



CHATHAM  
LODGING TRUST



Investor Presentation  
June 2021

# Safe Harbor Disclosure

We make forward-looking statements in this presentation that are subject to risks and uncertainties. These forward-looking statements include information about possible or assumed future results of our business, financial condition, liquidity, results of operations, cash flow and plans and objectives. When we use the words “believe,” “expect,” “anticipate,” “estimate,” “plan,” “continue,” “intend,” “should,” “may” or similar expressions, we intend to identify forward-looking statements.

Statements regarding the following subjects, among others, may be forward-looking: the terms of the proposed financing, market trends in our industry, interest rates, real estate values, the debt financing markets or the general economy or the demand for commercial real estate loans; our business and investment strategy; our projected operating results; actions and initiatives of the U.S. government and changes to U.S. government policies and the execution and impact of these actions, initiatives and policies; the state of the U.S. economy generally or in specific geographic regions; economic trends and economic recoveries; our ability to obtain and maintain financing arrangements; changes in the value of our hotel portfolio; the degree to which our hedging strategies may or may not protect us from interest rate volatility; impact of and changes in governmental regulations, tax law and rates, accounting guidance and similar matters; our ability to satisfy the REIT qualification requirements for U.S. federal income tax purposes; availability of qualified personnel; estimates relating to our ability to make distributions to our shareholders in the future; general volatility of the capital markets and the market price of our common shares; and degree and nature of our competition.

The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. Forward-looking statements are not predictions of future events. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made. New risks and uncertainties arise over time, and it is not possible for us to predict those events or how they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Included in this presentation are certain “non-GAAP financial measures,” within the meaning of Securities and Exchange Commission (SEC) rules and regulations, that are different from measures calculated and presented in accordance with GAAP (generally accepted accounting principles). The company considers the following non-GAAP financial measures useful to investors as key supplemental measures of its operating performance: (1) FFO, (2) Adjusted FFO, (3) EBITDA, (4) Adjusted EBITDA and (5) Hotel EBITDA. These non-GAAP financial measures could be considered along with, but not as alternatives to, net income or loss, cash flows from operations or any other measures of the company’s operating performance prescribed by GAAP.

# Business Highlights

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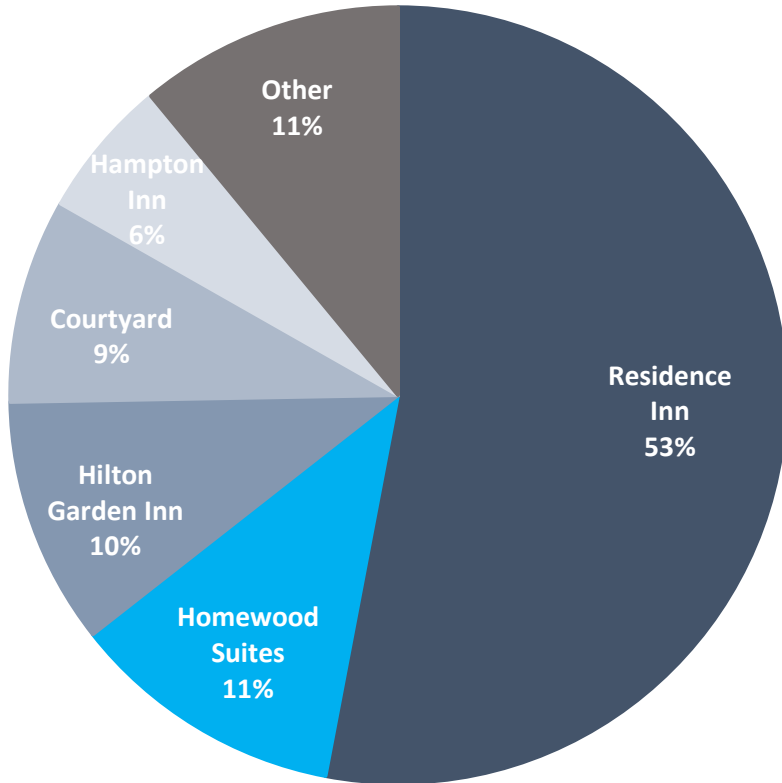
- **High quality portfolio of upscale extended stay and premium branded select service hotels in markets with strong long-term growth**
  - ▶ **Highest RevPAR of pure play limited serviced lodging REITs**
  - ▶ **Largest portfolio concentration of extended stay rooms of any lodging REIT**
- **Highest margins of any lodging REIT**
  - ▶ **Profit / cash flow at lower revenue levels than peers**
- **Relationship with Island Hospitality drives superior sales and cost control**
- **Superior operating performance during the Covid pandemic**
- **Travel is starting to show a meaningful recovery**
- **Portfolio well suited to capture demand from lodging recovery**
  - ▶ **No big box hotels, limited group exposure and no NYC exposure**
- **Positive free cash flow after G&A and debt service starting in April 2021**
- **Solid liquidity and no debt maturities until 2023**
- **Reasonable leverage provides capacity for future growth**
- **Upside from Home2 Warner Center development opening in Q4 2021**

