2020 PRELIMINARY RESULTS

March 2021 Presentation

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HOSTELWORLD
MEET THE WORLD

Key Messages

1. FY20 financial performance significantly impacted by COVID-19 travel restrictions

2. Made solid progress on our Roadmap for Growth, delivering core platform enhancements designed to improve marketing capabilities, user experience and inventory competitiveness

3. Balance sheet strengthened through a €15.2 million equity placing in June 2020 and a €30 million debt facility in February 2021

4. Numerous initiatives to support our employees, customers and hostel partners

5. Hostelworld will emerge stronger than before and is well positioned to seize market opportunities when normal travel patterns resume

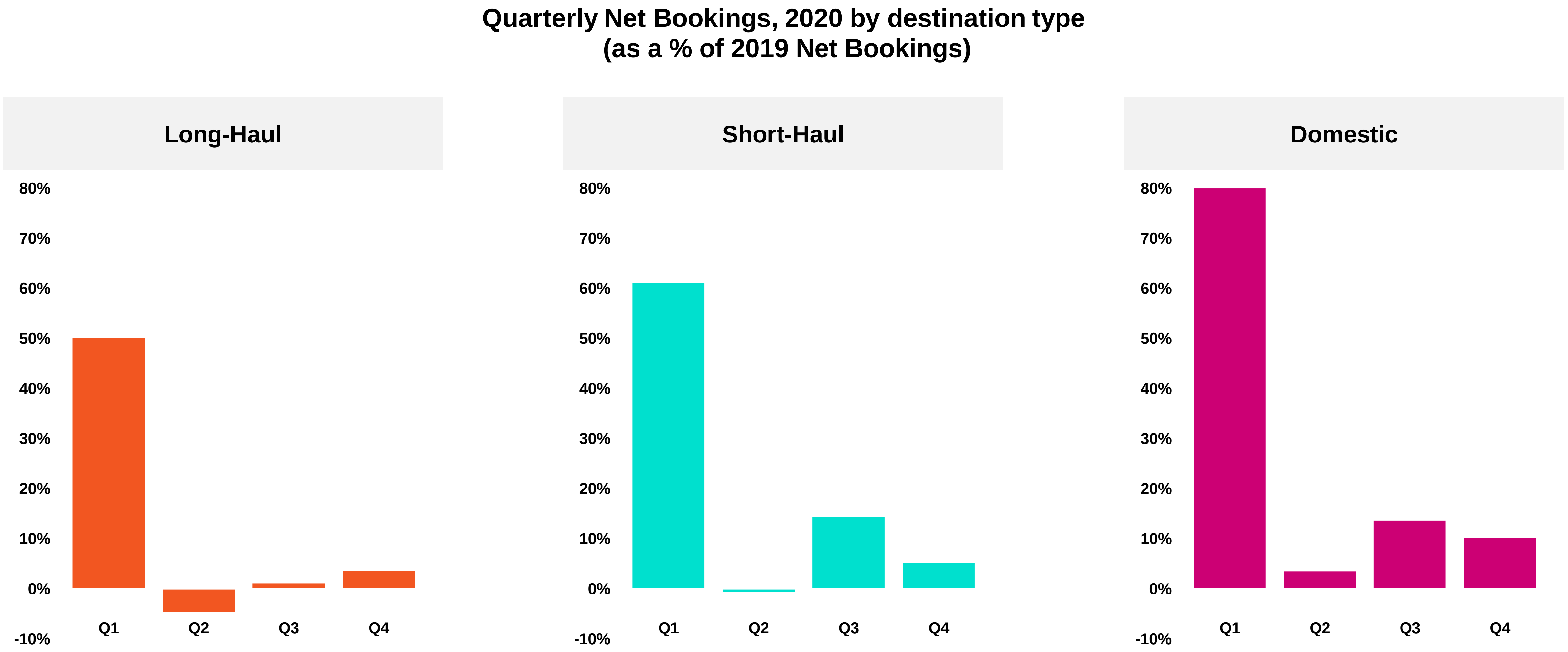
FY20 Financial Summary

Net Bookings	Net Revenue	Admin. Expenses[1]
1.5m	**€15.4m**	**€36.1m**
Net Bookings: -79% YoY	*Net Revenues: -81% YoY*	*Total Spend: -43%YoY*

EBITDA[2]	Free Cash Flow[2]	Cash at Bank[3]
– €17.3m	**– €12.3m**	**€18.2m**
EBITDA FY19: +€20.5m	*FCF FY19: +€10.9m*	*As at 31/12/19: €19.4m*

