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Whitbread PLC
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Q3 FY19 Trading Update
17 January 2019

Total sales growth of 2.5% and strong progress with efficiency programme

- Sale of Costa to The Coca-Cola Company for £3.9bn completed on 3 Jan 2019, ahead of schedule
- Initial £500 million share buyback programme commencing today
- Over 2,000 new rooms added in FY19 so far and occupancy remained high at over 80%
- Expect to deliver FY19 results in-line with expectations
- Remain cautious on UK environment next year given uncertainty and higher inflation
- FY20 underlying profit before tax expected to be consistent with this year, as we continue to invest in UK & international growth

	UK like-for-like Sales Growth		UK Total Sales Growth		UK & International[3] Total Sales Growth	
	Q3[1]	YTD[2]	Q3[1]	YTD[2]	Q3[1]	YTD[2]
Accommodation	(0.2)%	0.1%	3.5%	4.4%	3.5%	4.1%
Food & beverage	(1.5)%	(2.2)%	0.5%	(0.4)%	-	-
Total	**(0.6)%**	**(0.7)%**	**2.5%**	**2.7%**	**2.4%**	**2.5%**

[1]Q3 = 13-week period ended 29 November 2018 | [2]YTD = 39-week period ended 29 November 2018 | [3]Includes Germany & Middle East

Alison Brittain, Whitbread PLC Chief Executive, said:

"This has been a momentous year for Whitbread, with the sale of Costa to The Coca-Cola Company for £3.9 billion completed on 3 January 2019, much sooner than expected. We are now commencing an initial share buyback programme of up to £500 million, with further details about our plans to return a significant majority of the net cash proceeds to shareholders at our Capital Markets Day on 13 February.

Whitbread is now a focused hotel business with over 800 hotels in the UK, Germany and the Middle East, operating under the Premier Inn brand, with a committed pipeline of over 20,000 additional rooms. Premier Inn has made good progress this year, growing total sales by 2.5%, which along with strong results from our efficiency programme, means we are on track to achieve full year expectations for FY19.

The UK business achieved total accommodation sales growth of 3.5% in the third quarter. Our performance in the quarter reflects a strong Central London market and a weak regional market. We are cautious about the macro environment for the next financial year due to increased uncertainty and continuing high inflation. Although we are confident in our ability to create value from ongoing investment in the UK and increasing investment in international growth, in this environment we expect underlying profit before tax in FY20 to be consistent with this year.

We continue to be excited about the opportunity in Germany and our first hotel in Frankfurt remains the number one choice for customers. Our second hotel in Germany will open in Hamburg in February and this year we have continued to extend the total committed pipeline in Germany, which now stands at over 6,000 rooms across 34 hotels.

Our unique model and leading market position in the UK puts us in a strong position to capture structural growth opportunities in the UK and internationally. Investing in growth through our disciplined approach to capital allocation ensures we can create sustainable value for shareholders over the longer-term. We look forward to presenting this in further detail at our Capital Markets Day."

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Whitbread will host a webcasted briefing at 8am (GMT) on 17 January 2019, which can be accessed at www.whitbread.co.uk/investors.

Third quarter 2019 performance summary

- Total UK accommodation sales growth of 3.5%
- Growth driven by investment in new hotels, with 2,300 rooms opened year-to-date
- Like-for-like accommodation sales of (0.2)% reflects recent market weakness in the regions
- New capacity addition whilst maintaining high occupancy above 80%

Q3 (YTD in appendix)	Like-for-like Sales Growth	Total Sales Growth
Accommodation	(0.2)%	3.5%
Food & beverage (F&B)	(1.5)%	0.5%
Total UK[1]	**(0.6)%**	**2.5%**
Germany		(3.5)%
Total		**2.4%**

UK metrics	*Actual*	*Growth*	*Like-for-like Growth*
Occupancy	82.5%	(70)bps	-
Average room rate	£63.66	(0.5)%	-
Revenue per available room	£52.55	(1.4)%	(1.3)%
Net number of hotel rooms	74,508	438	-

[1] *UK & Ireland*

UK

Premier Inn had a good quarter with total accommodation sales growth of 3.5% (YTD: 4.4%) driven by the significant amount of new capacity added over the last year. Over two thousand rooms have been opened this financial year, with the timing of hotel openings having a short-term impact on like-for-like performance during the quarter. F&B like-for-like sales growth improved 160bps from Q2, but continues to reflect tough market conditions.

The London market was strong in the third quarter. Premier Inn's capacity addition and successful maturity of new hotels led to a pleasing performance, growing total sales by 9.8%, in line with the midscale and economy market.

The regional market continued to weaken in the third quarter, impacted by lower consumer and business confidence, along with sustained levels of inflation. Premier Inn grew total regional accommodation sales 1.8% (3.4% YTD) with additional capacity offsetting the weak market. The start of the fourth quarter has seen a continuation of regional weakness, with a strong Central London market.

Premier Inn's long-term strategy to win market share and customer loyalty in the structurally attractive UK market continues as planned. Over 8,000 rooms have been added to the network over the last two years, representing a 13% capacity increase, whilst maintaining high occupancy levels of over 80%. With an increasing proportion of customers booking direct and approximately 14,000 rooms in the committed pipeline, Premier Inn is confident of continuing to win market share with incremental investment at a good return on capital.

Germany

Premier Inn's hotel in Frankfurt continues to perform well. Total sales have increased 14.2% YTD with occupancy now approaching 70%. The committed pipeline in Germany continues to grow, now standing at over 6,000 rooms across 34 hotels and 15 cities, including the 19 hotels to be acquired from Foremost Hospitality Group, which will be converted into Premier Inn hotels in 2020. Work continues to accelerate the pipeline through a mix of freehold and leasehold developments, along with more small acquisition opportunities. The current cost base inGermany reflects preparations for a larger hotel estate and losses are expected to increase to approximately £12 million next financial year as we prepare to open more of our pipeline hotels.

