PPHE Hotel Group Limited

PPH | FTSE 250 | Travel & Leisure | £12.55 | £532m

Initiation of Coverage – Time to check-in

1 Year Chart

PPHE, headquartered in Amsterdam, is an international hospitality real estate group which develops, owns and operates assets in Europe in leading cities, urban markets and resort destinations, focused on the affordable luxury market. The Group is unique amongst the European quoted peers in owning its assets, at around 90% of total, and a major proposition is its ability to develop, redevelop and redesign assets.

Since IPO in 2007, PPHE has not raised equity, instead financing significant expansion by leveraging its owned assets. In the next nine months the Group will open four new hotels as part of its +£300m development pipeline, which management have said will generate at least £25m of EBITDA.

Beyond the pipeline, PPHE has a number of opportunities for growth including developing its own land sites and opening in new locations, which may be supported by a European Hospitality Fund of up to €250m announced in 2022.

- **Management:** PPHE benefits from having a very experienced management team, led by the two founders, Eli Papouchado (Non-Executive Chairman) and Boris Ivesha (President & CEO) who both have decades of successfully developing and operating hotels and still collectively own 43% of the equity, fully aligning themselves with shareholders.
- **Recent trading;** results have shown a considerable improvement since Covid, with a number of consensus upgrades across this year. We still see upside though, especially in terms of occupancy levels and the EBITDA margin
- **Next event**; PPHE usually issues a year-end trading update in January. PPHE's Q3 trading update, issued in October, was positive saying that *"trading momentum seen in Q3 has continued into the final quarter, supported by capacity for further growth in occupancy"*. Trading comments from other European hotel companies since the Q3 statement have been encouraging.
- **Valuation:** PPHE's share price of £12.55 is half the value of the FY22 European Real Estate Association (EPRA) Net Reinstatement Value (NRV) of £25.17, which itself does not include other assets such as undeveloped land and the profits from the management platform. Our illustrative fair value model suggests a fair value of £25.66 per share. The Group trades on a FY25 PER of just 9.1x, the cheapest of the European hotel peers, despite a materially better upgrade trend. The shares have recovered in recent weeks and we note the recent inclusion in the FTSE 250 index, which will aid liquidity.

PPHE Hotel Group Limited is a research client of Radnor Capital Partners Ltd.

MiFID II – this research is deemed to be a minor, non-monetary benefit.

11th December 2023

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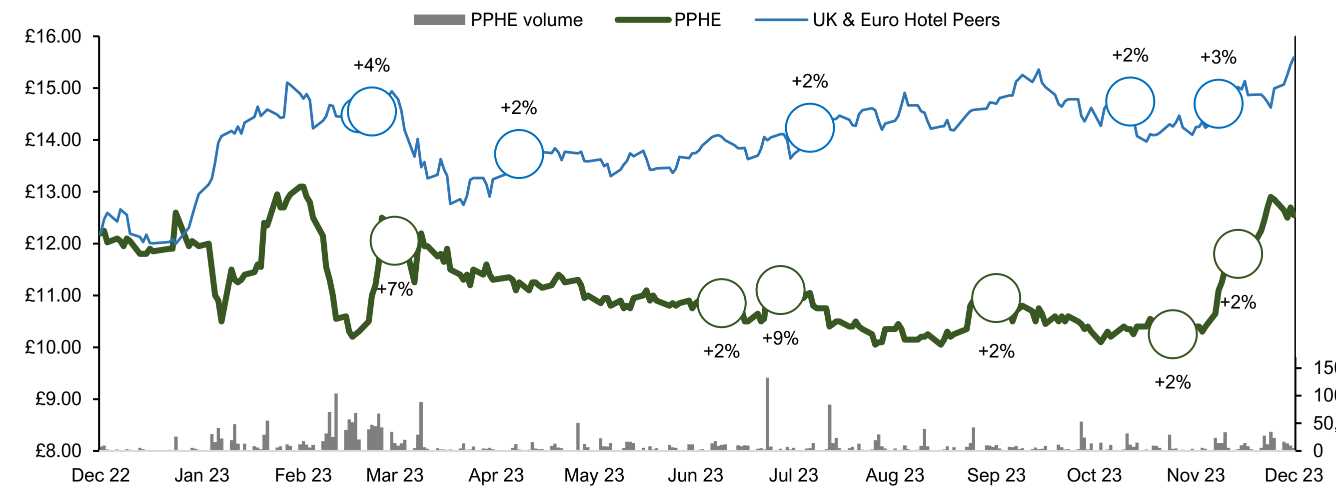
YE Dec, £m	Revenue	EBITDA	EPS (p)[1]	Div (p)	Net Debt	Gearing %[2]	PER[1] x	Yield %
FY 2021A	141.4	25.1	-44.3	-	618.0	33.6%	-	-
FY 2022A	330.1	94.6	49.8	15.0	682.6	32.9%	25.2	1.2
FY 2023E	*408.0*	*124.8*	*104.0*	*31.2*	*707.3*	-	*12.1*	*2.5*
FY 2024E	*445.4*	*140.4*	*107.5*	*32.3*	*694.4*	-	*11.7*	*2.6*
FY 2025E	*481.7*	*159.7*	*138.1*	*41.4*	*636.6*	-	*9.1*	*3.3*

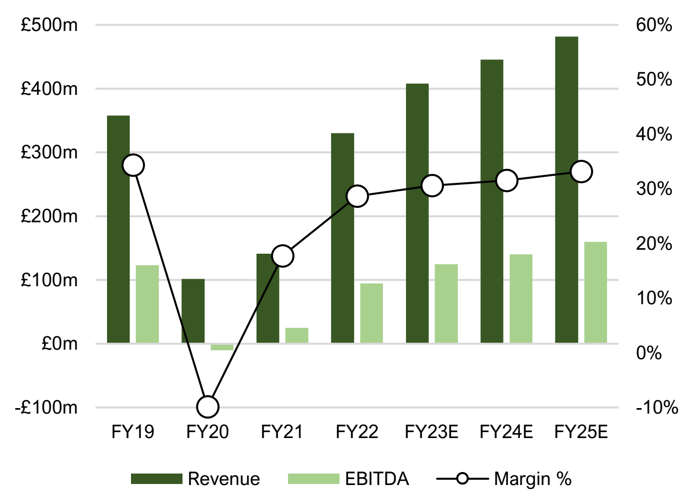
[1] EPRA adjusted EPS *[2] EPRA fair value basis* *Source: Radnor, FactSet, Company*

PPHE in four key charts

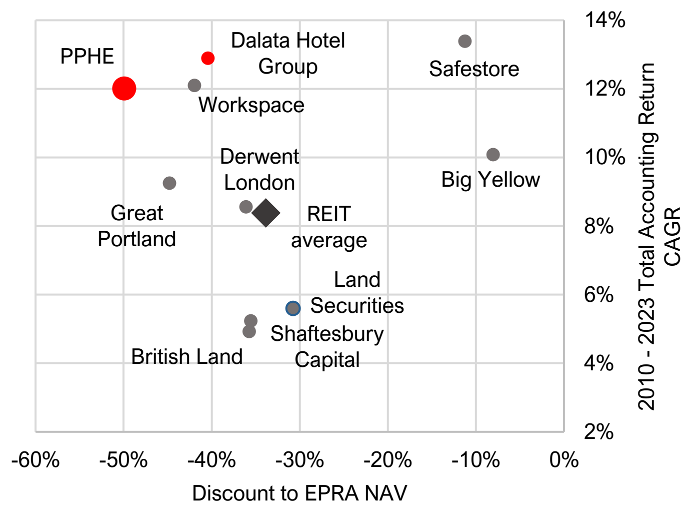
1 - Price performance versus UK & European Hotel Peer group – EBITDA upgrades highlighted



2 - PPHE revenue & EBITDA progression



3 - PPHE Total Accounting Return comparison to REITs



4 - PPHE Capital Stack

Source: Company, Radnor

Investment Case

The business model

We believe that a key attraction of PPHE, compared to the other quoted European hotel companies, is that it has a much higher ownership level, at around 90%. Through its "buy, build operate" business model, the Group purchases assets that it believes have significant upside potential and then applies its expertise to develop, redevelop and redesign these acquired assets and as a result it has a strong preference for assets with development and/or repositioning potential.

Focus on equity value

PPHE's ownership-led model provides it with a unique approach to managing its capital structure. Financially, PPHE leverages its owned assets to fund future investments to facilitate further growth. The Group aims to recycle capital by raising funds (both third-party equity and debt) at asset level, without diluting PPHE shareholders and since the IPO in 2007 it has never issued equity. Multiple sources of capital provide a hedge against market fluctuations which we think is especially important given the rise in interest rates over the last two years. The Group's current share price, of £12.55, is half the FY22 reported EPRA NRV per share of £25.17.

Hospitality management platform

The Group has a diversified real estate portfolio focused on pre-eminent European cities and resort locations, with a presence in nine countries. PPHE has a range of brands and disciplines under one roof. The Group has a scalable platform with growth potential, managing fully and jointly third-party owned properties. PPHE has an exclusive and recently extended strategic relationship with Radisson Hotel Group (RHG). Moreover, long term management agreements, provide base fee income with performance-based incentive mechanisms.

New opportunities

In addition to the existing portfolio, PPHE has a +£300m development pipeline, which at the time of the H123 results was nearing completion in the next nine months. Post opening, upon stabilisation of trading, these new hotels are targeted to generate at least £25m of EBITDA for the Group. Separately, in FY22, PPHE announced the launch of a European Hospitality Fund of up to €250 million to be established to acquire hotel properties which will be managed by its hospitality management platform, building further scale.

Board and management team

We believe that PPHE's shareholders benefit from a strong management team, especially as the two founders, Eli Papouchado (Non-Executive Chairman) and Boris Ivesha (President & CEO) have decades of successfully developing and operating hotels and still collectively own 43% of the equity, fully aligning them with shareholders.

Risks

Downturn in travel and hospitality

The hotel sector is vulnerable to geo-political events impacting the travel sector. Covid for example significantly reduced travel and hospitality demand and in FY20, PPHE's revenue declined by 72%. The hotel industry is cyclical, especially at the upper end of the market in which PPHE operates. On the positive side, we think that the Group will fully recover from the impact of Covid, especially in terms of a return to previous peak occupancy levels.

Operational gearing

Declines in revenue are likely to be compounded by operational gearing. In FY20, a 72% reduction in revenue led to a £10m EBITDA loss for PPHE.

Tighter capital markets

Since IPO, PPHE has not raised equity meaning that it is dependent on alternative funding sources to finance expansion, and these could be harder to access given the rise in interest rates globally over the last two years. The European Hospitality Fund of up to €250 million has not yet been secured. The Group may be unable to retain, extend or renew on acceptable terms the agreements for certain of the hotels it manages, leases or franchises. Encouragingly, PPHE has a healthy balance sheet, with net debt to fair value of only 33% in FY22 and has no significant refinancing in the near future.

Complex balance sheet

To expand historically, without raising equity, PPHE has used multiple sources of capital which means that its capital structure is more complex than for some other quoted hotel companies. Alongside traditional bank funding, PPHE's funding sources include equity-like structures and partnerships, diversifying liquidity risk whilst having no interest rate risk. On the positive side, the range of funding used by the Group also helps it to diversify refinancing risk. Plus, on the debt side, PPHE benefits from the fact that, at the end of H123, 97% of its debt was fixed, averaging at 3.1% interest (fixed) and 3.6% for the overall debt, with an average remaining maturity of 4.6 years. In the case of ground rents, the recent high inflationary environment has had no impact on the Group due to inflation caps. On partnerships, downside protection arises for PPHE as payouts are based on the profits of the underlying hotel.

Illiquidity

PPHE has a low free float given that 68% of its equity is owned by the two founders and three listed companies. The Group's share price has been the weakest of the European quoted hotel companies so far this year, and is flat year to date, despite positive results, and a series of estimate upgrades, and we think that this has been due to some share sales combined with low liquidity levels, given that there seems to be no other underlying reason.

Overview

PPHE, headquartered in Amsterdam, is an international hospitality real estate group which develops, owns and operates assets in Europe in leading cities, urban markets and resort destinations, focussed on the affordable luxury market.

At the end of 2022, the Group's portfolio was valued at £2.0bn. PPHE's estate comprises mainly prime freehold and long leasehold assets in Europe. The Group, through its subsidiaries, jointly controlled entities and associates owns, co-owns, develops, leases, operates and franchises hospitality real estate.

PPHE is unique amongst quoted peers in having such a high ownership level of its portfolio, at around 90% of its rooms. In contrast most large hotel groups have increasingly split hotel ownership from hotel operations.

Through direct ownership, PPHE has benefitted from the appreciation in value of its portfolio and can leverage the value of its portfolio to raise cash and refinance debt to invest in other developments. Direct ownership also results in the Group having a higher margin than its peers as it controls the whole value chain of its operations.

PPHE's portfolio includes full-service upscale, upper upscale and lifestyle hotels in major gateway cities and regional centres, as well as hotel, resort and campsite properties in select resort destinations. The Group's strategy is to grow its portfolio of core upper upscale city centre hotels, leisure and outdoor hospitality and hospitality management platform.

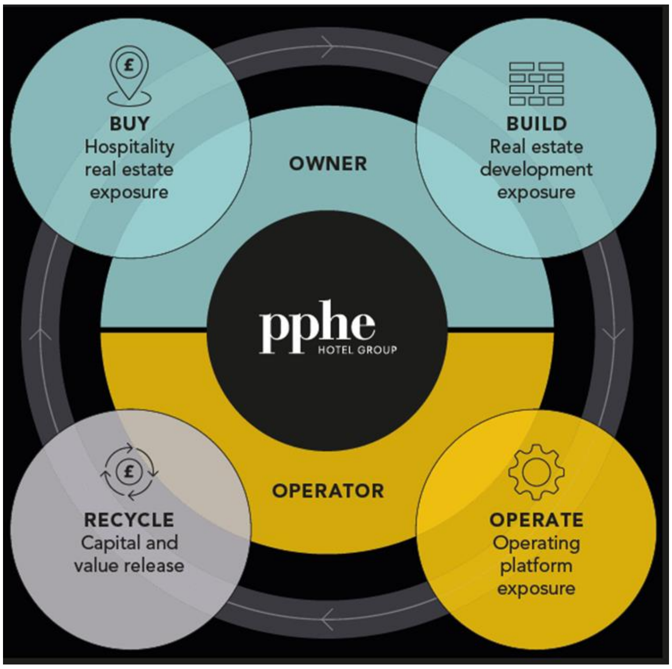
PPHE benefits from having an exclusive and perpetual licence from RHG, one of the world's largest hotel groups, to develop and operate Park Plaza branded hotels and resorts in Europe, the Middle East and Africa and this licence was awarded on very preferential terms, that are unseen in today's market.

PPHE is registered in Guernsey, with shares listed on the London Stock Exchange. The Group also holds a controlling ownership interest in Arena Hospitality Group (AHG), one of Croatia's largest hotel companies, whose shares are listed on the Prime market of the Zagreb Stock Exchange.

Strategy

PPHE's strategy is different to most other hotel companies in that it seeks to operate across the whole value chain through its **'Buy, Build, Operate'** business model (Figure 5).

Figure 5: PPHE's value creation model



Source: Company presentation, Radnor

PPHE purchases assets that it believes have significant upside potential and then applies its expertise to develop, redevelop and redesign these acquired assets and consequently its strong preference is for assets with development and/or repositioning potential. For some assets the Group will manage the assets without owning them. Value created is released through capital refinancing and recycled into new growth opportunities.

Financially, PPHE then leverages these assets to fund future growth. The Group aims to recycle capital by raising funds (both third-party equity and debt) at the asset level, without diluting PPHE shareholders and since IPO in 2007 it has never raised equity.

The Group's growth strategy is built across three strategic blocks:

- the core upper upscale city centre hotels,
- the leisure and outdoor hospitality offerings, both of which are asset-backed,
- the hospitality management platform, through which the company manages the hospitality assets of its joint venture partners and third-party owners.

The multiple sources of capital used by PPHE provide a hedge against market fluctuations, which we feel is especially appealing in a higher interest rate environment. Plus, where PPHE uses long-term management agreements, this provides base fee income with performance-based incentive mechanisms.

PPHE's portfolio comprises different forms of ownership/management models (Figure 6). The table below does not include the Group's campsites.

Figure 6: Hotels and resorts by type in FY22

Type	Hotels	Rooms	Proportion of rooms (%)
Freehold	30	6,653	71
Long leasehold	5	1,590	17
Managed/franchised and leased	6	1,174	12
Total	**41**	**9,417**	**100**

Source: Company, Radnor

1) Freehold hotels and resorts

Freeholds comprise 71% of the Group's rooms. Full ownership is the most capital-intensive way of expansion and carries development risk when, as is often the case, PPHE builds a hotel or refurbishes an existing one. Full ownership also creates more operational gearing for PPHE than compared with peers who mainly lease or franchise their portfolio.

However, full ownership allows PPHE to benefit from any value appreciation of an asset, and therefore operates as an inflation hedge. One of the Group's main skills is spotting attractive development opportunities. PPHE, through its construction partner Gear Construction (the construction arm of the Red Sea Group, the main shareholder in PPHE) has a long track record of successful management of new and refurbished hotel projects. Full ownership also results in higher EBITDA margins and stronger operational cash flow than peers.

2) Long leasehold hotels and resorts

Long leasehold hotels account for 17% of rooms and these are 100+ year ground rents, which are linked to inflation, with appropriate caps in place (mostly at 4%) to mitigate high inflationary risk. Operating under a long lease is effectively the same as a freehold given the long tenure and is quite a common funding structure when interest rates are historically low (locking in those low rates in the cap rates of these ground rents).

3) Managed/franchised and leased

Managed/franchise and leased hotels and resorts comprise 12% of rooms. Management contracts and franchised hotels allow PPHE to grow with limited use of capital and we believe offer considerable upside potential for growth in future years it as it takes on more external hotels at no capital cost to itself.

Management contracts with third parties, allow property owners to retain ownership of the hotel whilst PPHE undertakes the day-to-day management, as for example at the recently opened art'otel Battersea Power Station. Management contracts typically last between 15 to 25 years and typically receives +7% of total revenues.

Under franchise agreements, third-party operators are given licences to use one of PPHE's brands, for a fixed period of time. In return, PPHE receives both fees for services and a loyalty fee, each based on room revenues.

The Group only has two operational leases, both of less than 20 years in length. While operating leases require a lower capital investment than owning a hotel, there is a risk that PPHE will not be able to generate sufficient revenues to cover rental payments and the other operating costs. For this reason, the Group will only enter into future operating lease arrangements where it is able to limit its exposure.

Campsites

In addition to PPHE's hotels and resorts it also, through Arena, owns campsites located in exclusive beachfront sites across the southern coast of Istria, Croatia's most prominent tourist region. We think an attractive upside for the Group could be to, over time, develop these sites for hotels and resorts.

History

PPHE was founded in 1989, by Eli Papouchado and later joined by Boris Ivesha, two entrepreneurs in the hotel sector, both of whom ultimately retain major equity holdings, of 32% and 11% respectively. The Group resulted from the combination of the hotel management and operating interests of PPHE with certain hotel assets of the Red Sea Group. Mr Papouchado is the founder of the Red Sea Group.

The first business co-operation between the PPHE Group and the Red Sea Group was in 1989, with the Mandarin Park Plaza in Eindhoven, The Netherlands, which was acquired by the Red Sea Group and managed by the PPHE Group.

In 1993, the Red Sea Group and Elscint, a subsidiary of Elbit Medical Imaging Ltd., a NASDAQ listed company, jointly acquired the Victoria Hotel Amsterdam, with the PPHE Group again acting as manager (Figure 7). Victoria Hotel Amsterdam was the first of a number of joint projects between the Red Sea Group and Elscint which include the Park Plaza Sherlock Holmes, the Park Plaza London Victoria and Park Plaza London Riverbank hotels in London as well as the Park Plaza Utrecht hotel in The Netherlands. Around 2000, PPHE entered into a perpetual and indefinite licence for 56 countries in EMEA with Carlson Wagonlit, now part of RHG.

The Group floated on AIM in 2007, with the shares priced at £5.50, giving an initial market cap of £225m, which compares with the EPRA NRV per share value of £25.17 in FY22 and the current share price of £12.55. The primary element of the IPO was £85m, the proceeds of which were used around to finance expansion of the portfolio (90% of the proceeds) and to repay existing debt (10% of the proceeds).

Figure 7: PPHE's main historical events

1986	Park Plaza International is founded in the US
1989	**PPHE is established, opens its first hotel - Park Plaza Eindhoven**
1993	Acquires / rebrands the Park Plaza Victoria Amsterdam
1994	Acquires the Park Plaza Hotels & Resorts territorial licence for four countries
1995	Opens Park Plaza Utrecht
1999	Opens the first Park Plaza hotel in central London
2000	Extends the territorial licence agreement to cover a further 52 countries
	Enters agreement to operate art'otels and Park Plaza hotels in Germany and Hungary
2002	Forms a strategic alliance with Carlson, the owner of the Park Plaza brand since 2000
2003 - 2006	Adds a total of 11 new hotels to the portfolio, including the prestigious Park Plaza London Riverbank and Plaza on the River - Club and Residence
2007	**Establishes Park Plaza Hotels Limited and successfully floats on AIM, raising £85m**
	Acquires the worldwide art'otel brand rights
2008	Enters the resort segment with an ownership stake in, and management of, the Arenaturist group in Croatia
2010	Opening of the company's largest hotel, the 1,019-room Park Plaza Westminster Bridge London
	Acquires and rebrands Park Plaza Amsterdam Airport, the company's first airport hotel
2011	**Migrates from AIM to the LSE's Main Market**
2012	**Company name changed to PPHE Hotel Group, reflecting its multi-brand approach for operating hotels**
	Opening of three Park Plaza Resorts in Croatia
2016	**Took controlling interest in Arenaturist in Croatia**
	Contributed PPHE's German and Hungarian operations to Arenaturist
	Opens Park Plaza Nuremberg
	Pays a special dividend of £1 per share
2017	Full opening of Park Plaza London Waterloo and Park Plaza London Park Royal
	Completed the sale and leaseback of Park Plaza London Waterloo
	Acquired the freeholds for art'otel Berlin Kudamm and art'otel Cologne
2018	**PPHE transfers to a Premium Listing**
2019	Completion of a multi-year £100+ hotel investment programme aimed at repositioning and further upgrading the property portfolio in the UK and the Netherlands
	Entry into the US for the art'otel brand with a JV to develop a prime site in Manhattan, New York
	In Croatia, Arena completes a multi-million-pound repositioning of the Arena Kazela Campsite including brand-new luxury camping homes
2020	Secured £180m for the building of art'otel London, Hoxton
	Repositioning Arena Grand Kazela Medulin
	Purchased the Guest House Hotel Riviera in Pula
	Acquired the 88 Rooms Hotel in Belgrade, Serbia
2021	Enters Italy, with the acquisition of the Londra & Cargill Hotel in Rome
	Acquired the FRANZ Ferdinand Mountain Resort in Nassfeld, Austria
2022	**After two years of extensive redevelopment, Grand Hotel Brioni Pula, was launched as a Radisson Collection Hotel**
	Extension of the strategic partnership with Radisson Hotel Group
2023	Opening of art'otel London Battersea Power Station, the first art'otel in the UK
	Launch of the European Hospitality Real Estate Fund of up to €250m equity
	Repositioning of art'otel Berlin Mitte

Source: Company , Radnor

Brands

The Group operates under six brands, selecting the right one for each property (using either its own or those from RHG).

1) **Park Plaza (Capital cities/Secondary cities)**

An upper upscale, contemporary hotel brand featuring individually designed hotels in vibrant city centre locations and select resort destinations. Renowned for creating memorable moments, Park Plaza caters to both leisure and business travellers with stylish guest rooms and versatile meeting facilities which are perfectly complemented by award-winning restaurants and bars.

