



# YHA Ltd

# Annual General Meeting 2017



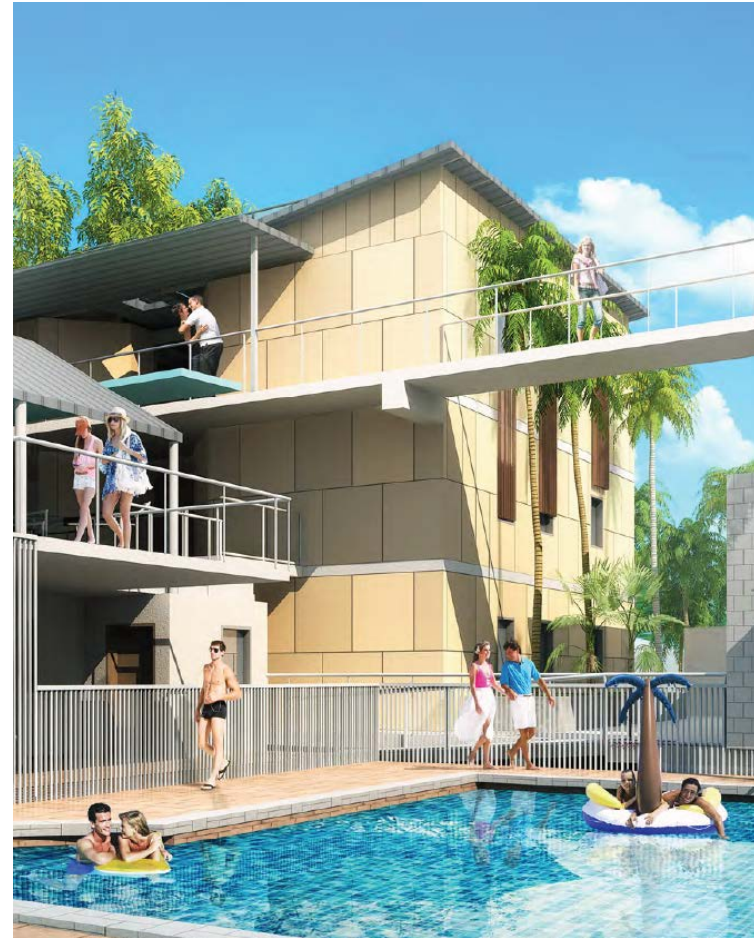
# Highlights 2016

- Successful integration of former national body, Hostelling International Australia (HI-A) into YHA Ltd
- National Strategic Planning Conference – new Strategic Plan to 2020
- YHA Tasmania members voted to merge from 1 January 2017
- Memorandum of Understanding signed with YHA WA regarding proposed merger
- New Constitution and By-law re Director nomination and election in place



# Highlights 2016

- Purchase and refurbishment of Newcastle Beach YHA
- Land acquired at 3 Beach Road in central Surfers Paradise for a future hostel on the Gold Coast
- Construction underway for Byron Bay YHA expansion

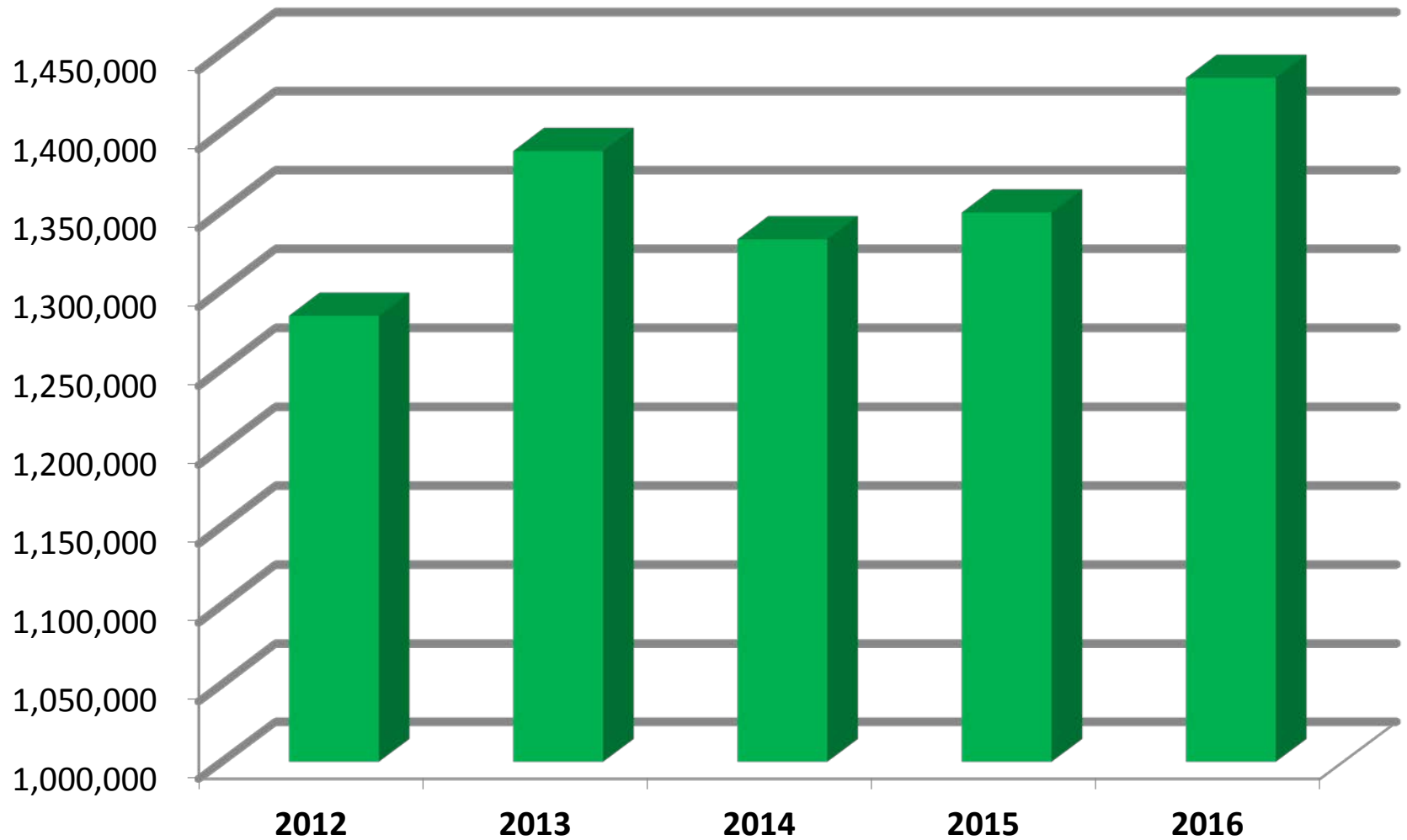


# Highlights 2016

- 3,918 travellers accommodated each night
- 1,434,136 overnight stays recorded at 57 hostels (+ 6.3% on 2015)
- Surplus of \$2M on operating turnover of \$45.3M

