



DIAMONDROCK
HOSPITALITY

INVESTOR PRESENTATION



Cavallo Point, the Lodge at Golden Gate Bridge

May 2019



DiamondRock at a Glance

KEY STATISTICS

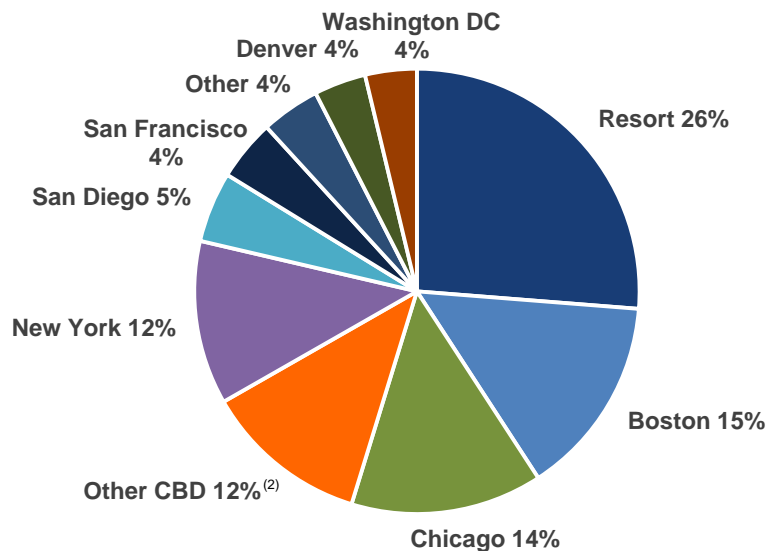
Hotels (Rooms)	31 (>10K)
Enterprise Value	\$3.1B
Market Cap	\$2.2B
Enterprise Value / Key	~\$312K
Dividend Yield	4.7%
YE19 Net Debt/EBITDA ⁽¹⁾	3.8x

Market data as of 5/9/19. Balance sheet data as of 3/31/19.

RECENT HIGHLIGHTS

- Q1 2019 Results
 - Total RevPAR up 2.0%
 - Adj. EBITDA of \$49.2M
 - Adj. FFO per share of \$0.21
- \$62M worth of shares repurchased at an average price of \$9.50/share since December

URBAN AND RESORT HOTELS IN TOP MARKETS



RECENT ACQUISITIONS ADDING VALUE



The Landing Lake Tahoe



Hotel Palomar Phoenix



L'Auberge De Sedona



Cavallo Point

(1) Based on PF 2018 EBITDA at guidance midpoint and current pro form net debt.
 (2) Other CBD includes Burlington Hilton, Salt Lake City Marriott, and Worthington Renaissance.

Why DiamondRock?



1 Top Tier Quality Portfolio & Growth

- Portfolio ADR of \$237
- 20 of 31 (65%) hotels have terminable management agreements

2 Resort Exposure

- Resorts expected to outperform in 2019

3 Internal Growth Opportunities

- **Vail Marriott Mountain Resort** comprehensive renovation to close luxury rate gap with potential ~\$3M-4M in stabilized EBITDA upside
- **Hotel Emblem** (Viceroy Collection) repositioning (former Hotel Rex): \$2M YoY EBITDA upside in '19
- **2018 Renovations** leading renovated, high-quality portfolio: Chicago Marriott, Westin Fort Lauderdale, and Worthington Renaissance
- **The Gwen** recently awarded Marriott's 2018 Distinctive Luxury Hotel of the Year
- **Havana Cabana** Key West opened April 2018: ~\$1M in EBITDA upside
- 2020 group pace up 15%

4 External Growth Driving Value

- Cavallo Point Sausalito acquired for \$152M in 2018
- The Landing Resort & Spa in Lake Tahoe, CA for \$42M in 2018
- The Hotel Palomar Phoenix for \$80M in 2018
- Three 2018 acquisitions grew RevPAR 7% in 1Q19

5 Conservative Financial Policy and Balance Sheet Strategy

- 3.8x net debt-to-EBITDA (even without full benefit from Frenchman's Reef)
- Conservative leverage ratio of 29%
- \$350M of dry powder for investment or stock repurchase



The Gwen, A Luxury Collection Hotel



Vail Marriott Mountain Resort



High-Quality Diversified Portfolio

High Quality Portfolio in Key Gateway Markets



SAN FRANCISCO

Hotel Emblem San Francisco
(Independent)



PHOENIX

Hotel Palomar Phoenix
(Intercontinental Hotel Group)



SAN DIEGO

Westin San Diego
(Marriott)



DENVER

JW Marriott Denver at Cherry Creek
(Marriott)



DENVER

Courtyard Denver Downtown
(Marriott)



NEW YORK

Lexington Hotel New York
(Marriott)



NEW YORK

Courtyard Manhattan/Midtown East
(Marriott)



NEW YORK

Courtyard Manhattan/Fifth Avenue
(Marriott)



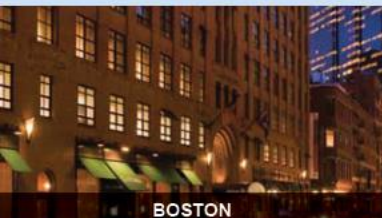
NEW YORK

Hilton Garden Inn Times Square Central
(Hilton)



WASHINGTON, DC

Westin Washington, D.C. City Center
(Marriott)



BOSTON

Hilton Boston Downtown
(Hilton)



BOSTON

Westin Boston Waterfront
(Marriott)



CHICAGO

Chicago Marriott Downtown Magnificent Mile
(Marriott)



CHICAGO

The Gwen, a Luxury Collection Hotel
(Marriott)



ATLANTA

Atlanta Marriott Alpharetta
(Marriott)



DALLAS/FORT WORTH

Worthington Renaissance Fort Worth Hotel
(Marriott)



SALT LAKE CITY

Salt Lake City Marriott Downtown
(Marriott)



BETHESDA, MD

Bethesda Marriott Suites
(Marriott)

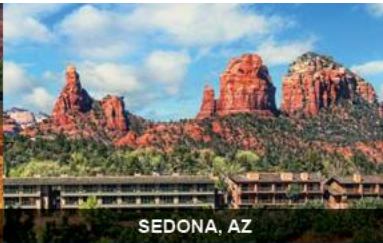
Approximately 2/3 of portfolio located in top, gateway markets.

Strong Resort Market Presence



SEDONA, AZ

L'Auberge de Sedona
(Independent)



SEDONA, AZ

Orchards Inn
(Independent)



HUNTINGTON BEACH, CA

Kimpton Shorebreak
Huntington Beach Resort
(Intercontinental Hotel Group)



SONOMA, CA

The Lodge at Sonoma,
a Renaissance Resort & Spa
(Marriott)



SAUSALITO, CA

Cavallo Point,
The Lodge at the Golden Gate Bridge
(Independent)



LAKE TAHOE, CA

The Landing Resort & Spa
(Independent)



VAIL, CO

Vail Marriott Mountain Resort & Spa
(Marriott)



KEY WEST, FL

Havana Cabana
(Independent)



KEY WEST, FL

Sheraton Suites Key West
(Marriott)



CHARLESTON, SC

Renaissance Charleston
Historic District Hotel
(Marriott)



FORT LAUDERDALE, FL

Westin Fort Lauderdale Beach Resort
(Marriott)



ST. THOMAS, VI

Frenchman's Reef
(Unencumbered)



ST. THOMAS, VI

Morning Star Beach Resort
(Unencumbered)



