



2018 Quarter 1 Financial Results

For the period ended 28 March 2018

Release: 24 May 2018



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Revenue Growth and Outperformance

2018 Quarter 1 Headlines

- Revenue **up 7.6%** to £137.6m (2017: £127.9m)
- LFL RevPAR⁽¹⁾ **up 2.9%** to £33.63 (2017: £32.69)
- RevPAR growth **2.6pts ahead** of competitive segment
- 3 new openings in the quarter with a further 2 to date
- EBITDA down £2.8m to £3.6m
- Strong cash position at the quarter end

- Continuing to outperform
- Cost pressures from National Living Wage and other regulated costs remain
- Remain cautious on immediate financial outlook but continue to be well positioned

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 Q1-2018 vs. Q1-2017 on the basis of RevPAR generated by hotels that were opened before 1 January 2017.

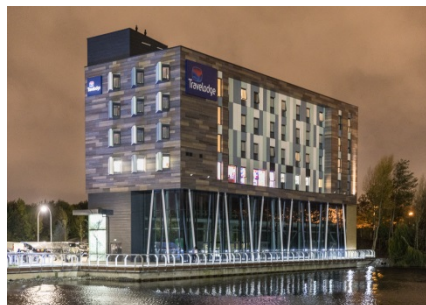


Quarter 1 Results



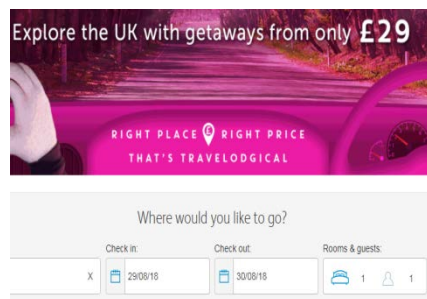
Continued Progress on Our Strategic Objectives

Location



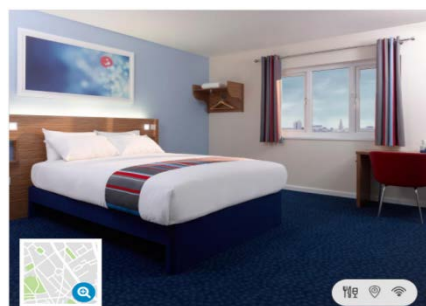
- 250 potential locations identified
- Expect to open 20 new hotels in 2018
- Estate now stands at 561 hotels and 42,354 rooms at the quarter end
- On track with a further 2 new openings to date
- Strong secure pipeline > 4,500 rooms

Price



- Strong value proposition drives occupancy growth and outperformance
- Value menu drives strong food and beverage sales
- Continued growth in business account customers
- Further improvements to the digital platform

Quality



- Average 4 star Trip Advisor rating maintained
- Upgrading Wi-Fi across the estate
- Refit cycle commenced
- New 'SuperRoom' product launched with 1,210 rooms now available

Location – New Openings

Selected examples

Dover

Cross channel port
108 rooms
Bar Café



Stirling City Centre

Central Scotland
74 rooms
Bar Café



Gravesend

South East
61 rooms
Vending
Free parking



London Acton

West London
59 rooms
Bar Café



Price – Food & Beverage

Improved value offers

SERVING UP OUR

UNLIMITED BREAKFAST

INCLUDING FRESHLY GROUND WHOLE BEAN COFFEE



ONLY £8.50

+FREE FOR KIDS
Worth getting up for!

See photos on TRCL. T110904017

DINNER

Grab a slice of the action

SERVED 5PM-10PM EVERY DAY

Simply choose what you fancy then place your order and pay at reception or the bar

TWO COURSES ONLY

£12

ANY MAIN & DESSERT
OR
ANY MAIN & SIDE

Choose one pizza, burger, salad or seasonal favourite plus one side or dessert

+FREE FOR KIDS

One child aged 8 or under can eat from the Kids Menu for free per adult purchasing the £12 offer

NEW PIZZA

Our 12" authentic stone-baked pizzas are freshly made to an Italian recipe.

