WHITBREAD

Bond Investor Presentation

February 2021



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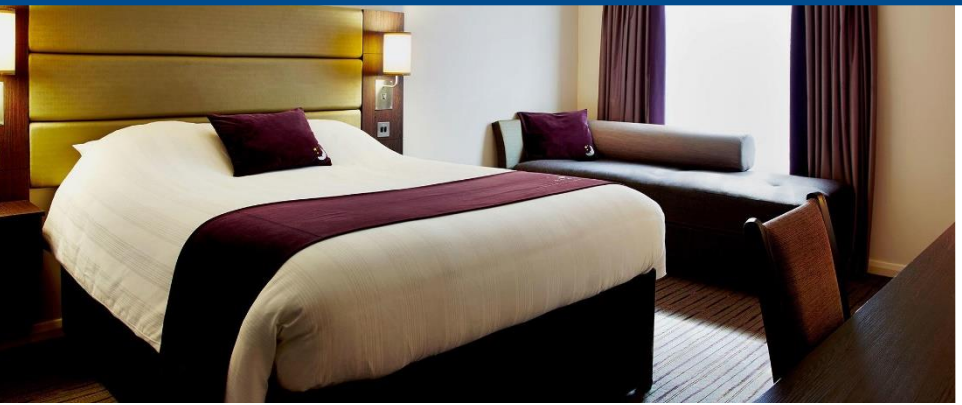
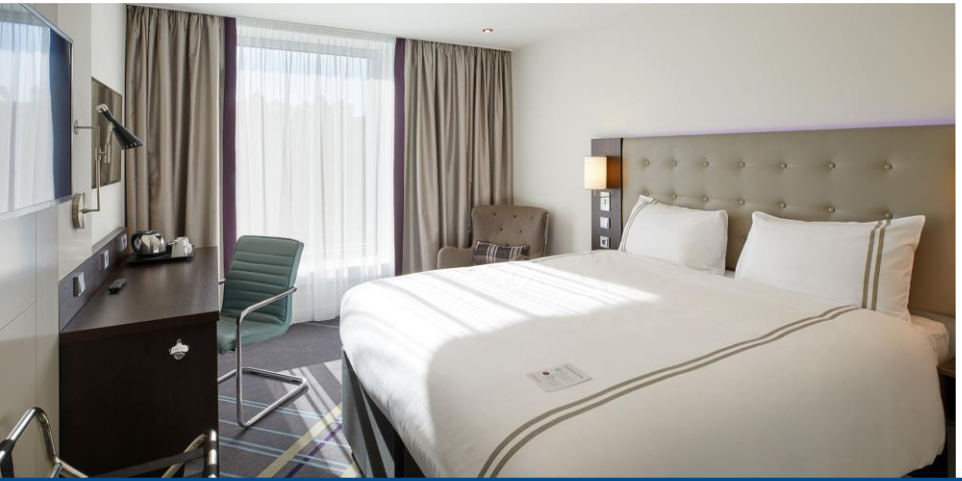
Overview









Introduction to Whitbread

- FTSE 100 with a successful 279 year history
- Largest hotel operator in the UK: 11% market share with 820 hotels and over 78k rooms
- Germany: 29 hotels and total committed pipeline of 68 hotels. 10 hotels in the Middle East
- Hotels primarily operate as ‘Premier Inn’
- 712 restaurants in the UK and Ireland - vast majority co-located with or inside the Group’s hotels
- Adjusted revenue £2,062.1m to Feb-20 / Adjusted EBITDA (post-IFRS 16) £755.6m
- A Force for Good - a longstanding sustainability framework that runs through everything we do

The UK’s leading hotel operator

Premier Inn

hub by Premier Inn

ZIP by Premier Inn

With an integrated food & beverage (F&B) offering from well known brands

Beefeater

BAR+BLOCK STEAKHOUSE

COOKHOUSE+PUB

Table Table

Brewers fayre

thyme British Bar + Grill

Our business profile

Broad customer reach in structurally attractive budget market – domestic focus with a 50/50 business/leisure split

Strongest hotel brand in the UK with 97% direct bookings

Vertically integrated business model – driving consistency, quality and efficiency

Strong track record of delivering returns and cashflow generation

Financial flexibility – strong balance sheet with freehold property backing. Conservatively managed business with BBB- Fitch rating

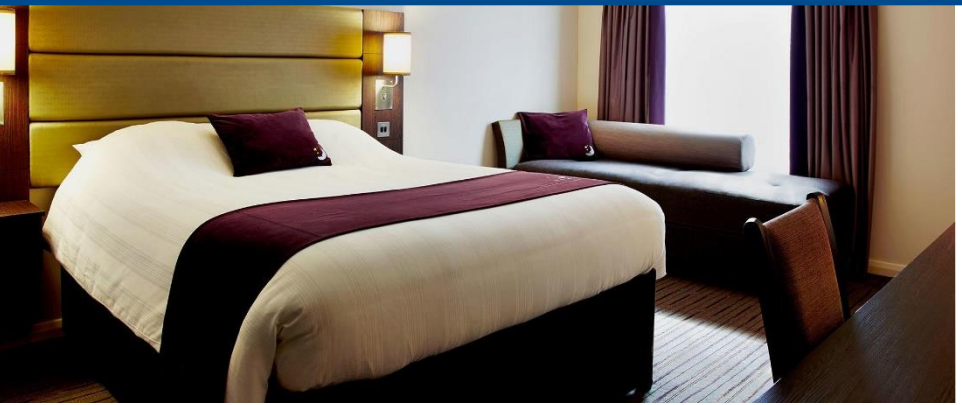
A Force for Good – we have set stretching targets for all our sustainability goals



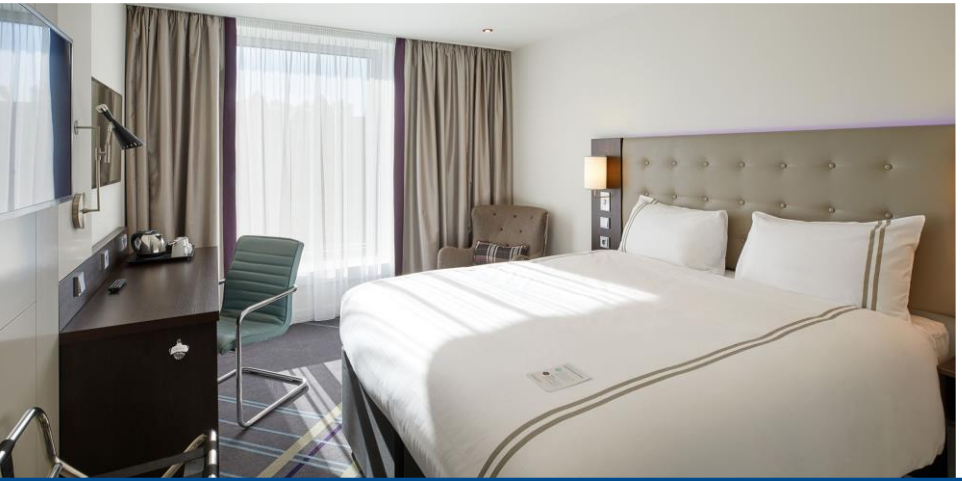


Well-placed to exit COVID-19 crisis in a position of strength

Operating model, market & strategy



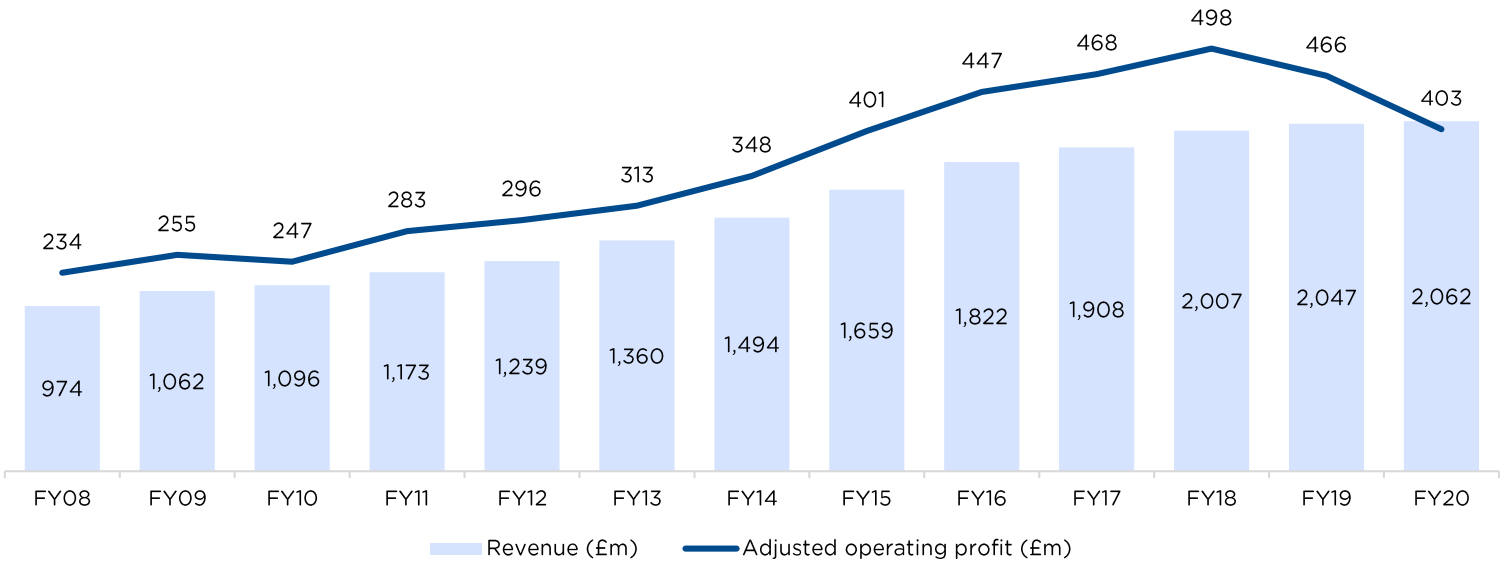






Whitbread has consistently delivered a strong financial performance

We will return to a position of strong revenue, profitability and cash generation post COVID-19

