Financial Results Presentation

For the 39 weeks ended 26 September 2018

Release: 20 November 2018

Travelodge

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Revenue Growth and Outperformance

Headlines – 39 weeks ended 26 September 2018

- Revenue **up 8.0%** to £517.6m (2017: £479.1m)
- LFL RevPAR[1] **up 3.0%** to £41.91 (2017: £40.71)
- RevPAR growth[1] **2.4pts ahead** of competitive segment
- EBITDA[2] up £5.0m to £97.3m
- Strong cash position at the period end
- 10 new openings in the period with a further 5 to date

- First weeks of Q4 show modest market growth and outperformance
- Cost pressures remain
- Cautious on immediate financial outlook but remain 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 Q3 YTD-2018 vs. Q3 YTD-2017 on the basis of RevPAR generated by hotels that were opened before 1 January 2017.
2. *EBITDA (adjusted) = Earnings before interest, taxes, depreciation and amortisation, and before rent free adjustment and exceptional items*

Quarter 3 YTD Results

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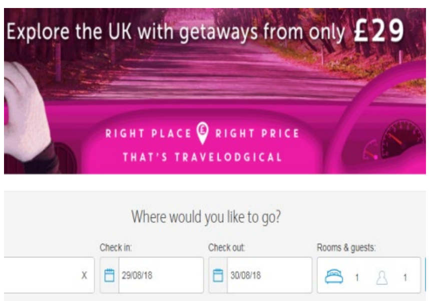
Continued Progress on Our Strategic Objectives

Location

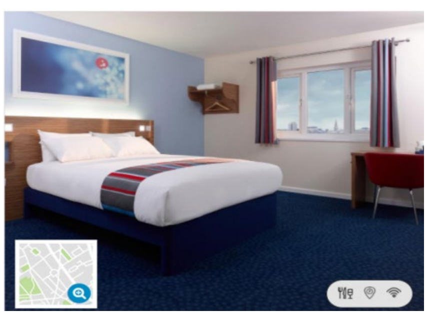
- 250 potential locations identified
- Expect to open 20 new hotels in 2018
- 10 new hotels opened in the period with a further 5 opened to date
- Estate now stands at 568 hotels and 43,260 rooms at the period end
- Strong secure pipeline > 4,500 rooms

Price



- Strong value proposition drives revenue growth and outperformance
- Targeted customer offers helping drive increased occupancy
- Improvements to the digital platform helping to improve website conversion
- Continued growth in business account customers

Quality



- Average 4 star Trip Advisor rating maintained
- Top 10 in TripAdvisor's "Global 'Most Excellent' Large Hotel Chains "
- 'SuperRoom' roll-out to existing estate nearly complete and performing well
- 'Travelodge PLUS' showing encouraging early trading signs
- Wi-Fi upgrade across the hotel estate complete

Location

Recent new openings

London City
City of London
395 rooms
‘Travelodge PLUS’

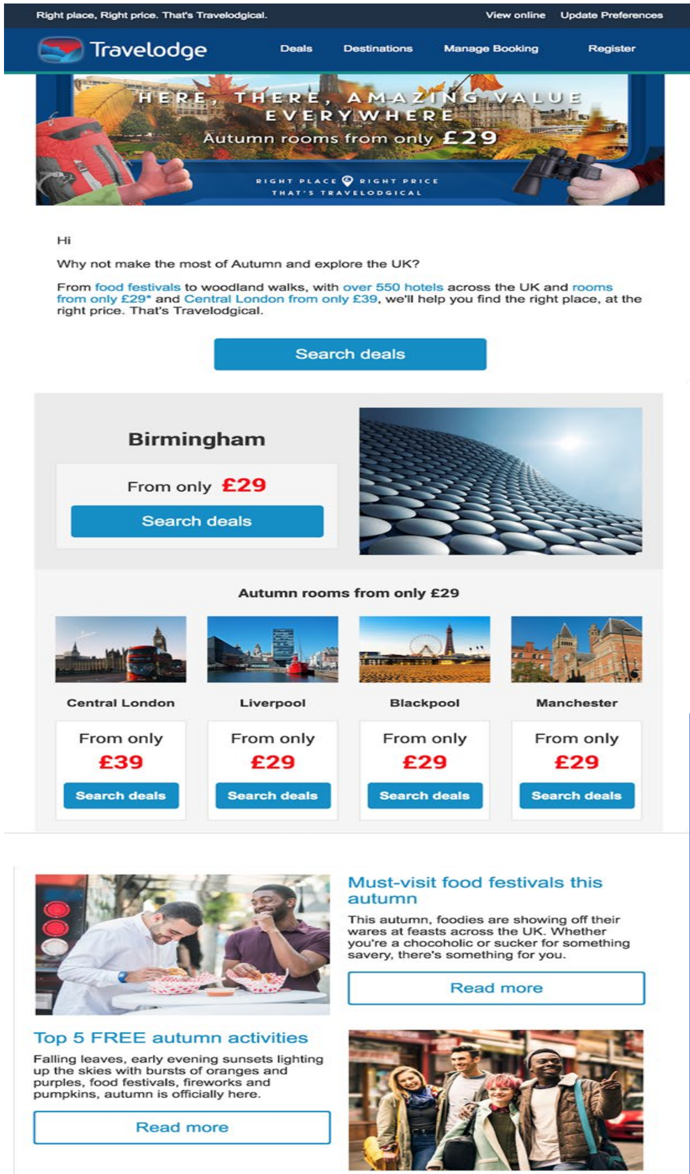
East Grinstead
Market town
72 rooms
Vending

