6 December 2016

On the Beach Group plc
("On the Beach", the "Company" or the "Group")

Preliminary Results for year ended 30 September 2016 ("FY16")

Strong profit growth in a challenging market

Financial highlights

Group

- Group revenue increased 13.0% to £71.3m (FY15: £63.1m)
- Group operating profit before amortisation and exceptional costs increased 30.3% to £22.8m (FY15: £17.5m)
- Group operating profit increased 110.0% to £16.8m (FY15: £8.0m)
- Group profit before tax increased 776% to £16.9m (FY15: a loss of £(2.5)m)
- Adjusted underlying profit before tax[1] increased 46.9% to £21.3m (FY15: £14.5m)
- Basic and diluted earnings per share of 11.0p is a 290% increase on prior year (FY15: (5.8)p)
- Adjusted proforma earnings per share of 13.0p is a 46.1% increase on prior year (FY15: 8.9p)
- Strong cash conversion of 90.1% (FY15: 99.5%)
- Net external cash[2] at year end of £26.1m (FY15: £10.9m)
- Maiden final dividend proposed of 2.2p per share (FY15: Nil)

(1) Group adjusted underlying profit before tax is the profit/(loss) before taxation excluding share based payments £0.1m (FY15: £nil), exceptional costs of £nil (FY15: £4.9m), amortisation of acquired intangibles of £4.3m (FY15: £4.3m), shareholder interest £nil (FY15: £7.8m) and exceptional finance costs £nil (FY15: £1.0m)
(2) Net external cash is defined as cash and cash equivalents excluding the trust accounts

UK

- Revenue up 12.3% to £70.2m (FY15: £62.5m)
- UK operating profit increased 87.1% to £18.9m (FY15: £10.1m)
- Revenue after marketing costs up 18.4% to £36.0m (FY15: £30.4m)
- UK EBITDA up 25.5% to £25.1m (FY15: £20.0m)
- UK EBITDA as a percentage of revenue increased to 35.8% (FY15: 32.0%)

International

- Revenue increased 57.1% to £1.1m (FY15: £0.7m)
- International EBITDA loss maintained at £1.8m (FY15: £1.8m), demonstrating continued investment to drive market share growth in Sweden
- Online cost per unique visitor reduced 18% to £1.0 (FY15: £1.2)

Operational highlights

UK

- Daily unique visitors increased by 12.6% to 61.3m (FY15: 54.4m)
- Efficiencies in online marketing reduced spend as a percentage of revenue to 44.7% (FY15: 48.6%)
- Branded and free traffic increased 11.0% to 54.0% of overall (FY15: 54.8%)
- Directly contracted hotel product increased to 57% (FY15: 41%)
- Revenue per daily unique visitor maintained at £1.15 (FY15: £1.15)

Simon Cooper, Chief Executive of On the Beach Group plc, commented:

"These results are testament to the strength and flexibility of our agile business model amidst difficult conditions in the travel industry. On the Beach has delivered a 47% increase in underlying profit before tax, ahead of market expectations despite a number of challenging external factors and a market-leading performance for UK EBITDA as a percentage of revenue at 36%. During the year, the Group has showcased its unique strengths and attributes to deliver profitable growth. On the Beach continues to use its modular technology platform to innovate and deliver value and flexibility to an increasing audience of beach holidaymakers.

"Using our scale to drive exclusivity, our technology to drive innovation and our financial strength, ATOL protection and strong consumer brand to drive customer trust, we are well placed to capitalise on the structural changes in the market which will only accelerate given the difficult conditions in the market this year.

"We remain confident in the resilience and flexibility of our business model, and the long term resilience of our sector. On the Beach continues to successfully build a leading position as more consumers discover the ease of use and wide choice of beach holidays that our platforms offer."

Analyst Meeting
A meeting for analysts will be held today at the offices of FTI Consulting, 200 Aldersgate, London, EC1A 4HD commencing at 9.30am.

For further information:

On the Beach Group plc — **via FTI Consulting**
Simon Cooper, Chief Executive Officer
Wendy Parry, Chief Financial Officer

FTI Consulting — **Tel: +44 (0)20 3727 1000**
Jonathon Brill
Alex Beagley

About On the Beach

On the Beach is one of the UK's largest online retailers of beach holidays with a 20% share of the online short haul beach holiday market. The Company has a large opportunity to generate further growth, has a vision to become Europe's leading online retailer of beach holidays. On the Beach provides a significant structural challenge to legacy tour operators and travel agents as the Company continues its journey to disrupt the online retail of beach holidays with its scalable, flexible, innovative technology, combined with a strong customer value proposition and a low cost base. The business model is customer-centric, asset light, profitable and cash generative.

www.onthebeachgroupplc.com

Chairman's statement

I am pleased to report that during the 2016 financial year the business continued to improve its market position and generate impressive growth in its profitability.

As widely reported, this financial year was particularly challenging for the travel industry, which had to adapt to terrorist attacks, the corporate failure of a large budget tour operator and the impact of currency fluctuations. Despite this difficult trading backdrop, On the Beach's agile business model and focused approach enabled it to deliver adjusted underlying Group profit before tax performance of £21.3m which was ahead of market expectations and up 46.9% on the prior year. At the same time, adjusted proforma EPS of 13.0p was up 46.1%. Given the difficult year for the travel industry, I would like to thank and commend Simon Cooper and his team for this admirable performance.

On the Beach's balance sheet remains strong with external cash balances at the year-end of £26.1m (FY15: £10.9m). The Board is pleased to recommend a maiden final dividend of 2.2p per share for FY16.

During FY16, On the Beach's UK segment continued to gain market share, with daily unique visitors to site increasing 12.6% to 61.3m. Given the volatility experienced during the year, especially following a number of terrorist incidents, the Board made a conscious decision to accept slower revenue growth at 12.3% to £70.2m. This decision was taken to avoid the business chasing unprofitable growth. At the same time, marketing efficiencies were generated utilising On the Beach's bespoke bid management capability, which ensured that UK revenue after marketing costs was up 18.4% to £36.0m.

