



## Corporate Presentation

Hoteles City Express

April 2019



- Mexico's Hospitality Market Update
- Hoteles City Express Today
- Expansion, Financial and Operating Results
- Fibra STAY Portfolio





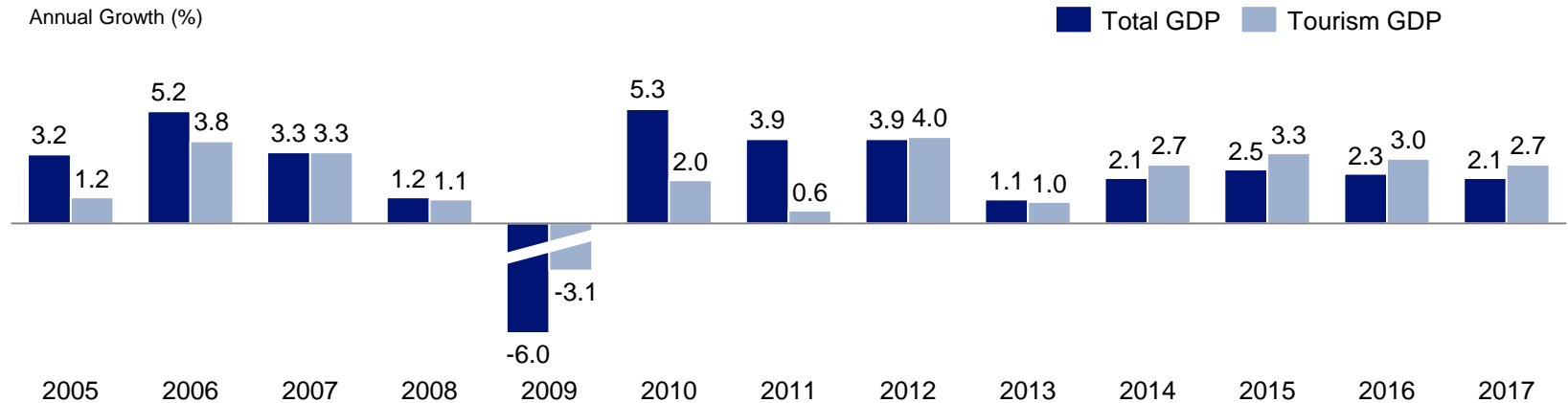
cityexpress  
hoteles

## Mexico's Hospitality Market Update

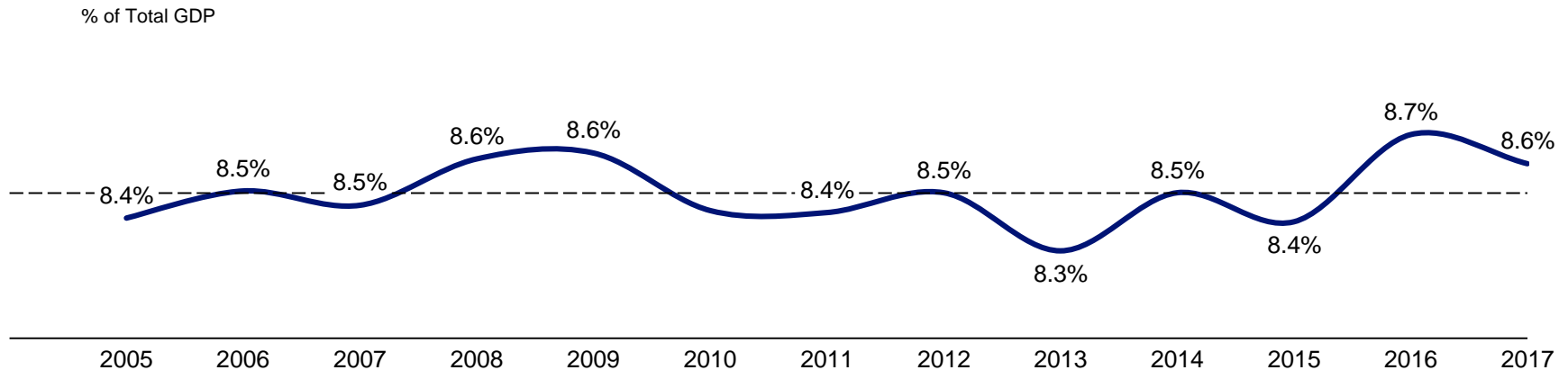
# Tourism Contributes with 9% of Mexico's GDP



## Tourism GDP and Total GDP Historical Evolution



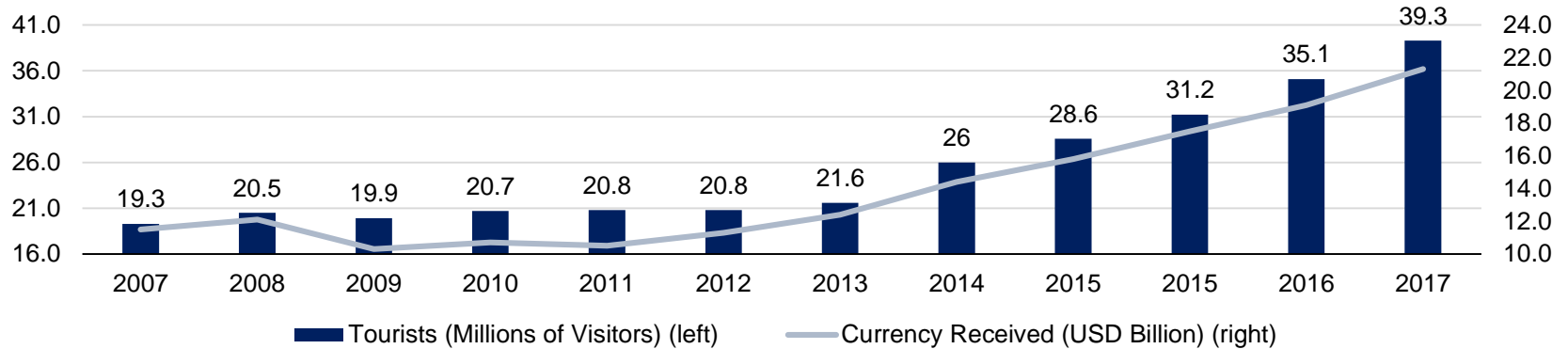
## Tourism Expenditure as Percentage of Total GDP



# Tourism Strength Derived From Both Domestic Momentum and International Visitors

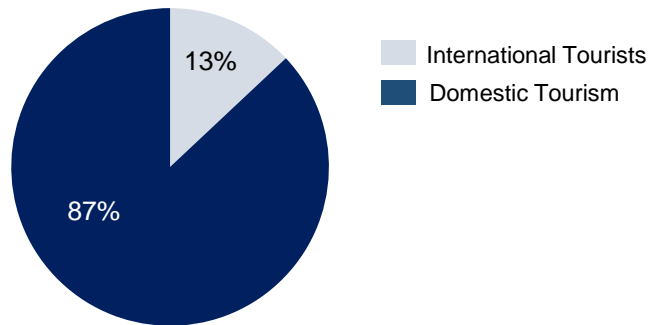


## International Tourist Arrivals and Currency Surplus



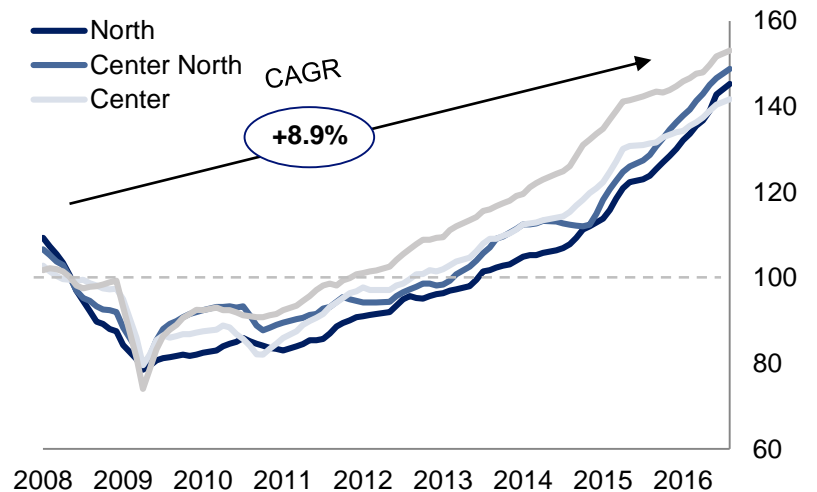
## Tourism Expenditure by Origin

2017



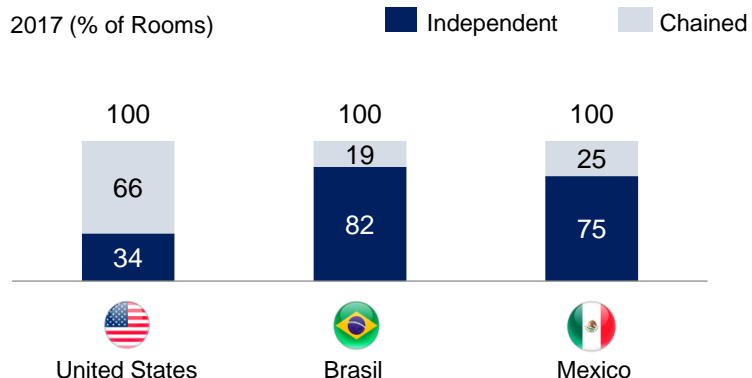
## Hotel Occupancy Index

Base 2008 (2008 = 100)

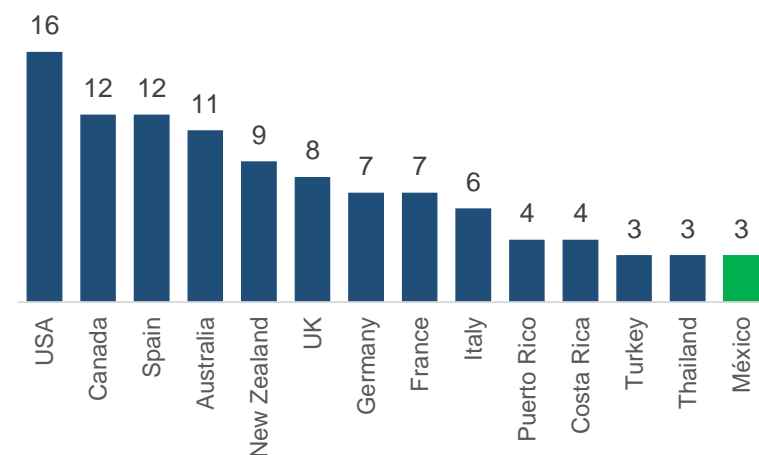


# Hospitality Industry with Consolidation Opportunities Due to Fragmentation

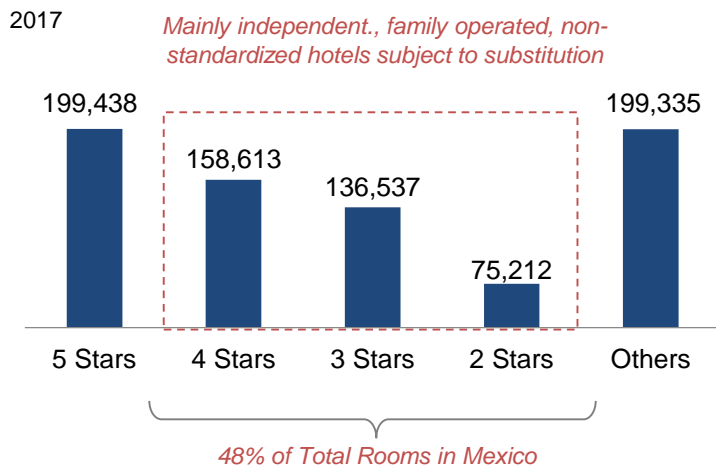
## Breakdown of Independent and Chained Hotels



