



DIAMONDROCK  
HOSPITALITY

# INVESTOR PRESENTATION

Cavallo Point, the Lodge at Golden Gate Bridge

September 2019



# DiamondRock at a Glance

## KEY STATISTICS

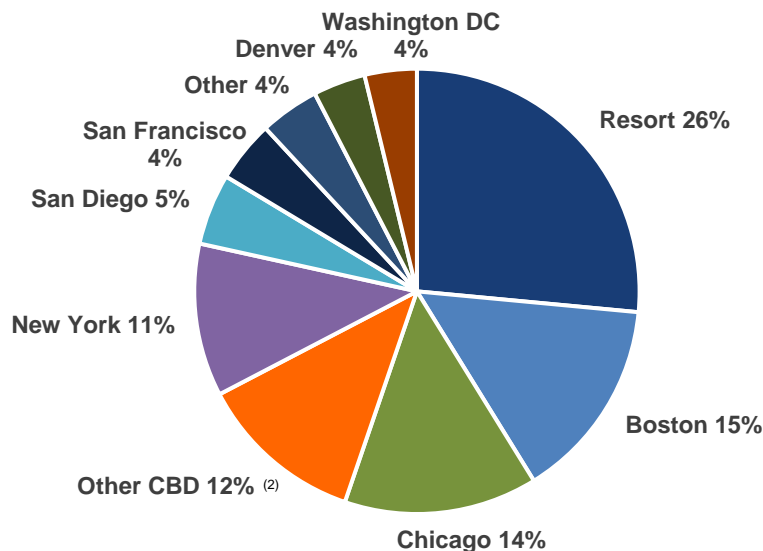
Hotels (Rooms)	31 (>10K)
Enterprise Value	\$3.0B
Market Cap	\$2.0B
Enterprise Value / Key	~\$302K
Dividend Yield	5.0%
YE19 Net Debt/EBITDA <sup>(1)</sup>	4.0x

Market data as of 9/9/19. Balance sheet data as of 6/30/19.

## RECENT HIGHLIGHTS

- Q2 2019 Results
  - RevPAR up 1.1% and Total RevPAR up 3.4%
  - Adj. EBITDA of \$81.1M (4.9% growth)
  - Adj. FFO per share of \$0.32
- 1.0M shares of common stock repurchased at an average price of \$9.95/share

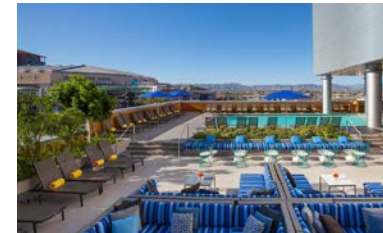
## URBAN AND RESORT HOTELS IN TOP MARKETS



## RECENT ACQUISITIONS ADDING VALUE



The Landing Lake Tahoe



Hotel Palomar Phoenix



L'Auberge De Sedona



Cavallo Point

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

# Why DiamondRock?



**Great Portfolio**



**Strong 2020 Setup**  
(Group Pace Up 21%)



**Significant ROI Projects Underway**  
(\$200M NAV Creation)



**External Growth Focus on Resorts Succeeding**  
(RevPAR up 4% in Q2)



**Balance Sheet in Great Shape**  
(\$300M in Dry Powder)



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



**Strong Capital Allocators**





## 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)



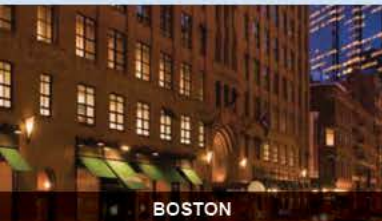
**NEW YORK**

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)



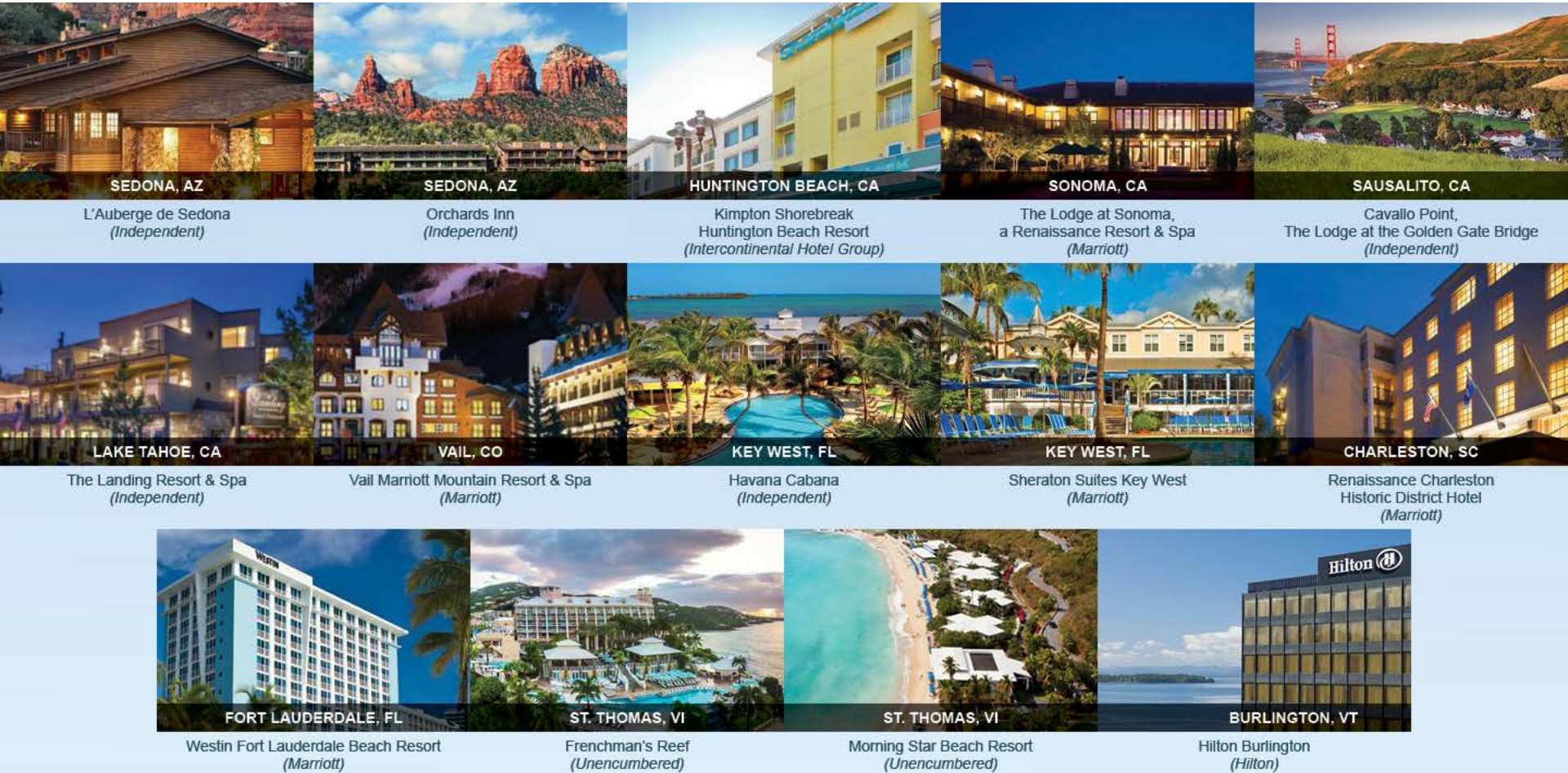
**BETHESDA, MD**

Bethesda Marriott Suites  
(Marriott)

