



Corporate Presentation

Hoteles City Express

July 2018



Key Investment Considerations

1

Fully integrated business model with exposure to the complete hospitality value chain characterized by a product with the highest value-price ratio.

2

Systematic and streamlined development execution from the most experienced team in LatAm that secures entry cap-rates and maximizes returns.

3

Largest hotel chain in its segment in Mexico with geographically diversified asset base geared towards higher than average GDP growth and benefited by fragmented, substandardize and stagnant existing inventory.

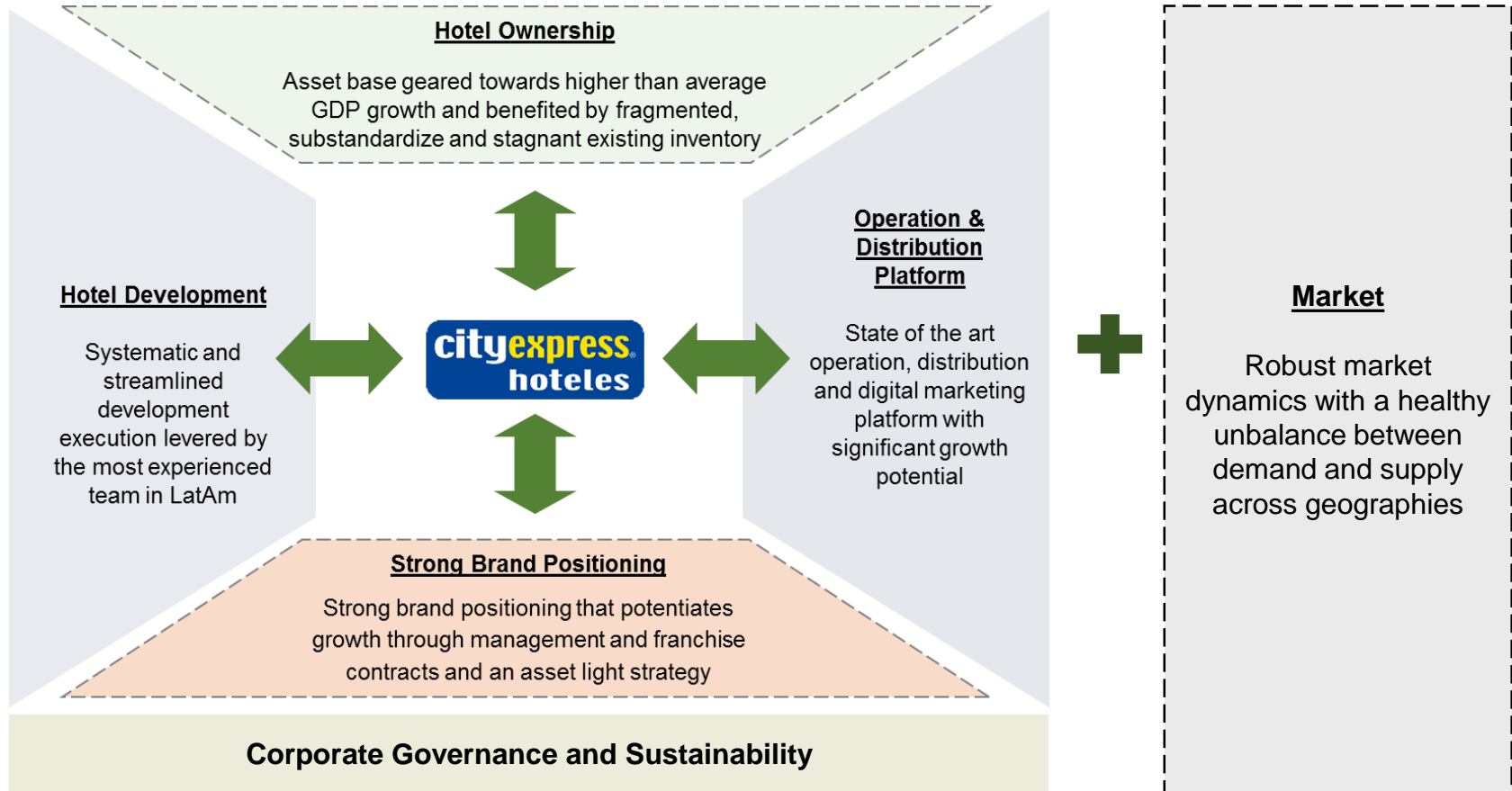
4

State-of-the-art operation, distribution and digital marketing platform at the forefront of industry trends levered by a “real-time operation” organizational culture.

5

Strong brand positioning that potentiates growth through management and franchise contracts and an asset light strategy.

Hoteles City Express Business Model

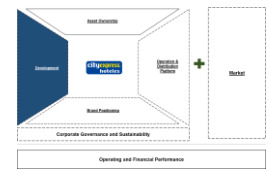


Strong Operating and Financial Performance



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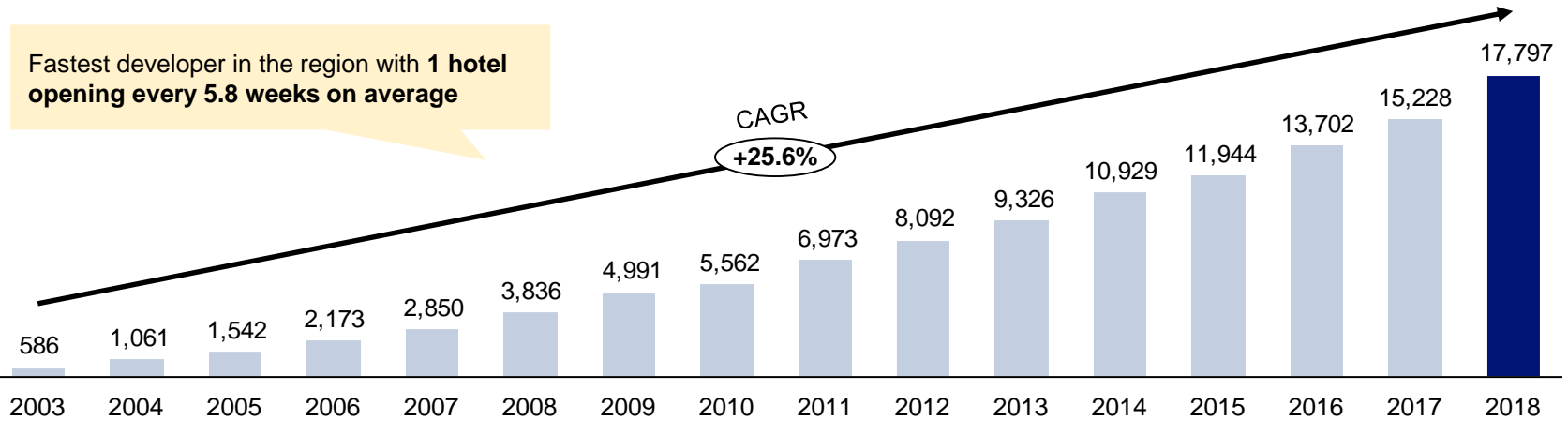
Hotel Development



