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A photograph of 50 Cent standing in a hostel hallway. He is wearing a red and black baseball cap with 'Unit' written on it, a red t-shirt, and a black jacket. He is smiling and has his arms outstretched. The hallway has arched doorways and a clock on the wall in the background.

# *In Da Hostel*

WITH

# 50 CENT

**69% OF 18-34  
YEAR OLDS STATED  
THAT THE VIDEO  
MAKES THEM MORE  
LIKELY TO USE  
HOSTELWORLD IN  
THE NEAR FUTURE<sup>1</sup>**

<sup>1</sup>Source: Research Now Brand Tracker, July 2016, 18-34 year olds in AU, BR, DE, KR, UK & US, N=4,615  
Q: [Having watched this video], How did the video affect your consideration of Hostelworld?

# Hostelworld at a glance

## Global, Hostel-Focused, Market-Leading Online Booking Platform

- Head Office in Dublin with offices in London, Shanghai, Sydney and Seoul; average 249 employees during H1 2016
- ~33,000 properties globally including 14,000 hostels as at June 2016
- Focused on hostels and other budget accommodation with hostels representing 91% of H1 2016 bookings (H1 2015: 88%)
- Hostelworld, the Group's primary brand, contributed 85% of total H1 2016 bookings

### Consumer Brand - Primary



### Consumer Brand - Supporting

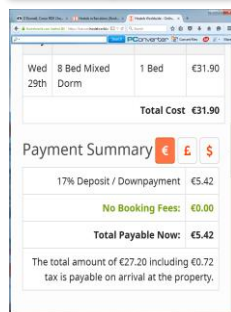
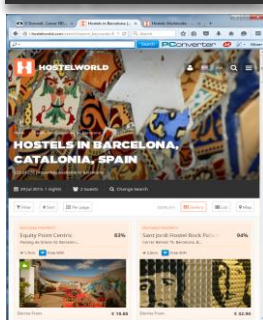


### B2B Brand

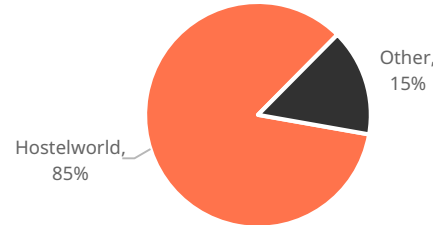


## Efficient business model maximises cash conversion

- 1 Customer searches and books accommodation
- 2 Hostelworld collects deposit
- 3 Customer pays balance



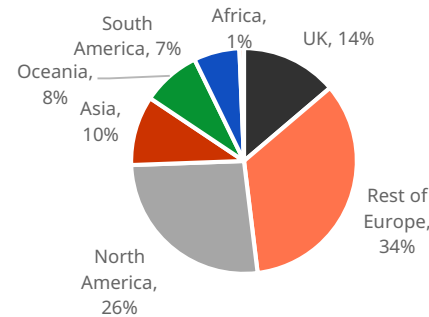
### Bookings by Brand<sup>1</sup>



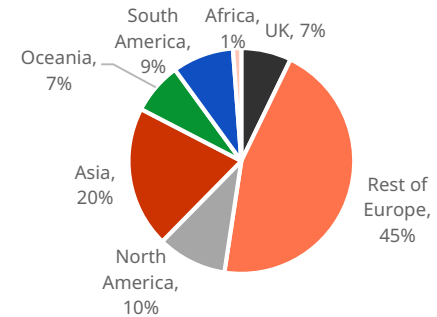
### Bookings by Device<sup>2</sup>



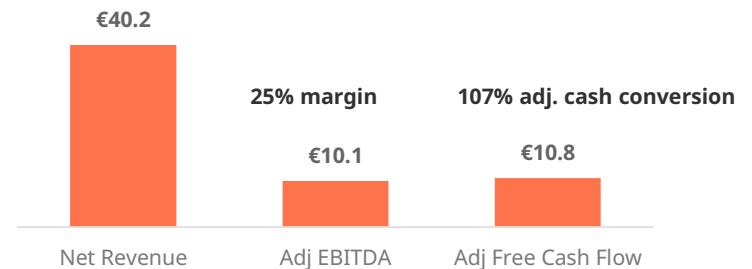
### Bookings by Nationality<sup>3</sup>



### Bookings by Destination<sup>3</sup>



### H1 2016 Key financials (€m)<sup>4</sup>



<sup>1</sup>Hostelworld Group ("HWG"), H1 2016. Other refers to Hostelbookers, Hostels.com, (hostel & affiliate) booking engines.