Gainsborough
Market town
56 rooms
Vending

Highbridge Burnham-on-Sea
Seaside town
75 rooms
Bar cafe

Price

Improvement in web journey and customer analytics



- Value proposition continues to support strong revenue growth
- Targeted customer offers helping to drive increased occupancy and continued outperformance
- Continued investment in website capability improving customer experience and helping drive improved conversion rates

Quality
Strong line up of budget choices

Standard room	'SuperRooms'	'Travelodge PLUS'

Standard room

- Core product across the estate
- Average 4 star TripAdvisor rating
- Top 10 in TripAdvisor's "Global 'Most Excellent' Large Hotel Chains"

'SuperRooms'

- 1,599 rooms now available across 41 hotels
- London and Regional roll-out to existing hotels nearly complete
- Further roll-out as part of new openings

'Travelodge PLUS'

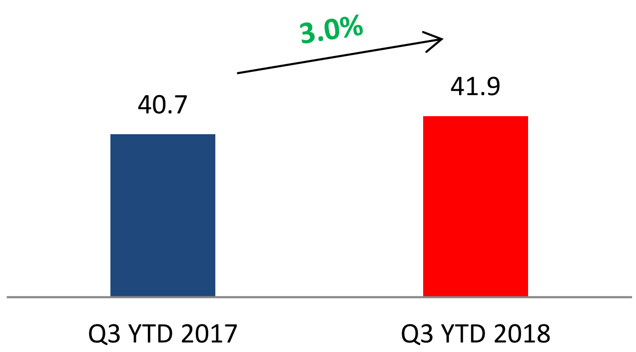
- Initial launch across 6 hotels including London City
- New look standard rooms, 'SuperRooms', new style bar café
- Encouraging early trading performance

Strong YTD Operating Metrics

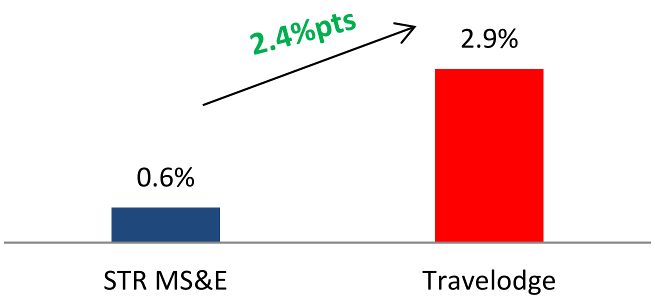
Good RevPAR growth and continued outperformance

RevPAR Growth Driven by Occupancy Increase and Stable ADR

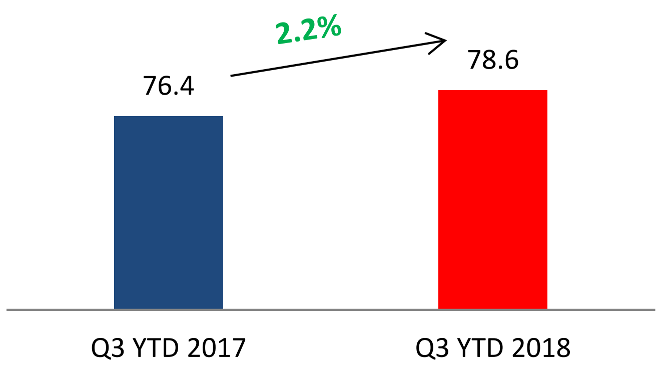
LFL[1] RevPAR (£)[2]



