



HOSTELWORLD
MEET THE WORLD

FY15 PRELIMINARY RESULTS PRESENTATION

April 2016

Disclaimer

The information in this presentation has been prepared by Hostelworld Group Plc (the "**Company**").

No representation or warranty, express or implied, is made as to or in relation to, and no responsibility or liability is or will be accepted by the Company or any company within the Company's group (the "**Group**"), or any of its affiliates, agents or advisers as to or in relation to, any of the statements or forecasts contained in this presentation, or the accuracy or completeness of this presentation or any other written or oral information made available to or publicly available to any interested party or its advisers and therefore any liability is expressly disclaimed. Nothing in this paragraph shall exclude liability for any undertaking, representation, warranty or other assurance made fraudulently.

Information in this 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 an offering of securities or otherwise constitute an invitation or inducement to any person to underwrite, subscribe for or otherwise acquire or dispose of securities in the Company.

This presentation includes certain forward-looking statements, beliefs or opinions, including statements with respect to the Group's business, financial condition and results of operations based on the Company's current beliefs and expectations about future events and other matters which are not historical facts. These forward-looking statements can be identified by the use of forward-looking terminology, including but not limited to, the terms "believes", "estimates", "plans", "anticipates", "targets", "aims", "continues", "expects", "intends", "hopes", "may", "will", "would", "could" or "should" or, in each case, their negative or other various or comparable terminology. By their nature these statements involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, developments in the global economy; changes in the legal, regulatory and competition frameworks in which the Group operates; the impact of legal or other proceedings against or which affect the Group; changes in accounting practices and interpretation of accounting standards under IFRS; and changes in our principal risks and uncertainties.

Forward-looking statements speak only as at the date of the results announcement in respect of the 2015 financial year and the Group, its affiliates, agents and advisers expressly disclaim any obligations or undertaking to release any update of, or revisions to, any forward-looking statements in this presentation. No statement in the presentation is intended to be, or intended to be construed as, a profit forecast or profit estimate or to be interpreted to mean that earnings per Company share for the current or future financial years will necessarily match or exceed the historical earnings per Company share. As a result, you are cautioned not to place any undue reliance on such forward-looking statements.



**94% OF
UK MILLENNIALS
WERE SURPRISED
TO DISCOVER THESE
WERE HOSTELS**

**60% WOULD
NOW CONSIDER
CHOOSING A
HOSTEL OVER A
BUDGET HOTEL**

Source: Research Now Brand Tracker, Nov/Dec 2015, UK millennials (18-34 yrs), 'Hostel Rejectors' n=423;
Q: How surprised are you to learn that all of these images are in fact hostels?
Q: Knowing this, would you consider choosing a hostel over a budget hotel or apartment in the next 12 months?

Agenda

Feargal Mooney, CEO

FY15 Highlights

Mari Hurley, CFO

Financial Performance FY15

Feargal Mooney, CEO

Conclusion

Q&A

A photograph of a modern, open-plan office space. In the foreground, several people are seated on grey modular sofas, some working on laptops. In the background, there is a curved wooden bar area with shelves displaying various items and a menu board. The ceiling features exposed concrete beams and industrial-style lighting fixtures. The overall atmosphere is collaborative and creative.

FY15 HIGHLIGHTS

Feargal Mooney

FY15 Highlights

Hostelworld has reinforced its position as the world's leading hostel-focused online booking platform since its IPO in November 2015

Financial

- +1% Group bookings growth (7.2m); accelerated growth on Hostelworld Brand (FY 2015: +17%)
- 5% Revenue Growth, with corresponding ABV growth
- €23.6m of Adjusted EBITDA (2014: €27m) €21.0m Adjusted PAT (2014: €25.6m)
- Strong underlying cash conversion
- Maiden Dividend of 2.75 cents per share, in line with guidance at IPO
- YTD 2016 trading in line with expectations

FY15 Highlights

Successfully executed on our growth pillar initiatives.

