HOSTELWORLD

2024 Interim Results

August 8th 2024

OUR MISSION

Help travellers find people to hang out with

Get the App

25 years of connecting travellers

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Highlights

H1’24 – Financial Summary

3.7M Net Bookings — +9% vs H1’23	**5.7M** Pax — +6% vs H1’23	**12.8M** Net Bednights — +4% vs H1’23
€13.60 Net ABV[1] — -10% vs H1’23	**€46.4M** Net Revenue[2] — +1% vs H1’23	**45%** Marketing as % of Revenue[3] — H1’23: 51%
€9.6M EBITDA — H1’23 : €5.1M +88%	**€5.0M** Cash — Dec ‘23: €7.5M	**€2.6M** Net Debt[4] — Dec ‘23: €12.3M

1. Net ABV is calculated as Generated Revenue divided by Net Bookings, where Generated Revenue is gross revenue less cancellations (€50.3M in H1’24)
2. Net Revenue is gross revenue less cancellations, deferred revenue, rebates and accounting adjustments
3. Marketing % is defined as paid marketing costs over gross revenue less cancellations
4. Net debt is cash €5.0m less warehoused payroll taxes €7.6m. Net cash excluding warehoused payroll taxes of €5.0m in H1’24 (net debt of €2.7m in Dec’23)

Key Highlights

Strong financial delivery continues into H1'24:

- Continuing growth in net bookings, a record half-year for Asia and Central America
- Social Strategy continuing to deliver, with direct marketing as a % of revenue at the low end of guidance range
- Continuing to maintain cost discipline, underpinning significant Adjusted EBITDA growth
- Highly cash generative business model, AIB term loan facility and RCF repaid early and in full

Well positioned for further profitable growth:

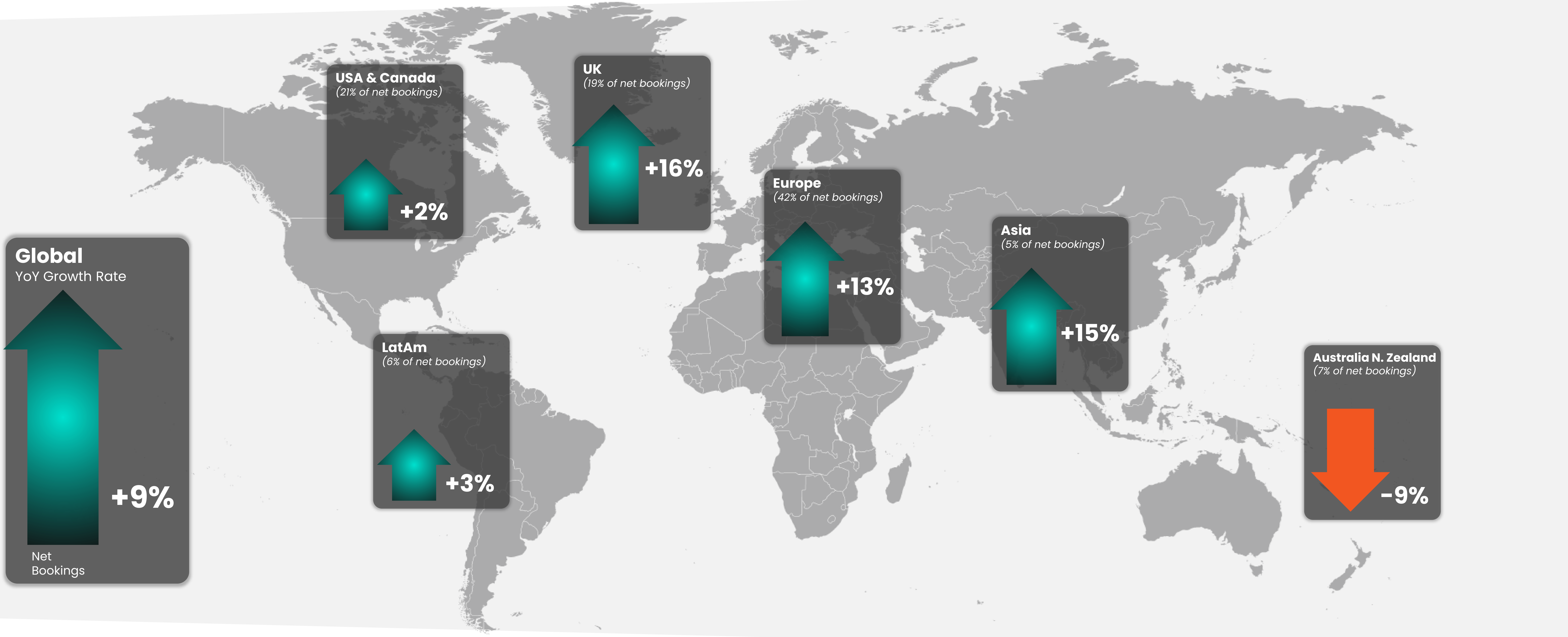
- Continuing investment in our Social network driving growth in penetration and usage
- App bookings growth outpacing Web, delivering marketing leverage to fuel future growth
- Growing hostel supply, with market coverage increasing +3% YoY
- Reiterating FY 2024 adj. EBITDA guidance in line with market consensus[1]

