



Travelodge

Goldman Sachs 2016 EMEA Leveraged Finance Conference

Release: 27 September 2016



travelodge.co.uk

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Today's Speakers



Peter Gowers

Travelodge - Chief Executive

- Joined Travelodge in 2013
- Hotel and leisure experience with IHG plc as Chief Executive Asia-Pacific and Group Chief Marketing Officer
- Real Estate experience as Chief Executive of Safestore Holdings plc, the UK's largest self storage operator



Jo Boydell

Travelodge - Chief Financial Officer

- Joined Travelodge in 2013
- Hotel and leisure experience from senior roles at Hilton Group, EMI Group and Ladbrokes
- Retail turnaround experience as Finance Director at JGLCC Camera Company (Jessops)

Agenda

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Travelodge at a Glance



travelodge.co.uk

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 534 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 (H1 2016)

United Kingdom

London

- 65 Hotels
- 8,396 Rooms
- 21.0% of total Rooms

Regions³

- 452 Hotels
- 30,081 Rooms
- 75.2% of total Rooms

International

Spain

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

Ireland⁴

- 12 Hotels
- 899 Rooms
- 2.2% of total Rooms

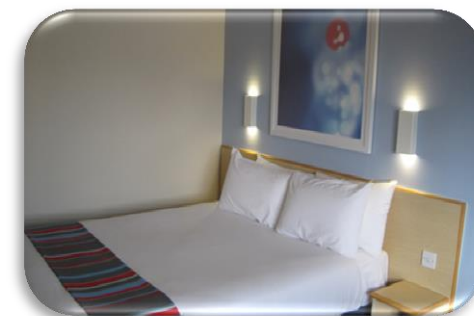


Travelodge



Key Statistics (FY 2015)

Hotels (H1 2016)	534
Rooms (H1 2016)	39,997
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 (647 rooms) 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

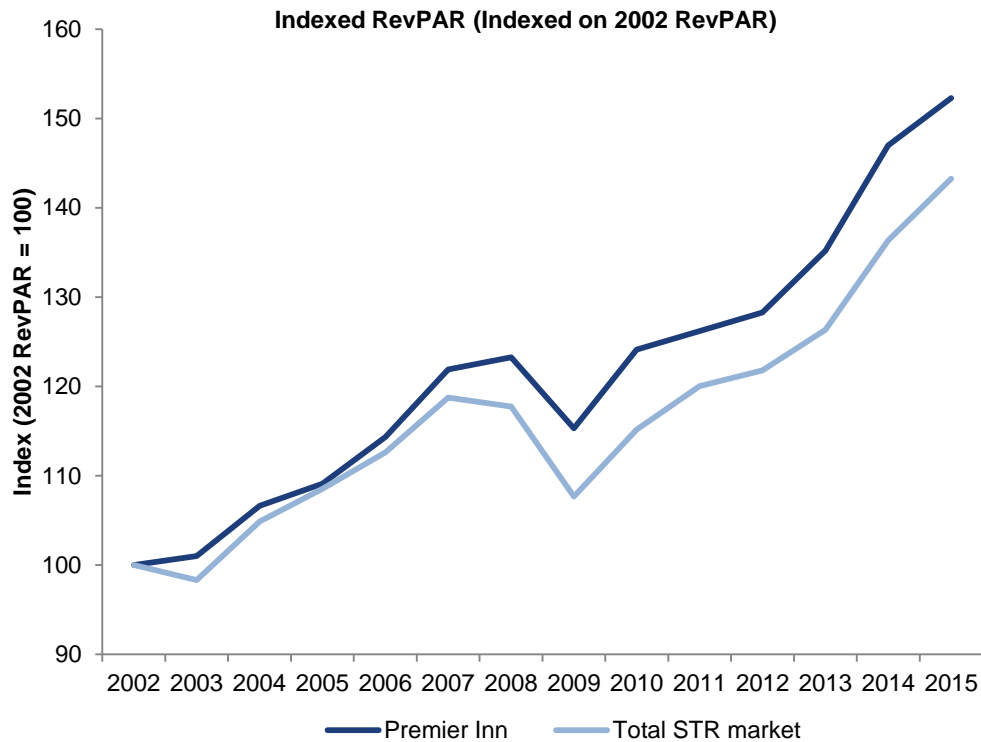
5 Tight Cost Control and Low Upfront Capex Leasehold Model Drive Strong Profitability and Cashflows