2) **art'Otel (Capital cities/Secondary cities)**

A contemporary collection of upper upscale, lifestyle hotels each inspired by a signature artist, forming a cultural, gastronomic and social hub in the most creative areas of the most interesting cities, attracting international, domestic and local guests. art'otel is an arts and premium lifestyle hotel devoted to creating and presenting original work.

3) **Holmes Hotel London (Boutique luxury)**

This award-winning premium boutique hotel is located on Chiltern Street and is surrounded by fashion boutiques, cafés and restaurants. The hotel has been inspired by Baker Street's most famous resident, Sherlock Holmes, and is a witty blend of heritage and playfulness, filled with a mix of antiques, curiosities and artefacts.

4) **Radisson Collection (Luxury inspired)**

PPHE's extended partnership with RHG enabled it to launch the Grand Hotel Brioni Pula, a Radisson Collection Hotel, in May 2022. Radisson Collection is a luxury lifestyle collection of iconic properties located in unique locations. While the character of each hotel is authentic to its location, they are all united by bespoke design across dining, fitness, wellness and sustainability.

5) **Arena Hotels & Apartments (Hotels/Resorts)**

Arena Hotels & Apartments is a collection of hotels and self-catering apartment complexes offering relaxed and comfortable accommodation within beachfront locations across the historic settings of Pula and Medulin in Croatia. Arena Hotels & Apartments features contemporary and warm design/interiors accompanied by welcoming and friendly service, offering holidays for exploration and relaxation complemented by a food and drink offering with a touch of local flavour.

6) **Arena Campsites (Luxury mobile homes)**

Arena Campsites are located in exclusive beachfront sites across the southern coast of Istria. Situated within close proximity of the historic towns of Pula and Medulin, each campsite provides a distinctive offering and relaxed environment from which guests can experience Istria's areas of natural beauty and enjoy outdoor activities all year round.

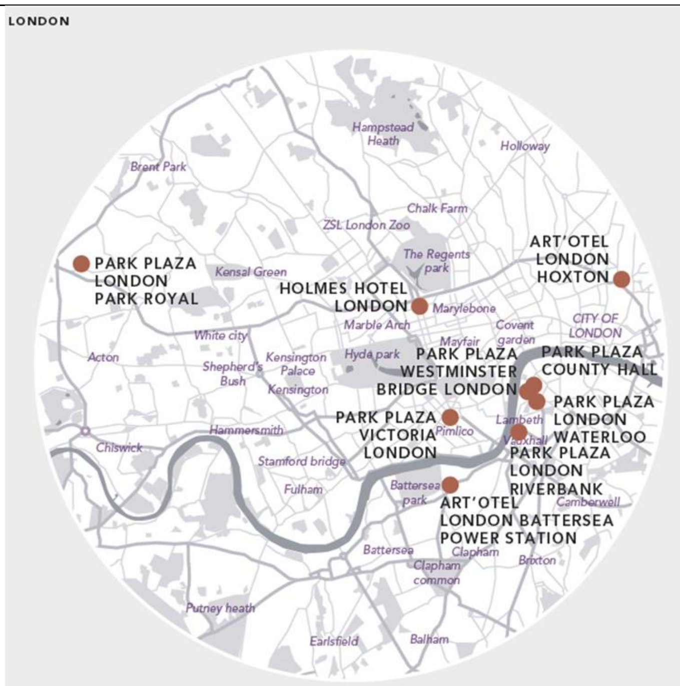
Portfolio

The Group's real estate portfolio consists of properties in the heart of strategic gateway cities and resort destinations. PPHE's portfolio comprises 49 properties in eight countries (the UK, the Netherlands, Italy, Germany, Hungary, Austria, Croatia and Serbia), offering nearly 9,400 rooms, plus eight campsites in Croatia offering approximately 6,000 campsite pitches and mobile homes (Figures 8 and 9).

Figure 8: PPHE's locations

Source: Company presentation, Radnor

Figure 9: PPHE's locations in London



Source: Company presentation, Radnor

By segment, the Group generates most of its revenue from rooms, at 74% of total in H123 (Figure 10).

Figure 10: PPHE's revenue breakdown

Segment	Revenue (£'000) H122	Revenue (£'000) H123	*Change %*	Proportion (%) H122	Proportion (%) H123
Rooms	81,956	133,570	*63*	72	74
Food and beverage	22,627	33,808	*49*	20	19
Campsites and mobile homes	3,967	4,919	*24*	4	3
Minor operating	2,403	3,347	*39*	2	2
Management fee	729	1,412	*94*	1	1
Rent revenue	1,035	1,346	*30*	1	1
Franchise and reservation fee	172	719	*318*	0	0
Other	88	451	*413*	0	0
Marketing fee	214	399	*86*	0	0
Total	**113,191**	**179,971**	***59***	**100**	**100**

Source: Company presentation, Radnor

By geography, PPHE's portfolio is weighted towards the UK in terms of value, with the country comprising 49% of the portfolio by value and 41% of rooms in H123 (Figures 11 and 12).

Figure 11: PPHE's value split by Geography

Region	Value (£m)	Proportion (%)
UK	991	49
Croatia	334	16
The Netherlands	307	15
Under development	288	14
Germany	100	5
Other	22	1
Total	**2,042**	**100**

Source: Company presentation, Radnor

Figure 12: PPHE's Hotels and Resorts by Geography

Region	Hotels	Resorts	Rooms	Proportion of rooms (%)
UK	11		3,845	41
Croatia	8	6	2,996	32
Germany	7		1,106	12
The Netherlands	6		1,073	11
Other	2	1	397	4
Total	**34**	**7**	**9,417**	**100**

Source: Company presentation, Radnor

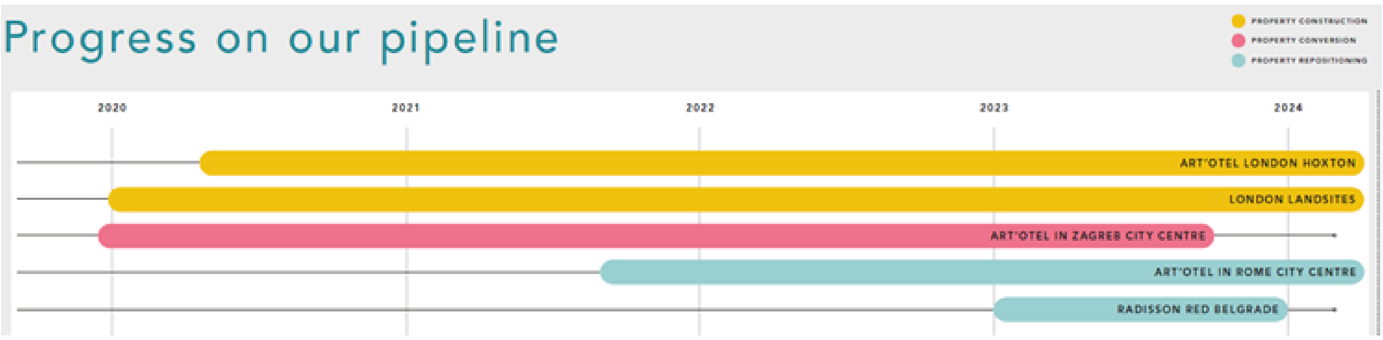
During FY22, two premium hotels were opened by the Group in prime locations.

1. **Grand Hotel Brioni in Croatia launched in May 2022**, is a five-star upper upscale hotel which offers guests quality services, dining and wellness. The hotel opened on schedule and in time for the summer season following a two-year c. £30m repositioning project.

2. **art'otel London Battersea Power Station was opened in December 2022**, and is the first art'otel in the UK. The art'otel brand is wholly owned by PPHE and it operates the hotel under a long-term management agreement through its hospitality operating platform. Management said at the H123 results that *"initial trading has been strong".*

As well as the existing hotel portfolio, PPHE has a +£300m development pipeline, which at the time of the H123 results was nearing completion in the next nine months (Figure 13). Post opening, upon stabilisation of trading, these new hotels are targeted to generate at least £25m of EBITDA for the Group.

Figure 13: PPHE's development pipeline



Source: Company presentation, Radnor

The four major projects within the pipeline, which are expected to open between October 2023 and H124, include.

1. **Belgrade (Radisson RED)**, the former 88 Rooms Hotel in the city centre of Belgrade is currently being repositioned and branded as Radisson RED Belgrade. Set to open in Q4 2023, Radisson RED Belgrade will be the first Radisson RED property to be operated by the Group and is the second property under the extended partnership with RHG.

2. **Zagreb (art'otel).** PPHE already operates in Croatia through its resorts exposure, but this will mark its debut in the Croatian capital. Construction work to convert a former office building into a 110-room premium lifestyle art'otel with a planned opening in October 2023. Located in the city centre, this hotel will offer an art gallery, a rooftop pool, destination restaurant, bar and leisure facilities.

3. **London, Hoxton (art'otel),** is the Group's largest current construction project, whose planned opening is Q124. The hotel will occupy a prime location in Hoxton and is a 27-storey mixed-use scheme which will include a premium lifestyle art'otel with 357 rooms (including suites), an art gallery, two original Banksy artwork pieces, destination restaurants, a bar, leisure facilities, events space and 5,900 square metres of office space.

4. **Rome (art'otel),** marking the Group's entry into Italy, the historic Londra & Cargill hotel in the centre of Rome will be transformed into PPHE's first art'otel in Italy. Following repositioning, this hotel will offer 99 rooms, an art gallery, a destination restaurant and bar, leisure facilities and parking. The hotel is due to open in H124.

The development pipeline at the time of the H123 results was worth £344m and London, Hoxton comprised the majority of this, at 81% of total (Figure 14).

Figure 14: PPHE's development pipeline

Hotel	Project value (£m)	Proportion of total (%)
London, Hoxton	280	81
Rome	45	13
Zagreb	16	5
Belgrade	3	1
Total	**344**	**100**

Source: Company presentation, Radnor

Beyond the current development pipeline, management have said that there are a number of opportunities where it already owns land;

1) **London.** PPHE is in a planning application process to develop a mixed-use scheme consisting of a 186-room hotel and 750 square metres of office space, located near its Park Plaza London Waterloo property.

   In addition, the Group has planning permission to develop a 465-key hotel on the site adjacent to its Park Plaza London Park Royal property for which it is designing plans.

   Plus, in November, PPHE announced that planning approval had been received for a new 179-room hotel, converting subterranean space within the Park Plaza Victoria property.

2) **Croatia.** The Group could develop the land currently occupied by campsites into more valuable hotels and resorts.

3) **New York.** The Group owns a $40m site in part of the Hudson Yards in Manhattan, the development of which has been put on hold, due to buoyant development and rising interest rates, but given its prime location this should be a good store of value.

Plus, more generally, PPHE is interested to grow further, predominantly in Europe, and has mentioned new potential cities such as Barcelona, Lisbon, Madrid, Milan, Paris, Porto and Vienna.

Partnership with Radisson (RHG)

Since 2002, PPHE has had a long-standing strategic partnership with RHG. Since 2018, RHG has been owned by Jin Jiang, a Chinese state-owned tourism and hospitality company, which is the world's second largest hotel group in terms of number of rooms.

Through the partnership, the Group has an exclusive and perpetual territorial licence of the RHG-owned Park Plaza brand in Europe, the Middle East and Africa (EMEA), which has been instrumental in the expansion of the brand in the region. PPHE has complete freedom to choose where it locates hotels, giving it a right without an obligation. Moreover, PPHE (including its wholly owned art'otel brand) has access to RHG's state of the art central reservation and global distribution systems, its global sales and marketing capabilities, and more than 11 million loyalty programme members.

PPHE pays an undisclosed fee as a percentage of the gross room revenues generated by all the hotels operated under the Park Plaza brand and this licence was awarded on very preferential terms, unseen in today's market. Moreover, RHG benefits from access to highly sought after locations and PPHE's operational excellence. Park Plaza hotels operated outside of PPHE's regions are managed or franchised directly by RHG.

The strategic partnership is exclusive to RHG but is not exclusive to PPHE, so the latter can operate under any brand it likes and, except from default or non-payment, there are no cancellation possibilities.

In May 2022, the Group announced an extension of the partnership which provides it with the opportunity to diversify its market segments and product offer. Through the extended partnership, PPHE has the ability to access and leverage RHG's full suite of brands, including Radisson Collection, Radisson Blu and Radisson RED. RHG in return benefits from access to PPHE's wholly owned art'otel brand and the Park Plaza brand in certain regions within EMEA, which are primarily outside of PPHE's core markets.

Through this extended arrangement, PPHE is entitled to a fee-based income for the use of both brands and will benefit from the portfolio's growth and resulting greater brand awareness. The first hotel launched under this new partnership was Grand Hotel Brioni Pula, a Radisson Collection Hotel and the second will be the Radisson RED Belgrade.

European Hospitality Fund

In FY22, PPHE announced a European Hospitality Fund of up to €250 million to be established to acquire hotel properties which will be managed by the Group's hospitality management platform building further scale in the platform.

The Fund was launched in March 2023 and regulatory approvals were obtained during H123. With full equity subscription, combined with a targeted 50% bank leverage, the investment potential of the Fund will be around €500 million.

The Fund will enable the Group to further accelerate its strategy of identifying, acquiring and developing attractive hotel assets across a range of key European markets via the use of non-dilutive third-party capital. Only 15% of the fund can be used for new build, the rest has to be for redevelopment.

PPHE has committed to participate in the Fund for an amount up to €50 million in cash and/or assets, with its property in Rome (soon to open as art'otel Rome) contributed as a seed asset.

In March 2023, PPHE announced Clal Insurance, one of Israel's leading insurance and long-term savings companies, as the Fund's cornerstone investor, with the latter committing to invest up to €75 million. We note that Clal Insurance is the fourth largest shareholder in PPHE, with an 8% holding. On the negative side, there is the risk that since the Fund was launched interest rates have risen so there is more competition to attract capital.

Regions

UK

Property portfolio

PPHE has a well-invested property portfolio, consisting of approximately 3,400 rooms in operation in the upper upscale segment of the London hotel market, and approximately 1,000 rooms in its London development pipeline.

Four of the Group's London hotels are in the popular South Bank area of London, with further properties in the busy Victoria, fashionable Marylebone and well-connected Park Royal areas.

In December 2022, the Group opened the only hotel which is part of the Battersea Power Station development scheme and there are also three properties located in the UK regional cities of Nottingham, Leeds and Cardiff.

PPHE has an ownership interest in 10 properties: Park Plaza Westminster Bridge London, Park Plaza London Riverbank, Park Plaza London Waterloo, Park Plaza County Hall London, Park Plaza Victoria London, Park Plaza London Park Royal, art'otel London Hoxton, Holmes Hotel London, Park Plaza Leeds and Park Plaza Nottingham.

Park Plaza Cardiff operates under a franchise agreement. Following its opening in late 2022, the Group operates the art'otel London Battersea Power Station hotel under a long-term management agreement through its hospitality platform.

In November 2023, PPHE announced that planning approval had been received for a new 179-room hotel, converting 6.5k sq.m of subterranean space within the Park Plaza Victoria property, operating as a new Midscale Lifestyle brand (yet to be announced). The development is expected to significantly enhance the asset value and yield, utilising the existing structure. Design, construction and funding plans are underway. We see the announcement as yet another example of how PPHE is able to create long-term value for shareholders by developing and enhancing assets within the portfolio.

Recent financial performance

In FY22, in the UK PPHE saw 153% revenue growth as it benefitted from the country being the first amongst those that it operates in to lift any remaining Covid restrictions, starting in the second half of January (Figure 15). In the summer, demand levels increased significantly for PPHE's London hotels, with events such as Wimbledon, the Farnborough International Air show and the state funeral of Her Majesty Queen Elizabeth II adding to already high leisure demand, which in turn positively affected room rates.

Figure 15: PPHE's UK P&L (£m)

December year end	FY19	FY20	FY21	H122	FY22	H123	FY23E	FY24E	FY25E
Revenue	**207.4**	**56.5**	**75.3**	**71.1**	**190.1**	**110.0**	**233.4**	**253.4**	**275.0**
Change		*(72.7%)*	*33.1%*		*152.5%*	*54.7%*	*22.7%*	*8.6%*	*8.5%*
EBITDAR	**71.0**	**1.9**	**11.7**	**16.2**	**56.8**	**32.0**	**72.0**	**78.3**	**87.8**
Change		*(97.3%)*	*515.8%*		*385.5%*	*97.5%*	*26.7%*	*8.8%*	*12.1%*
EBITDAR margin	34.2%	3.4%	15.5%	22.8%	29.9%	29.1%	30.8%	30.9%	31.9%
Change		*(90.2%)*	*362.5%*		*92.2%*	*27.7%*	*3.2%*	*0.2%*	*3.3%*
Rental	(0.3)	(0.4)	(0.5)	(0.1)	(0.6)	(0.2)	(0.4)	(0.4)	(0.4)
Rental proportion of revenue	*(0.1%)*	*(0.8%)*	*(0.6%)*	*(0.2%)*	*(0.3%)*	*(0.2%)*	*(0.2%)*	*(0.2%)*	*(0.2%)*
EBITDA	**70.7**	**1.5**	**11.2**	**16.1**	**56.2**	**31.8**	**71.6**	**77.9**	**87.4**
Change		*(97.9%)*	*665.4%*		*401.0%*	*98.1%*	*27.4%*	*8.8%*	*12.1%*
EBITDA margin	**34.1%**	**2.6%**	**14.9%**	**22.6%**	**29.6%**	**28.9%**	**30.7%**	**30.7%**	**31.8%**
Change		*(92.4%)*	*474.9%*		*98.4%*	*28.1%*	*3.8%*	*0.2%*	*3.3%*

Source: Company, Radnor

In H123, the UK remained the Group's strongest performing region, led by a combination of growth in room rate, which continued to exceed 2019 levels, as well as an ongoing recovery in occupancy, which is defined as total rooms occupied divided by the available rooms. Good growth was achieved throughout PPHE's main segments of leisure, corporate and meetings and events alike, as events such as the coronation of King Charles III and a return to business travel encouraged a good level of new bookings and activity in London.

All of the Group's UK hotels achieved or exceeded their fair market share in occupancy terms and the majority of its London hotels also outperformed their competitor sets in terms of average room rate, which is defined as total room revenue divided by the number of rooms sold.

In February 2023, the UK's first art'otel was opened, located at Battersea Power Station, and as this hotel is managed by the Group under a long-term operating agreement its financial performance is not included in the performance reported in this segment instead its management fees are included in the Management and Central Services segment.

Revenue increased by 54.7% from £71.1m in H122 to £110.0m in H123. Average room rate increased by 8.9% from £169.2 in H122 to £184.3 in H123, and we think that the strategic focus on raising rates can be seen in the fact that this was 28.0% higher than the pre-Covid rate of £144.0 in H119 (Figure 16).

Figure 16: PPHE's UK P&L metrics (£m)

December year end	FY19	FY20	FY21	H122	FY22	H123	FY23E	FY24E	FY25E
Rooms	3,022	3,022	3,022		3,157		3,157	3,361	3,514
Change		*0.0%*	*0.0%*		*4.5%*		*0.0%*	*6.4%*	*4.6%*
Occupancy	88%	29%	32%	57%	68%	82%	75%	77%	81%
Change		*(66.9%)*	*10.0%*		*112.5%*	*44.6%*	*11.1%*	*2.1%*	*5.0%*
Average room rate (£)	152.4	116.6	136.2	169.2	192.3	184.3	219.6	221.6	222.2
Change		*(23.5%)*	*16.8%*		*41.2%*	*8.9%*	*14.2%*	*0.9%*	*0.3%*
RevPAR (£)	133.7	33.8	43.4	95.6	130.3	150.5	165.4	170.4	179.5
Change		*(74.7%)*	*28.5%*		*200.2%*	*57.4%*	*27.0%*	*3.0%*	*5.3%*
Room revenue	152.7	39.0	49.9	54.6	149.9	85.9	190.6	209.0	230.2
Change		*(74.5%)*	*27.9%*		*200.4%*	*57.3%*	*27.2%*	*9.7%*	*10.1%*
Other revenue	54.7	17.5	25.4	16.5	40.2	24.1	42.7	44.4	44.8
Change		*(67.9%)*	*44.6%*		*58.4%*	*46.0%*	*6.3%*	*3.8%*	*1.1%*

Source: Company, Radnor

PPHE said that the UK hotel market average room rate rose by 13.4% from £99.5 in H122 to £113.0 in H123 and increased by 16.1% in the London market from £161.5 in H122 to £187.5 in H123.

PPHE's occupancy rose by 44.6% from 56.5% in H122 to 81.7% in H123, whereas it said that the UK hotel market occupancy increased by 9.7% from 68.5% in H122 to 75.0% in H123 and that the London hotel market saw a 15.4% rise from 66.9% in H122 to 76.9% in H123.

As a result of the rise in both occupancy and room rates, PPHE's RevPAR (revenue per available room) defined as total room revenue divided by the number of available rooms, rose by 57.4% from £95.6 in H122 to £150.5 in H123. The Group said that in the UK hotel market, RevPAR increased by 24.4% from £68.2 in H122 to £84.8 in H123, whilst in London it rose by 34.0% from £108.1 in H122 to £144.1 in H123.

In the UK, we model a 13.1% revenue CAGR from £190.1m in FY22 to £275.0m in FY25. We increase UK occupancy from 67.8% in FY22 to 80.8% in FY25, noting that this would still be considerably below the 87.8% reached in FY19, reflecting the post-Covid policy change to focus on rates over occupancy. Our average room rate assumption is £222.2 in FY25, compared with £192.3 in FY22. UK revenue will also benefit from the opening of art'otel Hoxton, scheduled for Q124.

PPHE's UK EBITDA margin dropped during Covid from 34.1% in FY19 to 2.6% in FY20, albeit we note that it was still profitable. The UK margin has since recovered to 29.6% in FY22, which we predict rising to 31.8% in FY25, although that would still be below the 34.1% reached in FY19.

Croatia

Property portfolio

PPHE first acquired a stake in AHG in 2008 and currently owns 53% of the equity, helping transform it through an extensive programme of new asset acquisitions, asset repositioning, operational improvements and ongoing capital expenditure. In total, the Group has invested approximately €200 million into the Croatian leisure assets.

In Croatia, AHG's subsidiary, Arena Hospitality Group d.d. ('Arena'), owns and operates a portfolio of seven hotels, four resorts and eight campsites, all located in Istria. Four of these properties are Park Plaza branded, and Grand Hotel Brioni is a Radisson Collection hotel. The remainder of its portfolio operates independently or as part of the Arena Hotels & Apartments, with Hotel Arena Hotel Medulin exclusively marketed as TUI Blue Medulin, and Arena Campsites brands.

During H123, additional works were completed at Arena Stoja Campsite, where phase two investments included the introduction of a new reception and restaurant and bar, supporting the 2022 introduction of luxury mobile homes. The Group is developing a long lease property in the centre of Zagreb to become Croatia's first art'otel.

A large part of Arena's land is untouched and ready for redevelopment, and it deploys its earnings annually into redevelopment of the remaining part of the portfolio, focussed typically on high yielding investments such as adding luxury lodges or even full glamping sites. The sheer volume of land owned by Arena will enable it to pursue many years of this lucrative and high yielding capex cycle.

We believe that Croatia as a tourist destination will continue to grow in appeal, especially since joining the Euro at the start of 2023. The country is benefitting from an increasing quality of hotel accommodation, as older hotels are upgraded or rebuilt, as shown by what PPHE has achieved.

Recent financial performance

In FY22, the Croatian region saw a rebound in activity due to the lifting of travel restrictions by the Croatian Government in time for the summer season, with revenue rising by 55.2% from £44.6m in FY21 to £69.2m in FY22 (Figure 17). The Group said that the Croatian resorts reported a record performance over the summer season, benefiting from pent-up demand from holidaymakers and the limited reopening of long-haul holiday destinations.