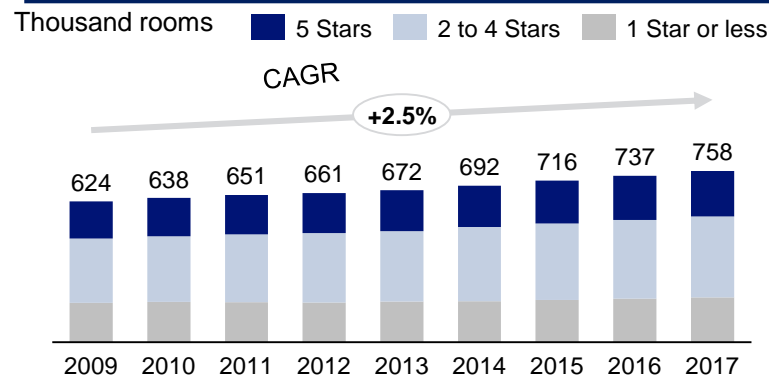
## Hotel Rooms per Thousand Inhabitants



## Hotel Rooms in Mexico by Number of Stars

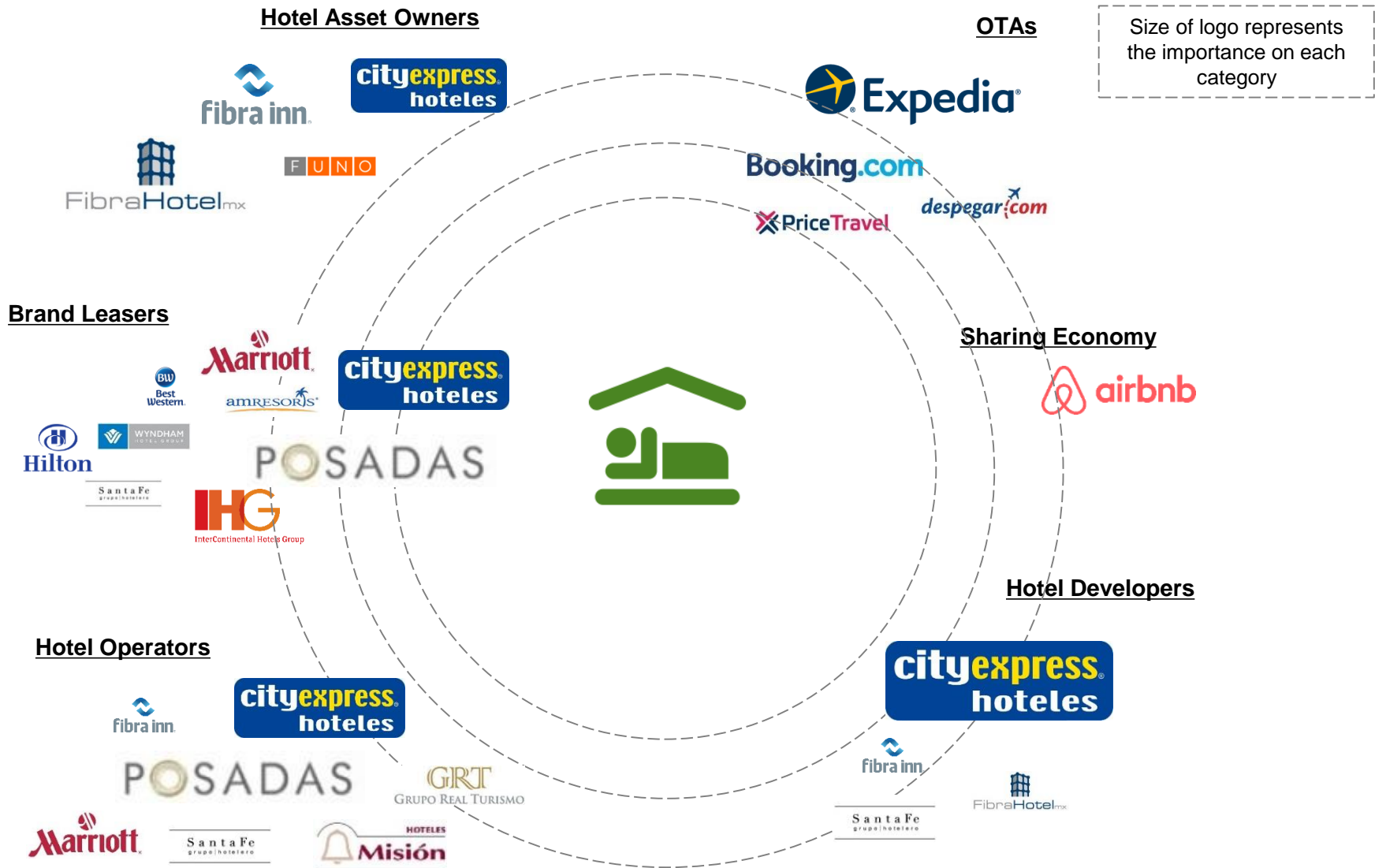


## Hotel Supply Growth



Source: INEGI, Ministry of Tourism, Ministry of Communications and Transportation, JLL, PwC, Euromonitor.

# Hospitality Market Players in Mexico





cityexpress Plus

cityexpress  
hoteles

Hoteles City Express Today

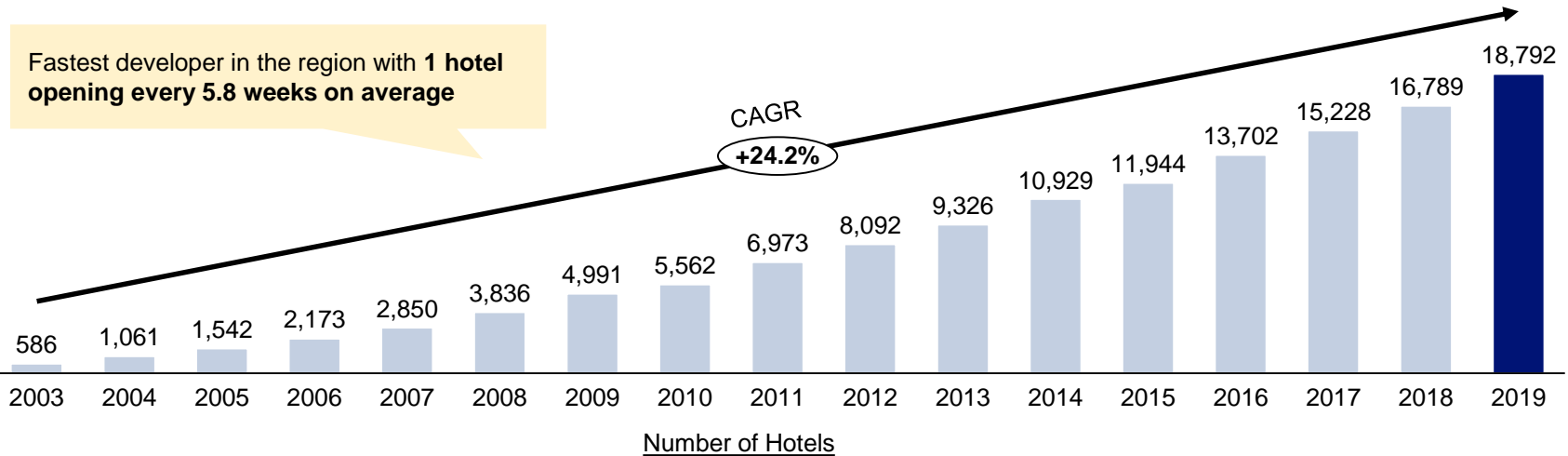


# We Are the Fastest Growing Hotel Chain in Mexico...

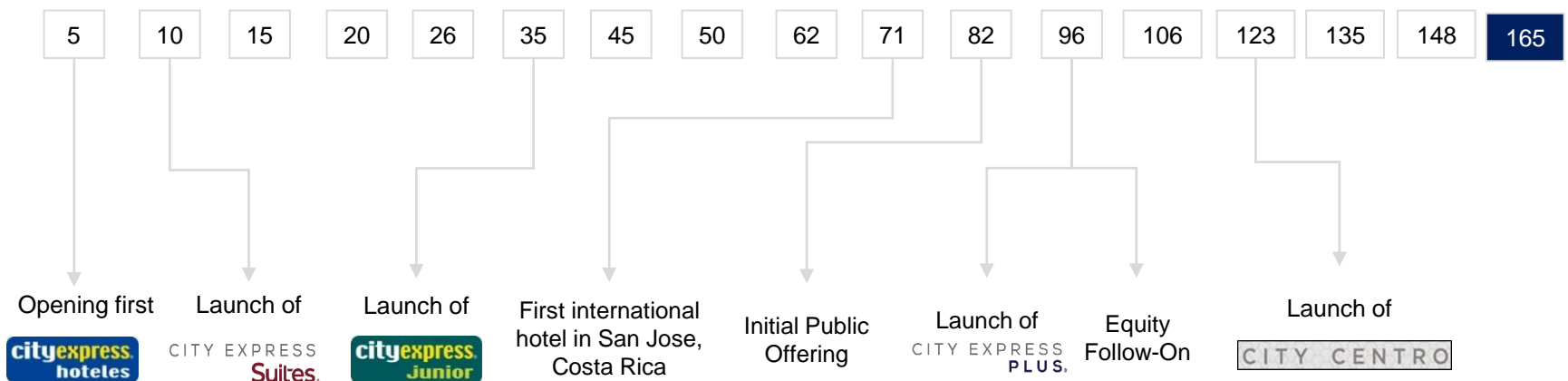


## Historical Chain Growth

### Installed Rooms



### Number of Hotels

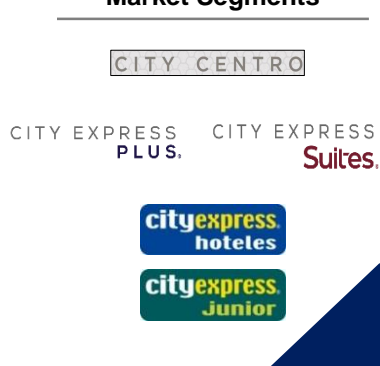


# With One Brand and Five Successful Products to Serve our Market Segment



|                            |  | CITY EXPRESS PLUS.  |   | CITY EXPRESS Suites.  | CITY CENTRO   |
|----------------------------|--|---|---|---|---|
| Description                | <ul style="list-style-type: none"> <li>Flagship Brand</li> <li>Essential amenities</li> <li>Economy segment</li> </ul> | <ul style="list-style-type: none"> <li>City Express product located in Premium locations</li> </ul> | <ul style="list-style-type: none"> <li>Budget segment brand</li> <li>Same quality within smaller rooms</li> </ul> | <ul style="list-style-type: none"> <li>Extended stay brand</li> <li>Apartment-style layout</li> </ul> | <ul style="list-style-type: none"> <li>City Express product within city downtowns with Premium decor</li> </ul> |
| Average Room Size          | 23 m <sup>2</sup> (248 ft <sup>2</sup> )   | 23 m <sup>2</sup> (248 ft <sup>2</sup> )  | 17 m <sup>2</sup> (183 ft <sup>2</sup> )  | 30 m <sup>2</sup> (323 ft <sup>2</sup> )  | 23 m <sup>2</sup> (248 ft <sup>2</sup> )  |
| Average Daily Rate (ADR)   | MXN \$600 – \$1,200  | MXN \$1,000 – \$1,500   | MXN \$500 – \$750   | MXN \$750 – \$1,700   | MXN \$ 1,800 – \$3,000  |
| Rooms per Hotel            | 100 – 150  | 70 – 150  | 105 – 134   | 26 – 120  | 35 – 80   |
| # of Hotels <sup>(1)</sup> | 91   | 23  | 23  | 12  | 2   |
| # of Rooms <sup>(1)</sup>  | 10,581   | 3,087   | 2,572   | 721   | 147   |

