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6 December 2017

easyHotel plc

FINAL RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

Delivering revenue and earnings growth as development pipeline accelerates

Strong trading performance, slightly ahead of Board expectations

easyHotel plc ("easyHotel") ("the Group") (AIM: EZH) the owner, developer and operator of super budget branded hotels, today announces its final results for the financial year ended 30 September 2017.

Financial highlights

Year ended 30 September	2017	2016	
Total system sales	29.67	21.32	+39.2%
Revenue	8.42	6.02	+39.7%
Adjusted EBITDA	2.30	1.55	+48.3%
Profit before tax	0.86	1.09	-21.1%
Basic earnings per share (pence)	0.7	1.4	-50.0%
Total dividend per share (pence)	0.33	0.33	

- Adjusted EBITDA is up by 48.3% with margin increased to 27.3% (2016: 25.7%)
- Profit before tax of £0.86m (2016: £1.09m), reflecting increased costs associated with the expanding development pipeline, the £0.24m net book value negative impact of the closure of two floors at easyHotel Old Street and the absence of any capital gain this year from disposals (2016: £0.28m)
- Cash generated from operations increased to £2.22m (2016: £0.85m)
- Robust asset backed balance sheet with net assets of £70.2m (2016: £33.2m)

Business highlights

- Owned hotels significantly outperformed competitive set with like-for-like revenues up 13.7%
- Like-for-like franchise revenues up 8.6%, with particularly strong performance in Continental Europe
- Smooth implementation of booking engine and yield management systems underpinning positive trading momentum
- Five new hotels totalling 535 rooms opened over the course of the year and trading exceptionally strongly, with combined occupancy of over 85%
- Total network of 598 owned rooms and 1,750 franchised rooms

Significantly accelerated development pipeline

- Three new owned hotel sites in Leeds, Sheffield and Oxford secured over the year
- 404 owned rooms and 835 franchised rooms added to the development pipeline
- Total development pipeline of 921 owned rooms and 1,798 franchised rooms

Post year end events

- easyHotel Liverpool opened in November 2017 adding 78 rooms to the network
- 104-room Newcastle hotel secured in October 2017 opening as an easyHotel this month
- Acquisition of site in Cardiff for development of 120-room hotel, subject to planning permission
- Two new franchise hotels in the Netherlands will add a further 162 rooms to the development pipeline

Commenting, Guy Parsons, CEO of easyHotel plc, said:

"2017 has been a year of strong progress for the Group as we continue to develop the easyHotel brand as a market leader in "super-budget" sleep. Impressive like-for-like sales growth has been achieved across our existing network of hotels, underpinned by the smooth implementation of our new booking engine and yield management system across the entire easyHotel network.

We continue to accelerate our growth plans for the brand, targeting carefully selected locations to build our portfolio of owned and franchised hotels and applying strict investment criteria, ensuring we can continue to deliver a blended ROCE target of 15%. Five new hotels were opened over the course of the year, with easyHotel Liverpool opened since the year end. All have traded strongly since opening and we have been delighted with the positive customer reaction to our stylish new brand format.

The Group's asset backed balance sheet remains strong but with our current development pipeline we are only able to finance one further owned hotel. We continue to see a good number of attractive potential development opportunities to further accelerate the Group's growth. Consequently, the Board is considering its financing options, which may include new equity and debt, to fund these opportunities.

Whilst the wider macro-economic uncertainty continues to impact consumer confidence, we believe easyHotel is well positioned. The refinements that have been introduced to the business over the course of the last year are further strengthening our brand and ensuring that the easyHotel offering is one that can support delivery of the Board's ambitious long-term strategy for growth."

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easyHotel is the 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.

Operating hotels

easyHotel's six owned hotels currently comprise 598 rooms, and it has a further 20 franchised hotels with 1,750 rooms.

Owned hotels:

Old Street (London), Glasgow, Croydon, Birmingham, Manchester, Liverpool.

Franchise locations:

Belgium (Brussels), Bulgaria (Sofia), Germany (Berlin, Frankfurt), Hungary (Budapest), The Netherlands (Amsterdam: City, Arena & Zaandam, Rotterdam, The Hague), Switzerland (Basel, Zurich), UAE (Dubai), United Kingdom (Edinburgh, London Heathrow, Central London, Luton).

Hotel development pipeline

The Company's committed development pipeline of owned and franchised hotels currently consists of:

Owned hotels:

United Kingdom (Ipswich, Sheffield, Leeds, Newcastle* to be opened on 11 December 2017), Spain (Barcelona) Subject to planning consent: United Kingdom (Cardiff and Oxford*).

