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# 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 241 employees during 2016
- ~35,000 properties globally including 14,000 hostels as at December 2016
- Focused on hostels and other budget accommodation with hostels representing 92% of 2016 bookings (2015: 89%)
- Hostelworld, the Group's primary brand, contributed 87% of total 2016 bookings (2015: 73%)

### **Consumer Brand - Primary**



### **Consumer Brand - Supporting**

B2B Brand





**■**backpack online

#### Efficient business model maximises cash conversion

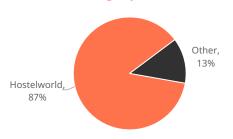






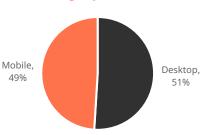


#### Bookings by Brand<sup>1</sup>

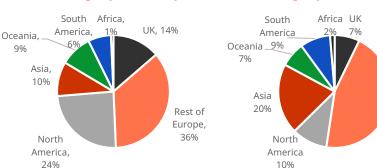


#### Bookings by Device<sup>2</sup>

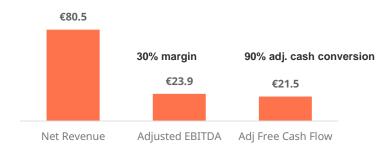
**Bookings by Destination<sup>3</sup>** 



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



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





Rest of

Europe

45%

# **Agenda**

**Feargal Mooney, CEO** 

FY 16 Highlights

Mari Hurley, CFO

Financial Performance FY16

**Feargal Mooney, CEO** 

Operational Performance FY16 Update and Outlook

Q&A





### **FY 16 Performance**

### **Financial**

- FY 2016 performance in line with expectations
- HW Brand bookings up 18%; 1% overall decline in Group bookings (to 7.1m bookings), with an increase of 2% during the second half of the year
- 4% decline in Net Revenue (flat on constant currency basis)
- Average commission rate increased to 13.8% (2015: 13.1%)
- Marketing Costs as a % of Net Revenue declined to 41% (2015: 45%)
- Stronger Adjusted EBITDA margin of 30% (2015: 28%)
- €23.9m Adjusted EBITDA, up 7% on constant currency basis (2015: €23.6m); €19.4m Adjusted PAT (2015: €21.0m)
- Strong underlying adjusted free cash conversion of 90% (2015: 65%)
- Strong balance sheet: cash of €24.6m at 31 December 2016 (31 December 2015: €13.6m)
- Final dividend of 10.4 euro cent per share (in line with policy to pay out 70% to 80% of Adjusted Profit After Tax)
- Supplementary dividend of 10.5 euro cent per share



# **2016 Highlights**

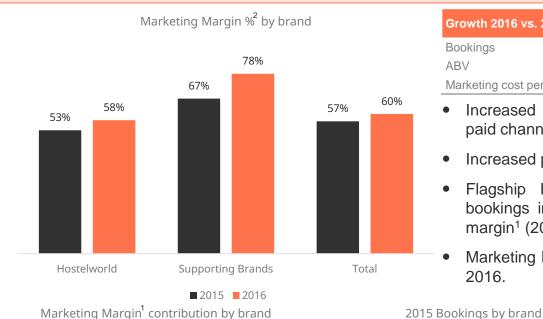
Continued to successfully execute on our pillar initiatives.



- Continued successful Hostelworld brand growth with 18% growth in bookings (2015: 17%)
- Improving efficiency of booking mix, increased proportion of bookings from non-paid channels to 61% in 2016 (2015: 58%)
- 30% Elevate penetration (2015: 18%); effective commission rate of 17.3% on Elevate bookings (2015: 16.2%)
- Increased share of mobile bookings to 49% of Hostelworld brand in 2016 (2015: 41%) with Apps growing faster than mobile site – accounting for 28% of Hostelworld brand bookings in 2016 (2015: 21%)
- Continued geographic expansion: Hostelworld brand bookings growth of 30% into Asian destinations

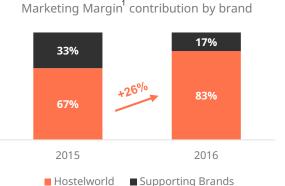
# **Marketing Margin by Brand**

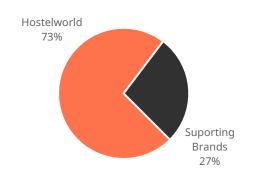
### Marketing Margin<sup>1</sup> increased for all Brands during 2016

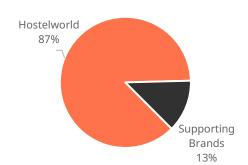


Growth 2016 vs. 2015	Hostelworld	Supporting brands	Total
Bookings	18%	-53%	-1%
ABV	-2%	0%	-4%
Marketing cost per booking	-12%	-34%	-11%

- Increased efficiencies in managing cost per booking for paid channels
- Increased proportion of bookings from non-paid channels
- Flagship Hostelworld brand accounted for 87% of bookings in 2016 (2015: 73%) and 83% of associated margin<sup>1</sup> (2015: 67%).
- Marketing Margin<sup>1</sup> for Hostelworld brand grew by 26% in 2016.

