WHITBREAD

Capital Markets Day

February 2019

WELCOME & INTRODUCTION

Agenda for today

Welcome & introduction	Alison Brittain	p4
1 **Long-term structural growth opportunities**	Alison Brittain	p14
2 **Unique model for sustainable value creation**	Alison Brittain	p25
3 **Best-in-class operational performance**	Simon Jones, Simon Ewins, Nigel Jones & Mark Anderson	p37
4 **Optimising our capital structure**	Nicholas Cadbury	p84
Recapping our plans & questions	Alison Brittain & team	p97

Our mission | The world's best budget hotel business

Premier Inn

Brand Finance® Hotels 2018

The annual report on the most valuable hotel brands
February 2018

World's strongest hotel brand

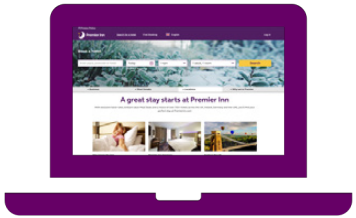
Recommended Provider Which? Large Hotel Chains October 2018

2018 CERTIFICATE of EXCELLENCE tripadvisor

YouGov BrandIndex

UK's favourite hotel

80% occupancy



97% rooms booked directly

Best-in-class operations

- 11% 10-year Sales CAGR
- 11% 10-year EBIT CAGR
- 80% cash conversion
- Strong return on capital

Strong financial performance

Our purpose | Delivering guests the best value-for-money

Integrated trading

Best value-for-money & best-in-class direct distribution

In-house F&B model

Consistent network-wide breakfast

Everyday efficiency

Strong operating margin & ROCE

Scale advantage

Widest customer reach & economies of scale

Property flexibility

Superior network access

Operational control

Consistent, high-quality guest experience

Our ambition | The best hotel business in key markets

Long-term UK growth

Leveraging scale to extend UK advantage & create >110k room network

International expansion

Replicating the scale & success of our UK business over the long-term in Germany

Accelerating growth

Enhancing our international organic pipeline, supported through selective M&A

2016 plan | A consistent strategy over the last three years

Strong fundamentals

- ✓ Significant structural opportunities
- ✓ Unique brand strength
- ✓ Clear strategy for profitable growth
- ✓ Disciplined capital management
- ✓ Focus on shareholder value delivery

+

Evolving environment

- Broader competitor dynamics & market disruptors
- Rising customer demands & expectations
- Changing cost structures
- Increased competition for skills & people
- Changing political & economic backdrop

→

Clear plan for growth

1. **Grow and innovate in core UK markets**
2. **Focus on our strengths to grow internationally**
3. **Build capability to support long-term growth**

Long-term growth in earnings and dividends combined with strong return on capital

Our team | An experienced & proven team

Executive Team

Alison Brittain
Chief Executive

Nicholas Cadbury
Finance Director

Louise Smalley
HR Director

Simon Jones
MD Premier Inn UK

Mark Anderson
MD Property & International

Nigel Jones
Transformation Director

Chris Vaughan
General Counsel & Company Secretary

- Consumer & business-to-business experience
- Hospitality industry knowledge
- Multi-site operations
- Strong property expertise
- UK & European experience
- Relevant functional knowledge

Independent Board

Adam Crozier
Non-Executive Chairman

Richard Gillingwater
Senior Independent Director

Deanna Oppenheimer
Non-Executive Director

Susan Taylor-Martin
Non-Executive Director

Chris Kennedy
Non-Executive Director

David Atkins
Non-Executive Director

Frank Fiskers
Non-Executive Director

Our delivery | We've executed our plans & created value

Grow and innovate in core UK markets

- Opened 14,000 rooms over last 3 years, with faster maturity
- Secured UK hotel pipeline – on track for 85,000 rooms
- Growth of hub format in London & Edinburgh
- Launching new ZIP concept imminently

Focus on our strengths to grow internationally

- Completed exit of non-core & under-performing operations in India & Southeast Asia
- Increased pace of organic pipeline development in Germany
- Agreed acquisition of 19 hotels in Germany

Build capability to support long-term growth

- Invested £1.5 billion over last 3 years in maintenance & strong ROCE growth
- £150 million 5-year efficiency target delivered in <3 years
- Significant improvement in IT & digital capabilities & infrastructure

3-year EBIT CAGR of 7% | ROCE >15% | Strong TSR growth

Our delivery | Creating & realising value from Costa

Grow and innovate in core UK markets

- Multi-channel network focus developed
- Significant new food & drink product launches
- Successful development of new store formats
- Accelerated growth of Costa Express

Focus on our strengths to grow internationally

- Re-focused international operations on growth
- Restructured China ownership to accelerate growth
- Launched Costa Express internationally

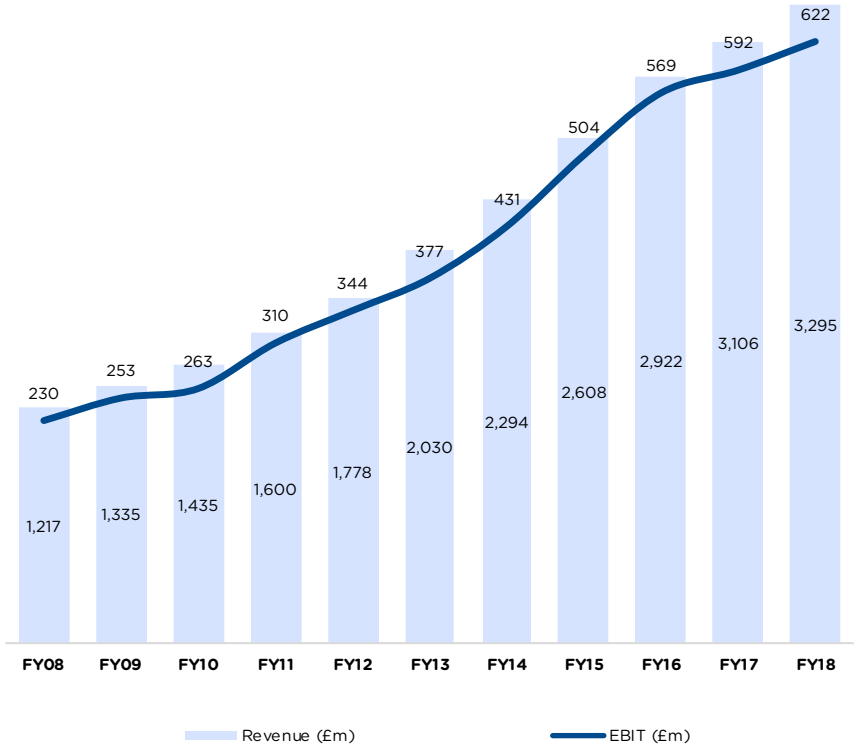
Build capability to support long-term growth

- Global centre of roasting & product development
- Launched order & collect
- Successful roll-out of new point-of-sale
- New loyalty management systems

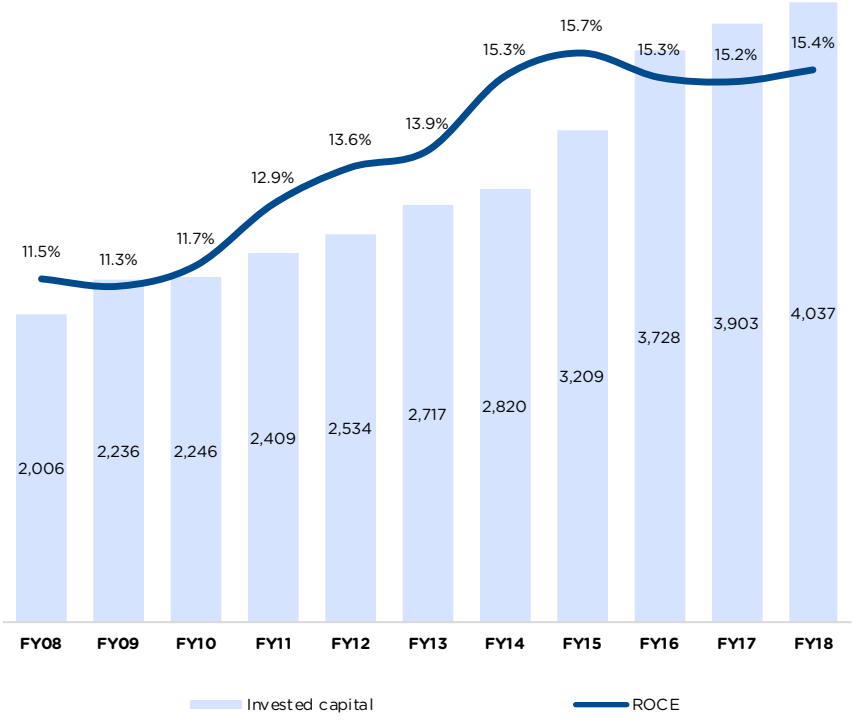
Realised £3.9b in cash, recognising strategic value

Our performance | Long-term growth at strong ROCE

Compounding, profitable growth

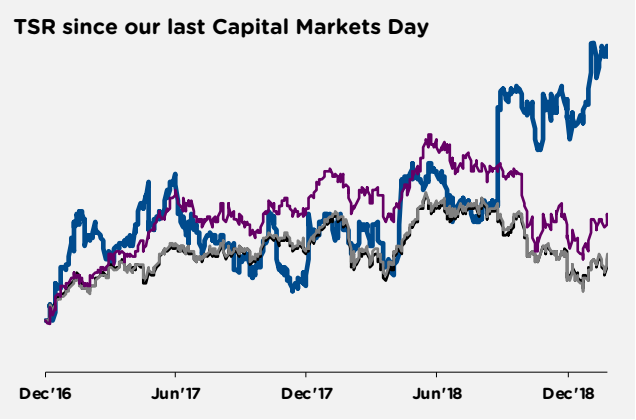


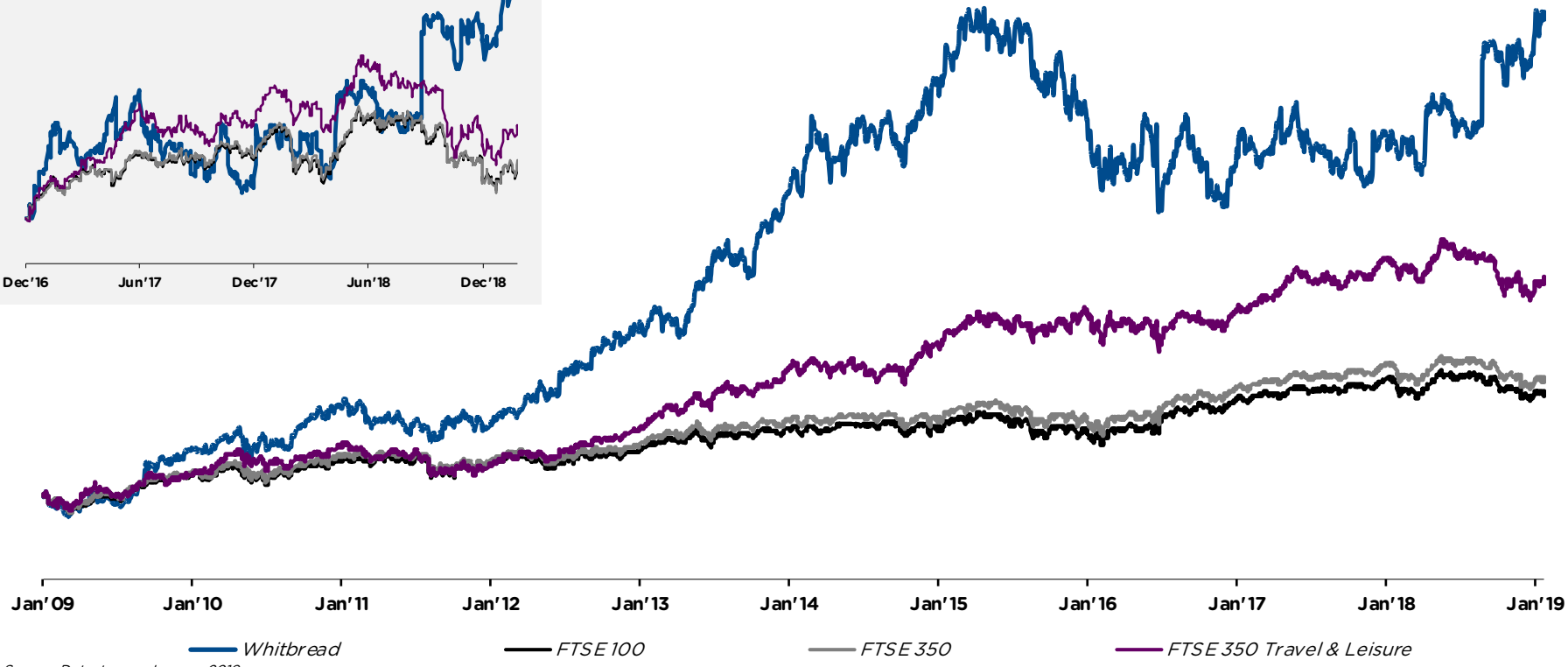
Strong ROCE on a growing capital base



Our creation of value | Strong long-term TSR growth

£1,000 in 2009 now worth £6,800



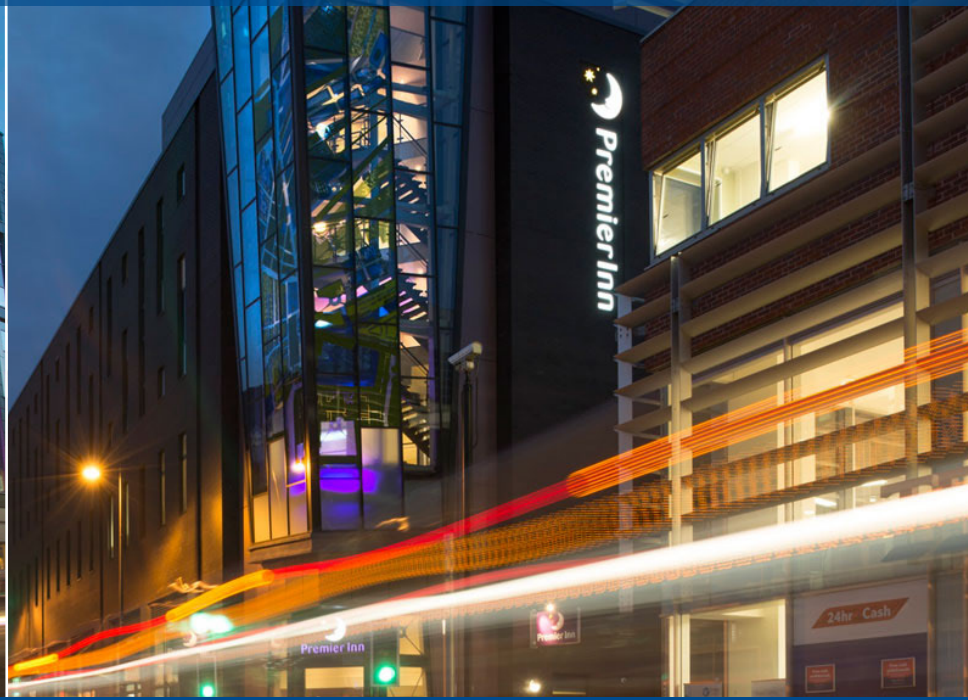


Source: Datastream, January 2019

Attractive opportunity for ongoing investment

1	**Long-term structural growth opportunities**	• Attractive long-term structural growth opportunities in UK & Germany • Highly fragmented markets with declining independent share
2	**Unique model for sustainable value creation**	• Vertically integrated model enables growth at good ROCE • Proven investment model which can be replicated over long-term
3	**Best-in-class operational performance**	• End-to-end control delivers best-in-class operational performance • Scale ensures we can deliver quality, value-for-money & good ROCE
4	**Optimising our capital structure**	• Flexible capital structure essential to support long-term growth • Surplus capital enables at least £2.5 billion return to shareholders

1. LONG-TERM STRUCTURAL GROWTH OPPORTUNITIES



Long-term structural growth opportunities

a The budget hotel markets in UK & Germany are highly attractive long-term structural growth opportunities

b Both UK & Germany are highly fragmented markets with declining independent share driven by new branded capacity

c Our target customer groups disproportionately appreciate consistent strong delivery of the basics & good value-for-money

d The structural growth opportunities are domestic, short-stay, budget travel for business & leisure travellers in both urban & regional locations

UK market | Long-term growth opportunity

67m population

710k Hotel rooms

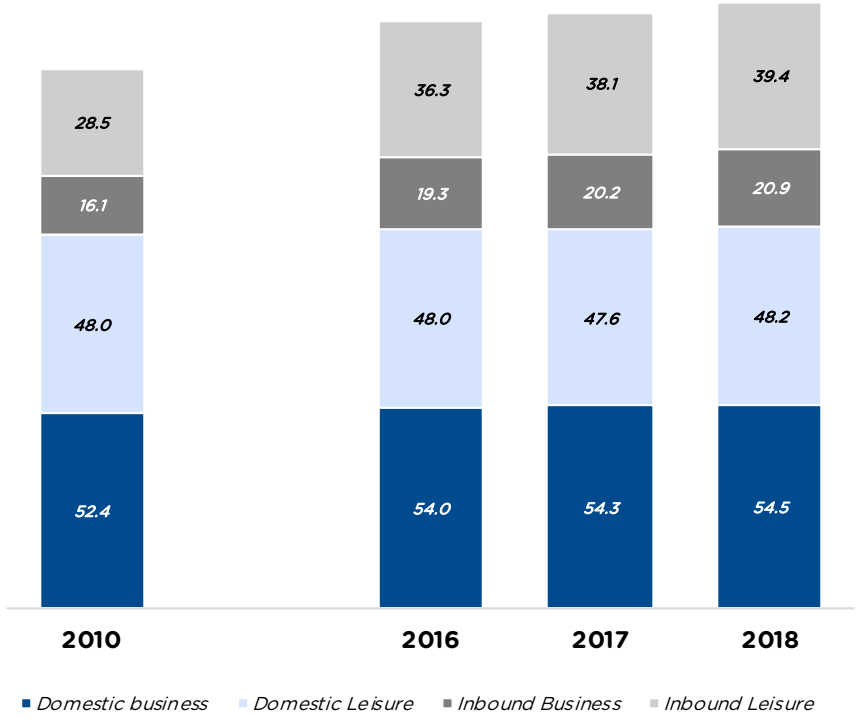
10% share Premier Inn

1% Market RevPAR growth (3-year CAGR)

Excellent Overall attractiveness

- UK market is large with good characteristics
- Market remains very fragmented
- Increasing consumer spend on leisure
- Increasing consumer demand for value-for-money
- Premier Inn is the clear market leader
  - current network of 74,000 rooms
  - further committed pipeline of 14,000 rooms

UK hotel demand (million room nights p.a.)

