Trading Update Presentation

Results for the Nine Months Ended 30 September 2022

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travelodge.co.uk

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Summary

Record financial results

- Record financial results for the period, surpassing 2019 full year results by the end of the third quarter
- Strong leisure and “blue collar” demand with continued recovery of “white collar” demand
- Outperformed against the competitive segment for the eighth consecutive year
- Strong cost control, but inflationary pressure

- Overall financial results for the nine months ended 30 September 2022 (vs 2019):

  - Total underlying revenue up 22.7% to £669.9m (2019: £546.1m) (2021: £347.7m)

  - LFL RevPAR(1) up 20.8% to £51.80 (2019: £42.86) (2021: £29.76)

  - RevPAR growth(1) 10.8 pts ahead of competitive segment vs 2019

  - EBITDA (adjusted)(2) of £164.4m (2019: £102.2m) (2021: £43.7m)

- Cash at 30 September of £221.6m
- Term loan fully repaid on 26 October
- Rating agency upgrade (Moody’s) from Caa1 to B3 on 17 November
- 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 Q3 YTD 2022 vs. Q3 YTD 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.*

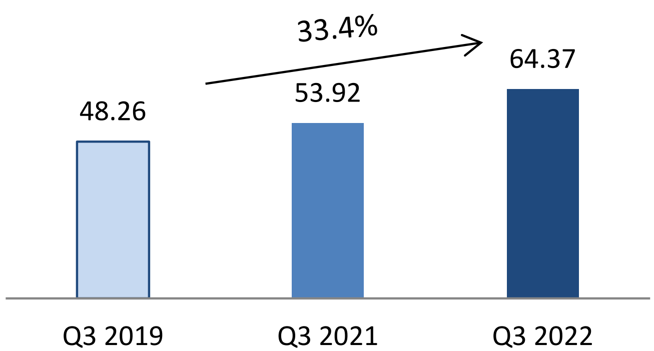
Q3 YTD Results

Q3 Operating Metrics

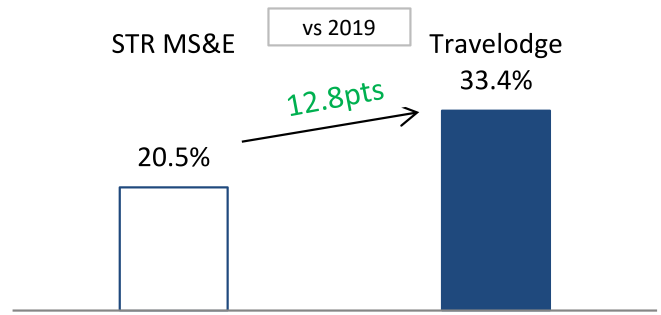
Strong leisure and ‘blue collar’ demand, as well as some recovery in ‘white collar’ demand, combined with continued outperformance driving record results for the quarter

RevPAR increase driven by strong leisure and blue collar demand

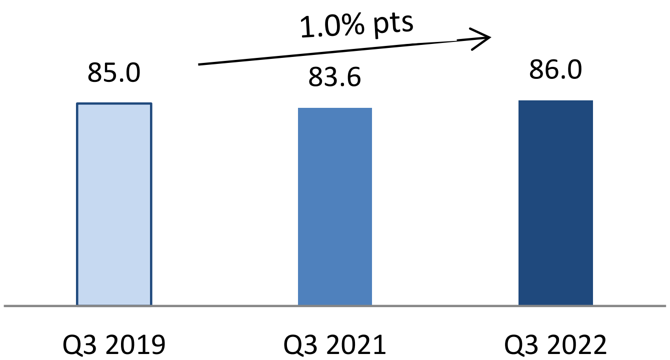
LFL[1] RevPAR (£)[2]



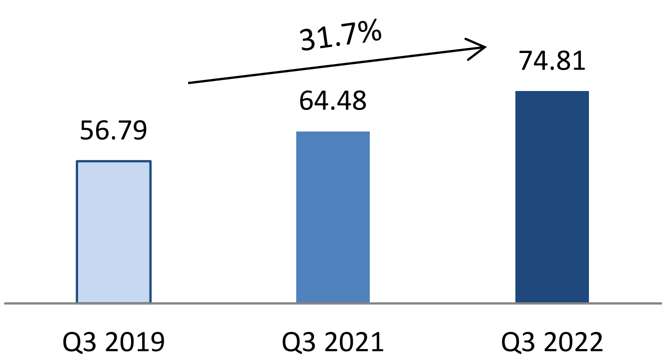
Q3 RevPAR Performance



LFL[1] Occupancy (%)[2]



