Trading Update Presentation

Results for the Year Ended 31 December 2021

Release: 31 March 2022

Travelodge

travelodge.co.uk

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Forward-looking statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions which are difficult to predict and outside of the control of the management of the Company. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. We have based these assumptions on information currently available to us, if any one or more of these assumptions turn out to be incorrect, actual market results may differ from those predicted. While we do not know what impact any such differences may have on our business, if there are such differences, our future results of operations and financial condition, and the market price of the notes, could be materially adversely affected. You should not place undue reliance on these forward-looking statements. All subsequent written and oral forward-looking statements attributable to the Company or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements referenced above. Forward-looking statements speak only as of the date on which such statements are made. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events.

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Summary

2021 significantly impacted by Covid-19, Travelodge recovered strongly and continued to outperform

- Significant impact on trading due to Covid-19 restrictions in place for most of the first half
- 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 and strong recovery in "blue collar" demand continuing into Q4
- Significant benefit from reduced VAT rate
- Costs benefitting from strong cost control, reduced rents under the CVA and government support

- Overall financial results for the year ended 31 December 2021 (vs 2019):

  - Total underlying revenue down (23.1)% to £559.8m (2019: £727.9m) (2020: £284.4m)

  - LFL RevPAR(1) down (21.5)% to £33.05 (2019: £42.09)

  - RevPAR growth(1) 10.8 pts ahead of competitive segment vs 2019 (10.8pts vs 2020)

  - EBITDA (adjusted)(2) profit of £81.1m (2019: profit of £129.1m) (2020: loss of £74.0m)

- Cash at 31 December of £142.8m

- 17 new hotels opened in the year

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 2021 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 phasing adjustment, non-underlying items and reflective of the position in line with historic accounting principles (before IFRS16). 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.*

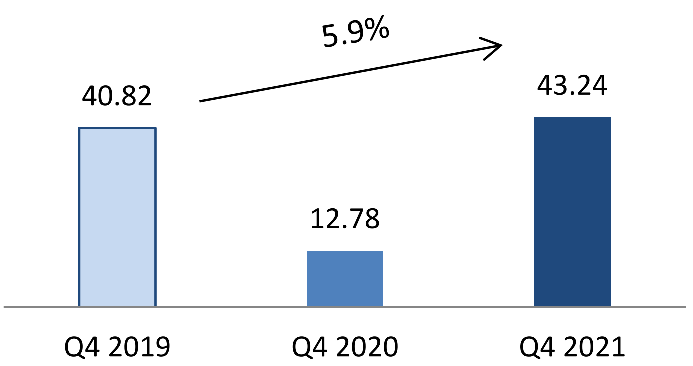
Q4 and FY Results

Q4 Operating Metrics

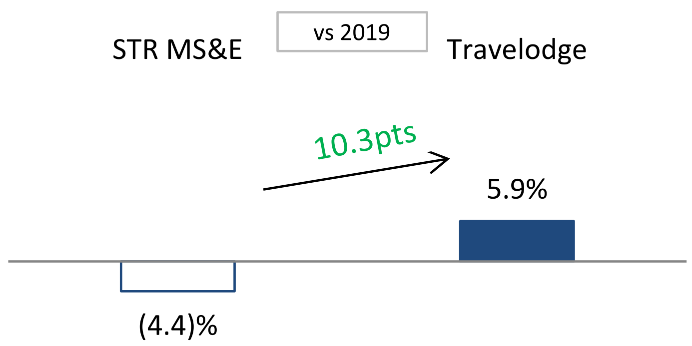
Strong Q4 performance driven by strong leisure demand and continued outperformance, also benefiting from the reduced VAT rate

RevPAR increase driven by strong leisure demand

LFL[1] RevPAR (£)[2]