Pricing

Brand

Mobile

Asia

- Successful Hostelworld brand re-launch, leading to a 17% growth in bookings.
- 21% Elevate penetration¹
- Improving efficiency of booking mix
- Continued development of responsive interfaces for all devices – desktop, tablet and mobile
- Continued geographic expansion
- Strong digital engagement across our key social platforms

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 256 employees during 2015
- ~35,000 properties globally including 13,000 hostels as at year-end 2015
- Focused on hostels and other budget accommodation with hostels representing 89% of 2015 bookings (2014: 85%)
- +17% bookings growth from the Group's primary brand, Hostelworld, contributed 73% of total 2015 bookings

Consumer Brand - Primary



Consumer Brand - Supporting

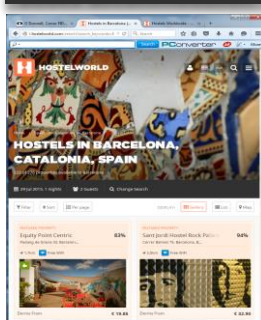


B2B Brand

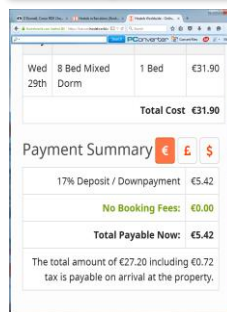


Efficient business model maximises cash conversion

1 Customer searches and books accommodation



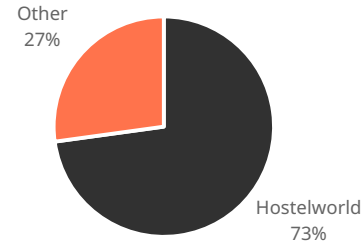
2 Hostelworld collects deposit



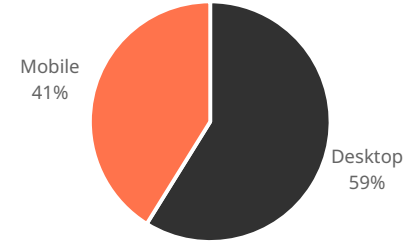
3 Customer pays balance



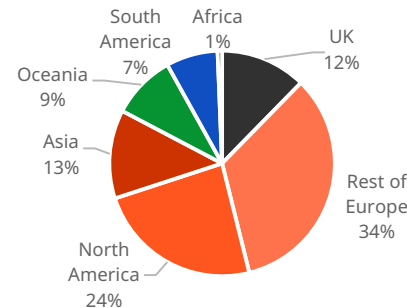
Bookings by Brand¹



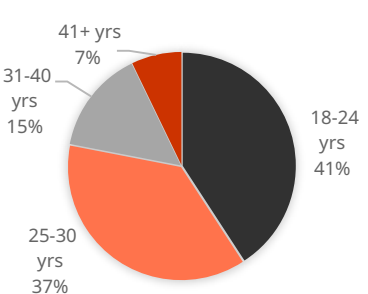
Bookings by Device²



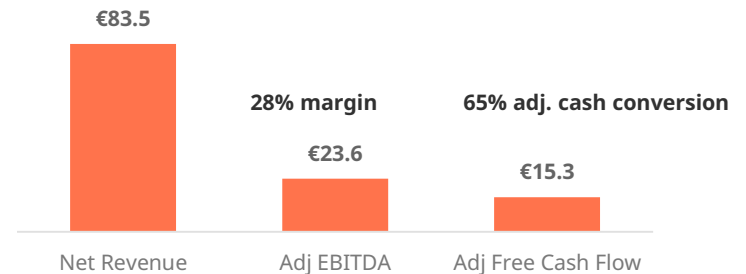
Bookings by Nationality³



Profile of Customer by age⁴



2015 Key financials (€m)⁵



¹Hostelworld Group ("HWG"), FY 2015. Other refers to Hostelbookers, Hostels.com, (hostel & affiliate) booking engines.

²Hostelworld brand only, FY 2015. Note: Mobile includes site and app bookings via phone and tablets. Sources: Company data, Omniture.

³HWG ex HB as nationality not recorded on Hostelbookers' platforms.

⁴Optional information provided by customers as part of post-stay reviews, FY 2015. Excludes Hostelbookers' platforms as age not requested.

⁵Adjusted EBITDA represents EBITDA excluding exceptional items; Adjusted free cash flow defined as free cash flow before financing activities adjusted for financial expenses, M&A costs & impairment costs; Cash conversion shown as a percentage of adjusted EBITDA adjusted for financial expenses, M&A costs & impairment costs.