Franchise hotels:

UAE (Dubai), Germany (Bernkastel-Kues), Portugal (Lisbon), Turkey (Istanbul), UK (Belfast, Reading), Iran, Sri Lanka, Netherlands (The Hague Scheveningen Beach, Maastricht).

***Hotels being developed under an operating lease.**

Chairman's statement

I am delighted to report that easyHotel has made great progress in implementing its strategy for growth. Strong trading across both the existing estate and the Group's newly opened hotels has delivered increases not only in total systems sales but like-for-like revenues as well.

Strategy

We continue to target carefully selected locations to build our portfolio of owned and franchised hotels, adopting a methodical approach to the assessment of individual pipeline opportunities and applying strict investment return criteria. In addition, a number of initiatives have been progressed during the year to optimise the value of existing assets including investments to improve our revenue management systems and processes and our customers' online booking experience.

The equity capital and bank debt we raised last year has enabled us to commit to a strong pipeline of new sites. Following recent acquisitions those funds are now substantially committed. Further refinements to our hotel development processes and design standards will deliver a lower risk, higher performing model for new projects. During the year, two new owned hotels have been opened in Birmingham and Manchester and both are trading strongly. Since the year end, our new owned hotel in Liverpool was opened on 1 November 2017 and further projects are in progress in Newcastle, Barcelona, Leeds, Sheffield, Ipswich, Oxford and Cardiff. This significant increase in our owned estate, together with new franchised hotels opened in Brussels, Amsterdam Arena and Amsterdam Zaandam (and with others on the way), are providing an ever-more solid foundation for our strengthening brand.

The benefit of our 'new look' room design is evidenced by the performance we are seeing from our newly launched hotels which continue to exceed our own expectations. A programme to refresh two of three legacy owned assets (Croydon and Glasgow) will be completed within the coming months and we expect to see a similar positive impact on the revenues of those hotels. In addition, we have plans to upgrade our London Old Street 92-bedroom hotel and, subject to planning consent, exploit the value of the remainder of the building through development of office accommodation.

Dividend

An interim dividend of 0.11p per ordinary share was paid on 30 June 2017. The Board is now pleased to recommend to shareholders the payment of a final dividend of 0.22p per share on the basis of our enlarged share capital. Subject to shareholder approval at our forthcoming AGM, this dividend will be paid on 15 February 2018 to shareholders on the register on 19 January 2018.

Board and management team

The Board would like to thank everyone in easyHotel's team for their part in delivering another successful year for the business. In particular, the Company has benefited from continuity within our skilled executive team. Chief Executive Officer, Guy Parsons, and Chief Financial Officer, Marc Vieilledent, bring a wealth of sector experience, hard work and commitment, that enables us to make considerable progress. We are very fortunate to have Scott Christie's wise and pragmatic contribution as Non-Executive Director and Chairman of our Audit and Remuneration Committees.

Outlook

Whilst the wider macro-economic uncertainty continues to impact consumer confidence, we believe easyHotel is well positioned. The refinements that have been introduced to the business over the course of the last year are further strengthening our brand and ensuring that the easyHotel offering is one that can support delivery of the Board's ambitious long-term strategy for growth.

Chief Executive Officer's Review

Strategy

I am delighted to be leading this ambitious business at such an exciting time in its history.

2016/17 was a significant year for easyHotel with excellent progress achieved across all areas of the business. Impressive like-for-like sales growth was delivered, underpinned by the smooth implementation of our new booking engine and yield management system across the entire easyHotel network. We opened five new hotels during the year in our new stylish brand format, all of which have traded strongly from opening. The increase in sales and new openings, together with our focus on reducing costs, improving efficiencies and maximising the returns from our investments, have produced a significant growth in our underlying profits.

Our pipeline of new hotels is accelerating. The successful equity fundraise in October 2016 is enabling us to develop and open more owned hotels and such investment in the brand and estate should in turn encourage more franchisees to join the brand.

With the experienced team we now have in place, continued high levels of staff engagement and improving customer satisfaction, we are in an excellent position to expand the easyHotel brand and deliver improving returns for our shareholders.