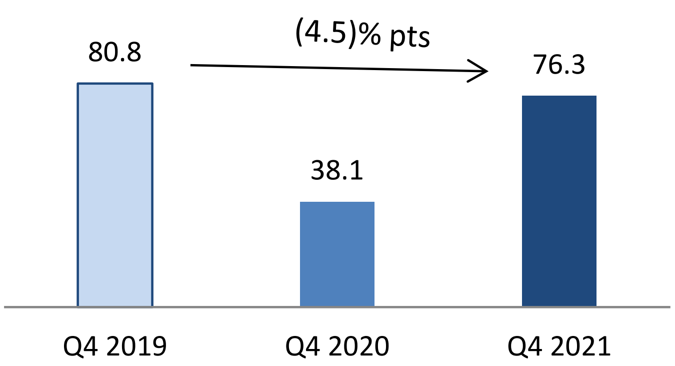
Q4 RevPAR Performance



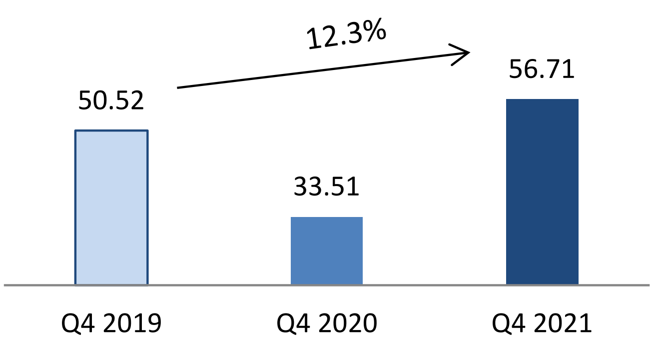
Q4 2021 vs. Q4 2019

- **RevPAR:** like-for-like UK RevPAR increase of 5.9%
- **RevPAR vs Market: 10.3**pts outperformance against MSE segment
- **Occupancy:** occupancy decline (4.5)pts to 76.3%
- **ADR:** up 12.3% to £56.71

LFL[1] Occupancy (%)[2]



LFL[1] ADR (£)[2]



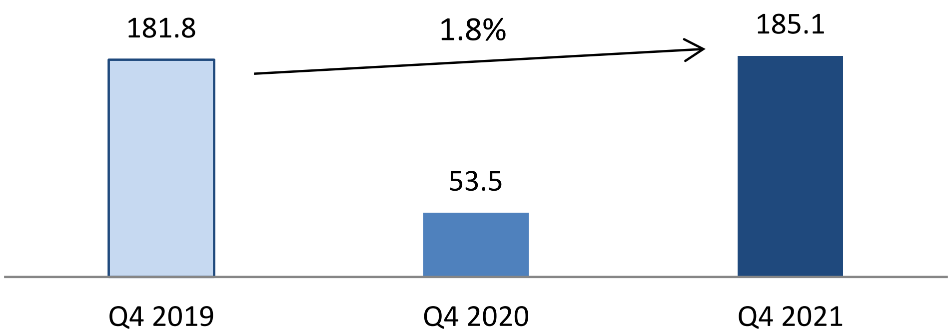
1. RevPAR is computed as the product of the Average Daily Rate for a specified period multiplied by the Occupancy for that period. Like-for-like (LFL) RevPAR compares the RevPAR in Q4 2021 vs. Q4 2020 and 2019 on the basis of RevPAR generated by hotels in the UK that were opened before 1 January 2019.
2. Occupancy, ADR and RevPAR for UK leased estate only.

