



Extended Stay America Announces Third Quarter 2019 Results

November 6, 2019

- Net Income of \$53.2 million in the Third Quarter
- Adjusted EBITDA¹ of \$156.3 million in the Third Quarter
- Franchise pipeline expands 12% to 58 hotels in the Third Quarter
- Repurchased 4.0 million Paired Shares in the Third Quarter

CHARLOTTE, N.C., Nov. 06, 2019 (GLOBE NEWSWIRE) -- Extended Stay America, Inc. and ESH Hospitality, Inc. (together, the "Company") (NASDAQ:STAY) today announced consolidated results for the three and nine months ended September 30, 2019.

Third Quarter 2019 Highlights

- **Net Income of \$53.2 million**
- **Total revenues of \$332.7 million**
- **Comparable system-wide Revenue Per Available Room ("RevPAR") declined 1.3%**
- **Adjusted EBITDA of \$156.3 million**
- **Adjusted Funds from Operations ("Adjusted FFO")¹ of \$0.54 per diluted Paired Share**
- **Adjusted Paired Share Income¹ of \$0.33 per diluted Paired Share**
- **\$186 million in capital returns to shareholders for the first nine months of 2019**

Extended Stay America's President and Chief Executive Officer, Jonathan Halkyard, commented, "Our focus on core extended stay guests enabled us to outperform our competitive set yet again this quarter, a quarter which was characterized by slowing growth in the Economy and Mid-priced chain scales."

Mr. Halkyard continued, "We have increased the pace of capital returns to shareholders in recent months and are on track to return more than 10% of our recent market capitalization to shareholders in 2019 through dividends and Paired Share repurchases. Capital returns remain a top priority for the Company with a strong balance sheet, a dividend yield in excess of 6% and more than \$200 million remaining in repurchase authorization at the end of the third quarter."

Financial and Operating Results

Total revenues for the three months ended September 30, 2019 were \$332.7 million, a decrease of 5.2% over the same period in the prior year due to asset dispositions in 2018 and a decline in Comparable Company-owned RevPAR. Adjusting for asset dispositions in 2018, total revenues declined 0.6% during the third quarter. For the nine months ended September 30, 2019, total revenues declined 5.2% to \$934.0 million, driven by asset dispositions. Adjusting for asset dispositions in 2018, total revenues were approximately flat for the nine months ended September 30, 2019.

Comparable system-wide RevPAR for the three months ended September 30, 2019 decreased 1.3% over the same period in 2018 to \$54.81, driven by a 2.0% decline in Average Daily Rate ("ADR"), partially offset by a 70 basis point increase in occupancy. The decline in Comparable system-wide RevPAR was primarily driven by a decline in business transient and medium length stays, particularly in the month of September. Total Company-owned RevPAR increased 1.1% during the quarter, reflecting the sale of non-core hotels throughout 2018. Comparable system-wide RevPAR for the nine months ended September 30, 2019 declined 0.9% over the same period in 2018 driven by a 2.5% decline in ADR, partially offset by a 120 basis point increase in occupancy. Total Company-owned RevPAR for the nine months ended September 30, 2019 increased 1.7% over the same period in 2018, reflecting the sale of non-core hotels throughout 2018.

Hotel Operating Margin¹ for the three months ended September 30, 2019 was 53.8% compared to 55.5% in the same period in 2018. While we continued our strategy to maximize targeted marketing efforts to our longest staying customers and other cost saving initiatives, these were offset by an increase in certain operating expenses, including hotel payroll expense, property insurance expense and property taxes, as well as a decline in Comparable Company-owned RevPAR. Hotel Operating Margin for the nine months ended September 30, 2019 was 52.9% compared to 54.8% in the same period of 2018. Property-level margins remain at industry leading levels.

Net income for the three months ended September 30, 2019 was \$53.2 million compared to \$75.7 million in the same period in 2018, a decrease of 29.7%. Net income this quarter was adversely impacted by a \$6.7 million debt extinguishment charge related to the Company's Term Loan modifications and Unsecured Notes offering in September 2019, a non-recurring gain on dispositions of \$3.5 million in 2018, as well as an impairment charge of \$2.7 million, partially offset by a decrease in income tax expense. Net income for the nine months ended September 30, 2019 was \$141.3 million compared to \$172.4 million in the same period in 2018, a decrease of 18.0%. The decline in net income for both the three and nine months ended September 30, 2019 was primarily due to a decline in Hotel Operating Margin, partially offset by lower depreciation expense.

Adjusted EBITDA for the three months ended September 30, 2019 was \$156.3 million, a decline of 10.0% compared to the same period in 2018. The decline in Adjusted EBITDA was due to asset dispositions in 2018 resulting in lost contribution of \$6.8 million, a decline in Comparable Company-owned RevPAR and an increase in Comparable Company-owned hotel operating expenses. Adjusted EBITDA excludes non-cash equity-based compensation expense of \$1.9 million, \$2.7 million in impairment expense and \$1.8 million in other expenses. Adjusted EBITDA for the nine months ended September 30, 2019 was \$426.3 million, a decline of 9.9%, due to asset dispositions in 2018 resulting in lost contribution of \$20.5

million and an increase in comparable hotel operating expenses.

