Trading Update Presentation

Results for the Quarter Ended 31 March 2024

Release: 21 May 2024

Travelodge

travelodge.co.uk

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Investing in the business to drive growth and quality

- Travelodge's value proposition continues to attract both business and leisure customers
- Performing in line with the competitive segment despite very strong comps
- Strong cost control, lean operating model and efficiencies mitigate inflationary pressures
- Significant investments in the business to drive demand, growth and quality

- Financial results for the quarter ended 31 March 2024:

  - Total revenue up 3.5% to £205.5m (2023: £198.5m)

  - LFL RevPAR(1) up 1.0% to £46.45 (2023: £45.98)

  - RevPAR growth(1) 0.1 pts ahead of competitive segment vs 2023 (4.9 pts ahead vs 2019)

  - EBITDA (adjusted) of £3.4m, including £8m of one-off investment and advertising spend, driving growth and quality; Q1 2023 benefitted from favourable energy hedging of c. £6m

  - EBITDA adjusting for these factors of £11.4m (2023: £13.0m)
- Strong liquidity position with cash at 31 March of £177.3m
- S&P credit rating upgraded to B stable outlook

- Two new hotels opened in the UK to date, in line with expectations
- Travelodge OpCo agreed to acquire 6 Spanish hotels in April 2024, doubling our presence 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 Q1 2024 (28 Dec 2023 to 27 Mar 2024) vs. FY 2023 (29 Dec 2022 to 29 Mar 2023) and FY 2019 (3 Jan 2019 to 3 Apr 2019) on the basis of RevPAR generated by hotels that were opened before 1 January 2019. (vs 2019 measure) and opened before 1 January 2022 (vs 2023 measure).*
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*

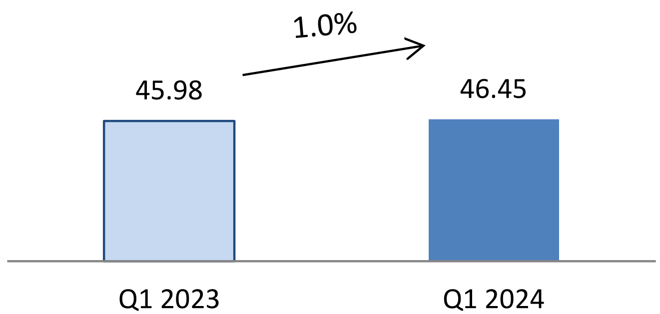
2024 Results

Q1 Operating Metrics

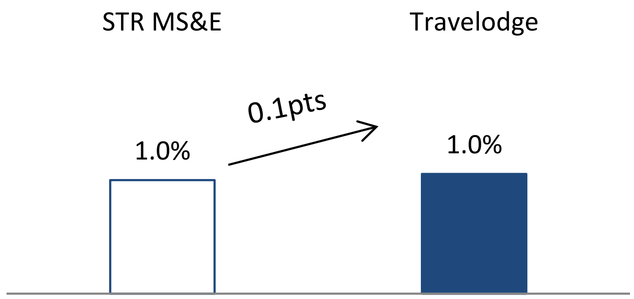
Good occupancy growth driven by our advantageous mix of business and leisure customers

RevPAR growth driven by occupancy with marginal decline in ADR

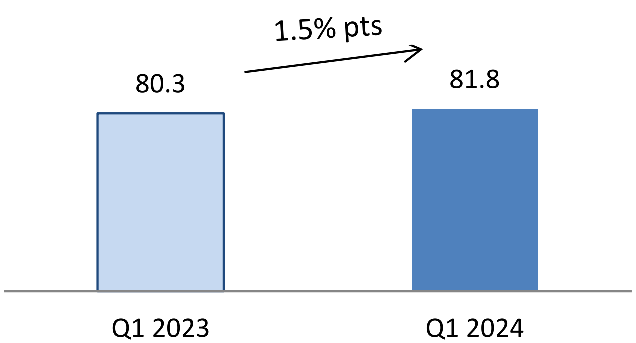
LFL[1] RevPAR (£)[2]



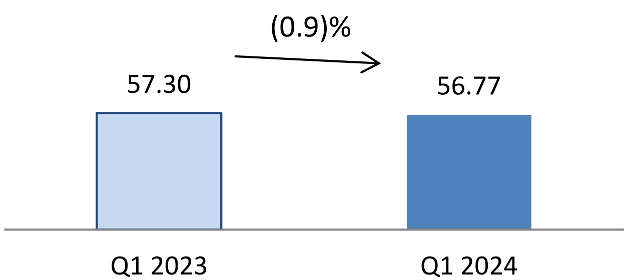
Q1 RevPAR Performance



LFL[1] Occupancy (%)[2]