The Board believes that overall demand for short haul beach holidays was suppressed in FY16 versus the previous year; especially during the second calendar quarter, with the last quarter of the financial year showing greater resilience. Investment into the On the Beach brand in recent years has made it one of the most visible online beach holiday brands in the UK. This investment has delivered growth and means that On the Beach is well-placed to benefit from the ongoing structural shifts in consumer behaviour; especially with respect to gaining market share from traditional tour operators.

On the Beach's first international market, Sweden, launched at the start of calendar year 2015. During FY16 good progress was made in growing unique visitors and generating bookings and revenues. Daily unique visitors to the eBeach site in FY16 were up 53% to 2.3m, cost per visitor reduced by 18% and, importantly, branded visits increased by 113% to 445k visits or 19.8% of total traffic. Based on the performance in Sweden, the business will be launching its second international site in Norway during December 2016.

On a personal level, I am hugely enthused by the quality of what the On the Beach team delivers to our customers. The entire company is customer centric; from the provision of an extensive and diversified range of accommodation, flights and transfers, to our modular and agile technology that provides truly personalised holidays in real time across multiple devices; the creative and efficient marketing and first rate customer service. Employees throughout the Group are focused on delivering excellent value beach holidays that meet the individual demands of a wide range of customers. This commitment to our customers drives the business to continuously innovate and improve and is helping to secure an ever-increasing level of repeat business from our loyal customers, as well as attracting new customers. I wish to thank every colleague within On the Beach for their hard work, efforts, dedication and continued support.

Following a carefully planned and thorough succession planning and recruitment process, we announced on 29th November 2016 that Wendy Parry will retire as Chief Financial Officer and will be succeeded by Paul Meehan in January 2017. Paul joins us from Gala Coral Interactive, where he was Finance Director, and (latterly) Director of Online Merger Integration overseeing the merger between Ladbrokes and Gala Coral. We are delighted that the completion of the merger means Paul can join us in January 2017, and we look forward to welcoming him. Paul is an excellent cultural fit and has a wealth of knowledge and experience that will be invaluable to the Group as it continues on its strong growth trajectory. Wendy (who remains a shareholder in the business) has kindly agreed to be available as long as is required to ensure a full and orderly handover. Wendy has been with the business since April 2010 and I would like to express my thanks for her valuable and insightful contribution. Everyone at On the Beach wishes Wendy an enjoyable and fulfilling retirement.

The Board has a wide range of responsibilities and I would like to thank my fellow non-executive directors, Lee Ginsberg and David Kelly, for their contribution and support. The Board works effectively as a team with the right mix of enquiry and support of the Executive Directors from the Non-Executive Directors. The Board carefully reviews ongoing trading performance, agrees upon the Group's future strategic direction, monitors risk and control processes and ensures that general corporate governance is appropriately managed. During the year, we undertook an evaluation of the directors and the functioning of the Board and its committees. This demonstrated that we have the appropriate balance of skills, experience and perspectives on the Board, which operates effectively and is properly engaged.

The Board is committed to profitable growth and the delivery of long-term value for our shareholders. The performance in FY16 was impressive and provided good foundations for the new financial year.

The first quarter of our financial year (calendar Q4) is historically the quietest trading period for the Group and is influenced by the timing of when the low cost carriers release their spring/summer capacity. Comparisons between this quarter and the same period last year are complicated by the widespread cancellations to Egypt experienced in November 2015 and the subsequent surge in re-bookings to alternative destinations. Taking these factors into account, the Board is pleased to report that current performance is in line with expectations and believes the business is well positioned for the key trading period that commences in late December and continues into Q1 2017.

We expect and have planned for some of the key trends seen in FY16 to remain prevalent in FY17; namely the shift in demand from the Eastern Mediterranean, the overcapacity of seats versus demand on high volume routes leading to aggressive seat-only pricing and pressure on bed capacity in key Western Mediterranean destinations in peak periods. The Board also believes that some of the wider macroeconomic trends will lead to a shortening of lead times throughout FY17, similar to those witnessed in the lead up to summer 2016. Notwithstanding these conditions, the Board remains confident of meeting market expectations for the financial year and will provide a further trading update at our AGM on 2 February 2017.

The business continues to invest across the organisation – in its people, technology and brand. Its strategic direction centres around the delivery of profitable market share growth through the provision of an excellent value proposition, increasing customer retention, attracting new customers, margin optimisation, controlling overheads and expanding the territories in which we operate.

I remain enthusiastic about On the Beach’s future and look forward to the continued development of the business. As a Board, we remain confident about our prospects and that our strategy and business plan will allow On the Beach to grow and create value for our shareholders.

Our AGM will be held at 11am on Thursday 2 February 2017 at the Company’s headquarters at Park Square, Bird Hall Lane, Cheadle, SK3 0XN. I look forward to welcoming shareholders.

Richard Segal
Chairman

Chief Executive's Report

Summary of Operating Performance

On the Beach continues to be a dynamic, entrepreneurial and ambitious business. We deliver value for money beach holidays to our customers that are personalised to their individual needs. We maintain a daily focus to improve the quality of our customer proposition and the value that we provide to our growing customer base.

In a difficult market, we have continued to grow market share, with daily unique visitors to site in the UK increasing 12.6% to 61.3m (FY15: 54.4m). We have focused on driving this share growth efficiently with improvements to our bespoke bid management capability driving online marketing spend as a percentage of revenue down 8% to 44.7% (FY15: 48.6%) and our revenue after marketing costs increased 18.4% to £36.0m (FY15: £30.4m). Our continued growth has been delivered by executing a simple strategy to optimise our customer proposition to increase conversion and improve margin while driving an efficient increase in our market traffic share amidst difficult market conditions, providing further evidence of our ability to gain market share from traditional tour operators.

