Financial Results Presentation

For the nine months ended 30 September 2019

Travelodge

travelodge.co.uk

Release: 21 November 2019

Disclaimer

You must read the following before continuing

This presentation has been prepared by Thame and London Limited, TVL Finance plc and Travelodge Hotels Limited (collectively, "the "Company") solely for informational purposes. For the purposes of this disclaimer, the presentation that follows shall mean and include the slides that follow, the oral presentation of the slides by the Company or any person on their behalf, any question and answer session that follows the oral presentation, hard copies of this document and any materials distributed in connection with the presentation. By attending the meeting at which the presentation is made, dialling into the teleconference during which the presentation is made or reading the presentation, you will be deemed to have agreed to all of the restrictions that apply with regard to the presentation and acknowledged that you understand the legal and regulatory sanctions attached to the misuse, disclosure or improper circulation of the presentation. The Company does not make any representation or warranty or other assurance, express or implied, that this document or the information contained herein or the assumptions on which they are based are accurate, complete, adequate, fair, reasonable or up to date and they should not be relied upon as such. The Company does not accept any liability for any direct, indirect or consequential loss or damage suffered by any person as a result of relying on all or any part of this document and any liability is expressly disclaimed.

The Company has included non-IFRS financial measures in this presentation. These measurements may not be comparable to those of other companies. Reference to these non-IFRS financial measures should be considered in addition to IFRS financial measures, but should not be considered a substitute for results that are presented in accordance with IFRS.

The information contained in this presentation has not been subject to any independent audit or review. A significant portion of the information contained in this document, including all market data and trend information, is based on estimates or expectations of the Company, and there can be no assurance that these estimates or expectations are or will prove to be accurate. Our internal estimates have not been verified by an external expert, and we cannot guarantee that a third party using different methods to assemble, analyse or compute market information and data would obtain or generate the same results. We have not verified the accuracy of such information, data or predictions contained in this report that were taken or derived from industry publications, public documents of our competitors or other external sources. Further, our competitors may define our and their markets differently than we do. In addition, past performance of the Company is not indicative of future performance. The future performance of the Company will depend on numerous factors which are subject to uncertainty.

Certain statements contained in this document that are not statements of historical fact, including, without limitation, any statements preceded by, followed by or including the words "will," "targets," "believes," "expects," "aims," "intends," "may," "anticipates," "would," "could" or similar expressions or the negative thereof, constitute forward-looking statements, notwithstanding that such statements are not specifically identified. In addition, certain statements may be contained in press releases, and in oral and written statements made by or with the approval of the Company that are not statements of historical fact and constitute forward-looking statements. Examples of forward-looking statements include, but are not limited to: (i) statements about future financial and operating results; (ii) statements of strategic objectives, business prospects, future financial condition, budgets, potential synergies to be derived from acquisitions, projected levels of production, projected costs and projected levels of revenues and profits of the Company or its management or board of directors; (iii) statements of future economic performance; and (iv) statements of assumptions underlying such statements.

Forward-looking statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions which are difficult to predict and outside of the control of the management of the Company. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. We have based these assumptions on information currently available to us, if any one or more of these assumptions turn out to be incorrect, actual market results may differ from those predicted. While we do not know what impact any such differences may have on our business, if there are such differences, our future results of operations and financial condition, and the market price of the notes, could be materially adversely affected. You should not place undue reliance on these forward-looking statements. All subsequent written and oral forward-looking statements attributable to the Company or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements referenced above. Forward-looking statements speak only as of the date on which such statements are made. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events.

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.

The presentation does not constitute or form part of, and should not be construed as, an offer to sell or issue, or the solicitation of an offer to purchase, subscribe to or acquire the Company or the Company's securities, or an inducement to enter into investment activity in any jurisdiction in which such offer, solicitation, inducement or sale would be unlawful prior to registration, exemption from registration or qualification under the securities laws of such jurisdiction. No part of this presentation, nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever. This presentation is not for publication, release or distribution in any jurisdiction where to do so would constitute a violation of the relevant laws of such jurisdiction nor should it be taken or transmitted into such jurisdiction.

