26 September 2023

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 2023.

‘Strong demand from not only young travellers but also families and business travellers’

H1 Highlights

- Recorded strong revenues of £10.5 million (2022: £7.3 million) outperforming pre-pandemic levels (2019: £8.1 million)
- Delivered with an occupancy rate of 68.5% (2022: 51%), still lower than historic levels pre-COVID, but REVPAB is £16.06 (2022: £11.77) compared to £15.47 in 2019.
- Significant increase in average bed rate (ABR) to £23.44 (2022: £21.5)
- Generated EBITDA of £2.6 million (2022: £2.5 million) held back by a one-off payroll increase and abnormally high energy costs.
- Cash at bank of £7.3 million as at 30 June 2023 (2022: £5.2 million)
- As at 30 June 2023, accounting net asset value per share was 41.6p (30 June 2022: 44.6p per share). This was casued by the loss after tax and unrealised foreign exchange losses but is not reflective of market valuations for property assets which remain firm.

H2 Trading & Outlook

- Strong summer with sales in July and August up 11% and 16% respectively on 2022 and forward bookings for the remainder of 2023 significantly ahead of last year
- Diversifying mix of customers as families and business travellers choose hostels for greater value accommodation
- Focus on driving organic growth across the business, established a new office in Warsaw to focus solely on attracting group bookings from colleges, schools and universities
- Launch of new website in July 2023 set to drive direct sales
- Continuing to seek earnings enhancing acquisitions

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

"It was difficult to know if our strong performance in 2022 was due to a one-off bounce back from the pandemic or the return to normal trading. Based on our performance so far in 2023, it is clear we have returned to a healthy market with some key points of difference. Having been through the pandemic, we have re-emerged as a leaner, financially stronger business with an excellent portfolio of premium hostels in prime locations. Added to this, demand has been strong and pricing has improved by c.20% since 2019 which has enabled us to generate new sales records. With occupancy still below 2019 and school and college groups still to come back to historic levels, there remains plenty of scope for further growth."

Enquries

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Website www.safestay.com

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

Instagram page www.instagram.com/safestayhostels/

Chairman's Statement

Introduction

The business has come back strongly since the pandemic and these results for the six months to 30th June 2023 show the business delivering, with a particularly good sales performance, up by 44% against 2022 and by 30% against 2019. This reflects our customers' desire to continue to travel and visit the famous cities of Europe, where our premium hostels in city centre locations are proving attractive, especially in these economically challenging times. Good demand continued into the key summer months of July and August during which the Group achieved occupancy levels of 85%. Overall, the Group is comfortably placed to achieve market expectations for the current year.

Financial review

The Group generated revenues of £10.5 million (2022: £7.3 million), leading to EBITDA of £2.6 million (2022: £2.5 million). EBITDA margin was 25% (2022: 34%) reduced by an increase in payroll costs and higher energy costs. Payroll costs in 2022 were abnormally low due to the difficult recruitment market, so this is a one-off post pandemic inflationary impact on payroll costs that has now stabilised. Also, new two year UK electricity contracts have now reduced annual energy bills by £0.2 million. Rental agreements with landlords have normalised and overall, the cost base is steady.

The Group recorded a loss before tax of £1.0 million (2022: loss of £0.3 million) and a loss per share of 1.4p (2021: loss of 0.5p), primarily reflecting the recent interest rate increases. As always, the majority of income is generated in the second half of the year.

Group bank borrowings as at 30 June 2023 were £16.6 million with cash at bank of £7.3 million. The primary loan is due for renewal in January 2025 and the refinancing process for this is now in progress. The directors expect to obtain at least similar terms to the current facility. The value of the Group's portfolio of properties further underpins the Group's finances. The Directors believe that the valuations of both the Elephant & Castle site of £26.8m and the combined Glasgow, Pisa and York freehold sites of £11.9 million have not changed since the December 2022 accounts.

As at 30 June 2023, accounting net asset value per share was 41.6p per share (30 June 2022: 44.6p per share), which is not reflective of freehold valuations which remain firm as can be seen from the examples above.

Operational review

Safestay operates 16 sites, offering 3,251 beds across 11 European and 3 UK cities. The first six months have clearly shown that the business is again moving forward with good prospects to grow both organically and via acquisition.

