



2016 Q2 Earnings Call Summary  
July 28, 2016 8:30 AM ET

# Important Disclosure Information

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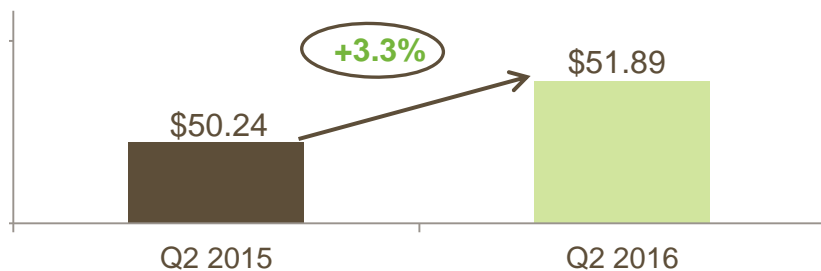
This presentation contains forward-looking statements within the meaning of the federal securities laws. Statements related to, among other things, future financial performance, including our 2016 outlook, expected performance, free cash flow, debt reduction, distribution growth and other growth opportunities, as such, 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 future 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 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 23, 2016 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, 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 and Hotel Operating Margin. 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 these non-GAAP financial measures to the most directly comparable financial measures prepared in accordance with U.S. GAAP.

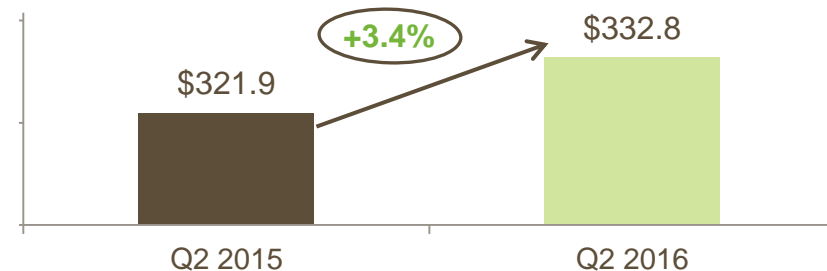
# Q2 2016 Comparable Hotel<sup>1</sup> Highlights



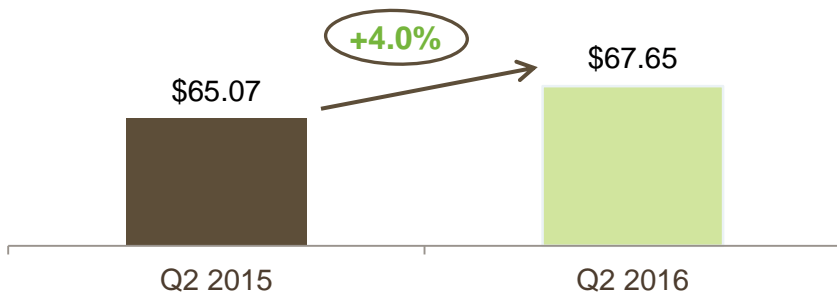
## Revenue Per Available Room (“RevPAR”)



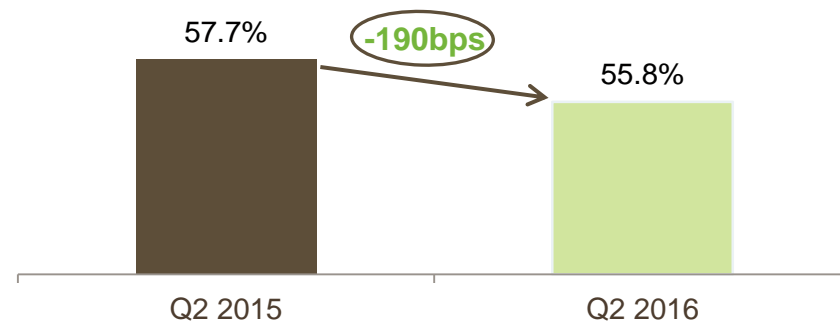
## Total Revenues (in millions)