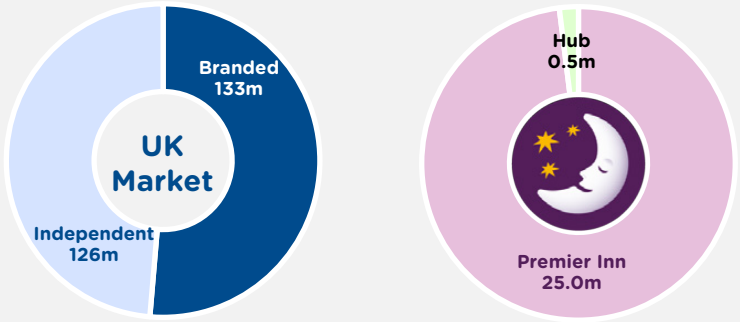


Source: Company data

UK market | A large market with good characteristics for growth

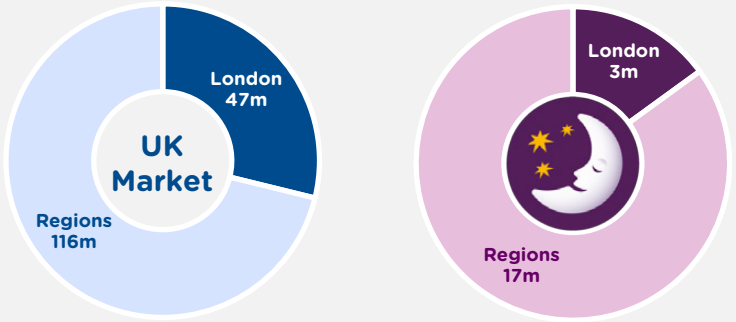
Fragmented supply *(Annual room night supply)*

Market fragmentation provides opportunity for Premier Inn



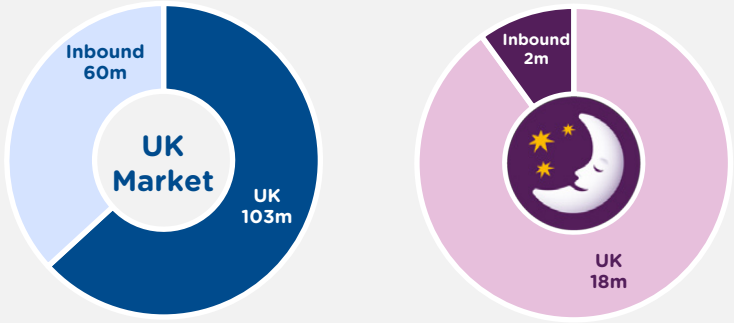
London v Regions *(Annual room night demand)*

Large Regional market critical for domestic scale



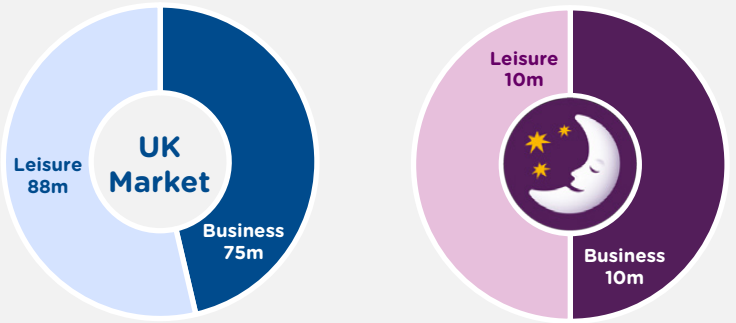
Customer origin *(Annual room night demand)*

Large domestic travel market drives loyalty & frequency of visit



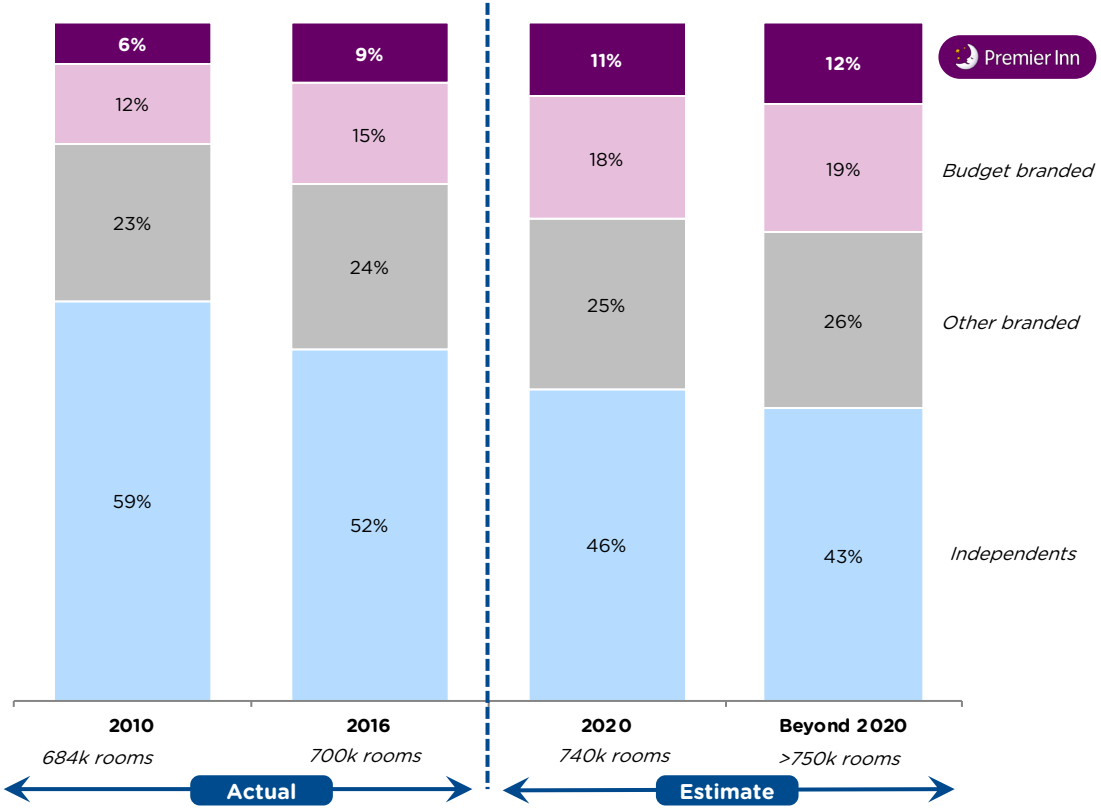
Customer mission *(Annual room night demand)*

Good business / leisure mix drives high occupancy



Source: Company data

UK market | Fragmentation allows long-term market share gain

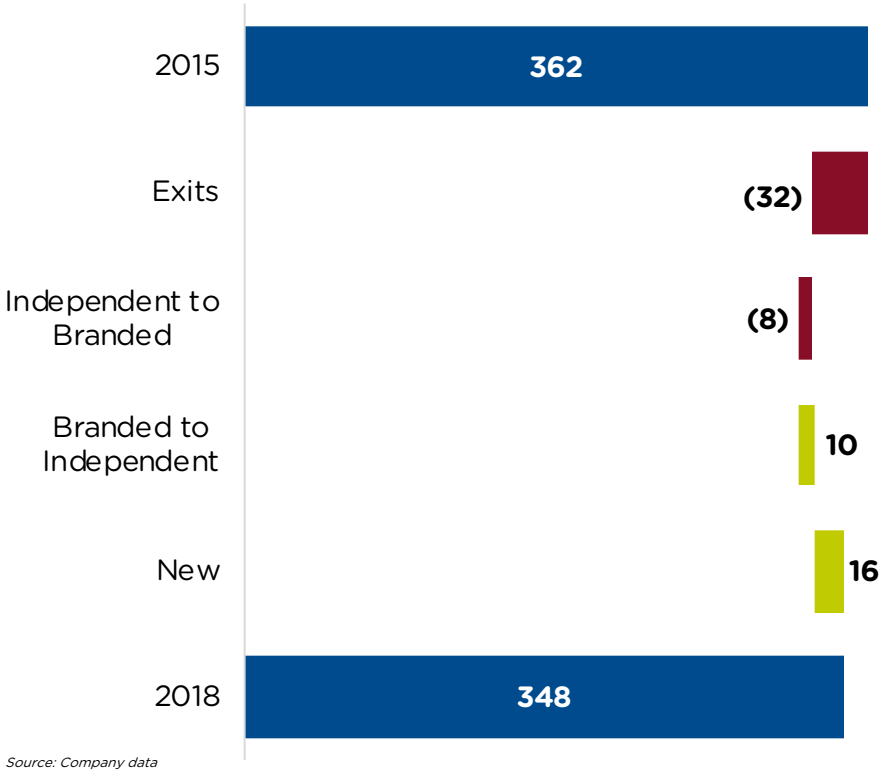


Source: Company data

- Significant independent market continuing to lose share
- Asset-light models have limited domestic budget growth
- Growing demand for budget hotels
- Structural growth opportunity for Premier Inn
- Premier Inn wins customers through superior customer proposition enabled by scale

UK market | We have been winning share from independents

Independent capacity ('000 rooms) continues to decline



Source: Company data

- Premier Inn has won market share at a catchment level
- Premier Inn has won share through additional high quality capacity delivered at a low cost
- Independents face major challenges:
  - increasing OTA usage
  - franchise fees
  - inflationary pressure
  - generational change
- Ultimately, consistent net decline in independent room supply
- Net decline of 14k rooms over last 2-3 years (>1% p.a.)

German market | Stand-out growth opportunity in Europe

82m population

960k Hotel rooms

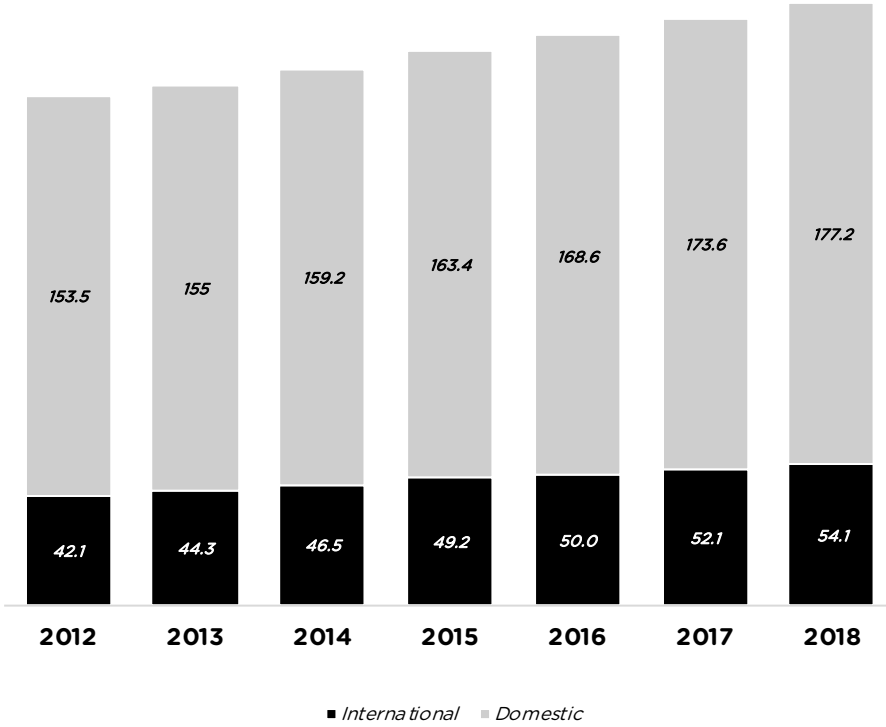
2% share IBIS

4% RevPAR growth (3-year CAGR)

Excellent Overall attractiveness

- German market is large with good characteristics
- No clear market leader (largest brand <2% share)
- Market remains highly fragmented
- Majority domestic travel
- Long-term potential to replicate the success of Premier Inn in the UK
  - We have a committed pipeline of >6,000 rooms
  - Organic expansion and M&A opportunities

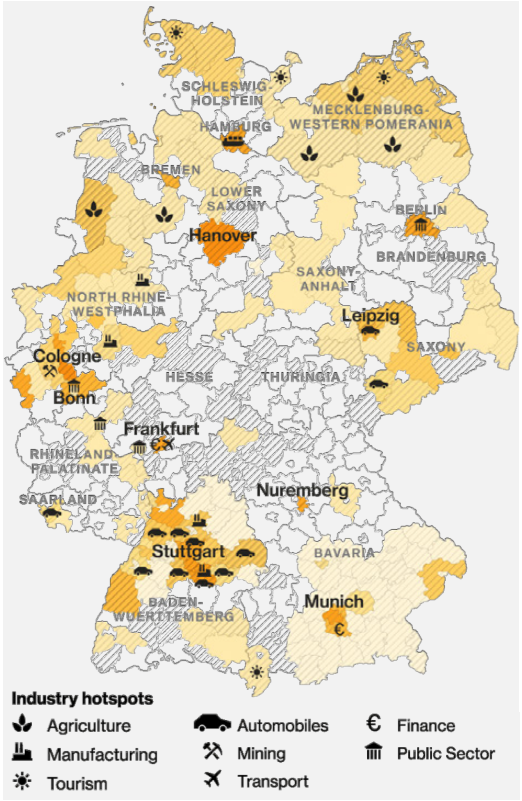
German hotel demand (million room nights p.a.)



Source: Company data

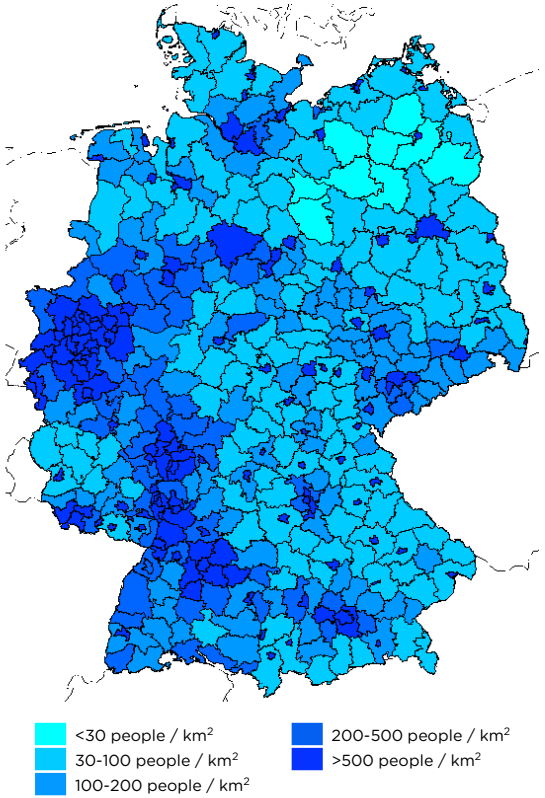
German market | Strong domestic, short-stay customer base

High industrial dispersion



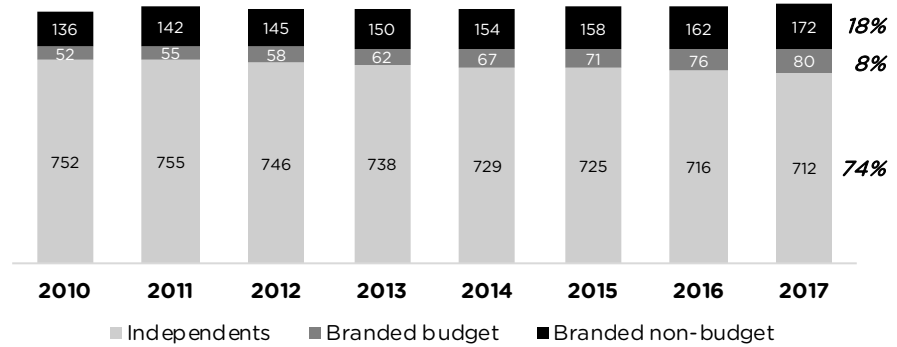
- Germany has high regional dispersion of economic activity & population
- Results in strong domestic, short-stay travel market, with high business mix
- Domestic travellers have high propensity for frequent travel & repeat-bookings
- Premier Inn proposition & approach specifically designed for domestic, short-stay travellers
- Limited product design changes required to localise to domestic German traveller

High population dispersion



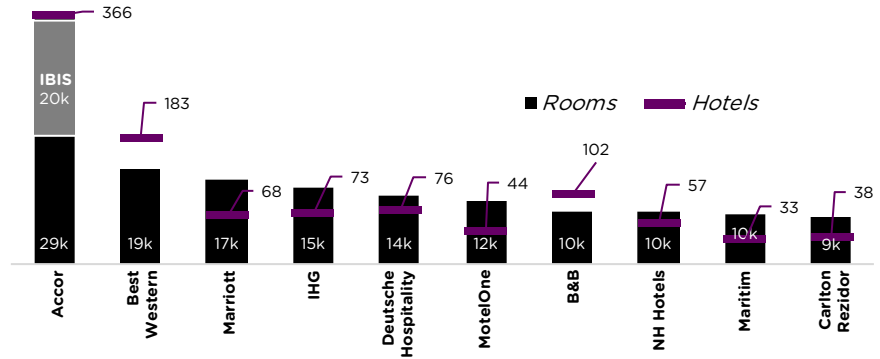
German market | Low budget-branded market penetration

High market fragmentation ('000 room supply)



