2023 Interim Results

10th August 2023

HOSTELWORLD
MEET THE WORLD

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Highlights

H1’23 – Financial Summary

€340M Net GMV[1] +57% vs H1’22	€45.8M Net Revenue[2] +64% vs H1’22	3.4M Net Bookings +64% vs H1’22
€15.15 Net ABV[3] -4% vs H1’22	12.3M Net Bednights +53% vs H1’22	51% Marketing as % of Revenue H1’22: 60%
€5.1M EBITDA H1’22: -€5.2M	€10.7M Cash Dec ‘22: €19.0M	€16.2M Net Debt[4] Dec ‘22: €21.6M

1. Net GMV is gross transaction value less cancellations.
2. Net Revenue is gross revenue less cancellations, deferred revenue, rebates and accounting adjustments
3. Net ABV is calculated as Revenue divided by Net Bookings, where Revenue is gross revenue less cancellations (€51.5M in H1’23)
4. Includes warehoused payroll taxes. Net debt excluding warehoused payroll taxes of €6.7m in H1’23 (€12.2m in Dec’22).

Key Highlights

Strong financial delivery in H1'23:

- Record first half net GMV[1] and generated revenue[2]
- Robust bookings growth across all regions…. Central America, South Asia and Southern European countries ahead of pre Covid levels
- Improved marketing efficiency powered by social strategy
- Increasing operating leverage through marketing efficiency and opex discipline
- Strong cash conversion driving growth in operating cashflows - Debt refinancing completed with materially lower interest rates

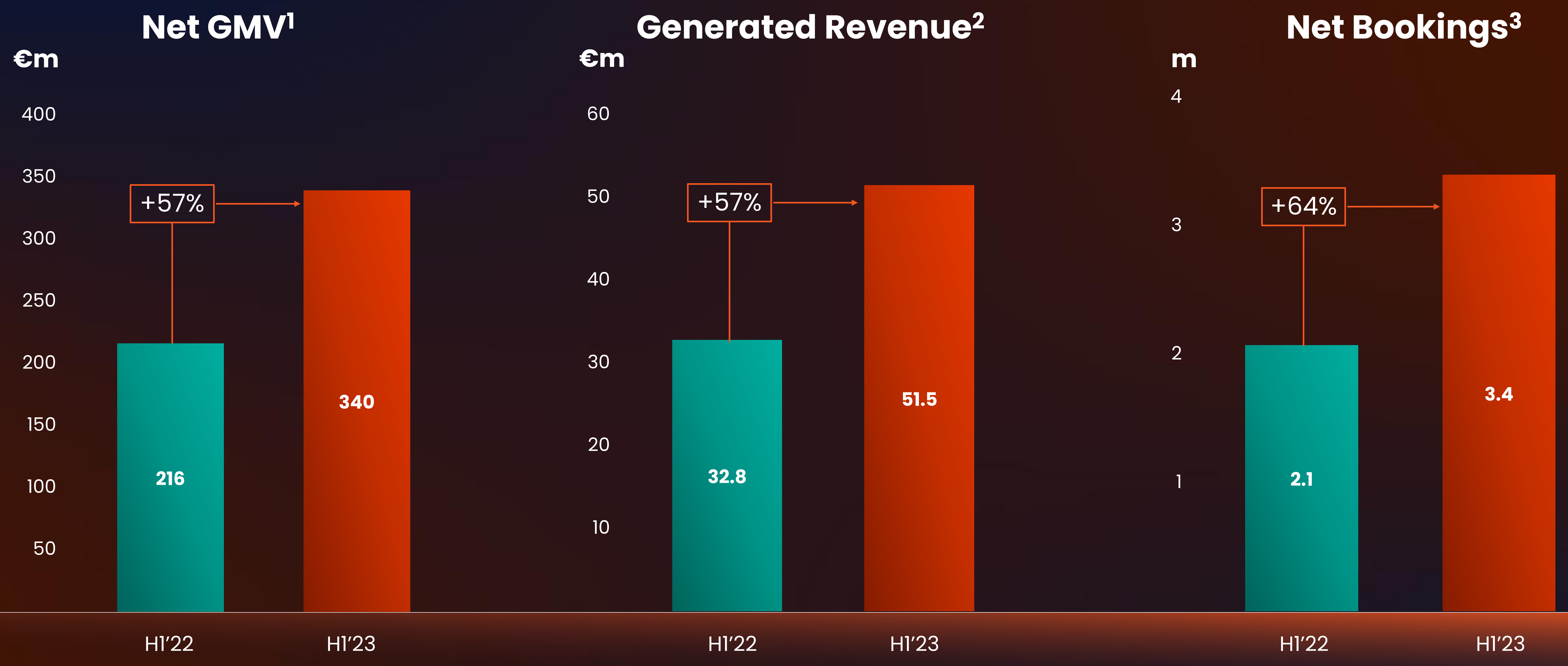
Well positioned for further profitable growth:

- Strong category growth, stronger HW growth with the resumption of cross border travel post Omicron & Social strategy driving share gains
- Continued investment in Social platform: richer profiles, messaging capabilities and launch of Linkups (hostel hosted events)
- Highly cash generative business model, continuing to deleverage
- Reiterating FY'23 earnings guidance of adj. EBITDA €16.5M-17.0M
- Firmly on track to meet CMD growth targets