1. Company compiled market consensus FY 2024 adjusted EBITDA is €21.4M as of 07 August 2024

H1’24 Results

Strong demand from European and UK customers

Net bookings by customer nationality YoY



Strong preference for lower cost destinations

Net bookings by destination region YoY

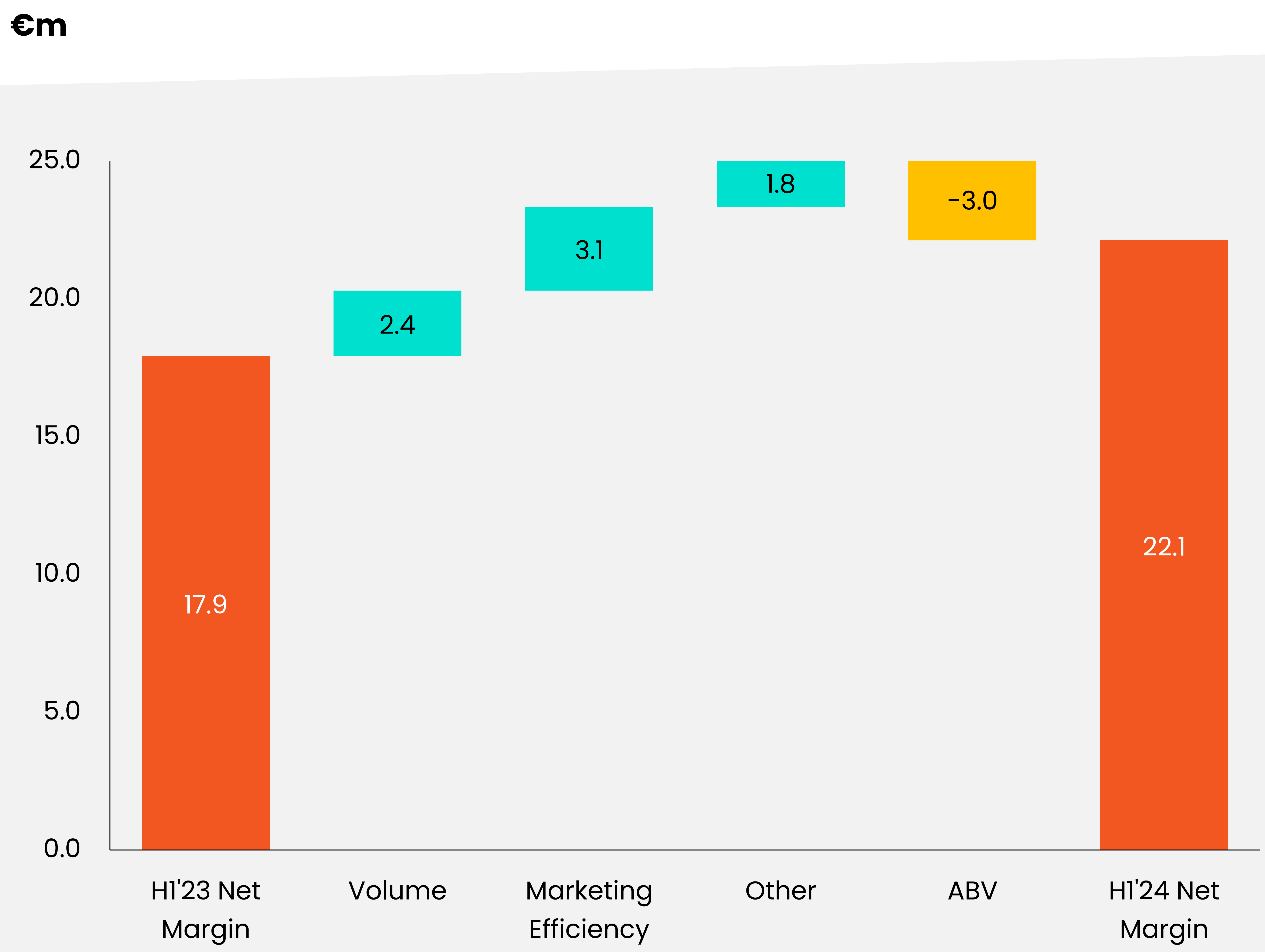
* Average bed price

Overall revenue growth tracking lower cost destination mix YoY

Generated Revenue[1] by destination region YoY

1. Generated revenue is gross revenue less cancellations
* Average bed price

Net margin growth driven by volume and marketing efficiency

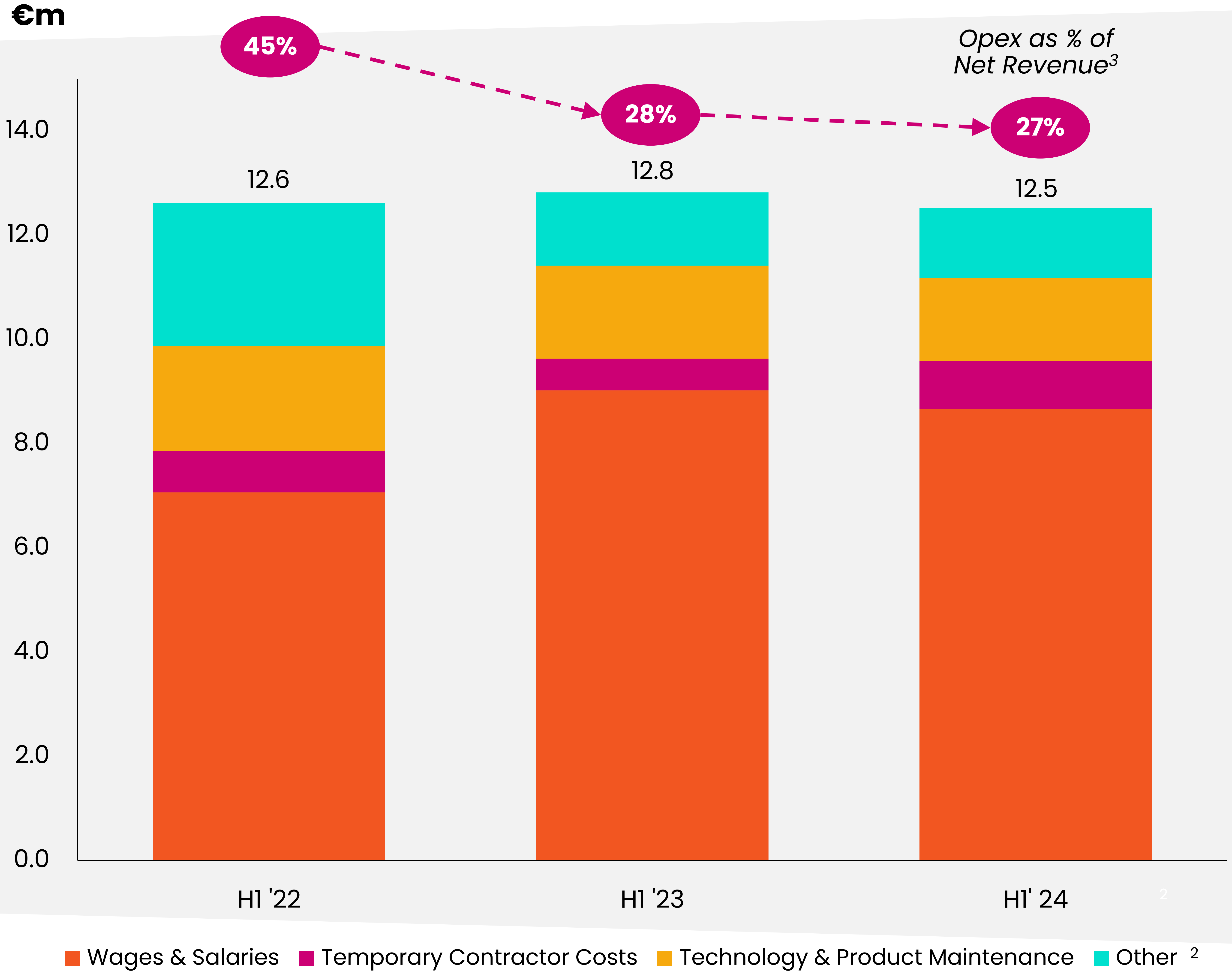


Strong net margin[1] growth driven by:

- Net booking volume +9% vs. H1'23 (+0.3m)
- Marketing[2] efficiency driven by 'Social' strategy (45% H1'24, 51% H1'23)
- Other includes benefit of lower deferred revenue provision movement[3]
- ABV -10% vs. H1'23 (-€1.56), greater proportion of Asian destination bookings and solo customers
- Above drivers delivering a net margin growth of +23% YoY

1. Net Margin defined as net revenue minus direct costs, where net revenue is gross revenue less cancellations, deferred revenue & rebates; direct costs includes paid marketing costs & credit card fees
2. Marketing % is defined as paid marketing costs over gross revenue less cancellations
3. Free cancellation revenue is deferred and only recognised after the cancellation period has expired

Increasing operating leverage through opex discipline

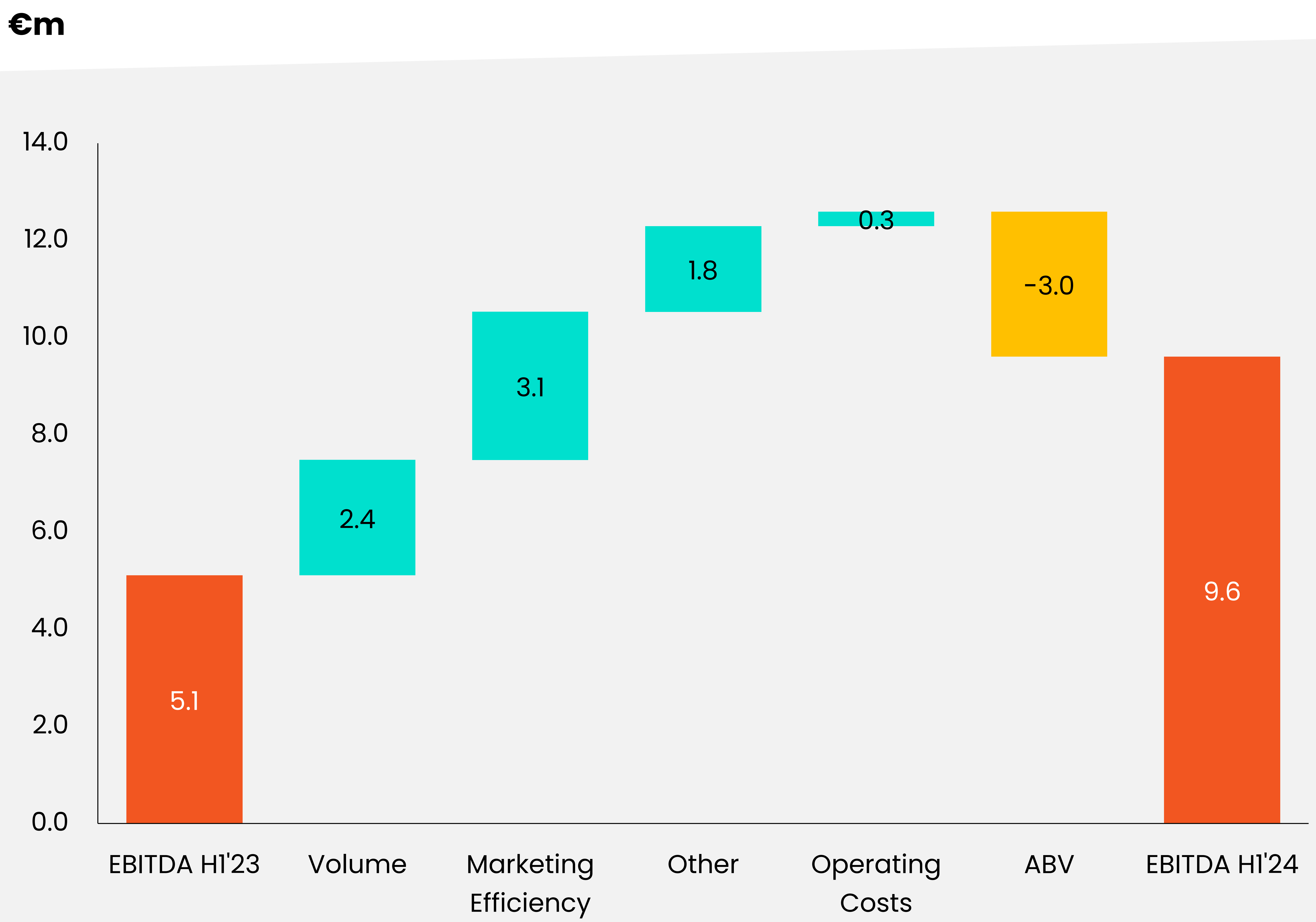


Platform efficiencies reducing operating costs[1]

- Wages & Salaries reduced 4%, with wage inflation managed through use of lower cost temporary contractors
- Reduced technology & product costs, -11%, efficiency of cloud hosted platform and modernised tech stack
- Other costs[2] down vs. prior year and a half of H1'22 costs

1. Operating costs excludes paid marketing and below EBITDA cost line items
2. Other includes T&E, insurance, rent & rates, training & recruitment, legal & professional, FX
3. Net Revenue is reported revenue (gross revenue less cancellations, deferred revenue, rebates and accounting adjustments)

Strong H1’24 EBITDA performance and margin growth

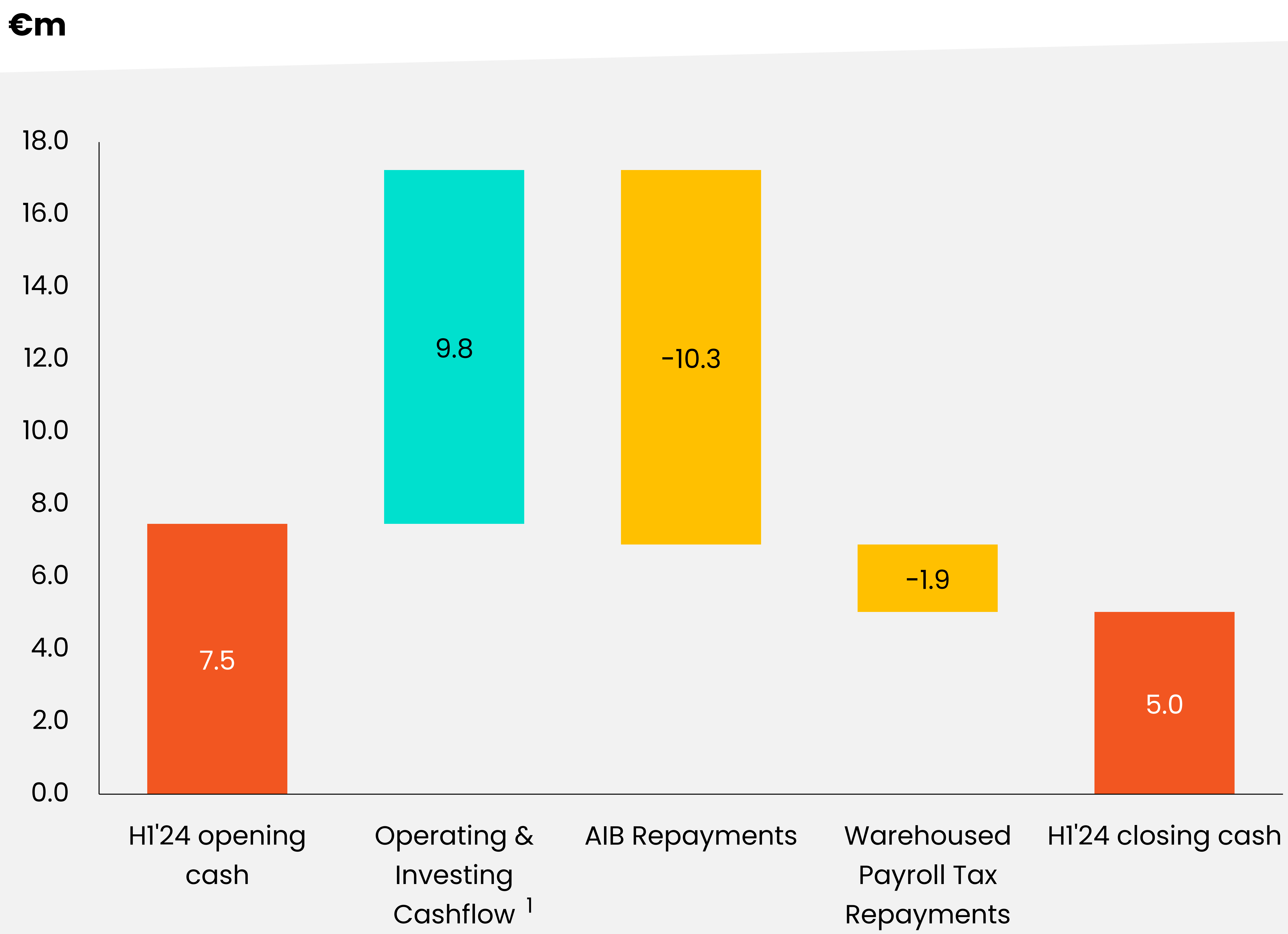


Reiterating full year guidance

- 9% volume growth, strong growth across all low-cost destinations
- Paid marketing efficiencies, supported by social, driving a 6% reduction in marketing spend
- Positive deferred revenue movement
- Maintaining strong cost discipline
- Lower ABV due to geo-mix and increase in solo travellers
- €9.6m EBITDA +88% vs. H1’ 23 (€5.1m)
- 21% EBITDA margin, +10% vs. H1’ 23 (11%)

