6 December 2018

easyHotel plc

FINAL RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

Transformational year delivering strong revenue and earnings performance
Accelerated pipeline growth with increased focus on European expansion

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 2018.

Financial highlights

Year ended 30 September (£m)	**2018**	**2017**	
Total system sales	37.3	29.7	+25.8 %
Revenue	11.3	8.4	+33.7 %
Adjusted EBITDA	2.96	2.30	+28.6 %
Profit before tax	0.87	0.86	+1.4 %
Basic earnings per share (pence)	0.5	0.7	(21.4)%
Total dividend per share (pence) *(cash distribution maintained on an enlarged share basis)*	0.22	0.33	(33.3) %

- Adjusted EBITDA growth of 28.6% reflects strength of proposition and continued market outperformance.
- Adjusted EBITDAR margin increased by 2.1%pts to 29.6% (2017: 27.5%).
- Profit before tax of £0.87m unchanged (2017: £0.86m), impacted by disruption at easyHotel Old Street (loss of 70 rooms) and closure of Franchise Hotel at Earl's Court (109 rooms).
- Cash generated from operations increased to £2.65m (2017: £2.22m).
- Significant headroom for further investment with net cash and cash equivalents of £41.4m (2017: £33.3m), and an extended loan facility.
- Asset backed balance sheet strengthened further with net assets rising to £120m (2017: £70m).
- Proposed final dividend of 0.15 pence (total 0.22 pence) reflecting a maintained cash distribution on an enlarged issued share capital basis.

Business highlights

- Owned hotels Revpar was up 11.4% with the Group's owned hotels continuing to deliver market outperformance for the third consecutive year.
- Like-for-like revenue for franchised hotels increased by 12.1%.
- Nine new hotels opened during the year, totalling 907 rooms, which are trading well; supporting improvement in combined occupancy of 82.4% (2017: 79.8%) and ADR of £51.3 (2017: £47.8).

- First owned hotel in Continental Europe opened in September – our flagship easyHotel Barcelona (204 rooms).
- A further franchised hotel in Lisbon has opened since the year-end bringing the total portfolio to 34 hotels and 3,169 rooms across 28 cities.

Significantly accelerated development pipeline with growing European focus

- Six new owned hotel sites in Milton Keynes, Cardiff, Chester, Cambridge, Dublin and Blackpool secured during the year.
- 686 owned rooms and 474 franchised rooms added to the development pipeline.
- Increased resource to accelerate growth in Europe where we see significant opportunity, with initial focus on France, Spain and Germany.
- A further site in Bristol has been acquired since the year-end, bringing the total development pipeline to 1,100 owned rooms and 1,874 franchised rooms.

Commenting, Guy Parsons, Chief Executive Officer of easyHotel plc said:

"This has been a transformational year for the Group. We have increased our portfolio of rooms by 42%, in 27 cities across the UK, Continental Europe and the Middle East, making excellent progress towards our target of being the market leader in "super budget" hotels.

"Despite the wider macro-economic uncertainty that continues to impact consumer confidence, particularly in the UK, we have grown market share for the third consecutive year. The continued outperformance of our hotels reflects the growing strength of the easyHotel brand. Our simple, stylish but highly affordable offer resonates exceptionally well with today's cost-conscious traveller, giving us confidence to continue developing owned hotels.

"The successful placing completed in March 2018 has allowed us to accelerate our growth plans further, in line with our strict investment criteria. We see a number of exciting opportunities for the brand, not only in the UK but increasingly in Europe where we have recently opened our first owned European hotel in Barcelona. We have added a further 1,160 rooms to our development pipeline over the course of the year and invested behind our team to expand our presence in Europe, where we believe there is significant opportunity for the brand, particularly in Spain, France and Germany.

"With funds available for future hotel development, we believe easyHotel is well positioned for long-term growth, and will continue to outperform its competitors.

"I would like to take this opportunity to thank the entire team for their hard work and commitment over what has been an incredibly busy year and look forward to building on this progress in 2019."

A conference call for analysts will be held today, 6 December 2018 at 09.30 am. Dial-in details are below. A presentation is available to download at https://ir.easyhotel.com/

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Notes to Editors:
www.easyhotel.com http://ir.easyhotel.com

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 ten owned hotels currently comprise 1,130 rooms, and it has a further 24 franchised hotels with 2,039 rooms.

Owned hotels:
United Kingdom: Old Street (London), Glasgow, Croydon, Birmingham, Manchester, Liverpool, Newcastle*, Leeds, Sheffield.