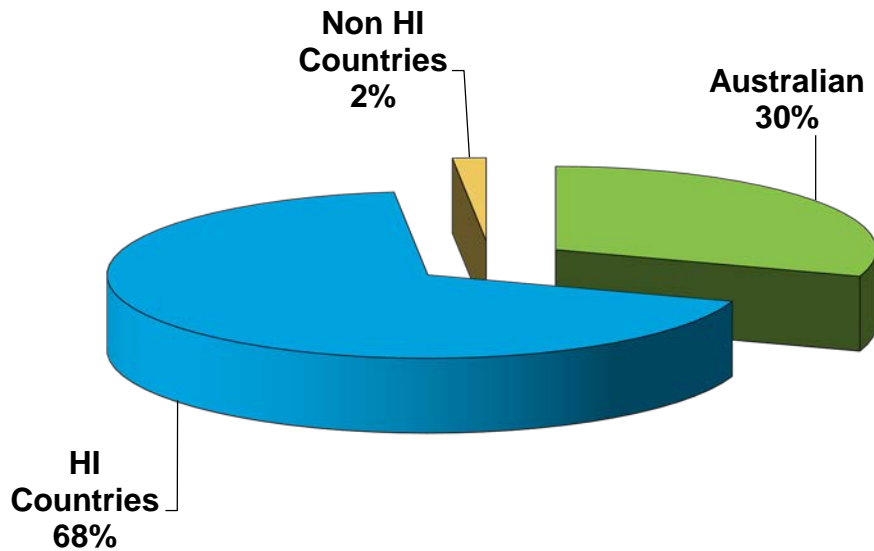


# Guest overnights

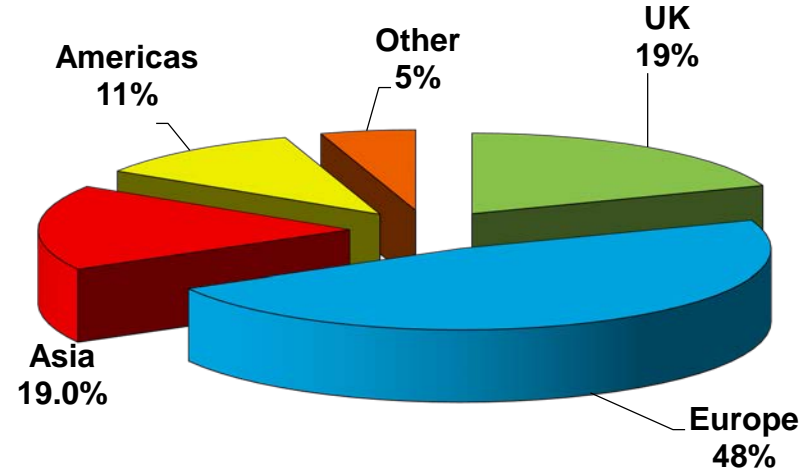


# Guest nationalities

Increase in total number of guests, in particular from the UK, Germany, China, Japan, Netherlands and North America



International and Australian



International by region



# Accommodation

- Bathroom upgrades at Airlie Beach, Brisbane City, Glebe Point, Cairns Central and Melbourne Metro YHAs
- 16 hostels certified and audited under HI-Quality scheme
- Mural artworks installed at several hostels



# Other Development

- Small Hostels Development Fund expended on remodelling at Port Elliot YHA in South Australia, and other small hostel projects
- Sydney Central YHA level one part converted and leased to working holiday agency to assist travellers with job-seeking





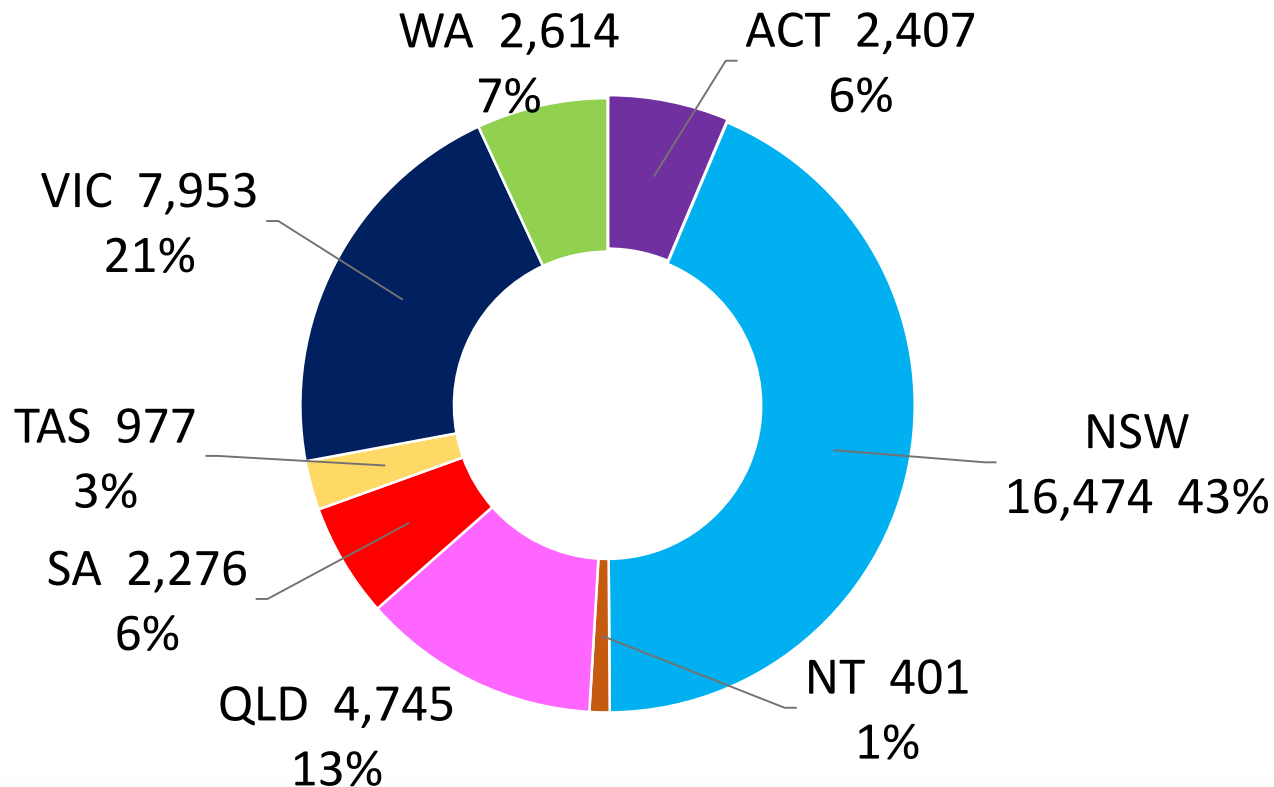
# Sustainability

- YHA's Sustainable Hostels Fund (voluntary guest contributions via bookings on [yha.com.au](http://yha.com.au)) raised \$44k
- Photo-voltaic cells installed at Sydney Harbour and Coffs Harbour YHAs
- \$1.14 from each guest's overnight stay at Sydney Harbour YHA funds conservation/interpretation of site's history and archaeology



