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Whitbread PLC
12 January 2022

Q3 FY22 Trading Update

Strong revenue performance in Q3 and continued outperformance in the UK

Throughout this release all percentage growth comparisons are made on a two-year basis, comparing the current year (Q3 FY22) performance for the 13 weeks to 25 November 2021 to the same period in FY20 (13 weeks to 28 November 2019), with FY20 being the last financial period before the onset of the COVID-19 crisis

Q3 summary

- Continued market outperformance in the UK with Premier Inn total accommodation sales 10.6% ahead of FY20 and like-for-like UK accommodation sales 5.5% ahead. Total UK accommodation sales growth was 14.9pp ahead of the M&E market[1] driven by strong leisure demand and recovering business demand
- Total UK sales were 3.1% ahead of FY20, with total food and beverage sales down 11.1%
- The Group's 32 open hotels in Germany achieved occupancy levels of 59.9%, up from 47.5% in Q2, in line with the market
- The Group was operating cashflow positive in the period to the end of December, and retains a strong balance sheet and liquidity position, with net cash of £120.5m. This strong balance sheet position is enabling investment in our comprehensive growth strategy

Current trading (six weeks to 6 January 2022) and outlook

- Resilient trading in the UK despite the onset of the Omicron COVID-19 variant with total UK accommodation sales growth 5.1% ahead of FY20, representing a 20.8pp outperformance of the M&E market[2]
- We maintain our expectation that Premier Inn UK like-for-like RevPAR run rates will recover to pre COVID-19 levels during 2022
- Sector cost inflation in FY23 expected to be above historic average levels. The Group expects to be able to largely offset these higher levels of inflation through cost efficiencies, estate growth and higher price (ARR)
- Government lockdown restrictions are acting as a headwind in the German market, with occupancy levels reducing to 36% in the six-week period

Comment from Alison Brittain, CEO:

"Q3 represented another strong performance in the UK with Premier Inn continuing to trade significantly ahead of the market. High levels of leisure demand and improving business demand helped maintain like-for-like accommodation sales ahead of pre COVID-19 levels. UK accommodation sales remained resilient in December, albeit softening as we moved through the month and into the festive period as a result of the onset of the Omicron COVID-19 variant. Whilst our hotel performance was excellent, the value pub and restaurant sector in which we operate remains more challenging.

In the UK, we will grow through the competitive advantages of having by far the largest network of hotels and operating the number one hotel brand, combined with our direct distribution, best-in-class operating model, broad customer reach and underpinned by our market-leading sustainability programme. These unique attributes, combined with our yield management, estate growth, and cost efficiency programme, ensure we are in a far stronger position than others to offset inflationary headwinds and return to our pre COVID-19 margins.

In Germany, our open hotel estate now stands at 32 hotels, all now branded Premier Inn, with a further 43 hotels in the pipeline. Whilst the current German Government COVID-19 restrictions are a significant drag on market demand, the opportunity for the Group to create value in Germany remains compelling. We will continue to take opportunities to grow the estate at pace, and our commitment to that market will be substantial, delivering attractive long-term returns."

Q3 Financial Performance

The UK year-to-date performance reflects the impact of leisure overnight stays only being permitted in hotels from 17 May 2021 and restaurants only being permitted to open for indoor dining on the same date.

Financial highlights

	Q3			*Q3 YTD*		
	UK	Germany	Total	UK	Germany	Total
Sales growth:						
Accommodation	10.6%	219.0%	12.8%	(18.4)%	214.8%	(16.9)%
Food & beverage	(11.1)%	253.8%	(10.0)%	(38.1)%	211.7%	(37.4)%
Total	3.1%	224.8%	5.0%	(25.3)%	214.2%	(24.0)%
Like-for-like sales growth:						
Accommodation	5.5%	(33.3)%	5.1%	(21.9)%	(40.8)%	(22.0)%
Food & beverage	(13.4)%	(22.1)%	(13.5)%	(39.6)%	(43.4)%	(39.6)%
Total	(1.0)%	(31.5)%	(1.3)%	(28.1)%	(41.3)%	(28.1)%

Current trading - six weeks to 6 January 2022

The emergence of the Omicron COVID-19 variant dampened demand in December and through the festive period, however Premier Inn UK total accommodation sales continued to outperform the market (+20.8pp[2]) with total accommodation sales 5.1% ahead of FY20 and occupancy levels at 65.7%. Total UK sales were 4.4% behind the same period in FY20 with total food and beverage sales 17.2% down, with recent weeks adversely impacted by the Omicron variant and increased Government restrictions on eating-out in Scotland, Wales and Northern Ireland. Increased Government COVID-19 restrictions in Germany are acting as a significant market drag, with Premier Inn occupancy levels at 36.4%, down from 59.9% in Q3, however still in-line with the market.

