



2019 Q1 Financial Results Presentation

For the period ended 27 March 2019

Release: 23 May 2019



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Strong Revenue Growth and Continued Outperformance

2019 Quarter 1 Headlines

- Revenue **up 6.6%** to £146.7m (2018: £137.6m)
- LFL RevPAR⁽¹⁾ **up 1.0%** to £33.86 (2017: £33.51)
- RevPAR growth⁽¹⁾ **3.4pts ahead** of competitive segment
- EBITDA⁽²⁾ £54.8m (post IFRS16)
- EBITDA (adjusted)⁽³⁾ down £(0.6)m to £3.0m
- Strong cash position at the quarter end
- 6 new openings in quarter 1 with a further 1 shortly after quarter end

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 2019 vs. Q1 2018 on the basis of RevPAR generated by hotels that were opened before 1 January 2018.

2. EBITDA = Earnings before interest, taxes, depreciation and amortisation, and before exceptional items presented on an IFRS16 basis

3. EBITDA (adjusted) = Earnings before interest, taxes, depreciation and amortisation, and before rent free adjustment, exceptional items & reflective of the position in line with the accounting principles applicable to the previous year for purposes of comparability. Exceptional items have been removed as they relate to non-recurring, one-off items



Quarter 1 Results



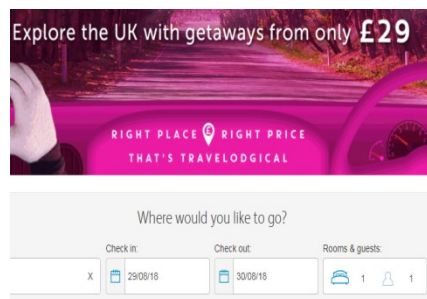
Continued Progress on Our Strategic Objectives

Location



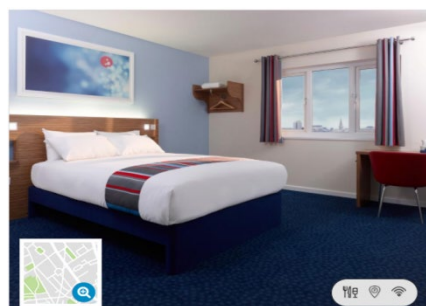
- Targeting 100 new hotels over the next 5 years
- 6 new hotels opened in the quarter with a further 1 shortly after quarter end
- Estate now stands at 581 hotels and 44,266 rooms at the quarter end
- Strong secure pipeline > 4,500 rooms (10% of the existing estate)
- 2019 new opening programme remains on plan, most expected to open in Q4

Price



- Strong value proposition drives revenue growth and outperformance
- Targeted customer offers helping drive increased occupancy
- Further improvements to the digital platform driving increased conversion rates
- Continued growth in business account customers

Quality



- Average 4 star Trip Advisor rating maintained
- 'Best Budget Hotel Brand' at the 2019 Business Travel Awards
- Refit programme for the core estate commenced
- 'SuperRooms' available in 48 hotels
- 6 'Travelodge Plus' showing encouraging early trading signs

Location

2019 Openings – Selected Examples

Liverpool Edge Lane
Business Park
71 rooms
Bar café



Solihull
Midlands
82 rooms
Bar café

Glasgow Govan
Urban regeneration
60 rooms
Bar café



Bury St Edmunds
Market town
80 rooms
Bar café

Price

Strong value proposition, further digital improvements



**MAKE THE MOST OF THE
MAY DAY PAY DAY**

Rooms from £29

RIGHT PLACE  RIGHT PRICE
THAT'S TRAVELOGICAL

Nearby hotels from £34.99

Other dates from £22



Manchester Salford
Quays

From £34.99

 13 mins

Select hotel

- Attractive pricing continues to support strong revenue growth
- Targeted customer offers helping to drive improved website conversion
- Continued growth in business account customers
- More than half of rooms sold cost less than £50

