easyHotel.com

24 January 2020

easyHotel plc

(“easyHotel”, “the Group” or “the Company”)

FINAL RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

easyHotel, the owner, developer and operator of super budget branded hotels, today announces its final results for the financial year ended 30 September 2019.

Financial highlights

Year ended 30 September (£m)	2019	2018
Total system sales	47.6	37.3
Revenue	17.6	11.3
Adjusted EBITDA	4.20	2.96
Profit/(loss) before tax	(3.57)	0.87
Basic earnings / (loss) per share (pence)	(2.7)	0.5
Total dividend per share (pence)	0.08	0.22

- Adjusted EBITDA growth of 42.1% reflects the strength of our super budget proposition and continuing market outperformance in a challenging market environment.
- Adjusted EBITDAR margin decreased by 1.9%pts to 27.7% (2018: 29.6%) mainly reflecting increased use of OTA to drive revenue and brand growth and also investment in central resources to support our future growth ambitions.
- Loss before tax of £3.57m (2018: profit of £0.87m) includes a £3.0m non-cash impairment to our Ipswich hotel, and £1.4m costs associated with the change in ownership structure in the latter part of the year.
- Cash generated from operations increased to £3.25m (2018: £2.86m).
- Gross bank debt of £17.6m (2018: £16.5m) and cash and cash equivalents of £11.7m (2018: £41.4m).
- Asset backed balance sheet with net assets of £115.3m (2018: £119.6m).
- The board has not recommended payment of a final dividend in order to focus investment on growing the Group’s estate.

Business highlights

- Like-for-like owned hotels RevPAR[1] was up 4.6% delivering market outperformance for the fourth consecutive year.
- Like-for-like franchised hotels RevPAR was down 1.7%, but with an improved performance during the second half of the year (H1 decline of 3.5%).

[1] RevPAR refers to Revenue Per Available Room

- Six new owned and franchised hotels opened during the year[2], totalling 607 rooms, which are trading broadly in line with management's expectations.
- Our first owned hotel development site secured in Paris with a second site, easyHotel Nice, acquired and opened post financial year-end.
- 2,006 rooms are currently in the development pipeline, including an owned hotel investment pipeline of some £40m.
- Significant investment in the digital and operating platforms to support brand and business growth.
- Recommended cash offer by Citrus UK Bidco Limited who now hold 69% of the Company's issued share capital.
- It is intended to market the office space at Old Street for sale (inviting offers in excess of £15m) to realise best value for shareholders from this non-strategic asset.
- With the support of its major new and existing shareholders, the board believes the Company will be able to achieve its strategic vision for the business more quickly and effectively.
- Longer term funding of debt and equity to be used to meet accelerated European development plans.

Commenting, Scott Christie, Interim Chief Executive Officer at easyHotel, said:

"easyHotel has demonstrated the strength and resilience of its super-budget model, continuing to outperform a challenging market on a like-for-like basis over the course of the year. The Group has made good progress against its strategy for growth, with six new owned and franchised hotel openings and the successful reopening of our flagship hotel in Old Street, London, following refurbishment.

"Looking to the year ahead, whilst the uncertain political and economic landscape will continue to impact consumer sentiment, we remain confident that the easyHotel brand will continue to outperform the sector as consumers seek out the best value for money.

"We are excited by the development pipeline and the potential for the brand in Europe. With strong supportive shareholders behind us, the significant investments we have made in the business will ensure we have the resources to continue to expand and enhance the business and deliver the board's ambitious strategy for targeted growth."

Enquiries:

easyHotel plc	
Scott Christie, Interim Chief Executive Officer	www.easyhotel.com
Harm Meijer, Non-executive Chairman	http://ir.easyhotel.com
Investec (Nominated Adviser and Broker)	+44 (0) 20 7597 5970
David Anderson	
Houston (Financial PR)	+44 (0) 20 3701 7660
Kate Hoare / Laura Stewart	

Notes to Editors:

www.easyhotel.com http://ir.easyhotel.com

[2] Six new hotel openings were: Lisbon (Oct'18), Bernkastel-Kues (Jan'19), Ipswich (Jan'19), Milton Keynes (Jun'19), Amsterdam Schiphol (Jul'19) and Zurich (Sept'19)

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 has an estate of 40 hotels with 3,759 rooms, comprising 27 franchised hotels (2,332 rooms) and 13 owned hotels (1,427 rooms).

