HOSTELWORLD GROUP PLC: CAPITAL MARKETS DAY

18th October 2017

AGENDA

Marek Mossakowski,
Head of Brand, Hostelworld Group

Niall Walsh,
Head of Customer Acquisition, Hostelworld Group

Q&A with Feargal Mooney

Breffni Horgan,
Head of Product and Design, Hostelworld Group

Paul Halpenny,
Group Director of Supply, Hostelworld Group

Fabio Coppola,
Co-Founder, The Yellow Hostel &
YellowSquare Rome
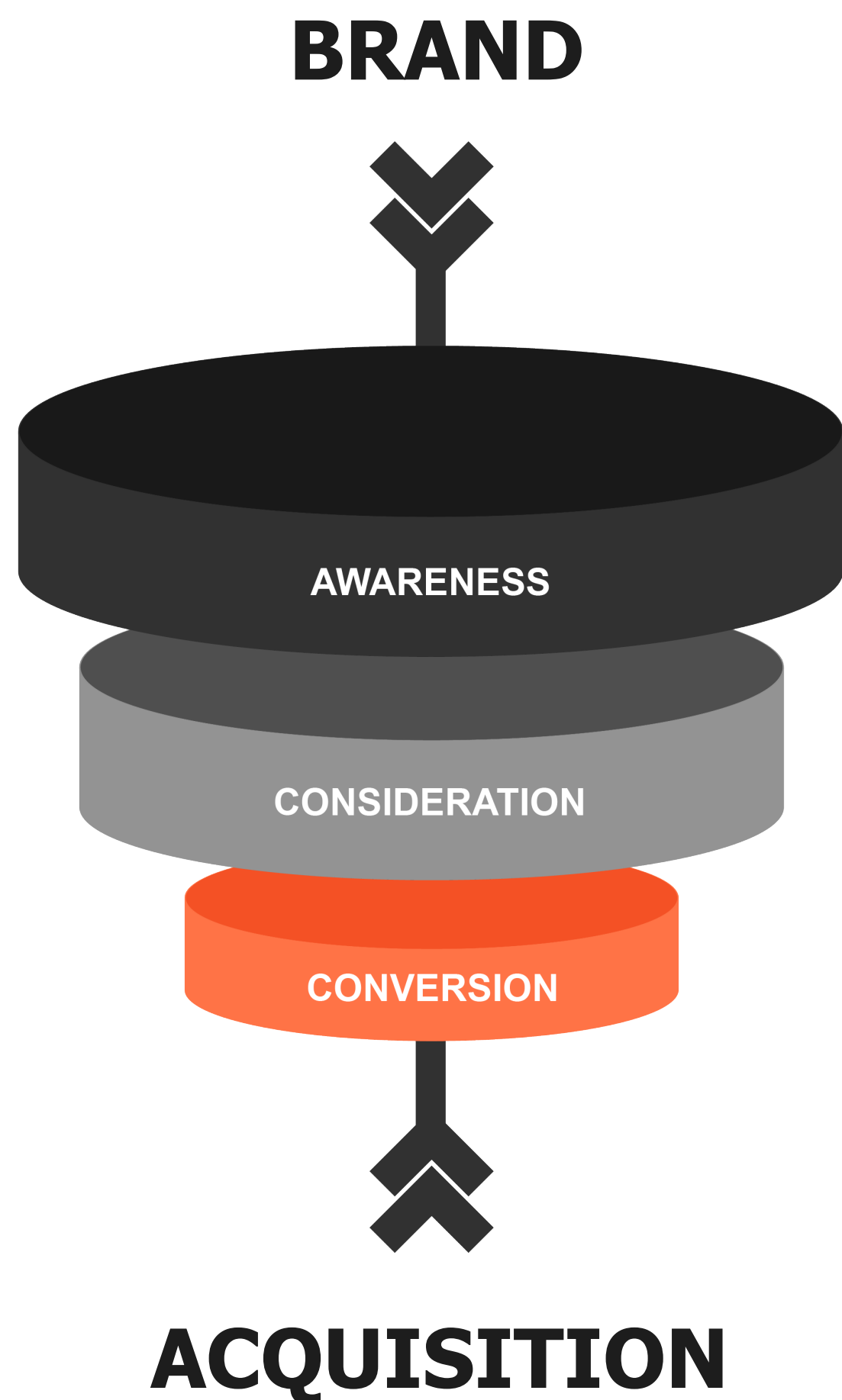
FREEHAND MIAMI, USA

BRAND GROWTH

Marek Mossakowski, Global Head of Brand

BRAND & ACQUISITION IN HARMONY
Brand helps 'grow the pie' and improve acquisition metrics
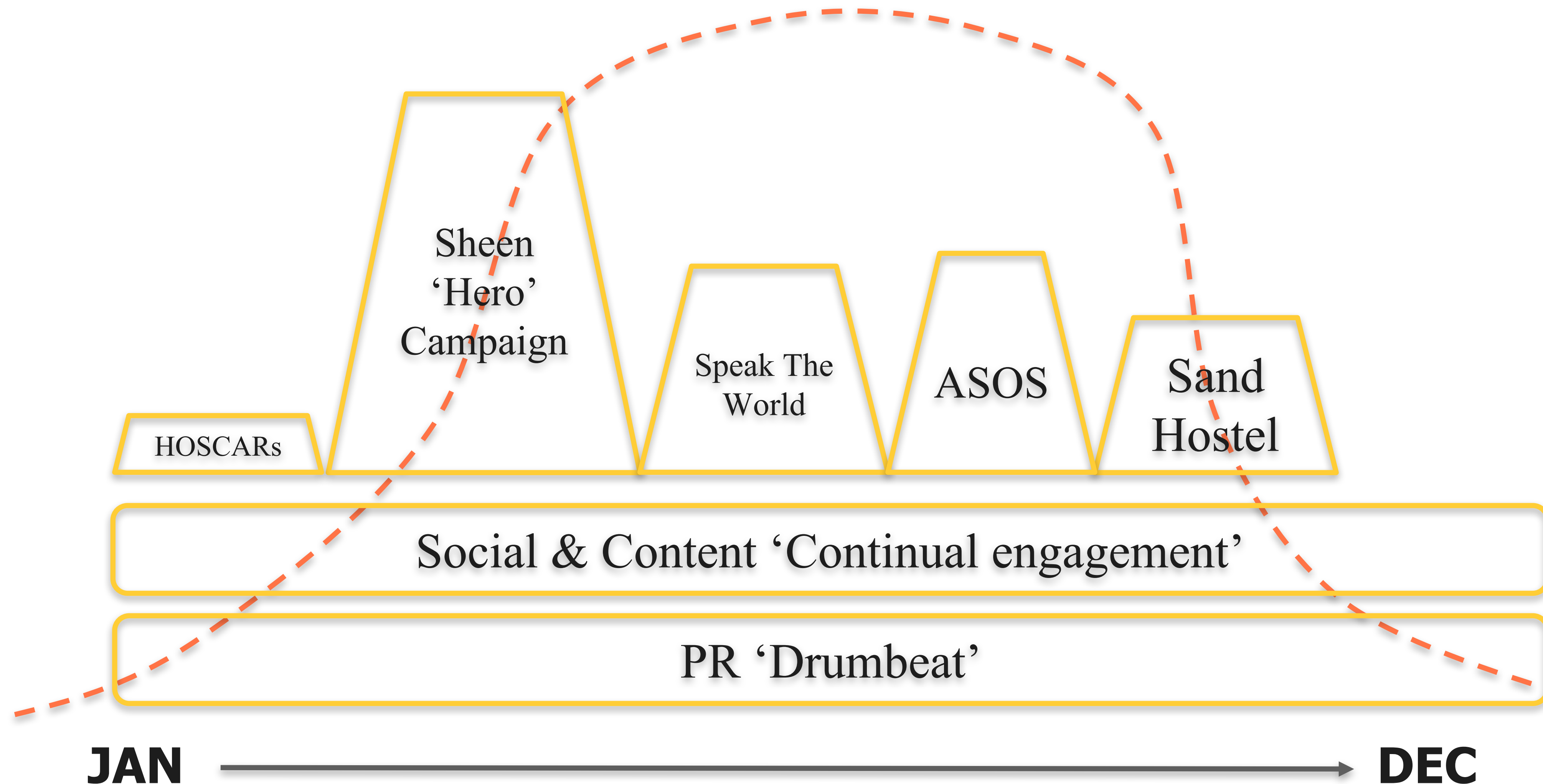
MARKETING FUNNEL

BRAND

AWARENESS

CONSIDERATION

CONVERSION

ACQUISITION

	2013	2014	2015	2016	2017 (H1)
HW Brand Bookings Growth	7%	11%	17%	18%	21%
Marketing % Net Rev	37%	42%	52%	44%	43%
CPB (€)	3.46	3.93	4.61	3.94	3.88

BRAND ACTIVITY OVERVIEW

Combination of 'Hero' campaigns and 'always on'

BRAND COMMS STRATEGY
Every creative touchpoint sits on a creative spectrum.

BUSINESS OBJECTIVE
ACQUIRE NEW HOSTELWORLD CUSTOMERS

MARKETING OBJECTIVE
INCREASE CONSIDERATION OF HOSTELS (AND HOSTELWORLD) AMONGST 'YOUNG' TRAVELLERS

ROLE OF COMMUNICATIONS
SHOWCASING THE MODERN HOSTELLING EXPERIENCE

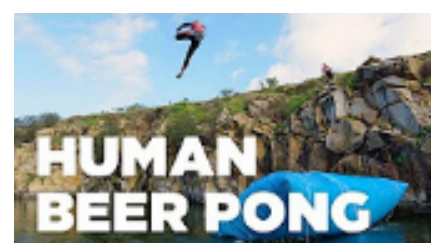| PRIVACY	CLEANLINESS	SAFETY / SECURITY	MODERN AMENITIES	COOL SPACES	UNIQUELY SOCIAL

BUSTING NEGATIVES ⟵ CHANGING PERCEPTIONS ⟶ **REINFORCING POSITIVES**

'HERO' CREATIVE EXECUTION
WE USE *UNEXPECTED HOSTEL GUESTS* TO HELP US SHOW OFF THESE FEATURES IN AN *ENTERTAINING* WAY

HIGHLY EMOTIVE MESSAGING ⟵─────────────────────────────────⟶ **HIGHLY FUNCTIONAL MESSAGING**
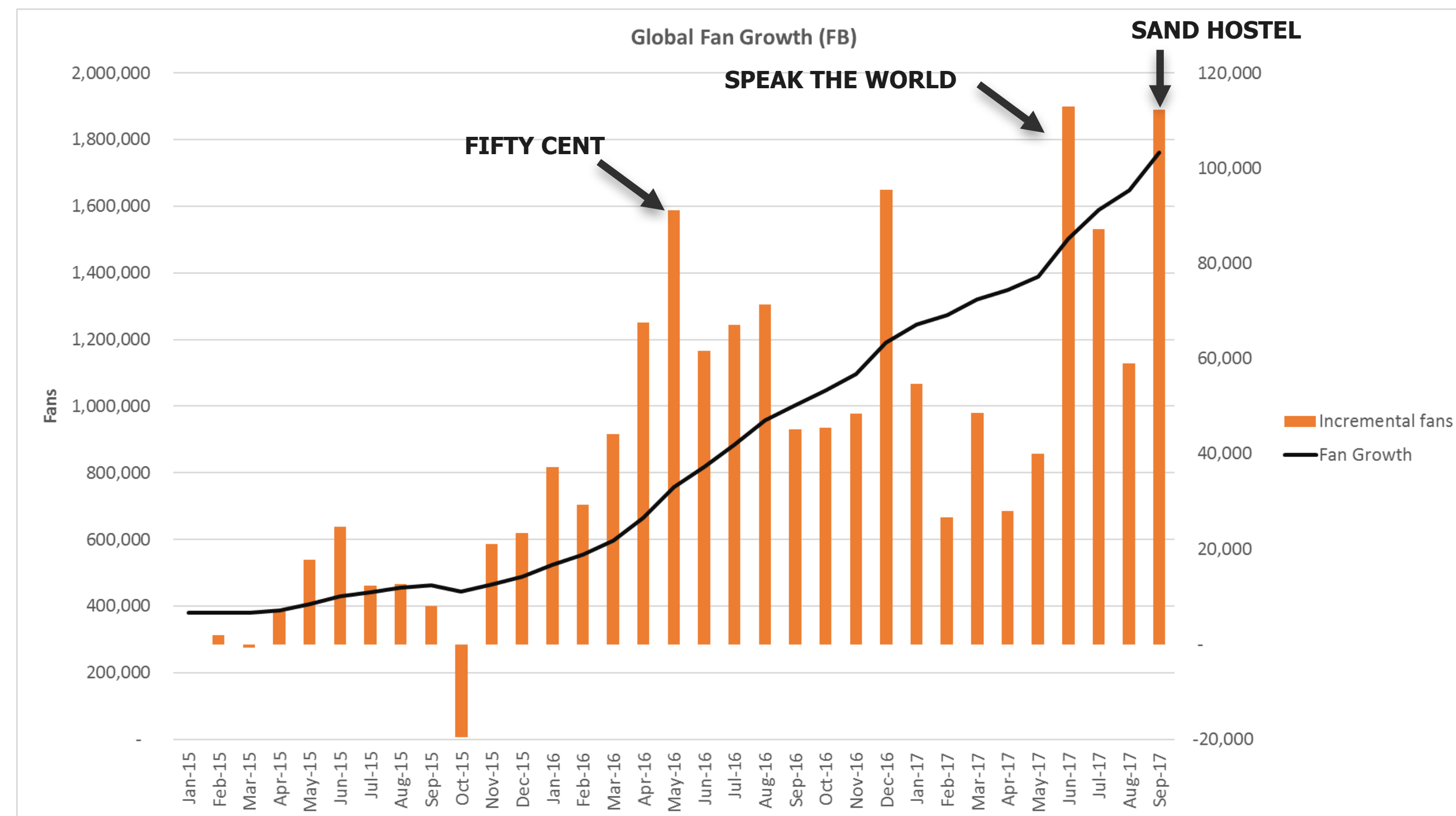
SOCIAL & CONTENT

Ever increasing importance to target young travellers effectively

- Content becoming more and more important for the business. Fuels: Social, CRM, SEO, Marketing Campaigns, PR, Product

- Types of content: Destination content, topical content, inspiring content, showcasing content, marketing content

- Quality over quantity.

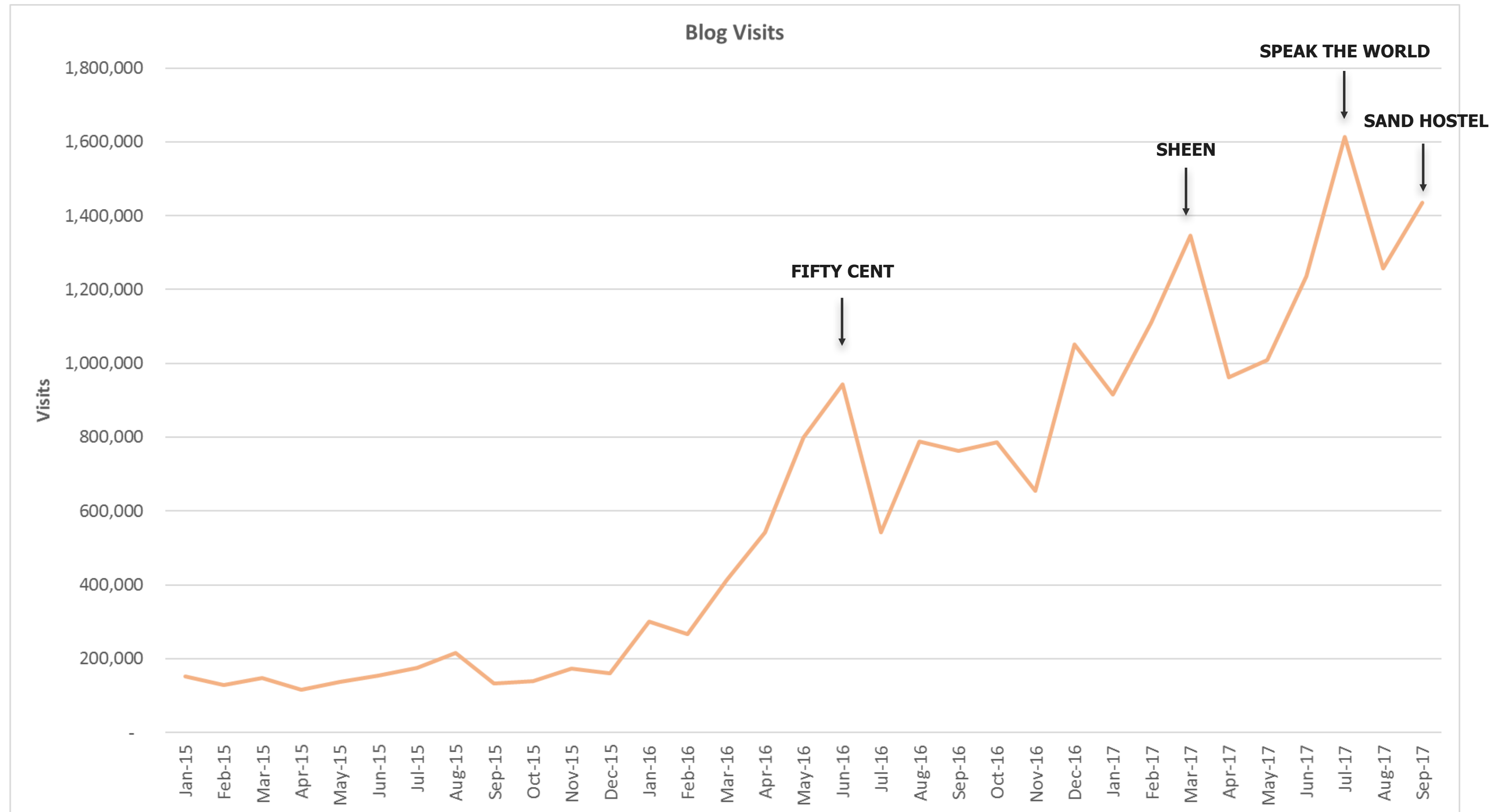- Influencers playing a more and more important role in content creation and reach.

