



Lisbon School
of Economics
& Management
Universidade de Lisboa

MASTERS IN FINANCE

MASTERS FINAL WORK PROJECT

**EQUITY RESEARCH:
WHITBREAD PLC**

CATARINA BERRY

OCTOBER 2022



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**SUPERVISOR:
JOSÉ DIAS LOPES**

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Abstract

The following Equity Research project presents the valuation of Whitbread PLC and respects the format proposed by the CFA Institute. This research is issued considering only publicly available information up until August 8th, 2022 and, therefore, any event or information available after this date has not been considered.

This project is designed to enhance a potential investor's knowledge of the Company as well as the hospitality industry. Moreover, it presents the recommendation for the Company's shares on March 1st, 2024, the valuation methods used to reach such recommendation, and describes the risks associated with the Company.

Whitbread is a multinational British hotel and restaurant company and the owner of Premier Inn, the UK's biggest hotel brand. It has a *market capitalization* of £5,412M as of August 8th, 2022, *total revenues* of £1,703M and *total assets* of £9,567M as of March 2022. This budget / midscale Company currently owns 876 hotels and divides its operations between UK and Germany.

Whitbread stands at a BUY recommendation with a price target of £32.68 for March 1st, 2024, obtained using the *Weighted Average Cost of Capital (WACC) method*, representing an upside potential of 22% or a potential annualized return of 14%, against the closing price on August 8th, 2022, of £26.79. To complement the analysis, additional methods were performed, namely: *Flow to Equity*, *Adjusted Present Value (APV)*, *Dividend Discount Model* and *Relative Valuation*, which yielded similar price targets ranging from £31.69 to £36.75. Due to the industry's volatility and dependence on macroeconomic factors, a medium risk classification has been considered for the valuation.

To conclude the research, a *Sensitivity Analysis* and *Monte Carlo Simulation* were performed on the Price Target, considering changes in the *WACC*, *Long-term Sustainable Growth Rate* and *RevPAR*.

JEL Classification: F01; G10, G17, G32, G34, L89, Z31

Keywords: Equity Research; Whitbread PLC; Hospitality Industry; Valuation; RevPAR; DCF Model; Market-Based Valuation; WACC Method, Flow to Equity; Adjusted Present Value; Dividend Discount Method; Monte Carlo Simulation; Sensitivity Analysis.

Resumo

O projeto que se segue contém uma avaliação da Whitbread PLC, elaborada em conformidade com as recomendações do CFA Institute. Apenas foi considerada informação pública disponível até 8 de Agosto de 2022, pelo que qualquer evento ou informação após esta data não foi considerada.

Este projeto destina-se a ampliar o conhecimento de um potencial investidor sobre a empresa e a indústria hoteleira. Adicionalmente, apresenta a recomendação de investimento para a data de 1 de Março de 2024, indica os métodos utilizados para obter esta a recomendação, e descreve os riscos associados à empresa.

A Whitbread é uma empresa multinacional britânica de hotéis e restaurantes e proprietária da Premier Inn, a maior marca de hotéis do Reino Unido. Em Março de 2022 tinha um *market capitalization* de £5,412M, um valor de *receitas totais* de £1,703M e um *total de ativos* de £9,567M. Esta empresa “budget/midscale” atualmente reúne 876 hotéis e divide as suas operações entre o Reino Unido e a Alemanha.

A Whitbread tem uma recomendação de investimento de Compra, com um preço-alvo calculado através do *modelo WACC* de £32.68 para Março 2024, representando um potencial de valorização de 22% ou um potencial retorno anual de 14% face ao preço de £26.79 do dia 8 de Agosto de 2022. De modo a complementar a análise, foram utilizados os seguintes métodos: *Flow to Equity*, *Adjusted Present Value (APV)*, *Dividend Discount Model* e *Método dos Múltiplos Comparáveis*, resultando em preços que variam entre £31.69 e £37.75. Sendo a indústria hoteleira uma indústria cíclica e por isso dependente de fatores macroeconómicos, uma classificação de risco médio foi considerada para este investimento.

Para concluir o projeto, uma *Análise de Sensibilidade* e uma *Monte Carlo Simulation* foram realizados ao preço-alvo, considerando alterações do *WACC*, *Taxa de Crescimento a Longo Prazo* e do *RevPAR*.

Classificação JEL: F01; G10, G17, G32, G34, L89, Z31

Palavras-Chave: Whitbread PLC; Hotelaria; Equity Research; Avaliação de Empresas; RevPAR; DCF Model; Market-Based Valuation; WACC Method, Flow to Equity; Adjusted Present Value; Dividend Discount Method; Monte Carlo Simulation; Análise de Sensibilidade.

Acknowledgements

This is it. My last project as a student. Through all the ups and downs, I never felt alone, and for that I have to thank those who walked alongside me.

To my family, for always being present and supporting me unconditionally.

To my friends, for brightening my days. A special thanks goes to my partner in crime, Mehá Bhanji, for keeping me motivated and for all the hours we spent on Teams; to Filipa Faria, for being an awesome friend and my ride to Uni; to Simão Lima, for all the support and patience, and to João Motrena and António Pereira for being my go-to helpers.

To my professors and supervisor, for all the guidance and insights.

Thank you.

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Abbreviations

ADR	Average Daily Rate	Kd	Cost of Debt
APV	Adjusted Present Value	Ke	Cost of Equity
Bps	Basis points	LSE	London Stock Exchange
BICS	Bloomberg Industry Classification System	M	Millions
B	Billions	M&A	Mergers and Acquisitions
CAGR	Compounded Annual Growth Rate	MC	Monte Carlo
CEO	Chief Executive Officer	PT	Price Target
COGS	Cost of Goods Sold	P/B	Price-to-Book
CAPEX	Capital Expenditures	P/E	Price-to-Earnings
DCF	Discounted Cash Flow	P/S	Price-to-Sales
DDM	Dividend Discount Model	RevPAR	Revenue per Available Room
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortization	Rf	Risk-Free Rate
ESG	Environmental, Social and Governance	ROE	Return on Equity
EV	Enterprise Value	RSP	Restricted Share Plan
F	Forecast	SARD	Sum of Absolute Rank Differences
FCFE	Free Cash Flow to Equity	SDGs	Sustainable Development Goals
FCFF	Free Cash Flow to the Firm	UK	United Kingdom
FY	Fiscal Year	WACC	Weighted Average Cost of Capital
GDP	Gross Domestic Product	YE	Year-End
HDI	Household Disposable Income	YOY	Year-Over-Year

BUY

Closing Price (8/8/2022) £26.79
Price Target (1/3/2024) £32.68
Upside Potential 22%
Annualized Return 14%
Level of Risk Medium

1. Research Snapshot

Table 1 - Whitbread's Market Profile

Market Profile	
Ticker (LSE)	WTB.L
Closing Price (£)	26.79
Market Cap. (£M)	5412.12
Shares Outstanding (M)	202.02
52 Week Price Range (£)	23.82 – 36.50
Average Daily Volume	827,205
Free Float (%)	99.42

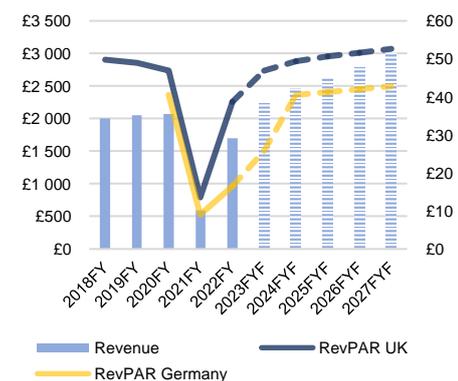
Source – Yahoo Finance (August 8th, 2022)

Table 2 - Whitbread's Profile

	2022 FY	2023 FYF	2027 FYF
Revenues (£M)	1703.4	2234.9	3008.4
Operating Profit (£M)	227.3	473.6	985.1
Operating Profit Margin (%)	13%	21%	33%
Net Profit (£M)	42.5	273	689
Net Profit Margin (%)	2%	12%	23%
CAPEX (£M)	481.8	525.2	707
Debt to EBITDA (x)	1.79	1.25	0.41
Interest coverage ratio (x)	6.08	13.18	49.83
ROIC (%)	2%	4%	8%
UK Rooms	82,286	85,787	101,346
Germany Rooms	5,875	7,022	14,329

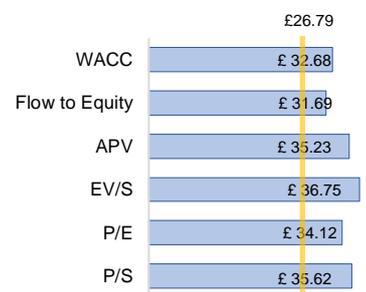
Source – Author's Analysis

Figure 1 – WTB's RevPAR for UK and Germany vs. Total Revenues (2018FY-2027FYF)



Source – Author's Analysis

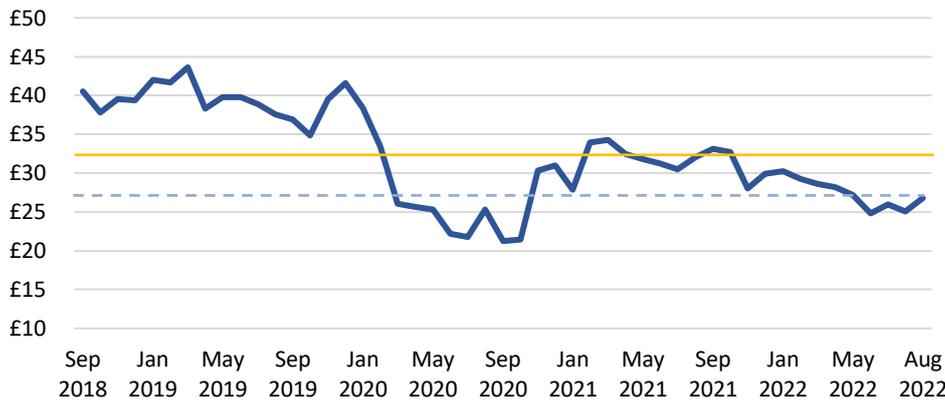
Figure 2 - Whitbread's PTs



Source – Author's Analysis

We issue a **BUY** recommendation for Whitbread PLC, with a March 1st, 2024 PT of £32.68/share using the WACC Method, implying a 22% upside potential from August 8th, 2022 closing Price of £26.79 (**Figure 3**), with Medium risk.

Figure 3 - Four Year stock prices (blue line) and Closing price (blue dotted line) vs. PT (yellow line)



Source – Yahoo Finance (August 8th, 2022)

Leading budget hotel brand in the UK and soon in Germany

Whitbread is a leading hospitality business and the owner of Premier Inn, the UK's biggest hotel brand. This Company provides services in relation to Accommodation and Food & Beverage. Currently, the Company owns 876 hotels and divides its operations between the UK and Germany, with the UK being the largest market with 841 hotels, corresponding to 82,286 rooms.

With the strategy of also becoming Germany's number one budget hotel operator, due to Germany's material growth opportunity, Whitbread has a committed pipeline of 8,454 rooms in this country, with an expected revenue growth of +50.4% CAGR22FY-27FYF.

Strong recovery from the COVID-19 pandemic

The pandemic had a huge impact on the hospitality industry due to lockdowns and restrictions in travel. Whitbread's restaurants and most of the hotels were closed for extended periods, while a few were only open for essential business travellers and key workers. This resulted in large losses in revenues. However, the Company has been able to bounce back to a position of strength and profitability (**Table 2**).

RevPAR is expected to reach pre-pandemic levels by 2023FY in the UK (+36.36% CAGR21FY-23FYF) and 2024FY in Germany (+65.01% CAGR21FY-24FYF), followed by a projected growth of +2.96% CAGR23FYF-27FYF for the UK and +1.85% CAGR24FYF-27FYF for Germany (**Figure 1**). Total Revenues are projected to grow at +12.05% CAGR22FY-27FYF (**Figure 1**).

2. Business Description

2.1 The Company

Whitbread PLC is a multinational British hotel and restaurant Company and the owner of Premier Inn, the UK's biggest hotel brand (**Figure 4 and 5**). It has a market capitalisation of £5,412M¹, total revenues of £1,703M and total assets of £9,567M².

This budget / midscale Company has its headquarters in Dunstable, UK and is listed in the LSE, under the ticker "WTB.L", since 1948. The Company is also a constituent of the FTSE 100 Index.

Currently, Whitbread has a portfolio of 876 hotels and divides its operations between UK and Germany, the UK being the largest market with 841 hotels, corresponding to 82,286 rooms. Moreover, the Company has a total of 16,786 rooms in committed pipeline.

2.2 History of the Company

Whitbread PLC was founded in 1742 by Samuel Whitbread as a brewery Company and became the largest brewery in the world by 1780. In 1869, the Company began producing and selling bottled beers. As a way to expand production, between 1920 and 1940 the Company bought several other breweries and their pubs (**Appendix 1**).

During the 1980s and 1990s, Whitbread started diversifying its portfolio, investing in hospitality holdings and in new ventures, including Pizza Hut and Heineken Steak Bars.

The first Premier Inn hotel opened its doors in 1987 in Essex, UK, branded as Travel Inn. This was followed by a period of acquisitions, including the acquisition of the hotel chain Premier Lodge in 2004, which added 140 properties to Whitbread's hotel portfolio.

In 2001, Whitbread decided to sell all its breweries to Interbrew, refocusing on the growth areas of hotels and restaurants.

Due to the potential growth of Premier Inn in Germany, and as part of the Company's strategy to increase international expansion, Premier Inn opened its doors in Germany in 2016.

Currently, the Company is considered the UK's largest hotel and restaurant group.

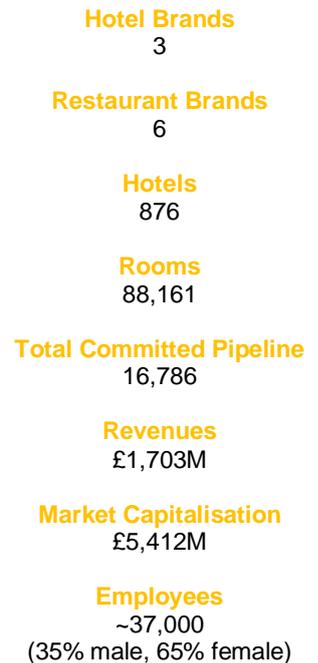
2.3 Financial Highlights

In 2022FYE, Whitbread registered an improvement of its financial results, reaching a total of £1,703M In Revenues (+189% YoY), a gain of £241.9M in Adjusted EBITDA (+159% YoY) and a net gain of £42.5M (+105% YoY).

¹ On August 8th, 2022

² On 2022FYE

Figure 4 - Whitbread at a glance



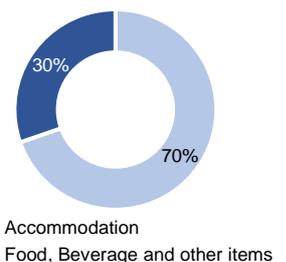
Source – Whitbread's Annual Report, 2022

Figure 5 - Whitbread's Hotel and F&B Brands



Source – Whitbread's Annual Report, 2022

Figure 6 - 2022FY Total Revenues by operating segment



Source – Whitbread's Annual Report, 2022

2.4 Operational Segments

Whitbread's main operations are Accommodation (Premier Inn Hotels) and Food and Beverage (Restaurants) (**Figure 6**). The operating results from both these segments are monitored separately as a way of making decisions regarding resource allocation and segment performance (**Figure 11 and 12**).

Furthermore, since 2021FY, due to the sizable increase of the operations in Germany, the Company segmented its business into two different geographical regions – UK (which also includes Others³), representing 98% of Revenue, and Germany, representing 2% (**Figure 7**).

2.5 Key Drivers of Profitability

Revenue Per Available Room (RevPAR)

RevPAR is the most relevant profitability driver in the hospitality industry and can be obtained as a product of the Occupancy rate and the ADR (**Appendix 2**). It measures the performance of comparable hotels over a certain period.

Whitbread's RevPAR had been relatively steady throughout the years (-2.99% CAGR 2018FY-2020FY). However, due to the COVID pandemic, demand decreased significantly, which led to RevPAR reaching values of £13.6 for UK (-71.07% YoY) and £9 for Germany (-77.74% YoY) in 2021FY (**Figure 8**). Nevertheless, with the ease of the restrictions and consequent increase in demand, RevPAR has been slowly recovering, and is expected to reach 2019FY values in 2023FYF for UK and in 2024FYF for Germany.

Occupancy Rate

This indicator corresponds to the number of hotel bedrooms occupied by guests expressed as a percentage of the number of bedrooms available in the given period (**Appendix 2**), thus measuring the utilization of the hotels' available capacity.

Occupancy rate is an accurate indicator of business efficiency, since it is related to how well the available rooms are managed. Furthermore, this metric is used to set the ADR pricing levels, as demand for the hotel's rooms increases or decreases.

Up until 2020, Whitbread was achieving stable levels of occupancy at around 77.7% in the UK and 58.3% in Germany. However, in 2020, these figures changed dramatically. Due to the lockdowns and tight restrictions implemented, most of the hotels in both UK and Germany were closed, resulting in all-time low levels of occupancy in 2021FY– 29.40% (-61.47% YoY) in the UK, and 22.50% (-61.41% YoY) in Germany (**Figure 9**).

In 2022FY, the ease of restrictions allowed for a recovery of both leisure demand in tourist locations and business travel, which boosted the occupancy rates to 68% in the UK and 40.7% in Germany.

Figure 7 - 2022FY Total Revenues by geographical region

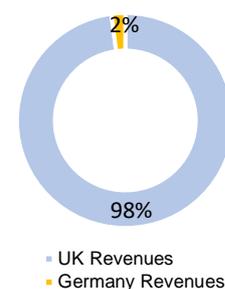
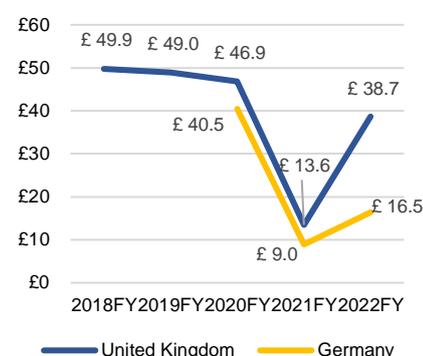
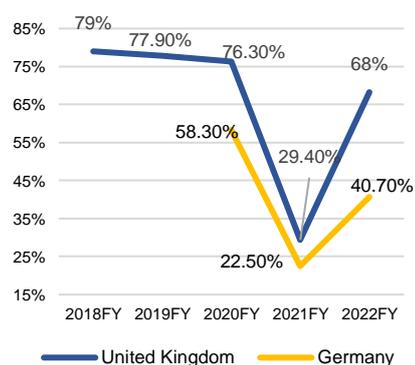


Figure 8 - Whitbread RevPAR (2018FY – 2022FY)



Source – Whitbread Annual Report, 2022

Figure 9 – Whitbread Occupancy Rates (2018FY – 2022FY)



Source – Whitbread Annual Report, 2022

³ Others include Guernsey, the Isle of Man, Jersey and Ireland

Average Daily Rate (ADR)

ADR represents the average rate charged for renting a room for one day. It is calculated by dividing the hotel room revenue by the total number of rooms occupied for a specific period (**Appendix 2**). This driver presents important insights about the pricing environment and the nature of the customer base, indicating how much customers are willing to pay for accommodation.

Throughout the years, Whitbread's ADR had been stable; however, the lack of demand triggered by the pandemic led to low levels of ADR both in the UK, £46.16 (-24.94% YoY) and in Germany, £40.17 (-42.18% YoY) (**Figure 10**).

In 2022FY, ADR for the UK grew to £56.67 (+22.77% YoY), while for Germany it remained similar to the previous year, at £40.53 (+0.9% YoY).

Food and Beverage (F&B)

Besides generating revenue from accommodation, Whitbread's earnings are also derived from restaurants. F&B revenue is calculated as the revenue generated from Whitbread's owned pub restaurants and integrated hotel restaurants.

Figures 11 and 12 show the evolution of F&B revenue. Even though the Company registered with the Government's Eat Out to Help Out Scheme⁴ during August 2020, which helped boost customer demand for eating out, it is clear the impact that the lockdown had on F&B in the UK – Whitbread went from earning around £738.7M per year to £188.9M (-74.2% YoY) in 2021FY. In Germany, F&B experienced a less significant change – from £2M to £1.3M (-35% YoY).

The ease of the lockdown in 2022FY allowed for an increase of F&B revenue to £510.4M (+170.2% YoY) in the UK and £6.1M (+369% YoY) in Germany.