# Australian Members

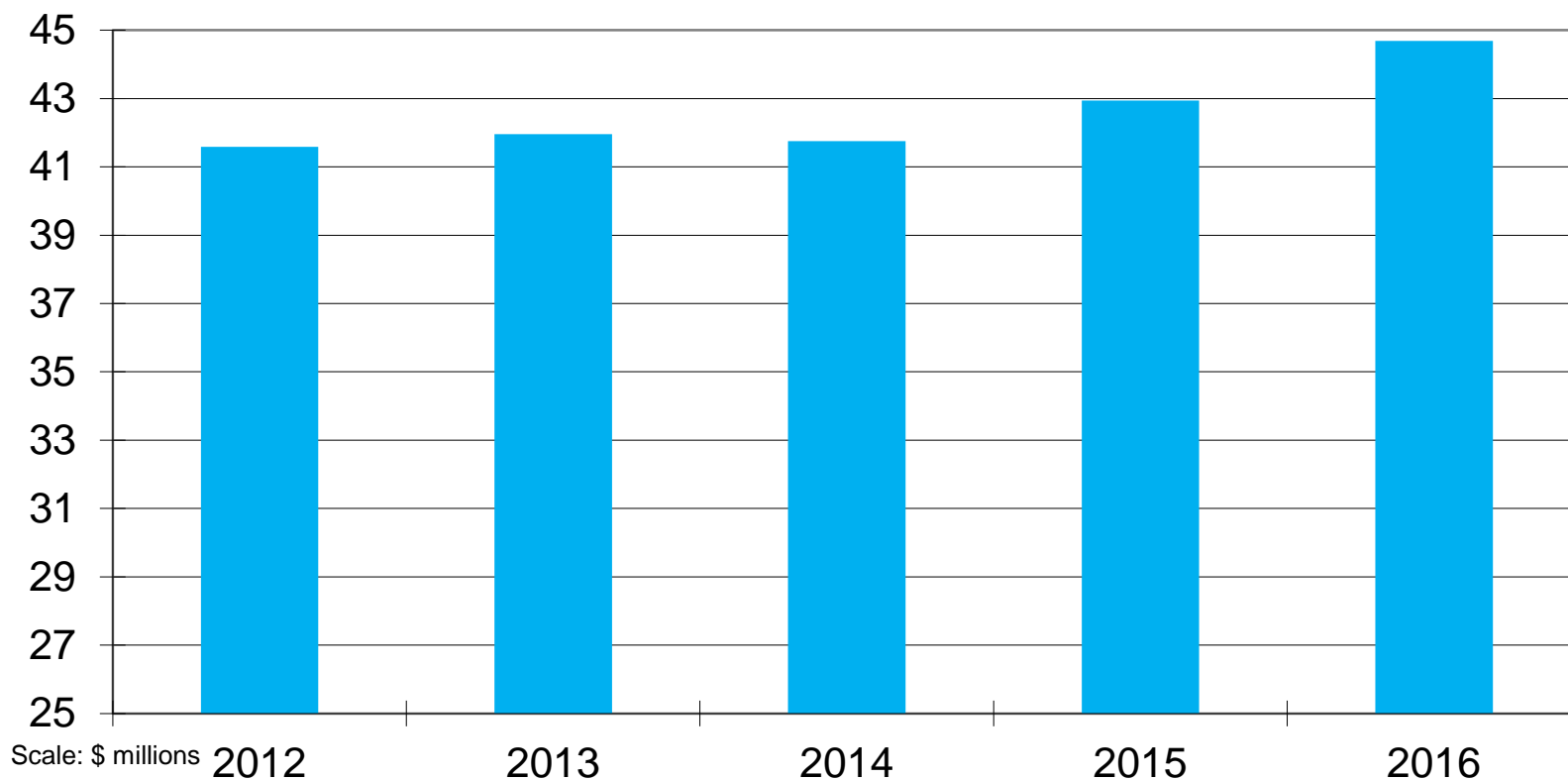
- Australian membership of 35,262 (-4%)
- International membership of 19,909 (-5%)
- Group membership of 1,006 (-2%)



# Revenue

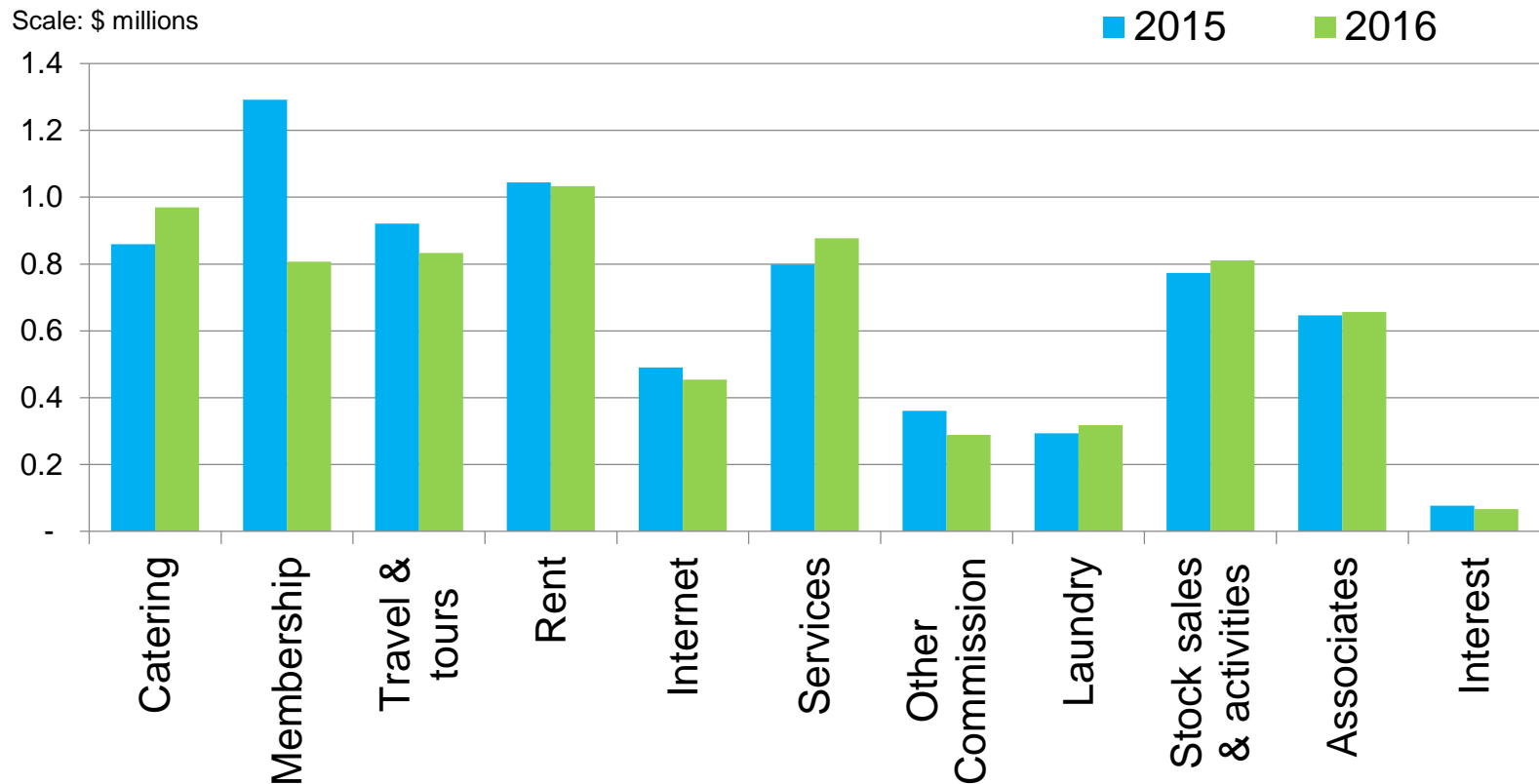
Total operating revenue of \$45.3M (\$42.9M in 2015)

Income from services increased by \$1.674M and other income by \$687k



# Hostel and other revenue

- Accommodation income was \$35.7M (83% of the income for hostels).
- Balance of \$7.5M is made up through services (excludes HI Australia integration of \$619k).