6 Growing and High Quality Rooms Pipeline

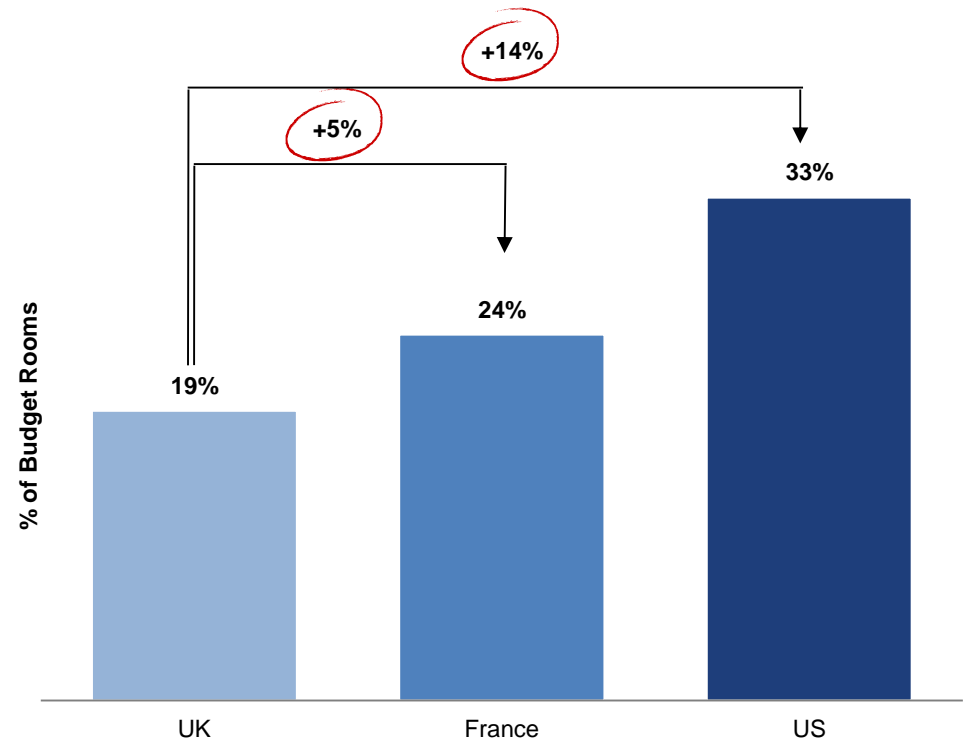
7 Experienced Management Team with a Track Record of Delivering Operational and Financial Improvements

1 Strong Market Dynamics for Growth in Value Hotel Sector

The Value Segment Shows Resilience Through the Cycle¹...



...and Still has Room to Grow²



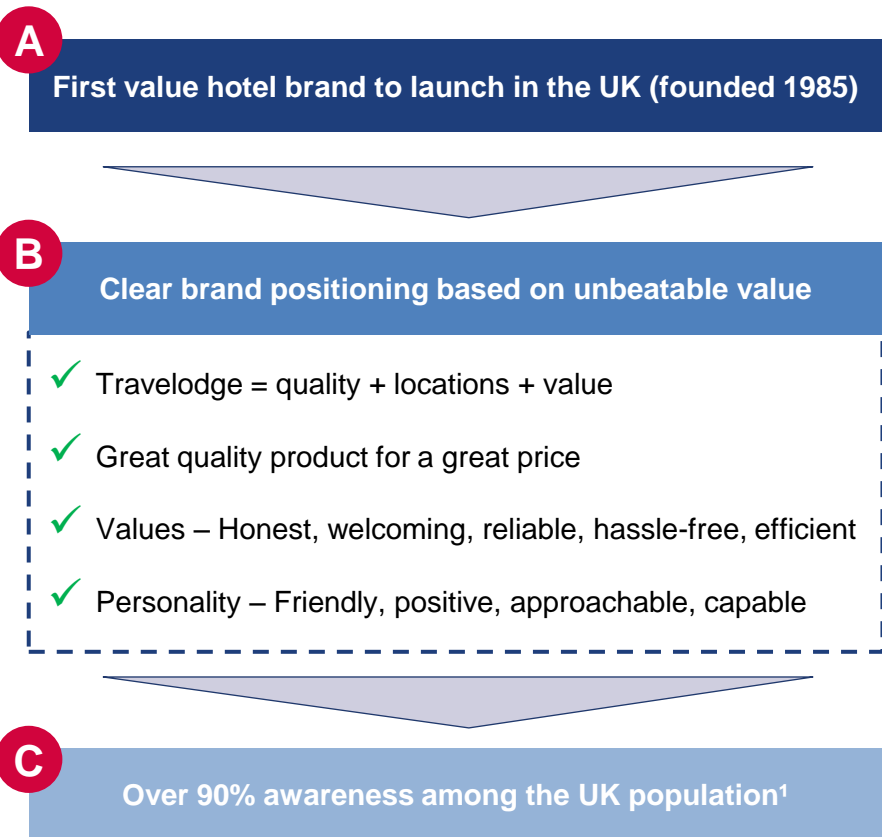
Source: STR, Melvin Gold, Company Information