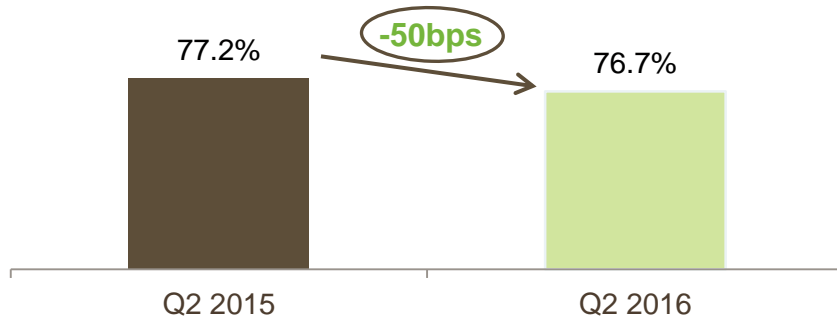
## Average Daily Rate (“ADR”)



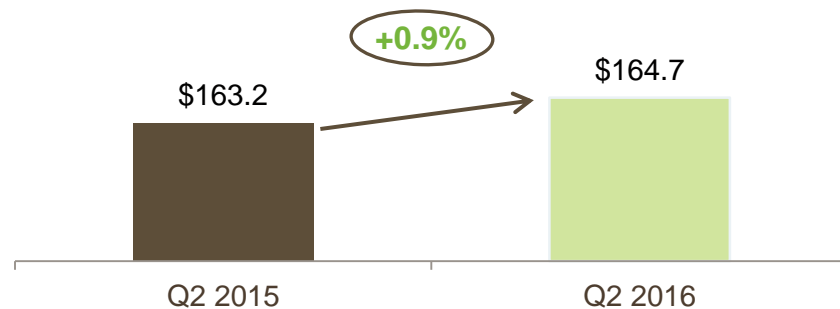
## Hotel Operating Margin<sup>2</sup> (%)



## Occupancy (%)



## Adjusted EBITDA<sup>2</sup> (in millions)



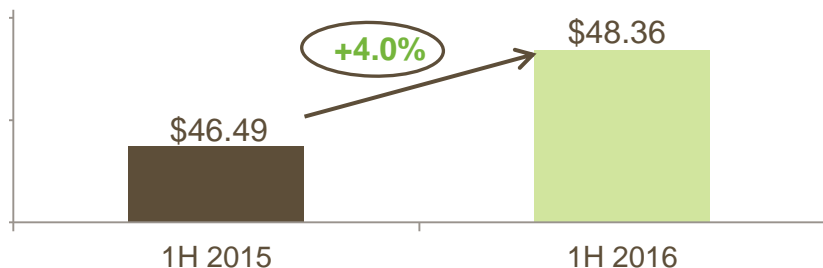
<sup>1</sup>Comparable Hotels include the results of 629 Extended Stay America and Extended Stay Canada-branded hotels owned and operated for the three months ended June 30, 2016 and 2015.

<sup>2</sup>See Appendix for Hotel Operating Margin and Adjusted EBITDA reconciliations.

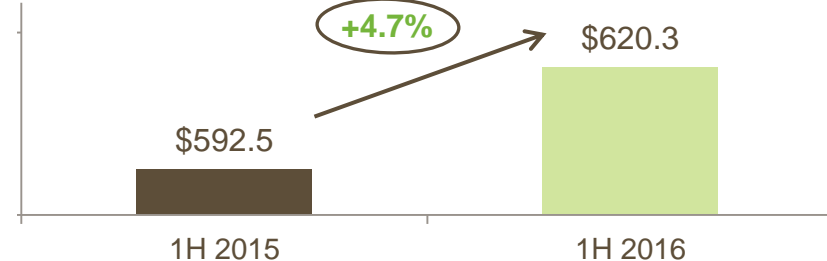
# 1H 2016 Comparable Hotel<sup>1</sup> Highlights