1. Net GMV is gross transaction value less cancellations.
2. Generated Revenue is gross revenue less cancellations

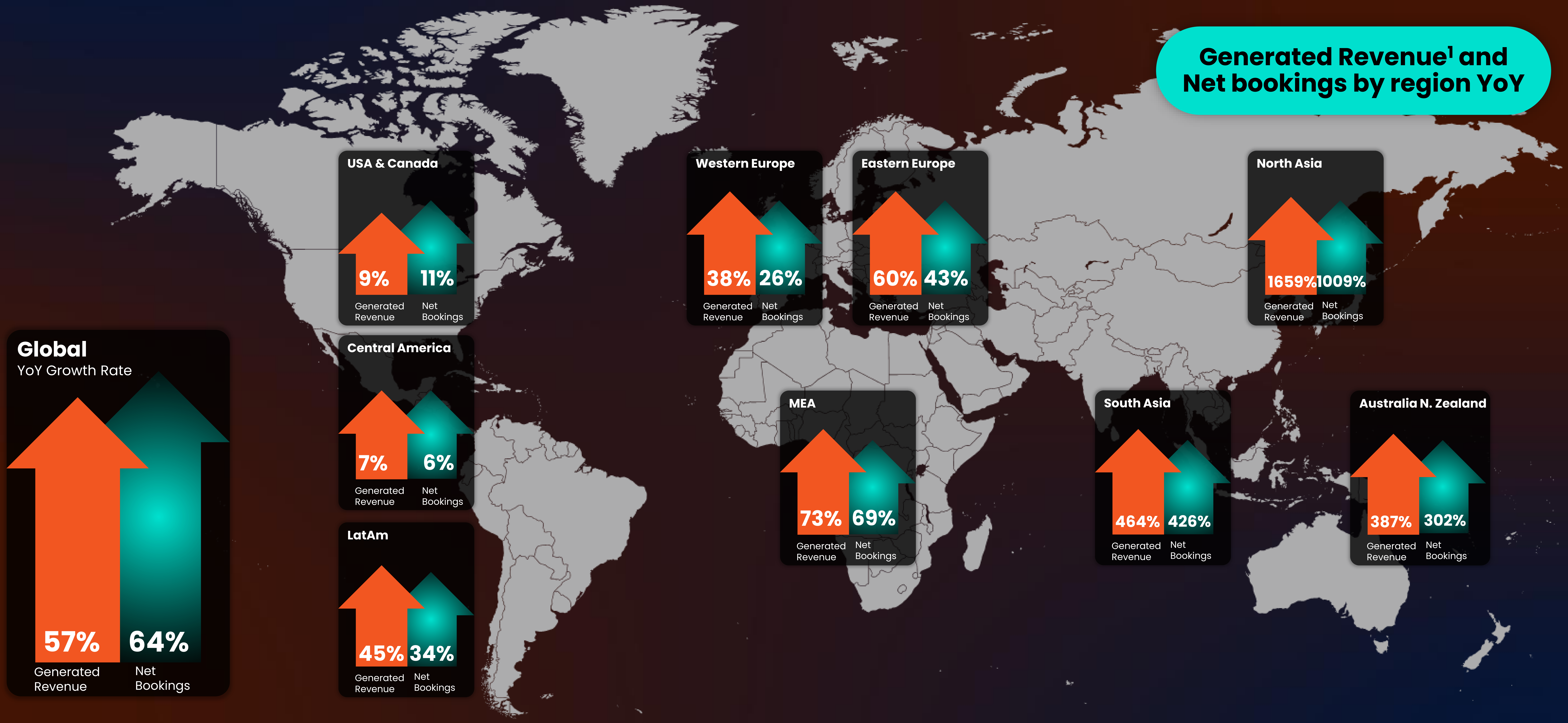
H1'23 Results

Largest H1 on record



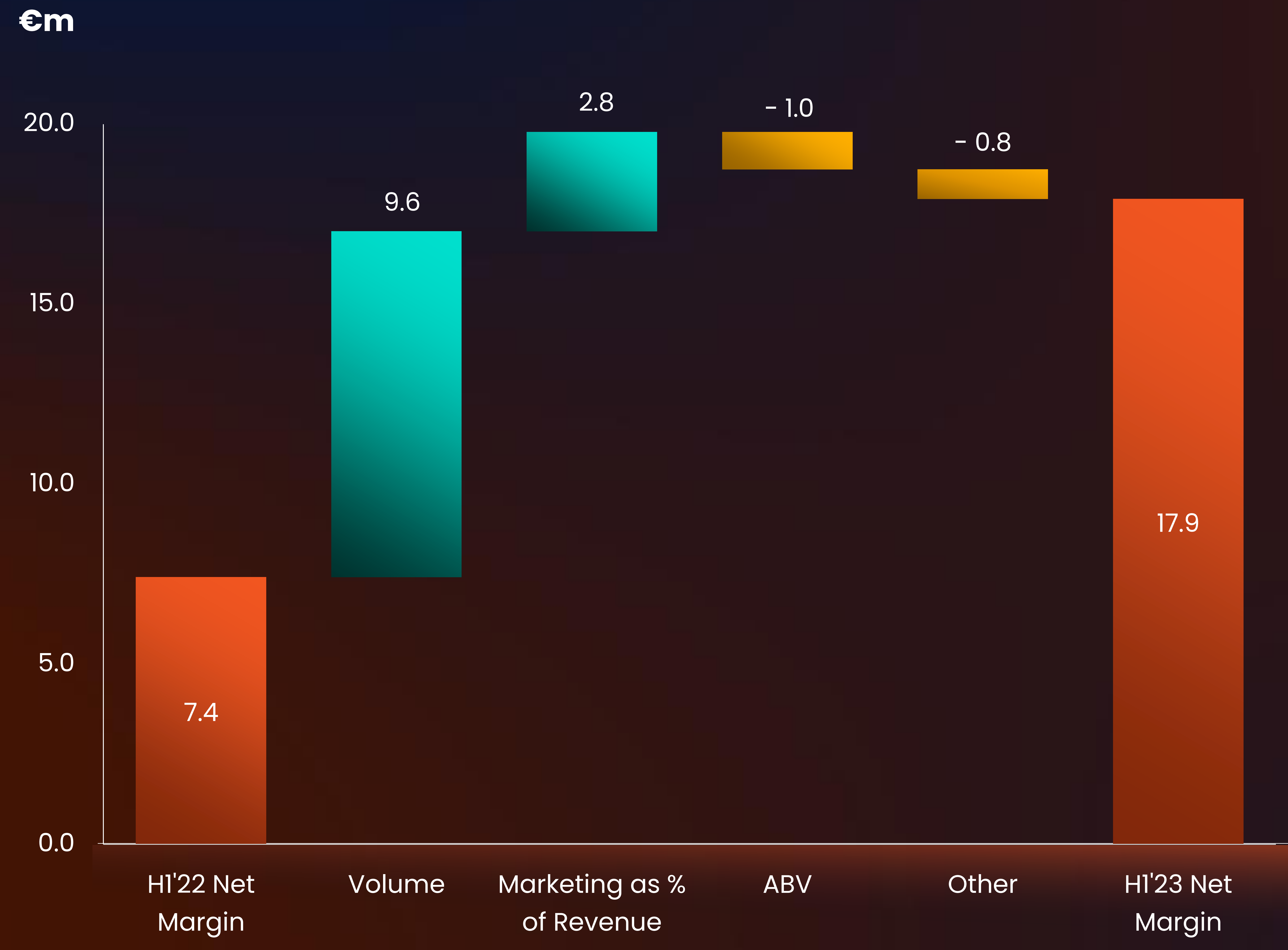
1. Net GMV is GMV (Gross transaction value of bookings on our platform) less cancellations
2. Generated revenue is gross revenue less cancellations
3. Net bookings is gross bookings on our platform less cancellations

Strong growth across all regions



1. Generated revenue is gross revenue less cancellations

Net margin growth driven by volume and marketing efficiency



Strong net margin[1] growth driven by:

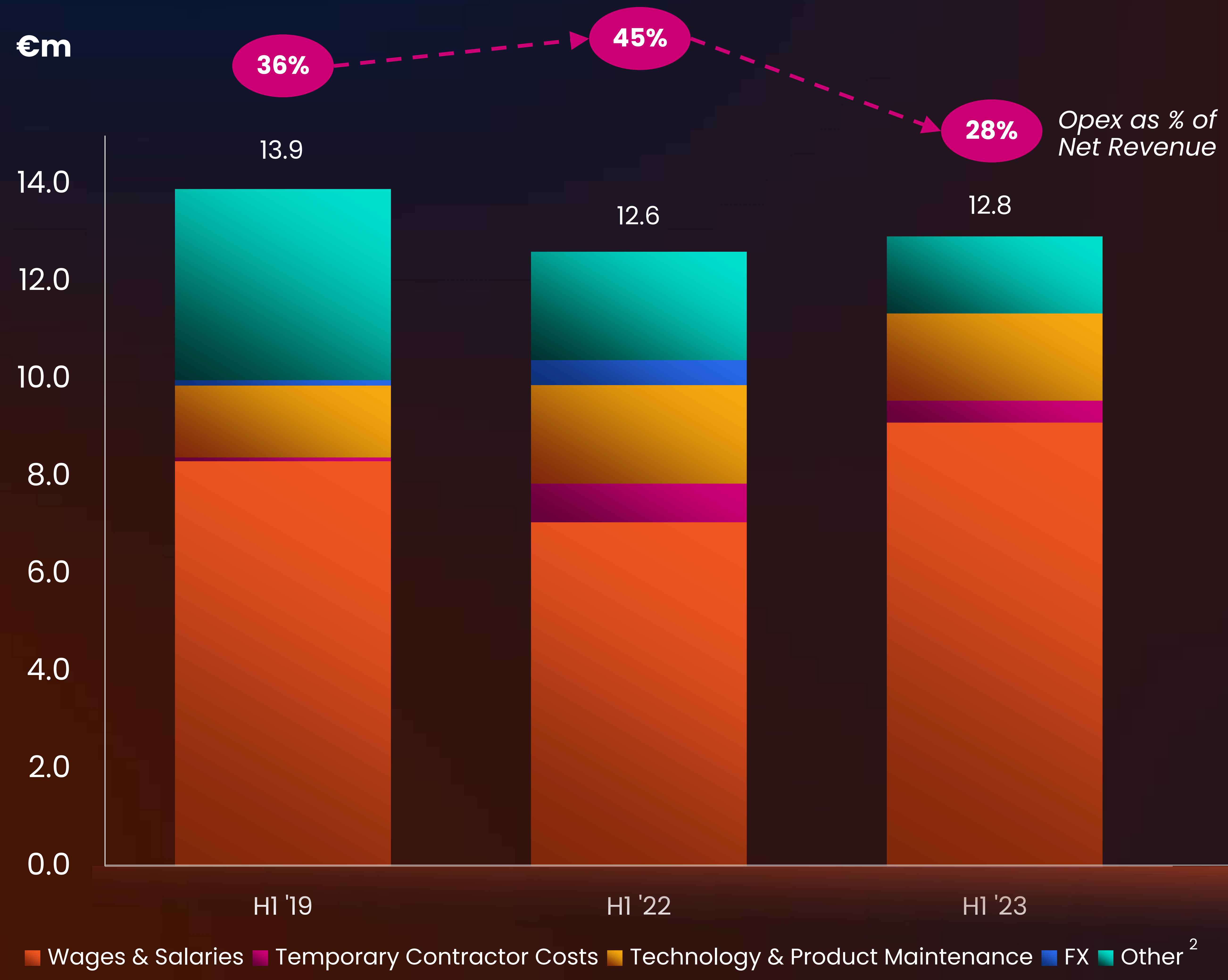
- Net booking volume +64% vs. H1'22 (+1.3m)
- Marketing[2] efficiency driven by 'Social' strategy (51% H1'23, 60% H1'22)

Partially offset by:

- ABV -4% vs. H1'22 (-€0.67), greater proportion of Asian destination bookings, continued bed price inflation
- Other includes deferred revenue provision movement[3]

1. Net Margin defined as net revenue minus direct costs, where net revenue is gross revenue less cancellations, deferred revenue & rebates; direct costs includes paid marketing costs & credit card fees
2. Marketing % is defined as paid marketing costs over gross revenue less cancellations
3. Free cancellation revenue is deferred and only recognised after the cancellation period has expired. H1 provision movement reflects seasonal build-up

Increasing operating leverage through opex discipline



H1'23 operating costs[1], 8% lower than H1'19, continued cost rationalisation programme

- Reduced technology & product costs, benefit of cloud hosted platform and modernised tech stack
- Reduced temporary contractor costs, following launch of new Apps and social features
- Wages & Salaries increase driven by wage inflation and discretionary compensation
- Excluding the benefit of H1'22 COVID wage subsidy benefit[3] **overall opex has reduced YoY**

1. Operating costs excludes paid marketing and below EBITDA cost line items. H1'23 costs are -8% below H1'19
2. Other includes T&E, insurance, rent & rates, training & recruitment, legal & professional and brand marketing costs (2019 only)
3. H1'22 Wages & Salaries include €0.4m COVID wage subsidies (Irish Employment Wage Subsidy Scheme). No subsidy received in H1'23