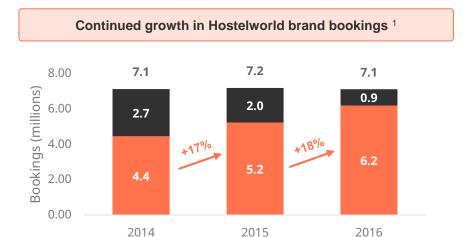






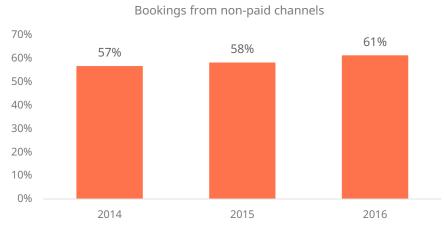
2016 Bookings by brand

# **Bookings & ABV**



■ Hostelworld ■ Other

### Increased proportion of bookings from non-paid channels



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



 2016 decline in ABV driven by bookings of shorter duration (lower pax and nights per booking), FX headwinds, and lower bed prices due to the continued shift in geographic mix following geopolitical events.

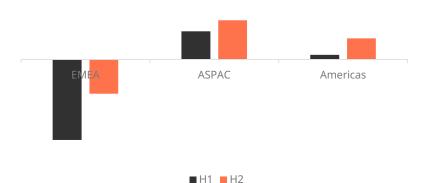


## 2016 bookings demand

#### Demand improved during H2 2016 across regions and nationalities



Inbound bookings: YOY growth by half year<sup>1</sup>



- Group bookings growth improved from -4% during H1 2016 to +2% during H2 2016.
- European destinations were the principal driver for the bookings decline during H1 2016, with terrorism incidents being a key factor.
- Inbound recovery was evident across all continents during the second half of 2016.
- Asia remained the fastest growing destination region throughout 2016, at +12% YoY <sup>1</sup>.
- Outbound growth recovery during the second half of 2016 was most evident for bookings from Asian and South American nationals.





# **Financial Highlights**

### Bookings and ABV

- 18% growth in Hostelworld brand bookings
- 1% decline in Group bookings (increase of 2% during the second half of 2016)
- Overall 4% decline in ABV

### Revenue and EBITDA

- €80.5m Net Revenues; year-on-year decline of 4% (flat on a constant currency basis)
- Marketing investment represented 41% of Net Revenues (2015: 45%)
- €23.9m Adjusted EBITDA (2015: €23.6m), up 7% on a constant currency basis
- €19.4m Adjusted Profit after tax (2015: €21.0m)

#### Cashflow

• 90% Adjusted Free Cash conversion (2015: 65%)

### **Balance sheet**

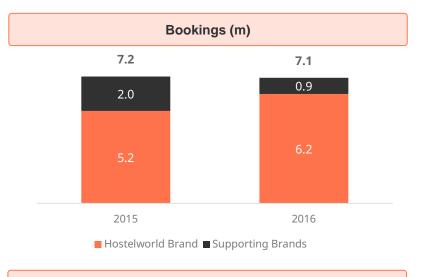
- Strong balance sheet
- Cash of €24.6m at 31 December 2016
- €2.5m R&D costs capitalised (2015: €4.3m)

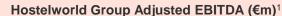
#### Dividend

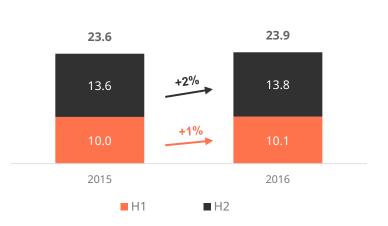
- Recommended Final Dividend of 10.4 euro cent per share
- Recommended Non-recurring, Supplementary Dividend of 10.5 euro cent per share

