



**HOSTELWORLD**  
MEET THE WORLD

# **2019 PRELIMINARY RESULTS AND STRATEGY UPDATE**

**MARCH 2020 PRESENTATION**



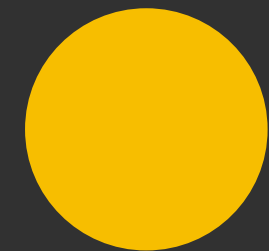
GARY MORRISON, CEO



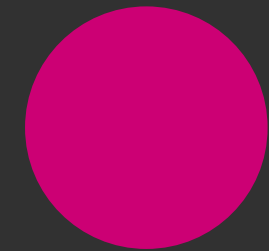
TJ KELLY, CFO



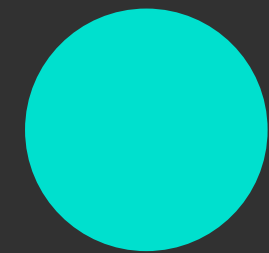
# Table of contents



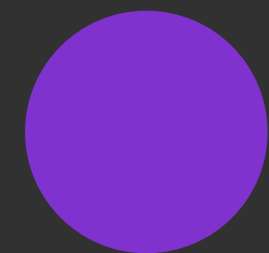
2019 Highlights



Roadmap for Growth Update



Growth Strategy Update



Appendices







# ***2019 HIGHLIGHTS***



# HWG 2019 Highlights

Revenues  
**€80.7m**

*Revenues -1.7% YoY*

EBITDA<sup>1</sup>  
**€20.5m**

*EBITDA margin 25.4%*

Cash Position  
**€19.4m**

*No Financial Debt*

Opex  
**€25.0m**

*Reduction -3.8% YoY*

Free Cash Flow<sup>1</sup>  
**€10.9m**

*Cash Conversion 64.3%*

ROCE<sup>2</sup>  
**10.8%**

*New Metric*

Strategic Investments  
**>€4m**

*Goki & Counter*







# ***ROADMAP FOR GROWTH UPDATE***



# Continued progress on Roadmap for Growth

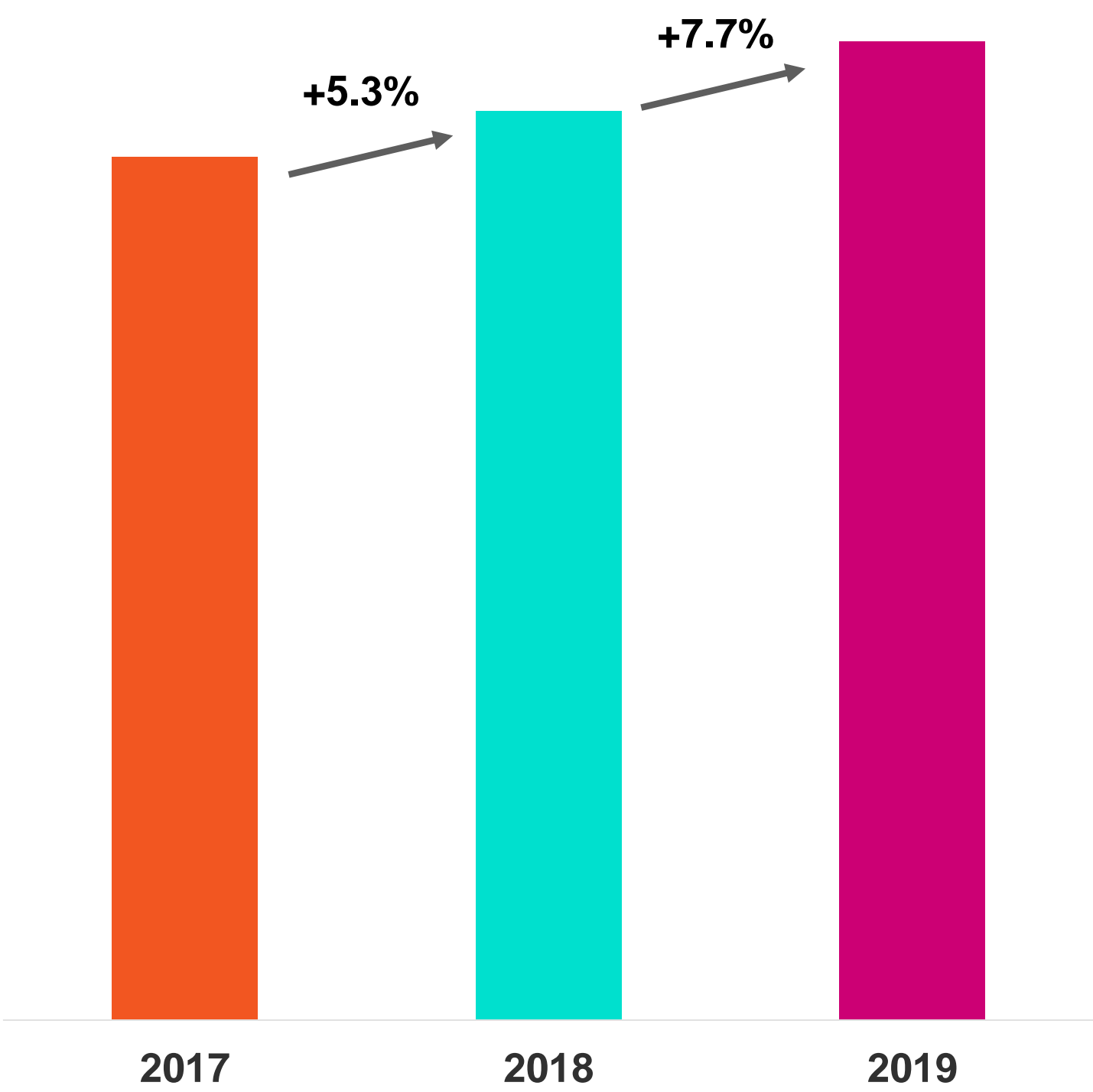
CLV vs CAC Optimisation	<ul style="list-style-type: none"> <li>3 years of customer acquisition and retention data used to train 3<sup>rd</sup> party CLV models (complete)</li> <li>Paid campaigns re-built to target increased investment in high CLV vs CAC demand pools (underway)</li> <li>Initial spend up tests encouraging, more work underway to optimize and extend reach</li> </ul>	Will launch H1 2020
Core search experience	<ul style="list-style-type: none"> <li>New sort order integrates additional search parameters and inventory competitiveness scores</li> <li>Observed benefits include conversion gains and growth in number of hostels producing/month</li> <li>Test and learn roadmap will continue into 2020 and beyond</li> </ul>	On track (Ongoing)
Improved booking experience	<ul style="list-style-type: none"> <li>Rebuilt payments platform ready for launch of new products: PayNow Beta launch by end April</li> <li>Additional payment methods will ship in Q2 (e.g. ApplePay, GooglePay)</li> <li>Change booking scope extended to handle additional use cases, will ship in Q2 (e.g. partial refunds)</li> </ul>	Will launch H1 2020
Unique hostel content	<ul style="list-style-type: none"> <li>Pilot tests conversion positive across a variety of pages</li> <li>Conversion upside versus Content investments yielded near breakeven returns on current platform</li> <li>Testing will re-start on PWA platform which should yield better returns</li> </ul>	Paused pending PWA launch
Migrate website to a progressive web app	<ul style="list-style-type: none"> <li>First new pages launched in February, progressive rollout planned over next 2-3 months</li> <li>Benefits include faster web platform speed, especially on mobile</li> <li>Will significantly reduce tech debt burden, and enable faster A/B testing</li> </ul>	On track (phased launch Q1'20)
Rate plan configs & 3 <sup>rd</sup> party platform connectivity	<ul style="list-style-type: none"> <li>Additional rate plan features launched throughout 2019, more to come in 2020</li> <li>3<sup>rd</sup> party platform connectivity issues being addressed</li> <li>Significant increase in Non refundable rate plan visibility and bookings</li> </ul>	On track (Ongoing)
Hostel Tools & Ecosystem	<ul style="list-style-type: none"> <li>Extranet: steady stream of enhancements shipped</li> <li>Property Management System (PMS): Investment in Counter announced in January 2020</li> <li>Guest Management System (GMS): Investment in Goki announced in August 2019</li> </ul>	On track (Ongoing)



