



DIAMONDROCK  
HOSPITALITY

# INVESTOR PRESENTATION

Cavallo Point, the Lodge at Golden Gate Bridge

November 2019



## DiamondRock at a Glance

1

### Resort Focus

*Capturing Secular Growth*

2

### ROI Projects

*Creating Shareholder Value*

3

### Frenchman's Reef Relaunch

*Accelerating Earnings Growth*

4

### Opportunistic Recycling

*Capturing Secular Growth*

5

### Asset Repositioning

*Unlocking Asset Value*

6

### 2020 Setup

*Group Pace up 17%*



# COMPANY OVERVIEW

# DiamondRock at a Glance



## KEY STATISTICS

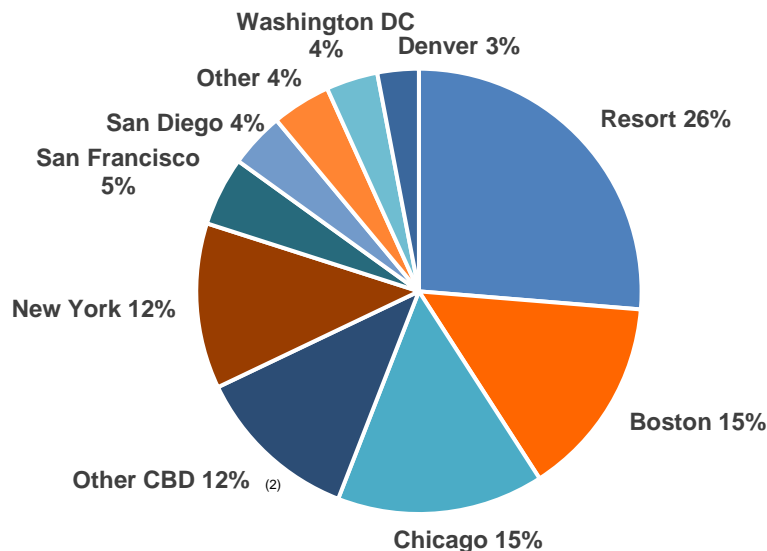
|                                     |           |
|-------------------------------------|-----------|
| Hotels (Rooms)                      | 31 (>10K) |
| Enterprise Value                    | \$3.1B    |
| Market Cap                          | \$2.1B    |
| Enterprise Value / Key              | ~\$309K   |
| Dividend Yield                      | 4.9%      |
| YE19 Net Debt/EBITDA <sup>(1)</sup> | 4.2x      |

Market data as of 9/30/19. Balance sheet data as of 9/30/19.

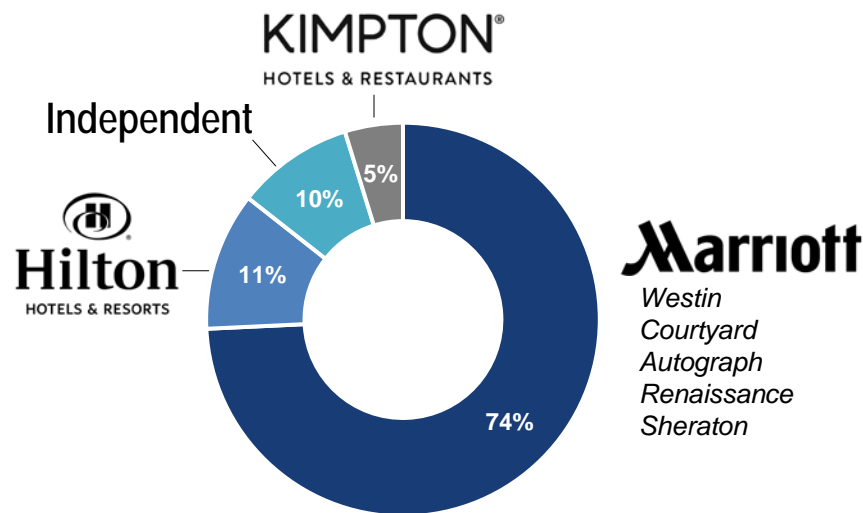
## RECENT HIGHLIGHTS

- Q3 2019 Results
  - Total RevPAR up 3.1%
  - RevPAR up 1.6%
  - EBITDA Margin of 30.67%
  - Adj FFO per share of \$0.27
- 0.3MM common shares repurchased at an average price of \$9.96 per share

## URBAN AND RESORT HOTELS IN TOP MARKETS



## HIGH QUALITY BRANDS



(1) Based on PF 2019 EBITDA at guidance midpoint and current pro forma net debt.  
 (2) Other CBD includes Burlington Hilton, Salt Lake City Marriott, and Worthington Renaissance.

# 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



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.

# 2019 Full-Year Guidance



| 2019 Guidance   |                  |                  |
|---|------------------|------------------|
| Metric  | Low End          | High End         |
| RevPAR Growth   | 0.0%             | 0.75%            |
| Adjusted EBITDA   | \$256 million    | \$260 million    |
| Adjusted FFO  | \$211 million    | \$214 million    |
| Adjusted FFO per share<br>(based on 204 million diluted shares) | \$1.03 per share | \$1.05 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.**

# Share Repurchase Plan: 7.8M Shares



- \$250M Plan Authorization
- \$75M repurchased at \$9.58 per share under current 10b5-1
- \$175M remaining under repurchase authorization

| Implied Valuation    |           |
|----------------------|-----------|
| 2019 EBITDA Multiple | 11.8x     |
| 2019 NOI Cap Rate    | 8.0%      |
| Discount to NAV      | 25% - 40% |