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

Spain: Barcelona

France: Nice

Franchise locations:

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

Europe: Belgium (Brussels), Bulgaria (Sofia), Germany (Berlin, Frankfurt, Bernkastel-Kues), Hungary (Budapest), The Netherlands (Amsterdam: City, Arena & Zaandam, Amsterdam Schiphol Airport, 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: Cardiff, Oxford*, Blackpool, Cambridge* and Bristol#.

Europe: Ireland (Dublin), France (Paris-Charles de Gaulle Airport*).

Franchise hotels:

Europe: Spain (Malaga), Switzerland (Zurich, Basel).

*Hotels under an operating lease.

#Subject to planning permission.

Chief Executive Officer's review

Given the political and economic uncertainty faced by the UK during the year under review and its impact on consumer confidence, I am pleased that the Group's owned hotels have continued to outperform the market on a like-for-like basis, reflecting the strength and positioning of our super budget model. In particular, since its re-opening in June 2019, the refurbished 89-room easyHotel Old Street has performed strongly, demonstrating that a stylish, new-format easyHotel in an attractive key city location can provide a compelling offering for our customers.

easyHotel has continued to make good progress in its strategy for growth. Six new owned and franchised hotels were opened during the year. These included owned hotels in Ipswich and Milton Keynes and franchised hotels in Lisbon, Bernkastel-Kues, Zurich and Amsterdam Schiphol Airport.

We continue to be encouraged by the success of our owned hotel in Barcelona, which opened in September 2018 and which reinforces our focus on expansion of the owned hotel estate in mainland Europe.

STRATEGY AND BUSINESS MODEL

The growing strength of the brand's simple super budget offering is well aligned to the needs of today's discerning and value conscious traveller and the year has seen the Group make further progress as we continue to build momentum against our growth plans.

Our owned hotels outperformed the market for the fourth successive year, delivering like-for-like RevPAR up 4.6%. The Group's franchised hotels have performed less strongly, reflecting the weaker UK regional hotel market and a mixed European performance on a country-by-country basis. However, we did see some performance improvement during the second half of the financial year resulting in franchised RevPAR down 1.7% overall.

In support of the expansion of our owned and franchised portfolio of hotels, we have continued to drive improvements in our revenue management strategy to maximise sales. The year saw the start of the roll out of a new PMS system (Opera by ORACLE) with planned enhancements to build our direct revenue share. This is enabling us to improve our customer booking experience and will be supported by the investments we are making in our CRM platform and digital marketing initiatives to drive improved returns from more targeted promotional activity.

The long-term structural growth drivers in the international branded budget hotel sector remain strong and during the year we have made further expansion plans. In the UK, where the Group already has a significant established owned hotel presence and a strong pipeline to deliver further hotels, the Group intends to selectively focus future owned hotel development on primary cities only. Wider regional UK expansion plans remain important to the business but will be focussed on franchised development.

We will significantly increase our focus on Europe, where we believe the opportunity to develop our portfolio in key cities is significant. The Group's new European development team has been working hard to pursue a number of owned and franchised development opportunities in key primary tourist destinations with an initial focus on France and Spain. The success of our flagship hotel in Barcelona provides us with confidence in a strategy of expanding the easyHotel owned hotel network through investment in centrally located, high quality hotels in major European cities. The Group's balance sheet strength and cash generation underpins the funding for future owned hotel growth in these markets. Expansion across mainland Europe beyond these key locations will be achieved through an increased focus on franchised development, enabling the Group to broaden its presence without the need for direct capital investment, and our ongoing investment in the brand and our network is continuing to support the development of new franchisee partnerships.

During the year, the Company's shares were subject to a recommended cash offer by Citrus UK Bidco Limited, a company owned by a consortium comprising Cadim Fonds Inc (part of Ivanhoé Cambridge) and long-term major shareholder, ICAMAP Investments S.à.r.l. As a result of this offer, Citrus UK Bidco Limited and its concert parties now hold 68.77% of the Company's issued share capital. The board believes that, with the support of its major new and existing shareholders, the Company will be able to achieve its strategic vision for the business more quickly and effectively and deliver an exciting future for easyHotel, its employees, franchisees and guests.

TRADING REVIEW

The Group has continued to outperform its hotel markets in the UK during the period, despite a weakening trading environment, with owned like-for-like RevPAR up 4.6%.