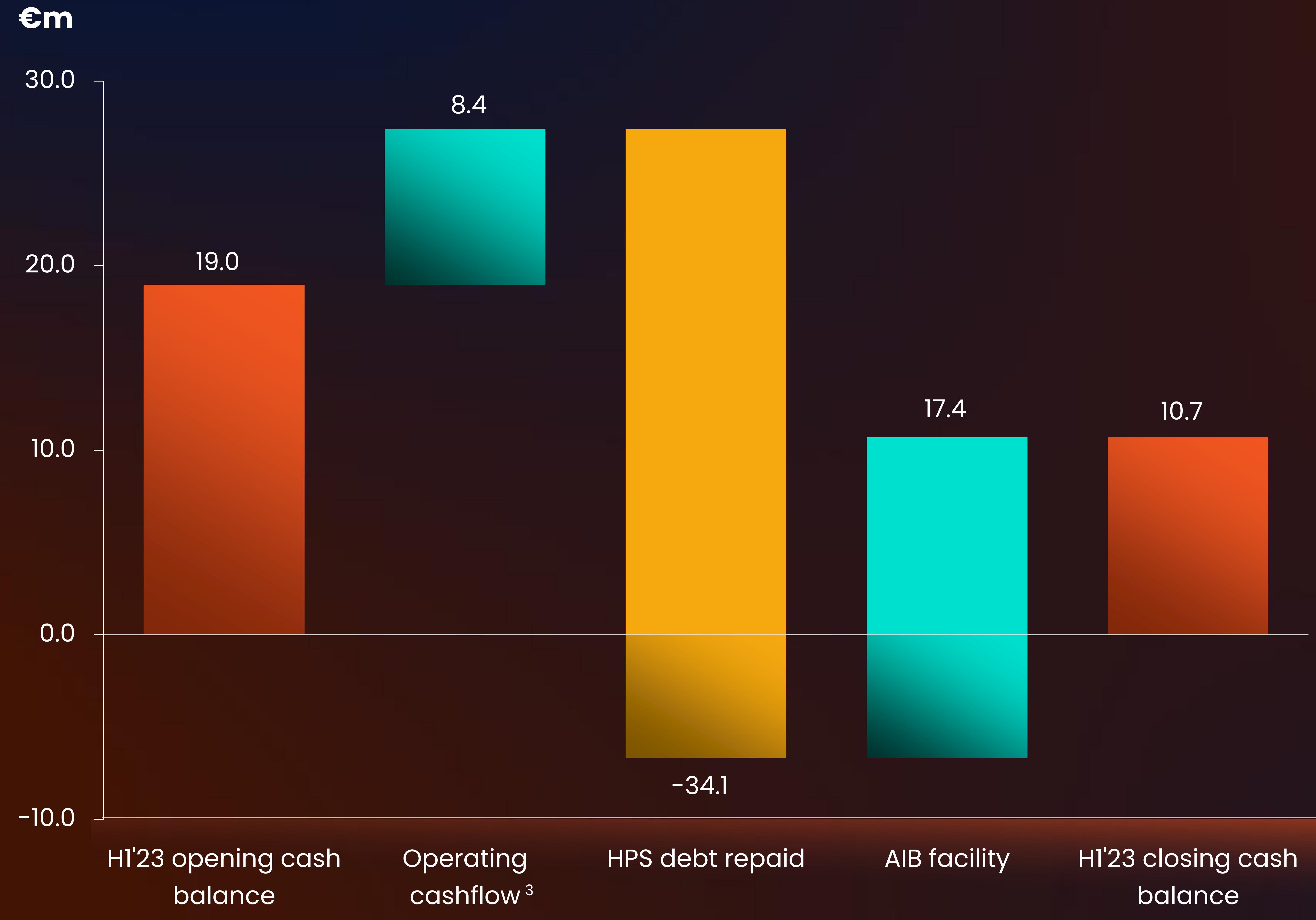
… resulting in strong H1’23 EBITDA performance

Reiterating full year guidance

- Strong performance across all regions, particularly in key European, Asian and Oceania markets
- App-centric social strategy driving marketing efficiency
- €10.3m growth in EBITDA vs. H1’22
- H1’23 EBITDA margin of 11%

Note: €5.6m of H1’23 revenue has been deferred which unwinds in H2’23 as margin, similar to H1’22

… strong cash generation enabling balance sheet deleverage



Debt refinance completed in H1-23, on very favourable terms

- Replaced legacy €30m debt at 9% over EURIBOR with new €17.5m facility at an initial rate of 3.75% over EURIBOR (May'23)
- Net Debt to adj. EBITDA is now less than 2 times, interest rate has reduced to 3.25%
- As of Jun'23, the Group had Net Debt[2] of €16.2m (€21.6m at Dec'22)
- Adjusted free cashflow[1] of €9.3m, on EBITDA of €5.1m, 183% cash conversion

1. Free cash flow adjusted for refinancing and other exceptional items
2. Net debt is cash less borrowings (term loan, revolving credit facility) and warehoused payroll taxes
3. Operating cashflow includes: cashflow from operations, including exceptional costs, debt costs and lease liability costs

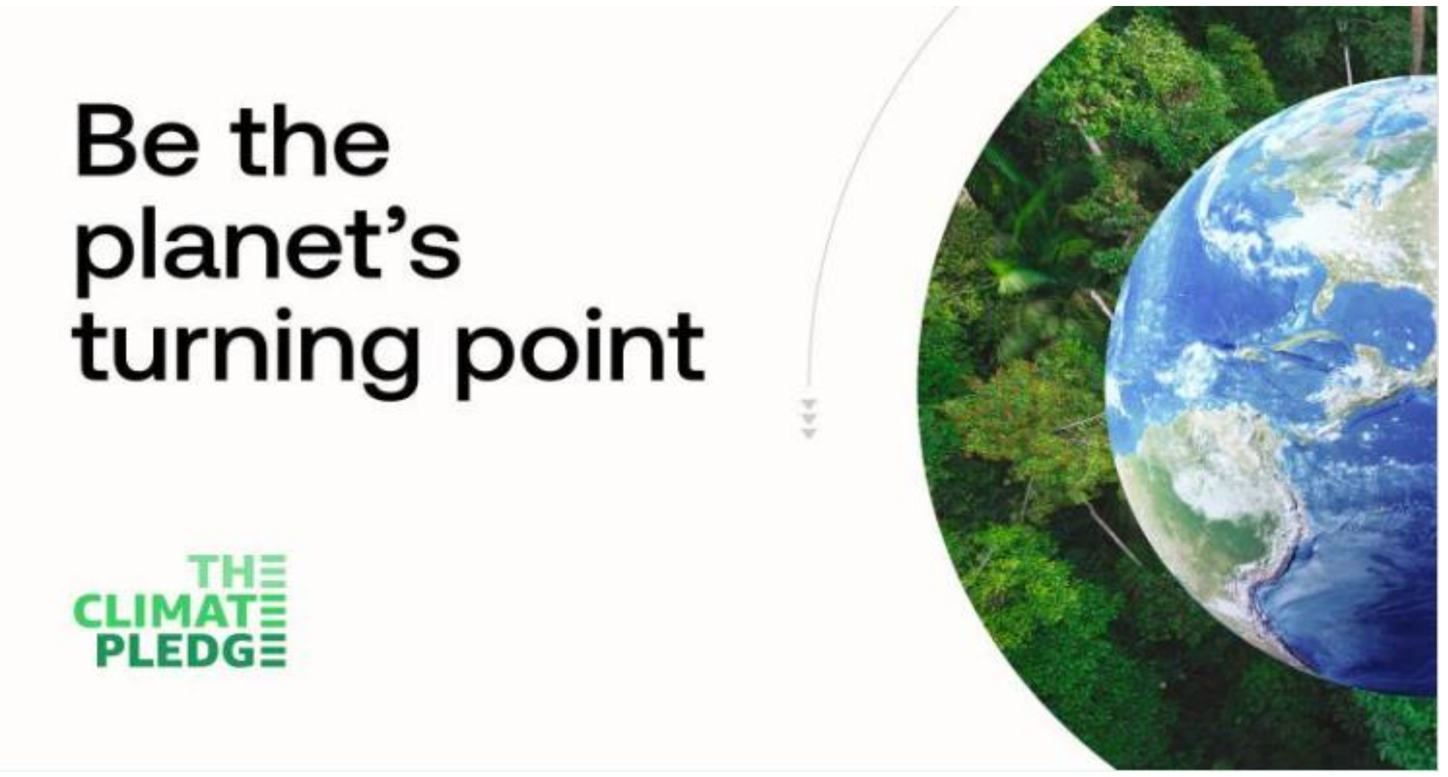
ESG is at the core of our culture and our category

Environmental

- 'Sustainability Stories' showcasing community & environmental initiatives
- Tailored hostel sustainability framework, 4 pillars linked to GSTC criterion – first of its kind
- Sustainability Link-up events and climate conscious travel advice

Social

- Launch of external mentoring programme with IMI
- Further education scholarship opportunities with 30% Club
- 'Teen-Turn' providing teenage girls the opportunity to gain STEM experience



