



2015 Q3 Earnings Call  
October 27, 2015 9:30 AM ET

# Important Disclosure Information

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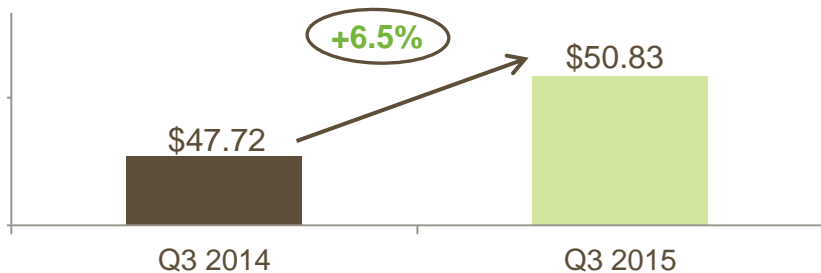
This presentation contains forward-looking statements within the meaning of the federal securities laws. Statements related to, among other things, future financial performance, including our 2015 outlook and performance, free cash flow, debt reduction and distribution growth, as such, may involve known and unknown risks, uncertainties and other factors that may cause actual results or performance to differ from those projected in the forward-looking statements, possibly materially. For a description of factors that may cause actual results or performance to differ from any forward-looking statements, please review the information under the headings “Cautionary Note Regarding Forward-looking Statements” and “Risk Factors” included in the combined annual report on Form 10-K of Extended Stay America, Inc. and ESH Hospitality, Inc. (collectively, the “Company”) filed with the SEC on February 26, 2015 and other documents of the Company on file with or furnished to the SEC. Any forward-looking statements made in this presentation 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 or 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 outcomes and results may differ materially from what is expressed, implied or forecasted by the Company’s forward-looking statements.

This presentation includes certain non-GAAP financial measures, including EBITDA, Adjusted EBITDA, Hotel Operating Profit, Hotel Operating Margin, Paired Share Income, Adjusted Paired Share Income and Adjusted Paired Share Income per Paired Share. These non-GAAP financial measures should be considered only as supplemental to, and not as superior to, financial measures prepared in accordance with U.S. GAAP. Please refer to the Appendix of this presentation for a reconciliation of the non-GAAP financial measures included in this presentation to the most directly comparable financial measures prepared in accordance with U.S. GAAP.

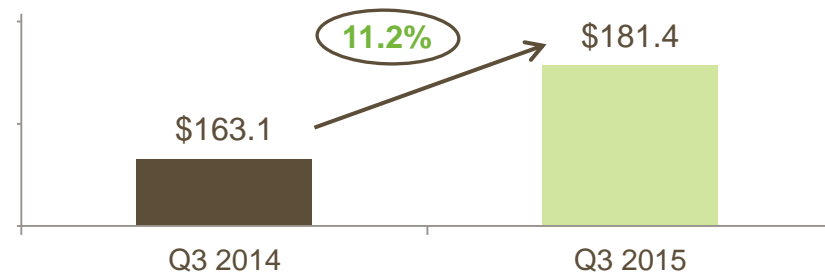
# Q3 2015 Result Highlights



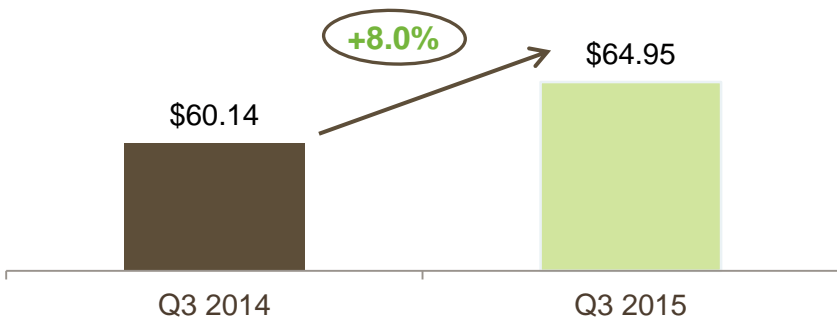
## Revenue Per Available Room ("RevPAR")