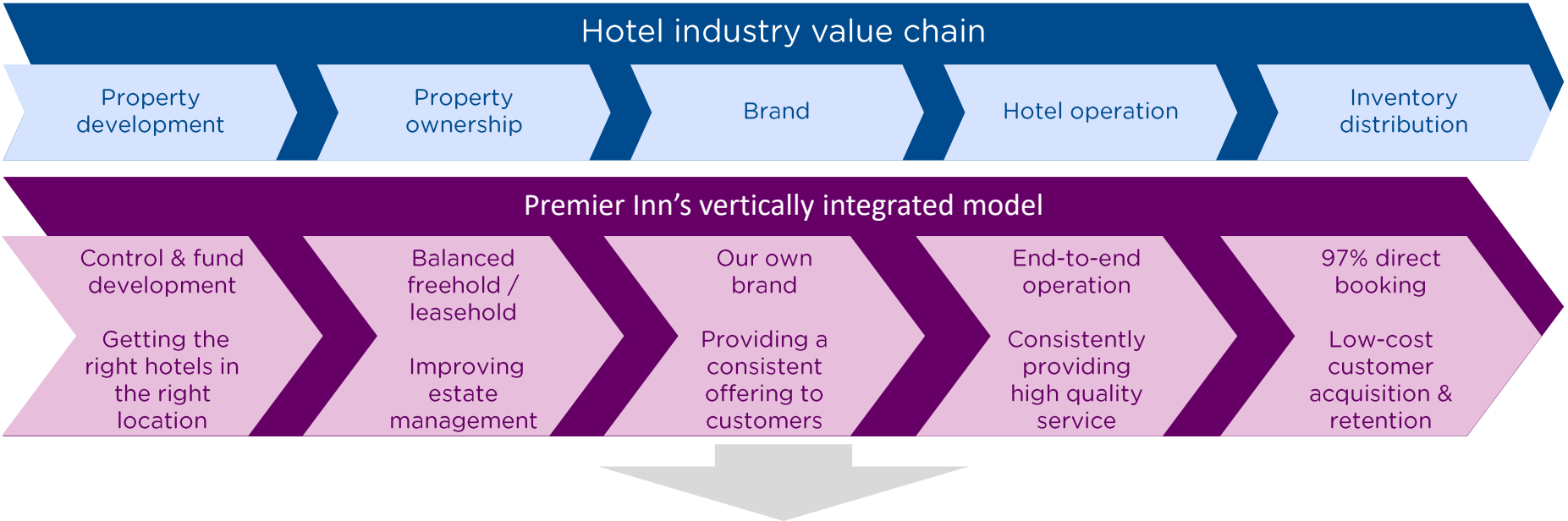


- Cash conversion: FY20 (post Costa disposal) FCF was 91% of adjusted operating profit
- Consistently strong ROCE over the period

NB: Revenue figures from consolidated financial statements of Whitbread plc

Vertically integrated model underpins strong performance

Model enables access to profit pools throughout the hotel value chain



Better profit protection	Rapid response to demand recovery	Ready to invest
Lower rent costs, not subject to high online travel agency (OTA) costs, no brand fees	Control of brand and end-to-end operations will support a rapid response to returning demand	Freehold strategy means less reliance on third parties to progress growth strategy

Premier Inn's operating model is a competitive advantage

Flexible model enables a rapid response to returning demand and is a long-term sustainable competitive advantage

Brand strength

- UK's strongest hotel brand
- Market-leading consumer metrics
- First choice for more travelers

Scale advantage

- Largest UK network
- Economies of scale
- Superior network access

Direct digital distribution

- Market-leading direct digital distribution model
- Low-cost customer acquisition and retention

Operational control

- All hotels operated by us
- High quality experience
- Consistent execution, no brand fees
- Tailored F&B offering



Property flexibility

- Less reliance on third parties to progress growth strategy
- Access to preferred sites at local level
- Lower rent costs

Everyday efficiency

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

A winning customer proposition

Premier Inn is the strongest hotel brand in the UK with the largest network

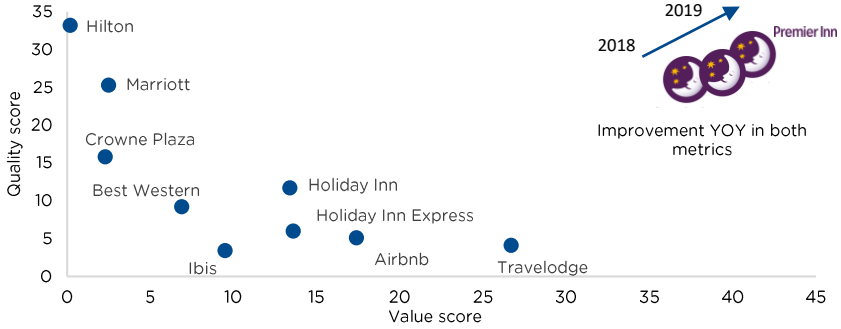
Standout customer brand scores in the market

YouGov BrandIndex[1]

Metric		Premier Inn	Variance 1st to 2nd
Satisfaction	40.6	1st	17.6
Impression	40.8	1st	11.7
Value	41.2	1st	14.4
Likelihood-to-recommend	37.8	1st	20.0
Quality	27.5	2nd*	(5.7)

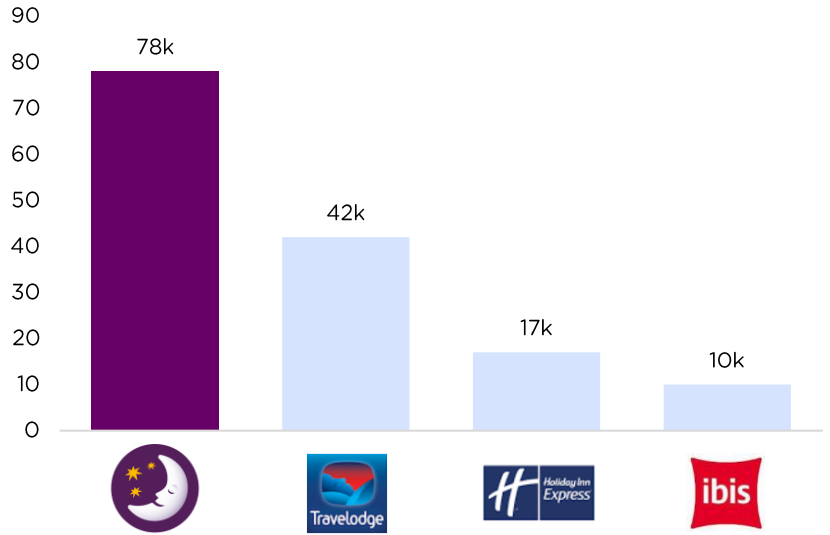
First place is held by a four-star competitor

YouGov BrandIndex[2]



Improvement YOY in both metrics

Premier Inn has the largest UK network (room numbers)



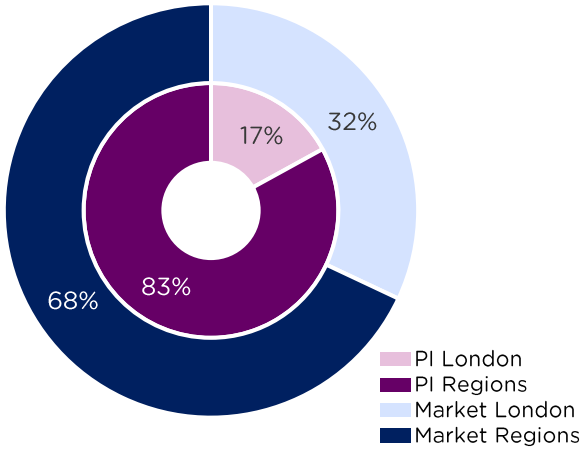
Source: Company data and Horwath HTL European Chains & Hotels Report 2019

Industry leading 97% direct distribution

1: Source: YouGov BrandIndex Satisfaction, Impression, Value, Recommended & Quality scores as at 26 August 2020 based on a 12 week moving average
2: YouGov BrandIndex Quality & Value scores as at 26 August 2020 based on a 52-week moving average

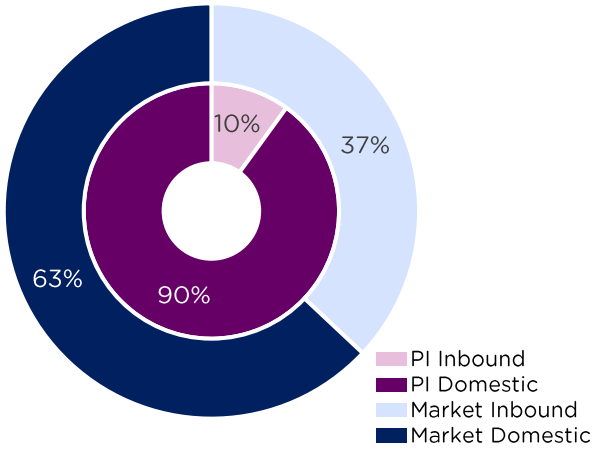
Broad and diversified customer mix is resilient

