



# DIAMONDROCK

HOSPITALITY



**Investor Presentation** | May 2021



# Forward Looking Statements



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, national and local economic and business conditions, including the impact of COVID-19 on occupancy rates at the Company’s hotels and the demand for hotel products and services, and those risks and uncertainties discussed in the most recent Annual Report on Form 10-K, which DiamondRock Hospitality Company (the “Company”) has filed with the Securities and Exchange Commission, and 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 the Company. Actual results could differ materially from the forward-looking statements made in this presentation. The forward-looking statements made in 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 and believed to be reliable, but the accuracy and completeness of the information is not assured. The Company has not independently verified any such information.

# Recent Events



## Operations

- Cash flow positive in March
- Occupancy increase over 500 basis points from Q4 2020
- Steady RevPAR Improvement vs. 2019
- 98% of rooms open<sup>(1)</sup>

## Strategic Transactions

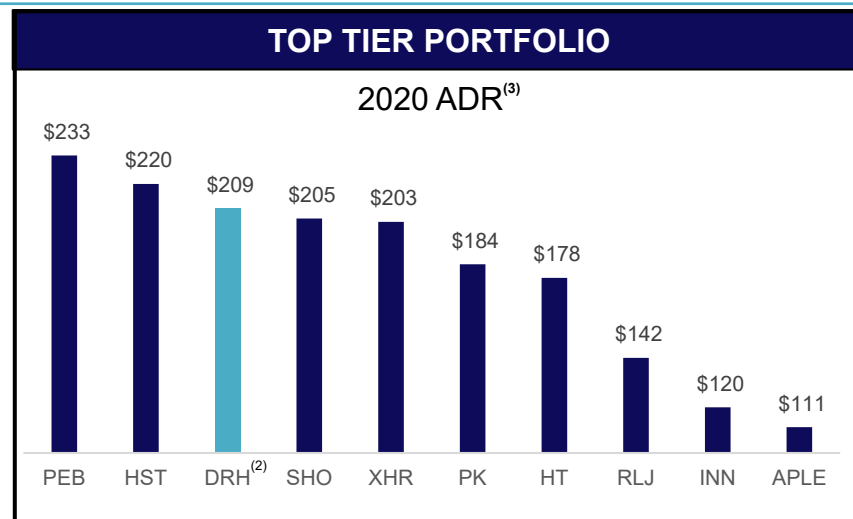
- Created \$350MM+ Investment Capacity
- Pending Sale of The Lexington for \$185MM
  - 6.3% capitalization rate on 2019 Hotel NOI
  - 5.8% capitalization rate on 2018 Hotel NOI
- Sold Frenchman's Reef for \$35MM plus profit participation
  - Preserves \$175MM of liquidity
- Restructured Salt Lake City Marriott Ground Lease
  - Added 50 years to term
  - \$5-10MM NAV creation