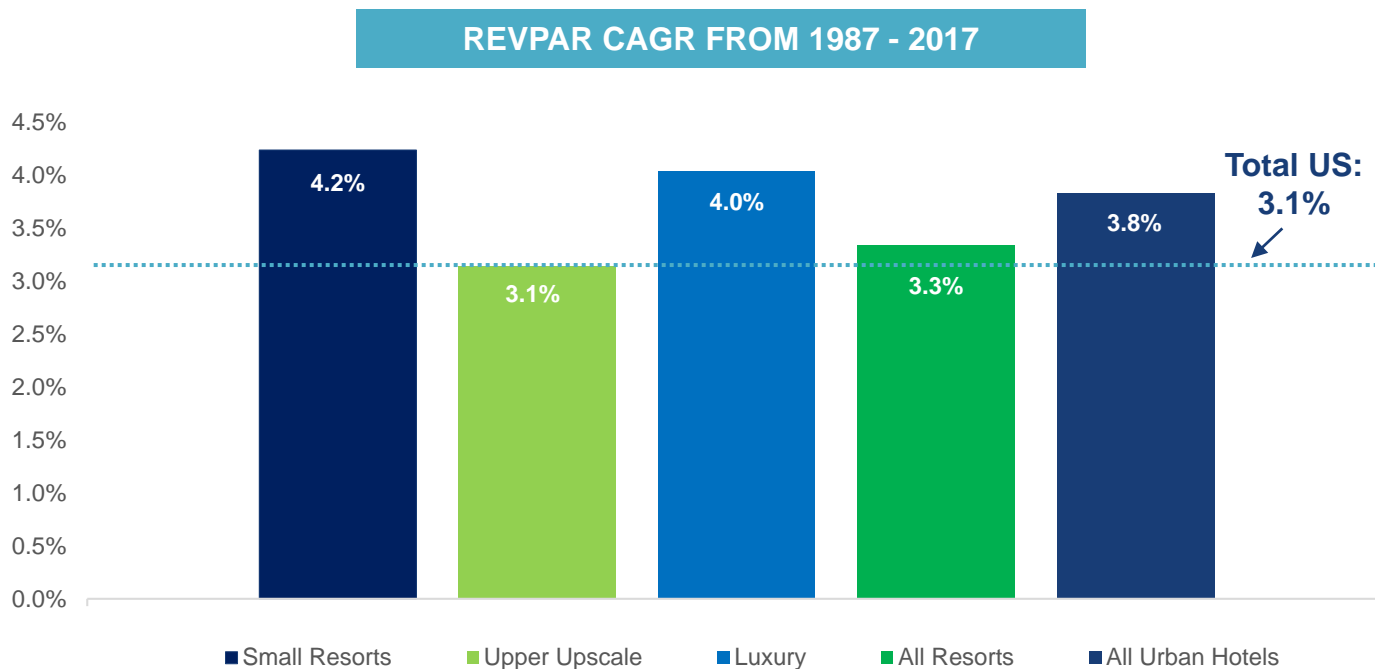


# RESORT STRATEGY RATIONALE

# Research Demonstrates Small Resorts Outperform



- According to CBRE/PKF research study, small resorts<sup>(1)</sup> 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

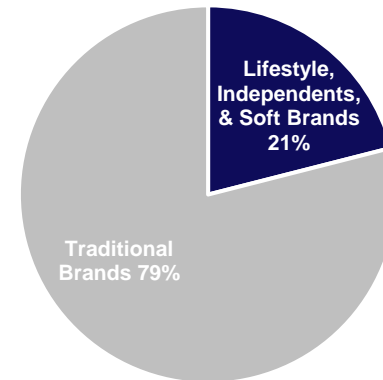
# DRH Lifestyle & Independent Strategy



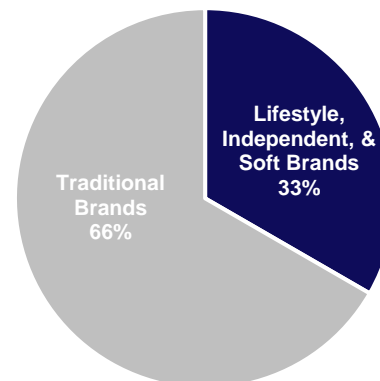
## RATIONALE FOR TARGETING LIFESTYLE HOTELS, INDEPENDENTS, & SOFT BRANDS

- To grow with shift towards experiential travel
- Reduces reliance on traditional brands
- Balances portfolio
- Greater opportunity for smaller deals
- Target allocation will be achieved through acquisitions of lifestyle hotels, independents and soft brands and dispositions of traditional boxes

## CURRENT ALLOCATION<sup>(1)</sup>



## LONG-TERM TARGET ALLOCATION

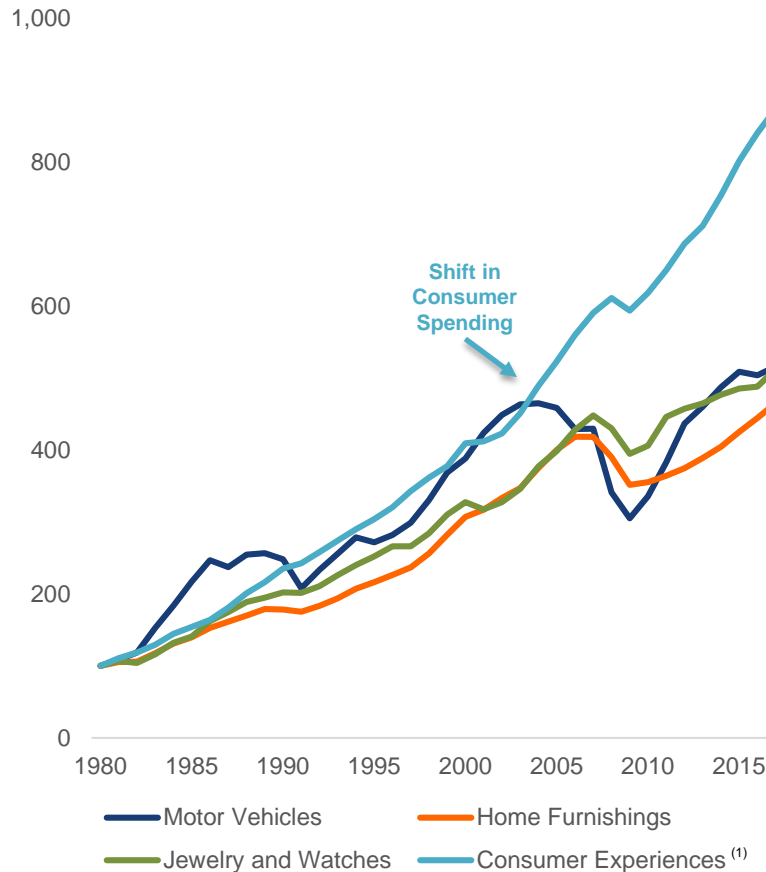


(1) Independent, lifestyle and soft brand hotels include the Havana Cabana, Cavallo Point, Hotel Emblem, L'Auberge de Sedona, Orchards Inn, The Landing, Palomar Phoenix, Shorebreak Hotel, the Lexington and The Gwen. Soft brands, including Autograph and Luxury Collection, are included as lifestyle / boutique. Based on 2018F EBITDA for all properties except Frenchman's Reef and Havana Cabana where 2016A used due to closure. Pro forma for full year for acquisitions.