FB Fan Composition	Jan '15	Sep '17
EN	68%	23%
AU	0%	2%
US	0%	5%
BR/PT	12%	28%
ES	12%	18%
DE	1%	4%
FR	2%	3%
IT	5%	11%
KR	0%	1%
	424k	1.8m

Global Fan Growth (FB)

FIFTY CENT · SPEAK THE WORLD · SAND HOSTEL

Incremental fans · Fan Growth

SOCIAL & CONTENT
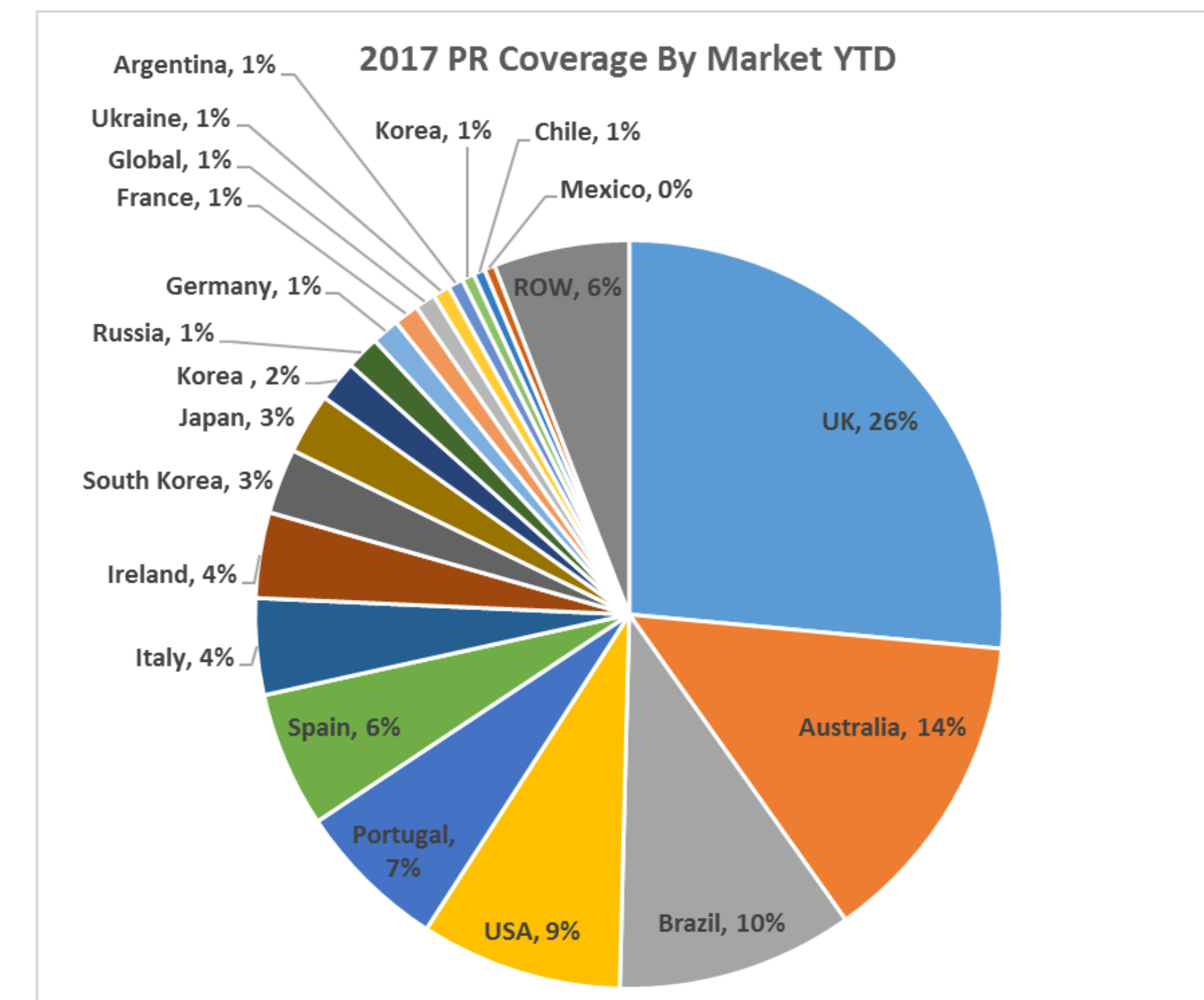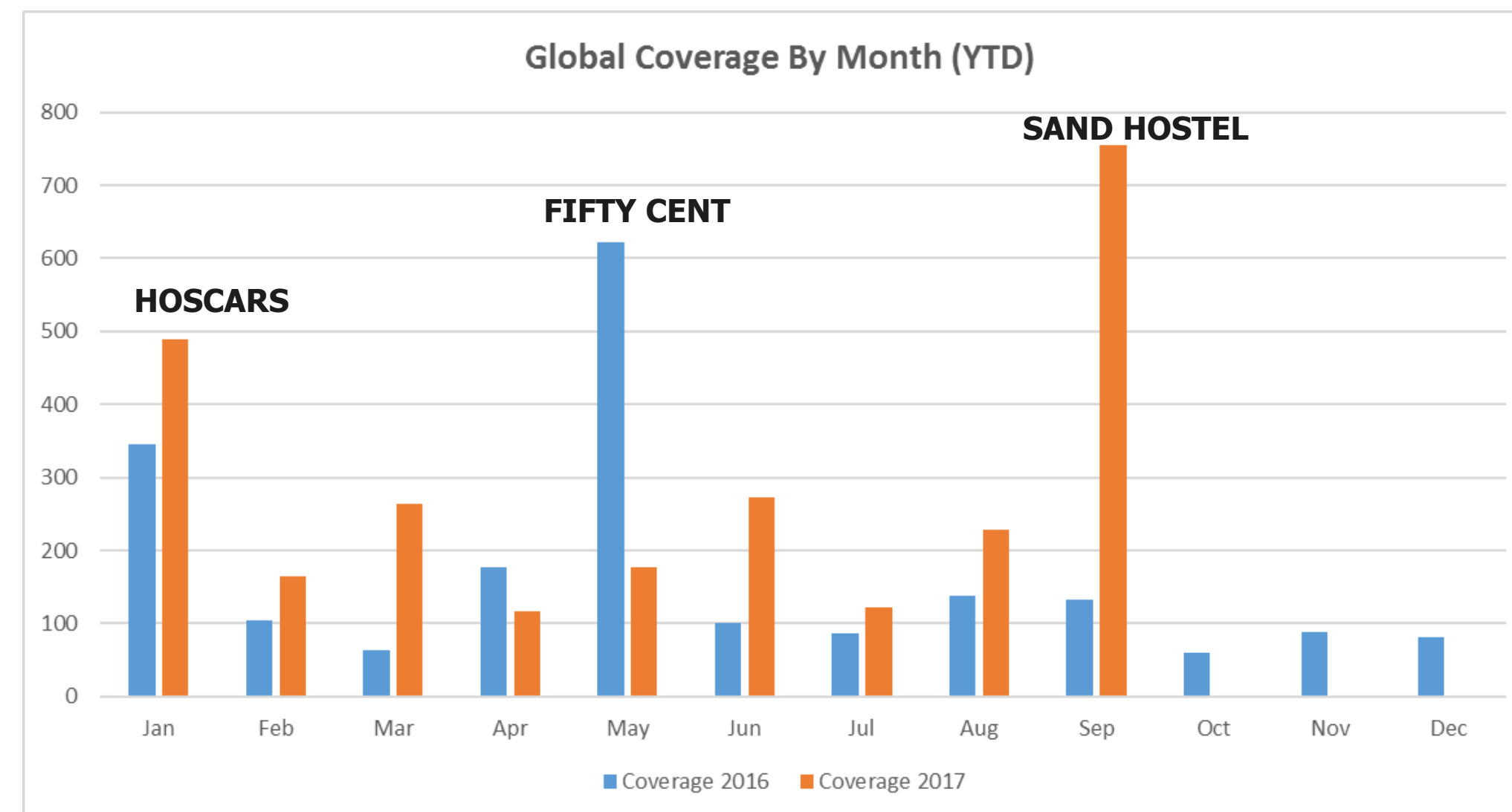## Strong evidence Content having positive effect on bookings

PR
Consistent presence supported with 'Hero' campaigns

- 2,593 pieces of coverage YTD (vs 1,772 in 2016), 70% increase in market penetration (75 in '17 vs 44 in '16)

- Sand Hostel biggest campaign of the year / ever (550). HOSCARs 2nd biggest (274). Fifty Cent biggest campaign of 2016 (470).

- Data stories proving very popular with journalists: Traveller Top 20 (149), Social Cities (168), Employable Travellers (86)

- STW & Sand Hostel drive engagement with product – model to be replicated in 2018

SAND HOSTEL

SPEAK THE WORLD

Global Coverage By Month (YTD)

HOSCARS

FIFTY CENT

SAND HOSTEL

Coverage 2016   Coverage 2017

2017 PR Coverage By Market YTD

Argentina, 1%
Ukraine, 1%
Global, 1%
France, 1%
Germany, 1%
Russia, 1%
Korea , 2%
Japan, 3%
South Korea, 3%
Ireland, 4%
Italy, 4%
Spain, 6%
Portugal, 7%
USA, 9%
Brazil, 10%
Australia, 14%
UK, 26%
ROW, 6%
Korea, 1%
Chile, 1%
Mexico, 0%

PARTNERSHIPS

Strategic partners drive efficient reach & engagement.

- **2 objectives for partnerships**

  o Reach new audiences in ad-free environments

  o Create engaging content for our existing audiences / new audiences

- **ASOS**

  o Target 20-somethings, 15m active customers, 10m app downloads, 21m social following (6.5m on Insta). Present in: UK, US, AU, FR, DE, IT, ES, RU.

  o Deeper engagement with our messaging, product and comms in ad-free environment (62 imp., 1.7m engagements)

  o Cost-efficient media value

- **Busabout**

  o 18 night Busabout trip competition campaign

  o Promoted via our Social, CRM and Blog channels (7.3m imp. 286k engagements)

  o Busabout saw 20% increase in searches, 25% increase in direct visits & 2k+ fan growth
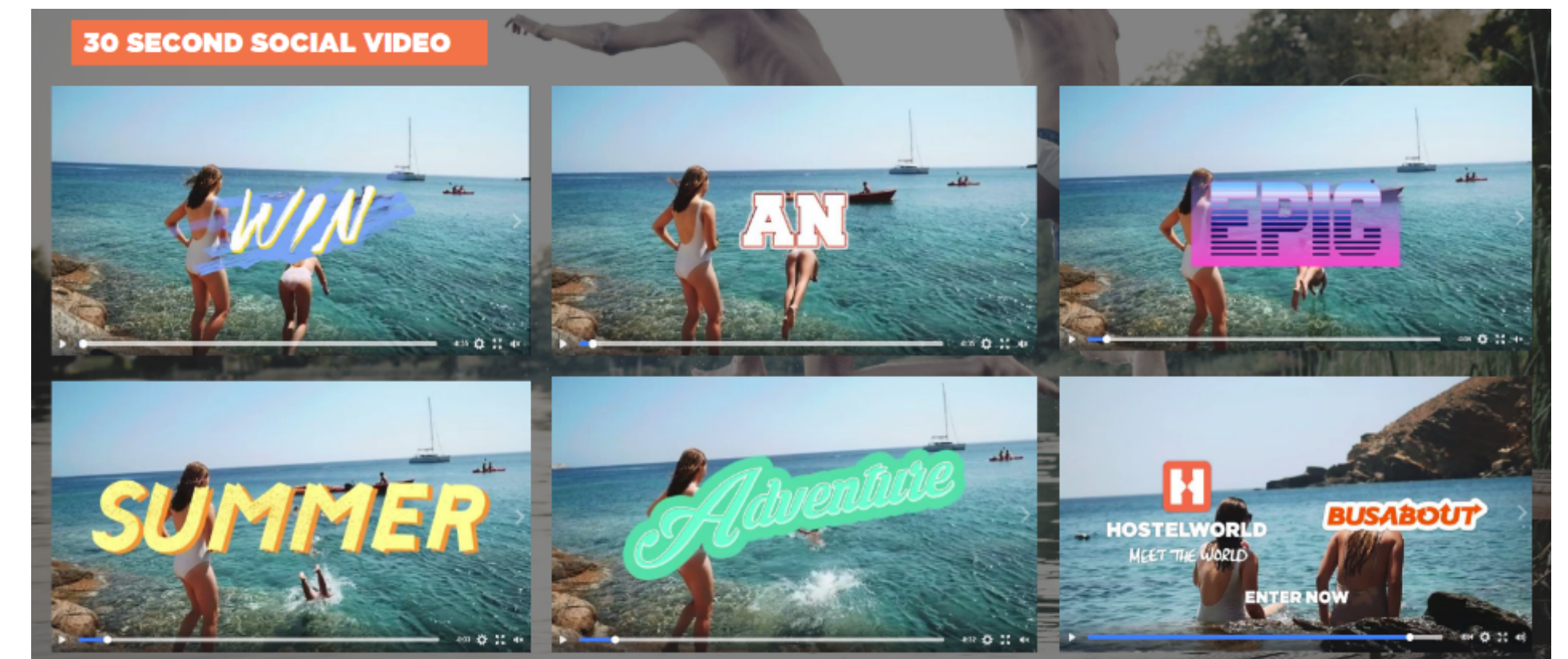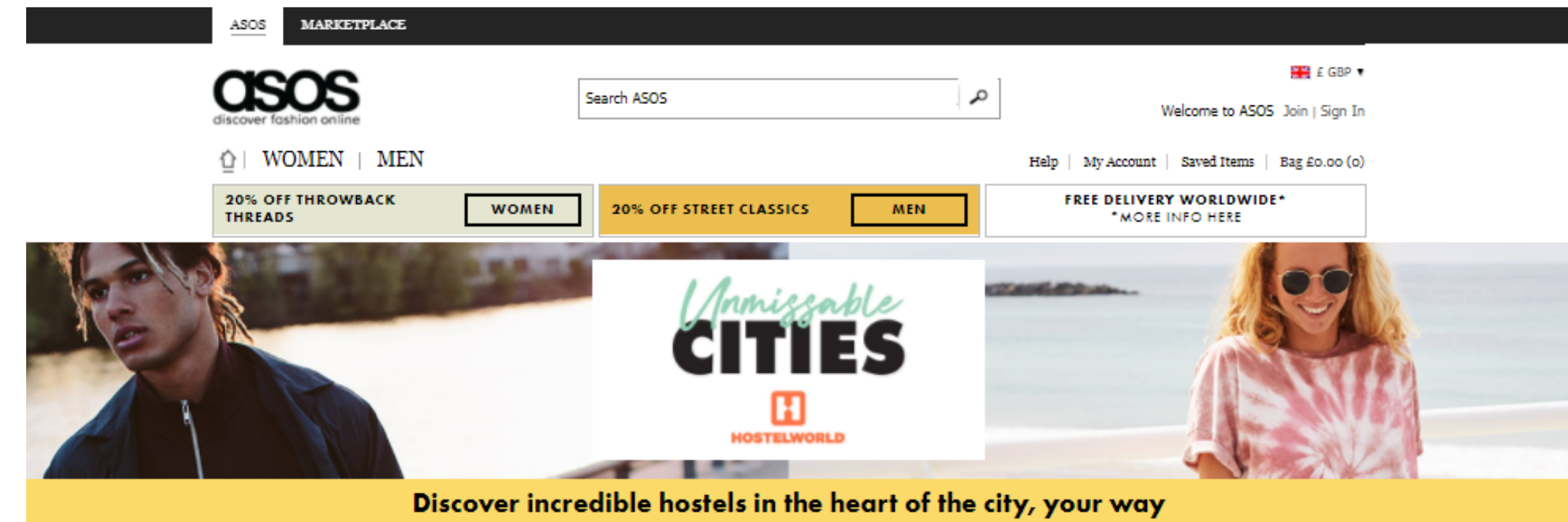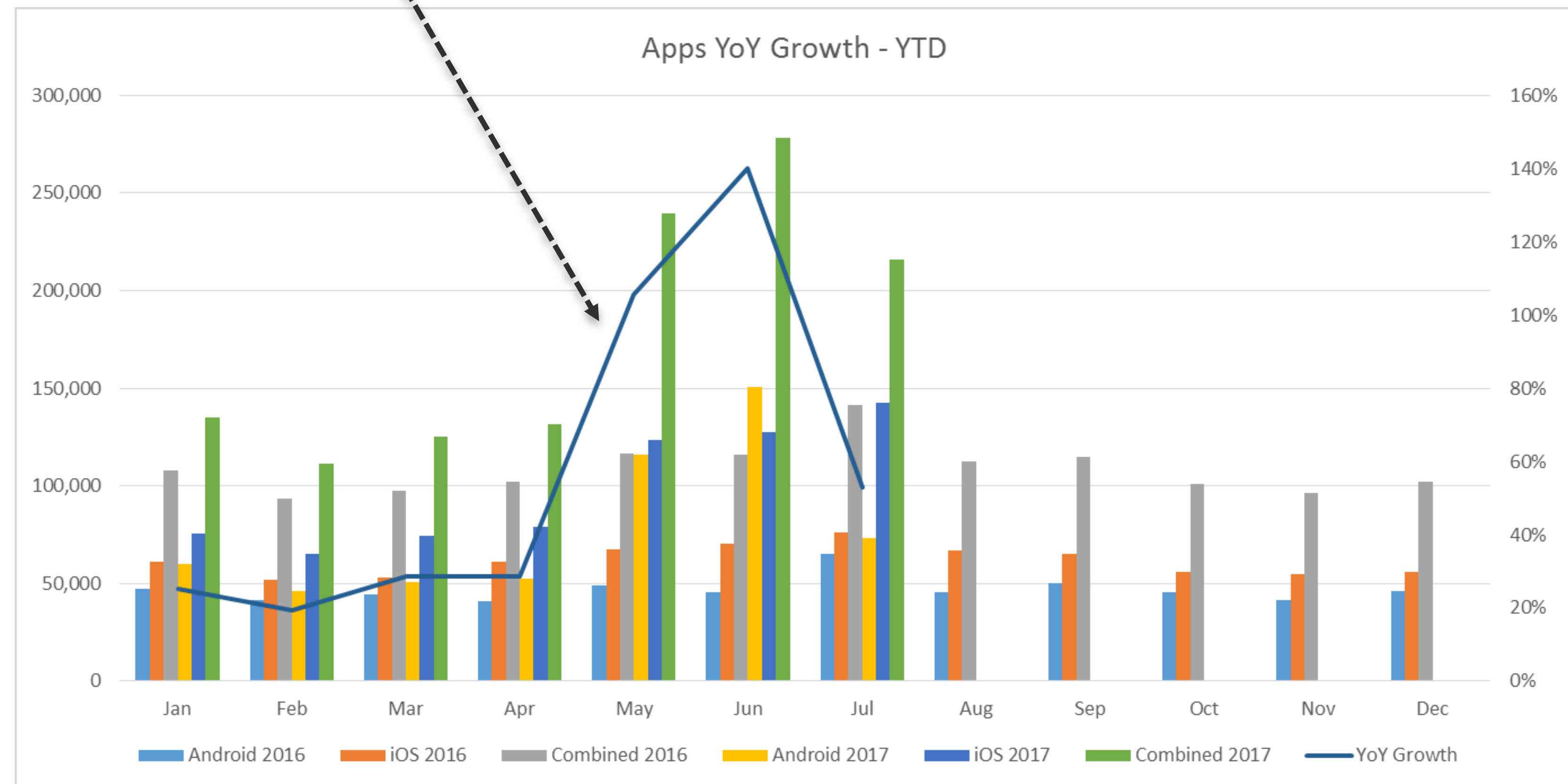
DOWN THE FUNNEL MARKETING

