

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, February 26, 2016 at 12:00 PM Central Time. Good afternoon everyone, we now have all 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 as to the procedure to follow if you would like to ask a question. Thank you. I would now like to turn the conference over to Miguel Bornacini. Sir, you may begin.

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 the Company's fourth quarter 2015 Earnings Forecast. I am here with Francisco Zinser, our CEO, Enrique Martinez our CFO, Francisco Medina, our Deputy CEO, 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 defer 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 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. I will now turn the call over to Francisco Zinser, CEO of Grupo Hotelero

Santa Fe. Please go ahead, Pancho.

Francisco Zinser: Thank you very much, Miguel. Please go to Page 2. 2015 has been a year of growth, operational efficiencies focus on the Krystal Brand. We have added six properties comprising 868 rooms out of which 618 are already operational. 71 percent of these rooms are under our Krystal Brand. Beginning from the left of the slide we can see Krystal Satelite Maria Barbara which is in the metropolitan area of Mexico City. Below we have the Krystal Grand Insurgentes Mexico City which is a joint venture with a local investor expected to open in 2018. The management contract to the right of the Krystal Urban Mexico City Airport and next to the right, the management contract of the Hampton Inn & Suites in Paraiso, Tabasco. To the right of the Hampton, you can see the expansion of the Krystal Cancun to the family room concept. Finally, to the left, the Hilton Garden Inn inside the Monterrey Airport which is a co-investment with Oma and with a 15 percent stake from us.

Please go to Slide 3. Revenue growth has been 33 percent higher than 2014, mainly due to the four drivers described below. Evidently the incorporation of new inventory has been very important. Our direct channels are showing some growth, not only through our own work, but also through our loyalty program that is about to reach its first year from launch and it is performing above expectations.

Please go to Slide 4. As mentioned in Slide 2, 2015 has also been a year of operational efficiencies as can be seen to the left of the slide. We have grown our EBITDA margins substantially from 29 percent to 33 percent, aside from the drivers explained at the bottom of the slide. We have been able to improve efficiencies in both stabilized and in process of stabilization hotels. We can see at the top left of the slides that every single quarter has shown growth in margins.

Please go to Slide 5. The guidance given in January of 2015 was exceeded as can be

seen at the top of the slide by 3.7 percentage points in terms of margin and 12.1 percent in absolute numbers as a result of the aforementioned activities performed by the management team. We are very proud of this and continue to look for new opportunities that can help us find more efficiencies.

Please go to Slide 6, and Enrique Martinez, our CFO, will continue with the presentation.

Enriquez Martinez: Thank you, Francisco. Good afternoon everyone. Please go to Slide 6. The Company's financial debt is denominated in US dollars in 89 percent and in Mexico pesos in 11 percent. Going forward, the Company will balance its debt between pesos and dollars in accordance with the currency generation (05:01). The Company financial debt in US dollars as well as its portion in Mexican pesos is hedged against the movement in the inter-world market. An inter-rate cap covers any equipment in the latter rate and theory rate above 2 percent and 5 percent respectively. I would like to say that the Krystal Satelite Maria Barbara, Krystal Urban Cancun, Krystal Ciudad Juarez and the Krystal Urban Guadalajara which will be open in March are free of financial debt, give an opportunity to reach sources for further opportunities in accordance with the growth plan of our Company.

Please go to the next slide. During the fourth quarter 2015, approximately 35 percent of the total revenue was denominated in US dollars. For 2015, approximately 36 percent of total revenues was dollar denominated. After taking into account costs and expenses in dollars, revenues denominated in dollars was sufficient to cover the financial debt both in terms of interest as well as principal. Debt coverage ratio resulting in dollar cash flows is 1.5 X for 2015 and it's important 2 X or 9 X considering the Company's cash flow in both dollars and pesos as shown on the table. As a relevant remark, in 2015, 53 percent of proper cash flow before capital expenditures was denominated in US dollars. Now I would like to turn the call over to Francisco for the concluding remarks.

Francisco Zinser: Thank you very much, Enrique. Please go to Slide 8 please. As mentioned, 2015 was a year of growth, greater efficiencies and the strengthening of the Krystal Brand now representing 75 percent of our rooms portfolio. We also grew our third-party management contracts by almost 30 percent. All in all, during 2015, we grew 18 percent in room count. Our financial results have been very strong and above the guidance that was given in January of 2015. Our main assets are our team members which comprise 2,500 associates. We continue to develop talent, training, career paths and multi-functionalities that not only represents a great value for the Company, but also an asset for our associates that develop more skills. In early 2015, we were recognized as one of the best places to work in Mexico by the *Super Empressas de Expansion* currently. In the chief fundamentals continue to be very strong, and Mexico continues to break historical records such as revenues coming from international visitors that reached a new high of \$17.5 billion, an amount 7.7 percent higher than the previous year. We believe we are on the right track as the leading company in Mexico's tourism industry. I very much the trust that the investors have put in us. I reiterate our commitment and our efforts to continue in the path of excellency by creating high levels of satisfaction from our clients to each and every one of our associates translating this into making a profitable investment for the shareholders. Thank you very much. We now open to questions and answers.

