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# Announcement of CVA Launch and Additional Capital Commitment by THL's Shareholders

**3 June 2020**

Travelodge Hotels Limited (**THL**), an indirect subsidiary of Thame and London Limited (together with its direct and indirect subsidiaries, the **Group**), announced the launch of a company voluntary arrangement (**CVA**) as set forth in the press release attached as Exhibit A hereto.

The CVA is designed to temporarily reduce THL's obligations, particularly those relating to its largest fixed cost item, landlord rents. The CVA seeks to achieve this through a combination of: the temporary reduction of rent in respect of certain leases, a temporary move from quarterly to monthly rents in respect of certain leases, the compromise of certain other specific unsecured liabilities of THL, the waiver of certain termination rights under certain agreements for lease and the provision of mitigating elements to certain landlords (including options for lease extensions and a mechanism to participate in additional cash rental payments, should THL meet certain performance thresholds). The CVA does not seek to compromise the claims of other creditors, including, without limitation, secured creditors (including lenders under the Group's revolving credit facility and holders of TVL Finance plc's senior secured floating rate notes due 2025), customers, trade creditors and employees. Such other creditors will not be impacted by the CVA, except that any potential termination rights arising under such unsecured creditor contracts by reason of the launch and/or approval of the CVA are cured or waived upon approval of the CVA. Lenders under our revolving credit facility and holders of our senior secured floating rate notes due 2025 have previously waived certain defaults that may be triggered by THL entering into the CVA.

The CVA creditors' meeting will be held by way of virtual meeting on Friday, 19 June 2020. To become effective, the CVA requires a majority of 75% or more in value of all unsecured creditors present in person or by proxy and voting at a meeting on the resolution to approve the CVA, and at least 50% in value of creditors that are unconnected with the company must also vote to approve the CVA. There is no assurance that the requisite majority of landlords will approve the CVA. The CVA may be set aside (in part or in full) following a successful challenge (which must be commenced during the 28-day challenge period following the approval of the CVA). There is a risk of forfeiture by certain of THL's landlords, triggered by the launch and/or approval of the CVA. Under the terms of the CVA, certain landlords will be granted break rights allowing for the termination of their leases within the first five months following approval of the CVA.

In addition to the launch of the CVA and in connection with the Group's recovery plan, on 3 June 2020, certain of THL's indirect shareholders entered into commitments to make equity contributions in the aggregate principal amount of £40 million pursuant to an equity commitment letter dated 3 June 2020. These commitments to equity contributions provided by THL's shareholders (or affiliates thereof) are in addition to the £60 million super senior revolving credit facility entered into by THL and certain of its shareholders (or affiliates thereof) on 22 April 2020. The provision of £10 million of such funding pursuant to the equity commitment letter is subject to certain conditions, including (i) the successful approval of the CVA and (ii) expiry of the 28-day challenge period and/or if a challenge is made, the dispensation of such challenge. The provision of the further £30 million of such funding is subject to the foregoing conditions as well as the replacement or refinancing of the Group's £60 million super senior revolving credit facility with a third party on terms satisfactory to the shareholders. Such commitments would provide THL with additional capital of £100 million.

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This announcement contains and refers to certain forward-looking statements with respect to the Group's financial condition, results of operations and business. Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. Forward-looking statements include, among others, statements expressing management's expectations, beliefs, plans, objectives, intentions, estimates, forecasts, projections and assumptions. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are typically identified by words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "objectives," "outlook," "probably," "project," "will," "seek," "target" and other words of similar meaning in connection with a discussion of future operating or financial performance. All of these forward-looking statements are based on estimates and assumptions made by such entities that, although believed to be reasonable, are inherently uncertain. Therefore, undue reliance should not be placed upon any forward-looking statements. There are important factors that could cause actual results to differ materially from those contemplated by such forward- looking statements. In addition, even if the Group's actual results are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods. Each forward-looking statement speaks only as of the date of the particular statement. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. In light of these risks, actual events and results could differ materially from the forward- looking statements contained in this announcement.

**EXHIBIT A**

# Press Release

**3 June 2020**

## Travelodge announces proposed Company Voluntary Arrangement

Travelodge Hotels Limited ("The Company" or "Travelodge"), one of the UK's leading value hotel companies, today announces the launch of a proposed company voluntary arrangement ("CVA").

