Trading Update Presentation

Results for the Quarter Ended 31 March 2021

Release: 20 May 2021

Travelodge

travelodge.co.uk

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We have included other operating information in this presentation, some of which we refer to as "key performance indicators." We believe that it is useful to include this operating information as we use it for internal performance analysis, and the presentation by our business divisions of these measures facilitates comparability with other companies in our industry, although our measures may not be comparable with similar measurements presented by other companies. Such operating information should not be considered in isolation or construed as a substitute for measures prepared in accordance with IFRS.

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Summary

Covid-19 materially impacting trading

- Significant impact of Covid-19
  - Lockdown restrictions limit hotel trading to essential business travel
  - Q1 weekly revenues c. £3-3.5m per week c. 70% down on 2019 levels
  - Focus on costs remain including benefit of government support and reduced rents under the CVA
  - Trading revenue declines significantly impacting profitability

- Overall financial results significantly impacted as a result of trading conditions:
  - Overall Q1 revenue down (71.3)% to £41.7m (2019: £145.2m) (2020: £129.5m)
  - LFL RevPAR(1) down (70.5)% to £10.25 (2019: £34.73)
  - RevPAR growth(1) 5.1pts ahead of competitive segment vs 2019 (4.4pts ahead vs 2020)
  - EBITDA (adjusted)(2) loss of £(46.1)m (2019: profit of £1.7m) (2020: loss of £13.9m)

- 12 new hotels opened to date

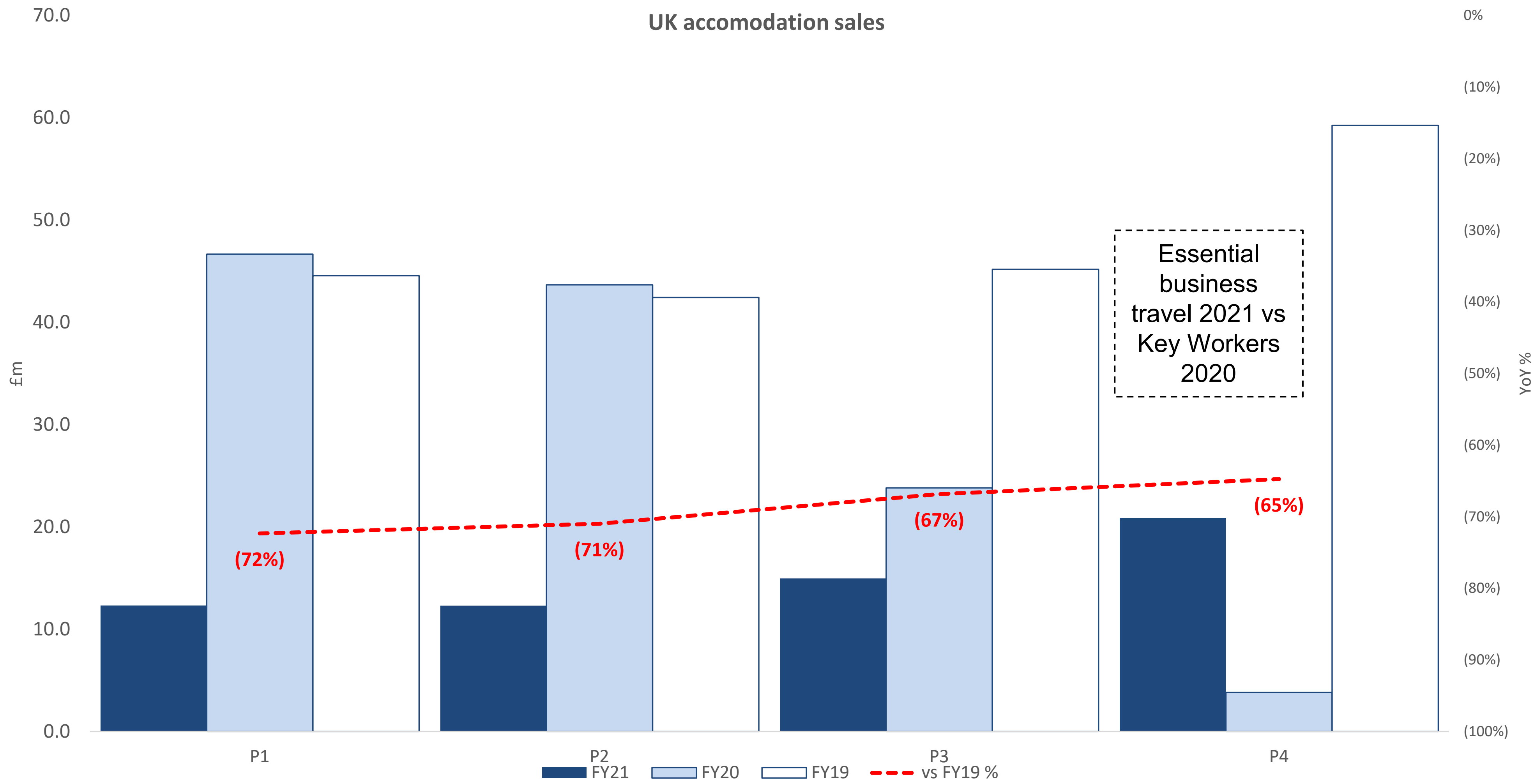
- Cash at 31 March of £96.2m

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 2021 vs. Q1 2019 on the basis of RevPAR generated by hotels that were opened before 1 January 2020*
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.*