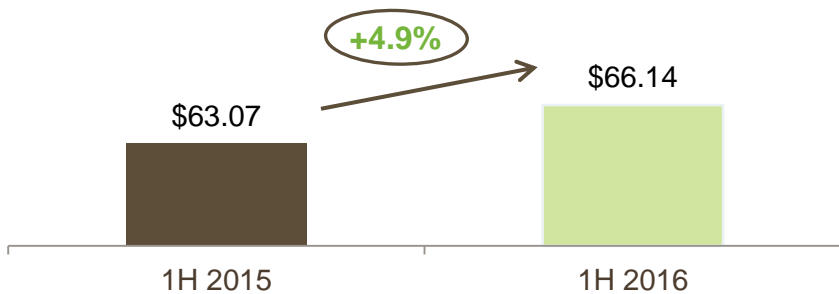
## RevPAR



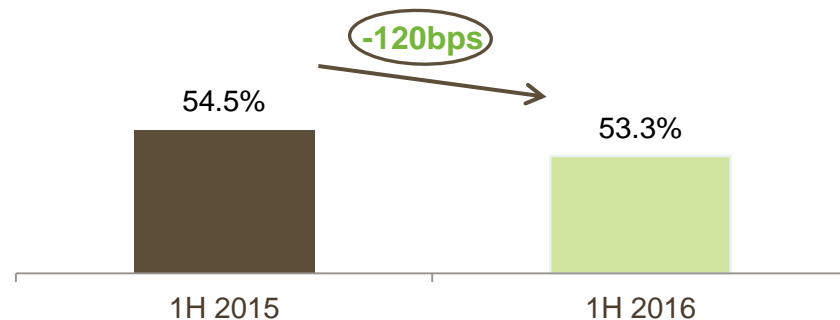
## Total Revenues (in millions)



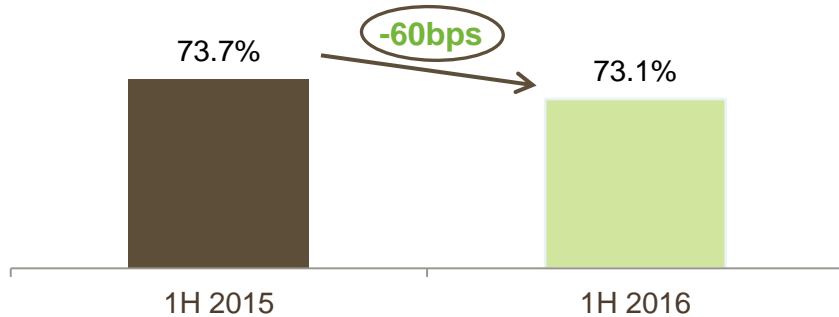
## ADR



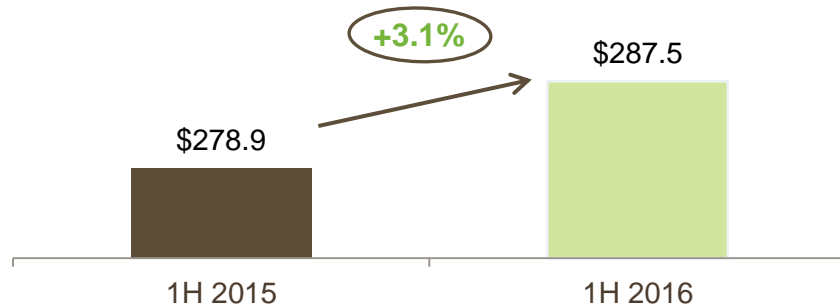
## Hotel Operating Margin<sup>2</sup> (%)



## Occupancy (%)



## Adjusted EBITDA<sup>2</sup> (in millions)



<sup>1</sup>Comparable Hotels include the results of 629 Extended Stay America and Extended Stay Canada-branded hotels owned and operated for the six months ended June 30, 2016 and 2015.