FY20 outlook

The UK environment remains subdued and sustained inflation continues to be a significant challenge. As a result, Whitbread expects underlying profit before tax in the February 2020 financial year to be consistent with the February 2019 financial year. This expectation is based on the following assumptions:

- weaker UK Market RevPAR, especially in the regions;
- greater investment in the UK, including capacity addition of 3,000-4,000 rooms;
- German losses expected to be approximately £12 million as we invest to support the c.2,500 rooms that will open during FY20;
- some short-term operational dis-synergies following the sale of Costa; and
- good progress with efficiency programme expected to deliver savings of £40-50 million, but £20-30 million lower than higher cost increases of approximately £70 million

Investor day on 13 February 2019

Whitbread will hold a strategic update for institutional investors and equity research analysts in February 2019. It is expected that this investor day will focus on three core areas:

1. the long-term structural opportunities Whitbread has to grow Premier Inn in the UK and internationally, at a strong return on capital;
2. how Premier Inn's unique model is best placed to access the structural opportunities and enable Whitbread to grow and continue to deliver best-in-class performance; and
3. the capabilities, capital structure and property strategy required to enable Whitbread to take advantage of the attractive structural opportunities available.

Share buy-back programme commencing

As previously announced, it is Whitbread's intention to return a significant majority of the net proceeds from the sale of Costa to shareholders. In line with this commitment, Whitbread is commencing an initial share buyback programme (the "Programme") today using its existing authority granted by shareholders at the AGM on 27 June 2018. The Programme will seek to repurchase up to £500 million worth of shares and will conclude prior to Whitbread's full-year results announcement on 30 April 2019. Further details of the plans to return a significant majority of the net cash proceeds to shareholders will be announced at the Capital Markets day on 13 February 2019.

Appendix I | Sales information for 39-week period ended 29 November 2018

Year-to-date	**Like-for-like Sales Growth**	**Total Sales Growth**
Accommodation	0.1%	4.4%
Food & beverage	(2.2)%	(0.4)%
Total UK[1]	**(0.7)%**	**2.7%**
Germany		14.2%
Total[2]		**2.5%**

UK metrics	*Actual*	*Growth*	*Like-for-like Growth*
Occupancy	80.9%	(140)bps	-
Average room rate	£65.30	0.6%	-
Revenue per available room	£52.83	(1.1)%	(1.0)%
Number of hotel rooms	74,508	2,042	-

[1] *UK & Ireland;* [2] *Includes exits from India & SE Asia in H1 FY18*

Appendix II | Premier Inn UK hotels performance comparison

Q3 FY19

	UK accommodation				Midscale & economy market[1]
Year-on-year change	*Like-for-like Sales*	*Total Sales*	*Like-for-like RevPAR*	*Total RevPAR*	
London	3.1%	9.8%	2.7%	1.6%	4.9%
Regional	(1.0)%	1.8%	(2.3)%	(2.5)%	(0.9)%
Total UK	**(0.2)%**	**3.5%**	**(1.3)%**	**(1.4)%**	**1.0%**

[1] *STR Global total RevPAR*

Q3 YTD FY19

	UK accommodation				Midscale & economy market[1]
Year-on-year change	*Like-for-like Sales*	*Total Sales*	*Like-for-like RevPAR*	*Total RevPAR*	
London	(0.5)%	8.1%	(0.9)%	(2.7)%	1.1%
Regional	0.2%	3.4%	(1.0)%	(1.1)%	0.5%
Total UK	**0.1%**	**4.4%**	**(1.0)%**	**(1.1)%**	**0.9%**

[1] *STR Global total RevPAR*

Appendix III | UK hotels performance comparison

Premier Inn UK total accommodation sales growth comparison

	Q3 FY19	Q2 FY19	Q1 FY19	*Change*
London				
Premier Inn	9.8%	8.0%	6.3%	*180bps*
Midscale and economy hotel market[1]	9.8%	5.8%	0.7%	*400bps*
London Premier Inn outperformance	**-**	**220bps**	**560bps**	***(220)bps***
Regions				
Premier Inn	1.8%	4.7%	3.8%	*(290)bps*
Midscale and economy hotel market[1]	2.1%	4.2%	3.5%	*(210)bps*
Regions Premier Inn outperformance	**(30)bps**	**50bps**	**30bps**	***(80)bps***
Total UK				
Premier Inn	3.5%	5.3%	4.3%	*(180)bps*
Midscale and economy hotel market[1]	4.4%	4.7%	3.1%	*(30)bps*
Total UK Premier Inn outperformance	**(90)bps**	**60bps**	**120bps**	***(150)bps***

[1] *STR Global*

Premier Inn UK total accommodation sales growth comparison

	YTD Q3 FY19	YTD Q2 FY19	YTD Q1 FY19
London			
Premier Inn	8.1%	7.2%	6.3%
Midscale and economy hotel market[1]	5.5%	3.3%	0.7%
London Premier Inn outperformance	**260bps**	**390bps**	**560bps**
Regions			
Premier Inn	3.4%	4.3%	3.8%
Midscale and economy hotel market[1]	3.3%	3.9%	3.5%
Regions Premier Inn outperformance	**10bps**	**40bps**	**30bps**
Total UK			
Premier Inn	4.4%	4.8%	4.3%
Midscale and economy hotel market[1]	4.1%	3.9%	3.1%
Total UK Premier Inn outperformance	**30bps**	**90bps**	**120bps**

[1] *STR Global*

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