Adjusted FFO for the three months ended September 30, 2019 was \$101.5 million compared to \$115.1 million in the same period in 2018. The decline in Adjusted FFO was due to an increase in Comparable Company-owned hotel operating expenses and a decline in Comparable Company-owned RevPAR. Adjusted FFO per diluted Paired Share was \$0.54 compared to \$0.61 in the same period in 2018. Adjusted FFO, a non-GAAP measure, represents funds from operations, as adjusted, attributable to the consolidated enterprise, whose representative equity security is a Paired Share. A Paired Share entitles its holder to participate in 100% of the common equity and earnings of both Extended Stay America, Inc. and ESH Hospitality, Inc. Adjusted FFO for the nine months ended September 30, 2019 was \$269.8 million, or \$1.43 per diluted Paired Share, compared to \$305.0 million, or \$1.60 per diluted Paired Share, in the same period in 2018.

Adjusted Paired Share Income for the three months ended September 30, 2019 was \$62.6 million, or \$0.33 per diluted Paired Share, compared to \$74.0 million, or \$0.39 per diluted Paired Share, in the same period in 2018. The decline in Adjusted Paired Share Income was due to a decline in Hotel Operating Margin and Comparable Company-owned RevPAR, partially offset by lower depreciation expense. Adjusted Paired Share Income, a non-GAAP measure, represents net income, as adjusted, attributable to the consolidated enterprise, whose representative equity security is a Paired Share. Adjusted Paired Share Income per diluted Paired Share for the nine months ended September 30, 2019 was \$0.81 compared to \$0.94 in the same period in 2018.

Capital Expenditures

The Company invested \$65.1 million in capital expenditures during the third quarter of 2019. This includes \$10.2 million in renovation capital, \$10.9 million in IT capital and \$20.2 million in capital for ESA 2.0 hotel development and land acquisitions. The Company invested \$178.0 million in capital expenditures during the first nine months of 2019.

Hotel and Development Pipeline

As of September 30, 2019, the Company had a pipeline of 77 hotels representing approximately 9,400 rooms.

Company Owned Pipeline & Recently Opened Hotels as of September 30, 2019

| Under Option | | Pre-Development | | Under Construction | | Total Pipeline | | Opened YTD | |
|--------------|---------|-----------------|---------|--------------------|---------|----------------|---------|------------|---------|
| # Hotels | # Rooms | # Hotels | # Rooms | # Hotels | # Rooms | # Hotels | # Rooms | # Hotels | # Rooms |
| 4 | 496 | 6 | 752 | 9 | 1,140 | 19 | 2,388 | 0 | 0 |

Third Party Pipeline & Recently Opened Hotels as of September 30, 2019

| Commitments | | Applications | | Executed | | Total Pipeline | | Opened YTD | |
|-------------|---------|--------------|---------|----------|---------|----------------|---------|------------|---------|
| # Hotels | # Rooms | # Hotels | # Rooms | # Hotels | # Rooms | # Hotels | # Rooms | # Hotels | # Rooms |
| 40 | 4,928 | 7 | 868 | 11 | 1,261 | 58 | 7,057 | 1 | 115 |

Definitions

| | |
|---------------------------|--|
| <i>Under Option</i> | <i>Locations with a signed purchase and sale agreement</i> |
| <i>Pre-Development</i> | <i>Land purchased, permitting and/or site work</i> |
| <i>Under Construction</i> | <i>Hotel is under construction</i> |
| <i>Commitments</i> | <i>Signed commitment to build a certain number of hotels by a third party</i> |
| <i>Applications</i> | <i>Third party filed franchise application with deposit</i> |
| <i>Executed</i> | <i>Franchise application approved, various stages of pre-development and/or under construction</i> |

Distributions and Share Repurchases

On November 6, 2019, the Boards of Directors of Extended Stay America, Inc. and ESH Hospitality, Inc. declared cash distributions totaling \$0.23 per Paired Share for the third quarter of 2019. The distributions are payable on December 4, 2019 to shareholders of record as of November 20, 2019. The Company repurchased 4.0 million Paired Shares during the third quarter for an aggregate purchase of \$57.5 million. Since the end of the third quarter, the Company has repurchased an additional 2.0 million Paired Shares for an aggregate purchase price of \$28.8 million. The Company's total remaining repurchase authorization was approximately \$177 million as of close of the market today.

2019 Outlook

The Company's 2019 Outlook is updated as follows:

in millions, except % and # of hotels

Low

High

| | | | | |
|---|----------|---|----------|---|
| # of hotels owned on 12/31/19 | 556 | | | |
| Total Revenues | \$ 1,205 | | \$ 1,215 | |
| Comparable system-wide RevPAR % Δ1 | -1.75 | % | -1.25 | % |
| Net income | \$ 162 | | \$ 176 | |
| Adjusted Paired Share Income/Paired Share | \$ 0.93 | | \$ 1.01 | |
| Adjusted EBITDA2 | \$ 535 | | \$ 545 | |
| Depreciation and amortization | \$ 190 | | \$ 195 | |
| Net interest expense | \$ 129 | | \$ 129 | |
| Effective tax rate | 15.75 | % | 16.75 | % |
| Capital expenditures | \$ 235 | | \$ 275 | |
| Expected capital returns | \$ 285 | | \$ 315 | |

