Trading Update Presentation

Results for the Quarter Ended 31 March 2023

Travelodge

travelodge.co.uk

Release: 25 May 2023

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Summary

Strong trading performance continues with further record financial results

- Strong trading performance continues, with RevPAR significantly ahead of both 2022 and 2019 levels
- Good business and leisure demand, also benefiting from events
- Continued outperformance against the competitive segment vs 2019
- Facing inflationary pressures but cost control remains strong

- Overall financial results for the quarter ended 31 March 2023 (vs 2019):
  - Total underlying revenue up 36.7% to £198.5m (2019: £145.2m) (2022: £155.4m)
  - LFL RevPAR[(1)] up 31.1% to £45.95 (2019: £35.05) (2022: £36.55)
  - RevPAR growth[(1)] 11.5 pts ahead of competitive segment vs 2019 and in line vs 2022
  - EBITDA (adjusted)[(2)] of £19.0m (2019: £1.7m) (2022: £4.9m)

- Cash at 31 March of £161.6m
- Re-financing completed 28 April 2022

- Two hotels opened in the year to date

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 Q1 2023 (29 Dec 2022 to 29 Mar 2023) vs. Q1 2022 (30 Dec 2021 to 30 Mar 2022) and Q1 2019 (3 Jan 2019 to 3 Apr 2019) on the basis of RevPAR generated by hotels that were opened before 1 January 2019. STR reporting since early 2020 on total room inventory basis, from Q2 2023 STR are changing the methodology to exclude temporary room closures*
2. *EBITDA (adjusted) = earnings before interest, tax, depreciation and amortisation and non-underlying items, on a pre-IFRS 16 basis, and before rent phasing adjustment. In this measure, the rent reductions agreed during the CVA (for 2020 and 2021) are recognised in the year in which the benefit occurred (in order to closely reflect cash payments), and the benefit of rent free periods agreed in the ordinary course of rent negotiation, are spread on a straight line basis until the next rent review (normally five years from initial agreement). Non underlying items have been removed as they are related to items that are considered to be significant in nature and quantum, and not in the normal course of business*

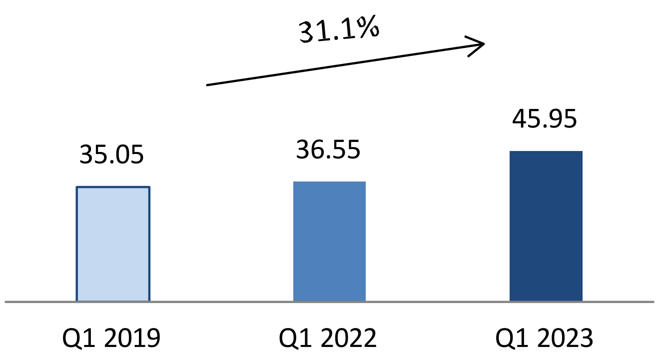
2023 Results

Q1 Operating Metrics

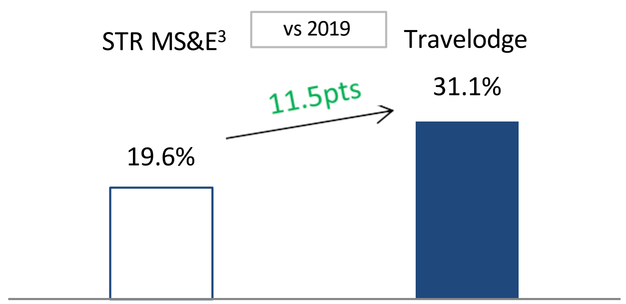
Strong demand across both business and leisure

RevPAR increase driven by strong demand across both business and leisure

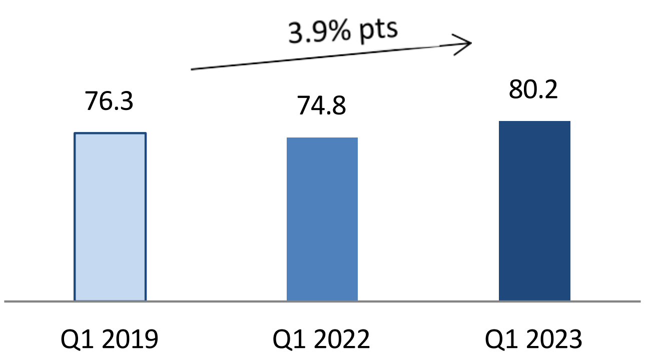
LFL[1] RevPAR (£)[2]



