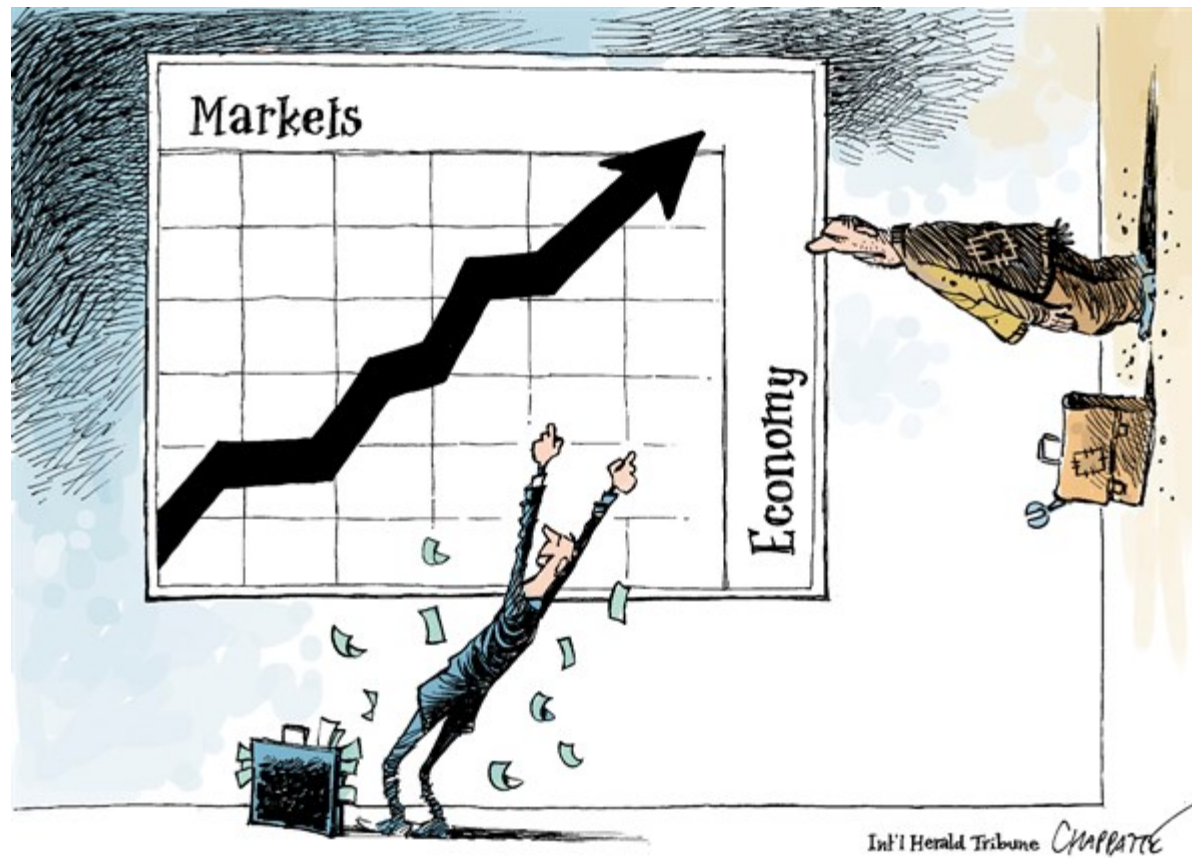




Economic Outlook: Global Growth – Out Of Synch And Off Key

Aron Gampel
Vice-President &
Deputy Chief Economist
Scotiabank Economics

Stock Markets Lead ...



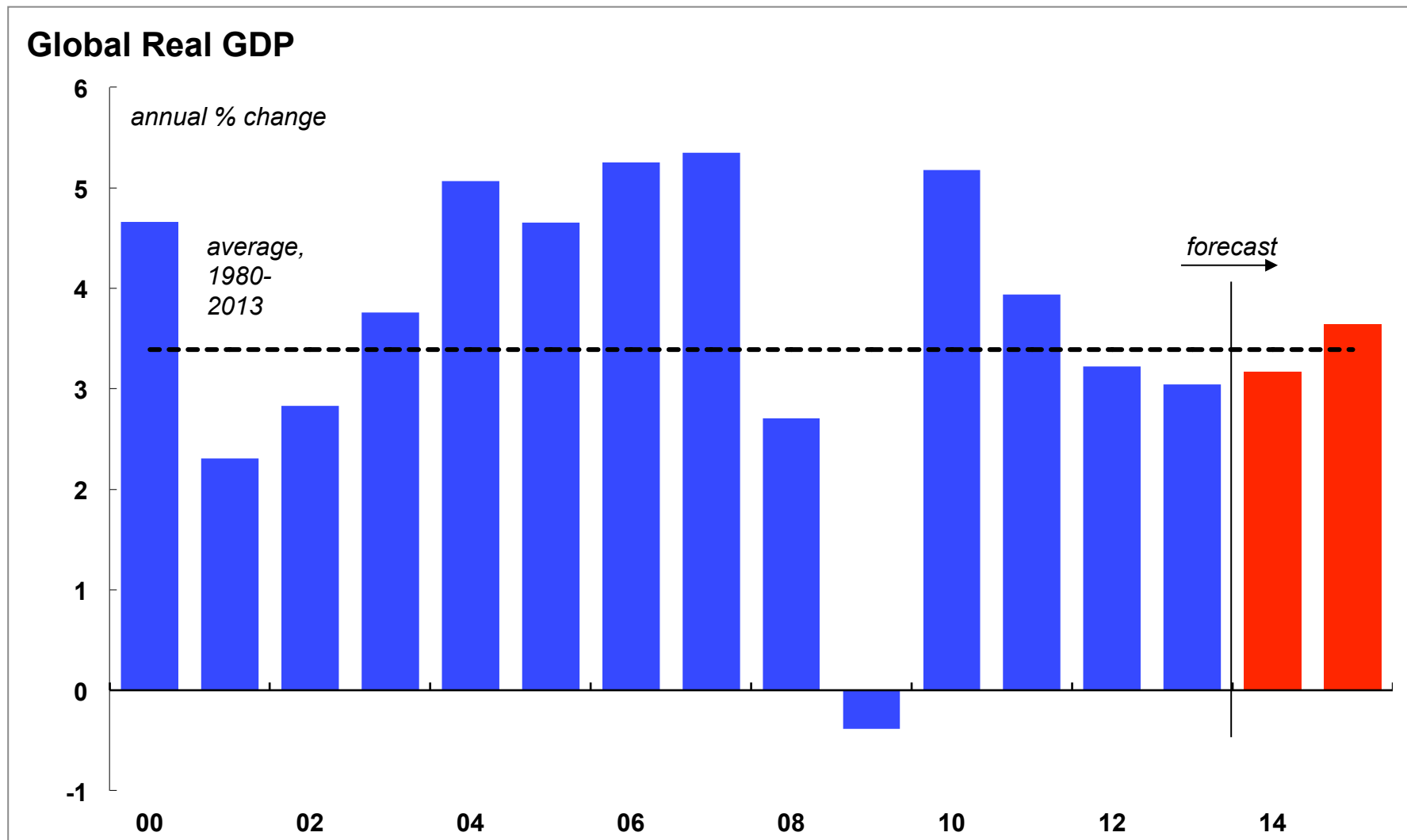
Forecasts as of August 28, 2014

... Economies Lag



Forecasts as of August 28, 2014

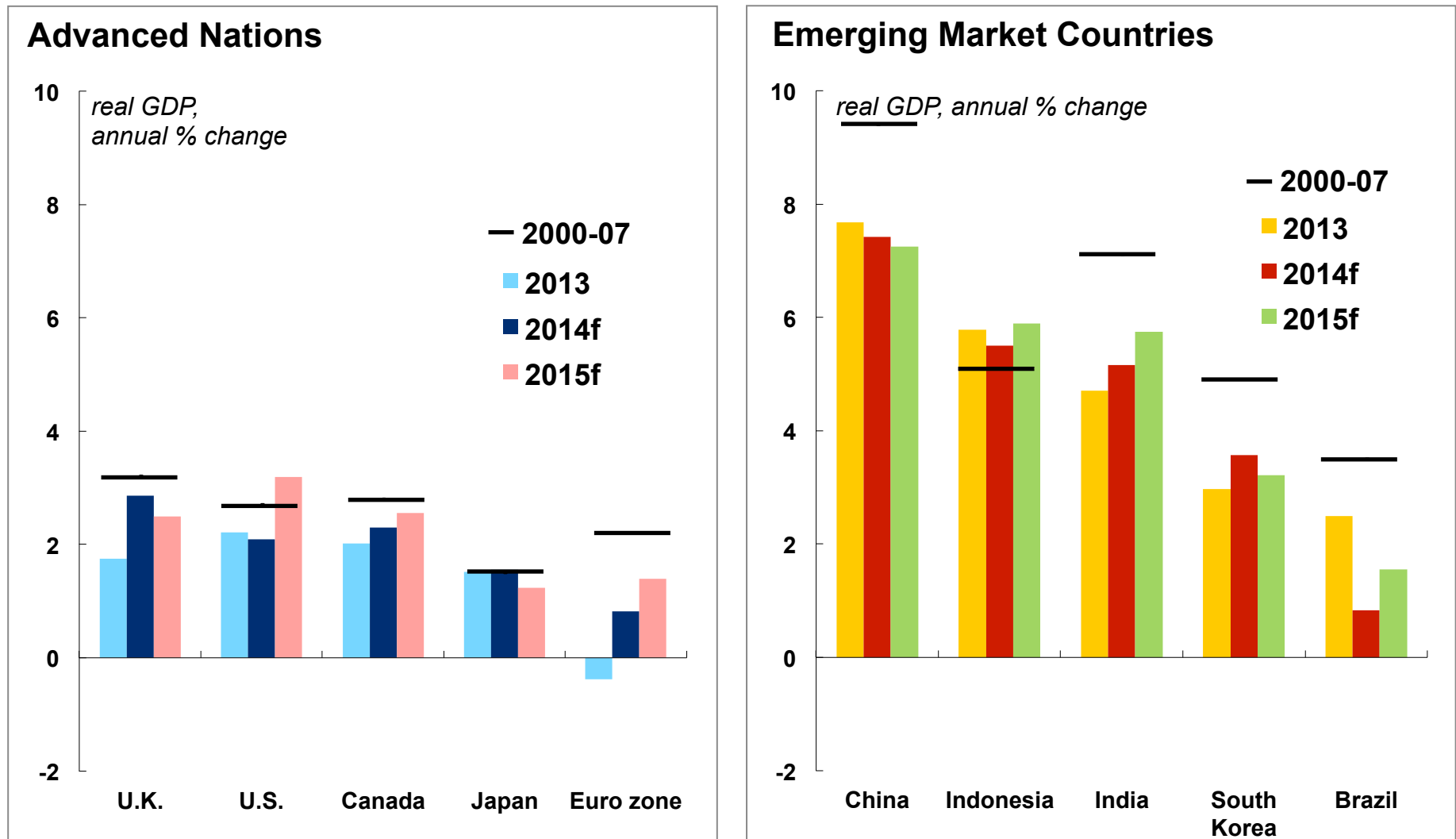
Moderate Output Growth Internationally



Source: IMF, U.S. Census Bureau, Scotiabank Economics.

Forecasts as of August 28, 2014

Uneven Output Growth Internationally



Source: Bloomberg, Scotiabank Economics.

Forecasts as of August 28, 2014

The New Normal – Slower Growth For Longer

Headwinds

- Lack of synchronized growth
- Sluggish world trade
- Fiscal austerity
- Restrained business investment
- Tapering and normalizing interest rates
- Increased financial sector oversight
- Rebalancing growth and structural adjustments in many emerging market economies
- Recurring geopolitical problems
- Severe weather conditions

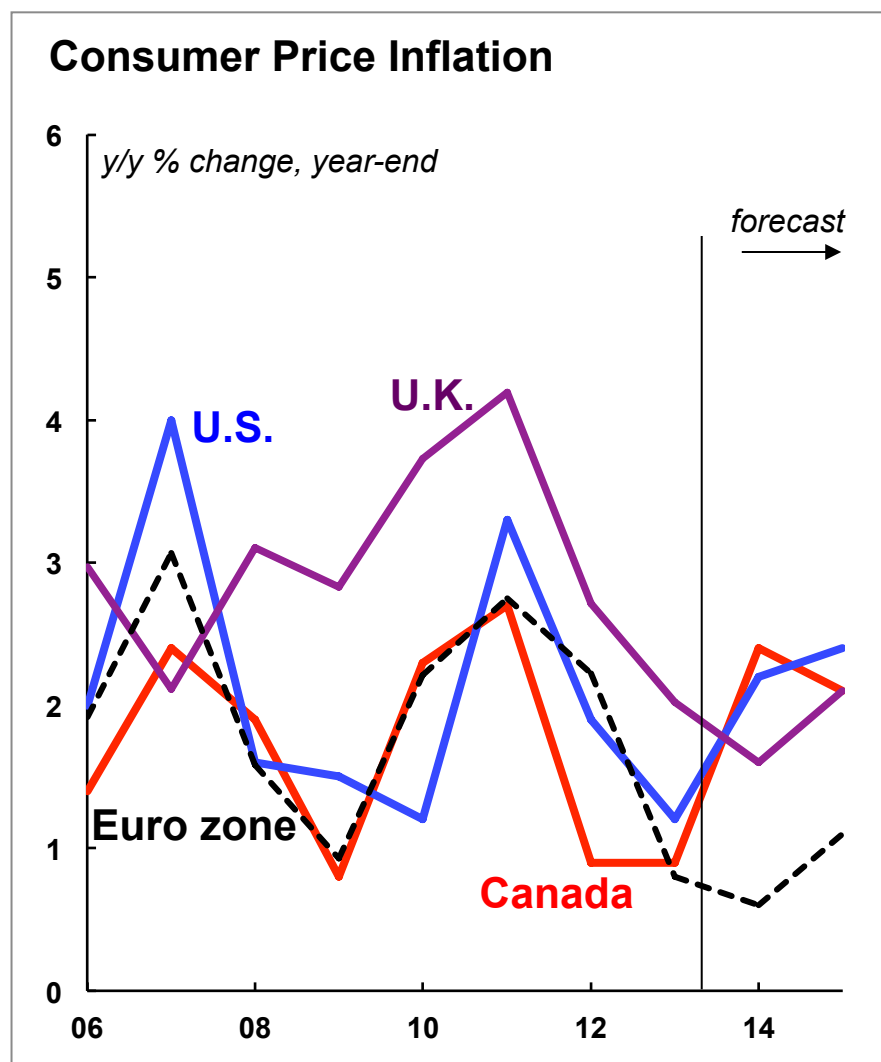
Tailwinds

- Monetary policy in the advanced economies remains accommodative
- Buoyant financial markets are supportive of stronger growth
- Continuing progress in U.S. household deleveraging
- Corporate finances in good shape
- China's 'mini-stimulus' underpins growth
- Order books are strengthening
- PMIs trending higher
- Pro-reform governments in Mexico, Indonesia, and China

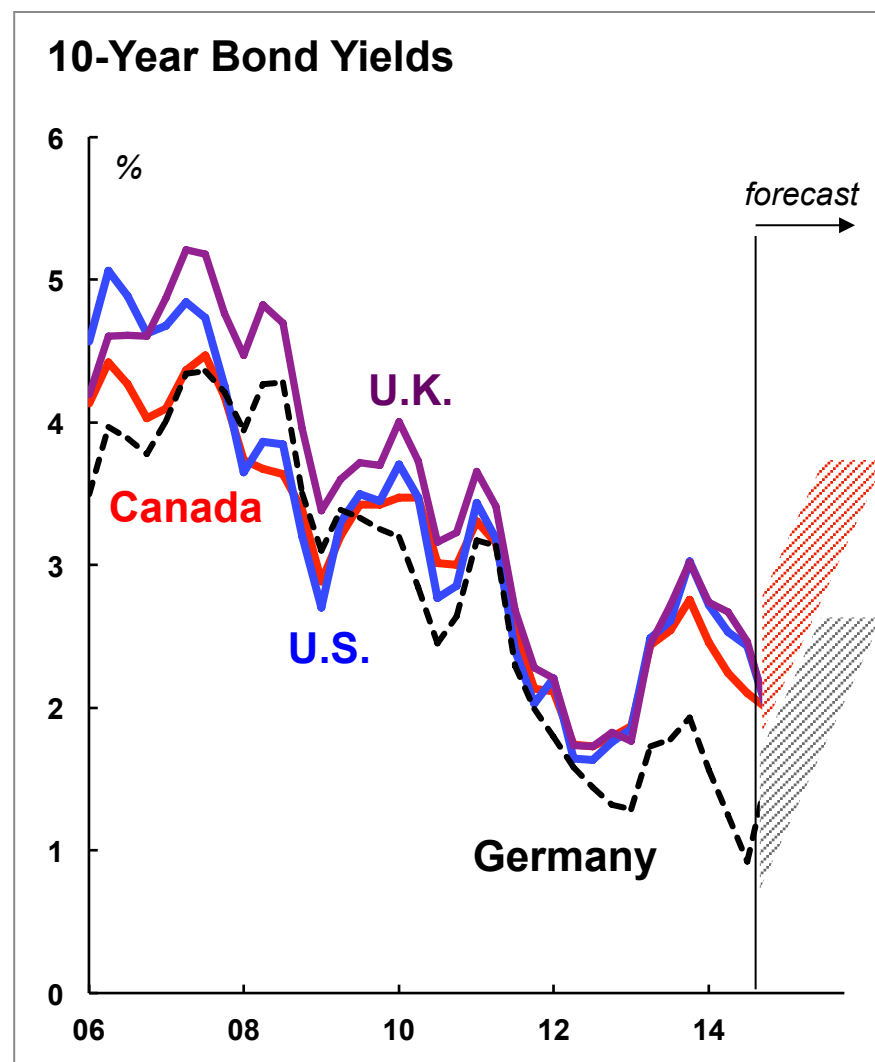
Source: Scotiabank Economics.

Forecasts as of August 28, 2014

Renewed Momentum/Inflation Point To Higher Bond Yields, Eventually



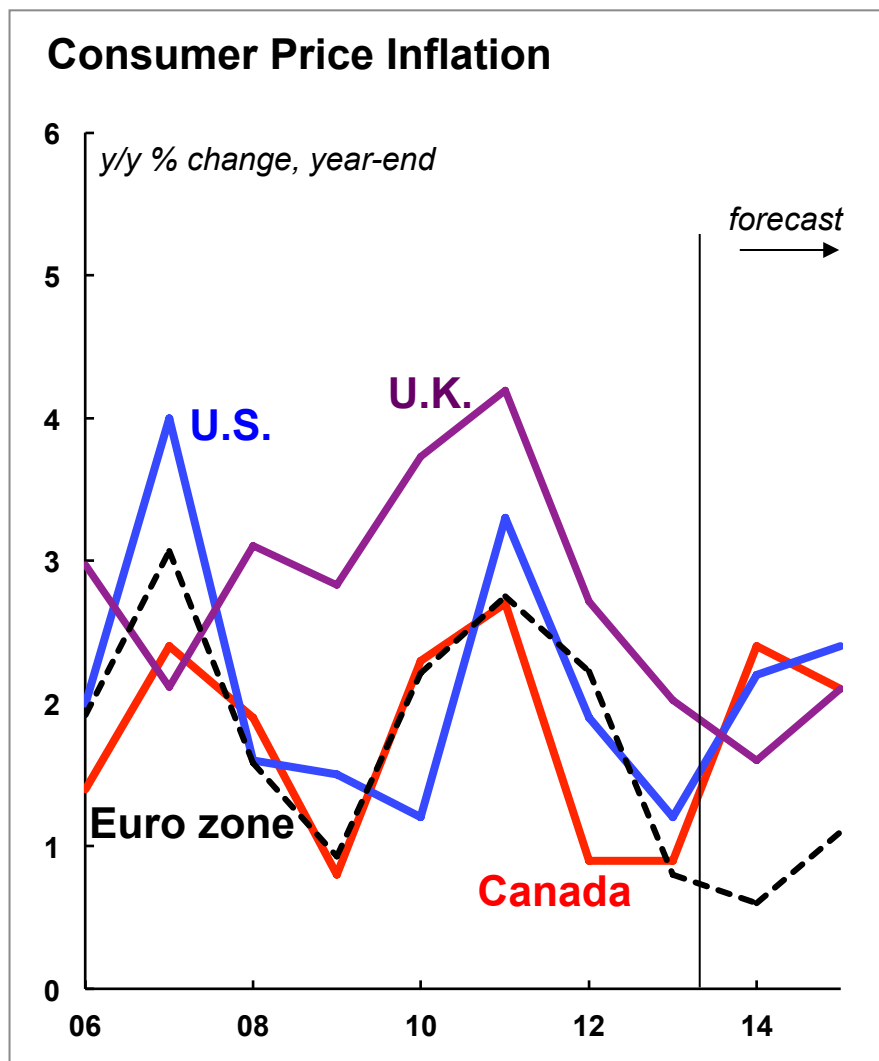
Source: Statistics Canada, BLS, Scotiabank Economics.



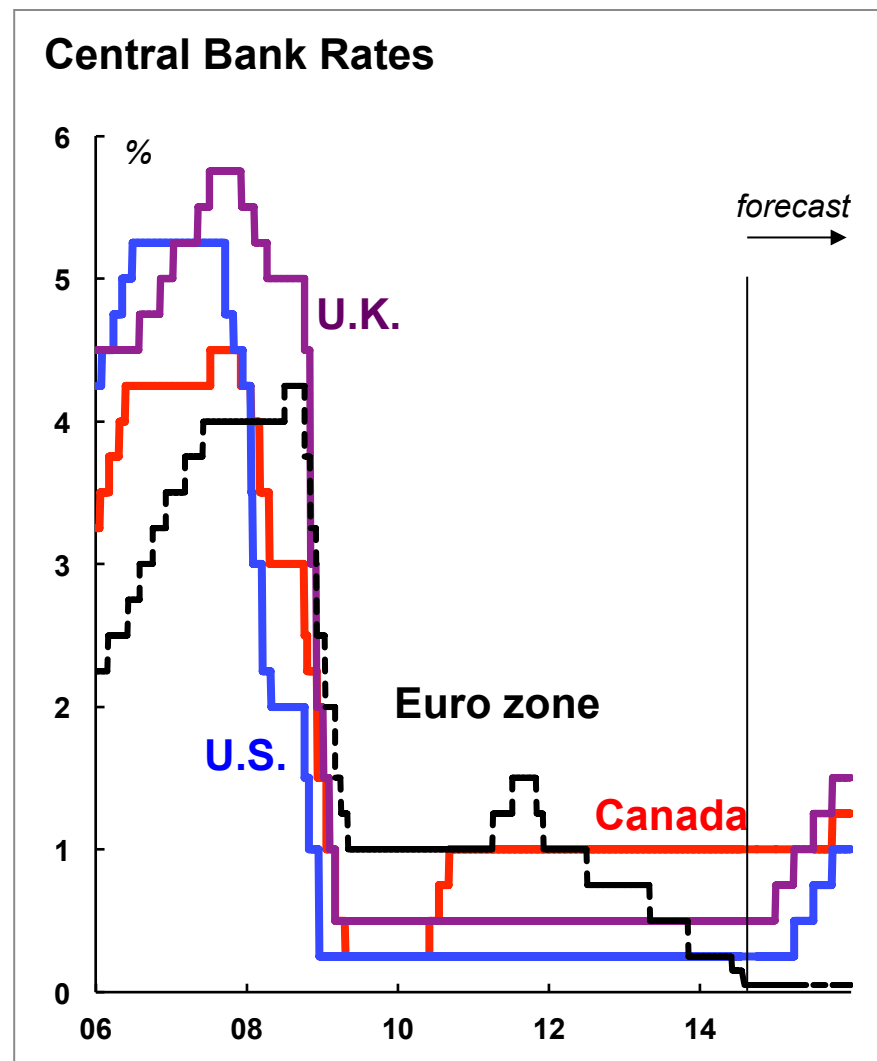
Source: Bloomberg, Scotiabank Economics.

Forecasts as of August 28, 2014

Monetary Policy Remains Pro-Growth ...



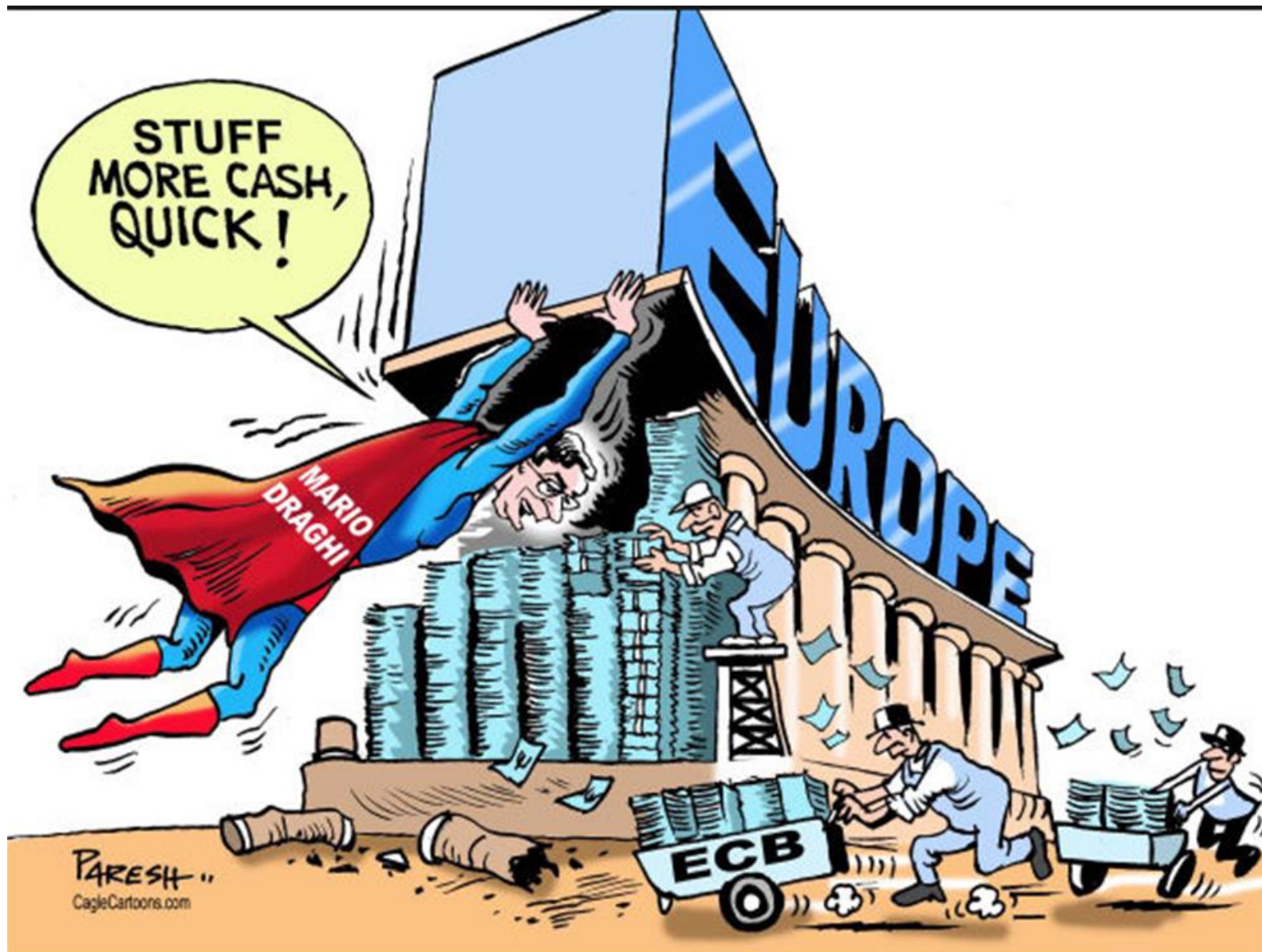
Source: Statistics Canada, BLS, Scotiabank Economics.



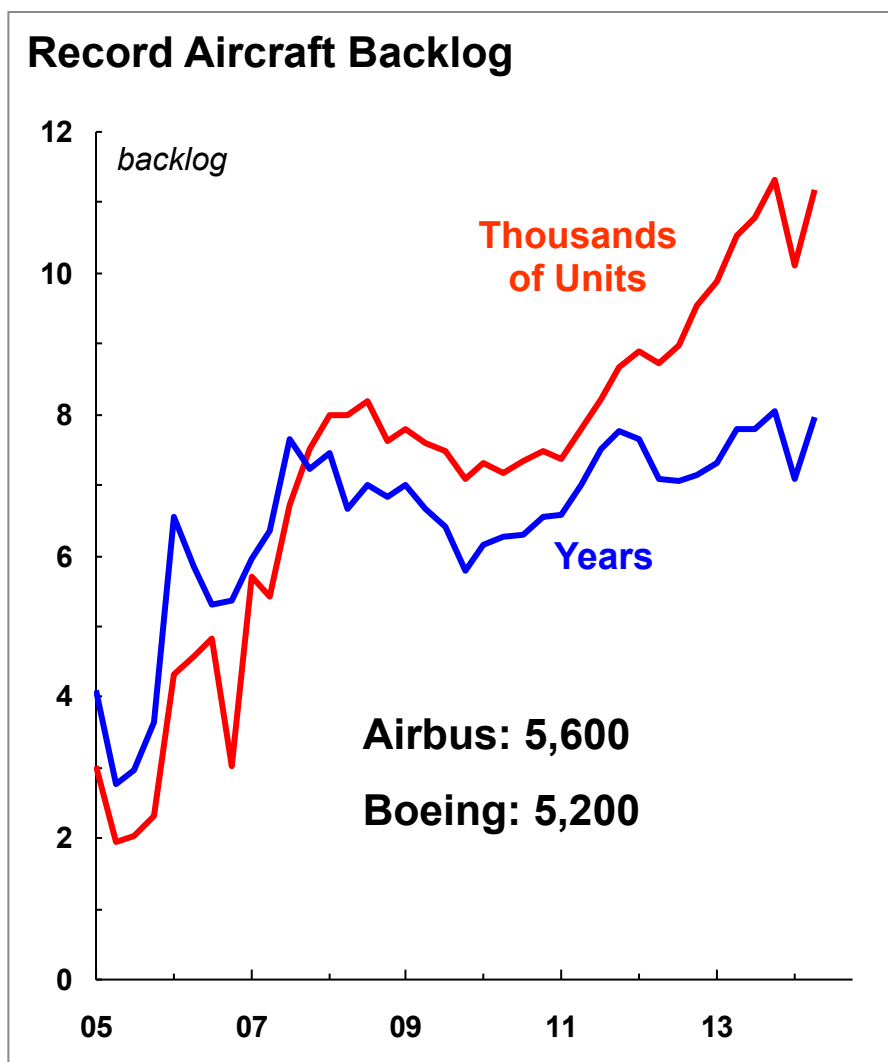
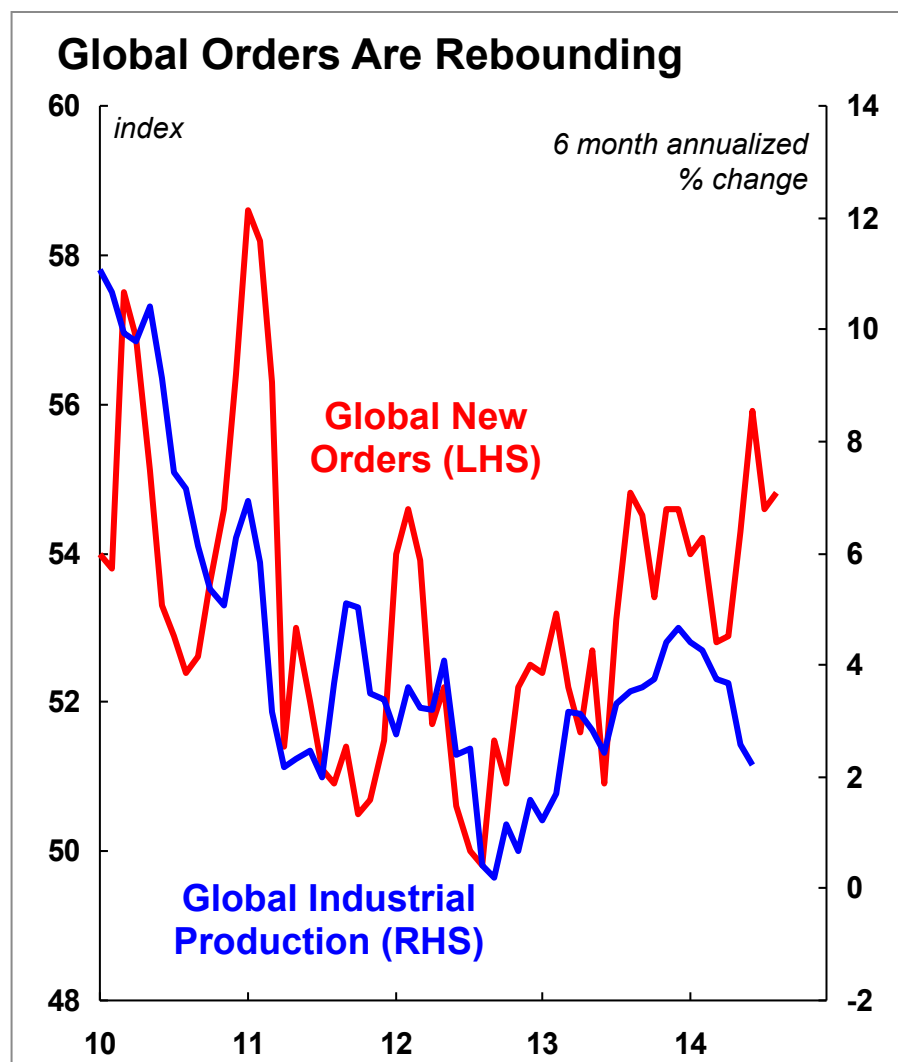
Source: Bank of Canada, U.S. Federal Reserve, Scotiabank Economics.

Forecasts as of August 28, 2014

... And More Is On The Way



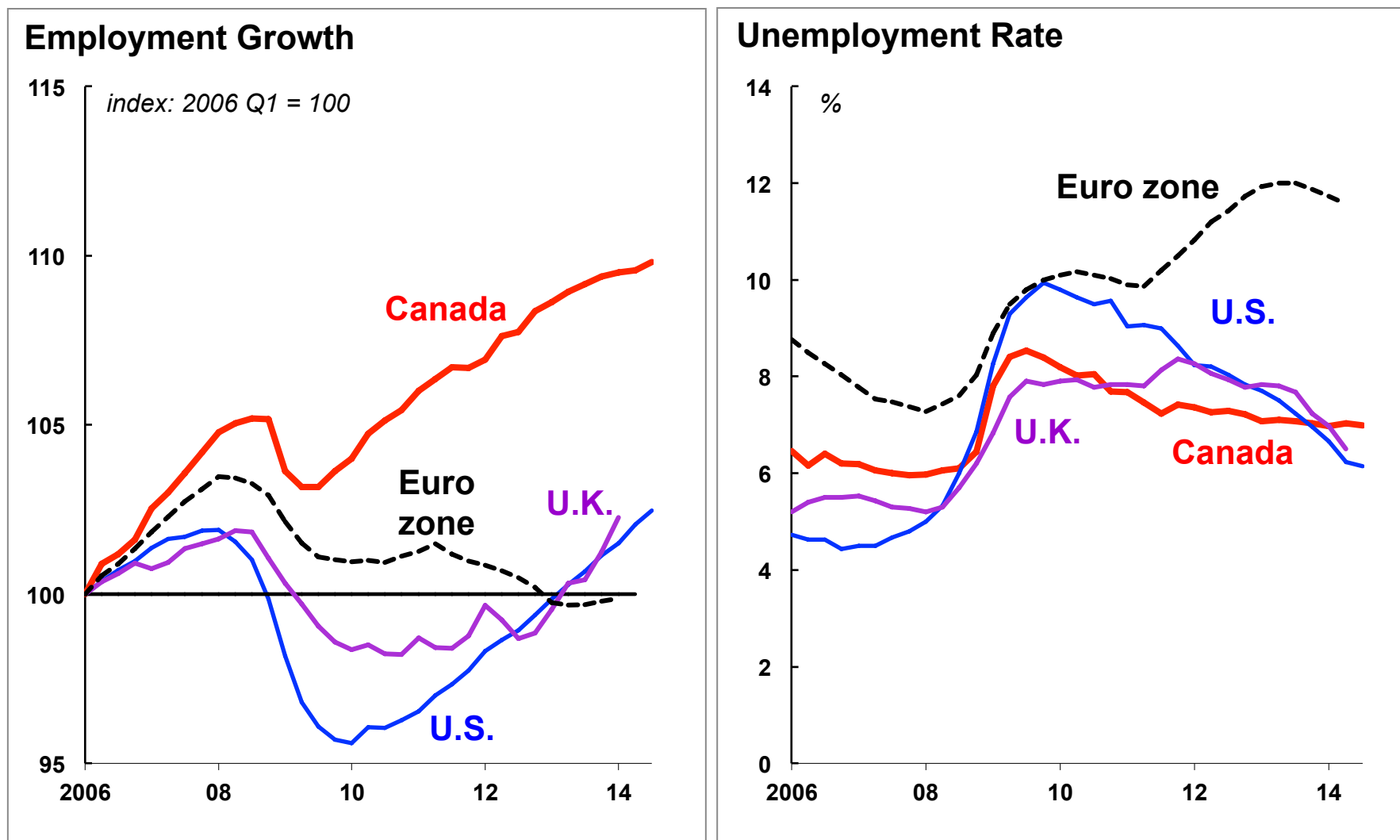
Rising Orders Point To A Further Pick-up In Activity And Trade



Source: Bloomberg, Statistics Canada, CPB Netherlands Bureau For Economic Policy Analysis, Scotiabank Economics.

Forecasts as of August 28, 2014

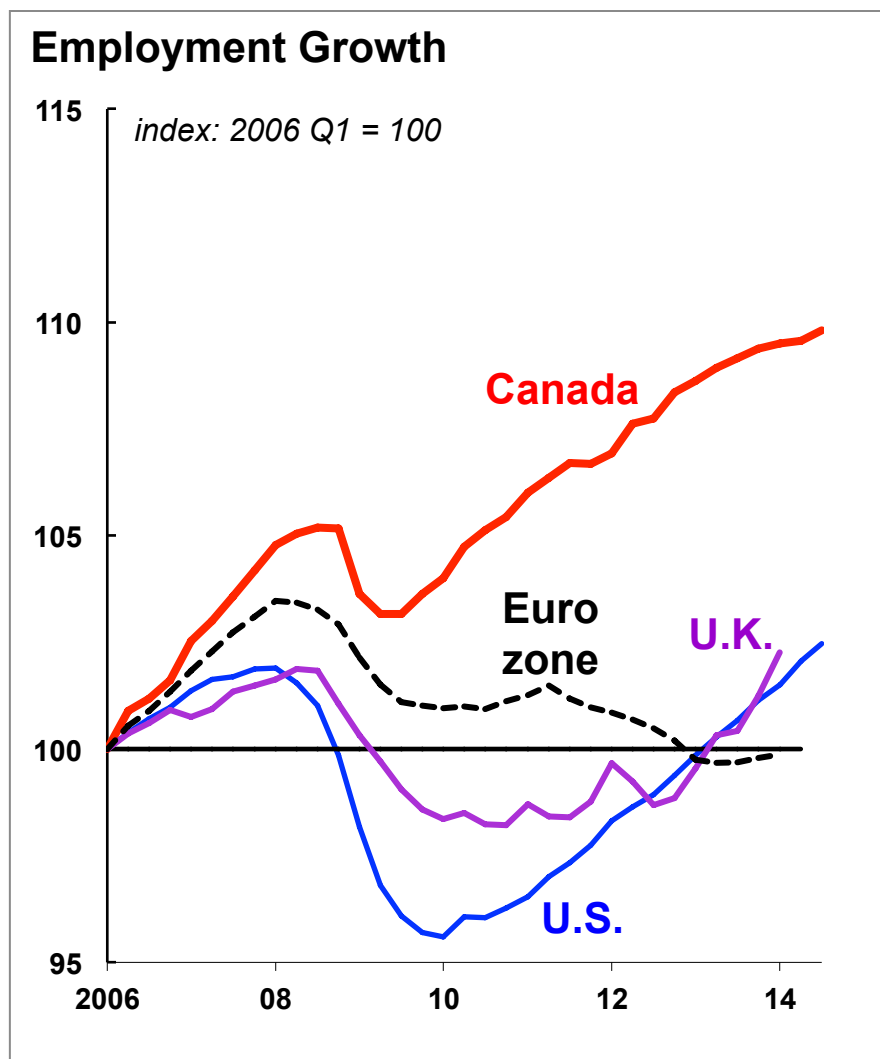
The U.S. And Europe Begin To Play Catch-Up



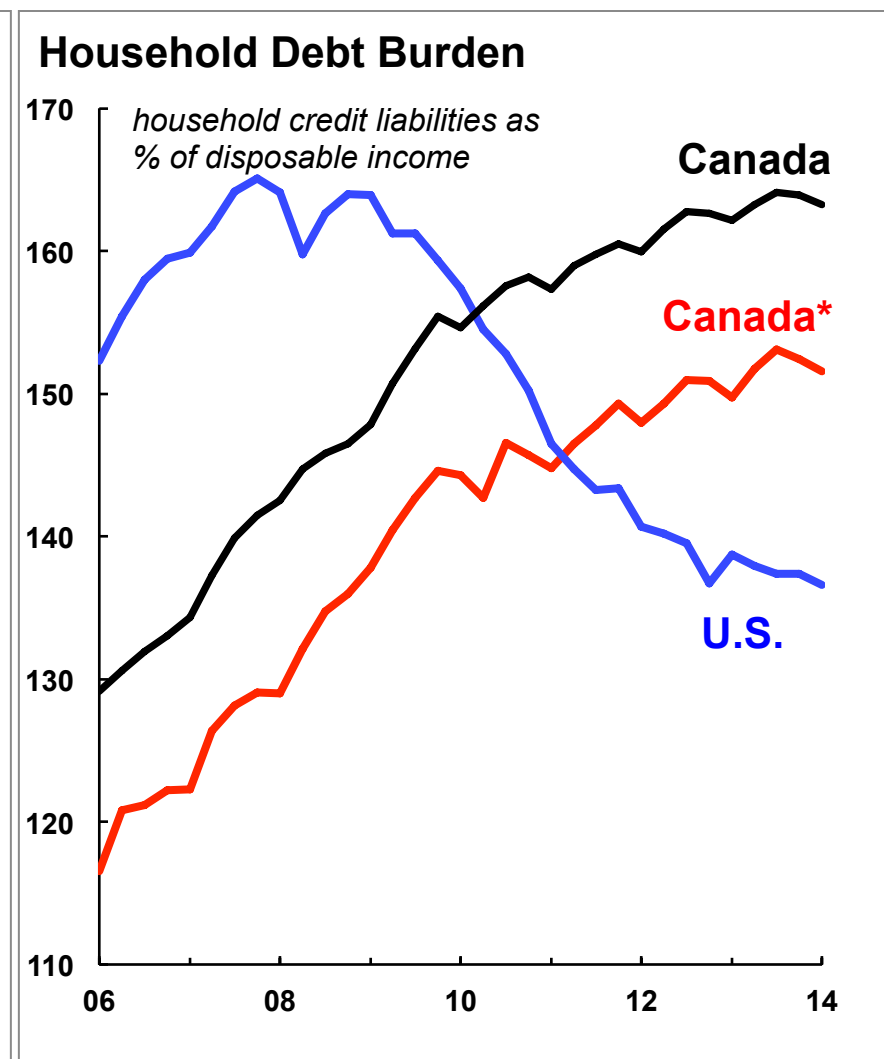
Source: Statistics Canada, BEA, Scotiabank Economics.