Trading review

Total system sales grew by 39.2% to £29.7m with Company revenues increasing by 39.7% to £8.4m. This was achieved through like-for-like owned and franchise hotel sales growth of 9.8% as well as the opening of new owned hotels in Birmingham and Manchester, and franchised hotels in Brussels, Amsterdam Arena and Amsterdam Zaandam. Occupancy for all owned and franchised hotels was 79.7% (2016: 76.2%). The five hotels opened in the new brand style have all traded very strongly since opening, with a combined occupancy in excess of 85%. We will continue to monitor their progress closely and the impact on the time taken for new hotels to reach maturity in future. Our strong sales performance led to a 48.3% increase in adjusted EBITDA to £2.30m (2016: £1.55m).

Owned hotels

Our owned hotels continued to win market share with revenue growing by 13.7% on a like-for-like basis. The new booking engine and revenue management system rollout, together with selling an allocation of rooms via selected online travel agencies (OTAs), resulted in our owned hotels significantly outperforming their competitive set (as measured by STR) throughout the year. As previously announced, the Board plans to retain a 92-room hotel at Old Street and applying for planning permission to add additional floors to the building for use as office accommodation which should maximise value from this freehold property. We have started a £1.5m refurbishment of our other two legacy owned assets in Croydon and Glasgow, to improve the quality of the hotels and to bring them into line with our new brand look. We expect their refurbishment to be revenue enhancing during the current financial year.

Franchise partners

Like-for-like revenue at our franchised hotels increased by 8.6% during the financial year, with total currency adjusted sales increasing by 32.2%. The hotels in Continental Europe performed particularly strongly. Dubai, Luton and Heathrow were refurbished during the year and we are discussing refurbishment plans with a number of other franchisees to introduce the new brand look and feel. There were 20 franchise hotels operating in our network at 30 September 2017.

Market outlook

The UK hotel market performed strongly in 2017 with Sterling's weakness (vs. the US Dollar and Euro) resulting in an increase in staycations and inbound tourism. London's RevPAR growth was particularly strong during the first half of the year and encouragingly, regional RevPAR has also improved. The European hotel market continued to perform strongly during the financial year. Growth in Europe is still being predominantly driven by occupancy, which suggests a healthy supply and demand balance and scope for further rate increases.

The Board remains confident that despite any uncertainties surrounding the current Brexit negotiations, the easyHotel brand will continue to outperform its hotel sector as consumers seek out the best value for money.

Development review

Development of owned hotels

We have a growing pipeline of hotels under development. Barcelona and Ipswich, both acquired last year, will open in mid-2018. During the year and post year end, we secured a further five new hotel sites in aggregate which are listed below:

- Lands Lane, Leeds, acquired under a 250-year ground lease. The 93-room hotel will open in mid-2018.
- High Street, Sheffield, acquired on a freehold basis. The 131-room hotel will open in mid-2018.
- Oxford, a 25-year lease, subject to planning permission. The 180-room hotel should open during the next financial year.
- Central Cardiff, acquired on a freehold basis, subject to planning permission. The 120-room hotel will open in 2019.
- Tune hotel in Newcastle, we agreed to take over a 25-year lease of a 104-room, opening as an easyHotel this month.

Recently opened hotels, with our new and improved design, are performing better than their original business case, whilst industry wide construction cost inflation has generally added to our owned hotel project costs. On aggregate these projects are still expected to deliver an unlevered Return on Capital Employed (ROCE) of 12-13%.

Together with leased hotel projects, considered on a limited and specific basis where the acquisition of a suitable freehold site is not currently available or does not meet our investment return targets, and our new franchised hotels, which are delivering more fees than initially anticipated, we expect to deliver a 15% unlevered blended ROCE at a Group level.

We have 921 owned rooms under development and following the successful £38m (gross) equity placing in October 2016, and the £12m refinancing of an existing bank facility, the Group's asset backed balance sheet remains strong but with our current development pipeline we are only able to finance one further owned hotel. We continue to see a good number of attractive potential development opportunities to further accelerate the Group's growth. Consequently, the Board is considering its financing options, which may include new equity and debt, to fund these opportunities.

Development of franchised hotels

There are 1,798 franchised rooms currently under development. The 101-room hotel in Lisbon, 100-room hotel in Bernkastel-Kues, 81-room hotel in Belfast, 87-room hotel in The Hague-Scheveningen, 75-room hotel in Maastricht and the 54-room hotel in Reading, will all open in 2018. We also announced the development of hotels in Bur Dubai (300 rooms), Istanbul (300 rooms), Iran (500 rooms) and Sri Lanka (200 rooms), beyond 2018. These hotel openings will enhance our position as the super budget hotel brand of scale, in the UK, Europe and the Middle East.

