Half Year 2019 Financial Results

For the period ended 30 June 2019

Release: 22 August 2019

Travelodge

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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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Continuing To Outperform In Challenging Conditions

2019 Half Year Headlines

- Revenue **up 6.0%** to £337.3m (2018: £318.2m)
- LFL RevPAR[(1)] **up 0.6%** to £38.78 (2018: £38.57)
- RevPAR growth[(1)] **2.6pts ahead** of competitive segment
- EBITDA[(2)] of £149.6m (under IFRS16)
- EBITDA (adjusted)[(3)] **up £1.1m** to £44.7m
- Strong cash position at the period end
- 10 new openings in the period
- Full refinancing completed in July 2019

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 H1 2019 vs. H1 2018 on the basis of RevPAR generated by hotels that were opened before 1 January 2018.*
2. *EBITDA = Earnings before interest, taxes, depreciation and amortisation, and before exceptional items presented on an IFRS16 basis*
3. *EBITDA (adjusted) = Earnings before interest, taxes, depreciation and amortisation, and before rent free adjustment, exceptional items & reflective of the position in line with the accounting principles applicable to the previous year for purposes of comparability. Exceptional items have been removed as they relate to non-recurring, one-off items*

Half Year Results

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Continued Progress on Our Strategic Objectives

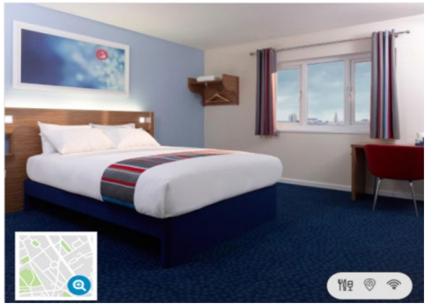
Location

- Targeting 100 new hotels over the next 5 years
- 10 new hotels opened in the period
- 2019 new opening programme remains on plan
- Estate now stands at 584 hotels and 44,514 rooms at the half year
- Strong secure pipeline > 4,500 rooms (10% of the existing estate)

Price

- Strong price proposition driving revenue growth and outperformance
- Continued investment in digital platform
- Targeted customer offers helping drive increased occupancy
- Further growth in business account customers

Quality



- Average 4 star Trip Advisor rating maintained
- Record 325 TripAdvisor Certificates of Excellence – 101 more than 2018
- Refit programme for the core estate underway
- 'SuperRooms' available in 50 hotels
- First 'Travelodge Plus' hotels trading strongly

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Location
2019 Openings – selected examples

Marlow
Travelodge Plus
83 rooms
Bar cafe

Bury St Edmunds
Market town
80 rooms
Bar café

Glasgow
Urban Regeneration
60 rooms
Bar café

Winchester
Historic Cathedral City
62 rooms
Vending

Price

Continued investment in digital platform

	SuperRoom Find out more	Standard room Find out more
Flexible rate + Breakfast + Wifi Cancel up until noon on arrival date	£119.95	£105.95
Flexible rate Cancel up until noon on arrival date	£108.00	£94.00
Saver rate + Breakfast + Wifi Early booking rate (non-refundable)	£102.95	£90.95
Saver rate Early booking rate (non-refundable)	£91.00	£79.00

- Investments in digital platform driving improved conversion, including enhanced search
- Targeted customer offers and analytics supporting increased occupancy
- Further growth in business account customers

Quality
Greater choice and consistency driving increasing quality levels

2019 CERTIFICATE of EXCELLENCE tripadvisor®

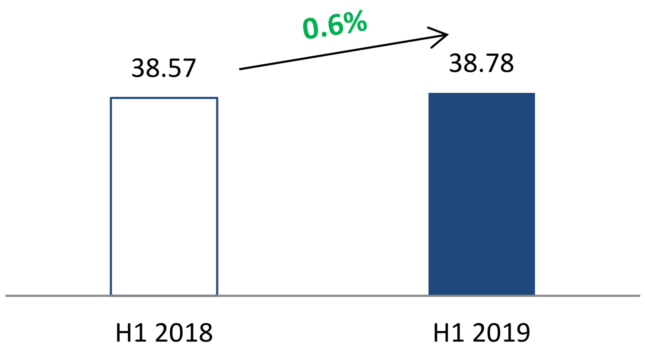
- Average 4* TripAdvisor maintained
- 325 Certificates of Excellence (+101 vs 2018)
- Refit upgrade cycle of core estate underway
- Upgrading our pull-out beds to new specification
- SuperRoom’s added as part of development plan
- Travelodge PLUS hotels trading strongly