Figure 17: PPHE's Croatia P&L (£m)

December year end	FY19	FY20	FY21	H122	FY22	H123	FY23E	FY24E	FY25E
Revenue	**61.1**	**18.7**	**44.6**	**16.2**	**69.2**	**22.1**	**76.7**	**82.0**	**85.9**
Change		*(69.4%)*	*138.2%*		*55.2%*	*36.0%*	*10.7%*	*7.0%*	*4.7%*
EBITDAR	19.4	1.1	16.4	(0.1)	23.1	0.5	23.0	25.9	28.8
Change		*(94.3%)*	*1390.9%*		*40.9%*	*n/a*	*(0.5%)*	*12.4%*	*11.6%*
EBITDA	**18.2**	**0.4**	**14.6**	**(0.9)**	**21.4**	**(0.4)**	**21.2**	**23.9**	**26.8**
Change		*(98.0%)*	*3921.0%*		*47.2%*	*(57.4%)*	*(1.3%)*	*12.9%*	*12.1%*
EBITDA margin	**29.8%**	**1.9%**	**32.6%**	**(5.8%)**	**30.9%**	**(1.8%)**	**27.6%**	**29.1%**	**31.2%**

Source: Company, Radnor

On 1st January 2023, Croatia joined the Eurozone. Consequently, from the start of FY23 the financial performance for the region is reported in Euros, with the result that we have a Euro-based P&L from H122, whereas prior to this Croatia reporting currency was the Kuna (Figure 18). We model Croatia in Euros which we then translate into Sterling, and therefore show two P&L metrics tables in Euros and Sterling.

Figure 18: PPHE's Croatia P&L (€m)

December year end	H122	FY22	H123	FY23E	FY24E	FY25E
Revenue	**19.3**	**81.1**	**25.3**	**88.2**	**94.3**	**98.8**
Change			*31.1%*	*8.6%*	*7.0%*	*4.7%*
EBITDAR	(0.1)	27.1	0.6	26.4	29.7	33.2
Change			*n/a*	*(2.3%)*	*12.4%*	*11.6%*
Margin	0.0%	33.4%	0.0%	30.0%	31.5%	33.6%
Change			*0.0%*	*(10.1%)*	*5.1%*	*6.5%*
Rental	0.0	(2.0)	0.0	(2.1)	(2.3)	(2.4)
Rental proportion of revenue	*0.0%*	*(2.4%)*	*0.0%*	*(2.4%)*	*(2.4%)*	*(2.4%)*
EBITDA	**(1.1)**	**25.1**	**(0.5)**	**24.3**	**27.5**	**30.8**
Change			*(54.5%)*	*(3.1%)*	*12.9%*	*12.1%*
EBITDA margin	**(5.7%)**	**30.9%**	**(2.0%)**	**27.6%**	**29.1%**	**31.2%**
Change			*(65.3%)*	*(10.8%)*	*5.5%*	*7.0%*

Source: Company, Radnor

In H123, the seasonality of PPHE's operations in Croatia meant that, as usual, activity in the region started to accelerate during the second quarter as its hotels, apartments and campsites opened for the summer season. The Group saw strong trading in the early season with ongoing booking momentum as the period progressed.

Revenue increased by 31.1% from €19.3m in H122 to €25.3m in H123. Average room rate increased by 16.9% from €100.2 in H122 to €117.0 in H123 (Figure 20). Occupancy rose by 8.3% from 43.6% in H122 to 47.2% in H123. RevPAR rose by 26.8% from €43.6 in H122 to €55.3 in H123, which was 36.3% higher than the pre-Covid level of €40.6 in H119.

Figure 19: PPHE’s Croatia P&L metrics (£m)

December year end	FY19	FY20	FY21	H122	FY22	H123
Occupancy	63.1%	30.4%	46.6%	43.6%	55.1%	47.2%
Change		*(51.8%)*	*53.3%*		*18.2%*	*8.3%*
Average room rate	91.1	89.8	101.0	84.5	123.2	102.3
Change		*(1.4%)*	*12.5%*		*22.0%*	*21.1%*
RevPAR	57.5	27.3	47.1	36.8	67.8	48.3
Change		*(52.5%)*	*72.5%*		*43.9%*	*31.3%*
Room revenue	33.5	8.1	21.6	8.7	36.1	12.6
Change		*(75.8%)*	*166.7%*		*67.1%*	*44.8%*

Source: Company, Radnor

In Croatia, we forecast a 6.8% revenue CAGR from €81.1m in FY22 to €98.8m in FY25. We increase Croatia’s occupancy from 55.1% in FY22 to 58.5% in FY25, still below the 63.1% reached in FY19. Our average room rate assumption rises from €144.4 in FY22 to €152.8 in FY25. The opening of the hotel in Zagreb will add 110 rooms from October 2023.

Figure 20: PPHE’s Croatia P&L metrics (€m)

December year end	FY19	FY20	FY21	H122	FY22	H123	FY23E	FY24E	FY25E
Rooms	2,775	2,769	2,769		2,966		2,994	3,076	3,076
Change		*(0.2%)*	*0.0%*		*7.1%*		*0.9%*	*2.8%*	*0.0%*
Occupancy	63.1%	30.4%	46.6%	43.6%	55.1%	47.2%	56.6%	57.3%	58.5%
Change		*(51.8%)*	*53.3%*		*18.2%*	*8.3%*	*2.7%*	*1.3%*	*2.1%*
Average room rate				100.2	144.4	117.0	148.0	150.2	152.8
Change						*16.8%*	*2.5%*	*1.5%*	*1.7%*
RevPAR				43.6	79.5	55.3	83.7	86.1	89.4
Change						*26.8%*	*5.4%*	*2.8%*	*3.8%*
Room revenue				10.3	42.3	14.4	45.8	48.3	50.2
Change						*39.8%*	*8.1%*	*5.7%*	*3.8%*
Other revenue					38.8		42.4	46.0	48.6
Change							*9.2%*	*8.4%*	*5.7%*

Source: Company, Radnor

During Covid, the EBITDA margin in Croatia declined from 29.8% in FY19 to 1.9% in FY20 and then rebounded to 32.6% in FY21, before then reducing to 30.9% in FY22, mainly due to the negative impact of increased cost inflation for utilities, food and payroll expenses, plus in 2022, the Group did not receive any Croatian government grants or subsidies to support payroll costs and fixed costs, whereas it had in FY21 (HRK 23.6 million).

The EBITDA margin loss reduced from (5.7%) in H122 to (2.0%) in H123, with the Group benefitting from operational gearing but experiencing ongoing cost inflation for utilities, food and payroll. We model the EBITDA margin rising from 30.9% in FY22 to reach 31.2% in FY25.

Germany

Property portfolio

PPHE’s portfolio in Germany comprises seven hotels: four properties in Berlin and one hotel each in Cologne, Nuremberg and Trier. Five of the hotels in Germany are owned by Arena, in which PPHE is the main shareholder; Park Plaza Berlin Kudamm, Park Plaza Nuremberg, art'otel Berlin Mitte, Park Plaza Berlin (converted in the year from art'otel Berlin Kudamm) and art'otel Cologne. art'otel Berlin Mitte and Park Plaza Berlin Kudamm are owned with joint venture partners and are therefore not consolidated but presented as an equity stake in PPHE's balance sheet. In addition, PPHE directly operates Park Plaza Wallstreet Berlin Mitte under an operating lease and Park Plaza Trier which is operated under a franchise agreement.

Recent financial performance

Before FY20, for reporting purposes, PPHE included Budapest within Germany, but split this out into a separate 'Other' region in FY20, so FY19 is not comparable to subsequent years. In FY22, the German Government lifted the remaining travel restrictions in March and booking activity levels gradually recovered, led predominantly by leisure demand at the Group's city centre hotels and revenue rose from €7.7m in FY21 to €20.8m in FY22 (Figure 22). This positive booking momentum strengthened across FY22 and the return of fairs and events, particularly in Berlin and Nuremberg in September, further benefited the Group, with the average room rate in Q3 exceeding that of Q3 2019 by 36%.

Figure 21: PPHE's Germany P&L (£m)

December year end	FY19	FY20	FY21	H122	FY22	H123	FY23E	FY24E	FY25E
Revenue	**29.5**	**7.8**	**6.6**	**6.4**	**17.7**	**10.6**	**22.1**	**23.1**	**24.2**
Change		*(73.7%)*	*(14.6%)*		*168.1%*	*65.7%*	*24.6%*	*4.4%*	*5.0%*
EBITDAR	9.1	(0.3)	6.7	2.7	6.4	2.3	5.0	6.2	8.2
Change		*n/a*	*n/a*		*(4.5%)*	*(14.8%)*	*(22.2%)*	*25.2%*	*32.0%*
EBITDA	**8.7**	**(0.3)**	**6.7**	**2.7**	**6.4**	**2.3**	**5.0**	**6.2**	**8.2**
Change		*n/a*	*n/a*		*(4.5%)*	*(14.7%)*	*(21.8%)*	*25.2%*	*32.0%*
EBITDA margin	**29.5%**	**(3.3%)**	**100.8%**	**42.4%**	**35.9%**	**21.8%**	**22.5%**	**27.0%**	**34.0%**

Source: Company, Radnor

In H123, the German region had a slower start to the year than other regions, due to market dynamics impacting rate and occupancy growth. However, the Group saw an improving trend in bookings through Q2 and said that it expected this to continue into Q3 and beyond.

Figure 22: PPHE's Germany P&L (€m)

December year end	FY19	FY20	FY21	H122	FY22	H123	FY23E	FY24E	FY25E
Revenue	**33.7**	**8.7**	**7.7**	**7.6**	**20.8**	**12.1**	**25.4**	**26.5**	**27.8**
Change	*0.0%*	*(74.2%)*	*(11.5%)*	*0.0%*	*170.1%*	*59.2%*	*22.2%*	*4.4%*	*5.0%*
EBITDAR	10.4	(0.3)	7.8	3.2	7.5	2.6	5.7	7.2	9.5
Change		*n/a*	*n/a*		*(3.8%)*	*(18.8%)*	*(23.6%)*	*25.2%*	*32.0%*
Margin	30.9%	(3.4%)	101.3%	42.1%	36.1%	21.5%	22.5%	27.0%	34.0%
Change		*n/a*	*n/a*		*(64.4%)*	*(49.0%)*	*(37.5%)*	*20.0%*	*25.8%*
Rental	(0.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rental proportion of revenue	*(1.5%)*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
EBITDA	**9.9**	**(0.3)**	**7.8**	**3.2**	**7.5**	**2.6**	**5.7**	**7.2**	**9.5**
Change		*n/a*	*n/a*		*(3.8%)*	*(18.8%)*	*(23.6%)*	*25.2%*	*32.0%*
EBITDA margin	**29.4%**	**(3.4%)**	**101.3%**	**42.1%**	**36.1%**	**21.5%**	**22.5%**	**27.0%**	**34.0%**
Change		*n/a*	*n/a*		*(64.4%)*	*(49.0%)*	*(37.5%)*	*20.0%*	*25.8%*

Source: Company, Radnor

Revenue increased by 59.2% from €7.6m in H122 to €12.1m in H123. The average room rate increased by 22.1% from €117.2 in H122 to €143.1 in H123 and was 29.9% higher than the pre-Covid rate of €110.2 in H119 (Figure 24). PPHE said that the German hotel market average room rate rose by 15.7% from €98.5 in H122 to €113.7 in H123 and rose by 17.0% in the Berlin market from €101.8 in H122 to €119.1 in H123.

Figure 23: PPHE's Germany P&L metrics (£m)

December year end	FY19	FY20	FY21	H122	FY22	H123
Occupancy	80.7%	27.1%	26.5%	42.0%	53.0%	56.1%
Change		*(66.4%)*	*(2.2%)*		*100.0%*	*33.6%*
Average room rate (£)	93.6	85.3	77.1	98.9	110.3	125.1
Change		*(8.9%)*	*(9.6%)*		*43.1%*	*26.5%*
RevPAR (£)	75.5	23.1	20.4	41.5	58.4	70.2
Change		*(69.4%)*	*(11.7%)*		*186.3%*	*69.2%*
Room revenue	24.2	6.0	5.3	5.4	15.2	9.1
Change		*(75.2%)*	*(11.7%)*		*186.8%*	*68.5%*

Source: Company, Radnor

Occupancy rose by 33.6% from 42.0% in H122 to 56.1% in H123, whereas the Group said that in the German hotel market occupancy increased by 24.5% from 50.1% in H122 to 62.2% in H123 and in the Berlin hotel market by 19.6% from 57.6% in H122 to 68.9% in H123.

Figure 24: PPHE's Germany P&L metrics (€m)

December year end	FY19	FY20	FY21	H122	FY22	H123	FY23E	FY24E	FY25E
Rooms			714		714		714	714	714
Change					*0.0%*		*0.0%*	*0.0%*	*0.0%*
Occupancy	80.7%	27.1%	26.5%	42.0%	53.0%	56.1%	57.0%	58.2%	59.6%
Change		*(66.4%)*	*(2.2%)*		*100.0%*	*33.6%*	*7.5%*	*2.1%*	*2.5%*
Average room rate	106.9	95.9	89.8	117.2	129.3	143.1	142.5	145.6	149.4
Change		*(10.3%)*	*(6.3%)*		*44.0%*	*22.1%*	*10.2%*	*2.2%*	*2.6%*
RevPAR	86.2	26.0	23.8	49.2	68.5	80.3	81.2	84.7	89.1
Change		*(69.8%)*	*(8.5%)*		*187.8%*	*63.2%*	*18.5%*	*4.3%*	*5.2%*
Room revenue	27.7	6.8	6.2	6.4	17.8	10.4	21.2	22.1	23.2
Change		*(75.5%)*	*(8.8%)*		*187.1%*	*62.5%*	*18.9%*	*4.3%*	*5.2%*
Other revenue	6.0	1.9	1.5	1.2	3.0	1.7	4.3	4.5	4.6
Change		*(68.3%)*	*(21.1%)*		*100.0%*	*41.7%*	*42.1%*	*4.5%*	*3.9%*

Source: Company, Radnor

As a result of the rise in both occupancy and room rates, PPHE's RevPAR rose by 63.2% from €49.2 in H122 to €80.3. PPHE said that in the German hotel market, RevPAR increased by 44.0% from €49.4 in H122 to €70.7 in H123, whilst in Berlin it rose by 44.0% from €58.6 in H122 to €82.1 in H123.

In Germany, we model a 10.2% revenue CAGR from €20.8m in FY22 to €27.8m in FY25. We increase Germany's occupancy from 53.0% in FY22 to 59.6% in FY25, still markedly lower than the 80.7% reached in FY19. We assume that the average room rate increases from €129.3 in FY22 to €149.4 in FY25.

Due to Covid, in Germany, the EBITDA margin swung from 30.9% in FY19 to a loss of (3.4%) in FY20. The EBITDA margin was 101.3% in FY21, due to government grants to support payroll and operating costs. The EBITDA margin declined from 42.1% in H122 to 21.5% in H123 but the H122 margin included €2.5 million in government grants to support payroll and operating costs. We forecast a 22.5% EBITDA margin in FY23 rising to 34.0% in FY25.

Netherlands

Property portfolio

In the Netherlands, the Group has most of its ownership interest in three hotels in the centre of Amsterdam (Park Plaza Victoria Amsterdam, art'otel Amsterdam and Park Plaza Vondelpark, Amsterdam), and a fourth property located near Schiphol Airport (Park Plaza Amsterdam Airport). PPHE also owns Park Plaza branded hotels in Utrecht and Eindhoven.

The hotel market in Amsterdam is characterised by constraints on the supply of hotel rooms, plus a high restriction on Airbnb and therefore occupancy rates and RevPAR tend to be higher than for other European cities.

Recent financial performance

PPHE's revenue in the Netherlands rebounded in FY22, when from February, the Dutch Government lifted the remaining travel restrictions following which all the Group's properties – except Park Plaza Amsterdam Airport – reopened fully. The Park Plaza Amsterdam Airport hotel reopened in April to accommodate 180 Ukrainian refugees and it then opened to all guests from June. PPHE's revenue in the Netherlands rose from €12.1m in FY21 to €48.7m in FY22 (Figure 26).

Figure 25: PPHE's Netherlands P&L (£m)

December year end	FY19	FY20	FY21	H122	FY22	H123	FY23E	FY24E	FY25E
Revenue	**53.8**	**14.9**	**10.4**	**14.7**	**41.6**	**30.2**	**60.7**	**63.9**	**67.1**
Change		*(72.2%)*	*(30.7%)*		*301.6%*	*105.1%*	*46.1%*	*5.2%*	*5.0%*
EBITDAR	15.0	0.0	1.1	3.1	11.2	9.5	18.9	19.9	21.9
Change	*0.0%*	*(100.0%)*	*n/a*		*918.2%*	*206.5%*	*68.6%*	*5.3%*	*10.2%*
EBITDA	**15.0**	**(0.1)**	**1.1**	**3.1**	**11.2**	**9.4**	**18.9**	**19.9**	**21.9**
Change		*n/a*	*n/a*		*942.3%*	*209.4%*	*69.1%*	*5.3%*	*10.2%*
EBITDA margin	**27.9%**	**(0.4%)**	**10.3%**	**20.7%**	**26.9%**	**31.2%**	**31.1%**	**31.1%**	**32.7%**

Source: Company, Radnor

From May onwards, customer demand increased, driven initially by leisure stays (weekends). PPHE's City Centre Amsterdam hotels traded in line with competitors. The provincial hotels performed strongly benefitting from a corporate pick-up and were ahead of the competition and this trend continued throughout the remainder of the year, with a particularly strong meetings and events performance at the Park Plaza Utrecht.

Figure 26: PPHE's Netherlands P&L (€m)

December year end	FY19	FY20	FY21	H122	FY22	H123	FY23E	FY24E	FY25E
Revenue	**61.4**	**16.8**	**12.1**	**17.5**	**48.7**	**34.6**	**69.8**	**73.5**	**77.1**
Change		*(72.6%)*	*(28.2%)*		*302.5%*	*97.7%*	*43.4%*	*5.2%*	*5.0%*
EBITDAR	17.2	0.0	1.3	3.6	13.1	10.8	21.7	22.9	25.2
Change		*n/a*	*n/a*		*907.7%*	*200.0%*	*65.8%*	*5.3%*	*10.2%*
Margin	28.0%	0.0%	10.7%	20.6%	26.9%	31.2%	31.1%	31.1%	32.7%
Change		*n/a*	*n/a*		*150.4%*	*51.7%*	*15.6%*	*0.1%*	*5.0%*
Rental	(0.1)	(0.1)	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0
Rental proportion of revenue	*(0.2%)*	*(0.6%)*	*(0.8%)*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
EBITDA	**17.1**	**(0.1)**	**1.2**	**3.6**	**13.1**	**10.8**	**21.7**	**22.9**	**25.2**
Change		*n/a*	*n/a*		*991.7%*	*200.0%*	*65.8%*	*5.3%*	*10.2%*
EBITDA margin	**27.9%**	**(0.6%)**	**9.9%**	**20.6%**	**26.9%**	**31.2%**	**31.1%**	**31.1%**	**32.7%**
Change		*n/a*	*n/a*		*171.2%*	*51.7%*	*15.6%*	*0.1%*	*5.0%*

Source: Company, Radnor

In H123, The Netherlands continued to perform strongly, with performance, as in the UK, led by a combination of rate growth and occupancy recovery. All of PPHE's hotels in the Netherlands exceeded their fair market share in occupancy terms and two out of three of its Amsterdam city centre hotels also outperformed their competitor sets in terms of average room rate.

Revenue increased by 97.7% from €17.5m in H122 to €34.6m in H123. Average room rate increased by 3.6% from €165.3 in H122 to €171.2 in H123 and was 18.0% higher than the pre-Covid rate of €145.0 in H119 (Figure 28). PPHE said that in the Dutch hotel market average room rate rose by 17.0% from €131.3 in H122 to €153.2 in H123 and rose by 17.9% in the Amsterdam market from €155.9 in H122 to €181.5 in H123.

Figure 27: PPHE's Netherlands P&L metrics (€m)

December year end	FY19	FY20	FY21	H122	FY22	H123
Occupancy	86.2%	25.3%	16.3%	40.9%	57.3%	79.6%
Change		*(70.6%)*	*(35.6%)*		*251.5%*	*94.6%*
Average room rate (£)	124.8	98.3	109.9	139.5	142.2	149.6
Change		*(21.2%)*	*11.7%*		*29.4%*	*7.2%*
RevPAR (£)	107.6	24.9	17.9	57.0	81.5	119.1
Change		*(76.9%)*	*(28.2%)*		*355.3%*	*108.9%*
Room revenue	40.3	9.8	7.0	11.1	31.9	23.1
Change		*(75.7%)*	*(28.4%)*		*355.7%*	*108.1%*

Source: Company, Radnor

Occupancy rose by 94.6% from 40.9% in H122 to 79.6% in H123, whereas in the Dutch hotel market occupancy increased by 27.8% from 54.3% in H122 to 69.4% in H123 and in the Amsterdam hotel market by 34.1% from 53.9% in H122 to 72.7% in H123.

Figure 28: PPHE's Netherlands P&L metrics (€m)

December year end	FY19	FY20	FY21	H122	FY22	H123	FY23E	FY24E	FY25E
Rooms	1,073	1,073	1,073		1,073		1,073	1,073	1,073
Change		*0.0%*	*0.0%*		*0.0%*		*0.0%*	*0.0%*	*0.0%*
Occupancy	86.2%	25.3%	16.3%	40.9%	57.3%	79.6%	82.5%	85.0%	87.8%
Change		*(70.6%)*	*(35.6%)*		*251.5%*	*94.6%*	*43.9%*	*3.1%*	*3.3%*
Average room rate (€)	142.6	110.6	128.1	165.3	166.6	171.2	175.9	180.0	183.6
Change		*(22.4%)*	*15.8%*		*30.1%*	*3.6%*	*5.6%*	*2.3%*	*2.0%*
RevPAR (€)	122.9	28.0	20.8	67.5	95.5	136.3	145.1	153.0	161.2
Change		*(77.2%)*	*(25.6%)*		*359.1%*	*101.9%*	*51.9%*	*5.5%*	*5.4%*
Room revenue	46.0	11.0	8.2	13.1	37.4	26.5	56.8	59.9	63.1
Change		*(76.1%)*	*(25.8%)*		*356.1%*	*102.3%*	*51.9%*	*5.5%*	*5.4%*
Other revenue	15.4	5.8	3.9	4.4	11.3	8.1	13.0	13.6	14.0
Change		*(62.3%)*	*(32.8%)*		*189.7%*	*84.1%*	*15.2%*	*4.2%*	*3.2%*

Source: Company, Radnor

As a result of the rise in both occupancy and room rates, PPHE's RevPAR rose by 101.9% from €67.5 in H122 to €136.3. In the Dutch hotel market, RevPAR increased by 49.6% from €71.3 in H122 to €106.3 in H123, whilst in Amsterdam it rose by 58.0% from €84.1 in H122 to €132.0 in H123.

In the Netherlands, we forecast a 16.6% revenue CAGR from €48.7m in FY22 to €77.1m in FY25. We increase the Netherlands' occupancy from 57.3% in FY22 to 87.8% in FY25, ahead of the 86.2% reached in FY19, reflecting a structural lack of capacity in the Dutch market. We assume that the average room rate increases from €166.6 in FY22 to €183.6 in FY25.

During Covid, in the Netherlands, the EBITDA margin swung from 27.9% in FY19 to a loss of (0.6%) in FY20 and then recovered to 26.9% in FY22. The EBITDA margin rose from 20.6% in H122 to 31.2% in H123. We forecast a 31.1% EBITDA margin in FY23 rising to 32.7% in FY25.

Other Markets (Austria, Hungary, Italy & Serbia)

In 'Other markets', all of the assets are owned by AHG, with the exception of Italy. The Group's focus in the region has been on developing the acquisitions made over the past three years in Belgrade (Serbia), Nassfeld (Austria) and Rome (Italy). In H123, total revenue was £3.8 million and there was an EBITDA loss of £0.2m mainly as a result of the closing of the Belgrade and Rome properties.