Pipeline

In addition to the 2,719 owned and franchised rooms we currently have under development, we have extended our pipeline during the year, with over 2,300 owned and leased rooms under negotiation, including c.1,000 owned and leased rooms approved by the Board, as well as a further c.1,300 franchised rooms under negotiation. This confirms our strategic analysis that there is the potential in the UK and Europe for a total of 12,000 owned and leased rooms and for a total 15,000 franchised rooms. The potential for franchised development outside the UK and Europe is yet to be fully assessed, however recent franchised activity and enquiries in the Middle East, Africa and Asia have indicated that there is strong demand for the easyHotel brand outside Europe.

Capability review

It is essential that we continue to build the capability of the business, ensuring we have the right platform in place to support our ambitious growth plans.

Organisation and Culture

To grow as a business and succeed on all fronts we continue to enhance our organisation and culture. We fully recognise and endorse the need for dynamic leadership with clear executive accountability and a relentless customer focus. Having appointed a new senior team last year, to ensure that we have the right breadth of talent in place to deliver our growth plans going forward, our focus this year has been on ensuring that all our team members feel valued, recognised and have the opportunity and support to reach their full potential.

With such an exciting future, it is perhaps not surprising that our staff engagement score was 82% during the year. At the year end the Group employed 50 staff (2016: 45).

Brand strength

easyHotel's core strength is our ability to leverage the recognised and trusted "easy" brand. We know that improving customer recommendation is a priority for our future success and finding out what our customers think is central to our business. Our operations teams focus on customer feedback via social media sites in general, and TripAdvisor in particular, and our hotels are ranked against a competitive set on a monthly basis. The Group TripAdvisor score to year end was 3.5 (2016: 3.3). This relentless focus on customer feedback is already paying off and will remain an integral part of the way we do things in the future.

Technology

Although we are now selling a controlled number of rooms via OTAs, we remain focused on driving sales via our own website. Our new booking engine will allow us to launch a new website, mobile App and introduce automated check-in kiosks, to improve every stage of the customer journey online and at our hotels. Our marketing campaigns will be further refined to maximise the traffic to our website and improve the return on our marketing investment. With a new revenue management system in place, we will be in an excellent position to make further improvements to our customers' web journey, as well as introduce a more dynamic pricing strategy to further drive RevPAR growth. By offering our customers a good night's sleep at a super price and a quick and easy way to make a booking, we believe that we will attract new customers and encourage significant repeat visits.

Our values

At easyHotel we believe that it's not just *what* we do, but *how* we do it. We believe in providing our teams an opportunity to build a great career, in providing our customers with a truly *super budget* stay and giving our shareholders a great return on their investment.

I want to take this opportunity to thank every employee across the Group and our business partners for making easyHotel as good as it is. I'm confident that, together, we can continue to deliver on our strategic objectives in the months and years ahead.

Chief Financial Officer's review

Revenue

Total revenue increased by 39.7% to £8.42m (2016: £6.02m) driven the strong performance of our owned hotels which significantly outperformed the market and the opening of new owned and franchised hotels during the period.

Total revenue from our owned hotels was up by 39.7% to £6.60m (2016: £4.73m). Like-for-like revenue growth was 13.7%. In our owned estate average occupancy was 86.7% (2016: 82.1%) and average daily rate (ADR) per room was £41.9 (2016: £40.0). Revenue from our franchised hotels was up by 39.8% to £1.81m (2016: £1.30m), including a one-off exit fee of £0.15m relating to the Earls Court franchisee. Like-for-like growth in franchised hotels revenue was 8.6%. Average occupancy was 77.7% (2016: 74.5%) and ADR per room was £49.4 (2016: £42.6) in our franchised estate.

Adjusted EBITDA

Adjusted EBITDA (before one-off items) increased by 48.3% to £2.30m (2016: £1.55m). Our owned and franchised businesses contributed an improvement of £1.07m to £4.28m (2016: £3.21m), partly offset by our corporate office expenses increasing by £0.32m to £1.98m (2016: £1.66m) on the back of continued investment in our team to deliver our ambitious growth plans.

Profit before tax

Profit before tax (PBT) decreased by 21.1% to £0.86m (2016: £1.09m). Despite the increase in adjusted EBITDA, the decrease in profit before tax was mainly driven by a £0.24m loss related to writing down the net book value of the of the 3rd and 4th floors of our Old Street hotel following their previously announced closure (2016: £Nil) and no capital gain this year, contrary to the capital gain on the Liverpool ground floor disposal in 2016 for £0.28m.

