Trading Update Presentation

Half Year Results for the Six Months Ended 30 June 2023

Release: 24 August 2023

travelodge.co.uk

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Summary

Record first half performance with Travelodge well-positioned for long-term growth

- Excellent trading performance, with revenue and profits significantly ahead of 2022 levels
- Operating in the resilient UK budget hotel segment with strong demand from both business and leisure customers
- Continued outperformance against the competitive segment vs 2019
- Managing inflationary pressures with strong cost control, resulting in significant margin improvement
- Continued significant investment in the business supporting growth and quality

- Financial results for the six months ended 30 June 2023:

  - Total underlying revenue up 22.4% to £478.7m (2022: £391.2m)
  - LFL RevPAR(1) up 20.7% to £54.92 (2022: £45.50)
  - RevPAR growth(1) 6.0 pts ahead of competitive segment vs 2019 and in line vs 2022
  - EBITDA (adjusted)(2) of £104.5m (2022: £70.6m)

- Strong liquidity position with cash at 30 June of £192.9m
- Refinancing completed 28 April 2023

- Four hotels (308 rooms) 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 H1 2023 (29 Dec 2022 to 28 Jun 2023) vs. H1 2022 (30 Dec 2021 to 29 Jun 2022) and H1 2019 (3 Jan 2019 to 3 Jul 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 amended 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*

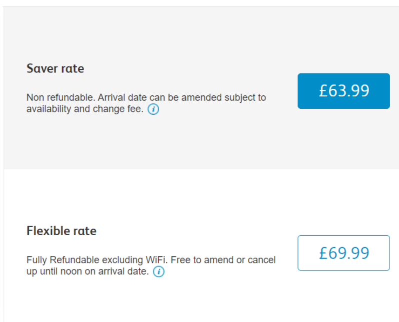
Strategy Update

Operating in the budget segment with proven resilience

Location

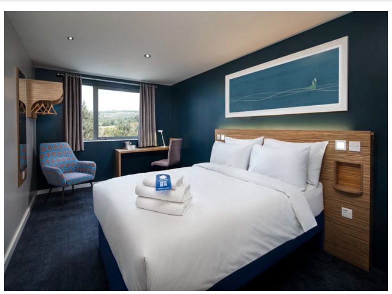
- Estate now stands at 598 hotels and 46,026 rooms
- Strong London presence with c. 23% of UK rooms
- 7 new hotels expected to open in 2023, with 4 opened to date, including new hotel in Spain
- Targeting 300 additional locations across the UK
- Opportunities include a mix of business and leisure focused locations
- Combination of new build, conversions, going concerns, standalone, mixed use and extensions

Price



- Best-in-class direct distribution model with c. 90% of bookings are direct
- Continued investment in revenue management capabilities
- Investing in data capabilities and digital platform to further optimise digital conversion
- Diversified customer base with advantageous business/leisure customer mix
- Offers our customers a base for a wide range of business and leisure purposes
- Record number of business account sign-ups

Quality



- Refit programme underway as part of Travelodge’s most significant transformation to date
- Upgrading the estate with new design rooms, upgraded bar café and new style reception
- Average 4 dot TripAdvisor rating
- Industry leading operating model with continued optimisation
- Leveraging technology to simplify and automate
- Further in-sourcing driving efficiency

Refit Upgrade Programme

New room format refit delivering commercial and quality benefits

Bedroom

Reception

Bathroom

Bar Café

- New refit programme commenced in 2022 as part of Travelodge's most significant transformation to date, upgrading to new design rooms, upgraded bar café and new style reception
- Investing c. £45m in 2023 and on track to have upgraded c. 25% of the room estate by end of 2023 and replaced over 36,000 carpets (over 2022-2023)
- Delivering RevPAR and customer quality benefits
- Accelerating investment in H2 2023, will impact 2024 cash

