

Miguel Bornacini

I-Advize

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12:00PM CT

Operator: The following is a recording for Miguel Bornacini of Grupo Hotelero Santa Fe on Friday, April 22, 2016 at 12:00PM Central Time.

Miguel Bornacini: Good afternoon everyone, and thank you for joining us today. My name is Miguel Bornacini, Head of Investor Relations of Grupo Hotelero Santa Fe. And I would like to welcome you to the Company's first quarter 2016 earnings webcast. I am here with Carlos Ancira, our Chairman, Francisco Zinser, our CEO, Francisco Medina, our Deputy CEO, and Enrique Martinez our CFO, and Alberto Santana, our Administration Director. 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. Our projections are subject to risk and uncertainties, and actual results may differ materially based on a number of factors. Please refer to the detailed note in the companies press release regarding forward looking statements. The presentations will be as follows, and this call is available on our website in the Investor Relationships section. At the end of this presentation, we will open up the call to any questions you may have. I will now turn the call over to Carlos Ancira. Please go ahead.

Carlos Ancira: During this March, we evaluated the Krystal Urban Guadalajara Hotel, the first of our properties developed from the conversion model. We acquired the building as an office space, shrunked it down, and converted it into a hotel. This model has a faster time to market over a greenfield development. The property has been very well received by the market and has experienced a profitable operating performance since day one. It is our first organically

built Krystal urban property, and it's in line with what we have communicated in terms of quality of (indiscernible 00:02:04). It is a modern and fresh design and suited for today's business traveler. I would like to reinforce that our strategy contained our (indiscernible 00:02:13) in a tough platform in Mexico, focusing on our Krystal brand, mainly in the (indiscernible 00:02:20) and private (indiscernible 00:02:21). I would like to thank our investors for the trust they have placed in us and reaffirm our commitment to maximize their investment. I would like to turn the call over to Francisco Zinser.

Francisco Zinser: Please go to slide three. Revenue growth has been driven by a significant decrease in ADR of 8 percent. The opening of additional food and beverage facilities in Guadalajara, like the Reforma and Cantina, as well as the grab and go and start up café. Also, third party hotel operating contracts have increased with the additional of the Krystal Urban Aeropuerto Mexico City, as well as The Krystal Grand Reforma that has now been fully remodeled and now as all the (indiscernible 00:03:03) available. Important to mention that management has a very solid expertise in managing and creating value, not only for all hotels, but for third parties. Clear examples are the recent management contract of the Hampton Inn and (indiscernible 00:03:17) in Monterrey and the recent Krystal Urban Airport Mexico City. U.S. dollar appreciation has also had an impact on revenues, which for the quarter were 37 percent dollar denominated. I would like to turn the call over to Francisco Medina.

Francisco Medina: Please turn to slide four. We achieved (indiscernible 00:03:17) EBITDA margins for this quarter. This was achieved by the growth in revenue that Francisco just commented in and in the (indiscernible 00:03:17) to generate efficiencies. Additional impact added an exchange for the peso (indiscernible 00:03:53) dollar that are enhancement related into an increase (indiscernible 00:03:57). That's invested by decreasing international (indiscernible

00:04:03). The fact that the only week, the Holy Week holiday were in March this year (indiscernible 00:04:11) positive. I would like to turn the call over to Enrique Martinez.

Enrique Martinez: Please go to slide five. (Indiscernible 00:04:22) EBITDA is 360 million pesos which is in line the new (indiscernible 00:04:29) 2016 guidance. As you (indiscernible 00:04:33), EBITDA margin is 1.6 points higher than the one given in the last guidance. EBITDA margin as you can see has been has been (indiscernible 00:04:46) consistently around the EBITDA generation. Please go to slide six. Net debt of the profit was 940 million pesos. Total debt of which 81 percent is U.S. dollar denominated has an average (indiscernible 00:05:04) of 3.7 percent and a remaining 11 percent in peso denominated with an average cost of 7 percent. Our net debt last month EBTIDA ratio is 2.5 times. We lost the opportunity to (indiscernible 00:05:23) financing charges that continues with our growth plan. Going, we will continue to balance debt between (indiscernible 00:05:31). I will now turn the call over to Miguel Bornacini.

Miguel Bornacini: Please go to slide seven. At the close of the quarter, 89 percent of the company's financial debt was dollar denominated. In regards to revenues from (indiscernible 00:05:37) Guadalajara hotels are U.S. dollars. As they are located (indiscernible 00:05:58) dollars. Approximately 76 percent of the companies operating cash flow was denominated in dollars which was sufficient to cover financial debt, both interest and principal with a ratio of 2.8 times. This addition confirms the company's target benefits from global financing costs. At the close of the quarter, the company's debt coverage ratio was 3.3 times. I would like to turn the call over to Carlos Martinez.

Carlos Martinez: Please turn to slide eight. Our geographic sector is in line with a healthy CAPEX growth market in both urban and in (indiscernible 00:06:41). In urban segments,

we are very focused on Mexico City, Monterrey, and Guadalajara. 79 percent of our urban portfolio is (indiscernible 00:06:51). We have a proven strategy, and we will continue to focus on it. In our resort portfolio, 39 percent overall are in Cancun and Puerto Vallarta. Both are very solid markets. Now I would like to turn the call over to Francisco Zinser.

Francisco Zinser The first quarter of 2016 for our final remarks has shown our ability to continue with a solid pace in both efficiency and revenues as we grow. Our operating model proves value not only for our assets but for third party hotel. This quarter has been (indiscernible 00:07:29) in terms of generation of revenues and EBITDA as we mentioned. The opening of Krystal Urban Guadalajara marked a milestone for the company. It has been very well received by the market. We will continue to strengthen the presence of Krystal brand in our key markets and generate better results. We are in a (indiscernible 00:07:51) position to continue taking advantage of the growing hotel industry and the strong fundamentals in order to become the leading hotel company.

Operator: Thank you. At this time, we will open the floor for questions. If you would like to ask a question, please press the star key, followed by the one key. That is star, one on your touchtone phone 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 star, two. Again, we are now holding for questions. If you would like to ask a question, please press star, one at this time. Once again, we are now holding for questions. If you would like to ask a question, you may press star, one over your touchtone phone now. You may also use the chat feature in the discussion area on Web Echo. Once again, we are now holding for questions. If you would like to ask a question, please press star, one at this time. Gentleman at this time, I am showing no questions. But again, that is star, one if you would like to ask a question. Once again, you may

also post your questions in the discussion area over the webinar or use your phone or star, one at this time.

Francisco Zinser: We will also be taking questions in Spanish if anyone wants to ask a question.

Operator: Once again, we are now holding for questions. Please press star, one over your telephone at this time. Or use the Q & A panel at the discussion area over the webinar. I am showing no questions at this time. Again, that is star, one if you would like to ask a question. We do have a question Andres Olea from GBM.

(Foreign Language 0:09:35 to 0:12:55.5)

Operator: Thank you. Again, if you would like to ask a question, please press star one at this time. We are now holding for questions. That is star one if you would like to ask a question over the telephone. You may also use the discussion area within the webinar. Once again, we are holding for questions. Please press star one at this time if you would like to ask a question over the phone. At this time, I am showing no questions over the phone, but again, that is star one if you would like to ask a question.

Male Voice: (Foreign Language 0:13:31.6 - 0:13:48.6).

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