Trading Update Presentation

Results for the Nine Months Ended 30 September 2021

Travelodge
travelodge.co.uk

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Summary

Strong quarter 3 performance but continue to face uncertainty

- Increase in demand following lifting of all legal restrictions on 19 July 'Freedom Day'
- High levels of leisure demand over summer with a number of record trading weeks
- Significant benefit from reduced VAT rate
- Costs benefitting from strong cost control and reduced rents under the CVA

- Overall financial results for the quarter ended 30 September 2021 (vs 2019):
  - Overall Q3 revenue up 9.9% to £229.5m (2019: £208.8m) (2020: £88.2m)
  - LFL RevPAR[(1)] up 11.8% to £53.54 (2019: £47.89)
  - RevPAR growth[(1)] 17.8 pts ahead of competitive segment vs 2019 (10.5pts vs 2020)
  - EBITDA (adjusted)[(2)] profit of £87.0m (2019: profit of £57.5m) (2020: profit of £4.1m)

- 15 new hotels opened in the year to date

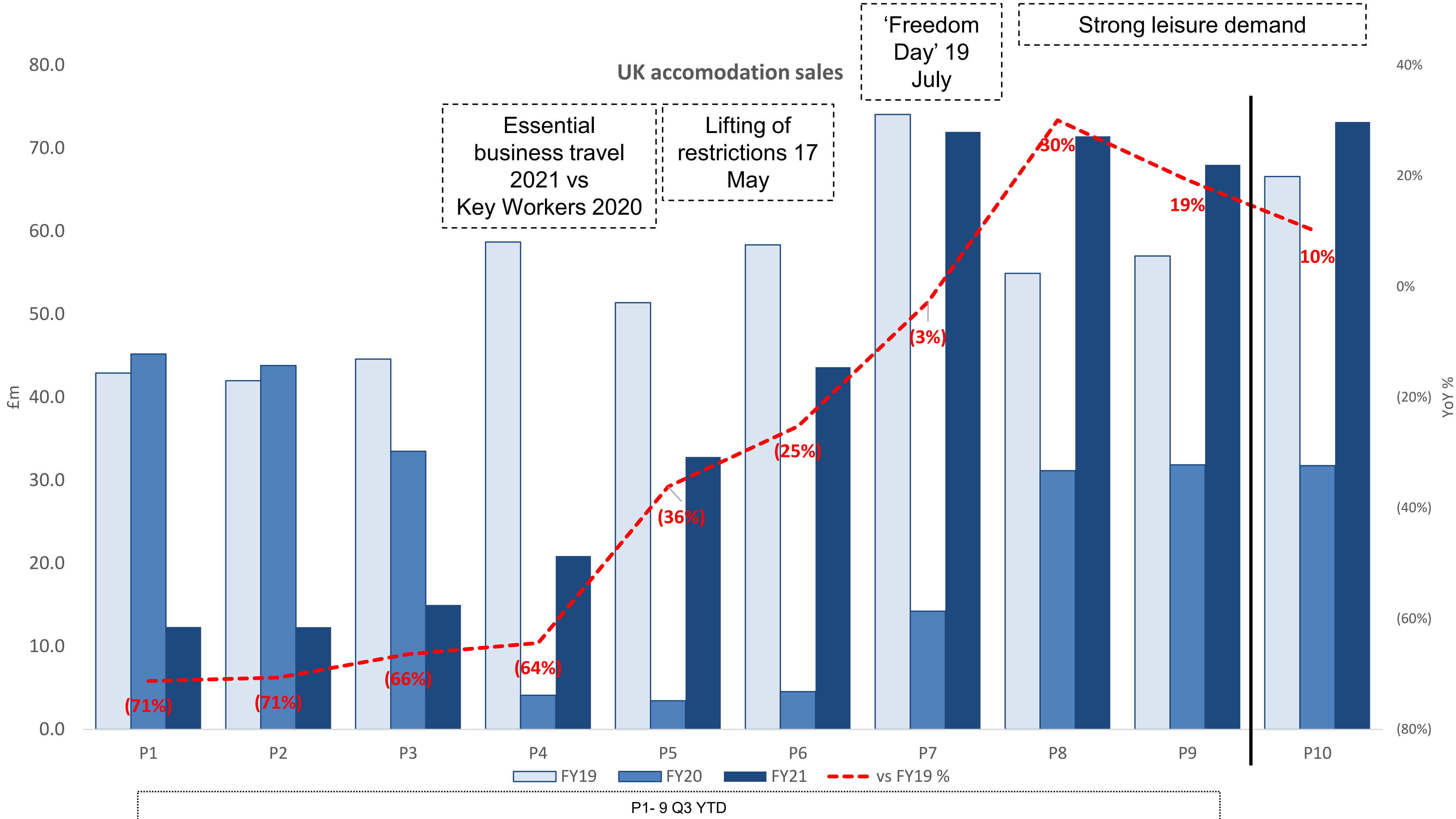
- Cash at 30 September of £151.4m

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 2021 vs. Q3 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.*

Q3 and Q3 YTD Results

Covid-19 Impact on Trading

Significant recovery in trading over high leisure demand months, ahead of 2019



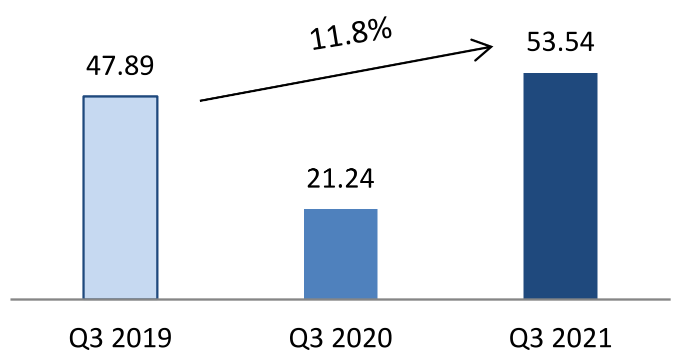
UK accommodation revenue (exc. management contracts) presented on management accounting periods (5/4/4 weekly basis)

