



CAPITAL MARKETS DAY

Thursday 29th November 2018



HOSTELWORLD
MEET THE WORLD

Disclaimer

NOT FOR PUBLICATION, DISTRIBUTION OR RELEASE, DIRECTLY OR INDIRECTLY, IN OR INTO ANY JURISDICTION IN WHICH SUCH DISTRIBUTION OR RELEASE WOULD BE UNLAWFUL

This presentation is has been prepared by Hostelworld Group plc (the "**Company**") for informational and background purposes only.

The following presentation is being made only to, and is only directed at, persons to whom such presentation may lawfully be communicated ("**relevant persons**"). Any person who is not a relevant person should not act or rely on this presentation or any of its contents. Information in the following presentation relating to the price at which relevant investments have been bought or sold in the past or the yield on such investments cannot be relied upon as a guide to the future performance of such investments.

This presentation does not constitute or form part of any offer or invitation to purchase, sell or subscribe for, or any solicitation of any such offer to purchase, sell or subscribe for, any securities in the Company nor shall this presentation or any part of it, or the fact of its distribution, form the basis of, or be relied on in connection with, any contract therefor. The distribution of this presentation or any information contained in it may be restricted by law in certain jurisdictions, and any person into whose possession any document containing this presentation or any part of it comes should inform themselves about, and observe, any such restrictions.

The Company is under no obligation to update or keep current the information contained in this presentation or to correct any inaccuracies which may become apparent, and any opinions expressed in it are subject to change without notice. Neither the Company nor any of its respective directors, officers, partners, employees or advisers accept any liability whatsoever for any loss howsoever arising from any use of this presentation or its contents or otherwise arising in connection therewith.

The presentation may contain forward-looking statements. These statements relate to the future prospects, developments and business strategies of the Company. Forward-looking statements are identified by the use of such terms as "believe", "could", "envisage", "estimate", "potential", "intend", "may", "plan", "will" or variations or similar expressions, or the negative thereof. Any forward-looking statements contained in the presentation are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements. If one or more of these risks or uncertainties materialise, or if underlying assumptions prove incorrect, the Company's actual results may vary materially from those expected, estimated or projected. Any forward-looking statements speak only as at the date of the presentation. Except as required by law, the Company undertakes no obligation to publicly release any update or revisions to any forward-looking statements contained in the presentation to reflect any change in events, conditions or circumstances on which any such statements are based after the time they are made.

What you will hear today

- ▶ Overview and performance since IPO
- ▶ Market dynamics
- ▶ Our strengths
- ▶ Our strategy
 - ▶ Progress to date
 - ▶ Growth roadmap 2019 - 2020
- ▶ Summary

MEET THE WORLD



Hostelworld at a glance

Global, hostel-focused online booking platform

Hostelworld in numbers*

c.280
employees

Over
10M
reviews

c.36,000
properties

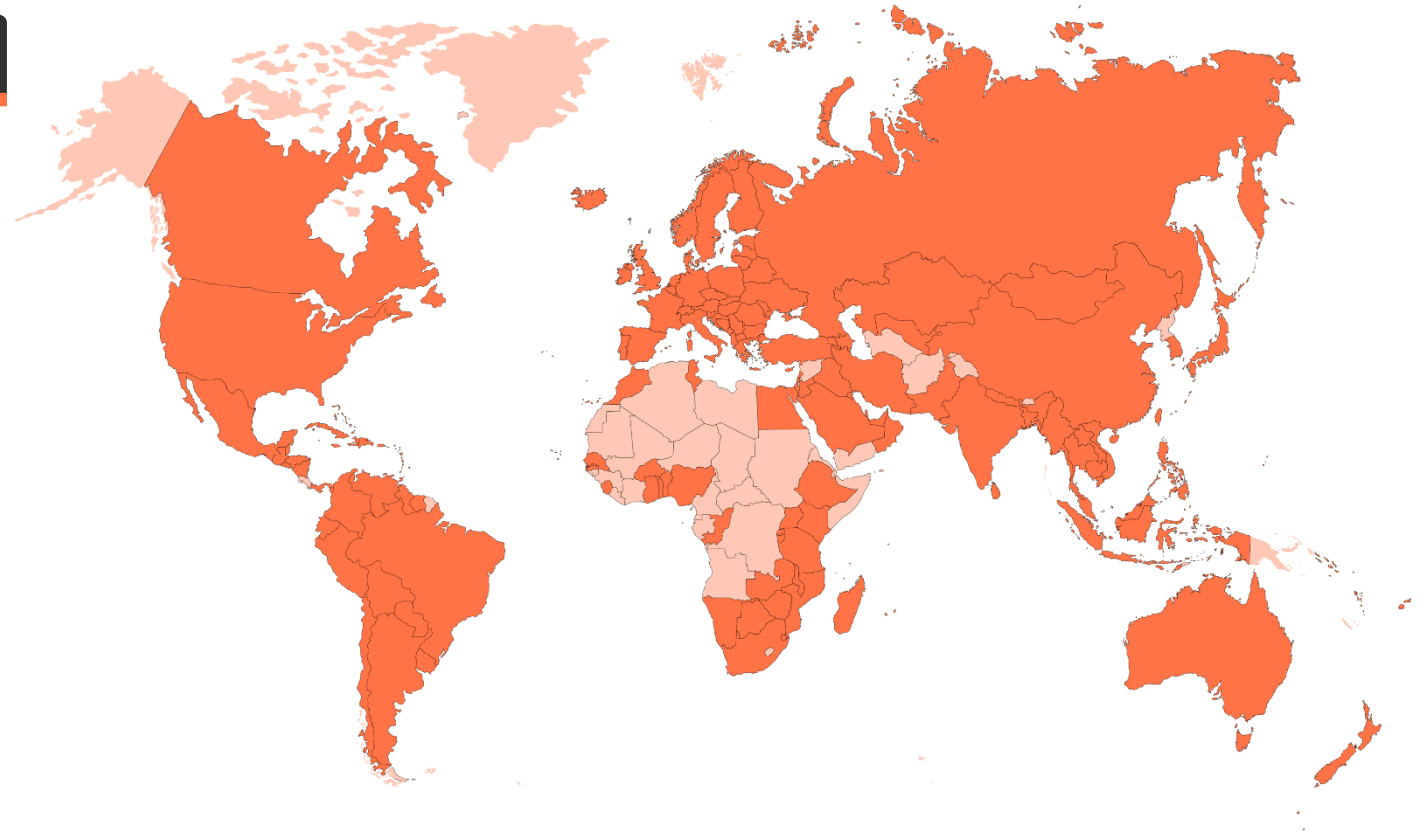
170
countries

57%
bookings from
mobile devices

135M
visits to website
and apps in 2017

Available
globally in
19
languages

Over 2M
social media
followers



 Hostelworld properties in 170 countries

Overview and performance since IPO



Strong emphasis on category advertising

Performance since IPO



2016 : 22.4m views*



2017 : 33.5m views*



2018 : 67m views*

Significant investments in category advertising did not drive core business growth

Tech resources insufficient to maintain competitiveness

Performance since IPO

- ▶ Total product plus engineering headcount across the Dublin and London offices has been in decline since 2015
- ▶ Recent addition of 36 new engineering/data science hires in our Porto development centre brings total headcount back to 2015 levels
- ▶ This has been insufficient to maintain platform competitiveness
- ▶ Platform releases limited to the most pressing competitive gaps, plus some tactical/reactive items

Core platform releases since IPO

2016

Non refundable rate plan

2017

Free cancellation

2018

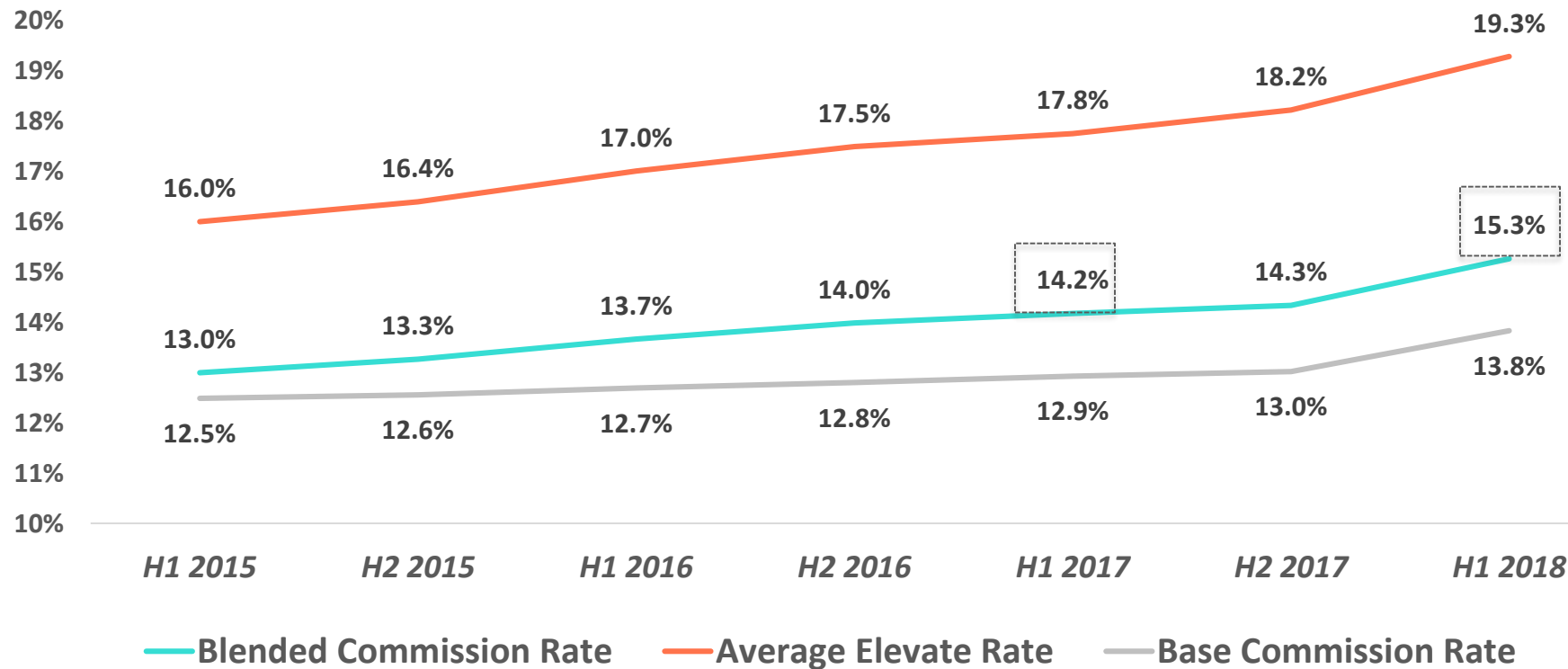
Room type images

Rate types

Limited ability to address wider strategic goals, or to reduce tech debt

Commission & Elevate rates raised over time

Performance since IPO



Blended Commission rate increased by ~8% H1'18 YoY

- ▶ Maximum Elevate band increased in Sept 2017. One third of bookings continue to Elevate as of H1 2018
- ▶ Base commission increased in Feb 2018. More than 90% of hostels and > 58% of bookings on a 15% base rate as of H1 2018