Nassfeld, Austria

In FY22, the FRANZ Ferdinand Mountain Resort located in Nassfeld, Austria performed well during the winter ski season, the first under the Group's ownership. The 144-room hotel was closed in March 2022 and underwent a soft refurbishment prior to reopening in early June 2022 for the summer season. The hotel then closed for more extensive development works to support year-round occupancy, including the installation of air conditioning and heating systems throughout the property and the creation of a wellness and spa centre, including indoor and outdoor swimming pools. The Group plans to invest in the hotel's remaining communal areas over the longer term. The total investment in upgrading the property is €3.6 million (£3.2 million).

In H123, the hotel also performed well during the winter ski season; its second under the Group's ownership and since then, there has been further investment in a number of amenities to support the hotel's opening year-round, including air-conditioning throughout the property and the creation of relaxation and wellness areas including indoor and outdoor swimming pools.

Rome, Italy

In FY22, Londra & Cargill Hotel, PPHE's 4-star property in a prime central location in the city of Rome, traded well in the first half of the year. The hotel was closed on 1 July 2022 to undergo a €17 million repositioning project to become an upper upscale 99-room lifestyle art'otel. Construction works to strip-out and reconfigure the layout of the hotel and interior design are ongoing. The project is on track to see the hotel reopen during H1 2024.

Belgrade, Serbia

The 88 Rooms Hotel is a 4-star hotel located minutes from Belgrade's historic old town, with a restaurant, bar, conference room and fitness facilities. A repositioning programme is underway; the hotel will undergo a substantial redesign and transformation of all public areas, bedrooms and services and it is scheduled to reopen as Radisson RED Belgrade in the fourth quarter of 2023.

Budapest, Hungary

Park Plaza Budapest was reopened in June 2022 following a period of Covid-related closure during which PPHE completed phase one of its planned repositioning of the property, with an extensive redesign of all public areas including the lobby, wellness area, restaurant, bar and meeting spaces. The second phase, which will see all of the hotel's 165 bedrooms refurbished, is currently being planned. The hotel was said to have performed well in H123.

Recent financial performance

For reporting purposes, PPHE has separately disclosed the smaller countries within an 'Other' region from FY20, with the inputs disclosed from FY21 (Figures 29 and 30). The region recovered well from Covid, with revenue rising from £0.9m in FY21 to £6.3m in FY22. Revenue increased by 17.6% from £3.2m in H122 to £3.8m in H123.

Figure 29: PPHE's Other Markets P&L (£m)

December year end	FY20	FY21	H122	FY22	H123	FY23E	FY24E	FY25E
Revenue	**1.1**	**0.9**	**3.2**	**6.3**	**3.8**	**8.0**	**15.6**	**21.9**
Change		*(19.2%)*		*643.7%*	*17.6%*	*25.5%*	*96.1%*	*40.0%*
EBITDAR		(0.8)		(0.6)	(0.2)	0.0	2.2	4.3
Change		*0.0%*		*(25.0%)*	*n/a*	*n/a*	*n/a*	*95.7%*
Margin		(93.8%)	6.2%	(9.5%)	(5.3%)	0.1%	14.1%	19.7%
Change				*(89.9%)*	*(185.1%)*	*(101.0%)*	*n/a*	*39.8%*
Rental		(0.1)	(0.0)	(0.0)	(0.0)	0.0	0.0	0.0
Rental proportion of revenue		*(6.2%)*	*(0.2%)*	*(0.5%)*	*(0.9%)*	*0.0%*	*0.0%*	*0.0%*
EBITDA	**(0.3)**	**(0.9)**	**0**	**(0.6)**	**(0.2)**	**0.0**	**2.2**	**4.3**
Change		*189.2%*		*(26.3%)*	*n/a*	*n/a*	*n/a*	*95.7%*
EBITDA margin	**(27.9%)**	**(100.0%)**	**5.9%**	**(9.9%)**	**(6.2%)**	**0.1%**	**14.1%**	**19.7%**
Change		*258.0%*		*(90.1%)*	*n/a*	*n/a*	*n/a*	*39.8%*

Source: Company, Radnor

In the region, we forecast a 51.1% revenue CAGR from £6.3m in FY22 to £21.9m in FY25. We increase the region's occupancy from 34.3% in FY22 to 80.1% in FY25. We assume that the average room rate increases from £97.2 in FY22 to £125.2 in FY25. The region will benefit from the opening of hotels in Belgrade in Q423 and Rome in H124.

Figure 30: PPHE's Other Markets P&L metrics (£m)

December year end	FY21	H122	FY22	H123	FY23E	FY24E	FY25E
Rooms	498		397		331	447	496
Change			*(20.3%)*		*(16.6%)*	*34.9%*	*11.1%*
Occupancy	8.8%	27.8%	34.3%	36.3%	45.1%	63.1%	80.1%
Change			*289.8%*	*30.6%*	*31.4%*	*40.1%*	*26.9%*
Average room rate (£)	68.4	103.9	97.2	140.4	105.8	123.8	125.2
Change			*42.1%*	*35.1%*	*8.8%*	*17.1%*	*1.1%*
RevPAR (£)	6	28.9	33.4	51	47.7	78.2	100.3
Change			*456.7%*	*76.5%*	*42.7%*	*64.1%*	*28.3%*
Room revenue	0.5	2.3	4.6	2.9	5.8	12.7	18.2
Change			*820.0%*	*26.1%*	*25.2%*	*121.3%*	*42.5%*
Other revenue	0.4	0.9	1.7	0.9	2.2	2.9	3.7
Change			*394.1%*	*(3.4%)*	*26.5%*	*30.2%*	*28.9%*

Source: Company, Radnor

The region has remained loss making, with an EBITDA loss of £0.6m in FY22 and £0.2m in H123, we think mainly due to low occupancy levels, but we forecast break-even in FY23, rising to an EBITDA of £4.3m in FY25, which represents a margin of 19.7%.

Management and Central Services

Revenues in this segment represent the fees which PPHE charges to all hotels (fully/partially owned and also third-party). The costs here are listed company overhead, but also the heads of department and intellectual property. Revenues are external only, the internal revenues are eliminated, which is why the EBITDA is higher than the revenues. This segment functions as a franchise/management hospitality company, like an IHG or Marriot.

The segment is asset light and a business on its own; structured and managed completely separate from the hotels. The segment is not included in the Group's EPRA NRV as the hotels are valued under management agreements.

After a loss of £7.6m in FY21, the segment broke even in FY22 (Figure 31). In H123, the segment showed an EBITDA profit of £2.3m, compared to a loss of £4.0m in H122, as both internally and externally charged management fees exceed the costs in this segment. We model an EBITDA of £8.2m in FY23, representing 2.0% of total Group revenue, rising to an EBITDA of £11.1m in FY25, representing 1.6% of total Group revenue. Management target eventually generating £15m of EBITDA from this segment.

Figure 31: PPHE's Management and Central Services (£m)

December year end	FY19	FY20	FY21	H122	FY22	H123	FY23E	FY24E	FY25E
Revenue	5.9	2.8	3.7	1.5	5.1	3.3	7.2	7.4	7.6
Revenue/total Group revenue	*1.7%*	*2.8%*	*2.7%*	*1.4%*	*1.6%*	*1.9%*	*1.8%*	*1.7%*	*1.6%*
EBITDA	10.3	(11.3)	(7.6)	(4.0)	0.0	2.3	8.2	10.2	11.1
EBITDA/total Group revenue	*2.9%*	*(11.1%)*	*(5.4%)*	*(3.6%)*	*0.0%*	*1.3%*	*2.0%*	*2.3%*	*2.3%*

Source: Company, Radnor

Financials

P&L

Revenue

PPHE saw strong revenue growth from IPO up to Covid, with only one year of decline, in FY09 during the GFC, when revenues only declined by 3.6% (Figure 32). Due to Covid, revenues declined by 71.5% in FY20.

Figure 32: PPHE's revenue (£m)

December year end	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Revenue	66.4	74.2	71.5	119.9	175.6	196.2	207.8	217.0	218.7	272.5
Change (%)		11.8	(3.6)	67.8	46.4	11.7	5.9	4.4	0.8	24.6

	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Revenue	325.1	341.5	357.7	101.8	141.4	330.1	408.0	445.4	481.7
Change (%)	19.3	5.0	4.7	(71.5)	38.9	133.5	23.6	9.2	8.1

Source: Company, Radnor

In FY22, PPHE saw a strong recovery in trading as the travel market benefitted from a sharp pick-up in activity due to the pent-up demand for both leisure and business travel. During FY22, revenue rose by 133.5%, from £141.4m in FY21 to £330.1m in FY22, as demand for leisure and corporate travel and meetings and events continued to strengthen across all markets, despite a weak economic environment. Revenue growth was led by both a strong improvement in average room rates and occupancy.

A shortage of staff meant that the Group focussed on a rate-led, rather than occupancy-led strategy with the result that it chose to run the hotels at reduced occupancy levels compared with pre-Covid occupancies. The average room rate rose by 37.1%, from £117.0 in FY21 to £160.4 in FY22, exceeding pre-Covid levels for the first time (Figure 33).

Figure 33: PPHE's average room rate (£m)

December year end	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
Average room rate	81.3	90.4	87.0	94.9	103.4	106.1	106.6	108.8
Change (%)		11.3	(3.8)	9.1	8.9	2.6	0.5	2.1

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Average room rate	109.1	111.0	120.2	123.1	128.5	105.1	117.0	160.4
Change (%)	0.3	1.7	8.3	2.4	4.4	(18.2)	11.3	37.1

Source: Company, Radnor

PPHE's occupancy had risen annually between FY12 and FY15 and then dropped in FY16, due to the first-time inclusion of Croatia which has a seasonal cycle. Occupancy then continued to rise each year until it reached 80.6% in FY19 before Covid, before dropping to 28.0% in FY20. Occupancy rose by 95.4% from 30.7% in FY21 to 60.0% in FY22, with Q4 occupancy at 72.1%, only 10.7% behind Q419 despite the focus on rates over occupancy (Figure 34).

Figure 34: PPHE's occupancy (%)

December year end	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
Occupancy	82.4	79.8	79.1	77.4	77.7	77.4	80.7	83.7
Change (%)	0.0	(3.2)	(0.9)	(2.1)	0.4	(0.4)	4.3	3.7
	FY15	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**
Occupancy	84.3	76.0	77.3	79.4	80.6	28.0	30.7	60.0
Change (%)	0.7	(9.8)	1.7	2.7	1.5	(65.3)	9.6	95.4

Source: Company, Radnor

As a result of both the increase in average room rates and occupancy, RevPAR rose by 168.0% from £35.9 in FY21 to £96.2 in FY22 (Figure 35).

Figure 35: PPHE's RevPAR (£m)

December year end	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
RevPAR	66.4	71.7	68.9	73.5	80.3	82.1	86.1	91.2
Change (%)		7.9	(3.9)	6.7	9.3	2.2	4.9	5.9
	FY15	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**
RevPAR	92.0	84.4	92.9	97.7	103.6	29.4	35.9	96.2
Change (%)	0.9	(8.3)	10.1	5.2	6.0	(71.6)	22.1	168.0

Source: Company, Radnor

In H123, PPHE achieved record revenues following significant increases on the prior year and the pre-Covid period. The first half saw a strong rebound in activity across all of the Group's key markets, particularly in the UK and the Netherlands and this trend continued consistently through the first half. Management added that there had been an encouraging start to the Croatian summer season.

During H123, revenue rose by 59.0%, from £113.2m in H122 to £180.0m in H123 and was up 15.9% on the pre-Covid level of £155.3m in H119. RevPAR rose by 62.6% from £67.8 in H122 to £110.3 in H123 and was 18.1% above the £93.4 level of H119. Growth in RevPAR was led by a 13.1% rise in average room rate from £141.1 in H122 to £159.6 in H123, which was 31.2% above the £121.7 level of H119.

The recovery in occupancy rates continued, with H123 occupancy rising by 44.0% from 48.0% in H1 2022 to 69.1% in H123, albeit that is still below the pre-Covid level of 76.8% in H119, due to the Group prioritising rates over occupancy.

Revenue growth of 59.0% in H123, comprised of a revenue increase of 115.0% in Q123, from £32.0m in Q122 to £68.8m in Q123 and 36.9% growth in Q223, from £81.2m in Q222 to £111.2m in Q223. Average room rate rose by 13.1% in H123, accounted for by growth of 15.8% in Q123, from £124.1m in Q122 to £143.7m in Q123 and 14.8% growth in Q223, from £148.9m in Q222 to £171.0m in Q223.

Occupancy rose by 44.0% in H123, comprised of growth of 95.6% in Q123, from 34.2% in Q122 to 66.9% in Q123 and 20.4% growth in Q223, from 58.8% in Q222 to 70.8% in Q223. RevPAR rose by 62.6% in H123, accounted for by growth of 126.4% in Q123, from £42.5 in Q122 to £96.2 in Q123 and 38.2% growth in Q223, from £87.5 in Q222 to £121.0 in Q223.

On 26 October, PPHE issued a trading update covering Q323 trading. Revenue rose by 8.8%, from £129.6m in Q322 to £141.0m in Q323 (Figure 36). The statement mentioned the strong comparable, especially with the state funeral of Her Majesty Queen Elizabeth II in Q322 in the UK, which is the Group's main country. We note that to meet our revenue forecast of £408.0m in FY23, would imply a decline of 0.3% in Q423, but also that Q422 is also a relatively tough comparable as the funeral led to some corporate demand in September to shift to October.

Q3 is an important quarter for Croatia, and we note that by Q322 the country had fully recovered from Covid, with record revenues above those of 2019, whereas in Q122, the Croatian travel and leisure sectors was still largely shut down due to government measures, and although these measures were removed in Q222, PPHE's business was still impacted by limited staff capabilities.

Figure 36: PPHE's Quarterly Revenue (£m)

December year end	Q122	Q222	H122	Q322	Q422	FY22
Quarterly revenue	32.0	81.2	113.2	129.6	87.3	330.1
	Q123	**Q223**	**H123**	**Q323**	**Q423E**	**FY23E**
Quarterly revenue	68.8	111.2	180.0	141.0	87.1	408.0
Change (%)	115.0	36.9	59.0	8.8	(0.3)	23.6

Source: Company, Radnor

As in the first half, revenue growth was led by occupancy rather than average room rates, which we think is interesting as this is a switch from the period after Covid, when growth was rate led. Occupancy rose by 9.5%, from 70.8% in Q322 to 77.5% in Q323, compared with a 0.8% increase in average room rate, from £175.0 in Q322 to £176.4. RevPAR improved by 10.3% from £123.9 in Q322 to £136.7 in Q323.

By region in Q323, the Group said that trading was especially strong in the UK and in the Netherlands, led by improvements in occupancy. Germany was flat on last year. Croatia was marginally up on a strong comparable, in what is its peak quarter, despite increased competition from other leisure destinations and adverse weather conditions for some of the traditional summer period. In Croatia, recently invested-in properties, including Grand Hotel Brioni in Pula, made strong initial contributions.

EBITDA

PPHE's EBITDA margin rose from 29.3% in FY07 to 34.4% in FY19 (Figure 38). As a result of Covid, the Group then moved to an EBITDA loss of £10.1m in FY20, representing a margin of (9.9%), before moving back to EBITDA of £25.1m in FY21, representing a margin of 17.7%.

Figure 37: PPHE's EBITDAR (£m)

December year end	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
EBITDAR	**20.9**	**28.5**	**23.2**	**39.9**	**65.1**	**78.4**	**79.1**	**84.4**	**88.4**	**102.9**
Change (%)		*36.5*	*(18.5)*	*71.7*	*63.2*	*20.5*	*0.9*	*6.7*	*4.7*	*16.4*
Margin (%)	**31.5**	**38.4**	**32.5**	**33.3**	**37.1**	**40.0**	**38.1**	**38.9**	**40.4**	**37.8**
Change (%)		*22.1*	*(15.4)*	*2.3*	*11.4*	*7.8*	*(4.7)*	*2.2*	*3.9*	*(6.6)*

December year end	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
EBITDAR	**116.0**	**120.7**	**124.6**	**(9.1)**	**27.6**	**97.0**	**127.0**	**142.7**	**162.2**
Change (%)	*12.7*	*4.1*	*3.2*	*(107.3)*	*(403.3)*	*251.4*	*30.9*	*12.4*	*13.6*
Margin (%)	**35.7**	**35.3**	**34.8**	**(8.9)**	**19.5**	**29.4**	**31.1**	**32.0**	**33.7**
Change (%)	*(5.5)*	*(0.9)*	*(1.4)*	*(125.7)*	*(318.4)*	*50.5*	*5.9*	*3.0*	*5.1*

Source: Company, Radnor

In FY22, the EBITDA margin rose from 17.7% in FY21 to 28.7% in FY22, benefitting partly from the 37.1% rise in average room rate. FY22 saw a sharp increase in the cost base, most noticeably due to increased payroll and energy costs, which increased substantially in all territories, but these were said to be more than offset by savings arising from investments in technology, automation and energy efficiency. Plus, although utility prices increased sharply during 2022, the Group had hedges in place for the year, which meant that the effect of this increase was only marginal. Management are confident that the EBITDA margin will recover to a pre-Covid level, especially as energy costs decline.

Figure 38: PPHE's EBITDA (£m)

December year end	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
EBITDA	**19.4**	**20.2**	**14.4**	**32.2**	**56.4**	**69.4**	**70.2**	**76.1**	**80.1**	**94.1**
Change (%)		*3.8*	*(28.5)*	*123.7*	*74.9*	*23.1*	*1.2*	*8.4*	*5.3*	*17.5*
Margin (%)	**29.3**	**27.2**	**20.2**	**26.9**	**32.1**	**35.4**	**33.8**	**35.1**	**36.6**	**34.5**
Change (%)	*0.0*	*(7.1)*	*(25.8)*	*33.3*	*19.4*	*10.1*	*(4.5)*	*3.8*	*4.4*	*(5.7)*

December year end	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
EBITDA	**107.3**	**113.2**	**122.9**	**(10.10)**	**25.1**	**94.6**	**124.8**	**140.4**	**159.7**
Change (%)	*14.0*	*5.5*	*8.6*	*(108.2)*	*(348.5)*	*276.9*	*31.9*	*12.5*	*13.8*
Margin (%)	**33.0**	**33.1**	**34.4**	**(9.92)**	**17.7**	**28.7**	**30.6**	**31.5**	**33.2**
Change (%)	*(4.4)*	*0.4*	*3.7*	*(128.9)*	*(278.9)*	*61.4*	*6.7*	*3.0*	*5.2*

Source: Company, Radnor

Labour is by far the Group's main cost, at 46% of total costs in FY19, pre-Covid (Figure 39). Given tight labour markets post-Covid, PPHE has focussed on investment in people and on rebuilding teams, which was said to have been a benefit. For example in FY22, it was able to increase its workforce by more than 61% in the UK and the Netherlands.

PPHE has a centralised approach to recruitment, which sees its teams working directly to support hotel teams by sourcing and often completing the initial rounds of the recruitment process, which leads to a more proactive and efficient approach.

The Group is also keen to widen employment to those who have not had an opportunity to work in hospitality and to achieve this, in the UK it operates a walk-in Hospitality Career Centre at Park Plaza London Victoria, close to Victoria Station, which resulted in 163 hires in FY22.

Figure 39: PPHE's Costs

Segment	Cost (£'000) FY19	FY20	FY21	FY22	Proportion (%) FY19	FY20	FY21	FY22
Salaries and related expenses	107,146	74,746	68,710	109,412	46.0	67.4	60.4	46.9
Franchise, reservation and commissions	27,830	9,255	12,186	28,419	11.9	8.3	10.7	12.2
Insurance and property taxes	17,937	9,841	10,004	19,156	7.7	8.9	8.8	8.2
Food and beverage	18,171	4,923	8,675	16,471	7.8	4.4	7.6	7.1
Other expenses	15,947	9,642	8,250	15,328	6.8	8.7	7.2	6.6
Utilities	11,126	6,954	7,736	11,570	4.8	6.3	6.8	5.0
Administration costs	7,812	4,569	3,607	7,905	3.4	4.1	3.2	3.4
Maintenance	6,937	4,293	4,693	6,839	3.0	3.9	4.1	2.9
Laundry, linen and cleaning	5,039	1,862	1,941	5,472	2.2	1.7	1.7	2.3
Defined contribution pension premiums	3,980	3,121	3,174	4,588	1.7	2.8	2.8	2.0
Supplies	4,481	1,704	2,186	4,573	1.9	1.5	1.9	2.0
IT expenses	1,673	1,374	1,639	2,195	0.7	1.2	1.4	0.9
Communication, travel and transport	2,637	1,288	1,141	1,939	1.1	1.2	1.0	0.8
Marketing expenses	2,308	1,374	1,523	1,864	1.0	1.2	1.3	0.8
Government grants payroll		(24,076)	(12,079)	(183)	0.0	(21.7)	(10.6)	(0.1)
Government grants fixed costs			(9,578)	(2,461)	0.0	0.0	(8.4)	(1.1)
Total	**233,024**	**110,870**	**113,808**	**233,087**	**100.0**	**100.0**	**100.0**	**100.0**

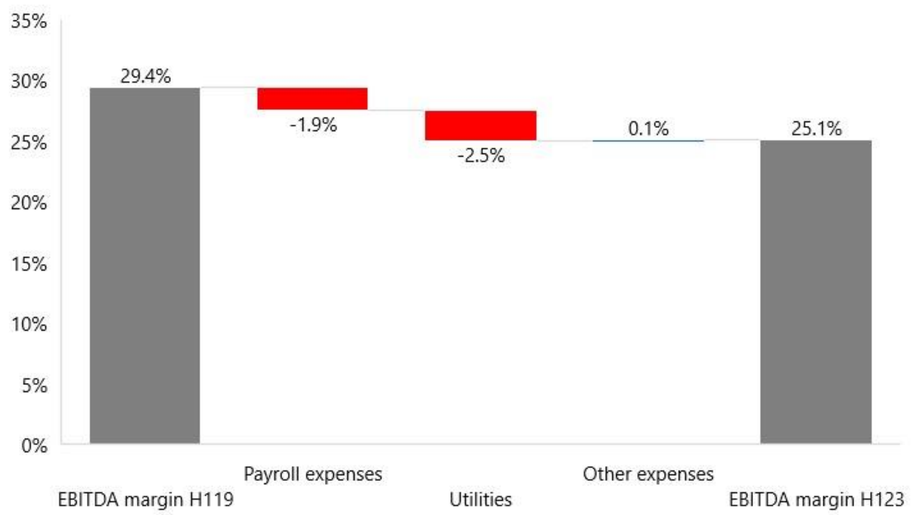
Source: Company, Radnor

In H123, the EBITDA margin rose from 15.0% in H122 to 25.1% in H123, albeit that was still below the 29.4% achieved, before Covid, in H119 (Figures 40). In H123, compared with H222, the Group was able to offset inflation with ongoing productivity improvements in areas such as energy and labour.

In Q123, the EBITDA margin swung from a loss of (15.6%) in Q122 to 8.0% in Q123 and we note that Q122 was impacted by lockdowns and government measures. Generally, the first quarter is typically the slowest quarter, especially as all Croatian resorts are shut in Q1, so PPHE has running costs there but no revenue.

In Q223, the EBITDA margin rose from 27.1% in Q222 to 35.7% in Q223. Q222 was a ramp up quarter, with staff shortages all across regions. Generally, Q2 is always impacted by the Croatian region opening in April, which is a slow, loss-making month, breaks even in May and then becomes profitable in June.

Figure 40: PPHE's margin development in H123 compared with H119



Source: Company, Radnor

In the Q323 trading update, the Group said that it *“continues to see inflationary pressures, impacting the sector as a whole, and has continued to take action to mitigate these”.* After an EBITDA margin of 28.7% in FY22 we forecast a sequential improvement each year, reaching a margin of 33.2% by FY25, due to positive operational gearing from increased revenue and lower energy and payroll costs.

