

Safestay plc

H1 Results

2024



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Agenda

01

Introduction
to Safestay

Peter Zielke

02

Financial
review

Paul Hingston

03

Strategic
update

Peter Zielke

04

Outlook

Peter Zielke

05

Q&A

Peter Zielke
Paul Hingston

01

Introduction to Safestay



Highly experienced management team



Larry Lipman,
Executive Chairman

Founded Safestay in 2011

Responsible for the Group's strategy and business development, leveraging his extensive experience of the property market.

Larry's primary focus is on trading opportunities and the assessment of potential investments and refurbishment projects.



Peter Zielke,
COO

Joined Safestay in February 2023.

More than 25 years' experience in hospitality and leisure management and held director positions held in Germany, the UK, Russia, New Zealand and other countries.



Paul Hingston,
CFO

Joined Safestay in February 2022.

Extensive UK and international board level experience across leisure, travel, hospitality and executive aviation sectors in listed, private and PE-backed businesses.

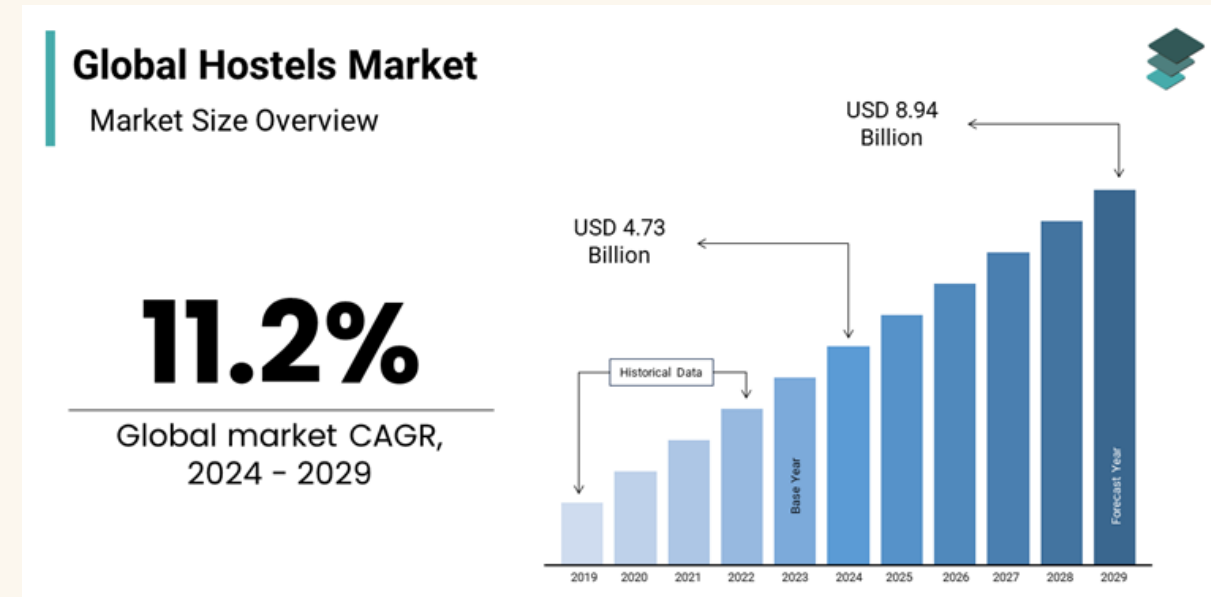
One of Europe's largest hostel groups

- Growing portfolio of hostels and hotels in premium locations across destination cities
- Current estate comprises nearly-4,000 beds, shared dorms and private rooms, across 20 properties (17 units currently operating)
- Experienced management team with extensive international and operational expertise
- As a pan-European hostel operator, Safestay differentiates itself from 'single-country' competitors



Large market provides exciting growth opportunity

- The global hostel market is expected to reach US\$8.94bn by 2029 *
- Growth driven by consumer moves to affordability; increasingly 'lifestyle' customer proposition; rise in global travel by Millennials and Gen Z
- Highly fragmented with few companies operating a centralised brand approach
- Well positioned to capitalise on structural growth



