**29 September 2022**

**Safestay plc**

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

**Interim Results**

Safestay (AIM: SSTY), the owner and operator of an international brand of contemporary hostels, is pleased to announce its Interim Results for the 6 months to 30 June 2022.

**H1 Financial Highlights**

- All 16 hostels remained largely open for the first time since early 2020 and demonstrated that their customer appeal remains strong
- Revenues built during the period to £7.3 million (2021: £1.0 million) a good performance moving back toward pre-pandemic levels (2019: £8.1 million)
- Delivered with an Occupancy rate of only 51% (2019: 71%) showing there remains significant upside
- Average bed rate (ABR) was sustained at £21.5 (2019: £19.5)
- Cost base coming back in line with increased trading
- Generated EBITDA of £2.5 million (2021 loss of £1.09 million and 2019 profit of £2.2 million) and a loss before tax of £0.3 million (2021: profit of £3.6 million including gains from property disposals and 2019 loss of £0.9 million).
- Cash at bank of £5.2 million as at 30 June 2022
- As at 30 June 2022, net asset value per share was 44.6p (30 June 2021: 47.6p per share(restated)) reflecting the underlying value of the property portfolio

**H2 Trading**

- Good start to the key summer months with trading in both July and August ahead of budget
- Sales currently coming mostly from young travellers, Group bookings from schools, colleges and universities starting to come back but well below where they are expected, although forward group bookings for the latter part of 2022 are encouraging.
- On track to complete a successful year

**Larry Lipman, Chairman of the Company, commenting on the results said:**

"It is difficult to predict how quickly a business will recover, so we are very pleased to present these results which show Safestay coming back rapidly towards pre-pandemic levels of trading and beyond. As we always felt, if allowed to travel, our customers would again opt to stay in our premium portfolio of hostels all of which are well located in the major and most visited cities across Europe. Our trading is naturally second half weighted over the summer months and we have enjoyed a strong July and August and have done so with college groups around 14.8% of room revenue at this stage but is expected to build back to historical levels of 30-40%. It is important to remain cautious, especially given the current economic backdrop, but the business is well funded, demand is rising and we are well placed to deliver a trading result for the year that is comfortably ahead of our expectations at the outset of 2022.

**Enquiries**

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**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**

I am pleased to present these results which demonstrate the continued popularity of the Safestay portfolio of premium hostels. This was the first 6-month trading period in the last two years where we have been able to remain largely open with very little interruption and our customers have been free from travel restrictions to visit each of the 12 countries where we operate. We have come out of the pandemic with 16 high quality hostels and a strengthened balance sheet, following the two hostel sales last year, to support the return of the Group to full trading. These results show the Group is close to being level with the H1 performance in 2019 and given this was achieved with occupancy at just 51% there is certainly scope for further improvement.

We have started the key second half of the financial year well and we look forward to delivering a good result for the year as a whole.

**Financial review**

The Group generated revenues of £7.3 million (2021: £1.0 million), leading to EBITDA of £2.5 million (2021: Loss of £1.09 million). The EBITDA calculation is disclosed in note 2.

With the portfolio now open and less likely to face further closures, the cost base, which was successfully pared back during the pandemic, is now coming back up to support the trading prospects of the hostels. There was no government support for the Group in the period and the rental agreements are also normalising after several landlords acted supportively during the pandemic. In addition, the rent on Holland Park has been reduced by 38% or £250,000 following successful rent negotiations.

The Group recorded a loss before tax of £0.3 million (2021: profit of £3.6 million), in the prior year, the Group benefited from the sale of the Edinburgh hostel and recorded a loss per share of 0.5p (2021: profit of 5.6p).

Group borrowings as at 30 June 2022 were £24.8 million with cash at bank of £5.2 million. The value of the Group's portfolio of properties further underpins the Group's finances and while it is not valued on an annual basis, the most recent valuation for just the Elephant & Castle site as at 31 December 2021 was £26.8 million.

As at 30 June 2022, net asset value per share was 44.6p per share (30 June 2021: 47.6p per share(restated)).