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



# Strong Resort Market Presence

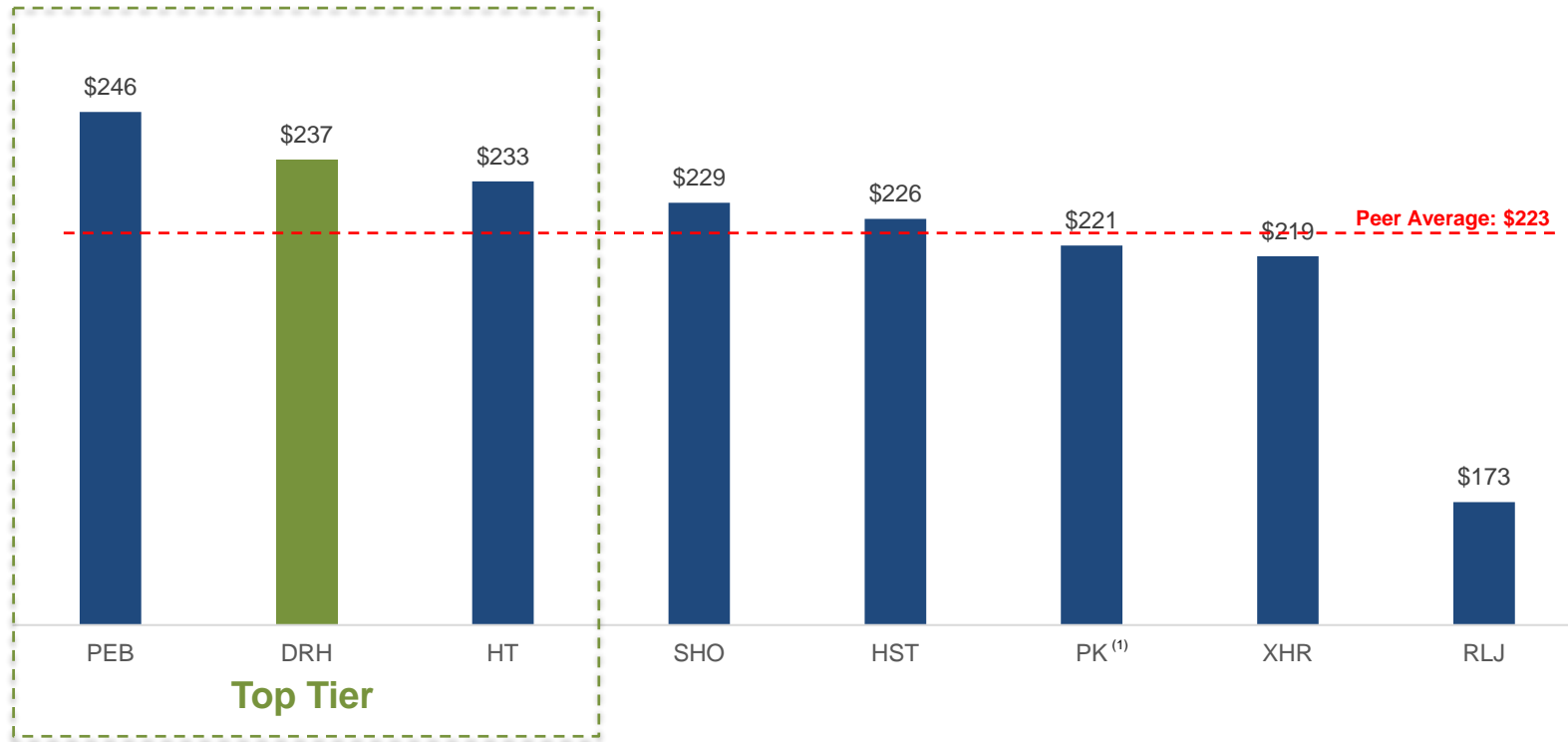


Approximately 1/3 of portfolio located in destination resort markets.

# Top-Tier Portfolio Quality



## 2018 Portfolio Average Daily Rate

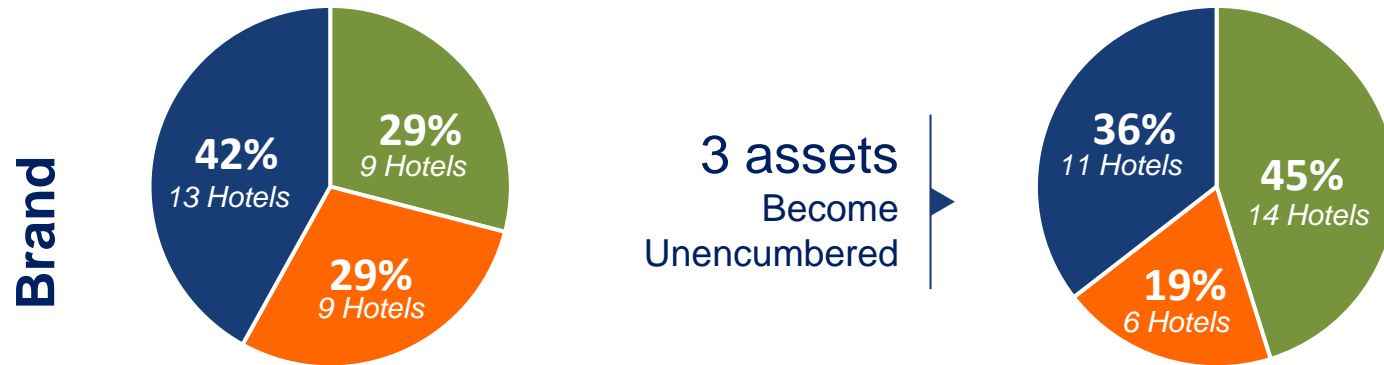


(1) Proforma for Chesapeake merger  
Source: Company Filings as of Q4 2018.