Spain: Barcelona

Franchise locations:

United Kingdom: Edinburgh, London Heathrow, Central London, Luton, Reading and Belfast.

Europe: Belgium (Brussels), Bulgaria (Sofia), Germany (Berlin, Frankfurt), Hungary (Budapest), The Netherlands (Amsterdam: City, Arena & Zaandam, Rotterdam, The Hague, The Hague Scheveningen Beach, Maastricht), Portugal (Lisbon), Switzerland (Basel, Zurich).

International: UAE (Dubai).

Hotel development pipeline

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

Owned hotels:

United Kingdom: Ipswich, Milton Keynes, Chester, Cardiff, Oxford*. Subject to planning consent: Cambridge*, Blackpool, Bristol

Europe: Ireland (Dublin).

Franchise hotels:

Europe: Germany (Bernkastel-Kues), Spain (Malaga), Switzerland (Zurich, Basel), Netherlands (Amsterdam Schiphol Airport).

International: Iran, Sri Lanka, Turkey (Istanbul), UAE (Dubai).

*Hotels under an operating lease.

CHAIRMAN'S STATEMENT

I am delighted to report that easyHotel has continued making excellent progress with its strategy for growth. Like for like revenue growth out-performed our competitive set and performance at our new and refurbished hotels clearly demonstrates the value of our model. Following our successful share placing and negotiations to extend our bank facilities, we are well placed to leverage the full potential of our strong development pipeline.

Strategy

Our strategy is underpinned by a clear vision of the key locations where we want to establish an owned hotel. To date these locations have predominantly been in the UK but exciting opportunities also exist elsewhere in Europe. To this end we are actively pursuing an expansion policy in selected countries in mainland Europe, financed through the fundraising activities we undertook this year.

Our first owned hotel in mainland Europe was opened in Barcelona in September 2018. This flagship hotel demonstrates the quality of our design. The success of our new brand standards is also reflected in strong trading at other hotels opened or refurbished in the period.

Our franchised network has also been extended, with new hotels opened by our partners in Belfast, Reading, Scheveningen Beach and Maastricht.

Through our combined network, the easyHotel brand is now represented by 34 hotels in 28 cities and we expect to build further upon this success in 2019. We have announced seven new owned hotels planned for Bristol, Milton Keynes, Cardiff, Chester, Cambridge, Dublin and Blackpool together with seven new franchised hotels across Switzerland, Spain and the Netherlands.

Our sleep easy promise – that easyHotel customers will enjoy a good night's sleep at an easy price – is the cornerstone of our brand. easyHotel has always offered clean, comfortable and safe facilities but, with our new look designs, customers can now benefit from even higher standards.

We have already refurbished two of our three legacy hotels – Croydon and Glasgow – and the post-refurbishment trading of these two assets provides the Board with confidence that the investment in refreshing our older hotels has been well made.

We now intend to incorporate similar improvements into our Old Street hotel, which was temporarily closed on 3 December 2018 for extensive works to be carried out. To maximise value, Old Street will incorporate, alongside an 89-bedroom hotel, new self-contained 15,500 sq. ft office facilities which will be let to maximise revenues. Those revenues are expected to offset the costs of our new head office which provides an excellent workplace for our talented team.

Dividend

An interim dividend of 0.07p per ordinary share was paid on the enlarged share capital, maintaining the aggregate distribution at an equivalent amount to that paid in 2017. We are now pleased to recommend a final dividend of 0.15p per share. Subject to shareholder approval at our AGM, this dividend will be paid on 15 February 2019 to shareholders on the register on 25 January 2019.

Board and management team

The Board would like to thank all members of easyHotel's team for their outstanding contribution. Pleasingly, our ShareSave Plan, launched in 2017, attracted even greater participation in 2018 meaning more colleagues can now share in the success they are working so hard to achieve for this business.

I am fortunate to lead a talented and dedicated Board. Chief Executive Officer, Guy Parsons, continues to do an exceptional job in steering this business. We have recently been pleased to announce the appointment of a new Chief Financial Officer, Gary Burton, to succeed Marc Vieilledent who will now lead our important European development strategy. As we welcome Gary to the business, it is appropriate to take this opportunity to thank Marc, on behalf of the whole Board, for all that he has done to contribute to our success so far. We have no doubt that he will bring energy and skill to driving our European strategy. The appointment of Harm Meijer, Managing Director of ICAMAP, as an additional Non-Executive Director earlier in the year is enhancing our understanding of our key shareholder's views and priorities but his wider contribution to the Board's work is also equally valued. I would also like to thank my fellow independent Non-Executive Director, Scott Christie, for the qualities and commitment he brings to the governance of the business and for his skilled and thoughtful chairmanship of our Audit and Remuneration Committees.