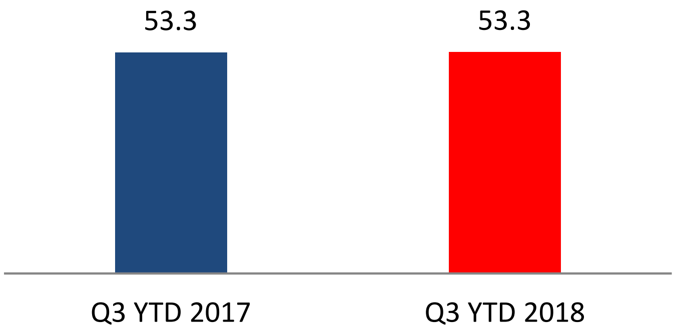
Q3 YTD-18 RevPAR Growth Ahead of Market



LFL[1] Occupancy (%)[2]



LFL[1] ADR (£)[2]



Q3 YTD 2018 vs. Q3 YTD 2017

- **RevPAR:** like-for-like UK RevPAR growth of 3.0%
- **RevPAR vs. Market:** 2.4pts outperformance against MS&E segment
- **Occupancy:** occupancy increased 2.2pts to c.79%
- **ADR:** stable at c. £53

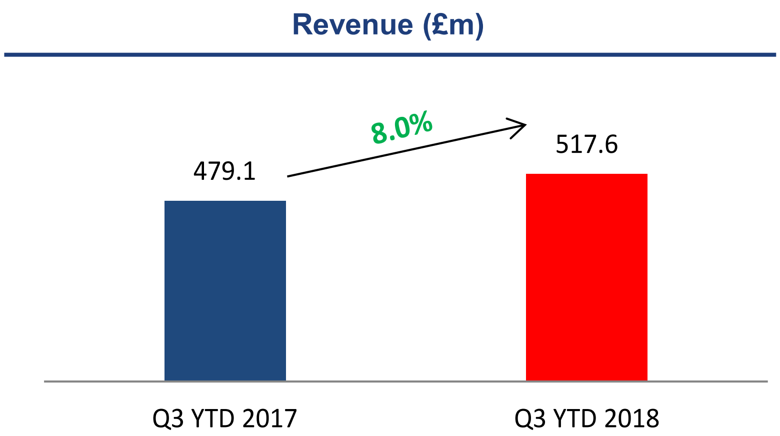
1. RevPAR is computed as the product of the Average Daily Rate for a specified period multiplied by the Occupancy for that period. Like-for-like (LFL) RevPAR compares the RevPAR in Q3 YTD-2018 vs. Q3 YTD-2017 on the basis of RevPAR generated by hotels that were opened before 1 January 2017.

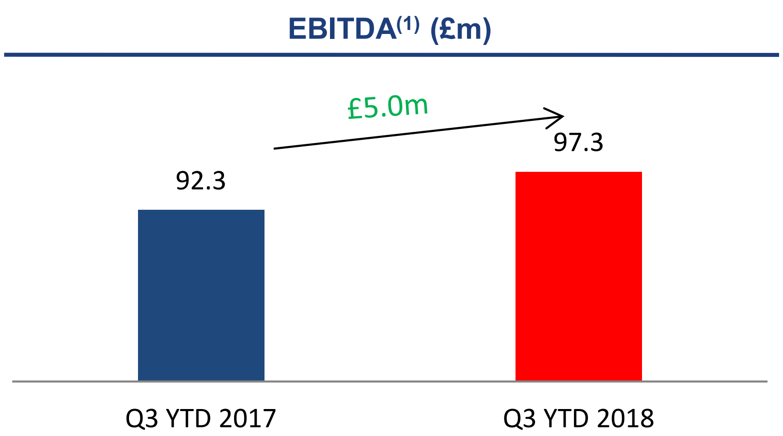
2. Occupancy, ADR and RevPAR for UK leased estate only.

