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

28 September 2021

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 2021.

H1 Trading

- Safestay operates 16 hostels with approximately 3,218 beds across 11 European and 3 UK cities
- Due to the COVID-19 pandemic, government enforced trading restrictions meant the hostels were closed for 83% of H1 2021, with reopening commencing from late May. As a result, occupancy was at 19% (based only on hostels while they were open)
- Total revenues were £1.02 million
- Recorded EBITDAR loss of £0.3 million and a profit before tax of £3.6 million, which was driven by exceptional items relating to the gain on disposal of Edinburgh
- Management actions reduced the monthly running costs of the business to £0.35 million, down over 60% from pre-COVID-19 levels
- As at 30 June 2021, net asset value per share was 50.1p per share (2020: 48.2p per share)
- To ensure the business was able to re-start with a strong financial base, 2 hostels were sold to raise £16.8 million:
  - Leasehold in the Barcelona Sea hostel sold on 26 February 2021 for £0.8 million
  - Completed sale of the 150-year lease interest in the Edinburgh hostel on 30 June 2021 for £16.0 million

Post half-year

- In July, following the sale of Edinburgh, bank debt was reduced by 35% to £18m, and the Group had cash balances of £6.3m to support the transition back to being fully operational, with a current balance of £5.5m as at 20 September, despite capital investment to support reopening
- Re-opening of the hostels began in May and by 31 July all 16 hostels were trading, achieving occupancy from primarily domestic customers in July and August of 38% and 43% respectively
- As at the end of August, £1.5m of advanced bookings are held, which includes a pickup in international travel associated with the expected return of major tourist events

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

"Trading in this period was extremely limited with our hostels closed for 83% of the six months. Our focus was therefore on maintaining a low-cost base, preparing for when trading restrictions could be lifted and securing our financial position to ensure the business can invest behind the return to a normal trading environment. We have delivered on all three of these objectives and while it is early days, all 16 hostels are trading with occupancy across the portfolio showing month on month improvement. Group bookings from colleges and schools are starting to return for the winter period and summer 2022 showing the fundamental appeal of our premium hostels remains unchanged and when our market does normalise, we will have a great opportunity to grow market share. As we relaunch the business post covid, we recently announced to undertake a strategic review in order to maximise value for all shareholders. This process will reveal whether there is additional value for shareholders compared to the upside we believe we can deliver."

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

With the enforced government trading restrictions due to COVID-19 leading to all 16 hostels being closed for 83% of the period under review, our focus naturally switched to protecting and preparing the business for when trading could recommence. To protect the business in this extraordinary environment we sold two hostels for a combined value of £16.8 million which facilitated a 35% reduction in Group borrowings as well as providing the cash to support the hostels re-engage as restrictions lifted. In May, a phased process of re-opening the portfolio commenced and by 31 July all hostels were open, with demand being primarily domestic albeit with increased levels of bookings direct to the Company's website. Future bookings from Groups (who represent 40% of revenues) are coming through which demonstrates the ongoing appeal of the portfolio and if, the pandemic remains in check, the business will recover and could well thrive in a less competitive market as a high number of smaller or independent operators have ceased trading.

Financial review

Reflecting the severe government-imposed restrictions on trading, the Group generated revenues of £1.02 million (2020: £3.4 million), leading to an EBITDAR loss of £0.3 million (2020: £ 1.2 million).

Where available the Company took advantage of government reliefs, the majority of staff were furloughed and support in the form of grants was received in varying amounts from the governments of each country where the Company operates. The Company has maintained the reductions in monthly running costs, compared to pre-covid levels by 60% to an average of £0.35 million while non trading restrictions have been in place. Contributing to the cost reductions, the Group's landlords have generally sought to be supportive with £0.8m rent forgiveness in H1. This was further helped by Directors and management agreeing to reduce salaries by 40%.

As a result, and with the benefit of the exceptional profit of £7.64m from the disposal of Edinburgh, the Group restricted the financial impact of the pandemic in the period to a profit before tax of £3.6 million (2020: loss before tax of £4.7 million). Government support of £636k was received in the period (£300k payroll grant income reported in admin expenses and £336k other grant income reported in exceptional items), leading to a profit per share of 5.5p (2020: -7.3p per share).

During the period, the Company sold the leasehold Barcelona Sea hostel for £0.8 million and completed the sale of the 150-year lease interest in the Edinburgh hostel for £16.0 million. Post period, from the proceeds, borrowings were reduced by 35% to £18 million and as at 6th July the Company had cash of £6.3 million.