The image shows the interior of a hostel with a rustic, industrial aesthetic. The ceiling features exposed wooden beams and a track of modern spotlights. The walls are made of wood, and there are large windows with blue curtains. In the foreground, there is a wooden table with a large vase of red flowers. To the left, there is a green-painted wooden cabinet with a black vase of greenery. In the background, there are more tables and chairs, including a white chair and a green chair. The overall atmosphere is warm and modern.

FINANCIAL PERFORMANCE

Mari Hurley

Financial Highlights

Bookings and ABV

- 1% growth in Group bookings
- 17% annualised growth in Hostelworld brand bookings; accelerated growth in H2 15 of 21%
- Positive FX tailwinds and pricing initiatives increased ABV, offset by shift to mobile and to Asia

Revenue and EBITDA

- €83.5m Net Revenues; year-on-year growth of 5%
- €23.6m Adjusted EBITDA (2014: €27m); impacted by planned higher marketing investment
- €21m Adjusted Profit after tax (2014: €25.6m) ; impacted by planned higher marketing investment

Marketing investment

- Represented 45% of revenues (2014: 36%)
- Reflected in accelerated Hostelworld brand bookings growth

Cashflow

- 65% Adjusted Cash conversion (2014: 89%); excluding one-off items, conversion is 75%
- Recommended Dividend of 2.75 cents per share – in line with stated dividend policy pay-out of 70%-80% of Adjusted Profit after tax, pro-rata for period since Listing

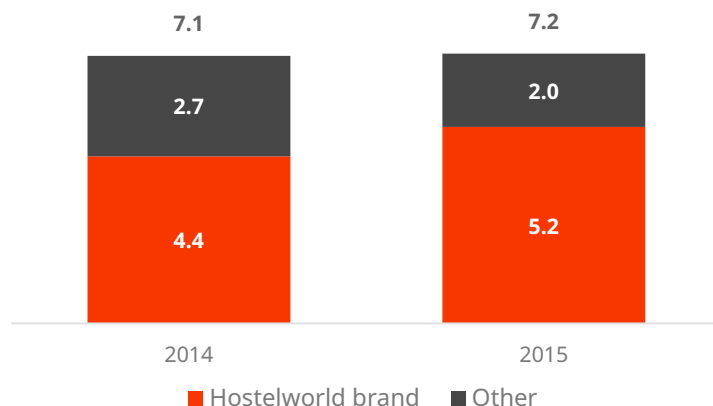
Balance sheet

- Strong balance sheet
- Net cash of €13.6m at 31 December 2015
- €4.3m R&D costs capitalised (2014: €1.4m)

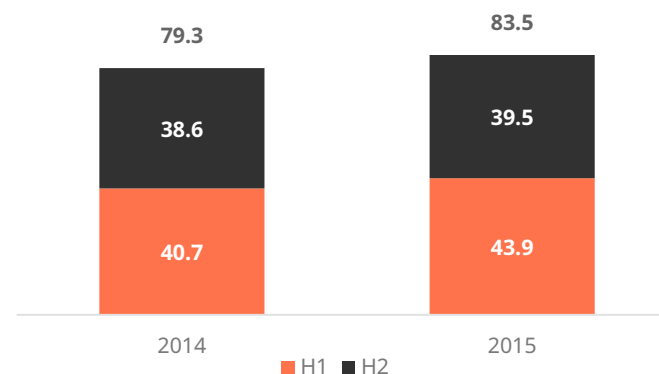
Summary Financials

Financial
Operational

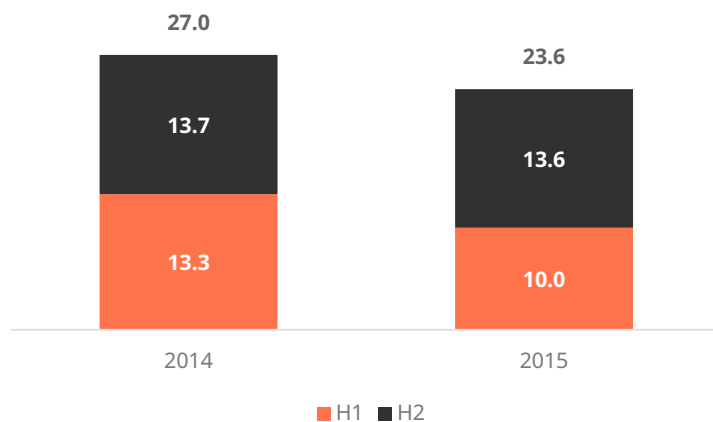
Bookings (m)



