Trading Update Presentation

Results for the Year Ended 31 December 2020

Release: 1 April 2021

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2020 Summary

Significant Covid-19 impact

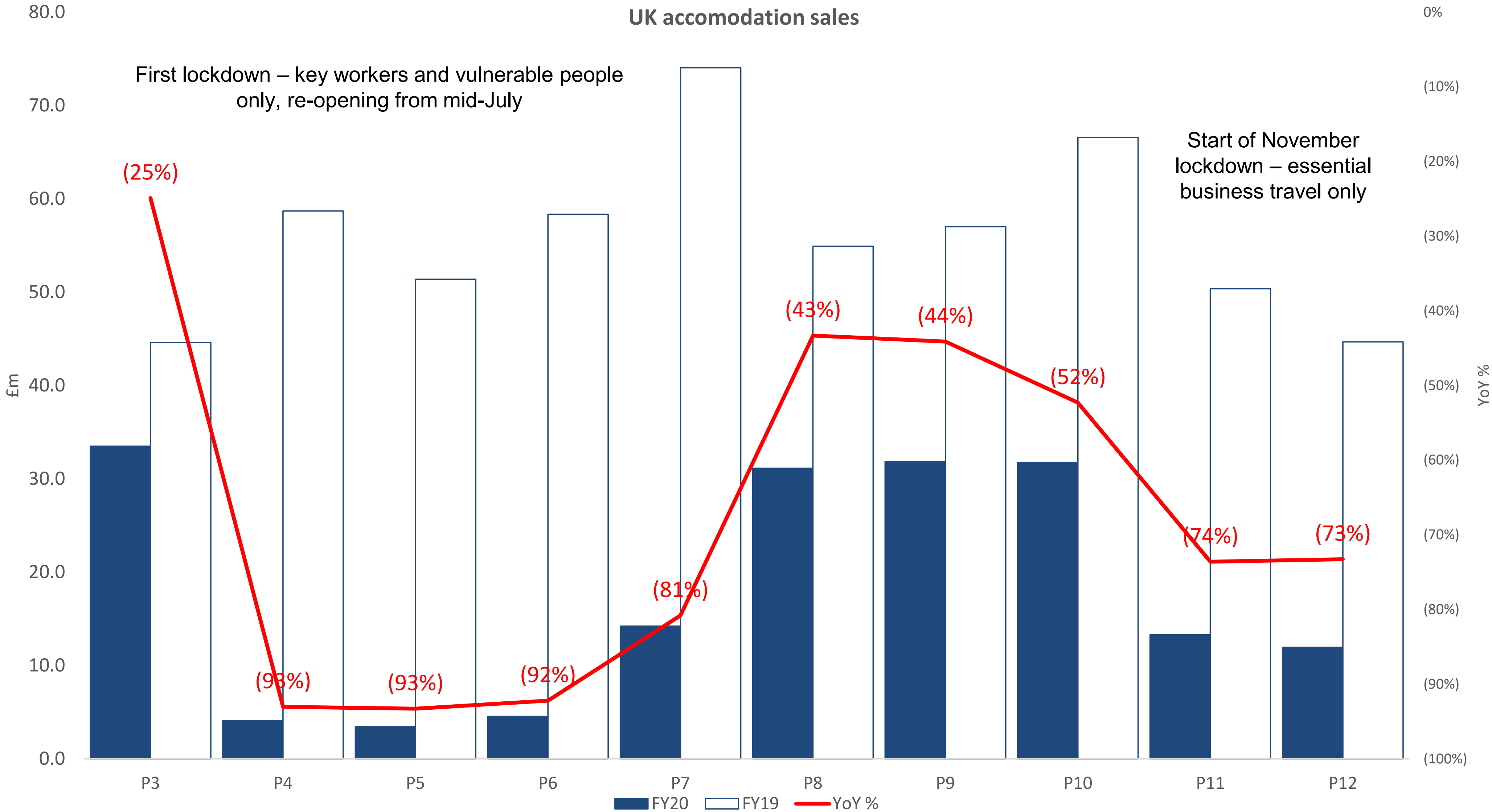
- Significant impact of Covid-19 from mid-March
  - Virtually no trading during first lockdown 24 March to mid July, with majority of hotels mandated to close
  - Encouraging summer trading after first lockdown
  - Tier restrictions from late September, limited 'essential business' trading during second lockdown from 5 November
- Decisive action taken to reduce costs, including the benefit of government support and reduced rents under the CVA
- Overall financial results significantly impacted as a result of trading conditions:
  - Overall FY revenue down (60.9)% to £284.4m (2019: £727.9m)
  - LFL RevPAR(1) down (59.6)% to £16.89 (2019: £41.85)
  - RevPAR growth(1) 3.2pts ahead of competitive segment
  - EBITDA (adjusted)(2) down £(203.1)m to a loss of £(74.0)m (2019: profit of £129.1m)
- Cash at 31 December of £136.2m benefiting from:
  - £40m pre-existing RCF (fully drawn)
  - £40 equity injection
  - £60m senior secured term loan
  - £65m senior secured fixed rate bonds

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 2020 vs. FY 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.*

Full Year Results

Significant Covid-19 Impact on Trading

Encouraging recovery over quarter 3 before further restrictions and second lockdown



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

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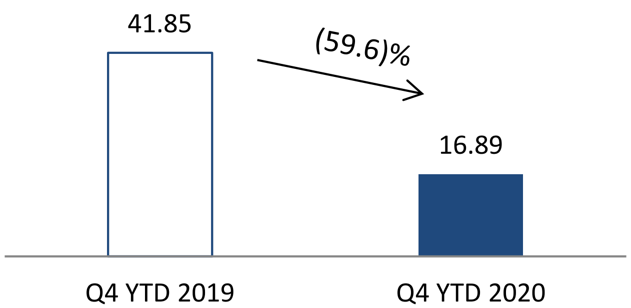
Full Year Operating Metrics