Governance

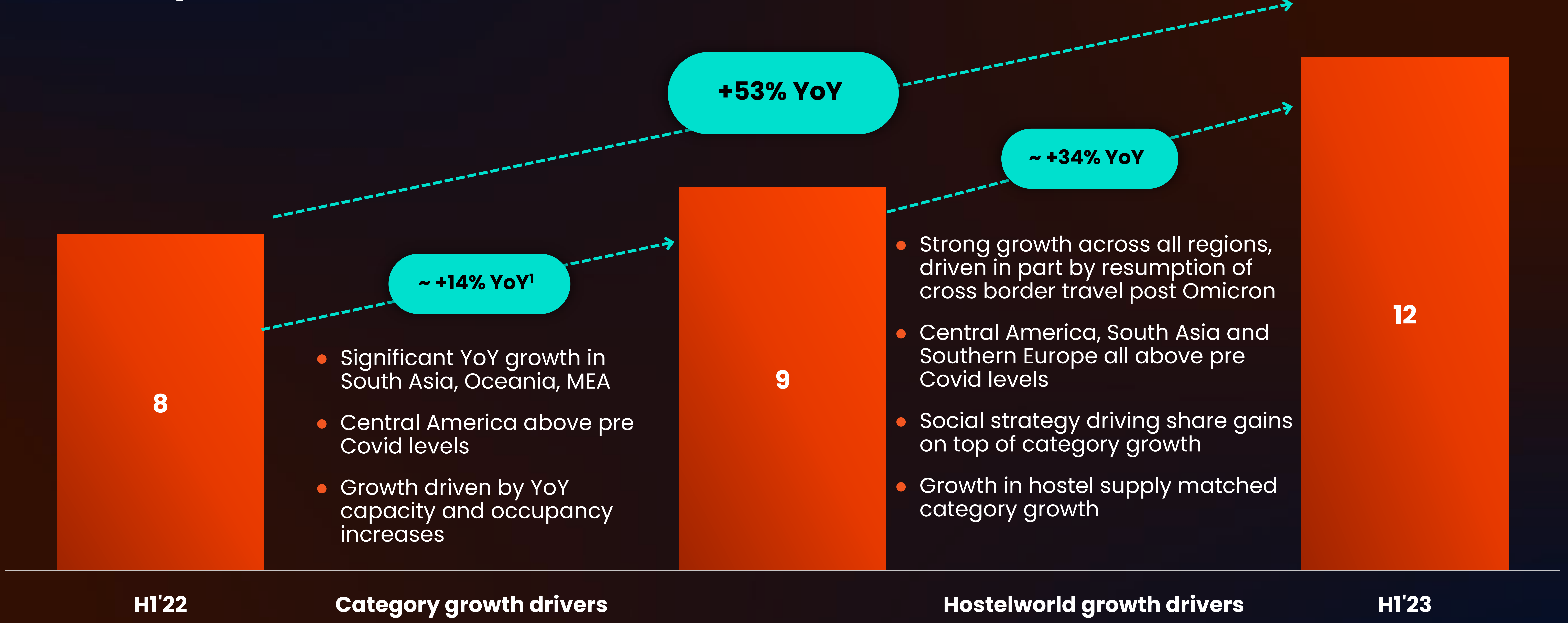
- Climate neutral company: strict management of scope 1, 2 & 3 carbon emissions
- Signatory of 'Climate Pledge', with a mission to reach net-zero carbon by 2040
- Silver DE&I accreditation by Irish Centre for Diversity

Strategy Update

Category & Social strategy driving strong growth

(excludes impact of delisting hostels in Russia and Belarus in March 2022)