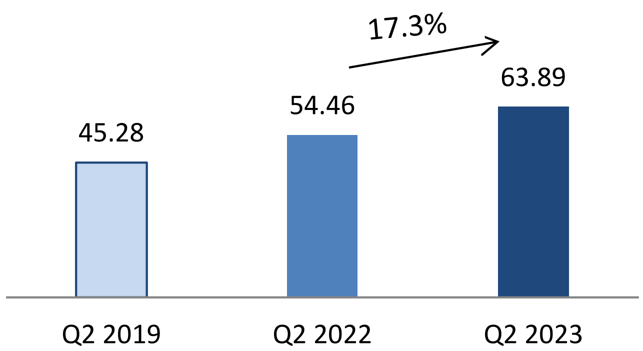
2023 Results and Current Trading

Q2 Operating Metrics

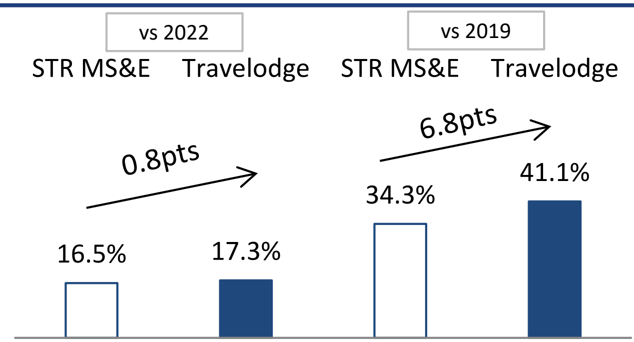
Strong consumer demand from both leisure and business customers

RevPAR increase driven by strong demand across both business and leisure

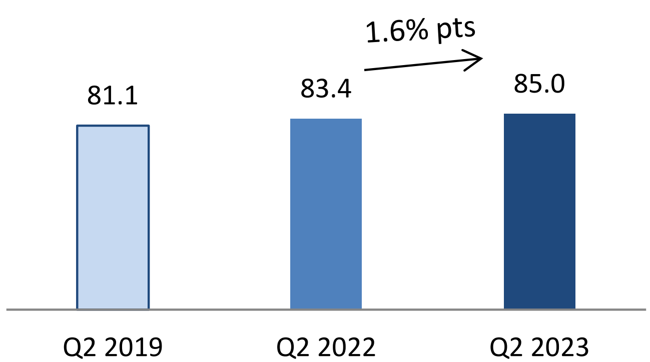
LFL[1] RevPAR (£)[2]



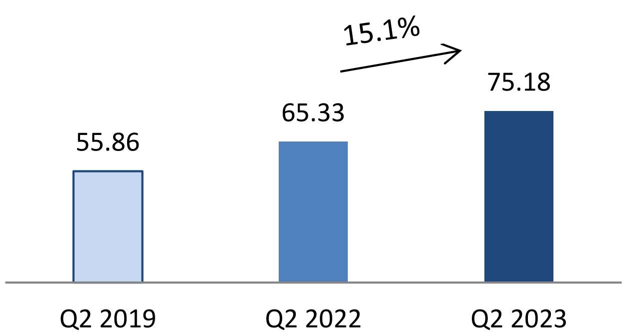
Q2 RevPAR Performance



LFL[1] Occupancy (%)[2]



LFL[1] ADR (£)[2]



Q2 2023 vs. Q2 2022

- **RevPAR:** like-for-like UK RevPAR increase of 17.3%
- **RevPAR vs Market:** outperformance against MSE segment **0.8**pts vs 2022, reflecting very strong Travelodge comps. **6.8**pts vs 2019
- **Occupancy:** occupancy increase of 1.6pts to 85.0
- **ADR:** up 15.1% to £75.18

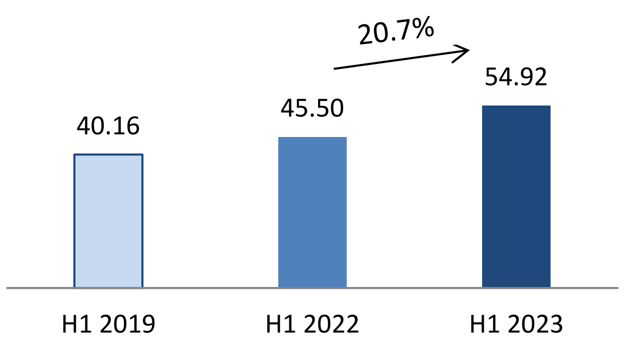
1. *RevPAR is computed as the product of the Average Daily Rate for a specified period multiplied by the Occupancy for that period. Like-for-like (LFL) RevPAR compares the RevPAR in Q2 2023 vs. Q2 2022 and 2019 on the basis of RevPAR generated by hotels in the UK that were opened before 1 January 2019.*
2. *Revenue per available room, Average room rate and Occupancy on a UK like-for-like basis for the management accounting periods 30 Mar 2023 to 28 Jun 2023, 31 Mar 2022 to 29 Jun 2022 and 4 Apr 2019 to 3 Jul 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*

