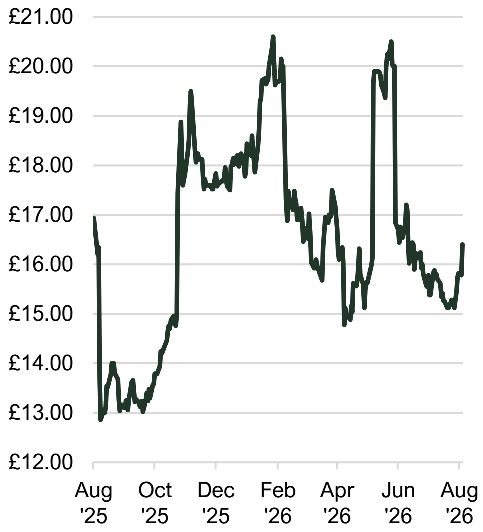
PPHE Hotel Group Limited

PPH | FTSE 250 | Travel & Leisure | 1,632p | £687m

H126 results – trading "in line"

1 Year Chart



PPHE's H126 results (June period-end) look reassuring, especially given the backdrop of the Iran conflict and higher taxes in the UK and the Netherlands, with a like-for-like (LFL) revenue increase of 5.5% and a LFL improvement in the EBITDA margin from 23.0% in H125 to 23.5% in H126. The performance of the UK, the Group's main region, was particularly strong. LFL figures exclude the results from art'otel Rome Via Veneto for Q1 2026 and 2025 and the results of the terminated leasehold of Park Plaza Wallstreet Berlin Mitte.

The outlook says that "trading across the Group's city locations has remained consistent with trends seen in the first half, particularly the Group's UK properties which continue to perform strongly. In Croatia, the Group expects the gradual improvement in momentum seen in the first half of the year to continue through the summer season".

The outlook adds that "notwithstanding the wider geopolitical volatility and fiscal headwinds impacting in FY26 and beyond, the Board expects to deliver results for the financial year ending 31 December 2026 in line with market expectations".

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.

- **Estimates;** now that the Strategic Review has concluded we reinitiate coverage in this note. We last changed our forecasts in August 2025 and today we reduce our EBITDA by 5% for both FY26 (from £147.5m to £140.1m) and FY27 (from £157.7m to £150.1m) mainly as UK business rates have increased more steeply than expected this time last year. The statement gives the FY26 EBITDA consensus range as £140.0m to £147.0m so we are within this range.
- **Valuation**; we also update our illustrative fair value, based on a four-stage Sum of the Parts (SOTP) model, which we reduce by 11% from £24.79 to £22.09 per share, 35% above the current share price. We set out our SOTP at the end.

27th August 2026

Robert Plant

rplant@h2radnor.com

+44 (0) 203 897 1846

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	13.9	2.2
FY 2024A	442.8	136.5	125.8	38.0	750.0	27.51	13.0	2.3
FY 2025A	466.4	138.2	125.0	39.0	775.5	27.35	13.1	2.4
FY 2026E	*474.6*	*140.1*	*112.6*	*40.0*	*893.2*		*14.5*	*2.5*
FY 2027E	*484.3*	*150.1*	*128.4*	*42.0*	*844.3*		*12.7*	*2.6*

[1] EPRA Adjusted EPS — *Source: h2Radnor*

H126 - key additional points

- **Total revenue** increased by 5.5% in H1 on a LFL basis (8.2% in Q1 and 3.8% in Q2).
- **Room revenue** increased by 3.3% in H1 on a LFL basis (3.4% in Q1 and 3.2% in Q2) which we think impressive given the impact of the Iran conflict on the travel industry.
- **RevPAR** (revenue per available room, calculated by multiplying average room rate by occupancy rate) increased by 3.1% in H1 on a LFL basis (3.8% in Q1 and 2.5% in Q2) and was led by increased room rates.
- **Occupancy** reduced by 10bps in H1 from 72.5% in H125 to 72.5% in H126 on a LFL basis, having increased in Q1 by 40bps from 70.3% in Q125 to 70.7% in Q126 but reduced in Q2 by 40bps from 74.3% in Q225 to 73.9% in Q126.
- **Average room rate** increased by 3.2% in H1 on a LFL basis (3.2% in Q1 and 3.1% in Q2).
- **The Group's EPRA NRV,** as at 30 June 2026, was £26.97 per share, 1.4% below the £27.35 value as at 31 December. PPHE's annual revaluation occurs in December and the interim value just reflects currency moves, inter-period investments, profits and losses and dividends.
- **The interim dividend** was maintained at 17p, which we think reflects the fact that adjusted EPRA EPS (on a 12-months basis) was flat at 125p.
- **In July, the Strategic Review** concluded and management says that it "has re-affirmed our strategic priority to maximise shareholder value through a combination of operational delivery alongside balance sheet simplification. Further opportunities remain to enhance value, from within the balance sheet and development pipeline alongside our recently opened hotels as they become increasingly established in their markets". We think that, in coming years, the Group will focus on improving and rationalising the existing portfolio, rather than in developing new properties, as seen recently for example in the acquisition of the freehold of Park Plaza London Waterloo and the sale of the development site in New York.
- **In terms of the recent pipeline**, the statement says that "the Group's recently opened properties, including art'otel London Hoxton, art'otel Zagreb and art'otel Rome Via Veneto continue to mature and build their positions in these markets.". We note that near term estimates do not include the full ramp up of the pipeline.

