

COMPARATIVE ANALYSIS: EXECUTIVE SUMMARY

PREFERRED HOTEL GROUP - ASIA PACIFIC

JUNE 2014

Using data from STR Global, Horwath HTL compared (I) the RevPAR Performance of PHG's member hotels in Asia Pacific compared to their respective market sets, and (II) PHG's Fee structure with international hotel management companies (HMCs). The findings are summarized as follows:

I *PERFORMANCE ANALYSIS*

PHG VS. MARKET SETS REVPAR (USD) PERFORMANCE PENETRATION INDEX

	REVPAR		RevPAR Index
	PHG	Market Sets	
2009	104	86	121.5
2010	131	102	127.7
2011	154	113	135.9
2012	169	118	143.1
2013	164	116	141.4
2009-2013 CAAG%	12%	8%	
2009-2013 Total Change %	57%	35%	16%
2009-2013 Total Increase USD	60	30	

The PHG properties recorded a much higher aggregated RevPAR as compared to their industry market sets between 2009 and 2013. The competitive market set recorded a RevPAR of USD 116, as compared to USD 164 recorded by the PHG properties in 2013. The PHG properties also recorded a higher CAAG of 12 percent from 2009 to 2013, as compared to their market set that recorded a CAAG of 8 percent during the same period. As a result, the PHG properties' RevPAR penetration index increased by 16% over the period, increasing from 121.5 in 2009 to 141.4 in 2013.

2 AFFILIATION COST ANALYSIS

CHARGES COMPARISON, INTERNATIONAL HMCS AND PHG PROPERTIES

Charges	Factor Used	HMC		PHG (%)
		Range (%)	Ave (%)	
Hotel Management Fees				
Base Fee	Percentage of Gross Operating Revenue	1 to 3	2	NA
Incentive Fee	Percentage of Gross Operating Profit	5 to 10	8	NA
System Charges				
Sales & Marketing Fees**	Percentage Gross Room Revenue	1.9 to 3.1	2.5	0.72*
Reservation Fees**	Percentage Gross Room Revenue	0.2 to 1.5	0.75	1.75
Loyalty Fees	Percentage of Total Revenue generated through loyalty programs	3 to 5.5	4.6	1.62**

* Royalty Fee and Marketing Fees

**Adjusted to "Factors Used" based on example hotel operating scenario assumptions

The international hotel companies (HMCs) included in this comparative analysis are Starwood (W, Westin, Le Meridien, Sheraton, Four Points), Marriott (JW Marriott, Marriott, Renaissance), Hilton (Conrad, Hilton, Doubletree), Hyatt (all brands), Accor (all brands), Intercontinental Hotel Group (all brands), Carlson Rezidor (all brands) and Fairmont Raffles Hotel International (all brands).

Regarding Hotel Management Fees:

- There are no Management Fees for PHG.
- On average, the total Management Fees charged by HMCs approximate 8% of Gross Room Revenue.

Regarding Group Sales, Marketing & Reservation Fees:

- The System Fees, also known as Group or Central Services, cover the Sales, Marketing and Reservations Fees payable to the HMCs.
- The System Fees for HMCs average 3.25% of Gross Room Revenue vs. approximately 2.47% for PHG (i.e. approximately 24% lower than HMCs System Fees on an average percentage basis).

Regarding Loyalty Program Fees:

- For the specified HMCs, Loyalty Fees average approximately 4.6% of total revenue generated by loyalty program guests versus an approximated 1.62% for the PHG loyalty program when converted to a percentage of total revenue (PHG loyalty program fees are 2.5% of net room revenue only).
- PHG's Loyalty program fee is therefore an estimated 65% lower than the HMC average and nearly half the lowest HMC loyalty program cost.