



2015 Q2 Earnings Call
July 30, 2015 8:30 AM ET

Important Disclosure Information



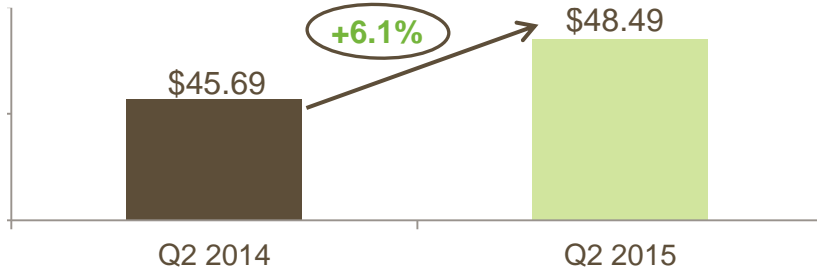
This presentation contains forward-looking statements within the meaning of the federal securities laws. Statements related to, among other things, future financial performance, including our 2015 outlook and performance free cash flow, debt reduction and distribution growth, as such, may involve known 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, that they 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 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 the non-GAAP financial measures included in this presentation to the most directly comparable financial measures prepared in accordance with U.S. GAAP.

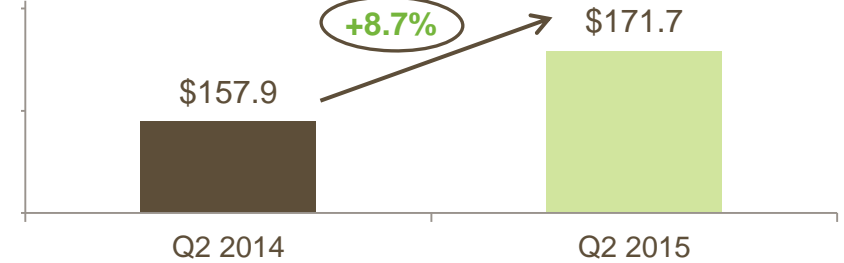
Q2 Results Highlights



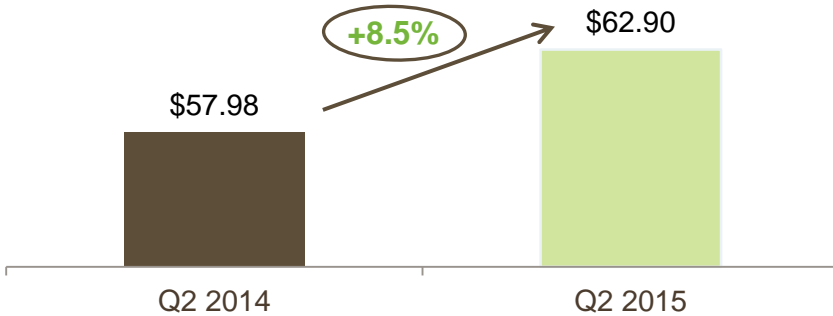
Revenue Per Available Room ("RevPAR")



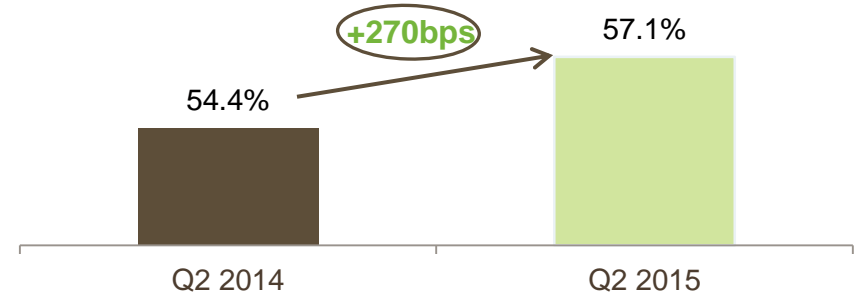
Adjusted EBITDA¹ (Millions)



