



Grupo Hotelero Santa Fe S.A.B de C.V.

Fourth Quarter 2014 Results Conference Call

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C O R P O R A T E P A R T I C I P A N T S

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P R E S E N T A T I O N

Operator:

Greetings and welcome to the Grupo Hotelero Santa Fe's Fourth Quarter 2014 Results Conference Call. At this time all participants are in a listen-only mode. A question and answer session will follow the formal presentation. If anyone should require Operator assistance during the conference, please press star, zero on your telephone keypad.

As a reminder, this conference is being recorded. I would now like to turn the conference over to Mr. Carlos Ancira, Chairman for Grupo Hotelero. Thank you, Mr. Ancira; you may begin.

Carlos Ancira Elizondo:

Good afternoon. It's a pleasure to welcome you to our fourth quarter 2014 results webcast. I would like to start with a summary of relevant events.

On December 2014, a few months after performing our Initial Public Offering, we successfully closed on the acquisition of a 212-room hotel in the city of Cancún, being the first hotel that the Company will operate under the Krystal Urban brand. Earlier this year we announced the designation of Oscar Chávez who has more than 20 years of experience in the lodging industry as Acquisitions and Development Director. He used to be the Starwood Director in Acquisitions for Latin America. We also signed UBS Casa de Bolsa as market maker in order to promote the hotel's shared liquidity, continue to practice share continuity, and establish price records (ph). Last, we're in suggestions about having Santander and Banorte Ixe initiating analysis coverage of our stock.

We finished the adaptation of Krystal Punta Cancún to the all-inclusive model, widening our target markets and segments. We have—we completed the addition of two restaurants, one Italian and one Asian, as part of the proposal. We're adding 42 suites and a commercial area in the Krystal Cancún Hotel. These are just some of the examples that we accomplished during last year. Hilton Garden Inn Monterey Airport will open the second quarter of '14. This hotel is the only hotel inside the airport terminal.

Through our asset managed capital lineage (ph), we found an opportunity to improve our guest experience. As an example, Hilton Guadalajara we're on the close (ph) of creating a new restaurant and retail area which will become operational by the end of the second quarter. Our strategy is (ph) to grow our Hotel platform in México. We're focused on our Krystal brand and giving priority to the main urban markets such as México City, Guadalajara, and Monterey.

I would like to thank our investors for their trust and reaffirm our commitment to maximize our investments.

Francisco Zinser Cieslik:

Thank you. Good afternoon, everyone, and thanks for joining us today. I'm here today with Enrique Martínez, our CFO; and 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 to any questions you may have.

As Carlos said a few moments ago, on December 16th, 2014 we closed the acquisition of our new hotel, Krystal Urban Cancún Centro. The investment totaled an amount of 18.9 million, including approximately 1.4 million for equipment and general improvements. The investment was made with resources from the recent Initial Public Offering and a portion of debt. The Krystal Urban Cancún Centro Hotel will take advantage of the synergies generated with the other hotels that the Company operates in Cancún. With this acquisition, and together with the Krystal Resort Cancún and Krystal Grand Cancún, both located in Punta Cancún, the hotel reached 1,010 rooms in operation in one of the main destinations in México.

In Slide 3 and 4, I would like to highlight two of our successful hotels conversions, the Krystal Beach Acapulco, formerly the Avalon Acapulco, and the Krystal Punta Cancún, formerly the Hyatt Cancún. On April 2013 we acquired the Avalon Hotel in Acapulco and immediately made the conversion to Krystal Beach Acapulco where approximately \$3 million were invested to refresh and re-launch the hotel.

Simultaneously, we implemented a strategic plan that included three main activities. Number one, product improvement by remodeling rooms, lobby bar, restaurants, and building an infinity pool, as well as a water park for kids; this is a hotel designed for families. Second, sales and market, our sales and marketing plan by positioning the hotel among the main online travel agencies and tour operators, as well as marketing campaigns in printed and electronic media. These two activities, together with the inclusion of our brand, are the main drivers to increase our top line. Third, a reengineering process to improve operating efficiency, increasing productivity and reducing costs. As you can see in the chart on this slide, the hotels' results improved significantly by increasing EBITDA by 3.3 times and expanding EBITDA margins by 17 percentage points in a 20-month period.