Q3 Operating Metrics

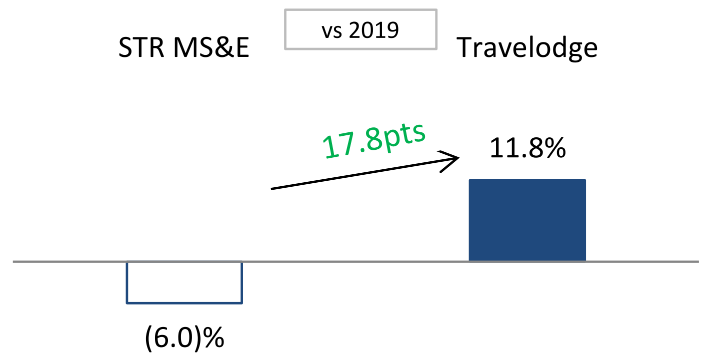
Strong Q3 trading performance driven by leisure demand, benefiting from reduced VAT rate

RevPAR increase driven by strong leisure demand

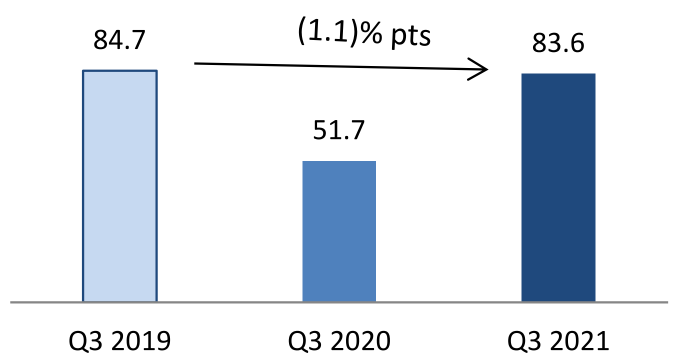
LFL[1] RevPAR (£)[2]



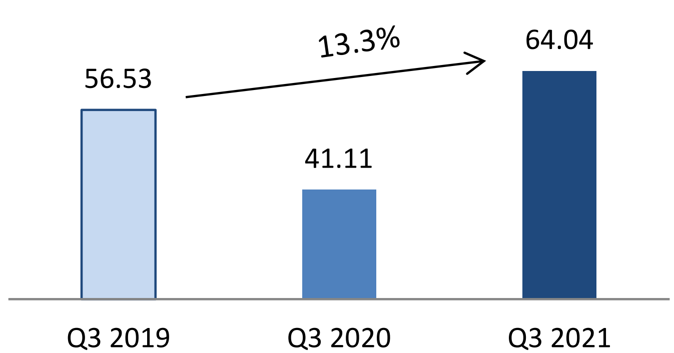
Q3 RevPAR Performance



LFL[1] Occupancy (%)[2]



LFL[1] ADR (£)[2]



Q3 2021 vs. Q3 2019

- **RevPAR:** like-for-like UK RevPAR increase of 11.8%
- **RevPAR vs Market: 17.8**pts outperformance against MSE segment
- **Occupancy:** occupancy decline (1.1)pts to 83.6%
- **ADR:** up 13.3% to £64.04

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 2021 vs. Q3 2020 and 2019 on the basis of RevPAR generated by hotels in the UK that were opened before 1 January 2019.

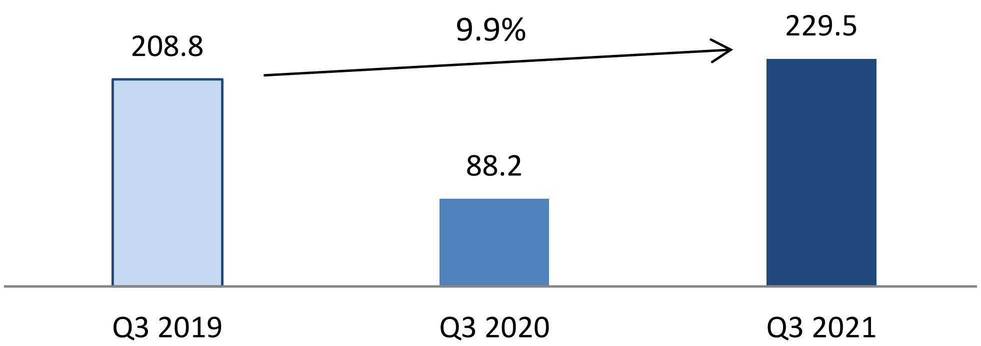
2. Occupancy, ADR and RevPAR for UK leased estate only.

