Trading Update Presentation

Results for the Six Months Ended 30 June 2021

Release: 19 August 2021

Travelodge

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Summary

Material Covid-19 impact

- Significant impact of Covid-19 through first half
  - Lockdown restrictions limited hotel trading to essential business travel for much of the period
  - Estate fully re-opened from 17 May
  - Gradual improvement since re-opening with revenue down c. (25)% on 2019 since restrictions lifted
  - Government support, reduced rents under CVA and cost control helped to partially mitigate
  - Trading revenue declines significantly impacting profitability, June first EBITDA positive month in 2021

- Overall financial results significantly impacted as a result of trading conditions:
  - Overall H1 revenue down (57.0)% to £145.2m (2019: £337.2m) (2020: £142.7m)
  - LFL RevPAR[(1)] down (56.1)% to £17.50 (2019: £39.83)
  - RevPAR growth[(1)] 6.6pts ahead of competitive segment vs 2019 (7.4pts vs 2020)
  - EBITDA (adjusted)[(2)] loss of £43.3m (2019: profit of £44.7m) (2020: loss of £52.4m)

- 13 new hotels opened in the first half, with a further 2 to date

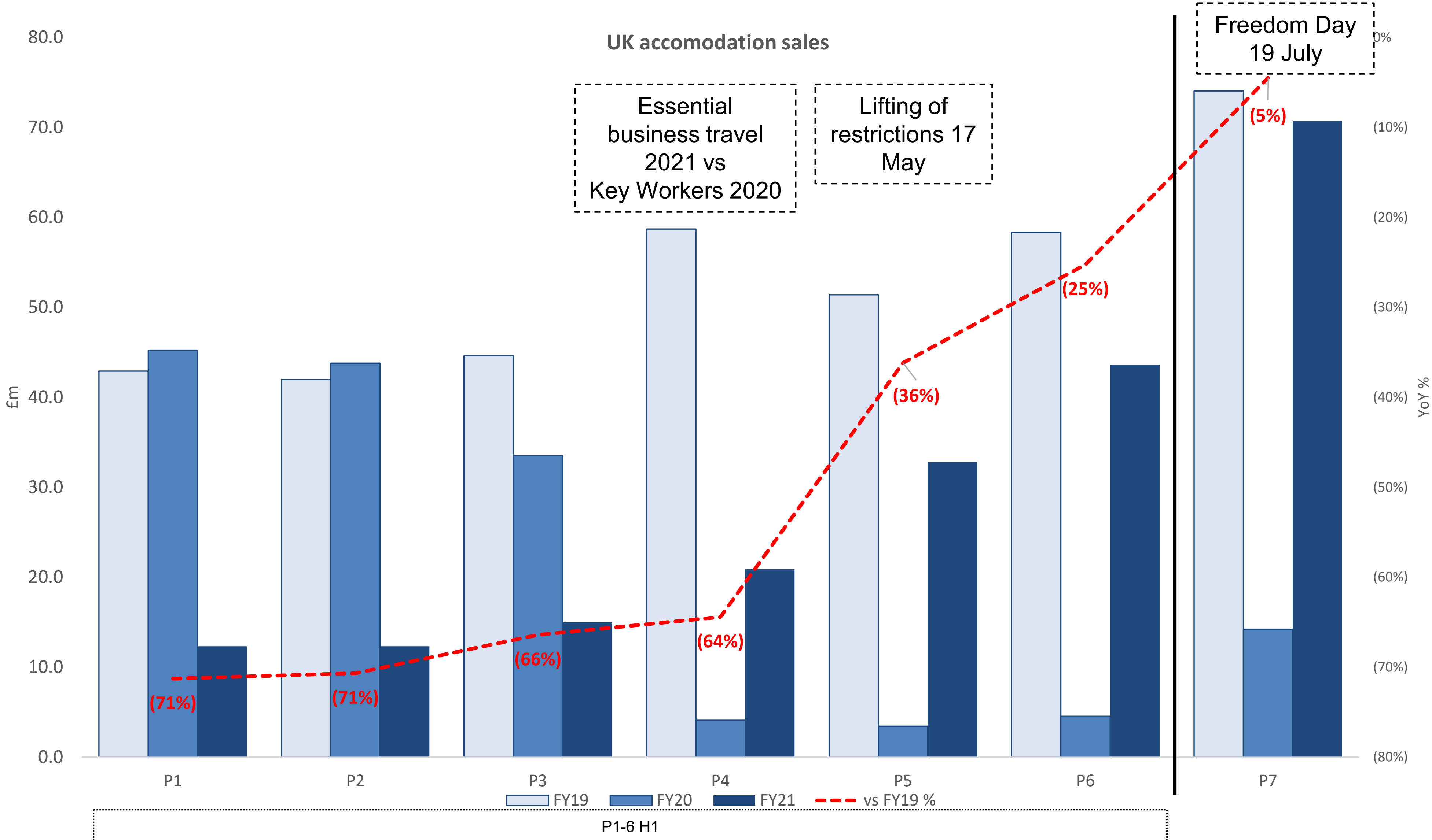
- Cash at 30 June of £95.9m

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 H1 2021 vs. H1 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.*

