Trading Update Presentation

Results for the Six Months Ended 30 June 2022

Travelodge
travelodge.co.uk

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Summary

Record trading performance and continued outperformance

- Record trading performance with revenue consistently and significantly ahead of 2019 levels
- Strong leisure and "blue collar" demand with continued recovery of "white collar" demand
- Unrivalled track record of outperformance continues
- Strong cost control, but inflationary pressure

- Overall financial results for the six months ended 30 June 2022 (vs 2019):
  - Total underlying revenue up 16.0% to £391.2m (2019: £337.3m) (2021: £145.2m)
  - LFL RevPAR(1) up 13.3% to £45.51 (2019: £40.16) (2021: £17.69)
  - RevPAR growth(1) 9.0 pts ahead of competitive segment vs 2019
  - EBITDA (adjusted)(2) profit of £70.6m (2019: profit of £44.7m) (2021: loss of £43.3m)

- Cash at 30 June of £174m

- 5 new hotels opened in the period, including one Irish franchise

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 2022 vs. H1 2019 on the basis of RevPAR generated by hotels that were opened before 1 January 2019.*
2. *EBITDA (adjusted) = Earnings before interest, tax, depreciation, amortisation and before rent phasing adjustment, non-underlying items and reflective of the position in line with historic accounting principles (before IFRS16). This measure reflects the rent reductions following the CVA which completed on 19 June 2020, recognised in line with the cash benefit. Non-underlying items have been removed as they relate to non-recurring, one-off items.*

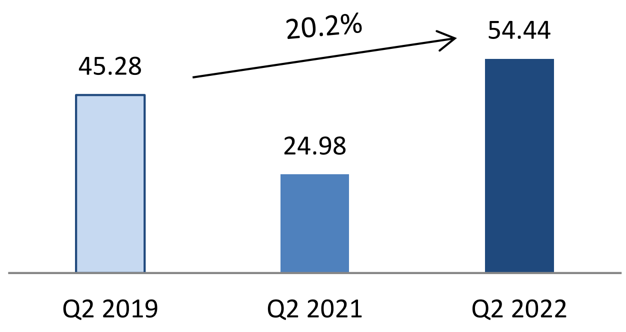
Half Year Results

Q2 Operating Metrics

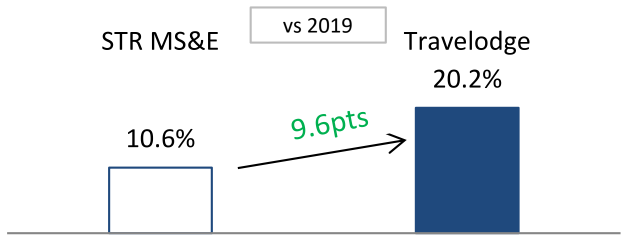
Strong leisure and blue collar demand and improving white collar demand, combined with continued outperformance driving record Q2 performance

RevPAR increase driven by strong leisure and blue collar demand

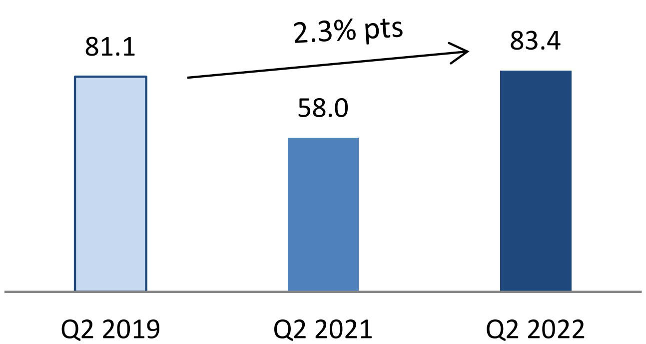
LFL[1] RevPAR (£)[2]