Q4 Financial Results

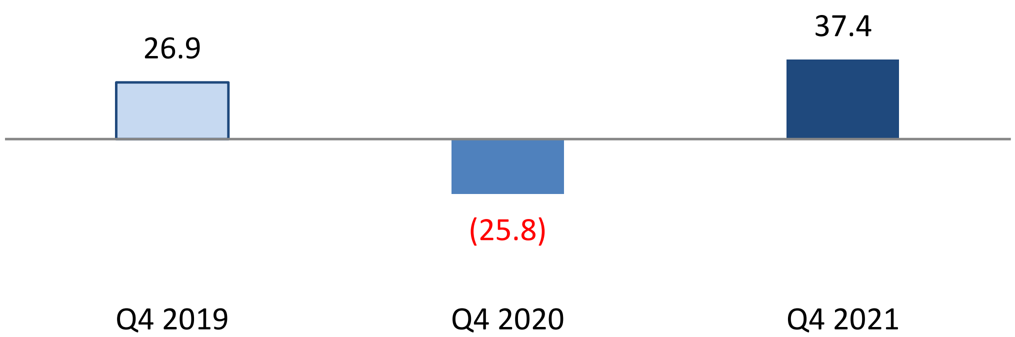
Record quarter 4 financial results

Revenue growth and temporary rent reductions delivering EBITDA above 2019 levels

Revenue[1] (£m)



EBITDA[2] (£m)



Q4 2021 vs. Q4 2019

- **Revenue** increase of 1.8%/£3.3m driven by strong leisure demand and benefit of reduced VAT rate
  - Like-for-like UK RevPAR increase of 5.9% driven by strong leisure and "blue collar" business demand
  - F&B impacted by customer mix
  - Spain down (38)%/£(1.4)m with reduced level of demand
- **EBITDA[1]** increased by £10.5m to a record profit of £37.4 driven by:
  - Revenue increases
  - Continued strong cost control and management of supply chain pressures
  - Temporary rent reductions under the CVA (c. £14m)

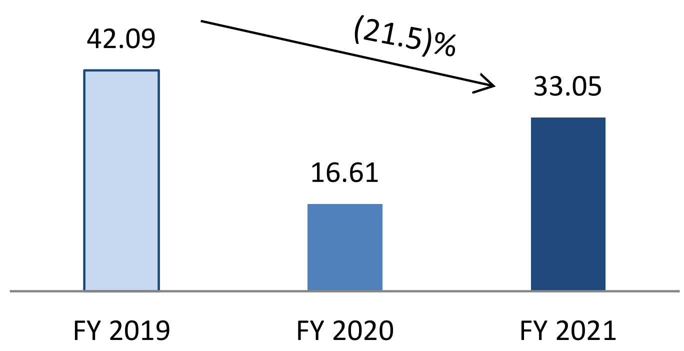
1. *Total underlying revenue.*
2. *EBITDA (adjusted) = Earnings before interest, tax, depreciation, amortisation and before rent phasing adjustment, non-underlying items and reflective of the position in line with historic accounting principles (before IFRS16). This measure reflects the rent reductions 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.*

FY Operating Metrics

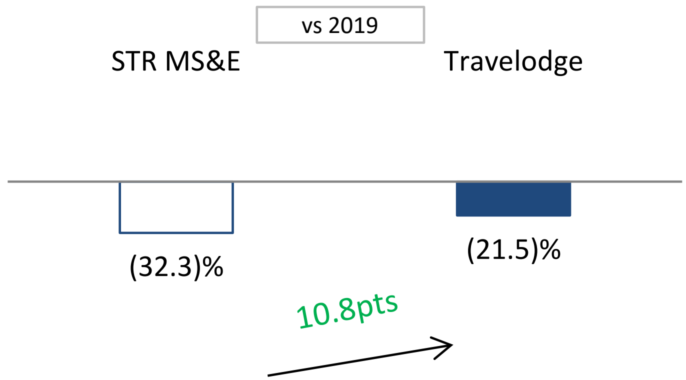
Track record of outperformance continues

RevPAR decline driven by Covid-19 restrictions in the first half, partially offset by strong leisure demand in the second half