Note: €3.6m of H1’24 revenue has been deferred which unwinds in H2’24 as margin, €5.6m was deferred in H1’23

Cash generation enabled debt repayment ahead of schedule



Debt paid in full, strong cash conversion

- Cash conversion of 103%, adjusted free cashflow of €9.9m on EBITDA of €9.6m (H1'23: 183%)
- €12.2m of cash utilised in financing activities
- Repaid remaining €2.0m owed on AIB RCF, €1.6m in scheduled AIB term loan repayments and early repayment of outstanding €6.7m balance in June '24, two years ahead of agreed terms
- Paid €1.9m to Irish Revenue on warehoused payroll taxes, €7.5m outstanding
- As of June '24, the Group had Net Debt[2] of €2.6m (€12.3m at Dec '23), debt free aside from warehouse tax liability
- Expect to be net cash by end of Q3'24

1. Operating & Investing cashflow includes cashflow from operations of €12.4m, lease liability costs €0.3m, capitalised intangible assets €2.4m
2. Net debt is cash €5.0m less warehoused payroll taxes €7.6m

Capital allocation priorities focussed on maximising shareholder returns

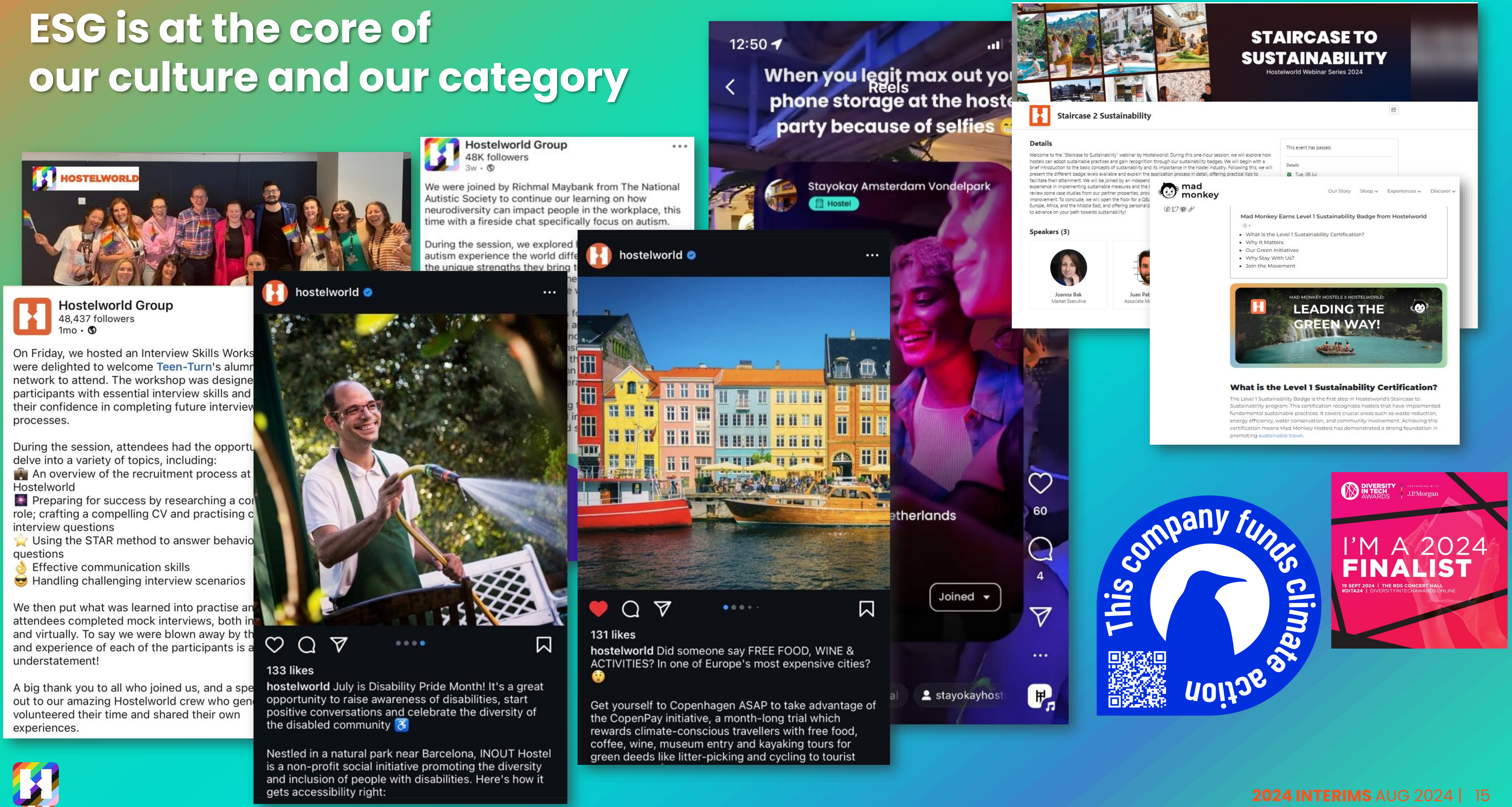
Principle objective is to deliver growth that drives long-term sustainable value creation

- Asset light business model generating substantial cash flow
- Adjusted free cash flow conversion ~80%

FY 2024 priorities:

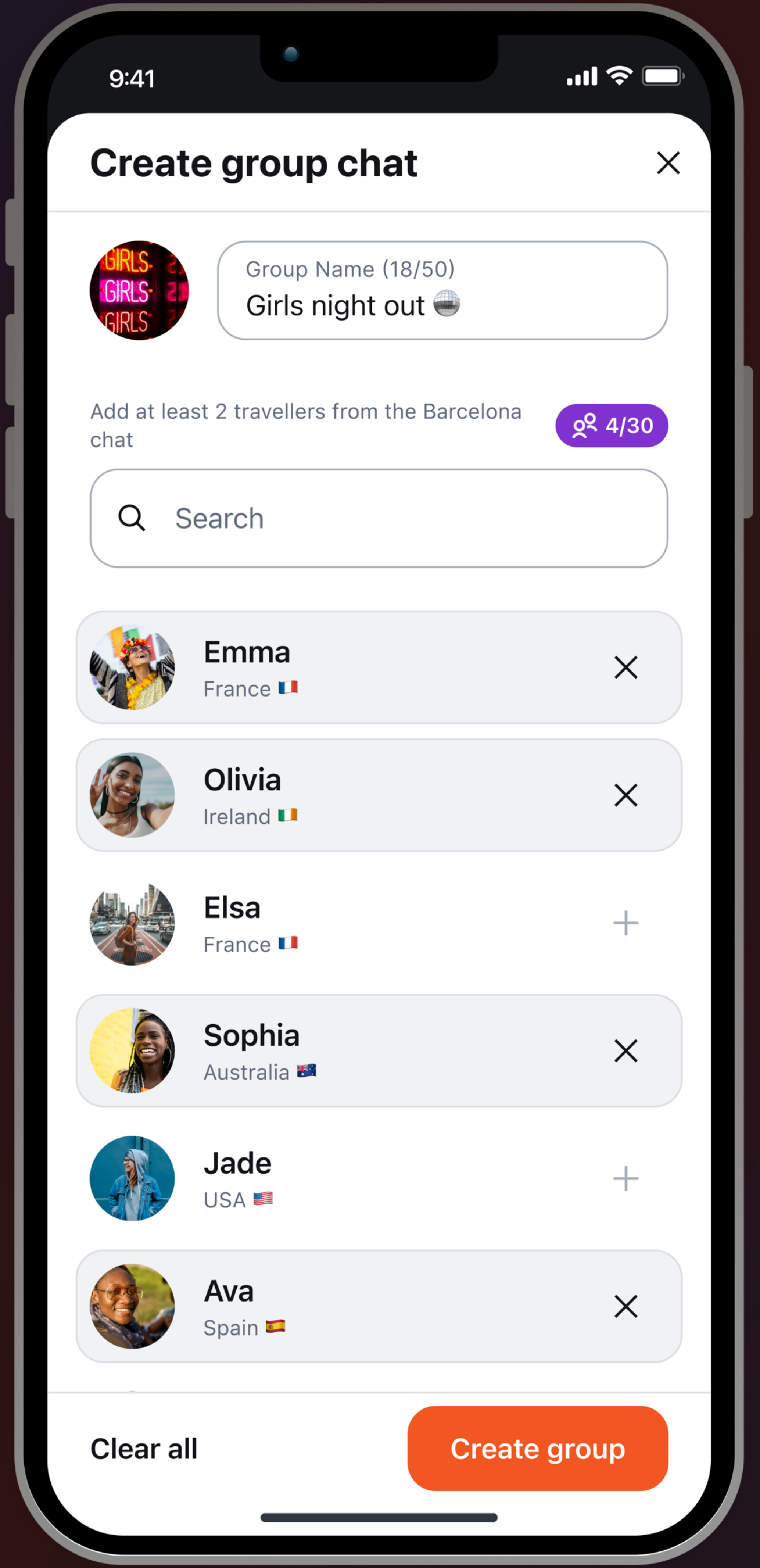
Repayment of AIB debt facility	Complete ✓
Repayment of warehoused payroll tax liability	On track
Continued investment in the business	On track
Net cash positive	On track