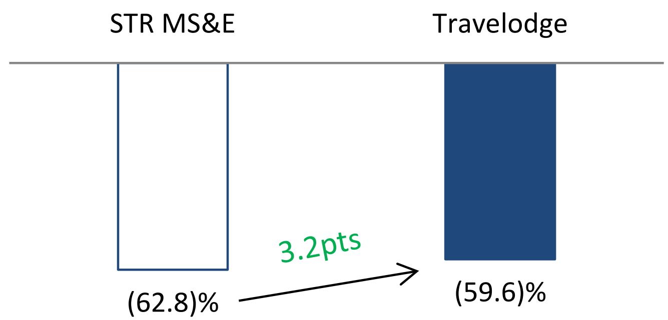
Material impact from hotel closures but continuing to outperform

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

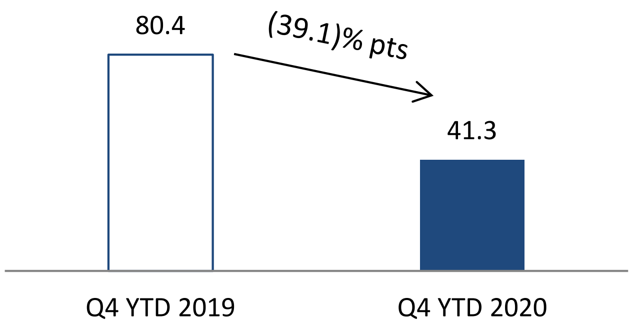
LFL[1] RevPAR (£)[2]



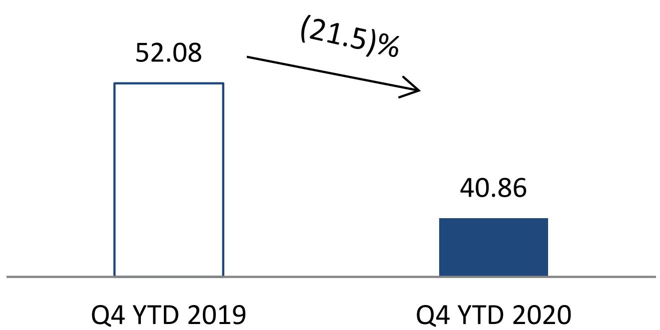
FY RevPAR Performance



LFL[1] Occupancy (%)[2]



LFL[1] ADR (£)[2]



FY 2020 vs. FY 2019

- **RevPAR:** like-for-like UK RevPAR decline of (59.6)%
- **RevPAR vs Market:** 3.2pts outperformance against MSE segment
- **Occupancy:** occupancy decreased 39.1pts to 41.3%
- **ADR:** down (21.5)% to £40.86

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

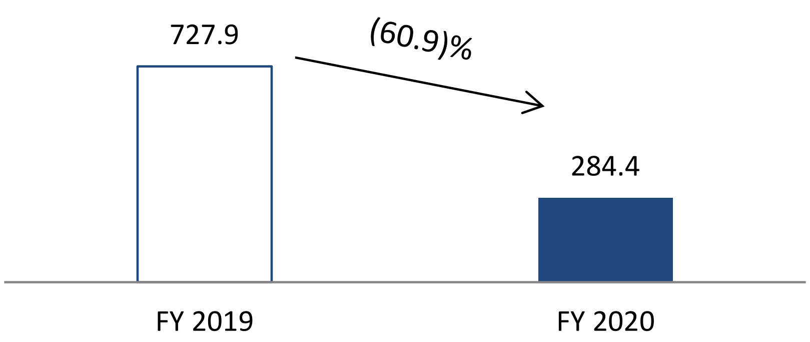
2. Occupancy, ADR and RevPAR for UK leased estate only.

2020 Financial Results

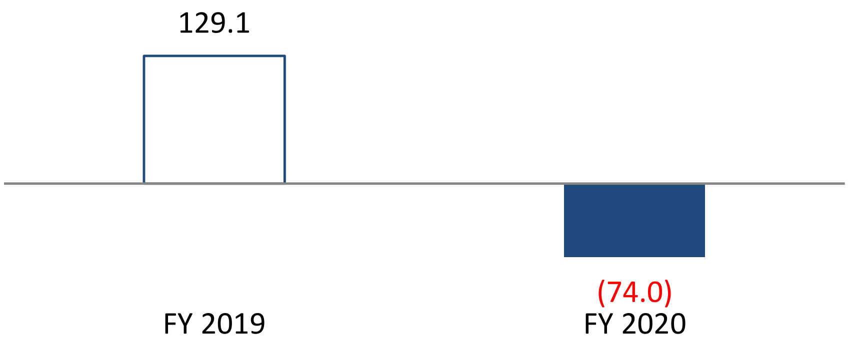
Trading conditions driving significant revenue decline and EBITDA loss

Revenue declines impacting EBITDA

Revenue (£m)



EBITDA(1) (£m)



FY 2020 vs. FY 2019

- **Revenue** decrease of (61)%/£(443.5)m due to the impact of Covid-19:
  - Like-for-like UK RevPAR decline of (59.6)% with hotel closures and bar cafés closed for most of the year
  - Spain down (73)%/£(10.8)m with hotel closures
- **EBITDA(1)** decreased by £(203.1)m to a loss of £(74.0)m driven by:
  - Revenue declines
  - Partially offset by actions to reduce run-rate operating costs including strong cost control, temporary rent reductions under the CVA, utilisation of the job retention scheme and business rates holiday