Q1 Results

Significant Covid-19 Impact on Trading

Lockdown restrictions continue to significant impact trading



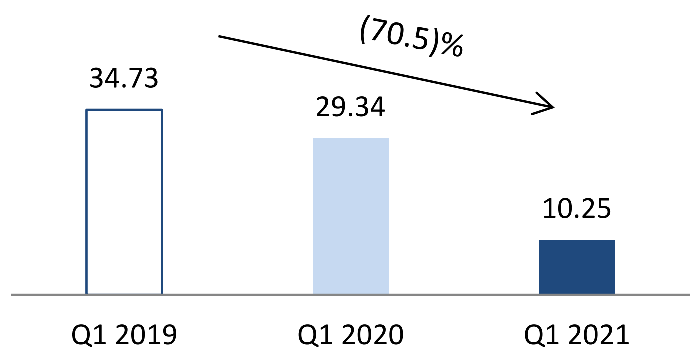
UK accommodation revenue (exc. management contracts) presented on management accounting periods (5/4/4 weekly basis) and adjusted for week on week comparability

Q1 Operating Metrics

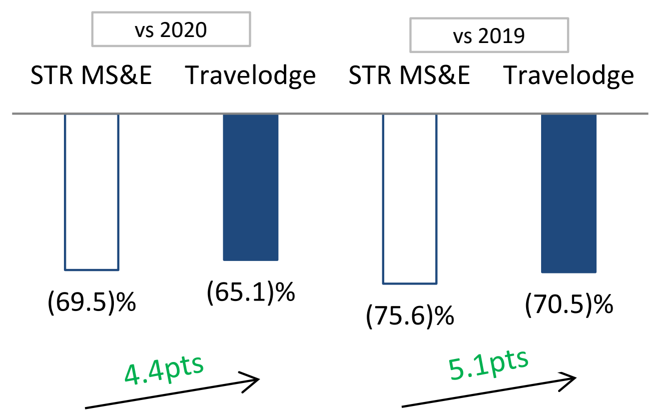
Material impact from hotel closures but continuing to outperform

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

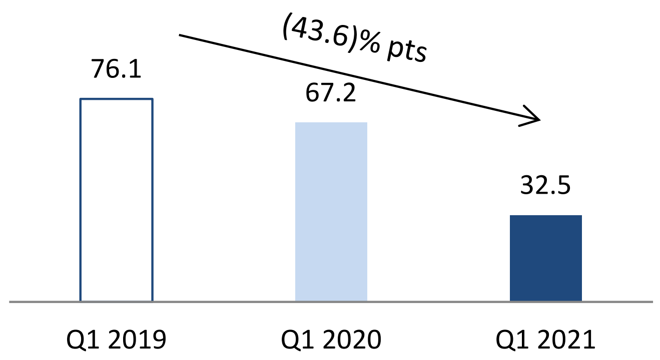
LFL[1] RevPAR (£)[2]



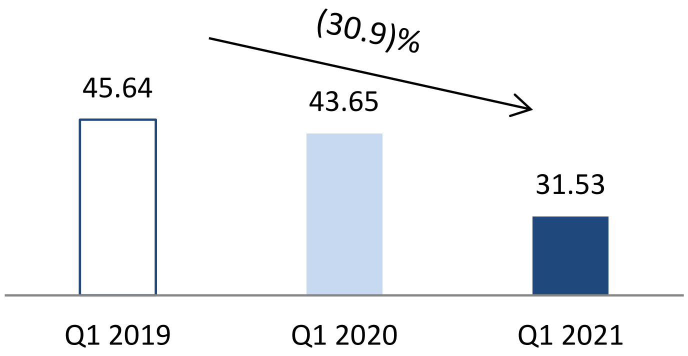
Q1 RevPAR Performance



LFL[1] Occupancy (%)[2]



LFL[1] ADR (£)[2]



Q1 2021 vs. Q1 2019

- **RevPAR:** like-for-like UK RevPAR decline of (70.5)%
- **RevPAR vs Market: 5.1**pts outperformance against MSE segment
- **Occupancy:** occupancy decreased (43.6)pts to 32.5%
- **ADR:** down (30.9)% to £31.53

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 2021 vs. Q1 2020 and 2019 on the basis of RevPAR generated by hotels in the UK that were opened before 1 January 2020.

