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If you have sold or otherwise transferred all of your shares in Safestay PLC, you should pass this document without delay to the purchaser or transferee, or to the stockbroker, bank or other person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

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## SAFESTAY PLC

(Incorporated in England and Wales under the Companies Act 2006 with registered number 8866498)

### **PROPOSED SALE OF SAFESTAY EDINBURGH HOSTEL AND NOTICE OF GENERAL MEETING**

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Notice of a General Meeting of the Company to be held at 1a Kingsley Way, London N2 0FW at 10.00 a.m. on Friday 30 April 2021 is set out at the end of this document.

**In light of the COVID-19 pandemic and the UK legislation and government guidance currently in force as a consequence, there are significant restrictions on public gatherings and non-essential travel that are expected to affect the arrangements for, and attendance at, the General Meeting. In light of these restrictions, together with the uncertainty as to any additional and/or alternative restrictions or measures that may be introduced by the UK government, and in order to protect the health and wellbeing of our Shareholders, employees and advisers and of the general public, we are proposing to hold the General Meeting with the minimum attendance required to form a quorum.**

**Assuming there is no material change in circumstances between the date of this document and the date of the General Meeting, this means that Shareholders will not be permitted entry to the General Meeting but can be represented by the chair of the General Meeting acting as their proxy. In the unlikely event that there is a material change in circumstances before the date of the General Meeting, it may be possible to permit Shareholders to attend the General Meeting in person. We will notify Shareholders of any such change to the arrangements for the General Meeting. Further information on this is set out in paragraph 6 (General Meeting) of the letter from the Chairman set out in Part I of this document.**

Your vote is important to the Company and the Board wishes to ensure that it is counted at the General Meeting despite the restrictions on physical attendance at the meeting. All Shareholders are strongly encouraged to vote by proxy appointing the chair of the General Meeting as their proxy. Details of how to do this are contained in this document. Voting at the General Meeting will be carried out by way of a poll so that the votes cast in advance and the votes of all Shareholders appointing the chair of the General Meeting as their proxy can be taken into account. The result of voting on the Resolution will be announced by the Company shortly after the General Meeting has taken place.

You will not receive a form of proxy for the General Meeting in the post. Instead, you will be able to vote by proxy electronically by logging on to **www.signalshares.com** and following the instructions given. If you have not previously registered for electronic communications you will first be asked to register as a new user, for which you will require your investor code (which can be found on your share certificate).

If you need help with voting by proxy online or require a paper proxy form to be sent to you, please contact the Company's registrars, Link Group, on 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The registrars are open between 09:00 and 17:30 Monday to Friday excluding public holidays in England and Wales.

### **Forward-Looking Statements**

This document includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "forecasts", "plans", "prepares", "anticipates", "projects", "expects", "intends", "may", "will", "seeks", "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the Company's and the Directors' intentions, beliefs or current expectations concerning, amongst other things, the Company's prospects, growth and strategy. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The Company's actual performance, achievements and financial condition may differ materially from those expressed or implied by the forward-looking statements in this document. In addition, even if the Company's results of operations, performance, achievements and financial condition are consistent with the forward-looking statements in this document, those results or development may not be indicative of results or developments in subsequent periods. Any forward-looking statements that the Company makes in this document speak only as of the date of such statement and (other than in accordance with their legal or regulatory obligations) neither the Company nor any of its associates, directors, officers or advisers undertakes any obligation to update such statements. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

### **Contents**

Expected timetable of principal events	3
Part I Letter from the Chairman	4
Part II Principal Terms of the Edinburgh Sale Agreements	9
Part III Risk Factors	15
Part IV Definitions	17
Notice of General Meeting	20

**Expected Timetable of Principal Events**

Latest time and date for receipt of forms of proxy	10.00 a.m. on 28 April 2021
General Meeting	10.00 a.m. on 30 April 2021
Results of the General Meeting announced through RNS	30 April 2021
Completion under the Edinburgh Sale Agreements	30 June 2021 <sup>(1)</sup>
Longstop Date for satisfaction of the condition to Completion under the Edinburgh Sale Agreements	30 September 2021 <sup>(2)</sup>

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References to time in this document are to London time unless otherwise stated.

**Notes:**

- (1) Completion under the Edinburgh Sale Agreements will, in terms of those agreements, occur on the later of (a) 30 June 2021 and (b) ten Business Days after the satisfaction of the Shareholder Approval Condition. The date of Completion stated in the timetable assumes that the Resolution is passed on 30 April 2021, the date for which the General Meeting has been convened.
- (2) This date may be extended by agreement between the parties to the Edinburgh Sale Agreements.

# Part I

## Letter from the Chairman

### Safestay plc

(Incorporated in England and Wales under the Companies Act 2006 with registered number 8866498)

### Directors:

Larry Lipman (Chairman)  
Nuno Sacramento (Chief Operating Officer)  
Hervé Deligny (Chief Financial Officer)  
Stephen Moss (Non-Executive Director)  
Anson Chan (Non-Executive Director)  
Michael Hirst (Non-Executive Director)

### Registered Office:

1a Kingsley Way  
London  
N2 0FW

31 March 2021

To Shareholders and, for information only, to the holders of options over Ordinary Shares and holders of existing intercompany loan agreements

Dear Shareholder

## Proposed Sale of Safestay Edinburgh Hostel and Notice of General Meeting

### 1. Introduction

On 26 March 2021, the Company announced that the Group had entered into two conditional sale and purchase agreements in connection with the sale of its Edinburgh Hostel to a&o Hostels and Hotels for an initial aggregate cash consideration of £16,000,000 (subject to final adjustment):

- a conditional sale and purchase agreement (also referred to in this document as the Edinburgh BTA) dated 25 March 2021, under which the Edinburgh Hostel business and assets are to be acquired from Safestay (Edinburgh) Hostel Limited by A&O Hostel and Hotel Edinburgh Limited; and
- a conditional sale and purchase agreement (also referred to in this document as the Edinburgh SPA) dated 25 March 2021, under which the entire issued share capital of Safestay (Edinburgh) Holdings Limited is to be acquired from Safestay (Edinburgh) Limited by Alpha New Projects HoldCo S.à r.l.

(and in this document the Edinburgh BTA and the Edinburgh SPA are also referred to as the Edinburgh Sale Agreements).

Given the amount of the initial consideration to be paid under the Edinburgh Sale Agreements relative to the market capitalisation of the Company, the Transaction is deemed by the AIM Rules to be a disposal resulting in a fundamental change in business. The Transaction is accordingly conditional upon Shareholder approval. That approval will be sought at a general meeting of the Company to be held at 1a Kingsley Way, London N2 0FW at 10.00 a.m. on 30 April 2021. The notice of that meeting is set out at the end of this document.

The action you should take to vote on the resolution contained in the notice of the General Meeting and the recommendation of the Board in connection with the Resolution, are set out in paragraphs 7 (**Action to be taken**) and 8 (**Recommendation**) of this letter. **Please note that, as a result of the current COVID-19 pandemic and the legislative measures and associated guidance introduced by the UK government in response, for the safety of Shareholders, our employees, our advisers and the general public, the General Meeting will be held as a closed meeting. Further information on this is contained in paragraph 6 (General Meeting) of this letter.**

The purpose of this letter is to provide you with the background to, reasons for and details of the Transaction, to explain why the Directors unanimously consider the Transaction to be in the best interests of the Company and its Shareholders as a whole and to recommend that Shareholders vote in favour of the Resolution at the General Meeting.

