



# Trading Update Presentation

Results for the Nine Months Ended 30 September 2023

Release: 23 November 2023



[travelodge.co.uk](https://travelodge.co.uk)

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# Summary

## Continued positive trading and financial performance

- Record results with revenue and profits significantly ahead of 2022 levels
- Operating in the resilient UK budget hotel segment with advantageous business and leisure customer mix
- Continued outperformance against the competitive segment vs 2019
- Strong profit margins supported by robust cost control, helping to mitigate continued inflationary pressures
- Significant investment in the business supporting growth and quality
- Financial results for the nine months ended 30 September 2023:
  - Total underlying revenue up 16.7% to £782.0m (2022: £669.9m)
  - LFL RevPAR<sup>(1)</sup> up 15.2% to £59.68 (2022: £51.83)
  - RevPAR growth<sup>(1)</sup> 5.6 pts ahead of competitive segment vs 2019 and (0.8) pts below vs 2022
  - EBITDA (adjusted)<sup>(2)</sup> of £201.2m (2022: £164.4m)
- Strong liquidity position with cash at 30 September of £231.5m
- Four hotels (308 rooms) opened in the year to date

1. RevPAR is computed as the product of the Average Daily Rate for a specified period multiplied by the Occupancy for that period. Like-for-like ("LFL") RevPAR compares the RevPAR in Q3 YTD 2023 (29 Dec 2022 to 27 Sep 2023) vs. Q3 YTD 2022 (30 Dec 2021 to 28 Sep 2022) and Q3 YTD 2019 (3 Jan 2019 to 2 Oct 2019) on the basis of RevPAR generated by hotels that were opened before 1 January 2019. STR reporting since early 2020 on total room inventory basis, from Q2 2023 STR amended the methodology to exclude temporary room closures

2. EBITDA (adjusted) = earnings before interest, tax, depreciation and amortisation and non-underlying items, on a pre-IFRS 16 basis, and before rent phasing adjustment. In this measure the benefit of rent free periods agreed in the ordinary course of rent negotiation, are spread on a straight line basis until the next rent review (normally five years from initial agreement). Non underlying items have been removed as they are related to items that are considered to be significant in nature and quantum, and not in the normal course of business

# 2023 Results

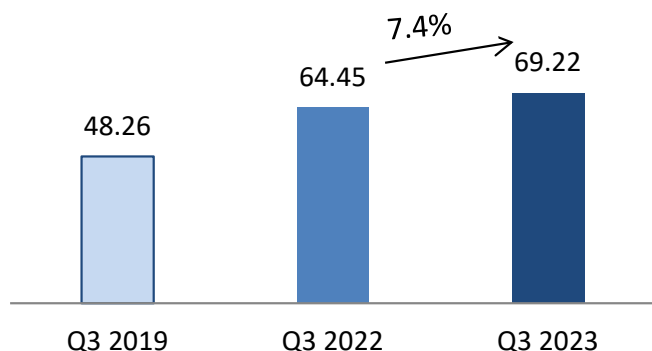


# Q3 Operating Metrics

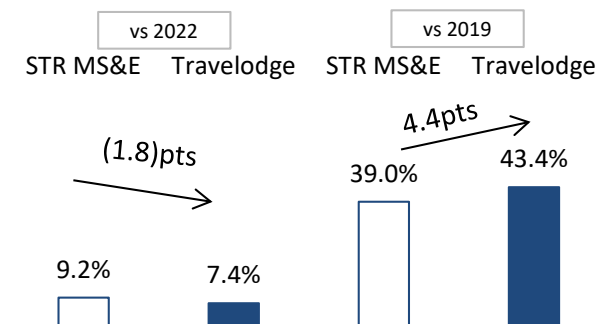
Growth in consumer demand from both leisure and business customers

## RevPAR increase driven by good ADR growth

### LFL<sup>1</sup> RevPAR (£)<sup>2</sup>



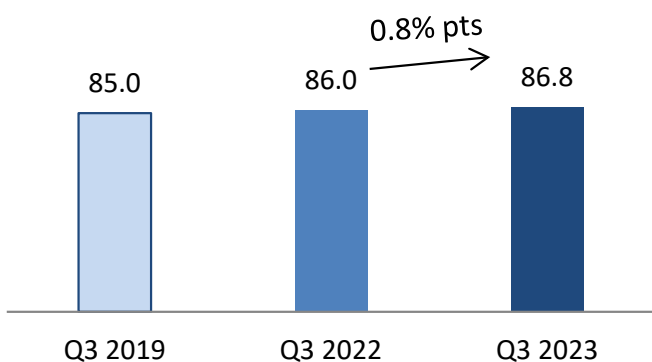
### Q3 RevPAR Performance



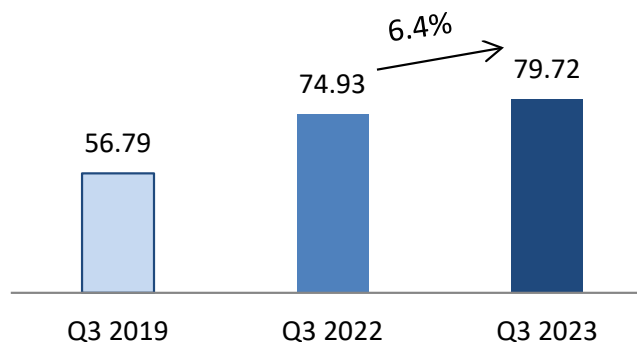
### Q3 2023 vs. Q3 2022

- **RevPAR:** like-for-like UK RevPAR increase of 7.4%
- **RevPAR vs Market:** outperformance against MSE segment **4.4pts** vs 2019. Underperformance vs 2022, reflecting very strong Travelodge comps
- **Occupancy:** occupancy increase of 0.8pts to 86.8%
- **ADR:** up 6.4% to £79.72