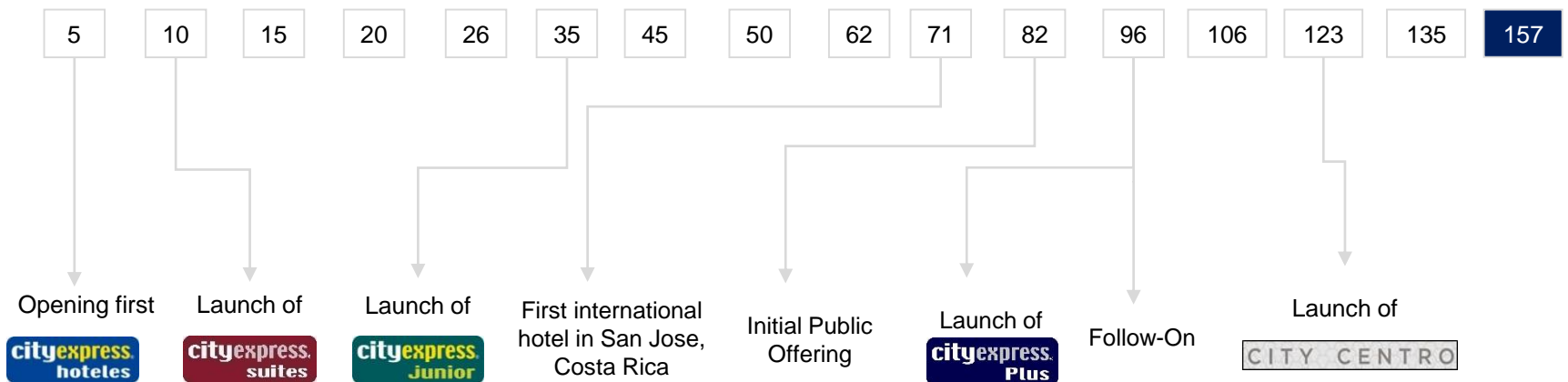
Fastest Growing Hotel Chain in LatAm

Historical Chain Growth

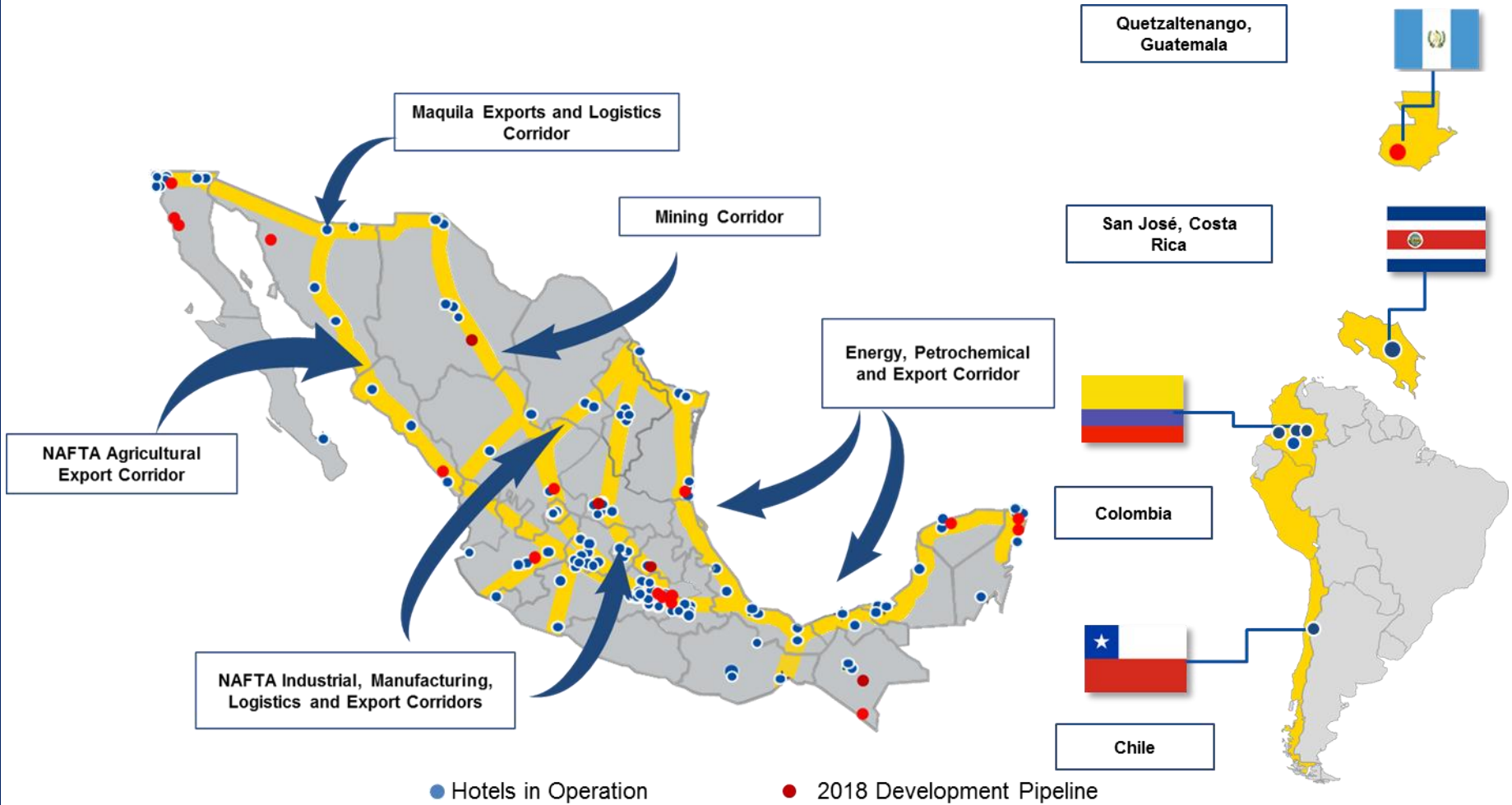
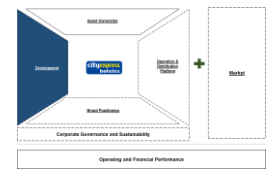
Installed Rooms



Number of Hotels



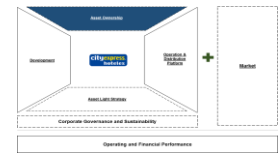
Proven Development Execution Across Geographies and Countries



A modern hotel room featuring a bed with white linens and a blue accent, a desk with a chair, and a colorful rug. The room has a teal accent wall and a large window with a view of a city.

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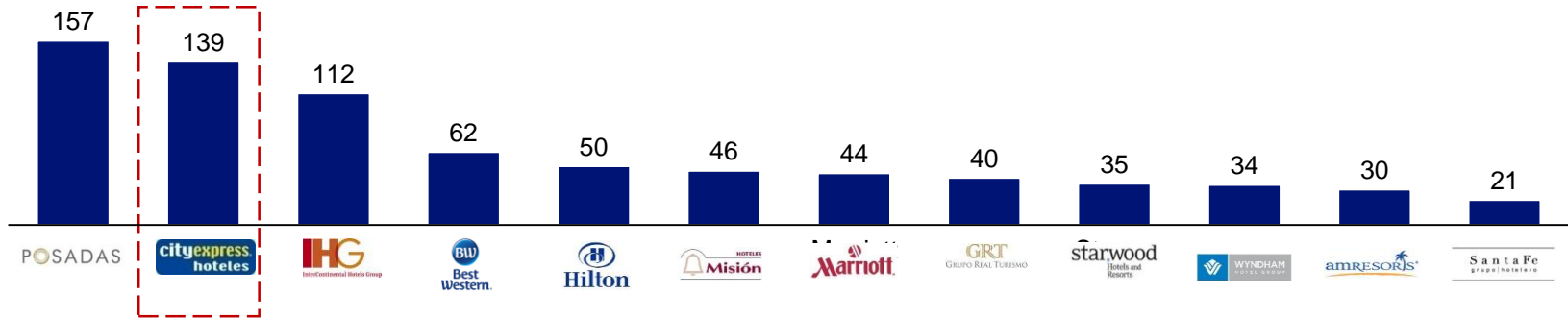
Hotel Ownership



