



Full Year 2016 and Q4 Financial Results

For the year ended 31 December 2016

Release: 28 February 2017



travelodge.co.uk

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We have included other operating information in this presentation, some of which we refer to as “key performance indicators.” We believe that it is useful to include this operating information as we use it for internal performance analysis, and the presentation by our business divisions of these measures facilitates comparability with other companies in our industry, although our measures may not be comparable with similar measurements presented by other companies. Such operating information should not be considered in isolation or construed as a substitute for measures prepared in accordance with IFRS.

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Good Revenue Growth, Outperformance and Strong Growth in New Openings

2016 Full Year Headlines

- Revenue **up 6.8%** to £597.8m (2015: £559.6m)
- LFL RevPAR⁽¹⁾ **up 2.5%** to £39.34 (2015: £38.38)
- **1.2 pts outperformance** vs. STR Midscale and Economy Segment
- 19 new hotels opened
- EBITDA up £5.0m to £110.1m (2015: £105.1m)
- Cash of £73.9m at the year end

- Cautious on macroeconomic outlook
- Cost pressures from National Living Wage, apprenticeship levy and business rates
- Remain well positioned with strong development pipeline

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



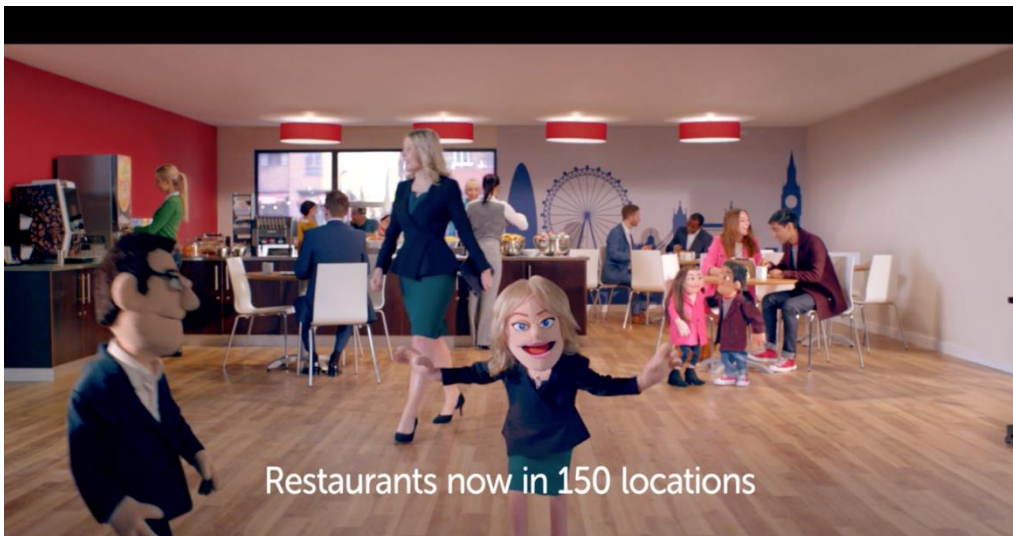
Full Year 2016 and Q4 Results



Continued Progress on Our Strategic Objectives

Distinctive Brand: Raise Quality Image	<ul style="list-style-type: none"> ● National advertising presence ● Quality brand partners e.g. Sleepezee Royal Warrant Beds 	<h2>2016 Highlights</h2> <ul style="list-style-type: none"> ● Successful business customer advertising campaign ● Business membership launch helps drive direct business sales, up 29% ● New look upgraded website driving further improvements in conversion ● Continued gains in revenue management drive outperformance ● New breakfast offer supports record year for F&B, sales up 14% ● Excellent momentum in development pipeline
Best for Business: Win Share in a Growing Market	<ul style="list-style-type: none"> ● Focus on 'businesses on a budget' ● Direct national accounts team ● Business account card 	
Win the Web: Grow Direct Digital Sales	<ul style="list-style-type: none"> ● New website from April 2016 ● Continue to drive app downloads ● Strong paid and unpaid search presence 	
Price is Right: Optimise Rate and Occupancy	<ul style="list-style-type: none"> ● Airline style yield management system (IDeaS) ● Central pricing team ● Analytics-driven pricing strategy 	
Moments of Truth: Drive Consistency	<ul style="list-style-type: none"> ● Detailed customer feedback drives action ● Standardised work processes ● Targeted training 	
Development: Extend UK Network	<ul style="list-style-type: none"> ● 250 potential locations identified ● Maintain leasehold growth in London and Regions ● Principally new-build hotels opened under lease 	

