



# Financial Results Presentation

For the year ended 31 December 2018

Release: 7 March 2019



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# Strategic Progress Driving Excellent Results

Headlines – year ended 31 December 2018

- Revenue **up 8.8%** to £693.3m (2017: £637.1m)
- LFL RevPAR<sup>(1)</sup> **up 3.2%** to £41.69 (2017: £40.40)
- RevPAR growth<sup>(1)</sup> **2.3pts ahead** of competitive segment
- EBITDA<sup>(2)</sup> **up £9.6m** to £122.0m
- Strong cash position at the period end
- 17 new openings in the year with a further 3 shortly after year 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 FY 2018 vs. FY 2017 on the basis of RevPAR generated by hotels that were opened before 1 January 2017.

2. EBITDA (adjusted) = Earnings before interest, taxes, depreciation and amortisation, and before rent free adjustment and exceptional items



# Full Year 2018 Results

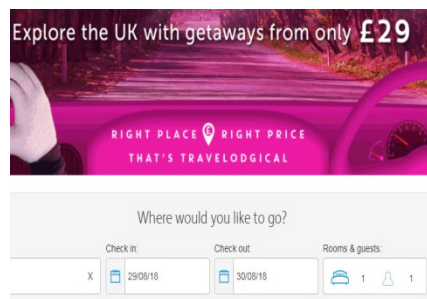
# Continued Progress on Our Strategic Objectives

## Location



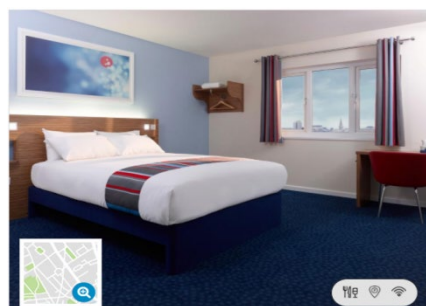
- Targeting 100 new hotels over the next 5 years
- 17 new hotels opened in the year with a further 3 shortly after year-end
- Estate now stands at 575 hotels and 43,840 rooms at the year end
- Strong secure pipeline > 4,500 rooms
- Expect to open 20 new hotels in 2019

## Price



- Strong value proposition drives revenue growth and outperformance
- Improvements to the digital platform helping to improve website conversion
- Targeted customer offers helping drive increased occupancy
- Continued growth in business account customers

## Quality



- Average 4 star Trip Advisor rating maintained
- Top 10 in TripAdvisor's Global "Most Excellent" Large Hotel Chains
- 'Best Budget Hotel Brand' at the 2019 Business Travel Awards
- 'SuperRooms' available in 47 hotels
- 'Travelodge Plus' launched, encouraging early customer response
- Wi-Fi upgrade across the hotel estate complete

# Location

## 2018 Openings – London City



Travelodge PLUS



- 395 room bar café hotel opened in July 2018
- Located in City of London
- New 'Travelodge Plus' format
- Strong customer scores and trading

# Location

## 2018 Openings – Selected London area and regions

Dover  
Cross channel port  
108 rooms  
Bar cafe



London Acton  
West London  
133 rooms  
Bar cafe



Ashford Town Centre  
Eurostar connections  
58 rooms  
Bar cafe



Telford  
International Centre  
68 rooms  
Vending



# Price


## Attractive pricing and targeted customer offers




**LOVE IS ALL AROUND  
AND SO ARE WE**


**Rooms from only £29**

**RIGHT PLACE  RIGHT PRICE**  
**THAT'S TRAVELOGICAL**

**Flexible rate + Breakfast + Wifi**   
Cancel up until noon on arrival date

**Flexible rate**   
Cancel up until noon on arrival date

**Saver rate + Breakfast + Wifi**   
Early booking rate (non-refundable)

**Saver rate**   
Early booking rate (non-refundable)

SuperRoom <a href="#">Find out more</a>	Standard room <a href="#">Find out more</a>
£119.95	£105.95
£108.00	£94.00
£102.95	£90.95
£91.00	£79.00

- Value proposition continues to support strong revenue growth, including record food & beverage sales
- Continued improvements to digital platform improving customer experience
- Targeted customer offers helping to drive improved website conversion
- More than half of rooms sold cost less than £50