Hotel Chain with Largest Inventory in Mexico

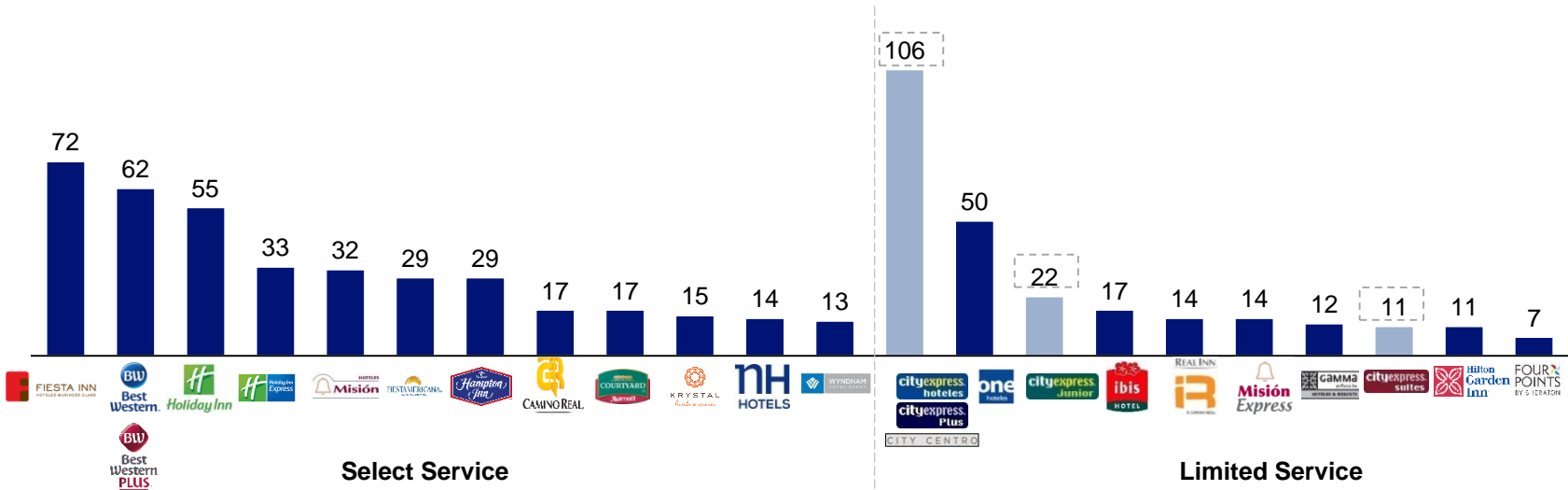
Number of Hotels by Chain in Mexico

As of June 2018



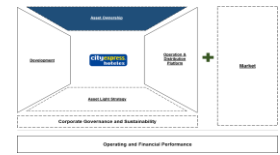
Number of Hotels by Brand in Mexico

As of June 2018



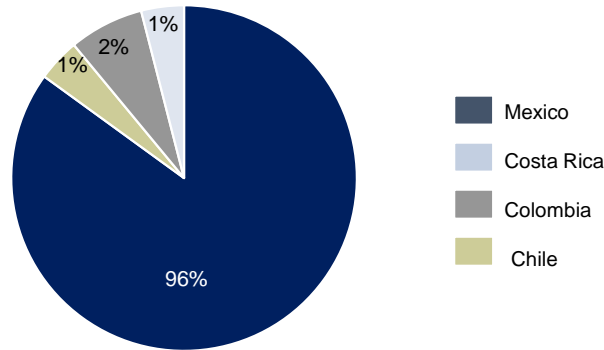
Source: Information prepared by the Company based on publicly available information including prospectuses, quarterly reports, websites and press releases

Diversified Asset Portfolio with High Appreciation Potential



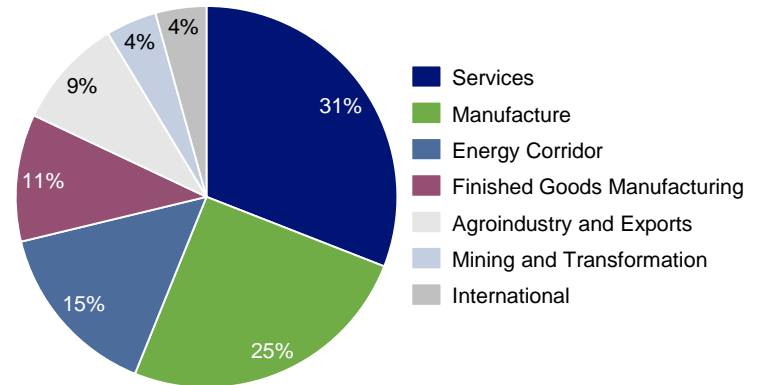
Geographic Coverage by Country

As of June 2018



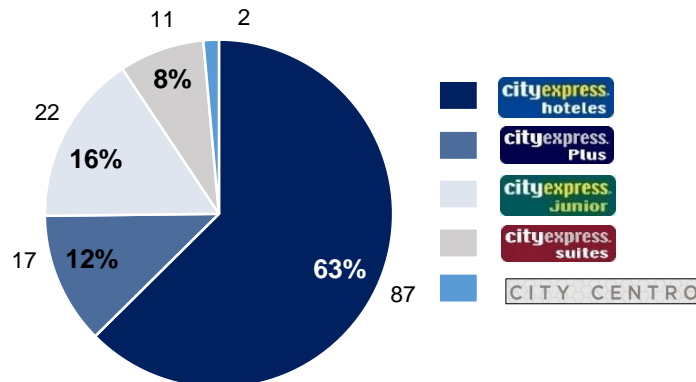
Presence in Mexico by Economic Activity

As of June 2018, % of Total Portfolio based on Number of Hotels



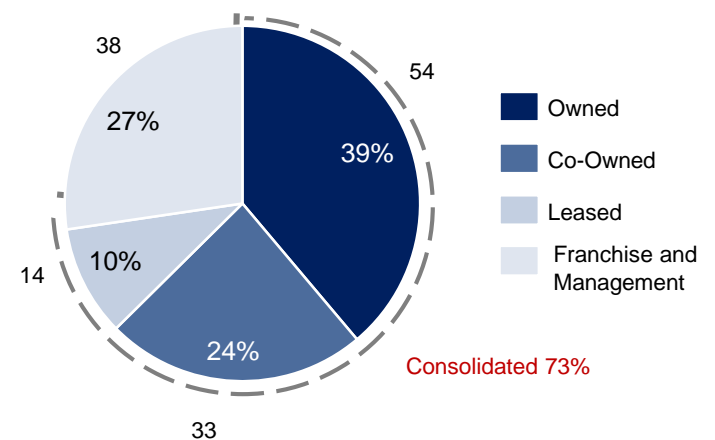
Hotel Portfolio by Brand

As of June 2018, # of Hotels and % of Total Portfolio



Hotel Portfolio by Ownership

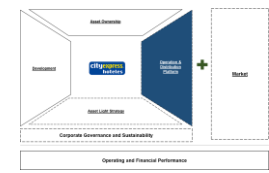
As of June 2018, # of Hotels and % of total Portfolio





Operation, Distribution and Digital Marketing Platform

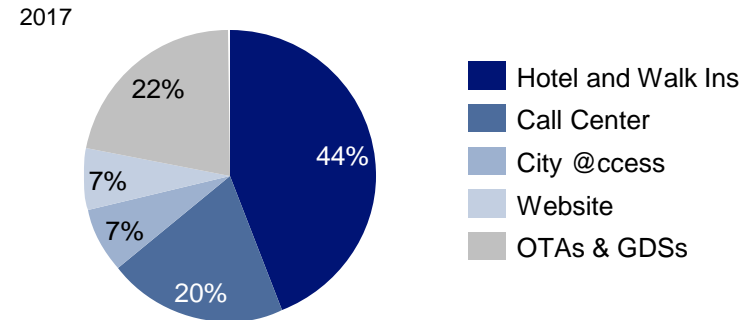
Innovative and Disruptive Room Operation and Distribution Platform



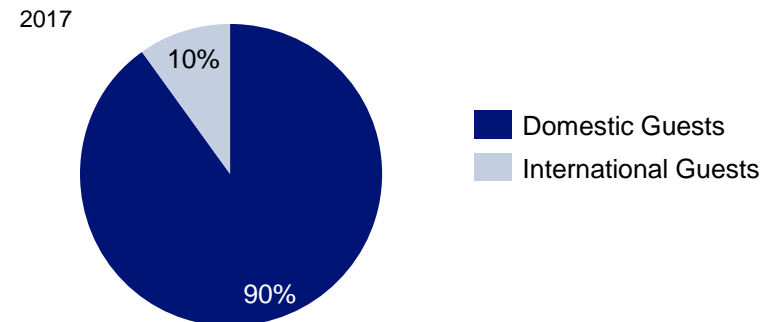
- Innovative technological platform receiving **more than 80% of reservations through own channels.**
- Optimized **Yield Management System** executed in real time focused on maximizing RevPAR.
- *City Premios* – **Loyalty program** with over **600,000 active members** accountable for **20%** of total occupied room nights.
- **More than 8,000 corporate agreements** that account for approximately **40%** of total occupied room nights.
- Solid **commercial agreements and partnerships** that turn into sales.