<sup>2</sup>Hostelworld brand only, H1 2016. Note: Mobile includes site and app bookings via phone and tablets. Sources: Company data, Omniture.

<sup>3</sup>HWG

<sup>4</sup>Adjusted EBITDA represents EBITDA excluding exceptional items; Adjusted free cash flow defined as free cash flow before financing activities adjusted for financial expenses, M&A costs & impairment costs; Cash conversion shown as a percentage of adjusted EBITDA adjusted for financial expenses, M&A costs & impairment costs.

# Agenda

**Feargal Mooney, CEO**

**H1 16 Highlights**

**Mari Hurley, CFO**

**Financial Performance H1 16**

**Feargal Mooney, CEO**

**Operational Performance H1 16  
Update and Outlook**

**Q&A**





# H1 16 HIGHLIGHTS

Feargal Mooney

# H1 16 Performance

## Financial

- H1 2016 trading in line with revised expectations
- 4% overall decline in group bookings (to 3.5m bookings), 9% decline in Net Revenue
- Average commission rate increased to 13.7% (H1 2015: 13.1%)
- Stronger Adjusted EBITDA margin of 25% (H1 2015: 23%)
- €10.1m Adjusted EBITDA (H1 2015: €10.0m); €7.7m Adjusted PAT (H1 2015: €8.8m)
- Strong underlying cash conversion >100%
- Strong balance sheet: net cash of €18.7m at 30 June 2016 (31 December 2015: €13.6m)
- Interim Dividend of 4.8 cents per share

# H1 16 Highlights

Continued to successfully execute on our pillar initiatives.

**Brand**

**Pricing**

**Mobile**

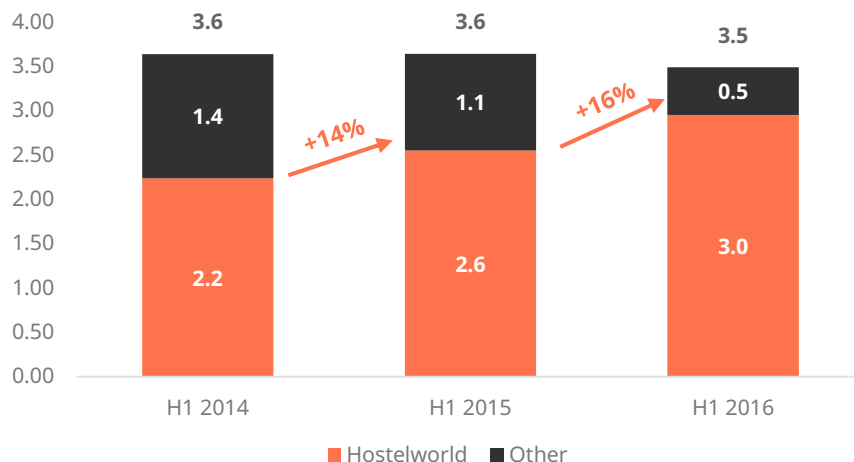
**Asia**

- Continued successful Hostelworld brand growth with 16% growth in bookings (H1 2015: 14%)
- Improving efficiency of booking mix, increased proportion of bookings from non-paid channels to 61% in H1 2016 (H1 2015: 58%)
- 28% Elevate penetration (H1 2015: 17%); effective commission rate of 16.8% on Elevate bookings (H1 2015: 16.0%)
- Increased share of mobile bookings to 45% of Hostelworld brand in H1 2016 (H1 2015: 36%) with Apps growing faster than mobile site – 26% of Hostelworld brand bookings in H1 2016 (H1 2015: 19%)
- Continued geographic expansion : Hostelworld brand bookings growth of 30% into Asian destinations