The UK mid-scale and economy segment of the hotel market continued to be impacted by political and economic uncertainty, with RevPAR down 0.7% for the period according to STR Global. Although the London market has continued to perform strongly, with RevPAR growing by 4.5%, the regional UK market's RevPAR has remained weak, down some 2.8%, with a number of regions experiencing double digit RevPAR declines during the calendar year.

Whilst European markets continued to outperform the UK on the whole, our like-for-like franchise performance was mixed on a country-by-country basis with RevPAR down 1.7% in the period. An improving trend in like-for-like franchised RevPAR was, however, achieved during the second half of the financial year.

Against this backdrop, the Group delivered a 27.5% growth in total system sales to £47.6m (2018: £37.3m) with company revenues up 56.0% to £17.6m (2018: £11.3m).

This performance drove a 42.1% increase in adjusted EBITDA to £4.20m (2018: £2.96m). Losses before tax of £3.57m included a £3.0m non-cash impairment to the value of our Ipswich hotel which opened in January 2019 and costs of £1.4m incurred in relation to the offer made during the period for the Company's shares.

Hotel Openings

During the period the Group expanded its portfolio of super budget hotels across the UK and Europe.

In the UK, openings included new owned hotels in Ipswich (89 rooms) and Milton Keynes (124 rooms) and the reopening of the newly refurbished easyHotel Old Street (89 rooms). The self-contained 15,500 sq.ft. offices refurbished at Old Street were successfully leased to flexible office provider, Knotel. The Group intends to market the office space at Old Street for sale (inviting offers in excess of £15m) at this time whilst market conditions are favourable, to realise best value for shareholders from this asset which is not part of our core business.

Four further franchised hotels were also opened in Lisbon (101 rooms), Bernkastel-Kues (100 rooms), Zurich (39 rooms) and Amsterdam Schiphol Airport (154 rooms).

These new hotel openings added a further 607 rooms to the network, bringing the Group's total portfolio at the period end to 1,340 owned hotel rooms and 2,332 franchised hotel rooms.

Since the year-end the Group has also completed the acquisition of the 87-room Palais des Congrés in Nice, with the hotel opening for trading immediately on completion, bringing the total number of owned hotel rooms to 1,427.

DEVELOPMENT REVIEW

We believe that the opportunity to successfully develop our owned hotel portfolio in key gateway European cities is significant and by increasing both our resource and exposure to mainland Europe, we plan to focus our UK owned hotel pipeline on selected cities, whilst accelerating our presence in key continental European locations. Franchised hotels will be used to build the estate elsewhere in the UK and Europe.

The board believes there is potential for approximately 12,000 easyHotel additional owned hotel rooms and 15,000 franchised easyHotel rooms across the UK and continental Europe.

Owned Hotel Pipeline

The Group continued to expand its pipeline of owned hotels during the period. In the UK, this included a 145-bedroom easyHotel Bristol development (subject to planning permission). In Europe, the Group has secured its first two hotels in France. These are the proposed 209-room easyHotel at Paris-Charles de Gaulle Airport (for which planning permission has now been granted) and, post year-end, the 87-room Palais des Congrés in Nice which was acquired as a trading asset.

A 116 room hotel in Cardiff is also expected to open during the current financial year ending 30 September 2020 and a further 749 rooms are expected to open in the following financial year.

The Group currently has an owned hotel investment pipeline of some £40m comprising a total of 1,010 owned hotel rooms.

Franchised Hotel Development Pipeline

In addition to the four recently opened franchised hotels mentioned above, during the period the Group also signed new franchise agreements to develop further hotels in Derby (110 rooms) and Tel Aviv, Israel (667 rooms).

New franchised hotels are due to open in spring 2020 in Malaga (145 rooms) and in summer 2020 in Zurich (34 rooms), with further franchised hotels in Zurich, Derby and Tel Aviv scheduled for opening during the 2021 and 2022 financial years. The total number of franchised hotel rooms in the Group's development pipeline is 996.

CAPABILITY, ORGANISATION AND CULTURE

It is essential that we continue to build the capability of the business to enable it to grow at speed and to optimise the financial and operational performance of our trading assets.

