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29th May 2019

easyHotel plc

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2019

NETWORK GROWTH AND CONTINUED MARKET OUTPERFORMANCE

easyHotel, the owner, developer and operator of super budget branded hotels, today announces its results for the six months ended 31 March 2019 (“the period”).

Financial Highlights

Six Months Ended 31 March (£m)	2019	2018	
Total system sales[1]	20.2	16.1	+25.3 %
Revenue	7.26	4.76	+52.6 %
Adjusted EBITDAR[2]	1.80	1.12	+60.7%
Adjusted EBITDAR margin	24.8%	23.6%	+1.2 ppts
Adjusted EBITDA	1.46	0.98	+48.2 %
(Loss)/Profit before tax	(0.12)	0.09	(237)%
Basic earnings per share (pence)	(0.1)	0.1	(0.1)
Interim dividend per share (pence)	0.08p	0.07p	

- Adjusted EBITDA growth of +48.2% reflects strength of proposition and continued market outperformance.
- Adjusted EBITDAR margin increased by +1.2 ppts to 24.8% (2018: 23.6%) from central costs representing a lower percentage of total revenue.
- Loss before tax of £0.12m (2018: profit of £0.09m) impacted by the temporary closure of Old Street and higher depreciation from new hotels.
- £14.2m invested in new hotel development with £30.3m of cash and £33.9m of bank financing headroom (committed and uncommitted facilities) to continue to expand hotel estate.
- Our newly developed self-contained office accommodation (15,500 sq. ft) at our property at Old Street, London (3rd – 5th floors), has been pre-let to a single tenant.

Business Highlights

Fourth Year Market Outperformance Across Owned Hotels

- Owned hotel RevPAR up 10.1%, outperforming the market[3] by 9.7 ppts
- Franchise like-for-like RevPAR down 3.5%, driven primarily by the hotels in the Benelux region.

Continued Network Expansion – 9% increase in total continuing rooms during first half of the year

- Three new hotels totalling 290 rooms opened during the period and trading in-line with expectations.
- Five new hotels totalling 517 rooms due to open during the second half and a further nine new owned hotels (1,096 rooms) planned to open in next 24 months.

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1 Total system sales a non-statutory measure that represents the full amount that the customer pays for our owned and franchised hotels, including initial sign-on fees paid by franchisees to the Company

2 Adjusted EBITDAR is a non-statutory measure that represents earnings before interest, tax, depreciation, amortisation and rent, adjusted for pre-opening costs related to the development of hotels, share based payments and other adjusting items such as organisational restructuring costs. Adjusted EBITDA reflects Adjusted EBITDAR after rent.

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

- 354 owned hotel rooms added to the development pipeline, including the Group's first owned hotel in France.

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

"easyHotel has delivered a market outperformance and good profitable growth in the first half of the year against a challenging market. The tactical decisions taken early in the period to drive market share through our OTA strategy has underpinned this, and we have continued to benefit from the impact of our ambitious opening programme.

"Over the course of the last two years we have added a total of 18 hotels to our portfolio, significantly expanding our network in key business and tourist destinations across the UK and Europe. Our most recent openings have not only traded in line with our expectations but have also tracked the good performance seen from our new hotels opened in the prior year, which in the current trading environment is very encouraging. Our UK network of owned hotels is already well established, with a strong opening programme in place for the next two years. The Group is now focussed on replicating this success across Europe.

"The hotel market outlook remains uncertain, particularly in the UK where the ongoing Brexit negotiations continue to dampen consumer confidence. We are by no means immune, but the maturing profile of our hotels and our strong development pipeline will support continued growth and enhance our earnings profile. Combined with the careful control of our central costs, these efforts give the Board confidence in meeting its expectations for the year ending 30 September 2019."

A conference call for analysts will be held today, 29 May 2019 at 09.30 am. Dial-in details are below. A presentation is available to download at https://ir.easyhotel.com/

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easyHotel is the owner, developer, operator and franchisor of branded hotels. Its strategy is to target the super budget segment of the hotel industry by marketing "clean, comfortable and safe" hotel rooms to its customers.

Operating hotels

easyHotel's eleven owned hotels currently comprise 1,216 rooms, and it has a further 25 franchised hotels with 2,139 rooms.

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

Spain: Barcelona

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

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

Franchise hotels:

Europe: Spain (Malaga), Switzerland (Zurich, Basel), Netherlands (Amsterdam Schiphol Airport).

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

*Hotels under an operating lease.

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BUSINESS REVIEW

Trading Overview

The Group has continued to outperform its hotel markets in the UK and across Europe during the period, despite a weakening trading environment.

Ongoing political and economic uncertainty in the UK has continued to dampen consumer sentiment over the last six months, resulting in a softening hotel market, where demand weakened quarter-on-quarter. RevPAR across the wider UK hotel market grew by just 0.4% during the period (STR MSE UK) with relatively strong market demand in London off-set by a weakening regional market. Whilst European markets have generally outperformed the UK, overall demand across Europe has softened in 2019.