Short term margin accretion but longer term unsustainable



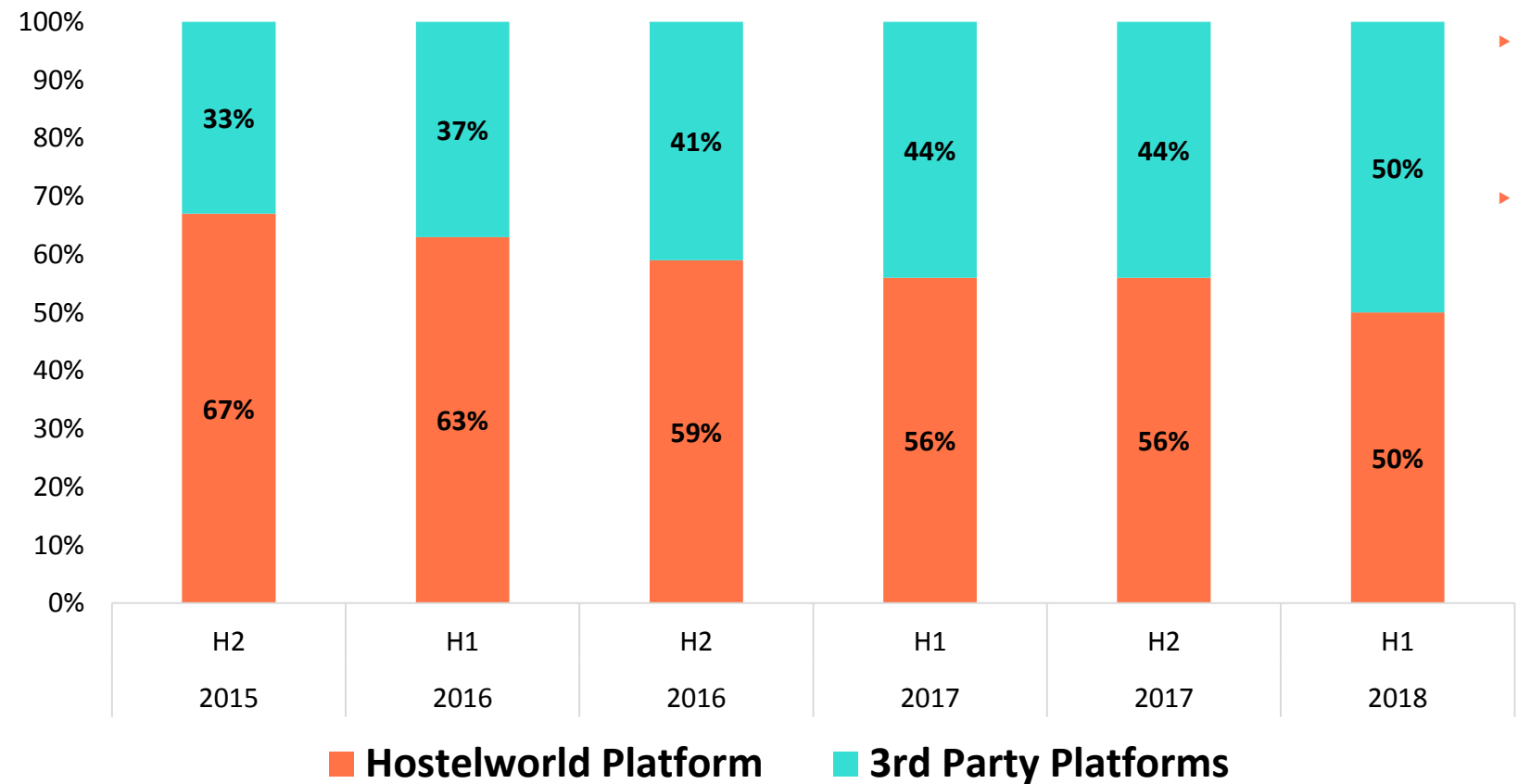
Overall, strong returns to shareholders

	£'m	£'m	FY Payout % Adjusted PAT	
Valuation at IPO, October 2015		176.8		
FY15 Final dividend	2.0		75%	} <i>£41.8m/€48.1m returned to shareholders in three years since IPO</i>
FY16 Total dividend	21.4		127%	
FY17 Total dividend	14.4		75%	
FY18 Interim dividend	4.1			
Net movement in market value*		(3.4)		
Total		215.2		

Returns came from distribution rather than earnings growth

Hostels switching to 3rd party platforms

Inventory management/distribution platform* over time



- ▶ 50% of hostels (~65% of capacity) now using 3rd party platforms
- ▶ 3rd party platforms (generally) provide seamless connections to multiple OTAs, including Hostelworld

Competitors gained access to the market as hostels switched to 3rd party platforms



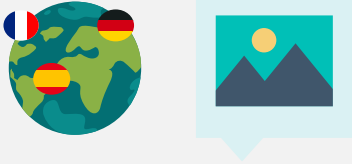
Driving increased competition from sophisticated OTAs

Performance since IPO

Example feature sets from lodging focused OTAs

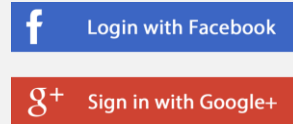
Consumer Facing

Rich hostel descriptions



- ▶ Unique, detailed descriptions supporting unique bed types
- ▶ High quality text translations
- ▶ Rich images

Wide range of sign in options



- ▶ Sign in with social networks
- ▶ More personalised recommendations

Wide range of booking options



- ▶ Pay now/Pay later options
- ▶ Multiple bookable currencies
- ▶ Multiple payment methods
- ▶ Easy online change/cancel

Hostel Facing

Rate plan management tools



- ▶ Advanced rate restrictions and configurations
- ▶ Promotional rate plans

Rate optimisation tools



- ▶ Competitor hostel data sets
- ▶ Yield optimisation tools
- ▶ Payment collections

Robust 3rd party connections



- ▶ Feature rich/customised API connections
- ▶ Significant partner support

Competitor OTAs are not creating differentiation for the hostel ecosystem

Consequently, topline growth has stalled

Performance since IPO

Growth YoY	Hostelworld Brand			Hostelworld Group		
	FY 16	FY 17	H1 18	FY 16	FY 17	H1 18
Total Transaction Value (Gross)	1%	11%	(1%)	(12%)	3%	(5%)
Gross Bookings	18%	13%	6%	(1%)	6%	2%
Net Bookings incl Cancellations	18%	13%	3%	(1%)	6%	(0%)
Average Booking Value	(2%)	1%	0%	(4%)	(0%)	(0%)
Net Revenue (excluding the impact of deferred revenue)	16%	15%	4%	(4%)	8%	0%
Total Marketing Costs	4%	5%	(2%)	(12%)	1%	(5%)
EBITDA (excluding the impact of deferred revenue)				1%	10%	9%

- ▶ Net bookings growth decline in core Hostelworld Brand
- ▶ ABV growth driven by increased monetisation efforts offset by shift to mobile - with lower bednights/booking
- ▶ EBITDA growth driven by increasing Hostelworld App Bookings and rigorous cost control



Strategy review findings

Hostelworld challenges

- ▶ Reliance on category advertising to drive customer acquisition
- ▶ Insufficient investment in core platform
- ▶ Reliance on monetisation levers

Market dynamics

- ▶ Growth market
- ▶ OTA share will outpace market growth
- ▶ Large proportion of high quality independent & small chain hostels

Hostelworld strengths

- ▶ Relevant, strong brand
- ▶ Exclusive access to hostel inventory
- ▶ Valuable and engaged customers
- ▶ Native app development skills

Opportunities

- ▶ Underutilised data assets
 - ▶ Customer acquisition
 - ▶ Consumer/hostel features
- ▶ Next generation core platform

Significant growth opportunity for Hostelworld – investment required to return to growth