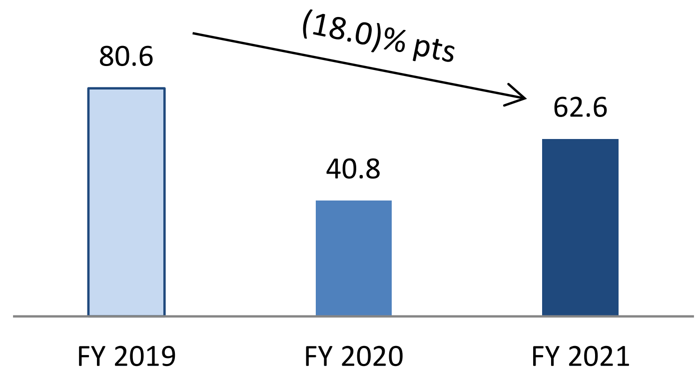
LFL[1] RevPAR (£)[2]



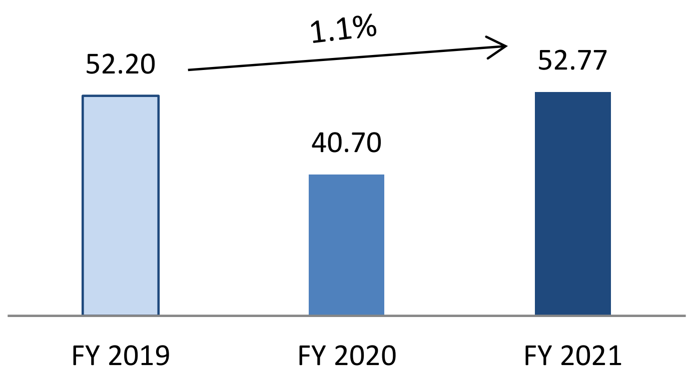
FY RevPAR Performance



LFL[1] Occupancy (%)[2]



LFL[1] ADR (£)[2]



FY 2021 vs. FY 2019

- **RevPAR:** like-for-like UK RevPAR decline of (21.5)%
- **RevPAR vs Market: 10.8**pts outperformance against MSE segment
- **Occupancy:** occupancy decreased (18.0)pts to 62.6%
- **ADR:** up 1.1% to £52.77

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

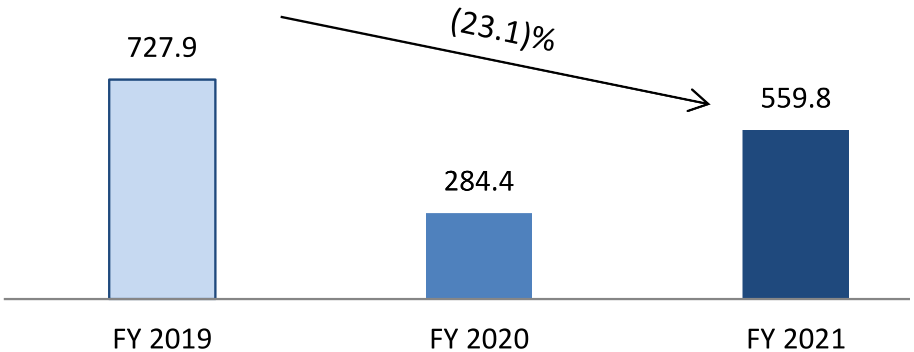
2. Occupancy, ADR and RevPAR for UK leased estate only.

FY Financial Results

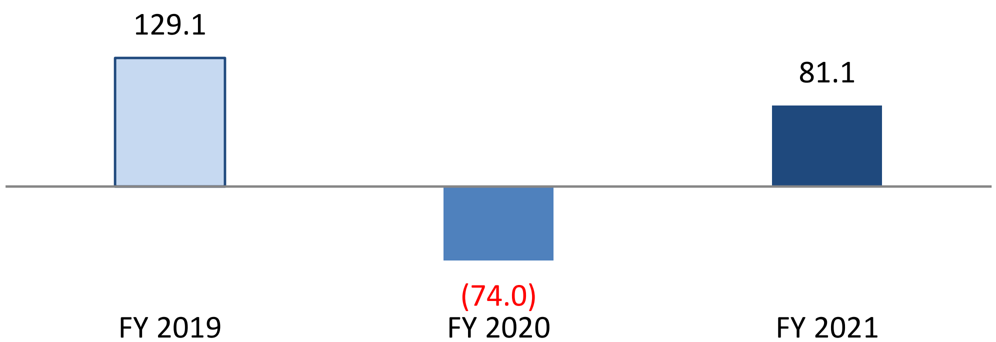
RevPAR recovery and cost control driving return to profitability

