



# Half Year 2018 and Quarter 2 Financial Results

For the period ended 27 June 2018

Release: 21 August 2018



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# Revenue Growth and Outperformance

## 2018 Half Year Headlines

- Revenue **up 8.0%** to £317.2m (2017: £293.8m)
- LFL RevPAR<sup>(1)</sup> **up 3.1%** to £38.68 (2017: £37.53)
- RevPAR growth **2.7pts ahead** of competitive segment
- EBITDA up £1.3m to £43.3m
- Strong cash position at the period end
- 6 new openings in the period with a further 3 to date
  
- First weeks of Q3 indicate modestly improved market growth and continued outperformance
- Cost pressures remain in the short-term
- Remain cautious on immediate financial outlook but continue to be well positioned

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 H1-2018 vs. H1-2017 on the basis of RevPAR generated by hotels that were opened before 1 January 2017.





# Half Year and Quarter 2 Results

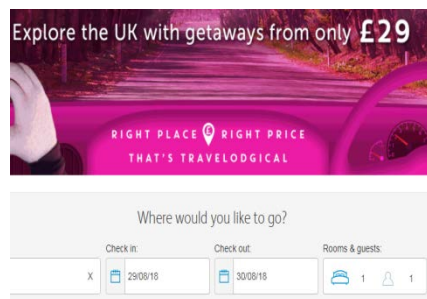
# Continued Progress on Our Strategic Objectives

## Location



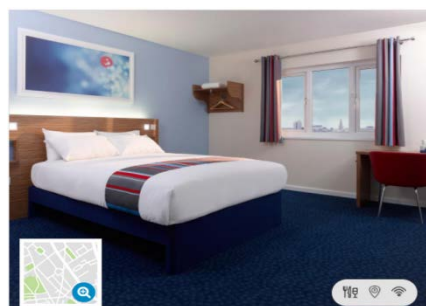
- 250 potential locations identified
- Expect to open 20 new hotels in 2018
- 6 new hotels opened in the period with a further 3 opened to date
- Estate now stands at 564 hotels and 42,620 rooms at the half year
- Strong secure pipeline > 4,500 rooms

## Price



- Strong value proposition drives occupancy growth and outperformance
- Improved data analytics capability helping to improve website conversion
- Further improvements to the digital platform
- Continued growth in business account customers

## Quality



- Average 4 star Trip Advisor rating maintained – strong scores for standard rooms
- New 'SuperRoom' roll-out continues with 1,322 rooms now available
- 'Travelodge PLUS' product launched
- Upgrading Wi-Fi across the estate



# Location

## Recent new openings



- 395 room bar café hotel opened in July 2018
- Located in City of London
- New 'Travelodge PLUS' format
- Largest ever new build hotel for Travelodge



Bromley Town Centre  
Greater London  
59 rooms  
Vending




London Dagenham  
Greater London  
77 rooms  
Vending



Telford  
West Midlands  
68 rooms  
Vending

# Price

## Analytics and mapping



Hi [[Firstname]]

