Trading Update Presentation

Results for the Nine Months to 30 September 2020

Release: 24 November 2020

Travelodge

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Summary

Covid-19 impact continues - navigating the material uncertainty

- Significant impact of Covid-19 on the year-to-date
- Decisive action taken to optimise trading and preserve liquidity
- Tough conditions but relatively resilient sales and outperformance when hotels permitted to open
- Approaching the new year with a strengthened position

  - retained a large and diversified hotel network – equivalent to over 98% of 2019 UK hotel EBITDA[(1)]

  - positioned to benefit from recovery as it emerges – direct distribution, domestic travel focus, business/leisure mix

  - benefiting from temporary rent reductions

  - new £60m super senior term facility signed on 18 November 2020 [(2)]

  - further £30m equity injection to complete by 2 December 2020
- Material uncertainty still remains and a long road ahead - but starting to move forward

1. 2019 UK hotel EBITDA is EBITDA (adjusted), excluding Spain, Ireland, management contracts and central and marketing costs and the EBITDA of the one hotel lease surrendered in July 2020
2. As part of the refinancing of existing £60m Super Senior RCF

Covid-19 Impacted Trading for the Year-to-Date
Travel restrictions driving significantly reduced performance

- Strong trading continued in early months of year
- Significant Covid-19 impact from mid-March
- Most hotels closed from 24 March to 15 July, national/regional restrictions from 22 September
- Virtually no trading in first lockdown, encouraging positive EBITDA in Q3, second English lockdown from 5 November
- Adverse trading conditions – Nine Months to 30 September 2020:
  - Overall YTD to Q3 revenue down (57.7)% to £230.9m (2019: £546.1m)
  - LFL RevPAR[1] down (57.1)% to £18.00 (2019: £41.98)
  - RevPAR growth[1] 3.2pts ahead of competitive segment (London 4.7pts / Regions 3.4pts)
  - EBITDA (adjusted)[2] down £(150.5)m to a loss of £(48.3)m (2019: profit of £102.2m)
- Q3 resilience – encouraging occupancy, positive EBITDA benefiting from rent reductions and job retention scheme
- Cash at 30 September of £71.5m

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 2020 vs. Q3 YTD 2019 on the basis of RevPAR generated by hotels that were opened before 1 January 2019.*
2. *EBITDA (adjusted) = Earnings before interest, tax, depreciation, amortisation and before rent adjustment and non-underlying items, before IFRS16. Non-underlying items have been removed as they relate to non-recurring, one-off items.*

Current Position

Securing the business amid material uncertainty

- England lockdown scheduled to end on 2 December

  - trading c.200 hotels where permitted during current restrictions

- Strong, diversified network secured for the future

  - retained hotels accounted for over 98% of 2019 UK hotel EBITDA(1)

- Strengthened liquidity position

  - £60m new facility – will fully fund by 1 December, we will receive the remaining £30m

  - £40m equity injection – will fully fund by 2 December, we will receive the remaining £30m

- Tough conditions but resilient trading

  - Midscale and Economy segment continues to outperform UK hotel market

  - Diversification helps mitigate Covid-19 restrictions

  - c. £55m in CVA rent reductions through 2021

  - Cost optimisation continues with use of job retention scheme

  - Nine new hotels opened to date

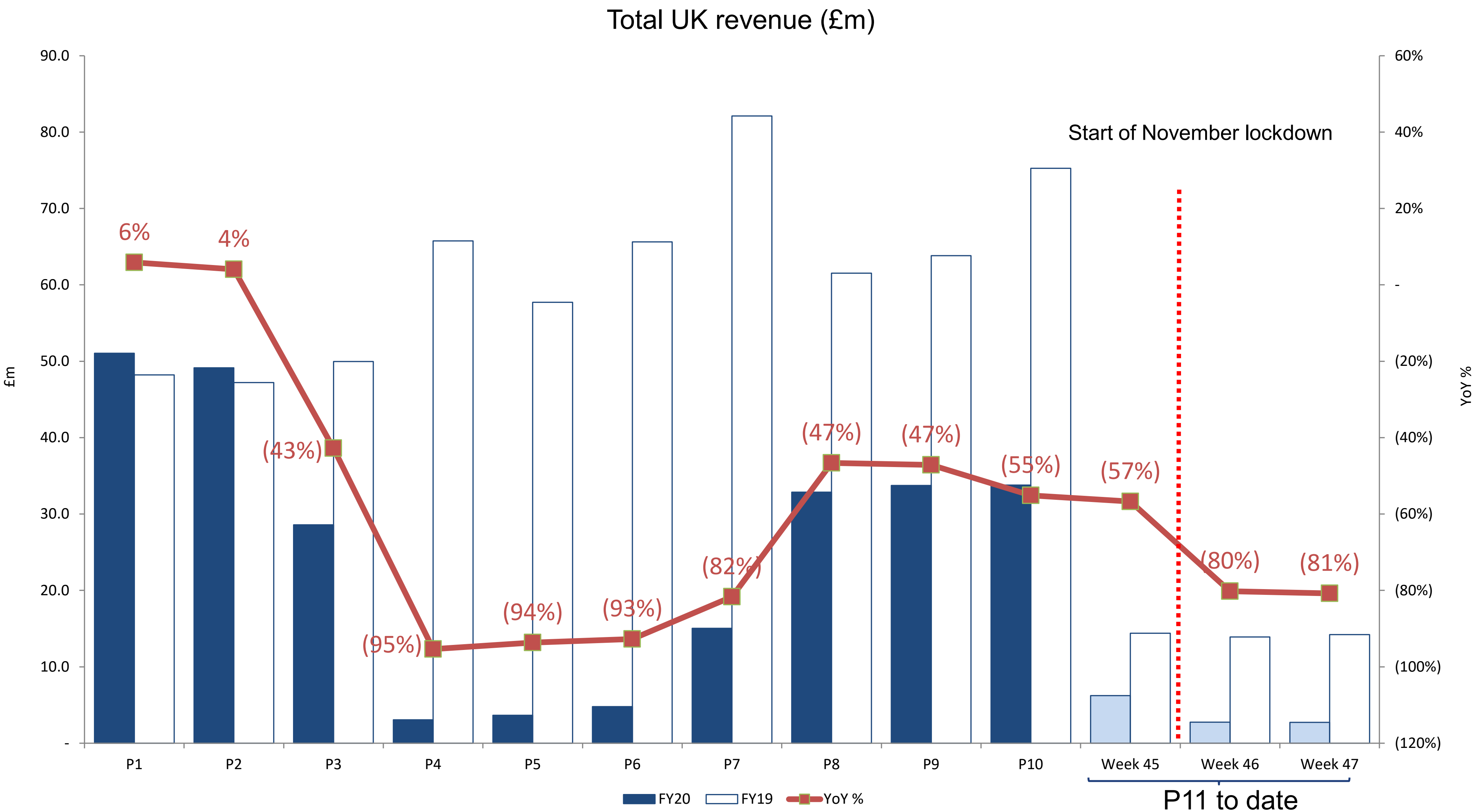
- Outlook remains materially uncertain

1. 2019 UK hotel EBITDA is EBITDA (adjusted), excluding Spain, Ireland, management contracts and central and marketing costs and the EBITDA of the one hotel lease surrendered in July 2020

Q3 YTD Results

Significant Covid-19 Impact on YTD Trading

Strong recovery over summer then impacted by restrictions and English lockdown



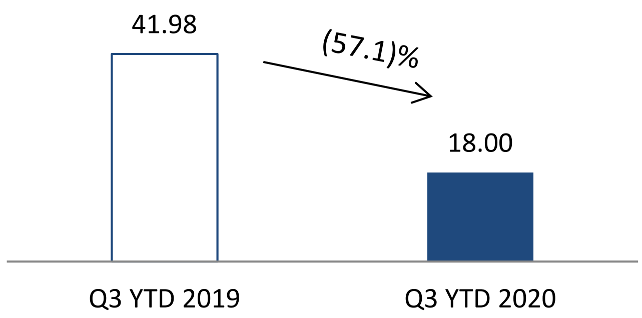
UK revenue (exc. management contracts) presented on management accounting periods (5/4/4 weekly basis)