Current trading and outlook

In terms of the outlook, at the time of the H123 results, held on 31 August 2023, management said that *“entering the strongest half of the year, the previously announced strong trading conditions have been maintained through Q2 and into Q3 across all main market segments of leisure, corporate travel and meetings and events”*. The second half of the year is typically the strongest trading period and management said that there is currently *“excellent booking momentum seen”.*

In terms of the outlook for the margin, in H123 management said that they expected it to improve despite broader cost inflation and that this cost inflation will diminish through FY24. Management added that there would be a *“continued focus on maintaining and driving room rates, to cover inflationary pressures, while continuing to build occupancy”.* PPHE expects to deliver FY23 revenue of at least £400m and EBITDA of at least £120m, compared to our forecast of £408m of revenue and £125m of EBITDA.

In the Q323 trading update, PPHE reiterated the guidance of FY23 revenue of at least £400m and EBITDA of at least £120m. The statement said that *“trading momentum seen in Q3 has continued into the final quarter, supported by capacity for further growth in occupancy”*, adding that *“continued focus on maintaining room rates, to cover inflationary pressures, while continuing to build occupancy”* and that *“the Board remains confident in the Group's longer-term growth, underpinned by the persistent strength of consumer and corporate leisure demand internationally, our quality assets, fully-funded development pipeline and strong financial position”.* The statement also said that the £300m + pipeline is nearing completion, reiterating that upon stabilisation the four hotels *“are together targeted to generate at least £25 million of EBITDA”.*

Adjusted EPRA earnings

To show an underlying adjusted EPS, PPHE reports adjusted EPRA earnings and we believe that adjusted EPRA earnings is the only relevant earnings number, whereas the reported earnings are skewed with non-cash depreciation which is not a true reflection of what the business needs to re-invest on an average basis.

The average capex is about 4% of total revenues, so with adjusted EPRA earnings the main adjustment is that the Group replaces the reported depreciation with the maintenance capex (both adjusted for minorities).

In effect we see adjusted EPRA earnings as a proxy for recurring cash flow per share and we note that the company uses adjusted EPRA earnings as the basis for the dividend. We also use adjusted EPRA earnings as the basis for our P/E valuations.

Below, we show the two stages to move from reported earnings to adjusted EPRA earnings, with the main difference being the switch from depreciation to maintenance capex (Figures 41 and 42).

Figure 41: PPHE's EPRA earnings (£m)

December year end	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Reported earnings	33.9	(81.7)	(52.1)	10.2	26.3	22.4	33.0
Depreciation and amortisation	41.7	46.6	43.3	40.0	40.0	53.0	57.3
Revaluation of Park Plaza County Hall London Income Units	(0.9)	2.4	(0.6)	(0.3)	0.0	0.0	0.0
Changes in fair value of financial instruments	(0.7)	0.2	(1.7)	(9.6)	0.0	0.0	0.0
Non-controlling interests in respect of the above	(7.8)	(8.1)	(6.4)	(7.6)	(8.2)	(13.2)	(14.2)
EPRA earnings	**66.2**	**(40.6)**	**(17.5)**	**32.7**	**58.1**	**62.2**	**76.1**
Shares	42.4	42.5	42.5	42.5	42.4	42.4	42.4
EPRA earnings per share	**156.2**	**(95.7)**	**(41.2)**	**76.8**	**137.2**	**146.7**	**179.5**
Change		*(161.2%)*	*(56.9%)*	*(286.5%)*	*78.5%*	*7.0%*	*22.4%*

Source: Company, Radnor

Adjusted EPRA EPS improved from a loss of 44p in FY21 to 50p in FY22. In the H123 results, the Group said that adjusted EPRA EPS rose by 112%, from 50p in FY22 to 106p for the twelve months ended 30 June 2023.

Figure 42: PPHE's Adjusted EPRA earnings (£m)

December year end	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
EPRA earnings	66.2	(40.6)	(17.5)	32.7	58.1	62.2	76.1
Loss on buy-back of Income Units in Westminster Bridge	0.7	0.0	0.5	1.5			
Remeasurement of lease liability	3.4	3.4	3.6	3.7	4.0		
Disposals and non-recurring expenses (incl pre-opening)	0.8	2.0	(0.7)	1.5	(2.3)		
Loan early repayment break costs	0.0	0.0	0.5	0.0			
Business combination acquisition costs	0.0	0.0	1.0	0.0			
Government settlement purchase of Hotel Riviera	0.0	1.5	0.0	0.0			
Gains from settlement of legal claim	(1.1)	0.0	3.1	0.0			
Adjustment of lease payments	(2.2)	(2.6)	(2.3)	(2.2)	(2.3)	(2.3)	(2.3)
Insurance settlement	0.0	(10.0)	0.0	0.0			
One off tax adjustments	(5.1)	(1.8)	(3.6)	(5.8)			
Maintenance capex	(14.3)	(4.0)	(5.7)	(13.2)	(16.3)	(17.8)	(19.3)
Non-controlling interests - maint. capex and adjustments	5.8	0.0	2.3	3.0	2.9	3.5	4.0
Adjusted EPRA earnings	**54.2**	**(52.1)**	**(18.8)**	**21.2**	**44.1**	**45.5**	**58.5**
Shares	42.4	42.5	42.5	42.5	42.4	42.4	42.4
Adjusted EPRA earnings per share	**127.9**	**(122.8)**	**(44.3)**	**49.8**	**104.0**	**107.5**	**138.1**
Change		*(196.0%)*	*(63.9%)*	*(212.5%)*	*108.9%*	*3.3%*	*28.5%*

Source: Company, Radnor

In the table below we show the reconciliation from PPHE's adjusted EPRA earnings to normalised earnings (Figure 43).

Figure 43: PPHE's normalised earnings (£m)

December year end	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Adjusted EPRA earnings	54.2	(52.1)	(18.8)	21.2	44.1	45.5	58.5
Reported depreciation and amortisation	(41.7)	(41.3)	(38.9)	(40.0)	(40.0)	(53.0)	(57.3)
Non-controlling interest - reported depreciation	7.8	8.1	6.3	7.6	8.2	13.2	14.2
Maintenance capex	14.3	4.0	5.7	13.2	16.3	17.8	19.3
Non-controlling interest - maint. capex and specific adjustments	(5.8)	0.0	(2.3)	(3.0)	(2.9)	(3.5)	(4.0)
Adjustment of lease payments	2.2	2.6	2.3	2.2	2.3	2.3	2.3
One off tax adjustments	5.1	1.8	3.6	5.8			
Profit attributable to non-controlling interest	8.7	(12.2)	(0.4)	4.7	6.0	3.0	7.2
Reported tax	(4.1)	(0.7)	(5.0)	(3.4)	3.4	4.5	7.1
Normalised profit before tax	**40.7**	**(89.8)**	**(47.5)**	**8.3**	**37.4**	**29.9**	**47.3**
Reported tax rate	10.7%	(0.8%)	(8.8%)	29.3%	(9.5%)	(15.0%)	(15.0%)
Tax	4.3	0.7	4.2	2.4	(3.6)	(4.5)	(7.1)
Normalised profit after tax	**45.1**	**(89.1)**	**(43.4)**	**10.7**	**33.8**	**25.4**	**40.2**
Minorities	(8.7)	12.2	0.4	(4.7)	(6.0)	(3.0)	(7.2)
Earnings	**36.4**	**(76.9)**	**(43.0)**	**6.0**	**27.9**	**22.4**	**33.0**
Shares	42.4	42.5	42.5	42.5	42.4	42.4	42.4
Normalised EPS	**85.9**	**(181.1)**	**(101.0)**	**14.2**	**65.7**	**52.8**	**77.8**
Change		*(310.9%)*	*(44.2%)*	*(114.1%)*	*362.6%*	*(19.7%)*	*47.4%*

Source: Company, Radnor

The Group has reported adjusted EPRA EPS since 2013 and below we show the difference between this and reported EPS (Figure 44).

Figure 44: PPHE's reported and adjusted EPRA EPS (£m)

December year end	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Reported EPS (p)	65.7	77.9	71.2	83.0	57.0	90.0	80.0
Adjusted EPRA EPS (p)	68.0	91.0	96.0	97.0	104.0	115.0	128.0
Difference (%)	*3*	*17*	*35*	*17*	*82*	*28*	*60*

December year end	FY20	FY21	FY22	FY23E	FY24E	FY25E
Reported EPS (p)	(192.0)	(123.0)	24.0	62.1	52.8	77.8
Adjusted EPRA EPS (p)	(123.0)	(44.0)	50.0	104.0	107.5	138.1
Difference (%)	*(36)*	*(64)*	*108*	*67*	*104*	*78*

Source: Company, Radnor

Balance Sheet

The Group unlocks capital on the back of its assets in many different ways; raising debt, raising equity through several different forms of partnerships or sometimes by entering into 100+ year ground rent structures (Figure 45). This funding strategy gives PPHE access to capital on the back of the fair value of its assets and also balances the liquidity and interest rate risk attached to its capital structure.

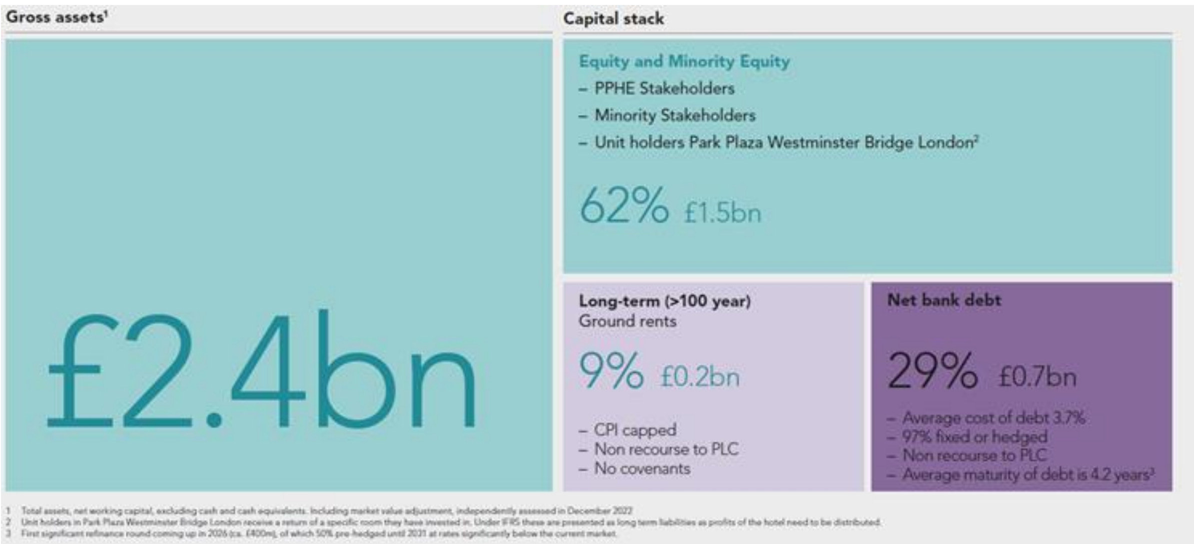
The Group's partnerships, such as the third-party unit holders in Park Plaza Westminster Bridge London, the third-party shareholders in its listed Croatian subsidiary or the individual professional partners it works with on several assets, provide it with long-term equity and therewith sharing of the risks and returns on each asset.

The 100+ year ground rent structures give PPHE long-term access to capital, with no covenants, no recourse to the Group and no refinance risk or interest rate exposure. These structures are typically linked to inflation, although these are often capped at around 4–5% annually.

Finally, PPHE's asset-backed mortgages are mostly entered into with long-standing banking partners, with a five-to ten-year maturity and with a fixed rate or a variable rate with hedging arrangements. The Group's mortgages have covenants around the value of assets (Loan to Value, or LTV) and trading (interest or debt service cover ratios). The level of debt raised on trading assets is typically around 50% of the value of these assets and appropriate buffers are kept towards the covenants on the loan. Furthermore, most of PPHE's loans are amortised annually around 2.5% of the nominal amount over the term.

The Group's current net bank debt leverage percentage is 32.9%. During the period of the pandemic, all its banks waived the covenant requirements of the respective loans. Although PPHE's mortgages are exposed to interest rate risks, most of these were entered into years ago, averaging at 3.1% interest (fixed) and with an average remaining maturity of 4.6 years. In early 2022, the Group entered into multiple forward starting hedges (starting when loans roll over or refinance in 2024 and 2026) for approximately £380 million, around 1.4%–1.9% swap rate, significantly below current market levels. The loans on trading assets are non-recourse. Due to the remaining maturity and the forward starting swaps, we estimate that the current higher interest rate environment will start affecting the cash flows on or around 2027.

Figure 45: PPHE's capital stack in FY22



Source: Company, Radnor

EPRA NRV

The Group, as an integrated developer, owner and operator of hotels, resorts and campsites, has a real estate-led business model. Returns are generated by both developing the assets which PPHE owns, and operating its properties to their full potential, thus driving increased value for all stakeholders. Certain EPRA performance measurements are disclosed to aid investors in analysing the Group's performance and understanding the value of its assets and earnings from a property perspective and it has reported EPRA NRV since FY17.

Hotel real estate, as opposed to other asset classes, typically has an inflation hedge in its income. For example, whereas offices have not seen much, if any, growth in rents during the last couple of years, PPHE has been able to grow rates by more than a quarter. As a result, changes in valuation discount rates, due to the higher interest rate environment, impact the hotel asset class less than other asset classes as income typically also grows.

PPHE benefits from a diverse mix of clients, with its hotels catering for many different segments including corporates, leisure, meetings & events, tour groups and air crews. The Group's asset portfolio is diverse by site including both core city centre locations and leisure resorts, with the former proving very resilient historically given its prime locations for instance in Amsterdam and London.

Compared with competitor hospitality companies, PPHE has much more asset backing and even when all hotels were shut during Covid, its real estate kept its value, whereas competitors are focussed on franchising, management contracts or leased hotels.

PPHE's EPRA NRV is substantially higher than its NAV (equity less non-controlling interests) because it has developed most of its hotels, building them cheaper than if they had been bought. All assets are recorded at original cost, less depreciation, whereas the real value of the real estate has only increased over the years (Figure 46).

Figure 46: PPHE's EPRA NRV calculation (£m)

	FY19	FY20	FY21	FY22
NAV per the financial statements (equity less non-controlling interests)	**377.3**	**309.6**	**278.5**	**315.1**
Effect of exercise of options	4.0	13.2	6.2	3.0
Diluted NAV	**381.3**	**322.8**	**284.7**	**318.1**
Revaluation of owned properties in operation (net of non-controlling interest)	699.2	602.1	636.1	746.9
Revaluation of JV interest held in two German assets (net of non-controlling interest)	3.9	3.2	3.4	6.8
Real estate transfer tax	19.8	18.6	17.2	18.7
Fair value of financial instruments	0.7	0.7	0.4	(21.1)
Defered tax	6.7	13.4	9.4	9.3
EPRA NRV	**1,111.6**	**960.8**	**951.2**	**1,078.7**
Shares (diluted) (m)	42.9	43.5	42.9	42.8
EPRA NRV per share (£)	**25.93**	**22.08**	**22.15**	**25.17**

Source: Company, Radnor

Since FY17, the Group's book value per share has been at a 68% discount to its EPRA NRV per share (Figure 47). We also show the current share price, of £12.55, trades at a 50% discount to the FY22 EPRA NRV of £25.17 and how that compares to the share price at the same point of the year each year since FY17.

Figure 47: PPHE's EPRA NRV and book value per share and share price

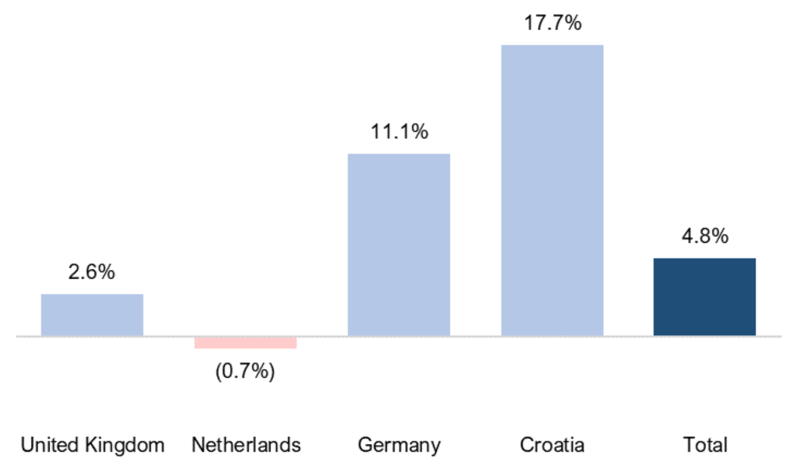
December year end	FY17	FY18	FY19	FY20	FY21	FY22
EPRA NRV per share (£)	24.02	24.57	25.93	22.08	22.15	25.17
Change (%)		*2.3*	*5.5*	*(14.8)*	*0.3*	*13.6*
December year end	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**
Book value per share (£)	8.05	8.71	8.80	7.11	6.49	7.35
Change (%)		*8.3*	*1.0*	*(19.2)*	*(8.8)*	*13.4*
Book value per share discount to EPRA NRV per share (%)	*(66.5)*	*(64.5)*	*(66.1)*	*(67.8)*	*(70.7)*	*(70.8)*
	Dec 18	**Dec 19**	**Dec 20**	**Dec 21**	**Dec 22**	**Dec 23**
PPHE's share price (£)	16.50	19.00	13.00	13.82	12.35	12.55
Share price discount to EPRA NRV per share (%)	**(31.3)**	**(22.7)**	**(49.9)**	**(37.4)**	**(44.2)**	**(50.1)**

Source: Company, Radnor

Each year, PPHE's properties (with the exception of operating leases and managed and franchised properties) are independently valued by Savills (in respect of properties in the Netherlands, UK and Germany) and by Zagreb nekretnine Ltd (Zane) (in respect of properties in Croatia). In December 2022, PPHE's properties were valued at £2.0bn, which equated to an EPRA NRV per share of £25.17, a 13.6% increase on the £22.15 in FY21.

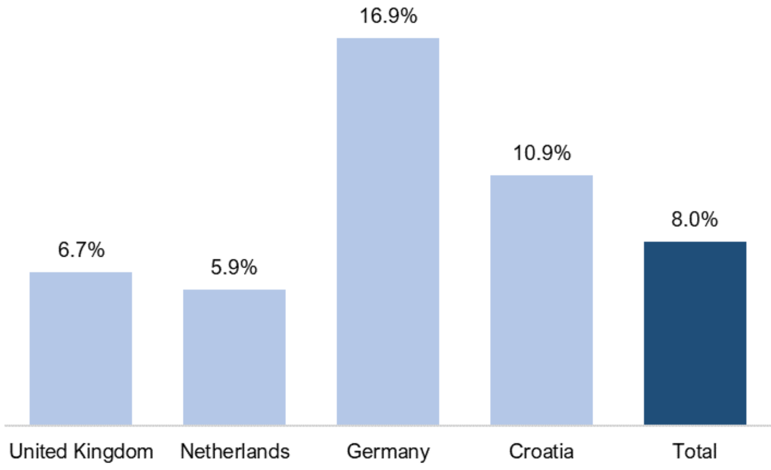
In FY22, the Group's EPRA NRV was both positively impacted by the earnings in the year of £10.2 million and by a revaluation of £104.0 million. The portfolio value at the end of 2022 increased by 4.8% compared with 2019 and by 8.0% compared with 2021 (Figures 48 and 49).

Figure 48: Valuation comparison – 2022 vs 2019 valuation



Source: Company, Radnor

Figure 49: Valuation comparison – 2022 vs 2021 valuation



Source: Company, Radnor

The positive revaluation follows a significantly improved forward-looking cash flow profile, as the Group recovered from its Covid-distorted trading sooner than expected. In their 2021 valuations, the independent valuers had assumed that PPHE's trading would be largely in line with 2019 from the 2024 financial year onwards, however this improvement occurred sooner than the valuers had anticipated (Figure 50).

Figure 50: Actual and Budget versus expectations

	Revenue		Gross Operating Profit	
	2022 Actual	2023 Budget	2022 Actual	2023 Budget
United Kingdom	15.4%	20.5%	24.4%	6.2%
The Netherlands	12.9%	16.2%	6.0%	7.2%
Germany	(13.7%)	12.4%	(9.2%)	16.5%
Croatia	12.4%	22.1%	13.2%	15.2%

Source: Company, Radnor

To value the portfolio, firstly discount rates are used for the initial 10 years of cash flow and then cap rates are used thereafter, with cap rates typically 2.5% lower than discount rates to reflect an eternal inflation assumption on earnings.

In 2022, discount and cap rates stayed relatively stable, increased by a higher inflationary environment and higher interest rate risks; however, these rates now have a lower added risk profile due to lowered uncertainties post Covid (Figure 51).

Figure 51: Discount and Cap rates

	Discount rates		Cap rates	
	2021 valuations	2022 valuations	2021 valuations	2022 valuations
United Kingdom	7.75% -10.50%	7.50% - 10.00%	5.25% - 8.00%	5.00% - 7.50%
The Netherlands	7.75% - 9.50%	8.00% - 9.80%	5.25% - 7.00%	5.50% - 7.30%
Germany	8.00% - 9.25%	8.50% - 9.30%	5.50% - 6.75%	6.00% - 6.80%
Croatia	9.00% - 11.00%	9.00% - 11.00%	7.00% - 9.00%	7.00% - 9.00%

Source: Company, Radnor

EPRA NRVs are determined on the basis of independent external valuations prepared at the end of each year, at the half year stage the only change is due to currency movements. The EPRA NRV per share reduced by 0.5% from £25.17 on 31 December 2022 to £25.05 at 30 June 2023, driven entirely by the change in the GBP/EUR currency conversion rate. The next round of valuations with take place in December 2023.

Within the £25.05 EPRA NRV, £2.79 per share (11% of total) is represented by non-yielding development assets in the Group's development pipeline that will generate income and value in the future. For example, PPHE said at the H123 results that the current £300m+ pipeline over the next nine months is targeted to deliver at least £25m of EBITDA once trading has stabilised.

PPHE reported that the independent market valuation for its portfolio was £2.0bn in 2022. The Group has not split the market value of its portfolio since June 2018, when it moved from AIM to the Main market, and the value was then £1.3bn, and we think it is interesting to see how this looked, albeit the value is now significantly out of date, for example it did not include Croatia or Germany (Figure 52).

Figure 52: Market value of PPHE's portfolio in June 2018

UK Properties	**Tenure**	**Market value (£m)**	
Park Plaza Westminster Bridge London	Freehold	340,000,000	
Park Plaza Riverbank London	Long Leasehold	261,750,000	
Park Plaza Victoria London	Freehold	166,100,000	
Park Plaza Sherlock Holmes London	Long Leasehold	26,600,000	
Park Plaza Waterloo	Long Leasehold	84,100,000	
Park Plaza Park Royal	Long Leasehold	32,900,000	
Park Plaza Park Leeds	Freehold	21,000,000	
Park Plaza Park Nottingham	Long Leasehold	15,000,000	
Hoxton Development	Freehold	82,500,000	
Sub total		**1,029,950,000**	
European Properties	**Tenure**		**Market value (€m)**
Park Plaza Victoria Amsterdam	Freehold		166,800,000
Park Plaza Vondelpark Amsterdam	Freehold		31,800,000
Park Plaza Schiphol Amsterdam Airport	Freehold		34,950,000
Park Plaza Utrecht	Long Leasehold		25,800,000
Park Plaza Eindhoven	Freehold		12,300,000
Art'otel Amsterdam	Freehold		46,150,000
Sub total		**279,886,000**	**317,800,000**
Total		**1,310,000,000**	

Source: Company, Radnor

At the H123 results, the Group disclosed secondary market activity in the sector, adding that recent hotel transactions have validated its market asset values (Figure 53). A useful figure would be PPHE's per key value per site, or even by geography, but it has not disclosed this, probably for commercial reasons, nor does PPHE sell hotels, so we do not have a track record of market values which it has realised.