Against this backdrop, the strength of the easyHotel brand as a leader in super budget sleep segment, underpinned by our growing network of hotels in key international tourist destinations, drove a fourth year of market outperformance across the Group's owned hotels. This resulted in a strong performance across the platform, delivering a 25.3% growth in system sales to £20.2m (H1 2018: £16.1m).

On a like-for-like basis, owned hotel RevPAR for the period was up 10.1% increasing to £36.3 (H1 2018: £33.0). Occupancy rates reduced to 82.1% (2018: 84.4%) reflecting the more challenging market but ADR increased by 13.1% to £44.2 (2018: £39.1).

Like-for-like RevPAR from franchised hotels fell by 3.5% to £38.7 (2018: £40.0) with occupancy rates reducing to 77.9% (2018: 80.5%) and ADR decreasing slightly to £49.64 (2018: £49.72). The Group's European franchised hotels performed less strongly than those in the UK, despite European hotel markets generally outperforming the UK. Trading was mixed on a country by country basis. Our Benelux franchise hotels underperformed the market, and this is expected to continue to year-end.

New Hotel Openings

During the period the Group expanded its portfolio of super budget hotels across the UK and Europe. Openings included a new owned hotel in Ipswich (89-rooms) and two further franchised hotels in Lisbon (101-rooms) and Bernkastel-Kues (100-rooms), with all three hotels already trading in line with management's expectations.

Combined, these openings add a further 290 rooms to the network bringing the Group's total portfolio at the period end to 1,216 owned hotel rooms and 2,139 franchised hotel rooms.

Development Pipeline

In line with its ambitious growth strategy, easyHotel continues to target carefully selected locations to expand its portfolio of owned and franchised hotels. We believe the opportunity to develop our portfolio in key European cities is significant and the Group's newly established European development team has been focussed on pursuing opportunities in these markets. For owned hotels, the Group believes there is potential for approximately 12,000 easyHotel rooms primarily in the UK, France and Spain with an additional opportunity for approximately 15,000 franchised easyHotel rooms across the UK, Europe and the Middle East.

Owned Hotel Development

The Group continued to expand its pipeline of owned hotels during the period. In the UK, this includes a 145-bedroom easyHotel Bristol development (subject to planning permission). In Europe, the Group is pleased to have secured its first hotel in France, the 209 room easyHotel at Paris-Charles de Gaulle Airport, for which a planning decision is expected shortly.

New hotels in Oxford (180 bedrooms) and Blackpool (104 rooms) both received planning permission during the period and are expected to open in the 2020/21 financial year. Other new owned hotel projects currently in development include Cardiff (120 rooms) which is due to open during the next financial year and Cambridge (100 rooms), Chester (109 rooms), and Dublin (130 rooms) which are anticipated to open in the Group's 2020/2021 financial year.

easyHotel Milton Keynes (124 bedrooms) and our refurbished Old Street hotel (89 rooms) are well advanced. Both hotels are expected to open in June 2019, earlier than originally expected.

The Group currently has a total of 1,221 owned hotel rooms in its development pipeline.

Old Street Offices

Our newly developed self-contained office accommodation (15,500 sq. ft) at our property at 80 Old Street, London (3^{rd} - 5^{th} floors), has been pre-let to a single tenant. This is on a ten-year FRI (fully repairing and insuring) lease at an annual rent of £59.50 per sq. ft with an upward only rent review at year five. There is an initial rent-free period. The new tenant, Knotel, is a global flexible office operator that currently manages approximately 3 million sq. ft of space across 200 locations spanning New York, San Francisco, Los Angeles, Sao Paolo, Berlin as well as London.

Franchised Hotel Development

Franchised hotel openings for the current financial year include Zurich (71 rooms, across two hotels) and Amsterdam Schiphol Airport (154 rooms) expected to open in the next financial year.

The Group currently has a total of 1,450 franchised hotel rooms in its committed pipeline.

STRATEGIC PROGRESS

The Group continues to make good progress against its strategic priorities. The growing strength of the brand's simple "no frills" super budget offer is well aligned to the needs of today's discerning and value conscious traveller and the long-term structural growth drivers in the international branded budget hotel sector remain strong.

With the Group now in its fourth year of market out-performance, we continue to drive improvements in our revenue management strategy in order to maximise sales. Over the period the Group has worked with its OTA partners to drive revenues in a softening hotel market. Whilst the OTAs remain an important part of our strategy the Group is taking steps to strengthen its percentage of direct bookings through the roll out of a new PMS system in 2019 with planned enhancements to build direct revenue share. This will enable us to improve our customer booking experience even further and will be supported by investment in our CRM platform to drive improved returns from our more targeted marketing activity.

With a current portfolio of 36 hotels across 30 cities, the Board is focussed on the accelerated expansion of the easyHotel brand through both owned hotel and franchised hotel development, to take advantage of the significant opportunity across the UK, Continental Europe and Middle Eastern markets.

In the UK, where the Group already has significant established owned hotel presence and a strong committed pipeline to deliver seven further hotels by the 2021 financial year end, the Group intends to focus further owned hotel development on primary city targets, refocussing its wider UK expansion plans on franchised development.