## 2. Background to, reasons for and effect of the Transaction

### 2.1 Background and corporate rationale

In line with the hospitality industry globally, the Group's hostels have been impacted significantly by the COVID-19 pandemic. In the early stages of the pandemic in Europe, Safestay released a trading update on 10 March 2020 announcing a reduction in the booking levels for the future months. As events unfolded and it became clear to the Board that the Group's industry was confronted with a major crisis, the Company took steps to protect the business and support its financial ability to manage the crisis. By 1 April 2020, all of the Group's hostels were closed. The trading update released on 10 March 2020, and the Group's 2019 annual results released on 29 May 2020, both set out in more detail the financial measures taken to protect the Group, and the operational measures introduced to protect the Group's employees and guests. These measures are summarised below:

- The majority of the Group's hostel staff were furloughed, receiving financial support from the governments in their respective countries and the Company took advantage of government reliefs where available.
- Operational costs associated with the running of the individual sites and our head office were greatly reduced, and the Company also benefited from business rates reliefs for the 5 hostels operated in the UK since April 2020.
- Individual agreements were reached with landlords involving a mix of suspension of rents or rent reductions.
- A £5 million overdraft was agreed with HSBC which, together with the cash reserves in April 2020, was intended to fund liquidity requirements during the lockdown period.
- The covenants of the £23 million debt facility, also with HSBC, were waived until the end of 2020.

At the time of publication of the Group's 2019 annual results, the Board believed that the majority of the Group's hostels could re-open during the summer period. However, as the pandemic intensified and further lockdowns and travel restrictions were implemented throughout Europe, the Company announced on 13 October 2020 that the Group's hostels would have to close again whilst the Company would take additional steps to further reduce its cash burn, including a 40% reduction in management salaries, additional rent reductions obtained from landlords and grants from the governments. In addition, the Company replaced the £5 million overdraft with HSBC with a £5 million CBILS loan, also via HSBC, to provide a longer-term financing option to the Company.

As a result of the various financial measures, the monthly cost base of the Group has been lowered to approximately £0.35 million since November 2020, a step that the Board believes has significantly mitigated the impact of having to close the Group's hostels.

More recently on 2 March 2021, the Company announced the disposal of the Barcelona Sea hostel for €0.9 million to repay the debt resulting from a deferred payment due in 2021 and 2022 in relation to the acquisition of the Barcelona PDG hostel in 2018.

The cash flow projections for the next 12 months show that, despite the significant reduction of the monthly cash burn, the Group's cash reserves (£1.4 million as at 22 March 2021) is not sufficient to satisfy the cash requirements until the market recovers and the Company can be cash generative again. The Board believes that an asset disposal is the optimal approach for the Group to raise new capital in the current market environment, rather than seeking further external debt. The Board believes that the terms of the Transaction, including the proposed cash consideration of £16,000,000 payable by the Buyers on completion, represents an attractive option in the current environment. The Edinburgh Hostel was externally valued at £14.9 million in March 2020 and the book value of the Edinburgh Hostel as at 31 December 2020 was £13.4 million.

Part of the proceeds from the Transaction will be used to reduce debt by 35%, whilst providing the Group with sufficient cash reserves for the next months. For further information, please see paragraph 2.4 ([Use of Proceeds](#)) below. The Board believes the Transaction is the best option to protect Shareholders' interests and place the Company in a strong position for when the market recovers, new opportunities arise, and the Company can again be cash generative.

The recent announcements from various European governments, including the UK government, and the roll-out of effective COVID-19 vaccines across the continent, give the Board reason to be optimistic for the future of the travel industry. Safestay has been at the forefront of the modernisation of the hostel market over the last 5 years. The Group's strategy is to offer a comfortable and safe stay in beautiful, often iconic buildings that are centrally located, in well-known and popular cities but still with an expected bed rate of £20. Before the COVID-19 pandemic this had proven to be a successful formula and one that the Board believes will continue to appeal to our customer base when the world and the global economy begins to recover from the current crisis.

### 2.2 Information regarding the Edinburgh Hostel

#### The Edinburgh Hostel

The Edinburgh Hostel, which was converted in 2001, and extended in 2007, is a hostel and student accommodation scheme in a prime location in the heart of the Old Town of Edinburgh, close to the Royal Mile. The Edinburgh Hostel opened in 2007, originally trading as Smart City Hostels Edinburgh, before its acquisition by the Group in 2015. The Property comprises a converted Grade B listed building with frontage to Blackfriars Street with 8 floors, with a significant purpose-built extension to the rear providing accommodation across lower

ground, ground and a maximum of six upper floors. The extension has frontage to Cowgate and effectively forms a 'U' shape around a central courtyard area. Trading areas within the Edinburgh Hostel include the reception area and the "Bar 50" restaurant, bar and lounge.

The site of the Property as a whole extends to approximately 0.12 hectares (0.30 Acres).

The Edinburgh Hostel provides a total of 132 bedrooms with interchangeable use between hostel and student accommodation and allowing for a maximum of 615 bed spaces. It has 272 beds available for hostel use throughout the year. In addition, 81 en-suite bedrooms, which are leased to the University of Edinburgh under the University Lease for 39 weeks of the year (September to May), are available over the peak tourist period of the summer months for hostel use, providing an additional 343 beds, giving a maximum capacity as a hostel of 615 beds. The University Lease runs until 31 May 2027 (and from month to month thereafter) and generates £357,013 per year in rent.

In 2018 and 2019 the Company undertook improvement work to the Edinburgh Hostel, including renovations to the rooms, bar and replacement of showers, as part of a £0.9 million investment in premises improvements across the Group.

### 2015 Acquisition

In July 2015, the Edinburgh Hostel was independently valued at £14.8 million. On 17 August 2015, the Company, together with two of its subsidiaries, Safestay (Edinburgh) Limited and Safestay (Edinburgh) Hostel Limited, entered into a business purchase agreement (the **2015 Acquisition Agreement**) with Blackfriars Property Developments Limited and Starboard Hotels Five LLP (together the **Edinburgh Sellers**) to acquire the business, property and assets of the Edinburgh Hostel, then trading as Smart City Hostel. Under the 2015 Acquisition Agreement, the Edinburgh Hostel was acquired by the Group as two separate businesses (a letting business and a hostel and letting business), with both being transferred as going concerns. The consideration paid by the Group under the 2015 Acquisition Agreement was £14,900,000, satisfied as to £14.15 million in cash payable at completion and as to £750,000 by the issue of new Ordinary Shares to the selling parties. The 2015 Acquisition Agreement also contained a separate provision for valuation of stock and the apportionment of expenditure and outgoings of the Edinburgh Hostel.

Completion under the 2015 Acquisition Agreement was conditional, amongst other things, on the approval of Shareholders. This approval was sought and obtained at a general meeting of the Company held on 9 September 2015. On 18 September 2015 the Company announced that the Group had completed of the acquisition of the Edinburgh Hostel.

### 2017 Sale and Leaseback

On 31 March 2017, the Company announced that it had completed a sale and leaseback transaction on the Edinburgh Hostel, resulting in an institutional buyer acquiring the (freehold) title to the Property and Safestay (Edinburgh) Holdings Limited holding the tenant's interest in a 150 year Head Lease at geared ground rent. Safestay received £5.32 million for the Edinburgh Hostel under this arrangement, against an initial ground rent of £140,000 per annum (exclusive of VAT), subject to review. The 2017 sale and leaseback had no direct effect on the operation of the hostel and letting business Safestay (Edinburgh) Hostel Limited.

Shortly before completion of the sale and leaseback transaction, the leasehold interest in the Property was independently valued on 14 March 2017 at £16 million by Cushman and Wakefield on behalf of HSBC (the Group's bankers).

### Valuation and Earnings

The average annual EBITDA of the Edinburgh Hostel in 2017, 2018 and 2019 was £1.6 million. The Edinburgh Hostel operation was impacted by the COVID-19 pandemic and as a result the annual EBITDA was reduced to £0.3 million in 2020.

The net book value of the Edinburgh Hostel in the Group balance sheet is £13.4 million.