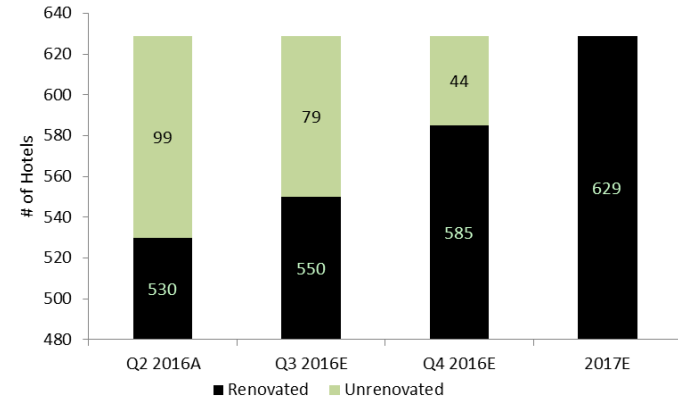
<sup>2</sup>See Appendix for Hotel Operating Margin and Adjusted EBITDA reconciliations.

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

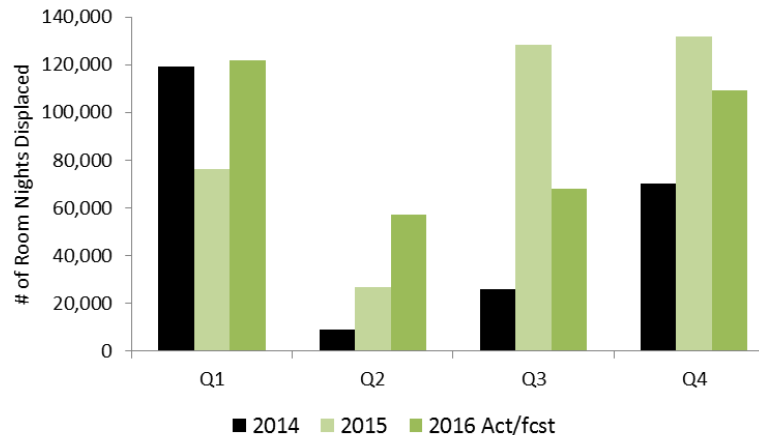
## 530 Completed Renovations at end of Q2 2016



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



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



<sup>1</sup>Expected status at end of quarter.

<sup>2</sup>Room nights removed or expected to be removed from inventory due to renovation during the quarter.

# Segmentation & Channel Data



## Length of Stay Revenue Mix<sup>1</sup>

|               | Q2 2015 | Q2 2016 |
|---------------|---------|---------|
| 1-6 nights %  | 33%     | 37%     |
| 7-29 nights % | 24%     | 23%     |
| 30+ nights %  | 43%     | 41%     |

## Q2 2016 Comparable Hotel RevPAR Growth by Property Type

| Status                   | RevPAR | ADR  | Occupancy |
|--------------------------|--------|------|-----------|
| Renovated <sup>2</sup>   | 3.7%   | 3.5% | 10 bps    |
| Unrenovated <sup>3</sup> | 4.4%   | 4.2% | 20 bps    |
| Renovating <sup>4</sup>  | (6.8%) | 7.3% | (980) bps |
| Total <sup>5</sup>       | 3.3%   | 4.0% | (50) bps  |

## Channel Mix

|                      | Q2 2015 | Q2 2016 |
|----------------------|---------|---------|
| Proprietary Channels | 79%     | 76%     |
| OTAs                 | 16%     | 19%     |
| Other                | 5%      | 5%      |

<sup>1</sup> Does not add to 100% due to rounding.

<sup>2</sup> Includes 495 renovated hotels as of 3/31/2016.

<sup>3</sup> Includes 89 unrenovated hotels owned as of 6/30/16.

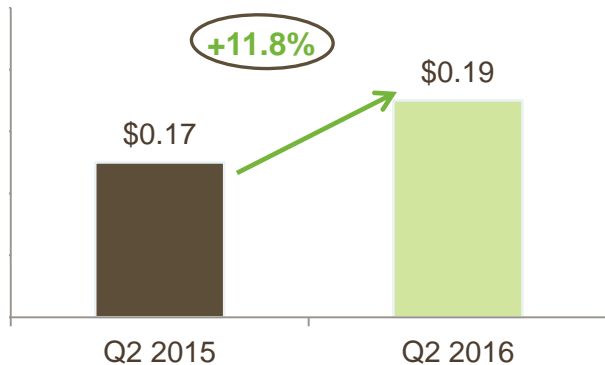
<sup>4</sup> Includes 45 hotels under renovation at any point during Q2 2016.