'Travelodgical' Advertising Campaign



New Business Account Programme



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- The ability to track and control your business hotel expenditure online
- A dedicated Account Manager

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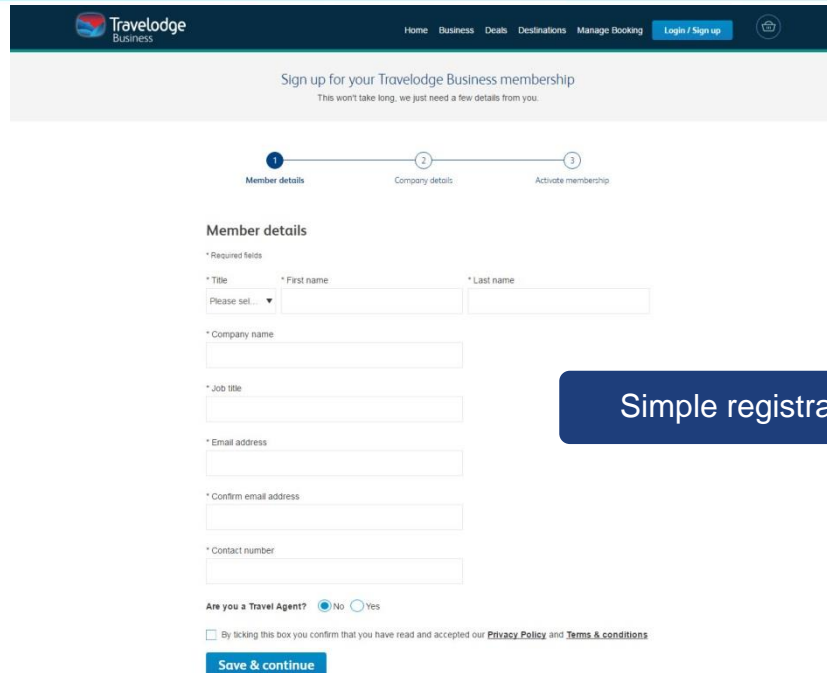
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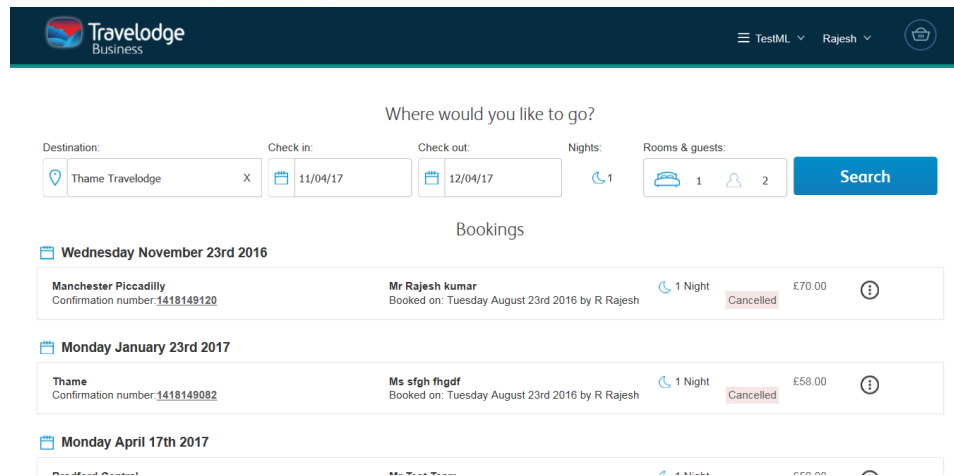
* Contact number [input]