In Continental Europe, the Group's newly appointed European Development Team are pursuing a number of owned and franchised development opportunities. The Group intends to expand its European owned hotel network in key primary and secondary tourist destinations with a focus on France and Spain. The Group's strong balance sheet and cash generation underpins the funding for future owned hotel growth in these markets.

Further expansion across mainland Europe and the Middle East will be led through an increased focus on franchised development, enabling the Group to broaden its presence, without the need for direct capital investment.

FINANCIAL REVIEW

Revenue

Total Group revenue grew by 52.6% to £7.26m (H1 2018: £4.76m).

Owned hotel revenues, including other income, increased by 63.3% during the period to £6.46m (H1 2018: £3.96m), reflecting the contribution from new hotel openings in 2018: Leeds (August), Sheffield (September) and Barcelona (September), and a new hotel in Ipswich in January 2019. These openings more than offset the impact from the full closure of Old Street in December 2018, that is planned to re-open in June 2019.

Owned hotel RevPAR was up 10.1% to £36.3 (H1 2018: £33.0) which outperformed the wider UK MSE sector by 9.7% pts.

Total franchise revenue was broadly flat at £0.80m (H1 2018: £0.80m). Like-for-like franchise revenue decreased by 3.1% as a result of challenging trading conditions in some locations. This was offset by the positive impact of new hotel openings in 2018: The Hague-Scheveningen (March), Maastricht (July), Belfast (August), Reading (September) and Lisbon (October) and Bernkastel-Kues (January 2019).

Adjusted EBITDA and Profit Before Tax

Adjusted EBITDA was up 48.2% at £1.46m (H1 2018: £0.98m), driven by new hotel openings and strong trading across owned hotels. This was impacted by the temporary closure of Old Street (refurbishing the hotel and developing a lettable office), use of OTAs (driving revenues in a softening hotel market) and investment in central resources (to support our future growth).

Adjusted EBITDAR margin of 24.8% (H1 2018: 23.6%) was up +1.2% pts.

Rent during the period was £0.34m (H1 2018: £0.14m) reflecting a full six months of our Newcastle operating lease and six months of central office lease cost.

Depreciation and amortisation costs rose to £1.21m (H1 2018: £0.71m) relating to the investment made in the Company's owned hotel development strategy. Net finance income was £0.01m (H1 2018: net finance income of £0.03m) reflecting interest received on the Group's cash balance and interest paid on debt facilities during the period.

Adjusted profit before tax, stated before share-based payments, pre-opening costs and other adjusting items decreased slightly to £0.26m (H1 2018: £0.30).

Reported loss before tax was £0.12m (H1 2018: profit of £0.09m). Adjusting for the temporary closure of Old Street would have resulted in an (estimated) £0.3m increase to the Group's reported profit before tax for the period.

Cash Flows and Balance Sheet

During the first half of the year, cash and cash equivalents decreased by £11.1m to £30.3m (30 September 2018: £41.4m), due to cash used in investing activities of £14.1m partially offset by net cash generated from operations of £1.93m and bank financing of £1.08m.

The Group's committed bank facilities were £28.6m with total borrowings, at the end of the period, of £17.7m. Net cash, being the cash balance reduced by drawn debt, at the end of the period was £12.6m (30 September 2018: £24.9m).

The Board does not undertake valuations of the Group's hotels, therefore, records the value of its hotel assets on the balance sheet at cost. Were the Board to undertake a formal valuation of its hotels it expects that the value would exceed that recorded on the Group's balance sheet. Total non-current assets increased to £109.1m (30 September 2018: £98.1m).

Earnings Per Share and Interim Dividend

Basic earnings per share during the period was a loss of 0.08p (H1 2018: profit 0.06p).

The Board has announced an interim dividend of 0.08p per ordinary share (H1 2018: 0.07p). The interim dividend will be paid on 28 June 2019 to those shareholders on the register at the close of business on 7 June 2019. The shares will go ex-dividend on 6 June 2019.

OUTLOOK

The hotel market outlook remains uncertain, particularly in the UK where the ongoing Brexit negotiations continue to dampen consumer confidence. We are by no means immune, but the maturing profile of our hotels and strong development pipeline will support continued growth and enhance our earnings profile. Combined with the careful control of our central costs, these efforts give the Board confidence in meeting its expectations for the year ending 30 September 2019.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 March 2019