Our colleagues, franchise partners, hotel guests and investors are all instrumental in achieving success in our business. easyHotel has a strong culture, with everything we do underpinned by our four simple values: We Care For You; We Make Things Simple; We're Always The Best Value For Money; and We Do What We Say. We believe in supporting our franchisees for the benefit of their business and ours, providing our teams with opportunities to build a great career, delighting our customers with a truly super budget stay and giving our shareholders a great return on their investment.

During the year, the senior management team was significantly reorganised and strengthened.

At the year end the Group employed 141 colleagues (2018: 90).

Previous Chief Financial Officer, Marc Vieilledent, who remains a key member of the easyHotel executive team, is now leading our strategically important developments in mainland Europe. He was succeeded as Chief Financial Officer in October 2018 by Gary Burton.

In addition, we have recruited experienced new senior managers to lead our revenue management and marketing teams. They bring with them significant experience and the business is already benefitting from their contributions.

TECHNOLOGY AND DIGITAL MARKETING

Our hotels benefit from our day-to-day hotel management expertise, whilst having access to some of the world's most powerful marketing, distribution and revenue management systems. During the period we invested significantly in enhancing these systems and recruited people to work in the business who can optimise the significant benefits which such systems can bring.

The roll out of our new management and booking engine, Opera (an ORACLE system), was started during the year and will be completed during the first half of the current financial year. This will enable us, in due course, to introduce features within our hotels such as automated check-in kiosks and to make further enhancements to our website and app beyond the upgrades already made during the year, including our new membership programme clubBedzzz. We are working hard to drive revenues and brand awareness through targeted marketing initiatives and improvements in every stage of our customers' experience – online and at our hotels. 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.

BOARD CHANGES

As well as the change of Chief Financial Officer early in the period as mentioned above, there have been a number of other more-recent changes to the board.

On 1 October 2019, our past independent Non-Executive Chairman, Jonathan Lane OBE, stepped down from the board. Jonathan had served on the board since the Company's IPO in 2014 and we thank him for his valuable contribution to the business. Harm Meijer was subsequently appointed Non-Executive Chairman of the board.

On 21 November 2019, it was confirmed that Chief Executive, Guy Parsons, had taken the decision to step down from the company. Guy's successor, François Bacchetta, will join the business in Spring 2020. In the meantime, and to ensure a smooth transition, I will continue in the role of Interim Chief Executive Officer. François, as easyJet's Country Director for France and Italy, has significant experience of operating in the European travel market and, importantly, has an excellent understanding of the 'easy' brand. He also brings experience of managing online trading including digital marketing and delivering growth strategies within the European market.

On the 21 November 2019, the board also announced the appointments to the board with immediate effect of Michael Neuman, as representative of corporate Director, Cadim Fonds Inc (part of the Ivanhoé Cambridge group), and Non-executive Director, Charles Persello.

Michael, a qualified Member of the Royal Institute of Charted Surveyors, joined Ivanhoé Cambridge in 2014 as a Director of investments, Europe and currently serves as vice president, investments, Europe. Prior to his current role, Michael had worked as a senior investment and asset manager for Unibail Rodamco. Charles, a Director at ICAMAP Advisory, has over eight years' commercial real estate experience previously working at Unibail-Rodamco, both in retail development in France and subsequently in asset management in Germany. Their wealth of European property and financial experience will be invaluable to the Company as easyHotel continues its journey to fulfil its potential as a leading European budget hotel company.

OUTLOOK

The UK hotel market has been challenging over the course of the year under review, with business confidence weak and consumer confidence impacted by political and economic uncertainties. Despite this backdrop, easyHotel's business has continued to grow and to outperform the overall market. The refurbished Old Street hotel and the new hotels we have opened are trading positively and provide confidence that our new format rooms are attractive to our guests and that, as a team, we have the skills and resources in place to select hotel developments that will produce good long-term returns for our shareholders.

Looking to the year ahead, the political and economic landscape will continue to impact consumer confidence. However, the board remains confident that the easyHotel brand will continue to outperform the sector as consumers seek out best value for money and we extend our reach beyond the UK into mainland Europe more proactively.

We are excited about the development pipeline and the potential for the brand in Europe. The Group made significant investments during the last financial year in order to ensure the organisation has the resources it needs to continue to expand and enhance the business and deliver the board's ambitious strategy for targeted growth. We are confident about the size of the opportunity available to the brand and the readiness of the business to leverage recent investments in infrastructure and in-house expertise to deliver against the board's vision. Moreover, we have strong shareholders able to support our growth strategy as we look to accelerate our European development to be funded in the longer term through debt and equity.