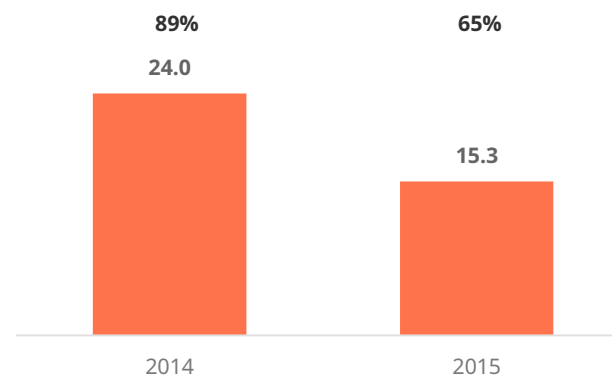
Hostelworld Group Net Revenue (€m)



Hostelworld Group Adjusted EBITDA (€m)¹



Adjusted free cash flow (€m) and adjusted free cash conversion(%)²

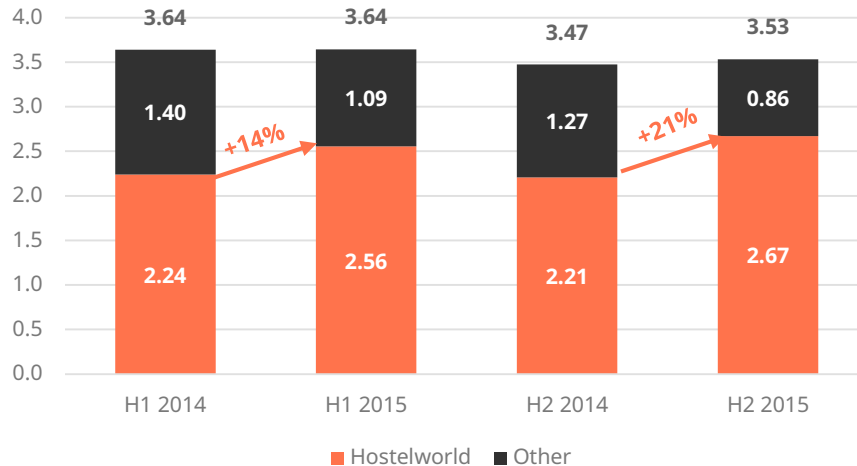


² Adjusted free cash flow defined as free cash flow before financing activities adjusted for financial expenses, M&A costs and impairment costs; adjusted free cash conversion shown as a percentage of adjusted EBITDA

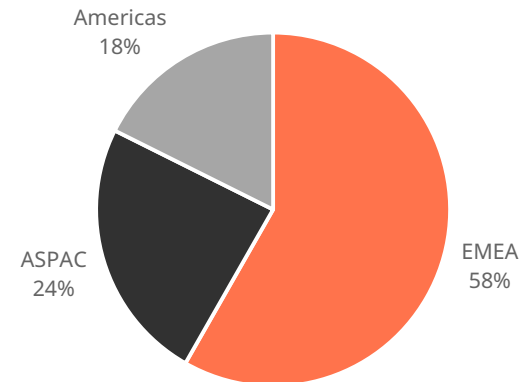
Source: Group management accounts
¹ Adjusted EBITDA excludes exceptional items

Bookings By HY, Region & ABV

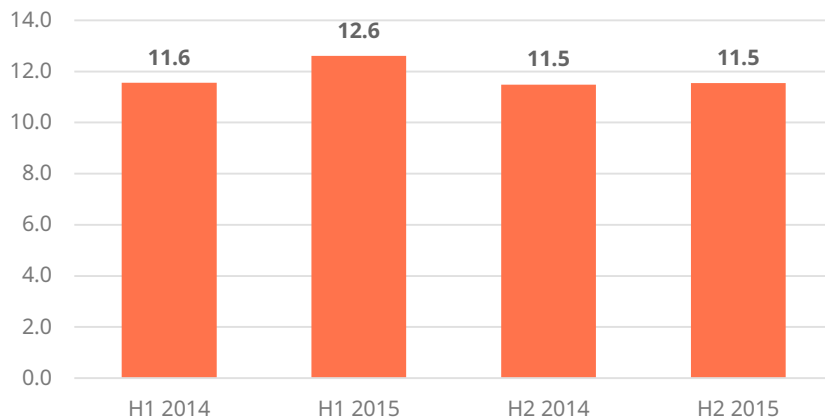
Accelerated growth in Hostelworld brand bookings in H2 ¹



