



Full Year 2017 and Q4 Financial Results

For the year ended 31 December 2017

Release: 28 February 2018



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We have included other operating information in this presentation, some of which we refer to as “key performance indicators.” We believe that it is useful to include this operating information as we use it for internal performance analysis, and the presentation by our business divisions of these measures facilitates comparability with other companies in our industry, although our measures may not be comparable with similar measurements presented by other companies. Such operating information should not be considered in isolation or construed as a substitute for measures prepared in accordance with IFRS.

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Good Revenue Growth and Outperformance

2017 Full Year Headlines

- Revenue **up 6.6%** to £637.1m (2016: £597.8m)
- LFL RevPAR⁽¹⁾ **up 2.9%** to £40.49 (2016: £39.37)
- RevPAR growth **0.7pts ahead** of competitive segment
- 15 new openings in 2017
- EBITDA up £2.3m to £112.4m (2016: £110.1m)
- Cash of £95.0m at the year end

- Slower market growth in first weeks of 2018, continued outperformance
- Remain cautious on immediate 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 FY-2017 vs. FY-2016 on the basis of RevPAR generated by hotels that were opened before 1 January 2016.

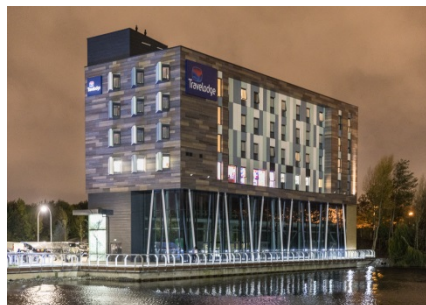


Full Year 2017 and Quarter 4 Results



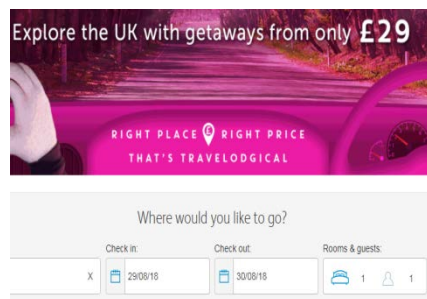
Continued Progress on Our Strategic Objectives

Location



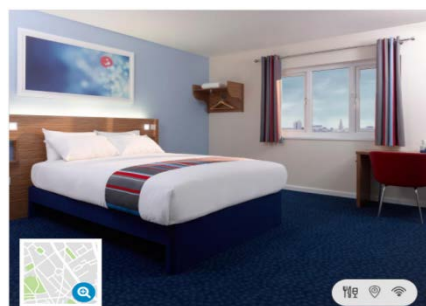
- 250 potential locations identified
- 15 new openings in 2017 with a further 1 opened in 2018 so far
- Expect to open 20 new hotels in 2018
- Strong secure pipeline
- Over 170 hotels with on-site bar café hotels

Price



- Further improvements to the digital platform
- Enhanced display of value offering
- TripAdvisor ratings displayed on hotel web pages
- Continued growth in business account customers

Quality



- Record levels of TripAdvisor Certificates of Excellence
- New 'SuperRoom' product launched with 990 rooms available to date
- Refit cycle commenced
- Record levels of food & beverage sales

Location – New Openings

Selected examples

London Harrow

North West London
101 rooms
Bar Café



Bath City Centre

Historic City
56 rooms
Vending



Redhill Town Centre

South East/M25
68 rooms
Bar Café



Newcastle Quayside

City centre
120 rooms
Bar Café
Free parking



Price – Digital Improvements

Strengthening booking journey

- Clear positioning of value offering to customers



- Enhanced display of savings available
- TripAdvisor ratings displayed on search results and hotel pages with click-through functionality




London Central Euston

0.2 miles away from Euston, London

NEW SuperRooms

TripAdvisor Traveller Rating
 1552 reviews

[View hotel details >](#)

From ~~£119~~

£90

You save **£29 (24%)**

[View hotel details](#)

Quality – ‘SuperRooms’

990 rooms available across 20 hotels



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)