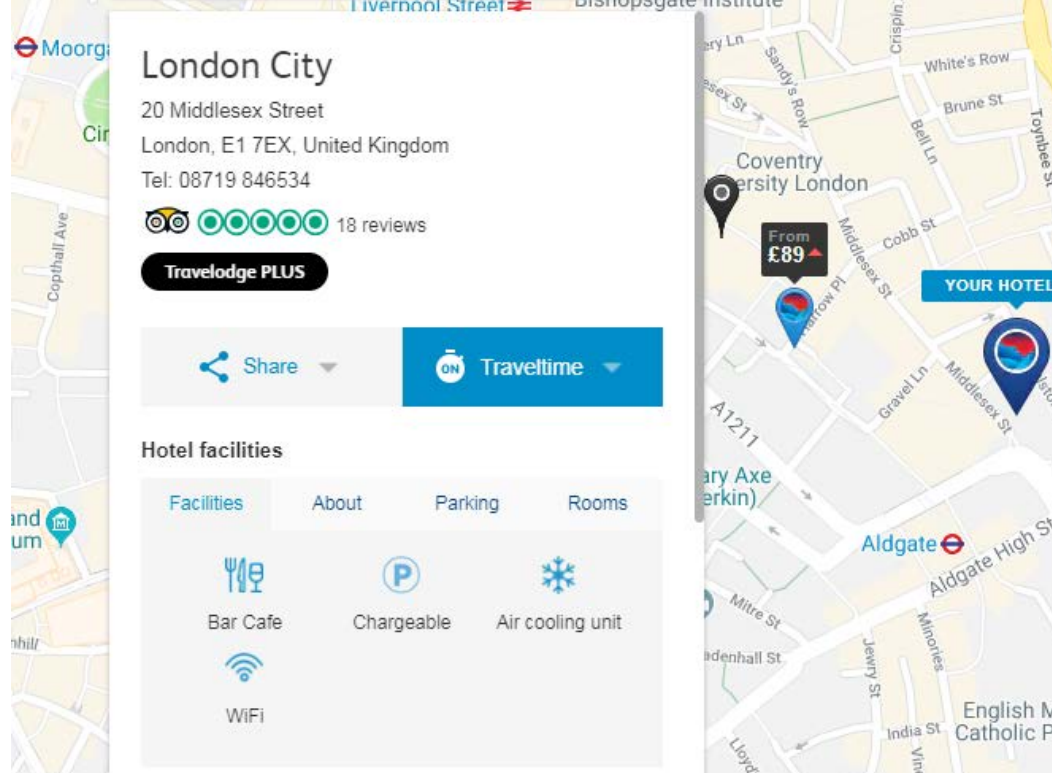
Looking to visit Brighton?

Imagine a seaside break with amazing shopping, fantastic restaurants, a buzzing café culture and a legendary club scene. Yes, Brighton has it all.

We'll help you find the right place for the right price. That's Travelodigital.

[Brighton deals](#)

Top Brighton hotels we think you'll love



**London City**  
20 Middlesex Street  
London, E1 7EX, United Kingdom  
Tel: 08719 846534

18 reviews

**Travelodge PLUS**

Share | Traveltime

**Hotel facilities**

Facilities	About	Parking	Rooms
Bar Cafe	Chargeable	Air cooling unit	
WiFi			

Map showing location near Coventry University London and Aldgate.

- Leveraging our improved data analytics through automated 'smart' triggers
- Targeted customer communications matching customer need to hotel availability
- Benefit from increased conversion

- Enhanced Google maps capability providing:
  - Directions and travel times
  - Hotel facilities
  - Location point of interest
- Available across all device types



# Quality – ‘SuperRooms’ and ‘Travelodge PLUS’

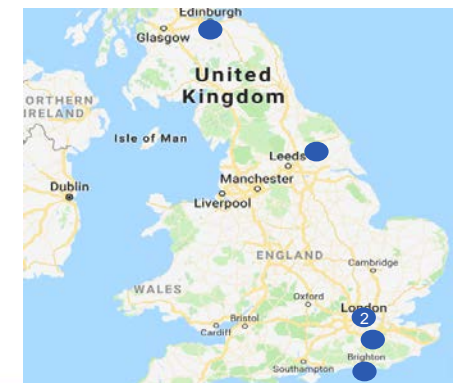
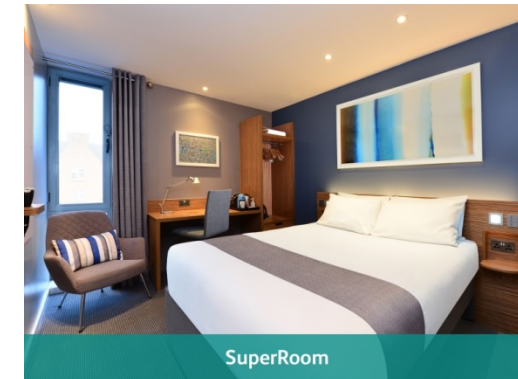
## ‘SuperRooms’ roll-out continues, new format launched across 6 hotels

### ‘SuperRooms’

- 1,322 rooms now available across 33 hotels
- Good coverage in London following 2017 launch
- Regional roll-out continues with rooms now available in Edinburgh and Manchester