Total bednights, H1'22 vs H1'23 millions



1. Estimate based on available hostels online (HW and non-HW) and internal HW data


Our Mission
Help travellers find
people to hang out with

Our pioneering social network is the cornerstone of our strategy

Revenue Growth

Unique customer need led growth strategy

- New customer growth
- Strong retention rates

X

Margin Growth

App centric delivery model

- Reduces CAC
- Lower marketing cost as a % of net revenue

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Operating Model

Scalable, Asset light platform

- Increased operating leverage
- Effective cashflow conversion

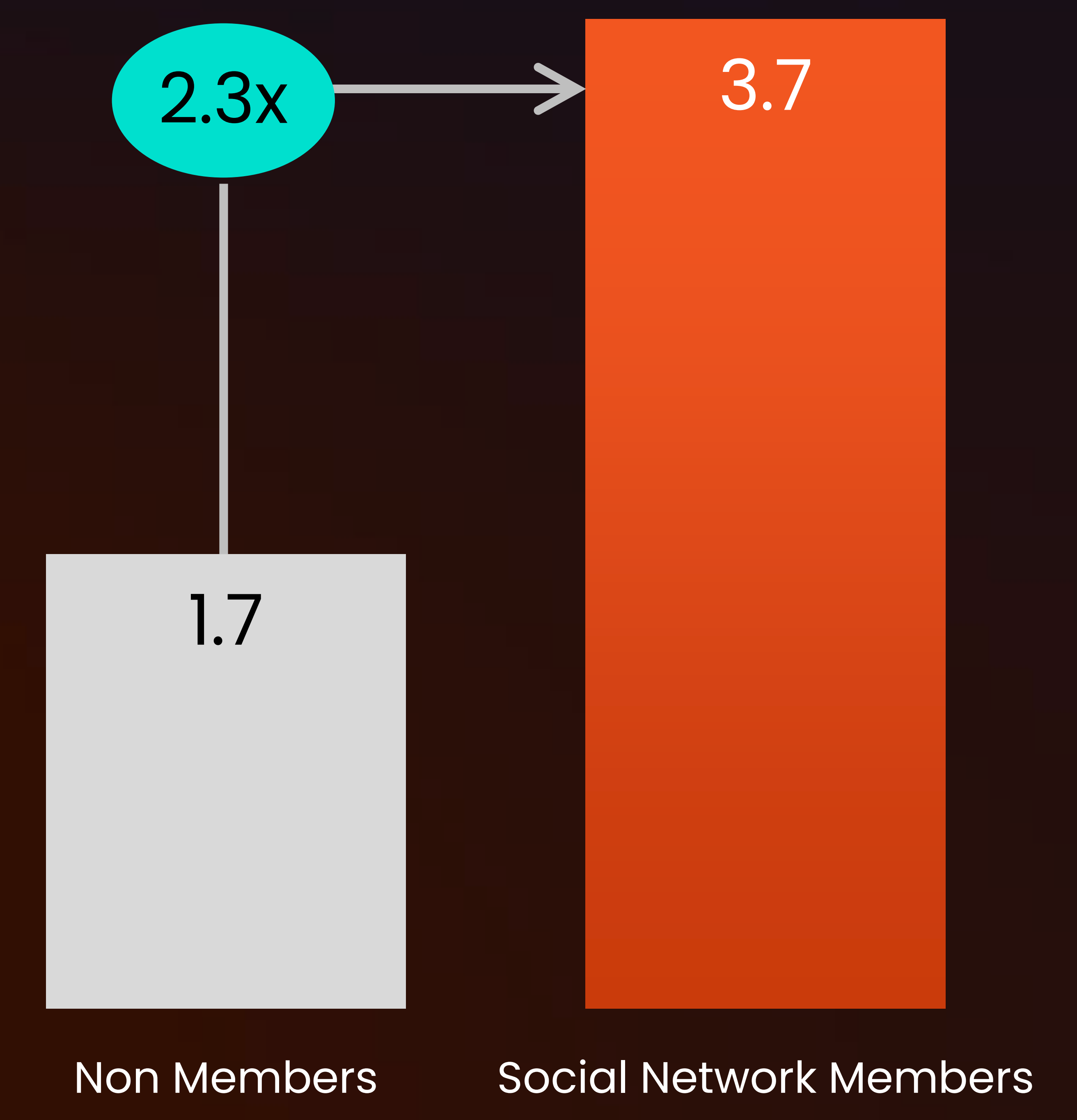
EBITDA/FCF

Increased EBITDA growth

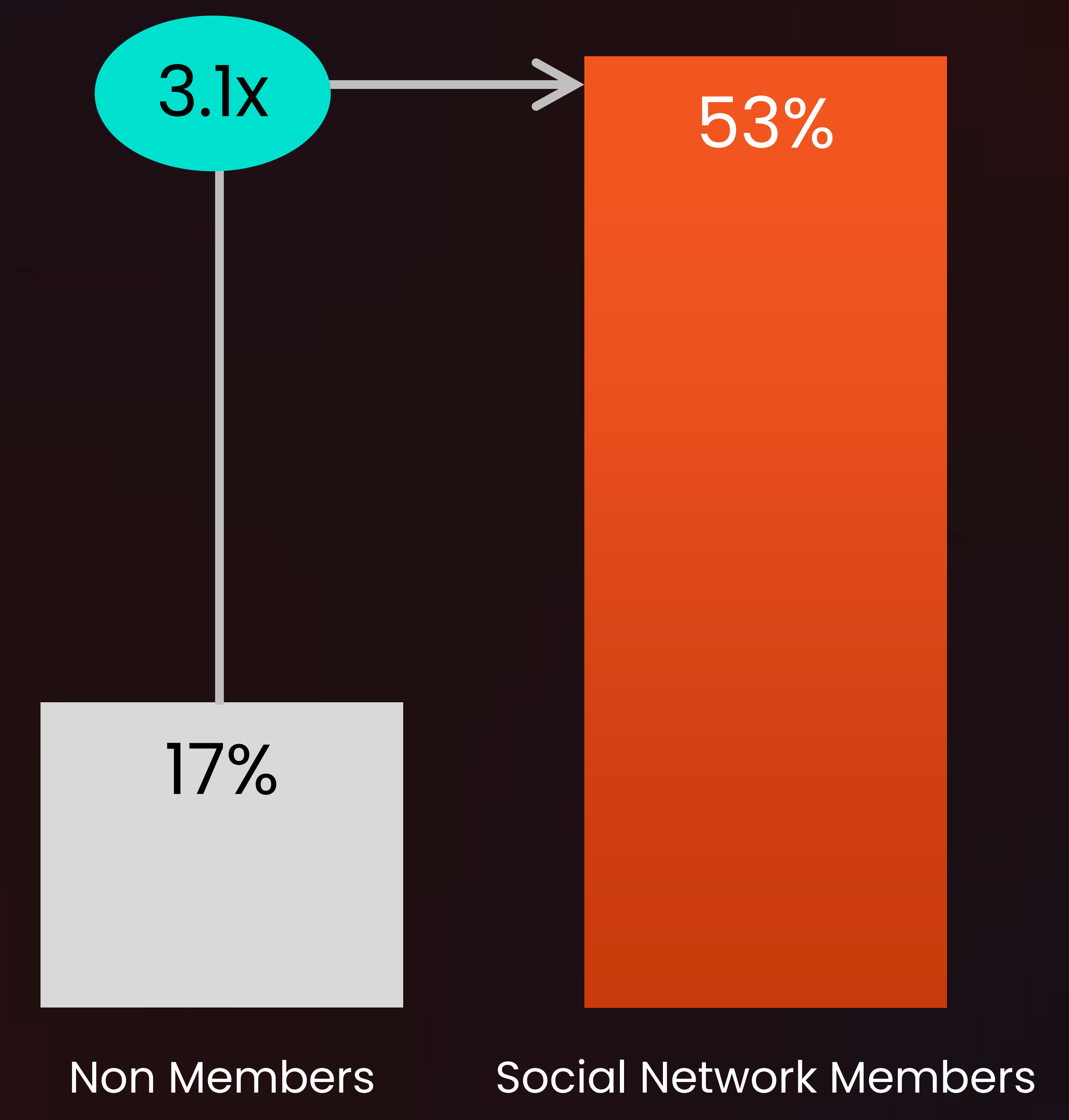
Increased FCF growth

Strategy continues to attract and retain high value customers

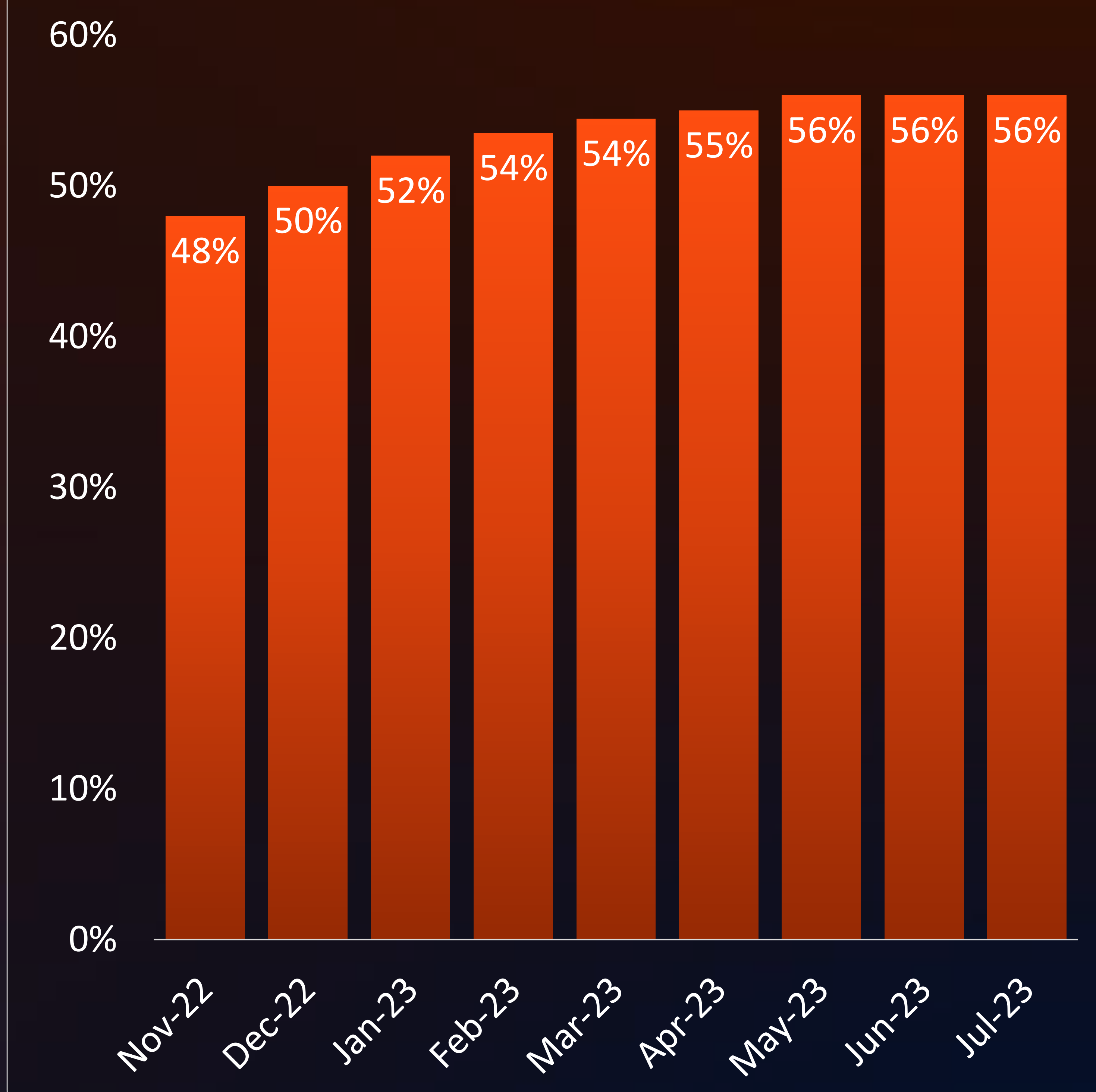
Social Members make 2.3x the bookings over the first 91 days compared to non members …