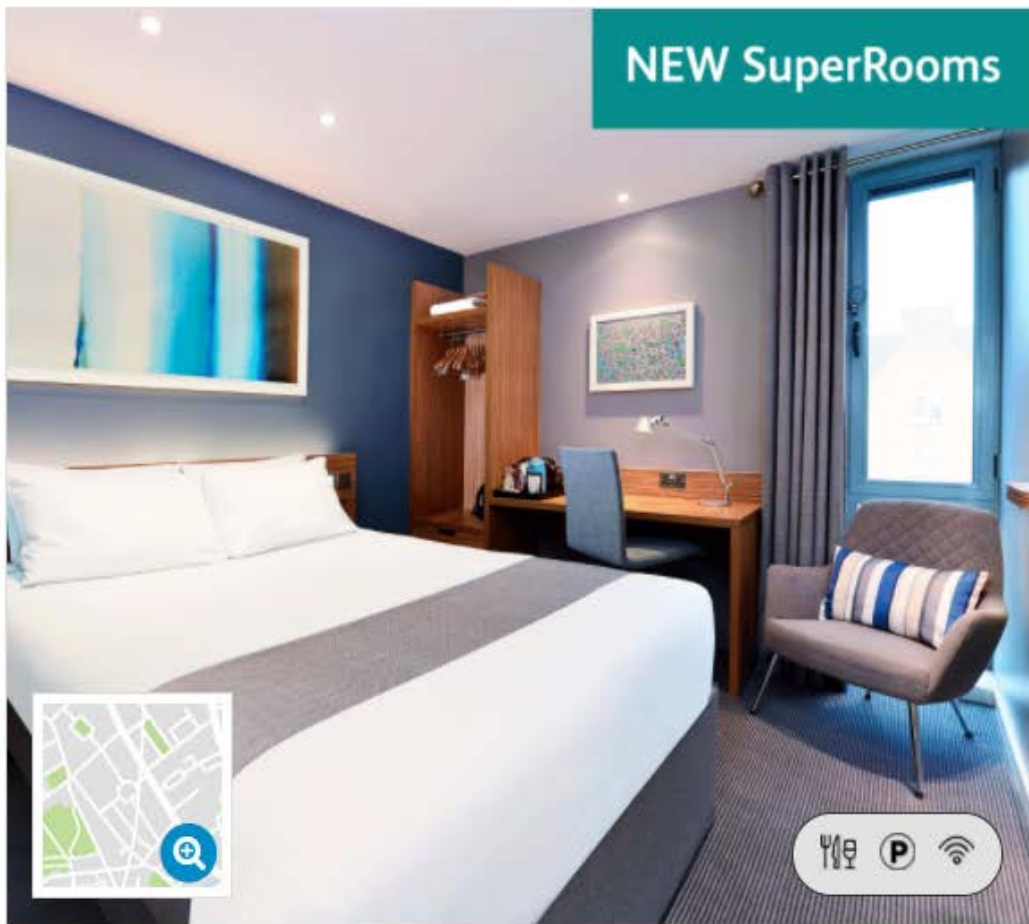
MARGHERITA 🍕 <small>Melted mozzarella on a rich tomato sauce</small>	£9.75	PEPPERONI <small>Melted mozzarella and smoky pepperoni on a rich tomato sauce</small>	£9.95
BBQ CHICKEN <small>Tender chicken breast, mixed peppers and melted mozzarella on rich tomato and BBQ sauce</small>	£9.95	VEGGIE SUPREME 🍕 <small>Mixed peppers, sliced mushrooms, sweetcorn and melted mozzarella on a rich tomato sauce</small>	£9.95

SIDES

SKIN ON FRIES 🍟 £3.75	ONION RINGS 🍟 £3.75	HOUSE SALAD 🥗 £3.75	GARLIC BREAD 🍞 £3.55	GARLIC BREAD WITH CHEESE 🍞 £4.20	CRUNCHY SLAW 🥗 £2.00	CHICKEN WINGS 🍗 £5.00
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- More than 170 hotels now have on-site bar café
- Record food and beverage sales in the quarter
- Strong growth from business customers
- Encouraging response to value menu

