

**Miguel Bornacini**

**Grupo Hotelero Santa Fe**

**April 28, 2015**

**12:00 PM CT**

**Operator:** The following is a recording from Miguel Bornacini from Grupo Hotelero Santa Fe on Tuesday, April 28, 2015 at 12:00 PM CT. Good morning everyone and welcome to Grupo Hotelero Santa Fe first quarter 2015 Results Webcast. Before we begin I would like to remind you that this call is being recorded and that information discussed today may include forward looking statements regarding the company's financial and operating performance. All projections are subject to risk and uncertainties and actual results might differ materially based on a number of factors. Please refer to the detailed notes in the company's press release regarding forward looking statements. I will now the turn the call over to Mr. Carlos Ancira, Chairman of Grupo Hotelero Santa Fe. Please go ahead.

**Carlos Ancira:** Good afternoon. It's a pleasure to welcome you to our first quarter 2015 results forecast. I would like to start with a summary of the relevant events presented on Slide 2. On March 26, 2015 we announced the acquisition contract signature of a five-star hotel that will be operated by the Company under the Krystal brand with the name Krystal Satelite Maria Barbara. The Satelite Maria Barbara is a five star hotel with 215 rooms and it is located in the northern area of Mexico City metropolitan area. The acquisition of the hotel follows an amount of 266 million Pesos that will be made from resources from the initial public offering and a bank loan of approximately 48.2 million Pesos. The closing of these transactions is subject to authorization from hotel board of directors and fulfillment of certain conditions precedent customary for these types of

transactions. We're expected to achieve this closing within the following 30 days. With this addition, we continue to strengthen our Krystal brand as we represented in the following reply. We launched our loyalty program Krystal Rewards a milestone for the company. We announced our guidance for 2015. We signed a market maker service contract with UBS Casa de Bolsa for a period of 12 months in order to promote hotel share liquidity and establish price reference. During the first quarter, the Company appointed Oscar Chavez as Acquisitions and Development Director in order to strengthen the structure and reinforce its growth strategies by acquisitions, conversion, third-party hotel management contracts and development. Mr. Chavez has more than 20 years of experience in the lodging industry. I would like to inform that our strategy is aimed at growing our hotel platform in Mexico focusing on our Krystal brand and giving priority to the main urban market such as Mexico City, Guadalajara and Monterrey and other key center markets in the country, mainly in both four and five star hotels. I would like to thank our investors for the trust they have placed in us and reaffirm our commitment to maximize our investment. I would like to turn the call over to Mr. Francisco Zinser, Chief Executive Officer of the Company.

**Francisco Zinser:** Thank you Carlos. Good morning everyone and thank you for joining us today. I am here with Enrique Martinez, our CFO, as well as Miguel Bornacini in charge of Investor Relations. We are pleased to be with you to review the main operating developments and financial highlights for the quarter. I would like to remind you that the presentation we will follow during this call is available on our website in the investor relations section. At the end of the presentation we will open up the call for any questions that you may have.

On Slide 3 you can see that during the quarter we launched our loyalty program Krystal Rewards, a key milestone for our company as Carlos our Chairman just said. It enables

our clients to accumulate Krystals for every stay and conception within the Krystal Hotels. The Krystal Rewards Program has three membership levels and exclusive benefits such as express check-in, late checkout, free Wi-Fi, access to executive floors, room upgrades, special room rates and flexibility in changes and cancellations among others. We created the Krystal Rewards Program in order to increase customer loyalty and generate higher traffic toward direct sales channels such as our website. The program allows us to gain better knowledge of our customers, their preferences, consumption patterns so we can anticipate their needs and build the tailor-made packages and promotions.

Please go to Slide 4. On December 2014, Grupo Hotelero Santa Fe acquired the Hotel Krystal Uno Cancun Centro and since then we have been implementing a series of initiatives to make a successful turnaround of the hotel. Our first initiative is related to product improvement. We are making a complete makeover of the hotel in order to change it to the Krystal Urban Concept as well as remodel the hotel public areas such as the lobby, restaurants, meeting and ballrooms. On the commercial side, we launched a strategic plan with online travel agencies and reinforced commercial accounts. We also launched a strong marketing campaign in order to reposition the property. On the operating side, we performed cost and expense analysis and found several deficiencies that are being corrected. This will allow us to create better operating efficiencies and increase quality levels to reach the Krystal Urban Standards and provide our customers with the Krystal Urban experience. Enrique Martinez, our CFO, will now provide us with a more detailed explanation of our results.

**Enrique Martinez:** Thanks, Pancho. As we can see in Slide No. 5, our other average daily rate has shown a substantial increase of almost 9 percent versus the first quarter of 2014 mainly due to a higher demand and market conditions that has helped us

to do management in price of (indiscernible 05:55) saw an increase of 6 percent to reach the 16 percent RevPar growth.