- **In our estimate changes** we reduce our FY26 and FY27 EBITDA by 5%.

Figure 1: PPHE – estimate changes

December year end		Previous		New		Revision	
£m	FY'25A	FY'26E	FY'27E	FY'26E	FY'27E	FY'26E	FY'27E
Revenue	466	489	514	475	484	(3%)	(6%)
EBITDA	138	148	158	140	150	(5%)	(5%)
Adjusted EPRA earnings per share	125	121	137	113	128	(7%)	(6%)
DPS (p)	39	46	52	40	42	(13%)	(19%)

Source: Company, h2Radnor

PPHE valuation

Sum of the parts valuation

Our illustrative equity fair value of £22.09 per share is based on a four-stage SOTP model, using an EV of £2,237m and an equity value to PPHE shareholders of £934m (Figure 2).

Figure 2: SOTP valuation of PPHE

SOTP Valuation		
EV	**Value (£m)**	**Proportion of EV (%)**
DCF of PPHE's core portfolio	1,665	74
DCF of PPHE's development pipeline	400	18
Multiple value of PPHE's management platform	126	6
Other assets	46	2
Total	**2,237**	**100**
Deferred tax on revaluation of properties	(45)	
Net debt (FY26E)	(893)	
Equity value	**1,298**	
Minorities of the core - subtotal	(269)	
Minorities of the development pipeline - subtotal	(95)	
Minority total	**(364)**	
Equity value to PPHE shareholders	**934**	
Number of shares (m)	42.3	
Value per share (£)	**22.09**	

Source: Company, h2Radnor

Stage 1 – DCF of the core

The main value, accounting for 74% of the EV within our SOTP, is a DCF of the core existing hotels and resorts portfolio at £1,665m (Figure 3). As a base, we use our FY26 P&L forecast revenue and remove our forecast for both the development pipeline and 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	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	FY34E	FY35E	TV
Revenue	**400**	**404**	**424**	**445**	**467**	**486**	**505**	**526**	**547**	**568**	**549**
Growth		1.0%	5.0%	5.0%	5.0%	4.0%	4.0%	4.0%	4.0%	4.0%	0.5%
EBITDA	118	120	131	139	146	152	158	165	171	178	167
Margin	29.5%	29.8%	31.0%	31.1%	31.3%	31.4%	31.4%	31.4%	31.4%	31.4%	30.4%
Margin change		1.0%	4.0%	0.5%	0.5%	0.2%	0.0%	0.0%	0.0%	0.0%	(3.0%)
Income unit liability	(14)	(14)	(14)	(15)	(16)	(16)	(17)	(18)	(18)	(19)	(19)
Interest expense on lease liabilities	(10)	(10)	(11)	(11)	(12)	(12)	(13)	(13)	(14)	(14)	(14)
Working capital	0	0	0	0	0	0	0	0	0	0	0
Maintence capex	(16)	(16)	(17)	(18)	(19)	(19)	(20)	(21)	(22)	(23)	(16)
Maintence 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	**78**	**80**	**89**	**95**	**100**	**104**	**109**	**113**	**117**	**122**	**118**
Present value	69	67	70	69	69	67	66	64	63	61	59
Value											
Total present value of forecast period	665										
Terminal value	999										
Total	**1,665**										

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 £400m, comprising 18% 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	**FY26E**	**FY27E**	**FY28E**	**FY29E**	**FY30E**	**FY31E**	**FY32E**	**FY33E**	**FY34E**	**FY35E**	**TV**
Revenue	40	44	53	58	62	66	69	73	76	80	80
Growth		10.0%	20.0%	10.0%	7.0%	6.0%	5.0%	5.0%	5.0%	5.0%	0.5%
EBITDA	8	16	21	23	25	26	28	29	31	33	32
Margin	20.0%	36.0%	39.6%	39.8%	40.0%	40.2%	40.4%	40.6%	40.8%	41.0%	40.2%
Margin change		80.0%	10.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	(2.0%)
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%
Maintence capex	(2)	(2)	(2)	(2)	(2)	(3)	(3)	(3)	(3)	(3)	(2)
Maintence 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	**6**	**14**	**19**	**21**	**22**	**24**	**25**	**27**	**28**	**30**	**30**
Present value	6	12	16	16	16	16	16	16	16	16	15
Value											
Total present value of the forecast period	147										
Terminal value	253										
Total	**400**										

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 6% 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 £14m of EBITDA in FY26, which we remove from our core DCF. We use 9.0x EV/EBITDA which generates a value of £126m.

