

BORIS IVESHA
PRESIDENT & CHIEF EXECUTIVE OFFICER

CREATING VALUABLE MEMORIES



Our 2019 financial results coupled with our strategic progress demonstrates the strength of our business model, the appeal of our hospitality real estate portfolio and our rigorous focus on performance, in what has been a year characterised by high levels of geopolitical uncertainty.

2019 at a glance Strategic progress

We demonstrated our real estate expertise, completing over £100 million of asset upgrade projects over the last three years. The significant repositioning of Holmes Hotel London (formerly known as Park Plaza Sherlock Holmes London), Park Plaza Vondelpark, Amsterdam and Park Plaza Utrecht were completed and relaunched. In Croatia, we finished the first phase of our plans to transform Arena Kažela Campsite into an upscale camping offer.

These projects have all been completed, and the rooms are now contributing to Group revenue.

As trading in these reopened properties continues to build, we are pleased with their performance.

We have also expanded our pipeline of new hotels and projects, extending our footprint into the USA and Serbia, and added to our strong presence in London. The site in New York City has been acquired with the intention of developing an art'otel branded hotel. Our Croatian subsidiary, Arena Hospitality Group ('Arena') entered into an agreement to acquire an 88-room, 4-star hotel in Belgrade, Serbia and, post the period end, Arena entered into a 45-year lease for the development and operation

of a 115-room hotel in Zagreb, Croatia. These agreements are in line with Arena's strategy to expand its presence in the Central Eastern European region and reduce seasonal exposure.

In London, the Group acquired a freehold site on the South Bank, with a view to developing a hotel (subject to planning).

Further details on our progress are set out in the Business Review on pages 64 to 72, and additional details of our investment programmes and development projects can be found on pages 32 to 35.

Financial delivery

It is testament to the team that we delivered another year of growth in revenue and profit.

The Group delivered like-for-like revenue up 5.2% to £355.8 million, like-for-like EBITDA growth of 3.4% to £117.4 million, and maintained like-for-like EBITDA margin at 33.0%. The ordinary dividend for the full year increasing from 5.7% to 37p per share.

This performance reflected an increase in our key operating metrics, with RevPAR growth of 6.0% to £103.6, driven by a 120 bps improvement in occupancy and 4.4% increase in average room rate. RevPAR growth was achieved in certain regions, with the United Kingdom and the Netherlands the stand-out performers, achieving growth of 7.4% and 2.5% respectively. Both the United Kingdom and the Netherlands benefited from our 2017 and 2018 openings and the completion of repositioning projects.

The annual independent revaluation exercise on our property assets was carried out by Savills and ZANE and valued our portfolio at £1.7 billion (as at 30 June 2019), an increase of 5% year-on-year. EPRA NAV per share increased by 3.6% to £25.46 per share (as at 31 December 2019), adversely impacted by the strengthening of Sterling. Adjusted EPRA earnings per share were up 11.7% to 128 pence.

Full details of the financial performance are set out in the Financial Review on pages 50 to 61.

Key corporate milestone

We achieved a key goal with the Company's inclusion in the FTSE 250 and FTSE All Share Indices. This marked a significant milestone in our corporate journey, proving the success of our recent corporate activity, which has been focused on providing the Group with the appropriate platform to engage with a wider potential investor base and improve share liquidity.

The foundations of our success Controlling the value chain

The Group's strength is centred on our expertise in both real estate development and hospitality operations, built up over the last 30 years. This dual approach gives us the flexibility and control to invest in our hospitality operation and manage our assets to create maximum value for all our stakeholders; team members, investors, guests, local communities, affiliates and suppliers.

Property expertise

In addition to the considerable property and development expertise on the Board, we have a dedicated in-house capability spanning development and technical services. We have the in-house expertise to take projects from conception through to operation.

The team takes a disciplined and focused approach to asset management and identify opportunities to deploy capital to optimise the value in our existing portfolio, acquire further assets to drive growth and, where appropriate, extract value to fund longer-term sustainable growth.