H1 Results

Covid-19 Impact on Trading

Improvements in trading following lifting of restrictions



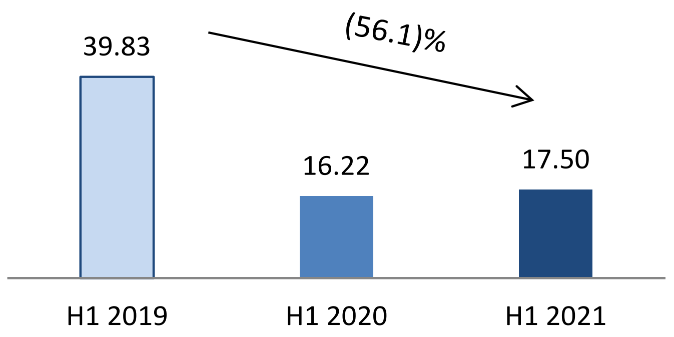
UK accommodation revenue (exc. management contracts) presented on management accounting periods (5/4/4 weekly basis) and adjusted for week on week comparability

H1 Operating Metrics

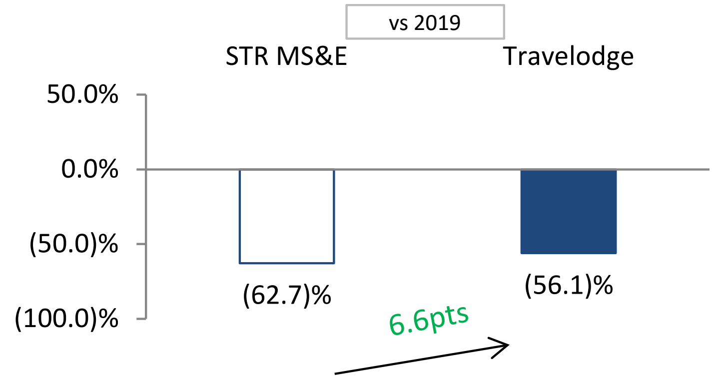
Track record of outperformance continues

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

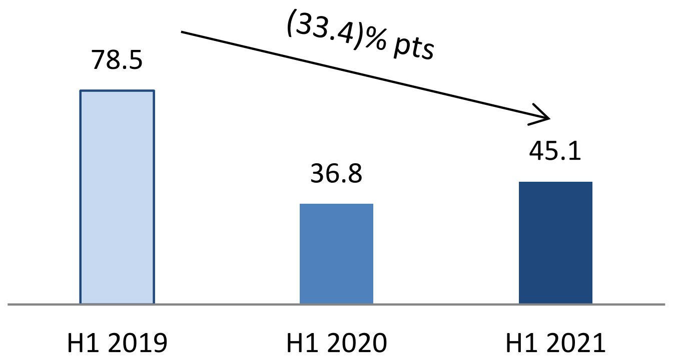
LFL[1] RevPAR (£)[2]



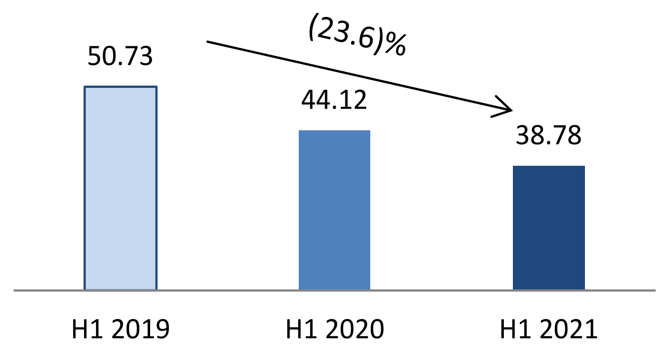
H1 RevPAR Performance



LFL[1] Occupancy (%)[2]



LFL[1] ADR (£)[2]



H1 2021 vs. H1 2019

- **RevPAR:** like-for-like UK RevPAR decline of (56.1)%
- **RevPAR vs Market: 6.6**pts outperformance against MSE segment
- **Occupancy:** occupancy decreased (33.4)pts to 45.1%
- **ADR:** down (23.6)% to £38.78

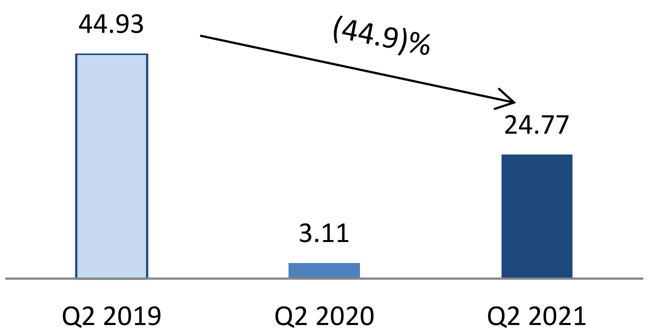
1. *RevPAR is computed as the product of the Average Daily Rate for a specified period multiplied by the Occupancy for that period. Like-for-like (LFL) RevPAR compares the RevPAR in H1 2021 vs. H1 2020 and 2019 on the basis of RevPAR generated by hotels in the UK that were opened before 1 January 2020.*
2. *Occupancy, ADR and RevPAR for UK leased estate only.*

Q2 Operating Metrics

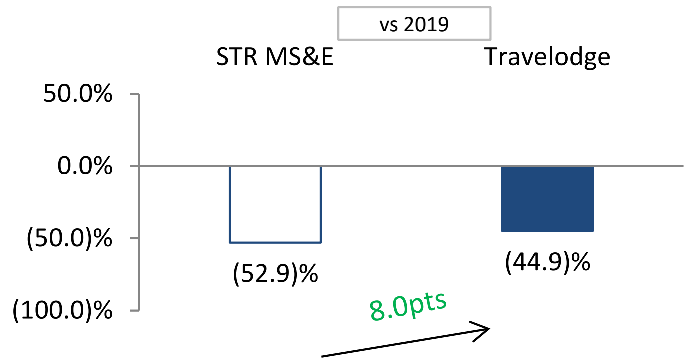
Track record of outperformance continues