LFL[1] ADR (£)[2]



Q3 2022 vs. Q3 2019

- **RevPAR:** like-for-like UK RevPAR increase of 33.4%
- **RevPAR vs Market: 12.8**pts outperformance against MSE segment
- **Occupancy:** occupancy increase of 1.0pts to 86.0%
- **ADR:** up 31.7% to £74.81

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 2022 vs. Q3 2021 and 2019 on the basis of RevPAR generated by hotels in the UK that were opened before 1 January 2019.

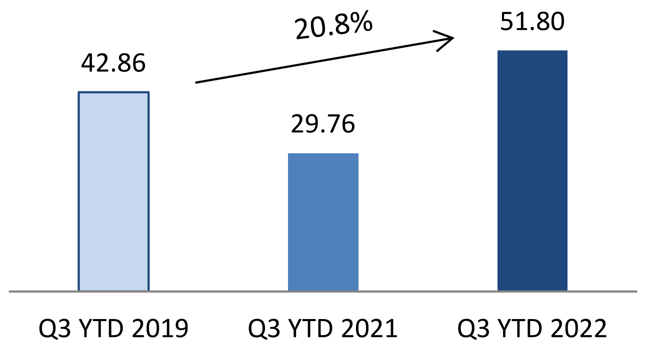
2. Occupancy, ADR and RevPAR for UK leased estate only.

Q3 YTD Operating Metrics

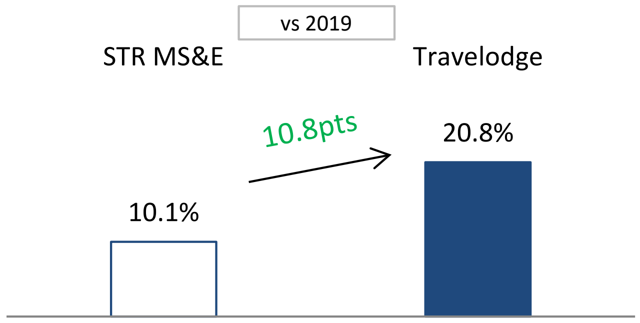
Record results for the period driven by strong leisure and 'blue collar' demand together with a more gradual recovery in 'white collar' demand

RevPAR increase driven by strong leisure demand

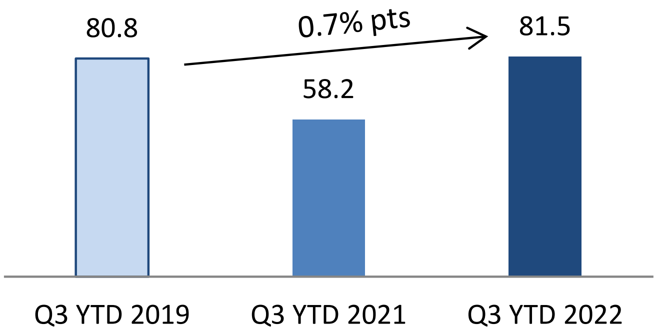
LFL[1] RevPAR (£)[2]



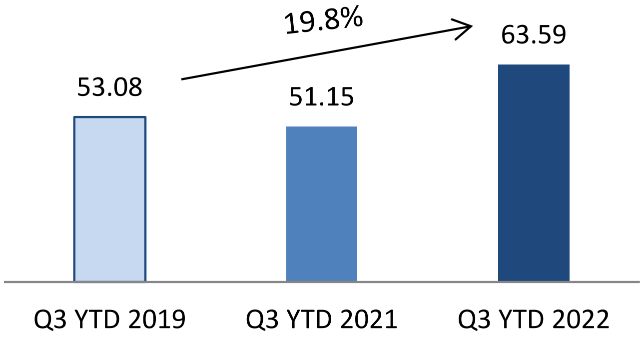
Q3 YTD RevPAR Performance



LFL[1] Occupancy (%)[2]



LFL[1] ADR (£)[2]