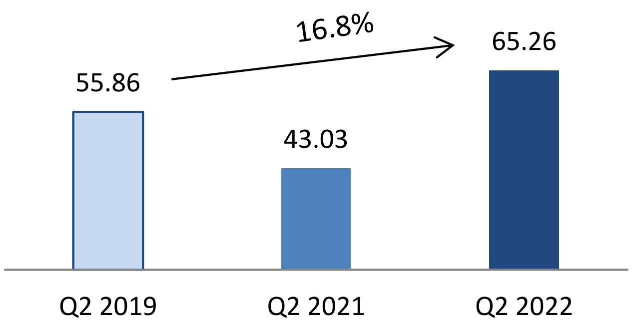
Q2 RevPAR Performance



LFL[1] Occupancy (%)[2]



LFL[1] ADR (£)[2]



Q2 2022 vs. Q2 2019

- **RevPAR:** like-for-like UK RevPAR increase of 20.2%
- **RevPAR vs Market: 9.6**pts outperformance against MSE segment
- **Occupancy:** occupancy increase of 2.3pts to 83.4%
- **ADR:** up 16.8% to £65.26

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 Q2 2022 vs. Q2 2021 and 2019 on the basis of RevPAR generated by hotels in the UK that were opened before 1 January 2019.
2. Occupancy, ADR and RevPAR for UK leased estate only.

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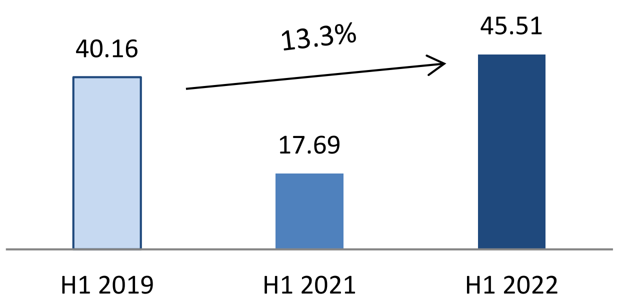
H1 Operating Metrics

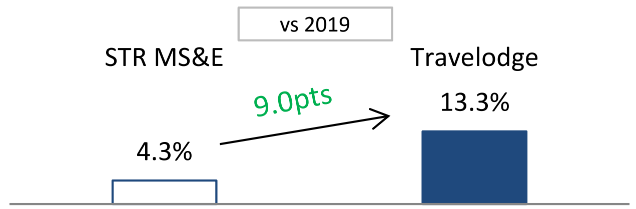
Strong leisure demand and blue collar recovery combined with continued outperformance driving excellent H1 performance

RevPAR increase driven by strong leisure demand

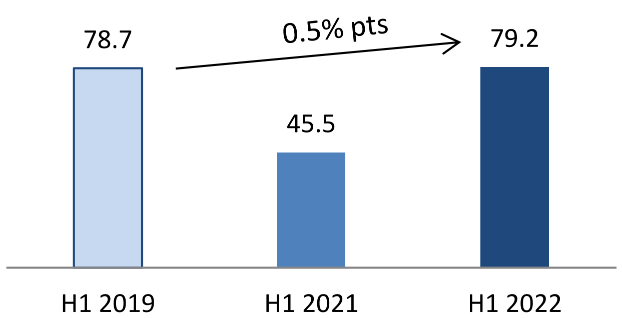
LFL[1] RevPAR (£)[2]



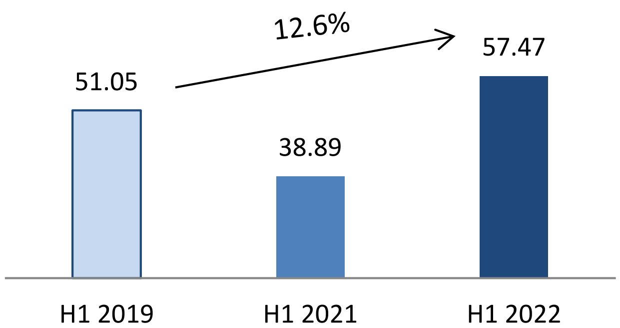
H1 RevPAR Performance



LFL[1] Occupancy (%)[2]



