Trading Update Presentation

Results for the Quarter Ended 31 March 2022

Release: 24 May 2022

Travelodge

travelodge.co.uk

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Summary

Strong trading performance and continued outperformance with revenues ahead of 2019 levels

- First weeks of the year impacted by the Covid-19 work from home guidance
- Following lifting of restrictions, trading quickly recovered, exceeding 2019 revenue levels
- Strong leisure and “blue collar” demand more than offsetting the more gradual recovery in “white collar” demand
- Unrivalled track record of outperformance continues
- Benefited from reduced VAT rate in Q1
- Strong cost control, but inflationary pressure

- Overall financial results for the quarter ended 31 March 2022 (vs 2019):

  - Total underlying revenue up 7.0% to £155.4m (2019: £145.2m) (2021: £41.7m)

  - LFL RevPAR(1) up 4.3% to £36.57 (2019: £35.05) (2021: £10.39)

  - RevPAR growth(1) 7.6 pts ahead of competitive segment vs 2019

  - EBITDA (adjusted)(2) profit of £4.9m (2019: profit of £1.7m) (2021: loss of £46.1m)

- Cash at 31 March of £154.2m

- 3 new hotels opened in the quarter, including one Irish franchise

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 2022 vs. Q1 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.*

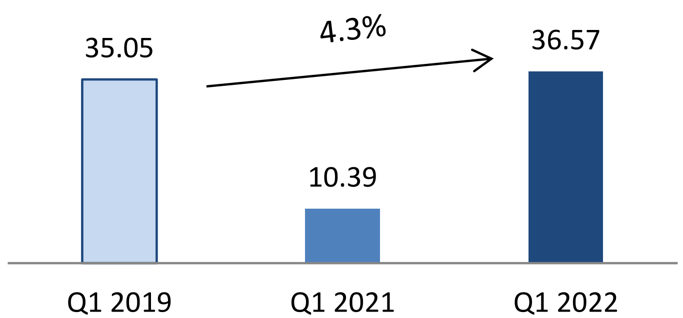
Q1 Results

Q1 Operating Metrics

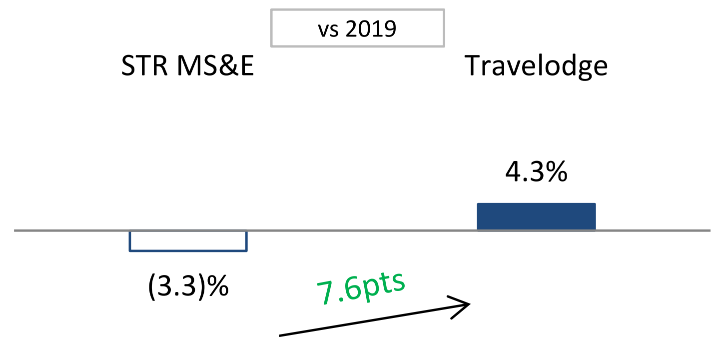
Strong leisure demand and blue collar recovery combined with continued outperformance driving excellent Q1 performance, also benefiting from the reduced VAT rate

RevPAR increase driven by strong leisure demand

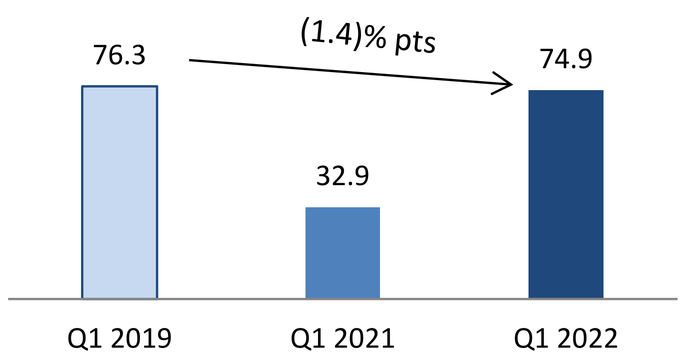
LFL[1] RevPAR (£)[2]