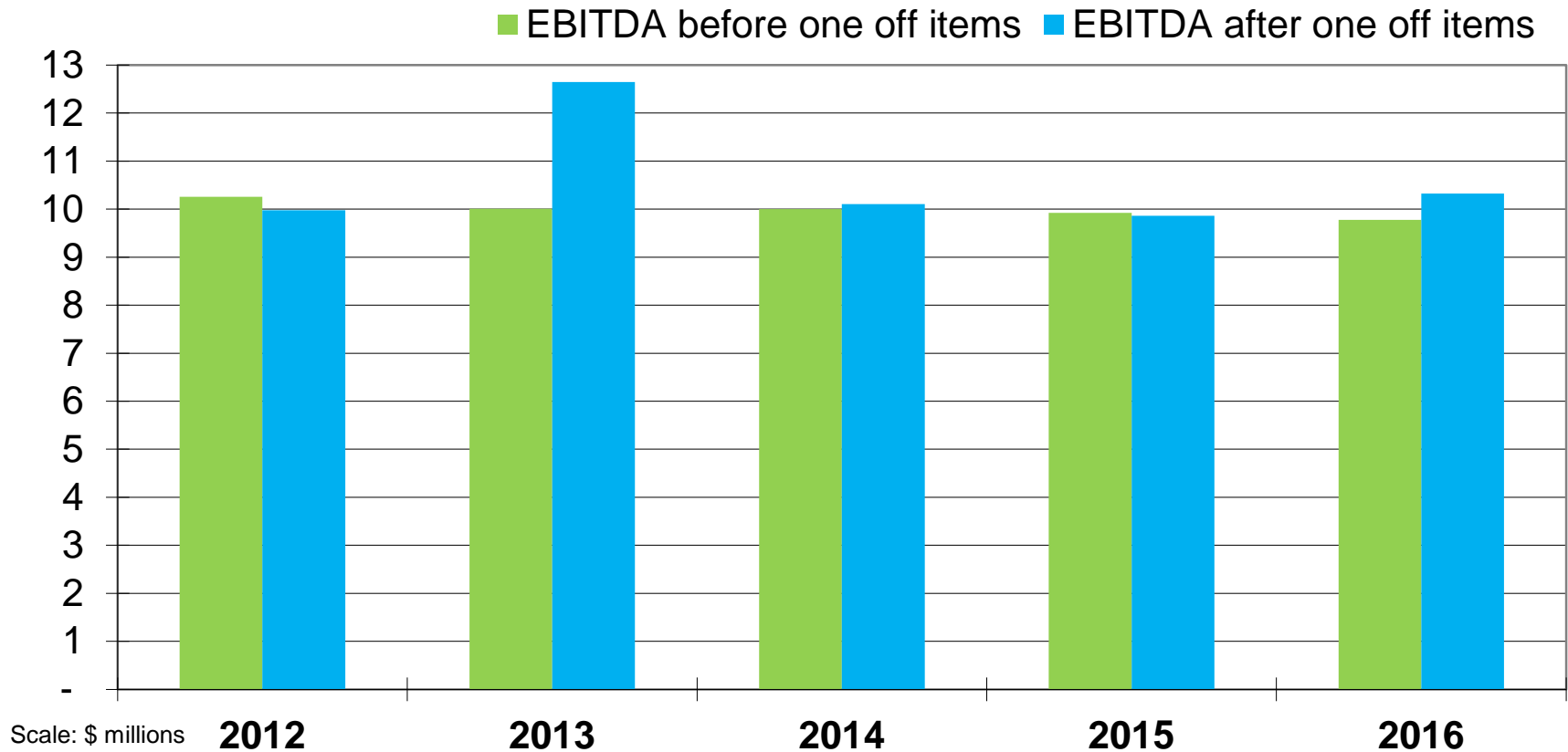
# Finance

- Capital expenditure of \$3.82M (\$2.67M 2015) including Digital development
- Significant investments in hostel projects:
  - Newcastle Beach YHA (\$3.697M – acquisition was \$3.9M))
  - Surfers Paradise land (\$4.522M)
  - Byron Bay YHA extension (\$2.164M)



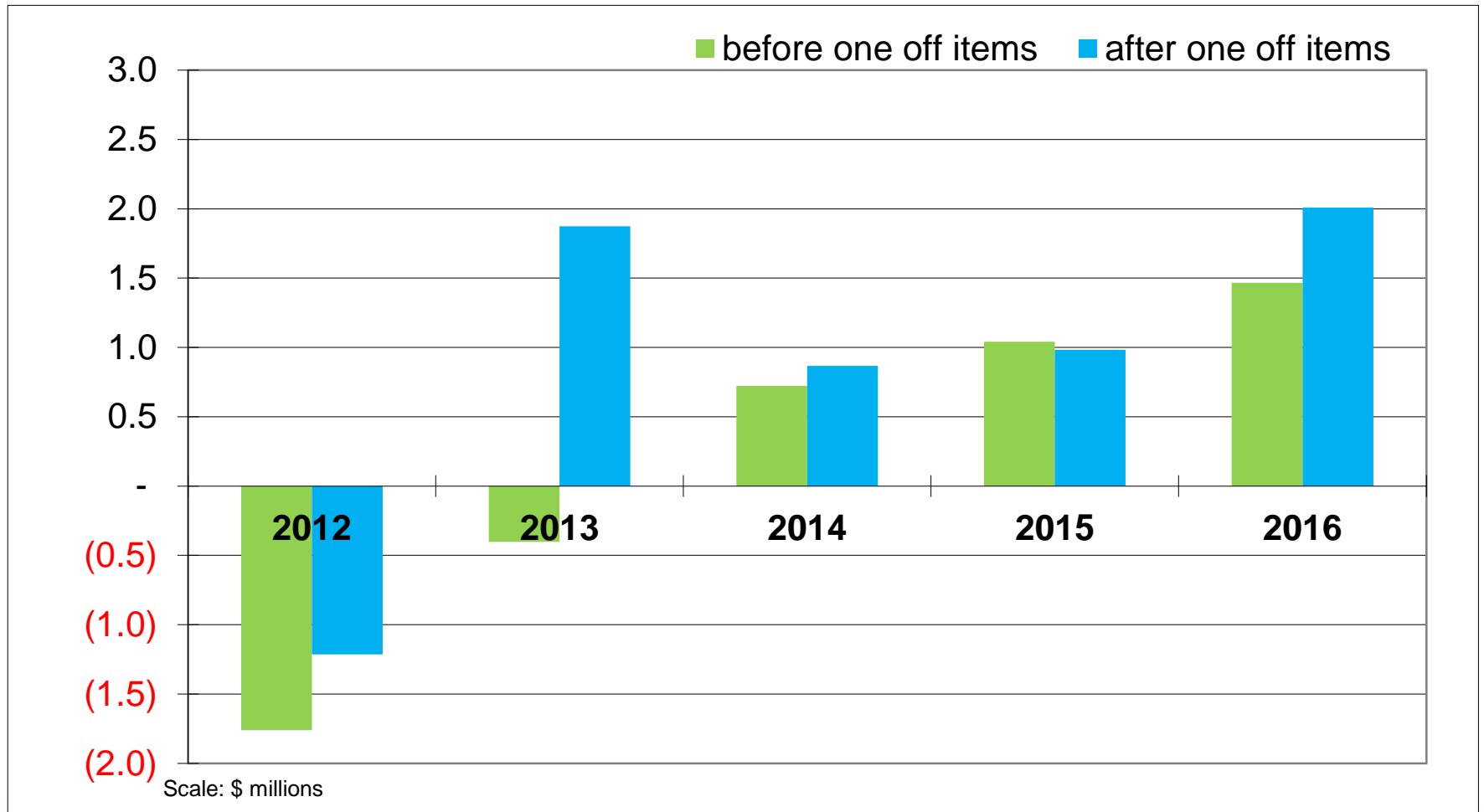
# EBITDA

Earnings before interest, taxation, depreciation and amortisation (EBITDA) of \$10.4M (\$9.9M in 2015)



# Surplus / (Deficit) \$M

Surplus of \$2.01M, compared to 2015 surplus of \$0.983M



# Investing and Finance

- Cash accumulated in 2015 funded acquisition of Newcastle Beach YHA (\$3.90M)
- Byron Bay YHA construction self-funded to date (\$2.16M)
- Borrowings increased by \$5M to assist funding:
  - *Surfers Paradise \$4.52M*
  - *Other capital expenditure of \$3.83M (2015-2.67M)*
- Property valuation is \$192M compared to borrowings of \$80M
  - Loan to value ratio of 41.6% (2015: 40.6%)