(1) Not including The Lexington, under contract to sell

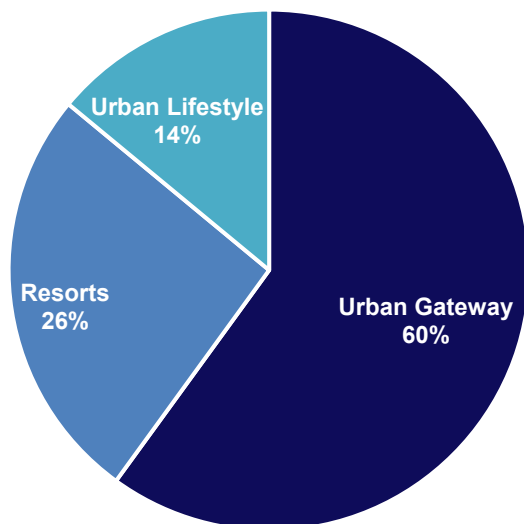
# DiamondRock at a Glance



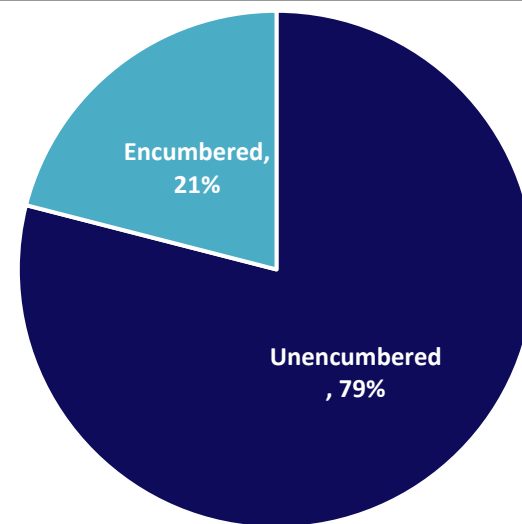
2020 FINANCIAL SUMMARY <sup>(1)(2)</sup>	
Hotels (Rooms)	29 Hotels (~9K Rooms)
Total Revenue	\$299.2MM
Room Revenue	\$196.7MM
Hotel Adjusted EBITDA	(\$28.8MM)
Net Debt	\$731MM



## URBAN AND RESORT HOTELS IN TOP MARKETS<sup>(2)(4)</sup>



## HIGH QUALITY BRANDS<sup>(2)(4)</sup>

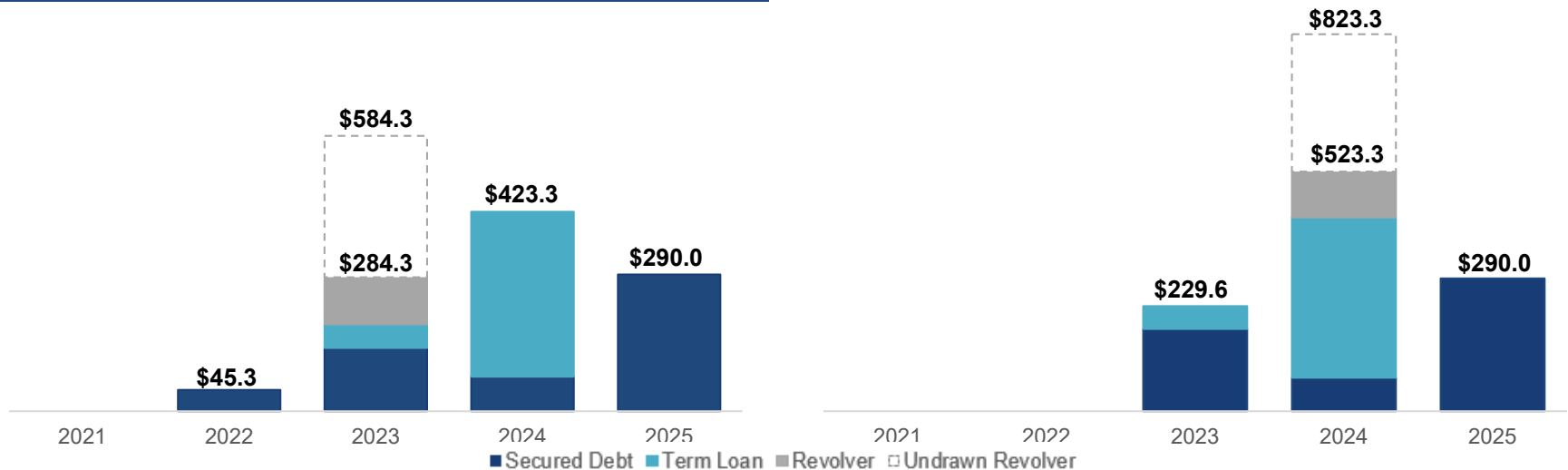


(1) As of and for the year ended 12/31/2020. Reconciliations provided in appendix  
 (2) All figures Pro Forma for sale of Frenchman's Reef (4/30/21) and pending sale of The Lexington (est. 6/30/21)  
 (3) As of 12/31/2020. Source: Company Filings  
 (4) Weighted by 2019 Actual EBITDA

