



HOSTELWORLD
MEET THE WORLD

2018 PRELIMINARY RESULTS

APRIL 2019 PRESENTATION



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HOSTELWORLD AT A GLANCE

The world's leading hostel-focussed online booking platform

Hostelworld in numbers¹

288
employees²

c.16,500
hostels

Properties in
179
countries

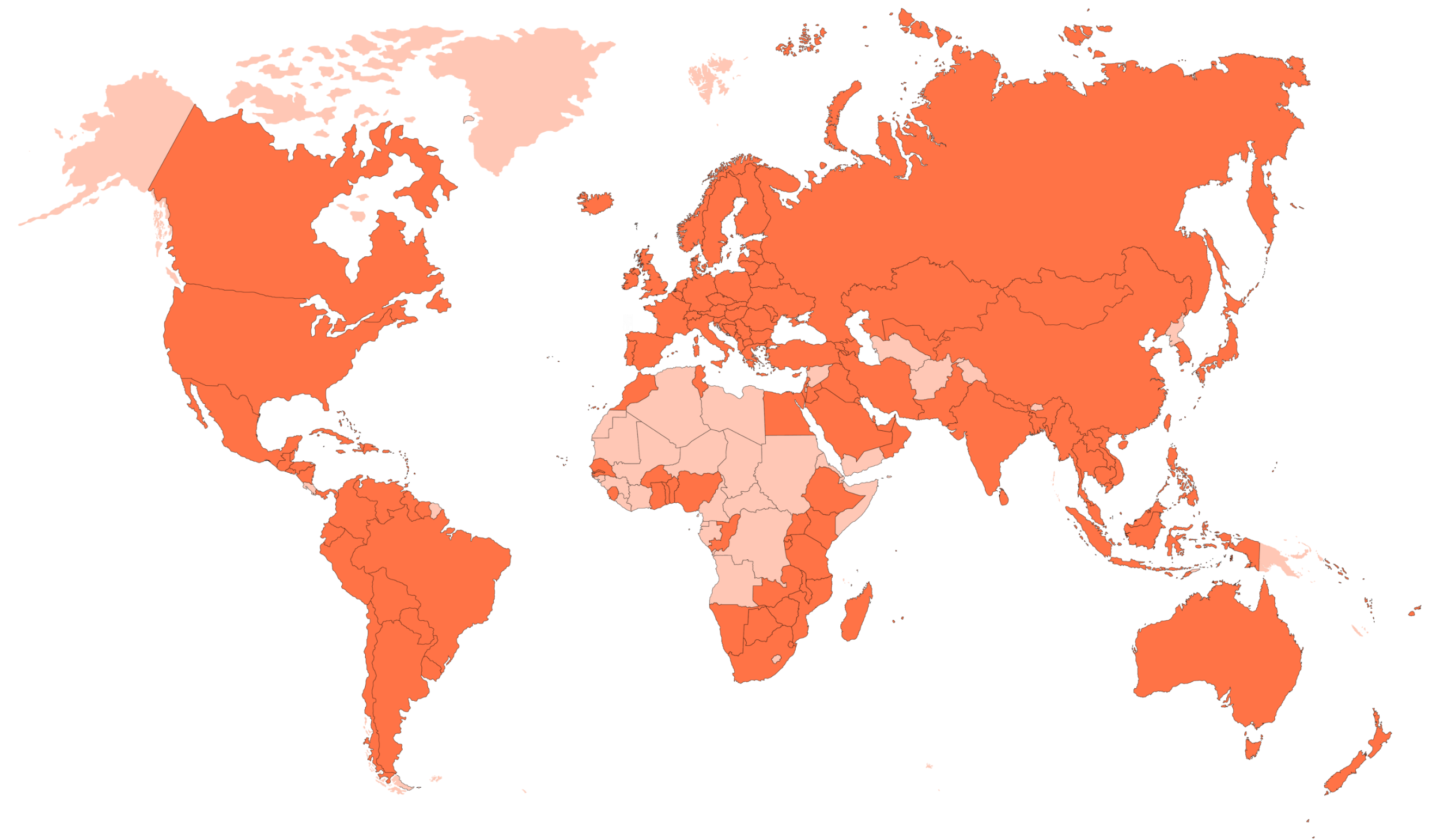
152M
visits to website
and apps in 2018

Over
11.5M
reviews

Over
2.5M
social media
followers

Available
globally in
19
languages
(13 on app)

40%
bookings from
app



Hostelworld properties in 179 countries

AGENDA

FINANCIAL PERFORMANCE 2018

TJ Kelly – CFO

OPERATIONAL PERFORMANCE 2018

Gary Morrison - CEO

Q&A



***FINANCIAL
PERFORMANCE***

KEY FINANCIAL HIGHLIGHTS

Solid underlying performance

		2017	2018	YoY %
Bookings	Gross Bookings: HW Brand	7.0m	7.3m	4%
	Gross Bookings: HW Group	7.5m	7.6m	0%
	Net Bookings: HW Brand	7.0m	7.0m	(1%)
	Net Bookings: HW Group	7.5m	7.2m	(4%)
Revenue	Average Booking Value (ABV)	€11.6	€11.9	3%
	Net Revenue	€86.7m	€82.1m	(5%)
	Net Revenue (excluding deferred revenue impact)	€86.7m	€85.0m	(2%)
	Deferred Free Cancellation Revenue	-	€2.9m	-
Profitability	Adjusted EBITDA ¹	€26.4m	€21.4m	(19%)
	Adjusted Profit after tax ²	€21.7m	€17.5m	(19%)
	Adjusted EPS	22.73c	18.33c	
Cash	Adjusted Free Cash Flow ³	€21.5m	€20.7m	
	Adjusted Free Cash Conversion ³	81%	97%	
Shareholder Returns	Total Dividend Per Share	17.1c	13.8c	
	Total Dividend Payout	€16.3m	€13.2m	

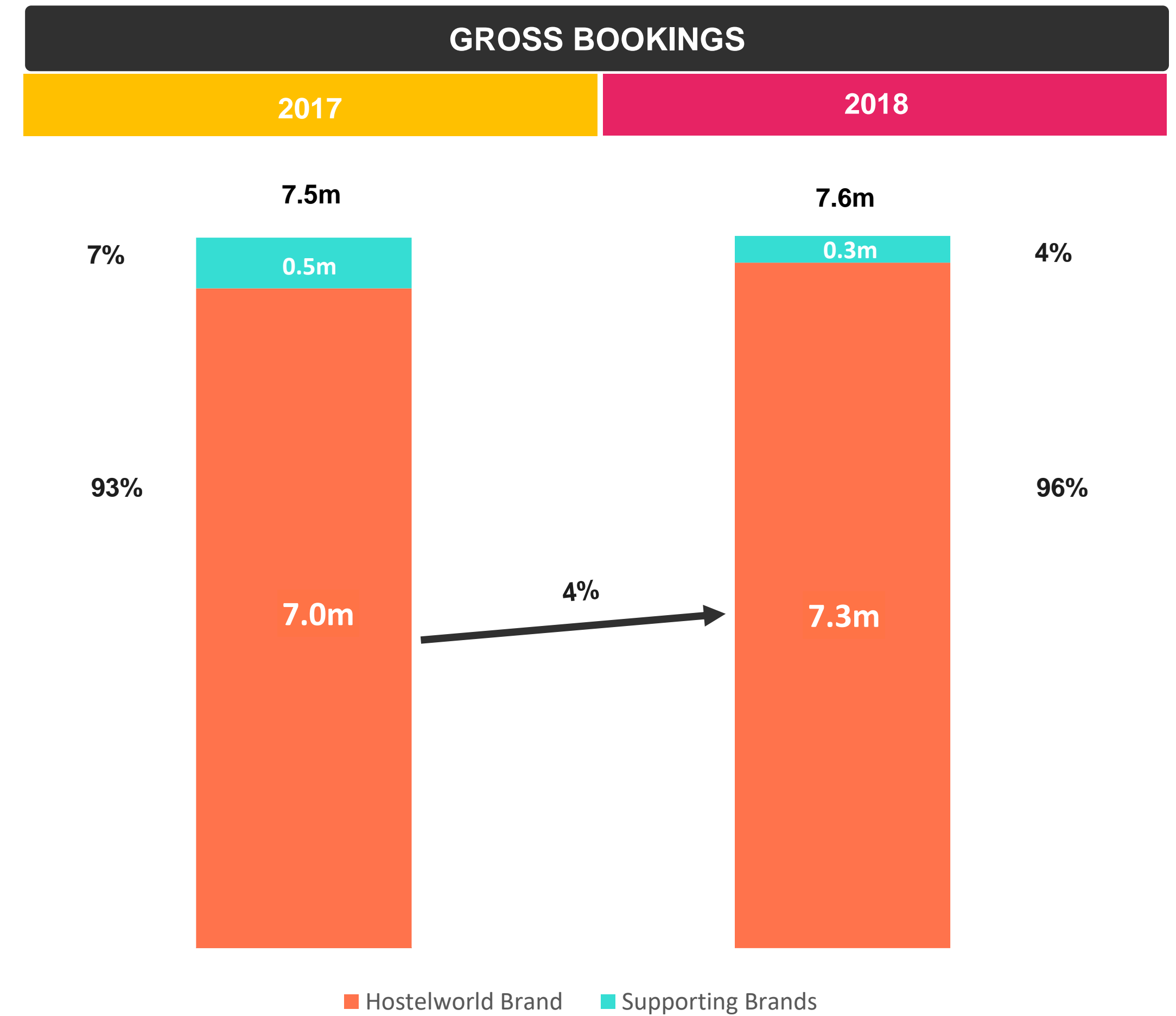
- Strong growth in core Hostelworld Brand (**4%** increase in gross bookings).
- Net Revenue increased by **1%** on a constant currency basis excluding the deferred revenue impact.
- Adjusted EBITDA decreased by **19%** primarily due to the effect of rolling out the free cancellation product.
- Adjusted EBITDA decreased by **5%** on a constant currency basis excluding the deferred revenue impact.
- Strong cash generation maintained.

2018 BOOKINGS

4% Growth in Hostelworld Brand Gross bookings

Group Bookings¹

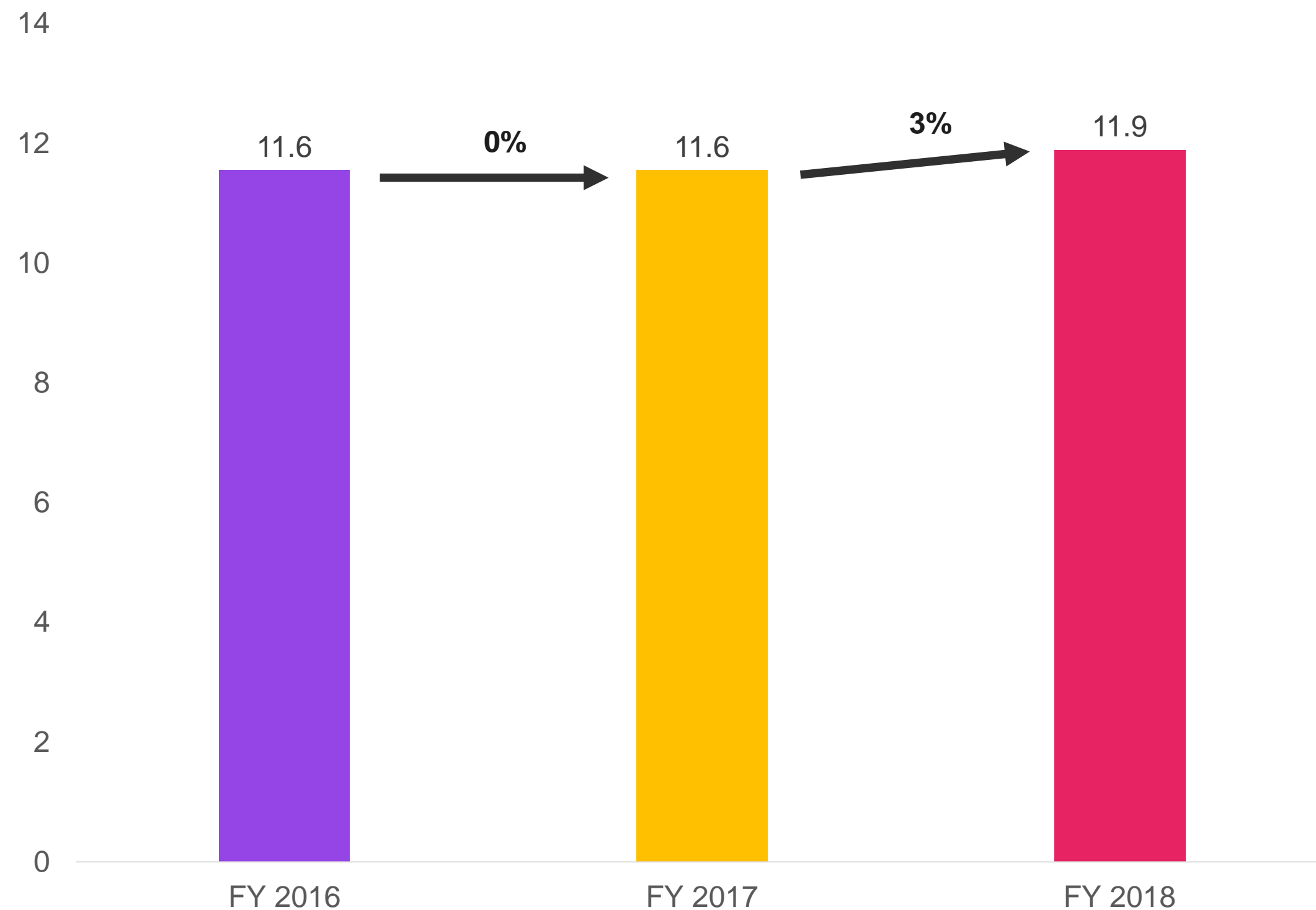
- 4% increase in Hostelworld Brand gross bookings; total Group bookings growth flat (at **7.6m** bookings).
- Net of cancellations Hostelworld Brand bookings fell 1%; 4% decrease in total Group bookings growth (to **7.2m** bookings).
- Supporting Brands are in managed decline, contributing 4% of total bookings in 2018, down from 7% in 2017.
- Bookings from app grew by 22% in 2018 from 33% of bookings in 2017 to 40% of bookings in 2018.



