

2 November 2020

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, announces an update on the Group’s trading for the three months and nine months ended 30 September 2020.

Summary

- Having completed an extensive multi-year investment and repositioning programme at the end of 2019, the year started well for the Group. However, due to the COVID-19 pandemic most of the Group’s properties were closed or partially closed between March and July
- By early July, 84% of the Group’s 45 properties had reopened with many outperforming their local markets in July and August, demand being predominantly from domestic markets and surrounding countries
- As a result, the Group was able to achieve an average occupancy of 29.8% across its estate at an average rate of £96.60 and total revenue of £31.2 million. This trading result, paired with the government support measures, resulted in modest positive operational cash flow in the third quarter (before debt service and lease expenses)
- The second half of August and September saw reduced demand in some markets due to the introduction of travel restrictions in some regions
- Since the period end, the trading environment continues to be equally volatile. Demand has reduced further due to the significant impact of the recent local lockdown restrictions in most territories
- As a result of this prolonged uncertainty, the Group has continued to undertake restructuring measures, with certain properties remaining closed and others operating with limited services
- The Group’s financial liquidity position remains strong, with a cash position as at 30 September 2020 of £132.4 million (30 June 2020 £137.0 million), and further access to undrawn facilities amounting to £63.0 million (30 June 2020: £63.0 million)

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

“Following the onset of COVID-19 and its unprecedented impact on the trading environment, including enforced lockdowns in some of our markets, we were pleased with the Group’s improved performance throughout the summer months which was driven predominantly by domestic leisure travel and resulted in market outperformance. Whilst this demand unfortunately slowed following further government restrictions imposed during the second half of August and September, the performance during this period is testament to the Group’s excellent customer proposition, flexible model and readiness to capitalise on customer demand once the trading environment normalises.

While our operations continue to be impacted by ongoing uncertainty across markets, the Group has clearly proven its ability to anticipate, react, adapt, and has ultimately, demonstrated resilience.

Looking ahead, we remain focused on positioning the business well for long-term growth, underpinned by our unique model, well-invested portfolio and strong customer proposition.”

Key financial statistics for the three and nine months ended 30 September 2020 (unaudited)

	Reported			Reported		
	Three months ended 30 September 2020	Three months ended 30 September 2019	% change	Nine months ended 30 September 2020	Nine months ended 30 September 2019	% change
Total revenue	£31.2 million	£121.0 million	-74.2%	£93.1 million	£276.3 million	-66.3%
Total room revenue	£18.6 million	£83.6 million	-77.8%	£58.1 million	£192.7 million	-69.9%
Occupancy ¹	29.8%	86.7%	-5,690 bps	32.8%	80.6%	-4,780 bps
Average room rate	£96.6	£134.1	-28.0%	£106.5	£126.8	-15.9%
RevPAR	£28.8	£116.3	-75.2%	£35.0	£102.1	-65.8%

¹ Occupancy is calculated based on the full available room inventory for the period (including the days the hotels were closed due to COVID-19) except Croatia where, consistent with previous years, the available room inventory includes only the days the hotels were opened during the summer season.

Performance for the three months ended 30 September

Operations continued to be significantly impacted by reduced demand and capacity caused by ever-changing international travel restrictions due to COVID-19.

As reported in the Group's Interim Results, occupancy in certain city centre locations during the summer months exceeded expectations and outperformed the market, driven largely by increased demand from domestic leisure travel, testament to the appeal and quality of PPHE's properties in prime locations. Increased restrictions on travel and socialising in key markets during the months of August, September and October interrupted this trend and continues to dampen demand.

As a result, in the three months to 30 September 2020, the Group achieved total revenue of £31.2 million, a reduction of 74.2% compared to the same quarter in 2019. RevPAR was £28.80, down 75.2% year-on-year, and occupancy for the Group was 29.8%.

Earlier in the year the Group successfully launched its 'Reassuring Moments' and 'be bold. be creative. be safe' guest safety programmes across all Park Plaza and art'otel hotels. Following a comprehensive audit in September, these programmes have received SGS accreditation. SGS is the world's leading inspection, certification, testing and verification company, and this endorsement reflects the high standards of safety and comfort that guests can expect when staying at a PPHE property.

Update on balance sheet & liquidity

The Group's balance sheet remains strong and positions the Group well to weather this challenging period. As at 30 September 2020, the cash position throughout the Group was £132.4 million (30 June 2020: £137.0 million). The Group has an undrawn overdraft facility of £63.0 million (30 June 2020: £63.0 million).

Looking forward

Since the end of September, trading has continued to be dominated by domestic leisure stays, with higher occupancy on weekends and often short-lead time bookings. These trends have slowed in line with the introduction of travel and social restrictions across our key and secondary markets. Furthermore, the past week has seen a further increase in restrictions in a number of countries, most recently in England where a government-imposed four-week lockdown will now take place from 5 November. We are awaiting further guidance on the impact of this on hotels.

Where available, the Group continues to utilise government support schemes across its operating regions. In the UK, the Job Retention Scheme has now been extended until the end of November in light of the four-week lockdown in England which was announced on Saturday. This will be enhanced by the previously announced Job Support Scheme which will run until the end of April 2021. The Group intends to make full use of the scheme where practical and beneficial.

Government support covers only a proportion of the Group's total payroll costs. To mitigate ongoing pressures and ensure the Group is well positioned for growth both in the near-term and when restrictions are lifted, it continues to review its operational structure to ensure alignment with near-term demand.

The Group continues to monitor all projects within its development pipeline in line with the evolving environment and will review and reprioritise these as appropriate.

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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. 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