# DiamondRock Balance Sheet Profile

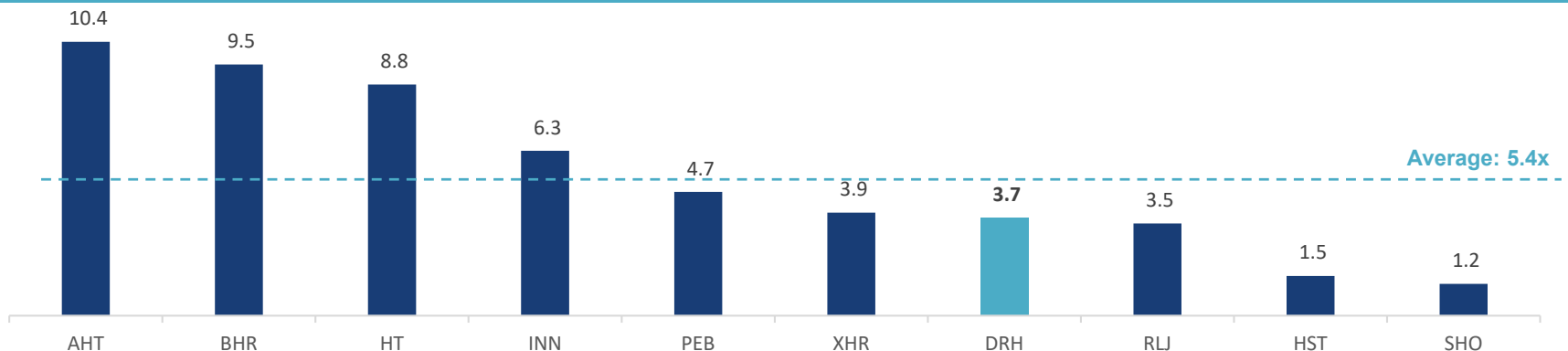
## FUTURE DEBT MATURITIES (IN \$MM)<sup>(1)</sup>

## PRO FORMA FUTURE DEBT MATURITIES (IN \$MM)<sup>(2)</sup>



**\$437MM liquidity available in cash and revolver capacity**

## LEVERAGE BELOW PEER AVERAGE<sup>(4)</sup>



(1) Does not reflect extension options; revolving credit facility based on \$100MM balance as of 3/31/2021

(2) Assumes all extension rights are exercised on revolver (2023), and Salt Lake City mortgage (2022)

(3) As of 3/31/21

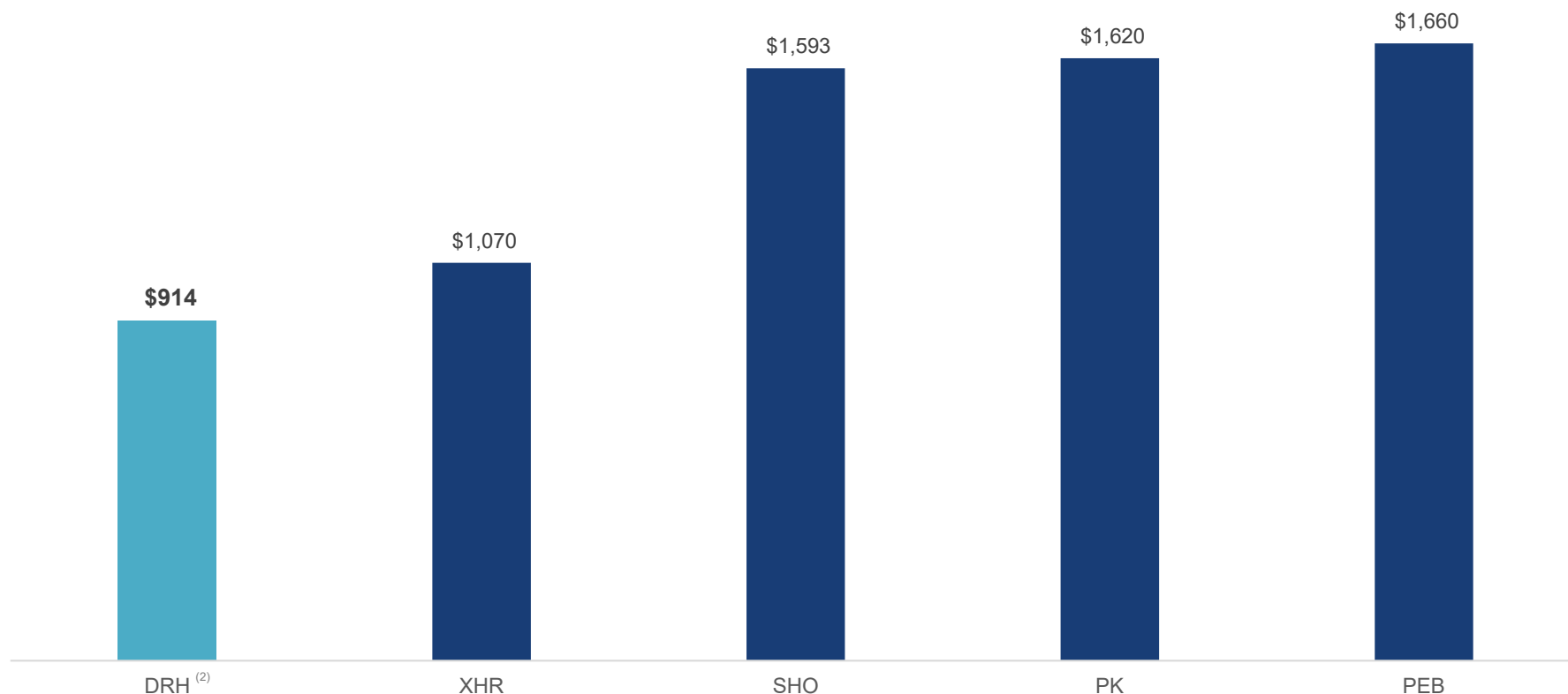
(4) Source: Baird. Net Debt plus preferred / 2019 Consensus EBITDA