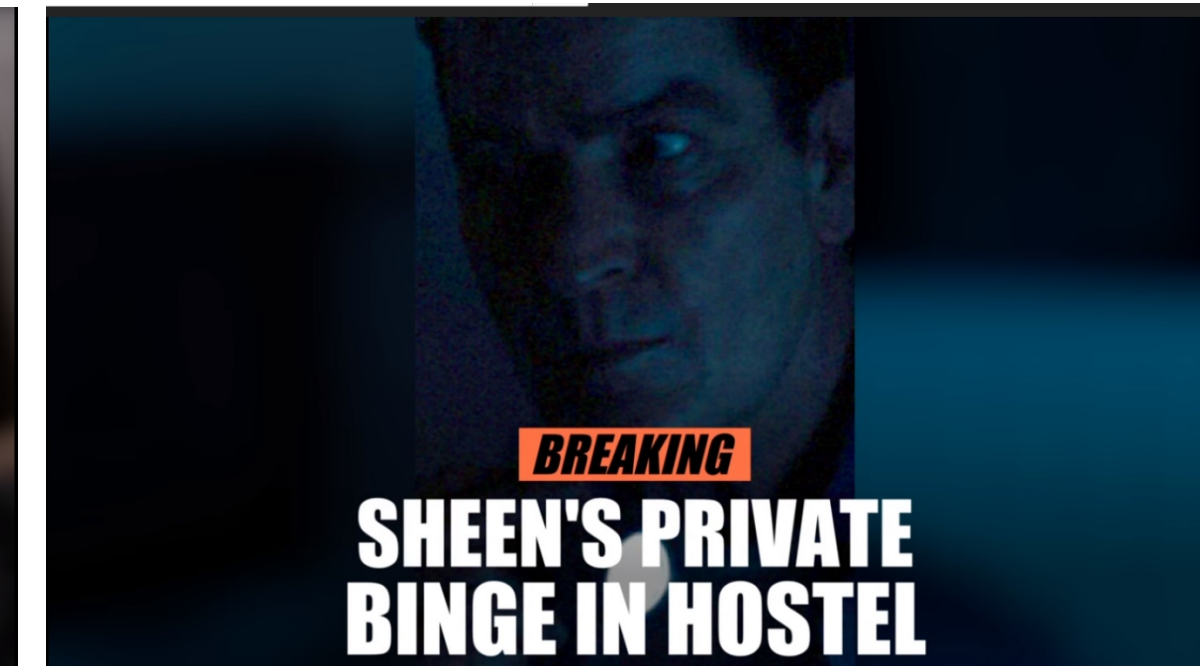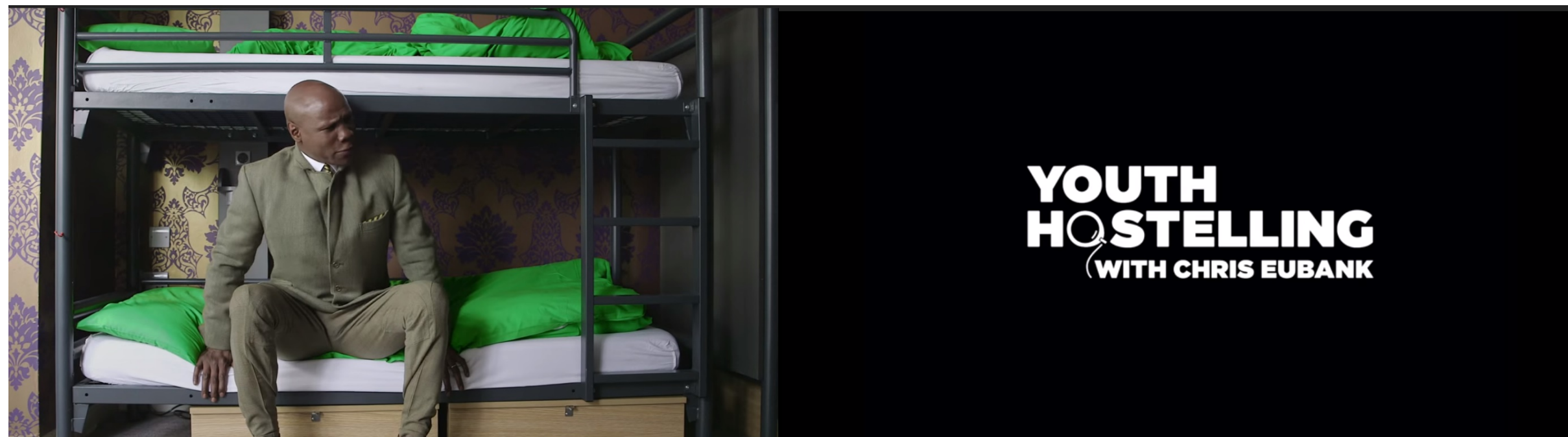**Brand proposition helps drive 'Differentiation' and usage of product**

SPEAK THE WORLD LAUNCHED 17TH MAY

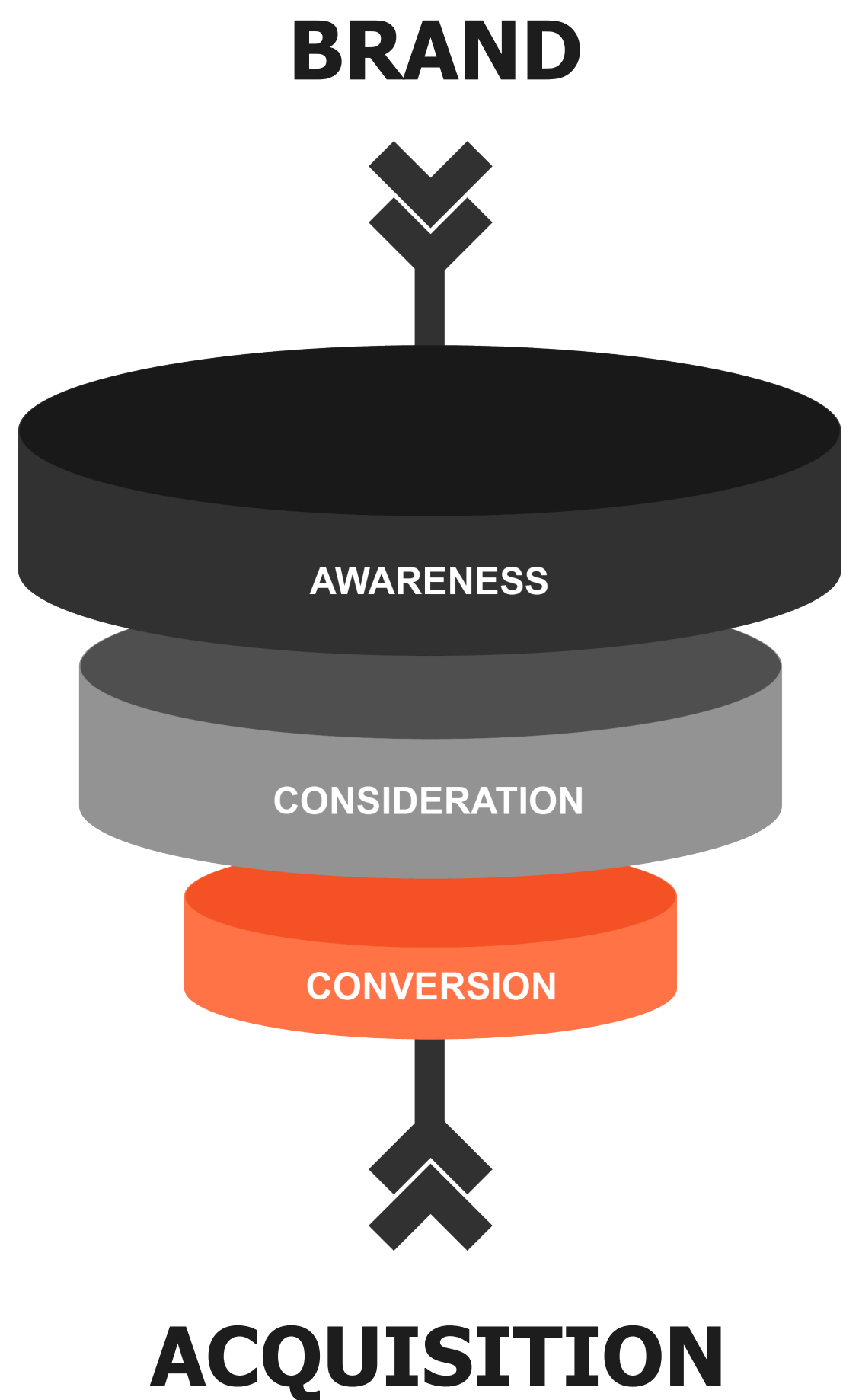Apps YoY Growth - YTD

Legend: Android 2016, iOS 2016, Combined 2016, Android 2017, iOS 2017, Combined 2017, YoY Growth

'HERO' CAMPAIGNS

Driving virality, engagement & traffic…. Who is next???

A CLEAR BRAND PROPOSITION TURBO CHARGES EACH CHANNEL

MARKETING FUNNEL

BRAND

AWARENESS

CONSIDERATION

CONVERSION

ACQUISITION

- Strong consistent brand message catalyst for effective channel growth

- Content-driven marketing driving engagement with 'hard to reach' young audience, down the funnel

- Global coverage reflecting our customer bookings

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HOW WE USE DATA AND TECHNOLOGY TO LOWER THE COST PER ACQUISITION

Niall Walsh, Head of Acquisition

CASA GRACIA, SPAIN

ACQUISITION

The acquisition team manage the performance marketing channels

PAID SEARCH UPDATE

PAID SEARCH

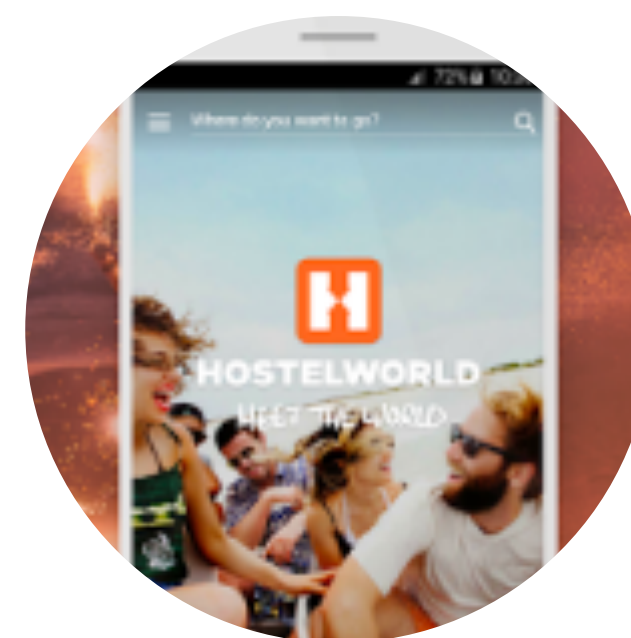**We think about paid search in 4 distinct areas**

AUTOMATION

BIDDING

AUDIENCES

APP INSTALLS

AUTOMATION

We have automated time consuming processes using proprietary and third party tools.

Area	Task	Tool
Monitoring / Reporting	Day-to-day variations in campaign performance	AdWords scripts for campaign anomalies, budget alerts, impression share alerts
	Keeping track of Quality Score over time	Script for Quality Score tracker
	Monitor expanded text ads performance and click share vs standard ads	Script to pull in performance in an ETA dashboard
	Set-up and execution of large-scale tests quickly and effectively	Implementation of Brainlabs A/B experiments dashboard
Campaign building	- Create campaigns, ad copies, keywords, sitelinks based on a list of destinations in bulk	Excel macros
Optimisation	- In-depth search query reports for Generic and DSA campaigns	AdWords script

BIDDING
We test multiple bidding methodologies and tools to lower the cost per acquisition

ENHANCED COST PER CLICK BIDDING (ECPC) – utilises google's data driven attribution to look at all clicks in a conversion string. It adjusts base bids (+30% to -100%) in real-time, taking into account additional signals like device, browser, location, day of the week etc.

Test resulted in +23% bookings at -17% cost per booking

Adwords target COST PER ACQUISITION (CPA) bidding for DYNAMIC SEARCH ADS (DSA) campaigns - the nature of dynamic ads make it difficult to be managed in a portfolio.

Test resulted in +25% bookings and +10% margin.

Other bid adjustments

Time of day bidding: 24/7 bid adjustments on top of ecpc improved conversion rate by 10% and margin by 17%

Demographic bidding test: (bid up on 18/24 and 25/34 age groups). No incremental bookings. To be tested further.

Seasonality bid test: bidding up on top destinations by quarter, had a negative impact on margin.

AUDIENCES

We test different bidding strategies for site visitors and existing customers to optimise performance

Remarketing lists
for search ads
(website visitors)

Implemented retargeting strategy for website visitors based on:

- Funnel stage (converters, property page, destination page)
- Cookie length (7, 30, 60, 90, 180 days)

Tested manual bid adjustments and automated bidding on these segments

- we have seen margin improvement of 17% v non audience search.

Customer match
(existing customers)

- Established that bidding on customer match audiences via PPC, results in incremental bookings.

- Tested audiences based on room type (private rooms), booking frequency (>2 times) and booking recency.
  Room type and frequency perform highest in terms of CVR and margin, compared to recency.

- We have seen margin improvement of 123% v non audience search.

Similar audiences
& youtube lists

- Similar audiences have been created based on all RLSA & customer match segments, to improve bidding efficiencies. CPB of similar audiences is -10% compared to non-audience segments.

- Youtube audiences based on video views of our channel, have been too small in volume as of yet.