¹ Approximately 200 basis point negative impact from hurricane related markets and net renovation displacement

² Lost contribution of approximately \$21 million related to 72 hotel dispositions in 2018

Webcast and Conference Call Details

The Company will host a conference call on Thursday, November 7, 2019 at 8:00 a.m. Eastern Time. The conference call will be webcast simultaneously in the Investor Relations section of the Company's website at www.aboutstay.com. A replay of the call will be available for 90 days following the webcast on the Company's website. Alternatively, the conference call can be accessed by dialing 1-855-327-6837 for domestic callers or 1-631-891-4304 for international callers. A telephone replay will be available from shortly after the call until November 14, 2019, and can be accessed by dialing 1-844-512-2921 for domestic callers or 1-412-317-6671 for international callers. The passcode for the replay is 10007887.

Disclosure Regarding Non-GAAP Financial Measures

Hotel Operating Profit, Hotel Operating Margin, EBITDA, Adjusted EBITDA, FFO, Adjusted FFO, Adjusted FFO per diluted Paired Share, Paired Share Income, Adjusted Paired Share Income and Adjusted Paired Share Income per diluted Paired Share (collectively, the "Non-GAAP Financial Measures"), which are detailed in the reconciliation tables that accompany this release, are used by the Company as supplemental performance measures. The Company believes these measures provide useful information to investors regarding our results of operations and allow investors to evaluate the ongoing operating performance of our hotels and facilitate comparisons between the Company and other lodging companies, hotel owners and capital-intensive companies, including those which include a REIT as part of their legal entity structure. The Non-GAAP Financial Measures are not recognized terms under U.S. GAAP. These measures as presented may not be comparable to measures calculated by other companies. These measures should not be considered as alternative measures of, or superior to, operating profit, net income, net income per share or any other measure of the Company, Extended Stay America, Inc. or ESH Hospitality, Inc. calculated in accordance with U.S. GAAP. The Company's presentation of the Non-GAAP Financial Measures does not replace the presentation of the Company's consolidated financial statements and other disclosures prepared in accordance with U.S. GAAP.

Forward Looking Statements

This release contains forward-looking statements within the meaning of the federal securities laws. These statements include, but are not limited to, statements related to our expectations regarding our business performance, financial results, liquidity and capital resources, capital expenditures, capital returns, distribution policy and other non-historical statements, including the statements in the "2019 Outlook" section of this release. Forward looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results or performance to differ from those projected in the forward-looking statements, possibly materially. For a description of factors that may cause the Company's actual results or performance to differ from projected results or performance implied by forward-looking statements, please review the information under the headings "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors" included in the Company's combined annual report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on February 27, 2019 and other documents of the Company on file with or furnished to the SEC. Any forward-looking statements made in this release are qualified by these cautionary statements, and there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, will have the expected consequences to, or effects on, the Company, its business or operations. Except as required by law, the Company undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future developments or otherwise. We caution you that actual results may differ materially from what is expressed, implied or forecasted by the Company's forward-looking statements.

About Extended Stay America

Extended Stay America® is the leading brand in the mid-priced extended stay segment in the U.S. with 626 hotels. ESH Hospitality, Inc. ("ESH"), a subsidiary of Extended Stay America, Inc. ("ESA"), is the largest lodging REIT in North America by unit and room count, with 554 hotels and approximately 61,500 rooms in the U.S. ESA also manages or franchises an additional 72 Extended Stay America® hotels. Visit www.esa.com for more information.

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¹ See "Disclosure Regarding Non-GAAP Financial Measures" for an explanation of non-GAAP measures included in this release (i.e., Hotel Operating Profit, Hotel Operating Margin, EBITDA, Adjusted EBITDA, Funds from Operations ("FFO"), Adjusted FFO, Adjusted FFO per diluted Paired Share, Paired Share Income, Adjusted Paired Share Income and Adjusted Paired Share Income per diluted Paired Share).

EXTENDED STAY AMERICA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(In thousands, except per share data)
(Unaudited)

