

President and CEO's review

Boris Ivesha President & Chief Executive Officer



“Our recovery is well-underway and we are regaining momentum. We are building future value through a pipeline filled with potential.”

Throughout 2021, we continued to manage effectively the ongoing challenges presented by the pandemic and the subsequent industry-wide uncertainty and disruption this caused. Once again, our dynamic owner/operator business model gave us the ability to adapt to ever-changing market conditions, underpinned by the Group's strong financial position and our well-invested portfolio following our recent £100+ million investment programme. The Group is well-positioned to benefit from market recovery.

2021 in review

Trading in the year was challenging in the first six months as the ongoing pandemic severely reduced activity levels due to government-imposed domestic and international travel restrictions and social-distancing measures. Consequently, most of the Group's properties were temporarily closed or operating at reduced capacity.

During Q2, travel restrictions were progressively eased across the Group's operating markets, to varying degrees and at varying times. From mid-May in the UK and from June in Continental Europe, activity increased gradually, driven primarily by leisure demand from domestic markets with bookings characterised by short lead times. By the end of Q2, the majority of the Group's properties were open.

With vaccination programmes across all our operating markets firmly underway in the second half of the year, international travel restrictions were eased, supported by widespread lateral flow and PCR testing as well as the introduction of vaccination passports across Europe. This led to good trading momentum and revenue generation in the second half of the year, underpinned by a strong performance in the UK and Croatia and our successful room rate-focused strategy. Additionally, the Group benefited from sports events, such as the 2020 UEFA Championships and the Cricket Hundred Series, going ahead. Corporate travel and meetings and events demand continued to grow, and the booking pace improved until mid-November when demand slowed due to the spreading of the Omicron variant. This new variant resulted in governments temporarily introducing measures. Once these are again eased we expect to regain momentum. Against this backdrop, the revenue performance of several of our properties outperformed the market.

The Group's proactive commercial strategy enabled us to secure contracted group business, alongside demand generated by essential stays. Park Plaza Victoria London and Park Plaza London Waterloo operated as UK Government quarantine hotels for part of the year, which supported revenue generation during a period of low demand. Park Plaza Westminster Bridge London was proud to be chosen as the exclusive host hotel for players and support teams of the 2021 Wimbledon Championships.

Throughout this period of uncertainty for the hospitality industry, we took pride in our responsiveness and adaptability to ever-changing market conditions, which include an increasingly pressured labour market. While we are not immune to this well-documented issue, which spans a number of sectors, our continuous focus on being an employer of choice to attract and retain talent has positioned us strongly in the current labour market. Furthermore, our decision pre-pandemic to bring housekeeping services in-house has helped insulate the Group from the disruption to operations caused by these labour shortages. We are delighted that our efforts in this area have been recognised by several industry accolades, and throughout the year, the health and safety of our colleagues, and all stakeholders, have remained our priority.

Full details on the Group's operational performance by region are set out in the Business Review.

Improved financial performance

The Group's overall financial performance improved year-on-year, reflecting some recovery in activity levels as the year progressed, albeit from a low base. Reported total revenue increased by 38.9% to £141.4 million (2020: £101.8 million) and EBITDA improved to £25.1 million (2020: £(10.1) million), resulting in an EBITDA margin of 17.7% (2020: (9.9)%).

Once again, key operating metrics were impacted by property closures and reduced capacity in the first half of the year, however the Group's rate-focused strategy delivered a year-on-year recovery in average room rate to £117.0 (2020: £105.1), with a more gradual improvement in demand during the year resulting in occupancy of 30.7% (2020: 28.0%). RevPAR increased by 22.1% to £35.9 (2020: £29.4), 34.6% of the level reported in FY 2019.

The Group's financial position remains strong, with a total consolidated cash balance of £136.8 million at 31 December 2021 (31 December 2020: £114.2 million).

Our property portfolio was predominantly valued by Savills and Zane at £1.8 billion as at 31 December 2021. EPRA NRV per share increased by 0.3% to £22.15 per share. The adjusted EPRA earnings per share was (44) pence (2020: (123) pence).

Full details of the financial performance are set out in the Financial Review.

