Hostelworld Group plc

(“Hostelworld” or the “Group” or the “Company”)

Interim Results 2021

H1 2021 in line with expectations; modest increase in bookings in recent weeks in line with the easing of travel restrictions

11 August 2021: Hostelworld, a leading global Online Travel Agent (OTA) focused on the hostel market, is pleased to announce its interim results for the period ended 30 June 2021

Financial highlights[1]

- Net revenue of €2.9m in H1 2021, a decline of 76% (H1 2020: €12.0m). On a quarterly basis, net revenue in Q1 2021 was €0.9m (Q1 2020: €12.0m) and in Q2 2021 €2.0m (Q2 2020: €0.0m)
- Total Group net bookings decline of 73% (H1 2020: 67%). Net booking volume decline from 1.1m to 0.3m, with cancellations €0.8m (H1 2020: €5.4m). On a quarterly basis, net bookings in Q1 2021 were 0.1m (Q1 2020: 1.1m) and in Q2 2021 0.2m (Q2 2020: 0.0m)
- Net Average Booking Value (“ABV”) of €11.72 (H1 2020: €9.45), reflecting favourable geographic mix, and higher number of bed nights per booking
- Total H1 2021 marketing costs of €2.4m were 64% of net revenue (excluding deferred revenue), (H1 2020: €7.5m, 76%)
- Administrative expenses reduced by 43% to €13.5m in H1 2021 (2020: €23.7m)
- Adjusted EBITDA loss of €9.7m (H1 2020: €8.3m loss)
- Basic loss per share of 17.50 € cent (H1 2020 basic loss per share: 18.60 € cent)[2]

Balance sheet and cash flow:

- Closing cash position €33.7m (H1 2020: €32.9m)
- Adjusted free cash flow (101%), (H1 2020: (33%))
- Customer deposits related to bookings made under the free cancellation policy amounted to €1.1m (H1 2020: €0.6m)
- Cash dividends for 2021 remain suspended

[1] The Group uses Alternative Performance Measures (‘APMs’) which are non-IFRS measures to monitor the performance of its operations and of the Group as a whole. These APMs along with their definitions and reconciliations to IFRS measures are provided in the APMs section on pages 35 and 36.

[2] The H1 2020 earnings per share figures have been restated to incorporate the 1,636,252 new Hostelworld Group ordinary shares that were issued in September 2020. The weighted average number of shares in issue during the period was adjusted to include these bonus shares as if they were issued 1 January 2020.

Gary Morrison, Chief Executive Officer, commented:

"During the first half of 2021 the Covid-19 pandemic has weighed heavily on the global travel industry. Although global vaccination programmes have continued at pace, new strains of the virus have spread rapidly around the world leading to frequent and swift changes to travel restrictions.

Despite the challenging macro environment, we are starting to see customer demand returning in geographies where travel restrictions have been eased. In the US we have seen a recovery in domestic demand during Q1 and Q2, followed by a strong recovery in several Southern European markets in Q2. As the recovery has progressed we are also seeing the economic benefits of the initiatives we have already taken to strengthen our core platform, driven by improvements in inventory competitiveness, user experience enhancements and improved marketing capabilities.

As we look ahead, I am very pleased with the positive customer feedback we have received to our Meet The World™ growth strategy tests in the first half of the year which builds on our Core business strengths to provide our customers with a wider range of travel products and social features to help them meet other likeminded travellers. Finally, our liquidity position remains very strong, driven by our relentless focus on cost control coupled with the successful term loan facility transaction in February 2021.

In summary, while the short-term outlook for the travel industry remains extremely challenging, I remain confident that Hostelworld will emerge from the COVID-19 crisis stronger than before. I would like to take this opportunity to thank all of our employees for their continued hard work and commitment, and our customers and shareholders for the support they have shown through these challenging times."

Trading update and outlook:

Similar to the initial recovery observed in Q3 2020, we are seeing swift increases in demand in those destinations where travel restrictions have eased. The recovery started with domestic demand in the US and Australia followed by stronger growth into several European destinations throughout Q2. Overall, we continue to expect the pace to mirror changes in individual markets over the coming months, both positive and negative. Outside of these geographies, demand continues to remain very depressed.

As the recovery has progressed we have seen several factors impact our trading economics versus the first half of 2019. In particular, average net booking values have steadily recovered to near H1 2019 levels driven by a favourable geographic mix and longer length of stay bookings, which has been partially offset by underlying bed price deflation, higher cancellation rates (in part driven by a higher proportion of free cancellation bookings) and a reduction in blended commission rates (driven by the removal of Elevate in 2020). Marketing costs per net booking however have remained elevated versus H1 2019 driven by lower conversion rates and higher cancellation rates (in part driven by a higher proportion of free cancellation bookings). Consequently, marketing costs as a percentage of net revenue remain significantly higher than H1 2019 levels, although we expect these to gradually normalise as normal travel patterns resume.

On the supply side, despite the continuing depressed demand during H1 2021 we have only seen a very modest reduction in the number of hostels on our platform compared to levels at the end of 2020, driven by continual sign ups to our platform. In addition, I am also encouraged to see our customers are continuing to book dorms in the majority of cases, with only a modest shift towards private rooms compared to 2019 levels.

Overall while bookings continue to trend well below normalised patterns, we expect the recovery to improve further during the second half of the year, albeit that we expect net bookings will remain at significantly reduced levels when compared to 2019. In particular we expect the pace of the recovery to mirror changes in individual markets over the coming months, both positive and negative.

Whilst significant uncertainty remains, and the recovery is likely to take some time, the Board remains confident in the resilience and flexibility of the Group's business model, and its ability to execute on its growth strategy and build market share as demand recovers. In parallel, the Board will continue to evaluate internal and external opportunities that will deliver value for shareholders, in particular the significant potential to enhance future growth through our Meet the World™ growth strategy.

In light of continued market uncertainty, the Group is not in a position to provide full year guidance until such time as the overall impact of COVID-19 on the Group becomes clearer.

Analyst Presentation

A presentation will be made to analysts today at 9.00am, a copy of which will be available on our Group website: http://www.hostelworldgroup.com. If you would like to dial into the presentation, please contact Powerscourt on the contact details provided below.

For further information please contact:

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About Hostelworld Group

Hostelworld Group, the global hostel-focussed online booking platform, inspires passionate travellers to Meet The World™, and come back with life-changing stories to tell. Our customers are not your average tourists; they crave cultural connection and unique experiences that we make possible by providing an unbeatable selection of hostels in unmissable locations - all in the palm of their hand.
It is the social nature and community feel of hostels and their environment that enable travellers to embrace journeys of discovery, adventure and meaning. We have over 20 years' experience, with more than 13.5 million reviews across more than 16,700 hostels in 183 countries, making our brand the leading online hub for social travel. Our website operates in 19 different languages and our mobile app in 13 languages.

Cautionary statements

This Announcement may contain, and the Company may make verbal statements containing, "forward-looking statements" with respect to certain of the Company's plans and its current goals and expectations relating to its future financial condition, performance, strategic initiatives, objectives and results. Forward-looking statements sometimes use words such as "aim", "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe", "seek", "may", "could", "outlook" or other words of similar meaning. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond the control of the Company. As a result, the actual future financial condition, performance and results of the Company may differ materially from the plans, goals and expectations set forth in any forward-looking statements. Any forward-looking statements made in this Announcement by or on behalf of the Company speak only as of the date they are made.

The information contained in this Announcement is subject to change without notice and except as required by applicable law or regulation (including to meet the requirements of the Listing Rules, the Euronext Dublin Listing Rules, MAR, the Financial Services and Markets Act 2000, Euronext Dublin and/or the Central Bank of Ireland), the Company expressly disclaims any obligation or undertaking to publish any updates or revisions to any forward-looking statements contained in this Announcement to reflect any changes in the Company's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statements are based. Statements contained in this Announcement regarding past trends or activities should not be taken as representation that such trends or activities will continue in the future. You should not place undue reliance on forward-looking statements, which speak only as of the date of this Announcement.