| Three Months Ended September 30, | | | Nine Months Ended September 30, | | | |
|-------------------------------------|------------|---------------|--|------------|------------|---------------|
| 2019 | 2018 | % Variance | | 2019 | 2018 | % Variance |
| REVENUES: | | | | | | |
| \$ 320,669 | \$ 340,917 | (5.9)% | Room revenues | \$ 899,329 | \$ 958,075 | (6.1)% |
| 6,475 | 5,943 | 9.0 % | Other hotel revenues | 17,848 | 16,710 | 6.8 % |
| 1,351 | 864 | 56.4 % | Franchise and management fees | 4,023 | 2,140 | 88.0 % |
| 328,495 | 347,724 | (5.5)% | | 921,200 | 976,925 | (5.7)% |
| 4,200 | 3,352 | 25.3 % | Other revenues from franchised and managed properties | 12,821 | 8,419 | 52.3 % |
| 332,695 | 351,076 | (5.2)% | Total revenues | 934,021 | 985,344 | (5.2)% |
| OPERATING EXPENSES: | | | | | | |
| 152,913 | 156,341 | (2.2)% | Hotel operating expenses | 437,111 | 443,025 | (1.3)% |
| 22,292 | 21,242 | 4.9 % | General and administrative expenses | 67,606 | 69,710 | (3.0)% |
| 49,748 | 52,138 | (4.6)% | Depreciation and amortization | 147,543 | 159,652 | (7.6)% |
| 2,679 | - | n/a | Impairment of long-lived assets | 2,679 | 43,600 | (93.9)% |
| 227,632 | 229,721 | (0.9)% | | 654,939 | 715,987 | (8.5)% |
| 4,699 | 3,449 | 36.2 % | Other expenses from franchised and managed properties | 14,342 | 8,762 | 63.7 % |
| 232,331 | 233,170 | (0.4)% | Total operating expenses | 669,281 | 724,749 | (7.7)% |
| - | 3,517 | n/a | GAIN ON SALE OF HOTEL PROPERTIES | - | 41,599 | n/a |
| 3 | 39 | (92.3)% | OTHER INCOME | 31 | 501 | (93.8)% |
| 100,367 | 121,462 | (17.4)% | INCOME FROM OPERATIONS | 264,771 | 302,695 | (12.5)% |
| 101 | (251) | (140.2)% | OTHER NON-OPERATING EXPENSE (INCOME) | (248) | 48 | (616.7)% |
| 36,535 | 31,007 | 17.8 % | INTEREST EXPENSE, NET | 95,905 | 95,072 | 0.9 % |
| 63,731 | 90,706 | (29.7)% | INCOME BEFORE INCOME TAX EXPENSE | 169,114 | 207,575 | (18.5)% |
| 10,501 | 15,014 | (30.1)% | INCOME TAX EXPENSE | 27,822 | 35,218 | (21.0)% |
| 53,230 | 75,692 | (29.7)% | NET INCOME | 141,292 | 172,357 | (18.0)% |
| (12,159) | (3,790) | 220.8 % | NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS | (24,790) | (20,547) | 20.7 % |
| \$ 41,071 | \$ 71,902 | (42.9)% | NET INCOME ATTRIBUTABLE TO EXTENDED STAY AMERICA, INC. COMMON SHAREHOLDERS | \$ 116,502 | \$ 151,810 | (23.3)% |
| \$ 0.22 | \$ 0.38 | (42.2)% | NET INCOME PER EXTENDED STAY AMERICA, INC. COMMON SHARE - DILUTED | \$ 0.62 | \$ 0.80 | (22.5)% |
| 187,015 | 189,253 | | WEIGHTED-AVERAGE EXTENDED STAY AMERICA, INC. COMMON SHARES OUTSTANDING - DILUTED | 188,317 | 190,111 | |

**CONSOLIDATED BALANCE SHEET DATA
AS OF SEPTEMBER 30, 2019 AND DECEMBER 31, 2018
(In thousands)
(Unaudited)**

| | September 30, 2019 | December 31, 2018 |
|---|-----------------------------------|------------------------------|
| Cash and cash equivalents | \$ 489,767 | \$ 287,458 |
| Restricted cash | \$ 13,572 | \$ 15,878 |
| Total assets | \$ 4,155,377 | \$ 3,924,210 |
| Total debt, net of unamortized deferred financing costs and debt discounts ⁽¹⁾ | \$ 2,639,498 | \$ 2,402,637 |
| Total equity | \$ 1,266,471 | \$ 1,310,639 |

(1) Unamortized deferred financing costs and debt discounts totaled \$48.5 million and \$41.1 million as of September 30, 2019 and December 31, 2018, respectively.

**EXTENDED STAY AMERICA, INC.
OPERATING METRICS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(Unaudited)**

COMPARABLE SYSTEM-WIDE OPERATING METRICS (1)

| Three Months Ended September 30, | | | | | Nine Months Ended September 30, | | | | | | |
|---|-------------|-----------------|---------------------------------------|--------|---|-------------|-----------------|----------|---|---------|----|
| 2019 | 2018 | Variance | | | 2019 | 2018 | Variance | | | | |
| 624 | 624 | - | Number of hotels (as of September 30) | | 623 | 623 | - | | | | |
| 68,749 | 68,749 | - | Number of rooms (as of September 30) | | 68,634 | 68,634 | - | | | | |
| 80.8 | % | 80.1 | % | 70 bps | Comparable System-Wide Occupancy ⁽¹⁾ | 77.3 | % | 76.1 | % | 120 bps | |
| \$ 67.87 | | \$ 69.27 | | (2.0 |)% Comparable System-Wide ADR ⁽¹⁾ | \$ 67.02 | | \$ 68.77 | | (2.5 |)% |
| \$ 54.81 | | \$ 55.51 | | (1.3 |)% Comparable System-Wide RevPAR ⁽¹⁾ | \$ 51.83 | | \$ 52.31 | | (0.9 |)% |