Outperformance In Challenging Market Conditions

Headlines – nine months ended 30 September 2019

- Revenue **up 5.2%** to £546.1m (2018: £519.2m)
- LFL RevPAR(1) **up 0.1%** to £41.85 (2018: £41.82)
- RevPAR growth(1) **2.2pts ahead** of competitive segment
- EBITDA(2) of £261.1m (under IFRS16)
- EBITDA (adjusted)(3) **up £4.2m** to £102.2m
- Strong cash position at the period end
- 12 new openings in the period, further 1 after the period end

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 2019 vs. Q3 YTD 2018 on the basis of RevPAR generated by hotels that were opened before 1 January 2018.*
2. *EBITDA = Earnings before interest, taxes, depreciation and amortisation, and before exceptional items presented on an IFRS16 basis*
3. *EBITDA (adjusted) = Earnings before interest, taxes, depreciation and amortisation, and before rent free adjustment, exceptional items & reflective of the position in line with the accounting principles applicable to the previous year for purposes of comparability. Exceptional items have been removed as they relate to non-recurring, one-off items*

Quarter 3 YTD Results

Travelodge

travelodge.co.uk

Continued Progress on Our Strategic Objectives

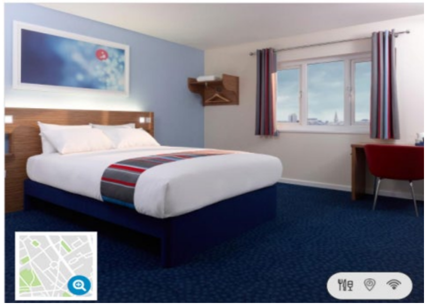
Location

- Targeting 100 new hotels over the next 5 years
- 12 new hotels opened in the period, further 1 after the period end
- Expect to open 15 new hotels in 2019 with 2 further hotels early in the new year
- Estate now stands at 586 hotels and 44,684 rooms at the half year
- Strong secure pipeline > 4,500 rooms

Price

- Strong price proposition driving revenue growth and outperformance
- Targeted customer offers helping drive increased occupancy
- Effective revenue management delivering strong occupancy
- Continued investment in digital platform

Quality



- Average 4 star Trip Advisor rating maintained
- Record 325 TripAdvisor Certificates of Excellence – 101 more than 2018
- Refit programme for the core estate underway
- 'SuperRooms' available in 50 hotels
- Improved pull-out bed roll-out nearing completion

Location

2019 Openings – selected examples

Chippenham
Market town
69 rooms
Bar café

Marlow
Travelodge Plus
83 rooms
Bar cafe

Rochester
Historic City
81 rooms
Vending

Winchester
Historic Town
62 rooms
Vending

Price
Targeted offers driving increased occupancy

- Price proposition supporting strong revenue growth
- Strong use of yield management and data marketing
- Targeted customer offers improving website conversion with increased occupancy driving outperformance

	SuperRoom Find out more	Standard room Find out more
Flexible rate + Breakfast + Wifi Cancel up until noon on arrival date	£85.74	£75.74
Flexible rate Cancel up until noon on arrival date	£73.99	£63.99
Saver rate + Breakfast + Wifi Early booking rate (non-refundable)	£78.74	£69.74
Saver rate Early booking rate (non-refundable)	£66.99	£57.99