83% Regions vs 17% London



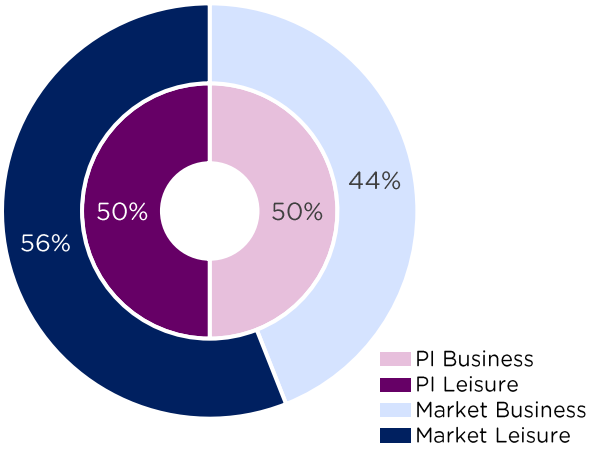
- Regions will recover quicker than London
- Premier Inn regions mix = 83% vs 68% market

90% Domestic vs 10% Inbound



- Domestic demand will recover far quicker than international
- Premier Inn domestic mix = c.90% vs 63% market

50% Business vs 50% Leisure



- Broad range of leisure and business customers
- Business customers include construction, service sector, Government, white collar

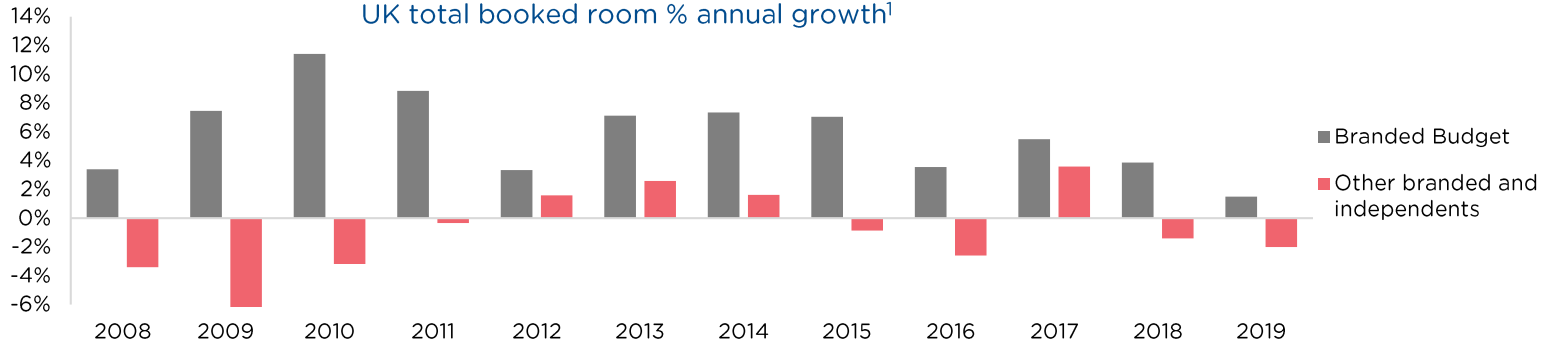
Flexible model caters for a wide range of customer types

PI data for the 12 months ending Feb 2020, Market for calendar year 2019, based on room nights sold

Budget sector is higher growth and more resilient in downturns

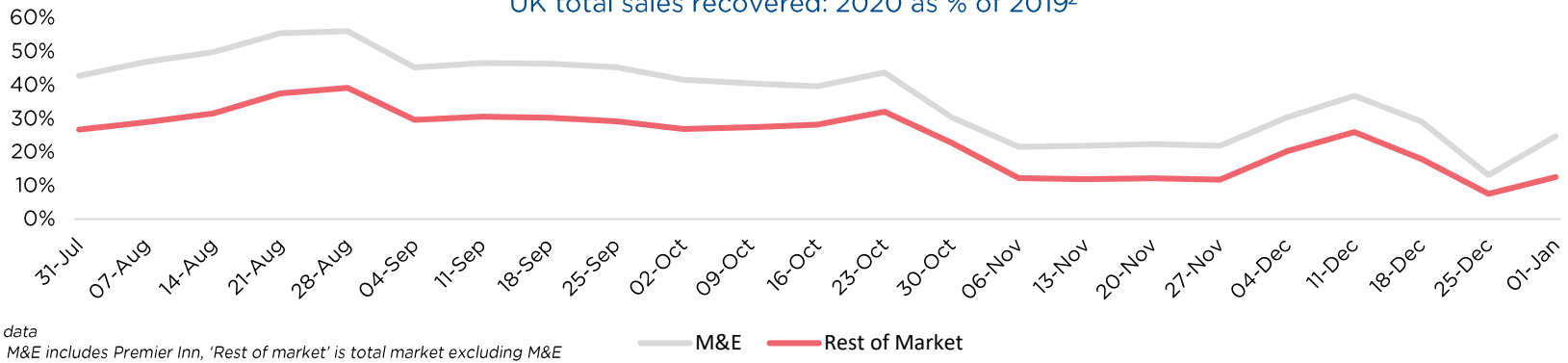
Historic : Branded budget sector has grown faster than the rest of the market in every year since 2009

UK total booked room % annual growth[1]



Present : Midscale & Economy (M&E) sector is materially outperforming the rest of the hotel market

UK total sales recovered: 2020 as % of 2019[2]



1: Company data
2: STR data, M&E includes Premier Inn, 'Rest of market' is total market excluding M&E

We are rapidly building a national network in Germany

A structurally attractive market...

- Attractive market and demographics
- High levels of domestic business and leisure travel
- Clear indications of competitor constraints
- Ambition to be the no.1 budget hotel operator

... in which we have already secured a 68 hotel network

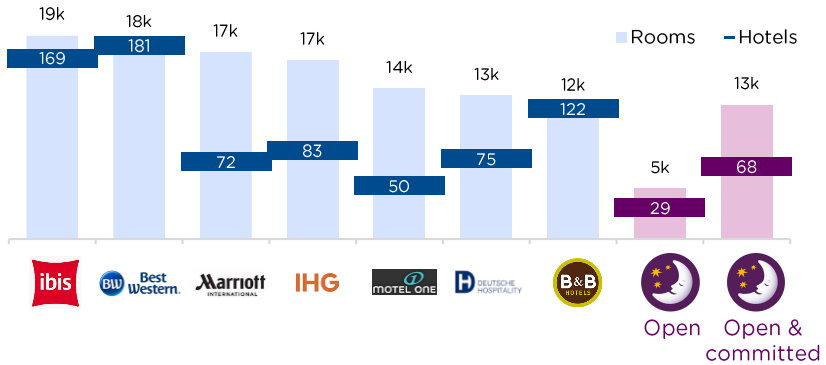


Open
Pipeline

Our strategy in Germany

Site selection	Focus on major cities; M&A focused on small independent chains to supplement organic growth
Market- leading direct distribution	High direct bookings; selective use of travel management companies ('TMCs') and online travel agents ('OTAs') during expansion if required
Great value for money	Consistently good quality at excellent value
Market share	Capitalise on post COVID-19 structural changes. Grow market share vs. declining large independent sector (market leader has only 3% market share)
Strong operational performance	Market-leading customer satisfaction scores

Strong pipeline



Source: Horwath HTL European Chains & Hotels Report 2019

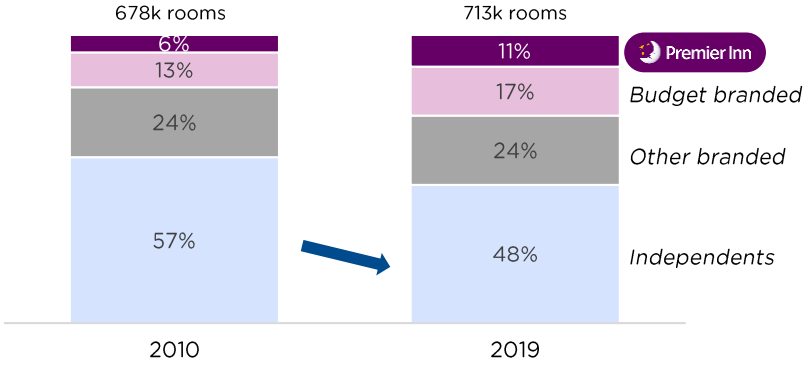
Structural opportunities enhanced by the impact of COVID-19

UK and German markets are characterised by long-term migration from independents to budget branded hotels

UK market (Rooms open)

Source: Company data and estimates

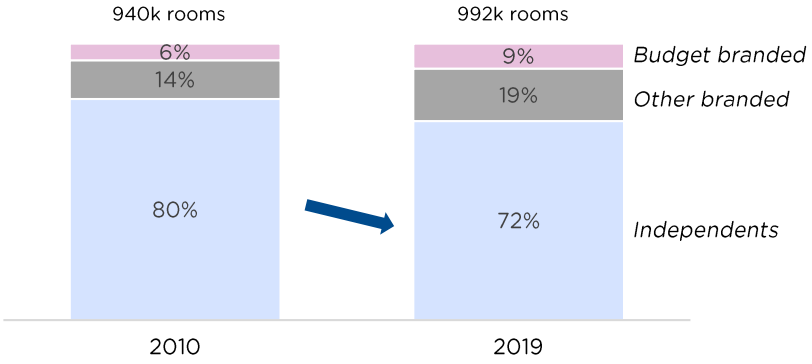




German market (Rooms open)