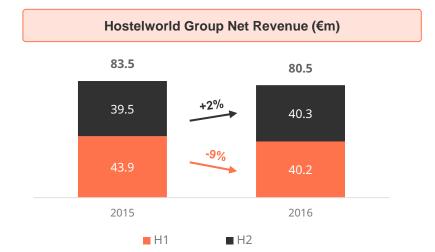


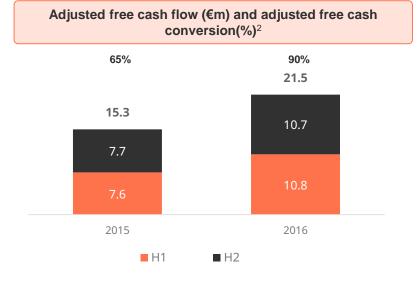
# **Summary Financials**



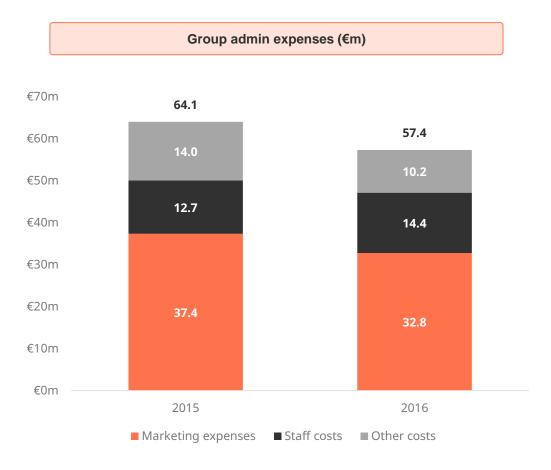








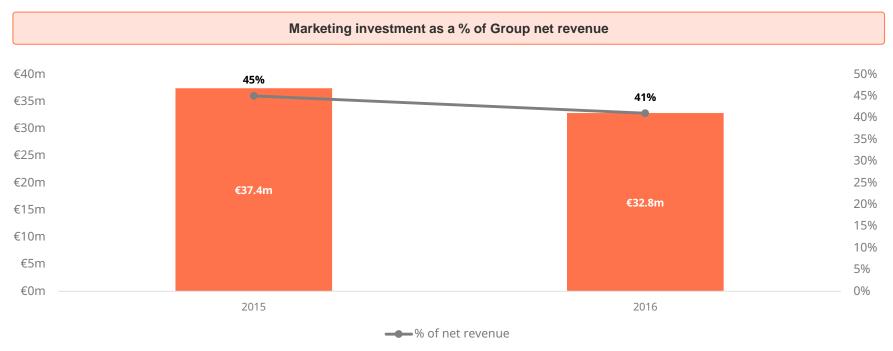
# **Group Administrative Expenses**



- Decrease driven by efficiencies in marketing investments.
- Underlying salary costs decreased by 3% in 2016. Overall staff costs increased in 2016 due to lower rate of capitalisation of R&D labour costs of €2.3m (2015: €4.2m) and share based payment charge of €0.4m (2015: €nil). Average employee numbers during 2016 were 244 (2015: 256).
- Excluding exceptionals and listed company costs, other costs decreased by 6% in 2016.
- Exceptional items of €0.4m (2015: €4.3m) are included within other costs. 2016 exceptionals relate primarily to redundancy related costs. 2015 exceptional costs were primarily fees associated with the IPO.



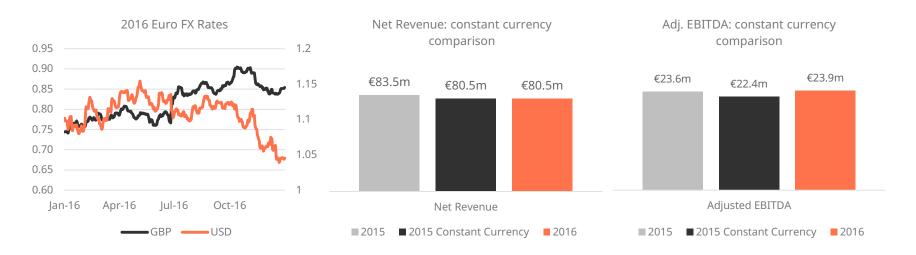
# Marketing Investment



- Marketing investment represented 41% of net revenue in 2016, reflecting a decline in marketing cost per booking of 11% to €4.62 in 2016 (2015: €5.21).
- 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
- Increased proportion of bookings from non-paid channels to 61% in 2016<sup>1</sup> (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 is in line with 2015 and Adjusted EBITDA has increased by 7% (€1.5m) in 2016.
- A 1% movement in USD had 0.39% impact on 2016 Adjusted EBITDA and a 1% movement in GBP had 0.26% impact on 2016 Adjusted EBITDA based on the 2016 currency profile.
- 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**

### **Group income statement summary**

€'000	2016	2015
Revenue	80,514	83,451
Administrative expenses	(57,397)	(64,087)
Depreciation and amortisation expenses	(14,731)	(12,170)
Impairment losses	(8,199)	-
Operating profit	187	7,194
Financial income	5	8
Financial expenses	(59)	(30,866)
Other gains	-	104,158
Profit before tax	133	80,494
Income tax benefit	651	680
Profit for the period	784	81,174
Adjusted profit measures		
Adjusted EBITDA <sup>(1)</sup>	23,927	23,631
Adjusted Profit after tax <sup>(2)</sup>	19,371	21,028