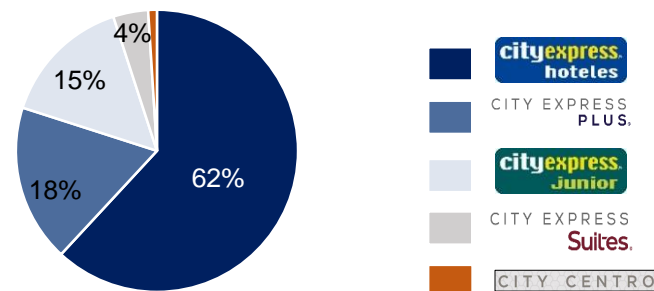
## Market Segments



## Target ADR (MXN)

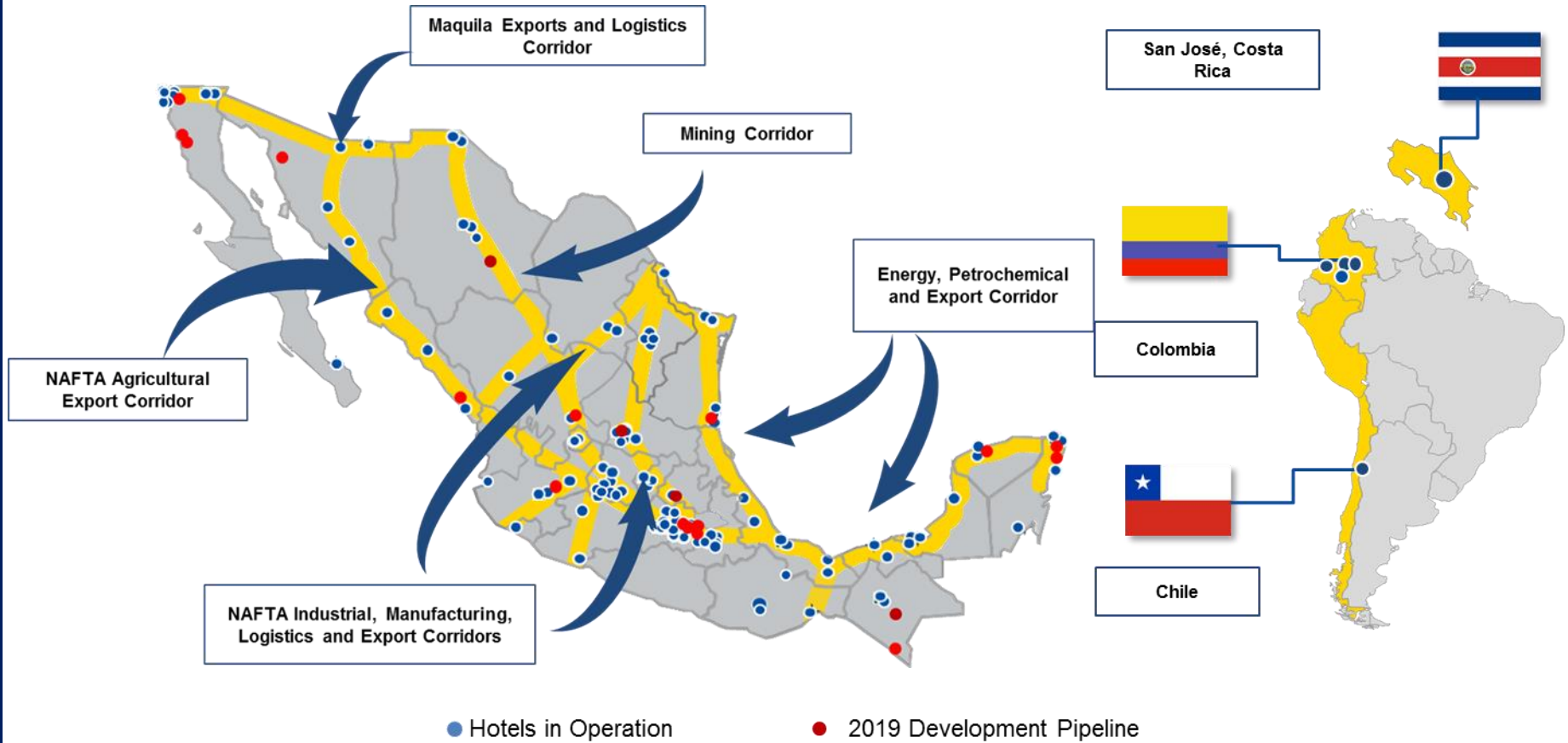


## Room Distribution by Brand



(1) As of April 2019

# ...And Significant Diversification Across Geographies and Countries



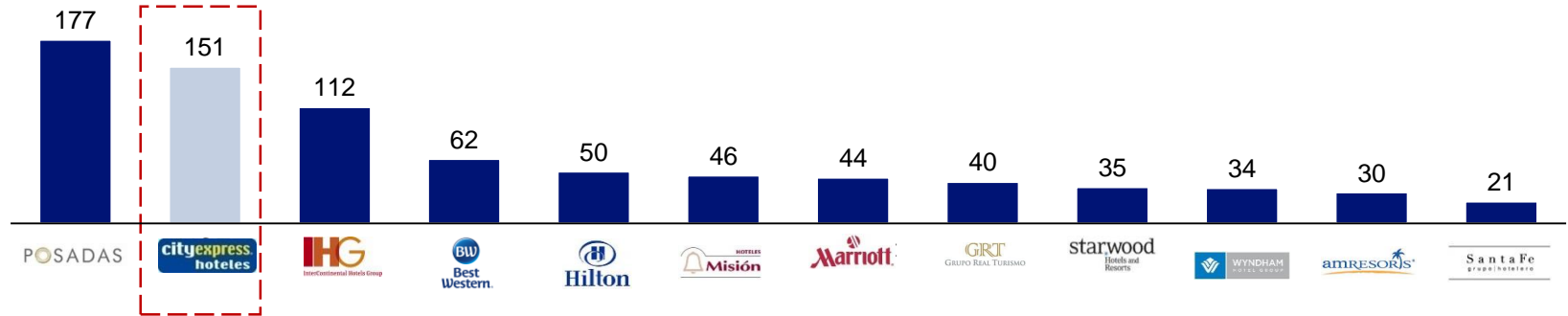


# Reflected in the Build Up of the Largest Branded Inventory in Mexico



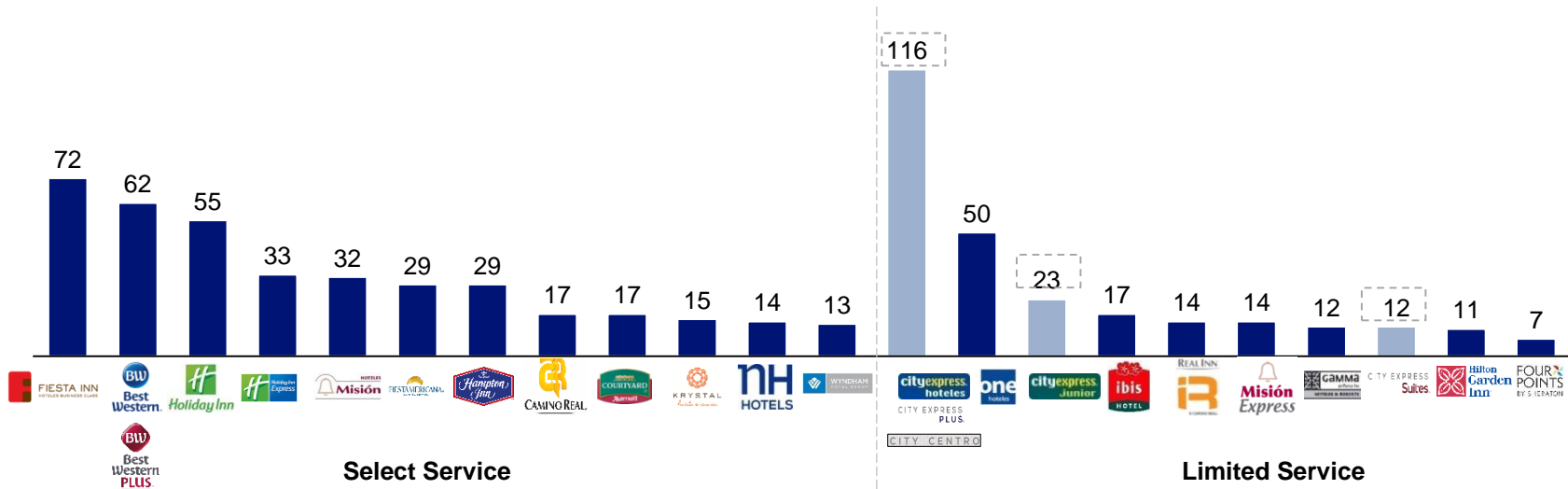
## Number of Hotels by Chain in Mexico

As of April 2019



## Number of Hotels by Brand in Mexico

As of April 2019

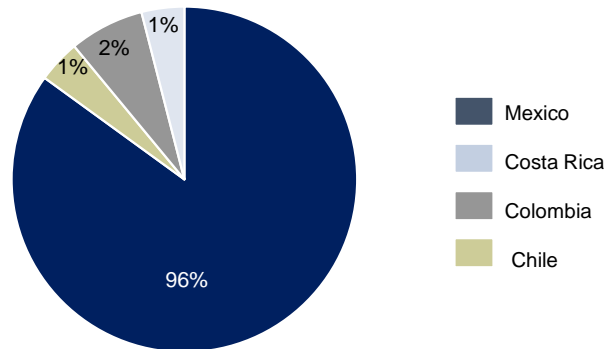


# ...And Favoured by Exposure to Different Economic Activities, Brands and Ownership Structures



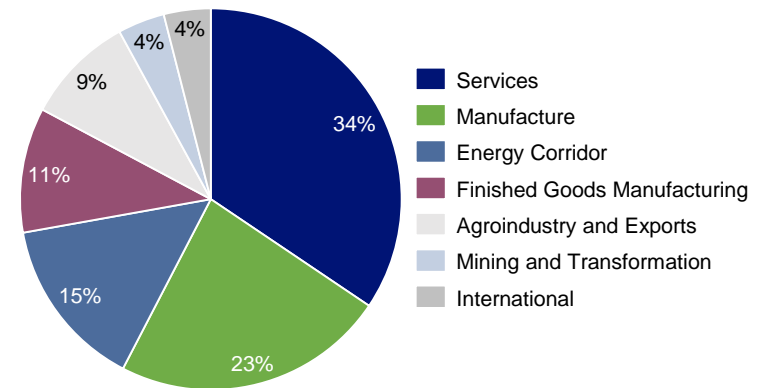
## Geographic Coverage by Country

As of April 2019



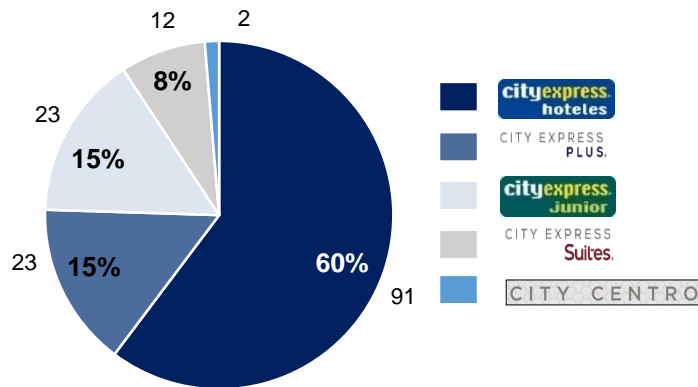
## Presence in Mexico by Economic Activity

As of April 2019, % of Total Portfolio based on Number of Hotels



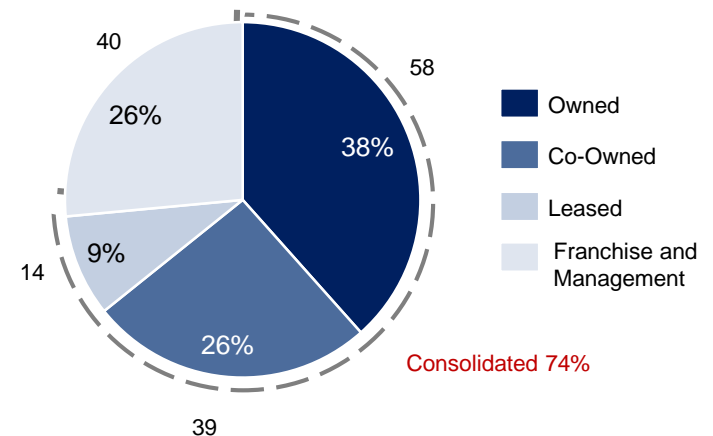
## Hotel Portfolio by Brand

As of January 2019, # of Hotels and % of Total Portfolio



## Hotel Portfolio by Ownership

As of April 2019, # of Hotels and % of total Portfolio



# Coupled With an Innovative and Disruptive Room Operation and Distribution Platform

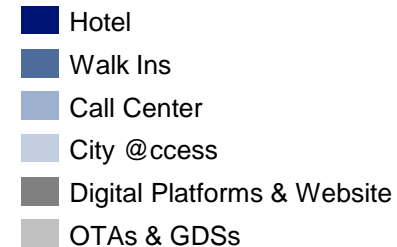
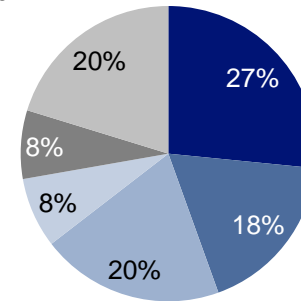


- Innovative technological platform receiving **more than 80% of reservations through own channels.**
- **Optimized Yield Management System** executed in real time focused on maximizing RevPAR.
- **City Premios – Loyalty program** with over **786,000 active members** accountable for **20%** of total occupied room nights.
- **More than 8,000 corporate agreements** that account for approximately **40%** of total occupied room nights.
- **Solid commercial agreements and partnerships** that turn into sales.