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

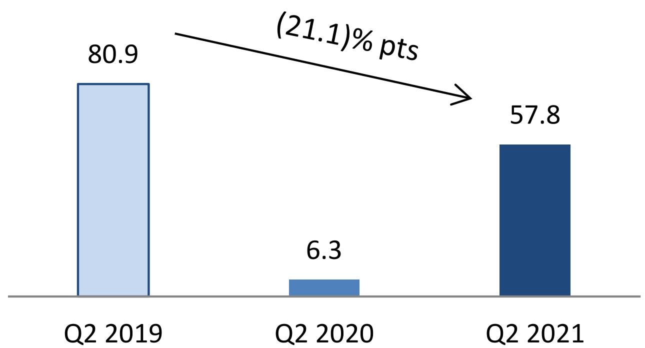
LFL[1] RevPAR (£)[2]



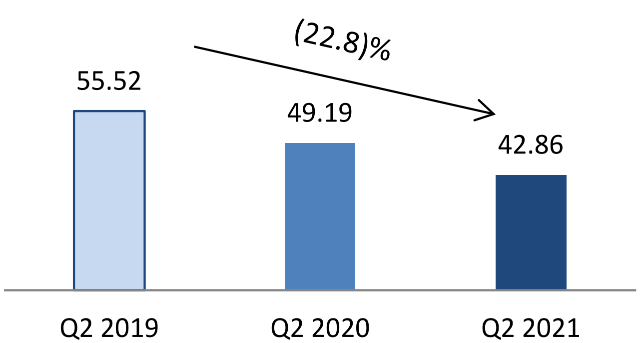
Q2 RevPAR Performance



LFL[1] Occupancy (%)[2]



LFL[1] ADR (£)[2]



Q2 2021 vs. Q2 2019

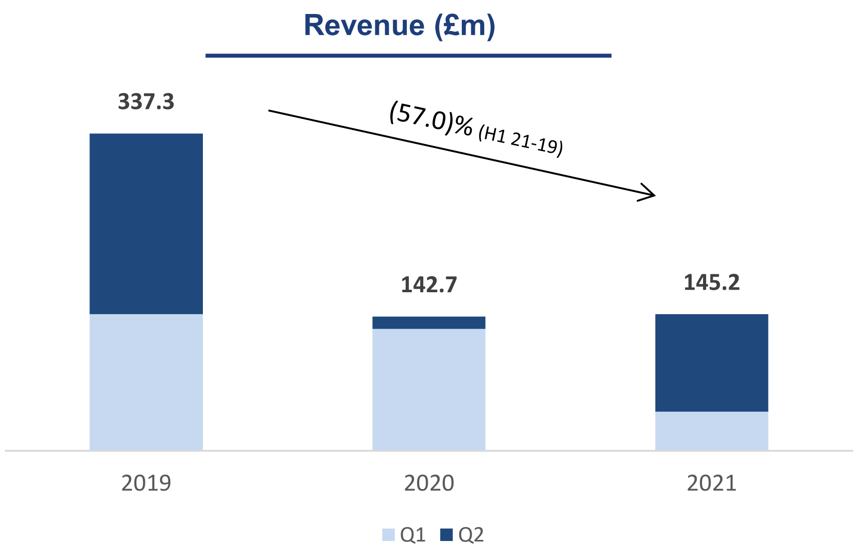
- **RevPAR:** like-for-like UK RevPAR decline of (44.9)%
- **RevPAR vs Market: 8.0**pts outperformance against MSE segment
- **Occupancy:** occupancy decreased (21.1)pts to 57.8%
- **ADR:** down (22.8)% to £42.86

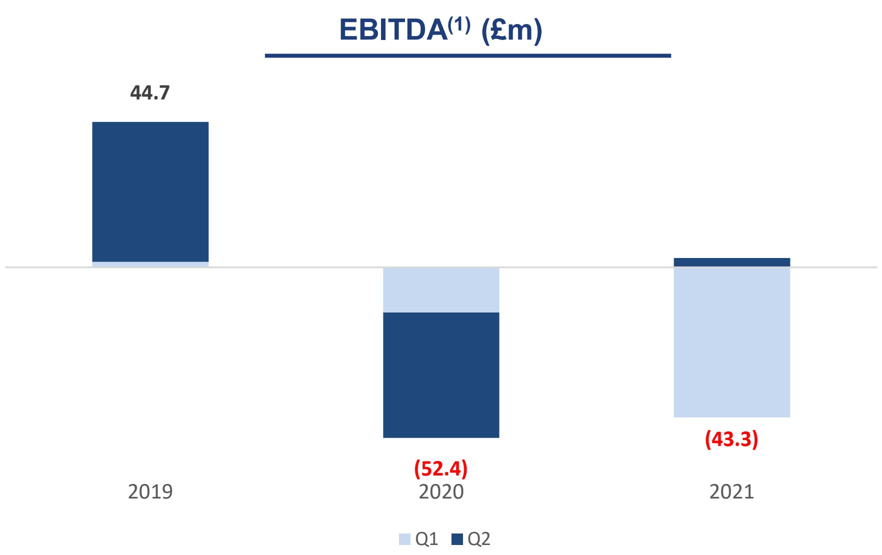
1. RevPAR is computed as the product of the Average Daily Rate for a specified period multiplied by the Occupancy for that period. Like-for-like (LFL) RevPAR compares the RevPAR in Q2 2021 vs. Q2 2020 and 2019 on the basis of RevPAR generated by hotels in the UK that were opened before 1 January 2020.
2. Occupancy, ADR and RevPAR for UK leased estate only.