### 2.3 Effect of the Transaction on the Group

If it completes, the Transaction will have a material financial effect on the Group, through the receipt of the initial cash consideration of £16,000,000 on Completion. For further information on the intended use of the cash consideration by the Group, please see paragraph 2.4 (Application of proceeds) below. Completion of the Transaction will not however affect any of the remaining 16 hostels operated by the Group, across 11 European cities and three additional UK cities (London, York and Glasgow). In particular, and although the Group's Glasgow hostel is operated by the same company, Safestay (Edinburgh) Hostel Limited, as the Edinburgh Hostel, the Transaction will have no direct effect on the Glasgow hostel business.

In addition, and notwithstanding that the Transaction is deemed by the AIM Rules to be a disposal constituting a "fundamental change of business", it will not result in the Company ceasing to own, control or conduct all, or substantially all, of its existing trading business, activities or assets and, accordingly, the Company will not be regarded as an AIM Rule 15 cash shell following Completion.

The leasehold interest in the Property is used as a guarantee against the debt facility with HSBC. This facility amounts to £27.9 million including the £5 million CBILS loan received in December 2020 to provide the Group with sufficient liquidity during the COVID-19 period. The Edinburgh leasehold was independently valued on 31 March 2020 at £14.8 million by Cushman and Wakefield on behalf of HSBC. A portion of the proceeds from the Transaction will be used to repay £10 million to HSBC and reduce the debt facility down to £17.9 million, and the Loan to Value ratio to 52%.

The Board believes that the Transaction, assuming it proceeds to Completion, will ensure that the Group will continue to trade as a going concern and will be well capitalised and positioned for future growth when applicable restrictions on movement and gatherings introduced in response to the COVID-19 pandemic are relaxed or removed completely. This is expected to put the Group in a stronger position to take advantage of further expansion opportunities and, if the Board considers appropriate, to raise new equity.

#### 2.4 Application of proceeds

An aggregate initial cash consideration of £16,000,000 will be payable to the Group on Completion of the Transaction. This is subject to further adjustment under the completion accounts mechanism in the Edinburgh SPA, further details of which are set out in Part II of this document. The Group intends to apply the cash consideration as follows:

- to repay £10 million to HSBC, the Group's bankers, under the £22.9 million debt facility ending in January 2025;
- to the Group's day-to-day operations and for general working capital requirements until the Group operation reverts to the pre COVID-19 cash generative levels; and
- to provide the Group with cash reserves to emerge strongly from the COVID-19 pandemic with a view to resuming its expansion strategy.

### 3. Summary of the Transaction

Summaries of the principal terms of the Edinburgh Sale Agreements are set out in Part II of this document.

### 4. Information on the Buyers

The SPA Buyer and the BTA Buyer are both entities of the a&o group. a&o was founded in 2000 in Berlin, Germany, and currently operates 39 hostels in 23 cities and eight European countries. a&o facilities are visited by very diverse groups of tourists: families with children and school trips, as well as group and solo travellers. With around 28,500 beds and around five million overnight stays in 2019, a&o recorded sales of around 165 million Euros. The American investor TPG Real Estate has been the owner of a&o since 2017. Even after almost 20 years, a&o is still run by one of its founders

### 5. Further information

Your attention is drawn to the further information contained in this document and, in particular, to the risk factors set out in Part III of this document.

### 6. General Meeting

The Transaction is conditional upon Shareholder approval. This approval will be sought from Shareholders at the General Meeting. Set out at the end of this document is a notice convening the General Meeting, to be held at 1a Kingsley Way, London N2 0FW at 10.00 a.m. on 30 April 2021 and at which the Resolution will be proposed. The Resolution is an ordinary resolution, meaning that for it to be passed a majority of votes cast must be in favour.

**In light of the COVID-19 pandemic and the UK legislation and government guidance currently in force as a consequence, there are significant restrictions on public gatherings and non-essential travel that are expected to affect the arrangements for, and attendance at, the General Meeting. In light of these restrictions, together with the uncertainty as to any additional and/or alternative restrictions or measures that may be introduced by the UK government, and in order to protect the health and wellbeing of our Shareholders, employees, advisers and of the general public, we are proposing to hold the General Meeting with the minimum attendance required to form a quorum. Assuming there is no material change in circumstances between the date of this document and the date of the General Meeting, this means that Shareholders will not be permitted to attend the General Meeting in person, but can be represented by the chair of the General Meeting acting as their proxy.**

**Two Shareholders in attendance shall constitute a quorum for the General Meeting, as set out in the Company's articles of association. The Company shall ensure that a quorum is present and that the two Shareholders will be the only persons in attendance, complying with the current law and government guidance and allowing the conduct of the business set out in the Notice of the General Meeting.**

**The Company will continue to monitor the situation and, in particular, any changes to the applicable law or guidance in force as a consequence of the COVID-19 pandemic. In the unlikely event of a material change in circumstances that results in the lifting or relaxation of measures or restrictions relating to travel and public gatherings before the date of the General Meeting, it may be possible to permit Shareholders to attend the General Meeting in person. If this is the case, an update will be provided on the**

**“Investors” section of the Company’s website at <https://www.safestay.com/investors/> and by separate announcement of the Company through the regulatory news service of the London Stock Exchange.**

Given the expectation that Shareholders will not be able to attend the General Meeting in person, Shareholders are strongly encouraged to ensure that their votes are counted at the General Meeting by appointing the chair of the General Meeting as their proxy. Details of how to do this are set out in paragraph 7 (Action to be taken) below.

Voting on the Resolution at the General Meeting will be carried out by way of a poll so that the votes cast in advance and the votes of all Shareholders appointing the chair of the General Meeting as their proxy can be taken into account. The result of voting on the Resolution will be announced by the Company shortly after the General Meeting has taken place.

## **7. Action to be taken**

You will not receive a form of proxy for the General Meeting. Instead, you will be able to vote by proxy electronically by logging on to **[www.signalshares.com](http://www.signalshares.com)** and following the instructions given. If you have not previously registered for electronic communications you will first be asked to register as a new user, for which you will require your investor code (which can be found on your share certificate). You may still request a hard copy proxy form directly from the registrars, Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL

Completed forms of proxy or proxy appointment and voting instruction forms must be completed online or returned as soon as possible and, in any event, to be received or completed no later than 10.00 am on 28 April 2021.

If you need help with voting by proxy online or require a paper proxy form to be sent to you, please contact the Company’s registrars, Link Group, on 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 and 17:30, Monday to Friday excluding public holidays in England and Wales.

Shareholders that hold their Ordinary Shares in uncertificated form (that is, in CREST) can appoint their proxy for the General Meeting (or any adjournment of it) through the CREST electronic proxy appointment service, using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instructions made using the CREST service to be valid, the CREST Proxy Instruction must be properly authenticated in accordance with Euroclear’s specifications and must contain the information required for such instructions described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Link Group (ID RA10) no later than 10.00 am on 28 April 2021. Further information on appointing a proxy through CREST is set out in the notes to the Notice of the General Meeting.

**As stated in paragraph 6 (General Meeting) above, and irrespective of the method you use for the appointment of a proxy, you are requested to appoint the chair of the General Meeting as your proxy to ensure that your vote is counted. The appointment of a person other than the chair of the General Meeting as your proxy will not be valid, as that person will not be permitted to attend the meeting in person.**

## **8. Recommendation**

The Directors consider that the Transaction is in the best interests of the Company and its Shareholders as a whole and, accordingly, the Directors unanimously recommend that Shareholders vote in favour of the Resolution, as they intend to do in respect of their entire beneficial holdings of Ordinary Shares (representing approximately 10.28 per cent. of the current issued share capital of the Company as at 30 March 2021, the last practicable date prior to publication of this document).