Source: Company data and estimates





Long-term trends likely to be exacerbated post COVID-19…

- Independents' decline likely to accelerate post COVID-19:
  - Demand weakness
  - Structural cost pressures
- Other branded competitors are also likely to be constrained
- New room supply may contract as operators exit the market, rebalancing the supply / demand dynamic

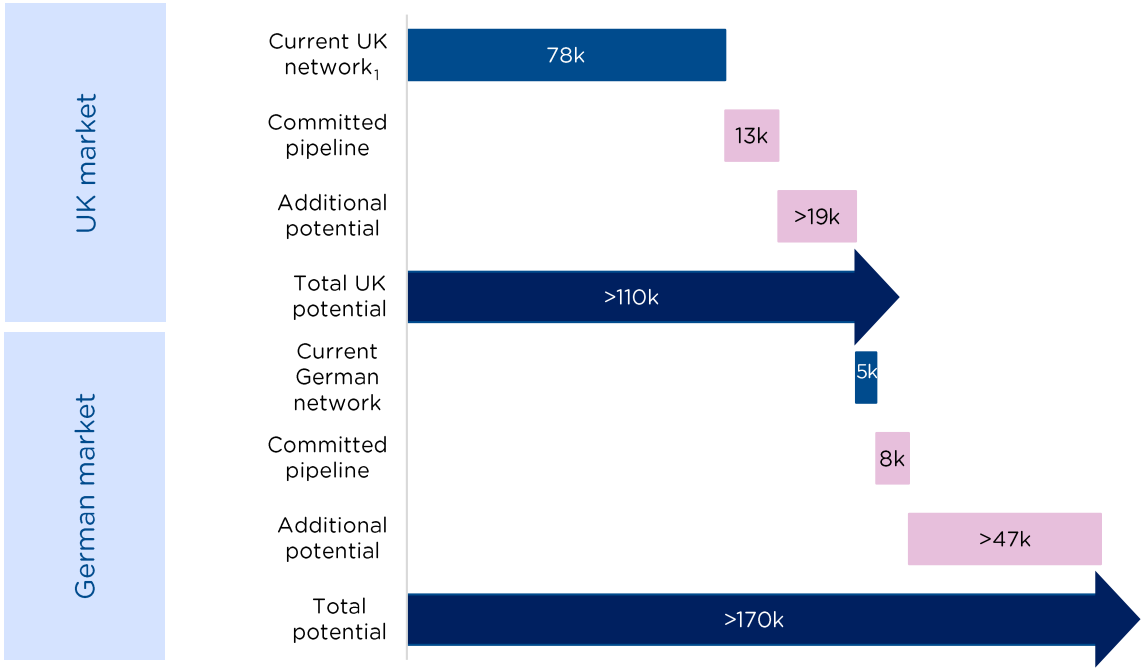
…similar to the GFC experience

- Impact on supply during the financial crisis (2008 – 2012)
  - Independents declined by 12%
  - Budget-branded increased by 18%
  - Premier Inn increased by 28%

Whitbread is well placed to take advantage of the enhanced structural opportunities

Clear runway for room growth

In the long-term there remains a clear runway of growth in rooms across the UK and Germany



Post COVID-19

- Committed pipeline of leasehold and freehold sites in the UK and Germany
- Ability to deploy capital at a time when others will be constrained
- Opportunity for attractive investment returns
- UK supply primarily delivered through existing committed pipeline combined with estate optimisation
- Growth opportunity in Germany – both organic and acquisitions
- Whitbread expects to maintain its robust balance sheet through this period of investment. Financial strength and flexibility is key to deploying the strategy

Long term growth delivered through disciplined capital spending

1: Includes one site in each of: Jersey, Ireland & the Isle of Man

Our model and strategy is highly relevant post COVID-19

1	UK	✓ Ownership and operating model is a competitive advantage ✓ Number one brand and winning customer proposition ✓ Growth through existing pipeline and optimisation	**Market share gains** The right model to grow and innovate in core UK market
2	Germany	✓ Replicate historic PI UK success in Germany ✓ Ambition to be the market leader ✓ Significant headroom and clear plans to grow – organic and M&A	**Growth** Replicate our proven and successful model to grow in Germany
3	Enhance capability to support long-term growth	✓ Ongoing efficiency programme and focus on costs ✓ Conservative balance sheet, underpinned by freehold value supports flexibility and ability to invest	**Profit recovery** Strong track record of operational and cost efficiencies

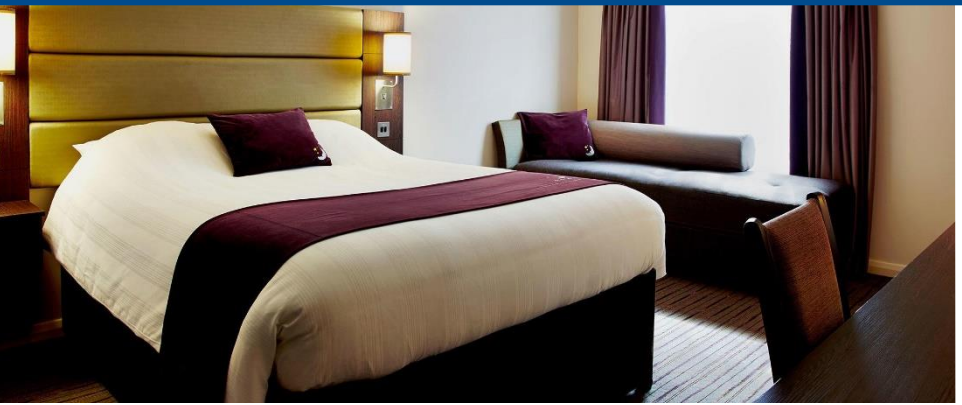
Operating responsibly and sustainably, and being a Force for Good

Strong fundamentals combined with a conservative capital structure and disciplined capital allocation

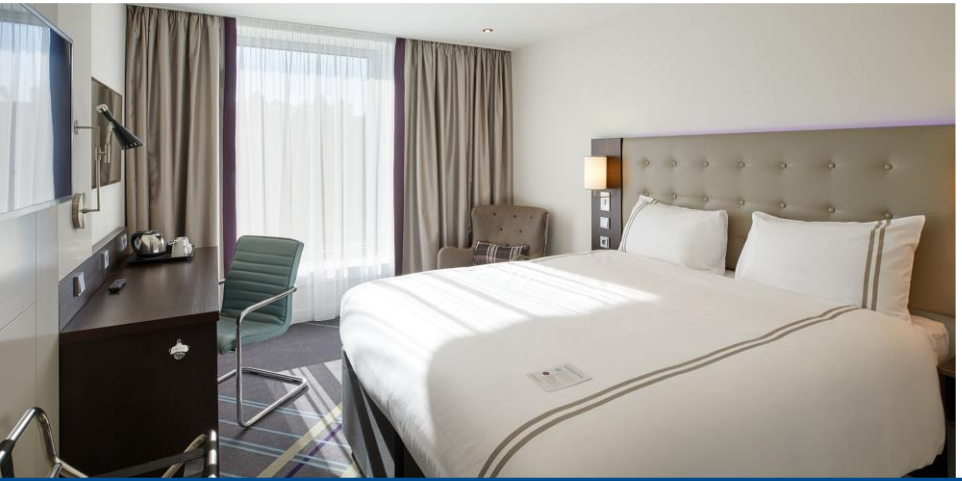
Exiting the COVID crisis as a leaner, strong and more resilient business