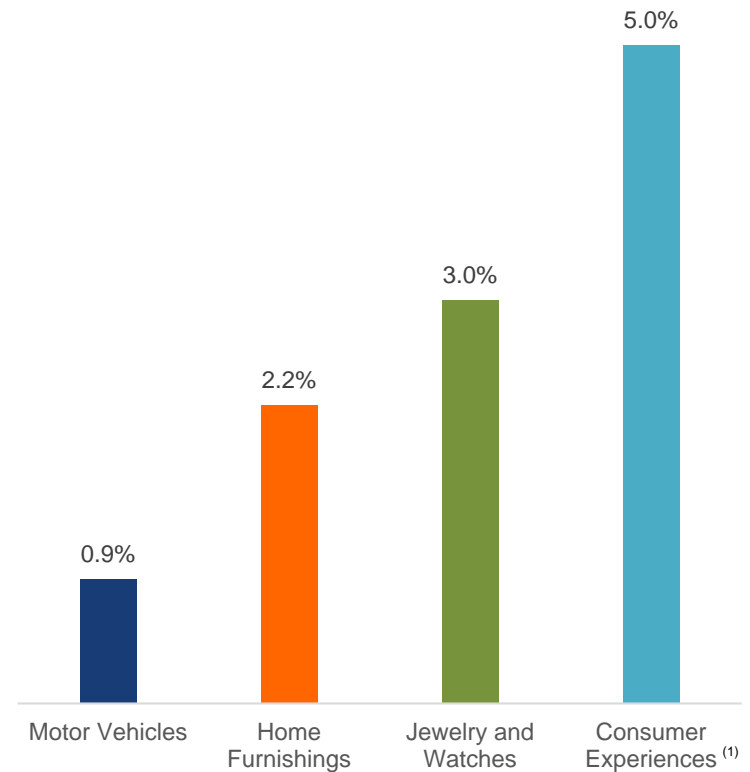
# Consumers Spending More on Experiences Than Material Goods



## Indexed Spending Growth (1980-2017)



## 15-Year Spending CAGR (2002-2017)



Source: Bureau of Economic Analysis.

Note: Represents personal consumption expenditures by category indexed to 100 for the year 1980.

(1) Experiences include the following Bureau of Economic Analysis categories: accommodations, air travel, foreign travel by US residents, membership clubs, sports centers, parks, theaters, museums, casino gambling, and food services.

# Resort Thesis Already Proven Successful



|                                 | Investment (\$MM) | EBITDA Multiple @ |              | EBITDA Increase |
|---------------------------------|-------------------|-------------------|--------------|-----------------|
|                                 |                   | Purchase          | YE 2018      | \$MM            |
| 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 | \$178             | 7.1x              | 10.7x        | \$6.0           |
| Havana Cabana                   | \$59              | 12.2x             | 15.6x        | (\$0.2)         |
| Key West Suites                 | \$96              | 14.9x             | 12.7x        | \$1.3           |
| The Landing Resort & Spa        | \$42              | 17.8x             | 17.8x        | 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           |
| <b>Total Resort</b>             | <b>\$1,088</b>    | <b>13.1x</b>      | <b>10.7x</b> | <b>\$32.4</b>   |

**Over \$380M of NAV Created in Resort Portfolio**



ROI PROJECTS



# ROI Projects Create \$0.79/sh In Value



| Property                 | Project                                       | Incremental Capital Spend | Incremental EBITDA | Incremental Value | Project Status | Projected Completion |
|--------------------------|---|---------------------------|--------------------|-------------------|----------------|----------------------|
| Hotel Emblem             | Complete Renovation and Repositioning         | \$5.1M                    | \$1.5M - \$1.8M    | \$25M - \$30M     | Complete       | Q1 2019              |
| JW Marriott Denver       | Renovation and Restaurant Repositioning       | \$2.4M                    | \$1.25M            | \$17M             | In Progress    | Q1 2020              |
| The Lodge at Sonoma      | Reposition as Autograph Collection            | \$5.0M                    | \$1.2M             | \$17M             | In Progress    | Q2 2020              |
| Sheraton Key West        | Reposition as an Independent Hotel            | \$10.7M                   | \$1.7M - \$2.2M    | \$23M - \$31M     | In Progress    | Q2 2020              |
| Hilton Boston Downtown   | 29 Additional Guestrooms                      | \$5.5M                    | \$1.0M             | \$14M             | In Progress    | Q3 2020              |
| Sedona - Orchards Inn    | Reposition as Cliffs at L'Auberge             | \$17.6M                   | \$3.7M             | \$53M             | In Planning    |                      |
| Worthington Renaissance  | Restaurant, Lobby and Courthouse Conservatory | \$13.8M                   | \$3.0M             | \$36M             |                |                      |
| The Landing Resort & Spa | Additional 17 Keys and Resort Enhancements    | \$5.7M                    | \$0.9M             | \$12M             |                |                      |
| Vail Marriott            | Resort Renovation and Repositioning           | \$27.0M                   | \$3.0M - \$4.0M    | \$41M - \$55M     |                |                      |
| Total                    |   | \$92.8M                   | \$17 - \$19M       | \$238 - \$265M    |                |                      |