APP INSTALLS

We use data and analytics to optimise our download campaigns toward lifetime value
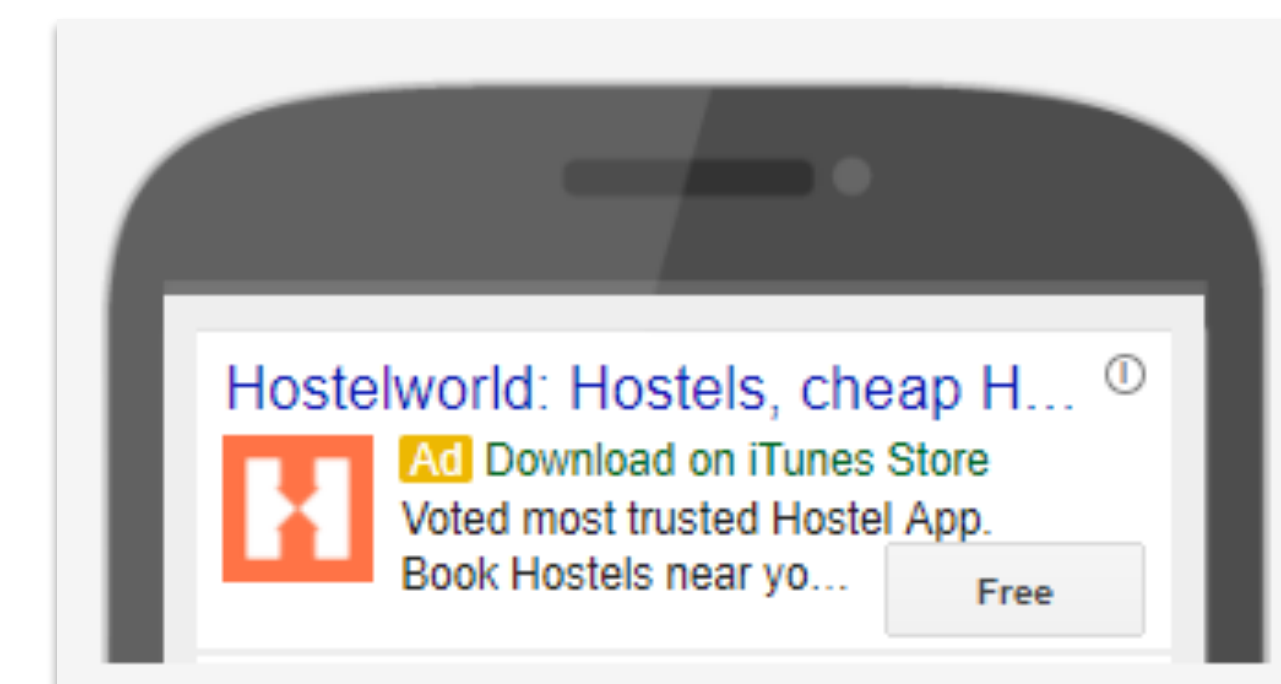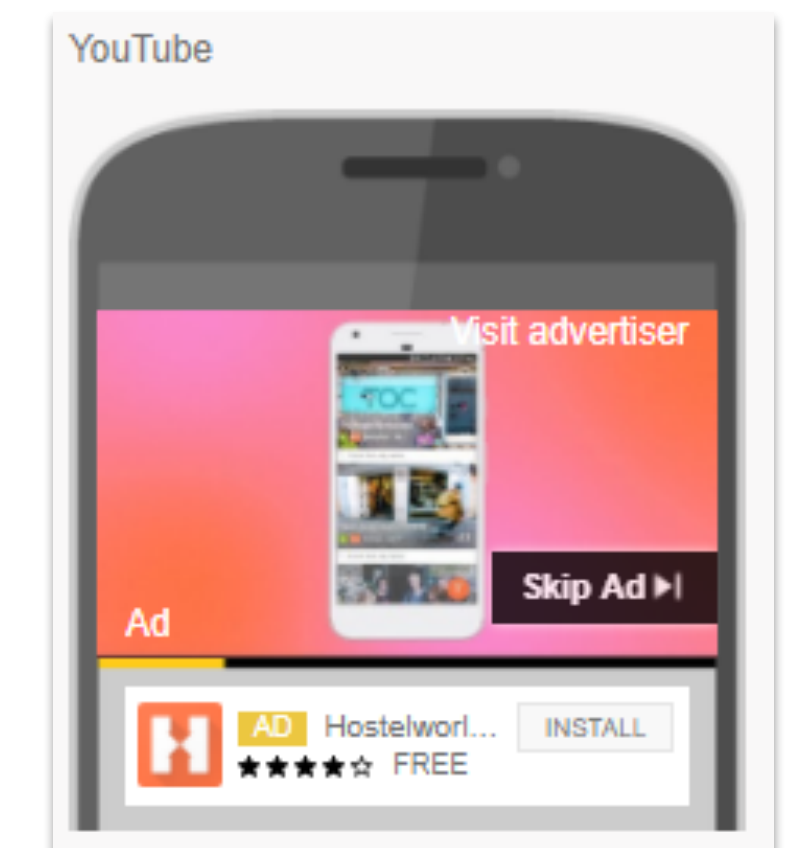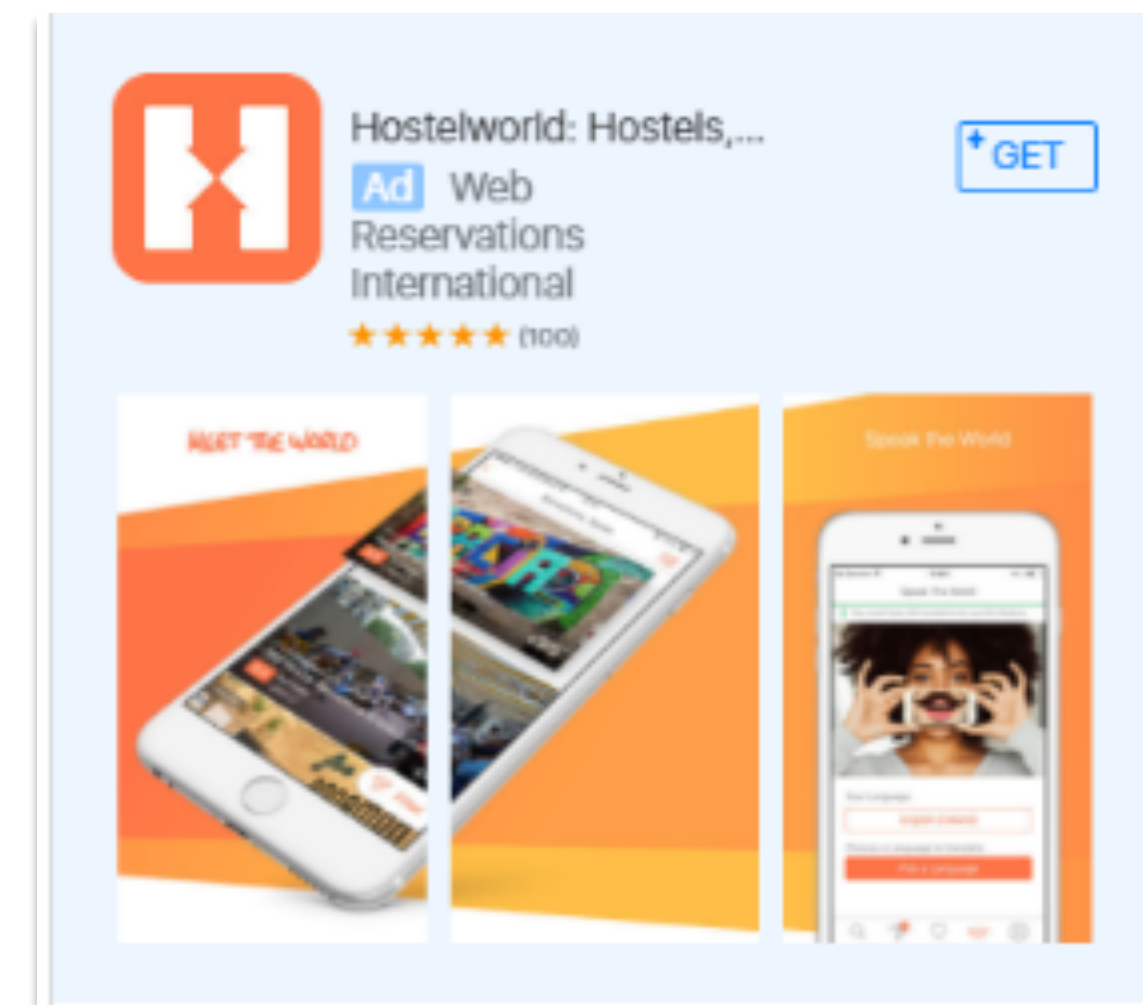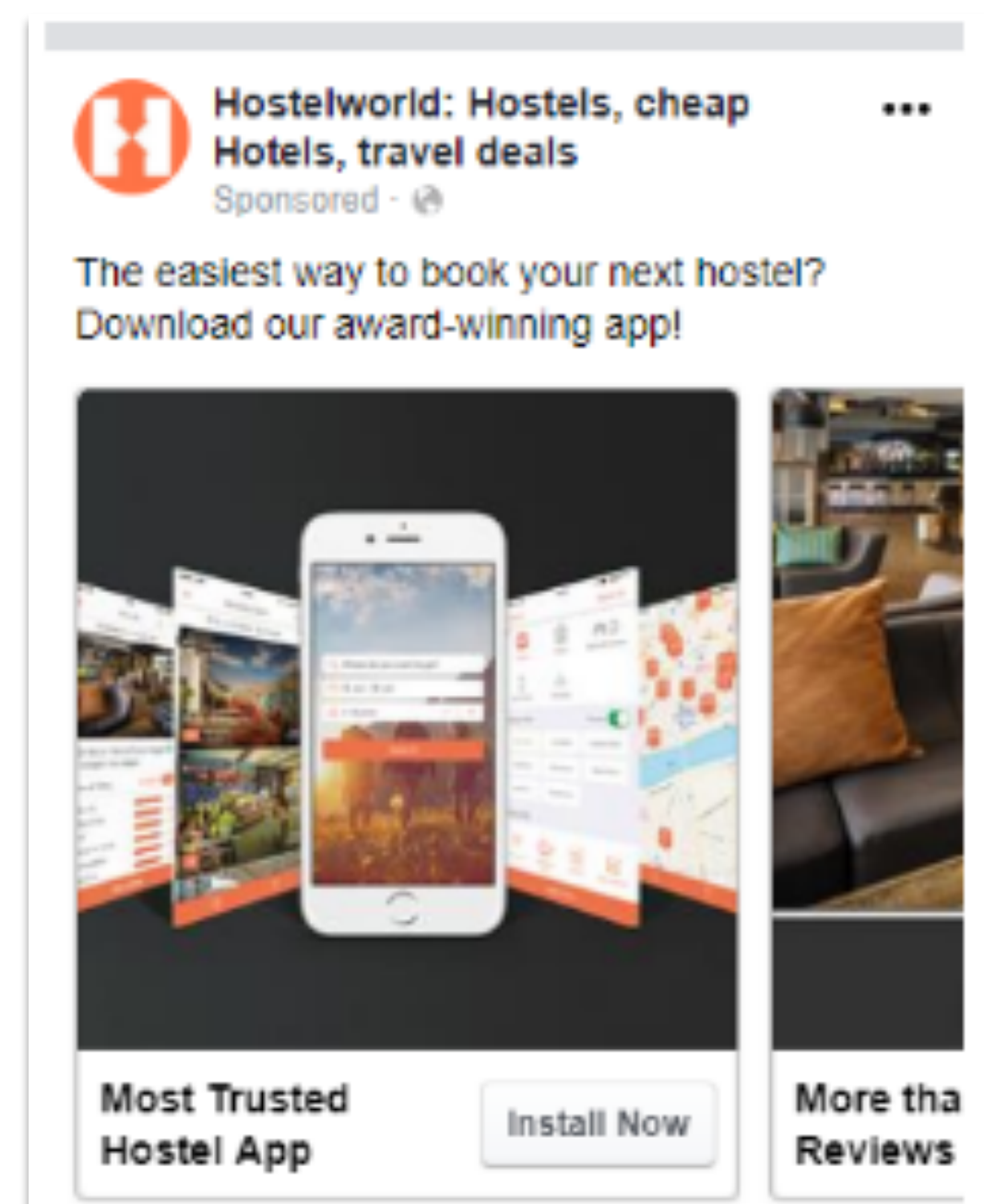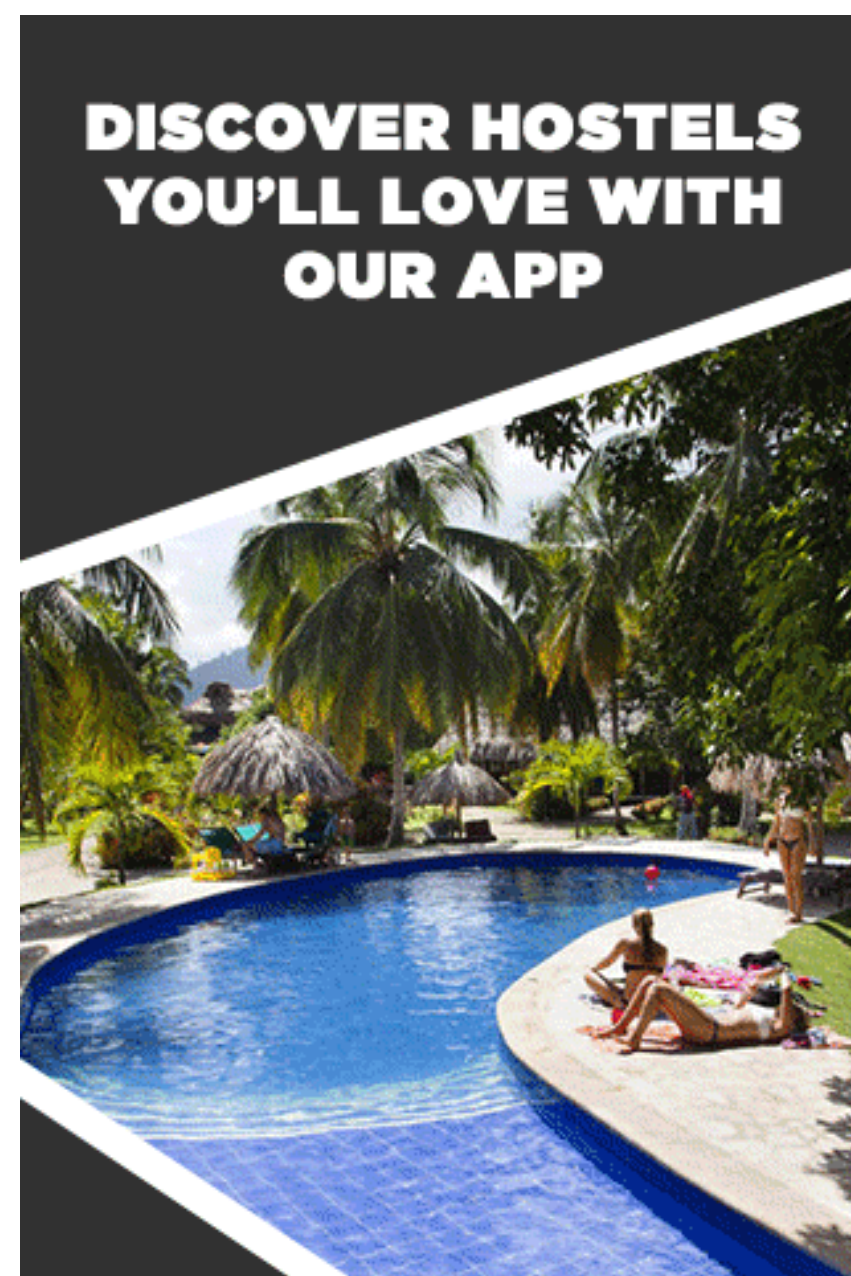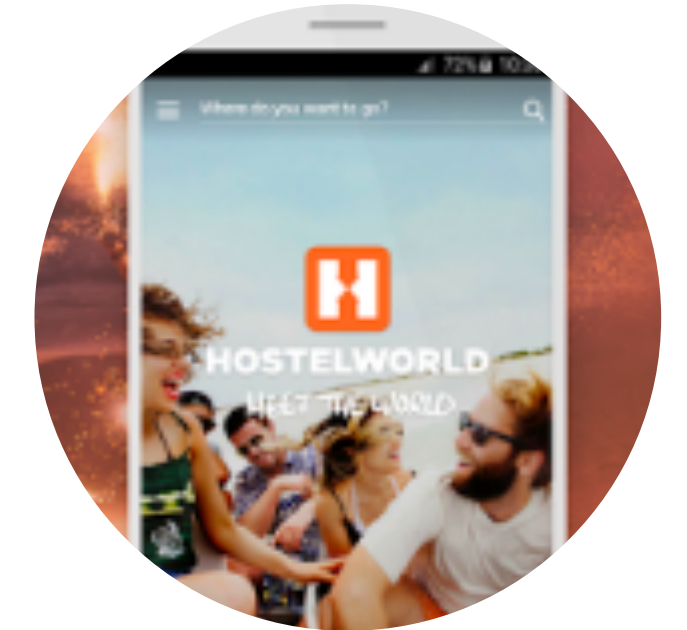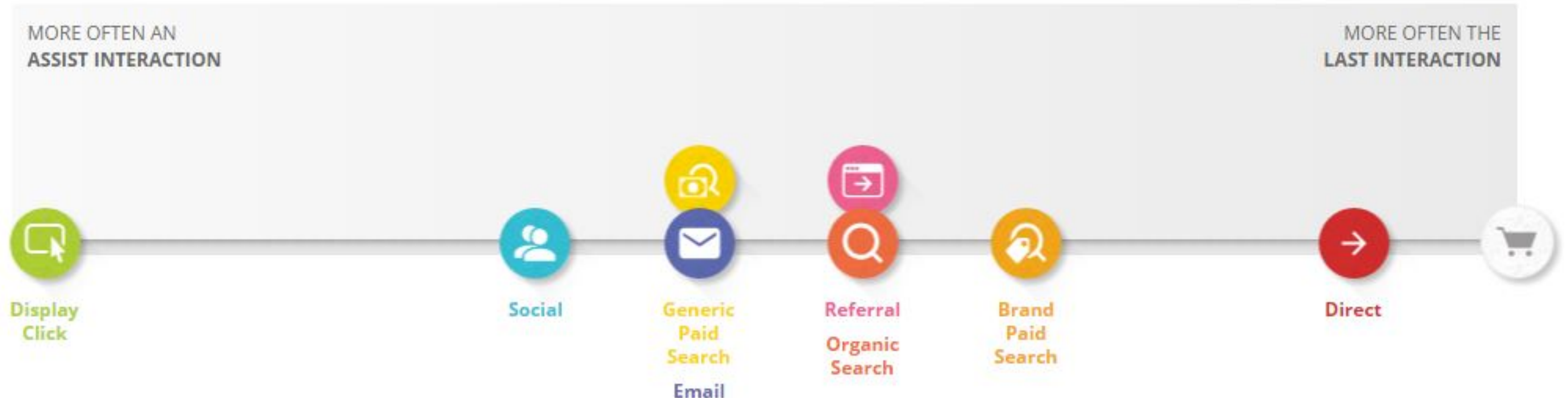
BIDDABLE MEDIA UPDATE

THE TRAVEL PATH TO CONVERSION

We used to measure display on a last click basis, this created the wrong behaviour. We now measure display on a post view contributed basis.

MORE OFTEN AN
ASSIST INTERACTION

MORE OFTEN THE
LAST INTERACTION

Display Click

Social

Generic Paid Search

Email

Referral

Organic Search

Brand Paid Search

Direct

WE MOVED FROM AGENCY TO IN HOUSE AND CHANGED HOW WE THINK ABOUT DISPLAY

FROM THIS

TO THIS

WE DEVELOPED A CAMPAIGN FOCUSSED ON CONSUMER PASSION AND FOCUSSED ON NEW CUSTOMERS

- Implemented various audience strategies including third party buys and creating custom affinity audiences to find new customers

- Achieved 4X ctr's on open exchanges (0.13% compared to 0.04%)

- The creative won a silver award at the creative tech award 2017

WE HAVE BEEN EXPERIMENTING WITH FACEBOOK TO BUILD A FULL FUNNEL ALWAYS ON STRATEGY

Activities:

- Page boost
  - Objectives: promote fan growth and increase traffic to the blog

- Destination/seasonal campaign
  - Objectives: increase demand and facilitate users through the funnel

- Dynamic ads for travel – (facebook remarketing product)
  - Objectives: drive bookings through retargeting
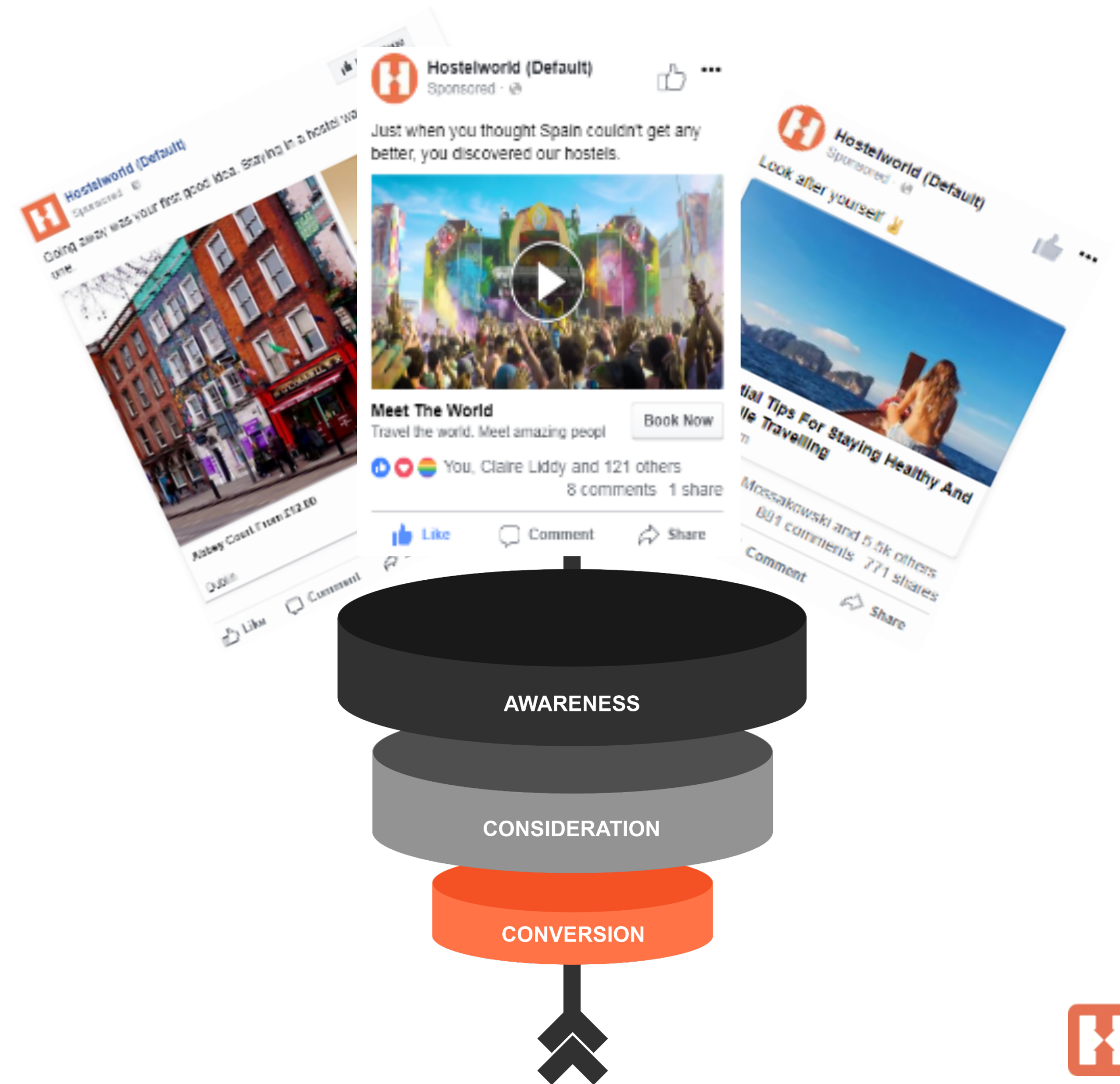
WE HAVE HAD A FOCUS ON BUILDING INSPIRING ADVERTS THROUGHOUT THE PURCHASE FUNNEL

- Focus on larger high impact formats to most effectively showcase the brand and product.