Source: Company data

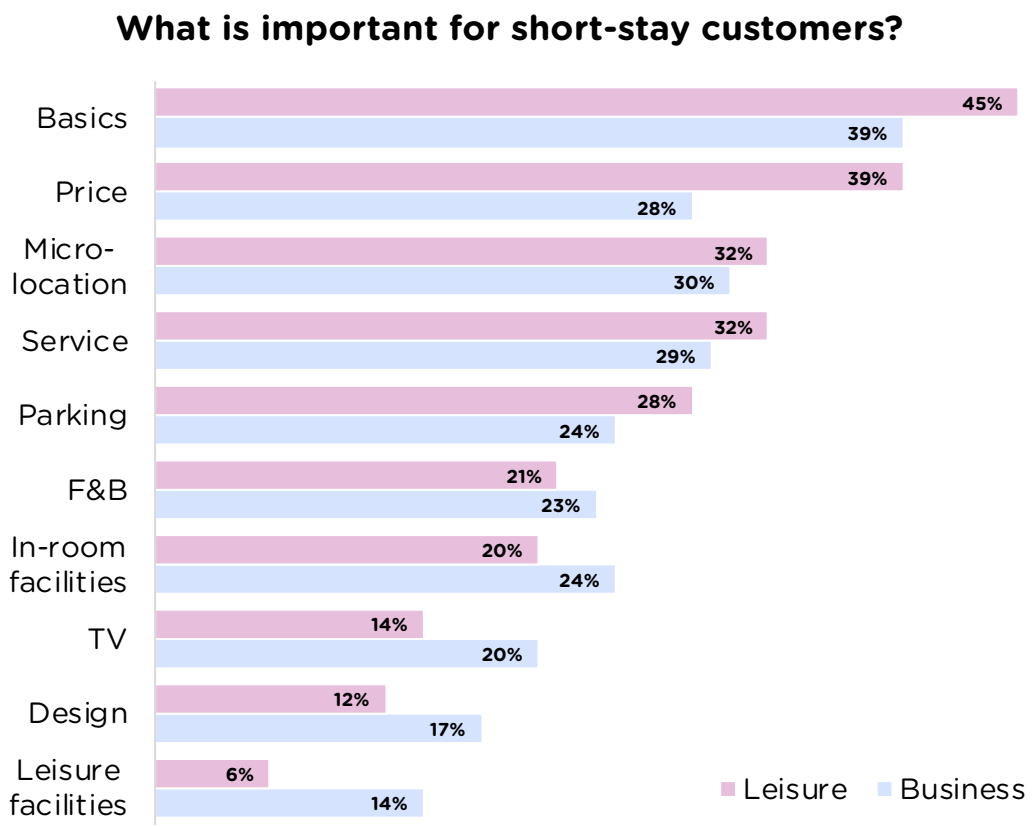
Top 10 hotel chains in Germany



Source: Horwath HTL European Chains & Hotels Report 2018

- Top 10 brands in Germany account for <20% of total supply
- Midscale & Economy brands account for c.25% of total branded share
- Independents have been declining by ~1ppt p.a., but still 74% of market
- Limited availability of hotel property financing structures (e.g. REITs)
- Capital commitment through freehold, long leasehold plus M&A is essential for network growth

UK & Germany | Short-stay customers require excellent essentials



- Surveys of >10k customers conducted in 2018
- Assessed over 70 needs to identify relative importance for all customers
- Getting the essentials right, every time is critical for short-stay business & leisure
- Basics include a clean room, a comfortable bed & hot powerful shower
- German short-stay customers similar to UK with quality & value as priorities

UK & Germany | Highly compelling markets for long-term investment

Large fragmented markets

- UK & Germany are large, growing hotel markets
- Markets fragmented with large & declining independent segment

Short-stay, domestic travel

- Domestic travel is the larger segment of the market
- Domestic travel is driven by shorter average stays

Good business & leisure mix

- Good balance of business & leisure delivers strong occupancy
- Short-stay business & leisure customers have specific requirements

Urban & regional

- London & tier 1 German cities are important drivers of hotel demand
- Regional locations important for scale & customer reach

2. UNIQUE MODEL FOR SUSTAINABLE VALUE CREATION

Unique model for sustainable value creation

a New capacity, consistent high quality & scale are required to access structural growth opportunities

b Our vertically integrated model delivers end-to-end control to ensure we can access structural growth opportunities & create value

c We have a proven investment model that delivers a consistently attractive return on capital

d Our model delivers resilient performance & enables sustainable growth in earnings combined with a good return on capital over the long-term

Accessing growth | Through specific new capacity, control & scale

Network & capacity addition required

- Our hotels are fully booked on most nights
- Investment in new capacity delivers optimal balance of growth & good ROCE

Location is critical

- Specific locations are required to win share from existing independents
- Flexible approach to site selection is critical to maximise location options

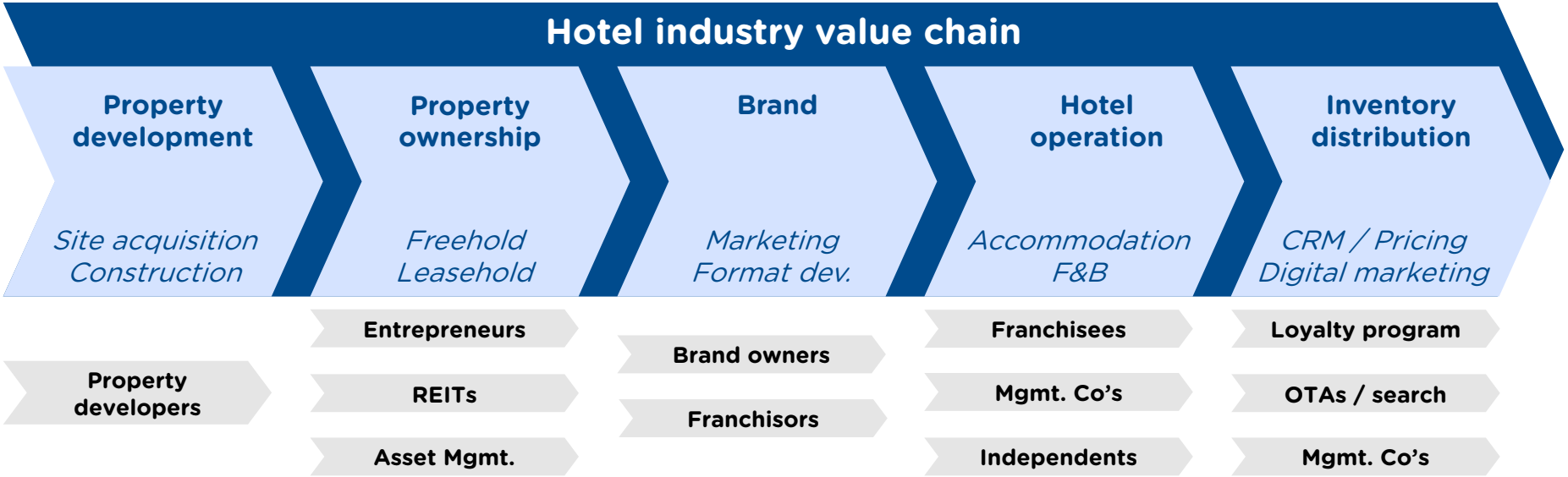
Consistency is the key to winning

- Domestic, short-stay guests appreciate consistently good quality at fair prices
- Consistent delivery of the basics drives brand appreciation & repeat visits

Scale is necessary to create value

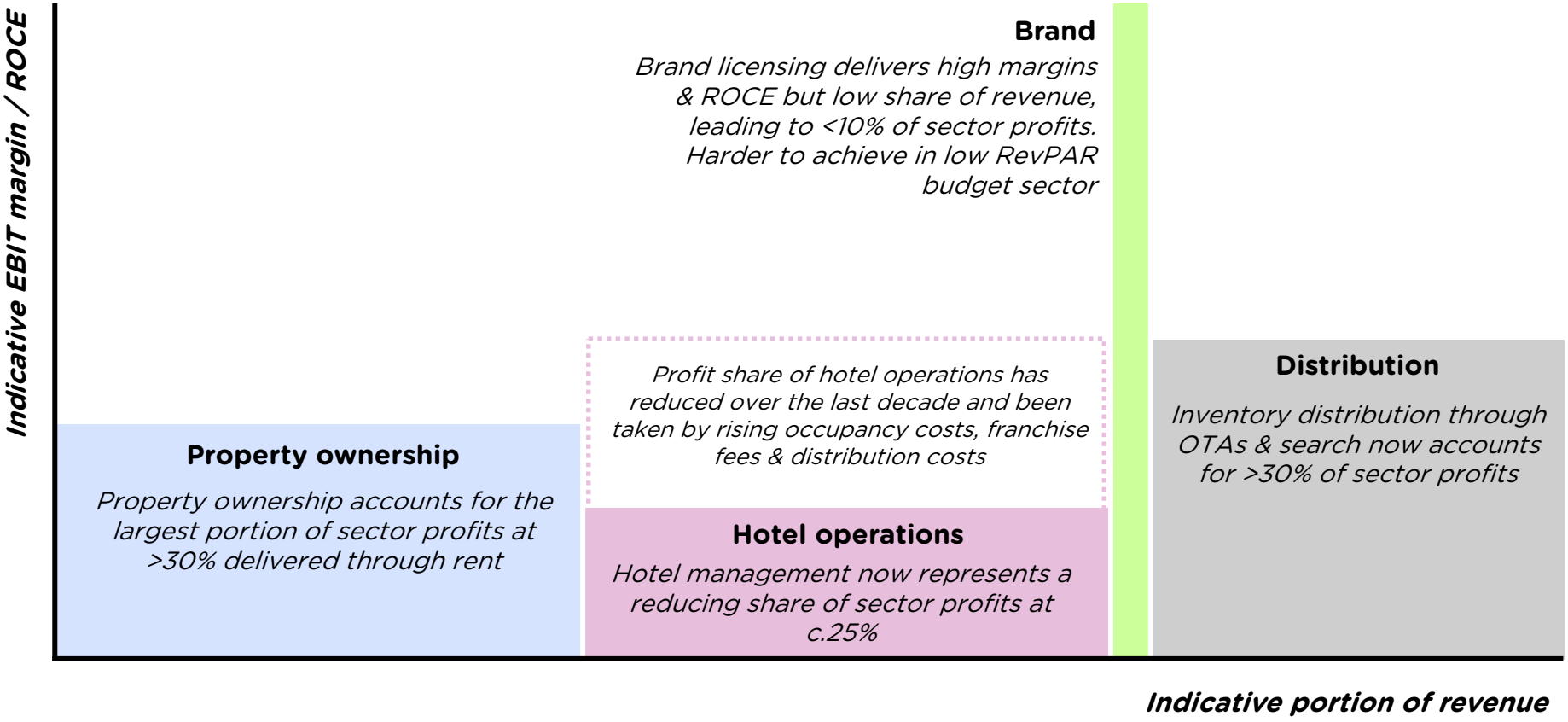
- Scale required to create & operate high quality hotels at a low cost
- Scale enables sustainable growth in earnings at a good return on capital

Hotel industry | Segregated ownership across the value chain



- Key value creating areas in the hotel industry are predominantly under separate ownership
- Separate ownership leads to inconsistent priorities and competing interests
- Separate ownership limits ability to achieve domestic scale
- Scale required to compete at lower price points & generate acceptable ROCE

Hotel industry | Profit pools split across the value chain reduce scale



Our model | Vertically integrated to deliver quality & value-for-money

Hotel industry value chain

Property development → Property ownership → Brand → Hotel operation → Inventory distribution

Premier Inn's unique, vertically integrated model

Delivering quality & value-for-money for customers whilst creating value for shareholders

- **Control & fund development** Optimal hotel location, design & layout
- **Balanced freehold / leasehold** Large network, long tenure, refurb control, estate mgt.
- **Our own brand** Consistent customer offering
- **End-to-end operation** Consistent execution of high standards at low cost
- **97% direct booking** Low-cost customer acquisition & retention

- Vertical integration enables consistent priorities in all value-creating activities
- Supports end-to-end focus on quality, service & value-for-money
- Provides domestic scale to ensure customer proposition delivered at a low cost
- Clear structural advantage over sub-scale competitor set

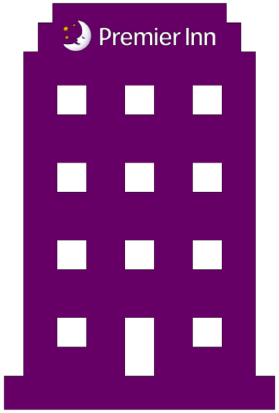
Our model | Maximising access to domestic budget sector growth

	Wholly asset-light & fully franchised	Full separation of property & operations	WHITBREAD: Integrated & mixed freehold / leasehold	Fully integrated & wholly freehold
Ability to add capacity	✓	✓	✓✓✓	✓✓
Control of site	✓	✓	✓✓	✓✓✓
Control of experience	✓	✓✓	✓✓✓	✓✓✓
Domestic scale	✓	✓	✓✓✓	✓✓
Capital requirements	Very low	Low	High	Very high

Investment model | Highly attractive unit economics

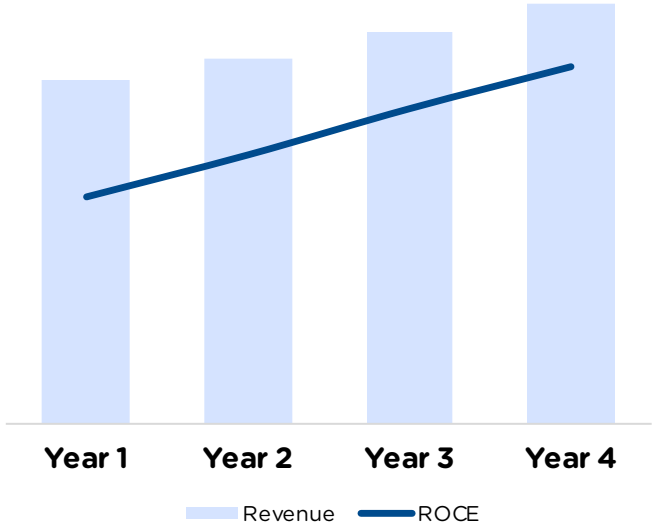
Illustrative new UK non-London 100-room hotel

	£m
Revenue	2.5
Rent (if leasehold)	(0.6)
Other costs	(1.2)
Freehold hotel profit	**1.3**
Leasehold hotel profit	**0.7**
Capital cost	**9.3**



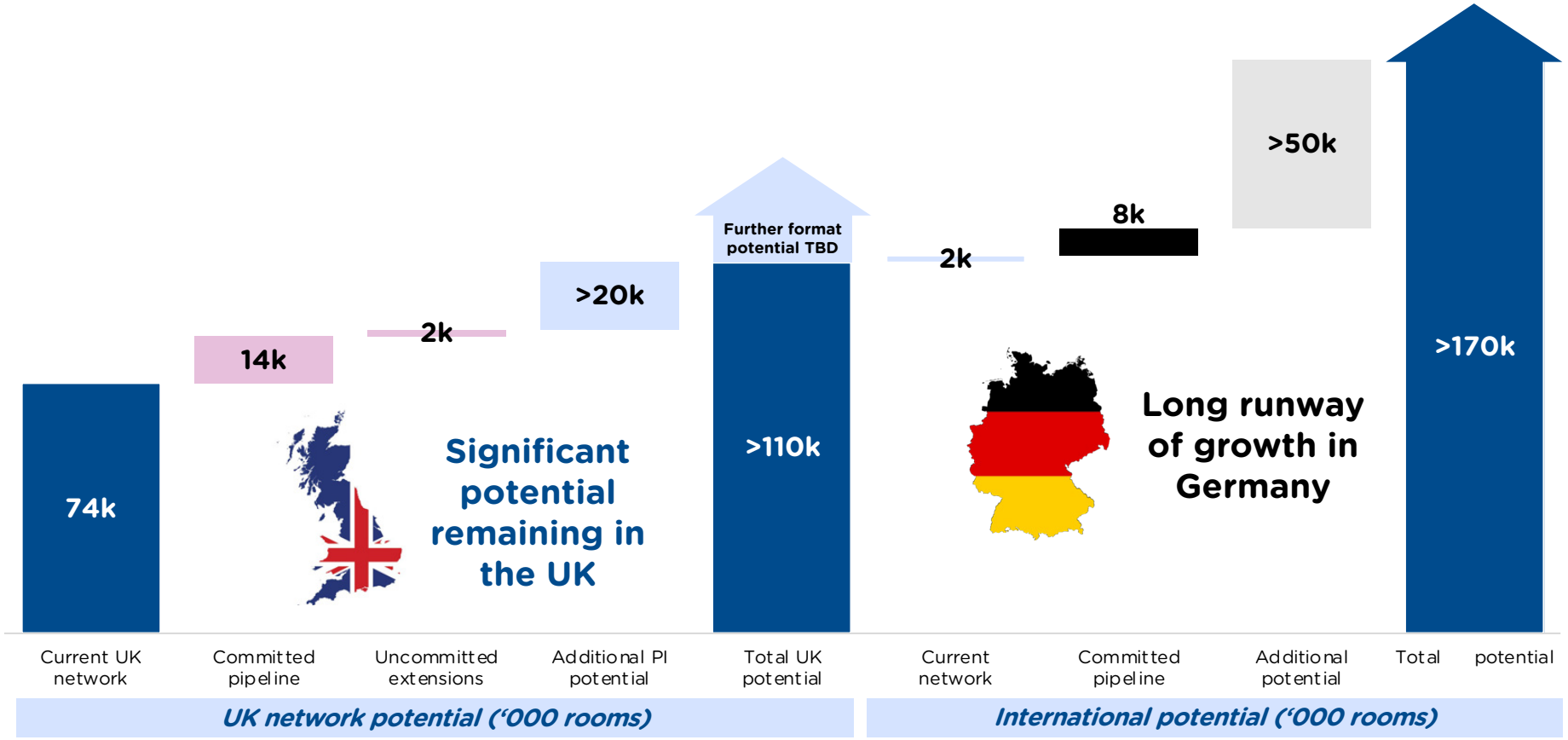
12-14% mature site-level ROCE

Illustrative maturity curve



Investing in new capacity delivers strong ROCE & good maturity

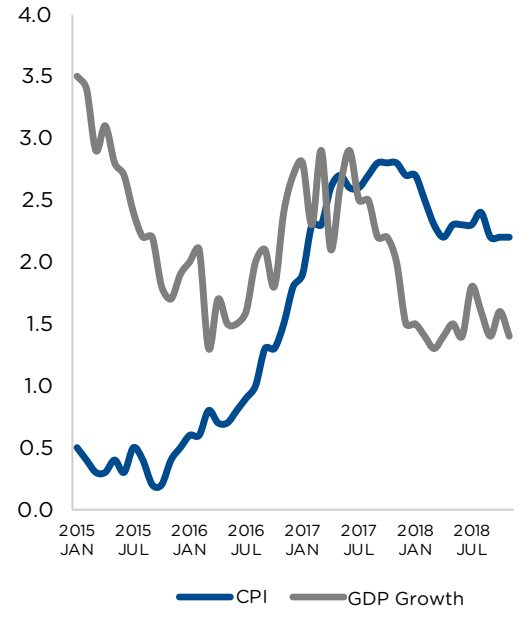
Investment model | A long runway of growth at strong ROCE



International includes Middle East

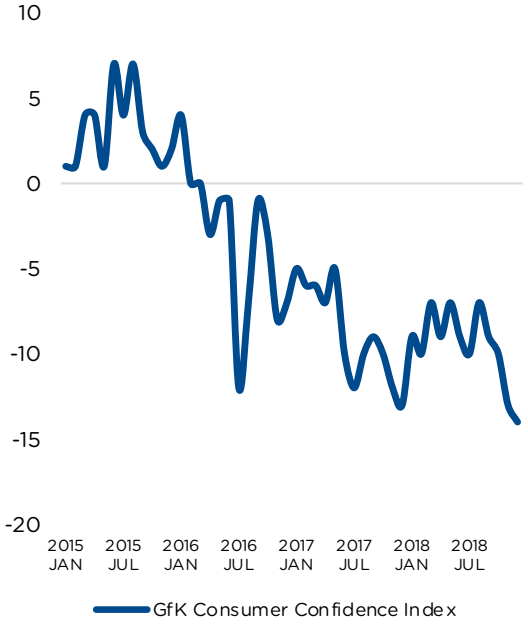
Investment model | Near-term challenges do exist

