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Hostelworld Group PLC
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HOSTELWORLD GROUP PLC

PRELIMINARY RESULTS FOR FOR THE YEAR ENDED 31 DECEMBER 2022

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Hostelworld Group plc ("Hostelworld" or the "Group" or the "Company") preliminary results for the year ended 31 December 2022

Return to profitable growth in line with guidance

22 March 2023: Hostelworld, a leading global OTA focused on the hostel market, is pleased to announce its preliminary results for the year ended 31 December 2022.

Significant developments

- Returned the business to profitable adjusted EBITDA
- Strong recovery in demand as Omicron impact receded and travel resumed
- Successful launch of our innovative and differentiated 'Social' strategy supporting increase in bookings through Apps and reduced marketing cost
- Operating costs below FY 2019 levels facilitated by platform modernisation
- Continued progress of ESG agenda; accredited Carbon Neutral label and independent research validating *"hostels as a more sustainable travel option to hotels"*
- Strong start to 2023 with positive trends continuing

Financial highlights

- Full year net bookings totalled 4.8m, an increase of 228% year on year (2021: 1.5m), driven by recovery in Europe, and in particular, Asia and Oceania in H2 2022
- Net GMV €470.1m, an increase of 303% year on year (2021: €116.7m)
- Net Revenue for the period of €69.7m, an increase of 312% year on year (2021: €16.9m)
- Net Average Booking Value ("ABV") of €14.90, a 23% increase year on year (2021: €12.11), due primarily to bed price inflation
- Direct marketing as a percentage of net revenue amounted to 59% (2021: 76%), reducing from 70% in H1 2022 to 52% in H2 2022, supported by the launch of our app centric 'Social' strategy
- Operating costs (excluding paid marketing, exceptional items and share option charges) are below 2019 levels (-13.4%)
- Adjusted EBITDA profit of €1.3m (2021: loss of €17.3m)
- Operating loss €13.6m (2021: €33.1m)

Balance sheet and cash flow

- Total cash as at 31 December 2022 of €19.0m (2021: €25.3m)
- Refinance process underway for €30m term loan facility, expected to complete in 2023, which will result in lower finance costs

Gary Morrison, Chief Executive Officer, commented:

"2022 was the year in which Hostelworld demonstrated the resilience of its business model and the capacity to capitalise on market demand as it returned. Most significantly, through a combination of operational progress, disciplined cost control and the launch of our innovative 'Social' strategy, we returned the business to profitable growth.

After a slow start to the year driven by Omicron, booking demand recovered quickly towards 2019 levels into Europe (our largest destination); with many of our top markets in Southern Europe exceeding 2019 levels over the summer. Easing of travel restrictions enabled Oceania and Asia to show strong recovery through the year, improving from approximately 6% of 2019 levels before reaching 79% of 2019 levels in December. Central America continued to perform strongly throughout the year, at approximately 150% of 2019 levels. Similarly, we also saw the resumption of long haul travel throughout the year, which is especially significant given that it is a lead indicator of customers booking multi destination trips. More specifically, long haul bookings recovered from 27% of 2019 levels to 76% by year end, and in particular, booking demand from North America into Europe remained above 2019 levels for much of the post Omicron period in the year.

In addition, I am pleased to report on the successful launch of our differentiated social network growth strategy in 2022 which capitalises on the unique needs and attributes of the hostelling category. Since launching these social features on our Apps in Q2, we have seen strong growth in the number of bookings being made by social members (customers who have opted into the social Network) with 50% of our bookings being made by social members at year end, and a significant increase in the volume of bookings through our Apps. This, along with strong net booking and average booking value (ABV) growth, has translated into increased revenues, lower marketing costs and improved margins.

Overall, I am encouraged by the trends we have seen since the start of the year despite limited visibility of our key bookings period, and I believe we are well positioned and firmly on track to meet the growth targets outlined in our Capital Markets Day presentation in November."

Trading Update

Throughout 2022, we have seen strong month on month growth in new customers, net bookings and net revenue as the impact of the Omicron outbreak subsided. Specifically, we achieved 4.8 million net bookings in FY 2022, which represents 70% of FY 2019 levels (up from 21% in FY 2021), and net revenue of €69.7m, which represents 86% of FY 2019 levels (up from 21% in FY 2021), driven by higher average booking values.

As the recovery progressed, we have seen several factors impact our trading economics versus 2019. In particular, net revenue growth has outpaced net bookings growth driven by a steady increase in average net booking values. This has been driven primarily by bed price inflation (resulting from destination specific recovery rates versus 2019), which has been partially offset by a reduction in blended commission rates (due to the removal of Elevate in 2020), and higher cancellation rates (in part driven by a higher proportion of free cancellation bookings).

Direct marketing costs as a percentage of net revenue were elevated in the first half of the year versus 2019 by a number of factors. Our focus on new customer growth, underpinned by our ability to predict the lifetime value of these new customers versus their acquisition cost; higher CPCs in paid marketing channels (driven by higher average booking values); lower conversion rates in those destinations where some level of restrictions persisted and finally higher cancellation rates (in part driven by a higher proportion of free cancellation bookings).

During the second half of the year, direct marketing cost as a percentage of net revenue reduced at a faster rate (ahead of our expectations) driven by our App based social strategy. This unique and highly differentiated strategy reduces direct marketing costs as a percentage of net revenue by driving new and existing customers to use our iOS and Android Apps, thereby increasing the proportion of bookings through lower cost channels. As a consequence, we now expect direct marketing as a percentage of revenue to fall from 59% in 2022 to 50-55% in 2023 as outlined in our Capital Markets Day presentation in November.

The improvement in direct margins coupled with tight cost control has also driven a significant improvement in operating cash performance. As at 31 December 2022, cash totalled €19.0m, down €6.3m as compared to cash as at 31 December 2021. We will continue to maintain our cost discipline on an on-going basis and will look to refinance our current debt facility in 2023.

On the supply side our market position remains strong, with the hostels connected to our platform accounting for approximately 77% of the bed nights sold in December 2022, compared to 77% in 2019. This has been driven by continuous additions to our platform, offsetting losses from the category driven mainly by hostel closures due to COVID-19. For clarity, our market coverage metric does not include hostels removed temporarily from our platform in Belarus and Russia, due to the ongoing conflict in the region.

Outlook

The medium-term financial targets released to the market at our Capital Markets Day last November demonstrate the Board's confidence in our growth strategy and business model to deliver profitable growth over the next three years. In 2023 we will continue to develop and progress the opportunities enabled by our social network strategy, while remaining committed to delivering high levels of operating performance and cost discipline. Hostelworld operates in a resilient and growing category with a loyal customer base that has a strong desire to travel and meet other people despite the uncertainties the economic cycle may present. We are encouraged by the trends we have seen since the start of the year and believe that the business is firmly on track to deliver the targets for FY 2023 presented at our Capital Markets Day in November 2022.

Analyst Presentation

A presentation will be made to analysts today at 2.00pm, a copy of which will be available on our Group website: http://www.hostelworldgroup.com. If you would like to dial into the presentation, please contact Powerscourt on the contact details provided below.

Webcast Link:

https://brrmedia.news/Hostelworld_fy_results

For further information please contact:

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About Hostelworld

Hostelworld Group Plc is a ground-breaking social network powered Online Travel Agent (OTA) focused on the hostelling category, with a clear mission to help travellers find people to hang out with. Our mission statement is founded on the insight that the vast majority of travellers go hostelling as a means to meet other people, which we facilitate through a series of social features on our platform that connect our travellers in hostels and cities based on their booking data. To date the strategy has been extraordinarily successful, generating significant word of mouth recommendations from our customers and strong endorsements from our Hostel partners.

Founded in 1999, Hostelworld is a well-known trusted brand with almost 250 employees across 11 countries; hostel partners in over 180 countries; and a strong commitment to building a better world in all that we do. In particular, our focus in the last few years has been on improving the sustainability of the hostelling industry, through our membership of the Global Sustainable Tourism Council (GSTC); our active involvement in the Global Tourism Plastics Initiative (GTPI); our partnerships with Bureau Veritas to establish emissions benchmarks for the hostelling industry; and our recent partnership with South Pole to be a Climate Neutral Group in 2021 and 2022.