Outlook

In the UK, January and February are traditionally our quietest months with low levels of forward bookings as we enter the new calendar year. While the impact of the Omicron COVID-19 variant has resulted in a softening of hotel bookings in recent weeks, it remains too early to assess what the impact on sales will be for the rest of this financial year. However as we look forward into FY23, and in the absence of any further material COVID-19 restrictions, we maintain our expectation that Premier Inn UK like-for-like RevPAR run rates will recover to pre COVID-19 levels during 2022. In our restaurants, we expect the rollout of new menus, combined with targeted marketing initiatives, to help drive an improvement in food and beverage sales as we move into the next financial year.

In Germany, the Government lockdown restrictions are expected to last throughout the winter and into FY23, adversely impacting market demand. Whilst this will dampen the trading performance of our hotel estate in the short term and impact profits in FY22, there is no change in our view of the significant long-term value creation opportunity for Premier Inn in Germany.

Our latest view of the expected sector inflation rate in FY23 is of an average rate of c7-8% that could impact approximately £1.4bn of our cost base. However, visibility remains limited and this level of inflation may well change as we move into the next financial year, and before we are required to fully contract for supplies. Our cost efficiency programme, our estate growth, and the strong market ARR evidenced through this cycle, present a significant opportunity for the Group to largely offset these potential additional inflationary cost headwinds.

Market-wide supply chain challenges, and potentially softer trading in January and February, mean we have delayed around £20m of our previously guided P&L marketing and refurbishment investment plans this year, and our capital expenditure will now be around £275m.

Notes:

1: STR data, full inventory basis, 27 August 2021 to 25 November 2021, M&E market excludes Premier Inn
2: STR data, full inventory basis, 26 November 2021 to 30 December 2021, M&E market excludes Premier Inn

For more information please contact:

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A live Q&A teleconference for investors and analysts will be held at 9:00am GMT on 12 January 2022. Details to join are noted below. An on-demand version of this will be made available on the website (www.whitbread.com/investors/results-reports-and-presentations) shortly after.

Q&A teleconference participant dial-in numbers:
Start time - 9:00am GMT
United Kingdom (Local): 020 3936 2999
All other locations: +44 203 936 2999
Participant Access Code: 096761

Appendix

1) Premier Inn UK key performance indicators

	Q1	Q2	Q3	Q3 YTD
London				
Occupancy (full inventory)	32.9%	70.7%	77.2%	60.4%
Average room rate	£41.35	£56.77	£75.27	£61.95
Revenue per available room	£13.62	£40.16	£58.12	£37.42
Total accommodation sales growth	(77.4)%	(43.5)%	(18.9)%	(44.7)%
Regions				
Occupancy (full inventory)	44.0%	81.2%	82.2%	69.3%
Average room rate	£40.80	£59.11	£62.97	£56.84
Revenue per available room	£17.97	£47.99	£51.76	£39.41
Total accommodation sales growth	(56.3)%	(0.2)%	19.9%	(10.7)%
Total				
Occupancy (full inventory)	42.2%	79.5%	81.4%	67.9%
Average room rate	£40.87	£58.77	£64.84	£57.56
Revenue per available room	£17.27	£46.75	£52.78	£39.09
Total accommodation sales growth	(60.9)%	(9.6)%	10.6%	(18.4)%
Outperformance vs M&E market[1]	10.9 pp	13.9 pp	14.9 pp	13.3 pp
F&B				
Total food and beverage sales growth	(86.0)%	(18.1)%	(11.1)%	(38.1)%
Total sales growth	**(70.1)%**	**(12.5)%**	**3.1%**	**(25.3)%**

2) Premier Inn Germany key performance indicators

	Q1	Q2	Q3	Q3 YTD
Occupancy (full inventory)	14.6%	47.5%	59.9%	42.4%
Average room rate	£32.42	£37.60	£43.99	£40.42
Revenue per available room	£4.75	£17.85	£26.37	£17.12

Total accommodation sales growth	8.8%	447.4%	219.0%	214.8%
Total food and beverage sales growth	7.7%	307.3%	253.8%	211.7%
Total sales growth	**8.6%**	**418.1%**	**224.8%**	**214.2%**