Excellent continued growth

Growth has come as a result of:

- Driving an efficient increase in our share of market, while investment into our brand has also increased awareness (daily unique visitors increased 12.6% to 61.3m, revenue after marketing costs increased 18.4%, and prompted brand awareness increased to 46%)
- Optimisation and personalisation of our market-leading multi-device customer proposition to maintain revenue per unique visitor despite the difficult market backdrop with an increase in smartphone bookings of 74% year on year (“YOY”)
- Increasing engagement by encouraging visitor login with logged in users up 100% YOY
- Increasing the directness of our relationships with end suppliers to achieve 57% of hotels sourced directly

- Continuing to provide the highest possible level of customer service by investing in our service staff and function to increase repeat purchase volumes by 19.4% YOY
- Further leveraging our lean cost base versus asset-heavy tour operator competitors
- Investing to increase our market share in Sweden and with plans to extend this under our eBeach brand into further Scandinavian markets.

Our Market in FY16

As stated in the Group's trading update on 25 October 2016, demand for beach holidays remained resilient in the third calendar quarter despite the impact of repeated terrorist attacks on consumer confidence. We believe that overall demand for short haul beach holidays was suppressed versus the previous year but that a continued growth in online penetration will have resulted in our addressable market being flat YOY. As one of the most visible online beach holiday brands we remain well-placed to benefit from this ongoing structural shift in consumer behaviour.

The effect of events in 2016 was as follows:

- Acts of terrorism in Egypt, Tunisia and Turkey drove demand from the Eastern Mediterranean to the Western Mediterranean
- A reprogramming of capacity out of the Eastern Mediterranean led to flight overcapacity into the Western Mediterranean and a mismatch between flight capacity and bed capacity
- Average basket values fell because of flight overcapacity and loss of higher value Eastern Mediterranean destinations
- An increasing proportion of tour operator capacity was sold on a seat only basis and it is likely that tour operator risk capacity will be reprogrammed in FY17
- Further terrorist atrocities in France and Belgium dampened consumer confidence, leading to a shortening of lead times and ultimately transient shrinkage in the overall number of passengers taking short haul beach holidays
- Late availability into key properties in key destinations in the Western Mediterranean was limited following a Europe-wide exodus from the Eastern Mediterranean
- Consumer confidence was impacted both before and after the EU referendum
- Low Cost Travel Group disrupted the dynamics of the online beach holiday market from the start of 2016 until its failure in mid-July

Investment in Brand

We have continued to invest in an efficient multi-channel approach supported by our sophisticated bid management capability (which optimises the value gained from our multi-channel marketing spend) and this in turn has allowed us to continue to take share of market traffic, more cost effectively than ever before. Despite the disruptive actions of Low Cost Travel Group immediately prior to its demise, our strong performance in the second half of the year is testament to our bid management capabilities as we focused on driving share efficiently with revenue after marketing costs in the second half of the year up 13.5% YOY. The auction dynamics improved immediately after the Low Cost Travel Group's administration and remained benign to the end of FY16.

Our brand continues to strengthen, supported by our investment into a fully national offline marketing activity and in FY16, we consolidated our position as the third best known beach holiday brand nationally. Planning for an extended offline campaign in FY17 is complete and our new advert will air nationally on Christmas Day. In the two years since we have launched iPhone, iPad and Android apps, we have achieved circa 800,000 downloads and an increasing percentage of traffic and bookings via our apps. We have also invested to build booking management capabilities into our apps so that customers can interact with us via the app throughout the period before, during and after their holidays.

Investment in People

We continue to invest in talent across the business and in particular in our customer facing functions and our digital and technological capability to ensure that we remain at the forefront of innovation in our sector. Leveraging our bespoke personalisation technology allows us to show the most relevant product to all users on all devices at the earliest possible opportunity and in turn this allows us to create deeper customer engagement and drive both conversion and margin. Our bespoke testing framework, which allows us to test variations of the user experience against a control, has also allowed us to drive further improvements to device level conversion and our traffic is now almost 70% from mobile devices with 46% from smartphones alone.

We have increased our investment to multi-skill our customer-facing staff to ensure that we can provide an even higher level of customer support for all of our valued customers and are delighted that our Net Promoter Scores have been maintained and that our repeat purchase rates continued to increase significantly through FY16. We have also realigned our UK and international marketing capabilities and ensured that we are well-positioned to merchandise our growing proportion of exclusive product to the widest possible customer audience.

While the Group has made these investments into digital and technology, service and supply our scalable business model has continued to allow us to leverage our lightweight cost base reducing fixed and variable costs as a percentage of revenue.

Investment in Product

We have been able to drive growth in our direct contracting function, building on the strong foundations which were put in place in previous years. From a standing start in early 2014 we have beaten our internal targets contracting 33% more hotels in FY16 and delivering 57% of total hotel buying through in house capability, with significant incremental margin contribution. The increasing proportion of directly contracted product also supports the improved customer satisfaction scores as complaint ratios on directly contracted product are significantly lower than third party sourced product.

Our continued focus to strengthen our relationships with key overseas suppliers is giving us increased access to exclusive rates, ring-fenced capacity and OTA exclusivity while maintaining our no risk, lightweight business model. In FY16, for the first time we have partnered with a small number of overseas airlines to launch and distribute a proof of concept programme of 55,000 flight seats to some of our main destinations. Against a difficult market backdrop, with significant oversupply into the Western Mediterranean and weak seat pricing, we were pleased with the results with the best loaded routes 95% sold. During the course of the year we have built new capabilities internally to allow us to support an increased programme of flying in FY17.

We have also invested significantly in our search technologies to support our strategic objective to drive an increasing proportion of differentiated flight and hotel product and to allow us to build innovative search tools for customers who are destination agnostic.

International

Following the launch of our first international market, Sweden, at the start of calendar year 2015, we have continued to leverage our core capabilities to make progress in growing unique visitors and generating bookings and revenues. Our target in Sweden was defined as breakeven within three years of launch and our focus in our second full year in the market was to drive significant gains in market traffic share in a cost effective manner, while increasing awareness of our brand.