2018 ABV

Modest increase year on year

GROUP AVERAGE BOOKING VALUE ("ABV") (€)¹



ABV increased by 3% (2017: flat), 6% increase in constant currency

Tailwinds

- Increase in average commission rates to **15.4%** (2017: **14.3%**).
- New contracts implemented in February 2018, **>90%** properties and **>59%** of bookings now on a **15%** base rate.
- Increase in underlying base price per bed.
- Elevate penetration remained flat due to the increase in base commission.

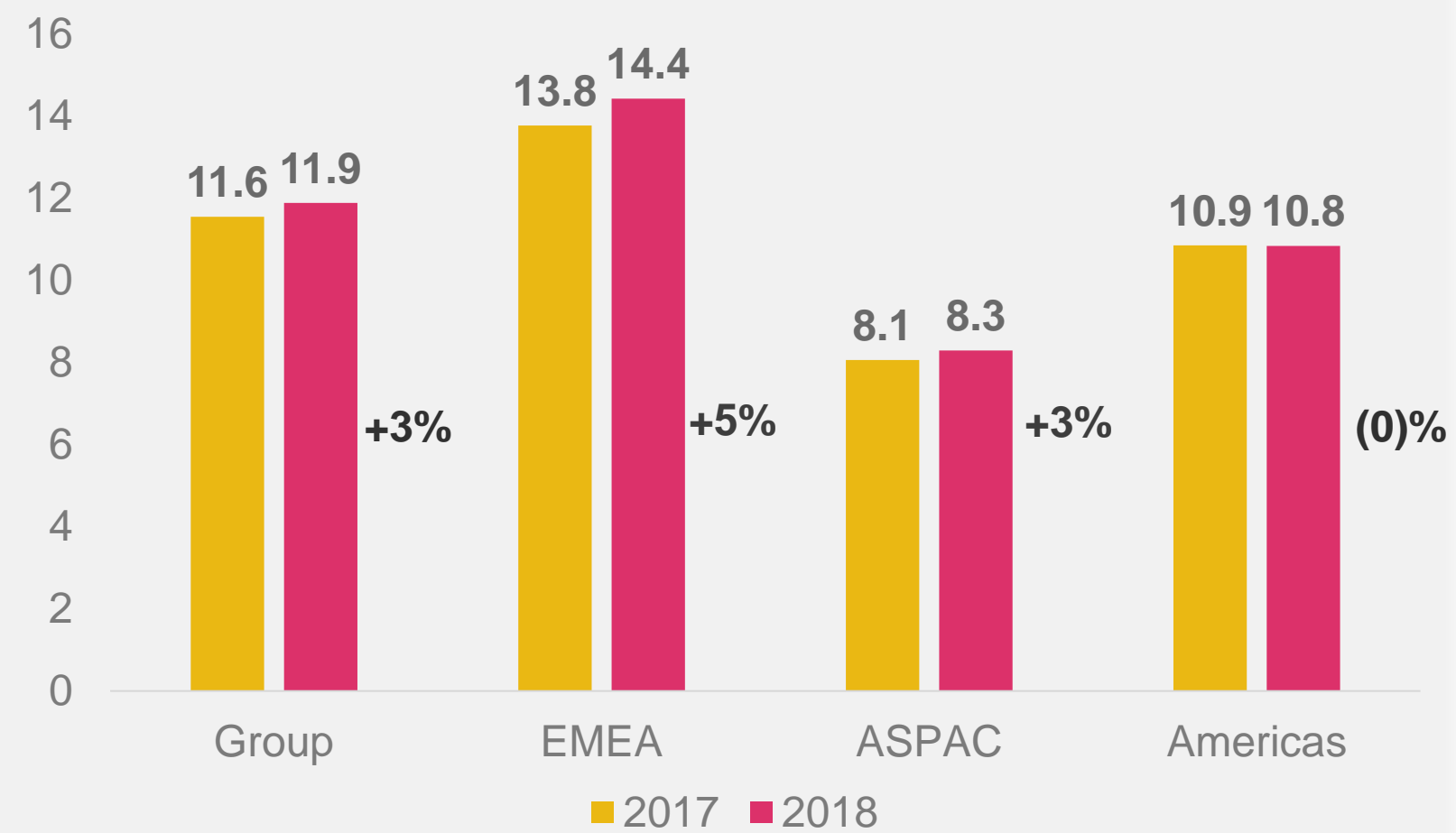
Headwinds

- Bednights per booking have declined as a result of continued shift to App/Mobile.
- Negative impact of exchange rate movements.
- Destination mix.