… and are 3.1x more likely to make their bookings via the App …

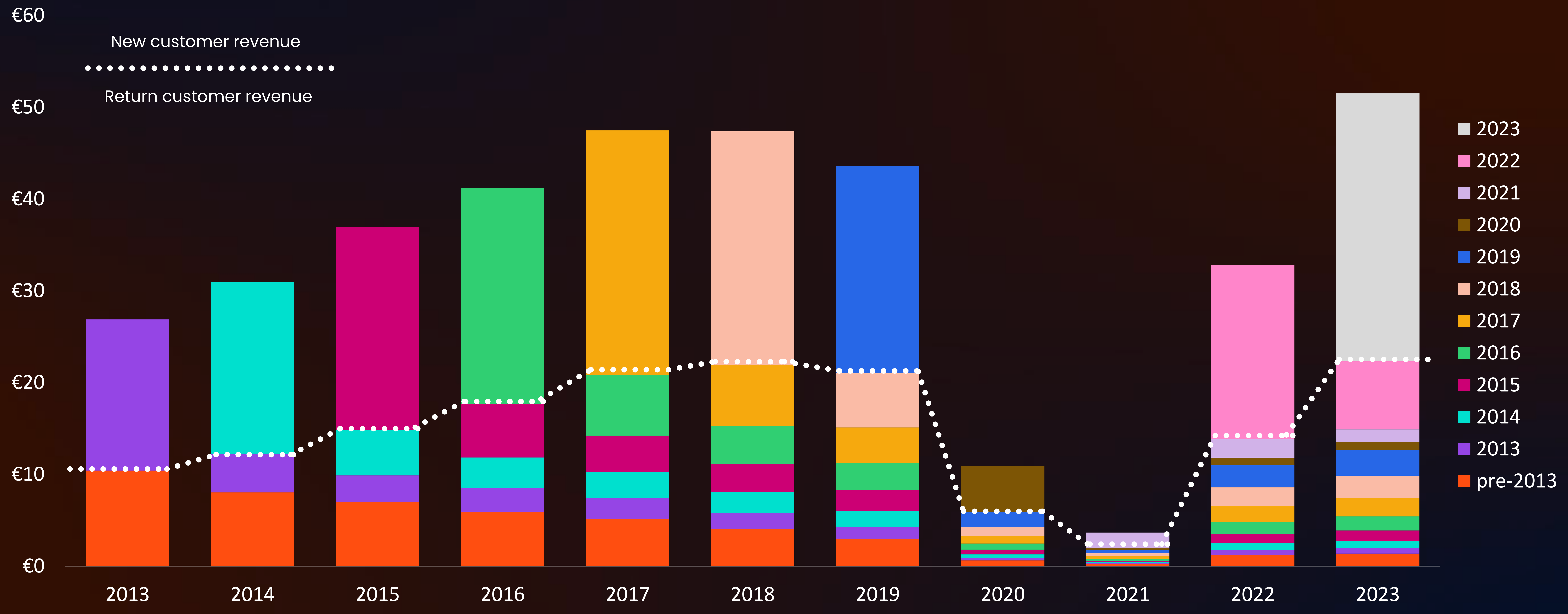


…and account for over 50% of our total bookings

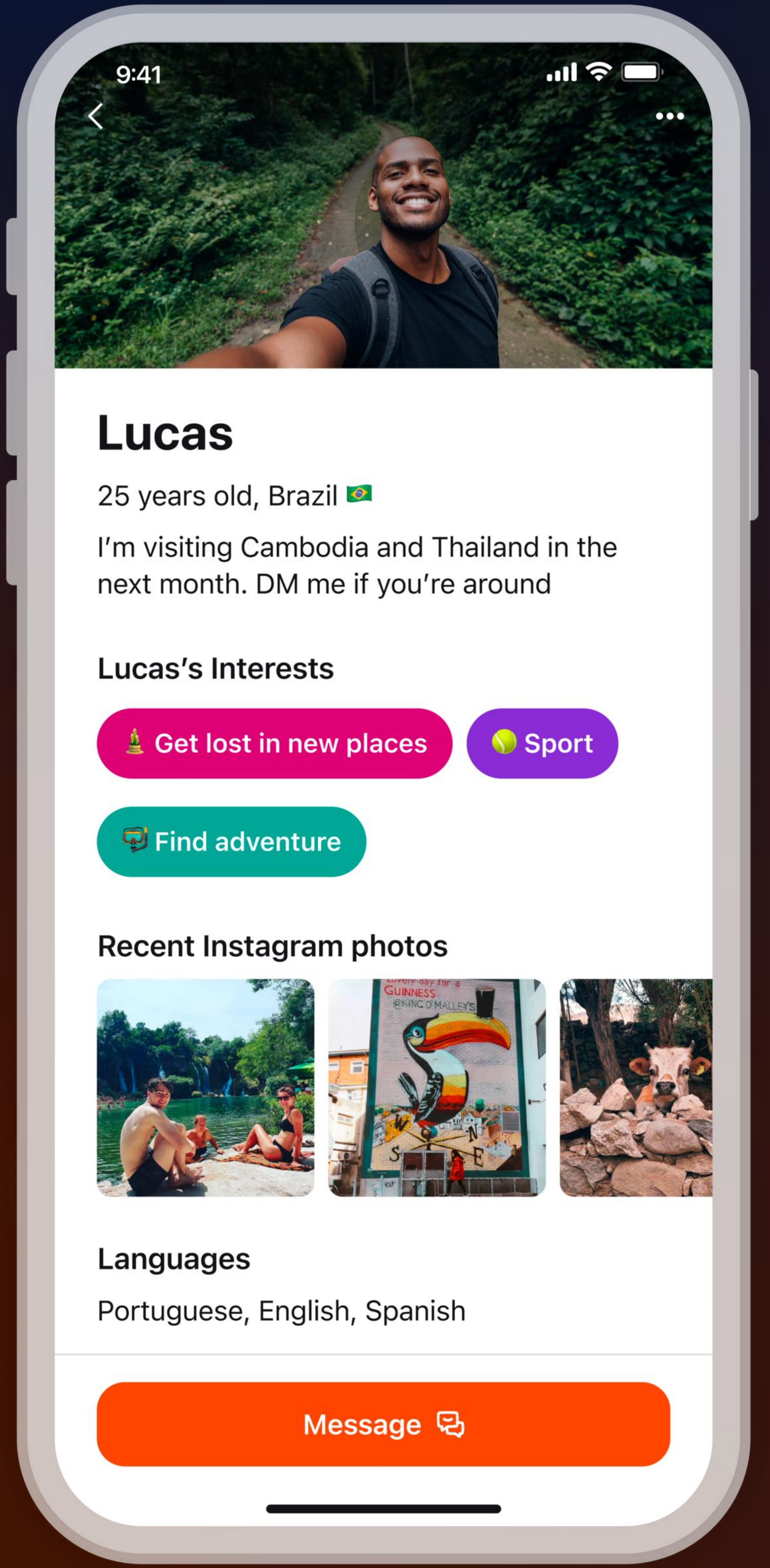


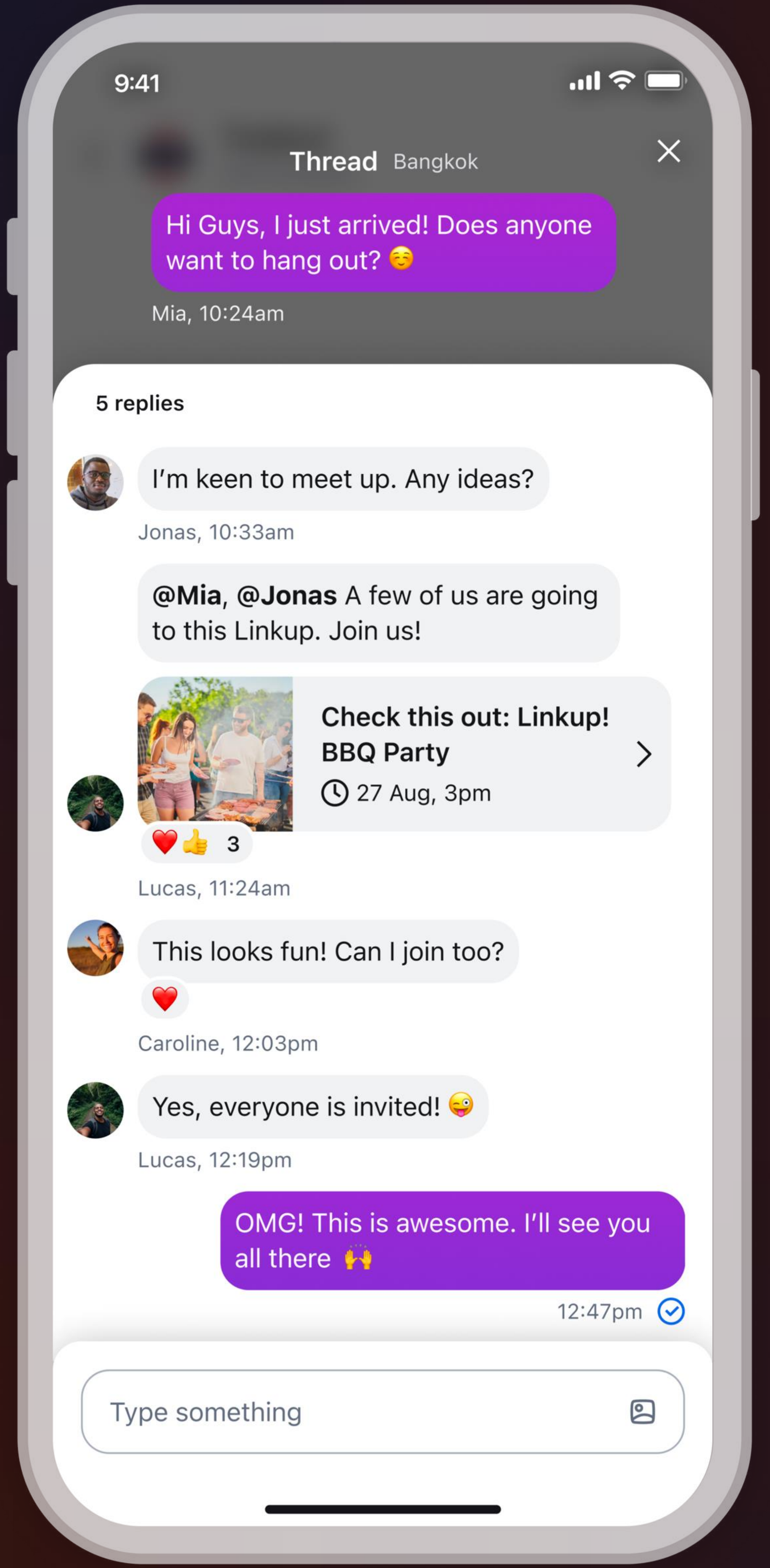
Driving strong growth in recurring revenue YoY

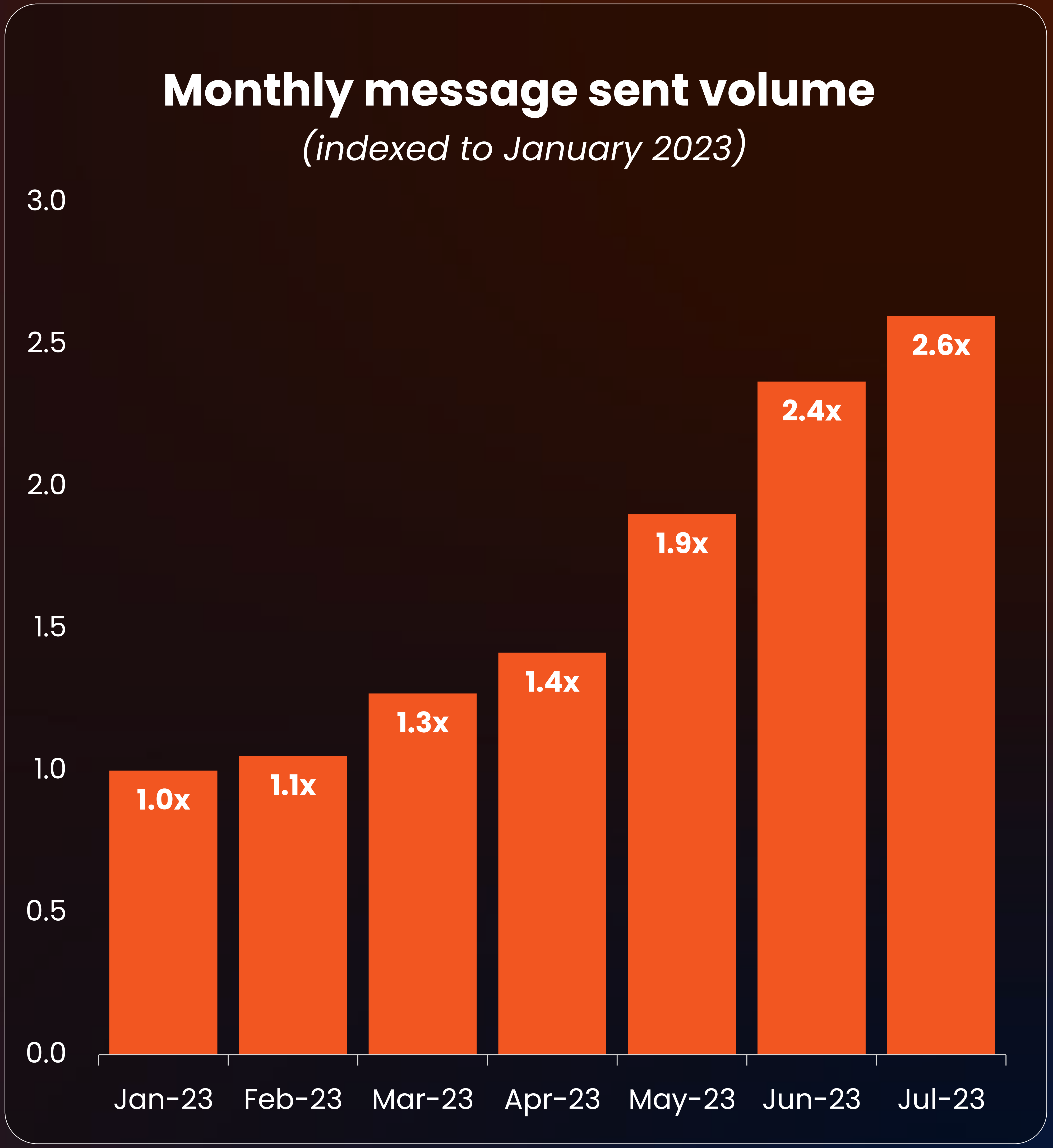
H1 Net Generated Revenue, millions, segmented by customer by year of acquisition