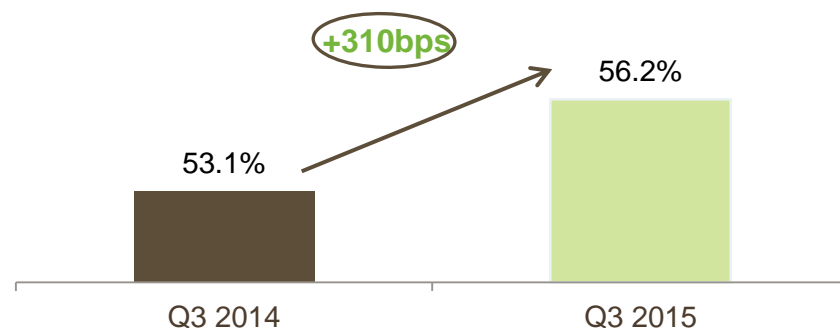
## Adjusted EBITDA<sup>1</sup> (Millions)



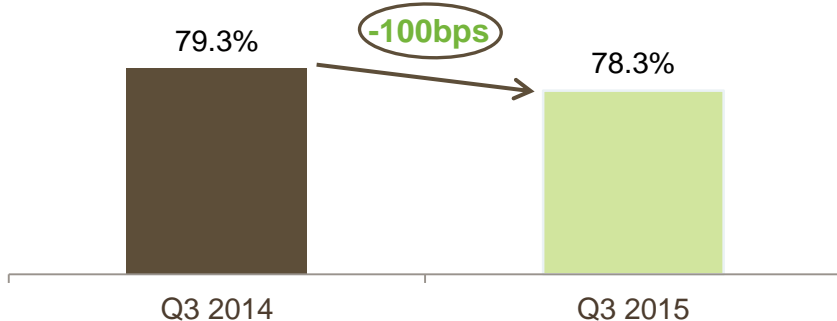
## Average Daily Rate ("ADR")



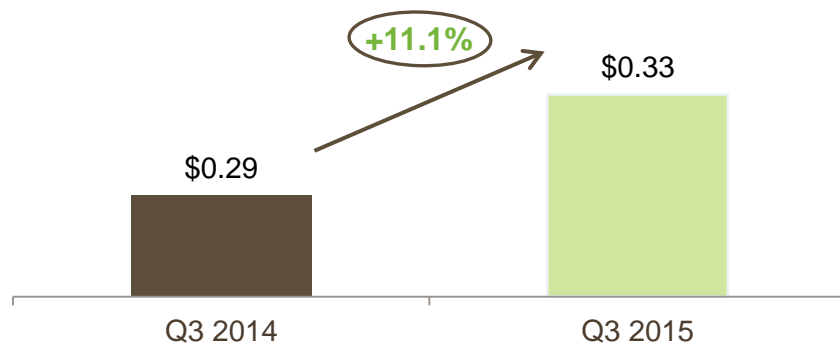
## Hotel Operating Margin<sup>1</sup> (%)



## Occupancy (%)



## Adjusted Paired Share Income Per Paired Share<sup>1</sup>

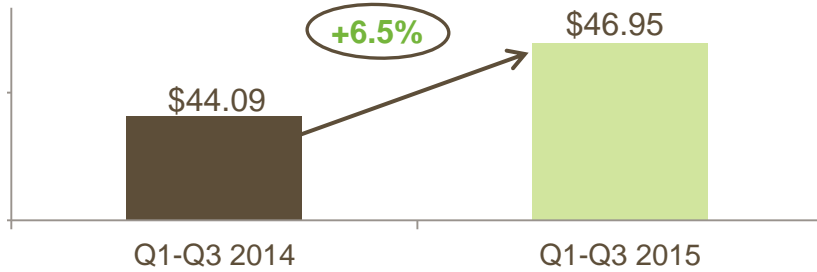


<sup>1</sup>See Appendix for Adjusted EBITDA, Adjusted Paired Share Income Per Paired Share, and Hotel Operating Margin Calculations