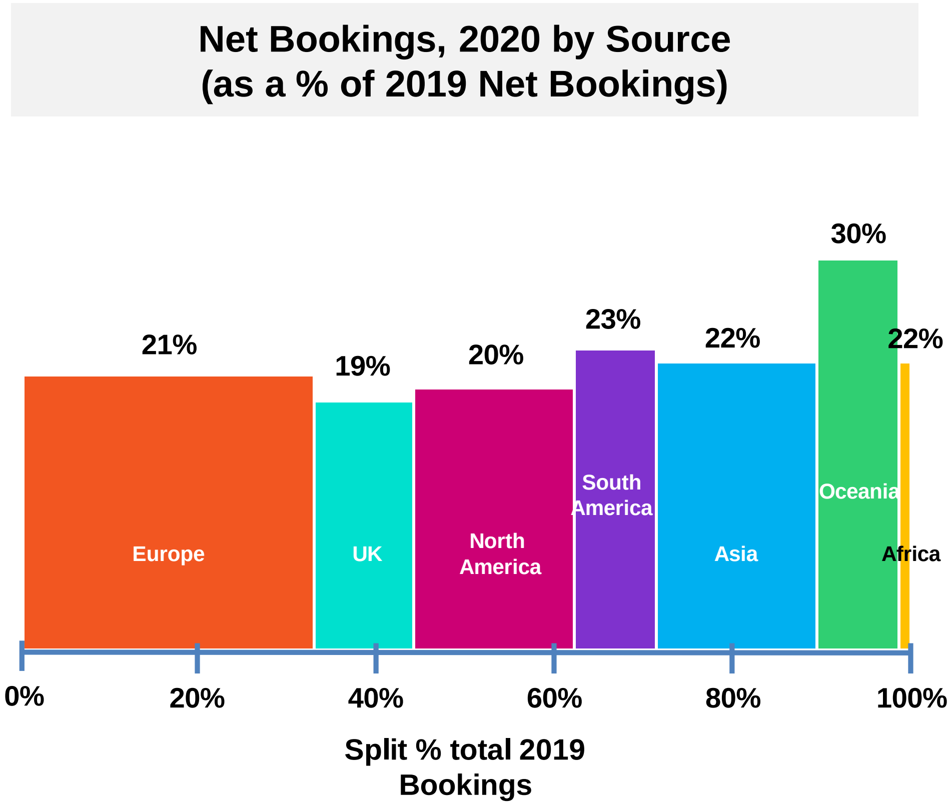
[1] Administrative expenses including exceptional items (€3.0m)
[2] EBITDA adjusted for exceptional and non-cash items / Free Cash flow adjusted for capital expenditure, acquisition of intangible assets, net finance costs and net movement in working capital excluding the effect of exceptional costs
[3] Net Cash position as at 31/12/2020: €17.0m (€1.2m of Short Term debt) / Net Cash position as at 31/12/2019: €19.4m (nil Debt)

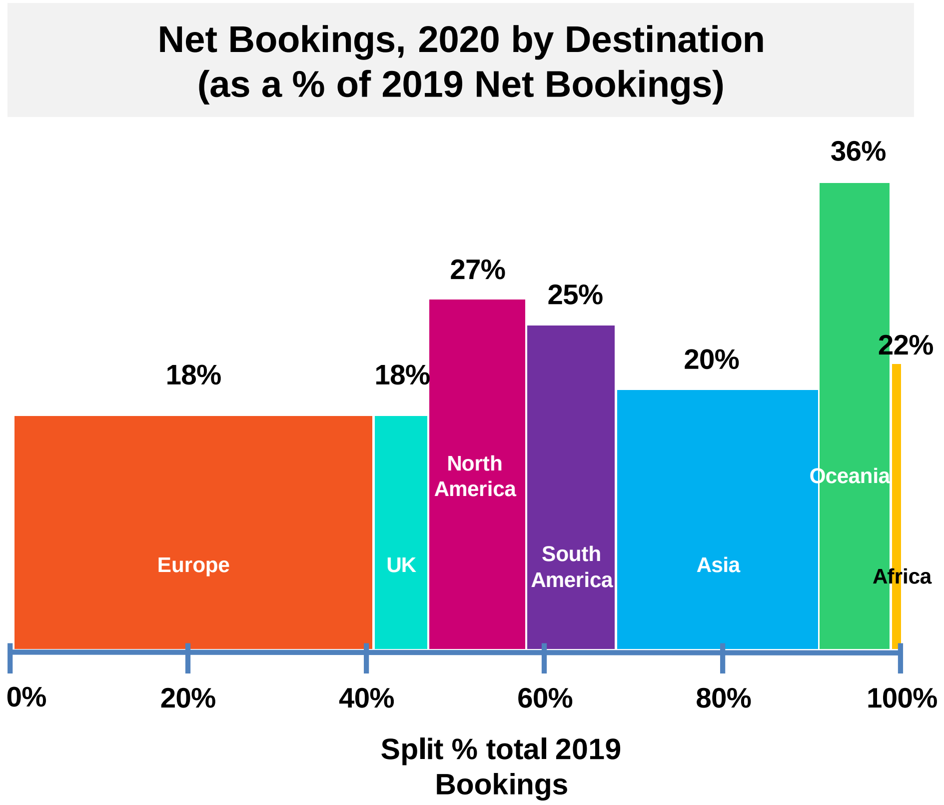
Covid-19 impacted the entire travel landscape, with booking volumes mirroring changes in travel restrictions



Long-Haul: Source IP Continent does not equal Destination Continent
Short-Haul: Source IP Country does not equal Destination Country; however, Source IP Continent equals Destination Continent
Domestic: Source IP Country equals Destination Country