BURLINGTON, VT

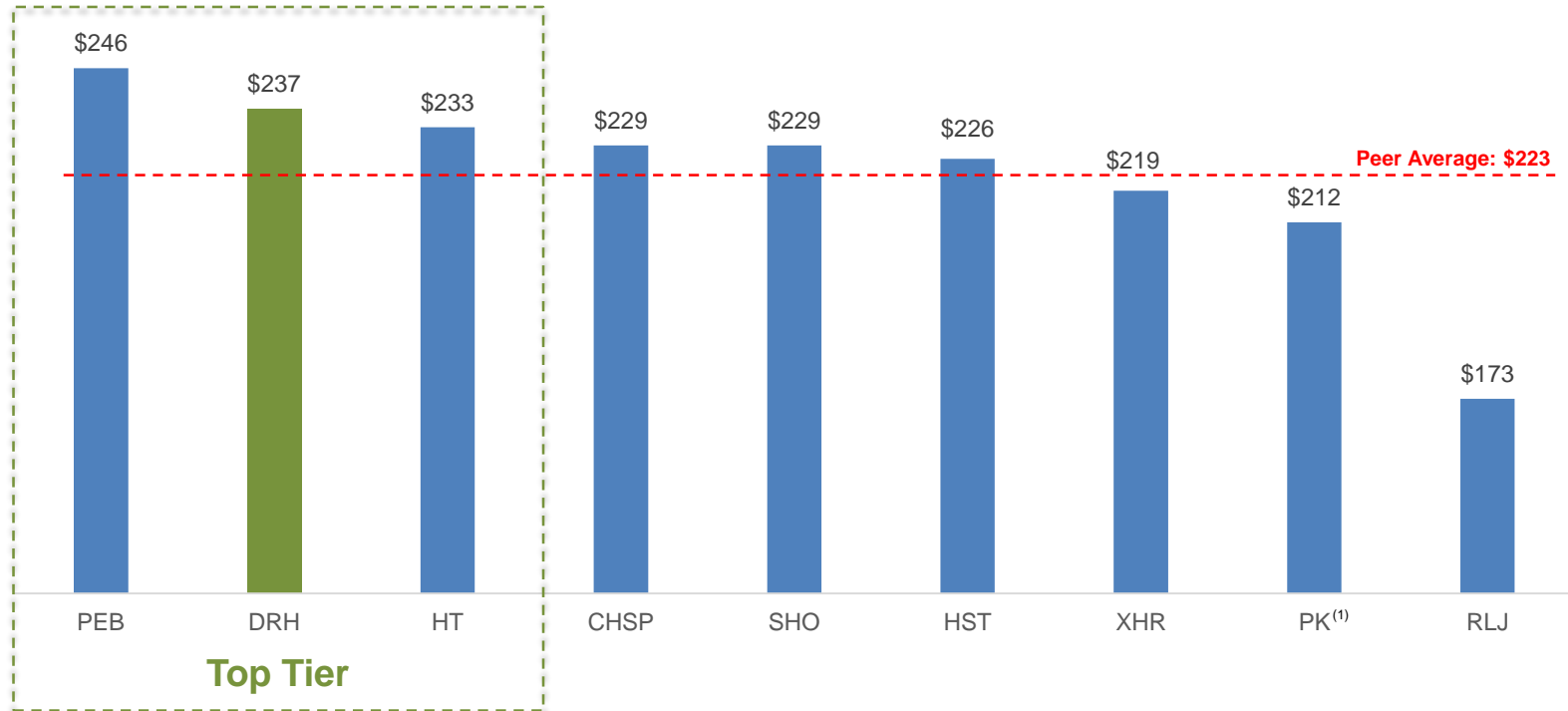
Hilton Burlington
(Hilton)

Approximately 1/3 of portfolio located in destination resort markets.

Top-Tier Portfolio Quality



2018 Portfolio Average Daily Rate

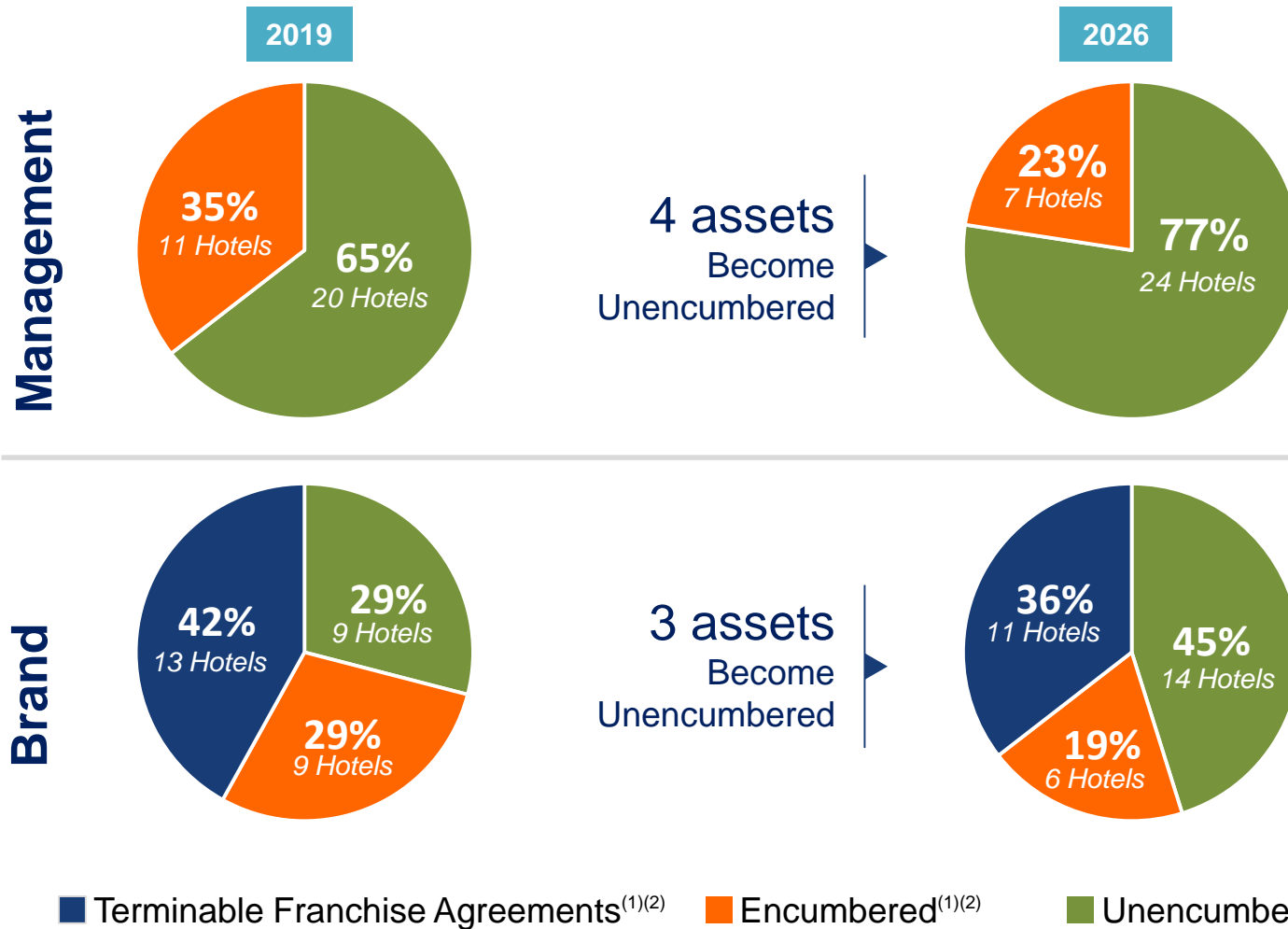


(1) Proforma for Chesapeake merger
Source: Company Filings as of Q4 2018.

Short Term Agreements Driving Value



One of the least encumbered portfolios among all full-service REITs.














(1) Agreements terminable at will.
(2) Assumes the asset remains unencumbered when current agreements ends.

The image shows a sophisticated lounge or bar area. In the center is a long, low-profile grey modular sofa with several patterned throw pillows. To the left of the sofa are three modern armchairs with grey fabric upholstery and dark metal frames. To the right, there are more armchairs and a long wooden bar with high stools. The walls are dark and feature large, abstract, textured artwork. A prominent piece on the back wall is a portrait of a man with glasses. The ceiling has dark wooden beams and modern pendant lights. The overall atmosphere is contemporary and artistic.

2019 Outlook

Continued Strength in RevPAR



		FY 2019 FORECAST	
	Q1 2019	STR	CBRE
Total Industry	 +1.5%	 +2.3%	 +2.5%
Resorts	 +1.4%	NA	 +2.8%
Luxury	 +0.5%	 +2.3%	 +3.2%
Upper Upscale	 +0.9%	 +2.2%	 +1.8%
	2019 Brand RevPAR Guidance	Marriott: 1% - 3% ⁽¹⁾	Hilton: 1% - 3% ⁽²⁾

Source: STR, PKF, PWC, Company Filings. Represents Q4 2018 and FY 2019 RevPAR.

(1) North American RevPAR guidance for 2019.

(2) System-wide RevPAR guidance for 2019.

