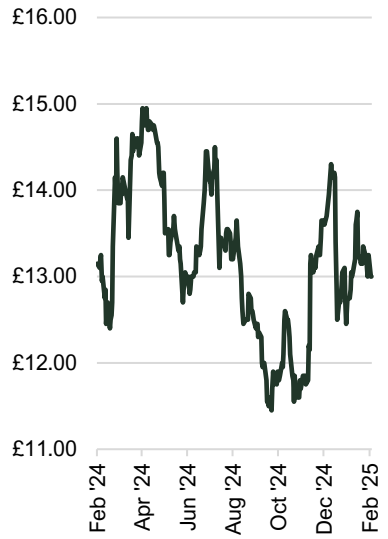
PPHE Hotel Group Limited

PPH | FTSE 250 | Travel & Leisure | 1300p | £543m

FY24 result in line, outlook maintained

1 Year Chart



PPHE's FY24 results (December year-end) are in line, with EBITDA of £136.5m, compared with "an EBITDA range of £136.0 million to £138.1 million" mentioned in last month's year-end update. Our forecast of £138.1m had been the top of the range. The outlook is reassuring saying that "the Board remains confident in delivering results in line with market expectations for 2025 and the longer-term opportunities ahead", adding 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".

We have increased our forecast for FY25 EBITDA (where we had been the bottom of the range) by 0.5% and maintain it for FY26. We have raised our illustrative fair value by 6%, from £26.76 to £28.32 per share, mainly as the pipeline hotels are now becoming profitable. The EPRA NRV per share was £27.51, a 3% increase on the £26.72 of FY23, and includes art'otel London Hoxton for the first time. We think that Hoxton's valuation will rise further in coming years as trading stabilizes as valuations are based on DCFs.

- **The £300m+ pipeline** is on track, "these hotels are receiving excellent feedback from guests, are performing well and are on track to add at least £25 million of incremental EBITDA upon stabilisation of trading". Hoxton, the largest of the pipeline hotels, opened in April. The development of art'otel Rome, the last of the pipeline hotels, "continues as planned, with opening scheduled for 6 March 2025". The statement adds that "the Group continues to progress with several long-term investment opportunities to drive further shareholder value, as well as exploring other development opportunities on our land sites". We think PPHE has an opportunity to refurbish existing hotels, as it did recently with Berlin Kudamm, and to develop land sites, such as around its existing hotels and resorts in Croatia.
- **Valuation**; we believe that the Group's share price is cheap at £13.00 a 53% 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.

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.

27 February 2025

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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	11.0	2.8
FY 2024A	442.8	136.5	125.2	38.0	750.0	27.51	10.4	2.9
FY 2025E	473.5	148.0	135.4	42.4	704.4		9.6	3.3
FY 2026E	511.7	167.0	155.2	47.0	647.2		8.4	3.6
FY 2027E	536.4	177.3	170.7	54.0	583.0		7.6	4.2

[1] *EPRA Adjusted EPS*

Source: h2Radnor

H2 Radnor Ltd is regulated and authorised by the FCA. Please refer to the regulatory disclosures at the end of this note.

FY results - key additional points

- **Revenue** rose by 6.8% on a reported basis and by 3.3% on a LFL basis and we think this growth is impressive given that PPHE had a strong comparative in 2023, the initial bounce in post-Covid travel has probably passed, the macro-environment has been tough and a weaker Euro (c.40% of revenue) took off around 1% of growth. The LFL figures exclude the openings of Hoxton and Zagreb for the first 10 months of FY24. LFL revenue growth was 11.0% in Q1, 0.2% in Q2, 1.8% in Q3 and 3.6% in Q4.

- **Regionally**, the statement says that "In the UK, The Netherlands and in Germany in particular, occupancy continued to build whilst room rates moderated as anticipated. In Croatia, the Group's portfolio performed well during July and August, the peak trading months". We note that the UK (PPHE's largest country at 57% of revenues) had a particularly strong comparator due to the Coronation of King Charles III in 2023 which boosted visitors to PPHE's central London hotels.

- **RevPAR** (revenue per available room), calculated by multiplying average room rate by occupancy rate, rose by 1.0% on a LFL basis, from £120.7 to £122.0. 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. Across the year, RevPAR growth was led by growth in occupancy.

- **Occupancy**, continued to increase on a LFL basis, from 72.4% to 75.8%, a 4.7% proportional increase, and rose in all regions. 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 note that initially after Covid, the Group prioritised rates over occupancy, partly due to higher costs, but more recently has focussed on increasing occupancy.