YTD Operating Metrics

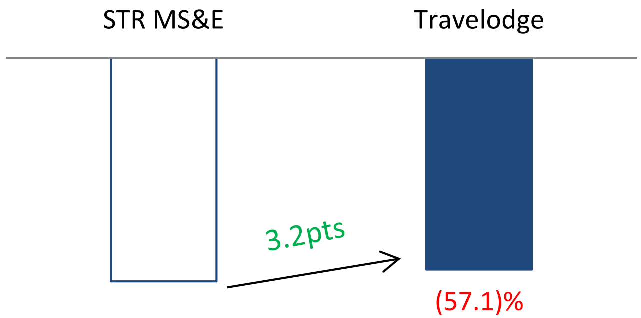
Material impact from hotel closures but continuing to outperform

RevPAR Decline Driven by Onset of Covid-19 and Related Hotel Closures

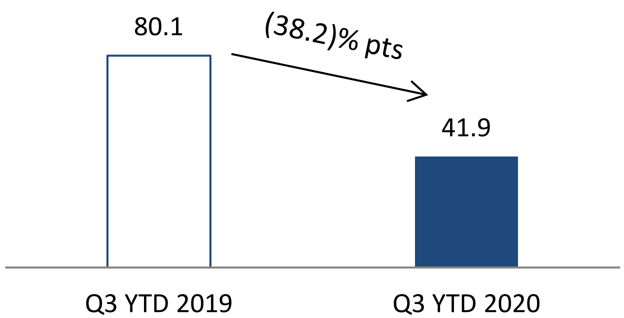
LFL[1] RevPAR (£)[2]



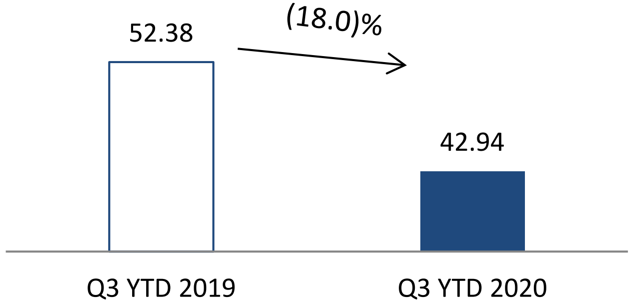
Q3 YTD RevPAR Growth Ahead of Market



LFL[1] Occupancy (%)[2]



LFL[1] ADR (£)[2]



Q3 YTD 2020 vs. Q3 YTD 2019

- **RevPAR:** like-for-like UK RevPAR decline of (57.1)%
- **RevPAR vs Market:** 3.2pts outperformance against MSE segment
- **Occupancy:** occupancy decreased 38.2pts to 41.9%
- **ADR:** down (18.0)% to £42.94

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 HQ3 YTD 2020 vs. Q3 YTD 2019 on the basis of RevPAR generated by hotels in the UK that were opened before 1 January 2019.

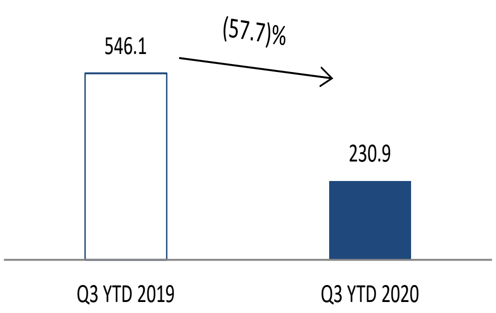
2. Occupancy, ADR and RevPAR for UK leased estate only.

YTD Financial Results

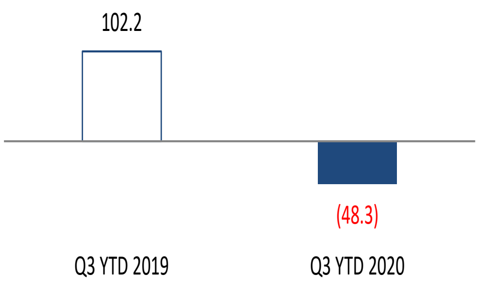
Revenue more than halved and substantial EBITDA loss

Revenue declines impacting EBITDA

Revenue (£m)



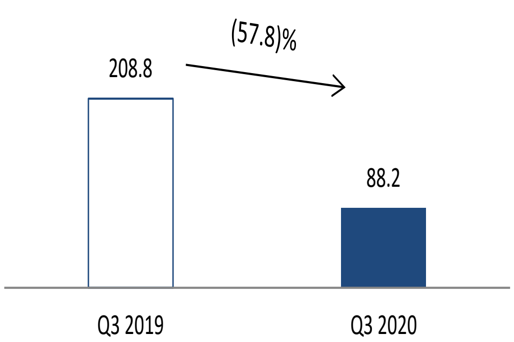
EBITDA(1) (£m)



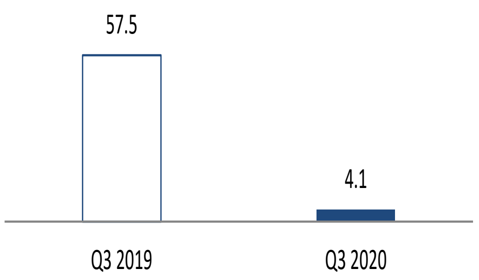
Q3 YTD 2020 vs. Q3 YTD 2019

- **Revenue** decrease of (57.7)%/£(315.2)m was primarily due to:
  - Like-for-like UK RevPAR decline of (57.1)% following hotel closures
  - Spain down (70)%/£(7.9)m, due to Covid-19 hotel closures
- **EBITDA**(1) decreased £(150.5)m to a loss of £(48.3)m driven by:
  - Revenue declines as a result of the hotel closures
  - Partially offset by actions to reduce run-rate operating costs

Revenue (£m)



EBITDA(1) (£m)



