

Miguel Bornacini

Grupo Hotelero Santa Fe

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12:00 PM CT

Operator: The following is a recording for Miguel Bornacini for Grupo Hotelero Santa Fe on Friday, July 22, 2016 at 12:00 PM Central Time. Excuse me everyone, we now have our speakers in conference. Please be aware that each of your lines is in a listen-only mode. At the conclusion of today's presentation we will open the floor for questions. At that time, instructions will be given if you would like to ask a question. I would now like to turn the call over to Mr. Miguel Bornacini. Sir, please begin.

Miguel Bornacini: Thank you very much, Katie. 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 second quarter 2016 Earnings Forecast. I am here with Francisco Medina, our Deputy CEO, Enrique Martinez, our CFO, and Vanessa 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 uncertainty, and actual results may differ materially based on a number of factors. Please refer to the detailed notes in the Company's press release regarding forwarding-looking statements. The presentation will be followed during this call and it's available on our website in the Investor Relations section. If you want to go there right now you can download it or we will be passing through the slides in the webcast. At the end of the presentation, we will open the call for any questions you may have. We will now begin with the presentation.

Please go to Slide 2. Global Formula One public offer. During June we successfully carried out a global follow on Public Offer, further referred to as the OP which consisted of 215.6 million shares including the over 11 option at a price of Ps. 8.5 per share. The offer was distributed amongst more than 1,000 investors and it was over-subscribed 1.9 times throughout the pricing range. The total amount of the offer was Ps. 1.8 billion, which strengthened our financial position as the Company's equity increased 88 percent. As you can see in the third bullet point, as a result of the increase in the total number of shares and slope which increased 2.3 times in terms of shares, stock trading volume has increased significantly. In the fourth bullet point, you can see that average daily trading volume has presented the total shares has increased by more than 8 times when compared to the last month period prior to FPO. The capital obtained from the FPO will again be used to continue the execution of our expansion plan and as such, we expect to replicate the strong growth achieved in the IPO and remain on the right track towards becoming the leading hotel company in Mexico. Also, in May, we were recognized by the Cemesti, the Mexican Center of Philanthropy with an EFR Award for the (foreign name 03:38) Empresa Socialmente Resonsibilidad for Corporate Social Responsibility for our work towards the area of life, quality, corporate ethics, community engagement and environmental preservation.

Please go to Slide 3. Expansion of the Krystal Grand Punta Cancun Hotel. As part of our growth plan, we began a 100-room expansion of the Krystal Grand Punta Cancun Hotel located in Cancun Centro. Today the hotel has 295 rooms and this expansion will increase room inventory by 34 percent in a property that is already functional and already fully operational and profitable. RevPAR for this hotel is 50 percent higher than the average RevPAR of the Company so this expansion is expected to enhance total average RevPAR. Cancun is one of the most attractive destinations in the country as during the past three years visits nation have set an average occupancy rate that is 18 percent higher

than that of the rest of Mexico. Because the approximately investment during the next 12 months will be close to Ps. 220 million, and opening of this hotel by expected by the 3rd Quarter of 2017. I would just like to report that our strategy paying at growing our hotel platform in Mexico focusing on our Krystal brand mainly in the four and five star categories. Please go to Slide No. 4. Computed Revenue and EBITDA Growth. Revenue growth has been driven by an increase in ADR of 5.3 percent and consistent occupancy rates, the growing curve of our hotels in stabilization stage and the solid performance of stabilized hotels and the opening of the Krystal Urban Guadalajara Hotel which opened recently in March 2016 and was not part of our portfolio during the second quarter of 2016. Revenues from third-party owned hotel management fees increased by 63 percent year-over-year, due to the addition of the Hilton Garden Aeropuerto Monterrey, Hampton Inn & Suites Paraíso, Tabasco and Krystal Urban Aeropuerto Mexico hotels that were not part of the portfolio in the second quarter of 2015. These line items is embedded in the chart together with other revenue as you can see in the last of the slide. It is important to mention that management has a very part in expertise in managing and creating value, not only for our own hotels, but for third parties.