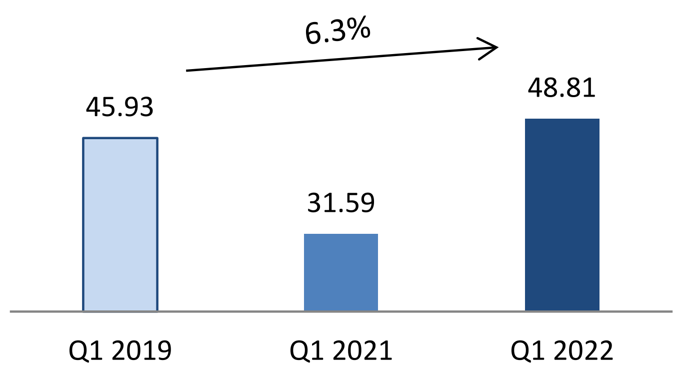
Q1 RevPAR Performance



LFL[1] Occupancy (%)[2]



LFL[1] ADR (£)[2]



Q1 2022 vs. Q1 2019

- **RevPAR:** like-for-like UK RevPAR increase of 4.3%
- **RevPAR vs Market: 7.6**pts outperformance against MSE segment
- **Occupancy:** occupancy decline (1.4)pts to 74.9%, impacted by work from home guidance in the first few weeks(3)
- **ADR:** up 6.3% to £48.81

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 2022 vs. Q1 2021 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.

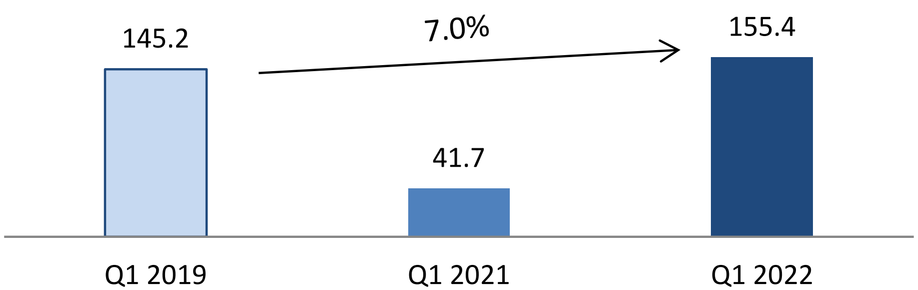
3. Occupancy excluding the period impacted by Covid-19 work from home guidance (30/12/21 to 26/1/22) of 79.4%

Q1 Financial Results

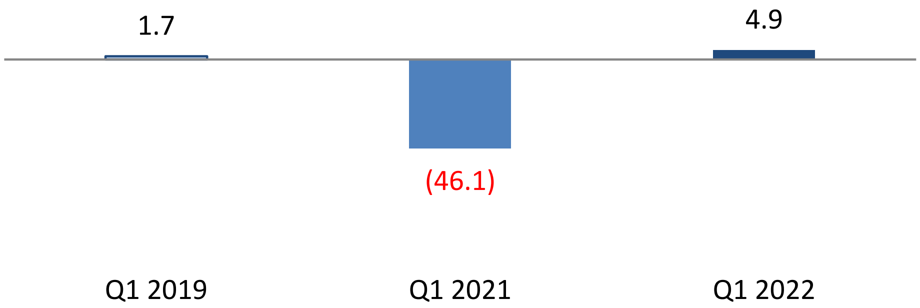
Record quarter 1 financial results

Revenue growth and strong cost control delivering EBITDA above 2019 levels

Revenue[1] (£m)



EBITDA[2] (£m)