As at 30 June 2021, net asset value per share was 50.1p per share (2020: 48.2p per share).

Operational review

Brussels, York and Elephant & Castle were the first hostels to be reopened on 17 May. The process was phased to help the management team oversee re-openings and ensure that all safety protocols were re-introduced to protect customers and staff alike as well as comply with local regulations. The order of hotels openings was dictated by booking levels and local regulation requirements and where the Company operates more than one hostel in a city, bookings have been consolidated into one hostel. By 31 July all hostels had reopened.

To support re-engagement, room rates over the summer have included breakfast to attract customers and improve cashflow whereas normally breakfast would be an additional cost. As has been widely reported across the hospitality sector, labour costs have increased with competition for good staff leading to higher payroll costs but it is still too early to determine the overall impact. Bookings have been largely domestic with the reluctance to fly helping our regional locations but as the summer progressed more international travel was taking place and the Company experienced an increase in higher margin bookings direct to the website representing 25% of total bookings.

Overall, the business has made a reasonable return to trading, 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. Enquiries and firm bookings for 2022 show that this offer remains appealing, and the management objective is therefore simply to focus on a steady return to pre-Covid-19 levels. The main concern being that the pandemic remains in check and there is no return to lockdown.

Historically, Safestay have sought to operate with an efficient cost base necessary to service customers and give them the best experience, and the action taken through lockdown to mitigate those costs, has provided the business through re-opening the opportunity to re-introduce cost back in to support revenues on a measured basis, whilst continuing to look for further operating efficiencies. One such example included exploring the opportunity to introduce a new property management system, that was both better tailored to Safestay's operating model and significantly more cost efficient, the result of which, Front Desk Manager has been successfully implemented through the third quarter.

Post re-opening occupancy levels have been climbing month on month, with occupancy levels for August 2021, increasing to 43%, with evidence that the re-introduction of some events (Pisa and London) selling out of beds on some nights.

The wide geographical spread of our hostels across Europe provides customers an unrivalled platform for travel, but the mixed approach adopted by each country to unlock and start to relax travel restrictions, has temporarily changed non-group customer behaviours to become more erratic, with would-be travellers remaining "in-country" avoiding international travel, and shifting more towards last minute bookings.

As we head towards winter the uncertainty around potential future Covid actions makes it impossible to really know when the leisure and hospitality sector and international travel will really get back to normal, but management are targeting get back to pre-Covid run rates through the middle quarters of 2022. As is standard practice, when restructuring the debt off the back of the sale of Edinburgh, in April 2021 management prepared cash forecasts to the end of 2022, which 5 months on are proving to be accurate as the hostels recover their business. On that basis Safestay believe occupancy levels in the forty's percentile will be maintained in the early part of H2 2021 before seasonality comes into play, meaning 2021 occupancy totals for hostels, whilst open for business will be mid 30's percent, reflecting both the exit to 2021 and run into 2022 anticipated.

Outlook

It is pleasing to be trading again and to see demand steadily increase. Currently, the business is operating at around 50% of pre-Covid-19 occupancy levels in 2019 and room rate is at approximately 75%. This is within our business plan, and we believe ahead of many of our peers. We will continue to offer attractive room rates while occupancy builds. Financially, the business is on a sound footing following the sale of two hostels, with cash reserves as at 20 September of £5.5 million providing the flexibility to support the business and take advantage of investment opportunities should they arise. As we relaunch the business post covid, we recently announced to undertake a strategic review in order to maximise value for all shareholders.

Larry Lipman
Chairman
28 September 2021

Condensed consolidated statement of comprehensive income

	Note	Unaudited 6 months to 30 June 2021 £000	Unaudited 6 months to 30 June 2020 £000	Audited Year to 31 December 2020 £000
Revenue	**2**	1,020	3,374	4,831
Cost of sales		(174)	(572)	(892)
Gross profit		**846**	**2,802**	**3,939**
Administrative expenses		(3,401)	(6,104)	(11,460)
Operating profit / (loss) before exceptional		**(2,555)**	**(3,302)**	**(7,521)**
Exceptional items – profit on sale of assets	**3**	7,074	-	-
Exceptional items – other operating income		336	38	448
Exceptional items – costs		(20)	(136)	(261)
Operating profit / (loss) after exceptional	**2**	**4,835**	**(3,400)**	**7,334**
Finance costs		(1,270)	(1,327)	(2,750)
Profit / (loss) before tax		**3,565**	**(4,727)**	**(10,084)**
Tax		382	(66)	2,403
Total comprehensive profit / (loss) for the period attributable to owners of the parent company		**3,947**	**(4,793)**	**(7,681)**