Quality

Core refit programme

New carpets

LED lighting

USB sockets

Bathroom improvements

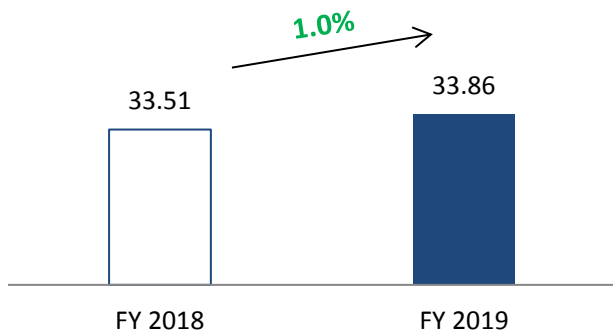


Strong Quarter 1 Operating Metrics

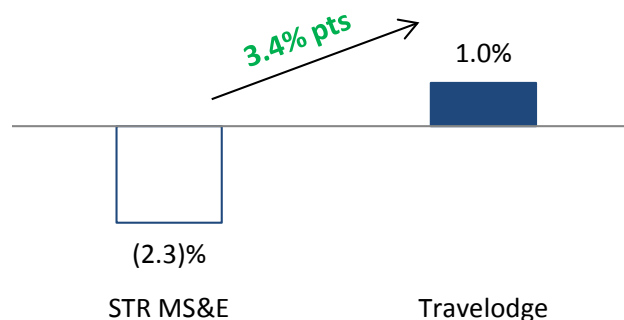
Good RevPAR growth and continued outperformance

RevPAR Growth Driven by Occupancy Increase and Stable ADR

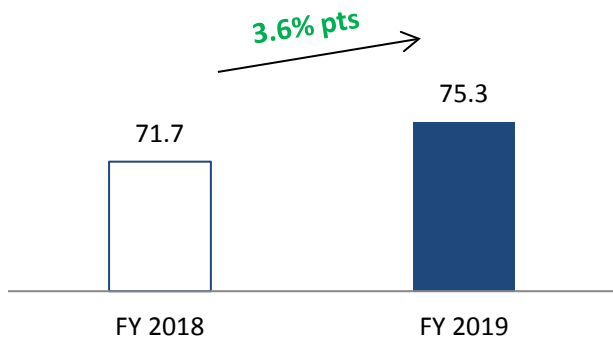
LFL¹ RevPAR (£)²



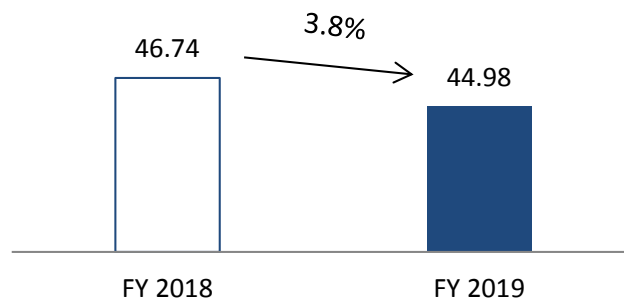
Q1-19 RevPAR Growth Ahead of Market



LFL¹ Occupancy (%)²



LFL¹ ADR (£)²



Q1 2019 vs. Q1 2018

- **RevPAR:** like-for-like UK RevPAR growth of 1.0%
- **RevPAR vs. Market:** 3.4pts outperformance against MS&E segment
- **Occupancy:** occupancy increased 3.6pts to 75.3%
- **ADR:** down (3.8)% to £44.98

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 Q1-2019 vs. Q1-2018 on the basis of RevPAR generated by hotels that were opened before 1 January 2018.