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.*

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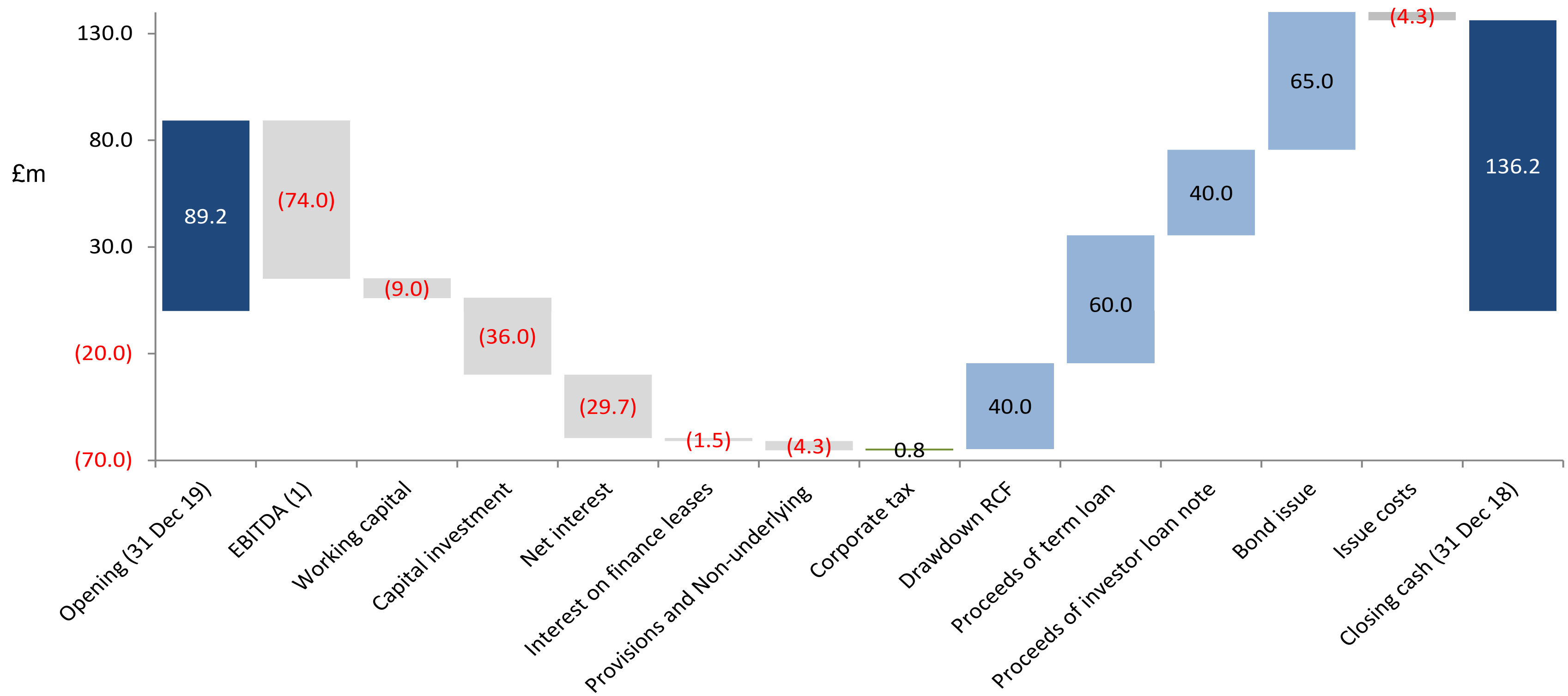
FY Cash Flow

Closing cash position benefiting from refinancing, new facilities and additional equity



- Cash outflow of £(153.7)m before refinancing, drawdown of RCF and additional equity
- Working capital benefit from rent payments (both reductions and the move to monthly payment in advance for some landlords) as well as deferral of the Q2 VAT payment as part of UK government Covid-19 support measures. Offset by lower inflows from prepaid rooms and timing of Q4 VAT reclaim and December furlough claim
- Provisions and Non-underlying items includes recovery plan costs (including CVA costs), offset by Holborn lease surrender premium
- Drawdown of £40m of existing RCF, senior secured term loan £60m, £40m of new equity and FRN private placement £65m

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.*

Net Debt and Leverage

New facilities strengthen liquidity

Debt (£m)

£m	31-Dec
Cash and Cash Equivalents	**136.2**
Pre existing RCF	40.0
Super Senior Term Facility	61.9
FRNs @ L + 5.375%	440.0
Senior Secured FRN's	65.0
Senior Secured Debt	**606.9**
Finance leases	14.5
Total Third Party Indebtedness	**621.4**

Liquidity / Financial Ratios

- **Cash on Balance Sheet:** £136.2m 31 December
- **Pre-existing RCF**: £40m (fully drawn). Revised covenant terms in place with a minimum liquidity covenant of £10m until June 2021
- **Super Senior Term Facility**: £60m facility fully funded in December 2020. Maturity 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
- **Senior Secured FRN's** private placement of £65m at an issue price of 96.0% and coupon of 9.0%
- **Letter of Credit Facility:** £30m (£24.3m utilised)