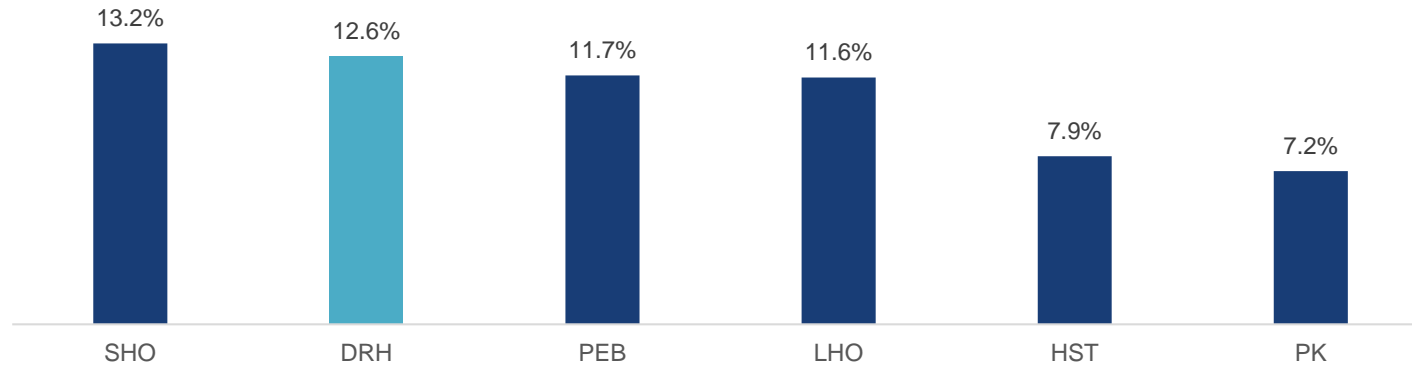
**2019-2021 Value-Add Investments Are Expected To Create \$0.72/sh to \$0.85/sh of Value**

# DRH to Benefit from Renovated Portfolio

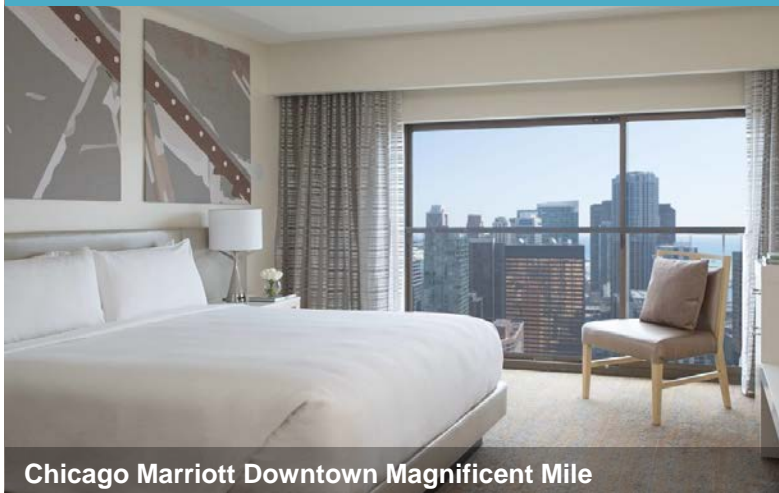


>70% of DRH portfolio has been renovated in recent years.

## 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

# 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**

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. The text "FRENCHMAN'S REEF RELAUNCH" is overlaid in white capital letters on a dark horizontal band across the middle of the image.