Group bookings by region – FY 2015



Group Average Booking Value (“ABV”) (€) ²

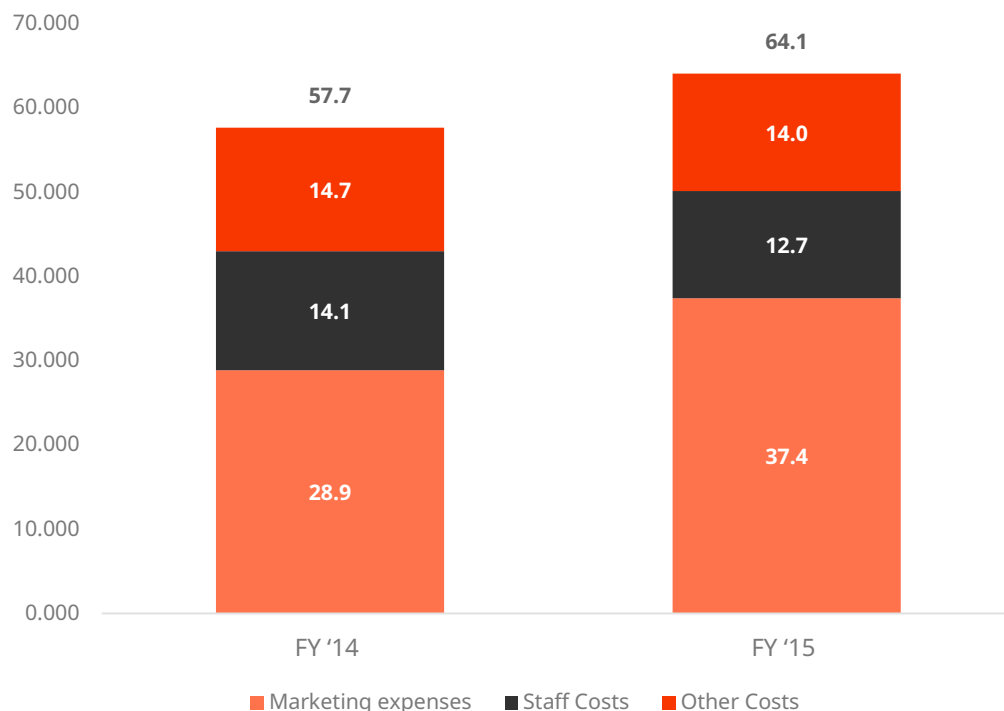


- ABV increases driven by positive FX movements and continued penetration of the Elevate programme
- Gains partly offset by higher mobile usage (with lower average bednights per booking) and continued diversification of geographic mix

Group Administrative Expenses

Financial
Operational

Group admin expenses (€'000)



- Increase driven largely by the growth in marketing investment.
- Staff costs decreased in FY 15 due to higher rate of capitalisation of R&D labour costs of €4.2m (2014: €1.3m).
- Excluding exceptionals, other costs increased by 4.5% in 2015. Other costs relate to general expenses, web maintenance costs, premises related costs and legal and professional fees and a once-off €0.3m non cash loss on disposal of fixed assets in relation to office relocation.
- Exceptional items of €4.3m (2014: €5.4m) included within other costs. 2015 exceptional costs relate primarily to fees associated with the IPO.