Please turn to Slide 6. During the first quarter, total revenue amounts to 237 million Pesos, an increase of 19 percent versus the same quarter of the previous year. This growth comes mainly from the strong performance of owned whole hotels in the stabilization process which income grew 27 percent due to an increase of 5 percent in RevPar including the impact of the acquisition of Krystal Cancun Centro in December 2014. On the other hand, the fabulous site hotels had a good performance during this quarter and grew RevPar 10 percent, of which 90 percent was driven by ADR. Our profitability increased as a result of the above and represents our operating model which is based on our recent discipline and budget control and good recent market conditions.

EBITDA for the first quarter totaled 88 million Pesos and grew by 44 percent compared to the same quarter of the previous year. Total EBITDA reflected benefit of our operating model particularly in the hotels recently added to our portfolio. EBITDA margin stayed at 37 percent compared to 31 percent registered in the first quarter of 2014.

As you can see on Slide 7, during the first quarter 24 percent of the Company's stock revenue was generated in U.S. Dollars. Our U.S. Dollars inflow is 2.2 times that of our debt shares including interest and capital for the first quarter of 2015. As we have mentioned before, the whole (indiscernible 07:32) helps for foreign exchange. Now I would like to turn the call over to Pancho for the concluding remarks.

**Francisco Zinser:** Thank you, Enrique. Please turn to Slide 8 for our final remarks. We had an outstanding first quarter in which basically all key ratios and components of our business showed improvement. During the last 24 months, the Krystal brand has had an investment of over 2 billion Pesos in owned and third-party hotels to continue with its positioning. This brand targets the largest component of the market which

is the middle class with an age range of 30 to 60 years. In the past 12 months we have added 1,000 rooms which represent over 50 percent growth of the Krystal room portfolio. It has also been an outstanding year for the terms of industry in Mexico. The historic record of over 29 million international visitors represents an increase of over 20.5 percent versus 2013. Domestic activity has reached a five year high reaching 57.2 percent in occupancy for the seven key destinations in the country. Domestic tourism represents 76.3 percent of the tourist activity in the country and this is our main focus in the Krystal brand in the local and domestic markets.

**Operator:** Thank you. At this time we will now open the floor for questions. If you would like to ask a question please press the \* key followed by the 1 key on your touch tone phones now. Questions will be taken in the order in which they are received. If at any time you would like to remove yourself from the questioning queue, please press \*2. Again, to ask a question, please press \*1. Written questions may also be submitted in the discussion area of the web presentation. Again to ask a question please press \*1 at this time. We will pause momentarily to compile a list of questions. Again, to ask a question please press \*1 at this time now. We now have our first question coming from Andres Olea from Grupo Brusatil Mexicano.

**Andres Olea:** Hello Francisco. First of all, congratulation on your results. I was wondering if you could give us a little bit of color about your pipeline in how many acquisitions you expect for the coming quarters.

**Francisco Zinser:** Thank you for joining us, Andres, and for your question. Well, as you know, we cannot disclose our pipeline of future possible acquisitions but I can tell you that we have a solid pipeline and that we are foreseeing and looking for

opportunities in the line of what we said to the markets, meaning that we are looking at possibilities in the main cities of the country, and we do have some alternatives that we are evaluating, but we do not have any binding agreements yet.

**Andres Olea:** Thank you very much and congratulations again.

**Francisco Zinser:** Thank you, Andres. I just would like to point out that this obviously, can you hear me?

**Andres Olea:** Yes.

**Francisco Zinser:** I would just like to point out that obviously we have the 3 hotels that you are aware of that we are opening this year, which is the Krystal Urban Guadalajara, the Hilton Garden Inn in the Monterrey Airport, and the Hampton which is a management contract in Pariso Hotelasco.

**Andres Olea:** Okay.

**Francisco Zinser:** And Maria (10:45) that we've announced already.

**Andres Olea:** Is Urban Guadalajara expected to open its doors in the 4<sup>th</sup> Quarter, right?

**Francisco Zinser:** The fourth quarter, yes.

**Andres Olea:** Is that at the beginning? Can we expect some revenue built from that hotel or is it going to be?

**Francisco Zinser:** I think there is going to be some revenue growth. I think we will be able to have maybe 1-1/2 or two months of impact in our results of this year. At least we depend on the construction times.

**Andres Olea:** Okay, thank you very much Francisco.

**Operator:** Again, if you would like to ask a question, please press \*1 at this time. Also if you would like to submit a written question you may do so in the discussion area of the web portion. We are still holding for questions. Again, if you would like to ask a question, please press \*1. Again, to ask a question please press \*1 on your touch tone phones now. At this time I'm showing no further questions. Now I would like to turn the call back over to Francisco Zinser for any closing remarks.

**Francisco Zinser:** Thank you. Thank you all again for participating today. If you have any further questions, please feel free to contact our investor relations team at any time. We are always open to any comments or questions you may have. Have a great day, and thank you for joining.

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