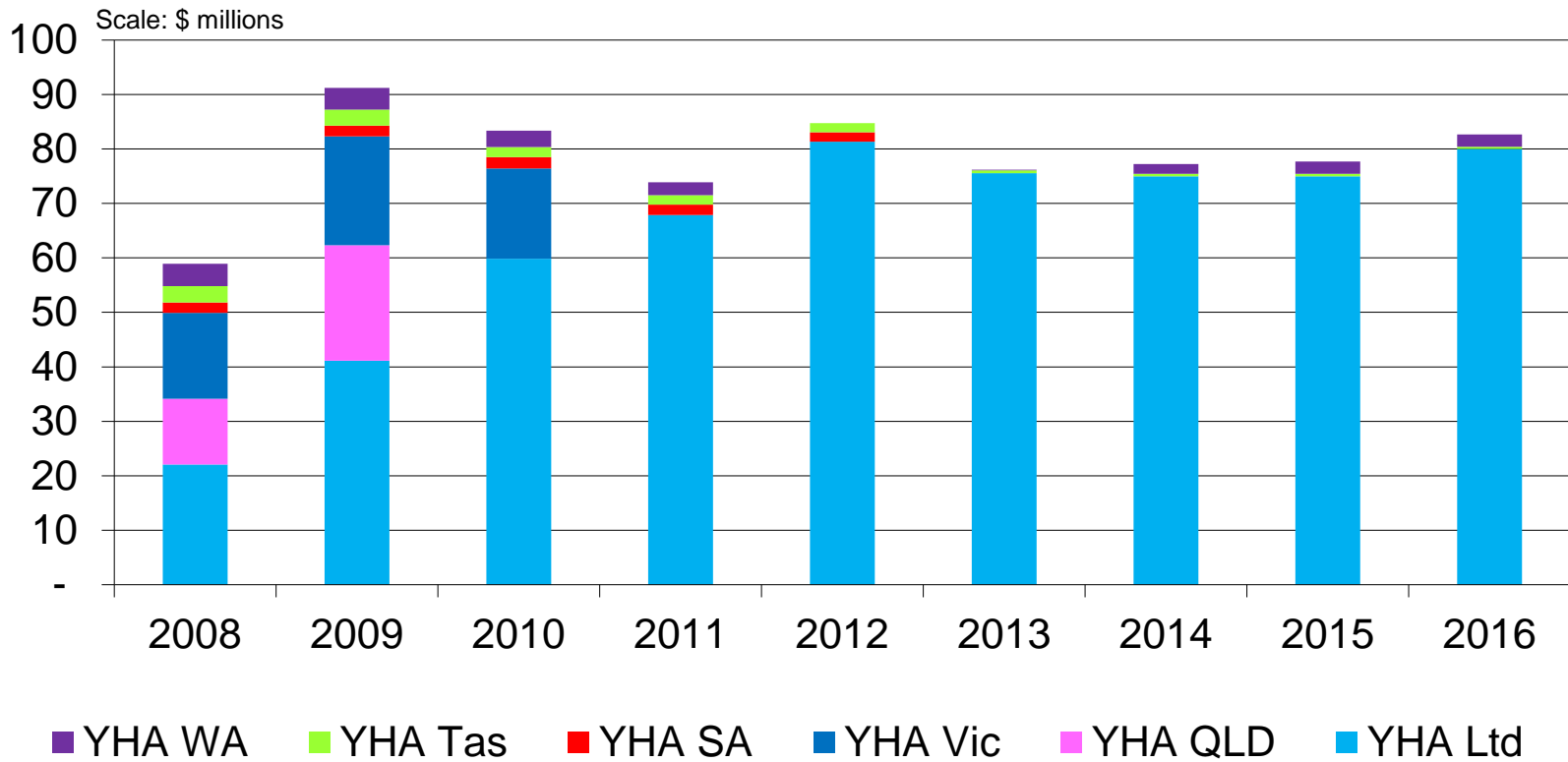
Newcastle Beach YHA





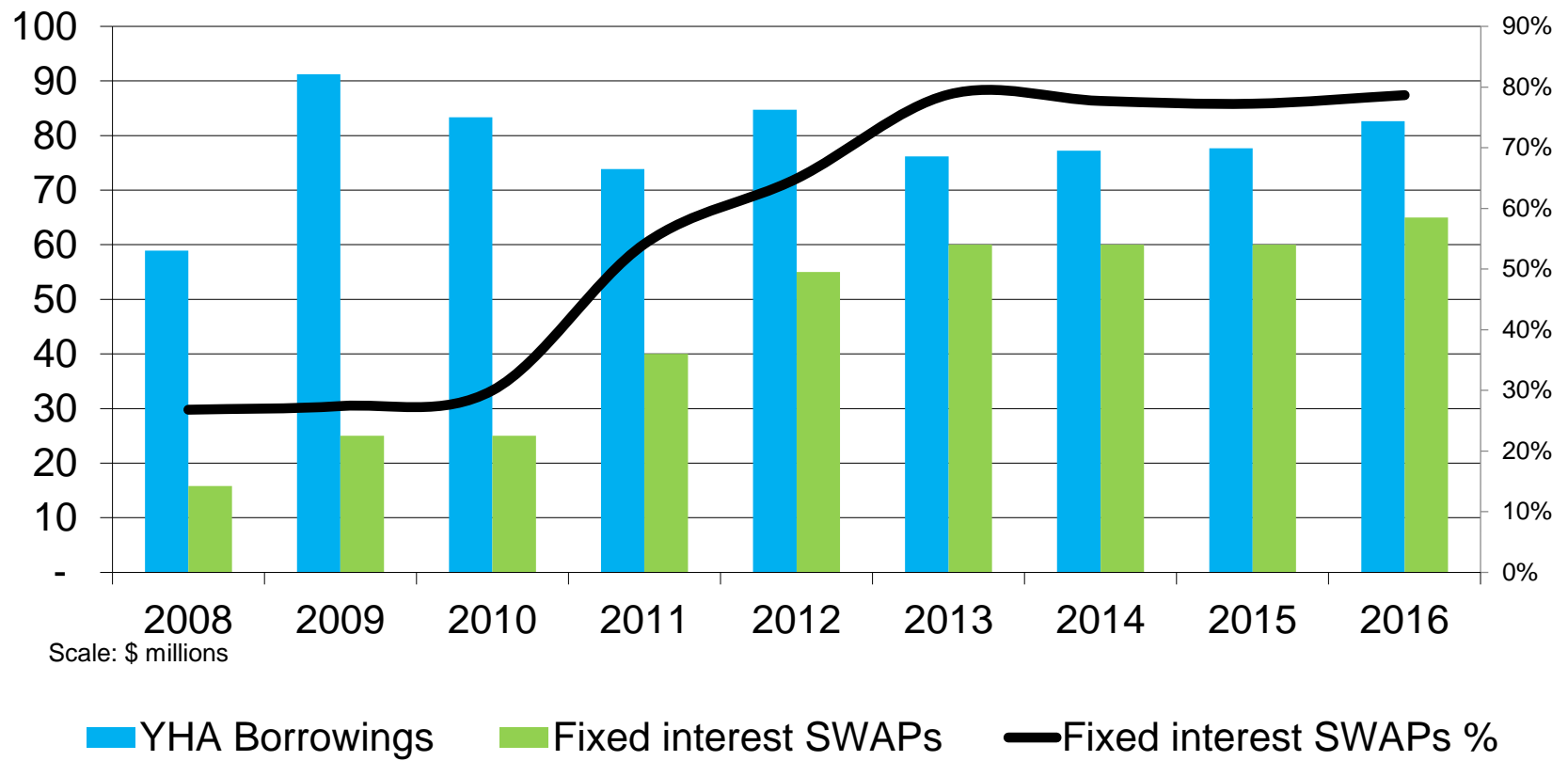
# Borrowings – simplicity and strength

- In 2007 (pre mergers) the YHA State entities each had loans of varying terms with different banks
- In 2017 YHA will achieve a consolidated finance facility