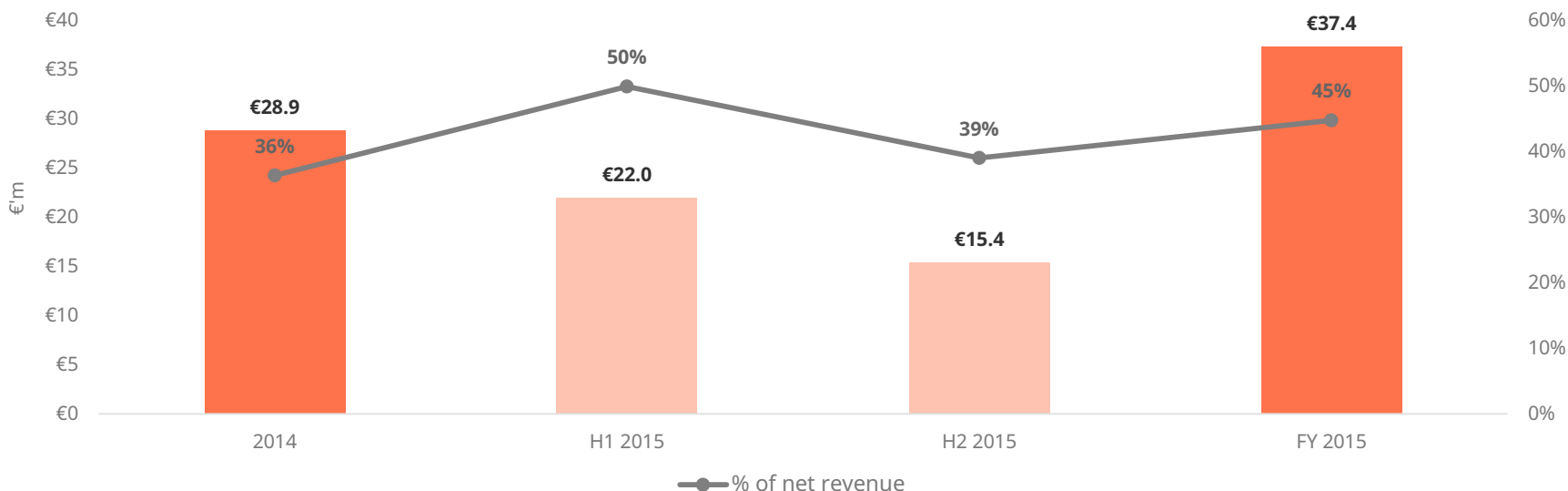
Note: Marketing expenses include affiliate advertising, PPC costs and other marketing expenses; Other expenses include website maintenance, credit card fees, holding company administration costs, establishment costs, M&A costs and other admin costs

Source: Management information

Marketing Investment

Financial
Operational

Marketing investment as a % of Group net revenue



- Marketing investment represented 45% of net revenue in 2015 in line with IPO guidance. €3.2m investment on Q2 launch of the Hostelworld 'Meet the World' brand awareness campaign in the UK/IRL.
- Increased investment in new digital channels.
- Good progress in managing cost per click and cost per booking to drive more efficient booking mix.
- Increased proportion of bookings from non-paid channels to 58% in 2015¹.

Income Statement

Group income statement summary

€'000	FY '14	FY '15
Revenue	79,265	83,451
Administrative expenses	(57,677)	(64,087)
Depreciation and amortisation expenses	(13,443)	(12,170)
Impairment losses	(50,692)	-
Operating profit	(42,547)	7,194
Financial income	17	8
Financial expenses	(34,479)	(30,866)
Other gains	-	104,158
Profit / (Loss) before tax	(77,009)	80,494
Income tax (charge) / benefit	4,826	680
Profit / (Loss) for the period	(72,183)	81,174
Adjusted profit measures		
Adjusted EBITDA ⁽¹⁾	26,995	23,631
Adjusted Profit after tax ⁽²⁾	25,620	21,028

- 5% growth in net revenues to €83.5m; on a constant currency basis, revenues are 5% lower than 2014.
- Fixed asset depreciation €0.8m (2014: €0.7m). Amortisation of capitalised development costs €1.4m (2014: €0.4m). Intangibles amortisation €9.9m (2014: €12.4m). €50.7m impairment charge in 2014 relates to Hostelbookers' acquisition in 2013.
- Financial expenses of €30.9m relate to interest accrued on shareholder loans repaid at IPO. (2014: €34.5m). At IPO, €181.4m was paid to shareholders as consideration for their holdings, with remaining balances exchanged for shares in the plc or waived. This resulted in an exceptional gain of €104.2m in 2015.
- Group corporation tax charge of €0.3m represents an ETR of 1.5%, offset by a deferred tax credit of €1.0m on intangibles and carried forward tax losses.

⁽¹⁾The Group uses Adjusted EBITDA to show profit without the impact of non-cash and non-recurring items
⁽²⁾Adjusted PAT is defined as Reported Profit/Loss for the year excluding exceptional costs, amortisation of acquired domain and technology intangibles, impairment charges, net finance costs and deferred taxation.