Daily unique visitors to site in FY16 were up 53% while cost per visitor reduced by 18%. Branded visits to site increased by 113% and reached 19.8% of total site traffic and our losses have narrowed in the second half of the year. We will further develop the strong growth of the brand that we have generated in Sweden with a TV campaign in December 2016. As a result we will be launching our second international site in Norway in the coming weeks.

Strategy and Growth

It continues to be the Group's mission to make it simple for customers to plan, find and book their perfect beach holiday with a vision to be Europe's leading online retailer of beach holidays.

On the Beach has delivered significant growth within a growing market over the last three years by evolving a strategy based around the following principles:

1. Out-innovating through agility and investment in talent and technology
2. Driving an efficient increase in market share
3. Optimising and personalising our multi-device customer proposition
4. Leveraging increased revenue through direct and differentiated supply
5. Expanding our model into new source markets and products

Our key strategic pillars for FY17 are:

1. Out-innovating through agility and investment in talent and technology

i. Continued investment into our people and our platform which allows us to innovate at an increasing pace and in doing so, stay ahead of the competition.

2. Driving an efficient increase in market share

i. Investing in an efficient multi-channel approach supported by our sophisticated bid management capability
ii. Increasing investment offline to strengthen brand awareness
iii. Seeking value-enhancing merger and acquisition opportunities

3. Optimising and personalising our multi-device customer proposition

i. Driving an increasingly simplified customer experience across multiple devices by continually testing changes to the website versus a control to increase conversion
ii. Encouraging login and showing the most relevant product to all site visitors on all devices at the earliest possible opportunity
iii. Building a multifunctional app to engage directly with users and provide a higher standard of service in an efficient manner

4. Leveraging increased revenue through direct and differentiated supply

i. Building a programme of direct and differentiated supply to leverage margin and gain market share
ii. Build in-house capability to increase visibility of differentiated product
iii. Differentiate exclusive product offering through innovative and attractive customer and supplier payment terms

5. Expanding our model into new source markets and products

i. Leveraging core capabilities to expand internationally, delivering improvements to key drivers of conversion, cost per unique visitor and branded share of traffic
ii. Driving positive returns with a significant market share in Sweden
iii. Rolling out fully formed proposition into further source markets
iv. Expanding our product offering to address a wider customer demographic
v. Building tools to inspire customers who are destination agnostic

Current Trading and Outlook

The first quarter of our financial year (calendar Q4) is historically the quietest trading period for the Group and is influenced by the timing of when the low cost carriers release their spring/summer capacity. Comparisons between this quarter and the same period last year are complicated by the widespread cancellations to Egypt experienced in November 2015 and the subsequent surge in re-bookings to alternative destinations. Taking these factors into account, the Board is pleased to report that current performance is in line with expectations and believes the business is well positioned for the key trading period that commences in late December and continues into Q1 2017.

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Simon Cooper
Chief Executive

Financial Review

Chief Financial Officer's report

The Group organises its operations into two principal financial reporting segments, being UK (the "UK Segment") (the Group's established market) and International (the "International Segment") (the Group's new markets). In each of the UK Segment and the International Segment, the Group offers dynamically packaged holidays but with options to book single element products such as flights or hotels.

UK Segment performance

	FY16 £m	FY15 £m	Change %
Revenue	70.2	62.5	12.3%
Revenue after marketing costs	36.0	30.4	18.4%
Variable costs	(4.3)	(4.9)	
Overhead costs	(6.0)	(5.1)	
Holding Company costs	(0.6)	(0.4)	
Depreciation and amortisation (1)	(2.0)	(1.7)	
EBIT	23.1	18.3	26.2%
EBITDA	25.1	20.0	25.5%
EBITDA % revenue	35.8%	32.0%	

(1) Excludes amortisation of acquired brand and website technology intangible assets of £4.3m (2015: £4.3m)

Revenue and marketing costs

Revenue increased by 12.3% to £70.2m (FY15: £62.5m) with slower than expected revenue growth given the challenging market conditions. Revenue per daily unique visitor was maintained in the year at £1.15 (2015 £1.15) and revenue per booking was 7.5% higher at £175.2 per booking (FY15: £162.9) largely due to increasing the directness of relationships with our suppliers through the volume of in-house accommodation bookings to 57.4% (FY15: 40.7%).

Marketing expenses (excluding offline) for the year to 30 September 2016 as a percentage of revenue decreased to 44.7% (FY15: 48.6%) with total spend of £31.4m (FY15: £30.4m) driving an efficient increase in our share as we continue to invest in the sophistication of our in house bid tools. We have increased spend in the year on the Group's offline TV advertising campaign to £2.8m (FY15: £1.7m) as it was extended to a full national campaign resulting in an increase in prompted brand awareness to 46%.

EBITDA

We continue to leverage our lightweight cost base and as a result there has been a fall in costs as a percentage of revenue:

	FY16	FY15
Variable costs % revenue	6.1%	7.8%
Overhead costs % revenue	8.5%	8.2%
Holding Company costs % revenue	0.9%	0.6%
Total	15.5%	16.6%

Variable costs, which comprise mainly of contact centre wages and credit card fees, are closely linked to booking volumes and have improved from IT developments in the ability for Customers to manage their bookings more effectively online and the new EU fee interchange regulations falling to 6.1% of revenue (FY15: 7.8%). Continued operational leverage and the revenue benefit of direct relationships reduced overhead costs as a percentage of revenue to 7.8% (FY15: 8.2%) however, as a result of the strong results a performance related bonus for Executive Directors and senior management of £0.5m has been included bringing the total costs as a percentage of revenue to 8.5%.

Holding company costs have increased in the year by £0.2m to £0.6m (FY15: £0.4m) due to additional expenditure required to fulfil the requirements of a listed company and share based payment charges of £0.1m (FY15: nil).