H1 Financial Results

Lockdown restrictions driving revenue decline and EBITDA loss

Revenue declines impacting EBITDA





H1 2021 vs. H1 2019

- **Revenue** decrease of (57.0)%/£(192.1)m due to the impact of Covid-19:
  - Like-for-like UK RevPAR decline of (56.1)% with hotel closures and reduced levels of demand
  - Spain down (74.6)%/£(5.2)m with hotel closures
- **EBITDA**[1] decreased by £(88.0)m to a loss of £(43.3)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 (£18m), business rates holiday (£20m) and restart grants (£9m)
  - Return to profitability in Q2 2021

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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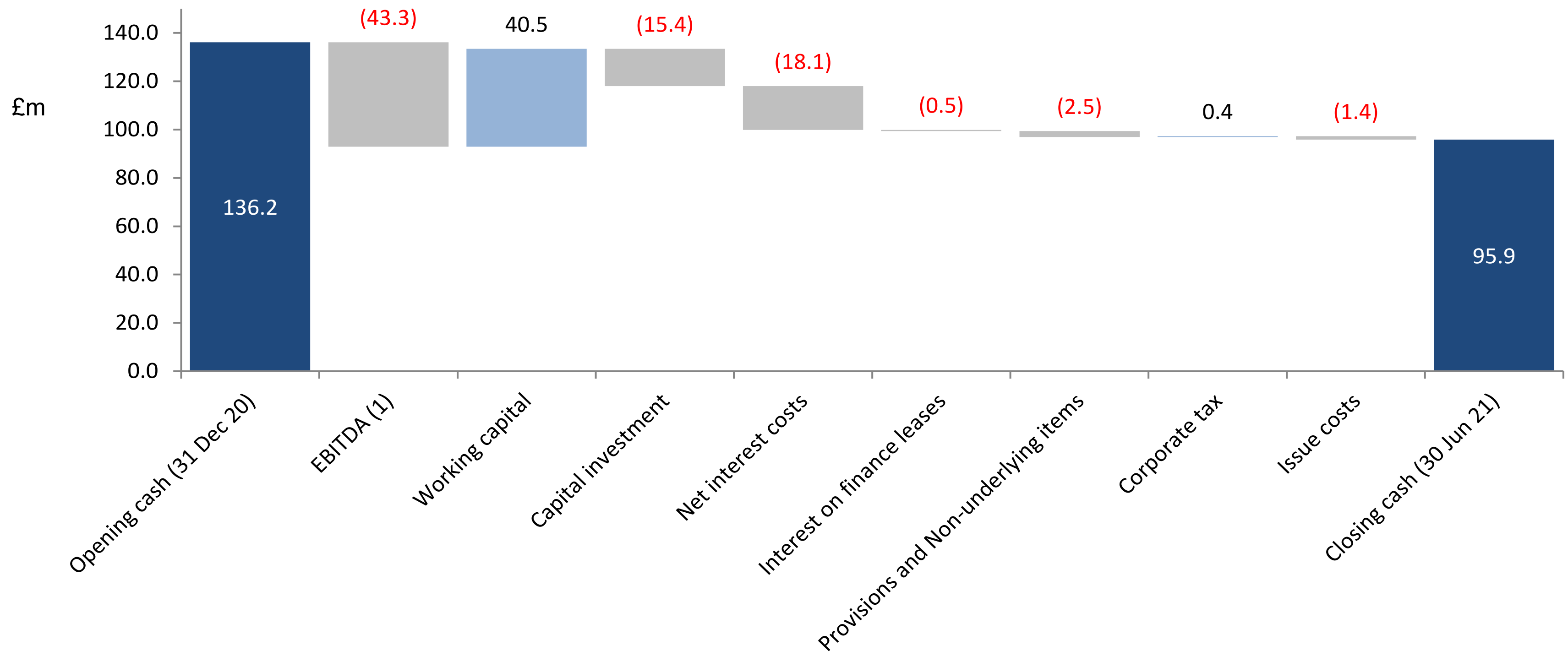
H1 Cash Flow

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



- Cash outflow of £(40.3)m driven mainly by the EBITDA loss
- Working capital benefit mainly driven by increase in prepaid rooms of £35m
- Capital investment relates mainly to hotel maintenance, health & safety, IT, new development and robot vacuums

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

Solid liquidity position

Debt (£m)

£m	30-Jun
Cash and Cash Equivalents	**95.9**
Pre existing RCF	40.0
Super Senior Term Facility	63.1
FRNs @ L + 5.375%	440.0
Senior Secured FRN's	65.0
Senior Secured Debt	**608.1**
Finance leases	14.6
Total Third Party Indebtedness	**622.7**

Note: Super Senior Term Facility includes deferred fees of £1.9m and capitalised PIK interest of £1.2m

Liquidity / Financial Ratios

- **Cash on Balance Sheet:** £95.9m 30 June
- **Pre-existing RCF**: £40m (fully drawn). Revised covenant terms in place with a minimum liquidity covenant of £10m until June 2021. Discussions with lenders underway.
- **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 until after 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 (£27.8m utilised)

