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Whitbread PLC
14 January 2021

Q3 FY21 Trading Update
14 January 2021

Market share gains in the UK and expanding estate in Germany despite challenging market conditions

Q3 summary (13 weeks to 26 November 2020)

- Government COVID-19 restrictions continued to create very challenging hotel market conditions
- As a result, total UK accommodation sales were down 55.2% with occupancy at 49.3%
- Despite this, a resilient operational performance resulted in:
  - the vast majority of our hotels remaining open during the quarter
  - Premier Inn UK's total accommodation sales performance being 8.9pp ahead of the M&E market[1] with total market share growth of 4.1pp to 11.4% [2]
- Continued focus on operational excellence, health and safety measures, efficiencies and managing cashflows
- Accelerated estate growth in Germany, with an open and committed hotel pipeline now at 68 hotels following the successful completion of the acquisition of 13 hotels from the Centro Group
- Cash outflow for the quarter was in line with previous sensitivity guidance
- The Group is well positioned to continue its outperformance versus the market and to emerge in a strong position in the long-term

Current operational and financial position

- Improved demand for business travel, and some leisure travel, resulted in the majority of our UK hotels remaining open during the first half of December, with demand levels falling as the Government's tier restrictions tightened in the second half of December and through into the New Year
- Following the updated UK Government restrictions announced on 4 January 2021, that only permit essential business and keyworker accommodation, around two-thirds of our hotels remain open, while all our restaurants are closed
- With the increased restrictions, total UK accommodation sales were down 66.4% for the 5 weeks to 31 December 2020 with occupancy at 31.1%
- 21 of our 29 operational hotels in Germany remained open but under severe restrictions, and therefore similar to the overall German hotel market, recorded low levels of occupancy. These restrictions have been extended until at least the end of January
- The Group's balance sheet remains strong with a net cash position at 31 December 2020 of approximately £40.0m compared to £196.4m at the end of H1. Capital spend was £98.4m in the four months to 31 December 2020. The Group also had cash on deposit of £814.9m and access to a £900.0m undrawn revolving credit facility, and up to £300.0m available under the Government's Covid Corporate Financing Facility (CCFF) scheme

Comment from Alison Brittain, CEO:

"Since the start of the COVID crisis, we have responded quickly and robustly to the changing restrictions and have learnt to rapidly adapt our operations as required. This is testament to the efforts of our colleagues who continue to work tirelessly to maintain our very high operating standards, customer service and high levels of health and safety. This response has enabled us to continue to deliver strong market share gains in the UK, demonstrating the benefits of our strong brand, direct distribution, and our unique operating model.

We expect the current travel restrictions in the UK and Germany to remain until at the very least the end of our financial year. With the vaccination programme underway, we look forward to the potential gradual relaxation of restrictions from the Spring, business and leisure confidence returning, and our market recovering over the rest of the year.

We are well placed to continue to outperform the increasingly constrained budget branded and independent competitor sets, by leveraging the benefits of our unique operating model. We expect to see increasing opportunities to develop in both the UK and Germany and are pleased to have accelerated our growth in Germany with the recent acquisition of 13 hotels, taking the open and committed pipeline to 68 hotels, a major step on our path to achieving a nation-wide footprint with representation in most major towns and cities.

We continue to protect our liquidity through the careful management of our cash position, and to take actions to ensure that we exit the crisis as a leaner, stronger and more resilient business. Our strong balance sheet also provides the opportunity to take full advantage of the enhanced structural opportunities that we are already seeing in the market."

Q3 Financial Performance

The Group's financial performance in the quarter reflects the impact of the ongoing COVID-19 Government restrictions in the UK and Germany. The year-to-date performance also reflects the impact of the closure of hotels and restaurants for the majority of the first half of the financial year.

Financial highlights

	Q3			*Q3 YTD*		
	UK	Germany	Total	UK	Germany	Total
Sales growth:						
Accommodation	(55.2)%	5.9%	(54.5)%	(70.1)%	32.3%	(69.5)%
Food & beverage	(53.9)%	(41.1)%	(53.8)%	(68.9)%	(27.7)%	(68.8)%
Total	(54.7)%	(2.3)%	(54.3)%	(69.7)%	21.5%	(69.2)%
Like-for-like sales growth:						
Accommodation	(56.0)%	(68.5)%	(56.2)%	(70.7)%	(65.6)%	(70.7)%
Food & beverage	(54.4)%	(74.9)%	(54.4)%	(69.3)%	(77.1)%	(69.3)%

Total	(55.5)%	(69.5)%	(55.6)%	(70.2)%	(67.5)%	(70.2)%

Premier Inn UK total sales were 54.7% down in Q3 reflecting the ongoing Government restrictions on the operations of hotels and restaurants. Throughout the quarter, our operations team responded quickly to changes in these restrictions, enabling the majority of our hotel estate to remain open, and combined with our strong brand, direct distribution and best-in-class operating model, drove an 8.9pp outperformance of the midscale and economy market[1]. Premier Inn's share of the total hotel market by revenue grew by 4.1pp to 11.4%[2].

