TVL FINANCE PLC

YEAR ENDED 31 DECEMBER 2019

TRADING UPDATE TO NOTEHOLDERS

£440,000,000 SENIOR SECURED FLOATING RATE NOTES DUE 2025

(the “Notes”)

THAME AND LONDON LIMITED
TRADING UPDATE
(UNAUDITED)

CONTENTS

Capitalised terms not otherwise defined in this Interim Report shall have the meanings assigned to such terms in the offering memorandum of TVL Finance PLC relating to the Notes dated 28 June 2019 (the "Offering Memorandum").

PRESENTATION OF FINANCIAL DATA

The report summarises the consolidated financial data and operating data from the unaudited consolidated financial statements of Thame & London Limited and its subsidiaries ("the Group") which includes TVL Finance PLC. For management reporting purposes we use a 5-4-4 week accounting calendar. This accounting method divides our fiscal year into four quarters, each comprising two periods of four weeks and one period of five weeks. We have adopted this accounting method because it allows us to manage our business on the basis of 52 weekly periods which consistently end on the same weekday. In order to align this method with our quarterly and statutory annual accounting period on the basis of a calendar year from 1 January to 31 December, we make certain adjustments to our results at the end of each quarter to ensure that the reported period aligns with the corresponding calendar quarter. The Group will continue to present its consolidated financial statements going forward on this basis and will apply similar adjustments, in accordance with IFRS, to its interim financial statements.

The summary financial information provided has been derived from our records for the year from 1 January 2019 to 31 December 2019 (prior year from 1 January 2018 to 31 December 2018), which are maintained in accordance with International Financial Reporting Standards ("IFRS").

The group has adopted IFRS16 Leases from 1 January 2019, but has not restated comparatives for the 2018 reporting period as permitted under the specific transition provisions in the standard. In order to facilitate the comparability of the underlying business to the prior year following the adoption of IFRS16, additional columns have been added to reflect the position in line with the accounting principles applicable to the previous year ("Before IFRS 16").

We continue to present certain non-IFRS information in this quarterly report. This information includes "EBITDA (adjusted)", which represents earnings before interest, tax, depreciation and amortisation as well as non-underlying items (material non-recurring and one-off in nature) and the rent free adjustment. The impact of IFRS16 is also excluded from this measure.

Certain financial information, measures and ratios related thereto in this quarterly report, including the financial information presented on a 'before IFRS 16' basis and EBITDA (adjusted) (the "Non-IFRS Measures") are not specifically defined under IFRS or any other generally accepted accounting principles.

Management believe that EBITDA (adjusted) is meaningful for investors because it provides an analysis of our operating results, profitability and ability to service debt and because EBITDA (adjusted) is used by the management of the Group to track our business performance, establish operational and strategic targets and make business decisions.

The financial information in this release has not been audited or reviewed by our independent auditors. Accordingly, you should not place undue reliance on such unaudited financial results. Our unaudited financial results are based upon a number of assumptions and judgments that are subject to inherent uncertainties and are subject to change, and as a result our audited financial information may differ from the information presented herein.

DISCLAIMER

This report is for information purposes only and does not constitute an offer to sell or the solicitation of an offer to buy securities. This report does not contain all of the information that is material to an investor.

FORWARD LOOKING STATEMENTS

This report contains "forward-looking statements" as that term is defined by the U.S. federal securities laws and within the meaning of the securities laws of certain other jurisdictions. These forward looking statements include, without limitation, those regarding our intentions, beliefs or current expectations concerning our future financial condition or performance, result of operations and liquidity; our strategy, plans, objectives, prospects, growth, goals and targets; future developments in the markets in which we participate or are seeking to participate; and anticipated regulatory changes in the industry in which we operate.

These statements often include words such as "anticipate", " believe", "could", "estimates", expect", "forecast", "intend", "may", "plan", "projects", "should", "suggests", "targets", "would", "will" and other similar expressions. These statements are not guarantees of performance or results. Many factors could affect our actual financial results or results of operations and could cause actual results to differ materially from those expressed in the forward-looking forward looking statements and projections.

We undertake no obligation to review or confirm analysts' expectations or estimates or to release publicly any revisions to any forward looking statements to reflect events or circumstances after the date of this report.

TVL Finance plc

Trading update for the year ended 31 December 2019 (unaudited)

Strong 2019 Results

Challenges and Inevitable Uncertainty Ahead

Highlights – year ended 31 December 2019

- **Total revenue up 5.0%** to £727.9m (2018: £693.3m)
- RevPAR[(1)] up 0.3% to £41.75 (2018: £41.62)
- **RevPAR growth 2.3pts ahead** of competitive segment [(2)]
- Occupancy[(1)] up 2.1pts to 80.6%
- Average room rate[(1)] down (2.3)% at £51.82 (2018: £53.01)
- EBITDA[(3)] £341.5m (under IFRS16)
- **EBITDA (adjusted)**[(4)] **up £7.1m** to £129.1m
- **14 new hotels** opened in the year
- 495 hotels achieving TripAdvisor rating of 4 stars (2018: 444)
- Network size increased by 2.3% to 588 hotels/44,832[(5)]

- Significant Covid-19 impact from early March leading to material uncertainty
- Government ordered closure of most hotels for 3 weeks commencing 24 March 2020

Peter Gowers, Travelodge Chief Executive commented:

"We delivered our sixth year in a row of growth and outperformance in 2019 and continued that strong delivery until the onset of Covid-19 crisis. Since then, we have faced increasingly difficult trading conditions, culminating in the government's decision to order the closure of hotels with effect from 24 March 2020."

"At this early stage of an unfolding situation, it is too early to estimate the full impact on our performance but it is clear that it will be significant. We expect to see many hotels remain closed for some time and very low levels of trading income. We are taking mitigating action to the extent possible and also expect to benefit from significant government support. However, an impact on our performance is inevitable. We will be working over the weeks ahead to determine the best way to ensure the business emerges from the current crisis in a strong position."

[1] Revenue per available room, Average room rate and Occupancy on a UK like-for-like basis
[2] Our competitive segment is the Midscale and Economy Sector of the UK hotel market as reported by Smith Travel Research (STR), an independent hotel research provider, providing aggregate benchmarking information on the UK and other hotel market performance
[3] EBITDA = Earnings before interest, tax, depreciation, amortisation and non-underlying items presented on an IFRS basis – including IFRS 16
[4] EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation, and before rent free adjustment, non-underlying items & reflective of the position in line with the accounting principles applicable to the previous year for purposes of comparability (before IFRS 16). Non-underlying items have been removed as they relate to non-recurring, one-off items
[5] Increase in rooms from 31 December 2018 to 31 December 2019

2019 Summary

In 2019, Travelodge delivered another year of strong results.

The slow UK economy contributed to a 2.0% fall in RevPAR for the STR Midscale and Economy segment (MSE) as a whole during 2019, with marginally positive RevPAR growth in London more than offset by very significant RevPAR declines in the Regions.

Notwithstanding these slow trading conditions, our focus on delivering affordable travel helped us once again outperform our competitors, with full year like-for-like RevPAR up 0.3% on the prior year, more than 2.3% pts above our competitive segment. This performance was driven by our continued focus on delivering value for money, alongside a positive customer reaction to our new improved pull-out beds and excellent results from our new 'SuperRooms'. This focus on moving our customer offer forward helped us achieve record occupancy levels.

The good like-for-like performance, together with the contribution from our recently opened new hotels, including the 14 opened during the year, as well as good growth in our Spanish business, helped increase sales by £34.6m, or 5.0%.

We did continue to face cost pressures during the year, including rising energy costs and the impact of the National Living Wage. We put in place an extensive programme of investments to reduce our carbon footprint and boost energy efficiency, alongside other productivity measures, and these helped us to maintain margins.

Overall EBITDA was up £7.1m to £129.1m (2018: £122.0m), our sixth year of growth in profitability.