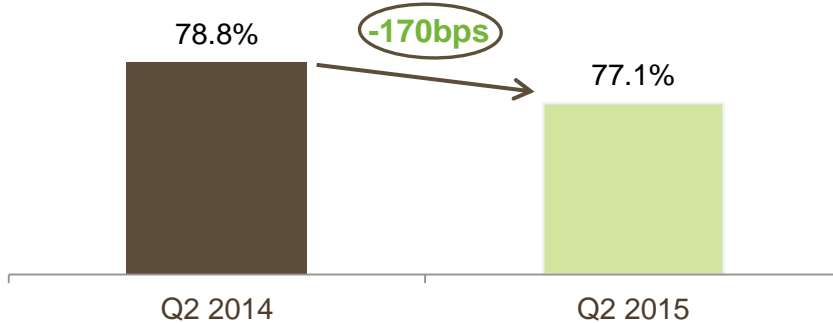
Average Daily Rate ("ADR")



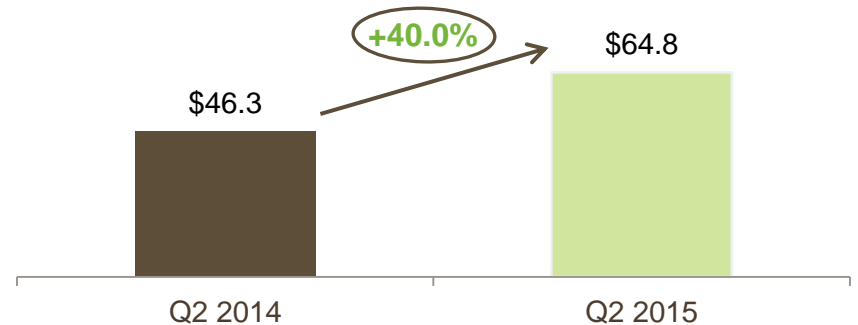
Hotel Operating Margin¹ (%)



Occupancy (%)



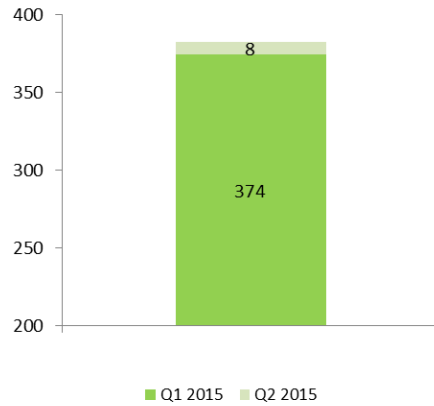
Net Income (Millions)



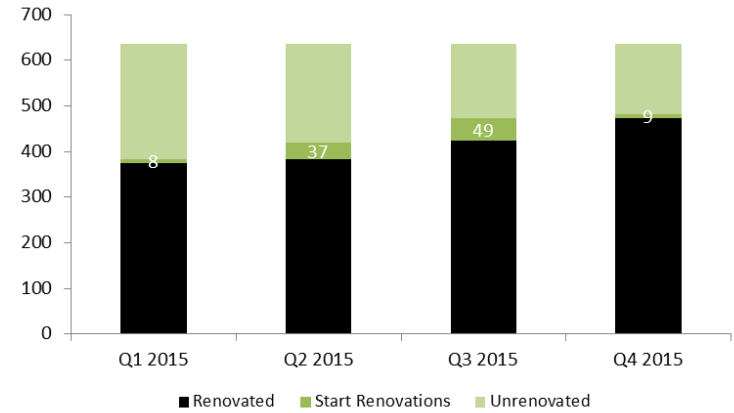
¹See Appendix for Adjusted EBITDA and Hotel Operating Margin Calculation

Completed 8 renovations in April 2015 and began next Phase in June 2015 which will be completed by early 2016