Chairman's Statement: Michael Cawley

Despite the challenges which Omicron and travel restrictions presented, 2022 has been a year of recovery and growth for Hostelworld. It was a notable year for the business, marked by a renewal of booking demand, revenue growth and the delivery of a positive adjusted EBITDA in line with market guidance. Our innovative and differentiated '*social*' strategy has enabled the Group to capitalise on the welcome return of travel demand. Since the launch in April 2022 of the social network features on our iOS and Android platforms we have seen a significant increase in the volume of bookings through our Apps. Our mission, to '*enable travellers find people to hang out wit*h', has resonated strongly with our customers and our social network features has helped begin the journey of building a community of like-minded travellers. This strategy is helping to drive increased revenues, lower direct marketing costs as a percentage of revenue and will deliver improved profitability.

Throughout the year we have seen a good recovery and growth in net bookings and net revenue as the impact of the Omicron variant receded and governments lifted restrictions on international travel. Some regions recovered earlier than others. Asia, in particular was weak but by year end after the easing of restrictions in China it too was firing on all cylinders. Such was the strength of demand that activity levels in some countries exceeded 2019 levels throughout 2022. This has given us confidence both in the continuing popularity of hostelling and in Hostelworld's ability to grow its share in the sector.

This revival in demand has been achieved while maintaining excellent cost discipline. I am pleased to report that operating costs (excluding paid marketing, exceptional items and share option charges) are below 2019 levels (-13.4%), reflecting both cost management measures implemented in recent years to reduce fixed costs and operational efficiencies facilitated by our platform modernisation. We believe there is no conflict between our goal to be the leading OTA for hostellers while being exceptionally disciplined on cost.

Sustainability

Reflecting our commitment to a sustainable future, and in keeping with our UK listing and financial disclosure requirements, the business focussed on its compliance with the requirements of the Taskforce for Climate related Financial Disclosures ("TCFD"). Complying with the TCFD recommendations, we have disclosed information across the following key areas: Governance, Strategy, Risk Management, and Metrics and Targets (further details are provided within the sustainability section to the annual report).

I am pleased with the significant progress we have made in executing our ESG strategy in 2022. The Group welcomed the publication of a report by leading sustainability and compliance specialist Bureau Veritas, which confirmed that hostels are approximately three-quarters less carbon intensive than hotels, with hostels producing 75% less Scope 1 and Scope 2 carbon emissions than hotels on a per-bed basis. Given the age profile of our customer cohort and the importance it justifiably attaches to sustainability we believe hostelling offers them the most sustainable option for their accommodation needs. Consequently, this affords Hostelworld, as the only OTA exclusively promoting hostels, a unique opportunity to create a distinct competitive advantage among sustainability conscious travellers.

As part of our commitment to focus hostels on the importance of sustainability, we partnered with Bureau Veritas to develop a bespoke sustainability measurement and management system for hostels. This framework, 'Staircase to Sustainability', is the first of its kind and is based on the Global Sustainable Travel Council's (GSTC's) sustainability criteria. This innovative programme, tailored to the hostelling industry, will enable hostels to showcase their sustainability credentials, thereby advancing the category's inherent competitive advantage.

In partnership with emission reduction experts South Pole, the Group made further progress on executing its ESG strategy by achieving climate neutral status in respect of 2021 and 2022.

Furthermore, the Group also remains committed to reducing its own carbon emissions and complies with the requirements of the Science Based Targets initiative. In 2022 the Group reduced our absolute Scope 1 and 2 emissions by over 42%, over base year 2021.

Capital structure and dividend

Our principal objective is to deliver growth that drives long-term sustainable value creation for our shareholders. Overseen by the Board, the Group continues to work on a number of key capital allocation priorities to maximise shareholder returns: (1) re-financing the existing €30m term loan drawn down in February 2021 to reduce leverage and interest costs (current outstanding debt €34.3m[1]); (2) working with the Irish Revenue Commissioners to agree a schedule of repayments in respect of €9.4m warehoused payroll tax which was extended to companies by the Irish government as a COVID-19 financial support[2]; and (3) continued investment in the business to deliver long term growth.

The Board continues to believe that the payment of dividends would not be in the best interests of the business for the foreseeable future.

Your Board contributing effectively

As Chairman I am pleased to report that your Board continues to operate effectively in its ongoing assessment of strategy and business performance, overseeing the culture of Hostelworld and ensuring meaningful progress continues to be made in the important area of diversity and inclusion. Long-term succession planning for senior executive roles and Board members continued to be a core focus area in 2022. Details of the Board's work in this important area is set out in the Corporate Governance Statement within the annual report. The composition of the Board is fully compliant with the 2018 UK Corporate Governance Code. The Board has undertaken an appraisal of the Directors, as well as an evaluation of the performance of the Board and each sub-committee, both of which concluded that the Board is functioning effectively.

Colleagues, customers and shareholders

I wish to thank my Board colleagues and the management team for their commitment, energy, and strategic insight in guiding the business back to profitable growth despite a very challenging operating environment. I also want to pay tribute to our excellent staff for the resilience, determination and creativity they have demonstrated throughout this most difficult time. Together with the management team, they have re-built the business on very strong foundations. Despite some macro-economic uncertainties, I am very confident that 2023 will be another year of strong growth for the business. Furthermore, I am encouraged by the Group's long-term opportunities and prospects and believe that Hostelworld is well positioned to capitalise on strong demand for travel.

Finally, I would like to express my sincere thanks to our shareholders for your continued support.

Michael Cawley
Chairman
21 March 2023

Chief Executive's Review: Gary Morrison

I am pleased to report we made solid progress on all elements of our strategy in 2022.

In particular we launched our App centric social strategy in April 2022, driven by the insight that the vast majority of travellers in our category choose to go hostelling as a means to meet other people, which we facilitate through our social features that connect our travellers in hostels and cities based on their booking data 14 days before their arrival date. To date, the strategy has been very successful, generating significant growth in App bookings, word of mouth recommendations by our customers, and strong endorsements from our hostel partners.

In parallel, we also continued to invest in our marketing technology platform, which enables us to allocate marketing spend to maximise new customer acquisition, underpinned by our ability to predict the lifetime value of these new customers versus their acquisition cost in a very granular fashion. We also made solid progress on modernising our platform to enable us to support faster execution of our growth strategy. This included migrating our entire company to the cloud and exiting our on-premise data centres.

Finally, the Group continues to progress its Environmental, Social and Governance agenda; and in particular our partnership with South Pole on climate neutral accreditation and with our hostel partners to promote the inherent sustainability advantages of hostel accommodation.

Executing our growth strategy

During 2022 we continued to execute our highly differentiated growth strategy, which capitalises on the unique needs of the hostelling category. In particular, our growth strategy seeks to capitalise on three *unique* attributes of our customers and their needs as a category, relative to the mainstream leisure travel category.

- **Helping our customers find people to hang out with while travelling**

One of the key differentiating features of our category is that the vast majority of our customers, 60% of which are travelling solo, choose to stay in hostels as means to meet other people in person (not because they are cheap). We also know from looking at reviews on our platform and posts by our customers on third party social networks that when our customers meet people to hang out with, the experience is magical.

Driven by this insight, we launched a series of social features in our iOS and Android apps in April and June 2022 respectively, using the data from our platform to help our travellers find people to hang out with. In essence, these features help our travellers understand what kinds of travellers will be staying at a hostel on the dates they are shopping for, and other chat room-based features that help them meet other travellers in both the hostel and the destination based on their shared interests.

Overall, I am very pleased with the take up of these features to date. By year end, 50% of our bookings were being made by customers who had opted in to the social network (social members); and more than 80% of our social members were using the features while travelling. Moreover, we observed that these social features were attracting more profitable customers. In the first six weeks post-acquisition (new customers acquired April - September 2022) social members were 4x more likely to be recruited via the App; make 1.6x the number of bookings; and twice as likely to make these bookings via the App.

Over the next 18 months, we plan to build more value into the social network through richer user profiles, richer messaging capabilities and recommendations type features to help our travellers find more people to hang out with, and more fun things to do together. Over time, I expect that these features will encourage more travellers in the hostelling category to use our platform, and eventually provide confidence for other youth/student travellers to meet new people to hang out with via solo travel in hostels.

- **Leveraging our customer's booking patterns to optimise marketing allocation**

A second differentiating feature of our category is the nature of hosteller booking patterns compared to mainstream leisure travellers. The vast majority of mainstream leisure travellers tend to take a single destination trip, once a year or less. This is in sharp contrast to hostellers, the majority of whom go on a trip comprising multiple destinations, with some taking multiple trips per year, and with many coming back over several years.