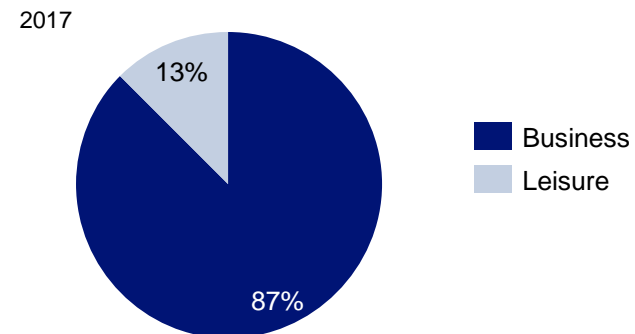
Room Nights Sold by Channel



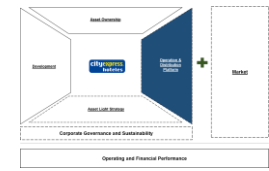
Room Nights Sold by Guest Type



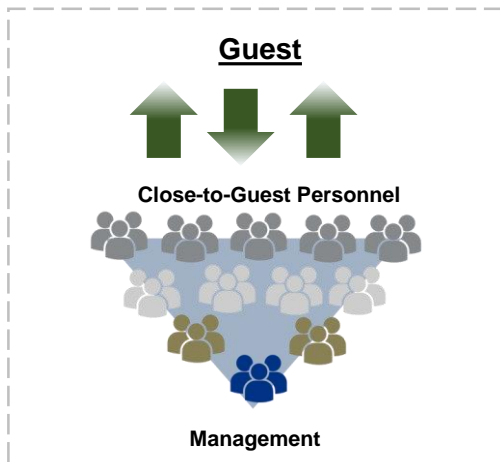
Room Nights Sold by Travel Purpose



A Matrix Organization That Supports and Enhances Operations On All Fronts



- **Bulletproof operation system** due to **matrix structures** defined by business processes
- **Personnel empowerment** that allows a **quick, efficient and guest-oriented decisión making**
- **Closeness to the guest** as an “**inverted pyramid**”
- **Channel sales optimization** maximizing rates and encouraging **profitable commercial drive**



Matrix Organization by Business Process

Segment / Channel		Hotel	Call Center	Website	City Access	OTAs & GDS
Segment Leaders	Groups	○	○	○	○	○
	Wholesale	○	○	○	○	○
	Business	○	○	○	○	○
	Leisure	○	○	○	○	○
	Others	○	○	○	○	○
Branch Directors						
		Operations	Marketing	IT	Digital	
Executive Management						

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Strong Brand Positioning

One Brand and Five Successful Products to Serve our Market Segment



	cityexpress. hoteles	cityexpress. Plus	cityexpress. Junior	cityexpress. suites	CITY CENTRO
Description	<ul style="list-style-type: none"> Flagship Brand Essential amenities Economy segment 	<ul style="list-style-type: none"> City Express product located in Premium locations 	<ul style="list-style-type: none"> Budget segment brand Same quality within smaller rooms 	<ul style="list-style-type: none"> Extended stay brand Apartment-style layout 	<ul style="list-style-type: none"> City Express product within city downtowns with Premium decor
Average Room Size	23 m ² (248 ft ²)	23 m ² (248 ft ²)	17 m ² (183 ft ²)	30 m ² (323 ft ²)	23 m ² (248 ft ²)
Average Daily Rate (ADR)	MXN \$600 – \$1,200	MXN \$1,000 – \$1,500	MXN \$500 – \$750	MXN \$750 – \$1,700	MXN \$ 1,800 – \$3,000
Rooms per Hotel	100 – 150	70 – 150	105 – 134	26 – 120	35 – 80
# of Hotels ⁽¹⁾	87	17	22	11	2
# of Rooms ⁽¹⁾	10,135	2,275	2,476	658	147

Market Segments



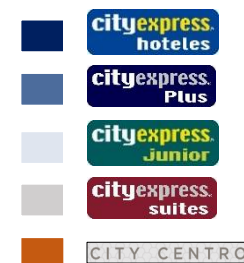
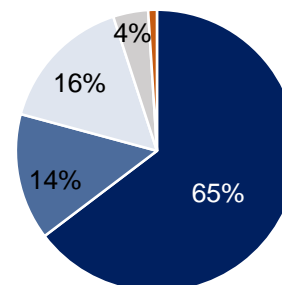
Target ADR (MXN)

> \$1,700

\$800 - \$1,700

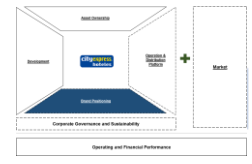
\$500 - \$800

Room Distribution by Brand

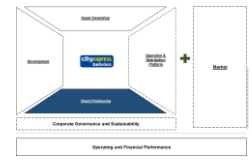


(1) As of June 2018

Products Focused on Maximizing the Price – Value Ratio for our Guests



Best-in-class Design Translated in Efficient and Comfortable Spaces



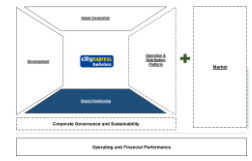
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Plus



Products Adapted to Guest Lodging Needs and Budgets



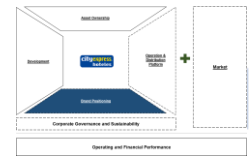
**cityexpress.
suites**



**cityexpress.
junior**



Presence in Premium Locations Hard to Replicate



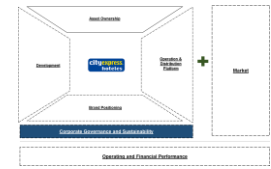
CITY CENTRO



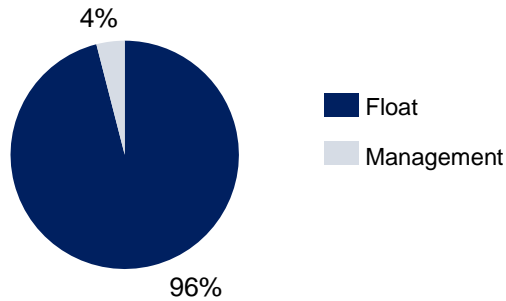


Corporate Governance and Sustainability

Robust Corporate Governance Practices and Commitment to Sustainability



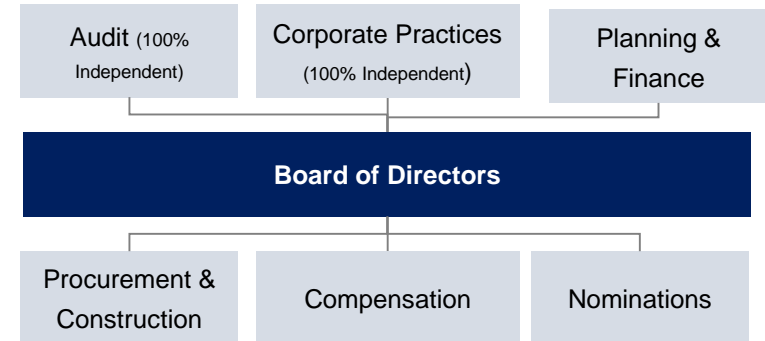
Broadly Diversified Investors Base



- Mainly independent Board of Directors – 12 out of 13 members are independent

Committed and Capable Board of Directors

Board Committees



- Practices aligned to protect minority interests and zero corruption tolerance.
- Corporate Governance Manuals and Policies effectively implemented: <https://goo.gl/vFvNOV>

Sustainability Strategy that Generates Results

- Sustainability policy and committee** effectively implemented.
- Top environmental practices** and international certifications for hotels.
- Catalyst of positive social, economic and environmental impacts** in all our locations.
- Deeply committed with UN's **2030 Goals for Sustainable Development**.