# Short Term Agreements Driving Value



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



■ Terminable Franchise Agreements<sup>(1)(2)</sup> ■ Encumbered<sup>(1)(2)</sup> ■ Unencumbered

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



# 2019 Full-Year Guidance



2019 Guidance		
Metric	Low End	High End
RevPAR Growth	0.0%	1.5%
Adjusted EBITDA	\$256 million	\$265 million
Adjusted FFO	\$206 million	\$214 million
Adjusted FFO per share (based on 205 million diluted shares)	\$1.01 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%



# DRH 2020 Outlook Favorable



- Total 2020 booking pace **up over 20%**
- Chicago combined pace **up 27%**
- Boston combined pace **up over 40%**
- DC pace **up nearly 10%**
- NYC supply additions to **decline by 30%+**
- Frenchman's Reef & Morning Star Resort **to Reopen**



# External Growth: Recent Acquisitions Outperform



	Acquisition Date	2019 RevPAR Growth
<b>Cavallo Point</b>	Dec-18	1.5%
<b>The Landing Resort &amp; Spa</b>	Mar-18	5.0%
<b>Palomar</b>	Mar-18	8.0%
<b>Sedona - L'Auberge</b>	Feb-17	4.6%
<b>Sedona - Orchards Inn</b>	Feb-17	2.7%
<b>Total</b>		<b>4.3%</b>