The relatively high frequency of customer bookings over time post-acquisition, coupled with the characteristics of the bookings themselves has enabled us to build accurate customer booking models for our category that predict the future revenue of new customer cohorts after only 28 days of observation. This in turn, enables us to invest a greater proportion of revenue in new customer acquisition with a high degree of confidence in the future revenue of these new customers, and confidence in the return of those marketing investments over time.

Following the launch of our social strategy we now have additional valuable data points from our social network to power our new customer acquisition activities, given that new customers who sign up to the social network (social members) are significantly more profitable than non-social members. This distinction allows us to refine our new customer acquisition activities using the common attributes of more valuable social members as a targeting mechanic in addition to broad based targeting of the hostel traveller category.

- **Providing additional relevant travel products to our customer base**

The third differentiating feature of our category is in the nature of the additional travel products purchased compared to mainstream leisure customers. In general, mainstream leisure customers will tend to purchase ancillary products such as ground transportation, car rentals, and things to do when they arrive in the destination.

Hostellers, on the other hand, are much more interested in other group orientated travel products which provide additional opportunities to find people to hang out with. These products would include opportunities to meet other hostellers staying in the same destination for walks, bike rides, eating out and pub crawls; and events that hostels create and operate themselves for their guests.

To that end, in August 2022 we launched Linkups in two pilot destinations on our social network which enables our customers to set up their own group events for others to join in that destination. We then publish these Linkups (group events) to all of our customers who will be in the same destination at the same time as the group event date. Similar to our hostel product, we also show our customers who else has signed up for each event, so that they can get an idea as to what kind of other travellers they will meet at the event. So far, the pilot results have been encouraging, and we plan to release a variant in 2023 that will enable Hostels to load their own group event catalogues in the same way onto our network.

Investing in our platform

Over the course of the year, we also made solid progress on modernising our platform. This included migrating our entire technology stack to the cloud in the first half of the year and exiting our on-premise data centres. During the second half of the year, we started the process of upgrading our key legacy backend applications to make them "cloud native".

Over the midterm, migrating from a cloud hosted stack to a series of cloud native applications will deliver many advantages, such as application level "on demand" scaling, a more flexible microservices based architecture, and more opportunities to use off the shelf features from our cloud services provider, such as artificial intelligence and machine learning optimisation engines. Collectively, these technology benefits will flow through into reduced hosting costs and enable faster execution of our growth strategy.

In parallel, we also completed the acquisition of the remaining shares in Counter App Limited in March 2022 and completed bringing the platform in house in early May 2022. Hostelworld first invested in Counter App Limited in November 2019 to create a next generation hostel Property Management System (PMS) platform to replace our legacy PMS platform Back Pack Online (BPO). At that time, we chose to partner with Counter's founders based on our belief in their vision of a mobile centric platform built specifically for the needs of the hostel industry. Over the last two plus years, the Counter team has made good progress towards their vision with Counter.app recently ranked 21st best PMS product out of 195 by Hotel Tech Report (a leading property technology review site).

As part of the original shareholders' agreement, we included an option for Hostelworld to take full ownership of Counter in accordance with an acquisition process which was to commence in November 2022. Earlier this year, we agreed with Counter's founders to accelerate the timeline by which we would acquire full share ownership and thus full operational control of the platform. This enabled us to more tightly integrate Counter into Hostelworld's ecosystem to accelerate its growth and align it more fully with our overall platform modernisation strategy.

Progressing our ESG agenda

In parallel with helping millions of travellers in our category Meet The World®, we are also committed to building a better world in everything we do.

- **Making sustainability a competitive advantage over time**

Over the last 12 months, we have continued to see growing evidence of the importance of sustainability in travel across all stakeholders in the travel ecosystem. Within the hostelling category itself, more than half of our customers now report that "Sustainability plays a role in where I stay" and more than half of our hostel partners report that they are actively working on sustainability initiatives.

More broadly, we are continuing to see the evolution and broad adoption of sustainable travel "standards" maintained by third party bodies such as the UNWTO, GSTC and Travalyst; and the emergence of sustainability related disclosure filing requirements, driven by TCFD. All these developments point towards one outcome - companies operating in the travel industry will be expected to do more, and disclose more fully, their programmes to reduce the impact of travel on the environment. With this rapidly evolving context, we have organised our approach to Sustainability as three linked initiatives

The first initiative relates to developing a data driven fact base that we, and our hostel partners can use to promote hostelling as the most sustainable accommodation option available. To that end, earlier this year, we collaborated with Bureau Veritas to calculate the Scope 1 & 2 emissions of a representative group of hostels and compared these with the publicly available emissions data from a representative group of hotel chains. In September 2022, Bureau Veritas published its findings, indicating that the hostelling category emits approximately a third of the Scope 1 and Scope 2 emissions (tCO2e) on a per bednight basis compared to a one-night stay in a typical hotel chain[3]. This type of data is invaluable for ourselves and our hostel partners to inform and educate young travellers that staying in Hostels is the most sustainable form of accommodation.

The second initiative takes the first initiative one step further, by investing in providing a common framework for our hostel partners to not only showcase their sustainability credentials on our platform, but also make progress to more sustainable operations. To that end, we have been working closely with our hostel partners, the Global Sustainable Tourism Council (GSTC) and a number of other relevant bodies to build out a set of relevant sustainability criteria based on GSTC standards; and exploring ways to capture a hostel's compliance with these criteria in a standardised low-cost way, appropriate to the size and means of the small businesses in our category. Eventually in Q4 2023 / Q1 2024, we plan to surface compliance to these criteria on our site, such that our customers can make more informed decisions as to where to stay.

Finally, our third initiative relates to reducing our own emissions, and I am pleased to report during 2022 we were awarded climate neutral status in partnership with South Pole, through our investment in various climate offset projects to fully offset our own emissions[4]. Furthermore, we are also complying with the requirements of the Science Based Targets initiative and in 2022 reduced our Scope 1 & 2 emissions by over 42%, over base year 2021.

- **Investing in our employees and hostel partners and communities**

This year saw us further enhance our agile approach to working, introducing a host of new policies and initiatives to support our employees. We launched the Hostelworld Mental Health Champions programme, to raise awareness on the importance of mental health, and offering our teams peer support across our global locations. In addition, Diversity, Equity and Inclusion became a key focus throughout the year, with 100% of our People Managers receiving Inclusive Leadership Training, and a variety of thought provoking and motivating events being hosted, celebrating periods such as International Women's Day, Pride Month, and Black History Month. We are also proud to have become supporters of the 30% Club Ireland in May of this year and having been awarded the Investors in Diversity Bronze Accreditation by the Irish Centre for Diversity.

More generally, the reduction in travel restrictions at the beginning of the year also paved the way for us to restart our regional hostel conferences and local hostel events. In April 2022 we held our first in person hostel conference since 2019 in Copenhagen, and hosted smaller events in Rome, Porto and Lisbon. These events provide a unique opportunity for us to promote our strategy, share industry trends and solicit feedback from our hostel partners. In parallel with these in person events, we continued to run webinars across all our geographies, and ran our Extraordinary HOSCARS once again this year introducing new categories such as The Eco Warrior and The Digital Nomad.

Finally, as we seek to Build a Better World and positively impact the communities we work and live within, we introduced volunteering days to enable our team to give back, while offering matched charity donations when our employees choose to give back by donating recognition awards or referral bonuses through company led charity initiatives.

- **Continuing to enhance our approach to corporate governance**

During 2022, we continued to enhance our governance procedures to ensure sound and informed decision making in the business and at board level to ensure compliance with the recommendations of the TCFD framework. Following amendments made to the Board Charter in 2021 which established climate risk and sustainability issues as matters requiring on-going board oversight, an ESG Steering Committee led by the CFO met monthly and provided updates to the board at each scheduled board meeting during the year. The board reviews progress against the various elements of our ESG strategy and provides the right blend of oversight and leadership in making sure that the business is run in a socially responsible way.

Summary

Over the course of 2022, we have demonstrated the capacity of our business to capitalise on market demand as it returned, and through a combination of operational progress, disciplined cost control and the launch of our innovative 'social' strategy, we have returned the business to profitable growth. This is a significant milestone for our business, and I would like to thank each and every one of our employees for their commitment and hard work towards laying these strong foundations for a successful future. I also want to thank our shareholders for their continued support.

As I look to 2023, I am pleased to see that our social network growth strategy is continuing to gain traction with our customers and delivering as anticipated and will become even more valuable for customers and hostel partners as more members join the network. As outlined in our Capital Markets Day we expect continued growth of our social network to drive growth in revenue, margins and EBITDA, which coupled with an asset light operating model will drive increased operating leverage and strong cash conversion.