All regions affected, AU/NZ fared better than most

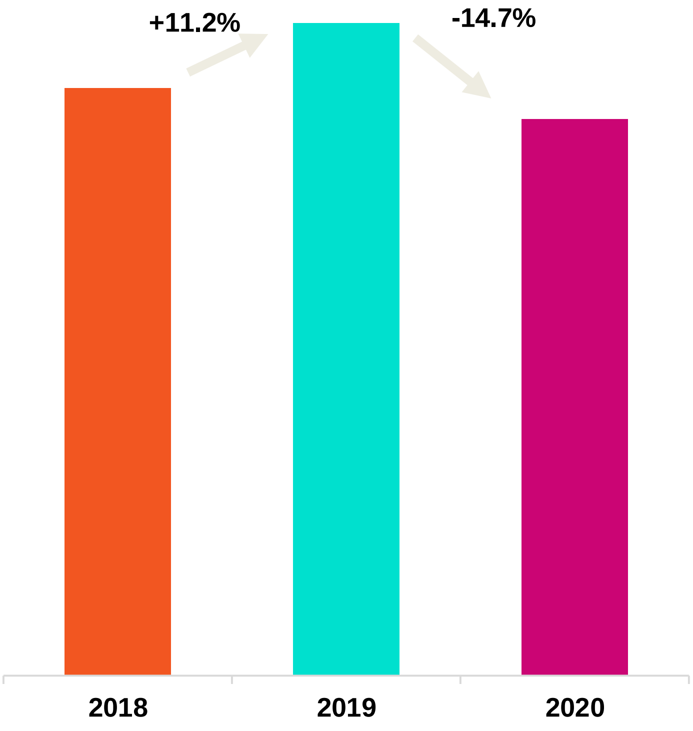




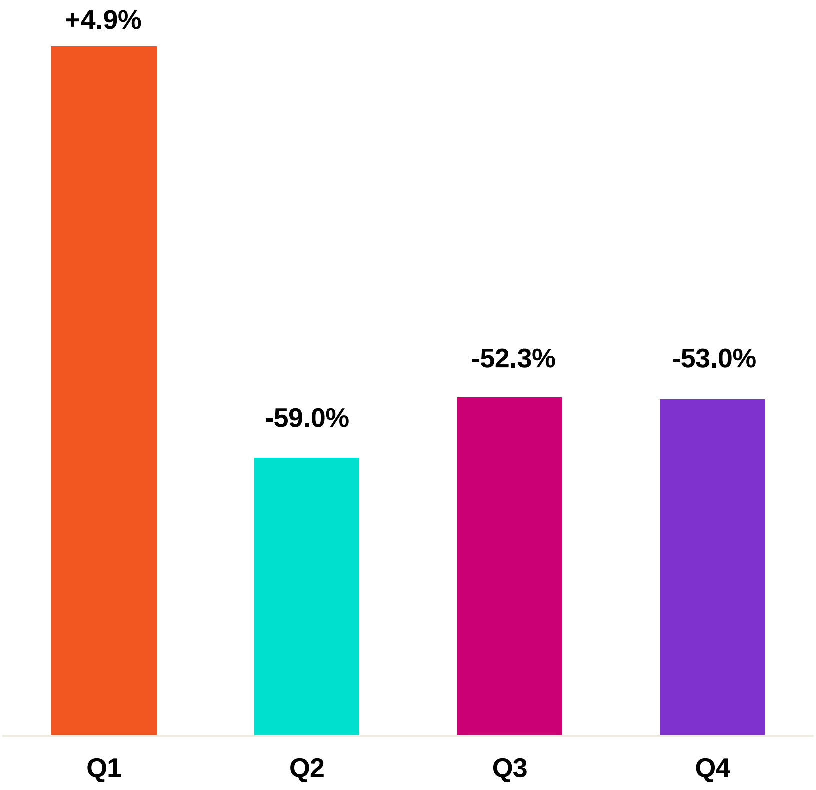
- Overall net bookings declined 79% YoY
- Covid-19 severely impacting Q2-4, with travel restricted to Domestic UK, NA, AU, NZ and Europe Domestic/European short-haul (accounting for 25% of net bookings)
- AU/NZ Domestic fared better than all other regions declining 61% YoY (full year)

Robust hostel supply at very low levels of demand

Growth in producing[1] hostels 2018-2020



Growth in producing[1] hostels 2020 QoQ

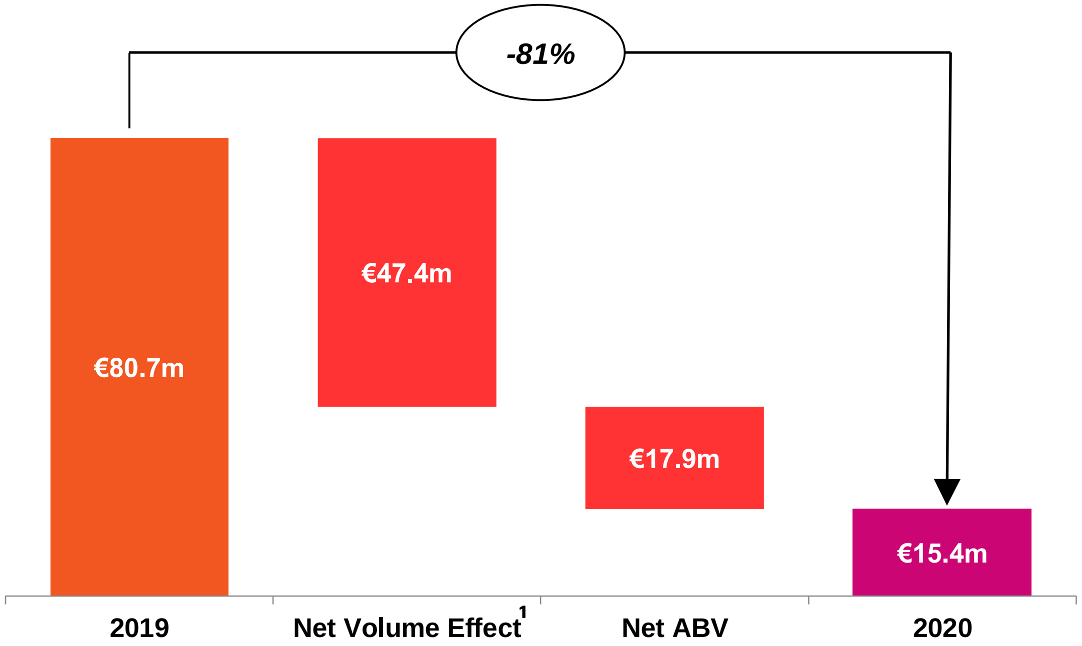


- Growth in producing hostels continued into Q1'20 (pre Covid-19)
- Despite significantly lower Q2 through Q4 2020 bookings versus FY19, the reduced demand was distributed across a sizeable portion of the hostels listed on our platform
- 17,200 hostels listed on our platform as of Dec 2020 (Dec 2019: 17,700)
- We estimate ~12.5% of the hostels listed at Dec 2019 closed down during 2020, partially offset by new signups to our platform

