The information contained within this announcement is deemed by the Group to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ("MAR")

25 September 2019

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

Interim Results
For the Six Months to 30 June 2019

Safestay (AIM: SSTY), the owner and operator of an international brand of contemporary hostels, announces its unaudited interim results for the six months ended 30 June 2019

Trading Highlights

- Safestay now has 16 hostels with approximately 4,000 beds (including hostels in Glasgow, Paris and Venice currently under development) across 9 European and 4 UK cities
- Total revenues increased by 24% to £8.1 million (2018: £6.5 million) with like for like sales up 4%
- Average Bed Rate increased by 6%* to £19.5 (2018: £18.4)
- Adjusted EBITDA (pre IFRS 16 adjustment) is £1.4 million (2018: £1.3 million)
- As at 30 June 2019 the Company had £8.3 million cash in the bank
- The freehold 161 bed Pisa hostel site acquired for £3.0 million in June 2019 has traded strongly
- F&B sales increased by 31%
- New restaurant in Barcelona Passeig de Gracia hostel and completion of the 73-bed extension in Elephant & Castle hostel with a full renovation of the bar area

*Excludes Vienna and Brussels which are currently operating as Hotels and as a result have higher bed rates

H2 2019 and beyond

- Positive summer trading positions the Company well and the Board expects revenues for the current year to exceed £17.0 million and adjusted EBITDA (pre IFRS 16 adjustment) to be in the region of £3.8 million
- 18 September, announced the acquisition of a freehold site in Glasgow for £3.15 million currently operating as a 52 bed hotel with the potential to be converted into a 200 bed Safestay hostel following the completion of the purchase in October 2019
- 23 September, Elephant & Castle hostel was revalued following the 73 bed extension at £26.8 million, an increase of £10.8 million over the last valuation in 2017, which equates to an NAV increase of 16.7p per share
- 24 September, announced the execution of an agreement to acquire a 50 per cent stake in a site in Venice which will be converted into a 660 bed hostel, our biggest hostel so far, and operated by Safestay upon completion in 2021
- Good prospects for further complementary acquisitions to be funded from existing resources

Larry Lipman, Chairman of Safestay, said:

"2019 has to date been good for trading seen in the 24% increase in sales for H1 and for expansion with the acquisition of three new hostels which once completed will add 1,000 beds increasing the portfolio by nearly one third. Alongside this, our platform is now established, and we can therefore add to our portfolio without materially adding to our structure or central costs so that our economies of scale will increasingly come into play as we move to our 2020 target of operating 20 hostels.

From a trading perspective, we have yet to see the full benefit from our acquisitions in Vienna, Brussels, Pisa and more recently Glasgow together with the medium-term potential of Paris and Venice. We have also shown the underlying value within our property portfolio with the revaluation of Elephant & Castle to £26.8 million, an increase of 67% since 2017.

Safestay is therefore in an enviable position to continue its positive growth trajectory, building a portfolio of well positioned hostels under a premium, contemporary hostel brand"

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For more information visit our:

Website
Vox Markets page https://www.voxmarkets.co.uk/company/SSTY/news/
Instagram page www.instagram.com/safestayhostels/

Chairman's statement

Introduction

I am very pleased to present these results for the six months to 30 June 2019 which clearly show our success in maintaining strong operational standards whilst continuing to expand our portfolio and significantly grow our turnover. Alongside this, we have continued to invest to maintain and improve the premium positioning of our hostels.

The Company has traded well across the all-important summer period which means we are on track to deliver a good result for the year with revenues expected to exceed £17.0 million and adjusted EBITDA (pre IFRS 16 adjustment) to be in the region of £3.8 million.

Financial review

For the period under review, the Group generated a 24% increase in revenues to £8.1 million (2018: £6.5 million) with £2.0 million of revenue coming from acquisitions made in 2018 and 2019. Revenue from non-UK hostels now represent 47% of our total revenue (2018: 39%) and 81% of the revenue is coming from accommodation (2018: 82%) with the balance coming from F&B and ancillary activities.

Adjusted EBITDA (pre IFRS 16 adjustment) increased to £1.4 million (2018: £1.3 million). EBITDA from hostels (excluding central costs) was stable at £2.4 million. The additional contribution from like for like hostels and from the Vienna and Brussels hostels, acquired in Q4 2018, were offset by increases in property related costs including a rise in energy prices and the seasonality of the Barcelona Passeig de Gracia property acquired in April after the quieter season in 2018.