COMPARABLE COMPANY-OWNED OPERATING METRICS (2)

| Three Months Ended September 30, | | | | | Nine Months Ended September 30, | | | | | | |
|---|-------------|-----------------|---------------------------------------|--------|---|-------------|-----------------|----------|---|--------|----|
| 2019 | 2018 | Variance | | | 2019 | 2018 | Variance | | | | |
| 553 | 553 | - | Number of hotels (as of September 30) | | 552 | 552 | - | | | | |
| 61,379 | 61,379 | - | Number of rooms (as of September 30) | | 61,264 | 61,264 | - | | | | |
| 80.8 | % | 80.7 | % | 10 bps | Comparable Company-Owned Occupancy ⁽²⁾ | 77.4 | % | 76.7 | % | 70 bps | |
| \$ 70.09 | | \$ 71.23 | | (1.6 |)% Comparable Company-Owned ADR ⁽²⁾ | \$ 69.15 | | \$ 70.62 | | (2.1 |)% |
| \$ 56.66 | | \$ 57.46 | | (1.4 |)% Comparable Company-Owned RevPAR ⁽²⁾ | \$ 53.55 | | \$ 54.20 | | (1.2 |)% |

Renovation Displacement Data (in thousands, except percentages):

| | | | | | | | | | | |
|-------|---|-------|---|--------|---------------------------------------|--------|---|--------|---|--------|
| 5,647 | | 5,647 | | - | Total available room nights | 16,725 | | 16,725 | | - |
| 10 | | - | | 10 | Room nights displaced from renovation | 45 | | - | | 45 |
| 0.2 | % | 0.0 | % | 20 bps | % of available room nights displaced | 0.3 | % | 0.0 | % | 30 bps |

COMPANY-OWNED OPERATING METRICS (3)

Three Months Ended

Nine Months Ended

| September 30, | | | | September 30, | | | |
|---------------|----------|----------|-----|---------------|----------|----------|-----|
| 2019 | 2018 | Variance | | 2019 | 2018 | Variance | |
| 554 | 567 | (13 |) | 554 | 567 | (13 |) |
| 61,486 | 62,748 | (1,262 |) | 61,486 | 62,748 | (1,262 |) |
| 80.8 | % | 80.2 | % | 77.4 | % | 76.0 | % |
| | | 60 | bps | | | 140 | bps |
| \$ 70.10 | \$ 69.85 | 0.4 | % | \$ 69.15 | \$ 69.24 | (0.1 |)% |
| \$ 56.66 | \$ 56.02 | 1.1 | % | \$ 53.53 | \$ 52.65 | 1.7 | % |

(1) Includes hotels owned, franchised or managed for the full three and nine months ended September 30, 2019 and 2018, respectively.

(2) Includes hotels owned and operated by the Company for the full three and nine months ended September 30, 2019 and 2018, respectively.

(3) Include results of operations of the Company's owned and operated hotels during the periods presented, which is summarized below:

| Date | Number of Hotels (Sold) Acquired | Number of Rooms | Number of Owned Hotels | Number of Owned Rooms |
|--------------------|----------------------------------|-----------------|------------------------|-----------------------|
| January 1, 2018 | - | - | 624 | 68,620 |
| February 2018 | (25) | (2,430) | 599 | 66,190 |
| March 2018 | (1) | (101) | 598 | 66,089 |
| May 2018 | 1 | 115 | 599 | 66,204 |
| September 2018 | (32) | (3,456) | 567 | 62,748 |
| November 2018 | 1 | 107 | 568 | 62,855 |
| November 2018 | (14) | (1,369) | 554 | 61,486 |
| September 30, 2019 | - | - | 554 | 61,486 |

EXTENDED STAY AMERICA, INC.

NON-GAAP RECONCILIATION OF NET INCOME TO HOTEL OPERATING PROFIT AND HOTEL OPERATING MARGIN FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

(In thousands)
(Unaudited)

| Three Months Ended September 30, | | | | Nine Months Ended September 30, | | | |
|----------------------------------|------------|-----------|--|---------------------------------|------------|-----------|--|
| 2019 | 2018 | Variance | | 2019 | 2018 | Variance | |
| \$ 53,230 | \$ 75,692 | (29.7)% | | \$ 141,292 | \$ 172,357 | (18.0)% | |
| 10,501 | 15,014 | (30.1)% | | 27,822 | 35,218 | (21.0)% | |
| 36,535 | 31,007 | 17.8% | | 95,905 | 95,072 | 0.9% | |
| 101 | (251) | (140.2)% | | (248) | 48 | (616.7)% | |
| (3) | (39) | (92.3)% | | (31) | (501) | (93.8)% | |
| - | (3,517) | n/a | | - | (41,599) | n/a | |
| 2,679 | - | n/a | | 2,679 | 43,600 | (93.9)% | |
| 49,748 | 52,138 | (4.6)% | | 147,543 | 159,652 | (7.6)% | |
| 22,292 | 21,242 | 4.9% | | 67,606 | 69,710 | (3.0)% | |
| 1,660 | 1,949 | (14.8)% | | 5,037 | 2,617 | 92.5% | |
| (1,351) | (864) | 56.4% | | (4,023) | (2,140) | 88.0% | |
| 499 | 97 | 414.4% | | 1,521 | 343 | 343.4% | |
| \$ 175,891 | \$ 192,468 | (8.6)% | | \$ 485,103 | \$ 534,377 | (9.2)% | |
| \$ 320,669 | \$ 340,917 | (5.9)% | | \$ 899,329 | \$ 958,075 | (6.1)% | |
| 6,475 | 5,943 | 9.0% | | 17,848 | 16,710 | 6.8% | |
| \$ 327,144 | \$ 346,860 | (5.7)% | | \$ 917,177 | \$ 974,785 | (5.9)% | |
| 53.8% | 55.5% | (170) bps | | 52.9% | 54.8% | (190) bps | |