**Operational review**

Following the disposal in 2021 of the Barcelona (Sea) and Edinburgh Hostels for £16.7 million, Safestay now operates 16 hostels with approximately 3,242 beds across 11 European and 3 UK cities. Like many operators in the hospitality sector, the last two years have presented significant challenges to every part of the business. The Group has had to adapt quickly but has now re-emerged in 2022 a leaner, more financially secure business with the capability to recover all lost ground and move forward again. The first six months have clearly shown good demand which has continued into the second half of the year.

Demand at this stage has primarily come from young people exploring Europe who have been the first to respond to the ability to travel freely and once again visit the attractions of Europe's principal cities. Whereas group bookings by colleges, schools and universities who typically make up between 30-40% of the annual room revenue have been slower to come back post pandemic, responsible for just 14.8% of the H1 room revenue. Demand has increased from this segment in H2 but the Group expects it will be in 2023 that the group bookings market returns in earnest.

Occupancy was 51% in H1, a figure that is building back towards pre-pandemic levels of 71%, recorded for the same H1 period in 2019. The return of group bookings to previous levels will be an important factor and increasing confidence amongst all customer segments will support a return to normal trading.

Operationally the Group is building back the teams in each hostel, new staff are being recruited in line with increasing demand. Recruitment in this market is challenging and competition for good staff may lead to higher payroll costs but as yet there has been no need for a significant shift. The management team are also very mindful of potential inflationary pressures on other parts of the business. In terms of energy costs, the Group has fixed electricity prices in the UK to September 2023 providing certainty during this period. Ultimately, if required bed prices would be increased.

Overall, the business has made a good return to trading, always placing the safety of guests first and looking to build momentum and trust in the business over the coming months. The core offer of a comfortable and safe stay in beautiful, often iconic buildings that are centrally located, in well-known and popular cities but still with a bed rate of around just £20, is unchanged. Importantly, a good proportion of the bookings received were direct to the Group's website, in total 25.1% of non-groups room revenue, which delivers a higher margin.

Capex has been kept at a minimum over the last two years given cash constraints. During H1 while capex spend levels were still relatively low where required the business invested behind ensuring the fabric and quality of the buildings was maintained. Reflecting the uncertainty of the market environment, new development projects remain on hold. The focus for now is solely on improving the marketing and revenue management strategies to optimise performance and supporting customer return to pre-pandemic levels.

In February, Paul Hingston joined the Group as Chief financial Officer replacing Peter Harvey. In June, Nuno Sacramento, Chief Operating Officer left the Group and a search for his successor is well advanced.

**Outlook**

This has been a good performance by Safestay, certainly better than we had originally forecast. Most importantly, when our customers were allowed to visit, they did, proving the ongoing appeal of our venues. The sale of the two hostels last year for £16.7 million, helped refinance the business and place us in a good position to move forward positively. There will no doubt be further cost pressures, but we may also benefit from being a value offer in a market where consumers are more cash constrained. Overall, we feel confident in our business and its prospects are steadily returning.

**Larry Lipman**

**Chairman**

**29 September 2022**

**Condensed consolidated statement of comprehensive income**

| | Note | Unaudited 6 months to 30 June 2022 £000 | (restated) Unaudited 6 months to 30 June 2021 £000 | Audited Year to 31 December 2021 £000 |
|---|---|---|---|---|
| **Revenue** | **3** | 7,286 | 407 | 5,810 |
| Cost of sales | | (906) | (42) | (1,160) |
| **Gross profit** | | **6,380** | **365** | **4,650** |
| Administrative expenses | | (5,759) | (2,836) | (9,867) |
| **Operating profit / (loss) before exceptional** | | **620** | **(2,471)** | **(5,217)** |
| Exceptional items – profit on sale of assets | | - | | - |
| Exceptional items – other operating income | | - | 336 | 1,737 |
| Exception items – loss on disposal | | | | - |
| Exceptional items – costs | | - | (20) | - |
| **Operating profit / (loss) after exceptional** | **3** | **620** | **(2,155)** | **(3,480)** |
| Interest received | | 1 | - | - |
| Finance costs | | (960) | (1,196) | (2,627) |
| **Profit / (loss) before tax** | | **(338)** | **(3,351)** | **(6,107)** |
| Tax | | (5) | 1,891 | 218 |
| **Profit/(Loss) after tax for continuing operations** | | **(343)** | **(1,460)** | **(5,889)** |
| **Profit/(Loss) after tax for discontinued operations** | | **-** | **5.407** | **5,290** |
| **Total comprehensive profit / (loss) for the period attributable to owners of the parent company** | | **(343)** | **3,947** | **(599)** |
| **Basic profit/(loss) per share** | | **(0.53p)** | **6.1p** | **(0.93p)** |