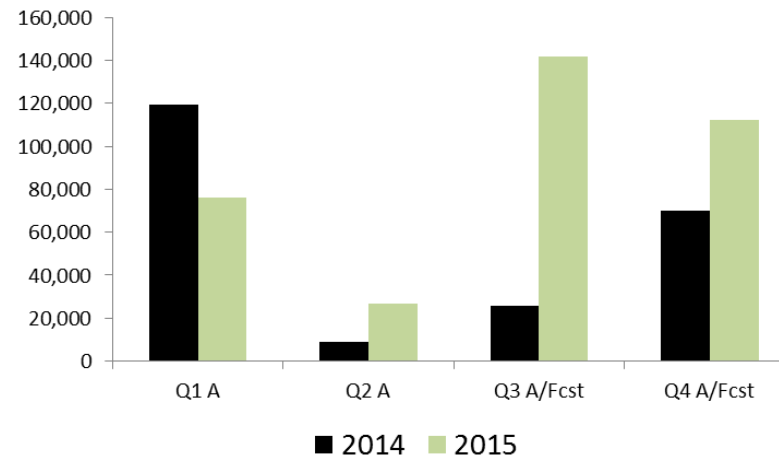
382 Completed Renovations at end of Q2



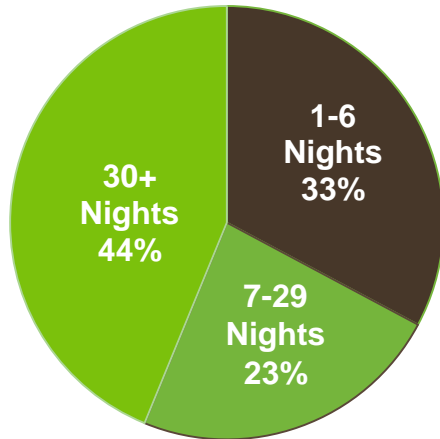
Renovation Timeline



Renovation Room Night Displacement Outlook



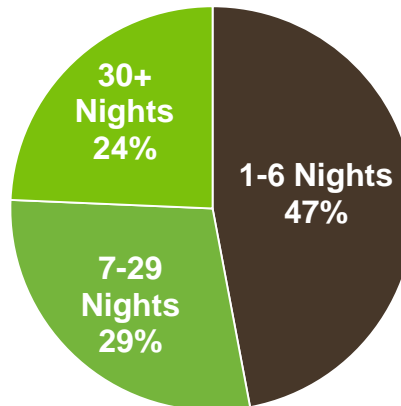
Q2 2015 Length of Stay Revenue Mix



Q2 2015 RevPAR Growth by Property Type

Property Status	RevPAR	ADR	Occupancy
Renovated ¹	7.6%	9.2%	-110 bps
Unrenovated	2.9%	5.9%	-220 bps
Under Renovations	-0.3%	6.1%	-450 bps
Total	6.1%	8.5%	-170 bps

Q2 2015 Contribution to Revenue Growth by Length of Stay

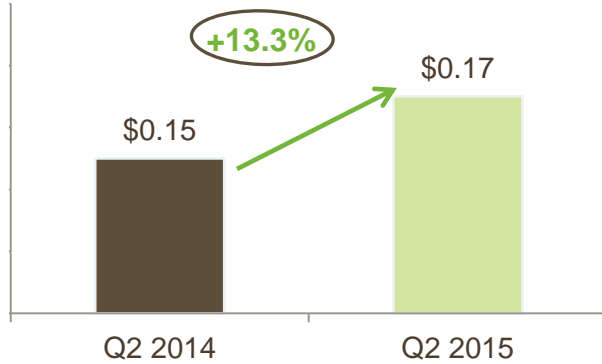


¹ Renovated as of 03/31/2015

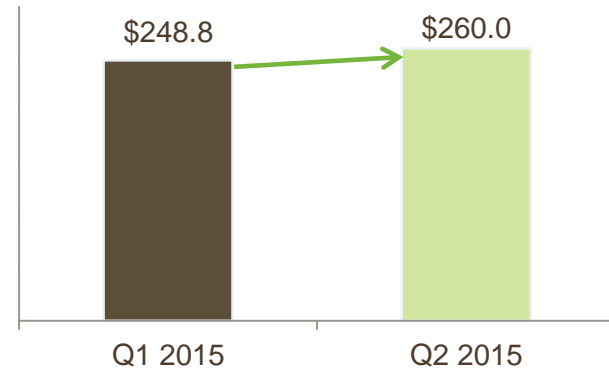
Distribution, Cash Balance and Net Debt Ratio