1. Brokers notes and published Premier Inn Reports - 2002 based on fiscal year ended Feb-2003 etc. Premier Inn 2015 RevPAR estimated based on total RevPAR growth rate of 3.6% for 50 weeks to 11-Feb-2016 per Whitbread trading update.

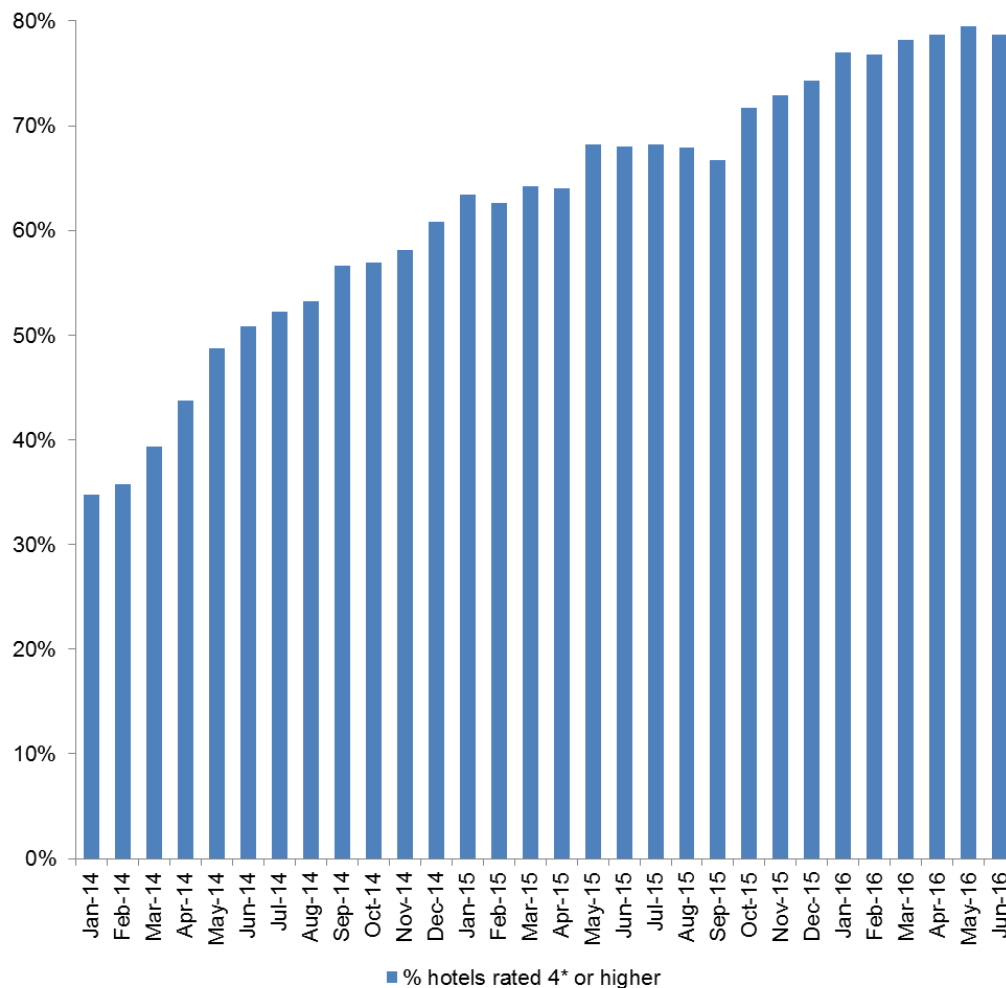
2. Based on data from Melvin Gold Consulting as of December 2014.