Occupancy levels reached 58% in September, driven by relatively strong leisure demand in tourist locations and business demand recovering from a very low base. These trends continued into the first half of October ahead of the implementation of tiered restrictions in England and firebreak restrictions in Wales, helping October occupancy levels to 52%. The implementation of a national lockdown in England from 5 November to 2 December, which effectively permitted only essential business travel, saw occupancy levels fall to 35% in November. Throughout the quarter, demand remained stronger in the regions, with demand in metropolitan areas, and in particular in London, remaining weak.

The Government restrictions had a greater impact on the operations of our restaurants, with both the national lockdowns and the restriction in the highest tiers forcing restaurant closures. On average, 82% of our restaurants were open during the quarter, and combined with reduced capacity in each restaurant and subdued market demand, total food and beverage sales were 53.9% behind year-on-year.

We continue to take action to ensure our cost base is reflective of the current demand environment, including completing the restructure of our hotel and restaurant operations teams that has resulted in c1,500 colleagues leaving the business. This is less than the maximum number of redundancies previously indicated (6,000), however targeted cost savings were still achieved as a result of a greater proportion of colleagues accepting a reduction in maximum contracted hours.

Premier Inn Germany

The increased size of the open estate in Germany (23 operational hotels by the end of Q3, compared to 5 at the same time last year) drove strong total sales growth in September of 58%, where customer trends were similar to those in the UK. However, the impact of more onerous travel restrictions in October and in November in particular, resulted in a year-on-year decline in total sales for the quarter of 2.3%.

Subsequent to the quarter end, the Group completed the acquisition of 13 hotels (6 open, 7 pipeline) from the Centro Group taking the total operational estate to 29 hotels, and a total open and committed pipeline of 68 hotels. We have taken advantage of the ongoing restrictions and the resultant subdued demand, to temporarily close the six acquired open hotels and accelerate their refurbishment and rebranding to Premier Inn.

Current trading

The further tightening of the COVID-19 restrictions in the second half of December resulted in significant travel restrictions and the closing of the majority of restaurants and pubs across the UK. As a result, in the five weeks ended 31 December 2020, total UK accommodation sales year-on-year were down 66.4% representing a continued outperformance of the hotel market of 11.1pp, with total UK sales down 73.4%.

Following the updated UK Government restrictions announced on 4 January 2021, that only permit essential business and keyworker accommodation, around two-thirds of our hotels remain open, while all our restaurants are closed.

The Government restrictions on the German hotel market are similar to those in the UK with limited business to business travel and no leisure travel permitted. As in the UK, this is impacting our performance, with total Germany sales down 54.7% in the five weeks to 31 December 2020. Total Group sales were down 73.3% in the same period.

Sensitivity and outlook

The short-term trading environment remains challenging, and given the ongoing and fast-changing nature of the COVID-19 situation, visibility of expected revenue and cost trends remains very limited.

FY21 cash and profit sensitivities remain broadly consistent with those articulated at our interim results in October.

In Germany, we are executing our strategy to drive long-term value through the acceleration of our expansion, and investment to build a platform of scale, both organically and through the acquisition of assets at good prices. This, combined with the ongoing impact of the COVID-19 restrictions, which we expect to delay the sales maturity of our operating hotels by 12-18 months, will suppress short-term performance, meaning that losses will increase in FY22 and continue into FY23. The recent acquisition in December of 13 hotels from the Centro Group will result in a loss in Germany next year of c£10m whilst these sites are refurbished and rebranded to Premier Inn. In addition, in FY22 the impact of every 1% decline in Germany RevPAR vs our pre COVID-19 Germany RevPAR expectation of c£60 will result in a £1m reduction in profit before tax.

Notes:
1: STR data, full inventory basis, M&E market excludes Premier Inn
2: STR data, revenue share of total UK hotel market

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A live Q&A teleconference for investors and analysts will be held at 8:30am GMT on 14 January 2021. 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.

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Appendix:

1) Premier Inn UK key performance indicators

	Sept	Oct	Nov	Q3	Q3 YTD
Room capacity open (average)	97%	98%	78%	91%	58%
Occupancy (full inventory)	58.3%	52.0%	35.3%	49.3%	29.9%
Average room rate				£44.95	£48.85

Revenue per available room				£22.15	£14.62
Total accommodation sales growth	(46.9)%	(53.1)%	(69.0)%	(55.2)%	(70.1)%
Restaurants open (average)	99%	99%	43%	82%	48%
Total food and beverage sales growth	(35.2)%	(49.9)%	(83.1)%	(53.9)%	(68.9)%
Total sales growth	(43.0)%	(52.0)%	(73.9)%	(54.7)%	(69.7)%
Outperformance vs M&E market[1]	8.2pp	8.5pp	10.6pp	8.9pp	2.4pp
Market share gains[2]	3.7pp	3.7pp	6.2pp	4.1pp	2.7pp