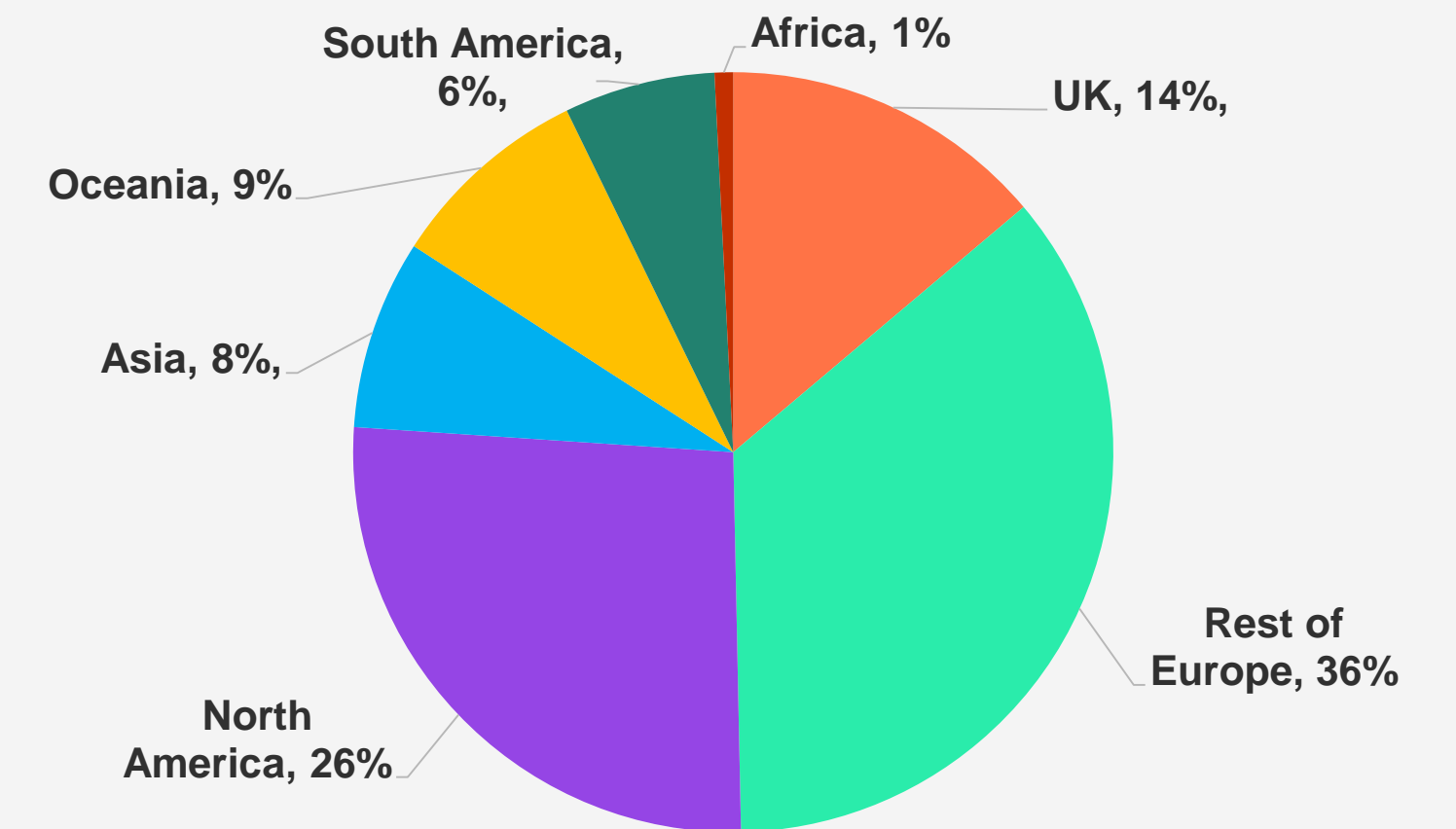
2018 DESTINATION MIX

Underlying base bed price increase partially offset by destination mix

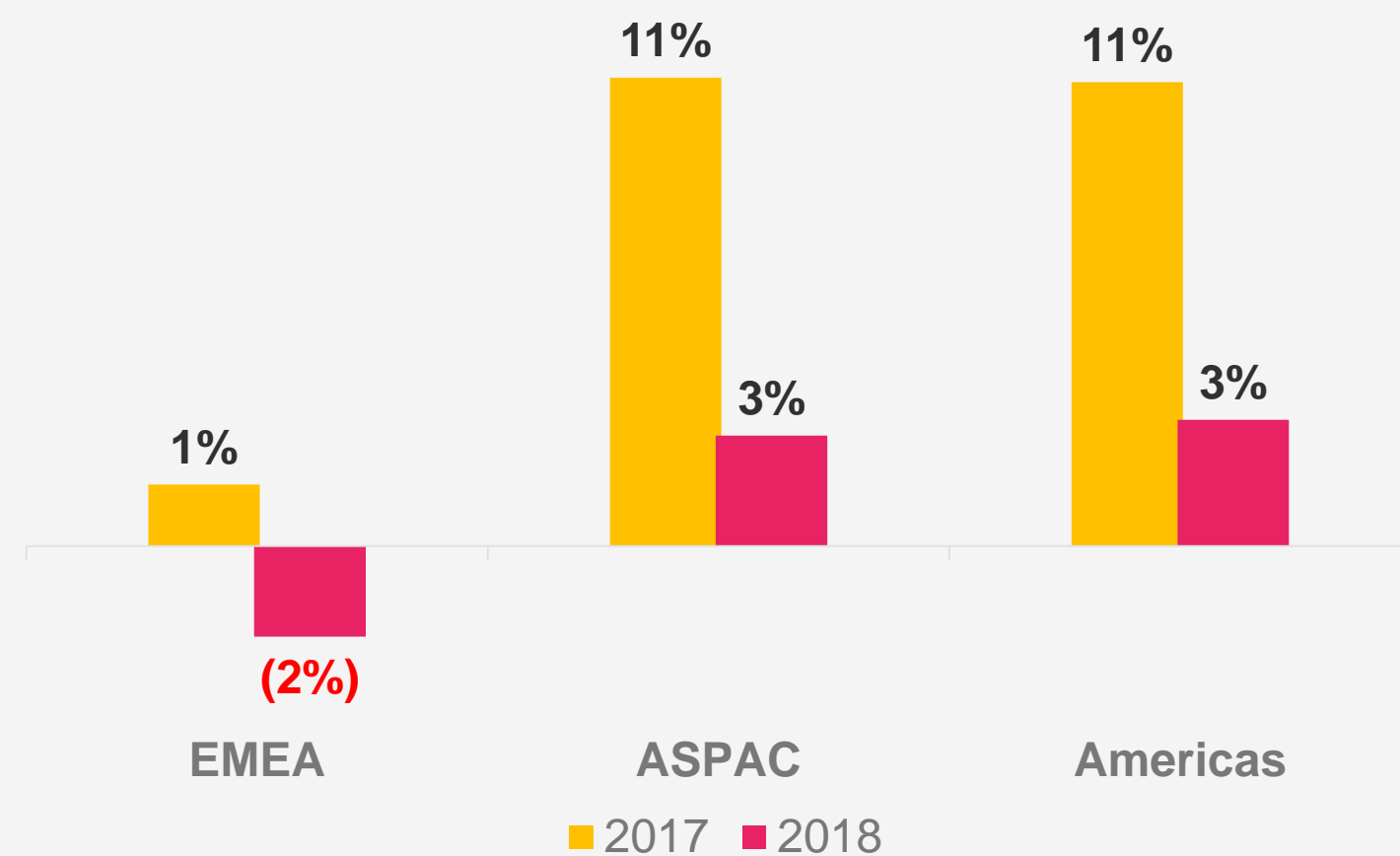
ABV DESTINATION MIX (€)¹



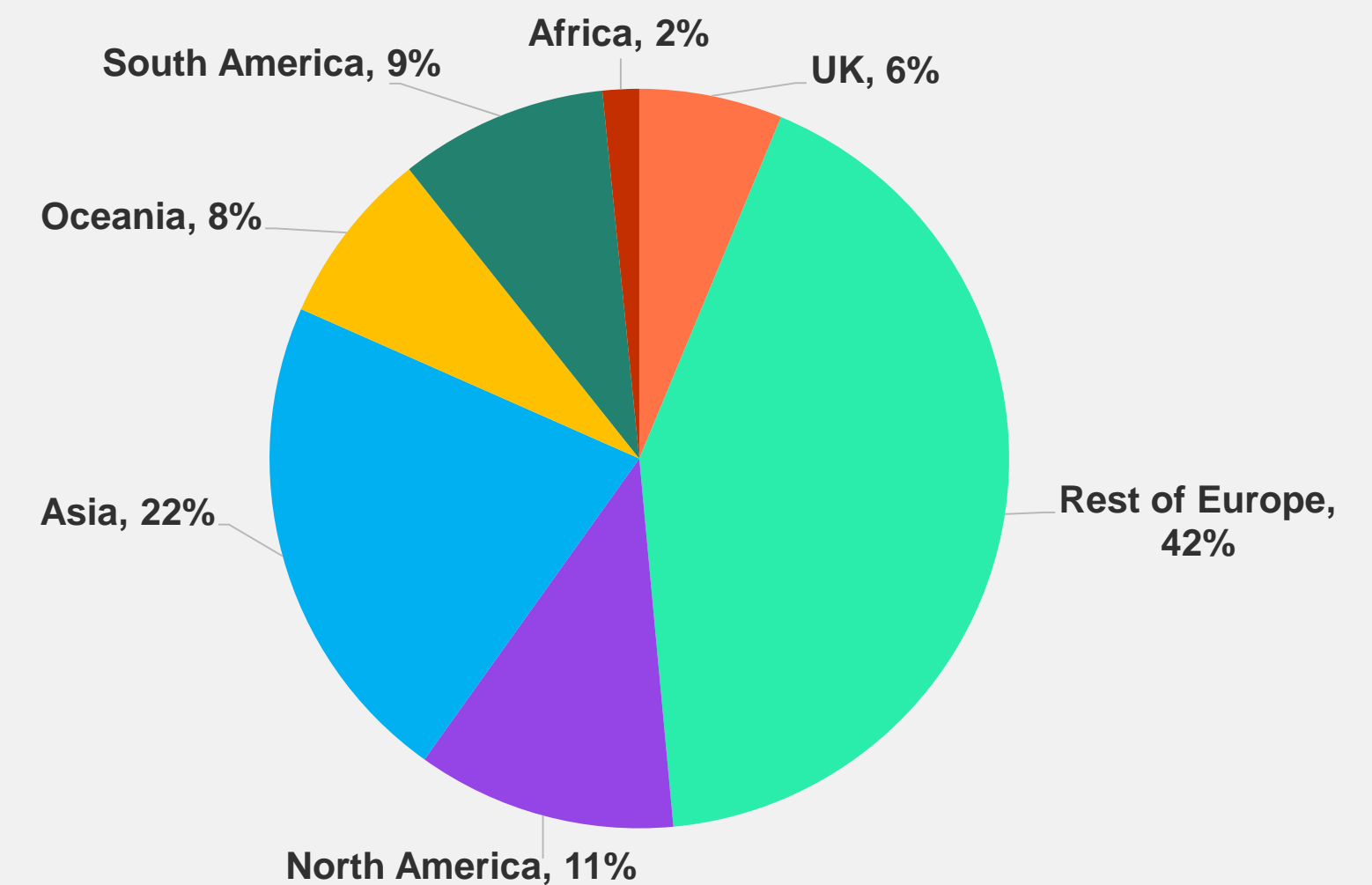
BOOKINGS BY NATIONALITY: 2018



DESTINATION MIX: YOY GROWTH



BOOKINGS BY DESTINATION: 2018

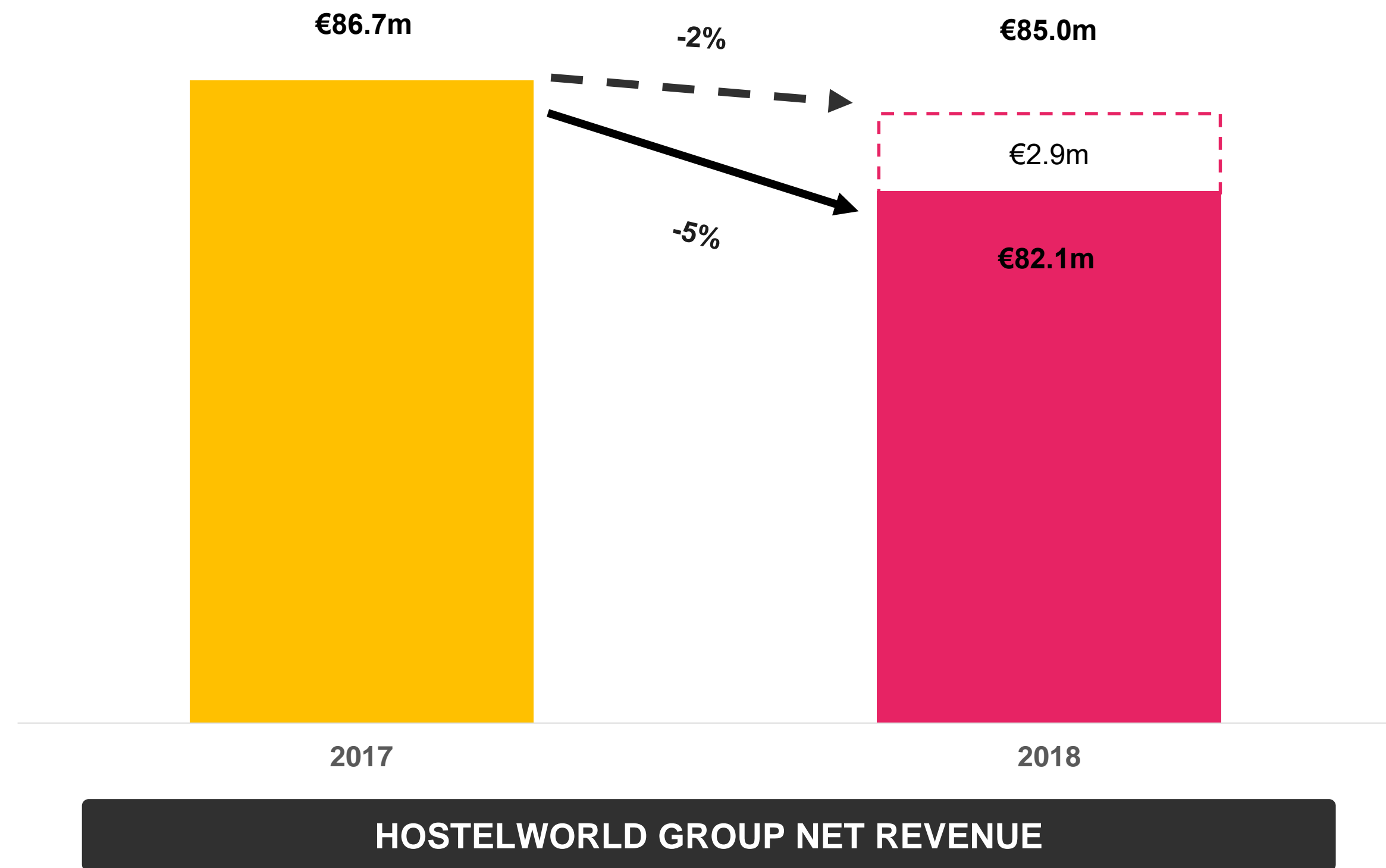


2018 NET REVENUE

Impacted by free cancellation product rollout

HW Group Net Revenue

- **€82.1m** Net Revenue, **5%** decrease from 2017, **3%** decrease on constant currency basis.
- Excluding the impact of **€2.9m** deferred revenue, **2%** decrease and **1%** increase in constant currency.



2018 FREE CANCELLATION & DEFERRED REVENUE

Free cancellation product successfully rolled out

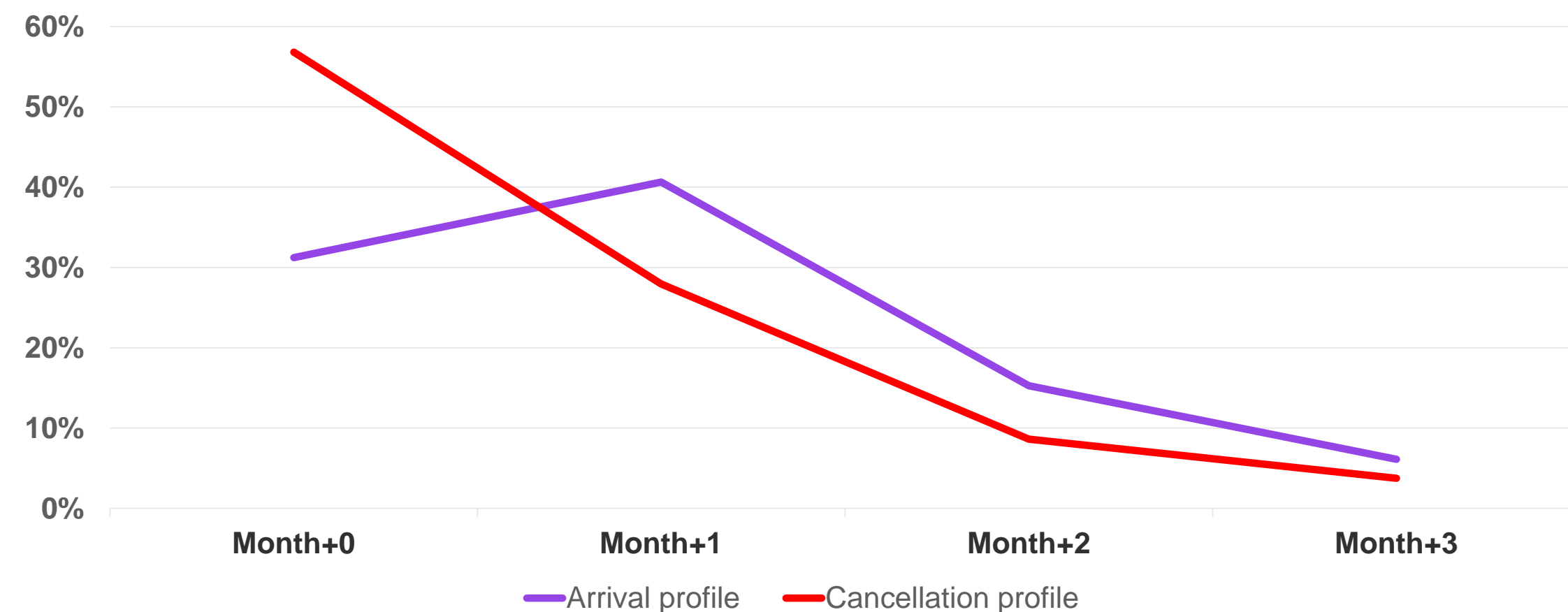
Free Cancellation

- Global rollout of free cancellation product completed in July 2018. Underlying cancellation rates remain within the expected range.

Deferred Revenue

- At 31 December 2018, **€2.9m** of revenue from free cancellation bookings has been deferred and will be recognised, net of cancellations, at the point at which the traveller no longer has the right to cancel. All direct costs associated with deferred bookings have been recognised.

PROFILE OF FREE CANCELLATION ARRIVAL AND CANCELLATION BEHAVIOUR¹



Free cancellation behaviour:

- 87% of travellers using free cancellation booking options arrive within three months of booking.
- 57% of travellers who are going to cancel, do so in the month they book, with a further 28% cancelling the month after they book.