Outlook

Looking ahead, ongoing political and economic uncertainty is likely to affect hotel demand in the UK over the next 12 months. By contrast, the hotel market was much stronger across Europe during 2018 with Revpar growth balanced between occupancy and rate, suggesting growth should continue into 2019, and beyond. The Board remains confident that the easyHotel brand will continue to outperform the hotel sector as consumers seek out the best value for money.

We have continued to strengthen our business, its brand and resources. Early trading at our new and refurbished hotels encourages us to believe that our business model and strategy are sound and that scope to expand and develop our offering both in the UK and Europe is considerable. The Board's long-term strategy for growth is ambitious but, with our experienced management team and strong development pipeline, the outlook to achieve that growth is both realistic and exciting.

CHIEF EXECUTIVE'S REVIEW

Strategy

This is a very exciting time for easyHotel. The growing strength of the brand's simple "no frills" super budget offer is well aligned to the needs of today's discerning and value conscious traveller and the year has seen the Group make excellent progress as we continue to build momentum against our ambitious growth plans.

Our owned hotels out-performed the market for the third successive year and impressive like-for-like sales growth was achieved across our franchise hotel network. We opened nine new hotels during the year in our stylish new format, all of which have traded strongly from opening. Together with our continued focus on improving operational efficiencies and our commitment to customer service, the increase in sales and new openings have produced a significant increase in our profits.

The long-term structural growth drivers in the international branded budget hotel sector remain strong and the year has seen us take steps to accelerate our expansion plans. The successful equity fundraise in March 2018 is enabling us to develop more owned hotels and we have also increased our resource and exposure to Continental Europe to take advantage of the attractive opportunities for the brand in this market, balancing the number of UK and European openings. Our ongoing investment in the brand and our network is also continuing to support the development of new franchisee partnerships.

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

Trading review

Total system sales grew by 26% to £37.3m (2017: £29.7m), and our Company revenues by 34% to £11.3m. This was achieved by an increase in owned hotel Revpar (up 11.4%), franchise hotel revenue (up 12.1%) and by the opening of new hotels in Liverpool, Newcastle, Leeds, Sheffield, The Hague Scheveningen Beach, Maastricht, Belfast, Reading and Barcelona. Occupancy for all owned and franchised hotels was 82.4% (2017: 79.8%). All the new hotels have traded very strongly since opening; achieving mature occupancy within 12 weeks of opening. Our strong sales performance led to a 29% increase in adjusted EBITDA to £2.96m.

Owned hotels

Alongside a busy opening programme, which saw us increase our owned hotel network of rooms by 42%, we also completed the refurbishment of our hotels in Croydon and Glasgow. This investment has been immediately earnings enhancing, seeing an 8.8% increase in Revpar at these hotels.

Our owned hotels continued to win market share, with those that have been opened 12 months or more outperforming their competitive set (as measured by STR) throughout the year by +5.6%pts**[1] resulting in a third consecutive year of outperformance across the estate.

The hotels opened during the financial year have performed particularly strongly, mirroring the strong performance seen by both our Birmingham and Manchester hotels opened in 2017. There were ten owned hotels operating in our portfolio at the end of the financial year.

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[1] **Revpar % change vs prior year**

Franchise partners
Like-for-like revenue across our franchised hotels increased by 12.1% during the financial year, with total sales flat versus the previous year, following the closure of Earl's Court. Four franchised hotels opened during the period with the hotels in the Benelux region performing particularly strongly. There were 23 franchised hotels operating in our portfolio at the end of the financial year.

Market outlook
It was always going to be difficult for the UK 2018 hotel market to be as strong as 2017. The year has been held back by slower economic growth, significant increased supply and reported weaker business travel volumes. This is despite the weak pound and events such as the Royal Wedding and the biennial Farnborough Airshow which have helped keep leisure demand strong.

Looking ahead, ongoing political and economic uncertainty is likely to affect hotel demand in the UK over the next 12 months. However, the Board remains confident that the easyHotel brand will continue to outperform the hotel sector as consumers seek out the best value for money.

By contrast, the hotel market was much stronger across Europe during 2018 with Revpar growth balanced between occupancy and rate, suggesting growth should continue into 2019, and beyond.

Development review
The Group continues to target carefully selected locations to expand its portfolio of owned and franchised hotels. We believe that the opportunity to develop our owned hotel portfolio in key gateway European cities is significant and have decided to increase both our resource and exposure to mainland Europe, to balance our development pipeline more evenly between UK and Continental Europe, accelerating our presence in these markets.