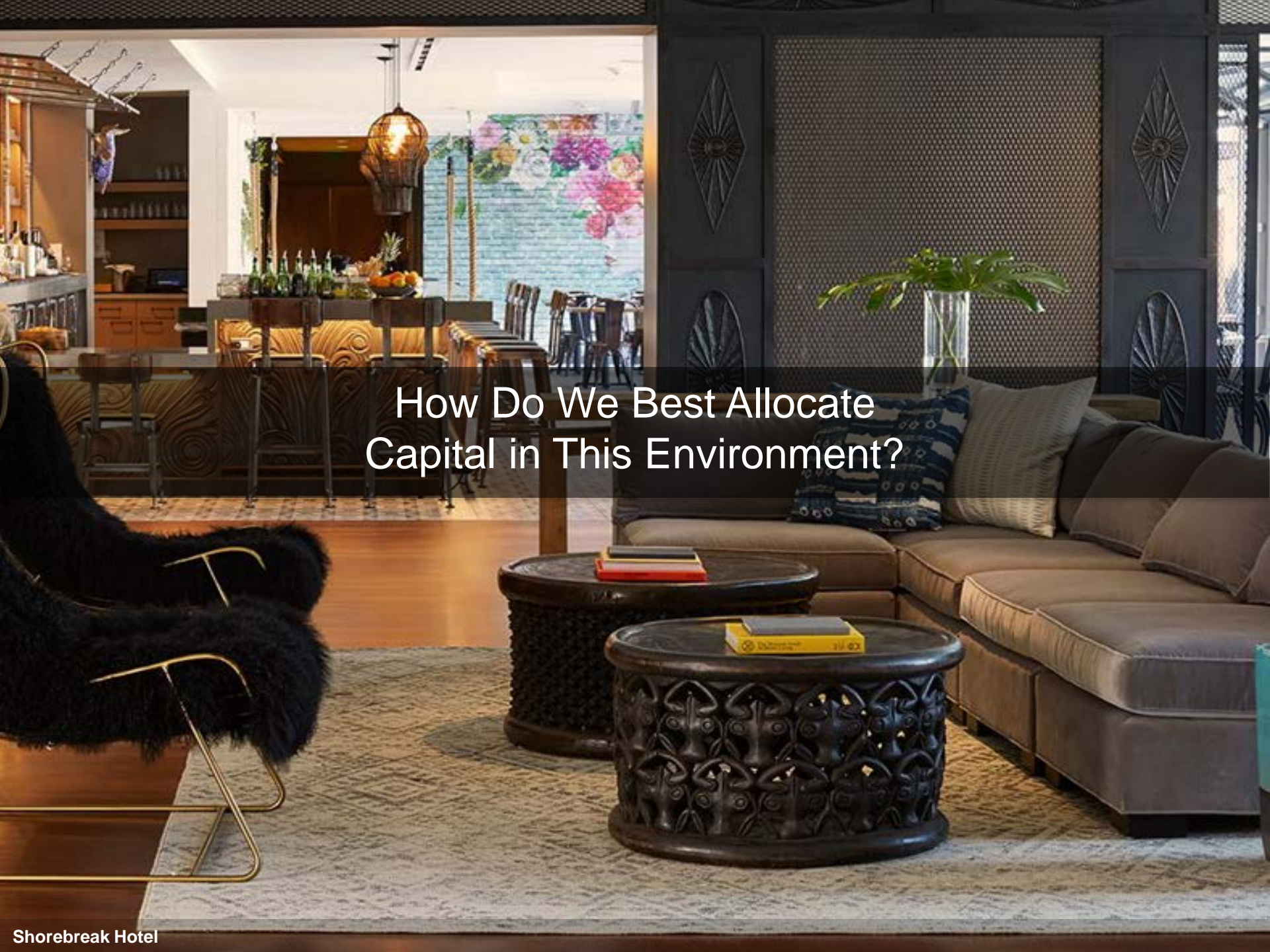
Palomar Phoenix, Phoenix, AZ



Cavallo Point, Sausalito, CA

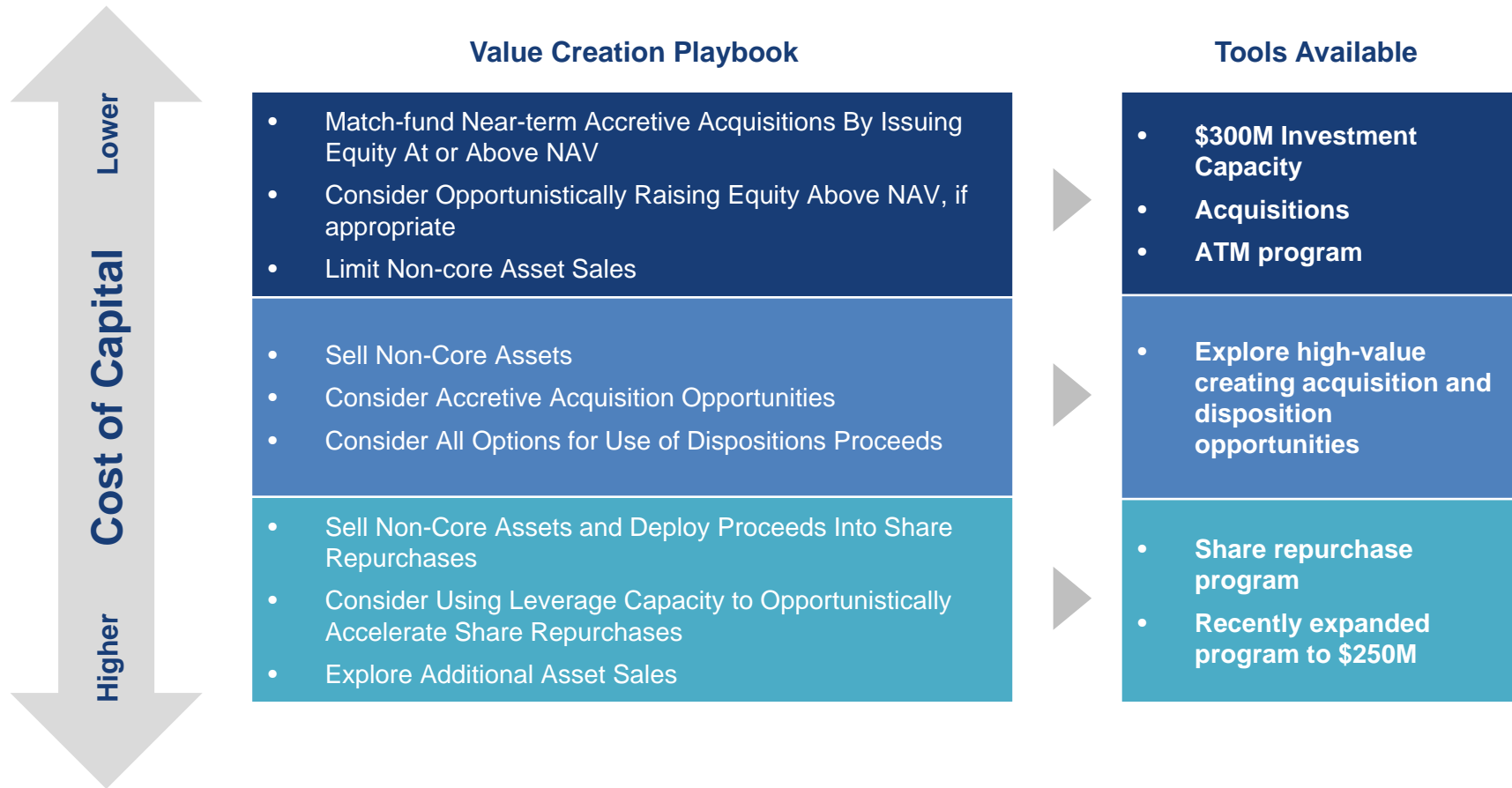






How Do We Best Allocate  
Capital in This Environment?

# Creating Value Throughout Cycle







# External Growth Strategy

# Portfolio Strategy to Drive Performance



## DIVERSIFICATION

**10% Allocation in Any One  
Market Reduces Risk**

## LIFESTYLE HOTELS, INDEPENDENTS AND SOFT BRANDS<sup>(1)</sup>

**1/3 of Portfolio**

## RESORTS

**Historically Have Outperformed:  
Target 50% of Portfolio**

(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.

# 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 <sup>(1)</sup>	\$178	7.1x	10.7x	\$6.0
Havana Cabana <sup>(1)</sup>	\$59	12.2x	15.6x	(\$0.2)
Key West Suites	\$96	14.9x	12.7x	\$1.3
The Landing Resort & Spa <sup>(1)</sup>	\$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
<b>Total Resort</b>	<b>\$1,088</b>	<b>13.1x</b>	<b>10.7x</b>	<b>\$32.4</b>

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

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.

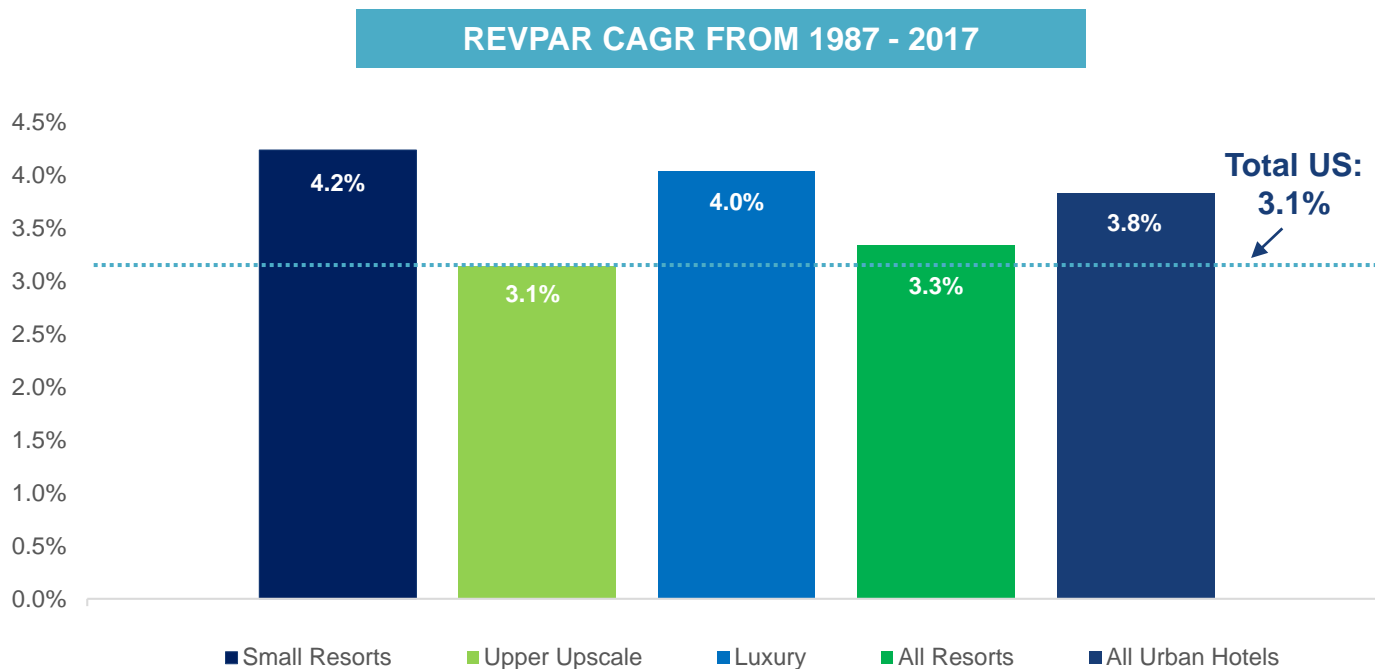
(1) Landing EBITDA adjusted for transition disruption post-acquisition. Frenchman's and Havana Cabana EBITDA adjusted for hurricane disruption.