Figure 7: Multiple valuation of PPHE's management platform

Operating company	FY26E
Revenue (£m)	35.0
EBITDA (£m)	14.0
Margin (%)	40.0
EV/EBITDA (x)	9.0
EV (£m)	**126**

Source: Company, Radnor

Stage 4 – Other assets

The fourth stage of our SOTP, is to value three other assets, which we add in at a collective £46m and this accounts for 2% of our EV (Figure 8).

The EPRA NRV does include the Income Units and two German JVs but not the 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 Waterloo site, where planning permission has been given, bought at £12m.

Our 'other assets' does not include any value for 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) Close to the City of London, a mixed-use development site is earmarked for a 182-room select-service Radisson RED lifestyle hotel.

2) the Group has planning permission to develop a 616-key hotel on the site adjacent to its Park Plaza London Park Royal property for which it is designing plans.

3) the Group has planning permission for a new 79-room hotel, converting 6.5k sqm of subterranean space within the Park Plaza Victoria property.

4) 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 JV	18
The Waterloo site	12
Total	**46**

Source: Company, Radnor

For the net debt of the core, we use our forecast net debt of £893m for FY26. For the minorities of the core, we use £269m, as the EPRA NRV of the minorities was £319m 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 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 £400m, then assume debt of £207m, which gives an equity value of £193m and we take 49% of this to generate a minority value of £95m (Figure 9).

Figure 9: Minority value of PPHE's development pipeline

Value	Amount (£m)
DCF of PPHE's development pipeline	400
Debt of the development pipeline	(207)
Equity value of pipeline	**193**
Minority	49%
Value of minorities	**95**

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 £45m 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

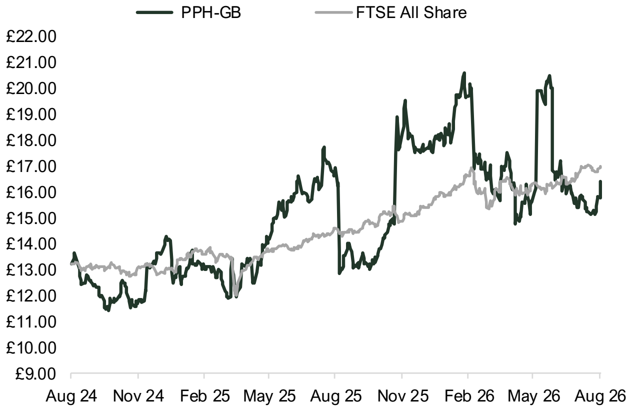
Robert Plant
+44 203 897 1846
rplant@h2radnor.com

Price (p):	**1632 p**
Market Cap:	687 m
EV:	1437 m

PROFIT & LOSS

Year to 31 December, £m	2023	2024	2025E	2026E	2027E
Group Revenue	**414.6**	**442.8**	**466.4**	**474.6**	**484.3**
Op. Exp.	(286.4)	(306.3)	(328.2)	(334.6)	(334.2)
EBITDA	**128.2**	**136.5**	**138.2**	**140.1**	**150.1**
EBITDA margin %	*30.9%*	*30.8%*	*29.6%*	*29.5%*	*31.0%*
Depr & Amortisation	(45.1)	(47.1)	(72.3)	(64.1)	(63.0)
EBITA - Adjusted	**83.1**	**89.4**	**65.9**	**76.0**	**87.2**
Associates & JV's	(0.1)	(0.3)	(0.3)	(0.3)	(0.3)
Income unit liability	(14.2)	(12.9)	(11.9)	(13.5)	(13.5)
Net Bank Interest	(31.4)	(37.4)	(43.2)	(40.9)	(39.4)
Other operating items	0.0	(0.0)	23.7	1.7	-
PBT - Adjusted	**37.5**	**38.8**	**34.2**	**23.0**	**33.9**
Non Operating Items	(8.7)	(8.2)	(32.7)	(1.7)	-
PBT - IFRS	**28.8**	**30.6**	**1.5**	**21.3**	**33.9**
Tax - Adjusted	(2.2)	(3.7)	(20.1)	(3.4)	(5.1)
Tax rate - Adjusted	*5.8%*	*9.4%*	*58.7%*	*15.0%*	*15.0%*
Minority interests	(4.7)	0.5	12.6	(3.2)	(3.3)
No. shares m, diluted	42.5	42.3	42.3	42.3	42.3
Adj EPS (p), diluted	71.9	84.3	63.1	38.5	60.3
EPRA adjusted EPS (p)	**117.7**	**125.8**	**125.0**	**112.6**	**128.4**
Total DPS (p)	36.0	38.0	39.0	40.0	42.0