Overall, I continue to believe that our business is well positioned and firmly on track to deliver the medium-term targets set presented at our Capital Markets Day in November 2022.

Gary Morrison
Chief Executive Officer
21 March 2023

Financial Review: Caroline Sherry

	2022	**2021**		**2022**	**2021**
Net bookings	4.8m	1.5m	**Basic loss per share**	(14.71) cent	(30.96) cent
Net revenue	€69.7m	€16.9m	**Adjusted EBITDA profit/(loss)***	€1.3m	(€17.3m)
Net average booking value (ABV)*	€14.90	€12.11	**Adjusted EBITDA margin***	2%	-102%
Gross merchandise value (GMV)*	€470.1m	€116.7m	**Adjusted loss per share***	(5.97) cent	(22.12) cent
Direct marketing costs per net booking*	€8.63	€8.53	**Cash and cash equivalents**	€19.0m	€25.3m
Direct marketing costs as a % of net revenue*	59%	76%	**Adjusted free cash flow absorption***	(521)%	(131)%
Operating expenses	€83.1m	€49.5m	**Net asset position**	€52.2m	€67.1m

Operating loss for the year	€13.6m	€33.1m			
Loss for the year	€17.3m	€36.0m			

*The Group uses Alternative Performance Measures (APMs) which are non-IFRS measures to monitor the performance of its operations and of the Group as a whole. These APMs along with their definitions are provided in the Appendix 1 of the Annual Report.

Revenue

Revenue for the period was €69.7m, an increase of 312% compared to 2021 (2021: €16.9m) driven by strong booking demand as key markets recovered and travel restrictions eased.

The Group's net bookings totalled 4.8m (2021: 1.5m). Net Average Booking Value (ABV), the average value paid by a customer for a net booking, increased by 23% in 2022 (2021: 30% increase) to €14.90 (2021: €12.11), driven predominantly by bed price inflation factors relating to destination specific recovery rates where a higher proportion of bookings came from higher-value destinations such as Europe and North America and longer length of stay bookings.

Net GMV, which is the gross transaction value of bookings on our platform less cancellations, totalled €470.1m in 2022 (2021: €116.7m).

The deferred revenue provision at year end totalled €3.0m (2021: €1.0m), and accounts for bookings with a free cancellation option, where the cancellation date has not yet passed. Cancellation rates have normalised post COVID-19 and we have noted a higher portion of customers opting for the flexibility of a free cancellation booking option, post COVID-19.

Operating expenses

Operating expenses before impairment totalled €83.1m (2021: €49.5m), with €28.6m of the €33.6m yearly increase driven by an increase in direct marketing spend, as a result of recovering booking demand. Total marketing spend was €42.2m in 2022 (2021: €13.8m) with direct marketing costs totalling €41.4m (2021: €12.8m). Direct marketing costs as a percentage of net revenue improved to 59% (2021: 76%) due to a decline in cancellation rates and an increase in conversion. H1 2022 marketing spend was elevated driven by Omicron where we experienced lower conversion rates in destinations where some level of restrictions persisted and higher cancellation rates. Marketing costs normalised in H2 2022 at circa 50-55%. This was due to a combination of normal travel patterns resuming in primary markets and the app-centric social strategy driving marketing efficiencies, with more customers booking in iOS and Android applications.

The Group's operating loss amounted to €13.6m (2021: €33.1m), a year on year decrease of €19.5m. This was primarily driven by a combination of an increase in net revenue of €52.8m, offset by an increase in direct marketing costs of €28.6m and in staff costs of €2.9m (excluding the impact of capitalised development labour). The remaining cost base remains largely consistent year on year as the Group continues its focus of maintaining our operating cost base and eliminating unnecessary spend.

The Group also incurred a foreign exchange loss of €0.7m (2021: loss €0.4m) which arose due to the strengthening of the US dollar against the Euro.

Adjusted EBITDA profit of €1.3m (2021: loss of €17.3m) was driven by strong booking recovery.

Exceptional items

Exceptional items are identified due to their nature or materiality to help the reader form a better view of overall and adjusted trading. The Group incurred €0.8m of exceptional cost items in 2022. €0.5m related to a final settlement paid to the founder of Counter App Limited, in respect of an exit from their shareholders' agreement, and €0.3m in relation to settlement costs for the final stage of a group-wide reorganisation (2021: €0.6m). The new structure organises the Group's marketing, product, development and analytics employees into autonomous growth teams.

Share based payment

The Group has incurred a total share-based payment expense of €2.4m (2021: €2.2m) relating to equity settled share-based payment transactions.

€0.7m (2021: €0.7m) relates to costs incurred for the Group's Long-Term Incentive Plan ("LTIP") schemes. The 2019 LTIP grant which was due to vest in 2022, did not vest.

€1.7m (2021: €1.4m) has been recognised in relation to the Group's Restricted Share awards ("RSU") scheme. In February 2022 50% of the RSU share award granted in 2021, in lieu of a cash bonus, vested and the remaining 50% vested in February 2023 (February 2023: 1,027,653 shares vested, February 2022: 1,184,211 shares vested).

During 2022 the Company granted a new RSU award to selected employees, including the Executive Directors and members of the management team. A total of 3,339,084 nil cost awards were granted. These awards will vest after three years dependent upon the participant being employed by Hostelworld as of the vesting date and satisfactory personal performance.

The balance of the award expense is in relation to the Save As You Earn ("SAYE") scheme.

€2.4m (2021: €nil) was transferred from the share-based payment reserve to retained earnings for expired and exercised share-based awards.

Earnings per share

Basic loss per share for the Group was 14.71 cent (2021: 30.96 cent).

Adjusted loss per share was 5.97 cent per share (2021 loss per share: 22.12 cent per share). During 2022, the company issued 1.2m shares to satisfy SAYE and restricted share awards granted by the Company at a value €0.01 per share. The weighted average number of shares in the period was 117.3m (2021: 116.3m) and the total number of shares at the balance sheet date was 117.5m (2021: 116.3m).

Finance costs

The Group incurred €4.3m of finance costs in 2022 (2021: €3.5m). Cash interest of €1.3m (2021: €nil) was paid to HPS Investment Partners LLC (or subsidiaries or affiliates thereof). Under the terms of the agreement the Group elected to capitalise all interest into the loan balance in year 1 of the facility. In year 2 the Group has elected to capitalise 4% and pay cash interest of a margin of 5% plus Euribor.

Taxation

The Group corporation tax charge for 2022 is €0.2m (2021: €0.2m) and primarily relates to our UK, Spanish and Portuguese operations where tax losses from our Irish operations cannot be utilised.

The Group is carrying a deferred tax asset of €9.2m (2021: €8.4m). The current year deferred tax credit of €0.8m (2021:

€0.8m) relates to a deferred tax asset recognised in the current year for capital allowances not utilised and available for future offset. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which any unused tax losses and unused tax credits can be utilised. Future taxable profits allowing recoverability of the deferred tax asset have been estimated using the Board approved 2023 budget and further four-year outlook. The Group has been loss making since 2020 as a direct consequence of COVID-19. The Group is budgeted to return to a profit before tax driven by a recovery to normal trading, which forms the basis of the recoverability of the deferred tax asset.

The Group has availed of the Irish Revenue tax warehousing scheme and deferred payment of all Irish employer taxes from February 2021 to March 2022. The total amount warehoused at 31 December 2022 was €9.4m (2021: €8.0m). The Group has agreed with the Irish Revenue Commissioners to not repay any balance due on the warehoused facility until April 2024. The Group will incur an interest charge of 3% from 01 May 2023 on the outstanding warehoused liability. The Group continues to monitor and comply with the appropriate Revenue guidelines applicable to this scheme.

Development labour

Total intangible asset additions amount to €4.5m (2021: €4.3m) relating to work performed on our social strategy, platform modernisation and a new app 2.0 rolled out in 2022. This balance includes €2.1m (2021: €1.7m) of staff costs capitalised during the year. The year on year increase is due to the volume of time spent in 2021 on experimentation and other non capitalisable work, such as migrating to the cloud.

Liquidity and financing

At the balance sheet date cash and cash equivalents totalled €19.0m (2021: €25.3m), including €750k (2021: €750k) of restricted cash relating to a rental guarantee in place. The Group has maintained strong discipline over its costs, and during peak trading in spring and summer 2022 the Group generated cash.

