

A thirty-year track record



Eli Papouchado
Chairman

Our resilient model

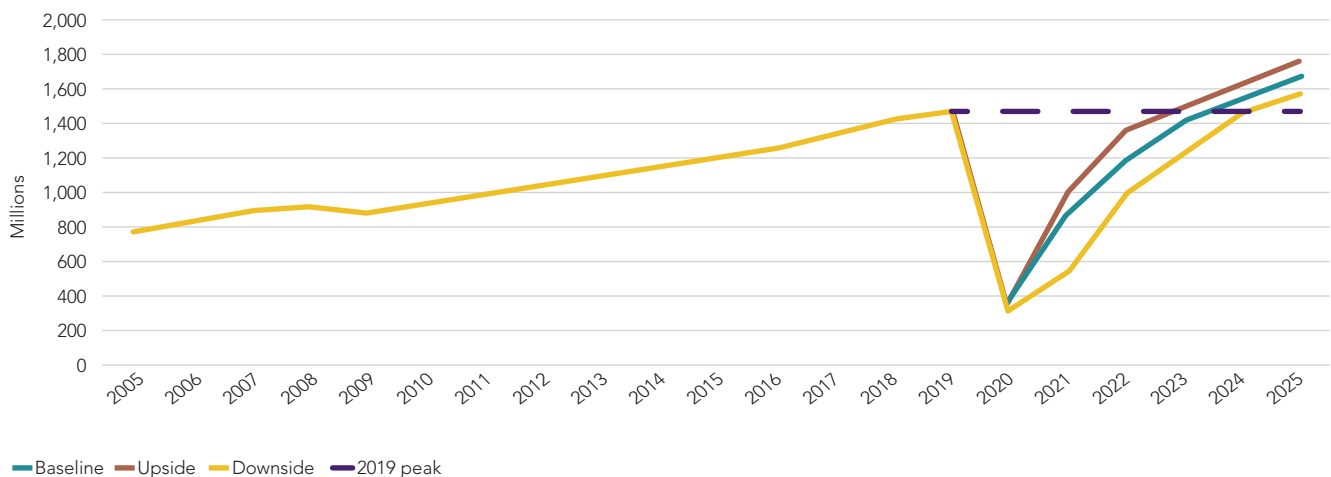
2020 will always be remembered as the year in which the COVID-19 pandemic impacted the world, its citizens and the global economies. Notwithstanding the major challenges this presented, our long-term development ambitions remain strong. Transforming properties and spaces and evolving our product offering to remain current and responsive to our markets has always been at the centre of our success. The strength and value driven from our repositioning programme is a testament to how well our hospitality offering satisfies the needs and trend appetites of the market at any given time. Our development goals, our drivers and our reliable success in developing and repositioning properties and spaces remained untouched by the many forces that otherwise tore through society and markets in 2020. With the obvious external

macro challenges we consistently monitor our development projects and adapt where deemed appropriate. During 2020, we continued to progress several development projects and, as we discuss throughout the report, the business has expanded and diversified its approach to development.

We were able to progress with several developments and acquisitions through securing new funds or using resources earmarked specifically for such investments.

Following the successes of 2019, the Group was progressing with the continued aim of delivering another year of record growth. We were set to progress against our strategic objectives and drive value for stakeholders through our existing prime property portfolio and strong development pipeline. However, the past year has brought change and challenge unlike

Inbound arrivals by scenario, 2005–25, World



(e) Estimate.

* Data for 2020 is preliminary and based on estimates for countries which have not yet reported results.

Source: World Tourism Organization, January 2021.

anything I have ever witnessed during my decades-long career. As the co-founder of a hospitality business, but also as a global citizen and a member of many communities and groups professionally and personally, I am humbled by the challenges and struggles faced by many in 2020.

This is my 31st year paving the path of our Group's growth and it has been without a doubt the most testing year. We could not control whether the pandemic impacted our business, but we were able to control the damage caused and are focussed in our swift and healthy recovery. As Chairman of the Group, I focus this statement on the steps taken in 2020 to chart the way toward an eventful and expeditious recovery and leave the reader to see, please see the financial review on page 44, how our inherent tenacity and ability to make good decisions without delay, carried us through 2020.