# Quality

Offering greater choice and consistency



- **Core Estate**
- Average 4 star TripAdvisor rating maintained
- Top 10 in TripAdvisor's Global "Most Excellent" Large Hotel Chains

- **'SuperRooms'** now available in 47 hotels/1,745 rooms
- London and Regional roll-out complete
- Rolling out selectively as part of new openings

- **'Travelodge Plus'** now launched in 6 hotels/1,530 rooms
- New look 'Travelodge Plus' rooms, 'SuperRooms' and new style bar café
- Encouraging early customer response

# Quality

Recognition of our higher quality standards

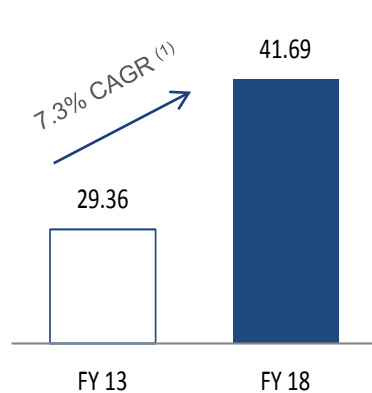


Proud to be recognized as a 2018  
"Most Excellent" hotel chain

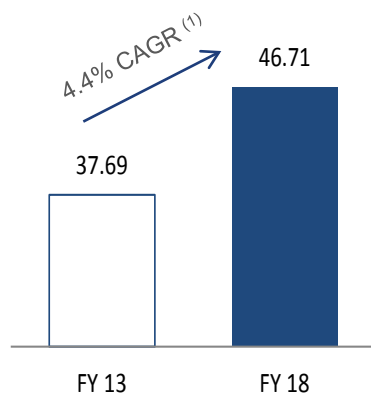


# Travelodge Five Year Review

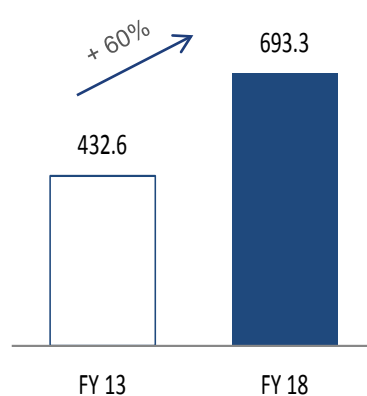
**Travelodge RevPAR**



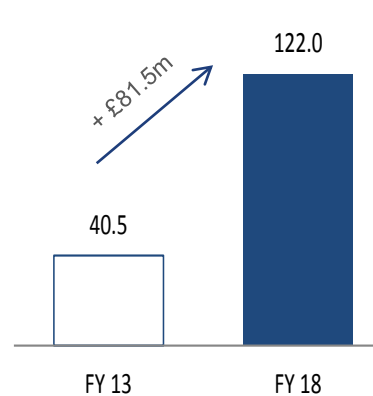
**MS&E RevPAR**



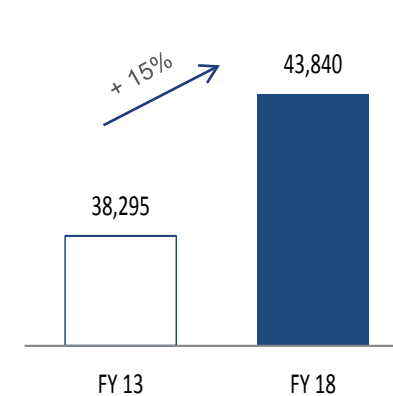
**Total Revenue**



**EBITDA <sup>(2)</sup>**



**Network Size <sup>(3)</sup>**



- £100m modernisation programme of core estate
- Launched 'SuperRooms' and 'Travelodge Plus'

- Investments in digital platform and revenue management
- Winning business account customers

- Clear customer value proposition
- Like-for-like growth, enhanced network now with 180 bar café hotels

- Tight cost control
- Continued focus on productivity and cost efficiency

- Increased focus on key locations
- 60 new hotels opened, network now 575 hotels /43,840 rooms