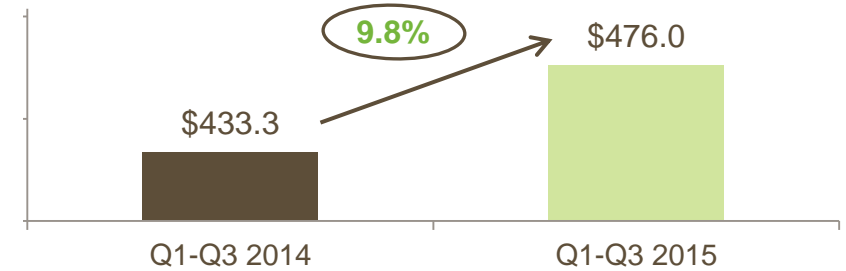
# Nine Months 2015 Result Highlights



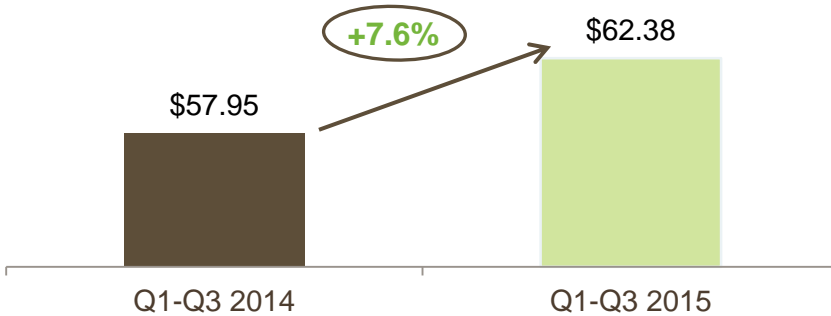
## Revenue Per Available Room ("RevPAR")



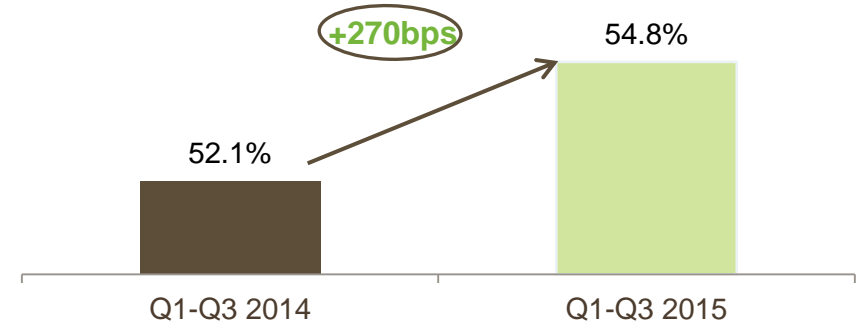
## Adjusted EBITDA<sup>1</sup> (Millions)



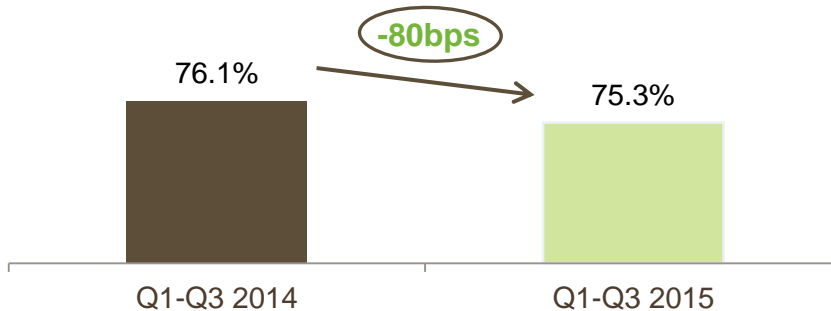
## Average Daily Rate ("ADR")



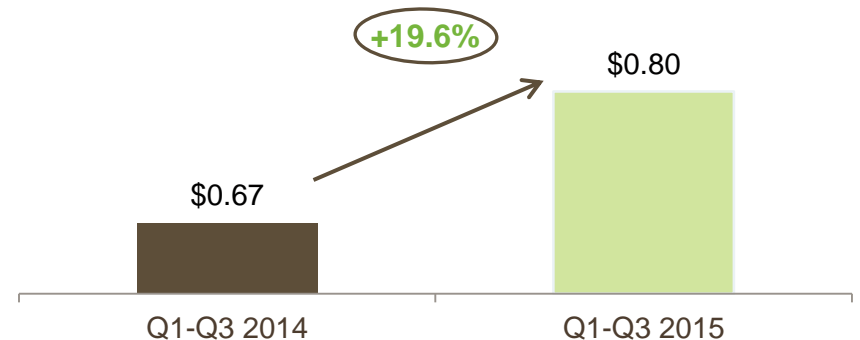
## Hotel Operating Margin<sup>1</sup> (%)