Recent Trading and Outlook

Recent Trading

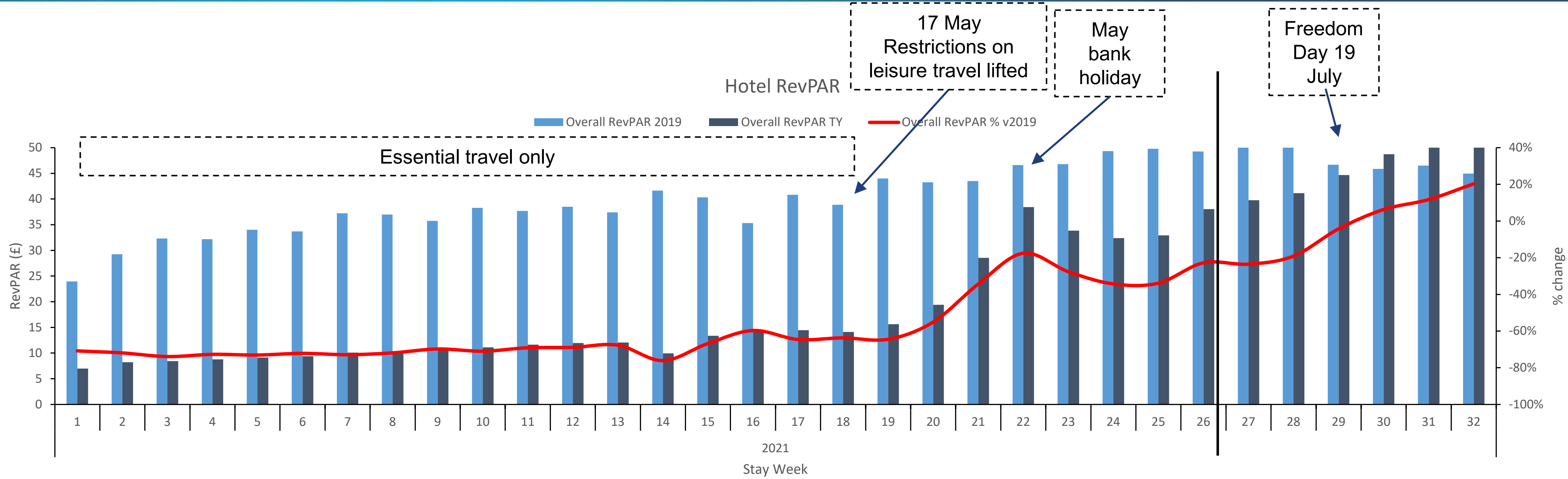
Limited trading during third lockdown, continued government support and rent benefits

- Encouraging trading following ‘Freedom’ day on 19 July
  - revenues from 1 July to date back c. 5% on 2019
  - strong regional performance, continued weakness in London
  - strong levels of leisure demand, with net ADR supported by 5% VAT rate until September 2021
  - gradual recovery in corporate demand
- Midscale and Economy segment continues to outperform UK hotel market
  - segment recovery further improving in recent weeks
  - benefiting from strong domestic leisure demand
- Travelodge continues to outperform the segment
- Continue to manage costs and cash
  - temporary rent reductions under the CVA throughout 2021 (full year benefit c. £55m)
  - some operational challenges
  - control of capex
- Cash at 11 August of £130.7m
- Expect to open a total of 17 new hotels (c. 1,400 rooms). 15 hotels opened to date, including 7 which reached practical completion in the last quarter of 2020

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 tracked at consistent levels under lockdown restrictions, driven mainly by blue-collar business travel
- Recovery underway following lifting of restrictions with encouraging early summer trading
- Good outperformance of UK market and MSE segment
  - MSE RevPAR[1] growth continues to track significantly ahead of the UK hotel market, benefiting from improving domestic summer demand
  - Travelodge continues to outperform by 6.6pts since January 2021 (vs 2019) (Q1: 5.1pts, Q2: 8.0pts)