1. MS&E and Travelodge RevPAR CAGR 2013-2018

2. EBITDA (adjusted) = Earnings before interest, taxes, depreciation and amortisation, and before rent free adjustment and exceptional items

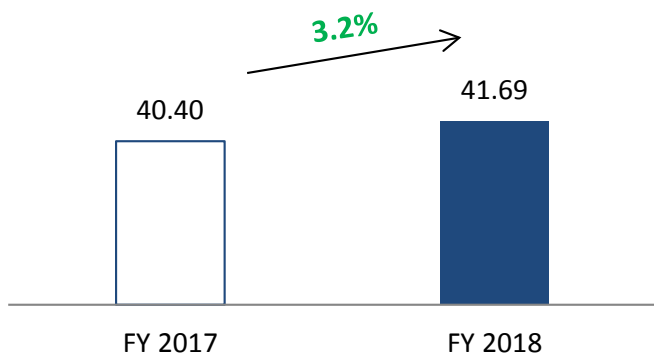
3. Based on number of rooms

# Strong 2018 Operating Metrics

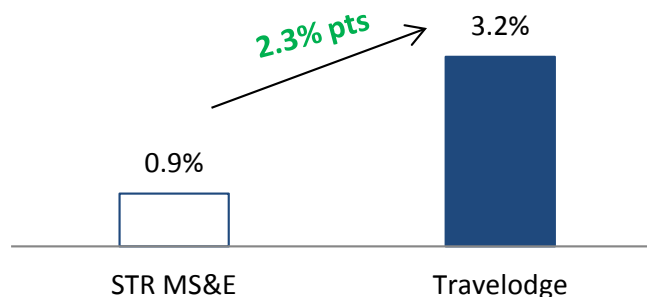
Good RevPAR growth and continued outperformance

## RevPAR Growth Driven by Occupancy Increase and Stable ADR

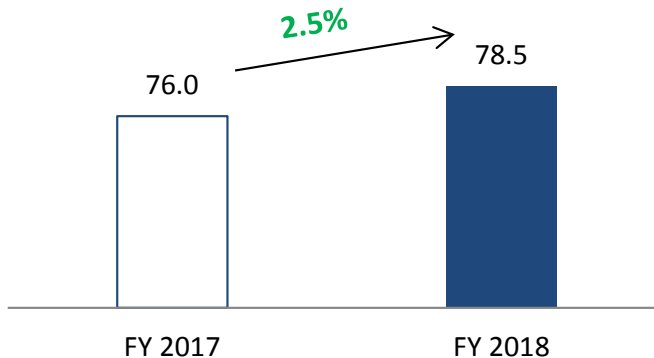
LFL<sup>1</sup> RevPAR (£)<sup>2</sup>



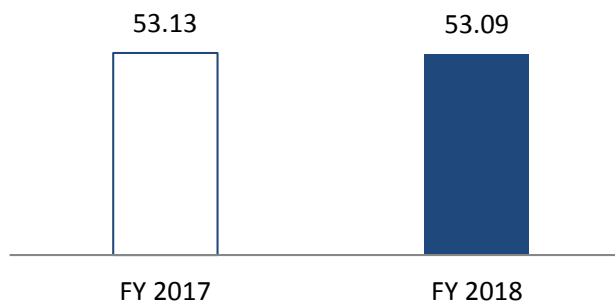
FY-18 RevPAR Growth Ahead of Market



LFL<sup>1</sup> Occupancy (%)<sup>2</sup>



LFL<sup>1</sup> ADR (£)<sup>2</sup>



### FY 2018 vs. FY 2017

- **RevPAR:** like-for-like UK RevPAR growth of 3.2%
- **RevPAR vs. Market:** 2.3pts outperformance against MS&E segment
- **Occupancy:** occupancy increased 2.5pts to 78.5%
- **ADR:** stable at c. £53

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 FY-2018 vs. FY-2017 on the basis of RevPAR generated by hotels that were opened before 1 January 2017.