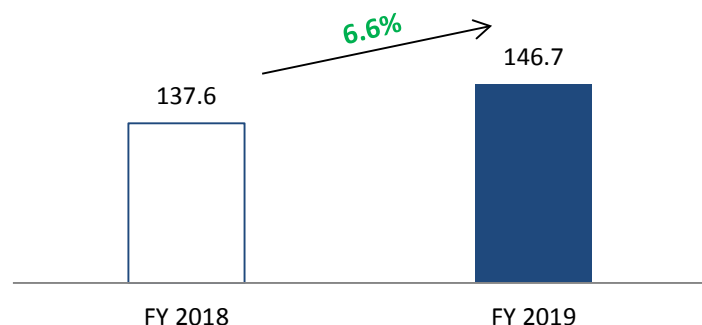
2. Occupancy, ADR and RevPAR for UK leased estate only.

Good Quarter 1 Financial Performance

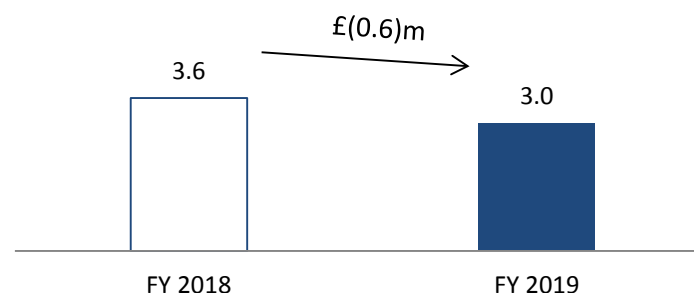
Strong total sales helping to mitigate cost pressures

Solid Financial Performance

Revenue (£m)



EBITDA⁽¹⁾ (£m)



Q1-2019 vs. Q1-2018

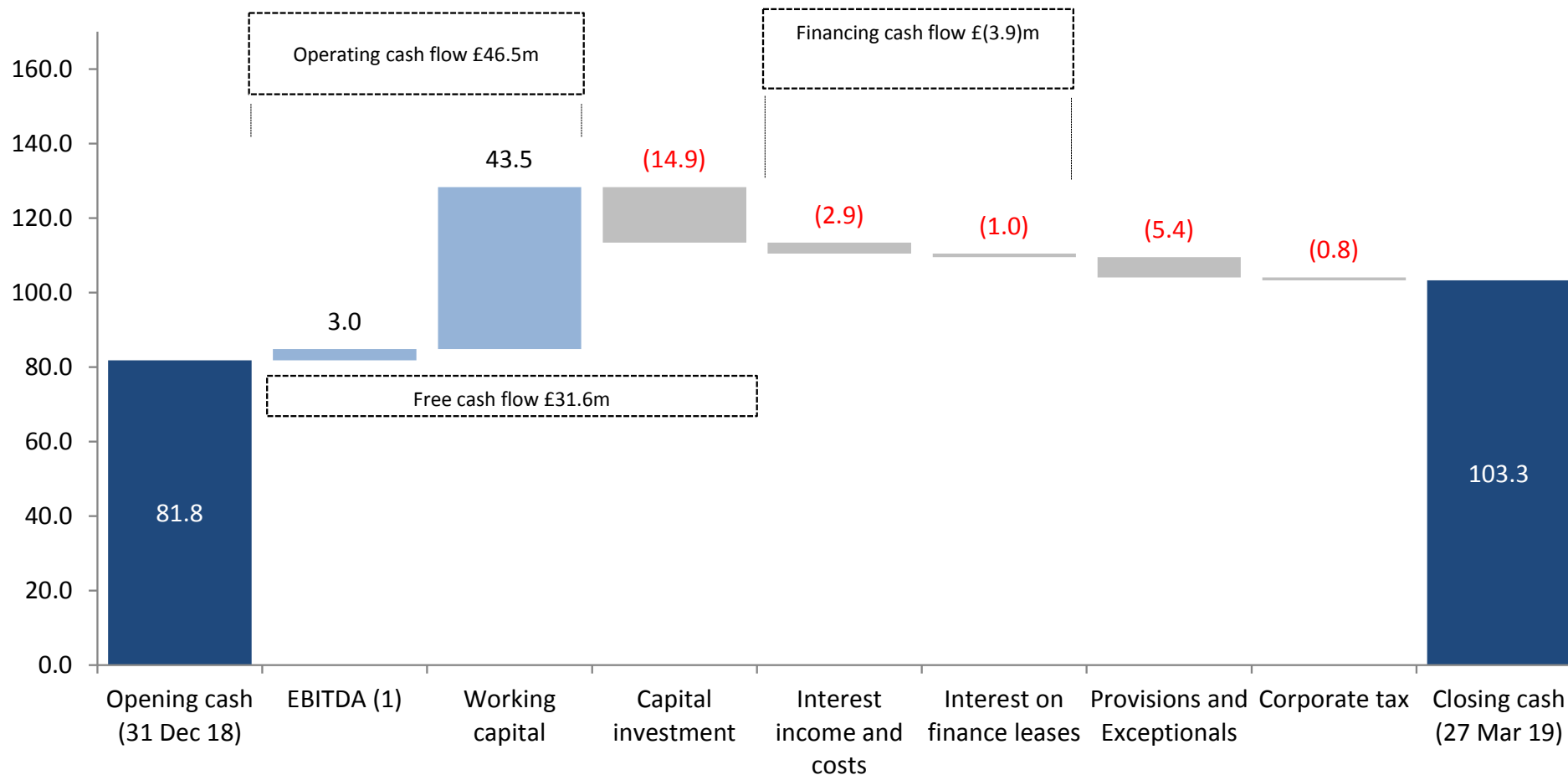
- **Revenue** increase of 6.6%/£9.1m was primarily due to:
 - Like-for-like UK RevPAR growth of 1.0%
 - Annualisation and maturity of the 17 new hotels added in 2018
 - Opening of 6 new hotels in quarter 1
 - Good food and beverage growth helped by occupancy growth
- **EBITDA⁽¹⁾** decreased £(0.6)m to £3.0m driven by:
 - Good LFL revenue growth and contribution from the annualisation and maturity of new hotels
 - Impact of cost increases including National Living Wage, higher operational costs driven by higher occupancy and increased transaction fees