### ‘Travelodge PLUS’

- ‘Budget chic’ look and feel
- New look standard rooms, ‘SuperRooms’, new style bar café
- Targeting ARR premium of £5-15 per night



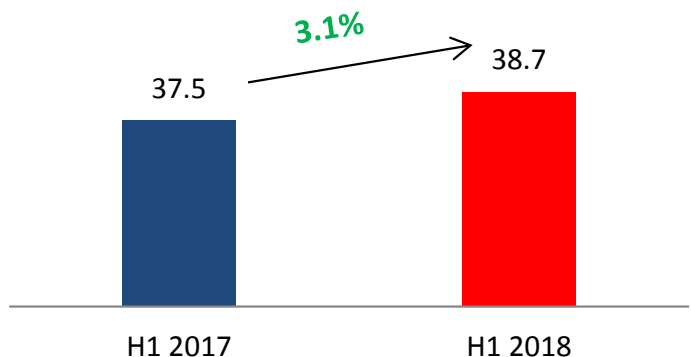


# Strong H1 2018 Operating Metrics

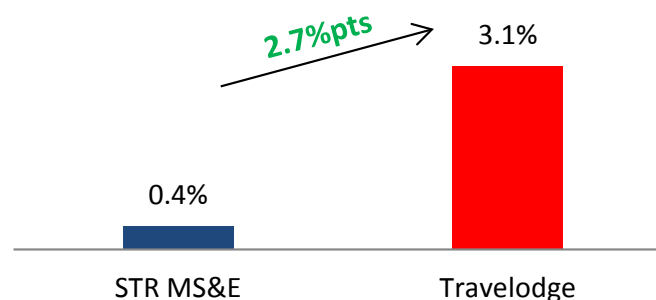
Continued RevPAR growth and outperformance

## RevPAR Growth Driven by Occupancy Increase and Stable ADR

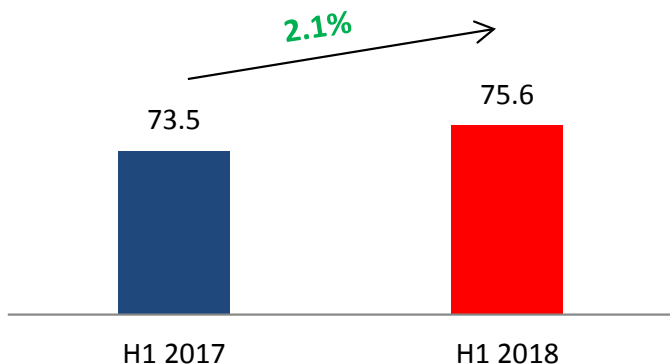
LFL<sup>1</sup> RevPAR (£)<sup>2</sup>



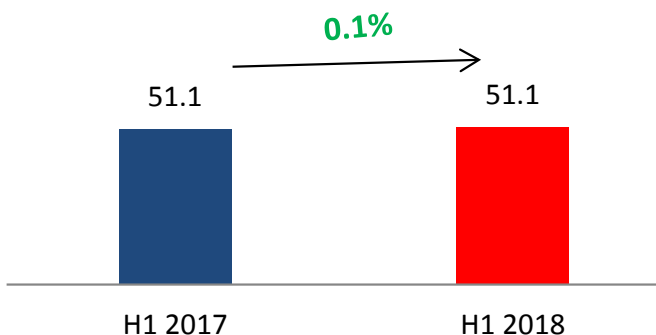
Q1-18 RevPAR Growth Ahead of Market



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



LFL<sup>1</sup> ADR (£)<sup>2</sup>



### H1 2018 vs. H1 2017

- **RevPAR:** like-for-like UK RevPAR growth of 3.1%
- **RevPAR vs. Market:** 2.7pts outperformance against MS&E segment
- **Occupancy:** occupancy increased 2.1pts to c.76%
- **ADR:** stable at c. £51

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 H1-2018 vs. H1-2017 on the basis of RevPAR generated by hotels that were opened before 1 January 2017.