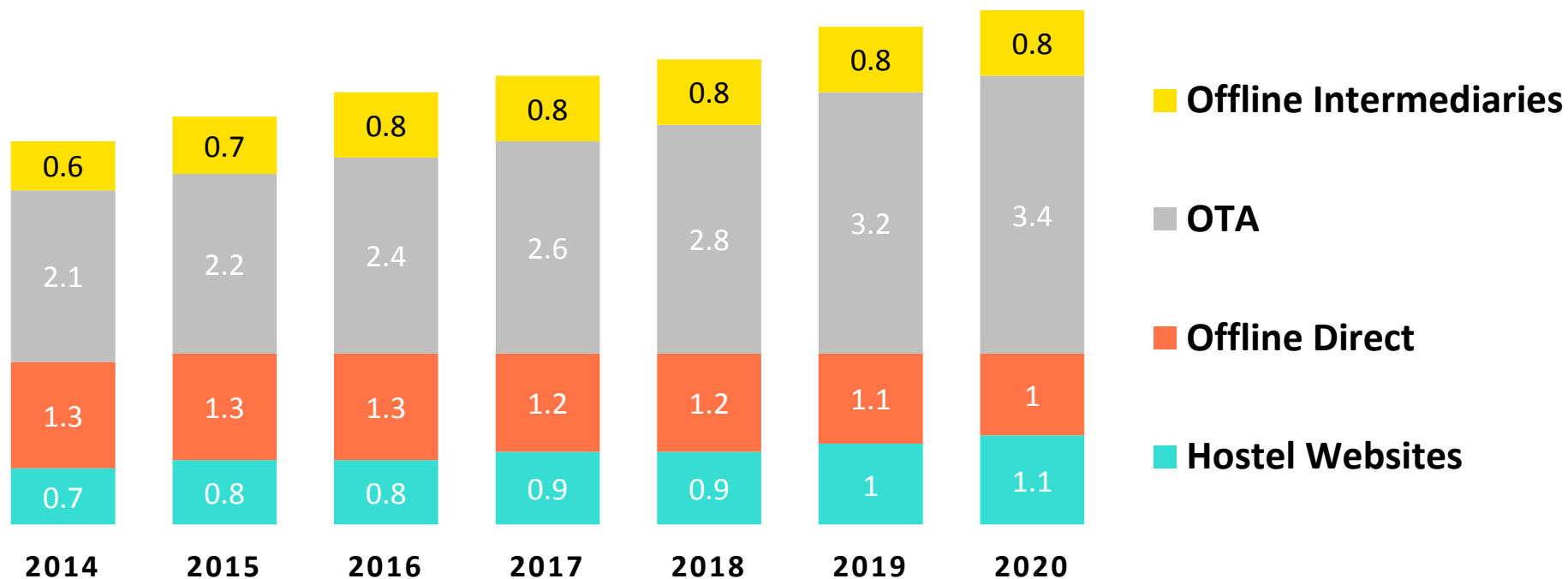
Market dynamics



We operate in a growing market

Total hostel bookings by channel share*, 2014-2020

Hostel bookings (\$Bn)



Fragmented market and growing supply base

Market dynamics

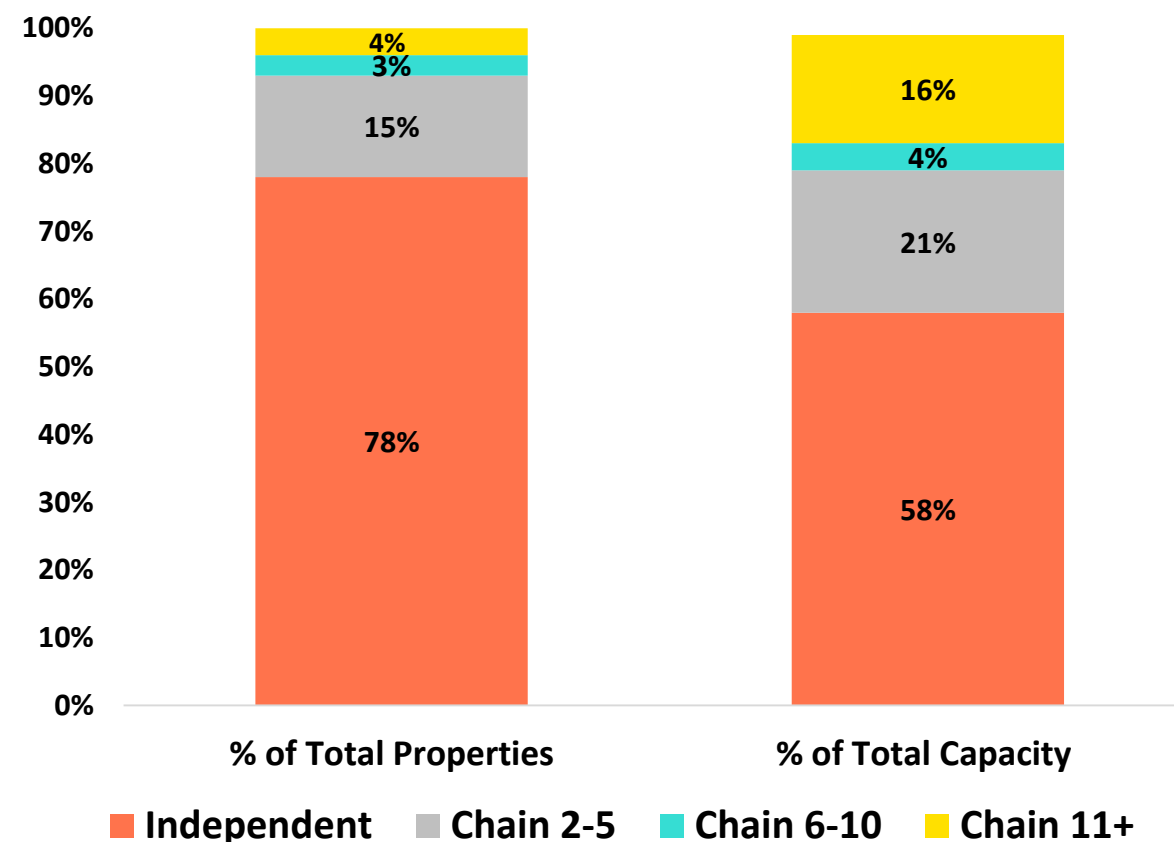
Significant investment – some consolidation



- ▶ **Institutional Investment:** ~€0.9bn recent and planned investment
- ▶ **Top Chain expansion:** ~8k beds planned into 2020, compared to a total market size of circa 800-850k beds
- ▶ **New Entrants:** Accor Hotels (Jo&Joe) and Motto by Hilton