Forecasts as of August 28, 2014

The U.S. And Europe Begin To Play Catch-Up

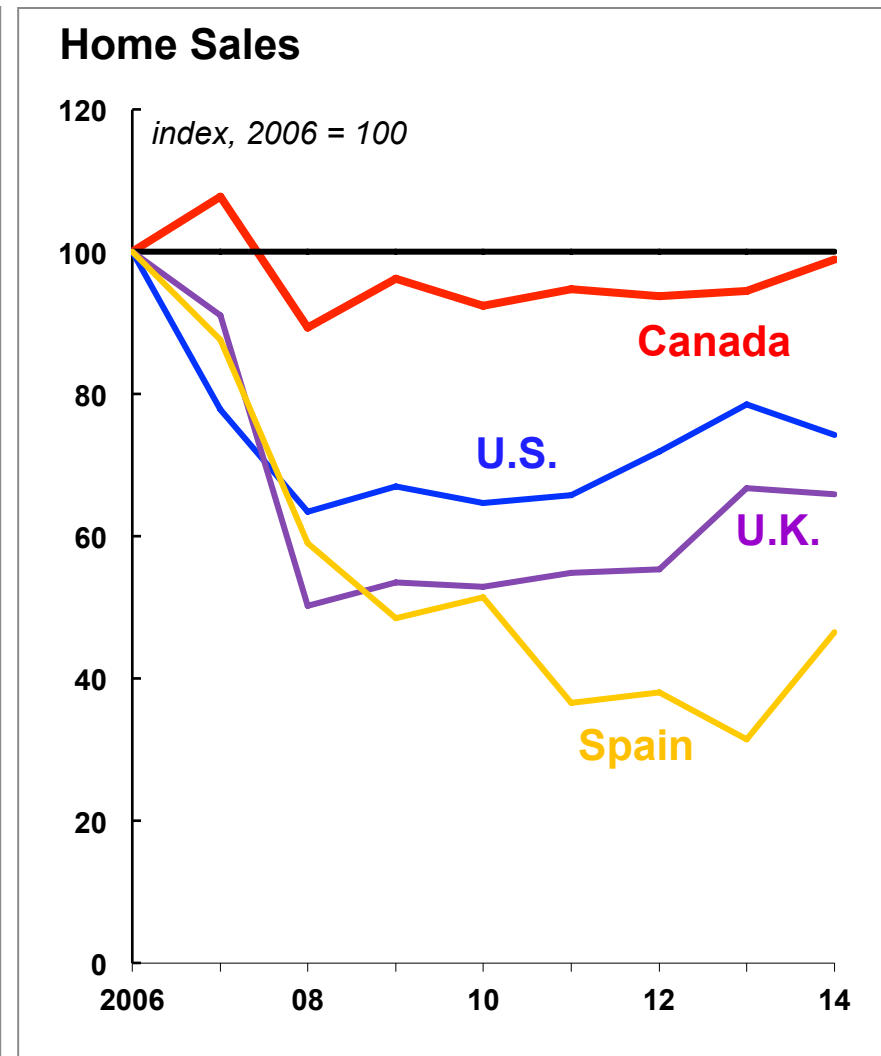
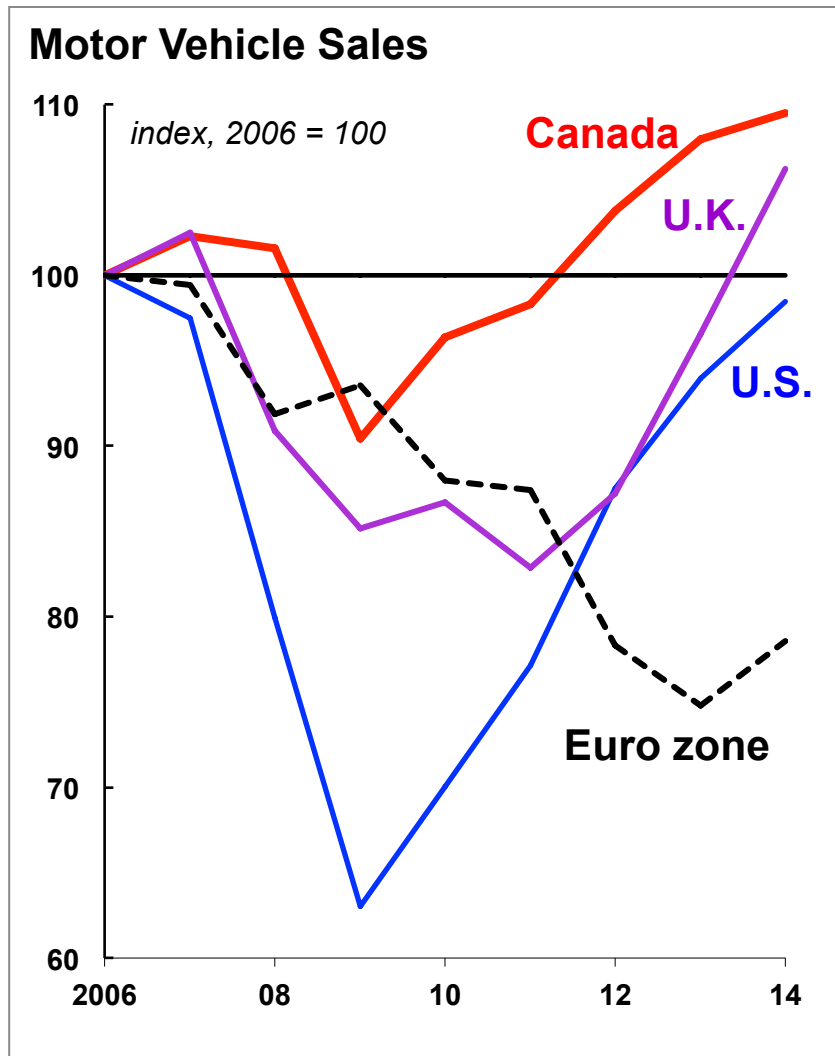


Source: Statistics Canada, BEA, Scotiabank Economics.



* Reflects Statistics Canada adjustment methodology for comparability.
 Source: Statistics Canada, U.S. Federal Reserve, Scotiabank Economics.
 Forecasts as of August 28, 2014

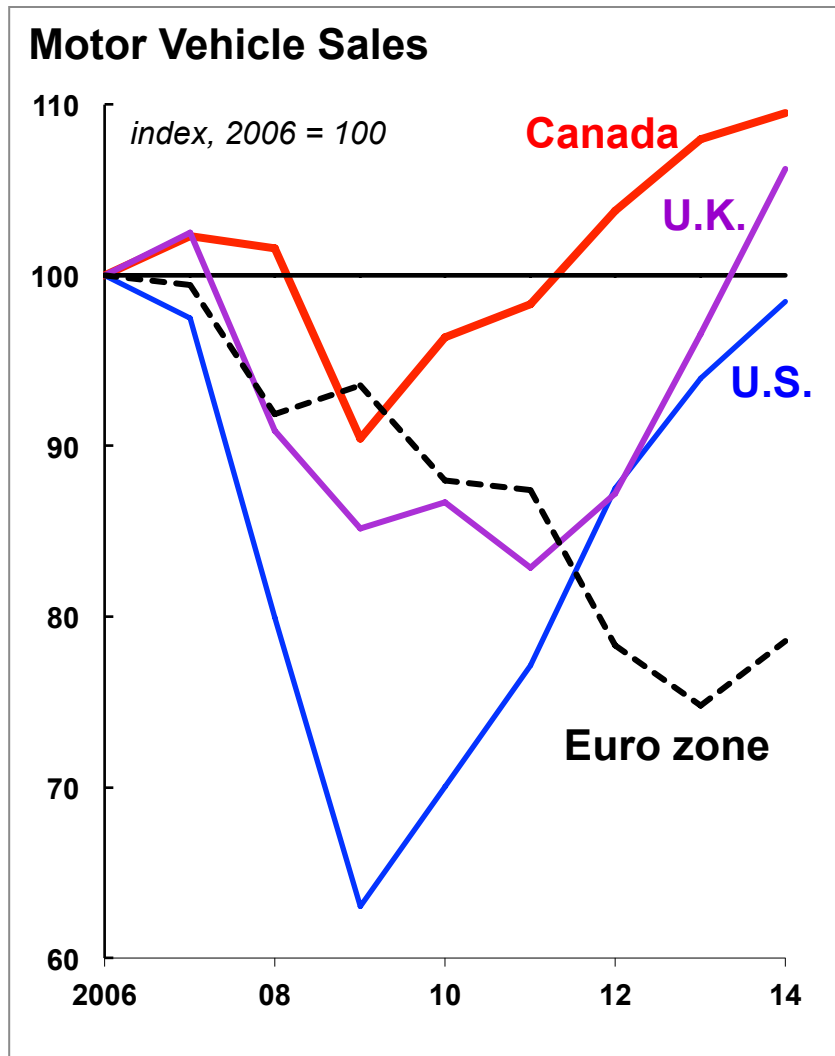
More Consumption



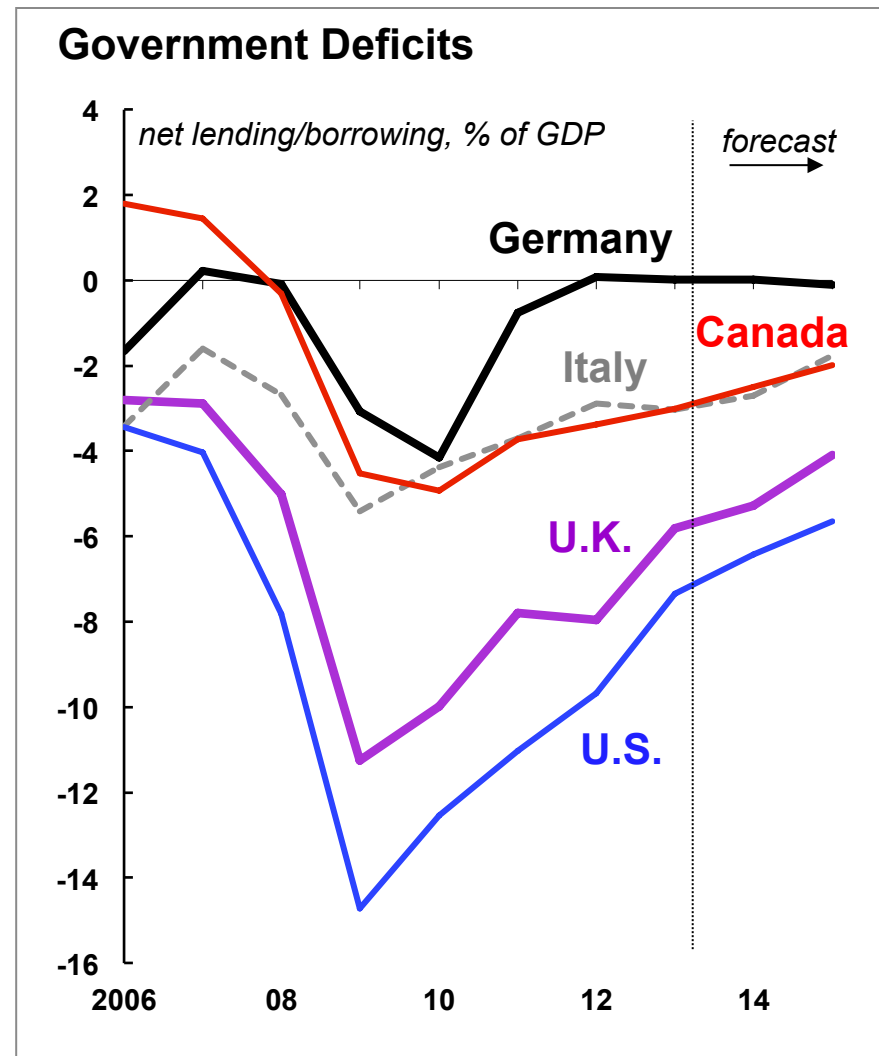
2014 data to Q2. Source: NAR, CREA, HM Revenues & Customs, Bloomberg, Scotiabank Economics.

Forecasts as of August 28, 2014

More Consumption, Less Fiscal Drag



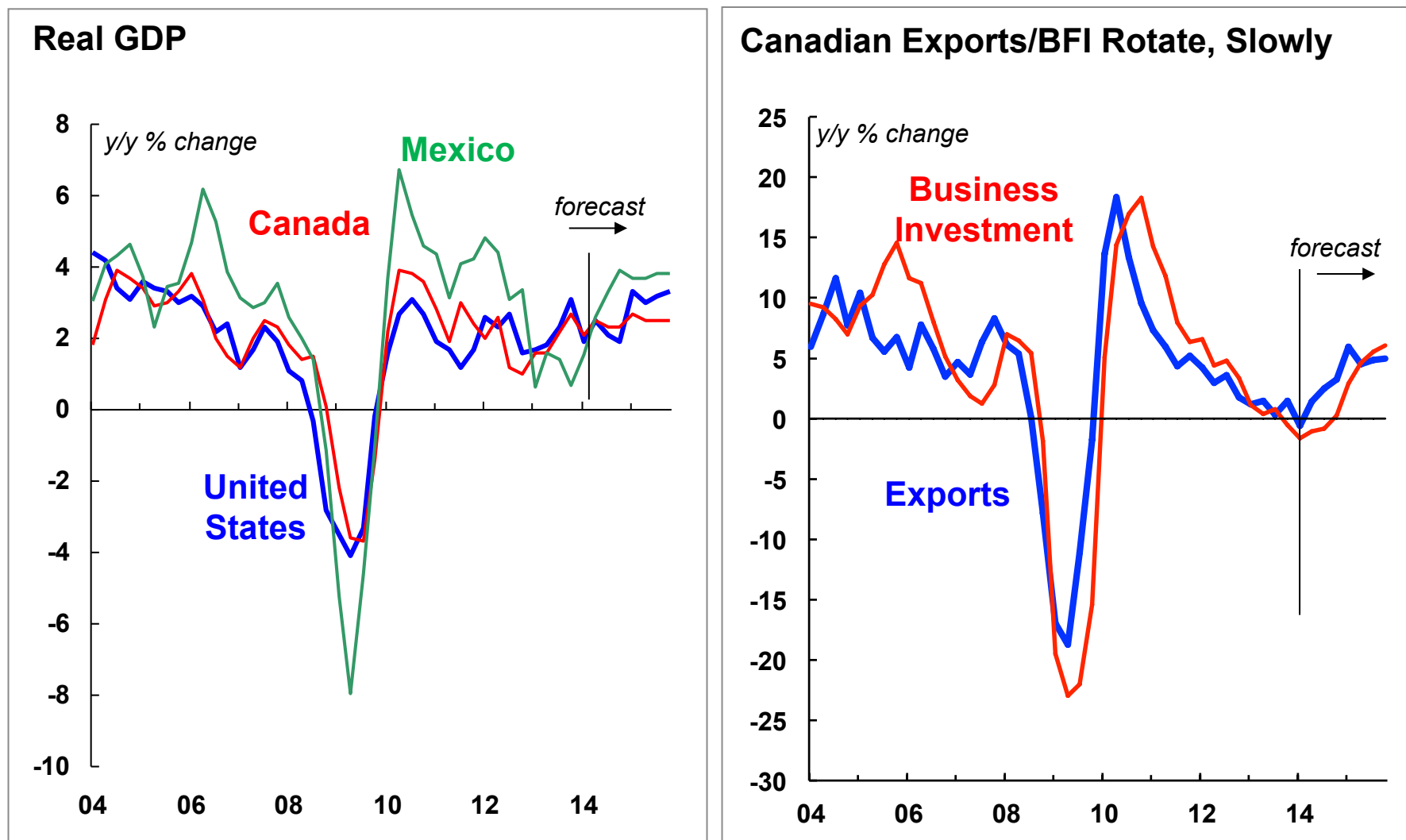
2014 data to Q2. Source: Bloomberg, Scotiabank Economics.



Source: IMF, Scotiabank Economics.

Forecasts as of August 28, 2014

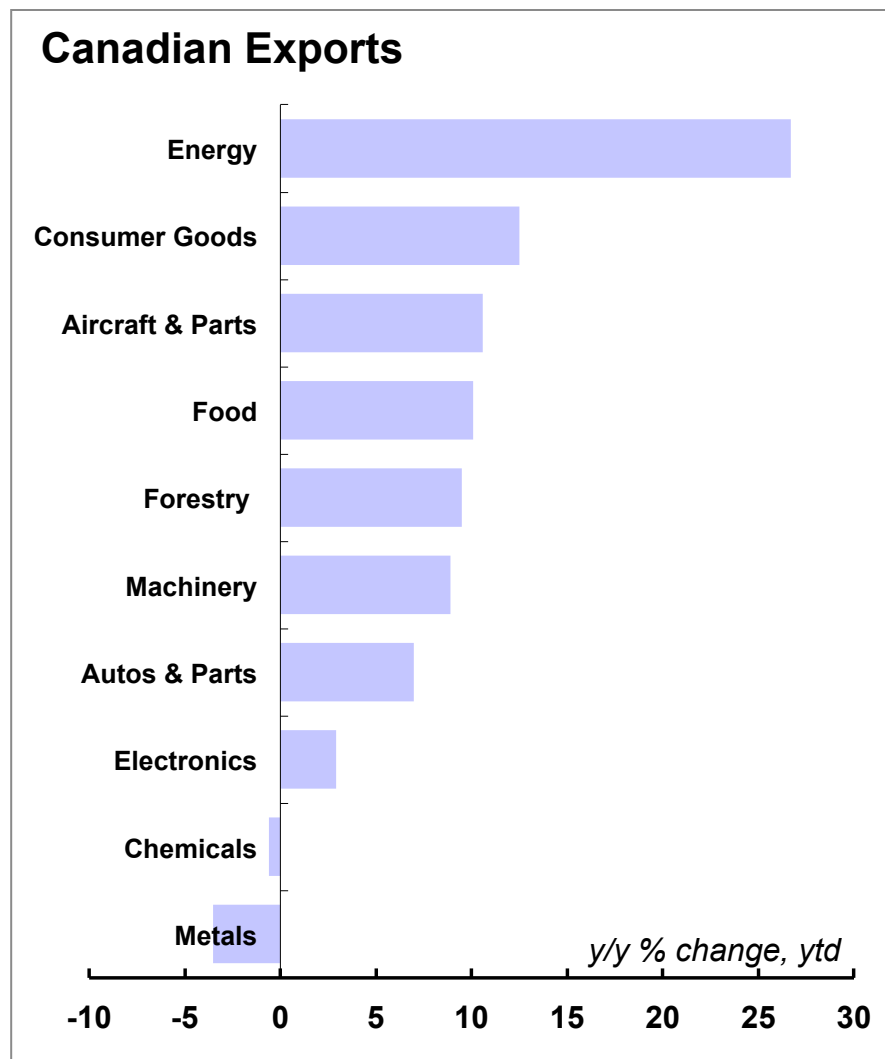
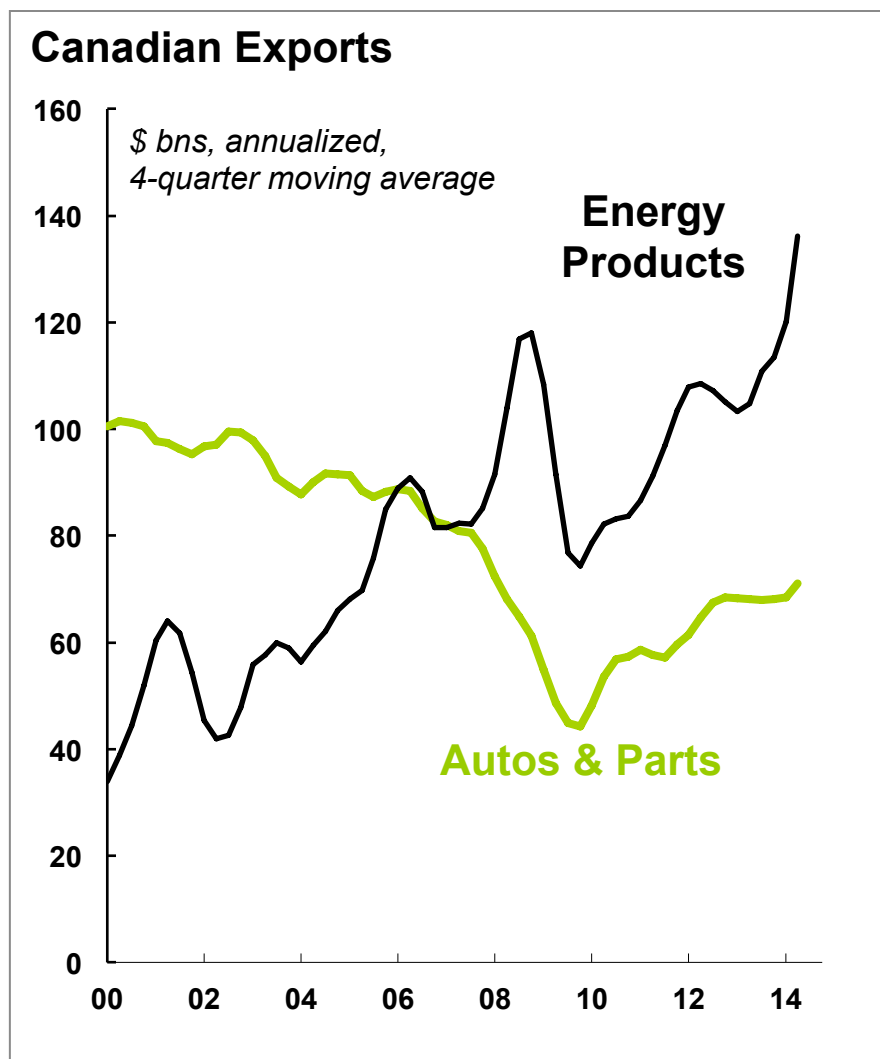
Canada, LaTAM, And The World Will Benefit From A Stronger U.S.



Source: Statistics Canada, U.S. BEA, Bloomberg, Scotiabank Economics.

Forecasts as of August 28, 2014

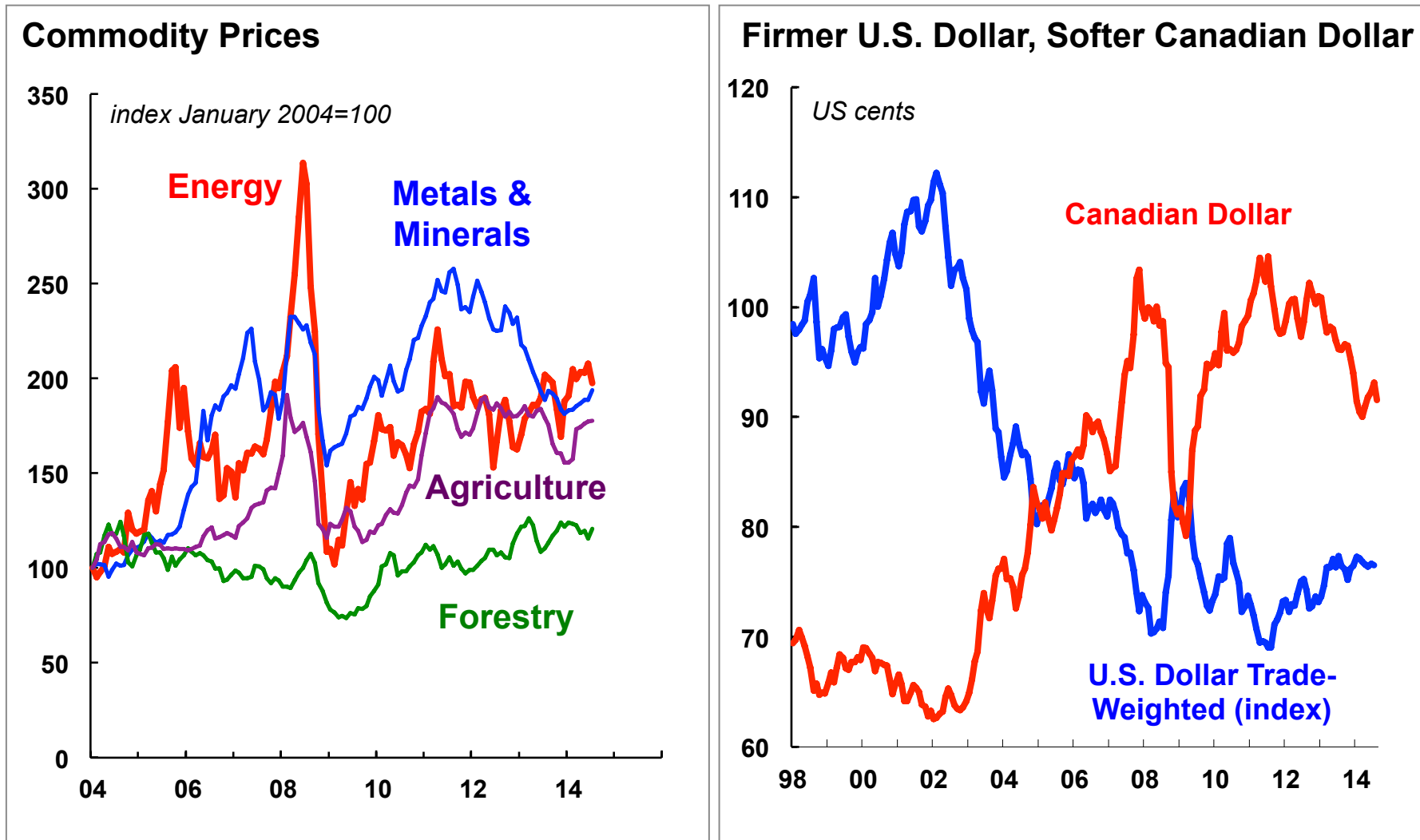
Canada Has Become A World Class Energy Producer ...



Source: Statistics Canada, Scotiabank Economics.

Forecasts as of August 28, 2014

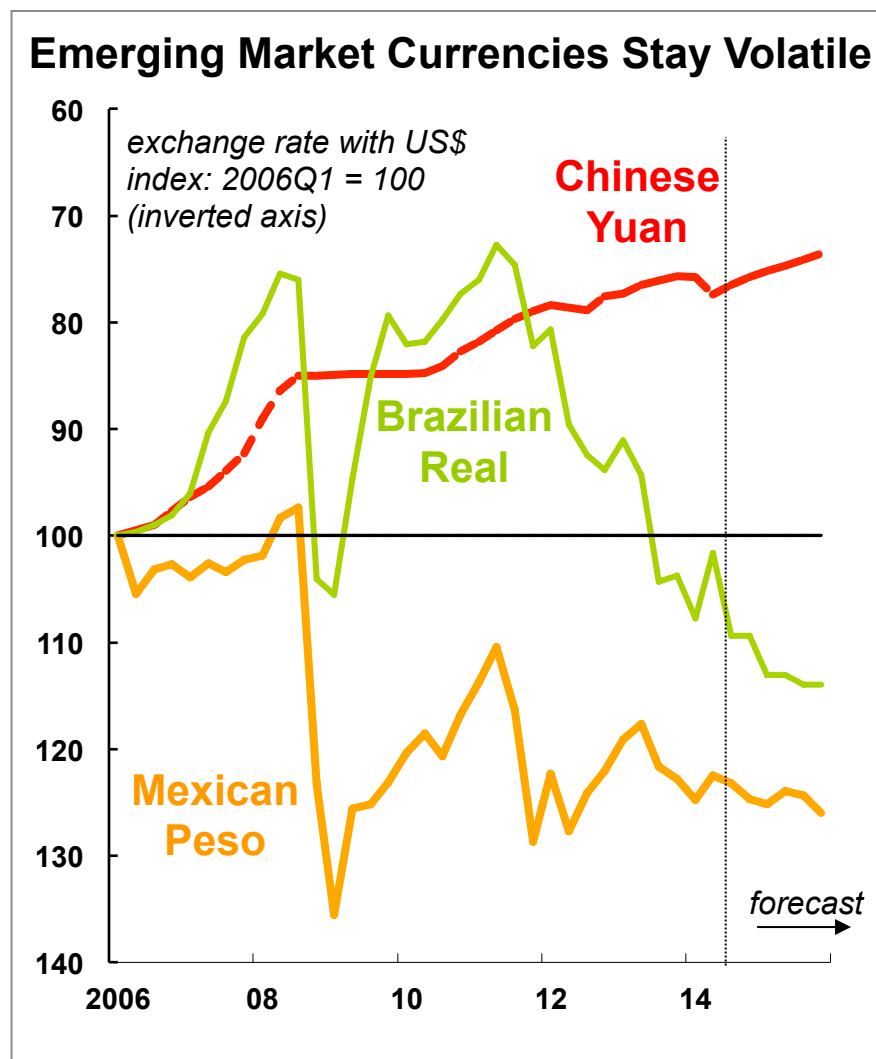
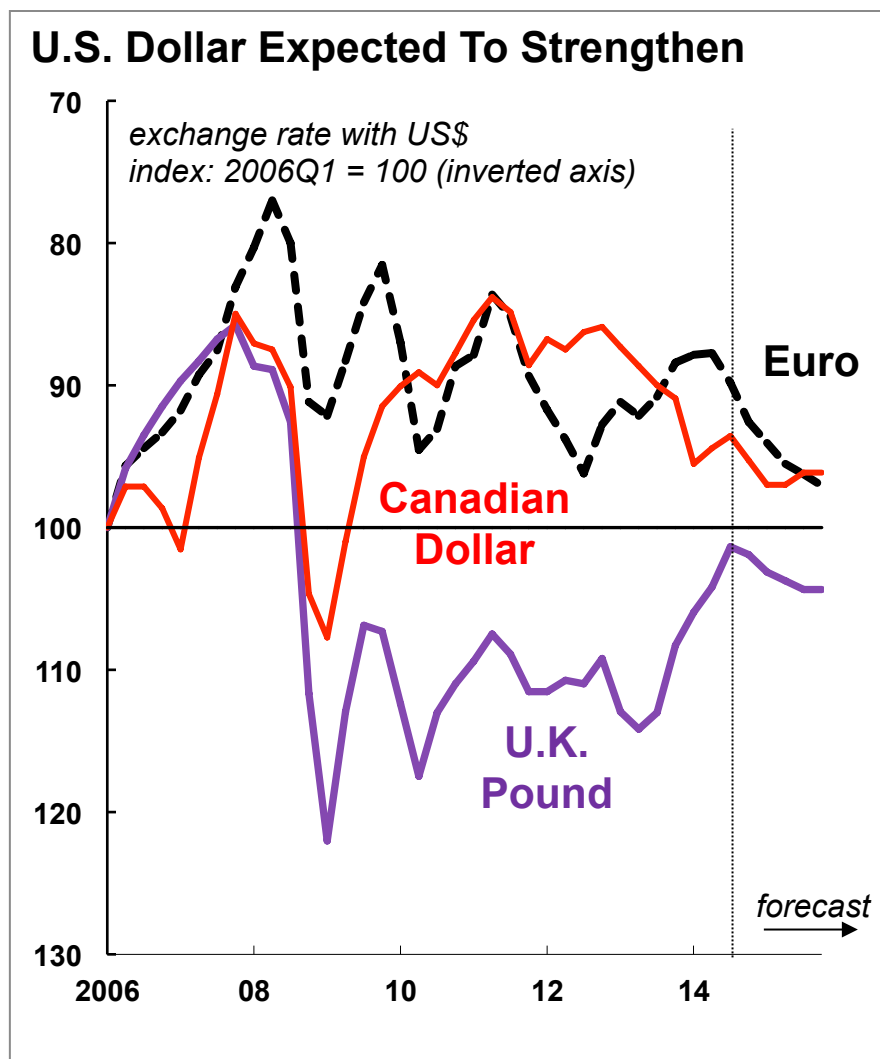
U.S. Dollar Expected To Strengthen Further



Source: Bank of Canada, Statistics Canada, Scotiabank Economics.

Forecasts as of August 28, 2014

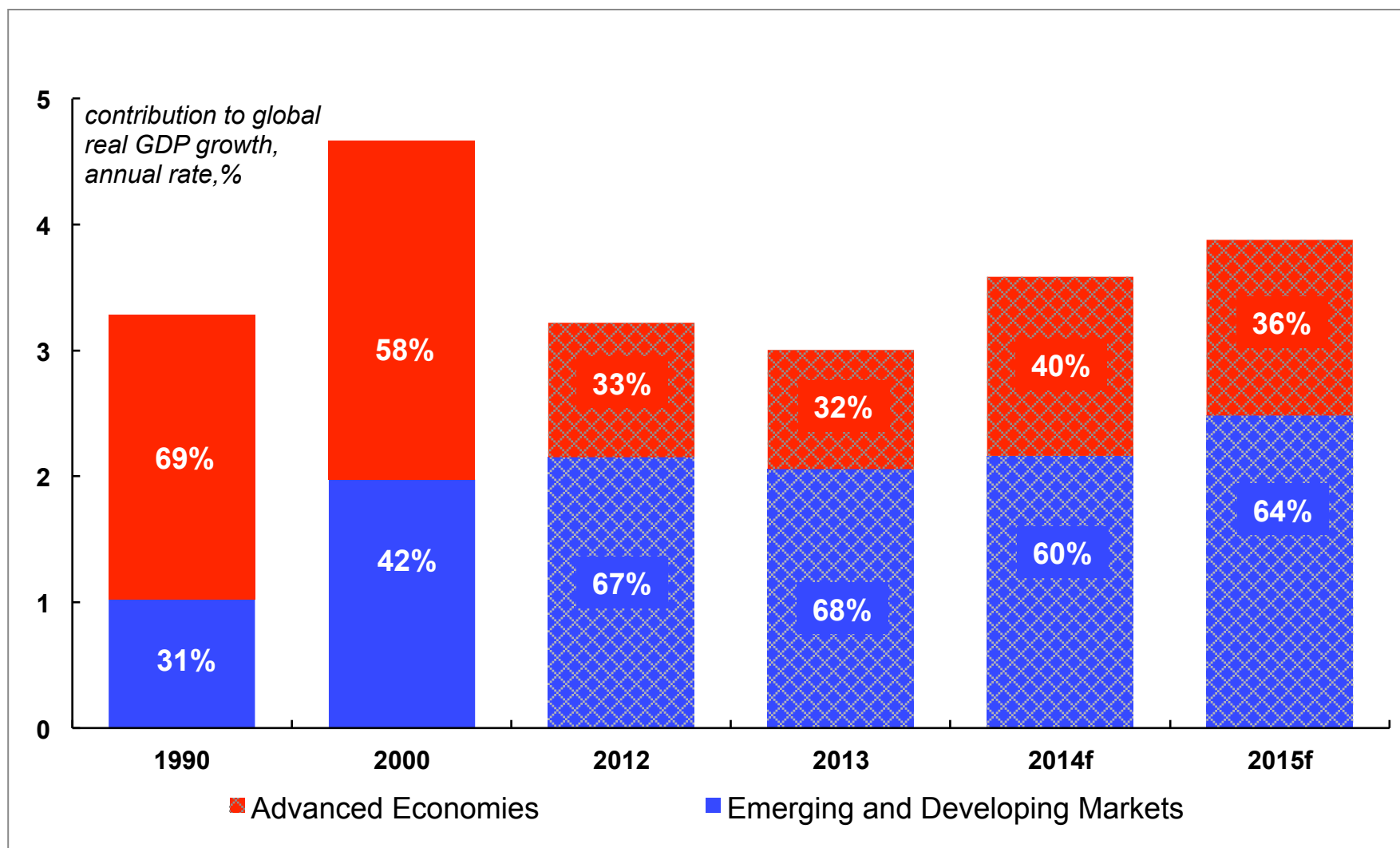
Volatile Currency Markets Affect Competitiveness



Source: Bloomberg, Scotiabank Economics.

Forecasts as of August 28, 2014

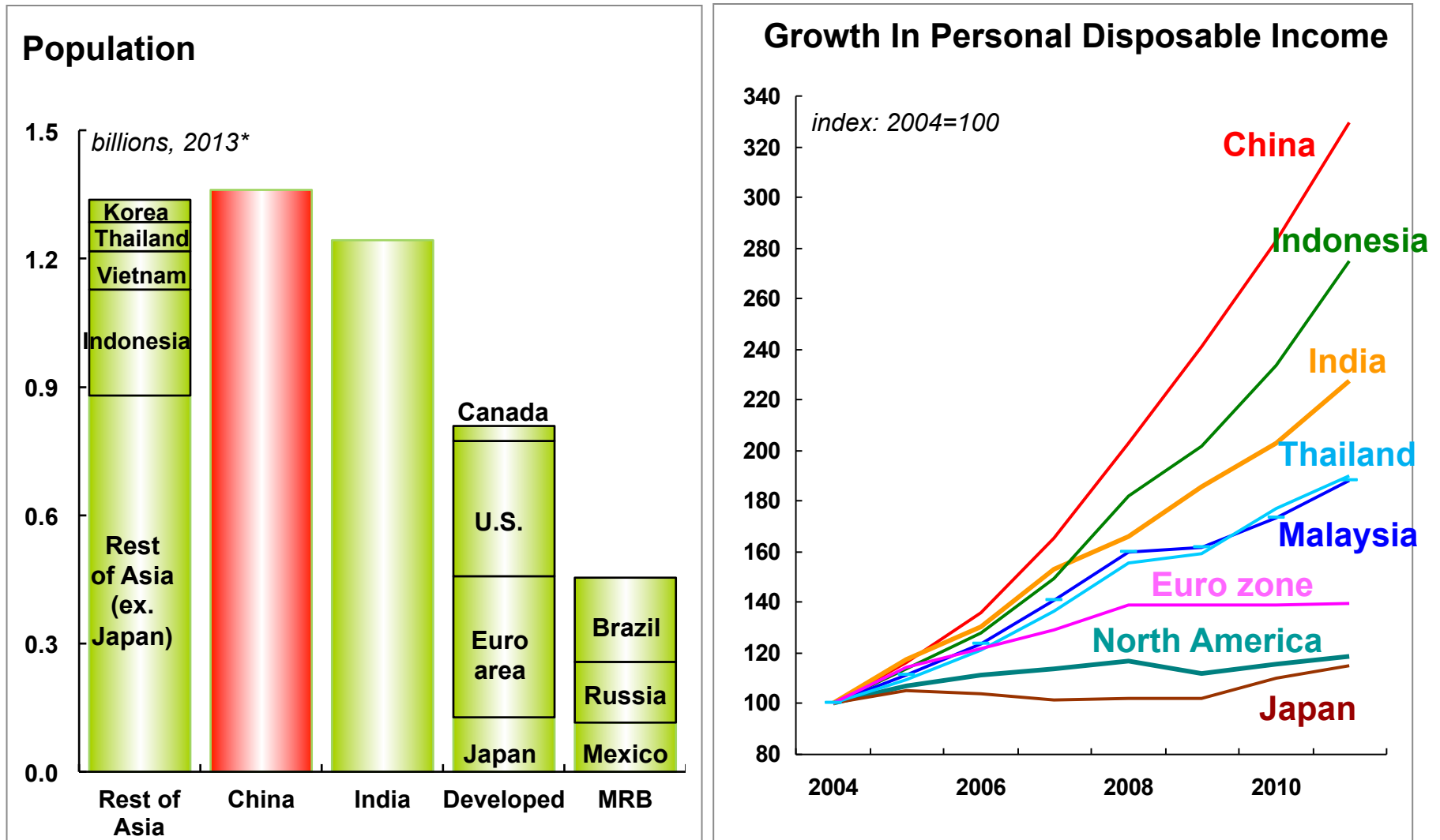
Emerging Market Economies Account For The Bulk Of Global Growth



Source: IMF WEO April 2014, Scotiabank Economics.

Forecasts as of August 28, 2014

Emerging Markets – Stronger for Longer Growth Dynamics



* 2013 IMF forecast. Source: Scotiabank Economics, IMF, World Bank.