Q3 Financial Results

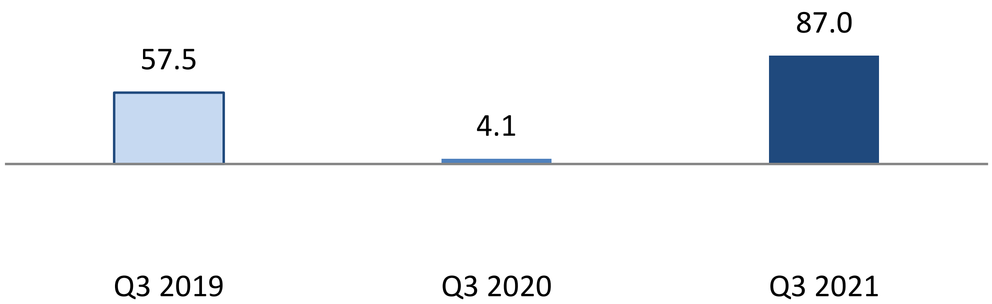
Record quarter 3 financial results

Revenue increase driving EBITDA growth

Revenue (£m)



EBITDA[(1)] (£m)



Q3 2021 vs. Q3 2019

- **Revenue** increase of 9.9%/£20.7m driven by strong leisure demand and benefit of reduced VAT rate
  - Like-for-like UK RevPAR increase of 11.8% with record levels in high demand tourism destinations
  - Spain down (48)%/£(1.9)m with reduced level of demand
- **EBITDA[(1)]** increased by £29.5m to a record profit of £87.0m driven by:
  - Revenue increases
  - Continued strong cost control and management of supply chain pressures
  - Temporary rent reductions under the CVA (c. £14m), utilisation of the job retention scheme (£2m)

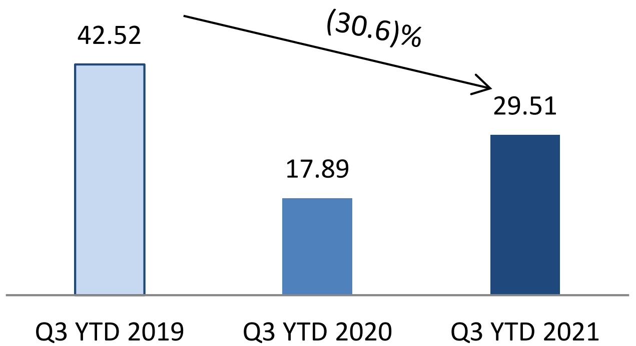
1. *EBITDA (adjusted) = Earnings before interest, tax, depreciation, amortisation and before rent adjustment and non-underlying items, before IFRS16. Non-underlying items have been removed as they relate to non-recurring, one-off items.*

Q3 YTD Operating Metrics

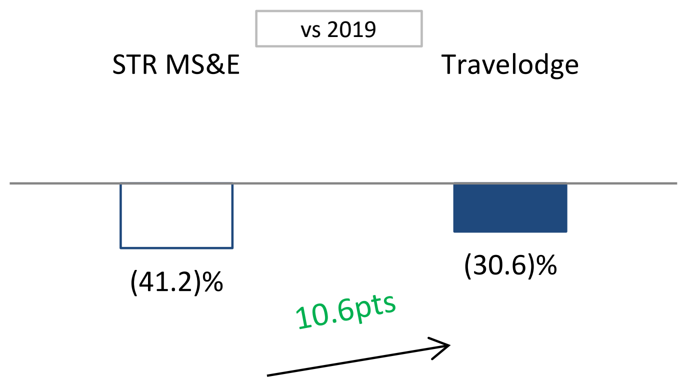
Track record of outperformance continues

RevPAR decline driven by the first half, due to hotel closures and Covid-19 restrictions

LFL[1] RevPAR (£)[2]



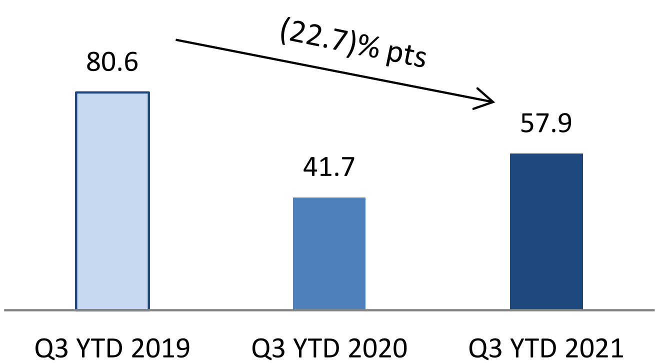
Q3 YTD RevPAR Performance



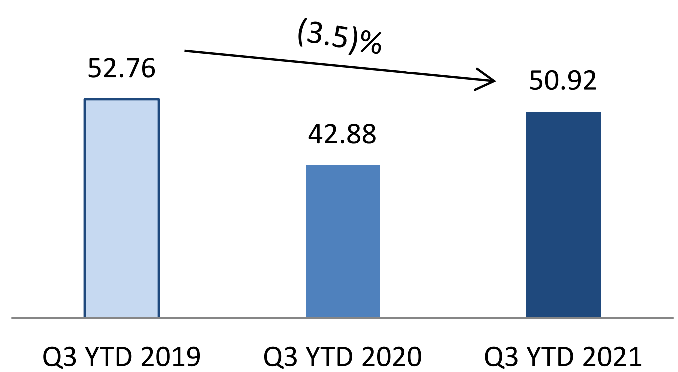
Q3 YTD 2021 vs. Q3 YTD 2019

- **RevPAR:** like-for-like UK RevPAR decline of (30.6)%
- **RevPAR vs Market: 10.6**pts outperformance against MSE segment
- **Occupancy:** occupancy decreased (22.7)pts to 57.9%
- **ADR:** down (3.5)% to £50.92

LFL[1] Occupancy (%)[2]



LFL[1] ADR (£)[2]



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 2021 vs. Q3 YTD 2020 and 2019 on the basis of RevPAR generated by hotels in the UK that were opened before 1 January 2019.