Other factors driving PBT include:

Pre-opening costs increased to £0.22m (2016: £0.09m) in the year, following an increase in new hotel openings. Depreciation and amortisation also increased to £0.83m (2016: £0.45m), following the opening of our owned hotels and IT investments made.

Share based payments expense of £0.17m (2016: £0.16m) was recorded during the year.

Other non-recurring net costs incurred in the year (as set out in note 4 to the financial statements below) amounted to £0.16m (2016: £0.10m).

Finance income was £0.27m (2016: £0.25m) including interest on cash deposits and foreign exchange gains and a finance expense of £0.09m (2016: £0.20m) related to interest on borrowings incurred during the year, net of borrowing costs attributable to the construction of new owned hotels capitalised as required by IAS 23.

Taxation

The effective tax charge for the period was 25% (2016: 20%).

Earnings per share and dividend

The profit for the year was £0.64m (2016: £0.88m), with the impact of our enlarged share base giving rise to basic earnings per share of 0.7p (2016: 1.4p).

The Board is proposing a final dividend of 0.22p per ordinary share, or a total dividend for the financial year of 0.33p (2016: 0.33p) including the interim dividend of 0.11p (2016: 0.11p) paid on 30 June 2017.

Cash flow and balance sheet

Net cash generated from operations was £2.22m (2016: £0.85m).

Net cash used in investing activities was £23.13m (2016: £9.65m), reflecting the costs incurred during the year of our owned hotel and IT development projects.

Net cash generated from financing activities was £40.57m (2016: £0.27m use), primarily relating to the completion in October 2016 of a £38.0m placing (£36.6m after expenses) plus the refinancing of our existing £7.2m bank facility with a new £12.0m facility in November 2016 and the arrangement of a €8.25m mortgage facility to finance the construction of our first owned hotel in Spain in January 2017.

As at 30 September 2017, total bank borrowings were £12.03m (2016: £7.20m).

The Group ended the financial year with net assets of £70.18m (2016: £33.21m), of which £33.26m comprised cash and cash equivalents (2016: £13.66m).

The Group accounts for its assets using the historical cost method, however, if our hotel portfolio was valued on the open market, the Board expects the corresponding value of this portfolio to be materially above its current net book value, underpinning the strength of the Group's balance sheet.

1,125,000 ordinary shares in the Company were held by the Employee Benefit Trust (2016: 1,125,000).

Post-balance sheet events

On 30 October 2017, the Group announced the acquisition of a site in Cardiff to develop a new 120-room freehold easyHotel, subject to planning permission. On 15 November 2017, the Group announced the takeover of a 25-year lease of the 104-room Tune hotel in Newcastle, opening as an easyHotel in December 2017. On 16 November 2017, the Group announced a further 162 franchised rooms (two hotels) under development in The Hague and Maastricht, to open in the second half of 2018.

Consolidated statement of comprehensive income

for the year ended 30 September 2017

	Note	2017 £	2016 £
System sales*		**29,672,176**	21,315,210
Revenue	3	**8,416,257**	6,024,255
Cost of sales		**(3,257,780)**	(2,150,528)
Gross profit		**5,518,477**	3,873,727
Administrative expenses		**(4,477,957)**	(2,832,382)
Operating profit	4	**680,520**	1,041,345
Analysed as:			
Adjusted EBITDA**		**2,300,283**	1,551,092
Non-recurring items	4	**(398,464)**	187,105
Hotel pre-opening and development costs	4	**(217,934)**	(89,157)
Depreciation and amortisation		**(831,414)**	(446,518)
Share based payments		**(171,951)**	(161,177)
		680,520	1,041,345
Finance income	6	**270,992**	248,934
Finance expense	7	**(91,193)**	(200,078)
Profit before taxation		**860,319**	1,090,201
Taxation		**(217,458)**	(213,429)
Profit for the year attributable to equity holders of the Company		**642,861**	876,772
Other comprehensive income			
Items that will or may be reclassified to profit or loss			
Exchange loss arising on retranslation of foreign operations		**(78,958)**	—
Total comprehensive income attributable to equity holders of the Company		**563,903**	876,772
Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic (pence)	8	**0.7**	1.4
Diluted (pence)	8	**0.7**	1.4

*System sales is a non-statutory measure and represents the full amount that the customer pays for our owned and operated hotels, as well as fees in respect of franchisee-owned and operated hotels (excluding VAT and similar taxes). It also includes initial sign-on fees paid by franchisees to the Company.

**Adjusted EBITDA is a non-statutory measure that represents earnings before interest, taxation, depreciation and amortisation adjusted for pre-opening costs related to the development of hotels, organisational restructuring costs, share based payments and other non-recurring items (see note 4 for details).