Forecasts as of August 28, 2014

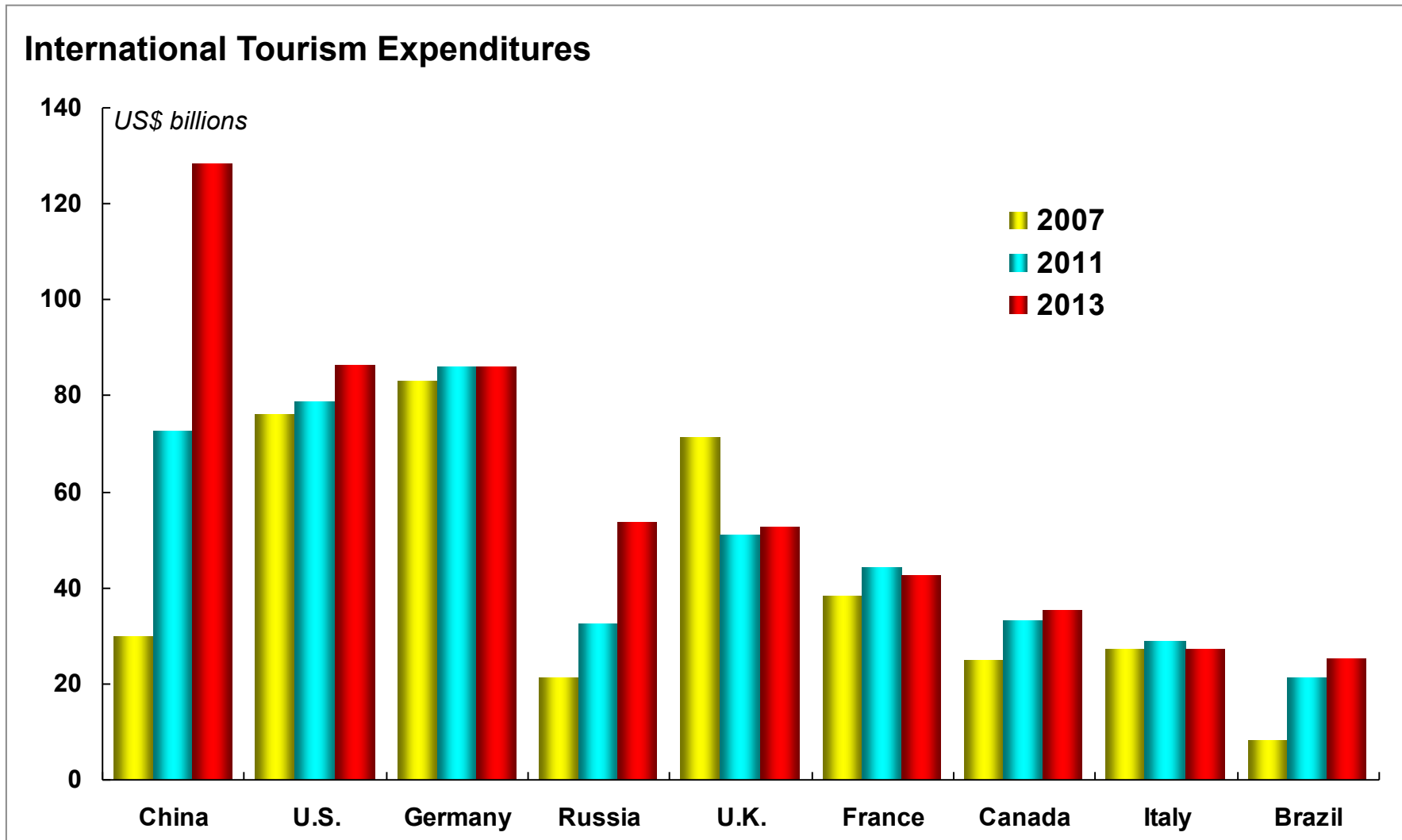
Emerging Markets – Stronger For Longer Growth Dynamics

	Population (millions)	Per Capita GDP*	Motor vehicles per 1000 people	Number of Airports	Health Care Expenditure % of GDP	Services Share % of GDP
India	1,236	1,505	24	352	2	65
China	1,356	6,747	81	497	5	44
Brazil	203	11,311	185	4,105	9	67
Canada	35	51,990	629	1,453	11	70
United States	319	53,101	794	15,079	16	80

**Market exchange rate, USD.*

Source: IMF WEO April 2014 (estimates), Ward's Automotive Reports, CIA World Factbook.

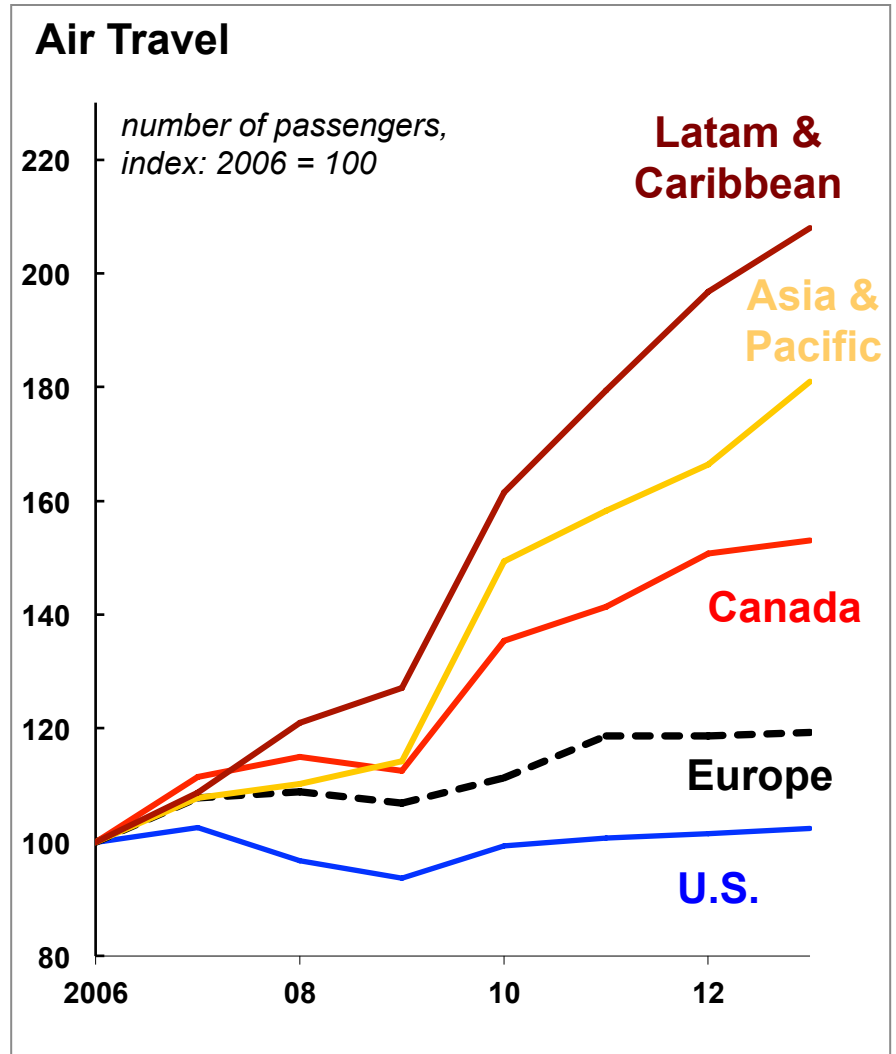
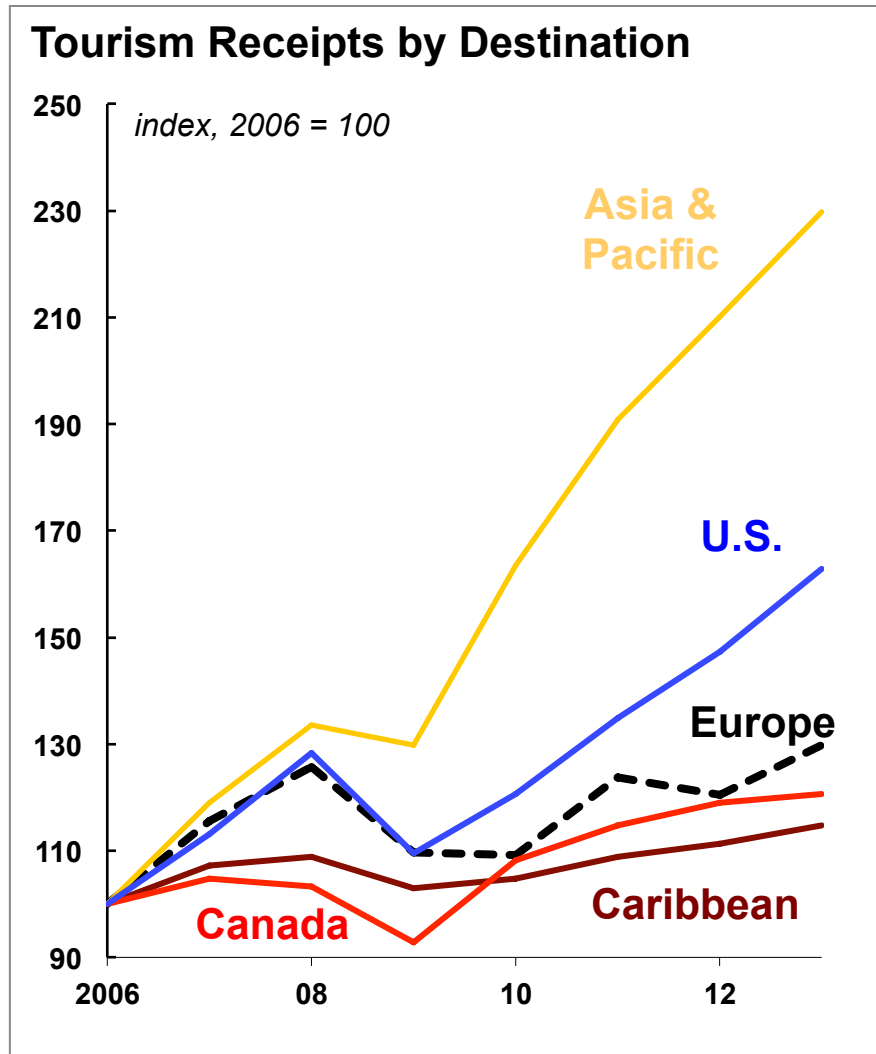
Emerging Markets Are Now A Key Source Of Tourist Revenues



Source: UNWTO World Tourism Barometer, Scotiabank Economics.

Forecasts as of August 28, 2014

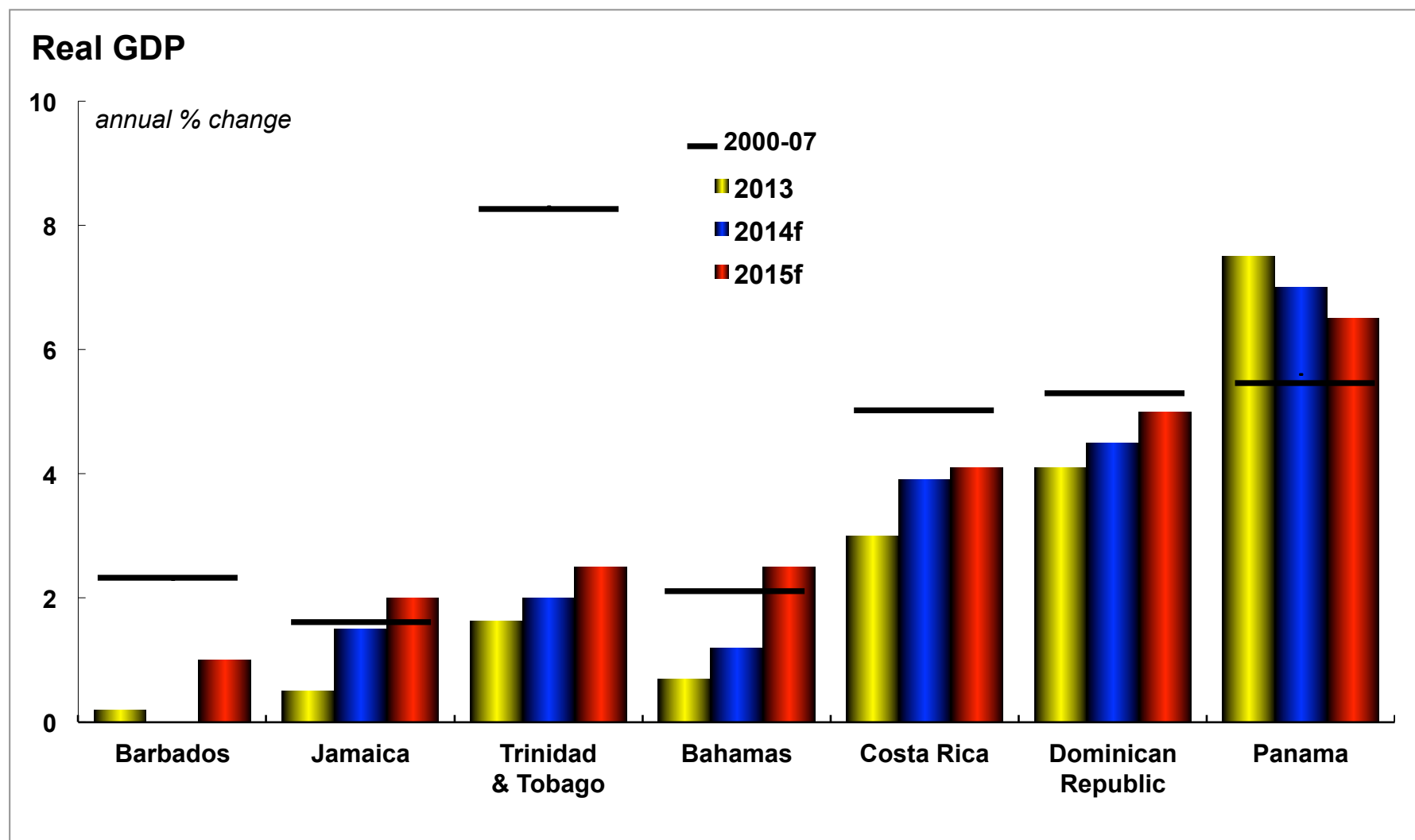
'Come Fly With Me ...'



Source: UNWTO, World Bank, Scotiabank Economics.

Forecasts as of August 28, 2014

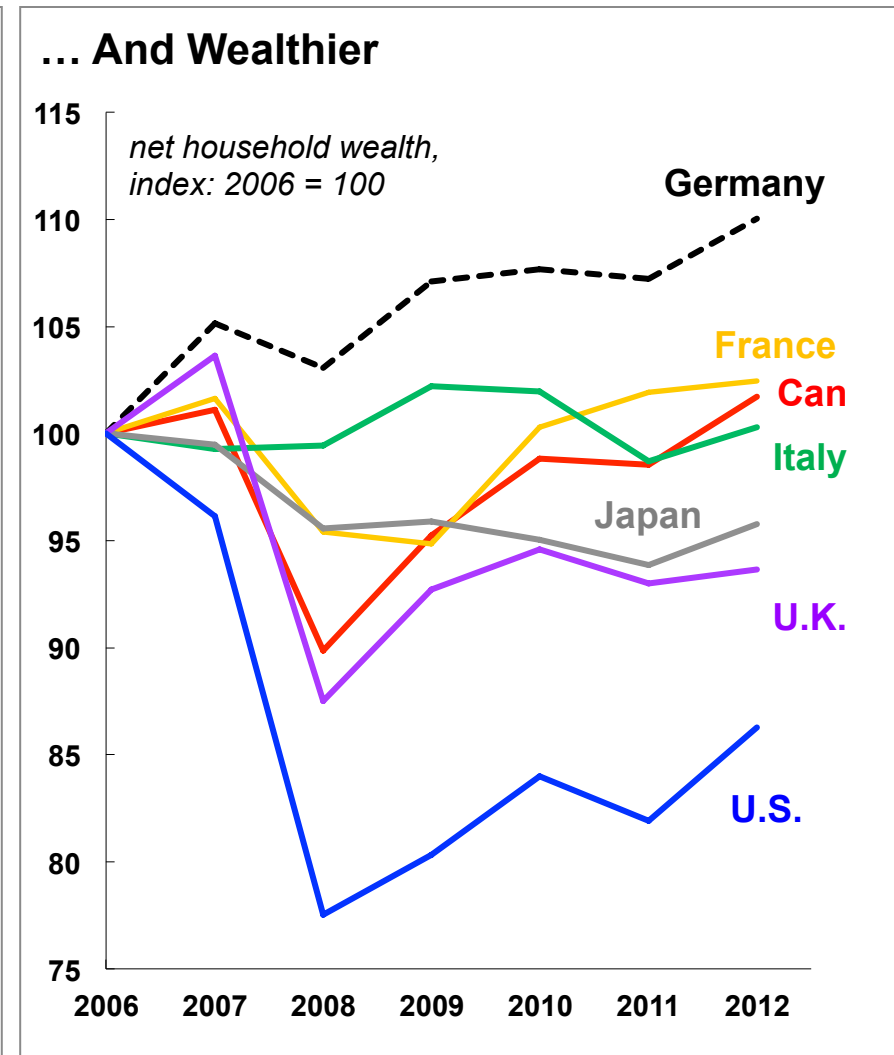
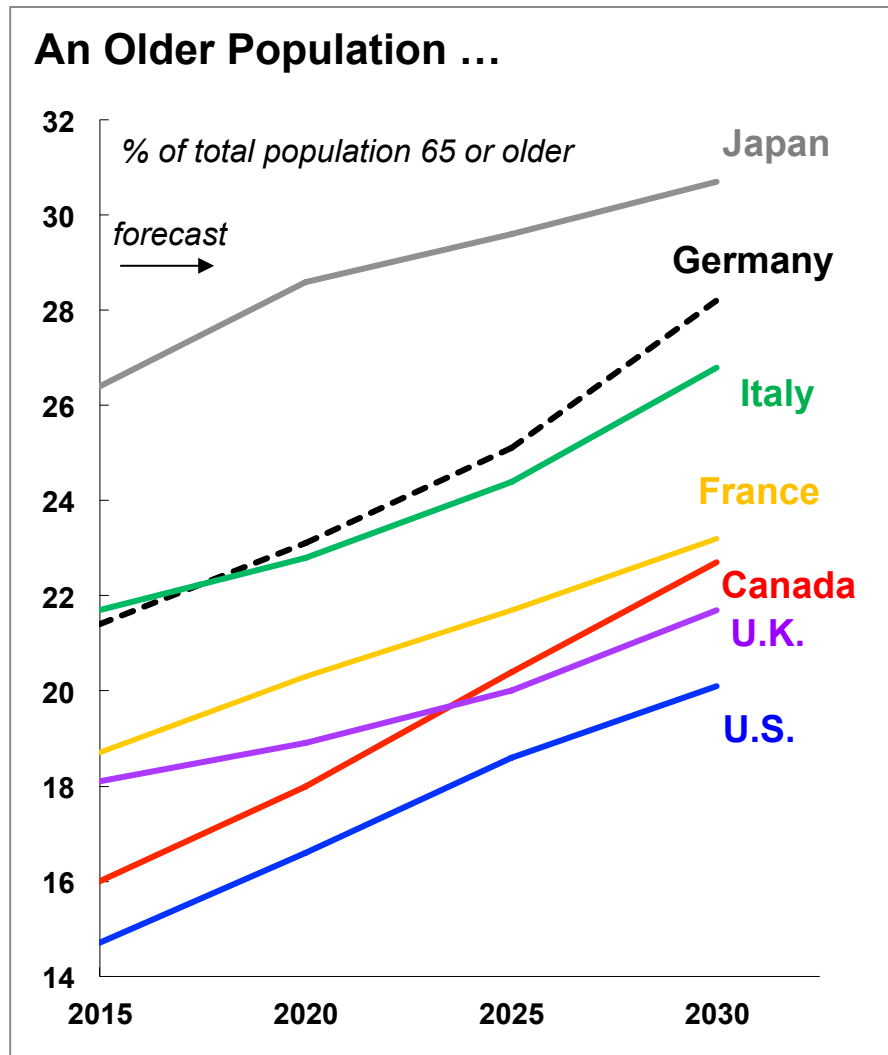
U.S./Global Recovery Is Good News For Latin America & The Caribbean



Source: Bloomberg, Scotiabank Economics.

Forecasts as of August 28, 2014

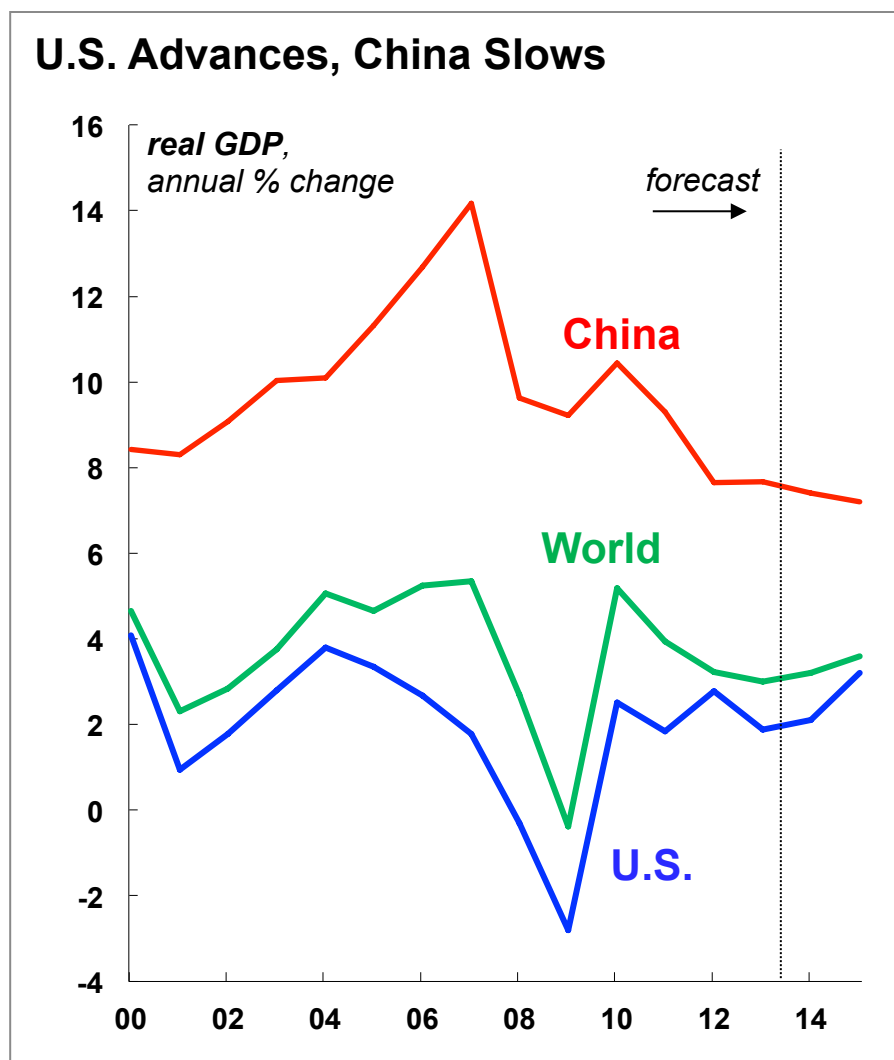
Boomers Have The Potential To Continue Spending ...



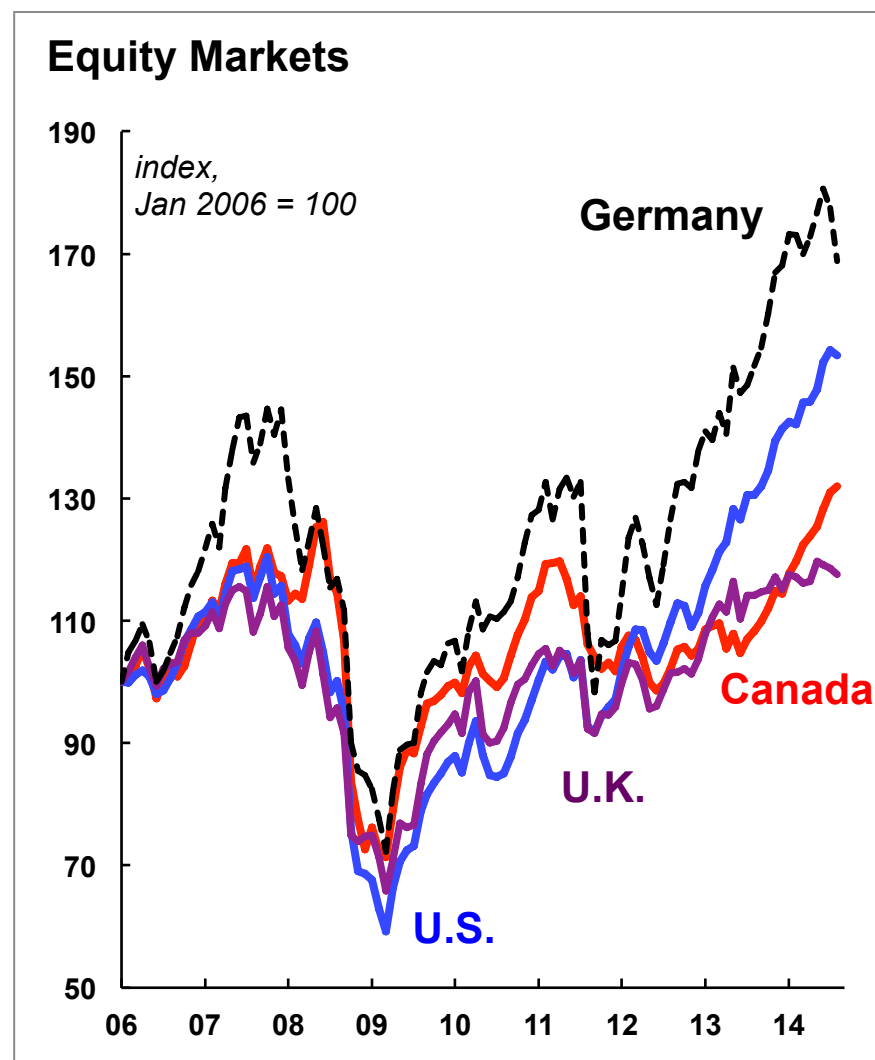
Source: Moody's, Scotiabank Economics.

Forecasts as of August 28, 2014

... As Long As the Global Economy Continues To Advance ...



Source: IMF, Scotiabank Economics.



Source: Bloomberg, Scotiabank Economics.


























Forecasts as of August 28, 2014

... But The World Remains A Very Risky Place



Forecasts as of August 28, 2014

Global Forecasts

ECONOMIC OUTLOOK		13	14f	15f	MARKET OUTLOOK		13	14f	15f
REAL GDP, annual average					CURRENCY, end of period				
U.S.		2.2	2.1	3.2	Canadian Dollar (USDCAD)		1.06	1.10	1.11
Canada		2.0	2.2	2.5	Brazilian Real (USDBRL)		2.36	2.40	2.50
U.K.		1.8	2.9	2.5	Euro (EURUSD)		1.37	1.30	1.24
Euro zone		-0.4	0.8	1.4	Mexican Peso (USDMXN)		13.04	13.22	13.36
Brazil		2.5	0.8	1.6	Chinese Renminbi (USDCNY)		6.05	6.10	5.92
Mexico		1.1	2.7	3.7					
China		7.7	7.4	7.2	3-MONTH T-BILLS, end of period				
India		4.7	5.2	5.7	Canada		0.92	1.00	1.55
				U.S.		0.07	0.15	1.20	
INFLATION, end of period					10-YEAR BONDS, end of period				
U.S.		1.2	2.2	2.4	Canada		2.76	2.75	3.40
Canada		0.9	2.4	2.1	U.S.		3.03	3.15	3.90
U.K.		2.0	1.6	2.1					
Euro zone		0.8	0.6	1.1	COMMODITIES, annual average				
Brazil		5.9	6.5	6.0	WTI Oil (US\$/bbl)		98	99	98
Mexico		4.0	4.1	4.0	NYMEX Natural Gas (US\$/mmbtu)		3.73	4.40	4.00
China		2.5	2.6	3.1	Gold, London PM Fix (US\$/oz)		1,410	1,300	1,350
India		6.4	5.3	5.8					


Source: Scotiabank Economics, Bloomberg.

Forecasts as of August 28, 2014

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Uniform System of Accounts for the Lodging Industry Eleventh Revised Edition

www.ahlei.org/usali

ISHC

Austin, TX

September 11, 2014

Today's Presenters



- Ralph Miller – InnIntegrated Hospitality Management, Ltd.
 - rrmiller@innintegratedhospitality.com
- Robert Mandelbaum – PKF Hospitality Research LLC
 - Robert.Mandelbaum@PKFC.com

Presentation Outline



- The Process for Updating the USALI
- Summary Operating Statement
 - Multi-Department Changes
 - Operating Department
 - Undistributed Departments
 - Non-Operating Income and Expenses
- Financial Statements
- Financial Ratios and Operating Metrics
- Revenue and Expense Guide
- Implementation for January 1, 2015
- Questions and Answers



Who is Responsible For Changes



- Hotel Association of New York City
 - Owns Copyright
- American Hotel & Lodging Association
 - Financial Management Committee – Author
 - Education Institute – Publisher
- Hospitality Financial Technology Professionals
 - Sponsor

Committee Membership



- Hotel Industry Constituents
 - Individual Hotel Owners
 - Hotel Chains
 - Educators
 - Public Accounting
 - Smith Travel Research / PKF Consulting
 - Owner Representatives / Asset Managers
 - Management Companies
 - Consultants

The Process



- Financial Management Committee of the AH&LA
- First Meeting - November 2011
 - Process started with a review of 2011 survey of HFTP members.
 - Each committee member added their own issues.
- Sub-Committees Tasked With Different Sections of the Book
- Quarterly meetings
 - Discussions
 - Research
 - Votes (simple majority)
- Forwarded to Publisher for Editing
 - February 2014

Reasons for Changes



- Keep up with changes in industry practice
 - Technology
 - Cluster Services
 - Sustainability
 - Distribution Channels
 - Globalization
 - Ratio Analysis
 - New Terminology
- Keep up with changes in accounting practice
 - IFRS
 - GAAP



Summary Operating Statement

Summary Operating Statement



- Revenue
 - Rooms
 - Food and Beverage
 - Other Operated Departments
 - **Miscellaneous Income**
 - Total **Operating** Revenue
- Departmental Expenses
 - Rooms
 - Food and Beverage
 - Other Operated Departments
 - Total Departmental Expenses
- Total Departmental Income

Summary Operating Statement (continued)



Undistributed Operating Expenses

- Administrative and General
- **Information and Telecommunications Systems**
- Sales and Marketing
- Property Operations and Maintenance
- Utilities
 - Total Undistributed Expenses

Gross Operating Profit

Management Fees

Income Before Non-Operating Income and Expenses

Summary Operating Statement (continued)



Non-Operating Income and Expenses

- Income
- Rent
- Property and Other Taxes
- Insurance
- Other
 - Total Non-Operating Income and Expenses

EBITDA (Earnings Before Interest, Taxes, Depreciation,
and Amortization)

Summary Operating Statement

(For Operator)



EBITDA (Earnings Before Interest, Taxes, Depreciation,
and Amortization)

Less: Replacement Reserve

EBITDA Less Replacement Reserve

Summary Operating Statement (For Owner)



EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization)

Interest, Depreciation, and Amortization

- Interest
- Depreciation
- Amortization
 - Total Interest, Depreciation, and Amortization

Income Before Income Taxes

- Income Taxes

Net Income



Multiple Departments

Multiple Departments - Labor Reporting



Migration from Payroll Costs to Labor Costs

- Considers the growing impact of ‘Outsourced Labor’ in hotel operations
- Includes payroll costs plus outsourced labor in metric analysis and benchmarking

Multiple Departments – Labor Reporting



- The aggregated Salaries and Wages of Management and Non-Management personnel are presented on the department schedule.
- Service Charge Distribution is presented as a distinct cost category within Salaries, Wages, Contracted Labor and Bonuses.

Multiple Departments – Labor Reporting



- Modified Labor language and descriptions for relevancy
- All bonuses now go into the Bonus & Incentive line
- Goal to broaden categories for payroll taxes and benefits to reflect global needs
- Added category to consolidate benefits for ex-pats

Multiple Departments – Labor Reporting



Labor Costs and related Expenses

- Salaries, Wages, Contracted Labor and Bonuses
 - Salaries and Wages
 - Management
 - Non-management
 - » Sub-Categories as needed
 - Sub-Total: Salaries and Wages
 - Service Charge distribution
 - Contracted, Leased or Outsourced Labor
 - Bonuses and Incentives
 - Total Salaries, Wages, Service Charges, Contracted Labor and Bonuses
- Payroll-Related Expenses
 - Payroll Taxes
 - Supplemental Pay
 - Total Payroll Related Expenses
- Total Labor Cost and Related Expenses

Multiple Departments – Gross vs Net



- Enhanced accounting guidance is provided for the reporting of revenues and expenses on a Gross vs Net basis. A separate section was created for this topic.
- Guidance on Gross vs Net reporting is applicable to all departments. Readers are advised to refer to the Gross vs Net section.

Service Charges



Definition

A service charge is a mandatory amount billed to the customer's account for which the customer has no discretion as to payment, the amount of the charge, or its distribution to employees.

Treatment

Service charges must be treated as revenue and any corresponding payment of service charge to employees is treated as a wage expense.

Multiple Departments – New Expenses



- A new expense category has been added to account for Cluster Services.
- Department specific Reservation Expenses are charged to the appropriate operating department.
- Each department will have an In-house Entertainment account.

Multiple Departments – Admin. Telecom.



- All administrative telecommunications expenses are recorded in the Information and Telecommunications Systems department.



Operating Departments

Summary of Rooms Department Changes



1. **Rooms Revenue segments** revised and listed on the face of Rooms department operating statement, and definitions added for each segment
2. **Package Revenue** language “tightened up” and package breakage treatment addressed
3. **Resort Fees** moved to Miscellaneous Income (Schedule 4)
4. **Rooms Service Charges** added as this is common in certain geographic areas.
5. **Rebates or subsidies granted directly to a group** moved to Contra Revenue vs. being treated as part of Commissions and Rebates – Group expense
6. Expanded **Complimentary Services and Gifts** expense item to three separate expense categories, to include Complimentary Food & Beverage and Complimentary In-Room/Media Entertainment
7. Enhanced guidance is provided regarding the handling of Revenues & Expenses associated with **mixed ownership** lodging facilities.

Summary of Food and Beverage Department Changes



1. Focus on combined Food and Beverage Operations.
2. COVER terminology dropped in favor of CUSTOMER.
3. Public room set-up charges added.
4. Expanded discussion regarding AUDIO VISUAL revenue recognition.
5. Gift certificate revenue recognition expanded.

Summary of Other Operated Departments Changes



1. Telecommunications

- No longer an Other Operated Department.
- Revenues and cost of sales moved to “Guest Communication” in Minor Operated Departments.
- Cost of administrative phone calls and internet connectivity moved to new “Information and Telecommunications Systems” department.
- Cost of complimentary phone calls and internet connectivity moved to new “Information and Telecommunications Systems” department.
- All other telecommunications related expenses (labor, maintenance, operating supplies) moved to new “Information and Telecommunications Systems” department.

Summary of Miscellaneous Income Changes



1. **Name Change**

- Department name changed from Rentals and Other Income to Miscellaneous Income.

2. **Other Breakage**

- Unused or forfeited Gift Cards or Gift Certificates, and un-presented or expired Prepaid Coupons are recorded in Miscellaneous Income.

3. **Package Breakage**

- Unused revenue from a package recorded in Miscellaneous Income.

4. **Resort Fees**

- The entire amount of a mandatory resort fee is recorded in miscellaneous income, even if the fee is described as covering services provided by multiple departments.

5. **Additional Guidance**

- Additional guidance provided regarding the definitions for Commissions, Business Interruption Insurance, Foreign Currency Exchange and Interest Income.



Undistributed Departments

Information & Telecommunication Systems



- Consolidate all hotel expenses associated for information and telecommunication systems to provide better line of sight cost management
- Includes cost of cell phones, administrative call and internet services, and complimentary call and internet services.
- System expenses categorized by type of technology or by area benefiting from technology solution

Summary of Additional Undistributed Department Changes



1. Additional guidance regarding the handling of Foreign Currency Exchange income and expenses.
2. Eliminated segregation of Sales and Marketing expenses.
3. Clarified Revenue Management and Catering Sales Functions as Sales and Marketing expenses.
4. Utility Taxes was eliminated as a separate expense category in the Utilities Department.
5. Contract Services was added as an expense category in the Utilities Department.

Non-Operating Income and Expenses



- Previously known as the “Fixed Charges Section”.
- **Changed title** from “Rent, Property & Other Taxes and Insurance” to reflect that there are other items affecting the property income statement that are not from hotel operations.
- **Added Income line** items to Schedule 11:
 - Interest Income from Replacement Reserve or other restricted accounts
 - Other Income such as income from parts of the facility not controlled or directed by hotel operations (e.g., antenna or billboard lease)
 - Cost recovery (should net to zero against cost recovery expense)

Non-Operating Income and Expenses



Rent

- Clarified this is rental of equipment used in operation for longer period time, not a specific event
 - Must meet GAAP criteria for operating lease
 - Information Systems and Telecommunication equipment rental recorded in Other Property and Equipment
- Added guidance under Land & Building Rent that the rent of a facility/ complex for employee housing reflected here, which is common in certain geographic areas

Property and Other Taxes

- Provided additional guidance on Other Taxes and Assessments (e.g., Building Improvement District or assessments for public improvements)

Non-Operating Income and Expenses



- Added a line item for **Deductible** under Insurance
- Added **additional expense** categories:
 - Cost Recovery Expense
 - Gain/Loss on Fixed Assets
 - Owner Expenses (e.g., asset management fees, owner directed audits)
 - Unrealized Foreign Exchange Gains/Losses (e.g., revaluation of foreign currency bank accounts and Replacement Reserve)



Financial Statements

Summary Financial Statements



- Included statement of comprehensive income which replaces income statement
- Included reference to International Financial Reporting Standards (IFRS)
- Included gift certificates and cards in current liability section
- Expanded explanation of inventories
- Expanded explanation of operating equipment
- Included explanation of pre-opening expenses



Financial Ratios and Operating Metrics

Summary of Changes

Financial Ratios and Operating Metrics



- Name changes to Financial Ratios and Operating Metrics
- The section is divided into two major categories: Financial Ratios and Operating Metrics
- In the Operating Metrics section, enhanced statistics are provided for operated and undistributed departments, as well as labor.
- A recommended schedule for the presentation of important statistics will be provided for operated and undistributed departments.
- A recommended schedule will be provided to present labor statistics for all departments.

Summary of Changes

Financial Ratios and Operating Metrics



- Nomenclature change: “rooms sold” instead of “rooms occupied”. Occupancy and ADR are still calculated exclusive of complimentary rooms.
- “Cover” changed to “Customer” for F&B metrics.
- Utilities Ratios have been expanded to include: Electric cost ratios, Gas cost ratios, Steam cost ratios, Chilled Water cost ratios, Total Energy cost, Total Utilities cost ratios. In addition, energy usage ratios have been added.
- While detailed calculations about a hotel’s carbon footprints have not been approved, this edition has laid a foundation for tracking and monitoring a hotel’s environmental impact.

Revenue and Expense Guide



- Guide for reporting revenues added.
- User-friendly format – sortable and searchable



Publication and Implementation

Publication



- eText publication available for the 1st time
- Hard CoverBook is published and is available **NOW**
- Implementation for fiscal years beginning January 1, 2015
- www.ahlei.org/USALI



Implementation



- eText version with search capabilities
- Resource Portal <https://www.ahlei.org>
 - Frequently asked questions (FAQ)
 - Questions to the FMC
 - Webinar Archive
 - FMC Clarifications and emerging issues
 - Searchable Revenue and Expense Guide
 - Downloadable Excel files for all schedules and statements



Questions and Answers

Ralph Miller – InnIntegrated
Hospitality Management, Ltd.

rrmiller@innintegratedhospitality.com

Robert Mandelbaum – PKF
Hospitality Research LLC

Robert.Mandelbaum@PKFC.com

Singing the Blues: The Cost of Customer Acquisition



Robert A. Gilbert, CHME
President



*To grow business for hotels
and their partners through
sales, marketing and revenue
optimization.*

mai

FUEL SALES ■ INSPIRE MARKETING ■ OPTIMIZE RE



Subject Matter Expert:

Cindy Estis Green
Co-founder & CEO
Kalibri Labs



A TIG GLOBAL SPECIAL REPORT

De-Mystifying Distribution

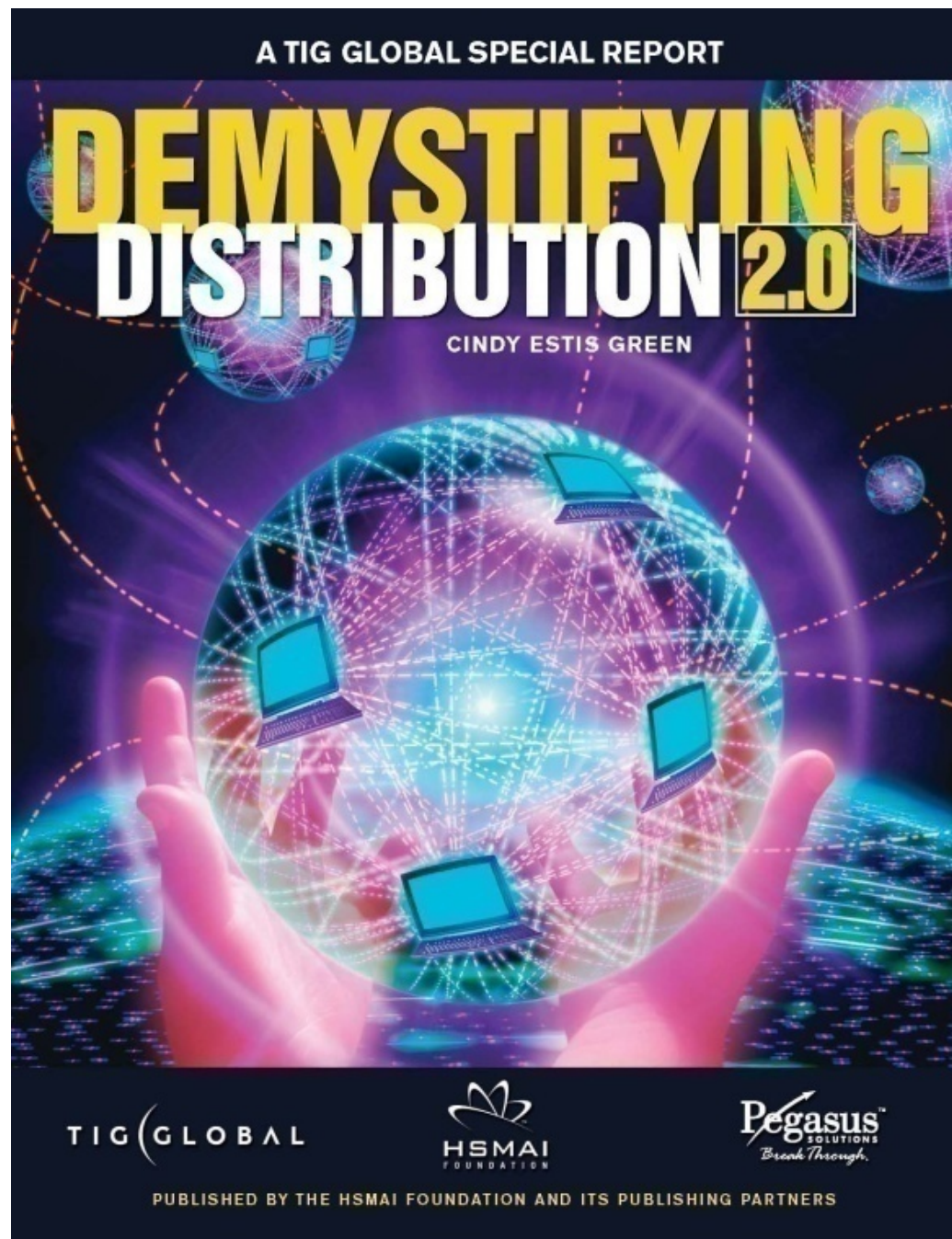
Building a Distribution Strategy
One Channel at a Time

CINDY ESTIS GREEN



HSMAI

Produced by TIG Global. Published by The HSMAI Foundation.