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

# Asset Managers Delivered Tight Cost Controls



## Average Monthly AFFO Burn Rate Per Key<sup>(1)</sup>



***Most Peers Have Burned Nearly 80% More Than DiamondRock***

(1) Q2 2020 through Q1 2021 AFFO per key per month.

(2) Third Quarter AFFO excludes noncash income tax valuation allowance recognized in the quarter of \$12.4 million. Fourth Quarter AFFO excludes 2.2MM pandemic insurance claim.

# All Demand Segments Improving



## Group


- Room Nights Up 71% in Q1 2021 over Q4 2020
- Lead Volumes at 61% of Pre-Pandemic Levels
- City-wide room nights up 8.6% over 2019 in Boston, Chicago, and DC
- Industry-wide room rates in 2021 up 10% over 2019

## Business Transient

- Room Nights Up 25% in Q1 2021 over Q4 2020
- "Return To Travel" expected to follow "Return to Office"

## Leisure

- Revenue Increased 31% in Q1 2021 over Q4 2020
- ADR increased 16% in Q1 2021 over Q4 2020



# INTERNAL GROWTH OPPORTUNITIES





# \$85MM of ROI Projects at 35%+ IRRs



Property	Project	Estimated Capital Spend <sup>(1)</sup>	Estimated Incremental EBITDA <sup>(1)</sup>	Estimated IRR <sup>(2)</sup>	Estimated Completion
Sonoma	Autograph Collection Conversion	\$9.8	\$1.4	25%	2021
Vail Marriott	Luxury Collection Brand Conversion	\$8.4	\$3.4	88%	2021
	Rooftop Renovation and F&B Concept	\$4.7	\$0.7	27%	2021
Denver JW Marriott	F&B and Public Space Renovation	\$2.5	\$0.5	42%	2021
	Luxury Collection Brand Conversion	\$3.6	\$1.2	74%	2021
Charleston Renaissance	F&B Repositioning	\$2.1	\$0.5	52%	2021
Total Upcoming		\$31.1	\$7.7	55%	
Orchards Inn	Resort Repositioning	\$19.8	\$2.6	22%	2022
The Landing	Additional 17 Keys	\$6.1	\$1.2	42%	2022
Boston Hilton	Additional 29 Keys	\$6.0	\$1.0	33%	2022
Total in Planning		\$31.9	\$4.8	28%	
Active ROI Pipeline		\$63.0	\$12.5	42%	
Shadow ROI Pipeline		\$25MM of Capital Spend		Estimated 20%+ IRR	