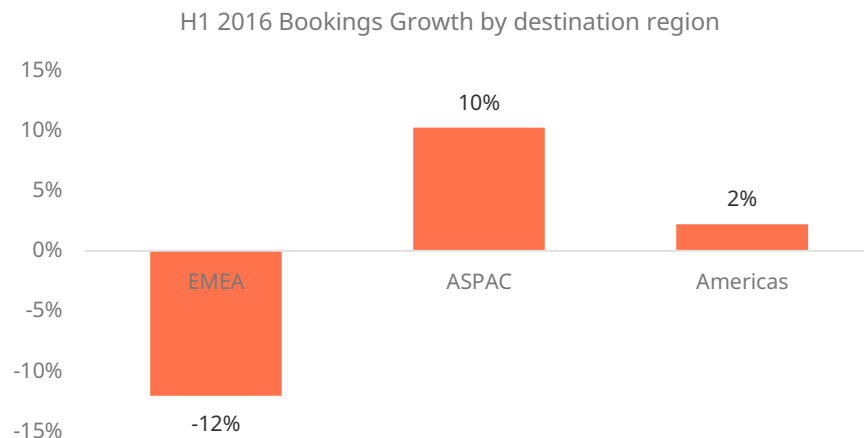


# Bookings by Region & ABV

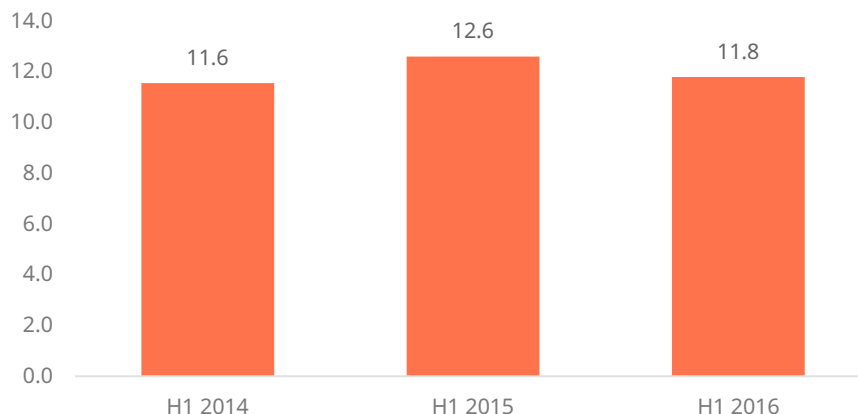
## Continued growth in Hostelworld brand bookings <sup>1</sup>



## Group bookings into Europe have fallen year on year



## Group Average Booking Value ("ABV") (€) <sup>2</sup>



- H1 2016 decline in ABV driven by lower bed prices, continued shift in geographic mix following geopolitical events, bookings of shorter duration (lower pax and nights per booking) and FX headwinds.
- Total Transaction Values fell by 16% to €284m (H1 2015: €339m), however higher average commission rates have mitigated the impact of this on ABV.
- ABV Growth in H1 2015 was driven by positive FX movements and the Elevate programme.



# FINANCIAL PERFORMANCE

Mari Hurley

📍 Lucky Lake, Vinkeveen, Netherlands

# Financial Highlights

## Bookings and ABV

- 4% decline in Group bookings
- 16% growth in Hostelworld brand bookings; offset by 51% decline in supporting brand bookings
- Overall 6% decline in ABV

## Revenue and EBITDA

- €40.2m Net Revenues; year-on-year decline of 9% (7% constant currency decline)
- Marketing investment represented 43% of Net Revenues (H1 2015: 50%)
- Marketing margin<sup>1</sup> of 57% (H1 2015: 50%)
- €10.1m Adjusted EBITDA (H1 2015: €10.0m), up 4% on a constant currency basis
- €7.7m Adjusted Profit after tax (H1 2015: €8.8m)