(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<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



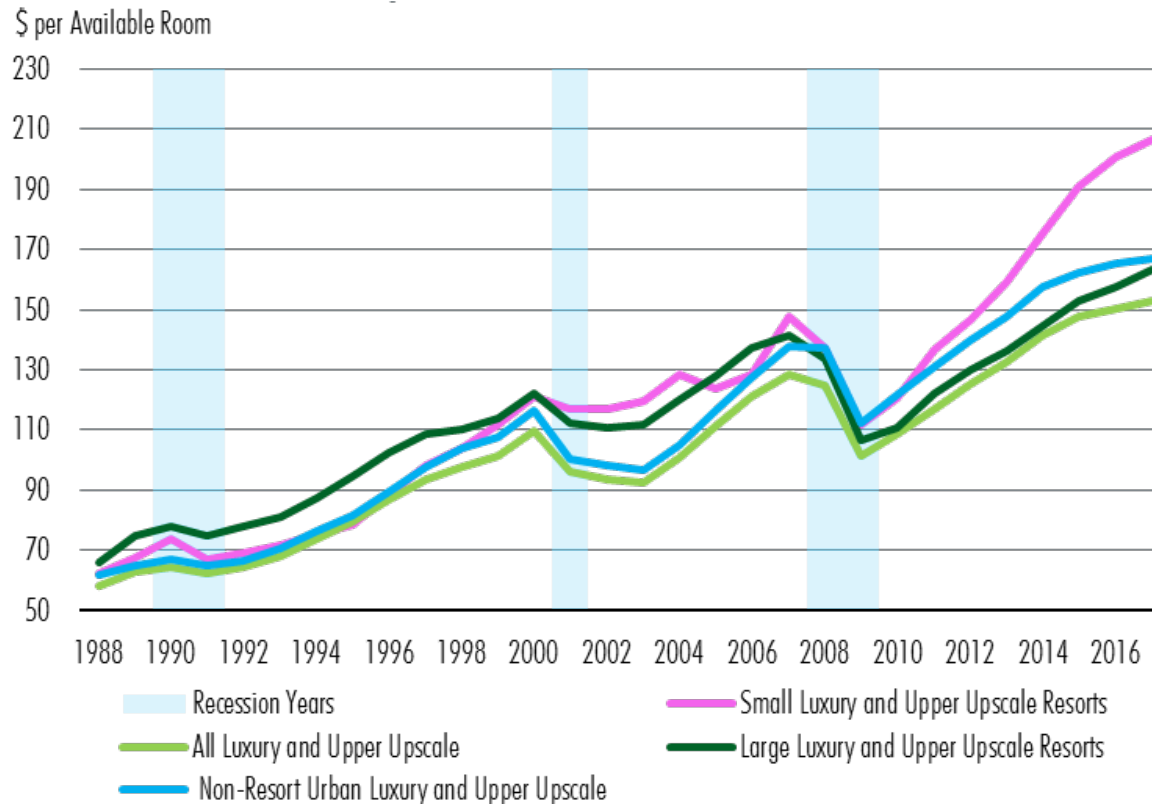
Source: CBRE Hotels Research.

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

# Strong RevPAR Growth for Small Resorts



## REVPAR COMPARISON FROM 1987 - 2017

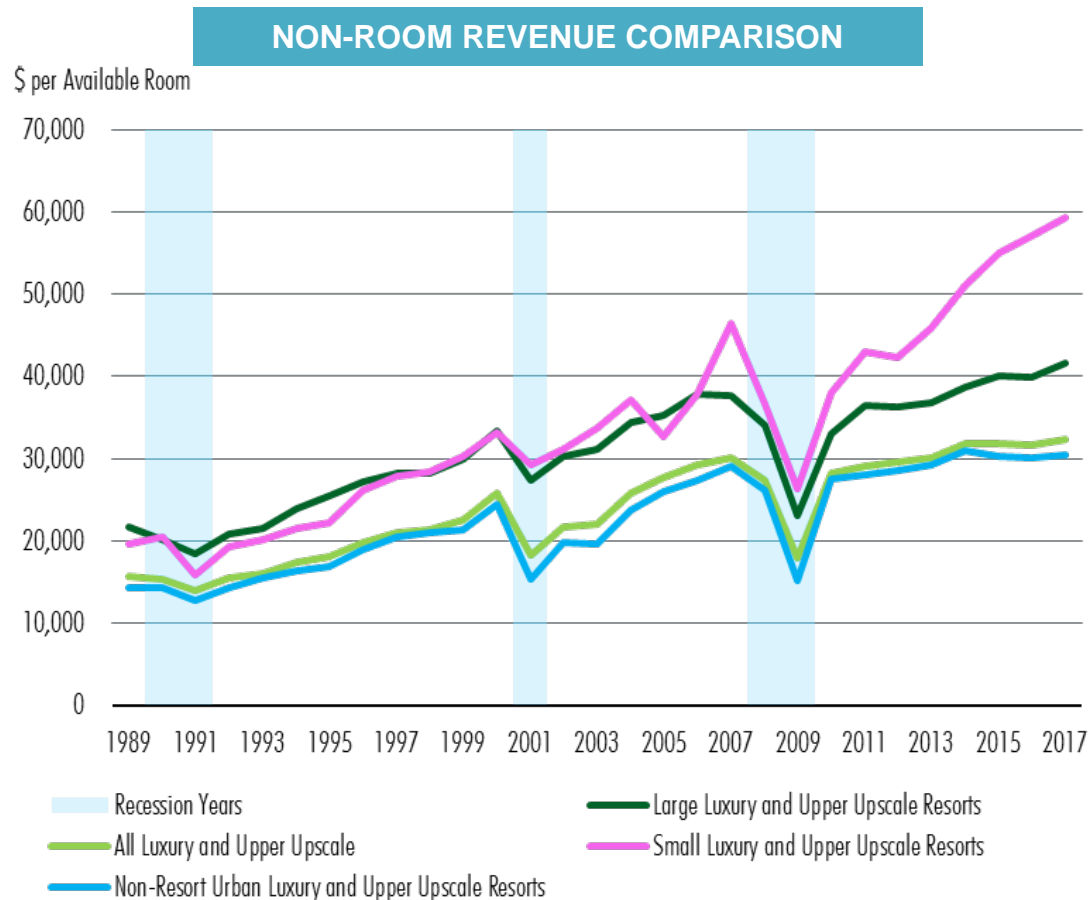


- Small Resorts have operated with a consistently higher RevPAR during the post-Great Recession period
- May be result of a strategy to pursue higher rates at the expense of occupancy
  - Allowed for strong RevPAR with reduced variable expenses and higher income