LFL[1] ADR (£)[2]



H1 2022 vs. H1 2019

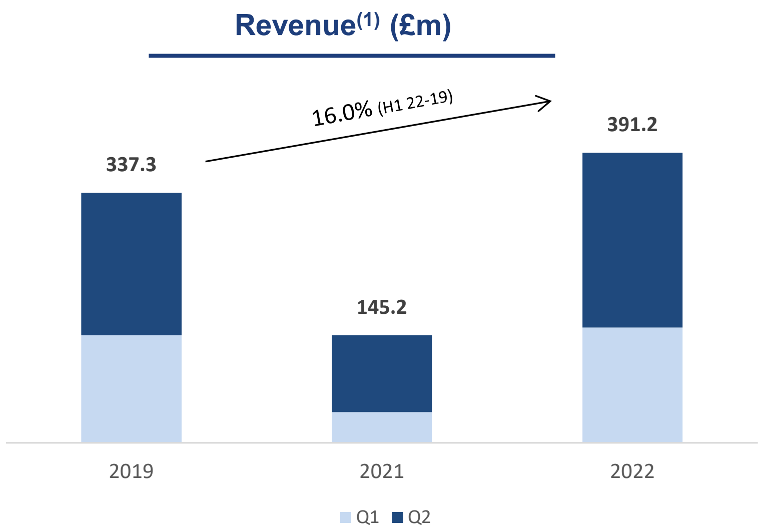
- **RevPAR:** like-for-like UK RevPAR increase of 13.3%
- **RevPAR vs Market: 9.0**pts outperformance against MSE segment
- **Occupancy:** occupancy increase of 0.5pts to 79.2%, supressed by the work from home guidance in January
- **ADR:** up 12.6% to £57.47

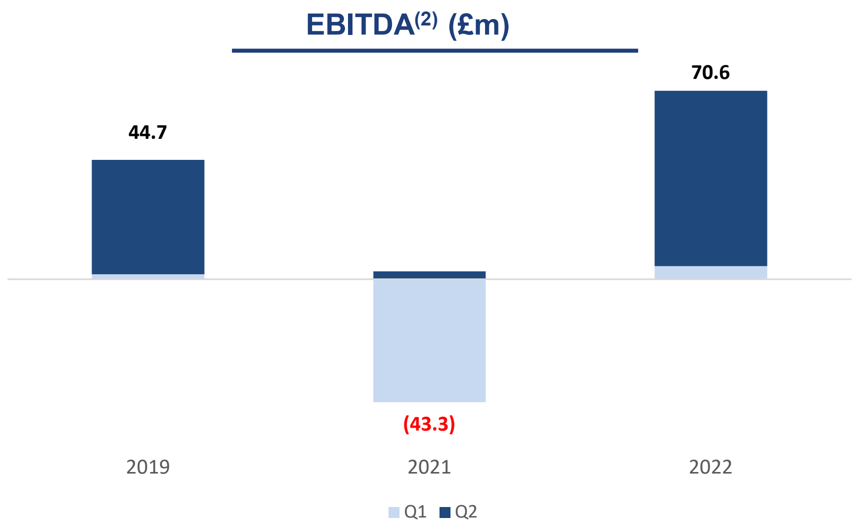
1. *RevPAR is computed as the product of the Average Daily Rate for a specified period multiplied by the Occupancy for that period. Like-for-like (LFL) RevPAR compares the RevPAR in H1 2022 vs. H1 2021 and 2019 on the basis of RevPAR generated by hotels in the UK that were opened before 1 January 2019.*
2. *Occupancy, ADR and RevPAR for UK leased estate only.*