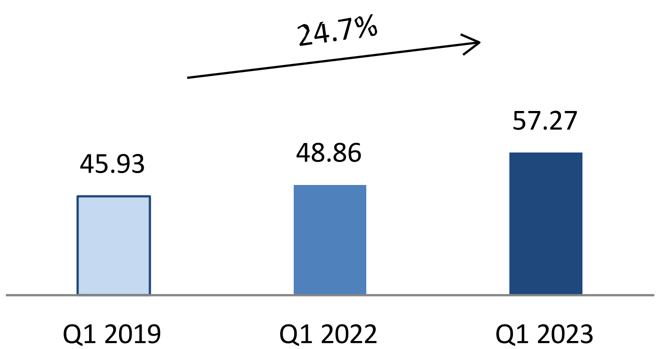
Q1 RevPAR Performance



LFL[1] Occupancy (%)[2]



LFL[1] ADR (£)[2]



Q1 2023 vs. Q1 2019

- **Q1 2022** impacted by Omicron work from home guidance
- **RevPAR:** like-for-like UK RevPAR increase of 31.1%
- **RevPAR vs Market: 11.5**pts outperformance against MSE segment. Performing in line with MSE segment vs 2022, reflecting very strong Travelodge comps
- **Occupancy:** occupancy increase of 3.9pts to 80.2
- **ADR:** up 24.7% to £57.27

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 Q1 2023 vs. Q1 2022 and 2019 on the basis of RevPAR generated by hotels in the UK that were opened before 1 January 2019.

2. Revenue per available room, Average room rate and Occupancy on a UK like-for-like basis for the management accounting periods 29 Dec 2022 to 29 Mar 2023, 30 Dec 2021 to 30 Mar 2022 and 3 Jan 2019 to 3 Apr 2019 for the quarter.

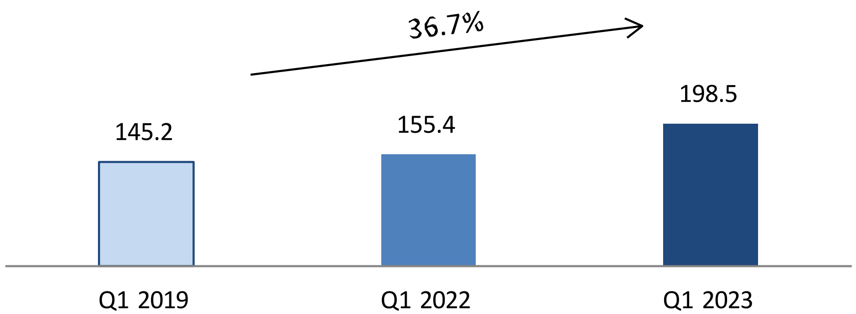
3. STR reporting since early 2020 on total room inventory basis, from Q2 2023 STR are changing the methodology to exclude temporary room closures

Q1 Financial Results

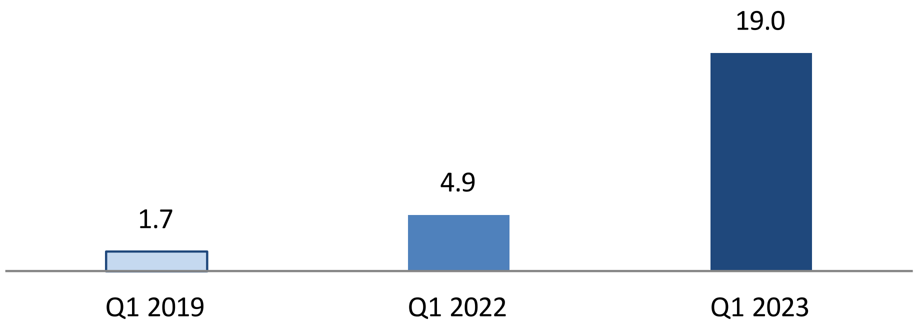
Q1 EBITDA profit of £19.0m, £17.3m ahead of 2019 levels

Revenue growth and strong cost control delivering record profits

Revenue[1] (£m)



EBITDA[2] (£m)