2018 PERFORMANCE

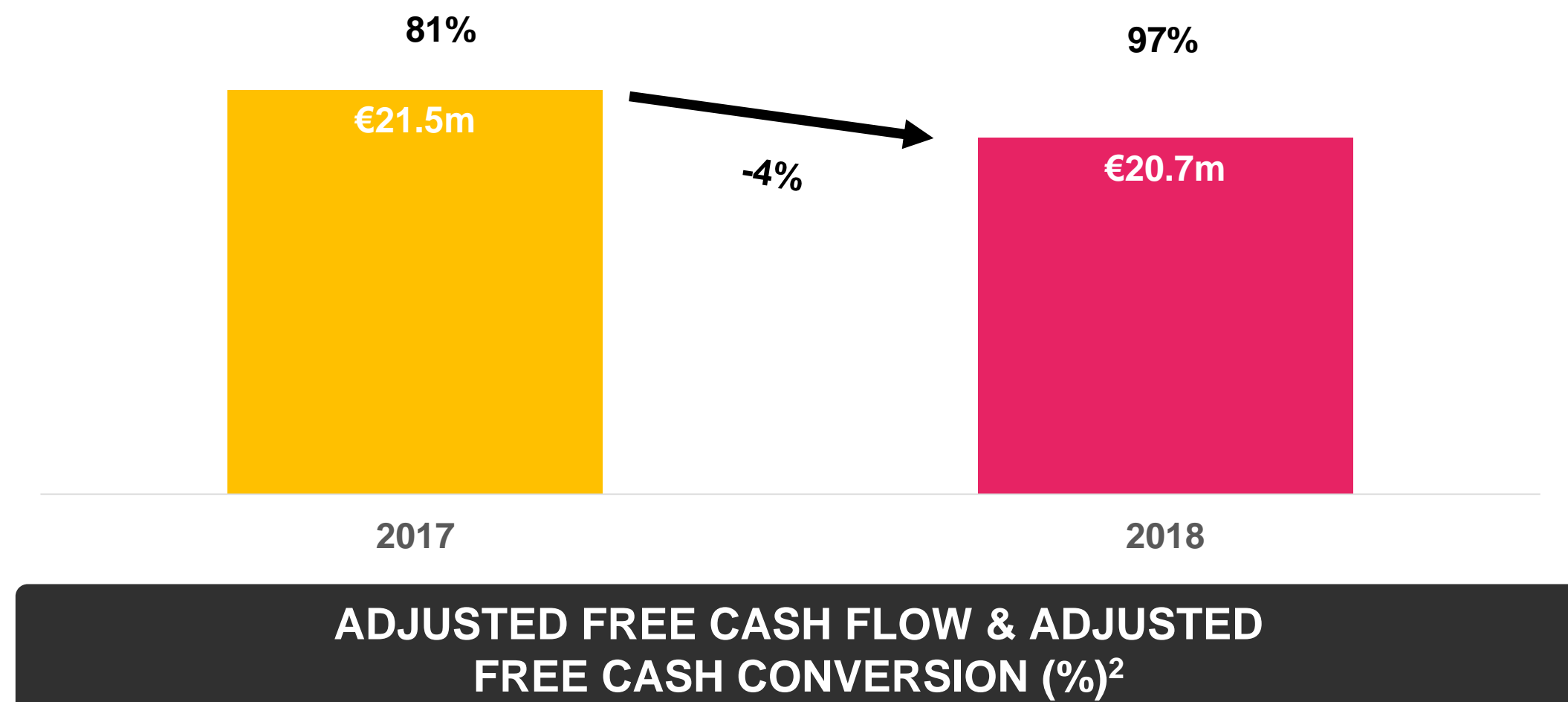
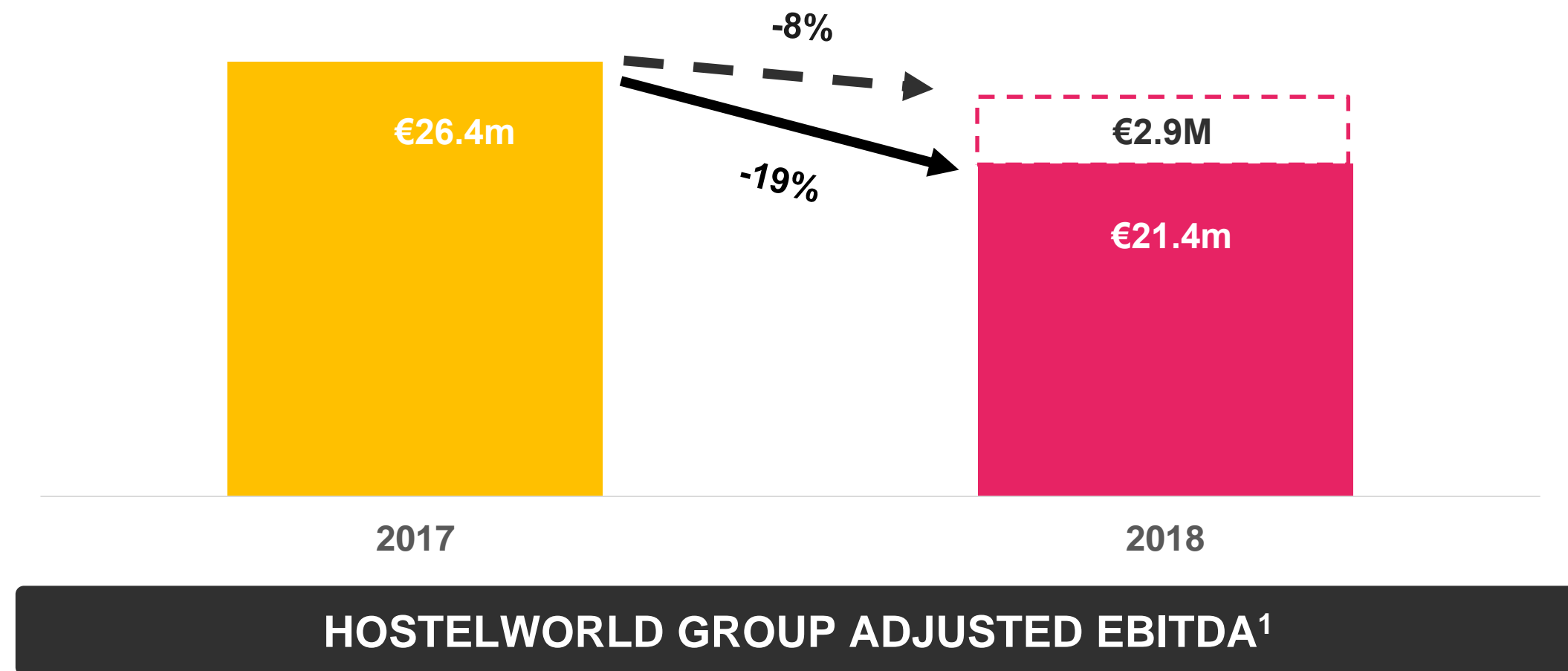
Continued strong cash conversion

Profit

- **€21.4m** Adjusted EBITDA, **17%** decrease in constant currency (2017: **€26.4m**), **5%** decrease in constant currency excluding the impact of deferred revenue.
- Adjusted EBITDA margin **26%**, (2017: **30%**), **29%** margin excluding the impact of deferred revenue.
- **€17.5m** Adjusted PAT, **16%** decrease in constant currency, (2017: **€21.7m**).

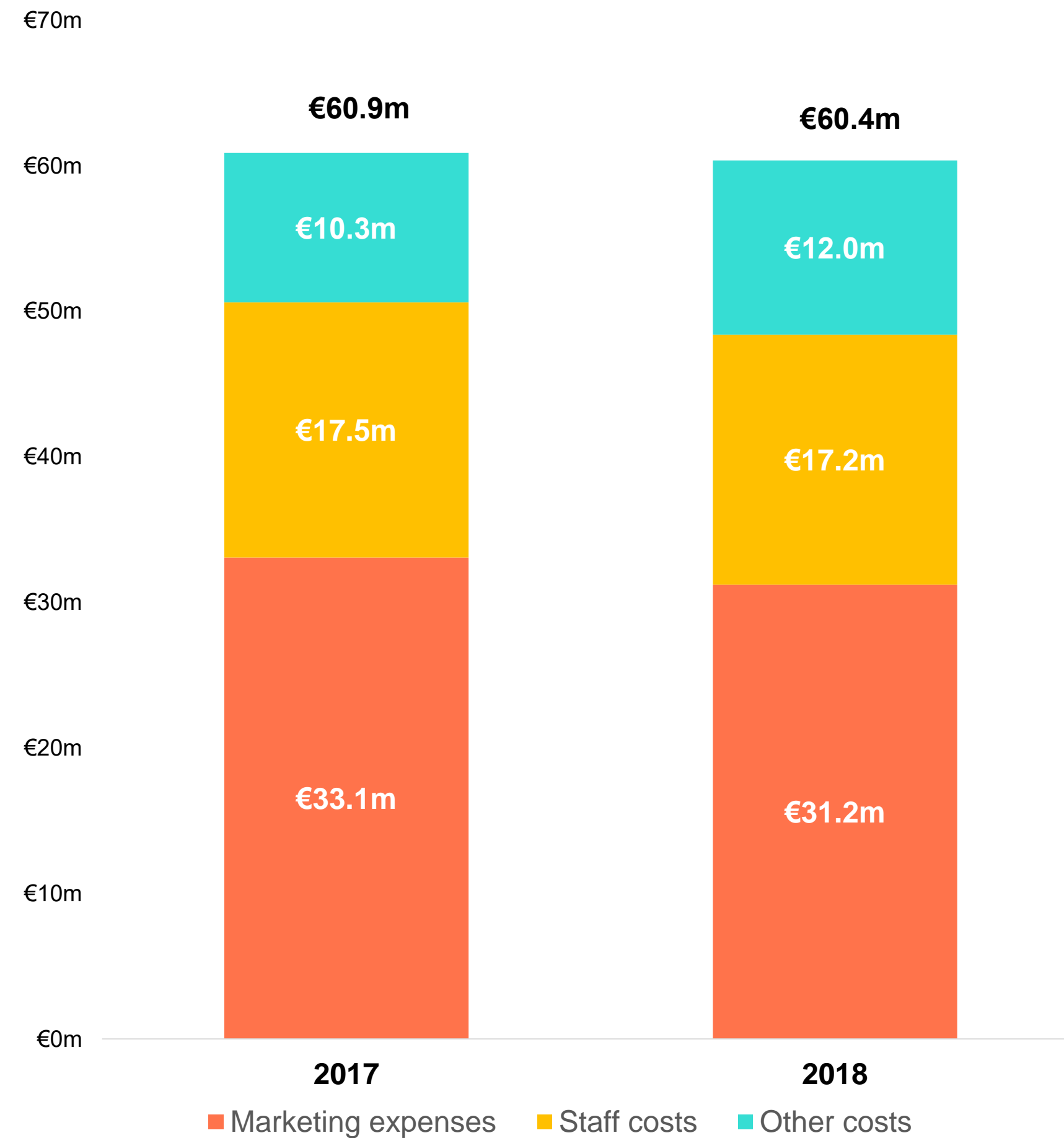
Cash

- Strong underlying adjusted free cash conversion of **97%**, (2017: **81%**), **85%** excluding the impact of deferred revenue.
- Strong balance sheet: Cash of **€26.0m** at 31 December 2018, (31 December 2017: **€21.3m**).



GROUP ADMINISTRATIVE EXPENSES

Targeted investments for growth



Overall administration expenses have decreased by 1%¹:

- Gross staff costs (excluding share based payment expense and development capital) increased from **€18.7m** to **€19.2m**. Average full time equivalent headcount increased by **13%** from **254** in 2017 to **288** in 2018.
- Other costs increased by **17%**, driven by planned increased investment in technology overheads.
- Refocusing our marketing strategy away from category advertising resulted in a **6%** decrease in marketing investment.

DIVIDENDS

Strong returns to shareholders

- A proposed final dividend of **9.0** euro cent per share (2017: **12.0** euro cent per share).
- Total full year dividend of **13.8** euro cent per share (2017: **17.1** euro cent per share).
- Dividend payout in line with stated dividend policy.
- Including proposed final dividend 2018 (**€8.6m**), **€56.7m** returned to shareholders since IPO in 2015.

