

30 January 2018

Safestay plc

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

FY17 Trading Statement

Safestay (AIM:SSTY), the owner and operator of a new brand of contemporary hostel, is pleased to announce, that during the 12 months to 31 December 2017, the Company has performed strongly, significantly increasing EBITDA, sales and occupancy in line with market expectations.

Key highlights

- 43% growth in total revenues to £10.6 million (including acquisitions made in 2017)
- 15% growth in UK revenues to £8.5 million showing strong underlying performance
- Reflecting the strong sales growth like for like occupancy increased by 13.5% to 74% (31 December 2016: 65%)
- UK average bed rate stable at £20 with scope for future increases in line with increased demand
- Successful integration of 5 newly acquired European properties in key gateway city destinations
- Established a strong brand marketing platform in the fast growing, global hostel market

During 2017 the Group made a series of acquisitions increasing the portfolio from 4 to 9 operating hostels plus a development site in Paris, 34 apartments in Madrid under development, and also commenced the Elephant & Castle extension. Thereby, increasing the number of beds from 1,526 to 2,306 plus the 34 apartments and a further 330 additional beds when Paris and the Elephant and Castle extension open. This has transformed the scale of the business and establishes a network of European Safestay branded hostels in key gateway cities.

The integration of the new hostels has been successful with the commercial focus of the European teams being enhanced by adding the Groups digital systems, revenue management and branding. The European hostels combined contributed total revenues of £2.0 million, for the period under our ownership, an excellent start and ahead of projections made at the time of acquisition.

As pleasing, has been the performance of the UK hostels which have traded strongly throughout 2017. Total revenues increased by 15% which includes a significant 15% increase in ancillary income reflecting management focus on growing this area of the business. All four hostels grew sales and occupancy. In particular, Kensington Holland Park with its unique building and position significantly increased occupancy by 32% to 73% over the previous year reflecting its' undoubted potential.

The Hostel Market

Interest globally in what a modern hostel can offer, as distinct from a traditional hotel experience, has never been higher. As people become aware that for around £20 per night, an individual or groups can stay centrally in a capital city, in safe, clean and contemporary surroundings designed to provide those who want to socialise the option to do so, and ultimately providing an enjoyable and comfortable hospitality experience.

This is translating into strong demand and explains the substantial increase in revenues being generated from the hostel sector and why forecasts of future growth have increased significantly. In 2014 revenue from the global hostel industry for 2018 was forecast to be \$5.2 billion, this forecast has

now been revised up to \$7 billion and growth beyond 2018 is now expected to run at a remarkable 8% per annum*.

**Source: Colliers International 2017*

Commenting on trading, Larry Lipman, Chairman of Safestay, said:

“The hostel market has grown substantially in the last few years and a key driver has been the growing awareness amongst consumers of what staying in a contemporary hostel offers them. As a result, momentum is good and Safestay is benefitting from market growth, much improved operating practices and from being a truly distinct brand at the high end of this market.

While our 2017 trading performance has been strong and in line with market expectations, we remain focused on growing the portfolio and our marketing platform, both organically and by acting as a consolidator through the acquisition of individual sites and small chains of hostels, as well as procurement of sites for development. We have in place the operational backbone to support a much larger business across multiple geographies and we look forward to making further significant progress in 2018.”

Enquiries

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