2019 Full-Year Guidance



2019 Guidance		
Metric	Low End	High End
RevPAR Growth	0.5%	2.5%
Adjusted EBITDA	\$256 million	\$268 million
Adjusted FFO	\$204 million	\$214 million
Adjusted FFO per share (based on 205 million diluted shares)	\$1.00 per share	\$1.04 per share

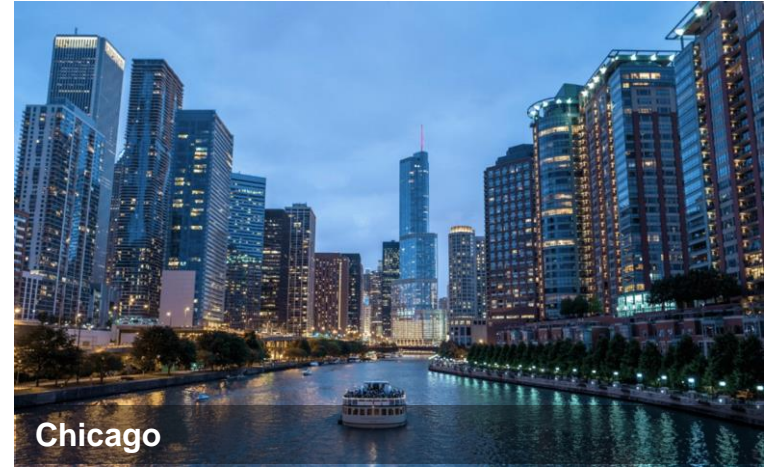
Note: Includes Frenchman's Reef business interruption agreed upon to date.


Frenchman's Reef business interruption income of \$8.8M has been agreed upon for partial year 2019. We believe we are entitled to at least \$16M of business interruption income for the full year 2019.

DRH 2020 Outlook Favorable



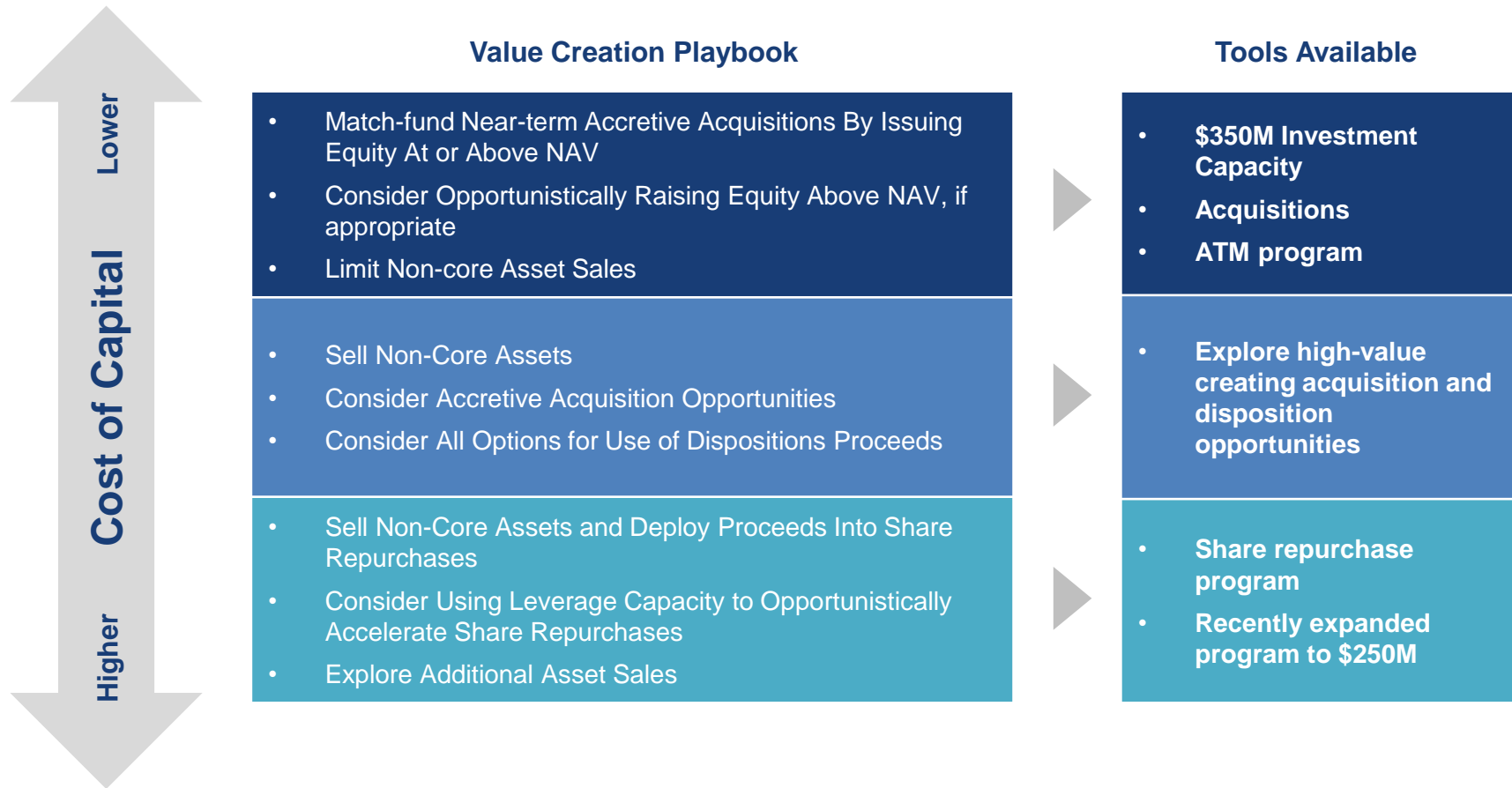
- Total 2020 booking pace **up double digits**
- Chicago combined pace **up nearly 30%**
- Boston combined pace **up nearly 20%**
- DC pace **up 27%**
- NYC supply additions to **decline by 30%+**
- Frenchman's Reef & Morning Star Resort **to Reopen**





How Do We Best Allocate
Capital in This Environment?

Creating Value Throughout Cycle





External Growth Strategy

Cavallo Point: 10 Years of ROI Opportunities



Newly acquired luxury resort located in Golden Gate National Recreation Area in Sausalito, CA.

Situational Overview

- Famous luxury resort in highly desirable Sausalito
- Situated at the base of the Golden Gate Bridge with sweeping views of the San Francisco Bay
- Average daily rate over \$400
- Independently branded with third-party operator
- Low-to-zero supply growth market
- 2019 RevPAR growth expected to exceed national average



Numerous Upside Opportunities

- Owner-operated with upside from asset management best practices
- Convert former unused guard house at resort's entrance into a bakery and F&B outlet – incremental \$2M in revenue
- Entitlement allows for an additional 83 Keys



Project
Details

Purchase Price
\$152M

Yield on TTM NOI
6.7%

Total RevPAR
\$809

EBITDA Multiple
12.8x

Over \$380M of NAV Created in Resort Portfolio



	Investment (\$M)	EBITDA Multiple @		EBITDA Increase
		Purchase	YE 2018	\$M
Burlington Hilton	\$62	16.5x	8.8x	\$3.8
Cavallo Point	\$152	13.8x	13.8x	\$0.0
Charleston Renaissance	\$42	11.9x	7.1x	\$2.6
Fort Lauderdale Westin	\$166	14.8x	11.1x	\$4.9
Frenchman's Reef & Morning Star ⁽¹⁾	\$178	7.1x	10.7x	\$6.0
Havana Cabana ⁽¹⁾	\$59	12.2x	15.6x	(\$0.2)
Key West Suites	\$96	14.9x	12.7x	\$1.3
The Landing Resort & Spa ⁽¹⁾	\$42	17.8x	17.8	NA
Sedona - L'Auberge	\$69	15.8x	9.4x	\$3.1
Sedona - Orchards Inn	\$31	13.7x	10.5x	\$0.7
Shorebreak	\$63	14.6x	12.9x	\$0.9
Sonoma Renaissance	\$40	10.7x	5.1x	\$4.9
Vail Marriott Mountain Resort	\$89	13.4x	9.6x	\$4.6
Total Resort	\$1,088	13.1x	10.7x	\$32.4

DRH values its resort portfolio at a 6.5% cap rate, which implies over \$380M of NAV value over investment⁽²⁾.

Note: Historical RevPAR and EBITDA results pro forma for acquisitions for full period year prior to acquisition. Havana Cabana excluded due to natural disaster closure. Frenchman's Reef uses pre-hurricane figures due to closure.