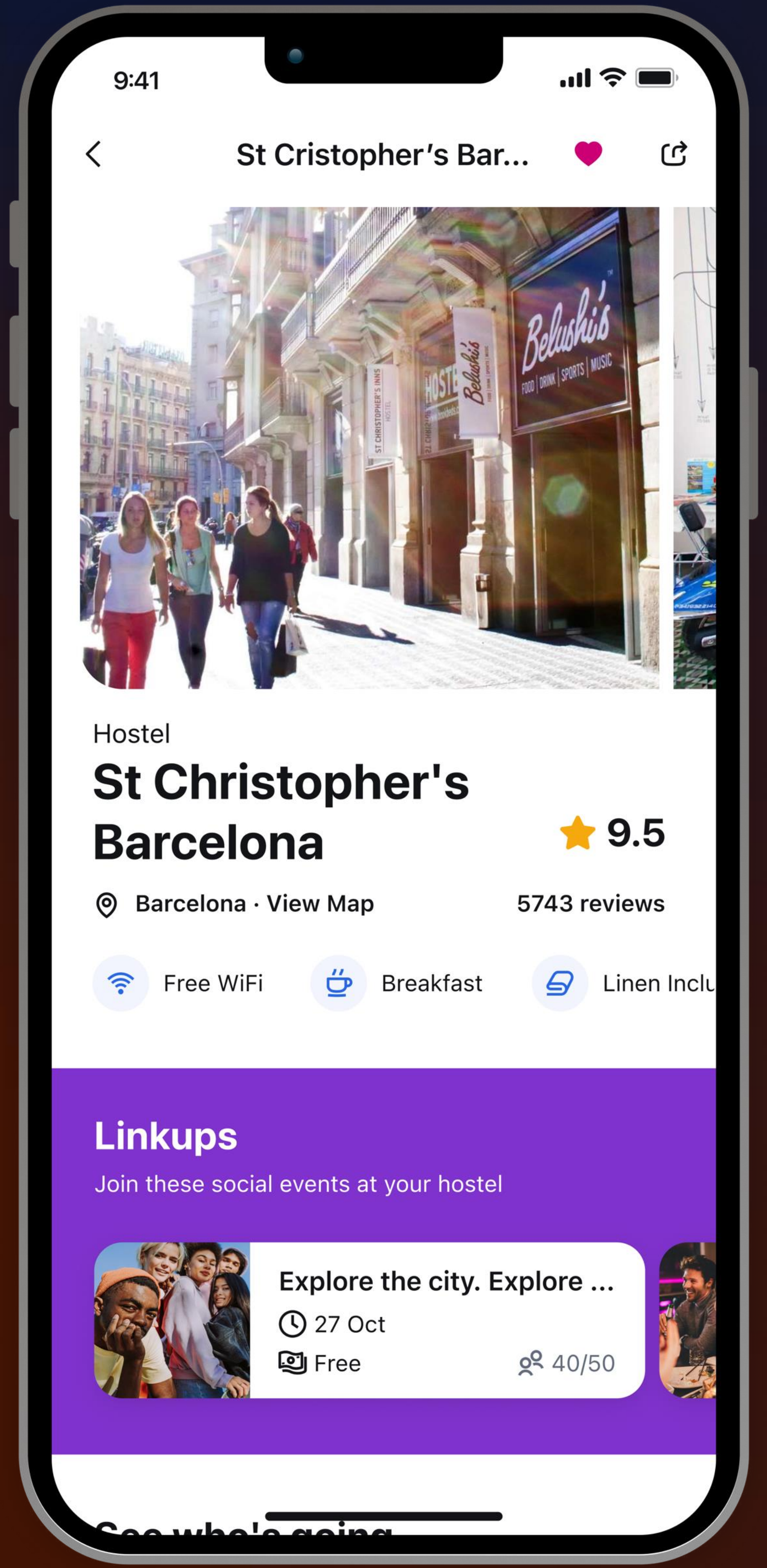
Richer profiles, richer messaging features, greater engagement