Dividend Profile	2015	2016	2017	2018
Interim dividend per share	-	4.8c	5.1c	4.8c
Final dividend per share	2.75c	10.4c	12.0c	9.0c
Full year dividend per share	2.75c	15.2c	17.1c	13.8c
Supplementary dividend per share	-	10.5c	-	-
Total dividend per share	2.75c	25.7c	17.1c	13.8c
Dividend payout:				
Interim	-	€4.6m	€4.9m	€4.6m
Final	€2.6m	€9.9m	€11.5m	€8.6m
Supplementary	-	€10.0m	-	-
Total dividend payout	€2.6m	€24.6m	€16.3m	€13.2m





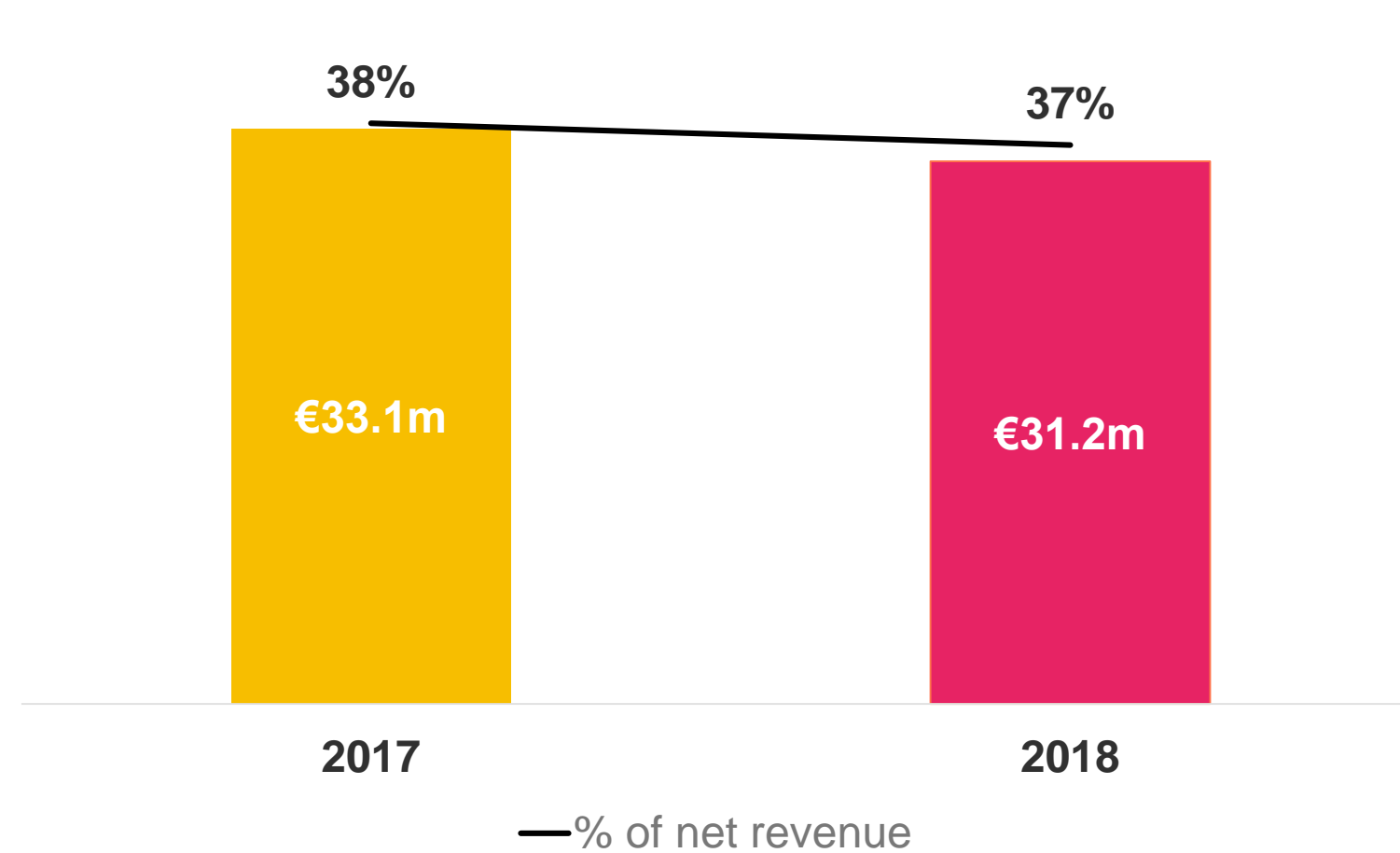
***OPERATIONAL
PERFORMANCE***

ROOM007 VENTURA HOSTEL, MADRID

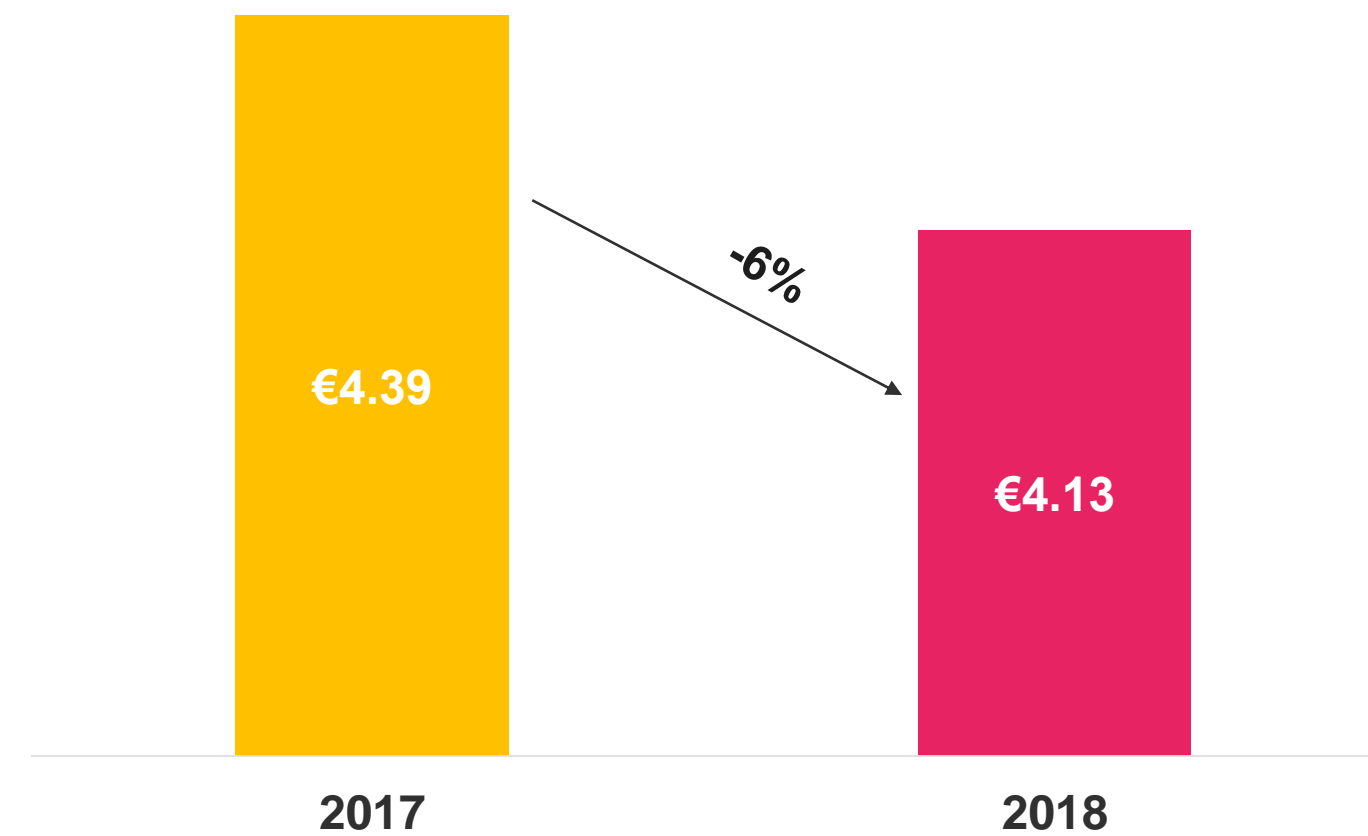
MARKETING STRATEGY

Change in focus to drive growth

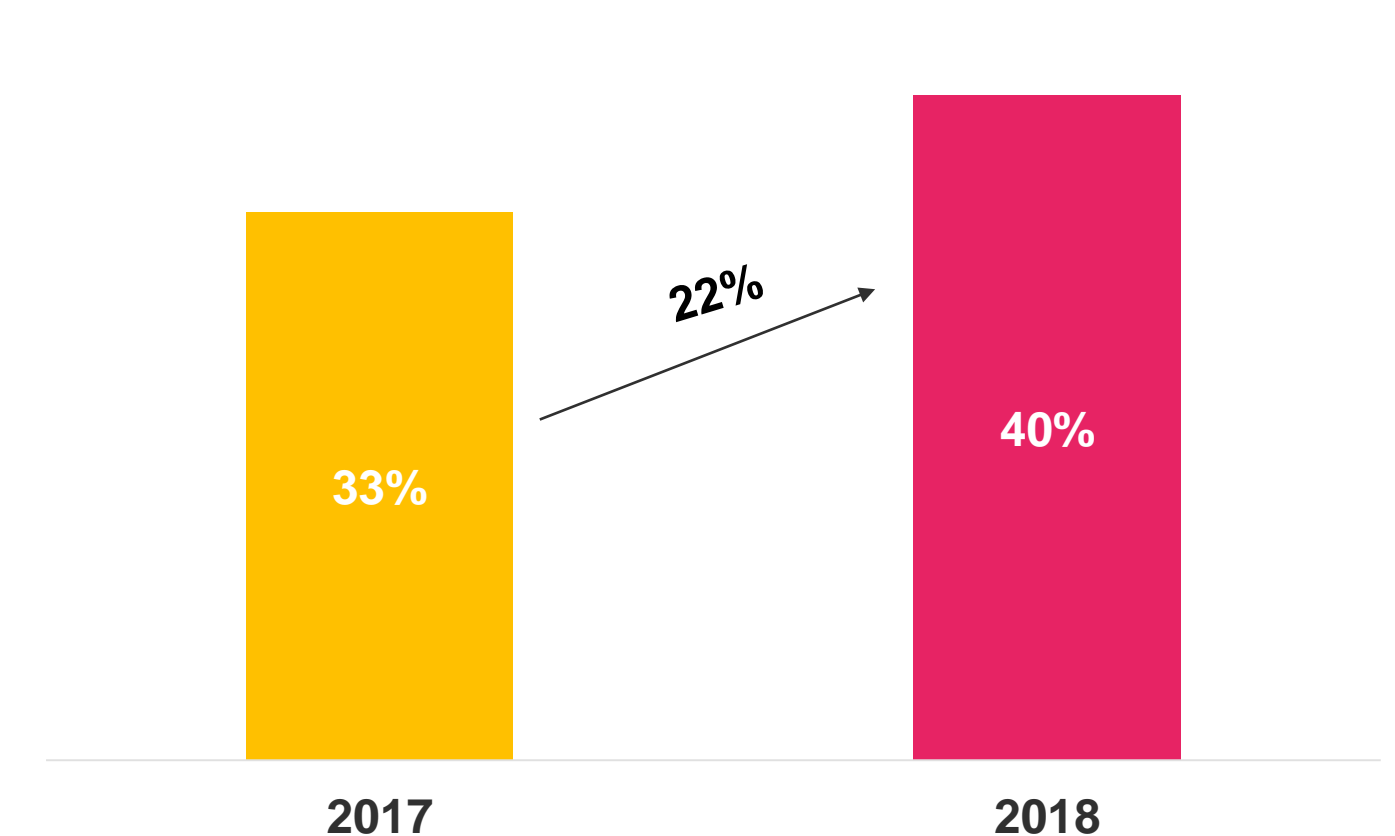
MARKETING COST AS A % OF NET REVENUE¹



MARKETING COST PER BOOKING (€)



APP AS A % OF HWG BOOKINGS



Leveraging marketing efficiencies

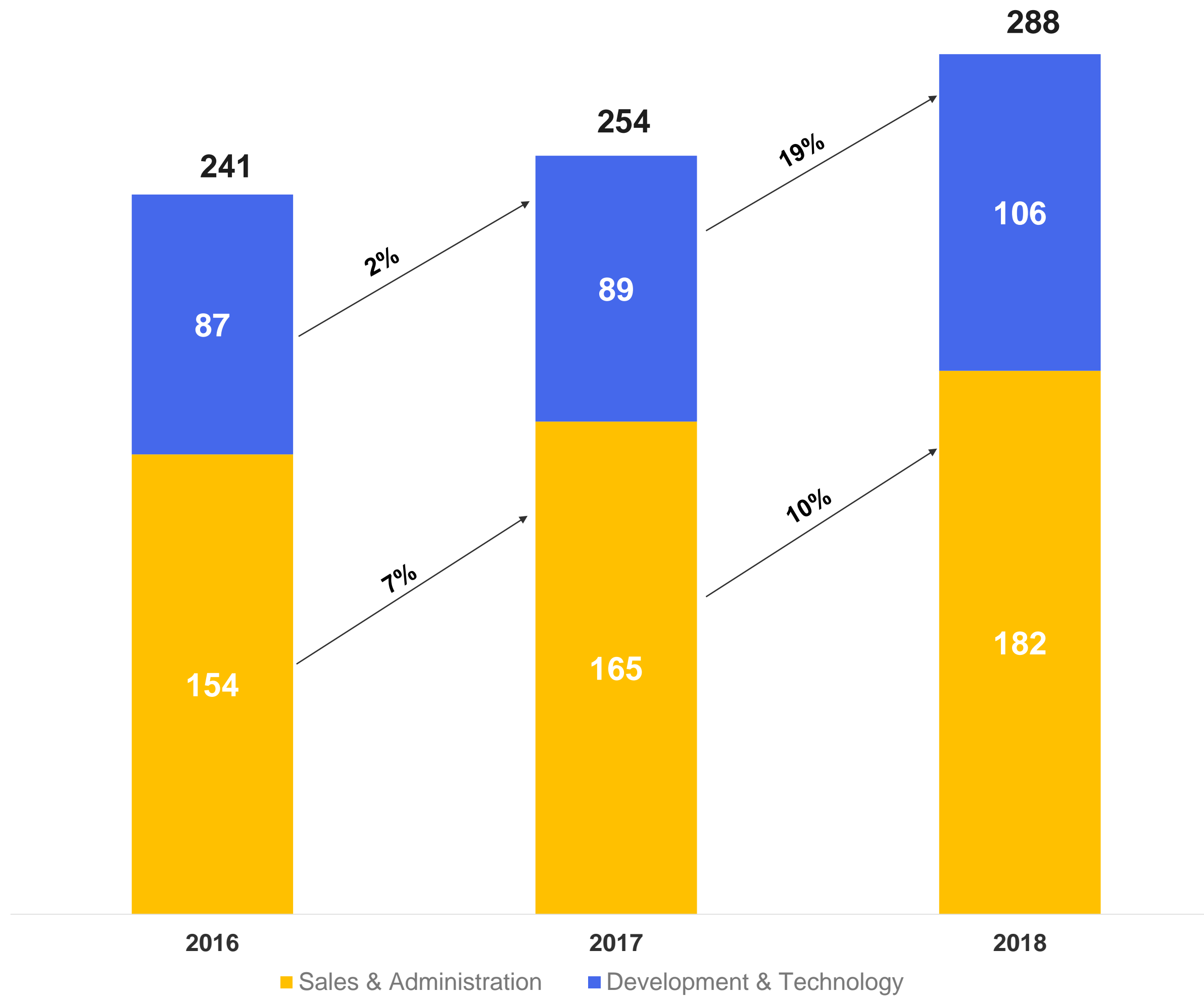
- 1% decrease in marketing cost as a % of net revenue in 2018.
- 6% decrease in marketing cost per booking in 2018.
- 22% growth in App bookings in 2018.