Q3 YTD 2022 vs. Q3 YTD 2019

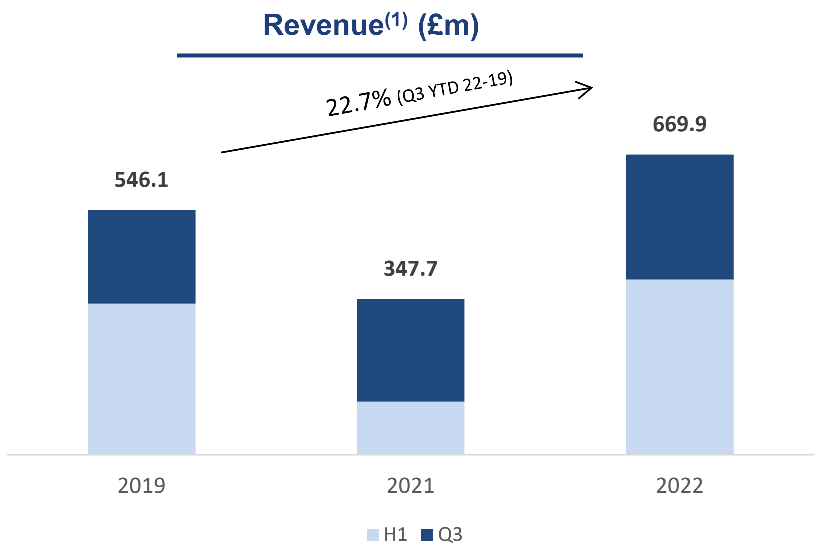
- **RevPAR:** like-for-like UK RevPAR increase of 20.8%
- **RevPAR vs Market: 10.8**pts outperformance against MSE segment
- **Occupancy:** occupancy increase of 0.7pts to 81.5%, supressed by the work from home guidance in January
- **ADR:** up 19.8% to £63.59

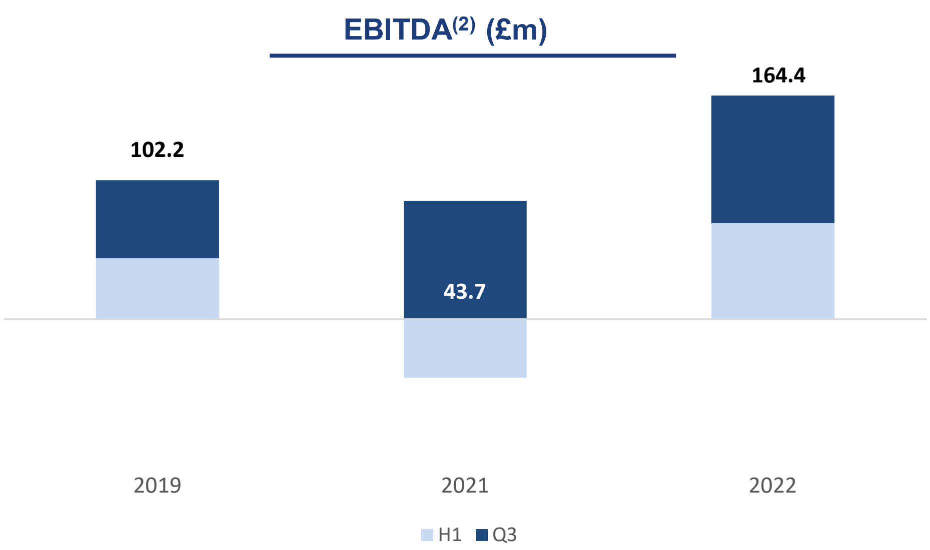
1. RevPAR is computed as the product of the Average Daily Rate for a specified period multiplied by the Occupancy for that period. Like-for-like (LFL) RevPAR compares the RevPAR in Q3 YTD 2022 vs. Q3 YTD 2021 and 2019 on the basis of RevPAR generated by hotels in the UK that were opened before 1 January 2019.
2. Occupancy, ADR and RevPAR for UK leased estate only.