Quality – ‘SuperRooms’ 1,210 rooms available across 29 hotels ¹



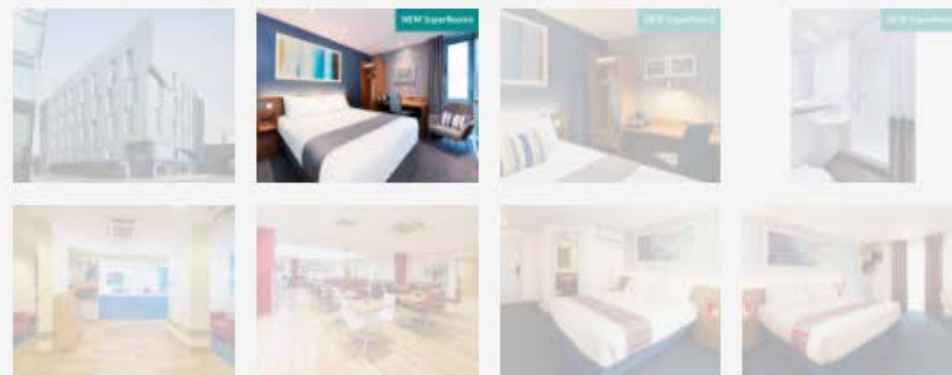
Travelodge London Central Southwark

NEW SuperRooms

  2280 reviews

202 - 206 Union Street, Southwark,
London, SE1 0LX, United Kingdom
Sat nav postcode: SE1 0LH
Tel: [08719 846352](tel:08719846352)

"Conveniently located just a 3 minute walk from Southwark tube station, great for a visit to The Shard or a trip around Borough Market"