Flexibility to take advantage of enhanced structural opportunities

COVID-19 response & business performance



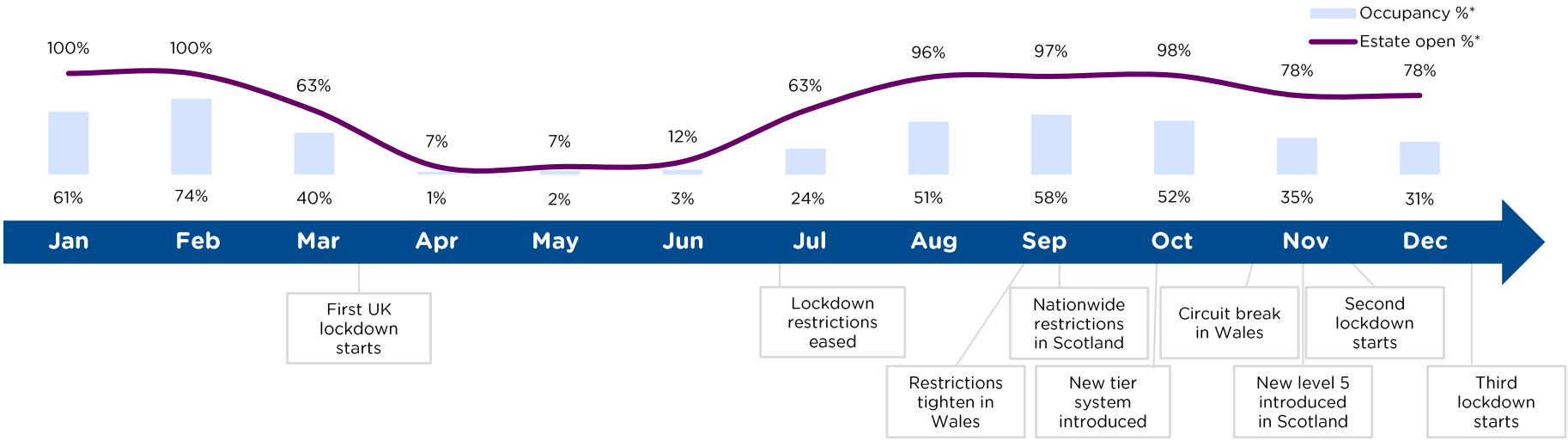






Our response to COVID-19

Business model allows rapid and flexible closures and openings



Rapid and decisive action to protect the business

Protecting customers and staff

Acting responsibly

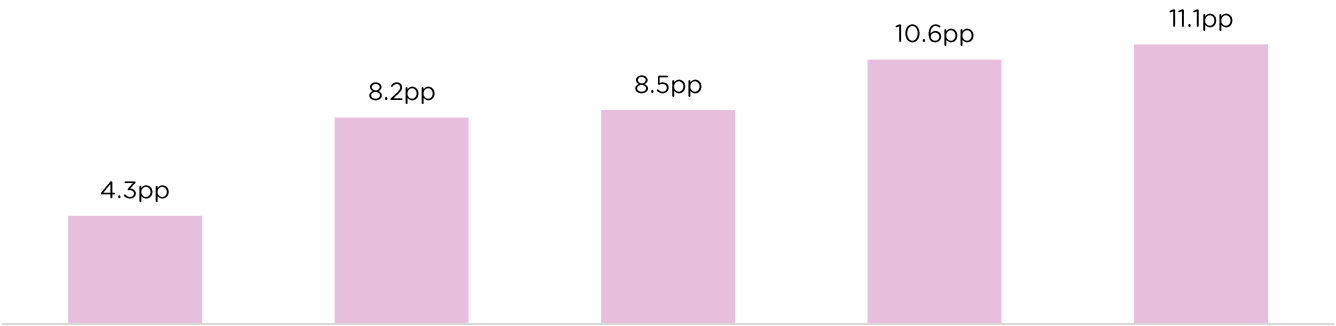
Protecting liquidity and strengthening financial position

1. *Data for Premier Inn hotels in the UK

Strong performance since reopening

Strong brand and direct distribution is driving material outperformance in the UK

Outperformance vs. the M&E hotel market



	August	September	October	November	December
PI market share[1]	10.8%	10.8%	11.1%	13.5%	11.9%
PI market share gains[2] pp (Y-o-Y)	+3.5pp	+3.7pp	+3.7pp	+6.2pp	+5.5pp

1: STR data, full inventory basis, dates 31July to 31 December 2020, M&E excludes Premier Inn
2: STR data, revenue share of total UK market, dates 31 July to 31 December 2020

- Continued acceleration of estate growth in Germany; 29 operational hotels and a total open and committed pipeline of 68 hotels

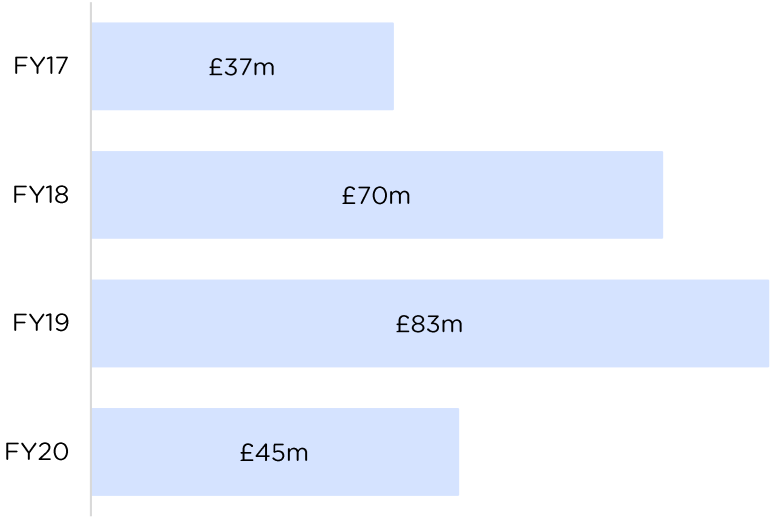
Protecting liquidity and strengthening our financial position

Reducing costs and preserving cash

- Discretionary P&L spend paused and capex reduced
- Executive pay reductions, salaried staff pay freeze and dividends suspended
- Reduced central office headcount by 13%
- Reduction of over 1,500 hotel and restaurant staff and reductions in maximum contracted hours
- Utilised UK and German Government support packages
  - Business rates holiday in UK
  - Furlough scheme in UK and Kurzarbeit in Germany
- Eligible issuer under UK Government's CCFF
- Successful completion of £1bn rights issue in June 2020
- Covenant waivers obtained through to March 2022, revised covenant tests applicable to RCF through August 2023

Strong track record of material cost savings

Delivered over £200m of Opex and Capex savings FY17 – FY20



Protecting liquidity through careful management of our cash position and taking actions to ensure we exit the crisis as a leaner, stronger and more resilient business

Retaining financial resilience despite COVID-19 impact

H1 FY21 revenues and profit reflect lockdown closures

£'m	H1 FY21	H1 FY20	FY20
Statutory revenue	250.8	1,084.0	2,071.5
Adjusted EBITDAR	(153.7)	426.7	752.7
Adjusted (loss) / profit before tax	(367.4)	235.6	358.3
Statutory (loss) / profit before tax	(724.7)[1]	219.9	280.0

Resilient performance in FY21 Q3

- Resilient operational performance, with majority of hotels open UK total accommodation sales performance +8.9pp vs M&E market
- Total market share growth of 4.1pp to 11.4%
- Focus on operational excellence, efficiencies and managing cashflows
- Cash outflow for the period was in line with previous guidance
- Strong balance sheet: net cash position at 31 December 2020 of c. £40.0m

Retaining very strong liquidity

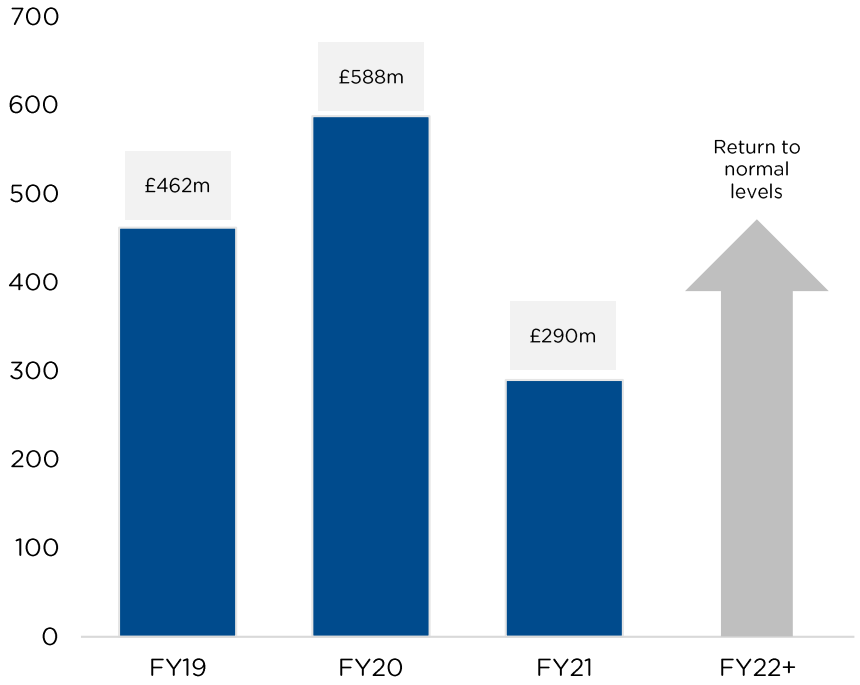
£'m	As at 31 Dec 2020
Cash & cash equivalents	827.4
Net cash	40.0
Undrawn RCF	900.0
CCFF (unutilised)	300.0
Total liquidity	£2.1bn

- Pending allocation of net proceeds to Eligible Green Bond Projects, the proposed issue will allow Whitbread to repay USPP maturities
- The Group has approximately £284m of USPP maturities between 2021 and 2027 which it intends to repay as follows:
  - 2021 and2022 notes (£25m and $93.5m) to be repaid on their scheduled maturity dates
  - 2027 notes (£200m) to be repaid early, in the near future
- Every 1pp change in total sales is an £18m impact on PBT and cash

1: Includes £339.9m of non-cash impairment due to COVID-19.