**NON-GAAP RECONCILIATION OF NET INCOME TO COMPARABLE HOTEL(2)
OPERATING PROFIT AND COMPARABLE HOTEL OPERATING MARGIN
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(In thousands)
(Unaudited)**

| Three Months Ended September 30, | | | | Nine Months Ended September 30, | | |
|-------------------------------------|------------|-----------|--|------------------------------------|------------|-----------|
| 2019 | 2018 | Variance | | 2019 | 2018 | Variance |
| \$ 53,230 | \$ 75,692 | (29.7)% | Net income | \$ 141,292 | \$ 172,357 | (18.0)% |
| 10,501 | 15,014 | (30.1)% | Income tax expense | 27,822 | 35,218 | (21.0)% |
| 36,535 | 31,007 | 17.8% | Interest expense, net | 95,905 | 95,072 | 0.9% |
| 101 | (251) | (140.2)% | Other non-operating expense (income) | (248) | 48 | (616.7)% |
| (3) | (39) | (92.3)% | Other income | (31) | (501) | (93.8)% |
| - 0 | (3,517) | n/a | Gain on sale of hotel properties | - 0 | (41,599) | n/a |
| 2,679 | - 0 | n/a | Impairment of long-lived assets | 2,679 | 43,600 | (93.9)% |
| 49,748 | 52,138 | (4.6)% | Depreciation and amortization | 147,543 | 159,652 | (7.6)% |
| 22,292 | 21,242 | 4.9% | General and administrative expenses | 67,606 | 69,710 | (3.0)% |
| 1,660 | 1,949 | (14.8)% | Loss on disposal of assets ⁽¹⁾ | 5,037 | 2,617 | 92.5% |
| (1,351) | (864) | 56.4% | Franchise and management fees | (4,023) | (2,140) | 88.0% |
| 499 | 97 | 414.4% | Other expenses from franchised and managed properties, net of other revenues | 1,521 | 343 | 343.4% |
| (289) | (6,751) | (95.7)% | Hotel operating profit of hotels not owned for entirety of periods presented | (1,235) | (20,518) | (94.0)% |
| \$ 175,602 | \$ 185,717 | (5.4)% | Comparable Hotel Operating Profit ⁽²⁾ | \$ 483,868 | \$ 513,859 | (5.8)% |
| | | | | | | |
| \$ 320,669 | \$ 340,917 | (5.9)% | Room revenues | \$ 899,329 | \$ 958,075 | (6.1)% |
| 6,475 | 5,943 | 9.0% | Other hotel revenues | 17,848 | 16,710 | 6.8% |
| (571) | (16,363) | (96.5)% | Total revenues of hotels not owned for entirety of periods presented | (2,877) | (51,788) | (94.4)% |
| \$ 326,573 | \$ 330,497 | (1.2)% | Comparable total room and other hotel revenues | \$ 914,300 | \$ 922,997 | (0.9)% |
| | | | | | | |
| 53.8% | 56.2% | (240) bps | Comparable Hotel Operating Margin ⁽²⁾ | 52.9% | 55.7% | (280) bps |

(1) Included in hotel operating expenses in the unaudited condensed consolidated statements of operations.

(2) Includes results of 553 and 552 hotels owned and operated during the full three and nine months ended September 30, 2019 and 2018, respectively.

**EXTENDED STAY AMERICA, INC.
NON-GAAP RECONCILIATION OF NET INCOME TO EBITDA AND ADJUSTED EBITDA
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(In thousands)
(Unaudited)**

| Three Months Ended September 30, | | | | Nine Months Ended September 30, | |
|-------------------------------------|-----------|---|----------------------------------|------------------------------------|------------|
| 2019 | 2018 | | | 2019 | 2018 |
| \$ 53,230 | \$ 75,692 | | Net income | \$ 141,292 | \$ 172,357 |
| 36,535 | 31,007 | | Interest expense, net | 95,905 | 95,072 |
| 10,501 | 15,014 | | Income tax expense | 27,822 | 35,218 |
| 49,748 | 52,138 | | Depreciation and amortization | 147,543 | 159,652 |
| 150,014 | 173,851 | | EBITDA | 412,562 | 462,299 |
| 1,876 | 1,811 | | Equity-based compensation | 6,131 | 5,999 |
| 2,679 | - | | Impairment of long-lived assets | 2,679 | 43,600 |
| - | (3,517) |) | Gain on sale of hotel properties | - | (41,599) |
| 1,756 | 1,532 | | Other expense ⁽¹⁾ | 4,907 | 2,879 |

