

**Miguel Bornacini**

**Grupo Hotelero Santa Fe SAB de CV**

**October 21, 2016**

**12:00 PM CT**

**Operator:** The following is a recording for Miguel Bornacini of Grupo Hotelero Santa Fe on Friday, October 21, 2016 at 12:00 PM Central Time. Good afternoon and welcome to the Grupo Hotelero Santa Fe Investor Relations Call. All lines have been placed on mute to prevent any background noise. At the end of the speakers' presentation we will open the line for questions. Please feel free to ask your question in either English or Spanish. At the time of Q&A instructions will be given. I would now like to turn the call over to Miguel Bornacini. Sir, please begin.

**Miguel Bornacini:** Thank you, 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 Earnings Webcast for the 3Q16. I am here with Francisco Zinser, our CEO, Francisco Medina, our Deputy CEO, 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 risks and uncertainties 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 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. We will now begin with the presentation. I will now turn the call over to

Francisco Zinser. Go ahead, Pancho.

**Francisco Zinser:** Thank you very much, Miguel. Thank you all once again for joining this call. We are very satisfied with the performance of this quarter and we would like to share some highlights with you that both Francisco Medina and Enrique Martinez will convey to you. Paco please go to slide 2 where Paco Medina, Francisco Medina will talk about our revenues and our mission.

**Francisco Medina:** Good morning, everyone. We are taking advantage of the Mexico Tourism Industry with strong fundamentals and all our sources of revenue have experienced significant growth year-over-year. Loan revenue growth has risen by the performance of the Krystal Satelite Maria Barbara and Krystal Urban Cancun which are in the capitalization stage. The solid performance of the stabilized hotels including the Krystal Grand Punta Cancun Hotel and the addition of three hotels under the structure of third-party managing contracts that were not part of the portfolio in the 3Q15, and the opening of the Krystal Urban Guadalajara Hotel which was just added to the portfolio in the 1Q16. Room revenue increased 31 percent compared to 3Q15 derived from the 7.6 percent increase in the number of rooms in brand of Company-owned hotels and brand type improvement of 21.4 percent which in turn was comprised of a 9.3 percent EBITDA increase, and an 11 to 20-point increase in occupancy. Food and beverage revenue and other hotel revenue has increased as a result of the evolution of the stabilized hotels through a constant asset management seeking additional sources of revenue as is the case of Hilton Guadalajara, as well as the growing curve of hotels in the colonization of space and the addition of new hotels in the portfolio. Revenues from the third-party management contracts increased by 50 percent year-over-year due to the addition of the Hampton Inn and Suites Paraiso Tabasco, Krystal Urban Aeropuerto Ciudad de Mexico

and Krystal Monterrey Hotels that were not part of the portfolio in 3Q15. These hotels are at a different stages of stabilization stage and the addition of these three hotels represent 52 percent more rooms on the operation during the period. It is important to mention that management has a very solid expertise in managing and creating value not only for their own hotels but for third parties.

Please go to Slide 3. EBITDA for 3Q15 increased by 40 percent year-over-year. This is a result of increased revenues that allow for higher operating leverage. EBITDA also increased by 9.3 percent with a high flow through to EBITDA. We achieved a 35.1 percent EBITDA margin for this quarter, 280 bps higher than 3Q15. This was achieved by the growth in revenues with a more predictable distribution channel mix and our constant pursuit to generate efficiency. Our margin for the first nine months of the year, as you have probably seen, is 35.4 percent which sets a record for the Company. The exchange rate of the Peso versus Dollar has had a double impact in both foreign travelers as well as the domestic travelers that travel less abroad. I will now turn the call to Enrique Martinez.

**Enrique Martinez:** Good day, everyone. Please go to Slide No. 4. Our current last 12 months exacted Ps. 419 million which is 6.7 percent higher than our 2016 guidance midpoint. Originally our last 12 months EBITDA margin is 220 bps higher than that in our guidance. However, at this point we do not foresee changing our 2016 guidance. EBITDA margins as can be seen have been expanding consistently along with EBITDA generation. Please go to Slide No. 5. Net debt has a Ps. -733 million at the end of 3Q16 which represents a total debt to EBITDA last 12-month ratio of -1.8X. Total debt of which 82 percent is US Dollar denominated has an average cost of 3.95 percent and 70 percent is Peso denominated with an average cost of 8.22 percent. In addition, 91 percent of the debt maturities are long-term. During 3Q16, we increased our US Dollar position to cash the total of our US Dollar denominated financial liabilities. As a result, the Mexico Peso

depreciation of 4.8 percent by the end of the quarter did not have a negative impact on our financial costs, given that the average cost of our hedged position was 18.15 pesos per dollar, and the exchange rate at the end of the quarter was 19.24 pesos per dollar. Our loan US Dollar position at the close of the quarter is \$4.3 million equal to Ps. 83 million. Please go to Slide No. 6 where Pancho will proceed to the next, the final remarks.