LFL[1] ADR (£)[2]



Q1 2024 vs. Q1 2023

- Market demand impacted by fewer events and bad weather
- **RevPAR:** like-for-like UK RevPAR increase of 1.0%
- **RevPAR vs Market:** outperformance against MSE segment **0.1**pts vs 2023
- **Occupancy:** occupancy increase of 1.5pts to 81.8%
- **ADR:** down (0.9)% to £56.77

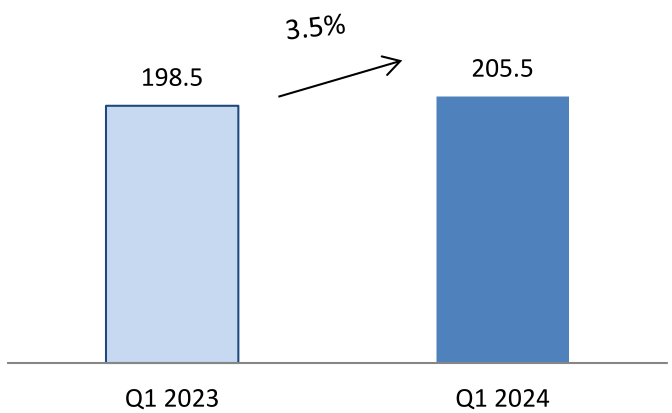
1. RevPAR is computed as the product of the Average Daily Rate for a specified period multiplied by the Occupancy for that period. Like-for-like (LFL) RevPAR compares the RevPAR in Q1 2024 vs. Q1 2023 and 2019 on the basis of RevPAR generated by hotels in the UK that were opened before 1 January 2019 (vs 2019 measure) and opened before 1 January 2022 (vs 2023 measure).
2. Revenue per available room, Average room rate and Occupancy on a UK like-for-like basis for the management accounting periods 28 Dec 2023 to 27 Mar 2024, 29 Dec 2022 to 29 Mar 2023.

Q1 Financial Results

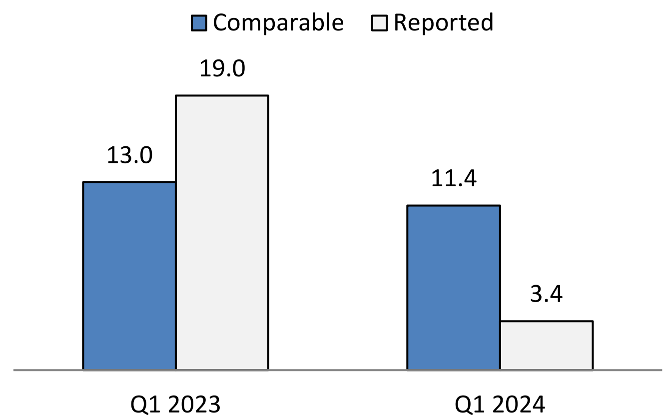
Profit performance reflects new investments in the business to drive future growth

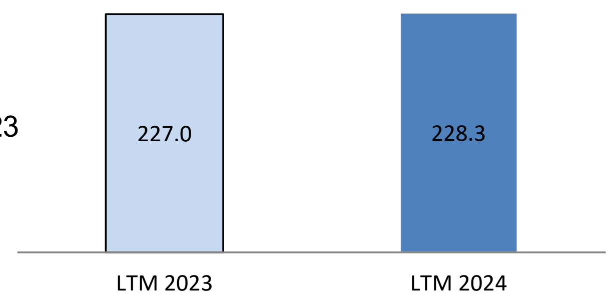
EBITDA includes c. £8m impact of new advertising campaign and other investments in business to drive growth

Revenue[1] (£m)



EBITDA[2] (£m)