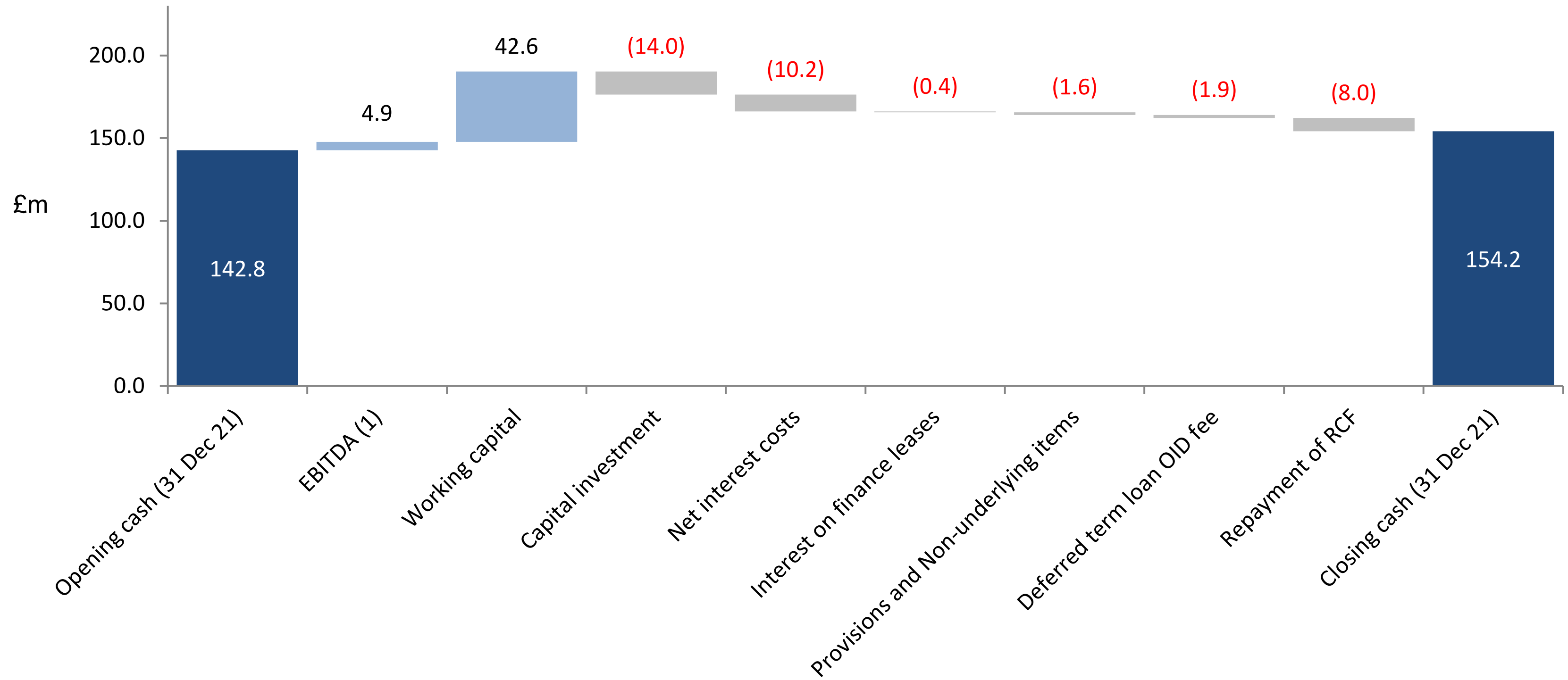
Q1 2022 vs. Q1 2019

- **Revenue** increase of 7.0%/£10.2m driven by strong leisure demand and benefit of reduced VAT rate
  - Like-for-like UK RevPAR increase of 4.3% driven by strong leisure and "blue collar" business demand
  - Annualisation and maturity of the 17 new hotels added in 2021
  - Two new UK openings in quarter 1 (plus one Irish franchise)
  - Spain down (28)%/£(0.8)m with reduced level of demand, impacted by Covid
- **EBITDA[1]** increased by £3.2m to a profit of £4.9m driven by:
  - Revenue increases
  - Continued strong cost control and management of supply chain pressures, but inflationary pressure

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.*

Q1 Cash Flow

Cash inflow driven by EBITDA and seasonal working capital benefit



- Cash inflow of £11.4m mainly EBITDA and working capital offset by capital investments, interest costs and £8m repayment of RCF
- Working capital benefit mainly driven by increase in prepaid rooms reflecting a more normal seasonal pattern in line with the trading recovery
- Capital investment relates mainly to refit, hotel maintenance, health & safety, IT and new development

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-Mar
Cash and Cash Equivalents	**154.2**
Revolving credit facility	32.0
Super senior term loan	61.2
Senior secured floating rate bond	440.0
Senior secured fixed rate bond	65.0
Senior Secured Debt	**598.2**
Finance leases	14.7
Total Third Party Indebtedness	**612.9**