1. 31 Dec 2020 to 11 Aug 2021

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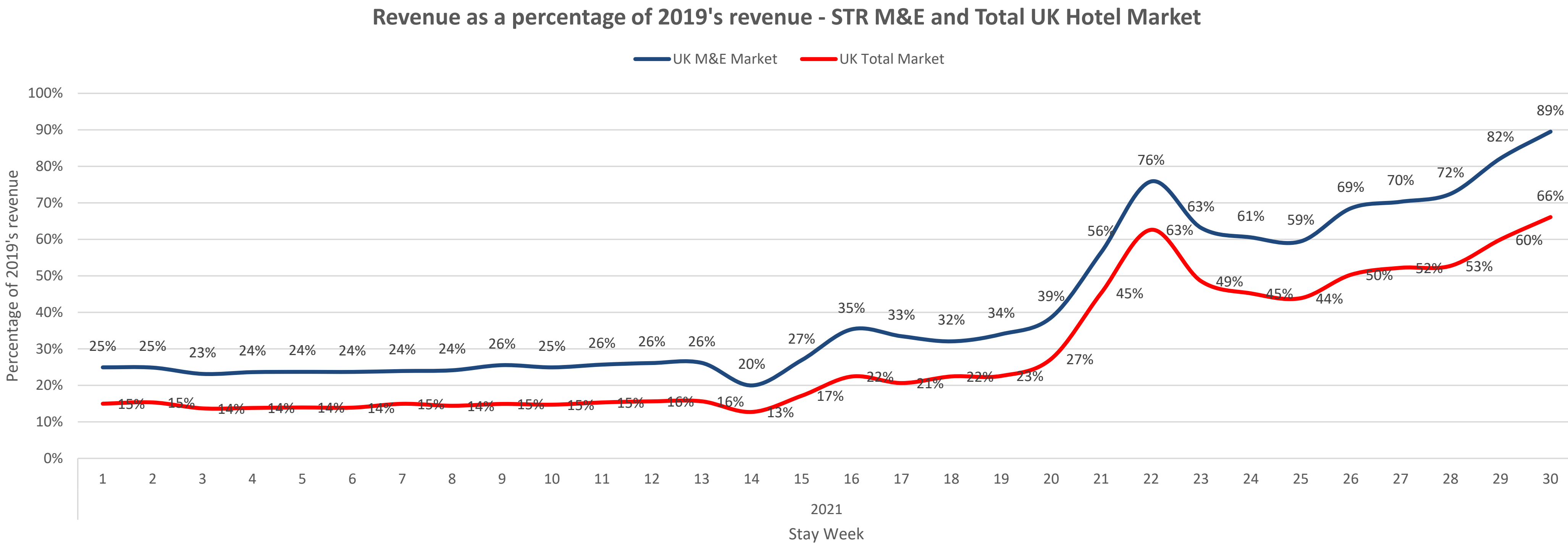
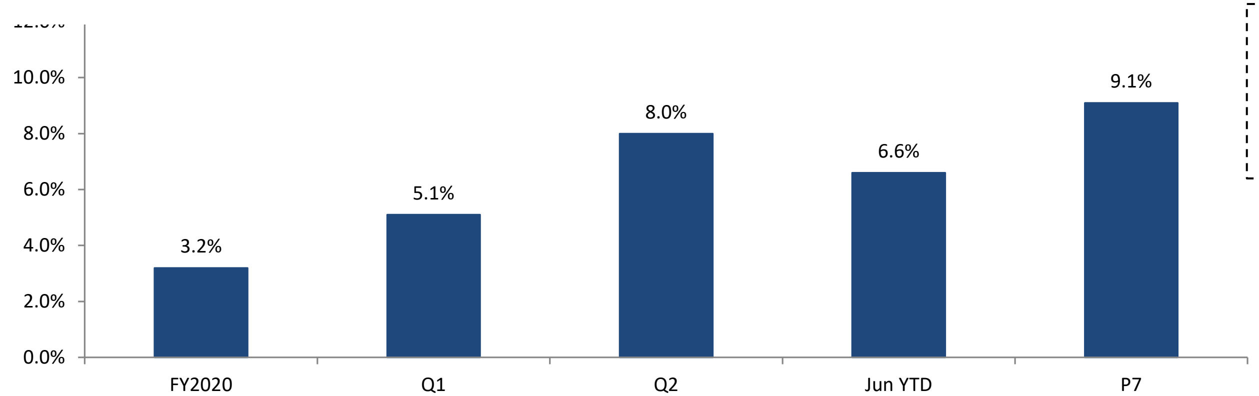
Revenue Outlook - Market

MSE segment has been demonstrating resilience and Travelodge has been outperforming