No statement in this Announcement is intended to be a profit forecast and no statement in this Announcement should be interpreted to mean that earnings per share of the Company for the current or future years would necessarily match or exceed the historical published earnings per share of the Company.

Interim Management Report

To the members of Hostelworld Group plc

Cautionary statement

This Interim Management Report (IMR) has been prepared to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The IMR should not be relied on by any other party or for any other purpose.

The IMR contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report but such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

This interim management report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Hostelworld Group plc and its subsidiary undertakings when viewed as a whole.

Chief Executive's Review

H1 review and operational update

Trading in the first half of 2021 remained extremely challenging, with the continued effects of the COVID-19 pandemic weighing heavily on Hostelworld Group and the wider travel industry. In particular, Q1 remained very depressed, continuing the trends seen in Q4 2020. During Q2 we saw a modest pickup in North and Central America, followed by a strong recovery in travel to Southern European destinations as travel restrictions began to ease. The situation however remains very volatile, with demand patterns mirroring frequent and swift changes to government guidelines, both positive and negative.

In the light of the challenging trading environment and the continued uncertainty, our key priorities have remained unchanged: to support our employees, customers and hostel partners; to maintain the strength of our balance sheet; and to execute on our growth strategy.

Supporting our employees, customers and hostel partners

We have continued to support our hostel partners through conducting joint surveys to source relevant industry data and providing supporting information for government bodies. We have held more than 30 webinars over the last six months to help hostel owners optimise their businesses to cater for current demand patterns and customer needs. During the year we also continued with our hostel industry recognition programme, the HOSCARs, to celebrate the world's most extraordinary hostels. This year's awards acknowledged the incredible work hostels have been doing in their communities over the last 12 months and seek to support the industry during the pandemic.

Similarly, we have been supporting our employees throughout the pandemic, and recently launched more programmes to facilitate agile working policies, working from abroad policy and paid wellness and parental leave days help to promote flexibility and work-life balance when working from home.

Strengthening our balance sheet

During the first half of the year, we took further steps to strengthen our liquidity position through a combination of ongoing operating cost reductions and the successful negotiation of a new five year €30M term loan facility which we drew down in February this year. These actions ensure we have sufficient reserves even with a prolonged period of depressed demand.

Executing our growth strategy

As outlined at the time of our preliminary results presentation in March 2021, our strategy for FY 2021 and beyond builds on the roadmap for growth programme and is focused around three strategic pillars. These pillars will enable us to accelerate the Group's growth when normal travel patterns resume.

1. Improving the competitiveness of our core OTA business

Our first strategic pillar is focused on continuing to improve the competitiveness of our Core OTA business (Hostelworld), through continued improvements to inventory competitiveness, user experience enhancements, stronger marketing capabilities and strengthening our position in the hostel software market. This pillar essentially builds on the initial roadmap for growth programme launched in late 2018, and I am confident that our core business is now materially stronger than Q4 2019 when we had returned the business to growth.

Following our strategic investments in Counter App Limited ("Counter"), a low cost property management system designed for the hostel market, and Goki PTY Limited ("Goki"), an innovate digital lock and smartphone app based key system in 2019, I am pleased to report we have now successfully transitioned more than 85% of all Backpack Online customers ("BPO", Hostelworld's legacy PMS) to Counter. Counter also continues to add more hostels to its platform at an impressive rate.

Goki has also seen increased interest in their products, especially from the hotel sector, as travel has resumed and the demand for contactless solutions has grown. The Goki management team expect this trend to continue, with hotels accounting for the majority of sales over the coming years. As this sits outside the scope of Hostelworld's business, we have restructured our relationship with Goki; reducing our shareholding from 49% to 31.5% and removing our right to acquire the remaining shares of the company we do not own in 2023.

2. Meet the World growth strategy™

Our second strategic pillar is focused on executing the Meet The World™ growth strategy first outlined in our full year results presentation in March 2020. This strategy will deliver growth by providing a broader catalogue of relevant experiences beyond hostel accommodation to our core business customer base; coupled with the addition of social features to enable our customers to explore the world together with other likeminded travellers. Overall, I am pleased with the progress we have made in the last six months, with several experiments confirming our customer's strong desire for these types of travel products and social features.

3. Platform modernisation

Our third strategic pillar relates to the ongoing modernisation of our underlying platform to enable us to support faster execution across both our core Hostelworld platform and Meet The World™ growth strategies; as well as reducing overall development and technology costs in the medium term. To that end, earlier this year we embarked on an ambitious plan to migrate our entire company to the cloud; and I am pleased to report that this will be complete by the end of August 2021.

Summary

Overall, while the short to mid-term outlook for the travel industry remains challenging and uncertain, we continue to expect the pace of recovery to be driven by changes in travel guidance in individual markets, which we hope to see accelerated with the continued rollout of vaccination programmes worldwide.

Whilst this recovery is likely to take some time and the consumer sentiment will continue to be uncertain, the Board remains confident in the resilience and flexibility of our business model, and that we are well positioned to execute on our strategy.

As demand recovers, the Board will continue to evaluate internal and external opportunities that will deliver value for shareholders, in particular the significant potential to enhance future growth from our Meet The World™ strategy, which will add a broader catalogue of experiential travel products beyond hostel accommodation to our platform, and create opportunities to connect like-minded travellers with each other via social features on our platform.

Gary Morrison

Chief Executive

11 August 2021

Interim Management Report

Financial Review

Highlights:

- Group net bookings decline of 73% (H1 2020: 67% decline)
- Net Average Booking Value (“ABV”) of €11.72, a 24% increase versus H1 2020 (€9.45)
- Revenue of €2.9m, a 76% decline compared to H1 2020 (H1 2020: -69%)
- Total marketing spend of €2.4m, a 68% reduction on H1 2020 (H1 2020: €7.5m)
- Total administration costs of €13.5m, a 43% reduction on H1 2020 (H1 2020: €23.7m)
- Exceptional items totalled €0.6m, (H1 2020: €3.0m)
- Adjusted EBITDA loss of €9.7m, (H1 2020: €8.3m loss)
- Adjusted free cash flow of (101%) (H1 2020: (33%))
- Basic loss per share of 17.50 € cent (H1 2020: basic loss per share 18.60 € cent)

Revenue and operating loss:

Revenue for the period was €2.9m a decline of 76% compared to H1 2020.

The Group’s net booking volumes declined by 73% in H1 2021 (H1 2020: 67% decline). Net Average Booking Value (“ABV”), the average value paid by a customer for a net booking, increased by 24% during the first six months of the year (H1 2020: 24% decline) primarily reflecting favourable geographic mix, and higher number of bed nights per booking.

At 30 June 2021, we held €3.0m of customer deposits relating to bookings made under the free cancellation policy (H1 2020: €3.3m), of this €1.9m relates to bookings already cancelled (H1 2020: €2.7m). Deferred revenue increased by €0.9m in H1 2021 (H1 2020: decrease of €2.2m).

Throughout the pandemic the Group has proactively managed marketing costs, matching marketing spend to sales volumes. Total marketing spend was €2.4m in H1 2021 (H1 2020: €7.5m). Group operating loss amounted to €19.1m (H1 2020: €18.6m). Adjusted EBITDA loss of €9.7m, a decline of €1.4m from H1 2020. We continue to tightly control our operating costs. These measures resulted in a €10.2m reduction in total administration costs to €13.5m in H1 2021 compared to the same period last year (H1 2020: €23.7m). Administration expenses, excluding the impact of exceptional cost items, were €12.9m (H1 2020: €20.7m).