* The Market Data Forecast, June 2024 www.marketdataforecast.com



Investment case

- Experienced management team with a strong brand-management background and operational expertise
- Established operator in a fast-growing, fragmented hostel market
- Proven track record against a long-term expansion strategy
- Significant long-term prospects
- Well-invested platform for future growth opportunities
 - 17.2% increase in net asset value per share to 49.8p as per 30 June 2024 (2023: 42.5p)

Financial summary

	Unaudited H1 2024	Unaudited H1 2023	Movement
Occupancy	70.6%	68.8%	1.8%
Average Bed Rate (£)	22.15	23.18	(4.5%)
Total Revenue per available bed (T RevPab)	18.28	17.72	3.2%
Total Revenue* (£m)	10.7	10.0	6.6%
Adjusted EBITDA* (£m)	3.2	2.6	23.1%
Profit/(Loss) after Tax (£m)	0.1	(1.0)	106.4%
Cash at Bank (£m)	2.1	7.1	(70.4%)

* From continuing operations

Strategic progress

- Successful refinancing with HSBC in January 2024 into a single £16m five-year term loan, with addition of a new £2.5m revolving credit facility
- Strong focus on expansion remains
 - Acquired two freehold locations
 - Brighton, UK*
 - Cordoba, Spain*
 - First management contract signed
 - Calpe, Costa Blanca, Spain*
- Appointed Business Development Manager (Franchise) in June 2024
- Expanded Commercial HUB in Warsaw, with additional marketing and revenue management resources
 - Total revenue per available bed increased by 3.2% vs H1 2023
 - Demand pushed occupancy to 70.6% (H1 2023: 68.8%)

02

H1 2024

Financial Review



Income statement

- Gross profit up by 8.2%, resulting from an increase in food, beverage and ancillary sales of £0.6m (54.6% increase) whilst maintaining Cost of Sales at £1.7m through tight control.
- Administrative Expenses as a % of Total Sales have fallen by 7.9%.
- Profit after tax from continuing operations increased 111%

	Unaudited 6 months to 30 June 2024 £000s	<i>Restated</i> Unaudited 6 months to 30 June 2023 £000s
Revenue	10,864	10,022
Cost of Sales	(1,704)	(1,723)
Gross Profit	8,980	8,299
Administrative Expenses	(7,518)	(7,724)
Operating Profit after exceptional items	1,462	575
Finance income and costs	(1,575)	(1,522)
Loss before tax	(113)	(947)
Tax	220	(1)
Profit / (Loss) for the year from continuing operations	107	(948)
Net loss from discontinued operations	(44)	(55)
Profit / (Loss) for the financial year attributable to owners of the parent company	63	(1,003)
<i>Basic Earnings/(Loss) per share from continuing operations</i>	<i>0.17</i>	<i>(1.46)</i>
<i>Basic Loss per share from discontinued operations</i>	<i>(0.07)</i>	<i>(0.09)</i> ¹²

Balance sheet

- Total Borrowings increased by £3.0m. Have leveraged debt to fund acquisitions.
- Gearing* 57.4% (H1 2023: 54.8%)
- Gearing* excluding Elephant & Castle 41.8% (H1 2023: 37.6%)
- Freeholds/long leaseholds valued at £50.1m** (H1 2023: 38.7m)

* *Gearing is Non-current borrowings/Equity excluding Retained earnings. Gearing excluding Elephant & Castle has been shown as this liability is not bank debt*