Inflation remains high



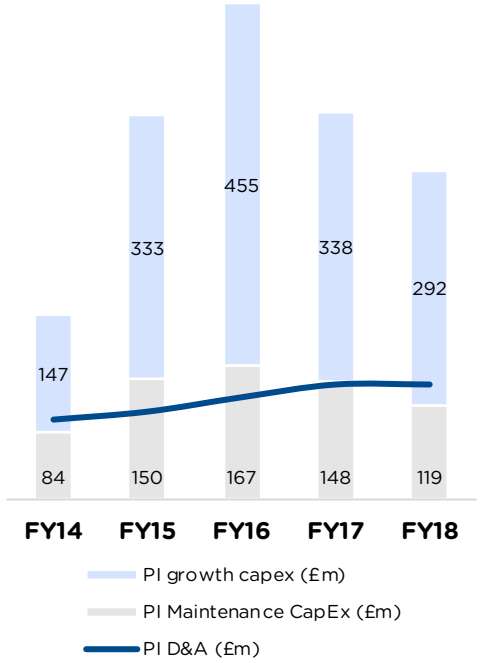
Source: Office for National Statistics

Confidence is weakening



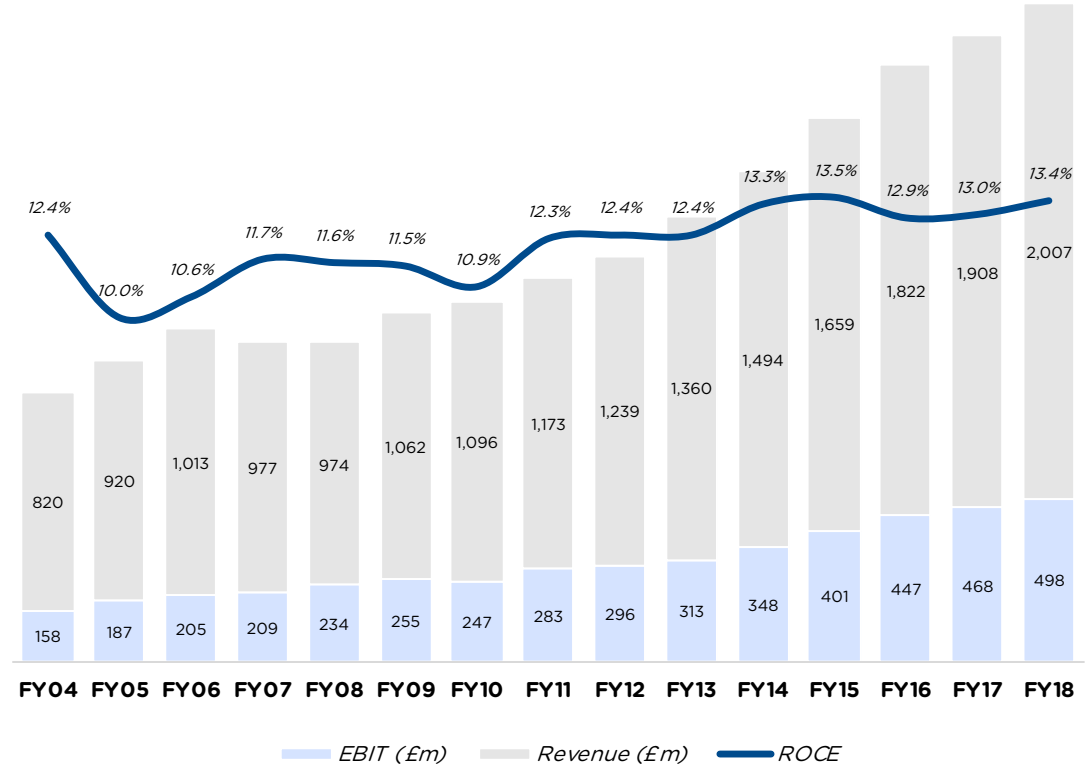
Source: GfK

Investing for long-term growth



Investment model | Rewards flexibility & through-cycle focus

Premier Inn delivers long-term sustainable performance



Premier Inn ROCE excludes central overheads

- We have delivered long-term growth at good ROCE
- We performed well in the last recession
- We grew EBIT every year over the last 15 years, other than FY10
- Our structural growth opportunities & investment model provide long-term sustainable potential
- We can invest to support our long-term ambition

Our plan | A proven strategy to create shareholder value

We have highly compelling long-term structural growth opportunities

Our unique model delivers best-in-class performance & enables growth

We are optimising our capital structure & capabilities to support long-term growth

1 Grow & innovate in core UK markets

- Network growth to >85,000 rooms secured
- Innovation supporting further capacity growth to >110,000 rooms

2 Focus on our strengths to grow internationally

- Replicate Premier Inn UK success in Germany
- Accelerate expansion organically & selective M&A

3 Optimise capability to support long-term growth

- Flexible capital structure to support growth
- Evolve business structure to deliver ongoing efficiencies
- Be a Force for Good

Creating long-term shareholder value through growth in earnings combined with strong return on capital

3. BEST-IN-CLASS OPERATIONAL PERFORMANCE

Best-in-class operational performance

a We have a unique operating model which delivers best-in-class performance & enables growth

b Operational excellence ensures industry-leading customer feedback

c Our food & beverage offering is a key competitive advantage & enables growth at an attractive return on capital

d Everyday efficiency enables us to deliver excellent value-for-money to customers whilst also earning a good ROCE for shareholders

e Our approach to property is optimised to access structural growth opportunities in domestic UK & Germany budget travel markets

Unique operating model | The world's best budget hotel business

Integrated trading

- Leading value-for-money
- 97% direct booking
- Low-cost customer acquisition & retention

Scale advantage

- Strongest hotel brand
- Largest UK network
- Economies of scale

In-house F&B model

- Hot food in all hotels
- National breakfast offer
- Dinner flexed to local area

Property flexibility

- Superior network access
- Low-cost access to capital
- Best sites at local level

Everyday efficiency

- Efficient operating structures
- Standardised model & rooms
- Ongoing opportunity to drive efficiency further

Operational control

- All hotels operated by us
- High quality experience
- Consistent execution throughout the network

Unique operating model | Industry-leading scale & performance

	Travelodge	Holiday Inn Express	IBIS	
Best-in-class direct distribution	89%	~80%	~80%	**97%**
Leading UK network	42,561 total rooms 4,751 rooms added over last 4 years	16,789 total rooms 1,558 rooms added over last 4 years	8,600 total rooms 179 rooms added over last 4 years	**74,508 total rooms** **18,051 rooms added over last 4 years**
Leading quality	3.5	6.1	3.5	**26.5**
Leading value	23.9	10.5	7.8	**37.6**

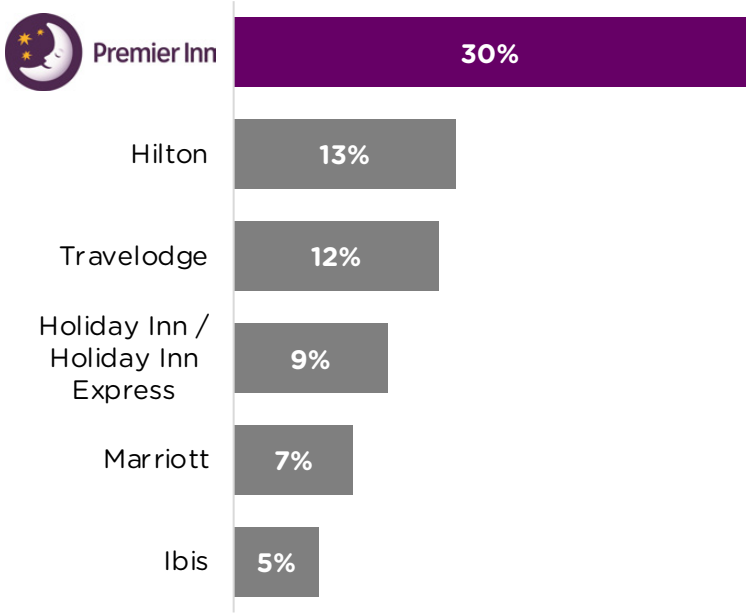
Sources: Travelodge Annual Report 2017, Morgan Stanley Research Report June 2018

Source: YouGov BrandIndex Quality and Value scores as at 31/01/19 based on a 52 week moving average.

Unique operating model | #1 choice for business & leisure

The first choice for more travellers

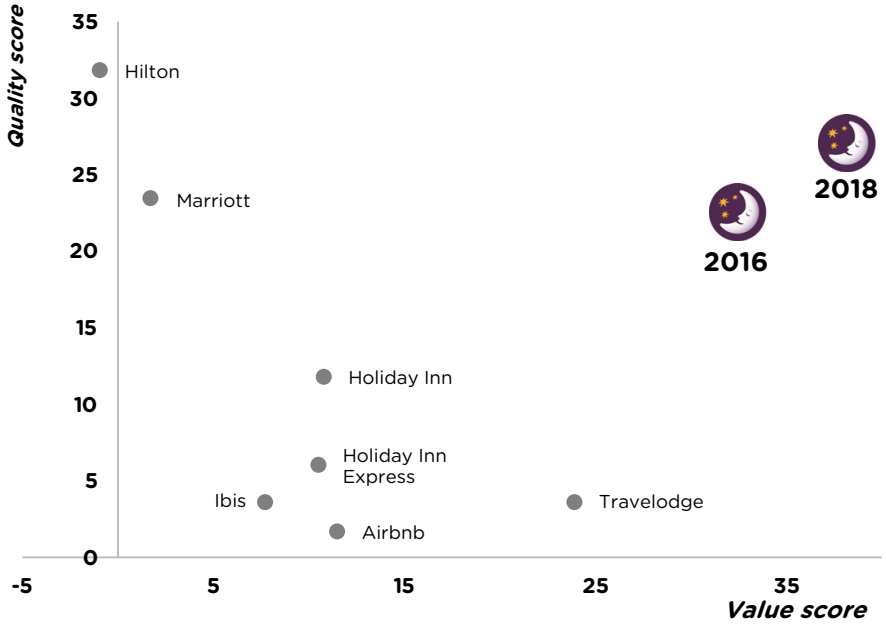
First choice consideration: "X hotel would be my first choice"*



Source: Flex MR Brand Tracker Report, Dec 2018; 2018 average

Excellent quality and value creates strong brand

YouGov BrandIndex



Source: YouGov BrandIndex Quality and Value scores as at 31/01/19 based on a 52 week moving average.

Unique operating model | A winning customer proposition

Which? Top rated hotel chain

Premier Inn rated the UK's top hotel chain for the 4th year in a row

Factors that make hotels great for guests

- Value-for-money
- Customer service
- Bed comfort
- Cleanliness

Key features of Premier Inn

- Fast electronic check-in
- Good-value breakfast
- Comfy king-size bed
- Hot powerful shower

Which? *Score out of 5* *(Ranked in order of importance to customer)*		Travelodge	Holiday Inn Express	Ibis
Total (%)	**79%**	**63%**	**70%**	**67%**
Value for money	4	3	3	3
Cleanliness	5	3	5	4
Bed comfort	5	4	4	4
Bedrooms	4	2	3	2
Bathrooms	4	2	5	2
Customer service	5	4	5	4
F&B	3	1	2	2
Communal areas	3	2	3	3
Average price	**£74**	**£63**	**£80***	**£69**

Source: Which? **includes breakfast*

Integrated trading | Strong preference for direct distribution

Acquisition channel	Cost per customer	Acquiring new customers	Likelihood to return	Preference
Direct: PI.com	Low	Medium	High	✓✓
Direct: App	Low	Medium	High	✓✓
Direct: Business booker	Low	Low	High	✓✓
Direct: Non-digital	Medium	Low	High	✓
Direct: Cost-per-click	Medium	Medium	Medium	✓
Direct: Meta-search	Medium	High	Low	✓
Indirect: OTA	High	High	Low	✗✗

Economic benefit

- Domestic, short-stay guests have high travel frequency
- Direct distribution is significantly lower acquisition & retention cost
- RevPAR doesn't show the 'quality' of revenue
- **Net RevPAR (RevPAR after customer acquisition costs) is more meaningful**

Marketing ROI

- Investment in brand awareness & digital skill sets
- Digital advertising increasingly important
- Commission structures least preferred route

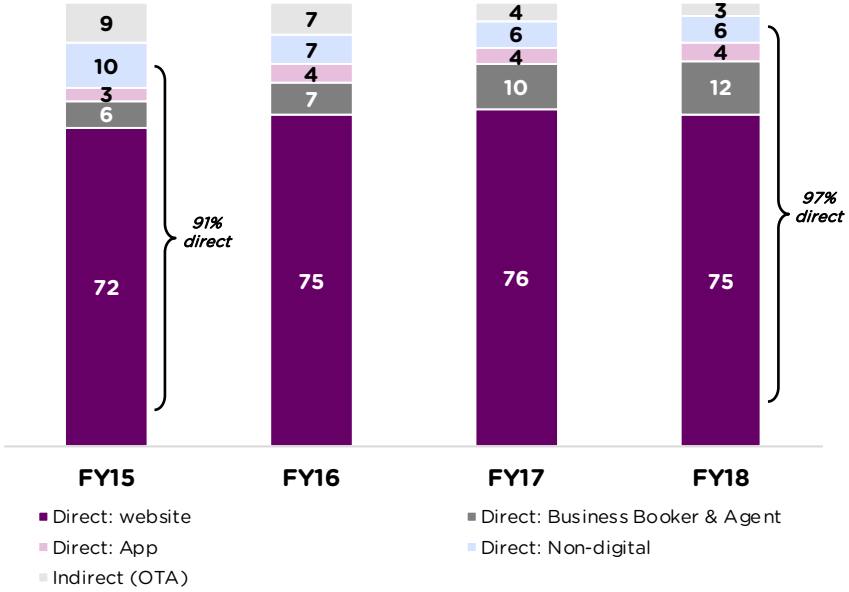
Balanced trading priorities

- Lifetime value of customer v acquisition cost
- Net RevPAR optimisation
- Ability to fill new capacity at good ROCE & maturity duration
- Balance of occupancy lead times
- Intra-week occupancy levels

Integrated trading | Market-leading customer acquisition capabilities

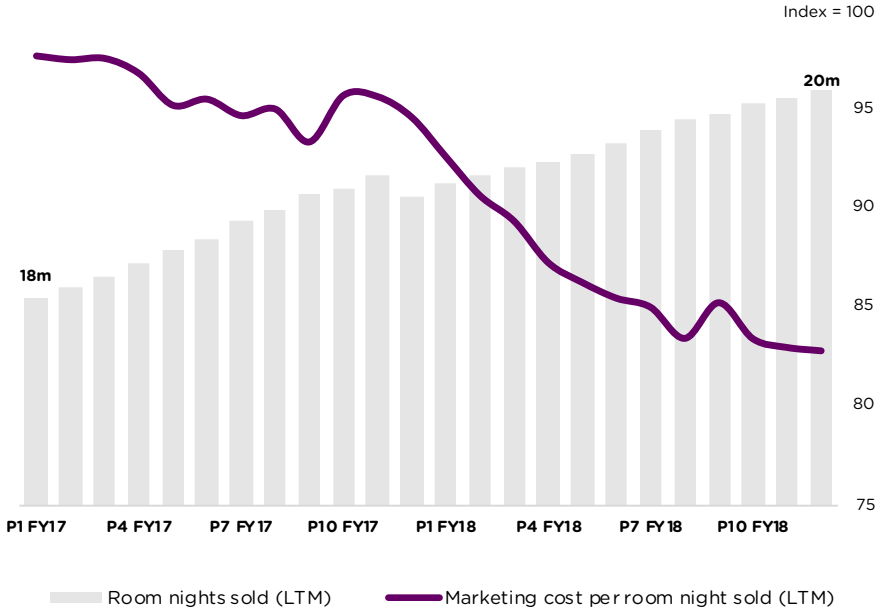
Digital innovation driving direct distribution model

97% bookings direct to Premier Inn in FY18



Non-direct (i.e. OTA) bookings decreased from 9% to just 3% in three years

Digital capabilities lowering marketing costs



>15% decrease in marketing costs per room sold due to digital market effectiveness

Integrated trading | Dynamic pricing enhances our brand proposition

Pricing supports our customer proposition

- **Value for money**
- **Availability at all sites, at all lead times**
- **Range of easy to understand price products**
- **Prices are lowest the further out you book**

Commercial benefits

- Accurate room pricing
- Prices respond in real-time to demand
- Higher occupancy on off-peak nights
- New site maturity
- Marketing and operating efficiencies

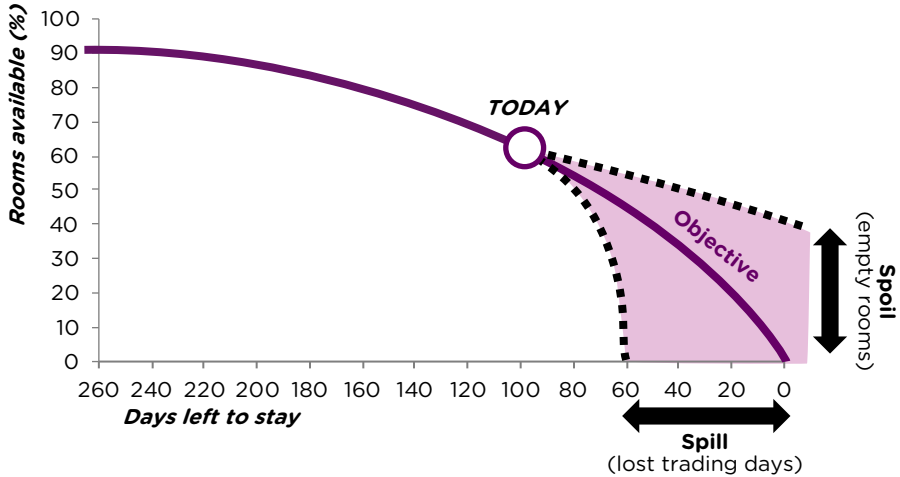
Guest benefits

- Ensures availability for guests
- Prevents over-charging
- Consistent price proposition creates trust and loyalty