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By ticking this box you confirm that you have read and accepted our [Privacy Policy](#) and [Terms & conditions](#)

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Simple registration page



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 room 2 guests [Search](#)

Bookings

Date	Location	Guest Name	Duration	Price	Status
Wednesday November 23rd 2016	Manchester Piccadilly	Mr Rajesh Kumar	1 Night	£70.00	Cancelled
Monday January 23rd 2017	Thame	Ms sfgh fhgdf	1 Night	£58.00	Cancelled
Monday April 17th 2017	Bedford Square	Mr Rajesh Kumar	1 Night	£60.00	Cancelled

New dashboard

Upgraded Desktop and Responsive Mobile Website



Where would you like to go?

Destination: thame X Check in: 26/03/17 Check out: 30/03/17 Nights: 4 Rooms & guests: 1 room, 1 guest [Search](#)

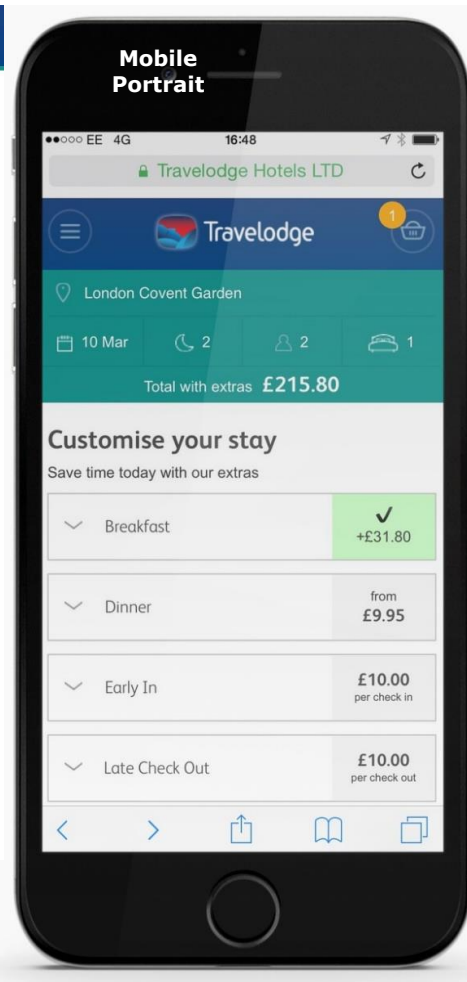
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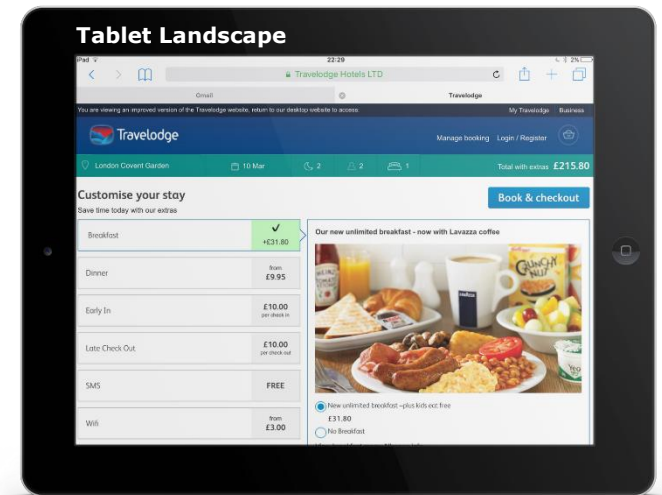
10 free things to do in London
Check out our top tips for things to do in London that won't cost you a penny.