	Note	Unaudited **6 months ended 31/03/19**	Unaudited 6 months ended 31/03/18	Audited year ended 30/09/2018
		£	£	£
System sales*		**20,176,898**	16,103,636	37,313,925
Revenue	3	**7,259,901**	4,758,081	11,253,872
Cost of sales		**(3,876,134)**	(2,219,160)	(5,231,963)
Gross profit		**3,383,767**	2,538,921	6,021,909
Administrative expenses		**(3,518,949)**	(2,473,848)	(5,337,832)
Operating (loss)/ profit	4	**(135,182)**	65,073	684,077
Analysed as:				
Adjusted EBITDA **		**1,456,364**	982,690	2,958,733
Depreciation and amortisation		**(1,206,806)**	(706,028)	(1,502,313)
Hotel pre-opening and development costs		**(124,729)**	(47,920)	(246,971)
Share based payments		**68,041**	(129,944)	(276,565)
Other Adjusting Items	4	**(328,052)**	(33,725)	(248,807)
		(135,182)	65,073	684,077
Finance income	8	**126,570**	93,283	304,893
Finance expense	9	**(115,143)**	(68,237)	(116,808)
(Loss)/ Profit before taxation		**(123,755)**	90,119	872,162
Taxation		**9,461**	(22,529)	(225,658)
(Loss)/ Profit for the year attributable to equity holders of the Company		**(114,294)**	67,590	646,504
Exchange gain/ (loss) arising on retranslation of foreign operations		**(621,038)**	(22,368)	63,323
Total Comprehensive income/ (loss) attributable to equity holders of the Company		**(735,332)**	45,222	709,827
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Company				
Basic (pence)	6	**(0.1)**	0.1	0.5
Diluted (pence)	6	**(0.1)**	0.0	0.5

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

** Adjusted EBITDA represents earnings before interest, taxation, depreciation and amortisation adjusted for pre-opening costs related to the development of hotels, organisational restructuring costs, share based payments and other adjusting items. 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 31 March 2019

Company number 09035738

	Note	**Unaudited**	Unaudited	Audited
		6 months ended 31/03/19	6 months ended 31/03/18	year ended 30/09/2018
		£	£	£
Assets				
Non-current assets				
Property, plant and equipment		**107,364,489**	62,355,070	96,259,366
Intangible assets		**1,164,173**	1,065,856	1,151,131
Long-term deposits		**620,851**	634,770	643,080
Total non-current assets		**109,149,513**	64,055,696	98,053,577
Current assets				
Trade and other receivables	10	**3,181,872**	2,423,797	4,022,560
Cash and cash equivalents		**30,255,648**	71,262,688	41,390,018
Total current assets		**33,437,520**	73,686,485	45,412,578
Total assets		**142,587,033**	137,742,181	143,466,155
Liabilities				
Non-current liabilities				
Trade and other payables	7	**735,091**		756,826
Bank borrowings		**16,944,938**	12,768,304	15,749,566
Deferred tax liability		**459,823**	334,197	418,349
Total non-current liabilities		**18,139,852**	13,102,501	16,924,741
Current liabilities				
Trade and other payables	7	**4,995,286**	5,343,148	6,057,925
Bank borrowings		**712,888**	360,000	710,413
Corporate taxation		**118,107**		131,560
Total current liabilities		**5,826,281**	5,703,148	6,899,898
Total liabilities		**23,966,133**	18,805,649	23,824,639
Total net assets		**118,620,898**	118,936,532	119,641,516
Equity				
Equity attributable to owners of the Company				
Share capital		**1,459,545**	1,459,545	1,459,545
Share premium		**113,114,938**	113,119,801	113,114,938
Merger reserve		**2,750,001**	2,750,001	2,750,001
Employee Benefit Trust (EBT) reserve		**(1,067,405)**	(1,067,405)	(1,067,405)
Currency translation reserve		**(636,673)**	(101,326)	(15,635)
Retained earnings		**3,000,493**	2,775,916	3,400,072
Total equity		**118,620,898**	118,936,532	119,641,516

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CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 31 March 2019

	Unaudited	Unaudited	Audited
	6 months ended 31/03/19	6 months ended 31/03/18	year ended 30/09/2018
	£	£	£
Cash flows from operating activities			
(Loss) / Profit before taxation for the year	**(123,755)**	90,119	872,162
Adjustments for:			
Depreciation and amortisation	**1,206,828**	706,028	1,502,313
Share based payment charge/ (credit)	**(68,041)**	129,944	276,565
Finance income	**(126,570)**	(93,283)	(304,893)
Finance expense	**115,143**	59,762	116,808
Operating cash flows before movements in working capital	**1,003,605**	892,570	2,462,955
(Increase) / decrease in trade and other receivables	**270,182**	(436,950)	183,560
Increase / (decrease) in trade and other payables	**761,259**	(794,895)	214,702
Cash generated from operations	**2,035,046**	(339,275)	2,861,217
Corporation tax received/ (paid)	**50,934**	(69,323)	(71,123)
Net cash flows from / (used in) operating activities	**2,085,980**	(408,598)	2,790,094
Interest received	**129,885**	93,283	346,627
Interest paid	**(286,230)**	(176,596)	(488,049)
Net cash generated from/ (used in) operations	**1,929,635**	(491,911)	2,648,671
Investing activities			
Purchase of property, plant and equipment	**(14,223,264)**	(10,738,954)	(46,379,646)
VAT on investing activities	**119,158**	(389,533)	(1,017,152)
Net cash used in investing activities	**(14,104,106)**	(11,128,487)	(47,396,798)
Financing activities			
Proceeds from issue of ordinary share capital	—	50,000,000	50,000,000
Capitalised costs related to issue of ordinary share capital	—	(1,201,447)	(1,206,308)
Dividends paid	**(217,244)**	(218,625)	(320,006)
Proceeds in bank loan	**1,551,133**	1,252,240	4,769,921
Repayment of bank loan	**(259,040)**	(180,000)	(360,000)
Net cash generated from / (utilised by) financing activities	**1,074,849**	49,652,168	52,883,607
Net increase / (decrease) in cash and cash equivalents	**(11,099,622)**	38,031,770	8,135,480
Cash and cash equivalents at the beginning of the year	**41,390,018**	33,255,253	33,255,253
Exchange gains on cash and cash equivalents	**(34,748)**	(24,335)	(715)
Cash and cash equivalents at the end of the year	**30,255,648**	71,262,688	41,390,018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 March 2019