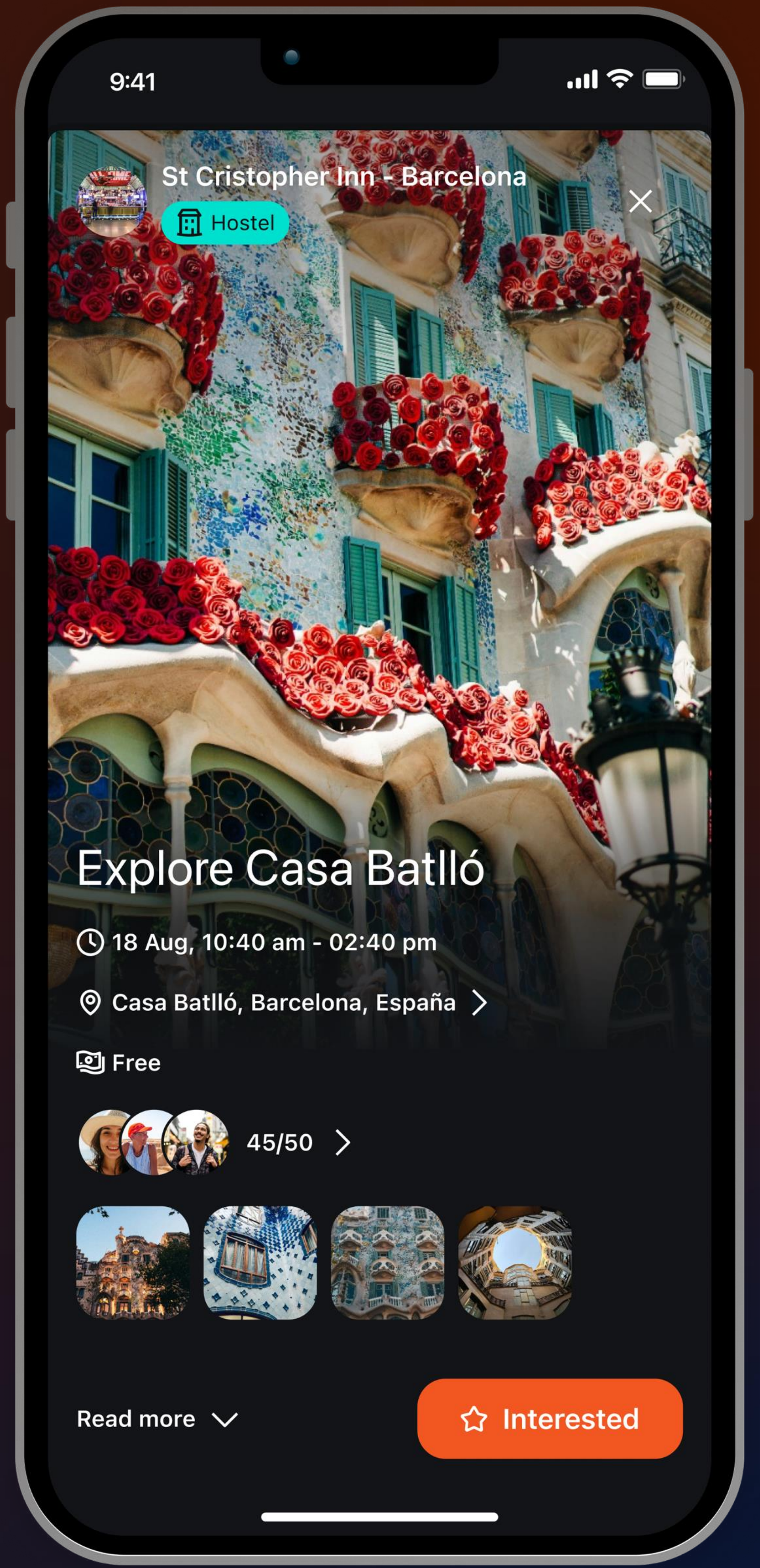
ESG is at the core of our culture and our category



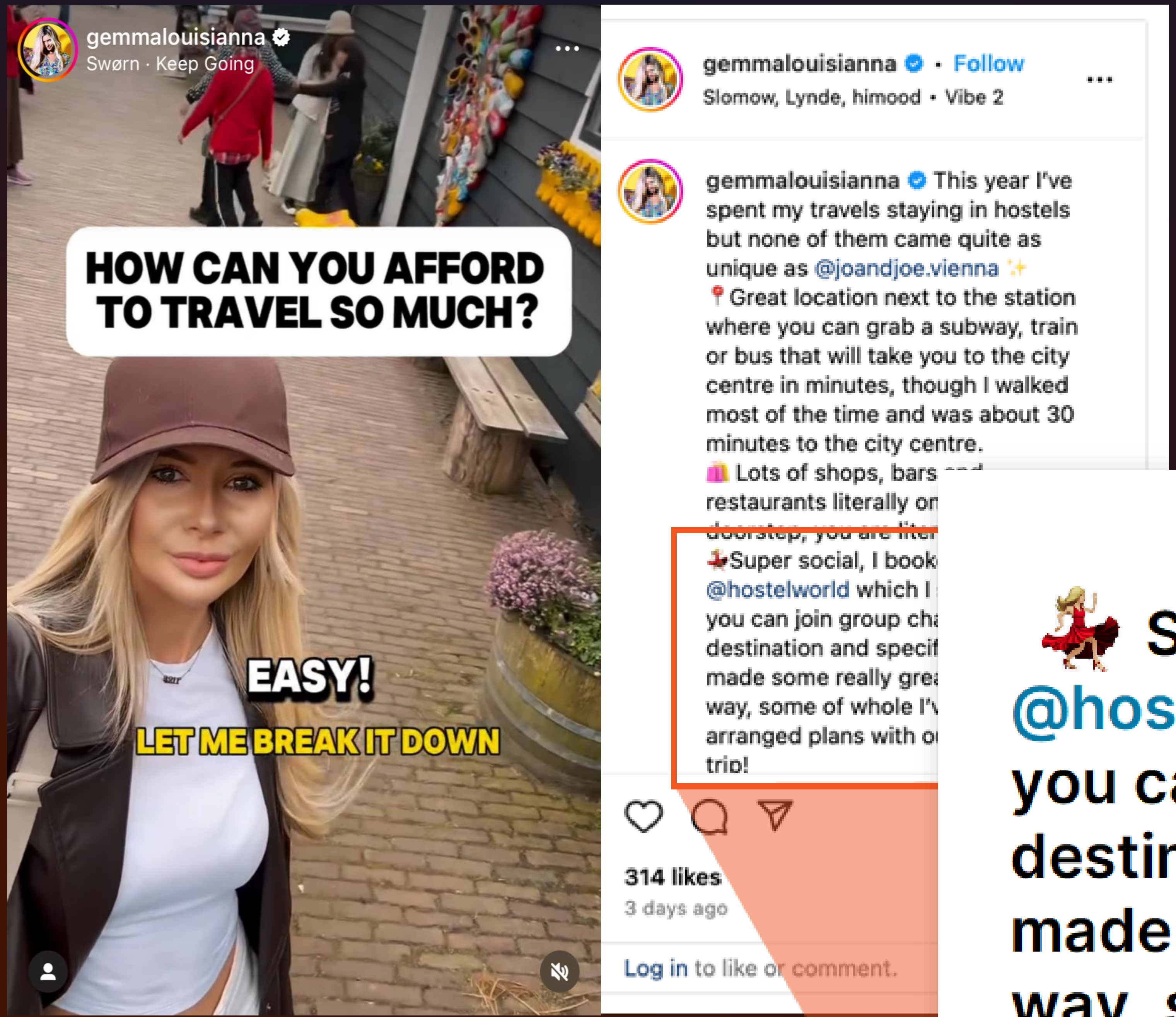
Strategy Update

Continued investments in our Social platform





Customers are using our platform to find people to hang out with



Super social, I booked through @hostelworld which I swear by, as you can join group chats for your destination and specific hostel. I made some really great friends this way, some of whom I've even arranged plans with outside of this trip!

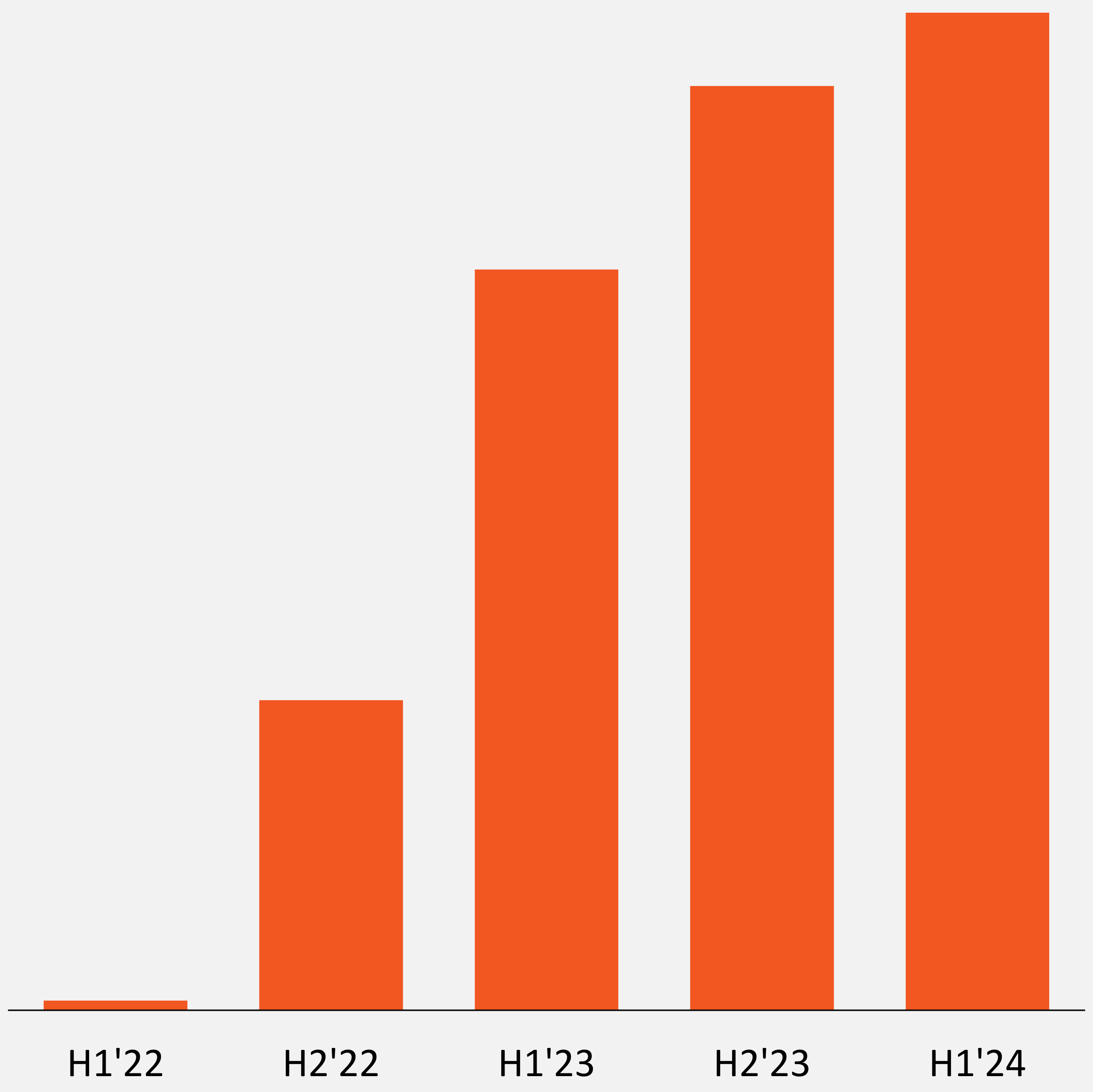
Hi all, couple of us are thinking of going to plaza jezinac beach tomorrow. Speaker, few drinks, dives into the water etc. - drop a message if you're interested! @mitchyk01