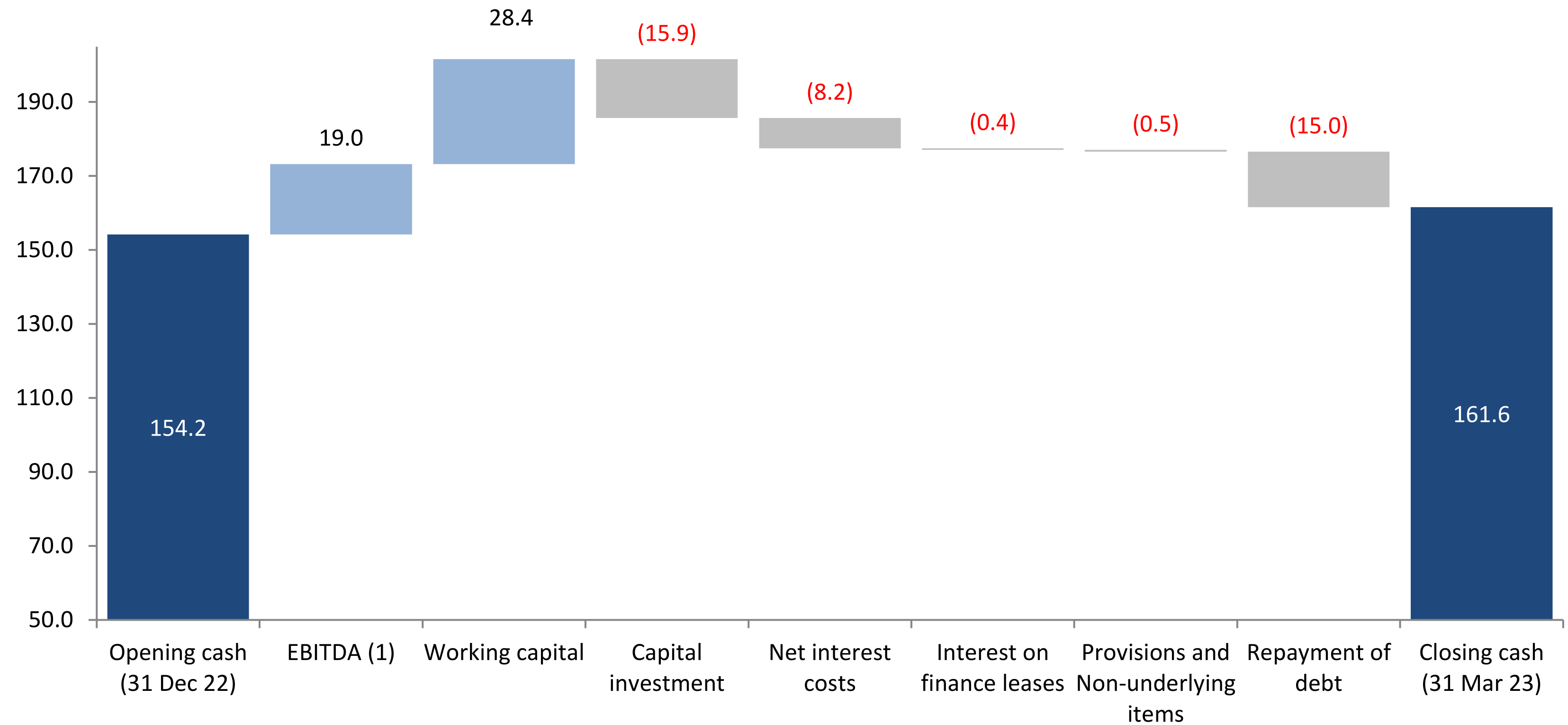
Q1 2023 vs. Q1 2019

- **Revenue** increase of 36.7%/£53.3m driven by LFL RevPAR increase and new openings
  - Like-for-like UK RevPAR increase of 31.1% driven by strong leisure and business demand
  - Strong growth in Spain with revenue up 22.4%/£0.7m
  - Annualisation and maturity of hotels opened since 2019
- **EBITDA**[1] increased by £17.3m to £19.0m
  - Revenue increase partially offset by cost increases
  - Continued strong cost control and management of supply chain pressures, but with inflationary pressures