The Group has borrowings of €31.1m (2021: €28.2m). In February 2021 the Group signed a €30m 5-year term loan facility with certain investment funds and accounts of HPS Investment Partners LLC (or subsidiaries or affiliates thereof). An amount of €28.8m, net of original issue discount, was drawn down on 23 February 2021. The facility bears interest at a margin of 9% per annum over EURIBOR. The Group will look to refinance the facility in 2023 to obtain lower margin interest rate costs.

Related parties

Related party transactions are disclosed in note 23 of the Group's Annual Report and Financial Statements.

Dividend

The Board will not pay a cash dividend under its current policy in respect of the 2022 financial year. Any payment of cash dividends will be subject to the Group generating adjusted profit after tax, the Group's cash position, any restrictions in the Group's banking facilities and subject to compliance with Companies Act 2006 requirements regarding ensuring sufficiency of distributable reserves at the time of paying the dividend.

Caroline Sherry
Chief Financial Officer
21 March 2023

HOSTELWORLD GROUP PLC
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 €'000	2021 €'000
Revenue	3	**69,690**	16,901
Operating expenses before impairment	4	**(83,113)**	(49,515)
Impairment of intangible assets	10	**-**	(367)
Reversal of impairment of trade receivables		**18**	129
Share of results of associate		**(206)**	(225)
Operating loss		**(13,611)**	(33,077)
Finance costs	7	**(4,301)**	(3,501)
Loss before taxation		**(17,912)**	(36,578)
Taxation credit	8	**649**	562
Loss for the year attributable to the equity owners of the parent Company		**(17,263)**	(36,016)
Basic and diluted loss per share (euro cent)	9	**(14.71)**	(30.96)

HOSTELWORLD GROUP PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 €'000	2021 €'000
Loss for the year	**(17,263)**	(36,016)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(11)**	32

Total comprehensive income for the year attributable to equity owners of the parent Company		**(17,274)**	(35,984)

HOSTELWORLD GROUP PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Notes	2022 €'000	2021 €'000
Non-current assets			
Intangible assets	10	**73,358**	79,390
Property, plant and equipment		**735**	293
Deferred tax assets	11	**9,174**	8,352
Investment in associate		**980**	1,186
Cash and cash equivalents	12	**750**	750
		84,997	89,971
Current assets			
Trade and other receivables		**3,246**	2,002
Corporation tax		**22**	18
Cash and cash equivalents	12	**18,212**	24,517
		21,480	26,537
Total assets		**106,477**	116,508
Issued capital and reserves attributable to equity owners of the parent			
Share capital	13	**1,175**	1,163
Share premium	13	**14,328**	14,328
Other reserves		**6,432**	6,475
Retained earnings		**30,308**	45,140
Total equity attributable to equity holders of the parent Company		**52,243**	67,106
Non-current liabilities			
Trade and other payables	14	**9,438**	8,049
Borrowings	15	**30,869**	28,209
		40,307	36,258
Current liabilities			
Trade and other payables	14	**12,863**	12,795
Lease liabilities		**547**	86
Borrowings	15	**244**	-
Corporation tax		**273**	263
		13,927	13,144
Total liabilities		**54,234**	49,402
Total equity and liabilities		**106,477**	116,508

The financial statements were approved by the Board of Directors and authorised for issue on 21 March 2023 and signed on its behalf by:

Gary Morrison
Chief Executive Officer

Caroline Sherry
Chief Financial Officer

Hostelworld Group plc registration number 9818705 (England and Wales)

HOSTELWORLD GROUP PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Share capital	Share premium	Retained earnings	Other reserves	Total
		€'000	€'000	€'000	€'000	€'000
Balance at 1 January 2021		1,163	14,328	81,156	1,218	97,865
Total comprehensive income for the year		-	-	(36,016)	32	(35,984)
Issue of warrants	15	-	-	-	3,073	3,073
Credit to equity for equity settled share-based payments		-	-	-	2,152	2,152
Balance at 31 December 2021		1,163	14,328	45,140	6,475	67,106
Issue of shares	13	**12**	-	**-**	**-**	**12**
Total comprehensive income for the year		**-**	**-**	**(17,263)**	**(11)**	**(17,274)**
Credit to equity for equity settled share-based payments		**-**	**-**	**-**	**2,399**	**2,399**

Transfer of exercised and expired share-based awards	-	-	2,431	(2,431)	-
Balance at 31 December 2022	**1,175**	**14,328**	**30,308**	**6,432**	**52,243**

HOSTELWORLD GROUP PLC
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022	2021
		€'000	€'000
Cash flows from operating activities			
Loss before tax		**(17,912)**	(36,578)
Amortisation and depreciation		**11,597**	12,411
Impairment of intangible assets	10	**-**	367
Share of results of associate		**206**	225
Net profit on disposal of leases		**(1)**	(793)
Net loss on disposal property, plant and equipment		**1**	492
Finance expense	7	**4,301**	3,501
Employee equity settled share-based payment expense		**2,396**	2,162
Changes in working capital items:			
Increase in trade and other payables		**1,457**	5,074
Increase in trade and other receivables		**(1,244)**	(321)
Cash generated from/ (used by) operations		**801**	(13,460)
Interest paid (including lease interest)		**(1,370)**	(155)
Income tax paid		**(180)**	(136)
Net cash used in operating activities		**(749)**	(13,751)
Cash flows from investing activities			
Acquisition / development of intangible assets	10	**(4,597)**	(4,397)
Purchases of property, plant and equipment		**(196)**	(75)
Net cash used in investing activities		**(4,793)**	(4,472)
Cash flows from financing activities			
Deferred consideration		**-**	(345)
Proceeds from borrowings	15	**-**	28,800
Transaction costs relating to borrowings	15	**-**	(862)
Repayment of borrowings	15	**-**	(1,164)
Repayments of obligations under lease liabilities		**(752)**	(1,160)
Net cash (used in)/ from financing activities		**(752)**	25,269
Net (decrease)/increase in cash and cash equivalents		**(6,294)**	7,046
Cash and cash equivalents at the beginning of the year		**25,267**	18,189
Effect of foreign exchange rate changes		**(11)**	32
Cash and cash equivalents at the end of the year	**12**	**18,962**	25,267

HOSTELWORLD GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. General Information

Hostelworld Group plc, hereinafter "the Company", is a public limited Company incorporated in the United Kingdom on the 9 October 2015 under the Companies Act and is registered in England and Wales. The registered office of the Company is One Chamberlain Square, Birmingham, B3 3AX, United Kingdom.

The Company and its subsidiaries (together "the Group") provide software and data processing services that facilitate hostel, B&B, hotel and other accommodation bookings worldwide.

The Company's shares are quoted on Euronext Dublin and the London Stock Exchange.

The financial information, comprising of the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and related notes, has been taken from the consolidated financial statements of Hostelworld Group plc ("Company") for the year ended 31 December 2022, which were approved by the Board of Directors on 21 March 2023. The financial information does not constitute statutory accounts within the meaning of sections 435(1) and (2) of the Companies Act 2006 or contain sufficient information to comply with the disclosure requirements of International Financial Reporting Standards ("IFRS").

An unqualified report on the consolidated financial statements for the year ended 31 December 2021 has been given by the auditors, Deloitte Ireland LLP. It did not include reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006. The consolidated financial statements will be filed with the Registrar of Companies, subject to their approval by the Company's shareholders at the Company's Annual General Meeting on 09 May 2023.

2. Going Concern

The Directors, after making enquiries, have a reasonable expectation that the Group and Company has adequate resources to continue operating as a going concern for the foreseeable future.

Since the beginning of the COVID-19 pandemic, the Group has maintained strong discipline over its cost base and cash reserves, with trading and cash forecasts being prepared on a weekly basis. Actions taken in the current period by the Directors to preserve the Group's cash position include the non-payment of cash dividends, the elimination of all non-essential operating costs including marketing, recruitment, travel and other variable overheads, the employment of a procurement manager to closely monitor and challenge contract spend in place, the non-payment of cash bonuses and the issuance of a restricted stock option in lieu of a cash bonus to employees, exiting our long term lease commitment facilities in favour of smaller office spaces across our locations, organisational redesigns and associated headcount reductions, and Government COVID-19 supports in Ireland which were availed of until February 2022, as well as warehousing of Irish employer and employee taxes incurred to March 2022.

The 2023 budget has been prepared on a 12-month calendar basis, with the Board also approving a further four-year outlook, which has also been considered within going concern to capture a period of one year from date of signing.