Following investments made in the head office in 2018, the central costs have remained stable in 2019 at £1.1 million despite the addition of 3 properties during the same period. The central platform is now established in terms of personnel and systems and we believe is capable of supporting 20 hostels with little incremental cost.

The Group has also implemented the newly introduced IFRS 16 standard (Lease accounting) and decided to opt for the modified approach which does not require restatement of comparative periods. The introduction of the standard means that we are changing the way we report the charges in relation to leaseholds in our consolidated statement of income. The rental expense (£1.1 million) is replaced with an interest charge (£0.6 million) and depreciation of the leased asset (£0.8 million). Consequently, loss before tax of £0.9 million (2018: -£0.8 million) includes a loss of £0.3 million in relation to the introduction of the IFRS 16 standard. It also includes £0.3 of exceptional costs in relation to expansion projects. The Company recorded a loss per share of 1.40p (2018: -2.30p per share).

The introduction of IFRS 16 also has an impact on the balance sheet where we recognise a £17.8 million right of use asset from 1 January 2019, and lease liability for a similar amount.

As at 30 June 2019 the Company had £8.3 million of cash in the bank ensuring the Group can both continue to make selective acquisitions as well as drive operational improvements.

Net asset value per share was 41.8p per share (2018: 53.2p per share) following the issue of 30,459,880 new shares in December 2018 as a result of the successful £10.3 million placing.

Operating review

Safestay now operates 3,051 beds in 13 properties across 7 European and 3 UK cities, pending the completion of the Glasgow hotel acquisition in October 2019, and the opening of the Paris and Venice hostels. Revenues increased by 24% in the first 6 months of 2019 with an underlying like for like growth rate of 4%. Safestay has reported an 86% CAGR (Compound Annual Growth Rate) since it was listed in 2014.

Since January 2018 Safestay has opened 4 hostels (Barcelona Passeig de Gracia in April 2018, Vienna and Brussels in October 2018 and Pisa in June 2019). These 4 hostels contributed £2.0 million in the first half of 2019 to Group revenues.

The Average Bed Rate (ABR) increased by 16% to £21.70 (2018: £18.70), however, this includes the Brussels and Vienna sites acquired in 2018 which are not yet fully converted from hotels to hostels and where the average rate is naturally higher than in the rest of the portfolio. Without these two sites, ABR increased by 6% to £19.50 (2018: £18.40) with similar growth in Europe (+6.1%) and UK (+5.1%) following investment in the revenue management team and system since 2018.

The increase in the bed rates was accompanied with a first half reduction in like for like occupancy rate to 71.1% (2018: 77.1%) reflecting a deliberate yield management decision to favor rates over volume in the UK and Spanish properties and also a softer market in Lisbon and Prague. Importantly, the Company anticipates reversing this trend with occupancy for the full year to be similar to the prior year. In total for H1 the Group sold 302,000 nights up 7% (2018: 284,000).

Since 2018, a common Property Management System (Cloudbeds) has been introduced across all properties. Installed in all new properties, the Cloudbeds system guarantees efficiencies and consistency across all bookings and the collection of valuable data analytics.

Like for like F&B revenue increased by 20% in 2019 following the opening of a rooftop bar in Madrid in June 2018, the renovation of the Elephant & Castle restaurant and general improvements in all other properties. Like for like F&B spend per bed improved by 26% versus H1 2018.

From 2019 we have decided to set aside an annual capex fund equivalent to approximately 4% of our revenue to enhance the quality of our hostels and maintain the standards set by the Safestay brand. In June 2019, the renovation of the restaurant in our Barcelona Passeig de Gracia hostel was completed, our Edinburgh hostel has benefited from a renovation of all bedrooms and currently all bathrooms and public areas are being refurbished in Lisbon.

In January 2019 we also completed the 73-bedroom extension to our Elephant & Castle hostel and took this opportunity to revamp the F&B area. This has proved a very successful project with revenue up 29% in the 5 months following the completion of the extension. This is reflected in the new valuation of the hostel which has increased by £10.8 million since 2017, significantly in excess of the £2.4 million cost of construction of the extension.