We continue to invest in the business in a measured way

Disciplined capital expenditure



- Rigorous investment return targets

FY22 and beyond

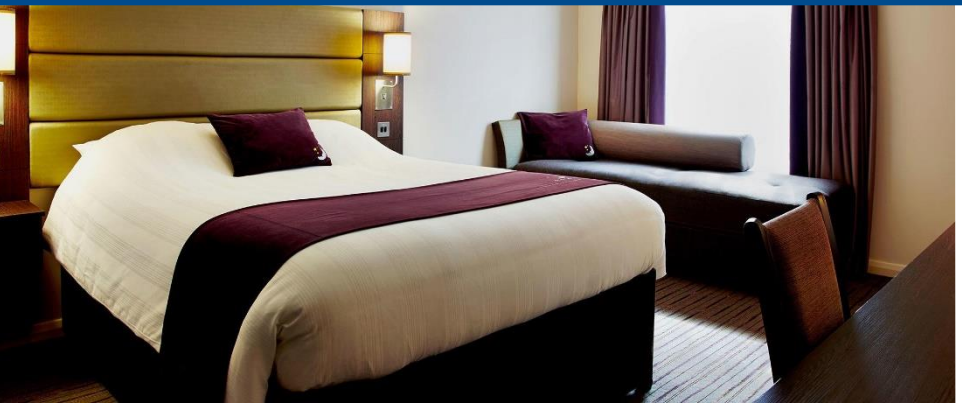
Committed growth capex of £600m

- **UK**: organic investment; 13k pipeline - £300m capex over a c.4 year period
- **Germany**: investment in estate expansion; 8k pipeline - £300m capex over a c.6 year period
- Essential repairs and maintenance capex of c.£45-50m per annum and an ongoing level of IT maintenance spend

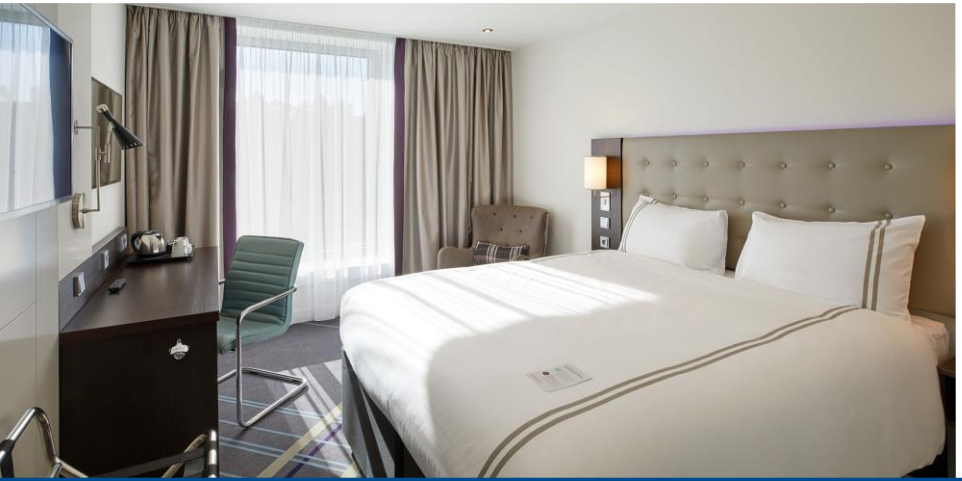
Uncommitted and non-essential capital can be flexed

- FY21 targeted reduction in gross capex of c.£588m to c.£290m
- **Germany**: acquisitions investment
- **Product improvement:**
  - Refurbishments, room upgrades, customer product innovation
  - Technological improvements to enhance the customer experience
  - Repairs and maintenance

Sustainability strategy & Green Bond Framework









A Force for Good means operating responsibly and sustainably

Enabled though established governance systems

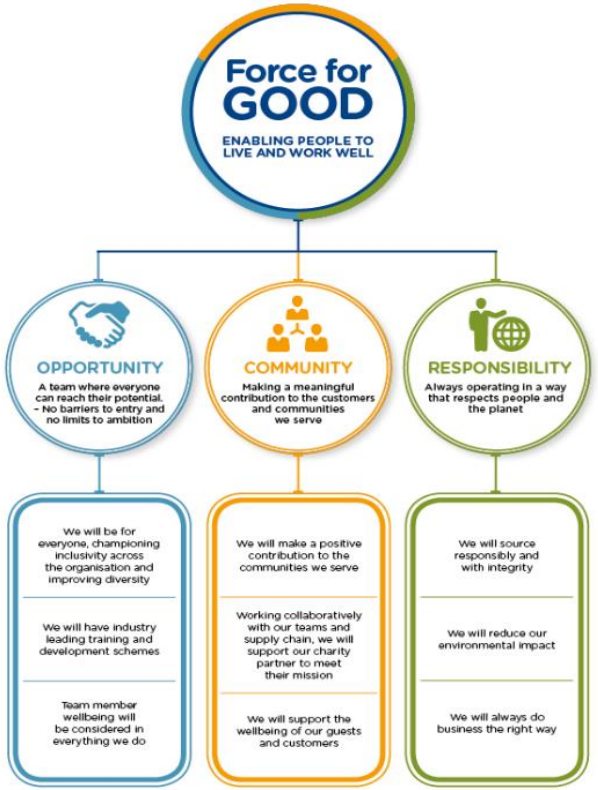
Robust materiality assessment undertaken annually through internal and external stakeholder engagement and analysis

A shared responsibility across the business, embedded throughout decision making

Targets, KPIs and projects owned and delivered by business functions

Regular updates on progress to Board and ExCo

Incentivisation put in place where appropriate



Our sustainability programme has been in operation for over 10 years and runs through everything we do

We have clear objectives and measurable targets to help us meet our goals

Sustainability targets underpin a future facing programme and focus on the most material issues to our business and community

	Opportunity	Community	Responsibility
Targets	• Inclusive leadership training for all leaders • Diversity targets for senior representation across the business • 3 new networks to support minority groups • Industry leading training and development programmes, including apprenticeships	• Raise £20m for Great Ormond Street Children's Hospital by 2021 • Active support for local community activity for every new site opened • Continual improvement of nutritional value of our menu through continuing to reduce sugar, salt and calories • Strive to lead our sector in delicious, appealing and healthier children's food	• Science based targets to reduce carbon emissions intensity by 50% by 2025 • Net zero on Scope 1 and 2 emissions by 2050 • Eliminating unnecessary single-use plastics by 2025 • Reducing food waste by 50% by 2030 • Source all critical commodities to internationally recognised sustainability standards (FSC timber, MSC fish and BCI cotton) • No waste to landfill • Minimise water use and champion water stewardship • Human rights will be respected across our value chain
Key Achievements	✓ Top ranked hospitality employer in the UK for apprenticeships ✓ Continued apprenticeship delivery through COVID-19 with >350 new apprentices ✓ >1 million digital courses completed by our teams through the pandemic ✓ Active LGBTQ+ network ✓ Established Race, Religion and Culture network ✓ Established employee forum to ensure teams are engaged and represented	✓ Reduced sugar content in our menus by 20% ✓ Raised >£19m for Great Ormond Street since 2012, funding for a new clinical building and sight and sound centre ✓ Team members donated >3,000 hours to local community projects since 2017 ✓ Led industry group on salt, sugar and calorie reduction	✓ 100% renewable electricity in all our UK freehold sites ✓ Carbon intensity reduction of 39.8% achieved ✓ Retrofitted lower energy lighting and PV panels across estate ✓ Solar panels at >180 sites, 20% of the estate ✓ First hotel chain to stop use of plastic straws and stirrers ✓ Carbon Disclosure Project (CDP) score increased from B to A- in 2020 ✓ Assessed 100% of tier 1 supply chain for human rights risks ✓ 70% high risk suppliers audited to SMETA standards ✓ First large budget hotel chain to become Better Cotton Initiative members ✓ 100% of wild-caught fish is MSC certified ✓ Trained 1,600 cotton farmers in sustainable agriculture in Pakistan

Report progress in Annual Report, through Carbon Disclosure Project (CDP) and Modern Slavery Act (MSA)

Plans in place to report against the Taskforce on Climate Related Financial Disclosures (TCFD)

Remaining a Force for Good during the pandemic

For our communities...

- 39 hotels open and available for NHS staff and key workers throughout first UK lockdown
- Diverted distribution capacity to supermarkets to help retailers feed the nation
- Partnered with Deliveroo to serve food to NHS and key workers staying in our London hotels
- Partnered with Fare Share and The Real Junk Food Project, donating >500,000 surplus meals to charity in 2020





... and for our teams





- Top up payments to protect minimum 80% of salary for staff on furlough
- Continued to raise funds for Great Ormond Street Hospital despite site closures, over £700,000 total raised to date
- Launched 'Clean Protect' and 'A generous serving of safety' across our estate to ensure teams and guests are COVID-19 safe
- 29,000 team members trained to deliver COVID-19 safe service
- Launched wellbeing communication plan to support mental and physical wellbeing of our colleagues
- Established COVID-19 forum to ensure teams are engaged and represented

Whitbread's Green Bond Framework

Whitbread's Green Bond Framework is aligned to ICMA's Green Bond Principles 2018

Use of proceeds

	ICMA category	Eligibility criteria	Promoting SDG
Green construction	Green buildings	BREEAM standards (Very Good and above), LEED (Platinum) or EPC (B or above) and water saving projects	
Green operation	Energy efficiency	Electricity efficiency, installation of heat pumps, electric cookers and electric power storage	
	Clean transportation	Installation and running of EV charge points, investment in electric only vehicles	
	Renewable energy	Procurement of 100% renewable energy across estate and PV installation	
	Pollution prevention	No waste to landfill and recycling	
Sustainable procurement	Environmentally sustainable management of living natural resources and land use	Procurement of 100% FSC certified timber, BCI certified cotton, MSC certified fish	

Project selection and evaluation

- Sustainable Finance Committee
- Chaired by Group Finance Director and including General Counsel and relevant business and operational Heads
- Supported by sustainability, finance, property, construction and procurement teams
- Meetings every six months at a minimum

Management of proceeds

- Allocated by the Finance Department
- Register tracking all eligible investments
- Intention to fully allocate proceeds within 3 years, alongside a 3 year refinancing lookback period

Reporting

- Annual reporting on grouped project allocations
- Include environmental impact metrics directly associated with eligible spend projects
- Reporting until fully allocated