## Cashflow

- 107% Adjusted Cash conversion (H1 2015: 75%)
- Recommended Interim Dividend of 4.8 cents per share, in line with policy

## Balance sheet

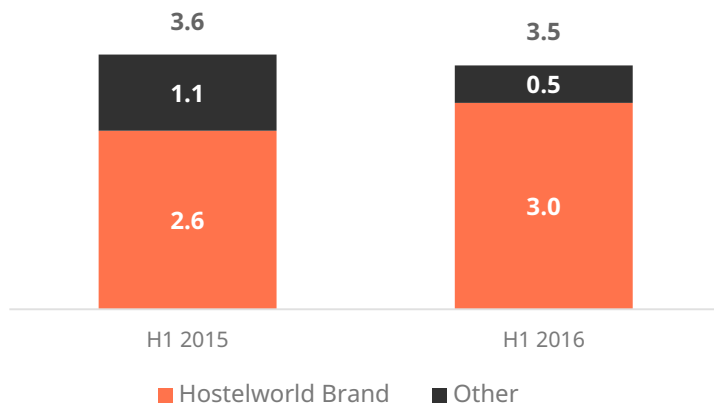
- Strong balance sheet
- Net cash of €18.7m at 30 June 2016
- €1.2m R&D costs capitalised (H1 2015: €2.1m)



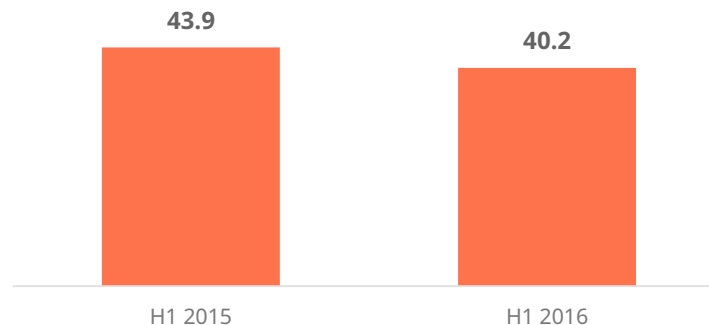
# Summary Financials

Financial
Operational

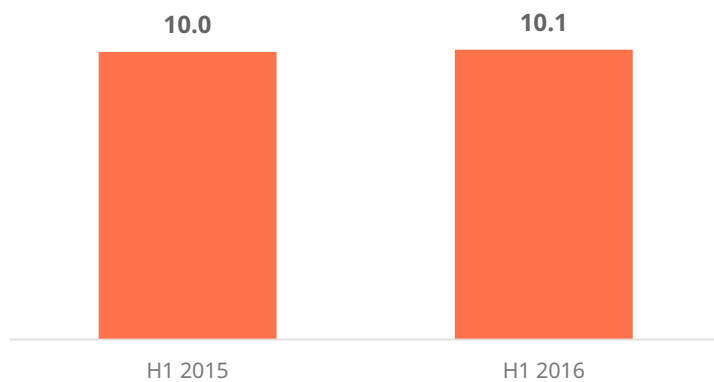
Bookings (m)



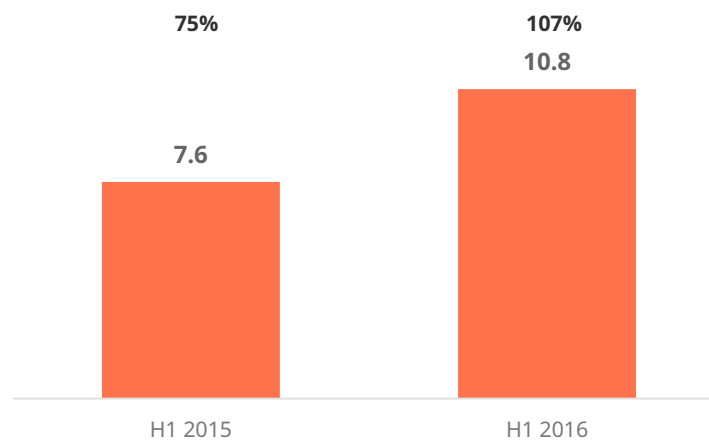
Hostelworld Group Net Revenue (€m)