Hostel market remains very fragmented

(Top 481 cities, ~655k beds)*

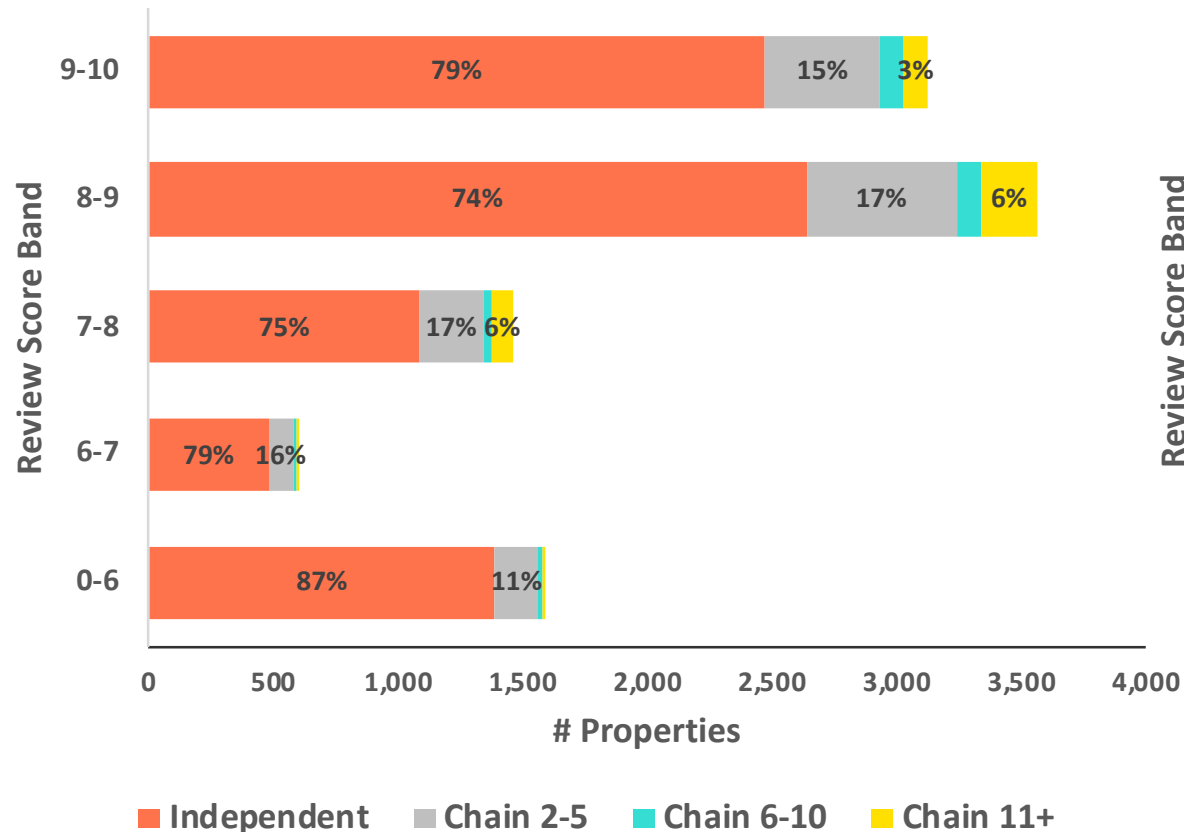


Hostel market likely to remain fragmented

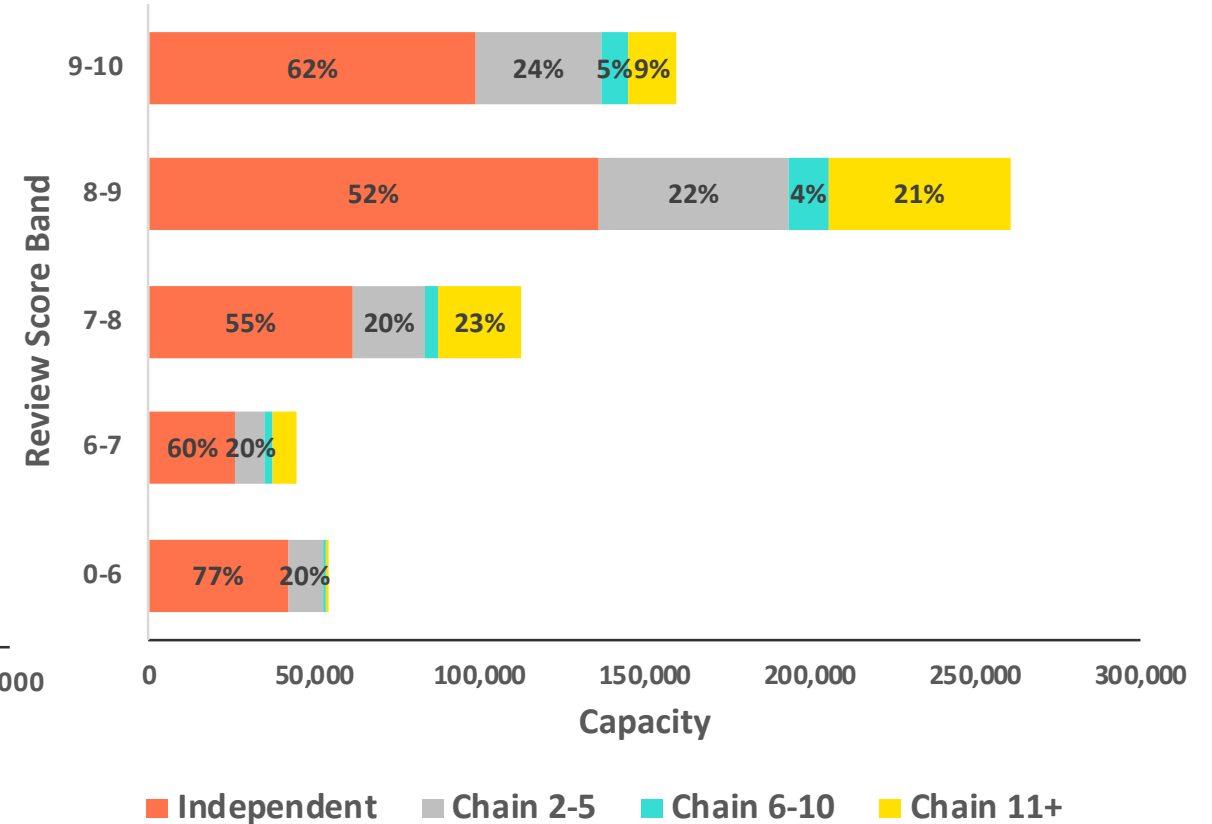


Diverse selection of high quality product

Hostels* By Hostel type & Review Score



Hostel Capacity* By Hostel type & Review Score



Independents & small chains are competitive with larger chains

LUCKY LOUNGE

Our strengths

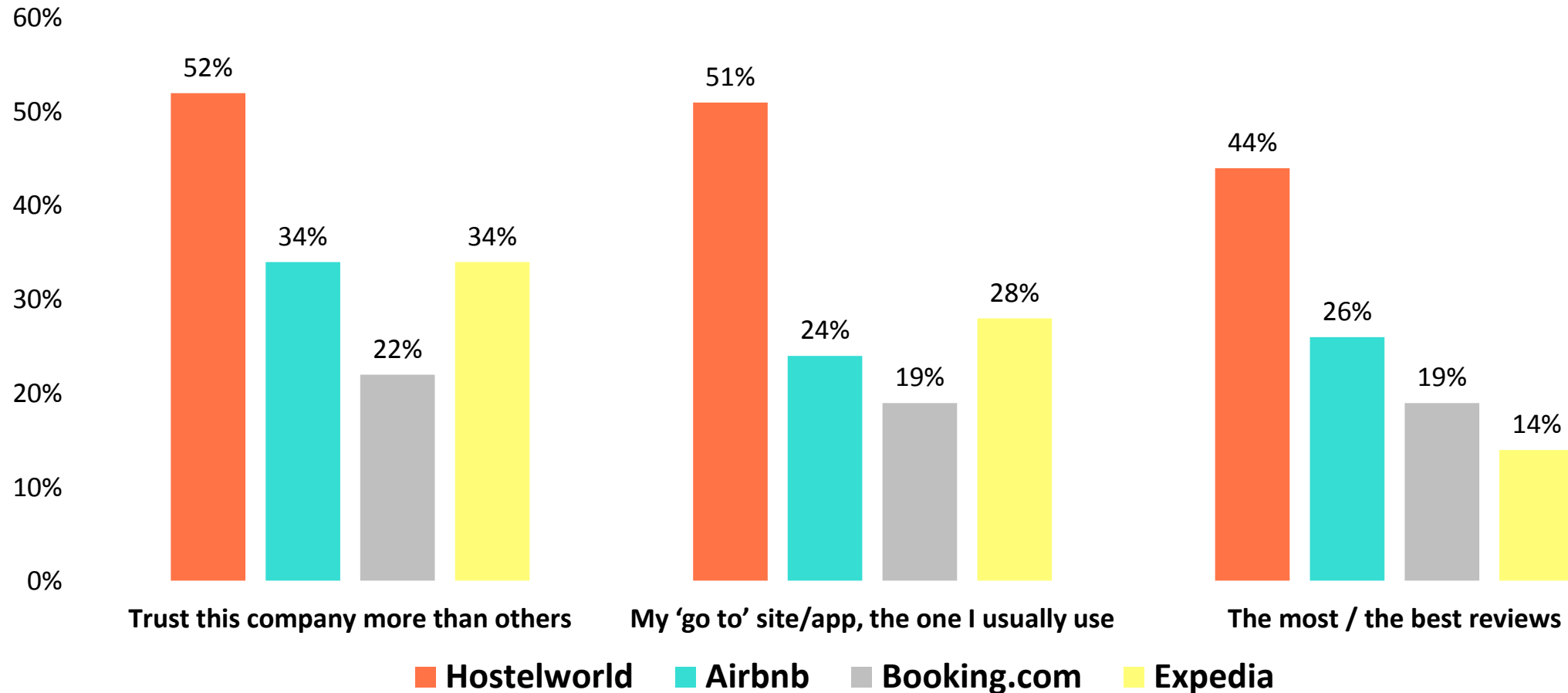


Our key strengths

- ▶ **A highly trusted brand**
- ▶ **Provide relevant customers for hostel partners**
- ▶ **Exclusive access to hostel inventory**
- ▶ **Highly profitable and very engaged customer base**
- ▶ **Underutilised data assets**
- ▶ **Very strong native app development skills**

Our core customers trust our brand

Why did you choose to use <brand> more than once in the last 24 months?*

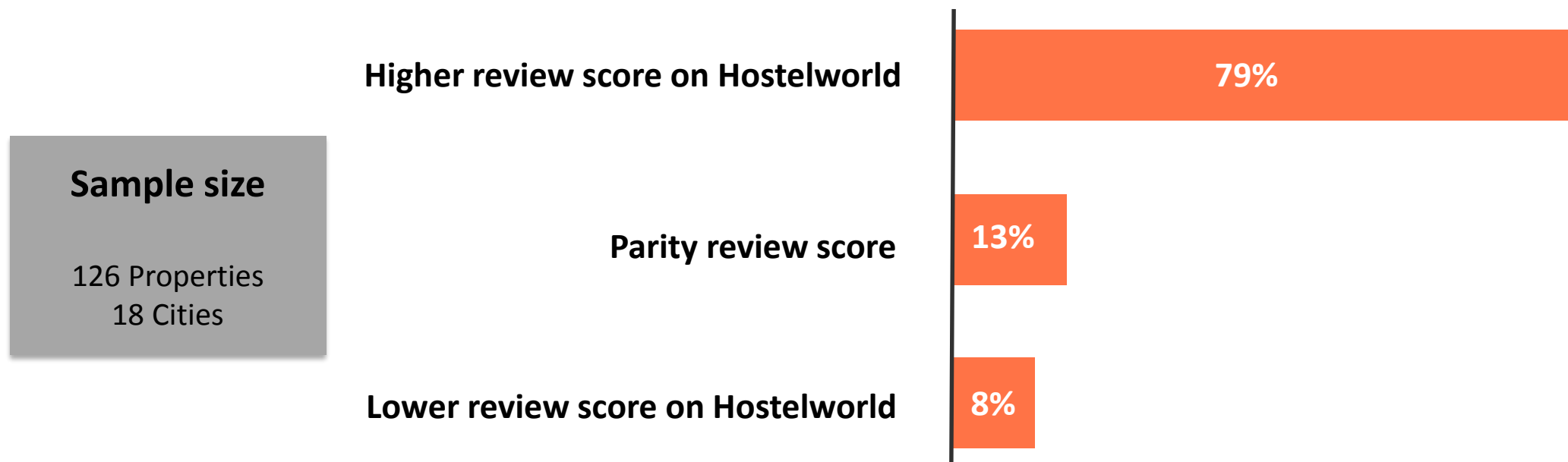


Hostelworld trusted more than competitor OTAs

We provide relevant customers to hostels

Hostelworld strengths

Comparison of review scores across Hostelworld and a leading OTA
(like for like hostels)

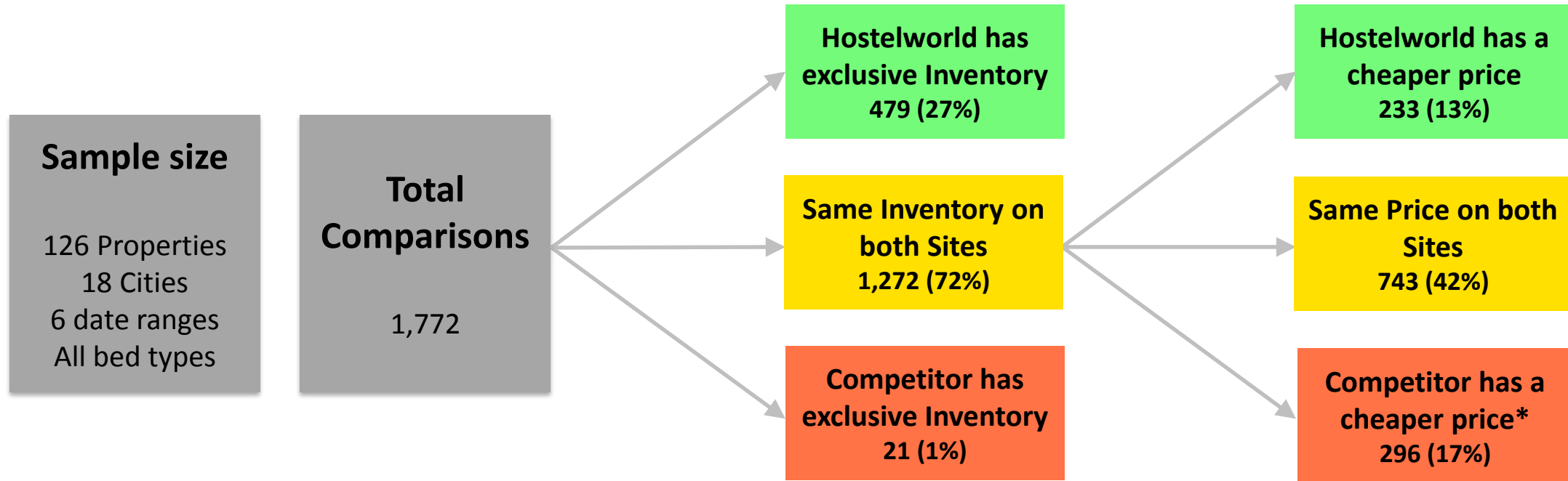


Hostelworld customers understand the hostel experience

Hostelworld has access to exclusive inventory

Hostelworld strengths

Comparison of inventory availability and price competitiveness across Hostelworld and a leading OTA