Acquisitions

In June 2019, we acquired a freehold hostel in Pisa for £3.0 million. Acquiring an existing, successful hostel has made an immediately positive contribution to EBITDA and give us an interesting bridgehead into Italy where there are many opportunities for further expansion, as illustrated by the recently announced Venice project.

In September 2019, we announced the freehold acquisition of a 52-bedroom trading hotel in Glasgow. The hotel will start trading under the Safestay brand immediately after completion, which is scheduled for October 2019. The full £0.3 million conversion into a 200-bed hostel will take place this winter.

Outlook

The second half of the year has begun well, continuing from the solid performance recorded across the portfolio in the second quarter which saw a 7.6% like for like growth in revenues. As usual, reflecting the seasonality of our business, approximately 32% of our annual turnover and 40% of EBITDA is made in the third quarter. In addition, the Group will benefit from a full six months contribution from the Pisa property acquired in June 2019 and two months from Glasgow following the completion of the acquisition in late October 2019.

The focus is on establishing a pan-European network of premium hostels under the Safestay brand in some of the most popular cities to visit in the world. Recognition is growing that staying in a Safestay hostel represents a superior experience offering stylish accommodation in safe, clean surroundings with the option to socialise with other guests but still for only around £20 per night.

We look forward to providing further news of the Group's progress.

Larry Lipman
Chairman
25 September 2019

Condensed consolidated statement of comprehensive income

	Note	Unaudited 6 months to 30 June 2019 £000	Unaudited 6 months to 30 June 2018 £000	Audited Year to 31 December 2018 £000
Revenue	**2**	8,083	6,509	14,620
Cost of sales		(1,223)	(764)	(2,228)
Gross profit		**6,860**	**5,745**	**12,392**
Administrative expenses		(5,972)	(5,303)	(10,686)
Operating profit before exceptional expenses		**888**	**442**	**1,706**
Exceptional expenses		(336)	(437)	(662)
Operating profit after exceptional expenses	**2**	**552**	**5**	**1,044**
Finance costs		(1,456)	(795)	(1,648)
Loss before tax		**(904)**	**(790)**	**(604)**
Tax		-	-	(303)
Total comprehensive loss for the period attributable to owners of the parent company		**(904)**	**(790)**	**(907)**

Condensed consolidated statement of financial position

	Note	Unaudited 30 June 2019 £000	Unaudited 30 June 2018 £000	Audited 31 December 2018 £000
Non-current assets				
Property, plant and equipment		66,512	46,262	47,522
Intangible assets		1,244	1,325	1,268
Goodwill		11,378	9,265	10,506
Total non-current assets		79,134	56,852	59,296
Current assets				
Stock		44	30	45
Trade and other receivables		1,057	1,053	1,200
Derivative financial instruments		-	-	-
Cash and cash equivalents		8,305	2,960	9,859
Total current assets		9,406	4,043	11,104
Total assets7		**88,540**	**60,895**	**70,400**
Current liabilities				
Borrowings		280	423	353
Finance lease obligations	**3**	2,350	27	28
Trade and other payables		3,178	2,408	1,890
Total current liabilities		5,808	2,858	2,271
Non-current liabilities				
Borrowings		17,545	17,655	17,772
Finance lease obligations	**3**	37,313	21,187	21,176
Other payables		-	971	-
Deferred tax		105	-	105
Trade and other payables due in more than one year		720	-	1,140
Total non-current liabilities		55,683	39,813	40,193
Total liabilities		**61,491**	**42,671**	**42,464**
Net assets		**27,049**	**18,224**	**27,936**
Equity				
Share capital		647	342	647
Share premium account		23,904	14,504	23,904
Other components of equity		6,238	6,097	6,221
Retained earnings		(3,740)	(2,719)	(2,836)
Total equity attributable to owners of the parent company		**27,049**	**18,224**	**27,936**

Condensed consolidated statement of changes in equity

For the six months to 30 June 2019 (unaudited)