- Use of automation and decision trees to scale the creative offering and deliver a tailored message based on audience behaviour. CTR is 1.29% versus 0.31% on standard activity.

- Continuous testing of new ad formats and platforms to optimise campaigns e.G. Video and native formats, snapchat & instagram.

- Google vision project underway to improve the quality of hostel images in our advertising using machine learning.

- Winner of the silver award at the creative tech awards for the best use of creative in a programmatic campaign.
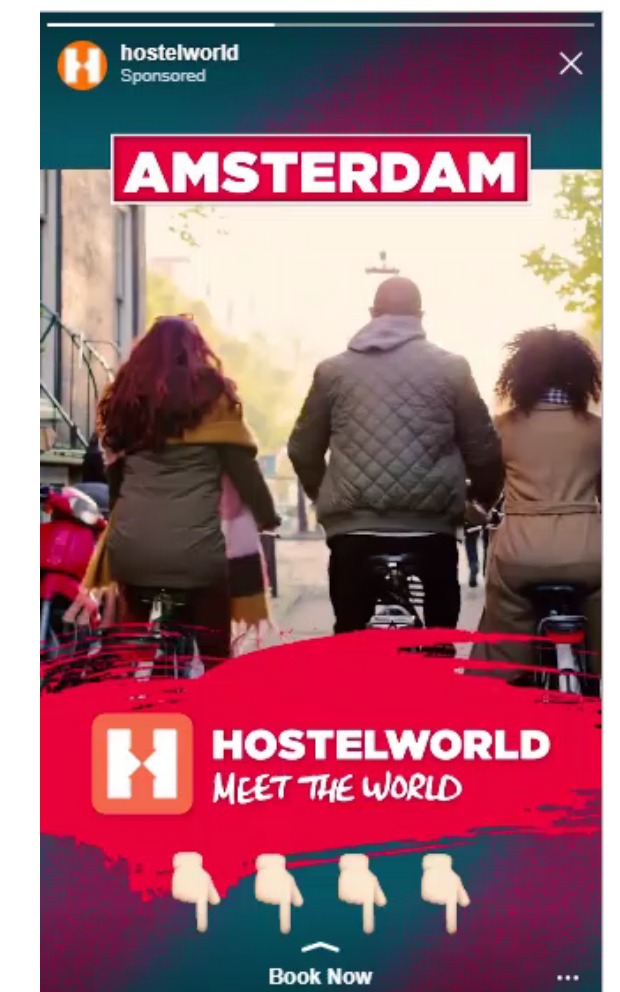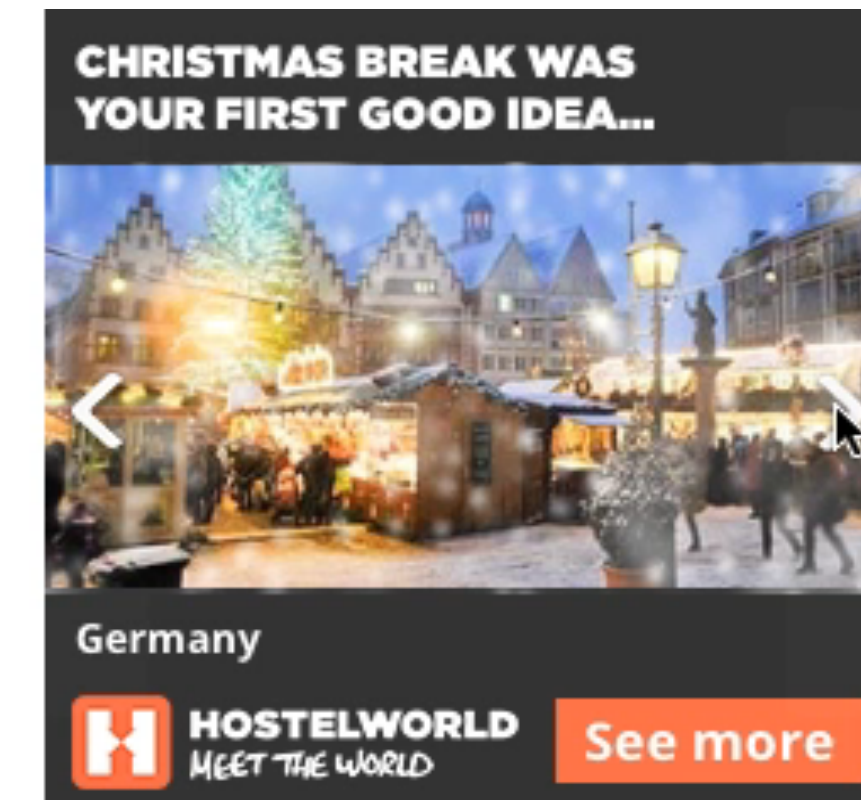
HOSTELWORLD WAS THE FIRST ADVERTISER IN THE UK ALLOWED TO USE SNAPCHAT SELF SERVICE PLATFORM. ENABLING US TO REACH MORE OF OUR TARGET AUDIENCE

Hostelworld - *Speak the World App Install Campaign*

Hostelworld partnered with Snapchat to be the first advertiser to test our self-serve platform with their Speak the World campaign.

Speak the World was launched to promote the new voice translation feature within the Hostelworld app. The primary objective of the campaign was to promote video views proceeded by app installs. To achieve this, Hostelworld used Snap Ads focusing on App Install to help deliver against both the objectives.

HOSTELWORLD

Snap Ads

SPEAK 43 LANGUAGES NOW

HOSTELWORLD
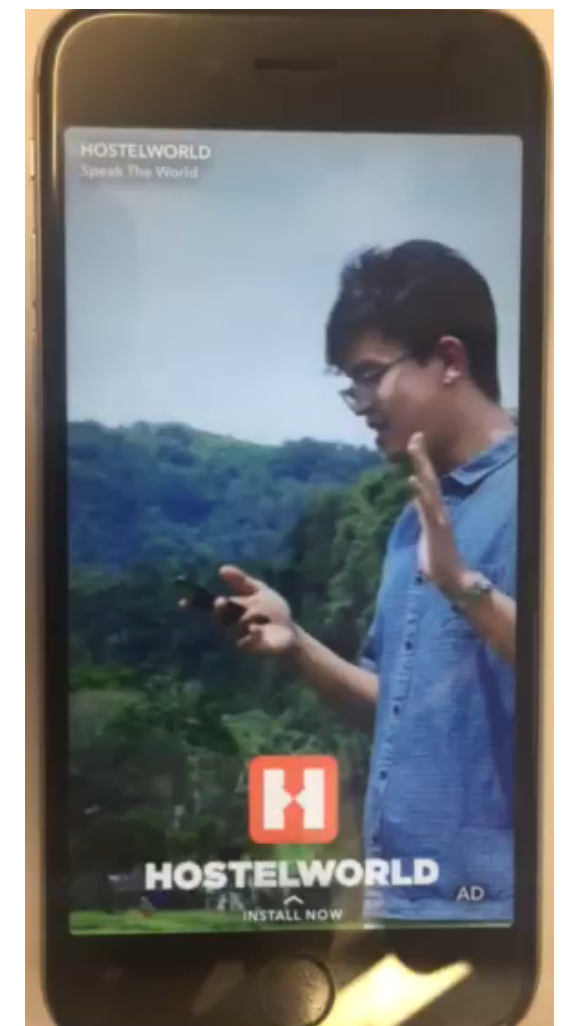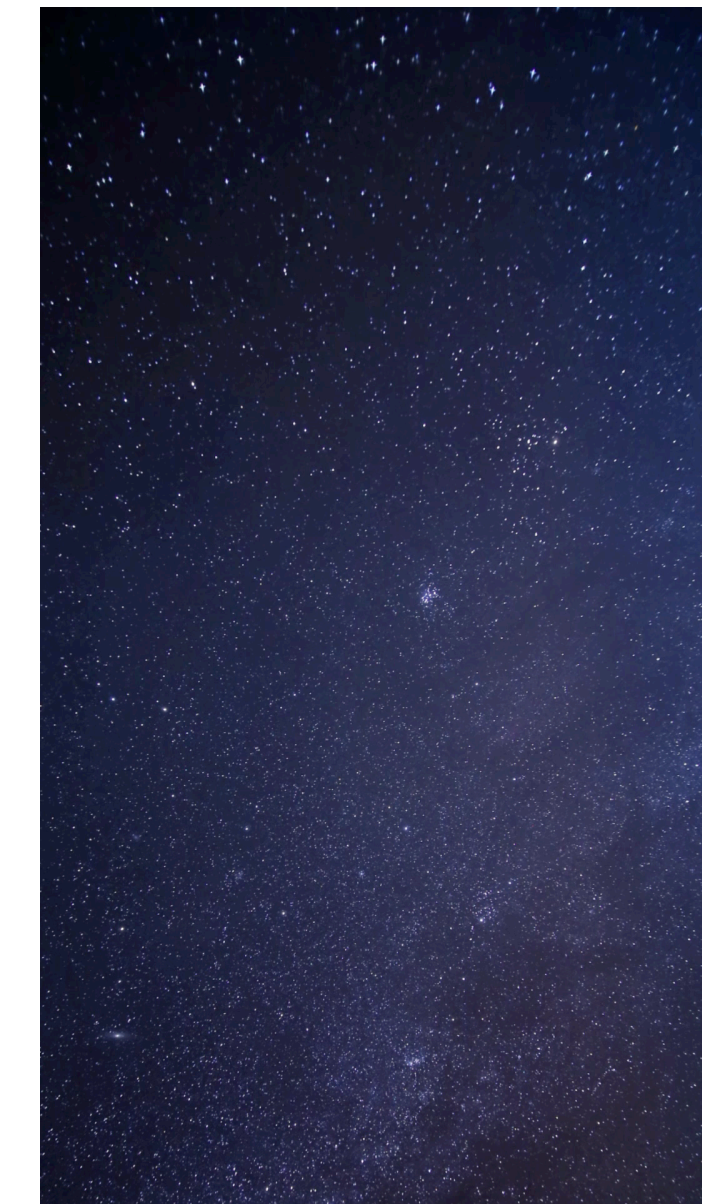
50%
Lower CPM than campaign average across platforms

48%
Higher Video Completion

90%
Lower CPM than direct bought campaigns

80%
Lower CPI than other platforms

HOSTELWORLD
INSTALL NOW

ANY QUESTIONS?
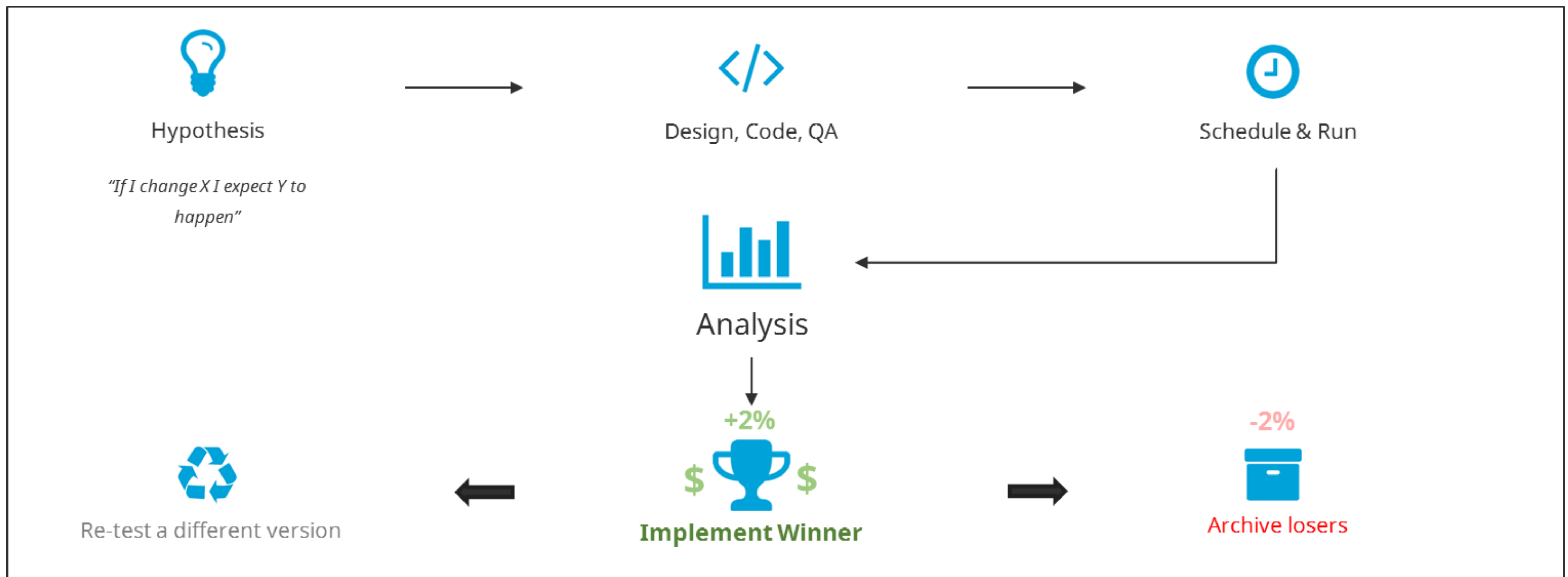
GENERATOR, FRANCE

BUILDING PRODUCTS THAT CONVERT & CREATE DIFFERENTIATED EXPERIENCES

Breffni Horgan, Head of Product & Design

CRO

Conversion Rate Optimization (CRO) is a system for increasing the percentage of visitors to a website that convert into customers, or more generally, take any desired action on a webpage.

Hypothesis

"If I change X I expect Y to happen"

Design, Code, QA

Schedule & Run

Analysis

+2%
$ 🏆 $
Implement Winner

Re-test a different version

-2%
Archive losers

PRIMARY FOCUS IS CONVERTING VISITS TO BOOKINGS.

CRO @HOSTELWORLD
Timelines & Progress

2015
PILOT & PROOF OF CONCEPT

- Cross functional team
- Partnered with Online Dialogue
- Standard A/B testing tools

Average conversion uplift **+4.2%**

2016
BUSINESS CASE APPROACH

- Dedicated CRO team
- Resourcing from other teams
- Continued partnership with Online Dialogue
- Standard A/B testing tools

Average conversion uplift **+1.8%**

2017 (YTD)
FUNCTIONAL CRO TEAM

- Expanded dedicated CRO team
- Increased resourcing from other teams
- Online Dialogue consulting
- Standard A/B testing tools
- Psychology course completed; psychology-based testing
- New product features testing
- Initial apps testing
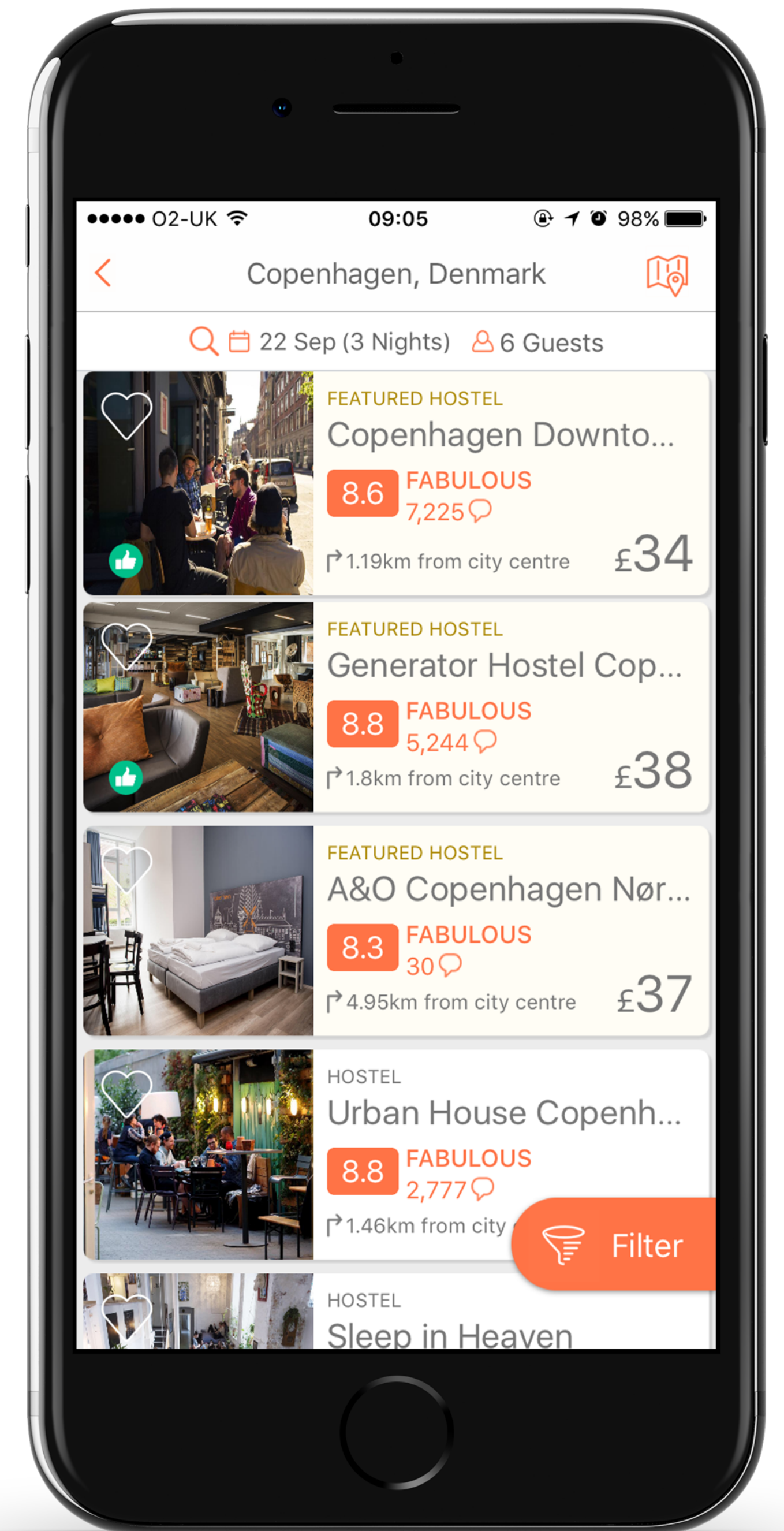
Average conversion uplift **+2.0%**