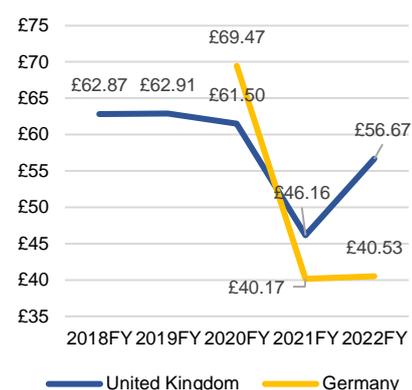
2.6 Strategy

Whitbread's mission is to provide sustainable long-term value for their shareholders by growing Premier Inn and their restaurant brands in structurally attractive markets, whilst achieving a good return on capital. The Company's core strategic priorities are:

- ❖ **Innovate and Grow in the UK Market** – with a committed pipeline of 8,332 rooms and technological innovations which allow a reduction of costs, the Company intends to continue to be one of the largest budget hotel chains in the UK.
- ❖ **Focus on Premier Inn's Strength to Grow in Germany** – Whitbread's goal is to be the number one budget hotel operator in Germany, by leveraging the strengths and capabilities of the UK business. With a committed pipeline of 8,454 rooms, Germany's operating model will mirror the one used successfully in the UK.
- ❖ **Enhance capabilities to support long-term growth** – the Company is focused on maintaining a successful efficiency programme, its unique vertically integrated model, brand strength, product innovation and its high-quality direct distribution.

⁴ The Eat Out to Help Out Scheme was a Government policy measure aimed to support the reopening of hospitality businesses after the COVID-19 lockdown. This Scheme consisted of funding by the Government of 50% of food and non-alcoholic beverages purchases, which helped boost customer demand for eating out.

Figure 10– Whitbread ADR (2018FY – 2022FY)



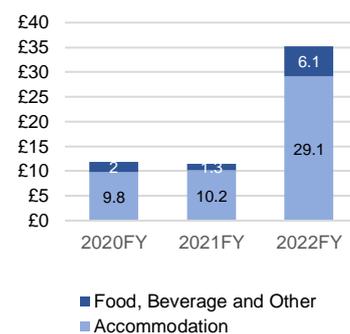
Source – Whitbread Annual Report, 2022

Figure 11 – UK Revenues by segment (2018FY – 2022FY) (in £M)



Source – Whitbread Annual Report, 2022

Figure 12 – Germany Revenues by segment (2018FY – 2022FY) (in £M)



Source – Whitbread Annual Report, 2022

Table 3 - Top Whitbread Shareholders, as of May 2022

Name	Institution Type	Number of Shares	%
MFS Investment Management	Investment Advisor	9,757,865	4.83%
Aberdeen Asset Investments Limited	Investment Advisor	9,155,869	4.53%
BlackRock Institutional Trust Company, N.A.	Investment Advisor	9,105,321	4.51%
Longview Partners LLP	Investment Advisor	9,046,346	4.48%
Vulcan Value Partners, LLC	Investment Advisor	6,698,606	3.32%
The Vanguard Group, Inc.	Investment Advisor	6,297,269	3.12%
Norges Bank Investment Management Ltd	Sovereign Wealth Fund	5,695,474	2.82%
Schroder Investment Management Ltd.	Investment Advisor	5,803,627	2.87%

Source: Refinitiv Eikon, May 2022

2.7 Shareholder Structure

As of July 6th, 2022, Whitbread has 202,022,841 shares of common stock outstanding, with a Free Float of 99.42%.

Whitbread's shareholder base consists of approximately 92.77%⁵ of institutional shareholders. The top shareholders are listed in **Table 3**, with the highest share position belonging to MFS Investment Management.

Besides the ordinary shares, where the holders are entitled to attend and speak at general meetings, to appoint proxies and to exercise voting rights, the Company also has non-cumulative preferential B and C shares ("B shares" and "C shares") in issue, that represent less than 0.05% of the Company's total share capital. Holders of B shares and C shares are entitled to receive an annual non-cumulative preferential dividend; however, they are not eligible to attend general meetings or to vote.

2.8 Dividend Policy

For 2020FY, Whitbread paid to its ordinary shareholders, as final dividends related to 2019, £0.67 per share, and interim dividends related to 2020, £0.33 per share, totalling £159.9M (-14.67% YoY) (**Table 4**).

However, dividend payments were suspended from March 2020, due to the covenant waiver period, which was supposed to last until March 2023, unless Whitbread demonstrated a net debt/EBITDA < 3.5x and EBITDA/interest > 3.0x. Therefore, payments were expected to return once there was a normalisation of the Company's financial position and performance.

Following the publication of the 2022FY financial statements, it was possible to observe that the Company was able to comply with the covenant metrics, and therefore will notify its lending banks of the intention to remove the covenant waivers. As such, a final dividend of £0.35 per share, amounting to a dividend of £70M for the current year 2022, was recommended by the directors, which is still subject to approval by shareholders at the Annual General Meeting (**Appendix 16**).

Table 4 – Dividend Policy

	2022FY		2021FY		2020FY	
	Pence /share	£ M	Pence /share	£ M	Pence /share	£ M
Final dividend proposed and paid relating to prior year	-	-	-	-	67.00	116.3
Interim dividend proposed and paid for the current year	-	-	-	-	32.65	43.6
Dividends on other shares:						
B share dividend	0.30		0.90	-	0.90	-
C share dividend	-		0.90	-	0.60	-
Total dividends paid		0		0		159.9

Source – Whitbread Annual Report, 2022

⁵ In May 2022

3. Management and Corporate Governance

3.1 Governance Model

The Corporate Governance model pursued by Whitbread is the Anglo-Saxon Model. Whitbread's highest representation and management entity is the Board of Directors, where Adam Crozier has assumed the position of Chairman since 2018, and Alison Brittain the position of Chief Executive since 2015 (**Appendix 3/Figure 13**). The Board has three committees (**Table 5**), namely:

- ❖ **Audit Committee** – which evaluates the integrity of the Company's financial results and reporting process, reviews the internal controls and risk management systems, assesses both internal and external audits, amongst other responsibilities;
- ❖ **Remunerations Committee** – sets the Board policy for the remuneration of the chairman and members of the executive committee, including the executive directors;
- ❖ **Nomination Committee** – reviews the structure, size and composition of the Board while taking into account the balance of skills, independence and diversity, amongst other duties related to the Board, and keeps up to date with strategic issues and commercial changes affecting the Group.

Below Board level, there is a governance structure with delegated levels of authority, which include the Executive Committee (**Table 6**), a Risk Committee, a People Committee, and a Technology Committee.

3.2 Board of Directors

For 2022FY, Whitbread's Board of Directors was composed of 10 members, including the Chairman, the Chief Executive, the Chief Financial Officer and seven independent non-executive directors (**Figure 14**). The Board's average age was around 57, with a 30% female representation, and a 30% ethnic diversity (**Figure 15**).

The Board's main goal is to ensure long-term success of the Company and the existence of effective controls to assess and manage potential risks faced by the Company. The Board thus has the following main responsibilities:

- ❖ Approval of Whitbread's financial statements and the preliminary announcement of half and full year results;
- ❖ Changes relating to the Group's capital structure, strategy, the annual budget and the Group's business plan;
- ❖ Approval of capital projects, acquisitions and disposals valued over a set limit;
- ❖ Approval of interim dividends and recommendation of final dividends;
- ❖ Appointment of Board committees.

Every year, the Board, its committees, individual directors and the Chairman are subject to a performance evaluation, which can either be done externally, by a facilitated Board, or internally.

Figure 13 - Chairman Adam Crozier and Chief Executive Alison Brittain



Source – Whitbread Corporate Government Statement, 2022

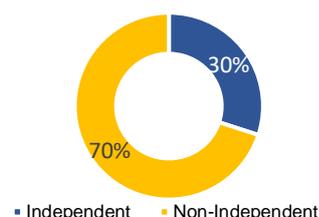
Table 5 - Committee's Structure

	Audit	Nomination	Remuneration
Adam Crozier		Chairman	Member
Richard Gillingwater		Member	Member
Frank Fiskers	Member	Member	Chairman
Chris Kennedy	Chairman	Member	
Kal Atwal		Member	Member
David Atkins	Member	Member	Member
Fumbi Chima	Member	Member	
Horst Baier	Member	Member	

Chairman icon - chairman, Member icon - member

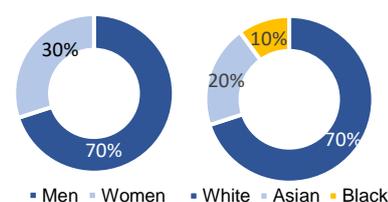
Source – Whitbread Corporate Government Statement, 2022

Figure 14– Proportion of Independent Directors in the Board, 2022FY



Source – Whitbread Annual Report, 2022

Figure 15 - Board gender diversity in 2022FY (on the left), Board ethnic diversity in 2022FY (on the right)



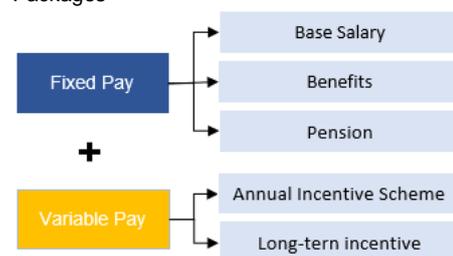
Source – Whitbread Annual Report, 2022

Table 6– Executive Committee Members and respective roles, as of May 2022

Executive Officer	Position
Alison Brittain	Chief Executive
Hemant Patel	Chief Financial Officer
Rachel Howarth	Chief People Officer
Chris Vaughan	General Counsel
Simon Jones	Managing Director for Premier Inn and Restaurants UK and Global Commercial Director
Nigel Hones	Group Operations Director
Simon Ewins	Managing Director, UK Hotels & Restaurants
Mark Anderson	Managing Director, Property and International

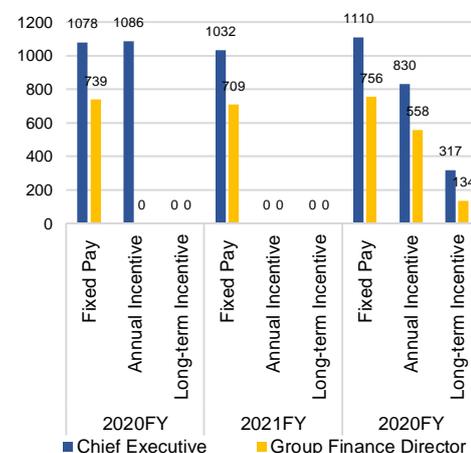
Source – Whitbread Corporate Government Statement, 2022

Figure 16– Executive Directors Remuneration Packages



Source – Whitbread’s Remuneration Report, 2021

Figure 17– Remuneration Mix of CEO and Group Finance Director for 2020FY - 2022FY (in thousands of £)



Source – Whitbread’s Remuneration Report, 2021

Table 7 - ESG metrics (*Scores out of 100)

ESG Score	70.91
Industry Rank	13th
Environmental Risk Score	80
Resource Use	99
Emissions	72
Environmental Innovations	0
Social Risk Score	86
Workforce	86
Human Rights	85
Community	86
Product Responsibility	85
Governance Risk Score	71
CSR Strategy	58
Management	65
Shareholders	100

Source – Refinitiv Eikon, May 2022

3.3 Executive Committee

The Executive Committee, composed by 8 members (**Table 6**) and chaired by Alison Brittain, meets on a fortnightly basis to manage the day-to-day operations of Whitbread’s businesses that are not reserved for the Board, and to implement the operational and strategic plans for the Company.

The Committee’s main responsibilities are:

- ❖ Formulation of strategy for recommendation to the Board;
- ❖ Management of performance in accordance with strategy and budgets;
- ❖ Talent and succession;
- ❖ Risk management;
- ❖ Capital investment decisions (where Board approval is not required);
- ❖ Cost efficiency, procurement and organisational design;
- ❖ Reputation and stakeholder management;
- ❖ Culture, values and sustainability;
- ❖ Health and safety;
- ❖ Customer engagement and product development.

3.4 Remuneration

In accordance with the principles outlined in the UK Corporate Governance Code 2018, and with the approval of the shareholders, the Remuneration Committee sets the remuneration packages, which include the incentive payments, share awards and other benefits of the Chairman and members of the Executive Committee.

Figure 16 shows the Company’s remuneration structure, with executive directors receiving a base salary, benefits, pensions, annual incentives, and long-term incentives under the RSP. Risks are mitigated by deducting both the annual incentive and long-term incentives, and poor performance is penalized by reducing the annual incentive scheme.

In 2021FY, as a way of diminishing the impacts of the lockdown, no incentive payments were made to the executive directors, which led to a significant fall of their total remunerations when compared to the previous year (**Figure 17**).

In 2022FY, the Chief Executive’s total compensation amounted to £2.164M, of which 49.82% corresponded to fixed pay, and 50.18% corresponded to Annual Incentives (**Figure 17/Appendix 5**).

3.5 Environmental, Social and Governance (ESG)

Whitbread follows a sustainability programme – Force for Good, which states the Company’s commitment to operating in a responsible way, respecting both people and the planet, making a purposeful contribution to the communities it serves and generating employment opportunities for all (**Appendix 6**).

The Company set stretching targets to support SDGs, including Net Zero Carbon Emissions by 2040, cutting food waste by 50% by 2030, elimination of single-use plastic by 2025 and raising £20M for Great Ormond Street Hospital.

Whitbread’s efforts on sustainability matters have earned the Company the position of highest ranked UK hospitality business in the Dow Jones Sustainability Index. Furthermore, the Company scored 70.91 (out of 100 points), according to Refinitiv Eikon as of May 2022 (**Table 7**).

4. Industry Overview and Competitive Positioning

4.1 Industry Structure

The hotel industry is mainly focused on accommodation, although it can also offer other goods and services that are part of the broader hospitality industry, such as food & beverage and event planning.

The \$360 billion hotel industry is classified as a market with monopolistic competition (many hotels) and oligopoly characteristics (high barriers to enter). The US has the largest market (**Figure 18**) with three out of the five top branded hotel groups⁶ belonging to this region, namely: Marriott International Inc., Hilton Worldwide Holdings Inc. and Wyndham Hotels & Resorts Inc. Together, the top 5 branded hotels account for 24.3% of the market share in 2021 (**Figure 19**).

Furthermore, the hotel industry can be categorized by price levels – which range from Luxury Segment to Economy Segment (**Figures 20**), being the high-end segments the most differentiated in offerings.

4.2 Industry Trend

Digital transformation

In the last few years, the hotel industry has become more technologically based, with contactless services gaining momentum since 2020 due to the pandemic. The implementation of new technology has improved the efficiency of hotel operations and the customer experience.

Sustainability

There has been a growing concern towards ESG standards amongst stakeholders. To confront this, companies have been developing sustainability programmes aligned with the United Nations SDG's goals, investing more in matters such as gender equality, food waste, and carbon emissions.

Asset-Light Strategy

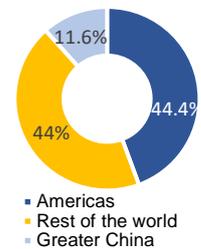
In recent years, companies have been shifting from an asset-heavy to an asset-light business model. This strategy enables companies to grow faster, with lower capital investment and risks related to owning the hotels. For example, in periods of economic downturn, hotels following this model are able to mitigate some of its effects since they do not have to bear high fixed costs related to owning hotels (**Figure 21**).

4.3 M&A Activity

To survive and grow in the fierce competitive industry, some hotels choose to merge with or acquire their peers. This allows the companies to build a stronger portfolio and to improve organizational effectiveness, and so establishing a competitive advantage in the market. Throughout the years, the number of M&A

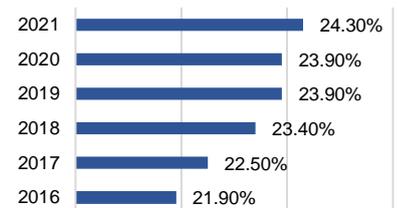
⁶ The five top branded hotels are: IHG, Marriott International Inc., Hilton Worldwide Holdings Inc, Wyndham Hotels & Resorts Inc., and Accor S.A.

Figure 18– Geography, by % of room revenue



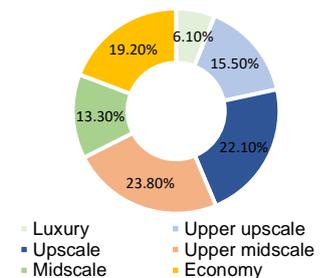
Source - IHG Annual Report 2021

Figure 19– Share of top five branded hotel groups as % of global rooms supply



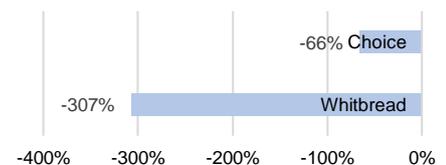
Source - IHG Annual Report 2021

Figure 20 - Hotel's categories by price levels



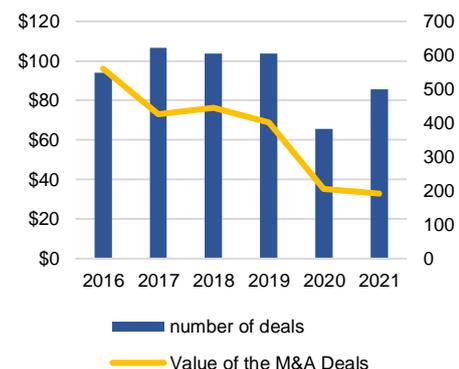
Source - IHG Annual Report 2021

Figure 21 - Choice (asset-light model) vs. Whitbread (asset heavy-model) EBIT percentage change from 2019 to 2020



Source – Reuters, 2022

Figure 22 - Number and value of the M&A deals in the hotel industry, worldwide.



Source – Bloomberg, April 2022

deals and their value had been relatively steady (**Figure 22**). However, in 2020, due to the pandemic, investors were forced to hold on to their liquidity positions and therefore suspend their investment operations. This led to a significant halt in M&A deals (-37% YoY).

In 2021, there was a rise in M&A deals boosted by the need for smaller, independent hotels to join more well-established hotels in order to overcome the effects of the lockdowns. This rise is expected to remain in 2022 and beyond, resulting from the challenges fuelled by COVID-19, an ongoing competitive environment, and an increase in digital automation, among other factors. The first quarter of 2022 has already experienced an increase in the number of deals compared to the homologous period (+27% YoY).

4.4 Demand drivers

From 2017-2019 the hotel industry's revenues grew at +2.2% CAGR. In 2020 the industry presented an all-time low revenue (\$140.2Bn, -61.2%YoY) due to the pandemic which highlighted the sectors' cyclical nature (**Figure 23**).

However, in 2021, with the gradual ease of restrictions and vaccination rollout, the industry reached \$200.5B in revenue. For the upcoming years, revenues are projected to reach \$300.3B in 2022 and \$485B in 2026, with a CAGR 22-26 of +12.7%.

Regarding RevPAR, in 2021, the US, the Asia Pacific and Europe did not reach pre-pandemic levels (**Figure 24**). Nevertheless, according to STR and Tourism Economics, on a nominal basis, RevPAR is expected to exceed pre-pandemic levels in 2022, however full recovery when adjusted for inflation is only projected in 2024.

Economic outlook

GDP and Inflation Rates

During 2016-2019, the Global Real GDP faced a growth deceleration, with GDP growth rate reducing from 3.3% in 2016 to 2.9% in 2019. In 2020, all regions experienced all-time low levels triggered by the Covid-19 pandemic (**Figure 25 and 26**).

Vaccination rates, macroeconomic support and the reopening of contact-intensive activities led to a recovery, although uneven across different economies, with 2021 Real GDP growth rates of 5.4% in Europe (UK: 7.4%; Germany: 2.8%), 5.7% in the US, 6.7% in Asia and Pacific; 6.8% in Latin America and Caribbeans; and 5.7% in Middle East and Central Asia (IMF, April 2022).

According to IMF projections (2022), the Global Real GDP growth is expected to deteriorate in 2022 due to Russia's invasion of Ukraine. In a climate of pandemic-recovery, the economic damage from the war will result in a significant toll on global growth, with fuel and food prices leading to a large increase in inflation. The Global Real GDP growth is therefore projected to be 3.6% in both 2022 (UK: 3.7%; Germany: 2.1%) and 2023 (UK: 1.2%; Germany: 2.7%), with Europe being one of the most affected regions (IMF, 2022). For the period of 2024-2026, the GDP growth rate is forecasted to decline, reaching a value of 3.3% in 2026.