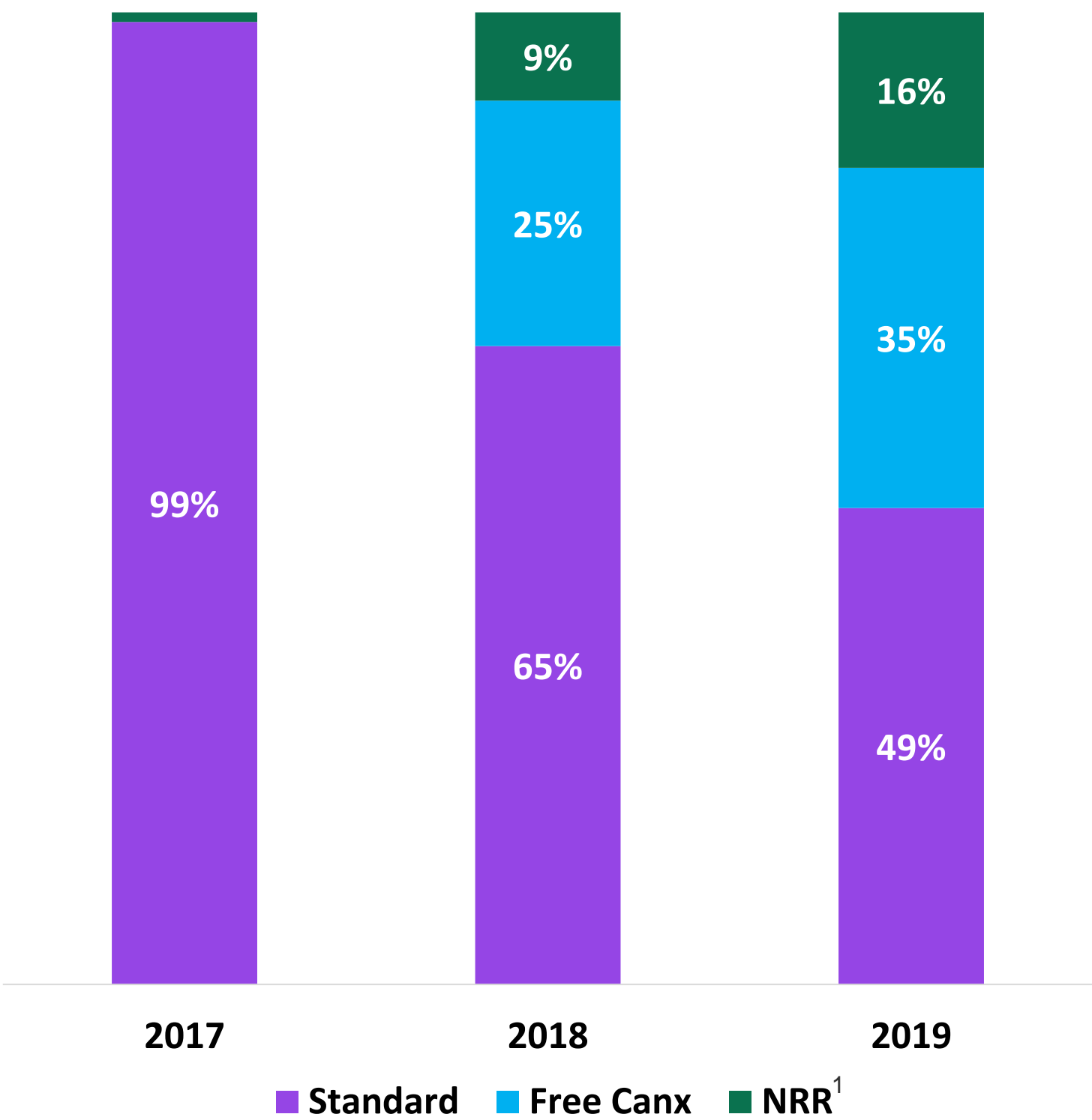


# Inventory competitiveness increasing, commission rates stabilising

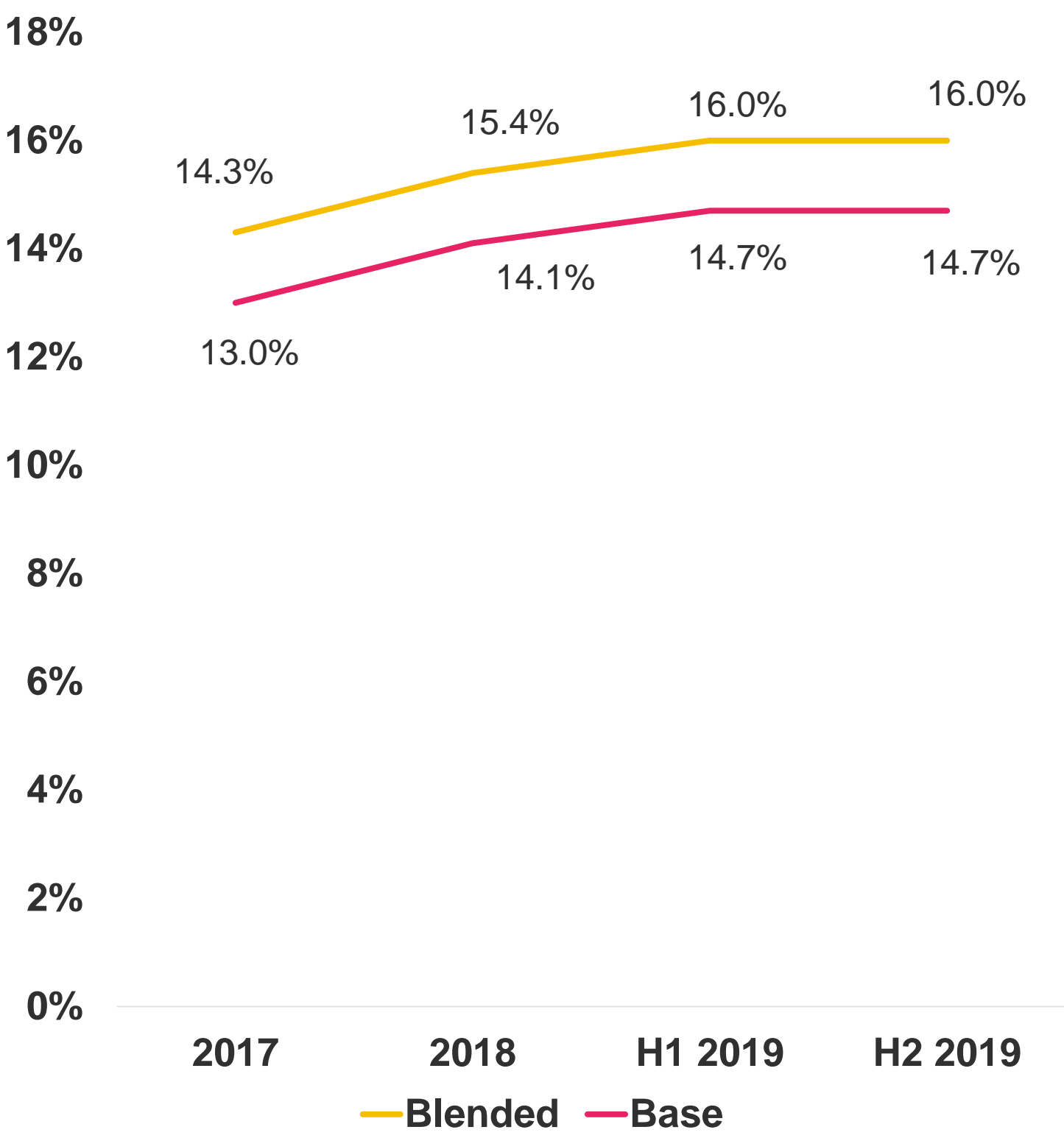
Growth in producing hostels



More customers buying cheaper, non refundable rate plans



Stabilisation of Commission rates



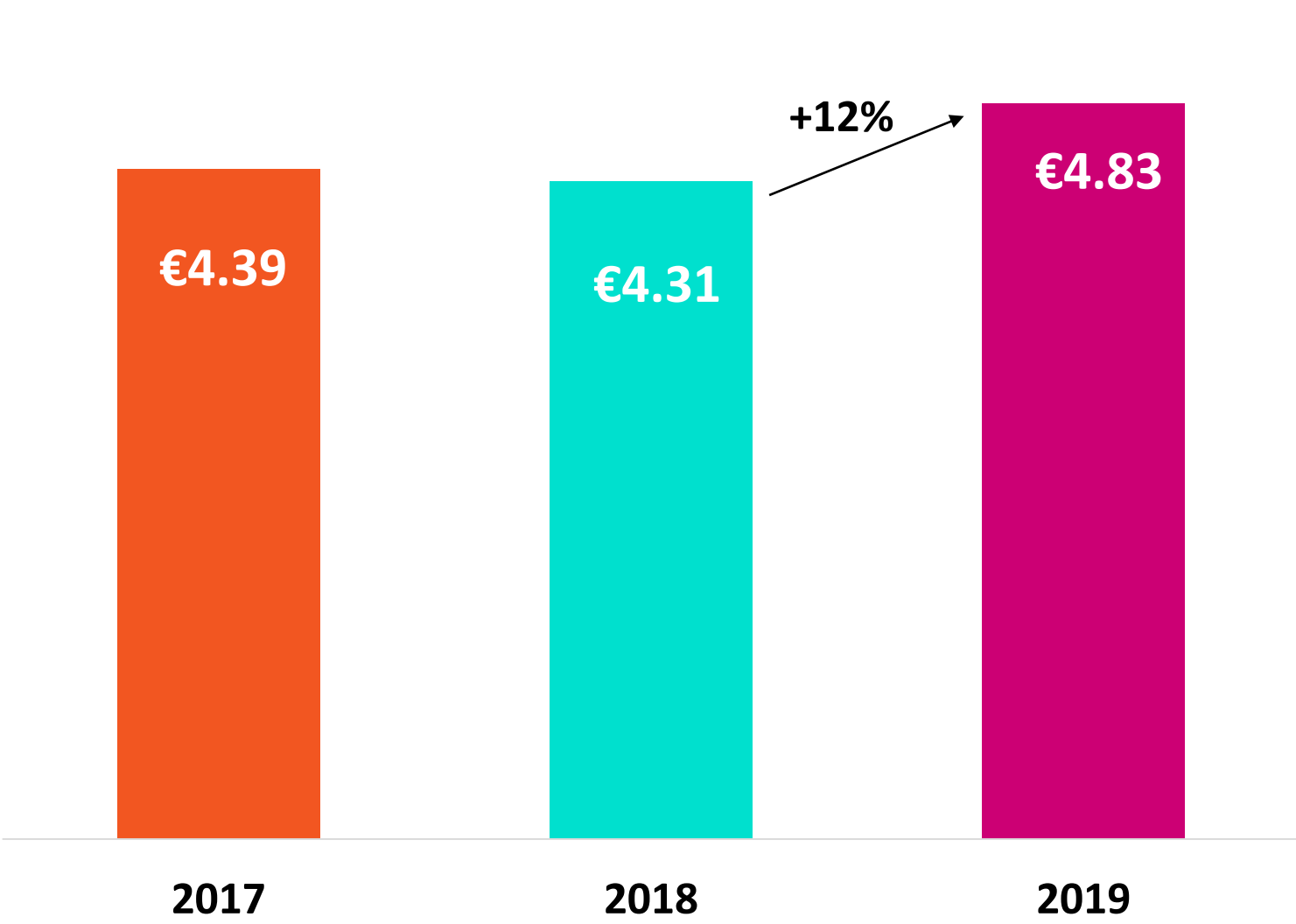
<sup>1</sup> NRR = Non Refundable Rate



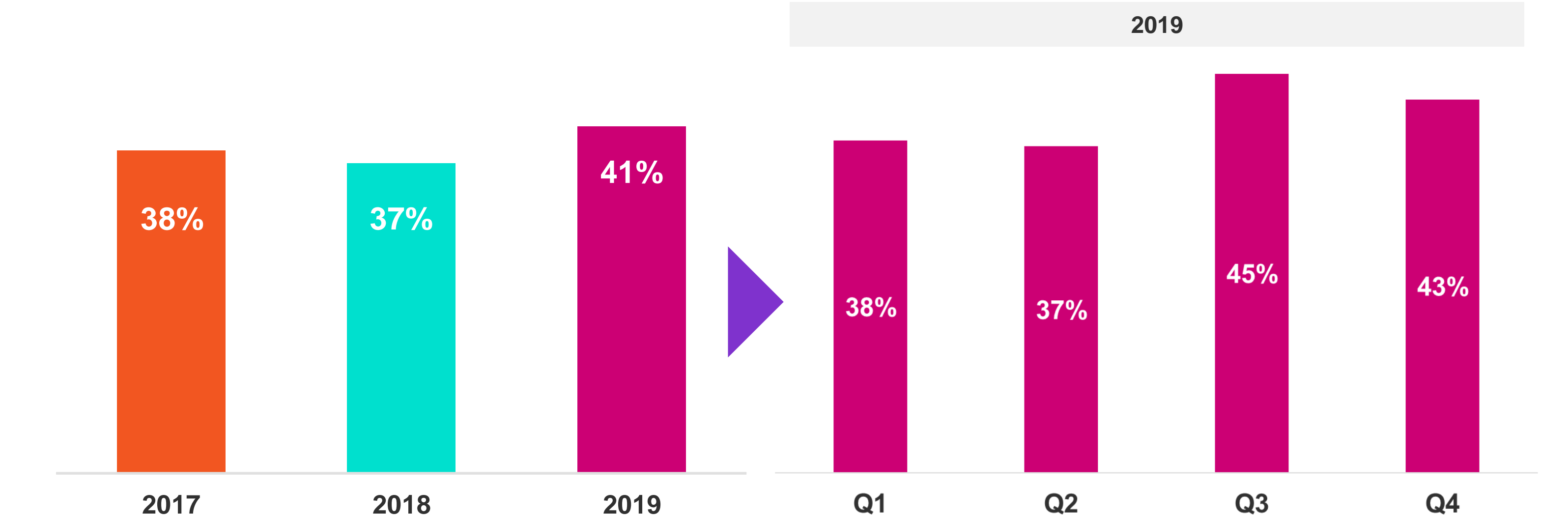


# Marketing costs remaining within guidance range, optimisation underway

Marketing Cost  