(1) Estimated Capital Spend and Estimated Incremental EBITDA based upon management proformas  
(2) Estimated IRR is calculated assuming a 3-year stabilization period and a 10.0x terminal multiple

# Up-Branding Projects Create Value In 2022

## JW Marriott Cherry Creek



THE  
LUXURY  
COLLECTION

Project Cost	\$3.6MM
IRR	74%
Estimated Completion	2021

## Sonoma Renaissance



AUTOGRAPH  
COLLECTION  
HOTELS

Project Cost	\$9.8MM
IRR	25%
Estimated Completion	2021

## Vail Marriott



THE  
LUXURY  
COLLECTION

Project Cost	\$8.4MM
IRR	88%
Estimated Completion	2021



# Sweeping Marriott Deal Increases Portfolio Margins +50bp



In 2020, DRH entered into an agreement with Marriott to alter several brand and management contracts.

## Franchise Conversions

The following were converted from brand-managed to franchised properties:

- Atlanta Marriott Alpharetta
- Salt Lake City Marriott Downtown
- The Lodge at Sonoma
- Charleston Renaissance
- Courtyard Manhattan 5<sup>th</sup> Avenue

## Up-Branding

- The Vail Marriott Mountain Resort to up-brand to Luxury Collection Hotel
- JW Marriott Cherry Creek to up-brand to Luxury Collection Hotel

## The Lexington Hotel

The franchise agreement for The Lexington Hotel has been amended to provide termination



# Created \$350MM+ of New Investment Capacity



## Frenchman's Reef



### Transaction Details

Proceeds Received

**\$35MM + Promote**

Closing Date

**April 2021**

- Sold Frenchman's Reef to an affiliate of Fortress Investment Group for \$35MM in cash plus a contingent profit participation
- Received \$240MM from insurance claim (Dec'19)
- Saves \$175MM on funding rebuild

## The Lexington Hotel



### Transaction Details<sup>(1)</sup>

Proceeds Received

**\$185MM**

Estimated Closing Date

**Q2/Q3 2021**

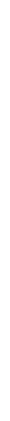
- Signed Purchase & Sale agreement for \$185MM
- 6.3% capitalization rate on 2019 Hotel NOI
- 5.8% capitalization rate on 2018 Hotel NOI
- Buyer has posted \$5MM non-refundable deposit

(1) Pending closure



# Pipeline of Potential Investments

- Targeting 50 Resort *Micro-Markets and Lifestyle Cities*
- Heavily *Leisure-Oriented*
- *Synergies* with Existing Portfolio
- Mostly *Off-Market* Transactions







# ESG LEADERSHIP



# Board Refreshment Strengthens Governance



## **Michael Hartmeier**

- *Valuable Resource for Mergers & Acquisitions*
- *25-Years as Hospitality & Gaming Investment Banker*
- *M.B.A. Harvard Business School, B.A. UCLA*



## **Tabassum Zalatrowala**

- *Leader in Construction and Design*
- *Advanced Management Program, Harvard Business School*
- *B.F.A., American Intercontinental University*

# Responsible Corporate Citizen



## GRESB Annual Results

	2016	2017	2018	2019	2020
<b>DRH GRESB Score</b>	50	53	75	81	84
<b>Peer Score Average<sup>(1)</sup></b>	51	57	58	69	69
<b>Index to Peer Score Average</b>	98%	93%	129%	117%	122%



## ISS ESG Rankings<sup>(2)</sup>

### Environmental

3



### Social

3

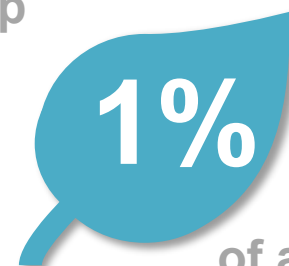
### Governance

2



## ISS-ESG Corporate Ranking

Currently  
Ranked  
in Top



of all US  
Real Estate  
Companies

DiamondRock ranks in the **top 5%** of the Worldwide Real Estate Sector, earning an **ISS ESG Prime** designation