1. EBITDA (adjusted) = Earnings before interest, taxes, depreciation and amortisation, and before rent free adjustment, exceptional items & reflective of the position in line with the accounting principles applicable to the previous year for purposes of comparability. Exceptional items have been removed as they relate to non-recurring, one-off items

Continued Good Free Cash Flow

Strong cash conversion, continued capital investment

£m ⁽²⁾



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2. In order to facilitate the comparability of the underlying business to the prior year following the adoption of IFRS16 from 1 January 2019 the cash flow is presented in line with the accounting principles applicable to the previous year

Net Debt and Leverage – Q1 2019

Debt (£m)

£m	Q1 2019
Cash and Cash Equivalents	103.3
SSNs @ 8.5%	232.0
FRNs @ L + 4.875%	195.0
Senior Secured Notes	427.0
Finance leases	33.1
Total Third Party Indebtedness	460.1

Liquidity / Financial Ratios

- **Cash on Balance Sheet:** £103m
- **Revolving Credit Facility:** £50m (unutilised)
- **Letter of Credit Facility:** £30m (£15m utilised)
- Net Senior Secured Debt / EBITDA⁽¹⁾ = 2.7x
- Net Third Party Debt / EBITDA⁽¹⁾ = 2.9x
- Interest rate hedging in place (£100m of FRN's)

1. EBITDA (adjusted) based on Q2-Q4 2018 EBITDA (audited) and Q1 2019 EBITDA (unaudited). Net debt is net of cash and cash equivalents.