2) Premier Inn Germany key performance indicators

	Sept	Oct	Nov	Q3	Q3 YTD
Room capacity open (average)	100%	100%	100%	100%	79%
Occupancy (full inventory)	42.5%	33.0%	12.6%	29.5%	28.3%
Average room rate				£43.26	£41.03
Revenue per available room				£12.75	£11.62
Total accommodation sales growth	65.0%	12.9%	(59.2)%	5.9%	32.3%
Total food and beverage sales growth	21.1%	(62.9)%	(74.5)%	(41.1)%	(27.7)%
Total sales growth	58.0%	(1.9)%	(61.8)%	(2.3)%	21.5%

Notes:
1: STR data, full inventory basis, M&E market excludes Premier Inn
2: STR data, revenue share of total UK hotel market

3) UK Quarterly sales & RevPAR growth

	FY20					FY21			
	Q1	Q2	Q3	Q4	Q4 YTD	Q1	Q2	Q3	Q3 YTD
Accommodation	(1.5)%	0.1%	(0.4)%	1.9%	(0.1)%	(79.1)%	(76.6)%	(55.2)%	(70.1)%
Food & Beverage	(0.4)%	1.6%	1.9%	2.1%	1.3%	(80.1)%	(72.6)%	(53.9)%	(68.9)%
UK total sales growth	**(1.1)%**	**0.6%**	**0.3%**	**2.0%**	**0.4%**	**(79.5)%**	**(75.2)%**	**(54.7)%**	**(69.7)%**
Regions	(2.4)%	(1.9)%	(2.0)%	0.6%	(1.6)%	(79.2)%	(73.2)%	(48.0)%	(66.7)%
London	1.7%	8.2%	4.8%	6.0%	5.2%	(78.7)%	(88.6)%	(77.8)%	(81.8)%
UK accom. sales growth[1]	**(1.5)%**	**0.1%**	**(0.4)%**	**1.9%**	**(0.1)%**	**(79.1)%**	**(76.6)%**	**(55.2)%**	**(70.1)%**
Accommodation	(4.5)%	(2.7)%	(2.1)%	0.2%	(2.4)%	(79.4)%	(77.1)%	(56.0)%	(70.7)%
Food & Beverage	(2.1)%	(0.2)%	0.4%	0.6%	(0.3)%	(80.5)%	(72.8)%	(54.4)%	(69.3)%
UK LFL total sales growth	**(3.6)%**	**(1.9)%**	**(1.3)%**	**0.4%**	**(1.7)%**	**(79.8)%**	**(75.6)%**	**(55.5)%**	**(70.2)%**
Regions	(6.6)%	(5.9)%	(5.4)%	(2.9)%	(5.3)%	(79.8)%	(73.8)%	(48.8)%	(67.5)%
London	(6.4)%	1.2%	(0.2)%	0.5%	(1.2)%	(79.5)%	(89.0)%	(78.4)%	(82.4)%
UK RevPAR growth[1]	**(6.3)%**	**(4.3)%**	**(4.1)%**	**(2.0)%**	**(4.3)%**	**(79.7)%**	**(77.2)%**	**(55.9)%**	**(70.9)%**
Regions	(6.3)%	(5.6)%	(4.9)%	(2.3)%	(5.0)%	(79.7)%	(73.9)%	(49.1)%	(67.5)%
London	(4.3)%	1.7%	0.6%	1.6%	(0.1)%	(79.1)%	(88.8)%	(78.3)%	(82.2)%
UK LFL RevPAR growth[1]	**(6.0)%**	**(4.2)%**	**(3.6)%**	**(1.3)%**	**(3.9)%**	**(79.6)%**	**(77.2)%**	**(56.2)%**	**(70.9)%**
Regions	(1.9)%	(0.9)%	(1.2)%	0.8%	(0.9)%	(77.6)%	(72.9)%	(53.3)%	(67.9)%
London	3.3%	7.1%	3.7%	3.6%	4.5%	(79.3)%	(87.4)%	(80.0)%	(82.4)%
M&E market total sales growth[2]	**(0.4)%**	**1.2%**	**0.1%**	**1.7%**	**0.6%**	**(78.1)%**	**(76.5)%**	**(61.0)%**	**(71.8)%**
Regions	(5.0)%	(4.0)%	(3.6)%	(1.4)%	(3.6)%	(77.7)%	(72.6)%	(52.9)%	(67.7)%
London	(0.7)%	4.7%	1.8%	0.9%	1.7%	(79.8)%	(87.6)%	(80.4)%	(82.7)%
M&E market total RevPAR growth[2]	**(3.7)%**	**(1.8)%**	**(2.2)%**	**(0.7)%**	**(2.2)%**	**(78.2)%**	**(76.4)%**	**(60.9)%**	**(71.7)%**

Notes:
1: FY20 Regions/London split restated to STR definition
2: STR data, M&E market includes Premier Inn

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