3 replies

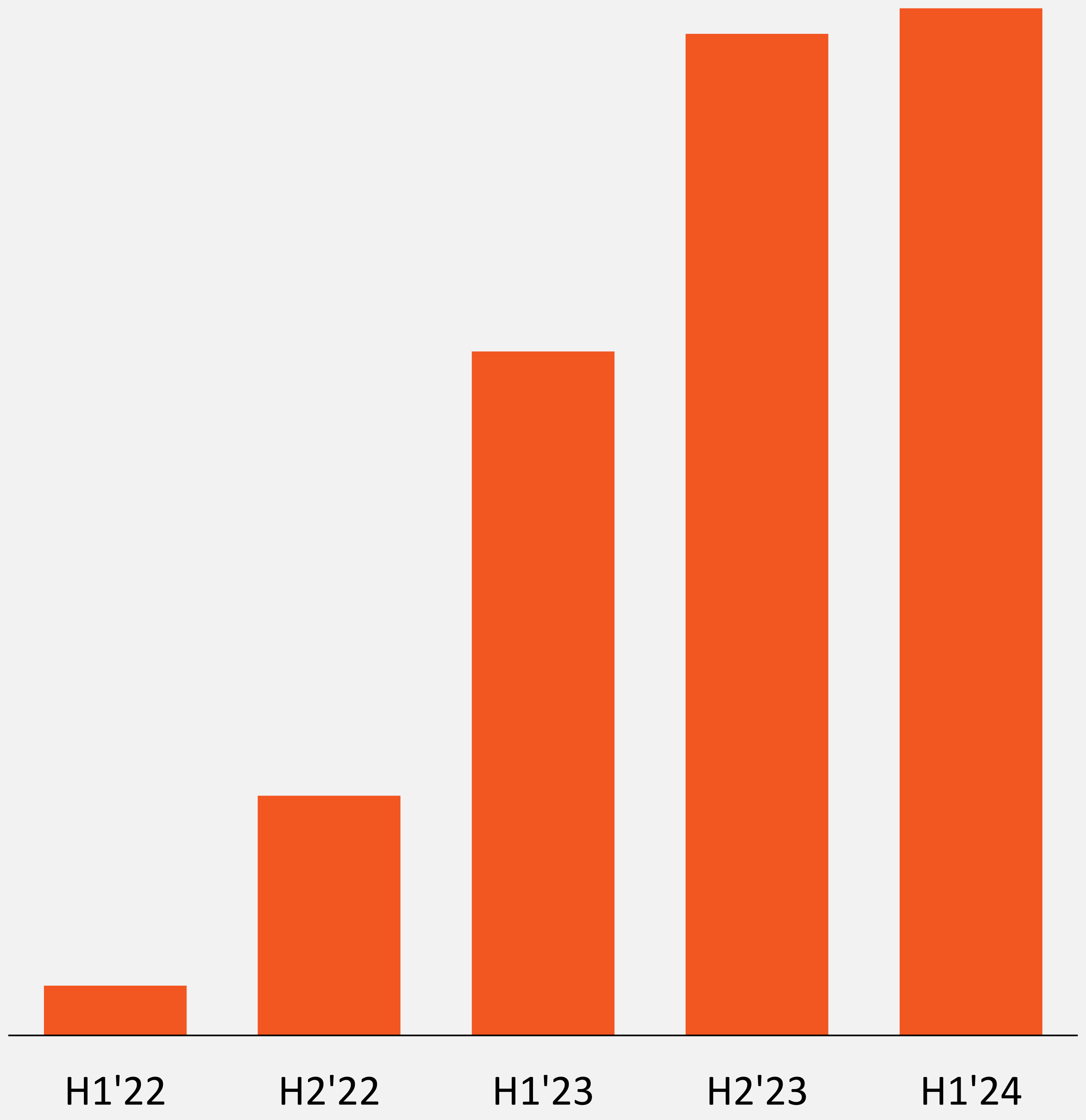
Social members also become powerful brand advocates

