



Trading Update Presentation

Results for the Year Ended 31 December 2023

Release: 28 March 2024



travelodge.co.uk

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Very strong trading performance, delivering another year of record financial results with revenue over £1bn

- Another year of very strong financial results
- Travelodge's value proposition translating to strong levels of business and leisure demand
- Continued outperformance against the competitive segment vs 2019
- Increased profit margins supported by robust cost control, mitigating the continued inflationary pressures
- Investing in the business to drive demand, growth and quality

- Financial results for the year ended 31 December 2023:
 - Total revenue up 13.7% to £1,035.2m (2022: £910.8m)
 - LFL RevPAR⁽¹⁾ up 12.4% to £59.14 (2022: £52.62)
 - RevPAR growth⁽¹⁾ 4.4 pts ahead of competitive segment vs 2019 and (1.8) pts below vs 2022
 - EBITDA (adjusted)⁽²⁾ of £243.9m (2022: £212.9m)

- Strong liquidity position with cash at 31 December of £195.7m

- Four hotels (308 rooms) opened in the year, including one in Spain

- Newly formed Travelodge PropCo completed the acquisition of 66 Travelodge branded hotels in February 2024

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 FY 2023 (29 Dec 2022 to 27 Dec 2023) vs. FY 2022 (30 Dec 2021 to 28 Dec 2022) and FY 2019 (3 Jan 2019 to 1 Jan 2020) on the basis of RevPAR generated by hotels that were opened before 1 January 2019. (vs 2019 measure) and opened before 1 January 2021 (vs 2022 measure). 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

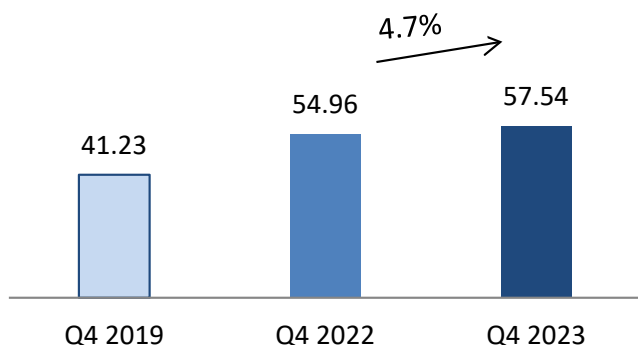
2023 Results

Q4 Operating Metrics

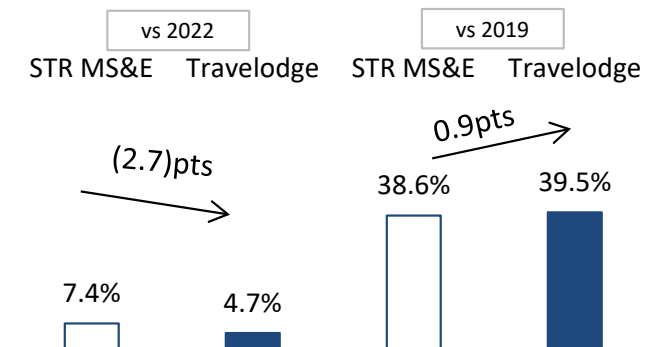
Benefiting from advantageous mix of business and leisure customers