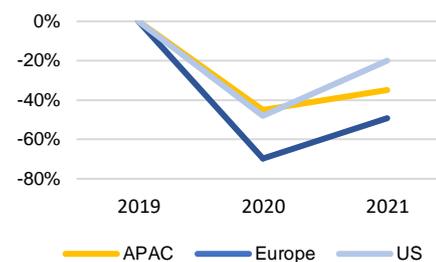
Regarding inflation, the Euro Area reached the highest rate in May 2022 – 8.1%, since the creation of the Euro in 1999 (**Figure 27**), along with the UK and

Figure 23 - Global Hotel Revenues (in £B)



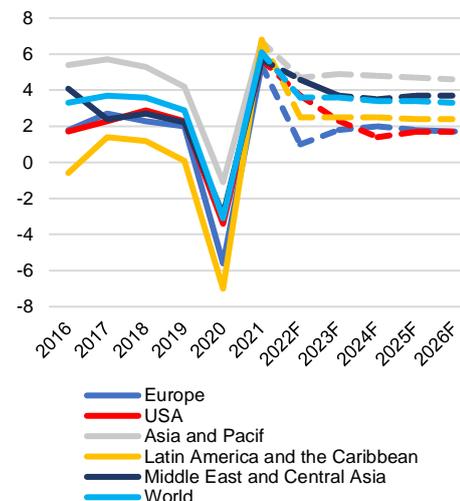
Source – Statista, 2022

Figure 24 - RevPAR by region 2019-2021



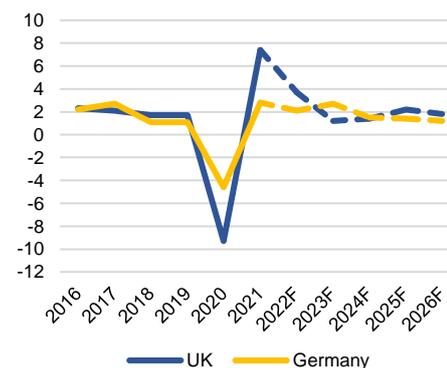
Source – Fitch Ratings, 2022

Figure 25 - Real GDP Growth (annual % change)



Source – IMF, April 2022

Figure 26 - Real GDP Growth (annual % change)



Source – IMF, April 2022

Germany, that also hit its highest levels since 1991 and 1981, respectively (**Figure 28**). This rise in inflation rates, which leads to an increase in costs of flights and hotels, is becoming the main reason for people not to travel, according to STR. IMF projects inflation in the UK and Germany to stabilize at around 2% and 1.9%, respectively, between 2023 and 2026.

Household disposable income (HDI)

An increase in household disposable income results in families having more funds available to spend on goods and services, such as leisure travels. **Figure 29** shows that HDI in OECD countries has been increasing throughout the years. In 2020, despite the increase in HDI, there was a significant drop in household spending, due to Covid-19 restrictions that kept people at home.

The impact of the war in the Ukraine has resulted in an increase in prices of commodities that have pushed up global consumer price inflation. Hence, this increase is likely to squeeze the HDI spent on non-essential expenses such as leisure travels.

Global corporate profit

Figure 30 shows that corporate profits have fluctuated over the years, particularly in periods of recession - during the financial crisis of 2008 and the pandemic.

Corporate profits are a driver of business travel in the short term. As such, an increase in these can lead to a rise in business spending - e.g., 2009-2010 (**Figure 30**). Nevertheless, although there is a rebound of corporate profits in 2021, business travel is expected to have a slower growth, due to the wider use of technology tools such as video conferencing which have been replacing more and more business trips since the pandemic. According to Oxford Economics, domestic business spending is recovering faster, while international business spending is only expected to return to pre-covid levels in 2026.

World population

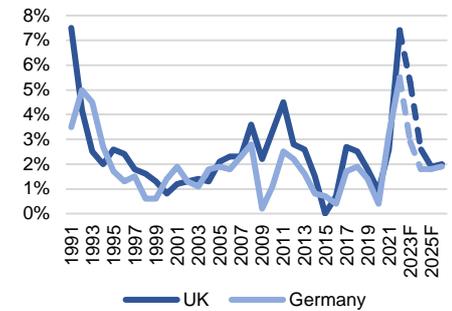
The population growth, particularly the expanding middle class with a desire to travel, is an important driver for hospitality services' growth.

During 2016-2021, the world population grew at a CAGR of +1.04%, reaching 7.723B in 2021 (**Figure 31**). According to IMF, for the upcoming years, it is expected a worldwide CAGR 22-26 of +0.96% (UK: +0.37%; Germany: +0.01%). By 2026, the world population is expected to reach 8.102B.

Travel and Tourism ("T&T")

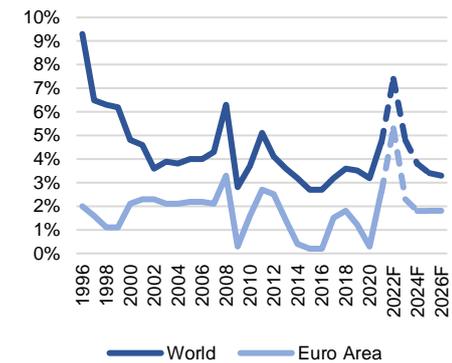
T&T is a key driver for hotels' demand as it boosts domestic and international mobility and visitor spending. It is also highly correlated with macro-economic factors, being one of the most affected industries by crises such as the pandemic. From 2000 to 2019, international tourist arrivals grew at a CAGR of 4.12%. However, as a result of travel restrictions, in 2020, 1B fewer international tourist arrivals were registered (-73% YoY) (**Figure 33**), resulting in a fall of an unprecedented 69.4% in international visitor spending, whereas domestic visitor spending decreased by 45% (**Figure 32**). In 2021, there was a slight recovery of international arrivals of +3.78%YoY, although UNWTO predicts that arrivals are only expected to fully recover by 2023 (**Figure 34**). Regarding visitor spending growth, while in 2021 domestic spending (+31.4%YoY) overtook international

Figure 27 - Inflation rate, average consumer prices (annual % change) for UK and Germany



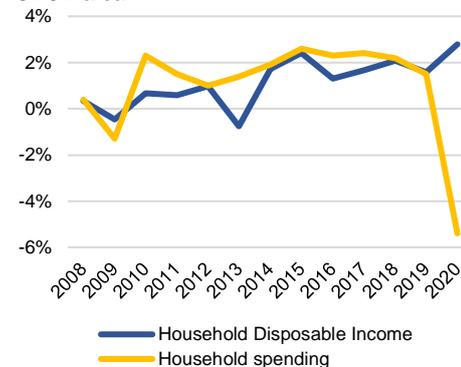
Source – IMF, April 2022

Figure 28 - Inflation rate, average consumer prices (annual % change) for World and Euro Area



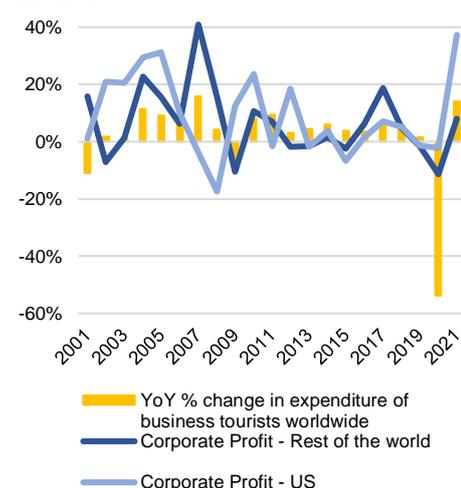
Source – IMF, April 2022

Figure 29 - HDI vs. Household Spending for OECD area



Source – OECD, April 2022

Figure 30 - Annual % Change in global corporate profit after tax for US and Rest of the World Vs. annual % change in business tourism spending worldwide



Source – FRED and Statista, 2022

spending (+3.8%YoY), in 2022, WTTC projects that domestic spending (+24.3% YoY) will continue above pre-pandemic levels, however it will lag international spending (+93.8% YoY), as further destinations ease restrictions and vaccination rates continue to rise.

Moreover, it is relevant to highlight the importance of the sector in socio-economic matters such as job creation, poverty reduction, and driver of prosperity and diversity.

Safety and Security

Terrorist attacks (e.g., the Paris attacks of 2015), wars, natural catastrophes, and worldwide pandemics such as COVID-19 negatively impact the occupancy rates in hotels.

Figure 35 shows that in 2020 there was an unprecedented low demand resulting from the travel restrictions and the stay-at-home rules, being Europe the most affected region, reaching an all-time low value of 11.1% in occupancy rates.

Recently, the war between Russia and Ukraine has affected the hospitality industry in several ways, being the travellers' confidence one of them when visiting countries such as Poland and Turkey.

Other Factors

Other relevant factors impacting demand are location of the hotel (i.e., proximity to major tourist attractions), events being held in the hotel area, existence of airport/railway/cruise ports infrastructures, amongst others.

4.5 Supply drivers

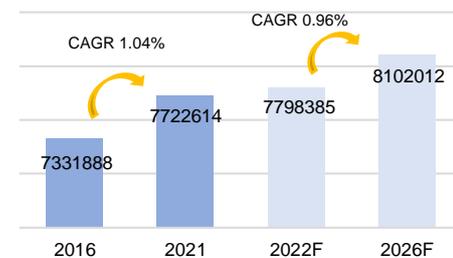
Supply in the hotel industry is represented by the number of hotels/rooms worldwide. Considering that hotels are not a flexible asset, the sizable investments required to build and maintain them, the difficulty to find a location and to get a license to build the hotel, supply is considered inelastic. During the period 2016-2021, supply presented a CAGR of only +2.12% (**Figure 36**).

Additionally, the industry is fragmented, with total branded hotels representing a significant portion of global room supply – 54% as of 2021, with an expected increase to 77% in future years, taking into account active pipeline (**Figure 37**).

4.6 Price

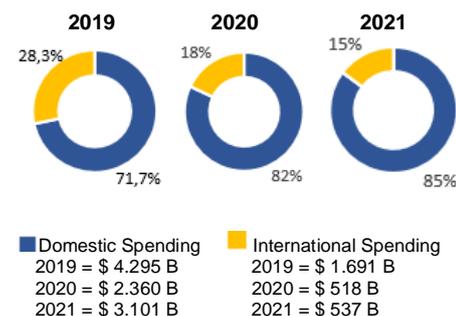
The hotel industry prices vary throughout the year due to several elements, including seasonality effects and macro-economic factors. **Figure 38** shows that for instance in Europe prices are higher in the summer months. This is caused by both climate effects, where seaside destinations are marked by most sales being made in the summer, and Institutional factors, which result from decisions made at national level, school calendar and holidays. In 2019, between June and September, the average daily price in Europe was \$140.6 and in the Americas \$132.6, whereas in periods of low demand (e.g., January and February), the prices averaged \$114.5 in Europe and \$127 in the Americas. In 2020, this trend was disrupted due to the restrictions affecting international and domestic mobility, which obliged hotels to lower their prices. In 2021, the ease of the measures

Figure 31 - World Population (in thousands)



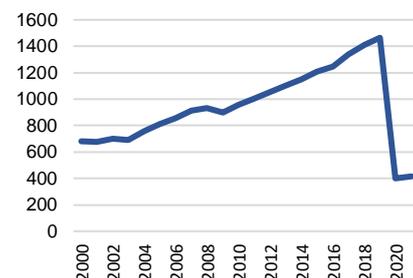
Source – IMF, 2022

Figure 32 - Domestic vs International Spending



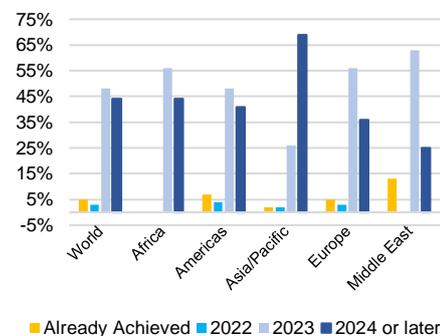
Source – WTTC, 2022

Figure 33 - Number of international tourist arrivals worldwide (in millions)



Source – Statista, 2022

Figure 34 - Global Survey among UNWTO Panel of Tourism Experts on the impact of COVID-19 on tourism and the expected time of recovery as of May 2022



Source – UNWTO, 2022

“Tourism has suffered after the attacks – hotel occupancy in Paris this year through September was down 11 percent, compared with the same period in 2015”

Source – The New York Times, November 2016

against the Covid-19 pandemic triggered higher demand for hotels, consequently resulting in an increase in prices. These, however, did not reach pre-pandemic levels and are only expected to do so by 2022. However full recovery when adjusted for inflation is only projected in 2024, according to STR and Tourism Economics, similarly to RevPAR.

4.7 Porter's 5 Forces

Threat of new entrants - Medium-low (2)

There is a high initial capital expenditure required to start a business in the hotel industry, a high proportion of fixed costs to maintain the business and a difficulty in establishing a strong loyalty programme or to market brands in the competitive market environment. These pose an obstacle for new entrants in the industry.

Bargaining power of Suppliers - Medium (3)

The bargaining power of suppliers can vary depending on their different functions. There is a high volume of suppliers of goods in the market, for instance, of F&B, raw materials, room facilities, and cleaning materials. However, suppliers that exercise power over hotels are the labor market, which is in great demand in the hotel industry (Cheng, 2013), and intermediaries, such as Tripadvisor.com and Booking.com since they are important sources of exposure. For instance, in the US, OTA accounts for 51% of online hotel bookings (Figure 40), which highlights the hotel industry's dependence on these.

Bargaining power of Buyers - Medium-High (4)

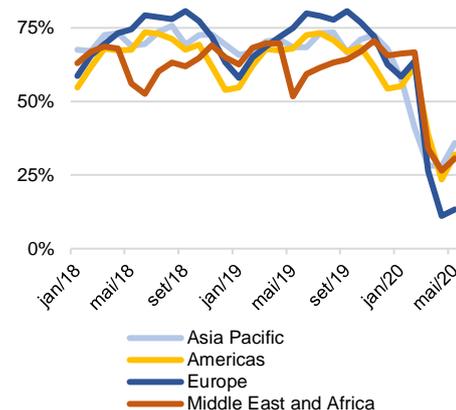
With many price comparing tools and room booking platforms available online, a hotel guest who is price sensitive can easily compare and find the most cost-effective choice. The low switching costs, the sizable supply of hotels with homogeneous services, plus the ability for customers to review their hotel experiences, results in a high guests' bargaining power. However, for niche markets at special locations, where supply is limited, the power of customers is low.

Threat of substitutes - Medium-High (4)

The threat of substitutes is medium-high for many reasons. As a result of the COVID-19 pandemic, online communication platforms (e.g., Zoom) have allowed people to substitute business travels for online meetings, directly impacting business-type hotels. These online tools are considered a great substitute as they allow for cost reduction, better management of employee time and environmental sustainability.

Moreover, other accommodation options such as Hostels and Airbnb (Figure 41) have been growing in popularity throughout the last few years. This represents a significant threat, particularly to the low and mid-range hotels and motels.

Figure 35 - Monthly average occupancy rates worldwide from 2018 to 2020, by region

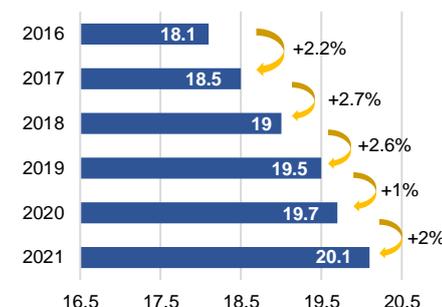


Source – Statista, 2021

“Spain and Portugal hotel prices rise for Easter holidays as Ukraine war puts tourists off Greece and Turkey”

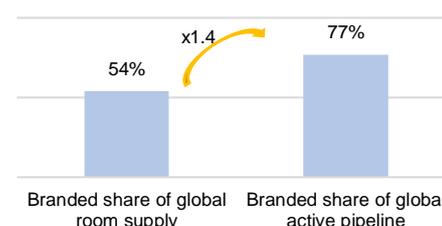
Source – I News, April 2022

Figure 36 - Global rooms supply (M rooms)



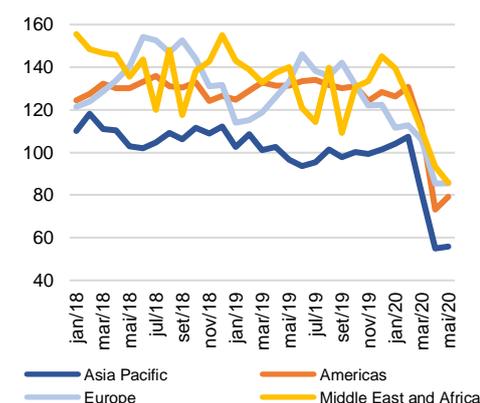
Source – IHG Annual Report, 2021

Figure 37 - Branded share of global industry supply and active pipeline growth



Source – IHG Annual Report 2021

Figure 38 - Monthly ADR worldwide from 2018 to 2020, by region (in U.S dollars)



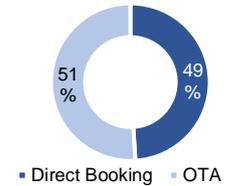
Source – Statista, 2021



Legend - Scale of 1 (low threats to industry) to 5 (high threats to industry)

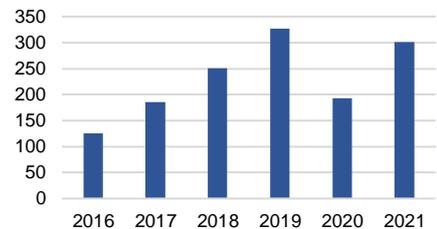
Source - Author's Analysis

Figure 40 - % of Direct Booking vs. % of OTA in the US



Source - CoStar, 2021

Figure 41 - Nights and experiences booked at Airbnb (in millions)



Source - Airbnb Annual Report 2021

4.8 PESTEL Analysis

P	E	S	T	E	L
<p>Government Stability</p> <p>Changes in government regulations (e.g., licensing)</p> <p>Changes in tax policy (e.g., country tourism tax)</p> <p>Grants, funding, and initiatives</p> <p>Wars and terrorism</p>	<p>Overall economic situations (e.g., economic recessions and expansions)</p> <p>Fluctuation in exchange rates, inflation rate, interest rate, unemployment, consumer income</p>	<p>Pandemic lifestyle trends (e.g., inbound travels)</p> <p>Leisure interest (e.g., sport events, concerts) as a motive to travel</p> <p>Increase in travels among younger generations</p> <p>Population growth and higher education level</p>	<p>Social media that fuel the desire to travel</p> <p>Increase use of online booking apps (Direct booking, OTA)</p> <p>Wider use of technology in hotels' operations (e.g., contactless payments, artificial intelligence for customer support, automation for check-in and check-out)</p>	<p>Seasonality of the business</p> <p>Concern towards environment among stakeholders (e.g., waste, pollution, carbon footprint)</p>	<p>Health and safety laws (e.g. StaySafe certificate, vaccination certificate)</p> <p>Intellectual property law</p> <p>Guests' data protection</p> <p>Imposition of travel restrictions to handle crisis such as the pandemic</p> <p>Documents to travel abroad (e.g., Visa, Passport)</p> <p>Franchise, management, and license procedures</p>

4.9 SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
<p>Strong presence in the UK market, being the biggest hotel brand in the country.</p> <p>Committed pipeline, with 12,256 rooms being built in the UK and 13,300 in Germany.</p> <p>Diverse product portfolio (Hotels and Restaurants), which enables to expand customer base, build diverse revenue sources, and offset potential losses from a segment.</p> <p>'Force for Good' sustainability program, that focuses on ESG matters and is recognised in the Dow Jones Sustainability Index.</p> <p>Successful track record of integrating firms through M&A.</p> <p>Vertically integrated model that affords control over best-in-class operations</p> <p>Positioned in the budget sector, which in the fastest and outperformed in downturns</p> <p>Direct digital distribution, that allows cost efficiency</p>	<p>Low international presence compared to Whitbread's peers, which can impact brand recognition from foreign guests.</p> <p>High dependence on UK Market, contribution to 98% of Whitbread's Revenues in 2022FY.</p> <p>Asset-heavy business model.</p>	<p>Further expansion of UK and Germany pipeline.</p> <p>Expansion to emerging market such as Asia-Pacific.</p> <p>Asset-light growth, allowing for faster growth with little capital investment and reduced risks related to owning the hotels.</p> <p>Increase of social media presence as a way to reach potential clients and to create desire for a stay at the hotel.</p> <p>Improvement of Client experience and further expansion of loyalty programs.</p> <p>Investment in new technologies to improve both customer's experiences and operational efficiency.</p>	<p>Strong correlation between Whitbread's profits and the performance of the overall economy (GDP, HDI, etc.). An economic recession can reduce consumers budgets, leading to cuts in unnecessary expenses such as travel.</p> <p>Wars and contagious diseases, which can lead to travelling restrictions and the hotel's lockdown.</p> <p>Fierce competition between Whitbread and peers with high market presence</p> <p>Increasing growth of Sharing Economy, with the rise of Airbnbs, hostels and other affordable accommodation options.</p> <p>Rise in remote working, which reduces business travels.</p>

4.10 Competitive Position

Peers Identification

The Sum of Absolute Rank Differences (SARD) approach was applied to identify Whitbread's industry peers. First, a group of 45 publicly traded hotel groups aggregated by the BICS (Bloomberg Industry Classification System) was extracted from Bloomberg. To apply the SARD Model, we considered several variables as proxies for profitability, size, liquidity and risk, these being: Operating profit margin, Income after tax Margin, Market Capitalization, Current Ratio, Long term Debt to Capital. After that, the companies were ranked according to their SARD's score, with the lowest scores meaning the most comparable peers for Whitbread. An additional filter was applied, excluding hotel groups with a non-accommodation focus.