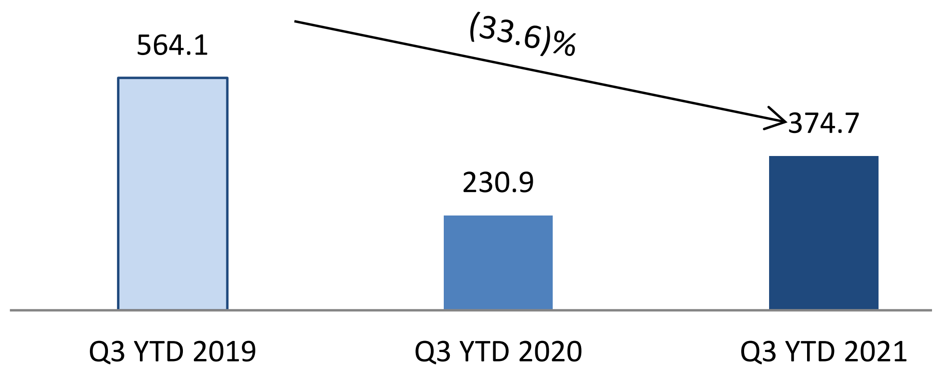
2. Occupancy, ADR and RevPAR for UK leased estate only.

Q3 YTD Financial Results

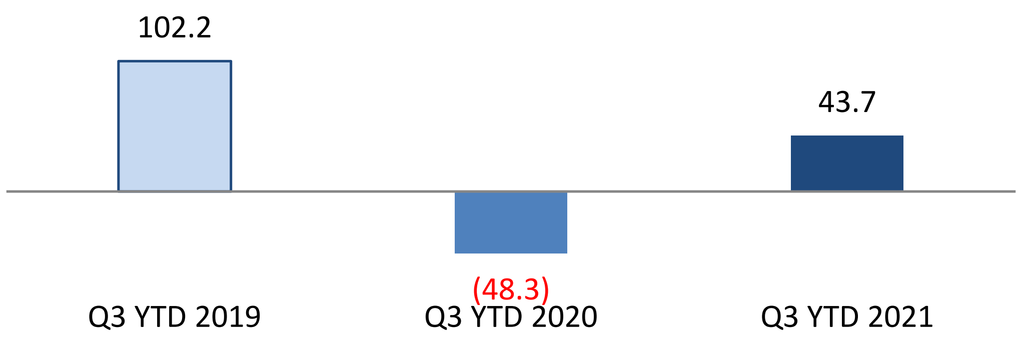
RevPAR recovery and cost control driving return to profitability

First half revenue declines impacting EBITDA

Revenue (£m)



EBITDA[(1)] (£m)