per net booking (group)



Marketing Cost as a % of net revenue<sup>1</sup> (group)



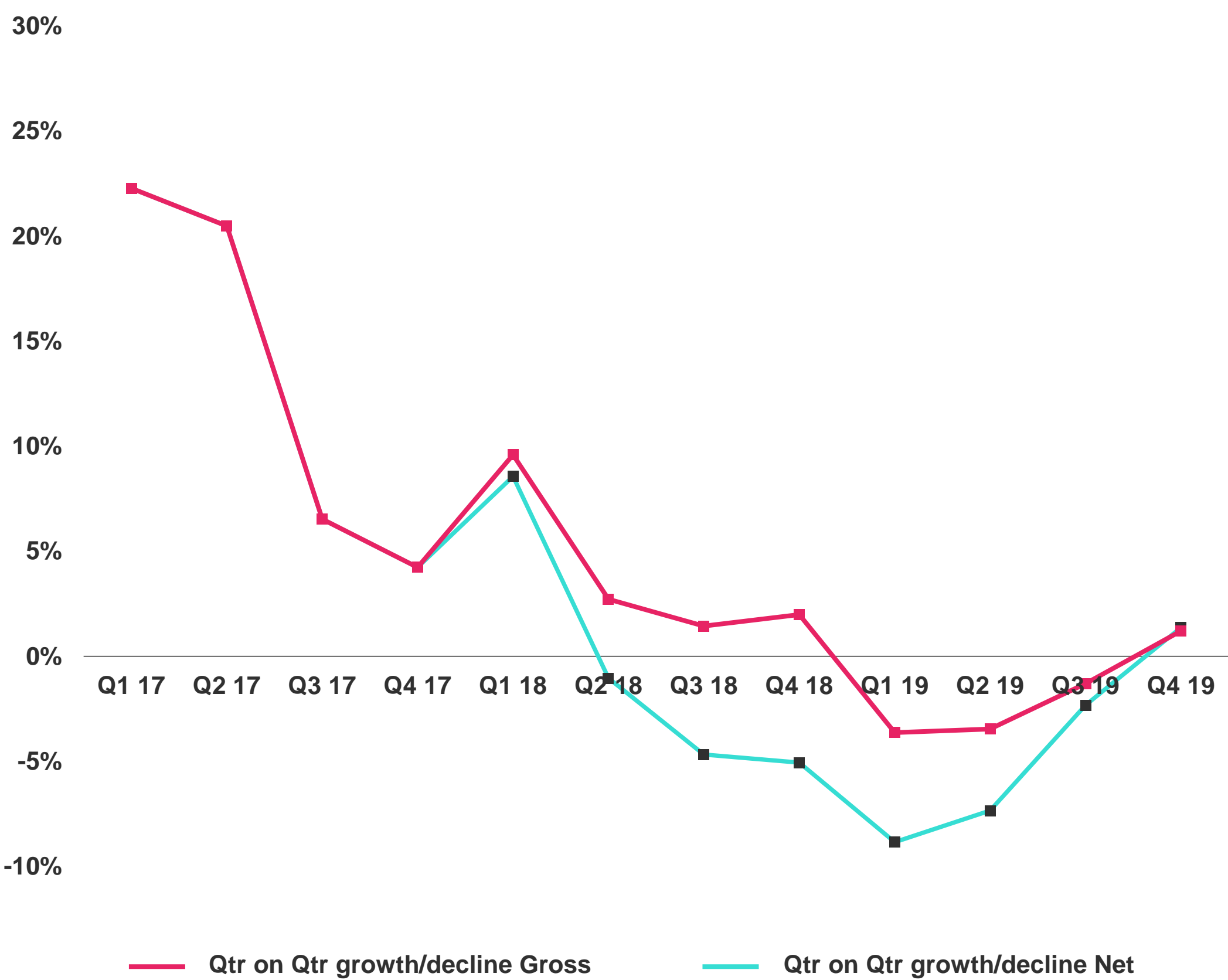
- Increase in marketing cost per net booking primarily driven by significant cost inflation in performance marketing channels and increased cancellations in H1 2019 relative to H1 2018 due to phased launch of the free cancellation product in H1 2018; partially offset by the planned reduction in category advertising in 2019
- Marketing cost per net revenue increasing at a slower rate due to the increase in ABV during 2019, primarily driven by increases in commission rates and FX rates, partially offset by increased ABV of cancelled bookings relative to average booking values (in addition to the full year impact of the free cancellation product) and a reduction in bednights/booking
- Marketing cost per net revenue increased in H2 2019 due to planned investments in paid channels
- Initial CLV vs CAC optimisation tests encouraging, further testing will continue in H1 2020