Quality

Greater choice and consistency driving increasing quality levels


Standard Room


SuperRoom


Travelodge PLUS Room

Further increases in quality scores

Now in 50 locations nationwide

NEW Bar Café

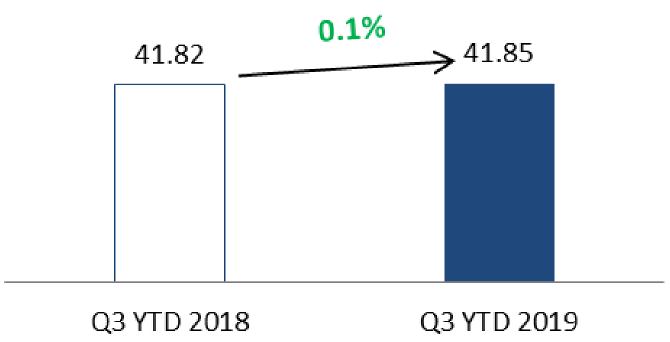
New bar café driving growth

Good YTD Operating Metrics

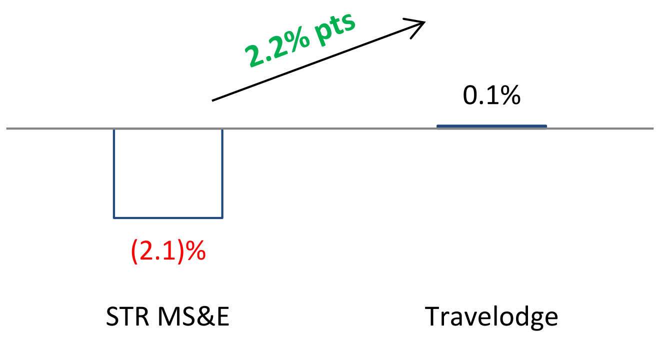
Maintaining RevPAR and continued outperformance

RevPAR Growth Driven by Occupancy Increase

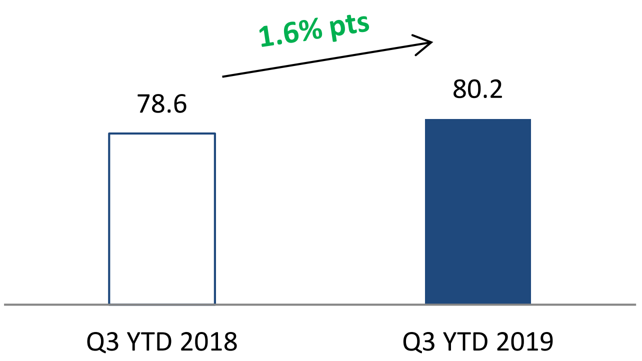
LFL[1] RevPAR (£)[2]



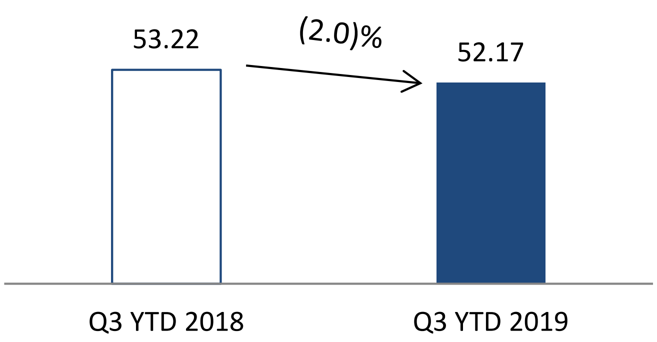
Q3 YTD-19 RevPAR Growth Ahead of Market



LFL[1] Occupancy (%)[2]



LFL[1] ADR (£)[2]



Q3 YTD 2019 vs. Q3 YTD 2018

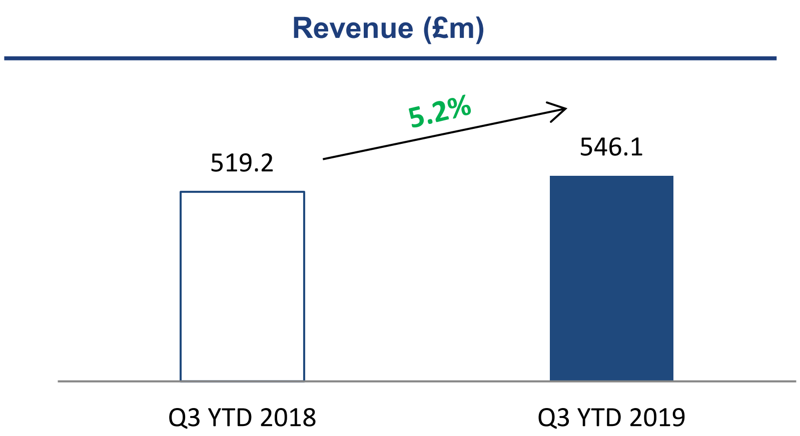
- **RevPAR:** like-for-like UK RevPAR growth of 0.1%
- **RevPAR vs. Market:** 2.2pts outperformance against MS&E segment
- **Occupancy:** occupancy increased 1.6pts to 80.2%
- **ADR:** down (2.0)% to £52.17