Hostelworld Group Adjusted EBITDA (€m)<sup>1</sup>



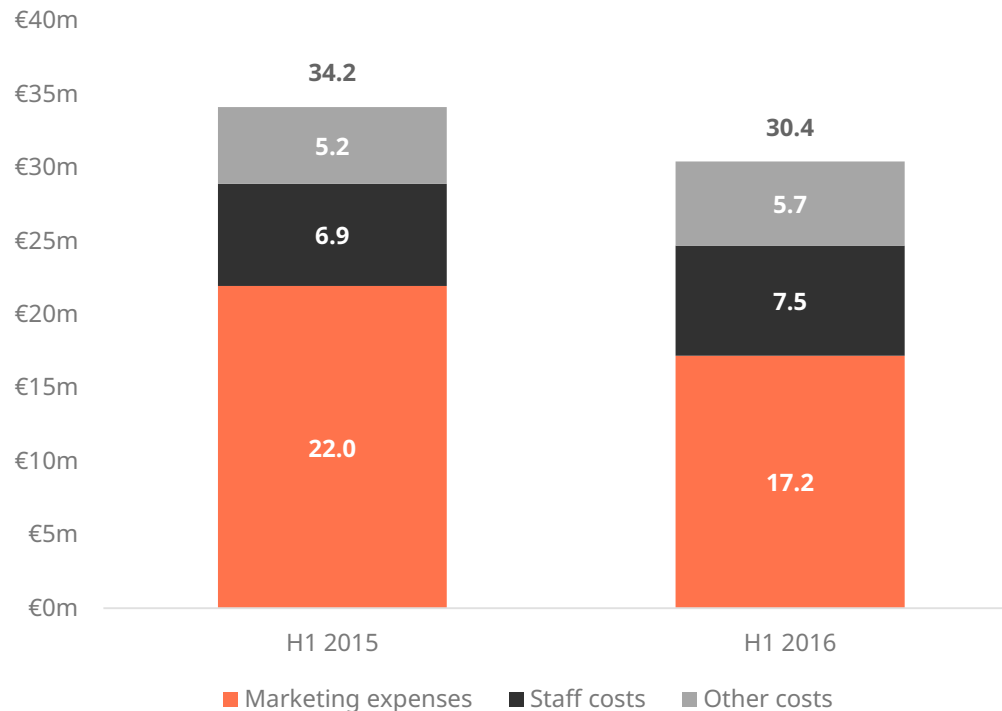
Adjusted free cash flow (€m) and adjusted free cash conversion(%)<sup>2</sup>



# Group Administrative Expenses

Financial
Operational

Group admin expenses (€m)