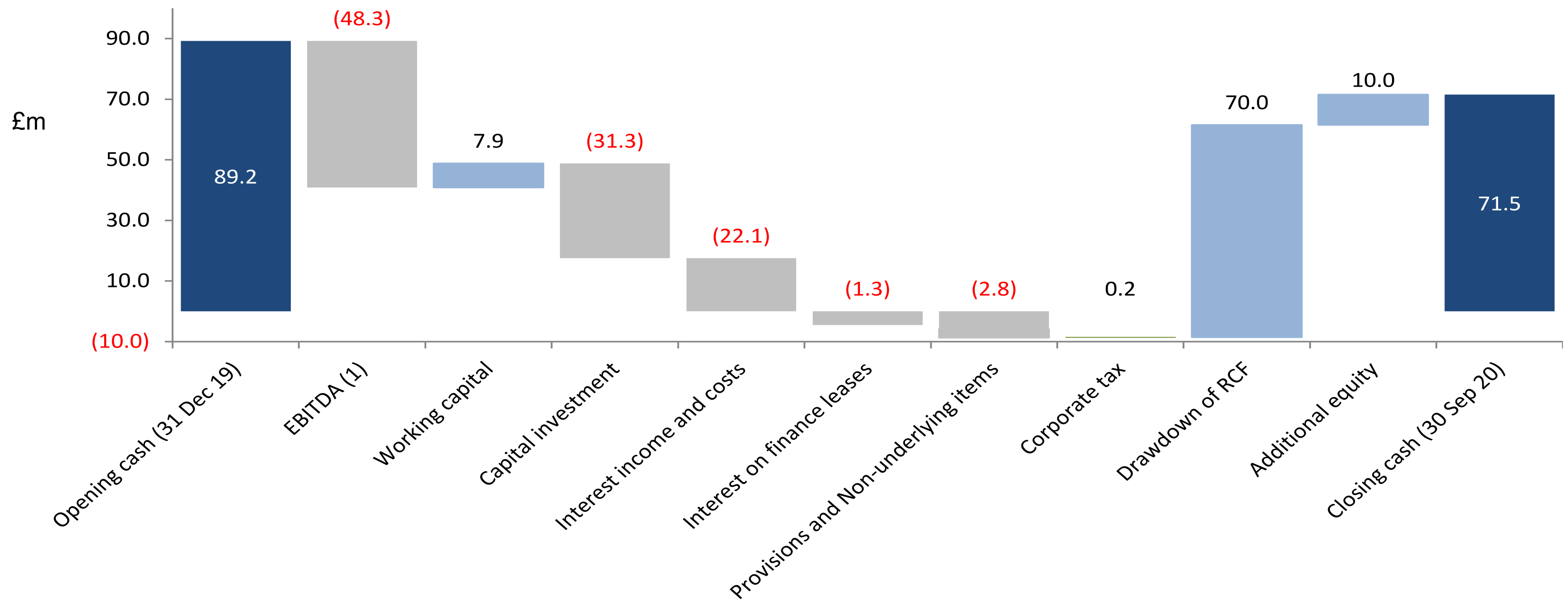
Q3 2020 vs. Q3 2019

- **Revenue** decrease of (57.8)%/£(120.6)m was primarily due to:
  - Like-for-like UK RevPAR decline of (59.4)%
  - Reflecting a transition from hotel closures at the beginning of the quarter to all available hotels re-open by mid August
- **EBITDA**(1) decreased £(53.4)m to a profit of £4.1m driven by:
  - Revenue declines as a result of the hotel closures
  - Strong cost control and benefit of JRS

1. *EBITDA (adjusted) = Earnings before interest, tax, depreciation, amortisation and before rent adjustment and non-underlying items, before IFRS16. Non-underlying items have been removed as they relate to non-recurring, one-off items.*

YTD Cash Flow

Cash position managed tightly and strengthened by new facilities and equity injection



Cash outflow of £(97.7)m before drawdown of RCF's and new equity

Working capital benefited from rent payments (both reductions and the move to monthly payment in advance for some landlords) as well as the deferral of payments in respect of VAT as a result of UK government Covid-19 support measures, partially offset by lower inflows from prepaid rooms and the net VAT reclaim position for the third quarter

Provisions and Non-underlying items includes recovery plans costs (including CVA costs) offset by Holborn lease surrender premium

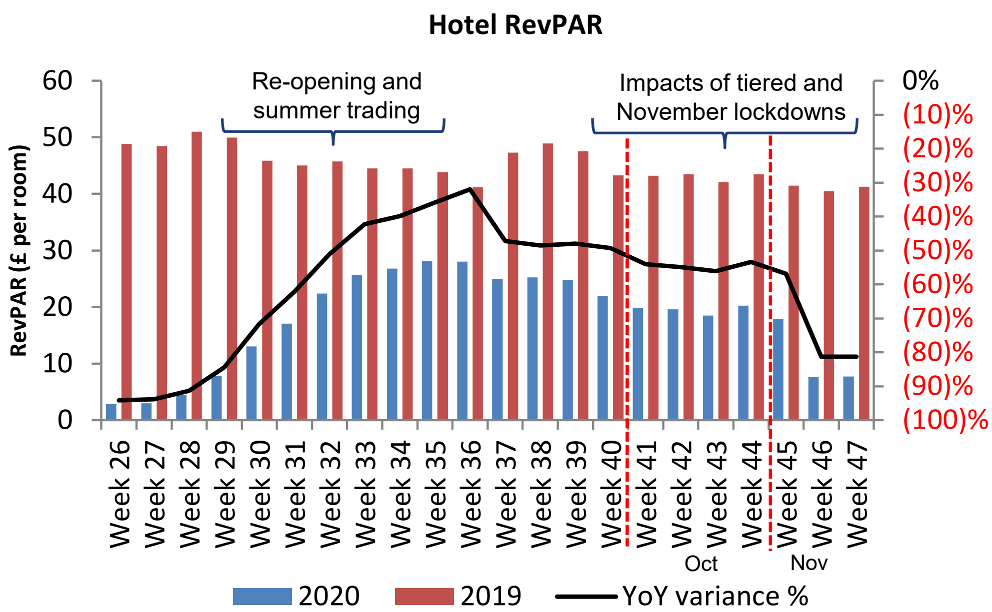
Drawdown of £40m of existing RCF (fully drawn) and £30m of new SSRCF (further £30m undrawn), £10m of new equity

1. *EBITDA (adjusted) = Earnings before interest, tax, depreciation, amortisation and before rent adjustment and non-underlying items, before IFRS16. Non-underlying items have been removed as they relate to non-recurring, one-off items.*
2. *Although the adoption of IFRS16 has no impact on opening or closing cash balances, in order to facilitate the comparability of the underlying business to the prior year the cash flow is presented in line with the accounting principles 'before IFRS16'*

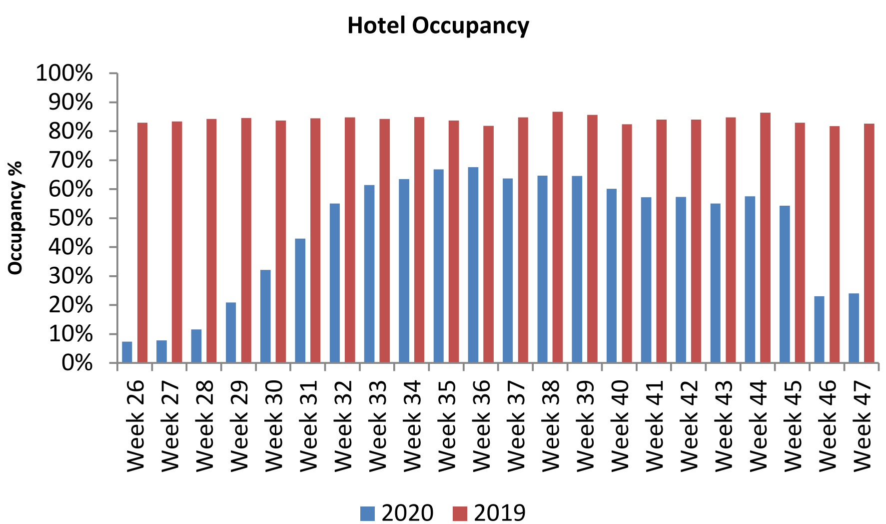
Recent Trading

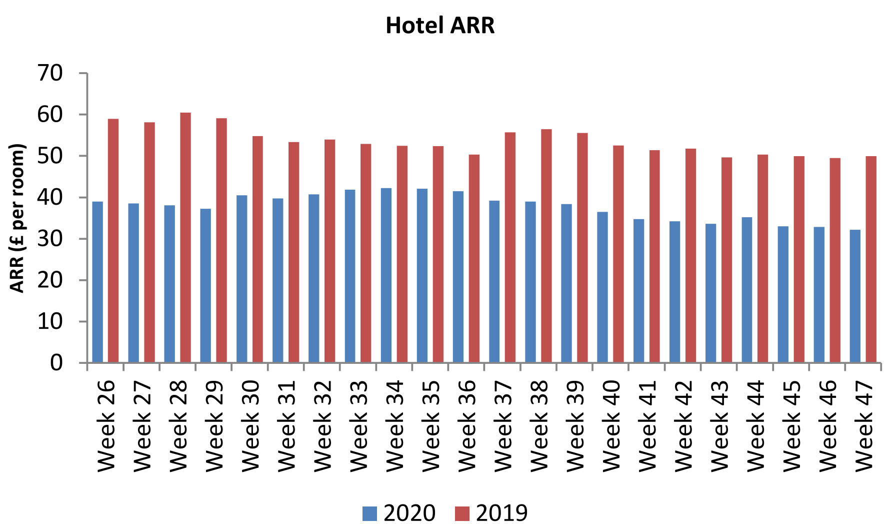
Recent Trading

RevPAR prior to new wave of lockdown restrictions – underpinned by good occupancy