Good H1 2019 Operating Metrics

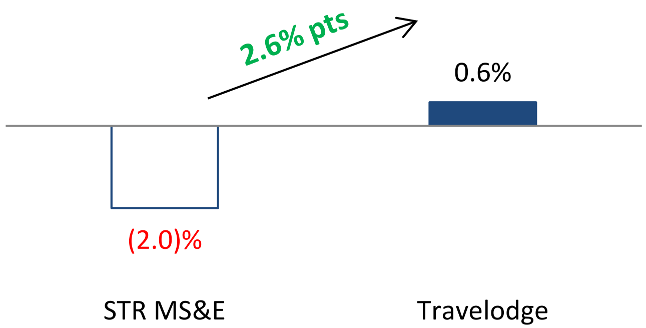
RevPAR growth and continued outperformance

RevPAR Growth Driven by Occupancy Increase and Stable ADR

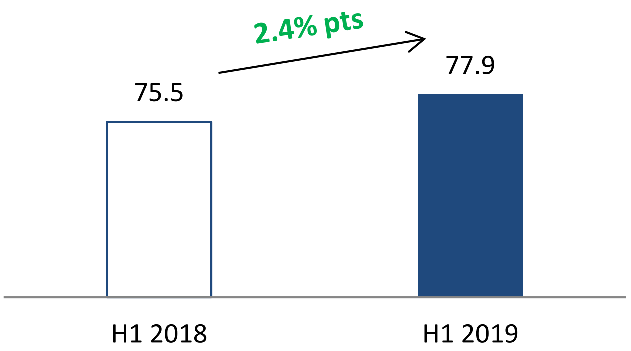
LFL[1] RevPAR (£)[2]



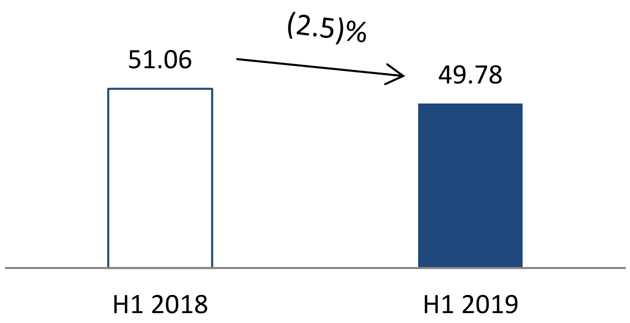
H1-19 RevPAR Growth Ahead of Market



LFL[1] Occupancy (%)[2]



LFL[1] ADR (£)[2]



H1 2019 vs. H1 2018

- **RevPAR:** like-for-like UK RevPAR growth of 0.6%
- **RevPAR vs. Market:** 2.6pts outperformance against MS&E segment
- **Occupancy:** occupancy increased 2.4pts to 77.9%
- **ADR:** down (2.5)% to £49.78

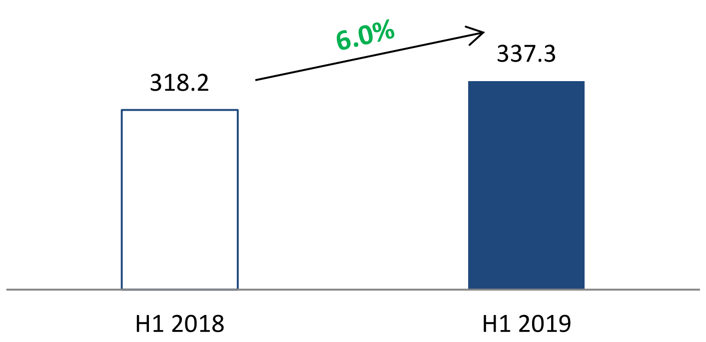
1. RevPAR is computed as the product of the Average Daily Rate for a specified period multiplied by the Occupancy for that period. Like-for-like (LFL) RevPAR compares the RevPAR in H1-2019 vs. H1-2018 on the basis of RevPAR generated by hotels in the UK that were opened before 1 January 2018.
2. Occupancy, ADR and RevPAR for UK leased estate only.