Condensed consolidated statement of financial position

	Note	Unaudited 30 June 2021 £000	Unaudited 30 June 2020 £000	Audited 31 December 2020 £000
Non-current assets				
Property, plant and equipment		73,780	89,963	89,735
Intangible assets		29	1,026	921
Goodwill		12,146	15,614	13,569
Deferred tax asset		2,693	-	2,159
Total non-current assets		88,648	106,603	106,384
Current assets				
Stock		38	64	47
Trade and other receivables		1,673	1,185	1,884
Current tax asset		65	-	289
Cash and cash equivalents		16,230	(11)	2,125
Total current assets		18,006	1,238	4,345
Total assets		**106,654**	**107,841**	**110,729**
Current liabilities				
Borrowings		776	(191)	311
Lease liabilities		1,854	1,931	1,932
Trade and other payables		2,908	3,324	3,008
Total current liabilities		5,538	5,064	5,251
Non-current liabilities				
Borrowings		34,312	35,035	40,043
Lease liabilities		34,422	36,271	36,648
Deferred tax		-	71	-
Trade and other payables due in more than one year		-	217	336
Total non-current liabilities		68,734	71,594	77,027
Total liabilities		**74,272**	**76,658**	**82,278**
Net assets		**32,382**	**31,183**	**28,451**
Equity				
Share capital		647	647	647
Share premium account		23,904	23,904	23,904
Other components of equity		16,371	15,220	16,387
Retained earnings		(8,540)	(8,588)	(12,487)
Total equity attributable to owners of the parent company		**32,382**	**31,183**	**28,451**

Condensed consolidated statement of changes in equity

For the six months to 30 June 2021 (unaudited)

	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**	**16,387**	**(12,487)**	**28,451**
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**	**16,371**	**(8,540)**	**32,382**

Condensed consolidated statement of changes in equity

For the six months to 30 June 2020 (unaudited)

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

For the year ended 31 December 2020 (audited)

Balance at 1 January 2020 (restated)	**647**	**23,904**	**16,104**	**(4,806)**	**35,849**
Loss for the year	-	-	-	(7,681)	(7,681)
Other comprehensive income					
Movement in translation reserve	-	-	4	-	4
Total comprehensive loss	-	-	4	(7,681)	(7,677)
Transactions with owners					
Share based payment charge for the period	-	-	279	-	279
Balance at 31 December 2020	**647**	**23,904**	**16,387**	**(12,487)**	**28,451**

Condensed consolidated statement of cash flows	Note	Unaudited 6 months to 30 June 2021 £000	Unaudited 6 months to 30 June 2020 £000	Audited Year to 31 December 2020 £000
Operating activities				
Cash generated from operations	**4**	(244)	(787)	(4,228)
Income tax paid		-	(134)	(119)
Net cash generated from operating activities		(244)	(921)	(4,347)
Investing activities				
Purchase of property, plant and equipment		(55)	(755)	(985)
Purchase of intangible assets		-	(29)	(36)
Acquisition of business		-	(3,652)	(2,003)
Payment of deferred consideration		-	(498)	(509)
Sale proceeds from disposals	**3**	16,000	-	-
Net cash outflow from investing activities		15,945	(4,934)	(3,533)
Cash flows from financing activities				
Proceeds from refinancing transaction		-	-	5,681
Fees relating to financing transaction		-	-	(161)
Proceeds from property financing transaction		-	5,348	-
Proceeds from Coronavirus Business Interruption loan		-	-	5,000
Repayment of bank loans		(205)	-	-
Principal elements of lease payments		(882)	(1,691)	(2,514)
Property financing payments		(166)	(166)	(331)
Fees related to borrowings		-	(255)	-
Interest paid		(343)	(346)	(624)
		(1,596)	2,890	(7,051)
Cash and cash equivalents at beginning of period		**2,125**	**2,954**	**2,954**
Net increase/(decrease) in cash and cash equivalents		14,105	(2,965)	(829)
Cash and cash equivalents at end of period		**16,230**	**(11)**	**2,125**

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 in conformity with the requirements of the Company Act 2006.

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 2020.

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 30 June 2021.