[illegible]

mai

FUEL SALES ■ INSPIRE MARKETING ■ OPTIMIZE RE

that have been macro trends that have evolved since DCA was published in 201



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FUEL SALES ■ INSPIRE MARKETING ■ OPTIMIZE RE

Value Shift Has Been Underwa


tripadvisor®
\$14.2 B


\$65.3 B


\$390 B


xpedia
Where you book matters.
\$10.9 B


614B


\$195 B


\$10


InterContinental Hotels Group
\$9.0 B


20.2B


Hilton
\$24.9 B


\$16.7

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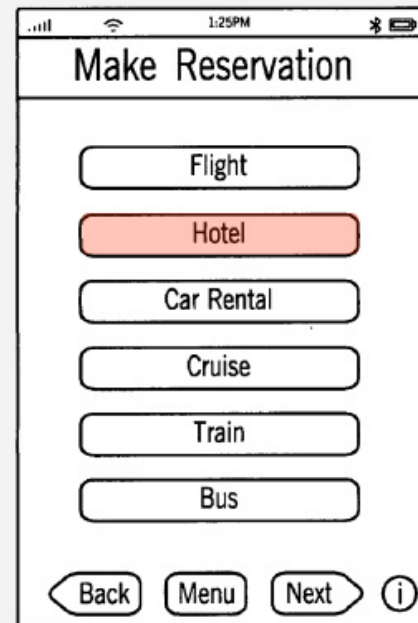
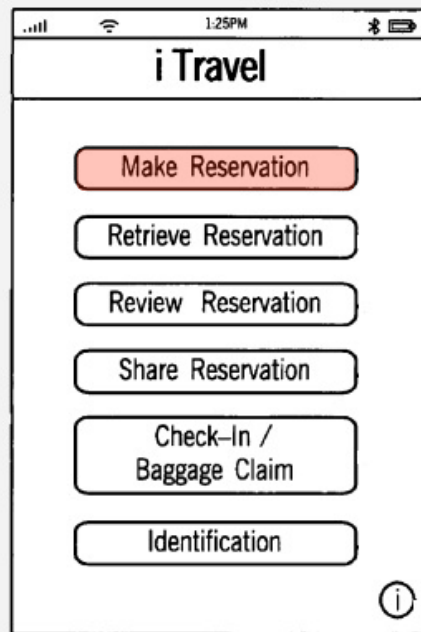
Booking Brands and Stay Brands





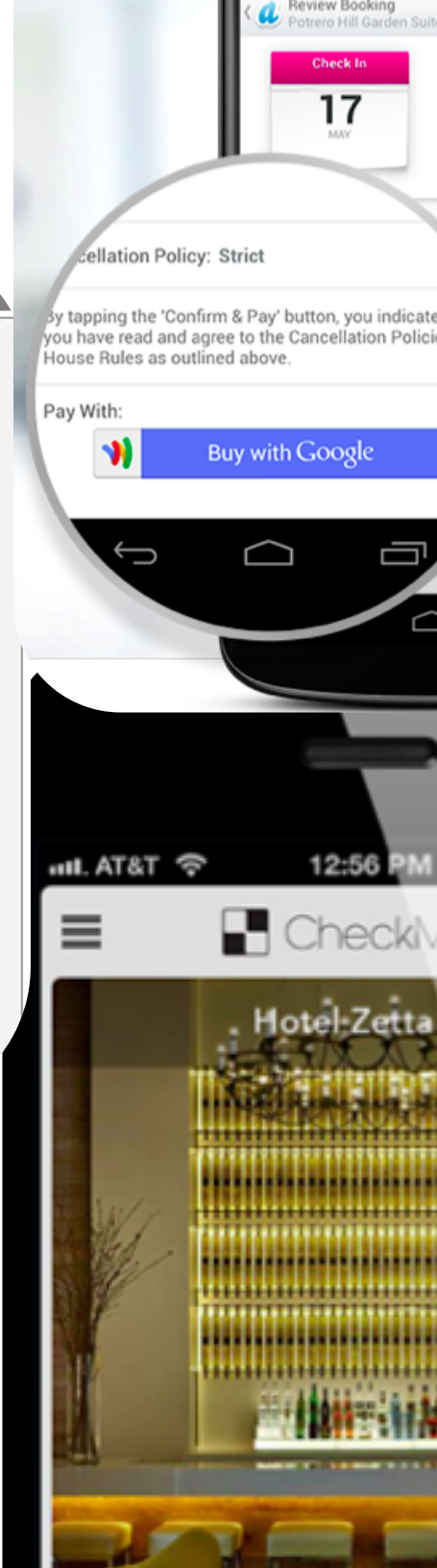
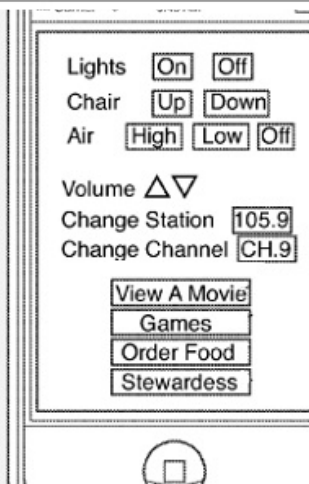
of the action...shop, buy, , eat, drink, stay, and pay

Apple Introduces a Future iPhone App Called iTravel

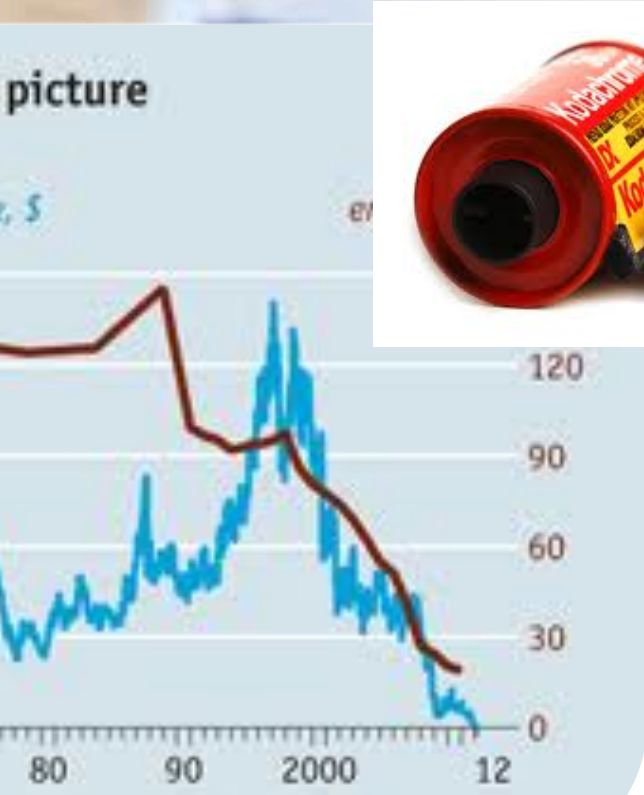


ently Apple

www.patentlyapple.com

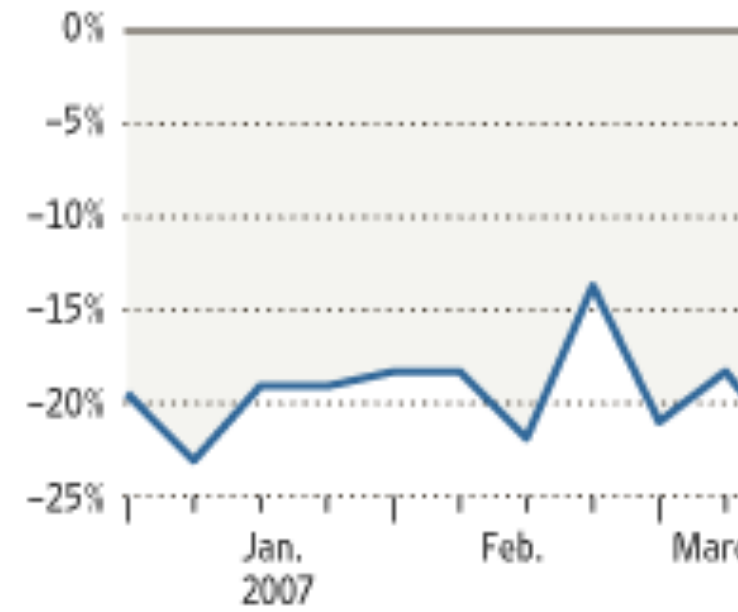


I don't want a Kodak moment.

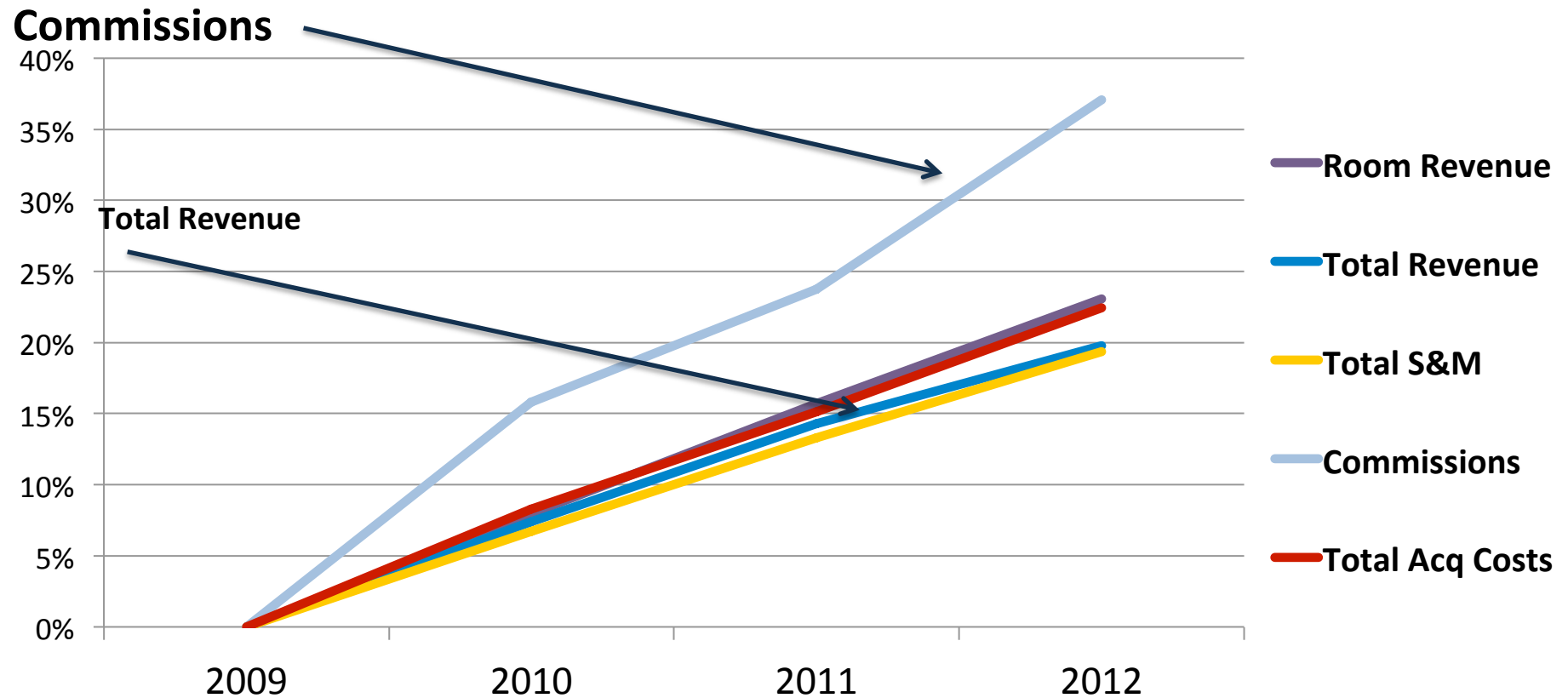


Slip Sliding Away

Weekly CD sales, change from previous year



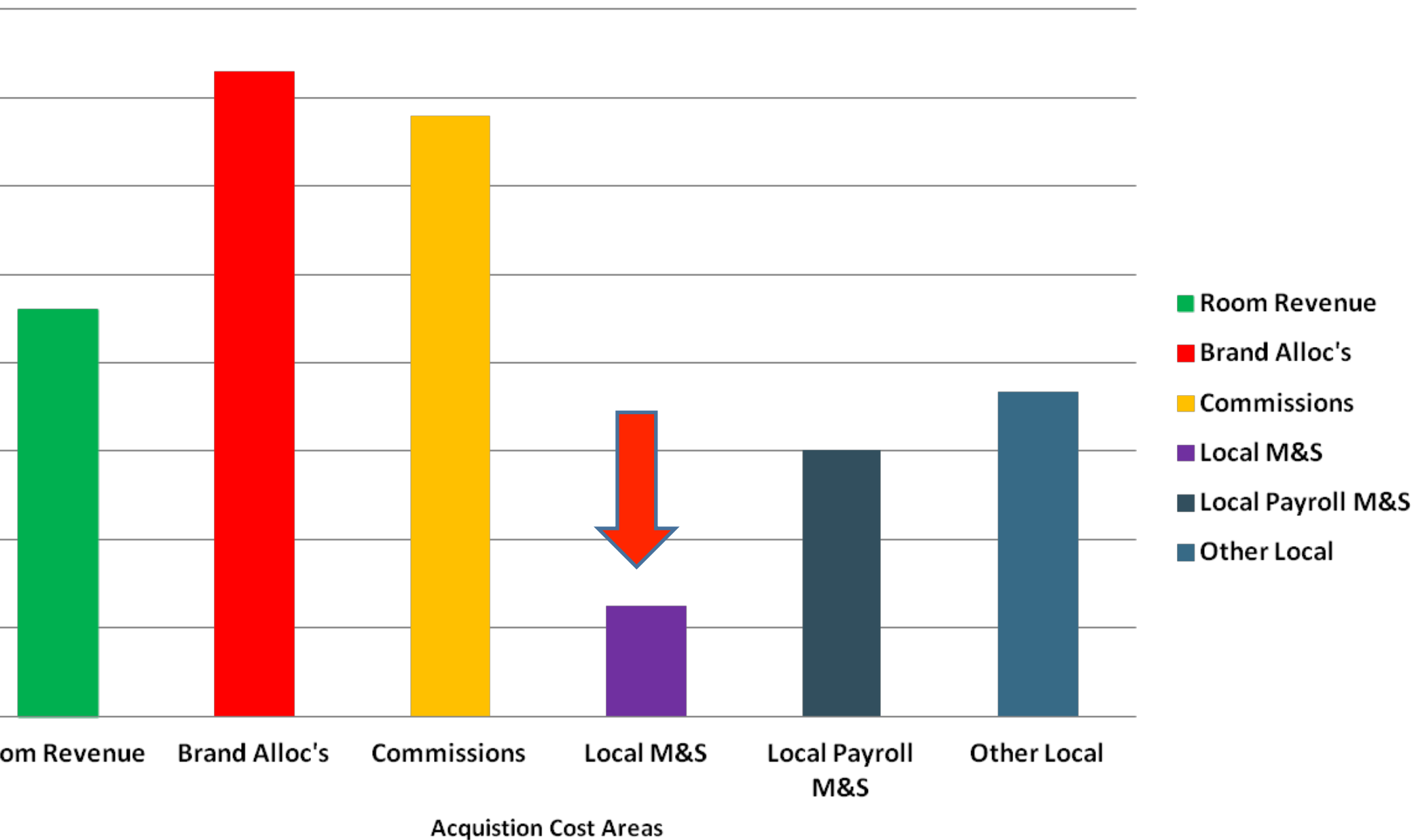
Acquisition/retention expenses rising at twice the rate of revenue growth



Source: 2013-14 HAMA Study

Reduction in Local S&M Spend

2009 to 2012 Increases



Operating Expenses and Profit NYC 2012



Cost Type	Low Contribution	High Contribution
Commissions Only	80%	90%
Commissions + Sales/Marketing	70%	80%

Cost of Customer Acquisition Travel Industry

TRAVEL SECTOR	COST AS % REVENUE
AIRLINES	3-6%
CAR RENTAL	4-6%
HOTELS	15-25%

AMA Sample P&L Database



468 hotels from 2009-2012

Data elements

- Total Sales and Marketing Spend
- Commission Expense (***retail only***)
- Total Revenue
- Room Revenue
- Number of rooms
- Group/Transient split

“Same store”—340 hotels



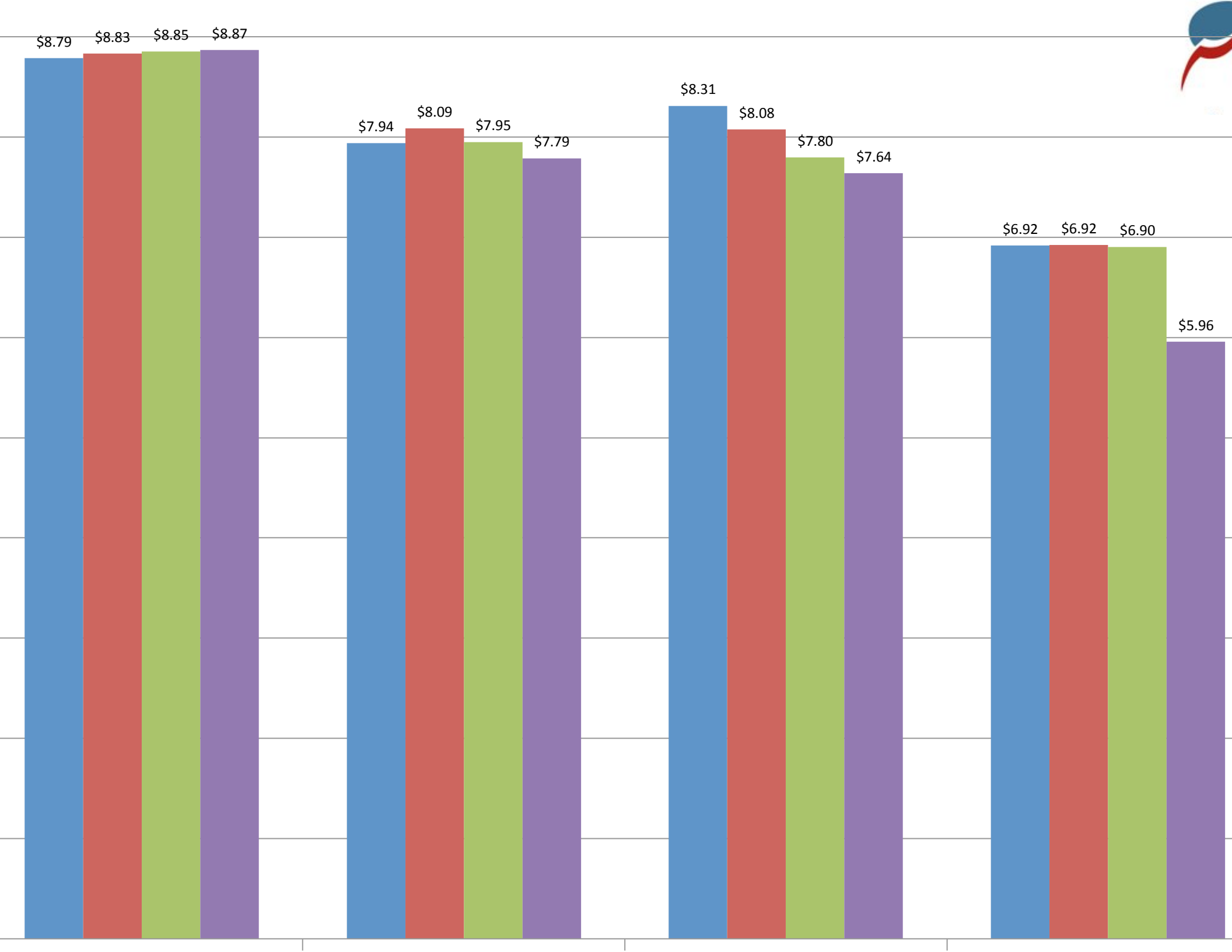
Net RevPAR

$$\text{Revenue} - (\text{Commissions} + \text{Total Sales and Marketing}) / \text{available rooms}$$

Net Sales and Marketing Efficiency

How much net revenue is generated for every \$1 spent in sales and marketing?

$$\frac{\text{Revenue} - \text{Commissions}}{\text{Total Sales and Marketing}}$$





branded luxury hotels were more efficient in sales and marketing spend than the branded upper upscale

however, independent and small chains outperformed branded luxury hotels in sales/marketing efficiency

luxury hotels were 11% better in S&M Efficiency than the Upper upscale, but with a 100% premium in ADR and revPAR that was a surprisingly narrow margin; they were 18% more efficient in sales & marketing efficiency when total revenue was considered

Commissions in upscale hotels grew more quickly than other channels between 2009 and 2012 but it was a close contest

Group hotels held steady in S&M efficiency from 2009-12 and were 1% more efficient than transient hotels (based on total rev); transients were more 19% more efficient on rm rev; transient declined over time largely due to the steep rise in commissions

Not the End of the World

Just the end of the world as we know it...
and a new era of opportunity





Implications of the Threat

Owners issue? **Costs**

Big Brand's Issue? **Consumer Access**

Independent Issue? **Cost and Access**

What it's not...

...its not about avoiding 3rd party marketers. They are a fact of life in the new marketplace.

What it is...

's about creating business acquisition strategies that deliver sustainable profit for hotels.

CIF Industry Advocacy

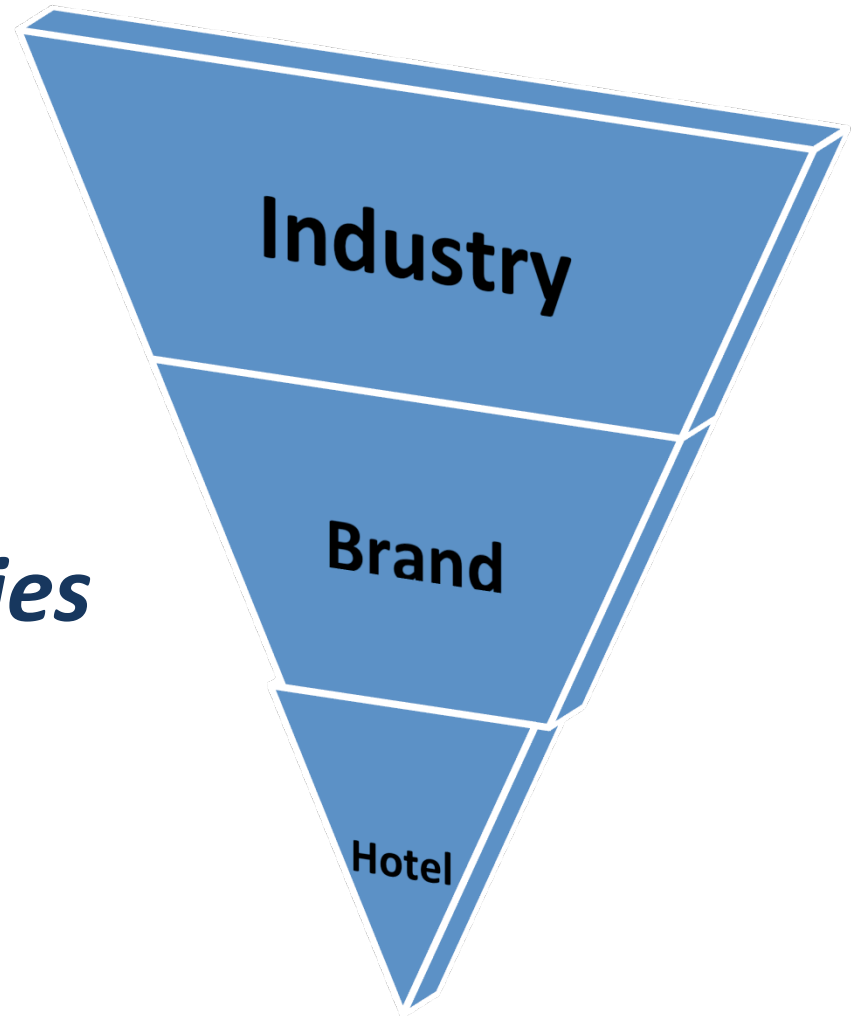
Consumer Innovation Forum

At the intersection of legislation and commerce

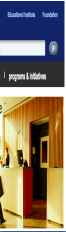
20 brands

10 ownership groups

4 management companies



Research and Education



- New Models and Entrants
- Distribution Issues
- Hoteliers Resource for Understanding the Digital Marketplace

The New York Times



Consumer Deception

- Trademark Infringement
- Misleading Search listings and 800 numbers



Distribution Channel Analysis

- Reality check on cost of customer acquisition
- Industry resource for legislative action and policy

Your Thoughts & Questions?



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FUEL SALES ■ INSPIRE MARKETING ■ OPTIMIZE RE

감사합니다 Natick
Grazie Danke Ευχαριστίες Dalu
Thank You Köszönöm
Спасибо Dank Tack
谢谢 Merci Seé
Obrigado
ありがとう

bgilbert@hsmmai.org

cindy@kalibrilabs.com

TT&H

Telco, Technology, Travel, Hospitality, Entertainment, Media



Watch, play, talk, surf, drive, fly and stay vertical...



Changing Landscape



The connected guest

Digital behavior:
Interactions while on the move

Proof points:
In 2013, 86% growth in Mobile bookings and 85% growth in visits over 2012



The informed guest

Digital behavior:
Seeks information before committing

Proof points:
81% of online travel bookers checked out videos before committing to a purchase



The social guest

Digital behavior:
Instantaneous experience sharing

Proof points:
70% update their Facebook status while still on vacation



The Young and Restless guest

Digital behavior:
Expects express service, personalized

Proof points:
80% want to set their personal preferences: dietary needs, bed type, for a more personalized stay

Uninhibited and instantaneous influence on a hotel's reputation

Redefining the norm of guest experience...

A 1% increase in a hotel's online reputation score produces a 0.89% increase in ADR, a 0.54% increase in occupancy and a 1.42% increase in RevPAR

Sources – HFTP Hotel yearbook 2014, Hospitality.net, statisticbrain, hebsdigital



Guest Empowerment Movement

Guest Example:

Name:	John Doe	Room preferences:	King-size bed, pool facing, non smoking and away from elevators
Age:	35 years		
Home:	Dallas, TX	Food:	Vegan food, prefers red wine
Type of traveler:	Business transit	Activities:	Sports, specially Basketball



Much more to come...

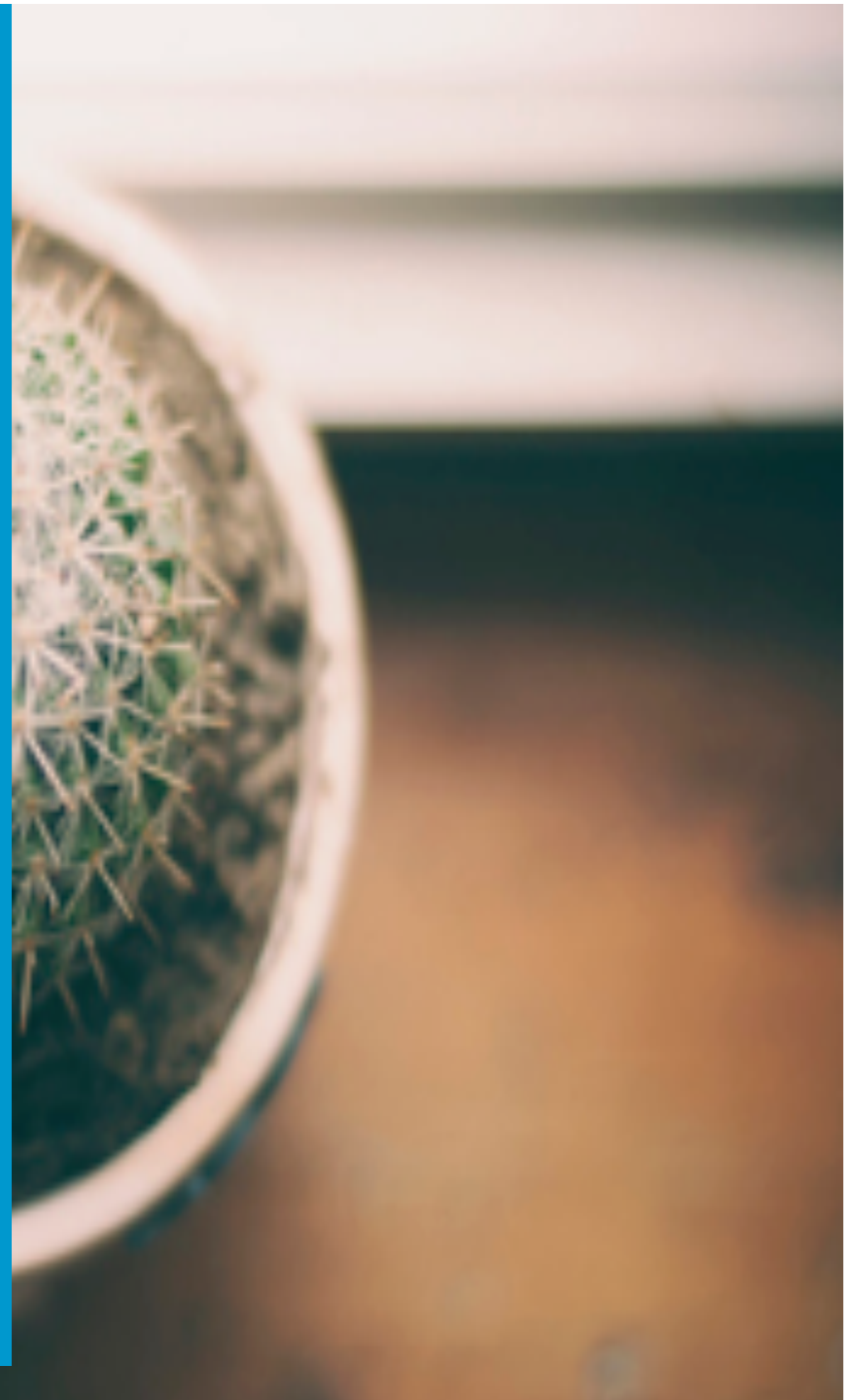
- Straight to Room
- Keyless Room
- Automated Services (Check-in / out, Selecting Room, Room Service, Food Service on Property)
- Back-of House Automation

Our **entrepreneurial heritage** is the foundation of who we are and what we do.

We've always believed **there is a better way** to enable organizations, communities and people everywhere **to achieve** whatever goals and dreams matter the most to them.

We started on this journey when we revolutionized the PC—and we're doing the same for the next-generation of **technology solutions**.

Our **customers** inspire us each and every day to **make technology simpler** and **easier to use**. To **drive out inefficiency**. To create solutions that deliver better **long-term value**. All of this gives them the **power to do more** so they can reach their **full potential**.



Recognition & Industry Expertise

11

Outsourcing
Excellence awards
since 2004

Leader & Star Performer

Everest Group IT Outsourcing in
Healthcare Payer Industry PEAK
Matrix Assessment

#1

in worldwide
Microsoft Windows
deployments

Leader

Data Center Outsourcing and
Infrastructure Utility Services,
North America, Gartner
Magic Quadrant

Seven

Microsoft Partner of the
Year Awards

Digital Vendor

Recognized by Forrester, Dell
Brings Social, Mobile, Analytics,
and Cloud application services
under one practice

Leader & Star Performer

Healthcare Provider Industry
PEAK Matrix Assessment,
Everest Group

#1

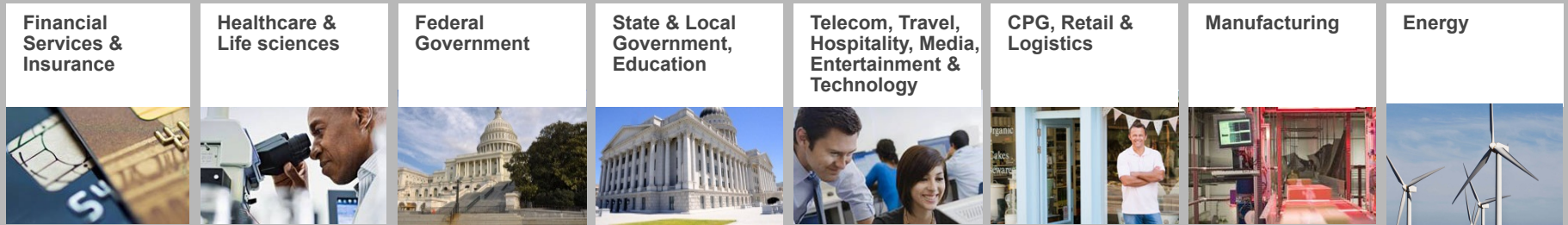
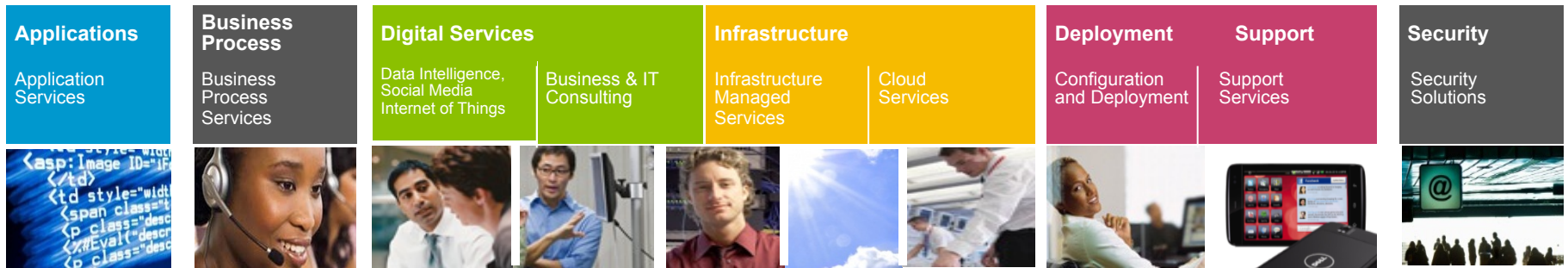
IT healthcare
services worldwide
for Healthcare
Providers, Gartner

Leader

Insurance BPO – Service Provider
Landscape with PEAK Matrix
Assessment, Everest Group



Comprehensive portfolio of service offerings, with industry expertise and flexible engagements



On-site

- Account management
- IT and business consulting
- Systems integration
- Facilities management

Regionally centralized

- Hosting / VDI / Managed virtual client
- Business continuity / disaster recovery
- Cloud, data and security management
- IT operations, engineering, administration

Globally delivered

- Network / Security operations center
- Applications / Business process services
- SaaS / IaaS
- Remote infrastructure management outsourcing

Accelerating innovation with Dell Services

As a pragmatic partner, we are focused on helping you **transform**, **connect**, **inform** and **protect** your business.