For owned hotels, the Group believes there is potential for approximately 12,000 easyHotel rooms primarily in the UK, Spain, France and Germany with an additional opportunity for approximately 15,000 franchised easyHotel rooms across the UK, Europe and the Middle East.

Development of owned hotels
Our pipeline of hotels under development, continues to grow. During the year, we completed the acquisition of four new hotel sites:

- Norfolk House, Milton Keynes. 125- year leasehold acquired on part of Norfolk House for the development of a 124-room hotel which will open mid-2019.
- Fitzalan Place, Cardiff. Site acquired on a freehold basis and the 120-room hotel is expected to open in the next financial year.
- Forrest Street, Chester. Site acquired on a freehold basis. The 109-room hotel is being delivered as a turnkey development and should open in 2019.
- Newmarket Road, Cambridge. Site acquired on a 25-year lease subject to planning permission. The 100-room hotel should open in the next financial year.

Our 180-room hotel in Oxford, where we are taking a 25-year lease is currently under construction and is expected to open in 2020. As previously announced, the Group will also be undertaking a full refurbishment of its property at 80 Old Street, to bring this hotel up to our new brand standards. The Board has taken the decision to shut the entire building from December 2018 instead of a rolling refurbishment programme and expects to re-open the building as an 89-bedroom hotel with 15,500 sq. ft of separate office accommodation in the second half of 2019. The total cost for the Old Street development is expected to be approximately £7m and the Board is confident that this investment will maximise the value from the property for the long-term benefit of shareholders.

Following a busy period of hotel openings, at the end of the financial year the Group currently has 2,974 rooms under development totalling capital commitments of £40.7m. The Group has a strong balance sheet and the successful £50m (gross) equity placing in March 2018, together with the additional £10m corporate debt and £23m corporate accordion facility, ensure we have appropriate headroom and capacity to finance up to 9 additional new projects from the Group's identified owned hotel development pipeline.

Development of franchised hotels
In addition to the four recently-opened franchised hotels mentioned above, the Group has also signed new franchise agreements to develop further hotels in the Benelux region, Malaga and Switzerland. The 300-room hotel in Bur Dubai will open in 2019. These hotel openings will enhance our position as the super budget hotel brand of scale, in the UK, Europe and the Middle East.

Development pipeline
We have opened some really exciting hotels in the last 3 years, and this will continue in the coming months. Conscious of our wider social and environmental responsibilities, our hotels are built to BREEAM very good standards. We are thoughtful in the choice of materials we use in construction and are also harnessing smart technology as we develop new hotels in order to reduce energy consumption.

Despite a number of rising costs – build costs, wage costs, utility costs, rates – we have taken a series of management actions, including value engineering, which together with the accelerated maturity of our recent openings, mean that our expected Group ROCE remains unaffected.

Open (o) and Committed (c) Projects by Financial Year

	2016/17 (o)	**2017/18 (o)**	**2018/19 (c)**	**2019/20 (c)**	**Beyond**
Owned Hotels	5	10	12	15	19
Rooms	*520*	*1,130*	*1,343*	*1,672*	*2,230*
Franchised Hotels	20	23	33	34	36
Rooms	*1,750*	*1,938*	*2,913*	*3,213*	*3,913*
Total Hotels	25	33	45	49	55
Rooms	*2,270*	*3,068*	*4,256*	*4,885*	*6,143*

Capability, organisation and culture
It is essential that we continue to build the capability of the business to enable it to grow at speed. During the last 12 months we have appointed Richard Kiersey, an experienced Property Director to manage the growing number of hotels under development. On 13 August 2018 we were also pleased to confirm the appointment of Marc Vieilledent as Group Development Director to drive the development of our owned hotels in Europe. Gary Burton joined the Board on 29 October 2018, replacing Marc Vieilledent as Chief Financial Officer. Gary joins the Group from Nuffield Health bringing a wealth of commercial and international experience and I am confident that he will be a valuable addition to our team.

The series of appointments we have made both this year and in the prior year, will ensure that we have the talent in place to accelerate and deliver on our growth plans. The strong culture we are building here at easyHotel is incredibly important to us and we continue to place great emphasis on ensuring that all of our colleagues feel valued, that achievements and success are recognised and that all our teams are focused on the opportunities available to them in the business and have the support to reach their full potential.

With such an exciting future, it is perhaps not surprising that the staff engagement score was 79% during the year. At the year end the Group employed 90 staff (2017: 56).