In our hospitality operations, we are focused on achieving operational excellence. We are continually trying to identify better ways of working, while also looking at how we can raise the already high levels of service for our guests.

Our high Guest Rating Scores and healthy profit margins prove that the two are interrelated.

Park Plaza London Waterloo



Holmes Hotel
London

What we do

We identify and acquire properties which we believe have significant upside potential. We delight our guests every day, through engaging service and quality products in inviting places.

Radisson Hotel Group partnership – global distribution and access to best in class technology

Through our exclusive perpetual licence from Radisson Hotel Group (which under its new Jin Jiang ownership is part of the world's second largest hotel group in terms of number of rooms) we have the rights to develop and operate Park Plaza branded hotels and resorts in Europe, the Middle East and Africa. This strategic partnership gives us many benefits, including access to Radisson's central reservation and distribution systems, powerful online and mobile platforms, global sales, reward programme with more than 24 million members, marketing initiatives and buying power.

In July 2019, Radisson Hotel Group announced a collaboration with WeHotel, the global hotel booking platform of new owners, Jin Jiang International. As part of this affiliation, WeHotel Prime, Jin Jiang's reward programme, is now available for high-end Radisson Hotel Group properties. PPHE is delighted to be part of a wider global distribution and marketing reach as we also continue to grow as a Group.

Through our partnership with Radisson Hotel Group, we have benefited, particularly over the summer of 2019, from a number of technology focused investment programmes including the launch of radissonhotels.com in July 2019. This is a multi-brand and mobile-first global website giving guests and loyalty members access to more than 1,100 hotels worldwide, including PPHE's portfolio. The new Radisson Hotels App, which launched shortly afterwards, provides our guests with an even more personalised user experience.

As part of Radisson Hotel Group's five-year operating plan, we will benefit from a multi-million-dollar technology investment, which unifies tasks such as reservations, loyalty, sales, property management and more. We look forward to the full roll-out, which will benefit our guests and team members alike, while further increasing the efficiency of our business.

We operate our own art'otel lifestyle brand (also marketed through our partnership with Radisson Hotel Group), and our majority-owned Croatian subsidiary operates several of its properties under the Arena Hotels & Apartments and Arena Campsites brands. Our multi-brand approach enables us to develop and operate properties across several segments of the hospitality market, and to choose the most appropriate brand for each property so that we can maximise returns from our assets.

Our people and values

Our people and our values of Trust, Respect, Teamwork, Enthusiasm, Commitment and Care are at the heart of our business success. We foster a high performing culture, led by our talented leadership team, in which engaged team members deliver best in class guest experiences, supported by high quality hotels and resorts.

We have refreshed our strategic purpose to ensure that our strategic objectives and business culture are aligned. At the start of the year we hosted an international leadership summit themed ‘We Are Creators’, the objective of which was to present our Company blueprint based on our owner/operator business model to more than 150 senior team members. We set out how our culture and day-to-day activities need to work together to deliver our corporate agenda, enhance guest experience and deliver value to all stakeholders. This Company blueprint has been rolled out across three out of our four regions, supported by in-country training workshops.

First class leadership team

We have a wealth of talent within the Group. Our Executive Leadership Team has decades of experience in the hospitality real estate industry, with all of the team rising through the ranks of the Group. They define and disseminate the Company’s vision for future growth and success.

Our success and ambition are underpinned by our strong leadership team and culture of connecting, inspiring, innovating and empowering colleagues.

Looking after our team

We aim to create an open, fun and inclusive working environment where our people feel motivated and empowered. Team members are supported in their professional development and through our bespoke learning and development platform, you:iversity of which several programmes in 2019 won awards and key accolades, including Talent Development Team of the Year (Institute of Hospitality) and Excellence in Promoting Careers and Excellence in Learning & Development (HR in Hospitality). Our annual team member survey measures the engagement levels of our team members and in 2019, we were delighted that the engagement index score for the year was 84.4% (2018: 83.6%).