Transform

Modernize apps and infrastructure

- Data center and end-user IT outsourcing
- Infrastructure consulting
- Infrastructure and apps modernization
- Cloud consulting and management



Connect

Anytime, anywhere, any device access

- Mobility/BYOD consulting
- App development and mobile app services
- Desktop virtualization
- OS migration and unified communications & collaboration



Inform

Unlock the value of information

- Social media services
- Storage deployment and data migration
- Business intelligence and analytics
- SAP HANA services



Protect

Proactively protect the business

- Managed security services
- Threat intelligence
- Security and risk consulting
- Incident response and digital forensics
- Data protection

Practical Innovation

Powering our R&D strategy in three ways

Build



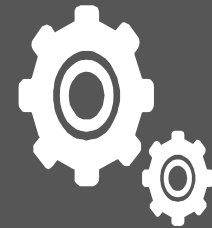
- Best-of-breed platforms
- Organic innovation
- Integration across all elements

Partner



- Joint product and solution engineering and testing
- Common strategic roadmaps

Acquire

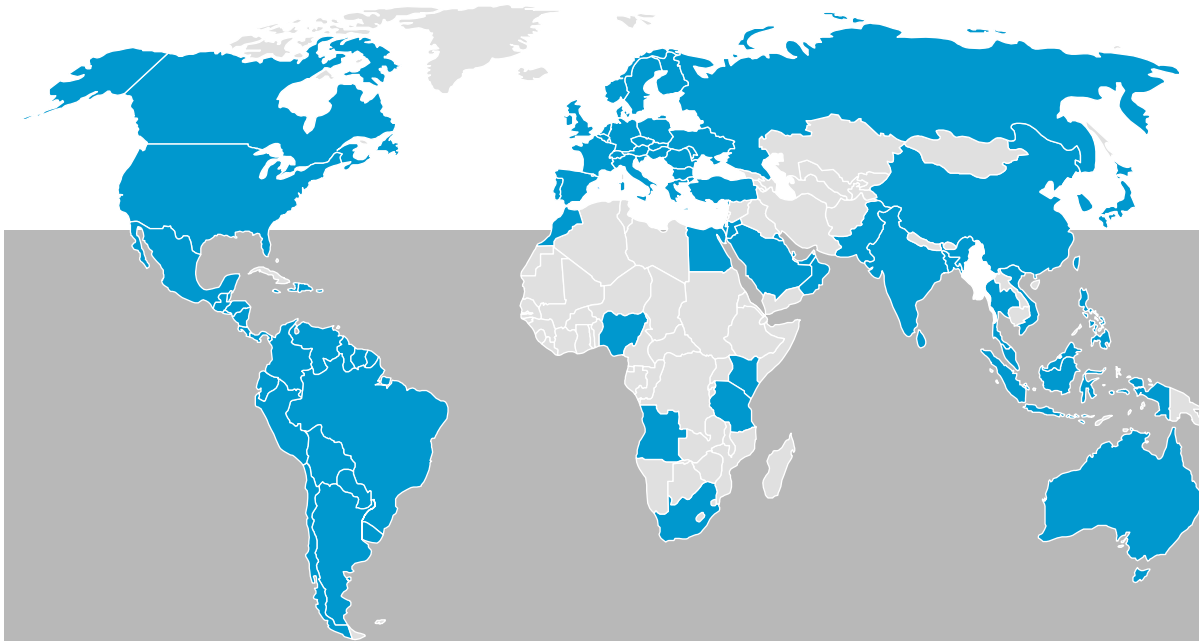


- \$18 billion and 21 acquisitions
- Full adherence to the Dell design philosophy

Dell Services

Global reach and growing

Dell Services presence globally



Dell IT saves **\$200M** over two years through standardization, consolidation and automation. Reduces maintenance costs to **<50%** of IT spending

NPS scores highest
in IT Services industry

#1 in online support
response time (TBR)

9 Gartner
Magic Quadrants
in which Dell is
identified as a Leader

7 Outsourcing
Excellence Awards
(Outsourcing Center/
Forbes)

Support :

- 111M systems
- 100+ languages

Manage:

- 2.5M clients
- 6.2M systems/
mailboxes managed
via SaaS

Monitor:

- 13B security events
daily for 3,000
customers

Process:

- >250M travel records

43,000 team members | 100+ countries | 60 tech support centers | 7 global command centers



Travel and Hospitality Solution:

Agency commission and reconciliation
Over \$2B Commissions processed each year



Increased Brand Preference in Travel Agent Recommendations

Lower Cost through Automation

Global Billing and Payment Platform

>200k

Hotel, travel agencies, websites, and other intermediaries receive payment each year

>\$7B

Agency transactions represented in Revenue

>250M

Travel records process per year

Travel and Hospitality Solution:

Customer Loyalty Program



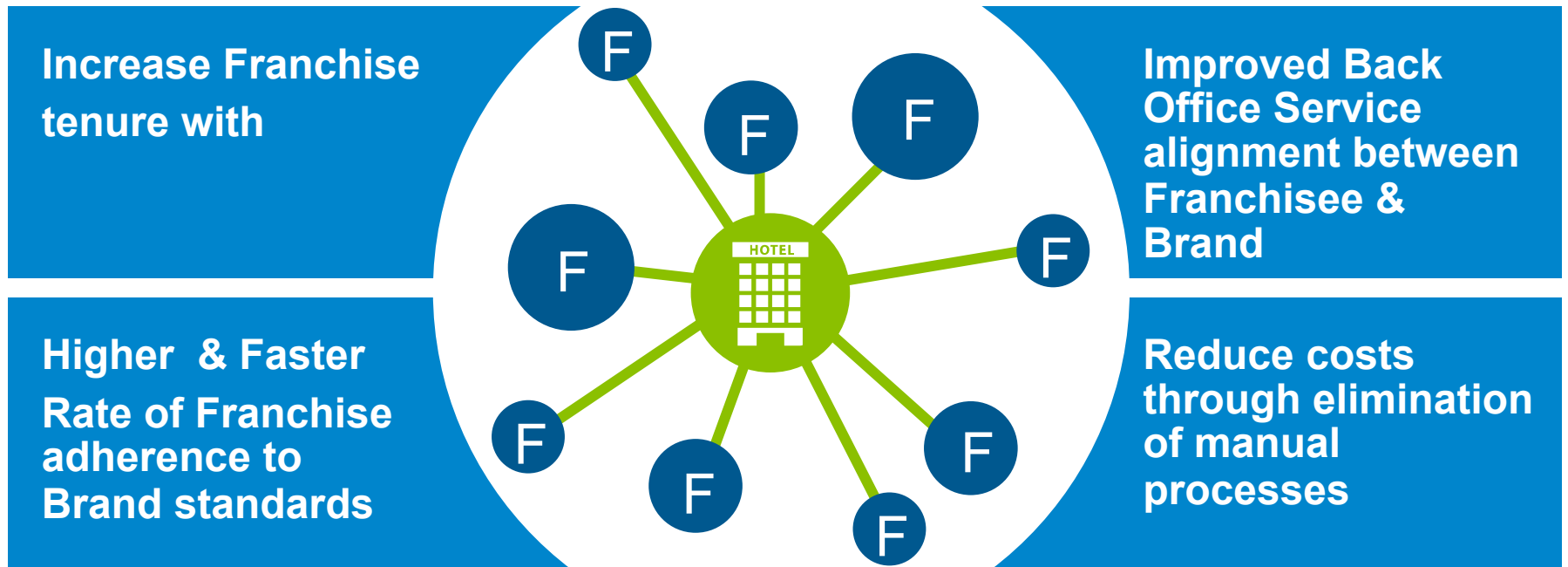
Stronger customer incentives by utilizing customer behavior and spend analytics

Highly scalable & customizable engines Single Integration Platform and flexibility

Reduce operational costs by eliminating manual processing

Collaborative Governance & Delivery Assurance Dell's 3PMM methodology

Travel and Hospitality Solution: Franchise program



Dell Services highlights and areas of focus

**Strong
customer wins**



**Superior customer experience
& long-term relationships**

Leveraging Dell IP



**Investing in
innovative
solutions**

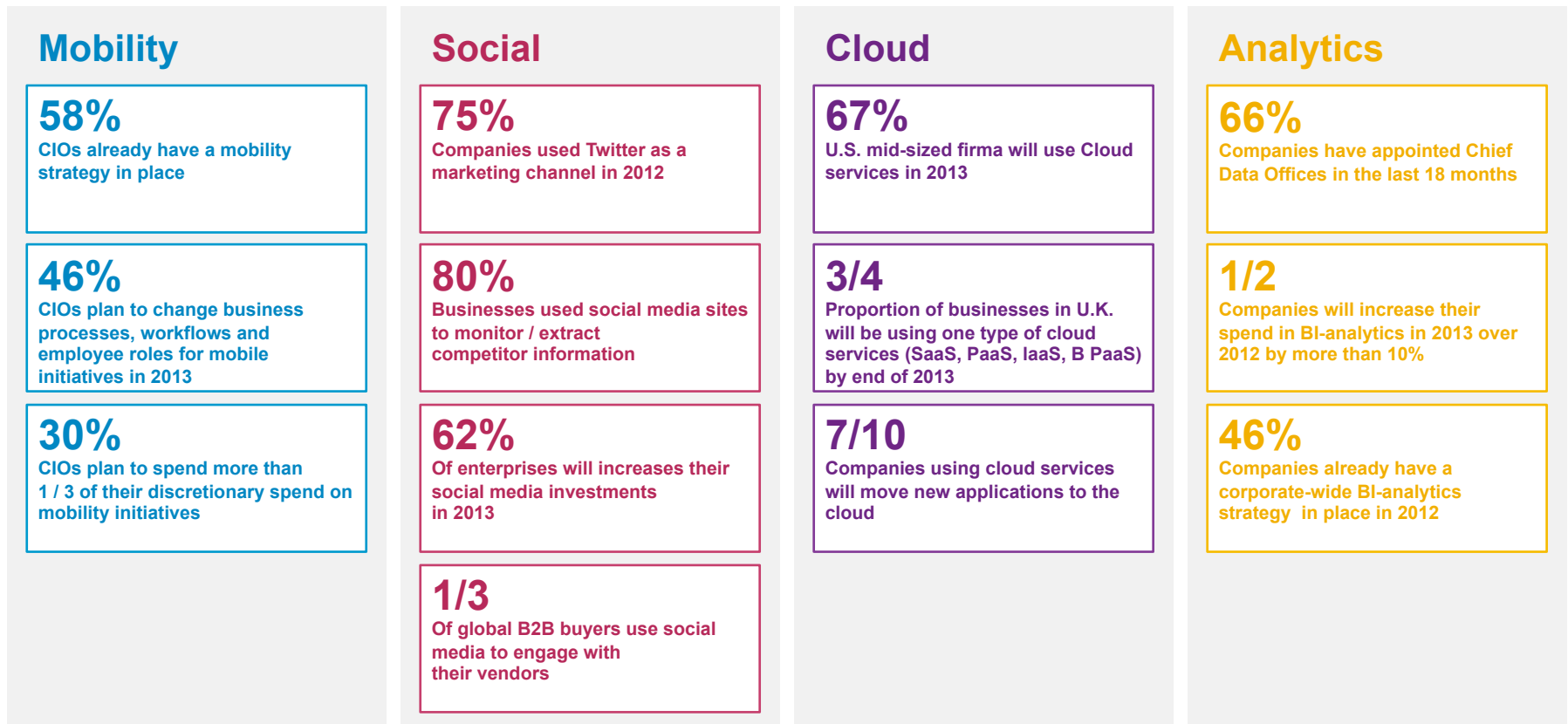
Thank you



The Backdrop

The World is becoming increasingly digital

Business enterprises are taking the plunge into digital – their intent and interest evidenced in actual \$ spend



Digital businesses are **26%** more profitable, generate **9%** more revenue and exhibit **12%** higher market valuation ratios – MIT Sloan research

ISHC INNOVATORS AND DISRUPTORS

On September 12, 2014, at the annual conference we offered a member participation session on innovators and disruptors. The following is a recap of the presentations and notes from participants.

Big Picture Themes

- + There is a great opportunity for customization for guests; their personal information is widely available through proprietary systems, LinkedIn, Facebook, and elsewhere.
- + Technology is available to make every guest experience a wow event but it is not widely applied in the hotel business.

Innovators

- + Non-traditional lodging like Air B&B gives the customer what they want at an affordable price
- + Brand extensions such as Hyatt Place, AC (Autograph), and Curio
- + Hotels as art (21C Museum Hotels)
- + Waterpark hotels
- + Pop-up resorts and restaurants, e.g. Ice Hotel
- + Glamping (luxury camping)
- + LGBT targeted marketing
- + Apps for mobile devices and the impact and opportunity in technology; no excuses not to be known to potential customers... ability to book from a smart phone
- + Wellness-themed lodging (education, hiking, cooking, and nature)
- + The addition of safes in the bottom of lounge chairs
- + Next generation customization (the ability to do it because you can get the guest information)
 - Preferred coffees and beverages (Keurig makes it easy)
 - Focus on sensory awareness – touch, feel, and hearing (aroma therapy, ear plugs, and white noise)
 - All-inclusive customized to each guest preference (free parking, internet, newspapers, etc.)
 - Build the experience before the guest arrives – the vacation starts when they hit the front door; be engaged with the guest from first contact through check-in, throughout the stay, and after they leave
 - Actively make reservations for the guest before they get there and when they arrive
 - Authenticity of the guest experience (not just common and expected service)

-
- “Live like a local” services and execution – know the area and share it with guests so they are more locally engaged
 - Customer engagement after the visit (send pictures, post pictures, personalized thank you, meaningful, personalized surveys)
 - Use of flat screens as an art and presentation form-fully digital rooms that create any experience the guest wants
 - + Design-driven product (more technology, available ports and plugs, ultra high speed, motion detectors (energy conservation))
 - + Activation of all available square feet of space; the lobby as an income producer (think Disney) and guest convenience, e.g. Sheraton Link
 - + Energized elevators (sound and sight); digitalized
 - + The creation of lifestyle brands like AC (Autograph) and Curio that appeal to GenX and Millennials
 - + Restaurant reservations treated like a theatre ticket – buy up front, use it or lose your payment

Disruptors

- + The cost of guest acquisition is excessive and growing (many intermediaries in the path to booking); cost is 15 to 25 percent of room revenue
- + Brands have shifted all of their costs onto the local level and profits are being diluted
- + Non-traditional lodging like Air B&B competes with traditional lodging
- + Demand drain: timeshare, vacation homes, cruise ships
- + Brand extensions that allow the addition of new supply that skirt non-competition clauses in management contracts and franchises
 - These may have an impact on legacy and big-box hotels
 - Do these confuse brand loyal customers?
 - Do these attract new customers to the brand or dilute the market?
 - If these products are a “fad” what happens when they are no longer hip and cool?
- + Year-round education and the impact on traditional family vacations
- + Employee issues
 - The cost of labor is increasing, particularly in F&B, and in many cities restaurants are not viable operations
 - Unionization is an issue that needs to be carefully watched
 - City-mandated living wage ordinances create an imbalance between adjoining markets and a non-level playing field
 - There is no longer “glamor” to be in the hotel business

-
- Lack of long-term engagement of the “new” generation-loyalty issues (they can be incentivized through negotiated agreements with clear expectations and rewards)
 - Employers need to uncover shared values and be genuine, authentic, and consistent; its more than money
 - Provide instant gratification to employees that perform above average, e.g. tokens that can be accumulated and monetized
- + Decline in golf and its impact on resorts
 - + Decline in whole ownership second home sales

Miscellaneous Other Topics and Notes

- + The **non-traditional lodging sector** (mainly homes, apartments, condominiums) are popular and growing but can be problematic; issues of bed tax, fire and life safety, zoning and ordinances (clear and unclear), impact on neighbors and neighborhoods, impact on values, insurance, personal safety
- + Creation of an urban, vertical resort in a major city with either fully integrated resort amenities or share agreements with third parties
- + Hip and cool is overdone and on its way out – what do you do with a (say) W hotel when the customer moves on to a real hotel? Customer service trumps hip and cool!
- + Hotel managed F&B doesn’t work – lease it out; the opposing argument is that you lose quality control and there are no assurances that the lease will be successful
- + Foodies are changing the essence of F&B in hotels-there is an opportunity to capitalize on the food trend
- + There was sentiment that there is an opportunity to drive F&B revenue but it takes dedication, innovation, and stamina; F&B needs to stand for something and “make a statement” – put a stake in the ground...make it an experience and brag about what you stand for



ISHC 2014 Annual Conference

Keeping Up With the Tempo Global Performance Update

Randy Smith, Chairman and Founder, STR

Amanda Hite, President and COO, STR

Elizabeth Winkle, Managing Director, STR Global

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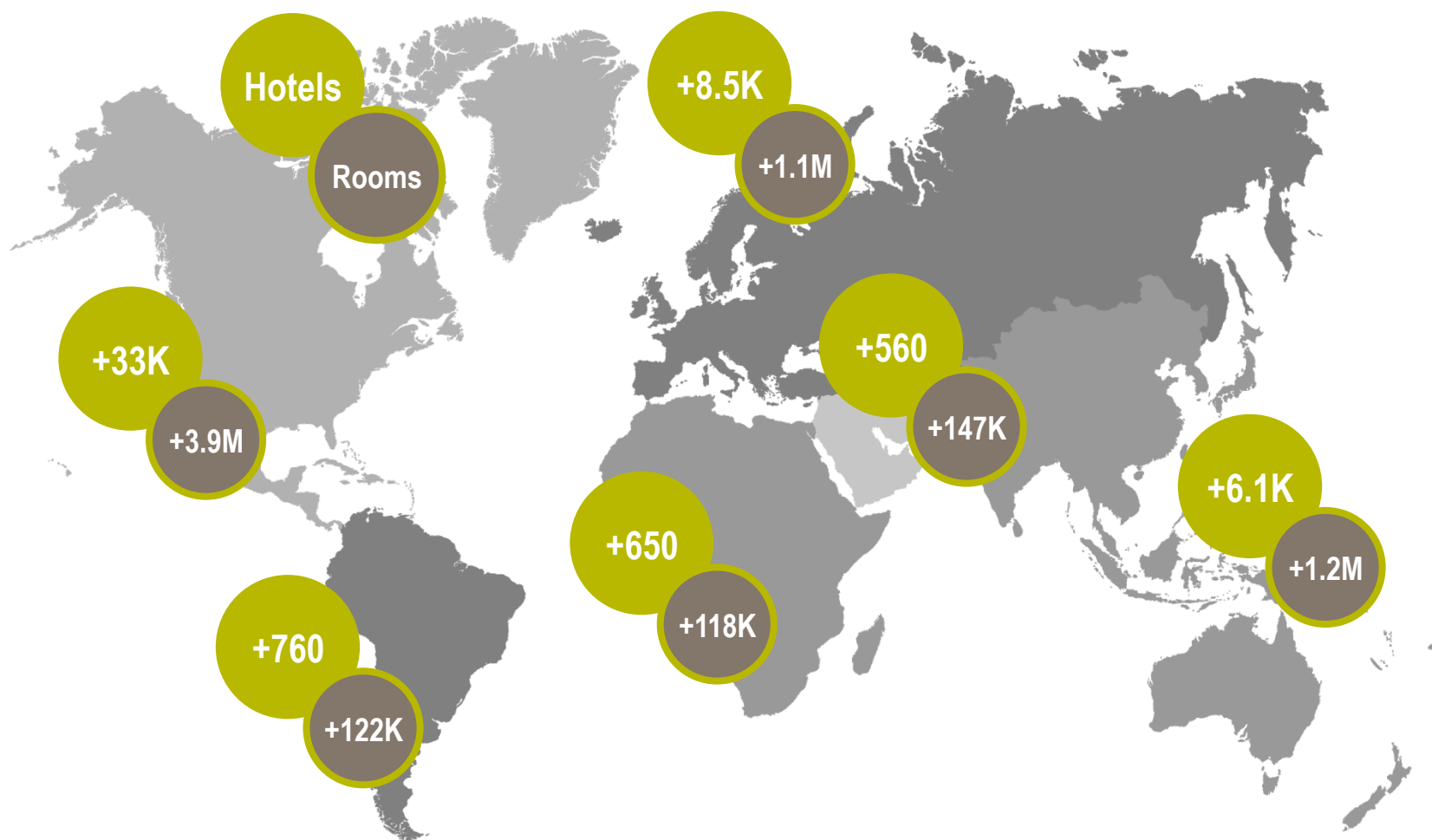
Our Coverage

A world map with a light gray background. The landmasses are outlined in a darker gray. A horizontal olive-green band is superimposed across the middle of the map, passing through North America, Europe, and Asia. Within this band, the countries of the United States, Canada, Mexico, the United Kingdom, France, Germany, Italy, Spain, Portugal, the Netherlands, Belgium, Luxembourg, Switzerland, Austria, Poland, Czech Republic, Slovakia, Hungary, and the Baltic states are highlighted in a darker shade of olive-green. The text "~50,000 Hotels & +6.7 Million Hotel Rooms" is written in white, bold, sans-serif font across the center of this highlighted band.