Maximising yield within our customer proposition

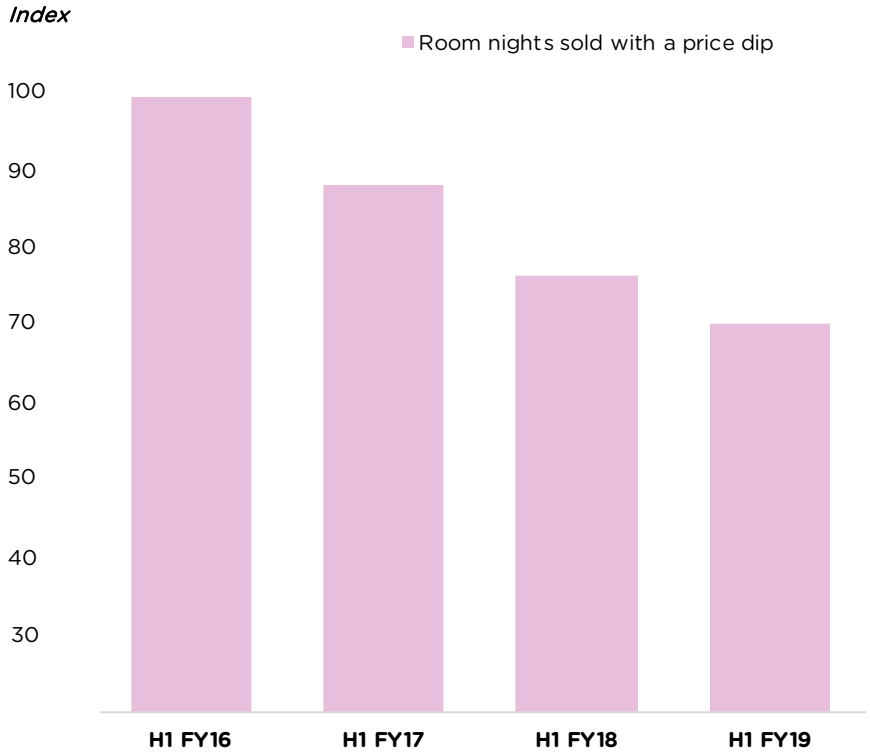
- We aim to sell our last room in each hotel on the day-of-stay at the optimal price
- We want to minimise:
  - "spoil" where we price too high and therefore have empty rooms
  - "spill" where we sell out far before the date-of-stay

Rooms available (%) vs days left to stay date



Integrated trading | Improving pricing efficiency

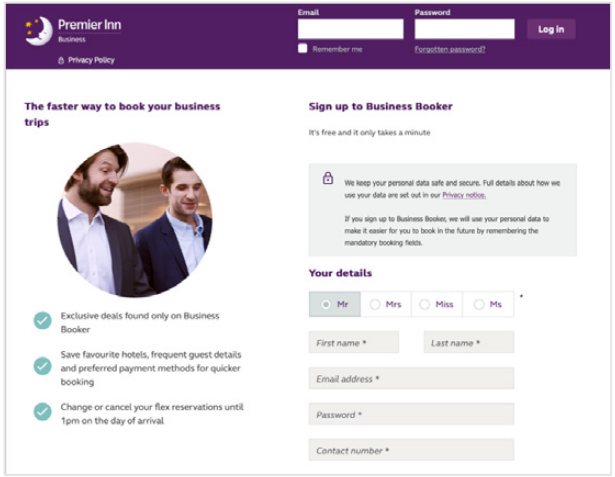
Significant improvement in pricing efficiency



- We have created a system that allows evolution & flexibility
  - highly automated & self-updating
  - enables fast response to external events
- Calibrating our system is an iterative process
  - iteration 1 = embedding the system
  - iteration 2 = improved forecasting
  - iteration 3 = increased automation
- Strong improvement in ability to fill & mature new hotels at a fast rate
- A strong platform now in place to support future innovation

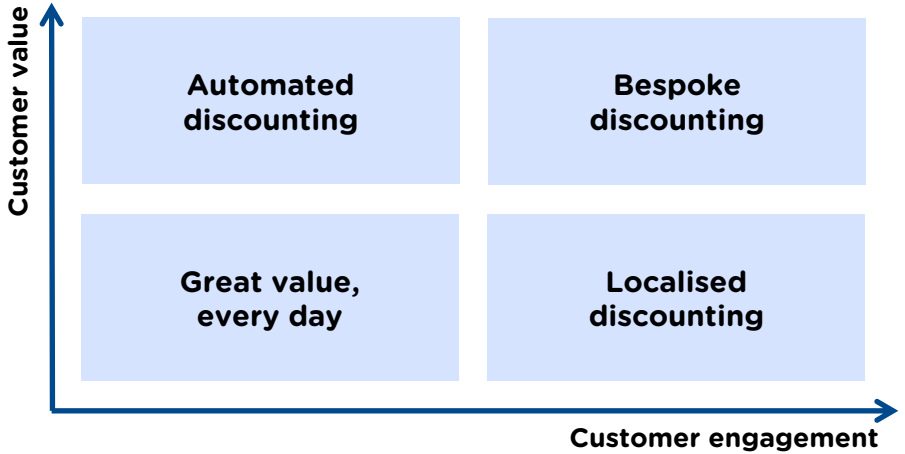
Integrated trading | Enhanced service for large corporates

Dedicated business booker platform



- Bespoke tool for corporate customers
- Increases direct reservations and enhances the experience for corporate customers
  - Fast booking experience
  - Exclusive rates available
  - Easy ability to amend bookings
  - Spend controls and reporting

Pricing benefits for business customers

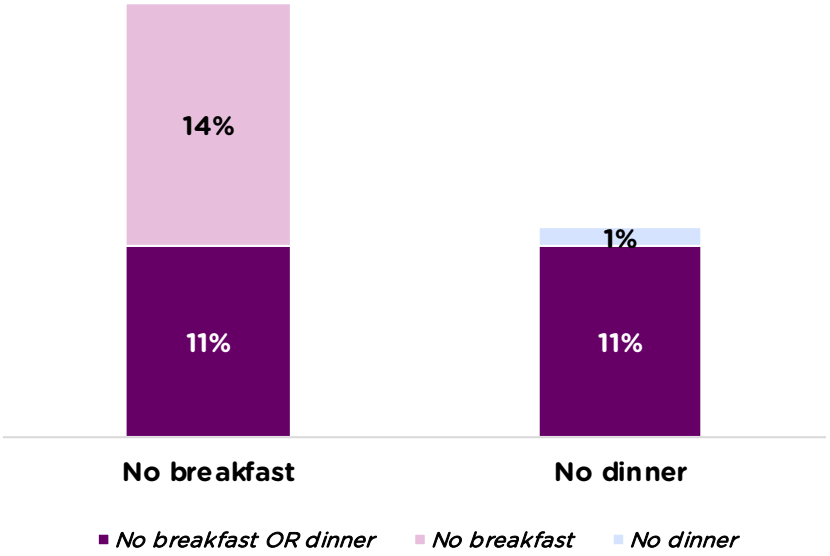


- Focus time and service level on most engaged, high value corporates
- Engaged, low value corporates tend to be concentrated in one or two locations
- Automated discounts allow us to service large accounts who require a light touch service

In-house F&B model | Our guests value good F&B

F&B is fundamental to achieving high occupancy

25% of Premier Inn guests would not stay if we did not offer a good breakfast



Our guests prefer our in-house F&B offer

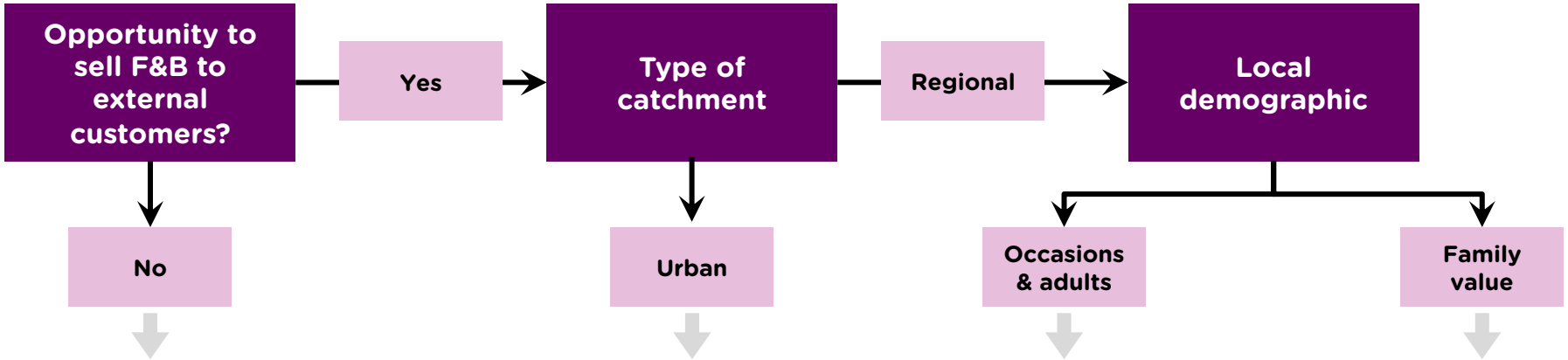
Where we control F&B we deliver a better guest experience & achieve better RevPAR

F&B offer	Average RevPAR	Guest Scores
Thyme	£48.20	4.1
Bar + Block / Beefeater / Brewers Fayre	£48.00	4.0
Third-party breakfast & dinner	£45.67	3.8

Average RevPAR adjusted for catchment impacts

Guest score out of 5 (5 = definitely recommend)

In-house F&B model | Format flexibility to optimise site-level ROCE



thyme BAR & GRILL

x273

- Inside hotel
- Lower capital cost
- Majority hotel guests
- Value-based offer

BAR + BLOCK

x7

- Inside hotel
- Higher capital cost
- Majority external guests
- Mid-market steak-based offer

Beefeater

x168

- Adjacent to hotel
- Higher capital cost
- Majority external guests
- Mid-market steak-based offer

COOKHOUSE and PUB

Brewers fayre

Table Table

x247

- Adjacent to hotel
- Medium capital cost
- Majority external guests
- Value-based offer

In-house F&B model | Proposition, innovation and driving spend

Investing in the F&B experience

Beefeater refurbishment programme delivered a £1.15 RevPAR uplift in 2017

+£1.15 RevPAR

Brewers Fayre refurbishment programme delivered a £1.85 RevPAR uplift in 2017

+£1.85 RevPAR

Innovation to increase customer scores & spend

Engaging customers	• Focus on acquisition & retention • On site communication about F&B • Upsell during hotel booking
Proposition	• Continue refurbishment programme • Offer suited to hotel type, size & area • Refine opening hours
F&B innovation	• Menu architecture • Focus on quality & nutrition • Drinks category management
Profitable value levers	• Good value F&B (meal deals) • Loyalty • Pricing strategy

Operational control | Consistent quality through central control

- Delivering great service
- The right team, in the right place, at the right time
- Match supply & demand efficiently
- Ensures consistent & efficient execution

Site labour models

Strong brand standards

- Focus on customer satisfaction drivers
- Consistent delivery of excellent essentials
- One way of operation for all sites across the estate

Highly engaged team

- Network-wide consistent focus
- Strong linkage to incentive schemes
- Reinforced through line manager accountability

Clear site-level KPIs

Refurbishment cycle

- Prioritises rooms to ensure network consistency & guest satisfaction
- High consistency of room design & experience

Operational control | Highly engaged team

Recruitment

We have ~30,000 team members

Across ~800 sites

1,000-2,000 new jobs created every year

Engagement

Consistently ranked as a top UK employer

One of the best big companies to work for

Pay for progression

- All above NMW & majority above NLW
- Result of pay for progression initiative

Development

Apprenticeship programme

- Pay for skill-set
- >3,000 completed

Graduate scheme

- Detailed training programmes for recent graduates in operations and Head Office

Personal development

- Individual goals set and measured
- Skills academies and development workshops train on-site teams

Highly engaged team & outstanding customer service

Operational control | Strong brand standards

One high standard for all sites

- **Arrival** — Warm, friendly welcome by team
- **Bed** — King-size hypnos, perfectly presented
- **Shower** — Power shower
- **Breakfast** — Choice and good value for money

Consistent product & service

Extract from Brand Standards Operational Manual

1. Crisp white linen & plump pillow
2. Duvet neatly placed halfway over the pillows & tucked in at the base of the bed, with tucks at both sides
3. All linen must be free from hair, stains & holes

Comprehensive site audits

Management controls

↓

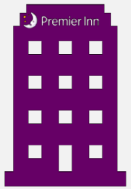
Risk management & controls

↓

Internal & external site audits

Operational control | Refurbishment cycle

Central decisions made across the estate

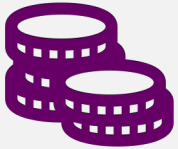


- Prioritises hotels based on age, usage & customer type
  - Older hotels refurbished first
  - Hotels with higher occupancy refurbished more frequently
  - Hotels skewed to leisure tend to require higher levels of upkeep

Importance of consistent refurbishments

- Customers demand same experience across ~800 hotels
- Optimal mix of quality & value to support the brand proposition
- Refurbishments provide:
  - Customer satisfaction
  - Value for money
  - Likelihood to return

Reducing the costs of refurbishment



- We have reduced refurbishment costs per room by more than 30%
- The guest experience has been maintained through more efficient use of capex:
  - Sanding and refinishing desks instead of replacement
  - Furniture retained and built on, rather than removed and replaced

Operational control | Refurbishment cycle

Initial investment

£10k initial investment focusing on what matters most to short-stay guests

- High quality hypnos mattress and choice of pillows
- High specification bathroom, with power shower
- Large flat screen television
- Bedside sockets to charge devices
- Large desk

Ongoing refurbishment

Light refurbishment to ensure product quality and consistency

- Replace soft furnishings (curtains, carpets)
- Paint & decorate

Bathroom re-fit plus other soft furnishings

- Bathroom gutted and replaced with new fixtures and fittings
- Paint & decorate
- Bed replaced

Operational control | Clear site-level KPIs

Clear KPIs aligned to business-wide objectives driving site-level performance

Customer Heartbeat

- Guest experience & safety are central
- Guests rate quality of service, room cleanliness and F&B service
- Fire safety & food hygiene scores measured

Profitable growth

- Detail site-level analysis
- Focus on site-level controllable areas
- Labour costs vs budgeted costs (modelled hours)
- Percentage of guests using F&B

Winning Teams

- Every team member is accountable to ensure site-level success
- Team engagement levels and retention are measured at site level

Force for Good

- Whitbread sustainability targets are reflected in team member incentives
- Apprenticeship level reported by region

Consistent, clear messaging across ~800 hotels

Results against objectives are reported monthly

Operational control | Site labour models

Controlled labour models using a number of tools

Technology

- Automation of compliance activities through Co-Pilot management tool
- Systemised room allocation tool
- Knowledge management & labour scheduling for F&B

Team structures

- New multi-site management structure & de-layering of management per site
- In-sourced housekeeping contracts from external providers giving our teams more control

Labour allocation

- Clear reporting for short-term labour scheduling (e.g. expected occupancy)
- Continued review of staffing levels & how we flex them for guest volume
- Simplification and reallocation of tasks

Examples of labour cost savings

- Improved tools to do the job have saved c.90 seconds per room for our housekeeping team
- Total saving: >£3m

- New management structures & in-sourced housekeeping
- Total saving: >£5m

- Simplification of the linen management process and reallocation of tasks to minimise inactive time
- Total saving: >£3m

Format innovation | Hub enabling greater site & customer reach

Rationale

- 13% ROCE in high land value areas through greater site efficiency
- Price and value for money position maintained

Performance & guest feedback

- c.80% average occupancy
- 50:50 business leisure mix
- c.72% TripAdvisor score 5/5

Key aspects of hub

- City centre locations
- Close to attractions & business destinations
- Well-connected to transport links

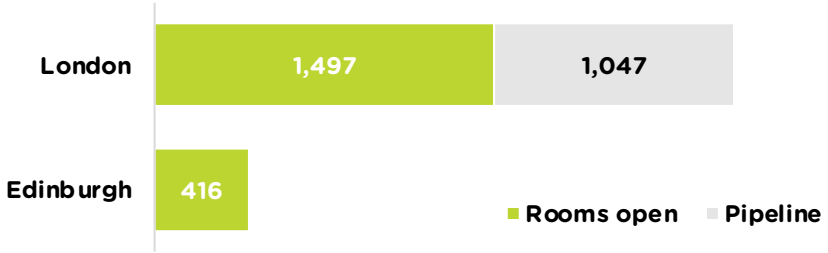
- High spec design & materials compensates for smaller room sizes
- Modern room & bathroom
- High level of cleanliness

- Video on-demand in all rooms
- Smartphone controlled lighting & A/C
- Free, high speed wi-fi is critical

- Great service, location, experience & price ensure high value-for money scores

Format innovation | New catchment opportunities with hub

Current hub rooms and pipeline



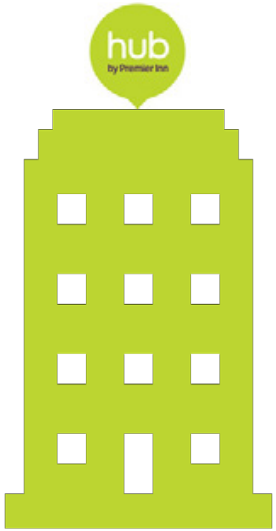
New catchment opportunity

- Potential to expand into larger UK cities with high land values & high room rates
- Still to be defined room opportunity

Target cities:

Bath | Manchester | Oxford | Glasgow

Unit economics (vs Premier Inn)



12-14% mature site-level ROCE

		hub
Revenue	£2.5m	Higher
Rent (if leasehold)	£(0.6)m	Higher
Other costs	£(1.2)m	Similar
Freehold hotel profit	**£1.3m**	Higher
Leasehold hotel profit	**£0.7m**	Higher
Capital cost	**£9.3m**	Higher
Maturity	1-4yrs	1-3yrs

Format innovation | Zip trial targeting new customer groups

ZIP by Premier Inn

Prices start at £19 per room

Concept

- Innovative small, simple format
- Clear customer, product & price differential to core Premier Inn proposition
- Rooms targeting customers seeking extra value

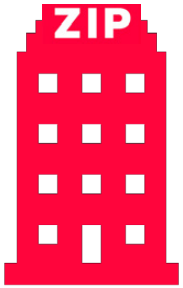
Design

- 8.5m² room – 40% the size of a Premier Inn room
- Clever space saving features throughout
- Large communal area work and socialising space

Rollout

- First ZIP trial opening in February 2019 in Cardiff
- Second trial site in Southampton
- Potential for other locations on the outskirts of regional city centres across the UK

Unit economics (vs Premier Inn)