Source: STR



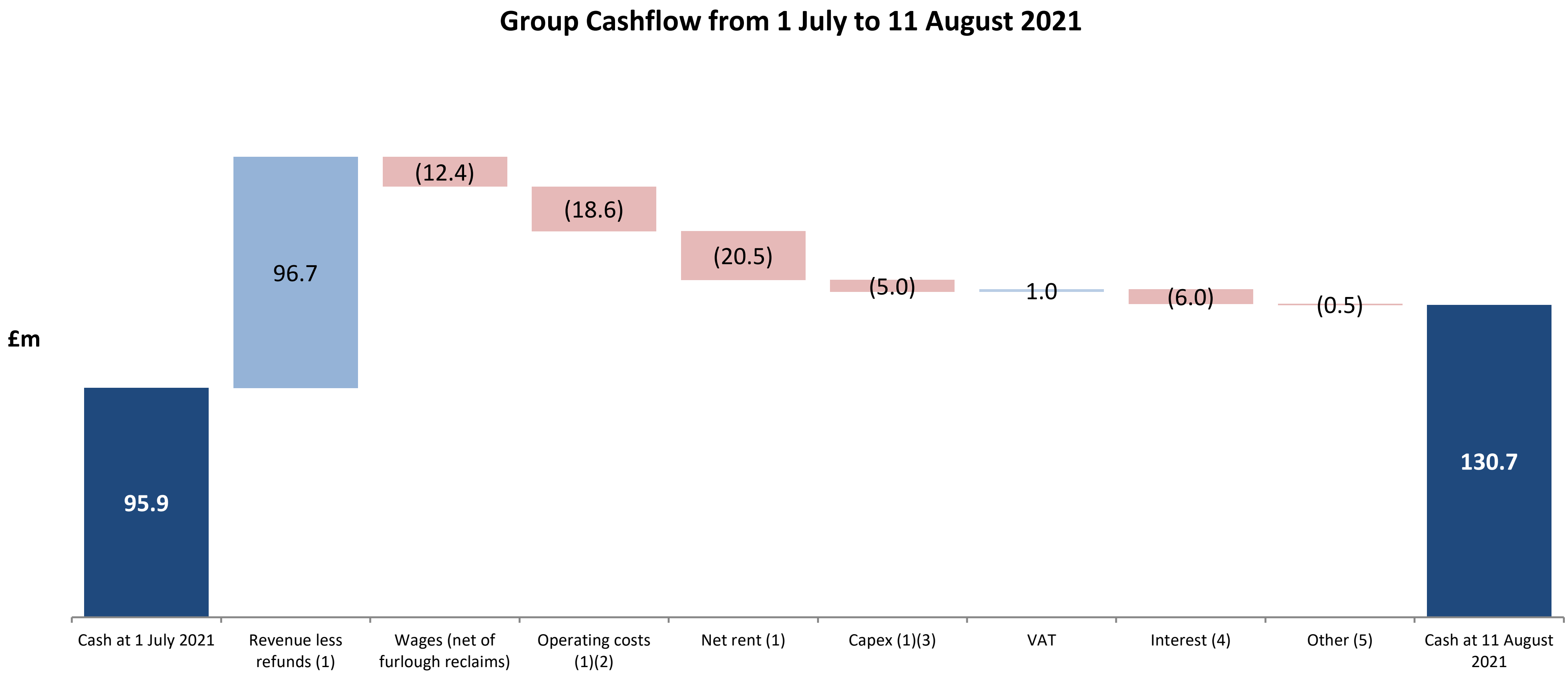


Significant benefit from strong summer demand supported by 5% VAT rate until 30 Sep 2021

Source: STR – 2021 vs 2019

Cashflow Update – 1 July to 11 August (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, new development and investment in robot vacuum cleaners

(4) Interest on the FRN's

(5) Includes legal/professional fees, Spain, Ireland and Management Contracts

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Outlook Considerations

Facing a wide range of potential outcomes

- Revenue: wide range of potential outcomes

  - 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

  - 'blue collar' business demand improving, gradual recovery in 'white collar' business demand

  - seasonal shift in demand towards business demand and events

  - 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

  - job retention scheme and business rate holiday no longer material post end June

  - 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

  - includes investment in robot vacuums supporting room clean efficiency, ways of working and energy consumption

  - 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

- H1 2021 materially impacted by Covid-19
- Segment continues to recover, Travelodge track record of outperformance continues
- Solid liquidity

- Early summer trading encouraging, VAT rate increase in September likely to impact
- Corporate return to work demand will be key – should know more in Q4
- 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 592 hotels (as at 30 June 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 30 June 2021)

United Kingdom

London
- 77 Hotels
- 9,566 Rooms
- 22% of total Rooms

Regions[3]
- 500 Hotels
- 34,125 Rooms
- 77% of total Rooms

International

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

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

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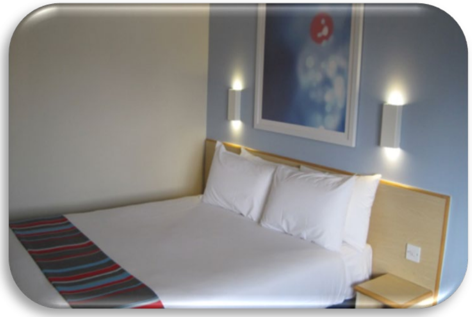
Key Statistics (FY2019)	
Hotels (30 June 2021)	**592**
Rooms (30 June 2021)	**45,145**
Occupancy[1]	**80.6%**
ADR[1]	**£51.82**
RevPAR[1]	**£41.75**
Revenue	**£727.9m**
EBITDAR	**£337.8m**
EBITDA	**£129.1m**
Rent Cover[2]	**1.6x**

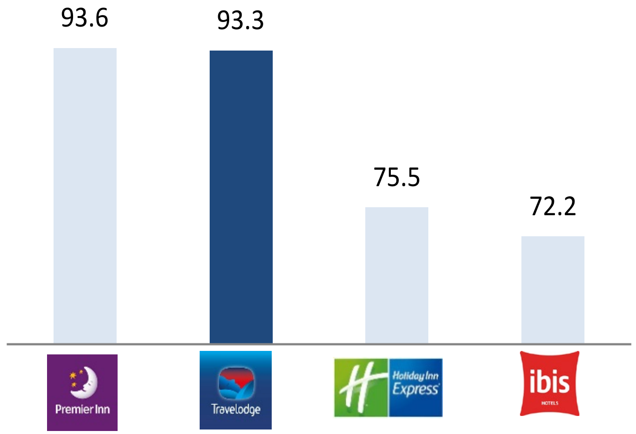


1. Occupancy, ADR and RevPAR for Travelodge UK leased Hotels only.
2. Represents the ratio of EBITDAR to net external rent payable.
3. Includes 10 hotels operated under management contracts.
4. Operations in island of Ireland under a master franchise.

Track Record of Class-Leading Performance

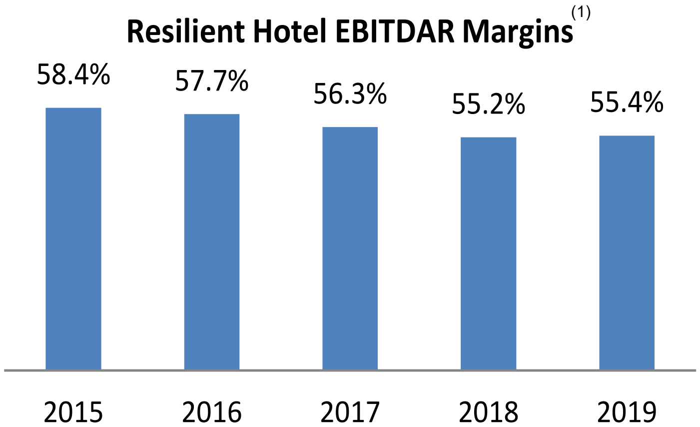
Leading brand at low cost driving outperformance and growth