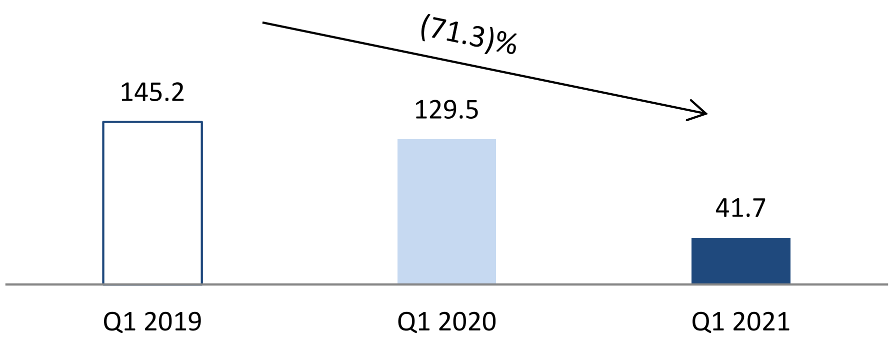
2. Occupancy, ADR and RevPAR for UK leased estate only.

Q1 Financial Results

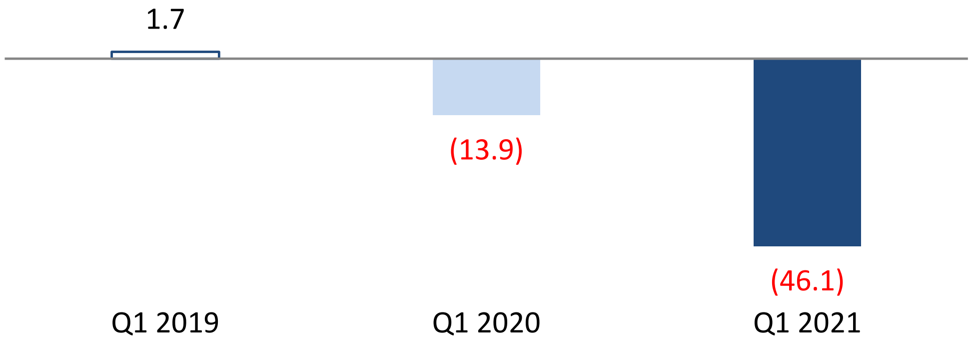
Lockdown restrictions driving revenue decline and EBITDA loss

Revenue declines impacting EBITDA

Revenue (£m)



EBITDA[(1)] (£m)



Q1 2021 vs. Q1 2019

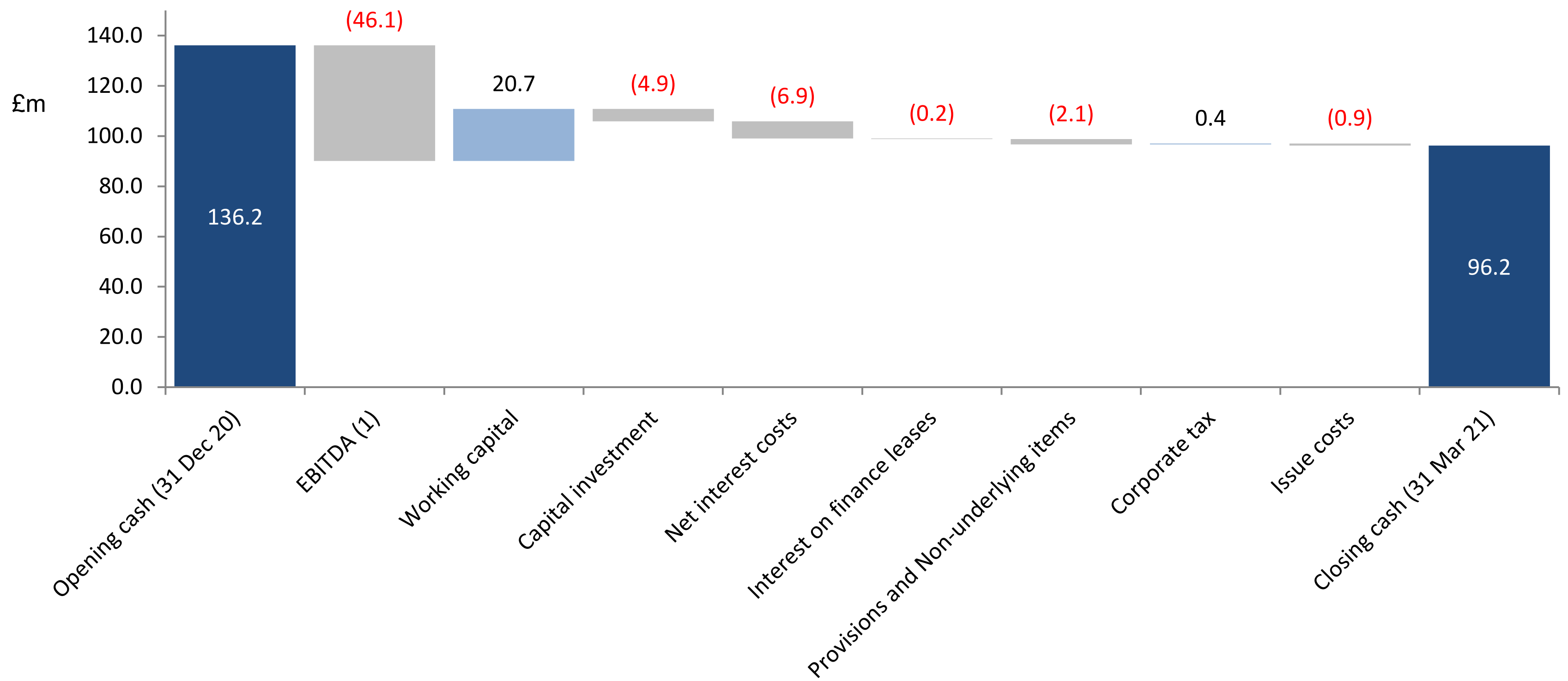
- **Revenue** decrease of (71.3)%/£(103.5)m due to the impact of Covid-19:
  - Like-for-like UK RevPAR decline of (70.5)% with hotel closures and reduced levels of demand
  - Spain down (76)%/£(2.2)m with hotel closures