1. *Total underlying revenue.*
2. *EBITDA (adjusted) = earnings before interest, tax, depreciation and amortisation and non-underlying items, on a pre-IFRS 16 basis, and before rent phasing adjustment. In this measure, the rent reductions agreed during the CVA (for 2020 and 2021) are recognised in the year in which the benefit occurred (in order to closely reflect cash payments), and the benefit of rent free periods agreed in the ordinary course of rent negotiation, are spread on a straight line basis until the next rent review (normally five years from initial agreement). Non underlying items have been removed as they are related to items that are considered to be significant in nature and quantum, and not in the normal course of business*

Q1 Cash Flow

Cash inflow driven by EBITDA and working capital benefit



- Cash inflow of £22.4m before repayment of debt, with EBITDA and working capital inflow partially offset by capital investments and interest costs
- Working capital benefit mainly driven by increase in prepaid rooms, in line with seasonal patterns, and an increase in the VAT creditor, reflecting the trading performance
- Capital investment relates mainly to hotel maintenance, health & safety, refit, IT and new development
- Repayment of debt relates to managed buyback programme of bonds in January 2023

1. *EBITDA (adjusted) = earnings before interest, tax, depreciation and amortisation and non-underlying items, on a pre-IFRS 16 basis, and before rent phasing adjustment. In this measure, the rent reductions agreed during the CVA (for 2020 and 2021) are recognised in the year in which the benefit occurred (in order to closely reflect cash payments), and the benefit of rent free periods agreed in the ordinary course of rent negotiation, are spread on a straight line basis until the next rent review (normally five years from initial agreement). Non underlying items have been removed as they are related to items that are considered to be significant in nature and quantum, and not in the normal course of business*

Net Debt and Leverage

Liquidity position remains strong

Debt (£m)

£m	31-Mar	Pro-froma
Cash and Cash Equivalents	**161.6**	**142.6**
Revolving credit facility	-	-
Senior secured floating rate bond	424.2	-
Senior secured fixed rate bond	65.0	330.0
Senior secured floating rate bond (EUR)	-	221.3
Senior Secured Debt	**489.2**	**551.3**
Finance leases	14.6	14.6
Total Third Party Indebtedness	**503.8**	**565.9**
Net Third Party Indebtedness	**342.2**	**423.3**

Liquidity / Financial Ratios

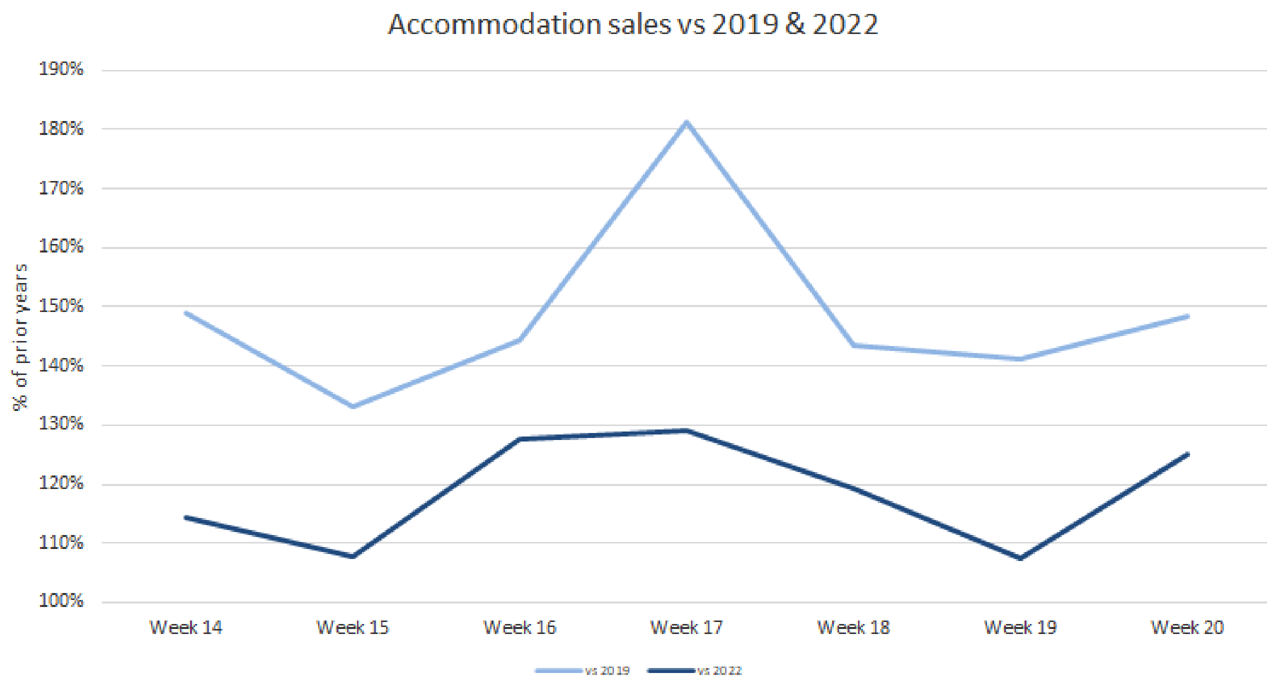
- **Cash on balance sheet:** £161.6m at 31 March 2023
- **Refinancing completed** 28 April 2023:
  - New **£330m GBP senior secured fixed rate bond** 10.25%
  - New **€250m EUR senior secured floating rate bond** EURIBOR + 550bps
  - **New £50m RCF**: currently undrawn
  - **New Letter of credit** facility: £30m (as of 24 May) £27.2m utilised)
  - Hedged principal on completion and expect to hedge exchange risk on interest payments shortly. Reviewing options on interest rate risk
  - **Moody's and S&P reaffirmed credit ratings** of B3 stable and B- stable respectively as part of the refinancing
  - **Net third party debt ratio** 1.9x (2)
  - We continue to keep our liquidity position and capital structure under review