<sup>5</sup> Includes 629 hotels owned and operated as of June 30, 2016 and 2015.

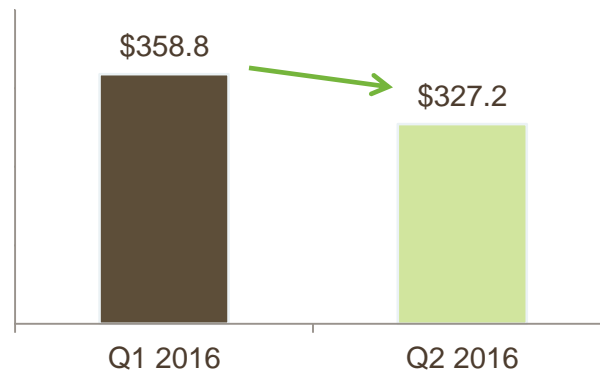
# Quarterly Distribution, Cash Balance and Net Debt Ratio



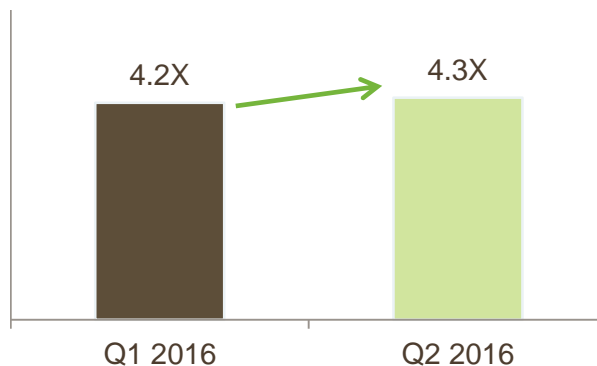
### Quarterly Distribution<sup>1</sup>



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



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



<sup>1</sup> Distribution dates of August 25, 2016 and August 27, 2015.

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

<sup>3</sup> Net Debt calculation is (Total Debt – Total Cash) to TTM Comparable Hotel Adjusted EBITDA.

# Q2 2016 Actual Results, Q3 2016 Outlook<sup>1</sup> and Full Year 2016 Outlook<sup>1</sup>



| (In millions)   | Q2 2016               |          |
|-----------------|-----------------------|----------|
|                 | Guidance <sup>2</sup> | Actual   |
| Total Revenues  | \$332 to \$338        | \$ 332.8 |
| Adjusted EBITDA | \$165 to \$170        | \$ 164.7 |

| (In millions)   | Q3 2015 Comparable Hotel | Q3 2016 Outlook <sup>1</sup> |
|-----------------|--------------------------|------------------------------|
| Total Revenues  | \$341                    | \$ 348 to \$ 355             |
| Adjusted EBITDA | \$173                    | \$ 175 to \$ 182             |

| (In millions)                 | Prior 2016 Guidance <sup>2</sup> |             |  | Updated 2016 Outlook <sup>1</sup> |             |
|-------------------------------|----------------------------------|-------------|--|-----------------------------------|-------------|
| Total Revenues                | \$ 1,266                         | to \$ 1,290 |  | \$ 1,257                          | to \$ 1,272 |
| Net Income                    | \$ 151                           | \$ 180      |  | \$ 162                            | \$ 188      |
| Adjusted EBITDA               | \$ 600                           | \$ 620      |  | \$ 595                            | \$ 610      |
| Depreciation and Amortization | \$ 220                           | \$ 215      |  | \$ 220                            | \$ 215      |
| Net Interest Expense          | \$ 158                           | \$ 153      |  | \$ 158                            | \$ 153      |
| Effective Tax Rate            | 23.5%                            | 22.5%       |  | 16.0%                             | 15.0%       |
| Capital Expenditures          | \$ 240                           | \$ 260      |  | \$ 240                            | \$ 260      |

<sup>1</sup>Outlook as of July 28, 2016.