# FRENCHMAN'S REEF RELAUNCH

# Frenchman's Reef Overview



**REBUILD  
COST:**

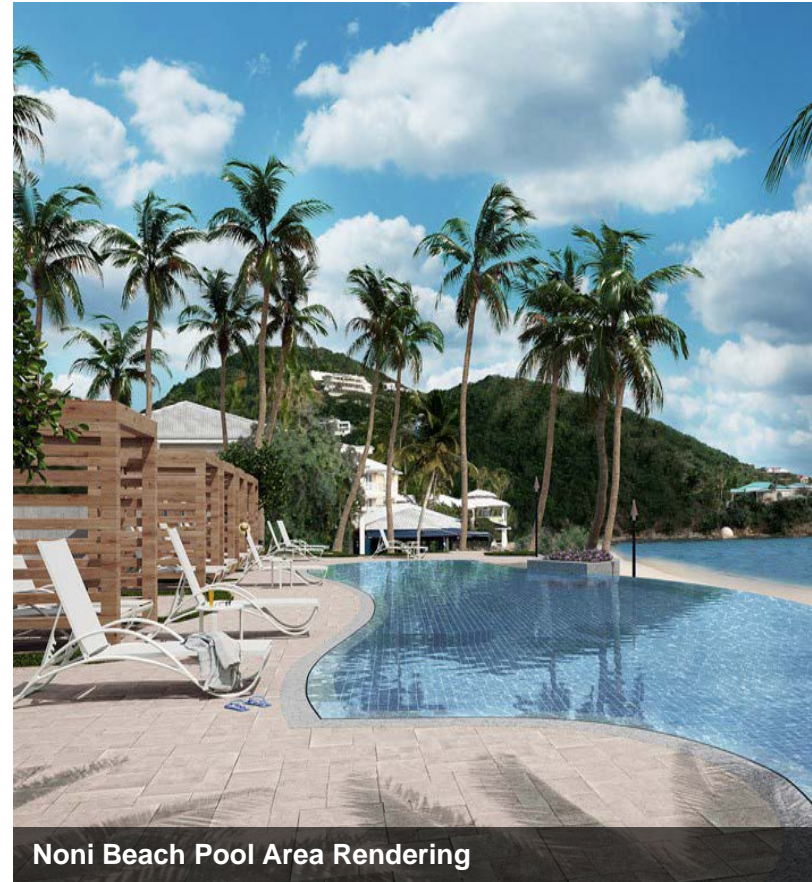
~\$280MM

**OWNER  
INVESTMENT:**

\$55MM\*

**INSURANCE  
CLAIM:**

~\$290MM



Noni Beach Pool Area Rendering

## Project Update

Anticipated  
Completion  
**Q3 2020**

Anticipated  
Opening  
**Q4 2020**

Trial Date Set  
**January  
2020**

Branding Established  
**Marriott/  
Autograph**

Management  
Selected  
**Aimbridge**

Stabilized  
EBITDA  
**\$25M**

\* Assumes 100% of claim received

# 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)



Noni Beach Lobby Rendering



Noni Beach Guestroom Rendering



Frenchman's Reef Lobby Rendering

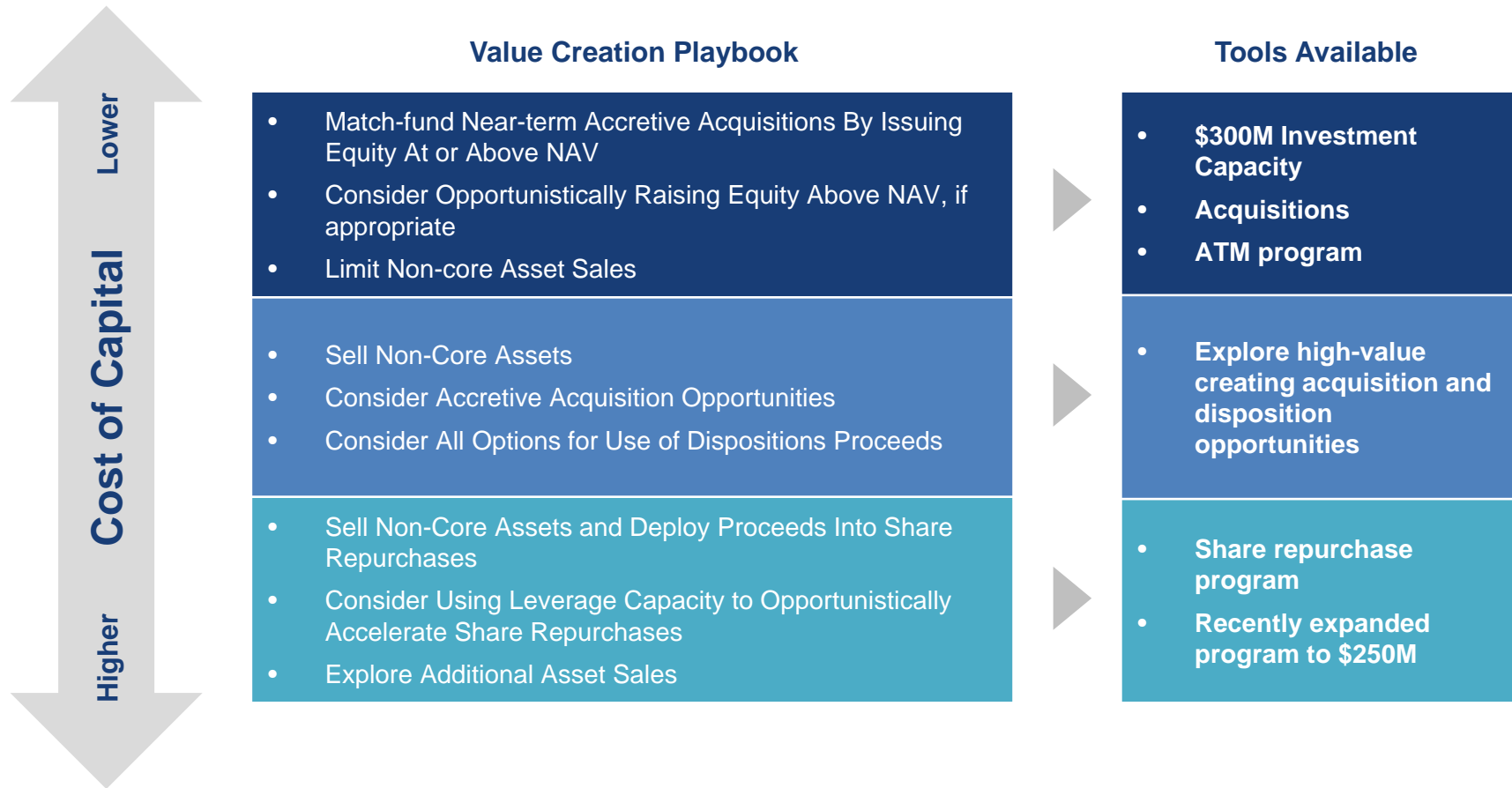


Frenchman's Reef Guestroom Rendering



# OPPORTUNISTIC CAPITAL RECYCLING

# Creating Value Throughout Cycle



# Opportunistic Capital Recycling



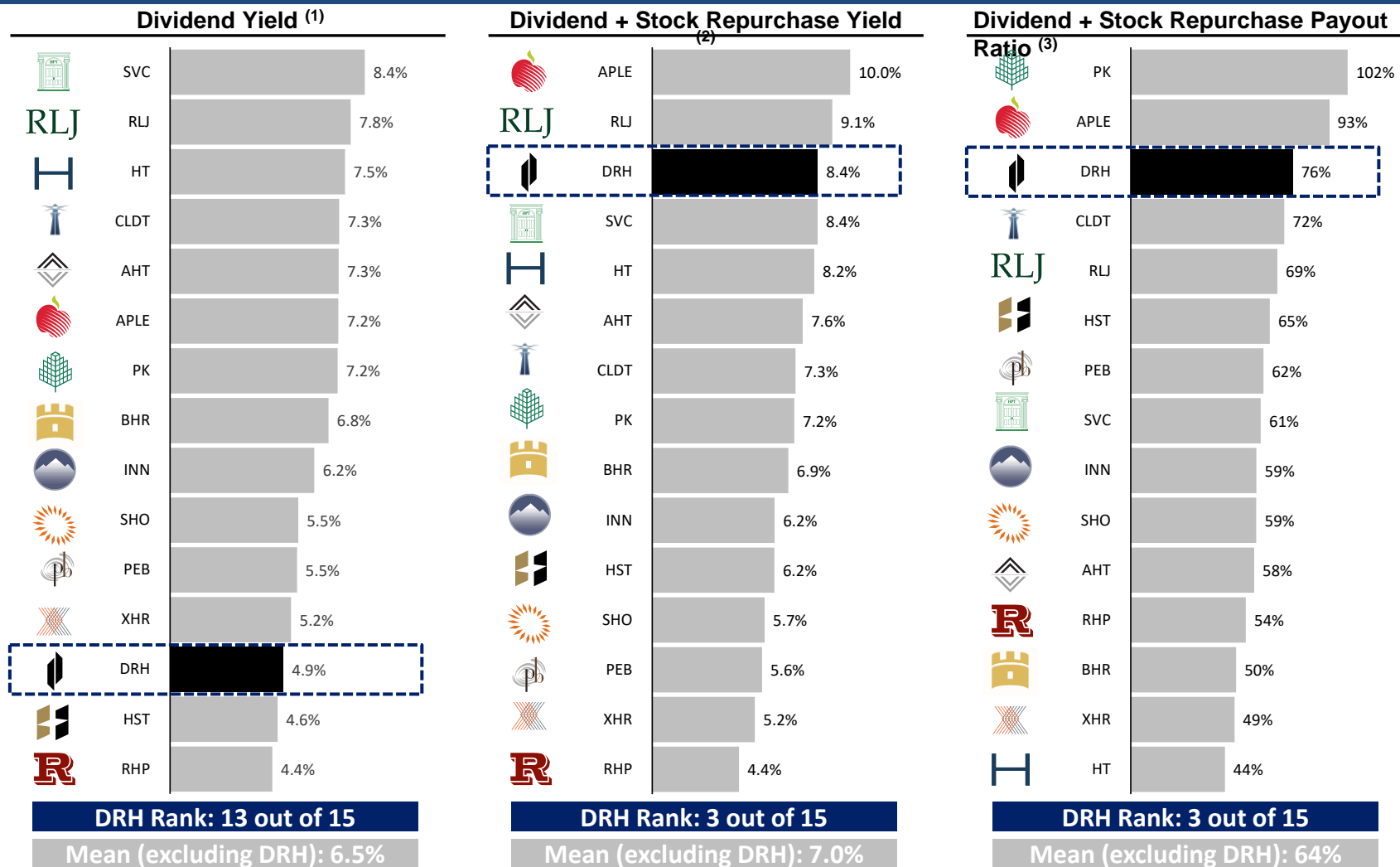
**Similar to most lodging REIT peers, DRH currently trades at >25% discount to NAV per share**