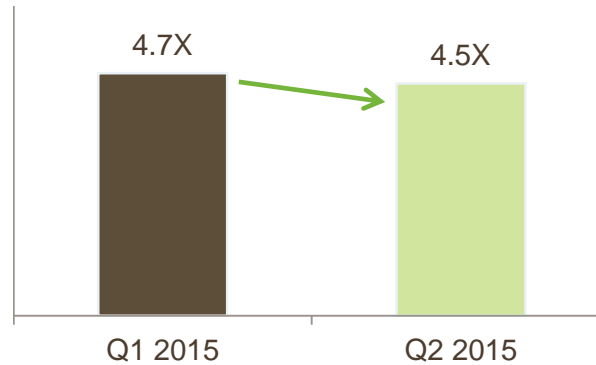
Quarterly Paired Share Distribution¹



Cash Balance (Millions)²



Net Debt / TTM Adjusted EBITDA Ratio



¹ Distribution dates of August 27, 2015 and August 28, 2014

² Includes Unrestricted and Restricted Cash

Q3 and Full Year 2015 Outlook¹



(In Millions)	Q3 2015	
Revenue	\$ 355	to \$ 362
Adjusted EBITDA	\$ 174	\$ 179

(In Millions)	Full Year 2015 Outlook	
Revenue	\$ 1,280	to \$ 1,295
Adjusted EBITDA	\$ 595	\$ 605
Depreciation & Amortization	\$ 215	\$ 205
Net Interest Expense	\$ 140	\$ 137
Effective Tax Rate	23%	22%
Net Income	\$ 171	\$ 192
Capital Expenditures	\$ 190	\$ 210

¹Outlook as of July 30, 2015

APPENDIX

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



(In thousands)
(Unaudited)

Three Months Ended June 30,			Six Months Ended June 30,	
2015	2014		2015	2014
\$ 64,805	\$ 46,284	Net income	\$ 92,665	\$ 62,365
35,501	46,539	Interest expense, net	66,818	83,087
17,852	14,158	Income tax expense	26,826	19,217
50,529	46,950	Depreciation and amortization	99,712	92,277
168,687	153,931	EBITDA	286,021	256,946
2,803	2,429	Non-cash equity-based compensation	4,919	4,890
(873)	(736)	Other non-operating (income) expense	892	1,779
1,101 ⁽¹⁾	2,307 ⁽²⁾	Other expenses	2,744 ⁽³⁾	6,592 ⁽⁴⁾
<u>\$ 171,718</u>	<u>\$ 157,931</u>	Adjusted EBITDA	<u>\$ 294,576</u>	<u>\$ 270,207</u>
8.7%		Adjusted EBITDA % growth	9.0%	

⁽¹⁾ 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 \$0.4 million.

⁽²⁾ Includes public company transition costs of approximately \$1.3 million, including approximately \$0.9 million in costs incurred in connection with the preparation of the registration statement filed on June 10, 2014, consulting fees of approximately \$0.5 million related to the implementation of certain key strategic initiatives, including review of our corporate infrastructure, and loss on disposal of assets of approximately \$0.5 million.

⁽³⁾ 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 \$2.0 million.

⁽⁴⁾ Includes public company transition costs of approximately \$2.4 million, including approximately \$0.9 million in costs incurred in connection with the preparation of the registration statement filed on June 10, 2014, 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 \$2.3 million.

Non-GAAP Reconciliation of Hotel Operating Profit and Hotel Operating Margin For the Three and Six Months Ended June 30, 2015 and 2014



(In thousands)
(Unaudited)

Three Months Ended June 30,				Six Months Ended June 30,		
2015	2014	% Variance		2015	2014	% Variance
\$ 335,384	\$ 317,087	5.8%	Room revenues	\$ 618,682	\$ 583,316	6.1%
4,927	4,827	2.1%	Other hotel revenues	9,220	8,914	3.4%
340,311	321,914	5.7%	Total hotel revenues	627,902	592,230	6.0%
146,034	146,753	(0.5)%	Hotel operating expenses ⁽¹⁾	289,455	286,842	0.9%
<u>\$ 194,277</u>	<u>\$ 175,161</u>	10.9%	Hotel Operating Profit	<u>\$ 338,447</u>	<u>\$ 305,388</u>	10.8%
<u>57.1%</u>	<u>54.4%</u>	270 bps	Hotel Operating Margin	<u>53.9%</u>	<u>51.6%</u>	230 bps

⁽¹⁾ Excludes loss on disposal of assets of approximately \$0.4 million, \$0.5 million, \$2.0 million and \$2.3 million, respectively.