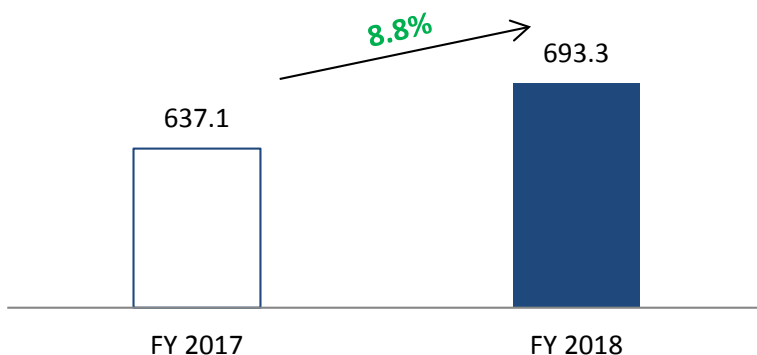
2. Occupancy, ADR and RevPAR for UK leased estate only.

# Strong 2018 Financial Performance

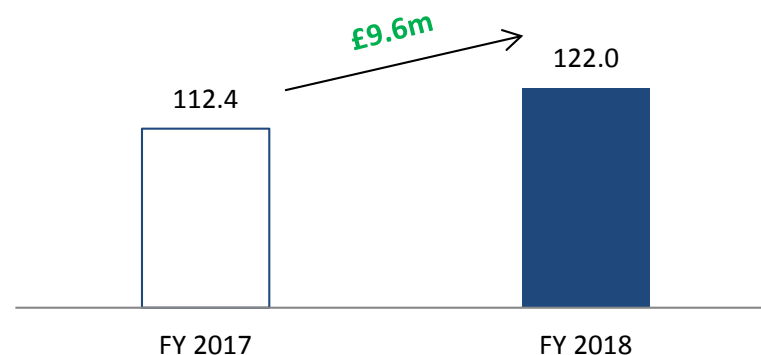
## Strong total sales and EBITDA growth

### Financial Performance Has Remained Strong

#### Revenue (£m)



#### EBITDA<sup>(1)</sup> (£m)



#### FY-2018 vs. FY-2017

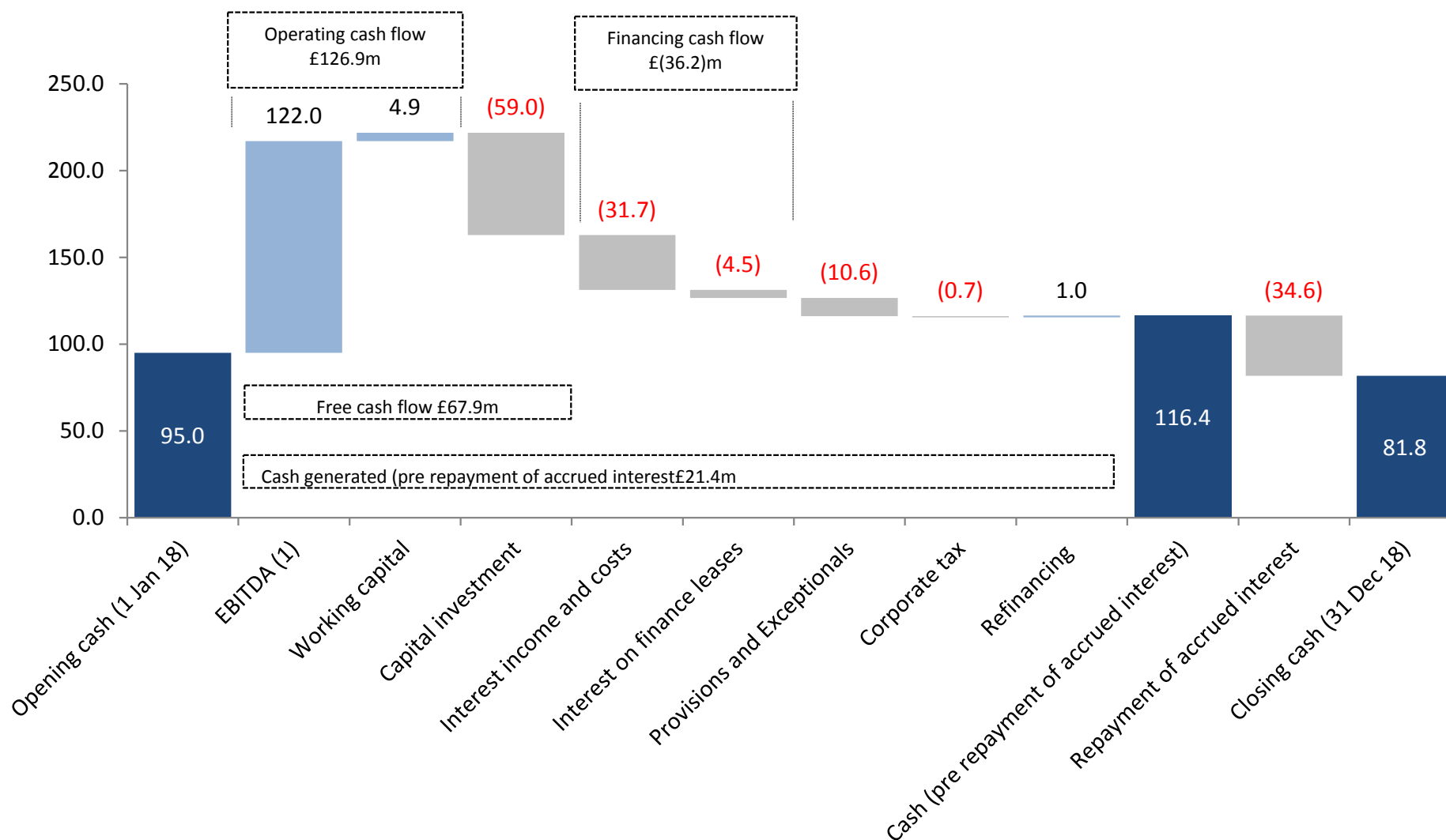
- **Revenue** increase of 8.8%/£56.2m was primarily due to:
  - Like-for-like UK RevPAR growth of 3.2%
  - Annualisation and maturity of the 15 new hotels added in 2017
  - Opening of 17 new hotels in 2018
  - Strong food and beverage growth
- **EBITDA<sup>(1)</sup>** increased £9.6m to £122.0m driven by:
  - Good LFL revenue growth and contribution from the annualisation and maturity of new hotels
  - Impact of cost increases including National Living Wage, 2017 business rate revaluations, higher operational costs driven by higher occupancy, increased utility costs due to weather variations, increased transaction fees, and the costs associated with newly opened hotels, partially offset by cost efficiencies

1. EBITDA (adjusted) = Earnings before interest, taxes, depreciation and amortisation, and before rent free adjustment and exceptional items

# Continued Good Free Cash Flow

Strong cash conversion, continued capital investment

£m



1. EBITDA (adjusted) = Earnings before interest, taxes, depreciation and amortisation, and before rent free adjustment and exceptional items

# Net Debt and Leverage – FY 2018

## Debt (£m)

£m	Q4 2018
Cash and Cash Equivalents	81.8
SSNs @ 8.5%	232.0
FRNs @ L + 4.875%	195.0
Senior Secured Notes	427.0
Finance leases	32.8
<b>Total Third Party Indebtedness</b>	<b>459.8</b>

## Liquidity / Financial Ratios

- **Cash on Balance Sheet:** £82m
- **Revolving Credit Facility:** £50m (unutilised)
- **Letter of Credit Facility:** £30m (£15m utilised)
- Net Senior Secured Debt / EBITDA<sup>(1)</sup> = 2.8x
- Net Third Party Debt / EBITDA<sup>(1)</sup> = 3.1x
- Interest rate hedging in place (£100m of FRN's)