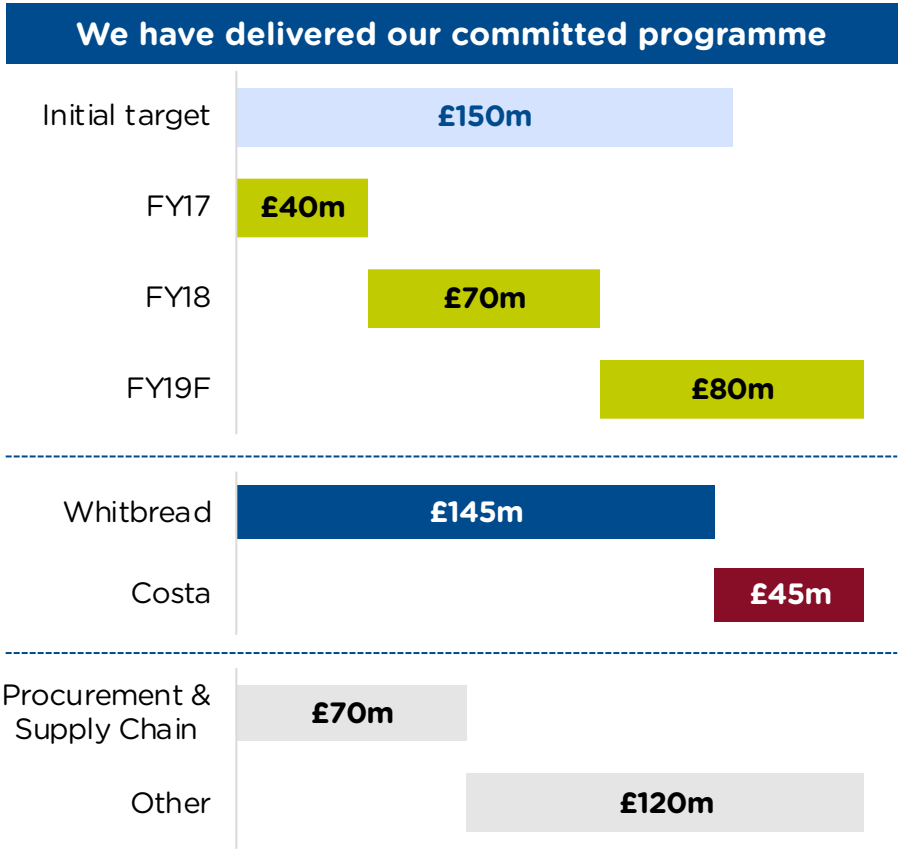


Targeting similar mature site-level ROCE

		ZIP
Revenue	£2.5m	Lower
Rent (if leasehold)	£(0.6)m	Lower
Other costs	£(1.2)m	Lower
Freehold hotel profit	**£1.3m**	Lower
Leasehold hotel profit	**£0.7m**	Lower
Capital cost	**£9.3m**	Lower

15 MINUTE BREAK
(PLEASE DO ZIP OVER TO OUR MOCK-UP ROOM)

Everyday efficiency | We have made strong progress over last 3 years



- We began our first efficiency programme 3 years ago covering Whitbread & Costa
- We exceeded our 5-year ambition in just 3 years
- Plus further £35 million of capital savings
- Key focus areas:
  - direct supply
  - product & service specification
  - supplier consolidation
  - supply chain
  - team productivity

Everyday efficiency | End-to-end approach delivers significant saving

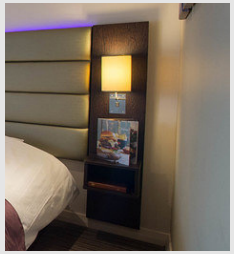
Case study: Television procurement

- Large flat-screen TV is a key feature of every Premier Inn room
- Previously all TVs were branded & indirectly sourced

Specification	Screen size & quality Not brand or source of supply
Sourcing	Shanghai-based sourcing & shipping
Negotiation	Forward buy commitment
Logistics	Controlled stock-flow from manufacturer to hotel

30% saving with no customer impact

Case study: Furniture procurement



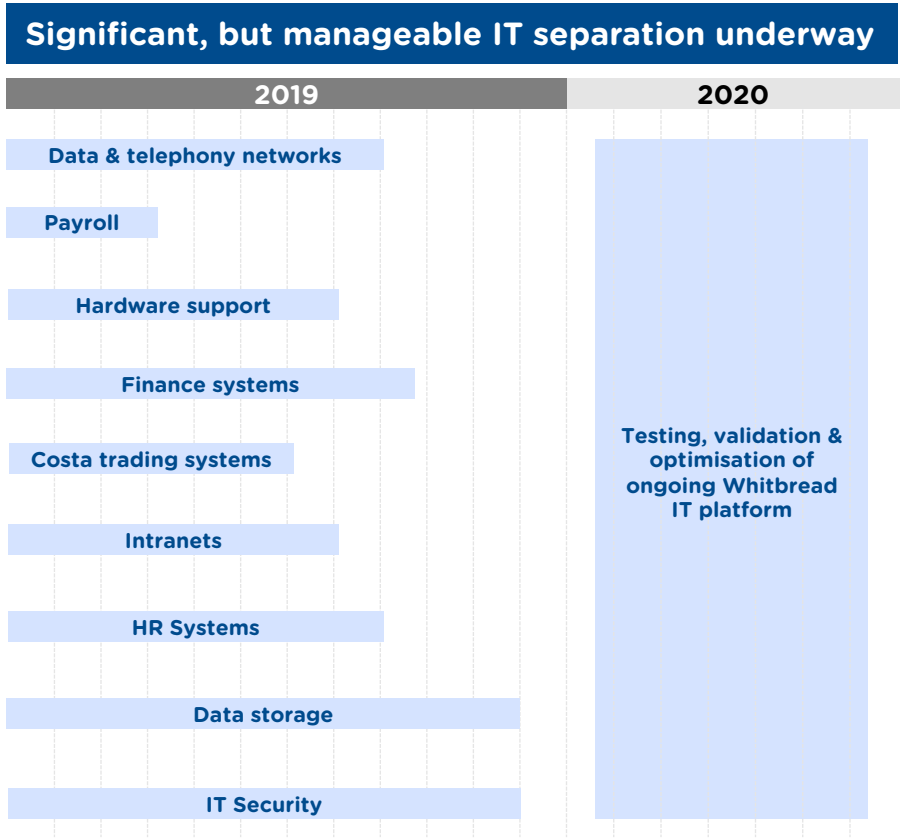
- All Premier Inn rooms have a number of furniture items (wardrobe, desk, bedside tables)
- Previously assembled on-site

Specification	Work completed at source, not at point of installation (e.g. wiring)
Sourcing	Consolidation of orders at adjacent production centers
Negotiation	Forward buy commitment
Logistics	Container load optimisation Negotiated shipping rates

Reducing future room fit-out costs

Everyday efficiency | A focused separation of Costa is underway

- Significant work already delivered in 125 days since Transaction announced
  - shared service teams re-aligned
  - 80% of supplier contracts separated
  - IT separation scoping & started
- Scale of IT separation requires large part of ongoing Whitbread team
- IT separation work is significant but within our control to mitigate trading disruption or delays
- Ongoing cost recovery through TSA



Everyday efficiency | We've run a lean 'Group' model for many years

WHITBREAD CORPORATE

Executive
Board
ExCo

Finance
Reporting
Treasury
Internal Audit
Investor Relations
Tax
Strategy

Legal
Company Secretariat
Legal support

HR
Talent development
Rewards
Pensions
Communications

Premier Inn

Premier Inn Executive Team

Premier Inn UK

Hotel operations
F&B operations
Marketing
Property
Customer insight
Human resources

Premier Inn Germany & International

Hotel operations
F&B operations
Marketing
Property
Customer insight
Human resources

Commercial (pricing, digital distribution)

Finance & network planning

Production design & innovation

COSTA

Operational & commercial functions

WHITBREAD SHARED SERVICES

IT & Digital
Information security
Web design & hosting
Systems architecture
Dev. / implementation

Procurement
Product & service specification
Tendering support

Supply chain
Service design
Operational management

Everyday efficiency | Evolving to a single business structure

Executive Committee — WHITBREAD — *Chief Executive* | Alison Brittain

UK Operations & Commercial	Property & International	Human Resources	Supply Chain & IT	CoSec & Legal	Finance
Simon Jones	Mark Anderson	Louise Smalley	Nigel Jones	Chris Vaughan	Nicholas Cadbury
UK hotel operations	Germany operations	Recruitment	Procurement	Company Secretary	Commercial finance
UK F&B operations	Germany M&A	Talent development	Transport & logistics	General Counsel	Network planning
Commercial	Property acquisition	Rewards	Digital development	Sustainability & CSR	Financial reporting
Brand & marketing	Property development	Pensions	IT infrastructure	Governance	Treasury & Tax
Design & innovation	Estate management	HR Services	Change management		Internal audit
			Costa separation		Investor relations
					Strategy and M&A

Evolving to a simpler, slimmer & more agile organisational structure

Everyday efficiency | Extending our medium-term ambition

A £1.6 billion total cost base

Above site costs	• Central overheads
Other controllable site costs	• Utilities, repairs, laundry
COGS	• Food & drink
Occupancy & other fixed costs	• Rent, D&A & rates
Site labour	• A 30,000 team across 800 hotels • Principally activities are housekeeping, reception and F&B

Opportunity for Everyday Efficiency

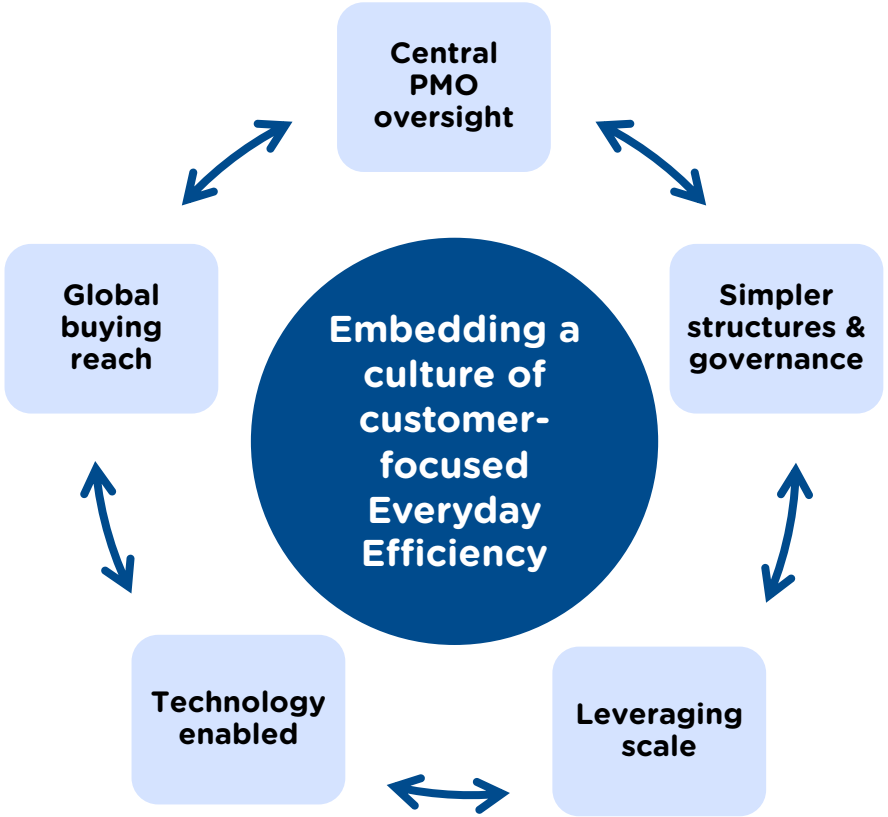
- End-to-end review of costs & requirement undertaken
- Simpler post-Costa structure enables enhanced focus
- Significant opportunity remains in key areas:
  - procurement
  - supply chain
  - team productivity
  - central support costs
  - occupancy costs

Further £220 million savings over next 3 years

- **£120 million OpEx**
- **£100 million CapEx**

Everyday efficiency | Delivering sustainable, long-term savings

- Efficiency is being embedded into our everyday operating model
- Ensuring core customer proposition & service remain strong
- Strong professional expertise to deliver end-to-end approach



- Utilising technology to enable focus & productivity
- Leveraging our increasing scale ensures ongoing savings
- Simpler single-business structures
- Infrastructure that enables global buying

Force for Good | Integrated throughout our operating model

Opportunity

- Being a place where everyone can reach their potential
- Being the most inclusive hospitality business
- Industry-leading training & development schemes

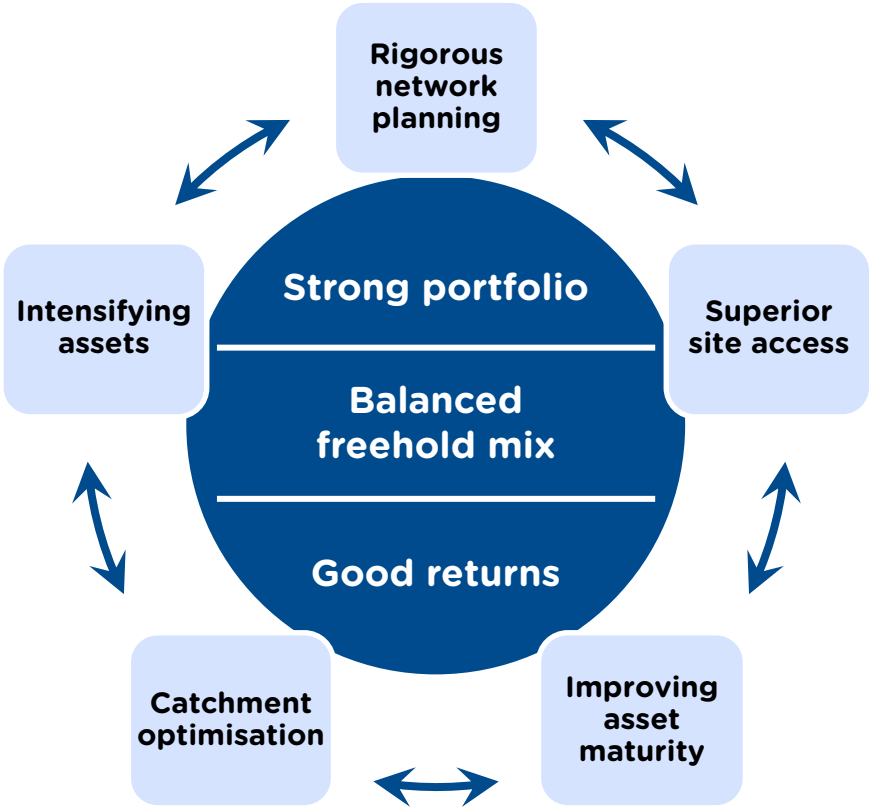
Community

- Making meaningful contributions to the customers & communities we serve
- Raising £10 million for chosen charities by 2021
- Supporting the wellbeing of our customers

Responsibility

- Sourcing products & services responsibly & with integrity
- Strong Dow Jones Sustainability Index scores
- Minimising our impact on the environment

Property flexibility | Delivering growth & improving asset efficiency



- Flexible approach to property is essential to deliver growth ambition
- Rigorous network planning underpins estate management framework
- We have a strong & valuable property portfolio
- Significant opportunities to optimise our property portfolio
  - extensions
  - re-development
  - catchment enhancement & exit
  - selective property-backed funding

Property flexibility | A strong, valuable property portfolio

Property portfolio valuation

Valuable estate

- Current market value of the freehold property of £4.9-5.8 billion
- This is based on:
  - individual sale & leaseback transaction values
  - yield range of 4.5-5.0%
  - rent cover range of 2.25-2.40x
  - includes £400 million NBV assets under construction & non-trading

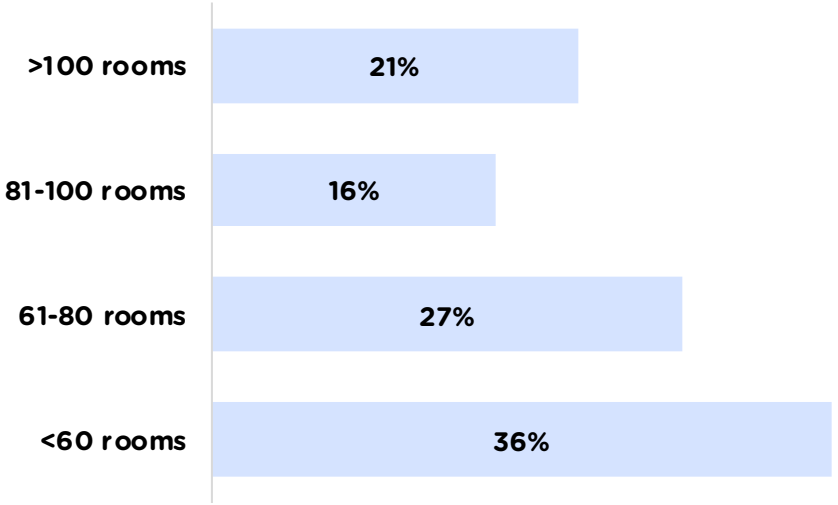
Strong covenant

- c.63% of estate is freehold
- c.90% of freehold estate is ex-London
- Freehold underpinning gives Whitbread a strong covenant

Good yields

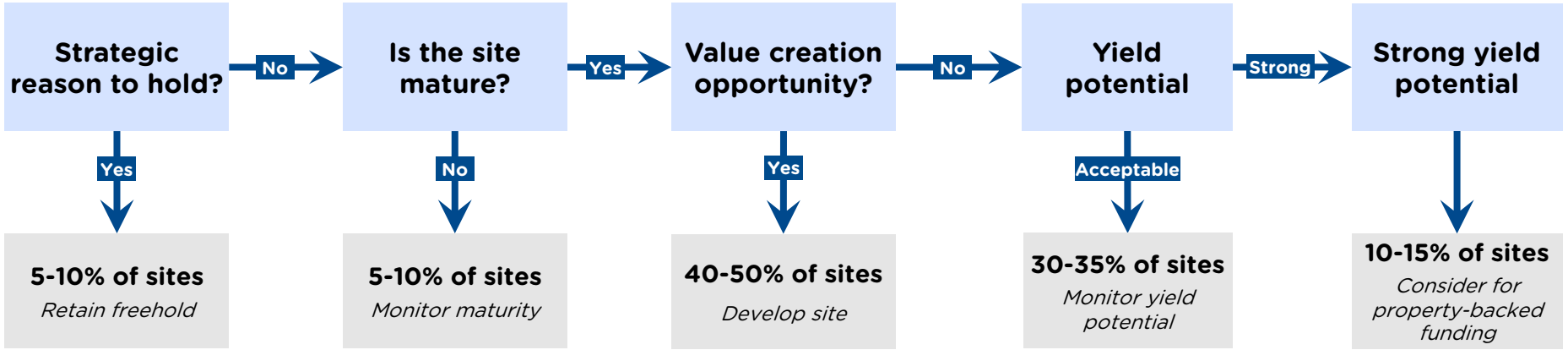
- Good yields reflect our strong covenant
- Yield range reflects the spread of property locations and type