### LFL<sup>1</sup> Occupancy (%)<sup>2</sup>



### LFL<sup>1</sup> ADR (£)<sup>2</sup>



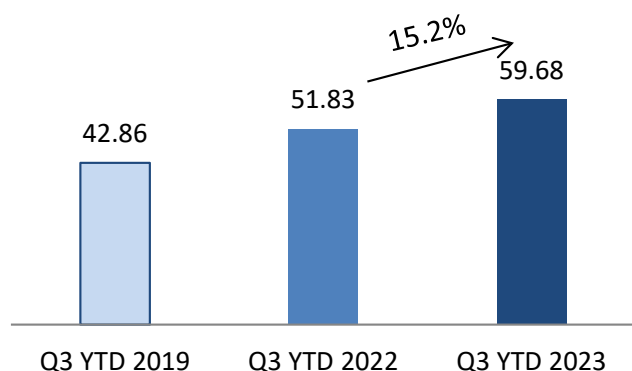
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2. Revenue per available room, Average room rate and Occupancy on a UK like-for-like basis for the management accounting periods 29 June 2023 to 27 Sep 2023, 30 Jun 2022 to 28 Sep 2022 and 4 Jul 2019 to 2 Oct 2019 for the quarter.
3. STR reporting since early 2020 on total room inventory basis, from Q2 2023 STR are changing the methodology to exclude temporary room closures

# Q3 YTD Operating Metrics

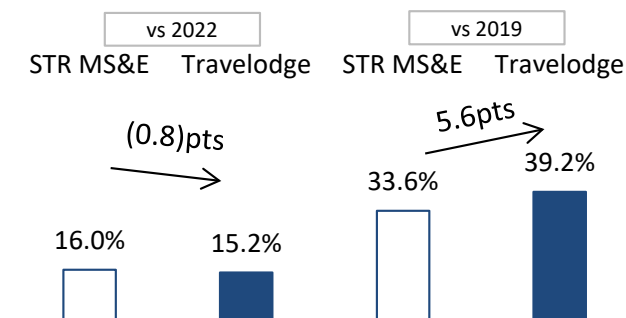
Strong demand from a broad range of business and leisure customers

RevPAR increase driven by combination of ADR and occupancy growth

LFL<sup>1</sup> RevPAR (£)<sup>2</sup>



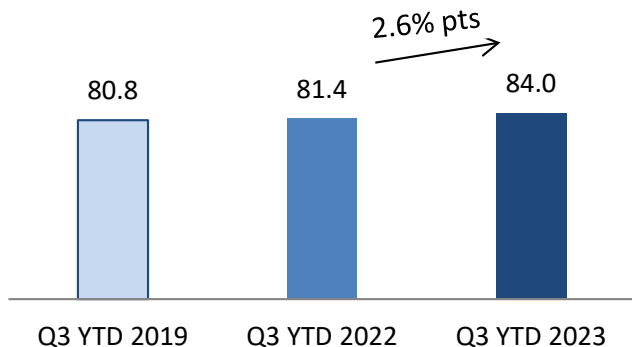
H1 RevPAR Performance



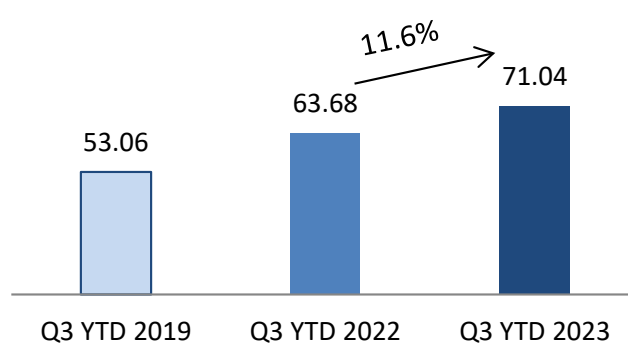
## Q3 YTD 2023 vs. Q3 YTD 2022

- First weeks of 2022 impacted by Omicron work from home guidance
- RevPAR:** like-for-like UK RevPAR increase of 15.2%
- RevPAR vs Market:** outperformance against MSE segment **5.6pts** vs 2019. Underperformance vs 2022, reflecting very strong Travelodge comps
- Occupancy:** occupancy increase of 2.6pts to 84.0%
- ADR:** up 11.6% to £71.04

