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9 December 2014

easyHotel plc

Final results for the year ended 30 September 2014
Transformational year with the successful admission of shares to AIM raising £24m

easyHotel plc ("easyHotel") (AIM:EZH), the owner, developer, operator and franchisor of "super budget" branded hotels, today announces its results for the year ended 30 September 2014.

Financial Highlights

- 2014 trading in line with management expectations
- System sales up 14% to £17.3m (2013: £15.2m)
- Revenue up 34% to £3.5m (2013: £2.6m)
- Profit before tax from segment operations (see note 6) up 15% to £2.0m (2013: £1.7m)
- Overall profit from operations of £1.3m (2013: £1.3m) excluding one off costs and share based payments
- Occupancy, ADR and RevPAR ahead of Board's expectations
- Net assets of £32.8m (2013: £3.4m), including cash of £24.3m (2013: £0.9m)
- Three year NatWest loan facility of £8.7m arranged in December 2013 at 1.92% above LIBOR (£7.2m drawn at 30 September 2014)
- Basic earnings per share of 1.2 pence

Business Highlights

- Successful AIM listing in June 2014 raising £24m of capital to invest in development and operation of owned hotels
- Owned hotel rooms increased by 195 in the year to 287, with expansion at Old Street, London and second owned hotel opened in Glasgow in January 2014
- Significant strengthening of central operational team
- Successfully open third owned hotel, easyHotel Croydon, in November 2014 (103 rooms)
- 20 easyHotels now operating in 13 cities within 9 countries
- Two Franchise hotels scheduled to open H1 2015
- Four further pipeline Benelux hotels subject to planning and financing

Commenting on the results, Simon Champion, Chief Executive Officer said: "The Group has made good progress during the year with strong performance from our owned hotels and across our franchised hotels. Current trading is healthy and we remain confident on the outlook for 2015, particularly given our recent refurbishment investment at Old Street and other initiatives that are underway."

easyHotel is a strong brand with international recognition. Our expansion plans are taking shape and we are confident that we can secure owned properties for conversion in key European gateway cities, as well as expand the franchised estate. Our focus remains on delivering a high return on capital for shareholders, as well as providing excellent value for our customers".

easyHotel plc www.easyhotel.com
Simon Champion, Chief Executive Officer
Darren Mee, Chief Financial Officer http://ir.easyhotel.com

Investec (Nominated Adviser and Broker) **+44 (0) 20 7597 4000**
Chris Treneman
David Andersen

Hudson Sandler (Financial PR) **+44 (0) 20 7796 4133**
Michael Sandler
Wendy Baker
Emily Dillon

Chairman's Review

Summary

It is my pleasure to announce our first set of results as an AIM-listed company. 2014 was a transformational year for easyHotel, with the successful admission of our shares to trading on AIM in June 2014, which raised £24m net of costs, the opening of our second owned hotel in Glasgow in January 2014 and a third owned hotel in Croydon, completed shortly after the year end.

Our strategy to invest the proceeds from the IPO fundraising in "super budget" owned hotels with 100–150 rooms in key UK and European gateway cities, based on high returns on capital has been well received by investors. We are now focused on securing properties which meet our strict return on capital criteria and will update the market on this in due course.

Our current portfolio of owned hotels continues to perform well and our new hotel in Croydon opened in mid November 2014. Our high room occupancy rates and low cost base result in a robust high margin business. The strength of the easyHotel brand means that all of our own hotel customers and many of our franchise hotel customers book direct through the easyHotel website, which results in low customer acquisition costs. The brand is recognised in many countries and the brand values are well understood by our customers.

Expansion strategy

Our initial focus for investment, in the United Kingdom (UK), is to complement our three existing owned hotels. There are a number of cities, including London, which have high room rates and a good mix of leisure and business customers, where we have started to identify existing buildings that can be developed into hotels.

We have started to consider markets in Europe, where property prices are generally lower. There are a number of markets that appear highly attractive for the "super budget" proposition with both lower property prices and high room rates. During the period, we also carefully considered a strategic acquisition opportunity which would have accelerated our growth in Europe. Ultimately the Board decided not to proceed and easyHotel incurred fees of £0.2m in relation to the transaction. The Board remain open to considering strategic opportunities that create value for our shareholders.