## Occupancy (%)



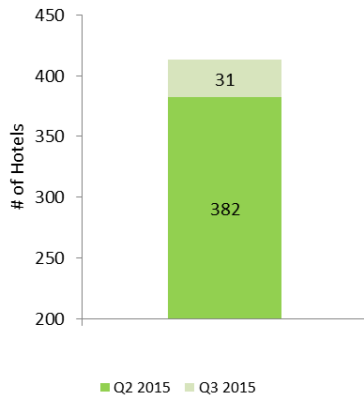
## Adjusted Paired Share Income Per Paired Share<sup>1</sup>



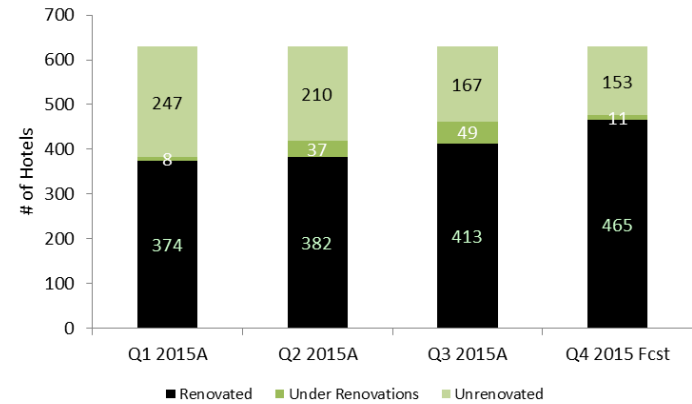
<sup>1</sup>See Appendix for Adjusted EBITDA, Adjusted Paired Share Income Per Paired Share, and Hotel Operating Margin Calculations

*Remain on track to complete renovation of all remaining ESA properties by early 2017*

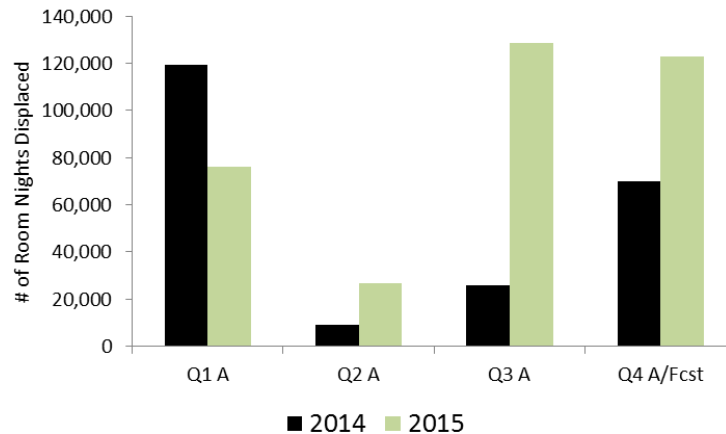
## 413 Completed Renovations at end of Q3



## Renovation Timeline<sup>1</sup>



## Renovation Room Night Displacement Outlook<sup>2</sup>



<sup>1</sup>Status at end of quarter

<sup>2</sup>Room nights removed from inventory due to renovation

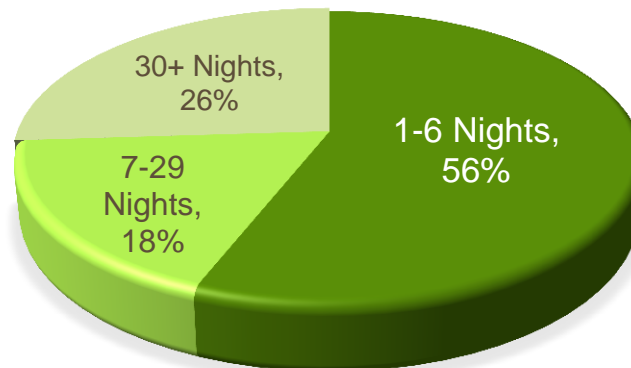
## Q3 2015 Length of Stay Revenue Mix

|               | Q3 2014 | Q3 2015 |
|---------------|---------|---------|
| 1-6 nights %  | 31%     | 32%     |
| 7-29 nights % | 24%     | 24%     |
| 30+ nights %  | 45%     | 44%     |

## Q3 2015 RevPAR Growth by Property Type

| Property Status               | RevPAR | ADR  | Occupancy  |
|-------------------------------|--------|------|------------|
| Renovated <sup>1</sup>        | 8.5%   | 8.0% | +40 bps    |
| Unrenovated                   | 6.3%   | 6.1% | +20 bps    |
| Under Renovation <sup>2</sup> | -9.9%  | 7.8% | -1,240 bps |