Technology

Our hotels benefit from our day-to-day hotel management expertise, whilst having access to some of the world's most powerful marketing and distribution systems. The benefits are significant and include: robust e-commerce platforms; global digital marketing expertise and activities; public relations and tactical marketing; customer relationship marketing aimed at travel agents, meeting planners, travel bookers and guests; and a highly sophisticated revenue management infrastructure.

Although we continue to sell a controlled number of rooms via on-line travel agents (OTAs), we remain focused on driving bookings via our own website. As part of our focus on improving our customers' journey we launched our new website in January 2018. Since then we have seen an average 10% increase in the conversion rate from customer visits to completed bookings.

Our new booking engine has allowed us to launch a new website and mobile App. It will also enable us to introduce automated check-in kiosks, to improve every stage of the customer experience – on-line 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 run the business based on our four values: We Care For You; We Keep Things Simple; We're Always The Best Value For Money; We Do What We Say. We believe in providing our teams with 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.

Charity Work

During the last 12 months we asked our staff to nominate a charity for us to support for the next two years across the business and they voted, overwhelmingly to support Parkinson's UK.

We are raising money for Parkinson's UK via our website, using The Pennies Foundation, as well as through guest donations at front desk and via the actions of our staff. These have ranged from a team member sky diving to a sponsored walk around Leeds castle, to a World Cup sweepstake and sponsored Half Marathon.

We finished the year having raised 20% more than we had originally targeted and have a further year of fundraising still to go.

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

CHIEF FINANCIAL OFFICERS REVIEW

Revenue

Total revenue increased by 33.7% to £11.3m (2017: £8.4m) driven by continued owned market outperformance (up 5.6% pts), and the new opening of five owned and four franchised hotels.

Total revenue from our owned hotels was up 43.0% to £9.4m (2017: £6.6m). This was despite the closure of 70 rooms at easyHotel Old Street, representing a 43% fall in capacity, and closure of easyHotel Earl's Court franchisee (Dec 2017)[2].

Total average occupancy was 82.4% (2017: 79.8%) and the average daily rate (ADR) was £51.3 per room (2017: £47.8).

Like-for-like revenue for franchised hotels was up 12.1%. Total franchised revenue was up 8.8% to £1.81m, recognising the prior year benefitted from a one-off exit fee from the Earl's Court franchisee. Like-for-like average occupancy in franchised hotels was 81.3% (2017: 77.7%) and average daily rate per room was £53.9 (2017: £49.7).

Adjusted EBITDA

Adjusted EBITDA (before share based payments and other adjusting items) increased by 28.6% to £2.96m (2017: £2.30m) and adjusted EBITDAR[3] margin of 29.6% was up by 2.1% pts (2017: 27.5%).

The economy and sector continues to experience macroeconomic challenges, driven by Brexit and political uncertainty. easyHotel's value engineering initiatives and continuing growth are helping to mitigate market challenges and cost pressures.

Profit before tax

Profit before tax was up 1.4% to £0.87m (2017: £0.86m).

Depreciation and amortisation increased 80.7% to £1.50m (2017: £0.83m), driven by easyHotel Manchester (opening in the second half of the prior year), easyHotel Liverpool (opening early in the year), and an IT investment in a new property management system in the prior year.

The total of adjusting items is 38% lower of £0.25m (2017: £0.40m), driven by prior year losses on disposal arising from the part-closure of easyHotel Old Street.

Total pre-opening and development costs of £0.25m were broadly flat, versus prior year, with more openings in the year at a lower average opening cost per hotel.

Share based payments expense of £0.28m (2017: £0.17m) increased proportionately with 2018 being the third year of the scheme.

A Finance income, net of foreign exchange gains/losses, of £0.30m (2017: £0.27m) represents interest income on financial assets that more than offset a financial expense of £0.12m (2017: £0.09m) 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 rate for the period was 26% (2017: 25%).

[2] Like-for-like hotels include Old Street, Croydon and Glasgow that underwent closure and or refurbishment during the year. It is therefore not possible to report LFL revenue for the owned hotels.

[3] Adjusted EBITDAR margin is Adjusted EBITDA as previously disclosed including Rent Expense.

Earnings per share and dividend

Profit for the year was £0.65m (2017: £0.64m), with basic earnings per share maintained at 0.5p (2017: 0.7p) even after raising £50m of new equity. The Board is proposing a final dividend of 0.15p per ordinary share on the enlarged share base, or a total dividend for the financial year of 0.22p (2017: 0.33p), including the interim dividend of 0.07p (2017: 0.11p) paid on 29 June 2018, this will maintain the total cash pay-out to investors year-on-year.