6 months ended 31 March 2018 Unaudited	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	—	—	—	—	—	67,588	67,588
Other comprehensive income	—	—	—	—	(22,368)	—	(22,368)
Total comprehensive income for the period	—	—	—	—	(22,368)	67,588	45,220
Share based payment charge	—	—	—	—	—	129,944	129,944
Dividends paid	—	—	—	—	—	(218,625)	(218,625)
Issue of shares	454,545	48,344,010	—	—	—	—	48,798,555
Balance at 31 March 2018	1,459,545	113,119,801	2,750,001	(1,067,405)	(101,326)	2,775,916	118,936,532

year ended 30 September 2018 Audited	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	—	—	—	—	—	646,504	646,504
FX Translation Movement					63,323		63,323
Total comprehensive income for the period	0	0	0	0	63,323	646,504	709,827
Share based payment charge	—	—	—	—	—	276,565	276,565
Dividends paid	—	—	—	—	—	(320,006)	(320,006)
Issue of shares	454,545	48,339,147	—	—	—	—	48,793,692
Balance at 30 September 2018	1,459,545	113,114,938	2,750,001	(1,067,405)	(15,635)	3,400,072	119,641,516

year ended 31 March 2019 Unaudited	Share capital	Share premium	Merger reserve	EBT reserve	Currency translation reserve	Retained earnings	Total
	£	£	£	£	£	£	£
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/ (Loss)	—	—	—	—	—	(114,294)	(114,294)
FX Translation Movement	—	—	—	—	(621,038)	—	(621,038)
Total comprehensive income for the period	0	0	0	0	(621,038)	(114,294)	(735,332)
Share based payment charge	—	—	—	—	—	(68,041)	(68,041)
Dividends paid	—	—	—	—	—	(217,244)	(217,244)
Balance at 31 March 2019	1,459,545	113,114,938	2,750,001	(1,067,405)	(636,673)	3,000,493	118,620,898

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the six months ended 31 March 2019

1 Statement of compliance

easyHotel plc (the "Company"), and its wholly owned subsidiaries (easyHotel UK Ltd, easyHotel Spain S.L.U. and easyHotel Ireland Ltd), is an international owner, developer, operator and franchisor of "easyHotel" branded hotels. The Company is a public limited company whose shares are listed on AIM under the ticker symbol EZH and is incorporated and domiciled in the United Kingdom. The address of the registered office is 52 Grosvenor Gardens, London SW1W 0AU, United Kingdom.

The interim financial information set out in this interim report has been prepared under the recognition and measurement requirements of IFRS as adopted by the European Union but does not contain all of the disclosures that are required under these standards, taking into account International Financial Reporting Interpretations Committee (IFRIC) interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. Based on these adopted IFRSs, the Directors have applied the accounting policies which they expect to apply when the annual IFRS financial statements are prepared for the year ended 30 September 2019.

The group's accounting policies remain as stated in the group's full annual accounts for the year ended 30 September 2018, apart from those later in the report.

2 Significant accounting policies

Basis of preparation

The accounts are prepared based on the historical cost convention. The accounting policies set out below have been applied consistently to all years presented in these accounts, unless otherwise stated.

After making appropriate enquiries and having reviewed the Group's expenditure commitments, current financial projections and future cash flows, together with available cash resources and undrawn committed borrowing facilities, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, the Directors continue to adopt the going concern basis in preparing these interim results.

All amounts are presented in Pound Sterling (GBP, £), except where otherwise indicated.

In accordance with s 435 of the Companies Act, these accounts are non-statutory. Statutory accounts dealing with the financial year ending 30 September 2018 have been submitted to Companies House. The auditor's report has been made on the company's statutory accounts for the year ended 30 September 2018, the report was unqualified.

Basis of consolidation

The consolidated accounts incorporate those of easyHotel plc and its subsidiaries for the year ended 30 September 2018 and the six months ended 31 March 2019. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. On acquisition of its subsidiary, easyHotel UK Ltd, merger accounting was the basis of consolidation.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

Intragroup balances and transactions and any unrealised gains and losses arising from intragroup transactions are eliminated in preparing the consolidated accounts.