LFL<sup>1</sup> Occupancy (%)<sup>2</sup>



LFL<sup>1</sup> ADR (£)<sup>2</sup>

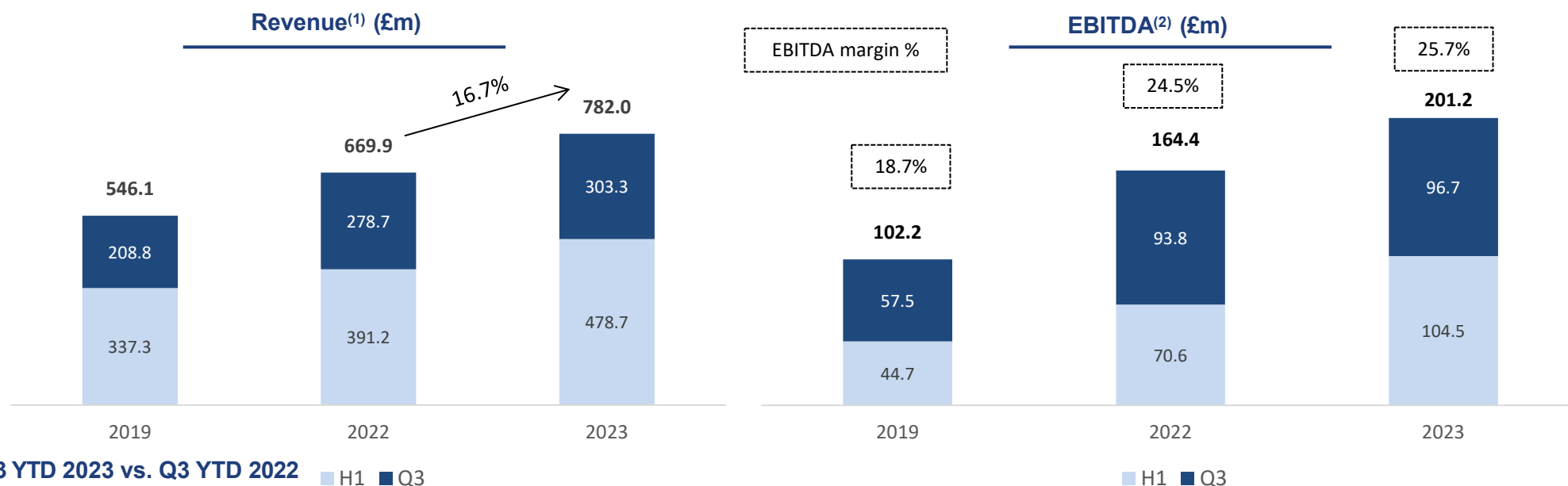


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# Q3 YTD Financial Results

Record results with EBITDA of £201.2m, £36.8m ahead of 2022 levels

Revenue growth and strong cost control delivering record profits



## Q3 YTD 2023 vs. Q3 YTD 2022

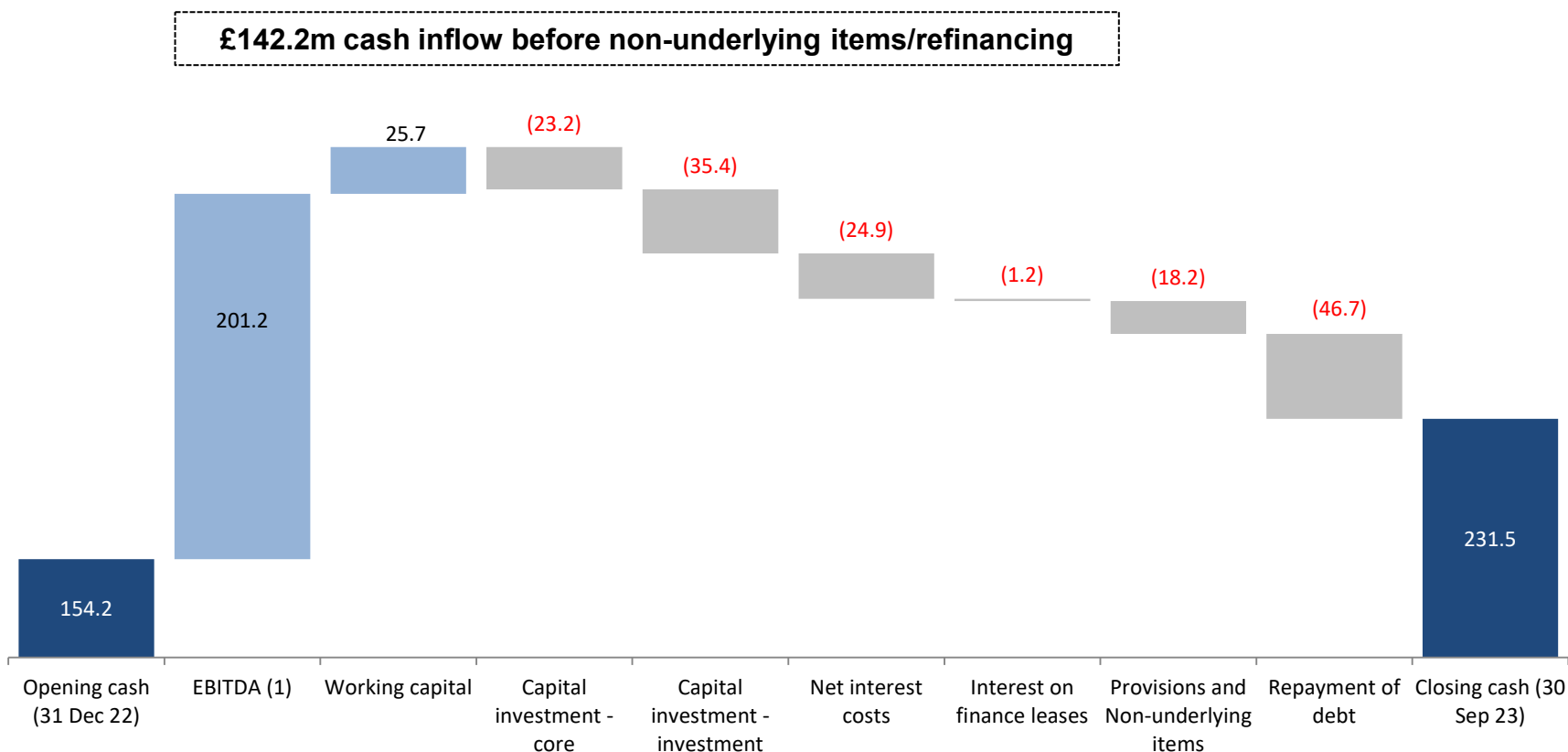
- **Revenue** increase of 16.7%/£112.1m driven by LFL RevPAR increase and new openings (Q3: increase of 8.8%/£24.6m)
  - Like-for-like UK RevPAR increase of 15.2% driven by strong leisure and business demand
  - Strong growth in Spain with revenue up 25.1%/£2.8m
  - Annualisation and maturity of hotels opened since 1 January 2022
- **EBITDA<sup>(1)</sup>** increased by £36.8m to £201.2m (Q3: increased by £2.9m to £96.7m)
  - Revenue increase partially offset by cost increases, including new brand advertising campaign in Q3
  - Improved margins, supported by strong cost control and management of supply chain pressures