RevPAR increase driven by good ADR growth

LFL¹ RevPAR (£)²



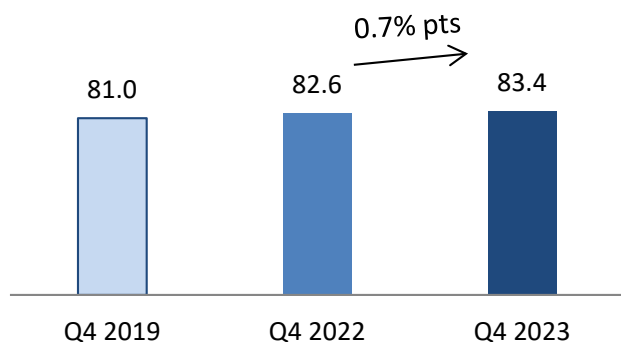
Q4 RevPAR Performance



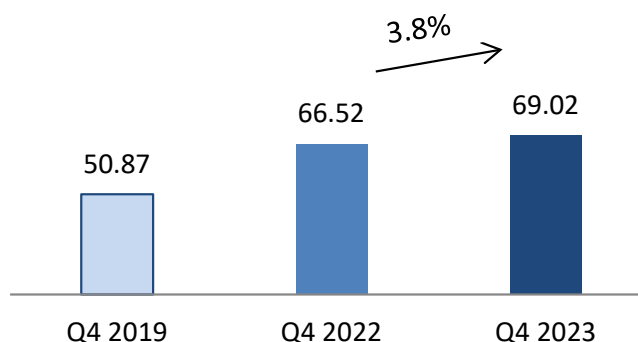
Q4 2023 vs. Q4 2022

- **RevPAR:** like-for-like UK RevPAR increase of 4.7%
- **RevPAR vs Market:** outperformance against MSE segment **0.9pts** vs 2019. Underperformance vs 2022, reflecting very strong Travelodge comps
- **Occupancy:** occupancy increase of 0.7pts to 83.4%
- **ADR:** up 3.8% to £69.02

LFL¹ Occupancy (%)²



LFL¹ ADR (£)²



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 Q4 2023 vs. Q4 2022 and 2019 on the basis of RevPAR generated by hotels in the UK that were opened before 1 January 2019 (vs 2019 measure) and opened before 1 January 2021 (vs 2022 measure).

2. Revenue per available room, Average room rate and Occupancy on a UK like-for-like basis for the management accounting periods 28 Sep 2023 to 27 Dec 2023, 29 Sep 2022 to 28 Dec 2022 and 3 Oct 2019 to 1 Jan 2020 for the quarter.

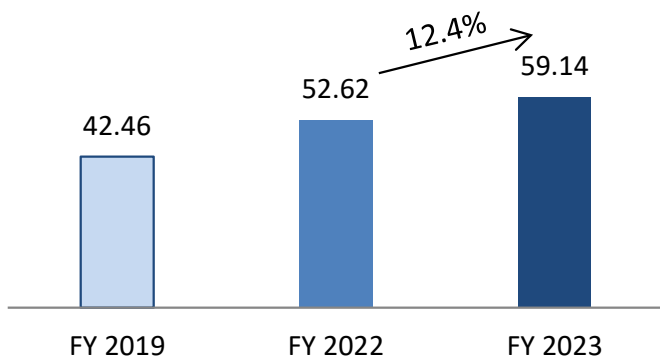
3. STR reporting since early 2020 on total room inventory basis, from Q2 2023 STR are changing the methodology to exclude temporary room closures