EBITDA of £25.1m (FY15: £20.0m) increased by 25.5% and EBITDA as a percentage of revenue increased from 32.0% to 35.8%. The closest GAAP equivalent measure to EBITDA is UK operating profit which increased by 87.1% to £18.9m (FY15: £10.1m).

International Segment performance

	FY16 £m	FY15 £m	Change %
Revenue	1.1	0.7	57.1%
Revenue after marketing costs	(1.4)	(1.5)	6.7%
Variable costs	(0.2)	(0.1)	
Overhead costs	(0.2)	(0.2)	
EBITDA	(1.8)	(1.8)	0.0%

In early calendar 2015, the Group launched an international platform in Sweden under the 'www.ebeach.se' domain. The Group has focused on growing market share both online and offline with a second year of a national TV campaign.

In the 12 months to 30 September 2016, the Swedish business generated revenue of £1.1m (FY15: £0.7m) and an EBITDA loss was maintained at £1.8m (FY15: £1.8m) with efficiencies gained from growth of the brand narrowing losses in the second half to 40% down YOY. Losses are derived almost entirely from the marketing investment required to drive branded awareness with branded share increasing to 19.8% (FY15: 14.2%). The closest GAAP equivalent measure to EBITDA is operating loss which was maintained at £1.9m (2015: £1.9m).

Adjusted underlying profit before tax

The Group reports adjusted underlying profit before tax to highlight the impact of one-off and other discrete items and to allow better interpretation of the underlying performance of the business.

	FY16 £m	FY15 £m	Change %
Group profit/(Loss) before taxation	16.9	(2.5)	776.0%
Amortisation of acquired intangibles	4.3	4.3	
Share based payments	0.1	-	
Shareholder loan interest [1]	-	7.8	
Exceptional costs	-	3.9	
Exceptional finance costs	-	1.0	
Adjusted underlying profit before tax	**21.3**	**14.5**	**46.9%**

(1) Interest on shareholder loans will no longer be incurred following the IPO as shareholder loan notes were repaid in full by way of the issue of shares to loan note holders

Finance costs

The finance cost for the year was £0.1m (FY15: £1.8m) and included amortisation costs of fees of £nil (FY15: £0.3m) in respect of the term loan of £22.0 million raised on 4 October 2013 as part of the financing for the investment by Inflexion. This loan was repaid in full out of the Group's existing cash balances following admission in September 2015. The Group has a revolving credit facility of up to £35 million to cover seasonal working capital requirements but with strong cash management the maximum drawdown during the year was £13.5m.

Share based payments

The Group implemented a long term incentive plan in May 2016 as detailed in the remuneration report and, in accordance with IFRS2, has recognised a non-cash charge of £0.1m.

Exceptional items

Exceptional items for the year to 30 September 2016 were £nil (FY15: £4.9m). The costs in 2015 related to deal costs in relation to the IPO.

Taxation

The Group tax charge of £2.6m represents an adjusted effective tax rate [(1)] of 12.5% (FY15: 30.5%) which was lower than the standard UK rate of 20% (FY15: 20.5%). In 2016 this was affected by a deferred tax credit of £0.9m (FY15: £0.9m) released in line with the amortisation of £4.3m on the valuation of acquired intangibles. This has also been revalued in the year in line with the reduction in forward corporation tax rates to 17% leading to an additional deferred tax credit of £0.9m. In 2015 the effective rate was additionally affected by disallowed shareholder interest under the Advance Thin Capitalisation Agreement.

(1) Adjusted effective tax rate is calculated as taxation charge divided by adjusted underlying profit before tax plus shareholder interest

Earnings per share

Basic earnings per share, calculated for the current and comparative period, is based on the weighted average number of shares in issue and has improved to 11.0 pence in the current year from a loss per share in the previous year of 5.8 pence.

The adjusted proforma basic earnings per share based on adjusted underlying earnings increased 46.1% to 13.0 pence (FY15: 8.9 pence). The table below shows the adjustment from actual earnings:

	FY16 £m	FY15 £m
Profit/(Loss) for the year	14.3	(4.5)
Add back:		
Share based payments	0.1	-
Exceptional costs	-	4.9
Amortisation of acquired intangibles	4.3	4.3
Shareholder interest	-	7.8
Deferred tax asset on acquired intangibles	(1.8)	(0.9)
Underlying profit for the year	16.9	11.6
Number of ordinary shares in issue at year end; assumed to be outstanding for the full year and comparative period (millions)	130.4	130.4
Adjusted proforma earnings per share (pence)	13.0	8.9

Cash flow and net debt

The Group continues to see strong cash generation with adjusted operating cash flows 15.5% higher at £20.9m (FY15: £18.1m), resulting in strong cash conversion of 90.1% (FY15: 99.5%).

	FY16 £m	FY15 £m
EBITDA	23.3	18.2
Share based payment charges	0.1	-
Capitalised development spend	(2.4)	(2.0)
Movement in working capital (1)	0.6	2.2
Capital expenditure	(0.6)	(0.3)
Adjusted operating cash flow	21.0	18.1
Operating cash conversion	90.1%	99.5%

(1) Movement in w orking capital has been adjusted to exclude £3.1m inflow from IPO cost accruals at 30 September 2015 and an outflow of £3.0m in 2016

Net debt has reduced in the year with cash at bank and in hand position at the year- end of £26.1m (2015 £10.9m).

Capital reduction

On 18 November 2015, the Company completed a reduction of capital, whereby the entire amount outstanding on the Company's share premium account was cancelled and the nominal value of each issued ordinary share in the capital of the Company was reduced from £1.50 to £0.01. The capital reduction created significant distributable reserves that are available for future dividends and returns to shareholders.

Dividend

In line with previous stated policy, the Directors are recommending a final dividend for the year of 2.2 pence per ordinary share. Subject to shareholders' approval at the Annual General Meeting ('AGM') on 2 February 2017, the dividend will be paid on 7 February 2017 to shareholders on the register of members at the close of business on 6 January 2017.