Growth depends on increasing demand and this continues to be driven largely by young people looking to explore Europe's principal cities, and wishing to stay in clean, centrally located and attractive surroundings for a reasonable price. These young people are made up of Millennials, Generation Z and organised groups coming from schools and universities. They are typically technologically savvy, working to short decision time frames, socially active and price conscious. Safestay looks to match these characteristics, with significantly improved online marketing across social media platforms and the group website, showcasing the unique portfolio and making booking easy for stays in single or multiple hostels. These features are decreasing the Group's reliance on online travel agents.

One area of difference post pandemic has been the volume of group bookings. Pre-pandemic, group bookings made up 38% of room revenue in 2019 whereas group bookings in the period under review were 13%. There is therefore an opportunity to re-build group bookings and in August, a new office was opened in Warsaw dedicated to targeting group sales.

Occupancy was 68.5% in H1, against 51% last year, a very good performance especially when combined with an average room rate of £23.44 and as shown by a REVPAB of £16.06 Occupancy naturally increases over the summer and so the average for the year will be higher, but still below the average achieved in 2019 of 71%, which provides a good indication of the headroom for further growth. Average bed rate has increased by c. 20% since 2019 and is a key driver of growth, in part due to the successful application of dynamic pricing under the PricePoint system which re-calculates pricing based on demand every two minutes. Business on the books is significantly higher at this point than 2022 and it is expected that it will be approximately £1m higher at the year end than 2022.

Under the guidance of our Chief Operating Officer, Peter Zielke, who joined the Group in February 2023, a primary aim has been to lift all operational standards across the portfolio and create unique experiences for our guests. Amongst areas of focus are customer engagement, area management reviews, health & safety and HR. Each of these has received specific attention with the Group importing proven systems, which in general have been used previously by the Management, to track performance and digitalise tasks where appropriate.

Since 1 January 2023, the Group has returned to an annual capex budget equivalent to 3% of annual turnover. This is essential to maintaining the Group's reputation as a leading premium hostel operator and to protecting the quality of the portfolio by ensuring that the buildings themselves and the contents within remain in excellent condition.

Safestay is an experienced acquirer of hostels and well- positioned to take advantage of current market conditions as the supply of hostels and other buildings capable of being converted to hostels come to the market, but only if all internal criteria are met.

Overall, 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 £23, is unchanged. This combination remains the main driver of our business and the focus of our marketing efforts.

Outlook

We are very pleased with the progression of the business since we were allowed to re-open post pandemic. Arguably, the Group is better positioned than before, having had to rebuild the business and done so with the benefit of doing something for the second time. Our trading results for the first half of the year and the first two months of the summer show we are comfortably on track for the year and that we are well placed to continue to increase occupancy and average bed rate into 2024.

Larry Lipman

Chairman

26 September 2023

Condensed consolidated statement of comprehensive income

	Note	Unaudited 6 months to 30 June 2023 £000s	Unaudited 6 months to 30 June 2022 £000s	Audited Year to 31 December 2022 £000s
Revenue	**2**	10,472	7,286	19,146
Cost of sales		(1,882)	(906)	(3,142)
Gross profit		**8,589**	**6,380**	**16,004**
Administrative expenses		(7,948)	(5,759)	(13,801)
Exceptional Costs		-	-	(369)
Total administrative expenses		(7,948)	(5,759)	(14,170)
Operating profit / (loss) after exceptional expenses	**3**	**642**	**620**	**1,834**
Interest received		11	1	2
Finance costs		(1,655)	(960)	(2,559)
Loss before tax		**(1,002)**	**(339)**	**(723)**
Tax		119	(5)	441
Loss after tax		**(883)**	**(344)**	**(282)**
Exchange differences on translating foreign operations		**(1,901)**	**(969)**	**134**
Total comprehensive profit / (loss) for the period attributable to owners of the parent company		**(2,784)**	**(1,313)**	**(148)**
Basic / diluted loss per share		**(1.36p)**	**(0.53p)**	**(0.44p)**

