



Q3 Financial Results

For the period ended 28 September 2016

Release: 22 November 2016



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Good Q3 Revenue Growth and Outperformance

Q3 Headlines

- Revenue **up 7.5%** to £173.9m (2015: £161.8m)
- LFL RevPAR⁽¹⁾ **up 1.9%** to £45.65 (2015: £44.78)
- **0.5 pts outperformance** vs. STR Midscale and Economy Segment
- 5 new hotels opened
- EBITDA up £3.8m to £48.9m (2015: £45.1m), YTD EBITDA £87.6m (2015: £83.9m)
- Cash of £85.5m at the quarter end
- October trading impacted by rugby world cup comparison, November in line with previous trends
- Remain cautious on macro outlook, but 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 Q3-2016 vs. Q3-2015 on the basis of RevPAR generated by hotels that were opened before 1 January 2015.



Q3 2016 Results



Continued Progress on Our Strategic Objectives

Further business customer growth fuelled by website upgrade

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

Q3 Progress

- Strong growth from business customers, business website up 27.5%
- New business account programme launched
- Upgraded website driving conversion
- Revenue management dashboard analytics
- Continued growth in development pipeline

New business account programme



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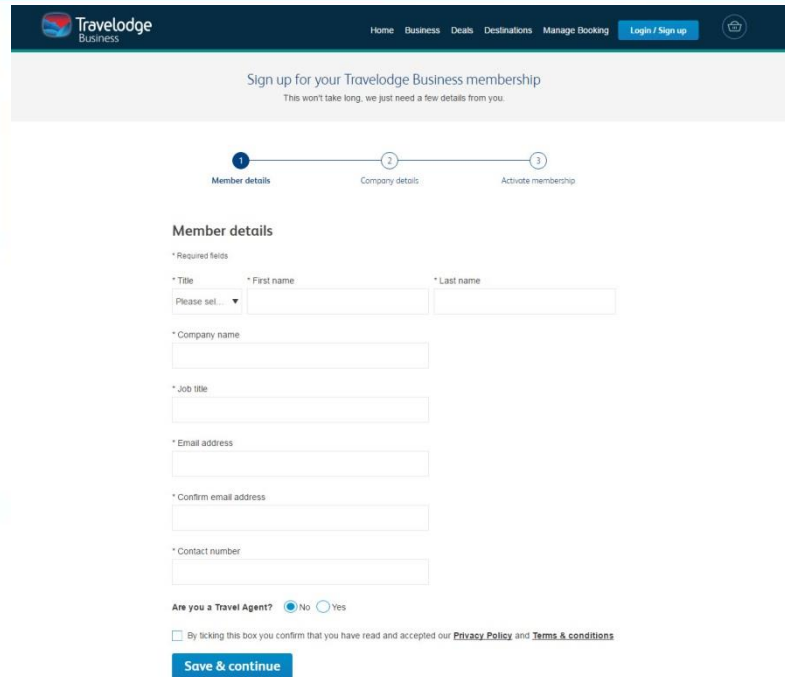
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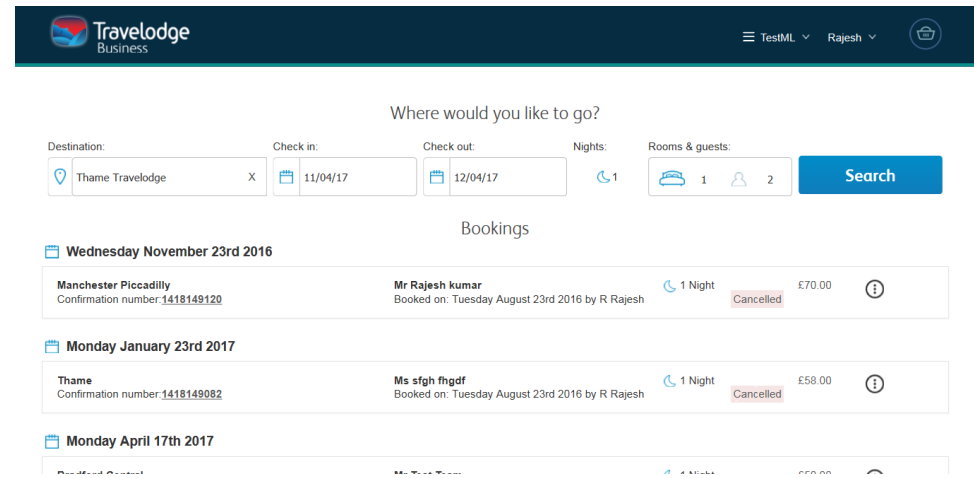
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Save & continue

Simple registration page

New dashboard



Travelodge Business TestML Rajesh

Where would you like to go?