Q3 YTD Financial Results

Record financial results, surpassing 2019 full year results by the end of the third quarter

Revenue growth and strong cost control delivering EBITDA above 2019 full year levels





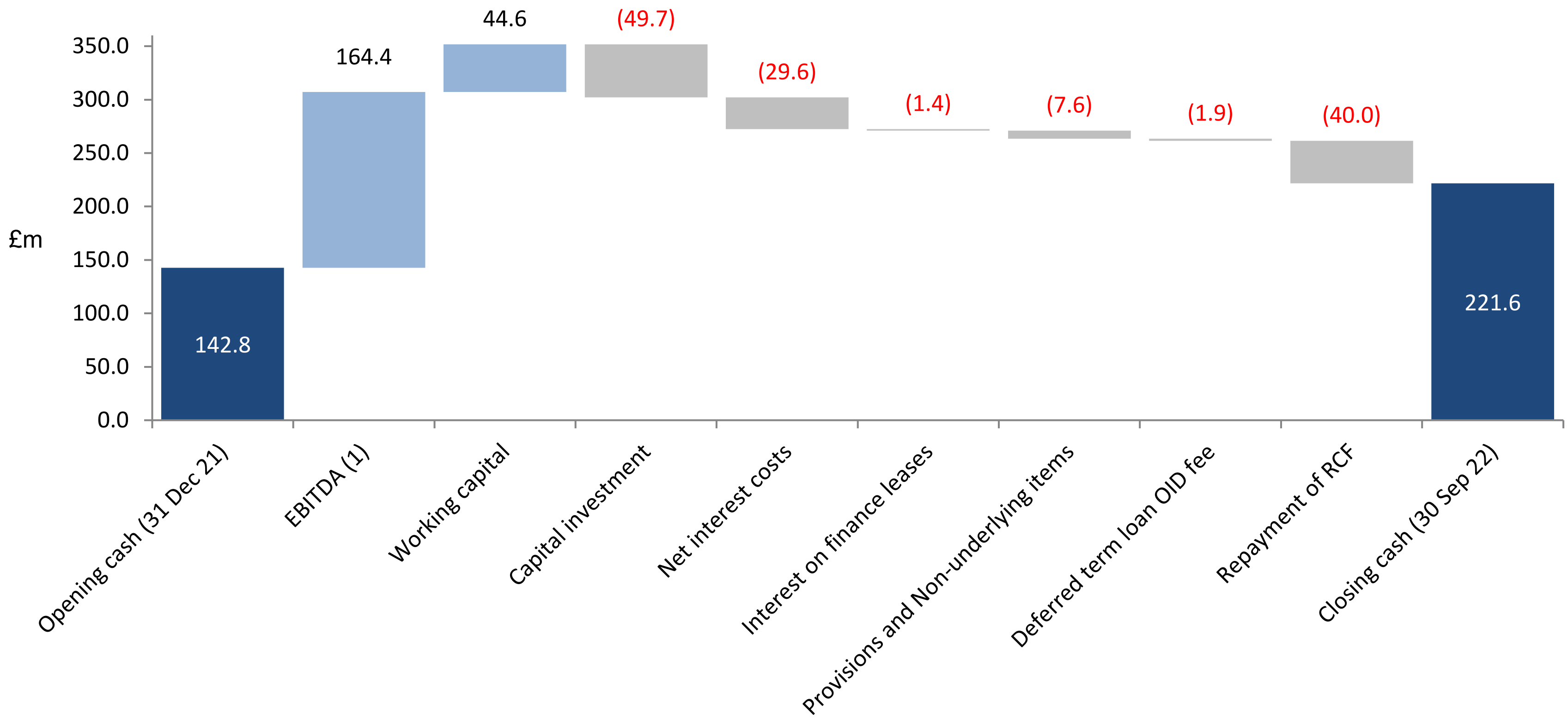
Q3 YTD 2022 vs. Q3 YTD 2019 (Q3 2022 vs Q3 2019)

- **Revenue** increase of 22.7%/£123.8m driven by LFL RevPAR increase and new openings (Q3 increase of 33.5%/£69.9m)
  - Like-for-like UK RevPAR increase of 20.8% driven by strong leisure and "blue collar" business demand
  - Annualisation and maturity of the 17 new hotels added in 2021 and five new openings (including one Irish franchise)
- **EBITDA[1]** increased by £62.2m to £164.4m (Q3 increased by £36.3m)
  - Revenue increase
  - Continued strong cost control and management of supply chain pressures, but experiencing 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.*

Q3 YTD Cash Flow

Cash inflow driven by EBITDA and seasonal working capital benefit



- Cash inflow of £78.8m, 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 hotel maintenance, health & safety, refit, 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