(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





DIAMONDRock  
HOSPITALITY

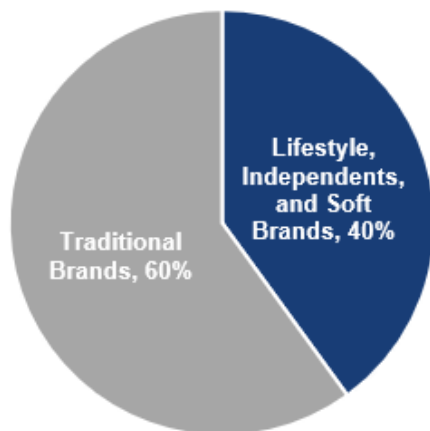


# APPENDIX

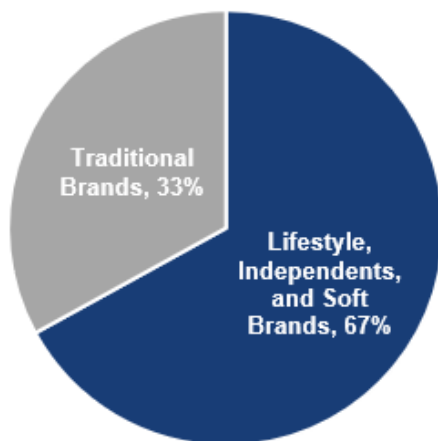
# DRH Lifestyle & Independent Strategy



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



TARGET ALLOCATION



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



Balances DRH's existing portfolio



Greater opportunity for smaller deals



Reduces reliance on traditional brands

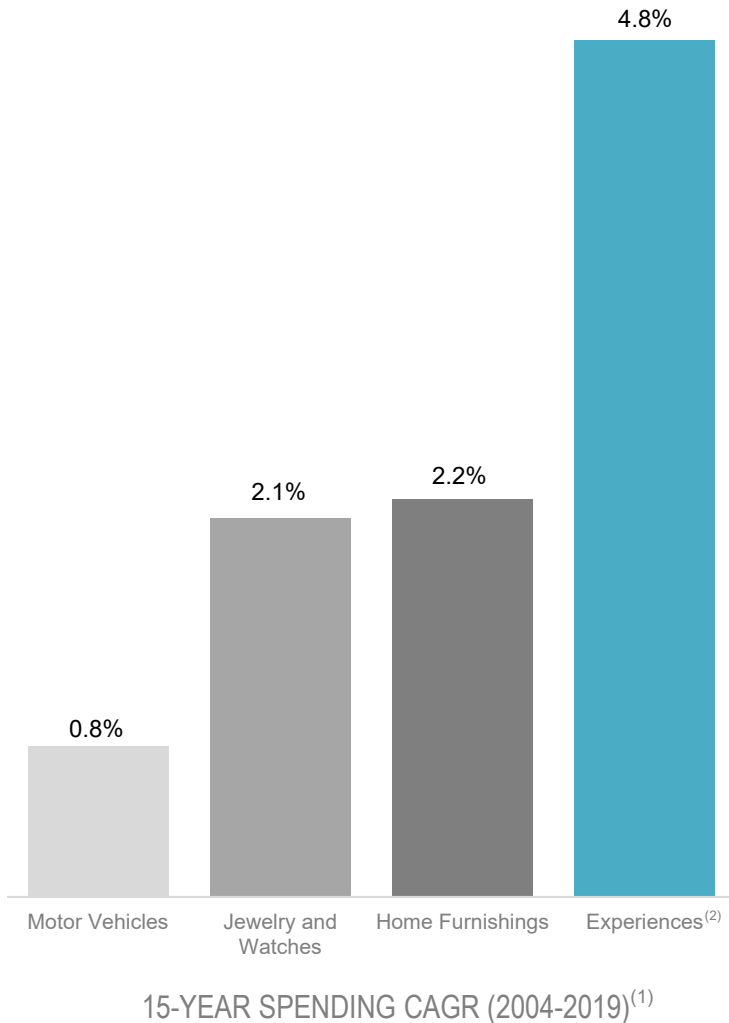


Cultural shift toward experiential travel

Target allocation will be **achieved through acquisitions** of lifestyle hotels, independents and soft brands and dispositions of traditional boxes

(1) All figures Pro Forma for sale of Frenchman's Reef (4/30/21) and pending sale of The Lexington (est. 6/30/21)

# Experiential Travel Leads the Way



In the past decade, consumer spending in the US has seen a drastic **shift toward experiences**, rather than products or “things”. DiamondRock’s **resort strategy** capitalizes on this trend by offering the once-in-a-lifetime travel experiences that consumers are willing spend their excess income on.