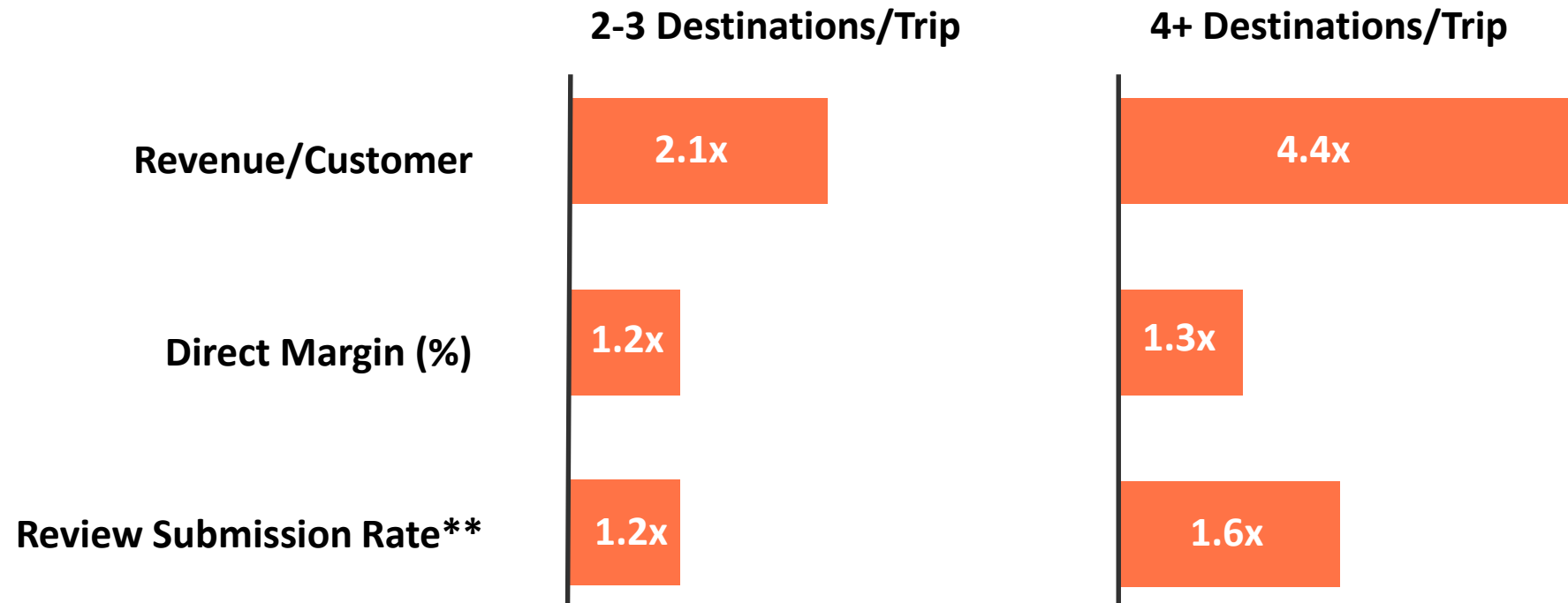


Hostels value Hostelworld customers more highly than competitor's customers



Highly profitable & engaged core customer base

Value of multi destination trip customers vs single destination trip customers*



- *Actively targeting our core market will drive growth and profits*
- *Incremental bookings from our core market are highly profitable*

We have significant underutilised data assets

Top 4 European cities booked by source market



- **Dublin**
- **Galway**
- **Belfast**
- **London**



- **Amsterdam**
- **Rotterdam**
- **Bruges**
- **Brussels**



- **Paris**
- **Bordeaux**
- **Bilbao**
- **Barcelona**



- **Naples**
- **Rome**
- **Florence**
- **Cinque Terre**

***Hostelworld has millions of stored itineraries
to help future customers plan their trips***

And other decision related data

Single destination trip customer preferences*



Multi destination trip customer preferences*

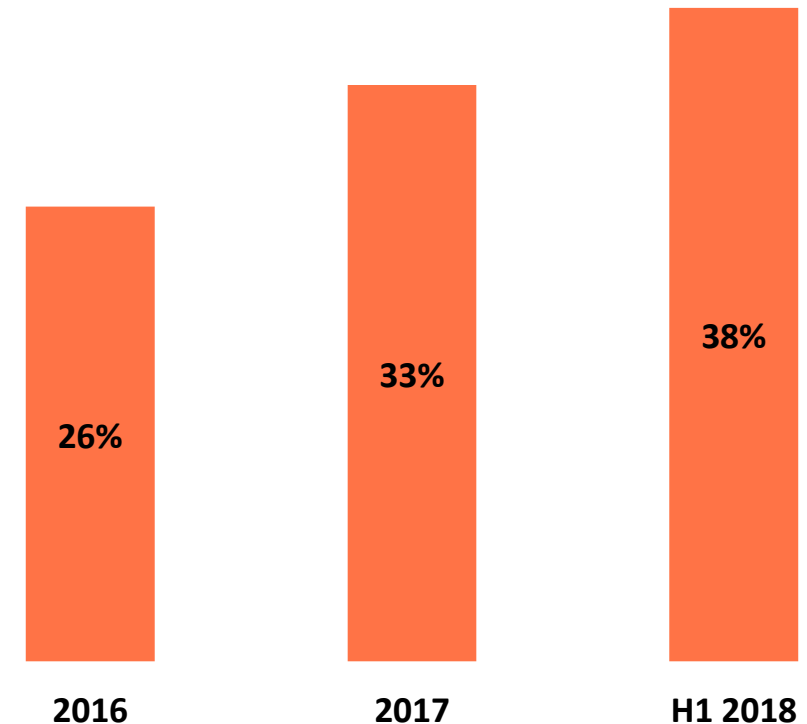


Hostelworld can use this data to generate highly relevant, personalised, recommendations

Significant strengths in native app development

- ▶ First app launched 2010
- ▶ Native iOS & Android apps launched 2014
- ▶ Continued growth in app bookings since IPO
- ▶ iOS app consistently featured 'App of the Day'
- ▶ Android app awarded Android Excellence status (one of 30 apps amongst 2.8M)
- ▶ Growing usage of hostel specific features

App bookings (% of total HWG)