Solid Overall H1 Financial Performance

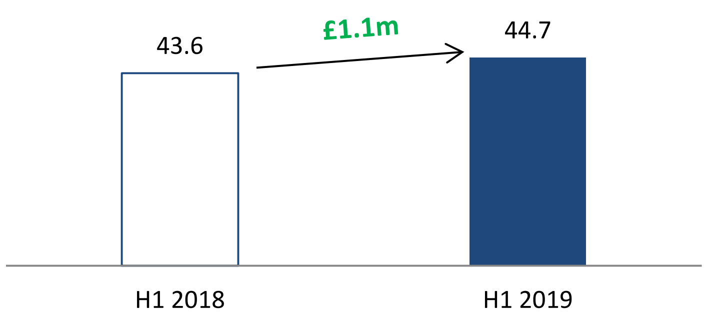
Good total sales growth helping to mitigate cost pressures

Solid Financial Performance

Revenue (£m)



EBITDA[1] (£m)



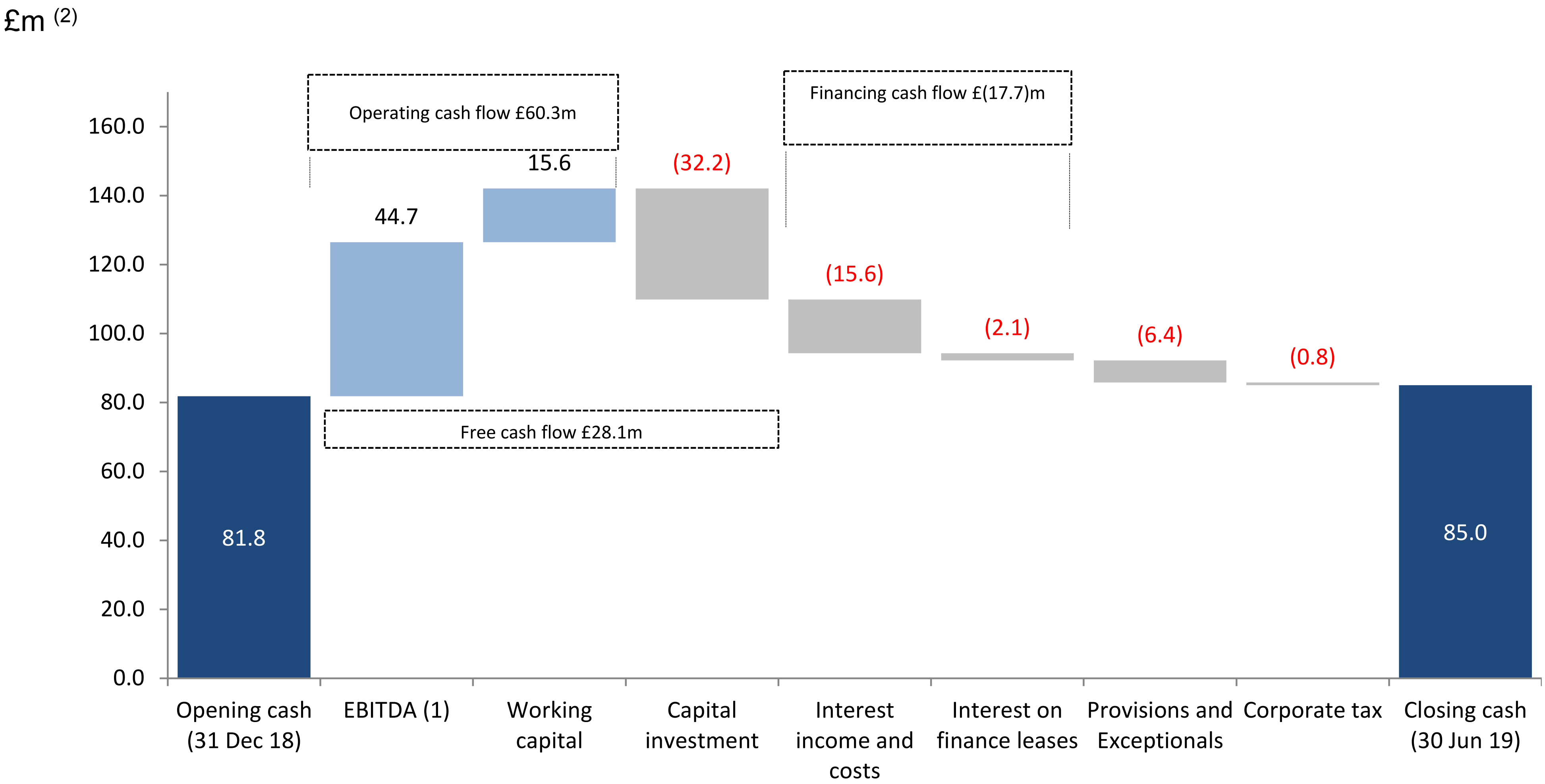
H1-2019 vs. H1-2018

- **Revenue** increase of 6.0%/£19.1m was primarily due to:
  - Annualisation and maturity of the 17 new hotels added in 2018
  - Opening of 10 new hotels in the period
  - Like-for-like UK RevPAR growth of 0.6%
  - Higher food and beverage growth helped by occupancy growth
  - Good growth in Spain
- **EBITDA[1]** increased £1.1m to £44.7m driven by:
  - Good LFL UK revenue growth, contribution from the annualisation and maturity of new hotels and Spain
  - Impact of cost increases including National Living Wage, higher operational costs driven by higher occupancy and increased transaction fees

1. *EBITDA (adjusted) = Earnings before interest, taxes, depreciation and amortisation, and before rent free adjustment, exceptional items & reflective of the position in line with the accounting principles applicable to the previous year for purposes of comparability. Exceptional items have been removed as they relate to non-recurring, one-off items*

Continued Good Free Cash Flow

Strong cash conversion, continued capital investment



1. *EBITDA (adjusted) = Earnings before interest, taxes, depreciation and amortisation, and before rent free adjustment, exceptional items & reflective of the position in line with the accounting principles applicable to the previous year for purposes of comparability. Exceptional items have been removed as they relate to non-recurring, one-off items*