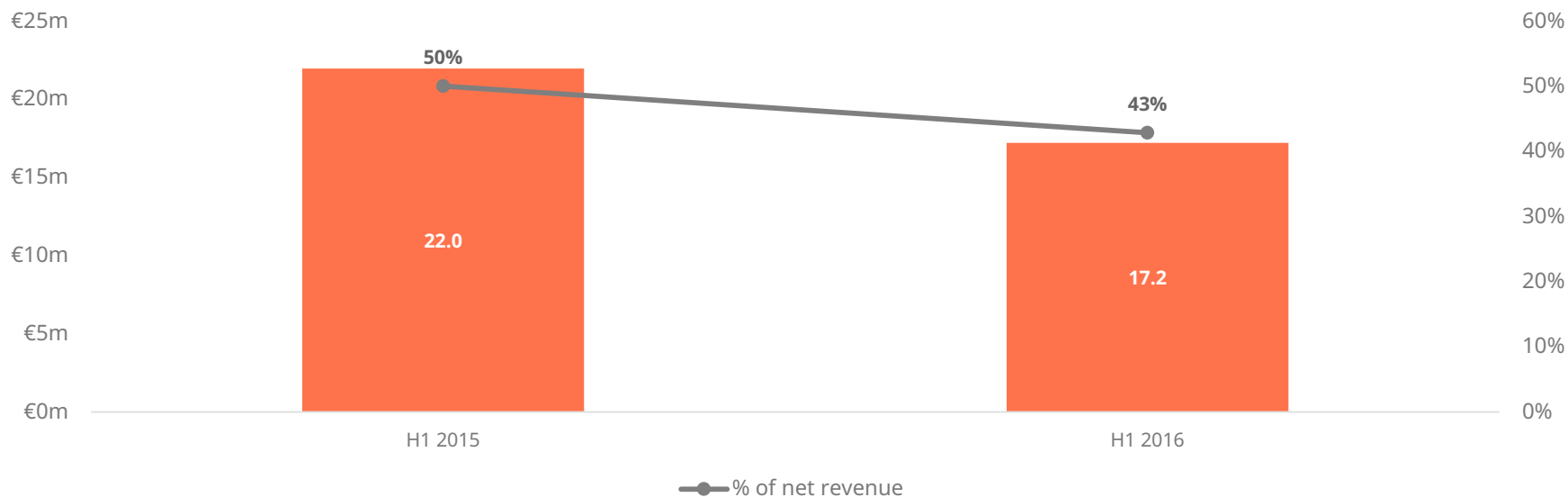
- Decrease driven by efficiencies in direct marketing costs and timing of brand spend in H1 2015.
- Staff costs increased in H1 16 due to lower rate of capitalisation of R&D labour costs of €1.2m (H1 2015: €2.1m). Before capitalisation of R&D labour costs, salary costs decreased by 4% in H1 2016. Average employee numbers during H1 2016 were 249 (H1 2015: 253).
- Excluding exceptionals and listed company costs, other costs are in line with H1 2015.
- Exceptional items of €0.3m (2015: €0.3m) included within other costs. 2016 exceptionals relate primarily to redundancy related costs.

Note: Marketing expenses include affiliate advertising, PPC costs and other marketing expenses; Other expenses include website maintenance, credit card fees, holding company administration costs, establishment costs, M&A costs and other admin costs

# Marketing Investment

Financial
Operational

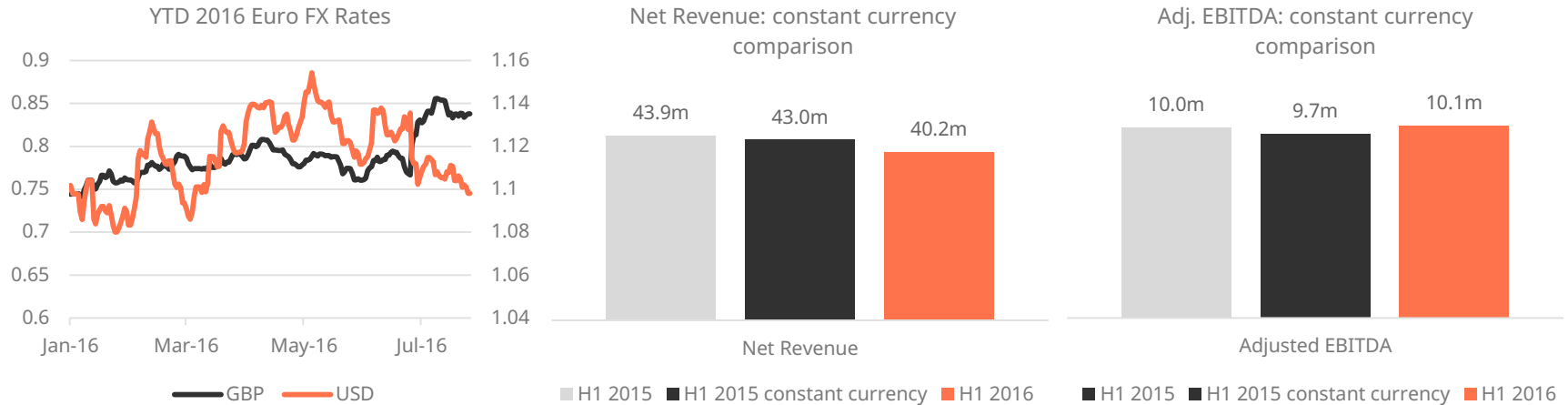
Marketing investment as a % of Group net revenue