First half revenue declines impacting EBITDA

Revenue[1] (£m)



EBITDA[2] (£m)



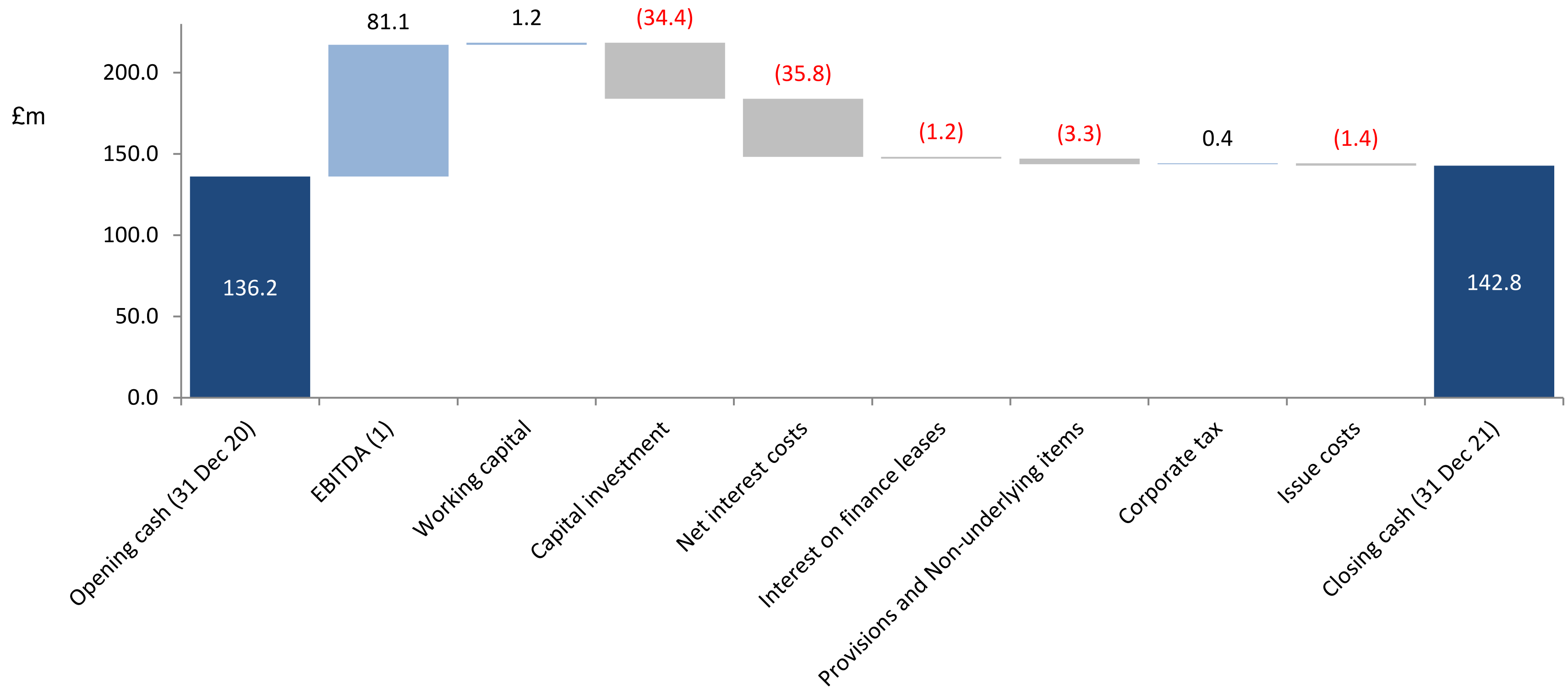
FY 2021 vs. FY 2019

- **Revenue** decrease of (23.1)%/£(168.1)m due to the impact of Covid-19:
  - Like-for-like UK RevPAR decline of (21.5)% with hotel closures and reduced levels of demand during first months of the year
  - F&B impacted by bar café closures, restrictions and customer mix
  - Spain down (59)%/£(8.7)m with hotel closures
- **EBITDA[1]** decreased by £(48.0)m to a profit of £81.1m 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. £55m), utilisation of the job retention scheme (c. £21m), business rates holiday (£20m) and restart grants (£10m)

1. *Total underlying revenue.*
2. *EBITDA (adjusted) = Earnings before interest, tax, depreciation, amortisation and before rent phasing adjustment, non-underlying items and reflective of the position in line with historic accounting principles (before IFRS16). 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.*

FY Cash Flow

Cash inflow driven by EBITDA offset by capital investment and interest costs



- Cash inflow of £6.6m mainly EBITDA offset by capital investments and interest costs
- Working capital benefit mainly driven by increase in prepaid rooms reflecting a more normal seasonal pattern in line with the trading recovery partially offset by a return to full rents payable quarterly in advance
- 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 phasing adjustment, non-underlying items and reflective of the position in line with historic accounting principles (before IFRS16). 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.*

Net Debt and Leverage

Solid liquidity position

Debt (£m)

£m	31-Dec
Cash and Cash Equivalents	**142.8**
Revolving credit facility	40.0
Super senior term loan	63.1
Senior secured floating rate bond	440.0
Senior secured fixed rate bond	65.0
Senior Secured Debt	**608.1**
Finance leases	14.7
Total Third Party Indebtedness	**622.8**

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

Liquidity / Financial Ratios

Year End Position:

- **Cash on balance sheet:** £142.8m at 31 December 2021
- **RCF**: £40m (fully drawn) at 31 December 2021
- **Letter of credit facility:** £30m (£27.7m utilised)

Post year end update:

- £8m RCF repayment March 2022
- Super senior term loan deferred fees of £1.9m paid in January 2022
- Agreed revised stepped maintenance covenant tests with RCF lender from 31 March 2022 to 30 June 2023 inclusive
- Cash at 23 March 2022 c. £192m (before quarterly rent and other month end payments)
- Interest cap: notional £300m cap, strike rate 1.5% LIBOR, terminates 15 October 2022
- All relevant debt transitioned from LIBOR to SONIA