- Positive sales results between lockdowns
  - resilient blue-collar business travel
  - some pent-up leisure demand in coast and countryside
- Good outperformance of UK market and MSE segment
  - MSE RevPAR(1) growth tracked c. 10pts better than UK hotel market as a whole
  - TVL outperformed by average 4pts over July to October
- New tiered restrictions announced end of September

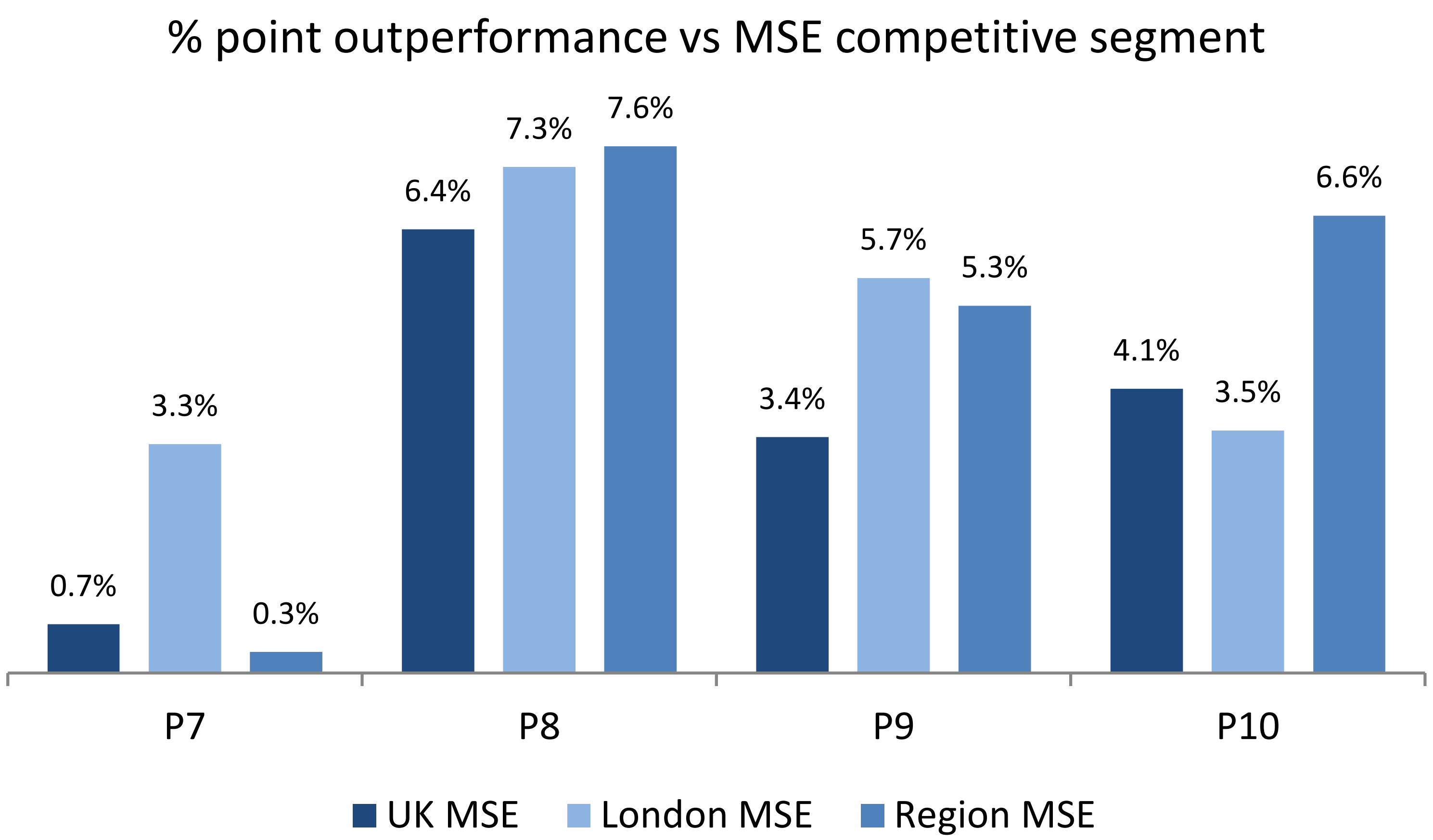




Week 41 – w/c 1 October 2020. Week 47 – w/c 18 November 2020

Performance vs. Benchmark

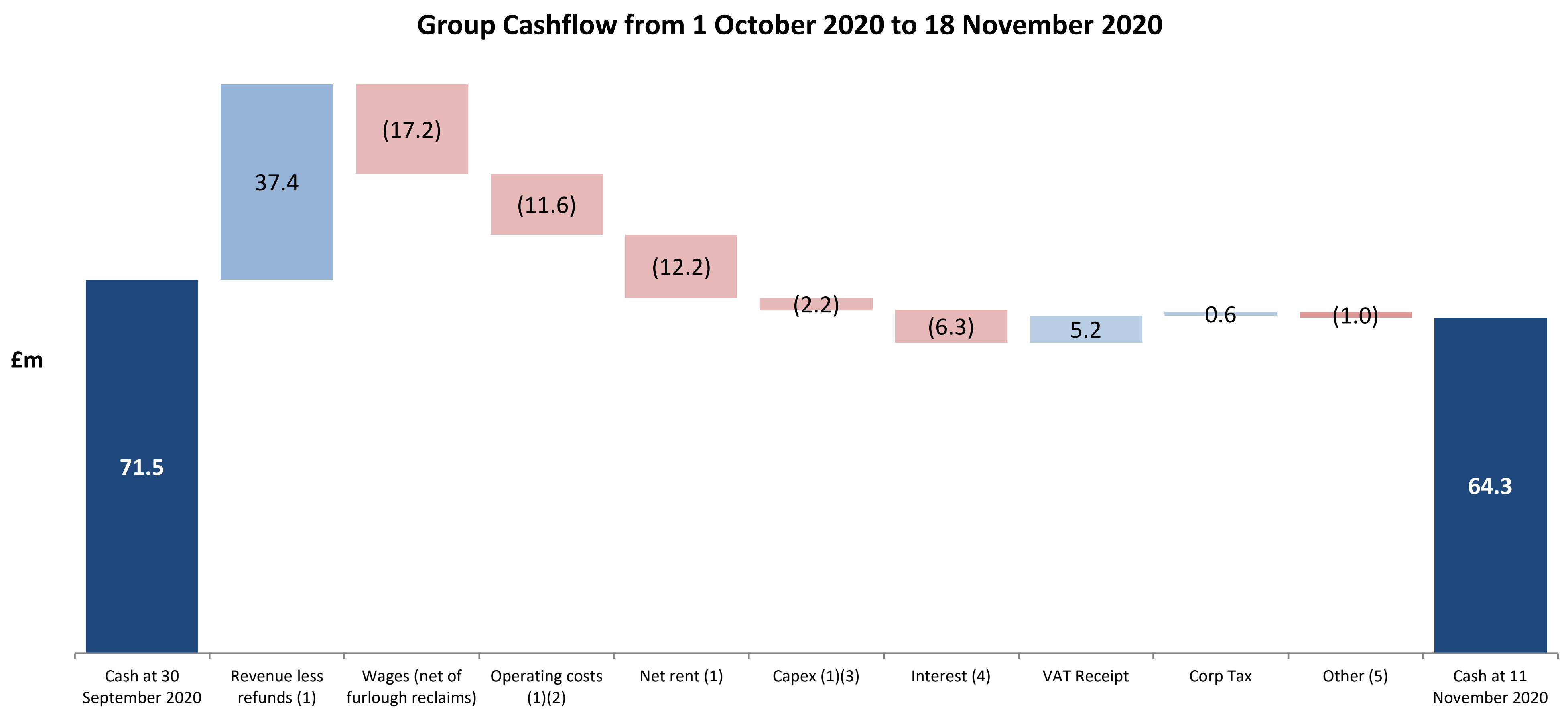
Continuing to outperform the UK hotel market and MSE sector since re-opening