1. Total underlying revenue.

2. EBITDA (adjusted) = earnings before interest, tax, depreciation and amortisation and non-underlying items, on a pre-IFRS 16 basis, and before rent phasing adjustment. In this measure the benefit of rent free periods agreed in the ordinary course of rent negotiation, are spread on a straight line basis until the next rent review (normally five years from initial agreement). Non underlying items have been removed as they are related to items that are considered to be significant in nature and quantum, and not in the normal course of business

# Q3 YTD Cash Flow

Strong cash inflow driven by EBITDA and working capital benefit



- Cash inflow of £142.2m before non-underlying items and repayment of debt, with EBITDA and working capital inflow partially offset by capital investments and interest costs
- Working capital benefit mainly driven by increase in prepaid rooms, in line with seasonal patterns, and an increase in the VAT creditor, reflecting the trading performance
- Core capital investment relates to hotel maintenance, health & safety and IT with investment capital mainly refit, new development and projects
- Provisions and non-underlying includes one-off excess EBITDA rent payment and costs, including senior management bonuses, in connection with the refinancing
- Repayment of debt includes the April 2023 refinancing and associated fees and investor loan accrued interest payment in September 2023

1. EBITDA (adjusted) = earnings before interest, tax, depreciation and amortisation and non-underlying items, on a pre-IFRS 16 basis, and before rent phasing adjustment. In this measure the benefit of rent free periods agreed in the ordinary course of rent negotiation, are spread on a straight line basis until the next rent review (normally five years from initial agreement). Non underlying items have been removed as they are related to items that are considered to be significant in nature and quantum, and not in the normal course of business



# Net Debt and Leverage

Liquidity position remains strong

## Debt (£m)

£m	30-Sep
Cash and Cash Equivalents	231.5
Revolving credit facility	-
Senior secured fixed rate bond	330.0
Senior secured floating rate bond (EUR)	216.5
<b>Senior Secured Debt</b>	<b>546.5</b>
Finance leases	14.6
<b>Total Third Party Indebtedness</b>	<b>561.1</b>
<b>Net Third Party Indebtedness</b>	<b>329.6</b>

## Liquidity / Financial Ratios

- **Cash on balance sheet:** £231.5m at 30 September 2023
- **Refinancing completed 28 April 2023:**
  - New **£330m GBP senior secured fixed rate bond** 10.25%
  - New **€250m EUR senior secured floating rate bond** EURIBOR + 550bps
  - **New £50m RCF:** currently undrawn
  - **New Letter of credit** facility: £30m (£27.1m in issue but not called upon as of 30 September)
- Fully hedged currency and interest rate risk on EUR notes
- **Net third party debt ratio** 1.3x<sup>(2)</sup>
- Continue to keep liquidity position and capital structure under review

Note:

1. Before IFRS16

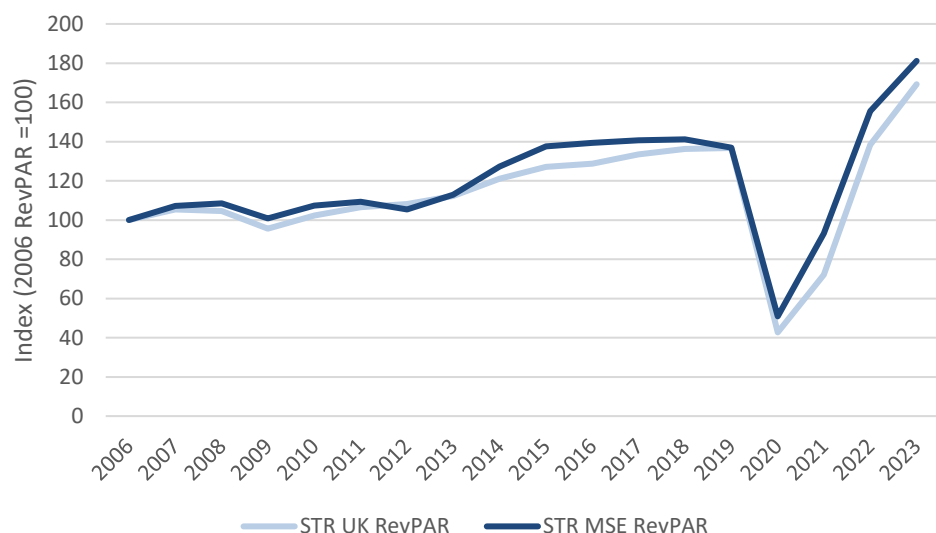
2. Net third party indebtedness divided by Sep 23 LTM EBITDA (adjusted)