Broad range of mature property sizes (# rooms)



- Property profile a function of legacy network & our model able to access smaller catchment sizes
- Pipeline focused on larger sites with greater operational leverage
- Opportunity to extend & exit some sub-scale sites

Property flexibility | A strong, valuable property portfolio



- Sites with strategic rationale for retaining
- Sites with a charge to the pension trustee

- Recent developments that are not yet fully mature
- Monitor performance for future potential

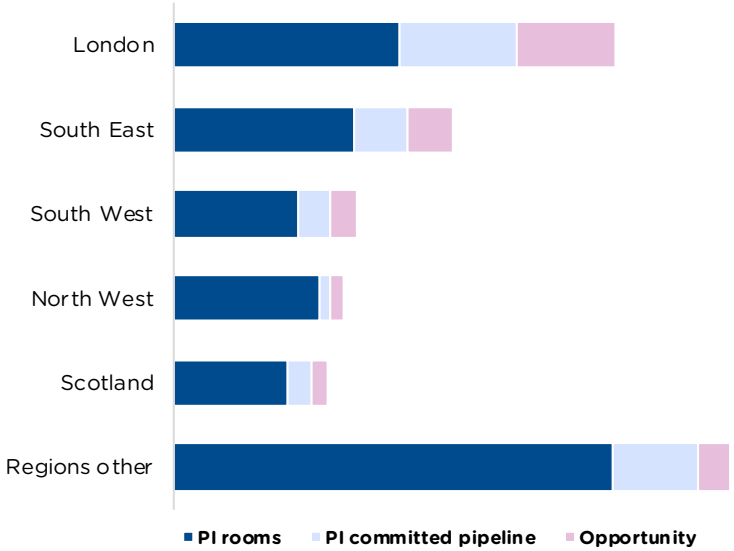
- Potential to extend
- Potential to reconfigure
- Potential to exit as part of catchment optimisation

- Mature sites with limited property value creation opportunity
- Smaller sites & regional locations

- Sites that have potential to be sold & leased back
- Subject to capital structure & funding considerations

Property flexibility | Superior site access

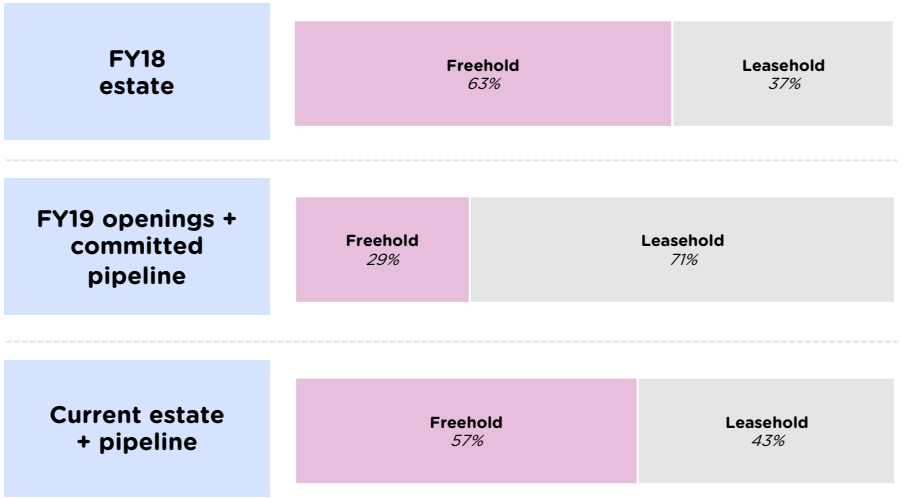
London presents the biggest opportunity for growth



- Over 50% of the opportunity is in London & South East
- Higher proportion of sites available in London & city centres are leasehold developments

Mixed freehold / leasehold model unlocks opportunity

Premier Inn future estate reflects London capacity addition



- Access to specific locations is crucial for brand & ROCE
- Premier Inn's unique ability to use both freehold and leasehold gives us access to the best sites in all catchments

Property flexibility | Rigorous network planning

Hotel market analysis

Current supply

Branded budget	Non-branded budget
Independent	Upmarket branded

Catchment model

Balance of current supply & demand

Current demand

Domestic business	Domestic leisure
Inbound business	Inbound leisure

Hotel market forecast

Forecast supply

Branded budget	Non-branded budget
Independent	Upmarket branded

Forecast model

Forecast supply & demand

Forecast demand

Domestic business	Domestic leisure
Inbound business	Inbound leisure

Premier Inn opportunity

Addressable share

Market occupancy	Purpose of stay
Independent decline	Brand growth

Potential model

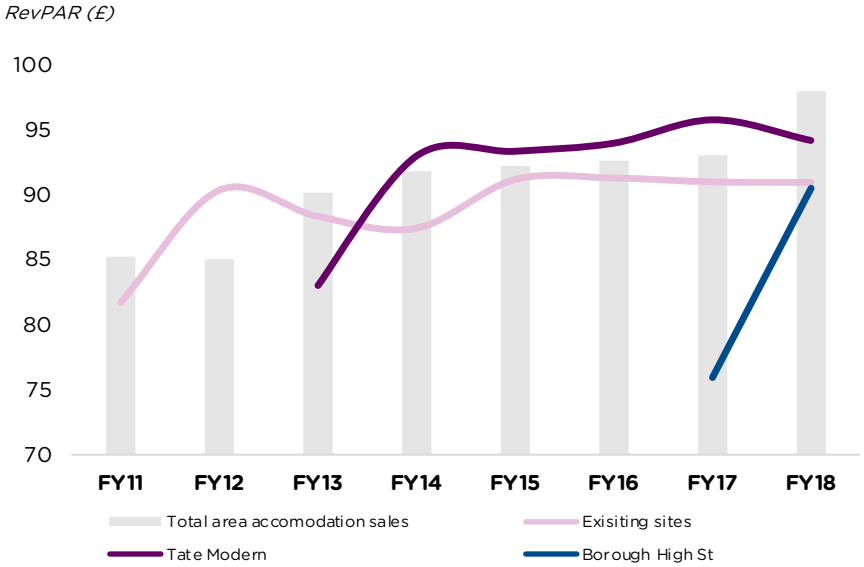
Premier Inn opportunity

Value

Average room rate	Dynamic pricing
RevPAR dilution	F&B potential

Property flexibility | Improving asset maturity

Catchment case study: Southwark



- Strong maturity of new capacity in approx. 1 year supported by the Automated Trading Engine
- Short-term RevPAR decline as expected, followed by recovery in 2-3 years

Attractive unit economics

- 1-3 year maturity duration
- 12-14% site-level ROCE at maturity

Total catchment accommodation sales

- Total cluster accommodation sales doubled through new capacity (221 new rooms)

Property flexibility | Catchment optimisation

"Perfect portfolio" strategy

Look at catchment as a 'blank page'

- Calculate total room opportunity
- Determine best location for sites
- Optimum room number per hotel
- F&B brand

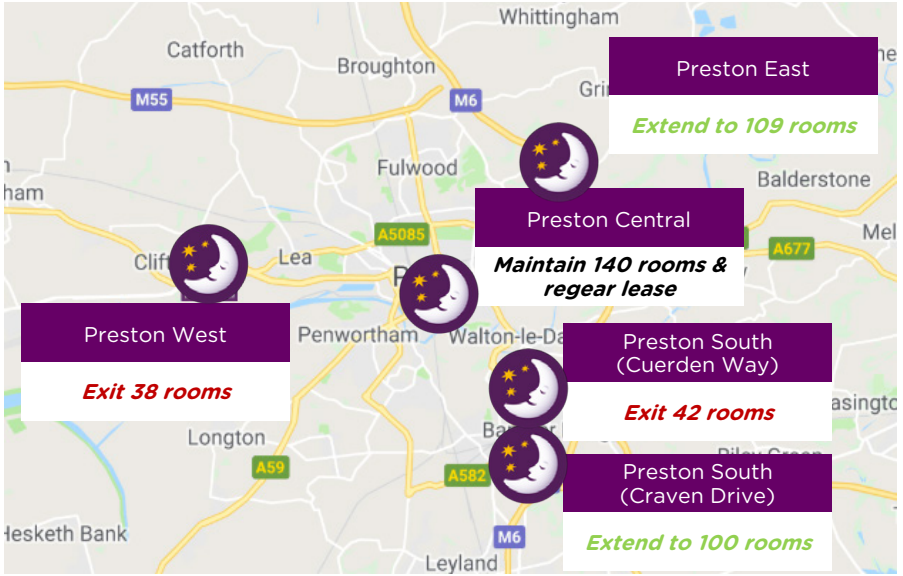
Review current sites location & performance

- Site extension & refurbishment
- New sites
- Potential site exit
- F&B conversion

Site visits to confirm strategy

- Feasibility study by catchment and site
- Final proposal
- Completion of proposed changes

Catchment case study: Preston



- Extending to existing hotels to maintain catchment capacity & improve ROCE on existing sites
- Releases capital by exiting two sub-scale hotels

Property flexibility | Intensifying assets

Strategies for asset intensification

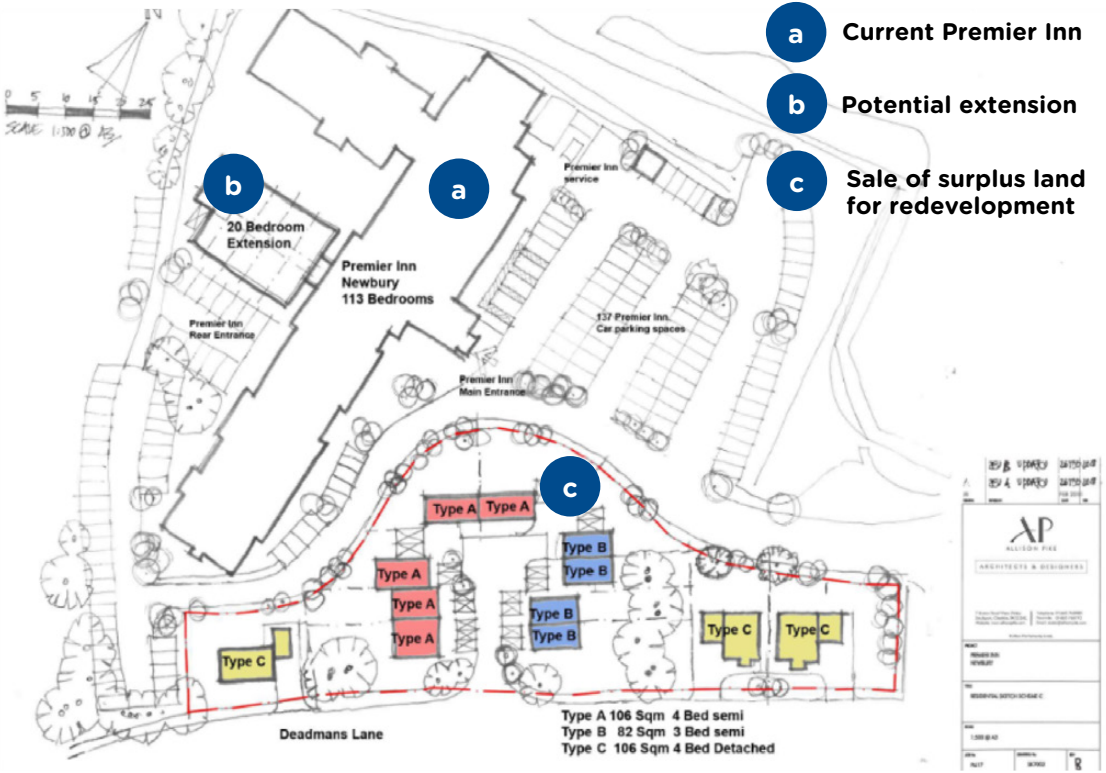
1 Space optimisation & extension opportunity

- Reallocation of parking & sewer diversion
- Releases an acre of land for residential development

2 Reallocation of surrounding hotel land for sale

- Land placed on the market with offers received from residential developers
- Proceeds of £0.5 million after the cost of necessary site works
- Retained land still provides extension opportunity

Case study: Newbury



Germany | Leveraging UK model & scale advantages

Integrated trading

- 100% direct booking in Frankfurt
- Selective OTA use on expansion
- Focused direct marketing

Scale advantage

- Build the brand quickly
- Significant pipeline enhanced through M&A
- Leverage UK procurement

In-house F&B model

- Continental style breakfast
- Good value dinner option

Property flexibility

- Mixed freehold / leasehold
- Access to capital
- Best sites at local level

Everyday efficiency

- Low cost operations
- Demand-driven pricing model
- Deliver best value for money

Operational control

- All hotels operated by us
- Standardised room types
- Strong central control

Germany | Proving the business case in Frankfurt

Frankfurt hotel performing well

- Opened February 2016
- 210 rooms
- 65% business / 35% leisure guests
- 85% domestic German travellers
- Occupancy increasing inline with plans to mature market level – without any OTA usage

Frankfurt hotel performing well in mature market

FY17	FY18	HY19
PI Occ: **46%**	PI Occ: **62%**	PI Occ: **66%**

Premier Inn Frankfurt Messe is a 2019 Travellers' Choice Award Winner

- TripAdvisor Traveller's Choice Award 2018 & 2019
- #1 rated hotel on TripAdvisor out of 276 hotels in Frankfurt

TRUSTYOU

93	91	84	83	79	77
	Motel One Frankfurt Messe	Hampton by Hilton	Flemings Express	Holiday Inn Express Frankfurt Messe	Ibis Frankfurt City Messe

Germany | Premier Inn proposition positioned to win in Germany

Large TV & desk

Luxury headboard

Hypnos mattress

Free wi-fi

Choice of pillows

Flexible for family use

High quality brassware & sanitaryware

Hot powerful shower

Integrated ground floor

F&B area, lounge & working space

Germany | Emulating the UK direct distribution model

Start with a great product

- Focus on high quality rooms
- Differentiating value proposition
- Specific localisation of product & service

Direct booking focus

- Drive direct bookings as a priority
- Dynamic pricing for best value-for-money
- Potential OTA use for specific hotels

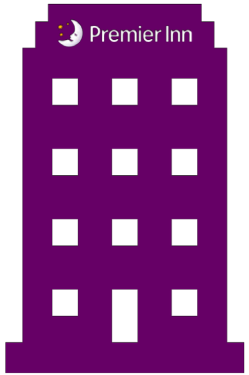
Target leisure guests

- Local German marketing team
- Broad multi-channel strategy
- Increasing online & offline media spend

Target business guests

- Local B2B sales teams
- Tailored pricing structures
- Tailored of B2B solutions set up

Unit economics (vs Premier Inn UK)



10-14% mature site-level ROCE

Revenue	£2.5m	**Higher**
Rent (if leasehold)	£(0.6)m	**Higher**
Other costs	£(1.2)m	**Similar**
Freehold hotel profit	**£1.3m**	**Higher**
Leasehold hotel profit	**£0.6m**	**Higher**
Capital cost	**£9.3m**	**Higher**
Maturity	1-4yrs	3-5yrs

Germany | Utilising UK network planning expertise & local knowledge

Network planning process replicates the UK model

Forecast supply
- Branded budget
- Non-branded budget
- Independent
- Upmarket branded

Addressable share
- Market occupancy
- Purpose of stay
- Independent decline
- Brand growth

Catchment model
Forecast supply and demand

Potential model
Premier Inn opportunity

Forecast demand
- Domestic business
- Domestic leisure
- Inbound business
- Inbound leisure

Value
- Average room rate
- Dynamic pricing
- RevPAR dilution
- F&B potential

Continuously extending the German pipeline

Germany | Approach to growth & site access

Property flexible to maximise site opportunity

	Organic	To be acquired	Total
Open & trading	1 hotel (210 rooms)	13 hotels (2,140 rooms)	14 hotels (2,350 rooms)
Committed pipeline	15 hotels (3,110 rooms)	6 hotels (970 rooms)	21 hotels (4,080 rooms)
Total	**16 hotels (3,320 rooms)**	**19 hotels (3,110 rooms)**	**35 hotels (6,430 rooms)**

Invest in great property

- Initial focus in prime locations of top tier cities
- Secondary expansion to secondary locations in top tier cities and to smaller towns

Investing in accelerating organic pipeline

- Freehold & leasehold mix enables superior site access
- Enhancing local property acquisition, development and M&A team

M&A to accelerate scale

- In February 2018 we announced the acquisition of 19 hotels from Foremost Hospitality
- Great locations in key target cities
- The deal completes in February 2020:
  - accelerate our growth substantially
  - converted to Premier Inn during 2020
  - earnings enhancing in FY22
  - have returns above cost of capital

Ongoing approach to M&A

- We are continuously assessing the market and identifying potential portfolios to acquire
- Targets are assessed based on:
  - catchment attractiveness
  - micro-location
  - hotel / room size
  - convertibility to Premier Inn

4. OPTIMISING OUR CAPITAL STRUCTURE

Optimising our capital structure

a Maintaining a strong balance sheet is fundamental to delivering our value-creating long-term strategy

b Our flexible approach to property ownership & management is a critical enabler of ongoing growth in the UK & internationally

c Our optimal capital structure enables at least £2.5 billion surplus capital to be returned to shareholders

d We have significant opportunities for growth & investment over the long-term

Capital structure | Value creation through investing at good ROCE

Compelling opportunities to invest over the long-term

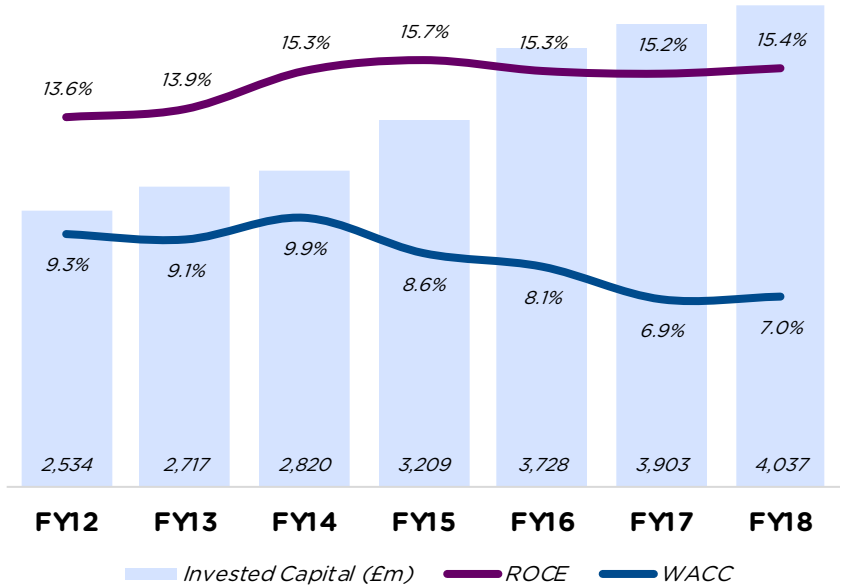
UK maintenance & improvement
- Key to maintaining quality standards
- Expected c.£150m capex p.a.