Recent Trading and Outlook

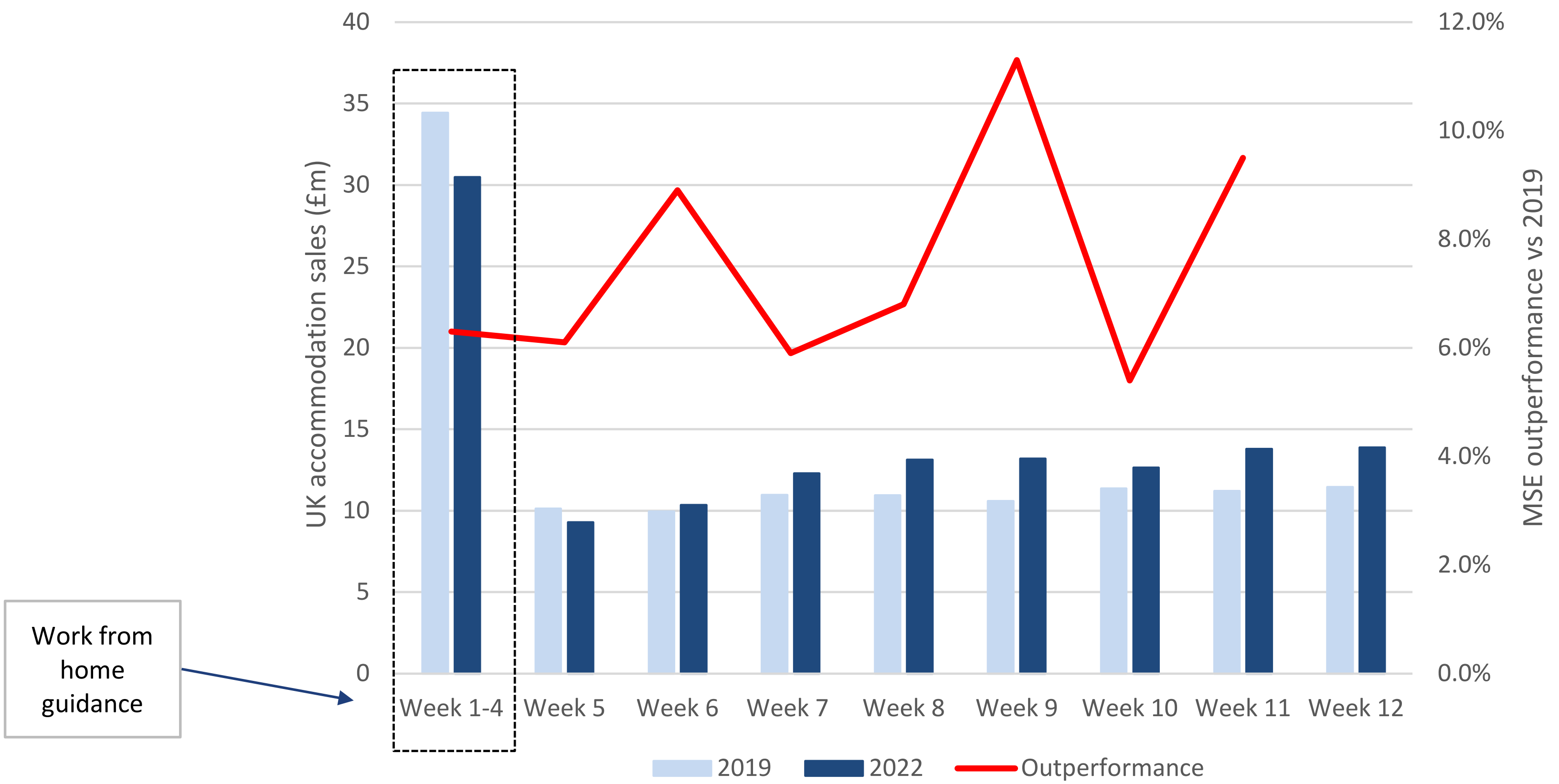
Recent Trading

First weeks impacted by Omicron with trading in recent weeks ahead of 2019 levels and continuing to outperform

- Covid-19 work from home guidance impacted trading in January with revenue down around 10% on 2019 levels
- Following the lifting of the work from home guidance from 27 January 2022 trading almost immediately began to exceed 2019 levels from early February
  - revenues in recent weeks ahead of 2019 levels, driven by strong leisure demand and good ‘blue collar’ demand
  - pace of recovery of corporate white collar demand still unclear
  - strong regional performance, with Central London slower to recover, especially mid-week
  - 12.5% VAT rate until 31 March 2022, then reverts to 20%
  - early indications of room rate increases being realised
- Midscale and Economy segment continues to outperform UK hotel market
  - benefiting from strong domestic leisure demand and focus on blue collar business
- Travelodge continues to outperform the segment
- Continue to manage costs and cash
  - strong cost control and management of supply chain challenges
  - control of capex
- Cash at 23 March of c. £192m (before quarterly rent and other month end payments)