# Strategic Priorities

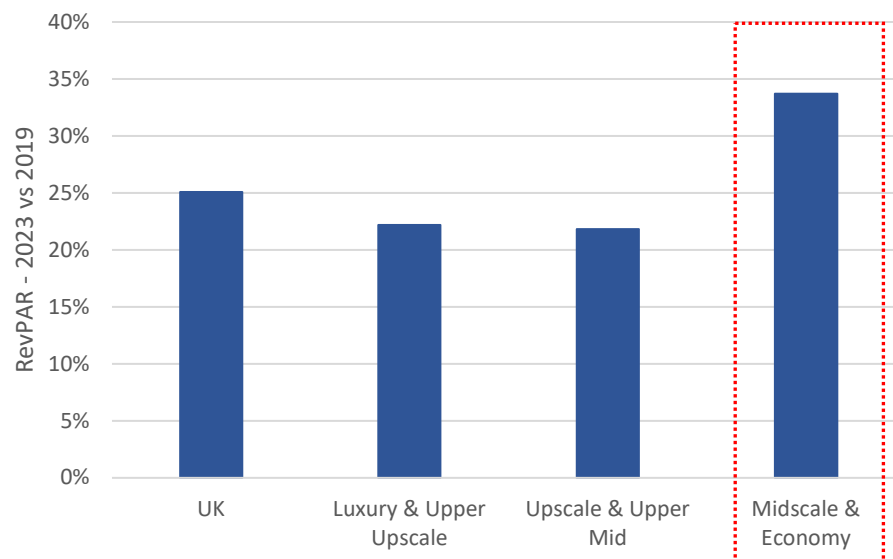
# Resilient UK Budget Hotel Market

Large and resilient UK hotel market with attractive customer profile and advantageous business leisure mix

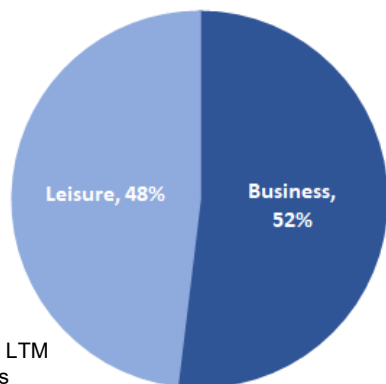
MSE segment has proven resilience through the economic cycle <sup>1</sup>



and is Continuing to outperform the total UK market vs 2019 <sup>3</sup>

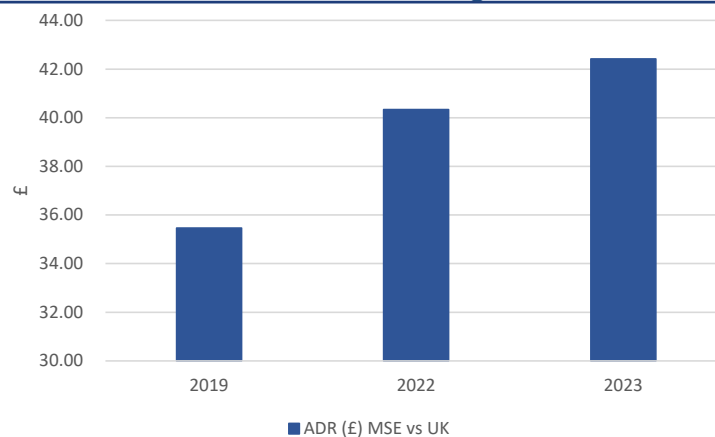


Advantageous Travelodge Business vs. Leisure Mix <sup>2</sup>



- Diverse range of leisure and business customers
- Increasing average business customer spend
- Continued strong SME sign-ups (c. 36k) and further key account wins
- Accounts with c. 80% of the FTSE 100