Over £100m of de-leveraging in 2022

Debt (£m)

£m	30-Sep
Cash and Cash Equivalents	**221.6**
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	14.5
Total Third Party Indebtedness	**580.7**
Net Third Party Indebtedness	**359.1**

Liquidity / Financial Ratios

- **Cash on balance sheet:** £221.6m at 30 September 2022
- **RCF**: undrawn at 30 September 2022 (£40m available facility). Stepped maintenance covenant tests and minimum liquidity covenant in place from 31 March 2022 to 30 June 2023 inclusive
- **Term loan**: repaid in full on 26 October
- **Over £100m of de-leveraging in 2022**
- **Letter of credit facility:** £30m (currently £24.9m utilised)
- All relevant debt transitioned from LIBOR to SONIA
- £300m interest rate cap expired 15 October 2022
- **Moody's credit rating upgrade** to B3 stable outlook on 17 November

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

Recent Trading and Outlook

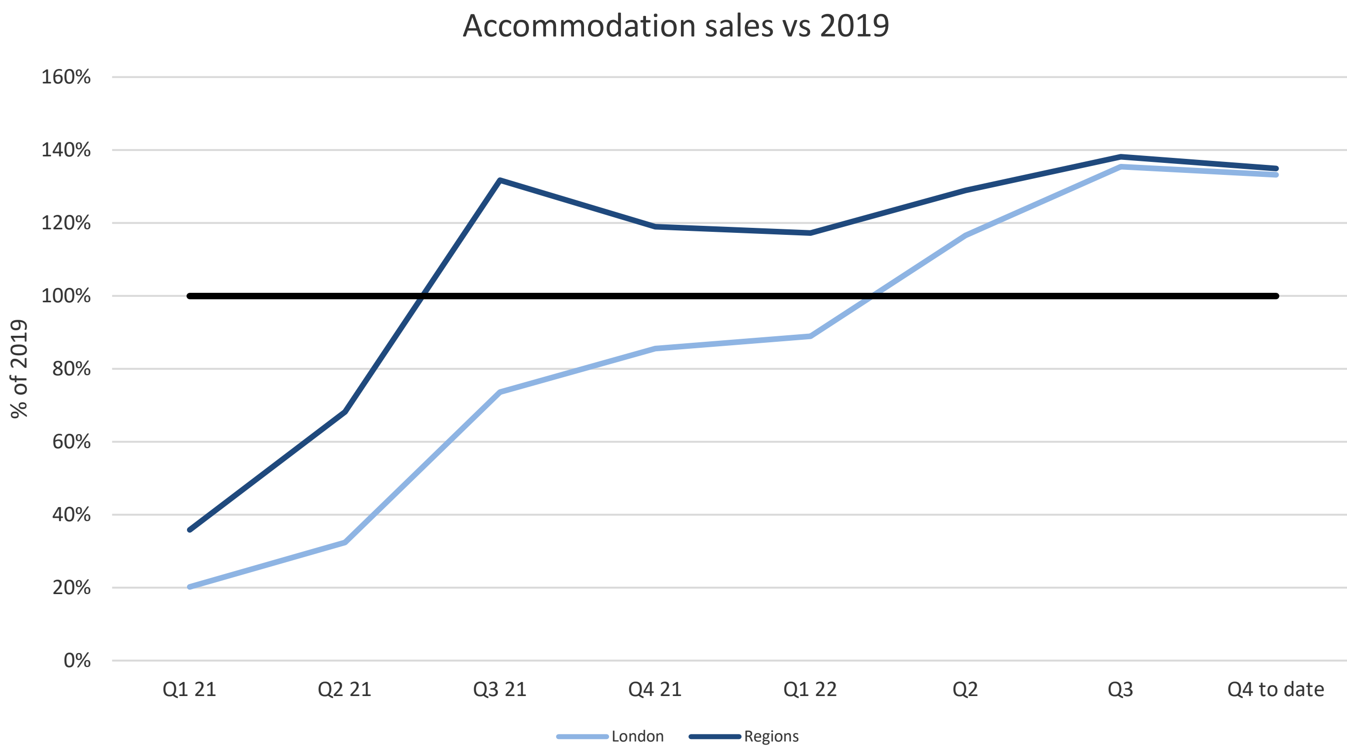
Recent Trading

Strong trading performance continues

- Strong trading performance has continued into the fourth quarter
  - Benefiting from continued strong leisure demand, including events
  - Ongoing good ‘blue collar’ demand and improving ‘white collar’ demand
  - Encouraging trading patterns following transition from seasonal leisure periods into more typical business demand weeks
  - Central London continues to benefit from weekend leisure demand and improved mid-week demand
  - Encouraging forward booking patterns but still with very 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
  - experiencing 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
  - term loan repaid in full on 26 October, balancing investment with deleveraging
- Cash at 16 November of c. £185m (before quarterly rent and other month end payments)
- Rating agency upgrade (Moody’s) from Caa1 to B3 on 17 November

Recent Trading

Revenues in recent weeks[1] c. 35% ahead of 2019 levels, continued track record of outperformance



- Strong performance continues with all weeks and markets ahead of 2019 levels
- 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, Q3 22: 30/6/22 – 28/9/22 and Q4 22: 29/10/22 – 16 Nov 22 with 2019 comparative weeks aligned to STR reporting

Outlook Considerations

Uncertain macro-economic backdrop but well positioned

- Revenue: uncertain macro-economic backdrop with both upside and downside potential

  - pressure on household spending and consumer choices

  - potential trade down to budget hotel segment

  - further positive demand drivers including staycation, changes in working patterns, events and inbound demand