Note: Super Senior Term Facility includes deferred fees of £1.9m

Recent Trading

Recent Trading

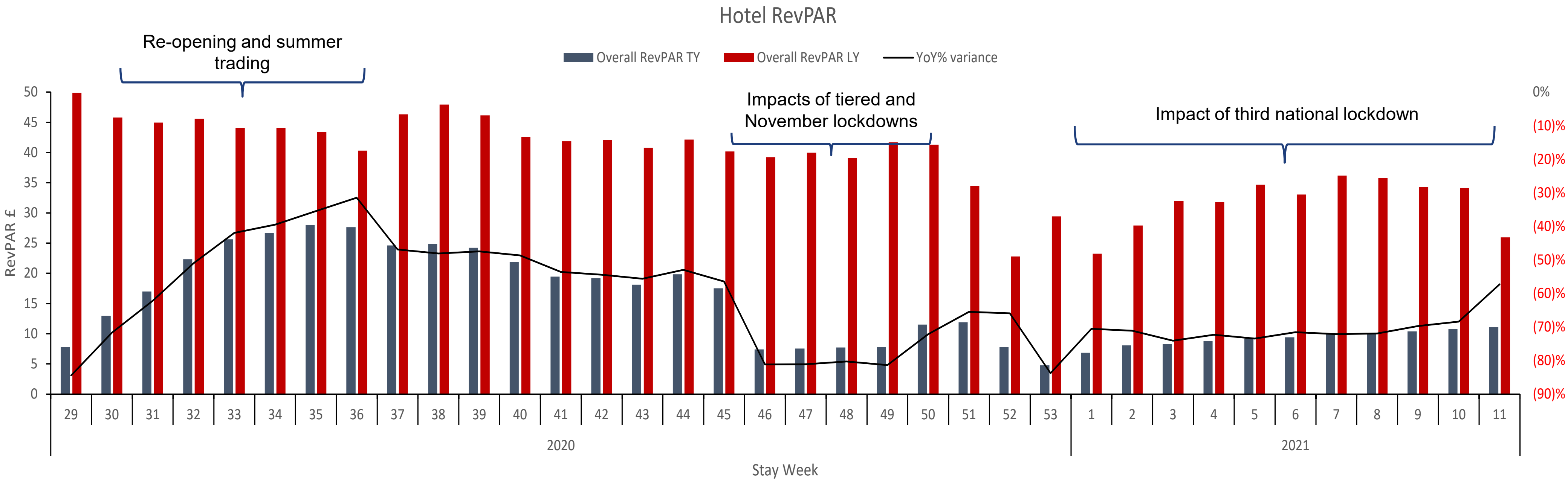
Limited trading during third lockdown, continued government support and rent benefits

- Restrictions on leisure travel to hotels, currently scheduled to end on 17 May in England
  - currently trading c.400 hotels, predominantly for business customers during current lockdown
  - average weekly revenues of c. £3.0m - £3.5m
- Midscale and Economy segment continues to outperform UK hotel market
- Travelodge continues to outperform the segment
- Continue to manage costs and cash
  - benefiting from job retention scheme and business rates holiday, with some hotels remaining closed
  - temporary rent reductions under the CVA throughout 2021 (full year benefit c. £55m)
  - tight control of capex
- Cash at 24 March of £120.9m, before Q2 rent is paid
- Expect to open a total of 17 new hotels, with 7 having reached practical completion in 2020. Seven hotels opened to date

1. England, Scottish and Welsh devolved governments have extended the business rates holiday to the end of March 2022

Recent Trading

RevPAR remains well below 2019 as a result of current restrictions

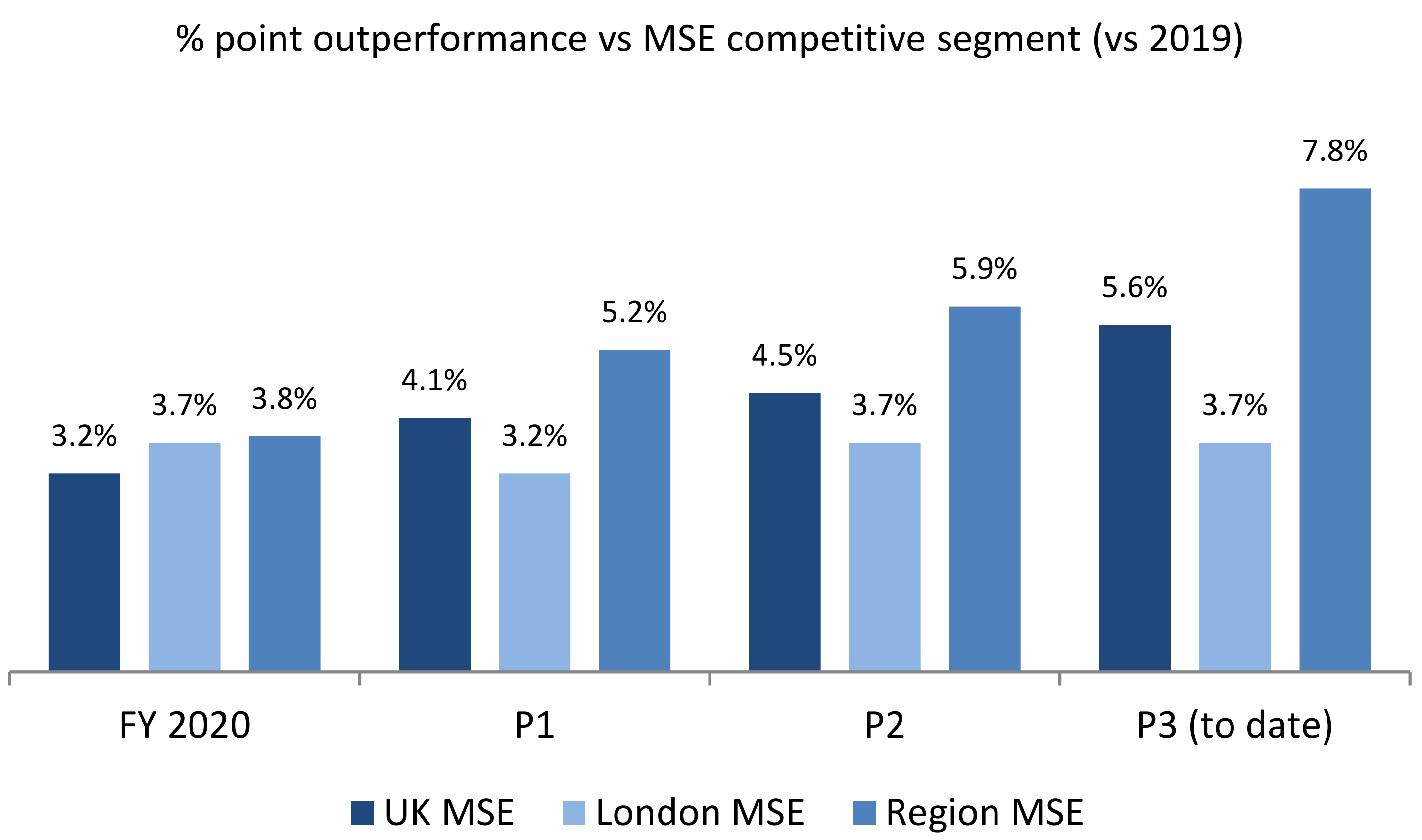


- RevPAR currently in line with that seen during November lockdown, driven mainly by blue-collar business travel
- Good outperformance of UK market and MSE segment
  - MSE RevPAR[1] growth tracked c. 10pts better than UK hotel market as a whole since summer 2020
  - Travelodge continued to outperform by average c. 4pts since January 2021 (vs 2019)