- **EBITDA[(1)]** decreased by £(47.8)m to a loss of £(46.1)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.*

Q1 Cash Flow

Impacted by EBITDA loss, partially offset by working capital benefit from CVA rent payments



- Cash outflow of £(40.0)m driven mainly by the EBITDA loss
- Working capital benefit from rent payments (both reductions and monthly payment in advance for most landlords) and monthly vs quarterly VAT returns (with a net VAT reclaim position for the quarter), partially offset by the March furlough claim
- Capital investment relates mainly to hotel maintenance, health & safety, IT and new development

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-Mar
Cash and Cash Equivalents	**96.2**
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:** £96.2m 31 March
- **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 (£24.1m utilised)

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

Recent Trading and Outlook

Recent Trading

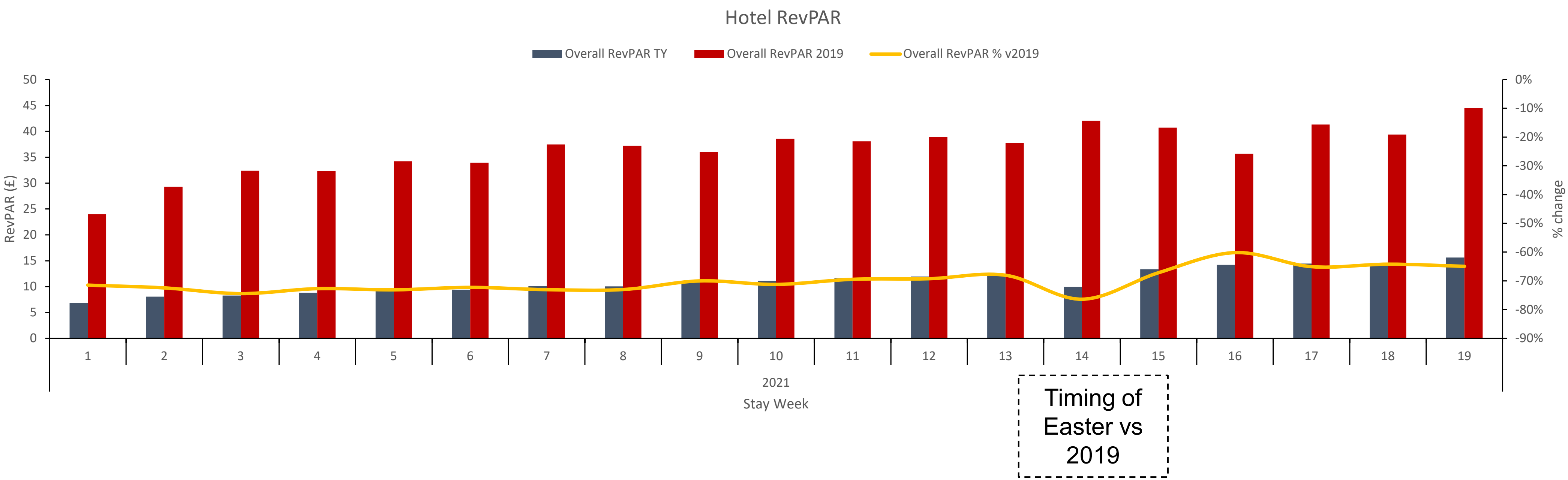
Limited trading during third lockdown, continued government support and rent benefits

- Restrictions on leisure travel to hotels lifted on 17 May in England
  - hotels steadily re-opened in line with demand since end of Q1
  - all available hotels open ahead of restrictions on leisure travel being lifted
- 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)
  - control of capex
- Cash at 12 May of £90.6m, before Q2 rent is paid
- Expect to open a total of 17 new hotels (c. 1,400 rooms), with 7 having reached practical completion in 2020. 12 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 tracking at consistent levels under lockdown restrictions, 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. 5pts since January 2021 (vs 2019)

