

Miguel Bornacini

Grupo Hotelero Santa Fe

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12:00 PM CT

Operator: The following is a recording for Miguel Bornacini from Grupo Hotelero Santa Fe on Friday, July 24, 2015 at 12:00 PM Central. Attention everyone, we now have all of our speakers in conference. Please be aware that each of your lines is in listen-only mode. At the conclusion of today's presentation, we will open the floor for questions. At that time, instructions will be given as to the procedure to follow if you would like to ask a question. I'd now like to turn this conference over to Miguel Bornacini. Mr. Bornacini, you may begin.

Miguel Bornacini: Good afternoon everyone and thank you for joining us today. My name is Miguel Bornacini, head of investor relations at Grupo Hotelero Santa Fe, and I would like to welcome you to the Company's second Quarter 2015 Investor Webcast. I am in here with Carlos Ancira, Chairman of the Company; Francisco Zinser, our CEO; Francisco Marena, our Deputy CO; and Enrique Martinez, our CFO. Before we begin, I would like to remind you that this call is being recorded and that the 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 that 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. The presentation that will follow during this call is available on our webcast in the investor relations section. At the end of the presentation, we will open up the call to any questions you may have. I will now turn the call over to Mr. Carlos Ancira, Chairman of Grupo Hotelero Santa Fe. Please go ahead, Carlos.

Carlos Ancira: Good afternoon. It's a pleasure to welcome you to our second quarter 2015 Krystal results. I would like to start with a summary of the acquisition of our new hotel, Krystal Satellite Maria Barbara, presented on Slide 2. On April 7, 2015, we announced the closing of the acquisition and payment on the Krystal Satellite Maria Barbara - a five-star hotel with 215 rooms located in the northern area of Mexico City metropolitan area, and located on one of Mexico City's main highways next to the shopping center known as Mundo E and a mile away from the shopping center, Plaza Satellite - one of the most important shopping centers in Mexico City. The hotel provides a unique offer in this particular location accessing common areas along the state (indiscernible 2:47), a long tradition. The acquisition of the hotel totaling an amount of 266 million pesos that were funded with resources from the initial public offering. In addition, the Company plans to invest approximately 49 million pesos in improvements to generate income. I would like to enforce that our strategy is aimed at growing our hotel platform in Mexico focusing on our Krystal brand and giving priority to the new main urban markets 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.

Miguel Bornacini: Thank you Carlos. I would now like to turn the call over to Francisco Zinser, Chief Executive Officer of the Company.

Francisco Zinser: Thank you and good afternoon everyone. We are pleased to be with you to review the main operating developments and financial highlights for the quarter. On Slide 3, you can see that 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 turn-around of the hotel. Our first initiative is related to product improvement. We are working on a complete make-over of the hotel in order to change it to the Krystal Urban Concept

as well as renovating the hotel public areas such as the lobby, restaurants, meeting rooms and ballrooms. On the sales and marketing side, we launched the strategic plan with direct distribution channels to start Krystal Loyalty Rewards program, commercial and corporate accounts, and online travel agency. We also launched a strong marketing campaign in order to reposition the hotel and the Krystal Urban Concept among business channels. On the operating side, we performed a cost and expense analysis and found several deficiencies that are being corrected. This will provide us with better operating efficiency and increased quality levels to reach the Krystal Urban Standards. We have also strengthened the food and beverage area; therefore increasing the scope of services provided for our guests. This is also expected to further contribute with revenue growths. We have a huge opportunity here. As of the second quarter of 2015 and as a result of these efforts, RevPar for this hotel has increased by 65.6 percent when compared to that of December 2014. As we have seen with our previous acquisitions, such as Krystal Grand Punta Cancun and Krystal Beach Acapulco that resulted in successful turn-arounds. Once these initiatives are completed and the renovations of the hotel is done, we expect to continue to improve the hotel's performance.

I would ask you please, to go to Slide 4. As Carlos mentioned before, on April 7th, we closed the acquisition of our new hotel, Krystal Satellite Maria Barbara and started the implementation of a series of activities to successfully take over the hotel. One of the most relevant initiatives in this hotel is the renovation of the hotel premises such as rooms, lobby, restaurants, and ballrooms up to the Krystal brand standard to provide customers with the Krystal experience that clearly distinguishes us. On the sales and marketing side, we are currently working on a strategic plan with direct distribution channels - Krystal Loyalty Program, commercial and corporate accounts, and online travel agencies that has yielded a significant increase in occupancy for the hotel. On the operating side, we are performing a cost and expense analysis as well as the processes for engineering. This will allow us to find deficiencies and correct them to improve the hotel's quality standards and keep operating efficiencies. As a result of these efforts, the hotel's RevPar in the

second quarter of 2015 increased by 24.9 percent compared to the same quarter of the previous year. Enrique Martinez, our CFO will now provide us with a more detailed explanation of our financial and operating end results.

Enrique Martinez: Thank you Francisco. Good afternoon everyone. As we can see in Slide number 5, our average daily rate has shown results for the second Quarter 2015 increasing by 11 percent from compared to the same period of 2014 mainly due to the strong performance of our seven base hotels and as a result of the debit improvement plan and the commercial and marketing initiatives in placing the hotels in the preparation of space. In the chart below, you will note that our RevPar increases by 18.5 percent after which approximately 51 percent was driven by area growth. Occupancy for the second quarter 2015 was 52 percent up 4 percentage points when compared to the year before.