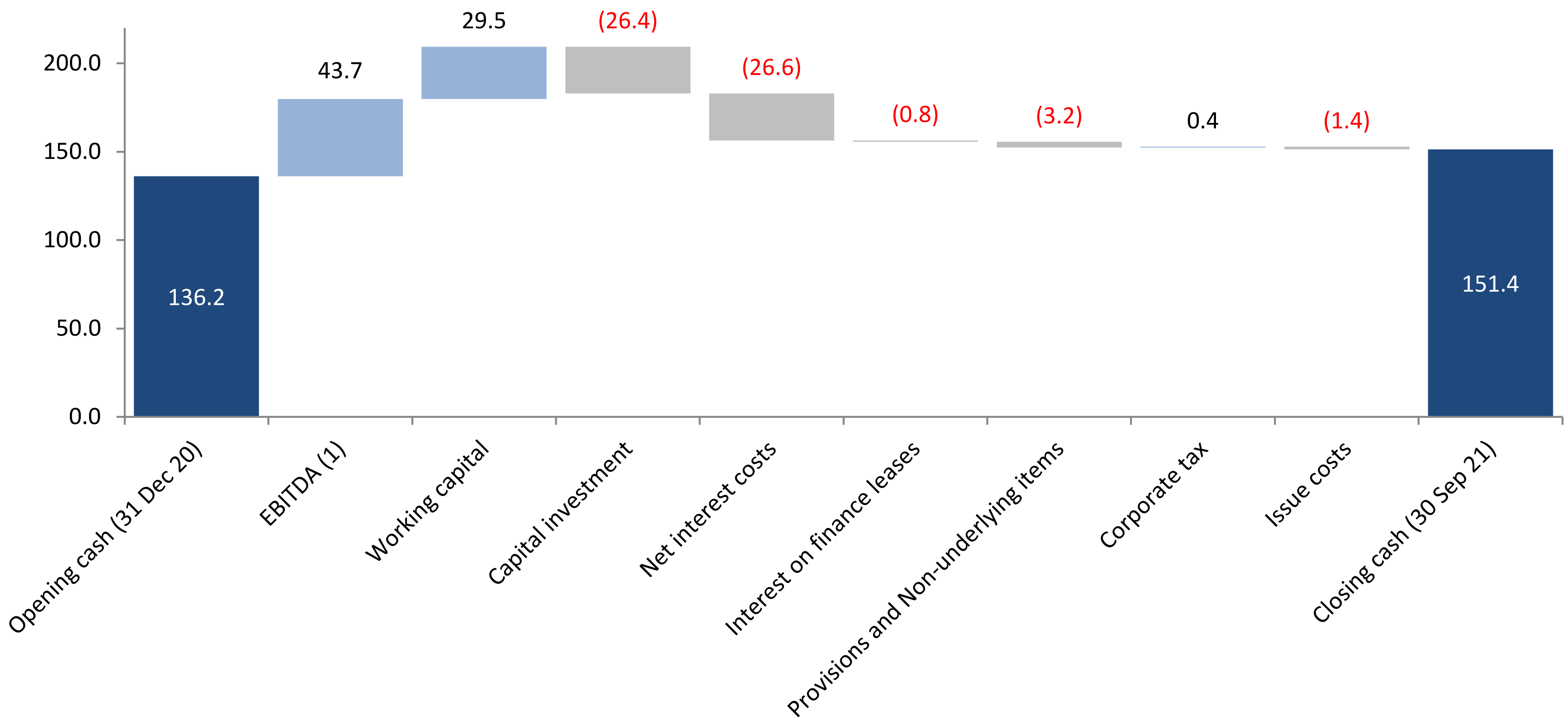
Q3 YTD 2021 vs. Q3 YTD 2019

- **Revenue** decrease of (33.6)%/£(189.4)m due to the impact of Covid-19:
  - Like-for-like UK RevPAR decline of (30.6)% with hotel closures and reduced levels of demand during first months of the year
  - Spain down (65)%/£(7.3)m with hotel closures
- **EBITDA[(1)]** decreased by £(58.5)m to a profit of £43.7m driven by:
  - Revenue declines
  - Partially offset by actions to reduce run-rate operating costs including strong cost control, temporary rent reductions under the CVA (c. £40m), utilisation of the job retention scheme (c. £21m), business rates holiday (£20m) and restart grants (£9m)

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.*

Q3 YTD Cash Flow

YTD cash inflow with the trading recovery driving an EBITDA profit and seasonal working capital inflow



- Cash inflow of £15.2m driven by EBITDA and working capital benefit offsetting capital investments and interest costs
- Working capital benefit mainly driven by increase in prepaid rooms of c. £29m, reflecting a more normal seasonal pattern with the trading recovery
- 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-Sep
Cash and Cash Equivalents	**151.4**
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	14.7
Total Third Party Indebtedness	**622.8**

Liquidity / Financial Ratios

- **Cash on Balance Sheet:** £151.4m at 30 September 2021
- **Pre-existing RCF**: £40m (fully drawn). Covenant holiday in place until and including 31 December 2021 (next test date March 2022, discussions to continue in early 2022 when final budget is available).
- **Super Senior Term Facility**: £60m facility fully funded in December 2020. No scheduled repayment of principal before maturity (July 2024) 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)

Note:
1. Before IFRS16
2. Super Senior Term Facility includes deferred fees of £1.9m and capitalised PIK interest of £1.2m

Recent Trading and Outlook

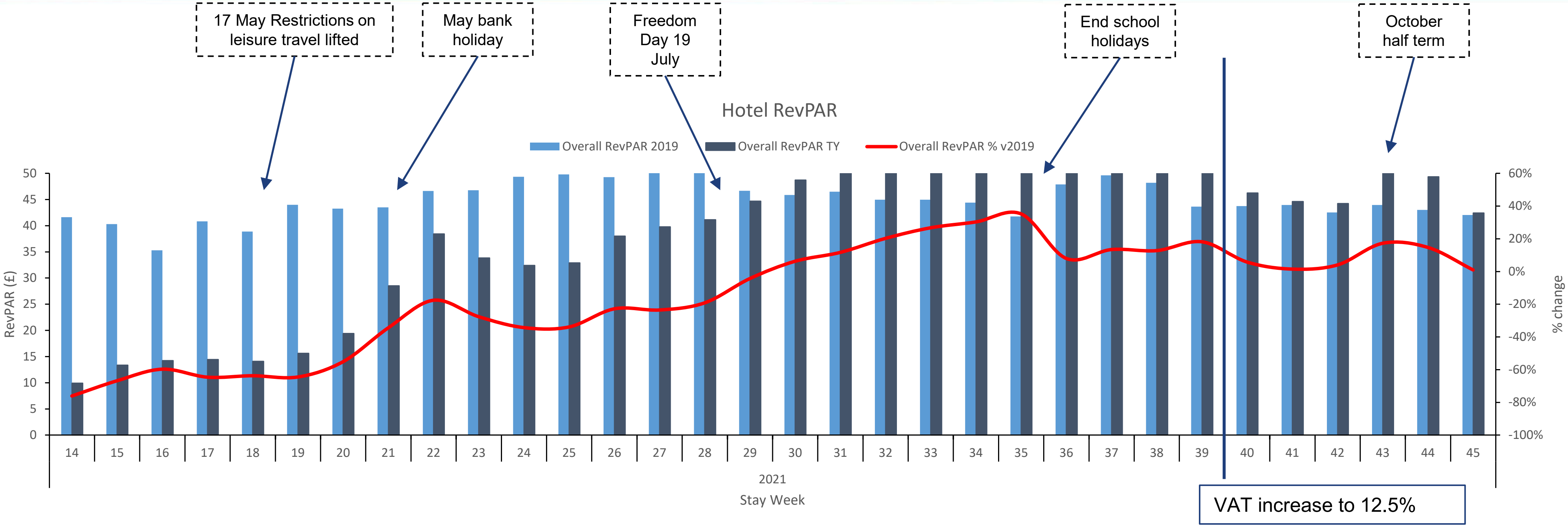
Recent Trading

Continued good leisure demand but return of corporate demand still unclear

- Continued leisure demand (though not at the summer peaks) supporting recent trading, but return of corporate demand still unclear
  - revenues in recent weeks still ahead of 2019 levels (but tempered vs the summer performance), driven by strong leisure demand and good ‘blue collar’ demand
  - strong regional performance offsetting continued weakness in central London
  - increase in VAT rate from 5.0% to 12.5% from 1 October impacting net ADR
  - gradual recovery in ‘white collar’ demand, outlook remains unclear
- Midscale and Economy segment continues to outperform UK hotel market (but tempered vs the Q3 performance)
  - benefiting from strong domestic leisure demand and focus on blue collar business
- 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)
  - strong cost control and management of supply chain challenges
  - control of capex
- Cash at 23 November of c. £210m
- 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