~50,000 Hotels & +6.7 Million Hotel Rooms

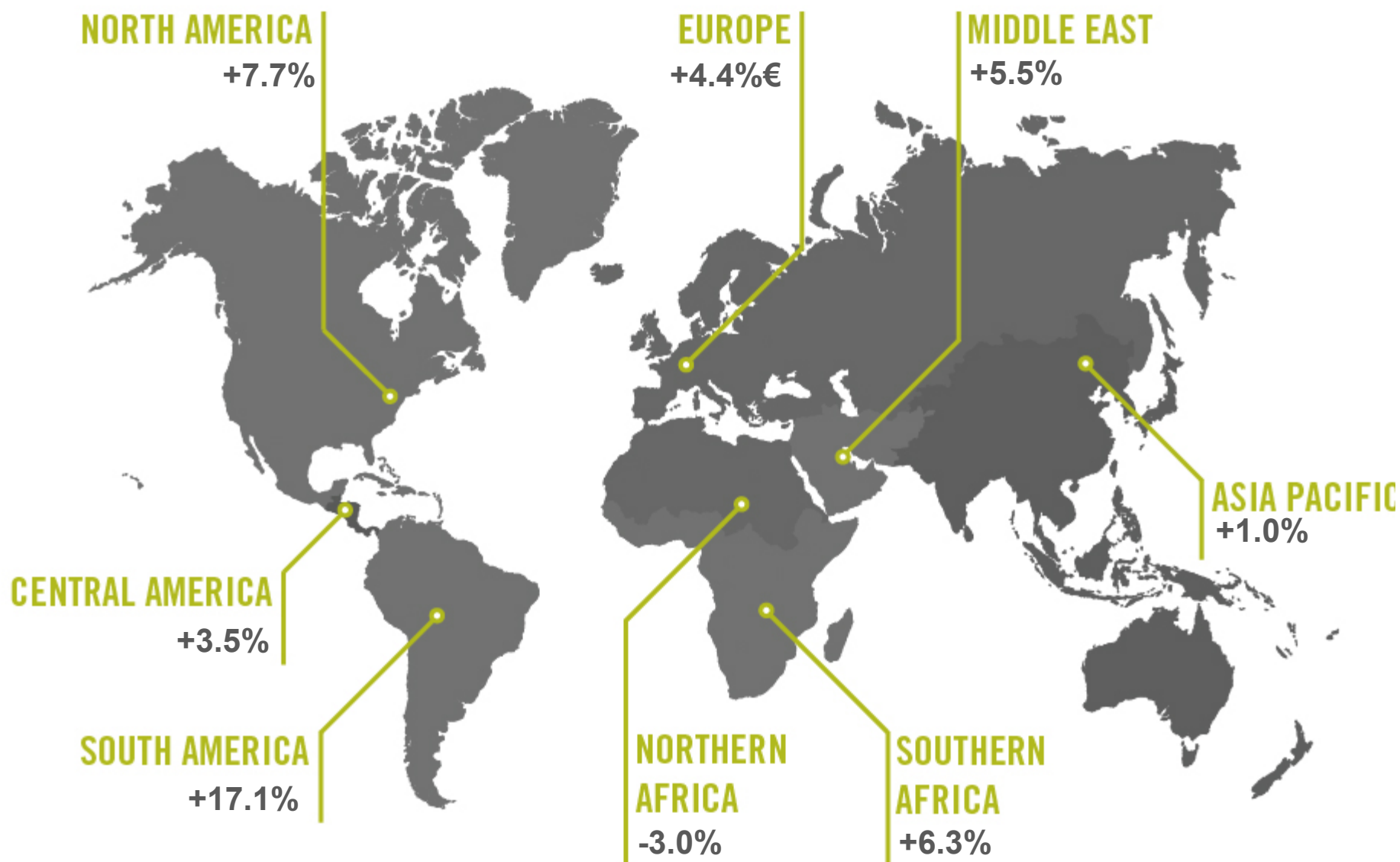
Our Coverage

Hotels & Hotel Rooms



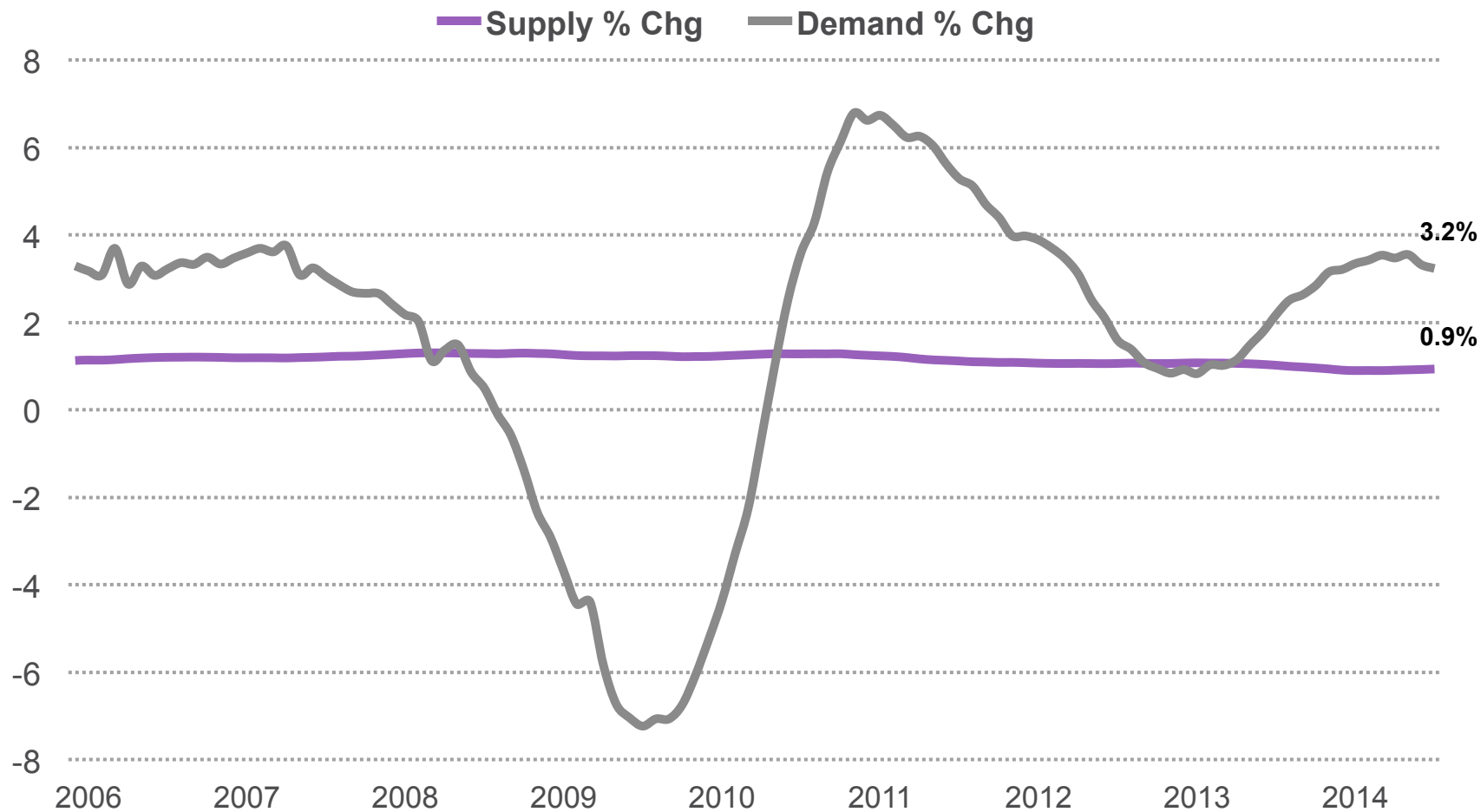
Global RevPAR Map

July 2014 YTD RevPAR % change, in Constant Currency USD, Europe in EUR



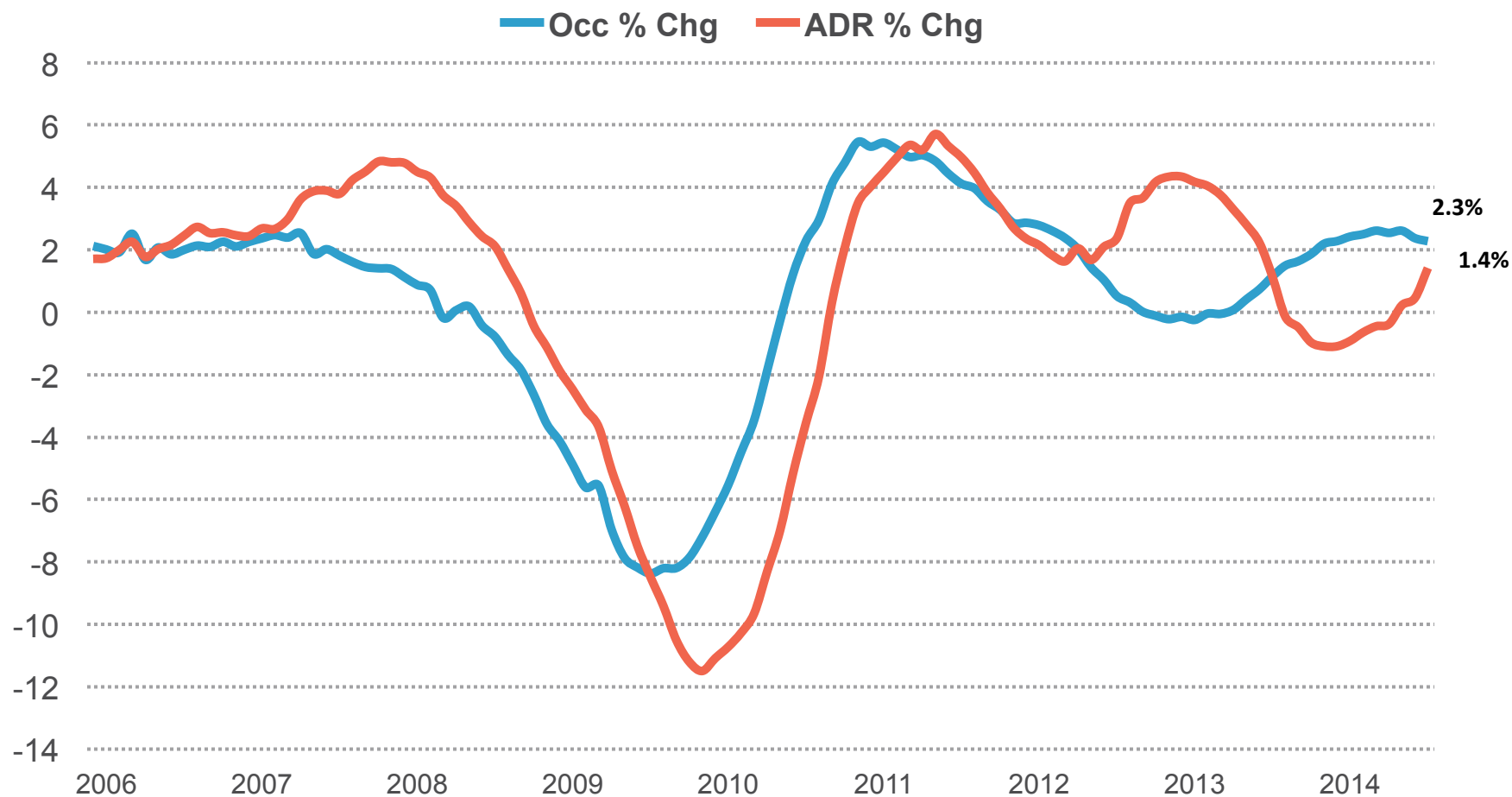
Europe Room Supply/Demand % Change

12 months moving average Jan 2006 to July 2014



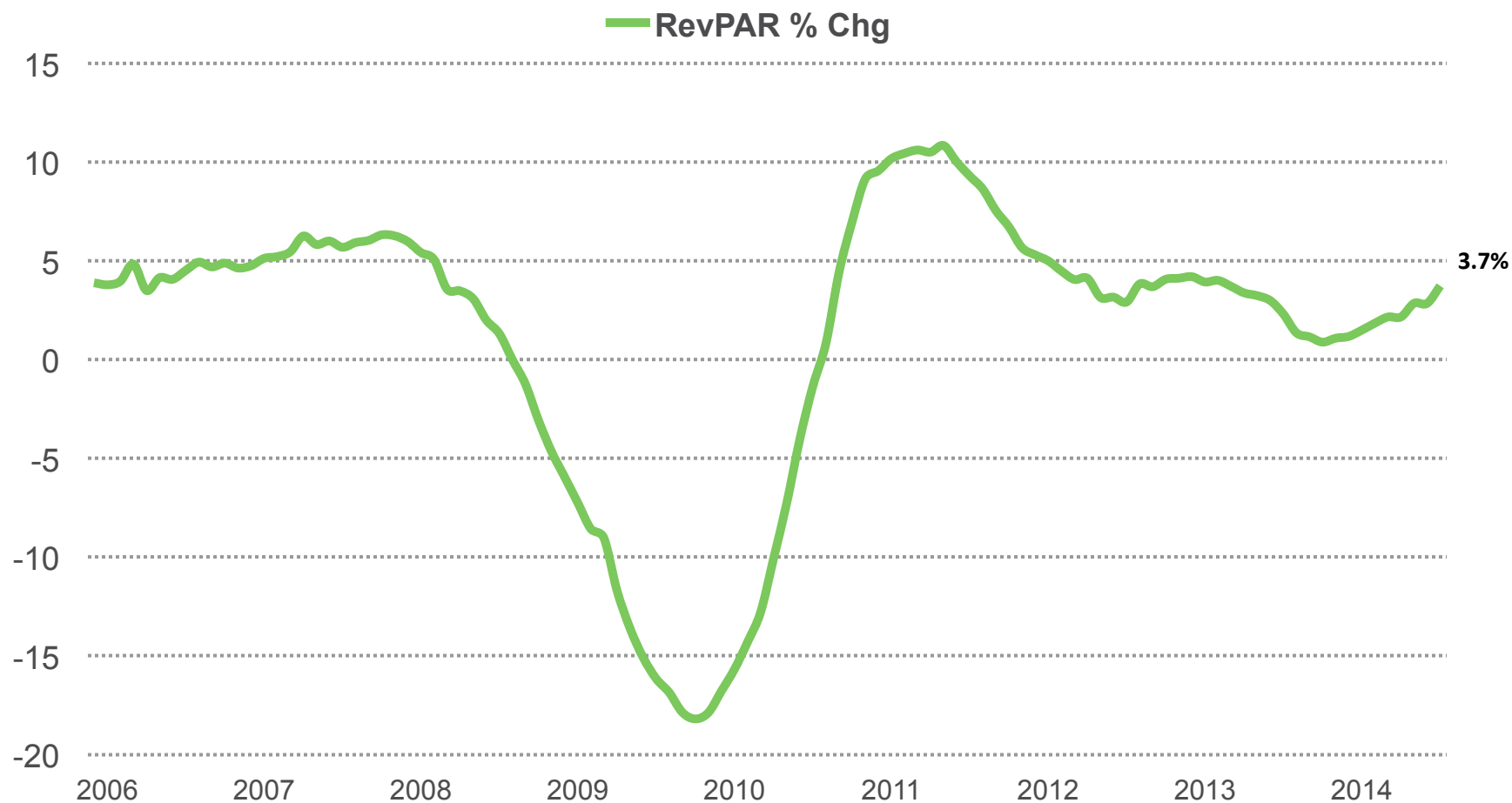
Europe Occ/ADR % Change

12 month moving average Jan 2006 to July 2014, in Euro



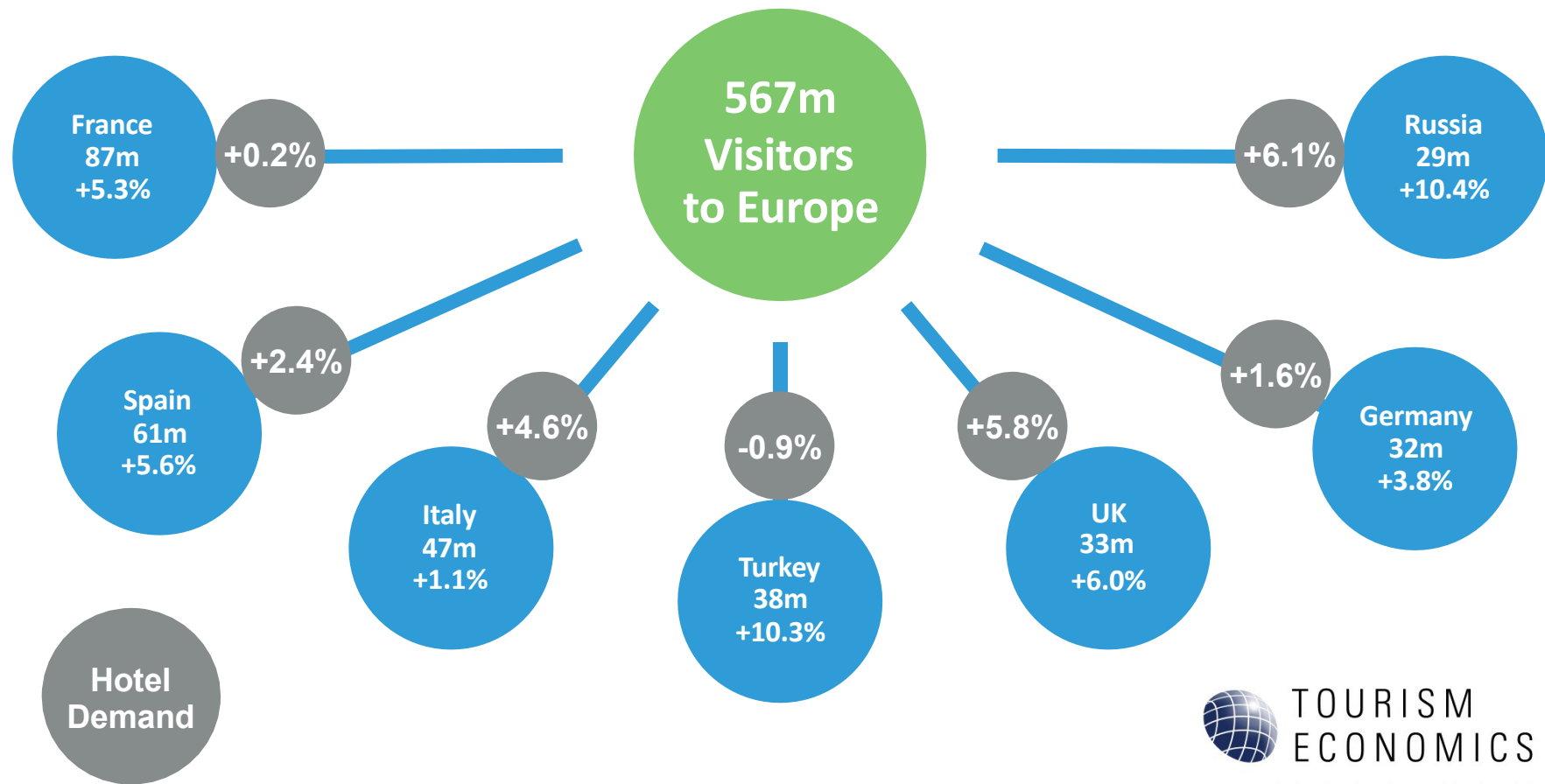
Europe RevPAR % Change

12 month moving average Jan 2006 to July 2014, in Euro



Intra-European Demand fuels growth of 5.4% in 2013

Top European destinations and top 5 source markets



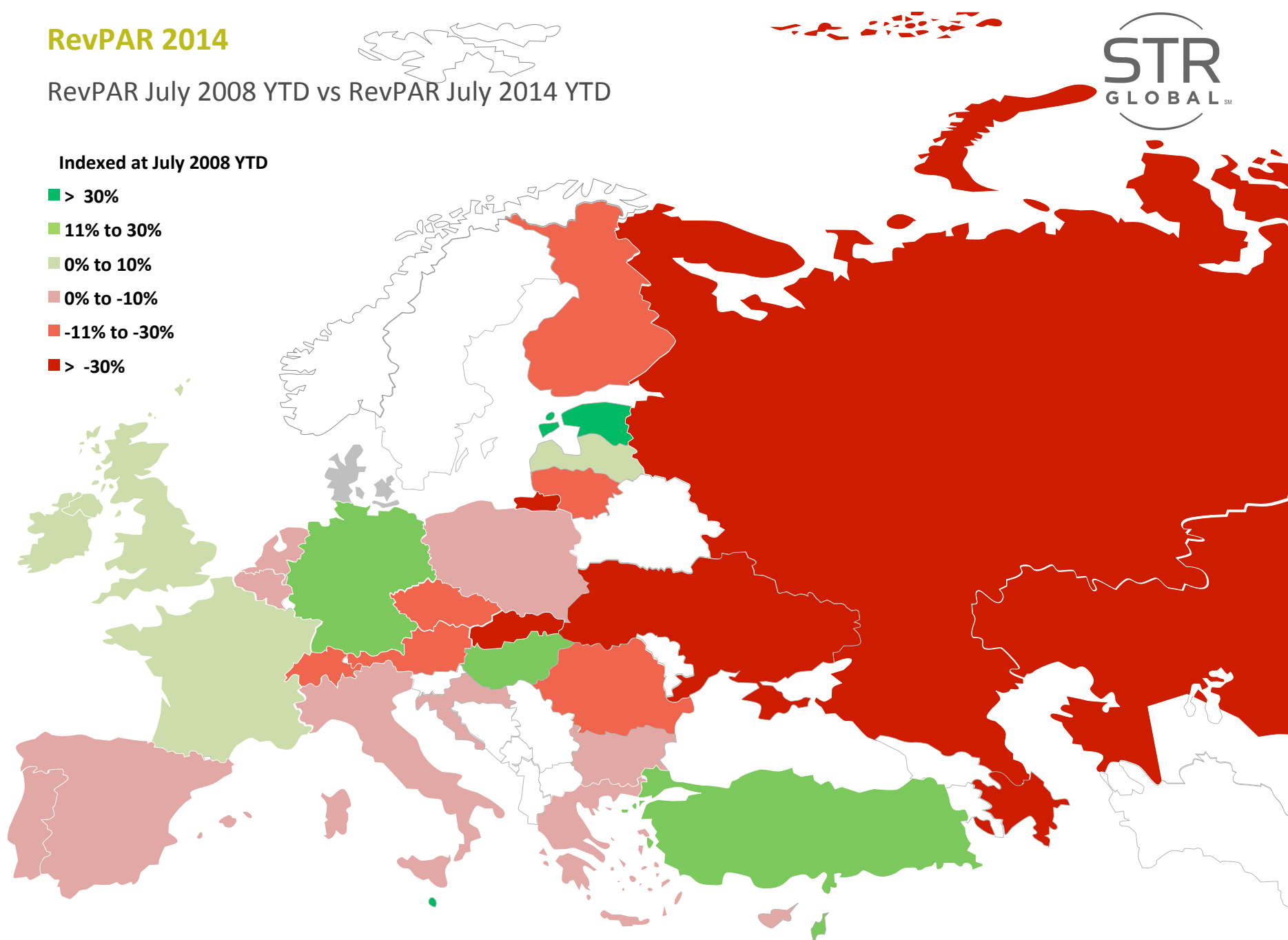
RevPAR 2014

RevPAR July 2008 YTD vs RevPAR July 2014 YTD



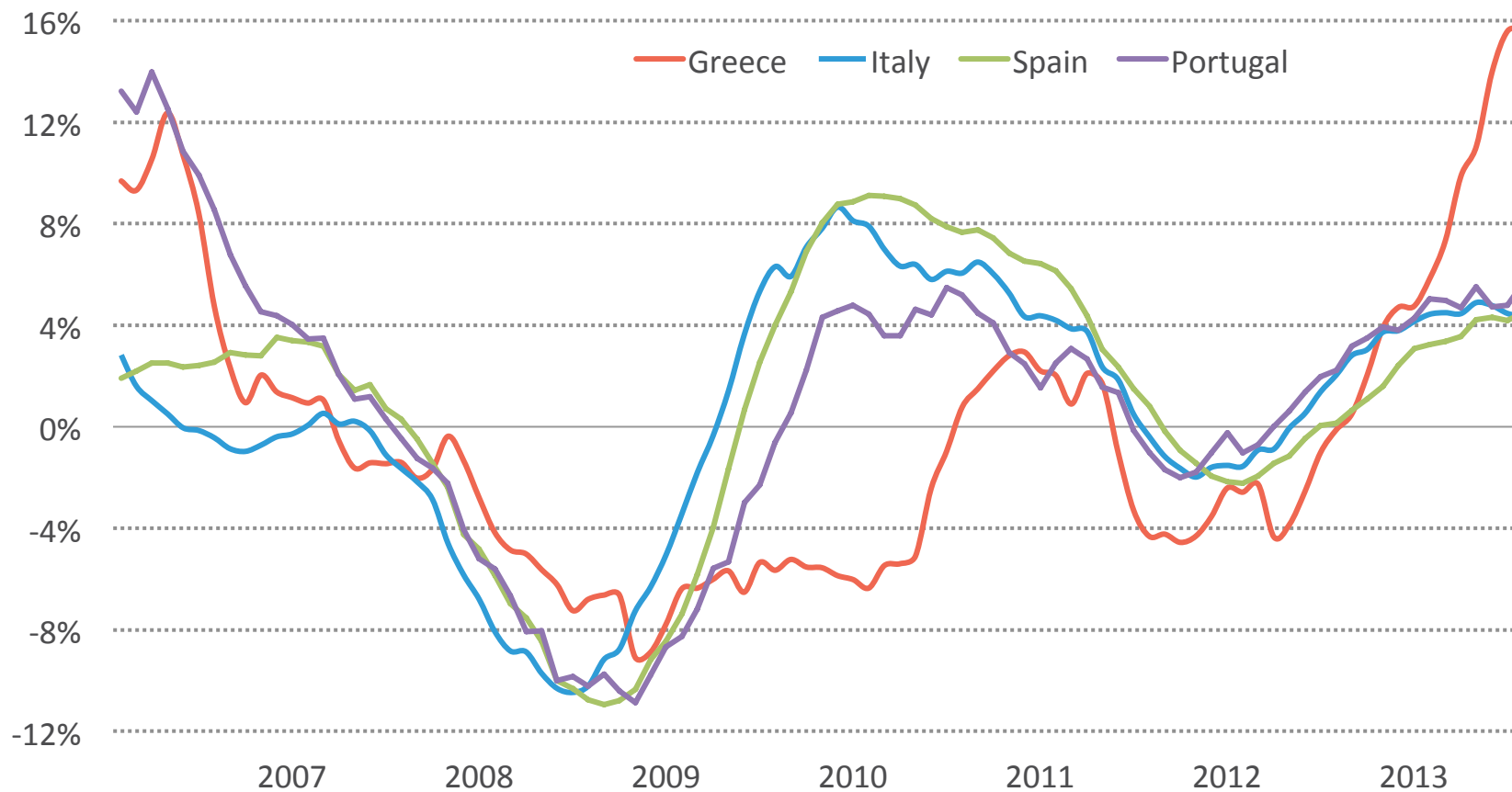
Indexed at July 2008 YTD

- > 30%
- 11% to 30%
- 0% to 10%
- 0% to -10%
- 11% to -30%
- > -30%



Demand

PIGS, 12 month moving average 2007 – 2014 YTD

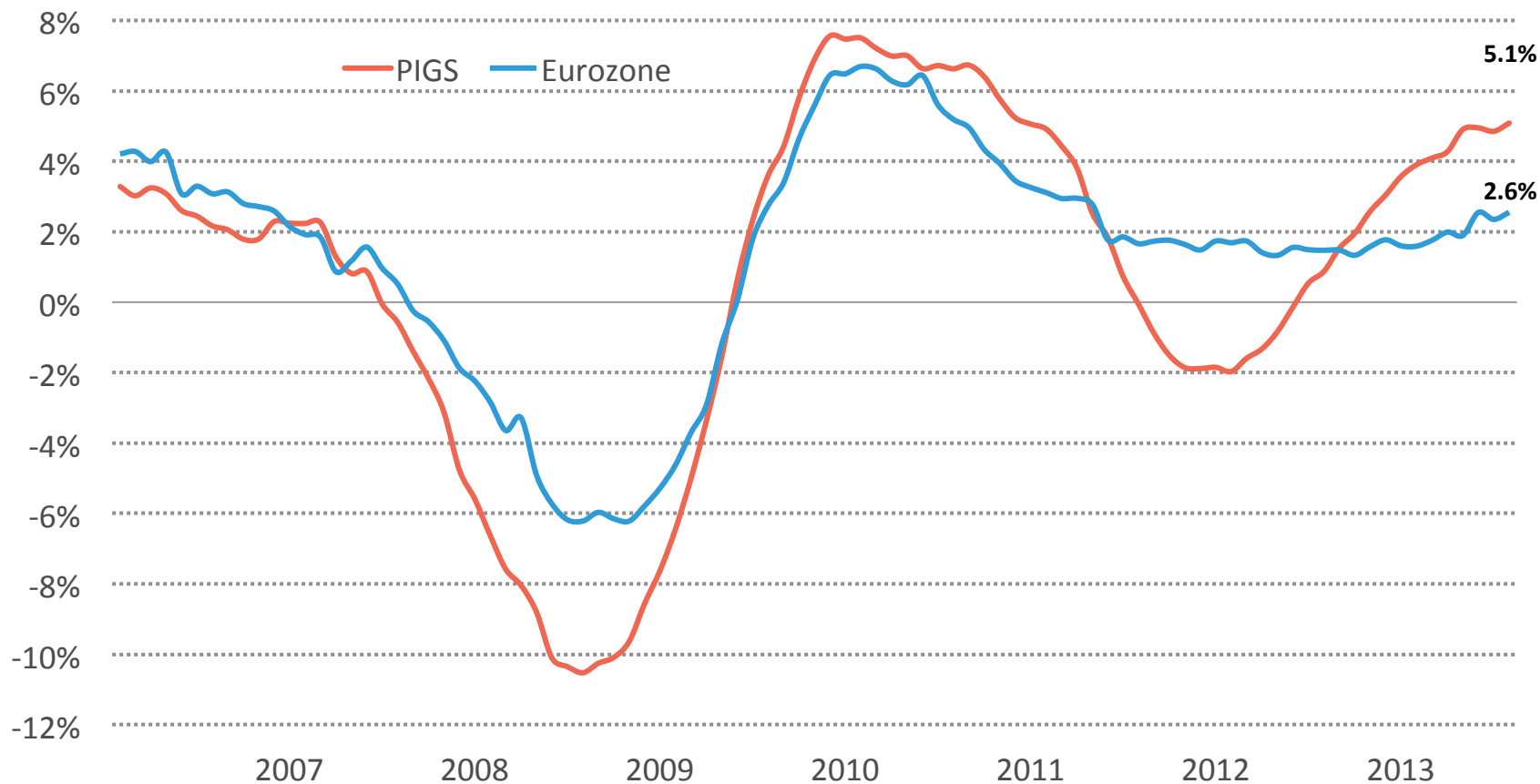


Demand

Eurozone excl PIGS vs. "PIGS", Demand 2007 – 2014 YTD



Revenue Index



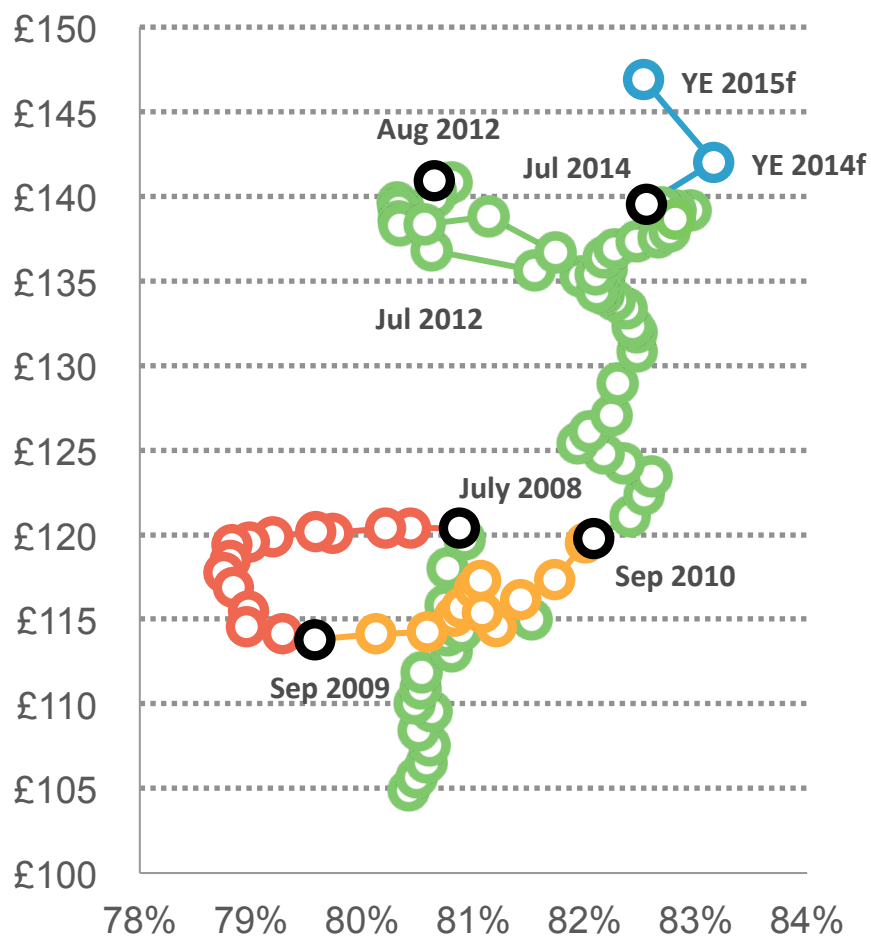
Regional UK experienced a more prolonged decline before recovery



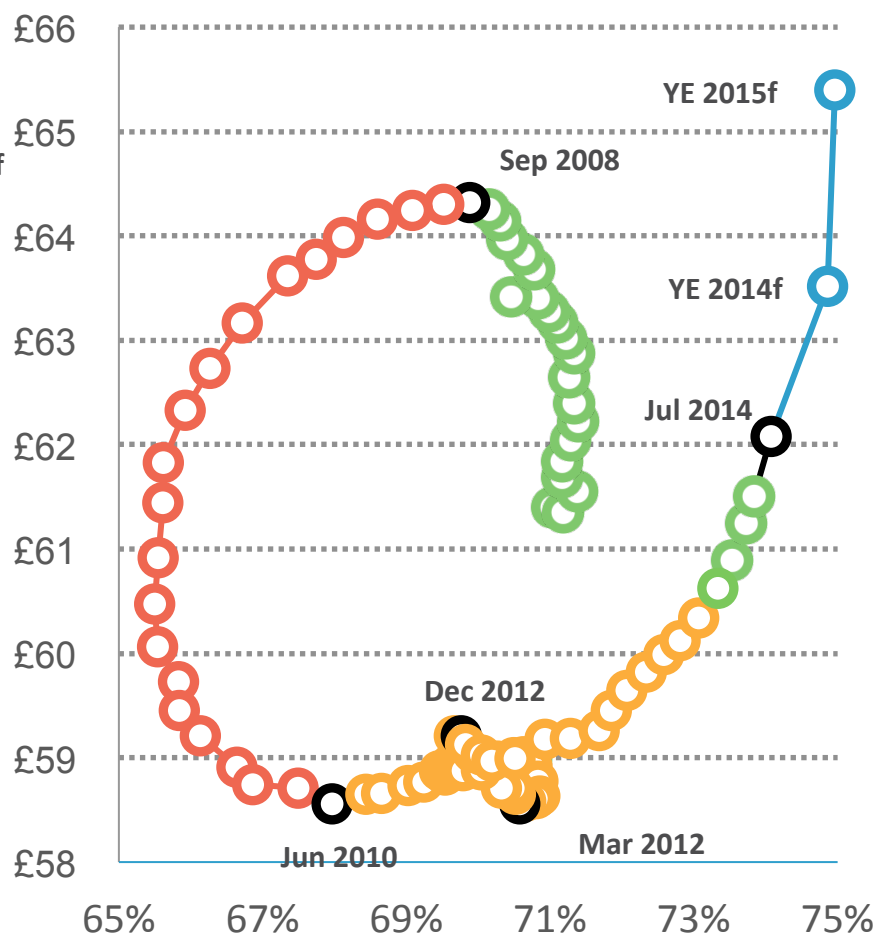
January 2007 – March 2014, 12 month moving average

- Growth
- Recession
- Recovery
- Forecast

London

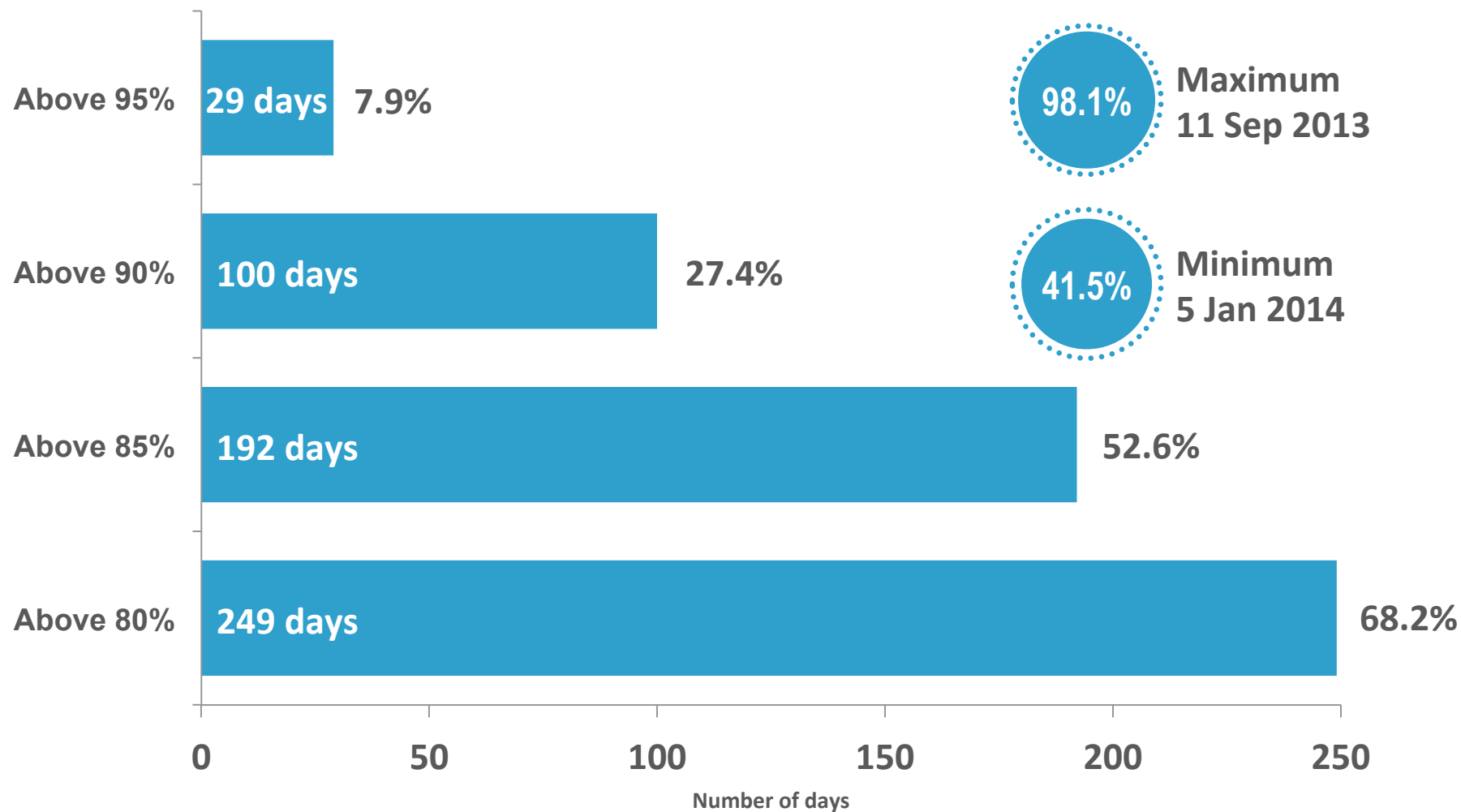


Regional UK



Greater London

Daily Occupancy in the last 365 days, 1 August 2013 – 31 July 2014

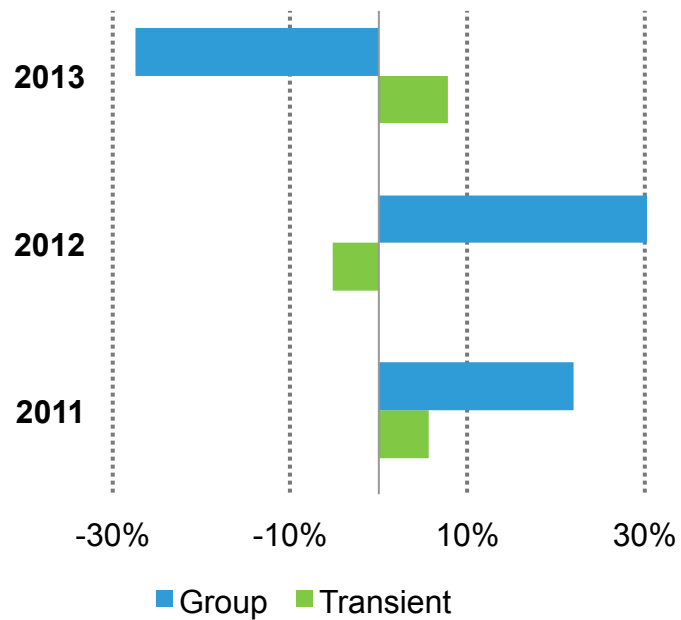


Group is supporting the growth in Regional UK

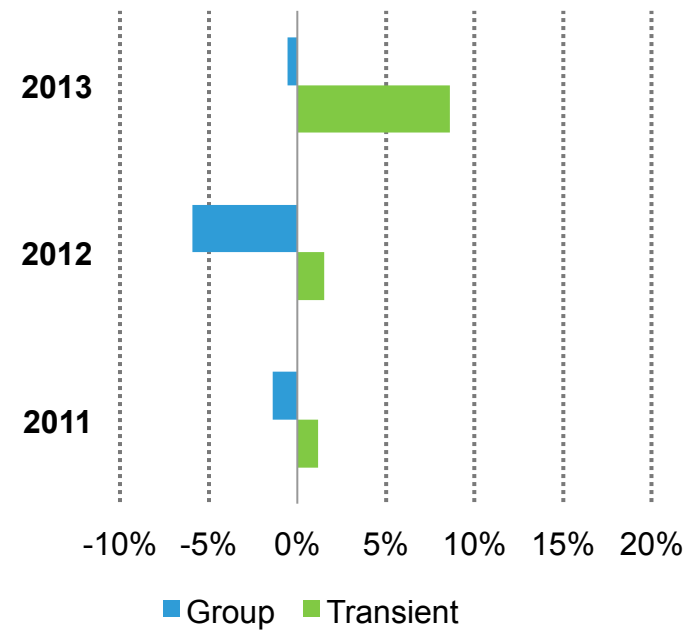
Transient & Group RevPAR % Change



London

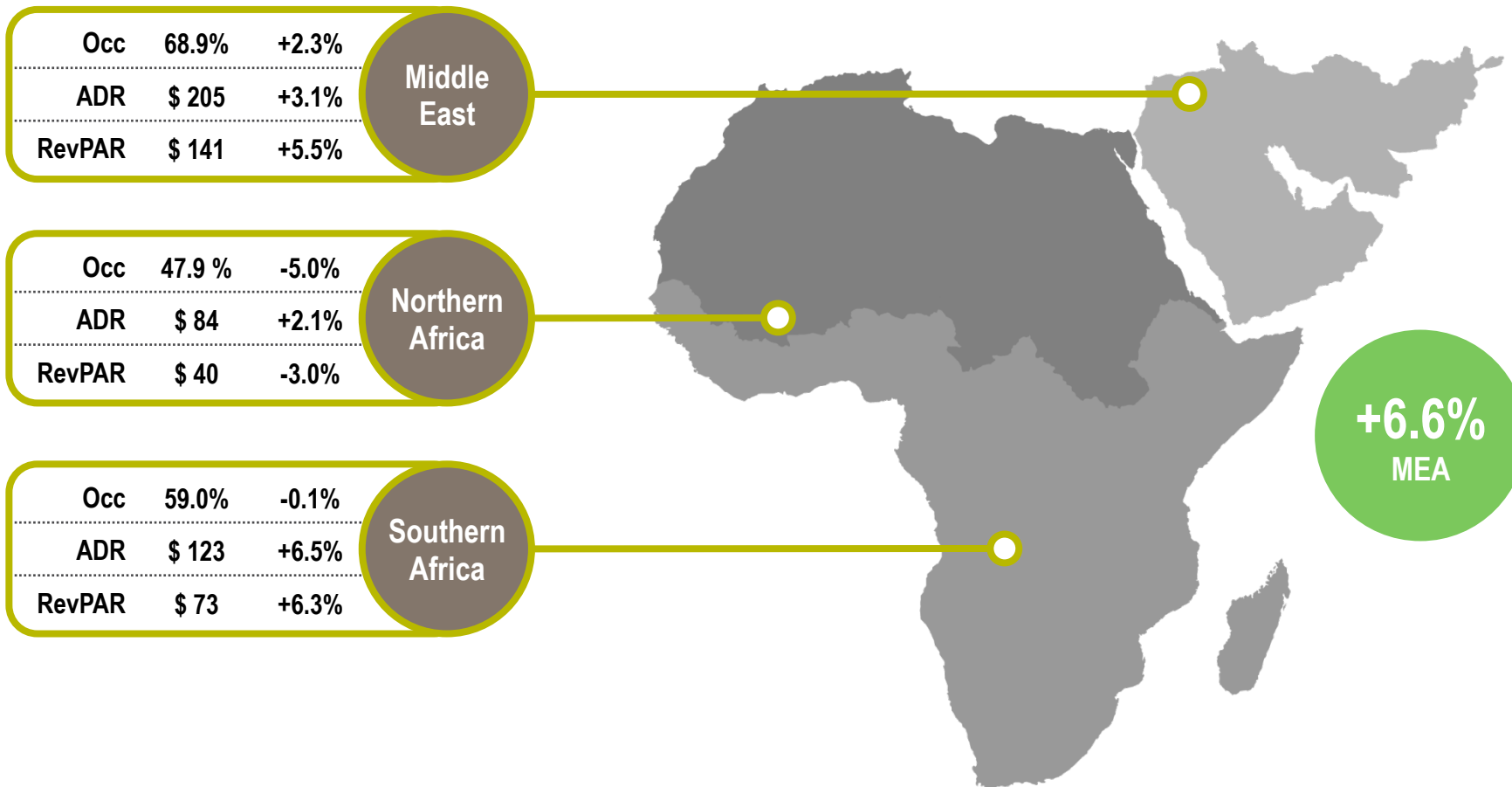


Regional UK



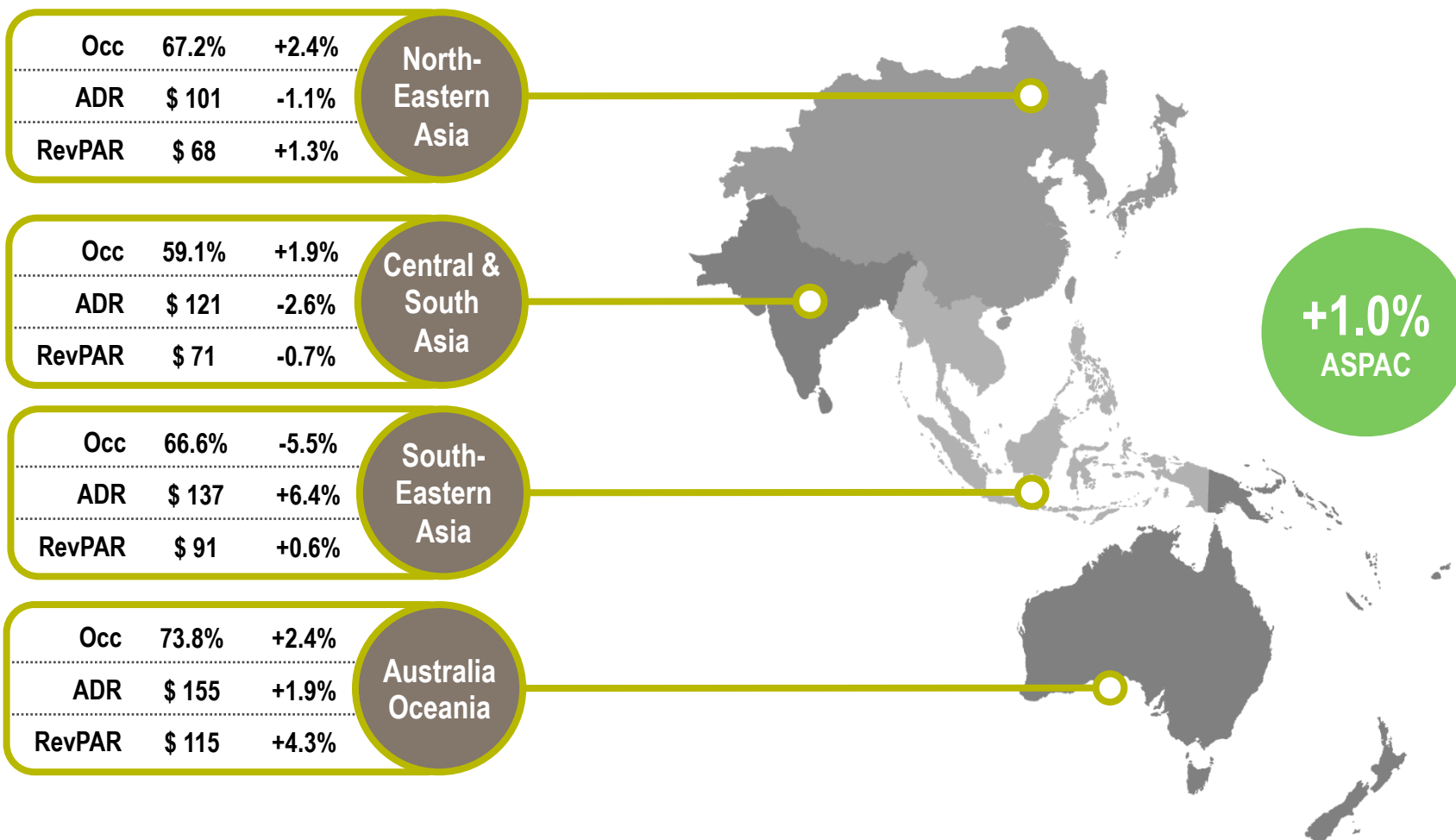
Middle East & Africa

Market performance – Occ %, ADR \$ and RevPAR \$, July 2014 YTD, CC\$



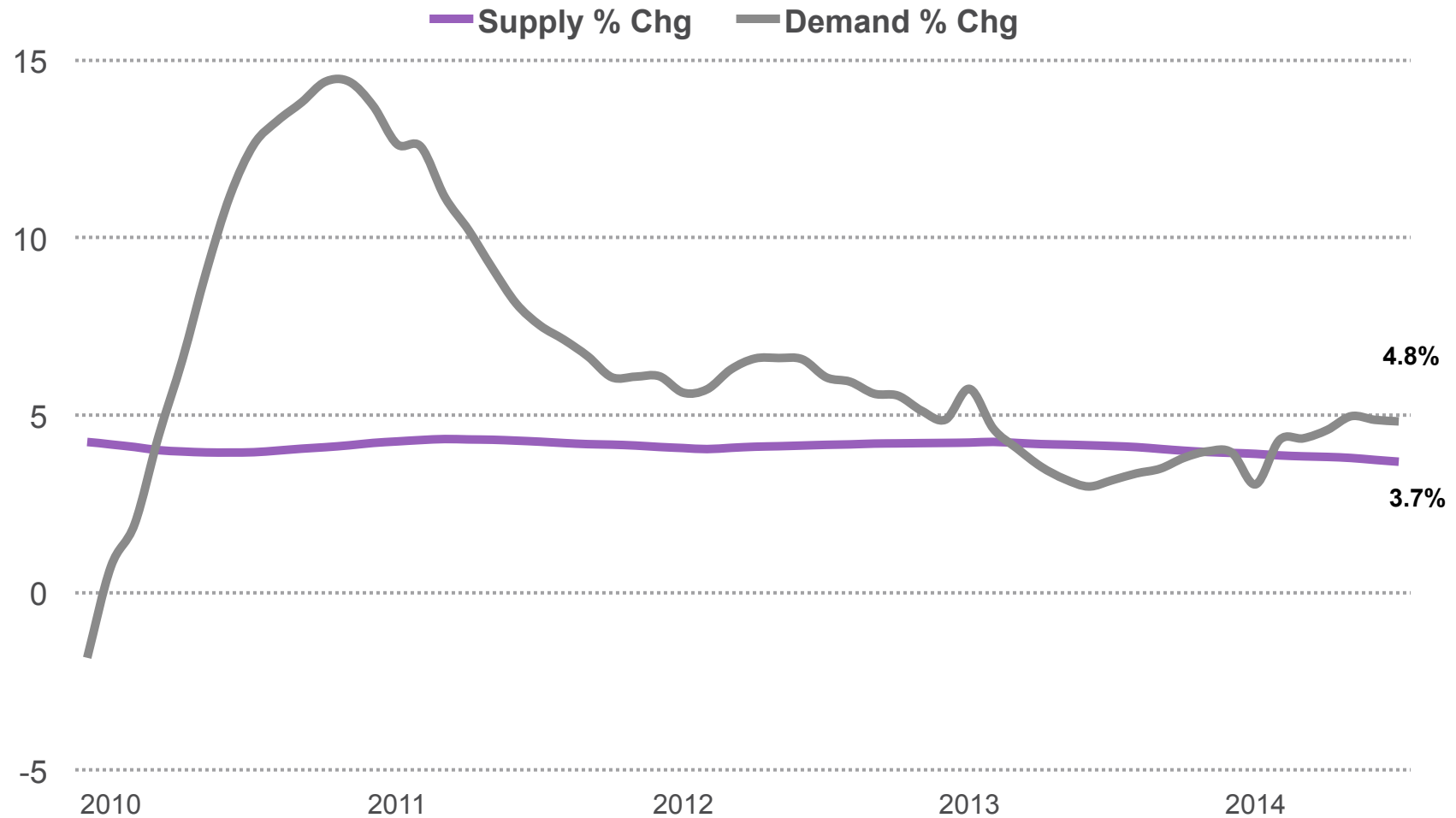
Spotlight Asia Pacific

Market performance – Occ %, ADR \$ and RevPAR \$, July 2014 YTD, CC\$



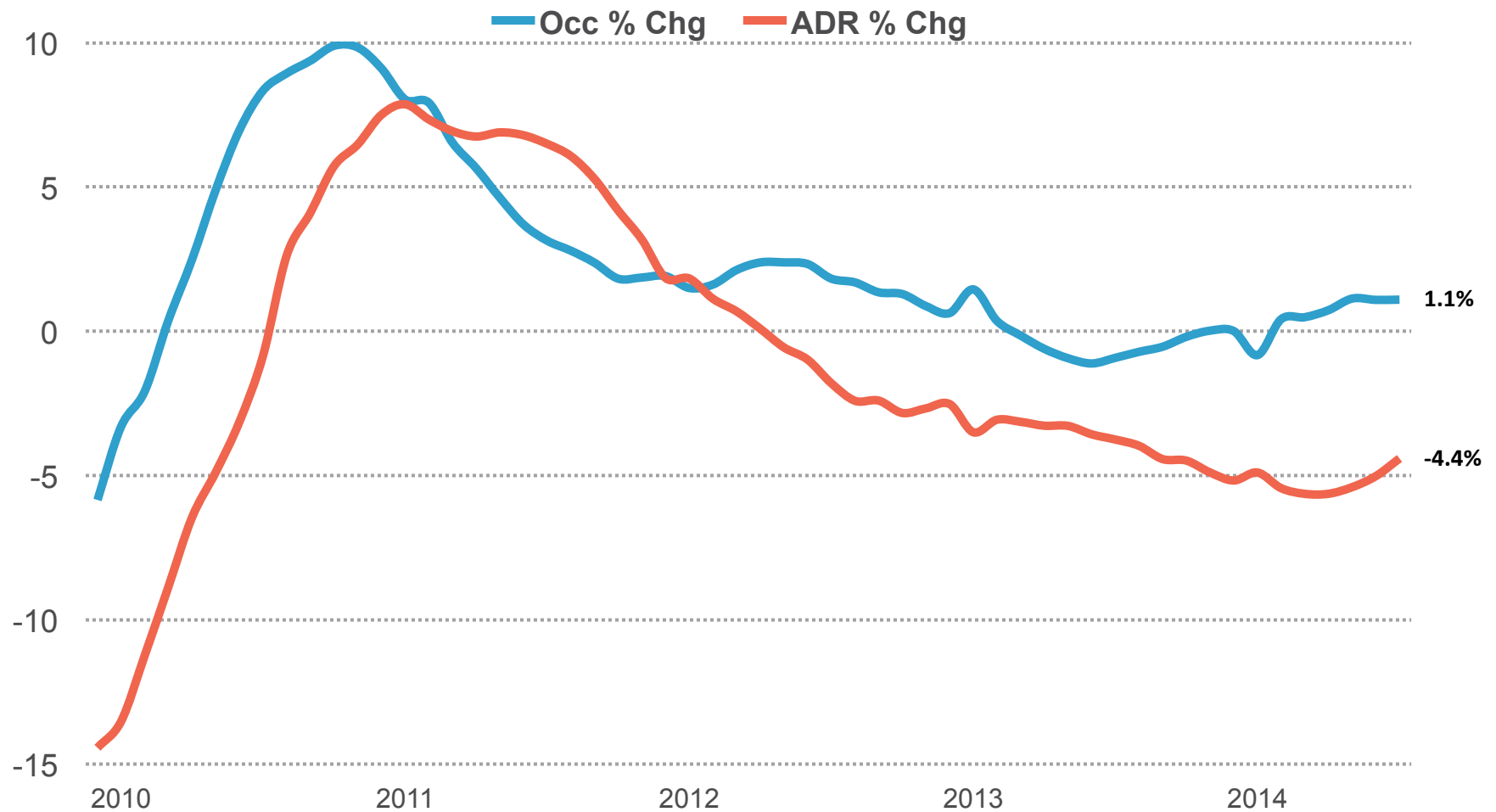
APAC Room Supply/Demand % Change

12 months moving average Jan 2010 to July 2014



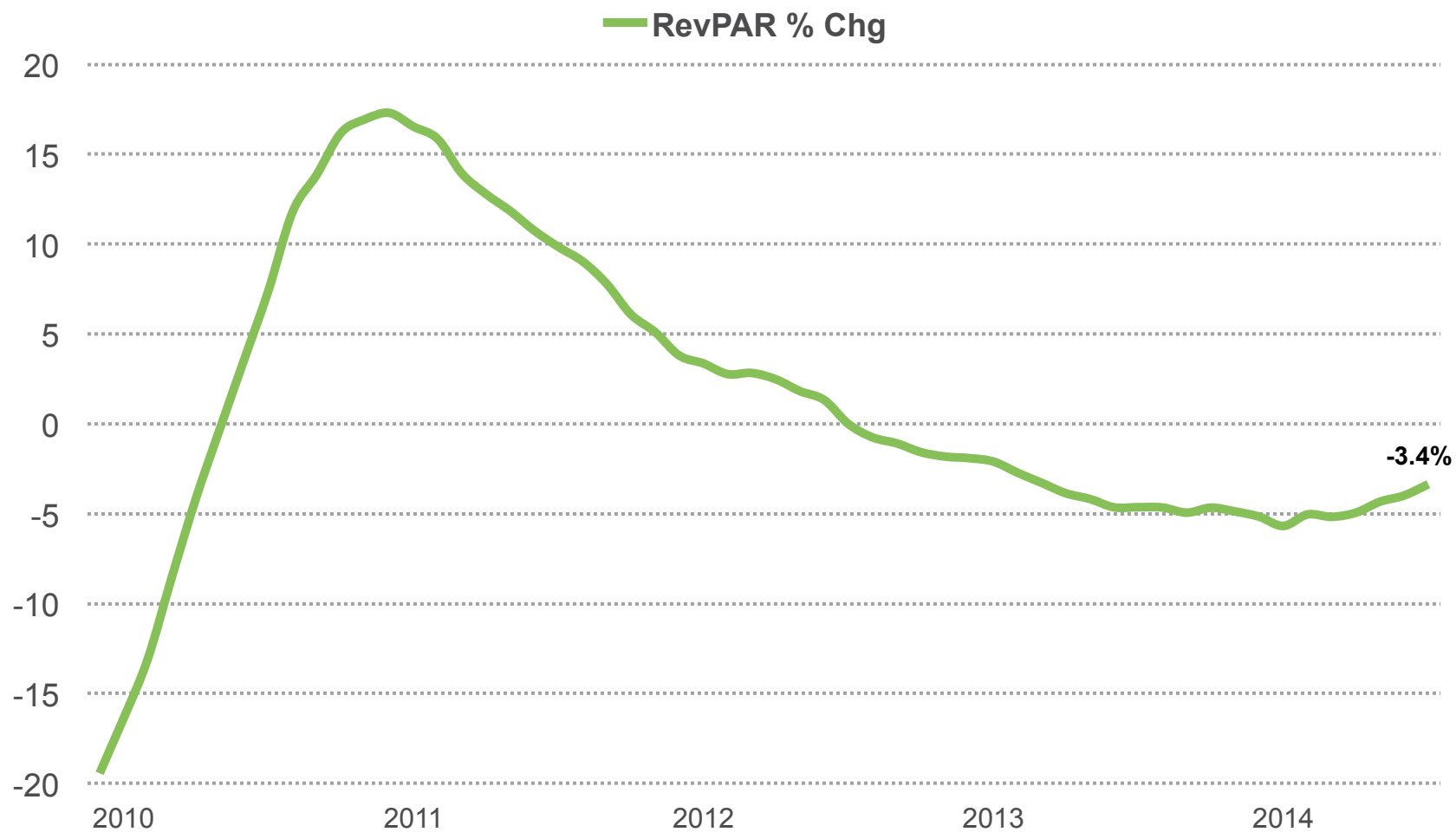
APAC Occ/ADR % Change

12 month moving average Jan 2010 to July 2014, in USD



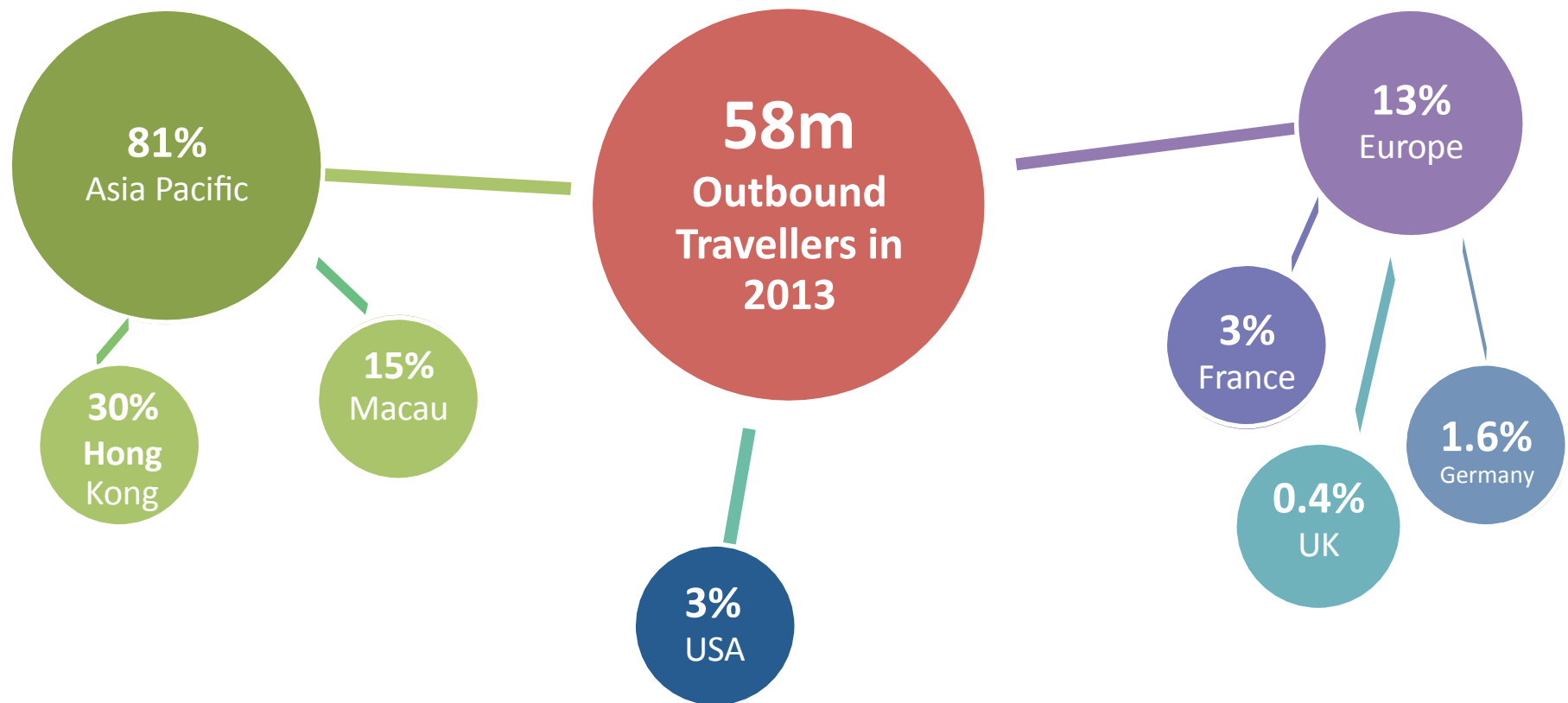
APAC RevPAR % Change

12 month moving average Jan 2010 to July 2014, in USD



The Chinese Guest

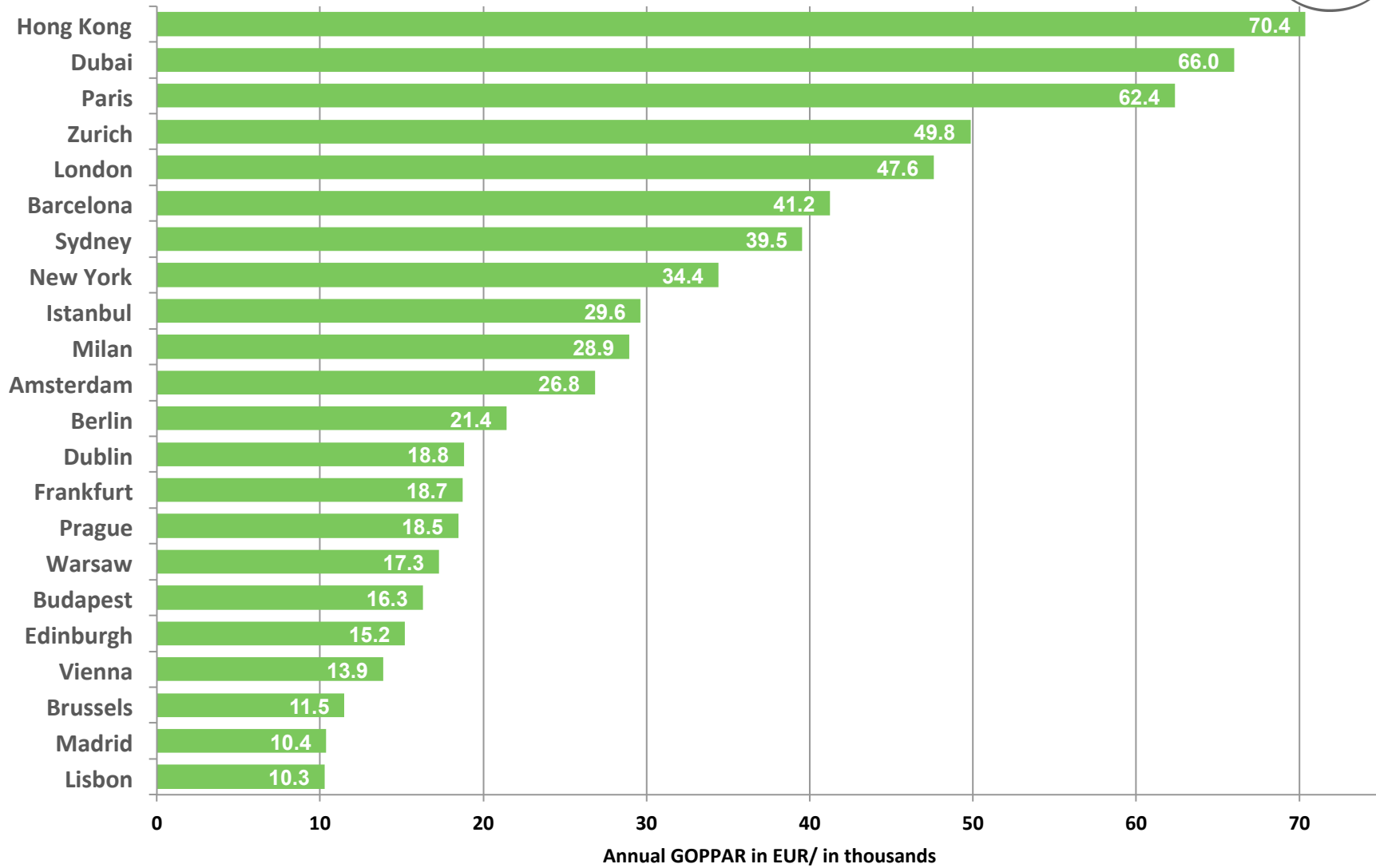
Majority of Chinese travellers remain within Asia Pacific