Exceptional items

Exceptional items are identified due to their nature or materiality to help the reader form a better view of overall and adjusted trading. The Group incurred €0.6m of exceptional cost items in H1 2021 relating to costs associated with a Group-wide staff restructuring (H1 2020: €3.0m).

Share based payment

During 2021 the Company granted a Restricted Share Award to selected employees, including the executive directors and members of the management team under which 2,456,763 nil cost options were granted.

The share-based payment expense of €0.4m (H1 2020: €0.3m) reflects the share-based payment charge arising on the issuance of options in accordance with the Group’s Restricted Share Award, Long-Term Incentive Plan (“LTIP”) and Save as you Earn (“SAYE”) plan.

Earnings per share

Basic loss per share for the Group was 17.50 € cent (H1 2020 basic loss per share: 18.60 € cent).

The H1 2020 earnings per share figures have been restated to incorporate the 1,636,252 new Hostelworld Group ordinary shares that were issued in September 2020. The weighted average number of shares in issue during the period was adjusted to include these bonus shares as if they were issued 1 January 2020. The total number of shares issued at 30 June 2021 was 116.3m.

Adjusted loss per share was 12.0 € cent per share (H1 2020 loss per share: 10.9 € cent per share). The weighted average number of shares in the period was 116.3m.

Net debt and financing

The Group commenced the year with two facilities in place. Firstly a 'Prompt Pay' which was a short-term invoice financing facility with Allied Irish Banks PLC. On 26 January 2021 the amount owing on the facility was repaid in full. Secondly a three-year revolving credit facility for €7m with the Governor and Company of the Bank of Ireland to assist with the investing and development needs of the business. No amounts were drawn down on this facility. On 10 February 2021 the Group signed a deed of release exiting this undrawn facility.

In February 2021 the Group signed a €30m five-year term loan facility with certain investment funds and accounts of HPS Investment Partners LLC or subsidiaries or affiliates thereof. An amount of €28.8m was drawn down on 23 February 2021.

The facility is single drawdown and bears interest at a margin of 9.0% per annum over EURIBOR (with a EURIBOR floor of 0.25% per annum). The facility agreement includes minimum liquidity covenants and financial covenants relating to net leverage ratios and EBITDA targets from 2023. Had we been required to test our minimum liquidity covenants at 30 June 2021, the Group would have been found to be in compliance.

In connection with the facility, Hostelworld has issued warrants over 3,315,153 ordinary shares of €0.01 each in the capital of Hostelworld (equivalent to 2.85% of Hostelworld's current issued share capital) to the lender. The warrants may be exercised at any time during the term of the loan and for a twelve-month period following its scheduled termination at an exercise price of €0.01 per ordinary share. Shares issued will be the same class and carry the same rights as existing shares. No warrants have been exercised at the date of this report.

Interest

The Group incurred €1.4m of finance costs in H1 2021 (H1 2020: €0.1m). Increase in interest costs period on period relate to interest costs recognised for the HPS term loan facility.

Taxation

The Group corporation tax charge of €0.1m (2020: €0.3m credit) is accrued based on the Group's outlook on the full year results. The Group has taken the estimated impact of COVID-19 on the full year performance into consideration in determining the effective tax rate for the half year ended 30 June 2021.

The Group has availed of the Irish Revenue tax warehousing scheme and deferred payment on all Irish employer taxes to 30 June 2022. We continue to monitor and comply with the appropriate Revenue guidelines applicable to this scheme.

Adjusted free cash flow

There was an increase in adjusted free cash flow from (33%) in H1 2020 to (101%) in H1 2021. Total cash at 30 June 2021 was €33.7m (H1 2020: €32.9m), of which €3.0m are customer deposits related to bookings made under the free cancellation policy (H1 2020: €3.3m) and €28.8m relating to the HPS term loan facility (2020: "prompt pay" facility €3.5m). There were no other borrowings at 30 June 2021 (2020: €nil).

Dividend

The Board does not expect to pay a cash dividend under its current policy in respect of the 2021 financial year. Any payment of cash dividends will be subject to the Group generating adjusted profit after tax, the Group's cash position, any restrictions in the Group's banking facilities and subject to compliance with Companies Act 2006 requirements regarding ensuring sufficiency of distributable reserves at the time of paying the dividend.

Principal risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on future Group performance and could cause actual results to differ materially from expected and historical results. While the Board considers the risks and uncertainties described in detail in the Annual Report and Financial Statements for the year ended 31 December 2020, issued on 23 March 2021, to remain applicable, the Board has also considered three additional risk factors, relating to 1. Cyber security (covered within data security in the prior year), 2. Reliance on third parties and 3. IT platforms and technological innovation. A description of the risks and uncertainties are set out on the next page.

Gary Morrison

Chief Executive Officer

11 August 2021

Interim Management Report

Principal risks and uncertainties

The principal risks and uncertainties faced by the Group are reported annually within the Annual Report and Financial Statements for the year ended 31 December 2020, issued on 23 March 2021. In H1 2021 there was a full review completed of the risk register. Three new risks were deemed significant in the current year – 1. Cyber security (covered within data security in the prior year); 2. Reliance on third parties and 3. IT platforms and technological innovation. No emerging risks have been identified.

Following the completion of the transition period on 31 December 2020 we do not consider the risk of Brexit to be significant to warrant disclosure. Equally, following the completion of our loan raise in Q1 2021 we have also amended the risk rating associated with "Capital structure." Risks associated with our term loan facility are included in "Going concern and working capital management."

The principal risks and uncertainties which are applicable for the second half of the year are summarised below.

Material risks

- Macro-economic conditions
    - Macro-economic conditions are outside of our control but can have significant consequences on the willingness or the ability for our customers to travel. They include slowing or negative economic growth, rising unemployment rates, weakening currencies, higher taxes or tariffs, unusual or extreme weather, travel related health concerns including pandemics and epidemics.
    - The COVID-19 pandemic and the resulting measures, including travel restrictions, implemented by governments around the world to reduce the spread of COVID-19 has resulted in an unprecedented decline in consumer spending, travel and related activities. The pandemic has adversely affected our business and the outlook for the future remains uncertain at present. We will be impacted by developments such as the resurgence of the COVID-19 virus, success of vaccines and the duration and severity of travel bans and lockdowns. It is not yet known when international travel will return to normal levels. We are reforecasting demand on a quarterly basis and monitoring closely demand patterns within all our global markets.

- Impact of terrorism threat on leisure travel
    - The threat of terrorist attacks in cities and on flights may reduce the appetite of the leisure traveller to certain geographies, resulting in declining revenues.

- Going concern and working capital management
    - Our ability to access liquidity is constrained by our trading volumes in a COVID-19 environment and the availability of funding. With low revenue volumes there is a risk that the Group will not have the financial resources to pay its liabilities on a day to day basis. This also directly impacts our ability to invest and grow which is constrained by our financial resources.

- Our term loan facility contains repayment obligations and covenants, reporting to the involved brokers and lenders and requires constant monitoring of the Group's leverage position and liquidity metrics. Without a return to growth it is not certain that the Group can meet the minimum liquidity covenants set out under the terms of the term loan facility agreement.

- Reliance on third parties
    - We rely on hostel accommodation providers to provide us with our inventory. Any limitations by accommodation providers on inventory supplied or closures resulting from COVID-19 will directly impact our business and results of operations.
    - We rely on third party providers to provide some key services to the Group including processing payments and cloud storage. Any interruption in service from any of these providers may lead to a loss in revenue, loss in site and app functionality, increased input from customer services and engineer time and ultimately if we were to experience multiple failures we may damage our reputation and brand.

- Competition
    - The risks posed by competition where we compete for supply of hostel inventory and customers could adversely impact our market share and future growth of the business. Our competition may have more resources than we do which may enable them to compete more effectively.