H1 Operating Metrics

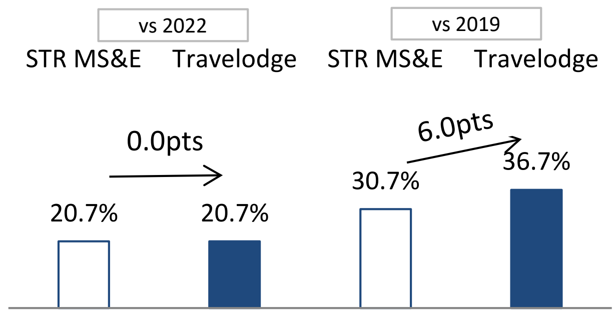
Excellent performance driven by rate and occupancy growth

RevPAR increase driven by strong demand across both business and leisure

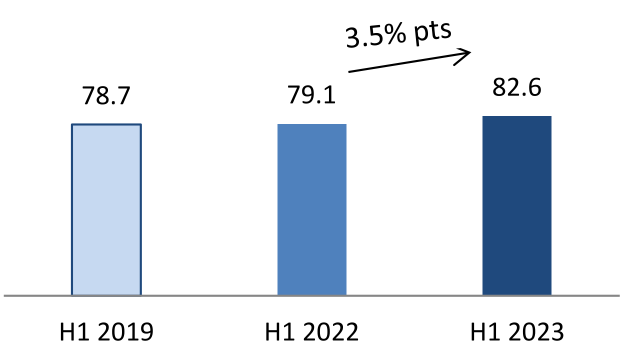
LFL[1] RevPAR (£)[2]



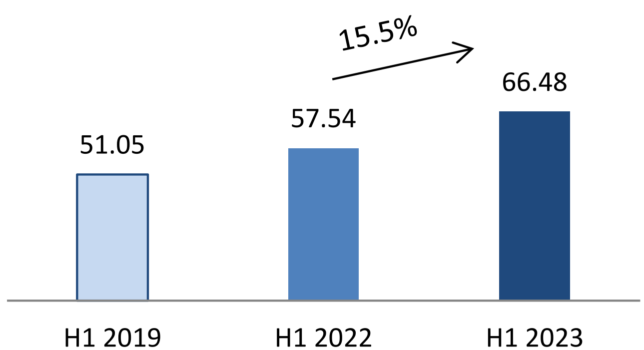
H1 RevPAR Performance



LFL[1] Occupancy (%)[2]



LFL[1] ADR (£)[2]



H1 2023 vs. H1 2022

- First weeks of 2022 impacted by Omicron work from home guidance
- **RevPAR:** like-for-like UK RevPAR increase of 20.7%
- **RevPAR vs Market:** performing in line with MSE segment vs 2022, reflecting very strong Travelodge comps. **6.0**pts vs 2019
- **Occupancy:** occupancy increase of 3.5pts to 82.6
- **ADR:** up 15.5% to £66.48

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 2023 vs. H1 2022 and 2019 on the basis of RevPAR generated by hotels in the UK that were opened before 1 January 2019.

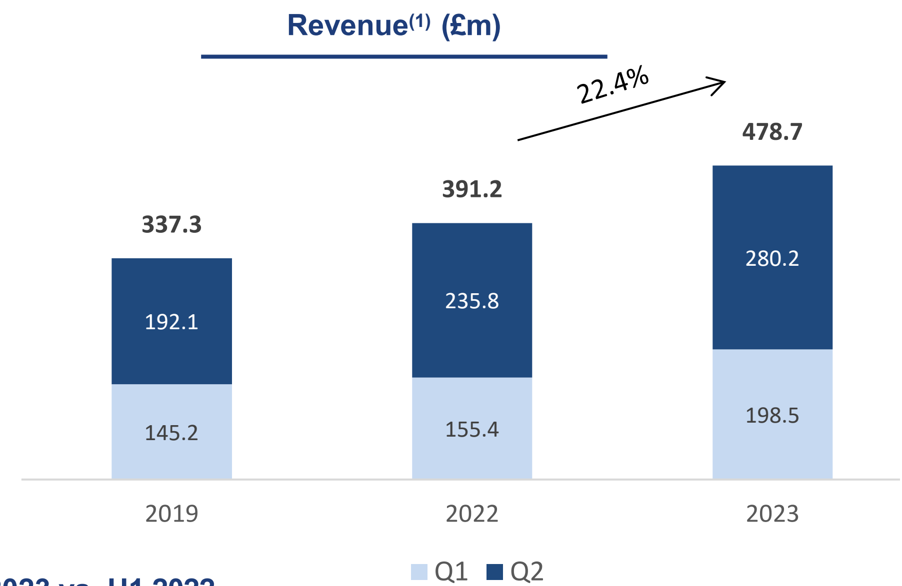
2. Revenue per available room, Average room rate and Occupancy on a UK like-for-like basis for the management accounting periods 29 Dec 2022 to 28 Jun 2023, 30 Dec 2021 to 29 Jun 2022 and 3 Jan 2019 to 3 Jul 2019 for the quarter.