Q1 2024 vs. Q1 2023

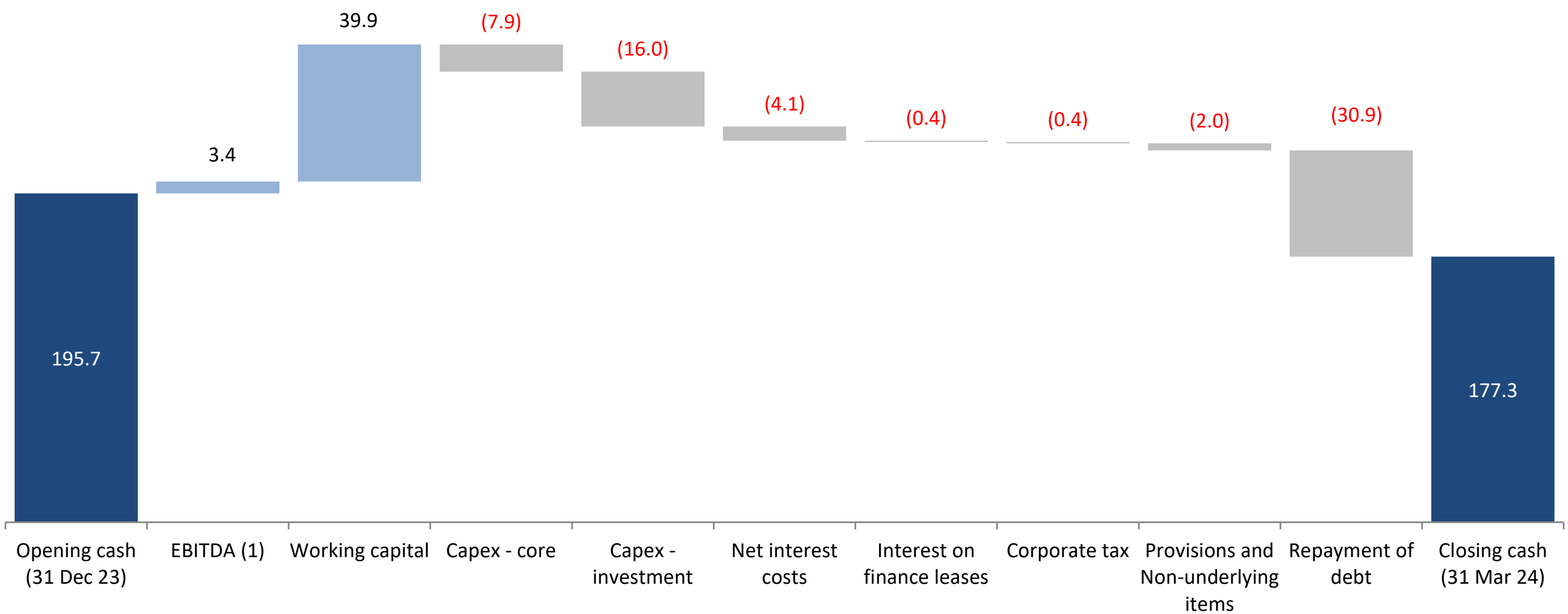
- **Revenue** increase of 3.5%/£7.0m driven by LFL RevPAR increase and new openings
  - Like-for-like UK RevPAR increase of 1.0% driven by good occupancy growth
  - Strong growth in Spain with revenue up 15%/£0.5m, including the new hotel opened in 2023
  - Annualisation and maturity of hotels opened since 1 January 2023
- **EBITDA[1]** decreased by £(15.7)m to £3.4m, in line with previous guidance
  - Revenue increase offset by cost increases
    - These include c. £8m impact of new advertising campaign investment expected to build demand over time, with encouraging positive impact on brand metrics, and other investments including hotel property management system upgrade. Favourable energy hedging in Q1 2023 impact of c. £6m.
    - Annualisation of the 2023 National Living Wage increase of c. 10% and rent reviews
  - Continued focus on 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*

Q1 Cash Flow

Continue to generate strong cash inflows

£14.5m cash inflow before non-underlying items/refinancing



- Cash inflow of £14.5m 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
- 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 debt repayment costs
- Repayment of debt includes the partial repayment of the investor loans notes and accrued interest to facilitate the 66 hotel property acquisition

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-Mar
Cash and Cash Equivalents	**177.3**
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	14.6
Total Third Party Indebtedness	**570.0**
Net Third Party Indebtedness	**392.7**

Liquidity / Financial Ratios

- **Cash on balance sheet:** £177.3m at 31 March 2024
- **S&P credit rating upgrade** to B with stable outlook in April 2024
- **£330m GBP senior secured fixed rate bond** 10.25%
- **€250m EUR senior secured floating rate bond** EURIBOR + 550bps
- **£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** 1.6x[(2)] down from 1.9x in the prior year pro-forma for 2023 refinancing
- Continue to review our financing arrangements to support the growth of the business in conjunction with our current cash position (£172m as at 15 May)