| Condensed consolidated statement of financial position | Unaudited | Unaudited (restated) | Audited |
|---|---|---|---|
| | 30 June 2022 | 30 June 2021 | 31 December 2021 |
| | £000 | £000 | £000 |
| **Non-current assets** | | | |
| Property, plant and equipment | 73,974 | 73,780 | 73,609 |
| Intangible assets | 11 | 29 | 18 |
| Goodwill | 12,145 | 12,146 | 12,146 |
| Lease assets | 500 | - | 562 |
| Deferred tax asset | 1,126 | 2,693 | 1,122 |
| **Total non-current assets** | 87,755 | 88,648 | 87,457 |
| **Current assets** | | | |
| Stock | 44 | 38 | 35 |
| Trade and other receivables | 605 | 1,673 | 1,227 |
| Lease assets | 105 | - | 78 |
| Current tax asset | 199 | 65 | 199 |
| Cash and cash equivalents | 5,215 | 16,230 | 4,482 |
| **Total current assets** | 6,168 | 18,006 | 6,021 |
| **Total assets** | **93,923** | **106,654** | **93,478** |
| **Current liabilities** | | | |
| Borrowings | 574 | 776 | 926 |
| Lease liabilities | 2,033 | 1,854 | 1,922 |
| Trade and other payables | 2,236 | 2,310 | 2,062 |
| **Total current liabilities** | 4,843 | 4,940 | 4,910 |
| **Non-current liabilities** | | | |
| Borrowings | 24.140 | 34,312 | 24,028 |
| Lease liabilities | 32,783 | 34,863 | 31,086 |
| Deferred tax | 3,287 | 1,758 | 3,314 |
| Trade and other payables due in more than one year | - | - | 7 |
| **Total non-current liabilities** | 60,210 | 70,933 | 58.435 |
| **Total liabilities** | **65,052** | **75,873** | **63,345** |
| **Net assets** | **28,871** | **30,781** | **30,133** |
| **Equity** | | | |
| Share capital | 647 | 647 | 647 |
| Share premium account | 23,904 | 23,904 | 23,904 |
| Other components of equity | 17,590 | 14,613 | 18,510 |
| Retained earnings | (13,271) | (8,383) | (12,928) |
| **Total equity attributable to owners of the parent company** | **28,871** | **30,781** | **30,133** |

**Condensed consolidated statement of changes in equity**

**For the six months to 30 June 2022 (unaudited)**

| | Share capital | Share premium account | Other Components of Equity | Retained earnings | Total equity |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| **Balance at 1 January 2022** | **647** | **23,904** | **18,510** | **(12,928)** | **30,133** |
| **Comprehensive income** | | | | | |
| (Loss) for the period | - | - | - | (343) | (343) |
| Movement in translation reserve | - | - | (969) | - | (969) |
| **Total comprehensive income** | **-** | **-** | **(969)** | **(343)** | **3,769** |
| **Transactions with owners** | | | | | |
| Share-based payment charge for the period | - | - | 49 | - | 49 |
| **Balance at 30 June 2022** | **647** | **23,904** | **17,590** | **(13,271)** | **28,871** |

**Condensed consolidated statement of changes in equity**

**For the six months to 30 June 2021 (unaudited) (restated)**

| | Share capital | Share premium account | Other Components of Equity | Retained earnings | Total equity |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| **Balance at 1 January 2021** | **647** | **23,904** | **14,628** | **(12,329)** | **26,851** |
| **Comprehensive income** | | | | | |
| Profit for the period | - | - | - | 3,947 | 3,947 |
| Movement in translation reserve | - | - | (178) | - | (178) |
| **Total comprehensive income** | **-** | **-** | **(178)** | **3,947** | **(3,769)** |
| **Transactions with owners** | | | | | |
| Share-based payment charge for the period | - | - | 162 | - | 162 |
| **Balance at 30 June 2021** | **647** | **23,904** | **14,613** | **(8,383)** | **30,781** |

