



WHITBREAD

CAPITAL MARKET DAY 2016

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Alison Brittain

Chief Executive

Capital Market Day – agenda

11.30 Arrival: tea/coffee

12.00 **Welcome**

12.30 Property strategy

13.00 *Lunch*

14.00  **Premier Inn**

15.30 *Afternoon break*

15.50 **COSTA**

17.15 *Drinks and canapés*



A clear plan for future growth

WHITBREAD

Structural growth
opportunity

Market leading brands
and loyal customers

Continued disciplined
capital management

Grow and innovate
in core UK

Focus on our strengths
to grow internationally

Build capability
to support
long term growth

2020 Milestones on track

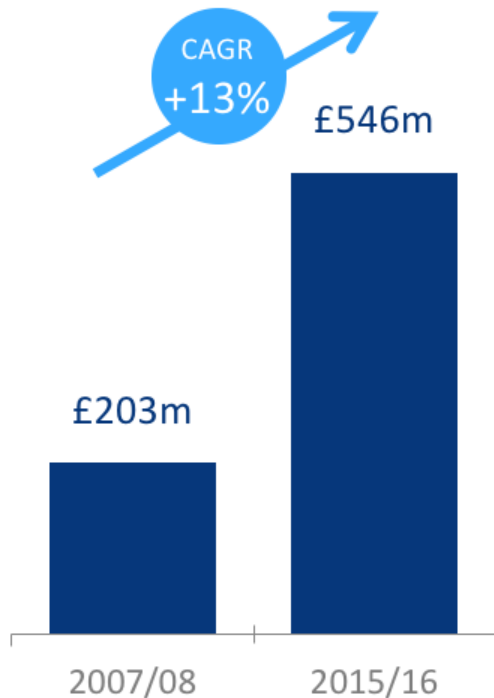
Extended runway for growth

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

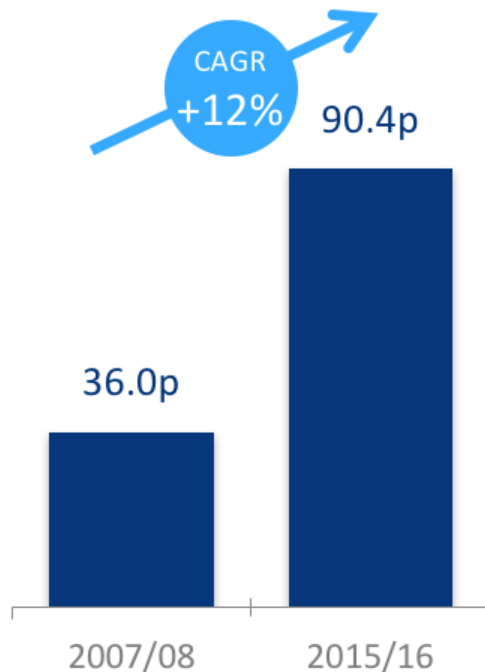
Track record of value creation

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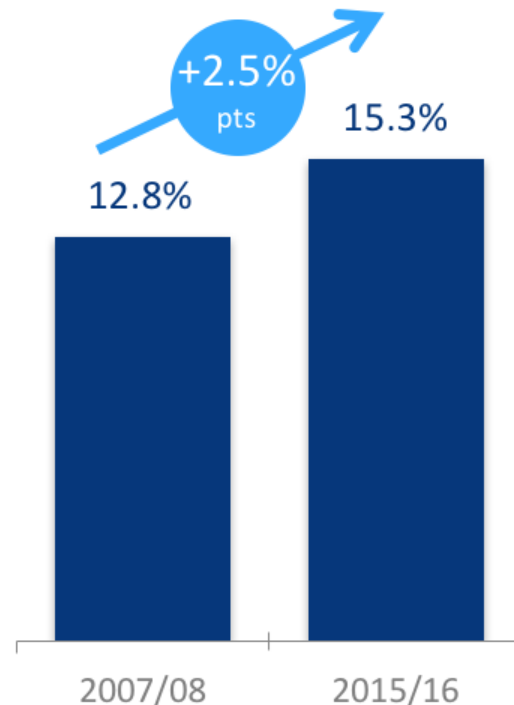
Underlying profit*



Dividend per share



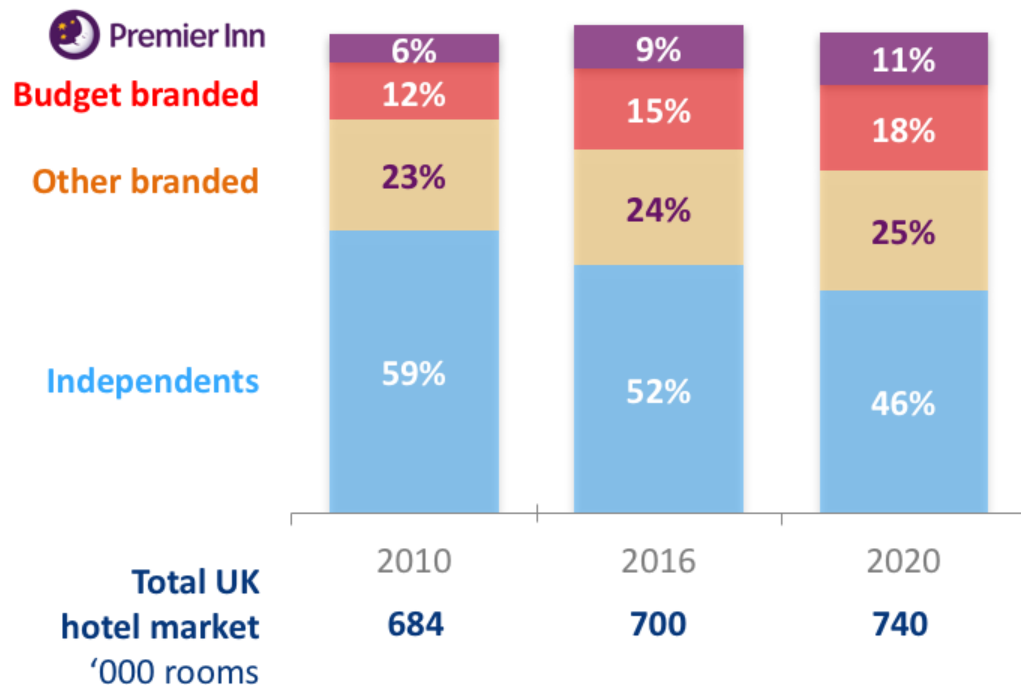
Returns**



Premier Inn structural growth



UK hotel market by segment
% of rooms

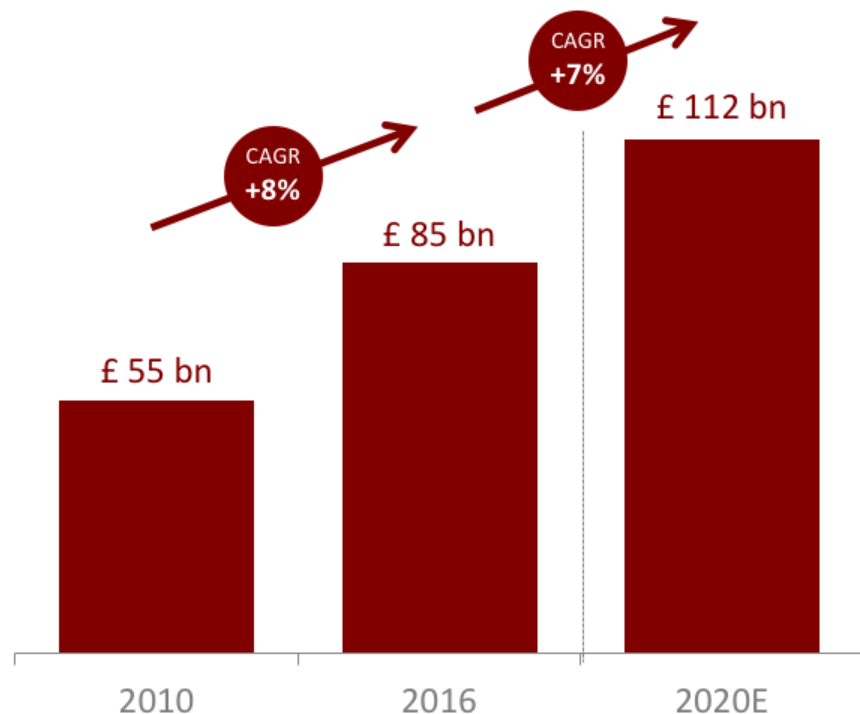


- Large independents segment under pressure from brands and digital disruptors
- Ongoing structural shift to value brands
- Premier Inn has broad consumer appeal and large addressable market

Costa structural growth



Global coffee revenue*



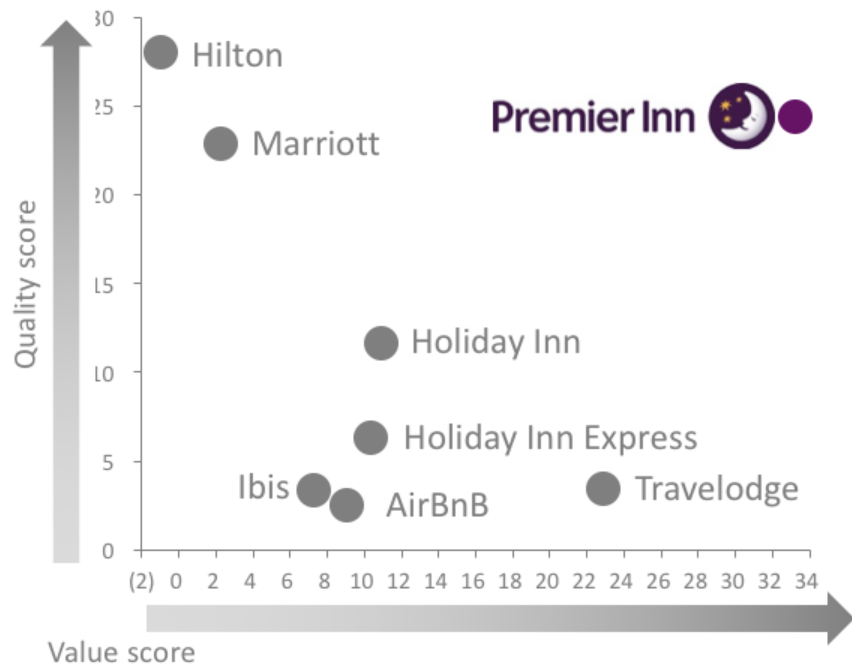
- Global growth of coffee continues
- Overtaking tea in the UK, with further headroom to international consumption benchmarks
- 7% UK outlet growth per year to 2020**, building habitual purchase behaviour
- Costa is clear UK #1

Market leading brands

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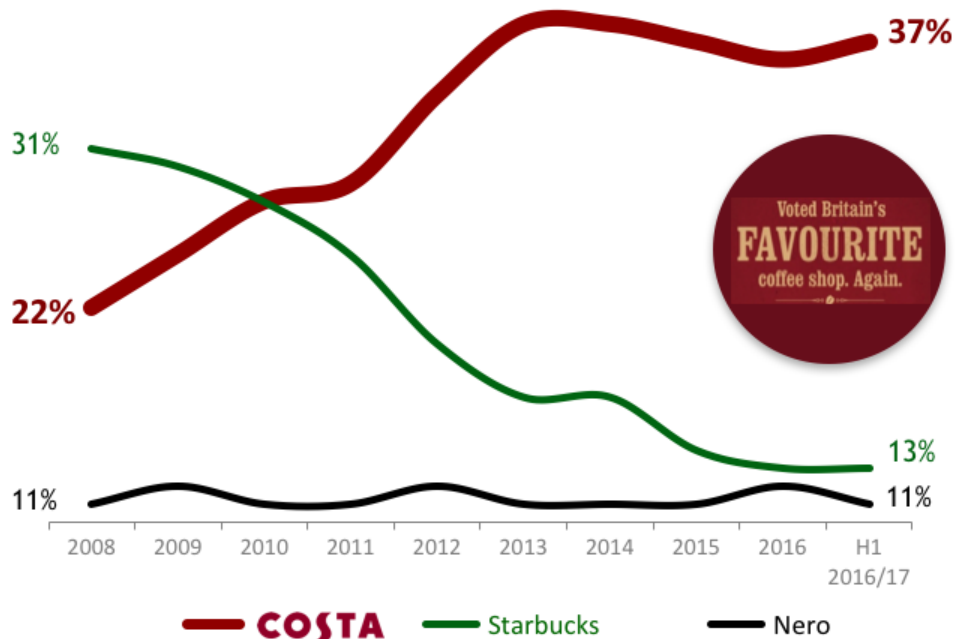
Premier Inn is clearly differentiated

YouGov® BrandIndex*



Costa is the UK's favourite

YouGov** and TNS Brand Tracking†



*52 week rolling average 1 October 2016; YouGov Brand Index Q: "Which of the following brands do you think represents Good/Poor quality [or value for money]?" Net score presented [% positive - % negative] **2008 – 2014; YouGov Q: "If there were a Costa Coffee, Starbucks and Caffé Nero next door to each other, which one would be your FIRST choice to visit?"

† 2015-HY2016/17; TNS One Costa Tracker, Market Monitor, 2000 Nat Rep respondents per quarter

1

Strong and stable financial position

- **Strong balance sheet** with adjusted net debt* to EBITDAR <3.5
- Good **debt funding headroom** and spread of maturity
- Strong **freehold backing**

2

Good returns at premium to our cost of capital

- **15% returns**
- Strong covenant reduces **cost of debt** and rent

3

Capital allocation based on return and risk

- **Costa investments prioritised:** Product innovation, UK and international stores, Express, Roastery
- **Balanced investment in Premier Inn and Restaurants:** Network growth, extensions, reinvestment, Germany

4

Rigorous post capital investment reviews

- **Bi-annual reviews** focused on profitability, maturity curves and capital controls
- Investment planning process **continuously refined**

A clear plan for future growth

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Structural growth
opportunity

Market leading brands
and loyal customers

Continued disciplined
capital management



Grow and innovate
in core UK

Focus on our strengths
to grow internationally

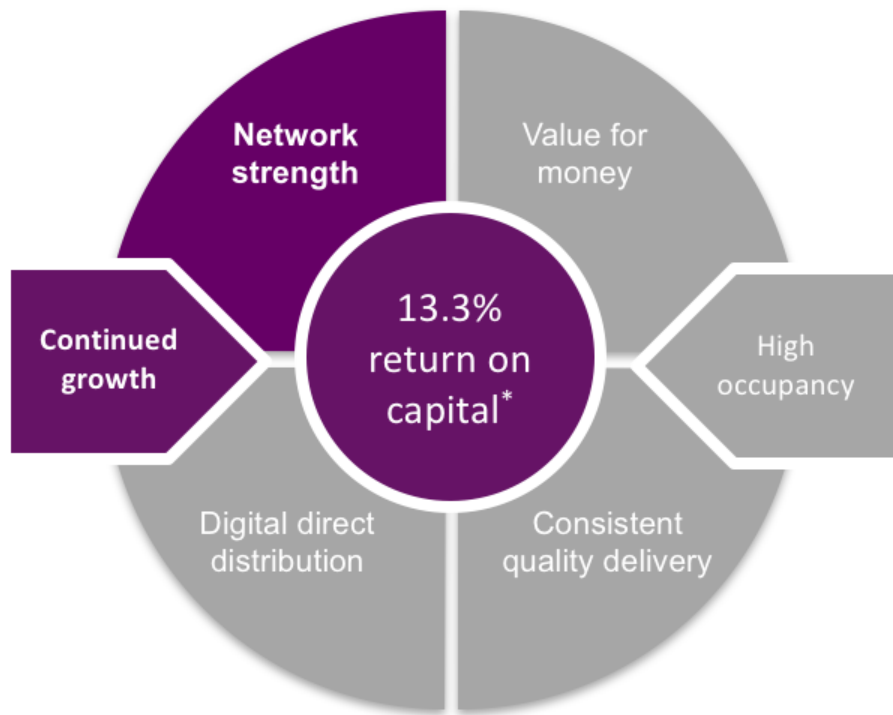
Build capability
to support
long term growth

2020 Milestones on track

Extended runway for growth

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

Premier Inn UK – line of sight beyond 100,000 rooms



- **UK Network strength**

- 40% more sites than closest competitor
- 9/10 sites have TripAdvisor Certificate of Excellence

- **Strong return on capital**

- Above hurdle returns for both freehold and leasehold
- Substantial premium to cost of capital

- **Continued growth**

- Strong network planning disciplines
- On track for 85,000 rooms by 2020
- Line of site beyond 100,000 rooms

Costa UK – opportunity for 3,000 plus UK stores

COSTA

Exceptional coffee



Loved brand



Formidable
UK network



Winning teams



- Stores perform well across **whole of UK**
- Many profitable **routes to market**
 - High Street, Retail Park, Shopping Centre, Drive-Thru, Transport
 - Owned and franchised store models
 - Express, Proud to Serve
- **Like for like** growth available
 - Proposition enhancement
 - Estate segmentation
- Clear network plan with **substantial headroom**
 - Town by town target mapping
 - Opportunity for 3,000+ stores

Focusing on strengths to grow internationally

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Germany
Replicate UK

- Structurally attractive market
- Opportunity to create a scale budget brand



China
Reorient

- Enormous market potential if we step change brand awareness
- Plan to focus on major cities



Express
Accelerate

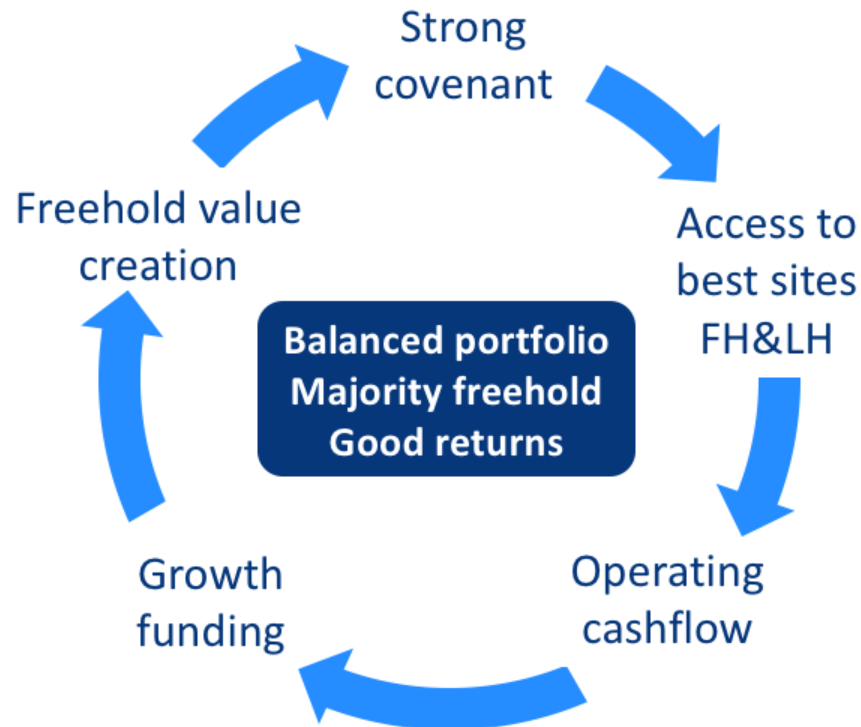
- Unique and technologically advantaged offer
- Focus and capital required to double up

- Efficiency opportunity: *Uncertain macro and micro context requires strong disciplines*
 - Labour management. Logistics. Effective procurement. A lean centre
 - Efficiency target of £150m* over 5 years, to help mitigate sector headwinds
- Technology and platform: *Touches all stages of customer journey*
 - User Experience. Digital customer leadership. Multi-channel
 - Platform and capability. Scalability. Centres of excellence. Data insight. ATE
- Organisational capability: *Faster change requires dynamic leadership*
 - Executive accountability. Customer focus. Agility

Competitive advantage in property

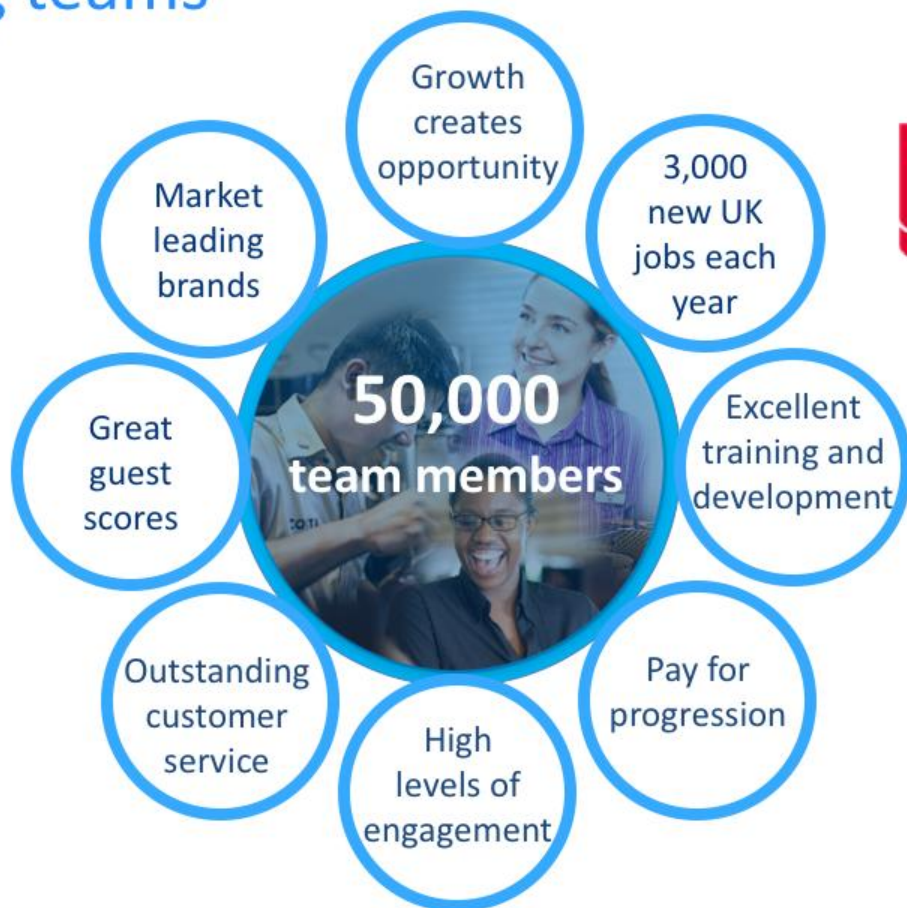
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- Property elevated to Executive Committee
- 60%* of Premier Inn rooms are freehold today
- Freehold property worth £4.2bn to £5.1bn, and underpins Whitbread covenant
- Option to secure leasehold and freehold a key enabler of network growth
 - Freehold model differentiates from competitors and enables site enhancement (e.g. extensions)
 - Premier Inn and Costa are preferred tenants for leasehold sites (competitive advantage)
- Committed to remaining majority freehold
- Active management of property portfolio



Winning teams

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Recap – a clear plan for growth

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Structural growth
opportunity

Market leading brands
and loyal customers

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capital management



Grow and innovate
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Property strategy introduction

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- Whitbread's balanced and flexible approach to freehold and leasehold models is a source of competitive advantage
- Maintaining a strong freehold base is crucial to the future value creation of Premier Inn and Restaurants
- Leasehold helps secure additional good sites for Premier Inn when freehold is unavailable, and is the dominant model at Costa
- Our freehold portfolio has substantial value, and underpins the strength of our credit and covenant
- We manage our property estate to optimise value, including recycling capital to high returning opportunities through small and ongoing sale and leaseback transactions
- Keeping Premier Inn and Restaurants a majority freehold business is key to our long term strategy, and to maintaining the strength of our balance sheet and covenant

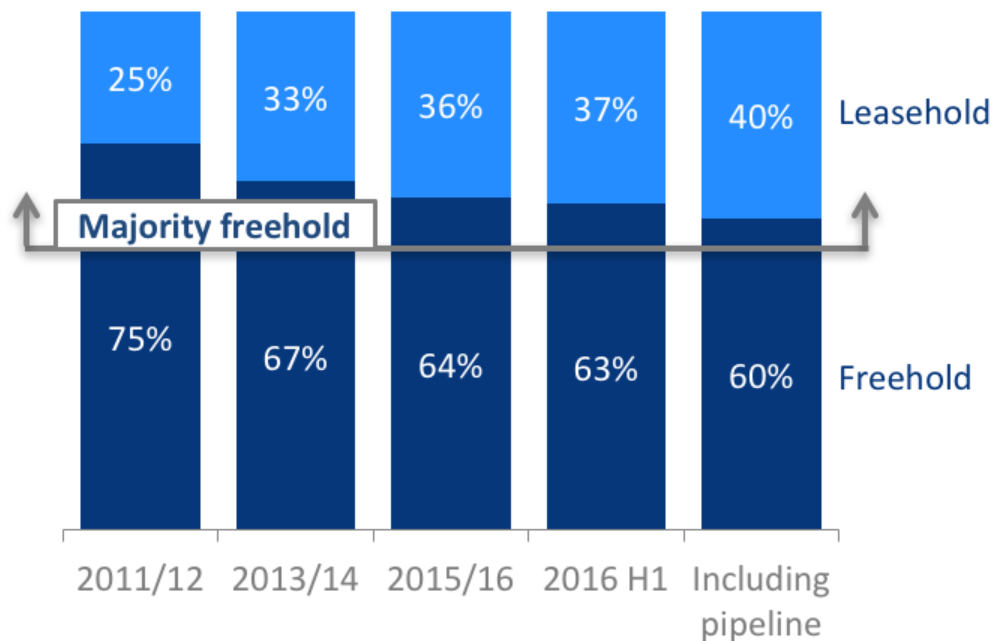


What property does Premier Inn and Restaurants own and lease?

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Evolution of estate including pipeline

% of estate



Comparison dynamics

- Freehold mix has declined organically as network has grown with a higher proportion of leasehold
- Leasehold has enabled Premier Inn to access new locations
 - London and city centre
 - Mixed use developments
- Both freehold and leasehold produce good returns at a significant premium to our cost of capital

Why freehold creates competitive advantage

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1 Market access

- Whitbread can pursue freehold site opportunities without engaging 3rd party finance, unlike key competitors
- Covenant strength is underpinned by freehold, and allows favourable access to leasehold opportunity

2 Proven value creation

- Capture development profit
- Enables extensions program in proven catchments
- Better control refurb, to maintain proposition strength

3 Rational funding choice

- Able to fund freehold with corporate debt, which is currently below the cost of leasehold finance
- Recycle capital through selective sale and leasebacks

4 Strong and flexible

- Underpins credit and covenant strength
- Reduces operational gearing and avoids rent escalation
- Control the pace of network growth through landbank
- Provides security to the pension fund

Premier Inn and Restaurants

- Many favourable sites are available to us only as Leasehold, especially in London and in city centres
- Able to participate in large mixed use developments without full ownership
- Whitbread's freehold backing makes Premier Inn the most favoured UK hotel tenant and helps us get great deals
- For leases, our preferred model is a 25 year, CPI-linked contract (0-4%), with a 20 year break

Costa

- Costa traditionally operates in small box retail units, where shorter leases are the dominant market model
- Leasehold enables Costa to churn and exit, which helps manage a changing high street and retail landscape
- Our standard lease length is 10 years with a 6 year break clause, with rent subject to open market review
- The Whitbread covenant means Costa can secure the best sites at good rents

How does ownership create value? (examples) **WHITBREAD**

Long-owned freehold

Edinburgh, South Queensferry



- 72 beds, 112 covers, built 1997
- NBV £3.8m
- Profit £750,000
(no P&L rent inflation)
- Return 20%

Extensions

Oldham Central



- 40 beds, 171 covers, open 2004
- 18 bed extension to 58 in 2014/15
- Extension return 16%

Forward fund S&LB

King's Cross, hub by Premier Inn



- Purchased unconditionally April 2015
- Forward funded in July 2016 for a realisation of £84.5m
- Implied 25% development premium
- Due to open in summer 2017

How much property does Whitbread own?

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Whitbread freehold portfolio

- Whitbread owns £2.6bn NBV of trading freehold property (at end 2015/16), and c.£3.0bn of total freehold property
- The current market value of our freehold property is estimated at £4.2bn to £5.1bn:
 - This is based on a 2.25x rent cover on the trading estate, suitable for a cyclical sector, and a net yield of 4.5% to 5.5%*
 - Supported by a recent 3rd party desktop assessment, reviewing 37% of sites and extrapolating across the portfolio
 - Total estimate includes £0.4bn NBV of assets under construction and non-trading property

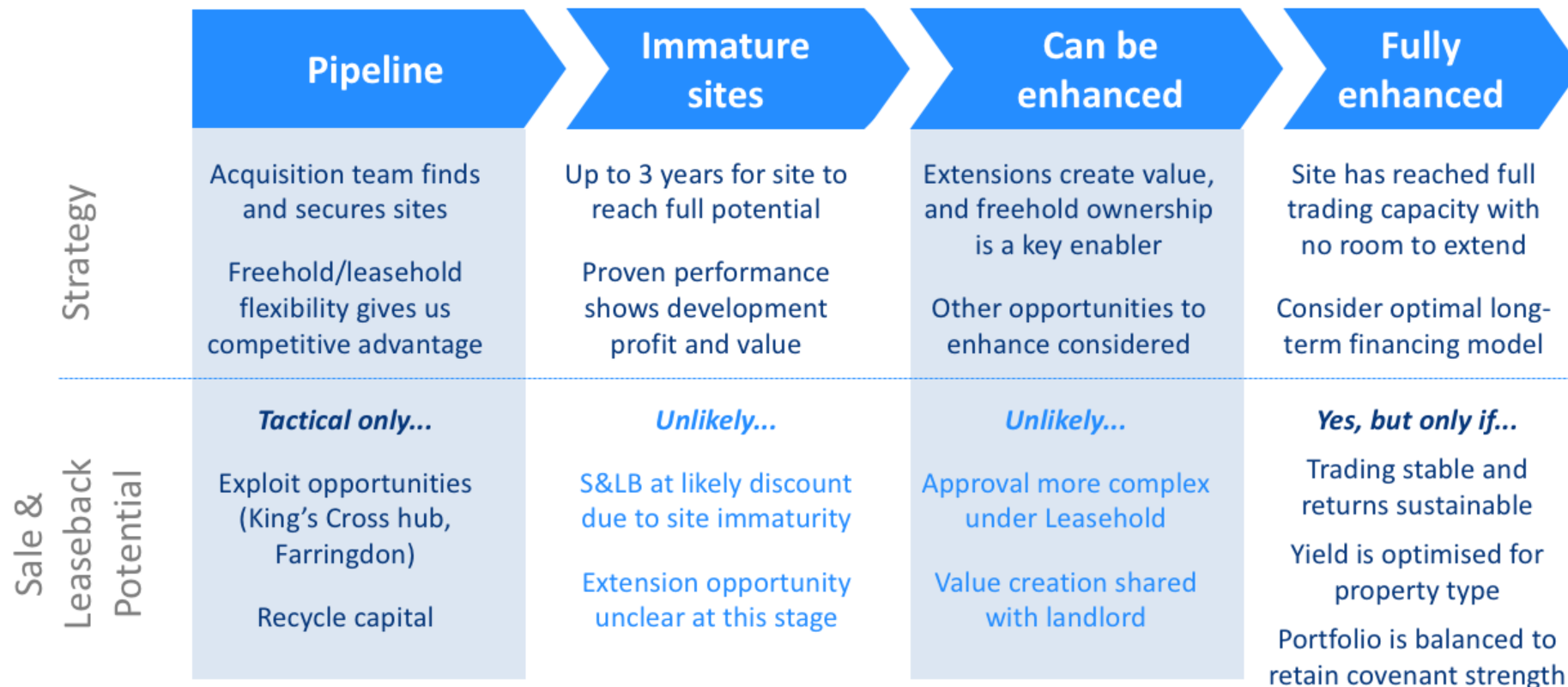
Valuation considerations



- Good yields reflect our current strong covenant, backed by our freehold assets and operating model
- Greater supply of Premier Inn leaseholds would increase yields and could diminish our covenant

What is the property lifecycle (Premier Inn and Restaurants)

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Future value creation in property

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Estate segmentation

Analysis of every asset in the portfolio, considering:

- Performance
- Operational requirements and plans
- Preferred ownership tenure

That leads to an integrated asset plan for every hotel

Active asset management

Application of the asset plan for each hotel to create value:

- Re-gear existing leases e.g. Short unexpired term, sub-optimal lease terms, etc
- Freehold buy-ins to enable development or re-base lease
- Asset sales – leaseback for capital release or exit

Asset intensification

Create additional value by added development:

- Hotel extensions
- Costa Drive Thru
- Re-develop in-situ for larger hotel
- Development for third party occupation (e.g. office, retail, residential)

Maintenance capex plans

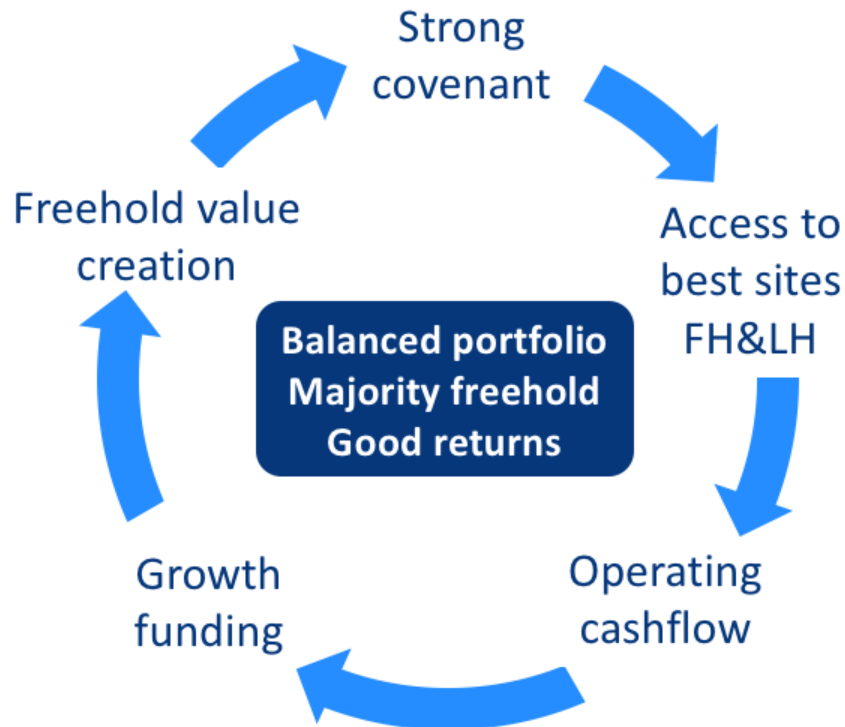
Maintain asset value and brand strength through lifecycle approach:

- Cyclical refurbishment investment
- Integrated with maintenance and building care
- Procurement efficiencies by combining Whitbread Group contract packages

Benefits of a small, ongoing sale and leaseback programme

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- Sale and leaseback enables Whitbread to recycle capital from mature assets into higher returning opportunities
- In addition, S&LB proves the value of our covenant to prospective landlords
- We are planning £50-150m of S&LB per year, depending on the market, our new hotel acquisition mix, and opportunities to deploy capital elsewhere
- We will focus on the 'fully enhanced' segment and specific tactical projects in the pipeline
- We envisage net yields of 4-5% in the current market, given our covenant strength and selected site mix
- We will remain a majority freehold business. We see this as key to preserving our strong covenant and debt rating over the long term



Key takeaways on our property strategy

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- 1. Retain our balanced approach** ➡ Operational flexibility, competitive advantage, majority freehold estate, strong leverage ratio and covenant
- 2. Work hard to create value** ➡ Extension, intensification, relocation, refurbishment
- 3. Maintain internal disciplines** ➡ Asset management, market benchmarking, site appraisal, recycling freehold through S&LB
- 4. Continuously review** ➡ Ongoing dynamic review of our estate, property and debt market context

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The team



Phil Birbeck

Managing Director
Restaurants



Simon Jones

Managing Director
Premier Inn & Restaurants
UK



Mark Anderson

Managing Director
Property &
Premier Inn International



Bhavesh Mistry

Finance Director
Premier Inn and Restaurants



Simon Ewins

Chief Operating Officer
Premier Inn UK



Mark Fells

Chief Marketing Officer
Premier Inn UK



Amanda Brady

Human Resources Director
Premier Inn UK



Sean Darlington

Commercial Director
Premier Inn UK



Russell Brateman

Innovation and Business
Development Director
Premier Inn UK

Agenda

- 1 Introduction
- 2 Investing in the Core - Runway for growth
- 3 Focus to win internationally
- 4 Sustaining good returns

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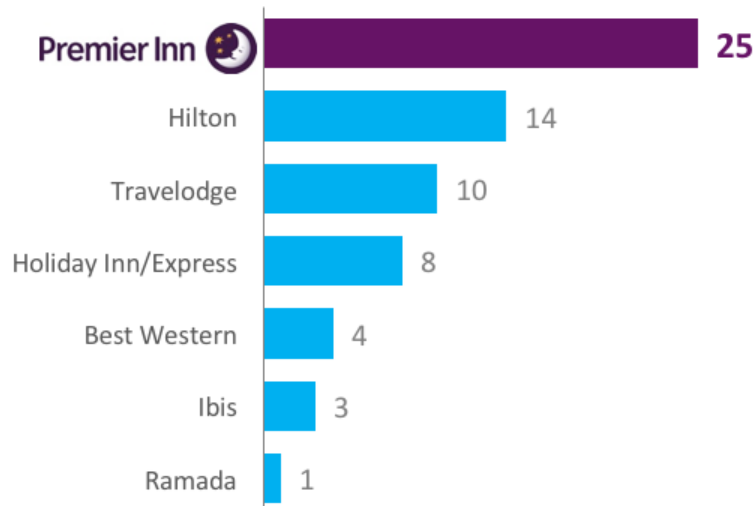
- About Premier Inn
- Great long-term outlook
- Unique business model
- Future growth runway

UK's leading hotel brand



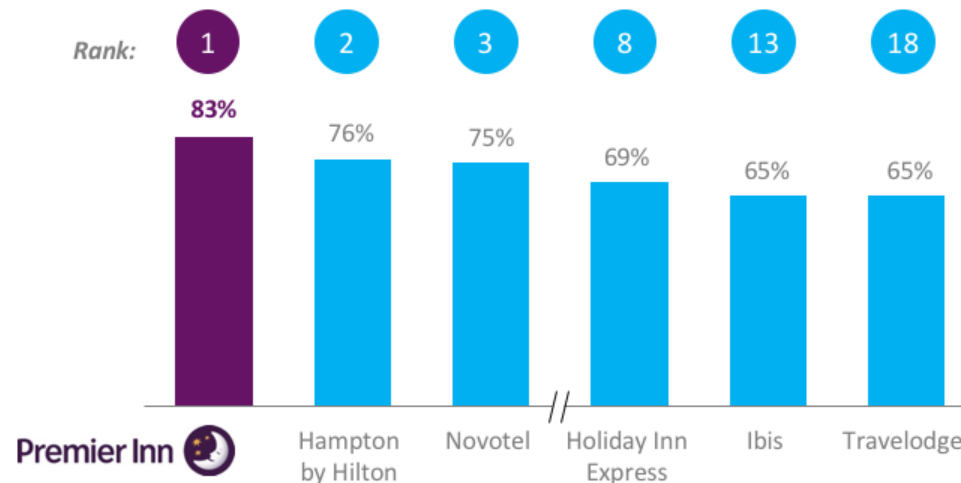
MillwardBrown 'First Choice'

% of customers selecting "it would be my first choice"*



Travel brand ranking

% customer score**



Most comprehensive network



746 Hotels

532 Hotels

137 Hotels

60 Hotels



Travelodge

Holiday Inn/Express

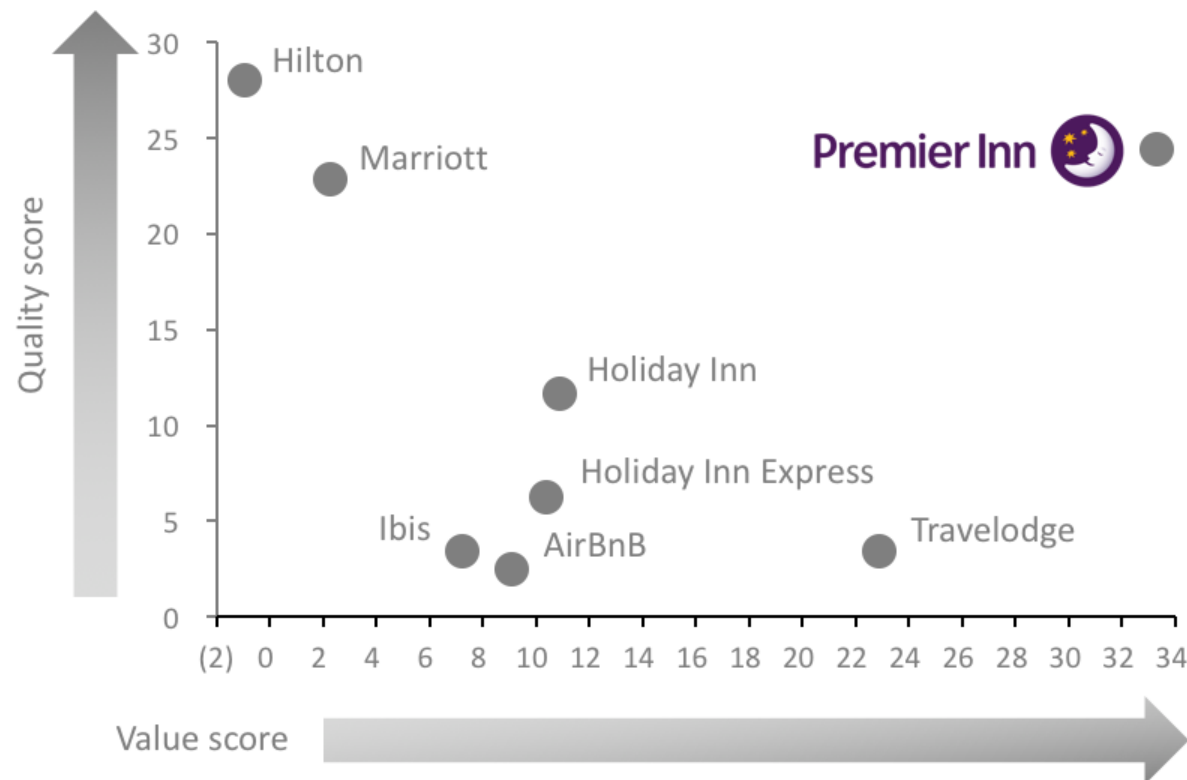
Ibis



Only brand that delivers on quality and value



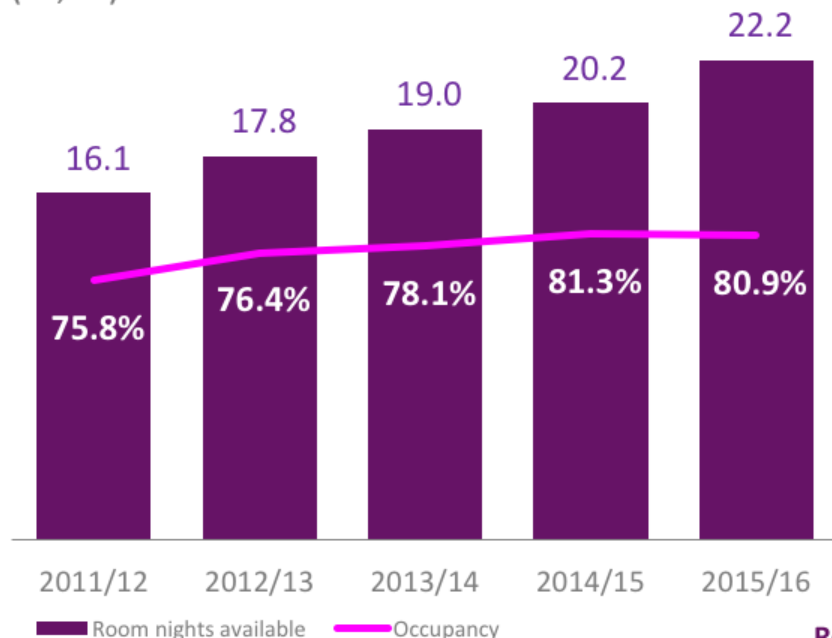
YouGov® BrandIndex



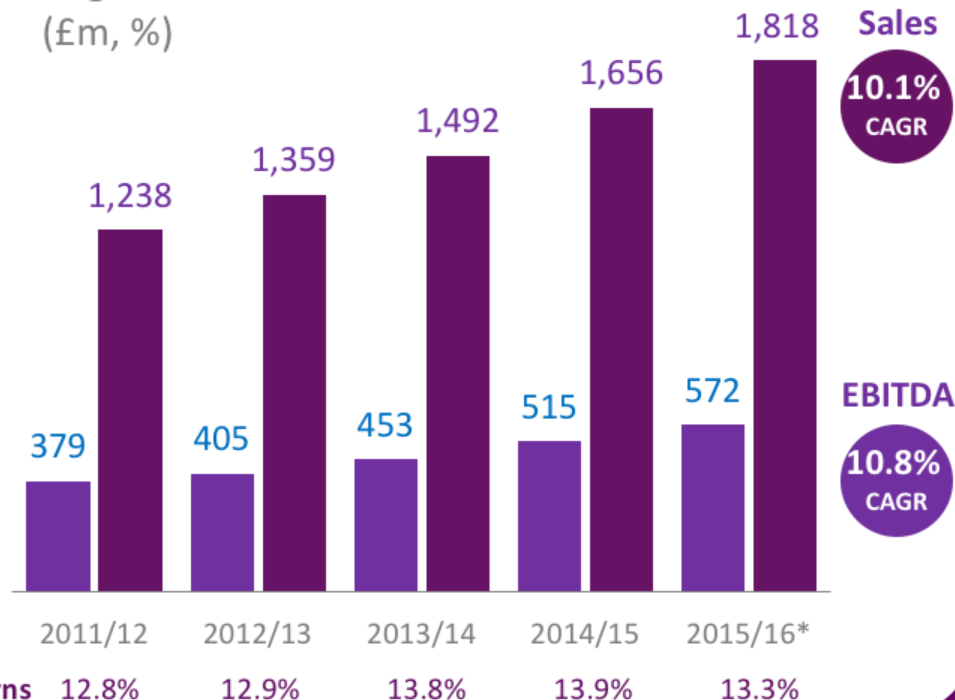
- Quality: “Which of the following brands do you think represents Good/Poor quality”
- Value: “Which of the following brands do you think represents Good/Poor value for money”
- Premier Inn only brand to appeal on both dimensions, securing wider market appeal*

Consistent capacity, occupancy and profit growth Premier Inn

We have maintained occupancy while growing room nights available...
(m, %)

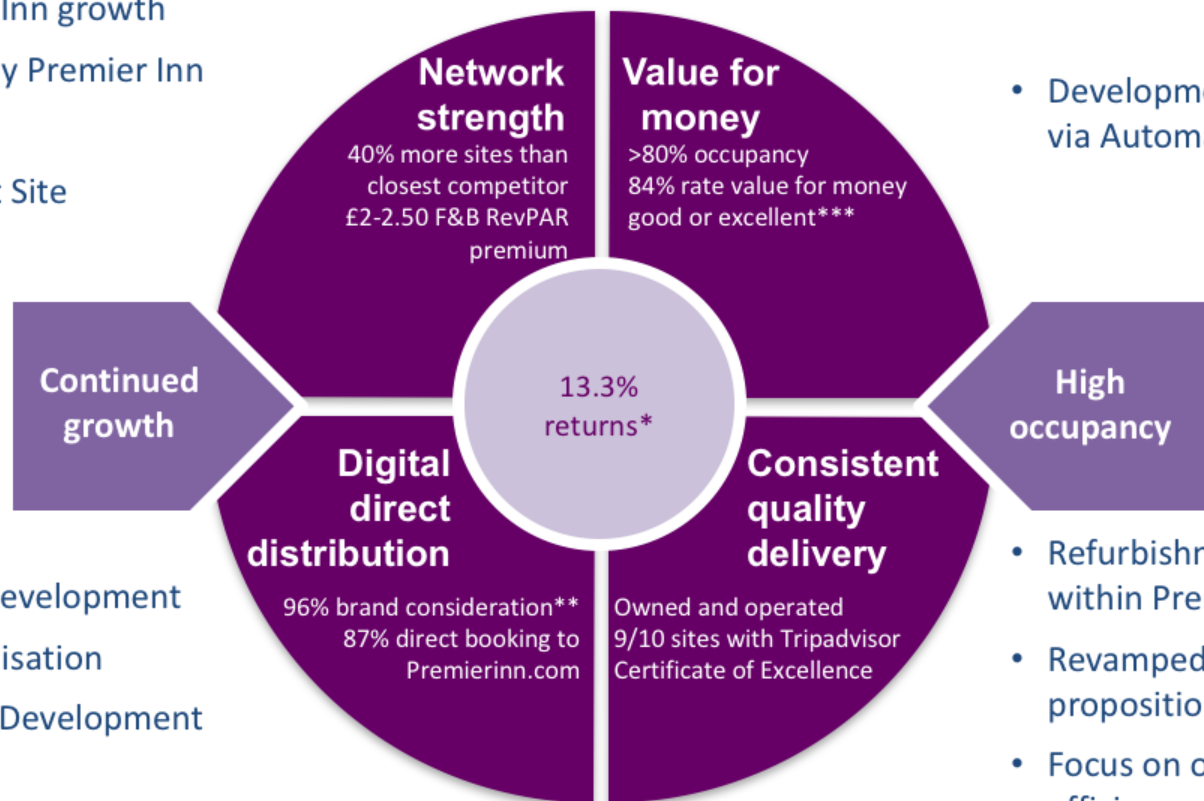


...and increased earnings in line with sales
at good returns
(£m, %)



Leverage unique business model to drive returns Premier Inn

- Organic Premier Inn growth
- Roll-out of hub by Premier Inn
- Extensions
- Format and Joint Site innovation



- Development of dynamic pricing via Automated Trading Engine

- Refurbishment of 'Estate Tail' within Premier Inn
- Revamped Restaurant brand propositions
- Focus on operational efficiency

We currently have visibility of beyond 100,000 UK rooms and 12-13% market share



A

New catchments

- Represents c.48% of opportunity beyond current pipeline - c.9,000 rooms

C

Broaden penetration

- Represents c.38% of opportunity beyond current pipeline – c.7,250 rooms

B

Extensions

- Represents c.14% of opportunity beyond current pipeline – c.2,700 rooms

D

Format development

- Unlocking new customers or locations (e.g. hub by Premier Inn)
- Model innovation to improve returns (e.g. Bar + Block)

E

Model efficiency

- Underpinned by improving productivity and cost efficiency
- Enables stable returns while opening network opportunity

Premier Inn growth opportunity



**Extensive structural
opportunities**



**Unique
business model**

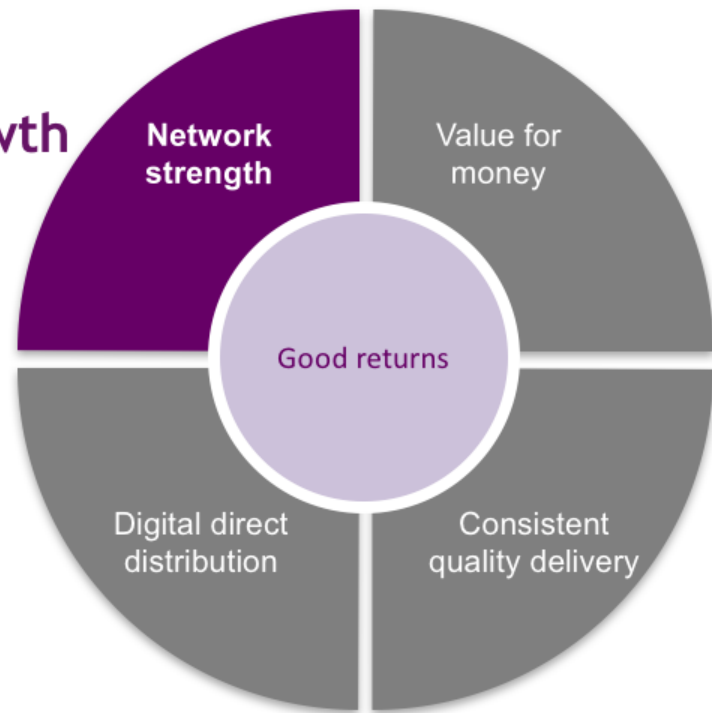


**Well-placed
for continued growth**



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- 2 Investing in the Core - Runway for growth**
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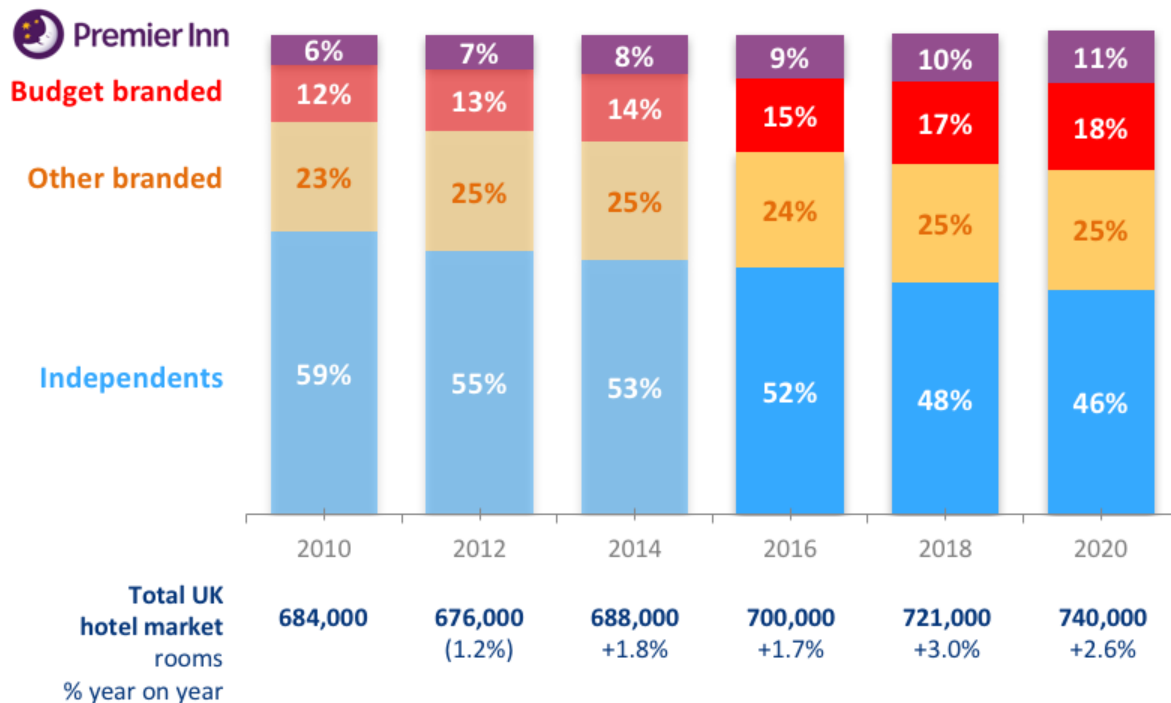


Structural shift to value brands



UK hotel market share by segment

(% of total rooms)



Continued shift to branded hotels

- Economies of scale of branded networks
- Superior proposition of brands and importance of 'value'
- OTAs reducing independent margins and dominating distribution
- Benchmark markets suggest further headroom for value brand growth - France at 34% budget*

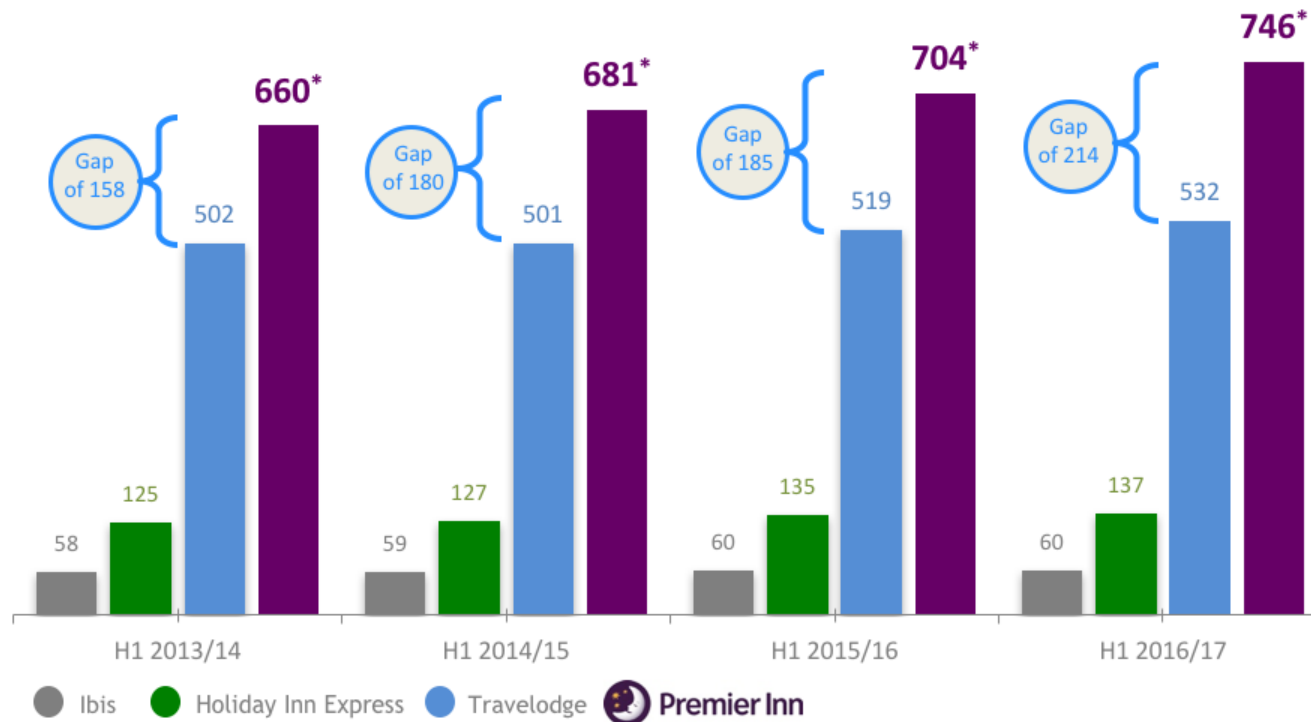
In context of robust long-term market growth

- Domestic business demand linked to GDP and strong and growing services sector
- UK consumers spending more on leisure over time
- Diverse, growing inbound market

Premier Inn winning market share



Number of UK hotels



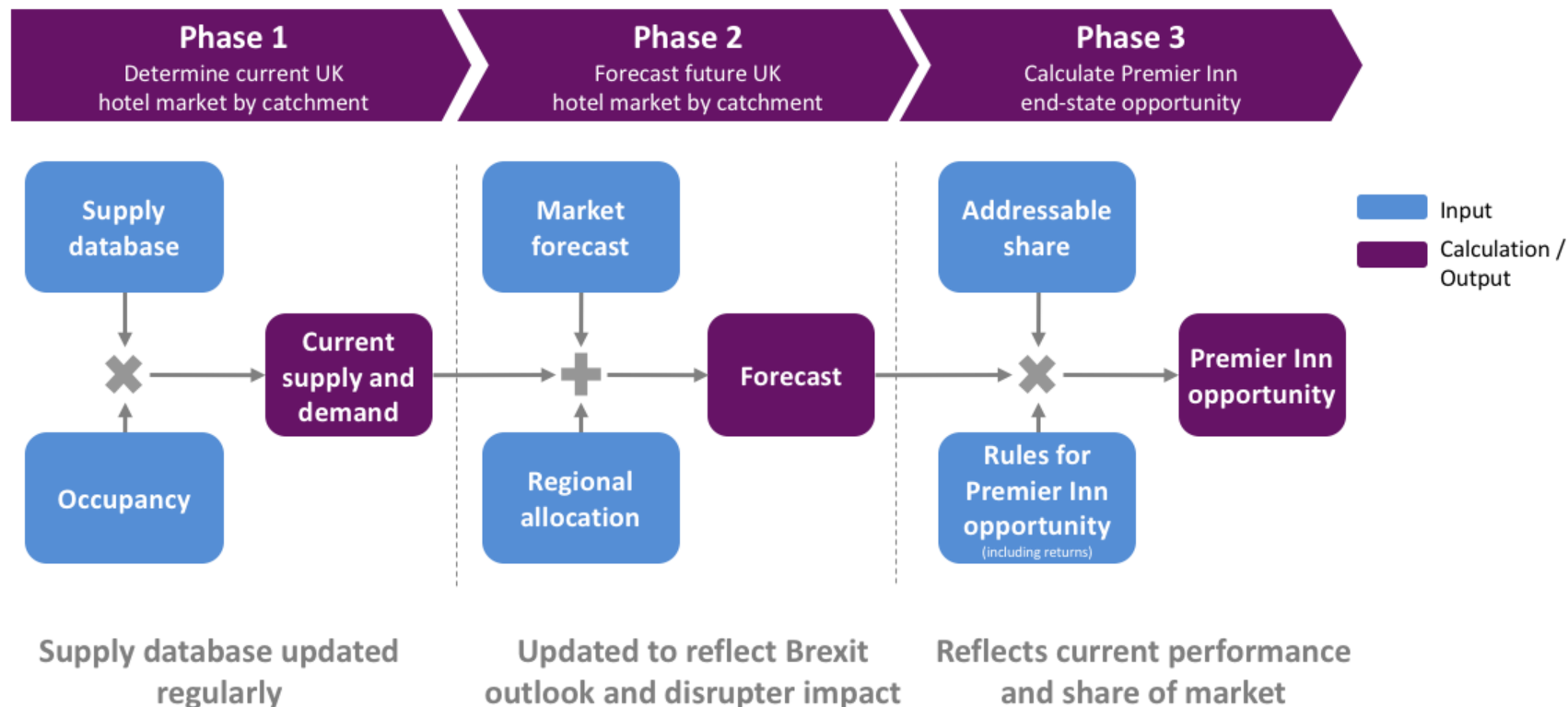
Disrupters will gain market share, but appeal to different customers and trip types



	Premier Inn	Disrupter
Market segment	Economy / budget	Wide range
Trip type	Business / leisure mix	Predominantly leisure ¹
Stayer origin	Primarily domestic	Primarily inbound ¹
Trip purpose	Functional	Leisure ²
Length of stay	c.1-2 nights	3+ nights ¹
Number of stayers	1-2 stayers	Significant proportion with 3+ stayers ²
Stayer age	Broad church	Younger ²

- Premier Inn competes through
 - Product consistency
 - Reliability and trust
 - Convenience, particularly on-site F&B
 - Great value for money (combination of the above)
- Disrupters also pull from non-hotel supply (e.g. holiday cottages, shared rooms, friends and family)
- We envisage demand growth to 5-6m room nights by 2020 and have built this into our assumptions
- Leisure trips of >3 days account for less than 15% of Premier Inn volume

We have a tried and tested network plan that is continuously updated and optimised



Our three growth models allow us to access a wide range of network opportunities



Joint Sites

Hotels: 390
Rooms: 27,508
Average rooms: 71

- Entry to smaller catchments (<80 rooms)
- Restaurant appeals to non-Premier Inn customer and drives returns
- Helps drive higher RevPAR (£2-2.50)



Hotels: 746*
Rooms: 65,770
Average rooms: 88



Solus

Hotels: 228
Rooms: 30,230
Average rooms: 133

- Access to town/city centres and airports
- Can be part of mixed schemes



hub

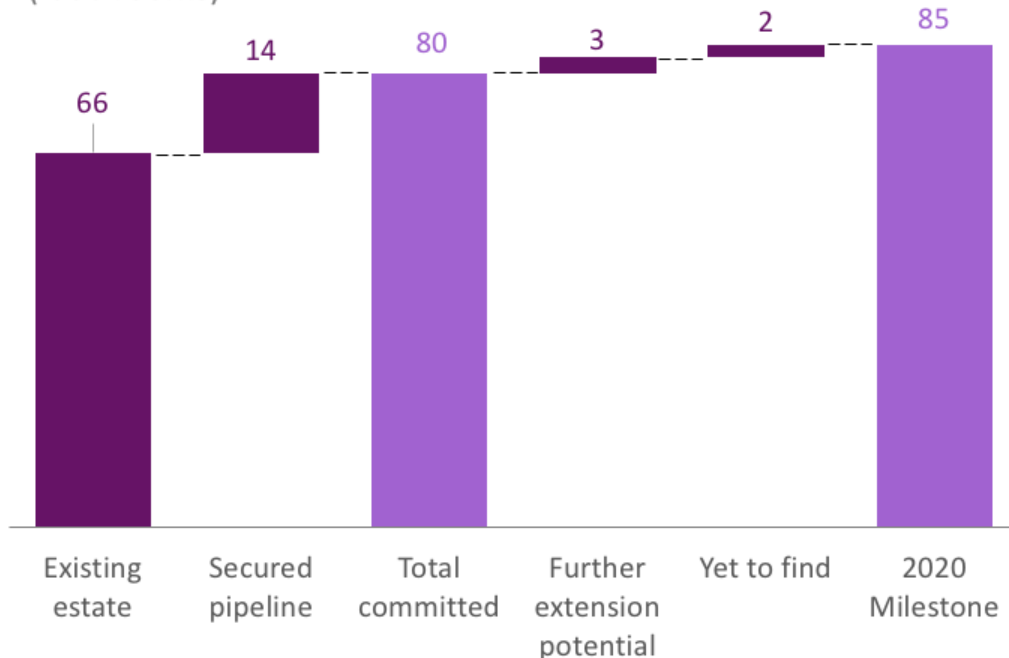
Hotels: 5
Rooms: 722
Average rooms: 144

- Access to high property-cost locations (e.g. London, Edinburgh)
- Smaller bedrooms with higher density

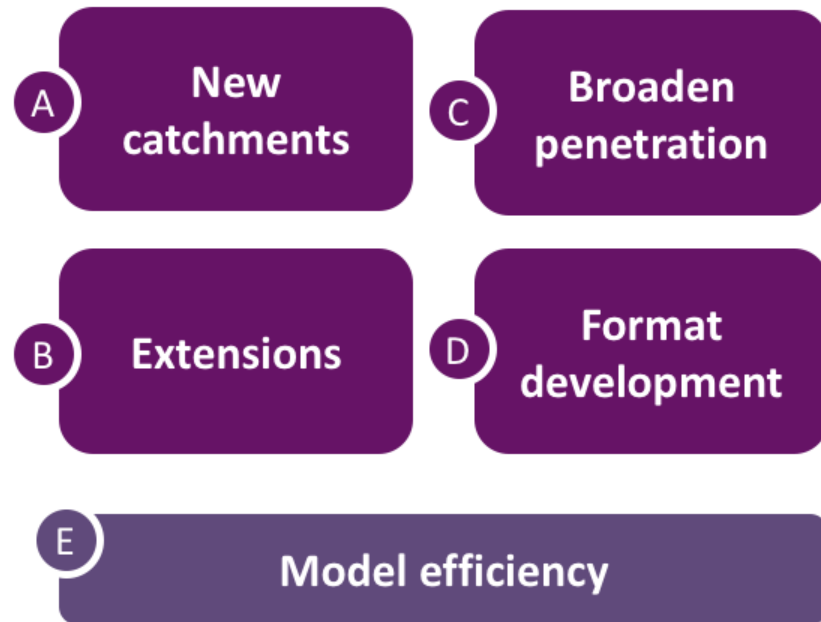
2020 milestone secure with visibility beyond 100,000 rooms



Premier Inn UK room growth
(‘000 rooms)



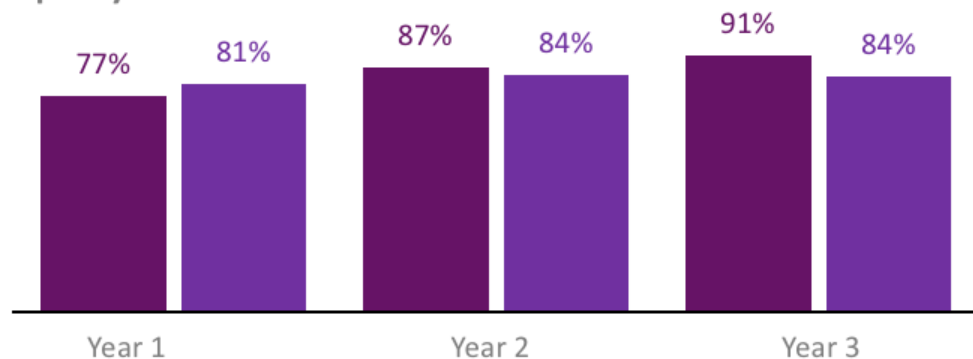
Growth to beyond 100,000 rooms



Fast maturity – c.3 years in regions



Occupancy



RevPAR



- Fast maturity due to high nationwide levels of brand awareness and network effects from the UK estate
- London sites mature in c.1 year
- These examples were at >13% returns by year 2 or 3

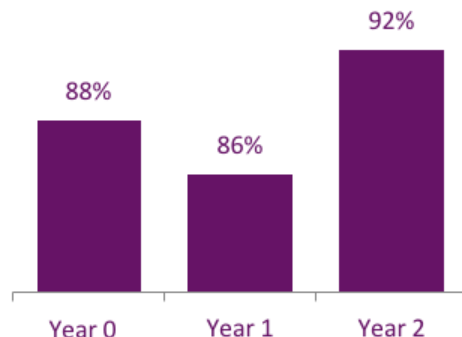
■ Dorchester (opened Mar 2013)
■ St Albans (opened Sep 2014)

Extensions are low risk and deliver good returns



Milton Keynes South example - before and after 20-bed extension

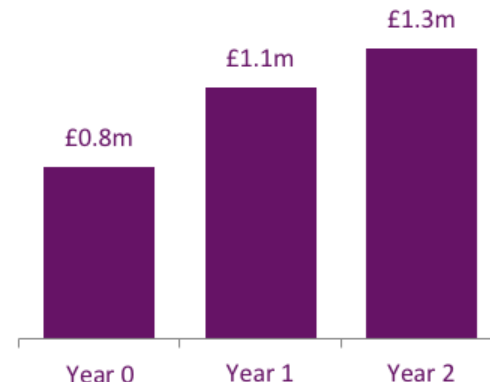
Occupancy



Revpar



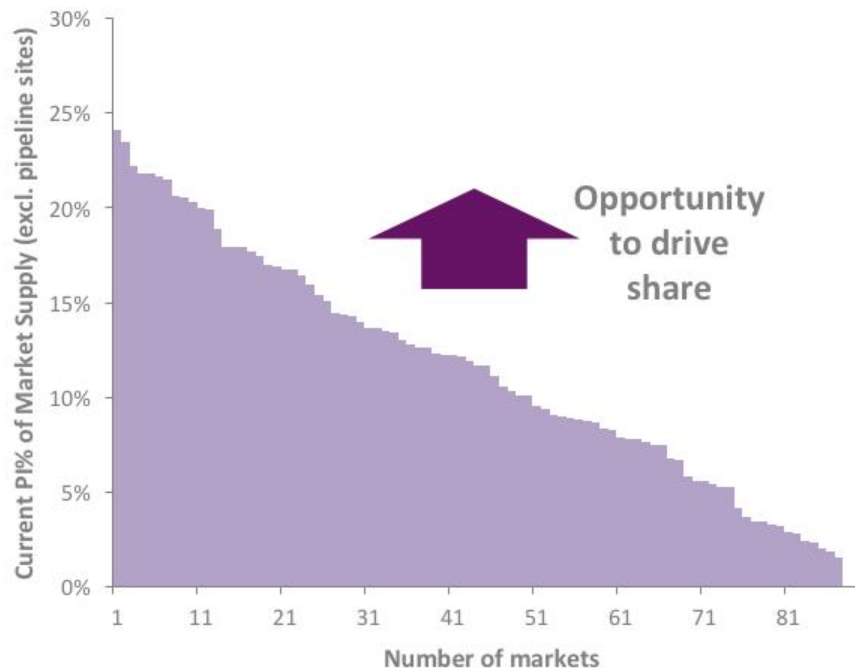
Total sales



Extensions are a secure means of extending our network

- For existing sites, we have extensive data on latent demand (rate, occupancy, web traffic, and 'turnaways') and a good view of operating economics
- Over recent years, extensions have overall been delivering returns of c.14% at maturity

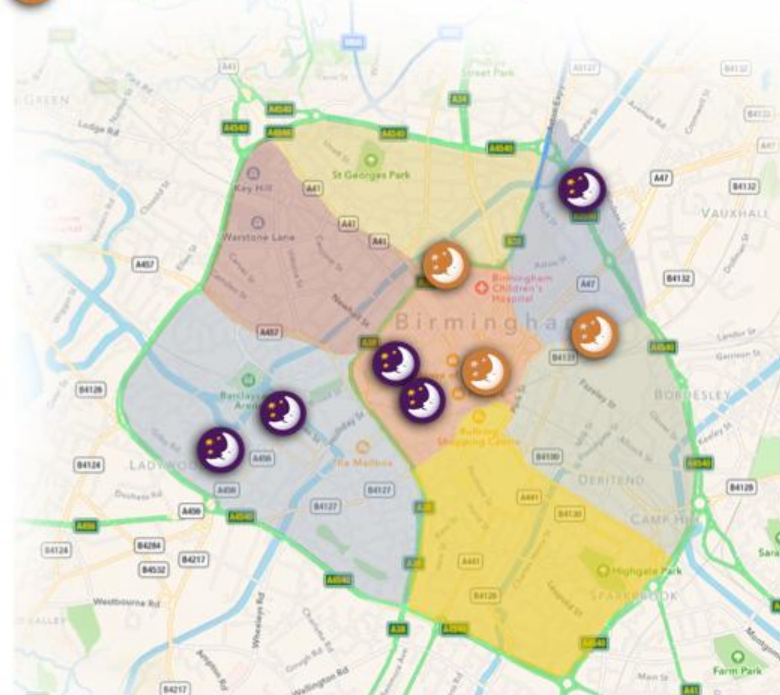
Premier Inn catchment share



Currently 63 out of the 89 macro markets in the UK have a supply share less than 15%, representing significant opportunity

Example: Birmingham City Centre

- 5 existing sites (555 rooms)
- 3 target sites (440 new rooms)



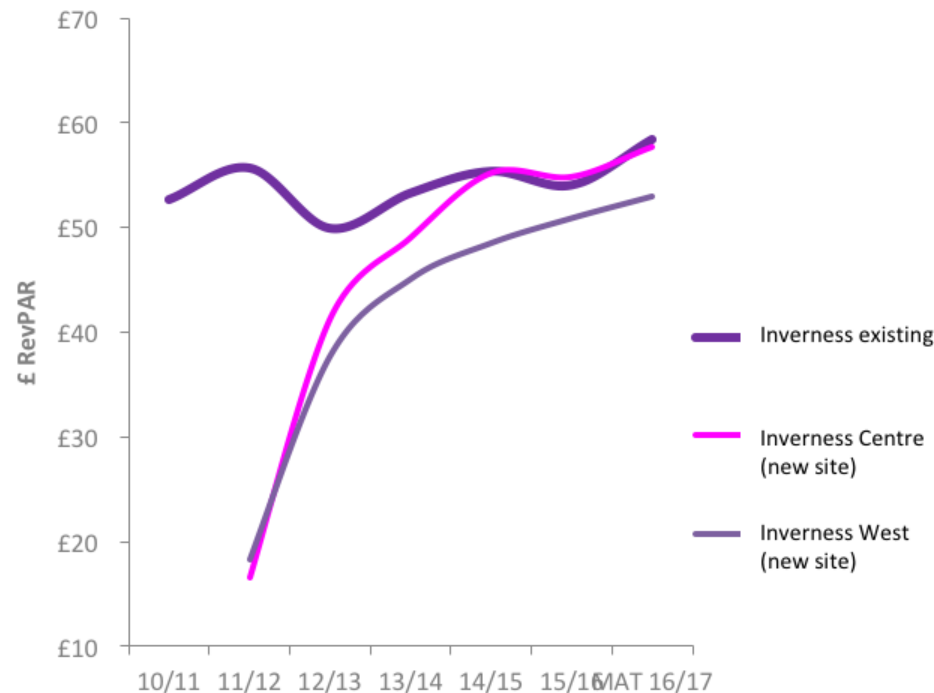
Adding capacity to drive total sales and profit



Inverness example

- Medium-sized tourist town, population c.47,000
- Total supply (including 2 Premier Inns) of 2,518 rooms and Premier Inn share of 12.1%
- Added two new sites at end of FY 2011/12
- Existing sites' RevPAR was initially impacted before recovering
- Total revenue in Year 1 was +93%, growing a further 13% and 8% in the following years
- Profit has doubled in the last 5 years and returns at c.16%

Inverness case study - RevPAR



Hub gives access to high land cost areas



Clear rationale

- Drives attractive returns from **high cost locations** (notably London) through greater site efficiency
- **Flexible format** enables us to access buildings not suitable for Premier Inn
- **Benefits from Premier Inn scale** (i.e. digital, property expertise, operational excellence)

Great feedback**



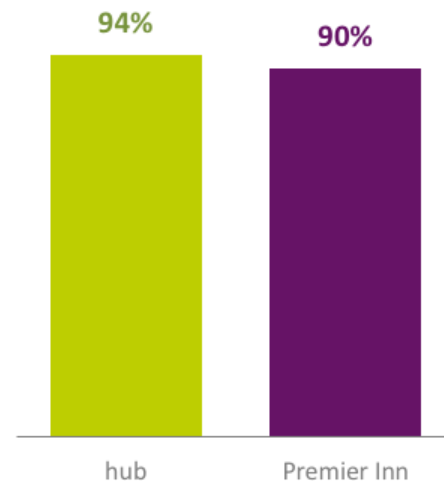
Great 4.5/5



Certificate of Excellence

Strong occupancy performance

Occupancy performance comparison (London)[†]



- 4 - 5,000 room opportunity; 722 rooms open* and 2,133 committed pipeline
- Rate maturing as expected; on target to deliver returns similar to Premier Inn

* Includes Dacre Street open post H1 (Westminster)

** As of 23/11/2016

† September 2016/17

Key takeaways – network strength



Robust network plan

- Provides a scientific basis for identifying growth opportunities, whilst maintaining returns

Proven models

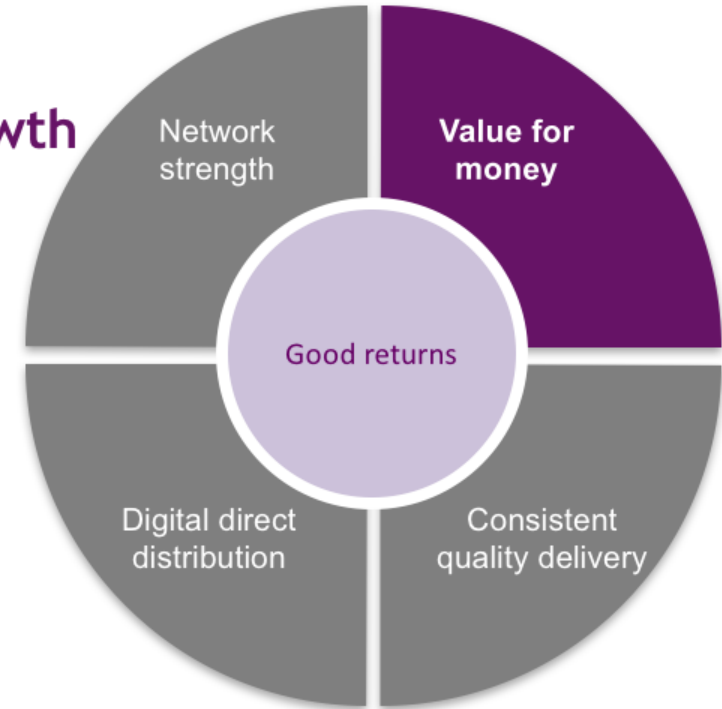
- Three proven growth models and property flexibility allows access to a broad range of catchment types and site opportunities

Further opportunity

- Significant headroom for growth in existing and new catchments, and through extensions
- **Substantial further growth opportunity beyond our 2020 milestone with visibility to beyond 100,000 UK rooms**

Agenda

- 1 Introduction
- 2 **Investing in the Core - Runway for growth**
- 3 Focus to win internationally
- 4 Sustaining good returns



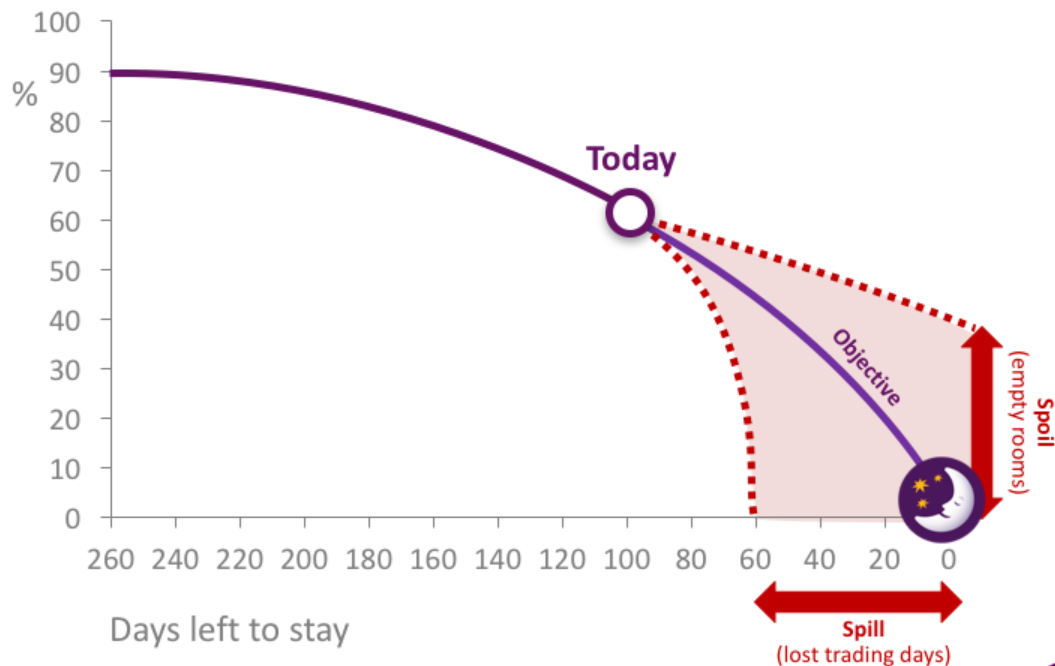
Our objective is to drive occupancy, maximising yield within our “brand value principles”



Brand value principles

- Prices rising towards date of arrival
- Range of easy to understand price products
- Availability at all sites at all lead times
- Frequent spend rewarded through tailored discounts
- Value for money

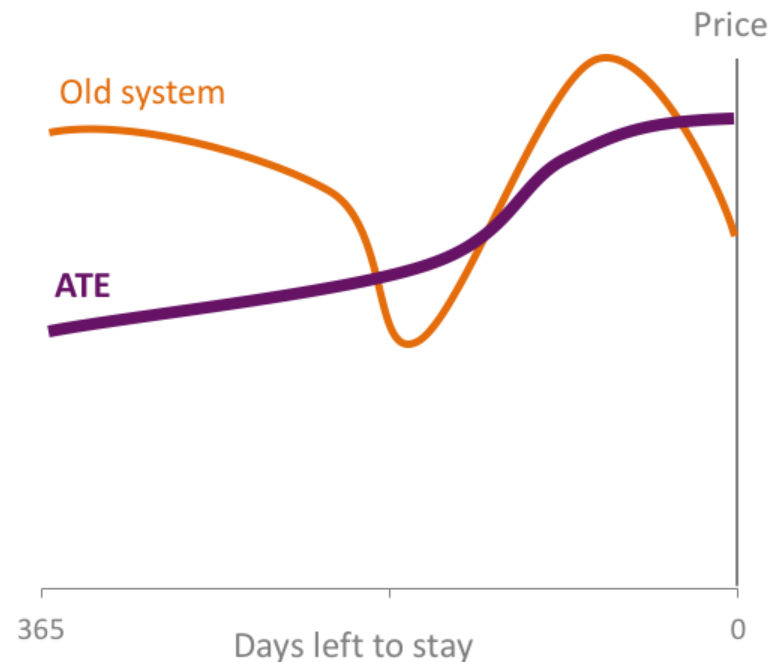
Rooms available vs days left to stay date



We have our own Revenue Management system – the “Automated Trading Engine”

Then (2012-13)	Now (2016 onwards)
Once a day in arrears	Real time, 5 times a day
18 month development cycle	6 week development cycle
Offline optimisation in spreadsheets	Automated algorithm
Tuned with over-rides	Tuned with parameters
Simple data inputs	Complex data inputs
Pricing controls only	Enterprise use
Proposition agnostic	Proposition delivery
Base forecasts updated annually	Base forecasts updated daily

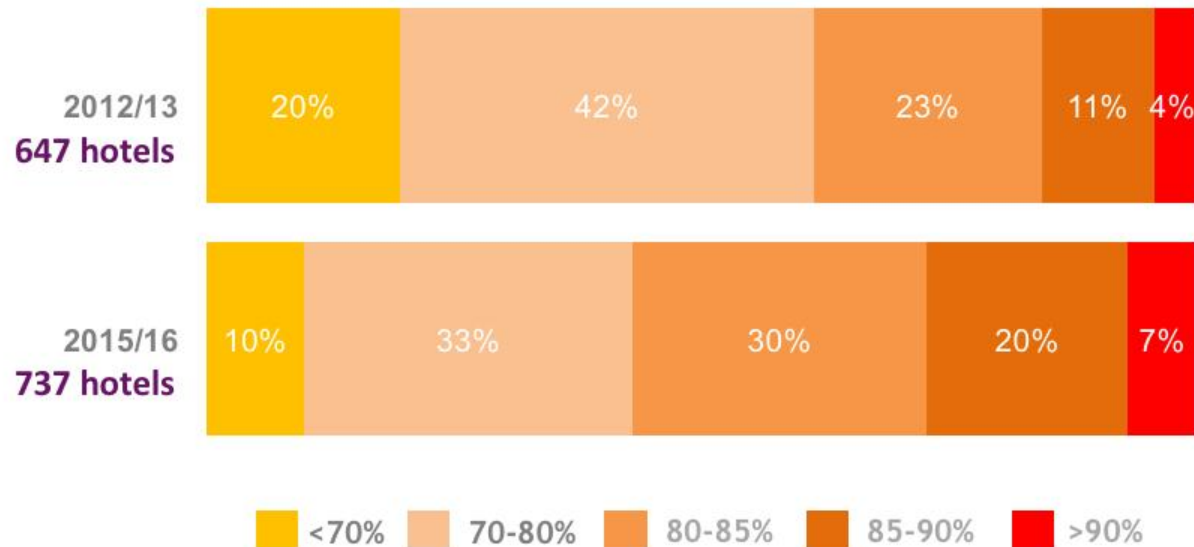
Conceptual pricing curve



We are filling more of our hotels



Occupancy profile of Premier Inn hotels*



Automated Trading Engine delivers commercial and guest benefit



Commercial objectives

- Accurate room pricing
- Prices up quickly in response to observed demand
- Builds volume on off-peak nights
- New sites mature faster
- Consistently conforms to pricing principles
- Drives marketing and operational efficiency

Guest benefit

- Ensures availability of rooms to business guests (avoids 'Spill')
- Avoids over-charging (avoids 'Spoil')
- Consistent price proposition – generates trust
- Product choice offered to customers at all lead times



ATE ongoing development

- Removing pricing failures – we focus on:
 - Price dipping
 - Price surging
 - Room spill
 - Room spoil
- Roll-out of ATE was completed in June
- Now pursuing a c.1-2 year programme of 'Test and Learn' to optimise system
- Platform for development of further price products

Key takeaways – value for money



Track record

- Track record of success by evolving our dynamic pricing capability

Automated Trading Engine

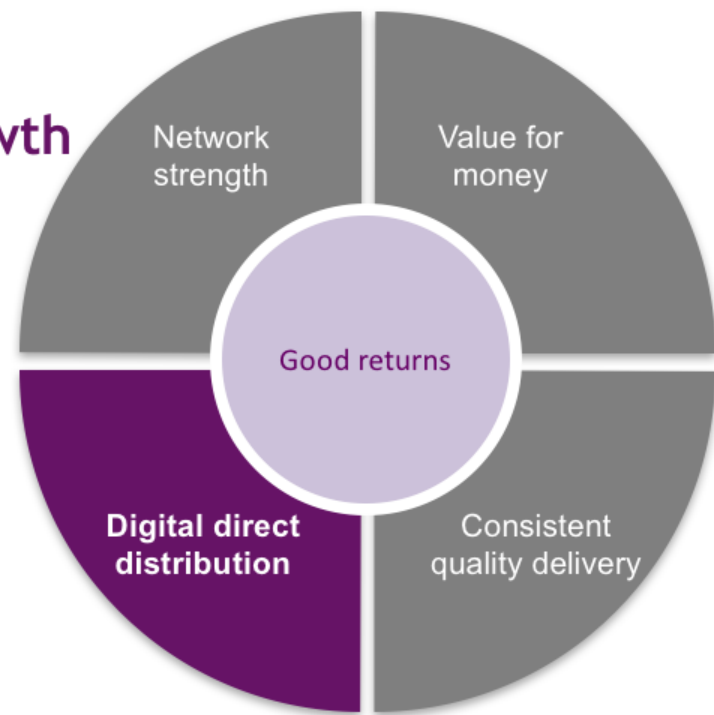
- Bespoke pricing system a critical source of competitive advantage
- Applies parameters, algorithms and data to deliver a broad range of commercial and guest benefits
- Optimisation will take 1-2 years and will focus on removing pricing failures
- Developed to provide a broader enterprise solution

Central to proposition

- **Delivering great value for money through dynamic pricing represents a critical success factor for the Premier Inn brand**

Agenda

- 1 Premier Inn
- 2 **Investing in the Core - Runway for growth**
- 3 Focus to win internationally
- 4 Sustaining good returns



Digital is critical – there is an on-going battle for the digital customer...



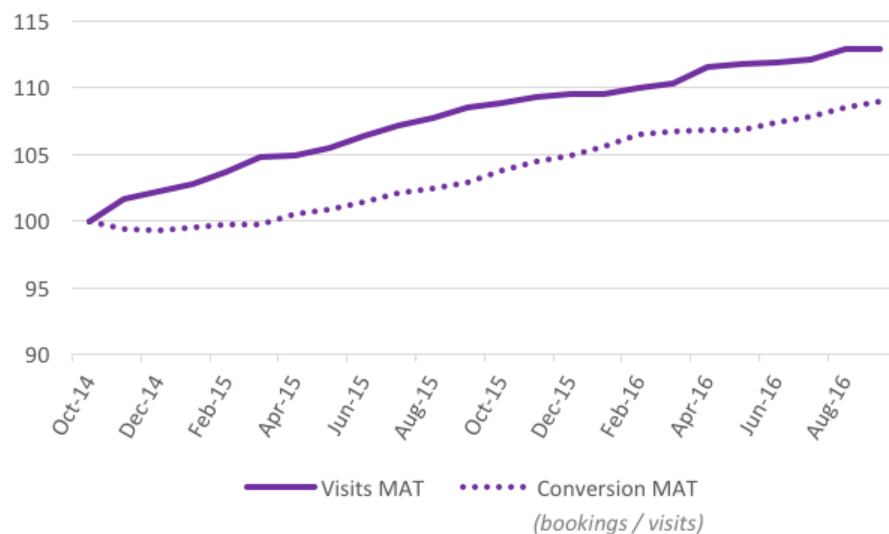
- Our digital competitors are global in scale and digital specialists
- We have built an in-house digital capability to compete
- Our core objective is to maintain our direct digital distribution
- We also aim to use digital to improve the customer journey

Sustainable improvements in traffic and conversion support direct model

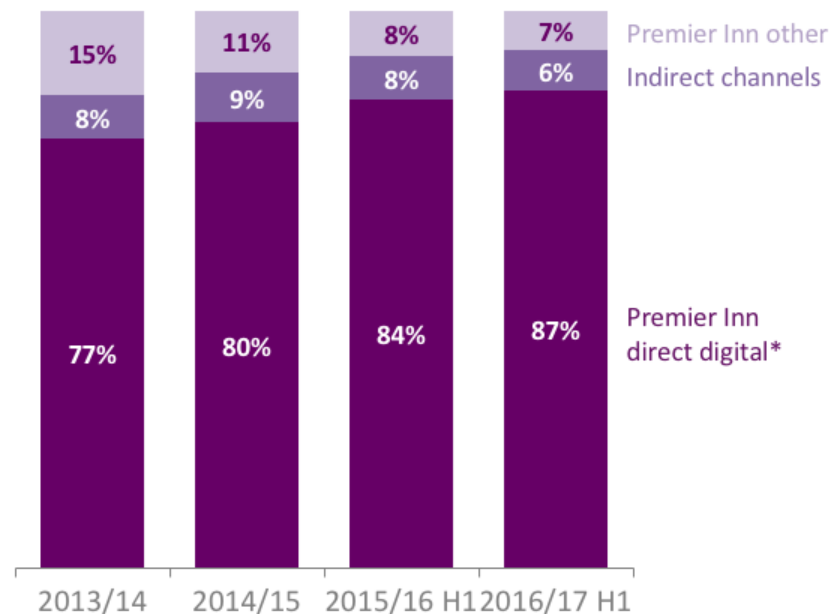


Premier Inn web visits and conversion

MAT October 2014 to September 2016, October 2014 = 100



Volume of reservations by channel



Our digital strategy is focused on three key pillars Premier Inn

Supported by in house teams

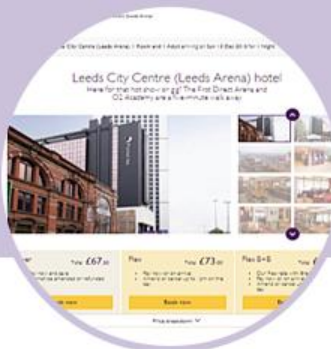
Marketing optimisation

- Improving efficiency of core channels (e.g. SEO)
- New channel development (e.g. programmatic)



Optimisation of existing digital assets

- “Agile” optimisation of web performance
- Opportunities prioritised based on value, risk and impact



New product development

- New desktop and mobile platforms
- Offerings for specific segments (e.g. B2B)



New 'Business Booker' product to increase share of wallet and stickiness



- Currently live with large corporate clients
- Good revenue upside to-date
- Planned rollout to SME audience

Objectives

- Increase satisfaction and stickiness
- Increase share of wallet
- Influence length of stay by Preferred Business Rate
- Reduce marketing costs

Key takeaways – direct digital distribution



Context

- The hotel sector is engaged in a battle for the consumer with a range of online competitors

Capability and platforms

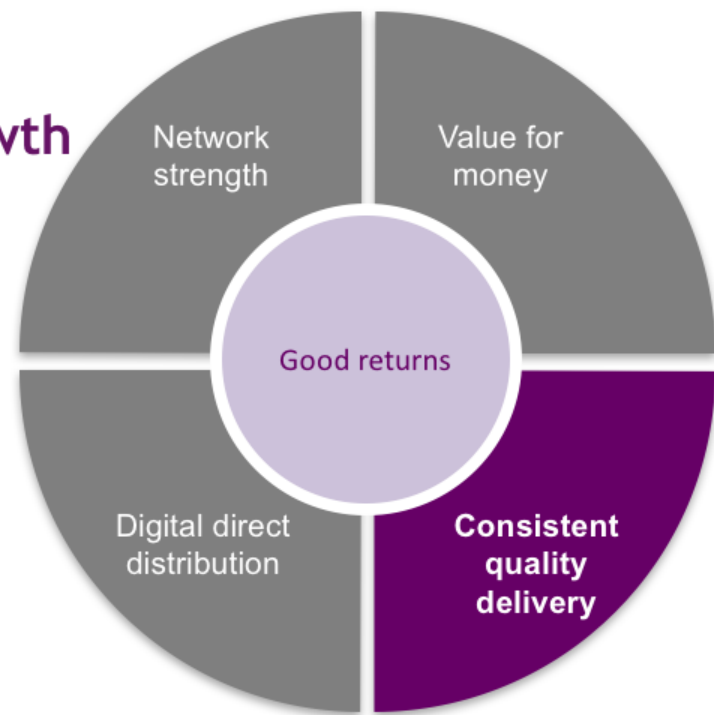
- We are investing in building capability across three core areas – digital marketing, online optimisation and digital product development
- Our new Business Booker Tool will act as a key platform for attracting and retaining B2B customers to support medium-term yield growth

Direct distribution

- **We are well positioned for success and are growing traffic and conversion to preserve our direct model**

Agenda

- 1 Introduction
- 2 Investing in the Core - Runway for growth**
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We focus on the product essentials



Bedroom

- Ongoing investment to maintain Brand Standard

Bed

- Hypnos mattress ensures world-class sleep experience

Bathroom and shower

- Hot powerful showers
- Modern bathrooms supported by ongoing investment programme

Service

- Unique pay for progression approach ensuring service delivery excellence

F&B

- Unlimited all-you-can-eat 'hero' breakfast product
- Free for kids as 'hook'
- Offered in every site across the estate via Joint Site model

9/10

of our hotels received the TripAdvisor Certificate of Excellence. Thanks to you.



Thanks to your amazing reviews and ratings 621 of our hotels received the Certificate of Excellence this year. It's the award every hotel wants and every guest looks for as a sign of great value, great quality and great service. So we just want to say a massive thanks to you and to our brilliant teams for making it happen.

- ✓ 621 of our hotels were awarded the Certificate of Excellence this year
- ✓ 384 of them have received the award for 5 years or more

Our ID4 rooms are designed for cost, guest and operating efficiency



A Great night's sleep

Full length
blackout curtains
with pelmet to
minimise light spill
into the room



Bed as the 'hero'

1,000 pocket sprung
King's size bed with integrated
wool topper. Pressure mapping
tests carried out to identify
optimum support for
all sleepers



Future-proof
40" Samsung Smart
"ready" set
is a wow and
future proofs
the brand



Engineered for efficiency

Tea tray with curved
edges not 90 degree
corners – quicker
for cleaning

Listening to guests

Bedside sockets with
3 pin plug and
USB charging



A consistently superior product



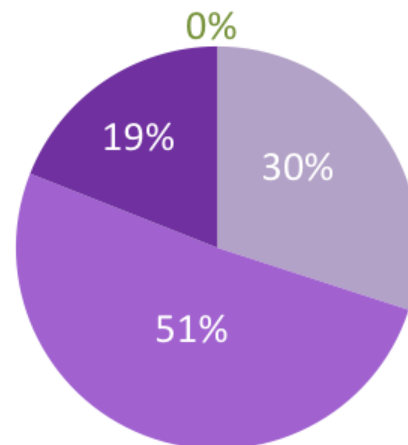
Ongoing product investment

- Product consistency is key to Premier Inn's offering
- Our continued investment supports our price and value positioning vs major branded budget competitors (and disrupters)...
- ...and therefore allows us to continue to generate good returns

Room type evolution

FY 2014/15

Total = 59,138

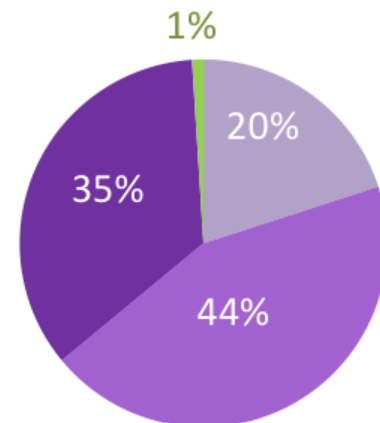


Average NPS score*

ID1/2/Ex PL (legacy)	41.9
ID3	53.8
ID4	58.0
hub	58.5

FY 2016/17 H1

Total = 65,770



Investing in our teams to drive advantage



Team Proposition

- Pay for Progression – Beyond NLW
- Skills development – WISE and Apprentices
- Engagement – Invest in engagement and comms



Engagement

80% (+2% year on year)

Service Ethos

- Empowered teams – surprise and delight
- Detailed guest tracking
 - New guest insight tool
 - c.1m responses/year
 - Drill down to site level
 - Sentiment analysis



Staff care

90% good or excellent service



Operational excellence – cornerstone to our brand



Brand Standards

- Standards manual
- Reinforced via line accountability
- Clear KPIs and incentives – organisational alignment



Room cleanliness
96% Good or Excellent

Operational Efficiency

- Labour models
- Systematic tracking of performance
- Enabled via technology
- Ensures supply and demand matched



Variable mins per room sold
10% year-on-year
improvement

Restaurants supporting Premier Inn



- Joint site restaurants increase Premier Inn RevPAR and returns
- Good progress rejuvenating our brands in H1
 - 113 Beefeaters under the new “Orange Cow” brand proposition
 - Bar + Block – good guest feedback, 2 more sites in H2
- Plan to rationalise and simplify brand portfolio
 - 7 Taybarns converted to Brewers Fayre H2
- Investment in team and tools
 - New labour scheduling tool in all sites
 - Improved on-line booking capability in all sites



Bar + Block – extending the Joint Site model



BAR+BLOCK
STEAKHOUSE

- Modern high street format...
- ...enhancing returns for city centre Premier Inns
- Kings Cross opening December 2016
- Promising early signs



Key takeaways – consistent quality delivery



Product Consistency

- Our investment programme ensures product consistency, differentiates the brand and supports pricing over the long-term
- We carefully design the product to trade-off cost, consumer impact and operational efficiency

Teams

- Teams are central to the service experience

Restaurants

- Restaurants are critical to our success and we are rationalising and rejuvenating the brands to maintain their relevance

Balanced Investment

- **We are delivering a balanced, sustainable programme of investment focused on the product essentials**

Agenda

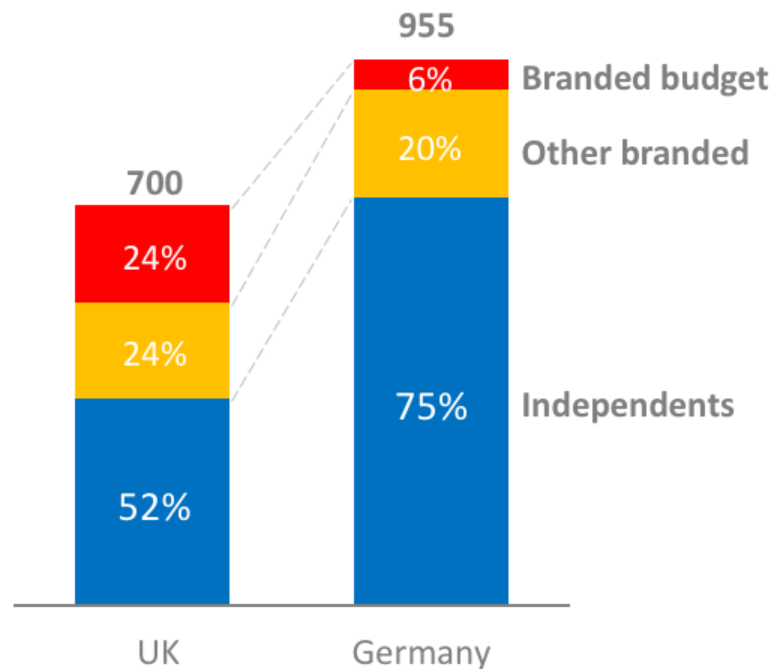
- 1 Introduction
- 2 Runway for growth
- 3 Focus to win internationally**
- 4 Sustaining good returns



Germany is a structurally attractive market for budget branded hotels



Germany vs UK hotel market (000 rooms; 2015)



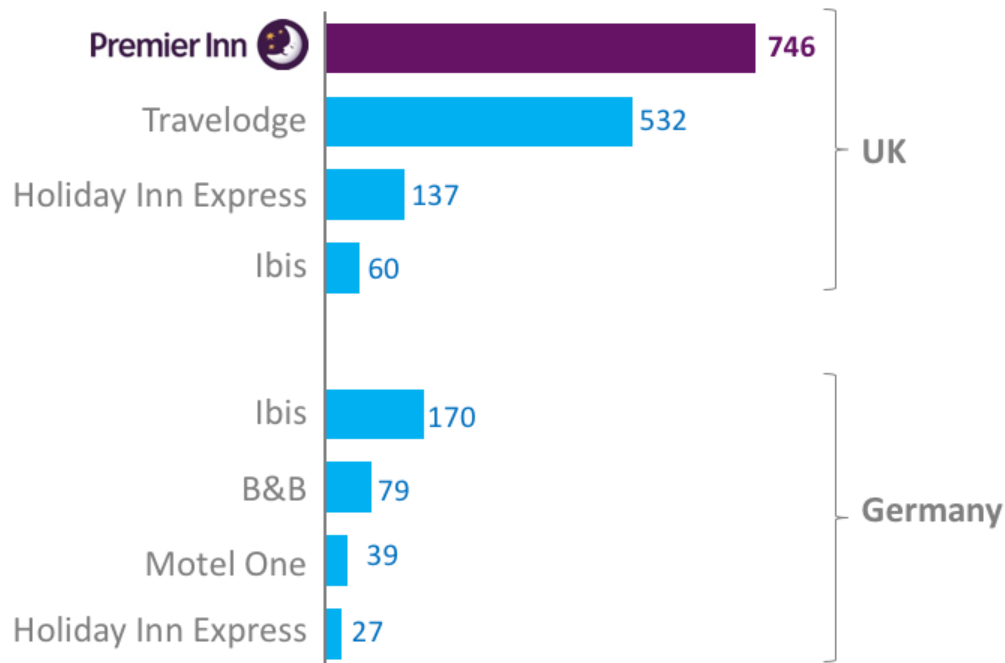
- The German hotel market is larger than the UK
- There is an ongoing structural shift from independents to brands, with independents' share dropping 4% pts 2010 – 2015
- Demand growth has outstripped supply growth over recent years
- The commercials are favourable, and we expect to deliver good returns
- Premier Inn's core model is aligned to German expectations (e.g. similar guest preferences and purchase criteria) with minor modifications (e.g. F&B)

Clear opportunity to create a scale budget branded offering



Largest branded budget chains

(number of hotels, 2016)



- The largest branded budget players in the German market are 10-20% the size of scale UK brands...
- ...despite a market that is c.30% larger in room nights and supply
- The secular shift to branded budget provides opportunity for Premier Inn to follow the UK growth model

Premier Inn brand is positioned to win in the German market



Great proposition and experience

Achieves consistently high customer scores on TripAdvisor*



"The amount paid for what you get is unbelievable"

"Absolutely the best place to stay in Frankfurt"

Brand positioning

- Premium economy positioning
- Good value and quality
- Product tailored to core market

Brand awareness building

- Great locations in top cities
- Best in class website and online marketing (100% direct bookings, of which 68% online)
- Local sales team building B2B relationships
- Leveraging strength of UK customer base for inbound

Underpinned by strong economics: **long term returns close to UK, driven by healthy RevPAR**

Significant growth opportunity in immature hotel market



- We currently have 3 committed sites (in addition to Frankfurt)
- Our current priority is to **test the market faster** through acquiring going concerns and making leasehold deals in prime locations
- By 2020 we will have **6-8 hotels and a growing pipeline**
- This represents a £60-100m p.a. investment

Open



Frankfurt-Messe

201 rooms
open
2016

Committed
pipeline



Munich

c.200 rooms
opening
2018



Hamburg

c.187 rooms
opening
2018



Leipzig

c.180 rooms
opening
2018

Agenda

- 1 Introduction
- 2 Runway for growth
- 3 Focus to win internationally
- 4 Sustaining good returns**

Sustaining good returns and margins



Considered investment decisions...

P&L investments

- Refurbishments
- IT
- Leasehold expansion

...along with sector headwinds, mitigated through efficiencies and strong organic growth...

Inflation

- NLW and wage inflation
- Food and beverage
- Property rates and rent

Organic growth

- Like for like sales
- New hotels at good return

Efficiency programme

- Procurement, logistics, labour

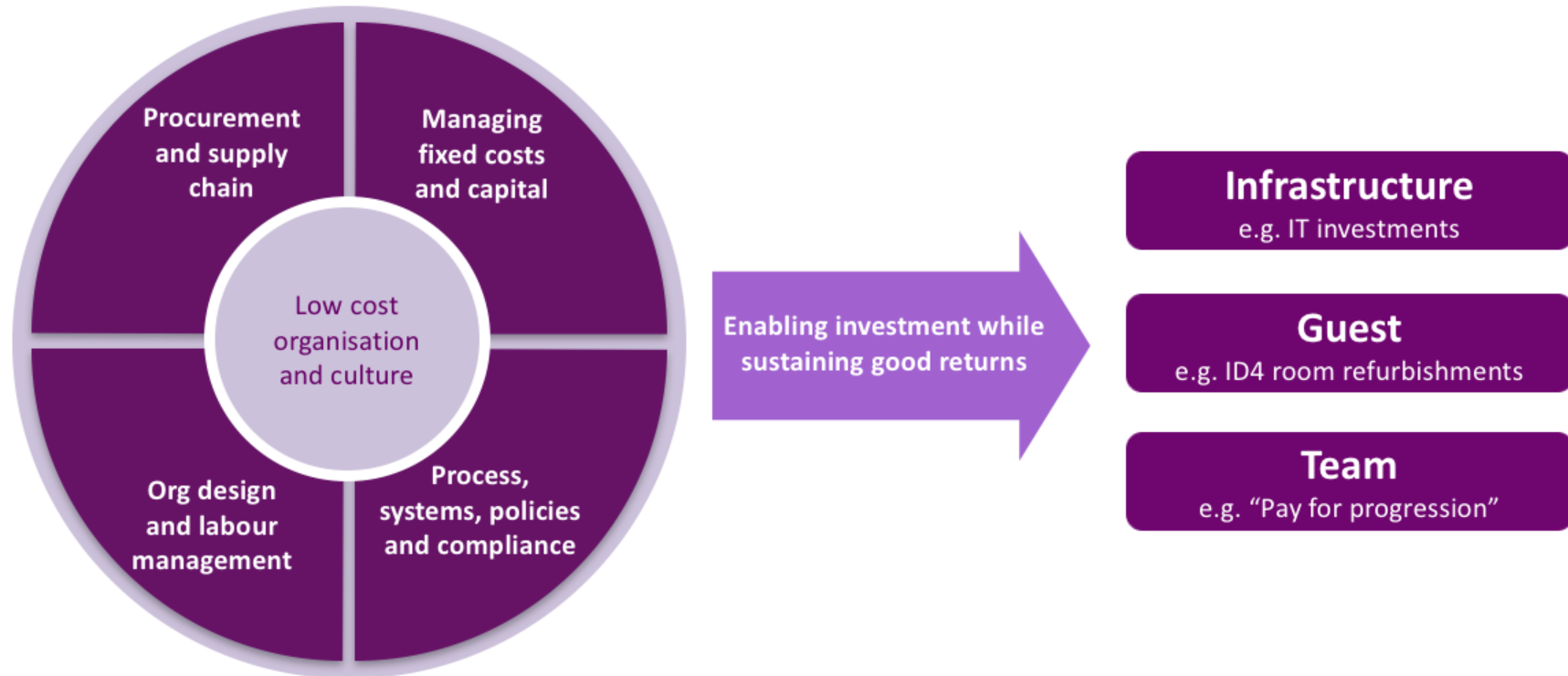
...generating sustained good margins and good returns

Generating good returns

Pipeline returns in line with existing estate

Assume favourable long-term market dynamics

Driving efficiency across the business to enable investment



Capital management efficiencies – optimising refurbishments



£ per room costs over time

- We have reduced the cost of doing a full room refurb by c.£3,000...
- ...and maintained guest experience through efficient use of capital
- NPS scores have improved c.+10%pts post-refurb



Procurement efficiencies – Improving service levels and reducing costs



Case study – Cleaning products

- Whitbread spends c.£4m p.a. on chemicals (e.g. cleaning fluid)
- We reviewed our current supplier and benchmarked costs and service levels vs the market
- Opportunity identified to save over £1m p.a.



Key takeaways – Sustaining good returns



Track record

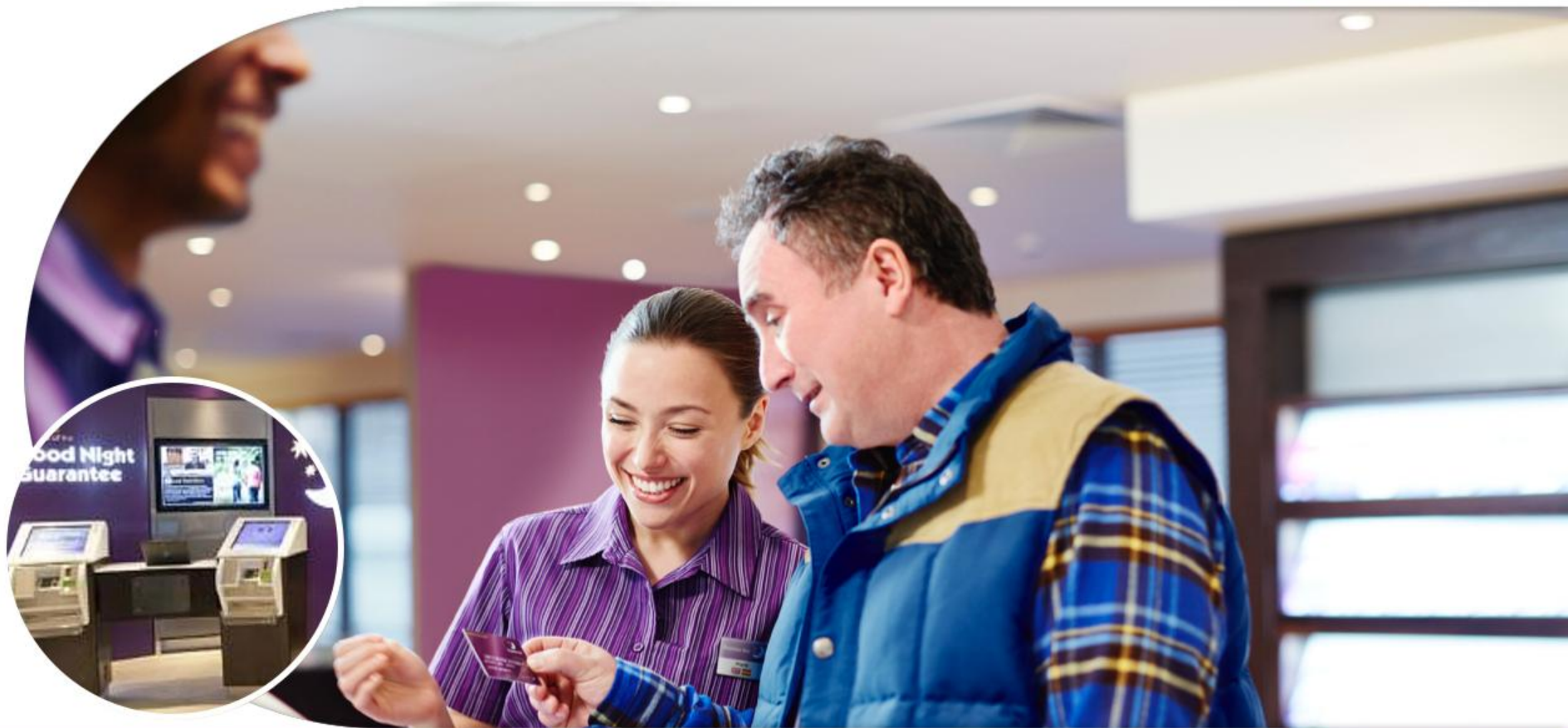
- Premier Inn and Restaurants has a track record of delivering good returns

Cost pressures & mitigating action

- We are investing in infrastructure, and face headwinds that include pay inflation and business rates
- Supported by the initiatives outlined (e.g. pricing), we expect to continue the good performance of our like-for-like estate
- Organic growth, through new hotels and RevPAR, will continue to contribute positively to margins
- We also have a multi-year, broad cost and efficiency programme

Sustaining good returns

- **This programme will enable continued investment in infrastructure, team and guest while sustaining good margins and returns over time**



Premier Inn growth opportunity



**Extensive structural
opportunities**



**Unique
business model**



**Well-placed
for continued growth**







WHITBREAD

CAPITAL MARKET DAY 2016



38

COSTA

EST.1971




**HANDCRAFTED
COFFEE**
**ICED COLD
DRINKS**
PANINIS
**TOASTED
SANDWICHES**
**CAKES &
PASTRIES**

*Additional
SEATING
downstairs*

Agenda

COSTA

- 1 Introduction
- 2 UK
- 3 China
- 4 Rest of the World
- 5 Express
- 6 Sustaining good returns
- 7 Q&As



The Costa team

COSTA

Sarah
Highfield

Finance
Director



Sarah
Barron

Chief Marketing
Officer



Jason
Cotta

MD
UK & Ireland



Esteban
Liang

MD
China



Dominic Paul

Managing
Director
Costa



Murray
McGowan

MD
Costa Express



Kate
Seljeflot

HR Director
Costa



Andrzej
Jackiewicz

MD
Europe



Clair Preston
Beer

MD
MENA
and SEAI



Clive
Bentley

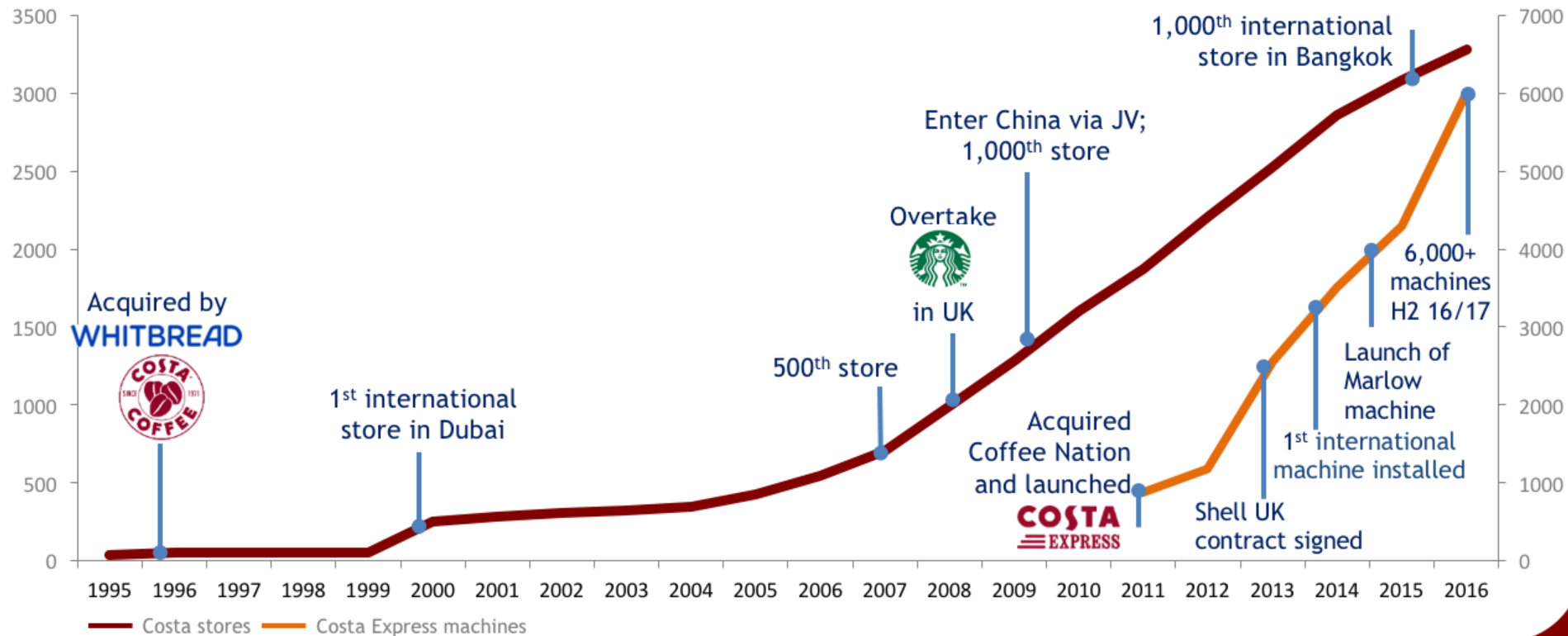
Property &
Commercial
Director

Costa's evolution – the last 20 years

COSTA

Costa store numbers
1995 - HY 2016

Costa machine numbers
2011 - 2016



Note: There are two Y Axis: Left hand side shows Costa store count; Right hand side shows Costa Express machine count

What makes Costa great

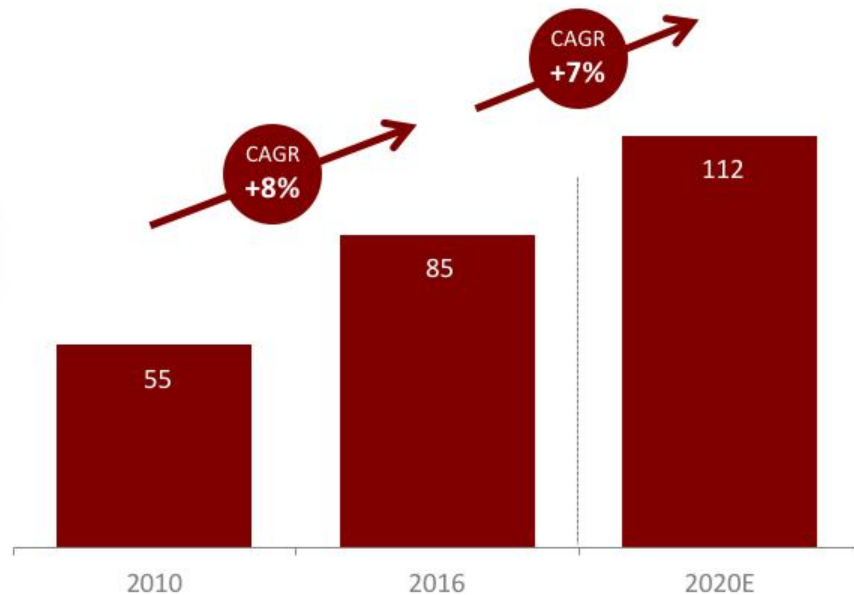
COSTA

Strong brand fundamentals

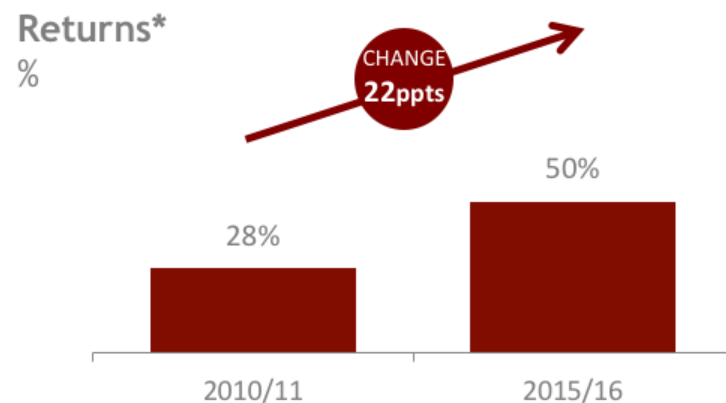
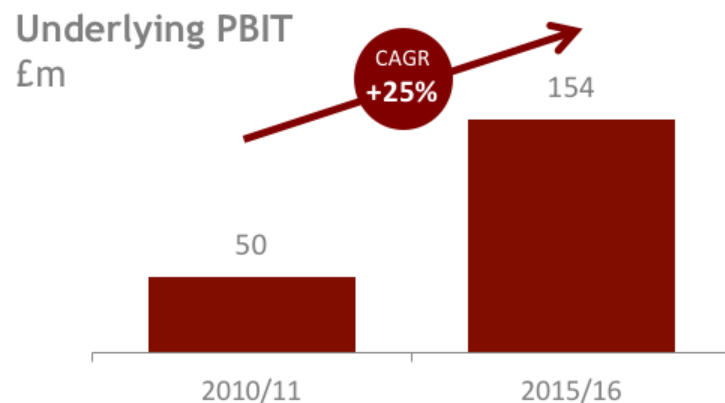
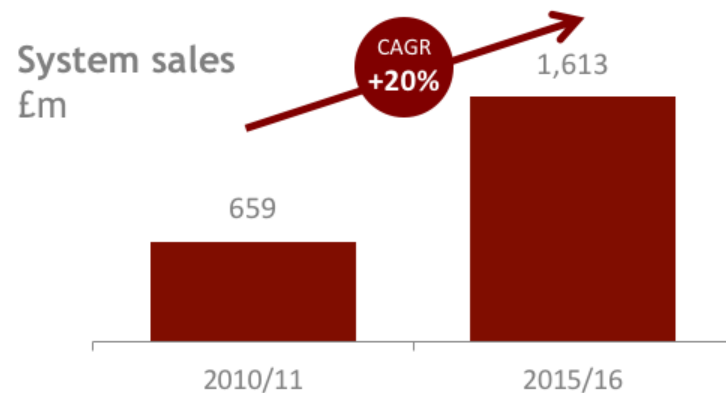
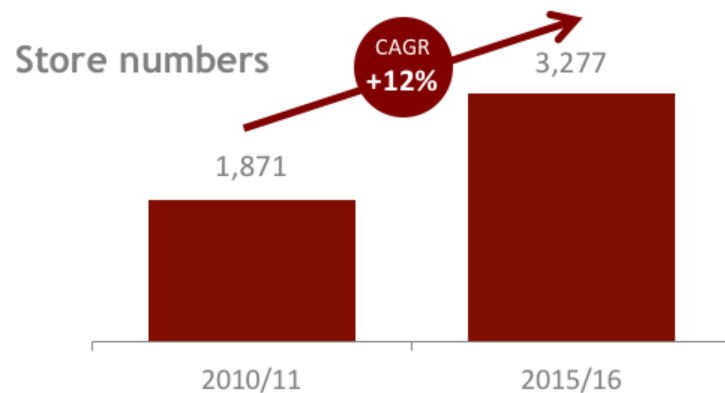


Operating in a fast growing sector

Global coffee revenue*
£bn



Consistently delivered shareholder value

COSTA

*Returns are based on underlying EBIT from operations, divided by segmental net assets with no allocation for UK debt, taxation liabilities, pension and provisions held centrally by Whitbread

Costa has significant opportunities



UK

- Significant runway for high returning growth
 - Sustainable like for like growth
 - Accessible structural growth

China

- Enormous market potential and rapid growth

Rest of
World

- Continued growth in existing markets; opportunities in new, high growth markets

Express

- Substantial white space in UK and International

...And a plan delivering across four pillars

COSTA**UK****A giant step forward**

Innovate coffee and food, invest in store proposition, amplify the brand and improve digital capability

China**Unlock potential**

Focus on major cities, step change brand awareness and develop a compelling proposition

**Rest of
World****Deeper, more profitable**

Scale successful franchise model by focusing on quality markets, with the right partner

Express**Double up**

Continue to innovate and differentiate offer to stay ahead of competition

PURPOSE

Inspiring the world to love great coffee

VISION

The world's most loved coffee brand

We will achieve our Milestones



	HY 16/17*	2020	Future
UK	2,121 stores	2,500+ stores	c.3,000+ stores
China	395 stores	c.700 stores	Strong number 2
Express	5,970 machines	8,000++ machines	Doubling up

And we have significant further runway for growth beyond

Agenda

COSTA

- 1 Introduction
- 2 **UK**
- 3 China
- 4 Rest of the World
- 5 Express
- 6 Sustaining good returns
- 7 Q&As



Summary – a giant step forward

COSTA

Track record of delivering high growth and returns

- **Fundamental strengths:** UK's favourite coffee shop and unrivalled network presence
- Continued **demand growth** in the coffee market



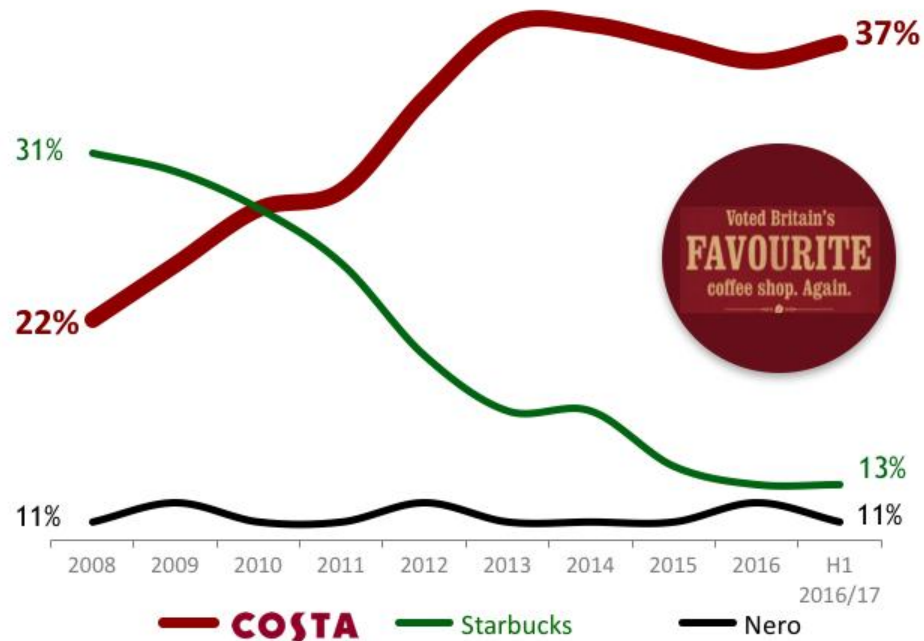
Significant runway for high returning growth

- **Like for like growth**
 - Brand
 - Coffee credentials
 - Food
 - Store experience
 - Digital
- **Structural growth**
 - New locations
 - Existing locations – greater penetration
 - Better locations and format
- Plan underpinned by **people and capability**

Powerful brand and deep UK network presence

COSTA

Brand preference: Costa is the UK's favourite



Source: 2008 – 2014; YouGov U&A, Nat Rep. 2015-HY2016/17; TNS One Costa Tracker, Market Monitor, 2000 Nat Rep respondents per quarter

Q. If there were a Costa Coffee, Starbucks and Caffé Nero next door to each other, which one would be your FIRST choice to visit?

Branch network: Costa has the largest network



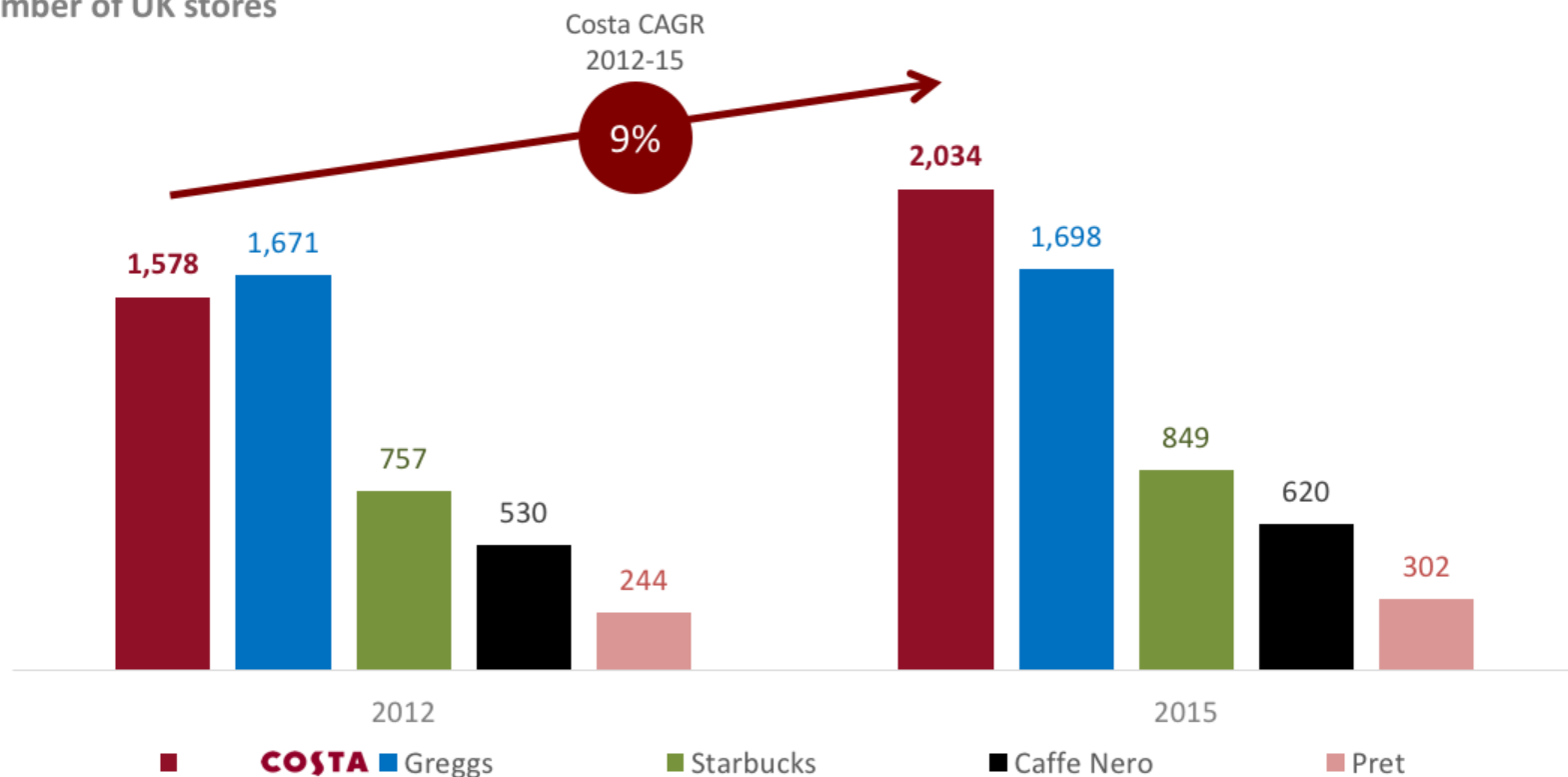
- 10% share of UK coffee shop outlets*
- 73% of the UK adult population have access to a Costa store**
- Diversified footprint with >80% of stores in the regions

Definition: Total UK Adult population (2014) living within a primary trading area of a Costa store (2016)

Continue to win share

COSTA

Number of UK stores



Convenience and quality remain fundamental drivers

COSTA

Customer needs

Top 5 reasons for choice of coffee shop*



Customer behaviours

- Anytime, anywhere
- Combined food and coffee missions
- More discerning on quality



Convenience
and quality
remain
fundamental...

...But customers
are becoming
more demanding
in terms of how
these needs
are met

* Note: Convenience includes 'convenient location' and 'only one available';

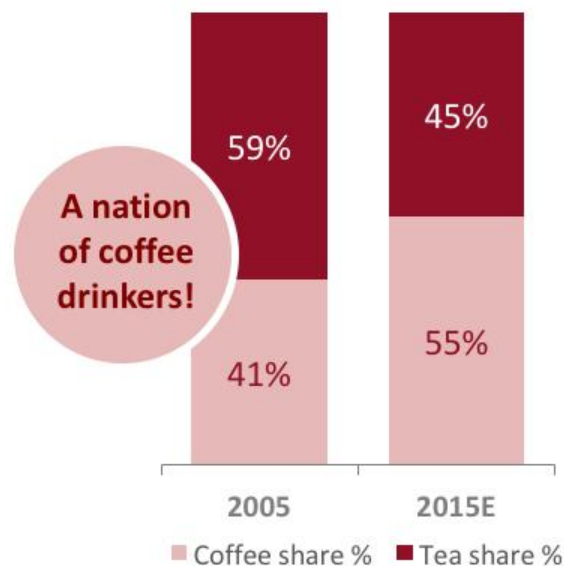
Coffee quality includes 'coffee quality' and 'consistency'; Brand of coffee shop / coffee includes 'coffee shop brand' and 'coffee brand available'

Source: Allegra Project Cafe UK 2016; Q. What was your main reason for selecting this coffee shop?

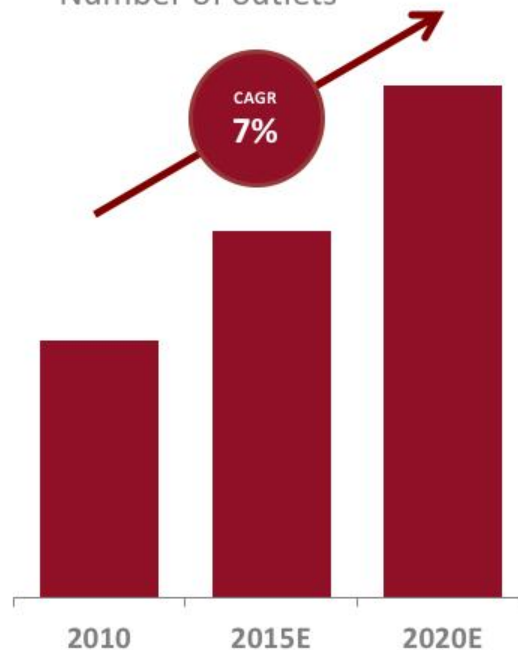
The UK population continues to drink more coffee...

COSTA

UK coffee and tea consumption per capita*
% share



UK coffee shop market**
Number of outlets



...And global demand trends indicate there is significantly more growth to come

COSTA

Global coffee consumption
(2015) (kg/capita/year)

Finland	12.2
Sweden	10.1
Norway	8.7
Germany	6.5
Italy	5.6
France	5.1
Spain	4.5
USA	4.5
Czech Republic	4.3
UAE	3.5
UK	3.3
Poland	2.2

Phases of coffee culture development

1st
wave

Traditional filter
and instant coffee

2nd
wave

The rise of branded
coffee chains



3rd
wave

Education of bean
quality and origin



4th
wave

Scientific methods
of brewing coffee

Significant runway for high returning growth

COSTA

Like for like
growth

- **Brand**
- **Coffee credentials**
- **Food**
- **Store experience**
- **Digital**

Structural
growth

- **New locations**
- **Existing locations**
- **Better locations
and formats**

People and
Community

- **Customers**
- **Community**
- **Environment**

Driving sustainable like for like on multiple fronts

COSTA

Brand	Coffee credentials	Food	Store experience	Digital
 <p>Maintain and amplify brand presence</p>	 <p>Translate quality and innovation to sales - extension & premiumisation</p>	 <p>Step change to support coffee sales</p>	 <p>Deliver the right format for the occasion</p>	 <p>Build loyalty through personalisation and 'stickiness'</p>

Brand – amplify our coffee credentials

New vision and brand purpose puts coffee back at the heart of our business:

Inspiring Britain to love great coffee

- UK Brand re-launch with customer facing promise “Never a dull cup”
- Broadcasting delivering consistently brilliant quality
- Driving brand warmth
- Talking to our customers across multiple channels



Coffee credentials – innovation driving sales

COSTA

Coffee heritage

Original mocha blend
started 45 years ago



Category extension

Start of an
innovation journey

Cold Brew
Seasonal innovation



Continued Premiumisation

Expanding
coffee ranges
Second blend: Old Paradise Street
(launched two years ago)
V60 (slow drip)
Nitro coffee

Food – a fresh approach

COSTA

Example categories by day part

Win in Breakfast

BREAKFAST ROLLS



PORRIDGE



BIRCHER MUESLI



YOGHURT



Contend in Lunch

PANINI



SANDWICHES



SALAD



HOT FOOD



Maintain leadership in Snack

CAKE



TRAYBAKE



FRESH FRUIT



NUTS AND BARS



Creating new opportunities with hero products – driving ATV

Store experience – the right format for the occasion **COSTA**

In rollout

Faster



- H1: Opened 7 Pronto stores including mainline rail concept test
- H2: Roll out in key travel locations, e.g.,
 - London Bridge Station
 - Westminster

Drive Thru



- UK portfolio now at over 40 stores
- Targeting further 5+ openings in H2

In development

Relaxed coffee



- H1: Launched finer coffee concept at Shelton Street
- H2: Opened full concept store in Wandsworth – finer coffee, upgraded interiors, evening offer

Coffee with food



- H1: Tested new food-led offer with improved layout
- H2: 2 concept stores now opened
 - White City
 - Milton Keynes

Store experience – investing in the customer

COSTA

- Convenience - greater speed of service
 - Merrychef ovens to align coffee and hot food delivery time
 - New tills with additional functionality
 - Queue management through improved layout planning
 - Costa Collect
- Range – extended with new equipment
- Experience – better merchandising through tailored layouts

Increasing
productivity

Building
ATV

Driving
throughput



Building digital from a strong foundation of loyal customers

COSTA

Costa Coffee Club

- 5.1m active customers*
- Over 40% of transactions by Coffee Club members
- Now over 400,000 active app members (past 12 months)
- Personalised communication and reward

COSTA
COFFEE CLUB



Costa Pay

- Mobile payments to enable faster and easier transactions
 - Apple Pay and Android Pay available in all equity and most franchise stores
- Continued focus on Mobile Payment options moving forward



Costa Collect

- Costa Collect to enable faster collection and payments
- Trial Costa Collect October 2016 in 10 stores
- Rollout in 2017



COSTA
COLLECT...
available at this store

* Transacted at least once over the last 12 months

Significant runway for high returning growth

COSTA

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- Food
- Store experience
- Digital

Structural
growth

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- Existing locations
- Better locations
and formats

People and
Community

- Customers
- Community
- Environment

Insight-led approach to network planning

COSTA

5.1m active* loyalty scheme users provide customer insights



Detailed demographic analysis across 40,000 micro markets



Expert property team:
60+ years experience

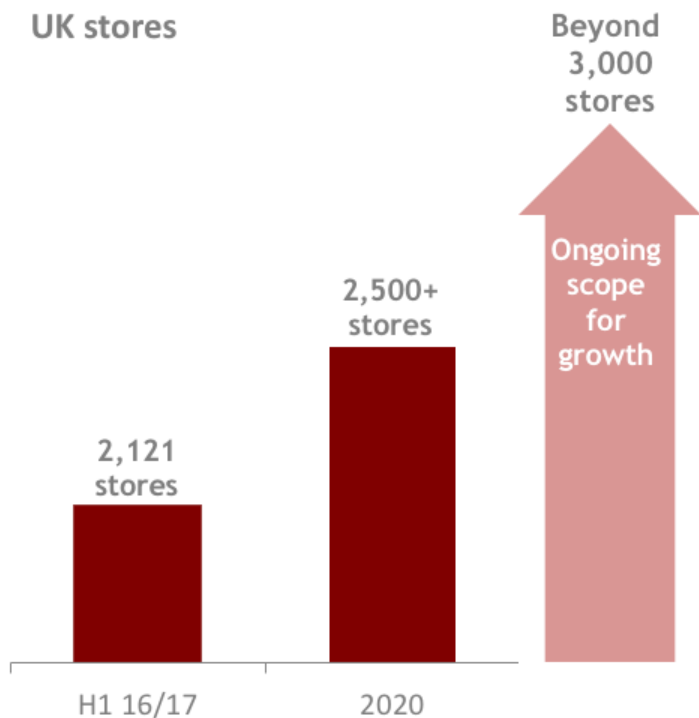


Market-leading network presence across multiple channels

Significant white space for new Costa stores...

COSTA

UK stores



1

New locations

2

**Existing locations
- greater penetration**

3

Better locations and formats

**Strong UK
store returns:
>40%**

...with multiple routes to access

COSTA

Model



Equity



Franchise

Flexible ownership model
creating competitive advantage

Channel

Traditional



High Street



Shopping Mall



Office

Growth



Concession



Transport and
Drive Thru



Retail Park

Focus on growth channels
Leverage lease flexibility in traditional channels

Store Format



Relaxed coffee



Coffee
with food



Faster



Drive Thru

Using formats to profitably
access more locations

1

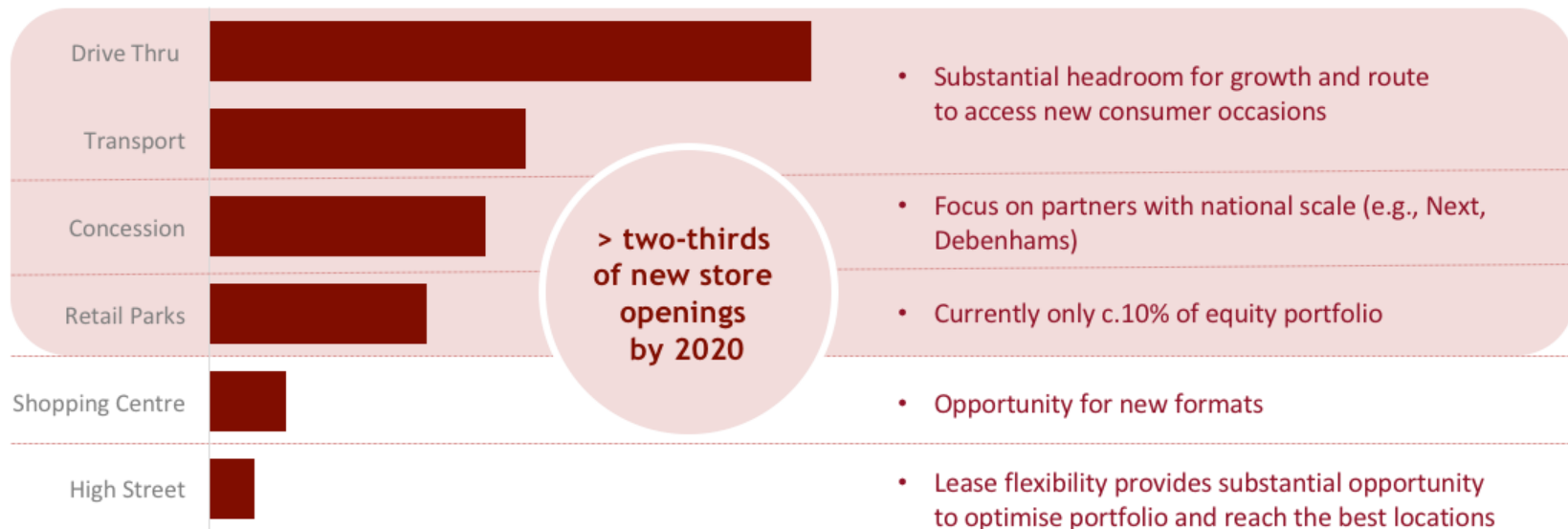
New locations – higher growth channels driving future opportunities

COSTA

2015/16 like for like growth by channel

%

Future growth opportunities



1 New locations – great potential in Drive Thru

COSTA

- Drive Thru: Highly profitable nascent channel
 - 44 Drive Thru sites in the UK*
 - 13 of the top 20 Costa stores are Drive Thru
 - Potential c.100+
- Trialling new format with Roadchef
 - Leverage partner's network



NOTTINGHAM

Opened: May 2011

5 year sales growth
c.50%

M27 ROWNHAM (Roadchef)

New franchise Drive Thru
Opened: July 2016



2 Greater penetration – in existing locations

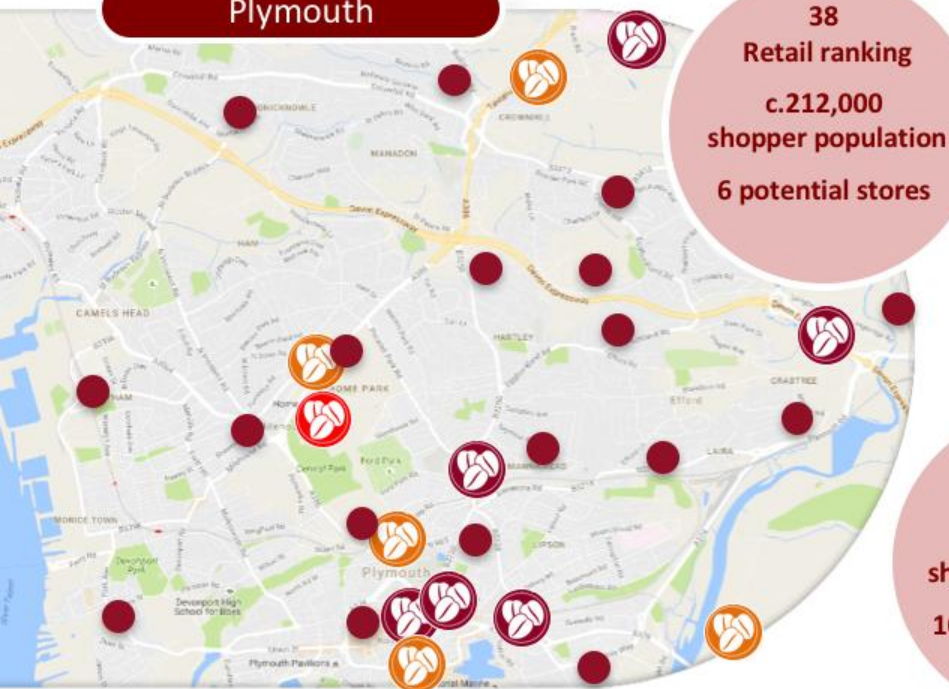
COSTA



2 Greater penetration – opportunity for more stores in existing locations

COSTA

Plymouth



Oxford



46
Retail ranking
c.150,000
shopper population
10 potential stores



Current store locations



Franchise site



Future opportunities



Current Express locations

3 Better locations – flexibility to optimise for the **COSTA** best High Street sites



GLASGOW

Original site

205 Sauciehall Street

Re-site to

208 Sauciehall Street

Average weekly sales uplift

c.54%

Increase in space

+70%

Rental increase

flat



- Large high street estate
 - 35% of stores*
 - Flexible lease portfolio
 - Earliest average exit for high street estate c.3 years**
- Currently re-site some 20 stores p.a. – opportunity for more
- Opportunity to find better, right sized locations

3 Better formats – Pronto Coffee at speed

COSTA

- Delivering speed and convenience
 - More numerous, faster tills
 - Speed of service NPS score increased 14%pts*
- Favourable economics
 - Compact footprint
 - Focus on coffee and take-away, especially in London and transport hubs
 - Uncapping peak demand



Pronto Chelmsford

Reformatted to
100% take-away,
targeting commuters

Small store area
with no seating

Pronto St Pancras

Reformatted to 80%
take-away and 20% eat-in,
targeting commuters
in all day travel hub



Significant runway for high returning growth

COSTA

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Structural
growth

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and formats

People and
Community

- Customers
- Community
- Environment

Our people are the key to success

COSTA

- Development on apprenticeships
- Early adoption of NLW
- Pay for progression
- Turnover lower than industry standard

BUSINESSES DON'T
MAKE GREAT COFFEE
People do



THE SUNDAY TIMES
25
BEST BIG
COMPANIES
TO WORK FOR
2015

 **Apprenticeships**
National Awards 2016

top
EMPLOYER
UNITED KINGDOM
2015
CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS

**THE
NATIONAL
LIVING WAGE**
A STEP UP FOR BRITAIN



WE MAKE
our coffee
SMILE

WE DON'T RUSH
Our coffee

Connecting with customers, community and environment

COSTA

Teams and community

In 2015
11,000
volunteer hours,
12,000 activities,
900 communities
helped



£11m
raised for
Costa
Foundation



Customer wellbeing

Costa
target to
**reduce added
sugar** in drinks
by 25% by 2020



Currently
76% of operational
waste diverted
from landfill in UK
equity stores

Energy and environment



Cups
recycling
trials in
2,000
stores



COSTA**UK****A giant step forward**

Agenda

COSTA

- 1 Introduction
- 2 UK
- 3 China**
- 4 Rest of the World
- 5 Express
- 6 Sustaining good returns
- 7 Q&As



Summary – unlock potential

- Costa opened its first China store in 2006
 - We have 395 stores today - 141 through Beijing JV, and 254 through Shanghai JV
- China remains an enormous opportunity
 - Scale and growth (driven by expanding middle class)
 - China taste for Western Coffee evolving
 - Average contribution of the top c.75% of stores similar to the UK
- A plan to reorient brand proposition and awareness
 - Become China's favourite coffee shop
 - Targeted expansion focused on highest potential cities
 - Exit (or turnaround) poor performing stores
 - Strengthen brand and drive awareness
- China investment will deliver profitability and headroom for growth in a fast growing market

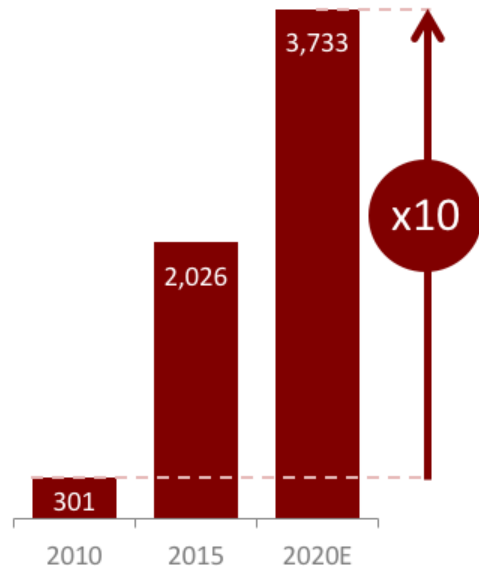


COSTA

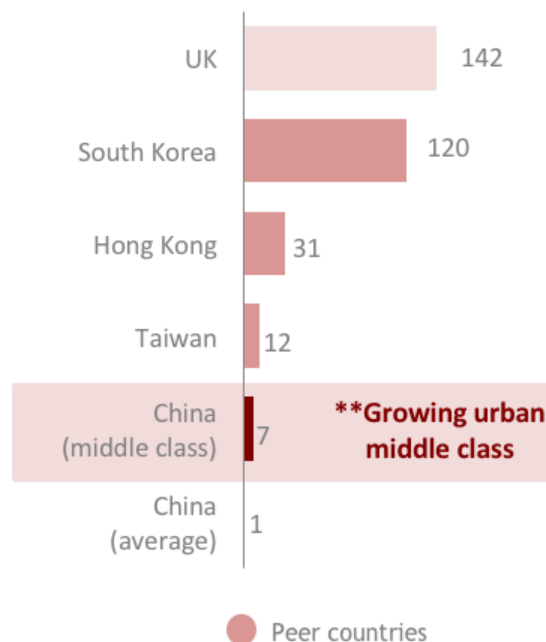
China – enormous market potential

COSTA

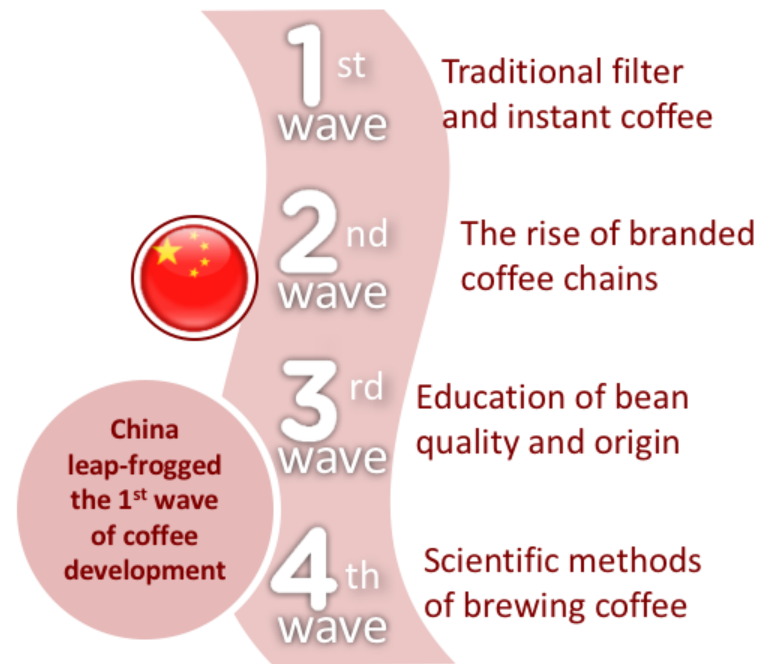
China specialist coffee shop market *
£m



Number of cups consumed
per year per capita 2015*



Phases of coffee culture development



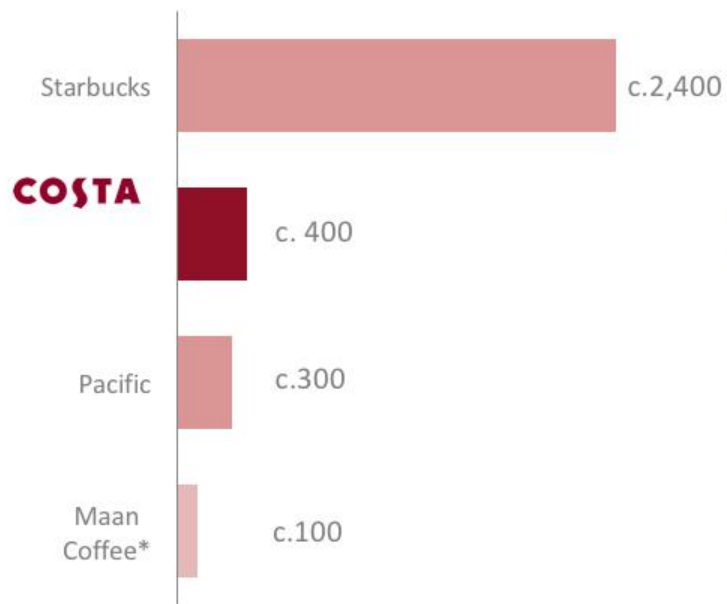
**Consumption trajectory accelerated by growing Urban middle class, which is forecast to grow from 14% in 2012 to 54% in 2020F

Source: *Euromonitor; China middle class defined as population with annual household income PPP for 16,000-34,000 USD annually

We can become the clear Number 2

COSTA

Top 4 specialist coffee players, 2016
number of outlets



A large proportion of our like for like stores make good contribution

COSTA

The economics of a profitable business (like for like stores only) – FY 2015/16

	Current estate	Top c.75% stores	Top c.25% stores
Average sales per store (£000)	258	289	348
Average store contribution (£000)	32	51	97
Average store contribution (% of sales)	12%	18%*	28%



Note: Total China LFL estate includes Shanghai and Beijing JV store trading before consolidation adjustments for non-controlling interest and share of JV profit. *In line with UK store contribution

Contribution: Store sales less cost of sales, consumables, labour, occupancy and depreciation – excludes royalties or an apportionment of overheads and other central costs

China Plan – build for growth

COSTA

1

Winning
customer
proposition

2

Strengthen
brand and drive
awareness

3

Greater
penetration in
fewer cities

4

Exit
(or turnaround)
poor performing
stores



Creating a winning customer proposition...

COSTA

What Costa China will be famous for:

	What we've learned	Our plan
Beverage	<ul style="list-style-type: none"> • Consumers like Costa • Coffee Theatre prized 	<ul style="list-style-type: none"> • Undisputed leadership on 'Coffee Credentials'
Food	<ul style="list-style-type: none"> • Western food preferred, but with local adaptation 	<ul style="list-style-type: none"> • 'British Inspired' through range • Continued local innovation
Service	<ul style="list-style-type: none"> • Warm and friendly service is critical 	<ul style="list-style-type: none"> • 'Personalised Theatre' and passion for knowledgeable service
Environment	<ul style="list-style-type: none"> • Premium Western style crucial at this price point 	<ul style="list-style-type: none"> • 'Warm and Stylish' ambiance • Substantial local design effort
Merchandise	<ul style="list-style-type: none"> • Large revenue opportunity • Merchandise crucial to brand building 	<ul style="list-style-type: none"> • Continuously update a coffee lifestyle branded merchandise • Cross brand collaborations



...to become China's favourite coffee shop

COSTA

With early success...

Canton Place,
Guangzhou

Double digit uplift in
average weekly
sales growth
post reimagining



Building the brand and growing awareness

COSTA

Digital

LinkedIn Cortado promotional campaign

- 110 stores
- Over 13,000 customers redeemed coupons
- 41% redemption rate, significantly higher than industry benchmark



Challenger Brand

Edgy tone



Trade-driving

Frostino campaign

- In 'crazy hour' 15,000+ Frostinos redeemed, 50%+ vs. expectations



Geographic focus – narrower and deeper

COSTA

Example market focus: Shanghai

Currently has 93* Costa stores

The metropolitan area has 24m population

Shanghai provides significant opportunity for future growth

Focusing growth on tier 1 and 2 cities with a combined population of c.200m people

Exiting poor performing stores over time





China

Unlock potential

Agenda

COSTA

- 1 Introduction
- 2 UK
- 3 China
- 4 Rest of the World**
- 5 Express
- 6 Sustaining good returns
- 7 Q&As



Summary – deeper, more profitable

COSTA

- Focus on highest potential markets
- Leverage capital light franchise model to access growth
- Hub and spoke – lean regional infrastructure to support local market growth
- Replicate success of MENA franchise in high growth Asian markets
- Successful partner selection

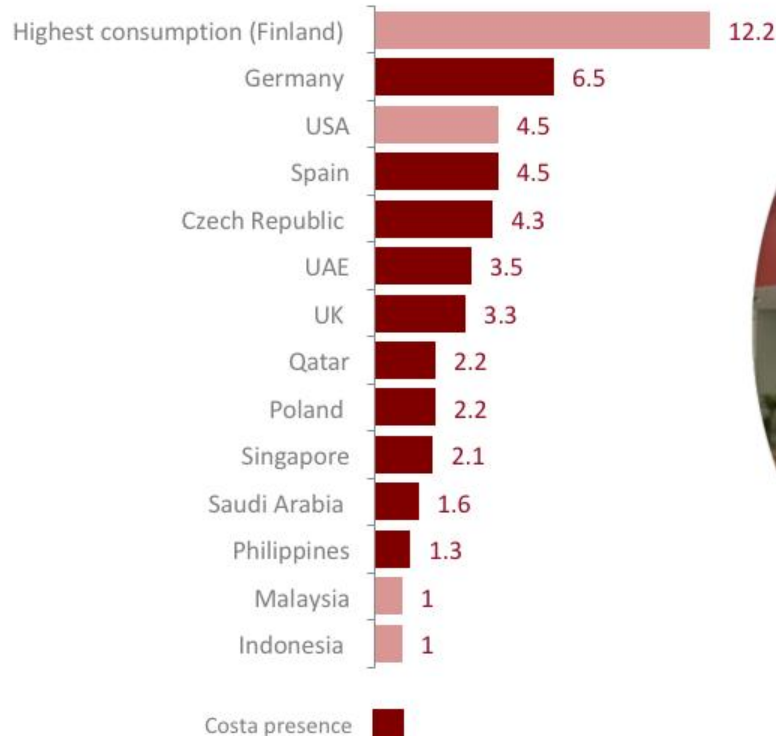
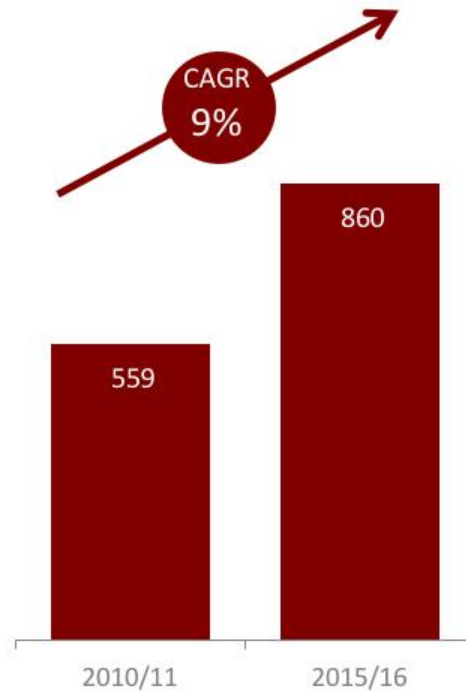


A strong business with further opportunity

COSTA

Rest of the World Costa stores
2010/11 - 2015/16

Coffee consumption, KG per capita
2015



Poland – a success story

- Driven like for like through fresher food and drink innovation
- Grown brand awareness (+14% to 55% Feb 2016)
- Developing a profitable model at scale
 - Focus on highest potential segments (residential, high street and office)
 - New low capex solution for offices
 - Addressed tail of unprofitable stores
- Expanded Costa Express at pace, now with over 200 machines
- With growth opportunities in new channels and cities

**Clear market leader
with 120 stores**

**Poland becoming
profitable next year**



Opportunity to more than double size of existing network

Middle East – a strong, repeatable franchise model **COSTA**

- Driving brand preference
- Beverage innovation with Old Paradise Street, Frostino
- Innovating food to meet localised taste
- Ongoing refurbishment of the estate
- Consolidating strong partnerships

Opportunity for further expansion



Building a foothold in high potential SE Asia markets

COSTA

Key market attributes

- Large urban populations
- Growing middle class
- Existing coffee shop market prime for growth
- Favourable store economics

Successful partner selection – key to driving profits

ROBINSONS RETAIL
HOLDINGS, INC.



Successful franchise partnerships driving capital-light access to high growth emerging market

COSTA

Rest of
World

Deeper, more profitable

Agenda

COSTA

- ① Introduction
- ② UK
- ③ China
- ④ Rest of the World
- ⑤ **Express**
- ⑥ Sustaining good returns
- ⑦ Q&As



Summary – double up

COSTA

- Strong track record of success to date
 - Acquired 877 UK based machines from Coffee Nation in March 2011
 - Passed 6,000 machines in September 2016
 - c.10% of machines now outside of UK
- Clear focus to double up Express
 - Differentiate on technology
 - Continue to drive UK growth
 - Accelerate International



The Express model – loved by customers

COSTA

Differentiated offer...

Quality,
consistency
and choice

Fresh beans,
fresh milk

Convenience
– on the go



...driving high levels of
customer loyalty

7/10

*buy once per week or
more*

1/3

*buy 4-5 times per week
or more*

And a compelling proposition for partners

COSTA

Attractive proposition ...

... that provides greater insight and control

Revenue
share;
capex light

Automated
monitoring

Operational
support

Proprietary
equipment



Example:
Real-time
telemetry
report

Delivering outstanding growth to date

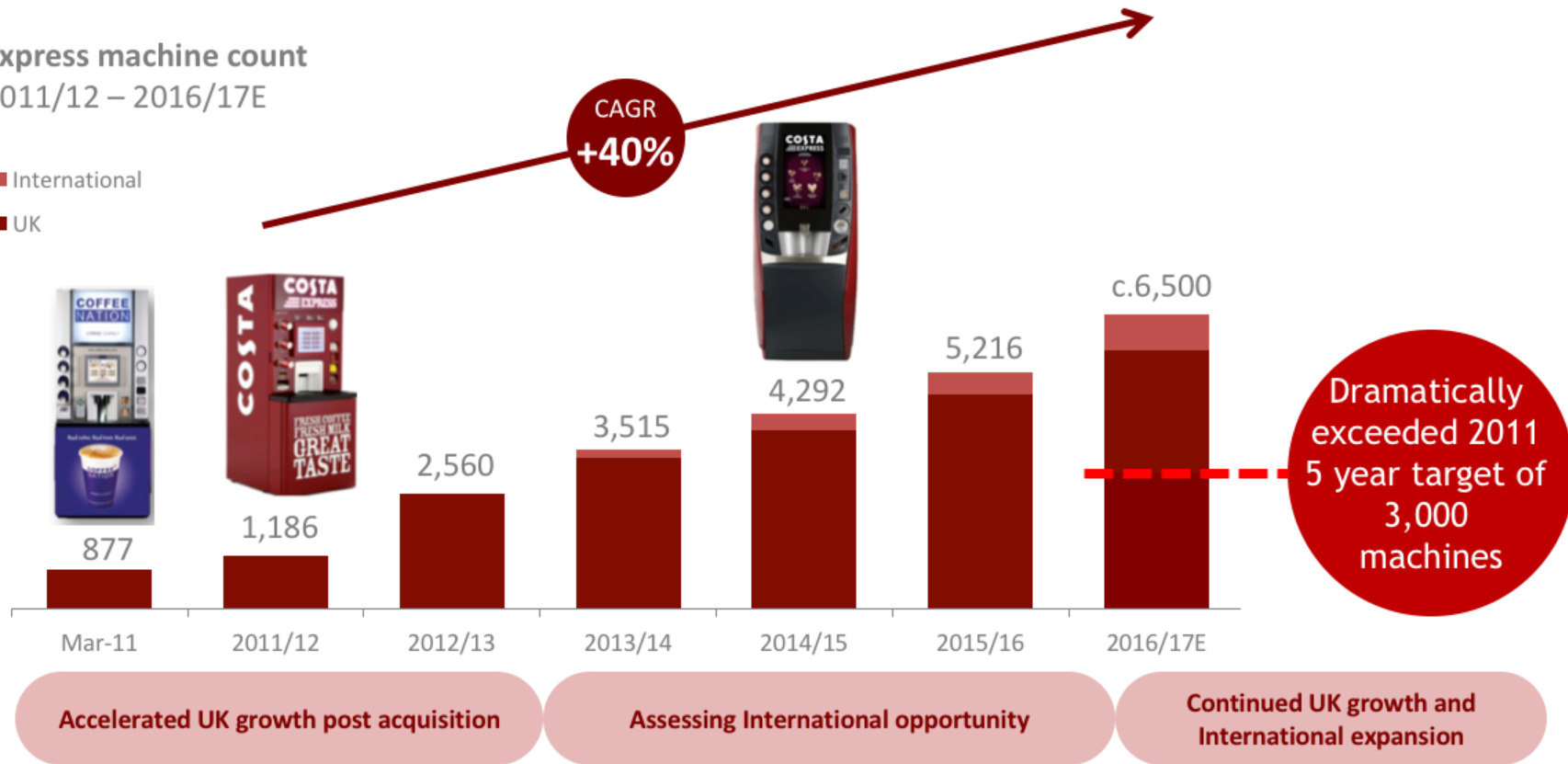
COSTA

Express machine count

2011/12 – 2016/17E

■ International

■ UK



Differentiating on technology

COSTA

Machine development



Improved
design and
payment
options

Digital



User
Interface,
connectivity

Drinks



On-going
development
of drinks

Continuing to drive UK growth



Strong partner base



Clear headroom for growth

- Further opportunity in forecourts
 - c.3,000 machines today
 - Additional machines in existing sites
 - 1,000+ potential new site locations
- Significant opportunity beyond
 - c.1,600 machines in convenience retail today
 - 3,000+ potential new locations
 - Continued exploration of other channels (e.g., leisure, workplace, travel)

Accelerating international – replicating UK success **COSTA**

Strong early performance in existing Costa markets



Poland

Number of machines

228

Average CPD*

56



Ireland

138

64



UAE

48

41



Czech

56

79

Exciting opportunity in non-Costa markets



COSTA

Express

Double up

Agenda

COSTA

- ① Introduction
- ② UK
- ③ China
- ④ International
- ⑤ Express
- ⑥ **Sustaining good returns**
- ⑦ Q&As



Delivering strong returns and sustainable margins over time **COSTA**

Considered investment decisions...

P&L investments

- Roastery (2017)
- Product and store innovation
- Refurbishment cycle
- Brand
- IT and digital



...Sector headwinds mitigated through efficiencies and strong organic growth...

Inflation

- Coffee price and FX (2017)
- NLW and wage inflation
- Property and rent

Efficiency

- Focused programme

Organic growth

- Like for like sales
- New stores at good return

...Creating long term value

Sustained margins over time

- Invest 100bps in 2017/18*
- Stabilise through to 2019/20 then rising again

Delivering strong returns

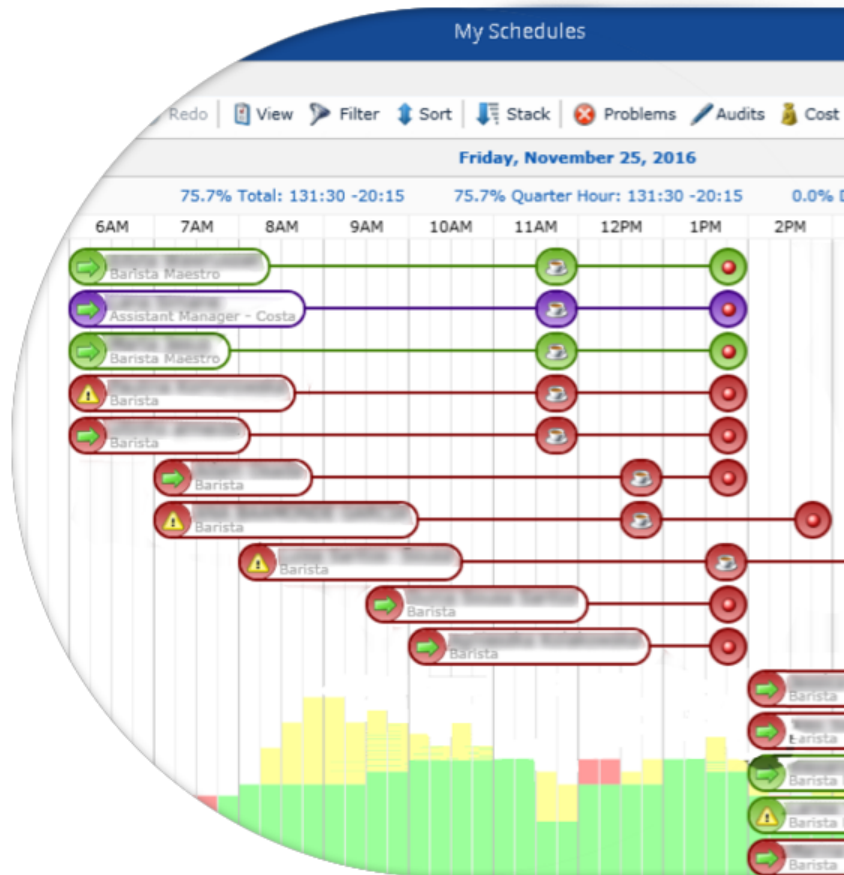
- c.35-40% returns

Driving efficiency across the business to enable investment



COSTA

- Granular data driving greater insights and better business decisions

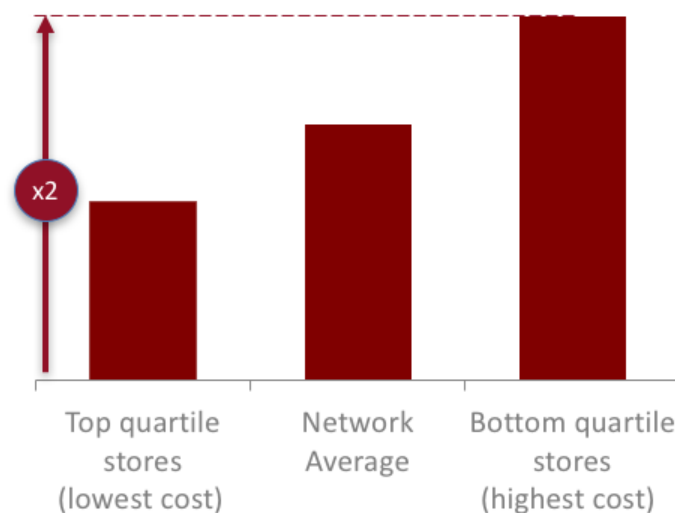


Example: Substantial potential to drive efficiencies through supply chain **COSTA**

We are conducting an end-to-end supply chain review focused on:

- Leveraging network scale and efficiency across Whitbread
- Optimising delivery
 - Frequency
 - Time of day
- Consolidating delivery through suppliers
- Leveraging technology

Store cost per case*, £s



Costa – delivering strong returns and sustainable margins over time

COSTA

- Considered investments driving long-term growth
- Mitigation of sector headwinds over time through ongoing efficiencies and strong organic growth

A clear and ambitious plan

COSTA

UK

A giant step forward

China

Unlock potential

Rest of
World

Deeper, more profitable

Express

Double up

A strong leadership team with
track record of delivery

Agenda

COSTA

- ① Introduction
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- ④ Rest of the World
- ⑤ Express
- ⑥ Sustaining good returns
- ⑦ Q&As



Q&As



A series of nine vertical bars of varying heights and colors (dark blue, purple, lime green, orange, red, grey, dark red, and dark blue) positioned on the right side of the slide.

WHITBREAD

CAPITAL MARKET DAY 2016

Recap – a clear plan for growth

WHITBREAD

Structural growth
opportunity

Market leading brands
and loyal customers

Continued disciplined
capital management



Grow and innovate
in core UK

Focus on our strengths
to grow internationally

Build capability
to support
long term growth

2020 Milestones on track

Extended runway for growth

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

WHITBREAD

CAPITAL MARKET DAY 2016



Biographies

Premier Inn and Restaurants



Mark Anderson

Managing Director, Property and
Premier Inn International

- Mark has over 20 years of experience in Real Estate covering acquisition, financing, development, management and portfolio transactions
- Before joining Whitbread, Mark spent 16 years at J Sainsbury where his last role was to manage all aspects of the UK property estate



Phil Birbeck

Managing Director,
Restaurants

- Phil has been Managing Director for Restaurants since June 2015
- He was previously Operations Director at PC World, Managing Director of PC City Spain and restructured Dixons' B2B operation
- In 2012 Phil took up the position of MD for Pixmania Group



Amanda Brady

Human Resources Director,
Premier Inn

- Amanda joined Whitbread in 2008 , and has been HR Director for Premier Inn since 2011
- She has held a number of senior operational and HR roles at the Celtic Manor, Marriott Hotels, GE Healthcare, Lloyds Pharmacy and the Spirit Group

Premier Inn and Restaurants



Russell Braterman

Innovation and Business
Development Director, Premier
Inn UK

- Russell has over 13 years of senior brand and marketing experience
- Prior to joining Whitbread, Russell has been Head of Brand for AMEA, Marketing Director at Phones 4u and a consultant at McKinsey
- Russell also founded a boutique guest house in Brighton



Sean Darlington

Commercial Director, Premier
Inn UK

- Sean has over 25 years' experience in all aspects of revenue management
- Prior to joining Whitbread, Sean enjoyed a 21+ year career at British Airways including advising partner airlines and negotiating mergers



Simon Ewins

Chief Operating Officer, Premier
Inn UK

- Simon has been COO of PI, hub and CSR since July 2015
- He has been with Whitbread since 2004, roles including Operations Director Restaurants and Business Development Director for Premier Inn
- Prior to that he spent time in Private Equity-backed pubs & bar companies in Operations Director roles

Premier Inn and Restaurants



Mark Fells

Chief Marketing Officer, Premier Inn UK

- Mark has over 25 years of commercial and digital experience with previous roles at lastminute.com, Diageo, Thomas Cook, Alliance Boots & Tussauds (now Merlin)



Simon Jones

Managing Director,
Premier Inn and Restaurants UK

- Simon Jones held various senior positions at Premier Inn before being appointed MD for Premier Inn and Restaurants
- Prior to joining Premier Inn, Simon worked as a strategy consultant for c.15 years at OC&C (latterly as a Partner) with a primary interest in the Retail and Hospitality



Bhavesh Mistry

Finance Director, Premier Inn and Restaurants

- Bhavesh joined Whitbread in 2013 from Virgin Media, where he was Group Financial Planning and Analysis Director
- Prior to this he held roles with Anheuser Busch InBev in Canada, Belgium and the UK, most recently as UK & Ireland Finance Director



Sarah Barron

Chief Marketing Officer, Costa Group

- Sarah has been with Costa since 2014, and was recently appointed as CMO, having led the launch of Costa in South East Asia
- Prior to this Sarah worked with multiple FTSE 100 companies developing brand and innovation strategies
- She is an expert in building global brands having spent 12 years at Cadbury in UK, European and Global roles and latterly as Managing Director for Green & Blacks



Clive Bentley

Global Property & Commercial Director, Costa Group

- Clive joined Whitbread in 1993 as Acquisitions Manager for Beefeater Grill, and held various key property roles in the Whitbread Group before joining Costa as Property Director in 2003
- Prior to this he spent 5 years in a major commercial surveying practice in London and is a qualified Chartered Surveyor with over 25 years experience in the retail/leisure property market



Jason Cotta

Managing Director, Costa UK & Ireland

- Jason joined Costa as Operations Director in 2010, and prior to his appointment as MD Costa UK&I, held pivotal leadership roles in the business, including MD UK Retail, and more recently MD Costa International
- He has significant tenure in operations, with broad experience across retail and hospitality, having held senior roles at Tesco, TGI Fridays, Care UK and Travelodge



Sarah Highfield

Global Chief Finance Officer, Costa Group

- Sarah joined Costa as Global CFO in 2015, having previously held multiple senior finance positions at Tesco. These included CFO for Tesco Hungary, and CFO for Tesco Slovakia
- She is an experienced finance and transformation leader, having spent 10 years at Tesco PLC, and prior to this was at Mars



Andrzej Jackiewicz
Managing Director, Costa Europe

- Andrzej joined Costa as Managing Director for Poland and Latvia in 2013, and was recently appointed Managing Director for Costa Europe
- He has extensive experience in growing multinational businesses, having held multiple director roles specialising in sales and operations
- His past experience includes 12 years at Proctor and Gamble and 8 years at Tchibo



Murray McGowan
Managing Director, Costa Express

- Murray joined Costa in 2014 as International Finance and Strategy Director, before being appointed Managing Director of Costa Express in March 2015
- He previously served as CFO for KFC UK & Ireland and Global Commercial Strategy Director for Cadbury PLC, and spent several years at McKinsey & Company specialising in retail



Esteban Liang
Managing Director, Costa China

- Prior to joining Costa, Esteban was Managing Director in Asia for Inditex, one of the largest fashion retailers in the world
- He joined Inditex in 2004 and during his tenure held a number of senior positions, responsible for developing and growing Inditex fashion brands across Asia
- His previous roles at Inditex include Asia Expansion Director and Deputy MD for China



Dominic Paul
Managing Director, Costa Group

- Prior to joining Costa, Dominic served as Vice President International for Royal Caribbean, overseeing significant international expansion
- He brings a wealth of experience in executive and board level roles across the airline and cruise industries, spanning both the UK and international markets
- Previous roles include serving as Managing Director and Chief Operating Officer at bmi



Clair Preston-Beer

Managing Director, Costa SEAI & MENA

- Clair is an experienced leader in operations, who has recently been appointed as Managing Director for Costa SEAI & MENA
- She joined Costa in 2003 as an area manager, and has since held key leadership roles within operations, in both UK Equity and Franchise
- Her previous roles in Costa include; Regional Operations Director, UK Franchise Director and COO for the UK



Kate Seljeflot

Global HR Director, Costa Group

- Kate joined Costa in September 2016, from Diageo where most recently she held the position of Global Talent Director
- She is a highly accomplished HR professional, having held multiple senior HR positions during her 14 year tenure at Diageo, including; HR Director for Africa, Turkey, Russia and East Europe, Global Shared Services Director and Commercial HR Director

Appendix

Strong profit growth across all business units



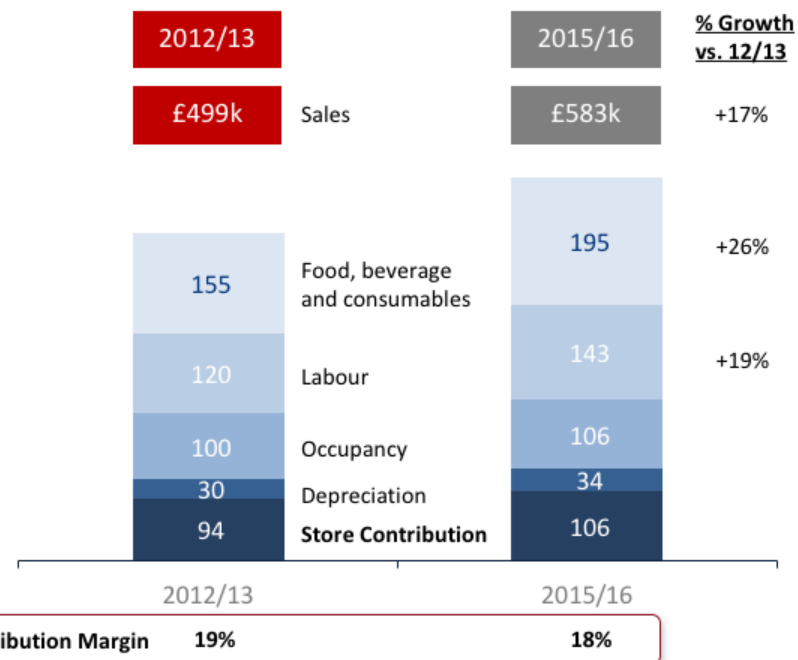
	2015/16					2012/13
	Stores	Machine	System Sales £m	Sales £m	Contribution / PBIT £m	Contribution / PBIT £m
UK Retail & Enterprises	2,034	5,216	1,283	976	192.1	123
Marketing & Overheads					(41.0)	(35)
UK	2,034	5,216	1,283	976	151.0	88
International	1,243		329	127	2.5	2
Underlying PBIT	3,277	5,216	1,613	1,103	153.5	90

UK Equity store economics



UK Equity store	2012/13	2015/16
Stores (Year End):	920	1,196
Stores (Average):	872	1,155
System Sales* (£000)	499	583
Contribution* (£000)	94	106

Average store P&L



Note: * Average sales per store and average contribution per store based on average number of UK equity stores in full year 2015/16

Costa Express economics



UK Express	2012/13	2015/16
Machines (Year End):	2,560	4,724
Machines (Average):	1,876	4,339
System sales per machine* (£000)	28.5	34.2

- Average UK capex £12k vs. expected future capex of c.£13k
- Payback in 3yrs