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")

24 September 2020

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

Interim Results
For the Six Months to 30 June 2020

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 2020

Trading Highlights

- Safestay operates 20 hostels with approximately 4,800 beds across 11 European and 4 UK cities
- In response to the COVID-19 pandemic, and in line with the hospitality industry globally, all our hostels closed on 1 April 2020 and a gradual reopening programme began from 26 May 2020
- As a result occupancy was 55% (based only on hostels while they were open)
- Total revenues decreased by 58% to £3.4 million (2018: £8.1 million)
- Recorded Adjusted EBITDA (post IFRS 16 adjustment) loss of £1.2 million (2019: £2.5 million profit)
- To offset the reduction in income, the Group reduced costs where practical, taking advantage of government support schemes and working with landlords to reduce rents
- In April the Group secured a £5 million overdraft facility with HSBC and as at 16 September 2020 the cash in bank was -£1 million

H2 2020 and beyond

- All hostels re-opened by 28 August, except for London Kensington Holland Park and Barcelona Gothic
- On 2 September, the Company received a £0.2 million government backed loan in Germany
- In July and August, the Company has traded at the higher end of the Board's forecast scenarios
- On 23 September, the Company agreed with HSBC in principle to replace the £5 million overdraft facility with a £5 million Coronavirus Business Interruption Loan Scheme (CBILS)

Larry Lipman, Chairman of Safestay, said:

"We made a good start to 2020, however, trading was materially impacted by the Covid-19 pandemic from March onwards. We responded quickly to protect our financial position and the safety of our guests and employees. As a result, the business is stable and it is encouraging to have now reopened nearly all our hostels. While it is still difficult to predict the pace of our recovery, we are re-engaging effectively with our customer base and we are confident that we will in time return our hostel portfolio to pre-Covid-19 occupancy levels."

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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/

Chairman's statement

Introduction

The trading results for the six months to 30 June 2020 reflect the challenges which Safestay and more generally the hospitality industry have had to face as a result of the Covid-19 pandemic. It is however pleasing to see that the Company had a strong start in January and February as an underlying reminder of the appeal of our portfolio before the pandemic took effect. I am also pleased that we were quick to implement adequate measures to protect our cash position during the lock down period and successfully executed our reopening strategy to ensure the safety of our guests and employees. We are still operating in a very uncertain environment, but we will work through these challenging times and emerge in a positive position in 2021. Since the half-year end, we have been seeing a gradual increase in occupancy across the hostels that have been open.

Financial review

Due to the closure of the hostels, the Group operated just 45% of its available bed stock for the first six months of 2020, and recorded a 58% decrease in revenues to £3.4 million (2019: £8.1 million) leading to an adjusted EBITDA (post IFRS 16 adjustment) loss of £1.2 million (2019: £2.5 million profit).

To mitigate the reduction in revenue, the Company negotiated rent reductions from landlords and applied for government support where it was available. Consequently, the Group benefited from £0.4 million of rent relief from March to June and total revenue includes £0.3 million of income received via government support schemes. In some countries, employees were paid directly by the government whilst being furloughed, which corresponded to approximately a further £0.3 million saving.

The Group recorded a loss before tax of £4.7 million (2019: loss before tax of £0.9 million) which includes £0.3 of exceptional costs in relation to the expansion projects completed in 2020. This led to a loss per share of 7.30p (2019: -1.40p per share).

In April 2020, the Company agreed a new £5 million overdraft facility from HSBC. Cash in bank as at 16 September 2020 was approximately -£1 million.

As at 30 June 2020, net asset value per share was 48.2p per share (2019: 41.8p per share) following the revaluation of the London Elephant & Castle property in September 2019 to £26.8 million, increasing from £16 million in 2017.

Operating review

Safestay currently operates 3,937 beds in 18 properties across 11 European and 4 UK cities, with another 900 beds under development in Paris and Venice where progress has been delayed due to the Covid-19 pandemic and both sites are now expected to open in 2022. While revenues decreased in the first 6 months of 2020, it is worth differentiating between the first 2 months of the year and the last 4 months when the business was impacted by the pandemic. In January and February, total revenue increased 32% versus the previous year, with an underlying like for like increase of 15%. Occupancy was 64%, up from 50% in 2019, for these first two months. In March, the level of bookings started to fall following the implementation of travel restrictions and by 1 April all hostels were closed.