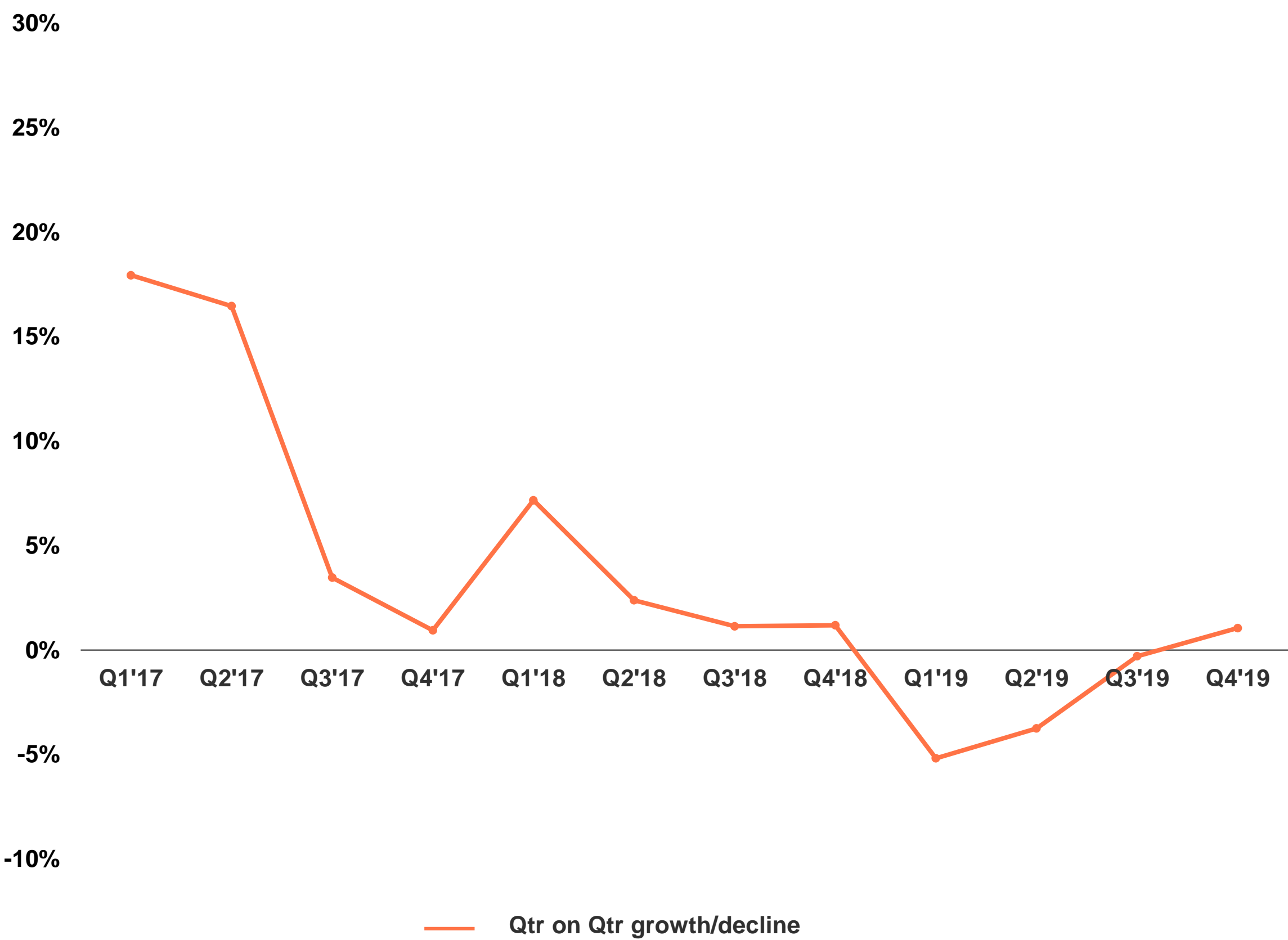


# Bookings and active customer counts returning to growth

HW Brand bookings (gross and net) YoY



HW Brand active customer count YoY





# Continued expansion of our hostel product range, designed to help hostels save time, save money and grow revenue



## Guest Management System (GMS)

- Smart lock system with a smartphone based digital key App, eliminates time consuming check in processes and enables seamless "extend your stay"
- Hostels use the platform to create a bookable catalogue of tours and events, published within the digital Key App;
- Hostels can broadcast messages to/from groups and individual customers
- Hardware \$149-\$249 per unit plus monthly SAAS fees of \$2/lock/month



**counter**  
all-in-one workspace for hostels

## All in one workspace for Hostels (PMS++)

- Designed by hostel owners for hostel owners
- App based with integrated payments platform, zero training needed for day to day functions
- Open ecosystem/APIs: enables hostel owners to connect other 3rd party applications to Counter and provides a platform for future OTA-PMS services
- Core PMS free, revenues driven by payments services and App marketplace SAAS revenue for 3<sup>rd</sup> party application integrations
- Launched in Beta mode in January, currently being tested





A person in a red shirt and black leggings stands on a paddleboard in the middle of a calm, blue lake. The water reflects the sky and the surrounding landscape. In the background, there are large, rugged mountains with patches of snow, surrounded by dense evergreen forests. The sky is a clear blue with scattered white clouds. The image is framed by a dark grey diagonal shape on the left side, which contains the text.

# ***GROWTH STRATEGY UPDATE***



**HOSTELLING**



**VOLUNTEERING**



**MEET THE WORLD**

**WORKING**



**EXPERIENCES**





# Future growth strategy builds on roadmap for growth

## Acquire experiential travel market businesses...

- Typical customers: Millennial/Gap Year travelers
- Highly fragmented niche businesses, with no dominant players or brands
- Variety of monetisation models (transaction, subscription, CPC), with low customer acquisition costs
- Overall market size roughly equivalent to hosteling OTA market in revenue terms

## ...driving significant x-sell and cost synergies with HWG

- Deep knowledge of experiential travelers, an engaged customer base and a trusted global brand
- Complementary products driving significant x-sell opportunities across all businesses
- Lower customer acquisition costs than HWG paid channels
- Opportunity to leverage HWG functional capabilities across business, accelerating growth and reducing cost

## Opportunity

**Create a global experiential travel network with increased customer lifetime values and lower customer acquisition costs**



# Roadmap to continued growth in core financial KPIs by the end of 2022

## Clear Strategic Direction ...

- Continued focus on improving core OTA business
- M&A/Diversification to become growth priority

## ... with ambitious KPIs to be achieved by end FY 2022<sup>1</sup>

Total revenues



>€100m

EBITDA margin



+200bps  
vs. 2019

ROCE



>13%



# Capital allocation policy aligned to future growth ambitions

- Objective – generate value for shareholders through both share price appreciation and returning cash
- Business model will remain asset light and will continue to generate robust cash flow
- HWG well positioned to pursue organic and inorganic growth opportunities. Priority to re-invest capital in growth opportunities that enhance shareholder value
- Solid balance sheet could be leveraged up to a multiple of 1.5x – 2.0x EBITDA depending on target, following which priority would be given to reducing leverage
- Board recommends rebasing the dividend to a 20 – 40% payout ratio. Absent accretive investment opportunities, HWG will return cash to shareholders



# Key Investment Highlights

- 1** Asset light, highly cash generative business model operating in a growing market
- 2** Significantly strengthened management team
- 3** Roadmap for growth strategy is delivering results, more to come in 2020
- 4** Identified accretive M&A and organic opportunities to re-invest capital





# ***APPENDICES***



# Key Metrics

		Unit	2019	2018
Bookings	Gross Bookings: HW Group	m	7.3	7.5
	Net Bookings: HW Group	m	6.8	7.2
	Net Bookings: HW Brand	m	6.6	7.0
Revenue	Average Booking Value (Net)	€	€11.97	€11.64
	Net Revenue	€m	80.7	82.1
	Net Revenue (excl. deferred rev.)	€m	80.6	85.0
	Deferred Free Cancellation Revenue	€m	0.1	(2.9)
Profitability	Adjusted EBITDA	€m	20.5	22.5
	Adjusted EBITDA	€m	25%	27%
	Adjusted Profit After Tax	€m	14.8	17.4
	Adjusted EPS	€m	15.5	18.2
Cash	Adjusted Free Cash Flow	€m	10.9	22.8
	Adjusted Free Cash Conversion	€m	64%	90%
Shareholder Returns	Total Dividend per Share	c	6.3	13.8
	Dividend Payout Ratio	%	41%	75%
	Return on Capital Employed	%	11%	13%