Cashflow Statement

Financial
Operational

Group cashflow statement

€'000	FY '14	FY '15
Profit/(Loss) before tax	(77,009)	80,494
Working capital movement	4,112	(2,057)
Non cash adjustments	64,135	(91,737)
Transaction costs included within financing activities	-	4,546
Net finance costs	34,462	30,858
Cashflows from operating activities	25,700	22,104
Net interest paid	(186)	(71)
Taxes Paid	(667)	319
Net Cashflows from operating activities	24,847	22,352
Capitalisation and acquisition of intangible assets	(1,414)	(4,321)
Purchase of property, plant and equipment	(722)	(3,168)
Acquisition of subsidiary, net of cash acquired	-	-
Net cash used in investing activities	(2,136)	(7,489)
Repayment of shareholder loans	-	(195,125)
Proceeds on issue of shares, net of expenses	-	173,607
Repayment of bank loans	(7,874)	-
Net cash used in financing activities	(7,874)	(21,518)
Net increase/(decrease) in cash and cash equivalents	14,837	(6,655)
Cash and cash equivalents at beginning of the year	4,823	19,942
Effect of exchange rate gains and losses	282	332
Cash and cash equivalents at end of the year	19,942	13,620

Cashflow Conversion

Financial
Operational

Group cash conversion

€'000	FY '14	FY '15
EBITDA	(29,104)	19,365
Adj. EBITDA	26,995	23,631
Free cash flow before financing activities	22,711	14,863
<i>Adjustments to free cash flow:</i>		
- Financial expenses	100	-
- M&A costs	1,215	(251)
- Establishment costs	-	670
Total Adjustments	1,315	419
Adjusted free cash flow¹	24,026	15,282
Adjusted free cash conversion %¹	89%	65%

- 65% Adjusted free cash conversion for 2015.
- If further adjusted for higher capex on new premises and associated fixtures & fittings, together with delay in receipt of VAT reclaim until early 2016, then 2015 adj. cash conversion was 75% (2014: 89%), in line with IPO guidance.
- €2.6m of costs related to the IPO were outstanding at 31 December 2015 and since paid.

¹ 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

Balance Sheet

Financial
Operational

Group balance sheet summary

€'000	FY '14	FY '15
Other intangible assets	166,008	158,972
Other non-current assets	2,112	4,848
Trade and other receivables	2,326	3,249
Corporation tax	728	3
Cash and cash equivalents	19,942	13,620
Total assets	191,116	180,692
Total equity	(144,188)	166,697
Borrowings & PECs	319,916	-
Deferred tax liabilities	2,964	2,563
Creditors, accruals and other liabilities	12,424	11,432
Total equity and liabilities	191,116	180,692

- Strong Group balance sheet at 31 December 2015 with negative working capital.
- Net cash balances of €13.6m.
- Main movements are capitalisation of €4.3m R&D costs (2014: €1.4m) and physical asset capex of €3.1m (2014: €0.7m), of which €2m relates to leasehold improvements and fixtures and fittings associated with new Dublin and London premises.
- Trade and other receivables increase reflects delay in receipt of prior period VAT reclaim of €0.9m, received in early January 2016.
- All shareholder related borrowings were eliminated as part of IPO and group reorganisation.

Source: Management information

Summary KPIs

Financial
Operational

Overview of track record of KPIs

KPI metric		FY '14	FY '15
Bookings:	HW Brand	4.4m	5.2m
	Other	2.7m	2.0m
Average Booking Value (ABV)		€11.52	€12.09
Net revenue		€79.3m	€83.5m
Marketing investment (% of net revenue)		36%	45%
Adjusted EBITDA		€27.0m	€23.6m
Adjusted Profit after tax ¹		€25.6m	€21.0m
Adjusted free cash flow ²		€24.0m	€15.3m
Adjusted free cash conversion ²		89%	65%

Source: Management information

¹ Adjusted PAT is defined as Reported Profit/Loss for the year excluding exceptional costs, amortisation of acquired domain and technology intangibles, impairment charges, net finance costs and deferred taxation.

² 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

Current trading is in line with management expectations

Benefits of our 4 strategic pillars' approach still materialising

Maiden dividend declared – 75% payout

Confidence in the long-term strategy and execution



📍 Yim Huai Khwang, Bangkok Thailand



📍 Freehand Miami, USA

Q&A



📍 Yes! Lisbon Hostel, Portugal



📍 The Beehive, Rome, Italy