The Group has capitalised on the recent renovations of the restaurants in Barcelona Passeig de Gracia and Edinburgh to increase the like for like F&B revenue by 22% in the first 2 months of the year. Thanks to the new hostels opened in 2019 and early 2020, this segment increased 46% during the same period. Following the renovation of the Bar in Lisbon in February 2020, and the addition of the Athens rooftop bar since January 2020, we hope that we can continue this trend when the business normalises.

In 2019 the Group decided to set aside an annual capex fund to improve as well as maintain the premium standards of the portfolio. Some of the works planned in 2020 were completed by the time we decided to pause the renovation program to protect our cash position in March 2020. These included the renovation of the Brussels property for £0.3 million which also included its conversion from a hotel into a 185 bed hostel, and the renovation of the Glasgow property acquired in October 2019, and its conversion into a 251 bed hostel. The renovation of the rooms in the Gothic hostel in Barcelona and the bar and showers in Lisbon, which both started in December 2019, were also completed in the first quarter of 2020. Other capex programs have been suspended for the time being.

Post period end, on average, in July 2020, 30% of the Group's bed stock was available and 16% of such bed stock was occupied. This increased respectively to 63% and 22% in August. We are encouraged that the occupancy levels gradually increased week on week as more hostels re-opened.

Acquisitions

The Group has added 414 beds in 3 hostels in 2020. The acquisition of the leasehold of the 132 bed hostel in Athens was completed in January for £1.3 million. Also in January, Safestay completed the £2.4 million acquisition of the 2 leasehold hostels in Warsaw (158 beds) and Bratislava (124 beds), both acquired from Dream Management Group Ltd. The 3 leases are capitalised in our balance sheet under IFRS 16 and have increased the total lease liability by £3.2 million.

Financing

On 13 January 2020, the Group completed the renewal of its debt facility with HSBC. The £17.9 million facility which was agreed for 5 years in April 2017 for an original amount of £18.4 million, was replaced with a new facility of £22.9 million for 5 years until 2025. The terms are similar to the previous facility, with interests of 2.45% + LIBOR and same covenants as before.

It was announced on 14 April 2020 that the Company had agreed a new £5 million overdraft facility, also from HSBC, which together with the Company's cash reserves, would satisfy the Company's working capital cash requirements during and after the lock down period. At the same time, the covenants in the Company's £22.9 million debt facility have been waived until 31 December 2020.

On 23 September 2020, the Company agreed with HSBC in principle to amend the covenant test for the period until 30 September 2021 inclusive. The Debt Service Cover Ratio and the Interest Cover Ratio were both replaced with a commitment from the Company to achieve a minimum level of adjusted EBITDA for each quarter from October 2020 to September 2021.

On 23 September 2020, the Company agreed with HSBC in principle to replace the existing £5 million overdraft facility with a £5 million Coronavirus Business Interruption Loan Scheme (CBILS). The loan has a

6 year maturity. It is interest free in the first year and 3.9% from the second year.

On 23 June, the Company received a £0.3 million government backed loan in Austria.

As disclosed in the trading update released on 24 August 202, the Company has produced forecasts under two alternative indicative scenarios, a base case and a low case. The Company has sufficient access to capital to support the business under its base case forecast scenario until March 2021 by which time this scenario predicts the business will be back to breakeven. That said, this is an unpredictable period and the Company is evaluating additional funding options to address the funding shortfall which would occur by 31 January 2021 under the assumptions contained in its low case forecast scenario. The Group owns the freeholds of the hostels in Glasgow, Pisa and York, which could therefore be disposed of, either in the form of a sale and lease back transaction or a straight disposal. The Group might also contemplate the early termination of the leases which are anticipated to generate losses in the next months, subject to an agreement being reached with the relevant landlords. The Group could also temporarily close some hostels during the winter if it is anticipated that the income for these hostels does not cover the incremental costs of opening the hostels during this period. The Board is considering a range of options in relation to the business, including raising equity, but the Board is mindful of giving all shareholders the opportunity to participate in any such equity raise.