Week 30 2020 – w/c 16 July 2020, Week 41 – w/c 1 October 2020. Week 1 2021 – w/c 31 December 2020

Performance vs. Benchmark

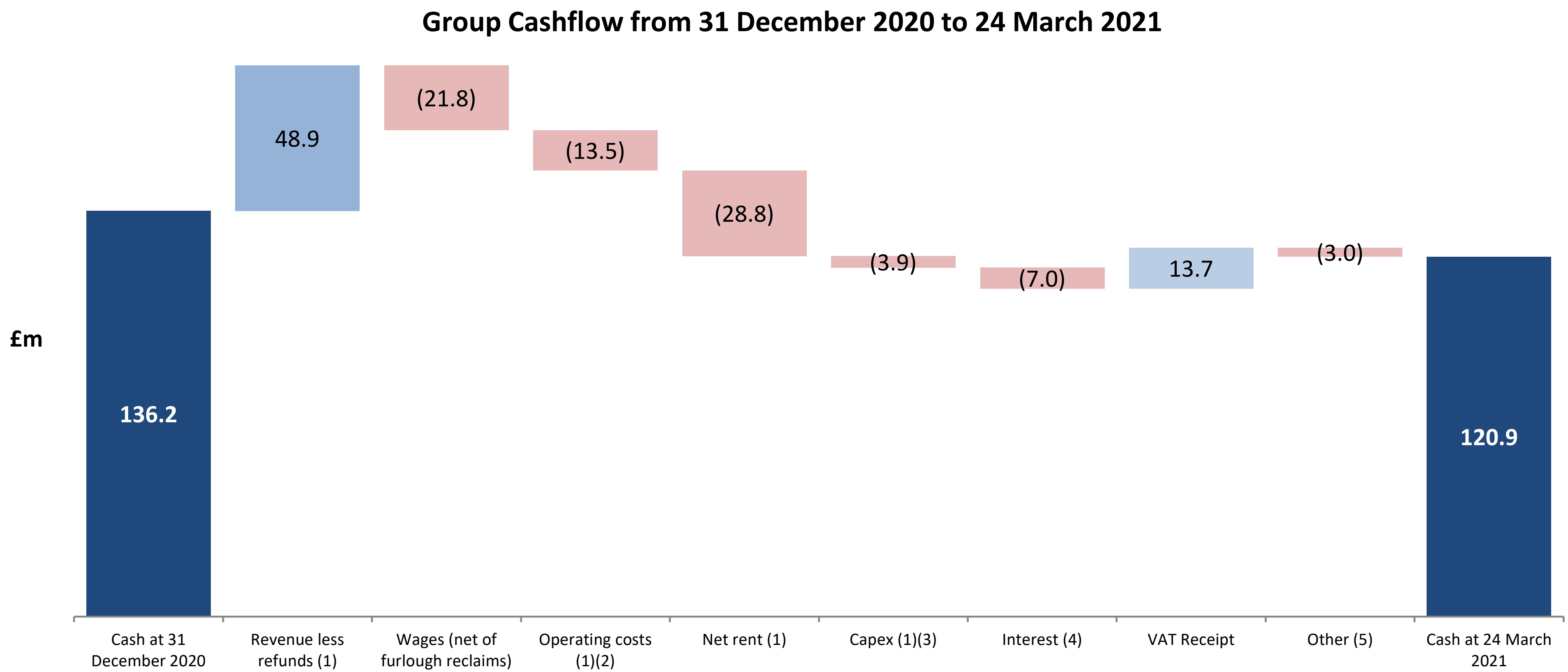
Continuing to outperform the UK hotel market and MSE sector



Source: STR
FY 2020 02/01/20 – 30/12/2020
P1 31/12/2020 – 3/2/2021, P2 04/02/2021 – 03/03/2021, P3 04/03/2021 – 17/03/2021

Cashflow Update – 1 January to 24 March (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) Includes legal/professional fees, Spain, Ireland and Management Contracts

Outlook Considerations

Outlook Considerations

Facing a wide range of potential outcomes

- Revenue: wide range of potential outcomes
  - current restrictions due to be lifted for hotels in England on 17 May
  - MS&E sector expected to be more resilient – domestic travel focus, value proposition, lower costs
  - summer trading key with potential benefits from increased domestic travel, holidays and events, reduced VAT rate
  - business recovery expected to be gradual
  - 1% point of RevPAR growth vs 2019 impacts profits by c. £6m
- Costs: largely fixed cost base
  - rent continues to benefit from temporary reductions under CVA
  - JRS benefit until end of June 2021, with tapered scheme through to end of September 2021
  - business rates holiday to end of June 2021[1]
  - reduced variable costs according to occupancy
- Capex: Expecting £35m - £40m in 2021
  - focused on health and safety and maintenance, as well as IT and development
  - well-invested estate with low customer use in 2020 allows pause in refit programme
  - will be reviewed in line with trading conditions
- Liquidity: solid cash position