Portfolio of Certifications



Strategic Pillars and Initiatives

Economic	Entrepreneurship program, committed to growing employment opportunities
Environmental	Resource optimization and minimization of Carbon Footprint initiatives
Social	Labor Inclusion and welfare programs for employees



Download our 2017 Sustainability Report

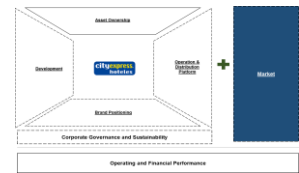
<http://cityexpress.com/sustainability>



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Industry and Market Dynamics

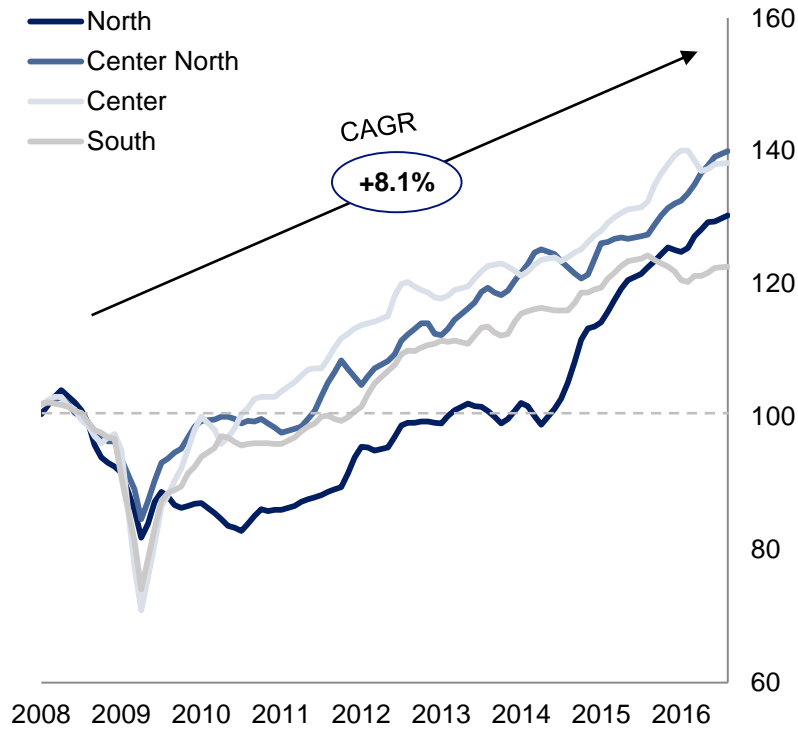
Tourism Sector in Expansion in Mexico



Positive Trends on Tourist Arrivals

Passenger Arrivals to Airports Index

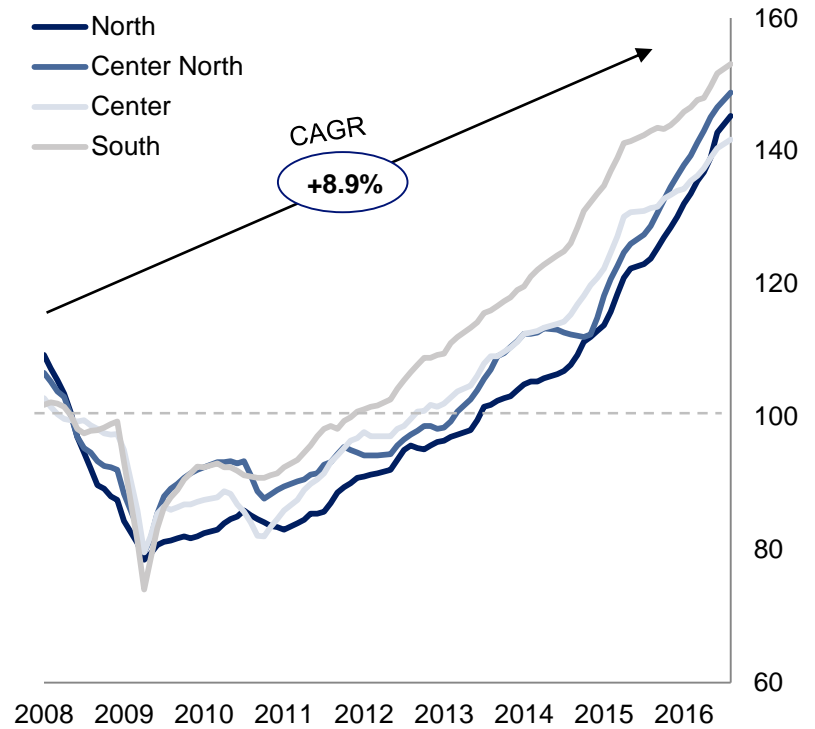
Base 2008 (2008 = 100)



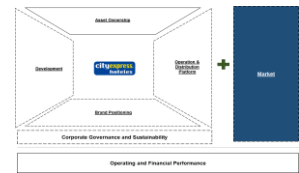
Adequate Absorption of Installed Capacity that Translates into Increasing Occupancy

Hotel Occupancy Index

Base 2008 (2008 = 100)



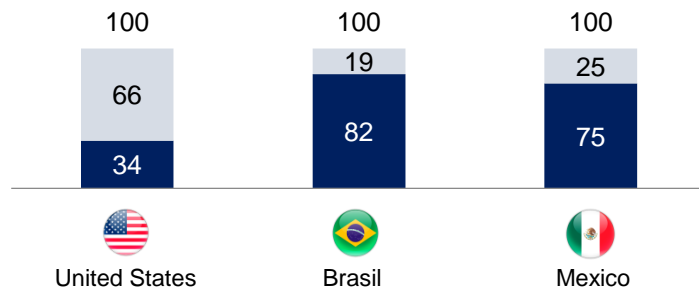
Fragmented Industry that Presents Consolidation Opportunities



Hotel Supply – Fragmented and Dominated by Independent, Non-Standardized Hotels

Breakdown of Independent and Chained Hotels

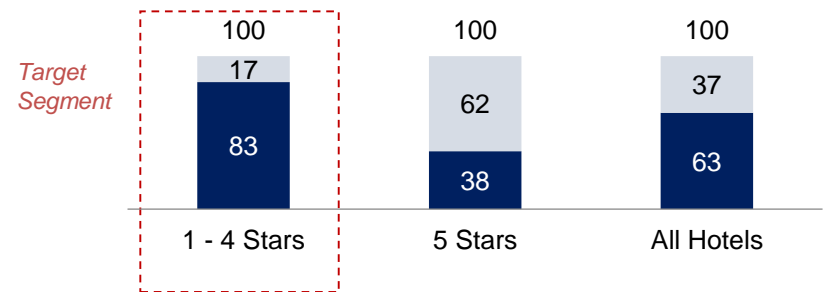
2017 (% of Rooms) ■ Independent ■ Chained



Hotel Demand – Driven by our Target Customers

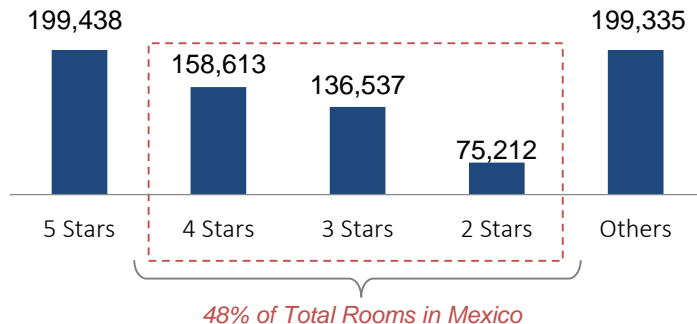
Occupied Room Nights by Guests' Nationality

2017 (% of Occupied Rooms) ■ Domestic ■ International



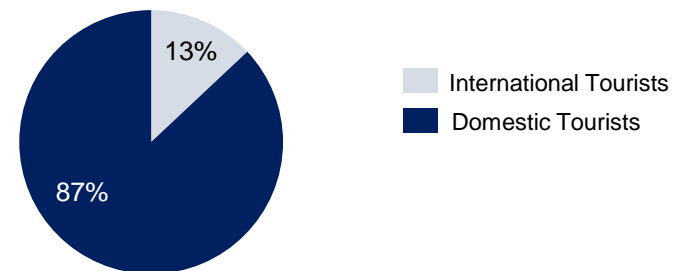
Hotel Rooms in Mexico by Number of Stars

2017 *Mainly independent., family operated, non-standardized hotels subject to substitution*



Tourism Spending in Mexico (Tourism GDP)