- 4% decline in net revenues to €80.5m; on a constant currency basis, revenues are in line with 2015.
- Adjusted EBITDA margin of 30% (2015: 28%).
- An impairment charge of €8.2m was recognised in relation to the carrying value of the Hostelbookers domain names.
- Fixed asset depreciation €0.9m (2015: €0.8m).
   Amortisation of capitalised development costs €3.2m (2015: €1.4m). Intangibles amortisation €10.6m (2015: €9.9m).
- 2015 Financial expenses of €30.9m relate to interest accrued on shareholder loans repaid at IPO. Other gains in 2015 relate solely to the write off of shareholder loans of €104,158k as part of the IPO reorganisation in November 2015.
- Overall Income tax benefit of €0.7m comprises a Group corporation tax charge of €0.4m and a deferred tax credit of €1.0m arising on reduction in deferred tax liabilities resulting from the impairment review, partially offset by amortisation of deferred tax assets.

<sup>&</sup>lt;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**

### **Group cashflow statement**

€'000	2016	2015
Profit before tax	133	80,494
Working capital movement	(1,577)	(2,057)
Non cash adjustments (incl. impairment charge)	23,311	(91,737)
Transaction costs included within financing activities	-	4,546
Net finance costs	54	30,858
Cashflows from operating activities	21,921	22,104
Net interest paid	(54)	(71)
Taxes Paid	(280)	319
Net Cashflows from operating activities	21,587	22,352
Capitalisation and acquisition of intangible assets	(2,500)	(4,321)
Purchase of property, plant and equipment	(746)	(3,168)
Net cash used in investing activities	(3,246)	(7,489)
Repayment of shareholder loans	-	(195,125)
Proceeds on issue of shares, net of expenses	-	173,607
Dividends paid	(7,216)	-
Net cash used in financing activities	(7,216)	(21,518)
Net increase/(decrease) in cash and cash equivalents	11,125	(6,655)
Opening cash and cash equivalents	13,620	19,942
Effect of exchange rate gains and losses	(113)	333
Closing cash and cash equivalents	24,632	13,620



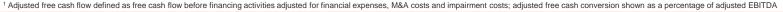
### **Cashflow Conversion**

### **Group cash conversion**

€'000	2016	2015
Adj. EBITDA	23,927	23,631
Free cash flow before financing activities	18,906	14,863
Adjustments to free cash flow:		
- IPO costs	2,580	(251)
- Establishment costs		670
Total Adjustments	2,580	419
Adjusted free cash flow <sup>1</sup>	21,486	15,282
Adjusted free cash conversion % <sup>1</sup>	90%	65%

- 90% Adjusted free cash conversion for 2016.
- Adjusting for the delayed receipt of a prior year VAT claim until early 2016, 2016 adj. cash conversion was 87%.
- €2.6m of costs related to the IPO were outstanding at 31 December 2015 and paid in 2016.

Source: Management information





### **Balance Sheet**

### **Group balance sheet summary**

€'000	2016	2015	
Other intangible assets	139,619	158,972	
Other non-current assets	3,717	4,848	
Trade and other receivables	2,627	3,249	
Corporation tax	-	3	
Cash and cash equivalents	24,632	13,620	
Total assets	170,595	180,692	

Total equity159,936166,697Deferred tax liabilities7642,563Creditors, accruals and other liabilities9,89511,432Total equity and liabilities170,595180,692

- Strong Group balance sheet at 31 December 2016 with negative working capital of €7.3m. (2015: €5.6m excluding IPO costs outstanding at 31 December 2015).
- Cash balances of €24.6m.
- Net decrease in other intangible assets driven primarily by impairment charge and amortisation.

HOSTELWORLD

Source: Management information

# **Summary KPIs**

### Overview of track record of KPIs

KPI metric		2014	2015	2016
Bookings:	HW Brand	4.4m	5.2m	6.2m
	Other	2.7m	2.0m	0.9m
Average Bo	ooking Value (ABV)	€11.52	€12.09	€11.55
Net revenue	Э	€79.3m	€83.5m	€80.5m
Marketing in	nvestment (% of net revenue)	36%	45%	41%
Adjusted El	BITDA	€27.0m	€23.6m	€23.9m
Adjusted Pr	rofit after tax1	€25.6m	€21.0m	€19.4m
Adjusted free cash flow <sup>2</sup>		€24.0m	€15.3m	€21.5m
Adjusted free cash conversion <sup>2</sup>		89%	65%	90%

Source: Management information

<sup>&</sup>lt;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

Successfully executing on strategic pillars, driving strong Hostelworld Brand growth

Significant marketing efficiencies

Final dividend proposed of 10.4 euro cent per share

Supplementary dividend proposed of 10.5 euro cent per share

Continued confidence in long-term strategy and execution

Improved momentum in latter part of 2016 has continued through the first quarter of 2017