1. 31 Dec 2020 to 12 May 2021

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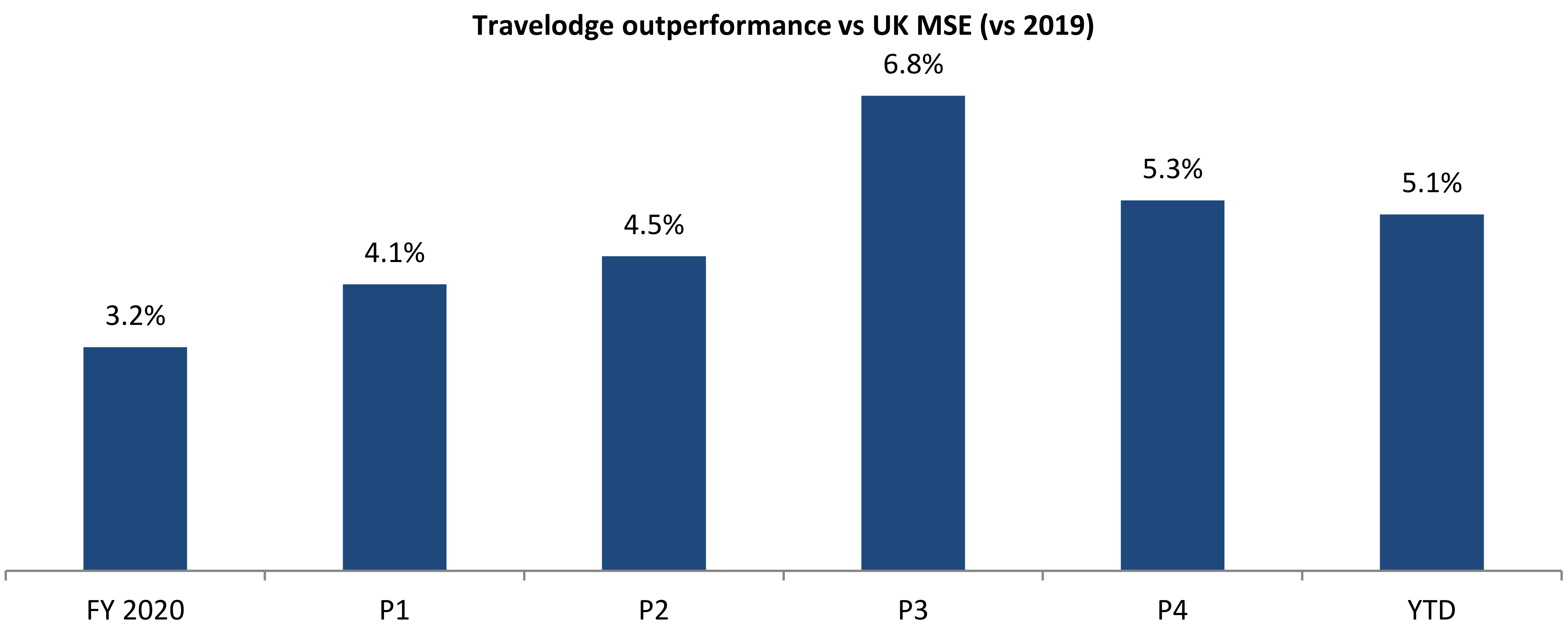
Performance vs. Benchmark

Continuing to outperform the UK hotel market and MSE sector

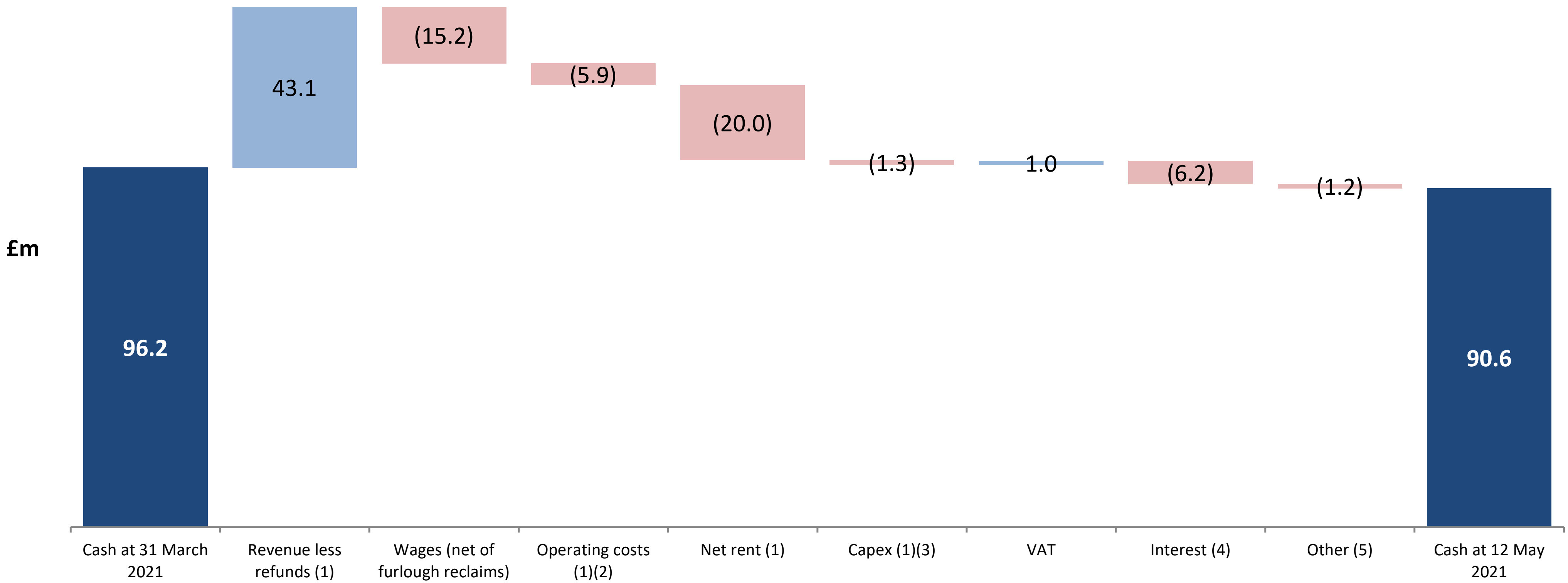


Source: STR
YTD 31 Dec 2020 to 5 May 2021

Cashflow Update – 1 April to 12 May (by key element)

