H1 Financial Results

For the period ended 29 June 2016

Release: 23 August 2016

Travelodge

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Continued Market Outperformance

H1 Headlines

- Revenue **up 6.1%** to £275.0m (2015: £259.2m)
- LFL RevPAR[(1)] **up 3.2%** to £36.80 (2015: £35.66)
- **2.1 pts outperformance** vs. STR Midscale and Economy Segment
- 9 new hotels opened
- EBITDA £38.7m in line with last year (one-off rent review, national living wage)

- Post half-year trading is similar to H1 – and 3 further hotels opened
- Brexit leads to cautious market outlook – but remain fundamentally 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 H1-2016 vs. H1-2015 on the basis of RevPAR generated by hotels that were opened before 1 January 2015.

H1 2016 Results

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Continued Progress on Our Strategic Objectives

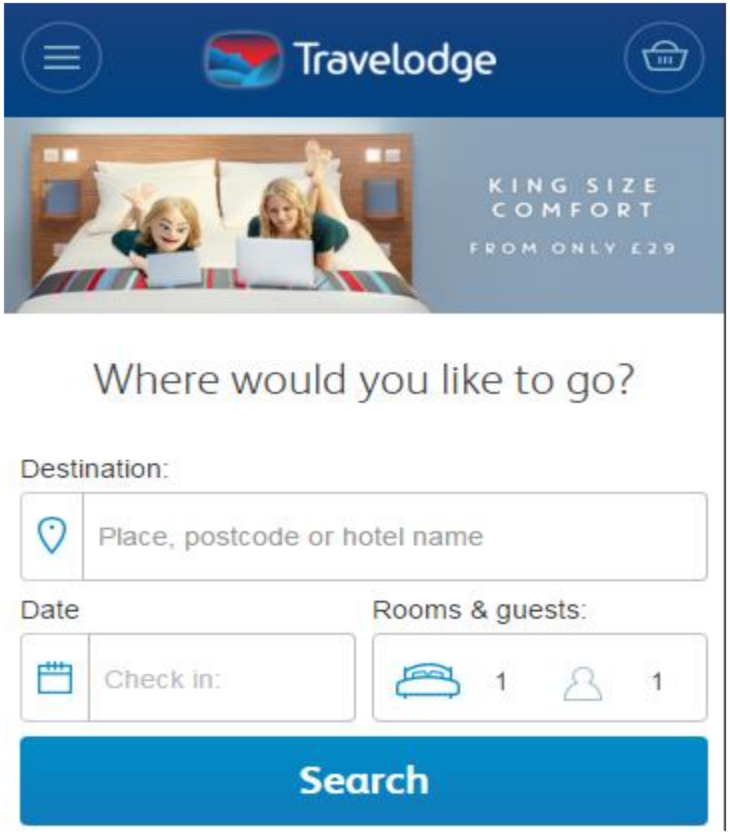
Further business customer growth fuelled by quality and yield initiatives

Strategic objective	Initiatives
Distinctive Brand: Raise Quality Image	• National advertising presence • Quality brand partners e.g. Sleepezee Royal Warrant Beds
Best for Business: Win Share in a Growing Market	• Focus on 'businesses on a budget' • Direct national accounts team • Business account card
Win the Web: Grow Direct Digital Sales	• New website from April 2016 • Continue to drive app downloads • 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	• Detailed customer feedback drives action • Standardised work processes • Targeted training
Development: Extend UK Network	• 250 potential locations identified • Maintain leasehold growth in London and Regions • Principally new-build hotels opened under lease

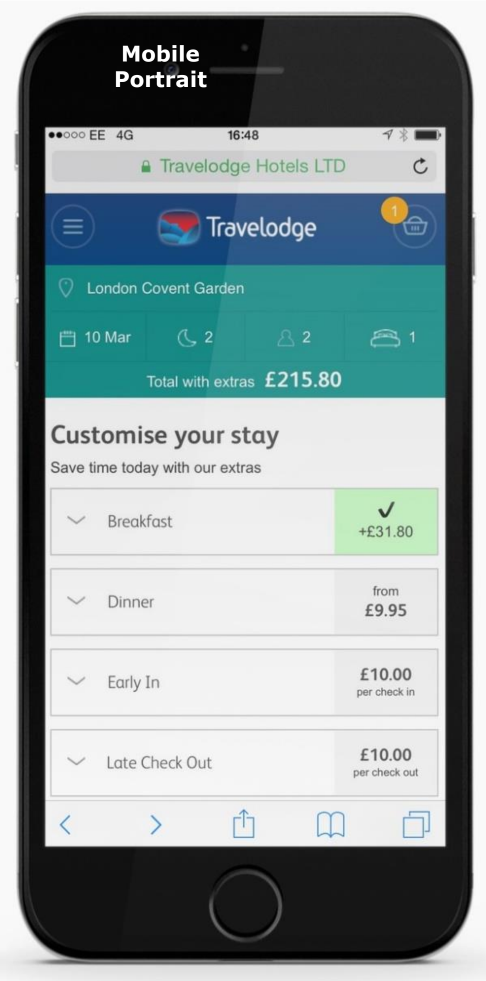
H1 Progress

- New advertising campaign driving business customer growth
- Upgraded desktop and mobile websites
- New breakfast offer with record levels of F&B sales
- Enhanced revenue management
- New hotel manager training launched
- Continued growth in development pipeline