2017





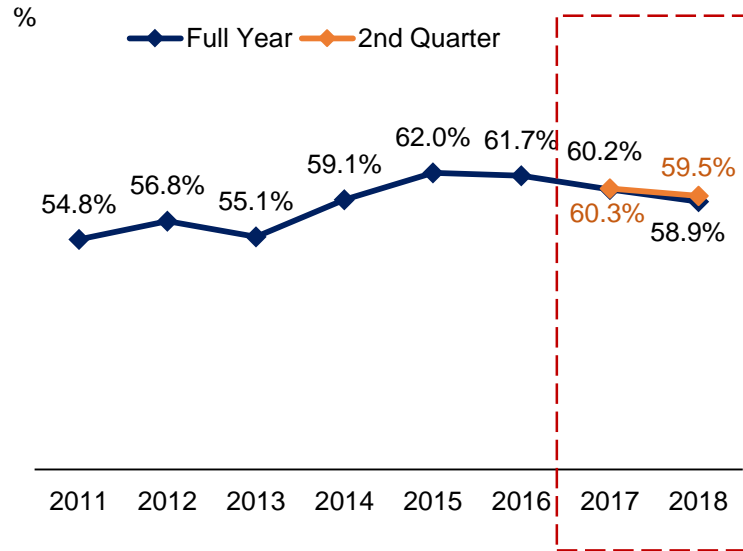
Financial and Operating Performance



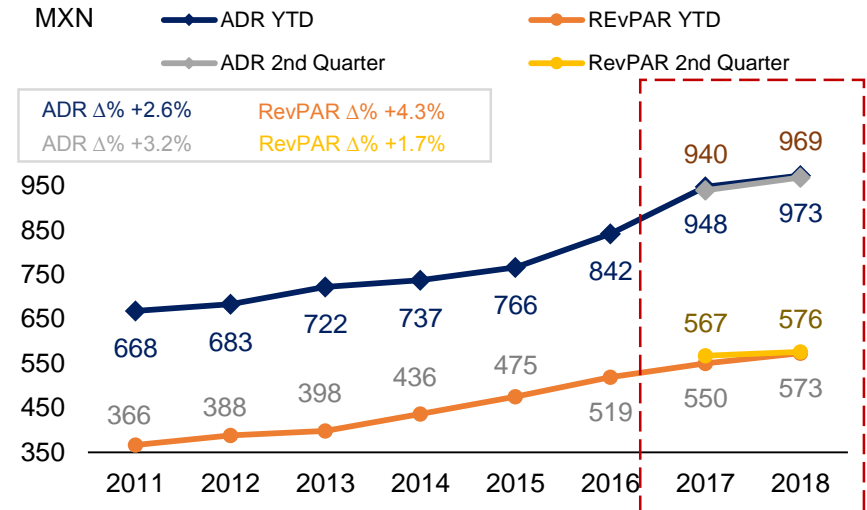
Sustained Growth in Operating and Financial Metrics



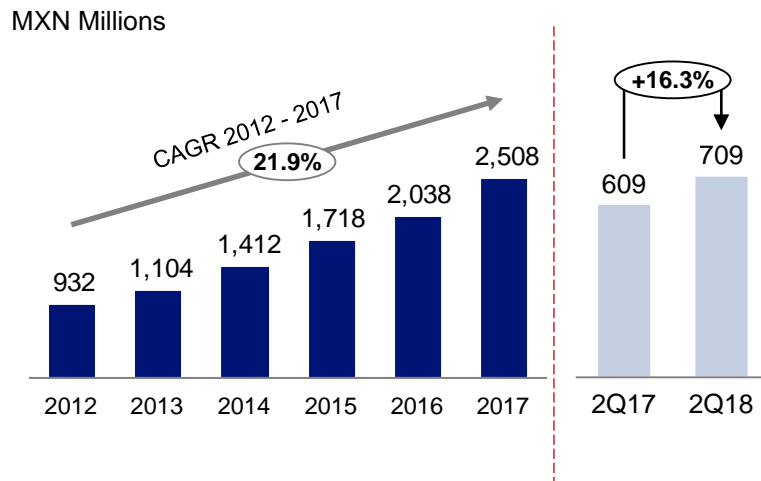
Occupancy



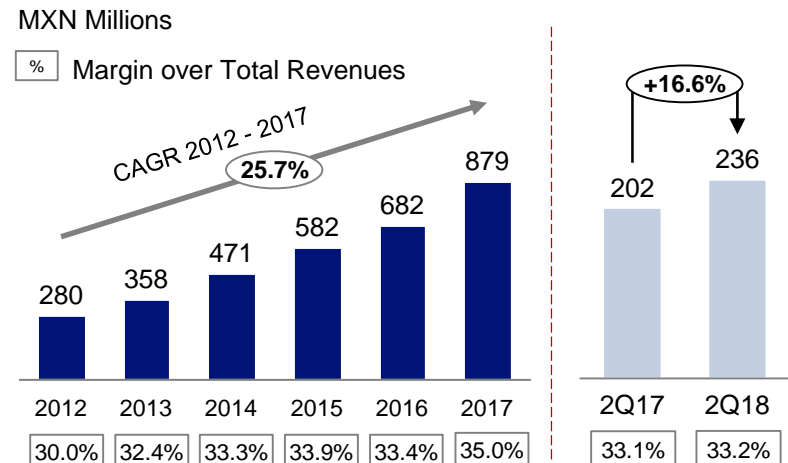
Average Daily Rate (ADR) and Effective Daily Rate (RevPAR)