Recent Trading

Revenues ahead of 2019 levels, continued track record of outperformance



- Revenues down c. 10% during work from home guidance for most of January
- Strong recovery following lifting of all restrictions from 26 January and almost immediately ahead of 2019 revenue levels by early February, benefiting from lower VAT rate
- Driven by strong leisure and "blue collar" demand, including good Central London leisure demand on weekends, offsetting the slower recovery of "white collar" demand mid-week
- Outperforming the MSE segment by c. 7pts year to date, in both the Regions and London
- Early indications of inflation driven rate increases

Source: Company information, STR

Outlook Considerations

Recovery in revenues offset by significant cost pressures, facing a range of potential outcomes

- Revenue: continued recovery expected into 2022

  - 2022 full year RevPAR expected to recover to 2019 levels on average
  - MS&E sector recovered and now ahead of 2019 levels – domestic travel focus, value proposition
  - strong leisure trading expected, driven by staycation demand
  - ‘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 have ended
  - National Living Wages increase from April 2022, additional NI contributions, increased inflationary pressures
  - supply chain pressures

- Capex: expecting c. £70m in 2022

  - restarted refit programme with new look and feel rooms
  - continued focus on health and safety and maintenance, as well as IT and development
  - includes investment in projects, including energy efficiency
  - will be reviewed in line with trading conditions

- New openings

  - expect to open six new UK leased hotels and one Irish franchise in 2022, new deals impacted by Covid-19 in 2020
  - returning to more normal levels thereafter

Refit programme

New look and feel rooms

Summary

Strong recovery, well positioned to benefit in the expected recovery

- 2021 recovery driven by strong leisure and “blue collar” demand
- Segment recovered strongly, Travelodge track record of outperformance continues
- Cash position strong

- 2022 full year RevPAR expected to recover to 2019 levels on average
- 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

- Facing a range of potential outcomes but long term prospects for budget hotels remain attractive and Travelodge is well positioned to benefit in the expected recovery

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 31 Dec 2021) and serving 16m business and leisure customers in 2021
- Well invested estate
- 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 2021)

United Kingdom

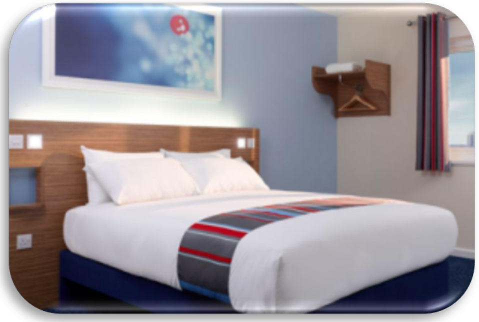
London
- 77 Hotels
- 9,399 Rooms
- 22% of total Rooms

Regions[3]
- 500 Hotels
- 34,131 Rooms
- 77% of total Rooms

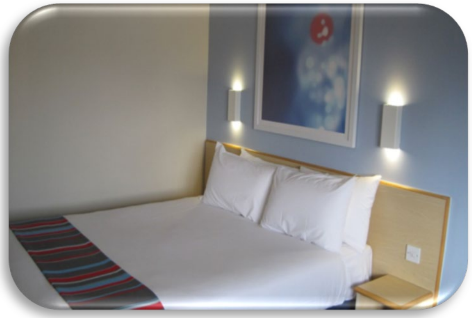
International

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

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



Key Statistics (FY2019)	
Hotels (31 December 2021)	**592**
Rooms (31 December 2021)	**44,984**
Occupancy[1]	**80.6%**
ADR[1]	**£51.82**
RevPAR[1]	**£41.75**
Revenue	**£727.9m**
EBITDAR	**£337.8m**
EBITDA (adjusted)[5]	**£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.
5. EBITDA (adjusted) = Earnings before interest, tax, depreciation, amortisation and before rent phasing adjustment, non-underlying items and reflective of the position in line with historic accounting principles (before IFRS16). 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.

2021 Trading Performance