\$ 156,325 \$ 173,677 Adjusted EBITDA \$ 426,279 \$ 473,178

**NON-GAAP RECONCILIATION OF NET INCOME TO EBITDA AND COMPARABLE ADJUSTED EBITDA⁽²⁾
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(In thousands)
(Unaudited)**

| Three Months Ended | | | Nine Months Ended | | |
|---------------------------|-------------|--|--------------------------|-------------|--|
| September 30, | | | September 30, | | |
| 2019 | 2018 | | 2019 | 2018 | |
| \$ 53,230 | \$ 75,692 | Net income | \$ 141,292 | \$ 172,357 | |
| 36,535 | 31,007 | Interest expense, net | 95,905 | 95,072 | |
| 10,501 | 15,014 | Income tax expense | 27,822 | 35,218 | |
| 49,748 | 52,138 | Depreciation and amortization | 147,543 | 159,652 | |
| 150,014 | 173,851 | EBITDA | 412,562 | 462,299 | |
| (289) | (6,751) | Adjusted Property EBITDA of hotels not owned for entirety of periods presented | (1,235) | (20,518) | |
| 1,876 | 1,811 | Equity-based compensation | 6,131 | 5,999 | |
| 2,679 | - | Impairment of long-lived assets | 2,679 | 43,600 | |
| - | (3,517) | Gain on sale of hotel properties | - | (41,599) | |
| 1,756 | 1,532 | Other expense ⁽¹⁾ | 4,907 | 2,879 | |
| \$ 156,036 | \$ 166,926 | Comparable Adjusted EBITDA ⁽²⁾ | \$ 425,044 | \$ 452,660 | |

⁽¹⁾ Includes loss on disposal of assets, non-operating expense (income), including foreign currency transaction costs, and certain costs associated with acquisitions and dispositions. Loss on disposal of assets totaled \$1.7 million, \$1.9 million, \$5.0 million and \$2.6 million, respectively.

⁽²⁾ Includes results of 553 and 552 hotels owned and operated during the full three and nine months ended September 30, 2019 and 2018, respectively.

EXTENDED STAY AMERICA, INC.

NON-GAAP RECONCILIATION OF NET INCOME ATTRIBUTABLE TO EXTENDED STAY AMERICA, INC.

COMMON SHAREHOLDERS TO FUNDS FROM OPERATIONS, ADJUSTED FUNDS FROM OPERATIONS

AND ADJUSTED FUNDS FROM OPERATIONS PER DILUTED PAIRED SHARE

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

(In thousands, except per share and per Paired Share data)

(Unaudited)

| Three Months Ended | | | Nine Months Ended | | |
|---------------------------|-------------|---|--------------------------|-------------|--|
| September 30, | | | September 30, | | |
| 2019 | 2018 | | 2019 | 2018 | |
| \$ 0.22 | \$ 0.38 | Net income per Extended Stay America, Inc. common share - diluted | \$ 0.62 | \$ 0.80 | |
| \$ 41,071 | \$ 71,902 | Net income attributable to Extended Stay America, Inc. common shareholders | \$ 116,502 | \$ 151,810 | |
| 12,155 | 3,786 | Noncontrolling interests attributable to Class B common shares of ESH REIT | 24,778 | 20,535 | |
| 48,247 | 50,807 | Real estate depreciation and amortization | 143,335 | 155,788 | |
| 2,679 | - | Impairment of long-lived assets | 2,679 | 43,600 | |
| - | (3,517) | Gain on sale of hotel properties | - | (41,599) | |
| (8,250) | (7,897) | Tax effect of adjustments to net income attributable to Extended Stay America, Inc. common shareholders | (23,132) | (26,502) | |
| 95,902 | 115,081 | Funds from Operations | 264,162 | 303,632 | |
| 6,716 | - | Debt modification and extinguishment costs | 6,716 | 1,621 | |
| (1,088) | - | Tax effect of adjustments to Funds from Operations | (1,088) | (274) | |
| \$ 101,530 | \$ 115,081 | Adjusted Funds from Operations | \$ 269,790 | \$ 304,979 | |
| \$ 0.54 | \$ 0.61 | Adjusted Funds from Operations per Paired Share – diluted | \$ 1.43 | \$ 1.60 | |

EXTENDED STAY AMERICA, INC.**NON-GAAP RECONCILIATION OF NET INCOME ATTRIBUTABLE TO EXTENDED STAY AMERICA, INC.****COMMON SHAREHOLDERS TO PAIRED SHARE INCOME, ADJUSTED PAIRED SHARE INCOME AND ADJUSTED PAIRED SHARE INCOME PER DILUTED PAIRED SHARE****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018**

(In thousands, except per share and per Paired Share data)