Operator: Thank you. At this time we would like to open the floor for your questions. If you would like to ask a question, please press the * key, followed by the 1 key on your touchtone phones now. Questions will be taken in the order in which they are received. If at any time—

Francisco Zinser: Hello? Hello?

Operator: Yes, go ahead?

Francisco Zinser: Yes, Josh, this is Francisco Zinser. I would just like to tell everyone on the lines that we apologize for the delay in starting the webcast. Something threw me out of our control, a technical issue that we had and unfortunately that delayed the call. We very much apologize for that but there was nothing we could do. We would like to hear from you if you have any questions and answers and once again, we're sorry for the delay.

Operator: Thank you. Again, if you would like to ask a question, please press *1 now. Again, that is *1 if you would like to ask a question. We now have our first question coming from Hector Vazquez from GBM.

Hector Vazquez: Good afternoon. Hi everyone. Congratulations for the good results. I have two questions. Going forward, do you see your profitability margin obtainable relating to the EBITDA margin in 32 percent? The second question is, how do you see the industry cycle nowadays? Thank you very much.

Francisco Zinser: Thank you Hector. If I understood well your first question is regarding if we thought we could keep the same levels of EBITDA margins? The answer is yes. We believe that our model can sustain these levels. Obviously as we've mentioned before, when we acquire an existing hotel that is under-performing or performs not as well as our portfolio does, there is a catch up that we don't see an issue with that. Secondly, the industry I think is a very good moment, is very strong. We are seeing not only

international visitors with the very strong pace as we mentioned during the webcast, but also domestic travel is doing well. Our hotels in the urban destinations are also doing quite well. We believe that we are in a very positive side of the cycle.

Hector Vazquez: Perfect. Thank you very much.

Operator: Thank you. Again, if anyone would like to ask a question, please press *1 now. Again, that is *1 if you would like to ask a question. Our next question comes from Andres Olea from GBM.

Andres Olea: Hello everybody and congratulations again on your great results. I have two questions. One is regarding capex and what are your expectations for 2016; and if you could give more detail about the Insurgentes project. You said in the press release it's supposed to get finished until 2018. Could you give us more detail so we can have a more clear view of your capex needs for the following years?

Francisco Zinser: Regarding the capex as you mentioned, we do have as mentioned in the webcast, we have the additional debt, the capability of the hotel debt, or unencumbered debt. There's a source of resources for our capex plan. Insurgentes I will explain now in more detail, but Insurgentes is covered with the actual cash that we have and the projects that we have in sight, are covered with the capex that we can generate. We will continue to grow in the number of rooms added in 2016. In the case of Insurgentes, it's a hotel that is in a privileged location within Insurgentes. It's a hotel that will have 250 hotel rooms. It will have 100 condo hotel which will be sold to individuals and they can put into a full rental. You will actually have more rooms available for the property. It will have also about 3,000 meters of a gastronomic center which will hold from three to five

restaurants depending on the sizes, a model that is very common in other hotels, not only in Mexico City but around the world. It will be a complex that will be very attractive for the guests and with a privileged location. We are very confident about this project. We believe that it is development, but it is very well justified. If you've seen Insurgentes, it's incredible, but there's not one five-star hotel on the street of Insurgentes. This will be the first five-star hotel in Insurgentes. Did I answer your question correctly?

Andres Olea: Yes, thank you very much, Francisco. More or less what is more ballpark your capex expectation for this year? Do you think it's going to increase from last year or is it going to be more or less at the same level?

Francisco Zinser: It should be around the same level, yes.

Andres Olea: Okay, thank you.

Operator: Thank you. Again, if anyone would like to ask a question, please press *1 now. Again that is *1 if you would like to ask a question.

Francisco Zinser: If we don't have any more questions, we thank everyone for joining and once again, we're very sorry we started late. In any case, if there would be any additional information you would need, you can contact Miguel or you can contact me and we would be very glad to answer whatever questions you have regarding Grupo Hotelero.

Miguel Bornacini: Again, the presentation it's available if you haven't received it yet. It's available on our website and we're going to close the recording of this webcast. You can follow it then if you have trouble following it this time. We apologize again for the

inconvenience and thank you.

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

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