Outlook

As at today, all properties have re-opened, with the exception of the London Kensington Holland Park hostel and Barcelona Gothic. While occupancy levels are still relatively low, the trend is upwards, and we have the capital in place to support the business into next year under our most conservative forecast. We are mindful of the need to keep flexible and adapt to changing market conditions as they arise. However, in the absence of any significant changes the underlying trend across our portfolio is positive based currently on just domestic guests, and hopefully we can soon welcome foreign travelers back to our hostels.

Larry Lipman
Chairman
24 September 2020

Condensed consolidated statement of comprehensive income

	Note	Unaudited 6 months to 30 June 2020 £000	Unaudited 6 months to 30 June 2019 £000	Audited Year to 31 December 2019 £000
Revenue	**2**	3,412	8,083	18,379
Cost of sales		(572)	(1,223)	(2,875)
Gross profit		**2,840**	**6,860**	**15,504**
Administrative expenses		(6,104)	(5,972)	(12,996)
Operating profit / (loss) before exceptional		**(3,264)**	**888**	**2,508**
Exceptional expenses		(136)	(336)	(585)
Operating profit / (loss) after exceptional	**2**	**(3,400)**	**552**	**1,923**
Finance costs		(1,327)	(1,456)	(2,558)
Loss before tax		**(4,727)**	**(904)**	**(635)**
Tax		(66)	-	(325)
Total comprehensive loss for the period attributable to owners of the parent company		**(4,793)**	**(904)**	**(960)**

Condensed consolidated statement of financial position	Note	Unaudited 30 June 2020 £000	Unaudited 30 June 2019 £000	Audited 31 December 2019 £000
Non-current assets				
Property, plant and equipment		89,963	66,512	87,366
Intangible assets		1,026	1,244	1,084
Goodwill		15,614	11,378	12,603
Total non-current assets		106,603	79,134	101,053
Current assets				
Stock		64	44	85
Trade and other receivables		1,185	1,057	1,408
Derivative financial instruments		-	-	-
Cash and cash equivalents		(11)	8,305	2,954
Total current assets		1,238	9,406	4,447
Total assets		**107,841**	**88,540**	**105,500**
Current liabilities				
Borrowings		(203)	280	279
Finance lease obligations	**3**	1,943	2,350	1,648
Trade and other payables		3,324	3,178	2,602
Total current liabilities		5,064	5,808	4,529
Non-current liabilities				
Borrowings		22,814	17,545	17,399
Finance lease obligations	**3**	48,492	37,313	46,483
Other payables		-	-	-
Deferred tax		71	105	105
Trade and other payables due in more than one year		217	720	767
Total non-current liabilities		71,594	55,683	64,754
Total liabilities		**76,658**	**61,491**	**69,283**
Net assets		**31,183**	**27,049**	**36,217**
Equity				
Share capital		647	647	647
Share premium account		23,904	23,904	23,904
Other components of equity		15,220	6,238	15,461
Retained earnings		(8,588)	(3,740)	(3,795)
Total equity attributable to owners of the parent company		**31,183**	**27,049**	**36,217**

Condensed consolidated statement of changes in equity

For the six months to 30 June 2020 (unaudited)

	Share capital	Share premium account	Other Components of Equity	Retained earnings	Total equity
	£000	£000	£000	£000	£000
Balance at 1 January 2020	**647**	**23,904**	**15,461**	**(3,795)**	**36,217**
Comprehensive income					
Loss for the period	-	-	-	(4,793)	(4,793)
Movement in translation reserve	-	-	(258)	-	(258)
Total comprehensive income	**-**	**-**	**(258)**	**(4,793)**	**(5,051)**
Transactions with owners					
Share-based payment charge for the period	-	-	17	-	17
Balance at 30 June 2020	**647**	**23,904**	**15,220**	**(8,588)**	**31,183**

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**

Condensed consolidated statement of changes in equity

For the year ended 31 December 2019 (audited)