[Free things to do](#)

Clearer simplified booking journey



Easier to add up-sell items



Optimised for tablet use

Development Momentum – 19 hotels opened in 2016 and 5 in the fourth quarter

Recent opening examples

Andover

British Army HQ
76 rooms
bar café



Manchester Stockport

Regional City
83 rooms
bar café



Thetford

Market town
62 rooms
vending
free parking



Kings Lynn

Market Town
68 rooms
vending
free parking

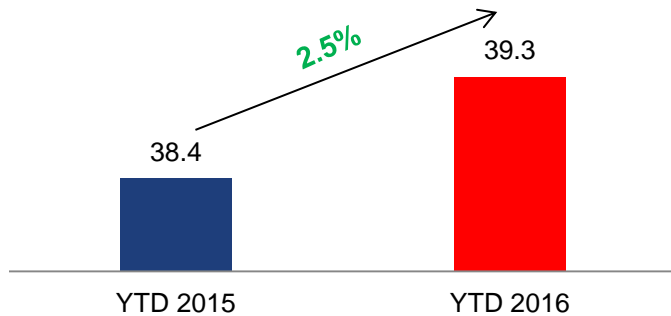


Good 2016 Operating Metrics

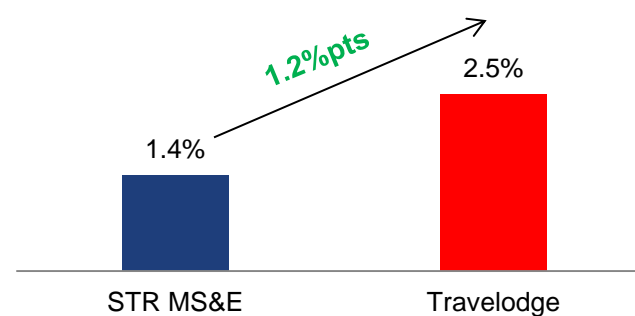
Continued RevPAR growth and outperformance

Strong RevPAR Growth Driven by ADR Increase and Steady Occupancy

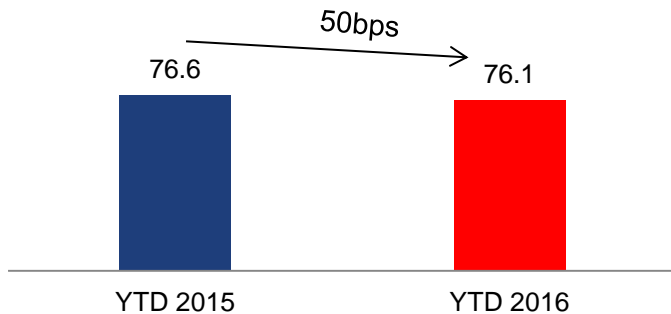
LFL¹ RevPAR (£)²



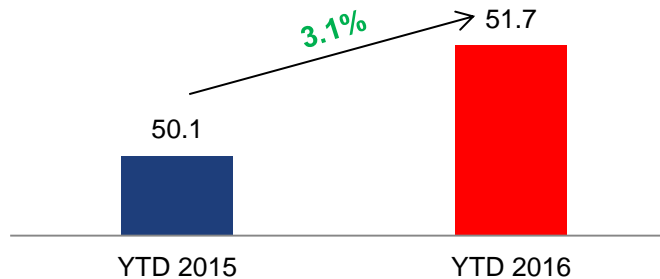
FY-16 RevPAR Growth Outperformance



LFL¹ Occupancy (%)²



LFL¹ ADR (£)²



FY 2016 vs. FY 2015

- **RevPAR:** like-for-like UK RevPAR growth of 2.5%
- **RevPAR vs. Market:** outperformance vs. the MS&E segment growth rate in 2016 by approximately 1.2% points
- **Occupancy:** occupancy remained stable at c.76%
- **ADR:** continued improvement increasing by 3.1% vs. 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 FY-2016 vs. FY-2015 on the basis of RevPAR generated by hotels that were opened before 1 January 2015.