Delivering strategic progress

Throughout 2021 we made good progress against the Group's long-term growth strategy while continuing to navigate the ongoing disruption to operations. The flexibility that our owner/operator model provides enables the Board to take a long-term view and gives us control over the scope and phasing of our £200+ million development pipeline and investment projects.

This development pipeline underpins long-term sustainable growth. Our long-term partnership with Clal, announced earlier in the year, has unlocked equity to give the Group further financial headroom to capitalise on growth opportunities to the benefit of all stakeholders, as well as support our recovery.

Development pipeline update

In the UK, construction of the new art'otel London Hoxton, our largest development project, continued to plan. The new building which will comprise a premium lifestyle hotel and office space is expected to complete by 2024.

art'otel London Battersea Power Station, which is to be operated by the Group under a long-term management agreement, is expected to open during the second half of 2022.

Two further projects are planned in London: a mixed-use scheme including a 465-room hotel adjacent to Park Plaza London Park Royal; and a mixed-use scheme including a 186-room hotel and office space close to our London South Bank hotels.

RESTAURANTS AND BARS



Arca Amsterdam



In Croatia, the repositioning of Hotel Brioni in Pula is almost complete. This 227-room, full-service hotel is expected to relaunch for the 2022 summer season. In Q4, works started on the conversion of the Group's property in the centre of Zagreb into a luxury hotel.

As previously announced, we took the decision in 2020 to pause and reassess our development project in New York City.

New hotel acquisitions

In Q4, we announced two strategic acquisitions which have strengthened our pipeline, expanded our presence in Europe and marked our entry into two new and exciting markets: Austria and Italy.

We acquired the FRANZ Ferdinand Mountain Resort in Nassfeld, Austria, a strategic fit that complements our summer leisure business in Central and Eastern Europe and the DACH region. This acquisition also builds on the seasonal synergies which can be achieved due to the hotel's proximity to our Croatian operations. In addition, Austria is one of the Group's largest customer markets for our Croatian operations, and this hotel will help us further raise the Group's profile in this important market.

The city of Rome is one of southern Europe's key gateway cities and has been a strategic target for the Group. The acquisition in November of a 4-star, 101-room property adds another key capital city to our portfolio. The site provides the opportunity to reposition the property and further bolster our development pipeline.

Further details about our development pipeline projects and acquisitions are outlined on pages 42 and 43.

Our partnership with Radisson Hotel Group

For more than two decades, PPHE Hotel Group has had an exclusive perpetual licence from Radisson Hotel Group ("Radisson"), which gives the Group the right to develop and operate Park Plaza branded hotels and resorts in Europe, the Middle East and Africa. Radisson is part of the world's second largest hotel group by number of rooms. This strategic partnership gives the Group (including its wholly owned art'otel brand) access to Radisson's state-of-the-art central reservation and global distribution systems, its global sales and marketing capabilities, and more than 24 million loyalty programme members.

Employer of choice

Our people and values are at the heart of our business and at the core of everything we do. We harness an open, honest, family values culture across the business, whether managing our hospitality assets or delivering consistent operational excellence across our portfolio. As well as developing this culture, a key focus has been safeguarding the well-being of our team members throughout the pandemic.

We recognise the importance of a strong employer brand, particularly in the current recruitment environment, and we have a strong track record of investing in our team members to attract and retain talent. Ongoing investment in the development of new technologies to facilitate people management, learning and development, communications, and data and analytics, coupled with our values, strong culture and industry-leading people initiatives, further strengthen the Group's position for recruitment.

Industry wide, recruitment has become increasingly challenging across all our operating markets. We have proactively enhanced our recruitment approach to enable the Group to stand out from the competition. We have bolstered our talent management and recruitment teams to ensure we retain talent and recruit new team members. Our recruitment strategy is centred around talent and brand attraction, promotion of PPHE Hotel Group as an employer of choice, showcasing the Company's culture, and targeting candidates via LinkedIn and other social media and online platforms. We have ensured that our pay rates remain competitive, and we have introduced retention bonuses and have relaunched our 'recommend a friend' incentive scheme, through which more than 125 people have joined the Group in the UK and The Netherlands.