| Region                    | Hotel NOI      | Cap Rate    |             |             | Estimated Value <sup>(2)</sup> |                |                |                          |
|---------------------------|----------------|-------------|-------------|-------------|--------------------------------|----------------|----------------|--------------------------|
|                           | TTM Q3 2019    | Low         | Mid         | High        | Low                            | Mid            | High           | Mid / Key <sup>(3)</sup> |
| Boston                    | \$35.2         | 6.0%        | 6.5%        | 7.0%        | \$503.4                        | \$542.1        | \$587.2        | \$453                    |
| Chicago                   | \$34.7         | 6.5%        | 7.0%        | 7.5%        | \$462.7                        | \$495.7        | \$533.9        | \$328                    |
| Dallas / Fort Worth       | \$12.4         | 7.0%        | 7.5%        | 8.0%        | \$155.2                        | \$165.6        | \$177.4        | \$328                    |
| Denver                    | \$8.6          | 6.0%        | 6.5%        | 7.0%        | \$123.1                        | \$132.6        | \$143.6        | \$355                    |
| New York City             | \$28.2         | 5.0%        | 5.5%        | 6.0%        | \$470.1                        | \$512.8        | \$564.1        | \$338                    |
| San Diego                 | \$12.0         | 6.5%        | 7.0%        | 7.5%        | \$160.4                        | \$171.9        | \$185.1        | \$394                    |
| San Francisco             | \$11.2         | 5.0%        | 5.5%        | 6.0%        | \$186.4                        | \$203.3        | \$223.6        | \$861                    |
| Washington, DC            | \$14.3         | 6.5%        | 7.0%        | 7.5%        | \$190.2                        | \$203.8        | \$219.5        | \$299                    |
| Other Urban               | \$21.1         | 6.5%        | 7.0%        | 7.5%        | \$282.0                        | \$302.1        | \$325.4        | \$282                    |
| Resorts                   | \$64.1         | 6.0%        | 6.5%        | 7.0%        | \$916.1                        | \$986.6        | \$1,068.8      | \$477                    |
| Resorts Under Development | \$20.0         | 8.0%        | 8.5%        | 9.0%        | \$222.2                        | \$235.3        | \$250.0        | \$737                    |
| <b>Total</b>              | <b>\$261.9</b> | <b>6.1%</b> | <b>6.6%</b> | <b>7.1%</b> | <b>\$3,672</b>                 | <b>\$3,952</b> | <b>\$4,279</b> | <b>\$399</b>             |
| <b>NAV Per Share</b>      |                |             |             |             | <b>\$13.09</b>                 | <b>\$14.48</b> | <b>\$16.10</b> |                          |

- 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 9/30/19  
(2) Dollar amounts in millions  
(3) Dollar amounts in thousands

# DRH Return of Capital: Return \$1.13B Since IPO

DRH's return of capital profile is among the most attractive relative to peers



Source: FactSet as of September 30, 2019.

Note: Excludes lodging REITs that were not publicly trading prior to 2018 and lodging REITs with an equity market capitalization <\$250 million.

(1) Represents last quarter annualized dividend yield, except for SHO, which is depicted on a last 12 month basis.

(2) Represents dividend yield plus last 12 month stock repurchases as a percentage of equity market capitalization.

(3) Represents last 12 month common dividends paid and stock repurchases as a percentage of cash flow from operations.