MSE ADR vs UK ADR has grown since 2019

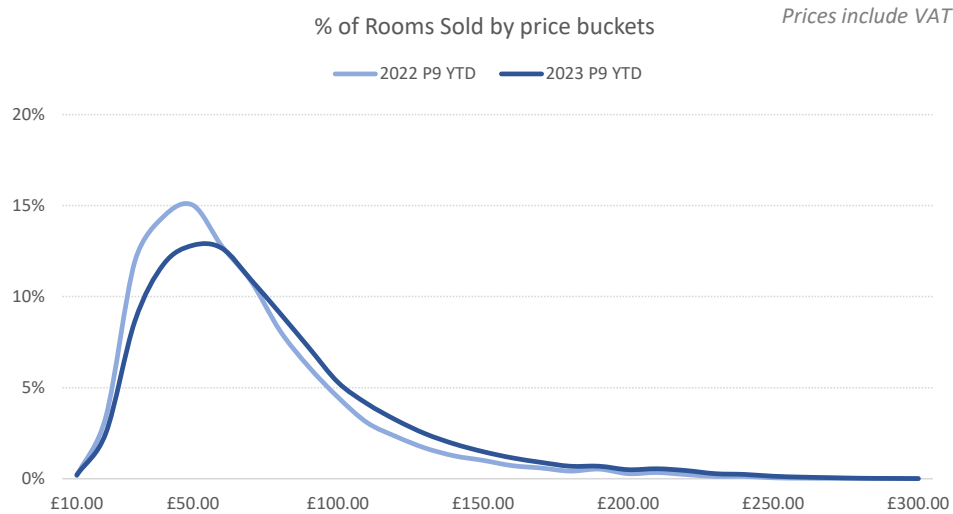


1. 2023 based on P9 LTM
2. Based on revenues
3. YTD to 25 October 2023

# Room for Growth

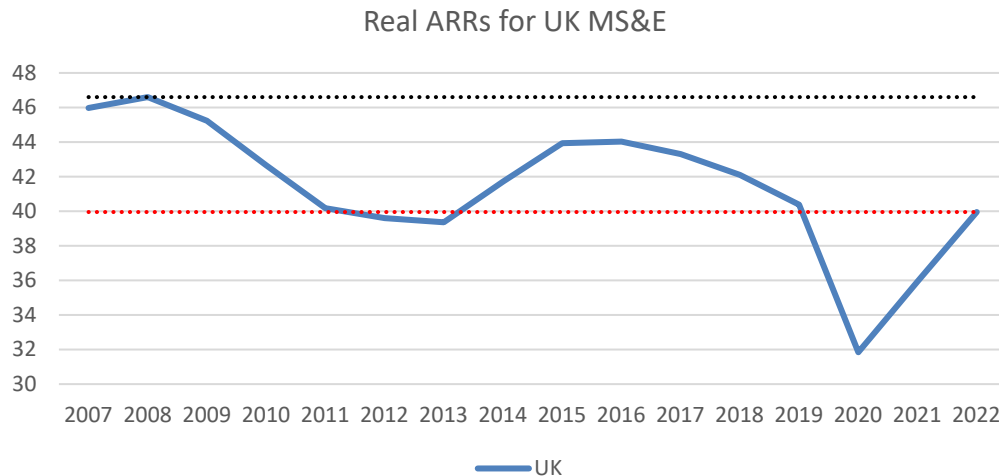
## Sustainable ADR increases

### Increase in Travelodge average room rate



- 49% of rooms sold for less than £60 (Sep YTD 2022: 58%)
- Mix of saver and flexible rates
- Alternative room types (Super Rooms and Family Rooms) attracting ADR premium

### Real room rates remain significantly below peak



- UK MSE real ADR c. 13% below 2008 peak
- Similar trends in London and Regional MSE real ADR's
- Supportive of further price growth

1. Company data
2. Company and STR data

# Strategic Priorities

Investing in quality and growth



## ***Customer proposition***

- Refit programme well progressed, with c. 25% of the room estate to be refitted by the end of 2023, as part of our most significant transformation to date
- Upgrading estate with new design rooms, upgraded bar café and new style reception
- Accelerating refit investment, will impact 2024 capital expenditure
- Further operational investments
- Continued investment in energy projects (including smart heating & cooling)



## ***New brand campaign***

- Building stronger spontaneous brand awareness and brand consideration and demand
- Multi-channel brand campaign commenced in September 2023 with further staged investment in 2024
- Encouraging early indications of impact on brand metrics



## ***Revenue management***

- Continued investment in Travelodge's industry leading revenue management capabilities and best in class direct distribution model
- Investing in data and digital capabilities and leveraging our large and diverse customer base to further optimise digital conversion and personalisation



## ***Development***

- Significant UK development opportunity, targeting 300 additional locations across the UK
- Combination of new build, conversions, going concerns, standalone, mixed use and extensions
- International expansion opportunity in Spain with 20 target markets identified

***Continuing to deepen our customer and market insight to shape our future growth plans***



# Refit Upgrade Programme

Accelerating new room format refit delivering commercial and quality benefits

*Bedroom*



*Reception*



*Bathroom*



*New "Bar 85"*



- New refit programme commenced in 2022 as part of Travelodge's most significant transformation to date, upgrading to new design rooms, upgraded bar café and new style reception
- Investing c. £45m in 2023 and on track to have upgraded c. 25% of the room estate by end of 2023 and replaced over 36,000 carpets (over 2022-2023)
- Delivering RevPAR and customer quality benefits
- Accelerating refit programme in 2024 and expect to have upgraded c. 50% of the room estate by end of 2024

# Brand campaign

New multi-channel brand campaign to drive consideration and demand



Launched in September across multiple channels, including TV, radio, digital and out of home

Encouraging early indications of positive impact on spontaneous brand awareness and brand consideration

Expecting impact to build over time and drive increased demand



# Development

## Investing in development to support long-term growth

### UK

- Opened four hotels in 2023 and expect to open six new hotels in 2024, including 3 re-phased from 2023.
- Adverse real estate market conditions taking longer than expected to improve. Expect to return to more normal levels of 15-20 new hotels per year as conditions improve
- Significant UK development opportunity with 300 target locations identified via comprehensive white space review
- Mix of business and leisure focused locations
- Independent hotel supply continues to decline
- Further opportunity for more going concern acquisitions, building on our successful track record
- Extension opportunities across the existing estate