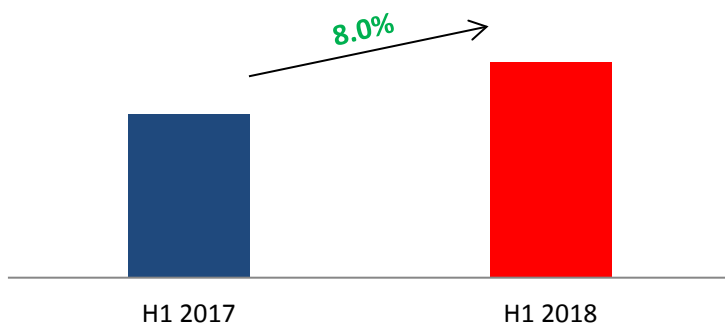
2. Occupancy, ADR and RevPAR for UK leased estate only.

# Good Overall H1 Financial Performance

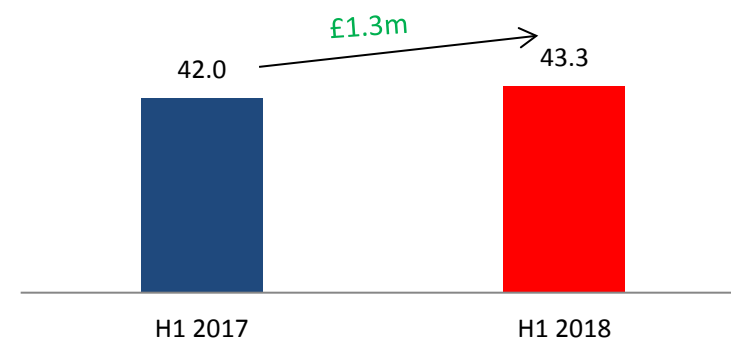
Good total sales growth

## Financial Performance Has Remained Strong

Revenue (£m)



EBITDA (£m)



### H1-2018 vs. H1-2017

- **Revenue** increase of 8.0%/£23.4m was primarily due to:
  - Like-for-like UK RevPAR growth of 3.1%
  - Annualisation and maturity of the 15 new hotels added in 2017
  - Opening of 6 new hotels in 2018
  - Strong food and beverage growth
- **EBITDA** increased £1.3m to £43.3m 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 the cold weather in quarter 1 and the combination of payment card legislation changes and increased transaction fees

# Continued Good Free Cash Flow

Good cash conversion and increased capex

£m	H1 2018	H1 2017	Diff.
EBITDA before Exceptional Items and IFRS Rent Charge	43.3	42.0	1.3
Working Capital	43.2	45.0	(1.8)
<b>Net Cash Flows from Operating activities before Exceptionals</b>	<b>86.5</b>	<b>87.0</b>	<b>(0.5)</b>
Capital Expenditure	(30.0)	(22.9)	(7.1)
<b>Free Cash Flow Generated</b>	<b>56.5</b>	<b>64.1</b>	<b>(7.6)</b>
Interest Costs - Bank Interest Paid	(0.6)	(0.7)	0.1
- Bond Interest Paid	(15.2)	(15.8)	0.6
- Finance Fees Paid	(0.1)	(0.1)	-
Interest Income	0.5	0.3	0.2
Interest Element of Finance Lease Rental Payments	(2.1)	(2.1)	-
Cash Spend on Provisions and Exceptional Items	(2.8)	(10.3)	7.5
<b>Non-Trading Cash Flow</b>	<b>(20.3)</b>	<b>(28.7)</b>	<b>8.4</b>
<b>Cash Generated</b>	<b>36.2</b>	<b>35.4</b>	<b>0.8</b>
Refinancing and Repayment of Investor Loan	1.0	1.0	-
<b>Movement in Cash</b>	<b>37.2</b>	<b>36.4</b>	<b>0.8</b>
Opening Cash	95.0	73.9	21.1
<b>Closing Cash</b>	<b>132.2</b>	<b>110.3</b>	<b>21.9</b>