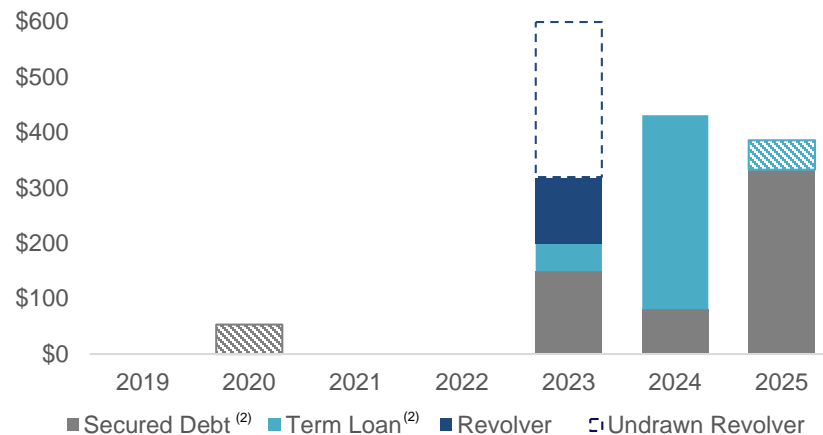
# \$300MM of Investment Capacity



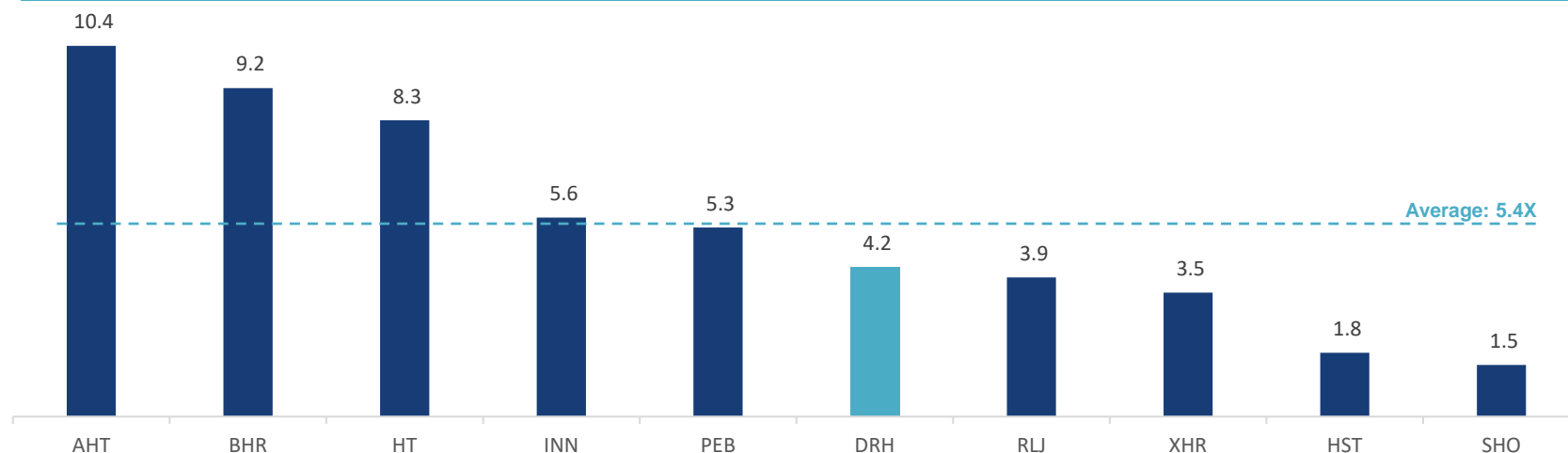
## CONSERVATIVE BALANCE SHEET STRATEGY <sup>(1)</sup>

- 23 unencumbered hotels
- Well-laddered maturity schedule with no maturities until November 2020
- \$300 million of investment capacity
- No more than 35% floating rate debt

## 2019 CREDIT RECAST EXTENDED MATURITIES



## LEVERAGE BELOW PEER AVERAGE <sup>(3)</sup>



(1) Source: Company Filings, Wall Street Research.

(2) Assumes Salt Lake City mortgage to be refinanced into 5-year term loan upon maturity in 2020

(3) Source: Baird, Net Debt plus preferred / 2019 Consensus EBITDA

Note: Leverage calculation is not adjusted for estimated EBITDA contribution from Frenchman's Reef

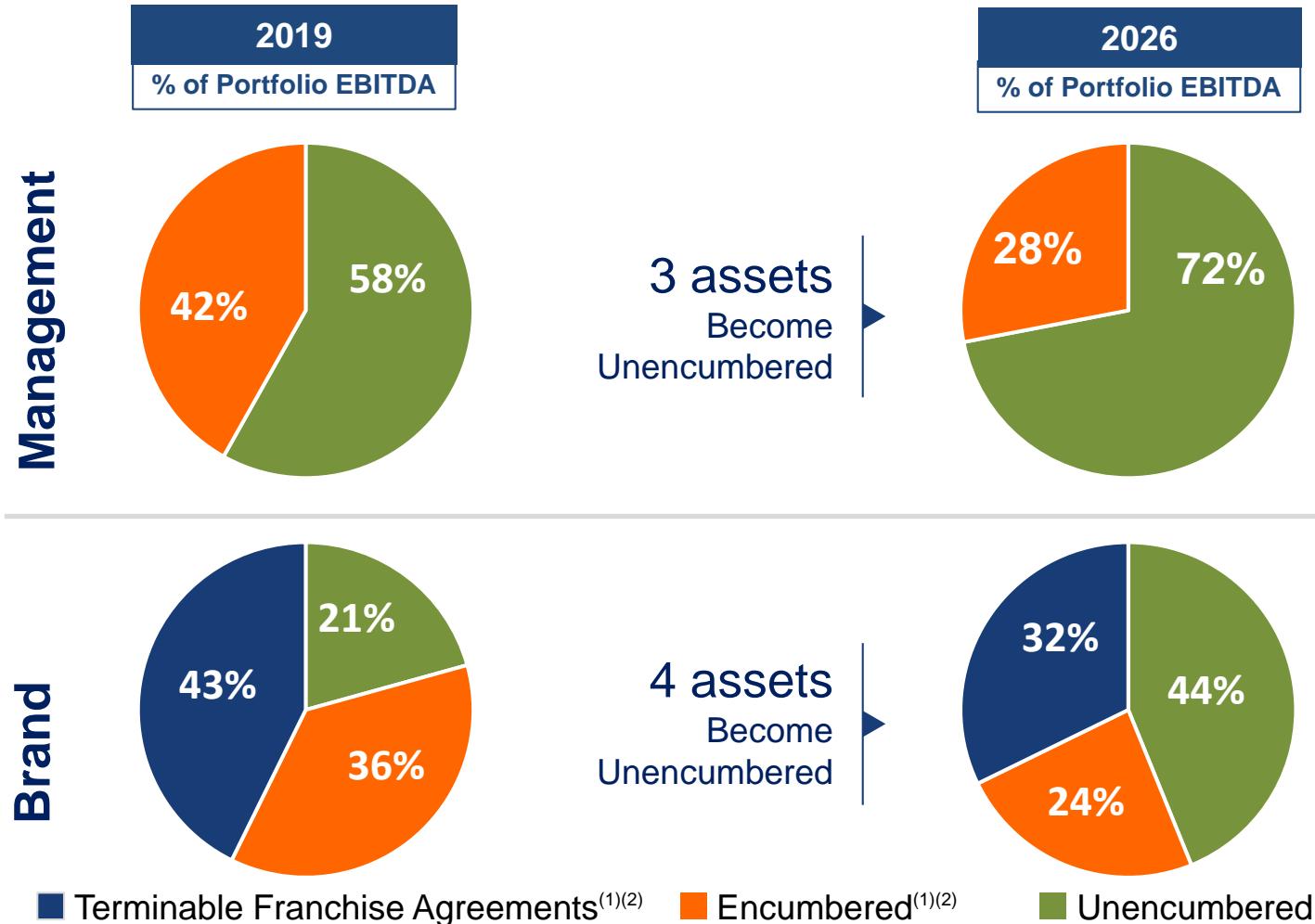


# ASSET REPOSITIONING

# Short Term Agreements Driving Value



~75% of EBITDA Not Encumbered by Brand and Management in 2026  
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.