1. EBITDA based on FY 2018 EBITDA (unaudited). Net debt is net of cash and cash equivalents.

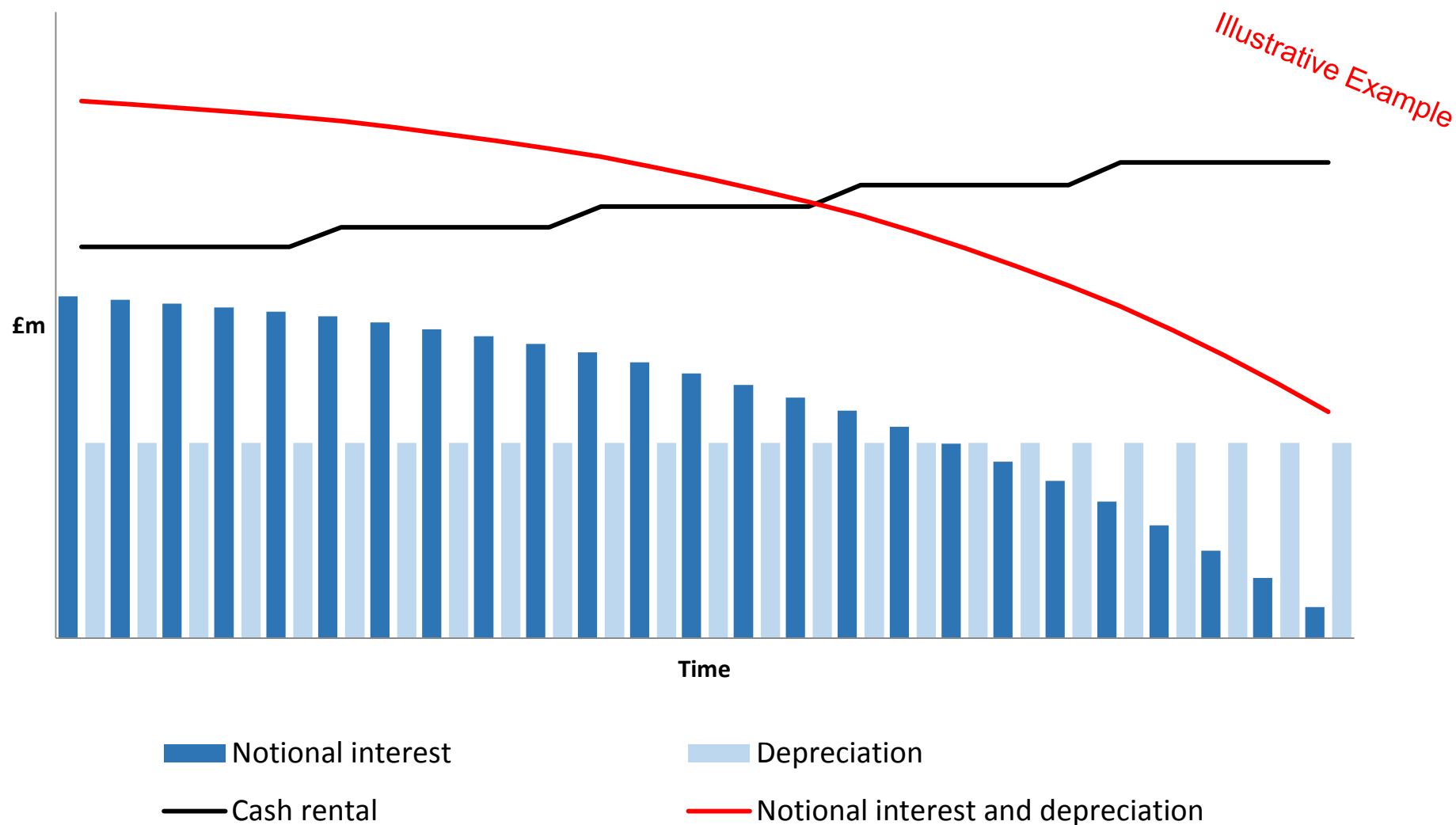
# IFRS 16 Update

- New lease accounting standard with effect from 1 January 2019
- No economic impact on the business and will not change how the business is run
- Initial views from our rating agencies are that it is not expected to have an impact on approach to rating the business
- Significantly changes the presentation of the financial statements, including reported profit/(loss) before tax:
  - As at 1 January 2019, the standard will increase fixed assets, representing the right of use relating to leasehold obligations, by approximately £2.3bn
  - As at 1 January 2019, the standard will increase liabilities, representing the discounted value of future lease liabilities, by approximately £2.5bn
  - Based on property leases in existence as at 1 January 2019, with a weighted average discount rate of 7.0%, we estimate that 2019 reported profit before tax will be reduced by approximately £50-60m impacting the following lines in the consolidated income statement:
    - EBITDA will increase (rent no longer charged in the consolidated income statement)
    - Depreciation will increase (new charges relating to the 'right of use' asset)
    - Reported financing costs will significantly increase (new notional charges relating to the lease liabilities), with costs heavily phased towards the earlier years of a lease