The top five companies considered as peers were: Wyndham Hotels & Resorts; Choice Hotels Intercontinental; Accor SA; Marriot Vacations Worldwide and Hilton Grand Vacations (Table 8/Appendix 32).

Peers Strategy

The hotel industry is highly competitive. As such, to maintain a competitive position, companies should apply several strategies to ensure sustainable growth. After analyzing each peer, the following common strategies were observed: loyalty programmes, to create and maintain a strong customer relationship; a diversified portfolio, ensuring a wide range of brands in different locations to broaden the customer base; continuous investment in innovative technology to improve guests experience and increase efficiency that enable a reduction in operating costs; sustainability programmes; and shift towards a fully asset-light model, to enable a faster growth, with lower capital investment and risks related to owning the hotels.

Table 8 - Whitbread's selected Peers

Peer	Ticker	SARD
Marriot Vacations Worldwide	VAC	24
Hilton Grand Vacations	HGV	31
Accor SA	ACCP.PA	31
Wyndham Hotels & Resorts	WH	37
Choice Hotels Intercontinental	CHH	48

Source – Bloomberg, June 2022 and Author's analysis

5. Investment Summary

Whitbread stands for a **BUY** recommendation, with a March 1st, 2024⁷ PT of £32.68 /share using the WACC Method, representing an upside potential of 22%, or a potential annualized return of 14% against August 8th, 2022, closing Price of £26.79, with Medium risk (Figure 42).

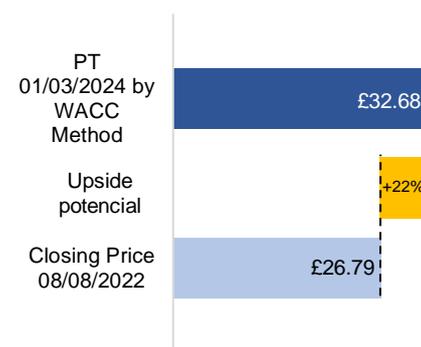
The current undervaluation of Whitbread can be explained by the recent conflict between Russia and Ukraine which has resulted in high inflation rates and overall macroeconomic instability. As a result, and due to the hospitality industry's high dependence on macroeconomic factors, investors are behaving more risk aversely, favouring less cyclical industries.

Key Drives

Being the number one budget hotel in the UK, Whitbread aims to mirror this leadership position in Germany, since it is a country with a high growth potential. As such it has a committed pipeline of 8,454 rooms in this country, with an expected revenue growth of +50.4% CAGR22FY-27FYF (Figure 43). This expansion is projected to boost the Company's turnover, with revenues in Germany expected to account for 9% of total revenues by 2027.

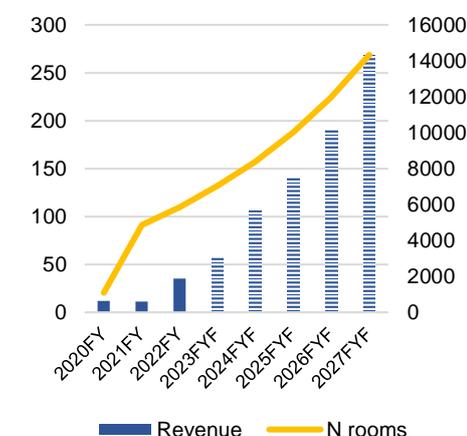
Since the turmoil experienced during the pandemic, demand in the hospitality industry has been recovering, leading to a full recovery of industry drivers such as occupancy rates, ADR and consequently RevPAR. It is projected that RevPAR will reach pre-pandemic levels by 2023FY in the UK (+36.36% CAGR21FY-23FYF) and 2024FY in Germany (+65.01% CAGR21FY-24FYF), followed by a

Figure 42 - Whitbread's PT vs. Closing Price



Source – Author's Analysis

Figure 43 – Historical and Expected Number of Rooms in Germany vs. Revenue (in £M) for Germany



Source – Author's Analysis

⁷ Whitbread's Fiscal Year ends on the 28th of February. Therefore, in order to simplify our calculations, the recommendation was set for March 1st 2024.

projected growth of +2.96% CAGR23FYF-27FYF for UK and +1.85% CAGR24FYF-27FYF for Germany.

Valuation Methods

A share value of £32.68 was achieved through the WACC method. Additional DCF models were applied – Flow to Equity and APV, reaching similar results, ranging from £31.69 to £35.23 (Figure 44). DDM was also performed. However, due to the lack of an explicit dividend policy, this method was considered an inadequate valuation model.

To complement the analysis, a Relative valuation based on the previously selected peers was also applied, using both EV and price multiples. The prices reached ranged from £34.12 to £36.75, which are in accordance with the BUY recommendation previously reached.

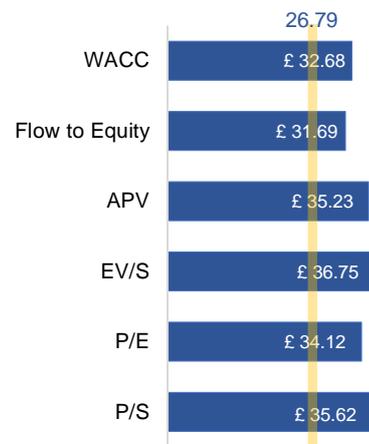
Investment Risks

Whitbread is exposed to various risks that can affect the Price Target reached. The hospitality industry is cyclical and thus highly sensitive to macroeconomic factors such as changes in inflation rates, supply chain disruptions and unemployment levels. The current geopolitical tension between Russia and Ukraine poses a significant risk for Whitbread, since it has led to a substantial increase in general prices, and therefore can restrict consumers spending for non-essential expenses (e.g., travels).

The revenue dependence on UK’s market, since it is Whitbread’s main source of capital, entails a risk for the Company. Any market tensions, downturn of economic conditions, political instability, among others, in this region can impact the Company’s ability to generate profits.

The Company is also subject to other risks, such as fierce competition (market risk), suppliers’ disruption and cyber-attacks (operational risks), non-compliance with environmental regulations (regulatory risk) and indebtedness (financial risk).

Figure 44 – Whitbread’s Price Targets vs. Closing price of August 8th, 2022



Source – Author’s Analysis

6. Valuation

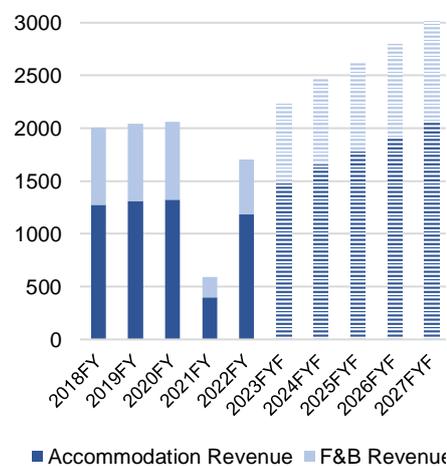
To reach an investment recommendation for Whitbread, a forecasted period of 5 years was considered, from 2023FYF to 2027FYF, with a Price Target estimated for March 1st, 2024, against the closing price of August 8th, 2022. To assure a complete valuation, both absolute and relative valuations were applied.

6.1 Key Valuation Drivers

Revenues

Whitbread’s total revenue is calculated as the sum of revenues from accommodation and revenues from food, beverage and other items (Figure 45).

Figure 45 - Forecasted Revenue (2018FY-2027FYF) (in £M)



Source – Author’s Analysis

Since Whitbread discloses RevPAR, Occupancy rates and ADR for both UK and Germany, the forecast for accommodation revenues was computed as a product between RevPAR and the available rooms for both geographic segments.

Regarding RevPAR, according to STR and Tourism Economics, this metric is expected to surpass pre-pandemic levels in 2022. Thus, for 2023FY, Whitbread's RevPAR for UK is assumed to be equal to 2020FY. However, for Germany, full recovery is only expected to happen in 2024FY, since in Q1 of 2023FY this metric reached a value significantly below the pre-pandemic value. For the following years, RevPAR is expected to grow in line with each country's inflation rates (**Figure 46**).

Regarding the Available rooms, the actual number of rooms occupied by guests, these correspond to 98% of the total number of rooms for UK and 69% of the total number of rooms for Germany. UK's total number of rooms are predicted to grow in line with the historical growth rate of 4.25%. For Germany, we assumed that the committed pipeline of 8,454 rooms would be built by 2027FY, meaning that the total number of rooms in Germany would reach around 14% of the number of rooms in the UK by 2027FY. This projection goes in line with Whitbread's strategy of also becoming Germany's number one budget hotel operator.

F&B in the UK is expected to reach pre-pandemic levels in 2023FY, followed by an increase in line with inflation rates for 2024FY-2027FY, while in Germany, mirroring the strategy of the total number of rooms, F&B is expected to reach 15% of the Total number of rooms in UK in 2027F.

CAPEX and D&A

Investment in CAPEX dropped 27.2% in 2021FY and recovered 13.9% in 2022FY. For the forecasted period 2023FYF-2027FYF, CAPEX is expected to grow in line with revenue, constituting 23.5% of it (historical average rate of total CAPEX as % of revenue), and increase at a CAGR of +7.7%. This value is consistent with the Company's strategy to expand the business in UK and Germany.

Regarding D&A, for the forecasted period 2023FYF-2027FYF, it is expected to grow at a CAGR of +3.1%.

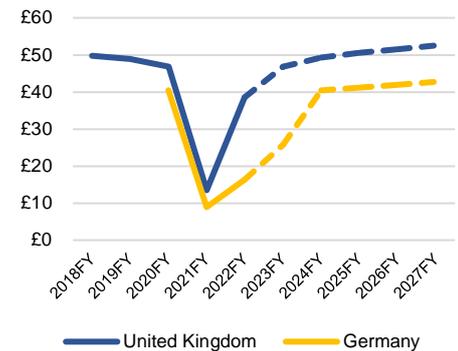
NWC

Net working capital has been historically negative and is expected to remain negative for the forecasted years due to the Company's high portion of Trade and Other Payables (**Appendix 20**).

WACC Assumptions

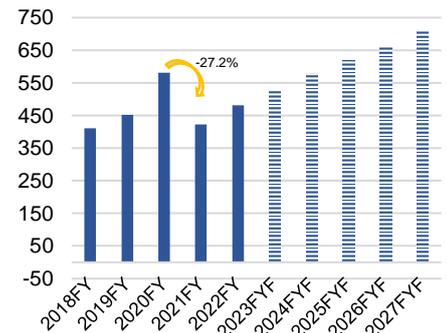
Cost of Equity (Ke) was calculated by applying the CAPM. The **Risk Free Rate (Rf)** of 1.67% corresponded to the German Bund 10-year yield. **Equity Risk Premium (ERP) and Adjusted Default Spread (ADS)** for UK and Germany were retrieved from (Fernandez, Martinez & Acín, 2022) and Damodaran (2022), respectively. The values 6.07% and 0.50% were achieved by calculating a weighted average of the 2022FY revenues for both UK and Germany's ERP and ADS. These rates are expected to remain constant throughout the forecasted period. The **Beta (β)** was calculated by regressing the last 5- years monthly share price of Whitbread against FTSE 100, resulting in a raw β of 1.45. The Blume

Figure 46 – Forecasted RevPAR by region (2018FY-2027FYF)



Source – Author's Analysis

Figure 47 - Forecasted CAPEX (2018FY-2027FYF) (in £M)



Source – Author's Analysis

Table 9 – WACC Assumptions

	2023FYF	Terminal
Rf	1.67%	1.67%
ERP	6.07%	6.07%
Adjusted Default Spread	0.50%	0.50%
Blume adjusted Beta - B _{adj}	1.3	1.3
Ke	10.2%	9.7%
Pre-tax Kd	2.86%	2.86%
Tax rate	19%	25%
After-Tax Kd	2.31%	2.14%
MV of Equity (£M)	5412	5526
BV of Debt (£M)	1000	561.6
E/(E+D)	84%	91%
D/(E+D)	16%	9%
WACC	8.99%	8.98%

Source - Author's Analysis

adjusted Beta was then computed, reaching a value of 1.30. Finally, the Beta was levered to consider changes in the capital structure.

Cost of debt (Kd) was computed using the credit default spread method, by adding a company default spread based on the interest coverage ratio of each year to the Rf (1.67%) and Adjusted Default Spread (0.50%).

A WACC (**Table 9**) ranging between 8.99% in 2023FYF and 8.98% in 2027FYF was obtained.

Long-run sustainable Growth Rate

To estimate the growth rate (g), three models were tested: 1) a weighted average of the real GDP growth rates of UK and Germany as percentage of each year's revenues, yielding 1.65%; 2) stable growth model, yielding 2.56% and 3) dividend sustainable growth model, yielding 5.52% (**Appendix 21**).

Since g typically falls between the historical growth rate range of 1.5% - 2.5% and following a more conservative approach, an average between the first two models was computed, reaching a value of 2.11%.

Terminal Value

Normalized FCFF and FCFE were calculated for the terminal value through the linear regression over the forecasted period (**Figure 48 and 49**). This adjustment was made to smooth the effects of business cyclicalities and therefore to reach the mid-cycle cash flow.

6.2 Valuation Methods

WACC Method

For the WACC method, the forecasted FCFF was computed and then discounted at WACC and the normalized FCFF was considered for the terminal period. This approach yielded a PT of £32.68 for March 1st, 2024, which translates into an upside potential of 21.97% against the closing price of £26.79 of August 8th, 2022 (**Table 10/Appendix 28**).

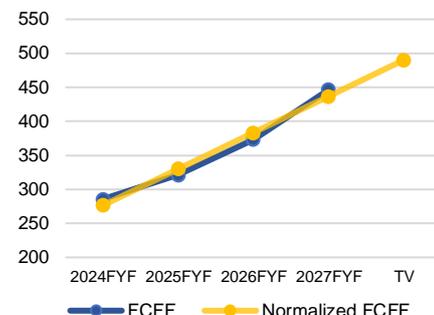
Flow to Equity Method

The Flow to Equity Method was applied considering the FCFE discounted at Ke. The normalized FCFE was considered for the terminal period. This method achieved a PT of £31.69 for March 1st, 2024, which corresponds to an upside potential of 18.29% against the closing price of £26.79 of August 8th, 2022 (**Table 11/Appendix 29**).

APV Method

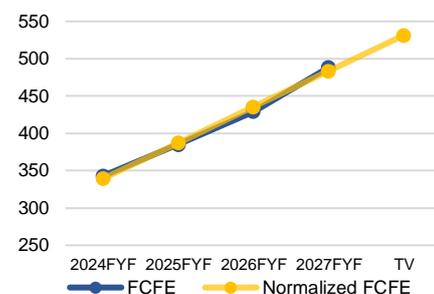
The APV method was calculated by discounting the FCFF by unlevered Ke and the Interest tax shield by Kd. This method yielded a PT of £35.23, meaning an upside potential of 31.49% for March 1st, 2024, which corresponds to an upside potential of 31.49% against the closing price of £26.79 of August 8th, 2022 (**Table 12/Appendix 30**).

Figure 48 - FCFF vs. Normalized FCFF (in £M)



Source - Author's Analysis

Figure 49 - FCFE vs. Normalized FCFE (in £M)



Source: Author's Analysis

Table 10 - WACC Method's Price Target (in £M)

WACC Method	
V _L	954.3
Terminal Value	7136.1
PV TV	5513.5
(=) Enterprise Value	6467.8
(+) Cash & Equivalents	1133.3
(-) Debt	1000
Equity Value	6601.1
Shares Outstanding (M)	202.02
Price per Share	£32.68
Upside Potential	22%

Source - Author's Analysis

Table 11 - Flow to Equity Method's Price Target (in £M)

Flow to Equity Method	
Equity	1076.6
Terminal Value	7025.0
PV TV	5325.2
(=) Equity Value	6401.8
Shares Outstanding (M)	202.02
Price per Share	£31.69
Upside Potential	18%

Source: Author's Analysis

Table 12 - APV Method's Price Target (in £M)

APV Method	
V _U	951.7
PV Terminal Value	5393.8
Unlevered Intrinsic EV	6345.5
V _L	18.0
PV Terminal Value (Tax Shield)	619.8
(=) Intrinsic EV	6983.2
(+) Cash & Equivalents	1133.3
(-) Debt	1000
(=) Equity Value	7116.6
Shares Outstanding	202.02
Price per Share	£35.23
Upside Potential	31%

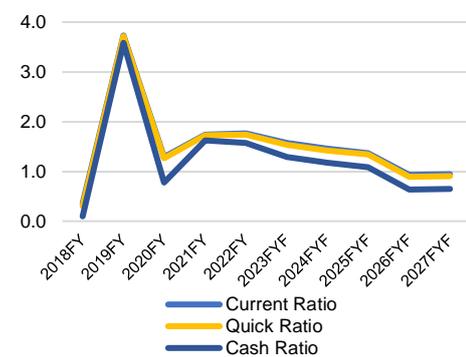
Source: Author's Analysis

Table 13 - Market-Based Valuation

Enterprise Multiple	
EV/Sales	
WTB.L Sales	2462.9
Peer's average	2.96
EV by peer's estimates	7290.3
Equity Value	7423.6
# Shares (M)	202.02
Price Target	£36.75
Price Multiples	
P/E	
WTB.L earnings	377.9
Peer's average	18.24
Price Target	£34.12
P/S	
WTB.L Sales	2462.9
Peer's average	2.92
Equity Value	7196.7
Price Target	£35.62

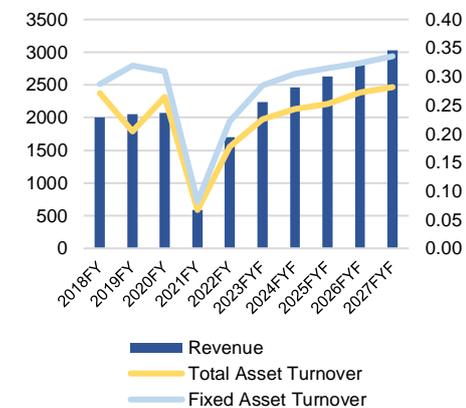
Source – Author's Analysis

Figure 50 - Liquidity Ratios



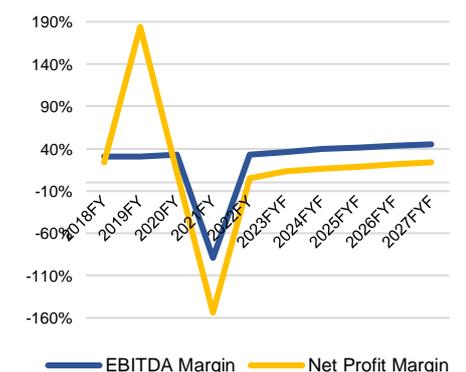
Source – Author's Analysis

Figure 51 – Efficiency Ratios



Source – Author's Analysis

Figure 52 – Profitability Ratios



Source – Author's Analysis

DDM

DDM analysis was also performed (**Appendix 31**). However, since Whitbread is focused on growth and since dividends grow in line with earnings, an explicit dividend policy is lacking and therefore DDM was not considered an adequate valuation model.

Market-Based Valuation

To complement the DCF valuation, the Market-Based Valuation was performed using the multiples obtained from Whitbread's previously selected peer group (**Appendix 32**).

For the Price Multiples, P/S and P/E were considered, with the peers' average of 2.92X and 18.24X, resulting in PTs of £35.62 and £34.12, respectively. For the Enterprise Multiples, EV/Sales was used with the peers' average of 2.96X, resulting in a PT of £36.75 (**Table 13/Appendix 33**).

All the PTs reached are in accordance with the Buy recommendation achieved in the DCF.

7. Financial Analysis

7.1 Liquidity

Whitbread's liquidity ratios are expected to decrease throughout the forecasted years mainly due to the significant increase in the Company's capital expenditures. For instance, Current ratio is expected to decrease at -11.69% CAGR 22FY-27FYF, arriving at 0.95X in 2027FYF. This means that the Company will have difficulties in meeting its short-term obligations using its current assets (**Figure 50**).