- Search engine algorithms
    - We rely significantly on practices such as Search Engine Optimisation ("SEO") and Search Engine Marketing ("SEM") to improve our visibility in relevant search results. Search engines frequently update and change the logic that determines the placement and display of results. As these algorithms become more sophisticated, we risk being significantly behind in our marketing strategy and unable to be competitive in the current environment.
    - Our costs to improve or maintain our placement in search results can increase which directly impacts our results and margins.

- Brand
    - Hostelworld is the world's leading OTA focused on the hostel market. We rely on the strength of our brand in the market to attract customers to our platform and to secure bookings. Consumer trust and confidence in our brand is therefore essential to ongoing revenue stability and growth. Negative publicity could impact brand perception and consumer loyalty and ultimately revenue.

- Cyber security
    - This risk was historically reported within data security but is considered a principal risk, by itself, for the remaining six months of the year. The Group, similar to other organisations is susceptible to cyber-attacks which could compromise the integrity of our systems and the security of our data. The publicity generated by a breach could negatively affect a customer willingness to provide personal data or make bookings with us.

- Data security
  - The security of the confidential business information we generate when engaging in e-commerce and the personal data we capture from customers and employees is essential to maintaining consumer and travel service provider confidence in our services. As on online platform, Hostelworld is constantly exposed to cyber security-related threats in the form of internal and external attacks or disruption on our systems or those of our third-party suppliers.

- Regulation
  - Hostelworld's business is global and highly regulated and is exposed to issues such as competition, licensing of local accommodation and experiences, language usage, web-based trading, consumer compliance, tax, intellectual property, trademarks, data protection and information security and commercial disputes in multiple jurisdictions. Regulatory and legal requirements and uncertainties around these issues could subject the Group to business constraints, increased regulatory and compliance costs and other complexities which may otherwise harm our business.

- Tax
  - Due to the global nature of our business, tax authorities in other jurisdictions may consider that certain taxes are due in their jurisdiction. If those tax authorities take a different view than the Group as to the basis on which the Group is subject to tax, it could result in the Group having to account for tax that it currently does not collect or pay.
  - Certain countries have taken steps to introduce a digital services tax to address the issue of multinational businesses carrying on business in their jurisdiction without a physical presence and therefore generally not subject to income tax in those jurisdictions. These digital services taxes are calculated as a percentage of revenue rather than income or profits. We are currently monitoring the introduction of the digital services taxes, and its impact on our Group.

- Business continuity
  - Failure in our IT systems or those of which we rely on such as third party hosted services could disrupt availability of our booking engines and payments platforms, or availability of administrative services at our office locations, which could have an adverse impact to our customer service.

- IT platforms and technological innovation
  - Over recent years the ever-increasing pace of change of new technology, new infrastructure and new software offerings have changed how customer's research, purchase and experience travel.
  - Unless we continue to stay abreast of technology innovation and change, we risk becoming irrelevant to the modern customer. Technology evolves rapidly, and updates can become quickly obsolete.

- People
    - The Group is dependent on the ability to attract, retain and develop creative, committed and skilled employees so as to achieve its strategic objectives.
    - Due to the impact of the COVID-19 pandemic, the Group took actions to reduce headcount in 2020. The Group has also undertaken organisational change programmes in the last 12 months. Implementation of these restructuring actions presents several significant risks, including the potential negative impact on employee morale and productivity, increased attrition, difficulty retaining valuable key employees, adverse impact on our culture, weakening of employer brand, and resource constraints; any of which could adversely impact our business and reputation.

- Climate change
    - Climate change and sustainability came into sharp focus in 2019 and has further evolved as an area of heightened concern with consumers and stakeholders.
    - As an industry leader, we have a responsibility to take the lead on ensuring that when we empower our customers to “Meet the World”, that this experience is done with respect, humility and awareness for the world’s people, animals, communities and the environment.

RESPONSIBILITY STATEMENT

Each of the Directors of Hostelworld Group plc (as listed on page 62 and page 63 of the Annual Report and Financial Statements for the year ended 31 December 2020, issued on 23 March 2021) confirm that, to the best of each person's knowledge and belief

1. The condensed set of Group financial statements has been prepared in accordance with United Kingdom adopted International Accounting Standard 34 'Interim Financial Reporting';

2. The interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

3. The interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board

Gary Morrison

Chief Executive Officer

11 August 2021

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

		Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
		€'000	€'000	€'000
	Notes	(Unaudited)	(Unaudited)	(Audited)
Revenue	3	**2,891**	12,034	15,364
Administrative expenses	4	**(13,531)**	(23,670)	(36,119)
Depreciation and amortisation	4	**(8,447)**	(7,001)	(14,132)
Impairment of intangible assets	4	**-**	-	(14,996)
Operating loss		**(19,087)**	(18,637)	(49,883)
Finance income		**-**	8	8
Finance costs		**(1,441)**	(111)	(246)
Share of result of associate		**(170)**	(100)	(374)
Loss before taxation		**(20,698)**	(18,840)	(50,495)
Taxation	5	**341**	762	1,638
Loss for the period attributed to the equity owners of the parent company		**(20,357)**	(18,078)	(48,857)
Basic and diluted loss per share (€ cent)	6	**(17.50)**	(18.60)	(45.68)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended 30 June 2021		Six months ended 30 June 2020		Year ended 31 December 2020
	€'000		€'000		€'000
	(Unaudited)		(Unaudited)		(Audited)
Loss for the period	**(20,357)**		(18,078)		(48,857)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations	8		-		(7)
Total comprehensive loss for the period attributable to equity owners of the parent company	**(20,349)**		(18,078)		(48,864)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Notes	30 June 2021 €'000 (Unaudited)	30 June 2020 €'000 (Unaudited)	31 December 2020 €'000 (Audited)
Non-current assets				
Intangible assets	7	**79,719**	105,626	86,252
Property, plant and equipment	8	**3,447**	5,703	4,480
Deferred tax assets		**7,999**	7,162	7,596
Investment in associate		**2,179**	2,623	2,349
		93,344	121,114	100,677
Current assets				
Trade and other receivables	9	**1,949**	2,306	1,681
Cash and cash equivalents		**33,702**	32,908	18,189
Corporation tax		**34**	116	54
		35,685	35,330	19,924
Total assets		**129,029**	156,444	120,601
Issued capital and reserves attributable to equity owners of the parent				
Share capital	10	**1,163**	1,147	1,163
Share premium	10	**14,328**	14,344	14,328
Foreign currency translation reserve		**16**	15	8
Share based payment reserve		**1,580**	1,091	1,210
Other reserves	13	**3,073**	-	-
Retained earnings		**60,799**	111,935	81,156
Total equity attributable to equity holders of the parent company		**80,959**	128,532	97,865
Non-current liabilities				
Lease liabilities	12	**2,018**	3,571	2,492
Borrowings	13	**26,200**	-	-
Deferred tax liabilities		**-**	112	-
Deferred consideration		**-**	882	-
		28,218	4,565	2,492
Current liabilities				
Trade and other payables	11	**18,113**	18,046	17,036
Borrowings	13	**-**	3,454	1,164
Lease liabilities	12	**1,446**	1,847	1,803
Corporation tax		**293**	-	241
		19,852	23,347	20,244
Total liabilities		**48,070**	27,912	22,736
Total equity and liabilities		**129,029**	156,444	120,601