# Impact of IFRS 16

Reported notional interest and depreciation of leases expected to exceed actual cash rental expense for approximately 15 years



# Summary

Excellent 2018 results, cautious short-term outlook but well positioned for longer-term

- Strong revenue growth driven by higher occupancy, outperformance and new hotels
- Strong EBITDA growth
- Growth in network

- Mixed market conditions in first weeks of Q1 but continuing to outperform
- Cost pressures continue
- On-track for new openings – majority scheduled to open in Q4
- Cautious on short-term outlook, well positioned for longer-term growth

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 FY-2018 vs. FY-2017 on the basis of RevPAR generated by hotels that were opened before 1 January 2017.

# Q&A

# Appendices



# Company Background



[travelodge.co.uk](http://travelodge.co.uk)

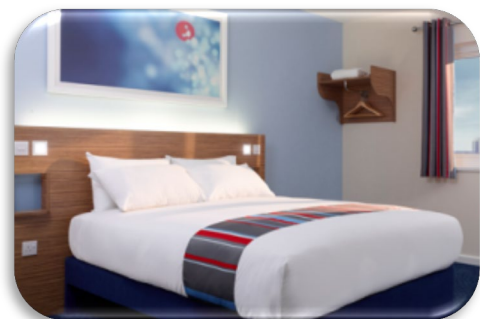
# Company Overview

## Who We Are

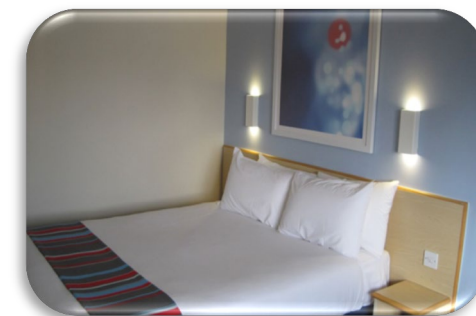
- UK's second largest hotel brand based on number of hotels and rooms
- Positioned in the attractive value segment with 575 hotels and serving 19m business and leisure customers
- Well invested modernised hotel portfolio
- Well balanced approximately even business / leisure customer split
- Almost 90% booking direct, with c. 80% through own websites
- Low upfront capex leasehold model

## Where We Are (as at 31 December 2018)

United Kingdom		International	
<b>London</b>	<ul style="list-style-type: none"> <li>• 74 Hotels</li> <li>• 9,676 Rooms</li> <li>• 22% of total Rooms</li> </ul>	<b>Spain</b>	<ul style="list-style-type: none"> <li>• 5 Hotels</li> <li>• 621 Rooms</li> <li>• 1% of total Rooms</li> </ul>
<b>Regions<sup>3</sup></b>	<ul style="list-style-type: none"> <li>• 484 Hotels</li> <li>• 32,644 Rooms</li> <li>• 74% of total Rooms</li> </ul>	<b>Ireland<sup>4</sup></b>	<ul style="list-style-type: none"> <li>• 12 Hotels</li> <li>• 899 Rooms</li> <li>• 2% of total Rooms</li> </ul>



Key Statistics (FY2018)	
<b>Hotels</b>	<b>575</b>
<b>Rooms</b>	<b>43,840</b>
<b>Occupancy<sup>1</sup></b>	<b>78.5%</b>
<b>ADR<sup>1</sup></b>	<b>£53.09</b>
<b>RevPAR<sup>1</sup></b>	<b>£41.69</b>
<b>Revenue</b>	<b>£693.3m</b>
<b>EBITDAR</b>	<b>£318.9m</b>
<b>EBITDA</b>	<b>£122.0m</b>
<b>Rent Cover<sup>2</sup></b>	<b>1.6x</b>



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.