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

- Costs: largely fixed cost base

  - National Living Wage, increasing by 9.7% to £10.42 in April 2023

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

  - energy fully hedged to March 2023, significant increases expected from April

  - rent on five-yearly reviews, with the review profile split over five years, 2022: £235 - £240m, 2023 estimate: £250 - £260m

- Capex: expecting c. £80m in 2022 and to continue at similar levels in 2023

  - restarted refit programme with new look and feel rooms, on track to complete 65 refits in 2022 (with 50 completed to date)

  - continued focus on health and safety and maintenance, as well as IT, development and investment in projects, including energy efficiency

  - will continue to be reviewed in line with trading conditions

- New openings:

  - five new UK leased hotels and one Irish franchise opened in 2022, number of deals impacted by 2020 pandemic

  - expecting to return to more normal levels over the next few years, with ten new hotels expected in 2023

Summary

Record financials results, well positioned

- Record performance, surpassing 2019 full year results by the end of the third quarter
- Driven by strong leisure and “blue collar” demand, with continued recovery in “white collar” demand
- Travelodge's unrivalled track record of outperformance continues
- Cash position strong, investment balanced with further de-leveraging, rating agency upgrade

- Uncertain backdrop due to current political and macro-economic environment
- Budget hotel segment has proven resilience and is expected to benefit from a number of positive demand drivers
- Inflationary cost pressures expected to continue in 2023

- Well-positioned

  - large and diversified network of hotels

  - strong brand and direct distribution model

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

- Confident in the long-terms prospects for budget hotels and excited about future growth opportunities

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 595 hotels (as at 30 Sep 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 September 2022)

United Kingdom

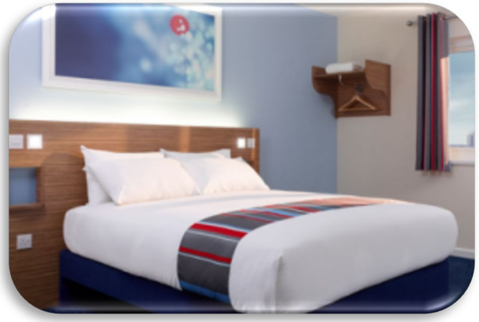
London
- 78 Hotels
- 9,646 Rooms
- 21% of total Rooms

Regions[3]
- 501 Hotels
- 34,131 Rooms
- 75% of total Rooms

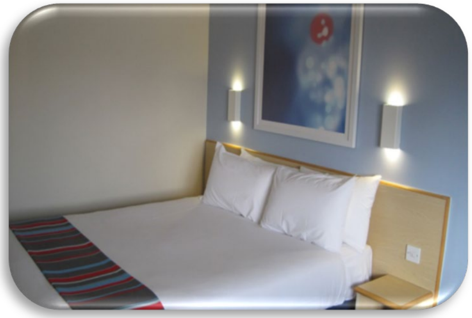
International

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 September 2022)	**595**
Rooms (30 September 2022)	**45,624**
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**