Full Year Operating Metrics

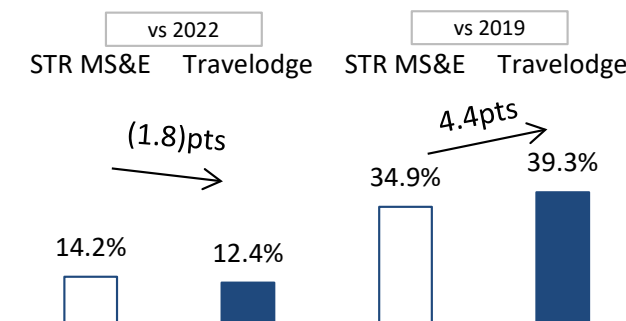
A number of positive demand drivers

RevPAR increase driven by combination of ADR and occupancy growth

LFL¹ RevPAR (£)²



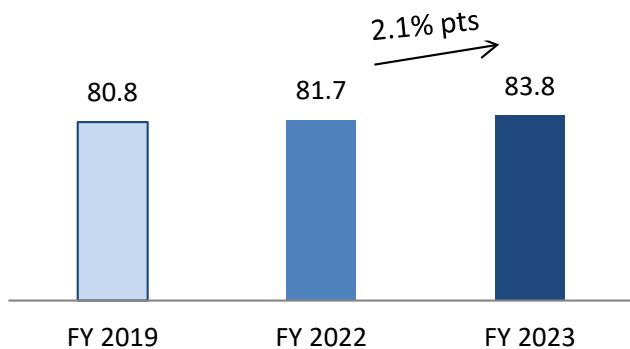
FY RevPAR Performance



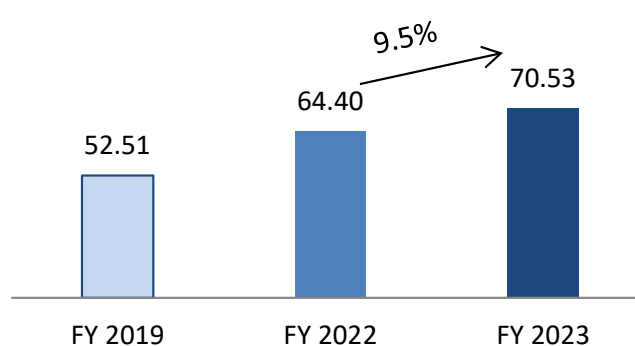
FY 2023 vs. FY 2022

- **RevPAR:** like-for-like UK RevPAR increase of 12.4%
- **RevPAR vs Market:** outperformance against MSE segment **4.4pts** vs 2019. Underperformance vs 2022, reflecting very strong Travelodge comps
- **Occupancy:** occupancy increase of 2.1pts to 83.8%
- **ADR:** up 9.5% to £70.53

LFL¹ Occupancy (%)²



LFL¹ ADR (£)²



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 FY 2023 vs. FY 2022 and 2019 on the basis of RevPAR generated by hotels in the UK that were opened before 1 January 2019 (vs 2019 measure) and opened before 1 January 2021 (vs 2022 measure).

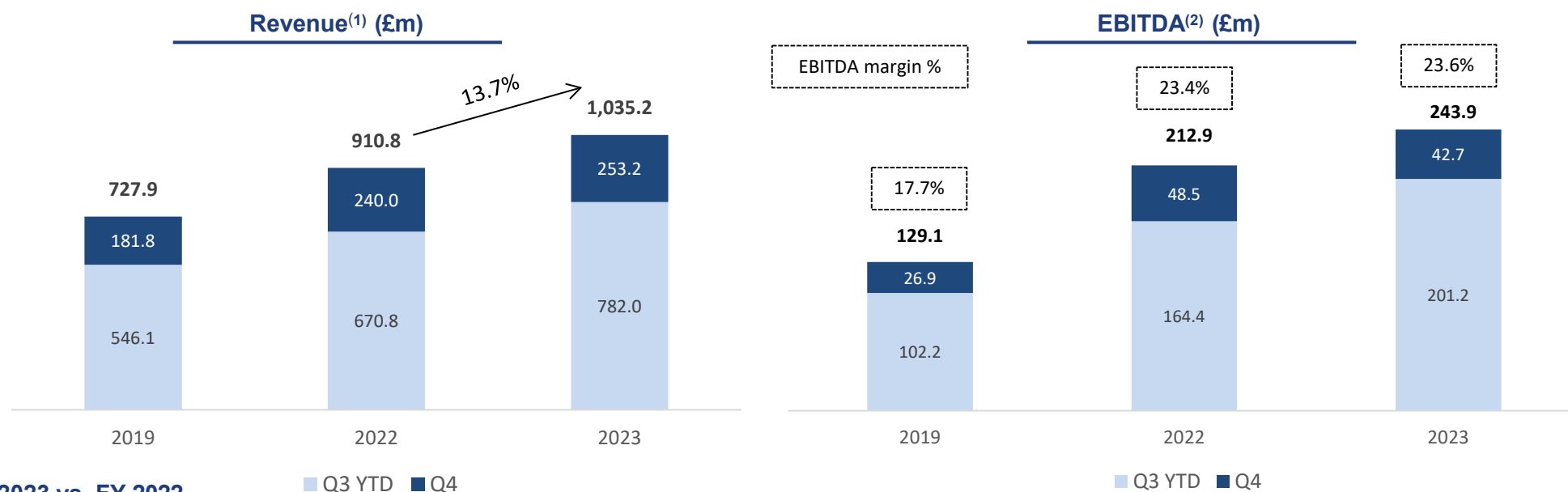
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3. STR reporting since early 2020 on total room inventory basis, from Q2 2023 STR are changing the methodology to exclude temporary room closures