**For the year ended 31 December 2021 (audited)**

| | | | | | |
|---|---|---|---|---|---|
| **Balance at 1 January 2021 (restated)** | **647** | **23,904** | **14,628** | **(12,329)** | **26,851** |
| Loss for the year | - | - | - | (599) | (599) |
| **Other comprehensive income** | | | | | |
| Property revaluation | | | 5,039 | | 5,039 |
| Deferred tax on property revaluation | | | (1,399) | | (1,399) |
| Movement in translation reserve | - | - | 169 | - | 169 |
| **Total comprehensive loss** | - | - | 3,809 | (599) | 3,210 |
| **Transactions with owners** | | | | | |
| Share based payment charge for the period | - | - | 72 | - | 72 |
| **Balance at 31 December 2021** | **647** | **23,904** | **18,510** | **(12,928)** | **30,133** |

**Condensed consolidated statement of cash flows**

| | Note | Unaudited 6 months to 30 June 2022 £000 | Unaudited 6 months to 30 June 2021 £000 | Audited Year to 31 December 2021 £000 |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Cash generated from operations | **4** | 2,939 | (244) | (1,272) |
| Income tax paid | | 4 | - | (51) |
| **Net cash generated from operating activities** | | 2,943 | (244) | (1,323) |
| **Investing activities** | | | | |
| Purchase of property, plant and equipment | | (176) | (55) | (307) |
| Purchase of intangible assets | | - | - | - |
| Acquisition of business | | - | - | - |
| Payment of deferred consideration | | - | - | - |
| Sale proceeds from disposals | | - | 16,000 | 16,658 |
| **Net cash outflow from investing activities** | | (176) | 15,945 | 16,351 |
| **Cash flows from financing activities** | | | | |
| Proceeds from refinancing transaction | | - | - | - |
| Fees relating to financing transaction | | - | - | - |
| Proceeds from property financing transaction | | - | - | - |
| Proceeds from Coronavirus Business Interruption loan | | - | - | - |
| Repayment of bank loans | | (250) | (205) | (10,373) |
| Principal elements of lease payments | | (1,678) | (882) | (1,810) |
| Property financing payments | | - | (166) | - |
| Fees related to borrowings | | - | - | - |
| Interest paid | | (106) | (343) | (488) |
| | | (2,034) | (1,596) | (12,671) |
| **Cash and cash equivalents at beginning of period** | | **4,482** | **2,125** | **2,125** |
| Net increase/(decrease) in cash and cash equivalents | | 733 | 14,105 | 2,357 |
| **Cash and cash equivalents at end of period** | | **5,215** | **16,230** | **4,482** |

## 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 Accounting Standards under UK-adopted IFRS.

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 2021.

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

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 31 December 2022.

**New standards and interpretations effective in the year**

No new standards have been implemented this year that have a material impact on the business.

## 2. PRIOR YEAR RESTATEMENT

**IFRS 16 Adjustment**

Following a review of the IFRS 16 accounting for the year to 31 December 2021, it is noted that the classification between accruals, IFRS lease liability and rent expense in the year to 31 December 2020 was found to be incorrect. This has resulted in an increased lease liability of £440,000, a decrease in accruals of £598,000 and a decrease in rent (increase in retained earnings brought forward) of £158,000.

Overall, the 2020 loss decreased and consequently the 2021 retained earnings brought forward has increased by £158,000, plus the net assets has increased by £158,000.

**Deferred tax liability on the 2019 Safestay (Elephant & Castle) Ltd property revaluation**

From a review of the deferred tax balances as at 31 December 2021 it is noted that the deferred tax liability relating to the property revaluation on Safestay (Elephant & Castle) Ltd was erroneously omitted from the liability for the year ended 31 December 2019.

An adjustment has been made to correct this that has reduced the property revaluation reserve by £1,758,000 and increased the deferred tax liability by £1,758,000. This has reduced net assets by £1,758,000 and has no impact on the trading profit in 2019.