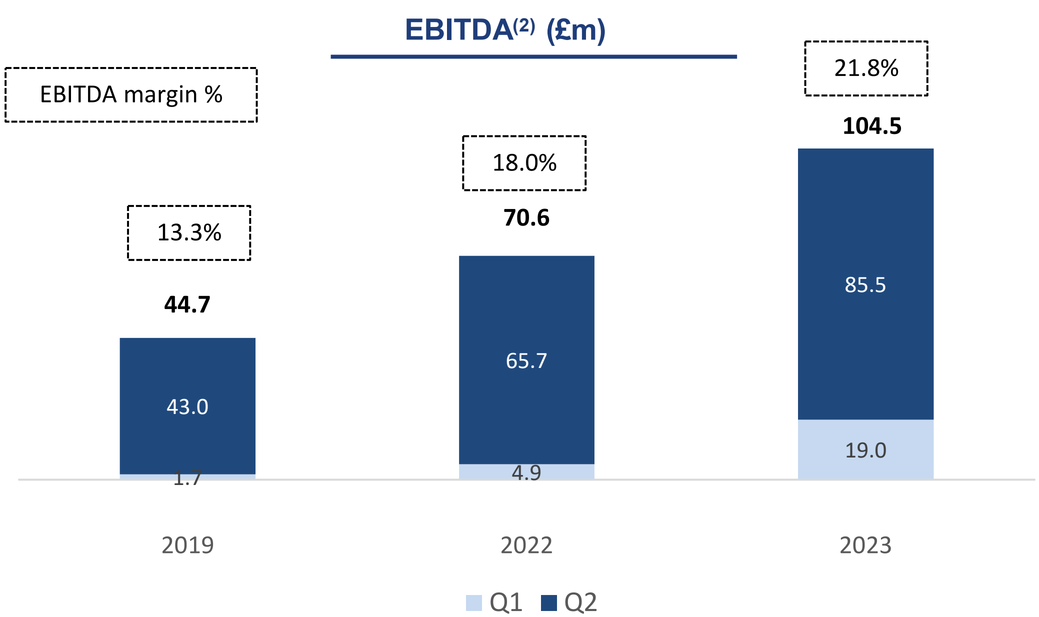
3. STR reporting since early 2020 on total room inventory basis, from Q2 2023 STR are changing the methodology to exclude temporary room closures

H1 Financial Results

Record results with EBITDA of £104.5m, £33.9m ahead of 2022 levels

Revenue growth and strong cost control delivering record profits





H1 2023 vs. H1 2022

- **Revenue** increase of 22.4%/£87.5m driven by LFL RevPAR increase and new openings (Q2: increase of 18.8%/£44.4m)
  - Like-for-like UK RevPAR increase of 20.7% driven by strong leisure and business demand
  - Strong growth in Spain with revenue up 37.5%/£2.4m
  - Annualisation and maturity of hotels opened since 2019
- **EBITDA**[1] increased by £33.9m to £104.5m (Q2: increased by £19.8m to £85.5m)
  - Revenue increase partially offset by cost increases
  - Continued strong cost control and management of supply chain pressures driving significant margin improvement