H1 Financial Results

Record financial results

Revenue growth and strong cost control delivering EBITDA above 2019 levels





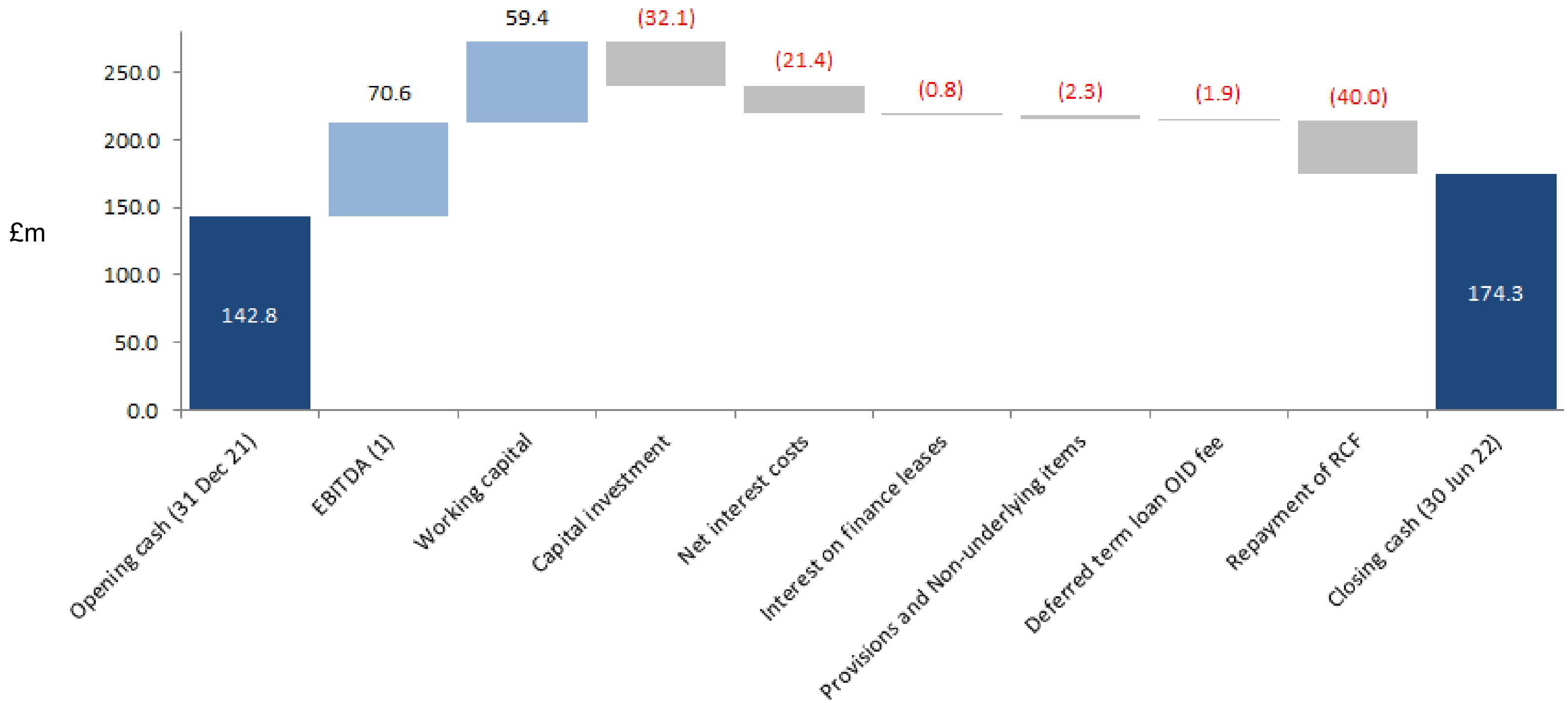
H1 2022 vs. H1 2019 (Q2 2022 vs Q2 2019)

- **Revenue** increase of 16.0%/£53.9m driven by strong leisure demand and benefit of reduced VAT rate (Q2 increase of 22.7%/£43.7m)
  - Like-for-like UK RevPAR increase of 13.2% driven by strong leisure and "blue collar" business demand
  - Annualisation and maturity of the 17 new hotels added in 2021 and four new UK openings in H1 (plus one Irish franchise)
- **EBITDA**[1] increased by £25.9m to a profit of £70.6m (Q2 increased by £22.7m)
  - Revenue increases
  - Continued strong cost control and management of supply chain pressures, but inflationary pressure