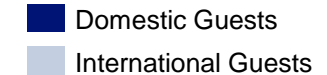
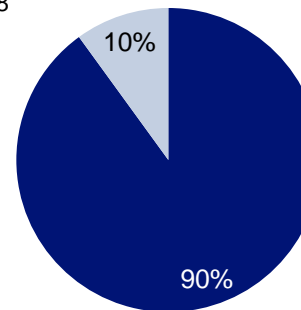
## Room Nights Sold by Channel

2018



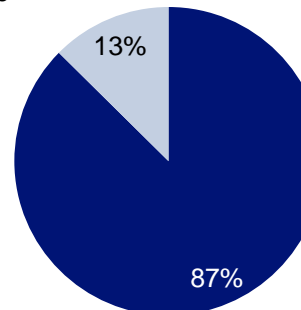
## Room Nights Sold by Guest Type

2018



## Room Nights Sold by Travel Purpose

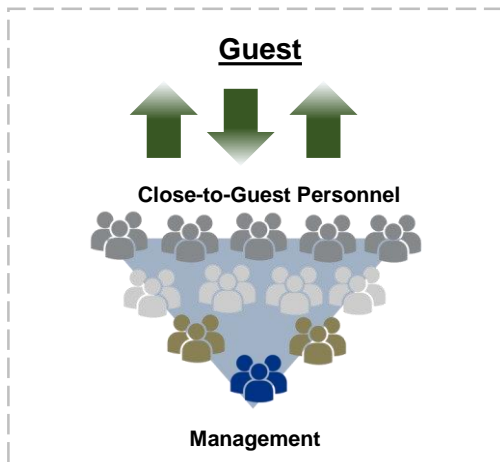
2018





# Interlinked Within a Matrix Organization Enhancing Operation on All Fronts...

- **Bulletproof operation system** due to **matrix structures** defined by business processes
- **Personnel empowerment** that allows a **quick, efficient and guest-oriented decisión making**
- **Closeness to the guest** as an “**inverted pyramid**”
- **Channel sales optimization** maximizing rates and encouraging **profitable commercial drive**



## Matrix Organization by Business Process

| Segment / Channel           |           | Hotel      | Call Center | Website | City Access | OTAs & GDS |
|-----------------------------|-----------|------------|-------------|---------|-------------|------------|
| Segment Leaders             | Groups    | ○          | ○           | ○       | ○           | ○          |
|                             | Wholesale | ○          | ○           | ○       | ○           | ○          |
|                             | Business  | ○          | ○           | ○       | ○           | ○          |
|                             | Leisure   | ○          | ○           | ○       | ○           | ○          |
|                             | Others    | ○          | ○           | ○       | ○           | ○          |
| <b>Branch Directors</b>     |           |            |             |         |             |            |
|                             |           | Operations | Marketing   | IT      | Digital     |            |
| <b>Executive Management</b> |           |            |             |         |             |            |

# ...And Supported by Best in Class Corporate Governance and Sustainability Practices



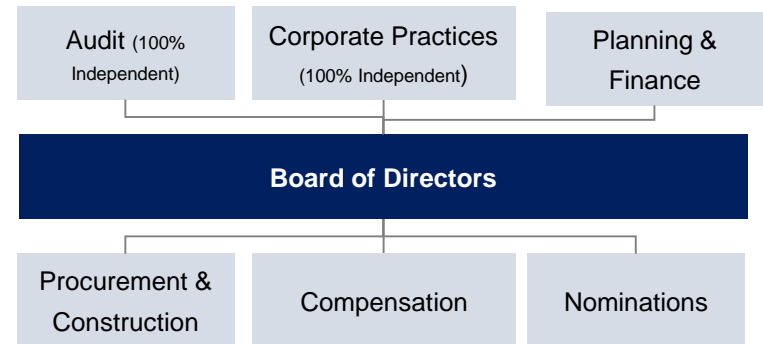
## Strong Institutional Sponsors that Fueled Growth



- Practices aligned to protect minority interests
- Zero corruption tolerance.
- Corporate Governance Manuals and Policies effectively implemented: <https://goo.gl/vFvNOV>
- Mainly independent Board of Directors – 10 out of 11 members are independent

## Committed and Capable Board of Directors

### Board Committees



## Sustainability Strategy that Generates Results

- **Sustainability policy and committee** effectively implemented.
- **Top environmental practices** and international certifications for hotels.
- **Catalyst of positive social, economic and environmental impacts** in all our locations.
- Deeply committed with UN's **2030 Goals for Sustainable Development**.

### Portfolio of Certifications



### Strategic Pillars and Initiatives

|               |   |
|---------------|---|
| Economic      | Entrepreneurship program, committed to growing employment opportunities |
| Environmental | Resource optimization and minimization of Carbon Footprint initiatives  |
| Social        | Labor Inclusion and welfare programs for employees                      |