Cash position remains resilient

Group Cashflow from 31 March 2021 to 12 May 2021



(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

Reminder of Outlook Considerations

Facing a wide range of potential outcomes

- Revenue: wide range of potential outcomes
  - current restrictions 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
- Further details included in appendices

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

Summary

Material uncertainty remains, but long term prospects remain attractive

- Q1 2021 materially impacted by Covid-19
- Track record of outperformance continues
- Continue to utilise available government support and benefit from temporary rent reductions

- All available hotels open ahead of restrictions to leisure travel being lifted
- Summer trading and corporate return timing will be key
- 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 588 hotels (as at 31 March 2021) 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 March 2021)

United Kingdom

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

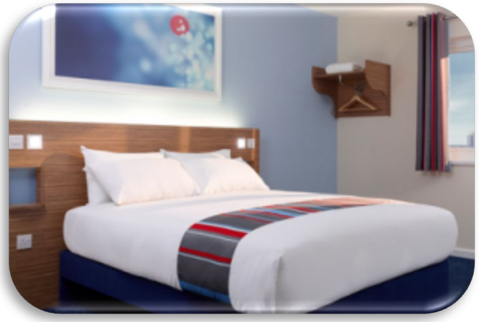
Regions[3]
- 497 Hotels
- 33,839 Rooms
- 76% of total Rooms

International

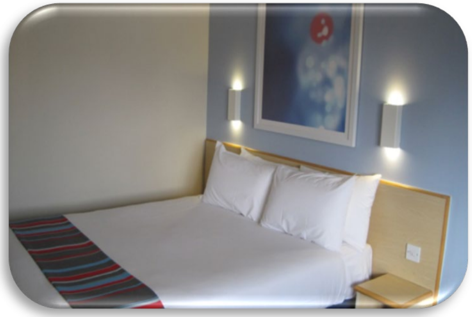
Spain
- 5 Hotels
- 621 Rooms
- 1% of total Rooms

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

Travelodge



Key Statistics (FY2019)	
Hotels (31 Marc 2021)	**588**
Rooms (31 Marc 2021)	**44,716**
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**

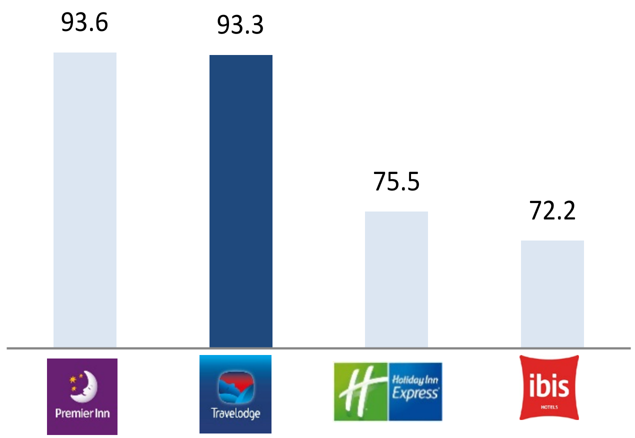


1. Occupancy, ADR and RevPAR for Travelodge UK leased Hotels only.
2. Represents the ratio of EBITDAR to net external rent payable.
3. Includes 10 hotels operated under management contracts.
4. Operations in island of Ireland under a master franchise.

Track Record of Class-Leading Performance

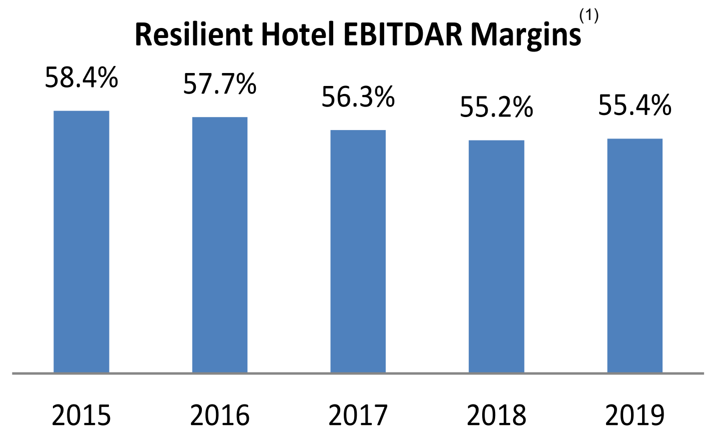
Leading brand at low cost driving outperformance and growth