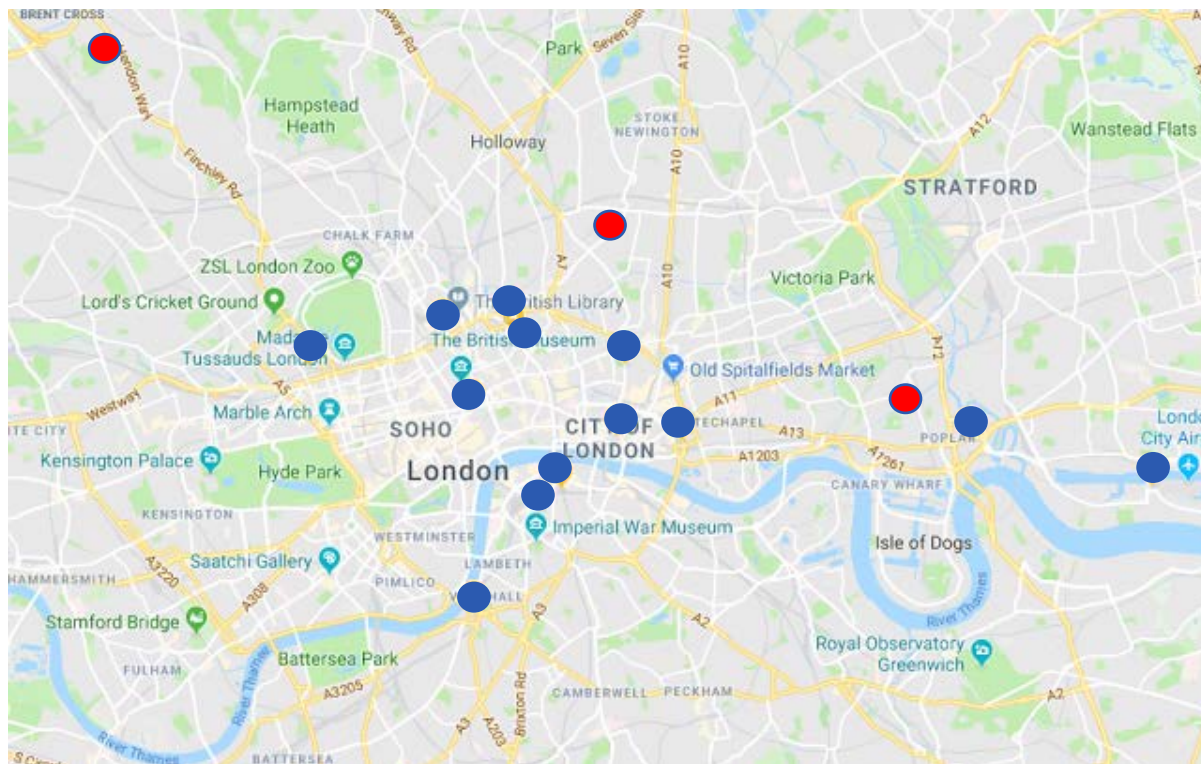


- Features include Lavazza coffee machine, Hansgrohe adjustable showers, dual bedside USB charging points and wider desk
- Performance encouraging with 'SuperRooms' scoring higher customer satisfaction scores than our classic rooms on average
- Rooms currently achieving premium of £10-20 to our classic rooms
- Regional trial underway

1. Available hotels/rooms to date

'SuperRooms' Launch and Roll Out

London roll-out progressed with regional trials underway



- Good coverage in London following 2017 launch and roll out
- Additional SuperRooms now available at London Finsbury Park, London Stratford and London Ealing

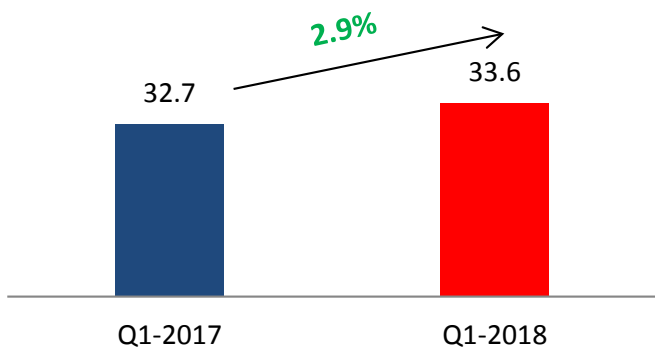
- Regional trial underway in a number of major cities including Leeds, Bristol, Bath, Oxford, Birmingham, York and Windsor

Good Q1 2018 Operating Metrics

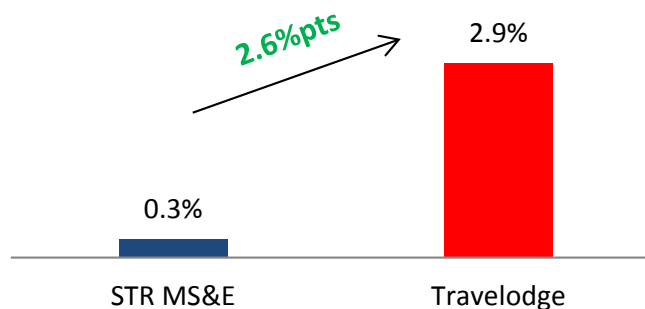
Continued RevPAR growth and outperformance

RevPAR Growth Driven by Occupancy Increase and Stable ADR

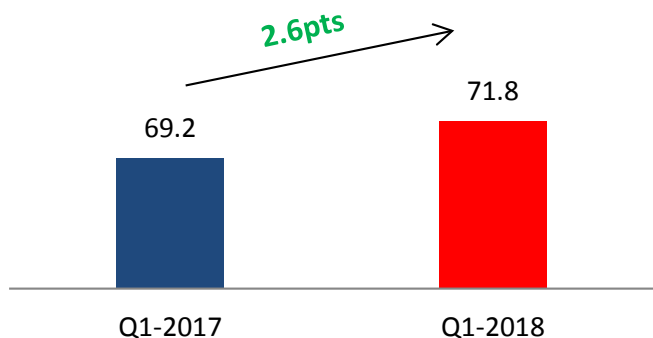
LFL¹ RevPAR (£)²



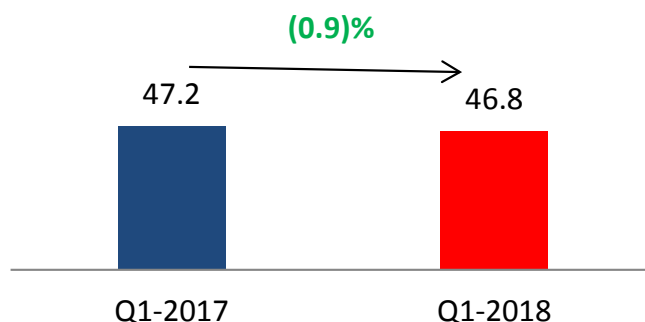
Q1-18 RevPAR Growth Ahead of Market



LFL¹ Occupancy (%)²



LFL¹ ADR (£)²



Q1 2018 vs. Q1 2017

- **RevPAR:** like-for-like UK RevPAR growth of 2.9%
- **RevPAR vs. Market:** 2.6pts outperformance against MS&E segment
- **Occupancy:** occupancy increased 2.6pts to c.72%
- **ADR:** stable at c. £47