Download our 2018 Sustainability Report

<http://cityexpress.com/sustainability>



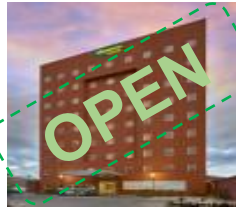


# Expansion, Financial and Operating Results



# Hotel Development and Inventory Expansion

## Hotel Openings In the Last 24 Months



Cj SLP Z. Ind  
May 2017



Cj Puebla Ang.  
July 2017



Ce Altamira  
July 2017



Ce Mérida  
(Expansion)  
July 2017



CeP Puerto  
Vallarta  
July 2017



CeP Medellín  
Sept. 2017



Cj Tuxtepec  
Sept. 2017



Ce Tijuana Otay  
Dec. 2017



Cj León CC  
Dec 2017



Ce Mty.  
Lindavista  
Dec. 2017



CC Oaxaca  
Dec. 2017



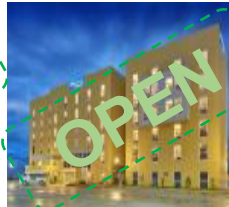
CeP León CC  
Dec 2017



Ce Tepic  
Jan. 2018



Ce Atlixco  
March 2018



Ce Comitán  
June 2018



CS Cancún  
Aeropuerto  
Oct. 2018



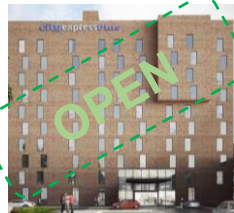
CeP Cancún  
Aeropuerto  
Oct. 2018



CeP Interlomas  
Nov. 2018

# Hotel Development and Inventory Expansion

## 2019 – 2020 Development Pipeline



CeP Tampico  
Nov. 2018



Cj CDMX  
Sullivan  
Dec. 2018



CeP Mérida  
Dec. 2018



CeP Ensenada  
Dec. 2018



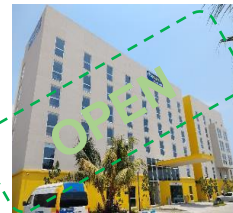
Ce Ensenada  
Dec. 2018



CeP Tijuana  
Dec. 2018



Ce CDMX  
Tlalpan  
1Q19



Ce Tapachula  
1Q19



Ce Mty Aeropuerto  
(Ampliación)  
1Q19



Ce CDMX La  
Villa  
2Q19



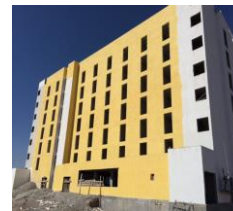
CeP Chihuahua  
2Q19



CC SLP  
3Q19



Ce Cuautitlán  
4Q19



Ce Delicias  
4Q19



CeP Mazatlán  
4Q19



Ce Caborca  
4Q19



Ce CDMX  
Anzures  
4Q19



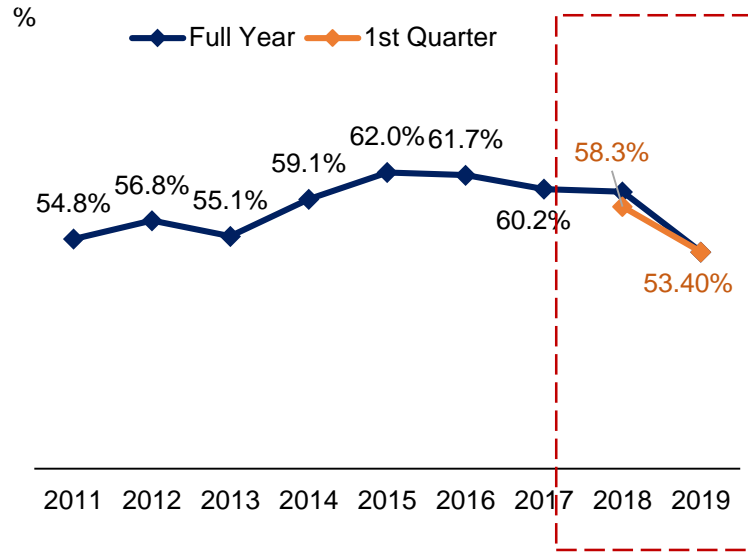
CeP Gdl. Prov  
4Q19

\* Pictures don't reflect the actual status of the hotel

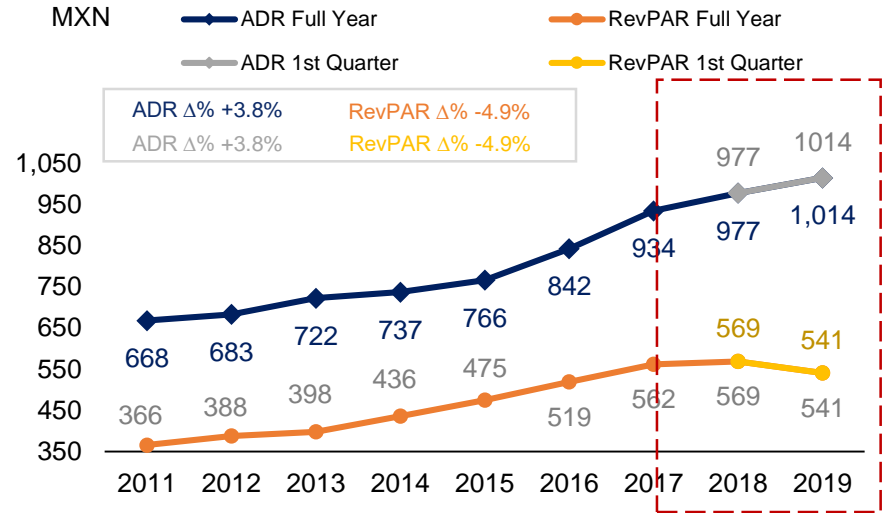
# Operating And Financial Summary



## Occupancy

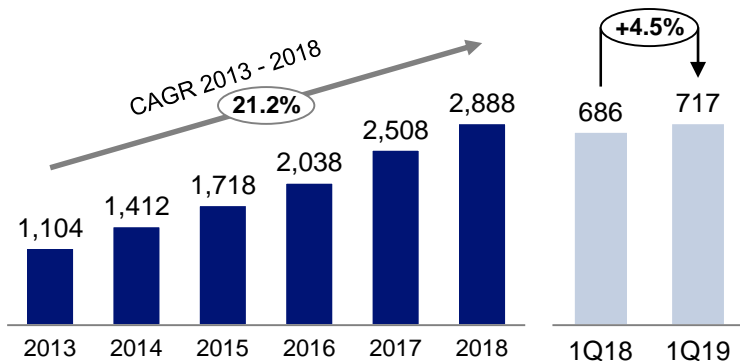


## Average Daily Rate (ADR) and Effective Daily Rate (RevPAR)



## Total Revenues

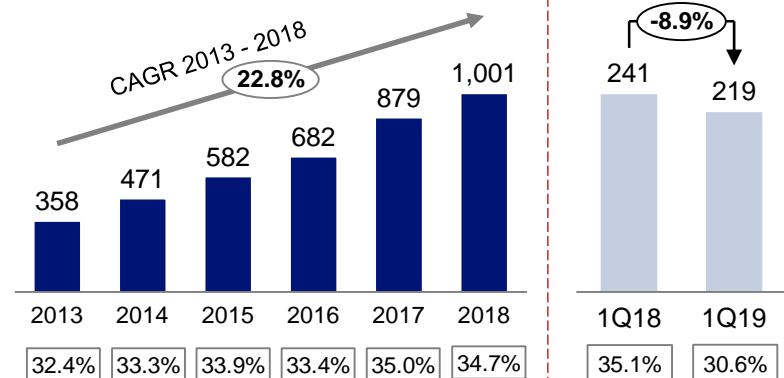
MXN Millions



## Adjusted EBITDA and EBITDA Margin

MXN Millions

Margin over Total Revenues



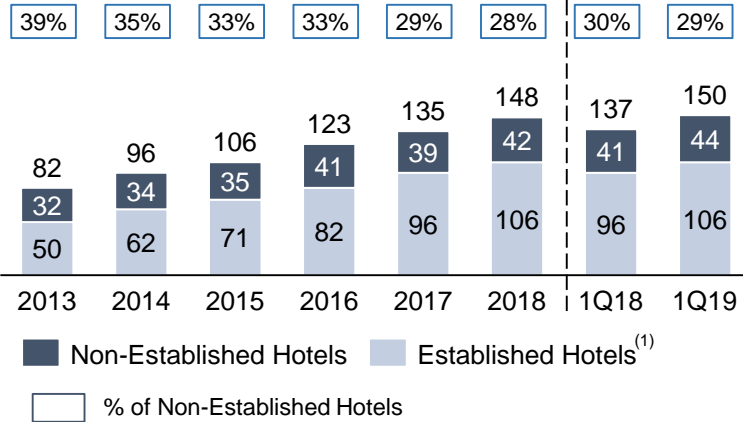


# Established Hotels Metrics



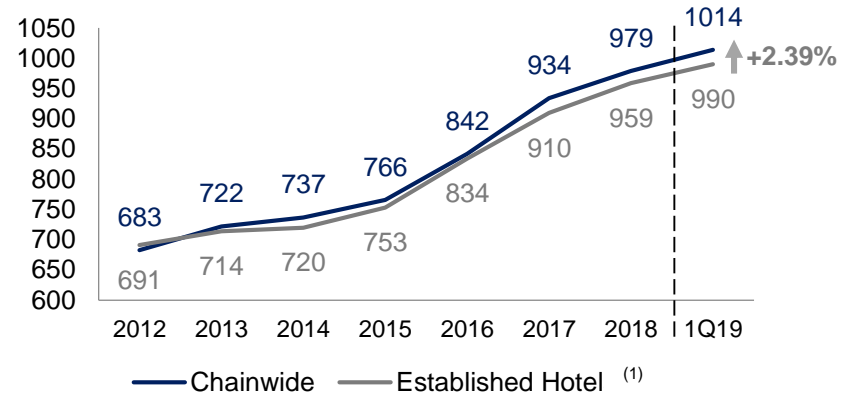
## Number of Hotels in Operation

# of Hotels in Operation at the End of Each Period

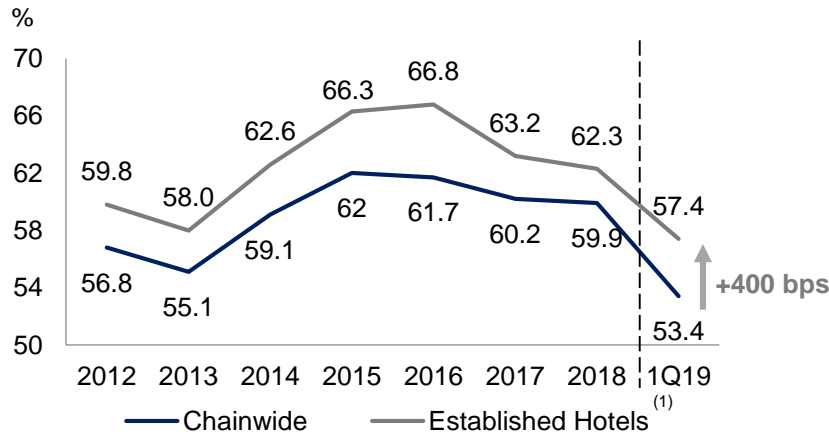


## ADR

MXN

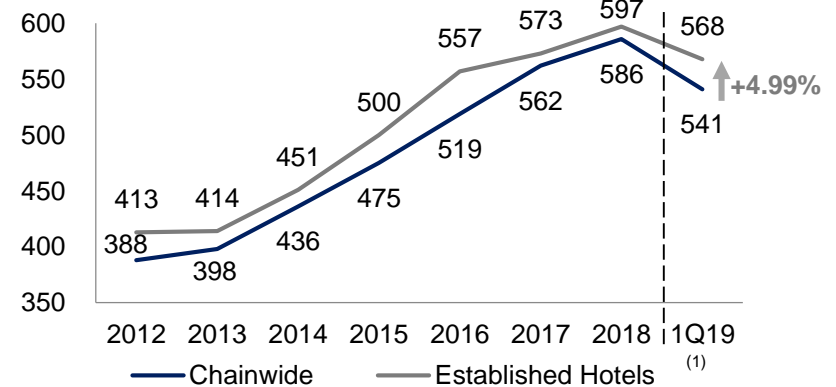


## Occupancy



## RevPAR

MXN



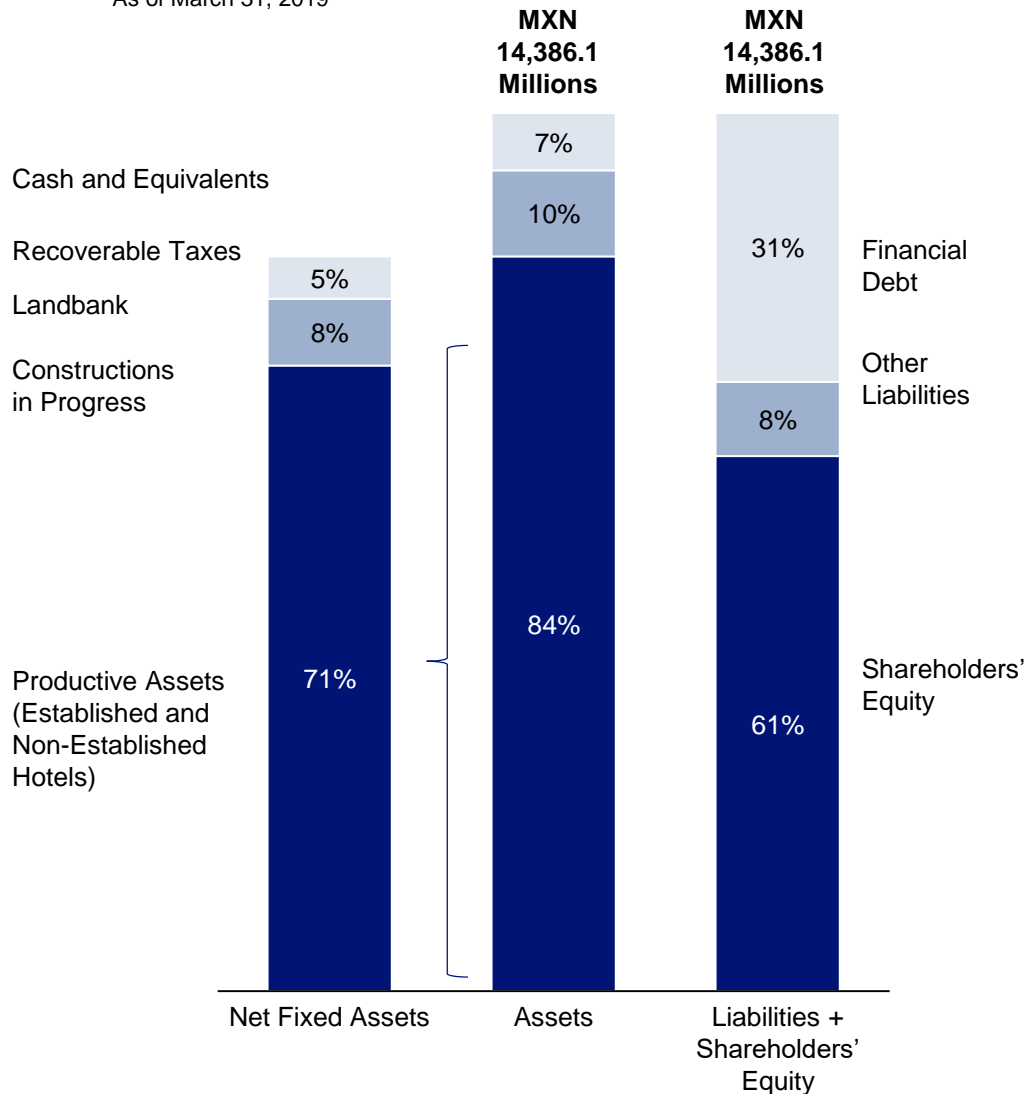
(1) Defined as the hotels with at least 36 months of operation

# Capital Structure and Financial Position



## Balance Sheet Structure

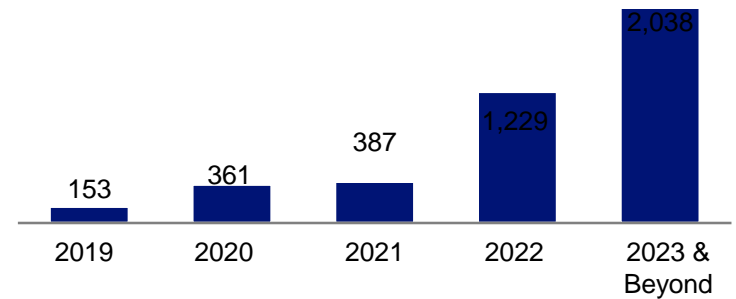
As of March 31, 2019



## Financial Debt Maturity Schedule

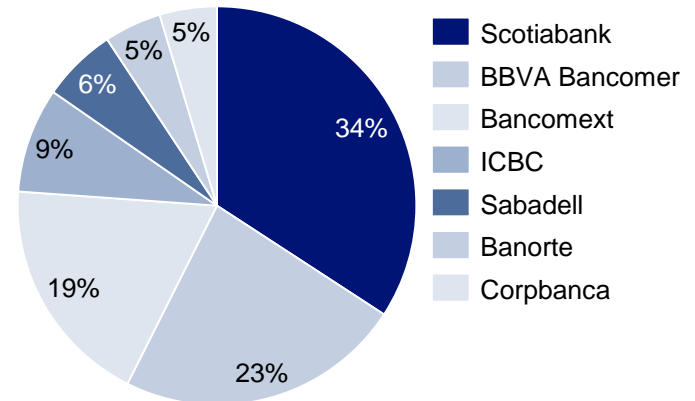
As of March 31, 2019

**Total Debt Outstanding:**  
MXN 4,404.4 millions

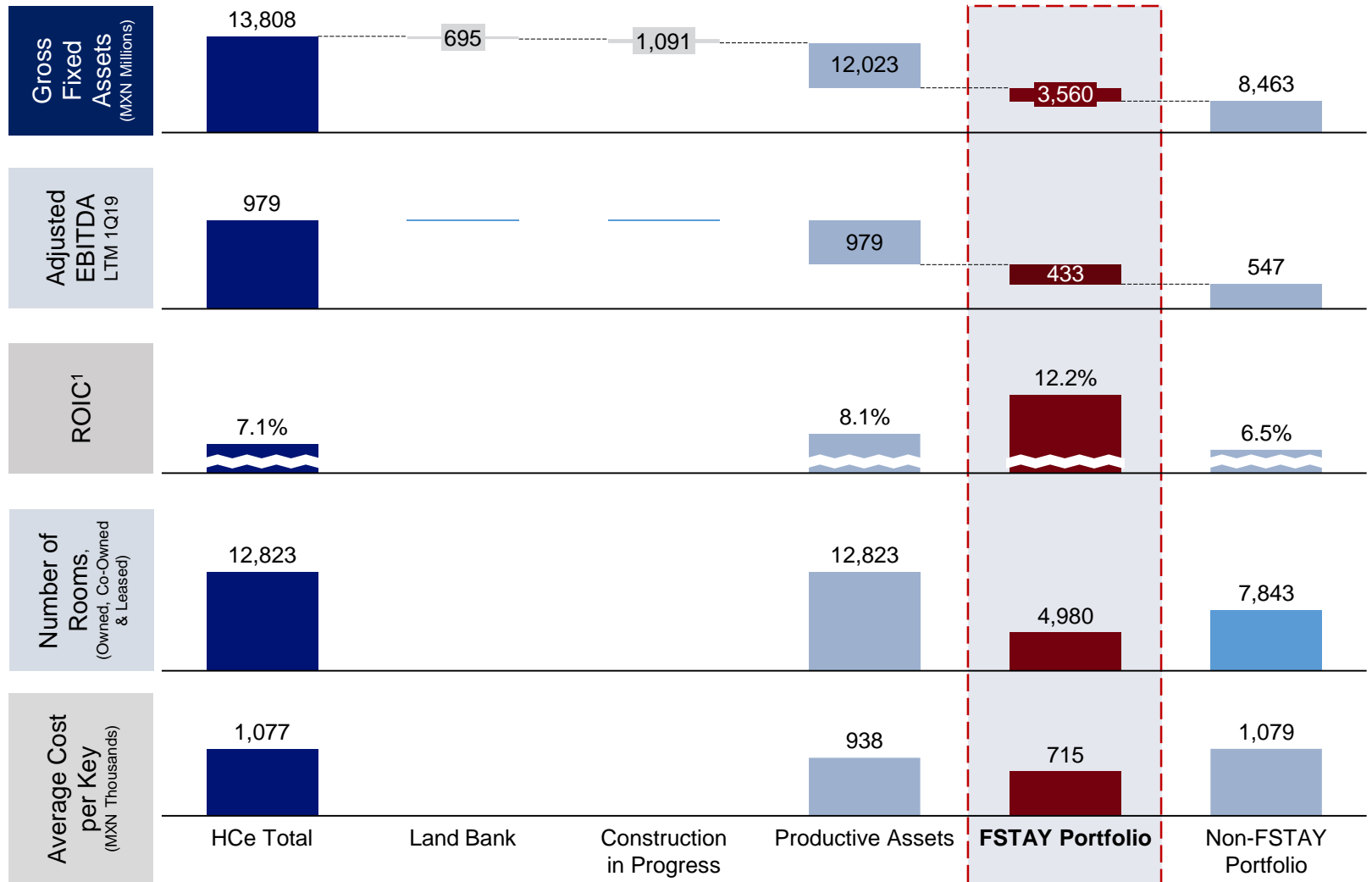


## Access to Diversified Financing Sources

Bank Debt by Counterparty as of March 31, 2019



# Return On Invested Capital



1. ROIC calculated as EBITDA / Total Investment

# Pristine Execution Characterized by Robust Performance on All Fronts



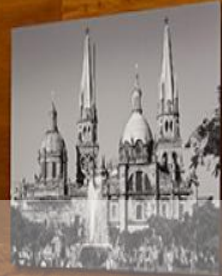
|                                    |  | Initial Public Offering<br>(November 2013) | 1st Quarter 2019 |         |
|------------------------------------|--|--|------------------|---------|
| Hotel Platform                     | Hotels / Rooms in Operation                | 72 / 8,201                                 | 150 / 17,002     | 107.3%  |
|                                    | Development Pipeline (Projects in Process) | 13   | 30               | 130.8%  |
| Operating Metrics <sup>1</sup>     | Occupancy                                  | 55.1%                                      | 53.4%            | 170 pbs |
|                                    | Average Daily Rate (ADR)                   | \$722                                      | \$1,014          | 40.4%   |
|                                    | Revenue per Available Room (RevPAR)        | \$398                                      | \$541            | 35.9%   |
| Financial Performance <sup>1</sup> | Total Revenues                             | \$968 MM                                   | \$2,918 MM       | 201.5%  |
|                                    | Adjusted EBITDA / Margin                   | \$311 MM / 30.5%                           | \$979 MM / 33.6% | 214.9%  |