2 Strong Market Position with High Brand Recognition, Scale and Extensive, Diversified Network of Hotels

Strong and Improving Brand...



...with Rising Customer Satisfaction



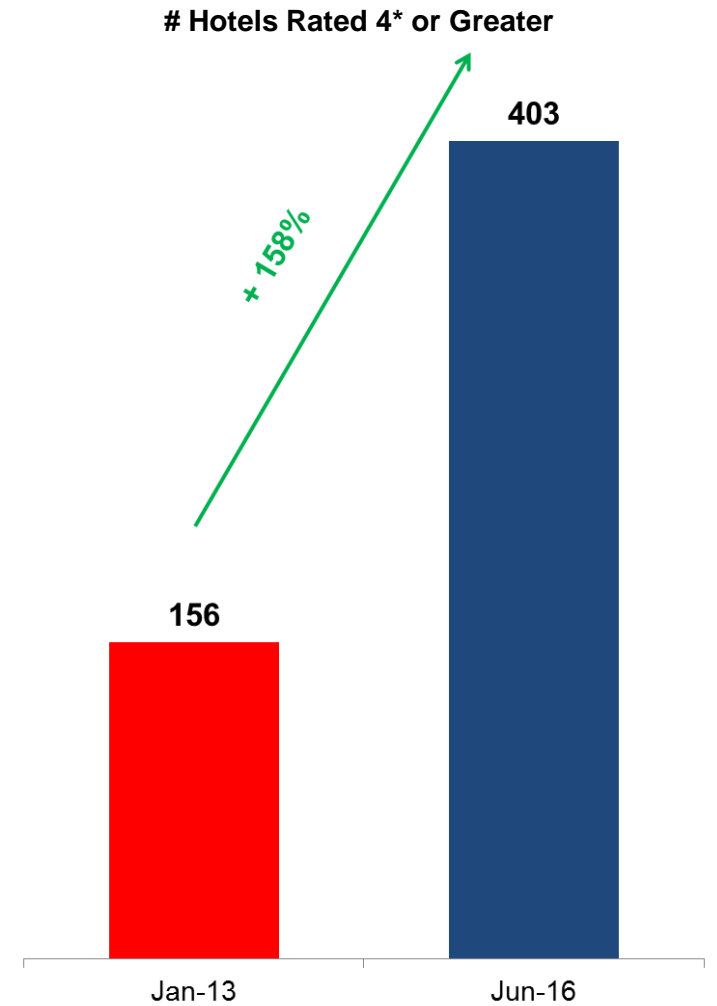
Source: Company information as at 30-Jun-2016, TripAdvisor
 1. As at August 2016, measured by the YouGov brand tracking survey.

3 Well-invested Portfolio with Strong Quality Levels

Underinvested Estate Transformed With c.£100m Investment in New Look and Feel



TripAdvisor Scores Have Considerably Improved



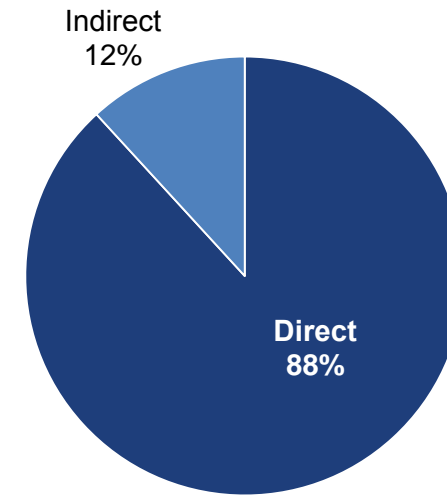
4 Powerful Direct Distribution Model

Powerful Distribution System...

