

22 July 2015

Safestay plc
("Safestay" or "the Company")

**Possible acquisitions, fundraising and suspension
and
Company update**

Safestay (AIM: SSTY), the owner and operator of a new brand of contemporary hostel, announces that on 22 July 2015 it executed a binding commitment letter to acquire, subject to certain conditions including the exchange of a final sale and purchase agreement, the entire issued share capital of a special purpose corporate vehicle ("Milan SPV") for a consideration of €9 million (approximately £6.3 million) on a cash and debt free basis ("Milan Acquisition"). The Milan SPV has agreed to acquire a property in Milan, Italy ("Milan Property") and it is a condition of the Milan Acquisition that the Milan SPV has completed the acquisition of the Milan Property on or before 31 January 2016 and that the debt and equity fundraise described below completes. The Milan Property is currently being operated as an apart-hotel, which, if acquired and refurbished and converted, Safestay intends to operate as a hostel with approximately 279 beds.

The Company is also in the advanced stages of negotiating a contract for the acquisition of a larger hostel and accommodation scheme in the UK ("UK Hostel") for a consideration of approximately £14.9 million ("UK Acquisition"). Due to its size in relation to the Company, the UK Acquisition will be treated as a "reverse" transaction for the purposes of the AIM Rules for Companies ("AIM Rules") and, accordingly, will require publication of an admission document under the AIM Rules and will be subject to shareholder approval.

The aggregate consideration for the acquisitions is approximately £21.2 million and accordingly both acquisitions will be conditional on the successful completion by the Company of an equity fundraising of approximately £15 million (net) by way of the issue of new equity and the securing of a new debt facility of £8.5 million.

Subject to completion, it would be the Company's intention to operate the UK Hostel and the Milan Property, once refurbished and converted, as hostels under the "Safestay" brand.

At the request of the Company trading on AIM for Safestay plc ordinary shares of 1p each have been temporarily suspended from 3.00 p.m. on 22 July 2015, pending an announcement and publication of an admission document. However, there can be no guarantee that the fundraising or acquisitions will progress to completion.

A further announcement will be made in due course.

Larry Lipman, Chairman of Safestay, said: "These potential acquisitions represent an excellent opportunity for expansion of the Safestay brand into cities that are core strategically for our business. We hope that the UK Hostel will bring in revenue and therefore enhance profits, while the Milan Property is an opportunity to acquire a property in a key location within a city that enjoys strong tourist numbers but we believe is low on budget accommodation. We are very pleased to be making our first move into mainland Europe, and look forward to the future with great confidence."

Company Update

Trading of the operating hostels in the first 5 months of 2015 has been satisfactory. The hostel at Elephant & Castle has experienced revenue growth of 5.5 per cent. and EBITDA growth of 20 per cent. compared with the same period in 2014. In its most recent financial year to 31 December 2014, the Elephant & Castle hostel had audited turnover of £2.3 million derived from 78 per cent. occupancy. The hostel in York, which launched as a Safestay branded hostel in January 2015, is seeing revenue and profitability growth but at a rate behind management's pre-opening expectations. The Board expects that the hostel in York will reach anticipated mature trading levels and to accelerate this process a new general manager is being appointed. In addition, a dedicated sales and marketing resource is being employed who will initially focus on driving York revenues and support the enlarged Company's sales and marketing activities.

Refurbishment works at the Holland Park Property are nearly complete following minor delays and trading is scheduled to commence on 1 August 2015. The level of interest in the property and bookings taken to date give the Board encouragement that this hostel will mature to trading levels that management expect. The leasehold interest of the Holland Park property was also independently valued at £4.5m in July 2015 (subject to completion of the refurbishment and that it is ready to commence trade).

In June 2015, the Group commenced charging for breakfast at both of its operating hostels (at Elephant & Castle and in York) so that guests have the option to add breakfast as part of their stay. The directors of the Company anticipate that the change will increase both revenue and profit.

Recent investment into head office infrastructure, to provide the Group with the necessary resources to support the growing scale of operations, is having an expected short term impact on profitability. The Board believes that further planned investment is required in the second half for 2015 to meet the requirements of the growing hostel portfolio and to absorb future acquisitions by the Company. During the first five months of 2015, the Company repaid loan notes totalling £1.0 million with £1.0 million raised from a loan from Coutts & Co secured on the York Property.

Enquiries

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About Safestay:

- Safestay is a new brand of hostel, designed to appeal to a broad range of guests. Known as a "boutique hostel" within the travel industry, it is aimed at providing safe, stylish accommodation

which offers a more attractive alternative to both traditional hostels and budget hotel accommodation.

- Established in April 2011 as a joint venture between the Moorfield Funds and the Safeland Group, the Company then listed on AIM in May 2014, to widen the shareholder base and raise new equity to support expansion of its operations.
- Today, the Group has three sites: two in London and one in York and once refurbishment of the Holland Park hostel is complete will have over 900 beds.
- The Group's strategy is to expand the business by the acquisition and development of further properties and create a branded hostel group known for providing safe and stylish, but relatively inexpensive accommodation.