[1] A Hostel is defined as producing if it has at least one gross booking during the given time period

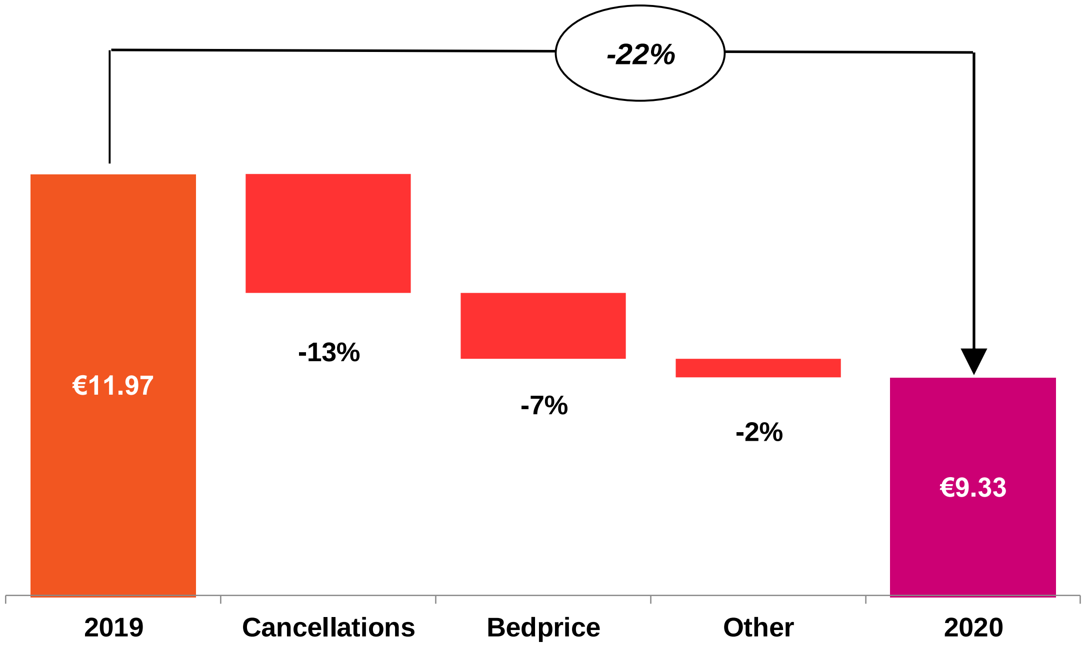
Lower volumes, increased cancellations and bed price deflation impacted revenue

Net Revenue Bridge



- Volume reduction accounts for 73% of revenue decline, with booking volume -79% compared to FY 2019
- Remaining 27% is due to a -22% price contraction compared to FY 2019

Net ABV Walk

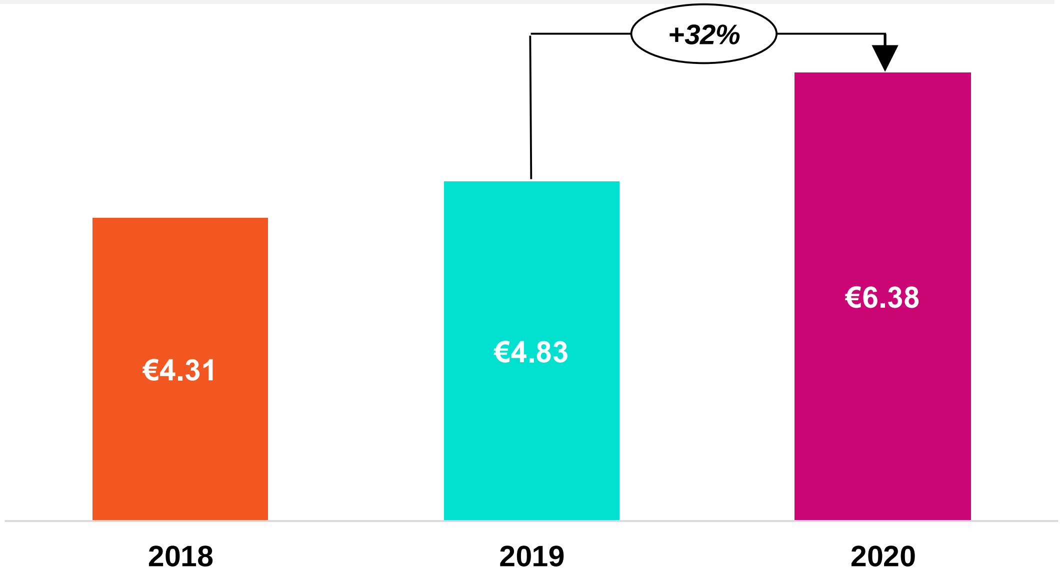


- Cancellation of longer lead time bookings with higher ABVs
- Underlying bed price decline driven by hostel competitiveness