Please go to Slide 5. Consistent Revenue and EBITDA Growth again. Our EBITDA growth drivers. We achieved consistent 30 percent EBITDA margin for this quarter. This was achieved consistent 30 percent EBITDA margin for this quarter. This was achieved by the growth in revenues and our constant pursuit to generate efficiencies. We increased our margin by .8 percent as a result of these efficiencies. Additional impacts are exchange rate of the Peso versus the Dollar that not only translated into an increase of foreign travelers, but also has impacted domestic tourism by decreasing international travel.

Please go to Slide 6. Our current national most EBITDA is Ps. 370 million, which is in line with the high range of our 2016 guidance. Additionally, our last month's EBITDA margin is 1.6 points higher than the one given in the referred guidance. EBITDA margins that can

be seen have been expanding consistently along with EBITDA generation. I would now like to turn the call over to Mr. Enrique Martinez, the Company CFO.

Enrique Martinez: Thank you, Miguel. The Key Financial Highlights, Financial Debts. Net debt for the quarter was Ps. 1,234 million total debt of which 82.5 percent is US dollar denominated plus an average cost of 3.75 percent, and the remaining 17.5 percent is Peso denominated with an average cost of 7.3 percent. Our net debt last 12 months EBITDA ratio is -1.4 times. Going forward we will continue to finance debt between Pesos and Dollars.

Please go to Slide No. 8. At the close of the quarter, 82.5 percent of the Company's international debt was dollar denominated since a large part of the revenues from the Krystal Grand Punta Cancun, Hilton Puerto Vallarta and Hilton Guadalajara are US dollars and they are located in markets that generate US dollar revenues. Approximately 64 percent of the Company operating cash flow was denominated in dollars which was sufficient to cover financial debt both in the principal with a ratio of 2 times. This position confirms the Company's target to benefit from lower financing costs. At the close of the quarter, the Company's debt to cash ratio was 2.7 times. Now I would like to turn the call over to Mr. Francisco Medina, our Deputy CEO.

Francisco Medina: Please go to Slide 9. As can be clearly seen in the page of the graphic present, evaluated in (inaudible 09:36) is in line with the (09:38) and price fastest growing market in both Uvas and the project industry. In the Yerba segment we had a strong presence in Mexico City, Monterrey and Guadalajara. Everything I present here and in the portfolio are here in this market. In our research for the portfolio, 79 percent of the rooms are in Cancun and Puerto Vallarta, as well to striving the equivalent, and is probably the most attractive market and we will continue to focus on this.

Please go to Slide 10. As soon as our public offering took place less than two years from the IPO and it is the Company's ability to effectively and efficiently utilize the funds raised. The completion of our Company as structurally responsible further can lead us to an ethical, responsible and general business management in the economic, social and environmental areas recognizing the growth of the stakeholders and consider them in the development of the Company. The expansion of the Krystal Grand Punta Cancun marks a milestone for the Company and also the supported will reach 5,032 rooms. The second quarter 2016 had shown our activity continues with a solid pace in both efficiencies and revenue and new growth. We will continue to strengthen the presence of our Krystal brand which is key in model to generate better results due to its emergence in the market. We have a unique position to continue taking advantage of the growing hotel industry and strong financials in order to become the leading hotel company in Mexico. Just yesterday, Enrique de la Madrid, our Secretary of Tourism announced that from January to May of this year domestic markets only by excellence has run 11.7 percent reaching 15.9 million of visitors compared to the same period in 2015. Now we will open the call to questions and answers please.

Operator: Thank you, sir. At this time we will open the floor for questions. If you would like to ask a question, please press the * key followed by the 1 key, that is *1 on your touchtone phone now. If at any time you would like to remove yourself from the questioning queue, please press *2. Again, if you would like to ask a question, please press *1 at this time. Our first question comes from Rafael Buerba from Santander.