The brand continues to receive many franchise enquiries in other parts of the world. We are now actively looking for franchise partners to increase easyHotel's franchise presence outside Europe.

Dividends

The Board believes that despite the business currently being in a growth stage and investing significant amounts of capital, it is important to pay dividends of 30–50% of post-tax profits on a regular basis. In the absence of exceptional circumstances the Board expects to pay its maiden dividend in respect of the year ended 30 September 2015 in April 2016.

Employees

On behalf of the Board, I would like to thank all our employees for their dedication and contribution to the business during the last year, particularly given the demanding period around the AIM admission and changes involved in becoming a quoted company. We look forward to working with you all during the coming year.

Outlook

The 2015 financial year has started well. The recent opening of easyHotel Croydon has gone smoothly with trading at the hotel in line with our expectations.

I would like to take the opportunity to thank the Board for its support during the AIM listing and its input and guidance during the initial stages of public company ownership. I would also like to thank our existing franchisees for their continued support and loyalty during this period of change.

Jan Åstrand
Executive Chairman

Chief Executive Officer's Review

Summary

2014 has been a year of growth for easyHotel with our owned hotels in Old Street, London and Glasgow performing well and our 17 franchise hotels showing strong revenue growth. We are excited about our third owned hotel which opened in Croydon in November 2014.

Our admission to AIM in June 2014 has allowed us access to further capital to grow our owned hotel portfolio. The international recognition of the easyHotel brand gives us confidence that there are many potential sites across the UK and Europe to develop and operate easyHotels which will meet our target return on capital of 15%. We are fortunate to have good partners in our existing franchisees and we look forward to continuing to build a strong business from which all partners will benefit. Franchising will continue to be an important part of our business, particularly outside Europe where we see many opportunities to grow franchise revenues.

Owned Hotels

Old Street

The hotel at Old Street in London was expanded prior to our admission to AIM with the addition of 70 rooms bringing the total capacity to 162 rooms, of which 53 are rooms with no windows. Post admission to AIM, refurbishment work was carried out on the ground, first and second floors to bring the hotel up to current brand standards.

The Company has engaged a senior planning consultant to help seek retrospective planning permission on certain parts of the Old Street property and discussions with Islington council are on-going.

The strength of the easyHotel brand, our value proposition and the location of the hotel mean that there is strong demand from both international visitors and corporate customers which drives high occupancy rates. Our owned hotels can only be booked on our website (www.easyhotel.com) which ensures that we are able to offer customers a highly competitive room rate.

Glasgow

The 125 bedroom hotel in Glasgow opened in January 2014. During its opening phase, prices at the hotel started from as little as £9 per room per night. By continually offering highly competitive rates and through selective digital marketing and local advertising, we have very quickly raised awareness of this property and built a loyal following. The hotel is operating well in a vibrant city, achieving high occupancy rates over the summer.

Croydon

Post the year end, easyHotel Croydon, a 103 bedroom hotel situated very close to East Croydon rail station, opened in November 2014. Croydon is well connected by public transport into central London and Gatwick Airport. We expect the hotel to be attractive both in terms of local business and leisure demand as well as an alternative to more expensive central London hotels.

Development Pipeline

Our model of refurbishing older buildings located close to good transport links has proved successful. The legislative changes in London that favour conversion of properties for residential use may reduce the number of available properties for commercial uses which could potentially slow down our expansion in London in the short term. However, we are confident of our strategy to achieve further growth as there are a number of key UK and European cities where there is strong corporate demand and the city is attractive to international visitors.

Franchise Partners

Our 13 franchise partners are key to our business and we are pleased to see that they continue to add to their existing assets with an easyHotel in Frankfurt opening in early 2015 and Prague in spring 2015. Four sites have been reserved by our master franchisee in the Benelux region subject to planning. The Group receives many franchise enquiries for the easyHotel brand and, having now recruited a Global Franchising Director, we expect to see new franchises being signed in 2015 for regions outside Europe and by our master franchisee in Benelux.

Business Model

The Group's focus is to remain "the best branded room rate in town", maintaining the low cost philosophy of the business and a direct distribution model. We recognise that we also need to provide a quality product and a marginally increased investment in hotel refurbishments may be required in the future. We consider that this will not impact our ability to deliver our core 15% hurdle rate of return.