- Large scale brand recognition
- Major UK advertising presence
- Mobile app launched Apr-2015 has reached over 275k downloads to date
- Approximately 1 million visits per week to travelodge.co.uk sites with on average, a booking every 3 seconds
- Direct salesforce targets corporate key accounts, mid-market corporates and travel management businesses
- Outsourced call centre handles calls for complex bookings and corporate support for c. 8% of bookings
- Nearly 79% of all bookings go via travelodge.co.uk platform (consumer and corporate versions of the website)
- Domestic OTA < 3% LTM June 2016

...Drives Almost 90% Bookings Direct

LTM June 2016 Accommodation Sales



Direct Includes

- Travelodge.co.uk
- Corporate Direct
- Call Centre
- Walk-ins
- Groups

Indirect Includes

- GDS / Direct Connect
- Travel Trade
- OTA

5 Low Upfront Capex Leasehold Model



- Long-term leases, typically 25 years, though can be 35 years or occasionally longer in London and key city centres
- Typically standard 5-yearly, inflation based (UK RPI or CPI), upwards only rent reviews (some with caps and collars)
- Average remaining lease term c. 19 years (excluding renewal rights)
- Majority with favourable extension rights
- Allows us to expand our portfolio with low upfront capital expenditure, with the vast majority of up front construction and fit out costs funded by the freehold owner or developer

6 Growing and High Quality Rooms Pipeline

New Hotel Openings – Increasing Focus on City Centre Business Market



13 hotels already opened so far this year

On track to open 19 new hotels in 2016

15 hotels currently on-site being constructed



H1 Financial Update

H1 2016 Financial Headlines

Good balance of growth from LFL (market + outperformance) and development

- 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 in H1
- EBITDA £38.7m in line with last year

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.

Continued Progress on Our Strategic Objectives

Further business customer growth fuelled by quality and yield initiatives

Distinctive Brand: Raise Quality Image

- National advertising presence
- Quality brand partners e.g. Sleepzee 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

New hotels

Increasing focus on city centre and business locations



London Belvedere
South East London, 52 rooms, vending

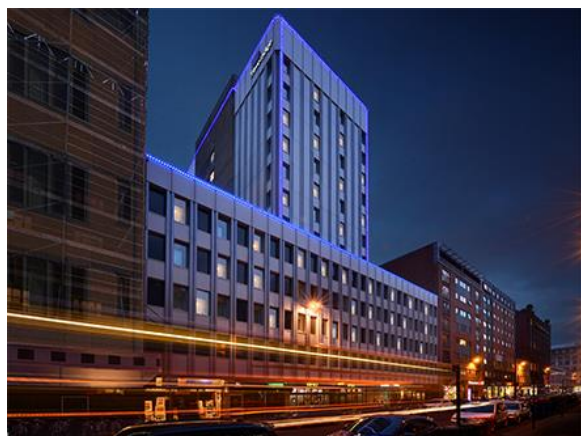


London Raynes Park
South West London, 86 rooms, bar café



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

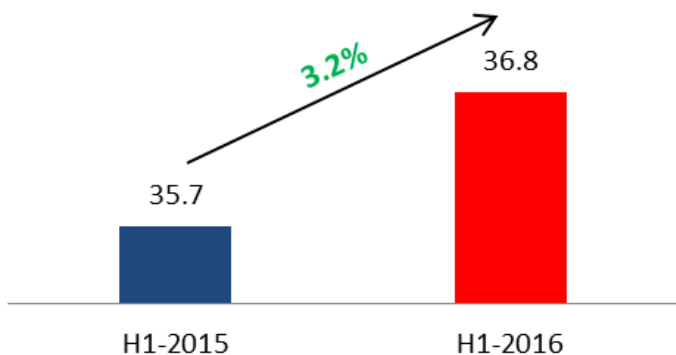


Strong H1 2016 Operating Metrics

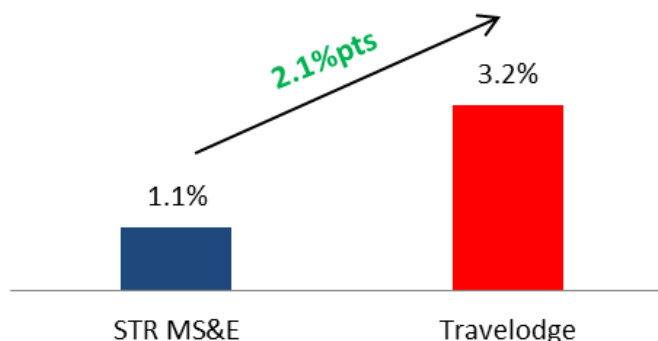
Continued RevPAR growth and market outperformance