A wide-angle photograph of the Boston Harbor skyline. In the foreground, a dark metal mooring post with a thick chain is attached to a stone pier. The water is blue with gentle ripples. In the background, a dense cluster of skyscrapers rises against a bright blue sky with scattered white clouds. The text "2020 OUTLOOK" is centered over the middle of the image.

## 2020 OUTLOOK

# DRH 2020 Outlook Favorable

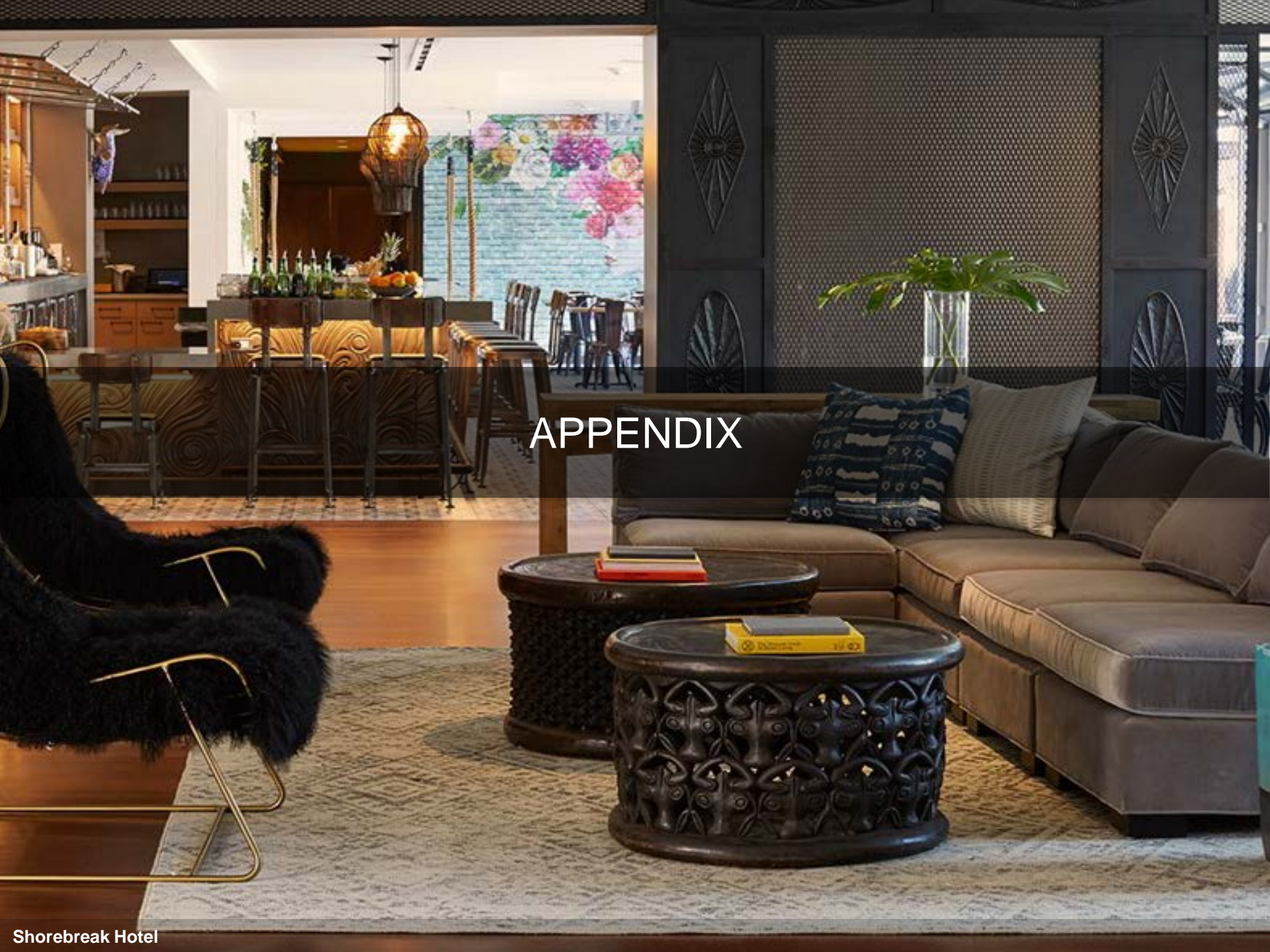


- Total 2020 booking pace **up 17%+**
- Chicago combined pace **up over 20%**
- Boston combined pace **up nearly 40%**
- NYC supply additions to **decline by double digits** from 2019 increase
- Frenchman's Reef Marriott Resort & Spa and Noni Beach, an Autograph Hotel **Reopening 2020**





DIAMONDRock  
HOSPITALITY



# APPENDIX

# Summary of DRH's Historic ESG Performance



|   | Summary of DiamondRock's Historic ESG Performance |      |      |      |              |
|---|---|------|------|------|--------------|
|   | 2015  | 2016 | 2017 | 2018 | Current 2019 |
| <b>GRESB Annual Results</b>                             |   |      |      |      |              |
| DRH GRESB Score   | 55  | 48   | 51   | 78   | 81           |
| Lodging Peer Score Average <sup>(1)</sup>               | 54  | 51   | 58   | 62   | 69           |
| Index to Peer Score Average                             | 103%  | 95%  | 87%  | 126% | 117%         |
| <b>ISS Quality Ratings Annual Results<sup>(2)</sup></b> |   |      |      |      |              |
| Environmental Quality Score                             | N/A   | N/A  | N/A  | 4    | 4            |
| Social Quality Score                                    | N/A   | N/A  | N/A  | 6    | 9            |
| Governance Quality Score                                | 1   | 5    | 6    | 7    | 1            |

(1) Lodging Peer Average is based on 17 Lodging Companies including 10 REITs

(2) ISS will not provide Quality Ranking of peer set to DRH without enrolling in their advisory services, however score is relative to peer set

(3) ISS will to initiate a performance-based ESG Corporate Rating in 2020 in addition to the disclosure-based ISS Quality Rating. Under this new methodology DiamondRock outperformed the global real estate industry average (355 companies) with a score of "D+" vs. "D" in 2019. The top performing real estate companies, representing less than 5% of the global industry, received a score of "C". ISS has yet to determine the final scoring system for this methodology.



Environmental



Social



Governance



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Cavallo Point, the Lodge at Golden Gate Bridge