**Profit and Loss Representation**

For the period ending 30 June 2021 we have restated the profit and loss account to present the discontinued operations on a separate line. There has been no impact on the profit and loss made for the period.

**3.SEGMENTAL ANALYSIS**

| | Unaudited 6 months to 30 June 2022 £000 | Unaudited 6 months to 30 June 2021 £000 | Audited Year to 31 December 2021 £000 |
|---|---|---|---|
| Hostel accommodation | 6,564 | 507 | 4,901 |
| Food and Beverages sales | 495 | 364 | 725 |
| Other income | 227 | 18 | 550 |
| Rental income | - | 131 | 247 |
| **Total Income** | **7,286** | **1,020** | **6,423** |

**UNAUDITED 6 MONTHS TO 30 JUNE 2022**

| **2022** | **UK** £000 | **Spain** £000 | **Rest of Europe** £000 | **Shared services** £000 | **TOTAL** £000 |
|---|---|---|---|---|---|
| **Revenue** | 2,657 | 1,813 | 2,816 | **-** | **7,286** |
| **Profit/(Loss) before tax** | 509 | 403 | 456 | (1,706) | **(338)** |
| Finance costs | 160 | 244 | 203 | 353 | **960** |
| Operating Profit after exceptional items | 669 | 648 | 659 | (1354) | **622** |
| Depreciation, Amortisation & disposals | 404 | 636 | 670 | 198 | **1,908** |
| Exceptional & Share based payment expense | 49 | | - | - | **49** |
| Rent forgiveness | - | (24) | - | - | **(24)** |
| **Adjusted EBITDA** | **1,122** | **1,260** | **1,329** | **(1,156)** | **2,555** |
| **Total assets** | 34,456 | 20,739 | 26,206 | 12,522 | **93,923** |
| **Total liabilities** | (11,653) | (13,916) | (12,687) | (26,796) | **(65,052)** |

**AUDITED 12 MONTHS TO 31 DECEMBER 2021**

| 2021 | UK | Spain | Europe | Shared services | TOTAL |
|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** |
| **Revenue** | 2,422 | 1,363 | 2,625 | - | **6,423** |
| **Profit/(Loss) before tax** | 6,689 | (2,278) | (3,448) | (2,549) | **692** |
| Finance costs | 271 | 618 | 1,157 | 1,273 | **2,701** |
| Operating Loss after exceptional items | 6.960 | (1,660) | (2,291) | (1,276) | **3,393** |
| Depreciation, Amortisation & disposals | 1,028 | 1,076 | 2,350 | 395 | **3,773** |
| Exceptional & Share based payment expense | (7,511) | 554 | 554 | 72 | **(6,885)** |
| Rent forgiveness | (595) | (227) | (680) | - | **(1,275)** |
| **Adjusted EBITDA** | **(118)** | **(257)** | **(67)** | **(809)** | **(994)** |
| **Total assets** | 34,975 | 19,144 | 44,168 | 14,335 | **93,478** |
| **Total liabilities** | (10,731) | (13,432) | (25,893) | (26,721) | **(63,345)** |

## 4. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Unaudited 6 months to 30 June 2022 | Unaudited 6 months to 30 June 2021 | Audited Year to 31 December 2021 |
|---|---|---|---|
| | **£000** | **£000** | **£000** |
| **Loss before tax** | **(283)** | **3,565** | **693** |
| *Adjustments for:* | | | |
| Depreciation of property, plant and equipment and amortisation of intangible assets | 1,908 | 2,466 | 3,773 |
| Profit on disposal of assets | - | (7,074) | (6,957) |
| Finance costs | 960 | 1,270 | 2,545 |
| Share-based payments | - | 162 | 72 |
| Exchange movements | 43 | 30 | 116 |
| Rent concessions | (24) | (788) | (1,275) |
| **Changes in working capital** | | | |
| Decrease/(Increase) in inventory | (9) | 10 | 12 |
| (Increase)/Decrease in trade receivables | 622 | 218 | 549 |
| Increase/(Decrease) in trade and other payables | (272) | (103) | (800) |
| **Cash generated from operating activities** | **2,939** | **(244)** | **(1,272)** |