1. England, Scottish and Welsh devolved governments have extended the business rates holiday to the end of March 2022

Revenue Outlook

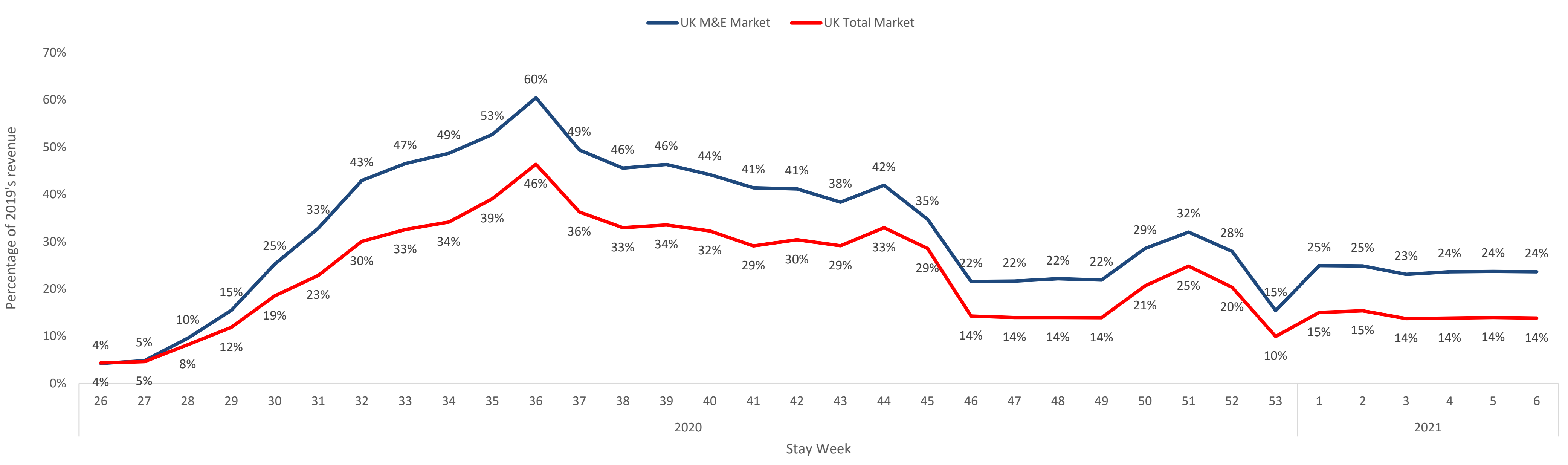
Re-opening timing and recovery remains uncertain

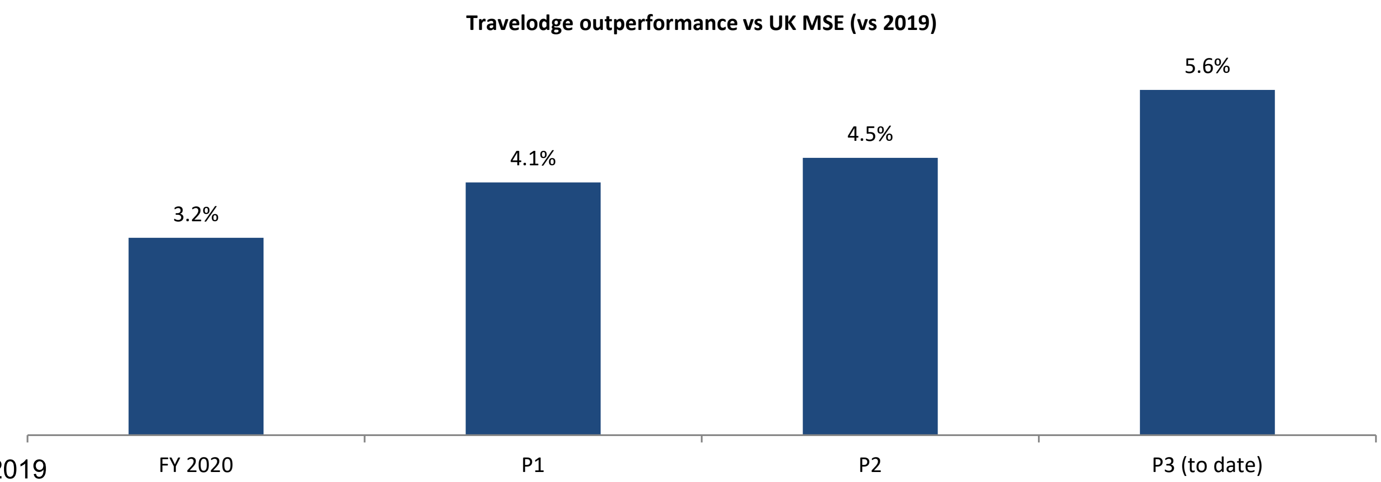
- PwC Market Forecasts for UK hotels made in October 2020 before third lockdown implied total revenues c.30% behind 2019 levels
- Leading market commentators currently forecasting 2021 RevPAR approximately 30-40% below 2019 levels
- Regions expected to recover faster than London driven by leisure and blue collar business
- MSE segment has been outperforming total market consistently through 2020 and at the start of 2021
  - domestic focus, business/leisure mix, lower price point, value proposition
  - consistent c.10pt gap in performance
- Travelodge has maintained its track record of outperformance at c. 4% points vs MSE segment (vs 2019)
- UK government roadmap provides clarity, but exact timings remain uncertain
- VAT on accommodation revenue at 5% to end September, 12.5% thereafter to end March 2022
- Continue to face a wide range of possible outcomes

Revenue Outlook - Market

MSE segment has been demonstrating resilience and Travelodge has been outperforming

Source: STR





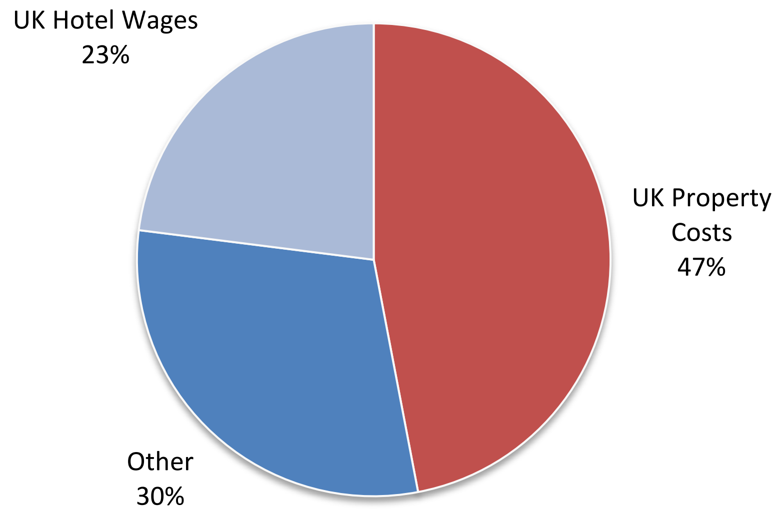
Source: STR – 2021 vs 2019

Cost Outlook

Temporary rent reductions and government support 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 historically rent and property-related