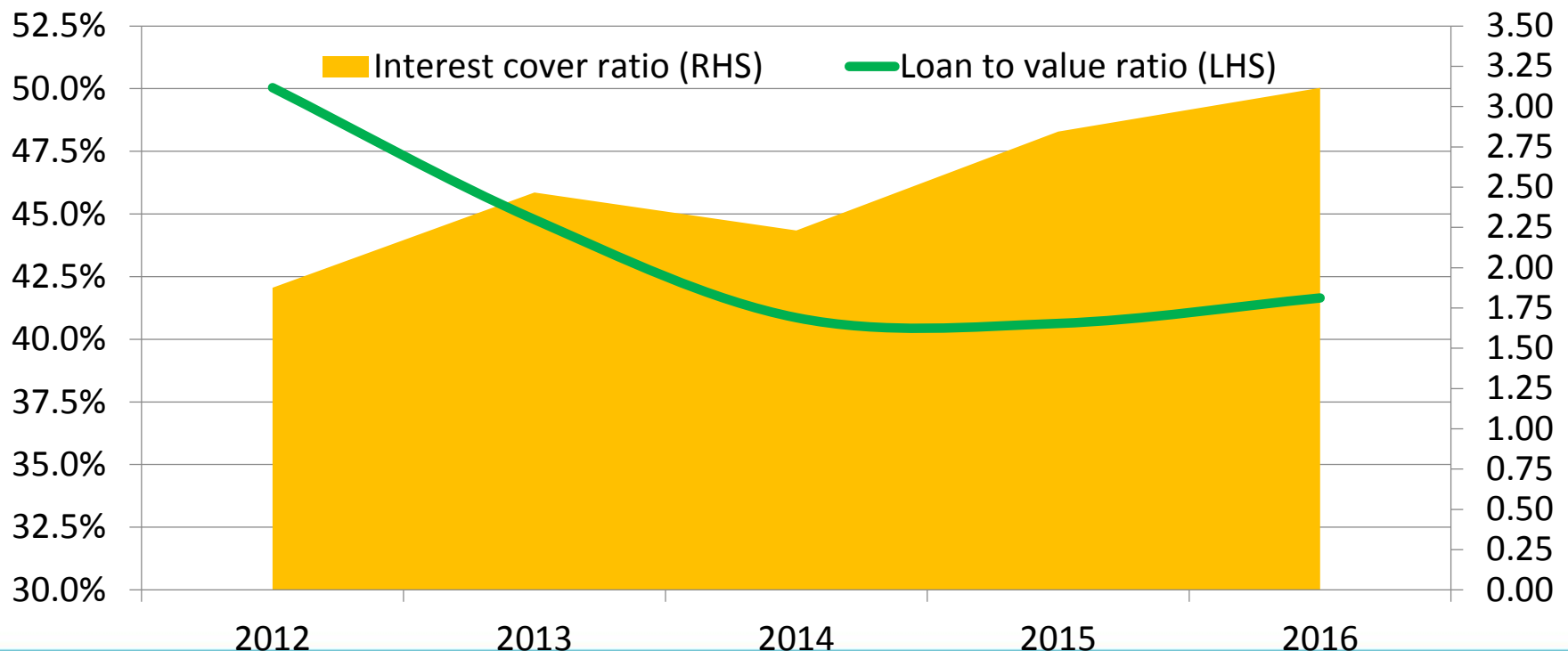
# Borrowings – risk management

YHA Ltd's fixed interest rate risk management policy is to use fixed interest SWAP agreements to mitigate the short to medium term interest rate risk. (note: Graph includes Tas and WA)



# Loan to value and interest cover ratios

- The Loan to Valuation Ratio increased to at 41.6% due to increased loans for Surfers Paradise land acquired.
- LVR for 2015 was 40.6% with target range 35~45%
- The Interest Cover Ratio was 3.12 times EBITDA (target > 3 times)



# Governance

- The Board operated with nine Directors, with meetings taking place in Sydney, Canberra, Melbourne and the Barossa Valley
- Three committees: Audit & Risk; Nominations & HR; Election



# Simplifying YHA's structure

- Integration of former national body, Hostelling International Australia (HI-A) into YHA Ltd (trading as YHA Australia)
- YHA Ltd now the Australian member of Hostelling International (International Youth Hostel Federation - IYHF)
- YHA Tasmania merger vote (97% in favour) – integration took place early 2017
- Memorandum of Understanding with YHA WA with intention to merge September 2017 (subject to vote by WA members)
- Once mergers complete, then plan to review of organisational structure to ensure optimised



# 2017 Board of Directors

- Changes were made to the Constitution in 2016 to continue to strengthen the skills and experience of the Board
- Moving to a smaller Board (currently eight members elected – after transition will be six elected and up to three appointed)
- Call for nominations in November 2016; with selection criteria published
- Two vacancies in 2017



# 2017 Board of Directors election

- Election Committee (Chair + Chair of Nominations & HR Committee + one Vice-President) assessed candidates objectively on criteria and made recommendations to the Board
- Board of Directors approved three nominees as candidates for the Board
- Members voted March 2017 with increased participation
- Commitment to co-opt one Director from YHA WA if merger vote is favourable



# Remuneration Working Group

- Consider case for and against paying Directors fees
- Currently Directors are voluntary with expenses reimbursed
- To allow remuneration requires a change to the Constitution (75% of members voting at AGM)





# Why consider remuneration?

- 2017 likely last merger, with WA - 8 Boards and CEOs - over 60 Directors – replaced by single National Board - 9 Directors and one CEO
- Significant business (> \$45M turnover)
- More travel time is involved
- Selection now on skills - seeking to attract and retain high calibre, experienced Directors

# Why be cautious about remuneration?

- Currently attract strong candidates who serve voluntarily
- Remuneration could attract candidates motivated solely by money
- Most Not-for-Profits do not pay their Directors
- A new expense for YHA
- Members may not support the proposal

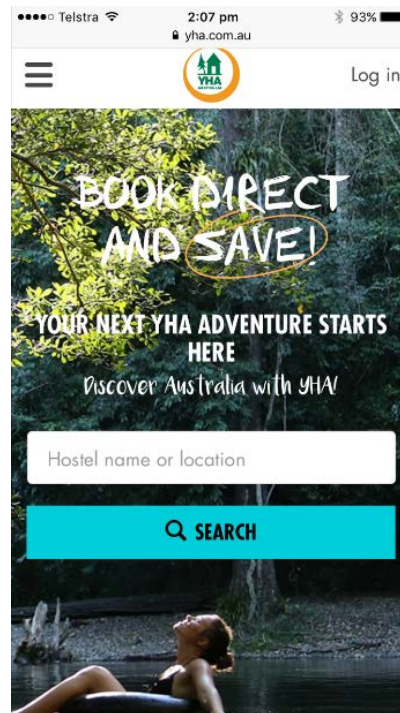


## Next steps

- The Remuneration Working Group will continue to research the issue and consider options
- Report back to the Board with recommendations
- A proposal may be put to the 2018 AGM

# YHA's Brand

- Full creative refresh undertaken to revitalise YHA's brand
- Appeal to key 'Discovery Seekers' segment
- Contemporary look and feel across all campaign activity and digital footprint



# Guest Engagement

- New eCommunications with news and offers
- Targeted campaigns using promotion codes
- Digital information screens in hostels
- Free Wi-Fi messaging



Sun's out, fun's out! Summer's in full swing and the warm weather is the perfect invitation to sink your teeth into a Queensland getaway this January.

Whether you're planning a city break to Brisbane or a tropical escape to sun-drenched Far North Queensland, now is the time to slip, slop, slap and explore!



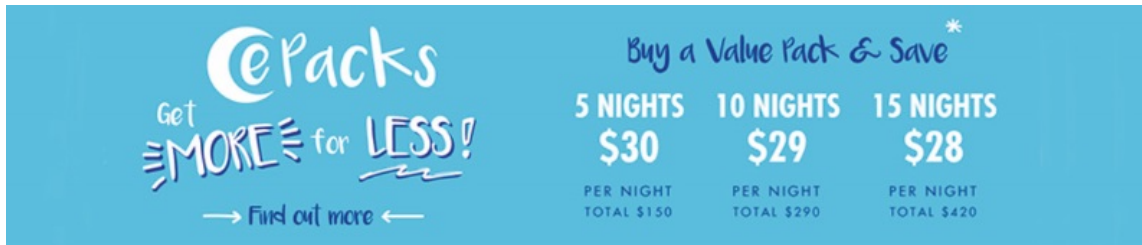
## Backpacker Magnets

Crocs, coral reefs, and a koala village at Bungalow Bay YHA... It's no wonder more and more travellers are being attracted to the tropical treats of Townsville and Magnetic Island. Plan a trip to experience Far North Queensland's sun-kissed seaside gems for yourself.