We believe that the outlook for the branded "super budget" hotel market will remain robust and that there are significant barriers to entry due to the strength of easyHotel brand recognition. The licence agreement with easyGroup (at a cost of just 75 basis points of system revenue), which lasts for 50 years, is a major positive factor in driving our highly international brand recognition.

Outlook

We remain committed to delivering long-term shareholder value by securing new hotel projects that meet our hurdle rate of return of 15% (EBITDA/cost of project) rather than committing to deliver a minimum number of rooms as growth each year.

We are confident that we will create long-term shareholder value given the substantial opportunities available to the Group to invest our own capital, combined with the significant number of franchising opportunities.

Simon Champion
Chief Executive Officer

Chief Financial Officer's Review

Summary

Our owned hotels performed well during the financial year with key performance metrics (occupancy, average daily rate (ADR) and revenue per available room (RevPAR)) ahead of our expectations given the increase in capacity at Old Street, London, and the opening of Glasgow in January 2014. Our franchised hotels also performed strongly during the period.

Balance sheet

The Group ended the period with a healthy net asset position of £32.8m driven by significant cash deposits of £24.3m as a result of the IPO fundraising in June 2014. The Group's main debt facility is with NatWest, which is secured on the properties at Old Street and Croydon. £7.2m of this facility was drawn down at the year end, leaving £1.5m available to draw down before December 2014 if required. The Group invested £7.0m in its three owned properties, adding 298 rooms, of which 195 were open by the year end.

Owned hotels

Occupancy
Occupancy levels averaged 72% for the full year, reflecting the start up of Glasgow and the increase in capacity at Old Street. Occupancy levels for the second half of the financial year averaged 79% across the two hotels. Both hotels exhibited strong occupancies during the week and lower occupancy on Sunday evening.

Average Daily Rate (ADR)
ADR averaged £34 for the financial year and £36 for the second half of the financial year. The ADR at Glasgow was adversely impacted by the introductory rate of £9 per night during the start up period and benefited from the exceptionally high rates during the Commonwealth Games in August.

Revenue per available room (RevPAR)
RevPAR averaged £26 for the financial year and £30 for the second half of the year.

Franchised hotels
Franchise related revenues were up 8% year on year and profit before tax for the franchising segment is up 20%, with strong performances from the Dubai, Berlin, London and Dutch hotels.

Revenue
Reported revenue for the year grew 34% to £3.5m (2013: £2.6m). Owned hotels contributed 64% of the total revenue for the year, up from 49% in financial year 2013. In line with our strategy, we expect the percentage of revenue coming from owned hotels to continue to increase.

EBITDA
EBITDA, adjusted for the IPO and other one-off costs, was £1.7m in 2014 (2013: £1.7m). Excluding Plc costs, EBITDA from operations increased by £0.3m to £2.0m, driven by an improvement in the owned hotels performance (£0.4m) and franchise fees (£0.1m) offset by an increase in the central cost base (£0.2m).

Profit before tax
The Company reported a profit before tax of £1.2m for the financial year excluding one-off costs (2013: £1.4m). Profit from operations ("EBIT"), adjusted for one-off costs, was £1.3m (2013: £1.3m).
Interest payable was £0.1m (2013: interest income £28,000).

Taxation
The tax charge for the period was 29%. The underlying tax charge for the period was 25% due to non-deductible depreciation on the Old Street hotel.

Outlook
The admission to AIM has given the Group a strong position to fund an initial pipeline of hotels. We are excited about the growth prospects of the business going forward.

Darren Mee
Chief Financial Officer

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Consolidated statement of comprehensive income
for the year ended 30 September 2014

	2014	2013
	£	£
System sales	**17,327,350**	15,198,682
Revenue	**3,543,948**	2,643,498
Cost of sales	**(1,158,444)**	(380,524)
Gross profit	**2,385,504**	2,262,974
Administrative expenses	**(1,702,747)**	(925,425)
Profit from operations	**682,757**	1,337,549
Analysed as:		
Adjusted EBITDA*	**1,729,918**	1,704,064
Restructuring and listing costs	**(555,499)**	-
Depreciation	**(410,771)**	(366,515)
Share Based Payments	**(80,891)**	-
	682,757	1,337,549
Finance income	**16,640**	28,307
Finance expense	**(126,822)**	-
Profit before taxation	**572,575**	1,365,856
Taxation	**(164,656)**	(351,247)
Profit for the year	**407,919**	1,014,609
Other comprehensive income	**-**	-
Total comprehensive income	**407,919**	1,014,609
Attributable to equity holders of the company	**407,919**	1,014,609
Earnings per share for profit attributable to the ordinary equity holders of the company		
Basic and diluted (pence)	**1.2**	4.1

*adjusted EBITDA represent Earnings before Interest, Taxation and Depreciation adjusted for restructuring and listing costs and share based payments.