Full Year Financial Results

Record results with EBITDA of £243.9m, £31.0m ahead of 2022 levels

Revenue growth and strong cost control delivering record profits



FY 2023 vs. FY 2022

- Revenue** increase of 13.7%/£124.4m driven by LFL RevPAR increase and new openings (Q4: increase of 5.5%/£13.2m)
 - Like-for-like UK RevPAR increase of 12.4% driven by strong leisure and business demand
 - Strong growth in Spain with revenue up 27.0%/£4.0m
 - Annualisation and maturity of hotels opened since 1 January 2022
- EBITDA⁽¹⁾** increased by £31.0m to £243.9m (Q4: decreased by £(5.8)m to £42.7m, including new brand advertising campaign investment)
 - Revenue increase partially offset by cost increases
 - Improved margins, supported by strong cost control and management of supply chain pressures

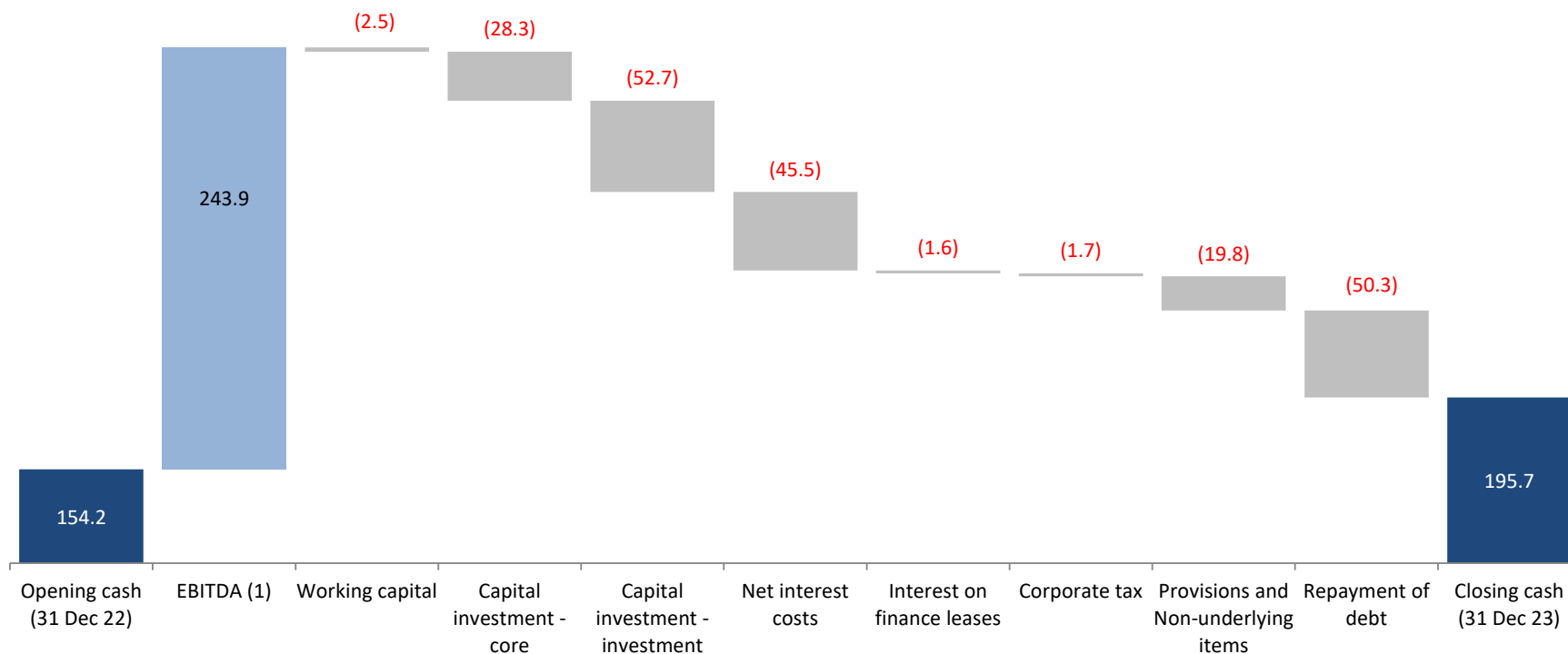
1. Total underlying revenue.

