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easyHotel plc

(the "Company")

Announcement of Intention to Float on AIM

easyHotel, the international owner, developer, operator and franchisor of super budget branded hotels, announces that the Company intends to proceed with an initial public offering and to apply for the admission to trading on AIM of its issued and to be issued ordinary share capital (the "IPO"). The Offer will comprise a placing of Ordinary Shares with institutional and professional investors to raise up to £60 million (the "Placing"). Investec Bank plc is acting as nominated advisor, sole bookrunner and broker to the Company.

Key Highlights

- **The strong "easy" brand identity** with international recognition
- **Established chain** in the niche "super budget" hotel sector – offering accommodation at attractive prices marketed as "clean, comfortable and safe"
- **International portfolio** of 20 hotels; two wholly-owned freehold hotels, one long leasehold development site and 17 franchised hotels
- **Direct sales distribution of owned hotels** exclusively through www.easyhotel.com, eliminating expensive forms of customer acquisition
- **A coherent strategy to drive growth**
 - Significant expansion opportunity in major European gateway cities
 - Development and operation of owned hotels to form the basis of strategy
 - Leverage "easy" brand
 - A focused and innovative approach to maintaining low operating costs
 - Targeted EBITDA return on invested capital of at least 15 per cent.
- **Operating margins** generating stable cash flows and strong returns on invested capital
- **Experienced management team** dedicated to building on the Company's success

Simon Champion, CEO, said “I look forward to creating significant value and growing the business. I have enjoyed working with Stelios, and am delighted he will remain a significant shareholder. I am also very pleased to work with our strong incoming Board, who add property, hotel and international knowledge and experience to our business.”

Jan Åstrand, Chairman of easyHotel, stated “easyHotel has a proven model of high returns on capital invested, and has the potential to create significant shareholder value by wisely investing in major European gateway cities. easyHotel’s customer profile today is extremely international and gives us confidence that with the monies raised we can grow further in London and Europe, as well as pursuing franchise opportunities further afield.”

Sir Stelios, founder of easyHotel and owner of easyGroup commented : “I see easyHotel as one of the best, most natural extensions of the easy brand from the airline. easyHotel is raising money to accelerate growth at a much faster rate than I could have grown it as a private company, whilst enabling me to spend more time on my diversified portfolio of other investments. I will retain a significant minority stake post IPO, and I am delighted to hand over to a strong Board with a clear growth strategy to take this company forward to become one of the best known hotel brands in the world.”

Full details of the Placing will be included in an admission document to be published by the Company in due course.

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Business Overview

easyHotel is the international owner, developer, operator and franchisor of branded hotels. Its strategy is to target the "super budget" segment of the hotel industry by marketing "clean, comfortable and safe" hotel rooms to its customers. easyHotel currently has a hotel portfolio comprising approximately 1,600 rooms consisting of two wholly-owned freehold hotels, and 17 franchised hotels, as well as one long leasehold development site.

easyHotel was established in 2004 as a wholly-owned subsidiary of easyGroup Holdings Limited ("easyGroup"), which is ultimately owned by the founder of the "easy" company concept, Sir Stelios Haji-Ioannou.

By maintaining operational efficiency in the management of the hotels, minimising building conversion costs and direct internet distribution derived from its brand recognition, easyHotel is able to achieve high returns on capital whilst at the same time offering the consumer the "best branded room rate in town" as a marketing proposition.

Reasons for IPO

The Company is seeking Admission and to raise up to £60 million, primarily to pursue easyHotel's owned hotel roll-out strategy which easyHotel intends to utilise to acquire and develop hotel sites.

The "easyHotel" concept was created by Sir Stelios Haji-Ioannou in 2004 and was developed into the international hotel operator it is today as part of easyGroup's branded business model. The Directors consider that the Company's admission to trading on AIM will enable the acceleration of its development and provide access to equity finance which may be utilised again in the medium term to continue its owned hotel roll-out strategy. Part of the net proceeds of the Placing will also be used immediately following Admission to repay a shareholder loan.

The new Ordinary Shares will be issued fully paid, and following allotment, will rank in full for all dividends or other distributions hereafter declared, made or paid on the ordinary share capital of the Company and will rank *pari passu* in all other respects with all other Ordinary Shares in issue upon Admission.

Key Strengths and Opportunities

The strong "easy" brand with international recognition

- The "easy" brand identity and attractive value proposition is widely recognised across Europe. For example, approximately 27 per cent. of easyHotel's London hotel customers come from Spain, Italy and France. To date easyHotel has no hotels or advertising spend in these countries.
- The Directors believe the strong "easy" brand and direct distribution model reduces marketing costs, and that this will be key to easyHotel's success in expanding into major continental European gateway cities.
- 50 year exclusive brand licence agreement with easyGroup IP Licensing Limited for the use of the "easyHotel" brand.