Liquidity / Financial Ratios

Year End Position:

- **Cash on balance sheet:** £154.2m at 31 March 2022
- **RCF**: £32m at 31 March 2022 (£40m available facility). Stepped maintenance covenant tests and minimum liquidity covenant in place from 31 March 2022 to 30 June 2023 inclusive
- **Letter of credit facility:** £30m (£27.7m utilised)
- Interest cap: notional £300m cap, strike rate 1.3807% SONIA, terminates 15 October 2022
- All relevant debt transitioned from LIBOR to SONIA

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

Recent Trading and Outlook

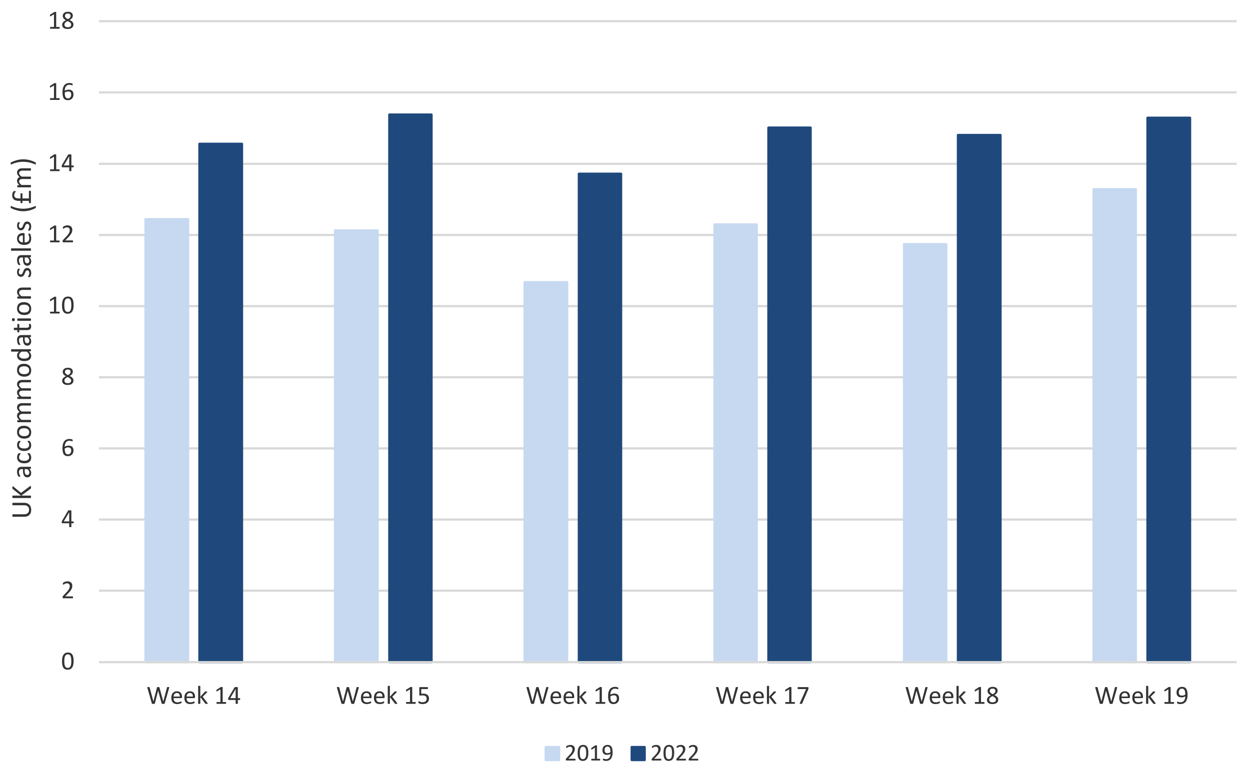
Recent Trading

Strong trading performance continues

- Strong trading performance has continued since the end of quarter 1
  - Strong leisure and blue collar demand continues, including strong Easter trading
  - Regional performance strongest
  - Early signs of recovery in “white collar” mid-week demand in Central London
  - Encouraging forward booking patterns but still with limited visibility
- 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
  - inflationary pressures, but strong cost control and management of supply chain challenges
  - control of capex
- Cash at 18 May of c. £193m (before quarterly rent and other month end payments)