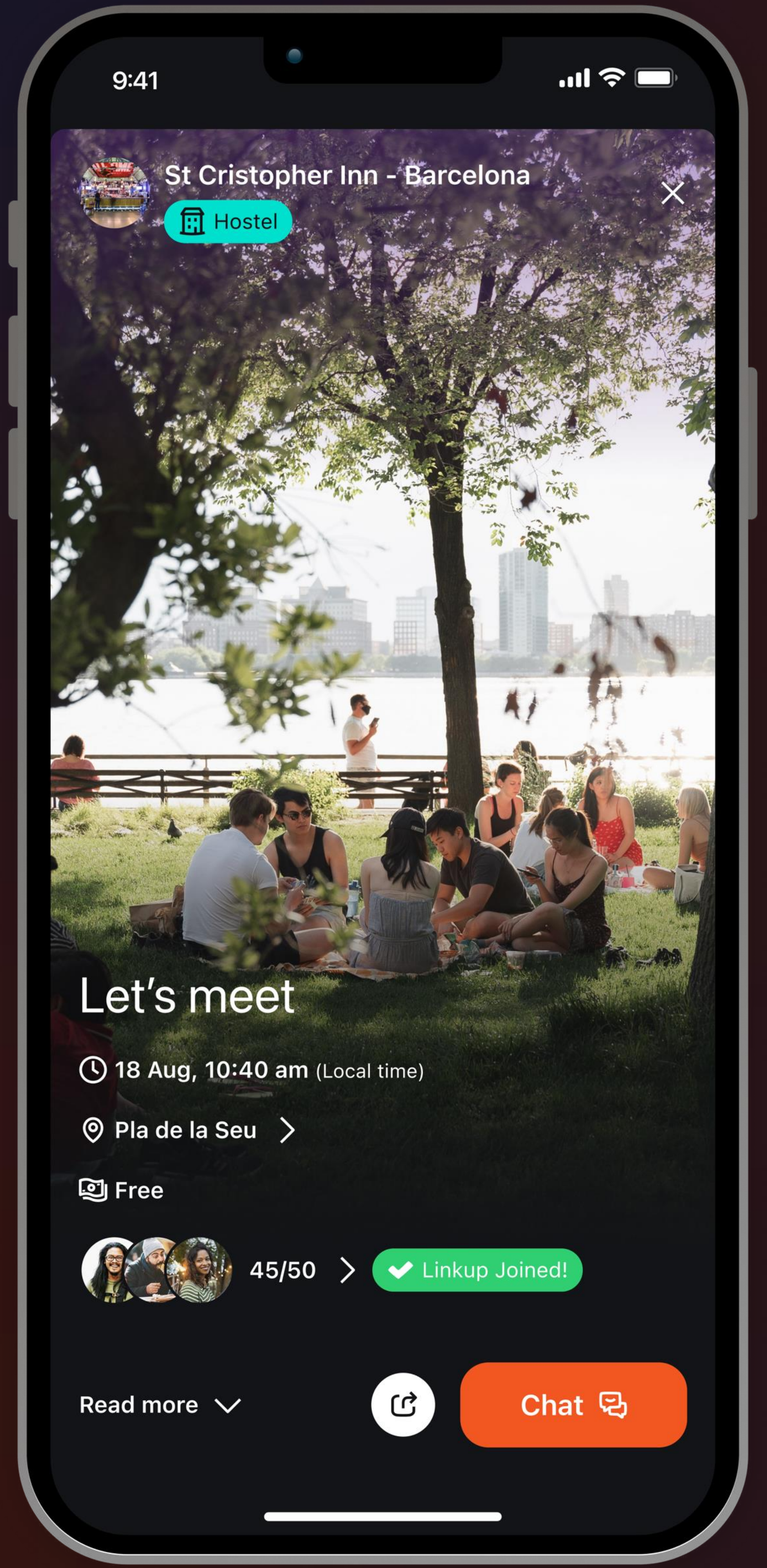


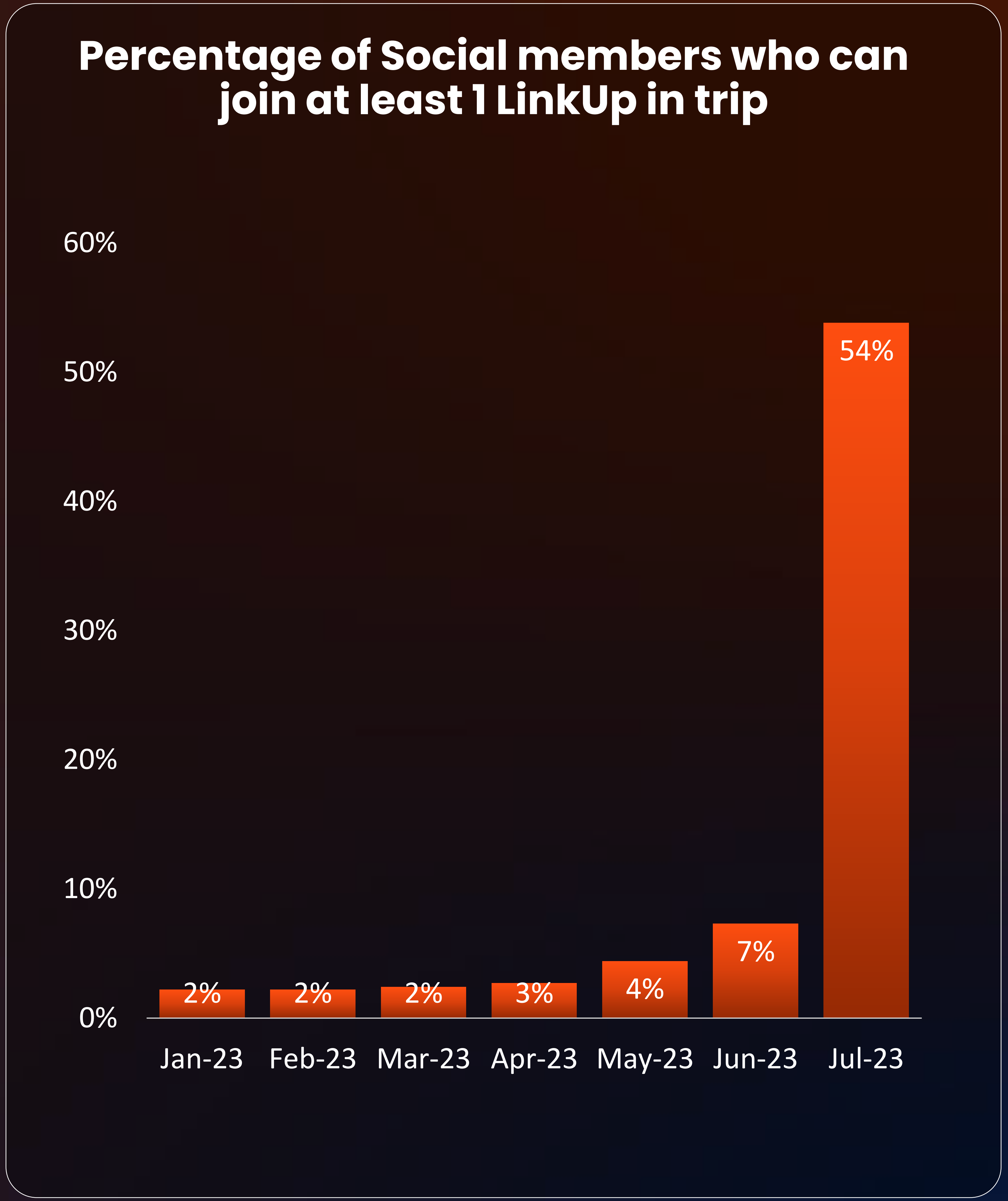




LinkUps provide even more opportunities for our customers to find people to hang out with







Near Term Guidance

	H1 2023 Results	FY 2023 Guidance
Net Bookings	3.4m	~ 30% vs FY 2022
Net GMV	€340m	
Net Revenue	€45.8m	
Marketing % of Revenue	51%	50% - 55%
Adj. EBITDA	€5.1m	€16.5M-€17.0M

Well positioned, well financed and on track for FY 2023

Well positioned…

- 'Social' strategy is uniquely positioned to win in this category vs. other OTAs
- HW growth driven by category, resumption of cross border travel post Omicron & share gains

Well financed…

- Debt refinancing completed with materially lower interest rates
- Highly cash generative business model, continuing to deleverage

On Track…

- Reiterate FY'23 earnings guidance of adj. EBITDA €16.5M-17.0M
- Firmly on track to meet CMD growth targets

Appendices

Balance Sheet

	H1'23 €'m	H1'22 €'m
Intangible assets	69.5	76.4
Property, plant and equipment	1.0	1.0
Deferred tax assets	8.9	8.8
Investment in associate	1.1	1.2
Cash and cash equivalents	0.8	0.8
Total non-current assets	**81.2**	**88.1**
Trade and other receivables	4.5	3.9
Cash and cash equivalents	9.9	22.6
Total current assets	**14.5**	**26.5**
Total assets	**95.7**	**114.6**
Total equity	**45.7**	**54.0**
Warehoused payroll taxes	6.8	9.4
Borrowings	9.9	29.7
Total non-current liabilities	**16.7**	**39.1**
Trade and other payables	21.9	20.4
Warehoused payroll taxes	2.7	-
Borrowings	7.5	0.2
Lease liabilities	0.8	0.7
Corporation tax	0.3	0.2
Total current liabilities	**33.3**	**21.5**
Total equity and liabilities	**95.7**	**114.6**

- **Intangible assets** primarily relates to Hostelworld brandname and IP. Decrease YoY relates to amoritisation charge €10.8m, offset by development costs capitalised €3.9m (asset created)
- **Cash and cash equivalents of €10.7m,** (H1'22: €23.3m), improved cash conversion offset by €16.7m HWG cash reserves utilised to repay legacy HPS facility
- **Total warehoused payroll taxes of €9.5m,** (H1'22: €9.4m)
  - Payroll taxes due to Irish Revenue, the Group will commence repaying in April 2024, H1'24 expected outflow included as a current liability. Includes interest charge at 3% incurred since 1 May 23
- **Total borrowings of €17.4m**
  - Comprised of €10m 3 year term loan and €7.5m revolving credit facility, net of associated debt costs. Legacy 5-year term loan facility with HPS was repaid in full in May 2023 (H1'22: €29.7m)
  - Jul 23 €2.5m reduction in RCF balance to €5.0m
- **Trade and other payables have increased by +€1.3m** driven by a €2.4m increase in deferred revenue provision, total €8.8m, which will unwind to Income Statement in H2. Increase offset by cost containment initiatives.

Income Statement

	H1'23 €'m	H1'22 €'m
Revenue	45.8	28.0
Administrative expenses	(41.7)	(34.8)
Depreciation and amortization expenses	(5.8)	(5.7)
Share of results of associate	0.1	0.0
Operating loss	**(1.7)**	**(12.6)**
Finance costs[1]	(5.4)	(2.1)
Loss before taxation	**(7.1)**	**(14.7)**
Taxation	(0.4)	0.4
Loss for the period	**(7.5)**	**(14.3)**
Adjusted EBITDA[2]	5.1	(5.2)

1. The Group has exceptional costs of €3.6m, €0.1m included within administration expenses relating to debt costs incurred on refinancing, and €3.5m included within finance costs relating to €0.7m early repayment penalty and €2.8m accelerated noncash interest
2. The Group uses adjusted EBITDA to show loss/profit without the impact of non-cash and non-recurring items

Net revenue increased to €45.8m (H1'22: €28.0m)

3.4m net bookings (H1'22: 2.1m) with strong demand in Europe and strong recovery in Oceania and Asia; Central America remains strong

Administrative expenses +€6.9m primarily driven by direct marketing costs +€6.9m and credit card processing fees +€0.5m driven by recovery in revenue

Financial costs increased to €5.4m (H1'22: €2.1m), increase driven by:

- €0.7m early repayment penalty on HPS 5-year term loan facility classified as exceptional
- €2.8m non-cash interest costs accelerated on prepayment of HPS classified as exceptional [interest relating to capitalised debt costs]

Taxation movement of €0.8m relates to the Group not recognising any deferred tax asset H1'23 due to recovery in trade

Adjusted EBITDA of €5.1m driven by trading recovery (H1'22: €5.2m loss)

Cash Flow Statement

	H1'23 €'m	H1'22 €'m
Adjusted EBITDA[1]	**5.1**	**(5.2)**
Working capital movement	7.8	7.0
Capitalisation and acquisition of intangible assets	(1.4)	(2.3)
Exceptional costs	(0.1)	(0.5)
Purchase of property, plant and equipment	(0.1)	(0.1)
Net interest / income tax paid	(2.2)	(0.5)
Free cash flow before financing activities	**9.1**	**(1.6)**
Debt costs capitalised	(0.2)	-
Proceeds from borrowings	17.4	-
Repayment of borrowings	(34.1)	-
Lease liabilities (IFRS 16)	(0.5)	(0.3)
Net (decrease)/increase in cash	**(8.3)**	**(1.9)**
Opening cash	19.0	25.3
Closing cash	**10.7**	**23.3**
Adjusted free cash flow	9.3	(0.9)
Adjusted free cash % (conversion)	**183%**	**55%**
Adjusted free cash % (conversion) excluding impact deferred revenue	**87%**	**-1,200%**

1. The Group uses adjusted EBITDA to show loss/profit without the impact of non-cash and non-recurring items
2. Free cash flow adjusted for refinancing and exceptional items

Improved adjusted free cash conversion - increased operating leverage

Adjusted EBITDA €5.1m, improvement year-over-year driven by recovery in demand

€7.8m increase in working capital movement due to principally to a €5.7m increase in deferred revenue, €0.8m increase in trade payables [marketing]

Refinance completed May 2023:

- **Net interest paid of €2.2m,** +€1.7m v H1'22 driven by HPS prepayment and rise in EURIBOR rates.
    - €0.7m early repayment penalty paid to HPS H1'23
    - €1.5m cash and PIK interest paid (€0.4m cash interest paid to HPS in H1 2022)
- **€17.4m facility drawn** down from AIB, net of arrangement fee
- **€34.1m repaid to HPS** comprising of principal of €30m + PIK interest of €4.1m capitalised at 31 Dec 22

Lease liability increase +€0.2m relates to Dublin office entering long term lease commitment in Mar 22