(1) Operating metrics calculated as of 1Q19 and financial performance calculated considering last 12 months

cityexpress  
Plus

cityexpress  
hoteles

Fibra STAY





# Fibra STAY Objectives

1

Enhance transparency, capture and take advantage of the market value of HCE's real estate assets



2

Generate liquidity to support the growth in hotel units for the 2019 – 2022 period



3

Establish a sustainable asset recycling mechanism allowing continuous growth without diluting shareholders

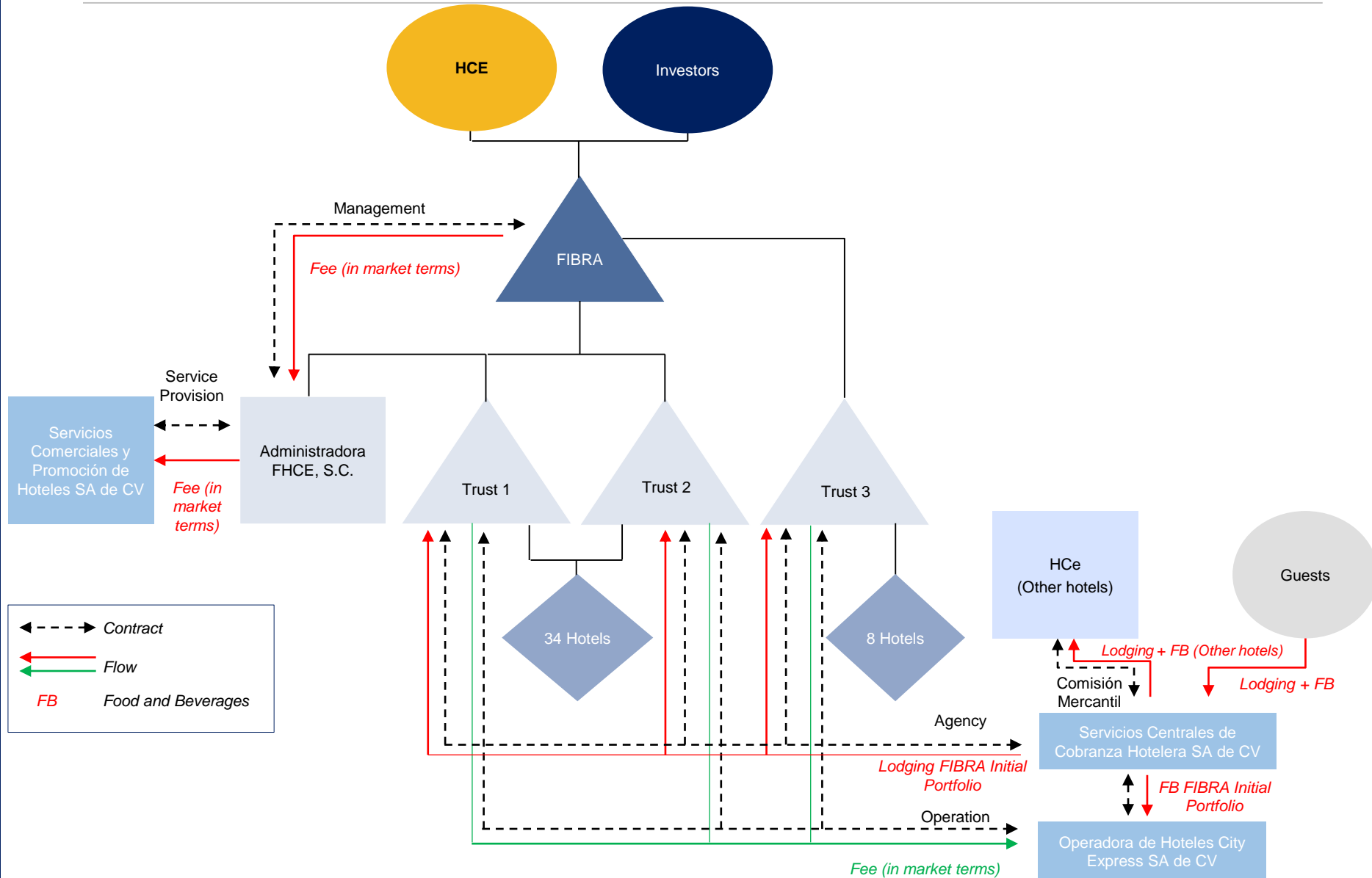


4

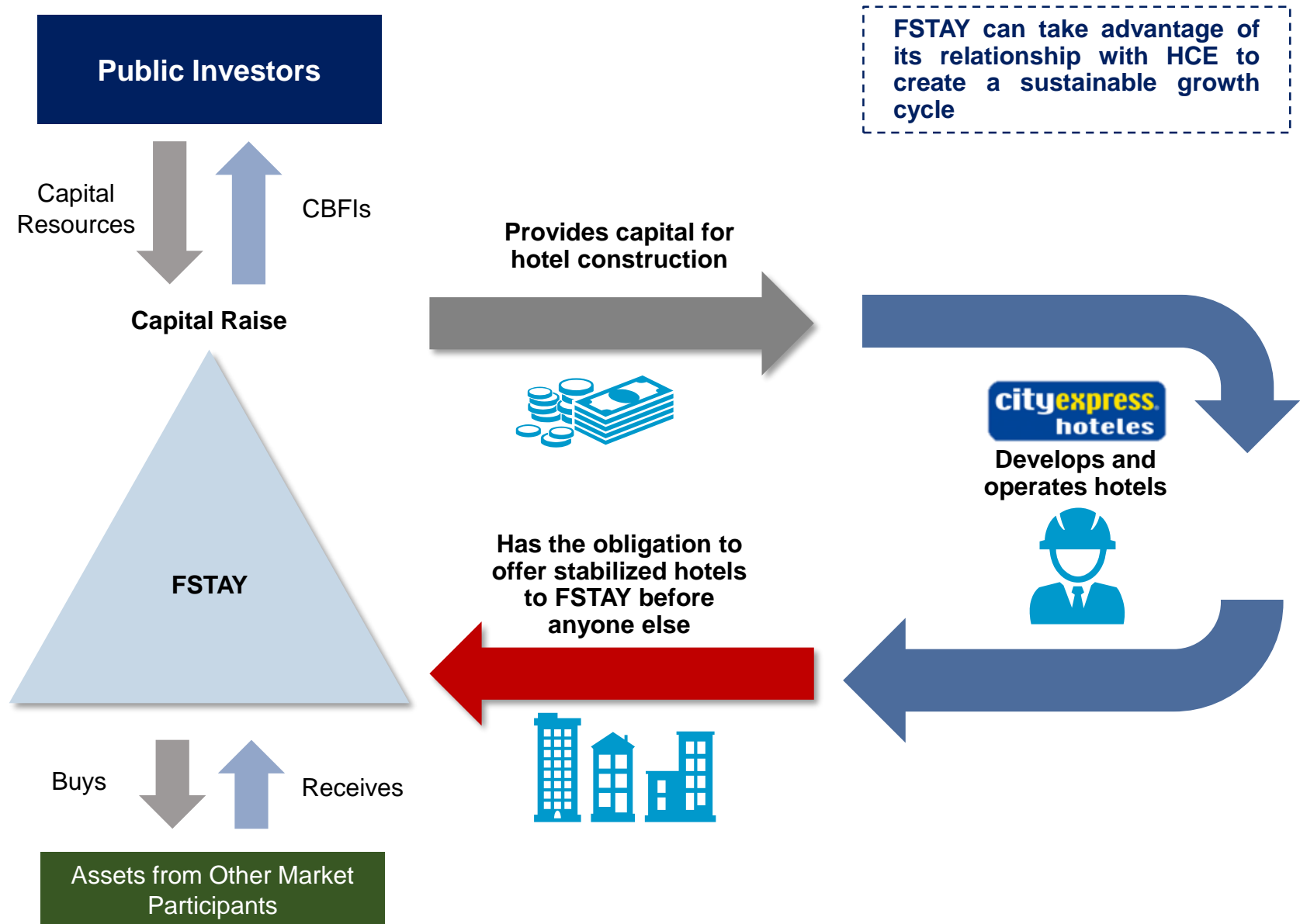
Generate transparency on performance and profitability HCE key business segments



# FSTAY Structure



# Sustainable Recycling Capital Vehicle



# Use of Resources

Potential Growth 2019 - 2022



72

## Potential Projects in Mexico

### Investment Scheme

|           |    |
|-----------|----|
| Owned     | 40 |
| Co-Owned  | 16 |
| Managed   | 16 |
| Leased    | 0  |
| Franchise | 0  |

|              |           |
|--------------|-----------|
| <b>Total</b> | <b>72</b> |
|--------------|-----------|

### Geographic Area

|                    |    |
|--------------------|----|
| North Border       | 13 |
| Bajio Region       | 14 |
| Metropolitan Areas | 20 |
| Center             | 5  |
| Pacific            | 7  |
| Energy Corridor    | 7  |
| International      | 0  |
| South              | 6  |

|              |           |
|--------------|-----------|
| <b>Total</b> | <b>72</b> |
|--------------|-----------|

## Geographically Diversified Pipeline 2019-2022



● Potential Projects 2019-2022

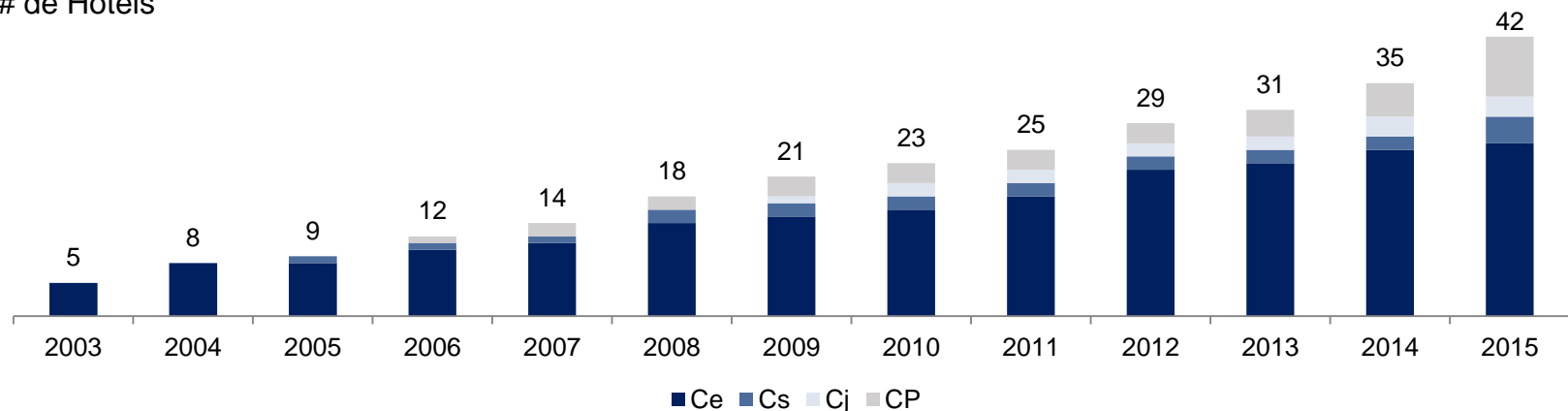
# Best in Class Diversified and Established Portfolio

## Portfolio Development



### Portfolio Development by Brand

# de Hotels



### Key Points

- Hotels developed and operated by Hoteles City Express under the highest quality standards.
- Assets strategically located in regions with high demand for lodging by business travelers and with growth potential.
- Established Portfolio of hotels – All the assets have at least 24 months in operation, and 83% has 36 months or more. No discrimination criteria in addition to compliance with the average stabilization period.