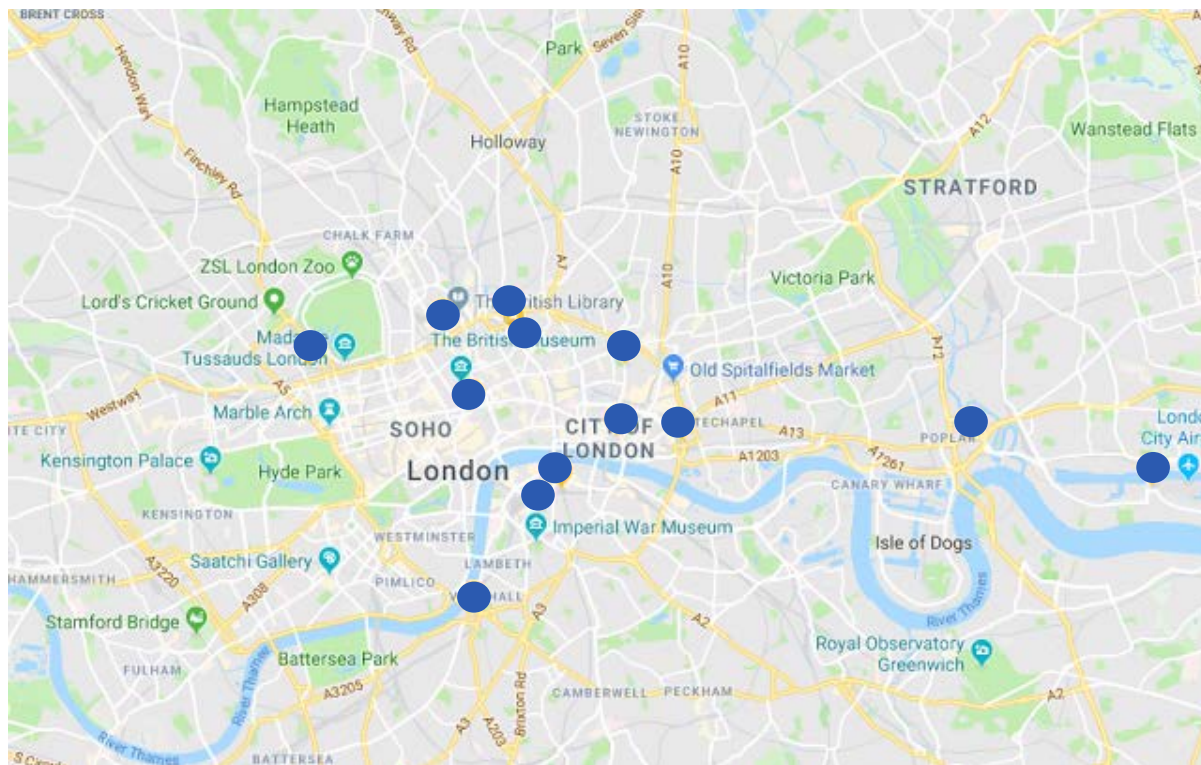
"Conveniently located just a 3 minute walk from Southwark tube station, great for a visit to The Shard or a trip around Borough Market"



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

'SuperRooms' Launch and Roll Out

London roll-out progressed with regional trials underway



- Good coverage in London following 2017 launch and roll out

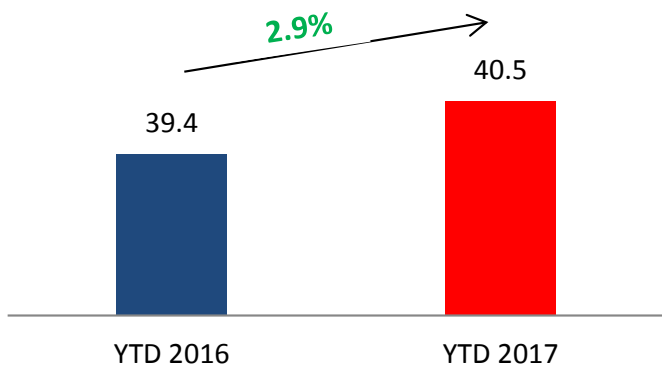
- Regional trial underway in a number of major cities including Leeds, Bristol, Bath, Oxford and Birmingham

Good FY 2017 Operating Metrics

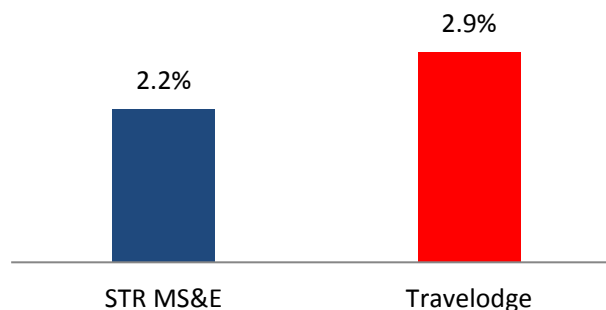
Continued RevPAR growth and outperformance