3) UK Quarterly sales & RevPAR growth versus FY20

	FY21					FY22			
	Q1	**Q2**	**Q3**	**Q4**	**FY**	**Q1**	**Q2**	**Q3**	**Q3 YTD**
	%	%	%	%	%	%	%	%	%
Accommodation	(79.1)%	(77.1)%	(55.4)%	(70.3)%	(70.4)%	(60.9)%	(9.6)%	10.6%	(18.4)%
F&B	(80.1)%	(72.6)%	(53.9)%	(91.9)%	(74.4)%	(86.0)%	(18.1)%	(11.1)%	(38.1)%
Premier Inn UK total sales growth	**(79.5)%**	**(75.6)%**	**(54.9)%**	**(79.0)%**	**(71.8)%**	**(70.1)%**	**(12.5)%**	**3.1%**	**(25.3)%**
Regions	(79.2)%	(73.8)%	(48.2)%	(66.1)%	(66.8)%	(56.3)%	(0.2)%	19.9%	(10.7)%
London	(78.7)%	(88.9)%	(78.0)%	(83.5)%	(82.3)%	(77.4)%	(43.5)%	(18.9)%	(44.7)%
Premier Inn UK accommodation sales growth	**(79.1)%**	**(77.1)%**	**(55.4)%**	**(70.3)%**	**(70.4)%**	**(60.9)%**	**(9.6)%**	**10.6%**	**(18.4)%**
Accommodation	(79.4)%	(77.6)%	(56.2)%	(70.7)%	(70.9)%	(62.1)%	(13.7)%	5.5%	(21.9)%
F&B	(80.5)%	(72.8)%	(54.3)%	(92.0)%	(74.7)%	(86.2)%	(20.3)%	(13.4)%	(39.6)%
Premier Inn UK LFL sales growth	**(79.8)%**	**(76.0)%**	**(55.5)%**	**(79.3)%**	**(72.3)%**	**(70.9)%**	**(15.9)%**	**(1.0)%**	**(28.1)%**
Regions	(79.8)%	(74.4)%	(49.2)%	(66.6)%	(67.5)%	(57.8)%	(4.8)%	13.9%	(14.6)%
London	(79.5)%	(89.3)%	(78.6)%	(84.0)%	(82.9)%	(78.8)%	(47.0)%	(24.5)%	(48.3)%
Total RevPAR growth	**(79.7)%**	**(77.7)%**	**(56.3)%**	**(70.8)%**	**(71.1)%**	**(62.4)%**	**(14.0)%**	**4.7%**	**(22.2)%**
Regions	(79.7)%	(74.5)%	(49.4)%	(66.6)%	(67.6)%	(57.9)%	(5.6)%	13.5%	(15.3)%
London	(79.1)%	(89.1)%	(78.6)%	(83.8)%	(82.7)%	(78.4)%	(46.5)%	(23.6)%	(47.7)%
LFL RevPAR growth	**(79.6)%**	**(77.7)%**	**(56.4)%**	**(70.8)%**	**(71.0)%**	**(62.4)%**	**(14.5)%**	**4.5%**	**(22.6)%**
Regions	(78.3)%	(73.9)%	(53.5)%	(71.6)%	(69.2)%	(63.8)%	(7.0)%	12.8%	(17.7)%
London	(79.6)%	(87.6)%	(79.9)%	(83.5)%	(82.7)%	(80.5)%	(52.8)%	(29.1)%	(52.8)%
Midscale & Economy market total sales growth[2]	**(78.6)%**	**(77.4)%**	**(61.0)%**	**(75.0)%**	**(72.8)%**	**(68.0)%**	**(18.6)%**	**1.0%**	**(27.0)%**
Regions	(78.4)%	(73.7)%	(53.0)%	(71.2)%	(68.9)%	(64.1)%	(7.9)%	12.1%	(18.3)%
London	(79.9)%	(87.8)%	(80.1)%	(83.6)%	(82.9)%	(80.9)%	(53.9)%	(30.8)%	(53.8)%
Midscale & Economy market total RevPAR growth[2]	**(78.7)%**	**(77.3)%**	**(60.7)%**	**(74.7)%**	**(72.7)%**	**(68.3)%**	**(19.6)%**	**(0.1)%**	**(27.7)%**

Notes:
1: STR data, full inventory basis, 26 February 2021 to 25 November 2021, M&E market excludes Premier Inn

2: STR data, M&E market includes Premier Inn

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