7.2 Efficiency

For the forecasted period, Whitbread's sales are projected to increase at +12.05% CAGR 22FY-27FY. This results in an expected increase of both total asset turnover and fixed asset turnover. After a decrease in these ratios in 2021FY due to COVID-19, total asset turnover is estimated to grow at +9.49% CAGR 22FY-27FYF and fixed asset turnover is estimated to grow at +8.46% CAGR 22FY-27FYF (**Figure 51**). Thus, the Company is expected to increase its efficiency in managing its assets to generate revenue.

7.3 Profitability

During the pandemic, Whitbread's profitability ratios experienced a significant hit, with EBITDA Margin dropping from 33% in 2020FY to -89% in 2021FY and Net Profit Margin decreasing from 11% in 2020FY to -159% in 2021FY (**Figure 52**). Since the recovery of the business, these ratios have recuperated, and are expected to surpass pre-pandemic levels by 2027FYF – EBITDA Margin and Net Profit Margin are projected to reach 45% and 23% in 2027FYF, respectively.

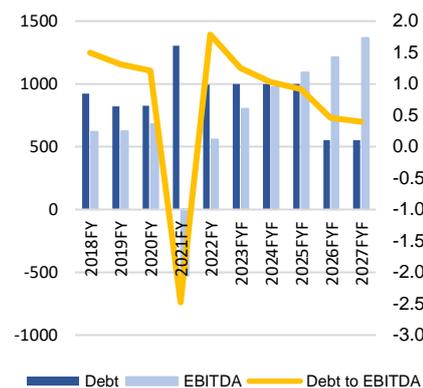
Mirroring the same recovery, ROA is expected to grow +70.59% CAGR 22FY-27FYF and ROIC is expected to increase +32.64% CAGR 22FY-27FYF.

The expected increase of profitability ratios for the forecasted years is an indicator of Whitbread's expected increase in ability at creating value.

7.4 Solvency

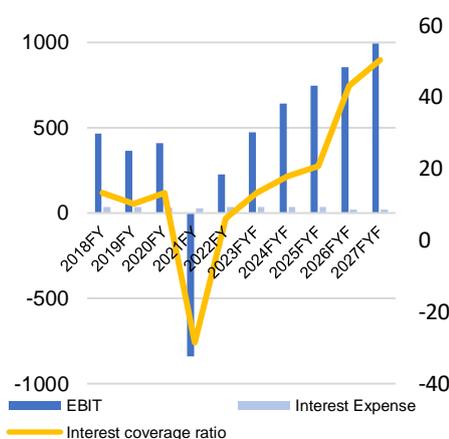
Regarding solvency, Whitbread is expected to remain relatively constant for the forecasted period 2023FYF-2027FYF. However, the Debt to EBITDA ratio is expected to decrease from 1.79X in 2022FY to 0.41X in 2027FYF. With the continuous growth of the economy and Whitbread's expansion in Germany, EBITDA is expected to grow at a CAGR 22FY-27FYF of 19.5%, while debt is projected to decrease from £1000M in 2023FYF-2024FYF to £550M in 2026FYF-2027FYF (Figure 53). The interest Coverage Ratio, which had been fairly stable in the pre-pandemic years (at around 12.21X), and dropped to -28.54X in 2021FY, is expected to experience a strong growth in the forecasted period (Figure 54). This translates in a strong ability for Whitbread to pay its interests.

Figure 53 - Debt to EBITDA



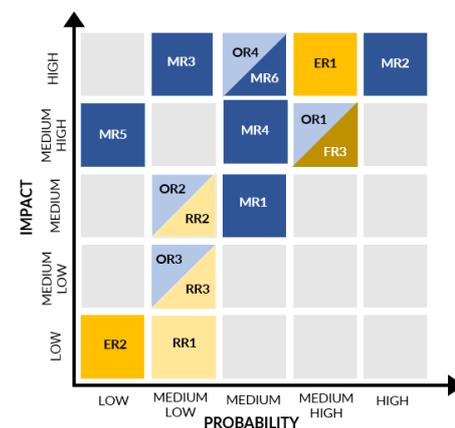
Source – Author's Analysis

Figure 54 - Interest coverage ratio



Source – Author's Analysis

Figure 55 - Risk Matrix



Legend:

- Market Risk
- Economic Risk
- Operational Risk
- Regulatory Risk
- Financial Risk

Impact: Effect of the risk on Whitbread's growth, financials, operations and market share
Probability: Likelihood of risk realization

Source – Author's Analysis

8. Investment Risks

8.1 Market Risks

Staff – MR1

It is vital for Whitbread to retain a key quality management and staff team since the hospitality industry is highly competitive and qualified professionals are scarce. A shortage of skilled labor can decrease guests' satisfaction, increase labor costs which result in reduced profits, and hinder the ability to expand the business. Therefore, Whitbread must produce retention strategies to keep employees engaged.

Fierce Competition – MR2

The hospitality industry is highly competitive, composed of multiple companies worldwide offering identical services and low switching costs for guests. Therefore, differentiation and a competitive price are key for Whitbread to compete successfully. In addition, posing as a threat are other competitors' M&A activity, since it can reduce Whitbread market share; as well as the growth of non-traditional accommodation options (e.g., Airbnb) that can alter customers' preferences.

Geopolitical instability, contagious diseases and natural or man-made disasters – MR3

War, Political instability, terrorist threats, contagious diseases such as COVID-19 and natural or man-made disasters are external factors that can result in temporary restrictions to mobility, hotel closures and reduce the appeal of travel. These can negatively impact the operations and financial performance of Whitbread.

Brexit – MR4

Due to the high reliance of UK's hospitality sector on EU migrants, which make up to about 25% of the workforce, the post-Brexit UK immigration laws has resulted in significant difficulties on staff recruitment and retention. This poses an issue for the Company, since it is labour-intensive, and therefore a reduction in the staff to customers ratio can result in a decline in the quality of the hotels.

Other consequences of Brexit include rises in food prices, which may have a negative impact on Whitbread's restaurants, and changes in regulations that that can negatively impact the Company.

Germany Growth – MR5

Inability to successfully expand operations in Germany can negatively impact Whitbread's growth and performance outside the UK, therefore compromising the Company's objectives.

Reputation – MR6

Whitbread is highly dependent on the quality and reputation of its brands, and any deterioration could rapidly impact the market share, business, financial condition, or results of operations.

8.2 Economic Risks

Downturn of economic conditions – ER1

The lodging industry is cyclical and generally follows, on a lagged basis, the overall economy. Therefore, a global recession or low levels of economic growth, including a rise in inflation rates, supply chain disruptions, and increases in unemployment levels can weaken consumers' demand and consequently downturn Whitbread's revenues, profitability, and future growth.

Foreign Currency – ER2

With the expansion of Whitbread's operations to foreign countries (e.g., Germany), the Company is more exposed to exchange rate fluctuations that can negatively impact the financial results. Hedging agreements are a way to mitigate this risk. However, this risk does not represent a significant threat to Whitbread at the present time.

8.3. Operational Risks

Data Privacy – OR1

Whitbread must have a secure server to prevent cyber-attacks and protect the integrity and security of the Company, associates, and guest data. A security breach can lead to large costs as well as reputational damage.

Innovation of Operations – OR2

A failure in keeping up with the newest developments in technology such as sophisticated systems for reservations and payroll can weaken the Whitbread's operational and competitive position.

Health and Safety Risks – OR3

Whitbread's negligence to comply with safety standards, building standards, responsible sourcing and hygiene standards can result in brand damage and legal actions which can consequently affect the Company's business.

Suppliers – OR4

Whitbread has several key suppliers that help ensure the efficient delivery of operations, including IT, F&B, distribution, and laundry services. Any deterioration in the quality of these services or withdrawal of services of these suppliers could result in business interruption.

8.4 Regulatory Risks

Taxation – RR1

Tax laws and tax rates can change unpredictably – an increase in these can result in higher tax expenses and liabilities, which will deteriorate Whitbread's financial results.

Legal, Regulatory, and Ethical Compliance – RR2

Whitbread is subject to numerous, complex, and frequently changing laws, regulations, and contractual obligations. A non-compliance with those can lead to restrictions in the Company's business operations, increase in exposure to fines and litigations and result in reputational damage.

Environmental Risk – RR3

Hotels produce a large carbon footprint, and this can be subject to scrutiny by regulators and investor groups that focus on ESG issues. Therefore, Whitbread must comply with environmental regulations imposed by the country in which they are located. Non-compliance or misunderstanding of existing or new laws and regulations can result in additional expense and operating restrictions.

8.5. Financial Risks

Indebtedness – FR3

Whitbread has substantial long-term debt obligations, that can adversely affect the Company's financial condition, ability to raise additional capital, restrict operations, increase the vulnerability to adverse changes in the economy or industry and expose to increased interest rates.

8.6 Price Target Sensitivity Analysis

The DCF valuation is subjected to a series of assumptions that can significantly affect the PT. Three of these inputs are WACC, long-term growth rate and RevPAR. A sensitivity analysis was conducted for a better understanding of the PT's sensitivity to changes in these inputs.

The recommendation matrix presented in **Table 14** served as basis for the analysis, where each interval of change of the PT corresponds to a recommendation.

Table 14 - Recommendation Matrix

Level of Risk: Medium Risk	
-5% ≤	Sell
>-5% and ≤5%	Reduce
>5% and ≤15%	Hold
>15% and ≤30%	Buy
>30%	Strong Buy

Source – Author's Analysis

Terminal growth rate and WACC

With a base case of 8.98% for WACC and 2.10% for g, according to the analysis presented in **Table 15**, we conclude that an increase (decrease) in the WACC by 18bps *ceteris paribus* results in an average decrease (increase) of the PT by £0.75 (£0.98), whereas an increase (decrease) in the terminal growth rate by 18bps *ceteris paribus* results in an increase (decrease) of the PT by £0.82 (£0.63).

Table 15 - Sensitivity analysis of the PT considering changes in terminal growth rate and WACC

		WACC										
		8.08%	8.26%	8.44%	8.62%	8.80%	8.98%	9.16%	9.34%	9.52%	9.70%	9.88%
Terminal growth rate	1.21%	33.36	32.51	31.71	30.94	30.21	29.51	28.85	28.22	27.61	27.04	26.48
	1.39%	34.12	33.22	32.38	31.58	30.81	30.09	29.40	28.74	28.11	27.51	26.93
	1.57%	34.91	33.97	33.09	32.24	31.45	30.69	29.96	29.28	28.62	28.00	27.40
	1.75%	35.75	34.76	33.83	32.95	32.11	31.32	30.56	29.84	29.16	28.51	27.88
	1.93%	36.64	35.60	34.62	33.69	32.81	31.98	31.19	30.44	29.72	29.04	28.39
	2.11%	37.58	36.48	35.45	34.47	33.55	32.68	31.85	31.06	30.31	29.60	28.93
	2.29%	38.58	37.42	36.33	35.30	34.33	33.41	32.54	31.72	30.94	30.19	29.48
	2.47%	39.65	38.42	37.26	36.17	35.15	34.18	33.27	32.41	31.59	30.81	30.07
	2.65%	40.78	39.48	38.25	37.10	36.02	35.00	34.04	33.13	32.27	31.46	30.68
	2.83%	41.99	40.61	39.31	38.09	36.95	35.87	34.86	33.90	33.00	32.14	31.33
3.01%	43.29	41.81	40.43	39.14	37.93	36.79	35.72	34.71	33.76	32.86	32.01	

Source – Author's Analysis

RevPAR

A sensitivity analysis was performed using UK's RevPAR, since it is Whitbread's main source of revenues. With a base case of £49.38 for RevPAR, according to the analysis presented in **Table 16**, we conclude that an increase (decrease) of £1 results in an average increase (decrease) of the PT by £1.24 (£1.21).

Table 16 - Sensitivity analysis of the PT considering changes in RevPAR

RevPAR										
44.38	45.38	46.38	47.38	48.38	49.38	50.38	51.38	52.38	53.38	54.38
26.62	27.82	29.02	30.23	31.45	32.68	33.91	35.14	36.39	37.63	38.89

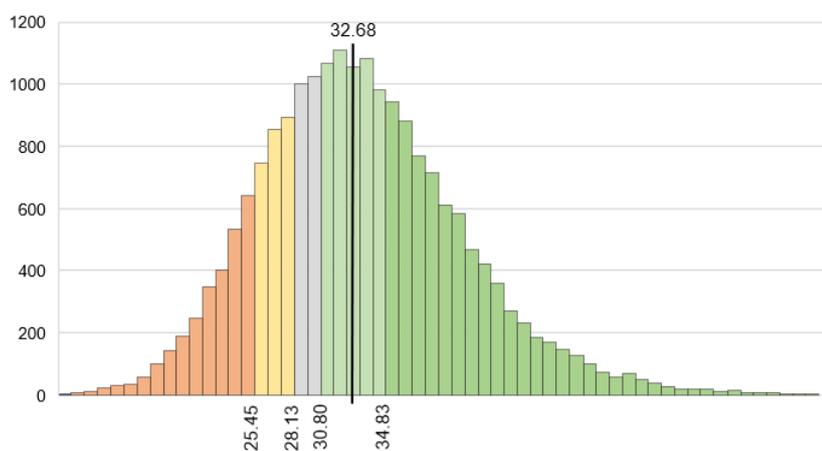
Source – Author's Analysis

8.7 Monte Carlo Simulation

To complement the Sensitivity analysis, the Monte Carlo Simulation (**Figure 56**) was performed using the Cristal Ball software, considering simultaneous changes in WACC, g and the UK's RevPAR.

The results obtained, using 20,000 trials, yielded a mean value of £33.29 (**Table 17**) – consistent with the PTs previously estimated, corresponding to an upside potential of 24% against the closing price of £26.79 of August 8th, 2022. There is a certainty of around 61% of a BUY and STRONG BUY recommendation, where 22% corresponds to a BUY.

Figure 56 – Monte Carlo Simulation



Source – Author's Analysis

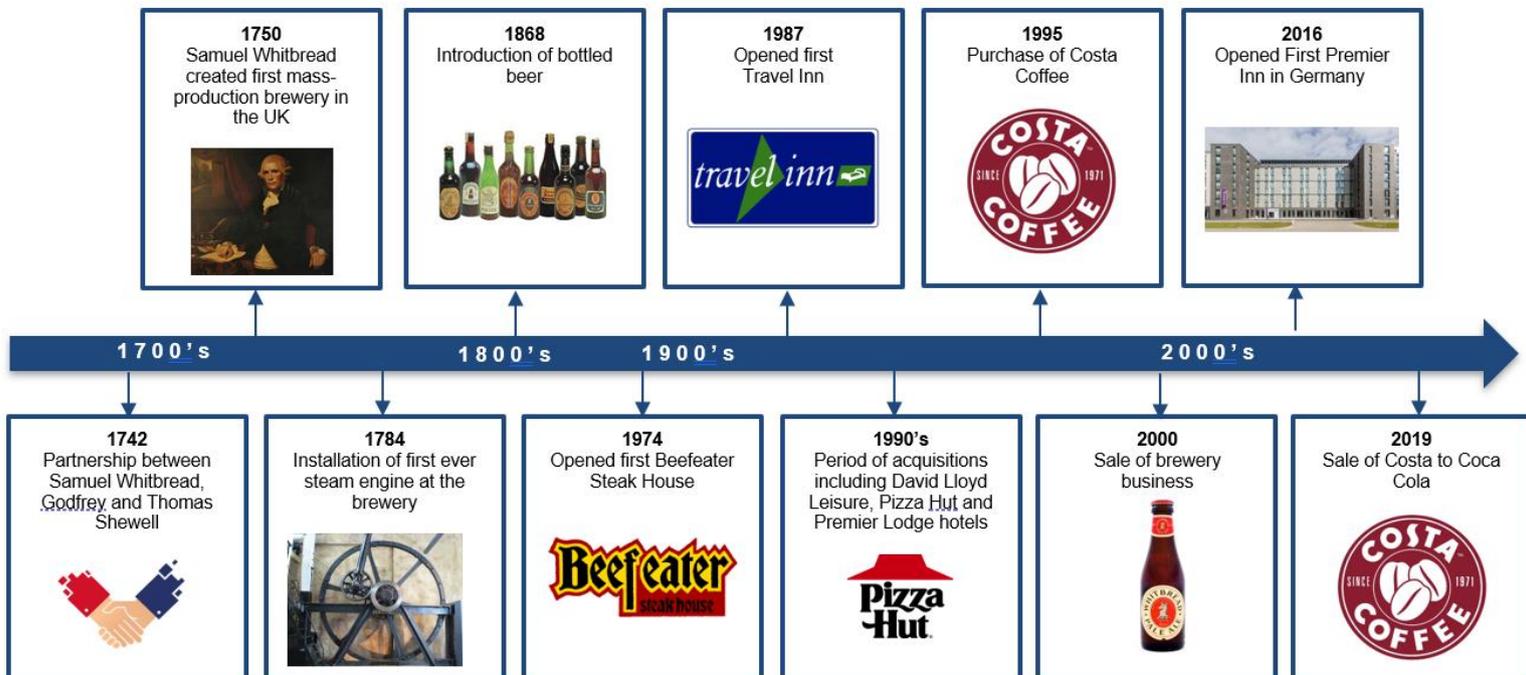
Table 17 - Monte Carlo Simulation Statistics

MC Statistics	
Trials	20,000
Base Case	£32.68
Mean	£33.29
Median	£32.72
Standard Deviation	£7.40
10 th Percentile	£24.45
90 th Percentile	£42.73

Source – Author's Analysis

Appendices

Appendix 1: Whitbread's History Timeline



Appendix 2: Drivers of Profitability

$$\text{RevPAR} = \text{ADR} * \text{Occupancy Rate} = \frac{\text{Revenue generated by occupied Rooms}}{\text{Number of Rooms Available}}$$

$$\text{Occupancy Rate} = \frac{\text{Number of Rooms occupied}}{\text{Number of Rooms Available}}$$

$$\text{ADR} = \frac{\text{Revenue generated by occupied Rooms}}{\text{Number of Rooms occupied}}$$

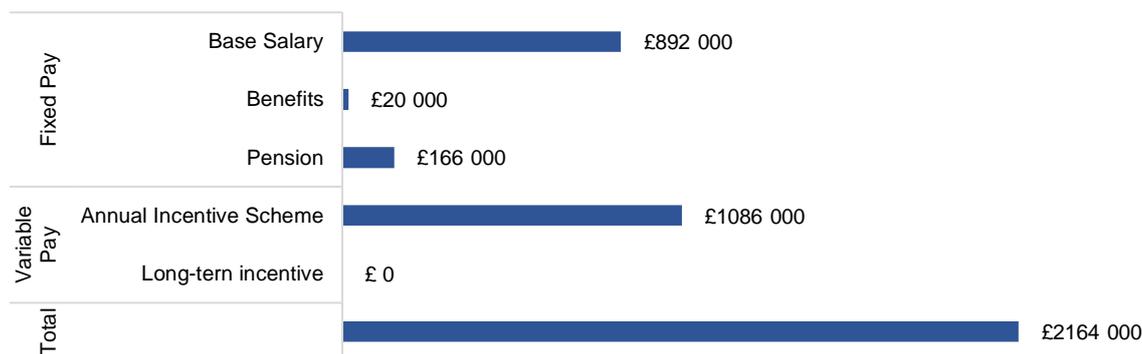
Appendix 3: Board Compensation in 2022FY

Director	Age	Position	Date Appointed	Total Compensation
Adam Crozier	58	Chairman	March 2018	£408,000
Alison Brittain	57	Chief Executive	September 2015	£ 2,164,000
Hemant Patel	52	Chief Financial Officer	March 2022	N/A
Richard Gillingwater	65	Senior Independent Director	June 2018	£82,000
Frank Fiskers	60	Independent Non-Executive Director	February 2019	£87,000
Fumbi Chima	47	Independent Non-Executive Director	March 2021	£67,000
David Atkins	56	Independent Non-Executive Director	January 2017	£72,000
Kal Atwal	50	Independent Non-Executive Director	March 2021	£67,000
Chris Kennedy	58	Independent Non-Executive Director	March 2016	£82,000
Horst Baier	65	Independent Non-Executive Director	November 2019	£67,000

Appendix 4: Remuneration Policy

Element	Description
Base Salary	Fixed Cash Payments
Benefits	Include family private healthcare, annual health screening, a cash allowance in lieu of a company car, and Whitbread's Sharesave Scheme
Pension	Monthly amount in cash in lieu of pension contributions. From December 2022, Executive directors will receive company contributions of 10% of base salary, which can be allocated to the individual's pension or taken as cash.
Annual Incentive Scheme	Annual incentive payments linked to the achievement of performance objectives. These can be payouts split between cash and deferred shares, ranging from 60% to 170% of salary.
Long-term incentive	Annual Incentive under the Restricted Share Plan