# Income Statement

€'000	2019	2018
Revenue	80,672	82,087
Administrative expenses	(60,368)	(60,349)
Exceptional costs	(3,066)	(1,590)
Depreciation and amortisation expenses	(13,946)	(13,453)
<b>Operating Profit</b>	<b>3,292</b>	<b>6,695</b>
Financial income	59	20
Financial expenses	(224)	(63)
Share of results of associate	(116)	0
<b>Profit before tax</b>	<b>3,011</b>	<b>6,652</b>
Taxation	5,383	(961)
<b>Profit for the period</b>	<b>8,394</b>	<b>5,691</b>
Adjusted Profit measures		
Adjusted EBITDA	20,459	22,524
Adjusted Profit after Taxation	14,775	17,385

- **2%** decrease in Net Revenue to **€80.7m** (2018: **€82.1m**), **4%** decrease on constant currency basis
- Exceptional costs for the year of **€3.1m**. These were primarily restructuring and M&A related costs (2018: **€1.6m**)
- Adjusted EBITDA of **€20.5m** in line with market guidance (2018: **€22.5m** adjusted for impact of IFRS 16); margin of **25%** (2018: **27%**)
- Fixed asset depreciation **€1.4m** (2018: **€1.2m**). Amortisation of capitalised development costs **€1.7m** (2018: **€2.9m**). Amortisation of acquired intangible assets **€9.8m** (2018: **€10.4m**)
- Overall income tax credit of **€5.4m** (2018: **€1.0m**) comprises a Group corporation tax charge of **€1.2m** (2018: **€0.8m**) and a deferred tax credit of **€6.6m** (2018: deferred tax charge of **€0.2m**) relating to the reorganisation of inter-group assets





# Cash Flow Statement

€'000	2019	2018
Adjusted EBITDA	20,459	22,524
Exceptional costs	(3,066)	(1,590)
Working capital movement	(4,418)	4,283
Net interest/ income tax paid	(1,681)	(970)
Capitalisation and acquisition of intangible assets	(2,908)	(1,840)
Purchase of property, plant and equipment	(195)	(716)
Free cash flow before financing activities	8,192	21,691
Purchase of investments	(1,077)	0
Dividends paid	(12,615)	(16,056)
Lease liabilities (IFRS 16)	(1,107)	(955)
Net (decrease)/increase in cash and cash equivalents	(6,608)	4,680
Opening cash and cash equivalents	25,974	21,294
Closing cash and cash equivalents	19,365	25,974
Exceptional costs paid	2,660	887
Adjusted free cash flow	10,851	22, 578
Adjusted free cash conversion %	53%	101%

- **€8.7m** reduction in working capital movement is due to the €2.2m adverse impact of timing of debtor receipts (2018: €1.2m positive impact) and a €2.1m reduction (2018: €0.7m benefit) in creditors
- Capitalisation of intangible assets vary depending on technology projects meeting the criteria of IAS 38
- **53%** Adjusted free cash conversion for 2019 (2018: **101%**)
- Deferred revenue had no impact on cash receipts in the year (2018: **€2.9m**)





# Balance Sheet

€'000	2019	2018
Intangible assets	109,120	117,726
Other non-current assets	14,803	3,355
Trade and other receivables	4,980	2,814
Cash and cash equivalents	19,365	25,974
<b>Total assets</b>	<b>148,267</b>	<b>149,869</b>
Total equity	131,772	136,252
Deferred tax liabilities	144	262
Deferred free cancellation revenue	2,777	2,892
Creditors, accruals and other liabilities	13,575	10,463
<b>Total equity and liabilities</b>	<b>148,267</b>	<b>149,869</b>

- Increase in non-current assets, **€14.8m** (2018: €3.3m), benefit of €6.9m deferred tax asset arising on inter-group transfer of assets
- Cash balances of **€19.4m** (2018: **€26m**)
- Net decrease in intangible assets driven by amortisation