I want to take this opportunity to thank all of my colleagues and our many franchisees and other partners for making this business the success it is. I am confident that, together, we can continue to deliver on the clear and focussed strategic objectives we have set for ourselves.

Scott Christie
Interim Chief Executive Officer

Chief Financial Officer's review

easyHotel continues to deliver good financial performance with like-for-like owned hotel RevPAR of +4.6%, outperforming the overall UK market[3] that was down 0.7%.

Total system sales were up 27.5% to £47.6m, total revenue up 56.0% to £17.6m and total like-for-like owned hotel revenue up 1.7% to £7.0m.

Adjusted EBITDA was up 42.1% to £4.20m (2018: £2.96m). Cash generated from operations was up 13.7% to £3.3m (2018: £2.9m) and basic loss per share was 2.7p (2018: profit per share of 0.5p), impacted by a £3.0m non-cash impairment of our Ipswich hotel and £1.4m of exceptional costs in respect of the offer made in the latter part of the year by Citrus UK Bidco Limited for the Company's shares. If these costs are excluded, basic earnings per share would have been 0.4p (unaudited).

Trading

Total system sales were up 27.5% to £47.6m (2018: £37.3m) following the opening of six hotels (607 rooms: 394 franchised hotel rooms and 213 owned hotel rooms).

Total revenue was up 56.0% to £17.6m (2018: £11.3m). Total owned revenue was up 64.2% to £15.5m (2018: £9.4m) and total franchise revenue up 8.6% to £1.96m (2018: £1.8m).

Owned hotel like-for-like RevPAR was up 4.6% driven by higher Average Daily Rates (ADRs) from hotels maturing and an increased focus on optimising RevPAR.

Total owned hotel revenue growth was supported by 12 months of trading in Barcelona, Sheffield and Leeds, continued market outperformance of like-for-like owned hotels and new hotel openings in Ipswich and Milton Keynes. Offsetting this, revenue was negatively impacted by the temporary closure of Old Street, which underwent a major refurbishment from December 2018 until June 2019[4].

Franchise like-for-like RevPAR was down 1.7% with an improved performance during the second half of the period and reducing a first half performance that was down 3.5%.

Total average occupancy across all hotels was 77.7% (2018: 82.4%) with an ADR of £50.20 (2018: £50.49). ADR improved generally in owned hotels but was lower overall as a result of a dilution impact caused by the temporary closure of Old Street and addition of new hotels in regional towns (Ipswich and Milton Keynes), although benefitting from a full 12 months trading of Barcelona that performed very strongly throughout the period.

Adjusted EBITDA

Adjusted EBITDA (before exceptional items and share based payments) increased by 42.1% to £4.20m (2018: £2.96m) with adjusted EBITDAR[5] margin of 27.7% that decreased by 1.9%pts (2018: 29.6%).

An increase in the use of online-travel-agents (OTAs) in the period supported the continued delivery of like-for-like revenue outperformance in challenging market conditions but impacted EBITDAR margin percentages.

Central costs reduced as a proportion of revenue but increased by £1.0m in absolute terms. This was driven by an investment in management (that included establishing a European development team), rent from the relocated head office (previously within the Old Street hotel property) and higher professional fees supporting the growing estate and expansion into Europe.

Profit before tax

A loss before tax of £3.57m (2018: profit of £0.87m) was driven by a £3.0m non-cash impairment of our Ipswich hotel, as a result of significant cost overruns. Other adjusting items of £1.75m included

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[3] Market source: Midscale & Economy (MSE) segment from the UK Performance Monitor report, produced by STR Global

[4] Old Street reopened with a 15,500 sq ft self-contained office and an 89 room hotel

[5] Adjusted EBITDAR margin is adjusted EBITDA as previously disclosed excluding rent expense

£1.43m of expenses resulting from the change in capital arising from the offer made for the Company's shares.

Depreciation and amortisation (excluding the £3.0m impairment) increased 88.5% to £2.8m (2018: £1.5m), in line with the increase in the number of owned hotels (also including a full year of depreciation charge for Old Street, that was temporarily closed for 6 months).

Total pre-opening costs were slightly lower, as compared with the prior year, with more hotel openings in the year benefiting from a lower average cost of opening.