The Group has a strong 30-year track record of navigating markets and economic cycles, and this experience stood us in good stead in the face of the unprecedented disruption caused by the onset of COVID-19 and provided us with a strong and resilient foundation from which to steer the business through the challenges presented by the pandemic.

It is during these difficult months that our unique owner and operator model – which enables the Group to maximise revenue, drive value through its assets and provides the asset backing for financial flexibility – has shown its adaptability and strength. This model, together with our committed and experienced team and well-invested property portfolio, positions us well to benefit from the market recovery as a sense of normality resumes. We were encouraged to see that several of our properties outperformed the market during the year despite the challenges we faced, which is testament to the quality and attractive locations of our assets and the hard work of our teams.

Unfortunately the Group had to undertake fundamental changes to its workforce by reducing work hours and, unavoidably, through forgoing contract renewals and redundancies. We would like to thank all past and present staff for their hard work and commitment.

Responsible business

We aim to play a critical role in the communities where we operate. The 2020 year saw our communities hit by the devastation of the pandemic.

This crisis underscored the key role that we as community members can play in helping to fill the gaps in support and care, caused by the pandemic. As a business, we are proud of the vital role our team members played in addressing local community needs by leveraging their skills, hospitable expertise and our collective resources.

👁️ **For more information on our Responsible Business programme, please see page 72**

Governance and Board changes

The governance programme has continued to evolve with the 2020 year, and in some ways benefited from the tests presented by the diverse and unanticipated business changes felt in 2020. In keeping with our Board succession plans, the 2020 year provided the opportunity to diversify our Board by integrating new Non-Executive Directors, whose varied skills, background and interests facilitated the continued evolution and growth of our governance programme. This was further enhanced by the changes our Nomination Committee Chairman, Kenneth Bradley, implemented with regard to our approach toward nominations and induction programmes for new Board Members.

We were delighted to welcome Nigel Keen as an independent Non-Executive Director on 20 February 2020. Nigel's wealth of property experience will be invaluable as the Group's property capability and development pipeline grows. Nigel sits on the Audit, Remuneration and Nomination Committee.

We also welcomed Stephanie Coxon to the Board as an independent Non-Executive Director on 7 August. Stephanie's strong capital markets expertise, spanning more than 15 years, will be invaluable as we continue to address the unprecedented impact of the COVID-19 pandemic and support our long-term growth in exploring new development opportunities. Stephanie sits on the Audit, Remuneration and Nomination Committees.

Dividend

In March, the Board took the decision to withdraw its proposed 2019 final dividend payment to shareholders to enhance financial flexibility. Due to the ongoing uncertainty regarding restrictions on international travel, the Board continued to take a prudent approach to cash conservation and did not propose an interim or final dividend for the 2020 financial year.

The Board will continue to review the Group's dividend policy and will resume dividend payments when it is deemed appropriate.

👁️ **For further details on dividend please see the Financial Review on page 44**

Looking ahead


After years of negotiations, the UK Government and the European Union finalised their new partnership agreement at the end of December, marking the end of the Brexit transition period. The main areas of impact for our Group of this new partnership are expected to be centred around employment and the delivery of food, drinks and products. Since the outcome of the Brexit referendum, our teams have been very proactive to mitigate the potential risks where possible and we have taken many steps to improve our employer value proposition and conducted a full supply chain analysis. However, the full economic impact of this new partnership is yet unclear and is currently masked by the pandemic.

2020 was truly the year of adversity for the hospitality industry, but both adversity and challenge bring opportunities to improve, strengthen and ultimately, succeed. Through cycles of challenge and opportunity the sector has time and again demonstrated its ability to bounce back. The European travel market, the largest in the world, has delivered sustained growth* for more than 70 years, despite cycles of downturns and upticks.

As the COVID-19 vaccines are rolled out, borders reopen and restrictions are eased, we expect to see a phased recovery.

Our owner operator model, well-invested portfolio and strong development pipeline means PPHE Hotel Group is well-placed to benefit from the market recovery and to capitalise on future opportunity in line with our growth strategy.

* Source: UN World Tourism Organisation, World Tourism Barometer 2019.



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