Figure 53: Recent hotel transactions in PPHE's markets

Date of sale	Property	Price	Price per key
Central London			
Jun-23	Apex London Wall Hotel	£53,400,000	£600,000
Mar-23	Covent Garden Hotel	£55,000,000	£948,276
Dec-22	The Dilly*	£90,000,000	£318,000
Dec-22	Native Bankside	£42,250,000	£550,000
Sep-22	NH Kensington	£62,000,000	£459,259
Aug-22	Trafalgar St James	£130,000,000	£992,366
Jun-22	Autograph Bankside	£104,000,000	£645,963
Apr-22	Hilton London Olympia*	£130,000,000	£320,988
London other			
Feb-2023	Maldron Finsbury Park	£44,300,000	£230,700
Leeds			
Feb-2023	Queens Leeds*	£53,000,000	£228,500
Central Amsterdam			
Dec-22	The Hoxton	€66,600,000	€600,000
Sep-22	Sofitel Legend the Grand Amsterdam	€150,000,000	€842,696
Jan-22	Mercure Amsterdam*	€43,650,000	€469,354
Amsterdam other			
Q4-22	Pillows Anna van den Vondel	€11,450,000	€394,827
May-22	QO Hotel	€92,000,000	€319,444
Eindhoven			
Q2-23	Inntel ART Hotel	€50,000,000	€217,391
Utrecht			
Oct-2022	NH Utrecht	€45,0000,000	€163,000

*The acquirers of these hotels have all announced or commenced significant CAPEX investments into these properties.

Source: Company, Radnor

Included within PPHE's non-current assets of £47.2m, are £16.1m of assets relating to the Income Units in Park Plaza County Hall hotel in London (Figure 54). In 2017, the Group acquired an ownership interest in Park Plaza County Hall through its purchase of 44 aparthotel units and the associated shares in the management company of the hotel, South Bank Hotel Management Company Limited, with a purchase price of £16.0m, with an additional two units acquired later that year for £0.7m. In return for the consideration paid, the Group receives 999 years of net income from the units. The fair value of the Income Units in FY22, was £16.1m based on an independent valuation prepared by Savills using a cap rate of 6.25%.

Figure 54: PPHE's non current assets (£k)

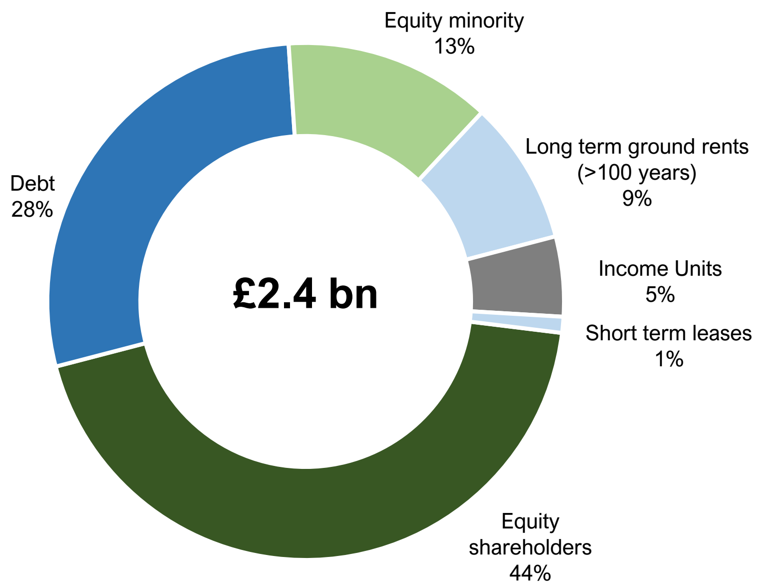
December year end	FY21	FY22
Income Units in Park Plaza County Hall London	15,800	16,100
Rent security deposits	346	358
Derivative financial instruments		30,539
Other non-current assets	240	248
Total	**16,386**	**47,245**

Source: Company, Radnor

Debt

After equity, the Group's main funding source is debt, comprising 28% of total funding (Figure 55). PPHE's debt is asset-backed through either a mortgage on either a single property or a portfolio basis and has limited or no recourse to the group, which gives it flexibility to rectify any potential default during the term of the loan.

Figure 55: PPHE's funding composition in FY22



Source: Company, Radnor

PPHE had net debt of £682m in FY22, a £64m increase on FY21, mainly due to the £91m of capex in the year as it continued to develop and refurbish new and existing hotels and resorts (Figure 56). As at H123, the Group had £130m of debt relating to projects under construction, the largest one being Hoxton.

Figure 56: PPHE's net debt (£m)

December year end	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Net debt (£)	59.2	224.2	359.5	317.2	335.8	375.4	401.9	373.4	397.7	584.9
Change (%)		*278.7*	*60.4*	*(11.8)*	*5.9*	*11.8*	*7.1*	*(7.1)*	*6.5*	*47.1*

December year end	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Net debt (£)	378.1	479.6	514.6	636.2	618.0	682.6	707.3	694.4	636.6
Change (%)	*(35.4)*	*26.9*	*7.3*	*23.6*	*(2.9)*	*10.5*	*3.6*	*(1.8)*	*(8.3)*

Source: Company, Radnor

The Group has a diverse range of funding counterparties, For example, there are 32 different loan agreements mentioned in the FY22 annual report which we see as an advantage as it means that it is not dependent on an individual bank or a limited group of banks. PPHE seems to have good relationships with its banks as evidenced by the fact that during Covid, all of them waived the covenant requirements of the respective loans.

PPHE's asset-backed mortgages are mostly entered into with long-standing banking partners, with a five-to ten-year maturity and with a fixed rate or a variable rate with hedging arrangements. The Group's mortgages have covenants around the value of assets (Loan to Value) and trading (interest or debt service cover ratios). Most of PPHE's loans are amortised annually around 2.5% of the nominal amount over the term, lowering the refinance nominal typically by 20-25% over the lifecycle of a specific loan.

Although the Group's mortgages are exposed to interest rate risks, most of these were entered into years ago, averaging at 3.1% interest (fixed) and 3.6% for the overall debt, with an average remaining maturity of 4.6 years. At the end of H123, 97% of the Group's debt was fixed.

In early 2022, PPHE entered into multiple forward starting hedges (starting when loans roll over or refinance in 2024 and 2026) for approximately £380 million, around 1.4%–1.9% swap rate, significantly below current market levels. The loans on trading assets are non-recourse. PPHE has a healthy balance sheet, with no significant refinancing in the near future (Figure 57).

Figure 57: PPHE's debt maturity profile

December year end	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter	Total
Borrowings (£m)	47.9	32.7	61.7	365.5	46.2	315.6	869.5
Proportion of total (%)	*6*	*4*	*7*	*42*	*5*	*36*	*100*

Source: Company, Radnor

PPHE has a proven track record of obtaining funding or refinancing in the toughest economic cycles, most recently proven by signing a £180m construction facility in the midst of Covid in May 2020, and also refinancing during the global financial crisis. Also, during Covid, the Group was able to sign new RCF facilities and to get covenant waivers from all its banking partners, showing we think the excellence of its banking relations.

The Group had £163.6m of cash and cash equivalents in FY22, up from £136.8m in FY21, plus it has access to undrawn facilities of £60m (Figure 58).

Figure 58: PPHE's cash and cash equivalents (£m)

December year end	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Cash and cash equivalents	153.0	114.2	136.8	163.6	174.3	195.5	228.8

Source: Company, Radnor

The level of debt raised by PPHE on trading assets is typically around 50% of the value of these assets and appropriate buffers are kept towards the covenants on the loan. Since FY18, the Group has also disclosed the net debt/fair value gearing ratio, adjusted for EPRA NRV (Figure 59).

Figure 59: PPHE's net debt / fair value gearing ratio in FY22 (£m)

December year end	FY22
EPRA NRV adjustment	
Property, plant and equipment	711.5
Right-of-use asset	(225.4)
Lease liabilities	267.1
Financial liability in respect of Income Units sold to private investors	121.1
Sub-total	**874.2**
Investment in joint ventures	12.8
Other assets and liabilities, net	2.1
Total	**889.1**
Fair value of equity	
EPRA NRV adjustment	889.1
Book value of equity	503.3
Total	**1,392.4**
Equity and net debt	
Net debt	682.6
Equity	1,392.4
Total	**2,075.0**
Net debt/equity and net debt (%)	**32.9**

Source: Company, Radnor

PPHE's net debt/fair value gearing ratio of 32.9% in FY22, was higher than the 32.2% average between FY18 and FY21 (Figure 60).

Figure 60: PPHE's net debt / fair value gearing ratio since FY18 (%)

December year end	FY18	FY19	FY20	FY21	FY22
Net debt/fair value gearing ratio	28.7	29.4	37.1	33.6	32.9

Source: Company, Radnor

We forecast that the Group will have net debt/EBITDA of 5.7x in FY23, albeit we feel that this overstates the pro-forma position as the net debt will include around £150m of construction debt on the development pipeline, which is targeted to deliver at least £25m of EBITDA once opened and stabilised, but this EBITDA is not included within the 5.2x net debt/EBITDA ratio (Figure 61). Plus, in our experience, companies with a higher asset ownership level, such as PPHE, tend to be able to support higher net debt/EBITDA levels than asset light ones.

Figure 61: PPHE's reported net debt / EBITDA (x)

December year end	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Net debt/EBITDA	3.0	11.1	24.9	9.8	6.0	5.4	5.8	5.1	5.0	6.2

	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Net debt/EBITDA	3.5	4.2	4.2	(63.0)	24.6	7.2	5.7	4.9	4.0

Source: Company, Radnor

Equity minorities

PPHE's main minorities are the holders of the 47% of the shares which it does not own in the listed subsidiary AHG and also Clal Insurance. In June 2021, a wholly owned subsidiary of PPHE entered into a sale and purchase agreement with Clal Insurance and as a result, Clal became a minority partner and owner of 49% of the shares of Signature Top Ltd, a wholly owned subsidiary of PPHE which indirectly holds the real estate and operations of both the 646-room Park Plaza London Riverbank and the 343-room art'otel London Hoxton development project which is scheduled to open in 2024. As part of this agreement, the Group has secured a 20-year hotel management agreement in respect of both hotels. PPHE entered into this agreement to raise funds during Covid on the back of the value (NRV) of its assets, rather than a rights issue that would have diluted shareholders on a share price that was 50% lower.

During Covid, PPHE's minorities shared in its losses, with a 12.0% positive contribution to earnings (in terms of minority costs as a proportion of revenues) in FY20 (Figure 62). In FY23, we forecast a minorities outflow equivalent to 1.5% of revenues, which then reduces to 0.7% of revenues in FY24 due to the opening costs and interest costs, before generating material profits, of both Hoxton and Rome which will each have substantial minority investors, at 49% of total.

Figure 62: PPHE's minorities

December year end	FY19	FY20	FY21	H122	FY22	H123	FY23E	FY24E	FY25E
Minorities impact on earnings (£m)	(8.7)	12.2	0.4	3.8	(4.7)	2.9	(6.0)	(3.0)	(7.2)
Minority/revenues (%)	*(2.4)*	*12.0*	*0.3*	*3.4*	*(1.4)*	*1.6*	*(1.5)*	*(0.7)*	*(1.5)*

Source: Company, Radnor

Long-term ground rents

For a number of, undisclosed, freehold properties, PPHE has sold the ground rents for a 100+ years. These 100+ year ground rent structures give PPHE long-term access to capital, with no covenants, no recourse to it and no refinance risk or interest rate exposure. These structures were entered into when interest rates were substantially lower than currently and are typically linked to inflation, although these are often capped at around 4–5% annually.

Income Units sold to private investors

In 2010, the construction of Park Plaza Westminster Bridge was completed and PPHE sold 535 out of 1,019 rooms to private investors under a 999-year lease. Since November 2014, the Group has bought back 52 Income Units from private investors.

The private investors receive a net income from PPHE or reimburse it for any commensurate loss from the exact room the investor owns, post a charge equivalent to 4% of the revenue per year to cover capex. As at the end of FY22 a liability of £121m is owed to third-party unit holders mainly offset by £111m of assets relating to these Income Units included within PPHE's PP&E, with the difference between the two amounts reflecting the profit it generated when it sold these Income Units.

There is no obligation to pay back the unitholders, the liability is a reflection of the 999-year profits/losses that the holders are entitled to on the rooms they own, therefore the company considers this balance sheet item to carry a similar risk profile as minority shareholders.

Cash Flow

The Group is generally cash generative, pre-expansion capex, reflecting mainly a high EBITDA and neutral working capital through cycles. In FY22 it generated £43.5m of free cash, which we forecast rising to £80.1m in FY25 (Figure 63). Adjusted EPRA earnings should give investors a steer on cash flow per share, similarly as adjusted Funds from Operations (FFO) would do for US real estate investors.

Figure 63: PPHE's free cash flow (£m)

December year end	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Free cash (post maint. capex but pre expansion capex, dividends)	65.9	(32.7)	(15.3)	43.5	59.9	62.5	80.1

Source: Company, Radnor

Capex

The Group's depreciation is recorded in accordance with IFRS, nevertheless internally it considers its ongoing maintenance capex as a more relevant measure in determining profit, which in the hospitality industry is calculated as approximately 4% of total revenue (Figure 64). In terms of maintenance capex, owned hotels typically require significant capex every five years to maintain their upkeep, but on average this comes down to 4%. PPHE keeps separate bank accounts for each hotel to accumulate the reserve on a monthly basis.

Figure 64: PPHE's depreciation, amortisation and maintenance capex

December year end	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Depreciation and amortisation (£m)	(41.7)	(46.6)	(43.3)	(40.0)	(40.0)	(53.0)	(57.3)
Depreciation and amortisation/revenue	*11.7%*	*45.8%*	*30.6%*	*12.1%*	*9.8%*	*11.9%*	*11.9%*
Maintenance capex (£m)	(14.3)	(4.0)	(5.7)	(13.2)	(16.3)	(17.8)	(19.3)
Maintenance capex/revenue	*4.0%*	*3.9%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*

Source: Company, Radnor

In addition to maintenance capex, since IPO PPHE has spent considerable amounts of expansion capex on developing new properties and refurbishing existing ones (Figure 65). In FY22, the Group's main expansion capex was the £60m outlay related to London Hoxton, Brioni and Rome. In FY22, additional development projects included positioning FRANZ Ferdinand Mountain Resort in Austria as a year-round destination, upgrades to Arena Stoja campsite in Croatia, and updates to 88 Rooms Hotel in Serbia. Expansion capex on the PPHE's current +£300m development pipeline is likely to conclude during H124.

Figure 65: PPHE's expansion capex

December year end	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Expansion capex (£m)	(58.1)	(53.4)	(52.9)	(77.7)	(71.4)	(31.6)	0.0
Expansion capex/revenue	*16.2%*	*52.5%*	*37.4%*	*23.5%*	*17.5%*	*7.1%*	*0.0%*

Source: Company, Radnor

Working capital

PPHE's underlying working capital requirement is usually neutral, which is what we forecast (Figure 66). In the last two years, the Group saw large receivables as it traded out of Covid and large payables due to substantial outstanding construction bills, which netted off to be a positive inflow.

Figure 66: PPHE's working capital cash flow movement

December year end	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Working capital (£m)							
Inventories	0.1	0.1	0.3	(1.2)	(0.4)	(0.4)	(0.5)
Receivables	(0.0)	13.5	(19.2)	(16.1)	(0.8)	(0.9)	(1.0)
Payables	2.0	(8.5)	21.7	20.8	1.2	1.3	1.4
Total	**2.1**	**5.1**	**2.8**	**3.4**	**0.0**	**0.0**	**0.0**
Proportion of revenues							
Inventories	0.0%	0.1%	0.2%	(0.4%)	(0.1%)	(0.1%)	(0.1%)
Receivables	(0.0%)	13.3%	(13.6%)	(4.9%)	(0.2%)	(0.2%)	(0.2%)
Payables	0.6%	(8.4%)	15.3%	6.3%	0.3%	0.3%	0.3%
Total	**0.6%**	**5.0%**	**2.0%**	**1.0%**	**0.0%**	**0.0%**	**0.0%**

Source: Company, Radnor

Dividends

The Group paid its first dividend in FY11, and dividends increased sequentially until they were suspended in FY20 and FY21 due to Covid (Figure 67). PPHE resumed dividends in FY22, with a 15p dividend per share, comprised of a 3p interim and a 12p final. Not included in the table is the extra dividend of £1 paid by the Group in 2016 after a successful sale and lease back of the land under Park Plaza Waterloo.

At the H123 results, the Group announced that it was returning to its historical capital returns policy of distributing approximately 30% of adjusted EPRA earnings, adding that this level of payout would support investment in future growth opportunities, especially in terms of the development pipeline.

Also, at the H123 results, PPHE said that given the significant share price discount (around 60% on 31 August 2023) relative to EPRA NRV per share, the Board intended to consult with shareholders regarding the most appropriate and effective mechanism for such distributions to take place, including dividends, share buybacks, tender offers or a combination thereof. We note that the Group has bought back shares before, most recently when it recommenced capital returns with a £4m share buyback programme in FY22.

Subsequently, on 27 September, PPHE said that following a consultation with shareholders it had decided to pursue an enhanced dividend policy, commencing with an interim dividend of 16p, so a 13p rise on the 3p paid the year before.

Figure 67: PPHE's dividends

December year end	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Adjusted EPRA EPS (p)			68	91	96	97	104	115
DPS (p)	6	12	14	19	20	21	24	35
Payout			*21%*	*21%*	*21%*	*22%*	*23%*	*30%*

December year end	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Adjusted EPRA EPS (p)	128	(123)	(44)	50	104	108	138
DPS (p)	37	0	0	15	31	32	41
Payout	*29%*	*0%*	*0%*	*30%*	*30%*	*30%*	*30%*

Source: Company, Radnor

Tax

PPHE, benefits from being registered in Guernsey which has a standard corporate tax rate of 0%. Foreign subsidiaries are subject to income taxes in their country of domicile in respect of their income (Figure 68).

Figure 68: Tax rates in PPHE jurisdictions

Jurisdiction	Applicable tax rate (%)
Germany	29
Italy	28
Netherlands	26
Austria	25
UK	19
Croatia	18
Serbia	15
Hungary	9
Guernsey	0

Source: Company, Radnor

Historically for tax purposes, the Group has benefitted from carried forward losses and given its significant development, substantial capital allowances were available, resulting in a low level of cash tax paid (Figure 69). The company expects to start seeing a more normalized tax rate from 2025 onwards.

Figure 69: PPHE's P&L and cash tax (£m)

December year end	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
P&L tax	4.1	0.7	5.1	3.4	(3.4)	(4.5)	(7.1)
P&L tax rate	*10.7%*	*(0.8%)*	*(8.8%)*	*29.3%*	*(9.5%)*	*(15.0%)*	*(15.0%)*
Cash tax	(1.0)	(0.7)	(0.5)	(0.2)	(3.4)	(4.5)	(7.1)
Cash tax/P&L tax	*(24.5%)*	*(98.2%)*	*(9.3%)*	*(6.7%)*	*100.0%*	*100.0%*	*100.0%*

Source: Company, Radnor

Management

We believe that PPHE shareholders benefit from a strong management team, especially as the two founders, Eli Papouchado (Non-Executive Chairman) and Boris Ivesha (President & CEO) have decades of successfully developing and operating hotels and still collectively own 43% of the equity, fully aligning them with shareholders (Figure 70).

Figure 70: PPHE's PLC Board

Name	Position
Eli Papouchado	Non-Executive Chairman
Yoav Papouchado	Alternate Director
Boris Ivesha	President & CEO
Daniel Kos	Chief Financial Officer & Executive Director
Greg Hegarty	Deputy Chief Executive Officer & Chief Operating Officer
Kenneth Bradley	Non-Executive Director
Nigel Keen	Non-Executive Director & Senior Independent Director
Stephanie Coxon	Non-Executive Director
Marcia Bakker	Non-Executive Director

Source: Company, Radnor

Figure 71: PPHE's Executive leadership team

Name	Position
Boris Ivesha	President & CEO
Daniel Kos	Chief Financial Officer & Executive Director
Greg Hegarty	Deputy Chief Executive Officer & Chief Operating Officer
Inbar Zilberman	Chief Corporate & Legal Officer
Robert Henke	Executive Vice President Commercial Affairs
Daniel Pedreschi	Regional Vice President Operations, The United Kingdom
Michelle Wells	Regional Vice President Operations, The Netherlands
Jamie Kerr	Executive Vice President Restaurants & Bars

Source: Company, Radnor

Eli Papouchado (Non-Executive Chairman)

Mr Papouchado has been Chairman of PPHE since its formation and is the Founder of the Red Sea Group and acted as its Chairman for over ten years. Mr Papouchado has a wealth of experience in the construction, design, development, financing, acquisition and management of leading hotels, and has been involved in the development of hundreds of thousands of square metres of retail space in shopping malls and large residential projects in the USA, Eastern Europe and the Middle East, and served as Chairman of the Israel Hotel Association.

Yoav Papouchado (Alternate Director to the Non-Executive Chairman)

Mr Yoav Papouchado is the Chairman of the Red Sea Group and is a real estate developer with over 30 years of experience of residential developments and data centres worldwide. He serves as Deputy Chairman of the Supervisory Board of AHG, listed on the Zagreb Stock Exchange, and is President of Gear Construction, the construction arm of the Red Sea Group.

Boris Ivesha (President & Chief Executive Officer)

Mr Ivesha has been President of the Group since 1991 and brought the Park Plaza brand to the Group in 1994 in collaboration with the Red Sea Group and has been the major influencer in expanding the Group's portfolio. Mr Ivesha was the General Manager of the Royal Horseguards Hotel in London from 1972 to 1979, was then the Director of the Carlton Hotel in Israel from 1979 to 1984 and in 1984 he established the Yamit Hotel, Israel and served as its President. Mr Ivesha is the Chairman of the Supervisory Board of the AHG.

Greg Hegarty (Deputy Chief Executive Officer & Chief Operating Officer)

As Deputy CEO, Mr Hegarty works alongside Mr Ivesha driving the corporate vision and growth strategy for the Group. In addition, Mr Hegarty has overall responsibility for the day-to-day running of the Group's operations while creating and implementing commercial and operational strategies, which include, but are not limited to, Operations and People & Culture. Mr Hegarty holds an MBA and brings nearly a decade of experience in the hospitality industry including senior management roles at global brands such as GLH Hotels and BDL Hotels. In 2004, Mr Hegarty won a prestigious Acorn Award, which recognises the flair and passion of rising stars in hospitality. In 2005, Mr Hegarty also won the prestigious Esprit General Manager of the Year award and has further shown his commitment to the industry by becoming a Fellow of the Institute of Hospitality and a Master Innholder. Mr Hegarty was appointed to the PLC Board in 2023.

Daniel Kos (Chief Financial Officer & Executive Director)

Mr Kos has worked with the Group for over ten years, of which the last five years he has been Chief Financial Officer and Executive Director. As Chief Financial Officer, Mr Kos is responsible for the Group's finance, IT and procurement strategy. Mr Kos has 20 years of finance experience in the field of audit and corporate finance and has been involved in several large complex M&A deals, large (re)financing projects and several transactions on the public markets in London and Zagreb. Prior to joining the Group, Mr Kos held senior leadership positions within auditing and finance, including 11 years at internationally recognised accounting, audit and consulting group Mazars LLP, focusing on hospitality, real estate and financial service companies. Mr Kos is a certified public accountant with significant international experience across many different industries.

Executive Director Remuneration

In 2022, there were two Executive Directors on PPHE's PLC Board: Boris Ivesha (President & CEO) and Daniel Kos (CFO).