Wendy Parry
Chief Financial Officer
6 December 2016

Consolidated Income Statement and Statement of Comprehensive Income
For the year ended 30 September 2016

	Note	2016 £'000	2015 £'000
Revenue	2	71,321	63,124
Administrative expenses before amortisation and exceptional costs	3	(48,528)	(45,657)
Group operating profit before amortisation and exceptional items		**22,793**	**17,467**
Exceptional costs	3	-	(3,831)
Amortisation of intangible assets		(5,971)	(5,622)
Group operating profit		**16,822**	**8,014**
Finance costs	6	(100)	(1,796)
Shareholder interest	6	-	(7,845)
Exceptional finance costs	6	-	(1,037)
Finance income	6	230	206
Net finance income/(costs)		130	(10,472)
Profit/(Loss) before taxation		**16,952**	**(2,458)**
Taxation	7	(2,645)	(2,030)
Profit/(Loss) for the year		14,307	(4,488)
Other comprehensive income		-	-
Profit/(Loss) attributable for the year		14,307	(4,488)
Attributable to:			
Owners of the parent		14,307	(4,488)
Basic and diluted earnings per share attributable to the equity shareholders of the company:			
Basic and diluted earnings per share	5	11.0p	(5.8p)
Adjusted proforma earnings per share*	5	13.0p	8.9p
Adjusted profit measure*			
Adjusted underlying PBT (before shareholder interest, amortisation of acquired intangibles, share based payments and exceptional costs)	3	21,315	14,513

* This is a non GAAP measure

Consolidated Balance Sheet
At 30 September 2016

	Note	2016	2015
Assets		**£'000**	**£'000**
Non-current assets			
Intangible assets	8	64,662	68,226
Property, plant and equipment		747	529
Total non-current assets		**65,409**	**68,755**
Current assets			
Trade and other receivables		29,933	29,998
Cash and cash equivalents	9	51,632	34,775
Derivative financial instruments		1,683	677
Total current assets		83,248	65,450
Total assets		**148,657**	**134,205**
Equity			
Share capital		1,304	195,652
Share premium		-	13,856
Retained earnings		212,427	(10,239)
Capital contribution reserve		500	550
Merger reserve		(132,093)	(132,093)
Total equity/ (deficit)		**82,138**	**67,726**
Non-current liabilities			
Deferred tax		7,007	8,680
Total non-current liabilities		**7,007**	**8,680**
Current liabilities			
Corporation tax payable		3,647	2,110
Trade and other payables		55,865	55,689
Total current liabilities		**59,512**	**57,799**
Total liabilities		66,519	66,479
Total equity and liabilities		**148,657**	**134,205**

Consolidated Statement of Changes in Equity

For the year ended 30 September 2016

	Share capital £'000	Share premium £'000	Merger reserve £'000	Capital contribution reserve £'000	Retained Earnings £'000	Total £'000
Balance at 30 September	111,437	-	(111,042)	-	(5,751)	(5,356)

2014						
Issue of shares	21,176	-	(21,051)	-	-	125
Debt for equity	54,887	12,391	-	-	-	67,278
New shares issued (primary offerings)	8,152	1,848	-	-	-	10,000
Capital contribution	-	-	-	500	-	500
Transaction costs offset against equity	-	(333)	-	-	-	(333)
Redemption of preference share	-	(50)	-	50	-	-
Total comprehensive loss for the year	-	-	-	-	(4,488)	(4,488)
Balance at 30 September 2015	**195,652**	**13,856**	**(132,093)**	**550**	**(10,239)**	**67,726**
Capital reduction	(194,348)	(13,856)	-	(50)	208,254	-
Share based payment charges	-	-	-	-	105	105
Total comprehensive profit for the year	-	-	-	-	14,307	14,307
Balance at 30 September 2016	**1,304**	**-**	**(132,093)**	**500**	**212,427**	**82,138**

Consolidated Statement of Cash Flows

For the year ended 30 September 2016

	2016 £'000	2015 £'000
Profit/(Loss) before taxation	**16,952**	**(2,458)**
Adjustments for:		
Depreciation	397	477
Amortisation of intangible assets	5,971	5,622
Finance costs	100	10,678
Finance income	(230)	(206)
IPO costs	-	3,831
Share based payment charges	105	-
	23,295	17,944
Changes in working capital:		
Decrease/(Increase) in trade and other receivables	247	(4,877)
Increase in trade and other payables	1,999	10,559
Increase in cash held in trust account	(1,661)	(3,466)
	585	2,216
Cash generated from underlying operating activities	23,880	20,160
IPO costs paid	(3,010)	(729)
Cash generated from operating activities	**20,870**	**19,431**
Tax paid	(2,780)	(1,736)
Net cash inflow from operating activities	**18,090**	**17,695**

Cash flows from investing activities

Purchase of property, plant and equipment	(617)	(352)
Purchase of intangible assets	(2,407)	(1,995)
Interest received	230	206
Net cash outflow from investing activities	**(2,794)**	**(2,141)**
Cash flows from financing activities		
Proceeds from issue of share capital following Group restructure	-	10,000
Proceeds from issue of share capital	-	75
Repayment of borrowings	-	(20,500)
Capital contribution	-	500
Interest paid	(100)	(1,422)
Payment of shareholder interest	-	(3,568)
Share issue costs	-	(333)
Net cash outflow from financing activities	**(100)**	**(15,248)**
Net increase in cash and cash equivalents	15,196	306
Cash at beginning of year	10,856	10,550
Cash at end of year	**26,052**	**10,856**

1. Basis of Preparation

On the Beach Group plc (the Company) is a company incorporated in the United Kingdom and its registered office is Park Square, Bird Hall Lane, Stockport, Cheshire, SK3 0XN.

The company is listed on the London Stock Exchange.