Destination: Thame Travelodge X Check in: 11/04/17 Check out: 12/04/17 Nights: 1 Rooms & guests: 1 2 **Search**

Bookings

Date	Location	Guest Name	Nights	Status	Price
Wednesday November 23rd 2016	Manchester Piccadilly	Mr Rajesh kumar	1 Night	Cancelled	£70.00
Monday January 23rd 2017	Thame	Ms sfgh fngdf	1 Night	Cancelled	£58.00
Monday April 17th 2017					

New hotels

Examples from H2 to date

London
Finsbury Park

North London
104 rooms
bar café
air cooling



Manchester Sale

Edge of Town
67 rooms
bar café
free parking



Thetford

Market Town
62 rooms
vending
free parking



Poole

Dorset coast
125 rooms
bar café
free parking

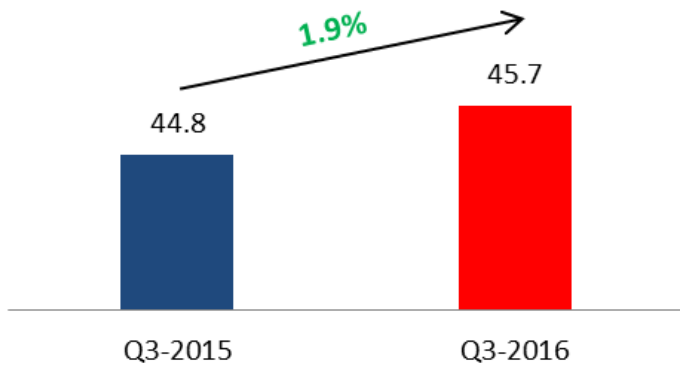


Good Third Quarter Operating Metrics

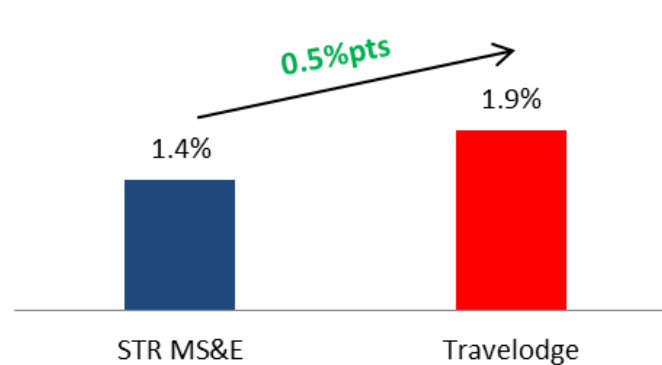
Continued RevPAR growth and outperformance

Strong RevPAR Growth Driven by ADR Increase and Steady Occupancy

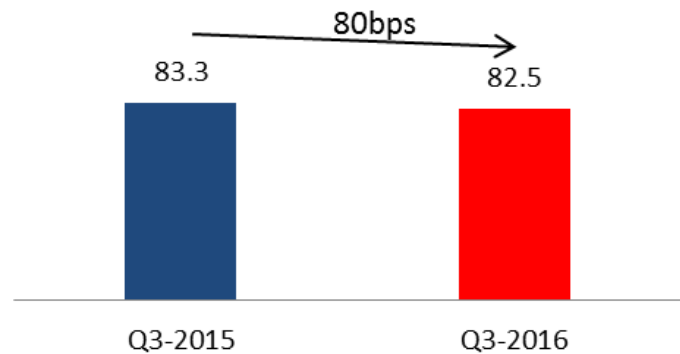
LFL¹ RevPAR (£)²



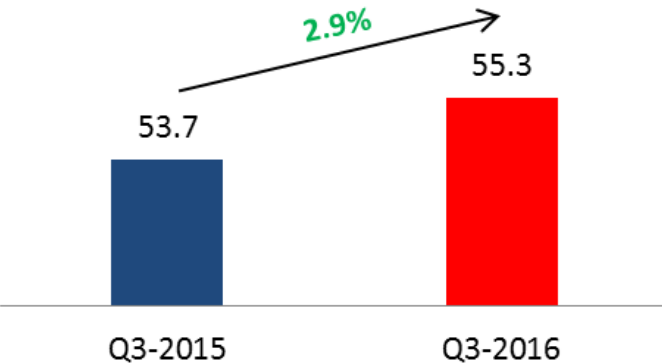
Q3-16 RevPAR Growth Outperformance



LFL¹ Occupancy (%)²



LFL¹ ADR (£)²



Q3-2016 vs. Q3-2015

- **RevPAR vs. Market:** outperformance vs. the MS&E segment growth rate in Q3-2016 by approximately 0.5% points, impacted by rugby world cup last year
- **RevPAR:** like-for-like UK RevPAR growth of 1.9%
- **Occupancy:** occupancy remained stable at c.83%
- **ADR:** continued improvement increasing by 2.9% vs. Q3-2015

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 Q3-2016 vs. Q3-2015 on the basis of RevPAR generated by hotels that were opened before 1 January 2015.