	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 year	-	-	-	(960)	(960)
Movement in translation reserve			(47)		(47)
Total comprehensive loss	-	-	(47)	(960)	(1,007)
Transactions with owners					
Issue of shares	-	-	-		9,705
Share-based payment charge for the year	-	-	34	-	34
Revaluation reserve	-	-	9,253	-	9,253
Balance at 31 December 2019	**647**	**23,904**	**15,461**	**(3,795)**	**36,217**

Condensed consolidated statement of cash flows	Note	Unaudited 6 months to 30 June 2020 £000	Unaudited 6 months to 30 June 2019 £000	Audited Year to 31 December 2019 £000
Operating activities				
Cash generated from operations	**5**	(787)	3,538	5,445
Income tax paid		(134)	-	(217)
Net cash generated from operating activities		(921)	3,538	5,228
Investing activities				
Purchase of property, plant and equipment		(755)	(2,774)	(1,413)
Purchase of intangible assets		(29)	(2)	(24)
Acquisition of business		(3,652)	(872)	(7,122)
Payment of deferred consideration		(498)	-	(395)
Net cash outflow from investing activities		(4,934)	(3,648)	(8,954)
Cash flows from financing activities				
Proceeds from borrowings		5,348	-	1,180
Repayment of borrowings		-	(851)	(528)
Proceeds from issue of share capital		-	17	-
Fees related to borrowings		(255)	-	-
Amounts paid under finance leases		(1,857)	(311)	(3,242)
Interest paid		(346)	(299)	(589)
		2,890	(1,444)	(3,179)
Cash and cash equivalents at beginning of period		**2,954**	**9,859**	**(6,905)**
Net increase/(decrease) in cash and cash equivalents		(2,965)	(1,554)	9,859
Cash and cash equivalents at end of period		**(11)**	**8,305**	**2,954**

1. ACCOUNTING POLICIES FOR THE GROUP AND COMPANY FINANCIAL STATEMENTS

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

The Group and Company interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 2019.

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 2020.

New standards and interpretations effective in the year

The following standards were effective from 1 January 2019:

- IFRS 3: Business combination – amendment effective 1 January 2020

IFRS 3 establishes different accounting requirements for a business combination as opposed to the acquisition of an asset or a group of assets that does not constitute a business. Business combinations are accounted for by applying the acquisition method, which, among other things, may give rise to goodwill. In contrast, when accounting for asset acquisitions, the acquirer allocates the transaction price to the individual identifiable assets acquired and liabilities assumed on the basis of their relative fair values and no goodwill is recognised. Therefore, whether or not an acquired set of activities and assets is a business, is a key consideration in determining how the transaction should be accounted for. The amendments made to the IFRS 3 are set out to clarify the definition of a business. The amendment also adds an optional concentration test that allows a simplified assessment of whether an acquired set of activities and assets is not a business.

Acquisitions made in the 6 months to June 2020 have been treated as business combinations under the amended IFRS 3 standard (Note 4)

2. SEGMENTAL ANALYSIS

	Unaudited 6 months to 30 June 2020 £000	Unaudited 6 months to 30 June 2019 £000	Audited Year to 31 December 2019 £000
Hostel accommodation	2,400	6,571	15,115
Food and Beverages sales	404	1,128	2,492
Other income	608	384	772
Total Income	**3,412**	**8,083**	**18,379**

UNAUDITED 6 MONTHS TO 30 JUNE 2020	**UK £'000**	**Spain £'000**	**Rest of Europe £'000**	**Shared services £'000**	**TOTAL £'000**
Revenue	1,842	728	842	-	**3,412**
Profit/(Loss) before tax	(571)	(811)	(1,613)	(1,732)	**(4,727)**
Finance costs	480	244	213	390	**1,327**
Operating Profit after exceptional expenses	(91)	(567)	(1,400)	(1,342)	**(3,400)**
Depreciation & Amortisation	734	692	620	26	**2,072**
Exceptional & Share based payment expense	-	-	-	136	**136**
Adjusted EBITDA	**643**	**125**	**(780)**	**(1,180)**	**(1,192)**
Rental charges (IFRS 16)	-	(757)	(604)	-	**(1,361)**
Adjusted EBITDA (pre-IFRS 16)	**643**	**(632)**	**(1,384)**	**(1,180)**	**(2,553)**