Consolidated statement of financial position
for the year ended 30 September 2017

	2017	**2017**	2016	2016
	£	**£**	£	£
Assets				
Non-current assets				
Property, plant and equipment	**51,141,920**		30,463,074	
Intangible assets	**1,014,325**		149,433	
Long-term deposits	**636,434**		—	
Total non-current assets		**52,792,679**		30,612,507
Current assets				
Trade and other receivables	**2,723,821**		1,243,243	
Cash and cash equivalents	**33,255,253**		13,659,018	
Total current assets		**35,979,074**		14,902,261
Total assets		**88,771,753**		45,514,768
Liabilities				
Non-current liabilities				
Trade and other payables	**376,928**		85,679	
Bank borrowings	**11,666,089**		—	
Deferred tax liability	**351,488**		193,792	
Total non-current liabilities		**12,394,505**		279,471
Current liabilities				
Trade and other payables	**5,804,807**		4,706,215	
Bank borrowings	**360,000**		7,200,000	
Corporate taxation	**31,003**		119,314	
Total current liabilities		**6,195,810**		12,025,529
Total liabilities		**18,590,315**		12,305,000
Total net assets		**70,181,438**		33,209,768
Equity				
Equity attributable to owners of the Company				
Share capital	**1,005,000**		625,000	
Share premium	**64,775,791**		28,592,036	
Merger reserve	**2,750,001**		2,750,001	
Employee Benefits Trust (EBT) reserve	**(1,067,405)**		(1,067,405)	
Currency translation reserve	**(78,958)**		—	
Retained earnings	**2,797,009**		2,310,136	
Total equity		**70,181,438**		33,209,768

Consolidated statement of cash flows

for the year ended 30 September 2017

	2017	2016
	£	£
Cash flows from operating activities		
Profit before taxation for the year	**860,319**	1,090,201
Adjustments for:		
Profit on disposal on property, plant and equipment	**239,615**	(282,675)
Depreciation and amortisation	**831,414**	446,518
Share based payment charge	**171,951**	161,177
Finance income	**(206,999)**	(248,934)
Finance expense	**91,193**	200,078
Operating cash flows before movements in working capital	**1,987,493**	1,366,365
(Increase)/decrease in trade and other receivables	**(928,125)**	48,692
Increase/(decrease) in trade and other payables	**1,449,051**	(503,052)
Cash generated from operations	**2,508,419**	912,005
Corporation tax paid	**(148,667)**	(21,887)
Net cash flows from operating activities	**2,359,752**	890,118
Finance income	**194,743**	156,351
Finance expense	**(337,599)**	(200,078)
Net cash generated from operations	**2,216,896**	846,391
Investing activities		
Purchase of property, plant and equipment	**(22,709,420)**	(9,227,574)
Proceeds from property, plant and equipment	**-**	590,009
VAT on investing activities	**(415,660)**	(1,007,908)
Net cash used in investing activities	**(23,125,080)**	(9,645,473)
Financing activities		
Proceeds from issue of ordinary share capital	**38,000,000**	—
Capitalised costs related to issue of ordinary share capital	**(1,436,245)**	—
Dividends paid	**(327,939)**	(270,049)
Repayment of loans	**(7,560,000)**	—
Net proceeds from new loans	**11,890,176**	—
Net cash generated from/(utilised by) financing activities	**40,565,992**	(270,049)
Net increase/(decrease) in cash and cash equivalents	**19,657,808**	(9,069,131)
Cash and cash equivalents at the beginning of the year	**13,659,018**	22,635,566
Exchange (losses)/gains on cash and cash equivalents	**(61,573)**	92,583
Cash and cash equivalents at the end of the year	**33,255,253**	13,659,018

Consolidated statement of changes in equity

for the year ended 30 September 2016

	Share capital £	Share premium £	Merger reserve £	EBT reserve £	Currency translation Reserve £	Retained earnings £	Total £
At September 2015	625,000	28,592,036	2,750,001	(1,067,405)	—	1,542,236	32,441,868
Total comprehensive income for the year	—	—	—	—	—	876,772	876,772
Share based payment charge	—	—	—	—	—	161,177	161,177
Dividends paid	—	—	—	—	—	(270,049)	(270,049)
At 30 September 2016	625,000	28,592,036	2,750,001	(1,067,405)	—	2,310,136	33,209,768
Profit for the year	—	—	—	—	—	642,861	642,861
Other comprehensive income	—	—	—	—	(78,958)	—	(78,958)
Total comprehensive income for the year	—	—	—	—	(78,958)	642,861	563,903
Share based payment charge	—	—	—	—	—	171,951	171,951
Dividends paid	—	—	—	—	—	(327,939)	(327,939)
Issue of shares	380,000	36,183,755	—	—	—	—	36,563,755
At 30 September 2017	**1,005,000**	**64,775,791**	**2,750,001**	**(1,067,405)**	**(78,958)**	**2,797,009**	**70,181,438**