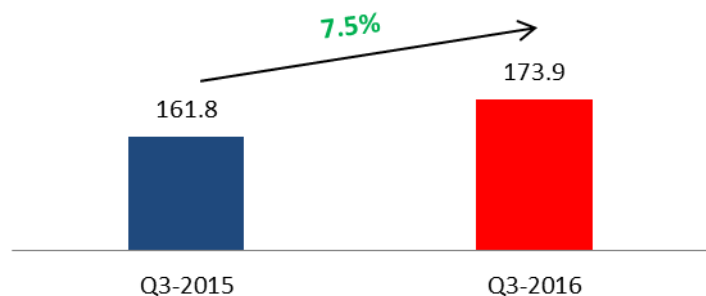
2. Occupancy, ADR and RevPAR for UK leased estate only.

Good Underlying Third Quarter Financial Performance

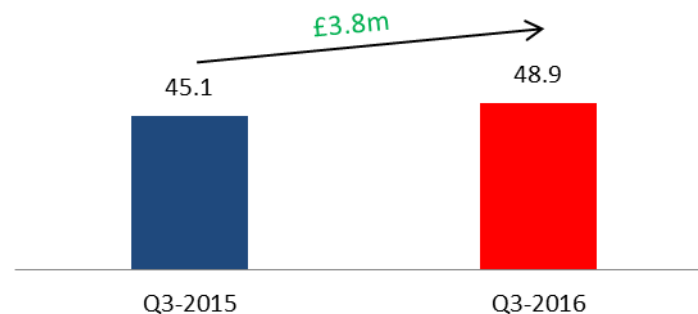
Good sales growth with EBITDA improvement

Financial Performance Has Remained Strong

Revenue (£m)



EBITDA (£m)



Q3-2016 vs. Q3-2015

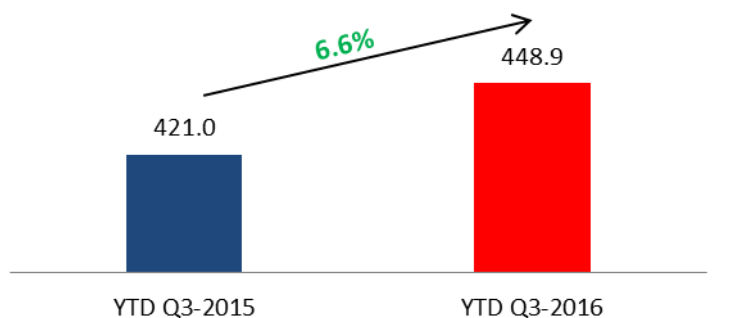
- **Revenue** increase of 7.5%/£12.1m was primarily due to:
 - Like-for-like UK RevPAR growth of 1.9%
 - Annualisation and maturity of the 12 new hotels added in the 2015
 - Opening of 14 new hotels year to date
 - International growth 36%/£0.8m
- **EBITDA** was driven by:
 - Benefits of higher revenue
 - Cost efficiencies and lower marketing costs
 - Increased rent expense from the one-off CVA category 2 rent reset of approximately £0.8m
 - Impact of national living wage

YTD Revenue and EBITDA Growth

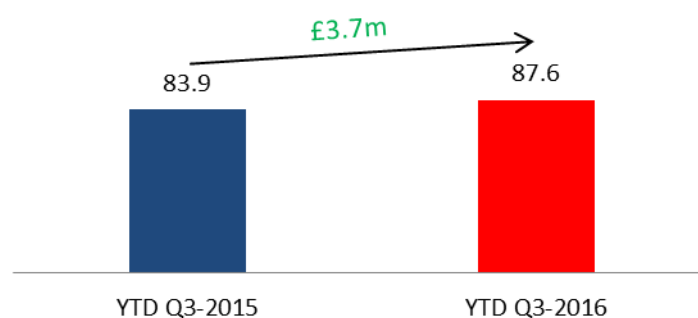
Good sales growth with EBITDA improvement

Financial Performance Has Remained Strong

Revenue (£m)



EBITDA (£m)



YTD Q3-2016 vs. YTD Q3-2015

- **Revenue** increase of 6.6%/£27.9m was primarily due to:
 - Like-for-like UK RevPAR growth of 2.7%
 - Annualisation and maturity of the 12 new hotels added in the 2015
 - Opening of 14 new hotels year to date
 - International growth 30%/£1.7m
- **EBITDA** was driven by:
 - Benefits of higher revenue
 - Cost efficiencies and reduced marketing costs
 - Increased rent expense from the one-off CVA category 2 rent reset of approximately £2.5m
 - Impact of national living wage since 1 April 2016