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Notes	Share capital €'000	Share premium €'000	Foreign currency translation reserve €'000	Share based payment reserve €'000	Other reserves €'000	Retained earnings €'000	Total €'000
Balance at 31 December 2019 (audited)		**956**	**-**	**15**	**788**	**-**	**130,013**	**131,772**
Total comprehensive loss for the period		-	-	-	-	-	(18,078)	(18,078)
Issue of ordinary shares for cash	10	191	15,042	-	-	-	-	15,233
Share issue cost	10	-	(698)	-	-	-	-	(698)
Credit to equity for equity settled share-based payments		-	-	-	303	-	-	303
As at 30 June 2020 (unaudited)		**1,147**	**14,344**	**15**	**1,091**	**-**	**111,935**	**128,532**
Total comprehensive loss for the period		-	-	(7)	-	-	(30,779)	(30,786)
Bonus Issue		16	(16)	-	-	-	-	-
Credit to equity for equity settled share-based payments		-	-	-	119	-	-	119
As at 31 December 2020 (audited)		**1,163**	**14,328**	**8**	**1,210**	**-**	**81,156**	**97,865**
Issue of warrants	13	**-**	**-**	**-**	**-**	**3,073**	**-**	**3,073**
Total comprehensive loss for the period		**-**	**-**	**8**	**-**	**-**	**(20,357)**	**(20,349)**
Credit to equity for equity settled share-based payments		**-**	**-**	**-**	**370**	**-**	**-**	**370**
As at 30 June 2021 (unaudited)		**1,163**	**14,328**	**16**	**1,580**	**3,073**	**60,799**	**80,959**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Notes	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
		€'000	**€'000**	**€'000**
		(Unaudited)	**(Unaudited)**	**(Audited)**
Cash flows from operating activities				
Loss before taxation		**(20,698)**	(18,840)	(50,495)
Depreciation of property, plant and equipment	4	**1,158**	1,301	2,458
Amortisation of intangible assets	4	**7,289**	5,700	11,674
Impairment of intangible assets		**-**	-	14,996
Share of result of associate		**170**	100	374
Finance income		**-**	(8)	(8)
Finance costs		**1,441**	111	246
Net (profit) / loss on disposal of property, plant and equipment		**(112)**	11	(55)
Employee equity settled share-based payment expense		**367**	303	428
Changes in working capital items:				
Increase in trade and other payables		**1,201**	6,972	5,586
(Increase) / decrease in trade and other receivables		**(268)**	2,674	3,299
Cash used by operations		**(9,452)**	(1,676)	(11,497)
Interest paid		**(105)**	(111)	(246)
Interest received		**-**	8	8
Income tax received		**9**	64	698
Net cash used by from operating activities		**(9,548)**	(1,715)	(11,037)
Cash flows from investing activities				
Acquisition/capitalisation of intangible assets	7	**(756)**	(2,206)	(3,802)
Purchases of property, plant and equipment	8	**(15)**	(59)	(64)
Acquisition of investment in associate		**-**	9	-
Net cash used in investing activities		**(771)**	(2,256)	(3,866)
Cash flows from financing activities				
Deferred consideration		**(124)**	-	(503)
Proceeds from issue of share capital		**-**	15,233	15,233
Issue costs paid		**-**	(698)	(698)
Transaction costs related to borrowings	13	**(862)**	-	-
Proceeds from borrowings	13	**28,800**	3,454	3,454
Repayment of borrowings	13	**(1,164)**	-	(2,290)

Repayments of lease liabilities		**(828)**	(475)	(1,462)
Net cash generated from financing activities		**25,822**	17,514	13,734
Net increase / (decrease) in cash and cash equivalents		**15,503**	13,543	(1,169)
Cash and cash equivalents at the beginning of the period		**18,189**	19,365	19,365
Effect of foreign exchange rate changes		**10**	-	(7)
Cash and cash equivalents at the end of the period		**33,702**	32,908	18,189

NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Hostelworld Group plc, hereinafter "the Company", is a public limited company incorporated in the United Kingdom on the 9 October 2015.

The registered office of the Company is Floor 5, 38 Chancery Lane, The Cursitor, London, WC2A 1EN, United Kingdom.

The condensed Group financial statements of the Company for the six months ended 30 June 2021 comprise the Company and its subsidiaries (together referred to as “the Group”). The condensed Group financial statements for the period ended 30 June 2021 have neither been audited or reviewed.

The information for the year ended 31 December 2020 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors reported on those accounts and their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

These condensed Group financial statements were authorised for issue by the Board of Directors of Hostelworld Group plc on 11 August 2021.

2. ACCOUNTING POLICIES

Basis of preparation

The annual financial statements of the Group will be prepared in accordance with United Kingdom adopted International Financial Reporting Standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34 ‘Interim Financial Reporting’.

Going concern

The directors, after making enquiries, have a reasonable expectation that the Group has adequate resources to continue operating as a going concern for the foreseeable future.

Global travel demand remained muted throughout H1 2021 with ongoing travel restrictions continuing to severely impact the global travel industry. Revenue for H1 2021 totalled €2.9m (H1 2020: €12.0m) and the Group incurred a loss before taxation of €20.7m (H1 2020: €18.8m). At 30 June 2021 the Group was in a net asset position of €81.0m (31 December 2020: €97.9m) and a cash balance of €33.7m (31 December 2020: €18.2m).

The directors have a number of actions in place to preserve the Group’s cash position including the decision to suspend any cash dividends, continuing negotiation of credit terms with key vendors, availing of debt warehousing of Irish employer taxes, the elimination of all non-essential operating costs including marketing, recruitment, travel and other variable overheads, and availing of Government COVID-19 supports in both Ireland and the UK.

The Group has been reforecasting on a bi-weekly basis its cash position for 2021. Throughout COVID-19 two forecasts were developed under a base case and stress-case scenario analysis. Both scenarios included differing assumptions with regard to cost cutting measures, projected revenue flows and return to recovery assumptions, projected net cash flows from operations and available sources of funding. Under both scenarios full recovery is not expected to happen until FY-23. Our stress case scenario assumes more depressed volumes with minimal recovery in H2 2021. In both scenarios, the Group has sufficient cash reserves available.

The directors have taken steps to ensure adequate liquidity is available to the Group for the likely duration of the crisis and the recovery period. Following the completion of a Firm Placing and Open Offer, and the securing of a revolving credit facility in 2020, on 19 February 2021 the Group signed a €30m five-year term loan facility with certain investment funds and accounts of HPS Investment Partners LLC or subsidiaries or affiliates thereof. An amount of €28.8m was drawn down on 23 February 2021. The key features of the facility are as follows:

- The facility is single drawdown and bears interest at a margin of 9.0% per annum over EURIBOR (with a EURIBOR floor of 0.25% per annum).
- Financial covenants as follows (1) adjusted net leverage (Hostelworld has to ensure that total net debt is no more than 3.0 x adjusted EBITDA from 31 December 2023 to 30 September 2024, and no more than 2.5 x adjusted EBITDA from 31 December 2024 onwards); and (2) minimum liquidity (Hostelworld has to ensure that at close of business on the last business day of each month until it is testing the adjusted net leverage ratios there is free cash in members of the Group which have guaranteed repayment of the facility of at least €6.0 million).
- Security on the facility includes the share capital of the Group, the bank accounts of the Group and the Group's intellectual property.

Had we been required to test our minimum liquidity covenants at 30 June 2021 the Group would have been found to be in compliance. Having considered the Group's cash flow forecasts, current and anticipated trading volumes, together with current and anticipated levels of cash, debt and the availability of committed borrowing facilities, the directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of signing of this report, and accordingly, they continue to adopt the going concern basis in preparing the condensed Group financial statements.

Changes in accounting policies

Since the last Annual Report there are a number of amendments to existing accounting standards that have been adopted. These had no material impact on the condensed Group financial statements. The same accounting policies and methods of computation are followed compared with the most recent annual Group financial statements. For the period ended 30 June 2021 the following accounting policies, not disclosed in the last annual report, are also significant.

Borrowings

All loans and borrowings are initially recognised at fair value of the proceeds received less any directly attributable transaction costs. Transaction costs include fees and commission paid to agents, advisers brokers and dealers.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method being the amount at which the financial liability is measured at initial recognition minus any principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount.

Borrowings are de-recognised when the Group's obligations specified in the contracts expire, are discharged or cancelled.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the financial position date.