Rafael Buerba: Hello, Pancho, Miguel and everyone. I have two questions. First if you could talk about how do you expect to invest the profits from the follow-on

regarding the timeline? You've already talked about one case, expansion in Cancun. But what's the timeline on the other projects you may invest, how is this case between the potential expansions, grown field acquisitions or conversions? Is most of that you think will be made in the Krystal Urban brand, or I don't know, just a little bit more detail on how do you plan to spend it especially on the time. The other is just if you could talk about the ADR, if you expect to be able to continue passing on a little bit of real terms increases in ADR, and also passing on the recent depreciation of the Peso for those rates published in dollars? Thank you.

Miguel Bornacini: Thank you for the question. Regarding the timeline of the funds from the Follow On that we did, we're aiming for 18 to 24 months for full deployment just as we did with the IPO which was just short of two years ago. We have the same timeline. The first as you clearly stated with the expansion of the Krystal Cancun we have the first portion of the funds that we raised already being put to work and we expect to open that hotel in the 3rd Quarter of 2017 and we will continue in this line. Regarding ADR, if we expect it to continue to grow? Yes, we expect to grow as Paco just said. The industry has grown more than 10 percent as Secretary of Tourism stated yesterday in an interview. We expect growth, we don't see it coming to a halt anytime soon. Regarding the depreciation of the Peso, we only see benefit in that because most of the costs as you can see in one of those slides, most of the costs are Peso-denominated and nearly 33 percent of revenues are dollar-denominated. We are benefited from this Peso depreciation as one of the few industries that do benefit from that.

Rafael Buerba: Just about the first question, do you think Krystal Urban will be an important complement of the investments?

Miguel Bornacini: It was not clear, could you pick up the phone, we didn't quite understand the question.

Rafael Buerba: Yeah, the question is, is the format Krystal Urban will be a significant complement of the investments, using that brand and not Krystal Grand or others?

Francisco Medina: This is Francisco Medina. Let me answer the question. We are considering to grow in the three brands and we said earlier in the main cities of the urban economic like Mexico City, Guadalajara and Monterrey and that will be included in the three brands, either Krystal Grand, Krystal Hotels & Resorts and Krystal Urban.

Rafael Buerba: Okay, thank you.

Miguel Bornacini: Yes, to confirm that Krystal is our main focus. We will be in the focus of our expansion is to increase the presence of our brand with its three sub-brands that Paco just mentioned.

Rafael Buerba: Thank you again.

Operator: Thank you, once again, if you would like to ask a question, please press *1 at this time. Our next question comes from Luis Willis from GBM.

Luis Willard: Hi guys. Thanks for taking my question. Congratulations on your results. I've got two questions. The first one is Miguel you mentioned about that you're expecting growing ADRs going forward. You're not expecting rationalization on that part.

Would it be fair to assume that maybe not now but in the near future you would be revisiting your guidance upwards? That's the first.

Miguel Bornacini: Well, regarding that, and thank you Luis for the question. Yes, we see a consistent ADR growth. It would all depend on the hotels because our focus again is acquisitions of hotels, conversions of hotels and development of hotels in that order. If we go and acquire some hotels that not very well run, which is our primary focus, this will of course drive ADRs downwards as an average. But overall, we expect the continued performance of the hotels to yield a growth in ADR. Regarding your other question, I think that was your question.

Luis Willard: And about the guidance?

Miguel Bornacini: Sorry, about the guidance. We are right now at the higher range of our guidance. We still see some room for margins that again, subject to potential acquisitions, could drive margins downwards. That's why at this moment, maintain the same guidance unchanged.

Luis Willard: Okay. Thanks and congratulations again.

Operator: Thank you. Once again we are not holding for questions. If you would like to ask a question, please press *1 at this time. Again, we are holding for questions, please press *1 if you would like to ask a question. Once again, if you would like to ask a question, please press *1 at this time. Our next question comes from Andres Olea from GBM.

Andres Olea: Hello, Pancho, Miguel, congratulations again on the results and on the successful public offering. My question is regarding SGNA. We saw them rise above the Pesos of sales. In the press release you mentioned strengthening of management team and new corporate positions. Could you explain in more detail what new corporate procedures and how you are strengthening the management team? Another question is are the IPO expenses here being in the SGNA and what do you expect as a percentage of sales in this area going forward?