<sup>2</sup>Guidance as of Q1 earnings call on April 27, 2016.



# APPENDIX

# Non-GAAP Reconciliation of Net Income to EBITDA and Comparable Hotel Adjusted EBITDA<sup>1</sup> For the Three and Six Months Ended June 30, 2016 and 2015



| (In thousands)                 |                      | (Unaudited)                  |                      |
|--------------------------------|----------------------|------------------------------|----------------------|
| Three Months Ended<br>June 30, |                      | Six Months Ended<br>June 30, |                      |
| 2016                           | 2015                 | 2016                         | 2015                 |
| \$ 61,386                      | \$ 64,805            | \$ 76,139                    | \$ 92,665            |
| 35,764                         | 35,501               | 82,749                       | 66,818               |
| 7,448                          | 17,852               | 10,344                       | 26,826               |
| 55,011                         | 50,529               | 108,319                      | 99,712               |
| 159,609                        | 168,687              | 277,551                      | 286,021              |
| -                              | (8,548)              | -                            | (15,680)             |
| 2,939                          | 2,803                | 5,619                        | 4,919                |
| 114                            | (873)                | (764)                        | 892                  |
| 1,997 <sup>(2)</sup>           | 1,101 <sup>(3)</sup> | 5,052 <sup>(4)</sup>         | 2,744 <sup>(5)</sup> |
| <u>\$ 164,659</u>              | <u>\$ 163,170</u>    | <u>\$ 287,458</u>            | <u>\$ 278,896</u>    |
| 0.9%                           |                      | 3.1%                         |                      |

<sup>(1)</sup> Comparable Hotel Adjusted EBITDA includes the results of 629 Extended Stay America and Extended Stay Canada-branded hotels owned and operated for the three and six months ended June 30, 2016 and 2015.

<sup>(2)</sup> Includes loss on disposal of assets of approximately \$2.1 million and transaction costs of approximately \$(0.1) million due to the revision of an estimate related to the sale of 53 hotel properties.

<sup>(3)</sup> Includes costs incurred in connection with the preparation of the registration statement filed in June 2015 of approximately \$0.7 million and loss on disposal of assets of approximately \$0.4 million, \$0.1 million of which relates to the hotels not owned for entirety of periods presented.

<sup>(4)</sup> Includes loss on disposal of assets of approximately \$5.0 million and transaction costs of approximately \$0.1 million due to the revision of an estimate related to the sale of 53 hotel properties.

<sup>(5)</sup> Includes costs incurred in connection with the preparation of the registration statement filed in June 2015 of approximately \$0.7 million and loss on disposal of assets of approximately \$2.0 million, \$0.2 million of which relates to the hotels not owned for entirety of periods presented.

# Non-GAAP Reconciliation of Comparable Hotel Operating Profit and Comparable Hotel Operating Margin<sup>1</sup> for the Three and Six Months Ended June 30, 2016 and 2015



(In thousands)  
(Unaudited)

| Three Months Ended<br>June 30, |                   |            |   | Six Months Ended<br>June 30, |                   |            |
|--------------------------------|-------------------|------------|---|------------------------------|-------------------|------------|
| 2016                           | 2015              | % Variance |   | 2016                         | 2015              | % Variance |
| \$ 327,833                     | \$ 335,384        | (2.3)%     | Room revenues   | \$ 610,970                   | \$ 618,682        | (1.2)%     |
| 4,956                          | 4,927             | 0.6%       | Other hotel revenues  | 9,377                        | 9,220             | 1.7%       |
| -                              | (18,428)          | (100.0)%   | Total revenues of hotels not owned<br>for entirety of periods presented                             | -                            | (35,377)          | (100.0)%   |
| 332,789                        | 321,883           | 3.4%       | Comparable Hotel total revenues   | 620,347                      | 592,525           | 4.7%       |
| 146,973                        | 146,034           | 0.6%       | Hotel operating expenses <sup>(2)</sup>   | 289,637                      | 289,455           | 0.1%       |
| -                              | (9,880)           | (100.0)%   | Hotel operating expenses of hotels<br>not owned for entirety of periods<br>presented <sup>(3)</sup> | -                            | (19,697)          | (100.0)%   |
| 146,973                        | 136,154           | 7.9%       | Comparable Hotel operating<br>expenses  | 289,637                      | 269,758           | 7.4%       |
| <u>\$ 185,816</u>              | <u>\$ 185,729</u> | 0.0%       | Comparable Hotel Operating Profit   | <u>\$ 330,710</u>            | <u>\$ 322,767</u> | 2.5%       |
| <u>55.8%</u>                   | <u>57.7%</u>      | (190) bps  | Comparable Hotel Operating Margin   | <u>53.3%</u>                 | <u>54.5%</u>      | (120) bps  |