RevPAR Growth Driven by ADR Increase and Steady Occupancy

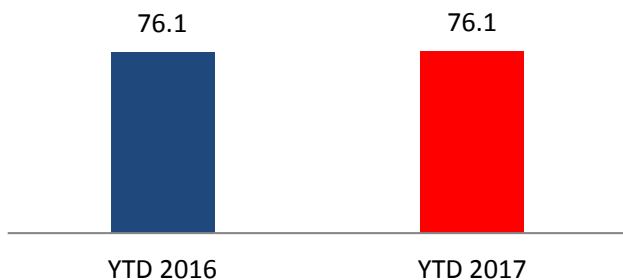
LFL¹ RevPAR (£)²



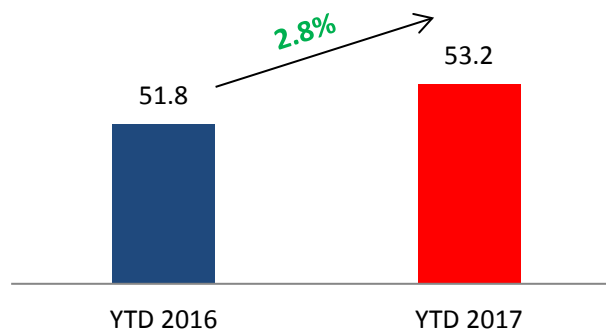
FY-17 RevPAR Growth Ahead of Market



LFL¹ Occupancy (%)²



LFL¹ ADR (£)²



FY 2017 vs. FY 2016

- **RevPAR:** like-for-like UK RevPAR growth of 2.9%
- **RevPAR vs. Market:** 0.7pts outperformance against MS&E segment
- **Occupancy:** occupancy remained stable at c.76%
- **ADR:** continued improvement increasing by 2.8% vs. 2016

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-2017 vs. FY-2016 on the basis of RevPAR generated by hotels that were opened before 1 January 2016.

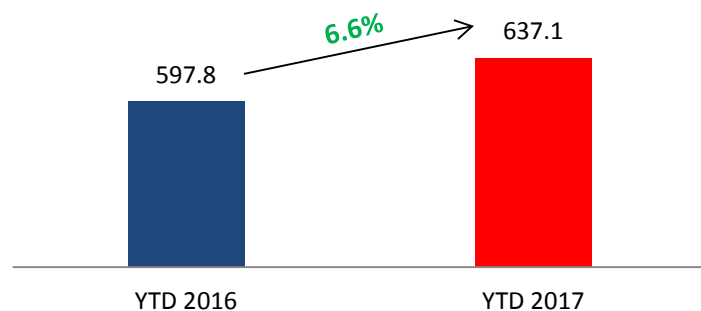
2. Occupancy, ADR and RevPAR for UK leased estate only.

Good FY 2017 Revenue and Profitability

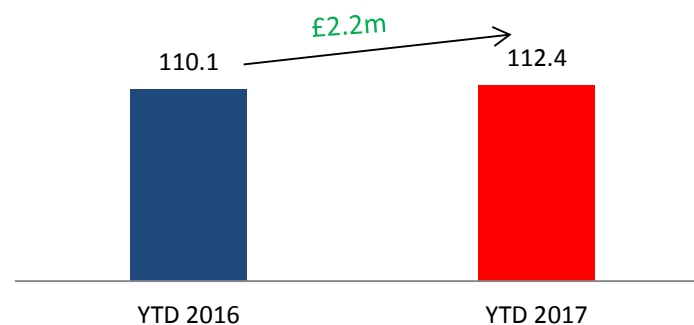
Good total sales growth

Financial Performance Has Remained Strong

Revenue (£m)



EBITDA (£m)



YTD-2017 vs. YTD-2016

- **Revenue** increase of 6.6%/£39.3m was primarily due to:
 - Like-for-like UK RevPAR growth of 2.9%
 - Annualisation and maturity of the 19 new hotels added in 2016
 - Opening of 15 new hotels in 2017
 - International growth 46%/£1.9m
- **EBITDA** was driven by:
 - Continued sales growth and positive drop through including annualisation and maturity of the new hotels
 - Impact of cost increases including National Living Wage and business rates

