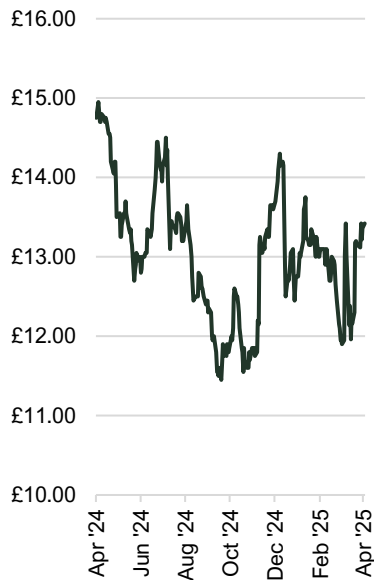


Q125 - trading within the range of market expectations

1 Year Chart



PPHE Hotel Group Limited is a research client of H2 Radnor Ltd.

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

30 April 2025

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PPHE has released its usual Q1 trading update (31 March period-end) which reads reassuringly. The outlook says that “forward booking activity levels are positive with overall pace and demand consistent with 2024 levels, albeit there continues to be normalisation in industry room rates. The Group remains focused on cost control, with several ongoing projects to drive further efficiencies”.

The outlook adds that “the macroeconomic and geopolitical backdrop is increasingly uncertain, yet the Board remains confident in delivering full-year performance within the range of market expectations for 2025”. The statement references an EBITDA consensus range of £148m to £158.6m and we maintain our forecast of £148.0m.

- **Revenue** increased by 0.7% on a reported basis but declined by 5.6% on a LFL basis (excluding the openings of Hoxton and Rome). In FY24, LFL revenue growth was 11.0% in Q1, 0.2% in Q2, 1.8% in Q3 and 3.6% in Q4. PPHE had said in its FY24 results that “forward booking momentum across all regions for Q2 and the remainder of the year is encouraging following a quieter Q1, the Group’s slowest quarter in the financial year”. Today’s Q1 says the decline was “largely due to the comparable leap year impact and Easter falling within Q2 which resulted in a later opening of the Croatian leisure portfolio and impacted the UK and Dutch markets in particular”.
- We note that Easter Sunday in 2025 was April 20th, the latest since 2019, whereas Easter Sunday in 2024 was on March 31st, the earliest since 2016. We calculate that the loss of the extra leap year day will have taken around 1% off revenue. We also think that the rise in Sterling will have reduced LFL by around 1% given that c.40% of revenues are in Euros.
- **Valuation**; we believe that the Group’s share price is cheap at £13.42 a 51% discount to the EPRA NRV of £27.51. Our illustrative fair value of £28.32, which is based on a four-stage Sum of the Parts (SOTP) model, is 3% higher than the EPRA NRV mainly as we incorporate assets which are not included in it; the management platform and two undeveloped land sites (New York and London Waterloo). We set out our SOTP at the end.

YE Dec, £m	Revenue	EBITDA	EPS (p) ¹	Div (p)	Net Debt	EPRA NRV (£)	PER ¹	Yield %
FY 2023A	414.6	128.2	117.7	36.0	725.3	26.72	11.4	2.7
FY 2024A	442.8	136.5	125.2	38.0	750.0	27.51	10.7	2.8
FY 2025E	473.5	148.0	135.4	42.4	704.4		9.9	3.2
FY 2026E	511.7	167.0	155.2	47.0	647.2		8.6	3.5
FY 2027E	536.4	177.3	170.7	54.0	583.0		7.9	4.0