## Comment

### H1 2018 vs. H1 2017

- **Net Cash from Operating Activities** decreased by £0.5m, primarily due to:
  - Increased EBITDA of £1.3m offset by reduced working capital inflow driven by increased prepaid room purchases
- **Capital Expenditure** increased by £7.1m, primarily due to:
  - Ongoing refit program, including 'Travelodge PLUS' and 'SuperRooms', and investment in IT and energy efficiency projects
- **Bank and Bond Interest Paid** decreased by £0.7m, primarily due to:
  - Impact of refinancing of bond debt in April 2017 and January 2018
- **Provisions and Exceptional Items** mainly in relation to refinancing in April 2017 and January 2018
- **Refinancing** in 2018 consists of:
  - Net proceeds of £1m
    - Issued £30m FRN's L+4.875%
    - Redeemed £29m SSN's 8.5%



# Net Debt and Leverage – Half Year 2018

## Debt (£m)

£m	H1 2018
<b>Cash and Cash Equivalents</b>	<b>132.2</b>
SSNs @ 8.5%	232.0
FRNs @ L + 4.875%	195.0
<b>Senior Secured Notes</b>	<b>427.0</b>
Finance leases	32.6
<b>Total Third Party Indebtedness</b>	<b>459.6</b>

## Refinancing

- **Refinancing** completed January 2018
- Issued £30m senior secured FRNs at L+4.875%
- Repaid £29m existing senior secured SSNs @ 8.5%
- c. £1m annual interest saving

## Liquidity / Financial Ratios

- **Cash on Balance Sheet:** £132m
- **Revolving Credit Facility:** £50m (unutilised)
- **Letter of Credit Facility:** £30m (£16m utilised)
- Net Senior Secured Debt / EBITDA<sup>(1)</sup> = 2.6x
- Net Third Party Debt / EBITDA<sup>(1)</sup> = 2.9x
- Interest rate hedging in place (£100m of FRN's)

1. EBITDA based on H2 2017 EBITDA (unaudited) and H1 2018 EBITDA (unaudited). Net debt is net of cash and cash equivalents.

# Summary and Outlook

Good H1 2018 results, cautious on macro outlook but remain well positioned

- Strong revenue performance driven by higher occupancy
- Continued RevPAR growth and outperformance
- Cost pressures remain – but delivering EBITDA growth
- Good progress on strategic initiatives, 9 hotels opened in 2018 to date

- Modestly improved market growth in first weeks of Q3, continued outperformance
- Continued pressures from National Living Wage and other regulated costs
- On-track for new openings
- Remain cautious on immediate financial outlook, well positioned once pressures abate

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 H1-2018 vs. H1-2017 on the basis of RevPAR generated by hotels that were opened before 1 January 2017.

# Q&A



# Appendices



# Company Background



# Company Overview

## Who We Are

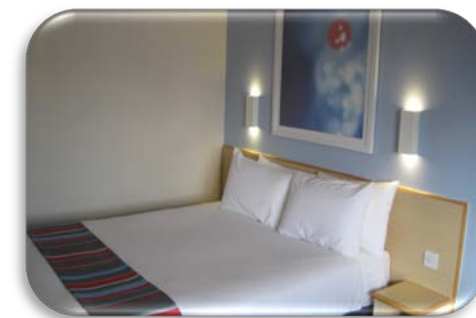
- UK's second largest hotel brand based on number of hotels and rooms
- Positioned in the attractive value segment with 564 hotels and serving 19m business and leisure customers
- Well invested modernised hotel portfolio
- Well balanced approximately even business / leisure customer split
- Almost 90% booking direct, with c. 80% through own websites
- Low upfront capex leasehold model

## Where We Are (as at 27 June 2018)

United Kingdom		International	
<b>London</b>	<ul style="list-style-type: none"> <li>• 73 Hotels</li> <li>• 9,273 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>• 474 Hotels</li> <li>• 31,827 Rooms</li> <li>• 75% 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 (FY2017)	
<b>Hotels</b>	<b>558</b>
<b>Rooms</b>	<b>42,110</b>
<b>Occupancy<sup>1</sup></b>	<b>76.1%</b>
<b>ADR<sup>1</sup></b>	<b>£53.19</b>
<b>RevPAR<sup>1</sup></b>	<b>£40.49</b>
<b>Revenue</b>	<b>£637.1m</b>
<b>EBITDAR</b>	<b>£295.4m</b>
<b>EBITDA</b>	<b>£112.4m</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.