

Trading Update

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PPHE Hotel Group Limited
15 April 2020

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PPHE HOTEL GROUP LIMITED
("PPHE" or "the Group")

Trading Update

PPHE Hotel Group, the international hospitality real estate group which develops, owns and operates hotels and resorts, today announces an update on the Group's trading for the three months ended 31 March 2020 and the Group's current cash position.

Summary

- Trading in January and February was in line with Board expectations
- From mid-March in the UK, the Netherlands, Germany and Hungary, our hotels were either temporarily closed or capacity was significantly reduced
- The Group's financial liquidity position is robust
- Significant actions taken to preserve cash and reduce costs and overheads
- As at 14 April 2020, the cash position throughout the Group amounts to £149.9 million. In addition, the Group has an undrawn overdraft facility of £3.8 million.

Key financial statistics for the three months ended 31 March 2020 (unaudited)

	Reported			Like for like ¹		
	Three months ended 31 March 2020	Three months ended 31 March 2019	% change	Three months ended 31 March 2020	Three months ended 31 March 2019	% change
Total revenue	£51.4 million	£62.5 million	(17.7)%	£50.7 million	£62.4 million	(18.8)%
Total room revenue	£34.4 million	£43.5 million	(20.8)%	£33.9 million	£43.4 million	(21.9)%
Occupancy	58.5%	76.4%	(1790) bps	58.7%	76.4%	(1770) bps
Average room rate	£115.1	£115.5	(0.3)%	£115.2	£115.4	(0.3)%
RevPAR	£67.4	£88.2	(23.6)%	£67.6	£88.2	(23.3)%

¹ The like-for-like numbers for both periods ended 31 March 2020 and 31 March 2019 exclude the first three months of operation of Park Plaza Vondelpark, Amsterdam (temporarily closed for repositioning).

Boris Ivesha, President & Chief Executive Officer, PPHE said:

"Protecting our team members has been our key priority and we continue to strictly follow all local authority safeguarding measures for those still working at our properties. We are actively engaging with the communities in which we operate to see how we can support them through these challenging times.

We have taken decisive action to ensure the Group is well-positioned to endure the unprecedented challenges that the Covid-19 pandemic presents. This review of operational costs has been carefully balanced with the business' needs for the future to ensure that, as the impact of Covid-19 reduces and a sense of normality resumes, the Group is well-positioned for continued success."

Performance for the three months ended 31 March 2020

Trading in January and February was in line with Board expectations as the Group continued to benefit from the asset upgrade investment projects completed in recent years. Reported total revenue grew by 8.7% driven by an overall strong performance across the Group's key markets and an increased room inventory versus last year.

However, as previously announced, in early March the travel and hotel industry in Europe started to see reduced demand for international travel due to the Covid-19 outbreak, resulting in cancellations and a reduction in bookings. Later in the month, the introduction of extraordinary social distancing measures and international travel bans by governments across the world led to an immediate and significant deterioration in the hospitality market.

From mid-March in the UK, the Netherlands, Germany and Hungary, our hotels (and the restaurants and bars within them), were either temporarily closed or capacity was significantly reduced. In Croatia, the seasonal nature of our operations means most properties are closed during the first quarter. As a result of this market backdrop, the Group's total revenue in March reduced by 60.2% and RevPAR was down 64.5% year-on-year respectively. Occupancy was 29.6%.

Therefore, the Group's overall trading performance in the first quarter of FY20 was significantly impacted.

Update on balance sheet and liquidity

The Group's financial liquidity position is robust.

As at 14 April 2020, the cash position throughout the Group amounts to £149.9 million. In addition, the Group has an undrawn overdraft facility of £3.8 million.

Covenant and banking information

The financial covenants in the Group's bank facilities are principally based on loan to value and debt service coverage ratios tested periodically, with cure periods applicable for each facility. These covenants had significant headroom pre-Covid-19.

We have strong, long-standing relationships with our banks and through proactive engagement, where required due to the temporary hotel closures and reduced capacity, we have secured amendments to our agreements to ensure compliance with our debt service covenants for the Q1/Q2 testing periods with the earliest subsequent debt service testing to be at the end of Q3. The Group is further discussing with some of its banks an amendment to its 2020 amortisation schedule.

Debt service during this period of temporary closure and reduced capacity will be serviced from the Group's cash resources.

Operational cash flow measures

To further protect the Group's balance sheet position and significantly reduce cash outflow during this challenging period, the Group has taken a number of exceptional measures, which are outlined below.