Please go to Slide number 6. During the second quarter of 2015, total revenue amount was 690 million pesos. An increase of 35 percent compared to the same quarter of the previous year. Year to date revenue totaled 455 million pesos compared to 350 million in 2014 representing a 26 percent increase. The portfolio of Company elements in (indiscernible 8:42) hotels reported a 100 percent out of book at 23 percent growth in living revenue coming from 11 percent increase in areas and a 5.5 percent increase in efficiency as compared in the second Quarter of 2014. On the other hand, hotels in re-stabilization stage have a 55 percent room range growth delivers from a 14 percent increase in RevPar and 35 percent growth in the number of rooms due to the completions of the Krystal Hotel de Cancun Centro in December 2014 and the_Krystal Satellite Maria Barbara which was in operation for 55 days during the second Quarter of 2015. Total revenues were increased by 43 percentage points from 44 million pesos in the second Quarter of 2014 to 53 million pesos in second quarter in 2015. This was mainly driven by the realization of established relationship stage in target on Punta Cancun and Hilton Puerto Vallarta hotel as well

as the addition of the Krystal Cancun Centro and Krystal Satelite Maria Barbara, that were not part of our portfolio in the second Quarter of 2014.

In the charts below, you can see EBITDA increased by 58 percent from 40.4 million pesos in second quarter of 2014 to 62.8 million pesos and also due to the cost of expenses initiatives that include processed (indiscernible 10:20) margin increase 4.2 percent expansion from 25 percent in second Quarter 2014 to 29 percent points in second Quarter of 2015. The revenue is noted in US dollars given a substantial portion of the Company's total revenue is in US dollars. During second Quarter of 2015, approximately 29 percent of the Company's total revenue was in dollars which in turn generated a dollar denominated cash flow that provided a debt average coverage ratio of 1.53 times including interest and principal. Furthermore, the Company here on after and subject to change in generations for each of hotel will balance its between pesos and dollars. Now I would like to turn the call over to Francisco for the concluding remarks.

Miguel Bornacini: Please turn to Slide 8 for our final remarks.

Francisco Zinser: We had an outstanding second Quarter in which basically all key issues and components of our business showed improvement. The average growth of domesticated and international tourists to Mexico from January through May 2015, according to travel polls was 4.8 percent. Grupo Hotelero Santa Fe up in the industry with a 7 percent growth in this period. Solid industry economics showed that business travelers and tourists are increasingly seeking standards and consistency. Meanwhile, according to Oxford economics, consumers spending on hotels in Mexico is projected to grow at an average annual rate of more than 6 percent for the remainder of the decade. Very, very solid outlook. In addition, the industry composition in Mexico shows that about 79 percent of hotel rooms are not affiliated to a brand. During the past 24 months, an amount of over 2.2 billion pesos of owned and third-party resources has been invested in our Krystal brand and thus, we have added more than 1200 rooms under

this brand to our portfolio representing 70 percent increase of the Krystal branded portfolio. Given these market conditions and the unique position of our Krystal brand, we clearly see the opportunity to turn unaffiliated hotels to our brand and continue to grow significantly, thus we have a solid pipeline in align with our goals and plans and expect to continue to achieve extraordinary results.

Miguel Bornacini: Thank you Francisco. We would like to open up the call for questions.

Operator: Thank you. At this time we will open up the call for your questions. If you would like to ask a question, please press the * key followed by the 1 key 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 question queue, just press *2. Again, to ask a question, please press *1 now, and we will pause momentarily to compile a list of questioners. Thank you. Again, if you would like to ask a question, please press *1 now. We now have our first question from Andres Olea who's an analyst.

Andres Olea: Hello, Francisco, Miguel. First of all congratulations on your sound results in this great quarter, and I was just wondering due to the recent performance, were you looking to revise your guidance or could you give us a little bit of color on what you're expecting at the end of the year from margins, because I think with the recent performance, you will probably going to out-perform the number you gave us in the last guidance.

Miguel Bornacini: Thank you very much Andres. I would like to answer the questions and say that we do not intend to change our guidance at this point. We still have a second

semester to go. We are quite optimistic about the outlook, but we intend to keep our guidance as it was indicated in the month of January.

Andres Olea: Another question regarding M&A, and I know for specific reasons you can not give us any names or details from the opportunities in acquisitions, but could you give us a little bit of color in the number of rooms that could be bought in this second half of the year.

Miguel Bornacini: We have a solid pipeline, and we're looking at interesting opportunities. We do believe that we will be in line with the global plan that we presented at the time of the ITO, and we expect that the securities the second semester, we will be able to close on top of (inaudible - 15:41). We are currently analyzing and I could not give your more detail on that.

Andres Olea: Thank you very much.

Operator: Thank you. Again, if anyone would like to ask a question, please press *1 on your touchtone phones now. Again, that is *1 if you would like to ask an audio question. Again, that is *1 if you would like to ask a question. We remind you in essence, that if you would like to submit a written question, you may do so in the chat feature through the web portion. For audio questions, please press *1 now. We now have a question from the web portion.

Miguel Bornacini: We have a question and it says, "When do you expect to open the hotels that are currently under construction?" We have three hotels under construction, and during the month of August, we will be opening two of them. One of them being the Hilton Garden Inn Monterrey Airport within the premises of the Airport in Monterrey. And, we will also be opening the Pariso Hotelasco's after the 8th hopefully in the state of Jalisco. And last, by the end of the

year, by the fourth quarter, probably the month of November, we will be opening our first Krystal Urban as a Krystal Urban in the city of Guadalajara.

Operator: Thank you. Again, if you would like to ask an audio question, please press *1 now. And, again, written questions can be submitted in the chat feature on the web presentation. Again, that is *1 to ask a question. Again, if you would like to ask a question, please press *1. I'm showing no further questions.

Miguel Bornacini: Okay, thank you. If there are no more questions, I would like to thank you all again for your participation today, and if you should have any further questions, please feel free to call contact our investor relations team at any time. We are always open to any comment or questions you might have. Have a great day and a great weekend.

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