Continued Strong Cash Generation

Solid cash conversion and lower capex

Comment

£m	YTD Q3-2016	YTD Q3-2015	Diff.
EBITDA before Exceptional Items and IFRS Rent Charge	87.6	83.9	3.7
IFRS Rent Charge	(2.7)	(3.6)	0.9
Working Capital	14.3	32.3	(18.0)
Net Cash Flows from Operating activities before Exceptionals	99.2	112.6	(13.4)
Capital Expenditure	(26.1)	(38.2)	12.1
Free Cash Flow Generated	73.1	74.4	(1.3)
Interest Costs - Bank Interest Paid	(21.4)	(14.2)	(7.2)
- Bond Interest Paid	(2.2)	-	(2.2)
- Finance Fees Paid	(0.2)	(0.3)	0.1
Interest Income	0.4	0.3	0.1
Interest Element of Finance Lease Rental Payments	(3.3)	(3.0)	(0.3)
Cash Spend on Provisions and Exceptional Items	(23.6)	(4.3)	(19.3)
Non-Trading Cash Flow	(50.3)	(21.5)	(28.8)
Cash Generated	22.8	52.9	(30.1)
Refinancing and Repayment of Investor Loan	(14.2)	(10.0)	(4.2)
Movement in Cash	8.6	42.9	(34.3)
Opening Cash	76.9	38.9	38.0
Closing Cash	85.5	81.8	3.7

YTD Q3-2016 vs. YTD Q3-2015

- **Working Capital** inflow of £14.3m in YTD Q3-2016 vs £32.3m in YTD Q3-2015 primarily due to:
 - *Timing of rent payments* around the quarter ends.
- **Net Cash from Operating Activities** decreased by £13.4m, primarily due to:
 - *Working capital impact* noted above.
- **Capital Expenditure** decreased by £12.1m, primarily due to:
 - *Completion of the modernisation programme* in December 2015.
- **Bank and Bond Interest Paid** increased by £9.4m, primarily due to:
 - *New bond and bank interest moving from PIK to cash paid* from the beginning of 2015.
- **Provisions and Exceptional Items** spend includes refinancing costs £14.9m, CVA fund £3.9m and other provisions and exceptionals £4.8m.
- **Refinancing** outflow of £14.2m comprising: Flare Facility Repayment £12.9m, Term Loan Repayments £371.3m, Bond Issue £390.0m and Repayment of Investor Loan £20.0m.

Net Debt and Leverage

Debt (£m)

£m	Q3-2016
Cash and Cash Equivalents	85.5
Senior Secured Notes	390.0
Finance Leases	31.6
Total Third Party Indebtedness	421.6

Liquidity

- **Cash on Balance Sheet:** £86m
- **Revolving Credit Facility:** £50m (unutilised)
- **Letter of Credit Facility:** £30m (£18.6m utilised)

Financial Ratios

- **Net Senior Secured Debt / LTM EBITDA¹ = 2.8x**
- **Net Third Party Debt / LTM EBITDA¹ = 3.1x**

1. LTM EBITDA is calculated adding the Q3-2016 EBITDA (£87.6m) and subtracting the Q3-2015 EBITDA (£83.9m) to the 2015 Reported EBITDA of £105.1m. Net debt is net of cash and cash equivalents.

Summary and Outlook

Good Revenue Growth and Outperformance

- Continued RevPAR growth and market outperformance
- Good progress on strategic initiatives
- 5 new hotel openings in the quarter, 14 year to date

- 2 further hotels opened post quarter end, on track for 19 for the year
- October trading impacted by rugby world cup comparison, November in line with previous trends
- Brexit leads to cautious market outlook – but remain fundamentally well positioned

Q&A

Appendices



Company Background



Company Overview FY 2015

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

Regions³

- 446 Hotels
- 29,412 Rooms
- 75.0% of total Rooms

International

Spain

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

Ireland⁴

- 12 Hotels
- 899 Rooms
- 2.3% of total Rooms



Key Statistics (FY2015)

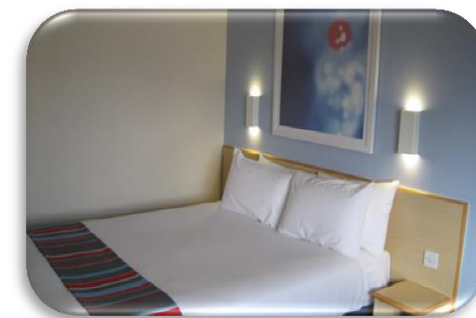
Hotels	525
Rooms	39,190
Occupancy¹	76.5%
ADR¹	£50.2
RevPAR¹	£38.4
Revenue	£559.6m
EBITDAR	£261.6m
EBITDA	£105.1m
Rent Cover²	1.7x

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