Recent Trading

Revenues in recent weeks[1] c. 22% ahead of 2019 levels, continued track record of outperformance

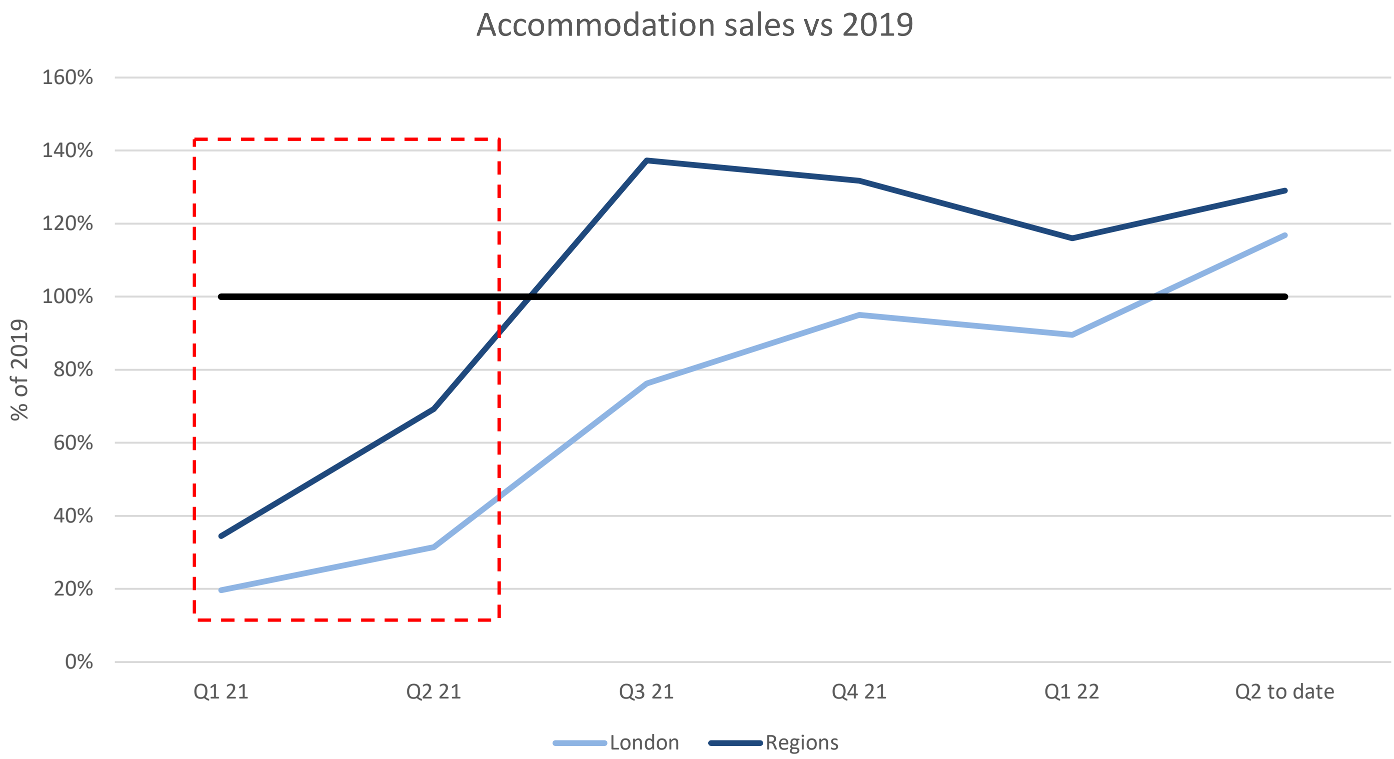


- Strong performance since the end of Q1 has continued with all weeks ahead of 2019 levels, supported by good room rate growth
- Regional leisure and "blue collar" demand strongest and with good Central London leisure demand on weekends
- Seeing early signs of recovery of "white collar" demand in Central London and other major cities
- Outperforming the MSE segment by c. 7pts year to date, in both the Regions and London