Note:
1. Before IFRS16
2. Net third party indebtedness divided by Mar 24 LTM EBITDA (adjusted)
3. Senior secured floating rate bond (EUR) includes derivative liability in relation to hedging arrangements

Current Trading and Outlook

Current Trading

Improving performance in recent weeks

- Travelodge performing in line with the competitive segment, reflecting strong comps and our accelerated refit programme
- Quarter 2 to date UK accommodation sales c. (2)% below 2023[1] impacted by phasing of bank holidays and fewer events
- Good regional performance partially offsetting a weaker London market performance (primarily rate driven)
- Improving performance in recent weeks with UK accommodation sales in line with 2023 in the last 4 weeks, despite fewer events, as we transition into our larger trading periods
- Booking patterns are encouraging with booked revenue to the end of Q3 ahead of 2023 levels, ahead on both rooms sold and rate
- Forward visibility remains limited in line with normal trading patterns however long lead event demand is strong with bookings ahead of expectations

Approx. phasing based on 2023 actuals	Q1	Q2	Q3	Q4
Revenue	20%	25%	30%	25%
EBITDA adjusted for one-off and phasing	5%	30%	45%	20%

Adjusted EBITDA phasing includes the favourable pre-crisis energy hedging in Q1 2023, advertising campaign that started in H2 2023 and other investments including hotel property management system upgrade

1. Q2 to date: 28 Mar 2024 to 15 May 2024 vs 30 Mar 2023 to 17 May 2023

Outlook

Encouraging opportunities in the business, FY2024 outlook unchanged

- Revenue: expect to benefit from a number of positive demand drivers
  - customers seeking out good value
  - encouraging improvement in UK consumer outlook and business confidence
  - macroeconomic environment has the potential to impact demand from pressure on household spending and consumer choices
  - 1% point of RevPAR growth p.a. impacts profits by c. £8-9m

- Costs: industry leading operating cost model
  - continued investments in quality and increased investment in advertising campaign
  - full year cost inflation of approximately 5% including these investments in quality, advertising and the favourable energy hedging in Q1 2023
  - requires approximately 3% LfL RevPAR growth to offset, plus impact from new & maturing hotels and Spain
  - Q2 profits expected to be down on prior year, reflecting the investment in advertising and property management system upgrade (that normalise during H2)

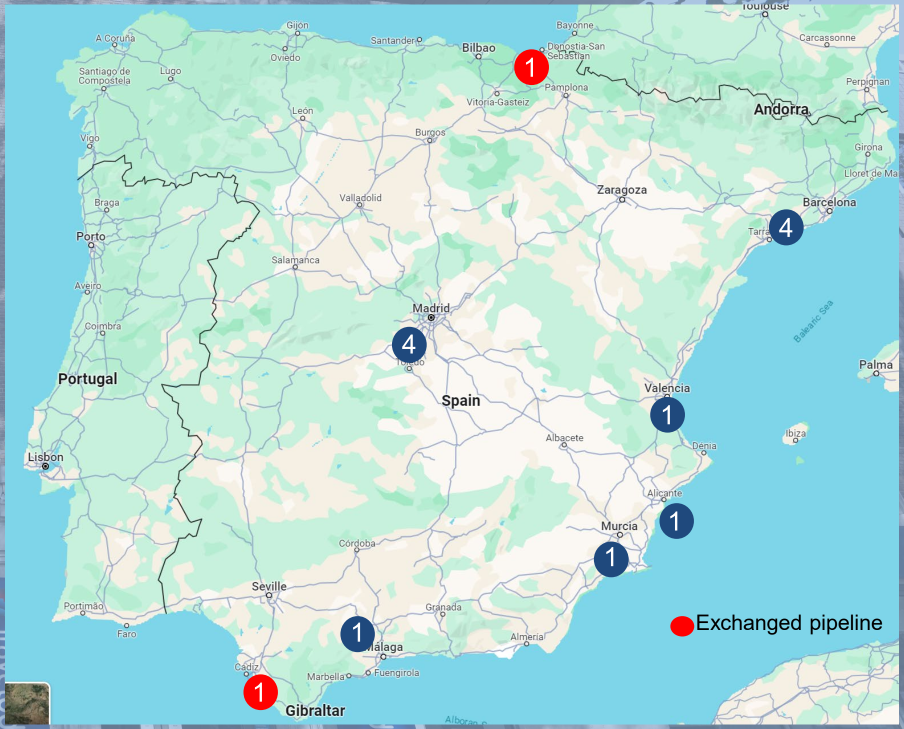
- Capex: c. £125-130m in 2024, includes the accelerated hotel refit program and slightly ahead of previous guidance, reflecting refit of the acquired Spanish hotels and other investments in the estate to support quality and efficiency