[Find more](#)

# Sales

- Hostel accommodation packages are sold globally through agents
- YHA Travel & Tours: 20,000 travel experiences bought by guests
- ePacks: Bulk accommodation packs to encourage travel throughout Australia
- Partnerships – with Tourism Australia and State Tourism bodies



**ePacks**  
Get **MORE** for **LESS!**  
→ Find out more ←

Buy a Value Pack & Save\*

5 NIGHTS	10 NIGHTS	15 NIGHTS
\$30	\$29	\$28
PER NIGHT TOTAL \$150	PER NIGHT TOTAL \$290	PER NIGHT TOTAL \$420



**YHA** Travel & Tours

**YHA AUSTRALIA**

**HOSTELLING INTERNATIONAL**



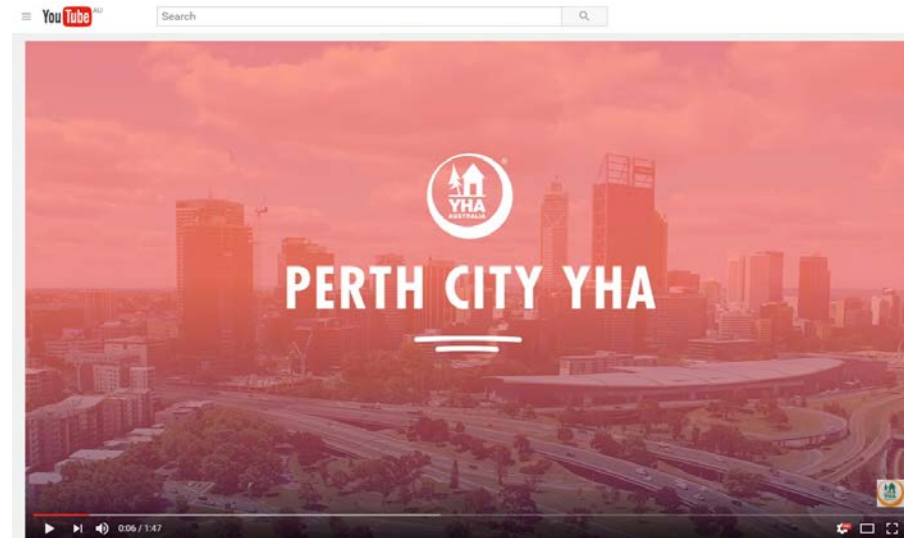
# Western Australia & Tasmania marketing

## ➤ **WA shared service support:**

- Best practice activity
- Raise awareness
- New Fremantle Prison YHA
- Build usage by groups and Australians

## ➤ **Tasmania:**

- Hobart YHA promotion
- Integration into wider marketing



# Book direct & save

- The accommodation sector has been substantially affected by the arrival of online travel agents
- Book via [yha.com.au](http://yha.com.au) or [hihostels.com](http://hihostels.com) (for last bed availability and at least 10% saving)
- Online Travel Agents provide choice but charge accommodation providers commission





# Digital disruption

- Airbnb and 'sharing economy' web-based platforms need appropriate regulation
- YHA representatives appeared before a NSW Parliamentary Inquiry into short term accommodation lettings
- YHA hostels offer greater social opportunities



# Education through travel

- Group travel; growth of 6% in overnight stays by groups (11% of total overnight stays)
- The Big Dig: 50,000 school students have undertaken educational programs since 2009
- International students are a growing audience for YHA (550,000 in Australia)



# New Membership

- Planning for project to modernise membership in 2017
- Aim to make it simple and affordable
- Will substantially increase the number of members
- Investment in [yha.com.au](http://yha.com.au) and digital technology to enable stronger communication with members



# Milestones

## Sydney Central YHA turns 20

- Opened 27 December 1996
- Multiple tourism award winner
- One of the world's busiest hostels
- Australia's biggest hostel – 151 rooms, 556 beds
- Since opening 3,500,000 overnight stays
- An average of 470 guests per night and 84.5% occupancy



# Light rail is coming

- Construction of YHA's zone starting in June
- Changes to vehicle access to the YHA building
- Planning by management to help mitigate disruption
- Light rail due to open in 2019



# Outlook: trends

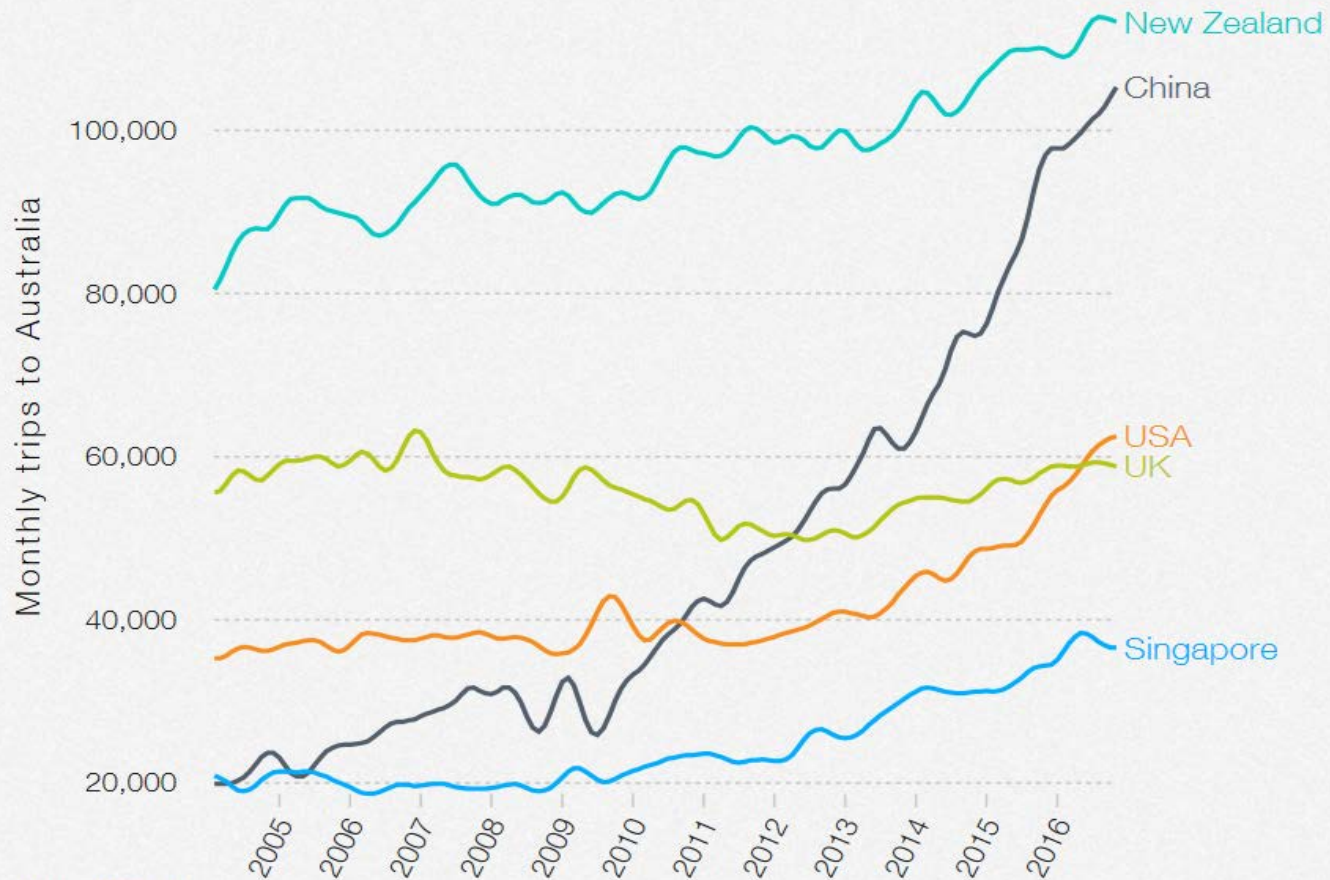
- Importance of the Working Holiday Visa program – scheme impacted by the debate over the ‘backpacker tax’
- Eventual good outcome with tax for working holiday makers now set at 15%
- Extra promotion to young travellers by Tourism Australia