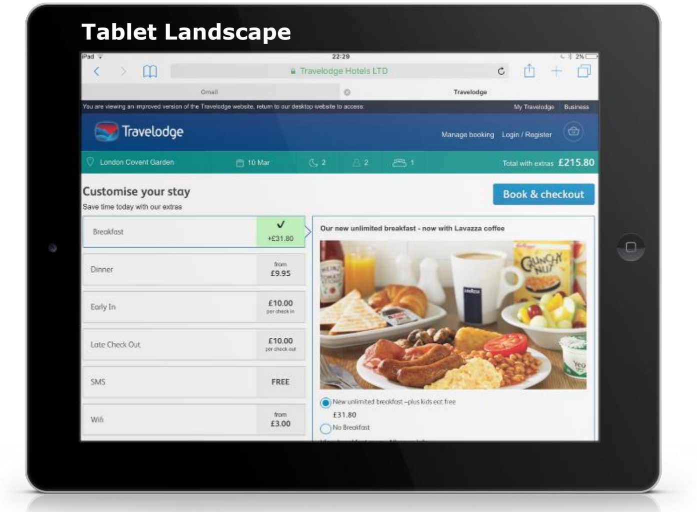
Upgraded desktop and responsive mobile website



Clearer simplified booking journey



Easier to add up-sell items



Optimised for tablet use

New hotels

London Belvedere
South East London, 52 rooms, vending

London Raynes Park
South West London, 86 rooms, bar café

London Finsbury Park
North Central London, 104 rooms, bar café

Glasgow Queen Street
City centre, 171 rooms, bar café

Milton Keynes The Hub
Business district, 159 rooms, bar café

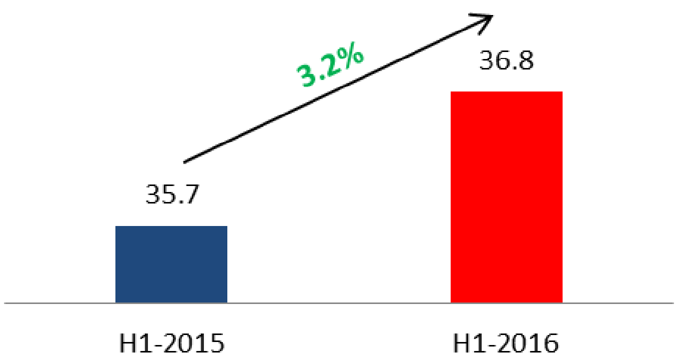
Bicester
Retail outlet mall, 53 rooms, vending

Strong Operating Metrics

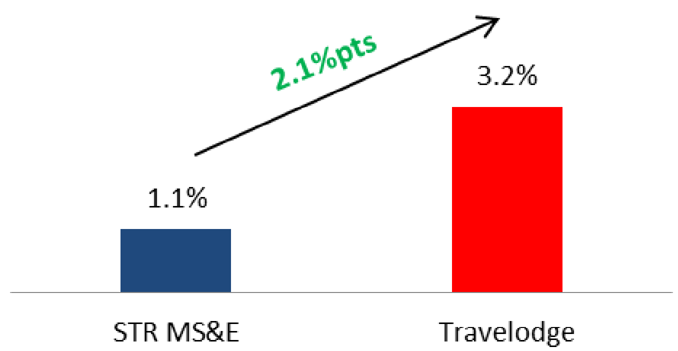
Continued RevPAR growth and outperformance

Strong RevPAR Growth Driven by ADR Increase and Steady Occupancy

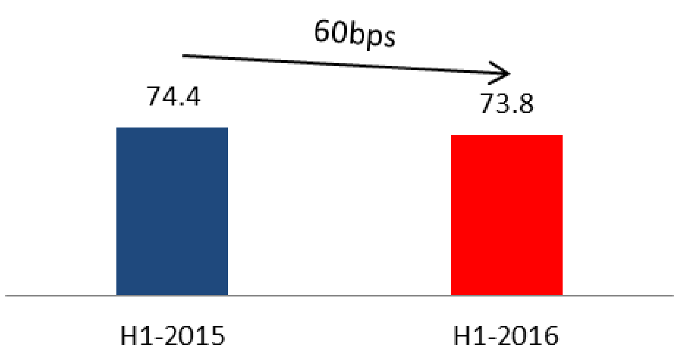
LFL[1] RevPAR (£)[2]