AUDITED YEAR TO 31 DECEMBER 2019	**UK £'000**	**Spain £'000**	**Rest of Europe £'000**	**Shared services £'000**	**TOTAL £'000**
Revenue	9,401	4,909	4,069	-	**18,379**
Profit/(Loss) before tax	3,347	(387)	498	(4,093)	**(635)**
Finance costs	338	681	308	1,231	**2,558**
Operating Profit after exceptional expenses	3,685	294	806	(2,862)	**1,923**
Depreciation & Amortisation	1,265	1,555	692	-	**3,512**
Exceptional & Share based payment expense	-	-	-	619	**619**
Adjusted EBITDA	**4,950**	**1,849**	**1,498**	**(2,243)**	**6,054**
Rental charges (IFRS 16)	-	(1,504)	(744)	-	**(2,248)**
Adjusted EBITDA (pre-IFRS 16)	**4,950**	**345**	**754**	**(2,243)**	**3,806**

3. LEASES

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

	Unaudited 30 June 2020 £000	Unaudited 30 June 2019 £000	Audited 31 December 2019 £000
Current	1,943	2,350	1,648
Non-current	48,492	37,313	46,483
Total	**50,435**	**39,663**	**48,131**

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 – Operating leases	15	7 - 20 years	13 years	8	0	9	0
Hostel buildings – Long leases	3	50 - 150 years	113 years	0	2	3	0

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 30 June 2020 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**
Lease payments	3,789	3,797	3,798	3,798	3,757	65,069	84,009
Finance charges	(1,846)	(1,780)	(1,712)	(1,643)	(1,569)	(25,024)	33,573
Net present values	**1,943**	**2,017**	**2,086**	**2,156**	**2,188**	**40,046**	**50,435**

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. ACQUISITIONS

The Group added 3 hostels. Athens was completed in January for £1.3 million. Also in January, Safestay acquired 2 leasehold hostels from Dream Management Group Ltd in Warsaw and Bratislava for £2.4 million. The 3 leases are capitalised in our balance sheet under IFRS 16 and have increased the total lease liability by £3.2 million.

The provisional fair values of assets and liabilities acquired:

	Athens	**Bratislava**	**Warsaw**	**Unaudited 30 June 2020**	**Unaudited 30 June 2019**
Number of sites purchased				**3**	**1**
Provisional fair value	£'000	£'000	£'000	**£'000**	£'000
Property, plant & equipment	88	20	521	**629**	**2,130**
Right of use assets	1,978	514	731	**3,223**	**-**
Intangible assets	-	-	-	**-**	**-**
Current assets	1	1	51	**53**	**-**
Cash	-	29	63	**92**	**85**
Debt	-	-	-	**-**	**-**
Deferred revenue, trade & Other payables	(9)	(2)	(67)	**(78)**	**(33)**
Lease Liabilities	1,978	514	731	**3,223**	
Deferred tax	-	-	-	**-**	**-**
Goodwill	1,224	1,126	606	**2,956**	**790**
Consideration					
Net cash paid on acquisition	1,304	1,174	1,174	**3,652**	**2,972**
Deferred payments	-	**-**	**-**	**-**	**-**
Total Consideration	**1,304**	**1,174**	**1,174**	**3,652**	**2,972**

5. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 6 months to 30 June 2020 £000	Unaudited 6 months to 30 June 2019 £000	Audited Year to 31 December 2019 £000
Loss before tax	**(4,727)**	**(904)**	**(635)**
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets	2,072	1,614	3,512
Finance costs	1,327	1,456	2,440
Loss on disposal of fixed assets	-	-	-
Share-based payments	17	17	34
Exchange movements	(303)	(67)	(2)
Changes in working capital			
Decrease/(Increase) in inventory	23	-	(39)
(Increase)/Decrease in trade receivables	222	144	(170)
Increase/(Decrease) in trade and other payables	582	1,278	305
Cash generated from operating activities	**(787)**	**3,538**	**5,445**