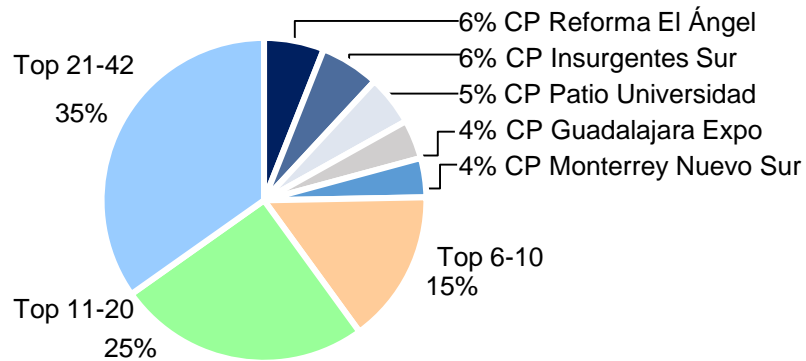


# Diversified Portfolio with Exposure to Different Industrial Regions

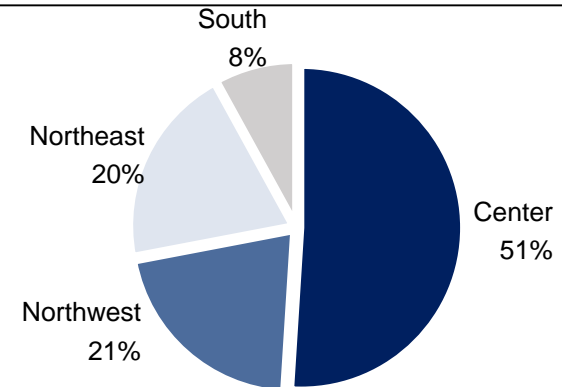


## Sales Distribution 2018 - % of Total

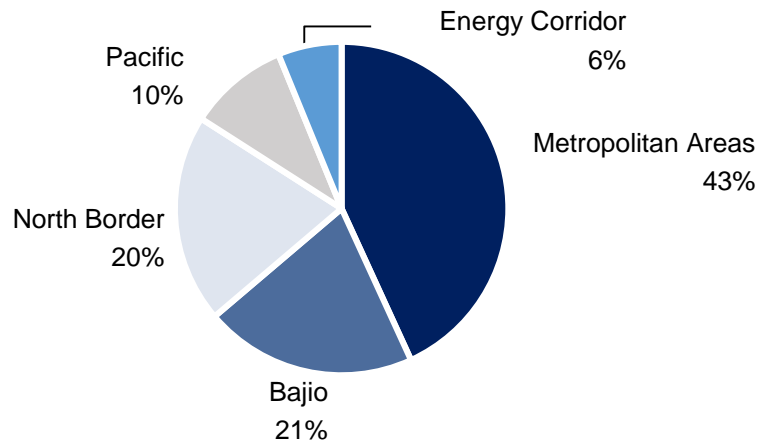
### By Hotel



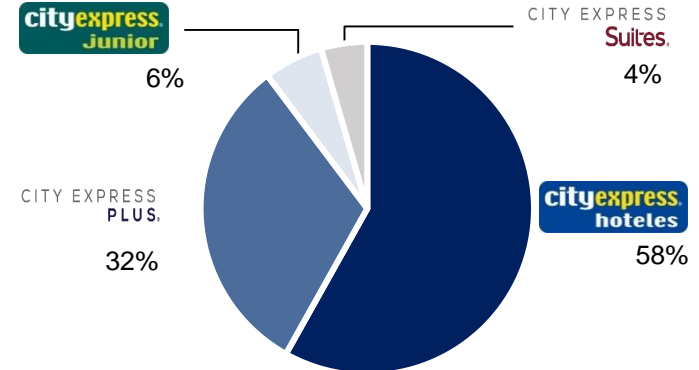
### By Economic Region



### By Economic Corridor



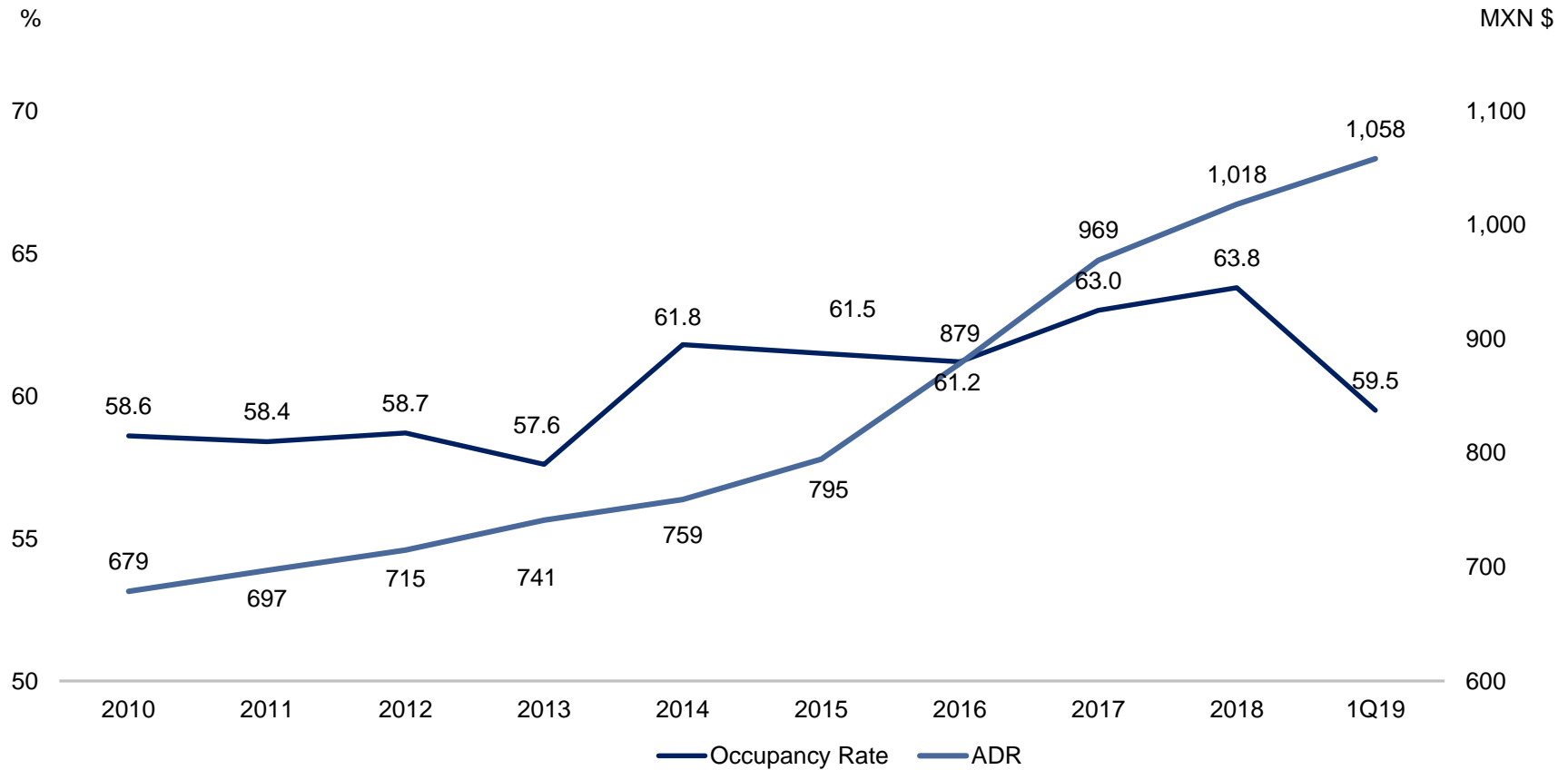
### By Brand



# ADR and Occupancy Rates Growing Even with Hotel Development



## Occupancy Rate



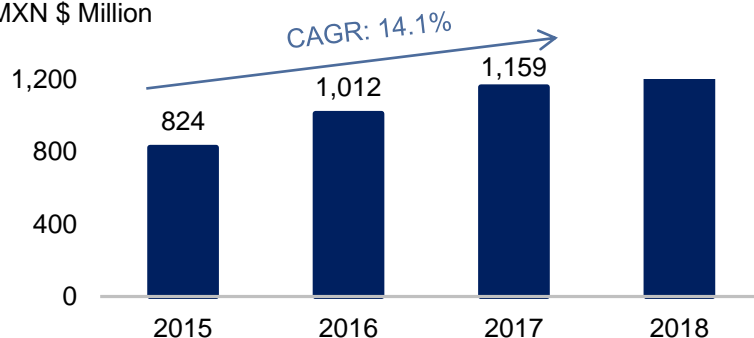
# Robust Operating and Financial Performance

Preliminary Not Audited Financial Information



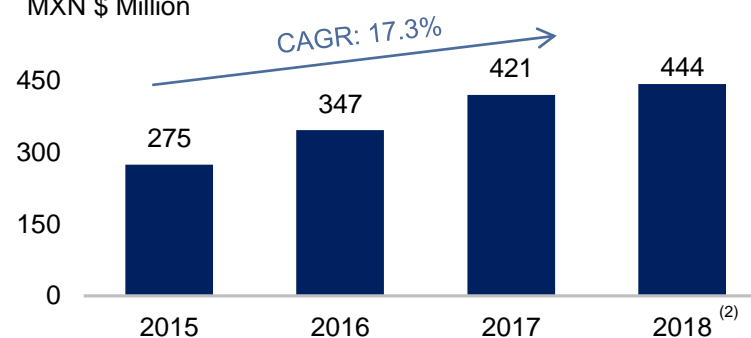
## Total Sales <sup>(1)</sup>

MXN \$ Million



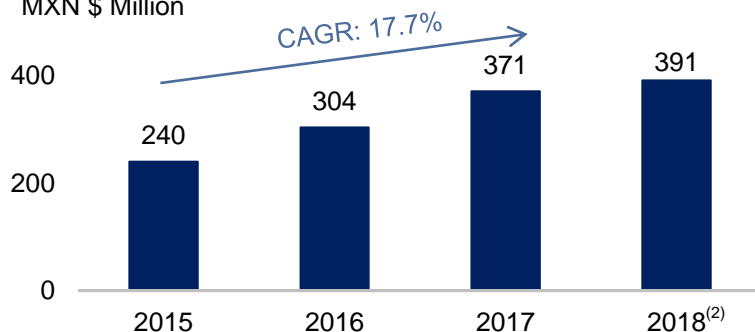
## EBITDA <sup>(3)</sup>

MXN \$ Million



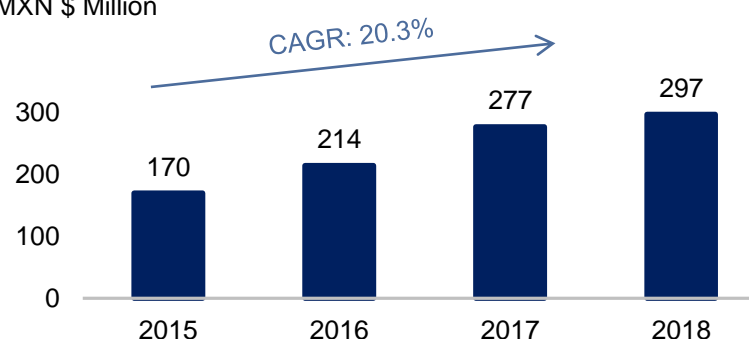
## NOI <sup>(3)</sup>

MXN \$ Million



## AFFO <sup>(4)</sup>

MXN \$ Million



### Notes

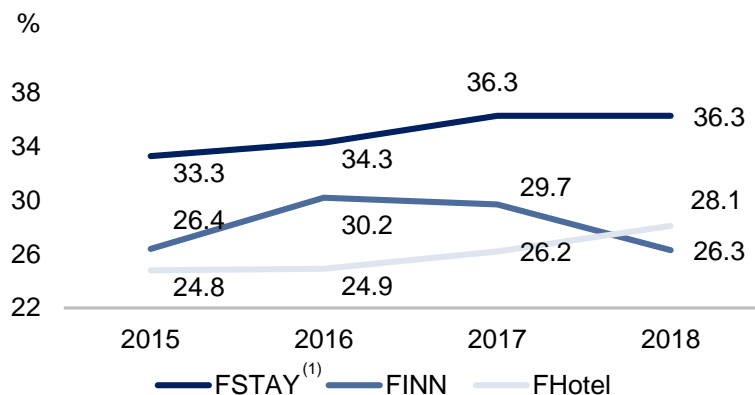
1. Considers Ps\$20.9MM, Ps\$20.7MM and Ps\$19.6MM from other revenues for 2015, 2016 y 2017, respectively
2. Does not consider Ps\$15.5MM, Ps\$15.9MM and Ps\$16.4MM of SG&A for 2015, 2016 y 2017, respectively
3. Calculated as EBITDA – FF&E
4. Net Income + Income Taxes + D&A – FF&E