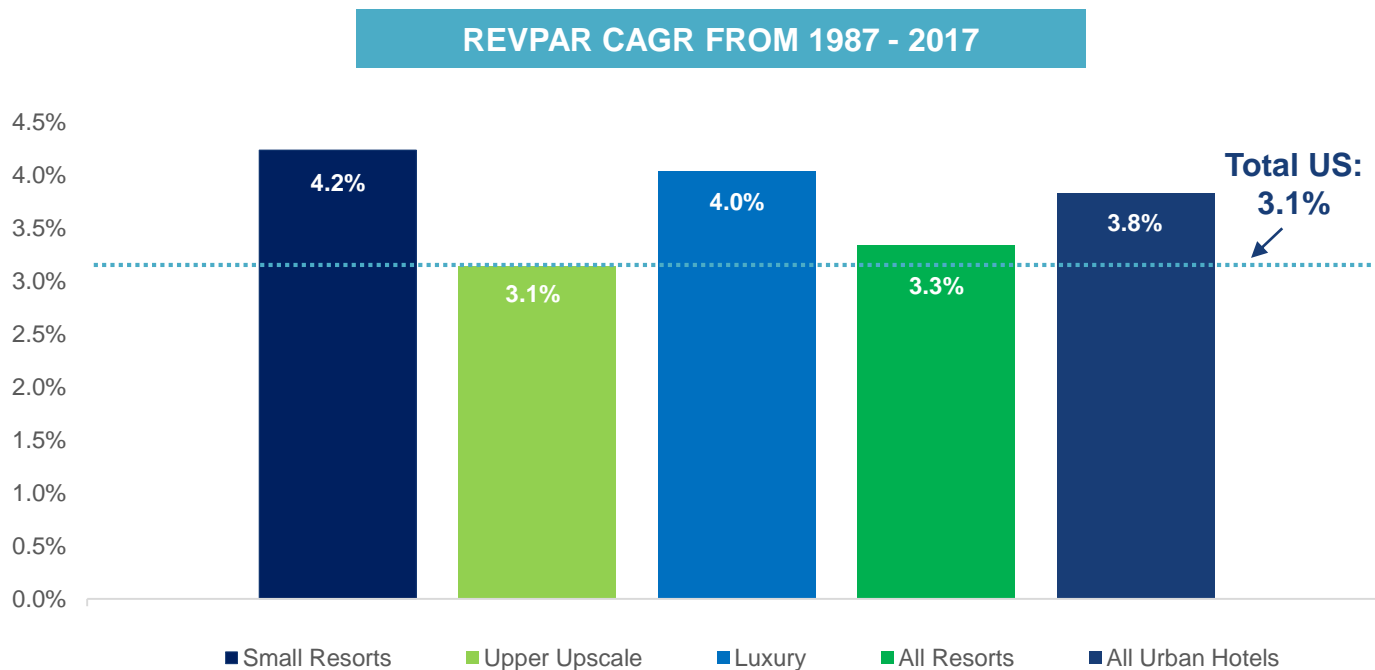
(1) Landing EBITDA adjusted for transition disruption post-acquisition. Frenchman's and Havana Cabana EBITDA adjusted for hurricane disruption.

(2) Valuation calculated using 2018 net operating income with 6.5% cap rate. Frenchman's valuation calculated using 8.5% cap rate.

Research Demonstrates Small Resorts Outperform



- According to CBRE/PKF research study, small resorts⁽¹⁾ have:
 - Less downside risk due to larger stream of reliable non-rooms revenue
 - Preserved the most ADR through the recession of the early 2000s
 - Achieved superior levels of ADR growth since 2009 to all other market classes



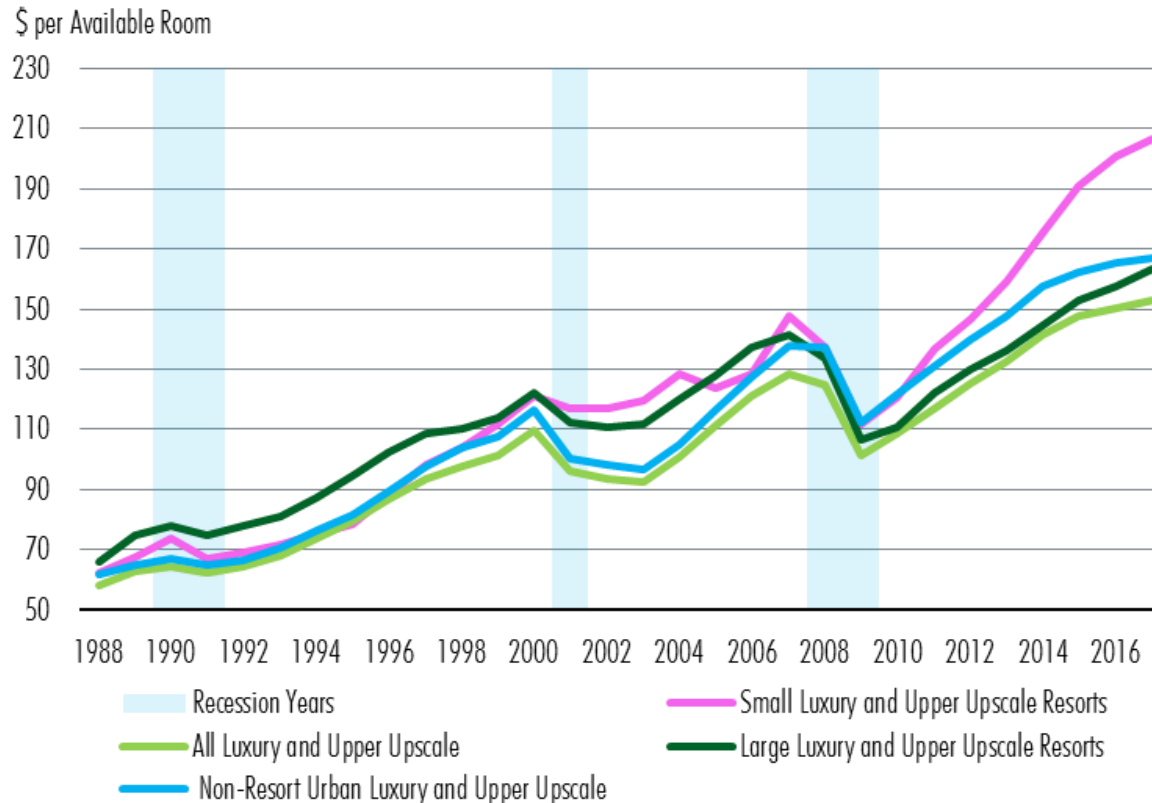
Source: CBRE Hotels Research.

(1) Collection of non-golf resorts with less than 200 rooms

Strong RevPAR Growth for Small Resorts



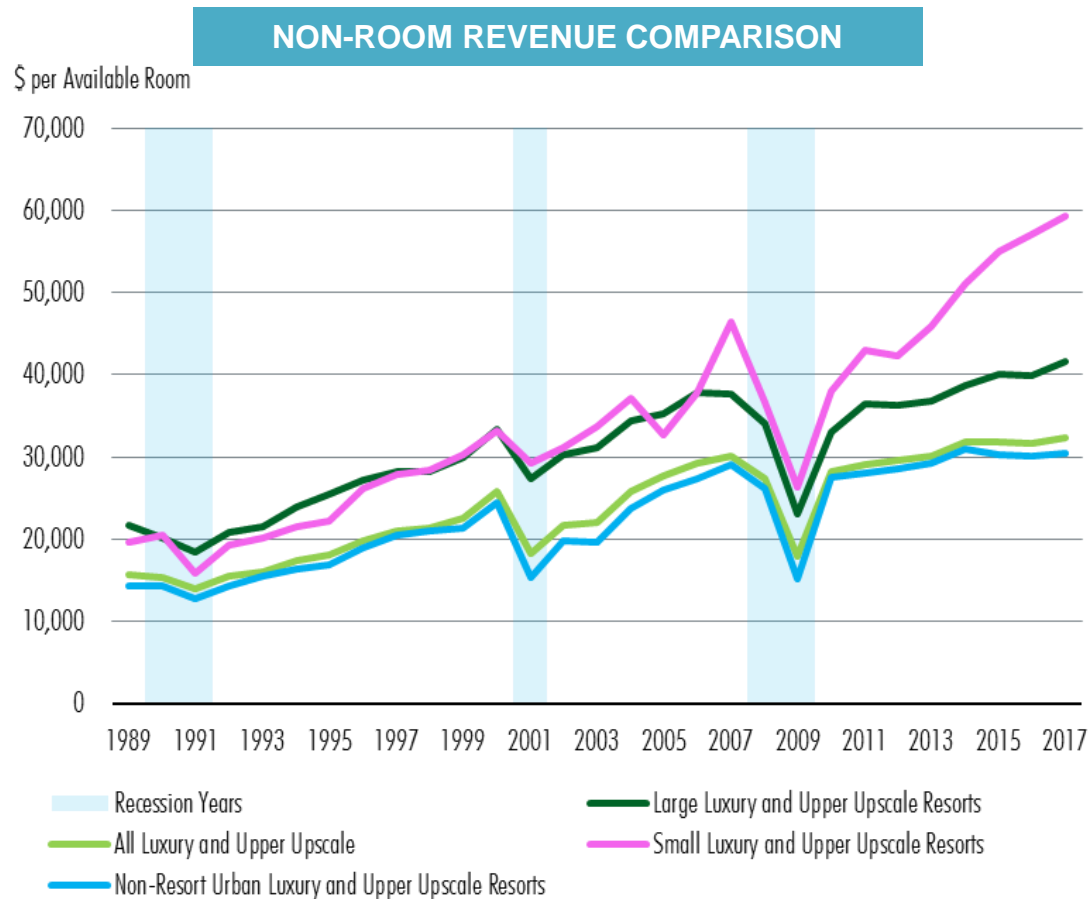
REVPAR COMPARISON FROM 1987 - 2017



- Small Resorts have operated with a consistently higher RevPAR during the post-Great Recession period
- May be result of a strategy to pursue higher rates at the expense of occupancy
 - Allowed for strong RevPAR with reduced variable expenses and higher income

Above trend line growth expected to continue.