Share based payments reported a net credit in the year of £0.11m (2018: charge of £0.28m). The change of control as a result of the offer triggered vesting and exercise of share options and employees share plans.

Taxation

The effective tax rate for the period, excluding the £1.4m of exceptional expenses associated with the offer and the £3.0m impairment of our Ipswich hotel, was 19% (2018: 26%), benefitting from the finalisation of capital allowance claims in respect of earlier periods.

Earnings per share and dividend

The loss for the year was £3.78m (2018: profit of £0.65m), with basic loss per share of 2.7p (2018: profit 0.5p). The board has not recommended payment of a final dividend in order to focus investment of the Group's available resources on growing the hotel estate. An interim dividend of 0.08p (2018: 0.07p) was paid on 28 June 2019.

Cash flow and Balance Sheet

Net cash flows from operating activities was £3.1m (2018: £2.8m). Total cash and cash equivalents on 30 September 2019 were £11.7m (2018: £41.4m).

Net cash used in investment activities was £33.2m (2018: £47.4m). Net cash generated from financing activities was £0.5m (2018: £52.7m including cash generated by the placing of new ordinary shares in March 2018).

The Group ended the financial year with net assets of £115.3m (2018: £119.6m), of which £11.7m comprised cash and cash equivalents (2018: £41.4m). At year end, total bank borrowings were £17.6m (2018: £16.5m) and 369,724 ordinary shares in the Company were held by the Employee Benefit Trust (2018: 1,125,000).

Gary Burton

Chief Financial Officer

Consolidated statement of comprehensive income

for the year ended 30 September 2019

	Note	2019 £	2018 £
System sales[1]		**47,649,199**	**37,313,925**
Revenue	3	17,555,596	11,253,872
Cost of sales		(9,117,015)	(5,231,963)
Gross profit		**8,438,581**	**6,021,909**
Administrative expenses		(11,885,171)	(5,337,832)
Operating profit		**(3,416,590)**	**684,077**
Analysed as:			
Adjusted EBITDA[2]		4,204,157	2,958,733
Depreciation, impairment and amortisation		(5,794,421)	(1,502,313)
Hotel pre-opening and development costs	4	(182,355)	(246,971)
Share based payments		108,599	(276,565)
Other adjusting items	4	(1,752,570)	(248,807)
		(3,416,590)	**684,077**
Finance income	6	261,712	304,893
Finance expense	7	(419,227)	(116,808)
(Loss) / profit before taxation		**(3,574,105)**	**872,162**
Taxation		(206,075)	(225,658)
(Loss) / profit for the year		**(3,780,180)**	**646,504**
Exchange (loss) / gain arising on retranslation of foreign operations		(130,037)	63,323
Total comprehensive income attributable to equity holders of the Company		**(3,910,217)**	**709,827**
Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic (pence)	8	(2.7)	0.5
Diluted (pence)	8	**(2.7)**	**0.5**

1 System sales is the full amount that the customer pays for the use of all the hotels under the easyHotel brand (owned of £15,499,319 (2018: £9,075,454) and franchised of £32,077,090 (2018: £28,100,955) of which £1,983,487 was within statutory revenue (2018: £2,040,902)), together with initial sign on fees of £72,790 (2018: £137,516) paid by new franchisees.

2 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. 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 2019

Company number 09035738

	2019	2019	2018	2018
	£	£	£	£
Assets				
Non-current assets				
Property, plant and equipment	102,446,177		96,259,366	
Investment properties	12,553,442		-	
Intangible assets	1,109,928		1,151,131	
Long-term deposits	637,610		643,080	
Total non-current assets		**116,747,157**		**98,053,577**
Current assets				
Trade and other receivables	12,231,341		4,022,560	
Cash and cash equivalents	11,714,706		41,390,018	
Total current assets		**23,946,047**		**45,412,578**
Total assets		**140,693,204**		**143,466,155**
Liabilities				
Non-current liabilities				
Trade and other payables	743,913		756,826	
Bank borrowings	16,733,958		15,749,566	
Deferred tax liability	442,696		418,349	
Total non-current liabilities		**17,920,567**		**16,924,741**
Current liabilities				
Trade and other payables	6,484,761		6,057,925	
Bank borrowings	838,808		710,413	
Corporate taxation	130,186		131,560	
Total current liabilities		**7,453,755**		**6,899,898**
Total liabilities		**25,374,322**		**23,824,639**
Total net assets		**115,318,882**		**119,641,516**
Equity				
Equity attributable to owners of the Company				
Share capital	1,459,545		1,459,545	
Share premium	113,114,938		113,114,938	
Merger reserve	2,750,001		2,750,001	
Employee Benefit Trust (EBT) reserve	(1,038,115)		(1,067,405)	
Currency translation reserve	(145,672)		(15,635)	
Retained earnings	(821,815)		3,400,072	
Total equity		**115,318,882**		**119,641,516**