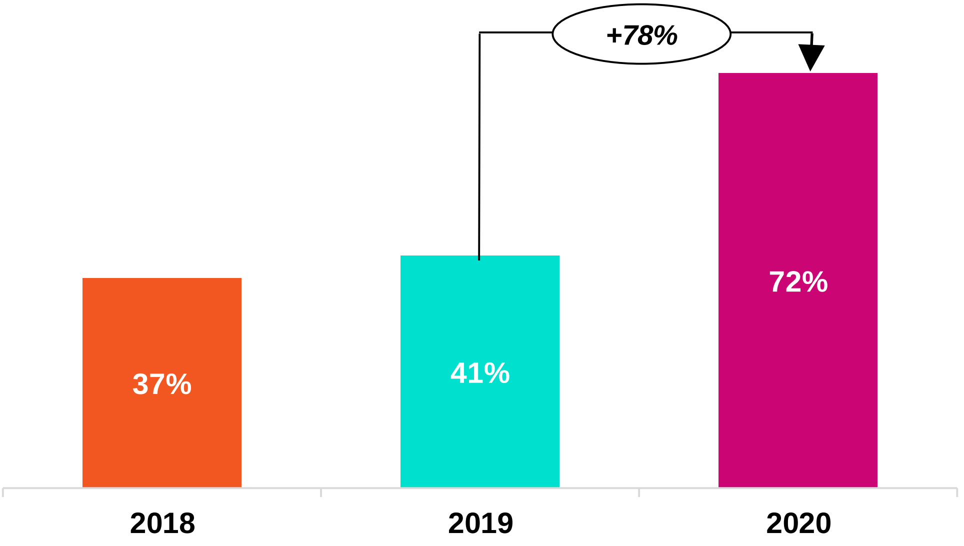
[1] Net Volume effect: Net Bookings (-79% / -€49.7m) partly offset by Deferred Revenue & Other (+€2.3m). Other includes accounting adjustments, ancillary services and advertising revenue

Travel patterns significantly impacted marketing costs

Marketing costs[1] per net booking (€)



Marketing costs as a % of net revenue[2]

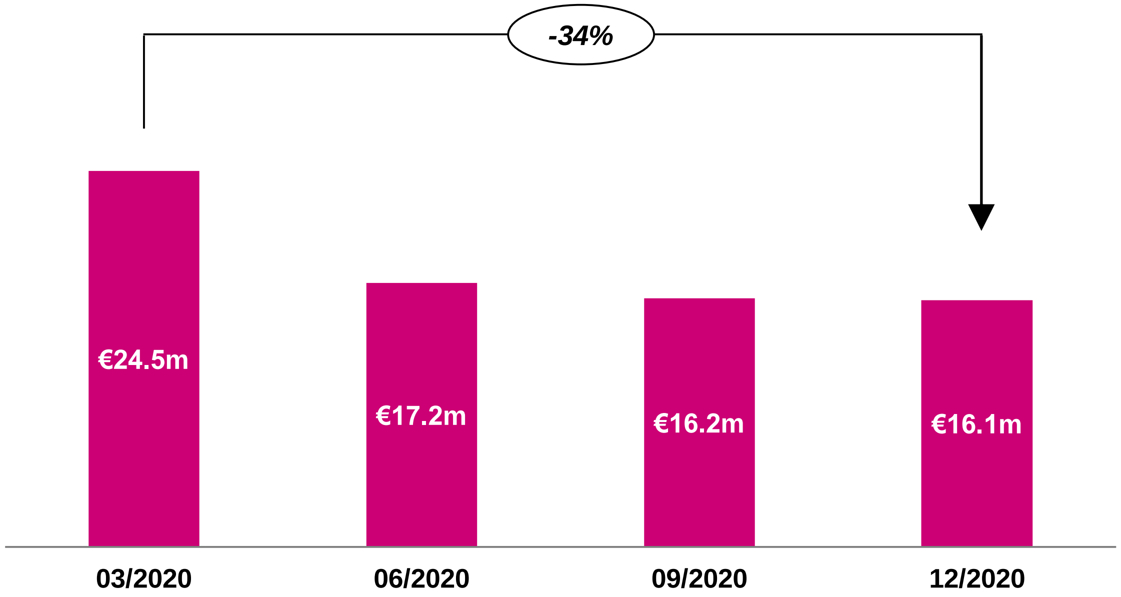


- Marketing costs per net booking increased by 32% YoY, driven by significant shift in consumer behaviour
  - Significant increase in cancellation rates YoY
  - Significant decrease in conversion levels YoY, partially offset by lower cost-per-click
- Marketing costs as a % of net revenue increasing at higher rate due to the decrease in Net ABV (-22%) YoY
- Marketing costs reduced -72% YoY broadly in line with net revenue movement
- We expect Marketing costs to normalise over time, as demand returns

[1] Defined as Paid Marketing + Marketing Overheads (brand marketing, software, contractor costs)
[2] Excluding impact of Deferred Revenue

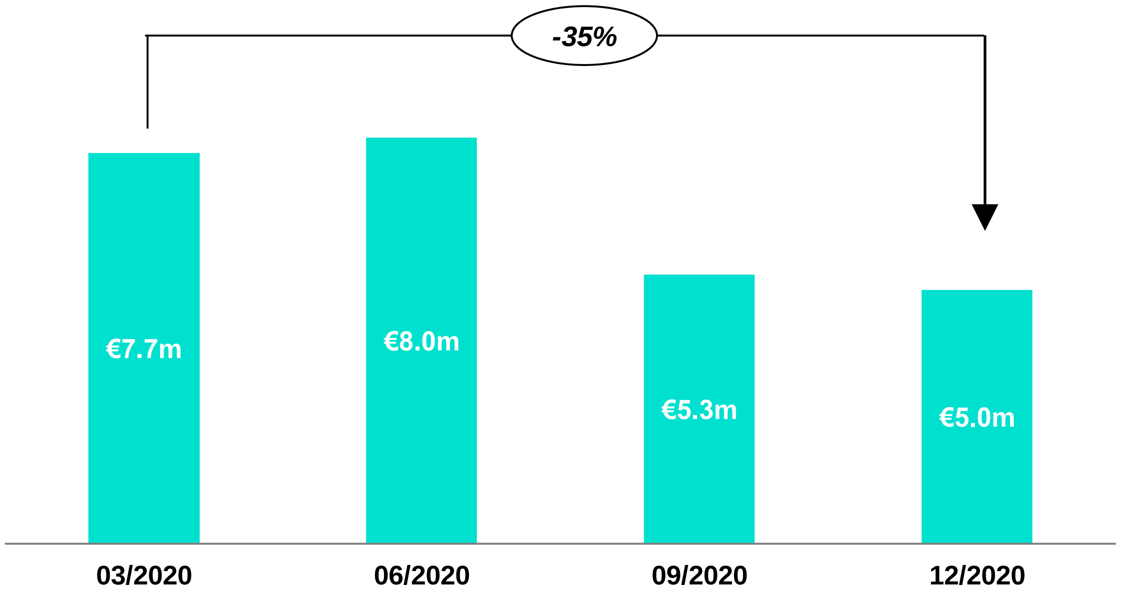
Cost reduction programme implemented in mid-March