Miguel Bornacini: Thank you, Andres, for the questions. Yes, you can see the growth in SGNA was mainly due to growth in hotels due to the addition of hotels that did not exist in second quarter of 2015 as Krystal Hotel Santa Barbara and Krystal Urban Guadalajara. The increase in new corporate positions are, for example, the internal audit that did not exist in the second quarter of 2015, and a Quality Manager and a few other corporate positions that are now and have been part of the Company for about a year. Also we strengthened the corporate sales team. We expect this SGNA to maintain as part of revenue in the ranges of 28 percent, 29 percent going forward.

Andres Olea: Thank you very much, Miguel.

Miguel Bornacini: I'm sorry. Yes, 27 percent back in second quarter 2015 as revenue increases. Sorry, we're having some trouble some noise. We are expecting to keep as we did in second quarter of 2015 around 27 percent up to 29 percent.

Andres Olea: Great, thank you very much, Miguel.

Miguel Bornacini: Thank you for your continued support, Andres.

Operator: Thank you. Our next question comes from Luis Willard of GBM.

Luis Willard: Hi, just for a quick clarification. The 2.8 percent in ADRs in your stabilized portfolio, is it the mix of Puerto Vallarta and Acapulco being mature, but could you comment to the extent that you can, on the dynamics of ADRs of those two hotels in stabilization?

Francisco Medina: Yes, Luis, this is Francisco Medina. Basically the two properties that you mentioned Vallarta, Krystal Vallarta and our Krystal Beach in Acapulco have reached to a level that they have been mature and are now collecting the benefit of their well position in the markets and well recognized in different segments that we have like weddings and live meeting conventions and so forth. Therefore, these same segments of the market have been able to provide an increase in the ADR and we will maintain in that direction.

Miguel Bornacini: One other thing, to continue with the explanation Paco is mentioning is that as you know, the Krystal Beach Acapulco was classified as a stabilized hotel for this quarter and Acapulco has lower ADRs than the rest of the portfolio that was already stabilized. There's a little bit of an impact there since this is also a big hotel, 400 rooms. It has quite an impact, you can see the number of rooms increase by 84 percent because of the addition of Hilton Puerto Vallarta and the Krystal Beach Acapulco into stabilized hotels. But now we have a portfolio of five properties that are stabilized and we'll continue to have a strong performance, solid performance. Of course, as time goes by, we expect to see this more, let's say steady once it's comparable year-over-year with the

same number of hotels in the portfolio.

Luis Willard: Perfect.

Miguel Bornacini: It's also a part of that thing to mention report for those who want to go and see Page number 7 in our quarter report, we have the hotel classification right there and we have stabilization stage hotels, you can see an increase in rent parts of these hotels of 29 percent versus 4 percent in stabilized hotels. That's the difference that you will be looking at because of the characteristics of each of these hotels and where they are in the growth curve.

Operator: Thank you. Once again, if you would like to ask a question, please press *1 at this time. Our next question comes from follow-up with Andres Olea from GBM.

Andres Olea: Yes, hello, Miguel. Regarding the expenses of the public offering. I get that it's in the press release, where it is and do you expect any more expenses regarding the public offering for the next quarter?

Miguel Bornacini: Those expenses are actually not in the SGNA. Those expenses are credited from the funds that the Company received from the Follow On. You should not see any expenses from that in the operation of the Company.

Andres Olea: Okay. Correct. Thank you.

Operator: Thank you. Once again we are now holding for questions. If

you would like to ask a question, please press *1 at this time. Once again we are now holding for questions, if you would like to ask a question, please press *1 at this time.

Miguel Bornacini: If we have no more questions, Katy, I think we will call it for a day. I would like to thank our investors for the trust they have placed in us and we affirm our commitment to maximize their investments. Thank you very much and have a great weekend.

Operator: Thank you ladies and gentlemen. This concludes today's conference, you may now disconnect.

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