Yours sincerely



**Larry Lipman**  
Chairman



## PART II

# PRINCIPAL TERMS OF THE EDINBURGH SALE AGREEMENTS

### Background to Edinburgh BTA and Edinburgh SPA

The Group's ownership of the Edinburgh Hostel is held between two companies within the Group:

- Safestay (Edinburgh) Hostel Limited, which owns and operates the hostel and UOE letting business from the Property; and
- Safestay (Edinburgh) Holdings Limited, which holds the tenant's interest in the Head Lease and leases the Property to the BTA Seller under the Mid Lease.

As a result of this division of ownership, the Transaction involves two principal transaction documents:

- The Edinburgh BTA, under which Edinburgh Hostel business and assets are to be acquired from Safestay (Edinburgh) Hostel Limited by A&O Hostel and Hotel Edinburgh Limited; and
- The Edinburgh SPA, under which the entire issued share capital of Safestay (Edinburgh) Holdings Limited (**SEHL**) is to be acquired from Safestay (Edinburgh) Limited by Alpha New Projects HoldCo S.à r.l..

Summaries of each of these principal transaction documents are set out below.

### Edinburgh BTA

The Edinburgh BTA was entered into on 25 March 2021 between Safestay (Edinburgh) Hostel Limited (also referred to in this document as the BTA Seller) and A&O Hostel and Hotel Edinburgh Limited (also referred to in this document as the BTA Buyer). The following is a summary of the principal terms of the Edinburgh BTA.

#### 1. Agreement to sell the principal hostel and letting business of the Edinburgh Hostel

Pursuant to the Edinburgh BTA, the BTA Seller has conditionally agreed to sell to the BTA Buyer the hostel and letting business undertaken at the Property, including the tenant's interest in the Mid Lease. Certain assets related to the business are excluded from the sale, including cash in bank or at hand, trade debtors and trade creditors prior to Completion and a number of minor items of equipment and fixed assets located on the Property. The BTA Buyer will not acquire any right to trade from the Property under the "Safestay" name following Completion.

#### 2. Shareholder Approval Condition

The Edinburgh BTA is conditional upon the approval of the Resolution by Shareholders at the General Meeting (the **Shareholder Approval Condition**). As noted in Part 1 of this document, the AIM Rules require that the Transaction is conditional upon Shareholder approval as it is deemed to be a disposal resulting in a fundamental change in business.

The Edinburgh BTA will lapse and be of no effect if the Shareholder Approval Condition not satisfied on or before the Longstop Date. Completion is to take place on the later of:

- 30 June 2021; and
- ten Business Days after the satisfaction (or, where applicable, waiver) of the Shareholder Approval Condition.

In relation to the Shareholder Approval Condition, the BTA Seller has undertaken to use all reasonable endeavours to procure that the condition is satisfied no later than 30 April 2021, the date of the General Meeting.

If the Edinburgh BTA terminates due to the non-satisfaction of the Shareholder Approval Condition, the Edinburgh Sale Agreements impose certain prohibitions on the Group and its offices, employees, agents or advisers until 31 December 2021 in relation to the sale of the Edinburgh Hostel business, the Property or the share capital of SEHL to a third party. If these prohibitions are breached, the only liability of the Group will be to make a one-off payment of liquidated damages to the Buyers of the higher of:

- the amount, if any, by which the consideration paid to the Group by the third party or parties for the sale (including any connected or related transaction) exceeds the total consideration that would have been payable to the Group had Completion of the Transaction occurred; and
- £200,000.

### 3. Consideration

The consideration payable by the BTA Buyer to the BTA Seller is £10, to be paid in cash at Completion.

### 4. Interim period

In respect of the period commencing on the date of the Edinburgh BTA and ending on Completion, the BTA Seller has agreed, amongst other matters, and subject to COVID-19 Restrictions and certain other exceptions:

- (a) to conduct the business in accordance with all applicable legal and administrative requirements and in the ordinary course so as to maintain the business as a going concern;
- (b) not to discontinue or cease to operate all or a material part of the business;
- (c) not to incur, or enter into any commitment to incur, expenditure on capital account on any single item in excess of £5,000 without the consent of and at the cost of the BTA Buyer (or, if the BTA Seller has reopened or recommenced ordinary course trading of part or all the Business, £25,000);
- (d) not to dispose of the whole or any part of any of the assets to be sold under the Edinburgh BTA except stock in the ordinary course of business;
- (e) not to alter its usual debt payment practice;
- (f) not to enter into any long term, unusual or onerous contract or other commitment relating to the business;
- (g) not sell beds at a net price of less than £15 per bed for the period after Completion;
- (h) not to grant or vary any lease, licence or third party right or terminate, or give notice to terminate, a lease, licence or third party right in respect of any part of the Property;
- (i) not to change the existing use or assign or otherwise dispose of any part of the Property;
- (j) not to enter into any material leasing, hire purchase or other agreement or arrangement for payment on deferred terms in relation to the business;
- (k) not to create any encumbrance over the Property or any other asset to be acquired under the Edinburgh BTA;
- (l) to procure that, without the consent of the BTA Buyer which will not be unreasonably withheld or delayed, no new employee, officer or director will be taken on on a permanent basis, and that notice will not be given to terminate the employment or engagement of any employee, officer or director save where there has been a breach by that employee of the terms of his or her employment contract which would enable termination;
- (m) to procure that, without the consent of the BTA Buyer, no employee will be redeployed or assigned and no changes in the terms or conditions of employment or engagement or pension benefits of any employee, officer or director will be proposed or made (whether contractual or non-contractual);
- (n) not to enter into any agreement with any trade union in connection with, or related to, the business;
- (o) not commence, threaten to commence, settle or agree to settle any legal, tribunal or arbitration proceedings relating to the business, save for debt collection in the ordinary course of business;
- (p) to maintain in force all policies of insurance and not permit any insurance to lapse or do anything which would make any policy of insurance void or voidable;
- (q) not incur any liabilities other than trading liabilities incurred on arm's length terms in the ordinary course of business;
- (r) not take any action which is inconsistent with the provisions of the Edinburgh BTA or the fulfilment of any transaction contemplated by it;
- (s) to implement its obligations under the University Lease and the Mid Lease and continue to manage the Property and the University Lease as a responsible landlord and in accordance with the principles of good estate management; and
- (t) not to:
  - terminate or accept a renunciation of the University Lease or the Mid Lease;
  - grant any new lease;
  - vary the University Lease or the Mid Lease;
  - settle any rent review under the leases, propose or agree any reference to a third party for determination of any rent review or make or agree any proposal for a reviewed rent;
  - serve any notice under the leases or the Mid Lease; or
  - carry out any alterations to the Property

in each case except with the prior written consent of the BTA Buyer, such consent not to be unreasonably withheld or delayed.

### 5. Warranties

The BTA Seller has given customary warranties to the BTA Buyer under the Edinburgh BTA on entry into the Edinburgh BTA, and most of these warranties will be repeated at Completion. The BTA Buyer's liability under these warranties is subject to certain customary limitations, including the following:

- the aggregate liability of (a) the BTA Seller for all general warranty claims under the Edinburgh BTA and (b) the SPA Seller for all general warranty claims under the Edinburgh SPA is limited to £5,000,000, and the aggregate liability of the BTA Seller under the general warranties in the Edinburgh BTA, the SPA Seller under the general warranties in the Edinburgh SPA and the SPA Seller

under the tax deed of covenant referred to below in the summary of the Edinburgh SPA is limited to the total consideration payable to the Group under the Edinburgh Sale Agreements;

- the BTA Seller is not liable for a claim under the general warranties in the Edinburgh BTA unless the amount of that claim, or of a series of connected claims under the general warranties in the Edinburgh BTA or the Edinburgh SPA, exceeds 0.15% of the aggregate consideration payable under the Edinburgh BTA and the Edinburgh SPA (a **Disregarded Claim**); and
- the BTA Seller is not in any event liable for a claim under the general warranties in the Edinburgh BTA where, to the extent that the claim is not already a Disregarded Claim, that claim, when taken together with other claims under the general warranties in the Edinburgh BTA (where these are not already Disregarded Claims) and the Edinburgh SPA (where these are not disregarded claims by the equivalent provision in the Edinburgh SPA) exceeds 1.5% of the aggregate consideration payable to the Group under the Edinburgh Sale Agreements.