1. *Total underlying revenue.*
2. *EBITDA (adjusted) = Earnings before interest, tax, depreciation, amortisation and before rent phasing adjustment, non-underlying items and reflective of the position in line with historic accounting principles (before IFRS16). This measure reflects the rent reductions following the CVA which completed on 19 June 2020, recognised in line with the cash benefit. Non-underlying items have been removed as they relate to non-recurring, one-off items.*

H1 Cash Flow

Cash inflow driven by EBITDA and working capital benefit



- Cash inflow of £31.5m, with EBITDA and working capital inflow partially offset by capital investments, interest costs and £40m RCF repayment
- Working capital benefit mainly driven by increase in prepaid rooms and the increase in the VAT creditor, reflecting the trading performance
- Capital investment relates mainly to refit, hotel maintenance, health & safety, IT and new development

1. *EBITDA (adjusted) = Earnings before interest, tax, depreciation, amortisation and before rent phasing adjustment, non-underlying items and reflective of the position in line with historic accounting principles (before IFRS16). This measure reflects the rent reductions following the CVA which completed on 19 June 2020, recognised in line with the cash benefit. Non-underlying items have been removed as they relate to non-recurring, one-off items.*

Net Debt and Leverage

Solid liquidity position

Debt (£m)

£m	30-Jun
Cash and Cash Equivalents	**174.3**
Revolving credit facility	-
Super senior term loan	61.2
Senior secured floating rate bond	440.0
Senior secured fixed rate bond	65.0
Senior Secured Debt	**566.2**
Finance leases	14.7
Total Third Party Indebtedness	**580.9**
Net Third Party Indebtedness	**406.6**

Liquidity / Financial Ratios

Half Year Position:

- **Cash on balance sheet:** £174.3m at 30 June 2022
- **RCF**: undrawn at 30 June 2022 (£40m available facility). Stepped maintenance covenant tests and minimum liquidity covenant in place from 31 March 2022 to 30 June 2023 inclusive
- **Letter of credit facility:** £30m (£27.9m utilised)
- Interest cap: notional £300m cap, strike rate 1.3807% SONIA, terminates 15 October 2022

Note:
1. Before IFRS16
2. Super Senior Term Loan includes capitalised PIK interest of £1.2m