Strong RevPAR Growth Driven by ADR Increase and Steady Occupancy

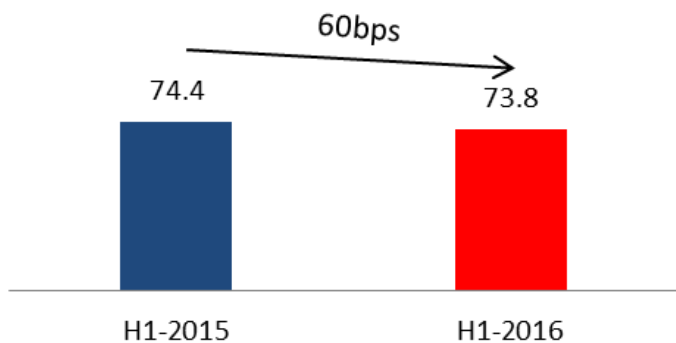
LFL¹ RevPAR (£)²



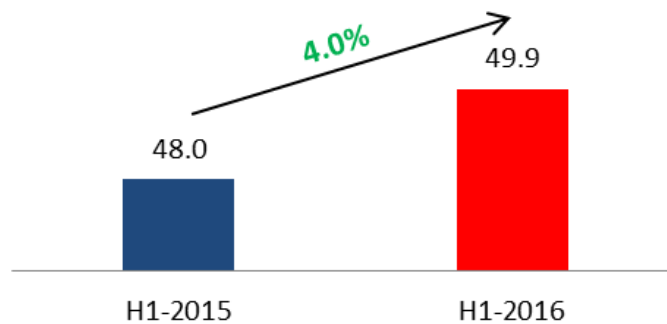
H1-16 RevPAR Growth Outperformance



LFL¹ Occupancy (%)²



LFL¹ 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.

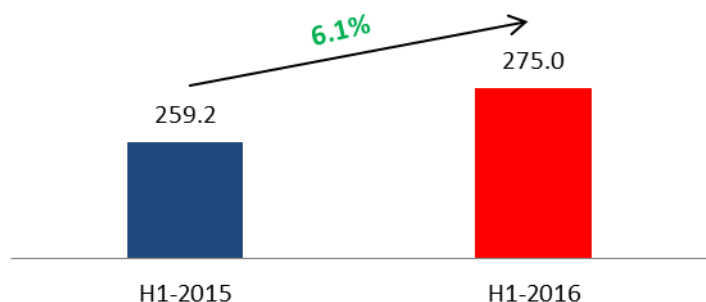
2. Occupancy, ADR and RevPAR for UK leased estate only.

Strong H1 2016 Underlying Financial Performance

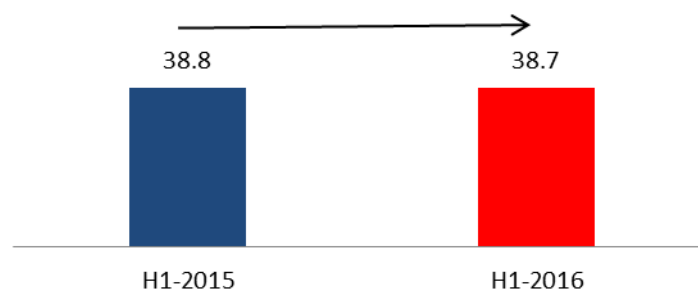
Good sales growth with EBITDA impacted by one-off rent review and NLW

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

Net Debt and Leverage H1 2016

Good liquidity and solid financial ratios

Debt (£m)

£m	H1-2016
Cash and Cash Equivalents	81.9
Senior Secured Notes	390.0
Finance Leases	31.6
Total Third Party 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 EBITDA¹ = 2.9x**
- **Net Third Party Debt / LTM EBITDA¹ = 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

Summary and Outlook

Continued market outperformance and growth from development

- Continued RevPAR growth and market outperformance
- Good progress on strategic initiatives
- On track for 19 new hotel openings in 2016

- Second half trading so far is similar to H1
- Brexit leads to cautious market outlook – but remain fundamentally well positioned

Q&A