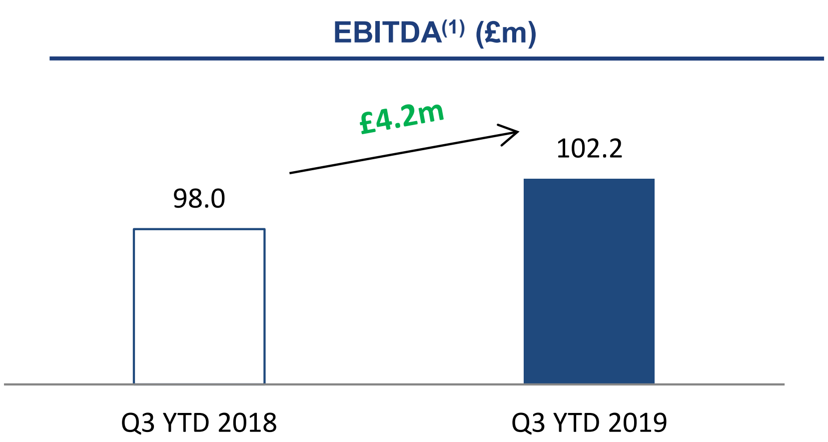
1. RevPAR is computed as the product of the Average Daily Rate for a specified period multiplied by the Occupancy for that period. Like-for-like (LFL) RevPAR compares the RevPAR in Q3 YTD-2019 vs. Q3 YTD-2018 on the basis of RevPAR generated by hotels in the UK that were opened before 1 January 2018.
2. Occupancy, ADR and RevPAR for UK leased estate only.

Strong YTD Financial Performance

Good total sales growth helping to mitigate cost pressures

Solid Financial Performance





Q3 YTD-2019 vs. Q3 YTD-2018

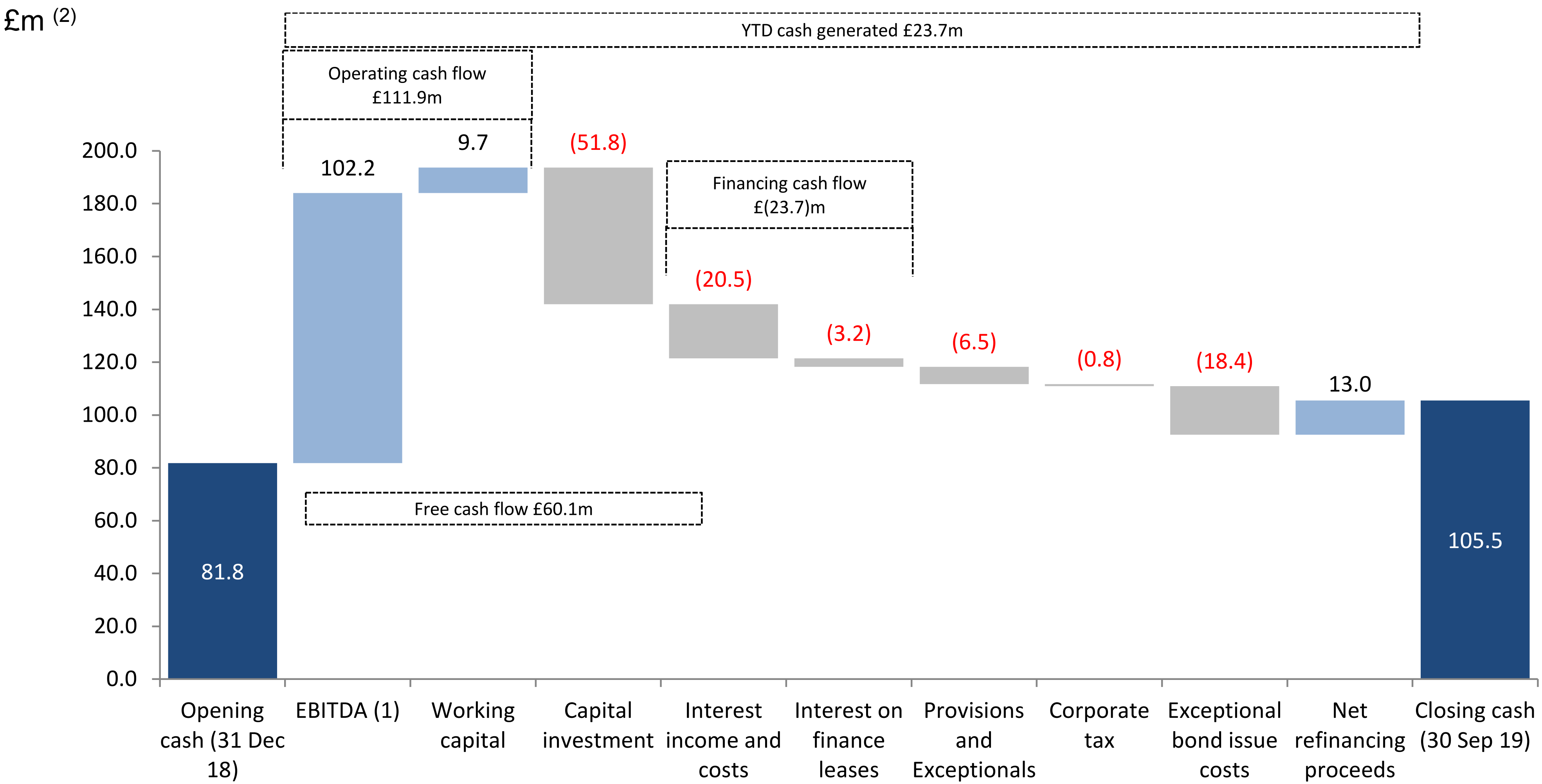
- **Revenue** increase of 5.2%/£26.9m was primarily due to:
  - Annualisation and maturity of the 17 new hotels added in 2018
  - Opening of 12 new hotels in the period
  - Like-for-like UK RevPAR growth of 0.1%
  - Higher food and beverage growth helped by occupancy growth
  - Good growth in Spain
- **EBITDA**[1] increased £4.2m to £102.2m driven by:
  - Good revenue growth, including contribution from the annualisation and maturity of new hotels and Spain
  - Impact of cost increases including National Living Wage, higher operational costs driven by higher occupancy and increased transaction fees, partially offset by cost efficiencies and the benefit from timing of certain projects