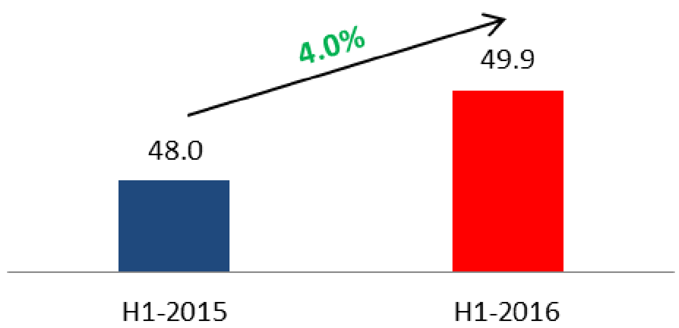
H1-16 RevPAR Growth Outperformance



LFL[1] Occupancy (%)[2]



LFL[1] ADR (£)[2]



H1-2016 vs. H1-2015

- **RevPAR vs. Market:** outperformance vs. the MS&E segment growth rate in H1-2016 by approximately 2.1% points
- **RevPAR:** like-for-like UK RevPAR growth of 3.2%
- **Occupancy:** occupancy remained stable at c.74%
- **ADR:** continued improvement increasing by 4.0% vs. H1-2015

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 H1-2016 vs. H1-2015 on the basis of RevPAR generated by hotels that were opened before 1 January 2015.

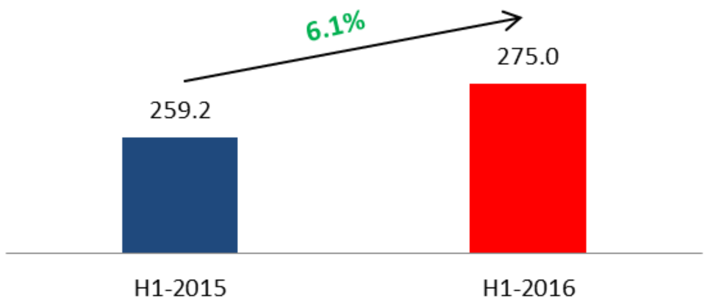
2. Occupancy, ADR and RevPAR for UK leased estate only.

Strong Underlying Financial Performance

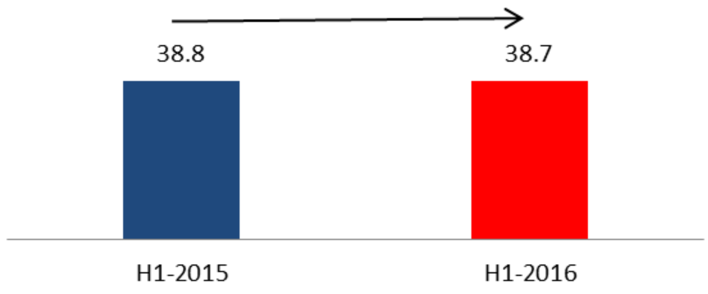
Good sales growth with EBITDA impacted by one-off rent review and NMW

Financial Performance Has Remained Strong

Revenue (£m)



EBITDA (£m)



H1-2016 vs. H1-2015

- **Revenue** increase of 6.1%/£15.8m was primarily due to:
  - Like-for-like UK RevPAR growth of 3.2%
  - Annualisation and maturity of the 12 new hotels added in the 2015
  - Opening of 9 new hotels in the period
  - International growth 25.9%/£0.9m
- **EBITDA** was driven by:
  - Benefits of higher revenue
  - Increased rent expense from the one-off CVA category 2 rent reset of approximately £1.6m
  - Impact of national living wage from 1 April 2016

Continued Strong Cash Generation

Solid cash conversion and lower capex

£m	H1-2016	H1-2015	*Diff.*
EBITDA before Exceptional Items and IFRS Rent Charge	38.7	38.8	*(0.1)*
IFRS Rent Charge	(1.9)	(2.5)	*0.6*
Working Capital	38.8	30.2	*8.6*
Net Cash Flows from Operating activities before Exceptionals	**75.6**	**66.5**	***9.1***
Capital Expenditure	(15.9)	(24.3)	*8.4*
Free Cash Flow Generated	**59.7**	**42.2**	***17.5***
Interest Costs - Bank Interest Paid	(21.1)	(1.6)	*(19.5)*
- Bond Interest Paid	-	-	-
- Finance Fees Paid	(0.1)	(0.2)	*0.1*
Interest Income	0.3	0.2	*0.1*
Interest Element of Finance Lease Rental Payments	(2.1)	(2.0)	*(0.1)*
Cash Spend on Provisions and Exceptional Items	(21.5)	(3.0)	*(18.5)*
Non-Trading Cash Flow	**(44.5)**	**(6.6)**	***(37.9)***
Cash Generated	**15.2**	**35.6**	***(20.4)***
Refinancing and Repayment of Investor Loan	(10.2)	-	*(10.2)*
Movement in Cash	**5.0**	**35.6**	***(30.6)***
Opening Cash	76.9	38.9	*38.0*
Closing Cash	**81.9**	**74.5**	***7.4***