** *See individual values on slide 14*

	Unaudited 6 months to 30 June 2024 £000s	<i>Restated</i> Unaudited 6 months to 30 June 2023 £000s
Non-current Assets		
Property, Plant and Equipment (incl. Right of Use)	77,659	74,337
Other non-current assets	16,340	13,926
Total Non-current Assets	93,999	78,263
Current Assets		
Cash at bank and in hand	2,139	7,108
Trade and other receivables	1,592	905
Lease asset	141	135
Total Current Assets	3,923	8,148
Total Assets	97,922	86,410
Current Liabilities		
Trade and other payables	(6,068)	(5,357)
Lease Liabilities	(1,818)	(1,729)
Borrowings	(267)	(1,108)
Liabilities held for sale	(470)	(517)
Total Current Liabilities	(8,623)	(8,711)
Non-current Liabilities		
Borrowings	(26,427)	(22,554)
Lease liabilities	(23,386)	(24,771)
Deferred Tax	(7,155)	(3,347)
Total Non-current liabilities	(56,968)	(50,672)
Total Liabilities	(65,591)	(59,383)
Net Assets	32,331	27,027
Equity		
Share Capital	(649)	(649)
Share Premium Account	(23,959)	(23,959)
Other Components of Equity	(21,461)	(16,513)
Retained Earnings	13,738	14,093
Total equity attributable to the owners of the parent company	(32,331)	(27,027)

Assets

- Portfolio includes 20 properties including freeholds/long leaseholds independently valued at:
 - Elephant & Castle - £27.2m
 - Glasgow - £4.9m
 - York - £2.9m
 - Edinburgh - £4.3m
 - Pisa - £6.7m
 - Cordoba - £1.8m (acquisition price)
 - Brighton – £2.3m (acquisition price)
- Net asset value per share increased by 17.2% to 49.8p (H1 2023: 42.5p)



Cash Flow

- Cash generated from operations was £5.0m, down £0.4m on 2023, primarily due to paying tax on overseas profits.
- Original loan was consolidated to take advantage of preferential interest rates. Additional debt was raised to fund acquisitions.
- A total of £5.7m (H1 2023: £0.2m) invested in the acquisition and renovation of new properties.

	Unaudited 6 months to 30 June 2024 £000s	Unaudited 6 months to 30 June 2023 £000s
Profit for the year	63	(1,003)
<i>Operating activities:</i>		
Depreciation & Amortisation	1,705	1,973
Net Finance Cost	1,574	1,522
Tax	(220)	(1)
Change in Inventory	(23)	1
Change in Debtors	(40)	431
Change in Creditors	2,011	2,407
Corporation Tax Paid	(140)	28
Other	26	21
Net cash generated from operating activities	4,956	5,379
<i>Investing Activities:</i>		
Additions to Non-Current Assets	(5,724)	(183)
Interest Received	10	11
Net cash generated from investing activities	(5,714)	(172)
<i>Financing activities:</i>		
New Loans	19,695	-
Loans Repaid	(15,995)	(500)
Repayment of capital element of finance lease rentals	(1,821)	(1,505)
Interest paid	(675)	(775)
Other Financing Activities	(311)	57
Net cash generated from financing activities	893	(2,723)
Increase in cash and cash equivalents	135	2,484
Cash at beginning of the year	2,038	5,226
Exchange Differences	48	(449)
Cash and Cash Equivalents at the end of the year	2,221	7,261¹⁵

Invested for future growth

- **Banking platform / integrated payments**
All overseas bank accounts are moving to Santander and their partner banks in 2024. The use of a single banking platform for overseas banks and integrated payments will create efficiencies.
- **Enhanced forecasting and modelling**
Additional work in this area will provide better analysis and improve decision making.
- **New procurement platform**
A third-party procurement platform will be introduced to maximise efficiency and take advantage of increased purchasing power.