Source: STR
P7 25/6 – 29/7. P8 30/7 – 26/8. P9 27/8 – 23/9. P10 24/9 – 28/10

Cashflow Update – 1 October to 18 November (by key element)

Cash position remains resilient



(1) Including VAT

(2) Mainly relating to prior period operating costs paid in line with standard payment terms

(3) Mainly relating to maintenance and new development

(4) Interest on the SSN and RCF/LOC facility

(5) Spain, Ireland and Management Contracts

Net Debt and Leverage

New facilities strengthen liquidity

Debt (£m)

£m	18-Nov	Pro-forma
Cash and Cash Equivalents	**64.3**	**122.4**
Pre existing RCF	40.0	40.0
New RCF	30.6	-
New Super Senior Term Facility	-	61.9
FRNs @ L + 5.375%	440.0	440.0
Senior Secured Debt	**510.6**	**541.9**
Finance leases	14.4	14.4
Total Third Party Indebtedness	**525.0**	**556.3**

Note: New RCF and New Super Senior Term Facility include deferred fees of £0.6m and £1.9m respectively

Liquidity / Financial Ratios

- **Cash on Balance Sheet:** £64.3m 18 November, pro-forma for term loan refinancing (inc. interest and fees due on repayment of the SSRCF) and equity funding
- **Pre-existing RCF**: £40m (fully drawn). Revised covenant terms in place with a minimum liquidity covenant of £10m until June 2021
- **New RCF:** new £60m agreement on 20 Apr 2020, £30m currently drawn, refinancing signed 18 November
- **New Super Senior Term Facility**: new £60m facility due to fund 1 Dec. Maturity extended to July 2024, no scheduled repayment of principal before maturity with initial fees deferred to Dec 2021 and proportion of interest PIK'd at group's election
- **Letter of Credit Facility:** £30m (£24.3m utilised)

Further equity funding

- Agreement for further equity funding of up to £40m to be provided by shareholders or affiliates thereof
- £10m received 24 August 2020 with remaining £30m of additional equity being injected by 2 December 2020

Outlook Considerations

Outlook Considerations

Assessing potential amid material uncertainty

- Network: strong and diverse network retained

  - assets representing over 98% of 2019 UK hotel EBITDA(1)

- Revenue: UK Market forecasts suggest recovery in 2021 to c.20-30% behind 2019 levels

  - regional restrictions likely to remain a factor in short-term

  - MS&E sector expected to be more resilient – domestic travel focus, value proposition, lower costs

  - faster return to business travel, events and leisure staycations possible positive catalysts

- Costs: Optimising largely fixed cost base

  - rent continues to benefit from temporary reductions

  - options for use of JRS to end March

  - reduced variable costs according to occupancy

- Capex: Expecting £30-40m in 2021 to maintain strong current position

  - well-invested estate with low customer use in 2020

  - timing of capex on new openings remains uncertain

- Liquidity: solid cash position, new facilities and equity injection

1. 2019 UK hotel EBITDA is EBITDA (adjusted), excluding Spain, Ireland, management contracts and central and marketing costs and the EBITDA of the one hotel lease surrendered in July 2020

Network Outlook

Pre Lease Breaks

Number of UK hotels(2):
580

Number of rooms:
43,886

Post Lease Breaks

Number of UK hotels(2):
563

Number of rooms:
42,556

2019 UK Hotel EBITDA(1) retained:
> 98%

1. 2019 UK hotel EBITDA is EBITDA (adjusted), excluding Spain, Ireland, management contracts and central and marketing costs and the EBITDA of the one hotel lease surrendered in July 2020
2. UK hotels at 20 November 2020, including 10 management contracts, excluding Ireland franchises.

Revenue Outlook

Emerging recovery expected and MSE segment to benefit – but wide range of possible outcomes

- PwC Market Forecasts for UK hotels imply total revenues c.30% behind 2019 levels

  - Restrictions to remain

  - Likely even impact on occupancy and rate

  - London RevPAR c. 50% behind 2019 levels

  - Regions RevPAR c. 25% behind 2019 levels

- MSE segment has been outperforming total market consistently through 2020

  - domestic focus, business/leisure mix, lower price point, value proposition

  - consistent c.10pt gap in performance

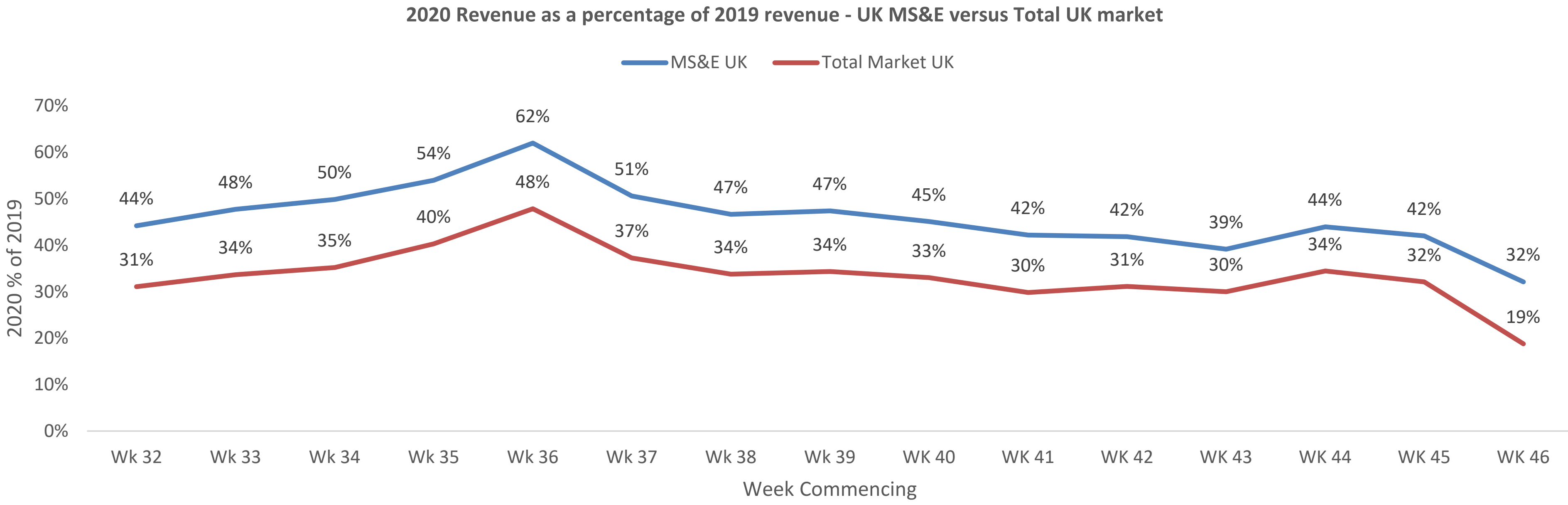
- TVL has been outperforming the MSE segment when fully open