Strong Overall YTD Financial Performance

Strong total sales and EBITDA growth

Financial Performance Has Remained Strong





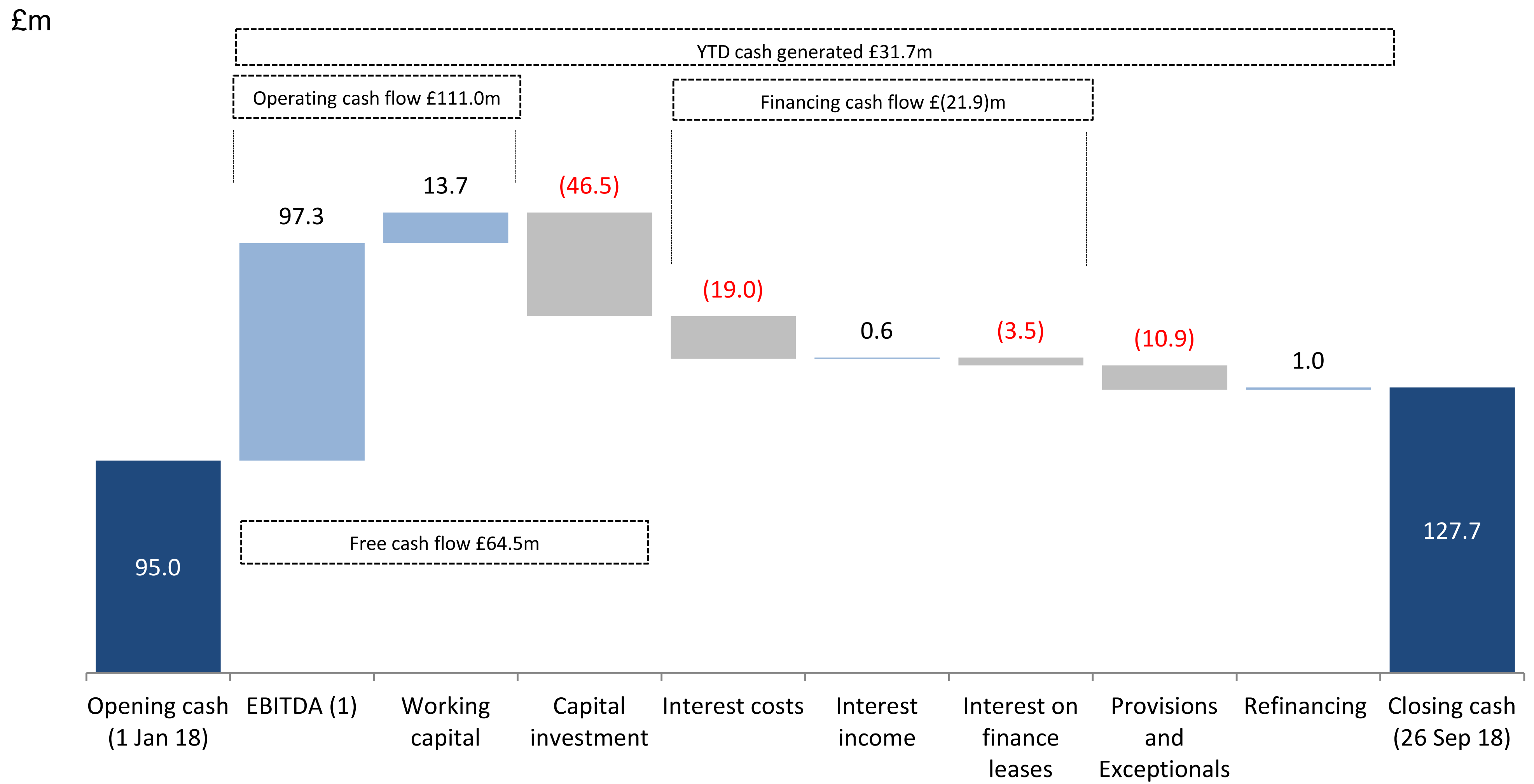
Q3 YTD-2018 vs. Q3 YTD-2017

- **Revenue** increase of 8.0%/£38.5m was primarily due to:
  - Like-for-like UK RevPAR growth of 3.0%
  - Annualisation and maturity of the 15 new hotels added in 2017
  - Opening of 10 new hotels in 2018
  - Strong food and beverage growth
- **EBITDA**[1] increased £5.0m to £97.3m driven by:
  - Good LFL revenue growth and contribution from the annualisation and maturity of new hotels
  - Impact of cost increases including National Living Wage, 2017 business rate revaluations, higher operational costs driven by higher occupancy, increased utility costs due to the cold weather in Q1 and hot summer and increased transaction fees

1. *EBITDA (adjusted) = Earnings before interest, taxes, depreciation and amortisation, and before rent free adjustment and exceptional items*

Continued Good Free Cash Flow

Good cash conversion with increased capex driven by investments in refits, IT and energy efficiency projects



1. EBITDA (adjusted) = Earnings before interest, taxes, depreciation and amortisation, and before rent free adjustment and exceptional items

Net Debt and Leverage – Q3 YTD 2018

Debt (£m)

£m	Q3 2018
Cash and Cash Equivalents	**127.7**
SSNs @ 8.5%	232.0
FRNs @ L + 4.875%	195.0
Senior Secured Notes	**427.0**
Finance leases	32.6
Total Third Pary Indebtedness	**459.6**