**Francisco Zinser:** Thank you, Enrique. I would like to share with you that the industry continues to show very strong fundamentals. A report just published by Mexico Panorama which is done by the Anahuac University and the (indiscernible 08:25) which is the industry's leadership role, foresees international arrivals will increase by 10 percent bringing 35.3 million visitors. This would most probably translate into improving our ranking on the most visited destinations in the world. Currently we are in the ninth position. Grupo Hotelero is uniquely positioned to take advantage of this growth since we are present in the most important markets, both resort and urban, in the country. We expect to deploy the follow-on resources in the next 18 to 24 months as we did with our IPO in 2014. The 3Q16 has shown our ability to continue with a solid pace in both efficiencies and revenues as well as in growth taking into consideration that one-third of our hotel rooms remain in stabilization stage. As was mentioned before, this is clearly proven by the 35.4 percent EBITDA margin that has been achieved year-to-date. Our three hotels under construction, which is the case of the expansion in Cancun, the projects in Insurgentes Avenue in Mexico City are in line with our expected completion timeline. We will continue to strengthen the presence of our Krystal brand which is key in our model to generate better results due to a fantastic penetration in the market. We are in a unique position to continue taking advantages of this glory hotel industry with its strong fundamentals in order to become the leading hotel company in Mexico. We would like to thank you once again for the trust you've placed in us and we affirm our commitment to maximize your investment.

We also thank all of our associates which do a fantastic job with their constant efforts.  
Now we will open the call for questions and answers.

**Operator:** Thank you, sir. At this time, we will open the floor for questions. If you would like to ask a question, please feel free to press \* followed by the 1 key. That is the \* key followed by the 1 key, \*1 on your touchtone phones. 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 \*2. Again, that is \*1 if you would like to ask a question. Also please feel free to ask your question in either Spanish or English, and you can also type your question in the discussion area of today's webinar. Again, we are now holding. Please press \*1 over your telephone if you would like to ask a question. Once again, please feel free to press \*1 at this time if you would like to ask a question. We are holding for questions. Our first question comes from Hector Vazquez from GBM.

**Hector Vazquez:** (Foreign Language 11:15).

**Francisco Zinser:** (Foreign Language 11:55)

**Hector Vazquez:** (Foreign Language 12:31)

**Francisco Zinser:** (Foreign Language 12:45)

**Male Voice from Grupo Hotelero:** (Foreign Language 13:18)

**Hector Vazquez:** (Foreign Language 13:48)

**Francisco Zinser:** Gracias, Hector.

**Operator:** Thank you. Once again if you would like to ask a question, please press \*1 at this time, or you may use the discussion area over the webinar. Again, that is \*1 if you would like to ask a question over the phone. Once again, we are now holding for questions. Please press \*1 at this time. Our next question comes from Andres Olea from GBM.

**Andres Olea:** (Foreign Language 14:25)

**Francisco Zinser:** (Foreign Language 15:31)

**Enrique Martinez:** (Foreign Language 16:10) Que tal Andres.

**Male Voice from Grupo Hotelero:** (Foreign Language 16:59)

**Andres Olea:** (Foreign Language 17:38) Correcto.

**Male Voice from Grupo Hotelero:** (Foreign Language 17:40)

**Andres Olea:** (Foreign Language 17:44) Si, si. (Foreign Language 17:47)

**Male Voice Grupo Hotelero:** (Foreign Language 18:26) Andres ...

**Andres Olea:** (Foreign Language 19:07)

**Francisco Zinser:** (Foreign Language 19:33)

**Andres Olea:** (Foreign Language 20:13) Perfecto. (20:13)

**Francisco Zinser:** Gracias, Andres.

**Operator:** Thank you. Once again we are now holding for questions. Please press \*1 at this time if you would like to ask a question over the telephone. You may also use the discussion area over the webinar. Again, that is \*1 if you would like to ask a question. Once again, please press \*1 at this time if you would like to ask a question. Once again, please press \*1 if you would like to ask a question over the telephone. Sir, at this time, I am showing no further questions.

**Francisco Zinser:** Okay. Thank you very much, Katie. Once again, we would like to thank all of the people that participated in the call. You know you can reach us in our Investor Relations email which you all have in this presentation as well. Thank you very much. Have a great weekend and see you soon in the next Hotel Day which we will be having on the 9<sup>th</sup> of November. We will be sending invitations shortly and we'll join again in the call for the next quarter. Thank you very much, and have a great weekend once again.

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

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