2021 operating cost movements

Run-rate weekly costs of £8-12m

Property costs

- Rent expected to be £175m -£185m depending on RPI/CPI impact on rent reviews and timing of new openings
- Business rates holiday to end June 2021[1] – c. £3m per month

UK Hotel Wages

- NLW increases in April 2021 of 2.2%
- JRS benefit to end of June 2021, with tapered scheme available until end of September 2021

Other

- c. 40% fixed, 60% variable
- Variable element typically driven by occupancy

1. England, Scottish and Welsh devolved governments have extended the business rates holiday to the end of March 2022

Cash

Additional financing raised in 2020 provides greater resilience

- Cash of £120.9m as at 24 March, before Q2 rent payments
- Working capital impacted by phasing

  - monthly reduced rent payments for majority of estate in 2021, returns to full rent, quarterly in advance from December 2021 quarter date

  - salaried payroll at end of month, hourly paid every 4 weeks, furlough claim received after end of the month

  - end of month vendor payments
- VAT on accommodation revenue at 5% to end September, 12.5% thereafter to end March 2022
- Capex

  - well-invested estate with low customer use in 2020 allows pause in refit programme

  - 2021 capex of c. £35-40m reflecting core maintenance, health & safety, IT and development
- Interest

  - can elect to PIK a proportion of interest on the £60m term loan

  - Initial fees on £60m term loan deferred until after 31 December 2021

  - first interest payment on the £65m bond in June 2021

Summary

Material uncertainty remains, but long term prospects remain attractive

- 2020 materially impacted by Covid-19
- Actions taken in 2020 to improve liquidity
- Current lockdown impacting sales, but continuing track record of outperformance
- Continue to benefit from temporary rent reductions and government support
- Martin Robinson appointed as Chairman
- UK government roadmap provides greater clarity
- Well-positioned to benefit in subsequent recovery

  - large and diversified network of hotels

  - strong brand, direct distribution model, value proposition and low-costs

  - domestic travel focus, business/leisure mix
- Material uncertainty still remains but long term prospects for budget hotels remain attractive

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 586 hotels (as at 31 December 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 31 December 2020)

United Kingdom

London
- 76 Hotels
- 9,423 Rooms
- 21% of total Rooms

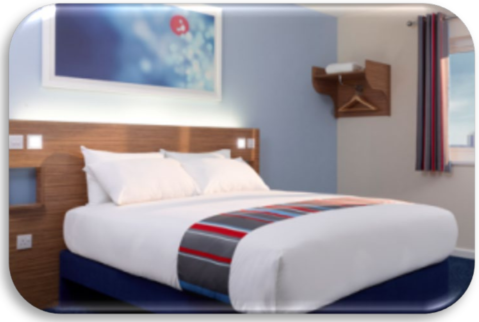
Regions[3]
- 495 Hotels
- 33,672 Rooms
- 76% of total Rooms

International

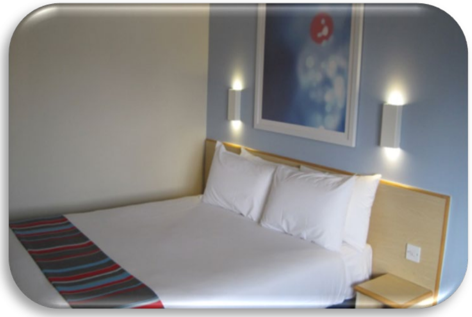
Spain
- 5 Hotels
- 621 Rooms
- 1% of total Rooms

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

Travelodge



Key Statistics (FY2019)	
Hotels (31 Dec 2020)	**586**
Rooms (31 Dec 2020)	**44,549**
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**

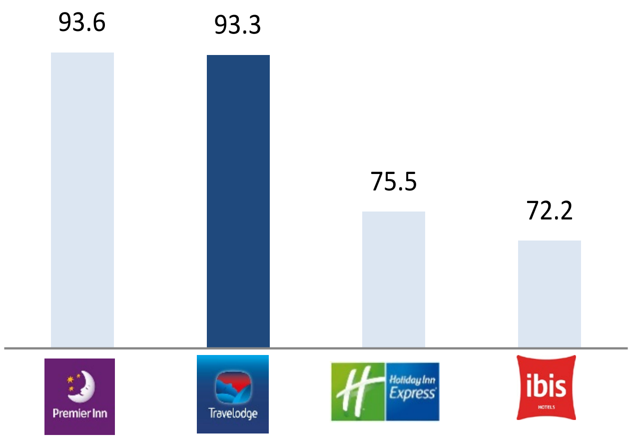


1. Occupancy, ADR and RevPAR for Travelodge UK leased Hotels only.
2. Represents the ratio of EBITDAR to net external rent payable.
3. Includes 10 hotels operated under management contracts.
4. Operations in island of Ireland under a master franchise.