03

Strategic update



Strategic priorities

01

Operational
excellence

02

Strategic
expansion of
portfolio

03

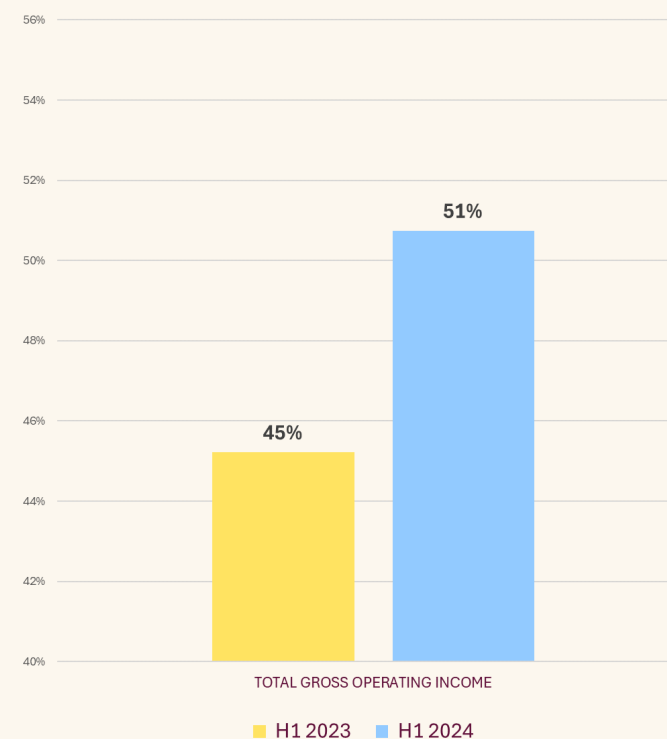
Explore
franchising
opportunities

O1: Operational excellence

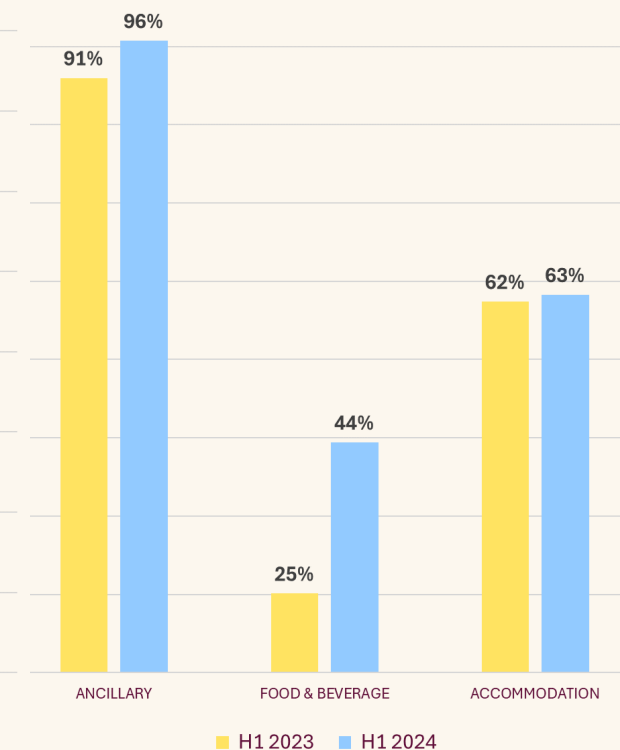
- Strong conversion underpinned by driving Total RevPab, ensuring all revenue streams are maximised
- Considerable challenge from increased payroll inflation across Europe, overcome by pro-active operational cost management
 - Utilisation of new brand manual, standardising operating processes
 - Payroll control with centralised rostering platform
 - Supplier re-negotiation (ongoing)
- Focus on conversion of increased revenues
 - Total Operating Cost well managed and reduced by 3% in cash terms, despite higher revenue and occupancy levels
 - Pushing operating departmental profitability to increase by 6%
 - Revenue less Operating Cost & Operating Payroll*