UK growth
- Opportunistic mix of freehold & leasehold pipeline
- Expected £200-300m capex p.a.

Germany phase 1
- Committed pipeline to >30 hotels in place
- £700m committed capex to date

Germany phase 2
- Investment ambition of £200-300m p.a.
- Mix of freehold / leasehold / M&A

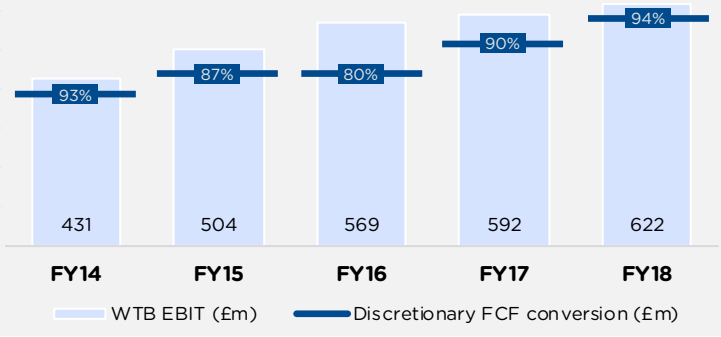
Generating a good premium to WACC



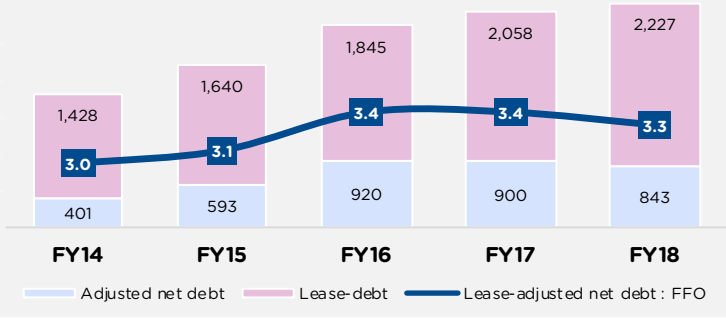
- Consistent growth in invested capital
- Maintaining a strong ROCE across the cycle
- Efficient WACC to create value

Capital structure | Strong balance sheet to ensure flexibility

Strong cash conversion

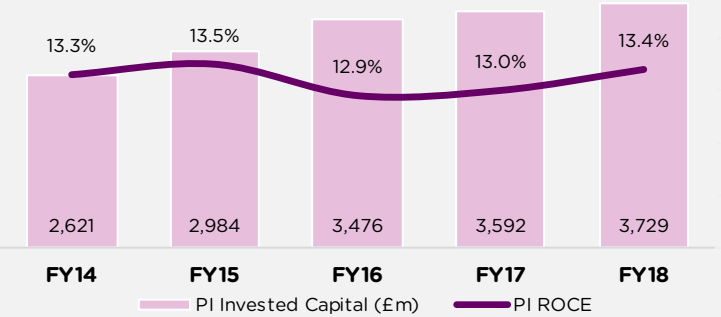


Controlled debt management

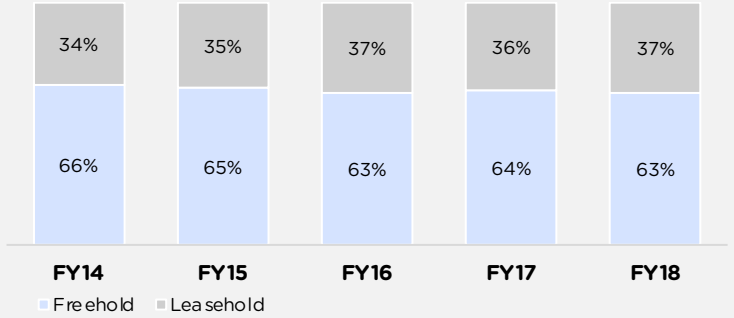


WHITBREAD

Strong & flexible capital structure



Disciplined capital allocation



Freehold underpin

Property ownership | Creates a significant competitive advantage

Supporting growth strategy

- Pursuit of freehold site opportunities without external finance
- Asset-backed covenant provides favourable leasehold access
- 18,000 rooms added over last 4 years – 3x the next 3 largest UK competitors combined

Rational funding choice

- We convert c.80% profits to discretionary free cash to invest
- Additional funding through low-cost corporate debt, currently below leasehold finance
- Selective sale & leaseback transaction in the right circumstances

Proven value creation

- Freehold development captures development profit to access in the future
- £240 million of sale & leaseback transactions over last 3 years
- Enables extensions with over 3,500 rooms added in over last 3 years

Strength & flexibility

- Reduces operating gearing & avoids rent escalation – we deliver best-in-class operating margins
- Underpins credit rating, covenant strength & pension security
- We have access to low-cost funding to support future growth

Regular reviews of approach to ensure we can balance access to growth & capital efficiency

Property ownership | Our mixed approach delivers our growth plans

	Fully asset light	OpCo / Prop Co separation	Accelerated sale & leaseback	WHITBREAD Current balanced model	Wholly freehold
Market access	Low	Low-Medium	Low-Medium	Very high	High
Operating control	Low	Medium	Medium	High	Very high
Operating cash flow	Sub-scale BrandCo	Weak OpCo Strong PropCo	Negative impact	No change	Positive
Leverage implication	Limited debt capacity	OpCo weaker PropCo strong	Weaker	Good	Good
Debt access / cost	Low	Low OpCo access High OpCo cost	Fair	High access Low cost	High access Low cost
Tax leakage	Potential CGT & SDLT on property sale or transfer	Potential CGT & SDLT on property sale or transfer	Capital gains tax on property sale > reinvestment	Nil (If proceeds of S&LB reinvested)	Nil
Covenant	Weaker	Weaker	Fair	Good	Strong

Property ownership | Considerations for accessing property value

1 Asset maturity

- Assets that have maximised the use potential should be considered for property-backed finance
- If further redevelopment / extension potential exists we retain freehold to enable improvement & capture value

2 Location attractiveness

- Only locations we are certain we want to be present in for >20 years should be considered
- Any questions about long-term catchment attractiveness, we retain freehold to enable exit

3 Alternate use potential

- Assets with scope for alternate use potential should be considered
- Without alternate use potential, there is limited scope for alternative occupier, which leads to higher yield

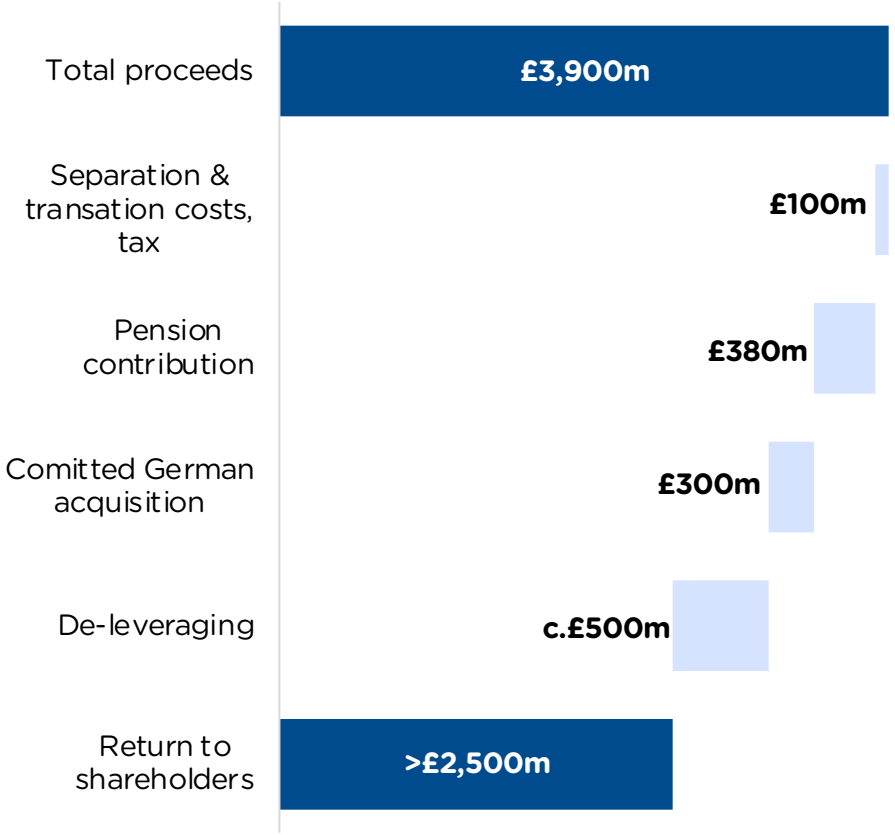
- Potential source of funds for future growth
- Specific list of assets with good funding potential
- Opportunistic approach to low yield transactions
- Ensure ability to reinvest to mitigate tax leakage
- Limited funding requirements in near-term

Capital structure | Funding choices for incremental investment

Funding choice attractiveness

	Marginal cost	Flexibility	Speed to access	Other benefits / issues
Free cash	-	First source for planned CapEx	Limited short-term surplus for opportunistic investment	-
Short-term debt	<2%	Highly flexible with rolling credit facility	Readily available	-
Long-term debt	3-4%	Fixed term duration @ 5-10 years	Longer lead time to access	Security of fixed, low-cost funding
Property-backed funding	6-8%	Highly inflexible with >20 year lease commitment	Longer lead time to access	Demonstrates covenant strength & CGT mitigation if recycled

Surplus capital | Use of £3.9b Costa sale proceeds



- Separation activity progressing well & in line with our expectations
- Agreement with Pension Trustee reached at one-off £380 million contribution
- Previously committed German acquisition to complete in Feb'20
- Short-term de-leveraging to provide flexibility for future investment
- Aiming to return at least £2.5 billion to shareholders – subject to any other more value-creating alternatives

Surplus capital | Illustrative optimal pro-forma structure

	H1 FY19 Actual (inc. Costa)	H1 FY19 Pro Forma (post Costa sale)	H1 FY19 Pro Forma (ceiling position)
FFO *(12 months to H1 FY19)*	**£953m**	**~£720m**	**~£720m**
Allocated cash from Costa proceeds	-	~£3,400m	-
Adjusted net debt	£890m	~£400m	~£400m
Potential leverage capacity to fund growth	-	-	~£800m
Lease-debt *(8x rent)*	£2,316m	~£1,300m	~£1,300m
Lease-adjusted net debt	**£3,206m**	**~£1,700m**	**~£2,500m**
Lease-adjusted net debt : FFO	***3.4x***	***2.4x***	***3.5x***
Target leverage ceiling	***3.5x***	***3.5x***	***3.5x***

Managing net FFO leverage to less than or equal to 3.5x

Surplus capital | Efficient return to shareholders

One-off surplus capital from Costa sale

1 Share buyback programme underway

- Initially aiming to repurchase up to £500 million
- Buybacks conducted January-April 2019

2 Tender offer to launch post FY19 results

- Tender offer to be conducted after FY19 results released
- Aiming to repurchase up to £2 billion

3 Review any surplus after tender offer

- Any surplus capital after completion of tender offer will be reviewed

Sustainable dividend policy

1 Rebase dividend for ex-Costa

- Reduced earnings following sale of Costa
- Dividend rebased at consistent pro-forma pay-out

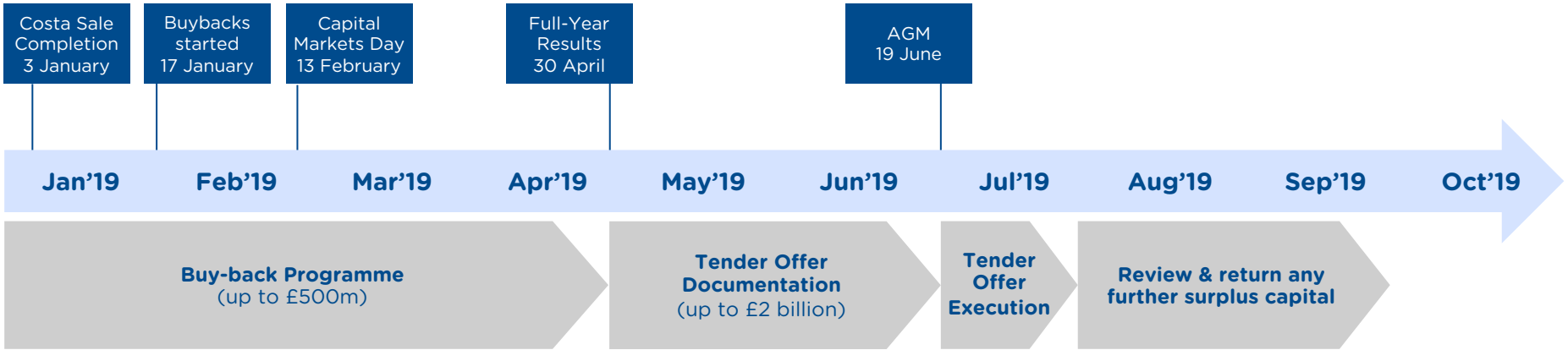
2 Sustainable dividend

- Grow dividend in-line with earnings from new post-Costa base
- Sustainable through cycle policy

3 Monitoring of shortfall / surplus

- Any shortfall to investment opportunity funded through debt or sales & leaseback
- Any surplus returned

Surplus capital | Pursuing a tender offer in June 2019



- Recognises current share price does not reflect fair value
- Can be conducted in a shorter timeframe than buyback programme
- Open to all shareholders to participate & provides choice on how much cash (if any) to access
- More tax efficient for more shareholders

Outlook | Sustainable growth at good ROCE over long-term

Revenue	• Domestic travel market typically grows in line with GDP through the cycle • Whitbread total revenue growth faster than market through capacity addition
Costs	• Inflation outlook remains challenging in near term • Ongoing efficiency programme to partly offset inflation & operational investment in the UK
Germany	• Ambition to achieve scale given size & nature of opportunity. Expecting to be profitable in FY22. • Capital flexibility to pursue freehold, leasehold and M&A opportunities
Balance sheet	• Retain capital flexibility to take advantage of property investment and international M&A • Manage to investment grade credit metrics with long-term Lease-adjusted net debt : FFO target of <=3.5x
ROCE	• Maintain disciplined capital allocation framework to invest in strong ROCE opportunities at maturity • Near-term ROCE to dilute due to pace of international investment & weak UK environment
Dividend	• Dividend rebased to new ex-Costa pro-forma, with consistent pro-forma pay-out • Sustainable through-cycle dividend over the long-term

Creating long-term shareholder value through growth in earnings combined with strong return on capital

OUR PLANS FOR LONG-TERM GROWTH

Conclusions | A proven strategy to create shareholder value

We have highly compelling long-term structural growth opportunities

Our unique model delivers best-in-class performance & enables growth

We are optimising our capital structure & capabilities to support long-term growth

1 Grow & innovate in core UK markets

- Network growth to >85,000 rooms secured
- Innovation supporting further capacity growth to >110,000 rooms

2 Focus on our strengths to grow internationally

- Replicate Premier Inn UK success in Germany
- Accelerate expansion organically & selective M&A

3 Optimise capability to support long-term growth

- Flexible capital structure to support growth
- Evolve business structure to deliver ongoing efficiencies
- Be a Force for Good

Creating long-term shareholder value through growth in earnings combined with strong return on capital

QUESTIONS

APPENDICES

I.	Definitions	p101
II.	Lease-adjusted net debt to FFO	p102
III.	Cautionary statement	p103

Whitbread ADR programme – WTDBY
Whitbread has established a sponsored Level I American Depositary Receipt (ADR) programme for which Deutsche Bank perform the role of depositary bank. The Level I programme trades on the U.S. over-the-counter (OTC) markets under the symbol WTBDY (it is not listed on a U.S. stock exchange).

Appendix I | Definitions

Adjusted net debt	Net debt adjusted for cash not readily available
Adjusted property rent	Property rent less a proportion of contingent rent
Average Room Rate (ARR)	Hotel accommodation revenue divided by the number of rooms occupied by guests
Discretionary free cash flow (Discretionary FCF)	Cash generated from operations after payments for interest, tax & maintenance capital
EBITDA	Underlying earnings before interest, tax, depreciation and amortisation excluding income from Joint Ventures & Associates
Funds from operations (FFO)	Net cash flows from operating activities, adding back changes in working capital, property rent & cash interest
Invested capital	Net assets at the balance sheet date
Lease debt	Eight times property rent
Lease-adjusted net debt	Adjusted net debt plus lease debt
NLW	National Living Wage
Profit from operations	Profit before central costs, interest and tax
Rent	
Return on Capital (ROCE)	Underlying operating profit for the year divided by net assets at the balance sheet date, adding back debt, taxation liabilities, pension deficit and derivative financial assets & liabilities
Revenue per available room (RevPAR)	Revenue per available room is also known as yield. This hotel measure is achieved by multiplying the ARR by the occupancy rate. This measure excludes non-room income such as food and beverage.
Underlying basic EPS	Underlying profit attributable to the parent shareholders divided by the basic weighted number of ordinary shares
Underlying operating profit	Operating profit before non-underlying operating costs
Underlying PBT	Profit before tax before non-underlying items

Appendix II | Lease-adjusted net debt to FFO

	FY14	FY15	FY16	FY17	FY18	H1 FY19*
Net cash flow from operations	**430**	**519**	**573**	**626**	**621**	**650**
Movement in working capital	(16)	(27)	(12)	(35)	(12)	(22)
Unadjusted funds from operations	**414**	**492**	**561**	**591**	**609**	**628**
Cash interest	19	18	25	35	34	35
Adjusted property rent	178	205	231	257	278	289
Funds from operations	**611**	**716**	**817**	**883**	**921**	**953**
Adjusted net debt	401	593	920	900	843	890
Lease debt	1,428	1,640	1,845	2,058	2,227	2,316
Lease-adjusted net debt	**1,829**	**2,223**	**2,765**	**2,958**	**3,070**	**3,206**
Lease-adjusted net debt to FFO	**3.0**	**3.1**	**3.4**	**3.4**	**3.3**	**3.4**

**H1 FY19 12-month MAT*

Appendix III | Cautionary statement

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