## 6. Termination and withdrawal rights

The BTA Buyer has certain rights of termination under the Edinburgh BTA before Completion, where:

- a warranty given by the BTA Seller would be breached if repeated on or at any time before Completion by reference to the facts and circumstances then existing; or
- the BTA Seller has breached any of the interim period undertakings described in paragraph 4 above,

provided in each case that the BTA Buyer's right to elect to terminate the Edinburgh BTA would only arise if (i) the liability or (ii) the reduction of value of the assets arising from the relevant breach would be in excess of 10% of the aggregate consideration payable to the Group under the Edinburgh Sale Agreement.

Similarly if, prior to Completion, the Property sustains damage (whether insured or otherwise) which at common law would entitle a hypothetical tenant under a hypothetical lease of the Property to an abatement of rent of an amount exceeding 20% of the rent, the BTA Buyer will be entitled to resile (withdraw) from the Edinburgh BTA without penalty on written notice.

## 7. Inter-conditionality with Edinburgh SPA

If the Edinburgh BTA is terminated before Completion, whether due to:

- failure to satisfy or, where applicable, waive the Shareholder Approval Condition; or
- the valid exercise by the BTA Buyer or its right of termination described in paragraph 6 above,

or otherwise, the Edinburgh SPA will automatically terminate. Similarly, if the Edinburgh SPA is terminated before Completion in equivalent circumstances under the Edinburgh SPA, the Edinburgh BTA will automatically terminate.

## 8. Employees

The Transaction constitutes a "relevant transfer" under the TUPE Regulations and, accordingly, the contracts of employment of the Group's employees engaged in the business or undertaking of the Edinburgh Hostel will, following Completion, have effect after the Transfer Date as if originally made between the BTA Buyer and the relevant employees. The Edinburgh BTA contains customary provisions apportioning responsibility for the employees between the BTA Seller and the BTA Buyer before and after Completion, together with customary undertakings and indemnities relating to compliance with the TUPE Regulations by the BTA Seller and the BTA Buyer.

## 9. Premises Licence

The transfer of the premises licence associated with the Edinburgh Hostel (the **Premises Licence**) is not condition of Completion, but the Edinburgh BTA contains certain obligations on both the BTA Seller and the BTA Buyer in relation to the Premises Licence, including:

- an undertaking from the BTA Seller to submit, within three Business Days following the date of the Edinburgh BTA, an application in the agreed form to the City of Edinburgh Licensing Board (the **Licensing Board**), for the transfer the Premises Licence to the BTA Buyer at Completion; and
- undertakings from both the BTA Seller and the BTA Buyer to use reasonable endeavours (subject to certain exceptions) to procure the transfer of the Premises Licence to either the BTA Buyer, or, in the event that the Licensing Board refuse to approve the transfer of the Premises Licence to the BTA Buyer, to a nominee of the BTA Buyer.

In addition the BTA Seller has agreed that, if the Licensing Board has not approved the transfer of the Premises Licence at Completion, it will continue to hold the Premises Licence in its name for a period of up to six months after Completion. This agreement is subject to the BTA Buyer:

- agreeing to comply with various undertakings in relation to its conduct of operations while the BTA Seller continues to hold the Premises Licence; and
- indemnifying the BTA Seller in respect of liabilities incurred by the BTA Seller in respect of the Premises Licence during that period.

## 10. Governing law and dispute resolution

The Edinburgh BTA is governed by Scots law. The Scottish courts have exclusive jurisdiction to settle any disputes arising out of or in connection with the Edinburgh BTA.

### Edinburgh SPA

The Edinburgh SPA was entered into on 25 March 2021 by and between Safestay (Edinburgh) Limited (also referred to in this document as the SPA Seller) and Alpha New Projects HoldCo S.à r.l. (also referred to in this document as the SPA Buyer). The following is a summary of the principal terms of the Edinburgh SPA.

#### 1. Agreement to sell the entire issued share capital of Safestay (Edinburgh) Holdings Limited

Pursuant to the Edinburgh SPA, the SPA Seller has conditionally agreed to sell to the SPA Buyer the entire issued share capital of Safestay (Edinburgh) Holdings Limited (**SEHL**), the company holding the tenant's interest in the Head Lease and which leases the Property to the BTA Seller under the Mid Lease.

#### 2. Shareholder Approval Condition

As with the Edinburgh BTA, the Edinburgh SPA is conditional upon satisfaction of the Shareholder Approval Condition.

The Edinburgh SPA will lapse and be of no effect if the Shareholder Approval Condition is not satisfied on or before the Longstop Date. Completion is to take place on the later of:

- 30 June 2021; and
- ten Business Days after the satisfaction of the Shareholder Approval Condition.

The Edinburgh SPA also contains equivalent provisions to those in the Edinburgh BTA in relation to the termination of the Edinburgh SPA due to the non-satisfaction of the Shareholder Approval Condition and the imposition of certain prohibitions on the Group and its offices, employees, agents or advisers until 31 December 2021 in relation to the sale of the Edinburgh Hostel business, the Property or the share capital of SEHL to a third party.

#### 3. Consideration

The initial consideration payable by the SPA Buyer to the SPA Seller is £15,999,991, to be paid in cash at Completion. The consideration will be split between payment for the entire issued share capital of SEHL (the **Share Consideration**) and payment for the creditor's interest in a receivable owed by SEHL to the SPA Seller at Completion under an intercompany loan agreement between SEHL and the SPA Seller (the **Loan Consideration**).

The initial split of the consideration as set out in the Edinburgh SPA is:

- an initial Share Consideration of £7,961,297.29; and
- an initial Loan Consideration of £8,038,773.23

but the final split, and any adjustment to the overall consideration payable under the Edinburgh SPA, will be subject to finalisation of the completion accounts described in paragraph 4 below. Any such adjustment to the overall consideration will be made by payment from the SPA Buyer to the SPA Seller, or from the SPA Seller to the SPA Buyer as the case may be, within 5 (five) Business Days of finalisation of the completion accounts.

#### 4. Completion Accounts

The Edinburgh SPA contains a completion accounts mechanism in customary form. If the SPA Seller and the SPA Buyer are unable to agree the final form of the completion accounts, for determination by an independent firm of internationally recognised chartered accountants appointed by agreement between the SPA Seller and the SPA Buyer (or, failing such agreement, by the president of the Institute of Chartered Accountants in Scotland or any successor).

Under the completion accounts mechanism, the final consideration payable by the SPA Buyer for the shares in SEHL is calculated on the basis of:

- a fixed valuation for the leasehold interest in the Property of £15,999,991, replacing tangible fixed assets and intangible fixed assets; and
- certain other adjustments to reflect the effect at Completion of any outstanding loan balances owed by SEHL to the Group, certain other creditors and liabilities of SEHL, any deferred income and any liability, including legal costs, associated with the release of SEHL from the Group's existing facility with HSBC.