Recent Trading

Strong trading performance over summer with RevPAR's ahead of 2019 levels

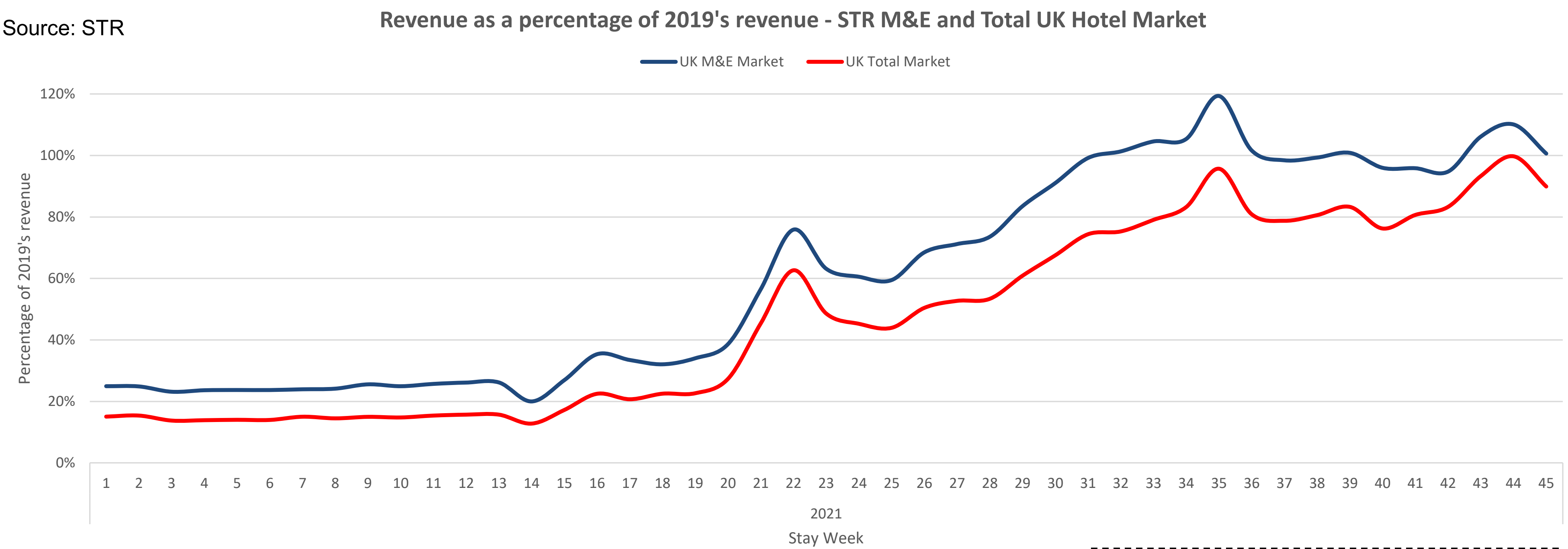


- Gradual recovery in RevPAR following lifting of leisure travel restrictions on 17 May
- Strong performance over summer months with peak RevPAR weeks up to 35% ahead of 2019 levels, driven by strong leisure demand and reduced VAT rate
- Strongest performance in high demand tourism destinations and weakest performance in central London
- Strongest demand during peak leisure periods

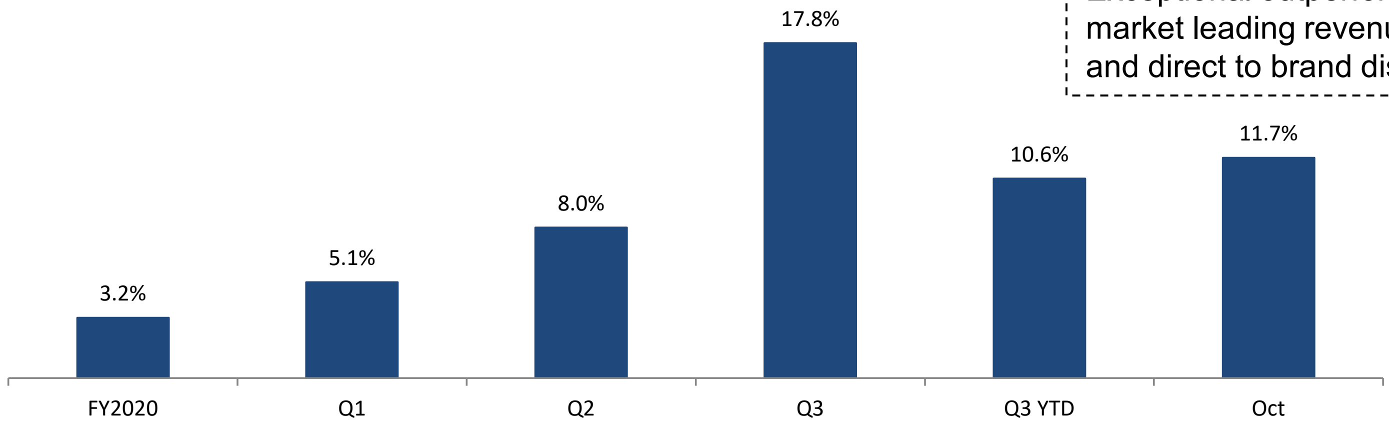
Revenue Outlook - Market

MSE segment has been demonstrating resilience and Travelodge has been outperforming

Source: STR



Exceptional outperformance driven by market leading revenue management and direct to brand distribution model



Source: STR – 2021 vs 2019

Outlook Considerations

Facing a wide range of potential outcomes

- Revenue: continued recovery expected into 2022

  - expect to return to 2019 levels of RevPAR during 2022

  - MS&E sector recovering strongly and proving to be more resilient – domestic travel focus, value proposition

  - staycation demand expected to sustain into 2022, albeit the patterns of behaviour might change