Source: Company information
1. Weeks 14 -19 covers 31/3/22 to 11/5/22 with 2019 comparative weeks (11/4/19 to 22/5/19) aligned to STR reporting

Recent Trading

Strong regional performance and continued recovery in London



- Regional and London demand impacted in H1 2021 by Covid-19 restrictions
- Strong recovery in regional performance driven by strong leisure and blue collar demand, ahead of 2019 levels since Q3 2021
- London recovery has been slower due to ‘white collar’ demand, Q2 2022 to date ahead of 2019 levels
- VAT increases from 5% to 12.5% 1 October 2021 and from 12.5% to 20% 1 April 2022

Note: Q1 21: 31/12/20 – 31/3/21, Q2 21: 1/4/21 – 30/6/21, Q3 21: 1/7/21 – 29/9/21, Q4 21: 30/9/21 – 29/12/21, Q1 22: 30/12/21 – 30/3/22 and Q2 22: 31/3/22 – 18/5/22 with 2019 comparative weeks aligned to STR reporting

Outlook Considerations

Positive revenue recovery signs but with limited visibility, facing a range of outcomes

- Revenue: 2022 full year RevPAR expected to recover mid to high single digit % ahead of 2019 levels on average

  - MS&E sector head of 2019 levels – domestic travel focus, value proposition
  - strong leisure trading expected, driven by staycation demand
  - ‘blue collar’ business demand largely recovered, early signs of recovery in ‘white collar’ business demand
  - potential impact of current inflation environment uncertain (both upside and downside potential)
  - 1% point of RevPAR growth vs 2019 impacts profits by c. £6-7m

- Costs: largely fixed cost base

  - National Living Wages increase of 6.6% in April 2022, additional NI contributions
  - increased inflationary pressures expected to impact costs, including laundry and F&B
  - impact partially mitigated in 2022 with energy fully hedged to March 2023 and rent on five-yearly reviews

- Capex: expecting c. £70-80m in 2022

  - restarted refit programme with new look and feel rooms, on track to complete c. 60 refits (11 completed to date)
  - 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
  - expecting to return to more normal levels thereafter

Sustainability

Comprehensive “Better Future” sustainability plan developed

Vision	Valuing our colleagues, customers and planet		
Strategic objectives	**Inclusive**	**Caring**	**Conscious**
	Ensuring we are accessible, inclusive and affordable to our colleagues and customers.	Creating a caring and healthy environment for our colleagues and customers and ensuring their wellbeing.	Being actively conscious of the waste we produce, the energy and resources we consume and our carbon emissions.
Material Sustainability topics covered	• Training & development opportunities • Customer accessibility • Fair labour practices and decent work • Diversity & inclusion • Social mobility	• Data security & customer privacy • Human trafficking & child abuse prevention • Health, safety & wellbeing • Charity partnerships • Wellbeing	• Responsible sourcing & supply chain management • Carbon emissions and energy management • Waste management & recycling • Adapting to climate change • Water consumption • Business ethics

- Plan developed following extensive consultation with a range of stakeholders
- Sustainability Committee in place, meeting quarterly
- Full report available on main website and at travelodge.co.uk/investors

Summary

Strong recovery, well positioned

- Strong Q1 performance driven by strong leisure and "blue collar" demand
- Travelodge unrivalled track record of outperformance continues
- Cash position strong

- 2022 full year RevPAR expected to recover mid to high single digit % ahead of 2019 levels on average
- Expecting strong leisure and "blue collar" demand, with slower recovery in "white collar" demand
- Impact on consumer demand of current inflation environment uncertain
- Facing a number of cost headwinds

- Well-positioned
  - large and diversified network of hotels
  - strong brand and direct distribution model
  - value proposition, domestic travel focus, business/leisure mix

- Facing a range of potential outcomes, long term prospects for budget hotels remain attractive and Travelodge is well positioned

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 595 hotels (as at 31 March 2022) 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 March 2022)