- **Average room rate**, in contrast, declined by 3.6%, on a LFL basis, from £166.8 to £160.8 due to the "increased weighting towards corporate travel", after what had been a largely leisure driven performance of 2023. 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.

- **EBITDA,** on a LFL basis, rose by 8.7% and after a 10.9% rise in H1 we calculate a 7.4% rise in H2, with the margin increasing from 30.9% in FY23 to 32.5% in FY24, "supported by a strong focus on cost management and technological initiatives". On a reported basis, the margin declined from 30.9% to 30.8% as new openings are typically margin dilutive in the first few months.

- **The dividend per share** increased by 5.6%, from 36p to 38p, in line with the Group's progressive dividend policy. We also note that PPHE completed a share buyback of £7.8m in 2024.

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
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
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%*
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
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%*
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
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%)*
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
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%)*
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%
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%*

Source: Company, h2Radnor

The statement references "an EBITDA range of £147.3 million to £158.6 million". Our FY25 forecast was the bottom of the range at £147.3m and we have increased this by 0.5% to £148.0m, mainly due to a better assumption for occupancy (Figure 2). We have maintained our FY26 EBITDA forecast and introduced a FY27 forecast for the first time. Mainly due to changed assumptions for interest and tax we have increased our adjusted EPRA earnings per share forecast by 5.8% for FY25 but reduced it by 8.5% for FY26.

In FY25, we think that PPHE will benefit from a late Easter boosting occupancy, especially from leisure travelers who are typically higher yield than corporate travelers. Easter Sunday in 2025 is April 20th, the latest since 2019, whereas Easter Sunday in 2024 was on March 31st, the earliest since 2016. However, in the UK the Group will have to absorb higher labour costs given both the increase in the National Living Wage and Employer's National Insurance contributions.

Figure 2: Revisions to h2Radnor estimates

December year end		Previous		New		Revision	
£m	FY'24A	FY'25E	FY'26E	FY'25E	FY'26E	FY'25E	FY'26E
Revenue	443	449	487	473	512	5.5%	5.0%
EBITDA	136	147	167	148	167	0.5%	0.0%
Adjusted EPRA earnings per share	125	128	170	135	155	5.8%	(8.5%)
DPS (p)	38	42	49	42	47	0.0%	(3.3%)

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 3).

Figure 3: 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 4). 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 4: 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
Maintence capex	(16)	(17)	(17)	(18)	(18)	(19)	(19)	(20)	(21)	(21)	(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	**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 5 and 6).

Figure 5: WACC for PPHE

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

Source: Company, h2Radnor

Figure 6: 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 7). 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 7: 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%
Maintence capex	(2)	(2)	(3)	(3)	(3)	(3)	(3)	(4)	(4)	(4)	(3)
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	**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 8). 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 8: 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 9: 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 10).

Figure 10: 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):	**1300 p**
Market Cap:	543 m
EV:	1293 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

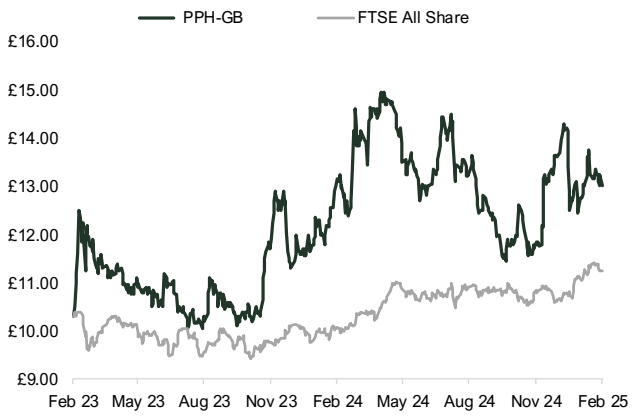
BALANCE SHEET

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



Source: FactSet

SHAREHOLDERS

	% of ord. Share capital
Eli Papouchado	32.9%
Boris Ivesha	11.1%
Harel Insurance	9.1%
Clal Insurance	8.4%
Aroundtown Property	7.8%
	69.3%

Source; Company webiste

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	11.0x	10.4x	9.6x	8.4x	7.6x
EV/EBITDA	10.1x	9.5x	8.7x	7.7x	7.3x
Div Yield	2.8%	2.9%	3.3%	3.6%	4.2%
FCF Yield	4.5%	3.6%	4.8%	6.0%	8.7%

** 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.

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