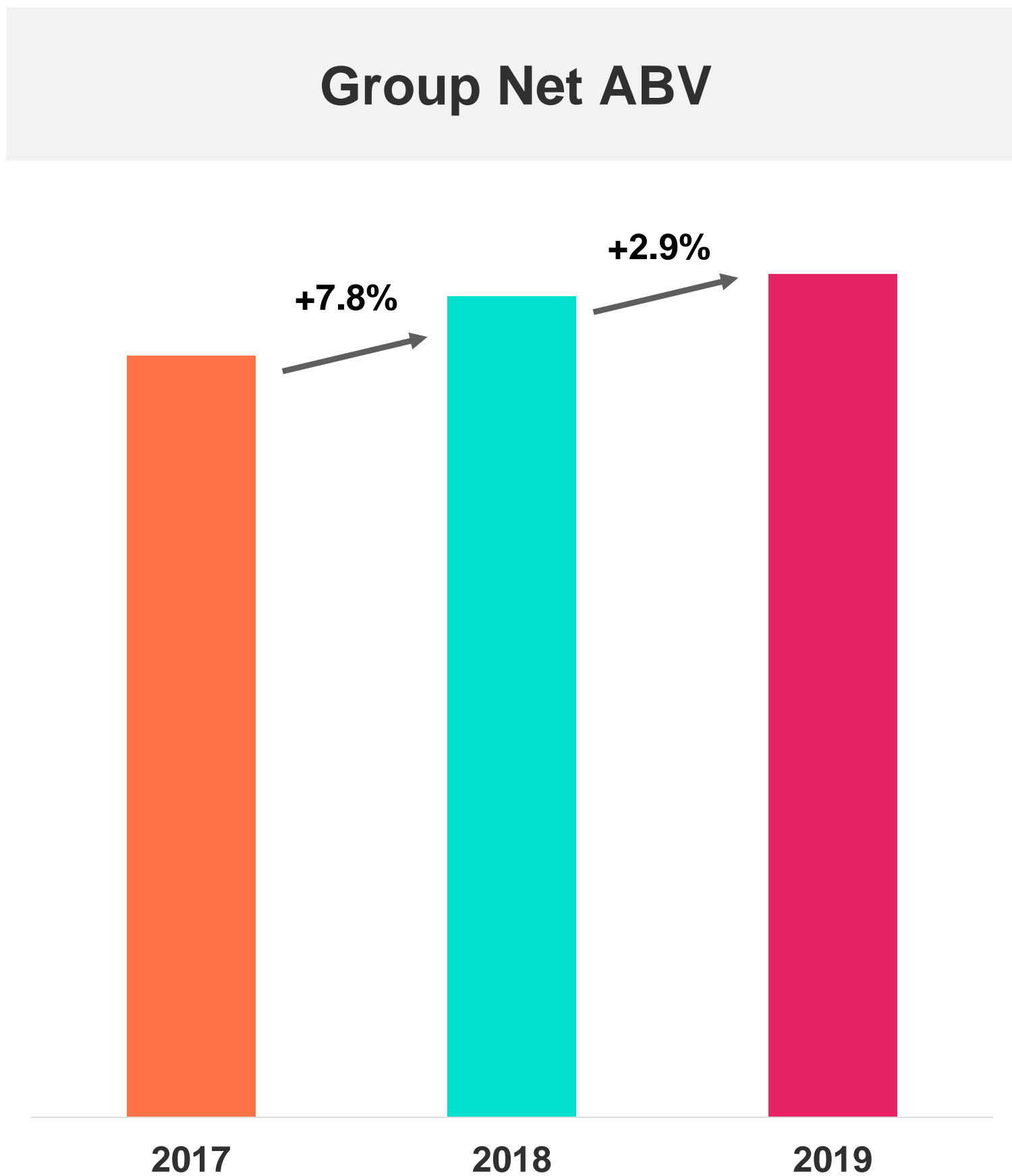
# Dividends

Dividend Profile	2016	2017	2018	2019
	Cent	Cent	Cent	cent
Interim dividend per share	4.8	5.1	4.8	4.2
Final dividend per share	10.4	12.0	9.0	2.1
<b>Full year dividend per share</b>	<b>15.2</b>	<b>17.1</b>	<b>13.8</b>	<b>6.3</b>
Supplementary dividend per share	10.5	-	-	-
<b>Total dividend per share</b>	<b>25.7</b>	<b>17.1</b>	<b>13.8</b>	<b>6.3</b>
<b>Dividend payout:</b>	€m	€m	€m	€m
Interim	4.6	4.9	4.6	4.0
Final	9.9	11.5	8.6	2.0
Supplementary	10.0	0.0	0.0	0.0
<b>Total dividend payout</b>	<b>24.6</b>	<b>16.3</b>	<b>13.2</b>	<b>6.0</b>

- A proposed final dividend of **2.1** euro cent per share (2018: **9.0** euro cent per share)
- Total full year dividend of **6.3** euro cent per share (2018: **13.8** euro cent per share)
- Dividend payout in line with updated Group dividend policy



# Net Average Booking Value



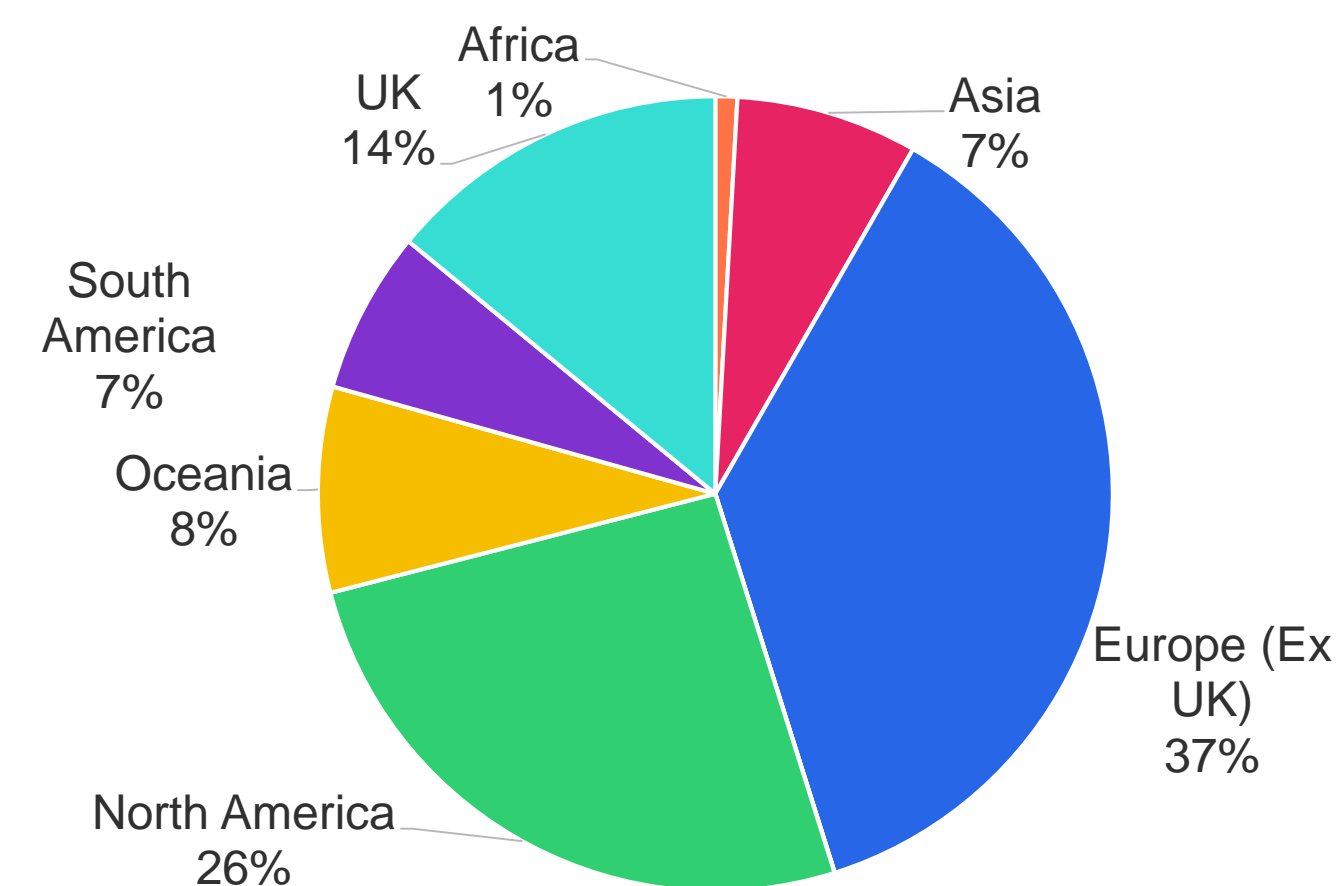
## Key 2019 movements

- Increase in effective commission
- FX tailwind
- Bed price flat due to destination mix impact
- Decline in bednights per booking
- Phased launch of free cancellation product in 2018 still weighing in 2019