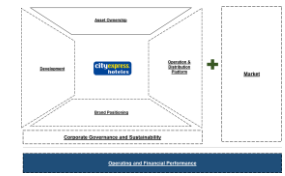
Total Revenues



Adjusted EBITDA and EBITDA Margin

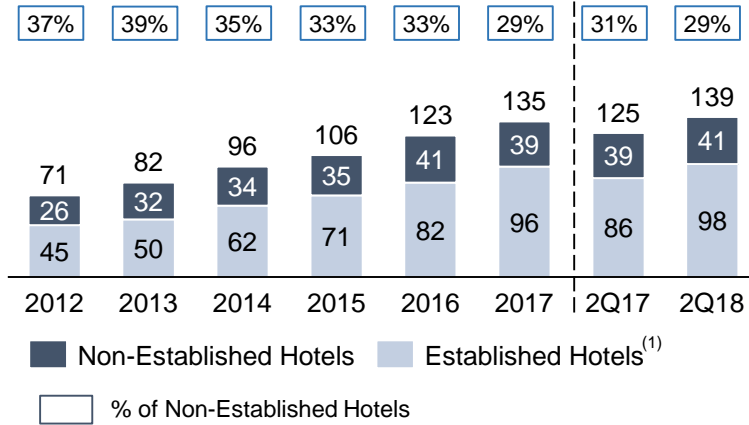


Significant Embedded Growth in Recently Built Inventory



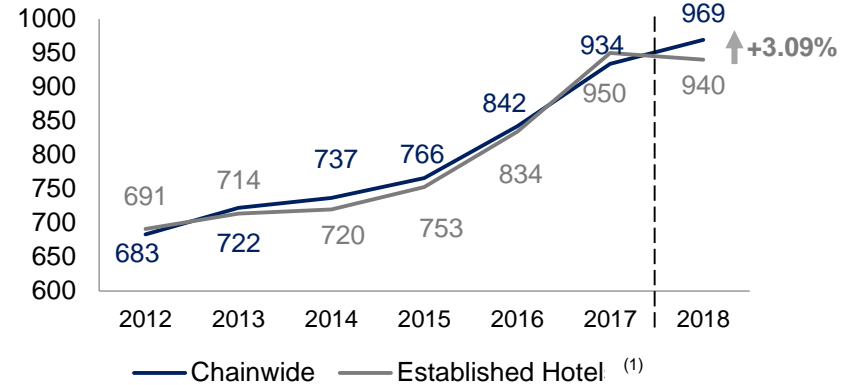
Number of Hotels in Operation

of Hotels in Operation at the End of Each Period

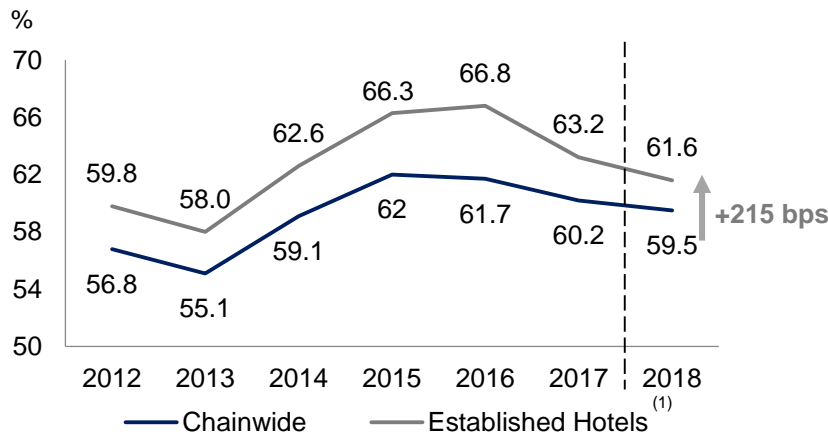


ADR

MXN

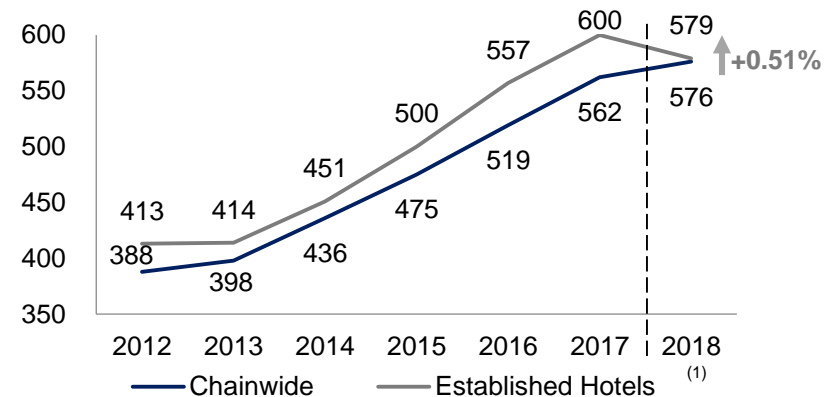


Occupancy



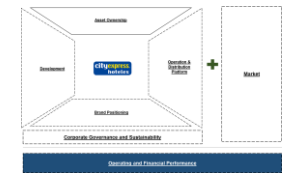
RevPAR

MXN



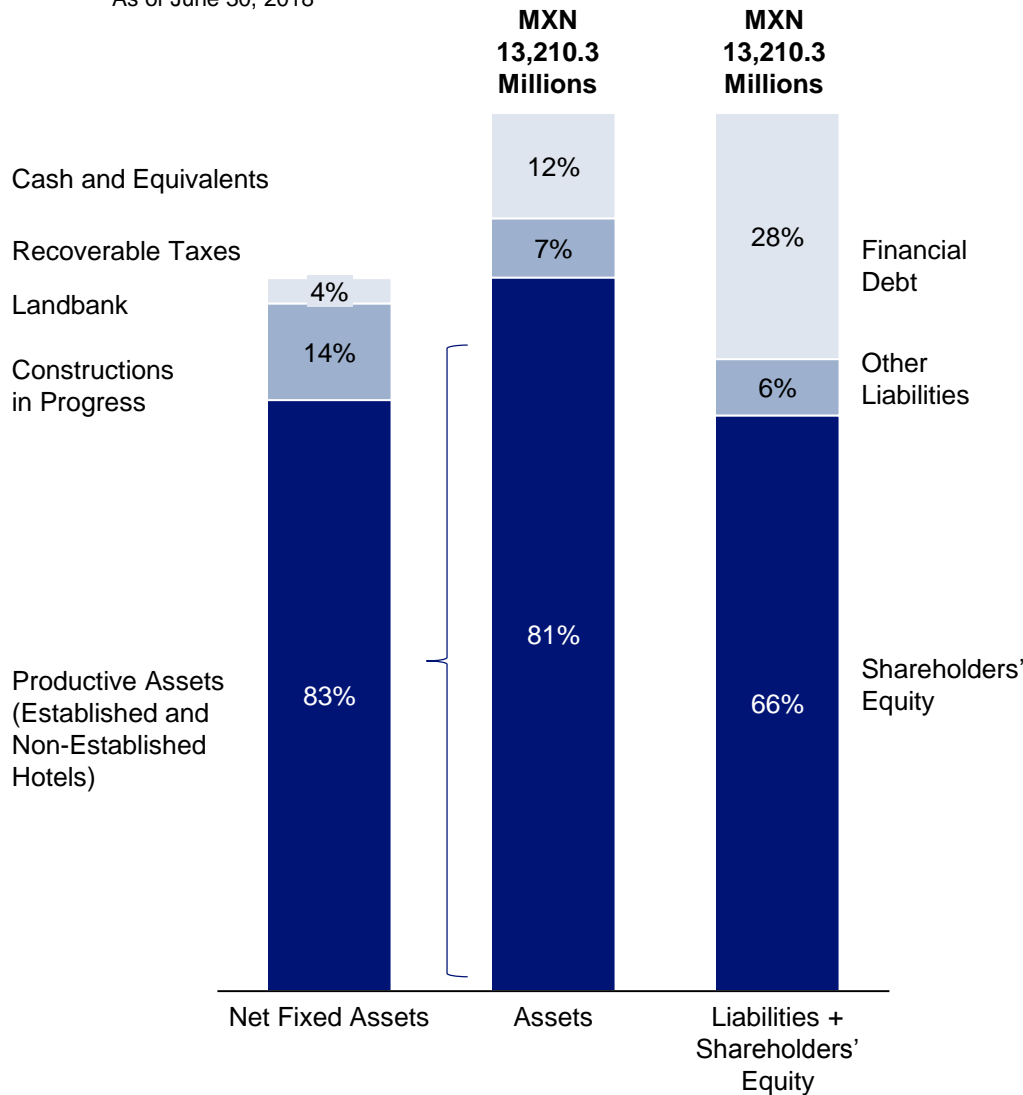
(1) Defined as the hotels with at least 36 months of operation

Solid Capital Structure to Support Growth



Balance Sheet Structure

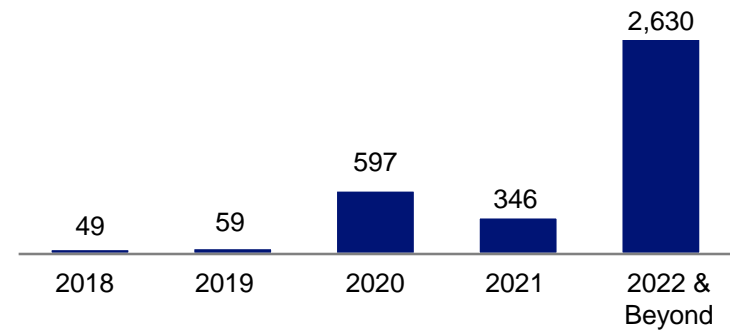
As of June 30, 2018



Financial Debt Maturity Schedule

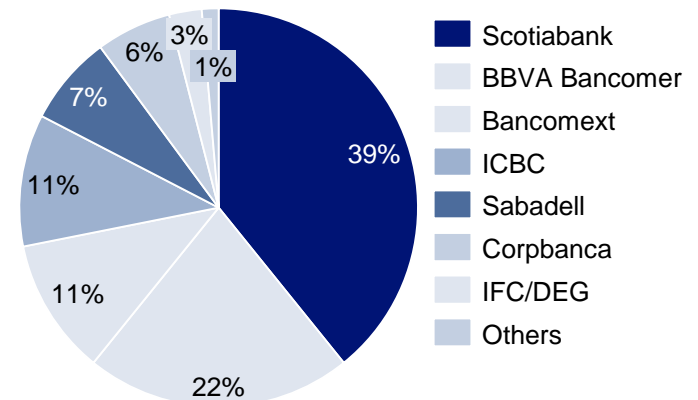
As of June 30, 2018, % of Debt Outstanding