Staff & contractor costs
Annualised run rates by qtr, 2020



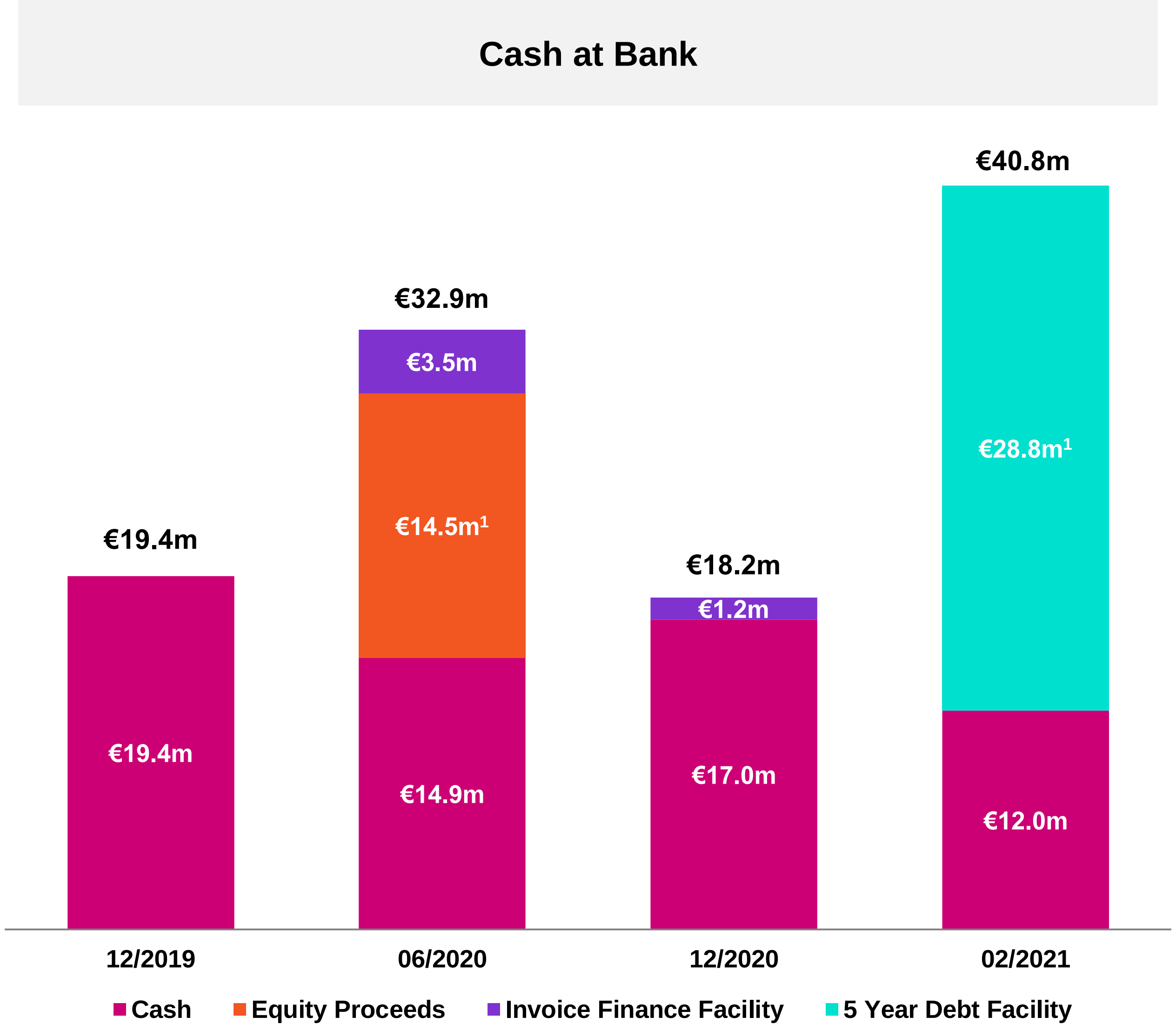
- Reduced working hours, temporary lay-offs, headcount reduction and recruitment freeze
- Accessed government subsidy schemes where available

Other opex costs
Annualised run rates by qtr, 2020



- Significant cost reduction measures applied across all other operating cost lines, delivered through discretionary spend cost-cutting and through contract service negotiation
- Monthly average operating cash burn maintained in line with expectation, at €1.7 million per month in Q4 2020

Balance sheet significantly strengthened



Management actions:

- Entered FY 2020 with a strong cash balance and no debt
- Liquidity measures taken in FY 2020 include:
  - Placing of 19.9% of issued share capital raised €14.5 million net proceeds in June 2020
  - €7 million three-year revolving credit facility and a €3.5 million short-term invoice financing facility signed in June 2020
  - -43% reduction in direct marketing and operating costs versus FY 2019
  - Cancellation of FY 2019 final cash dividend and issuance of a scrip dividend
- Closing cash balance of €18.2 million as at 31 December 2020
- 5-year €30 million term loan facility signed in February 2021

[1] Net of associated costs

Supporting Employees, Customers and Hostel partners

Employees

- Implemented agile working for employees
- Launched multiple Mental Health & Wellness initiatives
- Significantly increased internal communication frequency & depth

Customers

- Extended our free cancellation window to match hostels free cancellation policies
- Extended credit system to allow credits to be applied on new free cancellation bookings
- Launched free “Beds for Backpackers” initiative to provide free places to stay for stranded travelers
- Marketing initiatives to drive customer engagement

Hostels

- Introduced Covid-19 sanitation badge allowing hostels to publish compliance with local guidelines
- Extended hostel review display window to ensure temporary closures did not affect reviews scores/counts displayed
- Introduced Flexible Non-Refundable Rates bookings

Looking forward

Remain optimistic for the future

Demand will return

- Strongly believe the desire for gap year/gap semester travel remains intact
- Q3'20 trading data indicates our travelers will book when restrictions are lifted
- Will continue to invest in paid channels as demand resumes

Platform strength vs Q4'19

- More competitive inventory
- Improved booking journey, driving up conversion rates
- Continuing to build more granular bidding capabilities
- Goki & Counter ramping up – BPO[1] will be phased out by the end of May

Organisational strength vs Q4'19

- Significantly reduced cost base, increased operating leverage
- Strong balance sheet following recent debt facility
- Committed, engaged organisation

Recovery drivers

- Lifting of travel restrictions – especially long-haul and short-haul
- Reduced cancellation rates, driven by stability in travel restrictions/vaccination passport initiatives
- Bed price recovery, driven by supply/demand normalisation

[1] BPO = Backpackers Online, Hostelworld's legacy Property Management System


Hostelling
Volunteering
MEET THE WORLD
Working
Experiences

Making solid progress towards our vision

HOSTELWORLD

	2019	2020	2021
Supply competitiveness	• Sort Order enhancements (more personalised search results, greater ranking transparency) • Additional promotional rate plan configurations (e.g. discounts on min length of stay) • Improved connectivity to 3rd party PMS/CMS platforms & Extranet enhancements		
User experience	• Faster site experience, simpler checkout experience • More flexible booking and payment options • Rebuilt Credits platform which allow for Flexible Credits and Discount Codes		
Marketing effectiveness		• Consolidated tracking, attribution and bidding tools into Google suite • Rebuilding paid marketing capabilities to enable more granular bidding • Building data models to support CV vs CAC optimisation	
MEET THE WORLD			• Build (Social) enablers • Social experiments • Additional inventory types 2022+
Platform modernisation			• Migration to the Cloud • Continue Buy/Rebuild Core Apps • Deprecate Hostelbookers/BPO

[1] CLV = Customer Lifetime Value
[2] CAC = Customer Acquisition Costs

Summary: short-term outlook remains uncertain, but well positioned to emerge from the crisis stronger

Latest trading trends

- Booking levels remain very depressed, though some green shoots appearing as booking confidence improves
- ABV holding up due to longer length of stay bookings
- Continued hostel market resilience despite adverse market conditions

FY 2021 outlook

No formal guidance

- Outlook for travel industry remains uncertain
- Expect Net bookings and trading economics will remain at significantly reduced levels when compared to 2019
- Will continue to invest in paid channels as demand resumes
- Maintain tight cost control

No Dividend

- Board does not expect to issue a dividend under its current policy in respect of the 2020 financial year

Beyond FY 2021

Continue to execute on our vision

- Core business competitiveness
- Diversification into “Meet the World” experiential travel
- Continued platform investment to deliver lower mid-term costs and faster innovation

Key Investment Highlights

1. Strong brand recognition across travelers and hostel owners

2. Asset light, historically highly cash generative business model operating in a growing market

3. Lean cost base with strong balance sheet going into 2021

4. Materially stronger platform is well positioned to capture demand when normal travel patterns resume
   Growth strategy started to deliver results in Q4’19, accelerated platform investments in 2020

Appendices

Income Statement

€m	2020	2019
Revenue	15.4	80.7
Administrative expenses	(36.1)	(63.4)
Depreciation and amortisation expenses	(14.2)	(14.0)
Impairment Losses	(15.0)	-
Operating (Loss) / Profit	**(49.9)**	**3.3**
Financial income	0.0	0.1
Financial expenses	(0.2)	(0.3)
Share of results of associate	(0.4)	(0.1)
(Loss) / Profit before tax	**(50.5)**	**3.0**
Taxation	1.6	5.4
(Loss) / Profit for the period	**(48.9)**	**8.4**
Adjusted (Loss) / Profit measures		
Adjusted EBITDA	(17.3)	20.5
Adjusted (Loss) / Profit after Taxation	(22.2)	14.8

- **81%** decrease in Net Revenue to **€15.4m** (2019: €80.7m). The group's net booking volumes declined by 79% in 2020 (2019: 6% decline)
- Administration expenses reduced **43% to €36.1m** (2019: €63.4m) due to cost cutting measures across direct marketing, W&S and operating costs lines
  - Includes Marketing spend €9.3m (2019: €32.7m)
  - Includes Exceptional costs of **€3.0m**, €1.3m of which related to merger and acquisition costs and €1.7m of which was Product and Technology team realignment costs (2019: €3.1m)
- Impairment charge of €15m booked in current year on the intellectual property associated with Hosteworld.com and Hostelbookers
- Overall income tax credit of **€1.6m** (2019: €5.4m) comprises a Group corporation tax credit of **€0.6m** (2019: tax charge of €1.2m) and a deferred tax credit of **€1.0m** (2019: deferred tax credit of €6.6m)
- Adjusted EBITDA loss of **€17.3m** (2019: €20.5m profit)