**Above trend line growth expected to continue.**



# Significant Contribution from Non-Rooms Revenue

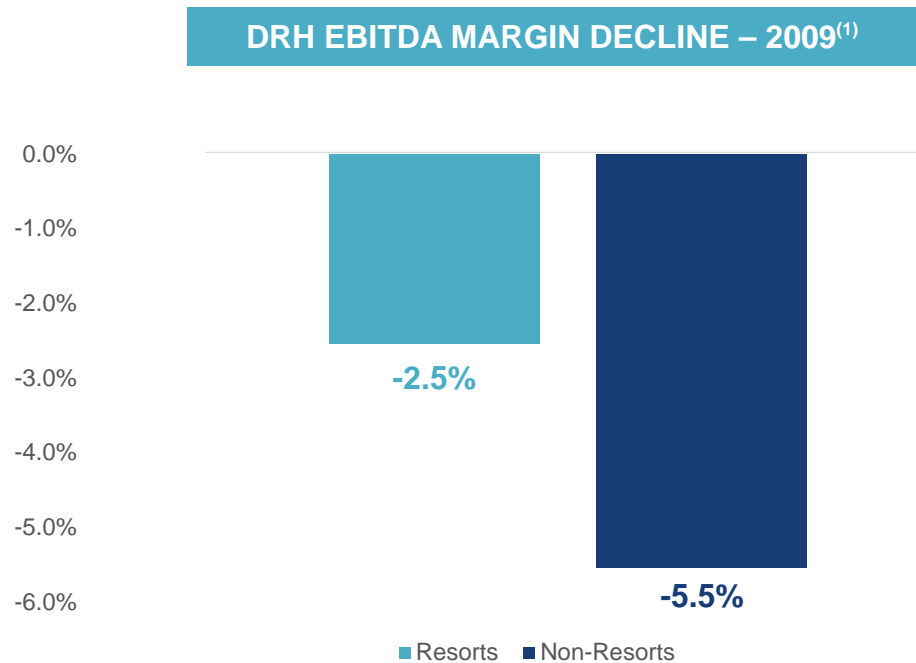


- Both small and large resorts have increasingly relied on non-room revenues
  - Non-room revenues have grown more quickly and regularly than that of other benchmark groups
- Since 1989, small resort non-room revenue approx. tripled while non-room revenue only doubled in other groups
  - Much of this 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?

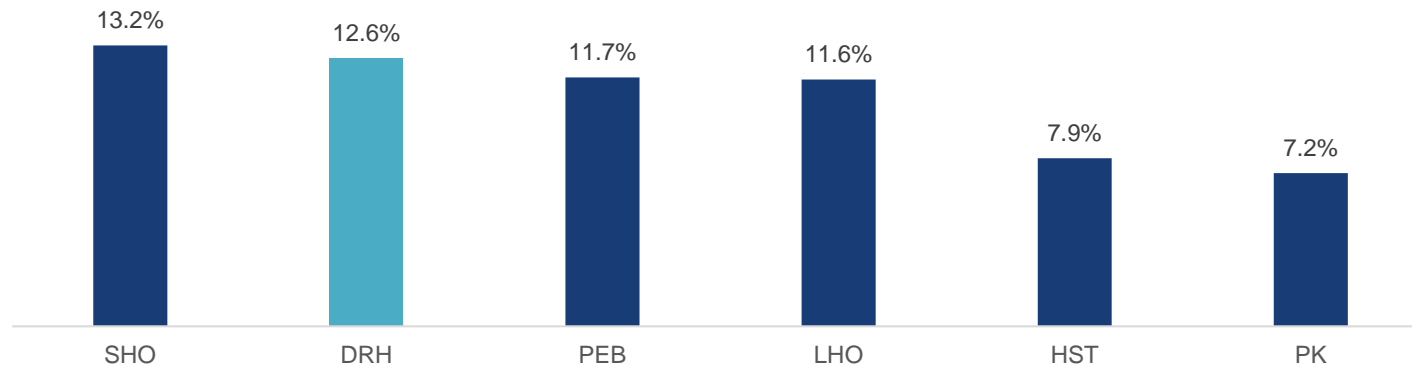


# DRH to Benefit from Renovated Portfolio

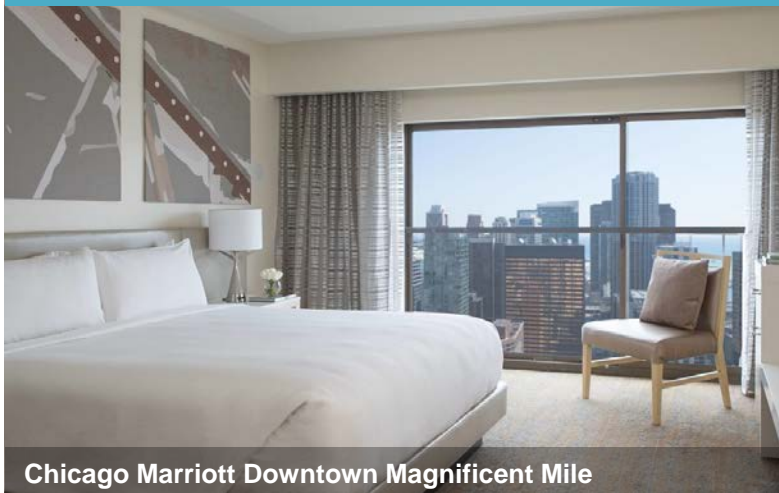


>70% of DRH portfolio has been renovated in recent years.

## 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

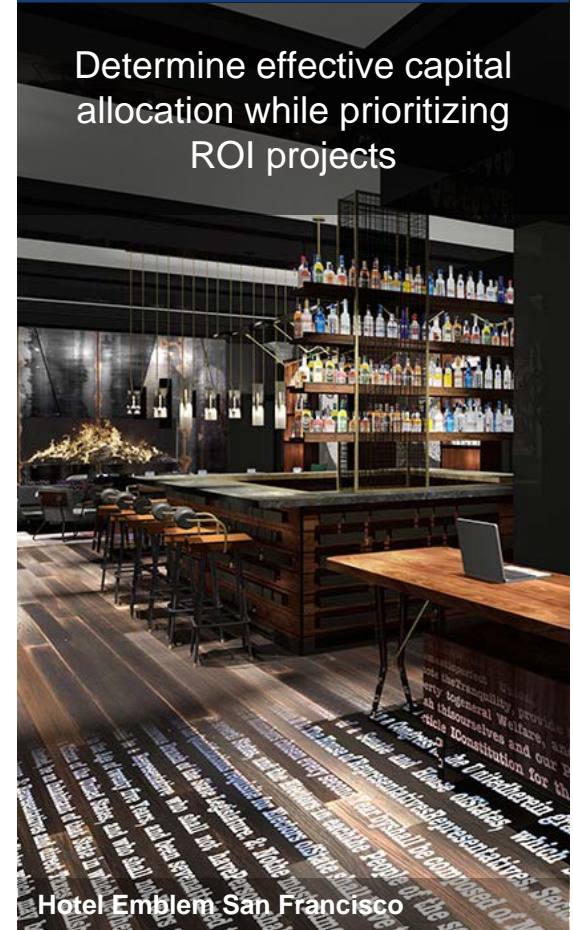
Enhance margins through business intelligence tools and operator collaboration