### Spain

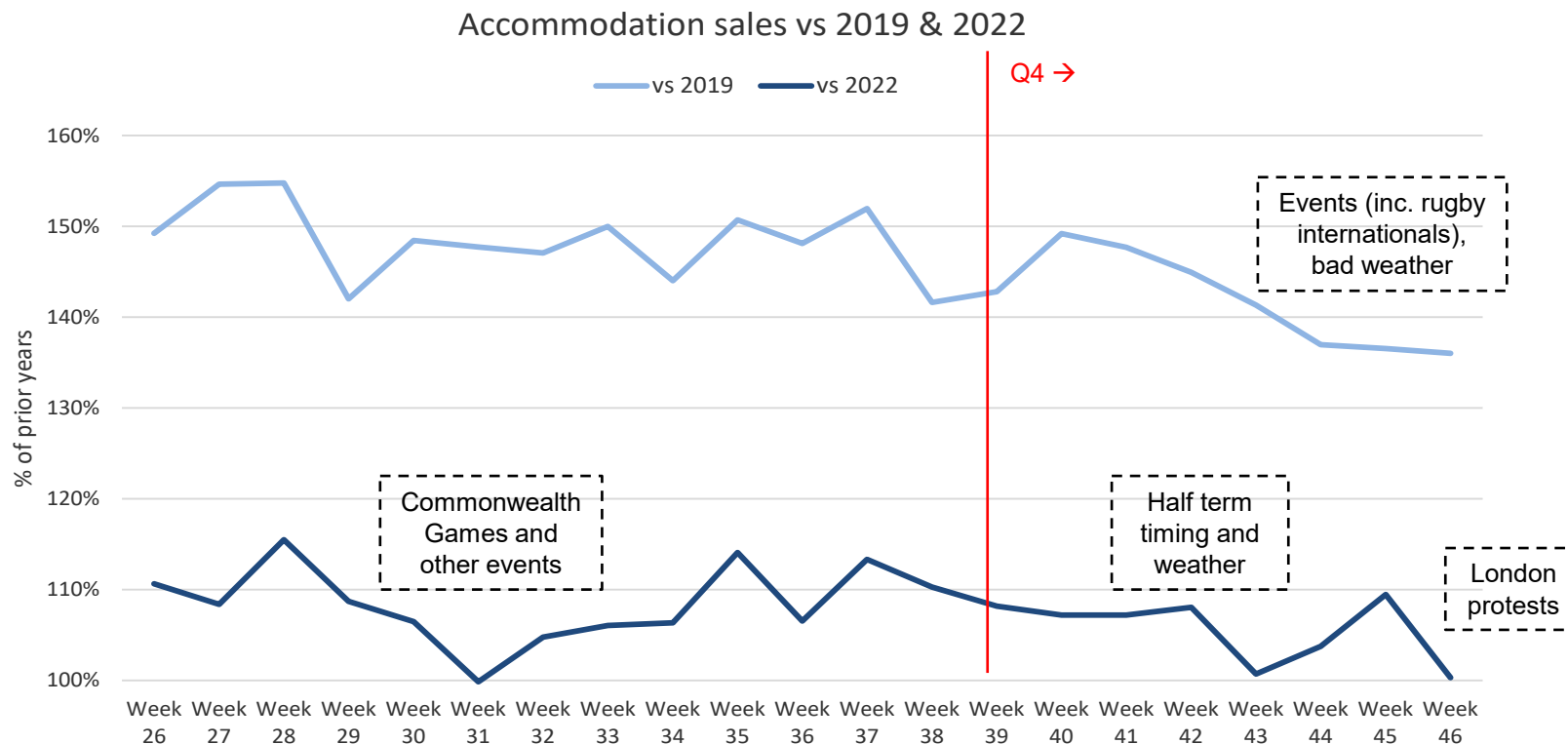
- Established profitable market presence - six hotels, including our third in Madrid which opened this year - with local management team
- Attractive market with strong business and leisure demand and low penetration of budget branded hotels, offering significant growth opportunity
- Strategic expansion report commissioned has identified the potential for an additional 15,000 branded rooms in the MS&E segment within the next five years
- 20 initial target markets identified across Spain
- Combination of new developments and going concerns
- Recently signed a deal for a new build hotel in San Sebastian

***Continuing to explore the opportunity to accelerate our hotel opening pipeline***

# Current Trading and Outlook

# Current Trading Update

Strong trading performance continues with accommodation revenues in Q4 to date on average approximately 46% ahead of 2019 levels and approximately 6% ahead of 2022 levels



Note: week on week comparisons not like-for-like as impacted by timing of Easter, bank holidays and events.

- Good trading performance has broadly continued in quarter four:
  - Early weeks of the quarter impacted by bad weather and protests
  - Continued leisure and business demand across the country
  - London and Regional performance both ahead of 2022 levels
  - Event demand remains strong, booking on longer-lead times
  - Forward bookings are positive, but visibility continues to be limited
- Midscale and Economy segment continues to outperform the UK hotel market (vs 2019)
- Outperforming vs 2019 by approximately 5%pts

1. Based on STR standard methodology in place since start of Q2  
 2. Accommodation sales vs 2019 on like for like basis



# Outlook

Expecting to benefit from positive trading patterns, macro environment creates some uncertainty

- Revenue: remain confident in trading environment for budget hotel operators
  - positive trading patterns continuing with a number of positive demand drivers including increased demand for budget hotels as customers seek out value, strong events demand (leisure and business) and inbound demand
  - new advertising campaign expected to drive spontaneous brand awareness, brand consideration and demand
  - strong forward booking patterns but forward visibility continues to be limited, long lead event bookings are strong
  - macroeconomic environment has the potential impact on demand from pressure on household spending and consumer choices
  - 1% point of RevPAR growth impacts profits by c. £7-8m
- Costs: industry leading operating cost model with continued simplification, automation and in-sourcing
  - National Living Wage increasing to £11.44 (9.8%) from April 2024
  - inflationary cost pressures expected to remain elevated
  - energy hedged (85% winter 2023, 75% of summer 2024 and 60% of winter 2024 volumes now hedged), single digit millions increases in non-commodity costs
  - continued investments in advertising campaign and quality
  - rent on five yearly reviews, with review profile split over five years, net rent - 2023: £250m, 2024 estimate £265 - £270m
- Capex: c. £90m in 2023 and expecting to increase to c. £120m in 2024, reflecting:
  - an acceleration of the hotel refit program
  - continued investments in development and return generating projects, including energy efficiency
  - will continue to review overall spend in line with trading conditions, liquidity and capital structure
- New openings: adverse development market conditions have continued, impacting UK development
  - opening 4 new hotels in 2023 and expect to open 6 new hotels in 2024, including 3 re-phased from 2023
  - additional potential going concern acquisitions in UK and Spain