Social platform continues to accelerate

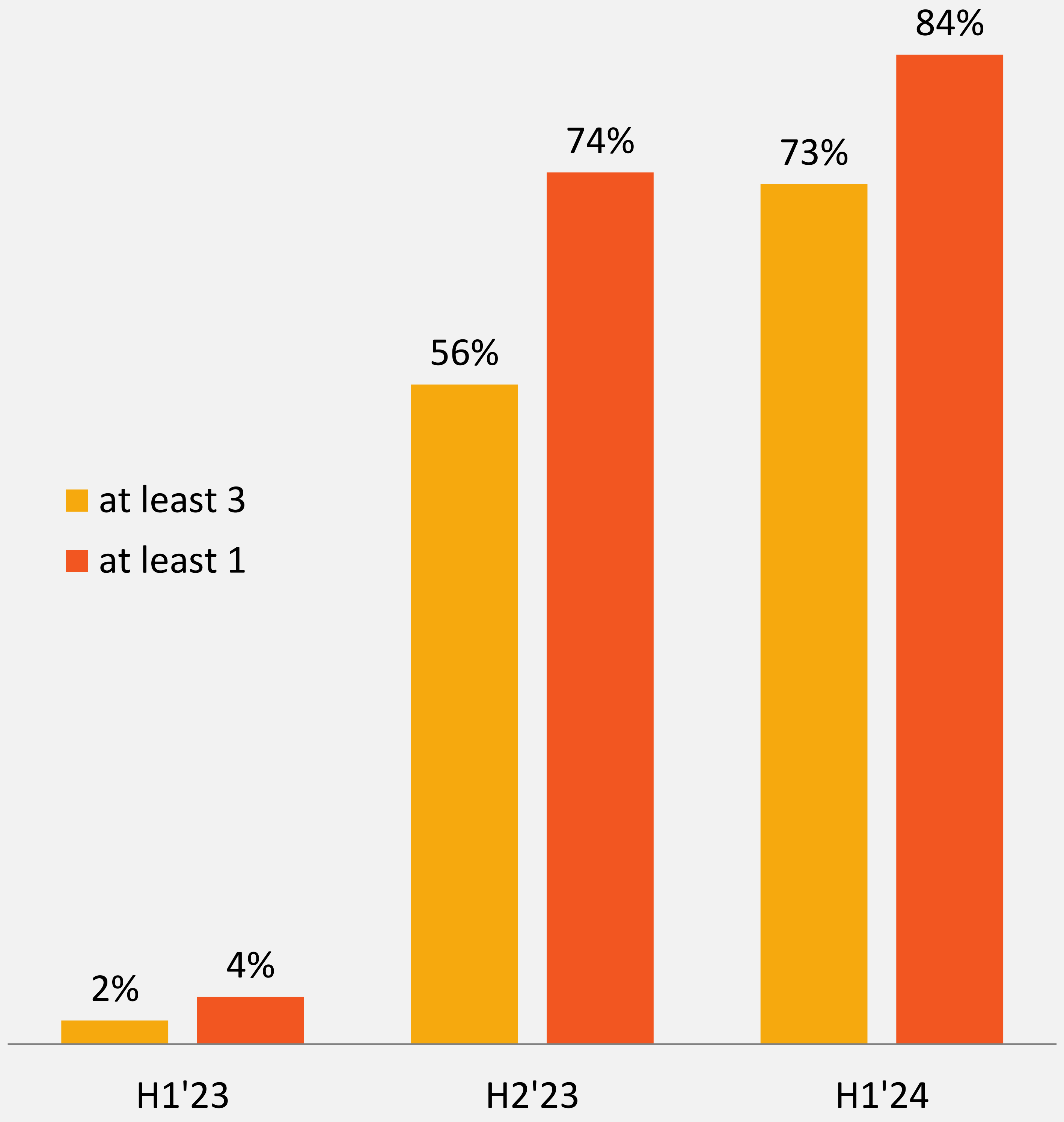
Active chat users



Messages sent on Social Network

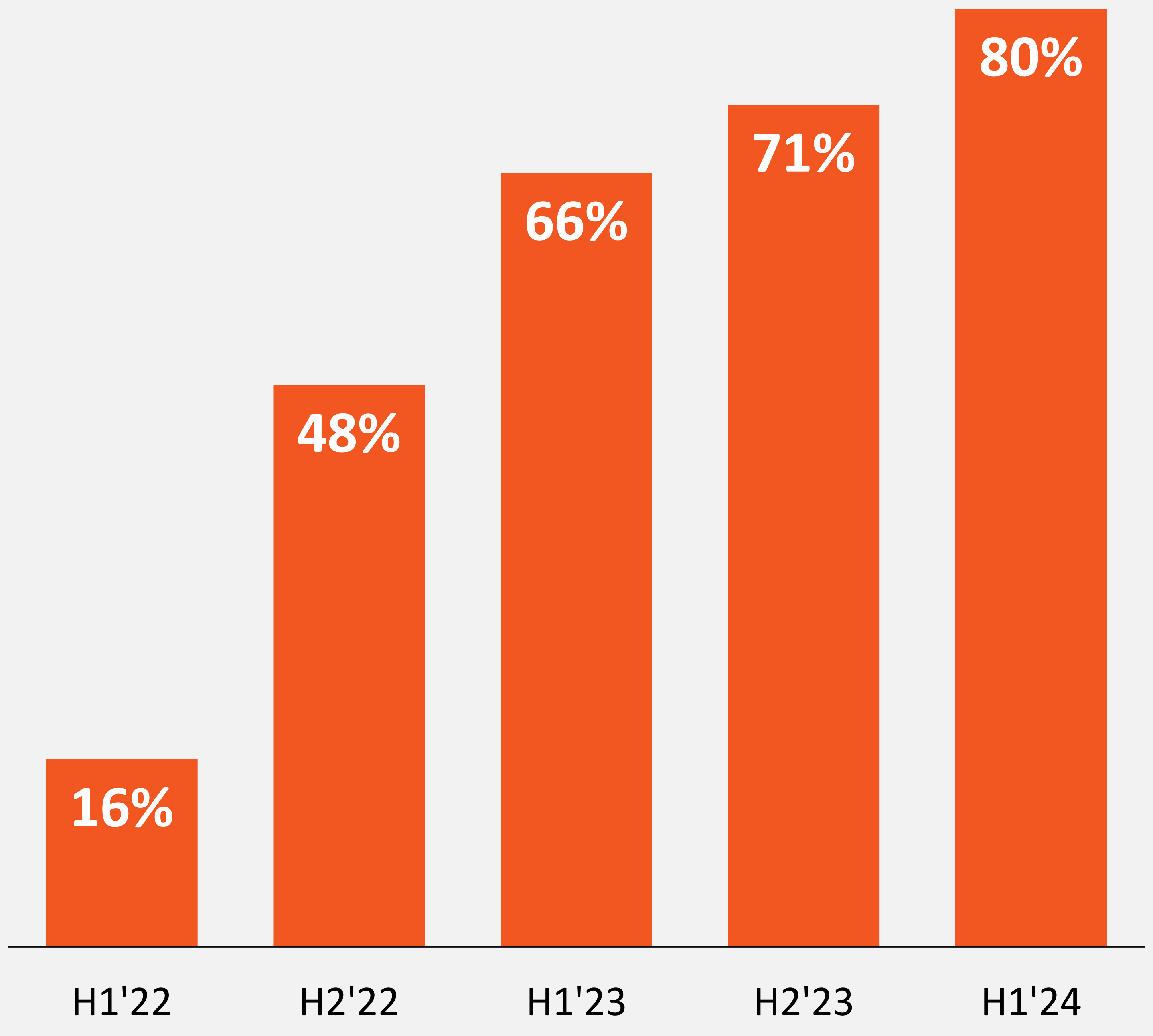


Percentage of Social Members who can see LinkUps in trip

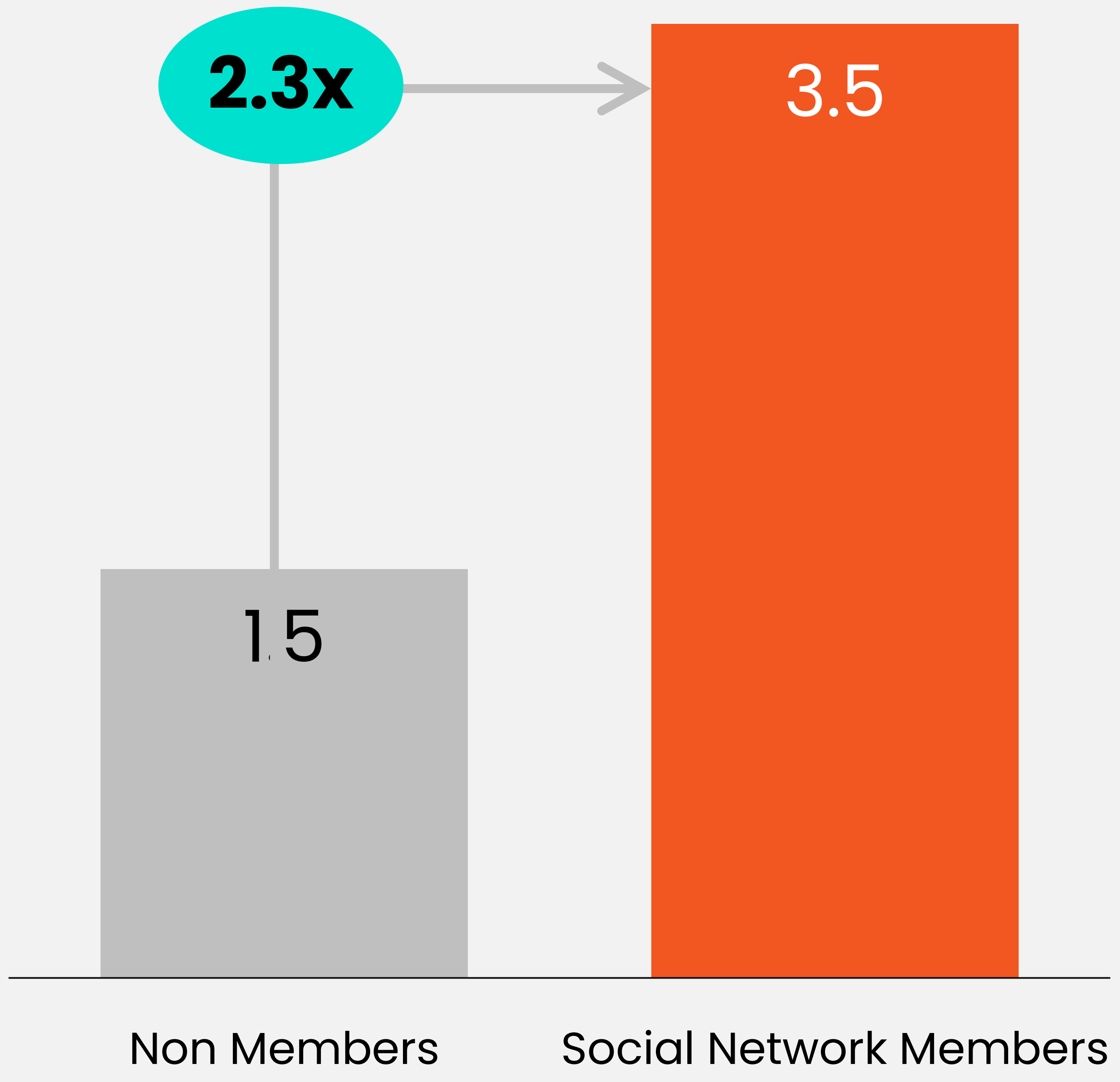


Strategy continues to attract and retain high value customers

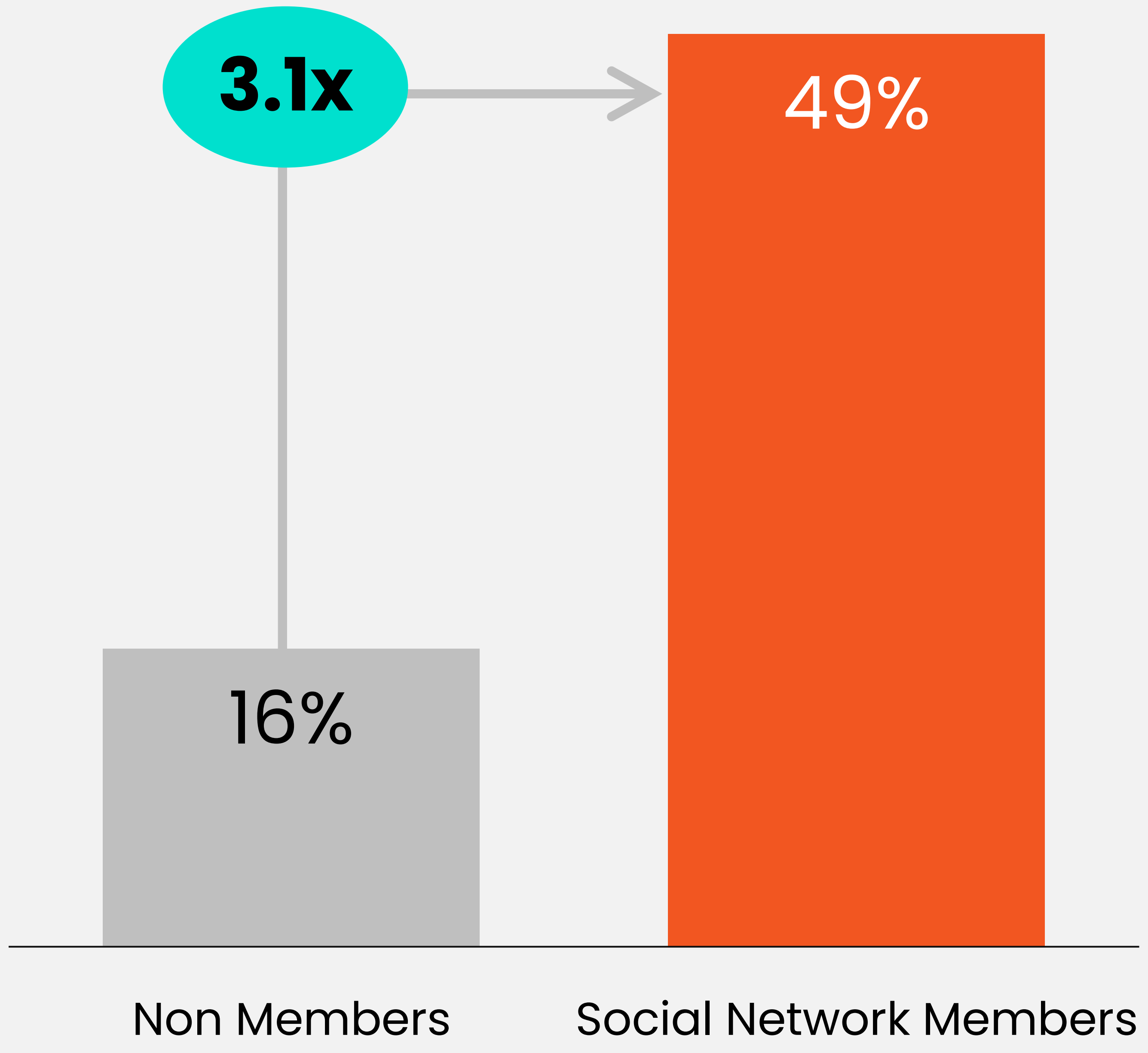
Social Members now accounting for 80% of all bookings on our platform



With new Social members making 2.3x the bookings compared to non members over the first 91 days post acquisition...