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. SEGMENTAL ANALYSIS

Covid 19 lockdown legislation severely impacted both 2020 and 2021 trading, limiting H1 2021 to just 560 trading days, including 181 at Edinburgh for student accommodation compared to 1,452 trading days in 2020. In some locations, government restrictions lifted for re-opening of food and beverage venues to guests ahead of hostel accommodation.

	Unaudited 6 months to 30 June 2021 £000	**Unaudited 6 months to 30 June 2020 £000**	**Audited Year to 31 December 2020 £000**
Hostel accommodation	507	2,400	3,570
Food and Beverages sales	364	404	744
Other income	18	341	120
Rental income	131	229	397
Total Income	**1,020**	**3,374**	**4,831**

UNAUDITED 6 MONTHS TO 30 JUNE 2021

2021	**UK £000**	**Europe £000**	**Shared services £000**	**TOTAL £000**
Revenue	790	230	**-**	**1,020**
Profit/(Loss) before tax	6,954	(1,968)	(1,421)	**3,565**
Finance costs	481	451	338	**1,270**
Operating Profit after exceptional items	7,435	(1,517)	(1,083)	**4,835**
Depreciation, Amortisation & disposals	1,178	1,288	-	**2,466**
Exceptional & Share based payment expense	(7,640)	607	182	**(6,851)**
Rent forgiveness	(330)	(458)	-	**(788)**
Adjusted EBITDA	**643**	**(80)**	**(901)**	**(338)**
Total assets	43,220	39,244	24,190	**106,654**
Total liabilities	17,814	29,347	27,111	**74,272**

AUDITED 12 MONTHS TO 31 DECEMBER 2020

2020	UK	Europe	Shared services	TOTAL
	£000	**£000**	**£000**	**£000**
Revenue	2,455	2,376	**-**	**4,831**
Profit/(Loss) before tax	(3,321)	(6,259)	(504)	**(10,084)**
Finance costs	963	1,001	786	**2,750**
Operating Loss after exceptional items	(2,358)	(5,258)	282	**(7,334)**
Depreciation, Amortisation & disposals	1,465	4,225	-	**5,690**
Exceptional & Share based payment expense	-	-	541	**541**
Rent forgiveness	(495)	(409)	-	**(904)**
Adjusted EBITDA	**(1,388)**	**(1,442)**	**823**	**(2,007)**
Total assets	57,744	42,115	10,870	**110,729**
Total liabilities	22,959	31,242	28,077	**82,278**

3. EXCEPTIONAL ITEMS

Exceptional items – profit on sale of assets

	£000
Disposal of Edinburgh	
Sale proceeds	16,000
Leasehold disposal	(12,306)
Intangible sublease disposal	(512)
Property financing transaction disposal	5,169
Equipment, fixtures and fittings disposal	(290)
Investment disposal	(420)
Total profit on disposal of Edinburgh	**7,641**
Disposal of Barcelona Sea	
Intangible sublease disposal	(225)
Equipment, fixtures and fittings disposal	(10)
Release of deferred consideration for Barcelona Passeig De Gracia	473
Goodwill disposal	(846)
Dispose right of use asset	(1,348)
Lease liability	1,389
Total loss on disposal of Barcelona Sea	**(567)**
Total profit on disposal of assets	**7,074**

Consideration for Barcelona Sea hostel was £0.8m. The consideration was used to offset the deferred consideration liability owed for Barcelona Passeig De Gracia with a final balance due to be repaid in March 2022 of £221k.

Exceptional items – other operating income

	Unaudited 6 months to 30 June 2021 £000	Unaudited 6 months to 30 June 2020 £000	Audited Year to 31 December 2020 £000
Grant income	**336**	**38**	**448**

Exceptional items – costs

	£000
Disposal of Barcelona Sea hostel legal fees	**20**

4. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 6 months to 30 June 2021 £000	Unaudited 6 months to 30 June 2020 £000	Audited Year to 31 December 2020 £000
Loss before tax	**3,565**	**(4,727)**	**(10,084)**
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets	2,466	2,072	5,690
Profit on disposal of assets	(7,074)	-	-
Finance costs	1,270	1,327	2,693
Share-based payments	162	17	279
Exchange movements	30	(303)	(8)
Rent forgiveness	(788)	-	(904)
Changes in working capital			
Decrease/(Increase) in inventory	10	23	39
(Increase)/Decrease in trade receivables	218	222	(244)
Increase/(Decrease) in trade and other payables	(103)	582	(1,689)
Cash generated from operating activities	**(244)**	**(787)**	**(4,228)**