# Tourism Boom

## Tourism boom? Thank China

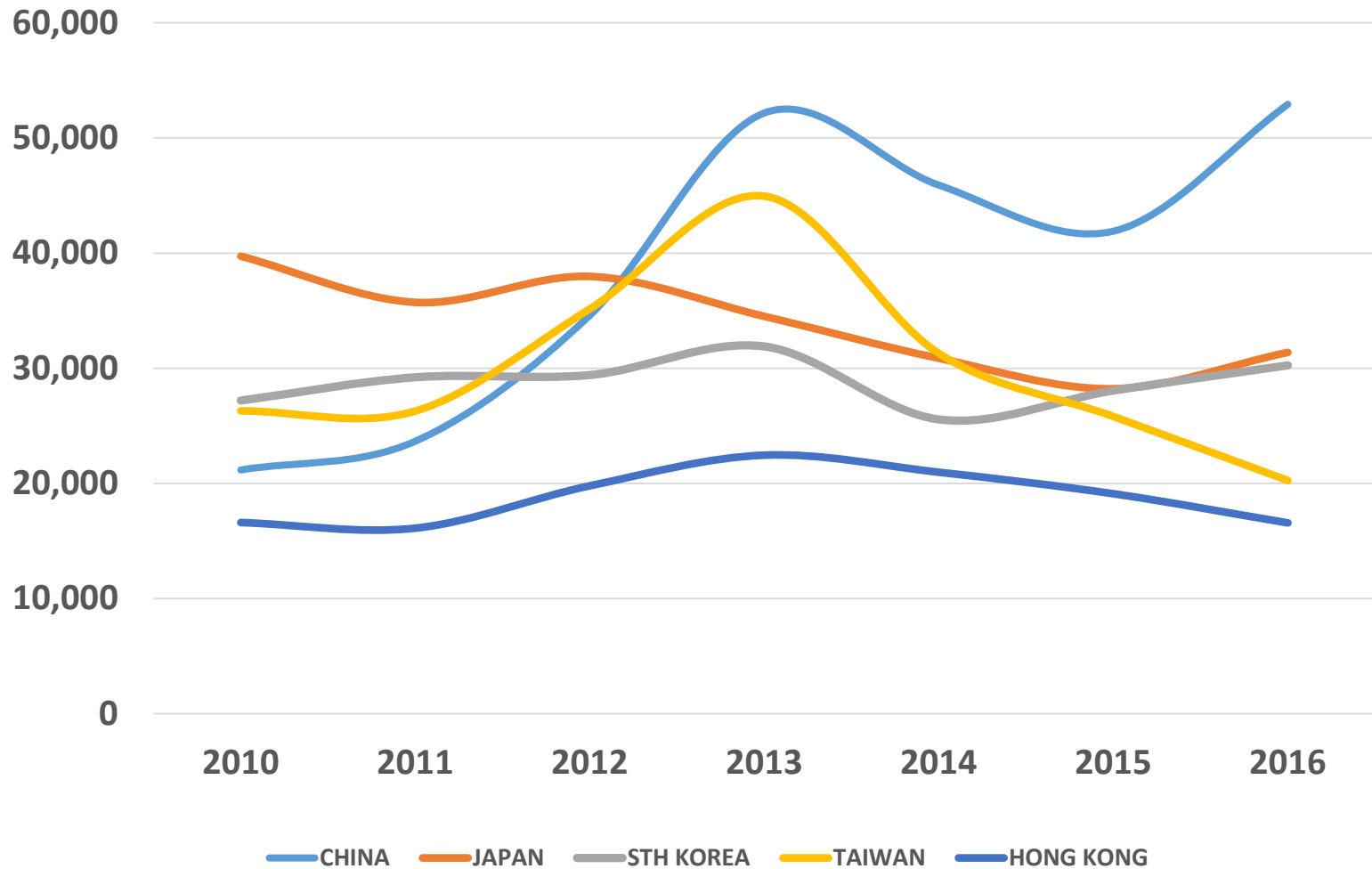
China will soon become the leading source of visitors to Australia



SOURCE: ABS 3401



# YHA hostel overnights – guests from Asia





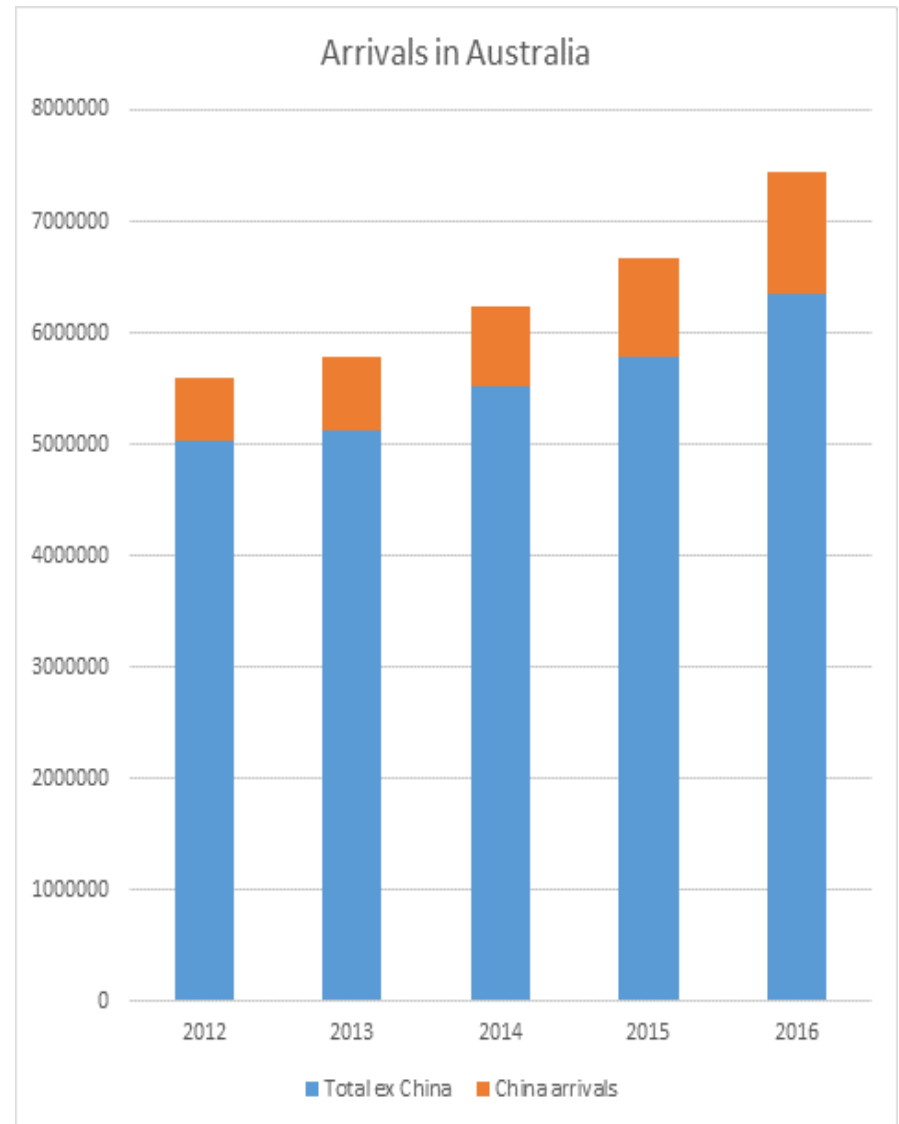
# Economic cycles

- WA, NT and QLD affected by drop-off of post-mining boom
- Growth has shifted to VIC and NSW
- Tourism identified as one of five growth sectors for the Australian economy



# Opportunities

- Increased airline capacity and competitive fares
- More international visitors from the strong economies in Asia
- Working closer with other National Associations in Asia-Pacific
- Growth for YHA through careful acquisition and development



# Acknowledgements

Sincere thanks go to YHA's  
Directors, members,  
partners and staff