## 5. Interim period

In respect of the period commencing on the date of the Edinburgh SPA and ending on Completion, the SPA Seller has agreed, amongst other matters and, subject to COVID-19 Restrictions and certain other exceptions, to procure that SEHL does not, without the consent of the SPA Buyer:

- (a) create, allot or issue any shares or reduce, redeem or repurchase any such shares or share capital;
- (b) give or grant any option, right to acquire or call (whether by conversion, subscription or otherwise) or other third party right over or in respect of any of its share or loan capital (issued or unissued);
- (c) enter into any agreement to allot securities convertible into the share capital of SEHL;
- (d) declare, make or pay any dividend or other distribution;
- (e) amend its memorandum or articles of association or any other equivalent constitutional documents;
- (f) pass any resolution by its members in general meeting (or by way of written resolution);
- (g) grant any new power of attorney (save as required for signature purposes in connection with the Transaction);
- (h) acquire an interest in a corporate body or merge or consolidate with a corporate body or any other person, enter into any partnership, joint venture, demerger transaction or participate in any other type of corporate reconstruction;
- (i) acquire or dispose of, any assets with a value in excess of £5,000;
- (j) enter into or amend, vary or terminate any contract with an annual value in excess of £10,000;
- (k) enter into any transaction or arrangement other than on arm's length terms or with any other member of the Group;
- (l) create, grant or allow to subsist any third party right or other agreement or arrangement which has the same or similar effect to the granting of security in respect of all or any part of the undertaking, property or assets of SEHL;
- (m) repay, acquire, redeem or create any borrowings or other indebtedness or obligation in the nature of borrowings, other than as agreed with the SPA Buyer;
- (n) give any guarantee, indemnity or other agreement to secure, or incur financial or other obligations with respect to, another person's obligations;
- (o) make any advance, loan or deposit of money or cancel, release or assign any indebtedness owed to it, other than as agreed with the SPA Buyer;
- (p) open or close any bank accounts;
- (q) lease, license or part with or share possession or occupation of any property held or occupied or which may be acquired by SEHL or enter into an agreement or arrangement to do so (other than in the conduct of the Business or the letting of the Property);
- (r) apply for planning permission or other consent or approval, or implement any current planning permission or change the use of the Property;
- (s) vary any headlease or occupational lease which relates to the Property;
- (t) knowingly breach or otherwise fail to comply with all relevant covenants in any headleases or occupational leases which relate to the Property;
- (u) enter into, vary or terminate (or agree to enter into, vary or terminate) any document of title relating to the Property;
- (v) enter into any building contract or consultant appointment in relation to capital works at the Property;
- (w) initiate, settle or abandon any claim, litigation, arbitration or other proceedings or make any admission of liability by or on behalf of SEHL;
- (x) resolve to, or make any proposal for, the winding up, administration or liquidation of SEHL;
- (y) fail to pay any of the debts of SEHL as they fall due;
- (z) change its auditors or make any change to its accounting practices or policies;
- (aa) change its place of residence for tax purposes or acquire or establish any permanent establishment or other taxable presence;
- (bb) file any amended tax return, make any claim, election or notice for tax purposes or settle any Tax dispute, inquiry or investigation, except where required by applicable law to do so before Completion. or
- (cc) incur any capital expenditure or make any capital commitment (whether by way of purchase, lease, hire purchase or otherwise) on any single item in excess of £5,000.

## 6. Warranties

The SPA Seller has given customary warranties to the SPA Buyer under the Edinburgh SPA on entry into the Edinburgh SPA, and most of these warranties will be repeated at or immediately before Completion. The SPA Seller's liability under these warranties is subject to certain customary limitations equivalent to those in the Edinburgh BTA.

## 7. Termination and withdrawal rights

The SPA Buyer has certain rights of termination under the Edinburgh SPA between the date of the agreement and Completion, where:

- a warranty given by the SPA Seller would be breached if repeated on or at any time before Completion by reference to the facts and circumstances then existing; or
- the SPA Seller has breached any of the interim period undertakings described in paragraph 5 above to the Group,

provided in each case that the SPA Buyer's right to elect to terminate the Edinburgh SPA would only arise if (i) the liability or (ii) the reduction of value of SEHL's share arising from the relevant breach would be in excess of 10% of the aggregate consideration payable under the Edinburgh Sale Agreements.

Similarly, If prior to Completion the Property sustains damage (whether insured or otherwise) which at common law would entitle a hypothetical tenant under a hypothetical lease of the Property to an abatement of rent of an amount exceeding 20% of the rent, the SPA Buyer will be entitled to resile (withdraw) from the Edinburgh SPA without penalty on written notice.

#### **8. Inter-conditionality with Edinburgh BTA**

If the Edinburgh SPA is terminated before Completion, including where this is due to:

- failure to satisfy or, where applicable, waive the Shareholder Approval Condition; or
- the valid exercise by the SPA Buyer or its right of termination described in paragraph 7 above,

or otherwise, the Edinburgh BTA will automatically terminate. Similarly, if the Edinburgh BTA is terminated before Completion in equivalent circumstances under the Edinburgh BTA, the Edinburgh SPA will automatically terminate.

#### **9. SPA Buyer General Limitations**

The Edinburgh SPA provides that the liability of the SPA Buyer under the Edinburgh SPA:

- expires 18 months from Completion, subject to any accrued liability for any breach of contract that remains the subject of proceedings at the relevant time; and
- is, until Completion occurs, limited to 10% of the initial consideration payable under the Edinburgh SPA (that is, £1,599,999).

#### **10. Governing law and dispute resolution**

The Edinburgh SPA is governed by Scots law. The Scottish courts have exclusive jurisdiction to settle any disputes arising out of or in connection with the Edinburgh SPA.

#### **11. Tax Covenant**

Separately the SPA Seller and the SPA Buyer will, on Completion, enter into a tax deed of covenant in customary form under which the SPA Seller will indemnify the SPA Buyer in relation to certain pre-Completion tax liabilities of SEHL. This tax deed will be subject to certain customary limitations on the liability of the SPA Seller, including an overall financial limit on the liability of the SPA Seller under the tax deed, when taken together with the BTA Seller's liability under the general warranties in the Edinburgh BTA and the SPA Seller's liability under the general warranties in the Edinburgh SPA, of the total consideration payable to the Group under the Edinburgh Sale Agreements.

### **Safestay PLC Guarantee**

Under a separate deed of guarantee Company entered into on the same date as the Edinburgh Sale Agreements the obligations of the BTA Seller under the Edinburgh BTA and the SPA Seller under the Edinburgh SPA have been guaranteed by the Company to the BTA Buyer and the SPA Buyer respectively.

## PART III

# RISK FACTORS

Prior to voting on the Resolution, Shareholders should carefully consider, in addition to the other information set out in this document, the risk factors set out below. Any of the following risks could have a material adverse effect on the Group's business, reputation, financial condition and/or operating results and could cause the trading price of the Ordinary Shares to decline. In addition, the risks set out below may not be exhaustive and additional risks and uncertainties, not presently known to the Company, or which the Company currently deems immaterial, may arise or become material in the future.

### Risks relating to the Transaction

#### **Completion of the Transaction is subject to the Shareholder Approval Condition**

Completion of the Transaction is conditional upon the approval of Shareholders at the General Meeting.

There can be no assurance that this condition will be satisfied by the Longstop Date and, accordingly, no assurance that the Transaction will proceed to Completion. The Company has incurred transaction costs in relation to the negotiation and documentation of the Transaction and these will be incurred, whether or not the Transaction proceeds to Completion.

#### **The Group may not realise the perceived benefits of the Transaction if it does not complete**

The Board believes that the Transaction is in the best interests of Shareholders as a whole and that it currently provides the best opportunity to realise value for the Edinburgh Hostel. If however the Transaction does not complete, the Group will not receive the initial cash consideration of £16,000,000 at Completion.

If the Transaction does not complete, the Group will have to seek alternative sources of finance in order to fund its operations. Notwithstanding that the Group remains engaged in discussions with providers or potential providers of debt finance in order to seek to maximise its funding flexibility, the Group may find itself unable to secure such further funding or may find that the terms on which any such further funding is available are unattractive.

In addition, if the Transaction does not proceed to Completion, the Group may have difficulty in finding an alternative buyer or buyers for the Edinburgh Hostel on the same or better terms as those offered by the Transaction.