Recognition of warrants

Warrant reserve is recorded at the fair value of warrants issued. Warrants have been recognised as equity instruments as each warrant issued entitles the holder to a fixed number of ordinary shares in exchange for a fixed exchange price of €0.01 per ordinary equity share.

Key judgements and sources of estimation uncertainty

In preparing these condensed Group financial statements, the directors have made judgements in applying the Group's accounting policies and there are key sources of estimation uncertainty which affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed Group financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2020. The annual report was published on 23 March 2021.

3. REVENUE & SEGMENTAL ANALYSIS

The Group is managed as a single business unit which provides software and data processing services that facilitate hostel, hotel and other accommodation bookings worldwide, including ancillary online advertising revenue.

The directors determine, and present operating segments based on the information that is provided internally to the Chief Executive Officer, who is the Company's Chief Operating Decision Maker ("CODM"). When making resource allocation decisions, the CODM evaluates booking numbers and average booking value. The objective in making resource allocation decisions is to maximise consolidated financial results.

The CODM assesses the performance of the business based on the consolidated adjusted loss after tax of the Group for the period. This measure excludes the effects of certain income and expense items, which are unusual by virtue of their size and incidence, in the context of the Group's ongoing core operations, such as the impairment of intangible assets and one-off items of expenditure.

All revenue is derived wholly from external customers and is generated from a large number of customers, none of whom is individually significant.

The Group's major revenue-generating asset class comprises its software and data processing services and is directly attributable to its reportable segment operations. In addition, as the Group is managed as a single business unit, all other assets and liabilities have been allocated to the Group's single reportable segment. There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss.

Reportable segment information is presented as follows:

	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
	€'000	**€'000**	**€'000**
	(Unaudited)	**(Unaudited)**	**(Audited)**
Europe	**989**	5,272	7,354
Americas	**1,470**	3,099	3,779
Asia, Africa and Oceania	**432**	3,663	4,231
Total revenue	**2,891**	12,034	15,364

For the six-month period ended 30 June 2021, an amount of €894k was deferred to the balance sheet (for the six months ended 30 June 2020: we recognised previously deferred revenue of €2,188k).

Disaggregation of revenue is presented as follows:

	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
	€'000	**€'000**	**€'000**
	(Unaudited)	**(Unaudited)**	**(Audited)**
Technology and data processing fees	**2,872**	11,453	14,251
Ancillary services and advertising revenue	**19**	581	1,113
Total revenue	**2,891**	12,034	15,364

In the six months ended 30 June 2021, the Group generated 99% (2020: 95%) of its revenues from the technology and data processing fees that it charged to accommodation providers.

Revenue is recognised at the time the reservation is made in respect of non-refundable commission on the basis that the Group has met its performance obligations at the time the booking is made. In respect of the free cancellation product, which offers the traveller the opportunity to make a booking on a free cancellation basis and to receive a refund of their deposit in certain circumstances, such related revenue is not recognised until the last cancellation date has passed as one party can withdraw from the contract until such a date has passed. Deferred revenue is expected to be recognised within twelve months of initial recognition. Advertising revenue and revenue generated from other services are recognised over the time-period when the service is performed.

4. OPERATING EXPENSES

Loss for the period has been arrived at after charging the following operating costs:

	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
	€'000	€'000	€'000
	(Unaudited)	(Unaudited)	(Audited)
Marketing expenses	**2,424**	7,466	9,260
Staff costs	**7,267**	8,673	16,759
Credit card processing fees	**129**	476	571
Loss on disposal of property, plant and equipment	**6**	11	12
Profit on disposal of property, plant and equipment	**-**	-	(67)
Profit on disposal of lease liability	**(118)**	-	-
Exceptional items	**589**	2,996	2,989
Foreign exchange loss / (gain)	**125**	7	(152)
Other administrative costs	**3,109**	4,041	6,747
Total administrative expenses	**13,531**	23,670	36,119
Impairment of intangible assets	**-**	-	14,996
Depreciation of property, plant and equipment	**1,158**	1,301	2,458
Amortisation of intangible fixed assets	**7,289**	5,700	11,674
Total depreciation, amortisation and impairment	**8,447**	7,001	29,128
Total operating expenses	**21,978**	30,671	65,247

Total administration expenses decreased by €10,139k compared to the same period in 2020, driven by the reduction of non-essential operating costs, as a result of COVID-19.

Included in staff costs are government assistance amounts totalling €892k (30 June 2020: €289k) for furloughed employees under the Coronavirus Job Retention Scheme in the UK and subsidy received under the Employment Wage Subsidy Scheme in Ireland.

The exceptional costs for the six months period amounted to €589k (30 June 2020: €2,996k). Restructuring costs primarily relating to an organisational restructure within our marketing department and a release of costs previously accrued for due to a revision of estimate within merger and acquisition related costs. Prior year restructuring costs included costs relating to an internal realignment of our technology and product departments and relating staff restructuring costs, and professional fees incurred on review of funding options for the Group. Prior year merger and acquisition fees related to professional fees incurred in the year on related activity.

	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
	€'000	€'000	€'000
	(Unaudited)	(Unaudited)	(Audited)
Merger & acquisition costs	**(133)**	2,262	1,332
Restructuring costs	**722**	734	1,657
Total exceptional items	**589**	2,996	2,989

5. TAXATION

The corporation tax charge for the six-month period is forecast at €62k (30 June 2020: credit €294k). 2021 charge relates primarily to our UK and Portuguese operations where tax losses from our Irish operations cannot be utilised.

Taxation charge represents the best estimate of the average annual effective tax rate expected for the full year applied to the pre-tax loss of the six-month period. In calculating the expected tax rate, the Group has taken the forecasted full year 2021 EBITDA. Movement year on year primarily relates to the Group availing of corporation tax loss relief introduced by the Irish Revenue in 2020.

The deferred tax credit for the six-month period totalled €403k (30 June 2020: €468k). The only revision in estimates applied to deferred tax from the year end relate to the application of an increase in the UK corporation tax rate. We have calculated our UK deferred tax on the basis of the proposed increase in the corporation tax rate to 25% effective from 1 April 2023. When assessing our corporate tax history and pattern of quarterly payments in the UK along with our budgeted return to forecasted profits in the near term, we have concluded that the 25% tax rate will apply to our UK operations from 1 April 2023. We have elected to exclude the impact of the re-measurement of deferred tax balances from the forecast annual effective tax rate and account for it as a 'discrete' tax charge or benefit in the period that includes the substantive enactment.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which any unused tax losses and unused tax credits can be utilised. Future taxable profits have been estimated using the board approved 5-year plan in November 2020 and adjusted for latest COVID projections presented to the Board in June 2021.

6. LOSS PER SHARE

Basic loss per share is computed by dividing the net loss for the period available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period:

	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
	(Unaudited)	**(Unaudited)**	**(Audited)**
Weighted average number of shares in issue ('000s)	**116,321**	97,207*	106,947
Loss for the period (€'000s)	**(20,357)**	(18,078)	(48,857)
Basic and diluted loss per share (€ cent)	**(17.50)**	(18.60)*	(45.68)

Diluted loss per share is computed by adjusting the weighted average number of ordinary shares in issue to assume conversion of all potential dilutive ordinary shares. Share options and share awards are the Company's only potential dilutive ordinary shares. Ordinary shares potentially issuable from share-based payment arrangements are anti-dilutive due to the loss in the financial period meaning there is no difference between basic and diluted earnings per share.

*The 2020 loss per share figures for six months ended 30 June 2020 have been restated to incorporate the 1,636,252 new Hostelworld Group ordinary shares that were issued in September 2020. The weighted average number of shares in issue during the period was adjusted to include these bonus shares as if they were issued 1 January 2019.

7. INTANGIBLE ASSETS

Additions during the period comprised of internally generated additions of €756k (2020: €2,206k).