Increasing app transaction share drives marketing leverage

Our strategy : progress to date



Strengthened management team

Progress to date



Gary Morrison



CEO



INTERNAL PROMOTION

Breffni Horgan

PRODUCT



INTERNAL PROMOTION

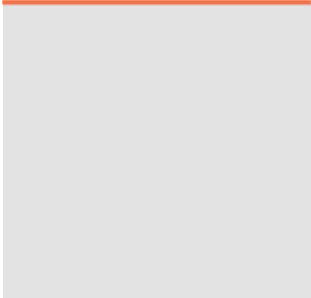
Noel Maher

TECHNOLOGY



HIRING

MARKETING



Paul Halpenny

SUPPLY



NEW HIRE

TJ Kelly

FINANCE



INTERNAL PROMOTION

Catriona Flood

ANALYTICS & DATA



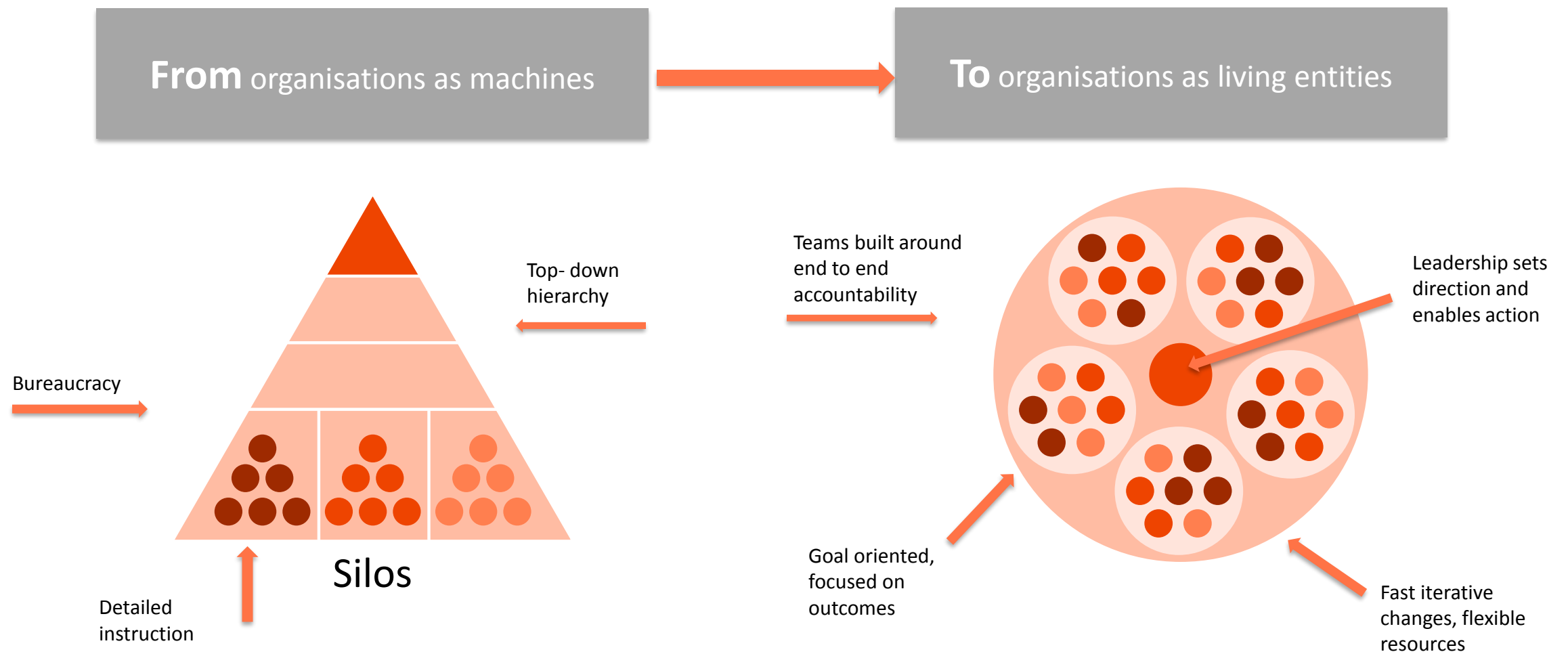
Stuart Priday

HUMAN RESOURCES



Move to an agile organisation

Progress to date



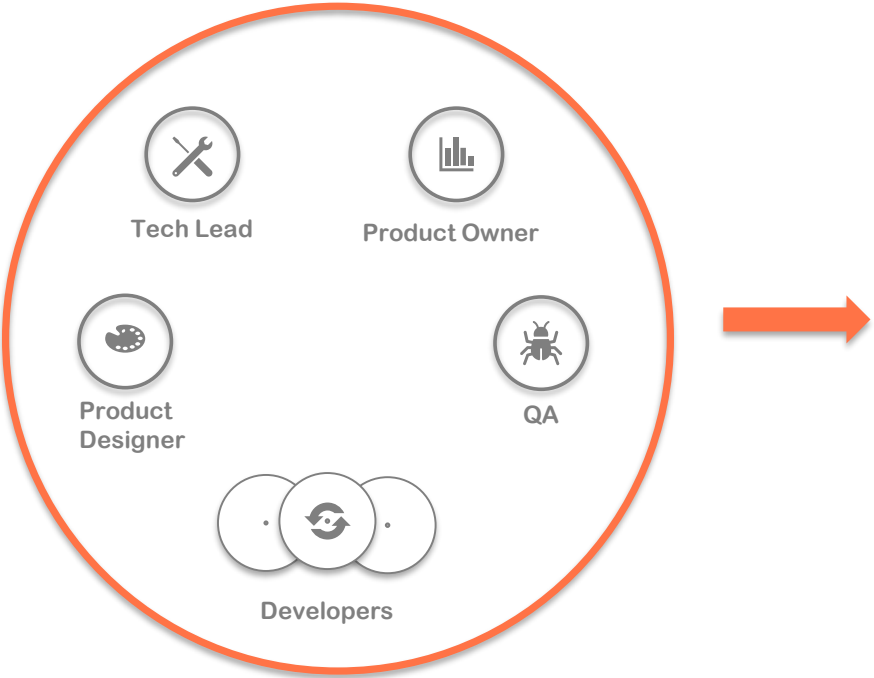
Shifting the mindset across the organisation



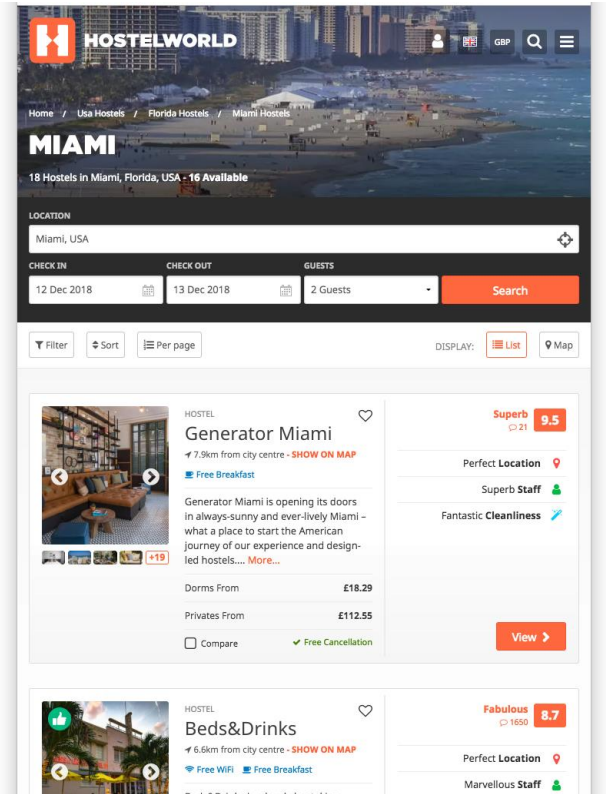
Move to an agile organisation

Progress to date

Agile teams



Domain focused



Results oriented



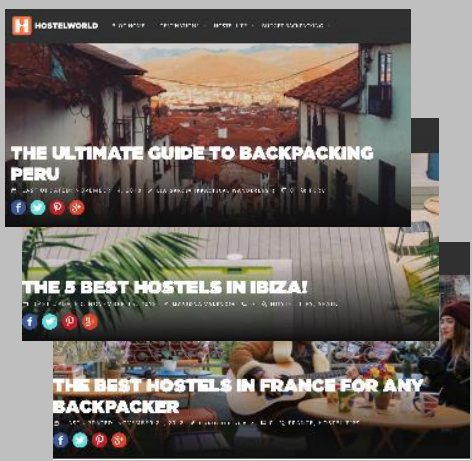
Shifting the mindset across the organisation



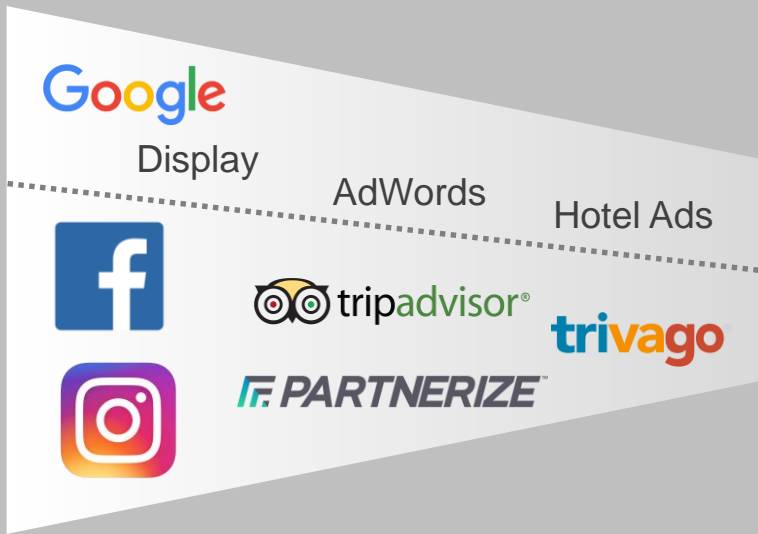


- Data driven customer targeting
- Improved channel attribution

Unique relevant content



eCommerce funnel optimisation



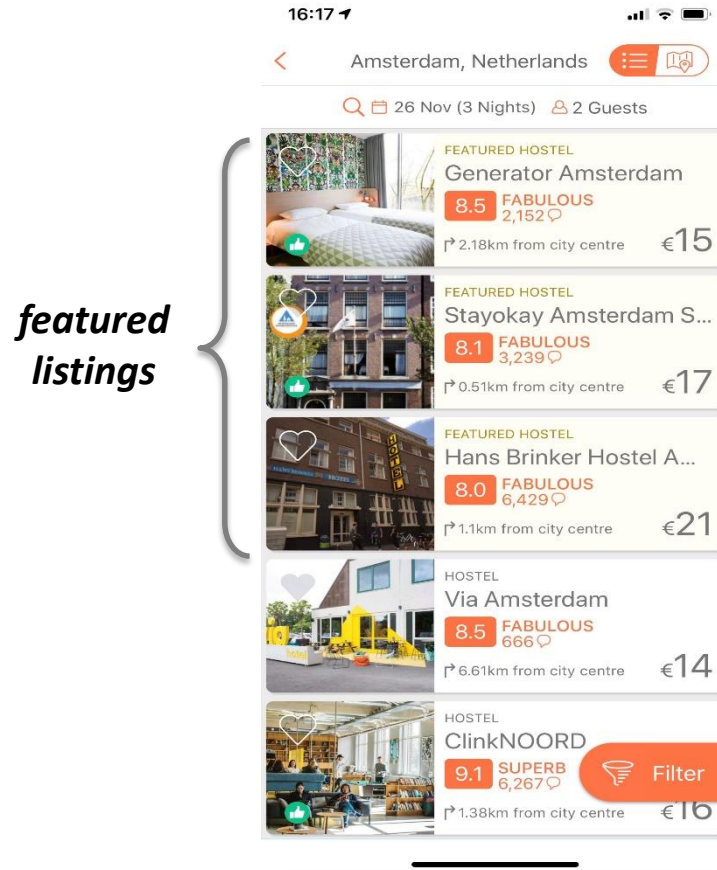
Focused app downloads



Leveraging our data to grow the most profitable customer segment



Example app search results



Sort order optimisation strategy

From :-

- ▶ Relatively static
- ▶ Function of :-
 - ▶ Hostel competitiveness
 - ▶ Elevate usage
 - ▶ Featured listing sales
 - ▶ Hostel/non hostel availability

To :-

- ▶ Dynamically optimised
- ▶ Function of :-
 - ▶ Hostel competitiveness
 - ▶ Search parameters
 - ▶ Customer parameters