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 Q1-2018 vs. Q1-2017 on the basis of RevPAR generated by hotels that were opened before 1 January 2017.

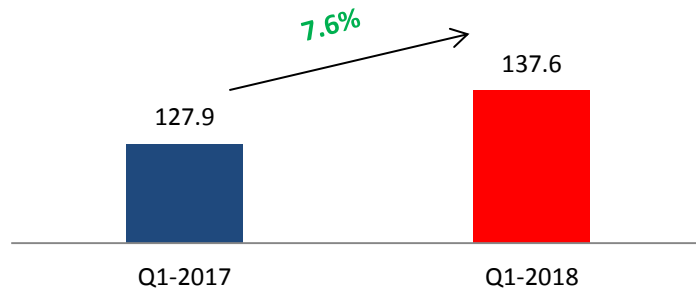
2. Occupancy, ADR and RevPAR for UK leased estate only.

Good Overall Q1 Financial Performance

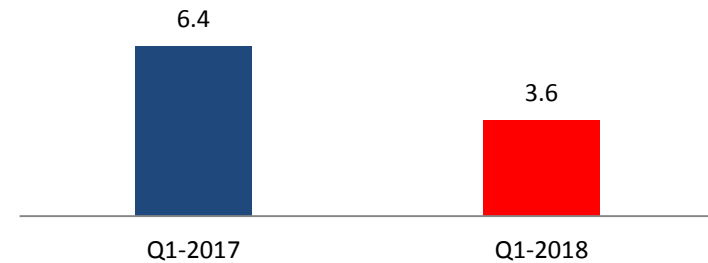
Good total sales growth

Financial Performance Has Remained Strong

Revenue (£m)



EBITDA (£m)



Q1-2018 vs. Q1-2017

- **Revenue** increase of 7.6%/£9.7m was primarily due to:
 - Like-for-like UK RevPAR growth of 2.9%
 - Annualisation and maturity of the 15 new hotels added in 2017
 - Opening of 3 new hotels in 2018
 - Strong food and beverage growth of 17%
 - International growth 13%/£0.3m
- **EBITDA** decrease to £3.6m driven by:
 - LFL revenue growth of <3% in our smallest revenue quarter, more than offset by cost increases
 - Cost increases including National Living Wage, the last quarter of 2017 business rate revaluations, higher operational costs driven by higher occupancy, increased utility costs due to the cold weather and pricing, and the phasing of marketing costs

Continued Good Free Cash Flow

Good cash conversion and increased capex

£m	Q1 2018	Q1 2017	Diff.
EBITDA before Exceptional Items and IFRS Rent Charge	3.6	6.4	(2.8)
Working Capital	43.4	42.2	1.2
Net Cash Flows from Operating activities before Exceptionals	47.0	48.6	(1.6)
Capital Expenditure	(14.5)	(11.1)	(3.4)
Free Cash Flow Generated	32.5	37.5	(5.0)
Interest Costs - Bank Interest Paid	(0.4)	-	(0.4)
- Bond Interest Paid	(2.7)	(2.3)	(0.4)
- Finance Fees Paid	(0.1)	-	(0.1)
Interest Income	0.1	0.1	-
Interest Element of Finance Lease Rental Payments	(0.9)	(0.9)	-
Cash Spend on Provisions and Exceptional Items	(2.1)	(1.0)	(1.1)
Non-Trading Cash Flow	(6.1)	(4.1)	(2.0)
Cash Generated	26.4	33.4	(7.0)
Refinancing and Repayment of Investor Loan	1.0	-	1.0
Movement in Cash	27.4	33.4	(6.0)
Opening Cash	95.0	73.9	21.1
Closing Cash	122.4	107.3	15.1