  - ‘blue collar’ business demand largely recovered, gradual recovery in ‘white collar’ business demand

  - VAT increase from 12.5% to 20.0% from 1 April 2022

  - 1% point of RevPAR growth vs 2019 impacts profits by c. £6m

- Costs: largely fixed cost base

  - temporary rent reductions under CVA until end 2021

  - National Living Wages increase from April 2022, additional NI contributions, increased inflationary pressures

  - supply chain pressures

- Capex: expecting £60-70m in 2022

  - expecting to restart refit programme in early 2022

  - continued focus on health and safety and maintenance, as well as IT and development

  - includes investment in return generating projects, including energy efficiency

  - will be reviewed in line with trading conditions

- New openings

  - expect to open six new hotels in 2022, new deals impacted by Covid-19 in 2020

  - returning to more normal levels thereafter

Summary

Record Q3 results, still uncertainty ahead but long term prospects remain attractive

- Strong summer trading performance delivering record Q3 financial results
- Segment continues to recover strongly, Travelodge track record of outperformance continues
- Cash position strong

- Forecasting to return to 2019 RevPAR levels during 2022
- Expecting strong domestic leisure demand, offset by slower recovery in ‘white collar’ demand
- VAT rate increase from 1 April expected to impact net ADR
- Facing a number of cost headwinds

- Well-positioned to benefit in recovery

  - large and diversified network of hotels

  - strong brand, direct distribution model and value proposition

  - 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 593 hotels (as at 30 September 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 September 2021)

United Kingdom

London
- 78 Hotels
- 9,706 Rooms
- 22% of total Rooms

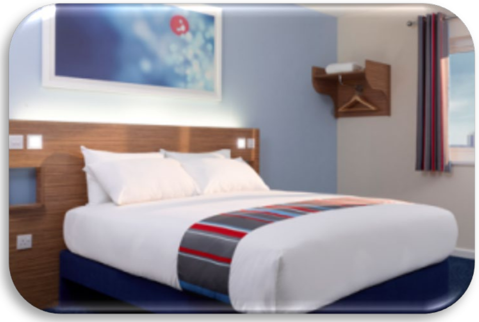
Regions[3]
- 500 Hotels
- 34,125 Rooms
- 77% of total Rooms

International

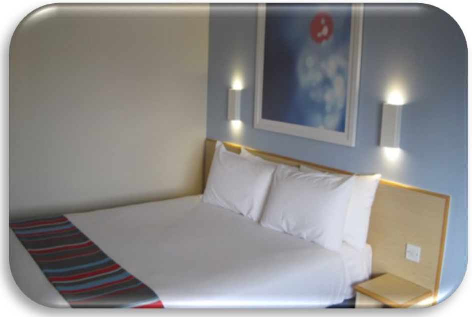
Spain
- 5 Hotels
- 621 Rooms
- 1% of total Rooms

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

Travelodge



Key Statistics (FY2019)	
Hotels (30 September 2021)	**593**
Rooms (30 September 2021)	**45,285**
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**

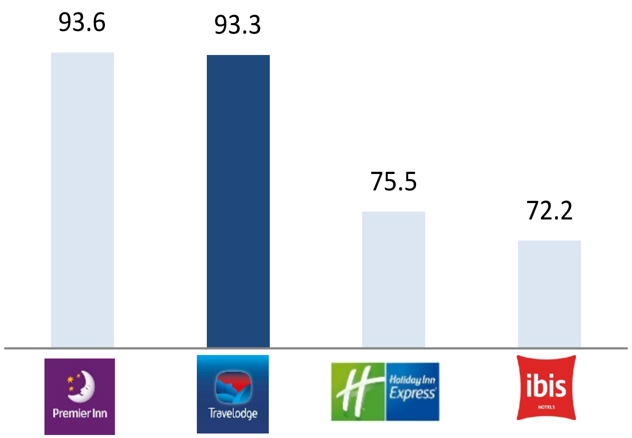


1. *Occupancy, ADR and RevPAR for Travelodge UK leased Hotels only.*
2. *Represents the ratio of EBITDAR to net external rent payable.*
3. *Includes 10 hotels operated under management contracts.*
4. *Operations in island of Ireland under a master franchise.*

Track Record of Class-Leading Performance

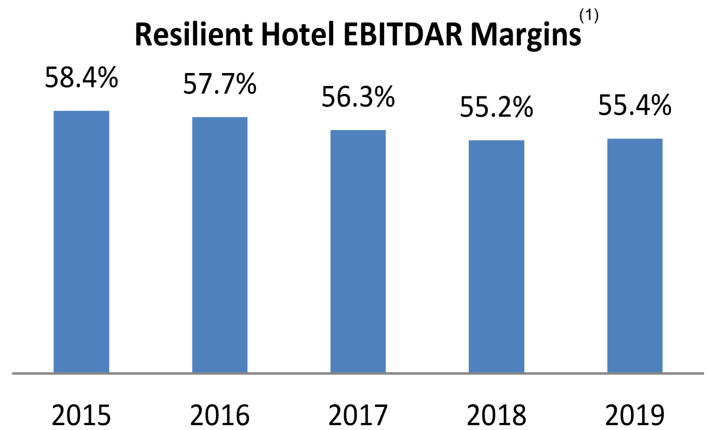
Leading brand at low cost driving outperformance and growth