#### **The Buyers have certain rights of termination or withdrawal under the Edinburgh Sale Agreements**

As described in more detail in Part II of this document, the Buyers have the right, in certain circumstances, to terminate or withdraw from the Edinburgh BTA and the Edinburgh SPA before Completion. If either Buyer were to validly exercise its right to terminate or withdraw from the Edinburgh BTA or, as the case may be, the Edinburgh SPA, the Transaction would not proceed to Completion.

In addition, if either Buyer were to terminate the Edinburgh BTA or, as the case may be, the Edinburgh SPA on the ground that either:

- (a) a warranty given by the BTA Seller or the SPA Seller would be breached if repeated on or at any time before Completion by reference to the facts and circumstances then existing; or
- (b) the BTA Seller or the SPA Seller breached any of the interim period undertakings in the Edinburgh Sale Agreements and described in Part II of this document,

this would be without prejudice to any other rights or remedies the Buyers may have under either the Edinburgh Sale Agreements or generally at law.

#### **The Buyer under the Edinburgh BTA is a newly incorporated special purpose vehicle**

The BTA Buyer, a&o Hostel and Hotel Edinburgh Limited, is an English company incorporated on 16 March 2021 as a special purpose vehicle (SPV) to acquire the Edinburgh Hostel business under the Edinburgh BTA. Its sole shareholder, as at the date of the Edinburgh BTA and the date of this document, is a&o Hostels Marketing GmbH, a subsidiary of a&o Hostels and Hotels. It does not currently own any material assets, and is not expected to do so before completion under the Edinburgh BTA and its acquisition of the hostel and UOE letting business. The obligations of the BTA Buyer are unsecured and, in particular, they are not guaranteed by any other member of the a&o Hostels and Hotels group or any other person. It is accordingly possible that, if the BTA Buyer does not comply with its obligations under the Edinburgh BTA, whether before, on or after Completion, the BTA Seller would have difficulty in satisfactorily enforcing its rights or seeking recourse against the BTA Buyer in respect of any such non-compliance under the Edinburgh BTA.

The Directors nonetheless consider this scenario very unlikely, based on assurances in discussions with the Buyers.

### **The liability of the SPA Buyer before Completion is limited to 10% of the consideration payable under the Edinburgh SPA**

The Edinburgh SPA contains a provision that the liability of the SPA Buyer under that agreement, until Completion occurs, is limited to 10% of the initial consideration payable under the Edinburgh SPA (that is, £1,599,999). The principal implication of this limitation of liability is that the SPA Buyer could fail to comply with its obligation under the Edinburgh SPA to proceed to Completion and, in that case, the damages that the SPA Seller could recover in respect of the SPA Buyer's breach of the Edinburgh SPA and failure to complete would be limited to £1,599,999. In that situation, there is no guarantee that the Group could find an alternative buyer or buyers for the Edinburgh Hostel at a price that, taking into account the limit on the liability of the SPA Buyer for its failure to complete, would leave the Group in an equivalent or better financial position as it would have been in had the Transaction proceeded to Completion.

### **Warranties and indemnities in the Edinburgh Sale Agreements**

The Edinburgh Sale Agreements and the associated tax deed of covenant contain certain customary transaction warranties and indemnities from the BTA Seller in favour of the BTA Buyer and from the SPA Seller in favour of the SPA Buyer. The obligations of the BTA Seller and the SPA Seller under the Edinburgh Sale Agreements, including the warranties and indemnities contained in those agreements, are guaranteed by the Company. If the Company or the Group is required in the future to make payments under any of the warranties or indemnities the costs of such payments could have an adverse effect on its business, financial condition and results of operations. Further details of the Edinburgh Sale Agreements, including the warranties and indemnities, are set out in Part II of this document.



## PART IV DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

<b>a&amp;o Hotels and Hostels</b>	A&O Hotels and Hostels GmbH, a limited liability company incorporated in Germany that owns and operates hostels throughout Europe, itself owned by TPG Capital
<b>AIM</b>	the market of that name operated by London Stock Exchange plc
<b>AIM Rules</b>	The AIM Rules for Companies published by London Stock Exchange plc, as amended from time to time
<b>Board or Directors</b>	the directors of the Company
<b>BTA Buyer</b>	a&o Hostel and Hotel Edinburgh Limited, a company incorporated in England and Wales (registered number 13271004) with its registered office at 11th Floor 200 Aldersgate Street, London, England, EC1A 4HD
<b>BTA Seller</b>	Safestay (Edinburgh) Hostel Limited, a company incorporated in England and Wales (registered number 09501995 with its registered office at 1a Kingsley Way, London N2 0FW, a wholly owned subsidiary of the Company
<b>Business Day</b>	any day, other than a Saturday or a Sunday, on which banks are open in Edinburgh and London for normal banking business (or, in the case of the Edinburgh SPA, on which banks are open in Edinburgh and Luxembourg for normal banking business)
<b>Buyers</b>	the SPA Buyer and the BTA Buyer, both wholly owned subsidiaries of a&o Hotels and Hostels and TPG Capital
<b>CBILS</b>	the UK Coronavirus Business Interruption Loan Scheme
<b>Company or Safestay</b>	Safestay PLC, a company incorporated in England and Wales with registered number 8866498
<b>Completion</b>	completion of the Transaction under the Edinburgh Sale Agreements
<b>COVID-19 Restrictions</b>	any and all applicable Scottish and UK legislation, regulation and government guidance, whether mandatory or recommended, in relation to the COVID-19 pandemic and associated public health measures, including any legislation, regulation or government guidance preventing, restricting or otherwise limiting travel and transportation, the proximity of individuals not forming part of the same household, public or private gatherings, whether indoor or outdoor, attendance at offices, commercial premises and other workplaces, trading and other commercial operations; and the availability of goods or services, including any of the goods and services provided by a business
<b>CREST</b>	the computerised settlement system operated by Euroclear that facilitates the transfer of shares in uncertificated form
<b>CREST Manual</b>	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by Euroclear on 15 July 1996 and as amended since)
<b>CREST Proxy Instruction</b>	a properly authenticated CREST message appointing and instructing a proxy to attend and vote in place of a Shareholder at the General Meeting and containing the information required to be contained in the CREST Manual

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<b>CREST Regulations</b>	the Uncertificated Securities Regulations 2001 (SI/2001/3755)
<b>EBITDA</b>	earnings before interest, taxation, depreciation and amortisation
<b>Edinburgh BTA</b>	the conditional sale and purchase agreement dated 25 March 2021 relating to the business of the Edinburgh Hostel by and between Safestay (Edinburgh) Hostel Limited and the BTA Buyer
<b>Edinburgh Hostel</b>	the tenant's interest in the Head Lease together with the hostel business trading at the Property
<b>Edinburgh Sale Agreements</b>	the Edinburgh BTA and the Edinburgh SPA
<b>Edinburgh SPA</b>	the conditional sale and purchase agreement dated 25 March 2021 relating to the entire issued share capital of Safestay (Edinburgh) Holdings Limited, the party holding the tenant's interest in the Head Lease, by and between Safestay (Edinburgh) Limited and the SPA Buyer
<b>Euroclear</b>	Euroclear UK & Ireland Limited, the operator (as defined in the CREST Regulations) of CREST
<b>General Meeting</b>	the general meeting of the Company to be held at 1a Kingsley Way, London N2 0FW at 10.00 a.m. on 30 April 2021 and any adjournment thereof, notice of which is set out at the end of this document
<b>Group</b>	the Company and its subsidiaries and subsidiary undertakings
<b>Head Landlords</b>	the Trustees of The Imperial Tobacco Pension Fund
<b>Head Lease</b>	the lease of the Property between Safestay (Edinburgh) Limited and Safestay (Edinburgh) Holdings Limited dated 29 March 2017 and registered in the Books of Council and Session on 17 July 2017, as amended by the Lease Variation between the Head Landlords and Safestay (Edinburgh) Holdings Limited dated 5 and 15 May 2017, the tenant's interest in which is registered in the Land Register of Scotland under Title Number MID184044
<b>HSBC</b>	HSBC Bank plc, the principal bankers to the Group
<b>Link Group</b>	a trading name of Link Market Services Limited
<b>Longstop Date</b>	30 September 2021 (or such other date as the parties to the Edinburgh BTA may agree)
<b>Mid Lease</b>	the lease between Walco Developments (Edinburgh) Limited and Europa Inns (Edinburgh) Limited dated 28 November 2003 and registered in the Books of Council and Session on 6 January 2005 as subsequently amended/varied, the tenant's interest in which is registered in the Land Register of Scotland under Title Number MID88156;
<b>Ordinary Shares</b>	ordinary shares of 10p each in the capital of the Company
<b>Property</b>	the property at 40-50 Blackfriars Street, Edinburgh EH1 1NE
<b>Resolution</b>	the ordinary resolution to approve the Transaction to be proposed at the General Meeting
<b>Sellers</b>	the BTA Seller and the SPA Seller
<b>Shareholder</b>	a holder of Ordinary Shares
<b>SPA Buyer</b>	Alpha New Projects HoldCo S.à r.l., a company incorporated in Luxembourg (registered number B227878) whose registered office is at 12E, rue Guillaume Kroll, L-1882, Luxembourg.
<b>SPA Seller</b>	Safestay (Edinburgh) Limited, a company incorporated in England and Wales (registered number 09502068 with its registered office at 1a Kingsley Way, London N2 0FW, a wholly owned subsidiary of the Company
<b>Sterling or £</b>	the lawful currency of the UK