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

---

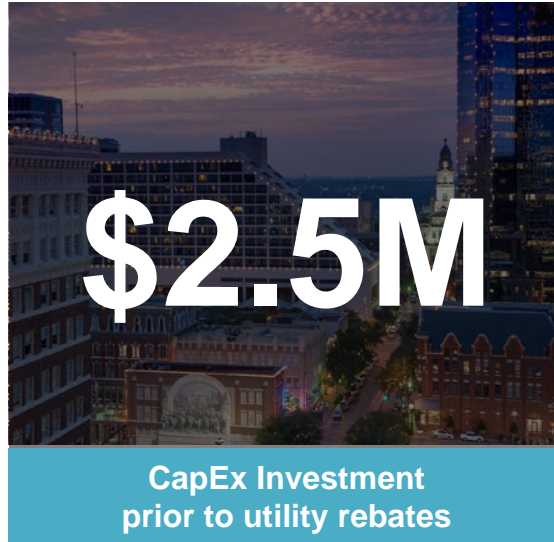
**Goal:** Implement system in all DRH hotels by 2019 to further improve productivity.

---

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

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



An aerial photograph of a tropical resort. The top half shows the turquoise ocean with white foam from waves breaking onto a sandy beach. The bottom half shows the resort's white buildings with gabled roofs, surrounded by palm trees and lush greenery. A large area of the beach is filled with blue umbrellas and lounge chairs. The text "Frenchman's Reef & Morning Star Beach Resort" is overlaid in the center.

# Frenchman's Reef & Morning Star Beach Resort

Morning Star Beach Resort



# Frenchman's Reef Resort & Morning Star Beach Resort

## Key Facts & Figures

**MID 2020**

Projected Reopening

**\$22.25M**

Brand Support

**\$30M**

USVI Support

**\$350+**

Stabilized ADR

**\$25M**

Stabilized EBITDA



# 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

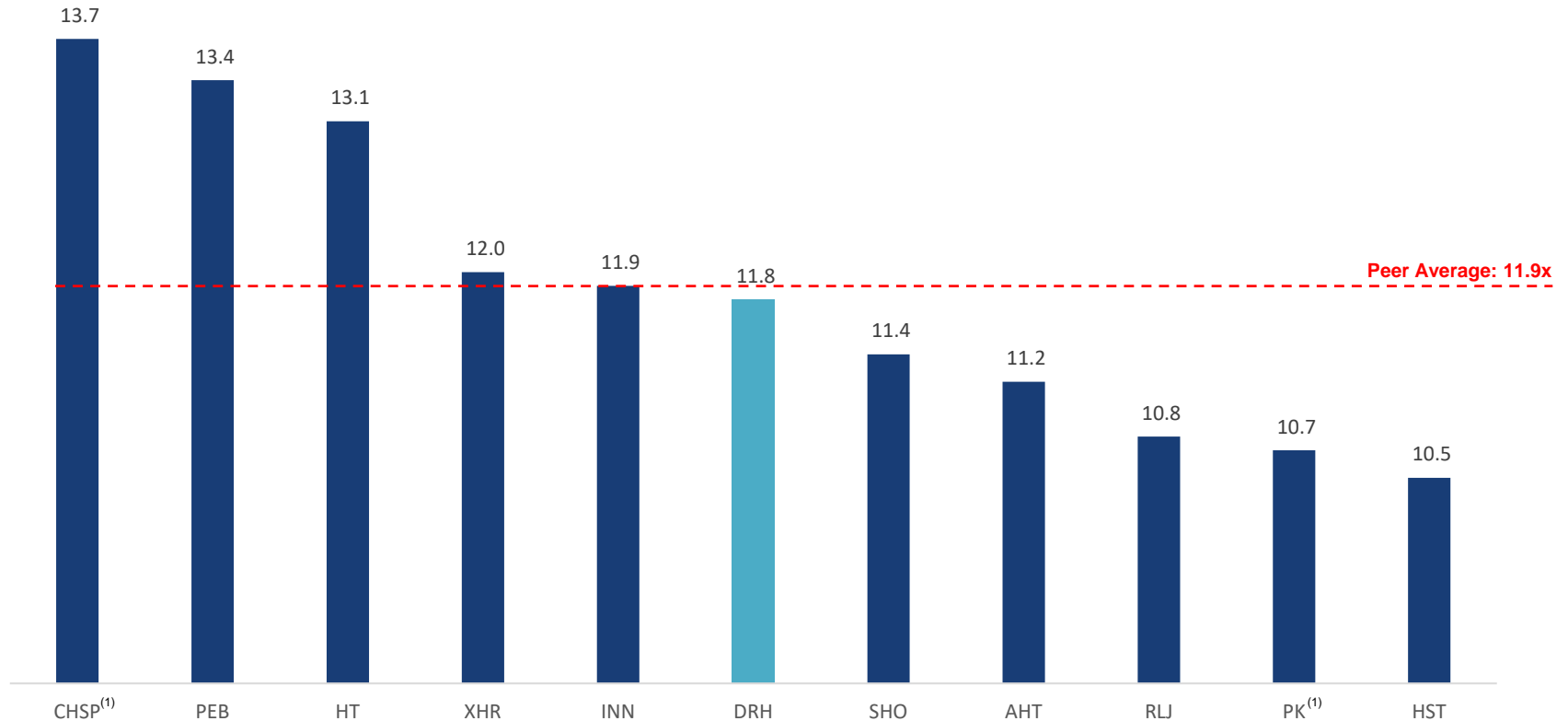


# Compelling Valuation

# Compelling Valuation



## 2019 EBITDA Multiple



Source: Company Filings, FactSet Data as of 7/12/19.

(1) On May 6, 2019, PK announced the \$2.7bn acquisition of CHSP. CHSP EBITDA multiple as of May 3, 2019, the day prior to announcement



# DiamondRock Currently Trades At a Steep Discount to NAV



Currently trading at >30% discount to NAV per share.

