2017 Quarter 1 Financial Results

For the quarter ended 29 March 2017

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Continued Good Growth

2017 Quarter 1 Headlines

- Revenue **up 7.0%** to £127.9m (2016: £119.5m)
- LFL RevPAR[(1)] **up 2.0%** to £32.77 (2016: £32.14)
- RevPAR growth 0.5pts below competitive segment (unadjusted) [(2)]
- On track for 15 openings in 2017 with two opened in Q1/Q2 to date
- EBITDA up £3.3m to £6.4m (2016: £3.1m)
- Cash of £107.3m at the quarter end
- £165m refinancing completed in April 2017

- Initial Q2 trading results show similar trends to Q1
- 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 Q1-2017 vs. Q1-2016 on the basis of RevPAR generated by hotels that were opened before 1 January 2016.
2. *RevPAR growth in line with the competitive segment after adjusting for impact of closed hotel and rooms closed as part of refit programme*

Quarter 1 Results

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Continued Progress on Our Strategic Objectives

Objective	Actions
Distinctive Brand: Raise Quality Image	• Ongoing hotel re-fit cycle • Launch new ‘SuperRooms’ • National advertising presence
Best for Business: Win Share in a Growing Market	• Focus on ‘businesses on a budget’ • Leverage business website • Implement enhanced CRM activity
Win the Web: Grow Direct Digital Sales	• Continue to enhance web customer experience • Leverage CRM capability • Strong paid and unpaid search presence
Price is Right: Optimise Rate and Occupancy	• Airline style yield management system (IDeaS) • Central pricing team • Analytics-driven pricing strategy
Moments of Truth: Drive Consistency	• New customer feedback report drives action • Standardised work practices • Targeted training
Development: Extend UK Network	• 250 potential locations identified • Maintain leasehold growth in London and Regions • Principally new-build hotels opened under lease

Quarter 1 Highlights

- Hotel re-fit cycle underway, commencing with 219 room London Farringdon hotel
- ‘SuperRooms’ trial successfully completed and on-track to launch from second quarter
- Good growth in new business accounts
- Leveraging eCRM capability across digital and business platforms
- Continued gains in revenue management including ancillary products
- Good momentum in development pipeline

London Farringdon Re-Fit Completed


- 219 room Central London hotel
- Major refurbishment throughout
- New classic room look and feel
- Introduced 55 new ‘SuperRooms’
- New look bar café
- Encouraging early trading

‘SuperRooms’ Trial Completed With Launch In Second Quarter

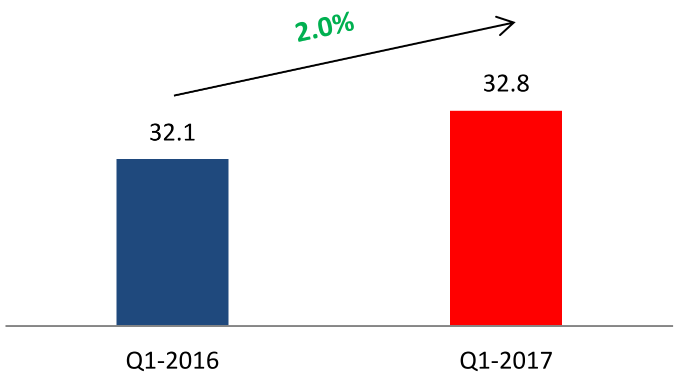
- Successful trial completed of new ‘SuperRooms’ at London Farringdon and London Waterloo
- Features include new look and feel, Lavazza coffee machine, Hansgrohe adjustable showers, dual bedside USB charging points and wider desk
- Expecting to invest £5m in 2017 for initial launch of the first 1,000 rooms, principally in central London
- Rooms typically expected to attract premium of £10-20 to our classic rooms

Good 2017 Operating Metrics

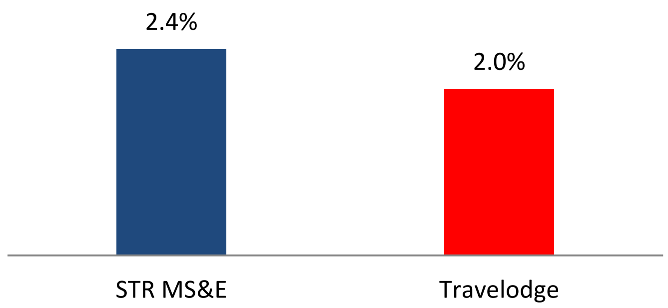
Continued RevPAR growth

Strong RevPAR Growth Driven by ADR Increase and Steady Occupancy

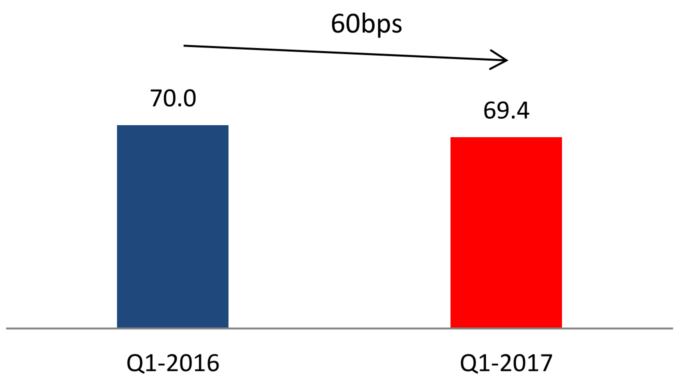
LFL[1] RevPAR (£)[2]



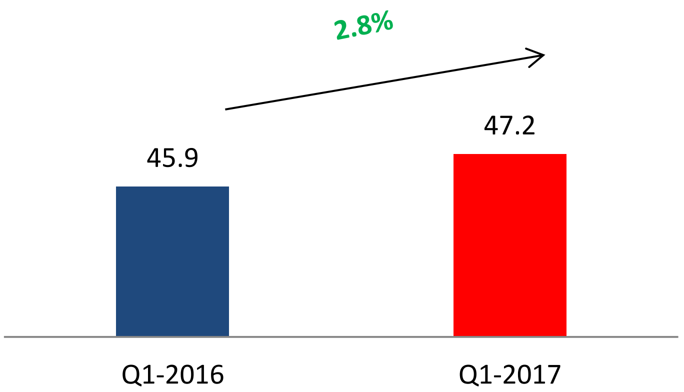
Q1-17 RevPAR Growth Slightly Below Market [3]



LFL[1] Occupancy (%)[2]



LFL[1] ADR (£)[2]



Q1 2017 vs. Q1 2016

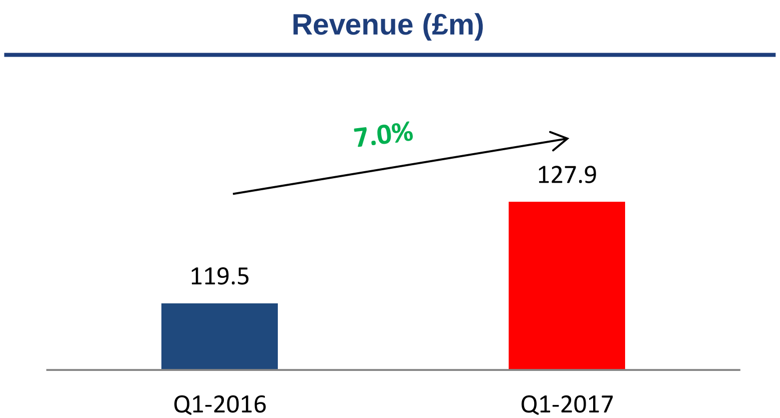
- **RevPAR:** like-for-like UK RevPAR growth of 2.0%
- **RevPAR vs. Market:** underperformance to MS&E segment principally owing to room closures in major refit hotels in London
- **Occupancy:** occupancy remained stable at c.69%
- **ADR:** continued improvement increasing by 2.8% vs. 2016

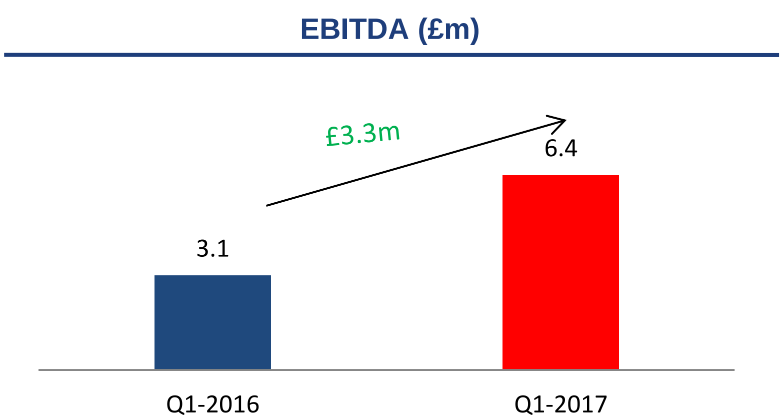
1. RevPAR is computed as the product of the Average Daily Rate for a specified period multiplied by the Occupancy for that period. Like-for-like (LFL) RevPAR compares the RevPAR in Q1-2017 vs. Q1-2016 on the basis of RevPAR generated by hotels that were opened before 1 January 2016.
2. Occupancy, ADR and RevPAR for UK leased estate only.
3. RevPAR growth in line with the competitive segment after adjusting for impact of closed hotel and rooms closed as part of refit programme

Good Overall Q1 Financial Performance

Strong total sales growth with EBITDA improvement

Financial Performance Has Remained Strong





Q1-2017 vs. Q1-2016

- **Revenue** increase of 7.0%/£8.4m was primarily due to:
  - Like-for-like UK RevPAR growth of 2.0%
  - Annualisation and maturity of the 19 new hotels added in 2016
  - International growth 40%/£0.7m
- **EBITDA** was driven by:
  - Continued sales growth and positive drop through
  - Impact of national living wage
  - Changes to marketing strategy in favour of lower cost digital and CRM

Continued Good Free Cash Flow

Good cash conversion with working capital benefit from quarter end timing

£m	Q1 2017	Q1 2016	*Diff.*
EBITDA before Exceptional Items and IFRS Rent Charge	6.4	3.1	*3.3*
Working Capital	42.2	25.2	*17.0*
Net Cash Flows from Operating activities before Exceptionals	**48.6**	**28.3**	***20.3***
Capital Expenditure	(11.1)	(7.0)	*(4.1)*
Free Cash Flow Generated	**37.5**	**21.3**	***16.2***
Interest Costs - Bank Interest Paid		(16.4)	*16.4*
- Bond Interest Paid	(2.3)	-	*(2.3)*
- Finance Fees Paid	-	(0.1)	*0.1*
Interest Income	0.1	-	*0.1*
Interest Element of Finance Lease Rental Payments	(0.9)	(1.1)	*0.2*
Cash Spend on Provisions and Exceptional Items	(1.0)	(2.0)	*1.0*
Non-Trading Cash Flow	**(4.1)**	**(19.6)**	***15.5***
Cash Generated	**33.4**	**1.7**	***31.7***
Refinancing and Repayment of Investor Loan		(12.9)	*12.9*
Movement in Cash	**33.4**	**(11.2)**	***44.6***
Opening Cash	73.9	76.9	*(3.0)*
Closing Cash	**107.3**	**65.7**	***41.6***

Comment

Q1-2017 vs. Q1-2016

- **Working Capital** inflow of £42.2m in Q1-2017 vs £25.2m in Q1-2016 primarily due to:
  - *Timing of the quarter ends and payments around the quarter ends.*
- **Net Cash from Operating Activities** increased by £20.3m, primarily due to:
  - *Working capital impact noted above.*
- **Capital Expenditure** increased by £4.1m, primarily due to:
  - *Commencement of our standard refit program.*
- **Bank and Bond Interest Paid** decreased by £14.1m, primarily due to:
  - *Timing of payment of external bank interest in 2016.*
- **Provisions and Exceptional Items** mainly in relation to spend on provisions.
- **Refinancing** consists of:
  - *the flare facility repayment of £12.9m in Q1 2016*
  - *2017 refinancing not until Q2.*