Comment

Q1 2018 vs. Q1 2017

- **Working Capital** inflow of £43.4m in Q1 2017 vs £42.2m in Q1 2017
- **Net Cash from Operating Activities** decreased by £1.6m, primarily due to:
 - Working capital impact noted above and EBITDA decrease
- **Capital Expenditure** increased by £3.4m, primarily due to:
 - Commencement of our refit program, 'SuperRooms' and IT projects
- **Bank and Bond Interest Paid** increased by £0.8m, primarily due to:
 - Impact of refinancing of bond debt in April 2017 and January 2018
- **Provisions and Exceptional Items** mainly in relation to refinancing in January 2018
- **Refinancing** consists of:
 - Net proceeds of £1m
 - Issued £30m FRN's L+4.875%
 - Redeemed £29m SSN's 8.5%

Net Debt and Leverage – Quarter 1 2018

Debt (£m)

£m	Q1 2018
Cash and Cash Equivalents	122.4
SSNs @ 8.5%	232.0
FRNs @ L + 4.875%	195.0
Senior Secured Notes	427.0
Finance leases	32.5
Total Third Party Indebtedness	459.5

Refinancing

- **Refinancing** completed January 2018
- Issued £30m senior secured FRNs at L+4.875%
- Repaid £29m existing senior secured SSNs @ 8.5%
- c. £1m annual interest saving

Liquidity / Financial Ratios

- **Cash on Balance Sheet:** £122m
- **Revolving Credit Facility:** £50m (unutilised)
- **Letter of Credit Facility:** £30m (£15m utilised)
- Net Senior Secured Debt / EBITDA⁽¹⁾ = 2.8x
- Net Third Party Debt / EBITDA⁽¹⁾ = 3.1x
- Interest rate hedging in place (£100m of FRN's)

1. EBITDA based on Q2-Q4 2017 EBITDA (audited) and Q1 2018 EBITDA (unaudited). Net debt is net of cash and cash equivalents.

Summary and Outlook

Good Q1 2018 results, cautious on macro outlook but remain well positioned

- Good revenue performance driven by higher occupancy
- Continued RevPAR growth and outperformance
- Cost pressures remain
- Good progress on strategic initiatives, 5 hotels opened in 2018 to date

- Continued outperformance
- Cost pressures from National Living Wage and other regulated costs remain
- Remain cautious on immediate financial outlook, on track for target openings

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Q&A

Appendices



Company Background



Company Overview

Who We Are

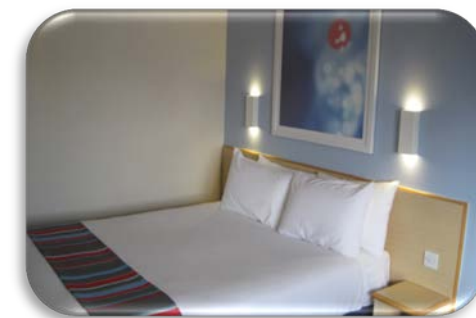
- UK's second largest hotel brand based on number of hotels and rooms
- Positioned in the attractive value segment with 561 hotels and serving 19m business and leisure customers
- Well invested modernised hotel portfolio
- Well balanced approximately even business / leisure customer split
- Almost 90% booking direct, with c. 80% through own websites
- Low upfront capex leasehold model

Where We Are (as at 28 March 2018)

United Kingdom		International	
London	<ul style="list-style-type: none"> • 70 Hotels • 9,007 Rooms • 21% of total Rooms 	Spain	<ul style="list-style-type: none"> • 5 Hotels • 621 Rooms • 2% of total Rooms
Regions³	<ul style="list-style-type: none"> • 474 Hotels • 31,827 Rooms • 75% of total Rooms 	Ireland⁴	<ul style="list-style-type: none"> • 12 Hotels • 899 Rooms • 2% of total Rooms



Key Statistics (FY2017)	
Hotels	558
Rooms	42,110
Occupancy¹	76.1%
ADR¹	£53.19
RevPAR¹	£40.49
Revenue	£637.1m
EBITDAR	£295.4m
EBITDA	£112.4m
Rent Cover²	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 Ireland under a master franchise.