	Share capital	Share premium account	Other Components of Equity	Retained earnings	Total equity
	£000	**£000**	**£000**	**£000**	**£000**
Balance at 1 January 2019	**647**	**23,904**	**6,221**	**(2,836)**	**27,936**
Comprehensive income					
Loss for the period	-	-		(904)	(904)
Total comprehensive income	**-**	**-**	**-**	**(904)**	**(904)**
Transactions with owners					
Share-based payment charge for the period	-	-	17	-	17
Balance at 30 June 2019	**647**	**23,904**	**6,238**	**(3,740)**	**27,049**

For the six months to 30 June 2018 (unaudited)

	Share capital	Share premium account	Other Components of Equity	Retained earnings	Total equity
	£000	**£000**	**£000**	**£000**	**£000**
Balance at 1 January 2018	**342**	**14,504**	**6,081**	**(1,929)**	**18,998**
Comprehensive income					
Loss for the period	-	-	-	(790)	(790)
Total comprehensive income	-	-	-	(790)	(790)
Transactions with owners					
Share-based payment charge for the period	-	-	16	-	16
Balance at 30 June 2018	**342**	**14,504**	**6,097**	**(2,719)**	**18,224**

Condensed consolidated statement of changes in equity

For the year ended 31 December 2018 (audited)

	Share Capital	Share premium account	Other Components of Equity	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2018	**342**	**14,504**	**6,081**	**(1,929)**	**18,998**
Comprehensive income					
Loss for the year	-	-	106	(907)	(801)
Total comprehensive income	-	-	106	(907)	(801)
Transactions with owners					
Issue of shares	305	9,400	-		9,705
Share-based payment charge for the year	-	-	34	-	34
Balance at 31 December 2018	**647**	**23,904**	**6,221**	**(2,836)**	**27,936**

Condensed consolidated statement of cash flows

	Note	Unaudited 6 months to 30 June 2019 £000	Unaudited 6 months to 30 June 2018 £000	Audited Year to 31 December 2018 £000
Operating activities				
Cash generated from operations	**5**	3,538	972	1,832
Net cash generated from operating activities		3,538	972	1,832
Investing activities				
Purchase of property, plant and equipment		(2,774)	(990)	(2,510)
Purchase of intangible assets		(2)	(12)	(24)
Acquisition of business		(872)	(617)	(1,791)
Net cash outflow from investing activities		(3,648)	(1,619)	(4,325)
Cash flows from financing activities				
Repayment of borrowings		(851)	(127)	(304)
Proceeds from issue of share capital		17	-	10,356
Fees related to the issue of shares		-	-	(652)
Amounts paid under finance leases		(311)	(480)	(960)
Interest paid		(299)	(290)	(592)
		(1,444)	(897)	7,848
Cash and cash equivalents at beginning of period		**9,859**	**4,504**	**4,504**
Net increase/(decrease) in cash and cash equivalents		(1,554)	(1,544)	5,355
Cash and cash equivalents at end of period		**8,305**	**2,960**	**9,859**

1. ACCOUNTING POLICIES FOR THE GROUP AND COMPANY FINANCIAL STATEMENTS

Safestay plc is listed on the AIM market of the London Stock Exchange and was incorporated and is domiciled in the UK.

The Group and Company interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS regulation.

These condensed interim financial statements have not been audited, do not include all the information required for full annual financial statements and should be read in conjunction with the Group's consolidated annual financial statements for the year ended 31 December 2018.

The financial statements have been presented in sterling, prepared under the historical cost convention, except for the revaluation of freehold properties and certain financial instruments.

The accounting policies have been applied consistently throughout all periods presented in these financial statements. These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 30 June 2019.

New standards and interpretations effective in the year

The following standards were effective from 1 January 2019:

- IFRS 16: Leases - effective 1 January 2019

The adoption of IFRS 16, which replaces IAS 17 Leases, has a material impact on the financial statements of the Group in future periods. The Standard requires recognition of current operating leases to be accounted for within the balance sheet by recognising a new category of right-of-use asset and a liability for future lease payments, discounted to present value. In addition, IFRS 16 replaces the straight-line operating lease expense in the income statement with a depreciation charge for the lease asset (included within operating costs) and an interest expense on the lease liability (included within finance costs). As a result, the EBITDA, as well as the Cash generated from operations reported in the Consolidated Statement of Cash Flows statement have both been increased by an amount equivalent to the operating lease expense previously reported under IAS 17.