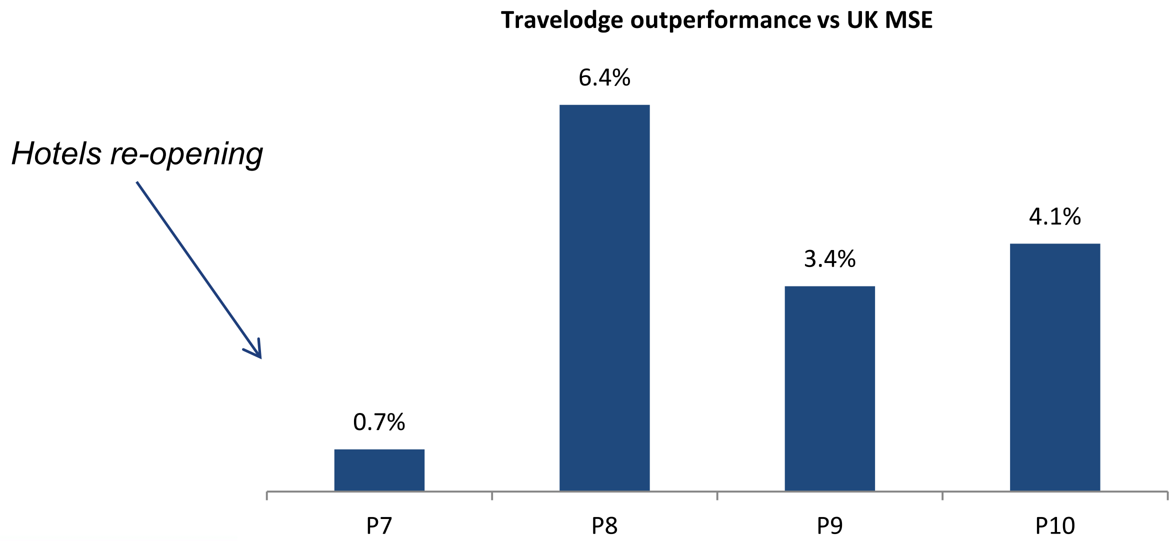
  - consistent 2-4pt outperformance – although affected by London/Regional/independent mix

- Wide range of outcomes possible

Revenue Outlook - Market

MSE segment has been demonstrating resilience and Travelodge has been outperforming





Source: STR

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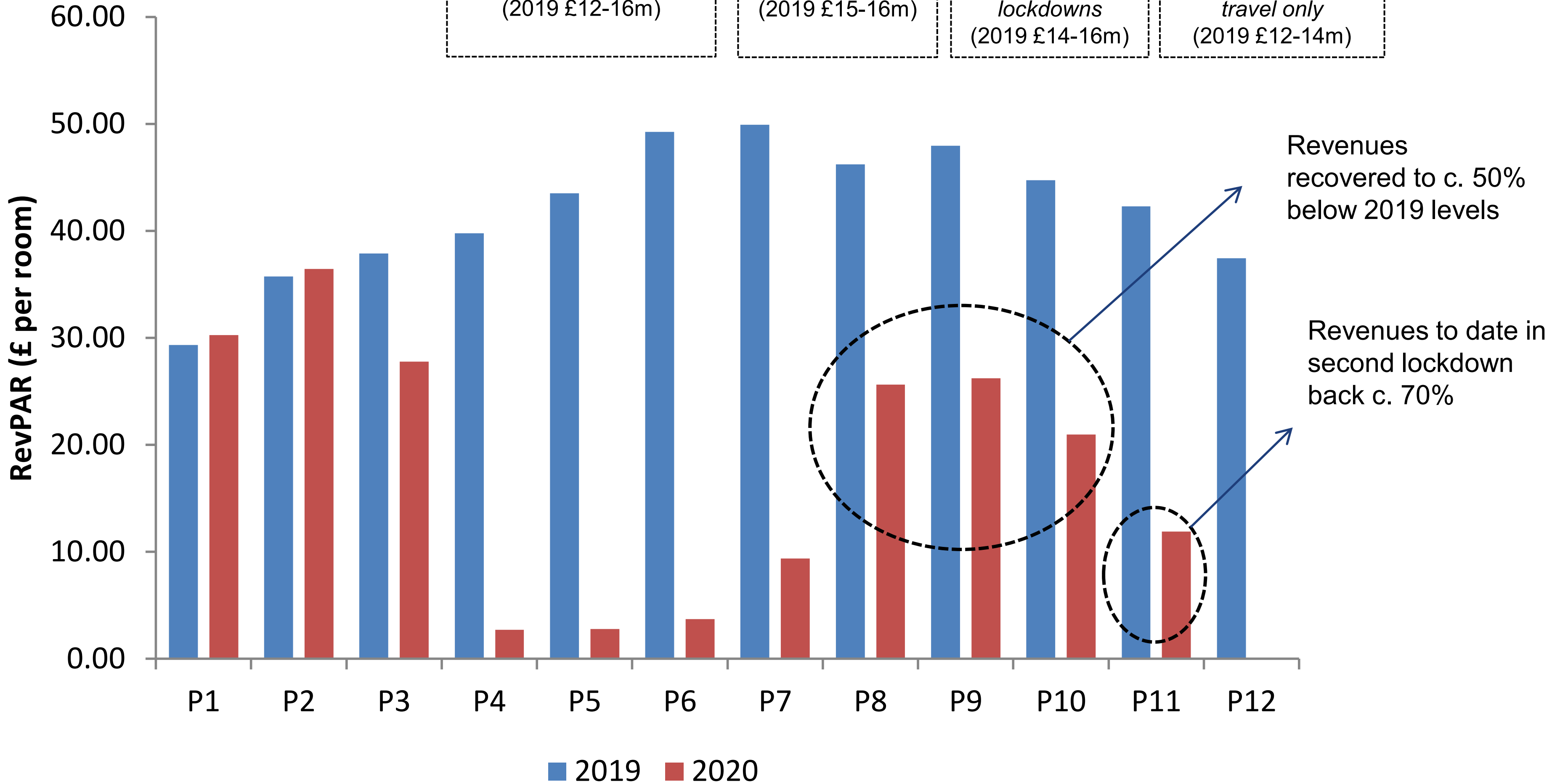
Revenue Outlook - Impact of Restrictions

Restrictions have led to wide range of impacts on sales

Normalised 2019 sales per week £10-16m

Full closure £<1m p.w. *Key workers only* (2019 £12-16m)	Post re-opening c. £8m p.w. *No restrictions* (2019 £15-16m)	3 Tier Lockdown c. £6-7m p.w. *Partial lockdowns* (2019 £14-16m)	Nov lockdown c. £2-3m p.w. *Essential business travel only* (2019 £12-14m)



Nov 2020 to w/e 18 Nov

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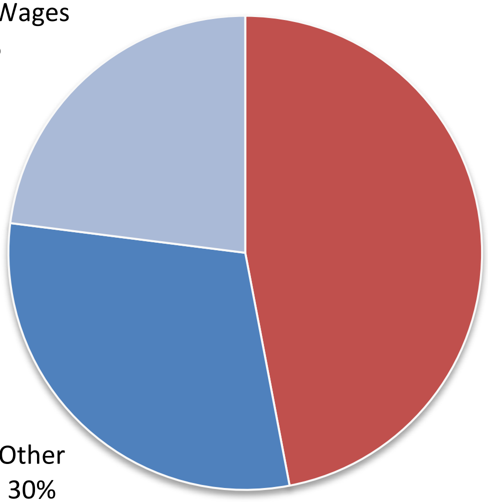
Cost Outlook

Temporary rent reductions will benefit largely fixed operating cost base

Operating costs dominated by rent and other property costs (UK)