The Group uses Adjusted EBITDA to show loss/profit without the impact of non-cash and non-recurring items
Adjusted Loss/Profit After Taxation defined as Reported Loss/Profit for the period excluding exceptional costs, amortisation of acquired domain and technology intangibles, impairment charges, net finance costs, share option charge and deferred taxation

Balance Sheet

€m	2020	2019
Non-current assets		
Intangible assets	86.3	109.1
Property, plant and equipment	4.5	5.4
Deferred tax assets	7.6	6.7
Investment in associate	2.3	2.7
	100.7	**123.9**
Current Assets		
Trade and other receivables	1.6	4.9
Corporation Tax	0.1	-
Cash and cash equivalents	18.2	19.4
	19.9	**24.3**
Total assets	**120.6**	**148.2**
Total equity	**97.9**	**131.8**
Non-current liabilities		
Deferred tax liabilities	-	0.1
Deferred Consideration	-	0.9
Lease Liabilities	2.5	3.4
	2.5	**4.4**
Current liabilities		
Trade and other payables	17.0	11.1
Borrowings	1.2	-
Lease Liabilities	1.8	0.9
Corporation tax	0.2	0.1
	20.2	**12.1**
Total equity and liabilities	**120.6**	**148.3**

- Reduction in carrying value of intangible assets from €109.1m to €86.3m due to a **€15.0m impairment** recognised on Hostelworld's intellectual property, as at 31 December 2020
- Trade and other receivables of **€1.6m** (2019: €4.9m) due to receipt of outstanding debtor [liquidation of group company] and lower vat receipts
- Cash of **€18.2m** (2019: €19.4m) of which €1.2m is a short-term debt financing facility
- Trade and other payables of €17.0m (2019: €11.1m) have increased due to cash conservation measures taken throughout FY 2020
- Short-term debt of €1.2m outstanding on the €3.5m invoice finance facility drawn-down during FY 2020

Cash Flow Statement

€m	2020	2019
Adjusted EBITDA	**(17.3)**	**20.5**
Working capital movement	8.9	(4.4)
Capitalisation and acquisition of intangible assets	(3.8)	(2.9)
Exceptional costs	(3.0)	(3.1)
Purchase of property, plant and equipment	(0.1)	(0.2)
Net interest / income tax paid	0.4	(1.7)
Acquisition of investment in associate	-	(1.1)
Free cash (absorption) / flow before financing activities	**(14.9)**	**7.1**
Net proceeds from issue of share capital	14.5	-
Net borrowings	1.2	-
Lease liabilities (IFRS 16)	(1.5)	(1.1)
Deferred Consideration	(0.5)	-
Dividends paid	-	(12.6)
Net (decrease) / increase in cash and cash equivalents	**(1.2)**	**(6.6)**
Opening cash and cash equivalents	19.4	26.0
Effect of foreign exchange rate changes	(0.0)	-
Closing cash and cash equivalents	**18.2**	**19.4**

Free cash (absorption) / flow before financing activities	**(14.9)**	**7.1**
Exceptional costs paid	2.6	2.7
Acquisition of investment in associate	-	1.1
Adjusted free cash (absorption) / flow	**(12.3)**	**10.9**
Adjusted free cash (absorption) / flow conversion %	**(71%)**	**53%**

- Adjusted EBITDA loss **€17.3m** (2019: €20.5m profit) due to decline in revenue
- **€8.9m** increase in working capital movement due to:
  - **€5.6m** increase in trade and other payables due to cash conservation measures taken (excluding impact of movement in deferred consideration within trade payables €0.3m)
  - **€3.3m** decrease in trade and other receivables due to a reduction in VAT receipts and timing debtor receipt in FY 2020 (proceeds from liquidation of group company WRI Nominees)
- Increased capitalisation of intangible assets reflecting increased tech team time on Roadmap for Growth Initiatives
- Dividend cost of €0m (2019: €12.6m) due to cancellation of final 2019 cash dividend
- €14.5m net proceeds raised through June 2020 equity process
- €1.2m short-term invoice financing facility (2019: €0m)
- **71%** Adjusted free cash absorption for 2020 (2019: Adjusted free cash conversion 53%)

Adjusted free cash conversion defined as Free cash absorption / flow before financing activities as a percentage of adjusted EBITDA

Key conditions of €30m 5-year Term Loan[1]

- **Pricing:** margin of 9.0% per annum over EURIBOR (with a EURIBOR floor of 0.25%)
  - Year 1: capitalised interest
  - Year 2 and 3: option to capitalise 4.0% of interest and 5.0% to be paid in cash
  - Year 4 and 5: cash interest only

- **Financial Covenants:**
  - Minimum Liquidity: cash of at least €6.0 million
  - Adjusted Net Leverage (from December 2023 on): 3.0x adjusted EBITDA from 31 December 2023 to 30 September 2024, thereafter, adjusted to 2.5x adjusted EBITDA

- **Early Repayment:**
  - Before Year 2: all interest due, plus a 2.0% fee of the amount repaid
  - Between Year 2 and 3: 2.0% of the amount repaid
  - Between Year 3 and 4: 1.0% fee of the amount repaid

- **Warrants:** penny warrants issued over the equivalent of 2.85% of the current issued share capital, exercisable at any time

[1] Facility announced on 19/02/2021

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