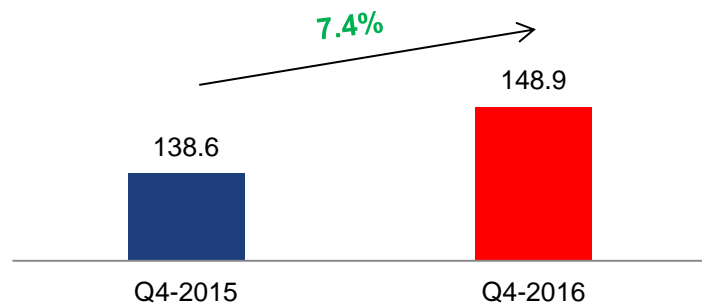
2. Occupancy, ADR and RevPAR for UK leased estate only.

Good Overall Q4 Financial Performance

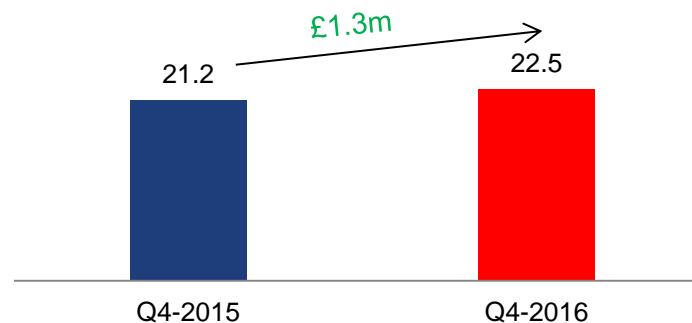
Good total sales growth with EBITDA improvement

Financial Performance Has Remained Strong

Revenue (£m)



EBITDA (£m)



Q4-2016 vs. Q4-2015

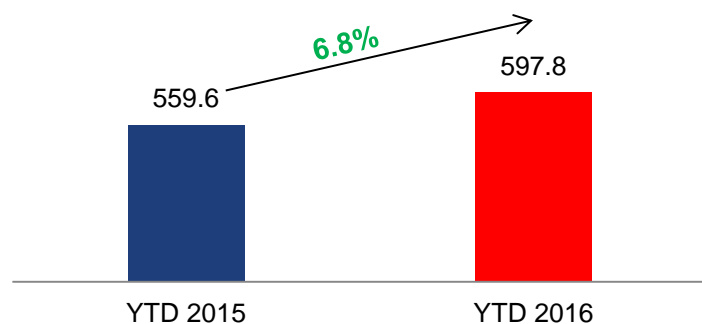
- **Revenue** increase of 7.4%/£10.3m was primarily due to:
 - Like-for-like UK RevPAR growth of 1.9%
 - Annualisation and maturity of the 12 new hotels added in the 2015
 - Opening of 19 new hotels year to date
 - International growth 42%/£0.8m
- **EBITDA** was driven by:
 - Continued sales growth and positive drop through
 - Impact of national living wage

Good 2016 Revenue and EBITDA Growth

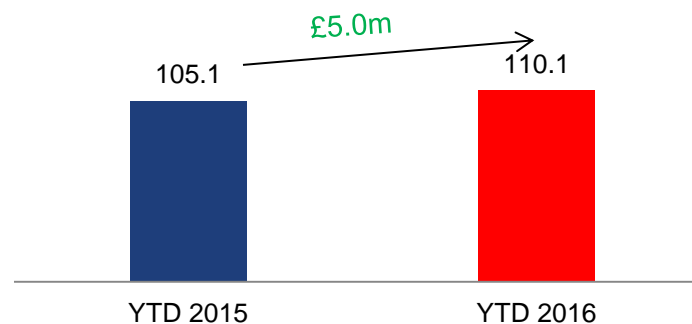
Good sales and EBITDA growth

Financial Performance Has Remained Strong

Revenue (£m)



EBITDA (£m)



FY 2016 vs. FY 2015

- **Revenue** increase of 6.8%/£38.2m was primarily due to:
 - Like-for-like UK RevPAR growth of 2.5%
 - Annualisation and maturity of the 12 new hotels added in the 2015
 - Opening of 19 new hotels year to date
 - International growth 33%/£2.5m
- **EBITDA** was driven by:
 - Benefits of higher revenue and cost efficiencies
 - Increased rent expense from the one-off CVA category 2 rent reset of approximately £2.6m
 - Impact of national living wage since 1 April 2016