Second party opinion - Sustainalytics

- *"Whitbread's Green Bond Framework is credible and impactful and aligns with the Green Bond Principles 2018"*
- *"The framework aligns with the company's overall sustainability strategy and initiatives and will further the Company's action on its key environmental priorities"*
- *"Eligible categories will lead to positive environmental or social impacts and advance the UN SDGs specifically SDG 7, 11, 12 and 14"*
- *"Project selection process and allocation and impact reporting in line with market practice"*

Raising a Green Bond further embeds Force for Good across the organisation, ensuring our financing supports and is aligned to the Group's broader sustainability strategy

Example project categories and external accreditations

Green construction - green buildings

Investment and expenditures relating to properties built, fitted out to, or operated to BREEAM standards (Very Good and above), LEED (Platinum) or EPC (B and above)

Reporting metric
Number (or %) of sites built, fitted out or operated to BREEAM very good standard or above, LEED platinum or above and EPC B or above



Green operation - renewable energy

Investment and expenditures relating to purchase of renewable energy across estate in the UK and Germany, including installation of PV across suitable existing sites

Reporting metric
Greenhouse gas emissions avoided (TCO2e)



Sustainable procurement - environmentally sustainable management of living natural resources and land use

Expenditures relating to procurement of:

- Sustainable timber (to FSC standard)
- Sustainable cotton (BCI standard)
- Sustainable fish (MSC standard)

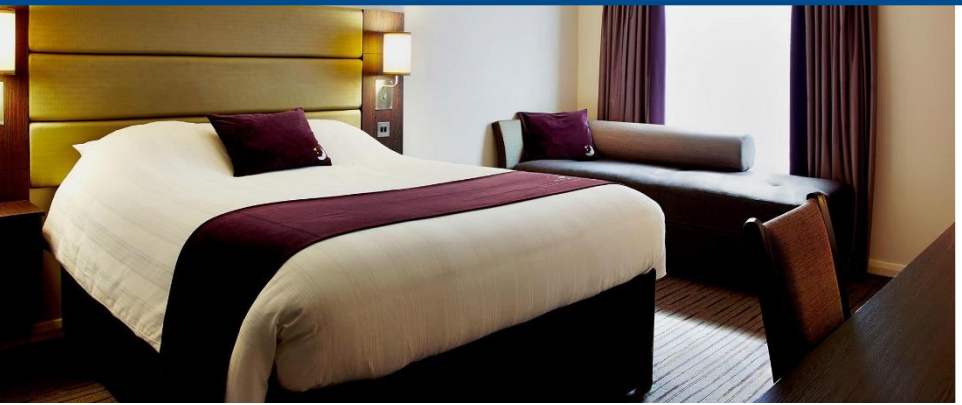


Reporting metric
% of fixtures and fittings suppliers that comply with timber policy; % of certified cotton sourced; and % fish sustainably sourced

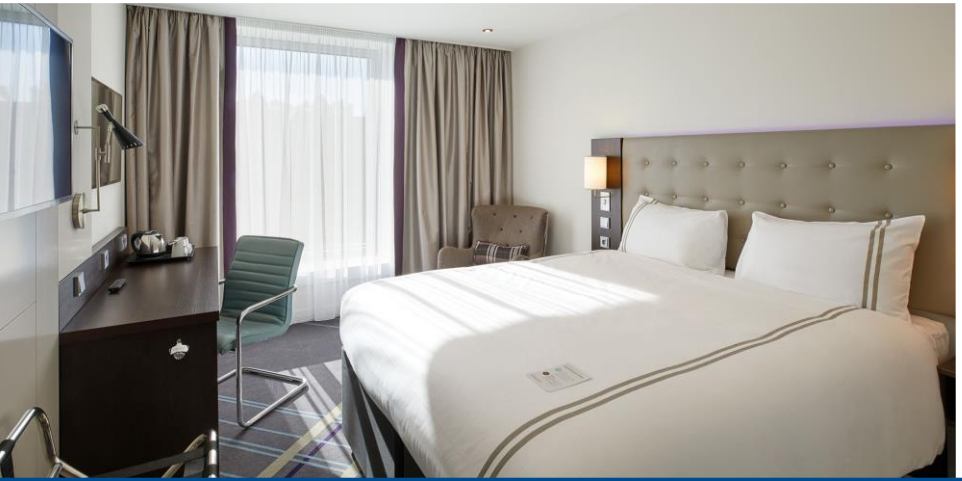
Select External Accreditations

- 2019 placed 2nd in industry for 2nd year running
- Improved to A- in this year's climate change submission, commanding a Leadership position in the sector
- 'Low ESG Risk' category, placing Whitbread in the top quartile of our Industry Group (Consumer Services)

Liquidity, balance sheet, rating & proposed transaction



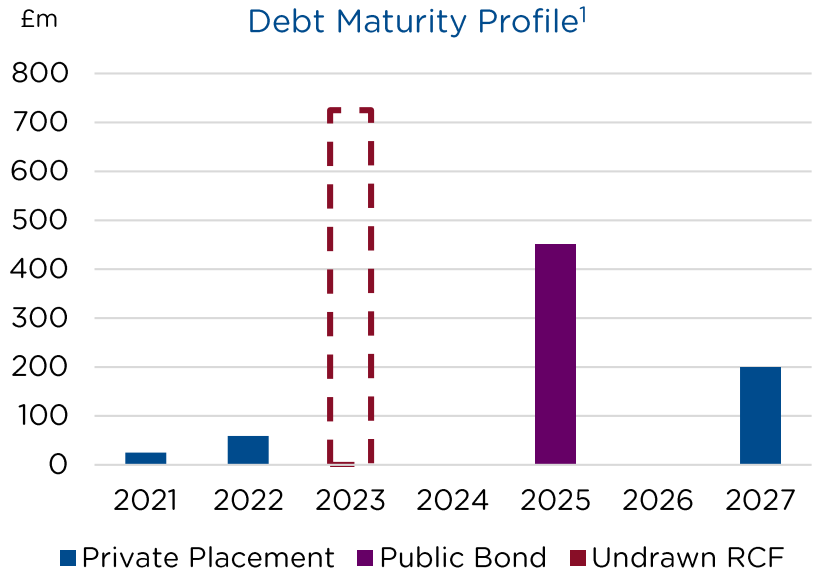






Robust liquidity and a strong balance sheet

Balanced maturity profile. Proposed bond issue affords flexibility to repay USPP maturities



- The Group intends to repay the 2021 and 2022 USPPs on their scheduled maturity dates, and to repay the 2027 USPP notes in the near future

Property backed balance sheet

Freehold : Leasehold split

	Open estate	Total estate (open and committed)
UK only	61% : 39%	55% : 45%
Germany only	24% : 76%	25% : 75%
Whitbread	60% : 40%	52% : 48%

- Net book value of freehold: £4.2bn as at H1 FY21

Robust liquidity maintained post COVID-19

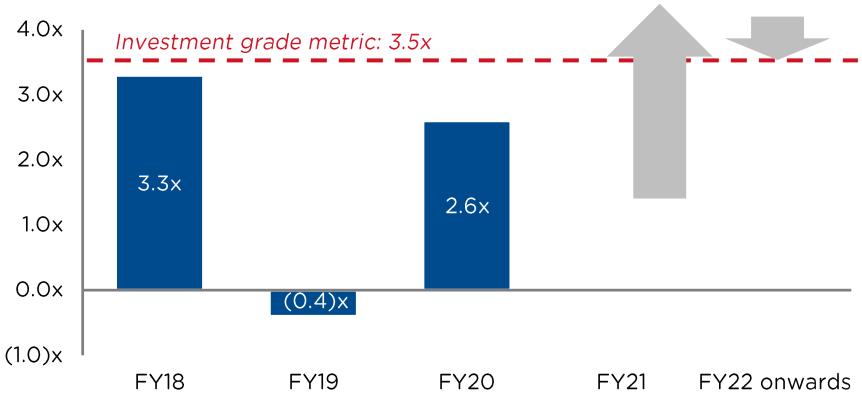
- £814.9m cash on deposit and £40.0m net cash as at 31 December 2020
- Recently extended RCF fully undrawn:
  - £950m available through 31 December 2021
  - £850m available through 7 September 2022
  - £725m available through 7 September 2023
- Whitbread is approved and undrawn for £300m under the CCFF

Strong liquidity position with over £2bn available funds[2]

1. *Includes impact of hedging using cross currency swaps and excludes unamortised fees associated with debt instruments. 2. As at 31 December 2020.*

Focus on return to investment grade metrics

Evolution of lease adjusted net debt : FFO



- Significant cash outflows during FY21 puts pressure on near-term leverage
- £1bn rights issue proceeds support the balance sheet in the near-term
- Target return to 3.5x adjusted net debt : FFO by FY 23

Covenant waivers and amendments provide flexibility in the medium-term

- Covenant waivers on RCF, US private placement notes and pension scheme until March 2022
- Existing covenants are temporarily replaced with new covenants during waiver period:
  - Maximum net debt less than £2bn
  - Minimum liquidity headroom of £400m
  - Suspension of dividend
- In addition, revised RCF covenant levels now agreed for following test dates:

	Total net debt: EBITDA	EBITDA: consolidated net finance charges
September 2022	waived	waived
March 2023	≤ 5.0x	≥ 2.0x
August 2023	≤ 4.5x	≥ 2.0x
'Normalised'	≤ 3.5x	≥ 3.0x