Please go to the next slide. This is another example of a successful hotel conversion. On September 2013, we acquired the Hyatt Cancún for approximately \$41 million, and eight months later we early terminated Hyatt's operating contract, took the operation of the hotel, and rebranded it as Krystal brand Punta Cancún. Simultaneously, we implemented a strategic plan that included the same three activities we mentioned for the Krystal Beach in Acapulco. Number one, we improved the product, which included a novice (ph) infinity pool, the creation of two specialty restaurants that Carlos mentioned, a kid's club, and expanding the hotel terrace; second, the sales and marketing approach consisting of positioning the hotel among the main online travel agencies and tour operators, as well as marketing in printed and electronic media. It's very important to mention that we adapted this property to the all-inclusive concept which was as Hyatt's operations not available at the hotel, clearly boosting revenue. Third, a reengineering process to improve operating efficiency, increasing productivity and reducing costs.

As you can see in the chart in Slide 4, the hotel results improved significantly by increasing EBITDA by 42% year-over-year and expanding the EBITDA margin by seven percentage points in an 8-month period.

It is worth highlighting that with these convergents, Grupo Hotelero Santa Fe has proved and proved its capacity of substituting global international brands and management with extraordinary results. Enrique Martínez, our CFO, will now provide us with more detail explanation of our results.

Enrique Martínez Guerrero:

Thanks, Francisco. In slide number five we can see our revenue and EBITDA growth for the fourth quarter and year-end of 2014 versus 2013. Total revenue for 2014 reached 722 million pesos, 50% higher compared to 2013, driven by increases of 60% in revenue, 43% in Food and Beverage revenues and 31% in Other revenue. This represents a full-year improvement (ph) annual growth rate of 28%.

During the fourth quarter of 2014 total revenue reached 188 million pesos, which represents an increase of 16% compared to the same period of 2013. Our key performance indicators Average Daily Rate, or ADR, and equipment fee, which are our main top line drivers, increased by 13% and seven percentage points in 2014 versus 2013, respectively. Another revenue growth factor was the rehabilitation (ph) process of the Hilton Puerto Vallarta and Krystal Beach Acapulco hotels. These hotels have an important increase and different annual profitable demand generators, such as groups through operators and land (ph) travel agencies.

EBITDA for 2014 reached 211 million pesos, 56% higher compared to 2013. We achieved EBITDA margin expansion of 2.8 percentage points in 2014 when compared to 2013. EBITDA for the fourth quarter of 2014 reached 59 million pesos, which represents an increase of 41% versus the same period of 2013 to achieve EBITDA margin expansion of 5.7 percentage when compared to the fourth quarter of 2013.

Our profitability increased as a result of our increasing operating model, which is based on a disciplined body of conduct (ph) and good reaction to the market positions, particularly in the hotels recently added to our portfolio, such as the cases of Krystal Grand Punta Cancún and Krystal Beach Acapulco.

Now, I would like to turn the call over to Francisco for the concluding remarks.

Francisco Zinser Cieslik:

Thank you, Enrique. Two-thousand fourteen was an outstanding year for the tourist industry, and particular for the hotel sector. We have reached as a country a record of over 29 million international visitors, representing an increase of 20.5% versus 2013. US travelers still have the largest share, representing 55.5 to these visitors. Revenue generated by these visitors increased as well by 16.6% versus 2013.

Domestic activity is still very relevant in the country. It reached a five-year height reaching 57.2% in occupancy for the seven new key (ph) destinations in the country with levels higher than those recorded in 2008. It is important to mention that 76.3% of the tourist activity in the country is domestic.

Our Krystal brand is in a strong competitive position, as well as the best-known domestic brands. Our brand DNA is Mexican, thus targeting the largest component of the market, meaning the growing middle-class segments and age groups between 30 and 60 years. This segment is particularly growing at a faster pace. The Krystal brand and Krystal Urban brand will capitalize on this growth through acquisitions and convergence and this will be accomplished through our unique operating model, both on the top and bottom lines, with a proven an outstanding capacity of turning around results in equip and efficient manner as we saw in the previous slides.

Operator:

Thank you. We will now be conducting a question and answer session. If you'd like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you'd like to remove your question from the queue. For

participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment please while we poll for questions.

Once again, ladies and gentlemen, please press star, one if you would like to ask a question.

Again, I would like to give everyone one final reminder to please press star, one if you would like to ask a question, and again, if you're using a speakerphone you may need to pick up the handset prior to pressing the star keys.

Again I just want to give everyone one final chance to please press star, one if you'd like to ask a question.

Okay, everyone, it doesn't appear that we have any questions at this time. I would now like to turn the floor back over to Management for any closing remarks.

Francisco Zinser Cieslik:

Thank you all again for your participation 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 and suggestions you may have. Have a great day.

Operator:

Thank you. Ladies and gentlemen, this does conclude today's teleconference. You may disconnect your lines at this time and thank you for your participation.