2015   2016   2017
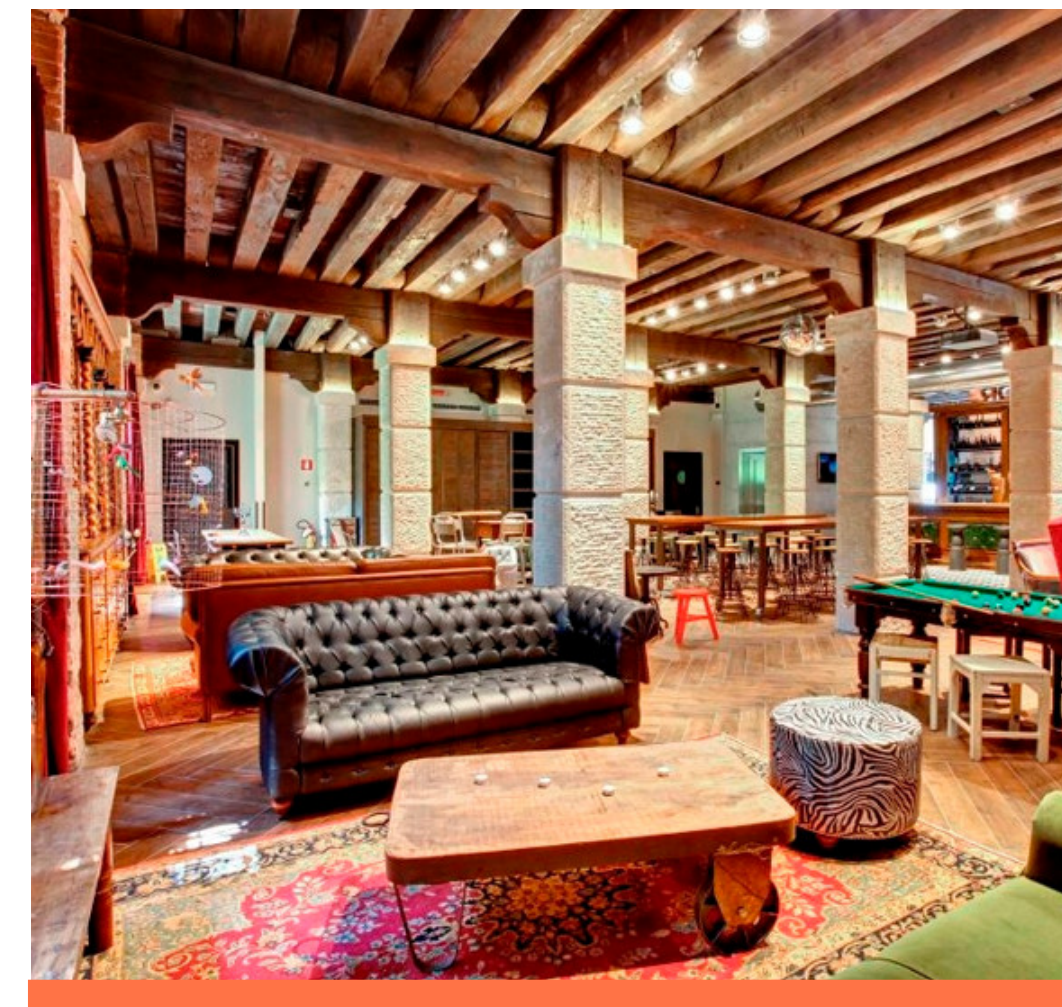
OUR MOBILE JOURNEY

WHAT WE KNEW

CUSTOMER

LOCATION

HOSTEL

CONTEXT

WHAT WE NEEDED

WEATHER

THINGS TO DO

PLACES TO EAT
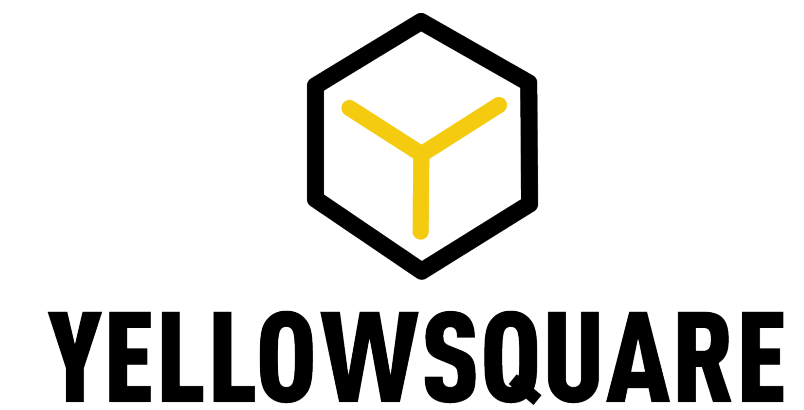
HOSTEL CUSTOMERS ARE NOT YOUR AVERAGE TOURIST

They are an open-minded, spontaneous and energetic bunch who crave adventures, not souvenirs. They want to immerse themselves in unknown cultures, not just observe them. They want to take home unforgettable stories, the kind you can't make up.
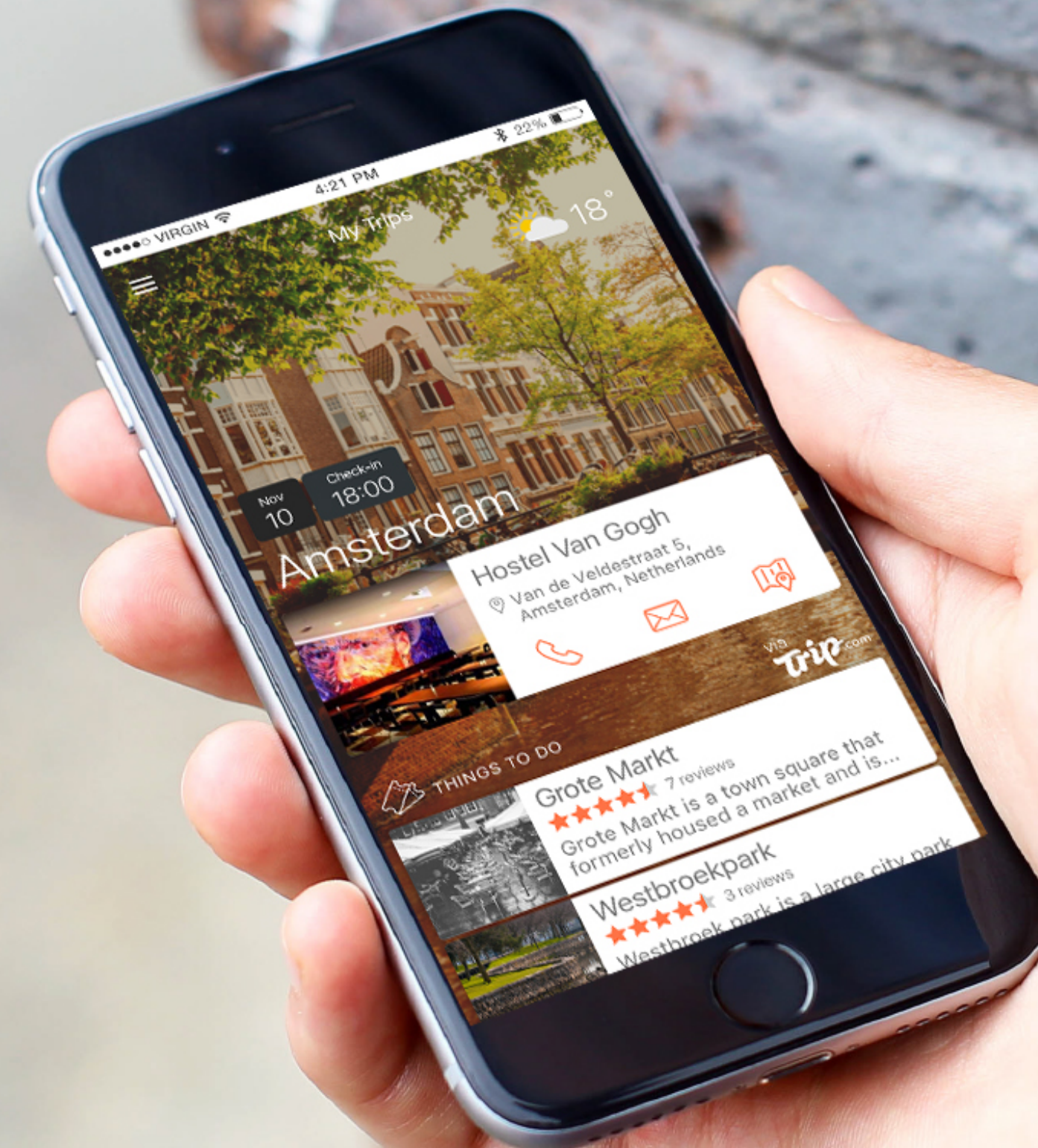
PARTNERSHIPS
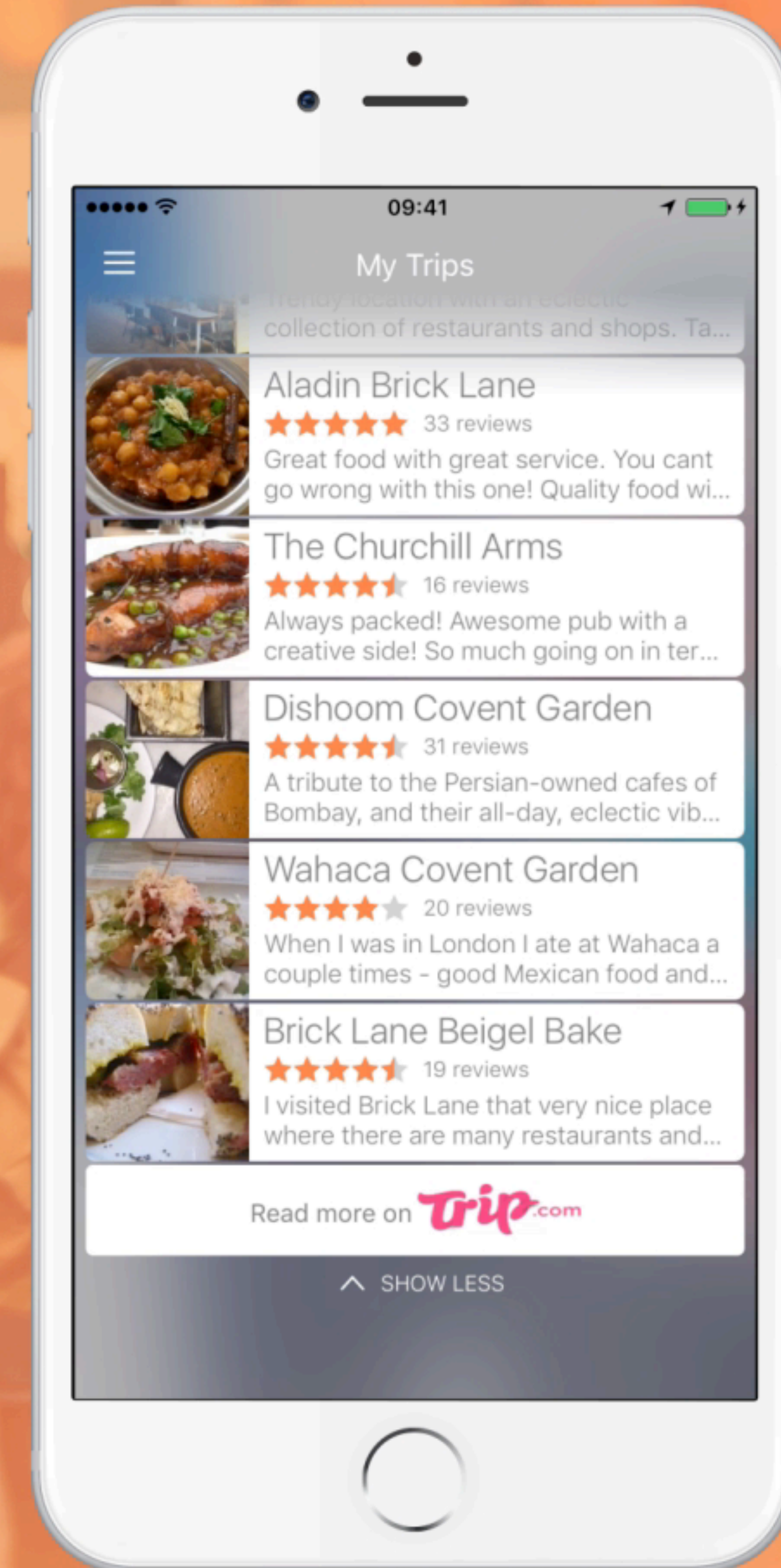
Content & API's

MY TRIPS
Launched May 2016

- Supports Differentiation strategy

- Available in 50 cities

- Contextual in App experience

- App Acquisition tool
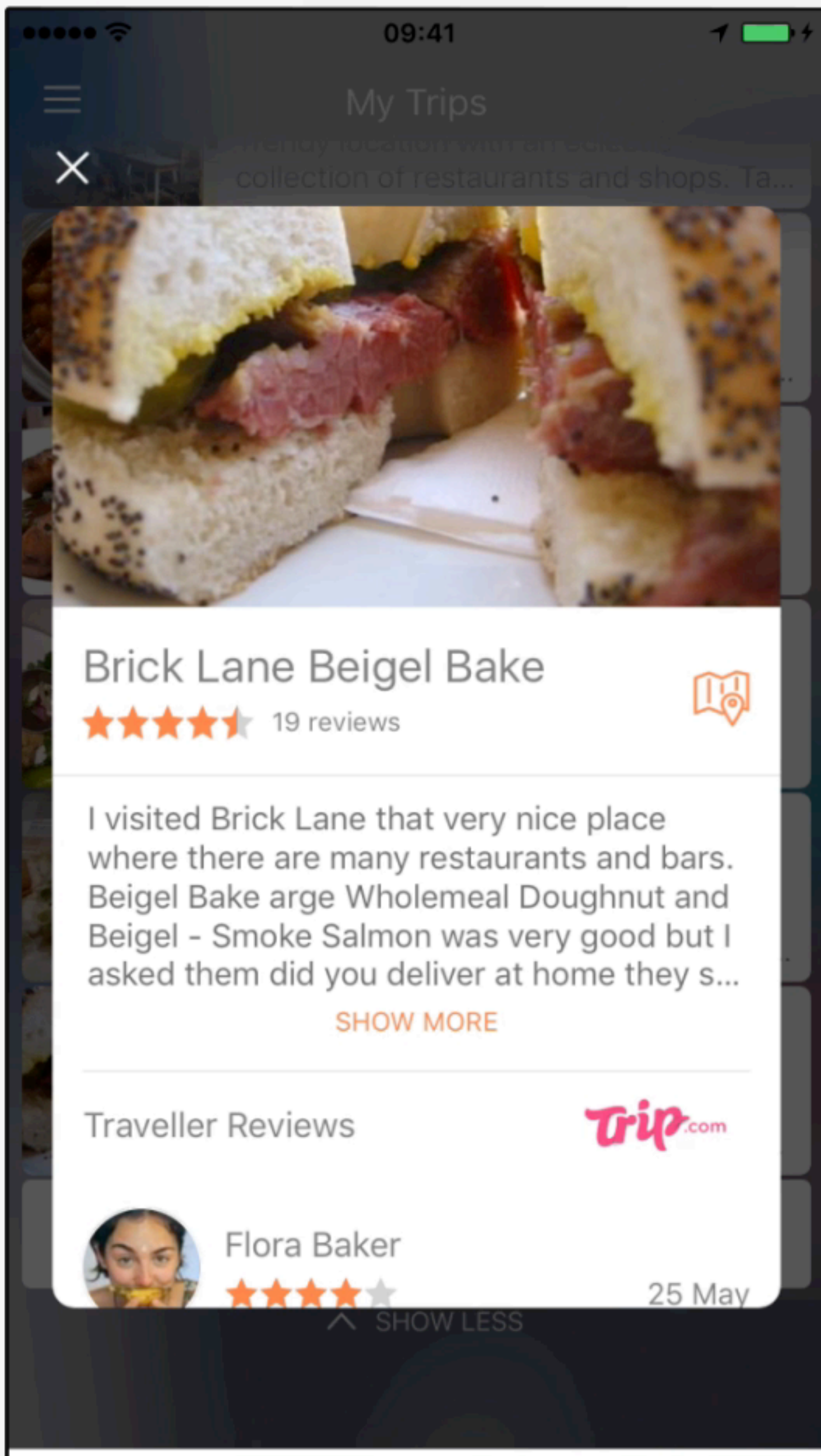
- Engage & retain customers

MY TRIPS

Personalised info about your upcoming adventure straight to your device.
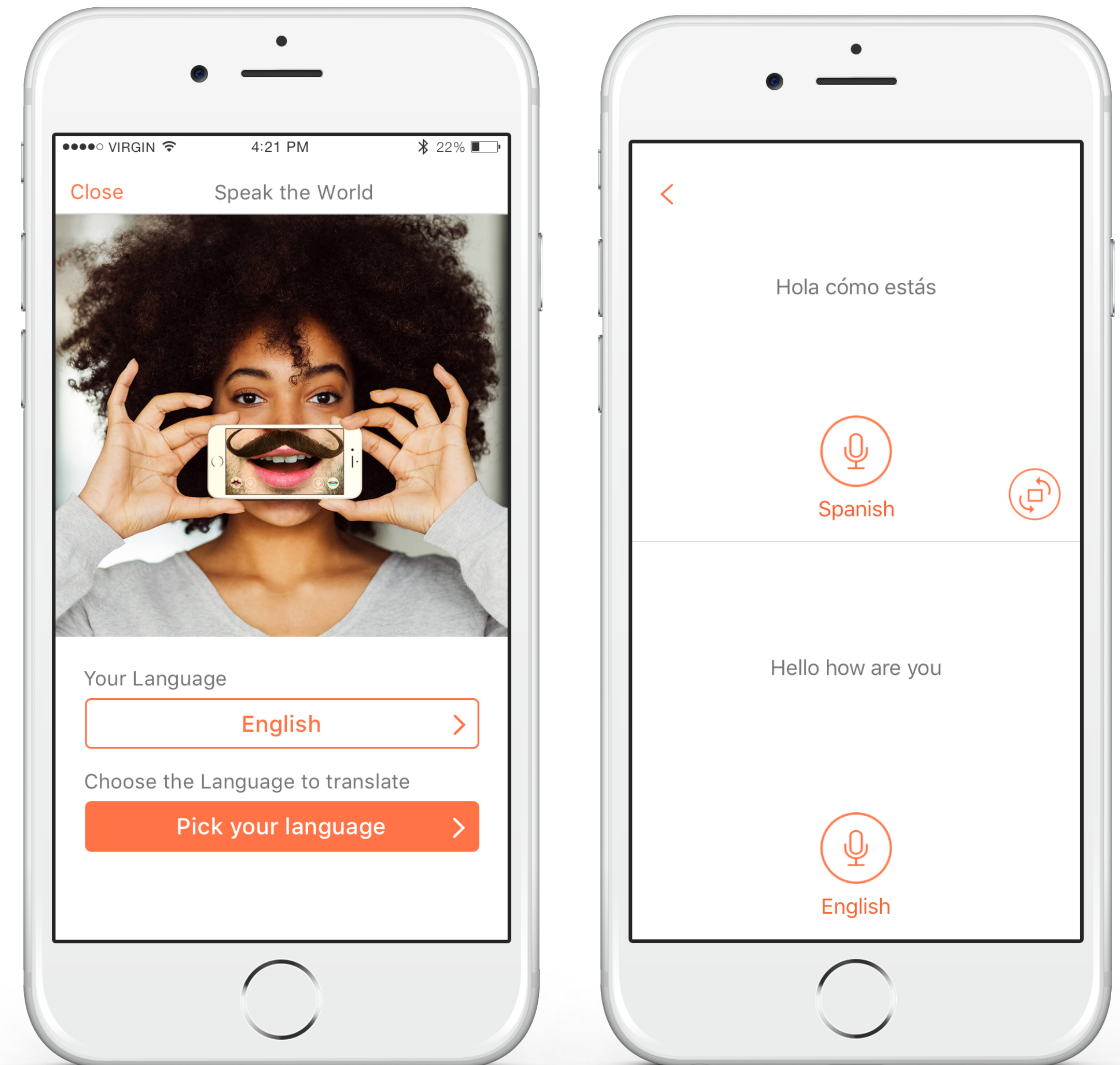
DIFFERENTIATING
THE EXPERIENCE