Investment in subsidiary

easyHotel plc has an investment in easyHotel UK Ltd (a wholly owned subsidiary) of £3,825,683 (2017: £3,825,683). This investment is held at cost less any reasonable provisions for impairment against the investment of which there are currently none.

easyHotel UK Ltd has an investment in easyHotel Spain S.L.U. (a wholly owned subsidiary) of £7,583,664 (2017: £7,583,664). This investment is held within easyHotel UK Ltd at cost less any reasonable provisions for impairment against the investment of which there are currently none.

easyHotel UK Ltd has an investment in easyHotel Ireland Ltd (a wholly owned subsidiary) of £8,243,453 (2018: £1). This investment is held within easyHotel UK Ltd at cost less any reasonable provisions for impairment against the investment of which there are currently none.

Employee Benefit Trust (EBT)

The EBT's assets (other than investments in the Company's shares), liabilities, income and expenses are included on a line-by-line basis in the consolidated financial statements, and its investment in the Company's shares is deducted from equity in the consolidated statement of financial position as if they were treasury shares.

The EBT is not consolidated in the Company's own financial statements but the Company recognises any transactions between itself and the EBT in accordance with the relevant accounting policy.

Foreign currency

The primary economic environment in which a subsidiary operates determines its functional currency. The consolidated accounts of easyHotel are presented in Sterling, which is the Company's functional currency and the Group's presentation currency.

Transactions arising in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the income statement. Non-monetary assets and liabilities denominated in foreign currencies are translated into Sterling at foreign exchange rates ruling at the dates the transactions were effected.

On consolidation the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the currency translation reserve.

Revenue

Revenue from contracts with customers is recognised when control of the services are transferred to the customer at an amount that reflects the consideration to which the company expects to be entitled in exchange for those services.

Provided the amount, if applicable, can be measured reliably and it is probable that the Company will receive the consideration, revenue for services is recognised as follows:

Owned – primarily derived from hotel operations, including the rental of rooms and ad hoc utility services sales from owned hotels operated under the "easy" brand name. Revenue is recognised when rooms are occupied, and ad hoc utility services are provided.

Franchise fees – received in connection with the licence of the Company's brand name, usually under long-term contracts with the hotel owner. The Company charges franchise royalty fees and processing fees as a percentage of room revenue and in some cases receives an upfront fee on the grant of a franchise. Revenue is earned and recognised when the customer has occupied the room at the franchisee's operated hotel accommodation. Upfront fees are generally recognised immediately as an initial sign-on income, with portions relating to legal, contractual, marketing or similar items recognised over the period from signing to opening. Where upfront fees specifically relate to exclusivity, these fees are recognised over the franchisee exclusivity period.

Consideration received in advance for which the revenue recognition criteria above have not been satisfied are deferred until such time as the revenue recognition criteria have been satisfied.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, if any, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Provisions

Provisions are recognised for liabilities of uncertain timing or amounts that have arisen as a result of past transactions and are discounted at a pre-tax rate reflecting current market assessments of the time value of money and the risks specific to the liability.

Changes in Accounting Policies

a) New standards, interpretations and amendments effective during the period

New standards impacting the group that have been adopted for the interim accounts

- IFRS 9: Financial Instruments (replacing IAS 39)
- IFRS 15: Revenue from contracts with customers (replaces IAS 18)

IFRS 9 brings together all three aspects of accounting for financial instruments: classification and measurement, impairment and hedge accounting. The accounting policy for financial assets and liabilities were updated to comply with IFRS 9, the introduction of the new standard was assessed and its impact is deemed immaterial on financial instruments of the group as previously reported.

IFRS 15 applies to all revenue arising from contracts with customers, unless those contracts are in scope of other standards. The new standard establishes a five steps model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised when the control of services are transferred to the customer at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model for contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Based on the assessment, the accounting policy for Revenue was updated to comply with IFRS 15 and there was no material impact of introduction of this new standard on revenue recognition of the group as previously reported.

Adoption of IFRS 16 will result in the group recognising right of use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under current accounting requirements the group does not recognise assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment.

The Board has decided it will apply the modified retrospective method of adoption of IFRS 16, and therefore will only recognise leases on the balance sheet as at 1 October 2018. In addition, it has decided to measure right of-use-assets by reference to the measurement of the lease liability on that date.

Instead of recognising an operating expense for its operating lease payments, the group will instead recognise interest on its lease liabilities and amortisation on its right-of-use assets.

The directors anticipate that the adoption of IFRS 16 in future periods may have an impact on the results and net assets of the Company, however, the board continues to assess and will quantify at year end. The directors anticipate that the adoption of other Standards and interpretations that are not yet effective in future periods will only have an impact on the presentation in the financial statements of the Company.

Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of assets

The Group is required to consider assets for impairment where such indicators exist using value in use calculations or fair value estimates. The use of these methods may require the estimation of future cash flows and the choice of a discount rate in order to calculate the value in use or fair value.

(b) Useful lives of property, plant and equipment

Property, plant and equipment are depreciated over their useful lives. Useful lives are based on the management's estimates for the period that the assets will generate revenue, which, along with their estimated residual values, are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated statement of comprehensive income in specific periods.