<b>TPG Capital</b>	TPG Capital, a global investment firm headquartered in San Francisco, California and Forth Worth, Texas, both United States of America
<b>Transaction</b>	the proposed sale of the Edinburgh Hostel by the Sellers to the Buyers on the terms set out in the Edinburgh Sale Agreements
<b>TUPE Regulations</b>	the Transfer of Undertakings (Protection of Employment) Regulations 2006, as amended
<b>uncertificated or uncertificated form</b>	recorded on the relevant register of Ordinary Shares as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
<b>United Kingdom or UK</b>	the United Kingdom of Great Britain and Northern Ireland
<b>University Lease</b>	means the sublease between Smart City Hostels (Edinburgh) Limited and The University Court of the University of Edinburgh dated 27 May and 12 June 2008 and registered in the Books of Council and Session on 26 August 2008;
<b>VAT</b>	value added tax

**Safestay PLC**

(Incorporated in England and Wales under the Companies Act 2006 with registered number 8866498)

## NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of Safestay PLC (the Company) will be held at 1a Kingsley Way, London N2 0FW at 10.00 a.m. on Friday 30 April 2021 to consider and, if thought fit, pass the following resolution, which will be proposed as an ordinary resolution. Capitalised terms used in the resolution have the meaning given to them in the circular to shareholders of the Company dated 31 March 2021:

**ORDINARY RESOLUTION**

THAT the sale of:

- (a) the Edinburgh Hostel business and assets to the BTA Buyer on the terms set out in the Edinburgh BTA; and
- (b) the entire issued share capital of Safestay (Edinburgh) Holdings Limited to the SPA Buyer on the terms set out in the Edinburgh SPA

be and are hereby approved and the directors of the Company (or any duly authorised committee thereof) be and are hereby authorised to take all such steps as they consider necessary or desirable to effect the same and to agree all such variations, waivers or amendments to the terms of the Transaction, the Edinburgh BTA or the Edinburgh SPA as the directors (or a duly authorised committee thereof) may consider necessary or desirable provided that such variations, waivers or amendments do not constitute a material change to the overall terms of the Transaction.

Dated: 31 March 2021

**Registered Office:**

1a Kingsley Way  
London  
N2 0FW

By order of the Board

**Hervé Deligny**

Company Secretary

## NOTES

- 1. Please note that, as a result of the current COVID-19 pandemic and the legislative measures and associated guidance introduced by the UK government in response, Shareholders or their appointed proxies (unless the proxy is the chair of the General Meeting) will not be allowed to attend the General Meeting. All of the notes to this notice of General Meeting and, in particular, any reference to attendance at the General Meeting, whether by a Shareholder, its proxy or its corporate representative, shall be construed accordingly.**
2. Members entitled to attend and vote at the General Meeting are also entitled to appoint one or more proxies to exercise all or any of their rights to attend and speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder which must be identified on the proxy appointment. A proxy does not need to be a shareholder of the Company.
3. In order for a vote to be valid it must be returned by one of the following methods, in each case so as to arrive no later than 10.00 am on 28 April 2021 or, in the case of an adjourned meeting, not less than 48 hours before the time appointed for holding such adjourned meeting (ignoring for these purposes non-working days) or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used:

A form of proxy for the General Meeting does not accompany this document. Instead, if you wish to vote on the Resolution you can:

- a. Submit a proxy vote online at [www.signalshares.com](http://www.signalshares.com). You will need to log into your online account, or register if you have not previously done so. To register you will need your Investor Code, which is detailed on your share certificate and is available from the Company's registrars, Link Group. Once logged on, you can click on the 'Vote Online Now' button to vote;
- b. In the case of CREST members only, complete a CREST Proxy Instruction as set out in Note 5 below; or
- c. Submit a hard copy form of proxy (appointing the chair of the General Meeting as your proxy). You may request the form directly from the Company's registrars, Link Group, by calling 0371 664 0300. Alternatively, you can request a hard copy proxy card by emailing [shareholderenquiries@linkgroup.co.uk](mailto:shareholderenquiries@linkgroup.co.uk). Hard copy proxy forms must be returned to the Company's registrars at Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL.

Subject to Note 1 above, the appointment of a proxy will not prevent a Shareholder attending the General Meeting and voting in person if he/she wishes to do so.

4. An abstention voting option is available. The legal effect of choosing the abstention option on any resolution is that the shareholder concerned will be treated as not having voted on the relevant resolution. The number of votes in respect of which there are abstentions will however be counted and recorded, but disregarded in calculating the number of votes for or against the resolution.
5. CREST members who wish to appoint a proxy or proxies for the meeting (or any adjournment of it) through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instructions made using the CREST service to be valid, the appropriate CREST message (a **CREST Proxy Instruction**) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Link Group (ID RA10) no later than 10.00 a.m. on 28 April 2021 (or, if the meeting is adjourned, no later than 48 hours before the time of any adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Link Group is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s),

to procure that his or her CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat a CREST Proxy Instruction as invalid in the circumstances set out in the Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

6. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company gives notice that only those shareholders entered on the register of members of the Company at the close of business on 30 March 2021 will be entitled to attend or vote (whether in person or by proxy) at the General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register after the close of business on 30 March 2021 will be disregarded in determining the rights of any person to attend or vote at the meeting or any adjourned meeting (as the case may be).
7. As at 30 March 2021 (being the latest practicable date prior to publication of this document) the Company's issued share capital consisted of 64,679,014 Ordinary Shares. No Ordinary Shares are held in treasury. Accordingly, the total voting rights in the Company as at 30 March 2021 are 64,679,014.
8. Information relating to the meeting which the Company is required by the Companies Act 2006 to publish on a website in advance of the meeting may be viewed at **[www.safestay.com](http://www.safestay.com)**.
9. The contents of this notice, details of the total number of shares of which members are entitled to exercise voting rights at the General Meeting and, if applicable, any members statements, members' resolution or members' matters of business received by the Company after the date of this notice will be available on the Company's website **[www.safestay.com](http://www.safestay.com)**.
10. Shareholders may not use any electronic address provided in either this notice of General Meeting or any related documents (including the letter from the Chairman contained in Part I of this document), to communicate with the Company for any purposes other than those expressly stated.