Annual Profitability by key market



Luxury & Upper Upscale Annual GOPPAR in EUR



Global Markets

RevPAR growth 2015, August 2014 edition





ISHC 2014 Annual Conference

Keeping Up With the Tempo Global Performance Update

Randy Smith, Chairman and Founder, STR

Amanda Hite, President and COO, STR

Elizabeth Winkle, Managing Director, STR Global

Total US - Key Statistics

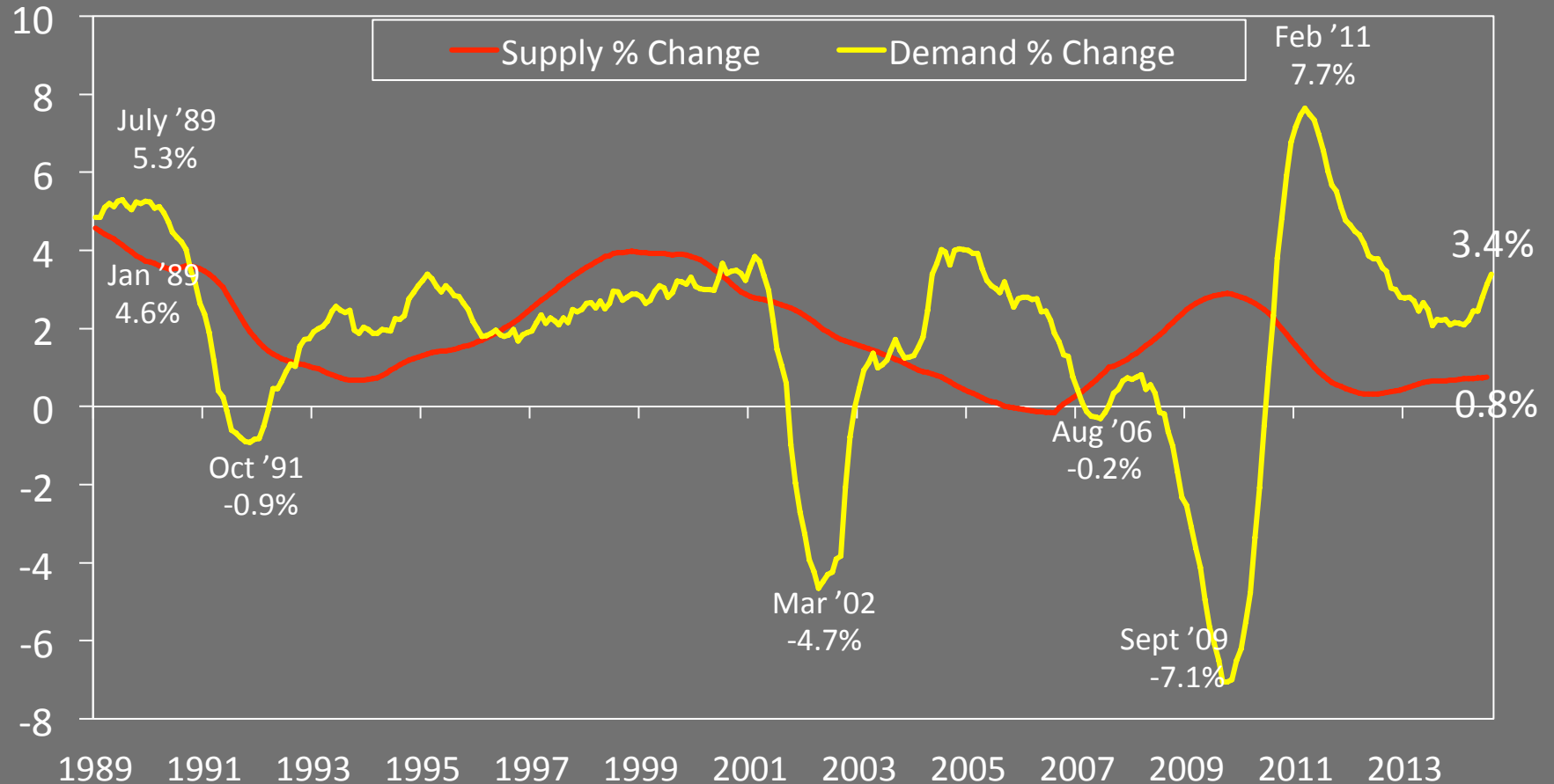
12-Months Ending July 2014

		<u>% Change</u>
• Hotels	53 k	
• Room Supply	1.8 bn	0.8%
• Room Demand	1.1 bn	3.4%
• Occupancy	63.4%	2.6%
• ADR	\$113.16	4.0%
• RevPAR	\$71.75	6.7%
• Room Revenue	\$128.4 bn	7.5%

Total United States

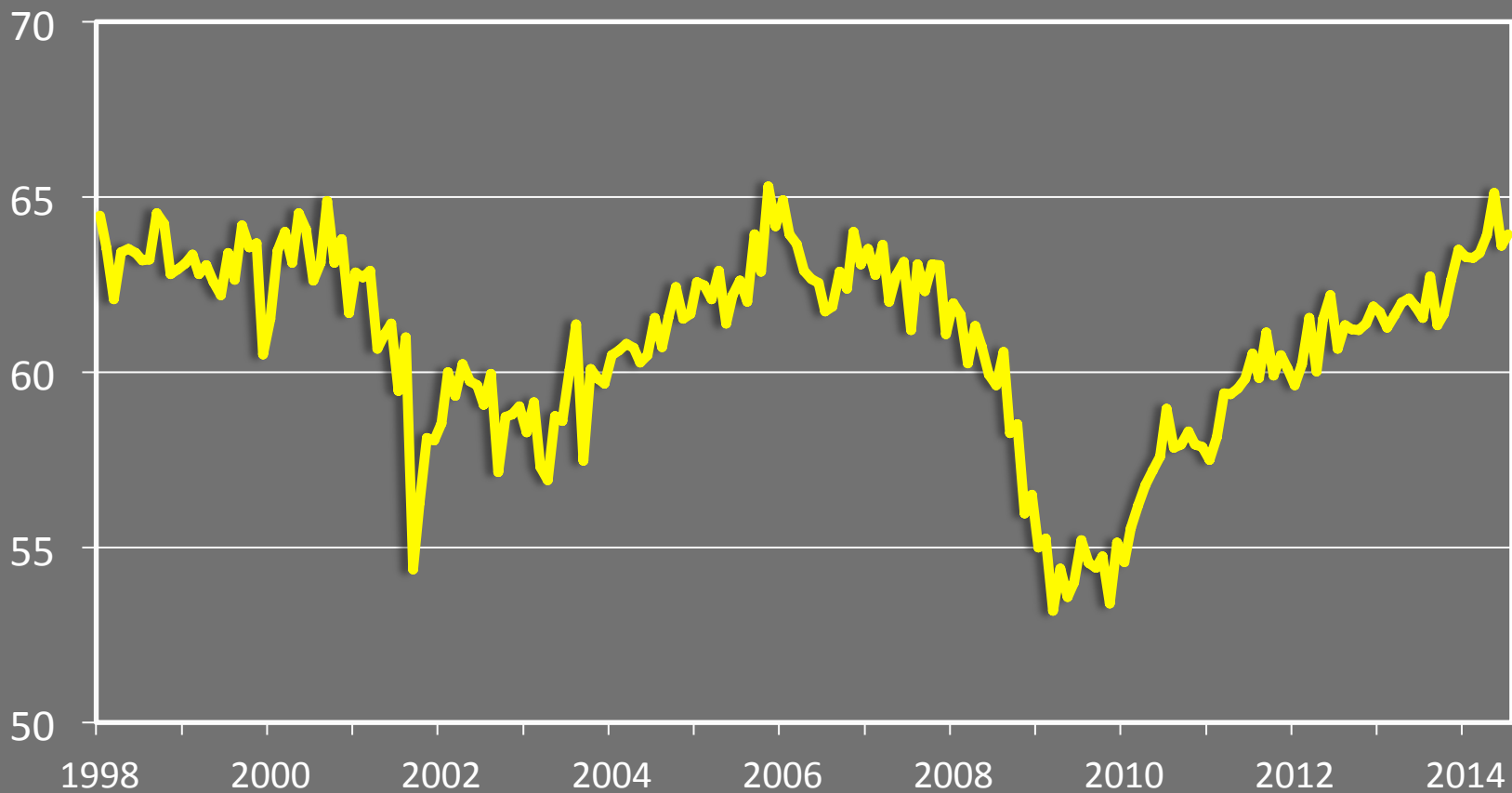
Room Supply/Demand Percent Change

Twelve Month Moving Average – 1989 to July 2014



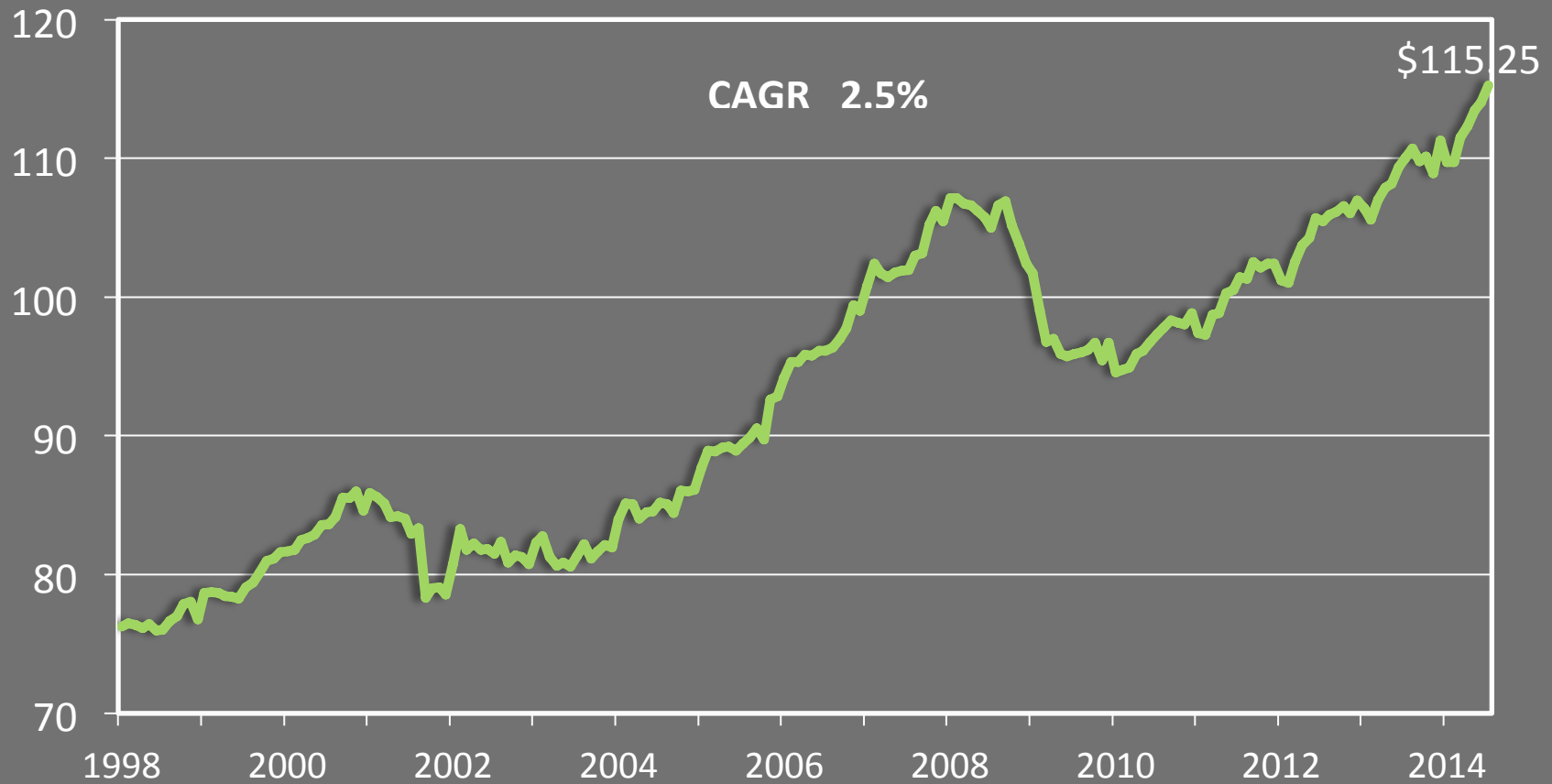
Total United States

Occupancy Percent – Seasonally Adjusted
1998 to July 2014



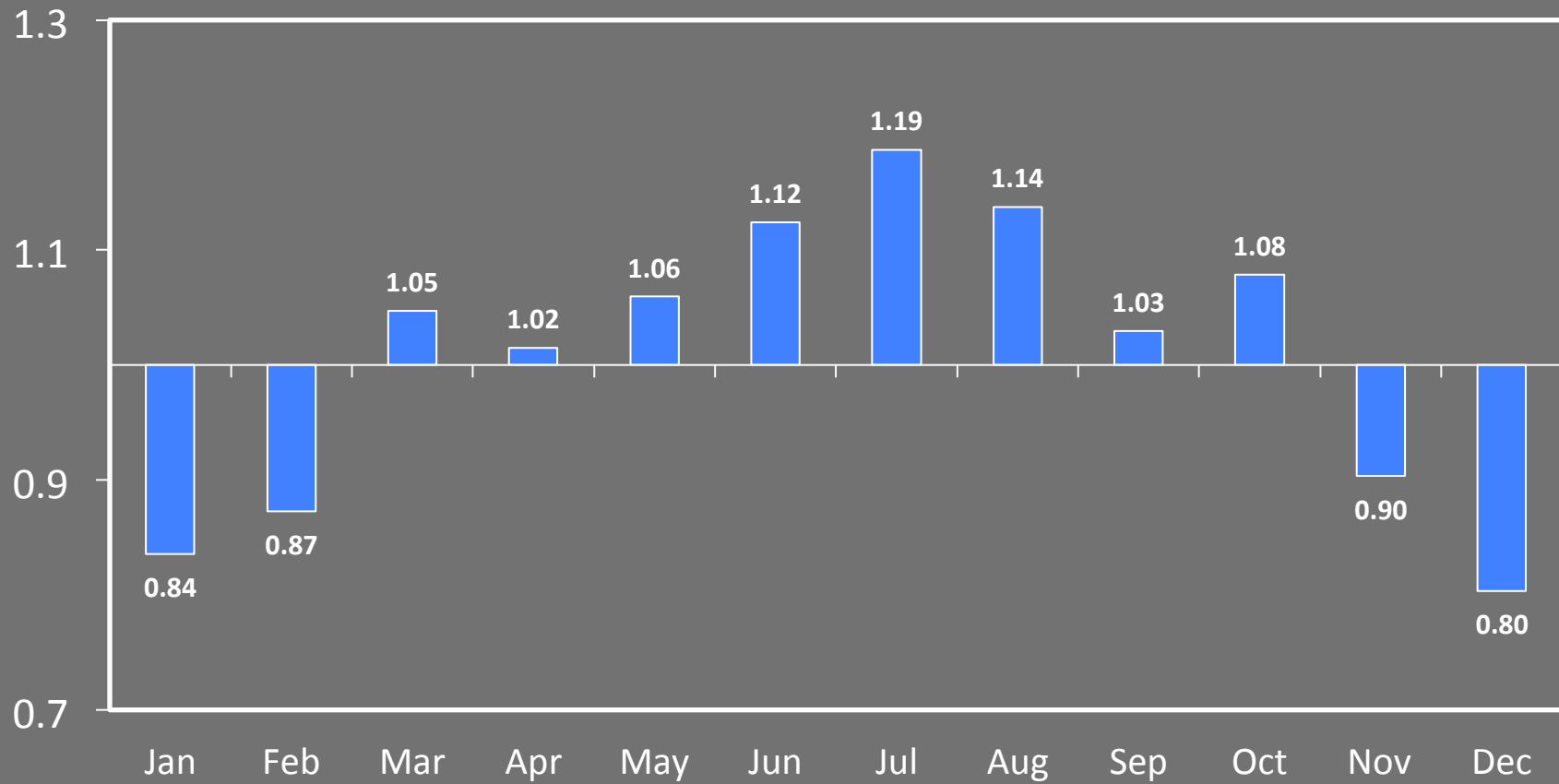
Total United States

ADR – Seasonally Adjusted
1998 to July 2014



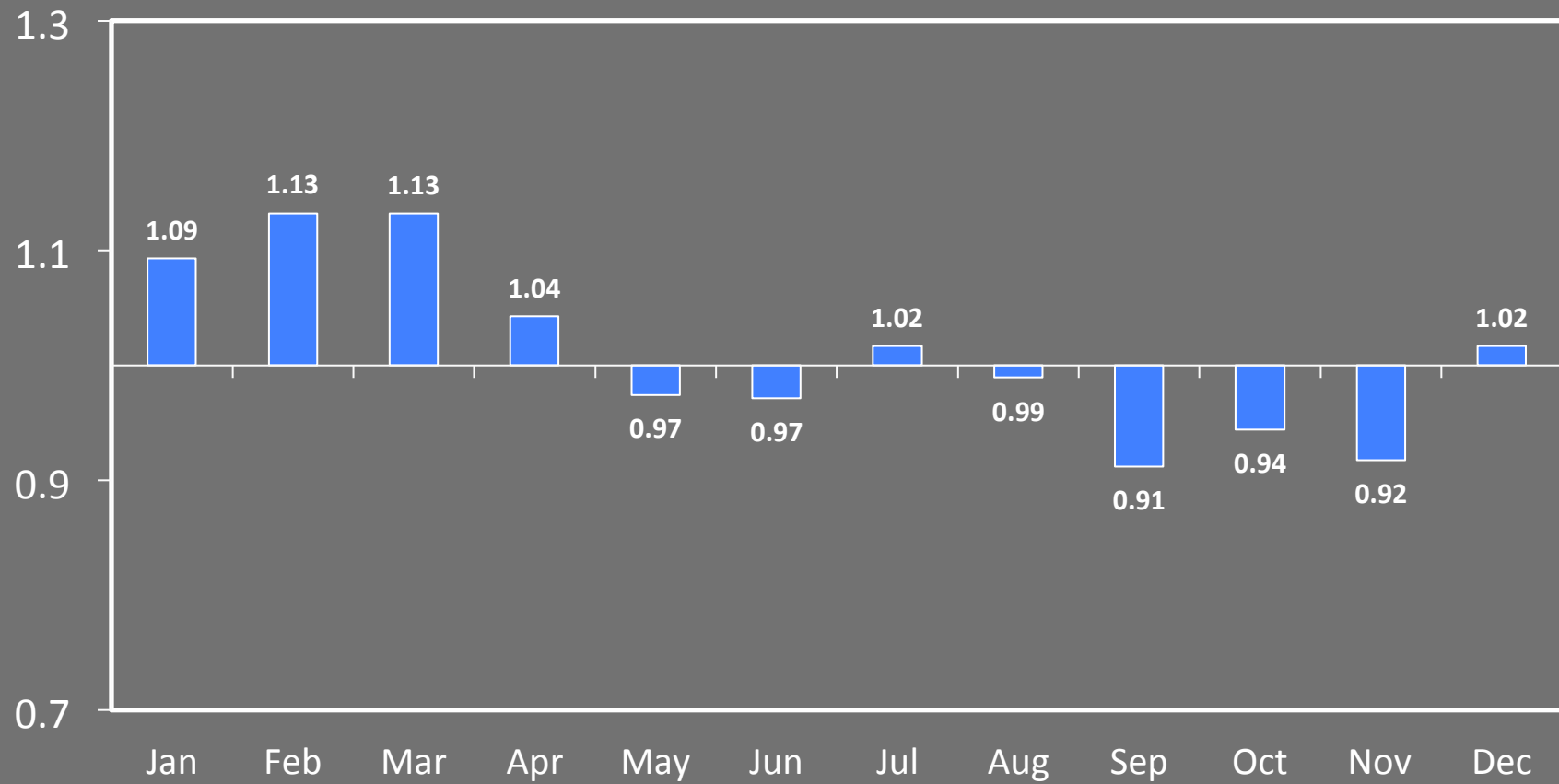
Total US Room Demand Seasonal Factors

Jan 2003 – Jun 2014



Total US ADR Seasonal Factors

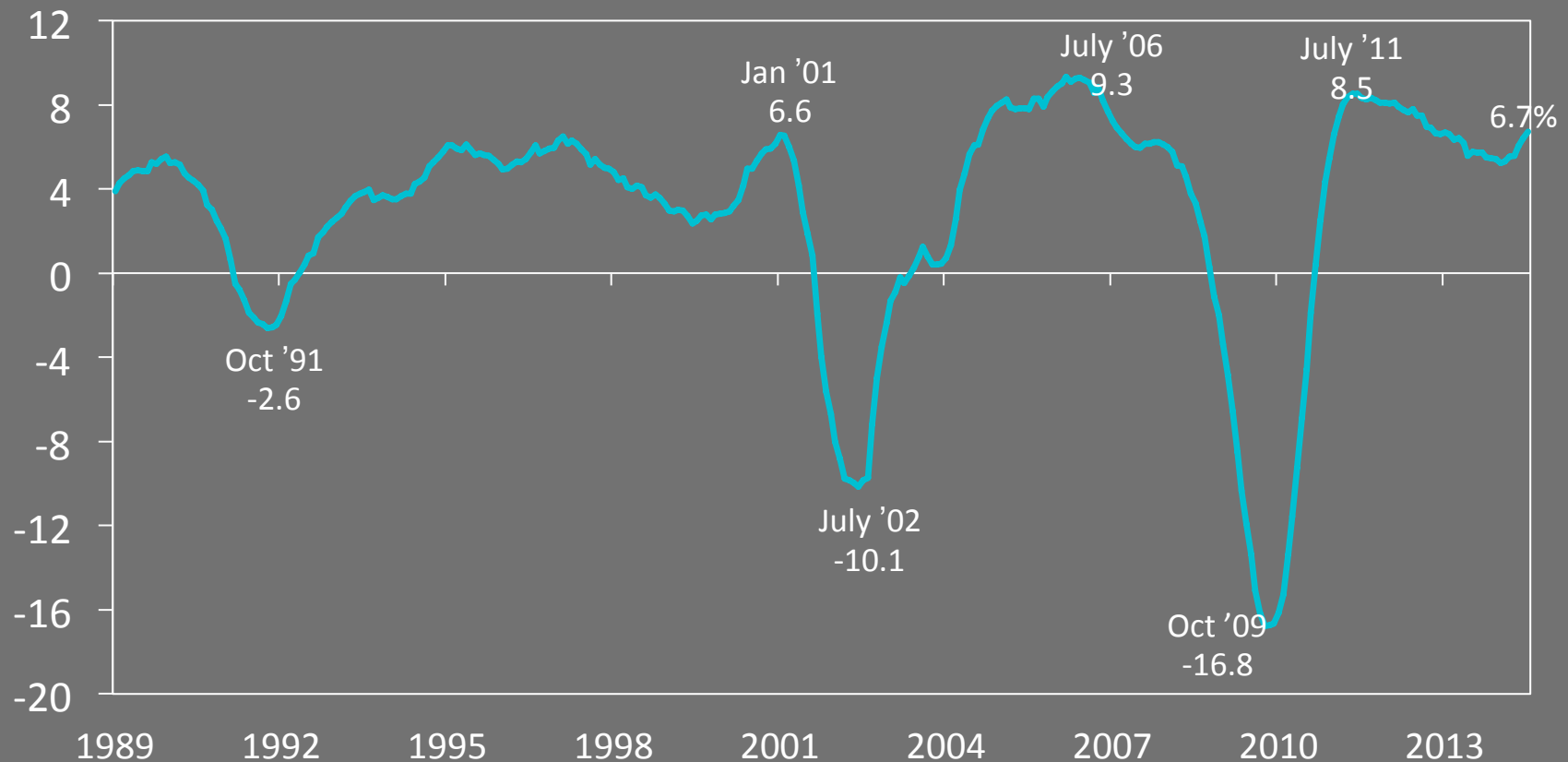
Jan 2003 – Jun 2014



Total United States

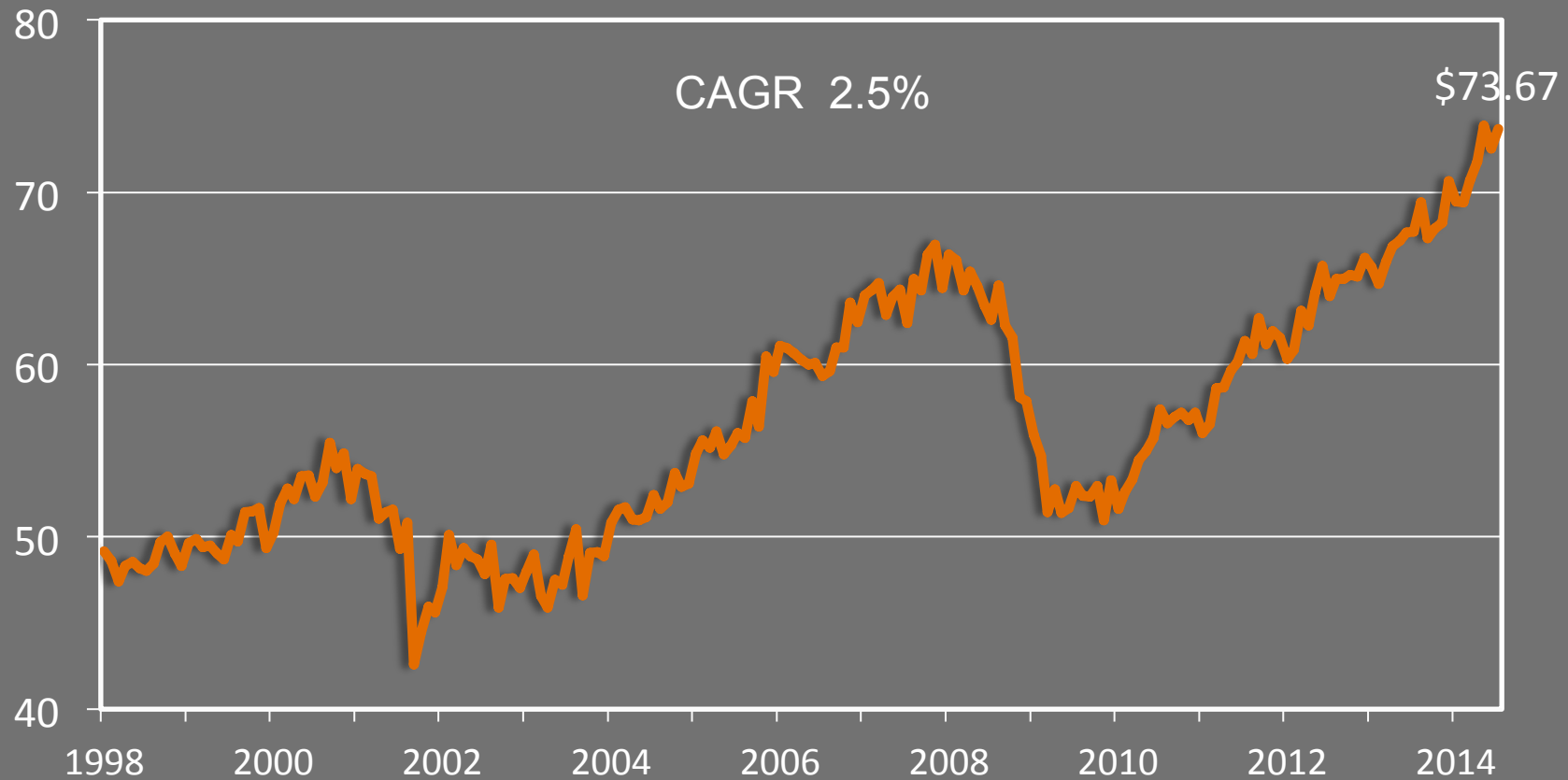
RevPAR Percent Change

Twelve Month Moving Average – 1989 to July 2014



Total United States

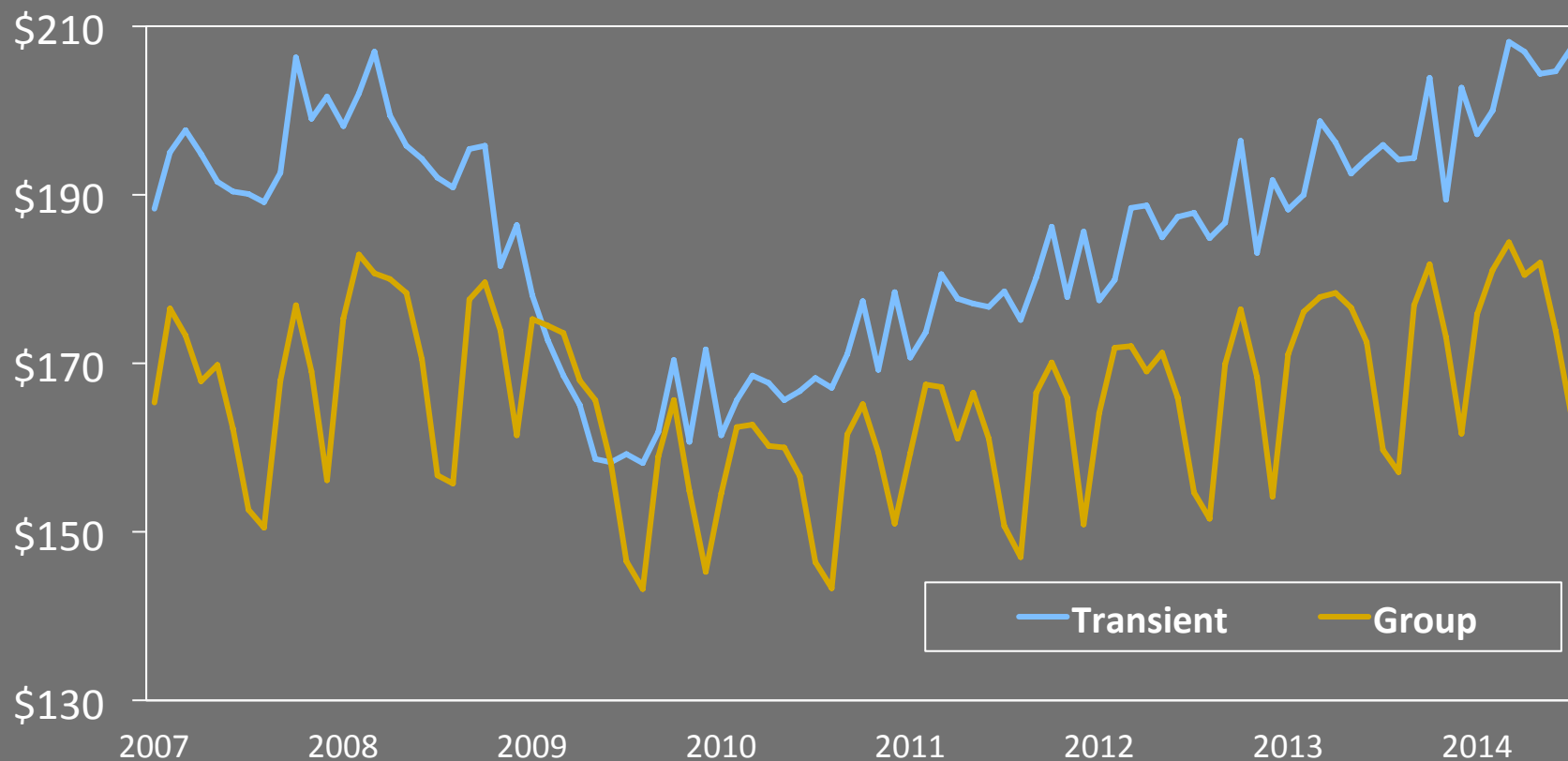
RevPAR – Seasonally Adjusted
1998 to July 2014



Total United States

US Transient vs. Group Monthly ADR (\$)

January 2007 – July 2014



NOTE: Data is for luxury and upper upscale classes only.

Total United States

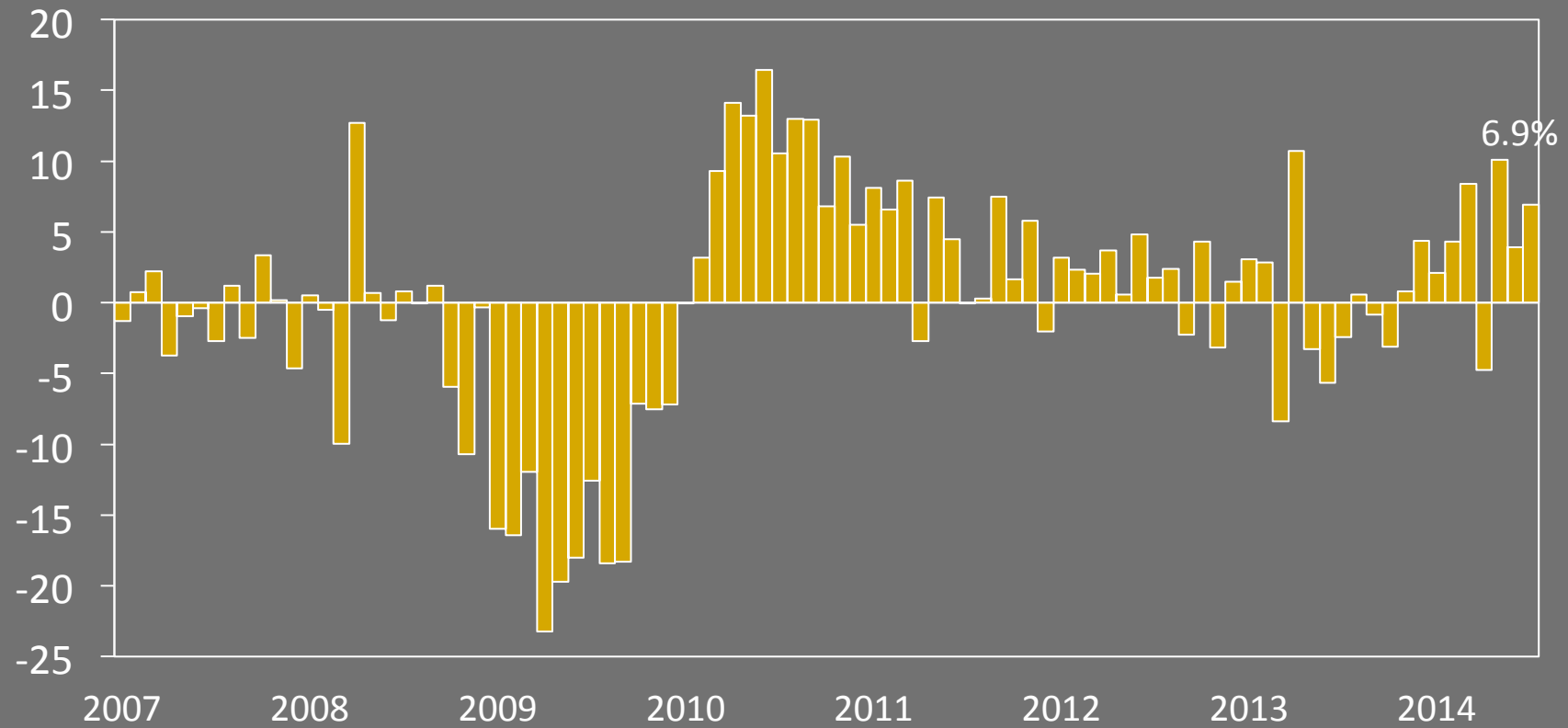
Transient Room Demand Percent Change
January 2007 – July 2014



NOTE: Data is for luxury and upper upscale classes only.

Total United States

Group Room Demand Percent Change
January 2007 – July 2014



NOTE: Data is for luxury and upper upscale classes only.