Cash flow and Balance Sheet

Net cash generated from operations was £2.65m (2017: £2.22m) with total cash and cash equivalents on 30 September 2018 of £41.4m (2017: £33.3m).

Net cash used in investment activities was £47.4m. Net cash generated from financing activities was £52.9m (2017: £40.6m), driven by the placing of new ordinary shares in March 2018.

The Group ended the financial year with net assets of £119.64m (2017: £70.18m), of which £41.4m comprised cash and cash equivalents (2017: £33.3m). At year end, total bank borrowings were £16.5m (2017: £12.0m) and 1,125,000 ordinary shares in the Company were held by the Employee Benefit Trust (2017: 1,125,000).

Post-balance sheet events

80 Old Street shuts from December 2018 for a full refurbishment and is expected to re-open as a 89-bedroom hotel and 15,500 sq ft of office accommodation in the second half of 2019. A central freehold site in Bristol has been acquired with the potential to develop a 145-bedroom freehold easyHotel. Planning permission has been granted for the development of a new purpose-built 180-room hotel in Oxford on a 25-year lease. Lastly, a new 154-bedroom franchised hotel will be developed at Amsterdam Schiphol Airport, the main international airport in the Netherlands.

Consolidated statement of comprehensive income

for the year ended 30 September 2018

	Note	2018	2017
		£	£
System sales*		**37,313,925**	29,672,176
Revenue	4	**11,253,872**	8,416,257
Cost of sales		**-5,231,963**	-3,257,780
Gross profit		**6,021,909**	5,158,477
Administrative expenses		**-5,337,832**	-4,477,957
Operating profit		**684,077**	680,520
Analysed as:			
Adjusted EBITDA**		**2,958,733**	2,300,283
Depreciation and amortisation		**-1,502,313**	-831,414
Hotel pre-opening and development costs	5	**-246,971**	-217,934
Share based payments		**-276,565**	-171,951
Other Adjusting Items	5	**-248,807**	-398,464
		684,077	680,520
Finance income	8	**304,893**	270,992
Finance expense	9	**-116,808**	-91,193
Profit before taxation		**872,162**	860,319
Taxation	10	**-225,658**	-217,458
Profit for the year and total comprehensive income attributable to equity holders of the Company		**646,504**	642,861
Exchange gain/ loss arising on retranslation of foreign operations		**63,323**	-78,958
Total Comprehensive income attributable to equity holders of the Company		**709,827**	563,903
Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic (pence)	11	**0.5**	0.7
Diluted (pence)	11	**0.5**	0.7

* 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 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 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 adjusting items (see note 5 for details of all items except share based payments, which can found in note 27). Adjusted EBITDA 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.

Consolidated statement of financial position
as at 30 September 2018

	Note	**2018** £	**2018** £	2017 £	2017 £
Assets					
Non-current assets					
Property, plant and equipment	13	**96,259,366**		51,141,920	
Intangible assets	14	**1,151,131**		1,014,325	
Long-term deposits	15	**643,080**		636,434	
Total non-current assets			**98,053,577**		52,792,679
Current assets					
Trade and other receivables	16	**4,022,560**		2,723,821	
Cash and cash equivalents	17	**41,390,018**		33,255,253	
Total current assets			**45,412,578**		35,979,074
Total assets			**143,466,155**		88,771,753
Liabilities					
Non-current liabilities					
Trade and other payables	18	**756,826**		376,928	
Bank borrowings	19	**15,749,566**		11,666,089	
Deferred tax liability	20	**418,349**		351,488	
Total non-current liabilities			**16,924,741**		12,394,505
Current liabilities					
Trade and other payables	18	**6,057,925**		5,804,807	
Bank borrowings	19	**710,413**		360,000	
Corporate taxation		**131,560**		31,003	
Total current liabilities			**6,899,898**		6,195,810
Total liabilities			**23,824,639**		18,590,315
Total net assets			**119,641,516**		70,181,438
Equity					
Equity attributable to owners of the Company					
Share capital	21	**1,459,545**		1,005,000	
Share premium	22	**113,114,938**		64,775,791	
Merger reserve	22	**2,750,001**		2,750,001	
Employee Benefit Trust (EBT) reserve	22	**-1,067,405**		-1,067,405	
Currency translation reserve	22	**-15,635**		-78,958	
Retained earnings	22	**3,400,072**		2,797,009	
Total equity			**119,641,516**		70,181,438