At 31 December 2020 we took an impairment on our Hostelworld.com intellectual property of €14,502k and an impairment of €494k on our Hostelbookers intellectual property. At 30 June 2021 we performed a review of the carrying value of our intangible assets to assess if there were indicators of further impairment present. The impairment testing of goodwill and Hostelworld.com intellectual property at the reporting date is based on the key assumptions disclosed in the 2020 Annual Report, updated to take account of our latest projections (as further described in the going concern section). The testing did not result in any impairment at the balance sheet date.

8. PROPERTY, PLANT AND EQUIPMENT

The Group recognised additions during the six months ended 30 June 2021 totalling €15k for computer equipment and right-of-use lease asset additions €116k (30 June 2020: additions of €1,662k including right-of-use lease asset additions for our lease for the UK office totalling €1,603k.)

For the six months period ended 30 June 2021 the Group also disposed of assets with a net book value of €6k (30 June 2020: €11k) and recognised a loss on disposal in each period. The €6k loss on disposal relates to computer equipment of €1k and right-of-use lease assets of €5k.

9. TRADE AND OTHER RECEIVABLES

	30 June 2021	30 June 2020	31 December 2020
	€'000	€'000	€'000
	(Unaudited)	(Unaudited)	(Audited)
Amounts falling due within one year			
Trade receivables	**449**	226	188
Prepayments and accrued income	**1,051**	1,435	1,191
Value added tax	**449**	645	302
	1,949	2,306	1,681

10. SHARE CAPITAL

	No of shares of €0.01 each (thousands)	Share capital €'000	Share premium €'000	Total €'000
At 30 June 2020	114,685	1,147	14,344	15,491
Bonus issue – 17 September 2020	1,636	16	(16)	-
At 31 December 2020 and 30 June 2021	**116,321**	**1,163**	**14,328**	**15,491**

The Group has one class of ordinary shares which carry no right to fixed income. The share capital of the Group is represented by the share capital of the parent company, Hostelworld Group plc. All the Company's shares are fully paid up and quoted on London Stock Exchange and Euronext Dublin.

On 17 September 2020, the company issued 1,636,252 bonus shares to shareholders in lieu of a cash dividend at value €0.01 per share.

11. TRADE AND OTHER PAYABLES

	30 June 2021	30 June 2020	31 December 2020
	€'000	€'000	€'000
	(Unaudited)	(Unaudited)	(Audited)
Current			
Trade payables	**2,905**	5,044	2,258
Accruals and other payables	**6,353**	9,078	9,003
Deferred revenue	**1,102**	949	207
Payroll taxes	**6,609**	2,082	4,302
Deferred consideration	**1,144**	893	1,266
	18,113	18,046	17,036

At 30 June 2021, €1,090k deferred revenue related to free cancellation bookings is included in deferred revenue (30 June 2020: €589k) and €12k relates to featured listings deferred revenue (30 June 2020: €360k).

Included in accruals and other payables is a credit provision €1,573k (30 June 2020: €1,724k) for various credits and incentives to customers for use on future bookings, and an amount of €1,937k (30 June 2020: €2,677k) relating to customers who have cancelled their free cancellation booking but have not been refunded.

Increase in payroll taxes to 30 June 2021 reflects the warehousing of Irish employer taxes.

12. LEASE LIABILITIES

Lease liabilities relate to the Group's lease commitments for office space in Ireland, Portugal, UK and China. The movement in the Group's right-of-use assets during the period is set out in note 8. The movement in the Group's lease liabilities during the period is as follows:

	30 June 2021	**30 June 2020**	**31 December 2020**
	€'000	**€'000**	**€'000**
	(Unaudited)	**(Unaudited)**	**(Audited)**
Opening lease liability	**4,295**	4,292	4,291
Additions	**82**	1,603	1,681
Disposals	**(118)**	-	(344)
Lease term remeasurement	**34**	-	129
Payments	**(953)**	(640)	(1,555)
Lease interest	**69**	17	182
Foreign exchange differences on lease payments	**55**	146	(89)
	3,464	5,418	4,295

The disposal of lease liability of €118k arose due to the disposal of leases held in China and London for amounts forgiven by landlords.

These liabilities are classified in the consolidated statement of financial position as:

	30 June 2021	**30 June 2020**	**31 December 2020**
	€'000	**€'000**	**€'000**
	(Unaudited)	**(Unaudited)**	**(Audited)**
Non-current lease liabilities	**2,018**	3,571	2,492
Current lease liabilities	**1,446**	1,847	1,803
	3,464	5,418	4,295

13. BORROWINGS

The Group had the following borrowing facilities in place during 2021:

Firstly a 'Prompt Pay' which was a short-term invoice financing facility with Allied Irish Banks PLC. Terms attached to the facility was that Hostelworld.com Limited must ensure it maintains a cash balance of no less than €8.67m for the period ending 30th September 2020, €5.75m for the period ending 31 December 2020 and €1.42m for the period ending 31 March 2021. On 26 January 2021 the amount owing on the facility was repaid in full.

Secondly a three-year revolving credit facility for €7m with the Governor and Company of the Bank of Ireland to assist with the investing and development needs of the business. No amounts were drawn down on this facility. On 10 February 2021 the Group signed a deed of release exiting the undrawn facility in place. Covenants attached to the facility as follows: Hostelworld.com Limited was to retain minimum cash balances of 20% of drawn facilities and the revolving credit facility was required to return to credit 20 days per annum. Hostelworld.com Limited were also required to maintain a minimum tangible net worth of not less than €90m.

Thirdly, on 19 February 2021 the Group signed a €30m five-year term loan facility with certain investment funds and accounts of HPS Investment Partners LLC or subsidiaries or affiliates thereof. The facility is single drawdown and bears interest at a margin of 9.0% per annum over EURIBOR (with a EURIBOR floor of 0.25% per annum). The facility agreement includes the following financial covenants: (1) adjusted net leverage (Hostelworld has to ensure that total net debt is no more than 3.0 x adjusted EBITDA from 31 December 2023 to 30 September 2024, and no more than 2.5 x adjusted EBITDA from 31 December 2024 onwards); and (2) minimum liquidity (Hostelworld has to ensure that at close of business on the last business day of each month until it is testing the adjusted net leverage ratios there is free cash in members of the Group which have guaranteed repayment of the facility of at least €6.0 million).

The lenders have the right to require repayment of the facility if Hostelworld is subject to a change in control and Hostelworld has the option to repay the facility early. Security on the facility includes the share capital of the Group, the bank accounts of the Group and the Group's intellectual property.

An amount of €28.8m was drawn down on 23 February 2021, net of original issue discount.

	30 June 2021	**30 June 2020**	**31 December 2020**
	€'000	**€'000**	**€'000**
	(Unaudited)	**(Unaudited)**	**(Audited)**
Opening balance	**1,164**	-	-
Drawdown	**28,800**	3,454	3,454
Repayments	**(1,164)**	-	(2,290)
Loan issuance costs – issue of warrants	**(3,073)**	-	-
Transaction costs related to borrowings	**(862)**	-	-
Amortisation of transaction costs	**146**	-	-
Amortisation of warrant costs	**218**	-	-
Finance costs	**971**	-	-
	26,200	3,454	1,164

In connection with the facility, Hostelworld has agreed to issue warrants over 3,315,153 ordinary shares of €0.01 each in the capital of Hostelworld (equivalent to 2.85% of Hostelworld's current issued share capital) to the lender. The warrants may be exercised at any time during the term of the loan and for a twelve-month period following its scheduled termination at an exercise price of €0.01 per ordinary share. Shares issued will be the same class and carry the same rights as existing shares. An amount of €3,073k was recorded for the initial recognition of the warrants calculated on the basis of the market price of the shares on the date of the agreement 19 February 2021 of €3,107k minus the subscription price of €33,151 (3,315,153 X €0.01).