Operating Departmental Profitability



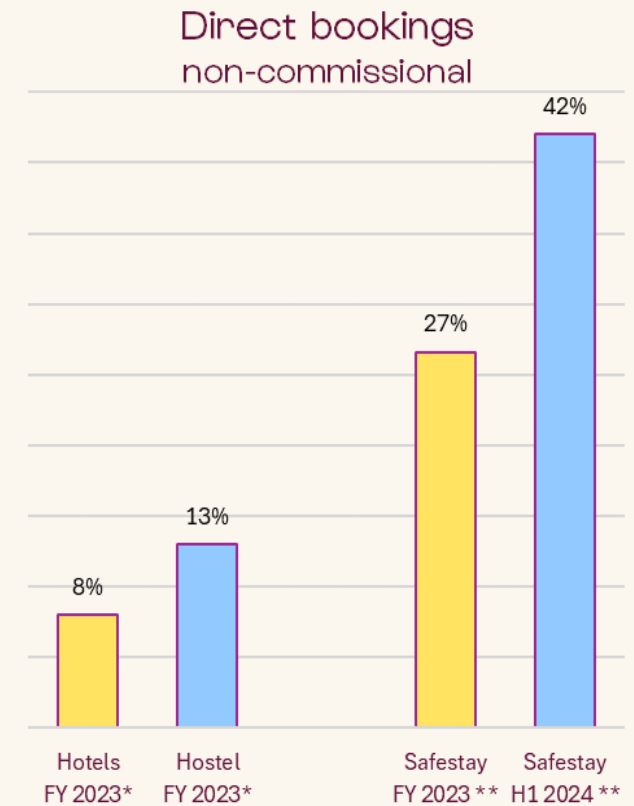
Operating Departmental Profitability





01: Operational excellence

- Marketing spend increased by 27% delivering:
 - 42% of direct bookings
 - 50k Instagram followers, 9% growth vs 2023
 - Increase of Group related accommodation revenue to 23% (H1 2023: 13%)
- Central sales & central support function enhance operational delivery
 - Commercial HUB Warsaw
 - Additional yield management support and marketing employed in H1 2024



* MEWS 2023 Market Report ** Direct bookings via safestay.com and via Safestay Commercial Hub



02: Strategic expansion of portfolio

- Opening of Safestay Edinburgh in June 2024, our second hostel in Scotland after complete refurbishment
- 3 additions during the period, enhance strong presence in Europe
 - Córdoba, Spain (hotel) – 90 beds, freehold
 - Calpe, Spain (hostel) – 100 beds, managed
 - Brighton, UK – 200 beds, freehold
- Post H1 2024, 150 beds added to pipeline
 - Budapest, Hungary – leasehold
- Now 20 sites across major European destinations



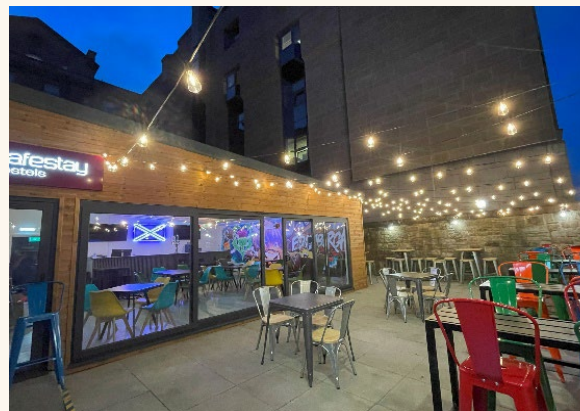
03: Exploring management & franchising opportunities

- Asset light model offers opportunity for owners, operators and Safestay
- Encouraging interest in Safestay brand
- Appointed Business Development Manager (Franchise) in June 2024
- Development of the Safestay Brand Manual, Building Design Standards and Operations Manual in 2023/2024 to support growth opportunities
- 73% of guests arrived from outside the hostel-destination-country, making Safestay an ideal partner to reach new markets (FY 2023: 74%)



Established platform for growth

- Blueprint for further refurbishments set
- Investment in staff engagement and training with roll out of multilingual online training platform
- Launch of new STAYconnect intranet with internal information, Operational Manual and Brand Standards
- Continue embracing technology
 - AI driven dynamic pricing
 - Online-and self-check In
 - SEO and continuous investment in digital marketing (incl. Meta & Social)



04

Outlook



Outlook

- Strong start to Q3 2024
 - July & August revenues up on 2023 equivalent
- Positive trend continues, confident that year-end targets will be met
- Forward bookings for remaining months comfortably up on last year
- Positive outlook for 2025, with strong group pre-bookings
- Fragmented market continues to present acquisition opportunities
- Considerable interest from owners and developers in management and franchising



05

Q&A

