operator, is newly maintaining 'a cautious outlook', in line with our own forecast of flat RevPAR for PPHE.

By contrast in Q1, albeit less important, subsidiary Arena reports that Germany and Hungary were 'strong' (RevPAR +10%) and Croatia revenue was up two-thirds thanks to an earlier Easter and development of low-season sports activities.

On stated investment plans, we are comfortable with forecasts. EBITDA growth will be driven by largely completed investment in London, Croatia (including a first glamping product) and the Netherlands (notably its flagship Victoria Amsterdam).

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