Condensed consolidated statement of financial position	**Unaudited**	**Unaudited**	**Audited**
	30 June 2023	**30 June 2022**	**31 December 2022**
	£000	**£000**	**£000**
Non-current assets			
Property, plant and equipment	68,309	73,974	72,059
Intangible assets	9	11	9
Goodwill	11,663	12,145	12,014
Lease assets	440	500	453
Deferred tax asset	1,814	1,126	1,379
Total non-current assets	82,235	87,755	**85,914**
Current assets			
Stock	26	44	25
Trade and other receivables	707	605	1,121
Lease assets	135	105	139
Current tax asset	49	199	65
Cash and cash equivalents	7,261	5,215	5,226
Total current assets	8,176	6,168	**6,576**
Total assets	**90,411**	**93,923**	**92,490**
Current liabilities			
Borrowings	1,108	574	925
Lease liabilities	1,810	2,033	1,764
Trade and other payables	5,535	2,236	3,128
Total current liabilities	8,453	4,843	5,817
Non-current liabilities			
Borrowings	22,554	24,140	23,101
Lease liabilities	29,030	32,783	30,450
Deferred tax	3,347	3,287	3,364
Total non-current liabilities	54,931	60,210	56,915
Total liabilities	**63,384**	**65,052**	**62,732**
			-
Net assets	**27,027**	**28,871**	**29,758**

Equity			
Share capital	649	647	647
Share premium account	23,959	23,904	23,904
Other components of equity	16,513	17,590	18,417
Retained earnings	(14,093)	(13,271)	(13,210)
Total equity attributable to owners of the parent company	**27,027**	**28,871**	**29,758**

Condensed consolidated statement of changes in equity

For the six months to 30 June 2023

	Share Capital	Share premium account	Other Components of Equity	Retained earnings	Total Equity
	£000	**£000**	**£000**	**£000**	**£000**
Balance at 1 January 2023	**647**	**23,904**	**18,417**	**(13,210)**	**29,758**
Comprehensive income					
(Loss) for the period	-	-	-	(883)	(883)
Movement in translation reserve	-	-	(1,901)	-	(1,901)
Total comprehensive income	**-**	**-**	**(1,901)**	**(883)**	**(2,784)**
Transactions with owners					
Share Issue	2	54	(24)	-	32
Share-based payment charge for the period	-	-	21	-	21
Balance at 30 June 2023	**649**	**23,959**	**16,513**	**(14,093)**	**27,027**

	Share Capital	Share premium account	Other Components of Equity	Retained earnings	Total Equity
	£000	**£000**	**£000**	**£000**	**£000**
Balance at 1 January 2022	**647**	**23,904**	**18,510**	**(12,928)**	**30,133**
Comprehensive income					
(Loss) for the period	-	-	-	(343)	(343)
Movement in translation reserve	-	-	(969)	-	(969)
Total comprehensive income	**-**	**-**	**(969)**	**(343)**	**(1,312)**
Transactions with owners					
Share-based payment charge for the period	-	-	49	-	49
Balance at 30 June 2022	**647**	**23,904**	**17,590**	**(13,271)**	**28,871**

	Share Capital	Share premium account	Other Components of Equity	Retained earnings	Total Equity
	£000	**£000**	**£000**	**£000**	**£000**
Balance at 1 January 2022	**647**	**23,904**	**18,510**	**(12,928)**	**30,133**
Loss for the year	-	-	-	(282)	(282)
Other comprehensive income					
Movement in translation reserve	-	-	(134)	-	(134)
Total comprehensive loss	-	-	(134)	(282)	(416)
Transactions with owners					
Share based payment charge for the period	-	-	42	-	42
Balance at 31 December 2022	**647**	**23,904**	**18,417**	**(13,210)**	**29,758**

Condensed consolidated statement of cash flows	**Note**	**Unaudited 6 months to 30 June 2023**	**Unaudited 6 months to 30 June 2022**	**Audited Year to 31 December 2022**
		£000	**£000**	**£000**
Operating activities				
Cash generated from operations	**3**	4,969	2,939	6,130
Income tax paid		28	4	133
Net cash generated from operating activities		4,997	2,943	6,263
Investing activities				
Purchase of property, plant and equipment		(183)	(176)	(365)
Purchase of intangible assets		-	-	(5)
Net cash outflow from investing activities		(183)	(176)	(370)
Cash flows from financing activities				
Repayment of bank loans		(500)	(250)	(997)
Principal elements of lease payments		(1,505)	(1,678)	(3,495)
Interest paid		(775)	(106)	(656)
		(2,780)	(2,034)	(5,148)
Cash and cash equivalents at beginning of period		**5,226**	**4,482**	**4,482**
Net increase in cash and cash equivalents		2,035	733	744
Cash and cash equivalents at end of period		**7,261**	**5,215**	**5,226**

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 UK-adopted International Accounting Standards

Financial information contained in this document does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 ("the Act"). The statutory accounts for the year ended 31 December 2022 have been filed with the Registrar of Companies. The report of the auditors on those statutory accounts was unqualified, and did not contain a statement under section 498(2) or (3) of the Act.