14. DIVIDENDS

There are no dividends in 2020 or 2021 as the Board took the decision to suspend cash dividends in 2020. Future cash dividend payments will be subject to the Group generating adjusted profit after tax, the Group's cash position, any restrictions in the Group's banking facilities and subject to compliance with Companies Act 2006 requirements regarding ensuring sufficiency of distributable reserves at the time of paying the dividend.

15. SHARE BASED PAYMENTS

During 2021 the Company granted a restricted share award ("RSU") to selected employees, including the executive directors and members of the management team. 2,456,763 nil cost options were granted. 80,827 were forfeited at 30 June 2021 as a result of leavers. Each award will vest in two tranches on 28 February 2022 in respect of 50% of the plan shares and 28 February 2023 in respect of the remaining 50% of the plan shares. Vesting will be dependent upon the participant being employed by Hostelworld as of the vesting date and satisfactory personal performance.

During the six-months ended 30 June 2021, there was one invitation made to executive directors and selected management to participate in the Group's long-term incentive plan ("LTIP"). 2,336,885 nil cost options were granted, and these options will vest on 26 April 2024 subject to meeting performance conditions based on the Company's adjusted EBITDA over a three-year period, Counter App revenue generated based on a target in 2023 and customer acquisition value targets to be met in 2023.

On 17 September 2020, the company issued 1,636,252 bonus shares to shareholders in lieu of a cash dividend at value €0.01 per share. An adjustment was made to the LTIP and Save As You Earn ("SAYE") schemes in 2021, when approved by the Remuneration Committee, to ensure that award holders are no better or worse off following the bonus issue than they were beforehand.

Details of the LTIP share options outstanding during the period are as follows:

	30 June 2021		30 June 2020		31 December 2020
	No. of share options		No. of share options		No. of share options
Outstanding at beginning of period	**3,864,472**		1,501,647		1,501,647
Adjustment applied	**55,262**		-		-
Revised balance outstanding at beginning of period	**3,919,734**		-		-
Granted during the period	**2,336,885**		3,793,200		3,793,200
Forfeited during the period	**(608,594)**		(34,433)		(1,430,375)
Exercised during the period	**-**		-		-
Expired during the period	**-**		-		-
Outstanding at the end of the period	**5,648,025**		5,260,414		3,864,472
Exercisable at the end of the period	**-**		-		-

As at 30 June 2021, there have been 900,467 options granted to a number of eligible employees in the Group as part of the SAYE scheme (30 June 2020: 530,784 options). As at 30 June 2021, 545,808 of these options have been cancelled (30 June 2020: 313,708 options). Net shares outstanding as part of the SAYE scheme, following application of the adjustment discussed above, amounts to 359,731.

16. GROUP STRUCTURE

On 4 June 2020 Hostelworld.com Limited incorporated a new subsidiary "Hostelworld Business Consulting (Shanghai) Co., Limited". The principal activity of this subsidiary is business information consulting and marketing planning.

There are no other changes to highlight in respect of H1 2021.

17. EVENTS AFTER THE REPORTING DATE

On 7 July 2021 the directors of Goki PTY Limited approved a reduction in the investment held by Hostelworld.com Limited in the company. The shareholding was reduced from 49% to 31.5% through means of a capital reduction. Hostelworld.com Limited retains one Board seat and continues to exert significant influence over the company. Hostelworld.com Limited will continue to account for Goki PTY Limited as an associate. The original purchase consideration for the investment in Goki PTY Limited was USD 3,000k. At 30 June 2021 we had included deferred consideration in our accounts of $1,360k (€1,144k). Following the completion of the reduction in investment total purchase consideration will reduce to $1,890k, and deferred consideration will reduce to $250k to be paid in July and September 2021.

On 19 July 2021, a German branch of Hostelworld.com was established as a permanent establishment.

There have been no other significant events, outside the ordinary course of business, affecting the Group since 30 June 2021.

APPENDIX: ALTERNATIVE PERFORMANCE MEASURES

The Group uses the following alternative performance measures ('APMs') which are non–IFRS measures to monitor the performance of its operations and of the Group as a whole: loss / earnings before interest, tax, depreciation and amortisation, excluding exceptional and non-cash items ("adjusted EBITDA"), adjusted loss / profit after taxation; adjusted loss or earnings per share, adjusted free cash flow and adjusted free cash flow conversion.

Adjusted EBITDA

The Group uses loss / earnings before interest, tax, depreciation and amortisation, excluding exceptional and non-cash items ("Adjusted EBITDA") as a key performance indicator when measuring the outcome in the business from one period to the next, and against budget. Exceptional items by their nature and size can make interpretation of the underlying trends in the business more difficult. We believe this alternative performance measure reflects the key drivers of profitability for the Group and removes those items which do not impact underlying trading performance.

Reconciliation between loss for the year and adjusted EBITDA:

€'000	**H1 2021**	**H1 2020**
Loss for the year	**(20,357)**	**(18,078)**
Taxation	(341)	(762)
Net finance costs	1,441	103
Share of result of associate	170	100
Operating loss	**(19,087)**	**(18,637)**
Depreciation	1,159	1,301
Amortisation of development costs	1,435	1,078
Amortisation of acquired intangible assets	5,853	4,622
Exceptional items	589	2,996
Share based payment expense	367	300
Adjusted EBITDA	**(9,684)**	**(8,340)**

Adjusted profit after taxation ("Adjusted PAT")

Adjusted profit after taxation is an alternative performance measure that the Group uses to calculate the dividend pay-out for the year, subject to Company Law requirements regarding distributable profits and the dividend policy within the Group. It excludes exceptional items, amortisation of acquired domain and technology intangibles, net finance costs, share based payment expenses and deferred taxation which can have large impacts on the reported result for the year, and which can make underlying trends difficult to interpret.

Reconciliation between adjusted EBITDA and loss for the year:

€'000	**H1 2021**	**H1 2020**
Adjusted EBITDA	(9,684)	(8,340)
Depreciation	(1,159)	(1,301)
Amortisation of development costs	(1,435)	(1,078)
Net finance costs	(1,441)	(103)
Share of result of associate	(170)	(100)
Corporation tax	(62)	294
Adjusted loss after taxation	**(13,951)**	**(10,628)**
Exceptional items	(589)	(2,996)
Amortisation of acquired intangible assets	(5,853)	(4,622)
Share based payment expense	(367)	(300)
Deferred taxation	403	468
Loss for the year	**(20,357)**	**(18,078)**

Adjusted EPS

Adjusted EPS is an alternative performance measure that excludes exceptional items, amortisation of acquired domain and technology intangibles, net finance costs, share based payment expenses and deferred taxation which can have large impacts on the reported result for the year, and which can make underlying trends difficult to interpret.

	H1 2021	**H1 2020**
Adjusted loss after taxation €'m	(13,951)	(10,628)
Weighted average shares in issue ('m)	116	97
Adjusted EPS	(12.0)	(10.9)

The H1 2020 earnings per share figures have been restated to incorporate the 1,636,252 new Hostelworld Group ordinary shares that were issued in September 2020. The weighted average number of shares in issue during the period was adjusted to include these bonus shares as if they were issued 1 January 2020.

Adjusted free cash flow

The Group uses adjusted free cash flow to measure the amount of underlying cash generation and the cash available for distribution and allocation. The Group calculates adjusted free cash flow as the adjusted EBITDA for the Group before capital expenditure, capitalised development spend, acquisition and disposal of undertakings and adjusting for interest, tax and movements in working capital.

€'000	**H1 2021**	**H1 2020**
Adjusted EBITDA	(9,684)	(8,340)
Intangible asset additions	(756)	(2,206)
Capital expenditure	(15)	(59)
Deferred consideration / acquisition of associate	(124)	9
Net interest and tax paid	(96)	(39)
Net movement in working capital	933	7,845
Adjusted free cash flow	**(9,742)**	**(2,790)**
Adjusted free cash flow conversion	**(101%)**	**(33%)**