Recent Trading and Outlook

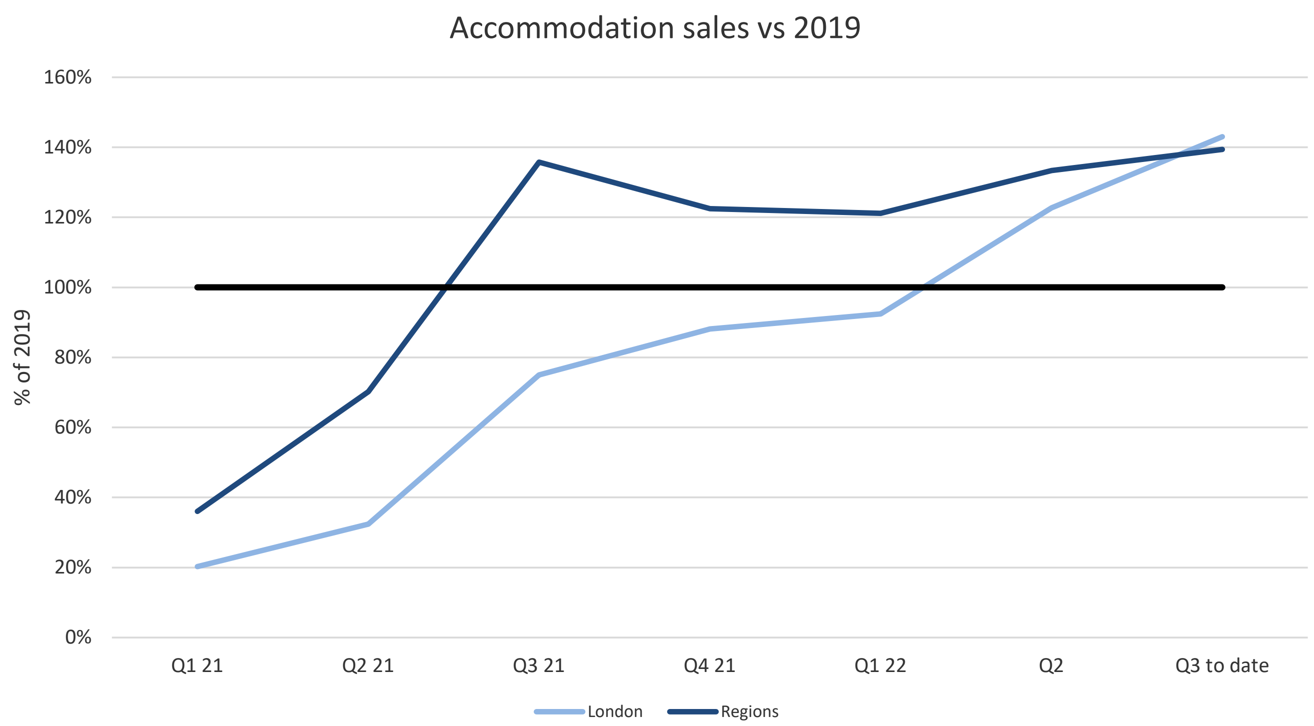
Recent Trading

Strong trading performance continues

- Strong trading performance has continued since the end of quarter 2
  - All areas performing well, with continued strong leisure and blue collar demand
  - London overall now significantly ahead of 2019 levels
  - Driven mainly by weekend demand, with mid-week demand in Central London improving
  - Encouraging forward booking patterns but still with limited visibility
- Midscale and Economy segment continues to outperform UK hotel market
  - benefiting from strong domestic leisure demand and focus on blue collar business
- Travelodge continues to outperform the segment
- Continue to manage costs and cash
  - inflationary pressures, but strong cost control and management of supply chain challenges
  - capex well controlled, with additional refit spend forecast following the better trading performance
- Cash at 10 August of c. £186m (before quarterly rent and other month end payments)

Recent Trading

Revenues in recent weeks(1) c. 40% ahead of 2019 levels, continued track record of outperformance



- Strong performance continues with all weeks and markets ahead of 2019 levels with Q3 to date LfL RevPAR c. 35% ahead of 2019
- Regional leisure and "blue collar" demand remains strong
- London benefiting from both leisure and corporate demand, including Central London mid-week demand
- Continuing to outperform the MSE segment at similar levels, in both the Regions and London

Note: Q1 21: 31/12/20 – 31/3/21, Q2 21: 1/4/21 – 30/6/21, Q3 21: 1/7/21 – 29/9/21, Q4 21: 30/9/21 – 29/12/21, Q1 22: 30/12/21 – 30/3/22, Q2 22: 31/3/22 – 29/6/22 and Q3 22: 30/6/22 – 10/8/22 with 2019 comparative weeks aligned to STR reporting

New Openings

Braintree
South East
70 beds
Bar cafe

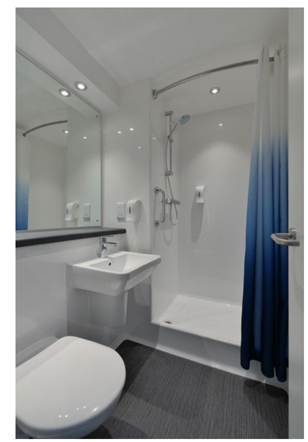
London Lewisham
South-East London
127 beds
Bar cafe