During the year, we recruited more than 1,350 team members across the Group. In London, we have launched our own centralised recruitment service and we have strengthened our partnerships with local job centres. In the CEE region, we have benefited from our ability to share team member resources across our countries of operation.

'Best Employer in Hospitality' and other industry recognition

We are proud that our ongoing investment in our people has been recognised through a number of awards during the year: 'Best Employer in Hospitality' award and 'Top-6 Best Places to Work in Hospitality' by leading UK hospitality trade publication The Caterer; winner of the 'Best Management Preparation Award' at the HR in Hospitality Awards 2021; and our team was voted 'HR team of the Year' at the HR in Hospitality Awards 2021. Additionally, in Croatia, the Group's subsidiary Arena Hospitality Group d.d. ("Arena") was awarded the national 'Safe Stay in Croatia' label.

In addition to recognition of our business, we were delighted that a number of our people were identified for their talent, excellence and contribution. This included Chief Corporate & Legal Officer Inbar Zilberman, who was featured in 'Women to Watch and Role Models for Inclusion in Hospitality'; Daniel Pedreschi, Regional Vice President Operations, the UK, was awarded the coveted Hotelier of the Year at the 2021 Hotel Cateys; and Park Plaza Westminster Bridge London's Executive Chef Oliver Ruiz won the Hotel Chef of the Year (more than 250 covers) Award at the 2021 Hotel Cateys, a huge achievement against strong competition.

Committed to creating a memorable guest experience

We are committed to creating memorable experiences for all our guests, underpinned by our high quality, well-invested portfolio of properties in desirable locations. Our guest safety and well-being programmes were once again accredited by SGS, a leading inspection, verification, testing and certification company.

We have continued to adapt our offer, and the way we engage with our guests has evolved, with an acceleration in digitalisation trends during the pandemic. Digital services and dedicated Apps for Park Plaza and art'otel offer guests reduced person-to-person contact during their stay. These technologies enable guests to check-in online and have a digital room key via their smartphone. Guests also receive a pre-arrival email with ancillary services to personalise their stays, including room upgrades, early check-in and late check-outs, breakfast and dinner options or special amenities. During their stay, real-time messaging options through chat or WhatsApp enable guests to communicate

with our team members, and they are able to order room service online. Contactless check-out and various new payment options are available on departure.

Our team members

2021 has been another challenging year for our team members. We have stayed connected with our team members to support their well-being, training and career development. The internal communications initiatives we have put in place during the pandemic, including re-boarding colleagues as hotels reopened and enhanced learning and development programmes, have helped drive engagement and loyalty and have helped us nurture and support our teams.

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

Strategy update

During 2021 we refined our strategy, intended to guide us through our next phase of growth by continuing to do what we do well, taking advantage of opportunities and continuing to mitigate risks through further diversification. Our aim is to continue to focus on upper upscale city centre and lifestyle hotels and continue our investment in our leisure and outdoor offering. In addition, we recognise that our award-winning hospitality management platform presents an excellent growth opportunity through managing hospitality assets for our joint venture partners and third-party owners.

Looking ahead

As we have demonstrated throughout the pandemic, as soon as measures are eased we are able to capitalise on travel demand, which at the early stage is predominantly driven by domestic leisure travel. The New Year started with restrictions and lockdown measures in place across all our operating regions. However, with the impact of the Omicron variant on hospitalisation rates less significant than initially feared late in 2021, governments started easing measures in January, which immediately resulted in an increase in new bookings. In the UK, our most important market, new bookings are currently trending at 65% of the levels in 2019. We have also seen an increase in international bookings as travelling between countries has become easier. We expect these trends to continue and are confident that in addition to leisure travel, we will

shortly see a return of corporate travel with the 'working-from-home' guidance now removed across most of our operating regions. The number of new meetings and events enquiries has remained solid throughout and we expect a particularly buoyant second half of 2022 in this segment.

Our well-invested portfolio, our proactive leadership team and our dedicated and passionate team members will drive our recovery as we prepare for the next phase of growth with several exciting new openings this year and next.

Boris Ivesha
President & Chief Executive Officer