Track Record of Class-Leading Performance

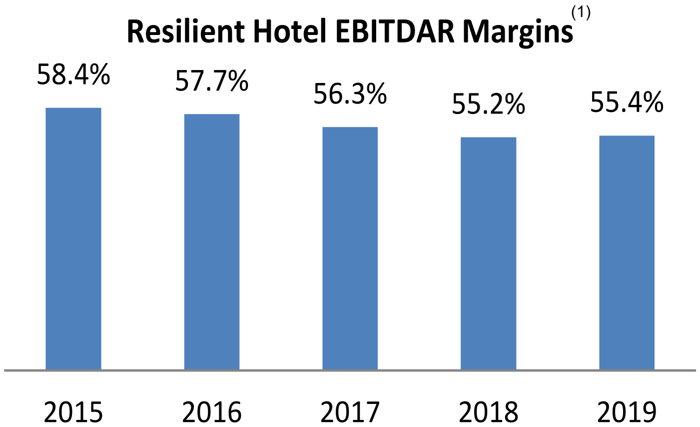
Leading brand at low cost driving outperformance and growth

Leading segment brand recognition in the UK

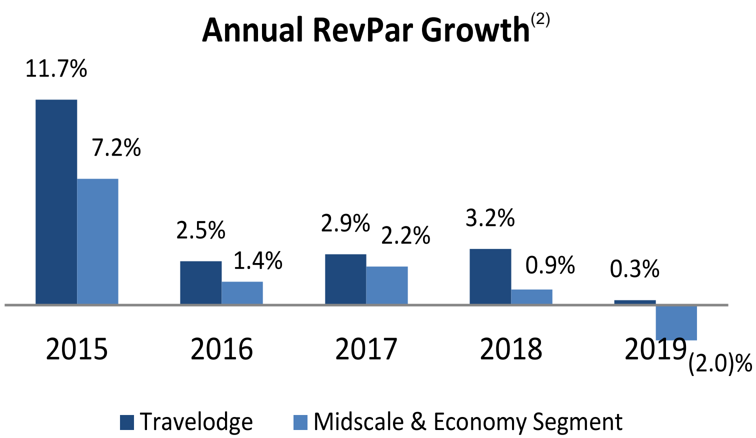


Source: YouGov BrandIndex, August 2020 - 12 week rolling average

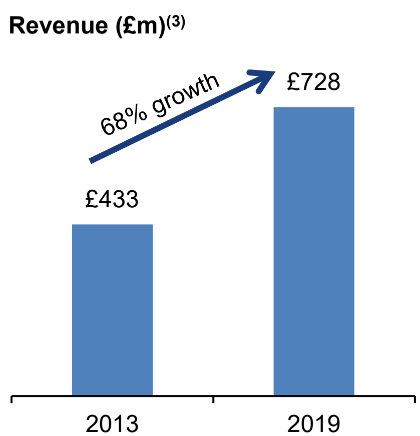
Class leading low cost model

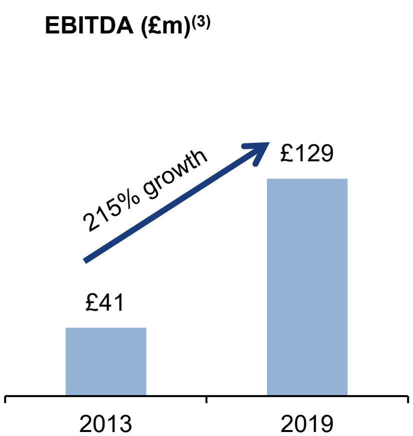


Continued above market RevPAR growth



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*

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Key Strengths

Diversified network, balanced customer mix and direct distribution focus

Well invested diversified network

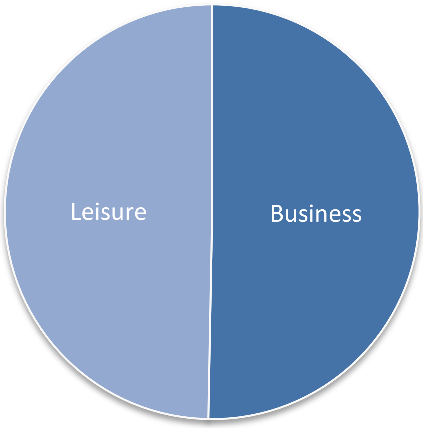
Capital investment of 7-8% of revenues [(1)]

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

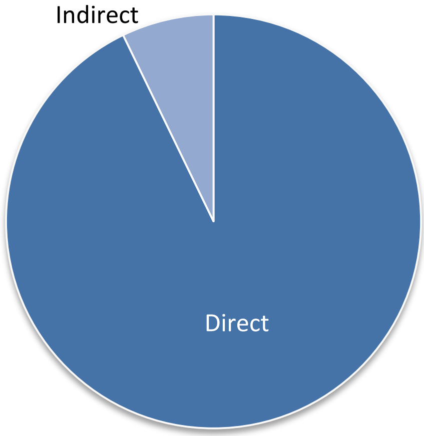
Diverse Customer Mix



FY 2019

Market leading direct distribution model

OTA's represent less than 1% of total revenue



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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 FY 2020 Results

Analysis of impact

Year ended 31 December 2020 (£m)	Before IFRS16 [1]	IFRS 16 impact	Statutory
EBITDAR	**(205.2)**	**-**	**(205.2)**
Net rent payable	130.8	133.7	264.5
Other income	0.4	1.4	1.8
EBITDA	**(74.0)** [2]	**135.1**	**61.1** [3]
Depreciation and amortisation (inc rent adjustment)	(132.3)	(19.3)	(151.6)
Operating profit/(loss) (before exceptional items)	**(206.3)**	**115.8**	**(90.5)**
Net finance income and costs	(50.5)	(172.5)	(223.0)
Income tax	6.8	(7.1)	(0.3)
Loss for the period (before exceptional items)	**(250.0)**	**(63.8)**	**(313.8)**
Non-underlying items	(13.9)	20.4	6.5
Loss for the period (after exceptional items)	**(263.9)**	**(43.4)**	**(307.3)**

Income statement

- EBITDA increased by £135.1m as rent is not charged to the consolidated income statement
- Depreciation and amortisation (including the rent adjustment) increased by £19.3m due to charges relating to the 'right of use' asset
- Financing costs increased by £172.5m relating to notional charges relating to lease liabilities
- Loss for the period increases by £63.8m to £313.8m 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.*