Hexham
North East
69 beds
Bar cafe

London Docklands
City Centre
350 beds
Bar cafe

London Docklands

New development programme aligned to our sustainability plan



- New London opening, with 350 rooms, in our new look and feel design, supporting our sustainability plan
- ‘Excellent’ BREEAM rating and with an EPC rating of A
- Sustainable features include EV charging, solar panels on the roof, air source heat pumps, LED lighting and carpets using recycled plastic

Outlook Considerations

Strong recovery, but with limited visibility

- Revenue: 2022 full year RevPAR expected to be 'mid-teen' % ahead of 2019 levels

  - strong summer leisure trading, driven by staycation demand and events

  - 'blue collar' business demand recovered, good signs of further recovery in 'white collar' business demand

  - potential future impact of current macro economic environment uncertain (both upside and downside potential)

  - 1% point of RevPAR growth vs 2019 impacts profits by c. £6-7m

- Costs: largely fixed cost base

  - National Living Wage increase of 6.6% in April 2022, further increase due in April 2023

  - increased inflationary pressures impacting costs, including laundry, F&B and rent

  - impact partially mitigated in 2022 with energy fully hedged to March 2023 and rent on five-yearly reviews, with the review profile split over five years

- Capex: expecting c. £80m in 2022

  - restarted refit programme with new look and feel rooms, on track to complete 65 refits (over 25 completed to date)

  - continued focus on health and safety and maintenance, as well as IT and development

  - includes investment in projects, including energy efficiency

  - will continue to be reviewed in line with trading conditions

- New openings

  - expect to open six new UK leased hotels and one Irish franchise in 2022, number of deals impacted by Covid-19 in 2020

  - expecting to return to more normal levels thereafter

Summary

Excellent first half performance, well positioned

- Record H1 performance, including outstanding quarter 2 performance
- Driven by strong leisure and "blue collar" demand, with continued recovery in "white collar" demand
- Travelodge unrivalled track record of outperformance continues
- Cash position strong

- 2022 full year RevPAR expected to be 'mid-teen' % ahead of 2019 levels
- Expecting strong summer leisure demand and sustained "blue collar" demand, with continued recovery in "white collar" demand
- Impact of macro economic environment on consumer behaviour uncertain
- Facing a number of cost headwinds

- Well-positioned

  - large and diversified network of hotels

  - strong brand and direct distribution model

  - value proposition, domestic travel focus, business/leisure mix

- Good performance to date, long term prospects for budget hotels remain attractive and Travelodge is well positioned

Q&A

Appendices

Company Overview

Strength through brand, scale and operational expertise

Who We Are

- UK's second largest hotel brand based on number of hotels and rooms
- Positioned in the attractive value segment with 597 hotels (as at 30 June 2022) and serving 16m business and leisure customers in 2021
- Well invested estate
- Well balanced approximately even business / leisure customer split
- Almost 90% booking direct, with c. 80% through own websites
- Low upfront capex leasehold model

Where We Are (as at 30 June 2022)

United Kingdom

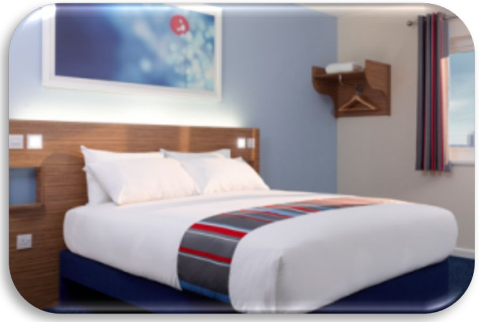
London
- 79 Hotels
- 9,644 Rooms
- 21% of total Rooms