Leading segment brand recognition in the UK

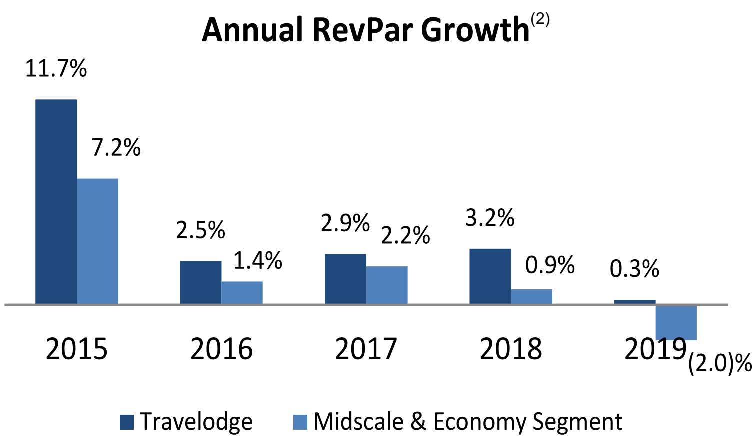


Source: YouGov BrandIndex, August 2020 - 12 week rolling average

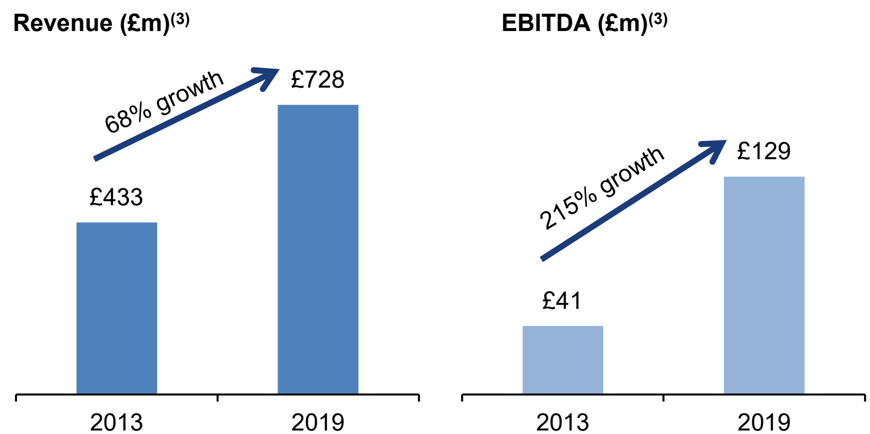
Class leading low cost model



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

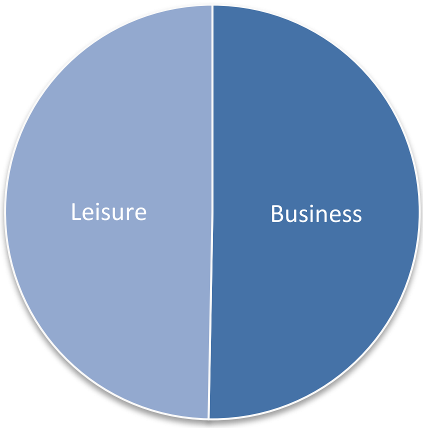
Capital investment of 7-8% of revenues (1)