Revenue and marketing cost projections within Budget 2023 have been developed by triangulating three different models, where each model output has helped to validate the others.

1. Regional level forecasting reflecting an easing of the remaining travel restrictions in place. From 2020 through 2022 we can evidence a correlated increase in revenue when borders reopen. We have assumed a full recovery to pre-pandemic booking levels in 2023 in our largest markets, with other markets taking longer. Forecasting at a regional level allows us to forecast specific bed prices, booking models, geographic mix and seasonality effectively in our modelling;
2. Channel mix between free and paid customers where assumptions are made based on volume of new customer acquisitions, cost of customer acquisitions and anticipated bookings based on marketing spend;
3. Modelling new and returning customers by using statistical models built using over 15 years of customer data. This rich customer cohort data set enables us to model recurring revenue streams, with a high degree of predictability. We layer in additional knowledge on new customer acquisition costs and expected economics between free and paid customers.

Forecasting at this regional and channel level also allows us to adjust for bed price inflation and cost of living pressures. These risks are somewhat mitigated as our target 18-34 year old population typically have the means and the flexibility to travel, tending to view it as a 'rite of passage' rather than purely discretionary spend. Hostels are a cost-effective means to travel and our strategy focusses on customers connecting on a free platform that we provide.

We have assumed in Budget 2023 a modest contraction in our ABV year on year, provisioning for unit bed price deflation versus 2022 and increased volume from Asian markets, where bed prices are lower. We have modelled modest price inflation in our operating costs. We have not assumed any revenue from partnerships such as Roamies, Goki and Counter in our financial modelling.

Climate related risks can impact our business as a customer may not want to travel, a hostel may be forced to close, or an area is not accessible. The budgeting process has incorporated all operating costs relating to our sustainability roadmap, as well as the cost of future emission reductions and offsets. Following an assessment completed by the Group, the budget does not contain any other liabilities, provisions or contingent liabilities relating to climate change. Revenue cashflows included in the budgeting process have captured for example the impacts of adverse weather conditions experienced by the Group in 2022 as we model based on historic run rates at a country and seasonal level.

In addition to our base budget for 2023, we have prepared three additional scenarios that depict different recovery levels and trading volumes. An upside scenario tracks an increase in revenue and operating expenses. A downside scenario includes reduced revenue while maintaining the same level of operating spend. A worst-case includes further reduced revenue with a reduction in operating cost spend to mitigate. Under all scenarios, the Group has sufficient cash reserves available and remains compliant with financial covenants under its current term loan facility agreement with HPS Investment Partners LLC (or subsidiaries or affiliates thereof). The Group has also set out in its viability statement within the annual report additional scenarios considered by the Group in its assessment of going concern.

The directors took steps to ensure adequate liquidity is available to the Group for the duration of the pandemic and recovery period. On 19 February 2021 the Group signed a €30m five-year term loan facility with certain investment funds and accounts of HPS Investment Partners LLC (or subsidiaries or affiliates thereof). An amount of €28.8m was received on 23 February 2021. The key features of the facility are as follows:

- The facility is single drawdown and bears interest at a margin of 9.0% per annum over EURIBOR (with a EURIBOR floor of 0.25% per annum).
- Financial covenants comprise (1) adjusted net leverage (Hostelworld has to ensure that total net debt is no more than 3.0 x adjusted EBITDA from 31 December 2023 to 30 September 2024, and no more than 2.5 x adjusted EBITDA from 31 December 2024 onwards); and (2) minimum liquidity (Hostelworld has to ensure that at close of business on the last business day of each month until it is testing the adjusted net leverage ratios there is free cash in members of the Group which have guaranteed repayment of the facility of at least €6.0 million).
- Security on the facility includes the share capital of the Group, the bank accounts of the Group and the Group's intellectual property.

We were in compliance with our minimum liquidity covenants at 31 December 2022.

At this point in time, the consequences of the current unrest in Ukraine are uncertain. We have not experienced a significant impact to our revenue during 2022, and we continue to monitor any development in the conflict, and the impact to the Group closely. The Group has no operations in either Russia or Ukraine and total forecasted revenues for 2022 in these regions was less than 0.01% of the Group's net revenue. No revenue has been budgeted for these countries in 2023.

Having considered the Group's Board approved 2023 budget, cash flow forecasts prepared for 12 months from 21 March 2023, current and anticipated trading volumes, current and anticipated levels of cash and debt, together with mitigating actions available, the Directors are satisfied that the Group and Company has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the Group financial statements.

3. Revenue & Segmental analysis

The Group is managed as a single business unit which provides software and data processing services that facilitate hostel, hotel and other accommodation worldwide, including ancillary on-line advertising revenue.

The Directors determine, and present operating segments based on the information that is provided internally to the Chief Executive Officer, who is the Company's Chief Operating Decision Maker ("CODM"). When making resource allocation decisions, the CODM evaluates booking numbers and average booking value. The objective in making resource allocation decisions is to maximise consolidated financial results.

The CODM assesses the performance of the business based on the consolidated adjusted loss after tax of the Group for the year. This measure excludes the effects of certain income and expense items, which are unusual by virtue of their size and incidence, in the context of the Group's ongoing core operations, such as the impairment of intangible assets and one-off items of expenditure.

All revenue is derived wholly from external customers and is generated from a large number of customers, none of whom is individually significant.

The Group's major revenue-generating asset class comprises its software and data processing services and is directly attributable to its reportable segment operations. In addition, as the Group is managed as a single business unit, all other assets and liabilities have been allocated to the Group's single reportable segment. There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss.

Revenue split by country, is dependent on the location of the hostel or property. Hostelworld has completed its software and data processing services with. No single country, year on year, contributes 10% or more of total revenue. Our top five countries year on year account for 38% of overall revenue (2021: 43%) relating to USA and key European destinations. Revenue split by continent is presented as follows:

		2022	2021
		€'000	€'000
Europe		**45,936**	10,713
Americas		**15,719**	5,213
Asia, Africa and Oceania		**8,035**	975
Total revenue		**69,690**	16,901

Revenue arising within Ireland, the country of domicile, amounted to €1,795k (2021: €492k). Disaggregation of revenue is presented as follows:

	2022	2021
	€'000	€'000
Technology and data processing fees	**69,363**	16,849
Advertising revenue and ancillary services	**327**	52
Total revenue	**69,690**	16,901

In the year ended 31 December 2022, the Group generated 100% (2021: 100%) of its revenues from the technology and data processing fees that it charged to accommodation providers.

As at 31 December 2022, €3,005k of revenue relating to free cancellation bookings has been deferred (2021: €1,020k).

Revenue is recognised at the time the reservation is made in respect of non-refundable commission on the basis that the Group has met its performance obligations at the time the booking is made. In respect of the free cancellation product, which offers the traveller the opportunity to make a booking on a free cancellation basis and to receive a refund of their deposit in certain circumstances, such related revenue is not recognised until the last cancellation date has passed as one party can withdraw from the contract until such a date has passed. Deferred revenue is expected to be recognised within twelve months of initial recognition.

The Group's non-current assets are located in Ireland, Australia, the United Kingdom, Portugal, and China. Non-current assets are disaggregated as follows:

			2022	2021
			€'000	€'000
Total non-current assets			**84,997**	89,221
Analysed as:				
Ireland			**83,825**	87,799
Australia			**980**	1,186
United Kingdom			**20**	32
Portugal			**156**	165
China			**16**	39

4. Operating Expenses excluding Impairment

Loss for the year has been arrived at after charging/(crediting) the following operating costs:

			2022	2021
	Notes		**€'000**	€'000
Marketing expenses			**42,233**	13,792
Staff costs			**18,078**	15,101*
Credit card processing fees			**2,047**	573
Loss on disposal plant, property and equipment			**1**	492
Net profit on disposal of leases	14		**(1)**	(793)
Exceptional items	5		**835**	588
FX loss			**714**	419
Other administrative costs			**7,609**	6,932*
Total administrative expenses			**71,516**	37,104
Depreciation of tangible fixed assets	11		**968**	1,519
Amortisation of intangible fixed assets	10		**10,629**	10,892
Total operating expenses excluding impairment			**83,113**	49,515

*An amount of €445k has been re-presented in the prior year between staff costs and other administrative costs relating to third party contractors engaged by the Group to assist on development labour projects for a period of time.