The CVA forms part of Travelodge's recovery plan, which includes steps taken to (i) re-open its hotels once the UK Government restrictions are lifted, (ii) reduce operating and capital costs, (iii) raise additional funds and (iv) temporarily reduce rents paid to landlords.

The Company believes its recovery plan offers the best approach to address the short-term challenges facing the business as a result of the COVID-19 outbreak and to secure the future of its more than 10,000 employees.

The CVA proposal is a critical component of the recovery plan. The CVA proposes a schedule of differing rent levels, with some hotels receiving full rents and the majority receiving a temporary reduction in the rent payable covering the period between April 2020 and the end of 2021. All hotels return to full contractual rents in 2022.

Unlike most CVAs, there are no proposed hotel closures or permanent rent reductions. Prior to the outbreak of COVID-19, Travelodge entered 2020 with a record level of cash reserves and delivered five straight years of strong growth, outperforming the midscale and economy sector and its peers.

However, the COVID-19 outbreak has had a significant impact on the broader UK economy and the hospitality sector in particular.

The majority of Travelodge's estate has remained shut since the UK Government ordered the closure of hotels on 24 March 2020. Leading hotel industry analysts project the likely halving of hotel revenues for the full year, which would be the equivalent of approximately £350 million in lost revenues for the business in 2020. The impact of COVID-19 is also expected to continue into 2021. This unprecedented reduction in revenues continues to significantly affect the short-term performance of the business, which normally generates approximately 70% of its annual profitability in the period from April to September.

In that context, the Company has concluded that given the current challenges facing the business and wider hospitality industry, the best way to preserve the Company's liquidity position is to temporarily reduce its rents payable as rent payments are the Company's largest cost at around £215 million per annum.

In recent weeks, Travelodge has engaged extensively with all of its landlords regarding options for a proposed period of temporary rent reduction. As this is a complex process involving around 300 individual landlords, each with differing interests, the Company has decided to move to a formal CVA process to achieve the temporary rent reductions required.

The CVA proposal launched today takes into account feedback received during recent discussions with the Company's landlords.

<u>The CVA proposal includes:</u>

- No planned hotel closures and no permanent rent reductions
- In the period from the successful conclusion of the CVA until 31 December 2021:
  - Landlords will be paid £230 million in rent, being approximately 62% of the contracted sum due
  - There will be a temporary reduction to landlord rents of up to £144 million. This is equivalent to 2-3% of the total rent due under the remaining lease term
- The proposed temporary rent reductions will cease at the end of 2021 and landlords will return to 100% of contractual rent levels from the start of 2022
- £240m of shareholder support in the form of:
  - A new £60 million credit facility
  - Up to £40m of additional capital (subject to certain terms)
  - Use of significant cash reserves which were approximately £100m prior to the COVID-19 outbreak
  - The drawdown of the Company's existing £40m revolving credit facility
- Cash conservation including operating and capital cost savings and the utilisation of the available government COVID-19 related support

<u>The proposed temporary amendments to landlord rents result in:</u>

- 77 leases that will receive their rent in full
- 94% of leases that will receive at least 50% rent through to the end of 2021
- 6% of leases that will receive zero rent during this period but will be paid all of their fixed charges. These hotels are either already loss-making assets or are likely to be loss-making in the period concerned
- To help offset the rent foregone, landlords will receive the option to extend their leases by a term at least equivalent to the value of the rent foregone (three years minimum to five years maximum)
- Landlords that have forgone rent will also receive additional cash rental payments equating to a 50% share of the cumulative Adjusted EBITDA generated by the Group in the next three years in excess of £200 million

Customer bookings will remain unchanged subject to hotel openings. Employee payments are also unaffected. The Company has already entered into agreements for revised payments with certain of its suppliers. The CVA proposal is therefore not intended to impact any suppliers, who will continue to be paid according to their agreed terms during this time. The CVA does not seek to compromise the claims of secured creditors (including lenders under the Group's revolving credit facility and holders of the Group's senior secured floating rate notes due 2025).

To become effective, the CVA proposal requires 75% or more in value of the creditors voting at the creditors' meeting to approve the CVA. In addition, at least

50% in value of creditors that are unconnected with the Company must vote to approve the CVA. The meeting will be held virtually on 19 June 2020.

Ian Wormleighton and Dan Butters, both partners at Deloitte LLP, have been appointed Nominees to the CVA.

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