The consolidated financial statements for the year ended 30 September 2016 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (Adopted IFRS) and were approved by the Directors of the Company on 6 December 2016 along with this preliminary announcement.

The consolidated financial statements are prepared on the historical costs basis except for derivative financial instruments and certain investments measured at their fair value.

The financial information set out in these preliminary announcement does not constitute the company's statutory accounts for the years ended 30 September 2016 and 2015. Statutory accounts for 2015 have been delivered to the registrar of companies, and those for 2016 will be delivered in due course. The auditor has reported on those accounts; their reports were i) unqualified, ii) does not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

The auditor has consented to the publication of the Preliminary Announcement as required by Listing Rule 9.7a having completed their procedures under APB bulletin 2008/2.

The directors of On the Beach Group plc, having made appropriate enquiries, consider that adequate resources exist for the Group to continue in operational existence for at least one year from the date the financial statements are signed and that, therefore, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements for the year ended 30 September 2016.

2. Segmental reporting

The management team considers the reportable segments to be "Core" and "International". All segment revenue, operating profit, assets and liabilities are attributable to the group from its principal activities as an online travel agent.

	2016			2015		
	Core £'000	**International £'000**	**Total £'000**	**Core £'000**	**International £'000**	**Total £'000**
Revenue	70,177	1,144	71,321	62,451	673	63,124
EBITDA before holding company costs	25,739	(1,802)	23,937	20,438	(1,782)	18,656
Holding company costs	(607)	-	(607)	(456)	-	(456)
EBITDA after holding company costs	**25,132**	**(1,802)**	**23,330**	**19,982**	**(1,782)**	**18,200**
Depreciation and amortisation	(6,257)	(111)	(6,368)	(6,023)	(74)	(6,097)
Exceptional acquisition costs	-	-	-	(3,831)	-	(3,831)
Segment operating profit/(loss)	18,875	(1,913)	**16,962**	10,128	(1,856)	**8,272**
Non underlying costs			(140)			(258)
Group operating profit			**16,822**			**8,014**
Finance costs			(100)			(1,796)
Shareholder interest			-			(7,845)
Exceptional finance costs			-			(1,037)
Finance income			230			206
Profit / (loss) before taxation			**16,952**			**(2,458)**

	2016			2015		
	Core	**Internatio nal**	**Total**	**Core**	**Internatio nal**	**Tota l**
Non-current assets	**£'000**	**£'000**	**£'000**	**£'00 0**	**£'000**	**£'00 0**
Goodwill	21,544	-	**21,544**	21,544	-	**21,544**
Other intangible assets	42,853	265	**43,118**	46,505	177	**46,682**
Property, plant and equipment	747	-	**747**	529	-	**529**

3. Operating profit

a. Operating expenses

Expenses by nature including exceptional items and amortisation charges:

	2016 £'000	**2015 £'000**
Marketing	35,591	33,359
Depreciation	397	477
Staff costs	7,808	6,189
IT hosting, licences & support	878	969
Credit / Debit card charges	1,519	2,445
Other	2,335	2,218
Total Administrative expenses	**48,528**	**45,657**
Exceptional costs	-	3,831
Amortisation of intangible assets	5,971	5,622
Total exceptional and cost amortisation	**5,971**	**9,453**

Total expenses	**54,499**	**55,110**

b. Exceptional items

Prior year exceptional costs relate to costs associated with the Initial Public offering of On the Beach Group plc shares on the London Stock Exchange on 28 September 2015.

c. Adjusted underlying PBT

Management measures the overall performance of the Group by reference to the following non-GAAP measure:

Adjusted underlying PBT, which is underlying operating profit (operating profit before amortisation of acquired intangibles, depreciation, share based payments and exceptional items.

	2016 **£'000**	**2015** **£'000**
Profit / (Loss) before taxation	**16,952**	**(2,458)**
Share based payments	105	-
Exceptional costs	-	3,831
Amortisation of acquired intangibles	4,258	4,258
Shareholder interest	-	7,845
Exceptional finance costs	-	1,037
Adjusted underlying PBT	**21,315**	**14,513**

4. Employees

a. Payroll costs

The aggregate payroll costs of these persons were as follows:

	2016 **£'000**	**2015** **£'000**
Wages and salaries	8,618	7,735
Defined contribution pension cost	46	41
Social security costs	799	729
Share-based payment charges	105	-
Total Wage costs	**9,568**	**8,505**

Staff costs above include employee costs capitalised as part of software development.

b. Employee numbers

Average monthly number of people (including Executive Directors) employed:

	2016	**2015**
By reportable segment:	**No.**	**No.**
UK	299	309
International	16	10
Total Employees	**315**	**319**

5. Earnings per share

Basic and diluted earnings per share are calculated by dividing the profit attributable to equity holders of On the Beach Group plc by the weighted average number of ordinary number of shares in issue.

Year ended 30 September 2016	Weighted average number of ordinary shares	Total earnings £'000	Pence per share
Basic and diluted EPS	130.4	14,307	11.0
Adjusted basic EPS	130.4	16,922	13.0

Year ended 30 September 2015	Weighted average number of ordinary shares	Total earnings £'000	Pence per share
Basic EPS	78.0	(4,488)	(5.8)
Adjusted proforma basic EPS	130.4	11,630	8.9
Adjusted basic EPS	78.0	11,630	14.9

Adjusted underlying earnings after tax is calculated as follows:

	2016 **£'000**	**2015** **£'000**
Profit / (Loss) before taxation	14,307	(4,488)
Share based payments	105	-
Exceptional costs	-	3,831
Amortisation of acquired intangibles	4,258	4,258
Deferred tax movements relating to amortisation of acquired intangibles	(1,748)	(853)
Shareholder interest	-	7,845
Exceptional finance costs	-	1,037
Adjusted underlying earnings after tax	**16,922**	**11,630**

