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22 May 2017

## **Safestay plc**

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

### **Acquisition of U Hostels**

Safestay (AIM: SSTY), the owner and operator of a new brand of contemporary hostel, is pleased to announce the acquisition of U Hostels Albergues Juveniles, S. L. ("U Hostels") for a total cash consideration of €3.0 million ("the Acquisition").

The U Hostels portfolio includes three leasehold properties:

- A 226 bed luxury hostel located in the heart of Madrid, operating since 2013 under the U Hostels brand with a 15 year lease.
- An apartment block situated next to the Madrid hostel. This block is made up of 14-one bedroom and 20-two bedroom apartments which are currently being renovated and will open during 2018. The apartments will be managed by the hostel management team.
- A 2,300 sqm building in Montmartre, Paris with 2017 planning for conversion into a circa 260 bed hostel. The building is ideally located to become a Safestay hostel, it has a 12+12 year lease effective from the opening of the hostel. The landlord will be investing alongside Safestay in the redevelopment of this site, expected to commence this year and open early 2019. Safestay's contribution to this redevelopment is capped at €2.3 million, which will be funded from existing cash resources.

#### **Commenting on the acquisition Larry Lipman, Group Chairman, said:**

"The U Hostels concept of what makes a modern luxury hostel is similar to ours, in terms of providing guests with the opportunity to stay in unique, stylish buildings, located centrally in gateway European cities. The U Hostels portfolio is therefore an excellent fit with us and will increase the Safestay portfolio to 6 hostels and the number of beds we offer to 2,012, excluding the apartments in Madrid.

This transaction also represents our first step in establishing a pan-European network of Safestay hostels. I am particularly delighted that we are starting with sites in Madrid and Paris, two of the most visited cities in Europe. Interestingly, Paris in relation to the number of visitors it attracts each year, has the fewest number of hostel beds available.

Going forward, we will be able to offer guests the ability to transfer seamlessly between Edinburgh, York, London, Paris and Madrid. All great cities and we expect this network to be expanded as we have further transactions under advanced negotiation and the capital in place to complete them.

#### **Madrid**

The hostel is positioned at the luxury end of the market whilst still offering excellent value for money and combines with the apartment building to provide guests with a hybrid option

whereby they can either as a group opt to stay in an apartment whilst still taking advantage of the hostels food & beverage offer or choose to stay in the hostel. As with previous acquisitions of going concerns, the sites will be re-branded under the Safestay name and incorporated into the Group structure and critically into its marketing capabilities and capacity to refer guests across the hostel network. This is a natural extension of Safestay's brand into key European gateway cities.

## **Paris**

Montmartre is a famous bohemian Parisian area, home to the Moulin Rouge and an ideal location for a hostel. U Hostels had intended to develop the site and therefore 2017 planning permission is in place and re-development is expected to commence this year. The cost of re-developing and refurbishing the building as a Safestay hostel will be shared under an agreement with the landlord. Safestay's expected share of the costs will be capped at €2.3 million, excluding fit-out costs.

## **Acquisition**

For the financial year ended 31 December 2016, the Madrid hostel generated sales of €1.3 million and a net loss of €0.1 million. The business will increase substantially with the opening of the apartment block in Madrid which will offer 34 individual apartments to rent and the proposed hostel in Paris which will have circa 260 beds.

The Acquisition together with Safestay's share of the planned investment in the fit out of the Madrid apartments and capped re-development of the Paris site and fit out into a Safestay hostel is €6.5 million in total. This will be funded by the net proceeds from the Company's recent sale and leaseback transaction and the asset backed financial headroom.

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## **Enquiries**

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