Annual bonus

The Annual Bonus for 2022 had two elements:

1) A Covid recovery bonus based on the business's return to operations using financial metrics (100% achieved).

2) A Performance Bonus based on financial criteria and personal objectives, with success assessed 70% on financial metrics, 30% on non-financial metrics. Financial metrics include Revenue and Gross Operating Profit targets and non-financial metrics including guest satisfaction, employee engagement and an ESG target.

Of the non-financial metrics, although good progress had been made during the year 25% of those targets have been achieved in full and attributed to the overall annual bonus. In aggregate, 77.5% of the performance bonus was met.

Following an assessment of the targets achieved, Mr Kos was awarded £531,000 as an overall 2022 annual bonus, of which 45% was awarded in cash and 55% in 23,000 Nil Price Options, which are subject to a holding period of one year from the date of grant (Figure 72). As a significant shareholder in the Group, the Mr Ivesha waived his right to participate in the 2022 annual bonus.

Figure 72: Executive director remuneration (£)

Executive Directors	Year	Base salary/fees	Salary sacrifice options	Bonus	Pension contributions	Other benefits	Total
Boris Ivesha	2021	438,132			100,000	16,352	**554,484**
(President & CEO)	2022	500,000			50,000	13,311	**563,311**
Daniel Kos	2021	314,529	46,670		14,574		**375,773**
(CFO)	2022	448,091		531,050	14,295		**993,436**

Source: Company, Radnor

Long-Term Incentive Plan (LTIP) grant

The current LTIP grant was awarded in June 2022. As a significant shareholder in the Group, Mr Ivesha waived his right to participate in the 2022 LTIP but Mr Kos was awarded 22,000 NIL Price Options. The LTIP grant is 50% based upon a TSR target and 50% based upon an adjusted EPRA target (Figure 73).

Figure 73: Performance targets for 2022 LTIP awards

Definition	**TSR (50% of award)** TSR performance benchmarked against comparator group	**Adj EPRA earnings (50% of award)** EPRA achieved in y/e 31 December 2025
Threshold vesting (25% of maximum)	TSR at **median** quartile	1.06
Threshold vesting (25% of maximum)	TSR at **top** quartile	1.16

Source: Company, Radnor

To define a peer group for the TSR, a group of listed companies in the hospitality management and hotel real-estate sectors were chosen (Figure 74).

Figure 74: TSR benchmark peer group

Name	Ticker	Market	Sector
PPHE Hotel Group	PPH	UK	Leisure & Hospitality
Dalata	DAL	UK	Leisure & Hospitality
InterContinental Hotels Group	IHG	UK	Leisure & Hospitality
Whitbread	WTB	UK	Leisure & Hospitality
Accor	AC	France	Leisure & Hospitality
NH Hotel Group	NHH	Spain	Leisure & Hospitality
Melia Hotels International	MEL	Spain	Leisure & Hospitality
Pandox	PNDX.B	Sweden	Leisure & Hospitality
Scandic Hotels Group	SHOT	Sweden	Leisure & Hospitality
Aroundtown	AT1	Germany	Leisure & Hospitality
Marriot	MAR	USA	Leisure & Hospitality
Hilton	HLT	USA	Leisure & Hospitality
Wyndham Hotels	WH	USA	Leisure & Hospitality
Choice Hotels International	CHH	USA	Leisure & Hospitality
Hyatt Hotels	H	USA	Leisure & Hospitality
Ashford Hospitality Trust	AHT	USA	REIT
Host Hotels & Resorts	HST	USA	REIT
Park Hotels & Resorts	PK	USA	REIT
Apple Hospitality REIT	APLE	USA	REIT
Pebblebrook Hotel Trust	PEB	USA	REIT
RLJ Lodging Trust	RLJ	USA	REIT
Sunstone Hotel Investors	SHO	USA	REIT
Diamondrock Hospitality	DRH	USA	REIT
Summit Hotel Properties	INN	USA	REIT
Chatham Lodging Trust	CLDT	USA	REIT
Braemar Hotels & Resorts	BHR	USA	REIT
Hersha Hospitality Trust	HT	USA	REIT

Source: Company, Radnor

Main shareholders

PPHE has a relatively low free float as 68% of its equity is owned by the two founders and three listed companies (Figures 75 and 76).

PPHE's founders Eli Papouchado (Chairman) and Boris Ivesha (CEO) both retain major equity holdings in the Group, of 32% (through Red Sea) and 11% (through Walford) respectively, and together these two holdings are deemed to act as a concert party controlling 43% of PPHE's equity.

Red Sea Group is a group of real estate companies operating worldwide in the development, construction and operation of a wide range of projects. The company's focus is the hotels' ownership and management, as well as development and construction of hotels, residential apartments and data centres. All of PPHE's developments have been managed by GEAR, the Red Sea Group's hotel development business.

Figure 75: PPHE concert party shareholdings

Concert party member	Proportion of equity held (%)
Red Sea Parties	
Euro Plaza	28.85
Red Sea Club Limited	0.05
AA Papo Trust Company Limited	3.62
Sub total	**32.52**
Ivesha Parties	
Walford	10.96
Total	**43.47**

Source: Company, Radnor

Aroundtown holds 10% of PPHE's equity and is a Luxembourg-based real estate company, The company was founded in 2004 and is listed on Euronext with a market cap of €3,660m. Aroundtown focuses on top tier European cities primarily in Germany, the Netherlands and London, which collectively comprise 91% of its assets. Aroundtown's assets are weighted towards offices (41%), residential (32%) and hotels (20%).

Clal Insurance holds 8% of PPHE's equity and is an Israel-based insurance and long-term savings companies. Clal Insurance was founded in 1987 and is listed on the Tel Aviv stock market with a market cap of ILS 4,550m (£974m).

Harel Insurance holds 6% of PPHE's equity and is an Israel-based insurance company. Harel Insurance was founded in 1975 and is listed on the Tel Aviv stock market with a market cap of ILS 6,250m (£1,338m).

Figure 76: Other major shareholders in PPHE

Holder	Proportion of equity held (%)
Aroundtown Sa	10.26
Clal Insurance Enterprises Holdings Ltd	8.27
Harel Insurance Investments & Financial Services Ltd	6.09
Total	**24.62**

Source: Company, Radnor

Valuation

Sum of the parts valuation

Our illustrative equity fair value of **£25.66** per share is based on a four-stage sum of the parts (SOTP) model, using an EV of £2,235m and an equity value of £1,087m (Figure 77).

Figure 77: SOTP valuation of PPHE

EV	Value (£m)	Proportion of EV (%)
DCF of PPHE's core portfolio	1,524	68
DCF of PPHE's development pipeline	524	23
Multiple value of PPHE's management platform	108	5
Other assets	80	4
Total	**2,235**	**100**
Deferred tax on revaluation of properties	(32)	
Net debt	(694)	
Equity value	**1,509**	
Minorities of the core - subtotal	(267)	
Minorities of the development pipeline - subtotal	(155)	
Minority total	**(422)**	
Total	**1,087**	
Number of shares (m)	42.4	
Value per share (£)	**25.66**	

Source: Company, Radnor

Stage 1 – DCF of the core

The main value, accounting for 68% of the EV, within our SOTP is a DCF of the core existing hotels and resorts portfolio at £1,524m (Figure 78). As a base, we use our P&L forecast of £140m of EBITDA in FY24, reduced by the £10m we forecast for the development pipeline and £12m for the management platform as we model these two separately. Our terminal growth rate is 0.5%.

Figure 78: DCF of PPHE's core portfolio (£m)

December year end	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E
Revenue	**383**	**395**	**407**	**419**	**432**	**445**	**458**	**472**	**486**	**500**
Growth		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
EBITDA	**118**	**122**	**126**	**130**	**135**	**139**	**143**	**148**	**152**	**157**
Margin	*30.9%*	*31.0%*	*31.1%*	*31.1%*	*31.2%*	*31.3%*	*31.3%*	*31.3%*	*31.4%*	*31.4%*
Net financial liability - Income Units	(15)	(15)	(15)	(15)	(16)	(16)	(17)	(17)	(18)	(18)
Interest expense on lease liabilities	(10)	(10)	(11)	(11)	(11)	(12)	(12)	(12)	(13)	(13)
Working capital	0	0	0	0	0	0	0	0	0	0
Maintence capex	(15)	(16)	(16)	(17)	(17)	(18)	(18)	(19)	(19)	(20)
Maintence capex/revenue	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*
Free cash	**79**	**82**	**85**	**87**	**90**	**93**	**96**	**99**	**102**	**106**
Present value	74	72	70	68	66	64	62	60	58	56
Value										
Total present value of the forecast period	651									
Terminal value	873									
Total	**1,524**									

Source: Company, Radnor

We use a WACC of 6.5%, based on a cost of equity of 8.4% and a cost of debt of 5.0% (Figures 79 and 80).

Figure 79: WACC for PPHE

WACC	
Cost of equity	8.4%
Cost of debt	5.0%
Total	**6.5%**

Source: Company, Radnor

Figure 80: Inputs to WACC for PPHE

Cost of equity	
Risk free rate	4.5%
Equity risk premium	3.5%
Beta	1.1
Total	**8.4%**

Source: Company, Radnor

Stage 2 – DCF of the development pipeline

We have a separate DCF value for the development pipeline worth £524m, comprising 23% of the EV within our SOTP (Figure 81). The Group has said that post the opening of the four new hotels trading will stabilise at £25m of EBITDA, which we assume will be in FY25. Given that these will be new hotels, we model a slightly higher revenue growth rate and margin progression than for the core portfolio DCF. We use the same WACC and terminal growth rate as for the core portfolio DCF.

Figure 81: DCF of PPHE's development pipeline (£m)

December year end	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E
Revenue	**32**	**77**	**92**	**97**	**102**	**107**	**112**	**118**	**124**	**130**
Growth		140.0%	20.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
EBITDA	**10**	**25**	**30**	**32**	**34**	**35**	**37**	**40**	**42**	**44**
Margin	31.0%	32.0%	33.0%	33.0%	33.1%	33.2%	33.4%	33.6%	33.9%	34.1%
Working capital	0	0	0	0	0	0	0	0	0	0
Maintence capex	(1)	(3)	(4)	(4)	(4)	(4)	(4)	(5)	(5)	(5)
Maintence capex/revenue	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Free cash	**9**	**22**	**27**	**28**	**30**	**31**	**33**	**35**	**37**	**39**
Present value	8	19	22	22	22	21	21	21	21	21
Value										
Total present value of the forecast period	198									
Terminal value	326									
Total	**524**									

Source: Company, Radnor

Stage 3 – multiple of the management platform

The third stage of our SOTP, is to value PPHE's management platform and this accounts for 5% of our EV (Figure 82). In an extreme example, if the Group sold all of its portfolio under existing management agreements it would still have a management platform, managing all hotels and resorts without owning them. The EPRA NRV does not account for the management platform as it only values the owned assets and the development pipeline.

We assume that the management platform will generate £12m of EBITDA in FY24, which we remove from our core DCF. We use 9.0x EV/EBITDA, which is the median FY24 valuation of the hotel peer group we have chosen for PPHE, which generates a value of £108m.

Figure 82: Multiple valuation of PPHE's management platform

Operating company	FY24
Revenue (£m)	**30.0**
EBITDA (£m)	**12.0**
Margin (%)	40.0
EV/EBITDA (x)	9.0
EV (£m)	**108.0**

Source: Company, Radnor

Stage 4 – Other assets

The fourth stage of our SOTP, is to value four other assets; two assets which contribute below EBITDA and two land sites, which we add in at a collective £80m and this accounts for 4% of our EV (Figure 83).

The EPRA NRV does include the Income Units and two German JVs but not the New York or Waterloo sites.

1) the Income Units in Park Plaza County Hall London which PPHE owns, valued at £16.1m in FY22.

2) the fair value of PPHE's part of the two German JVs, which had an EPRA NRV of £17.8m in FY22.

3) the New York site, bought at $42m (£34m).

4) the Waterloo site, where planning is pending, bought at £12m.

Our 'other assets' does not include any value for three other potential developments set out below. Projects are included in the balance sheet at cost and will be valued once developed, and currently these three potential projects are all at nil albeit they could have value once developed.

1) the Group has planning permission to develop a 465-key hotel on the site adjacent to its Park Plaza London Park Royal property for which it is designing plans.

2) the Group has planning permission for a new 179-room hotel, converting 6.5k sqm of subterranean space within the Park Plaza Victoria property.

3) the Group could develop the land in Croatia currently occupied by campsites into more valuable hotels and resorts.

Figure 83: Value of PPHE's other assets

Other assets	£m
The Income Units in Park Plaza County Hall	16
The fair value of PPHE's part of the two German JVs	18
The New York site	34
The Waterloo site	12
Total	**80**

Source: Company, Radnor

For the net debt of the core, we use our forecast net debt of £694m for FY24 as this captures the last year of the expansion capex for the development pipeline.

For the minorities of the core, we use £267m. In FY22, the EPRA NRV of the minorities was £317m and we reduce this by £50m which was the minority value ascribed to Hoxton when this development was announced in 2021.

The four hotels in the Group's development pipeline will all include minorities, with Belgrade at 48%, Hoxton at 49%, Rome at 49% and Zagreb at 48% and we use 49% overall. We take our DCF value for the development pipeline of £524m, then assume debt of £207m, which gives an equity value of £317m and we take 49% of this to generate a minority value of £155m (Figure 84).

Figure 84: Minority value of PPHE's development pipeline

Value	Amount (£m)
DCF of PPHE's development pipeline	524
Debt of the development pipeline	(207)
Equity value of pipeline	**317**
Minority	49%
Value of minorities	**155**

Source: Company, Radnor

Historically, PPHE has had low/no tax, partly reflecting its substantial capital allowances. Instead of deducting tax in our DCF, we deduct £32m in our SOTP, which is the deferred tax on revaluation of properties in the EPRA Net Disposal Value (NDV), which is effectively the tax that PPHE would pay upon portfolio sale.

Trading multiples

Particularly given the differences between depreciation and maintenance capex, we believe that a PER using adjusted EPRA earnings per share and dividend yield are the relevant multiples to consider for PPHE, especially when comparing against hotel sector companies.

Moreover, given the value of the Group's development pipeline, we think FY25 is the proper year to consider for valuations as this is the year when we model that the four hotels will be fully operational and the £25m of EBITDA from them will be generated.

More generally, we note that trading PER multiples understate the value of PPHE, as they do not capture the value of the undeveloped land sites which are not yet yielding revenue, but which we do include in the SOTP.

We think it interesting to compare PPHE's trading multiples to a peer group of the main quoted European hotel companies (Figure 85). All of the companies apart from Whitbread have a December year end, so we calendarized Whitbread multiples for December.

In FY25, PPHE is the cheapest of the peer group, trading on a PER of 9.1x. Using adjusted EPRA PER is especially important for PPHE, as it has by far the highest proportion of owned hotels within its portfolio and, therefore, we think it important to normalise for depreciation.

Figure 85: European hotel sector multiples for FY25

	Accor	Dalata	IHG	Melia	NH	PPHE	Whitbread
Market cap (£m)	7,713	808	10,857	1,138	1,423	532	6,224
PER (x)	**15.1**	**9.4**	**18.7**	**11.3**	**10.2**	**9.1**	**14.0**
Dividend yield (%)	3.7	3.1	2.3	2.7	4.1	3.3	3.2

Source: Factset, Radnor

A drawback to using peer group multiples is that whilst we use adjusted EPRA EPS for PPHE we use consensus multiples from FactSet for the hotel peer group and these may not include adjusted EPRA EPS, so on that basis we may not be comparing like with like.

Amongst the main quoted European-based hotel companies we see Dalata as the most similar to PPHE mainly as it has the second highest ownership proportion in its portfolio and also because the UK, which is PPHE's main country, is Dalata's second largest country (Figure 86). That said, Dalata's hotels are both in major cities and the regions whereas PPHE is very focused on major cities, where hotels sites are much more valuable.

Figure 86: Proportion of owned hotels amongst European hotel companies

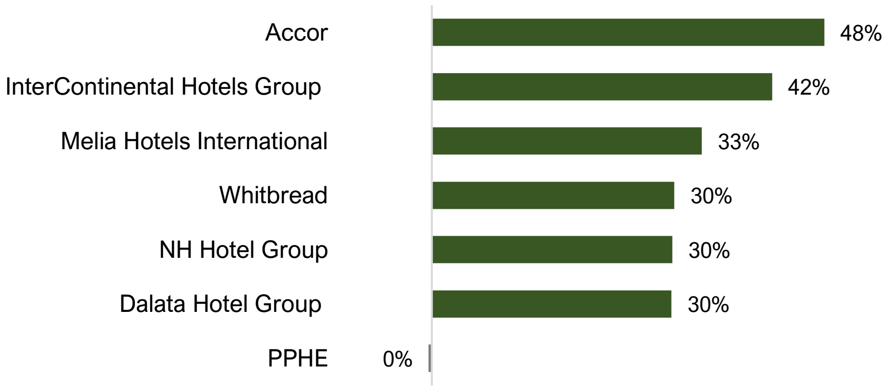
Company	Owned proportion (%)
PPHE	88
Dalata Hotel Group	58
Whitbread	51
InterContinental Hotels Group	22*
NH Hotel Group	20
Melia Hotels International	13
Accor	3

**Owned, Leased & Managed*

Source: Company, Radnor

So far this year, PPHE's share price has been the weakest of the peer group, indeed it is only flat year to date, despite, like the peer group, reporting good trading across the year (Figure 87). The only reason we can see for the Group's underperformance this year is perhaps due to some selling of its shares given that it is the least liquid of the peer group.

Figure 87: Share price performance by European hotel companies in 2023



Source: Company, Radnor

Accor

Accor is a French-headquartered hotel company, founded in 1967 and listed on the Paris stock market with a current market cap of €9,024m. The company operates more than 40 hotel brands, with 5,487 hotels in 110 countries (Figure 88).

Figure 88: Accor's geographic split in FY22

December year end Region	Proportion of rooms (%)
Asia-Pacific	32
South Europe	22
North Europe	21
Americas	13
India, Middle East, Africa and Turkey	12
Total	**100**

Source: Company, Radnor

Accor has pursued an asset light approach and as a result it only owns 3% of its rooms (Figure 89).

Figure 89: Accor's portfolio type in H1 23

December year end Portfolio type	Proportion of rooms (%)
Managed	55
Franchised	42
Owned	3
Total	**100**

Source: Company, Radnor

Dalata Hotel Group

Dalata is an Irish-headquartered hotel company, founded in 2007 and listed on the Dublin stock market with a current market cap of €945m. Dalata is Ireland's largest hotel company, operating 50 hotels, focussed on the two main brands of Maldron Hotels (21) and Clayton Hotels (25 hotels).

Dalata operates in Ireland, the UK and Germany. The company entered the Continental European market in 2022, through the acquisition of a hotel in Dusseldorf in Germany and as result of international expansion, Ireland (including Dublin and Regional Ireland) has reduced from 78% of the company's rooms in 2017 to 52% in 2023 (Figure 90).

Figure 90: Dalata's room split by region (%)

December year end	Jun-17	Jun-18	Jun-19	Jun-22	Jun-23
Region					
Dublin	54	53	51	42	42
UK	23	25	28	36	37
Regional Ireland	24	22	21	18	18
Continental Europe				4	4
Total	**100**	**100**	**100**	**100**	**100**

Source: Company, Radnor

Dalata has increased the proportion of leased compared with owned properties within its portfolio with the latter declining from 72% of rooms in June 2017 to 58% in June 2023 (Figure 91).

Figure 91: Dalata's portfolio type by rooms (%)

December year end Portfolio type	Jun-17	Jun-23
Owned	72	58
Leased	28	42
Total	**100**	**100**

Source: Company, Radnor

InterContinental Hotels Group

InterContinental Hotels Group (IHG) is a UK-headquartered hospitality company, founded in 1777 and listed on the London stock market with a market cap of £10,857m. Americas is the company's largest region, comprising 52% of revenues in H123 (Figure 92).

Figure 92: IHG's geographic split of revenue (%)

December year end Region	H122	H123
Americas	56	52
EMEAA	28	30
Greater China	4	7
Central	11	11
Total	**100**	**100**

Source: Company, Radnor

Over the last few decades, IHG's portfolio approach has shifted from one of ownership towards franchise and management, with the result that Owned, Leased & Managed Lease hotels only accounted for 22% of the company's revenue in H123 (Figure 93).

Figure 93: IHG's portfolio type by revenue split (%)

December year end	H122	H123
Portfolio type		
Franchise and Base Management Fees	63	61
Incentive Management Fees	4	7
Central revenue	11	10
Fee Business	**78**	**77**
Owned, Leased & Managed Lease	21	22
Insurance activities	1	1
Total	**100**	**100**

Source: Company, Radnor

Melia Hotels International

Melia is a Spanish-headquartered hotel company, founded in 1956 and listed on the Madrid stock market with a market cap of €1,331m. Spain remains the largest country of operation at 39% of rooms (Figure 94).

Figure 94: Melia's geographic split of revenue in H1 23

December year end Region	Proportion of rooms (%)
Spain	39
EMEA	22
Cuba	15
Americas	13
Asia Pacific	12
Total	**100**

Source: Company, Radnor

Owned hotels accounted for the smallest proportion of Melia's portfolio at 13% of rooms in H123 (Figure 95).

Figure 95: Melia's portfolio type in H1 23

December year end Portfolio type	Proportion of rooms (%)
Management	48
Leased	24
Franchised	15
Owned	13
Total	**100**

Source: Company, Radnor

NH Hotel Group

NH is a Spanish-headquartered hotel company, founded in 1978 and listed on the Madrid stock market with a market cap of €1,665m. The company has a portfolio of 351 hotels in 30 countries (Figure 96).

Figure 96: NH's geographic split in FY 22

December year end Region	Revenue (%)
Spain	30
Italy	21
Benelux	21
Central Europe	21
Americas	7
Total	**100**

Source: Company, Radnor

The majority of NH's portfolio is leased or managed with owned only accounting for 20% of rooms (Figure 97).

Figure 97: NH's portfolio type in June 23

December year end Portfolio type	Proportion of rooms (%)
Leased	65
Owned	20
Managed	15
Total	**100**

Source: Company, Radnor

Whitbread PLC

Whitbread is a UK-headquartered hospitality company, founded in 1742 and listed on the London stock market with a market cap of £6,224m. The company is the UK's largest hotel owner, with 12% market share, and since 2016 it has operated in Germany. Whitbread's hotel brand is Premier Inn, and it segmentally reports under Premier Inn UK (96% of revenue) and Premier Inn Germany (4% of revenue) (Figure 98).

All of Whitbread's hotels have a bar and restaurant either within the hotel or next door and the restaurant brands include Beefeater, Brewers Fayre and Bar + Block. Whitbread used to own Costa Coffee, a coffee shop chain, but sold it in 2019 to Coca Cola Plc.

Figure 98 Whitbread's geographic split in FY 23

February year end Region	Revenue (%)
Premier Inn UK	96
Premier Inn Germany	4
Total	**100**

Source: Company, Radnor

The company operates a balanced mix of freehold and leasehold hotels, with the latter expected to increase slightly as a proportion of total to 49% of open and committed hotels compared with 51% for freehold (Figure 99).