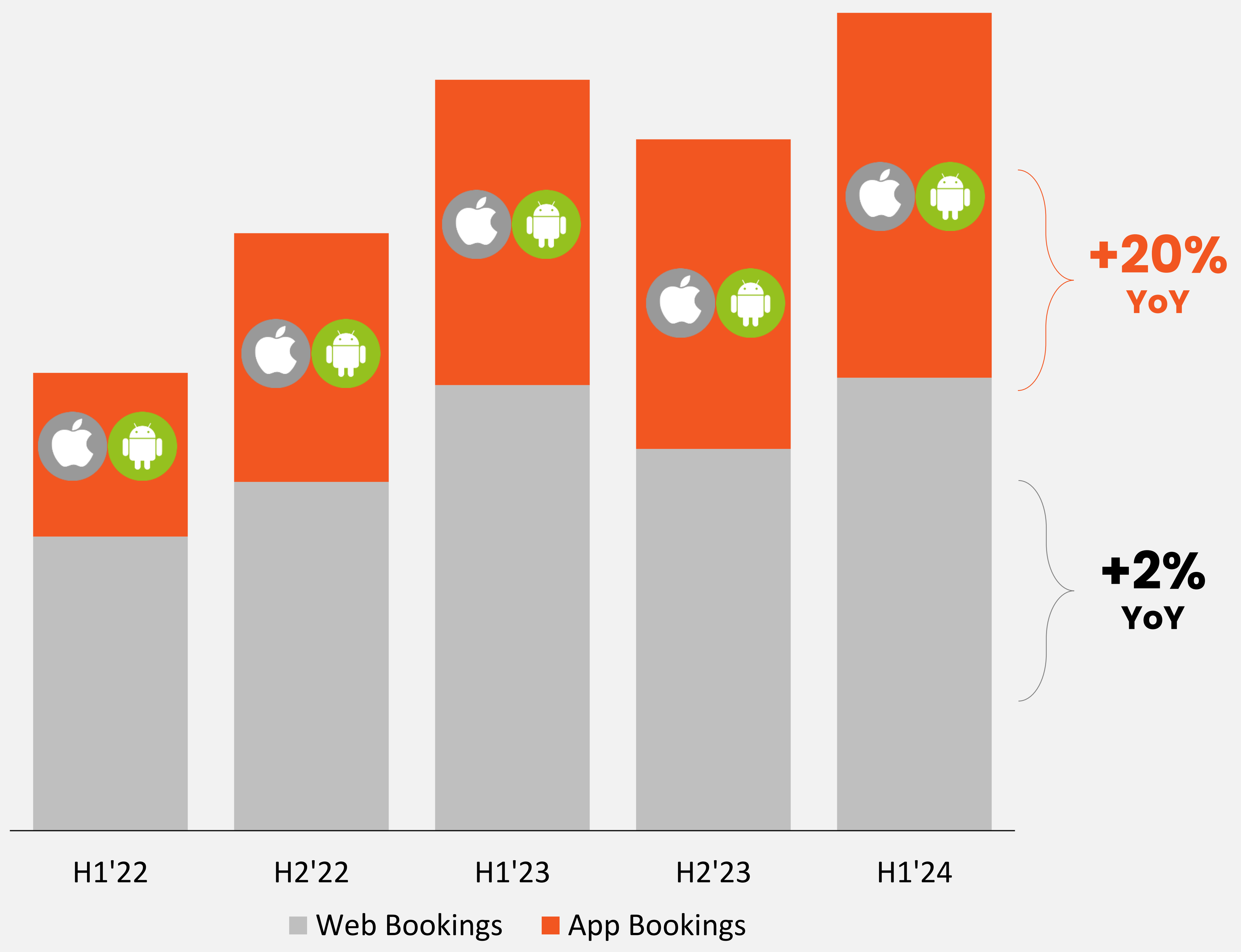


... and are 3.1x more likely to make these bookings on our App

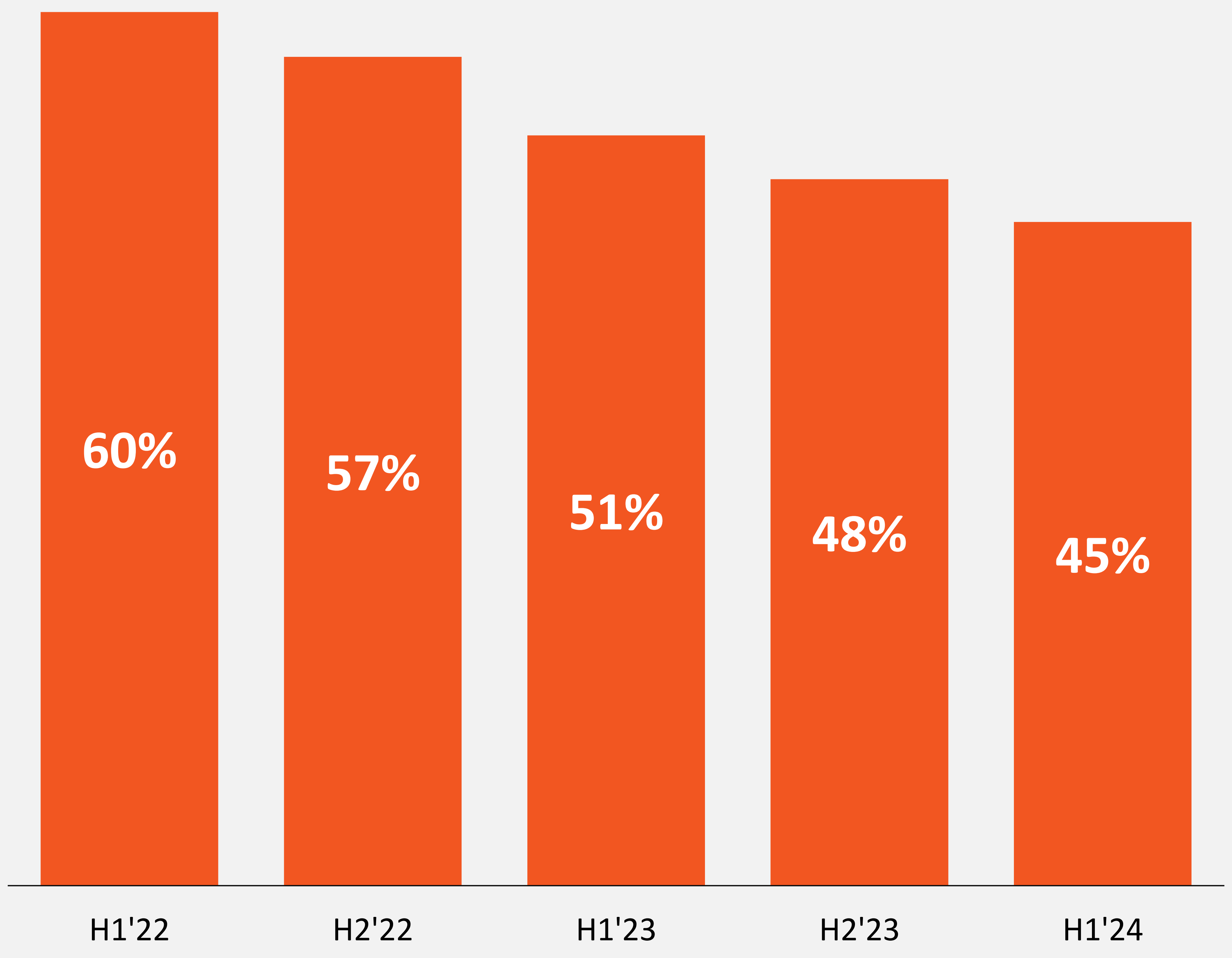


Driving strong growth in App bookings, & reduced marketing expenses

YoY growth rate in net bookings by platform

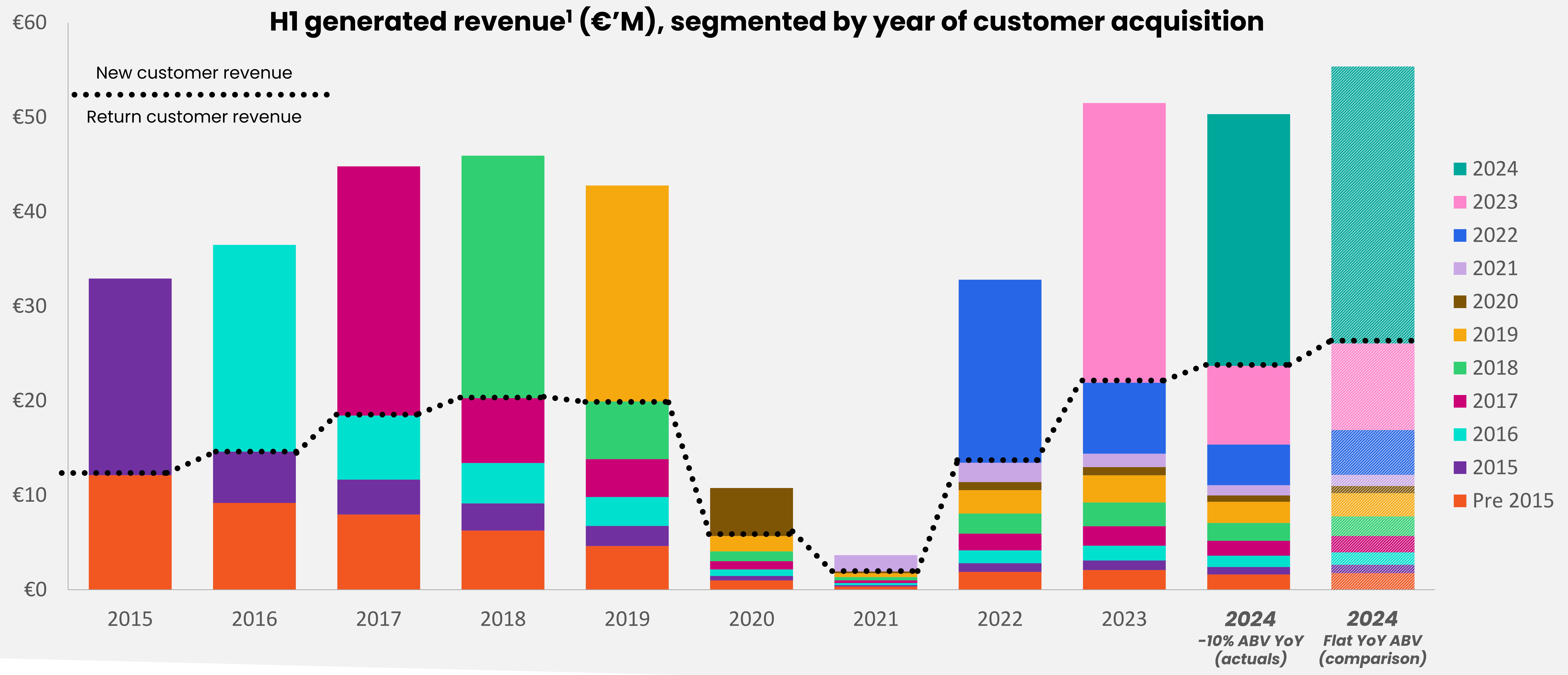


Marketing as % of net revenue



Strong growth in recurring revenue, impacted by lower ABV's YoY

Stronger customer retention rates/higher booking frequencies YoY, offset by lower cost destination mix



1. Net Generated Revenue is gross revenue less cancellations

Near term guidance

	FY 2023 Results	FY 2024 Trends
Net Bookings	6.5m	High single digit growth
Net GMV	€619m	Revenue growth lower than booking growth
Net Revenue	€93.3m	
Marketing % of Revenue	50%	<50%
Adj. EBITDA	€18.4m	In line with market consensus[1]

1. Company compiled market consensus FY 2024 adjusted EBITDA is €21.4M as of 07 August 2024

Continuing to execute our strategy

- Continue to invest in our uniquely differentiated Social platform
- Strengthens our growing competitive "moat", and drives continued share gains

- Continue to optimise marketing mix, platform conversion and develop low cost acquisition channels
- Increases marketing leverage period over period, which fuels new customer acquisition growth

- Continue to migrate our platform to a cloud native Gemini AI enabled architecture
- Reduces hosting cost and accelerates innovation, leading to higher operating leverage

Helping travellers find people to hang out with

Thank you!