GALLERY HOSTEL PORTO, PORTUGAL

SPEAK THE WORLD
Launched May 2017

- Support Differentiation strategy

- Partnership with Google Zoo

- App acquisition tool

- Encourage customers to meet & converse with fellow travellers
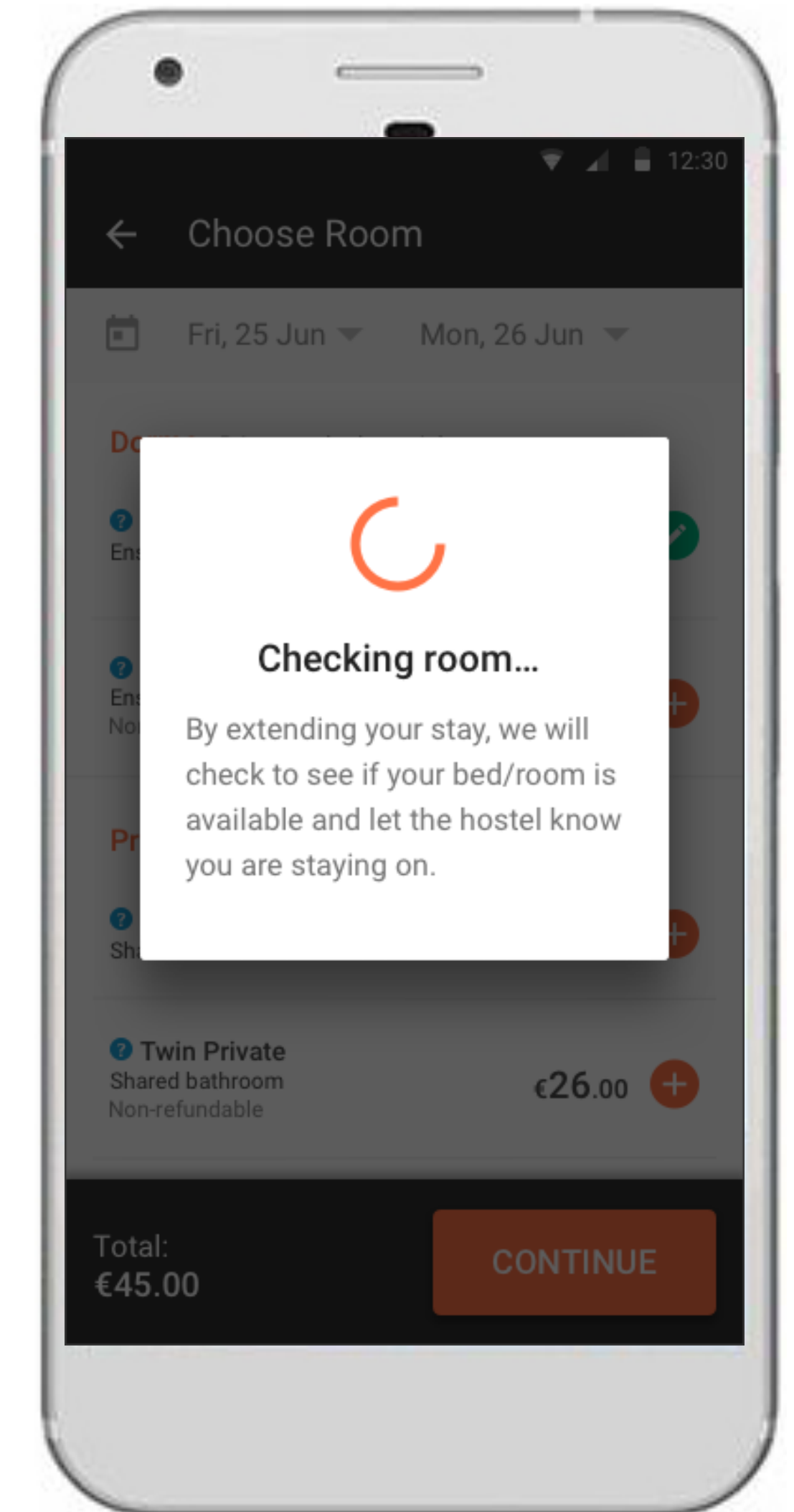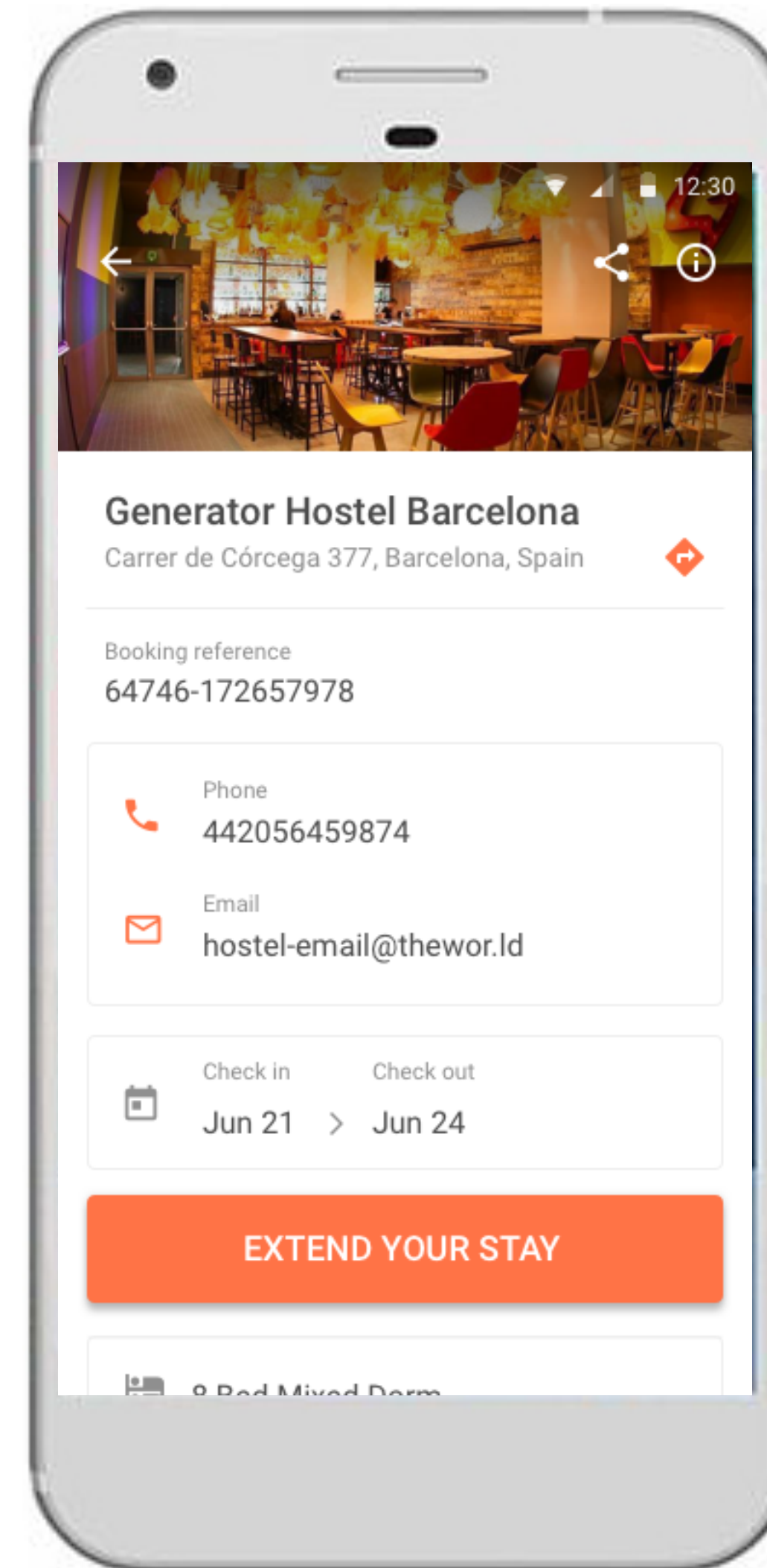
- Positive feedback from customers

EXTEND YOUR STAY

Launched Oct 2017

- Supports Loyalty strategy
- Customers prompted via push notification
- Customer retention tool
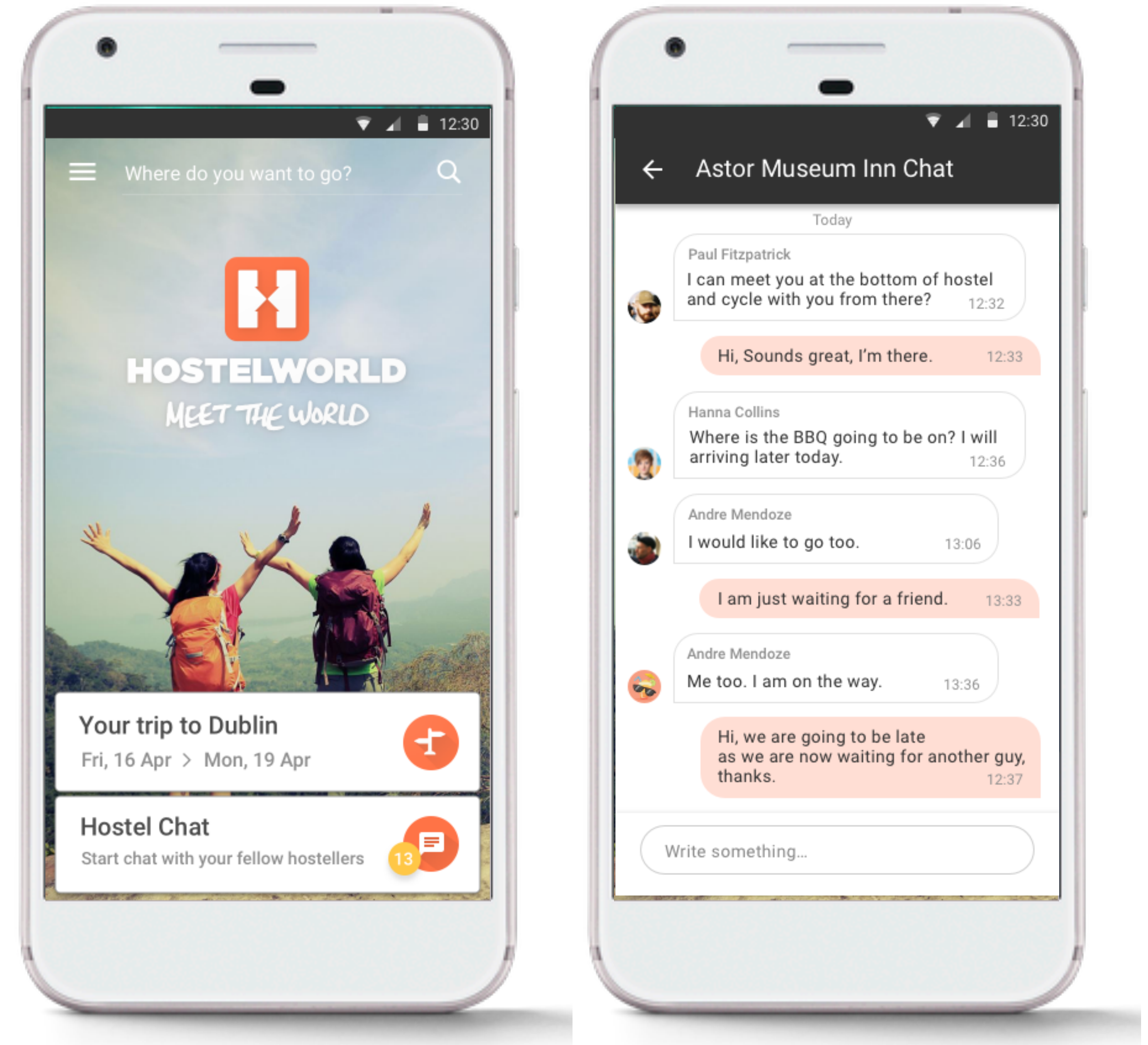- Increase bed nights per customer

HOSTEL CHAT
Launched Oct 2017

- Launched Oct 2017

- Supports Community & Differentiation strategy

- Social feature delivering on "Meet the world" brand promise

- App acquisition tool

RECOGNITION

RECOGNITION

Award Nominations

- Power of Partnership Winner – Marketing New Thinking Awards 2017

- Shortlisted for best community & social app – speak the world

Upcoming Awards

- Best For Staying

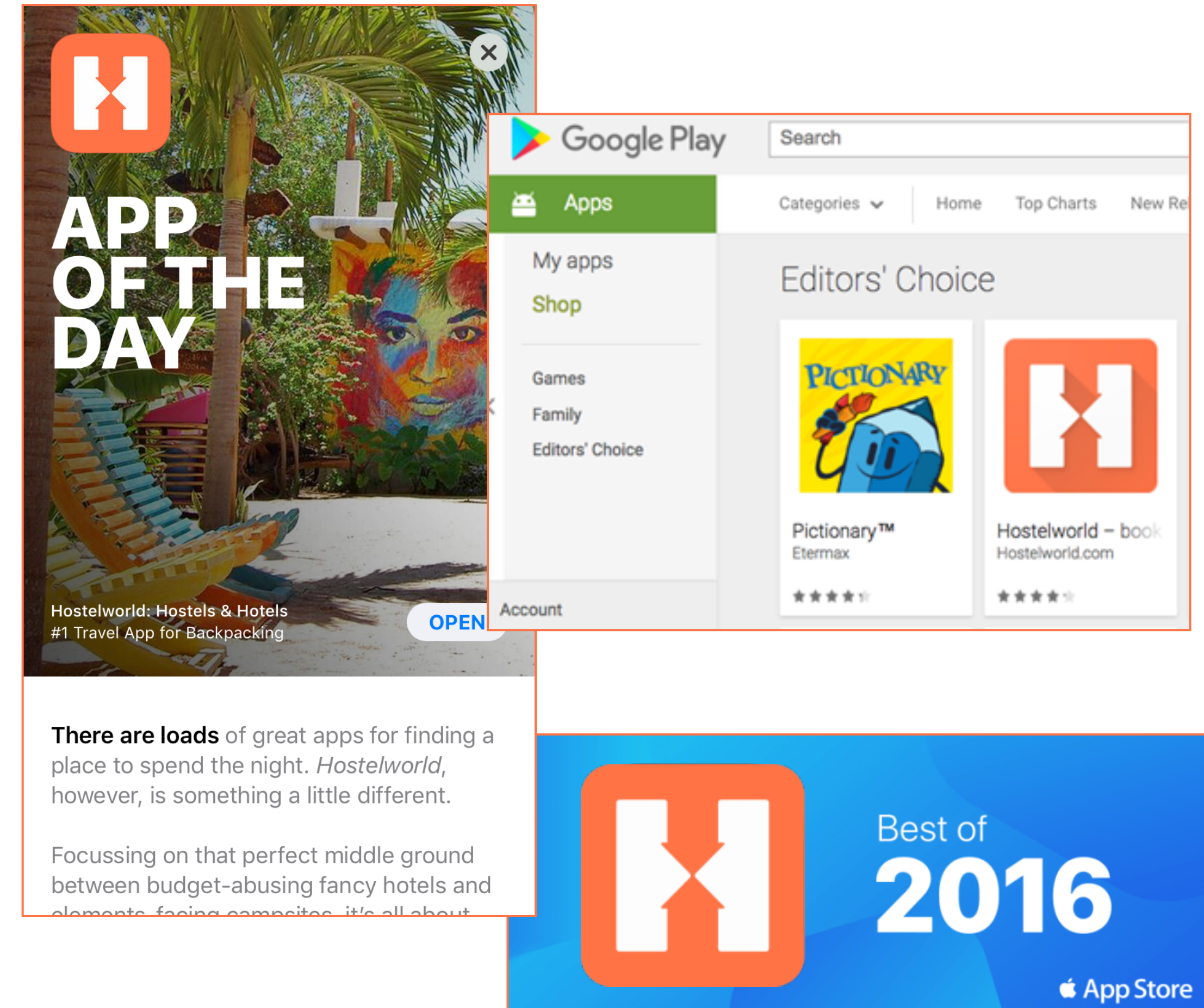- Best for Experiences

- Use of Mobile

RECOGNITION
App Stores

- App of the Day – Sep 2017 (iOS)

- Editor's Choice 2017 (Google Play)

- App Store Best of 2016 (iOS)

- Top Developer 2016 (Google Play)

GLOBAL MARKET TEAM

Paul Halpenny, Group Director of Supply

OUR CORE AREAS
Great Progress and Execution

- Supply growth
- Account management
- Pricing
- Industry partner

STRONG GROWTH IN HOSTEL SUPPLY

3% Growth in estimated Hostel Bed Capacity

SUPPLY GROWTH

- Hostels overall estimated bed capacity increased by 3% in 12 months to 30 June 2017
- Asia delivering 1,000 plus new openings in 2016
- Thailand contractor on the ground
- Seoul office

NEW OPENINGS 2017

- A&O Copenhagen (600 beds)
- Amistat Island Hostel Ibiza (332 beds)
- Motion Chueca Madrid (290 beds)
- Lub'D Siem Reap Cambodia (220+ beds)
- Freehand LA (600 beds)

TOP 10 KEY ACCOUNT NEW OPENINGS
(17/18)

- Meininger - 9 new openings (Amsterdam, Berlin, Budapest, Milan, Munich, Rome, St Petersburg). 5 planned for 2019
- Generator - Madrid & Miami
- HI USA - New Orleans
- Clink – first Dublin site purchased 2017

NEW DEVELOPMENTS

- Selina Group - 25 properties (hostels combined with shared working spaces) LATAM focus – 100 new openings by 2020
- Accor Group Jo&Joe (40 new properties planned over next 5 years)
- Safestay expansion – acquisition of U Hostels Group & Equity Point Hostels

SERVICE & SUPPORT
Hostels & Customers

- Personalised account management
- Tier value approach
- 24/7 efficient support
- Site visits & city events

24/7

40% OF ALL QUERIES ON LIVE CHAT

5% AUTOMATED CLOSURE

PRICING ROADMAP

Provide Excellent Value

- Base Service Fee & Listing's
- Elevate
- New transaction models
- Reward key partners
- Pricing information and tools