Appendix 5: CEO's Remuneration Breakdown in 2022FY



Appendix 6: Sustainability Targets' Progress

<p>Opportunity: Ability for the workforce to reach its potential, no barriers to entry, also there is a high attention to inclusivity and diversity;</p> <p><u>Progress made:</u></p> <ul style="list-style-type: none"> - 42% of female representation (increase of 5% from previous year) - 5% of ethnic minority representation (increase of 2.8% from previous year) - 274 apprenticeships completed during 2022FY within the team - Continued promotion of internal successions above external recruitment - Continued progress in broadening career opportunities, supporting cross-functional and meaningful career development - Continued progress in listening to the team and supporting their wellbeing
<p>Community: Purposeful contributions are made to the customers, by improving nutritional menus and ensuring safety; and communities, by supporting communities economies and charities and setting volunteering schemes.</p> <p><u>Progress made:</u></p> <ul style="list-style-type: none"> - £20M raised over a ten-year partnership to Great Ormond Street Hospital Children's Charity - Continued dedication to increase quality in of children's menus - Reduction of sugar in Beefeater and Brewers Fayre puddings by 6% and 11%, respectively (against baseline of 2015)
<p>Responsibility: Always operate in a sustainable manner, by eliminating single-use plastic, reducing carbon emissions, and reducing food waste.</p> <p><u>Progress made:</u></p> <ul style="list-style-type: none"> - 100% of whole shell egg and 52.6% of ingredient eggs have cage free status - 100% of fish is certifies to internationally accredited sustainability standards - 100% of beef range in the UK is produced to a recognized farm assurance scheme in its country of origin such as Red Tractor - 100% of suppliers are risk assessed - 32.3% reduction of food waste - 50,1% reduction of carbon emissions (baseline year of 2017FY) - 62,000m3 of water saved through internal water auditing and supply pipe leak detection - 99.9% of operational waste diverted from landfills

Appendix 7: Income Statement

Income Statement in Million £	2018FY	2019FY	2020FY	2021FY	2022FY	2023FYF	2024FYF	2025FYF	2026FYF	2027FYF
Revenue	2007.4	2049.1	2071.5	589.4	1703.4	2234.9	2462.9	2627.7	2799.0	3008.4
Other income	0.0	5.8	37.1	168.1	131.1	18.6	19.5	20.0	20.4	20.8
Operating Costs *	-1542.0	-1688.8	-1697.6	-1583.1	-1605.8	-1780.3	-1843.5	-1904.6	-1970.5	-2044.5
Impairment of loans to joint ventures	0.0	0.0	0.0	-5.8	-1.8	0.0	0.0	0.0	0.0	0.0
Operating Profit before joint ventures and associate	465.4	366.1	411.0	-831.4	226.9	473.2	639.0	743.1	849.0	984.7
Share of profit/loss from joint ventures	1.8	-0.6	-2.5	-7.7	0.4	0.4	0.4	0.4	0.4	0.4
Operating Profit/Loss	467.2	365.5	408.5	-839.1	227.3	473.6	639.4	743.5	849.4	985.1
Finance Costs excluding interest expenses	-5.9	-116.3	-113.4	-175.0	-136.2	-111.5	-111.5	-111.5	-61.3	-61.3
Interest Expenses	-35.3	-35.8	-31.0	-29.4	-37.4	-35.9	-35.9	-35.9	-19.8	-19.8
Finance Income	0.5	4.7	15.9	6.7	4.5	10.8	11.9	12.7	13.6	14.6
Profit/Loss before tax	426.5	218.1	280.0	-1036.8	58.2	337.0	503.9	608.8	781.9	918.6
Tax credit/expense	-83.0	-41.3	-62.1	100.9	-15.7	-64.0	-126.0	-152.2	-195.5	-229.7
Profit/Loss for the year from continuing operations	343.5	176.8	217.9	-935.9	42.5	273.0	377.9	456.6	586.4	689.0
Profit/Loss for the year from discontinued operations	92.9	3554.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/Loss for the year	436.4	3731.4	217.9	-935.9	42.5	273.0	377.9	456.6	586.4	689.0
EBITDA	615.9	624.4	679.8	-525.4	555.6	800.6	974.5	1088.6	1205.8	1354.1

* Operating costs										
Cost of inventories recognised as an expense	202.3	204.2	208.5	72.2	146.6	227.8	251.0	267.8	285.3	306.6
Employee benefits expense	548.4	588.6	612.5	581.5	678.9	708.7	740.7	775.0	812.1	852.2
Operating lease payments net of sublease receipts	156.7	0	0	0	0	0	0	0	0	0
Amortisation of intangible assets	17.3	20.9	19.8	23.6	20.9	17.9	18.0	18.2	18.6	19.1
Depreciation - PPE and Investment Property	133.2	139.1	145	150.3	157.9	149.4	153.9	159.1	165.0	171.3
Depreciation - Right-of-use assets	0	98.3	104	126.3	148.1	160.1	163.6	168.1	173.2	179.0
Utilities, rates and other site property costs	425.7	405	431.8	220.8	436.3	436.3	436.3	436.3	436.3	436.3
Variable lease payment (credit)/expense	0	2.5	2	-0.6	0.3	0	0	0	0	0
Net foreign exchange differences	0.1	0.1	-0.2	0.4	2.1	0	0	0	0	0
Other operating charges	62.2	55.9	68.6	56.9	80	80.0	80.0	80.0	80.0	80.0
Adjusting operating costs	-3.9	174.2	105.6	351.7	-65.3	0	0	0	0	0
Total Operating Costs	1542	1688.8	1697.6	1583.1	1605.8	1780.3	1843.5	1904.6	1970.5	2044.5

Appendix 8: Common-Size Income Statement

Income Statement - Common Size	2018FY	2019FY	2020FY	2021FY	2022FY	2023FYF	2024FYF	2025FYF	2026FYF	2027FYF
Revenue	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Other income	0%	0%	2%	29%	8%	1%	1%	1%	1%	1%
Operating Costs *	-77%	-82%	-82%	-269%	-94%	-80%	-75%	-72%	-70%	-68%
Impairment of loans to joint ventures	0%	0%	0%	-1%	0%	0%	0%	0%	0%	0%
Operating Profit before joint ventures and associat	23%	18%	20%	-141%	13%	21%	26%	28%	30%	33%
Share of profit/loss from joint ventures	0%	0%	0%	-1%	0%	0%	0%	0%	0%	0%
Operating Profit/Loss	23%	18%	20%	-142%	13%	21%	26%	28%	30%	33%
Finance Costs excluding interest expenses	0%	-6%	-5%	-30%	-8%	-5%	-5%	-4%	-2%	-2%
Interest Expenses	-2%	-2%	-1%	-5%	-2%	-2%	-1%	-1%	-1%	-1%
Finance Income	0%	0%	1%	1%	0%	0%	0%	0%	0%	0%
Profit/Loss before tax	21%	11%	14%	-176%	3%	15%	20%	23%	28%	31%
Tax credit/expense	-4%	-2%	-3%	17%	-1%	-3%	-5%	-6%	-7%	-8%
Profit/Loss for the year from countinuing operation	17%	9%	11%	-159%	2%	12%	15%	17%	21%	23%
Profit/Loss for the year from discontinued operati	5%	173%	0%	0%	0%	0%	0%	0%	0%	0%
Profit/Loss for the year	22%	182%	11%	-159%	2%	12%	15%	17%	21%	23%
EBITDA	31%	30%	33%	-89%	33%	36%	40%	41%	43%	45%
* Operating costs										
Cost of inventories recognised as an expense	10%	10%	10%	12%	9%	10%	10%	10%	10%	10%
Employee benefits expense	27%	29%	30%	99%	40%	32%	30%	29%	29%	28%
Operating lease payments net of sublease receipts	8%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Amortisation of intangible assets	1%	1%	1%	4%	1%	1%	1%	1%	1%	1%
Depreciation - PPE and Investment Property	7%	7%	7%	26%	9%	7%	6%	6%	6%	6%
Depreciation - Right-of-use assets	0%	5%	5%	21%	9%	7%	7%	6%	6%	6%
Utilities, rates and other site property costs	21%	20%	21%	37%	26%	20%	18%	17%	16%	15%
Variable lease payment (credit)/expense	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Net foreign exchange differences	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Other operating charges	3%	3%	3%	10%	5%	4%	3%	3%	3%	3%
Adjusting operating costs	0%	9%	5%	60%	-4%	0%	0%	0%	0%	0%
Total Operating Costs	77%	82%	82%	269%	94%	80%	75%	72%	70%	68%

Appendix 9: Statement of Financial Position

Balance Sheet In Million £	2018FY	2019FY	2020FY	2021FY	2022FY	2023FYF	2024FYF	2025FYF	2026FYF	2027FYF
Assets										
Intangible Assets (including Goodwill)	300.7	175.6	172.8	159.1	159.3	159.7	162.0	165.4	169.8	175.4
Right-of-use Assets - Property, plant and Equipment	2517.3	2141.7	2273.7	2738.4	3267.6	3339.2	3431.0	3535.4	3652.4	3785.3
Right-of-use Assets - investment property	0.0	0.0	0.0	65.0	0.0	0.0	0.0	0.0	0.0	0.0
Property, Plant and Equipment	4176.0	4090.0	4232.0	4213.1	4227.1	4352.8	4502.2	4666.5	4846.1	5045.2
Investment Property	0.0	0.0	20.3	21.6	0.0	0.0	0.0	0.0	0.0	0.0
Investment in Joint Ventures	50.4	56.6	54.8	37.3	41.1	54.8	54.8	54.8	54.8	54.8
Derivative Financial Instruments	9.2	14.5	28.6	6.6	15.8	15.8	15.8	15.8	15.8	15.8
Defined benefit pension surplus	0.0	0.0	190.3	188.0	522.6	522.6	522.6	522.6	522.6	522.6
Trade and other receivables	5.8	0.0	5.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Non-current Assets	7059.4	6478.4	6977.6	7429.1	8233.5	8445.0	8688.4	8960.5	9261.5	9599.2
Inventories	48.8	14.5	13.7	12.1	19.4	31.3	34.4	36.7	39.1	42.1
Derivative financial instruments	12.5	1.9	9.0	8.2	0.0	0.0	0.0	0.0	0.0	0.0
Current Tax asset	0.0	12.6	14.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade and other receivables	180.3	111.5	292.8	74.2	116.4	214.5	236.3	252.2	268.6	288.7
Cash and cash equivalents	90.6	3403.2	502.6	1256.0	1132.4	1144.8	1133.3	1119.1	693.2	740.6
Total Current Assets	332.2	3543.7	833.0	1350.5	1268.2	1390.6	1404.1	1408.0	1000.9	1071.4
Assets classified as held for sale	7.3	12.2	14.9	19	64.8	64.8	64.8	64.8	64.8	64.8
Total Assets	7398.9	10034.3	7825.5	8798.6	9566.5	9900.4	10157.3	10433.2	10327.2	10735.4
Liabilities										
Borrowings	108.9	0.0	84.0	312.0	0.0	0.0	0.0	0.0	0.0	0.0
Lease Liabilities	126.6	68.8	79.9	112.1	129.3	129.3	129.3	129.3	129.3	129.3
Provisions	26.7	40.9	40.8	30.5	19.6	19.6	19.6	19.6	19.6	19.6
Derivative Financial Instruments	2.6	2.1	2.2	2.4	0.0	0.0	0.0	0.0	0.0	0.0
Current Tax Liabilities	44.8	0.0	0.0	1.8	0.0	0.0	0.0	0.0	0.0	0.0
Trade and Other payables	622.4	508.0	440.0	316.5	570.7	730.5	805.0	858.8	914.8	983.3
Other financial liabilities	0.0	330.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Current Liabilities	932.0	949.9	646.9	775.3	719.6	879.4	953.9	1007.7	1063.7	1132.2
Borrowings	814.5	819.9	741.5	990.5	991.9	1000	1000	1000	550	550
Lease Liabilities	2718.4	2403	2540.7	3119.5	3572.5	3572.5	3572.5	3572.5	3572.5	3572.5
Provisions	18.8	14.4	7.6	9	11.7	11.7	11.7	11.7	11.7	11.7
Derivative Financial Instruments	5.3	3.7	2.2	0	0	0	0	0	0	0
Deferred Tax Liabilities	37	71.1	137.8	44.6	150.6	150.6	150.6	150.6	150.6	150.6
Defined benefit pension liability	288.6	119.6	0	0	0	0	0	0	0	0
Trade and Other payables	2.2	0	0	25.6	1.2	0	0	0	0	0
Non Current Liabilities	3884.8	3431.7	3429.8	4189.2	4727.9	4734.8	4734.8	4734.8	4284.8	4284.8
Total Liabilities	4816.8	4381.6	4076.7	4964.5	5447.5	5614.2	5688.7	5742.5	5348.5	5417.0
Equity										
Share Capital	150.4	150.6	112.9	164.7	164.8	164.8	164.8	164.8	164.8	164.8
Share Premium	73.2	81.5	90.8	1022.9	1024.7	1024.7	1024.7	1024.7	1024.7	1024.7
Capital Redemption Reserve	12.3	12.3	50.2	50.2	50.2	50.2	50.2	50.2	50.2	50.2
Retained Earnings	4374.3	7938.3	5861.9	4944.8	5225.3	5402.1	5596.5	5831.3	6132.8	6487.1
Currency translation reserve	29.0	17.7	18.6	28.7	24.3	24.3	24.3	24.3	24.3	24.3
Other reserves	-2057.1	-2547.7	-2385.6	-2377.2	-2370.3	-2379.9	-2391.9	-2404.6	-2418.2	-2432.7
Total Equity	2582.1	5652.7	3748.8	3834.1	4119.0	4286.2	4468.6	4690.7	4978.6	5318.4
Total Equity + Total Liabilities	7398.9	10034.3	7825.5	8798.6	9566.5	9900.4	10157.3	10433.2	10327.2	10735.4

Appendix 10: Common-Size Statement of Financial Position

Balance Sheet - Common Size	2018FY	2019FY	2020FY	2021FY	2022FY	2023FYF	2024FYF	2025FYF	2026FYF	2027FYF
Assets										
Intangible Assets (including Goodwill)	4%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Right-of-use Assets - Property, plant and E	34%	21%	29%	31%	34%	34%	34%	34%	35%	35%
Right-of-use Assets - investment property	0%	0%	0%	1%	0%	0%	0%	0%	0%	0%
Property, Plant and Equipment	56%	41%	54%	48%	44%	44%	44%	45%	47%	47%
Investment Property	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Investment in Joint Ventures	1%	1%	1%	0%	0%	1%	1%	1%	1%	1%
Derivative Financial Instruments	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Defined benefit pension surplus	0%	0%	2%	2%	5%	5%	5%	5%	5%	5%
Trade and other receivables	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total Non-current Assets	95%	65%	89%	84%	86%	85%	86%	86%	90%	89%
Inventories	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Derivative financial instruments	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Current Tax asset	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Trade and other receivables	2%	1%	4%	1%	1%	2%	2%	2%	3%	3%
Cash and cash equivalents	1%	34%	6%	14%	12%	12%	11%	11%	7%	7%
Total Current Assets	4%	35%	11%	15%	13%	14%	14%	13%	10%	10%
Assets classified as held for sale	0%	0%	0%	0%	1%	1%	1%	1%	1%	1%
Total Assets	100%									
Liabilities										
Borrowings	2%	0%	2%	6%	0%	0%	0%	0%	0%	0%
Lease Liabilities	3%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Provisions	1%	1%	1%	1%	0%	0%	0%	0%	0%	0%
Derivative Financial Instruments	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Current Tax Liabilities	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Trade and Other payables	13%	12%	11%	6%	10%	13%	14%	15%	17%	18%
Other financial liabilities	0%	8%	0%	0%	0%	0%	0%	0%	0%	0%
Total Current Liabilities	19%	22%	16%	16%	13%	16%	17%	18%	20%	21%
Borrowings	17%	19%	18%	20%	18%	18%	18%	17%	10%	10%
Lease Liabilities	56%	55%	62%	63%	66%	64%	63%	62%	67%	66%
Provisions	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Derivative Financial Instruments	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Deferred Tax Liabilities	1%	2%	3%	1%	3%	3%	3%	3%	3%	3%
Defined benefit pension liability	6%	3%	0%	0%	0%	0%	0%	0%	0%	0%
Trade and Other payables	0%	0%	0%	1%	0%	0%	0%	0%	0%	0%
Non Current Liabilities	81%	78%	84%	84%	87%	84%	83%	82%	80%	79%
Total Liabilities	100%									
Equity										
Share Capital	6%	3%	3%	4%	4%	4%	4%	4%	3%	3%
Share Premium	3%	1%	2%	27%	25%	24%	23%	22%	21%	19%
Capital Redemption Reserve	0%	0%	1%	1%	1%	1%	1%	1%	1%	1%
Retained Earnings	169%	140%	156%	129%	127%	126%	125%	124%	123%	122%
Currency translation reserve	1%	0%	0%	1%	1%	1%	1%	1%	0%	0%
Other reserves	-80%	-45%	-64%	-62%	-58%	-56%	-54%	-51%	-49%	-46%
Total Equity	100%									

Appendix 11: Cash Flow Statement

Cash Flow Statement In Million £	2018FY	2019FY	2020FY	2021FY	2022FY	2023FYF	2024FYF	2025FYF	2026FYF	2027FYF
Operating Activities	534.7	513.8	364.4	-324.6	741.4	786.8	898.3	972.5	1047.9	1170.2
+EBIT	467.2	365.5	408.5	-839.1	227.3	473.6	639.4	743.5	849.4	985.1
+D&A	150.5	258.3	268.8	300.2	326.9	327.5	335.5	345.5	356.8	369.4
-Income Tax	-83.0	-41.3	-62.1	100.9	-15.7	-64.0	-126.0	-152.2	-195.5	-229.7
-DNWC	0.0	-68.7	-250.8	113.4	202.9	49.8	49.5	35.7	37.2	45.4
Investment Activities	-410.3	-457.6	-579.0	-405.6	-485.6	-538.9	-578.8	-617.6	-657.8	-707.0
-CAPEX	-410.3	-451.4	-580.8	-423.1	-481.8	-525.2	-578.8	-617.6	-657.8	-707.0
+Other Inv.	0.0	-6.2	1.8	17.5	-3.8	-13.7	0.0	0.0	0.0	0.0
Financing Activities	-218.8	-443.0	-298.7	272.6	-484.2	-235.5	-331.0	-369.2	-815.9	-415.7
-Finance Costs including Interest Expense	-41.2	-152.1	-144.4	-204.4	-173.6	-147.4	-147.4	-147.4	-81.1	-81.1
-Dividends	-177.6	-187.4	-159.9	0.0	0.0	-96.2	-183.6	-221.8	-284.8	-334.7
-Δdebt	0.0	-103.5	5.6	477.0	-310.6	8.1	0.0	0.0	-450.0	0.0
Change in Cash	-94.4	-386.8	-513.3	-457.6	-228.4	12.4	-11.5	-14.3	-425.9	47.5
Beginning						1132.4	1144.8	1133.3	1119.1	693.2
End	90.6	3403.2	502.6	1256.0	1132.4	1144.8	1133.3	1119.1	693.2	740.6

Appendix 12: Common-Size Cash Flow Statement

Cash Flow Statement - Common Size	2018FY	2019FY	2020FY	2021FY	2022FY	2023FYF	2024FYF	2025FYF	2026FYF	2027FYF
Operating Activities	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
+EBIT	87%	71%	112%	259%	31%	60%	71%	76%	81%	84%
+D&A	28%	50%	74%	-92%	44%	42%	37%	36%	34%	32%
-Income Tax	-16%	-8%	-17%	-31%	-2%	-8%	-14%	-16%	-19%	-20%
-DNWC	0%	-13%	-69%	-35%	27%	6%	6%	4%	4%	4%
Investment Activities	-77%	-89%	-159%	125%	-65%	-68%	-64%	-64%	-63%	-60%
-CAPEX	-77%	-88%	-159%	130%	-65%	-67%	-64%	-64%	-63%	-60%
+Other Inv.	0%	-1%	0%	-5%	-1%	-2%	0%	0%	0%	0%
Financing Activities	-41%	-86%	-82%	-84%	-65%	-30%	-37%	-38%	-78%	-36%
-Finance Costs including Interest Expense	-8%	-30%	-40%	63%	-23%	-19%	-16%	-15%	-8%	-7%
-Dividends	-33%	-36%	-44%	0%	0%	-12%	-20%	-23%	-27%	-29%
-Δdebt	0%	-20%	2%	-147%	-42%	1%	0%	0%	-43%	0%
Change in Cash	-18%	-75%	-141%	141%	-31%	2%	-1%	-1%	-41%	4%
Beginning	0%	0%	0%	0%	0%	144%	127%	117%	107%	59%
End	17%	662%	138%	-387%	153%	145%	126%	115%	66%	63%