¹ EPRA Adjusted EPS

Source: h2Radnor

Q125 - key additional points

- **RevPAR** (revenue per available room), calculated by multiplying average room rate by occupancy rate, declined by 3.5% on a LFL basis, from £98.1 to £94.6, with the reduction caused by the decline in average room rates. In FY24, LFL RevPAR rose by 3.3% in Q1, declined by 2.2% in Q2, rose by 2.3% in Q3 and rose by 2.5% in Q4.
- **Occupancy**, continued to increase on a LFL basis, from 70.4% to 70.5%, a 0.1% proportional increase. We note that initially after Covid, the Group prioritised rates over occupancy, partly due to higher costs, but more recently has focussed on increasing occupancy. In FY24, LFL occupancy rose proportionally by 6.6% in Q1, by 2.5% in Q2 and by 5.2% in Q3 and we estimate a 5.1% increase in Q4. We believe that the smaller increase in occupancy, compared with the increases last year, was mainly due to Easter's timing.
- **Average room rate** declined by 3.6%, on a LFL basis, from £139.3 to £134.3 "due to room rates continuing to normalise in most regions". We note that immediately post Covid bookings had been weighted to leisure but in the last 18 months it has been weighted to corporate, with the latter being lower rate than the former. In FY24, LFL average room rate declined by 3.0% in Q1, by 4.7% in Q2 and by 2.7% in Q3 and we estimate a 3.3% decline in Q4.
- **The newly opened hotels** in the £300m+ pipeline "are performing well and in line with expectations, with demand growing month-on-month and excellent guest feedback". art'otel London Hoxton, the largest of the pipeline hotels, opened in April and "continued to show good improvements, in line with expectations, supported by increasing corporate and meetings & events booking demand as the hotel continued to build its presence in the London market. The office space as well as the restaurant and bar on the 25th floor are expected to open in the second half". art'otel Rome Piazza Sallustio "opened on 6 March 2025 and is seeing increasing levels of guest demand as well as excellent guest feedback, in line with expectations. Yezi, the hotel's restaurant, is now fully operational after opening on 16 April 2025".

Below, we include a table of the Group's recent quarterly figures on a reported basis. PPHE provides the quarterly figures for Q1, Q2 and Q3 but only gives the annual figure at year end so we calculate the figures for Q4 which as a result may not be exactly correct (Figure 1).

Figure 1: PPHE quarterly performance (on a reported basis)

December year end	Q123	Q223	H123	Q323	Q423	FY23	Q124	Q224	H124	Q324	Q424	FY24	Q125
Revenue (£m)	68.8	111.2	180.0	141.0	93.6	414.6	77.0	114.0	191.0	148.2	103.6	442.8	77.6
Annual change	115.0%	36.9%	59.0%	8.8%	7.2%	25.6%	11.9%	2.5%	6.1%	5.1%	10.6%	6.8%	0.7%
Room revenue (£m)	50.4	83.2	133.6	98.6	67.9	300.1	55.2	83.3	138.5	104.0	74.7	317.2	55.6
Annual change	124.0%	40.0%	62.9%	8.6%	4.5%	26.2%	9.6%	0.1%	3.7%	5.5%	10.0%	5.7%	0.7%
RevPAR (£)	96.2	121.0	110.3	136.7	128.9	120.7	98.1	115.4	107.8	136.6	131.1	120.3	95.3
Annual change	126.4%	38.2%	62.6%	10.3%	(1.5%)	25.5%	1.9%	(4.6%)	(2.2%)	(0.1%)	1.7%	(0.3%)	(2.8%)
Average room rate (£)	143.7	171.0	159.6	176.4	176.1	166.8	139.3	163.0	152.8	171.8	171.9	161.5	136.7
Annual change	15.8%	14.8%	13.1%	0.8%	(9.0%)	4.0%	(3.1%)	(4.5%)	(4.3%)	(2.6%)	(2.4%)	(3.2%)	(1.8%)
Occupancy	66.9%	70.8%	69.1%	77.5%	74.4%	72.4%	70.4%	70.7%	70.6%	79.5%	77.4%	74.5%	69.7%
Annual change	95.6%	20.4%	44.0%	9.5%	(2.4%)	20.7%	5.2%	(0.1%)	2.2%	2.6%	4.0%	2.9%	(1.0%)

Source: Company, h2Radnor

PPHE valuation

Sum of the parts valuation

Our illustrative equity fair value of £28.32 per share is based on a four-stage SOTP model, using an EV of £2,320m and an equity value to PPHE shareholders of £1,203m (Figure 2).