<sup>(1)</sup> Comparable Hotel Operating Profit and Comparable Hotel Operating Margin include the results of 629 Extended Stay America and Extended Stay Canada-branded hotels owned and operated for the three and six months ended June 30, 2016 and 2015.

<sup>(2)</sup> Excludes loss on disposal of assets of approximately \$2.1 million, \$0.4 million, \$5.0 million and \$2.0 million, respectively.

<sup>(3)</sup> Excludes loss on disposal of assets of approximately \$0, \$0.1 million, \$0 and \$0.2 million, respectively.

**COMPARABLE HOTEL TOTAL REVENUES<sup>1</sup> AND NON-GAAP RECONCILIATION OF NET INCOME TO EBITDA AND COMPARABLE HOTEL ADJUSTED EBITDA<sup>1</sup> FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015 (ACTUAL) AND 2016 (OUTLOOK)**



(In thousands)  
(Unaudited)

| Twelve Months Ended<br>December 31, 2015<br>(Actual) |  | Twelve Months Ending December 31, 2016<br>(Outlook) |                       |
|--|--|---|-----------------------|
|  |  | Low   | High                  |
| \$ 1,217,354   | Comparable Hotel total revenues  | \$ 1,256,900  | \$ 1,272,100          |
| \$ 283,022   | Net income   | \$ 161,922  | \$ 188,499            |
| 137,782  | Interest expense, net  | 158,000   | 153,000               |
| 76,536   | Income tax expense   | 30,842  | 33,265                |
| 203,897  | Depreciation and amortization  | 220,000   | 215,000               |
| 701,237  | EBITDA   | 570,764   | 589,764               |
| (28,948)   | Adjusted Property EBITDA of hotels not owned for entirety of periods presented | -   | -                     |
| 10,500   | Non-cash equity-based compensation   | 14,000  | 11,000                |
| 2,732  | Other non-operating expense (income)   | (764)   | (764)                 |
| 9,011  | Impairment of long-lived assets  | -   | -                     |
| (130,894)  | Gain on sale of hotel properties   | -   | -                     |
| 10,495 <sup>(2)</sup>                                | Other expenses   | 11,000 <sup>(3)</sup>                               | 10,000 <sup>(3)</sup> |
| <u>\$ 574,133</u>                                    | Comparable Hotel Adjusted EBITDA   | <u>\$ 595,000</u>                                   | <u>\$ 610,000</u>     |
|  | % growth   | 3.6%  | 6.2%                  |

- (1) Comparable Hotel total revenues and Comparable Hotel Adjusted EBITDA include the results of 629 Extended Stay America and Extended Stay Canada-branded hotels owned and operated as of December 31, 2015 and June 30, 2016.
- (2) Includes costs incurred in connection with the preparation of the registration statement filed in June 2015 and the November 2015 secondary offering of approximately \$0.9 million, transaction costs of approximately \$0.3 million associated with the sale of hotel properties, and loss on disposal of assets of approximately \$9.3 million, \$0.3 million of which relates to hotels not owned for entirety of the period.
- (3) Includes non-cash loss on disposal of assets and other non-operating transaction costs.