Note:
1. Before IFRS16
2. Net pro forma third party indebtedness divided by Mar 23 LTM EBITDA (adjusted)
3. Cash pro-forma for refinancing proceeds net of OID (£44.9m), other refinancing associated fees (£13.8m) and investor loan accrued interest payment (£50.0m)

Recent Trading and Outlook

Recent Trading

Strong trading performance continues with accommodation revenues in recent weeks[1] on average approximately 20% ahead of 2022 levels and over 45% ahead of 2019 levels



Note: week on week comparisons not like-for-like as impacted by timing of Easter and bank holidays
2023: 30 Mar 23 to 17 May 23, 2022: 31 Mar 22 to 18 May 22 and 2019: 28 Mar 19 to 15 May 19

- Strong trading performance has continued in quarter two:
  - Continued strong leisure, including events
  - Good business demand, typical 'white collar' demand recovering
  - Indirectly benefiting from inbound demand, particularly London
  - London and Regional performance both ahead of 2022 levels
  - Forward bookings are positive, but still have very limited visibility

1. Based on STR standard methodology in place since start of Q2

- Midscale and Economy segment continues to outperform the UK hotel market (vs 2019)
  - benefiting from strong domestic leisure demand and focus on blue collar business
- Travelodge performing ahead of the segment vs 2022[1]
  - with very strong 2022 comps
  - outperforming vs 2019

Outlook Considerations

Macro-economic environment creating both opportunities and challenges

- Revenue:
  - pressure on household spending and consumer choices, inflation impact on rates
  - positive demand drivers for budget operators including trade down to budget hotel segment, staycation, changes in working patterns, events and inbound demand
  - 1% point of RevPAR growth impacts profits by c. £7-8m
- Costs: largely fixed cost base
  - National Living Wage, increased by 9.7% to £10.42 in April 2023
  - inflationary pressures impacting costs, including energy, laundry, F&B and rent
  - energy fully hedged at pre-crisis levels to March 2023, majority of remaining 2023 volumes hedged in March 2023
  - rent on five-yearly reviews, with the review profile broadly evenly split over five years, 35% by value now with caps and collars, 2023 estimate: £250 - £260m
  - 7-8% inflationary increases in costs expected this year
- Capex: expecting c. £90m in 2023 (continue to review in line with trading conditions)
  - refit programme representing approximately half of capex in 2023, expecting to complete c. 25% of room estate by end of 2023
  - continued focus on health and safety and maintenance, as well as IT, development and investment in projects, including energy efficiency
- One-off excess cumulative EBITDA rent payment at end of April 2023 (c. £13m non-underlying charge in 2022)
- New openings:
  - our first new hotel in Spain for over ten years opened in February 2023, exploring further growth opportunities
  - expect to open approximately 8 hotels in 2023, impacted by 2020 pandemic and adverse market conditions