Recent Trading and Outlook

Travelodge continued to perform strongly in the first two months of 2020, delivering further growth in sales and profitability. We also continued to strongly outperform the MSE segment.

However, since the beginning of March, the Covid-19 situation had a significant effect on sales and forward bookings. In the week prior to the UK government's order to close hotels, we were seeing stayed income down approximately 70% on prior year, and advance bookings down as much as 90% on prior year.

The overwhelming majority of our UK hotels are now closed. The closure is expected to last for 3 weeks, although there is the possibility it extends for longer. We continue to be actively engaged with government over how best our hotels can support measures they are taking to manage the current situation and a number of our hotels have remained open in line with the government requirement to assist key workers and those requiring temporary accommodation.

Beyond the current three week closure, government advice is to prepare for an extended period of disruption until at least June. There is no certainty that restrictive travel measures will be ended at that point. The wide variations in potential outcomes present material uncertainty.

Revenue

Our current estimates suggest a period of virtually zero occupancy over the next three weeks, followed by very low occupancy until the end of June. There are clearly significant ranges of possible outcomes beyond that. We estimate that each percentage point decrease in occupancy rate on our full estate in 2020 equals an approximately £6-7m impact on sales for the full year.

Costs

Our normal run-rate operating costs tend to trend at perhaps £10-12m per week depending on the season. We estimate that in normal circumstances approximately two-thirds of our costs are relatively fixed and around a third is then directly or indirectly related to occupancy.

We estimate that approximately half our operating cost base is the relatively fixed costs of property, with the majority being rent on our leased assets, followed by business rates and other charges. We have informed our landlords that, similar to many of our peers, we intend to suspend our rental payments under our leases for the next quarter while we enter discussions to consider the best way to support our mutual interests. We also expect to benefit from the UK government's 12 month hospitality business rates holiday.

Wages, principally of our hotel teams, constitute approximately a quarter of our operating costs. We expect the UK government’s Covid-19 wage support assistance to apply to the vast majority of our hotel colleagues who are unable to work owing to the hotel closure order for a period of up to three months.

Our remaining cost items are balanced between direct costs of occupancy and general fixed costs. We have taken mitigating action to restrict discretionary spending wherever possible.

Capex

We have a well-invested asset base that benefits from the recent addition of our Travelodge Plus hotels, SuperRooms, and energy efficiency measures. Maintenance expenditure typically accounts for around forty percent of annual capex and we would expect this to achieve some saving as a result of lower occupancy. Our annual planned refit expenditure would typically account for around a third of our annual capex, and we would expect to defer a substantial element of this, with the cash benefit falling in the second half of the year. We expect to defer all other non-essential capex until the current situation abates.

We estimate a potential capex benefit from such reductions and deferrals as c. £15-20m in H2.

Development

We were expecting to open 17 new hotels in 2020 and were on track, having opened 4 to date. However, as the majority of the remainder were to open in the second half of the year, it is possible that some may be subject to delay, given the restrictions on worker movement presently in place.

We moved immediately to conserve cash as the Covid-19 situation worsened. We commenced 2020 with an opening cash balance of £89.2m and drew down an additional £40m from our revolving credit facility on 17 March 2020. Our net cashflow position will be principally driven by booking patterns including the timing of cancellations; the timing of operating expenses including rent, wages, capex and other creditor payments; and the major tax payments to government and bondholder interest.

Our Overall Position

The Covid-19 situation is an unprecedented short-term challenge and the wide variations in potential outcomes present material uncertainty. However, Travelodge consistently delivered high levels of quality, growth and cashflow prior to the onset of this situation, and we remain confident in the long-term prospects for the sector.

Notes:

We have published a Trading Update today in place of our normal Quarterly Statement, consistent with current regulatory guidance for listed companies to observe a moratorium on the publication of preliminary financial statements for at least two weeks. We intend to publish the full Quarterly Statement following audit sign off at the conclusion of this two week period