# Summary

# Summary

## Continued positive trading performance with Travelodge well-positioned for long-term growth

- Continued positive trading performance, strong demand across a broad range of leisure and business customers
- Profits for 2023 expected to be well ahead of 2022 levels
- Strong cash and liquidity position, continue to keep capital structure under review
- Macro-economic environment creates both opportunities and challenges
- Budget hotel segment has proven resilience and is benefiting from a number of positive demand drivers
- Continuing to invest significantly in the business to support growth and quality
- Inflationary pressures remain, but costs continue to be well managed with good visibility in the short-term
- Well-positioned, confident in the long-term prospects for budget hotels and excited about future growth opportunities

# Q&A

# Appendices



# Travelodge Overview



## Who We Are

- UK's second largest hotel brand based on number of hotels and rooms
- Well invested modernised portfolio with 598 hotels and c.46,000 rooms
- Lease, manage and own hotels with low upfront capex model
- Positioned in the attractive value segment as a low-cost operator, offering standardized, modern guest rooms at affordable prices
- Well balanced client base serving c.21m business and leisure customers
- c.90% direct booking, with c.80% through own websites and c.10% through walk-ins, call centres and Groups<sup>3</sup>
- Employs c.12,000 people across all hotels and support offices<sup>1</sup>



## Where We Are<sup>7</sup>

### United Kingdom

#### London

- 80 Hotels
- 9,873 Rooms
- 21% of total Rooms

#### Regions<sup>4</sup>

- 501 Hotels
- 34,228 Rooms
- 74% of total Rooms

### International

#### Spain

- 6 Hotels
- 699 Rooms
- 2% of total Rooms

#### Ireland<sup>5</sup>

- 11 Hotels
- 1,226 Rooms
- 3% of total Rooms



Travelodge



## Key Operating Statistics<sup>1</sup>



**595**  
Hotels



**45,761**  
Rooms



**21m**  
Customers



**81.8%**  
Occupancy<sup>2</sup>



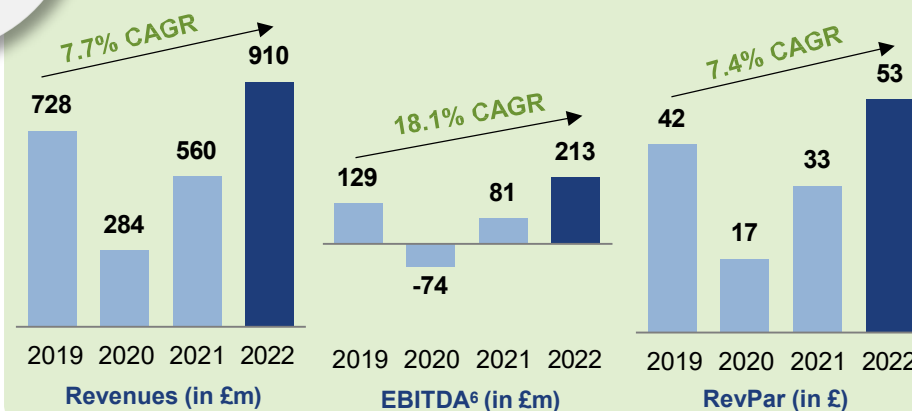
**£64.31**  
ADR<sup>2</sup>



**£910m** **£213m**  
Revenue EBITDA<sup>6</sup>



## Recent Performance



Note: (1) As of 31-Dec-2022; (2) For Travelodge UK leased hotels only; (3) "Indirect" refers to travel agents/Direct Connect, GDS and OTA; (4) Includes 10 hotels operated under management contracts; (5) Operations in island of Ireland under a master franchise. (6) EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation, and before rent phasing adjustment and non-underlying items. This measure is reflective of the position in line with historical accounting principles (before IFRS 16) except for being prior to the rent phasing adjustment. Non underlying items have been removed as they relate to non-recurring, one-off items. The calculation for this measure is consistent with prior years.. (7) As of 30-Jun-2022

# Travelodge is One of the Leading Platforms in the UK

**1**

**Compelling long-term growth fundamentals in the resilient and underpenetrated budget hospitality market**

**2**

**Leading market position driven by outstanding brand recognition and well invested network of hotels with proven and sustained market outperformance throughout economic cycles**

**3**

**Compelling guest proposition with diversified customer base with advantageous business leisure mix**

**4**

**Highly effective revenue management system with best in class direct distribution model and customer acquisition**

**5**

**Lean operating model, including significant proportion of CPI capped rent reviews, driving profitability and cash flows. Strong development pipeline with low upfront capex needs**

**6**

**Comprehensive sustainability plan integrated into wider strategy**

**7**

**Experienced management team with solid track record of delivering operational and financial improvements**

**8**

**Clear and significant opportunities for further growth**