Significant Contribution from Non-Rooms Revenue

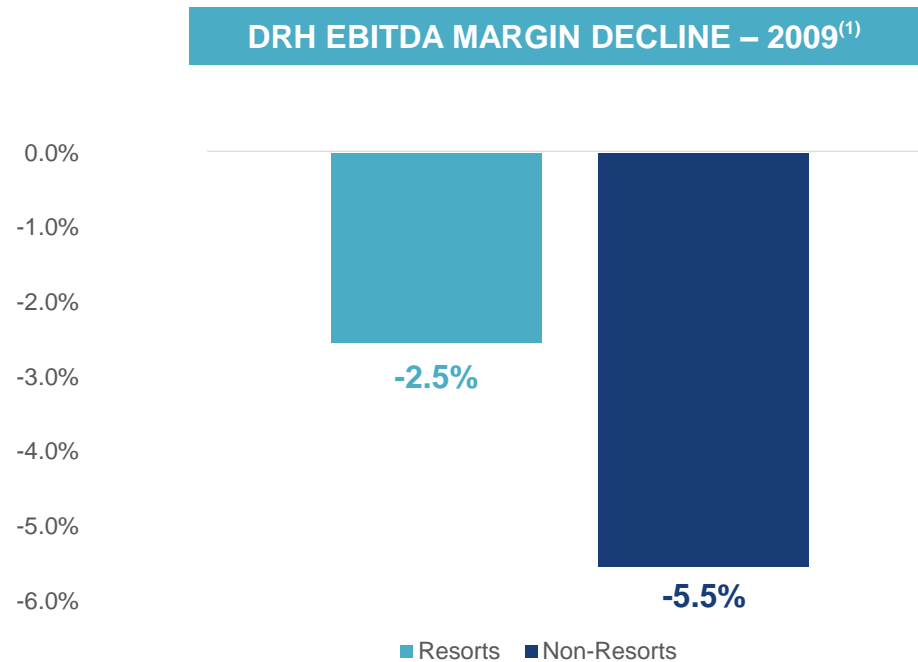


- Both small and large resorts have increasingly relied on non-room revenues
 - Non-room revenues have grown more quickly and regularly than that of other benchmark groups
- Since 1989, small resort non-room revenue approx. tripled while non-room revenue only doubled in other groups
 - Much of this growth premium was realized during the post-Great Recession period

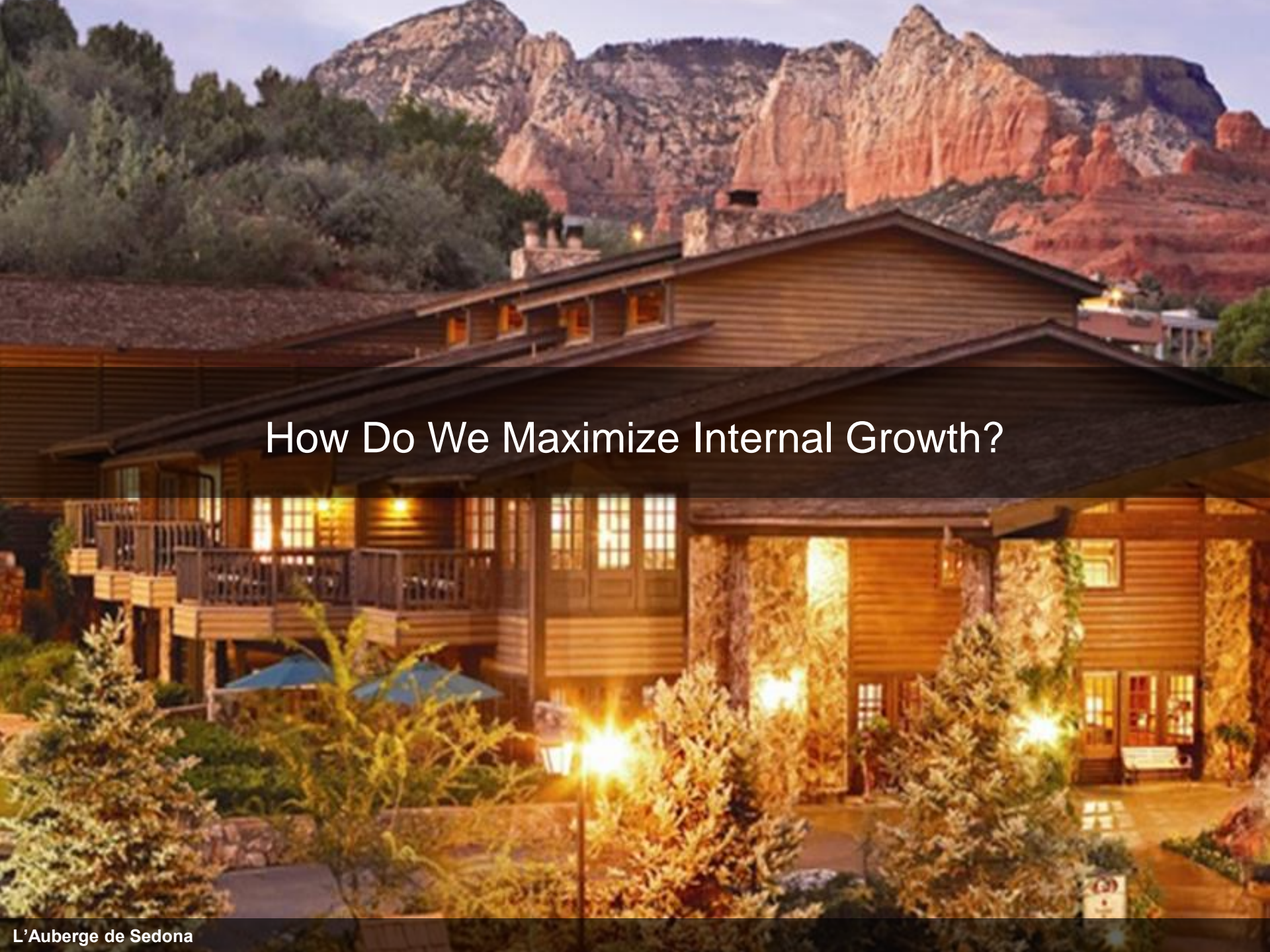
DRH Resorts Resilient During Downturns



- DiamondRock selectively acquires small, upscale resorts in high barrier to entry markets that are more resistant to downturns
- Significantly lower supply in DRH resort markets
- During the 2009 global recession, DiamondRock's resorts outperformed the rest of the portfolio in EBITDA margin



(1) Includes resorts owned during prior recession or current resorts with comparable data at time of recession. Resorts included are Burlington Hilton, Frenchman's Reef, Griffin Gate, Havana Cabana, Sheraton Suites Key West, Sonoma Renaissance, and Vail Marriott. Non-resorts include all DRH owned non-resort hotels in 2009.



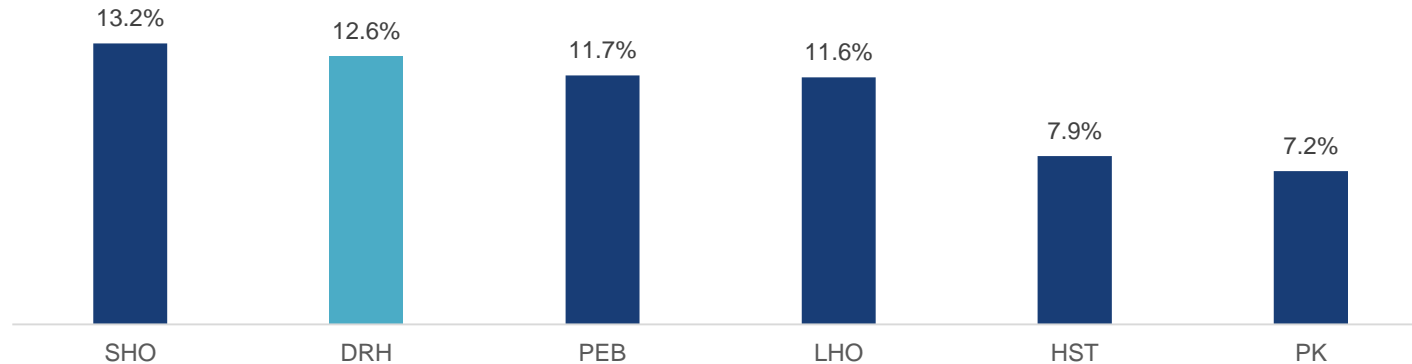
How Do We Maximize Internal Growth?