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*

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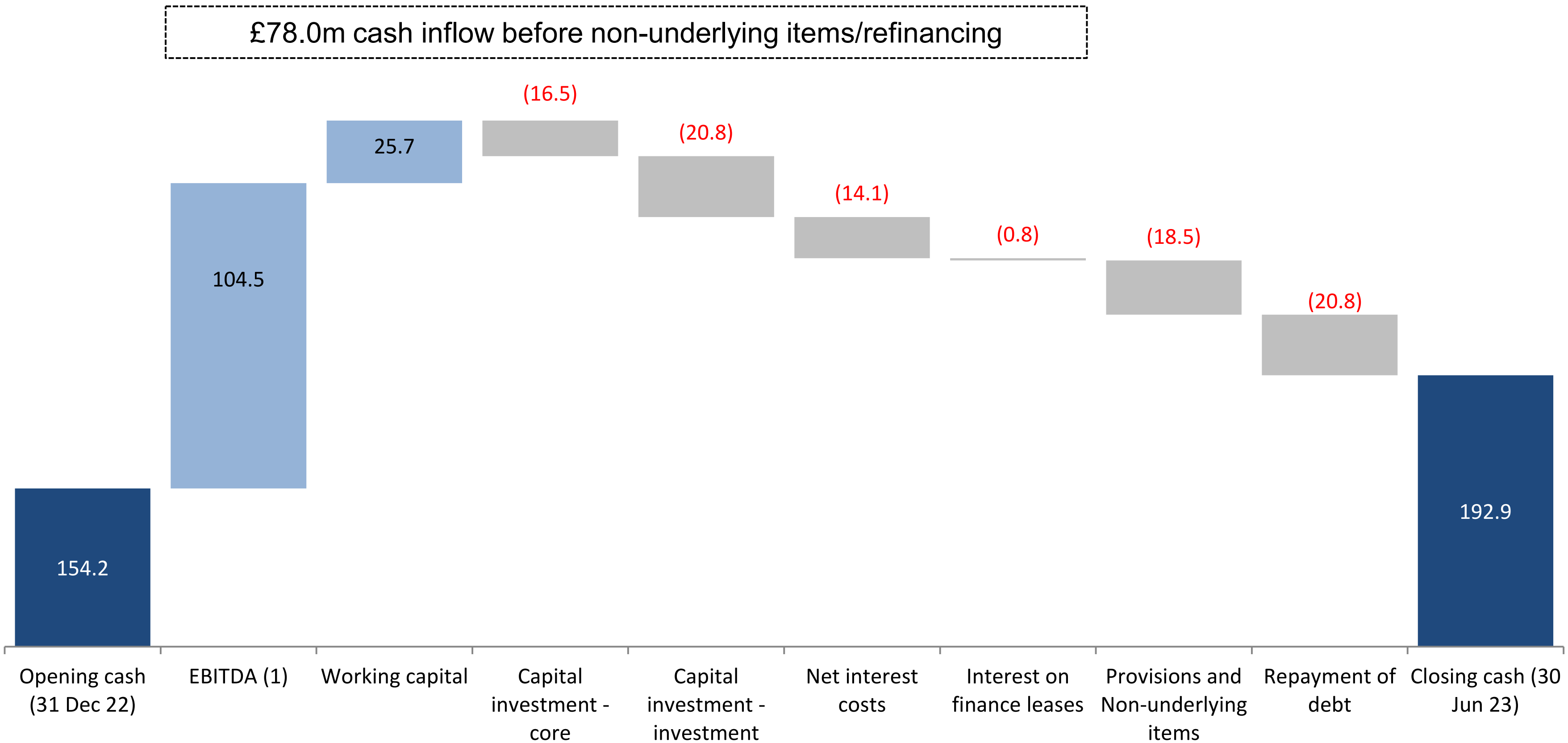
H1 Cash Flow

Strong cash inflow driven by EBITDA and working capital benefit



- Cash inflow of £78.0m before non-underlying items and 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
- Provisions and non-underlying includes one-off excess EBITDA rent payment and senior management bonuses in connection with the refinancing
- Repayment of debt includes the April 2023 refinancing and associated fees

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	30-Jun
Cash and Cash Equivalents	**192.9**
Revolving credit facility	-
Senior secured fixed rate bond	330.0
Senior secured floating rate bond (EUR)	214.8
Senior Secured Debt	**544.8**
Finance leases	14.6
Total Third Party Indebtedness	**559.4**
Net Third Party Indebtedness	**366.5**

Liquidity / Financial Ratios

- **Cash on balance sheet:** £192.9m at 30 June 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 (£29.0m utilised as of 27 July)
- Fully hedged currency and interest rate risk on EUR notes
- **Following refinancing net third party debt ratio** 1.5x(2)
- Shareholder investor loan accrued interest payment of £25m in late August 2023 in line with prudent capital allocation

Note:
1. Before IFRS16
2. Net third party indebtedness divided by Jun 23 LTM EBITDA (adjusted)

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Current Update

Strong trading performance continues with accommodation revenues in recent weeks on average approximately 50% ahead of 2019 levels and approximately 8% ahead of 2022 levels

Note: week on week comparisons not like-for-like as impacted by timing of Easter, bank holidays and events.