Included in staff costs are government assistance amounts totalling €376k (2021: €1,771k) for a subsidy received

Included in staff costs are government assistance amounts totalling €376k (2021: €1,771k) for a subsidy received under the Employment Wage Subsidy Scheme in Ireland. Prior year amounts also include €15.9k received for furloughed employees under the Coronavirus Job Retention Scheme in the UK.

Included within marketing expenses are direct marketing costs of €41,393k (2021: €12,763k). Other administration costs include rent and rates, legal and professional, training and recruitment, website maintenance and security, ecommerce and data analytics.

Included within operating expenses is a total credit of €184k (2021: €nil) in relation to an R&D tax credit claimed in respect of projects completed in 2021.

5. Exceptional Items

			2022	2021
			€'000	€'000
Merger and acquisition costs			**-**	(127)
Litigation settlements			**519**	-
Restructuring costs			**316**	715
Total			**835**	588

In the current year, exceptional items relate to a final settlement amount paid to the founder of Counter App Limited, on their exit from the company and associated legal costs. Current and prior year restructuring costs primarily relate to staff costs incurred as part of a restructure to a simpler and more efficient growth orientated organisational structure. The new structure organises the Group's marketing, product, development and analytics employees into autonomous growth teams. The restructure concluded in 2022. Prior year merger and acquisition credit of €127k relates to a release of costs previously accrued for due to a revision of estimate for professional fees incurred on related service.

6. Staff Costs

The average monthly number of people employed (including Executive Directors) was as follows:

		2022	2021
Average number of persons employed:			
Administration and sales		**130**	110
Development and information technology		**109**	116
Total		**239**	226

The aggregate remuneration costs of these employees is analysed as follows:

			2022	2021
	Notes		**€'000**	€'000
Staff costs comprise:				
Wages and salaries			**14,638**	12,378
Termination benefits - exceptional items			**218**	672
Social security costs			**1,987**	1,367
Pensions costs			**432**	460
Other benefits			**687**	442
Share option charge			**2,396**	2,162
			20,358	17,481
Capitalised development labour	10		**(2,062)**	(1,708)
Total			**18,296**	15,773

7. Finance Costs

			2022	2021
	Notes		**€'000**	€'000
Interest on lease liabilities			**31**	102
Finance costs - HPS facility	15		**4,243**	3,344
Finance costs - other			**27**	55
Total			**4,301**	3,501

8. Taxation

			2022	2021
	Notes		**€'000**	€'000
Corporation tax:				
Current year charge			**183**	372
Adjustments in respect of prior years			**(10)**	(178)
Total			**173**	194
Origination and reversal of temporary differences	11		**(822)**	(756)
Total tax credit for the year			**(649)**	(562)

Corporation tax is calculated at 12.5% (2021: 12.5%) of the estimated taxable profit for the year. The Irish 12.5% corporation tax rate has been used as this is the rate at which most of the Group's profits will be taxed. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The corporation tax charge relates primarily to our UK, Portuguese and Spanish operations where tax losses from our Irish operations cannot be utilised. The charge for the year can be reconciled to the consolidated income statement as follows:

	2022	2021
	€'000	€'000
Loss before tax on continuing operations	(17,912)	(36,578)
Tax at the Irish corporation tax rate of 12.5% (2021: 12.5%)	(2,239)	(4,572)
Effects of:		
Tax effect of expenses that are not deductible in determining taxable profit	1,672	1,556
Tax effect of losses not utilised	480	3,173
Tax effect of losses utilised	(34)	-
Tax effect of income taxed at different rates	201	50
Depreciation less than capital allowances	(53)	(130)
Effect of different tax rates of subsidiaries operating in other jurisdictions	156	295
Recognition of deferred tax asset	(822)	(756)
Adjustments in respect of prior years	(10)	(178)
Total	(649)	(562)

In 2022 the Group had an unrecognised deferred tax asset of €4,607k (2021: €4,127k). No deferred tax asset was recognised in the current or prior year for unused trading tax losses as it was not considered probable that the Group will be able to utilise the deferred tax asset for these losses over a five-year period based on the profit or loss set out within the Group's 2023 budget and further four-year outlook. Unrecognised deferred tax assets relate to Irish trading losses and have no expiry date.

9. Loss per Share

Basic loss per share is computed by dividing the loss for the year after tax available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

		2022	2021
Weighted average number of shares in issue ('000s)		117,338	116,321
Loss for the year (€'000s)		(17,263)	(36,016)
Basic loss per share (euro cent)		(14.71)	(30.96)

Diluted loss per share is computed by adjusting the weighted average number of ordinary shares in issue to assume conversion of all potential dilutive ordinary shares. The issue of warrants and share options and share awards are the Company's only potential dilutive ordinary shares. Ordinary shares potentially issuable from share-based payment arrangements and warrants are anti-dilutive due to the loss in the financial period meaning there is no difference between basic and diluted earnings per share.

		2022	2021
Weighted average number of ordinary shares in issue ('000s)		117,338	116,321
Effect of dilutive potential ordinary shares:			
Share options ('000s)		-	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share ('000s)		117,338	116,321
Diluted loss per share (euro cent)		(14.71)	(30.96)

10. Intangible Assets

The table below shows the movements in intangible assets for the year:

	Goodwill	Domain Names	Technology	Affiliates Contracts	Capitalised Development	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Cost						
Balance at 1 January 2021	47,274	214,708	14,100	5,500	18,021	299,603
Additions	-	-	-	-	4,397	4,397
Disposals for the year	-	-	(52)	-	-	(52)
Balance at 31 December 2021	47,274	214,708	14,048	5,500	22,418	303,948
Additions	-	71	15	-	4,511	4,597
Balance at 31 December 2022	47,274	214,779	14,063	5,500	26,929	308,545
Accumulated amortisation and impairment						
Balance at 1 January 2021	(29,426)	(150,488)	(13,922)	(5,500)	(14,015)	(213,351)
Charge for year	-	(7,810)	(119)	-	(2,963)	(10,892)
Disposals for the year	-	-	52	-	-	52
Impairment recognised	-	-	-	-	(367)	(367)
Balance at 31 December 2021	(29,426)	(158,298)	(13,989)	(5,500)	(17,345)	(224,558)

Charge for year	**-**	**(7,813)**	**(32)**	**-**	**(2,784)**	**(10,629)**
Balance at 31 December 2022	**(29,426)**	**(166,111)**	**(14,021)**	**(5,500)**	**(20,129)**	**235,187**
Carrying amount						
At 31 December 2021	17,848	56,410	59	-	5,073	79,390
At 31 December 2022	**17,848**	**48,668**	**42**	**-**	**6,800**	**73,358**

Capitalised development cost additions during the year comprised of internal staff costs of €2,062k (2021: €1,708k) and other internally generated additions of €2,449k (2021: €2,689k). Development costs have been capitalised in accordance with IAS 38 Intangible Assets and are therefore not treated, for dividend purposes, as a realised loss. Hostelworld continue to utilise affiliate contracts to generate revenue and continue to pay affiliate partner commissions.

Impairment review

The carrying value of the capitalised development costs balance at 31 December 2022 is €6,800k (2021: €5,073k). Prior year impairment charge of €367k relates to an impairment of a specific project following a management decision to cease ongoing investment.

The carrying value of the goodwill balance at 31 December 2022 is €17,848k (2021: €17,848k) and relates to an investment in Hostelworld.com Limited by the Group in 2009. Goodwill, which has an indefinite useful life, is subject to annual impairment testing, or more frequent testing if there are indicators of impairment. Following impairment testing based on the assumptions below, no impairment was recognised for goodwill in the current or prior year.

The carrying value of the Group's domain names and certain technology assets, referred to henceforth as 'intellectual property' at 31 December 2022 is €48,668k (2021: €56,410k). Following impairment testing based on the assumptions below, no impairment was recognised for the Group's intellectual property in the current or prior year.

11. Deferred Taxation

Deferred tax assets primarily relating to temporary differences between the carrying value of intangible assets and their tax base.

		2022	2021
		€'000	€'000
Opening balance		**8,352**	7,596
Credited to the consolidated income statement		**822**	756
Closing balance		**9,174**	8,352

The deferred tax credit for the year ended 31 December 2022 of €822k (2021: €756k) relates to a deferred tax asset created in the current year for capital allowances not utilised and available for future offset. Deferred tax is determined using tax rates and laws enacted or substantively enacted by the reporting date. The total tax charge in future periods will be affected by any changes to the applicable tax rates in force in jurisdictions in which the Group operates and other relevant changes in tax legislation. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which any unused tax losses and unused tax credits can be utilised.