Refocused marketing strategy

- Data driven customer acquisition.
- Improved channel attribution.

INCREASED INVESTMENT IN TECHNOLOGY

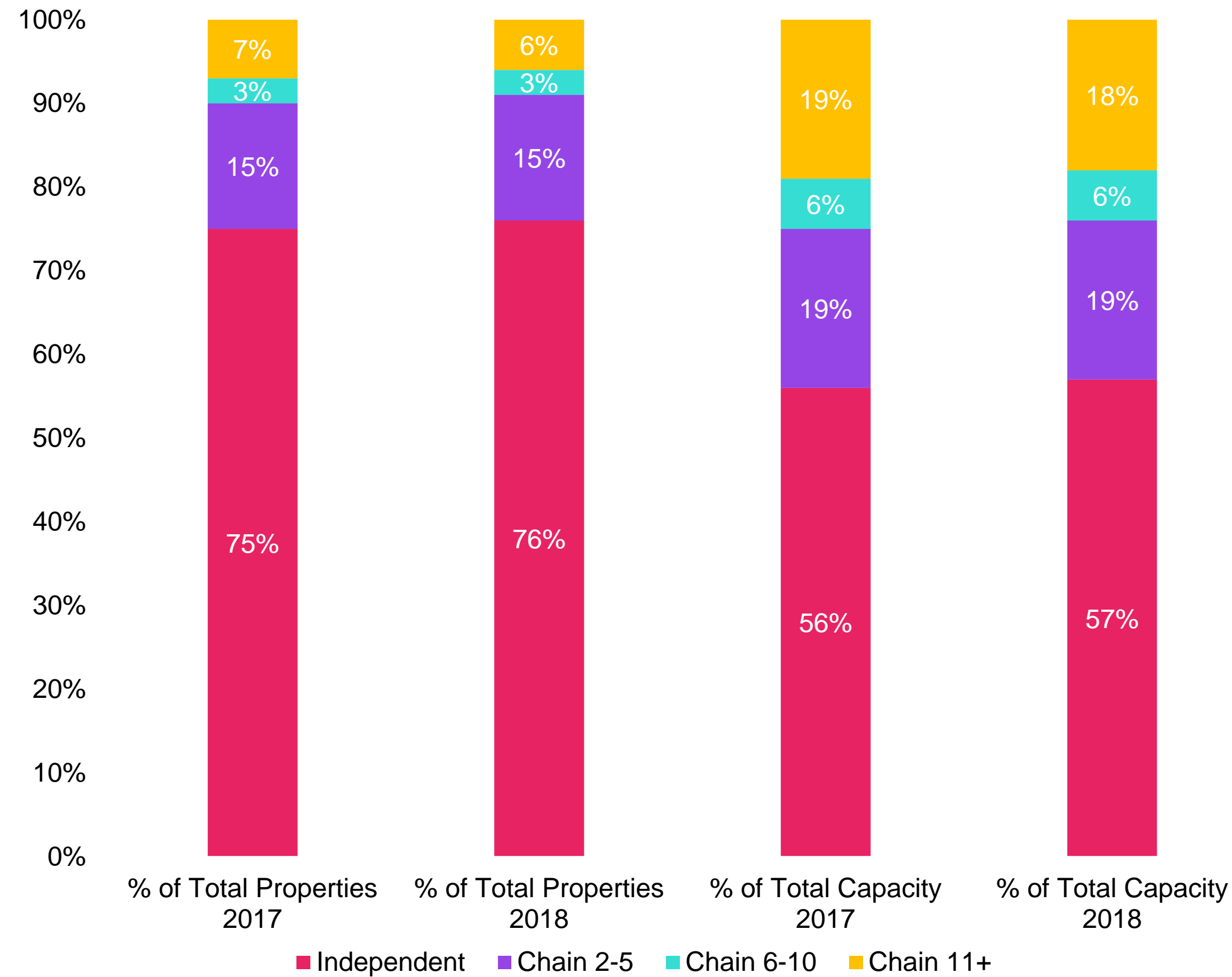
Primarily in Porto



- Average full time equivalent (FTE) headcount increased by **13%** from **254** in 2017 to **288** in 2018.
- Average FTE in development and technology headcount increased by **19%** in 2018. This headcount comprises engineering and product staff.
- Continued expansion of Porto development centre. Employee numbers in Porto more than doubled in 2018 to **53 FTE** as at 31 December 2018 (30 June 2018: **36**).
- We plan to continue investment in product, technology and data science in 2019 to enable us to accelerate the delivery of our strategy.

SUPPLY EVOLUTION

Hostel market remains very fragmented¹



Examples of planned developments:

- Viajero to open 20 properties over next five years
- Selina to grow to 100+ properties by end of 2020
- Amistat joint venture with Blackrock, aiming to open 15 properties in major European destinations over the next 4 years



Selina

MOTTO
by Hilton



ZOSTEL

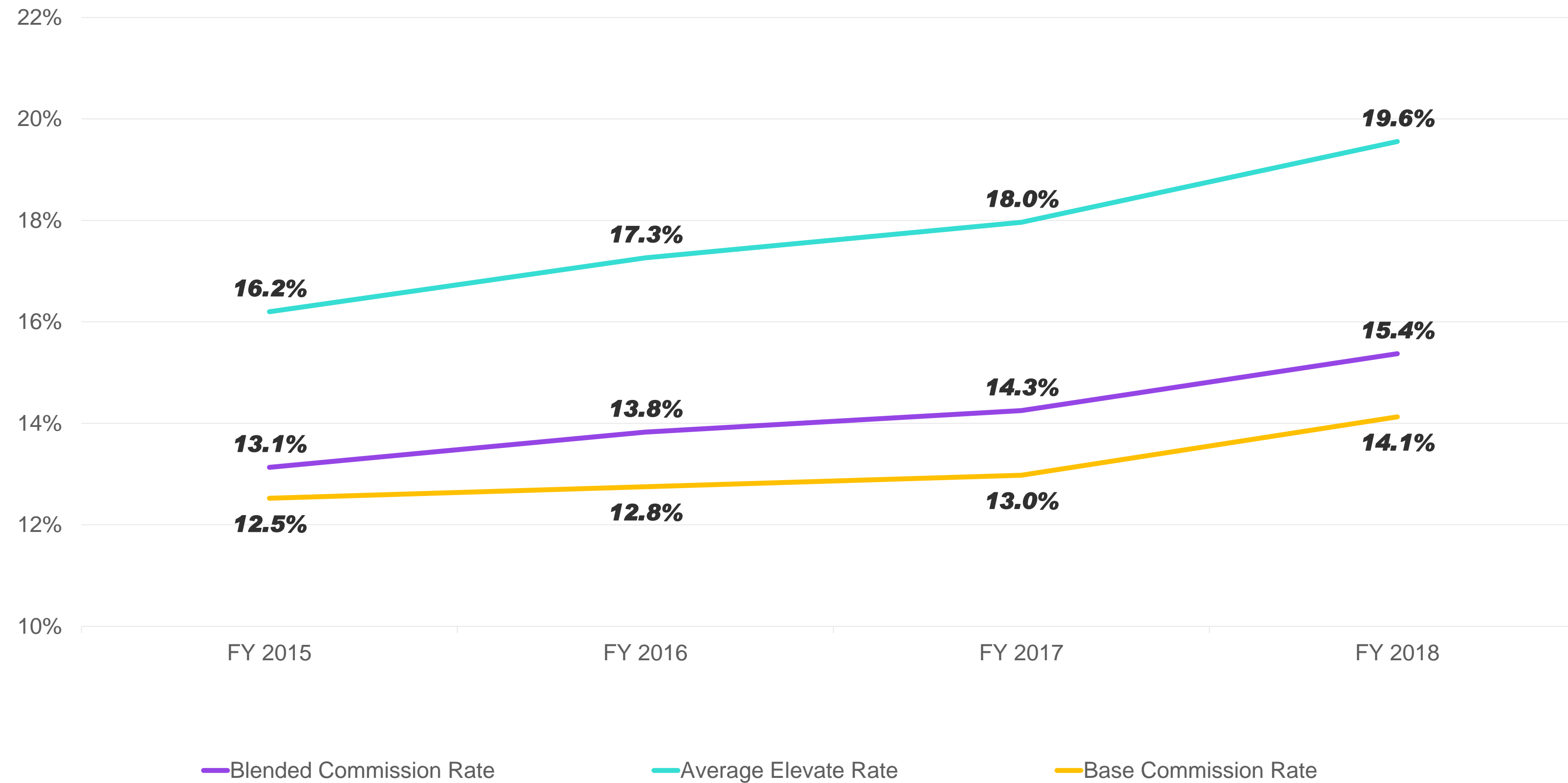


MAD
MONKEY
HOSTELS

a&o
aohostels.com



COMMISSION RATE EVOLUTION



- Base commission increased in Feb 2018. In 2018 more than **90%** of hostels and **> 59%** of bookings on a **15%** base rate.
- Maximum Elevate band increased in Sept 2017. In 2018 one third of bookings continue to Elevate.
- Blended commission rate increased by **8%** in 2018.

ROADMAP FOR GROWTH

Implementation has commenced

2018

2019

2020

Near term actions

- ▶ Strengthened management team
- ▶ Refocussed marketing strategy
- ▶ Shift to agile organisation
- ▶ Improve core search experience

Strengthen the core platform

- ▶ Unique hostel content and improved localisation
- ▶ Improved booking experience (payment types, currencies & online change/cancel)
- ▶ Additional rate plan configurations
- ▶ Improved 3rd party platform connectivity

Return to growth

- ▶ Investment planned in 2019 to deliver growth in 2020 & beyond
- ▶ Leverage Hostelworld's data assets and native app development strengths to exploit our unique and focussed position in the hostel ecosystem