- Marketing investment represented 43% of net revenue in H1 2016, reflecting a decline in marketing cost per booking of 18% to €4.93 in H1 2016 (H1 2015: €6.03).
- Move to automated bidding tool and new affiliate management software, together with use of new advertising tools and formats, contributed to increased efficiencies in the cost per booking in paid channels. Google have recently published a case study outlining one example of this approach – see link at: <https://goo.gl/B3YJg8>
- Increased proportion of bookings from non-paid channels to 61% in H1 2016<sup>1</sup> (H1 2015: 58%). Mainly driven by increased investment in brand, mobile and social.



# Foreign Exchange Risk



- The Group's primary operating currency is the Euro, but it also has significant sterling and US dollar cash flows.
- On a constant currency basis, Net Revenue has declined by 7% (€2.8m) and Adjusted EBITDA has increased by 4% (€0.4m) in H1 2016.
- A 1% movement in USD has 0.48% impact on YTD Adjusted EBITDA and a 1% movement in GBP has 0.39% impact on YTD Adjusted EBITDA based on H1 2016 currency profile.

# Income Statement

Financial
Operational

## Group income statement summary

€'000	H1 2015	H1 2016
Revenue	43,915	40,168
Administrative expenses	(34,158)	(30,437)
Depreciation and amortisation expenses	(6,084)	(7,000)
Impairment losses	-	(8,199)
Operating profit	3,673	(5,468)
Financial income	-	2
Financial expenses	(18,322)	(36)
Other gains	-	-
Profit / (Loss) before tax	(14,649)	(5,502)
Income tax (charge) / benefit	(133)	795
Profit / (Loss) for the period	(14,782)	(4,707)
Adjusted profit measures		
Adjusted EBITDA <sup>(1)</sup>	10,048	10,122
Adjusted Profit after tax <sup>(2)</sup>	8,811	7,737

- 9% decline in net revenues to €40.2m; on a constant currency basis, revenues are 7% lower than H1 2015.
- Adjusted EBITDA margin of 25% (H1 2015: 23%).
- An impairment charge of €8.2m was recognised in relation to the carrying value of the Hostelbookers domain names.
- Fixed asset depreciation €0.5m (H1 2015: €0.4m). Amortisation of capitalised development costs €1.6m (H1 2015: €0.7m). Intangibles amortisation €5.0m (H1 2015: €5.0m).
- H1 2015 Financial expenses of €18.3m relate to interest accrued on shareholder loans repaid at IPO.
- Overall Income tax benefit of €0.8m comprises a Group corporation tax charge of €0.3m and a deferred tax credit of €1.1m arising on reduction in deferred tax liabilities resulting from the impairment review, partially offset by amortisation of deferred tax assets.

<sup>(1)</sup>The Group uses Adjusted EBITDA to show profit without the impact of non-cash and non-recurring items  
<sup>(2)</sup>Adjusted PAT defined as Reported Profit/Loss for the period excluding exceptional costs, amortisation of acquired domain and technology intangibles, impairment charges, net finance costs, share option charge and deferred taxation.