Continued Good Free Cash Flow

Good cash conversion and increased capex

£m	FY 2017	FY 2016	Diff.
EBITDA before Exceptional Items and IFRS Rent Charge	112.4	110.1	2.3
Working Capital	8.1	7.4	0.7
Net Cash Flows from Operating activities before Exceptionals	120.5	117.5	3.0
Capital Expenditure	(50.6)	(37.4)	(13.2)
Free Cash Flow Generated	69.9	80.1	(10.2)
Interest Costs - Bank Interest Paid	-	(22.0)	22.0
- Bond Interest Paid	(33.5)	(16.8)	(16.7)
- Finance Fees Paid	(0.2)	(0.2)	-
Interest Income	0.2	1.1	(0.9)
Interest Element of Finance Lease Rental Payments	(4.5)	(4.5)	-
Cash Spend on Provisions and Exceptional Items	(11.8)	(26.5)	14.7
Non-Trading Cash Flow	(49.8)	(68.9)	19.1
Cash Generated	20.1	11.2	8.9
Refinancing and Repayment of Investor Loan	1.0	(14.2)	15.2
Movement in Cash	21.1	(3.0)	24.1
Opening Cash	73.9	76.9	(3.0)
Closing Cash	95.0	73.9	21.1

Comment

FY 2017 vs. FY 2016

- **Working Capital** inflow of £8.1m in FY 2017 vs £7.4m in FY 2016.
- **Net Cash from Operating Activities** increased by £3.0m, primarily due to:
 - Working capital impact noted above and EBITDA increase
- **Capital Expenditure** increased by £13.2m, primarily due to:
 - Commencement of our standard refit program and Super Rooms.
- **Bank and Bond Interest Paid** decreased by £5.3m, primarily due to:
 - Impact of 2016 refinancing from bank debt to bond debt, April 2017 refinancing
- **Provisions and Exceptional Items** mainly in relation to refinancing in both years
- **Refinancing** consists of:
 - Net proceeds of £36m
 - Issued £165m FRN's L+4.875%
 - Redeemed £100m FRN's L+7.5% and £29m SSN's 8.5%
 - Repayment of shareholder loan of £35m

Net Debt and Leverage – FY 2017

Debt (£m)

£m	FY 2017	Pro-forma ¹
Cash and Cash Equivalents	95.0	94.6
SSNs @ 8.5%	261.0	232.0
FRNs @ L + 4.875%	165.0	195.0
Senior Secured Notes	426.0	427.0
Finance leases	32.2	32.2
Total Third Party Indebtedness	458.2	459.2

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:** £95m (pro forma)
- **Revolving Credit Facility:** £50m (unutilised)
- **Letter of Credit Facility:** £30m (£15m utilised)
- Pro Forma Net Senior Secured Debt / EBITDA⁽²⁾ = 3.0x
- Pro Forma Net Third Party Debt / EBITDA⁽²⁾ = 3.2x
- Interest rate hedging in place (£100m of FRN's)

1. As adjusted for January 2018 refinancing

2. EBITDA based on FY 2017 unaudited EBITDA. Net debt is net of cash and cash equivalents.

Summary and Outlook

Good 2017 results, cautious on macro outlook but remain well positioned

- Continued RevPAR growth and outperformance
- Revenue up 6.6%
- Strong cash conversion, reduced interest cost following refinancings
- Good progress on strategic initiatives, 15 hotels opened in 2017

- Cautious on immediate outlook given economic uncertainty and Brexit
- Slower market growth in first weeks of 2018, continued outperformance
- Continued cost pressures from National Living Wage and other regulated costs
- Remain well positioned – strong development pipeline, on-track for target openings

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-2017 vs. FY-2016 on the basis of RevPAR generated by hotels that were opened before 1 January 2016.

Q&A

Appendices



Company Background



Company Overview

Who We Are

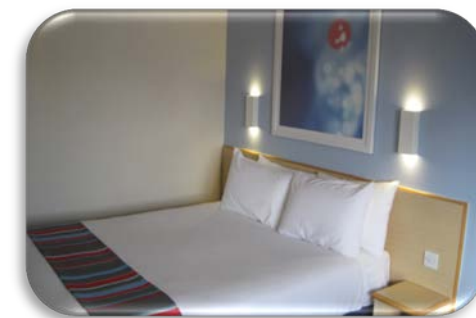
- UK's second largest hotel brand based on number of hotels and rooms
- Positioned in the attractive value segment with 558 hotels and serving 19m business and leisure customers
- Well invested modernised hotel portfolio
- Well balanced approximately even business / leisure customer split
- Almost 90% booking direct, with c. 80% through own websites
- Low upfront capex leasehold model

Where We Are (as at 31 December 2017)

United Kingdom		International	
London	<ul style="list-style-type: none"> • 70 Hotels • 9,006 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"> • 471 Hotels • 31,584 Rooms • 75% of total Rooms 	Ireland⁴	<ul style="list-style-type: none"> • 12 Hotels • 899 Rooms • 2% of total Rooms



Key Statistics (FY2017 unaudited)	
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.