(c) Taxation

The Group is subject to income tax and significant judgement is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Group recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when the Group believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. The Group believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgements about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

3 Revenue	**Unaudited**	Unaudited	Audited
	6 months ended 31/03/19	6 months ended 31/03/18	year ended 30/09/2018
	£	£	£
Revenue arises from:			
Owned hotel revenue	**6,368,491**	3,868,148	9,075,454
Franchised hotel revenue	**801,410**	802,933	1,810,918
Other income	**90,000**	87,000	367,500
	7,259,901	4,758,081	11,253,872

Geographical information	**Unaudited**	Unaudited	Audited
	6 months ended 31/03/19	6 months ended 31/03/18	year ended 30/09/2018
	£	£	£
Revenue by location			
United Kingdom	**5,219,117**	4,118,484	9,575,363
Europe	**2,016,013**	592,425	1,619,136
Rest of the world	**24,771**	47,172	59,372
	7,259,901	4,758,081	11,253,872

4 Operating profit and adjusted EBITDA

	Unaudited	Unaudited	Audited
	6 months ended 31/03/19	6 months ended 31/03/18	year ended 30/09/2018
	£	£	£
The following have been included in arriving at operating profit before tax:			
Staff Costs:			
Wages and Salaries	**1,494,439**	1,114,328	2,350,291
Social Security Costs	**161,759**	130,877	230,909
Staff recruitment and training	**51,486**	52,065	102,784

	Unaudited	Unaudited	Audited
	6 months ended 31/03/19	6 months ended 31/03/18	year ended 30/09/2018
	£	£	£
Other Adjusting items from reportable segments include:			
Other adjusting items include:			
Recruitment fees and other related costs	**(201,001)**	—	(124,540)
Legal fees	**(91,567)**	—	(124,213)
Other Adjustments	**(35,484)**	(33,671)	—
Abortive fees	—	—	(54)
Total non-recurring income/(costs)	**(328,052)**	(33,671)	(248,807)

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5 Segment information

The Group has two main reportable segments:

- **Owned properties** – This segment is involved in hotel operations carried out in the Group's owned hotels and properties.
- **Franchising** – This segment involves the Group's franchised hotel operations, in connection with the licence of the Group's brand name.

Factors that management used to identify the Group's reportable segments

These segments are considered on the basis of ownership. Franchises are governed via franchise agreements and are managed independently.

Measurement of operating segment profit or loss, assets and liabilities

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The Group evaluates performance on the basis of adjusted EBITDA.

Segment assets exclude tax assets. Segment liabilities exclude tax liabilities. Even though loans and borrowings arise from finance activities rather than operating activities, they are allocated to the segments based on relevant factors (e.g. funding requirements). Details are provided in the reconciliation from segment assets and liabilities to the Group position.

	Owned properties £	Franchising £	Total £
31 March 2019			
Revenue			
Total revenue from external customers	**6,458,491**	**801,410**	**7,259,901**
Adjusted EBITDA	**2,221,597**	**398,740**	**2,620,337**
Profit before taxation	**994,252**	**371,435**	**1,365,686**
Segment assets	**138,075,125**	**1,543,108**	**139,618,233**
Segment liabilities	**(21,763,855)**	**(1,095,819)**	**(22,859,674)**
Other			
Additions to non-current assets	**11,779,567**	**—**	**11,779,567**
Disposals of non-current assets	—	—	—
Finance income	**126,570**	**—**	**126,570**
Finance cost	**(115,143)**	**—**	**(115,143)**
Depreciation and amortisation	**(1,502,313)**	**—**	**(1,502,313)**
31 March 2018			
Revenue			
Total revenue from external customers	3,955,148	802,933	4,758,081
Adjusted EBITDA	1,488,073	422,278	1,910,351
Profit before taxation	940,657	402,827	1,343,484
Segment assets	135,535,976	1,144,429	136,680,405
Segment liabilities	(16,525,473)	(1,522,978)	(18,048,451)
Other			
Additions to non-current assets	11,751,691	209,197	11,960,888
Disposals of non-current assets	—	—	—
Finance income	93,383	—	a93,383
Finance cost	(59,762)	—	(59,762)
Depreciation and amortisation	(580,937)	(19,451)	(600,388)

30 September 2018			
Revenue			
Total revenue from external customers	9,442,954	1,810,918	11,253,872
Adjusted EBITDA	3,910,856	1,097,977	5,008,833
Profit before taxation	2,969,996	1,055,215	4,025,211
Segment assets	138,975,913	2,272,609	141,248,522
Segment liabilities	(21,455,702)	(1,708,099)	(23,163,801)
Other			
Additions to non-current assets	22,244,516	—	22,244,516
Disposals of non-current assets	—	—	—
Finance income	358,074	—	358,074
Finance cost	(141,010)	—	(141,010)
Depreciation and amortisation	(1,502,313)	—	(1,502,313)

Reconciliation of reportable adjusted EBITDA, profit or loss, assets and liabilities to the Group's corresponding amounts is shown below:

	Unaudited 6 months ended 31/03/19	Unaudited **6 months ended 31/03/18**	Audited **year ended 30/09/2018**
	£	£	£
Adjusted EBITDA of reportable segments	**2,620,337**	1,910,351	5,008,833
Adjusted EBITDA of corporate office	**(1,163,974)**	(927,661)	(2,050,100)
Total adjusted EBITDA	**1,456,364**	982,690	2,958,733
Profit before income tax			
Total profit of reportable segments	**1,365,686**	1,343,484	4,025,211
Corporate office expenses and interest	**(1,104,701)**	(1,041,778)	(2,380,705)
Other adjusting items	**(328,052)**	(33,725)	(248,807)
Hotel pre-opening and development costs	**(124,729)**	(47,920)	(246,971)
Share based payments	**68,041**	(129,944)	(276,565)
Profit before tax per statement of comprehensive income	**(123,755)**	90,117	872,163
Assets			
Total assets for reportable segments	**139,618,233**	136,680,405	141,246,929
Cash in Employee Benefit Trust	**1,593**	1,593	1,593
Corporate office assets	**2,967,207**	1,060,183	2,217,632
Total assets per statement of financial position	**142,587,033**	137,742,181	143,466,154
Liabilities			
Total liabilities for reportable segments	**(22,859,674)**	(18,048,453)	(23,163,801)
Corporation tax	**(118,107)**	47,334	(131,561)
Corporate office liabilities	**(528,529)**	(423,000)	(110,929)
Deferred tax liabilities	**(459,823)**	(381,531)	(418,349)
Total liabilities per statement of financial position	**(23,966,133)**	(18,805,650)	(23,824,640)

Geographical information	Unaudited **6 months ended 31/03/19**	Unaudited 6 months ended 31/03/18	Audited year ended 30/09/2018
	£	£	£
Revenue by location			
United Kingdom	**5,219,117**	4,118,484	9,575,363
Europe	**2,016,013**	592,425	1,619,136
Rest of the world	**24,771**	47,172	59,372
	7,259,901	4,758,081	11,253,871

6 EPS

Basic earnings per ordinary share are calculated using the weighted average number of ordinary shares in issue during the financial period of 144,829,546 (31 March 2018: 104,120,255; 30 September 2018: 126,896,794).

Diluted earnings per ordinary share are calculated using the weighted average number of ordinary shares in issue during the financial period of 145,072,879 (31 March 2018: 104,200,717; 30 September 2018: 127,039,707).

The company has 142,913 potentially dilutive options, issued or outstanding. Earnings consist of profit/ (Loss) for the period attributable to the shareholders amounting to £(114,294) (31 March 2018: £67,590; 30 September 2018: £646,504).

7 Trade and other payables

	Unaudited 6 months ended 31/03/19	Unaudited 6 months ended 31/03/18	Audited year ended 30/09/2018
	£	£	**£**
Trade payables	**979,650**	476,092	1,790,687
Other payables	**317,228**	85,953	341,609
Amounts payable to franchisees in future	**581,823**	1,308,267	1,099,645
Accruals	**2,159,851**	2,380,223	2,282,633
Total financial liabilities classified as financial liabilities measured at amortised cost	**4,038,552**	4,250,535	5,514,574
Other taxation and social security	**179,216**	110,331	151,958
VAT payable	—	—	—
Bookings in advance	**1,317,549**	743,057	963,057
Deferred income	**195,060**	239,225	185,162
Total trade and other payables	**5,730,377**	5,343,148	6,814,751
Classified as follows:			
Non-current portion	**735,091**	—	756,826
Current portion	**4,995,286**	5,343,148	6,057,926

8 Finance income

	Unaudited 6 months ended 31/03/19	Unaudited 6 months ended 31/03/18	Audited year ended 30/09/2018
	£	£	£
Finance income			
Interest income on financial assets measured at amortised cost	**120,978**	93,283	358,074
Foreign exchange gain	**5,593**	—	(53,181)
Total finance income recognised in profit or loss	**126,570**	93,283	304,893

9 Finance expense

	Unaudited 6 months ended 31/03/19	Unaudited 6 months ended 31/03/18	Audited year ended 30/09/2018
	£	£	£
Finance expense			
Interest expense on financial liabilities measured at amortised cost	**356,231**	208,703	509,891
Amount capitalised *	**(241,088)**	(148,941)	(393,083)
Foreign exchange loss	—	8,475	—
Total finance expense recognised in profit or loss	**115,143**	68,237	116,808

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

10 Trade and other receivables

	Unaudited	Unaudited	Audited
	6 months ended 31/03/19	6 months ended 31/03/18	year ended 30/09/2018
	£	£	**£**
Trade receivables	**246,819**	221,438	216,076
Accrued income	**25,635**	28,098	34,542
Total financial assets other than cash and cash equivalents classified as loans and receivables	**272,454**	249,536	250,618
Prepayments	**982,961**	406,742	831,363
VAT receivable	**1,591,801**	1,758,376	2,323,269
Other receivables	**334,656**	9,143	617,310
Total trade and other receivables	**3,181,872**	2,423,797	4,022,560
Classified as follows:			
Current portion	**3,181,872**	2,423,797	4,022,560

There is no material difference between the net book value and the fair values of trade and other receivables due to their short-term nature.