Year ended 31 December 2019



c. 50% of operating costs are rent and property-related

2021 operating cost movements

Run-rate weekly costs of £8-12m

Property costs

- Rent expected to be £175-185m depending on RPI/CPI impact on rent reviews and timing of new openings
- Business rates holiday in Q1 2021 – c. £3m per month

UK Hotel Wages

- NLW increases in April 2021
- JRS benefit to March 2021, depending on utilisation and level of rebate available

Other

- Typically variable with occupancy
- Occupancy will scale in line with recovery

Capex

Expecting to maintain core investment

- Strong starting point

  - historic spend of c.7-8% of revenues on capex over the cycle

  - well-invested base

  - c. £40m invested in 2020, including c. £11m on refit and property projects which was committed before Covid-19

- Expecting c.£30-40m in capex for full year to maintain core position

- Will keep under constant review according to trading and opportunities

Liquidity

Strengthened position to take forward to year end and first quarter

- Liquidity
  - cash of £64m as at 18 November
  - term facility due to fully fund by 1 December, £30m balance to be received
  - additional £30m equity due to be injected by 2 December

- Trading performance is highly operationally geared

  Expected average weekly costs of c.£8-12m depending on seasonality, occupancy and government support schemes

- Cashflow phasing remains important
  - advance rent payments at or around month-end (monthly or quarterly depending on hotel category), all hotels return to quarterly in advance from the 25 December 2021 quarter date
  - salaried payroll at end of month, hourly paid every 4 weeks
  - end of month vendor run with operating costs and capex paid in arrears

- Benefiting from
  - PIK ability on portion of new £60m term loan
  - no fee paid on new £60m term loan until after 1 January 2022

Summary

Navigating the Material Uncertainty of Covid-19

- Clear and significant impact of Covid-19 on the year-to-date
- Decisive action taken to optimise trading and preserve liquidity
- Resilient sales and strong outperformance when hotels have been permitted to open
- Approaching the new year with a strengthened position

  - retained a large and diversified network

  - positioned to benefit from recovery as it emerges – domestic travel focus, business/leisure mix

  - benefiting from temporary rent reductions

  - new £60m super senior term facility signed on 18 November 2020, due to be fully funded on 1 December

  - further £30m equity injection to complete by 2 December 2020
- Material uncertainty still remains and a long road ahead - but starting to move forward

Q&A

Appendices

Company Overview

Strength through brand, scale and operational expertise

Who We Are

- UK's second largest hotel brand based on number of hotels and rooms
- Positioned in the attractive value segment with 578 hotels (as at 20 November 2020) 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 20 November 2020)

United Kingdom

London
- 76 Hotels
- 9,423 Rooms
- 22% of total Rooms

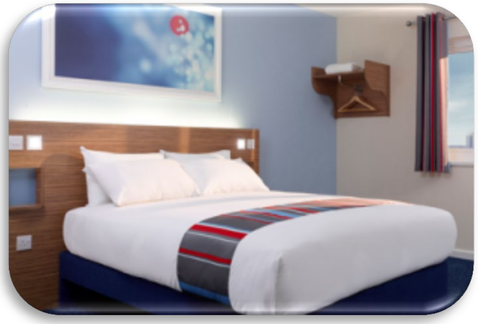
Regions[3]
- 487 Hotels
- 33,133 Rooms
- 75% of total Rooms

International

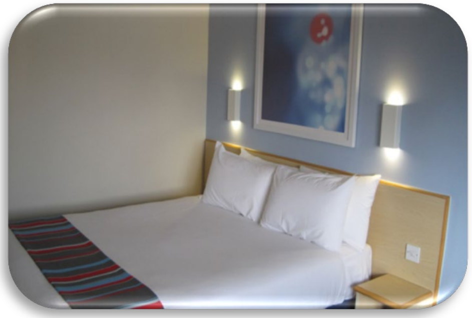
Spain
- 5 Hotels
- 621 Rooms
- 1% of total Rooms

Ireland/NI[4]
- 10 Hotels
- 833 Rooms
- 2% of total Rooms

Travelodge



Key Statistics (FY2019)	
Hotels	588
Rooms	44,832
Occupancy[1]	80.6%
ADR[1]	£51.82
RevPAR[1]	£41.75
Revenue	£727.9m
EBITDAR	£337.8m
EBITDA	£129.1m
Rent Cover[2]	1.6x

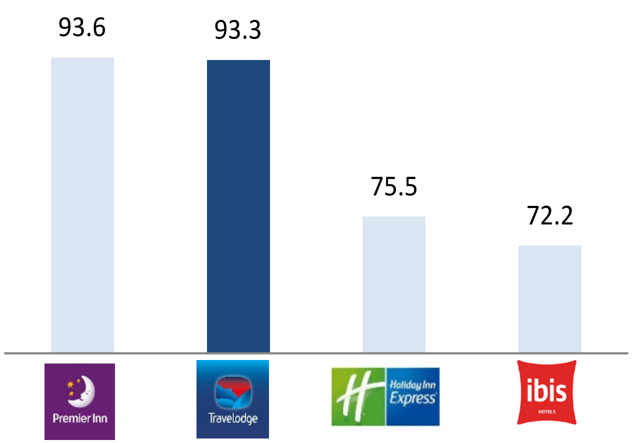


1. Occupancy, ADR and RevPAR for Travelodge UK leased Hotels only.
2. Represents the ratio of EBITDAR to net external rent payable.
3. Includes 10 hotels operated under management contracts.
4. Operations in island of Ireland under a master franchise.

Track Record of Class-Leading Performance

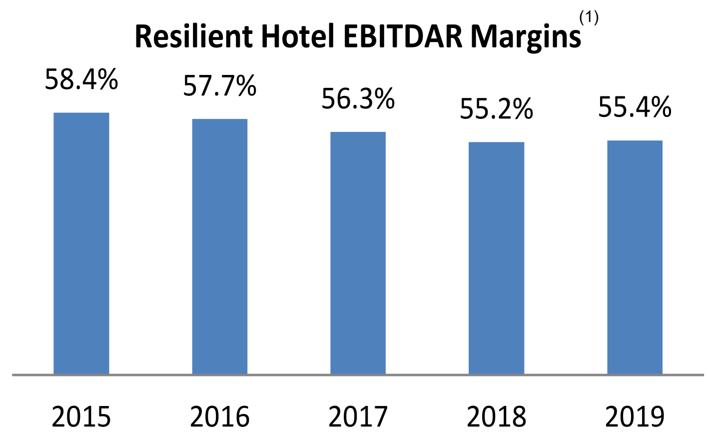
Leading brand at low cost driving outperformance and growth