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 information presented in this preliminary announcement has been prepared in accordance with the recognition and measurement requirements of 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 principal accounting policies adopted in the preparation of the financial information in this preliminary announcement are unchanged from those used in the company's financial statements for the year ended 30 September 2016 and are consistent with those that the company has applied in its financial statements for the year ended 30 September 2017.

The financial information does not constitute the company's statutory accounts, within the meaning of Section 435 of the Companies Act 2006, for the years ended 30 September 2017 or 30 September 2016 but is derived from those accounts. The auditors have reported on those accounts; their reports were unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and did not contain statements under the Companies Act 2006, s498(2) or (3).

Statutory accounts for 2016 have been delivered to the Registrar of Companies and those for 2017, prepared under IFRS, will be delivered in due course.

3. Revenue

	2017	2016
	£	£
Revenue arises from:		
Owned hotel revenue	**6,489,245**	4,715,845
Franchisees hotel revenue*	**1,812,159**	1,296,104
Other owned income	**114,853**	12,306
	8,416,257	6,024,255

* Includes a franchise agreement termination fee of £150,000 (2016: £Nil) and an accelerated fee release of £Nil (2016: £49,130).

4. Operating profit and adjusted EBITDA

	2017	2016
	£	£
The following have been included in arriving at operating profit before tax:		
Auditors' remuneration includes:		
Company audit fees	**(15,000)**	(15,000)
Subsidiary audit fees	**(34,500)**	(29,500)
Fees for audit related assurance services	**(20,000)**	(20,000)
Total auditors' remuneration	**(69,500)**	(64,500)

	2017	2016
	£	£
Non-recurring items from reportable segments include:		
Net accelerated initial fee release	**—**	29,630
Other non-recurring items include:		
Net franchise termination proceeds	**133,060**	—
Recruitment fees	**(51,000)**	—
Legal and other costs	**(167,414)**	(44,041)
Abortive fees	**(63,627)**	(6,109)
Systems restructuring	**(9,868)**	(75,050)
(Loss)/profit on disposal of property, plant and equipment	**(239,615)**	282,675
	(398,464)	157,475
Total non-recurring income/(costs)	**(398,464)**	187,105

* (Loss)/profit on disposal of property, plant and equipment relates to the part-closure of operations at the Old Street hotel following an adverse planning result (2016: sale of the ground floor unit in the Liverpool property).

	2017	2016
	£	£
Hotel pre-opening and development:		
Rental income	**-**	12,306
Pre-opening operational costs	**(217,934)**	(101,463)
Total hotel pre-opening and development costs	**(217,934)**	(89,157)

Hotel pre-opening and development costs relate to expenses incurred or income received in running a property prior to commencement of trading as a hotel or otherwise.

Adjusted EBITDA, which is a non-statutory measure, is shown on the face of the consolidated statement of comprehensive income as it reflects the profits from underlying operations only and is the best indicator of easyHotel's financial performance.

5. Segment information

The Group has two 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 franchised hotel operations, in connection with the licence 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 adjusted EBITDA, which is a non-statutory measure.

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 2017			
Revenue			
Total revenue from external customers	**6,604,098**	**1,812,159**	**8,416,257**
Adjusted EBITDA	**3,239,960**	**1,042,417**	**4,282,377**
Profit before taxation	**2,632,860**	**1,042,417**	**3,675,277**
Segment assets	**85,213,653**	**2,608,410**	**87,822,063**
Segment liabilities	**(15,048,156)**	**(2,335,555)**	**(17,383,711)**
Other			
Additions to non-current assets	**22,582,910**	**—**	**22,582,910**
Disposals of non-current assets	**(239,615)**	**—**	**(239,615)**
Finance income	**206,999**	**—**	**206,999**
Finance cost	**(91,193)**	**—**	**(91,193)**
Depreciation and amortisation	**(831,414)**	**—**	**(831,414)**
30 September 2016			
Revenue			
Total revenue from external customers	4,728,151	1,296,104	6,024,255
Adjusted EBITDA	2,570,677	636,385	3,207,062
Profit before taxation	2,014,925	666,015	2,680,940
Segment assets	43,013,707	2,174,506	45,188,213
Segment liabilities	(9,303,902)	(2,174,506)	(11,478,408)
Other			
Additions to non-current assets	10,237,533	—	10,237,533
Disposal of non-current assets	(307,334)	—	(307,334)
Finance income	59,341	—	59,341
Finance cost	(200,078)	—	(200,078)
Depreciation and amortisation	(415,015)	—	(415,015)