Appendix 13: Key Financial Ratios

	Unit	2018FY	2019FY	2020FY	2021FY	2022FY	2023FYF	2024FYF	2025FYF	2026FYF	2027FYF
Liquidity Ratios											
Current Ratio	x	0.36	3.73	1.29	1.74	1.76	1.58	1.47	1.40	0.94	0.95
Quick Ratio	x	0.30	3.72	1.27	1.73	1.74	1.55	1.44	1.36	0.90	0.91
Cash Ratio	x	0.10	3.58	0.78	1.62	1.57	1.30	1.19	1.11	0.65	0.65
Efficiency Ratios											
Total Assets Turnover	x	0.27	0.20	0.26	0.07	0.18	0.23	0.24	0.25	0.27	0.28
Fixed Assets Turnover	x	0.29	0.32	0.31	0.08	0.22	0.28	0.30	0.31	0.32	0.33
Accounts Receivables Turnover	x	10.79	18.38	6.95	7.94	14.63	10.42	10.42	10.42	10.42	10.42
Collection Period	days	33.84	19.86	52.49	45.95	24.94	35.03	35.03	35.03	35.03	35.03
Inventory Turnover	x	41.14	141.32	151.20	48.71	87.80	71.51	71.51	71.51	71.51	71.51
Days in Inventory	days	8.87	2.58	2.41	7.49	4.16	5.10	5.10	5.10	5.10	5.10
Payables Turnover	x	3.21	4.03	4.71	1.72	2.98	3.06	3.06	3.06	3.06	3.06
Payables Period	days	113.57	90.49	77.53	211.85	122.55	119.30	119.30	119.30	119.30	119.30
Operating Cycle	days	42.71	22.44	54.90	53.44	29.10	40.13	40.13	40.13	40.13	40.13
Cash Conversion Cycle (days)	days	-70.86	-68.04	-22.62	-158.41	-93.45	-79.17	-79.17	-79.17	-79.17	-79.17
Profitability Ratios											
Gross Profit Margin	%	90%	90%	90%	88%	91%	90%	90%	90%	90%	90%
EBITDA Margin	%	31%	30%	33%	-89%	33%	36%	40%	41%	43%	45%
Operating Profit Margin	%	23%	18%	20%	-142%	13%	21%	26%	28%	30%	33%
Net Profit Margin	%	22%	182%	11%	-159%	2%	12%	15%	17%	21%	23%
ROA	%	6%	37%	3%	-11%	0%	3%	4%	4%	6%	6%
ROCE	%	7%	4%	6%	-10%	3%	5%	7%	8%	9%	10%
Capital Employed	£M	6467	9084	7179	8023	8847	9021	9203	9425	9263	9603
ROE	%	17%	66%	6%	-24%	1%	6%	8%	10%	12%	13%
ROE - Dupont Decomposition	%	17%	66%	6%	-24%	1%	6%	8%	10%	12%	13%
Net Income / Revenue	£M	0.22	1.82	0.11	-1.59	0.02	0.12	0.15	0.17	0.21	0.23
Revenue / Assets	£M	0.27	0.20	0.26	0.07	0.18	0.23	0.24	0.25	0.27	0.28
Assets / Equity	£M	2.87	1.78	2.09	2.29	2.32	2.31	2.27	2.22	2.07	2.02
ROIC	%	6%	3%	4%	-9%	2%	4%	5%	6%	7%	8%
NOPAT	£M	376	296	318	-757	166	384	480	558	637	739
Invested Capital	£M	6730	9526	7386	8455	8995	9170	9352	9574	9412	9752
Solvency Ratios											
Debt to Equity Ratio	x	0.36	0.15	0.22	0.34	0.24	0.23	0.22	0.21	0.11	0.10
Equity Multiplier	x	2.87	1.78	2.09	2.29	2.32	2.31	2.27	2.22	2.07	2.02
Debt to EBITDA	x	1.50	1.31	1.21	-2.48	1.79	1.25	1.03	0.92	0.46	0.41
Interest Coverage Ratio	x	13.24	10.21	13.18	-28.54	6.08	13.18	17.79	20.68	42.96	49.83
Debt to total Assets	x	0.12	0.08	0.11	0.15	0.10	0.10	0.10	0.10	0.05	0.05
Value Creation and Cash Flow Ratios											
Economic Value Added (EVA)	£M						-440.55	-352.00	-293.67	-208.17	-136.87
Debt Coverage	%						0.79	0.90	0.97	1.91	2.13
Cash to Income	%						1.66	1.40	1.31	1.23	1.19
Earnings Quality	%						1.43	1.35	1.27	1.16	1.16

Appendix 14: Income Statement Assumptions

INCOME STATEMENT	Unit	2023FYF	2024FYF	2025FYF	2026FYF	2027FYF	Assumptions
Revenue	£M	2234.9	2462.9	2627.7	2799.0	3008.4	See "Revenue Assumptions"
Other income	Change YoY	7.36%	5.20%	2.56%	1.88%	1.99%	Other Income is composed of 'Government grants' (for the Years 2021 and 2022, Whitbread benefited from the Coronavirus Job Retention Scheme & other government grants) and 'Other income'. Since the Group ceased claiming under the CJRS in May 2022 and assuming that other government grants will also end, for forecasted years, Government Grants were not considered. Other Income is assumed to grow in line with Forecasted Inflation Rates
Cost of inventories recognised as an expense	Change YoY	10%	10%	10%	10%	10%	Assumed the historical period (2018FY-2022FY) average rate of Cost of Inventories recognised as an expense as % of Inventories
Employee benefits expense	Change YoY	29%	29%	29%	29%	29%	Employee Benefit Expense, which is composed of Wages and Salaries, Social Security Costs and Pension Costs, is assumed to grow in line with Room Revenue
Operating lease payments net of sublease receipts	£M	0	0	0	0	0	Zero for the forecasted years 2023FY-2027FY
Amortisation of intangible assets	£M	17.9	18.0	18.2	18.6	19.1	See "CAPEX and Depreciations Appendix"
Depreciation - PPE and Investment Property	£M	149.4	153.9	159.1	165.0	171.3	See "CAPEX and Depreciations Appendix"
Depreciation - Right-of-use assets	£M	160.1	163.6	168.1	173.2	179.0	See "CAPEX and Depreciations Appendix"
Utilities, rates and other site property costs	Change YoY	0%	0%	0%	0%	0%	Equal to 2022FY Nominal Value
Variable lease payment (credit)/expense	£M	0	0	0	0	0	Zero for the forecasted years 2023FY-2027FY
Net foreign exchange differences	£M	0	0	0	0	0	Zero for the forecasted years 2023FY-2027FY
Other operating charges	Change YoY	0%	0%	0%	0%	0%	Equal to 2022FY Nominal Value
Adjusting operating costs	£M	0	0	0	0	0	Zero for the forecasted years 2023FY-2027FY
Impairment of loans to joint ventures	£M	0	0	0	0	0	Zero for the forecasted years 2023FY-2027FY
Share of profit/loss from joint ventures	Change YoY	0%	0%	0%	0%	0%	Equal to 2022FY Nominal Value
Finance Costs excluding Interest Expense	Change YoY	11.1%	11.1%	11.1%	11.1%	11.1%	Assumed the historical period (2018FY-2022FY) average rate of Finance Costs excluding Interest Expense as % of Debt
Interest Expense	Change YoY	3.6%	3.6%	3.6%	3.6%	3.6%	Assumed the historical period (2018FY-2022FY) average rate of Interest Expense as % of Debt
Finance Income	Change YoY	0.48%	0.48%	0.48%	0.48%	0.48%	Assumed the historical period (2018FY-2022FY) average rate of Finance Income as % of Revenue
Tax credit/expense	Change YoY	19%	25%	25%	25%	25%	Assumed the UK Statutory tax rate
Profit/Loss for the year from discontinued operations	£M	0	0	0	0	0	Zero for the forecasted years 2023FY-2027FY

Appendix 15: Statement of Financial Position Assumptions

BALANCE SHEET	Unit	2023FYF	2024FYF	2025FYF	2026FYF	2027FYF	Assumptions
Non-Current Assets							
Intangible Assets without Goodwill	£M	49.2	51.5	54.9	59.3	64.9	Int t+1 = Int t - Amortization t+1 + CAPEX t+1. See "CAPEX and Depreciations Appendix"
Goodwill	£M	110.5	110.5	110.5	110.5	110.5	Equal to 2022FY Nominal Value
Right-of-use Assets - Property, plant and Equipment	£M	3339.2	3431.0	3535.4	3652.4	3785.3	Right-of-use Assets t+1 = Right-of-use Assets t - Dep t+1 + CAPEX t+1 See "CAPEX and Depreciations Appendix"
Right-of-use Assets - investment property	£M	0	0	0	0	0	Zero for the forecasted years 2023FY-2027FY
Property, Plant and Equipment	£M	4352.8	4502.2	4666.5	4846.1	5045.2	PP&E t+1 = PP&E t - Dep t+1 + CAPEX t+1 See "CAPEX and Depreciations Appendix"
Investment Property	£M	0	0	0	0	0	Zero for the forecasted years 2023FY-2027FY
Investment in Joint Ventures	Change YoY	0%	0%	0%	0%	0%	Equal to 2020FY Nominal Value.
Derivative Financial Instruments	Change YoY	0%	0%	0%	0%	0%	Equal to 2022FY Nominal Value
Defined benefit pension surplus	Change YoY	0%	0%	0%	0%	0%	Equal to 2022FY Nominal Value
Trade and other receivables	£M	0	0	0	0	0	Zero for the forecasted years 2023FY-2027FY
Current Assets							
Inventories	days	5.1	5.1	5.1	5.1	5.1	Assumed the historical period (2018FY-2022FY) average Days in Inventory for the forecasted years 2023FY-2027FY. Inventories = Inv t * (Avg. Days in Inventory/365)
Derivative financial instruments	£M	0	0	0	0	0	Zero for the forecasted years 2023FY-2027FY
Current Tax asset	£M	0	0	0	0	0	Zero for the forecasted years 2023FY-2027FY
Trade and other receivables	days	35.0	35.0	35.0	35.0	35.0	Assumed the historical period (2018FY-2022FY) average of Accounts Receivables Days for the forecasted years 2023FY-2027FY. Trade and other Receivables = Rev t * (Avg. Accounts Receivables days/365)
Assets classified as held for sale	Change YoY	0%	0%	0%	0%	0%	Equal to 2022FY Nominal Value
Current Liabilities							
Borrowings	£M	0	0	0	0	0	See "Debt Appendix"
Lease Liabilities	Change YoY	10%	3%	2%	2%	2%	Equal to 2022FY Nominal Value
Provisions	Change YoY	0%	0%	0%	0%	0%	Equal to 2022FY Nominal Value
Derivative Financial Instruments	£M	0	0	0	0	0	Zero for the forecasted years 2023FY-2027FY
Current Tax Liabilities	£M	0	0	0	0	0	Zero for the forecasted years 2023FY-2027FY
Trade and Other payables	days	119.3	119.3	119.3	119.3	119.3	Assumed the historical period (2018FY-2022FY) average of Accounts Payable Days for the forecasted years 2023FY-2027FY. Trade and Other Payables = Rev * (Avg. Accounts Payable Days/365)
Other financial liabilities	£M	0	0	0	0	0	Zero for the forecasted years 2023FY-2027FY
Non-Current Liabilities							
Borrowings	£M	1000	1000	1000	550	550	See "Debt Appendix"
Lease Liabilities	Change YoY	10%	3%	2%	2%	2%	Equal to 2022FY Nominal Value
Provisions	Change YoY	0%	0%	0%	0%	0%	Equal to 2022FY Nominal Value
Derivative Financial Instruments	£M	0	0	0	0	0	Zero for the forecasted years 2023FY-2027FY
Deferred Tax Liabilities	Change YoY	0%	0%	0%	0%	0%	Equal to 2022FY Nominal Value
Defined benefit pension liability	£M	0	0	0	0	0	Zero for the forecasted years 2023FY-2027FY
Trade and Other payables	£M	0	0	0	0	0	Zero for the forecasted years 2023FY-2027FY
Equity							
Share Capital	Change YoY	0%	0%	0%	0%	0%	Equal to 2022FY Nominal Value
Share Premium	Change YoY	0%	0%	0%	0%	0%	Equal to 2022FY Nominal Value
Capital Redemption Reserve	Change YoY	0%	0%	0%	0%	0%	Equal to 2022FY Nominal Value
Retained Earnings	£M	5402	5596	5831	6133	6487	Retaining Earnings t = Retaining Earnings t-1 + Net Income t - Dividends t
Currency translation reserve	Change YoY	0%	0%	0%	0%	0%	Equal to 2022FY Nominal Value

Appendix 16: Dividends Assumptions

Dividends (in £M)	2016	2017	2018	2019	2020	2021	2022	2023F	2024F	2025F	2026F	2027F	Assumptions
Final dividend, proposed and paid, relating to the prior year	103.4	112.6	120.3	127.6	116.3	0	0	70	-	-	-	-	According to the company's annual report, dividends were suspended from March 2020, due to a covenant waiver period. However, having complied with the covenant waiver metrics, Whitbread is able to return to its dividend payments. For the year 2022, a dividend of £0.35 per share, amounting to £70M was recommended, which corresponds to 60% of 2020's final dividend relating to the previous year. Therefore, Interim dividends were also assumed to be 60% of the interim dividends of 2020. For 2024FY-2027FY, dividends are expected to grow in-line with the historical average of Dividends/Net Income (48.6%), corresponding to the historic Payout Policy.
Interim dividend proposed, and paid, for the current year	51.7	54.5	57.3	59.8	43.6	0	0	26.16	-	-	-	-	
Total dividends paid in the year	155.1	167.1	177.6	187.4	159.9	0	0	96.16	183.6	221.8	284.8	334.7	
NI	387.3	415.9	436.4	3731.4	217.9	-935.9	42.5	273.0	377.9	456.6	586.4	689.0	
Dividend/NI	40.0%	40.2%	40.7%	5.0%	73.4%	0.0%	0.0%	35.2%	48.6%	48.6%	48.6%	48.6%	
AVERAGE					48.6%								

Appendix 17: Revenue Assumptions

REVENUE (in £M)	2018FY	2019FY	2020FY	2021FY	2022FY	2023FYF	2024FYF	2025FYF	2026FYF	2027FYF	Assumptions
Accommodation	1275.5	1317.1	1321.4	398.7	1187	1485	1665	1794	1922	2063	See 'Accommodation' Table Below
Food, Beverage and other items	731.9	730	740.7	190.2	516.5	750	797	834	877	945	See 'Food and Beverage' Table Below
Revenue before adjusting items	2007.4	2047.1	2062.1	588.9	1703.4	2234.9	2462.9	2627.7	2799.0	3008.4	
Adjusting Revenue	-	2	9.4	0.5	0	0	0	0	0	0	Assumed to be zero for the forecasted years 2023FY-2027FY
Revenue	2007.4	2049.1	2071.5	589.4	1703.4	2234.9	2462.9	2627.7	2799.0	3008.4	

Accommodation	2018FY	2019FY	2020FY	2021FY	2022FY	2023FYF	2024FYF	2025FYF	2026FYF	2027FYF	Assumptions
United Kingdom											
RevPar	49.85	49	46.91	13.57	38.69	46.91	49.38	50.67	51.62	52.65	According to STR (2022), RevPAR is expected to recover by 2022 - which corresponds to 2023FY. After that, RevPar is assumed to grow in line with UK's inflation rates.
Number of Rooms	72466	76171	78547	78718	82286	85787	89437	93243	97210	101346	For the forecasted period (2023F-2027F), the number of rooms are expected to grow in line with the historical growth rate excluding the year 2021 (4.25%).
Available Rooms	70101	73408	76611	78411	81995	84071	87649	91378	95266	99319	The available rooms are presented on the Annual Report and are the actual number of rooms occupied by guests. These rooms correspond to around 98% of the total number of rooms for UK
Total Accommodation Revenue for UK (in £M)	1275.5	1312.9	1311.7	388.4	1157.9	1439.5	1579.8	1689.9	1794.9	1908.7	
Germany											
RevPar	-	-	40.53	9.02	16.49	25.85	40.53	41.27	42.03	42.83	According to STR (2022), RevPAR is expected to recover by 2022 - which corresponds to 2023FY. However, for Germany, full recovery is only expected to happen in 2024FY, since in Q1 of 2023FY this metric reached a value significantly below the pre-pandemic value. After that, RevPar is assumed to grow in line with Germany's inflation rates
Number of Rooms	-	-	1085	4880	5875	7022	8392	10031	11989	14329	Assuming that the committed pipeline of 8,454 rooms presented in the 'Annual Report 2022FY' is built by 2027FYF, the number of rooms in Germany are expected to reach around 14% of the number of rooms in the UK
Available Rooms	-	-	660	3110	4836	4845	5791	6921	8272	9887	The available rooms are presented on the Annual Report and are the actual number of rooms occupied by guests. These rooms correspond to about 69% of the total number of rooms for Germany
Total Accommodation Revenue for Germany (in £M)	-	-	9.8	10.2	29.1	45.7	85.7	104.3	126.9	154.5	
Total	1275.5	1312.9	1321.5	398.6	1187.0	1485.2	1665.5	1794.1	1921.8	2063.2	

Food and Beverage	2018FY	2019FY	2020FY	2021FY	2022FY	2023FYF	2024FYF	2025FYF	2026FYF	2027FYF	Assumptions
United Kingdom											
F&B	731.9	730	738.7	188.9	510.4	738.7	777.6	797.8	812.8	829.1	F&B is expected to reach pre-pandemic levels by 2022, which corresponds to 2023FY. After that FB&Other grows in line with UK's inflation rates
Germany											
F&B	-	-	2	1.3	6.10	11.0	19.8	35.7	64.4	116.1	Mirroring the strategy presented in 'Germany's Number of Rooms', in 2027FY, F&B in Germany is expected to reach 14% of the F&B in the UK.
Total	731.9	730.0	740.7	190.2	516.5	749.7	797.4	833.6	877.2	945.2	

Appendix 18: CAPEX and Depreciations

CAPEX and D&A (in £M)	2018FY	2019FY	2020FY	2021FY	2022FY	2023FYF	2024FYF	2025FYF	2026FYF	2027FYF	Assumptions
CAPEX including Right- of-use Assets											
CAPEX PP&E and Investment Property	370.40	396.30	372.70	217.40	200.40	275	303	323	345	370	Assumed the historical period (2020FY-2022FY) average rate of Capex PP&E and Investment Property as % of Total Capex for the forecasted years 2023FY-2027FY
% of total CAPEX	90.28%	87.79%	64.17%	51.38%	41.59%	52.38%	52.38%	52.38%	52.38%	52.38%	
CAPEX Intangible Assets	39.9	55.1	20.7	10.8	21.1	18	20	22	23	25	Assumed the historical period (2020FY-2022FY) average rate of Capex Intangible Assets as % of Total Capex for the forecasted years 2023FY-2027FY
% of total CAPEX	9.72%	12.21%	3.56%	2.55%	4.38%	3.50%	3.50%	3.50%	3.50%	3.50%	
Cash Outflows from lease interest and payment of principal of lease liabilities	-	-	187.4	194.9	260.3	232	255	272	290	312	Assumed the historical period (2020FY-2022FY) average Rate of Capex Cash Outflows as % of Total Capex for the forecasted years 2023FY-2027FY
% of total CAPEX	-	-	32.3%	46.1%	54.0%	44.1%	44.1%	44.1%	44.1%	44.1%	
Total CAPEX	410.30	451.40	580.80	423.10	481.80	525.2	578.8	617.6	657.8	707.0	Assumed the historical period (2018FY-2020FY) average Rate of Total Capex as % of Revenues for the forecasted years 2023FY-2027FY
% of Revenue	20.44%	22.03%	28.04%	71.78%	28.28%	23.50%	23.50%	23.50%	23.50%	23.50%	
Depreciations and Amortisations											
Amortisation of intangible assets	17.3	20.9	19.8	23.6	20.9	17.9	18.0	18.2	18.6	19.1	Assumed the historical period (2018FY-2022FY) average rate of Amortisation of Intangible Assets as % of Beginning Intangible Assets for the forecasted years 2023FY-2027FY
% of intangible assets	-	6.95%	11.28%	13.66%	13.14%	11.25%	11.25%	11.25%	11.25%	11.25%	
Depreciation - PPE and Investment Property	133.2	139.1	145	150.3	157.9	149.4	153.9	159.1	165.0	171.3	Assumed the historical period (2018FY-2022FY) average rate of Depreciations-PP&E and IP as % of Beginning PP&E and IP for the forecasted years 2023FY-2027FY
% of Beginning PPE and Investment Property	-	3.33%	3.55%	3.53%	3.73%	3.53%	3.53%	3.53%	3.53%	3.53%	
Depreciation - Right-of-use assets	-	98.3	104	126.3	148.1	160.1	163.6	168.1	173.2	179.0	Assumed the historical period (2018FY-2022FY) average rate of Depreciations- Right-of-use Assets as % of Right-of-use Assets for the forecasted years 2023FY-2027FY
% of Beginning Right of use assets	-	3.90%	4.86%	5.55%	5.28%	4.90%	4.90%	4.90%	4.90%	4.90%	
Total Depreciation and Amortisation	150.5	258.3	268.8	300.2	326.9	327.5	335.5	345.5	356.8	369.4	