Net Debt and Leverage – Quarter 1 2017

Debt (£m)

£m	Q1 2017	Pro Forma[1]
Cash and Cash Equivalents	107.3	103.5
SSNs @ 8.5%	290.0	261.0
FRNs @ L+7.5%	100.0	-
FRNs @ L+4.875%	-	165.0
Finance leases	32.1	32.1
Total Third Party Indebtedness	422.1	458.1

Refinancing

- **Refinancing** completed April 2017
- £165m senior secured FRNs at **L+4.875%,** par
- Maturity - May 2023, Call profile - NC1, par
- c. £1.7m annual interest saving

Liquidity / Financial Ratios

- **Cash on Balance Sheet:** £104m (pro forma)
- **Revolving Credit Facility**: £50m (unutilised)
- **Letter of Credit Facility:** £30m (£15m utilised)
- Pro Forma Net Senior Secured Debt / EBITDA[2] = 2.8x
- Pro Forma Net Third Party Debt / EBITDA[2] = 3.1x

1. *As adjusted for the April 2017 Refinancing.*
2. *EBITDA based on Q2-Q4 2016 audited EBITDA plus Q1 2017 unaudited EBITDA. Net debt is net of cash and cash equivalents.*

Summary and Outlook

Good quarter 1 results, cautious on macro outlook but remain well positioned

- Good Q1 revenue and EBITDA growth
- RevPAR up 2.0%
- Strong cash conversion
- Good progress on strategic initiatives, 2 hotels opened in Q1/Q2 to date

- Cautious on immediate outlook given general election and Brexit
- Cost pressures from National Living Wage, business rates and apprenticeship levy
- Remain well positioned – strong development pipeline (on-track for 15 new openings)

Q&A

Appendices

Company Background

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Company Overview FY 2016

Who We Are

- UK's second largest hotel brand based on number of hotels and rooms
- Positioned in the attractive value segment with 543 hotels and serving 18m business and leisure customers
- Well invested modernised hotel portfolio
- Well balanced approximately even business / leisure customer split
- Almost 90% booking direct, with 79% through own websites
- Low upfront capex leasehold model

Where We Are

United Kingdom

London
- 66 Hotels
- 8,628 Rooms
- 21% of total Rooms

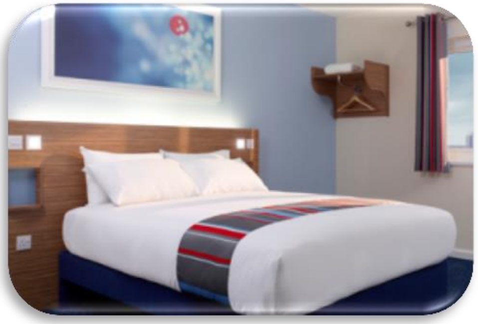
Regions[3]
- 460 Hotels
- 30,699 Rooms
- 75% of total Rooms

International

Spain
- 5 Hotels
- 621 Rooms
- 2% of total Rooms

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

Travelodge



Key Statistics (FY2016)	
Hotels	543
Rooms	40,847
Occupancy[1]	76.1%
ADR[1]	£51.7
RevPAR[1]	£39.3
Revenue	£597.8m
EBITDAR	£281.8m
EBITDA	£110.1m
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 12 hotels operated under management contracts.
4. Operations in Ireland under a master franchise.

Key Credit Highlights

1. Good Market Dynamics for Growth in Value Hotel Sector
2. Strong Market Position with High Brand Recognition, Scale and Extensive, Diversified Network of Hotels
3. Well-invested Portfolio with Good Quality Levels
4. Operational Improvements and Powerful Direct Distribution Model Drive Good Financial Performance in 2016
5. Tight Cost Control and Low Upfront Capex Leasehold Model Drive Good Profitability and Cashflows in 2016
6. Growing and High Quality Rooms Pipeline
7. Experienced Management Team with a Track Record of Delivering Operational and Financial Improvements