The financial information for the six months ended 30 June 2023 and 30 June 2022 is unaudited.

These condensed interim financial statements 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 2022.

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

The accounting policies have been applied consistently throughout all periods presented in these financial statements. These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 31 December 2022.

New standards and interpretations effective in the year

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

2 SEGMENTAL ANALYSIS

	Unaudited 6 months to 30 June 2023 £000	Unaudited 6 months to 30 June 2022 £000	Audited Year to 31 December 2021 2022 £000
Hostel accommodation	9,463	6,564	17,150
Food and Beverages sales	697	495	1,109
Other income	312	227	517
Total Income	**10,472**	**7,286**	**18,776**

Unaudited 6 months to 30 June 2023	UK	Spain	Europe	Shared services	Total
	£’000	**£’000**	**£’000**	**£’000**	**£’000**
Revenue	**3,556**	**2,477**	**4,438**	**-**	**10,472**
Profit/(loss) before tax	931	96	444	(2,473)	**(1,002)**
Add back: Finance costs	98	-	16	1,530	**1,644**
Add back: Depreciation & Amortisation	298	549	615	511	**1,973**
EBITDA	1,327	645	1,075	(433)	**2,615**
Exceptional & Share based payment expense	-	-	-	21	**21**
Adjusted EBITDA	**1,327**	**645**	**1,075**	**(412)**	**2,636**
Total assets	34,969	16,335	24,309	14,798	**90,411**
Total liabilities	(12,227)	(12,168)	(12,681)	(26,306)	**(63,384)**

Unaudited 6 months to 30 June 2022	UK	Spain	Europe	Shared services	Total
	£’000	**£’000**	**£’000**	**£’000**	**£’000**
Revenue	**2,657**	**1,813**	**2,816**	**-**	**7,286**
Profit/(loss) before tax	509	403	456	(1,706)	**(338)**
Add back: Finance costs	160	244	203	353	**960**
Add back: Depreciation & Amortisation	404	636	670	198	**1,908**
EBITDA	1,073	1,283	1,329	(1,155)	**2,530**
Exceptional & Share based payment expense	49	-	-	-	**49**
Rent concessions	-	(24)	-	-	**(24)**
Adjusted EBITDA	**1,122**	**1,259**	**1,329**	**(1,155)**	**2,555**
Total assets	34,456	20,739	26,206	12,522	**93,923**
Total liabilities	(11,653)	(13,916)	(12,687)	(26,796)	**(65,052)**

Audited 12 months to 31 December 2022	UK	Spain	Europe	Shared services	Total
	£’000	**£’000**	**£’000**	**£’000**	**£’000**
Revenue	**6,864**	**4,464**	**7,818**	**-**	**19,146**
Profit/(loss) before tax	2,574	278	1,007	(4,583)	**(724)**
Add back: Finance costs	191	1	59	2,306	**2,558**
Add back: Depreciation & Amortisation	253	1,045	1,370	987	**3,654**
EBITDA	3,018	1,324	2,436	(1,290)	**5,488**
Exceptional & Share based payment expense				411	**411**
Adjusted EBITDA	**3,018**	**1,324**	**2,436**	**(878)**	**5,900**
Total assets	36,539	16,570	25,233	14,147	**92,490**
Total liabilities	(9,164)	(12,088)	(12,672)	(28,808)	**(62,732)**

3. NOTES TO THE CASHFLOW STATEMENT

	Unaudited 6 months to 30 June 2023 £0	Unaudited 6 months to 30 June 2022 £0	Audited Year to 31 December 2022 £0
Loss before tax	**(1,002)**	**(283)**	**(724)**
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets	1,973	1,908	3,586
Finance costs	1,644	960	2,558
Share-based payments	21	-	42
Exchange movements	(506)	43	(836)
Lease Modification	-	-	280
Rent Concessions	-	(24)	-
Changes in working capital			
Decrease/(Increase) in inventory	1	(9)	11
(Increase)/Decrease in trade receivables	431	622	154
Increase/(Decrease) in trade and other payables	2,408	(272)	1,059
Cash generated from operating activities	**4,969**	**2,939**	**6,130**