2. *In order to facilitate the comparability of the underlying business to the prior year following the adoption of IFRS16 from 1 January 2019 the cash flow is presented in line with the accounting principles applicable to the previous year*

Net Debt and Leverage – H1 2019

Debt (£m)

£m	H1 2019	Pro forma [3]
Cash and Cash Equivalents	**85.0**	**80.3**
SSNs @ 8.5%	232.0	-
FRNs @ L + 4.875%	195.0	-
FRNs @ L + 5.375%	-	440.0
Senior Secured Notes	**427.0**	**440.0**
Finance leases	33.3	33.3
Total Third Party Indebtedness	**460.3**	**473.3**

Refinancing

- Refinancing completed July 2019
- £440m FRN's @ L+5.375%
- Maturity – July 2025. Call profile – NC1, par
- c. £4m annual interest savings

Liquidity / Financial Ratios

- **Cash on Balance Sheet:** £85m
- **Revolving Credit Facility**: £40m (unutilised)
- **Letter of Credit Facility:** £30m (£15m utilised)
- Pro forma Net Senior Secured Debt / EBITDA[1] = 2.9x
- Pro forma Net Third Party Debt[2] / EBITDA[1] = 3.2x
- Interest rate hedging in place (£100m of FRN's)

1. *Based on EBITDA (adjusted) for H2 2018 (unaudited) and H1 2019 (unaudited) defined as Earnings before interest, taxes, depreciation and amortisation, and before rent free adjustment, exceptional items & reflective of the position in line with the accounting principles applicable to the previous year for purposes of comparability. Exceptional items have been removed as they relate to non-recurring, one-off items*
2. *Net third party indebtedness calculated as total third party indebtedness less cash and cash equivalents on a frozen GAAP basis*
3. *Pro forma indebtedness reflects the impact of refinancing completed 5th July 2019 including the new FRN's issued and use of company cash in the refinancing*

