

ELI PAPOUCHADO  
CHAIRMAN

# THE VALUE WE CREATE



## Thirty years in the making

Thirty years ago the foundations of the Company were formed with the opening of our first hotel in Eindhoven, the Netherlands in 1989. It is a proud moment for me personally and a credit to the expertise and dedication of the entire team that the Group has consistently grown over the last three decades. Today, the Group has an international property portfolio of 45 hotels, resorts and campsites in operation, predominately trading under the brands of Park Plaza and art'otel, as well as an exciting £300 million plus development pipeline for future growth.

The quality of our property portfolio was confirmed in an independent valuation by Savills and Zagreb Nekretnine Ltd (ZANE) in summer 2019 at £1.7 billion, translating to NAV per share of £25.46.

## Delivering for shareholders

In 2019, we continued to make financial progress with like-for-like revenue and EBITDA up 5.2% and 3.4% respectively.

We have continued to deliver strong returns for shareholders, achieving a Total Shareholder Return of 13.8% for the year.<sup>1</sup>

A further important milestone in the Company's evolution was reached in 2019 with the Group's inclusion in the FTSE 250 Index. As we continue to grow in size and stature, we recognise the need to further strengthen our financial reporting, corporate communications and our governance, whilst staying true to our entrepreneurial roots.

## Our approach

As an owner operator with extensive development expertise we take a different approach to many of the large global hotel companies, by choosing to operate across the whole value chain.

Our key sources of value emanate from our real estate and hospitality expertise, our access to global brands and distribution systems, our passionate and highly-trained people and our proven financial strength, combined with our ability to secure capital.

As established hospitality operators we are always aiming for operational excellence. We are continuously seeking out and evaluating new property opportunities, as well as refurbishing and repositioning our existing assets. With our expertise in development we are able to marry this with the aspirations to create new opportunities. Our owner operator business model enables us to enhance value through driving the business and gives us greater scope to maintain all our assets to the level required to achieve our aspirations of maximising operational revenue. Furthermore, we have the asset backing to refinance and recycle capital to fund further investments and facilitate future growth.

<sup>1</sup> Source: Bloomberg TSR for the year ended 31 December 2019.

We own most of the properties we operate, which gives us greater control over our investment strategy, the quality of our products and our operations.

Control enables us to make swift investment decisions and seize opportunities as they arise, as well as capturing all of the economic upside. By regularly investing in our existing diverse portfolio we maintain a high quality estate which increases the value of our portfolio of assets, inspires our team members, and enables us to delight our guests every day with excellent guest experiences.

### Responsible Business

Our sustainable business strategy is focused on our people, our places and our planet. Since launching our Responsible Business programme two years ago, we have been embedding this ethos into our culture and aligning it to our business strategy. We aim to have a target-based sustainable approach and have embed this at all levels across the Group.

We understand that the way we do business can have a significant impact on our communities and the world around us and that all of us have an increased level of responsibility in this area.

In recognition of this, we have assembled a dedicated team to review our activities and refine our Environment, Social and Governance (ESG) frameworks. We have set up a programme to appoint a Responsible Business Ambassador from every property in our portfolio to promote and enhance our efforts across our estate.

### Governance in action

High standards of governance are essential to creating long-term value for all of our stakeholders. We are committed to upscaling our corporate governance and sustainability programmes and recognise their increasing importance to our business. As part of our ongoing succession planning programme we promoted two senior company executives into key leadership positions, while also refreshing the Board with the appointment of two independent Non-Executive Directors in September 2019 and February 2020 respectively.

We were delighted to welcome Ken Bradley to the Board as an independent Non-Executive Director on 4 September 2019. Ken, who is a former Chief Country Officer of both RBSI and Barclays Bank, is a member of the Audit Committee, the Nomination Committee and the Remuneration Committee.

We have listened to the views of shareholders and delivered on our commitment to appoint a further independent Non-Executive Director. Post the year end, Nigel Keen has been appointed to the role. Nigel has over 30 years' property expertise with leading blue chip companies and an established

track record as a Non-Executive Director with companies including FTSE 250 constituent Vistry Group.

Following appointment and Nigel Jones retiring, following the forthcoming Annual General Meeting, the Board will include three independent Non-Executive Directors.

As previously announced, Kevin McAuliffe's membership of the Audit Committee came to an end at the Annual General Meeting in May 2019 and in November 2019 he stepped down from the Remuneration Committee after a transitional period.

Improving our transparency and reporting standards is part of our journey as a Company. We are actively working on creating greater transparency in our governance activities, as this report will illuminate.

🔗 For more see governance page 90

### Diversity

The Board is committed to promoting diversity. As this was our first year in the FTSE 250, we now take part in the Hampton-Alexander Review. Our leadership, which includes the direct reports to the Chief Executive Officer and their direct reports currently consists of 48% women and 52% men. This is well ahead of the 33% target and 27.9% achieved by the FTSE 250.

### Dividend

The Board is proposing a final dividend payment of 20 pence per share, bringing the total ordinary dividend for the year ended 31 December 2019 to 37 pence per share, representing a year-on-year increase of 5.7%.

This is in line with our progressive dividend policy and reflects the Board's confidence in the Group's operations, assets and prospects.

### Current trading and outlook

Trading in 2020 has started well and in line with the Board's expectations, as we continue to capitalise on recent investment programmes to reposition properties in the UK, the Netherlands and Croatia. In the coming year, we will continue to ensure we have an attractive and well-invested estate which delivers memorable experiences for our guests and returns for our shareholders.

We remain vigilant to ongoing macro and geopolitical uncertainty and its potential impact on travel patterns, however the Board believe that recent investments across the estate and a balanced £300 million plus development pipeline spanning the UK, Europe and the US, combined with a strong balance sheet means the Group is well positioned for future growth. We will also continue to consider asset acquisitions that align with our strategic aims and deliver our target returns on investment.

I would like to take this opportunity to thank the members of the Board for their guidance. Additionally, I would like to thank all our team members for their hard work and commitment during 2019.

I am confident that PPHE Hotel Group can continue to create and deliver value for all our stakeholders in 2020 and beyond.



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CHAIRMAN

## SECTION 172

In accordance with the UK Corporate Governance Code 2018, which incorporates section 172 of the UK Companies Act 2006, and as a matter of good governance, in our decision-making the Board considers the interests of the Group's employees and other stakeholders and understands the importance of taking into account their views and considers the impact of the Company's activities on the community, environment and the Group's reputation. In its decision-making, the Board also considers what is most likely to promote the success of the Company for its stakeholders in the long term.

Information about our stakeholders and on how the Board has discharged its duties having regard to the provisions of the UK Corporate Governance Code 2018 is available as follows:

- Team Members
- Investors
- Guests
- Local Communities
- Affiliates
- Suppliers

🔗 Read more about – How the Board is kept informed of stakeholder views and consideration of views of stakeholders in decision-making on pages 73 to 79

🔗 Read more about – How we manage our emerging and principal risks on pages 38 to 41

🔗 Read more about – Corporate governance framework on page 90