Liquidity / Financial Ratios

- **Cash on Balance Sheet:** £128m
- **Revolving Credit Facility**: £50m (unutilised)
- **Letter of Credit Facility:** £30m (£15m utilised)
- Net Senior Secured Debt / EBITDA(1) = 2.6x
- Net Third Party Debt / EBITDA(1) = 2.8x
- Interest rate hedging in place (£100m of FRN's)

1. *EBITDA based on Q4 2017 EBITDA (unaudited) and Q3 YTD 2018 EBITDA (unaudited). Net debt is net of cash and cash equivalents.*

IFRS 16 Update

- New lease accounting standard with effect from 1 January 2019
- No impact on underlying trading or actual pre-tax cash flows
- Brings statutory reporting more in line with the principles used by rating agencies when adjusting for leases
- Materially changes the presentation of the financial statements, including reported profit/(loss) before tax:
  - Gross up assets and liabilities to reflect discounted value of future committed lease payments
  - Increase in EBITDA (rent no longer charged in the consolidated income statement)
  - Increase in depreciation (new charges relating to the 'right of use' asset)
  - Significantly increased reported financing costs (new notional charges relating to the lease liability), with costs heavily phased towards the earlier years of a lease
  - Significant adverse impact to reported profit/(loss) before tax
  - Changes to the presentation of the consolidated statement of cash flows
- Evaluation of the effect of adoption of this standard is ongoing
- Discount rates can only be finalised after 1 January 2019
- Further details will be provided in the 2018 financial statements

Brexit Overview

- Changes in UK GDP growth and business confidence impact consumer demand
- Large proportion of cost base, including rent, linked to inflation
- Changes to border and immigration policies impact staff attraction and retention
- Non-regulated costs impacted by supplier cost increases (e.g. sterling value or tariffs)
- Short-term openings largely in pipeline, interest and construction costs may impact longer-term
- Operational mitigation plans underway where possible
- Ability to flex capex in line with refit cycle
- Continue to maintain sufficient cash to withstand short term market challenges

Summary

Strong Quarter 3 results, cautious on macro outlook but remain well positioned

- Strong revenue performance driven by higher occupancy
- Good RevPAR growth and continued outperformance
- Cost pressures remain – but delivering EBITDA growth
- Good progress on strategic initiatives, 15 hotels opened in 2018 to date

- First weeks of Q4 show modest market growth and outperformance
- Cost pressures remain
- On-track for new openings
- Cautious on immediate financial outlook, remain well positioned once pressures abate

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-2018 vs. Q3 YTD-2017 on the basis of RevPAR generated by hotels that were opened before 1 January 2017.

Q&A

Appendices

Company Background

Travelodge
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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 568 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 26 September 2018)

United Kingdom

London
- 74 Hotels
- 9,667 Rooms
- 22% of total Rooms

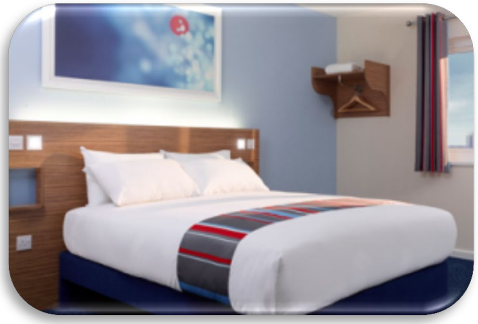
Regions[3]
- 477 Hotels
- 32,073 Rooms
- 74% of total Rooms

International

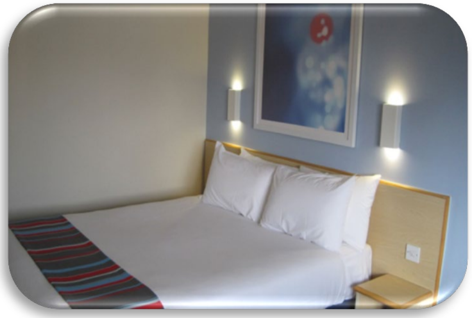
Spain
- 5 Hotels
- 621 Rooms
- 1% of total Rooms

Ireland[4]
- 12 Hotels
- 899 Rooms
- 2% of total Rooms

Travelodge



Key Statistics (FY2017)	
Hotels	**558**
Rooms	**42,110**
Occupancy[1]	**76.1%**
ADR[1]	**£53.19**
RevPAR[1]	**£40.49**
Revenue	**£637.1m**
EBITDAR	**£295.4m**
EBITDA	**£112.4m**
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 Ireland under a master franchise.