Total Debt Outstanding:
MXN 3,701.4 millions

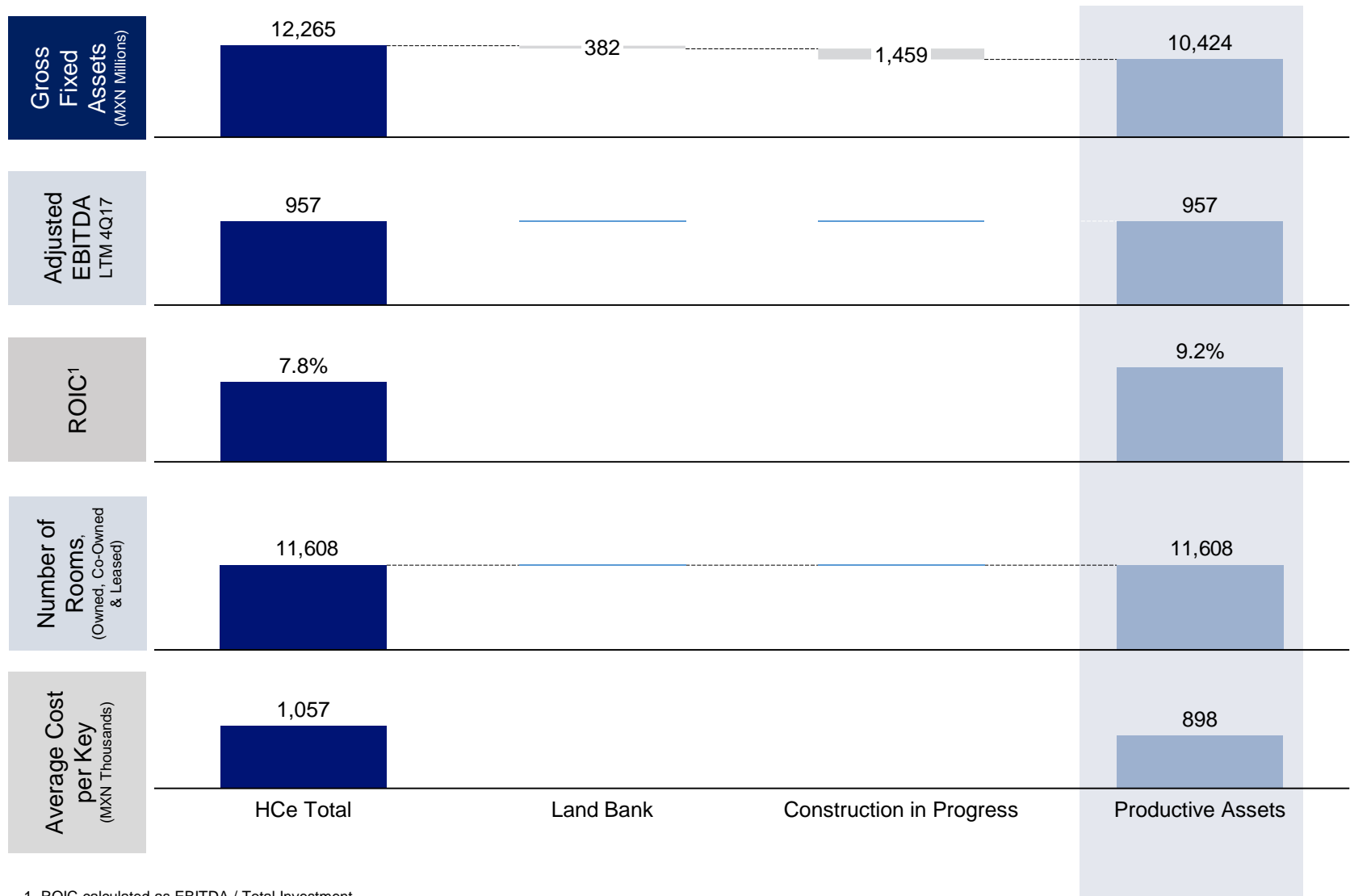


Access to Diversified Financing Sources

Bank Debt by Counterparty as of June 30, 2018



Significant Potential for High Returns Based on Pre-Productive Assets

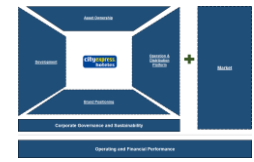


1. ROIC calculated as EBITDA / Total Investment

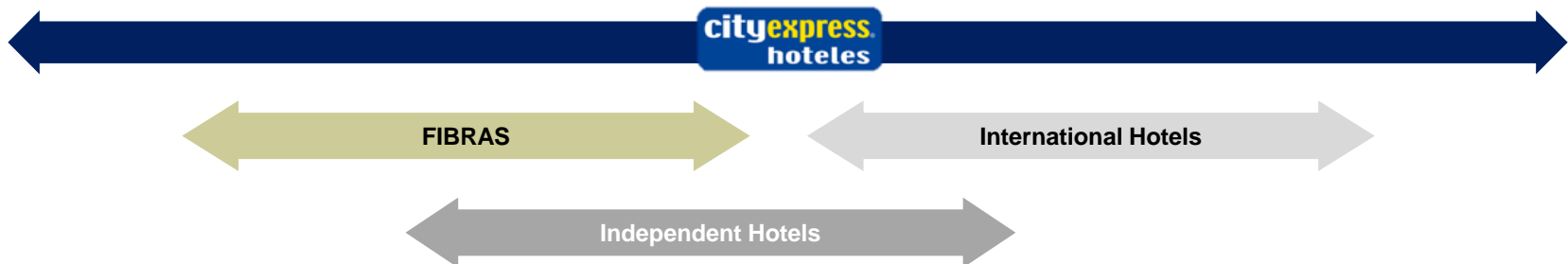


To Sum Up Why Invest in Hoteles City Express?

Best Business Model Across Competitive Landscape



Hotel Development	Hotel Ownership	Marketing and Distribution Platform	Strong Brand Positioning
<ul style="list-style-type: none"> • 22,000+ rooms developed by the Hoteles City Express team • Systematic and streamlined design and development <ul style="list-style-type: none"> – Low, predictable costs – Benefit from scale in development • Strong ROIC track record • Control over entry cap rates 	<ul style="list-style-type: none"> • 54 owned hotels⁽¹⁾ • 33 co-owned hotels⁽¹⁾ • 14 leased hotels⁽¹⁾ • Primary focus on ownership and co-ownership of hotels • Largest concentrated inventory of hotels in LatAm with significant appreciation potential that allows for strategic flexibility on long term business model 	<ul style="list-style-type: none"> • Vast majority of reservation through own distribution channels. • <i>City Premios</i> guest loyalty program • Corporate and local agreements • Targeted and cost-efficient marketing • State-of-the-Art digital and technological platforms 	<ul style="list-style-type: none"> • Strong brand positioning levered by geographical presence, targeted advertising resources allocation and best-in-class operating practices • Standardized room layouts, furnishings and processes • Brand licensing to third-party hotel owners under management contracts



(1) As of June 2018; excludes managed and franchised hotels.

Upside Valuation Potential Supported by Robust Performance on All Fronts



		Initial Public Offering (June 2013)	2nd Quarter 2018	
Hotel Platform	Hotels / Rooms in Operation	72 / 8,201	139 / 15,691	91.3%
	Development Pipeline (Projects in Process)	13	35	169.2%
Operating Metrics ¹	Occupancy	55.1%	59.5%	440 pbs
	Average Daily Rate (ADR)	\$722	\$969	34.3%
	Revenue per Available Room (RevPAR)	\$398	\$576	44.7%
Financial Performance ¹	Total Revenues	\$968 MM	\$2,722 MM	181.2%
	Adjusted EBITDA / Margin	\$311 MM / 30.5%	\$957 MM / 35.16%	207.7%

(1) Operating metrics and financial performance calculated considering figures as of 2Q18

Disclaimer

This presentation has been prepared with information about Hoteles City Express, S.A.B. de C.V. ("HCITY" or the "Company"). The presentation is not intended to be exhaustive and does not necessarily include all the information the receiver should want to be informed of the Company. The forward-looking statements contained in this presentation are based on the current assumptions and outlook of the Company's management. Actual results, performance and events may differ significantly from those expressed or implied in these forward-looking statements as a result of several factors such as the general and economic conditions in Mexico and abroad, interest and exchange rates, future renegotiations, pre-payments of liabilities or loans denominated in foreign currency, changes in laws and regulations, and general competitive factors (regionally, nationally or internationally).

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Corporate Presentation

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