Consolidated statement of cash flows

for the year ended 30 September 2019

	2019 **£**	2018 £
Cash flows from operating activities		
Profit before taxation for the year	(3,574,105)	872,162
Adjustments for:		
Depreciation, impairment and amortisation	5,794,421	1,502,313
Share based payment (credit) / charge	(108,599)	276,565
Finance income	(261,712)	(304,893)
Finance expense	419,227	116,808
Operating cash flows before movements in working capital	2,269,232	2,462,955
(Increase) / decrease in trade and other receivables	(745,798)	183,560
Increase in trade and other payables	1,730,068	214,702
Cash generated from operations	3,253,502	2,861,217
Corporation tax paid	(173,662)	(71,123)
Net cash flows from operating activities	3,079,840	2,790,094
Investing activities		
Purchase of property, plant and equipment	(25,018,172)	(46,379,646)
Purchase of intangible assets	(395,438)	-
Increase in trade and other receivables	(8,201,809)	-
VAT on investing activities	381,660	(1,017,152)
Net cash used in investing activities	(33,233,759)	(47,396,798)
Financing activities		
Proceeds from issue of ordinary share capital	-	50,000,000
Exercise of share options	29,290	-
Capitalised costs related to issue of ordinary share capital	-	(1,206,308)
Interest received	279,466	346,627
Interest paid	(639,567)	(488,050)
Dividends paid	(333,108)	(320,006)
Proceeds in bank loan	1,846,040	4,769,921
Repayment of bank loan	(710,413)	(360,000)
Net cash generated from / (utilised by) financing activities	471,708	52,742,184
Net (decrease) / increase in cash and cash equivalents	(29,682,211)	8,135,480
Cash and cash equivalents at the beginning of the year	41,390,018	33,255,253
Exchange gains / (losses) on cash and cash equivalents	6,899	(715)
Cash and cash equivalents at the end of the year	11,714,706	41,390,018

Consolidated statement of changes in equity

for the year ended 30 September 2019

	Note	Share capital £	Share premium £	Merger reserve £	EBT reserve £	Currency translation reserve	Retained earnings £	Total £
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 for the year		-	-	-	-	-	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		-	-	-	-	-	276,565	276,565
Dividends paid	9	-	-	-	-	-	(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
Profit for the year		-	-	-	-	-	(3,780,180)	(3,780,180)
FX translation movement		-	-	-	-	(130,037)	-	(130,037)
Total comprehensive income for the year		-	-	-	-	(130,037)	(3,780,180)	(3,910,217)
Share based payment charge		-	-	-	-	-	(108,599)	(108,599)
Exercise of share options		-	-	-	29,290	-	-	29,290
Dividends paid	9	-	-	-	-	-	(333,108)	(333,108)
At 30 September 2019		**1,459,545**	**113,114,938**	**2,750,001**	**(1,038,115)**	**(145,672)**	**(821,815)**	**115,318,882**

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 consistent with those that the company has applied in its financial statements for the year ended 30 September 2019, and are unchanged from those used in the company's financial statements for the year ended 30 September 2018 with the exception of the adoption of IFRS15 Revenue and IFRS9 Financial Instruments, which have had no material impact on the figures presented.

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 2019 or 30 September 2018 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 2018 have been delivered to the Registrar of Companies and those for 2019, prepared under IFRS, will be delivered in due course.