SUMMARY

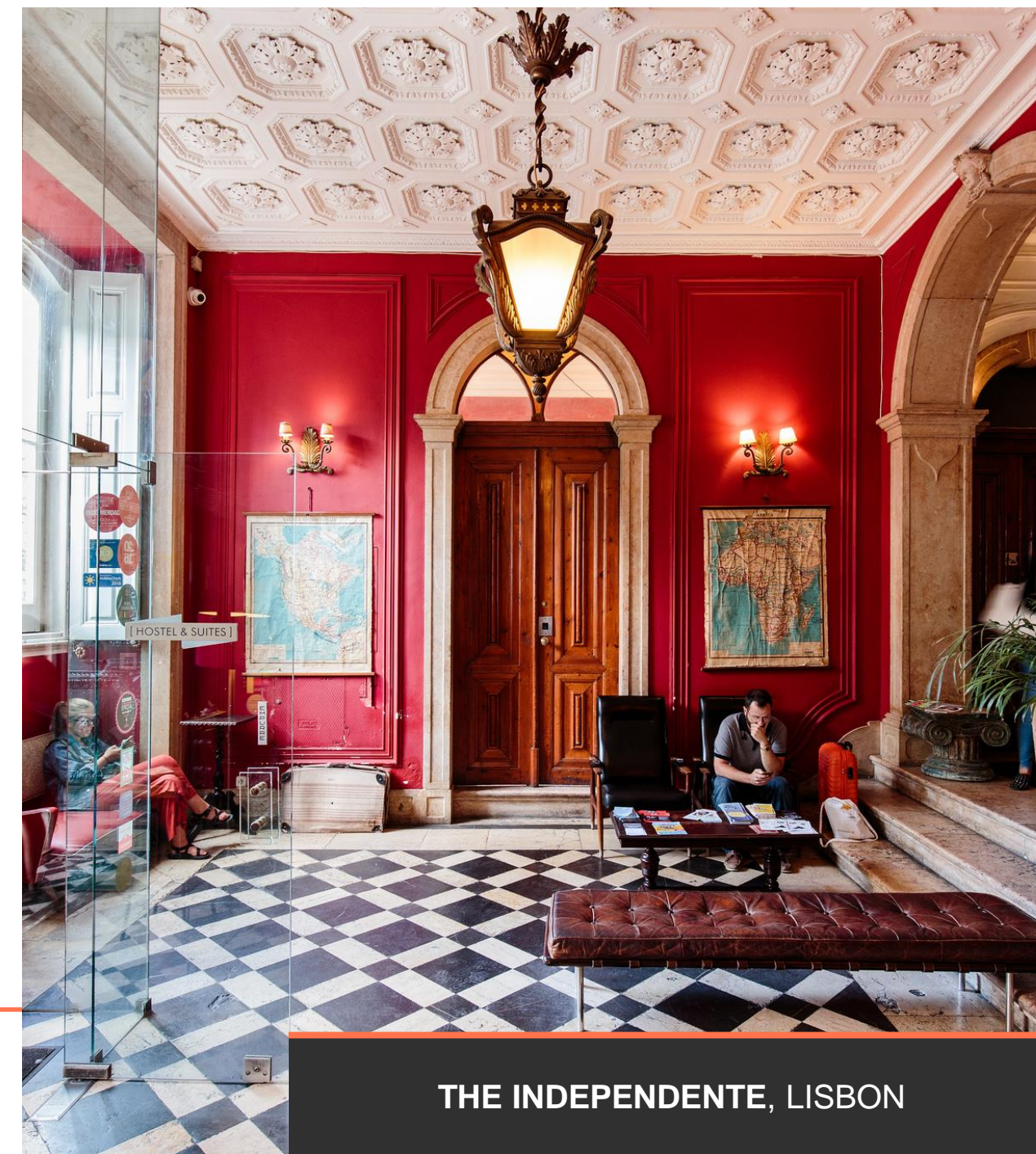
A bright future – investing for growth

- A growth roadmap has been developed with execution underway
- Increased marketing efficiencies driven by 22% growth in app bookings
- Investment in Product, Technology & Data Science has been increased with a view to delivering growth in 2020 & beyond

Trading in the first quarter of 2019 is in line with the Board's expectations



VALENCIA LOUNGE HOSTEL, VALENCIA



THE INDEPENDENTE, LISBON



LUB D KOH SAMUI CHAWENG BEACH,
KOH SAMUI



Q&A

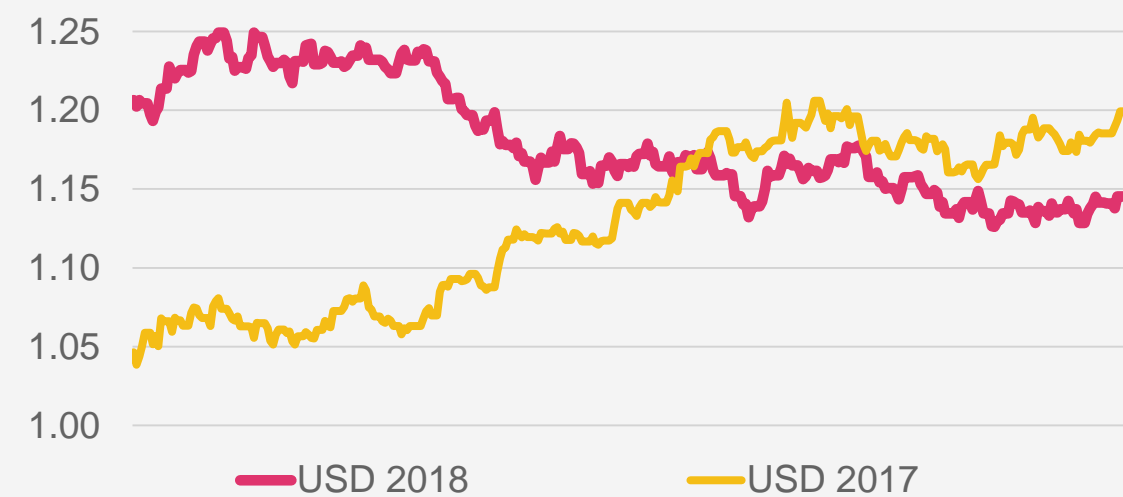


APPENDIX

FOREIGN EXCHANGE

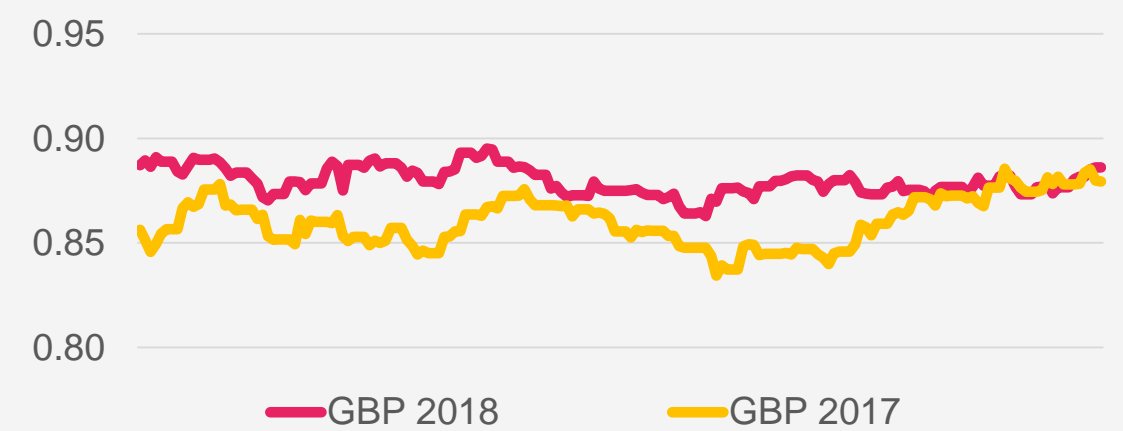
NET REVENUE (EXCLUDING DEFERRED REVENUE) INCREASED BY 1% IN CONSTANT CURRENCY

EUR/USD FX Rate Movement YOY



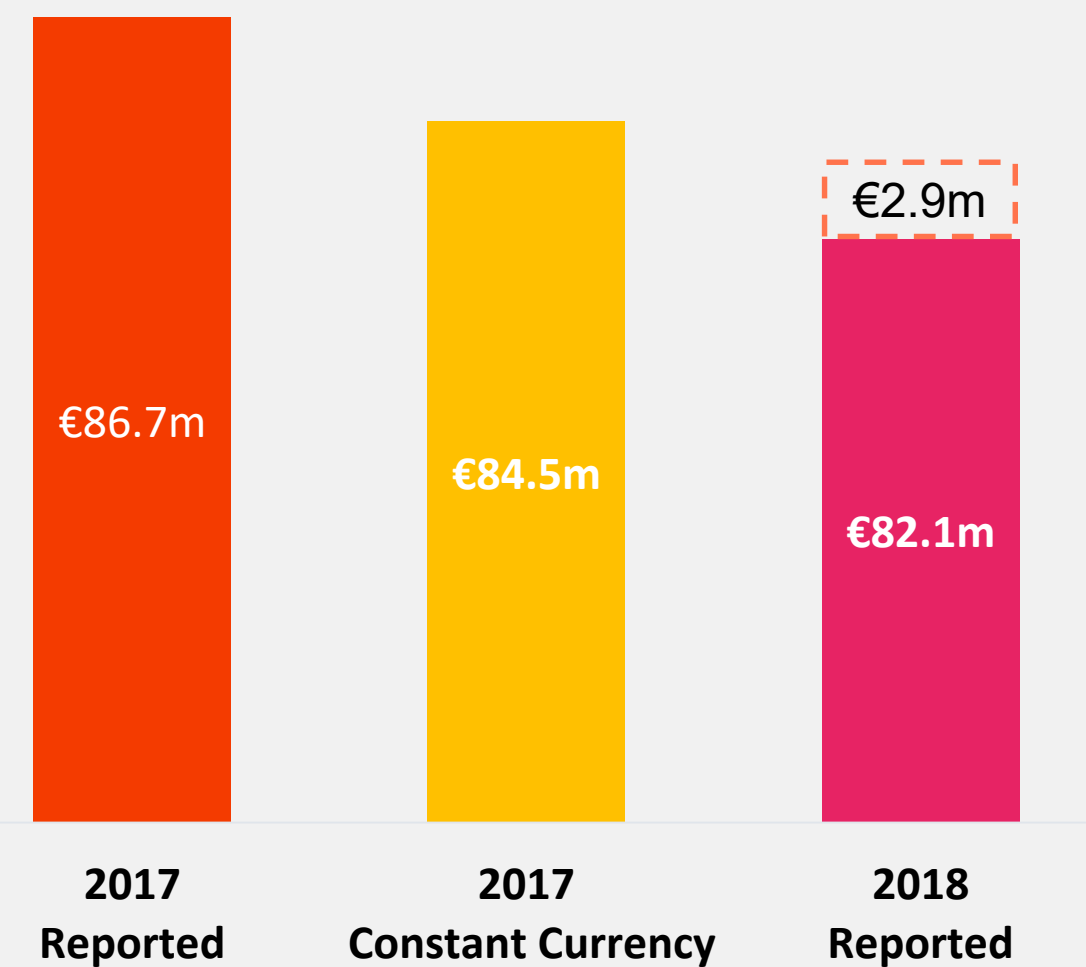
- 4.6%

EUR/GBP FX Rate Movement YOY

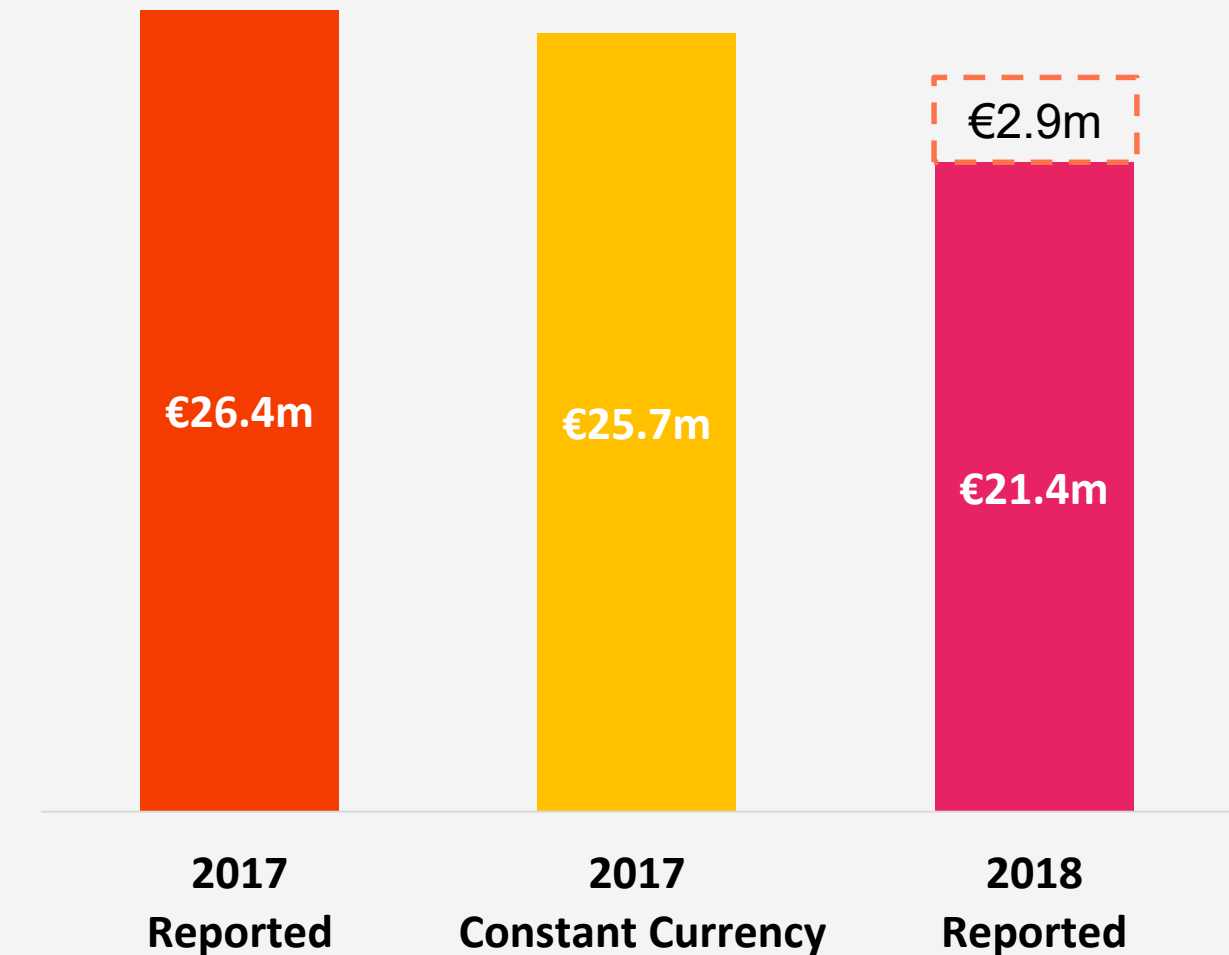


- 1.0%

NET REVENUE: CONSTANT CURRENCY COMPARISON



ADJ. EBITDA: CONSTANT CURRENCY COMPARISON



- The Group's primary operating currency is Euro, but also have significant sterling (GBP) and US dollar cash flows.
- On a constant currency basis, Net Revenue has decreased by **3%** (**€2.4m**), increase of **1%** excluding the impact of deferred revenue.
- On a constant currency basis, Adjusted EBITDA has decreased by **17%** (**€4.3m**), decrease of **5%** excluding the impact of deferred revenue.
- A **1%** movement in USD had **0.50%** impact on 2018 Adjusted EBITDA and a **1%** movement in GBP had **0.27%** impact on 2018 Adjusted EBITDA based on the 2018 currency profiles of our revenue and cost base.
- The Group manages FX translation risk through matching foreign currency cash outflows and foreign currency cash inflows and by minimising holdings of excess non-Euro currency above anticipated outflow requirements.