Figure 2: SOTP valuation of PPHE

SOTP Valuation		
EV	Value (£m)	Proportion of EV (%)
DCF of PPHE's core portfolio	1,702	73
DCF of PPHE's development pipeline	430	19
Multiple value of PPHE's management platform	108	5
Other assets	80	3
Total	2,320	100
Deferred tax on revaluation of properties	(36)	
Net debt (FY25E)	(704)	
Equity value	1,579	
Minorities of the core - subtotal	(267)	
Minorities of the development pipeline - subtotal	(109)	
Minority total	(376)	
Equity value to PPHE shareholders	1,203	
Number of shares (m)	42.5	
Value per share (£)	28.32	

Source: Company, h2Radnor

Stage 1 – DCF of the core

The main value, accounting for 73% of the EV within our SOTP, is a DCF of the core existing hotels and resorts portfolio at £1,702m (Figure 3). As a base, we use our P&L forecast of £148m of EBITDA in FY25, removing the £10m profit we forecast for the development pipeline and removing the £12m for the management platform as we model these two separately. Our terminal growth rate is 0.5%.

Figure 3: DCF of PPHE's core portfolio (£m)

December year end	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	FY34E	TV
Revenue	403	420	432	445	459	472	486	501	516	532	534
Growth		4.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	0.5%
EBITDA	126	135	139	143	147	152	156	161	166	171	163
Margin	31.3%	32.1%	32.1%	32.1%	32.1%	32.1%	32.1%	32.1%	32.1%	32.1%	30.5%
Margin change		2.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	(5.0%)
Income unit liability	(13)	(13)	(14)	(14)	(15)	(15)	(16)	(16)	(16)	(17)	(17)
Interest expense on lease liabilities	(10)	(10)	(11)	(11)	(11)	(12)	(12)	(12)	(13)	(13)	(13)
Working capital	0	0	0	0	0	0	0	0	0	0	0
Maintenance capex	(16)	(17)	(17)	(18)	(18)	(19)	(19)	(20)	(21)	(21)	(16)
Maintenance capex/revenue	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	3.0%
Free cash	87	94	97	100	103	106	109	112	116	119	117
Present value	82	83	80	78	75	73	70	68	66	63	58
Value											
Total present value of forecast period	737										
Terminal value	965										
Total	1,702										

Source: Company, h2Radnor

We use a WACC of 6.5%, based on a cost of equity of 8.4% and a cost of debt of 5.1% (Figures 4 and 5).

Figure 4: WACC for PPHE

WACC	
Cost of equity	8.4%
Cost of debt	5.1%
Total	6.5%

Source: Company, h2Radnor

Figure 5: 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, h2Radnor

Stage 2 – DCF of the development pipeline

We have a separate DCF value for the development pipeline worth £430m, comprising 19% of the EV within our SOTP (Figure 6). The Group has said that post the opening of the four new hotels trading will stabilise at least £25m of EBITDA. Given that these will be new hotels, we model a 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 6: DCF of PPHE's development pipeline (£m)

December year end	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	FY34E	TV
Revenue	40	60	69	72	76	80	84	88	92	97	98
Growth	25.0%	50.0%	15.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	0.5%
EBITDA	10	19	24	27	28	30	31	33	34	36	35
Margin	24.0%	31.7%	34.8%	36.6%	36.8%	37.0%	37.1%	37.2%	37.3%	37.4%	35.9%
Margin change	n/a	32.0%	10.0%	5.0%	0.5%	0.5%	0.5%	0.2%	0.2%	0.2%	(4.0%)
Working capital	0	0	0	0	0	0	0	0	0	0	0
Working capital/revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Maintenance capex	(2)	(2)	(3)	(3)	(3)	(3)	(3)	(4)	(4)	(4)	(3)
Maintenance capex/revenue	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	3.0%
Free cash	8	17	21	24	25	26	28	29	31	32	32
Present value	8	15	18	18	18	18	18	18	17	17	16
Value											
Total present value of the forecast period	164										
Terminal value	265										
Total	430										

Source: Company, h2Radnor

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 7). 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 FY25, which we remove from our core DCF. We use 9.0x EV/EBITDA, which is the median valuation of the hotel peer group we have chosen for PPHE, which generates a value of £108m.