	Hotel NOI	Cap Rate			Estimated Value <sup>(2)</sup>			
Region	TTM Q2 2019	Low	Mid	High	Low	Mid	High	Mid / Key <sup>(3)</sup>
Boston	\$34.7	6.0%	6.5%	7.0%	\$496	\$534	\$579	\$446
Chicago	\$33.9	6.5%	7.0%	7.5%	\$452	\$484	\$521	\$320
Dallas / Fort Worth	\$13.3	7.0%	7.5%	8.0%	\$167	\$178	\$190	\$352
Denver	\$9.0	6.0%	6.5%	7.0%	\$129	\$139	\$150	\$372
New York City	\$27.6	5.0%	5.5%	6.0%	\$460	\$502	\$552	\$331
San Diego	\$12.6	6.5%	7.0%	7.5%	\$168	\$180	\$193	\$412
San Francisco	\$11.5	5.0%	5.5%	6.0%	\$192	\$210	\$231	\$890
Washington, DC	\$13.5	6.5%	7.0%	7.5%	\$180	\$193	\$208	\$284
Other Urban	\$20.5	6.5%	7.0%	7.5%	\$274	\$293	\$316	\$274
Resorts	\$64.4	6.0%	6.5%	7.0%	\$920	\$991	\$1,073	\$479
Resorts Under Development	\$20.0	8.0%	8.5%	9.0%	\$222	\$235	\$250	\$737
<b>Total</b>	<b>\$261.2</b>	<b>6.1%</b>	<b>6.6%</b>	<b>7.1%</b>	<b>\$3,660</b>	<b>\$3,939</b>	<b>\$4,265</b>	<b>\$397</b>

NAV Per Share

\$13.03

**\$14.42**

\$16.03

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

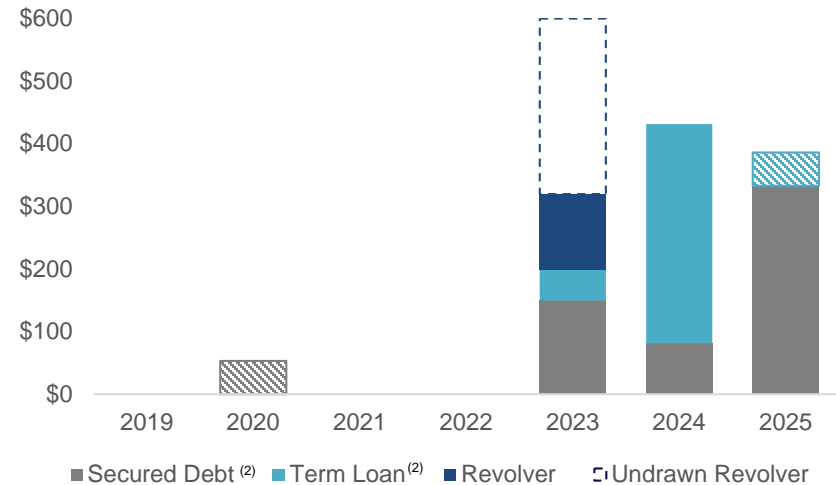
# Excellent Balance Sheet: \$300M of Investment Capacity



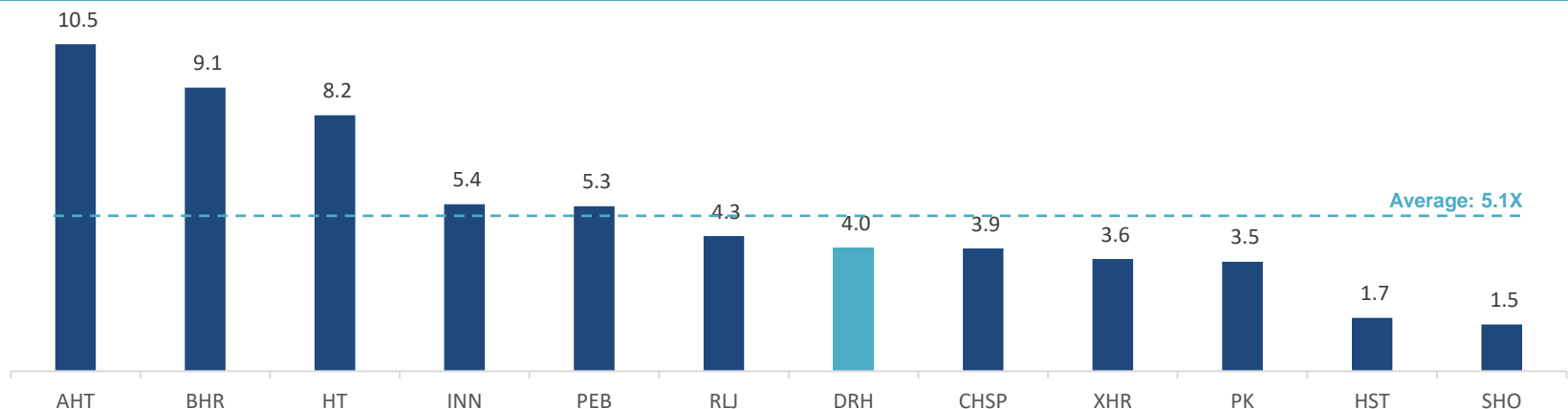
## CONSERVATIVE BALANCE SHEET STRATEGY <sup>(1)</sup>

- Net Debt to 2019 EBITDA of 4.0x
- 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



DIAMONDRock  
HOSPITALITY



Certain statements made during this presentation are forward-looking statements that are subject to risks and uncertainties. Forward-looking statements generally include the words “believe,” “expect,” “anticipate,” “plan,” “estimate,” “project,” “will,” “intend” or other similar expressions. Forward-looking statements include, without limitation, statements regarding, industry outlook, results of operations, cash flows, business strategies, growth and value opportunities, capital and other expenditures, financing plans, expense reduction initiatives and projected dispositions.

Factors that could cause actual results to materially differ from those contained in the forward-looking statements include, without limitation, those risks and uncertainties discussed in the Company’s most recent Annual Report on Form 10-K, quarterly report on Form 10-Q and current reports on Form 8-K, which have been filed with the Securities and Exchange Commission, all of which you should carefully review. The forward-looking statements made are based on our beliefs, assumptions and expectations of future performance, taking into account all information currently available to us. Actual results could differ materially from the forward-looking statements made during this presentation. The forward-looking statements made during this presentation are subject to the safe harbor of the Private Securities Litigation Reform Act of 1995.

Any forward-looking statement speaks only as of the date on which it is made. Although the Company believes the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that the expectations will be attained or that any deviation will not be material. All information in this presentation is as of the date of this presentation, and the Company undertakes no obligation to update any forward-looking statement to conform the statement to actual results or changes in the Company's expectations.

This presentation contains statistics and other data that has been obtained or compiled from information made available by third-party service providers.