Continued Good Free Cash Flow

Good cash conversion and lower capex

£m	FY 2016	FY 2015	Diff.
EBITDA before Exceptional Items and IFRS Rent Charge	110.1	105.1	5.0
Working Capital	7.7	20.3	(12.6)
Net Cash Flows from Operating activities before Exceptionals	117.8	125.4	(7.6)
Capital Expenditure	(37.4)	(51.1)	13.7
Free Cash Flow Generated	80.4	74.3	6.1
Interest Costs - Bank Interest Paid	(22.0)	(14.8)	(7.2)
- Bond Interest Paid	(16.8)	-	(16.8)
- Finance Fees Paid	(0.2)	(0.4)	0.2
Interest Income	1.1	0.4	0.7
Interest Element of Finance Lease Rental Payments	(4.5)	(4.2)	(0.3)
Cash Spend on Provisions and Exceptional Items	(26.8)	(7.3)	(19.5)
Non-Trading Cash Flow	(69.2)	(26.3)	(42.9)
Cash Generated	11.2	48.0	(36.8)
Refinancing and Repayment of Investor Loan	(14.2)	(10.0)	(4.2)
Movement in Cash	(3.0)	38.0	(41.0)
Opening Cash	76.9	38.9	38.0
Closing Cash	73.9	76.9	(3.0)

Comment

FY-2016 vs. FY-2015

- **Working Capital** inflow of £7.7m in FY-2016 vs £20.3m in FY-2015 primarily due to:
 - *Timing of payments around the quarter ends.*
 - *2016 year-end cash position benefited from the timing of some rent and creditor payments made shortly after year-end.*
- **Net Cash from Operating Activities** decreased by £7.6m, primarily due to:
 - *Working capital impact noted above.*
- **Capital Expenditure** decreased by £13.7m, primarily due to:
 - *Completion of the modernisation programme in December 2015.*
- **Bank and Bond Interest Paid** increased by £23.8m, 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 £15.3m, CVA fund £3.9m and other provisions and exceptionals £7.6m.
- **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	FY 2016
Cash and Cash Equivalents	73.9
Senior Secured Notes	390.0
Finance Leases	31.8
Total Third Party Indebtedness	421.8

Liquidity

- **Cash on Balance Sheet:** £74m
- **Revolving Credit Facility:** £50m (unutilised)
- **Letter of Credit Facility:** £30m (£17m utilised)

Financial Ratios

- **Net Senior Secured Debt / EBITDA¹ = 2.9x**
- **Net Third Party Debt / EBITDA¹ = 3.2x**

1. EBITDA based on 2016 unaudited EBITDA of £110.1m. Net debt is net of cash and cash equivalents.

Summary and Outlook

Strong 2016 results, cautious on macro outlook but remain well positioned

- Continued RevPAR growth and market outperformance
- Strong cash conversion
- Good progress on strategic initiatives
- 19 new hotel openings in the year, 5 in quarter 4

- Cautious on macroeconomic outlook
- Cost pressures from National Living wages, apprenticeship levy and business rates
- Remain well positioned with strong development pipeline
- 2017 focus on business customers, CRM, revenue optimisation and ongoing new openings

Q&A

Appendices



Company Background



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

Regions³

- 460 Hotels
- 30,699 Rooms
- 75% of total Rooms

International

Spain

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

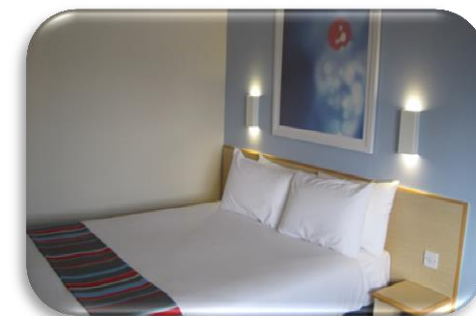
Ireland⁴

- 12 Hotels
- 899 Rooms
- 2% of total Rooms



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 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