# Cashflow Statement

Financial
Operational

## Group cashflow statement

€'000	H1 2015	H1 2016
Loss before tax	(14,649)	(5,502)
Working capital movement	(1,520)	(180)
Non cash adjustments (incl. impairment charge)	6,214	15,318
Net finance costs	18,322	36
<b>Cashflows from operating activities</b>	<b>8,367</b>	<b>9,672</b>
Net interest paid	-	(34)
Taxes Paid	(131)	(49)
<b>Net Cashflows from operating activities</b>	<b>8,236</b>	<b>9,589</b>
Capitalisation and acquisition of intangible assets	(2,082)	(1,210)
Purchase of property, plant and equipment	(1,651)	(600)
<b>Net cash used in investing activities</b>	<b>(3,733)</b>	<b>(1,810)</b>
Repayment of shareholder loans	(13,784)	-
Dividends paid	-	(2,628)
<b>Net cash used in financing activities</b>	<b>(13,784)</b>	<b>(2,628)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(9,281)</b>	<b>5,151</b>
Opening cash and cash equivalents	19,942	13,620
Effect of exchange rate gains and losses	324	(119)
<b>Closing cash and cash equivalents</b>	<b>10,985</b>	<b>18,652</b>



# Cashflow Conversion

Financial
Operational

## Group cash conversion

€'000	H1 2015	H1 2016
EBITDA	9,757	9,851
Adj. EBITDA	10,048	10,122
Free cash flow before financing activities	4,503	8,222
Adjustments to free cash flow:		
- IPO costs	2,394	2,580
- Establishment costs	670	-
Total Adjustments	3,064	2,580
Adjusted free cash flow <sup>1</sup>	7,567	10,802
Adjusted free cash conversion % <sup>1</sup>	75%	107%

- 107% Adjusted free cash conversion for H1 2016.
- Adjusting for the delayed receipt of a prior year VAT claim until early 2016, H1 2016 adj. cash conversion was 100%, higher than full year guidance reflecting seasonality factors.
- €2.6m of costs related to the IPO were outstanding at 31 December 2015 and paid in 2016.

Source: Management information

<sup>1</sup> Adjusted free cash flow defined as free cash flow before financing activities adjusted for financial expenses, M&A costs and impairment costs; adjusted free cash conversion shown as a percentage of adjusted EBITDA

# Balance Sheet

Financial
Operational

## Group balance sheet summary

€'000	31 Dec 2015	30 Jun 2016
Other intangible assets	158,972	145,463
Other non-current assets	4,848	4,471
Trade and other receivables	3,249	3,215
Corporation tax	3	-
Cash and cash equivalents	13,620	18,652
<b>Total assets</b>	<b>180,692</b>	<b>171,801</b>

- Strong Group balance sheet at 30 June 2016 with negative working capital of €8.7m.
- Net cash balances of €18.7m.
- Net decrease in other intangible assets driven primarily by impairment charge and amortisation.

<b>Total equity</b>	<b>166,697</b>	<b>158,917</b>
Deferred tax liabilities	2,563	1,003
Creditors, accruals and other liabilities	11,432	11,881
<b>Total equity and liabilities</b>	<b>180,692</b>	<b>171,801</b>

Source: Management information

# Summary KPIs

Financial
Operational

## Overview of track record of KPIs

KPI metric	H1 2015	H1 2016
Bookings:	HW Brand	2.6m
	Other	3.0m
	1.1m	0.5m
Average Booking Value (ABV)	€12.61	€11.79
Net revenue	€43.9m	€40.2m
Marketing investment (% of net revenue)	50%	43%
Adjusted EBITDA	€10.0m	€10.1m
Adjusted Profit after tax <sup>1</sup>	€8.8m	€7.7m
Adjusted free cash flow <sup>2</sup>	€7.6m	€10.8m
Adjusted free cash conversion <sup>2</sup>	75%	107%

Source: Management information

<sup>1</sup> Adjusted PAT is defined as Reported Profit/Loss for the period excluding exceptional costs, amortisation of acquired domain and technology intangibles, impairment charges, net finance costs and deferred taxation.

<sup>2</sup> Adjusted free cash flow defined as free cash flow before financing activities adjusted for financial expenses, M&A costs and impairment costs; adjusted free cash conversion shown as a percentage of adjusted EBITDA

# In conclusion

**Tangible Benefits of our 4 strategic pillars approach**

**Significant marketing efficiencies in paid media**

**Interim dividend declared of 4.8 cents per share**

**On track to meet full year expectations**





# Q&A