**74%** of Americans say they prioritize experiences over products<sup>(3)</sup>

**49%** of Generation Z and Millennials would sell their furniture or clothes to travel<sup>(3)</sup>

According to a recent survey, the **Top 3 drivers** of travel decisions are <sup>(3)</sup>:

**#1** **Activities** I will be doing on my trip

**#2** Having a “**once-in-a-lifetime**” experience

**#3** Having a **cultural experience**

(1) Source: Bureau of Economic Analysis

(2) 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.

(3) Source: Expedia and the Center for Generational Kinetics



# The Next Generation of Travel



## GENERATIONAL TRENDS

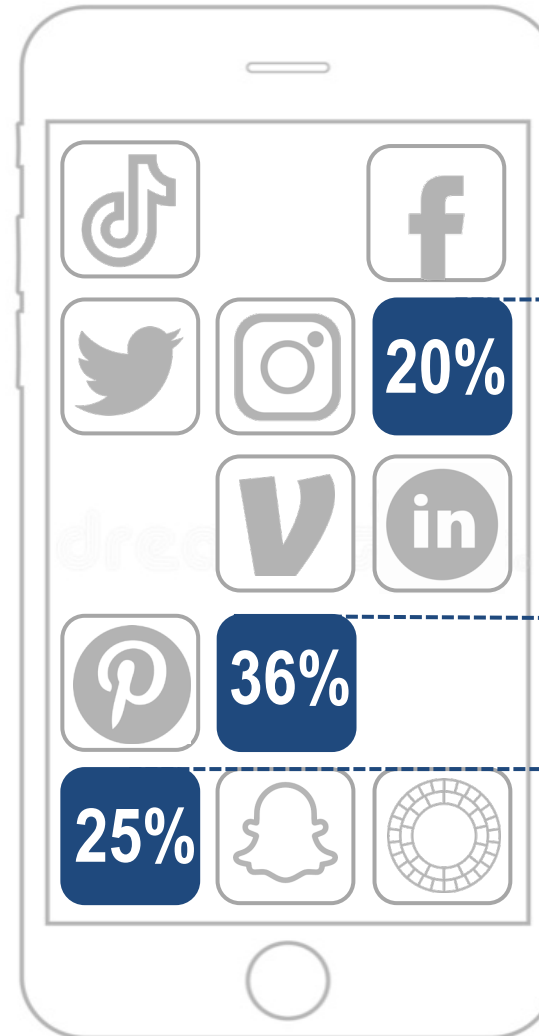
The future of travel will be dictated by the trends we see in Millennials (Generation Y) and Generation Z – who now account for **42.3% of the US population**.

These young generations have introduced **the importance of social media** into the travel landscape, turning to the platforms for trip inspiration and sometimes going on trips for the main purpose of sharing with followers.

Research also shows that travel is more important to these generations and seeing the world is one of their top priorities in life. A survey conducted by Deloitte shows Millennials and Generation Z ranking their life ambitions in the following order:

1. **See and travel the world**
2. Earn high salary/be wealthy
3. Buy a home
4. Make positive impacts on society
5. Have children/start families

## SOCIAL MEDIA FUELED TOURISM<sup>(1)</sup>



Nearly 20% of Gen-Z respondents said they have stayed at a specific hotel or destination in order to score a **positive response from followers** on posts on their own social media channels.

36% of Generation Z have chosen a travel destination because they **saw it on social media**

25% of millennials **posted a trip on social media before booking** in order to get the opinions of their followers

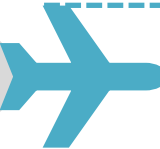
# The Post-COVID-Recovery Traveler

87%



87% of respondents agree that having a trip planned in the future gives them **something to look forward to**

76%



76% of respondents are creating their **destination wish list** for future travel

64%



64% of respondents miss traveling so much that they are **willing to give up social media for a month** to go on vacation

56%



56% of respondents say that they miss traveling so much they are **willing to book a trip right now** even if they might have to cancel

## SOCIALLY CONSCIOUS TRAVEL



Consumers have a newly-heightened awareness to **the values and ethics of companies** and are choosing to travel with those providers that align with their own moral compass.