Leading segment brand recognition in the UK

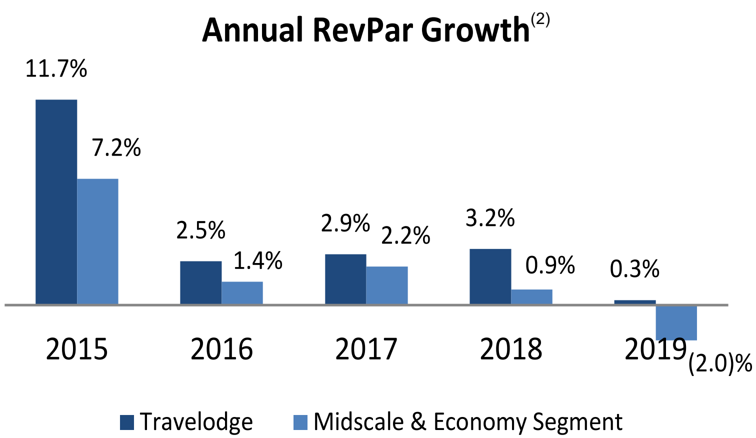


Source: YouGov BrandIndex, August 2020 - 12 week rolling average

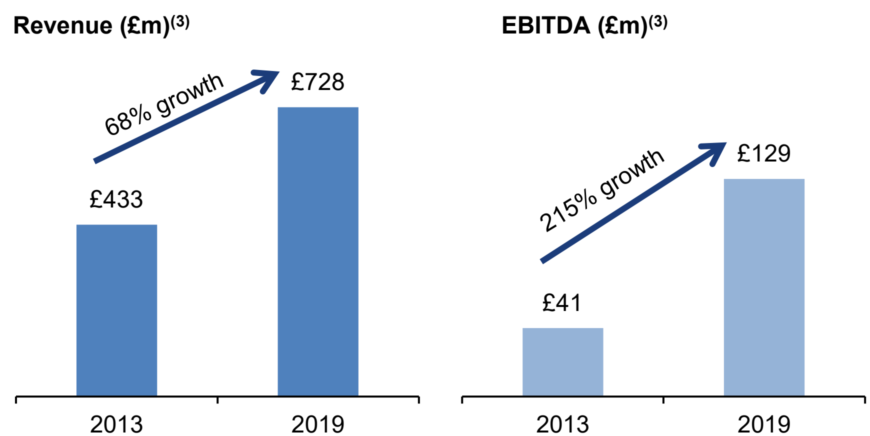
Class leading low cost model



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

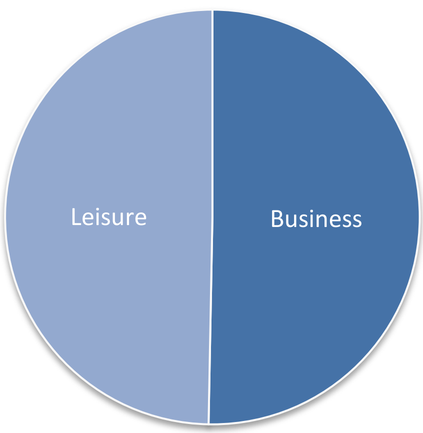
Capital investment of 7-8% of revenues (1)

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*

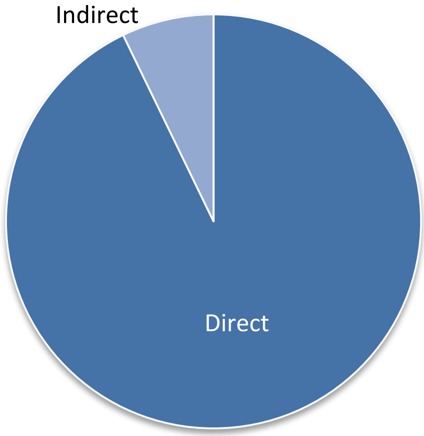
Diverse Customer Mix



FY 2019

Market leading direct distribution model

OTA's represent less than 1% of total revenue



Company Voluntary Arrangement 2020

Reminder of Key Terms

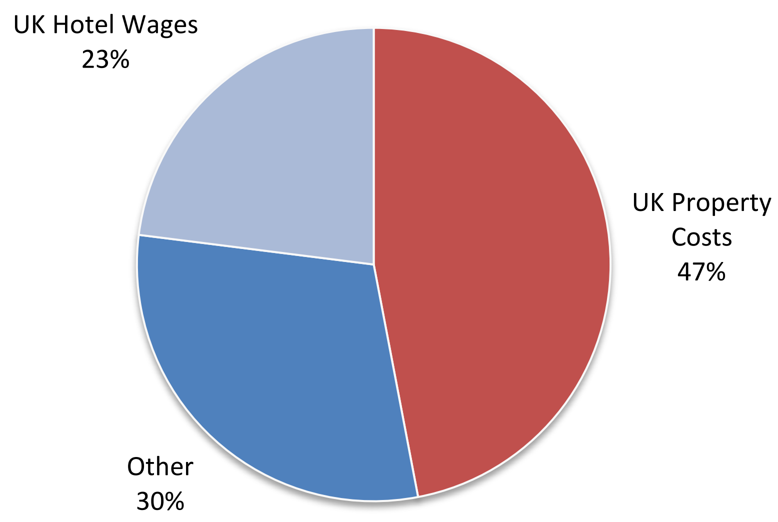
- CVA approved by creditors on 19 June 2020
- Temporary rent reductions of approximately £140m on full estate from March 2020 to December 2021
- Reminder of key terms:
  - No hotels closed
  - Temporary rent reductions in Cat B, C1 and C2 from March 2020 to December 2021
  - Move to monthly rather than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

Operating cost movements

Run-rate weekly costs of £8-12m

Property costs

- Rent expected to be £230m - £240m depending on RPI/CPI impact on rent reviews and timing of new openings
- Business rates 50% discount in October 2021 Budget capped at £110k per company

UK Hotel Wages

- NLW increases in April 2022 of 6.6%

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