Figure 7: Multiple valuation of PPHE’s management platform

Operating company	FY25E
Revenue (£m)	30.0
EBITDA (£m)	12.0
Margin (%)	40.0
EV/EBITDA (x)	9.0
EV (£m)	108

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 3% of our EV (Figure 8).

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 £16m.
- 2) the fair value of PPHE’s part of the two German JVs, which had an EPRA NRV of £18m.
- 3) the New York site, bought at \$42m (£34m).
- 4) the Waterloo site, where planning permission has been given, 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 8: 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 £704m for FY25. For the minorities of the core, we use £267m as 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 £430m, then assume debt of £207m, which gives an equity value of £194m and we take 49% of this to generate a minority value of £109m (Figure 9).

Figure 9: Minority value of PPHE's development pipeline

Value	Amount (£m)
DCF of PPHE's development pipeline	430
Debt of the development pipeline	(207)
Equity value of pipeline	223
Minority	49%
Value of minorities	109

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 £36m 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.

PPHE Hotel Group

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Price (p): 1342 p
Market Cap: 561 m
EV: 1311 m

PROFIT & LOSS

Year to 31 December, £m	2023	2024	2025E	2026E	2027E
UK	234.9	248.6	278.3	302.9	320.8
Netherlands	63.3	66.2	66.6	67.4	86.8
Croatia	78.1	84.1	79.0	84.2	26.8
Germany	22.8	24.4	24.9	26.1	68.2
Other Markets	7.9	10.7	15.2	21.0	23.1
Mgmt / Central	7.6	8.8	9.4	10.2	10.7
Group Revenue	414.6	442.8	473.5	511.7	536.4
Op. Exp.	(286.4)	(306.3)	(325.5)	(344.7)	(359.1)
EBITDA	128.2	136.5	148.0	167.0	177.3
EBITDA margin %	30.9%	30.8%	31.3%	32.6%	33.1%
Depr & Amortisation	(45.1)	(47.1)	(56.3)	(60.9)	(63.8)
EBITA - Adjusted	83.1	89.4	91.7	106.1	113.5
Associates & JV's	(0.1)	(0.3)	(0.3)	(0.3)	(0.3)
Income unit liability	(14.2)	(12.9)	(12.9)	(13.5)	(13.5)
Net Bank Interest	(31.4)	(37.4)	(42.1)	(40.9)	(39.4)
Other operating items	0.0	(0.0)	8.8	1.7	-
PBT - Adjusted	37.5	38.8	45.2	53.1	60.2
Non Operating Items	(8.7)	(8.2)	(8.8)	(1.7)	-
PBT - IFRS	28.8	30.6	36.4	51.4	60.2
Tax - Adjusted	(2.2)	(3.7)	(6.8)	(8.0)	(9.0)
Tax rate - Adjusted	5.8%	9.4%	15.0%	15.0%	15.0%
Minority interests	(4.7)	0.5	(7.1)	(7.7)	(8.0)
No. shares m, diluted	42.5	42.5	42.5	42.5	42.5
Adj EPS (p), diluted	71.9	83.9	73.7	88.2	101.5
EPRA adjusted EPS (p)	117.7	125.2	135.4	155.2	170.7
Total DPS (p)	36.0	38.0	42.4	47.0	54.0

CASH FLOW

Year to 31 December, £m	2023	2024	2025E	2026E	2027E
Gross Op Cashflow	127.5	131.5	145.8	164.8	175.1
Net Op Cashflow	78.4	68.0	85.3	102.7	113.1
Free Cashflow	57.7	46.1	62.0	77.6	113.1
Net Cashflow	(44.6)	(39.9)	45.6	57.3	64.1