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

Full Year Cash Flow

Continue to generate strong cash inflows

£111.6m cash inflow before non-underlying items/refinancing



- Cash inflow of £111.6m before non-underlying items and repayment of debt, with EBITDA inflow partially offset by capital investments and interest costs
- Working capital includes the impact of higher VAT payments on account, 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 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	31-Dec
Cash and Cash Equivalents	195.7
Revolving credit facility	-
Senior secured fixed rate bond	330.0
Senior secured floating rate bond (EUR)	225.4
Senior Secured Debt	555.4
Finance leases	14.7
Total Third Party Indebtedness	570.1
Net Third Party Indebtedness	374.4

Liquidity / Financial Ratios

- **Cash on balance sheet:** £195.7m at 31 December 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 (£29.0m in issue but not called upon as of 31 December)
- Fully hedged currency and interest rate risk on EUR notes
- **Net third party debt ratio** 1.5x⁽²⁾
- Continue to review our financing arrangements to support the growth of the business in conjunction with our current cash position (£250m as at 20 March)

Note:

1. Before IFRS16
2. Net third party indebtedness divided by Dec 23 LTM EBITDA (adjusted)
3. Senior secured floating rate bond (EUR) includes derivative liability in relation to hedging arrangements

Strategy Update

Strategic Priorities

Investing in quality and growth



Customer proposition

- Focus on “Being the Brilliant Base” for our customers
- Refit programme well progressed, with c. 50% of the room estate planned to be refitted at the end of 2024, as part of our most significant transformation to date
- Continued investment in energy projects (including smart heating & cooling)



New brand campaign

- Building stronger spontaneous brand awareness and brand consideration and demand
- New multi-channel brand campaign commenced in September 2023 with further staged investment in 2024
- Building stronger spontaneous brand awareness and brand consideration and demand



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
- Benefiting from independent hotel supply decline
- Going concern opportunities building on our successful track record in the UK and Spain
- International expansion opportunity in Spain with 20 target markets identified
- LXi deal reflects strategic levers to diversify Travelodge’s asset base

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

Strategy: Being the Brilliant Base

With our customers and colleagues at the heart of what we do



Well priced

- Providing customers with good value with approximately 50% of rooms sold for less than £60 in the last 12 months
- Offering customers a mix of saver and flexible room rates and alternative room types to suit their needs
- Options to customise their stay through range of ancillaries
- Real room rates remain c. 13% below 2008 peak, supporting opportunity for further room rate increases



Well located

- Large network of c. 600 hotels across a mix of business and leisure locations
- Strong London presence with 20% of UK room estate, including prime locations in Central London
- Diversified regional portfolio, including city centres, business parks and tourist locations, covering both leisure and business demand across broad, predominantly domestic, customer base
- Offering a mix of F&B provision with bar café and vending hotels



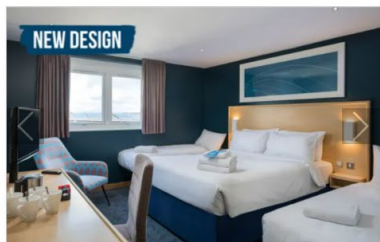
A stay they can trust

- Average 4 dot TripAdvisor rating
- Well invested network and continue to make investments to strengthen quality of our offer
- Upgrading estate with new design rooms, upgraded bar café and new style reception, as part of our most significant transformation to date
- Leveraging technology to simplify and automate

Sustainability integral to our business strategy

Well priced

Offering customers good value with a range of booking options to suit their needs



Family Room [Find out more](#)

Comfy king size bed and one or two pull-out beds

- Cosy duvets and plump pillows
- Tea and coffee
- Freeview TV
- Desk
- Ensuite with shower
- Fresh white towels
- Blackout curtains
- Comfy armchair

Saver rate

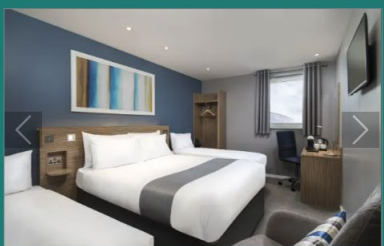
Non refundable. Arrival date can be amended subject to availability and change fee. ⓘ

£63.99

Flexible rate

Fully refundable. Free to amend or cancel up until noon on arrival date. ⓘ

£69.99



Family SuperRoom [Find out more](#)

Everything you'd expect from a Travelodge room, plus:

- King size bed and one or two pull out beds, with both soft and firm pillows
- Located on the quietest floors
- Lavazza coffee pod machine, hot chocolate, tea and a chocolate treat
- Hairdryer, iron & ironing board

Saver rate

Non refundable. Arrival date can be amended subject to availability and change fee. ⓘ