Intangible Assets (£M)	2018	2019	2020	2021	2022	2023F	2024F	2025F	2026F	2027F
Initial Intangible Assets	-	-	-	-	-	48.8	49.2	51.5	54.9	59.3
CAPEX (+)	-	-	-	-	-	18.4	20.3	21.6	23.0	24.7
Amortizations (-)	-	-	-	-	-	17.9	18.0	18.2	18.6	19.1
ending Intangible Assets	-	-	-	-	-	49.2	51.5	54.9	59.3	64.9

PP&E and Investment Property (£M)	2018	2019	2020	2021	2022	2023F	2024F	2025F	2026F	2027F
Initial PP&E	-	-	-	-	-	4227.1	4352.8	4502.2	4666.5	4846.1
CAPEX (+)	-	-	-	-	-	275.1	303.2	323.5	344.6	370.4
Depreciations (-)	-	-	-	-	-	149.4	153.9	159.1	165.0	171.3
Ending PP&E	-	-	-	-	-	4352.8	4502.2	4666.5	4846.1	5045.2

Rights-of-use Assets (£M)	2018	2019	2020	2021	2022	2023F	2024F	2025F	2026F	2027F
Initial Rights-of-used Assets	-	-	-	-	-	3267.6	3339.2	3431.0	3535.4	3652.4
CAPEX (+)	-	-	-	-	-	231.7	255.4	272.5	290.2	311.9
Depreciations (-)	-	-	-	-	-	160.1	163.6	168.1	173.2	179.0
Ending Rights-of-used Assets	-	-	-	-	-	3339.2	3431.0	3535.4	3652.4	3785.3

Appendix 19: Debt

DEBT (in £M)	2018	2019	2020	2021	2022	2023F	2024F	2025F	2026F	2027F	Maturity
Other loans	24.4	0	0	0	0	0	0	0	0	0	2018
Private placement loan notes	84.5	0	84	312	0	0	0	0	0	0	
Current Borrowings	108.9	0	84	312	0	0	0	0	0	0	
Private placement loan notes	369.8	374.6	295.6	0	0	0	0	0	0	0	
Senior unsecured bonds	444.7	445.3	445.9	990.5	991.9	1000	1000	1000	550	550	-
2025 senior unsecured bonds (coupon 3.375%)	444.7	445.3	445.9	446.5	447.1	450	450	450	0	0	16 oc 2025
2027 senior unsecured green use of proceeds bonds (coupon 2.375%)	-	-	-	300	300	300	300	300	300	300	31 May 2027
2031 senior unsecured green use of proceeds bonds (coupon 3%)	-	-	-	250	250	250	250	250	250	250	31 May 2031
Non-Current Borrowings	814.5	819.9	741.5	990.5	991.9	1000	1000	1000	550	550	
Total Debt	923.4	819.9	825.5	1302.5	991.9	1000	1000	1000	550	550	

Appendix 20: Net Working Capital

NWC (in £M)	2018	2019	2020	2021	2022	2023F	2024F	2025F	2026F	2027F
Operating Assets										
Inventories	48.8	14.5	13.7	12.1	19.4	31.3	34.4	36.7	39.1	42.1
Current tax asset	0	12.6	14.9	0	0	0	0	0	0	0
Trade and other Receivables	180.3	111.5	292.8	74.2	116.4	214.5	236.3	252.2	268.6	288.7
Total Operating Assets	229.1	138.6	321.4	86.3	135.8	245.7	270.8	288.9	307.7	330.8
Operating Liabilities										
Current tax liabilities	44.8	0	0	1.8	0	0	0	0	0	0
Trade and other payables	622.4	508	440	316.5	570.7	730.5	805.0	858.8	914.8	983.3
Total Operating Liabilities	667.2	508	440	318.3	570.7	730.5	805.0	858.8	914.8	983.3
Total NWC	-438.1	-369.4	-118.6	-232	-434.9	-484.7	-534.2	-569.9	-607.1	-652.5
Change in NWC		68.7	250.8	-113.4	-202.9	-49.8	-49.5	-35.7	-37.2	-45.4

Appendix 21: Long-term Growth Rate

GDP Growth Rate	2023F	2024F	2025F	2026F	2027F	Average
UK	3.70%	1.20%	1.40%	2.20%	1.80%	1.65%
Germany	2.10%	2.70%	1.50%	1.40%	1.20%	1.70%
World			3.40%			
% Rev UK	96.92%	94.86%	94.19%	93.40%	92.51%	93.74%
% Rev Germany	3.08%	5.14%	5.81%	6.60%	7.49%	6.26%
g			1.41%			1.65%

Reinvestment Rate *	2023F	2024F	2025F	2026F	2027F	Average
ROE						
CAPEX	525.2	578.8	617.6	657.8	707.0	
D&A	327.5	335.5	345.5	356.8	369.4	
DNWC	-49.8	-49.5	-35.7	-37.2	-45.4	
EBIT	474	639	743	849	985	
Reinvestment rate	38.57%	40.44%	42.38%	41.42%	39.56%	
ROE	4.2%	5.2%	5.9%	6.6%	7.4%	
g	2%	2%	3%	3%	3%	2.56%

Growth Rate: PRAT Model (g= b* ROE)	2023F	2024F	2025F	2026F	2027F	Average
NI	273.0	377.9	456.6	586.4	689.0	
Dividends	96.2	183.6	221.8	284.8	334.7	
Sales	2234.9	2462.9	2627.7	2799.0	3008.4	
Total Assets	9900	10157	10433	10327	10735	
Equity	4286	4469	4691	4979	5318	
(NI-DIV)/NI	0.65	0.51	0.51	0.51	0.51	
ROE	0.06	0.08	0.10	0.12	0.13	
NI/S	0.12	0.15	0.17	0.21	0.23	
S/A	0.23	0.24	0.25	0.27	0.28	
A/E	2.31	2.27	2.22	2.07	2.02	
g	4.13%	4.35%	5.01%	6.06%	6.66%	5.52%

Appendix 22: Risk Free Rate Estimation

Risk Free Rate		Source
Government Bond Yields		
Germany Bund 10 Year Yield	1.669%	Refinitiv (June, 2022)
Germany Bund 30 Year Yield	1.767%	Refinitiv (June, 2022)
Government Bond Yields - 10Y Avg. (normalized)		
Germany Bund 10 Year Yield	0.424%	Refinitiv (June, 2022)
Germany Bund 30 Year Yield	1.068%	Refinitiv (June, 2022)
Survey Estimates		
RFR - UK	2.40%	Fernandez (2022)
RFR - Germany	1.20%	Fernandez (2022)

Appendix 23: Beta Estimation

Beta		Source
Financial Agencies		
Bloomberg	1.32	Bloomberg (June, 2022)
Refinitiv Eikon (5Y monthly average)	1.46	Refinitiv Eikon (June, 2022)
Yahoo Finance (5Y monthly average)	1.13	Yahoo Finance (June, 2022)
Pure-Play Method		
	2024F	
Unlevered Beta Hotel/Gaming (corrected for cash) - β_U cash adj.	1.44	Damodaran 2022
D/E		
Debt	1000	
Market Value of Equity	5412	Company's market capitalization
Effective Tax Rate	25%	
Levered Beta - β_L	1.64	
Regression		
Raw Beta - β_{raw} (Regression vs. FTS)	1.45	
Blume Adjusted Beta - β_{adj} .	1.30	$\beta_{raw} * (2/3) + 1 * (1/3)$

Appendix 24: Equity Risk Premium and Country Risk Premium

ERP, MRP and CRP		Source
MRP		
UK	6.10%	Fernandez (2022)
Germany	5.70%	Fernandez (2022)
ERP		
UK	4.84%	Damodaran (2022)
Germany	4.24%	Damodaran (2022)
ERP		
UK	11.90%	Bloomberg (2022)
Germany	10.63%	Bloomberg (2022)
CRP		
UK	0.60%	Damodaran (2022)
Germany	0%	Damodaran (2022)
Adjusted Default Spread		
UK	0.51%	Damodaran (2022)
Germany	0.00%	Damodaran (2022)
UK % of Total Revenues	97.60%	
Germany % of Total Revenues	2.10%	
ERP weighted average by 2022FY % of Revenues	6.07%	
CRP weighted average by 2022FY % of Revenues	0.59%	
Adjusted Default Spread weighted average by 2022FY % of Revenues	0.50%	

Appendix 25: Cost of Debt (Kd) Estimation

Cost of Debt- Kd	2023F	2024F	2025F	2026F	2027F
Interest Expense					
Interest Expense	35.9	35.9	35.9	19.8	19.8
Debt	1000	1000	1000	550	550
Cost of Debt - Kd	3.59%	3.59%	3.59%	3.59%	3.59%
Credit Spread					
Risk Free Rate	1.67%	1.67%	1.67%	1.67%	1.67%
Adjusted Default Spread	0.50%	0.50%	0.50%	0.50%	0.50%
Interest Coverage Ratio	13.18	17.79	20.68	42.96	49.83
EBIT	473.59	639.40	743.49	849.37	985.10
Interest expense	35.9	35.9	35.9	19.8	19.8
Bond Synthetic Rating	Aaa/AAA	Aaa/AAA	Aaa/AAA	Aaa/AAA	Aaa/AAA
Company Default Spread	0.69%	0.69%	0.69%	0.69%	0.69%
Costs of Debt - Kd	2.857%	2.857%	2.857%	2.857%	2.857%

Appendix 26: CAPM and WACC Estimation

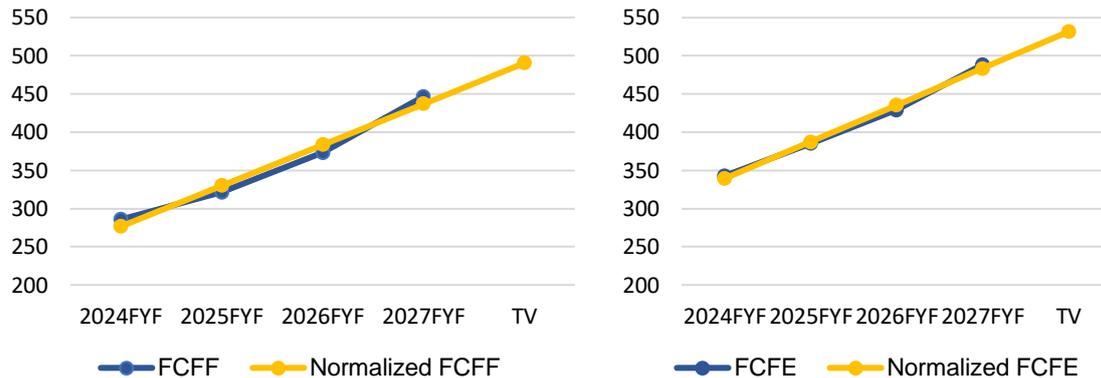
Cost of Equity (CAPM Model) - Ke	2023F	2024F	2025F	2026F	2027F	TV
RF	1.67%	1.67%	1.67%	1.67%	1.67%	1.67%
βL	1.301	1.289	1.289	1.218	1.218	1.218
βU	1.13	1.13	1.13	1.13	1.13	1.13
Debt	1000	1000	1000	550	550	561.60
Market Value of equity	5412	5412	5412	5412	5412	5526.11
Tax Rate	19%	25%	25%	25%	25%	25%
ERP	6.07%	6.07%	6.07%	6.07%	6.07%	6.07%
Adjusted Default Spread	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Cost of Equity - Ke	10.2%	10.1%	10.1%	9.7%	9.7%	9.7%
Unlevered Ke	9.11%	9.11%	9.11%	9.11%	9.11%	9.11%

Cost of Capital - WACC	2023F	2024F	2025F	2026F	2027F	TV
Market Value of Equity	5412	5412	5412	5412	5412	5526.11
Debt	1000	1000	1000	550	550	561.60
Capital Employed	6412	6412	6412	5962	5962	6087.71
E/(E+D)	84%	84%	84%	91%	91%	91%
D/(D+E)	16%	16%	16%	9%	9%	9%
Ke	10.2%	10.1%	10.1%	9.7%	9.7%	9.7%
Kd	2.86%	2.86%	2.86%	2.86%	2.86%	2.857%
Tax rate	19%	25%	25%	25%	25%	25%
Pre-tax WACC	9.07%	9.00%	9.00%	9.05%	9.05%	9.05%
Wacc	8.99%	8.89%	8.89%	8.98%	8.98%	8.98%

Appendix 27: Normalized FCFF and FCFE

	2024FYF	2025FYF	2026FYF	2027FYF	TV
FCFF	285.62	321.28	373.15	446.57	
Normalized FCFF	276.45	329.92	383.39	436.86	490.33

	2024FYF	2025FYF	2026FYF	2027FYF	TV
FCFE	342.83	385.09	429.13	488.36	
Normalized FCFE	339.26	387.32	435.38	483.45	531.51



Appendix 28: WACC Method

Free Cash Flow to the Firm	2024F*	2025F	2026F	2027F	TV
	0	1	2	3	
EBIT	639.4	743.5	849.4	985.1	1005.9
Income Tax Rate	25%	25%	25%	25%	25%
Unlevered Net Income	479.5	557.6	637.0	738.8	754.4
(+)Depreciations and Amortizations	335.5	345.5	356.8	369.4	377.2
(-)CAPEX	578.8	617.6	657.8	707.0	721.9
(-)DNWC	-49.5	-35.7	-37.2	-45.4	-46.4
Free Cash Flow to the Firm	285.6	321.3	373.1	446.6	490.3
PV FCFF	285.6	295.0	314.2	345.0	7136.1
V_L	954.3				
Terminal Value	7136.1				
PV Terminal Value	5513.5				
Enterprise Value	6467.8				
Cash & Cash Equivalents	1133.3				
Debt	1000				
Equity Value	6601.1				
Shares Outstanding	202.02				
Price per Share	£ 32.68				
Upside Potential	22%				

*Year 0 values are only considered as the base for the forecasting years of 2025FY-2027FY calculations, these are not considered for the V_L computation.

Appendix 29: Flow to Equity Method

Free Cash Flow to Equity	2024F *	2025F	2026F	2027F	TV
	0	1	2	3	
FCFF	285.6	321.3	373.1	446.6	490.3
Interest Expense	35.9	35.9	19.8	19.8	20.2
Tax Rate	0.3	0.3	0.3	0.3	0.3
After Tax net interest expense	27.0	27.0	14.8	14.8	15.1
Target D/(E+D)	0.2	0.2	0.2	0.1	0.1
CAPEX	578.8	617.6	657.8	707.0	721.9
Depreciation	335.5	345.5	356.8	369.4	377.2
NWC	-49.5	-35.7	-37.2	-45.4	-46.4
Free Cash Flow to the Equity	342.8	385.1	429.1	488.4	531.5
PV FCFE	342.8	349.6	356.8	370.2	7025.0
Equity	1076.6				
Terminal Value	7025.0				
PV Terminal Value	5325.2				
Equity Value	6401.8				
Shares Outstanding	202.02				
Price per Share	£ 31.69				
Upside Potential	18.29%				

Appendix 30: APV Method

Adjusted Present Value	2024F *	2025F	2026F	2027F	TV
	0	1	2	3	
FCFF	285.6	321.3	373.1	446.6	490.3
PV FCFF	285.6	294.5	313.5	343.8	7005.8
Interest Expenses	35.9	35.9	19.8	19.8	20.2
Interest Tax Shield	9.0	9.0	4.9	4.9	5.0
PV Interest Tax Shield	9.0	8.7	4.7	4.5	674.4
VU	951.7				
PV Terminal Value	5393.8				
Unlevered Intrinsic EV	6345.5				
VL	18.0				
PV Terminal Value (Tax Shield)	619.8				
Intrinsic EV	6983.2				
Cash & Cash Equivalents	1133.3				
Debt	1000.0				
Equity Value	7116.6				
Shares Outstanding	202.02				
Price per Share	£ 35.23				
Upside Potential	31.49%				

Appendix 31: Dividend Discount Model Method

Payout Model	2024F*	2025F	2026F	2027F	TV
	0	1	2	3	
Dividend per share	0.91	1.10	1.41	1.66	
Shares Outstanding	202.02	202.02	202.02	202.02	
Dividends	183.6	221.8	284.8	334.7	
Payout Ratio	0.49	0.49	0.49	0.49	
Shareholders cashflow	183.6	221.8	284.8	334.7	346.0
Ke	10.1%	10.1%	9.7%	9.7%	9.7%
PV DPS	0.91	1.00	1.17	1.26	
gL	2.11%				
gS	3.40%				
H	10				
TV	25.18				
PV DPS	3.42				
PV TV	19.09				
Price per Share	£ 22.52				

Appendix 32: Peers Selection

Peer Name	Ticker	Country	Focus on Accomodation	SARD	Market Cap (£)	Rank	Current Ratio	Rank	Income Aft Tax Margin	Rank	Operating Profit Margin	Rank	LT Debt/Total Capital	Rank
Whitbread PLC	WTB.L	UK	YES	-	5.29	39	1.76	39	2.5	30	13.32	33	51.79	25
Marriot Vacations Worldwide	VAC	USA	YES	24	4.68	38	1.37	31	1.36	28	8.74	26	60.04	31
Hilton Grand Vacations	HGV	USA	YES	31	4.11	37	2.6	45	7.54	35	16.7	39	68.08	37
Accor SA	CCP.P	France	YES	31	6.65	43	1.17	26	0.59	25	14.56	34	35.12	17
Wyndham Hotels & Resorts	WH	USA	YES	37	5.54	41	1.81	40	15.59	43	27.35	45	65.02	34
Choice Hotels Intercontinental	CHH	USA	YES	48	5.5	40	1.34	29	27.03	47	40.11	46	63.64	32
Travel + Leisure Co	TNL	USA	NO	51	3.36	35	3.51	46	9.99	38	19.72	43	117.57	47

Appendix 33: Market-Based Valuation

Peer Group	Enterprise Multiple	Price Multiples	
	EV/S (x)	P/S (x)	P/E (x)
Whitbread PLC (x)	3.10	2.94	22.4
Wyndham Hotels & Resorts	4.70	3.69	17.3
Choice Hotels Intercontinental	5.00	5.35	20.9
Accor SA	2.10	3.05	32.5
Marriot Vacations Worldwide	1.50	1.17	11.2
Hilton Grand Vacations	1.50	1.35	9.3
Average	2.96	2.92	18.24

Price Multiple	
P/S	2024F
Peers Average (x)	2.92
WTB Sales (£M)	2462.9
Equity by peers' average (x)	7196.7
Shares Outstanding (M)	202.02
Price per share	£ 35.62
P/E	2024F
Peers Average (x)	18.24
WTB NI (£M)	377.9
Shares Outstanding (M)	202.02
WTB EPS	£ 1.87
Price per share	£ 34.12

Enterprise Value Multiple	
EV/Sales	2024F
Peers Average(x)	2.96
WTB Sales (£M)	2462.9
Enterprise Value by peers' average(x)	7290.3
Cash & Cash Equivalents (£M)	1133.3
Debt (£M)	1000.0
Equity Value (£M)	7423.6
Shares Outstanding (M)	202.02
Price per share	£ 36.75

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Recommendation System

Level of Risk	SELL	REDUCE	HOLD/NEUTRAL	BUY	STRONG BUY
High Risk	0%≤	>0% & ≤10%	>10% & ≤20%	>20% & ≤45%	>45%
Medium Risk	-5%≤	>-5% & ≤5%	>5% & ≤15%	>15% & ≤30%	>30%
Low Risk	-10%≤	>-10% & ≤0%	>0% & ≤10%	>10% & ≤20%	>20%