12. . Cash and Cash equivalents

	2022	2021
	€'000	€'000
Non-current assets		
Cash and cash equivalents	**750**	750*
Total	**750**	750
Current assets		
Cash and cash equivalents	**18,212**	24,517*
Total	**18,212**	24,517

*Upon review of the April 2022 IFRIC Agenda item "Demand Deposits with Restrictions on Use arising from a Contract with a Third Party (IAS 7 Statement of Cash Flows)" the Group has changed the presentation of cash and cash equivalents which are not available for use for the period ended 31 December 2022. The amount of €750k, which relates to a rental guarantee in place, has been classified in non-current assets as the guarantee is in place for a period of longer than 12 months after balance sheet date. As the amount is held in a bank account which can be accessed by the Group the amount has been disclosed as a cash and cash equivalent.

Balance of cash and cash equivalents comprise cash and short-term bank deposits only.

13. Share capital

	No of shares of €0.01 each	Ordinary shares	Share premium	Total
	(Thousands)	**€'000**	**€'000**	**€'000**
At 1 January 2021 and 31 December 2021	116,321	1,163	14,328	15,491
Share issue - 22 February 2022	1,184	12	-	12
Share issue - 30 September 2022	6	-	-	-
At 31 December 2022	**117,511**	**1,175**	**14,328**	**15,503**

The Group has one class of ordinary shares which carries no right to fixed income. The share capital of the Group is represented by the share capital of the parent Company, Hostelworld Group plc. All the Company's shares are allotted, called up, fully paid and quoted on the London Stock Exchange and Euronext Dublin.

On 19 February 2021, the Group agreed to issue warrants of 3,315,153 ordinary shares of €0.01 each in the capital of Hostelworld (equivalent to 2.85% of Hostelworld's issued share capital at the time of warrants issue). As at 31 December 2022 no warrants had been exercised. Further detail is included within note 15.

On 22 February 2022, the company issued 1,184,211 shares to satisfy restricted share awards granted by the

Company at a value €0.01 per share.

On 30 September 2022, the company issued 6,070 shares in relation to the 2019 SAYE at a value of €0.01 per share.

14. Trade and other payables

	2022	2021
	€'000	€'000
Non-current liabilities		
Payroll taxes	**9,438**	8,049
Total	**9,438**	8,049

The Group has availed of the Irish Revenue tax warehousing scheme and deferred payment on all Irish employer taxes arising during the period from February 2021 to March 2022. Total amount warehoused at 31 December 2022 amounted to €9,438k (2021: €8,049k). The Group continues to liaise with Irish Revenue on the matter and comply with all appropriate guidelines applicable. At 31 December 2022 amounts warehoused are recognised as non-current reflecting the intention and unconditional right not to repay balance within 12 months. The Group have agreed with the Irish Revenue to commence a repayment plan in April 2024.

	2022	2021
	€'000	€'000
Current liabilities		
Trade payables	**3,944**	5,425
Accruals and other payables	**5,136**	6,113
Deferred revenue	**3,201**	1,036
Payroll taxes	**582**	221
Total	**12,863**	12,795

At 31 December 2022, €3,005k of revenue was deferred relating to free cancellation bookings (2021: €1,020k), €178k was deferred relating to featured listings (2021: €16k) and €18k was deferred relating to Roamies (2021: €nil).

Included in accruals and other payables is a credit provision amounting to €150k (2021: €1,300k) for vouchers and incentives to customers for use on future bookings reflecting the expected value attached to vouchers. Reduction year on year relates to utilisation rates which materialised during 2022 where a reduced cohort of customers used their vouchers than what the Group have historically experienced and takes account of a large volume of vouchers expiring in Q1 2023 for customers who obtained a voucher instead of a refund during COVID-19. Also included in accruals and other payables is an amount of €1,778k (2021: €2,017k) relating to customers who have cancelled their free cancellation booking but have not yet been refunded.

15. Borrowings

	2022	2021
	€'000	€'000
Opening Balance	**28,209**	1,164
Received on Drawdown	**-**	28,800
Repayments	**-**	(1,164)
Loan issuance costs - issue of warrants	**-**	(3,073)
Transaction costs relating to borrowings	**-**	(862)
Finance costs	**4,243**	3,344
Finance interest paid	**(1,339)**	-
Total	**31,113**	28,209

On 19 February 2021 the Group signed a €30m five-year term loan facility with certain investment funds and accounts of HPS Investment Partners LLC (or subsidiaries or affiliates thereof). The facility is single drawdown and bears interest at a margin of 9.0% per annum over EURIBOR (with a EURIBOR floor of 0.25% per annum). In the first year following drawdown, all interest was rolled up and capitalised. Between the first and third anniversaries of drawdown, Hostelworld elected to capitalise 4.0% per annum of the accruing interest with the balance of the interest during that period (and all interest accruing after the third anniversary of drawdown) being cash pay.

The facility agreement includes the following financial covenants: (1) adjusted net leverage (Hostelworld has to ensure that total net debt is no more than 3.0 x adjusted EBITDA from 31 December 2023 to 30 September 2024, and no more than 2.5 x adjusted EBITDA from 31 December 2024 onwards); and (2) minimum liquidity (Hostelworld has to ensure that at close of business on the last business day of each month until it is testing the adjusted net leverage ratios there is free cash in members of the Group which have guaranteed repayment of the facility of at least €6.0 million).

The lenders have the right to require repayment of the facility if Hostelworld is subject to a change in control and Hostelworld has the option to repay the facility early. If the facility is repaid for any reason within the first four years of its term a prepayment fee is payable as follows: if repayment is made (1) in the first two years after drawdown then all interest from the date of repayment to the second anniversary of drawdown is due, plus a 2% fee of the amount repaid, (2) between the second and the third anniversary of drawdown the fee is 2% of the amount repaid and (3) between the third and fourth anniversary of drawdown the fee is 1% of the amount repaid.

Hostelworld and its principal trading subsidiaries will guarantee repayment of the facility and amounts payable under it and provide the lenders with a customary security package over their assets. Cash dividends to shareholders are permitted provided total net debt is below 2.0 x adjusted EBITDA, no events of default are ongoing and the above stated minimum liquidity covenant will be complied with after taking into account the proposed dividends. The Group is required to fund any new acquisitions through new equity and/or through a maximum of 50% of retained excess cashflow. Any acquisition by the Group of the remaining shareholdings in Goki PTY Limited and Counter App Limited is required to be funded from cash on the balance sheet.

An amount of €28.8m was received on 23 February 2021, net of original issue discount.

Issue of warrants:

In connection with the facility, Hostelworld has agreed to issue warrants over 3,315,153 ordinary shares of €0.01 each in the capital of Hostelworld (equivalent to 2.85% of Hostelworld's current issued share capital at the time of issue of the warrants) to the lender. The warrants may be exercised at any time during the term of the loan and for a twelve-month period following its scheduled termination at an exercise price of €0.01 per ordinary share. Shares a twelve month period following its scheduled termination at an exercise price of €0.01 per ordinary share. Shares issued will be the same class and carry the same rights as existing shares. An amount of €3,073k was recorded for the initial recognition of the warrants calculated on the basis of the market price of the shares on the date of the agreement 19 February 2021 of €3,106,538 minus the subscription price of €33,152 (3,315,153 X €0.01). No warrants have been exercised as at 31 December 2022.

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[1] PIK interest due €3.4m

[2] No balance is due on the facility until April 2024, when the Group will finalise a repayment schedule with the Revenue Commissioners

[3] The data was compiled by independent laboratory testing, inspection and certification services provider, Bureau Veritas, including hostels with 27,509 beds across Europe and was benchmarked against a sample of the average emissions per bed in representative European hotel chains. Bureau Veritas examined data in 2019, 2020 and 2021, with 2019 figures represented as the benchmark given capacity constraints during ongoing periods of Covid-19 travel restrictions in 2020 and 2021. Findings show that average carbon emissions per bed in hotels averages at 1.18 tCO_2e, compared with 0.30 tCO_2e in the hostels surveyed as part of the study. tCO_2e measures in metric tons the carbon dioxide equivalent of Scope 1 and Scope 2 emissions of the hostels and hotels studied. Study source: www.bureauveritas.co.uk/hostelworld-carbon-impact-analysis

[4] We have offset the cost of all Scope 1, Scope 2 and Scope 3 emissions made by the group. This includes all Scope 3 emissions which are purchased consumables offset already the companies that we partner with.

South Pole have independently verified our emissions.