- New openings: adverse development market conditions have continued, impacting pace of UK development
  - expect to open 12 new hotels in 2024, including the recent Spanish freehold acquisitions
  - exploring further opportunities to grow in the face of a challenging real estate investment sector

Spanish Hotel Acquisition

Freehold acquisitions diversifying the asset base with further profitable growth

- Continued success with established profitable market presence - six hotels, including our third in Madrid which opened in 2023 - 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
- Travelodge OpCo agreed to acquire six hotels / 773 rooms from Louvre Hotels Group in April 2024
- Five freeholds completed with a long leasehold expected to complete shortly for a total acquisition cost of c. £40m
- Acquisition doubles Travelodge's presence in Spain with hotels in Alicante, Barcelona (2), Madrid, Malaga and Murcia
- Exchanged contracts on new build deals in San Sebastian and Cadiz, with an increasing pipeline of attractive opportunities



Continue to explore the opportunity to accelerate our UK and Spain hotel opening pipeline

Summary

Summary

Travelodge well-positioned for long-term growth

- Investing in the business to drive growth and quality
- Strong brand and direct distribution model
- Resilient underlying customer demand across business and leisure travel attracted by Travelodge's value proposition
- Low cost, efficient operating model
- Large, diversified and growing profitable network of well invested hotels across the UK and Spain
- 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 over 599 hotels and c.46,000 rooms (1)
- 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.22m business and leisure customers
- c.90% direct booking, with c.80% through own websites and c.10% through walk-ins, call centres and Groups[3]
- Employs c.13,000 people across all hotels and support offices[1]

Where We Are[1]

United Kingdom

London	81 Hotels 9,968 Rooms 22% of total Rooms
Regions[4]	501 Hotels 34,248 Rooms 73% of total Rooms

International

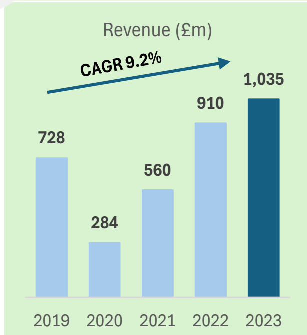
Spain	6 Hotels 699 Rooms 2% of total Rooms
Ireland[5]	11 Hotels 1,226 Rooms 3% of total Rooms

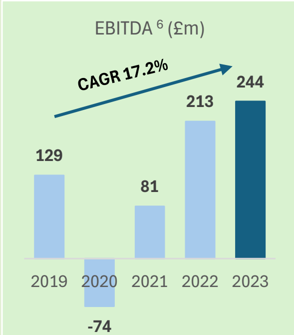
Travelodge

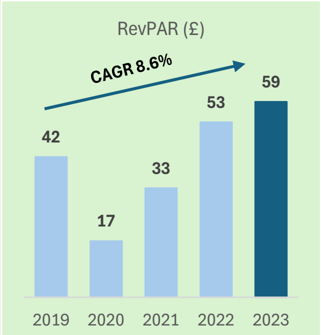
Key Operating Statistics[1]

599	*Hotels*
46,141	*Rooms*
22m	*Customers*
83.8%	*Occupancy²*
£70.53	*ADR²*
£1bn	*Revenue*
£244m	*EBITDA⁶*

Recent Performance







Note: (1) As of 31-Dec-2023 (hotels and rooms as at 31-Mar-24); (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. Attractive long-term growth fundamentals in the resilient, undersupplied UK budget hospitality market, as well as the underpenetrated fast growing Spanish 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 an emphasis on value-for-money and a diversified customer base with advantageous business leisure mix
4. Best-in-class operating model with a leading revenue management system, direct distribution capability, and efficient cost base
5. Robust pipeline in the UK and Spain, alongside a growing freehold component driven by further conversions, acquisitions and development opportunities
6. Values driven business with comprehensive sustainability plan, “Better Future”, integrated into wider strategy
7. Experienced management team supported by an efficient organisation, with solid track record of delivering operational and financial improvements
8. Clear runway and significant opportunities for further growth