## Q3 2015 Contribution to Revenue Growth by Length of Stay



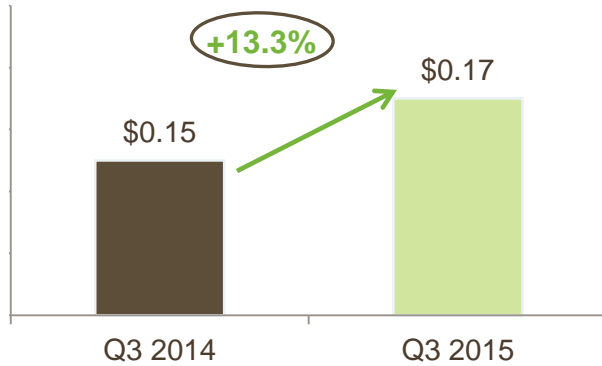
<sup>1</sup> Renovated Status as of 06/30/2015

<sup>2</sup> Under Renovation at any point during Q3 2015

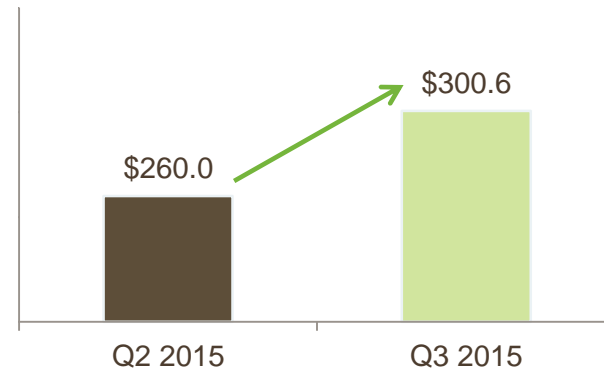
# Quarterly Distribution, Cash Balance and Net Debt Ratio



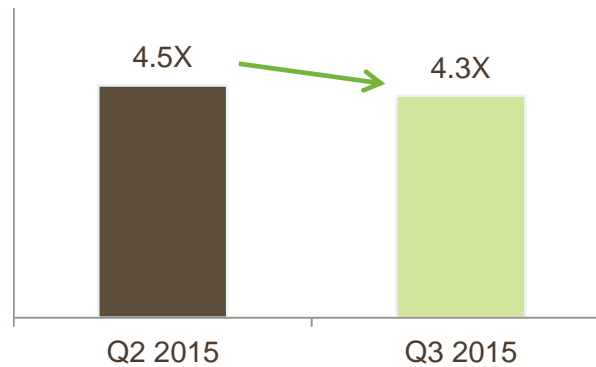
### Quarterly Paired Share Distribution<sup>1</sup>



### Cash Balance (Millions)<sup>2</sup>



### Net Debt / TTM Adjusted EBITDA Ratio<sup>3</sup>



<sup>1</sup> Distribution dates of November 24, 2015 and December 5, 2014

<sup>2</sup> Includes Unrestricted and Restricted Cash

<sup>3</sup> Ratio not adjusted for announced 53 hotel disposition, which we expect will reduce our leverage ratio by 1/10th of a turn

# Full Year 2015 Outlook<sup>1</sup>



| (In Millions)   | Q3 2015               |          |
|-----------------|-----------------------|----------|
|                 | Guidance <sup>2</sup> | Actual   |
| Revenue         | \$355 to 362          | \$ 360.5 |
| Adjusted EBITDA | \$174 to \$179        | \$ 181.4 |

| (In Millions)   | Q4 2015 Outlook <sup>1</sup> |        |
|-----------------|------------------------------|--------|
| Revenue         | \$ 297 to                    | \$ 302 |
| Adjusted EBITDA | \$ 126 to                    | \$ 131 |

| (In Millions)                   | Full Year 2015 Outlook <sup>1</sup> |          | Prior Outlook <sup>2</sup> |          |
|---------------------------------|-------------------------------------|----------|----------------------------|----------|
| ↔ Revenue                       | \$ 1,285 to                         | \$ 1,290 | \$ 1,280 to                | \$ 1,295 |
| ↑ Adjusted EBITDA               | \$ 602                              | \$ 607   | \$ 595                     | \$ 605   |
| ↓ Depreciation and Amortization | \$ 208                              | \$ 204   | \$ 215                     | \$ 205   |
| ↓ Net Interest Expense          | \$ 138                              | \$ 137   | \$ 140                     | \$ 137   |
| ↑ Effective Tax Rate            | 24.6%                               | 23.5%    | 23.0%                      | 22.0%    |
| ↓ Net Income                    | \$ 171                              | \$ 182   | \$ 171                     | \$ 192   |
| ↔ Capital Expenditures          | \$ 205                              | \$ 215   | \$ 190                     | \$ 210   |