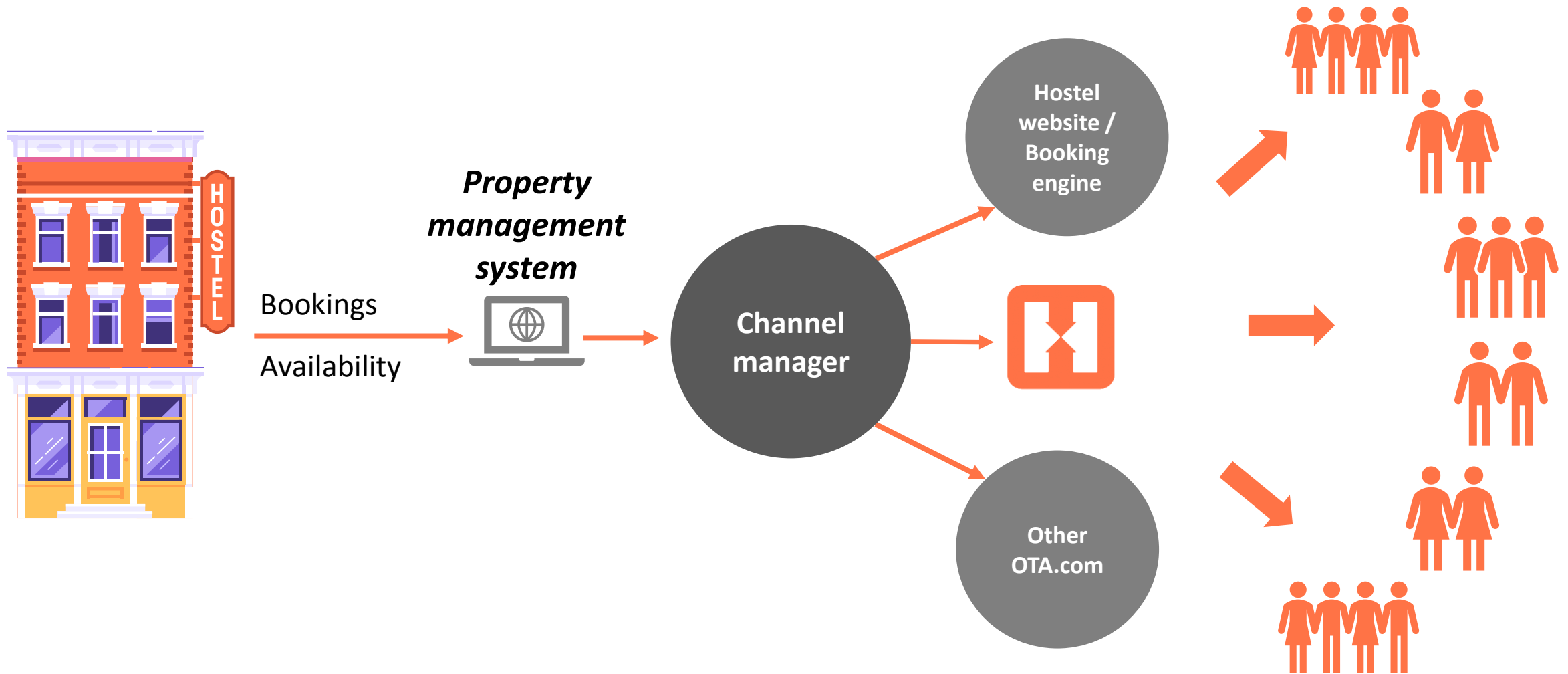
Objective is to present the right hostels to the right customers at the right time