2. SEGMENTAL ANALYSIS

	Unaudited 6 months to 30 June 2019 £000	Unaudited 6 months to 30 June 2018 £000	Audited Year to 31 December 2018 £000
Revenue by location			
United Kingdom	4,244	3,942	8,393
Other Europe	3,839	2,567	6,227
Total Income	**8,083**	**6,509**	**14,620**
Revenue by nature			
Hostel accommodation	6,571	5,314	12,171
Food and Beverages sales	1,128	864	1,746
Other income	384	331	703
Total Income	**8,083**	**6,509**	**14,620**
Operating profit			
United Kingdom	1,491	1,155	2,981
Other Europe	444	454	801
Shared Services	(1,383)	(1,604)	(2,738)
Total Operating profit	**552**	**5**	**1,044**

The Group has two operating segments: UK and Europe. The operating segments are organised and managed separately due to the location of each market. The Group provides a shared services function to its operating segments and reports these activities separately.

Adjusted EBITDA:

	Unaudited 6 months to 30 June 2019 £000	Unaudited 6 months to 30 June 2018 £000	Audited Year to 31 December 2018 £000
Operating profit	**552**	**5**	**1,044**
Add back:			
Depreciation & Amortisation	1,614	867	1,676
Rental charges (cancelled under IFRS16)	(1,151)		
Exceptional & Share based payment expense	353	453	696
Group Adjusted EBITDA (pre IFRS 16 adjustment)	**1,368**	**1,325**	**3,416**

Shared services are included within the Adjusted EBITDA.

3. LEASES

Lease liabilities are presented in the statement of financial position as follows:

	Unaudited 30 June 2019 £000	Unaudited 30 June 2018 £000	Audited 31 December 2018 £000
Current	2,350	27	25
Non-current	37,313	21,187	21,179
Total	**39,663**	**21,214**	**21,204**

The Group has leases for hostels across Europe. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as an asset and a lease liability. With the adoption of IFRS16, operating leases under IAS17 are now categorised as a right-of-use asset. The Group continues to classify its finance leases as a lease liability and a leasehold land and buildings asset. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment.

For leases classified as right-of-use assets, each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. The Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

The table below describes the nature of the Group's leasing activities by the type of right-of-use asset recognised on the balance sheet:

Right-of-use asset	No of right-of-use assets leased	Range of remaining term	Average remaining lease term	No of leases with extension options	No of leases with options to purchase	No of leases with variable payments linked to an index	No of leases with termination options
Hostel buildings	8	4 - 14 years	10 years	7	0	0	0

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 30 June 2019 were as follows:

	Minimum lease payments due						
	Within 1 year	**1 - 2 years**	**2 - 3 years**	**3 - 4 years**	**4 - 5 years**	**After 5 years**	**Total**
30 June 2019							
Lease payments	2,329	2,361	2,368	2,368	2,303	13,338	25,066
Finance charges	(1,170)	(1,087)	(997)	(901)	(798)	(2,820)	(7,773)
Net present values	**1,160**	**1,274**	**1,371**	**1,467**	**1,504**	**10,518**	**17,294**

The group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets.

4. ACQUISITION IN ITALY

In June 2019, the Group acquired its fourteenth hostel in Pisa, Italy, through an asset purchase with consideration of €2.25m and retrospectively a business purchase with consideration of €1m. The consideration was paid in full on each Closing Date.

The provisional fair values of assets and liabilities acquired, translated to sterling at a rate of 1.135:

	£000
Property, plant and equipment	2,167
Current assets	43
Deferred revenue, trade and other payables	(34)
Goodwill	872
	3,048

5. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 6 months to 30 June 2019 £000	Unaudited 6 months to 30 June 2018 £000	Audited Year to 31 December 2018 £000
Loss before tax	**(904)**	**(790)**	**(604)**
Adjustments for:			
Depreciation of tangible assets	1,588	777	1,538
Amortisation of intangible assets	26	90	161
Finance costs	1,456	795	1,648
Loss on disposal of fixed assets	-	17	74
Share-based payments	17	17	34
Exchange movements	(67)	53	(112)
Changes in working capital			
Stock	-	(7)	(14)
Trade and other receivables	144	(199)	(295)
Trade and other payables	1,278	219	(277)
Cash generated from operating activities	**3,538**	**972**	**2,056**