IFRS 16 Impact

No economic impact, significant changes to the presentation of financial statements

30 June 2019 (£m)	Frozen GAAP [1]	IFRS 16 impact	IFRS 16
EBITDAR	**147.5**	**-**	**147.5**
Rent payable	(104.9)	104.9	-
Rent receivable	2.1	-	2.1
EBITDA	**44.7 [2]**	**104.9**	**149.6 [3]**
Depreciation and amortisation	(31.7)	(50.7)	(82.4)
Operating profit/(loss) (before exceptional items)	**13.0**	**54.2**	**67.2**
Net finance income and costs	(25.8)	(80.3)	(106.1)
Income tax	(1.2)	(5.0)	(6.2)
Loss for the period (before exceptional items)	**(14.0)**	**(31.1)**	**(45.1)**

- New lease accounting standard with effect from 1 Jan 2019
- No economic impact and will not change how we manage the business
- Not expected to have an impact on the approach taken to rating the business
- EBITDA increased by £104.9m as rent is no longer charged in the consolidated income statement
- Depreciation increased by £50.7m due to charges relating to 'right of use' asset
- Reported financing costs increased by £80.3m relating to the new notional charges relating to the lease liabilities, with costs heavily phased towards earlier years of a lease

1. *Frozen GAAP = in order to facilitate the comparability of the underlying business to the prior year following the adoption of IFRS16 from 1 January 2019, additional columns have been added to reflect the positon in line with the accounting principles applicable to the previous year*
2. *EBITDA (adjusted) = Earnings before interest, taxes, depreciation and amortisation, and before rent free adjustment, exceptional items & reflective of the position in line with the accounting principles applicable to the previous year for purposes of comparability. Exceptional items have been removed as they relate to non-recurring, one-off items*
3. *EBITDA = Earnings before interest, taxes, depreciation, amortisation and exceptional items presented on an IFRS16 basis*

Summary

Solid H1 results, remain cautious on short-term outlook but well positioned for longer-term

- Good revenue growth, solid LfL RevPAR
- Continued outperformance of competitive segment
- Good progress on development
- Continued cost pressures

- Differing London and Regional trends
- Ongoing outperformance but cost pressures remain
- Development on track – remainder scheduled to open in Q4
- Continued political and economic uncertainty
- Brexit outcome clearly impacts market conditions
- Cautious on short term outlook, well positioned for the future

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 H1-2019 vs. H1-2018 on the basis of RevPAR generated by hotels that were opened before 1 January 2018.

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 584 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 30 June 2019)

United Kingdom

London
- 74 Hotels
- 9,611 Rooms
- 22% of total Rooms

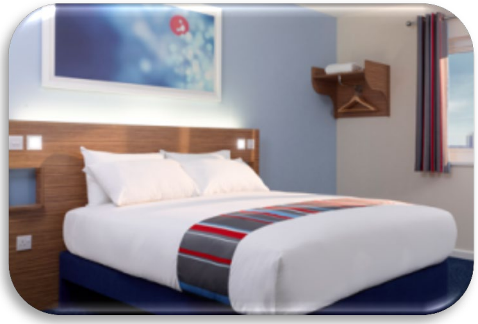
Regions[3]
- 493 Hotels
- 33,383 Rooms
- 75% of total Rooms

International

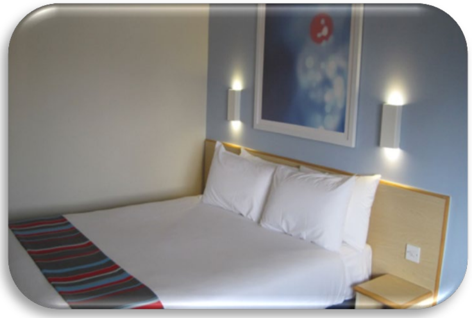
Spain
- 5 Hotels
- 621 Rooms
- 1% of total Rooms

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

Travelodge



Key Statistics (FY2018)	
Hotels	575
Rooms	43,840
Occupancy[1]	78.5%
ADR[1]	£53.09
RevPAR[1]	£41.69
Revenue	£693.3m
EBITDAR	£318.9m
EBITDA	£122.0m
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.