Financial strength and flexibility is important to support our strategy

Transaction summary and rationale

Proposed transaction summary

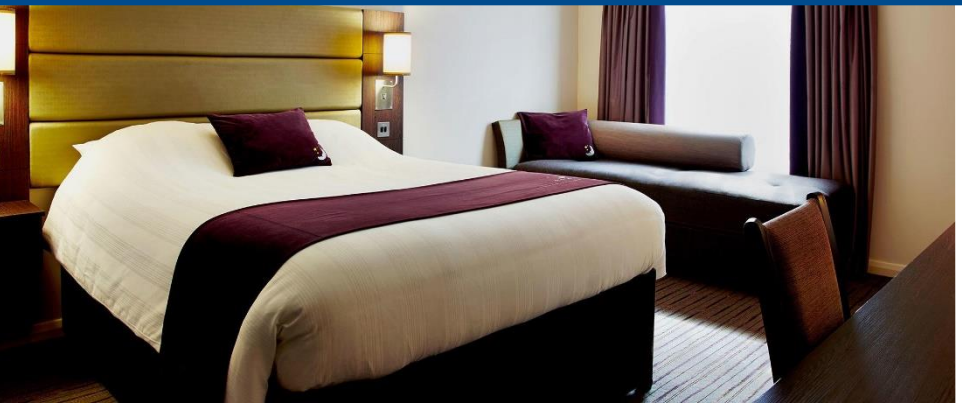
Issuer	Whitbread Group PLC	
Guarantor	Premier Inn Hotels Limited, Whitbread PLC	
Form of Issue	Senior Unsecured, Reg S Notes	
Rating	BBB- (stable) Fitch	
Currency and Size	Benchmark	Benchmark
Tenor	May 2027	May 2031
Terms	As Per Preliminary Prospectus dated 1st February Includes Make Whole Call and Change of Control at Par	
Use of Proceeds	Eligible Green Projects as defined in Whitbread's Green Bond Framework	

Transaction rationale

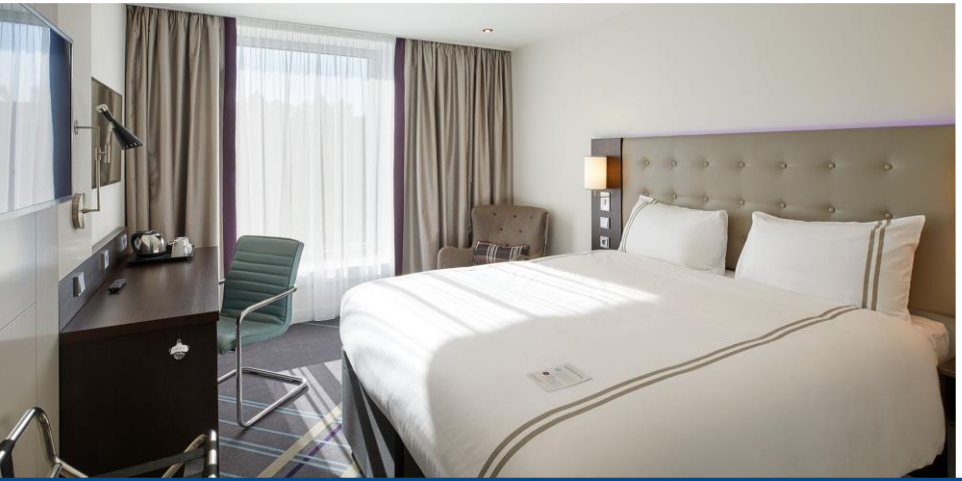
- Extend Whitbread's maturity profile in line with conservative liquidity and balance sheet priorities and in doing so, build out our public bond maturity curve
- Introduction of Green Bond Framework underpins the Group's commitment to its Force for Good sustainability strategy and aligns the treasury and funding function to broader ESG objectives
- Pending allocation of the net proceeds of the Notes to the Eligible Green Projects, the net proceeds will be fungible with all other cash held by the Group and afford the opportunity to repay USPP notes early

Whitbread is committed to maintaining a conservative balance sheet and investment grade metrics over the medium-term

Credit highlights









Credit highlights

- Largest hotel operator in the UK with the strongest brand
- Vertically integrated model affords control over best-in-class operations and is a competitive advantage over peers
- Effective direct digital distribution platforms affording cost efficiency and ownership of the customer relationship
- Broad customer reach across regions and defensive domestic/inbound and business/leisure mix
- Positioned in budget sector which is fastest growing and outperforms in downturns
- Attractive structural growth opportunities remain intact
- Decisive and effective actions taken to mitigate business and financial disruption from COVID-19 and protect stakeholders, along with longstanding proven ability to manage costs through a cycle
- Experienced management team
- A 'Force for Good' - robust and longstanding sustainability policies which run through everything we do and are recognised via external accreditations
- Underpinned by our new Green Bond Framework which is aligned to ICMA's Green Bond Principles 2018
- Conservative balance sheet and financial flexibility afforded by freehold property backing
- Board intention to maintain investment grade metrics over the medium term

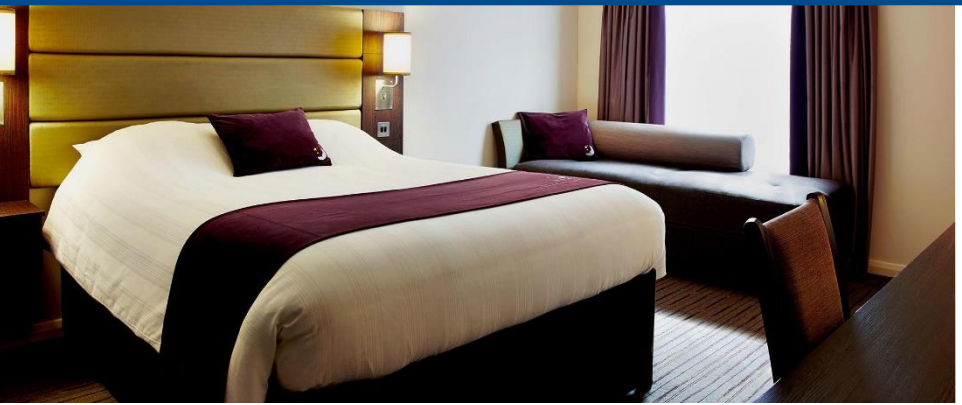
Well-placed to exit COVID-19 crisis in the best possible position

WHITBREAD

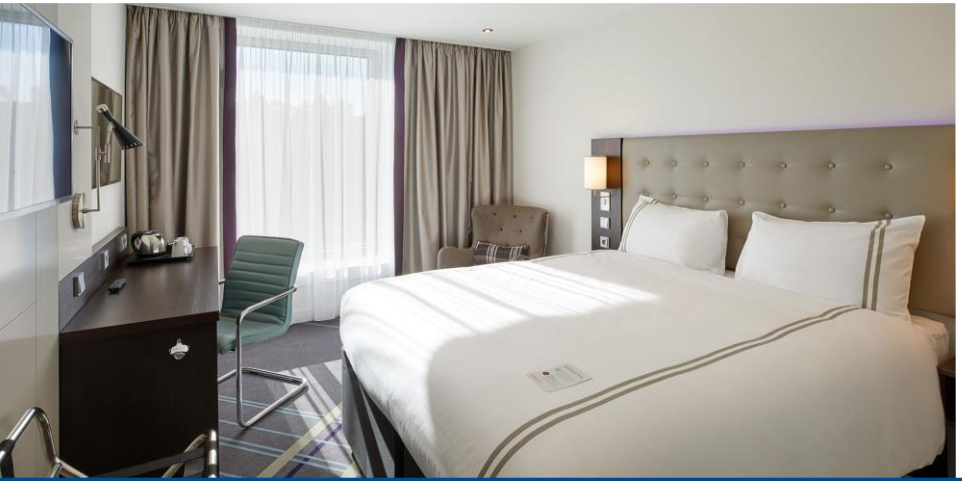
Q&A



Appendix









Summary Financials

£'m	H1 FY21	H1 FY20	FY20	FY19*
Statutory revenue**	250.8	1,084.0	2,071.5	2,049.1
Adjusted revenue	250.5	1,078.0	2,062.1	2,047.1
Other income (excl. rental income)	86.0	6.6	13.9	1.7
Operating costs	(490.2)	(657.9)	(1,323.3)	(1,254.4)
Adjusted EBITDAR	(153.7)	426.7	752.7	794.4
Adjusted (loss) / profit before tax	(367.4)	235.6	358.3	390.3
Statutory (loss) / profit before tax	(724.7)	219.9	280.0	218.1
Capital expenditure	121.1	196.5	587.7	461.8
Cash and cash equivalents	936.2	804.9	502.6	3,403.2
Net cash / (debt)	196.4	(77.5)	(322.9)	2,583.3

- Performance in H1 FY21 reflected the closure of the vast majority of our business for a large part of the period
- Hotels and restaurants were temporarily closed at the end of March, reopening in May in Germany, and from July and through into August in the UK
- During the period of closure, total statutory revenue was 99% behind the prior year, driving overall H1 FY21 adjusted revenue down 76.9% year-on-year
- Operating costs of £490.2m were 25.5% lower than last year driven by the reduction in revenue-related variable costs, primarily food and beverage costs of sale, combined with the postponement or deferral of all non-essential spend
- Statutory loss before tax of £724.7m includes £348.1m of impairments largely driven by the COVID-19 pandemic
- The business has retained a strong balance sheet and liquidity position throughout, enhanced by the successful £1bn rights issue completed in June and our eve present focus on operational and cost efficiencies

*All numbers exclude Costa with the exception of discretionary FCF which includes Costa for FY19. ** Statutory revenues includes TSA income relating to the sale of Costa (FY20: £9m, FY19: £2m).