Summary

Strong trading performance continues with positive tailwinds, well positioned

- Strong Q1 trading and financial performance, with further record results
- Driven by good business and leisure demand, also benefiting from events
- Cash position strong
- Refinancing completed April 2023

- Current macro-economic environment creates both opportunities and challenges
- Budget hotel segment benefiting from a number of positive demand drivers
- Trading performance strong, with good forward booking patterns, but limited visibility
- Inflationary cost pressures expected to continue in 2023 but with clear visibility

- Well-positioned
  - large and diversified network of well invested hotels
  - strong brand and direct distribution model
  - value proposition, domestic travel focus, business/leisure mix
  - comprehensive “Better Future” sustainability plan

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

Q&A

Appendices

Travelodge Overview

Who We Are

- UK's second largest hotel brand based on number of hotels and rooms
- Well invested modernised portfolio with 595[1] hotels and c.46,000 rooms
- Lease, manage and own hotels with low upfront capex model
- Positioned in the attractive value segment as a low-cost operator, offering standardized, modern guest rooms at affordable prices
- Well balanced client base serving c.21m business and leisure customers
- c.90% direct booking, with c.80% through own websites and c.10% through walk-ins, call centres and Groups[3]
- Employs c.12,000 people across all hotels and support offices[1]

Where We Are[7]

United Kingdom

London	79 Hotels 9,823 Rooms 21% of total Rooms
Regions[4]	500 Hotels 34,091 Rooms 75% of total Rooms

International

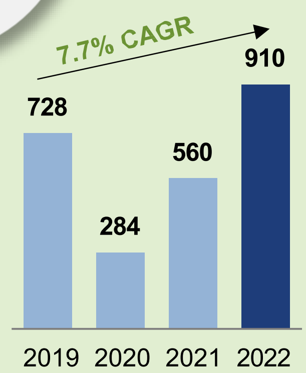
Spain	5 Hotels 621 Rooms 1% of total Rooms
Ireland[5]	11 Hotels 1,226 Rooms 3% of total Rooms

Travelodge

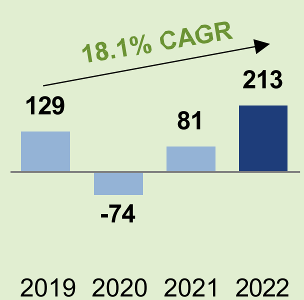
Key Operating Statistics[1]

595 *Hotels*	**45,761** *Rooms*	**21m** *Customers*	
81.8% *Occupancy[2]*	**£64.31** *ADR[2]*	**£910m** *Revenue*	**£213m** *EBITDA[6]*

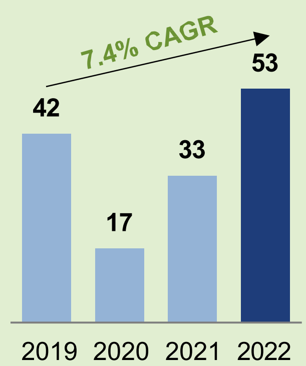
Recent Performance



Revenues (in £m)



EBITDA[6] (in £m)



RevPar (in £)

Note: (1) As of 31-Dec-2022; (2) For Travelodge UK leased hotels only; (3) "Indirect" refers to travel agents/Direct Connect, GDS and OTA; (4) Includes 10 hotels operated under management contracts; (5) Operations in island of Ireland under a master franchise. (6) EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation, and before rent phasing adjustment and non-underlying items. This measure is reflective of the position in line with historical accounting principles (before IFRS 16) except for being prior to the rent phasing adjustment. Non underlying items have been removed as they relate to non-recurring, one-off items. The calculation for this measure is consistent with prior years.. (7) As of 31-Mar-2022

Travelodge is One of the Leading Platforms in the UK

1. Compelling long-term growth fundamentals in the resilient and underpenetrated budget hospitality market
2. Leading market position driven by outstanding brand recognition and well invested network of hotels with proven and sustained market outperformance throughout economic cycles
3. Compelling guest proposition with attractive customer profile and advantageous business leisure mix
4. Highly effective revenue management system with best in class direct distribution model and customer acquisition
5. Lean operating model, including significant proportion of CPI capped rent reviews, driving profitability and cash flows. Strong development pipeline with low upfront capex needs
6. Comprehensive sustainability plan integrated into wider strategy
7. Experienced management team with solid track record of delivering operational and financial improvements
8. Clear and significant opportunities for further growth