DRH to Benefit from Renovated Portfolio

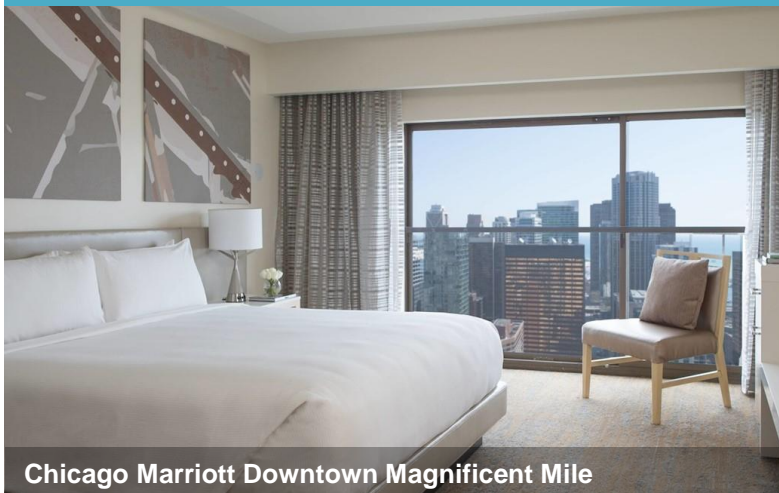


>70% of DRH portfolio has been renovated in recent years.

CapEx as a % of Revenue (3-Year Average)



\$110 Million Renovation Complete



Chicago Marriott Downtown Magnificent Mile

\$27 Million Renovation Complete



The Gwen, Luxury Collection

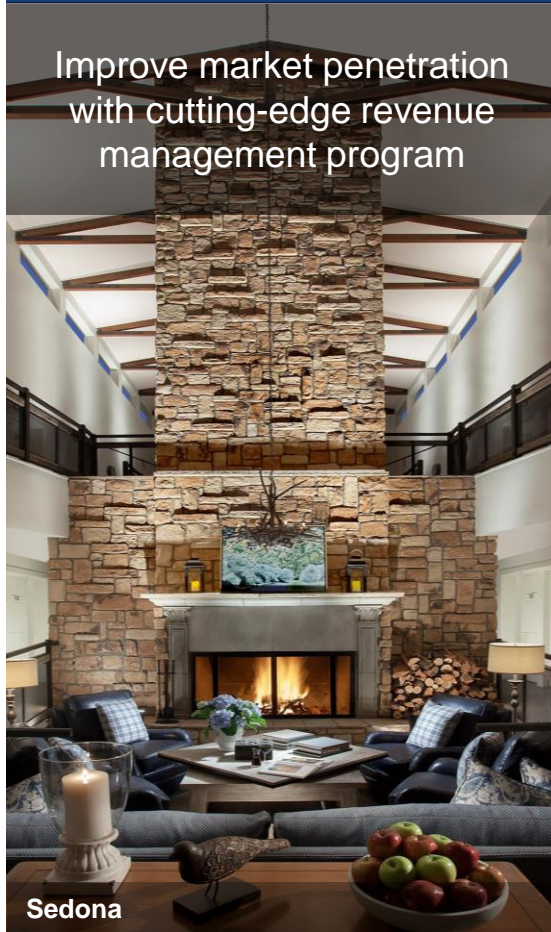
Asset Management Philosophy



Proven three-pillared approach to successful asset management

Revenue Growth

Improve market penetration with cutting-edge revenue management program



Sedona

Cost Focus

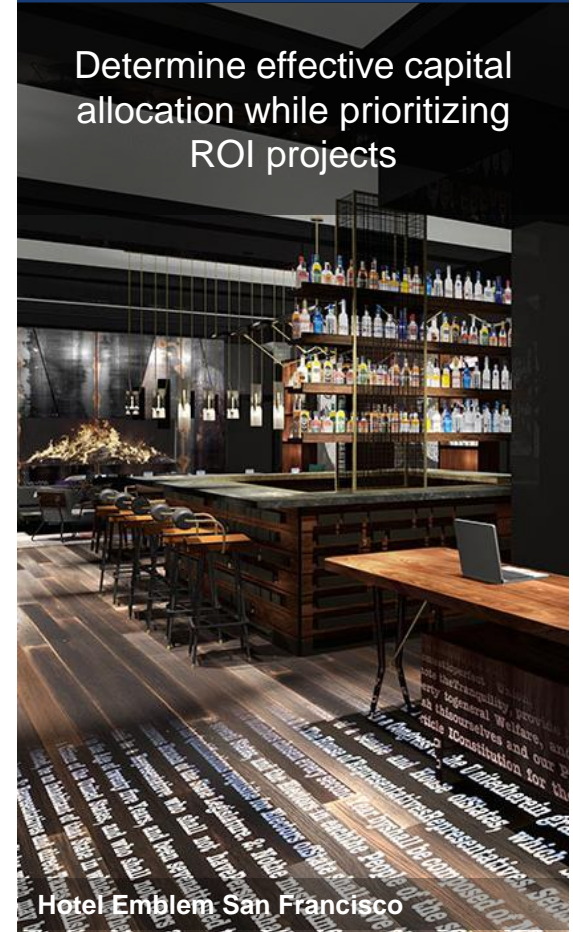
Enhance margins through business intelligence tools and operator collaboration



The Gwen, Luxury Collection

Capital Management

Determine effective capital allocation while prioritizing ROI projects



Hotel Emblem San Francisco

Case Study – L'Auberge de Sedona



Since acquisition, Hotel ADR has grown \$114 and EBITDA has grown \$2.9M.

DRH acquired the property in February of 2017

Our team identified opportunity to drive incremental ADR with a premium room-type strategy

Garden/Spa Cottage



ADR increase of \$112

2018 ADR: **\$499**

2016 ADR: **\$387**

Vista Cottage



ADR increase of \$197

2018 ADR: **\$706**

2016 ADR: **\$509**

Creekside Cottage



ADR increase of \$128

2018 ADR: **\$732**

2016 ADR: **\$603**

Cost Control Focus: Millions in Cost Savings



Focusing on the largest variable expenses to drive NOI.



Labor Management

Estimated Savings:

\$6.2M

Implemented in:

12 Hotels

Implemented labor management system to reduce expenses and improve productivity



Energy Efficiency

Estimated Savings:

\$1.5M

Implemented in:

19 Hotels

Completed lighting retrofits throughout our portfolio



Food Cost

Estimated Savings:

\$1.1M

Implemented in:

15 Hotels

Implemented company-wide procurement program to promote best-practices

Operating Initiatives – Labor Management System



New labor management system with total estimated savings of \$6.2M.

Implemented in:

12 Hotels by YE 2018



Results with new labor management system:

- Total estimated savings of **\$6.2M** upon implementation throughout the portfolio
- 2018 productivity improved **1.7%**

Opportunities with new system:

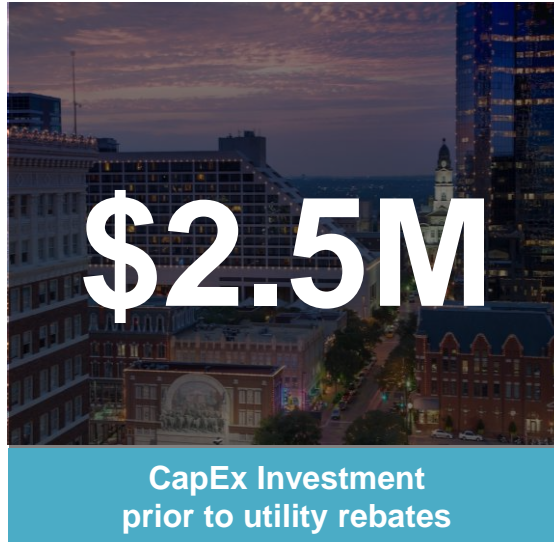
- 2018 productivity only increased **0.5%** at hotels without new labor management system

Goal: Implement system in all DRH hotels by 2019 to further improve productivity.

Operating Initiatives – Option One Energy



Conducted comprehensive lighting efficiency audits and LED lighting conversions across the portfolio.



100% of hotels will be fully LED by the end of 2019.

Operating Initiatives – Food Cost



Asset Management implementing best practices with new partners.