<sup>1</sup>Outlook as of October 27, 2015; ***excludes impact of announced disposition***; we expect the 53 hotel disposition will reduce our Q4 and Full Year 2015 Adjusted EBITDA guidance by approximately \$1 to \$3 million and our Q4 and Full Year 2015 revenue guidance by approximately \$3 to \$7 million.

<sup>2</sup>Guidance as of Q2 Earnings Call on July 30, 2015



# APPENDIX

# Non-GAAP Reconciliation of Net Income to EBITDA and Adjusted EBITDA For the Three and Nine Months Ended September 30, 2015 and 2014



(In thousands)  
(Unaudited)

| Three Months Ended<br>September 30, |                    |                                    | Nine Months Ended<br>September 30, |                      |
|-------------------------------------|--------------------|------------------------------------|------------------------------------|----------------------|
| 2015                                | 2014               |                                    | 2015                               | 2014                 |
| \$ 58,225                           | \$ 60,185          | Net income                         | \$ 150,890                         | \$ 122,550           |
| 35,157                              | 33,377             | Interest expense, net              | 101,975                            | 116,464              |
| 21,293                              | 18,970             | Income tax expense                 | 48,119                             | 38,187               |
| 52,268                              | 47,124             | Depreciation and amortization      | 151,980                            | 139,401              |
| 166,943                             | 159,656            | EBITDA                             | 452,964                            | 416,602              |
| 3,021                               | 2,283              | Non-cash equity-based compensation | 7,940                              | 7,173                |
| 1,143                               | 1,058              | Other non-operating expense        | 2,035                              | 2,837                |
| 9,011                               | -                  | Impairment of long-lived assets    | 9,011                              | -                    |
| -                                   | (864)              | Gain on sale of hotel properties   | -                                  | (864)                |
| 1,290 <sup>(1)</sup>                | 969 <sup>(2)</sup> | Other expenses                     | 4,034 <sup>(3)</sup>               | 7,561 <sup>(4)</sup> |
| <u>\$ 181,408</u>                   | <u>\$ 163,102</u>  | Adjusted EBITDA                    | <u>\$ 475,984</u>                  | <u>\$ 433,309</u>    |
| 11.2%                               |                    | Adjusted EBITDA % growth           | 9.8%                               |                      |

<sup>(1)</sup> Includes loss on disposal of assets of approximately \$1.3 million.

<sup>(2)</sup> Includes public company transition costs of approximately \$0.8 million, including approximately \$0.6 million in costs incurred in connection with the August 2014 secondary offering, and loss on disposal of assets of approximately \$0.2 million.

<sup>(3)</sup> Includes costs incurred in connection with the preparation of the registration statement filed on June 5, 2015 of approximately \$0.7 million, and loss on disposal of assets of approximately \$3.3 million.

<sup>(4)</sup> Includes public company transition costs of approximately \$3.2 million, including approximately \$1.5 million in costs incurred in connection with the August 2014 secondary offering, consulting fees of approximately \$1.9 million related to the implementation of certain key strategic initiatives, including review of our corporate infrastructure, and loss on disposal of assets of approximately \$2.5 million.

# Non-GAAP Reconciliation of Hotel Operating Profit and Hotel Operating Margin For the Three and Nine Months Ended September 30, 2015 and 2014



(In thousands)  
(Unaudited)

| Three Months Ended<br>September 30, |                   |           |   | Nine Months Ended<br>September 30, |                   |           |
|-------------------------------------|-------------------|-----------|---|------------------------------------|-------------------|-----------|
| 2015                                | 2014              | %Variance |   | 2015                               | 2014              | %Variance |
| \$ 355,445                          | \$ 333,970        | 6.4%      | Room revenues                           | \$ 974,127                         | \$ 917,286        | 6.2%      |
| 5,071                               | 4,583             | 10.6%     | Other hotel revenues                    | 14,291                             | 13,497            | 5.9%      |
| 360,516                             | 338,553           | 6.5%      | Total hotel revenues                    | 988,418                            | 930,783           | 6.2%      |
| 157,761                             | 158,914           | (0.7)%    | Hotel operating expenses <sup>(1)</sup> | 447,217                            | 445,756           | 0.3%      |
| <u>\$ 202,755</u>                   | <u>\$ 179,639</u> | 12.9%     | Hotel Operating Profit                  | <u>\$ 541,201</u>                  | <u>\$ 485,027</u> | 11.6%     |
| <u>56.2%</u>                        | <u>53.1%</u>      | 310 bps   | Hotel Operating Margin                  | <u>54.8%</u>                       | <u>52.1%</u>      | 270 bps   |