Get the App

Appendices

Balance Sheet

	H1'24 €'m	FY'23 €'m
Intangible assets	64.3	66.5
Property, plant and equipment	0.7	0.8
Deferred tax assets	14.5	15.5
Investment in associate	1.2	1.1
Cash	-	0.8
Total non-current assets	**80.7**	**84.7**
Trade and other receivables	5.0	3.4
Cash	5.0	6.7
Total current assets	**10.0**	**10.1**
Total assets	**90.7**	**94.8**
Total equity	**62.6**	**59.2**
Debt warehoused	4.9	6.4
Borrowings	-	4.8
Total non-current liabilities	**4.9**	**11.2**
Debt warehoused	2.7	3.2
Borrowings	-	5.3
Trade Payables	5.4	3.3
Deferred revenue	7.5	3.9
Accruals and other payables	7.1	8.1
Lease liabilities	0.5	0.6
Total current liabilities	**23.1**	**24.4**
Total equity and liabilities	**90.7**	**94.8**

- **Intangible assets €64.3m** (FY'23: €66.5m)
  - Relates to goodwill, Hostelworld brandname, IP and tech stack
  - Decrease relates to amortisation charge €4.6m, offset by €2.4m resource time capitalised / asset created for time spent on revamping our hostel sign-up process, Linkups & modernising our platform
- **Deferred tax €14.5m** (FY'23: €15.5m), asset arising from Irish operating losses, accumulated during COVID period
- **Cash €5.0m** (FY'23: €7.5m), **Borrowings €nil** (FY'23 €10.1m).
  - Cash utilised to deleverage balance sheet
  - €10.3m used to repay remaining principal on AIB term loan facility and RCF, €1.9m used on warehoused debt repayments
- **Total warehoused payroll taxes of €7.6m** (FY'23: €9.6m), Payroll taxes due to Irish Revenue, 15% downpayment made May 2024 followed by equal monthly installments thereafter, 0% interest applies
- **Deferred revenue €7.5m** (FY'23: €3.9m), driven by Free Cancellation product and will unwind H2'24

Income Statement

	H1'24 €'m	H1'23 €'m
Revenue	46.4	45.8
Administrative expenses[1]	(37.8)	(41.8)
Depreciation & amortisation expenses	(4.7)	(5.8)
Share of results of associate	0.1	0.1
Operating profit/(loss)	**4.0**	**(1.7)**
Finance income	-	-
Finance costs[1]	(0.3)	(5.4)
Profit/(loss) before tax	**3.7**	**(7.1)**
Tax	(1.2)	(0.4)
Profit/(loss) for the period	**2.5**	**(7.5)**
Adjusted EBITDA[2]	9.6	5.1
Adjusted earnings/(loss) per share (€'cent)	6.0	(1.9)

- **Net revenue increased to €46.4m** (H1'23: €45.8m)
  - **3.7m net bookings** (H1'23: 3.4m) driven by record performance in Asia and Central America
  - **Net average booking value €13.60** (H1'23 €15.15) driven by a greater proportion of bookings from low bed price destinations
- **Administrative expenses reduced by €4.0m YoY**
  - Reduction in direct paid marketing costs of -€3.6m, direct marketing costs as a % of revenue reduced to 45% (H1'23: 51%), and savings obtained from GCP efficiency on a modernised tech stack
- **Finance costs decreased to €0.3m** (H1'23: €5.4m) as a result of early repayment of the term loan facility and RCF. H1'23 included €3.5m of exceptional costs relating to the refinance of borrowing facilities in May 2023
- **Tax cost €1.2m** relates largely to an unwind a deferred tax asset which was created in Dec '23 for losses carried. Recognition of asset driven by a return to positive adjusted EBITDA and near-term profits

1 CY exceptionals €nil. PY exceptional costs of €3.6m, €0.1m included within H1'23 administration expenses relating to debt costs incurred on refinancing, and €3.5m included within finance costs relating to €0.7m early repayment penalty and €2.8m accelerated noncash interest
2 The Group uses adjusted EBITDA to show loss/profit without the impact of non-cash and non-recurring items

Cash Flow Statement

	H1'24 €'m	H1'23 €'m
Adjusted EBITDA[1]	**9.6**	**5.1**
Working capital movement	3.0	7.9
Net interest and tax paid[2]	(0.2)	(2.2)
Cash from operating	**12.4**	**10.8**
Capitalisation & acquisition of intangible assets	(2.4)	(1.5)
Purchase of property, plant and equipment	-	(0.1)
Cash used investing	**(2.4)**	**(1.6)**
Proceeds from borrowings	-	17.4
Repayment of borrowings and debt costs capitalised	(10.3)	(34.2)
Repayment of warehoused debt	(1.9)	-
Lease liabilities (IFRS 16)	(0.3)	(0.6)
Cash used financing	**(12.5)**	**(17.4)**
Opening cash	7.5	19.0
Closing cash	**5.0**	**10.7**
Net decrease in cash	**(2.5)**	**(8.3)**
Net borrowing/warehoused debt movement	12.2	16.8
Exceptional items[3]	0.2	0.8
Adjusted free cash flow	**9.9**	**9.3**
Adjusted EBITDA	9.6	5.1
Adjusted free cash % (conversion)	**103%**	**183%**

Strong adjusted free cash conversion facilitating early repayment of borrowing and debt warehoused facilities

- **€4.8m decrease in working capital,** working capital principally driven by a €3.6m increase in deferred revenue (€7.5m at H1'24, €3.9m at FY'23) and a €2.0m increase in trade payables relating to paid marketing amounts owed
- **Financing activity driven by repayment of COVID facilities:**
  - **€10.3m principal repayments** made on AIB term loan facility and RCF, nil borrowings as a result, H1'23 movements driven by refinance of borrowing facilities in May 2023
  - **€1.9m repaid** to Irish Revenue Commissioners on warehoused payroll taxes, in line with terms of repayment plan 15% downpayment made May 2024 followed by equal monthly installments thereafter, 0% interest applies
  - **Lease liability decrease -€0.3m** relates to Dublin office moving to a smaller office location in March 2024

1 The Group uses adjusted EBITDA to show loss/profit without the impact of non-cash and non-recurring items
2 Excludes any PIK interest relating to the repayment of the HPS debt facility
3 Exceptional items in 2024 relate to 2023 exceptional costs paid in 2024

Adj EBITDA to Adj Free Cash Flow

	H1'24 €'m	H1'23 €'m
Adjusted EBITDA[1]	**9.6**	**5.1**
Working capital movement	3.0	7.8
Exceptional items[3]	0.2	0.8
Net interest / income tax paid[2]	(0.2)	(2.2)
Cash from operating	**12.6**	**11.5**
Capitalisation and acquisition of intangible assets	(2.4)	(1.5)
Purchase of property, plant and equipment	-	(0.1)
Cash used investing	**(2.4)**	**(1.6)**
Lease liabilities (IFRS 16)	(0.3)	(0.6)
Cash used financing	**(0.3)**	**(0.6)**
Adjusted free cash flow	**9.9**	**9.3**
Adjusted EBITDA	9.6	5.1
Adjusted free cash % (conversion)	**103%**	**183%**

- **Adjusted Free Cash Flow** excludes items not relating to day-to-day activities such as proceeds/repayments related to borrowings, warehoused payroll taxes and payment of exceptional items
- Strong cash generation with Adjusted Free Cash Flow of **€9.9m** and Adjusted Free Cash Flow conversion of **103%**
- Increased free cashflow has facilitated the **de-leveraging of our borrowing facilities.**

1 The Group uses adjusted EBITDA to show loss/profit without the impact of non-cash and non-recurring items
2 Excludes any PIK interest relating to the repayment of the HPS debt facility
3 Exceptional items in 2024 relate to 2023 exceptional costs paid in 2024

Our pioneering social network is the cornerstone of our strategy

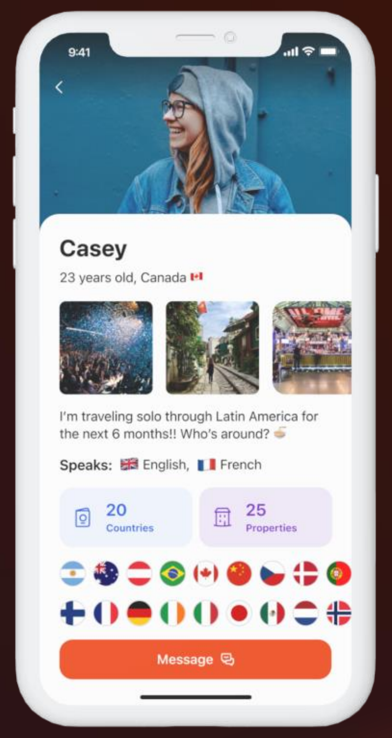
Books on any platform (web, iOS, or Android)

OTA only customer

Customer signs up to our Social Network

Customer invited into City and Hostel Chat Groups

14 days before check-in



Customer leaves City and Hostel Chat Groups

3 days after check-out

Return bookings on iOS + Android apps

Delivering long term EBITDA and FCF growth

Revenue Growth

Unique customer need led growth strategy

- New customer growth
- Strong retention rates

X

Margin Growth

App centric delivery model

- Reduces CAC
- Lower marketing cost as a % of net revenue

–

Operating Model

Scalable, Asset light platform

- Increased operating leverage
- Effective cashflow conversion

EBITDA/FCF

Increased EBITDA growth

Increased FCF growth