£69.99

Flexible rate

Fully refundable. Free to amend or cancel up until noon on arrival date. ⓘ

£76.99

Customise your stay

Save time today with our extras

Breakfast	£9.75 per adult
Dinner	£14.00 per adult
Early In	£10.00 per check in
Late Check Out	£10.00 per check out
Pets	£20.00
Wifi	£3.00

Well located

Investing in development to support long-term growth

UK

- Opened three 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
- New build hotel deal signed in San Sebastian

Continuing to explore the opportunity to accelerate our hotel opening pipeline

A stay they can trust

Investing in the estate and brand to support growth

Bedroom



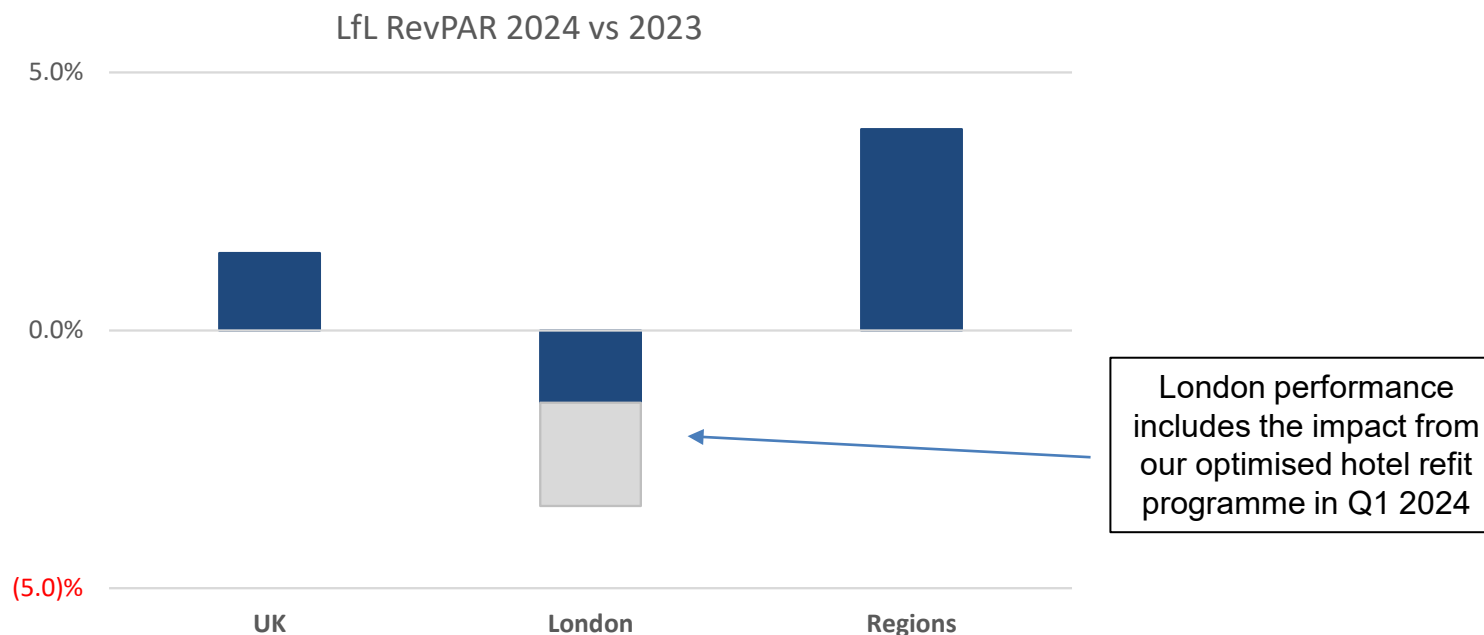
- New refit programme commenced in 2022 as part of Travelodge's most significant transformation to date, upgrading to new design rooms, upgraded bar café and new style reception
- Expecting to upgrade c. 50% of the room estate by the end of 2024, investing c. £60m in 2024 (over 25% already upgraded)
- Delivering RevPAR and customer quality benefits