<sup>(1)</sup> Excludes loss on disposal of assets of approximately \$1.3 million, \$0.2 million, \$3.3 million and \$2.5 million, respectively.

**Non-GAAP Reconciliation of Net Income Attributable to Common Shareholders to Paired Share Income, Adjusted Paired Share Income and Adjusted Paired Share Income Per Paired Share for the Three and Nine Months Ended September 30, 2015 and 2014**



(In thousands, except per Paired Share data)  
(Unaudited)

| Three Months Ended<br>September 30, |                   |  | Nine Months Ended<br>September 30, |                      |
|-------------------------------------|-------------------|--|------------------------------------|----------------------|
| 2015                                | 2014              |  | 2015                               | 2014                 |
| \$ 37,656                           | \$ 43,875         | Net income attributable to common shareholders                             | \$ 117,187                         | \$ 97,901            |
| 20,565                              | 16,306            | Noncontrolling interests attributable to Class B common shares of ESH REIT | 33,691                             | 24,637               |
| 58,221                              | 60,181            | Paired Share Income  | 150,878                            | 122,538              |
| -                                   | -                 | Debt extinguishment costs  | 1,790                              | 7,185                |
| 837                                 | 281               | Other non-operating expense  | 1,487                              | 2,158                |
| 6,598                               | -                 | Impairment of long-lived assets  | 6,598                              | -                    |
| -                                   | (659)             | Gain on sale of hotel properties   | -                                  | (659)                |
| 944 <sup>(1)</sup>                  | 76 <sup>(2)</sup> | Other expenses   | 3,050 <sup>(3)</sup>               | 5,761 <sup>(4)</sup> |
| <u>\$ 66,600</u>                    | <u>\$ 59,879</u>  | Adjusted Paired Share Income   | <u>\$ 163,803</u>                  | <u>\$ 136,983</u>    |
| <u>\$ 0.33</u>                      | <u>\$ 0.29</u>    | Adjusted Paired Share Income per Paired Share – basic                      | <u>\$ 0.80</u>                     | <u>\$ 0.67</u>       |
| <u>\$ 0.33</u>                      | <u>\$ 0.29</u>    | Adjusted Paired Share Income per Paired Share – diluted                    | <u>\$ 0.80</u>                     | <u>\$ 0.67</u>       |
| <u>204,281</u>                      | <u>203,593</u>    | Weighted average Paired Shares outstanding – basic                         | <u>204,171</u>                     | <u>203,449</u>       |
| <u>204,685</u>                      | <u>204,540</u>    | Weighted average Paired Shares outstanding – diluted                       | <u>204,538</u>                     | <u>204,492</u>       |

<sup>(1)</sup> Includes loss on disposal of assets of approximately \$1.3 million pre-tax, which totals approximately \$0.9 million after-tax.

<sup>(2)</sup> Includes public company transition costs of approximately \$0.8 million pre-tax, including approximately \$0.6 million pre-tax in costs incurred in connection with the August 2014 secondary offering, and loss on disposal of assets of approximately \$0.2 million pre-tax, which total approximately \$0.1 million after-tax.

<sup>(3)</sup> Includes costs incurred in connection with the preparation of the registration statement filed on June 5, 2015 of approximately \$0.7 million pre-tax and loss on disposal of assets of approximately \$3.3 million pre-tax, which total approximately \$3.1 million after-tax.

<sup>(4)</sup> Includes public company transition costs of approximately \$3.2 million pre-tax, including approximately \$1.5 million pre-tax in costs incurred in connection with the August 2014 secondary offering, consulting fees of approximately \$1.9 million pre-tax related to the implementation of certain key strategic initiatives, including review of our corporate infrastructure, and loss on disposal of assets of approximately \$2.5 million pre-tax, which total approximately \$5.8 million after-tax.