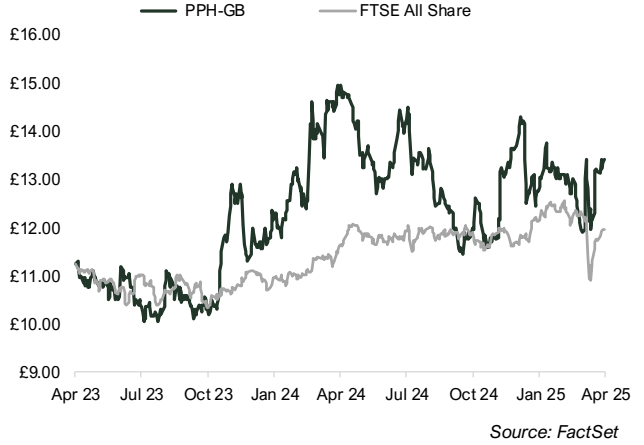
BALANCE SHEET

Year to 31 December, £m	2023	2024	2025E	2026E	2027E
Intangibles	10.7	7.6	4.8	1.8	-
P,P+E	1,412.8	1,421.4	1,389.6	1,355.2	1,319.2
Right of Use Asset	229.2	225.3	222.4	219.4	216.2
Tax Asset & Other	58.9	68.1	68.1	68.1	68.1
Total Fixed Assets	1,711.6	1,722.4	1,685.0	1,644.5	1,603.6
Current Assets	44.4	39.1	40.5	42.1	43.7
Current Liabilities	(94.0)	(86.8)	(88.2)	(89.8)	(91.4)
Net Current Assets	(49.5)	(47.7)	(47.7)	(47.7)	(47.7)
Long Term Liabilities	(405.6)	(398.6)	(397.3)	(395.7)	(393.9)
Net Cash (Debt)	(725.3)	(750.0)	(704.4)	(647.2)	(583.0)
Net Assets	531.1	526.1	535.6	554.0	579.0

GROWTH

YoY growth	2023	2024	2025E	2026E	2027E
Revenue	26%	7%	7%	8%	5%
EBITDA	35%	6%	8%	13%	6%
EPRA EPS	136%	6%	8%	15%	10%
Dividend	140%	6%	12%	11%	15%

PRICE CHART - 2 YEAR ABSOLUTE vs FTSE ALL SHARE



SHAREHOLDERS

	% of ord. Share capital
Eli Papouchado	32.9%
Boris Ivesha	11.1%
Harel Insurance	9.1%
Clal Insurance	8.4%
	61.5%

Source: Company website

Previous announcements

Date	Event
February 2025	FY results
January 2025	Year end trading update
October 2024	Q3 trading update
August 2024	H1 results
April 2024	Q1 trading update
February 2024	FY results
January 2024	Year end trading update
January 2024	First Radisson RED in Berlin
November 2023	London planning permission
November 2023	London art'otel opening March 2024
October 2023	Q3 trading update
September 2023	Zagreb art'otel opening

RATIOS

	2023	2024	2025E	2026E	2027E
RoE	7.5%	6.6%	8.5%	9.5%	10.2%
RoCE*	8.9%	9.3%	10.4%	12.2%	13.4%
Asset Turnover (x)	4.1x	3.9x	3.6x	3.2x	3.0x
NWC % Revenue	-11.9%	-10.8%	-10.1%	-9.3%	-8.9%
Op Cash % EBITA	153.4%	147.1%	159.0%	155.3%	154.3%
EBITDA / interest x	4.1x	3.6x	3.5x	4.1x	4.5x

VALUATION

Fiscal	2023	2024	2025E	2026E	2027E
P/E	11.4x	10.7x	9.9x	8.6x	7.9x
EV/EBITDA	10.2x	9.6x	8.9x	7.9x	7.4x
Div Yield	2.7%	2.8%	3.2%	3.5%	4.0%
FCF Yield	4.4%	3.5%	4.7%	5.9%	8.6%

* RoCE defined as EBITDA minus 4% of revenue as a real world depreciation equivalent

REGULATORY DISCLOSURES

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