- 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

Current Trading and Outlook

Current Trading Update

RevPAR growth in Q1 to date reflects optimised hotel refits



Note: 2024 29 Dec 2022 to 13 Mar 2024, 2023: 31 Dec 2021 to 15 Mar 2023

- Accommodation sales YTD 2% ahead of 2023, modestly outperforming the MSE competitive segment
- London demand impacted by lower number of events
- Regions performing strongest
- London impacted by partial hotel closures as a result of our accelerated refit programme (c. 2pts impact in London)
- Forward bookings are positive, but predominantly short lead in line with historic trends, and therefore limited forward visibility

Outlook

Unchanged from previous update, expecting to benefit from positive demand drivers

- Revenue: expect to benefit from a number of positive demand drivers
 - customers seeking out good value
 - positive 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
 - National Living Wage increasing to £11.44 (9.8%) from April 2024
 - inflationary cost pressures expected to remain elevated
 - energy hedged
 - net rent 2024 estimate £265 - £270m
 - continued investments in quality and increased investment in advertising campaign
 - full year like-for-like hotel cost inflation of approximately 5%-6%, expecting full year margins to reduce slightly
 - Q1 impacted by favourable energy hedging in Q1 2023 and other investments in the business, expecting Q1 EBITDA to be below 2023 levels
- Capex: c. £120m in 2024, reflecting accelerated hotel refit program
- New openings: adverse development market conditions have continued, impacting UK development
 - expect to open six new hotels in 2024, including three re-phased from 2023 with the first of these opened in February
 - additional potential going concern acquisitions in UK and Spain

Summary

Summary

Travelodge well-positioned for long-term growth

- Another year of record financial results
- Strong brand proposition
- Resilient underlying customer demand across business and leisure travel attracted by Travelodge's value proposition
- Large and diversified network of well invested hotels
- Low cost, efficient operating model
- Investing in the business to drive growth and quality
- 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 Groups³
- Employs c.13,000 people across all hotels and support offices¹



Where We Are¹

United Kingdom

London

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

Regions⁴

- 501 Hotels
- 34,248 Rooms
- 74% of total Rooms

International

Spain

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

Ireland⁵

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



Key Operating Statistics¹



595
Hotels



46,046
Rooms



21m
Customers



83.8%
Occupancy²

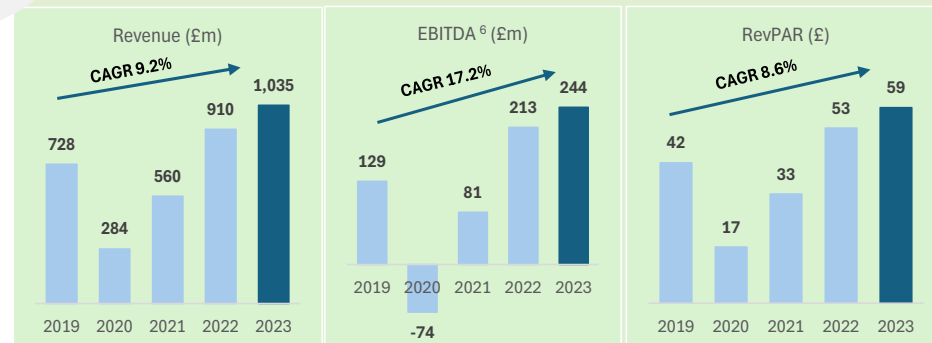


£70.53
ADR²



£1bn **£244m**
Revenue EBITDA⁶

Recent Performance



Note: (1) As of 31-Dec-2023; (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

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

Hotel acquisition update

Acquisition of 66 Travelodge branded hotels

- In February 2024 we completed the previously announced acquisition of 66 Travelodge branded hotels from our largest landlord, LXi REIT, for £210m.
- The 66 hotels were acquired by a newly formed Travelodge PropCo Group on a freehold and long-leasehold basis.
- Travelodge PropCo Group is held separately, but alongside Travelodge OpCo Group (Thame and London Limited and its subsidiaries), by a newly formed direct parent of Thame and London Limited (T&L HoldCo Limited).
- Travelodge PropCo Group will not guarantee or be subject to the covenants under the existing Travelodge senior secured notes due 2028.
- We will continue to produce Thame and London Limited consolidated accounts and bondholder reports.
- Acquisition funded through a combination of further shareholder investment, third party financing facility and c. £31m of cash from Travelodge OpCo.
- We plan to explore further freehold opportunities, which would further diversify Travelodge's freehold/leasehold asset base.