Estimated
2019 Savings



Food Margin
Improvement



Properties to have implemented
New System by YE 2019


Last quarter, margin improvement for properties that implemented new food cost system outperformed other properties by 190bps.

>\$200M Value Creation Opportunities



Property	Project	Incremental Capital Spend	Incremental EBITDA	Incremental Value
JW Marriott Denver	Renovation and Restaurant Repositioning	\$2.4M	\$1.25M	\$17M
Hotel Emblem	Complete Renovation and Repositioning	\$5.1M	\$1.5M - \$1.8M	\$25M - \$30M
Sheraton Key West	Reposition as an Independent Hotel	\$10.7M	\$1.7M - \$2.2M	\$23M - \$31M
The Lodge at Sonoma	Reposition as Autograph Collection	\$5.0M	\$1.2M	\$17M
Hilton Boston Downtown	28 Additional Guestrooms	\$2.7M	\$1.0M	\$14M
Sedona - Orchards Inn	Reposition as Cliffs at L'Auberge	\$10.8M	\$2.7M	\$37M
Worthington Renaissance	Restaurant, Lobby and Courthouse Conservatory	\$13.8M	\$3.0M	\$36M
The Landing Resort & Spa	Additional 22 Keys and Resort Enhancements	\$9.4M	\$1.8M	\$27M
Vail Marriott	Resort Renovation and Repositioning	\$27.0M	\$3.0M - \$4.0M	\$41M - \$55M
Total		\$89.3M	\$17 - \$19M	\$237 - \$264M

Value-Add Opportunities to be implemented from 2019-2021.

An aerial photograph of a tropical beach resort. The top half of the image shows the turquoise ocean with white foam from waves breaking onto a sandy beach. The bottom half shows the resort's buildings, which have white, gabled roofs and are surrounded by lush greenery and palm trees. A large area of the beach is covered with numerous blue beach umbrellas and lounge chairs, indicating a popular swimming and sunbathing spot. The text "Frenchman's Reef & Morning Star Beach Resort" is overlaid in white on a dark horizontal band across the middle of the image.

Frenchman's Reef & Morning Star Beach Resort

Morning Star Beach Resort

Frenchman's Reef Resort & Morning Star Beach Resort

Key Facts & Figures

Q2 2020

Projected Reopening

\$20M+

Brand Support

\$30M

USVI Support

\$350+

Stabilized ADR

\$25M

Stabilized EBITDA



Frenchman's Reef Insurance Claim



Insurance Overview

- \$280M⁽¹⁾ Total Claim (includes rebuild cost, lost profits and ongoing expenses & other costs)
 - \$93M in cash received to date from insurers
 - \$361M is policy limit per storm
- DiamondRock expects to fund \$45M in brand and infrastructure upgrades not covered by insurance
 - To be offset by key money (+\$20M) from brand and other outside funding sources



Business Interruption

- Insurance policy covers all lost profits through rebuild period plus 18-month stabilization period
- Through 2018, recovery of lost profits of \$19M recognized and agreed to (\$3M in 2017 and \$16M in 2018)
- For 2019, insurers have agreed to \$8.8M in BI for lost profits through April 2019
- DiamondRock believes it is entitled to at least \$16M in lost profits for FY 2019. [Not yet agreed to by insurers](#)

The Company is actively pursuing all its rights, but the position of the insurer will create timing issues. As with all legal disputes, final results cannot be guaranteed.

(1) Amounts provided are approximate. As of 2/25/19.

Best-in-Class Rebuild Team



Kollin Altomare Architects

Four Seasons Punta Mita Resort & Spa
The Ritz-Carlton Laguna Niguel
The Fairmont Scottsdale Princess Resort
The Ritz Carlton, Kapalua Maui



WhiteSpace (Design)

Four Seasons Scottsdale at Troon North
Four Seasons Hotel Austin
Ritz-Carlton Half Moon Bay



The Johnson Studio (F&B Design)

The Ritz-Carlton Grand Cayman
(Blue, Seven, Taikun, Ritz Lobby Bar)
Lobster Sea Bar Grille (Miami Beach)
Del Frisco's Double Eagle Steakhouse (Dallas)



Maris Collective (Retail, Concepts, Programming)

Four Seasons Maui
Four Season Anguilla
Fairmont Kea Lani, Maui



Richard Sandoval Group (Celebrity Chef)

Four Seasons Nevis
Four Seasons Punta Mita
Maya (NYC, Dubai)
Toro (Abu Dhabi)