Comment

H1-2016 vs. H1-2015

- **Working Capital** inflow of £38.8m in H1-2016 vs £30.2m in H1-2015 primarily due to:
  - *Timing of payments* around the quarter end.
- **Net Cash from Operating Activities** increased by £9.1m, primarily due to:
  - *Working capital benefit as noted above.*
- **Capital Expenditure** decreased by £8.4m, primarily due to:
  - *Completion of the modernisation programme* in December 2015.
- **Bank Interest Paid** increased by £19.5m, primarily due to:
  - *Bank interest moving from PIK to cash paid* from the beginning of 2015.
- **Provisions and Exceptional Items** spend includes refinancing costs £13.7m, CVA fund £3.9m and other provisions and exceptionals £3.9m
- **Refinancing** outflow of £10.2m comprising: Flare Facility Repayment £12.9m, Term Loan Repayments £371.3m, Bond Issue £390.0m and Repayment of Investor Loan £16.0m.

Net Debt and Leverage

Debt (£m)

£m	H1-2016
Cash and Cash Equivalents	**81.9**
Senior Secured Notes	**390.0**
Finance Leases	31.6
Total Third Pary Indebtedness	**421.6**

Liquidity

- **Cash on Balance Sheet:** £82m
- **Revolving Credit Facility**: £50m (unutilised)
- **Letter of Credit Facility:** £30m (£17.5m utilised)

Financial Ratios

- **Net Senior Secured Debt / LTM EBITDA[1] =** 2.9x
- **Net Third Party Debt / LTM EBITDA[1] =** 3.2x

1. LTM EBITDA is calculated adding the H1-2016 EBITDA (£38.7m) and subtracting the H1-2015 EBITDA (£38.8m) to the 2015 Reported EBITDA of £105.1m. Net debt is net of cash and cash equivalents.

Summary and Outlook

Continued Market Outperformance

- Continued RevPAR growth and market outperformance
- Good progress on strategic initiatives
- 9 new hotel openings

- Second half trading is similar to H1 – and 3 further hotels opened
- Brexit leads to cautious market outlook – but remain fundamentally well positioned

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 525 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 78% through own websites
- Low upfront capex leasehold model

Where We Are

United Kingdom

London
- 62 Hotels
- 8,258 Rooms
- 21.1% of total Rooms

Regions[3]
- 446 Hotels
- 29,412 Rooms
- 75.0% of total Rooms

International

Spain
- 5 Hotels
- 621 Rooms
- 1.6% of total Rooms

Ireland[4]
- 12 Hotels
- 899 Rooms
- 2.3% of total Rooms

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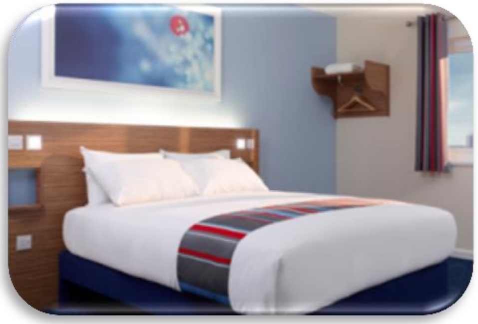

Key Statistics (FY2015)	
Hotels	525
Rooms	39,190
Occupancy[1]	76.5%
ADR[1]	£50.2
RevPAR[1]	£38.4
Revenue	£559.6m
EBITDAR	£261.6m
EBITDA	£105.1m
Rent Cover[2]	1.7x

1. Occupancy, ADR and RevPAR for Travelodge UK leased Hotels only.
2. Represents the ratio of EBITDAR to net external rent payable.
3. Includes 13 hotels operated under management contracts.
4. Operations in Ireland under a master franchise.

Key Credit Highlights

1. Strong 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 Strong Quality Levels
4. Operational Improvements and Powerful Direct Distribution Model Drive Strong Financial Performance
5. Tight Cost Control and Low Upfront Capex Leasehold Model Drive Strong Profitability and Cashflows
6. Growing and High Quality Rooms Pipeline
7. Experienced Management Team with a Track Record of Delivering Operational and Financial Improvements