1. *EBITDA (adjusted) = Earnings before interest, taxes, depreciation and amortisation, and before rent free adjustment, exceptional items & reflective of the position in line with the accounting principles applicable to the previous year for purposes of comparability. Exceptional items have been removed as they relate to non-recurring, one-off items*

Travelodge
travelodge.co.uk

Continued Good Free Cash Flow

Strong cash conversion, continued capital investment



1. *EBITDA (adjusted) = Earnings before interest, taxes, depreciation and amortisation, and before rent free adjustment, exceptional items & reflective of the position in line with the accounting principles applicable to the previous year for purposes of comparability. Exceptional items have been removed as they relate to non-recurring, one-off items*
2. *In order to facilitate the comparability of the underlying business to the prior year following the adoption of IFRS16 from 1 January 2019 the cash flow is presented in line with the accounting principles applicable to the previous year*

Travelodge
travelodge.co.uk

Net Debt and Leverage – Q3

Debt (£m)

£m	Q3 2019
Cash and Cash Equivalents	**105.5**
FRNs @ L + 5.375%	440.0
Senior Secured Notes	**440.0**
Finance leases	33.6
Total Third Party Indebtedness	**473.6**

Liquidity / Financial Ratios

- **Cash on Balance Sheet:** £105.5m
- **Revolving Credit Facility**: £40m (unutilised)
- **Letter of Credit Facility:** £30m (£15m utilised)

- Net Senior Secured Debt / EBITDA(1) = 2.6x
- Net Third Party Debt(2) / EBITDA(1) = 2.9x
- Interest rate LIBOR cap (£300m, 1.5% strike rate)

1. *Based on EBITDA (adjusted) for Q4 2018 (unaudited) and Q3 YTD 2019 (unaudited) defined as Earnings before interest, taxes, depreciation and amortisation, and before rent free adjustment, exceptional items & reflective of the position in line with the accounting principles applicable to the previous year for purposes of comparability. Exceptional items have been removed as they relate to non-recurring, one-off items*
2. *Net third party indebtedness calculated as total third party indebtedness less cash and cash equivalents on a frozen GAAP basis*

IFRS 16 Impact

No economic impact, significant changes to the presentation of financial statements