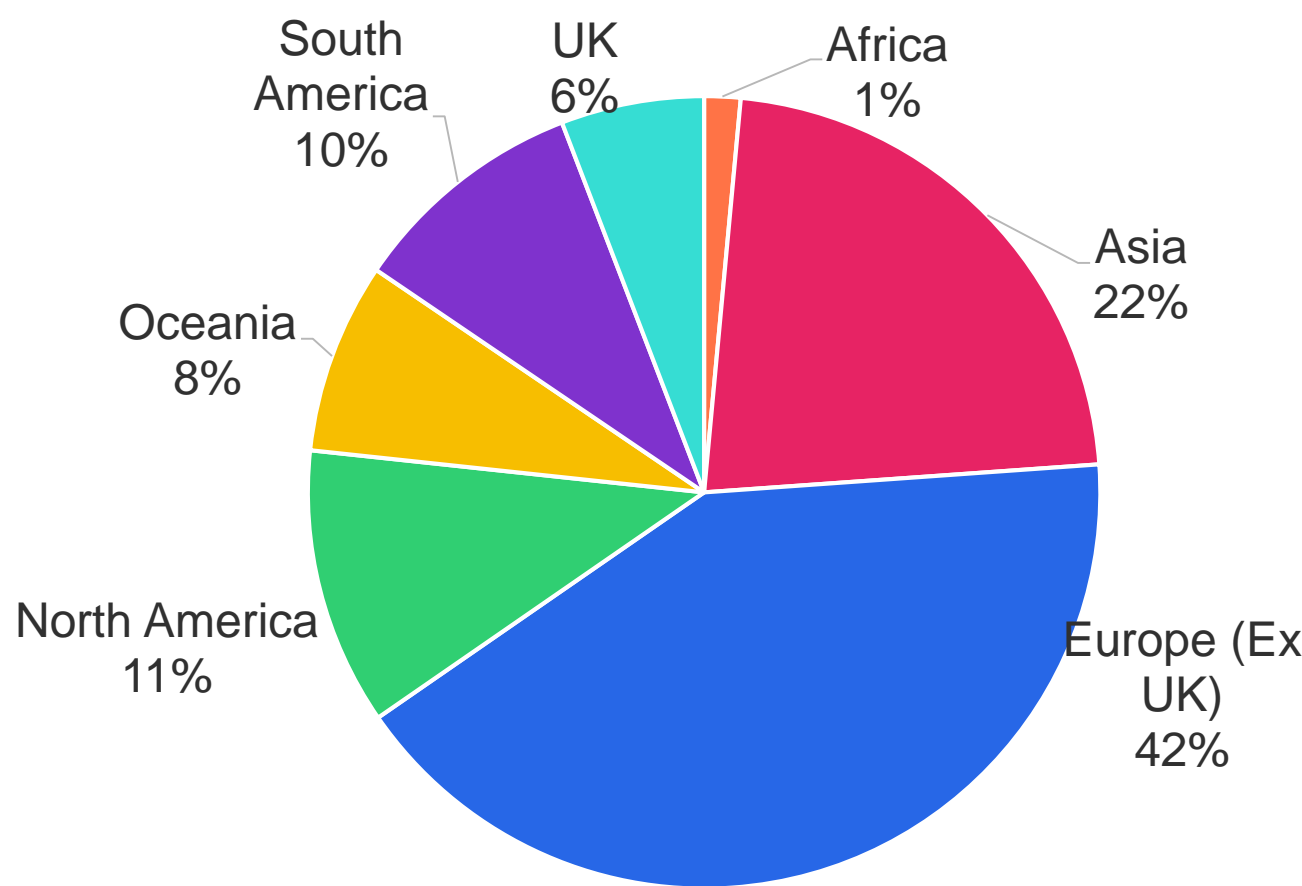


# 2019 Destination Mix

Booking by Nationality

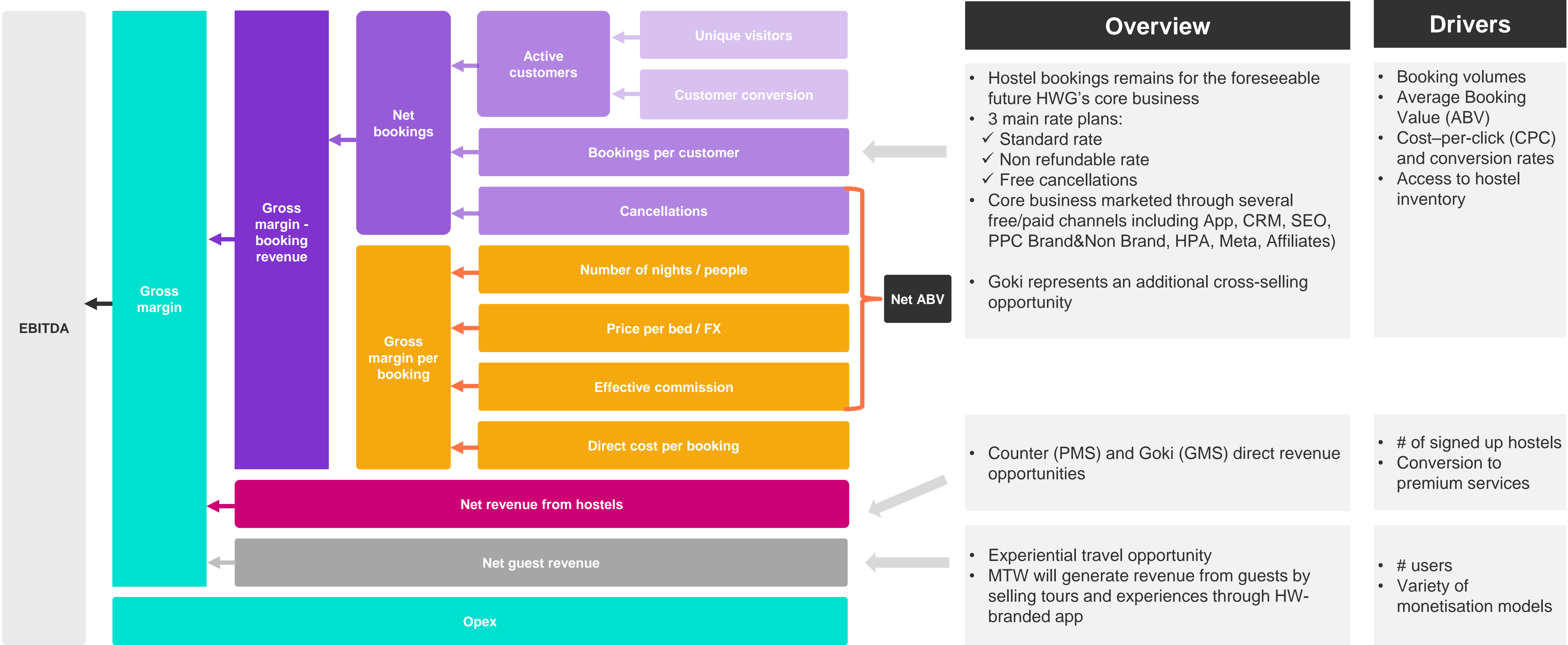


Booking by Destination





# Key Value Drivers for HWG





# HWG Executive Team



Gary Morrison  
CEO



Johnny Quach  
PRODUCT



Noel Maher  
TECHNOLOGY



Yale Varty  
MARKETING



Fabrizio Giulio  
SUPPLY



TJ Kelly  
FINANCE



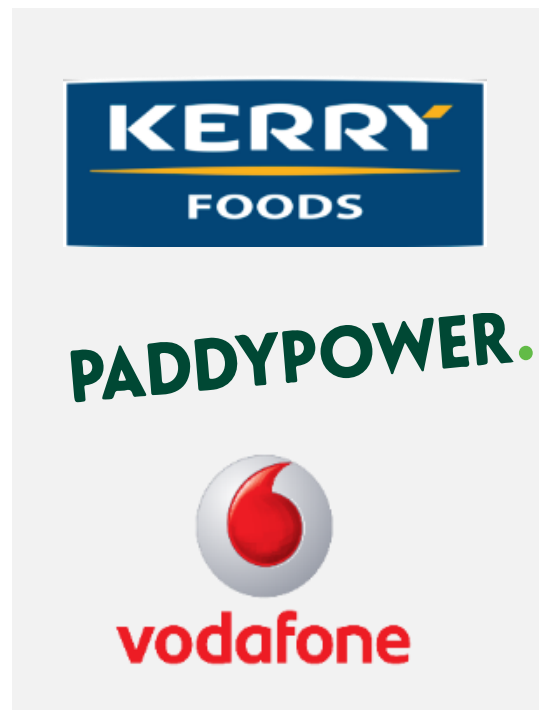
Catriona Flood  
ANALYTICS  
& DATA



Jody Jordan  
HUMAN  
RESOURCES



Neil O'Herlihy  
PARTNERSHIPS





# Full Time Employees by Location (average 2019)





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