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Consolidated statement of financial position
for the year ended 30 September 2014

Company number 09035738	2014	2014	2013	2013
	£	£	£	£
Assets				
Non-current assets				
Property, plant and equipment	**18,795,738**		11,770,333	
Total non-current assets		**18,795,738**		11,770,333
Current assets				
Trade and other receivables	**922,823**		27,359	
Cash and cash equivalents	**24,263,974**		851,751	
Total current assets		**25,186,797**		879,110
Total assets		**43,982,535**		12,649,443
Liabilities				
Non-current liabilities				
Trade and other payables	**435,196**		466,367	
Bank borrowings	**7,200,000**		-	
Deferred tax liability	**113,755**		55,971	
Total non-current liabilities		**7,748,951**		522,338
Current liabilities				
Trade and other payables	**3,417,173**		8,678,334	
Corporate taxation	**51,674**		34,802	
Total current liabilities		**3,468,956**		8,713,136
Total liabilities		**11,217,907**		9,235,474
Total net assets		**32,764,628**		3,413,969

Equity				
Equity attributable to owners of the company				
Share capital		**625,000**		250,000
Share premium		**28,592,036**		-
Merger Reserve		**2,750,001**		2,750,001
EBT reserve		**(105,187)**		-
Retained earnings		**902,778**		413,968
Total equity		**32,764,628**		3,413,969

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Consolidated statement of cash flows
for the year ended 30 September 2014

	2014 £	2013 £
Cash flows from operating activities		
Profit before taxation for the year	**572,575**	1,365,856
Adjustments for:		
Depreciation of property, plant and equipment	**410,771**	366,515
Share based payment charge	**80,891**	-
Finance income	**(16,640)**	(28,307)
Finance expense	**126,822**	-
Operating cash flows before movements in working capital	**1,174,419**	1,704,064
(Increase)/Decrease in trade and other receivables	**(895,464)**	2,134,049
Increase/(Decrease) in trade and other payables	**830,056**	(264,065)
Cash generated from operations	**1,109,011**	3,574,048
Corporate tax paid	**(90,000)**	-
Net cash flows from operating activities	**1,019,011**	3,574,048
Finance income	**16,640**	28,307
Finance expense	**(126,822)**	-
Net cash generated in operations	**908,829**	3,602,355
Investing activities		
Purchase of property, plant and equipment	**(7,436,176)**	(630)
Net cash used in investing activities	**(7,436,176)**	(630)
Financing activities		
Proceeds from issue of ordinary share capital	**25,241,020**	-
Capitalised costs related to issue of ordinary share capital	**(1,032,964)**	-
Related party loan repayments	**(1,363,299)**	(3,935,640)
Outflow from own share purchase	**(105,187)**	-
Bank loan	**7,200,000**	-
Net cash generated from/(utilised by) financing activities	**29,939,570**	(3,935,640)
Net increase/(decrease) in cash and cash equivalents	**23,412,223**	(333,915)
Cash and cash equivalents at the beginning of the year	**851,751**	1,185,666
Cash and cash equivalents at the end of the year	**24,263,974**	851,751

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Consolidated statement of changes in equity
for the year ended 30 September 2014

	Share capital £	Share premium £	Merger Reserve £	EBT reserve £	Retained earnings £	Total £
At 30 September 2012	250,000	-	2,750,001	-	(600,641)	2,399,360
Total comprehensive income for the year	-	-		-	1,014,609	1,014,609
At 30 September 2013	250,000	-	2,750,001	-	413,968	3,413,969
Shareholder capitalisation of loans	59,487	4,699,493	-	-	-	4,758,980
Share issue less costs	315,513	23,892,543	-	-	-	24,208,056
Share based payment charge	-	-	-	-	80,891	80,891
EBT share purchases	-	-	-	(105,187)	-	(105,187)
Total comprehensive income for the year	-	-	-	-	407,919	407,919
At 30 September 2014	**625,000**	**28,592,036**	**2,750,001**	**(105,187)**	**902,778**	**32,764,628**

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Additional notes

1. General Information

easyHotel Plc, is incorporated in England and Wales under the Companies Act. The address of the registered office is 80 Old Street, London, EC1V 9AZ.