Reconciliation of reportable segment revenues, profit before tax, assets and liabilities to the Group's corresponding amounts is shown below:

	2017	2016
	£	£
Adjusted EBITDA of reportable segments	**4,282,377**	3,207,062
Adjusted EBITDA of corporate office	**(1,982,094)**	(1,655,970)
Total adjusted EBITDA	**2,300,283**	1,551,092
Profit before income tax		
Total profit of reportable segments	**3,675,277**	2,680,940
Corporate office expenses and interest	**(2,026,609)**	(1,497,880)
Other non-recurring net costs (see note 4)	**(158,849)**	(125,200)
Hotel pre-opening and development costs	**(217,934)**	(89,157)
Share based payments	**(171,951)**	(161,177)
Disposal of non-current assets	**(239,615)**	282,675
Profit before tax per statement of comprehensive income	**860,319**	1,090,201
Assets		
Total assets for reportable segments	**87,822,063**	45,188,213
Cash in Employee Benefit Trust	**1,643**	1,693
Corporate office assets	**948,047**	324,862
Total assets per Statement of Financial Position	**88,771,753**	45,514,768
Liabilities		
Total liabilities for reportable segments	**(17,383,711)**	(11,478,408)
Corporation tax	**(31,003)**	(119,314)
Corporate office liabilities	**(824,113)**	(513,486)
Deferred tax liabilities	**(351,488)**	(193,792)
Total liabilities per Statement of Financial Position	**(18,590,315)**	(12,305,000)

Geographical information

	2017	2016
	£	£
Revenue by location		
United Kingdom	**7,209,316**	5,144,034
Europe	**1,073,830**	774,413
Rest of the world	**133,111**	105,808
	8,416,257	6,024,255
Total non-current assets by location		
United Kingdom	**44,828,465**	29,112,878
Spain	**7,964,214**	1,499,629
	52,792,679	30,612,507

6. Finance income

Recognised in profit or loss:

	2017	2016
	£	£
Finance income		
Interest income on financial assets measured at amortised cost	**206,999**	59,341
Foreign exchange gain	**63,993**	189,593
Total interest payable and similar charges	**270,992**	248,934

7. Finance expense

Recognised in profit or loss:

	2017	2016
	£	£
Finance expense		
Interest expense on financial liabilities measured at amortised cost	**356,165**	200,078
Amount capitalised*	**(264,972)**	—
Total interest payable and similar charges	**91,193**	200,078

*Interest expense attributable to construction works has been capitalised to property, plant and equipment.

8. Earnings per share

	2017	2016
	number	number
Weighted average number of ordinary shares in issue, excluding this held by the Employee Benefit Trust, used as the denominator in calculating basic earnings per share	**97,709,247**	61,375,000
Options granted under the Employee Share Save Plan	**120,747**	—
Weighted average number of ordinary share and potential ordinary shares used as the denominator in calculating diluted earnings per share	**97,829,994**	61,375,000

Options granted to executives under the company's Performance Share Plan are not included in the calculation of diluted earnings per share as the performance conditions attached to the have not yet been met.

Earnings consist of profit for the period attributable to the shareholders amounting to £642,861 (2016: £876,772).

9. Dividends

Interim cash dividend of 0.11p per ordinary share (£109,313) was paid by the Group during the period under review (2016: £67,512).

Final cash dividend of 0.22p per ordinary share (£218,625) is proposed by the Group during the period under review (2016: £218,625).

10. Contingencies and commitments

There are no contingencies or commitments of a material nature at the date of approval of these financial statements that the Directors believe are necessary to draw attention to.

11. Events after the reporting date

On 30 October 2017, the Group announced the acquisition of a site in Cardiff to develop a new 120-room freehold easyHotel, subject to planning permission. On 15 November 2017, the Group announced the takeover of a 25-year lease of the 104-room Tune hotel in Newcastle, opening as an easyHotel in December 2017. On 16 November 2017, the Group announced a further 162 franchised rooms (two hotels) under development in The Hague and Maastricht, to open in the second half of 2018.

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