U.S. Lodging Industry Chain Scales and Markets

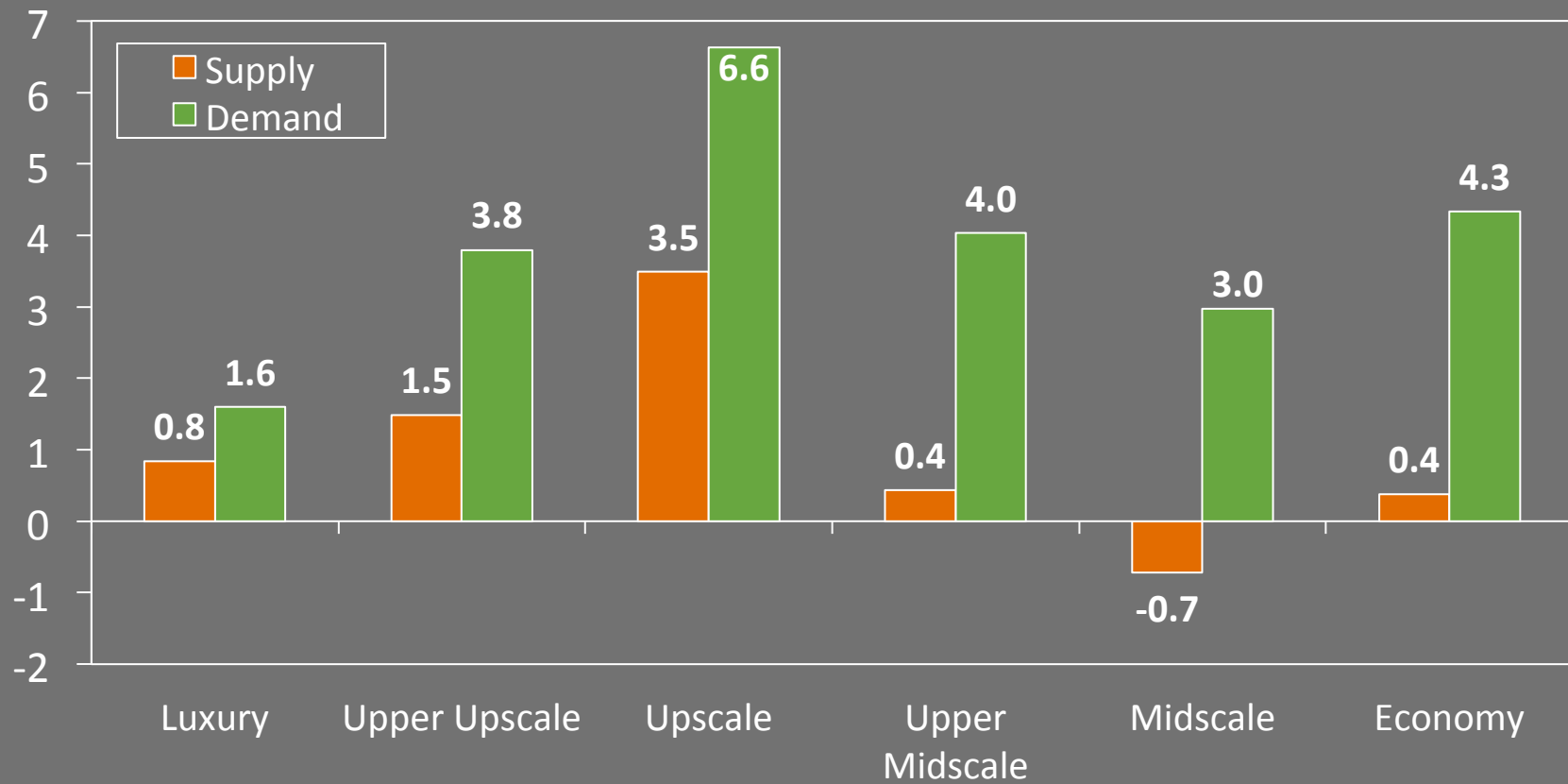
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Chain Scales

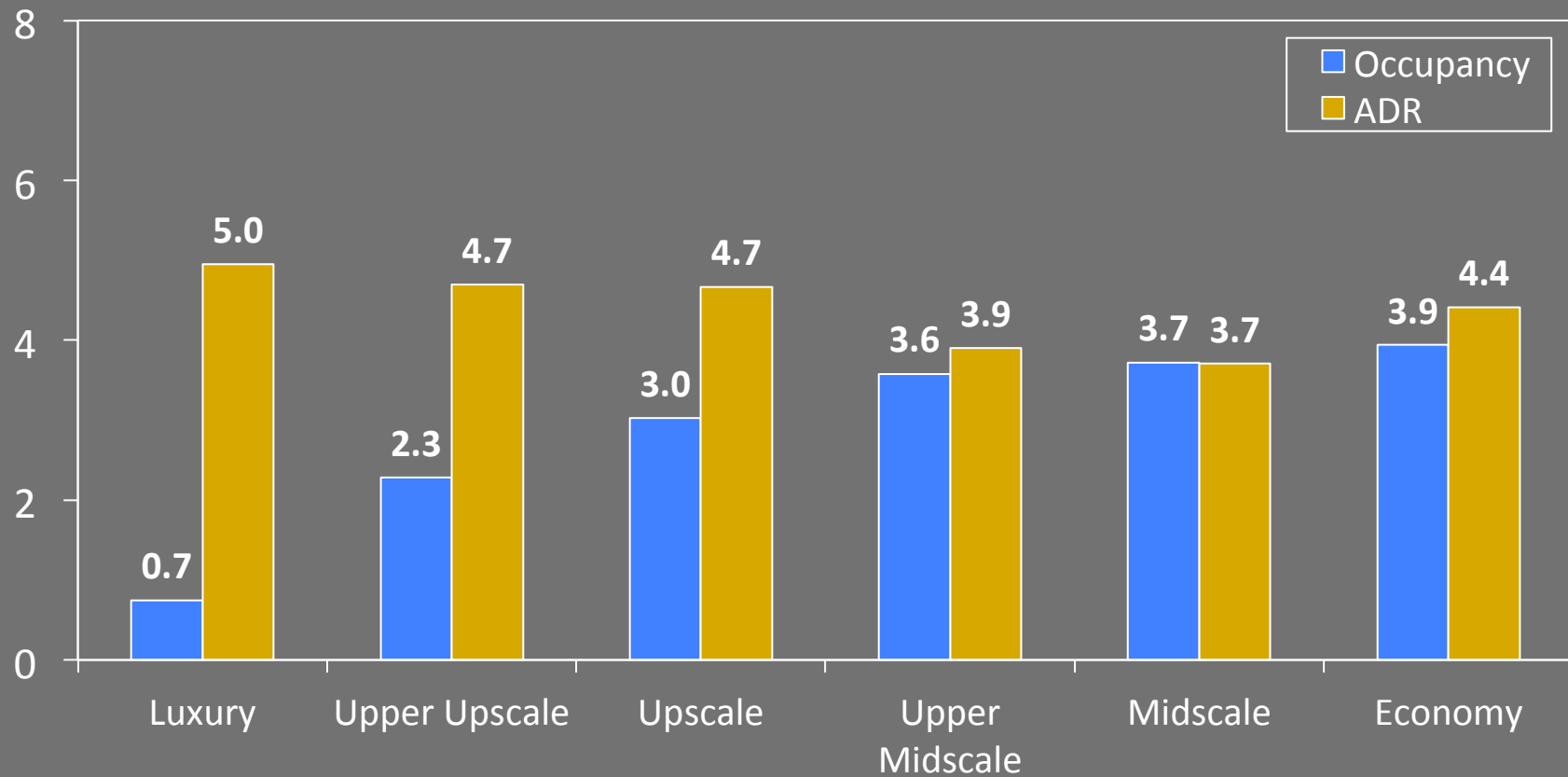
Supply / Demand Percent Change

July 2014 YTD



Chain Scales

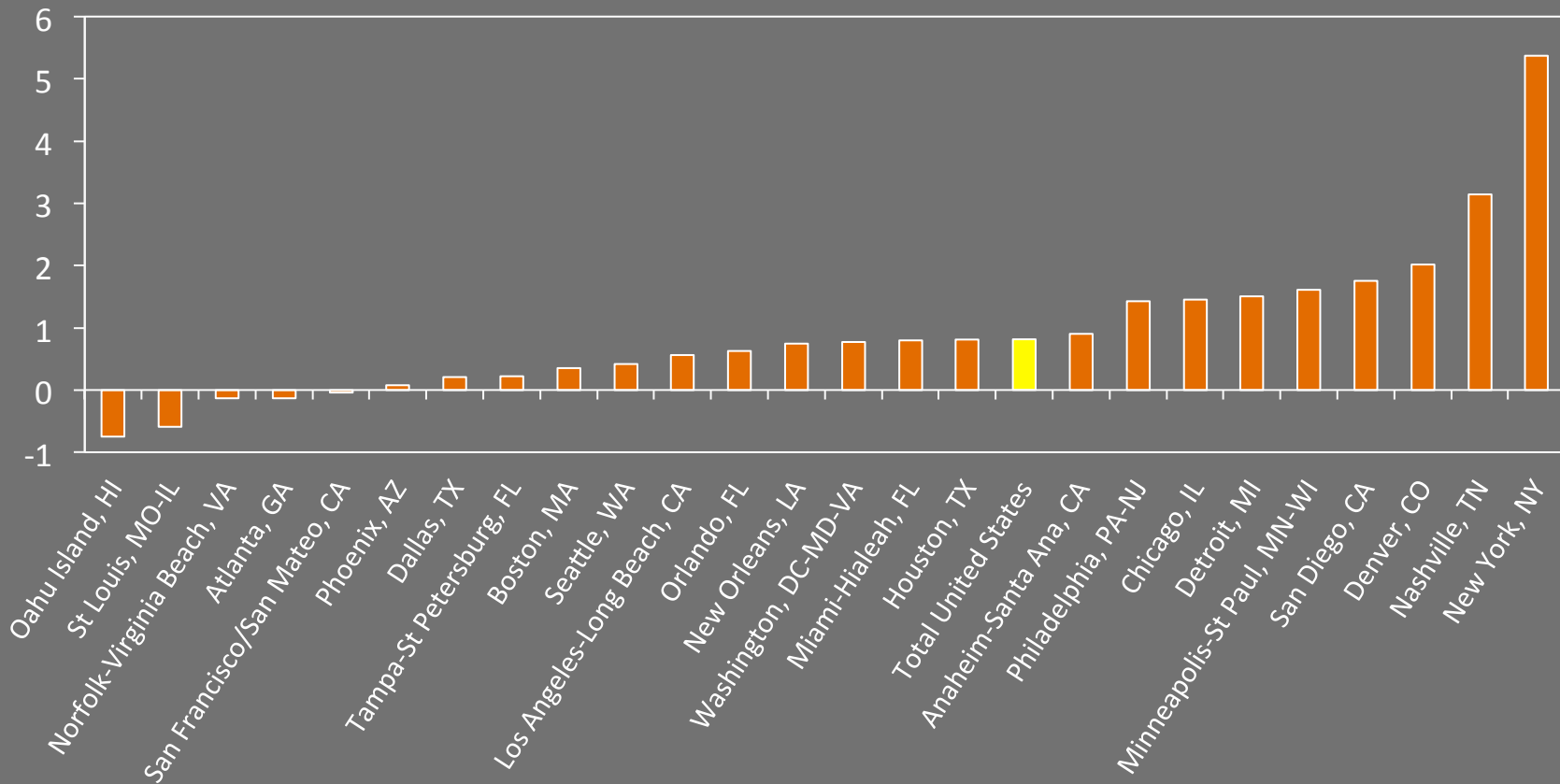
Occupancy / ADR Percent Change
July 2014 YTD



Top 25 Markets

Room Supply Percent Change

July 2014 YTD



Top 25 Markets

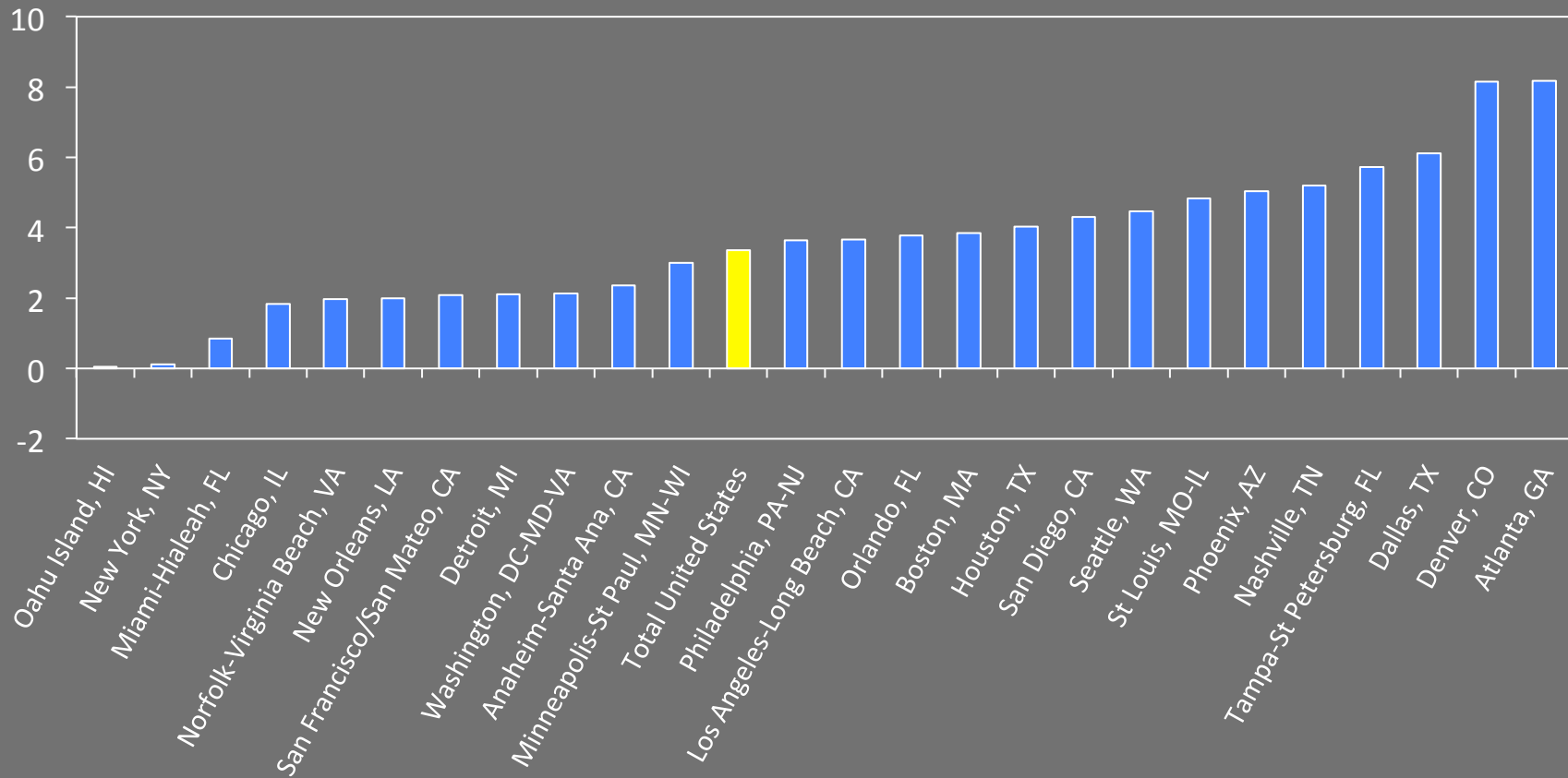
Room Demand Percent Change

July 2014 YTD



Top 25 Markets

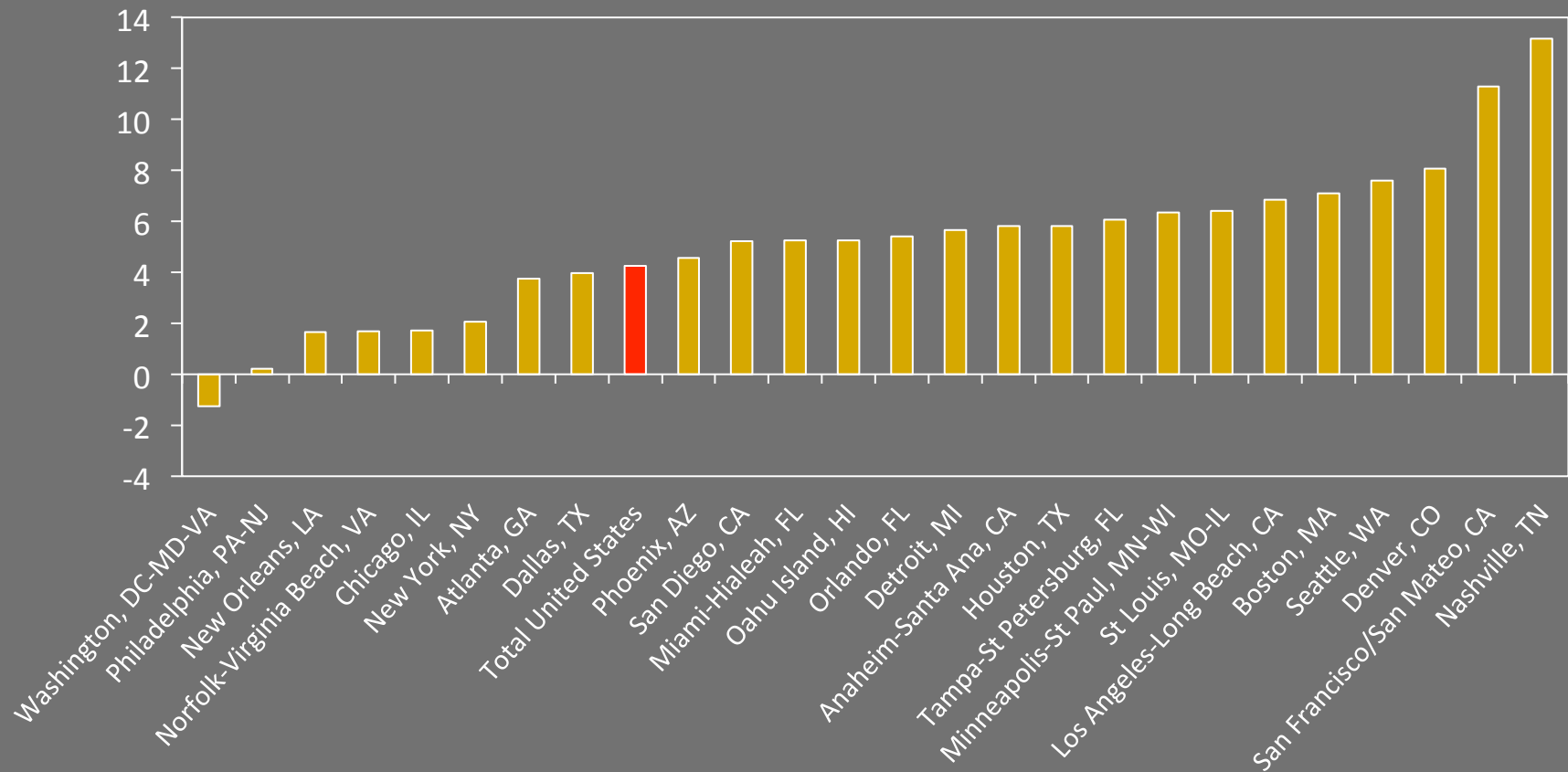
Occupancy Percent Change
July 2014 YTD



Top 25 Markets

ADR Percent Change

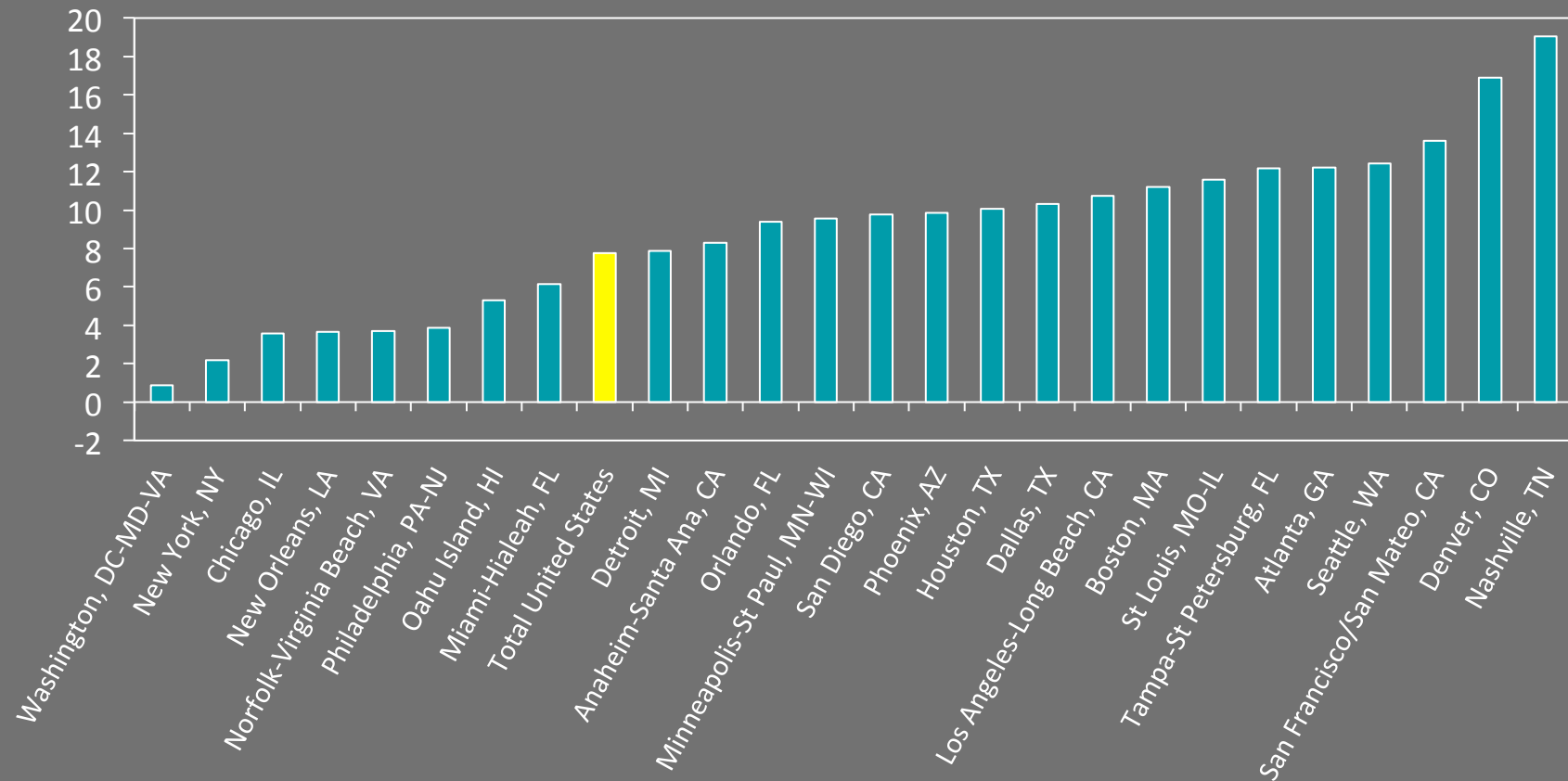
July 2014 YTD



Top 25 Markets

RevPAR Percent Change

July 2014 YTD





U.S. Lodging Industry Construction Activity

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Total United States

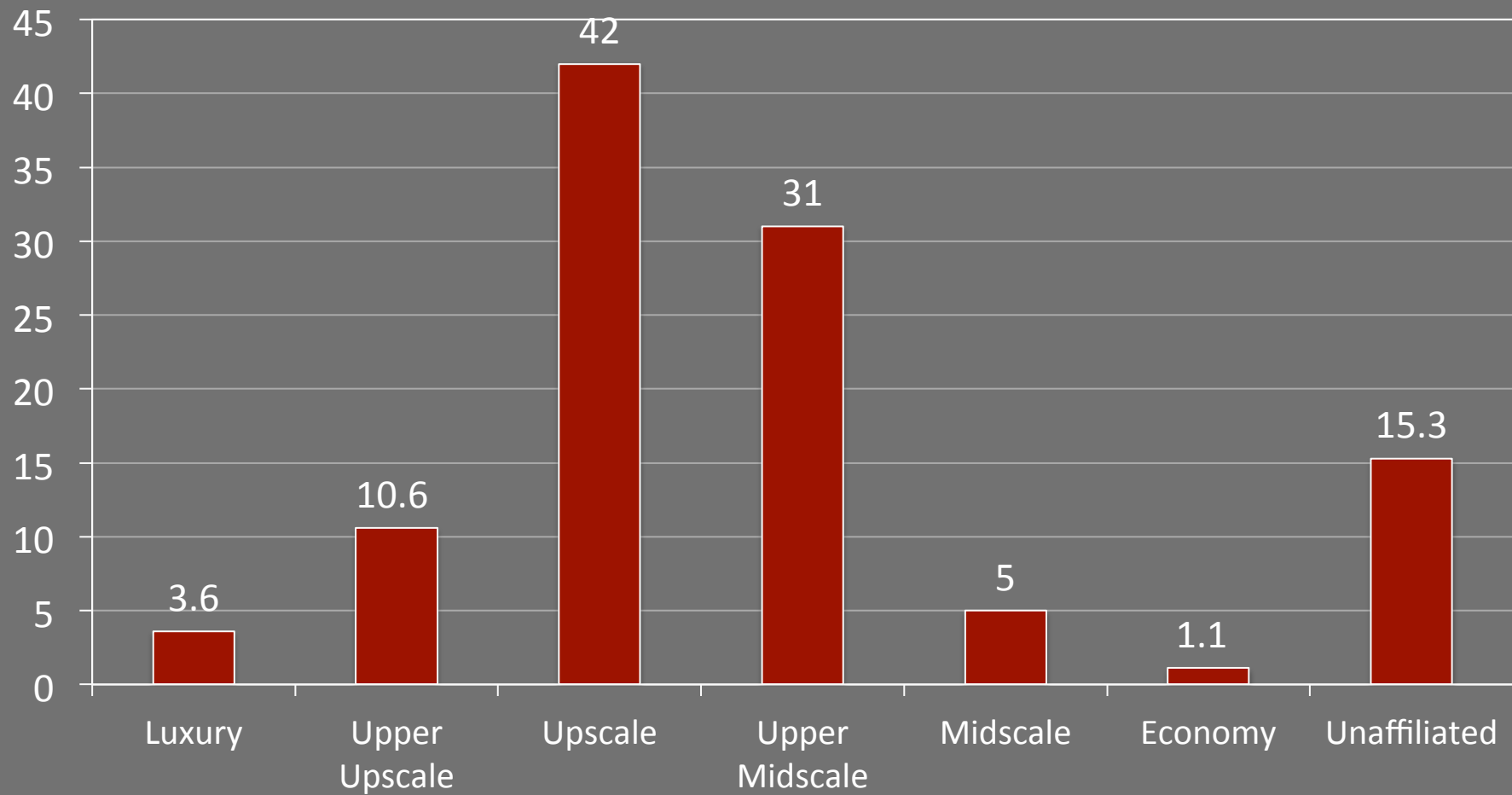
Development Pipeline – Rooms
Change From Last Year

<u>Phase</u>	<u>July 2014</u>	<u>July 2013</u>	<u>Difference</u>	<u>% Change</u>
In Construction	108,534	75,620	32,914	43.5%
Final Planning	124,328	125,745	-1,417	-1.1%
Planning	155,497	144,588	10,909	7.5%
Under Contract Pipeline	388,359	345,953	42,406	12.3%
Unconfirmed	41,201	16,488	24,713	149.9%
Total	429,560	362,441	67,119	18.5%

Total United States

Rooms In Construction by Scale – In Thousands

July 2014



Total United States

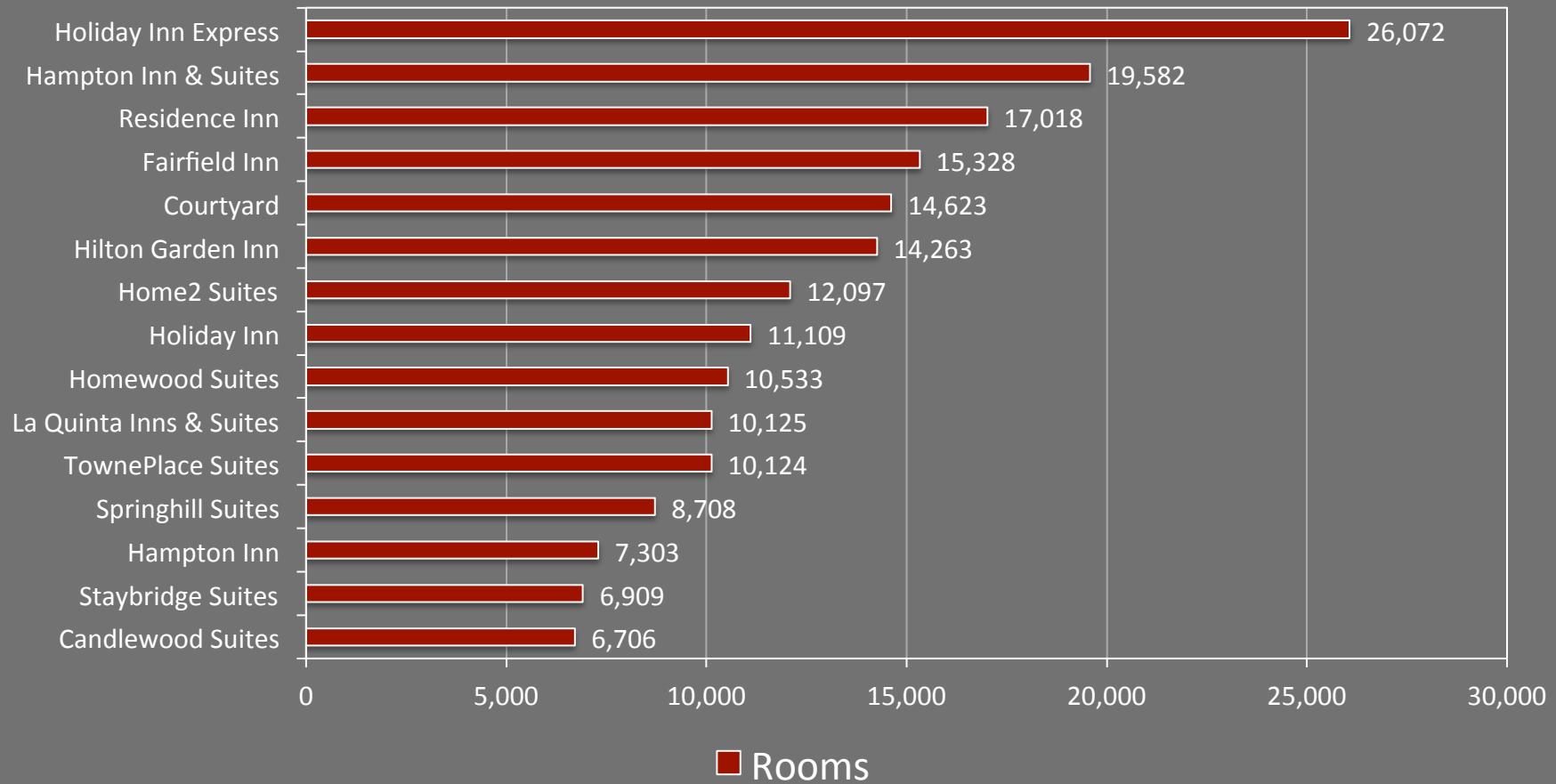
Top 25 Markets with Most Rooms In Construction July 2014

Market	Rooms	% of Existing Supply
New York, NY	13,989	11.7
Houston, TX	4,672	5.9
LA-Long Beach, CA	2,187	2.2
Washington, DC	2,507	2.3
Miami-Hialeah, FL	2,653	5.2
Denver, CO	1,250	2.9
Orlando, FL	595	0.5
Seattle, WA	1,937	4.5
Dallas, TX	1,826	2.3
Chicago, IL	2,292	2.1
Boston, MA	1,379	2.6
Anaheim-Santa Ana, CA	2,394	4.3

Total United States

Top 15 Brands – Under Contract Pipeline

July 2014





U.S. Lodging Industry Projections

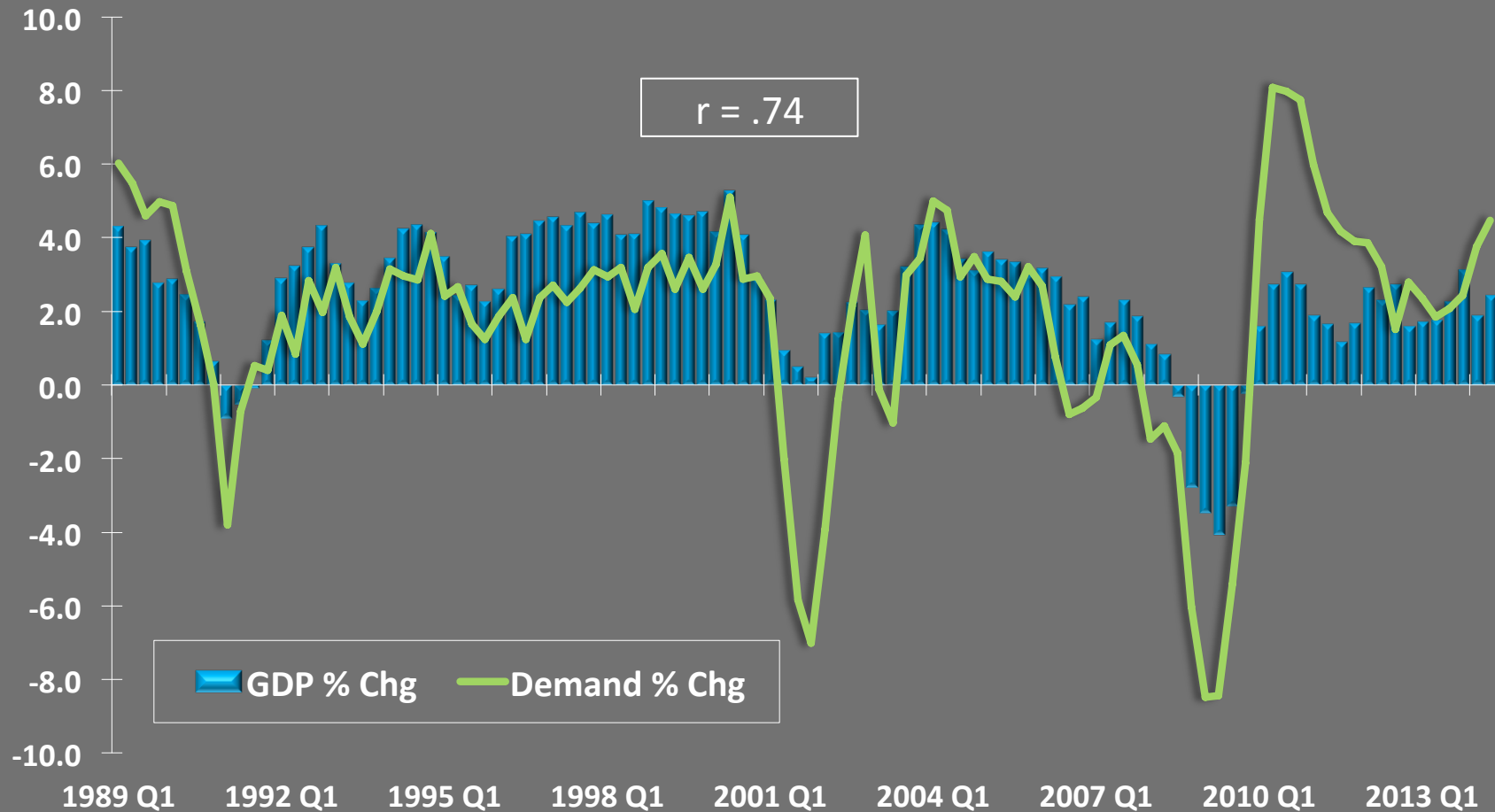
As of August 8, 2014

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US Hotel Demand Growth vs. GDP Growth

1989-2014 Q2, Quarterly % Chg

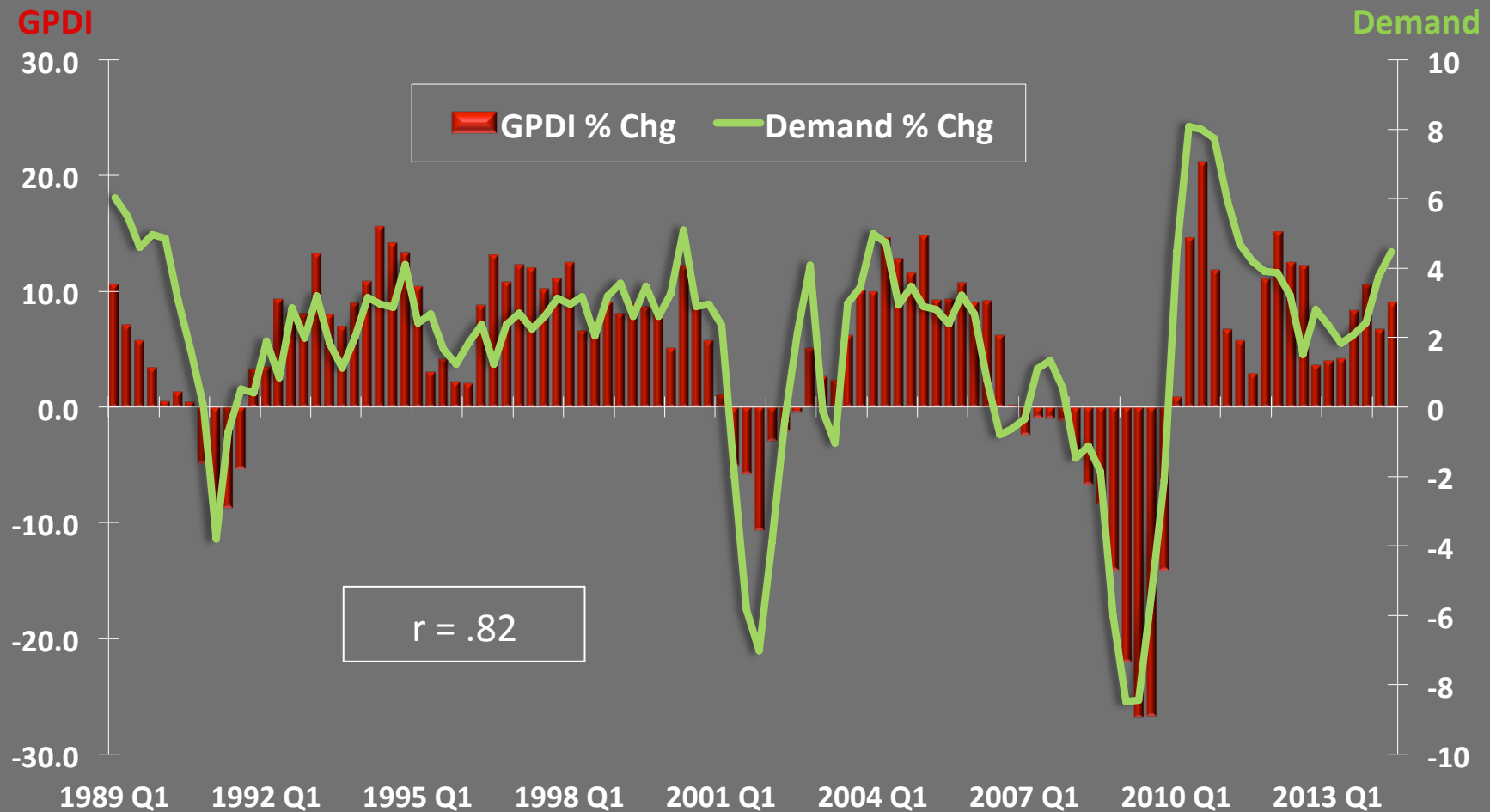


Note: Percentage change is current quarter vs. same quarter last year (GDP in 2009 dollars)

Source: BEA

US Hotel Demand Growth vs. GPD I Growth

1989-2014 Q2, Quarterly % Chg



*Note: GPD I is Gross Private Domestic Investment – the amount of GDP generated by business investment.
Percentage change is current quarter vs. same quarter last year*

Source: BEA

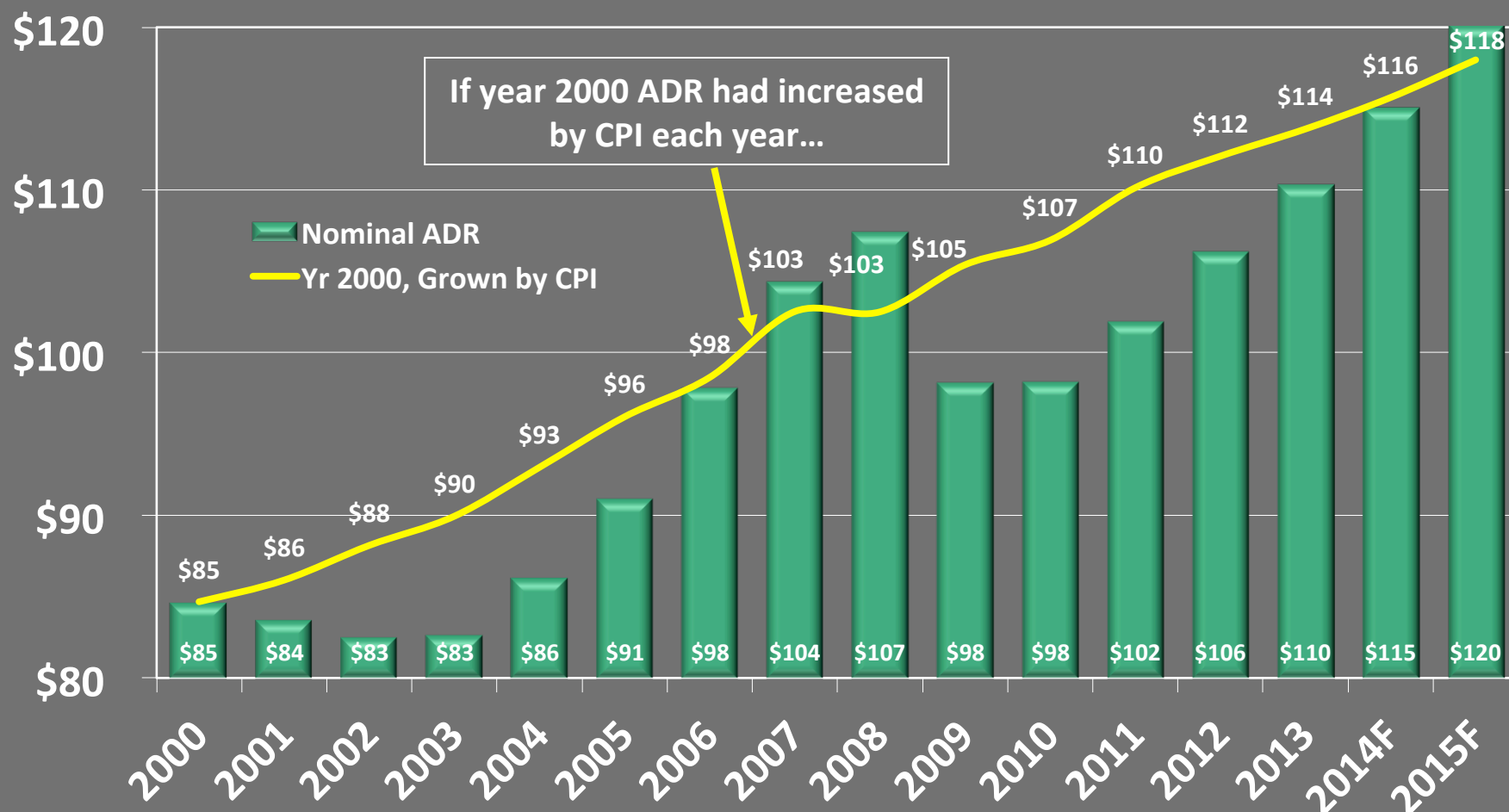
Total United States
Key Performance Indicator Outlook (% Change vs. Prior Year)
2014 - 2015

Outlook		
	2014 Forecast	2015 Forecast
Supply	1.0%	1.3%
Demand	3.6%	2.1%
Occupancy	2.6%	0.7%
ADR	4.2%	4.4%
RevPAR	6.9%	5.2%

Total US Room Rates

Actual vs. Inflation Adjusted

2000 – 2015F



Note: 2014 & 2015 CPI forecast from Blue Chip Economic Indicators

Total United States

Chain Scale Key Performance Indicator Outlook 2014F by Chain Scale

2014 Year End Outlook			
Chain Scale	Occupancy (% chg)	ADR (% chg)	RevPAR (%chg)
Luxury	-0.1%	4.6%	4.5%
Upper Upscale	2.0%	4.4%	6.5%
Upscale	2.0%	4.4%	6.5%
Upper Midscale	2.6%	3.3%	6.0%
Midscale	3.0%	3.5%	6.6%
Economy	2.9%	3.9%	6.8%
Independent	2.8%	4.6%	7.5%
Total United States	2.6%	4.2%	6.9%

Total United States

Chain Scale Key Performance Indicator Outlook
2015F by Chain Scale

2015 Year End Outlook			
Chain Scale	Occupancy (% chg)	ADR (% chg)	RevPAR (%chg)
Luxury	0.2%	4.8%	5.0%
Upper Upscale	0.5%	4.8%	5.3%
Upscale	0.2%	4.7%	5.0%
Upper Midscale	0.1%	3.5%	3.6%
Midscale	1.0%	3.6%	4.6%
Economy	1.0%	3.5%	4.5%
Independent	0.9%	4.3%	5.2%
Total United States	0.7%	4.4%	5.2%

2014 Year End RevPAR Forecast

Top 25 US Markets, August 2014 Forecast (Markets sorted alphabetically)

-5% to 0%	0% to 5%	5% to 10%	10% to 15%	15%+
	Chicago	Anaheim	Atlanta	Nashville
	New Orleans	Detroit	Boston	
	New York	Houston	Dallas	
	Norfolk	Los Angeles	Denver	
	Philadelphia	Miami	San Francisco	
	Washington	Minneapolis	Seattle	
		Oahu	Tampa	
		Orlando		
		Phoenix		
		San Diego		
		St. Louis		

2015 Year End RevPAR Forecast

Top 25 US Markets, August 2014 Forecast (Markets sorted alphabetically)

-5% to 0%	0% to 5%	5% to 10%	10% to 15%
New York	Atlanta	Anaheim	Nashville
	New Orleans	Boston	
	Norfolk	Chicago	
	Philadelphia	Dallas	
	Washington	Denver	
		Detroit	
		Houston	
		Los Angeles	
		Miami	
		Minneapolis	
		Oahu	
		Orlando	
		Phoenix	
		San Diego	
		San Francisco	
		Seattle	
		St. Louis	
		Tampa	



Questions?

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