IFRS 16 Impact

No economic impact, significant changes to the presentation of financial statements

27 March 2019 (£m)	Frozen GAAP ⁽¹⁾	IFRS 16 impact	IFRS 16
EBITDAR	53.8	-	53.8
Rent payable	(51.8)	51.8	-
Rent receivable	1.0	-	1.0
EBITDA	3.0 ⁽²⁾	51.8	54.8 ⁽³⁾
Depreciation and amortisation	(15.4)	(25.0)	(40.4)
Operating profit/(loss) (before exceptional items)	(12.4)	26.8	14.4
Net finance income and costs	(12.8)	(39.5)	(52.3)
Income tax	6.1	2.1	8.2
Loss for the period (before exceptional items)	(19.1)	(10.6)	(29.7)

- New lease accounting standard with effect from 1 Jan 2019
- No economic impact and will not change how we manage the business
- Not expected to have an impact on the approach taken to rating the business
- EBITDA increased by £51.8m as rent is no longer charged in the consolidated income statement
- Depreciation increased by £25.0m due to charges relating to 'right of use' asset
- Reported financing costs increased by £39.5m relating to the new notional charges relating to the lease liabilities, with costs heavily phased towards earlier years of a lease

1. Frozen GAAP = in order to facilitate the comparability of the underlying business to the prior year following the adoption of IFRS16 from 1 January 2019, additional columns have been added to reflect the position in line with the accounting principles applicable to the previous year

2. EBITDA (adjusted) = Earnings before interest, taxes, depreciation and amortisation, and before rent free adjustment, exceptional items & reflective of the position in line with the accounting principles applicable to the previous year for purposes of comparability. Exceptional items have been removed as they relate to non-recurring, one-off items

3. EBITDA = Earnings before interest, taxes, depreciation, amortisation and exceptional items presented on an IFRS16 basis

Summary

Good quarter 1 results, cautious short-term outlook but well positioned for longer-term

- Strong revenue growth driven by higher occupancy and outperformance
- Partially mitigating cost pressures
- Continued growth in network, 7 new hotels opened in the year to date

- Challenging market conditions but continuing to outperform
- Cost pressures continue
- On-track for new openings – majority scheduled to open in Q4
- Strong cash positioned maintained
- Cautious on short-term outlook, well positioned for longer-term growth

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 Q1-2019 vs. Q1-2018 on the basis of RevPAR generated by hotels that were opened before 1 January 2018.

Q&A

Appendices



Company Background



travelodge.co.uk

Company Overview

Who We Are

- UK's second largest hotel brand based on number of hotels and rooms
- Positioned in the attractive value segment with 581 hotels and serving 19m business and leisure customers
- Well invested modernised hotel portfolio
- Well balanced approximately even business / leisure customer split
- Almost 90% booking direct, with c. 80% through own websites
- Low upfront capex leasehold model

Where We Are (as at 27 March 2019)

United Kingdom

London

- 74 Hotels
- 9,676 Rooms
- 22% of total Rooms

Regions³

- 490 Hotels
- 33,070 Rooms
- 75% of total Rooms

International

Spain

- 5 Hotels
- 621 Rooms
- 1% of total Rooms

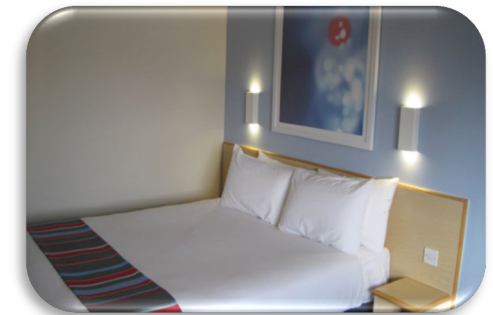
Ireland⁴

- 12 Hotels
- 899 Rooms
- 2% of total Rooms



Key Statistics (FY2018)

Hotels	575
Rooms	43,840
Occupancy¹	78.5%
ADR¹	£53.09
RevPAR¹	£41.69
Revenue	£693.3m
EBITDAR	£318.9m
EBITDA	£122.0m
Rent Cover²	1.6x



1. Occupancy, ADR and RevPAR for Travelodge UK leased Hotels only.
2. Represents the ratio of EBITDAR to net external rent payable.
3. Includes 11 hotels operated under management contracts.
4. Operations in Ireland under a master franchise.