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3. Revenue

	2019	**2018**
	£	**£**
Revenue arises from:		
Owned hotel revenue	15,399,656	9,075,454
Franchised hotel revenue	1,965,213	1,810,918
Rental income	99,663	-
Other income	91,064	367,500
	17,555,596	**11,253,872**

4. Operating profit and adjusted EBITDA[1]

	2019 £	2018 £
The following have been included in arriving at operating profit before tax:		
Depreciation and impairment of PPE	5,300,738	1,233,611
Amortisation and impairment of intangible assets	493,684	268,702
Payments under operating leases	665,003	359,766

	2019 £	2018 £
Other Adjusting items from reportable segments include:		
Other adjusting items include:		
Recruitment fees	(199,908)	(124,540)
Legal and other costs	(62,375)	(124,213)
Abortive fees	(56,698)	(54)
Citrus UK Bidco bidding offer costs	(1,433,589)	-
Total Adjusting items	**(1,752,570)**	**(248,807)**
Hotel pre-opening and development: [2]		
Pre-opening operational costs	(182,355)	(246,971)
Total hotel pre-opening and development costs	**(182,355)**	**(246,971)**

1 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.

2 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.

5. *Segment information*

	Central office	Owned properties	Franchising	Investment	Total
	£	£	£	£	£
30 September 2019					
Profit & Loss					
Total revenue from external customers	-	15,490,720	1,965,213	99,663	17,555,596
Adjusted EBITDA	(4,073,008)	6,699,237	1,478,664	99,264	4,204,157
(Loss) / profit before taxation	(6,142,393)	1,071,382	1,397,685	99,221	(3,574,105)
Finance income	261,712	-	-	-	261,712
Finance cost	(419,227)	-	-	-	(419,227)
Depreciation and amortisation	(489,024)	(5,254,646)	(50,708)	(43)	(5,794,421)
Balance Sheet					
Segment assets	5,446,379	117,539,515	4,471,814	13,235,497	140,693,204
Segment liabilities	11,175,610	14,052,980	145,731	-	25,374,322
30 September 2018					
Profit & Loss					
Total revenue from external customers		9,442,954	1,810,918	-	11,253,872
Adjusted EBITDA	(3,063,176)	4,622,604	1,399,305	-	2,958,733
(Loss) / profit before taxation	(3,400,461)	2,873,319	1,399,305	-	872,162
Finance income	304,893	-	-	-	304,893
Finance cost	(116,808)	-	-	-	(116,808)
Depreciation and amortisation	-	(1,502,313)	-	-	(1,502,313)
Balance Sheet					
Segment assets	2,217,633	138,975,913	2,272,609	-	143,466,155
Segment liabilities	660,838	21,455,702	1,708,099	-	23,824,639

Geographical information

	2019	2018
	£	£
Revenue by location		
United Kingdom	12,657,931	9,575,363
Europe	4,856,381	1,619,136
Rest of the world	41,284	59,372
	17,555,596	11,253,871
Total non-current assets by location		
United Kingdom	91,002,733	82,618,030
Europe	25,744,424	15,435,546
Total	**116,747,157**	**98,053,576**

6. *Finance income*

	2019	2018
	£	£
Finance income		
Interest income on financial assets measured at amortised cost	215,442	358,074
Foreign exchange gain/ (loss)	46,270	(53,181)
Total finance income recognised in profit or loss	**261,712**	**304,893**

7. *Finance expense*

	2019	2018
	£	£
Finance expense		
Interest expense on financial liabilities measured at amortised cost	773,940	509,891
Amount capitalised [1]	(354,713)	(393,083)
Total finance expense recognised in profit or loss	**419,227**	**116,808**

1 Interest expense attributable to construction works has been capitalised to property, plant and equipment. The interest rate that applies to this capitalised interest is 3.25%

8. *Earnings per share*

	2019 Number	2018 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	144,829,546	126,896,794
Options granted under the Employee Share Save Plan	335,766	142,913
Weighted average number of ordinary share and potential ordinary shares used as the denominator in calculating diluted earnings per share	**145,165,312**	127,039,707

9. *Dividends*

Interim cash dividend of 0.08p per ordinary share (£114,482) was paid by the Group during the period under review (2018: £101,380).

No final cash dividend has been proposed by the Group during the period under review (2018: £218,626).

10. Capital commitments

At the year end, the group had capital commitments of £11.4m in respect of the construction of two hotels, and was also obliged to complete the acquisition of the new hotel in Nice using funds already placed in escrow for this purpose as at the balance sheet date

11. *Events after the reporting date*

On the 1st of October 2019 easyHotel France SAS, a 100% owned subsidiary of the group, acquired an operating hotel in Nice, France. The purchase, for total consideration of €7.5m (plus associated fees) was made after year end, and the funds required were held as a deposit by a French notary at the balance sheet date and have been included in the 2019 year end figures under other receivables.