Our Strategy : growth roadmap 2019-2020



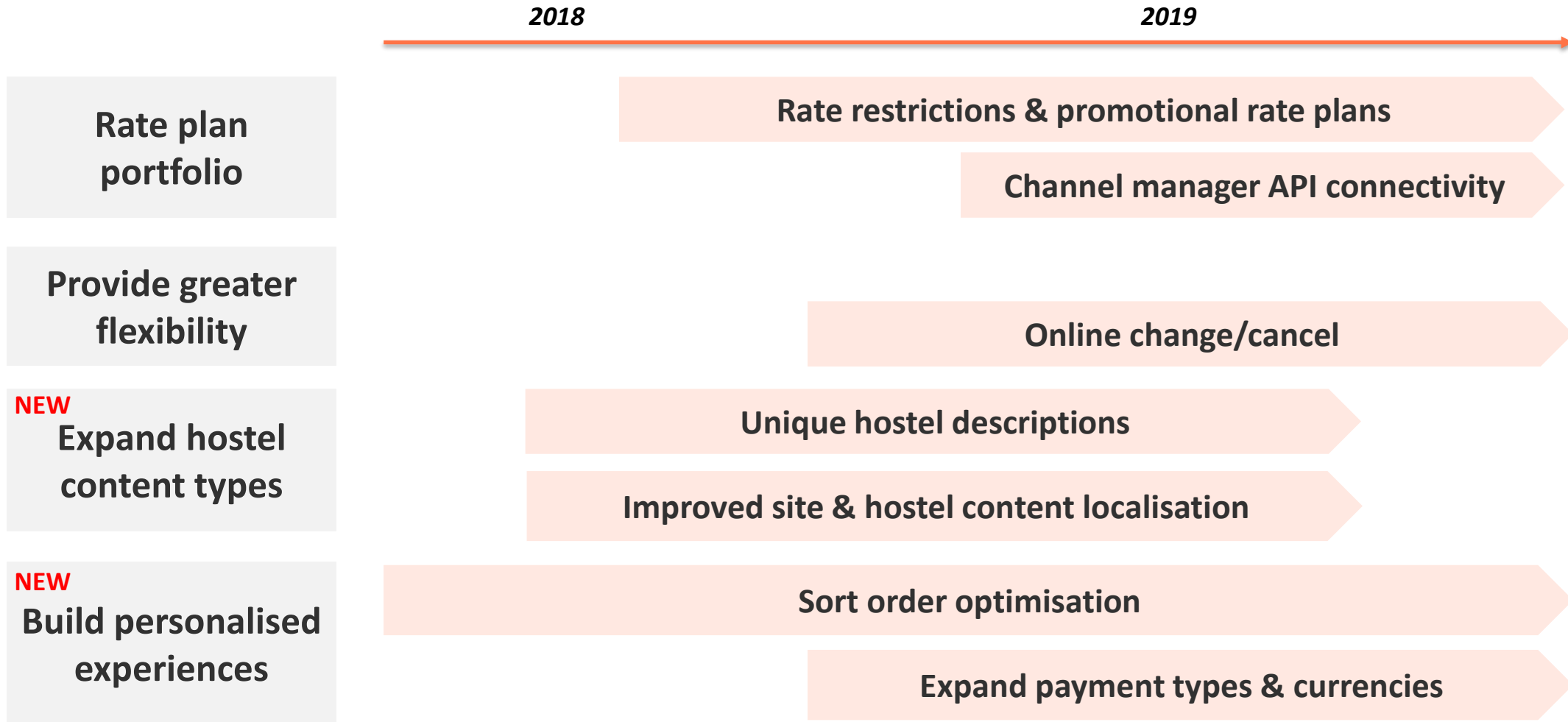
2019 : Upgrade platform connectivity

Growth roadmap 2019



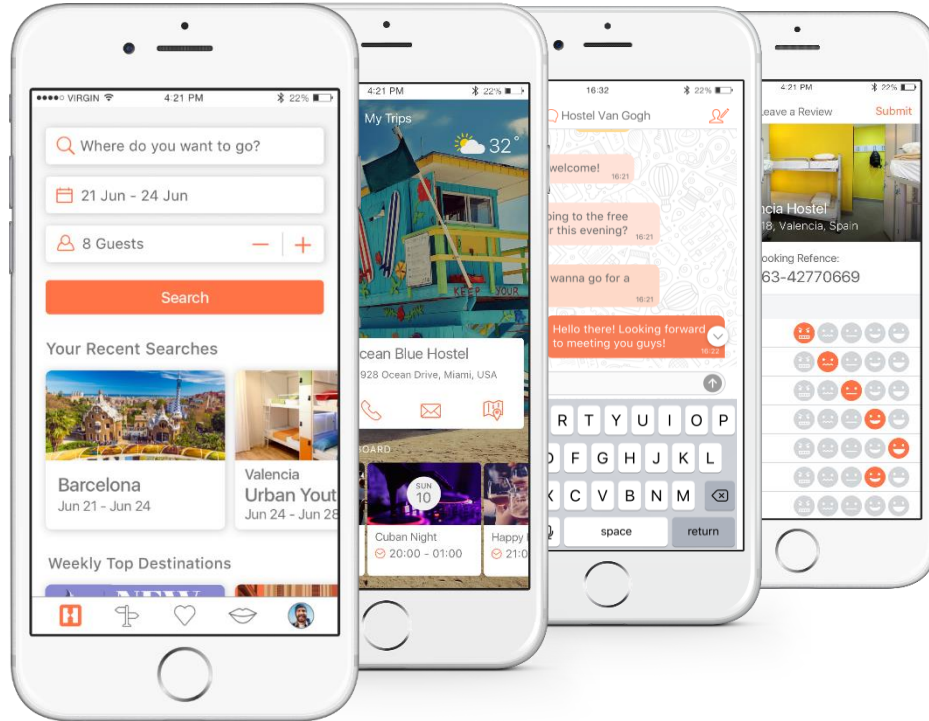
2019 : Strengthen core platform

Growth roadmap 2019



2019 Roadmap will bring our platform up to competitive parity

2019 : Continue expanding our app capability

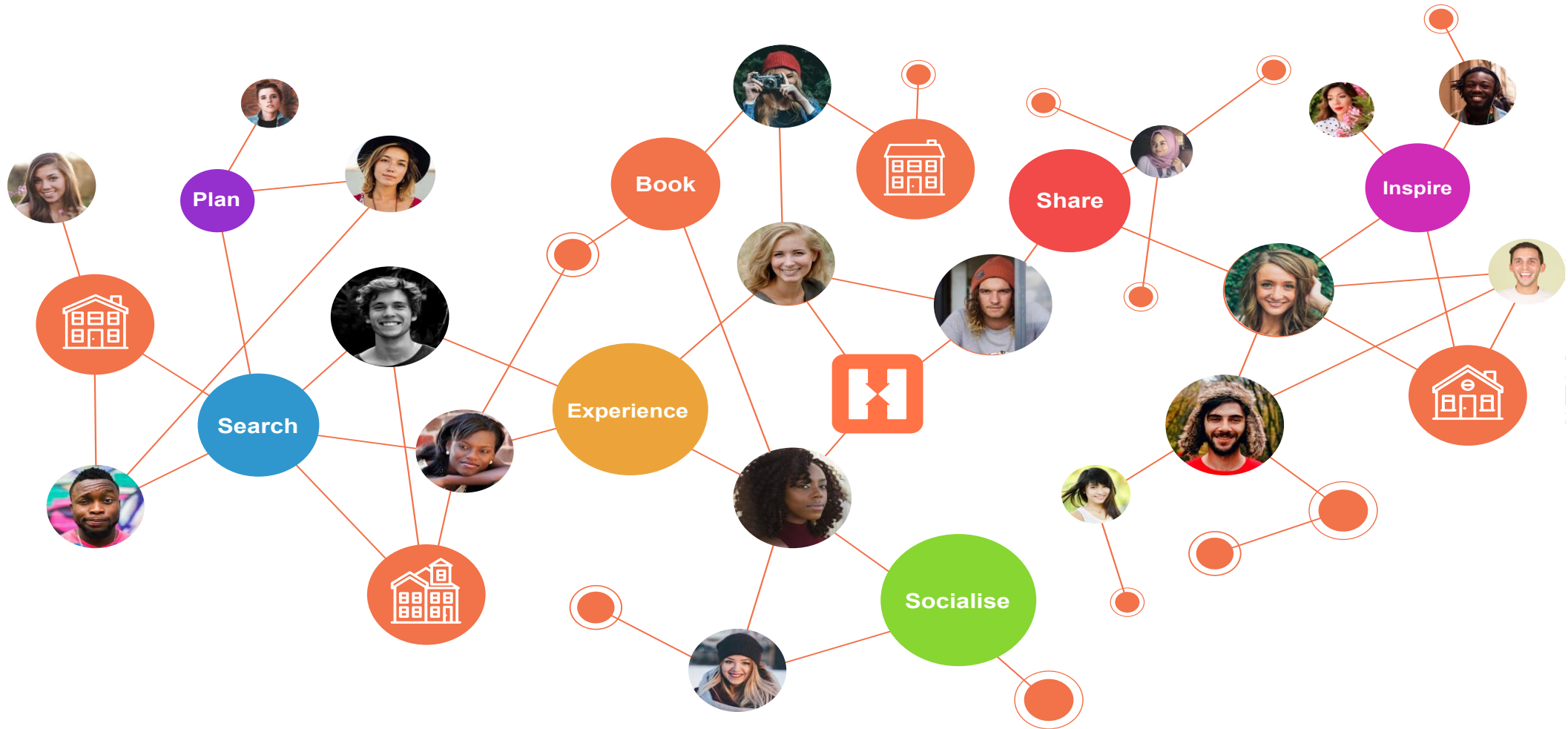


Search • Book • Experience • Socialise • Share

Growth roadmap 2019



Tim Cook at Hostelworld Dublin office, June 2018



Leverage Hostelworld's data assets and native app development strengths to exploit our unique and focused position in the hostel ecosystem

Summary



Strategy re-cap

2018

2019

2020+

Near term actions

- ▶ Strengthened management team
- ▶ Refocused marketing strategy
- ▶ Shift to agile organisation
- ▶ Improve core search experience (ongoing into 2019)

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

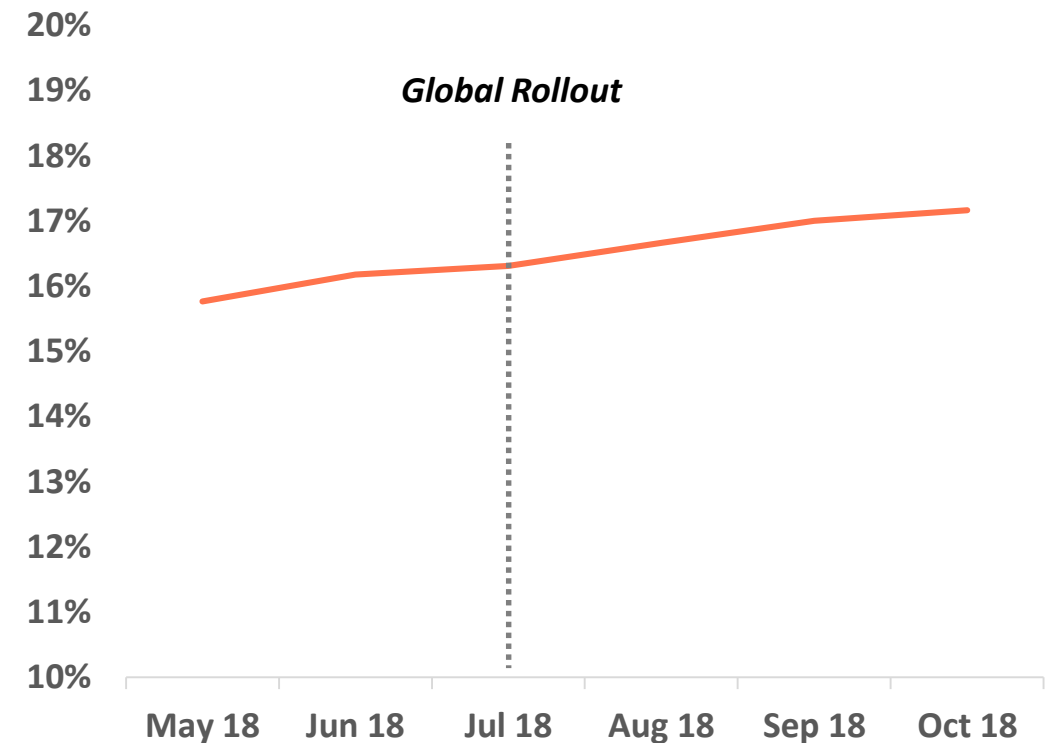
Return to growth

- ▶ 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 focused position in the hostel ecosystem

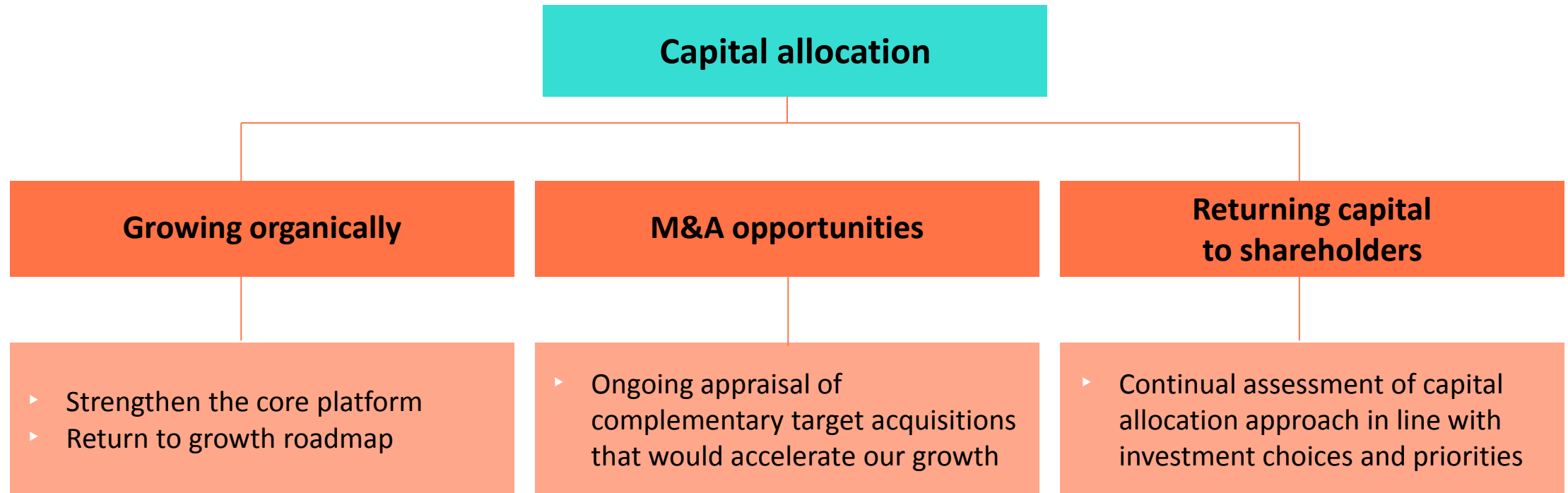
2018 trading performance to date

- ▶ 2018 trading is in line with expectations
- ▶ Global rollout of free cancellation product completed in July 2018
- ▶ Underlying cancellation rates are staying within the expected range
- ▶ Porto hiring remains on track

Free Cancellation product cancellations by month



Capital allocation strategy



***Organic growth self funded from cash on balance sheet and free cash flow generation;
Business remains highly cash generative***

A bright future – investing for growth

- ▶ **Attractive, growing market**
- ▶ **Hostelworld is uniquely positioned to capitalise on this opportunity**
 - ▶ *Trusted brand with relevant, valuable customer base*
 - ▶ *Significant data assets*
 - ▶ *Native app development skills*
- ▶ **Near term actions taken to strengthen the business**
 - ▶ *Strengthened management team*
 - ▶ *Shift to Agile organisation*
 - ▶ *Refocused marketing on core customer acquisition*
- ▶ **2019 Investments required to strengthen core platform**
- ▶ **2019 modest EBITDA growth, as investments fund ‘return to growth’ drivers in 2020**

Ambition : to reaffirm our position as the leading hostel focused online booking platform

Q&A