Pressures on the hospitality labour market have been well publicised. Like others operating in the sector, having a highly engaged workforce and attracting and retaining the right people are key priorities for us and crucial to our long-term success. To tackle some of these challenges, we have progressed several initiatives, alongside our award-winning bespoke learning and development programmes, to ensure that we can attract and retain the right people.

In addition to our Croatian region, we have in-sourced housekeeping services at our UK hotels which has ensured we employ the right team members and that our high standards of service are maintained at our properties. Similar to owning the property assets, this action was about giving us the control we need to ensure that the highest standards are met. Following the success of this strategy, we are reviewing whether to extend this approach to housekeeping services in our other regions.

One of the challenges for the wider industry is attracting workers into major cities where residential accommodation and travel is costly, such as London. To help address this issue, we acquired a property in Chiswick Park (the Old Bakery) in summer 2019, which has rooms to accommodate about 30 people who then commute to our properties on London’s South Bank. We are considering the purchase of further properties to attract and retain the best people.

On behalf of the Board, I would like to thank all our team members for their ongoing hard work and commitment.



The Kitchen at Holmes



Guest experience

The Group's own dedicated Technology & Business Solutions division has progressed a number of guest experience programmes throughout 2019. This included IT security initiatives to support guest safety and security, along with new best practice policies and dedicated training programmes for team members (Information Security Awareness training solution).

We understand that technology plays a huge part in our guests' overall experience when staying with us. In addition to benefiting from access to technology programmes from our strategic partner Radisson, we are ourselves continuing to trial new solutions and applications to evolve our offering.

We recognise that our people make us who we are, and our recruitment strategy is centred on building teams of talent who reach out and engage with guests, making them feel welcome, valued, and inspired by the surroundings and excellent service. This commitment to guest experience has once again been recognised in our most recent online reputation score (as measured using ReviewPro's Guest Rating Score), which increased by 0.7 percentage points to 88.0% in 2019. These results show that our effort to incorporate guest feedback into our repositioning programme and our day-to-day service offering has proven successful.

Furthermore, our Guest Rating Scores at our three newly repositioned hotels significantly improved. At Park Plaza Vondelpark Amsterdam the Guest Rating Score increased 6.4 points to 90.1% following the relaunch of the hotel (prior to relaunch the score was 83.7%). Holmes Hotel London increased to 92.1% following

the repositioning project, an increase of 7 points from 85.1% at the beginning of 2019. Park Plaza Utrecht, which started to see the benefits of the repositioning, increased by 8.2 points from 78.3% for the first half of 2019, to 86.5% for the final quarter of 2019.

Being part of our communities

We are committed to making a positive contribution to the communities in which we operate through charity initiatives and volunteering, supporting arts and culture, and providing jobs for those who live near to our properties.

We bi-annually support breast cancer and other health related charities. In 2019, team members and guests in the United Kingdom, the Netherlands, Germany and Hungary took part in the globally recognised charity, "Movember". Our local community charity support also includes supporting disadvantaged children and their family, elderly people and the homeless. We have also supported the arts through sponsorship of young designers and cultural festivals.

Further detail of our Responsible Business initiatives is set out on pages 80 to 89 of the Annual Report 2019.

Industry recognition

We were delighted for Park Plaza UK to be awarded the 'AA Large Hotel Group of the Year 2019-20' accolade at the 22nd annual AA Hospitality Awards in September 2019. This recognised our commitment and strategic approach to development, as well as our creative and learning development programmes, which together enable us to constantly delight our guests. This is one of the most highly regarded events in the industry and the

award is testament to our owner/operator approach. The Group was awarded 'Talent Development Team of the Year' by the Institute of Hospitality Awards 2019 and at the HR in Hospitality Awards 2019 we won the 'Excellence in Promoting Careers Award'.

Our plans for 2020

Our 2019 financial results coupled with our strategic progress once again demonstrate the strength of our unique business model, the appeal of our hospitality real estate portfolio and our rigorous focus on performance. Over the last three years we completed more than £100 million asset upgrade investment projects, the continued benefit of which is being reflected in our financial performance and a significantly enhanced guest experience.