# Robust Operating and Financial Performance

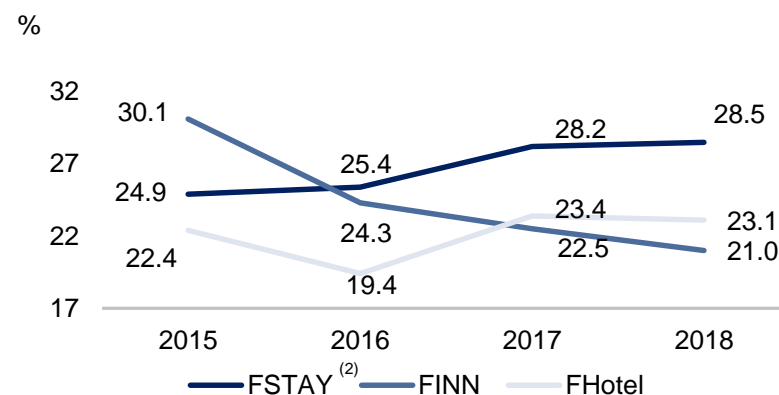
Preliminary Not Audited Financial Information



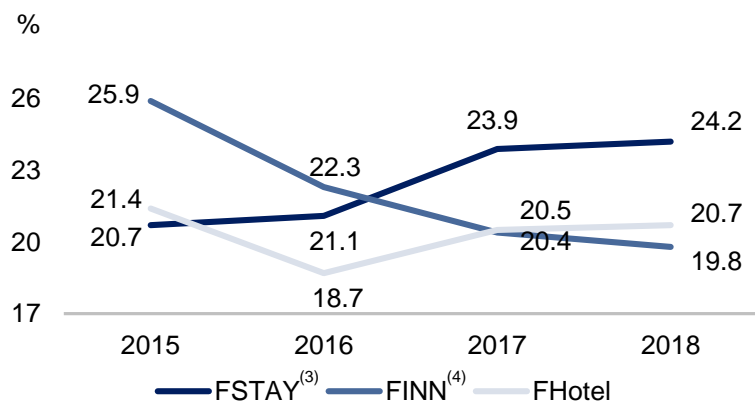
## EBITDA Margin



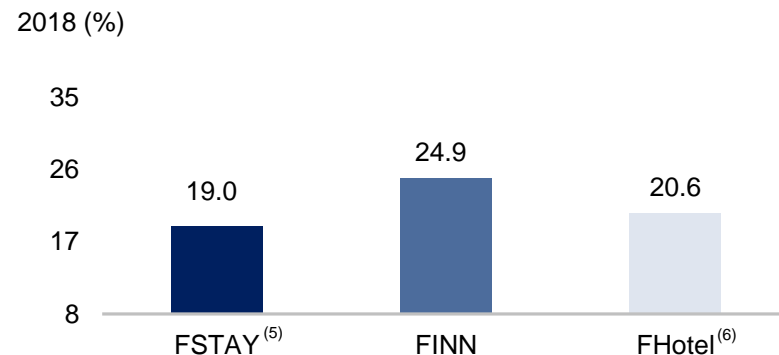
## FFO Margin



## AFFO Margin



## LTV



### Notes

- Does not consider Ps\$15.5MM, Ps\$15.9MM y Ps\$16.4MM of SG&A for 2015, 2016 y 2017, respectively
- FFO calculated as Net Income + Income Taxes + D&A
- AFFO calculated as Net Income + Income Taxes + D&A – FF&E
- Maintains ratio of 55.8% of FF&E vs Capex reserve
- Taking Ps\$1.2Bn of debt and Ps\$5.7Bn of fixed assets, according to last appraisal
- Includes "Properties in Development"



# Growth Potential with a Disciplined Acquisition Strategy



1

## Strengthen Operational Indicators of hotels Recently Opened

2

### Non Established Hotels

- Option to acquire hotels from HCEs portfolio when they are established
  - 6 hotels to be established with 714 rooms
  - This acquisitions will represent an increase of 14.3% in available rooms for our portfolio

3

### Co-Owned Hotels

- Possibility to acquire the hotels of HCE under the investment scheme of Co-Owned
  - 24 hotels established with 2,815 rooms
  - 8 hotels to be established

4

### Hotels in Development Pipeline

- Option to acquire the hotels that are planned to be developed between 2018 and 2022
  - Development Pipeline of 89 hotels
  - ~75% will be Owned and Co-Owned hotels

5

### Reinvest in our Hotels

- Reinvestment opportunities will be considered within the FIBRA portfolio
  - Will seek to remodel and relocate the hotels
  - Objective Profitability will be between 12% and 14%

6

## External Opportunities different to Hoteles City Express

## Possible Portfolio to Contribute

- HCE has the obligation to offer a *ROFR* over the portfolios developed and stabilized to FSTAY of which HCE owns 100%
- Stabilized HCE hotels based on any of the following two metrics:
  - Hotels that have more than 36 months in operation
  - Hotels based on their financial metrics have a calculated *ROIC* <sup>(1)</sup> of 12% or higher

## Valuation Mechanism

- The Technical Committee will have the right to choose an independent appraiser (with the majority vote of the independent members)
- The seller will have the right to choose a different independent appraiser
- In the event that the prices differ by less than 10% the price will be the average of the two
- If the price of the appraisers exceeds a 10% difference, a third appraiser must be chosen and the average of the 3 appraiser will be taken.

## Approval Process

- Any acquisition of Assets owned by HCE, will require the approval of:
  - Technical Committee
  - Vote in favor of the Shareholders Assembly (related parties in the sale of the assets will not have a right to vote)

### Notes

1. Defined as EBITDA / Total Investment

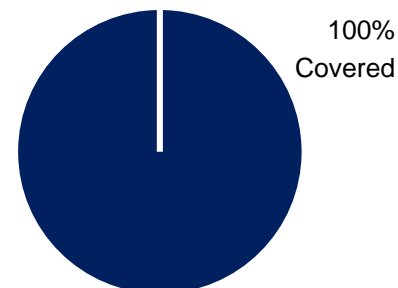
# Conservative Capital Structure and Debt Profile



## Leverage Considerations

- Maintain levels of debt / Fixed Assets lowers than 50% (21% initially)
- Actual cost of debt TIIE + 175 bps contemplating hedges of TIIE at 6.8% already signed.
- Migrate to a unsecure debt structure with a balloon payment once the issuance of the vehicle has been made

## Hedges over Cost of Debt



100% Covered  
Base Interest Rate at 6.8%

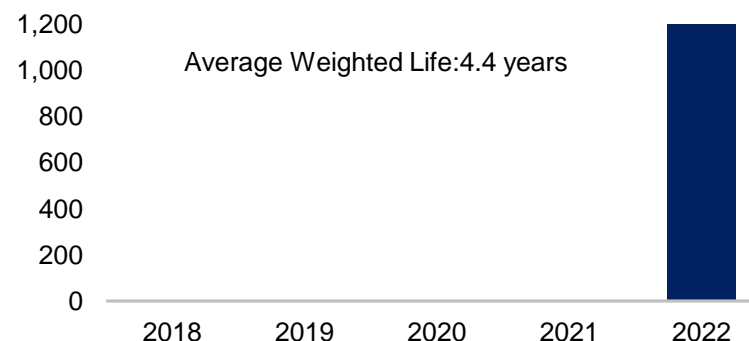
## Main Debt Indicators

2018

- |                        |               |
|------------------------|---------------|
| ● Total Debt           | MXN \$ 1.1 Bn |
| ● LTV (1)              | 19%           |
| ● DSCR (2)             | 4.7x          |
| ● Net Debt/ LTM EBITDA | 1.4x          |
| ● % Guaranteed         | 100%          |

## Debt Amortization Schedule

MXN \$ Million



### Notes

1. Total Debt / Value of the Properties according to last appraisal
2. NTM EBITDA / (Interests+ Amortization + FF&E)

# FSTAY Re-launching



- FSTAY re-launching could be activated as soon as market window opens.
- Investment trust structure created, shareholders' approval set and communication model implemented.
- Re-launching of vehicle bigger in size (\$9.2 billion vs \$5.7 billion) including JVs and managed and franchised properties.

## Initial Portfolio

42 properties

100% owned

Asset Valuation:  
MXN \$5.7 billion

Debt:  
MXN \$1.2 billion

Equity:  
MXN \$4.5 billion

Free float:  
2.25 billion  
(50%)

## Co-investment and M&F Hotels

32 properties

JV and managed and franchise contract hotels

Asset Valuation:  
MXN \$3.5 billion

Debt:  
MXN \$1.0 billion

Equity:  
MXN \$2.5 billion

Free float:  
\$1.25 billion  
(50%)

## FSTAY Relaunching Portfolio

74 properties

JV and managed and franchise contract hotels

**Asset Valuation:  
MXN \$9.2 billion**

Debt:  
MXN \$2.2 billion

Equity:  
MXN \$7.0 billion

Free float:  
\$3.5 billion  
(50%)



**cityexpress**  
hoteles

**Annex**



# Products Focused on Maximizing the Price – Value Ratio for our Guests



# Best-in-class Design Translated in Efficient and Comfortable Spaces



CITY EXPRESS  
PLUS.





# Products Adapted to Guest Lodging Needs and Budgets



CITY EXPRESS  
**Suites.**



**cityexpress**  
Junior





# Presence in Premium Locations Hard to Replicate



## CITY CENTRO





# Disclaimer

This presentation has been prepared by Hoteles City Express, S.A.B. de C.V. (the "Company") and is publicly available at: <https://www.cityexpress.com/en/investors/financial-information>. This presentation is not intended for distribution to, or use by, any person or entity in any state or jurisdiction where such distribution or use would be contrary to applicable law or regulation. In accessing this presentation, you agree to be bound by the following terms and conditions.

This presentation only includes publicly available information concerning the Company, in summary form and, therefore, does not purport to be complete. No representation or warranty, either express or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein. Any opinions expressed in this presentation are subject to change without notice and the Company is under no obligation to update or keep current the information contained herein. The Company and its affiliates, agents, directors, partners and employees accept no responsibility whatsoever for any loss or damage of any kind arising out of the use of all or any part of this presentation.

This presentation contains "forward-looking" statements relating to future results (including certain projections and business trends) that are subject to risks and uncertainties that may cause the Company's actual results or performance to differ, including materially, from any future results or performance expressed or implied by the forward-looking statements. Forward-looking statements include, without limitation, those concerning: the Company's strategy and its ability to achieve it; the Company's possible or assumed future results of operations; capital expenditures and investment plans; adequacy of capital; and financing plans; and may contain words like "aim," "may," "will," "expect," "is expected to," "anticipate," "believe," "future," "continue," "help," "estimate," "plan," "schedule," "intend," "should," "would be," "seeks," "estimates," "shall," or the negative or other variations thereof, or any other words or phrases of similar meaning. The forward-looking statements are not guarantees of the Company's future performance, and the Company's actual results or other developments may differ materially from the expectations expressed in the forward-looking statements. As for forward-looking statements that relate to future financial results and other projections, actual results will be different due to the inherent uncertainty of estimates, forecasts, and projections. Because of these risks and uncertainties, potential investors should not rely on these forward-looking statements.

This presentation does not constitute an offer, or an invitation or solicitation for an offer, to subscribe for or purchase any securities, nor shall any part of it nor the fact of its dissemination form part of or be relied on in connection with any contract or investment decision relating thereto. Neither this presentation nor anything contained herein shall form the basis of any contract or commitment. Likewise, this presentation does not give and should not be treated as giving investment advice.



**Santiago Mayoral Alvarez**  
Corporate Finance and Investor Relations

Tel: +5255 5249-8050

[smayoral@hotelescity.com](mailto:smayoral@hotelescity.com)

[www.cityexpress.com/en/investors](https://www.cityexpress.com/en/investors)



**cityexpress**  
hoteles

**Corporate Presentation**  
Hoteles City Express