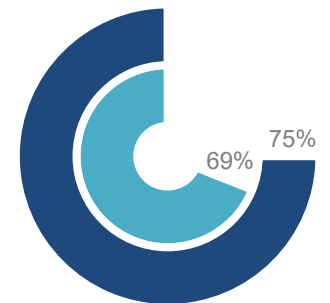


- 72% of respondents are interested in traveling to destinations where they can help **boost tourism revenue** and **support the local economy** and small businesses that struggled through the pandemic



- 69% of respondents want to choose an airline or hotel that **values diversity and inclusion**, and whose employees reflect a diverse customer base
- 60% of respondents want to book trips with airlines that have made a **carbon neutral commitment**

## EMERGING DESTINATION TRENDS



75% of respondents are looking for experiences that provide a feel of **ultimate privacy**

69% of respondents are interested in visiting **lesser-known cities and destinations**

# Resort Thesis Already Proven Successful



		EBITDA Multiple @		EBITDA Increase
	Investment (\$MM)	Purchase	YE 2019	\$MM
Burlington Hilton	\$64	16.5x	8.9x	\$3.9
Charleston Renaissance	\$43	11.9x	7.0x	\$2.9
Fort Lauderdale Westin	\$167	14.8x	10.7x	\$5.5
Havana Cabana	\$54	12.2x	15.8x	(\$0.5)
The Landing Resort & Spa	\$44	17.8x	25.9x	(\$0.7)
Sedona - L'Auberge	\$67	15.8x	8.6x	\$3.6
Sedona - Orchards Inn	\$31	13.7x	14.2x	(\$0.1)
Shorebreak	\$63	14.6x	11.5x	\$1.5
Sonoma Renaissance	\$40	10.7x	5.7x	\$4.0
Vail Marriott Mountain Resort	\$96	13.4x	8.7x	\$6.2
<b>Total Resort</b>	<b>\$668</b>	<b>14.2x</b>	<b>9.9x</b>	<b>\$26.3</b>

Note: Figures exclude Frenchman's Reef, Cavallo Point and Barbary Beach House as these assets are either repositioned or currently under construction.

# Strong Resort Market Presence



SEDONA, AZ



L'Auberge de Sedona  
(Independent)

SEDONA, AZ



Orchards Inn  
(Independent)

HUNTINGTON BEACH, CA



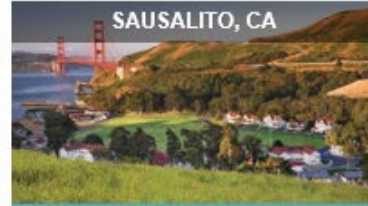
Kimpton Shorebreak  
Huntington Beach Resort  
(Kimpton)

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



Barbary Beach House Key West  
(Independent)

CHARLESTON, SC



Renaissance Charleston  
Historic District Hotel  
(Marriott)

FORT LAUDERDALE, FL



Westin Fort Lauderdale Beach Resort  
(Marriott)

BURLINGTON, VT



Hilton Burlington Lake Champlain  
(Hilton)



# 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**

**UNDER  
CONTRACT**

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  
(Hilton)



**WASHINGTON, DC**

Westin Washington, DC City Center  
(Marriott)



**BOSTON**

Hilton Boston Downtown  
(Hilton)



**BOSTON**

Westin Boston Waterfront  
(Marriott)



**CHICAGO**

Chicago Marriott Downtown  
(Marriott)



**CHICAGO**

The Gwen, a Luxury Collection Hotel  
(Marriott)



**ATLANTA**

Atlanta Marriott Alpharetta  
(Marriott)



**DALLAS/FORT WORTH**

Worthington Renaissance Fort Worth  
(Marriott)



**SALT LAKE CITY**

Salt Lake City Marriott Downtown  
(Marriott)



**BETHESDA, MD**

Bethesda Marriott Suites  
(Marriott)