PRICE CHART - 2 YEAR ABSOLUTE vs FTSE ALL SHARE



Source: FactSet

SHAREHOLDERS

	% of ord. Share capital
Eli Papouchado	32.9%
Boris Ivesha	11.1%
Harel Insurance	8.5%
Clal Insurance	7.8%
Exodus Management	5.2%
	65.5%

Source; Company webiste

CASH FLOW

Year to 31 December, £m	2023	2024	2025E	2026E	2027E
Gross Op Cashflow	127.5	131.5	138.8	141.4	149.4
Net Op Cashflow	78.4	68.0	100.1	83.9	91.4
Free Cashflow	**57.7**	**46.1**	**77.5**	**60.8**	**91.4**
Net Cashflow	(44.6)	(39.9)	(3.3)	4.8	36.4

Previous announcements

Date	Event
July 2026	Strategic review concluded
April 2026	Q1 trading update
February 2026	FY results
November 2025	Strategic review announced
October 2025	Q3 trading update
August 2025	H1 results
April 2025	Q1 trading update
February 2025	FY results
January 2025	Year end trading update
October 2024	Q3 trading update
August 2024	H1 results
April 2024	Q1 trading update

BALANCE SHEET

Year to 31 December, £m	2023	2024	2025E	2026E	2027E
Intangibles	10.7	7.6	6.6	3.4	-
P,P+E	1,412.8	1,421.4	1,460.7	1,575.1	1,537.9
Right of Use Asset	229.2	225.3	222.9	227.8	224.6
Tax Asset & Other	58.9	68.1	61.9	61.9	61.9
Total Fixed Assets	**1,711.6**	**1,722.4**	**1,752.1**	**1,868.2**	**1,824.3**
Current Assets	44.4	39.1	31.8	33.2	34.6
Current Liabilities	(94.0)	(86.8)	(92.7)	(94.1)	(95.6)
Net Current Assets	**(49.5)**	**(47.7)**	**(60.9)**	**(60.9)**	**(60.9)**
Long Term Liabilities	(405.6)	(398.6)	(403.1)	(403.2)	(403.0)
Net Cash (Debt)	(725.3)	(750.0)	(775.5)	(893.2)	(844.3)
Net Assets	**531.1**	**526.1**	**512.6**	**510.9**	**516.1**

RATIOS

	2023	2024	2025E	2026E	2027E
RoE	7.5%	6.6%	0.3%	4.5%	6.2%
RoCE*	8.9%	9.3%	9.3%	8.6%	9.6%
Asset Turnover (x)	4.1x	3.9x	3.8x	3.9x	3.8x
NWC % Revenue	-11.9%	-10.8%	-13.1%	-12.8%	-12.6%
Op Cash % EBITA	153.4%	147.1%	210.7%	186.1%	171.4%
EBITDA / interest x	4.1x	3.6x	3.2x	3.4x	3.8x

GROWTH

YoY growth	2023	2024	2025E	2026E	2027E
Revenue	26%	7%	5%	2%	2%
EBITDA	35%	6%	1%	1%	7%
EPRA EPS	136%	7%	-1%	-10%	14%
Dividend	140%	6%	3%	3%	5%

VALUATION

Fiscal	2023	2024	2025E	2026E	2027E
P/E	13.9x	13.0x	13.1x	14.5x	12.7x
EV/EBITDA	11.2x	10.5x	10.4x	10.3x	9.6x
Div Yield	2.2%	2.3%	2.4%	2.5%	2.6%
FCF Yield	4.0%	3.2%	5.4%	4.2%	6.4%

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

REGULATORY DISCLOSURES

H2 Radnor Ltd is authorised and regulated by the Financial Conduct Authority.

H2 Radnor Ltd
68 King William Street
London
EC4N 7HR

www.h2radnor.com

DISCLAIMER

 This report has been commissioned by ***PPHE Hotel Group Limited*** *and prepared and issued by* ***H2 Radnor Ltd****. All information used in this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the analyst at the time of publication. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.*

This report is not intended as a solicitation or inducement to buy, sell, subscribe or underwrite any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. However, H2 Radnor Ltd does have strict rules relating to personal dealings by individuals employed or instructed to help prepare investment research. A copy of these rules is available upon request. H2 Radnor Ltd does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contracted persons or entities may have a position in any or related securities mentioned in this report. H2 Radnor Ltd, or its affiliates, may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and can be subject to volatility. In addition, it may be difficult to or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. To the maximum extent permitted by law, H2 Radnor Ltd, or its affiliates and their respective directors, officers and employees will not be held liable for any loss or damage as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication.