WHITBREAD

Q1 FY23 Trading Update

15 June 2022

Very strong trading ahead of expectations in the UK and Germany

Throughout this release percentage growth comparisons are made to either FY22, or to FY20, the last financial period before the onset of the COVID pandemic.

Summary

- Continued market outperformance in the UK with Premier Inn total accommodation sales 27.2pp ahead of the market[1], driven by the strength of our commercial and operational initiatives combined with the inherent strengths of our brand, scale and direct distribution
- Our UK hotels continue to perform well ahead of pre-COVID levels:
  - Total UK accommodation sales 235.6% ahead vs FY22 (31.0% ahead vs FY20)
  - UK LFL accommodation sales 221.6% ahead vs FY22 (21.3% ahead vs FY20)
- UK food and beverage sales were 585.3% ahead vs FY22 (4.3% behind vs FY20)
- Given a tight labour market and our focus on maintaining our market leading position, we plan to invest additional costs of £20m - £30m in labour, refurbishments and IT in FY23. However, our high levels of occupancy and continued strong sales performance mean we remain confident in our continued margin recovery in the UK
- Since the lifting of restrictions, the German hotel market has recovered more strongly than expected and Premier Inn occupancy levels were 64.7% in last four weeks of the quarter. The open estate now stands at 40 hotels
- Replacement of existing debt facility with new £775m five-year revolving credit facility

Comment from Alison Brittain, CEO:

"The strength of Premier Inn's recovery in the UK continues to be ahead of expectations with a particularly strong Q1 performance that is well ahead of pre-pandemic levels and we continue to significantly outperform the market[1]. This outperformance is driven by a number of factors, including our commercial and operational focus as well as the strength of our brand and operating model, our direct distribution, national coverage and accelerated independent supply contraction.

"In Germany, our open hotel estate now stands at 40 hotels, with a further 38 hotels in the pipeline. The quality and prime location of our hotels are proving highly attractive and are driving high customer scores. The trading performance of our more mature hotels in the two months post the lifting of COVID restrictions only reinforces our positive view of the significant opportunity in Germany.

"This impressive Q1 performance together with improved visibility into Q2, gives us increased confidence in delivering a strong first half and remaining ahead of the market for the rest of the year."

Q1 Financial Performance[2]

	Vs last year (FY22)			*Vs pre-pandemic (FY20)*		
	UK	Germany[3]	Total	UK	Germany[3]	Total
Sales growth:						
Accommodation	235.6%	906.7%	244.9%	31.0%	994.9%	35.9%
Food & beverage	585.3%	855.7%	588.9%	(4.3)%	929.7%	(2.7)%
Total	295.4%	898.2%	303.8%	18.1%	984.0%	21.8%
Like-for-like sales growth:						
Accommodation	221.6%	634.7%	227.4%	21.3%	12.3%	21.3%
Food & beverage	566.5%	832.8%	569.2%	(7.6)%	10.7%	(7.5)%
Total	281.0%	660.6%	286.0%	10.8%	12.1%	10.8%

Notes:
1: STR data, full inventory basis, 4 March 2022 to 26 May 2022, M&E market excludes Premier Inn
2: All quarters are 13 weeks: **FY23:** 4 March 2022 to 2 June 2022 **FY22**: 26 February 2021 to 27 May 2021, **FY20**: 1 March 2019 to 30 May 2019
3: LFL sales in Germany: **FY22**: 24 sites and **FY20**: 2 sites

Q1 performance and outlook

Premier Inn UK has traded strongly during the first three months of FY23 and based on improved visibility of the second quarter, where we are c.40% booked, we are increasingly confident of delivering a strong first half performance. Whilst the short-lead booking cycle for the majority of our customers means that our view of the second half is not yet fully formed, based on our performance to-date and a number of lead indicators, we are confident of remaining ahead of the market for the rest of the financial year.

This strong sales performance coupled with the continued decline of the independent hotel sector means that we remain positive about our continued margin recovery in the UK in FY23. However, labour supply remains tight across the hospitality sector and assuming that consumer demand and occupancy remain strong, we expect some additional costs due to targeted pay increases. We are also taking the opportunity to bring forward our investment in refurbishments and maintenance projects as well as accelerate some additional IT spend that will underpin our market leading position and drive future earnings. Taken together, these factors are expected to increase total costs by £20m - £30m in FY23.

UK total food and beverage sales have recovered well throughout FY22 and into FY23 and are approaching pre-COVID levels (FY20). We anticipate that the rollout of new menus, combined with targeted marketing initiatives, will help drive an improvement in sales as we move through the year.

In Germany, trading over the last two months post the lifting of Government restrictions has been ahead of our expectations. Our occupancy levels have increased, particularly across our more mature hotels which are trading ahead of the market. Whilst we have only traded during a restriction free period for a number of weeks, we are optimistic that the full year outlook in Germany is improving and there is no change in our view of the medium and long-term value creation opportunity for Premier Inn in Germany.

New debt facility

The Group is pleased to have signed a new £775m revolving credit facility (RCF), replacing the previous £850m facility that was due to expire in September 2023. The new five-year facility, with two one year extension options, is a multi-currency revolving credit facility and is provided by a syndicate of seven banks led by Banco Santander, Barclays, NatWest and Bank of China. The RCF has variable interest rates with GBP linked to SONIA and EUR being linked to EURIBOR.

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A live Q&A teleconference for investors and analysts will be hosted by Alison Brittain and Hemant Patel at 8:00am BST on 15 June 2022. Details to join are noted below. An on-demand version will be made available on the Group's website: (www.whitbread.com/investors/results-reports-and-presentations) later today.

Q&A teleconference participant dial-in numbers:
Start time – 8:00am BST
United Kingdom (Local): 020 3936 2999
All other locations: +44 203 936 2999
Participant Access Code: 034706

Appendix

1) *Premier Inn UK key performance indicators*

			FY22			FY23
	Q1	Q2	Q3	Q4[4]	Full Year[4]	Q1
London						
Occupancy (full inventory)	32.9%	70.7%	77.2%	63.8%	61.3%	83.1%
Average room rate	41.35	56.77	75.27	69.09	63.85	85.57
Revenue per available room	13.62	40.16	58.12	44.05	39.12	71.14
Total accommodation sales growth[3]	(77.4)%	(43.5)%	(18.9)%	(15.9)%	(38.6)%	30.6%
Regions						
Occupancy (full inventory)	44.0%	81.2%	82.2%	69.6%	69.4%	82.5%
Average room rate	40.80	59.11	62.97	50.70	55.28	63.37
Revenue per available room	17.97	47.99	51.76	35.30	38.37	52.26
Total accommodation sales growth[3]	(56.3)%	(0.2)%	19.9%	10.8%	(6.5)%	31.2%
Total						
Occupancy (full inventory)	42.2%	79.5%	81.4%	68.7%	68.1%	82.6%
Average room rate	40.87	58.77	64.84	53.47	56.52	67.17
Revenue per available room	17.27	46.75	52.78	36.72	38.49	55.48
Total accommodation sales growth[3]	(60.9)%	(9.6)%	10.6%	4.4%	(13.9)%	31.0%
Outperformance vs M&E market[1]	10.0pp	14.7pp	16.1pp	19.0pp	14.8pp	27.2pp
F&B						
Total food and beverage sales growth[3]	(86.0)%	(18.1)%	(11.1)%	(15.5)%	(32.7)%	(4.3)%
Total sales growth[3]	(70.1)%	(12.5)%	3.1%	(3.7)%	(20.6)%	18.1%

2) *Premier Inn Germany key performance indicators*

			FY22			FY23
	Q1	Q2	Q3	Q4[4]	Full Year[4]	Q1
Occupancy (full inventory)	14.6%	47.5%	59.9%	35.8%	40.6%	57.1%
Average room rate	32.42	37.60	43.99	40.78	40.51	52.16
Revenue per available room	4.75	17.85	26.37	14.60	16.43	29.78
Total accommodation sales growth[3]	8.8%	447.4%	219.0%	132.4%	189.7%	994.9%
Total food and beverage sales growth[3]	7.7%	307.3%	253.8%	143.1%	191.9%	929.7%
Total sales growth[3]	8.6%	418.1%	224.8%	134.2%	190.1%	984.0%

3) UK Quarterly sales & RevPAR growth versus FY20

			FY22			FY23
	Q1	Q2	Q3	Q4[4]	FY[4]	Q1
	%	%	%	%	%	%
Accommodation	(60.9)%	(9.6)%	10.6%	4.4%	(13.9)%	31.0%
F&B	(86.0)%	(18.1)%	(11.1)%	(15.5)%	(32.7)%	(4.3)%
Premier Inn UK total sales growth[3]	(70.1)%	(12.5)%	3.1%	(3.7)%	(20.6)%	18.1%
Regions	(56.3)%	(0.2)%	19.9%	10.8%	(6.5)%	31.2%
London	(77.4)%	(43.5)%	(18.9)%	(15.9)%	(38.6)%	30.6%
Premier Inn UK accommodation sales growth[3]	(60.9)%	(9.6)%	10.6%	4.4%	(13.9)%	31.0%
Accommodation	(62.0)%	(13.7)%	5.5%	0.1%	(17.5)%	21.3%
F&B	(86.2)%	(20.3)%	(13.4)%	(17.3)%	(34.3)%	(7.6)%
Premier Inn UK LFL sales growth[3]	(70.9)%	(15.9)%	(1.0)%	(6.9)%	(23.5)%	10.8%
Regions	(57.8)%	(4.8)%	13.9%	5.9%	(10.6)%	22.7%
London	(78.8)%	(47.0)%	(24.5)%	(22.0)%	(42.7)%	10.8%
Total RevPAR growth[3]	(62.4)%	(14.0)%	4.7%	(0.7)%	(17.9)%	20.7%
Regions	(57.8)%	(5.6)%	13.5%	6.0%	(11.0)%	22.2%
London	(78.4)%	(46.5)%	(23.6)%	(20.2)%	(42.0)%	13.3%
LFL RevPAR growth[3]	(62.4)%	(14.6)%	4.6%	(0.3)%	(18.2)%	20.2%
Regions	(63.5)%	(6.6)%	11.8%	(0.2)%	(14.5)%	14.8%
London	(80.0)%	(52.1)%	(27.6)%	(26.8)%	(46.5)%	7.3%
Midscale & Economy market total sales growth[2]	(67.7)%	(19.6)%	(0.3)%	(8.5)%	(23.9)%	12.2%
Regions	(63.4)%	(6.5)%	12.4%	0.9%	(14.0)%	14.6%
London	(80.2)%	(52.8)%	(29.2)%	(28.1)%	(47.4)%	1.8%
Midscale & Economy market total RevPAR growth[2]	(67.7)%	(19.6)%	(0.2)%	(7.9)%	(23.7)%	11.1%

Notes:
1: STR data, full inventory basis, 26 February 2021 to 26 May 2022, M&E market excludes Premier Inn
2: STR data, M&E market includes Premier Inn
3: Sales growth versus FY20
4: FY22 data on a 52 week basis vs FY20