United Kingdom

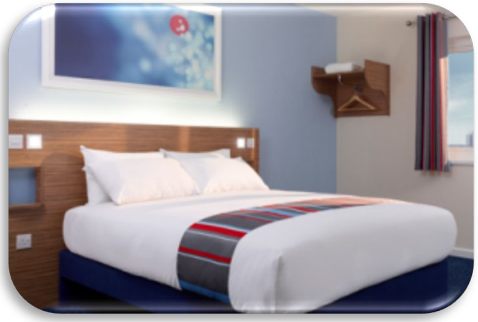
London
- 78 Hotels
- 9,526 Rooms
- 21% of total Rooms

Regions[3]
- 501 Hotels
- 34,201 Rooms
- 75% of total Rooms

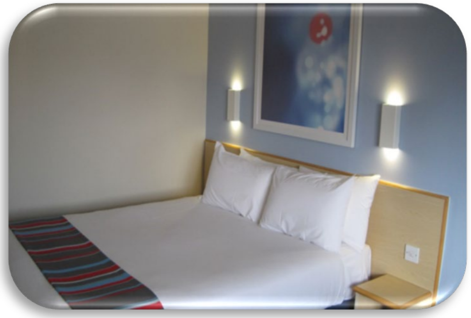
International

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

Ireland/NI[4]
- 11 Hotels
- 1,226 Rooms
- 3% of total Rooms



Key Statistics (FY2019)	
Hotels (31 March 2022)	**595**
Rooms (31 March 2022)	**45,574**
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**



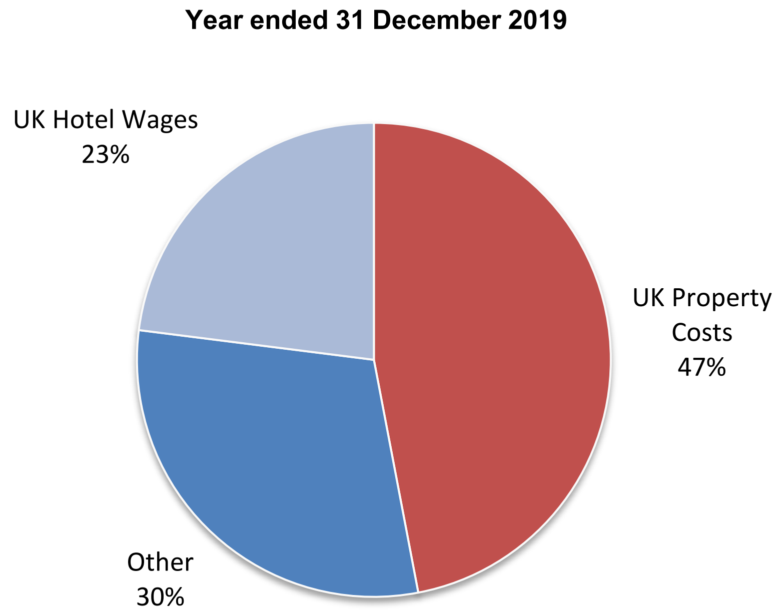
1. *Occupancy, ADR and RevPAR for Travelodge UK leased Hotels only.*
2. *Represents the ratio of EBITDAR to net external rent payable.*
3. *Includes 11 hotels operated under management contracts.*
4. *Operations in island of Ireland under a master franchise.*
5. *EBITDA (adjusted) = Earnings before interest, 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.*

Travelodge Is One Of The Leading Platforms In The UK

1. UK is a Structurally Attractive Market with Long-Term Tailwinds – MS&E the Standout
2. Outstanding Brand Recognition Driving Outperformance and Growth
3. Compelling Guest Proposition with Extremely Varied Customer Profile
4. National Footprint with Well Invested Estate
5. Proven and Sustained Outperformance Versus the Market and Competition
6. Highly Effective Direct Distribution and Revenue Management Systems
7. Industry-leading Lean and Efficient Operating Model
8. Clear and Significant Opportunities for Further Growth

Cost Outlook

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



c. 50% of operating costs historically rent and property-related

Operating cost movements

Run-rate weekly costs of £12-14m

Property costs

- Rent expected to be £230m - £240m depending on RPI/CPI impact on rent reviews and timing of new openings
- Forecast energy volumes fully hedged to March 2023

UK Hotel Wages

- NLW increases in April 2022 of 6.6%

Other

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