Regions[3]
- 502 Hotels
- 34,270 Rooms
- 75% of total Rooms

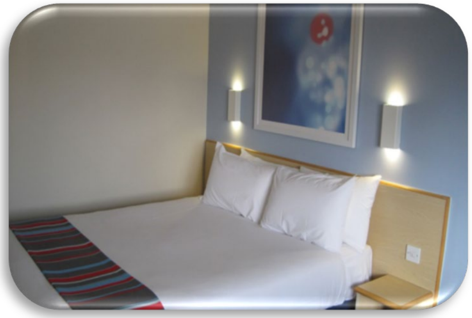
International

Spain
- 5 Hotels
- 621 Rooms
- 1% of total Rooms

Ireland/NI[4]
- 11 Hotels
- 1,226 Rooms
- 3% of total Rooms



Key Statistics (FY2019)	
Hotels (30 June 2022)	**597**
Rooms (30 June 2022)	**45,761**
Occupancy[1]	**80.6%**
ADR[1]	**£51.82**
RevPAR[1]	**£41.75**
Revenue	**£727.9m**
EBITDAR	**£337.8m**
EBITDA (adjusted)[5]	**£129.1m**
Rent Cover[2]	**1.6x**



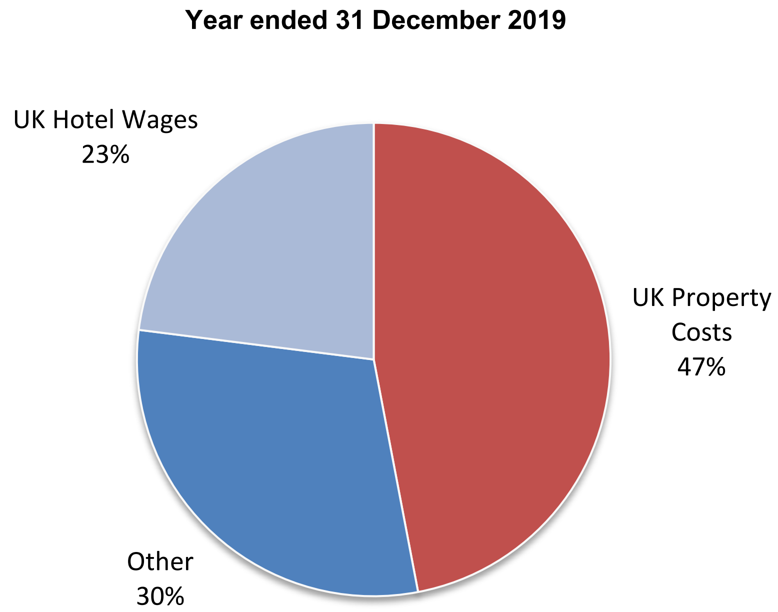
1. Occupancy, ADR and RevPAR for Travelodge UK leased Hotels only.
2. Represents the ratio of EBITDAR to net external rent payable.
3. Includes 11 hotels operated under management contracts.
4. Operations in island of Ireland under a master franchise.
5. EBITDA (adjusted) = Earnings before interest, tax, depreciation, amortisation and before rent phasing adjustment, non-underlying items and reflective of the position in line with historic accounting principles (before IFRS16). This measure reflects the rent reductions following the CVA which completed on 19 June 2020, recognised in line with the cash benefit. Non-underlying items have been removed as they relate to non-recurring, one-off items.

Travelodge Is One Of The Leading Platforms In The UK

1. UK is a Structurally Attractive Market with Long-Term Tailwinds – MS&E the Standout
2. Outstanding Brand Recognition Driving Outperformance and Growth
3. Compelling Guest Proposition with Extremely Varied Customer Profile
4. National Footprint with Well Invested Estate
5. Proven and Sustained Outperformance Versus the Market and Competition
6. Highly Effective Direct Distribution and Revenue Management Systems
7. Industry-leading Lean and Efficient Operating Model
8. Clear and Significant Opportunities for Further Growth

Cost Outlook

Operating costs dominated by rent and other property costs (UK)



c. 50% of operating costs historically rent and property-related

Operating cost movements

Run-rate weekly costs of £12-14m

Property costs

- Rent expected to be £230m - £240m depending on RPI/CPI impact on rent reviews and timing of new openings
- Forecast energy volumes fully hedged to March 2023

UK Hotel Wages

- NLW increases in April 2022 of 6.6%

Other

- c. 40% fixed, 60% variable
- Variable element typically driven by occupancy