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Whitbread PLC
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Capital Markets Day
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Whitbread PLC outlines plans for long-term value creation in the UK & internationally

- Whitbread has attractive structural growth opportunities in the UK & German hotel markets
- Unique vertically integrated model enables access to opportunity & value creation
- Doubling long-term network potential to more than 170,000 rooms in the UK & internationally
- Efficiency programme extended to a further £220 million opex & capex savings over three years
- Optimised capital structure enables at least £2.5 billion to be returned to shareholders

Today, the management team of Whitbread PLC is hosting a briefing for institutional investors and research analysts. The presentation material together with a live webcast of the briefing will be available at 1.30pm via www.whitbread.co.uk/investors. An on-demand recording of the briefing will also be available following the event.

Following the successful sale of Costa for £3.9 billion, Whitbread is focused on delivery of the structural growth opportunities available to Premier Inn in the UK and internationally. Premier Inn is the world's best budget hotel business with the following highlights:

- recognised as the world's strongest hotel brand;
- consistently ranked and voted as the UK's favourite hotel;
- delivers best-in-class operational performance; and
- track record of strong financial performance over the long-term.

The briefing is focused on the following major themes:

1. The highly compelling structural growth opportunities available in the UK and German hotel markets.
2. Whitbread's unique vertically integrated model is optimised to access these growth opportunities and create sustainable value for shareholders over the long-term.
3. Whitbread's unique vertically integrated model delivers best-in-class operational performance and industry-leading customer satisfaction.
4. Following the sale of Costa, Whitbread will optimise its capital structure to support long-term growth and return at least £2.5 billion to shareholders.

1. Long-term structural growth opportunities

Whitbread created Premier Inn in 2004 through the combination of the Travel Inn and Premier Lodge businesses. Premier Inn has subsequently grown to be the clear market leader in the UK with over 74,000 rooms. The Premier Inn proposition targets the largest part of the market - the domestic, short-stay, business and leisure traveller. Across the UK & internationally, Whitbread now has clear long-term network potential of over 170,000 rooms.

The UK hotel market is large with a total of over 700,000 rooms. Of these just under half are operated by smaller, non-branded, independent businesses. Premier Inn has consistently won market share from independents by adding new capacity, which delivers a consistently superior experience and excellent value-for-money. Given the size of the market and level of fragmentation, Whitbread sees potential for at least 110,000 rooms in the UK.

Whitbread first invested in the German hotel market in 2016. Since then, Premier Inn has consistently been recognised by domestic, German travellers as the leading hotel in Frankfurt. Following this successful trial, Whitbread sees significant long-term potential to replicate the success of Premier Inn in the UK. Germany is a larger and significantly more fragmented travel market than the UK, with over 900,000 rooms, with the majority of stays from domestic, short-stay travellers. Germany is also more fragmented than the UK, with almost 75% of the market operated by smaller, non-branded independent businesses. Whitbread has already secured a pipeline of more than 6,000 rooms, including its first acquisition in Germany. Whitbread is targeting to accelerate the international network through organic investment in freehold and leasehold properties, combined with further acquisitions, to at least 60,000 rooms over the longer-term.

2. Unique model for sustainable value creation

Whitbread has conducted a rigorous review of its unique, vertically-integrated model, which combines the ownership of property, hotel operations, the brand and inventory distribution. Over the last 15 years, this unique approach has enabled Premier Inn to grow at a significantly faster pace than competitors, deliver a consistently superior customer experience and generate a strong return on invested capital for shareholders.

Given the scale of the opportunity to invest in new hotel capacity in the UK and Germany, Whitbread believes its unique vertically integrated model is the optimal approach to both access this growth opportunity and create sustainable value for shareholders over the long-term.

3. Best-in-class operational performance

Whitbread's unique model enables end-to-end control over the hotel network, all aspects of the customer experience and the site-level operations. As a result of end-to-end control, combined with domestic scale, Premier Inn delivers best-in-class performance. Premier Inn consistently achieves occupancy of around 80% across its 800 hotels and this is delivered through an industry-leading level of direct bookings, at above 97%.

Property flexibility is an integral part of Whitbread's unique model. Through detailed network planning and disciplined investment in attractive freehold and leasehold hotels, Premier Inn has become the largest hotel network in the UK. The freehold property estate's current valuation is £4.9-5.8 billion. This valuation is based on sale and leaseback transactions, with a yield range of 4.5-5.0% and rent cover of 2.25-2.40 times.

Whitbread's scale and control of its operations also enables extension of its successful efficiency programme. Following the delivery of

over £150 million savings over the last three years, two years earlier than planned, Whitbread is targeting a further £220 million, which includes £120 million of operating cost savings and £100 million of capital cost savings over the next three years.

4. Optimising Whitbread's capital structure

Whitbread has a strong track record of earning a strong return on capital at a premium to its cost of capital. Given the compelling opportunities to invest capital through the cycle in the UK and internationally, Whitbread's capital structure priority is to provide financial flexibility to invest. Whitbread will continue to operate with a strong balance sheet to provide access to low cost incremental funding, underpinned by its balanced freehold and leasehold approach to property.

However, following the sale of Costa for £3.9 billion, there will be capital which is surplus to Whitbread's ability to invest at a strong return on capital in the near term. As a result, Whitbread intends to return at least £2.5 billion to shareholders, subject to any more value-creating alternatives. Whitbread began an initial share buyback programme in January, which seeks to repurchase up to £500 million of shares by the end of April 2019. Following this share buyback programme, Whitbread intends to pursue a tender offer to repurchase up to a further £2 billion of shares. Whitbread seeks to complete this tender offer following a vote from shareholders to be conducted alongside the Annual General Meeting on 19 June 2019.

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