Consolidated statement of cash flows
for the year ended 30 September 2018

	2018 £	2017 £
Cash flows from operating activities		
Profit before taxation for the year	**872,162**	860,319
Adjustments for:		
Loss / (profit) on disposal of property, plant and equipment	**-**	239,615
Depreciation and amortisation	**1,502,313**	831,414
Share based payment charge	**276,565**	171,951
Finance income	**-304,893**	-206,999
Finance expense	**116,808**	91,193
Operating cash flows before movements in working capital	**2,462,955**	1,987,493
(Increase) / decrease in trade and other receivables	**183,560**	-928,125
Increase / in trade and other payables	**214,702**	1,449,051
Cash generated from operations	**2,861,216**	2,508,419
Corporation tax paid	**-71,123**	-148,667
Net cash flows from operating activities	**2,790,093**	2,359,752
Interest received	**346,627**	194,743
Interest paid	**-488,049**	-337,599
Net cash generated from operations	**2,648,671**	2,216,896
Investing activities		
Purchase of property, plant and equipment	**-46,379,646**	-22,709,420
VAT on investing activities	**-1,017,152**	-415,660
Net cash used in investing activities	**-47,396,799**	-23,125,080
Financing activities		
Proceeds from issue of ordinary share capital	**50,000,000**	38,000,000
Capitalised costs related to issue of ordinary share capital	**-1,206,308**	-1,436,245
Dividends paid	**-320,006**	-327,939
Proceeds in bank loan	**4,769,921**	11,890,176
Repayment of bank loan	**-360,000**	-7,560,000
Net cash generated from / (utilised by) financing activities	**52,883,607**	40,565,992
Net increase in cash and cash equivalents	**8,135,479**	19,657,808
Cash and cash equivalents at the beginning of the year	**33,255,253**	13,659,018
Exchange losses on cash and cash equivalents	**-715**	-61,573
Cash and cash equivalents at the end of the year	**41,390,018**	33,255,253

Consolidated statement of changes in equity

for the year ended 30 September 2018

	Note	Share capital £	Share premium £	Merger reserve £	EBT reserve £	Currency translation reserve	Retained earnings £	Total £
At 30 September 2016		625,000	28,592,036	2,750,001	-1,067,405	0	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	27	—	—	—	—	—	171,951	171,951
Dividends paid	12	—	—	—	—	—	-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
Profit		—	—	—	—	—	646,504	646,504
FX Translation movement		—	—	—	—	63,323	—	63,323
Total comprehensive income for the year		—	—	—	—	63,323	646,504	709,827
Share based payment charge	27	—	—	—	—	—	276,565	276,565
Dividends paid	12	—	—	—	—	—	-320,006	-320,006
Issue of shares		454,545	48,339,147	—	—	—	—	48,793,692
At 30 September 2018		**1,459,545**	**113,114,938**	**2,750,001**	**-1,067,405**	**-15,635**	**3,400,072**	**119,641,516**

Additional Notes

1. General Information

easyHotel PLC is incorporated in England and Wales under the Companies Act. The address of the registered office is 52 Grosvenor Gardens, London SW1W 0AU.

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 2017 and are consistent with those that the company has applied in its financial statements for the year ended 30 September 2018.

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 2018 or 30 September 2017 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 2017 have been delivered to the Registrar of Companies and those for 2018, prepared under IFRS, will be delivered in due course.

3. Revenue

	2018	2017
	£	£
Revenue arises from:		
Owned hotel revenue	**9,075,454**	6,489,245
Franchised hotel revenue	**1,810,918**	1,812,159
Other income	**367,500**	114,853
	11,253,872	8,416,257

4. Operating Profit and Adjusted EBITDA

	2018	2017
	£	£
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	**-42,500**	-34,500
Fees for audit related assurance services	**-20,000**	-20,000
Total auditors' remuneration	**-77,500**	-69,500

	2018	2017
	£	£
Other Adjusting items from reportable segments include:		
Other adjusting items include:		
Net franchise termination proceeds	**-**	133,060
Recruitment fees	**-124,540**	-51,000
Legal and other costs	**-124,213**	-167,414
Abortive fees	**-54**	-63,627
Systems restructuring	**-**	-9,868
(Loss) / profit on disposal of property, plant and equipment*	**-**	-239,615
	-248,807	-398,464
Total Adjusting items	**-248,807**	-398,464

* Loss on disposal of property, plant and equipment relates to the part-closure of operations at the Old Street hotel following an adverse planning result.