Morning Star Pool Area Rendering



Morning Star Lobby Rendering



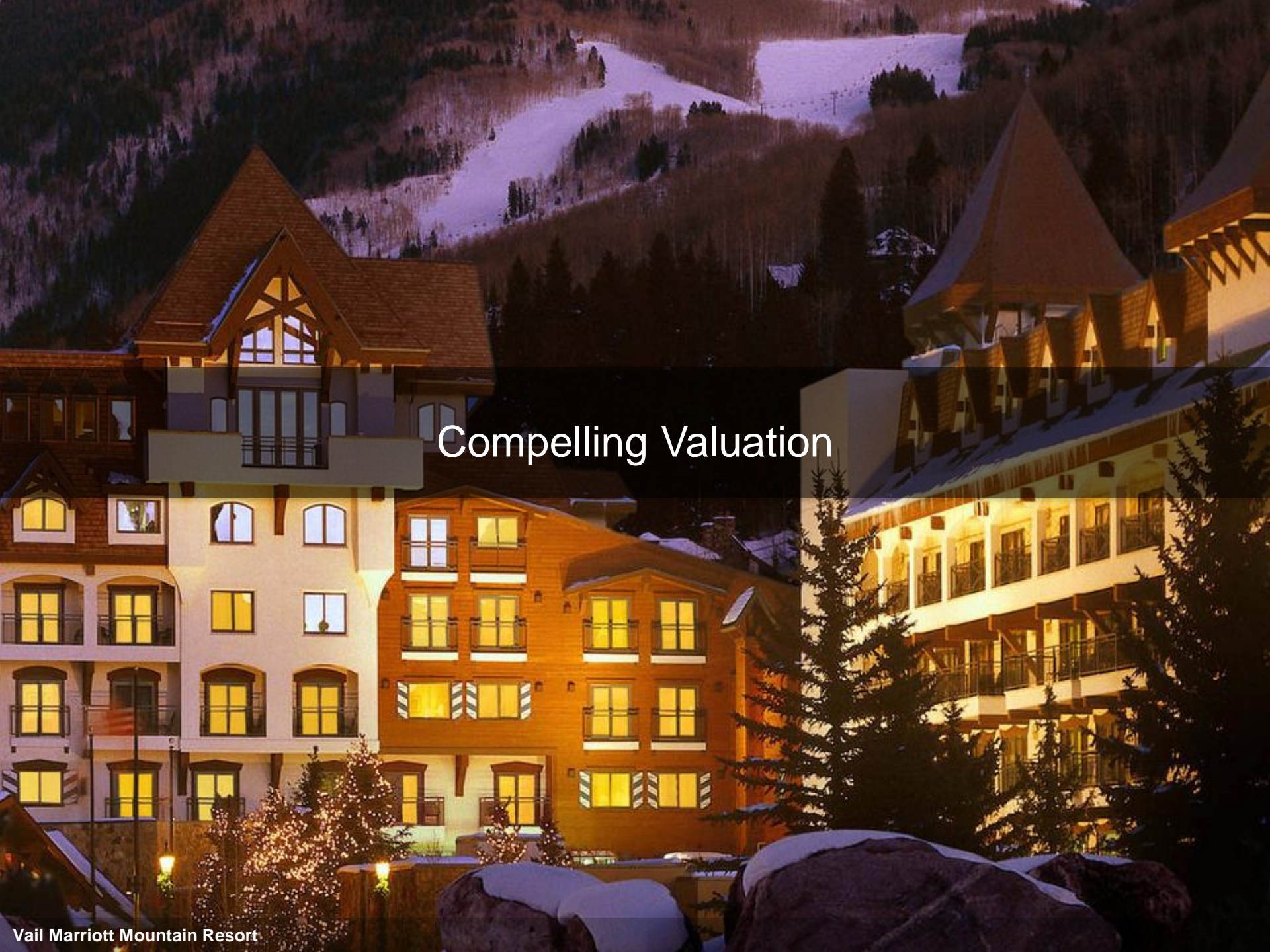
Morning Star Guestroom Rendering



Frenchman's Reef Lobby Rendering



Frenchman's Reef Guestroom Rendering

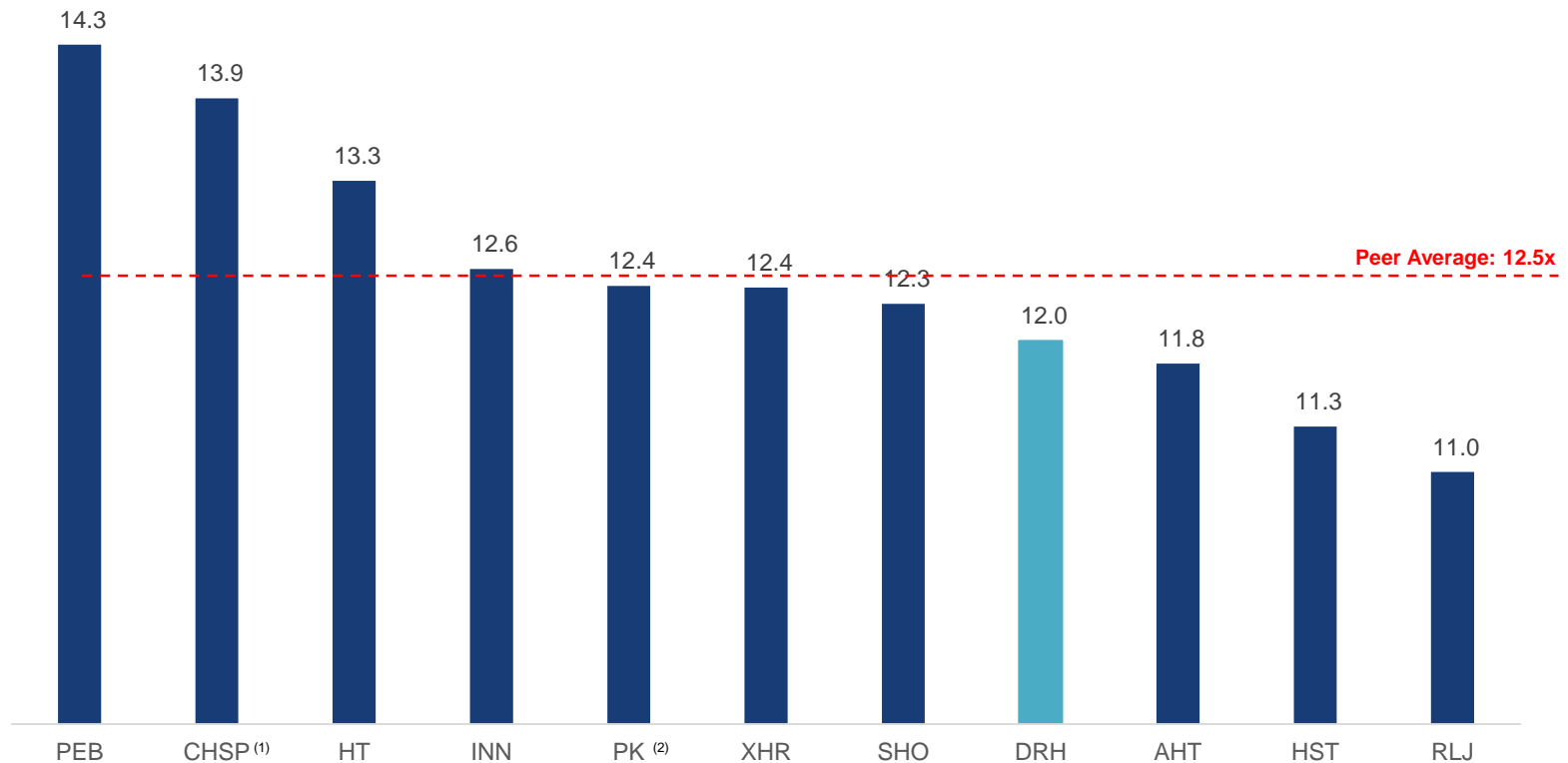


Compelling Valuation

Compelling Valuation



2019 Consensus EBITDA Multiple



(1) Represents consensus EBITDA multiple based on Park Hotel's purchase offer.

(2) Not proforma for Chesapeake merger

Source: Baird, FactSet. Data as of 5/9/19.

DiamondRock Currently Trades At a Steep Discount to NAV

Currently trading at >25% discount to NAV per share.

	Hotel NOI	Cap Rate			Estimated Value ⁽²⁾			
Region	TTM Q1 2019	Low	Mid	High	Low	Mid	High	Mid / Key ⁽³⁾
Boston	\$32.6	6.0%	6.5%	7.0%	\$466	\$502	\$544	\$420
Chicago	\$32.9	6.5%	7.0%	7.5%	\$438	\$469	\$506	\$311
Dallas / Fort Worth	\$12.7	7.0%	7.5%	8.0%	\$159	\$169	\$182	\$336
Denver	\$9.3	6.0%	6.5%	7.0%	\$133	\$143	\$155	\$382
New York City	\$28.2	5.0%	5.5%	6.0%	\$470	\$513	\$564	\$338
San Diego	\$12.6	6.5%	7.0%	7.5%	\$168	\$180	\$193	\$412
San Francisco	\$11.4	5.0%	5.5%	6.0%	\$191	\$208	\$229	\$881
Washington, DC	\$14.0	6.5%	7.0%	7.5%	\$187	\$200	\$215	\$293
Other Urban	\$20.6	6.5%	7.0%	7.5%	\$275	\$295	\$317	\$275
Resorts	\$63.9	6.0%	6.5%	7.0%	\$913	\$984	\$1,066	\$476
Resorts Under Development	\$15.0	8.0%	8.5%	9.0%	\$167	\$177	\$188	\$553
Total	\$253.2	6.1%	6.6%	7.1%	\$3,566	\$3,838	\$4,157	\$387

NAV Per Share	\$12.74	\$14.10	\$15.68
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- Note: San Francisco NOI includes Cavallo Point Resort as if owned for full-year 2018
Havana Cabana, Palomar Phoenix, Hotel Emblem, Frenchman's Reef and Landing Resort are included using stabilized NOI as proxy for multiple.
- (1) Share price as of May 8, 2019
(2) Dollar amounts in millions
(3) Dollar amounts in thousands

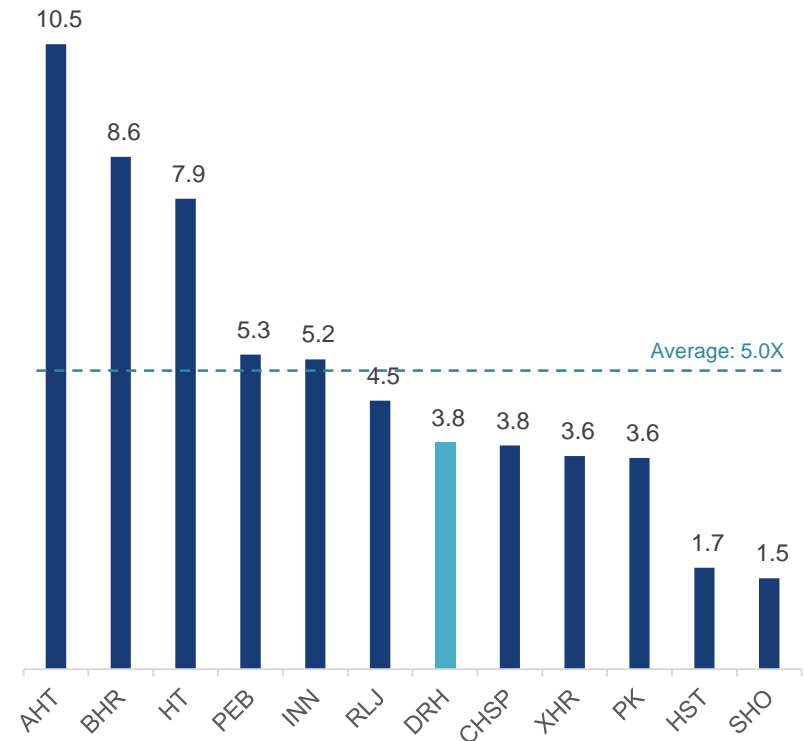
\$350 Million of Investment Capacity



CONSERVATIVE BALANCE SHEET STRATEGY

- Net Debt to 2019 EBITDA of 3.8x
- 23 unencumbered hotels
- Well-laddered maturity schedule with no maturities until November 2020
- \$350 million of investment capacity
- No more than 35% floating rate debt

LEVERAGE AT LOW END OF PEER GROUP



Source: Baird. Net Debt plus preferred / 2019 Consensus EBITDA.



Key Takeaways

Key Takeaways



**Balance Sheet in Great Shape
(\$350M Dry Powder)**



Significant ROI Projects (\$200M NAV+)



**External Growth Focus on Resorts
(5 of Last 6 Deals)**



**Compelling Relative Valuation
(25% - 40% Discount to NAV)**



**Strong 2020 Setup
(Group Pace Up 15%)**



DIAMONDRock
HOSPITALITY