Accommodation at an attractive price

- easyHotel provides its customers with hotel accommodation marketed as "clean, comfortable and safe" at an attractive price with owned hotel prices materially below that of traditional "budget" hotel operators (being the "super budget" market).
- Demand is driven by, *inter alia*, highly competitive room pricings, which is the result of stripping out unnecessary operating costs, optimising property space and creating significant variability in the cost base.

Direct sales distribution of owned hotels through www.easyhotel.com, eliminating expensive forms of customer acquisition

- A low acquisition cost per customer due to direct sales distribution through www.easyhotel.com
- Directors believe direct distribution models derived from brand strength significantly enhances returns on investment by cutting out the middleman.

A coherent strategy to drive growth

- easyHotel intends to grow its estate significantly following Admission, mainly through owned asset investment in London and other major European gateway cities.
- The Board will target an EBITDA return on invested capital of at least 15 per cent.
- Focus on low initial property conversion costs and minimising operating costs.
- The pursuit of additional franchise options that enhance easyHotel's return on invested capital as well as expanding its strong brand in countries where it may wish to refrain from investing its own capital.

Established chain in the niche "super budget" hotel sector

- easyHotel sees limited branded, pan-European competition in its "super budget" market niche.
- The strong "easy" brand enables direct distribution, which the Directors believe is a major barrier to entry in the "super budget" hotel segment. It is expected that this barrier to entry will increase with the expansion of the "easyHotel" chain.

High operating margins generating stable cash flows

- easyHotel's low fixed and variable cost base generates high operating yields.
- easyHotel optimises its property space strategy through the construction of "inside facing" rooms. These hotel rooms tend to have higher occupancy rates and fill faster because customers are willing to accept this concept for a lower priced room.

An Experienced management team driving the Company's current success

- The Company's executive Directors, Simon Champion and Darren Mee, are experienced leisure industry professionals.
- The majority of the operational team, such as hotel and yield managers, come from a branded hotel background and, therefore, have a strong understanding of the hotel

industry, as well as helping to challenge the traditional approach of hotel operating processes.

- Non-executive Directors have depth of experience in the hotel and property sectors

Board of Directors

Jan Åstrand (aged 67), Independent non-Executive Chairman

Jan is a non-executive director of Northgate plc. A Swedish national, Jan was senior independent director of Lavendon Group PLC until early 2014, and chairman of CRC Group PLC until 2007. Previously, he was chairman of Car Park Group AB in Stockholm and senior independent director of PHS Group PLC. Jan was president and chief executive of Axus International Inc. (previously known as Hertz Leasing International) (1994-99), vice president, finance & administration and chief financial officer of Hertz (Europe) Ltd (1989-94) following a role as chief financial officer of Commodore International, based in the US.

Simon Champion (aged 44), Chief Executive Officer

Simon is a Chartered Accountant, having qualified with KPMG in London (1992-96). Simon spent 16 years as an equity research analyst, of which 14 years were spent at Deutsche Bank (1998-2012). He specialised in equity research on European companies in the hotel and travel industries and latterly headed up European consumer equity research. Simon joined easyHotel UK Limited in June 2013 as Chief Executive Officer.

Darren Mee (aged 48), Chief Financial Officer

Darren is a Chartered Accountant having qualified with PWC (1986-93). Darren has previously worked for DS Smith PLC, in a central tax and treasury role (1993-2002) and TUI Travel PLC (2002–2014), initially in central corporate transaction and tax roles, and latterly as finance director and chief operating officer, managing a global portfolio of over 100 small and medium sized specialist travel companies. Darren joined easyHotel UK Limited in March 2014 as its Chief Financial Officer.

Non-Executive Board of Directors

Scott Christie (aged 48), Non-executive Director*

Scott qualified as a Chartered Accountant with Coopers & Lybrand. He went on to spend 10 years in senior financial and change management roles with Diageo PLC. He then joined Macdonald Hotels PLC as group finance director and then chief operating officer during a period of expansion across the UK, and subsequent management buy-out. Since 2005 Scott has held a number of executive and non-executive roles in private equity backed technology and healthcare businesses.

Jonathan Lane (aged 68), Non-executive Director*

Jonathan, a Chartered Surveyor, is non-executive chairman of Shaftesbury PLC, a FTSE 250 real estate investment trust, which he joined as managing director in 1986. He was subsequently chief executive until 2011, and deputy chairman until 2013. His charitable roles include non-executive chairman of the Tennis Foundation and trustee of the Royal Theatrical Support Trust.

*Notes: * Appointment conditional on Admission*

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