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31 March 2017

Safestay plc

("Safestay", the "Company" or the "Group")

Announces £18.4 million debt restructuring and refinancing and raising £12.6 million of new capital through sale and leaseback agreements

Debt restructuring and refinancing

Safestay (AIM: SSTY), the owner and operator of a new brand of contemporary hostel, is pleased to announce it has agreed an £18.4 million debt restructuring and refinancing. This will replace the existing convertible and bank debt with a single banking facility with HSBC.

As at 31 December 2016, the Company had unaudited total borrowings of £17.6 million, made up of a £13.8 million bank facility and convertible loans of £3.8 million with an average cost of debt of 3.7%. A new £18.4 million, 5 year bank facility has been agreed with HSBC, subject to satisfaction of customary conditions, to replace prior arrangements. The net effect of this will be to significantly reduce cost of debt and repay all outstanding convertible loans when they become due.

New sale and leaseback arrangement

Safestay is also pleased to announce that it has completed sale and leaseback transactions on its hostels in Edinburgh and Elephant & Castle raising gross cash proceeds of £12.6 million. The sale has been agreed with an institutional buyer in exchange for 150 year geared ground rent leases. This provides the opportunity for Safestay to continue to operate both hostels under long term ownership whilst releasing the cash from the two properties, providing a materially positive impact for the Group, without the liability of open market rents.

Safestay will receive £5.32 million for Edinburgh and £6.1 million for Elephant & Castle and a further £1.18 million on completion of the proposed extension of the Elephant & Castle hostel, expected in 2018. Total gross proceeds from the sale and leaseback are £12.6 million against annual combined ground rents commencing at £0.30 million rising to £0.33 million on completion of the extension, representing a net initial yield of 2.46%.

In the year to 31 December 2016, the two hostels generated unaudited revenues of £5.5 million and a profit before tax of £1.5 million.

The newly created leaseholds for both properties were independently valued on 14 March 2017 at £30.3 million, which compares favourably with the freehold valuation of £30.8 million on 31 December 2016. On this basis, the sale and leaseback transaction will not materially affect the book value of the property portfolio and it is noteworthy that the £12.6 million being realised equates to a net asset increase of 37p per share.

Commenting on the refinancing and the sale and leaseback transactions, Larry Lipman, Group Chairman, said:

“Consolidating our borrowings into one new facility at a lower cost with an international lender capable of supporting our European ambitions is a logical and very positive step and has been made possible by the increasing trading strength of the business.

The underlying uplift in value for the Edinburgh and Elephant & Castle sites is excellent for the business and the transactions this has enabled reflect well on the strength of our business, our brand and the quality of our properties and means we can re-cycle capital into new growth opportunities where we can continue to achieve higher and therefore more attractive returns.”

- ENDS -

Enquiries

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