INCOME STATEMENT

€'000	2017	2018
Revenue	86,672	82,087
Administrative expenses	(60,874)	(60,349)
Exceptional costs	494	(1,590)
Depreciation and amortisation expenses	(14,395)	(13,453)
Operating Profit	11,897	6,695
Financial income	9	20
Financial expenses	(75)	(63)
Profit before tax	11,831	6,652
Taxation	(582)	(961)
Profit for the period	11,249	5,691
Adjusted Profit measures		
Adjusted EBITDA ¹	26,421	21,391
Adjusted Profit after tax ²	21,723	17,519

- **5%** decrease in Net Revenue to **€82.1m** (2017: **€86.7m**), **3%** decrease on constant currency basis.
- Excluding the impact of **€2.9m** deferred revenue, **1%** increase in constant currency.
- Exceptional costs for the year of **€1.6m**. These were primarily restructuring related costs (2017: gain of **€0.5m**).
- Adjusted EBITDA margin of **26%** (2017: **30%**), **29%** excluding the impact of deferred revenue.
- Fixed asset depreciation **€1.2m** (2017: **€1.1m**). Amortisation of capitalised development costs **€1.9m** (2017: **€2.9m**). Amortisation of acquired intangible assets **€10.4m** (2017: **€10.4m**).
- Overall income tax charge of **€1.0m** (2017: **€0.6m**) comprises a Group corporation tax charge of **€0.8m** (2017: **€0.7m**) and a deferred tax charge of **€0.2m** (2017: deferred tax credit of **€0.1m**) relating to the movement of deferred tax assets offset by the movement in deferred tax liabilities.

CASH FLOW STATEMENT

€'000	2017	2018
Adjusted EBITDA	26,421	21,391
Exceptional costs	494	(1,590)
Working capital movement	(1,191)	4,282
Net interest/income tax paid	(617)	(792)
Capitalisation and acquisition of intangible assets	(1,820)	(1,839)
Purchase of property, plant and equipment	(1,780)	(714)
Free cash flow before financing activities	21,507	20,738
Dividends paid	(24,848)	(16,056)
Net (decrease)/increase in cash and cash equivalents	(3,341)	4,682
Opening cash and cash equivalents	24,632	21,294
Effect of exchange rate gains and losses	3	(2)
Closing cash and cash equivalents	21,294	25,974
Adjusted free cash conversion %¹	81%	97%

- The increase in working capital movement is due to the receipt of **€2.9m** of revenue related to free cancellation bookings which was deferred.
- Capitalisation of intangible assets vary depending on technology projects meeting the criteria of IAS 38.
- **97%** Adjusted free cash conversion for 2018 (2017: **81%**).
- Adjusting for **€2.9m** of deferred revenue in relation to free cancellation bookings, adjusted free cash conversion would have been **85%** (2017: **81%**).

BALANCE SHEET

€'000	31 Dec 2017	31 Dec 2018
Intangible assets	128,108	117,726
Other non-current assets	4,254	3,355
Trade and other receivables	3,966	2,814
Cash and cash equivalents	21,294	25,974
Total assets	157,622	149,869
Total equity	146,949	136,252
Deferred tax liabilities	457	262
Deferred free cancellation revenue	-	2,891
Creditors, accruals and other liabilities	10,216	10,464
Total equity and liabilities	157,622	149,869

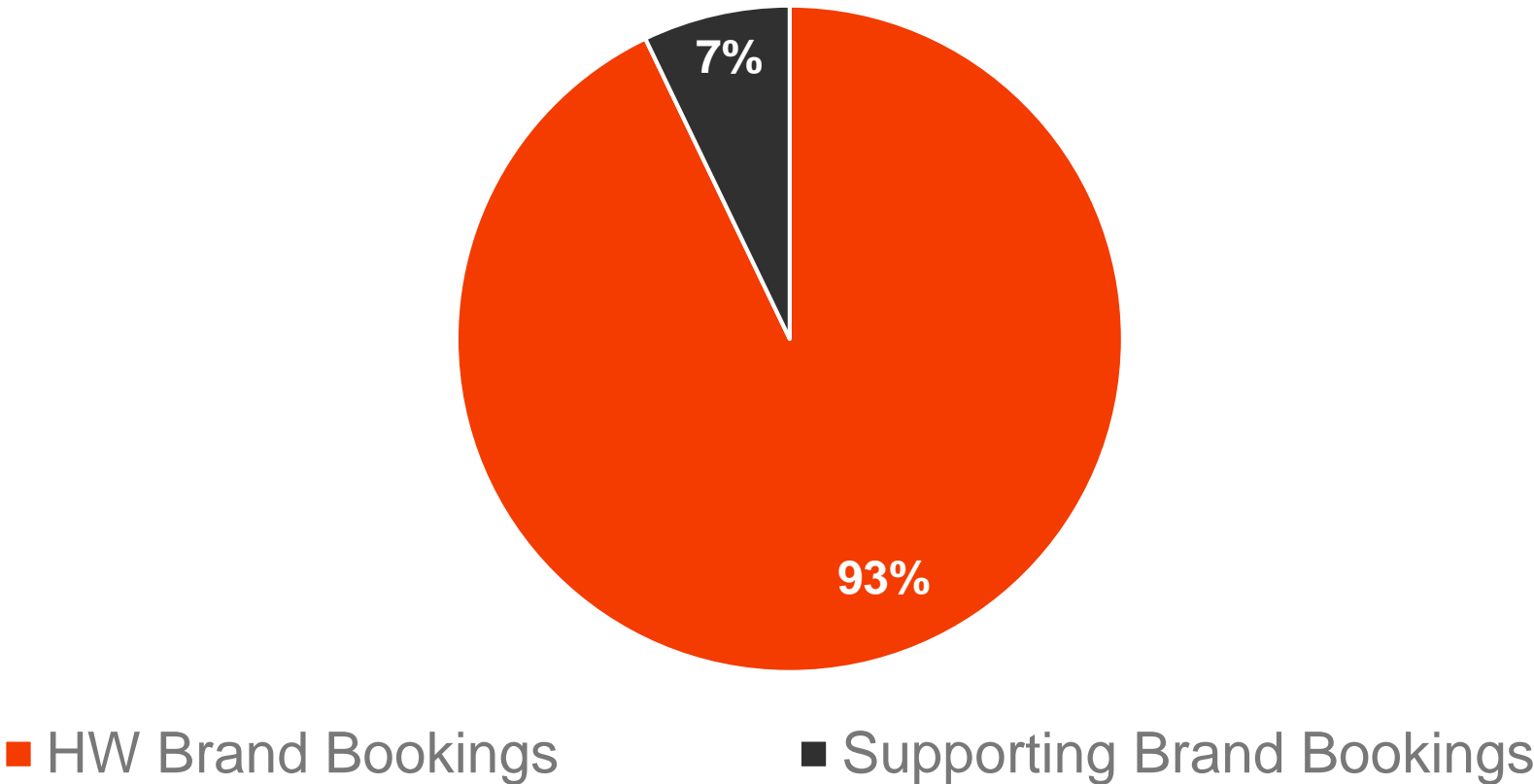
Strong Group balance sheet:

- Negative working capital of **€10.5m** (31 Dec 2017: **€6.2m**).
- Cash balances of **€26.0m** (2017: **€21.3m**).
- Net decrease in intangible assets driven by amortisation.

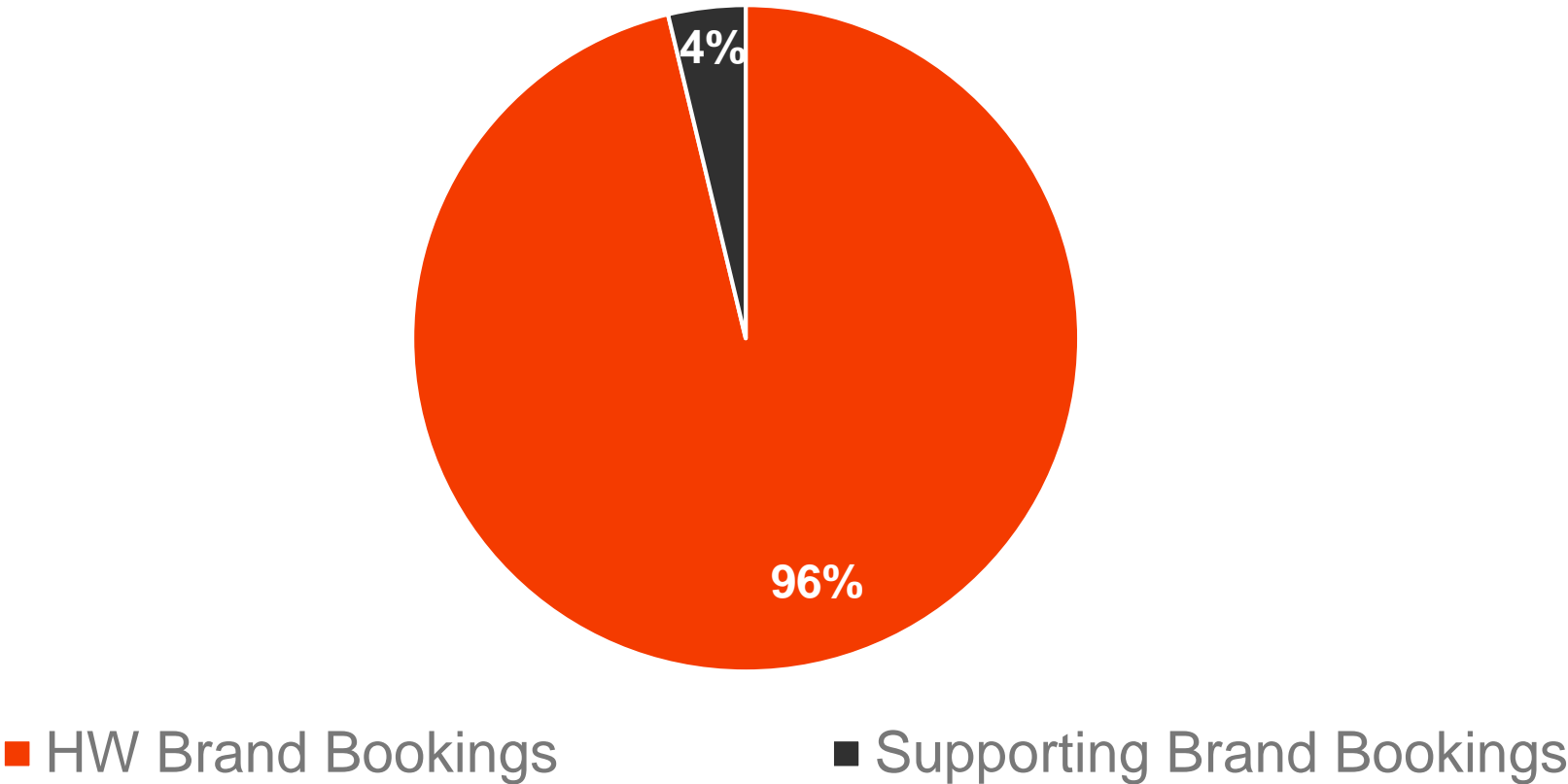
BRAND PERFORMANCE

Growth 2018 vs. 2017	Hostelworld	Supporting Brands	Total
Gross Bookings	4%	(47%)	0%
Net bookings	(1%)	(47%)	(4%)
ABV	4%	6%	3%
Net revenue (excluding the impact of deferred revenue)	1%	(43%)	(2%)
Marketing Cost as a % of Net Revenue (excluding the impact of deferred revenue)	(2%)	1%	(1%)

2017 Bookings by Brand



2018 Bookings by Brand





HOSTELWORLD

MEET THE WORLD