Whilst we are closely monitoring the current uncertain macro environmental developments related to the Coronavirus outbreak and its impact on travel patterns, trading for the two months in 2020 for our Group has been in line with the Board's expectations.

Our longer term outlook focuses on growth delivery through our well invested portfolio, the delivery of our more than £300 million development pipeline of new properties in London, New York and Eastern Europe and additional acquisition opportunities.

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Park Plaza Histria, Pula



Q&A WITH BORIS IVESHA

Q – What is next for the Group, now that you have achieved one of your key goals for 2019 of FTSE 250 membership?

Joining the FTSE 250 index of leading companies was a proud moment for me personally and for the entire team, whose dedication and commitment in recent years has made it possible. We have come a long way in the 12 years since listing on AIM. But looking ahead it is now imperative that we raise our game even further to reap the rewards of inclusion and meet our responsibilities in terms of implementing further enhancements to our corporate governance. Inclusion brings us access to a wider investor community and we will continue to take the opportunity to proactively engage with them in order to build a long-term, high quality and supportive share register. The increased transparency and disclosure in this year's Annual Report should be seen as testament to our ongoing efforts to step-up our governance and communications.

From a strategic perspective we have a proven and winning formula of development, ownership and operations which we plan to continue with. While PPHE has come a long way in the past 30 year's the future looks equally as exciting, with a strong development pipeline of over £300 million, which includes the development of our first hotel in the US.

Q – What are the main opportunities and challenges you see in 2020?

Our primary near-term growth opportunity stems from the recent completion of our £100 million plus multi-year investment programme. These well-invested hotels have shown good growth since launching/reopening and we see the scope for further top-line growth and margin accretion in 2020. Our teams will be focused on ensuring that these hotels continue to build towards their return targets.



Considerable effort will be focused on our £300 million plus hotel development pipeline with major projects including the art'otel london hoxton and our first hotel in the USA, in New York City. The pace of work is planned to step up in 2020 in line with our plans to open these hotels in 2023. In addition to these projects, our in-house team will continue to seek out and evaluate further development opportunities that meet our returns criteria and are in line with our strategic goals.

The challenge for all hoteliers is the hotel cycle and fears of a downturn. As demonstrated in our financial results we achieved good growth throughout 2019 from leisure and corporate customers. While not immune, we are resilient given our well invested estate and the strategic position of our major assets in London and the Netherlands. Notwithstanding the ongoing macro economic and geopolitical uncertainty trading in the current year has started well and is in line with the Board's expectations.

As an owner/developer we are also able to seize commercial opportunities that may arise from any cyclical downturn as well as control the timing of further investment projects in our hotel estate.

Q – This remains a founder-led and listed business. What are you doing to ensure long-term success?

The foundations of our past and future success are solid; they are our people. We employ over 4,700 team members, including an Executive Leadership Team of eight. Supporting and encouraging all team members to develop and grow their careers within the business is a priority for us.

We have a robust process in place to ensure that the leadership teams are actively engaged with identifying our talented team members and developing them through our award-winning training and learning programmes, including you:iversity.

A prime example of our training and development culture in action was our 2019 leadership summit 'We Are Creators' held in London, which brought together more than 150 senior team members from each of our four European operating regions. We introduced our renewed strategy and our new blueprint, which aims to positively impact the guest experience. Our blueprint is 'the way we do things' and enables our Leadership Team to develop a high-performing culture where our teams feel engaged and empowered to create valuable memories for our guests and value for our assets, people and local communities. This blueprint and a supporting dedicated programme of activities have been cascaded through most of our regions during 2019 to embed this approach within our business culture.

Reporting to the Board is our eight-strong Executive Leadership Team, all of whom have progressed through the business. We have recently strengthened the leadership team, with Greg Hegarty appointed to the new position of Deputy Chief Executive Officer as well as retaining his position as Chief Operating Officer and Inbar Zilberman promoted to the role of Chief Corporate & Legal Officer.

In short, we have a strong track record of training and developing talent throughout all levels of the business and this gives me confidence that we can maintain our track record through the next 30 years.