The nature of the Group's operations and its principal activities are the owner, developer, operator and franchisor of "super budget" "easyHotel" branded hotels.

2. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and as adopted by the EU and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial information set out above does not constitute the Company's statutory accounts for the year ended 30 September 2014 but is derived from those accounts. The auditor's report on those financial statements was unqualified and did not contain a reference, to which the auditors drew attention by way of emphasis and did not contain a statement under s498 (2)-(3) of Companies Act 2006.

The statutory accounts for the year ended 30 September 2014, prepared under IFRS, will be delivered to the Registrar in due course.

3. Earnings per ordinary share

Basic and diluted earnings per share is calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent of £407,919 (2013: £1,014,609) by the weighted average number of ordinary shares outstanding during the year of 34,262,499 (FY13: 24,999,999).

4. Contingencies & commitments

A contingent liability exists in relation to a section 106 planning contribution levy with regards to the Old Street property, the possible outcome and amount of which can not be reliably estimated at this point in time. The amount (if any) payable will be capitalised as a cost of bringing the asset into use.

5. Aborted franchise acquisition

The Company considered a potential acquisition of its Benelux franchisee during the period under review. Shortly after the year end the Board decided not to proceed with this transaction. £0.2m of professional costs have been written off during the period in connection with this matter. The potential acquisition discussions put on hold alternative financing arrangements for the franchisees new Belgian hotel project. The Company recognised the implications of a delay to this project and agreed to loan the franchisee €850k in August to facilitate the project. The loan was made as an advance on future customer deposits. We expect this loan to be repaid by 16 March 2015.

After year end and whilst discussions continued, the Company agreed to make a further €3.3m deposit with a Belgian notary to secure the Belgian property. We expect this deposit to be repaid during H1 2015. Failure to repay either amount will result in the franchisee relinquishing its rights to the Benelux master franchise and in the case of the deposit easyHotel plc will assume ownership and control of the attractive hotel development in Belgium.

There are no other matters that occurred between the reporting date and the date of approval of these financial statements that the Directors wish to draw attention to.

Additional notes (continued)

6. Segment information

The Group has 2 main reportable segments:

- Owned properties - This division is involved in hotel operations carried out in the Group's owned hotels and properties.
- Franchising - This division involves the Group's franchise hotel operations, in connection with the license of the Group's brand name.

Factors that management used to identify the Group's reportable segments

These segments are considered on the basis of different products and services. They are managed separately because each business requires different management strategies and pose different business risks.

Measurement of operating segment profit or loss, assets and liabilities

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The Group evaluates performance on the basis of profit or loss from operations before tax not including non-recurring losses.

Segment assets exclude tax assets. Segment liabilities exclude tax liabilities. Even though loans and borrowings arise from finance activities rather than operating activities, they are allocated to the segments based on relevant factors (e.g. funding requirements). Details are provided in the reconciliation from segment assets and liabilities to the group position.

	Owned properties £	Franchising £	Total £
30 September 2014			
Revenue			
Total revenue from external customers	**2,295,862**	**1,248,086**	**3,543,948**
Profit before taxation	**957,938**	**1,016,795**	**1,974,734**
Segment assets	**40,401,459**	**2,372,488**	**42,773,947**
Segment liabilities	**(8,378,933)**	**(2,372,488)**	**(10,751,421)**
30 September 2013			
Revenue			
Total revenue from external customers	1,487,683	1,155,815	2,643,498
Profit before taxation	867,405	847,247	1,714,652
Segment assets	11,749,746	851,751	12,601,497
Segment liabilities	(6,837,747)	(2,306,954)	(9,144,701)

7. Availability of accounts

The audited annual report and financial statements for the year ended 30 September 2014 and notice of AGM will be available online from the 16th December 2014 (link below) and will be posted to shareholders on the 18th December 2014.

http://ir.easyhotel.com/