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*

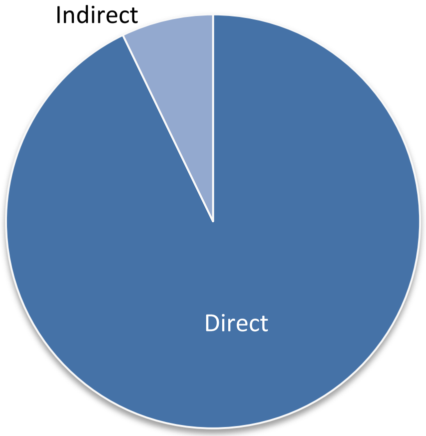
Diverse Customer Mix



FY 2019

Market leading direct distribution model

OTA's represent less than 1% of total revenue



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

Revenue Outlook

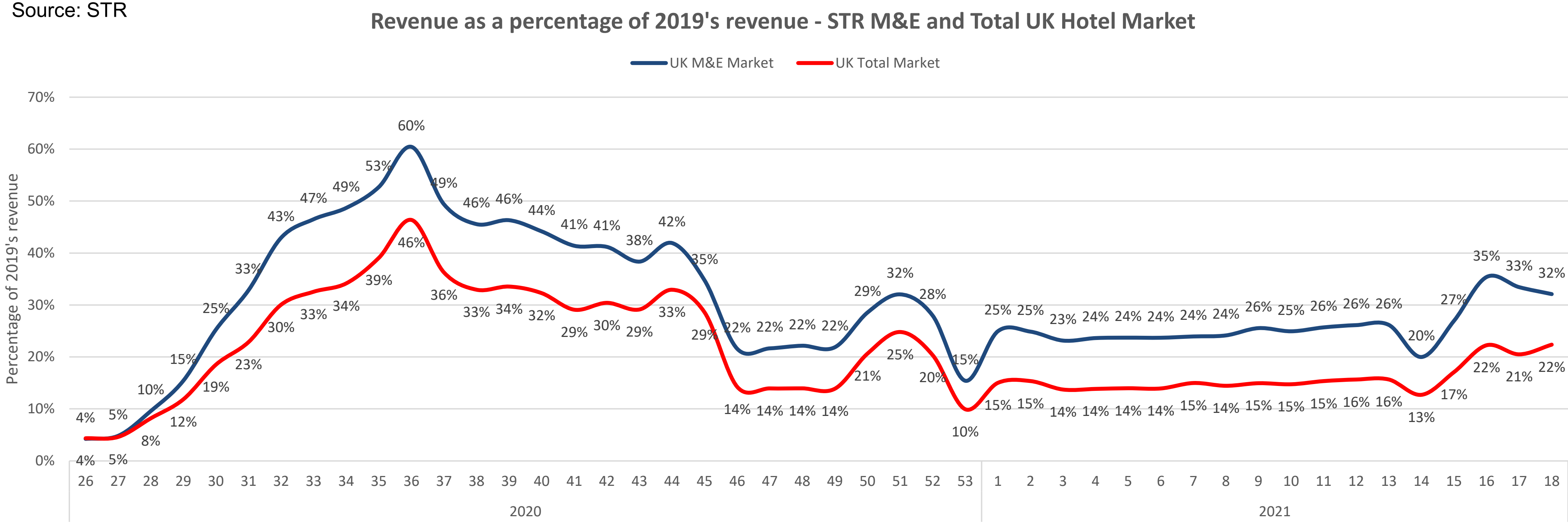
Re-opening timing and recovery remains uncertain

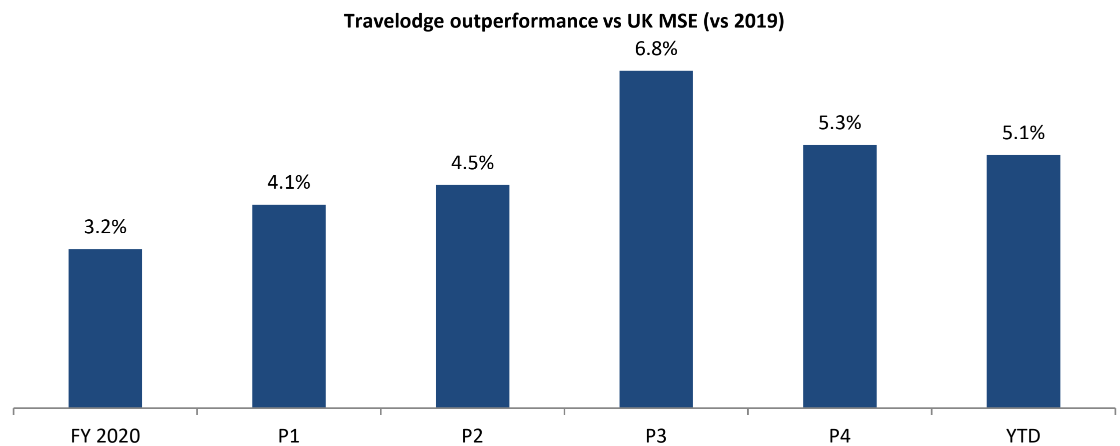
- PwC Market Forecasts for UK hotels made in October 2020 before third lockdown implied total revenues c.30% behind 2019 levels
- Leading market commentators currently forecasting 2021 RevPAR approximately 30% below 2019 levels
- Regions expected to recover faster than London driven by leisure and blue 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. 5% points vs MSE segment (vs 2019)
- 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

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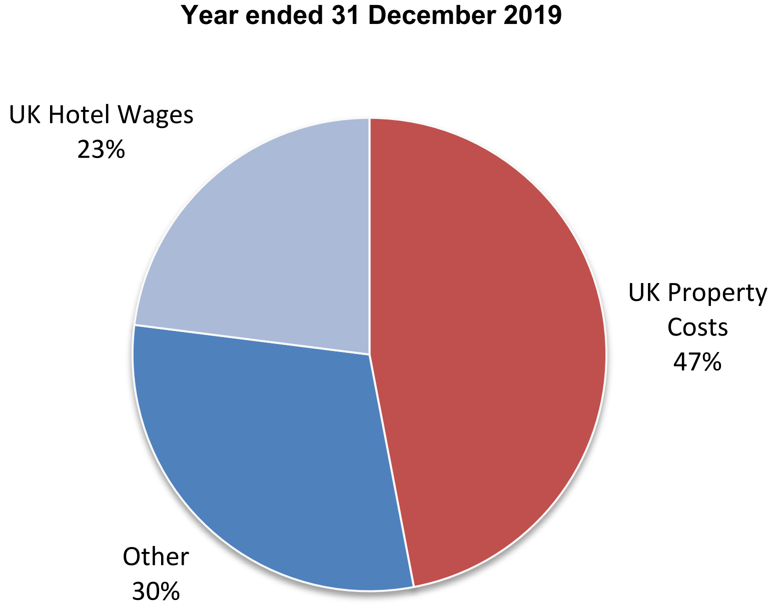
Cost Outlook

Temporary rent reductions and government support will benefit largely fixed operating cost base

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



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 £90.6m as at 12 May, 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