EDISON

PPHE Hotel Group

Premium listing

Creating value

Travel & leisure

PPHE has accompanied news of its proposed transfer to a premium listing with a significant increase in market valuations of its properties (up c £140m since last reported). This accentuates already substantial hidden reserves, implying fair value c £24/share. Value creation apart, this should boost its ability to leverage on its assets for future projects. Even given current share price strength (up almost a third since March), PPHE's rating reflects neither this asset backing nor excess liquidity (c £290m cash equivalents at end 2017), which highlights its reinvestment potential.

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**	12.6
12/17	325.1	107.3	34.5	64.2	24.0	9.4
12/18e	345.0	112.0	38.0	68.8	26.0	9.0
12/19e	357.0	118.0	44.0	81.6	28.0	8.6

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

Following its admission to the Official List in 2011, PPHE proposes to move from a standard to a premium listing by the end of July, subject to financial authority approval. Besides validating the company's quality, this should improve liquidity by providing exposure to a larger investor base and raise its trading profile.

As part of the proposed transfer, PPHE sought independent valuation of its UK and Netherlands estate (15 properties, c 80% of group asset value). This showed a surplus of £639m over book value at April, against £500m+ indicated by refinancings over the previous two years (see 2017 Annual Report). NAV computation should also take account of £56m higher property book value at April, driven by the Hoxton addition. This gives a total c £200m boost to valuations (£139m extra from fair value and £56m from expansion). This would be yet higher if Croatia were included (£26m surplus of current value of investment in Arena over book value at December). Fair value adjustment is thus c £16 (£639m+£56m/42.3m shares) to reported 812p NAV, hence indicative c £24 NAV.

29 June 2018

Price	**1,430p**
Market cap	**£605m**
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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Edison profile page

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