

13 October 2020

Safestay Plc
("Safestay" or the "Company")

Temporary Closure of 8 hostels and Share Option Scheme

Safestay (AIM: SSTY), the owner and operator of an international brand of contemporary hostels, announces its decision to temporarily close eight hostels reducing the available bed stock of the Group to 45%, trading from eight hostels. Simultaneously, all Directors, head office employees and senior management will either take a 25% pay reduction or choose to reduce salaries by 40% and receive share options in lieu. Importantly, together with other associated cost reductions, this means that there is no change to the Company's forecast cash position, announced with the trading update on 24 August 2020.

Temporary Closures

Localised lockdowns due to Covid-19 combined with entering the low season for the hostel market has led to the decision to temporarily close eight hostels. With the Holland Park and Barcelona Gothic hostels closed since April due to having other Safestay hostels in London and Barcelona, this means 10 hostels are now or will temporarily close and eight remain open. Our hostels in Madrid, Barcelona PDG, Barcelona Sea, Lisbon, Prague and Bratislava are now closed and the Athens and Pisa hostels will close from November. The closures reflect the fact that the income they are currently expected to generate won't cover the variable costs of keeping them open. However, the experiences this year have meant the Group is now adept at re-opening hostels and will do so as soon as localised restrictions are lifted and viable demand for the individual sites returns.

New Share Option Scheme

Following the end of many of the government support schemes, directors, head office and senior employees are being offered a share option scheme in lieu of lost salary, if they opt for a 40% reduction in salary. The alternative is for them to accept a 25% reduction in salary. Early indications from our team is that the majority are choosing the new share option scheme.

Liquidity Unchanged

In light of the ongoing challenging trading conditions, further discussions with landlords, together with existing rent reductions and deferments, have resulted in a 50% reduction in rental payments between 1 August and 31 December 2020. The general reduction of costs and the closure of 55% of the Company's bed stock together mean that the forecast cash position remains unchanged. Our focus in the coming period will be to continue to maximise cost efficiencies across the business working closely with landlords and suppliers.

Larry Lipman, Chairman, said, "Taking our bed stock down to 45% is the right decision for the business in this extraordinary market, underlined by the fact that despite closing these sites we are not changing our forecasts. I am hopeful that the coupling of salary reductions with share options will prove to be a beneficial structure, and when the current crisis passes we can get back focussing on the growth of Safestay."

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF THE MARKET ABUSE REGULATION (EU) NO. 596/2014.

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About Safestay

Safestay (AIM: SSTY) is the owner and operator of an international brand of contemporary hostels.

For more information visit our:

Website: www.safestay.com

Vox Markets page: <https://www.voxmarkets.co.uk/company/SSTY/news/>

Instagram page: www.instagram.com/safestayhostels/