GENERATOR, SWEDEN
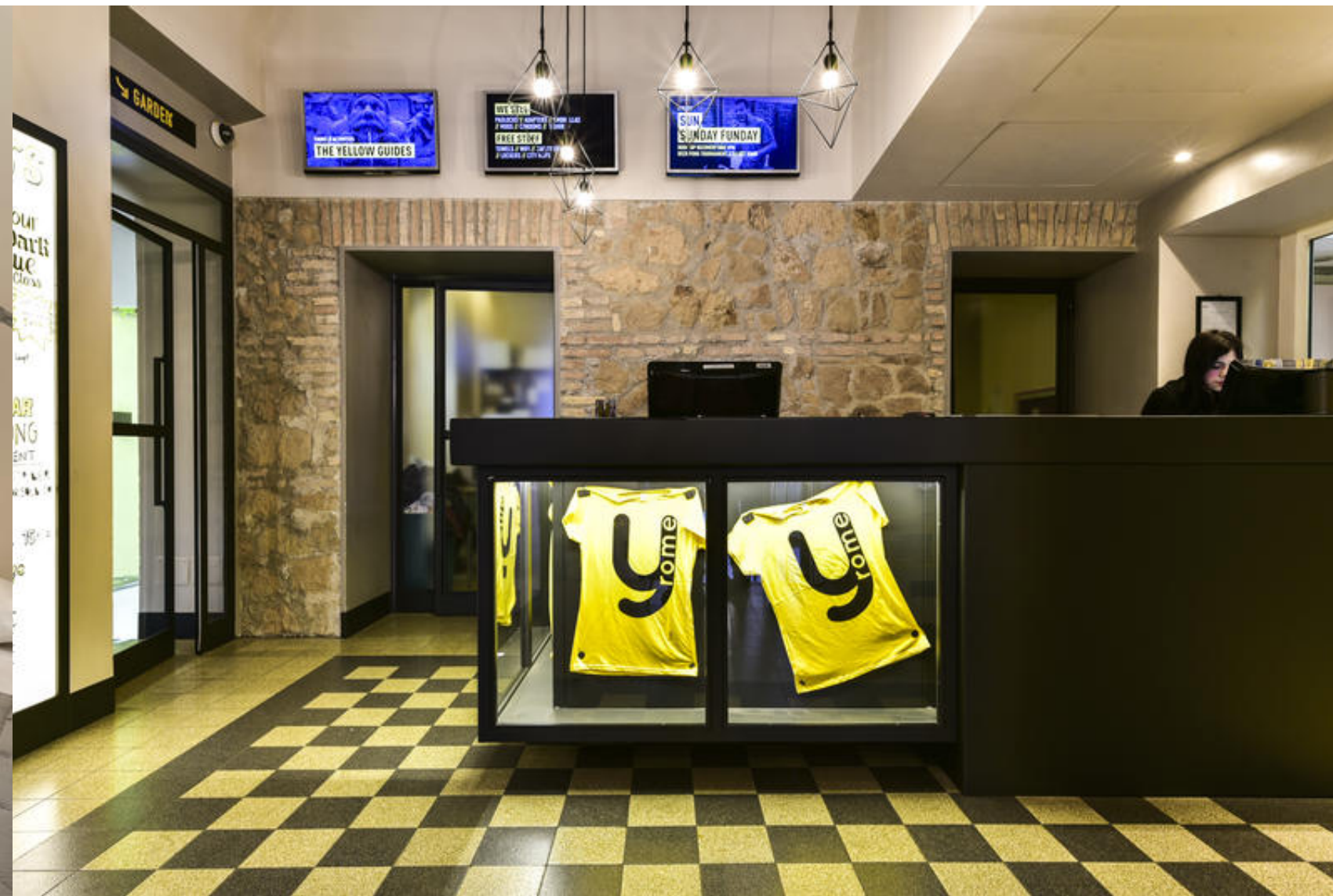
INDUSTRY PARTNER
Supporting Awareness & Growth

- Hostel conference & investor forum
- New York legislation
- Putting Hostels on the map
- Supporting new openings & investment (advisory & data)
- Tailored business solutions

WHAT THE HOSTELS SAY

Hostel Partners

HOSTEL LIFESTYLE

PRESENTER

FABIO COPPOLA

YELLOWSQUARE

HOSTELWORLD

#MEET THE WORLD

IN LOVE SINCE 1999

THE CUSTOMERS TOO

A LOUNGE AND A GUITAR

BASIC KITCHEN

ARMY STYLE DORMS

WHAT WAS HE LOOKING FOR?

EXPERIENCE

DESIGN & ART

HAIR DRESSER

COOKING CLASSES

SHOWS

DECEMBER 1st WORLD AIDS DAY
AIDS IS NOT DEAD

CLUB

ESCAPE ROOM

STYLISH DORMS

PRIVATE ROOMS

MASLOW'S HIERARCHY

Self-actualization

Self-esteem

Love and a Sense of Belonging

Safety and Security

Basic Physical Needs
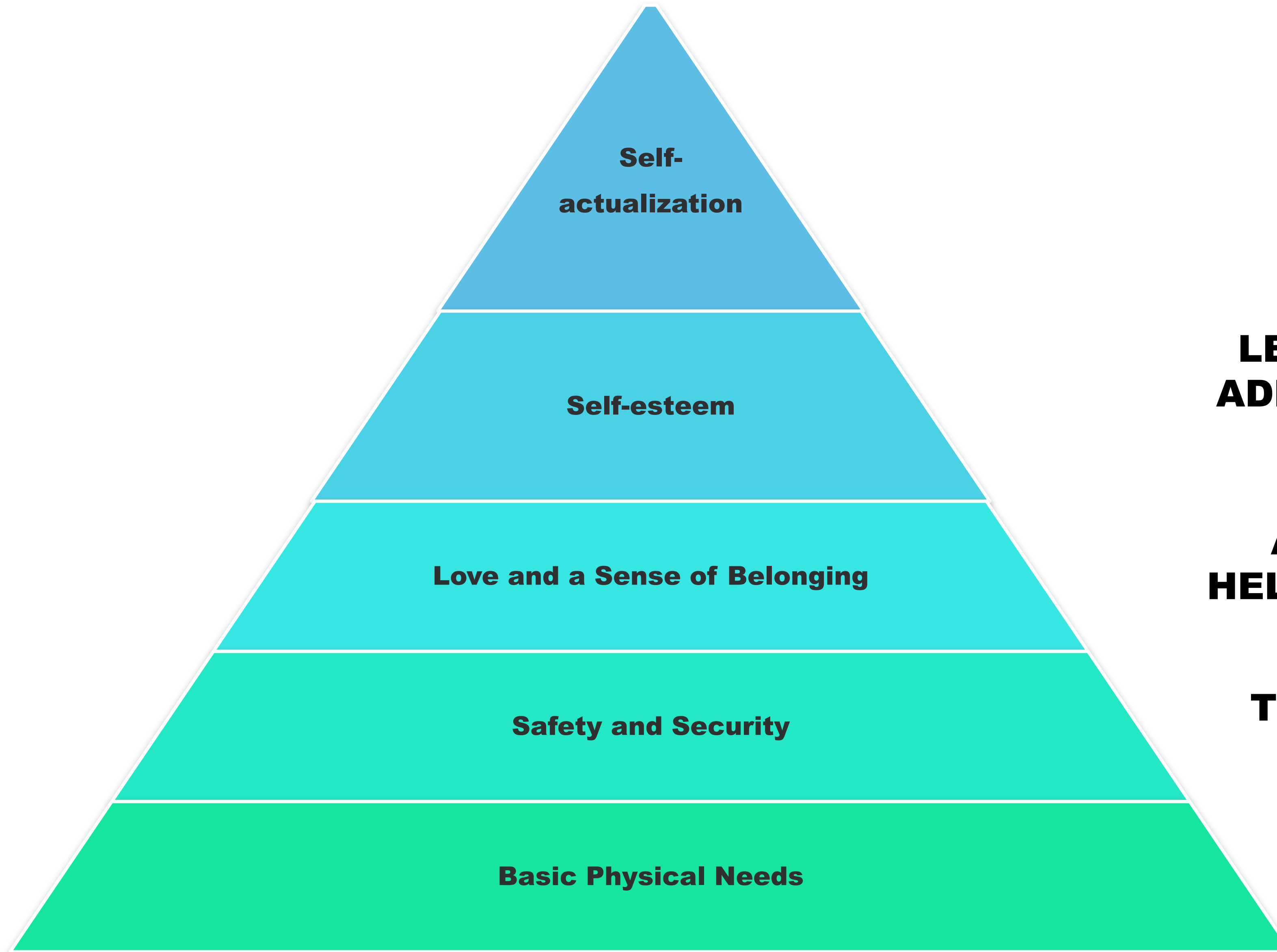
SEEK KNOWLEDGE THROUGH EXPERIENCE

LEARN, IMPROVE AND GAIN ADMIRATION BY THE OTHERS

AN ENVIRONMENT THAT HELPS TO CREATE RELATIONS

THE TRUST IN THE BRAND

SLEEP, EAT, ETC..

Global Degree ✓ is 🇮🇹 feeling pumped wi...
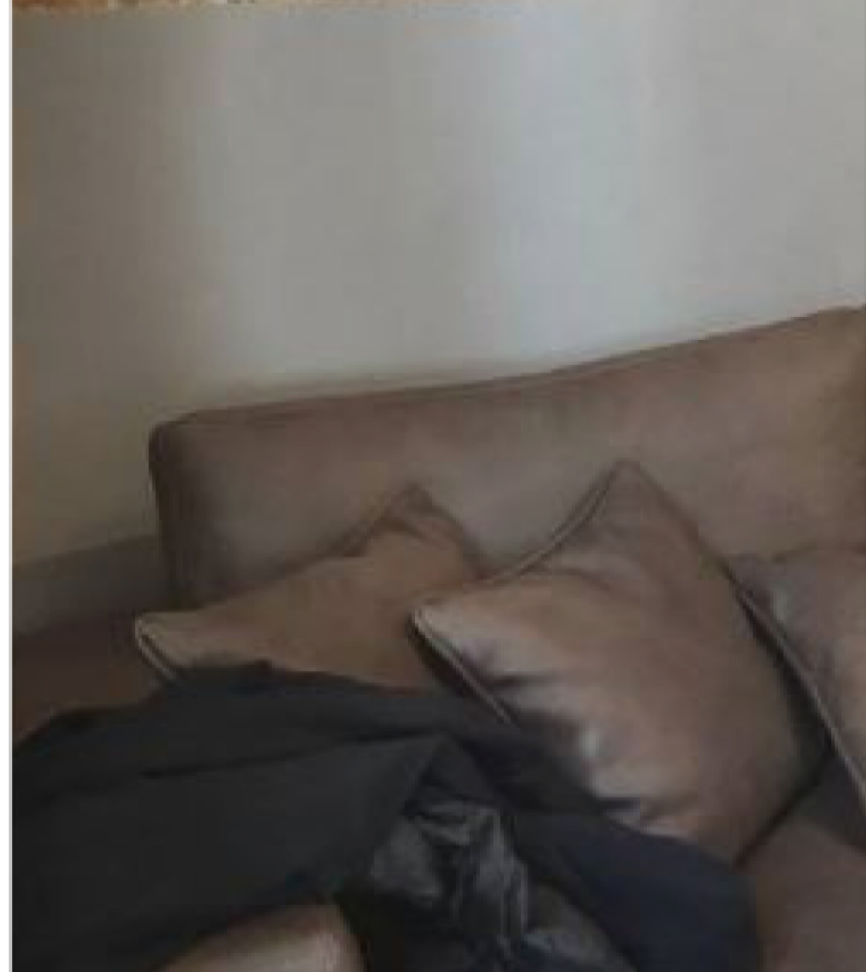Rome, Italy.

July 4, 2016 · 🌐

Every now and then you stumble on an iconic host...
and culture. The Yellow on Hostelworld is definitely ...
for h...

Loo...

Lola Photography is at 📍 Fontana Di Trev...
Roma.

Had a be...
gelato a...
sweating ...

THEYELLOWB...

4,003 likes

SEPTEMBER 25

Add a comment...

1:30-15:30

Less hostel events

CHOOSE ROOM

theyellowbar
The Yellow Bar

Following

theyellowbar Acoustic live session by
@lucachikovani thank you for the amazing
performance! @hostelworld
#hostelworld #MeetTheWorld
Live from #theyellowstage #theyellowbar
#yellowsquare @theyellowbar #band
#onthestage #livemusic #acousticguitar
#musician @theyellowrome #fun
#porettistage #yellowasted

👍 Like Page ···

ellow. Shout
seriously never
last night in

♡ ○

300 views

SEPTEMBER 27

Add a comment... ···

PIZZA PIZ

sie Evans, Natalie Wimbrow and 52 others   1 Comment

💬 **Comment**   ↪ **Share**

ITALY EXPANSION PLAN

ART RESIDENCY

SKATE PARK

COWORKING

BIKE SHOP

PROTOTIPE

RECORDING STUDIO
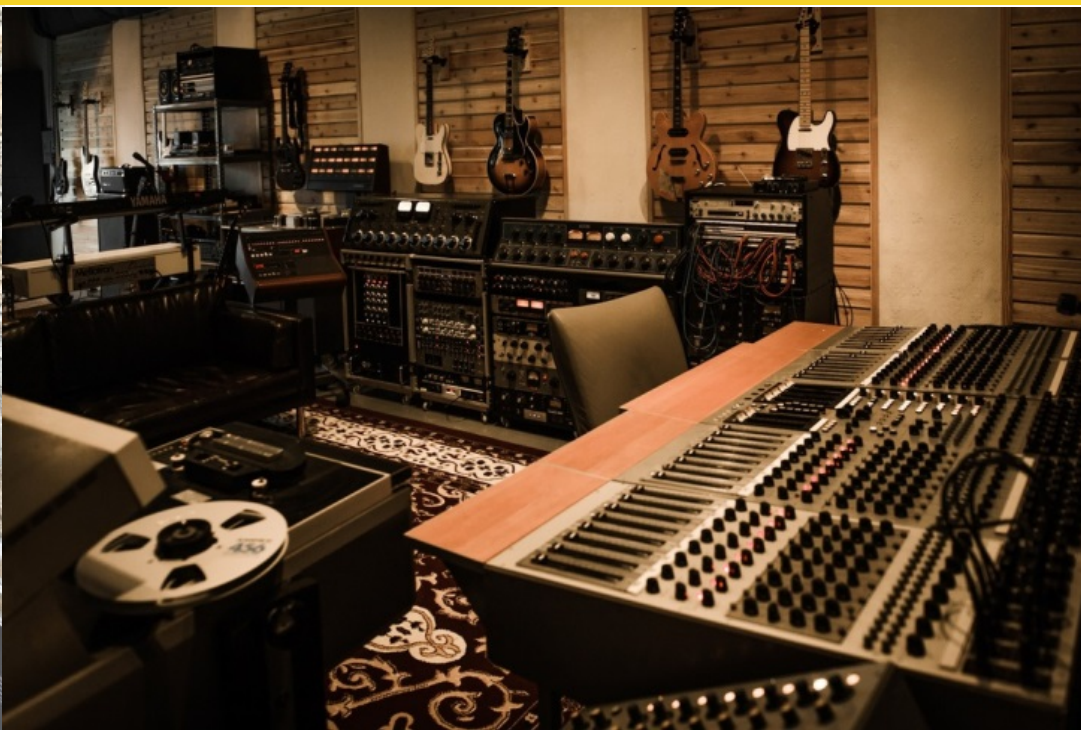
MILAN

VENICE

BOLOGNA

FLORENCE

ROME

NAPLES
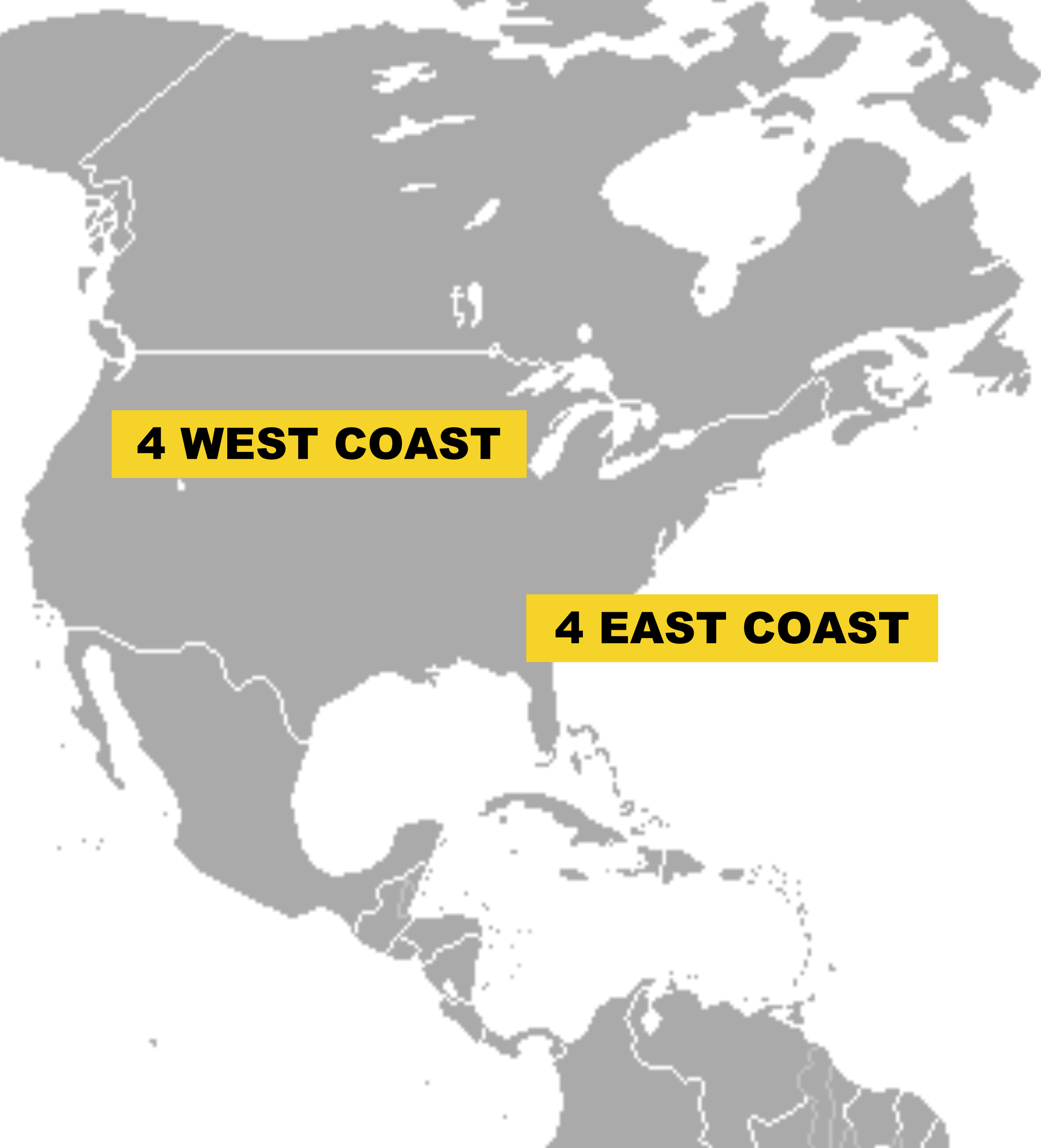
BUSINESS

SCHOOL GROUPS

LIVING

COUPLES

FAMILIES

GRAZIE

YELLOWSQUARE

ANY QUESTIONS?