The Group's largest fixed expense is its payroll costs and various measures are being taken to significantly reduce payroll, including furlough of the majority of employees in the UK, the non-renewal of fixed-term employment contracts, halting of contract labour, shortening of working hours and temporary progressive salary reductions, including a temporary 100% cut of the fees and salary respectively for the Chairman of the Board and the President & CEO as well as a 20% salary reduction across the Executive Leadership Team. These reductions shall be reviewed on a rolling basis. Unfortunately, the Group is also considering further staff reduction measures.

The Group has deferred its 2019 discretionary staff incentive payments, at an aggregate value of £1.8 million, and will reconsider such payments, if appropriate, in due course.

The Group is utilising the government support schemes available to the business across its markets; the Job Retention Scheme in the UK, the Temporary Emergency Measure for Work Retention scheme in the Netherlands, the Kurzarbeit scheme in Germany and the Job preservation scheme in Croatia. The start dates of these schemes vary; however all are available for a period of at least three months in their respective regions. Together, these government schemes provide the Group with approximately £3 million support per month, covering approximately 60% of the Group's monthly current reduced payroll costs (taking into account the measures set out above).

Furthermore, other than payroll, the Group also benefits from additional government support measures such as the business rates' holiday in the UK from 1 April 2020 until 31 March 2021, representing a £1.4 million cash saving per month.

Across the Group's operations, deferral of VAT and PAYE payment arrangements have been put in place. These measures provide the Group with a significant saving on current working capital cash flow requirements.

A material part of our expense base is variable and reduces in line with the reduced capacity of the business, including cost of sales, which reduce in line with the revenue decline. For most substantial fixed expenses (other than payroll and rates, the treatment of which is mentioned above), the Group has deferred payments and engaged in proactive discussions with our landlords to agree revised payment terms.

Investment and finance cash flow measures

The Group has a £300 million+ investment pipeline, of which £100 million+ is temporarily paused, albeit we continue to progress with planning permission work for our previously announced projects. The remaining £200 million relates to the Group's art'otel london hoxton project, for which £180 million bank funding (the "Facility") has been secured as announced on 8 April 2020. The Group has contributed a material part of its equity commitment for this project as required under the Facility and therefore does not currently expect a material outflow of cash in respect of this project until July 2022.

The art'otel london hoxton Facility entitles the Group to temporarily unlock some of contributed equity of up to £43 million. This cash can be used to bridge any cash flow needs the Group may encounter in the near future. If the Group elects to draw on these funds, the remaining equity commitment in this project will be increased as a consequence in line with the progress of the project which may extend beyond the originally envisaged 36 months period.

As previously announced, due to current market conditions and in order to preserve the Group's cash position, the proposed 2019 final dividend payment to shareholders, equating to £8.6 million, has been withdrawn.

Looking ahead

The Group is currently operating at significantly reduced capacity across its portfolio. In the UK, only Park Plaza Westminster Bridge London remains open to accommodate key workers, and in the Netherlands four of our six hotels, which are currently open, are operating at a significantly reduced capacity. Furthermore, operations in Germany and Hungary have been significantly reduced. In Croatia, where our operations are seasonal and typically opened around the Easter holidays, the properties are currently closed.

Given the fast-moving nature of the Covid-19 pandemic and the resulting ongoing uncertainty regarding disruption to the hospitality industry and our markets, it is not possible to provide meaningful earnings guidance for the current financial year. However, having taken the measures detailed above, the Group is well positioned to withstand a continued and significant decrease in business activity across our markets during 2020.

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Notes to Editors

PPHE Hotel Group is an international hospitality real estate company, with a £1.7 billion portfolio, valued as at summer of 2019 by Savills and Zagreb nekretnine Ltd (ZANE), of primarily prime freehold and long leasehold assets in Europe.

Through its subsidiaries, jointly controlled entities and associates it owns, co-owns, develops, leases, operates and franchises hospitality real estate. Its primary focus is 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.

PPHE Hotel Group benefits from having an exclusive and perpetual licence from the Radisson Hotel Group, 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. In addition, PPHE Hotel Group wholly owns, and operates under, the art'otel® brand and its Croatian subsidiary owns, and operates under, the Arena Hotels & Apartments® and Arena Campsites® brands.

PPHE Hotel Group is a Guernsey registered company with shares listed on the London Stock Exchange and a constituent of the FTSE 250. PPHE Hotel Group also holds a controlling ownership interest in Arena Hospitality Group, whose shares are listed on the Prime market of the Zagreb Stock Exchange.

Company websites

www.pphe.com
www.arenahospitalitygroup.com

For reservations

www.parkplaza.com
www.artotels.com
www.arenahotels.com
www.arenacampsites.com

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