- Strong trading performance has continued in quarter three:
  - Continued strong leisure across the country, including events
  - Indirectly benefiting from inbound demand (tourism), particularly London
  - Business demand across diversified customer base remains strong, continued strong sign-ups
  - London and Regional performance both ahead of 2022 levels
  - Forward bookings are positive, but visibility continues to be limited

- 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
- Outperforming vs 2019 by approximately 5%pts

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

Strategic Priorities and Outlook

Near Term Strategic Priorities

Investing in quality and growth

Customer proposition

- Refit programme underway as part of our most significant transformation to date
- Upgrading estate with new design rooms, upgraded bar café, new style reception
- Accelerating refit investment, will impact 2024 capital expenditure
- Operational investments including replacing over 36,000 carpets since 2022, upgrading all coffee machines across estate
- Continued investment in energy projects (including smart heating & cooling)

New brand campaign

- Building stronger brand consideration and demand
- Expecting to invest mid-single digit millions in 2023 with further staged investment in 2024

Revenue management

- Continued investment in Travelodge's industry leading revenue management capabilities and best in class direct distribution model
- Investing in data and digital capabilities and leveraging our large and diverse customer base to further optimise digital conversion

Continuing to deepen our customer and market insight to shape our future growth plans

Outlook

Expecting full year profits to be ahead of 2022 levels

- Revenue:
  - positive trading patterns continuing with a number of positive demand drivers including trade down to budget hotel segment, events (leisure and business) and inbound demand
  - strong forward booking patterns but forward visibility continues to be limited, long lead event bookings are strong
  - potential impact on demand from pressure on household spending and consumer choices
  - 1% point of RevPAR growth impacts profits by c. £7-8m
- Costs: largely fixed cost base
  - inflationary cost increases in 2023 in line with previous guidance of approximately 7-8%
  - requires approximately 5-6% LfL RevPAR growth to offset
  - additional costs from higher occupancy, advertising campaign and investments in quality
  - expecting full year profits to be ahead of 2022 levels
- Capex: expecting c. £90m in 2023 (continue to review in line with trading conditions)
  - additional investments in refit and quality in H2, cash impact in 2024
  - continued focus on health and safety and maintenance, as well as IT, development and investment in projects, including energy efficiency

Summary

Record first half performance with Travelodge well-positioned for long-term growth

- Record first half performance, with strong leisure and business demand
- Expecting profits to be ahead of 2022
- Cash and liquidity position remains strong and investing significantly in the business
- Current macro-economic environment creates both opportunities and challenges
- Budget hotel segment has proven resilience and is benefiting from a number of positive demand drivers
- Navigating short term challenges, including cost pressures but with clear visibility
- Well-positioned, confident in the long-terms prospects for budget hotels and excited about future growth opportunities

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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 598 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
- 80 Hotels
- 9,873 Rooms
- 21% of total Rooms

Regions[4]
- 501 Hotels
- 34,228 Rooms
- 74% of total Rooms

International

Spain
- 6 Hotels
- 699 Rooms
- 2% of total Rooms

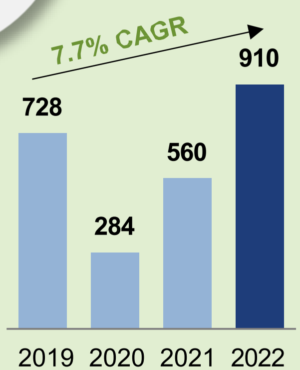
Ireland[5]
- 11 Hotels
- 1,226 Rooms
- 3% of total Rooms

Travelodge

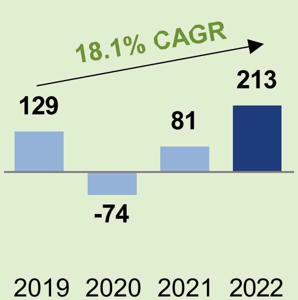
Key Operating Statistics[1]

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

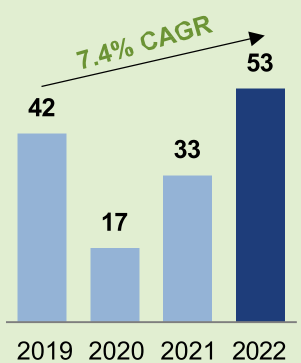
Recent Performance



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 30-Jun-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 diversified customer base with 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