Period ended 30 September 2019 (£m)	Frozen GAAP [1]	IFRS 16 impact	IFRS 16
EBITDAR	**258.1**	**-**	**258.1**
Rent payable	(158.9)	158.9	-
Rent receivable	3.0	-	3.0
EBITDA	**102.2** [2]	**158.9**	**261.1** [3]
Depreciation and amortisation	(47.6)	(77.3)	(124.9)
Operating profit/(loss) (before exceptional items)	**54.6**	**81.6**	**136.2**
Net finance income and costs	(38.2)	(121.7)	(159.9)
Income tax	(0.7)	4.1	3.4
Loss for the period (before exceptional items)	**15.7**	**(36.0)**	**(20.3)**

- New lease accounting standard with effect from 1 Jan 2019
- No economic impact and will not change how we manage the business. Not expected to have an impact on the approach taken to rating the business
- EBITDA increased by £158.9m as rent is no longer charged in the consolidated income statement
- Depreciation increased by £77.3m due to charges relating to 'right of use' asset
- Reported financing costs increased by £121.7m relating to the new notional charges relating to the lease liabilities, with costs heavily phased towards earlier years of a lease
- 'Right of use asset' of £2.6bn subject to impairment testing at the year end

1. *Frozen GAAP = in order to facilitate the comparability of the underlying business to the prior year following the adoption of IFRS16 from 1 January 2019, additional columns have been added to reflect the positon in line with the accounting principles applicable to the previous year*
2. *EBITDA (adjusted) = Earnings before interest, taxes, depreciation and amortisation, and before rent free adjustment, exceptional items & reflective of the position in line with the accounting principles applicable to the previous year for purposes of comparability. Exceptional items have been removed as they relate to non-recurring, one-off items*
3. *EBITDA = Earnings before interest, taxes, depreciation, amortisation and exceptional items presented on an IFRS16 basis*

Summary

Solid YTD results, remain cautious on short-term outlook but well positioned for longer-term

- Good revenue growth driven by occupancy
- Continued outperformance of competitive segment
- Good progress on development, 13 hotels opened to date
- Cost pressures remain

- Continued political and economic uncertainty
- Market conditions remain challenging, with RevPAR weakening
- Outperformance continues at more moderate levels, cost pressures remain
- Positive results from new openings
- Brexit outcome and UK General Election expected to impact market conditions
- Cautious on short term outlook, well positioned for the future

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-2019 vs. Q3 YTD-2018 on the basis of RevPAR generated by hotels that were opened before 1 January 2018.

Q&A

Appendices

Company Background

Travelodge

travelodge.co.uk

Company Overview

Who We Are

- UK's second largest hotel brand based on number of hotels and rooms
- Positioned in the attractive value segment with 584 hotels and serving 19m business and leisure customers
- Well invested modernised hotel portfolio
- 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 2019)

United Kingdom

London
- 74 Hotels
- 9,611 Rooms
- 22% of total Rooms

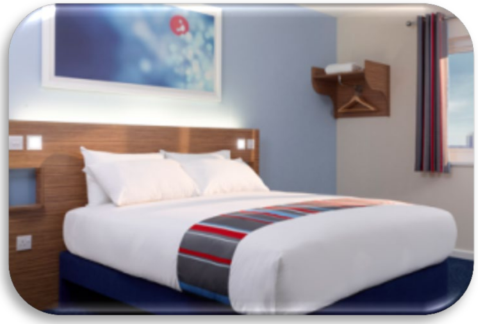
Regions[3]
- 495 Hotels
- 33,553 Rooms
- 75% of total Rooms

International

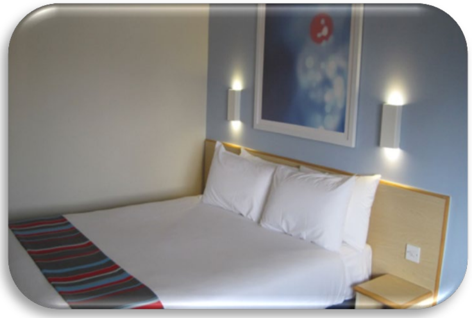
Spain
- 5 Hotels
- 621 Rooms
- 1% of total Rooms

Ireland[4]
- 12 Hotels
- 899 Rooms
- 2% of total Rooms

Travelodge



Key Statistics (FY2018)	
Hotels	575
Rooms	43,840
Occupancy[1]	78.5%
ADR[1]	£53.09
RevPAR[1]	£41.69
Revenue	£693.3m
EBITDAR	£318.9m
EBITDA	£122.0m
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 Ireland under a master franchise.