6. Finance costs and income

a. Finance costs

	2016 **£'000**	**2015** **£'000**
Bank loan interest	-	1,488
Rolling credit facility interest	100	-
Amortisation of bank loan arrangement fees	-	308
Finance costs	**100**	**1,796**
Share holder interest	-	7,845
Exceptional finance costs - bank loan arrangement fees	-	1,037
Total finance costs	**100**	**10,678**

b. Finance income

	2016 **£'000**	**2015** **£'000**
Bank interest receivable	**230**	**206**

7. Taxation

	2016	2015
	£'000	£'000
Current tax on losses for the year	4,318	2,973
Adjustments in respect of prior years	-	45
Total current tax	4,318	3,018
Deferred tax on profits for the year		
Origination and reversal of temporary differences	(776)	(988)
Impact of change in tax rate	(897)	-
Total deferred tax	(1,673)	(988)
Total tax charge	**2,645**	**2,030**

The differences between the total taxation shown above the amount calculated by applying the standard UK corporation taxation rate to the profit before taxation on continuing operating are as follows. The Group earns its profits primarily in the UK therefore the rate used for taxation is the standard rate for UK corporation tax.

	2016	2015
	£'000	£'000
Profit/(Loss) on ordinary activities before tax	16,952	(2,458)
Profit/(loss) on ordinary activities multiplied by the rate of corporation tax in the UK of 20% (30 September 2015: 20.5%)	3,390	(504)
Effects of:		
Other expenses not deductible	152	2,489
Adjustments in respect of prior years	-	45
Effect of rate changes on deferred tax	(897)	**-**
Total taxation charge	**2,645**	**2,030**

8. Intangible assets

	Brand	Goodwill	Website & development costs	Website Technology	Total
	£'000	£'000	£'000	£'000	£'000
At 1 October 2015	30,079	21,544	5,023	22,513	79,159
Additions	-	-	2,407	-	2,407
Disposals	-	-	(3,628)	-	(3,628)
At 30 September 2016	**30,079**	**21,544**	**3,802**	**22,513**	**77,938**
Accumulated amortisation					
At 1 October 2015	**4,010**	**-**	**2,419**	**4,504**	**10,933**
Charge for the year	2,005	-	1,713	2,253	5,971
Disposals	-	-	(3,628)	-	(3,628)
At 30 September 2015	**6,015**	**-**	**504**	**6,757**	**13,276**
Net book amount					
At 30 September 2016	**24,064**	**21,544**	**3,298**	**15,756**	**64,662**
At 30 September 2015	**26,069**	**21,544**	**2,604**	**18,009**	**68,226**

9. Cash and cash equivalents

	2016	2015
	£'000	£'000
Cash at bank and in hand	26,052	10,856
Trust account	25,580	23,919
	51,632	**34,775**

10. Dividend

A final dividend of 2.2p per share is recommended for the year ended 30 September 2016.

11. Principal risks and uncertainties

The following risk factors may affect the Company's operating results and its financial position. The risk factors described below are those which the Directors believe are potentially significant but should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties facing the Company.

The Company faces competition from both a growing number of internet based travel agents and accommodation and flight providers who are increasing the volume of sales they make directly to the general public. The Company seeks to constantly invest in its brand to increase public awareness as well as offer a wide selection of products from a wide range of suppliers at competitive prices to maintain its market position.

The Company also faces the risks associated with debt financing. The Company is financed partly by bank borrowings. The expectation, based on the detailed budgeting process undertaken by the Company, is that the Company will have sufficient cash resources to meet the financing liabilities that fall due on the base case and on sensitised forecasts.

The Company faces transactional exposure primarily relating to the cost of acquiring accommodation. The Company's main exposure to exchange rate fluctuations is in relation to the Euro/Sterling exchange rate. This risk is managed by forward buying foreign exchange to match requirements as they are generated by customer bookings.

The Company operates a trust for consumer financial protection and closely monitors changes to the legal and regulatory environment and prioritises actions necessary to meet changing requirements.

As an internet based business the Company is dependent on the uninterrupted operation of its IT systems and website. These systems are vulnerable to power loss, fire, computer viruses and other events. Loss of these systems would impair the ability of the Company to carry on its business effectively. IT risks are managed through the operation of two independent data centres, each of which is capable of supporting the primary needs of the business.

The Group is one of several online travel agents involved in litigation with Ryanair in connection with Ryanair's efforts to prevent OTAs from booking and selling its flights. The legal process is ongoing but remains at an early stage. The position remains as disclosed in our Prospectus, save that (with regard to paragraph 13.6 on page 185), OTB only received Ryanair's response to the Notice for Particulars in September 2016 so this has caused a delay to the anticipated timescales set out in the Prospectus. Litigation is unpredictable and if Ryanair were to prevail, this could have a material impact on the Group's business.

The commercial risks which may affect the trading performance of the Company include:

- acts of terrorism, particularly in key tourist destinations

- epidemics in key tourist destinations which threaten the health of tourists
- wars or other international uncertainty which affects air travel
- natural disasters in key tourist destinations
- weather conditions, both in the UK and key tourist destinations
- changes in customer behaviour and preferences
- increases in government taxes

These factors may affect the Company by causing potential customers to cancel or postpone travel plans, reducing the earnings potential of the Company. The Company seeks to minimise such risks by offering products in a wide range of destinations.

Responsibility Statement

The responsibility statement below has been prepared in connection with the Company's Annual Report & Accounts for the year ended 30 September 2016. Certain parts thereof are not included within this announcement.

We confirm that to the best of our knowledge and belief:

- The consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted in the European Union, give a true and fair view of the assets, liabilities, financial position, cash flows and loss of the Company and Group; and
- The management report, which is incorporated into the strategic report, includes a fair review of the development and performance of the business and the position of the Company and Group, together with a description of the principal risks and uncertainties it faces.

This responsibility statement was approved by the Board on 6 December 2016 and is signed on its behalf by:

Wendy Parry
Chief Financial Officer
6 December 2016