Figure 99 Whitbread's portfolio type in FY 23

February year end Portfolio type	Open	Total estate (open and committed)
Freehold	54	51
Leasehold	46	49
Total	**100**	**100**

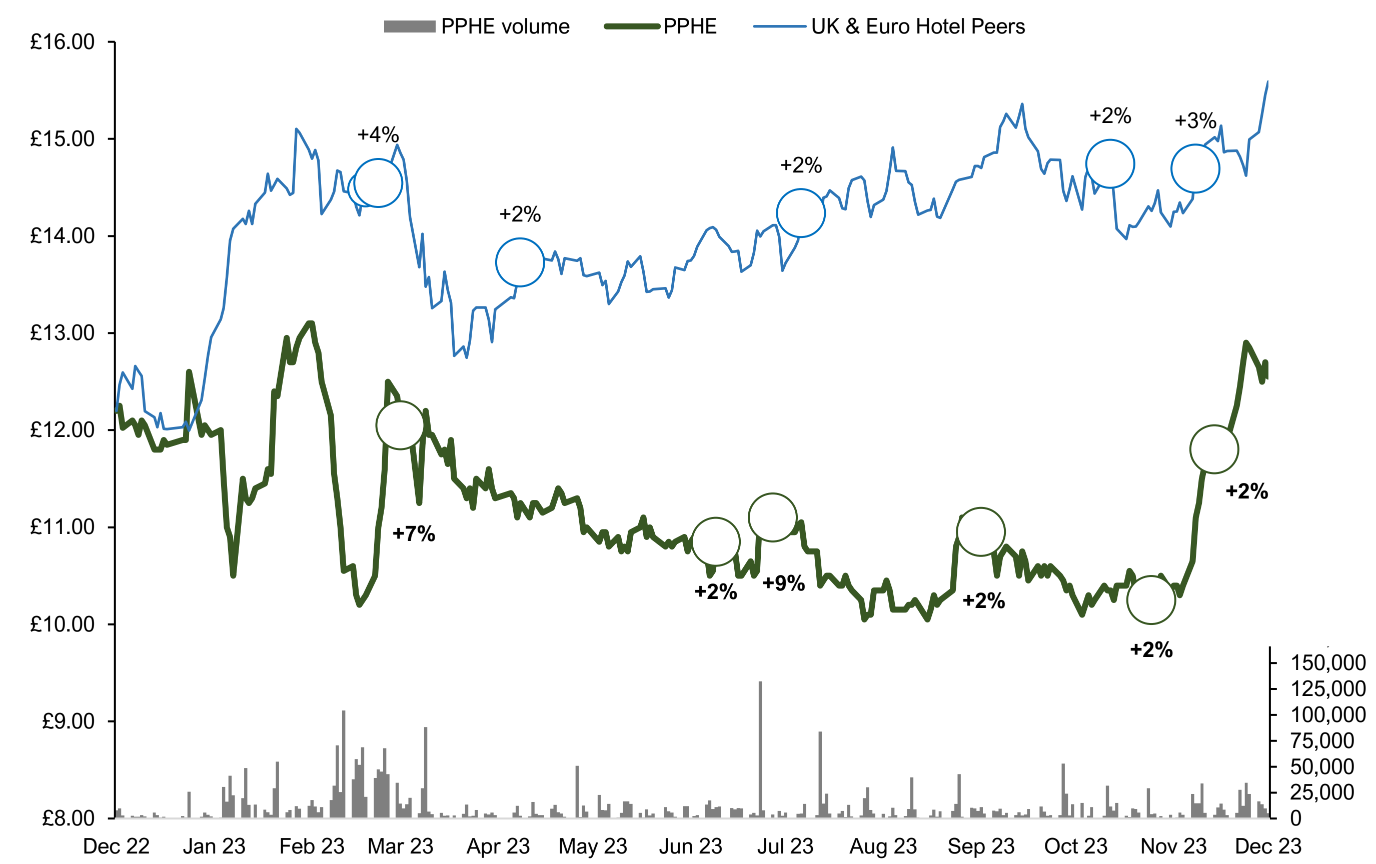
Source: Company, Radnor

Peer Group comparisons – a broader context

In Figure 100 below, we show PPHE's share price performance across the last year. We also show the indexed and rebased share price performance for the UK & European Hotel peer group over the same period. We also mark on the chart, the points of consensus EBITDA upgrades across PPHE and the peer group.

This shows how PPHE has underperformed the larger, more liquid peer group through much of the year despite showing a similar number and materially more pronounced consensus upgrade trend. Over the last few weeks, PPHE's share price has shown positive momentum, culminating in the recent promotion to the FTSE 250 index.

Figure 100: PPHE share price & EBITDA upgrades versus the UK & European peer group



Source: Factset, Radnor

In Figures 101 and 102 below, we show the evolution of the first year forecast revenue and EBITDA consensus estimates for PPHE and the respective UK, European and US hotel peer group. In each case we have rebased the peer revenue and EBITDA consensus estimate changes to PPHE.

Figure 101: Revenue consensus

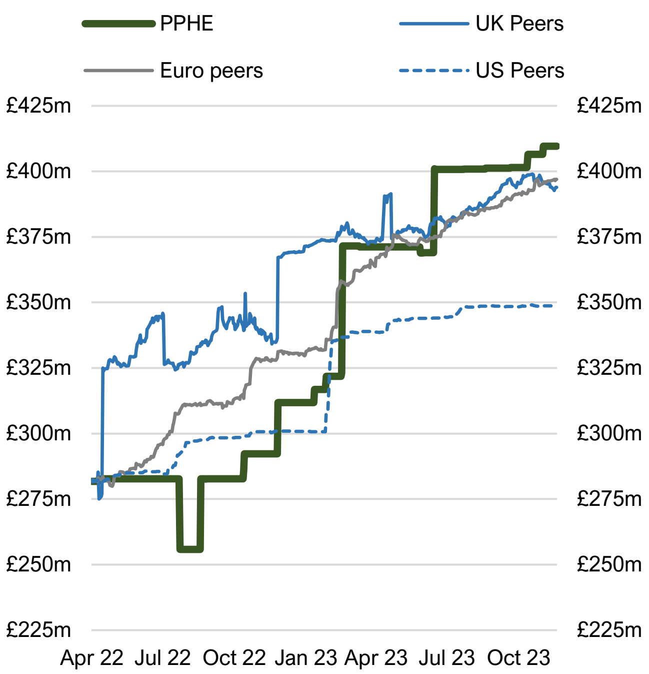
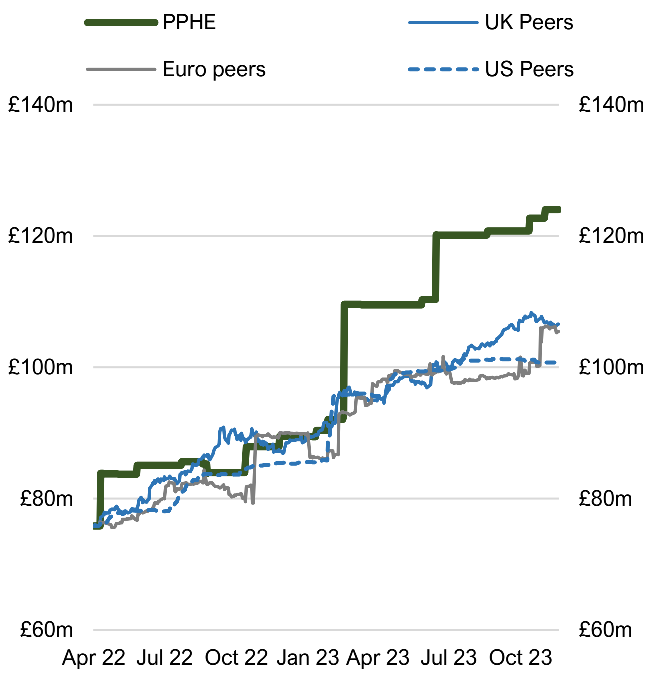


Figure 102 EBITDA consensus



Source: Factset, Radnor

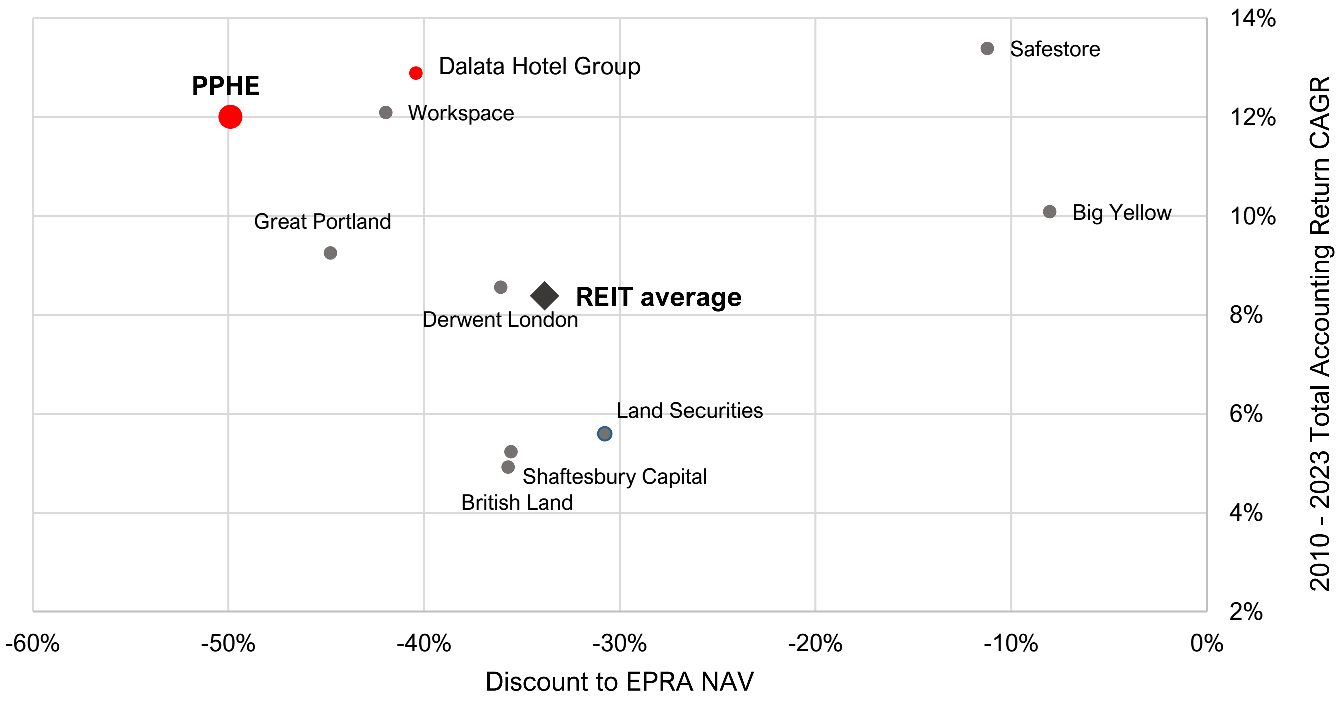
Figures 101 and 102 show that the upgrades to consensus revenue expectations for PPHE have been in line with the European peer group but superior to both the UK and the US peer group.

- PPHE revenue expectations for FY23 have been upgraded by **+42%**, in-line with the European peer group but ahead of +39% for the UK peer group and +24% for the US peer group.

- PPHE EBITDA expectations for FY23 have been upgraded by **+60%**, materially ahead of the +44% uplift for the UK peer group and +34% for the US and European peer groups.

In Figure 102 below, we show PPHE's total accounting return (growth in NAV plus dividends) since 2010 against a broad selection of UK REITs. We also show, for illustrative purposes, the equivalent data for Dalata Hotel Group, with the caveat that Dalata do not disclose an EPRA NAV metric and we have taken their IFRS NAV since 2014, not 2010.

Figure 103: Total Accounting Return (NAV plus dividend) for PPHE vs UK REITs



Source: Factset, Radnor

We can see from the above that PPHE (and Dalata) come in well ahead of the UK REIT average for delivered Total Accounting Return. Since 2010, PPHE has delivered a **+12%** Total Accounting Return CAGR compared to a UK REIT average CAGR of **+8%.**

In fact, there are only two UK REIT's (Workspace and Safestore) that delivered equivalent or superior returns. Yet, PPHE currently sits at a **-50%** discount to EPRA NAV, compared to a UK REIT average of -34%.

Based on the last reported NAV of £25.05, if PPHE were to trade in line with the -34% EPRA NAV discount average, yet still offering superior returns to the average, this would imply a PPHE share price of **£16.57**, or **+32%** upside to the current share price.

Detailed Radnor Estimates

Figure 104: P&L

	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
United Kingdom	*207.4*	*56.5*	*75.3*	*190.1*	*233.4*	*253.4*	*275.0*
Croatia	*61.1*	*18.7*	*44.6*	*69.2*	*76.7*	*82.0*	*85.9*
Germany	*29.5*	*7.8*	*6.6*	*17.7*	*22.1*	*23.1*	*24.2*
Netherlands	*53.8*	*14.9*	*10.4*	*41.6*	*60.7*	*63.9*	*67.1*
Other Markets	-	*1.1*	*0.9*	*6.3*	*8.0*	*15.6*	*21.9*
Mgmt / Central Services	*5.9*	*2.8*	*3.7*	*5.1*	*7.2*	*7.4*	*7.6*
Revenue	**357.7**	**101.8**	**141.4**	**330.1**	**408.0**	**445.4**	**481.7**
Operating Expenses	(233.0)	(110.9)	(113.8)	(233.1)	(281.0)	(302.7)	(319.5)
EBITDAR	**124.6**	**(9.1)**	**27.6**	**97.0**	**127.0**	**142.7**	**162.2**
Rental Expenses	(1.8)	(1.0)	(2.5)	(2.4)	(2.2)	(2.3)	(2.5)
EBITDA	**122.9**	**(10.1)**	**25.1**	**94.6**	**124.8**	**140.4**	**159.7**
EBITDA margin	*34.4%*	*-9.9%*	*17.7%*	*28.7%*	*30.6%*	*31.5%*	*33.2%*
Depreciation & Amort.	(41.7)	(46.6)	(43.3)	(40.0)	(40.0)	(53.0)	(57.3)
EBIT	**81.2**	**(56.7)**	**(18.2)**	**54.6**	**84.8**	**87.4**	**102.4**
Net Interest	(29.2)	(35.1)	(31.0)	(35.7)	(34.0)	(43.2)	(40.9)
Other Expenses	(5.1)	(9.7)	(9.4)	(6.8)	(4.0)	-	-
Income unit liability	(10.8)	(2.6)	(1.9)	(10.8)	(13.7)	(14.6)	(14.5)
JV's	0.2	(0.8)	(0.7)	0.2	0.2	0.3	0.3
Other Income	2.2	10.3	3.8	10.0	2.3	-	-
Normalised PBT	**40.7**	**(89.8)**	**(47.5)**	**8.3**	**37.4**	**29.9**	**47.3**
Exceptional Items	(2.2)	(4.9)	(10.0)	3.2	(1.7)	-	-
Reported PBT	**38.5**	**(94.7)**	**(57.6)**	**11.5**	**35.7**	**29.9**	**47.3**
Reported Tax	4.1	0.7	5.1	3.4	(3.4)	(4.5)	(7.1)
Reported Tax Rate	*10.7%*	*-0.8%*	*-8.8%*	*29.3%*	*-9.5%*	*-15.0%*	*-15.0%*
Normalised Tax	4.3	0.7	4.2	2.4	(3.6)	(4.5)	(7.1)
Normalised Tax Rate	*10.2%*	*-0.7%*	*-7.9%*	*16.3%*	*-11.0%*	*-17.6%*	*-17.6%*
Minorities	(8.7)	12.2	0.4	(4.7)	(6.0)	(3.0)	(7.2)
Shares in issue, m	42.4	42.5	42.5	42.5	42.4	42.4	42.4
Reported EPS, p	80.0	(192.5)	(122.5)	23.9	62.1	52.8	77.8
Normalised EPS, p	**85.9**	**(181.1)**	**(101.0)**	**14.2**	**65.7**	**52.8**	**77.8**
EPRA earnings, £m	66.2	(40.6)	(17.5)	32.7	58.1	62.2	76.1
EPRA EPS, p	**156.2**	**(95.7)**	**(41.2)**	**76.8**	**137.2**	**146.7**	**179.5**
Adjusted EPRA earnings, £m	54.2	(52.1)	(18.8)	21.2	44.1	45.5	58.5
Adjusted EPRA EPS, p	**127.7**	**(122.8)**	**(44.3)**	**49.8**	**104.0**	**107.5**	**138.1**
Dividend per Share, p	37.0	-	-	15.0	31.2	32.3	41.4

Source: Radnor, Company

Figure 105: Cash Flow

	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Reported Profit After Tax	42.6	(94.0)	(52.5)	14.8	32.3	25.4	40.2
Income units sold	*42.9*	*38.1*	*33.3*	*48.0*	*47.7*	*57.8*	*55.4*
Loss on Income unit buyback	*0.7*	*-*	*0.5*	*1.5*	*1.3*	*-*	*-*
Revaluation of Income units	*(0.9)*	*2.4*	*(0.6)*	*(0.3)*	*-*	*-*	*-*
Financial Income	*(2.0)*	*(0.3)*	*(0.3)*	*(1.5)*	*(1.5)*	*(1.5)*	*(1.5)*
Income Tax	*(4.1)*	*(0.7)*	*(5.1)*	*(3.4)*	*3.4*	*4.5*	*7.1*
Remeasurement of lease liability	*3.4*	*3.4*	*3.6*	*3.7*	*3.7*	*3.7*	*3.7*
Gain on disposals	*(0.8)*	*1.3*	*(1.0)*	*-*	*-*	*-*	*-*
Impairments	*-*	*5.3*	*4.4*	*-*	*-*	*-*	*-*
Share of JV's	*(0.2)*	*0.8*	*0.7*	*(0.2)*	*(0.2)*	*(0.3)*	*(0.3)*
Provisions	*(1.1)*	*-*	*(1.8)*	*0.1*	*0.1*	*-*	*-*
Derivative fair value adjustment	*-*	*-*	*-*	*(9.7)*	*0.6*	*-*	*-*
Depreciation & Amortisation	*41.7*	*41.3*	*38.9*	*40.0*	*40.0*	*53.0*	*57.3*
Share based payments	*0.2*	*0.4*	*1.3*	*2.1*	*-*	*-*	*-*
Cash Flow pre Working Capital	**122.4**	**(1.9)**	**21.5**	**95.3**	**127.3**	**142.6**	**161.9**
Working Capital movement	2.1	5.1	2.8	3.4	-	-	-
Operating Cash Flow	**124.4**	**3.2**	**24.3**	**98.7**	**127.3**	**142.6**	**161.9**
Interest	(43.3)	(31.2)	(33.4)	(41.8)	(47.7)	(57.8)	(55.4)
Tax	(1.0)	(0.7)	(0.5)	(0.2)	(3.4)	(4.5)	(7.1)
Cash Flow pre Investing Activities	**80.2**	**(28.7)**	**(9.6)**	**56.7**	**76.2**	**80.3**	**99.4**
Maintenance Capex	(14.3)	(4.0)	(5.7)	(13.2)	(16.3)	(17.8)	(19.3)
Expansion Capex	(58.1)	(53.4)	(52.9)	(77.7)	(71.4)	(31.6)	-
Land purchase	(12.6)	-	-	-	-	-	-
Hotel acquisitions	-	-	(41.1)	-	-	-	-
JV's and Third Parties	(14.2)	(2.8)	(0.4)	(0.4)	(0.9)	-	-
Movement in restricted cash	0.1	(1.6)	(6.3)	(4.7)	6.2	-	-
Cash Flow pre Financing	**(18.7)**	**(90.5)**	**(114.7)**	**(39.6)**	**(6.2)**	**30.9**	**80.1**
Proceeds from loans & borrowings	9.6	56.9	53.7	106.9	71.4	31.6	-
Repayment of loans & borrowings	(15.5)	(7.5)	(26.7)	(31.1)	(36.0)	(23.4)	(24.5)
Repayment of leases	(3.4)	(1.6)	(6.8)	(4.9)	(5.1)	(5.4)	(5.7)
Income unit buy back	(1.6)	-	(1.9)	(4.9)	-	-	-
Net proceeds from non-controlling interest	(3.0)	(0.1)	124.6	(0.7)	-	-	-
Dividend payment	(15.3)	-	-	(1.3)	(11.9)	(11.0)	(15.0)
Dividend to non-controlling interest	(1.5)	-	-	-	(1.4)	(1.6)	(1.7)
Cash Flow post Financing	**(48.8)**	**(42.7)**	**26.7**	**22.3**	**10.8**	**21.1**	**33.3**
Free Cash Flow (post maintenance capex)	**65.9**	**(32.7)**	**(15.3)**	**43.5**	**59.9**	**62.5**	**80.1**

Source: Radnor, Company

Figure 106: Balance Sheet – IFRS reported, not EPRA fair value adjusted

	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Intangible assets	18.0	17.8	14.3	12.8	10.8	8.2	5.3
P,P & E	1,113.7	1,201.4	1,236.0	1,335.2	1,383.3	1,383.5	1,351.2
Right of Use Asset	218.0	223.8	215.9	225.4	227.0	225.9	223.1
Investment in JV	18.2	4.7	4.3	5.0	5.0	5.0	5.0
Other non current assets	18.4	16.0	16.4	47.2	47.2	47.2	47.2
Restricted cash	1.8	2.3	8.1	9.3	9.3	9.3	9.3
Deferred tax asset	5.2	6.7	10.2	12.9	12.9	12.9	12.9
Long Term Assets	**1,393.2**	**1,472.6**	**1,505.3**	**1,647.8**	**1,695.6**	**1,692.0**	**1,653.9**
Restricted cash	3.5	4.8	5.2	9.2	9.2	9.2	9.2
Inventories	2.3	2.3	1.8	3.2	3.6	4.0	4.5
Trade receivables	12.8	3.5	6.8	18.5	19.3	20.2	21.2
Other receivables	15.1	8.0	19.5	17.9	17.9	17.9	17.9
Other financial assets	5.2	-	-	-	-	-	-
Cash & cash equivalents	153.0	114.2	136.8	163.6	174.3	195.5	228.8
Short Term Assets	**191.7**	**132.7**	**170.1**	**212.4**	**224.4**	**246.8**	**281.6**
Total Assets	**1,585.1**	**1,605.3**	**1,675.4**	**1,860.2**	**1,919.9**	**1,938.8**	**1,935.5**
Borrowings	664.9	721.0	729.3	817.6	853.0	861.3	836.8
Provision for land concession fee	4.7	5.4	5.1	5.3	5.3	5.3	5.3
Income unit financial liability	126.7	126.2	124.6	121.1	121.1	121.1	121.1
Lease liabilities	228.0	243.7	245.3	261.5	260.1	258.4	256.5
Other financial liabilities	1.0	1.2	8.1	4.0	4.0	4.0	4.0
Deferred taxes	7.9	8.5	7.2	5.9	5.9	5.9	5.9
Long Term Liabilities	**1,033.3**	**1,105.9**	**1,119.5**	**1,215.5**	**1,249.4**	**1,256.0**	**1,229.5**
Trade payables	10.5	6.5	16.7	13.6	14.8	16.1	17.6
Lease liabilities	3.6	10.4	6.3	5.5	5.5	5.5	5.5
Other payables	43.7	41.3	46.8	75.3	75.3	75.3	75.3
Borrowings	13.3	36.4	38.8	47.1	47.1	47.1	47.1
Short Term Liabilities	**71.1**	**94.5**	**108.7**	**141.5**	**142.7**	**144.1**	**145.5**
Share premium	130.3	131.4	131.2	133.2	133.2	133.2	133.2
Treasury shares	(3.6)	(3.5)	(3.5)	(5.5)	(5.5)	(5.5)	(5.5)
FX translation reserve	8.1	20.8	3.8	20.0	20.0	20.0	20.0
Hedging reserve	(0.7)	(0.7)	(0.4)	11.0	11.0	11.0	11.0
Retained earnings	243.2	161.6	147.4	156.4	176.3	185.9	202.1
Non-controlling interests	103.5	95.4	168.7	188.2	192.7	194.2	199.7
Total Equity	**480.8**	**405.0**	**447.2**	**503.3**	**527.8**	**538.8**	**560.5**
Total Equity & Liabilities	**1,585.1**	**1,605.3**	**1,675.4**	**1,860.2**	**1,919.9**	**1,938.8**	**1,935.5**
Net Debt / Fair Value gearing ratio	**29.4%**	**37.1%**	**33.6%**	**32.9%**			

Source: Radnor, Company

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