(Unaudited)

| Three Months Ended September 30, | | | Nine Months Ended September 30, | |
|-------------------------------------|-----------|--|------------------------------------|------------|
| 2019 | 2018 | | 2019 | 2018 |
| \$ 0.22 | \$ 0.38 | Net income per Extended Stay America, Inc. common share - diluted | \$ 0.62 | \$ 0.80 |
| \$ 41,071 | \$ 71,902 | Net income attributable to Extended Stay America, Inc. common shareholders | \$ 116,502 | \$ 151,810 |
| 12,155 | 3,786 | Noncontrolling interests attributable to Class B common shares of ESH REIT | 24,778 | 20,535 |
| 53,226 | 75,688 | Paired Share Income | 141,280 | 172,345 |
| 6,716 | - | Debt modification and extinguishment costs | 6,716 | 1,621 |
| 2,679 | - | Impairment of long-lived assets | 2,679 | 43,600 |
| - | (3,517) |) Gain on sale of hotel properties | - | (41,599) |
| 1,756 | 1,532 | Other expense ⁽¹⁾ | 4,907 | 2,879 |
| (1,806) | 331 | Tax effect of adjustments to Paired Share Income | (2,299) | (1,088) |
| \$ 62,571 | \$ 74,034 | Adjusted Paired Share Income | \$ 153,283 | \$ 177,758 |
| \$ 0.33 | \$ 0.39 | Adjusted Paired Share Income per Paired Share – diluted | \$ 0.81 | \$ 0.94 |
| 187,015 | 189,253 | Weighted average Paired Shares outstanding – diluted | 188,317 | 190,111 |

⁽¹⁾ Includes loss on disposal of assets, non-operating expense (income), including foreign currency transaction costs, and certain costs associated with acquisitions and dispositions. Loss on disposal of assets totaled \$1.7 million, \$1.9 million, \$5.0 million and \$2.6 million, respectively.

EXTENDED STAY AMERICA, INC.**TOTAL REVENUES AND NON-GAAP RECONCILIATION OF NET INCOME TO EBITDA AND COMPARABLE ADJUSTED EBITDA FOR THE YEARS ENDED DECEMBER 31, 2018 (ADJUSTED) AND 2019 (OUTLOOK)**

(In thousands)

(Unaudited)

| Year Ended December 31, 2018 (Adjusted) ⁽¹⁾ | | | Year Ending December 31, 2019 (Outlook) | |
|--|---|--|--|--------------|
| | | | Low | High |
| \$ 1,204,429 | Total revenues | | \$ 1,205,000 | \$ 1,215,000 |
| \$ 211,756 | Net income | | \$ 161,772 | \$ 176,353 |
| 124,870 | Interest expense, net | | 129,000 | 129,000 |
| 42,076 | Income tax expense | | 32,549 | 32,968 |
| 209,329 | Depreciation and amortization | | 195,000 | 190,000 |
| 588,031 | EBITDA | | 518,321 | 528,321 |
| (21,422) |) Adjusted Property EBITDA of hotels not owned for entirety of period presented | | - | - |
| 7,724 | Equity-based compensation | | 8,000 | 8,000 |
| 43,600 | Impairment of long-lived assets | | 2,679 | 2,679 |
| (42,478) |) Gain on sale of hotel properties | | - | - 0 |
| 2,860 | Other expense ⁽²⁾ | | 6,000 | 6,000 |
| \$ 578,315 | Comparable Adjusted EBITDA | | \$ 535,000 | \$ 545,000 |

(1) 2018 results adjusted to reflect results of 552 hotels owned and operated for the full year ended December 31, 2018.

(2) Includes loss on disposal of assets, non-operating (income) expense, including foreign currency transaction costs, and certain costs associated with acquisitions, dispositions and capital transactions.

EXTENDED STAY AMERICA, INC.

NON-GAAP RECONCILIATION OF NET INCOME ATTRIBUTABLE TO EXTENDED STAY AMERICA, INC.

COMMON SHAREHOLDERS TO PAIRED SHARE INCOME, ADJUSTED PAIRED SHARE INCOME

AND ADJUSTED PAIRED SHARE INCOME PER DILUTED PAIRED SHARE

FOR THE YEARS ENDED DECEMBER 31, 2018 (ACTUAL) AND 2019 (OUTLOOK)

(In thousands, except per share and per Paired Share data)

(Unaudited)

| Year Ended December 31, 2018 (Actual) | | Year Ending December 31, 2019 (Outlook) | |
|---|--|--|------------|
| | | Low | High |
| \$ 0.59 | Net income per Extended Stay America, Inc. common share - diluted | \$ 0.38 | \$ 0.43 |
| \$ 112,864 | Net income attributable to Extended Stay America, Inc. common shareholders | \$ 71,234 | \$ 79,893 |
| 98,876 | Noncontrolling interests attributable to Class B common shares of ESH REIT | 90,522 | 96,444 |
| 211,740 | Paired Share Income | 161,756 | 176,337 |
| 1,621 | Debt modification and extinguishment costs | 6,716 | 6,716 |
| 43,600 | Impairment of long-lived assets | 2,679 | 2,679 |
| (42,478) |) Gain on sale of hotel properties | - | - |
| 2,860 |) Other expense ⁽¹⁾ | 6,000 | 6,000 |
| (937) |) Tax effect of adjustments to Paired Share Income | (2,579) | (2,425) |
| \$ 216,406 | Adjusted Paired Share Income | \$ 174,572 | \$ 189,307 |
| \$ 1.14 | Adjusted Paired Share Income per Paired Share – diluted | \$ 0.93 | \$ 1.01 |
| 189,821 | Weighted average Paired Shares outstanding – diluted | 187,000 | 187,000 |

(1) Includes loss on disposal of assets, non-operating (income) expense, including foreign currency transaction costs, and certain costs associated with acquisitions, dispositions and capital transactions.



Source: Extended Stay America, Inc.