Leading segment brand recognition in the UK

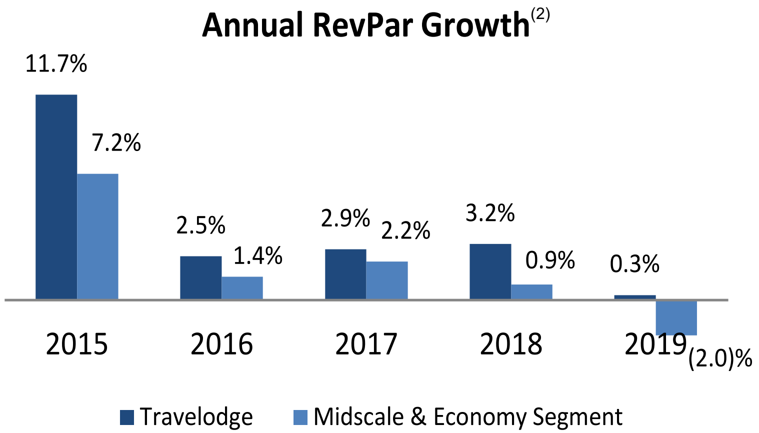


Source: YouGov BrandIndex, August 2020 - 12 week rolling average

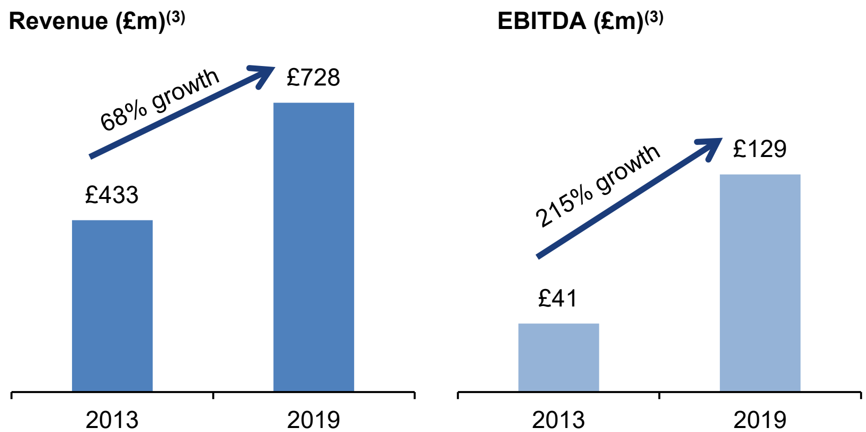
Class leading low cost model



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

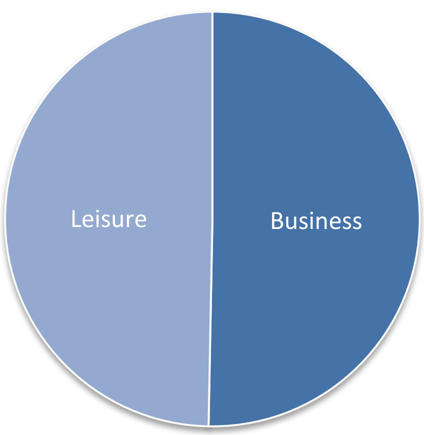
Capital investment of 7-8% of revenues [(1)]

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

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

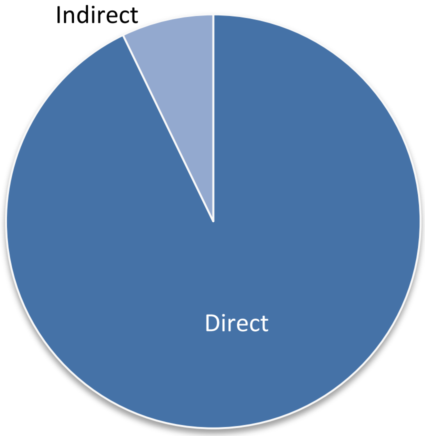
1. 2013-2019
2. Based on rooms

Diverse Customer Mix



Market leading direct distribution model

OTA's represent less than 1% of total revenue



FY 2019

Company Voluntary Arrangement 2020

Reminder of Key Terms

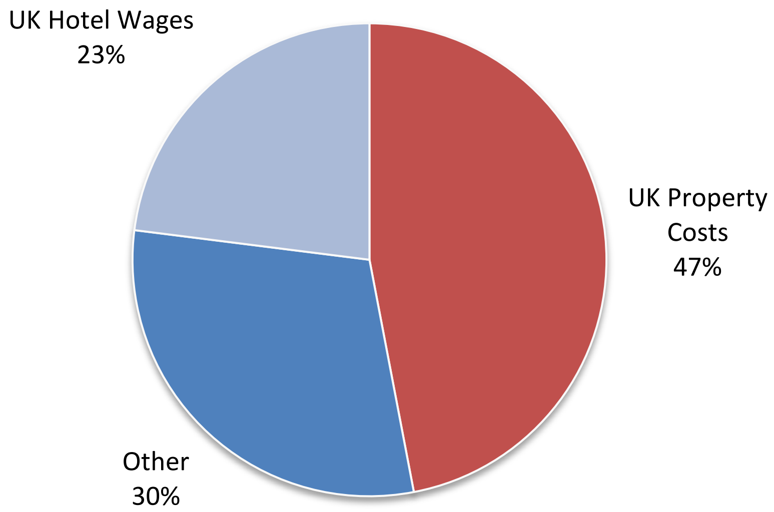
- CVA approved by creditors on 19 June 2020
- Temporary rent reductions of approximately £140m on full estate from March 2020 to December 2021
- Reminder of key terms:
  - No hotels closed
  - Temporary rent reductions in Cat B, C1 and C2 from March 2020 to December 2021
  - Move to monthly rather than 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

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 £130.7m as at 11 August
- 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