Leading segment brand recognition in the UK

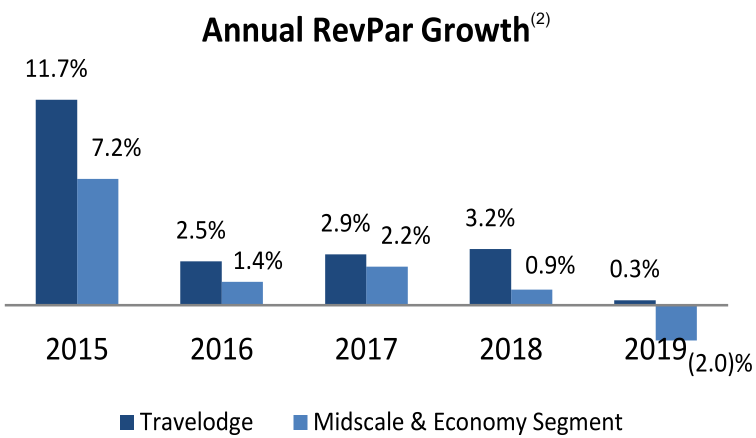


Source: YouGov BrandIndex, August 2020 - 12 week rolling average

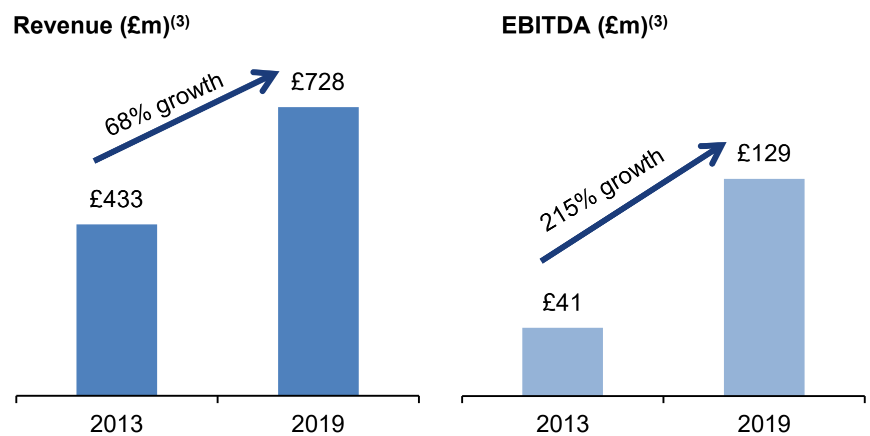
Class leading low cost model



Continued above market RevPAR growth



Strong track record of delivering financial success



1. *UK hotels, EBITDA (adjusted), before rent, before central cost allocations and before IFRS16*
2. *UK hotels RevPAR growth (Source: STR Research Midscale & Economy Sector)*
3. *Group financial data*

Key Strengths

Diversified network, balanced customer mix and direct distribution focus

Well invested diversified network

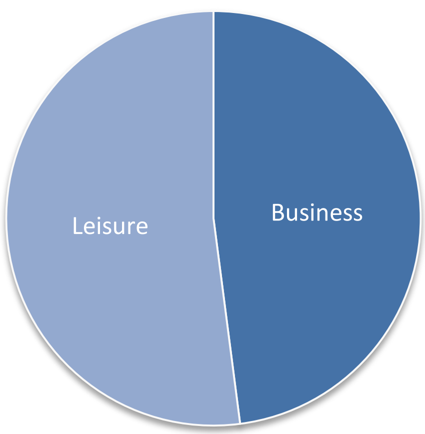
Capital investment of 7-8% of revenues (1)

c. 45% Central (2)
c. 55% Greater London (2)

c. 20% Major Markets (2)
c. 80% Other (2)

1. *2013-2019*
2. *Based on rooms*

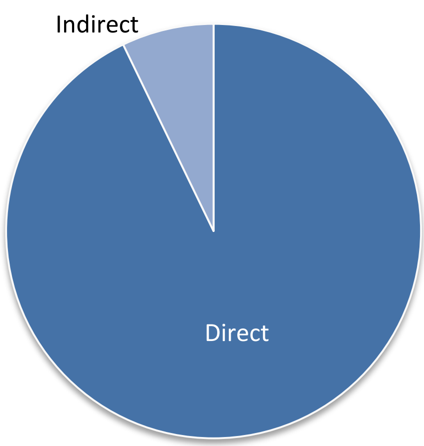
Diverse Customer Mix



Q3 YTD 2020

Market leading direct distribution model

OTA's represent less than 1% of total revenue



Q3 YTD 2020

Company Voluntary Arrangement 2020

Reminder of Key Terms

- CVA approved by creditors on 19 June 2020
- Temporary rent reductions of approximately £140m on full estate from March 2020 to December 2021
- Reminder of key terms:
  - No hotels closed
  - Temporary rent reductions in Cat B, C1 and C2 from March 2020 to December 2021
  - Move to monthly rather than quarterly rents for Cat B to the end of 2021
  - Cat B, C1 and C2 temporary options to terminate leases (Cat B expired, Cat C expires 31 Dec 2021)
  - Additional lease extension options for compromised landlords

IFRS16 Impact on YTD to Sept 2020 Results

Analysis of impact

Nine months ended 30 September 2020 (£m)	Before IFRS16 [1]	IFRS 16 impact	Statutory
EBITDAR	**55.6**	**-**	**55.6**
Net rent payable	(104.2)	106.5	2.3
Other income	0.3	-	0.3
EBITDA	**(48.3)** [2]	**106.5**	**58.2** [3]
Depreciation and amortisation (inc rent adjustment)	(97.1)	(20.8)	(117.9)
Operating profit/(loss) (before exceptional items)	**(145.4)**	**85.7**	**(59.7)**
Net finance income and costs	(37.6)	(127.2)	(164.8)
Income tax	3.5	(3.5)	-
Loss for the period (before exceptional items)	**(179.5)**	**(45.0)**	**(224.5)**
Non-underlying items	1.7	0.2	1.9
Loss for the period (after exceptional items)	**(177.8)**	**(44.8)**	**(222.6)**

Income statement

- EBITDA increased by £106.5m as rent is not charged to the consolidated income statement
- Depreciation and amortisation (including the rent adjustment) increased by £20.8m due to charges relating to the 'right of use' asset
- Financing costs increased by £127.2m relating to notional charges relating to lease liabilities
- Loss for the period increases by £44.8m to £222.6m due to the net impact of rent being replaced by depreciation and financing costs

Balance sheet

The impact of the CVA on category B, C1 and C2 leases has been treated as lease modifications, reflecting the impact of the rent reductions as well as the reassessment of discount rates as at June 2020, driving the majority of the following key balance sheet movements:

- IFRS16 'right of use' asset opening balance of £2.5bn reduced by £0.4bn to £2.1bn
- IFRS16 lease liability opening balance of £2.6bn reduced by £0.3bn to £2.3bn

1. *Before IFRS 16 - In order to facilitate the comparability of the underlying business and clarify the calculation of non-IFRS Alternative Performance Measures, including EBITDA (adjusted), additional columns have been added to reflect the position in line with previous accounting principles.*
2. *EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation, and before rent adjustment, non-underlying items and reflective of the position in line with the accounting principles applicable to the previous year for purposes of comparability (before IFRS 16). This measure reflects the rent reductions following the CVA which completed on 19 June 2020, recognised in line with the cash benefit. Non-underlying items have been removed as they relate to non-recurring, one-off items.*
3. *EBITDA = Earnings before interest, tax, depreciation, amortisation and non-underlying items.*

Navigating Through the Largest Ever Impact on Global Hospitality

Decisive action taken during first lockdown

Company actions

- All discretionary spend stopped
- Non-essential capex deferred
- Pay reductions
- No pay rises other than NLW
- Fully drew down on pre-existing £40m RCF
- New £60m SSRCF entered into on 20 April 2020
- New equity committed of up to £40m, initial £10m injected on 24 August 2020
- CVA approved, facilitating temporary rent reductions

Government support

- Used Job Retention Scheme to facilitate furlough > 8,000 staff
- Business rates relief to April 2021
- Deferral of Q2 2020 VAT

Navigating Through the Largest Ever Impact on Global Hospitality

Good trading following re-opening but second lockdown impacting trading conditions

Re-opening hotels

- All available hotels re-opened by mid-August
- TL Protect + launched
- Good early trading over the summer period
- Continued to outperform the market
- Second lockdown announced 31 October impacting trading
- No leisure stays permitted but trading over 200 hotels for business travel and key workers
- Closures of all bar cafes
- Hotels expected to re-open in line with demand

Supporting liquidity

- Further cost reductions implemented
- New £60m term loan agreement on 18 November to refinance the £60m SSRCF
- Further £30m of new equity to be injected by 2 December 2020

TravelodgeProtect+