	2018	2017
	£	£
Hotel pre-opening and development:		
Pre-opening operational costs	**-246,971**	-217,934
Total hotel pre-opening and development costs	**-246,971**	-217,934

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 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

	Owned properties £	Franchising £	Total £
30 September 2018			
Revenue			
Total revenue from external customers	**9,442,954**	**1,810,918**	**11,253,872**
Adjusted EBITDA	**3,915,040**	**1,097,977**	**5,013,017**
Profit before taxation	**2,969,996**	**1,055,215**	**4,025,211**
Segment assets	**138,975,913**	**2,272,609**	**141,248,521**
Segment liabilities	**-21,455,702**	**-1,708,099**	**-23,163,801**
Other			
Additions to non-current assets	**22,244,516**	—	**22,244,516**
Disposals of non-current assets	—	—	—
Finance income	**358,074**	—	**358,074**
Finance cost	**-141,010**	—	**-141,010**
Depreciation and amortisation	**-1,502,313**	—	**-1,502,313**
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	22,852,910	—	22,852,910
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

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

	2018	2017
	£	£
Adjusted EBITDA of reportable segments	**5,013,017**	4,282,377
Adjusted EBITDA of corporate office	**-2,050,100**	-1,982,094
Total adjusted EBITDA	**2,962,917**	2,300,283
Profit before income tax		
Total profit of reportable segments	**4,025,211**	3,675,277
Corporate office expenses and interest	**-2,380,705**	-2,026,609
Other adjusting items (see note 5)	**-248,807**	-158,849
Hotel pre-opening and development costs	**-246,971**	-217,934
Share based payments	**-276,565**	-171,951
Disposals of non-current assets	**—**	-239,615
Profit before tax per statement of comprehensive income	**872,162**	860,319
Assets		
Total assets for reportable segments	**141,246,929**	87,822,063
Cash in Employee Benefit Trust	**1,593**	1,643
Corporate office assets	**2,217,632**	948,047
Total assets per statement of financial position	**143,466,154**	88,771,753
Liabilities		
Total liabilities for reportable segments	**-23,163,801**	-17,383,711
Corporation tax	**-131,561**	-31,003
Corporate office liabilities	**-110,929**	-824,113
Deferred tax liabilities	**-418,349**	-351,488
Total liabilities per statement of financial position	**-23,824,640**	-18,590,315

Geographical information

	2018	2017
	£	£
Revenue by location		
United Kingdom	**9,575,363**	7,209,316
Europe	**1,619,136**	1,073,830
Rest of the world	**59,372**	133,111
	11,253,872	8,416,257
Total non-current assets by location		
United Kingdom	**82,618,030**	44,828,465
Spain	**15,435,546**	7,964,214
Total	**98,053,577**	52,792,679

6. Finance Income

	2018	2017
	£	£
Finance income		
Interest income on financial assets measured at amortised cost	**358,074**	206,999
Foreign exchange gain/ (loss)	**- 53,181**	63,993
Total finance income recognised in profit or loss	**304,893**	270,992

7. Finance Expense

	2018	2017
	£	£
Finance expense		
Interest expense on financial liabilities measured at amortised cost	**509,891**	356,165
Amount capitalised *	**-393,083**	-264,972
Total finance expense recognised in profit or loss	**116,808**	91,193

8. Earnings per share

	2018 Number	2017 Number
Weighted average number of ordinary shares in issue, excluding those held by the Employee Benefit Trust, used as the denominator in calculating basic earnings per share	**126,896,794**	97,709,247
Options granted under the Employee Share Save Plan	**142,913**	120,747
Weighted average number of ordinary share and potential ordinary shares used as the denominator in calculating diluted earnings per share	**127,039,707**	97,829,994

Options granted to executives under the company's Performance Share Plan are not included in the calculation of diluted earnings per share as they don’t have a material impact on the diluted earnings per share.

Earnings consists of profit for the period attributable to the shareholders amounting to £646,504 (2017: £642,861).

9. Dividends

Interim cash dividend of 0.07p per ordinary share (£101,380) was paid by the Group during the period under review (2017: £109,312).

Final cash dividend of 0.15p per ordinary share (£218,626) is proposed by the Group during the period under review (2017: £228,000).

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

80 Old Street will shut from December 2018 and to reopen as an 89-bedroom hotel and 15,500 sq ft of office accommodation in the second half of 2019. A central freehold site in Bristol has been acquired to potentially develop a 145-bedroom freehold easyHotel. Planning permission has been granted for the development of a new purpose-built 180-room hotel in Oxford, on a 25-year lease. easyHotel has announced the development of a new 154-bedroom franchised hotel will be developed at Amsterdam Schiphol Airport, the main international airport in the Netherlands.

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.