# High Quality Hotels in High Quality Markets

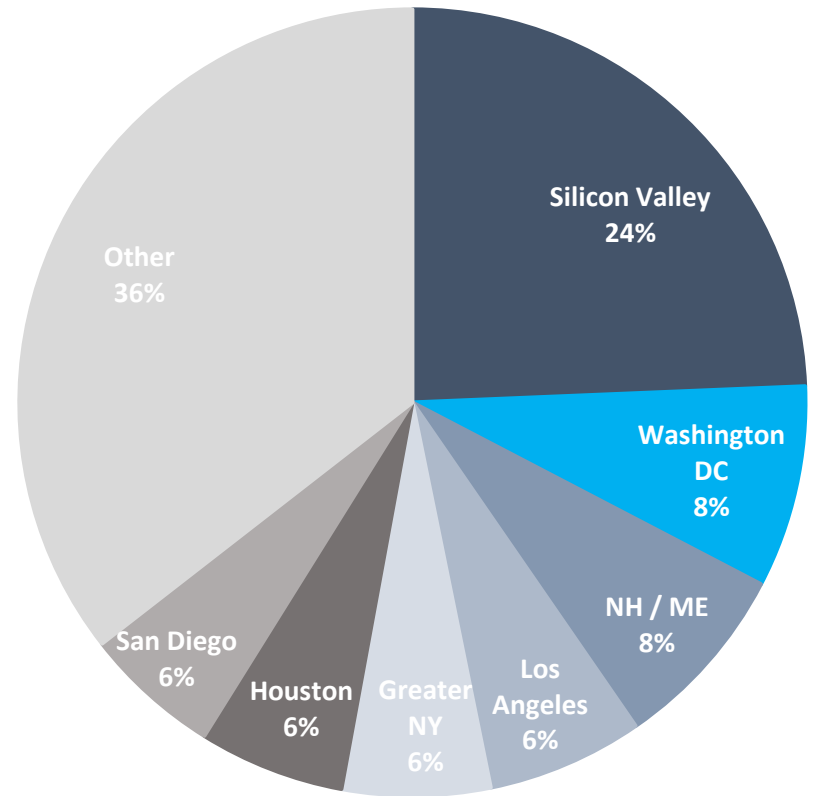
Chatham's superior portfolio is reflected by its top brands and attractive markets

- 64% of Chatham's pre pandemic EBITDA was generated by extended stay hotels; these hotels are significantly outperforming in the current market environment

Chatham Brands (% of 2019 Hotel EBITDA)



Chatham Markets (% of 2019 Hotel EBITDA)



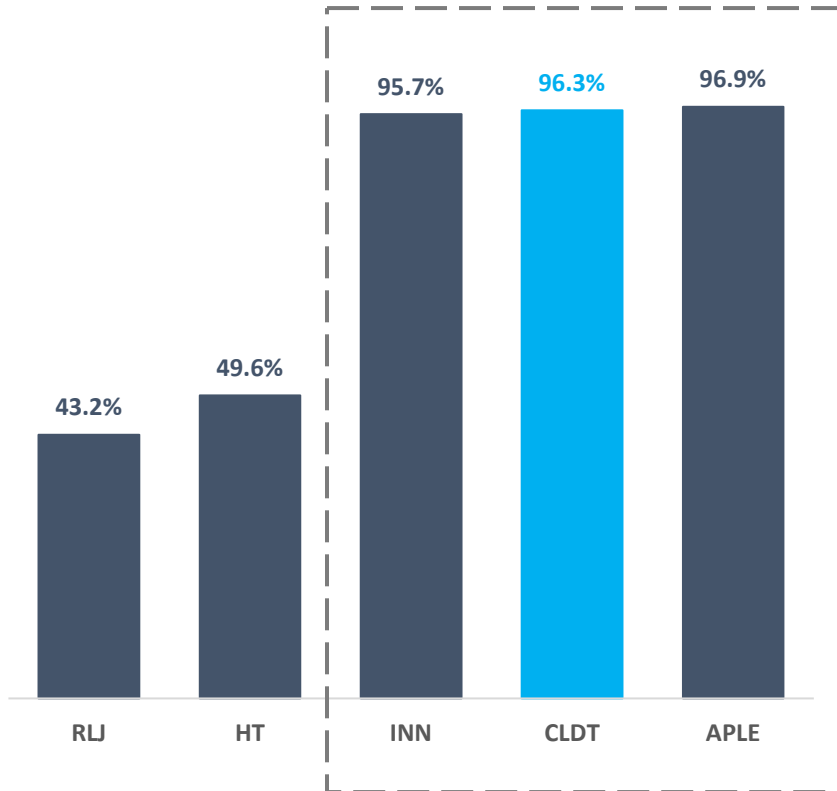
Figures reflect pro forma impact of sale of Residence Inn Mission Valley.

# Pure Play Limited Service Portfolio with High RevPAR

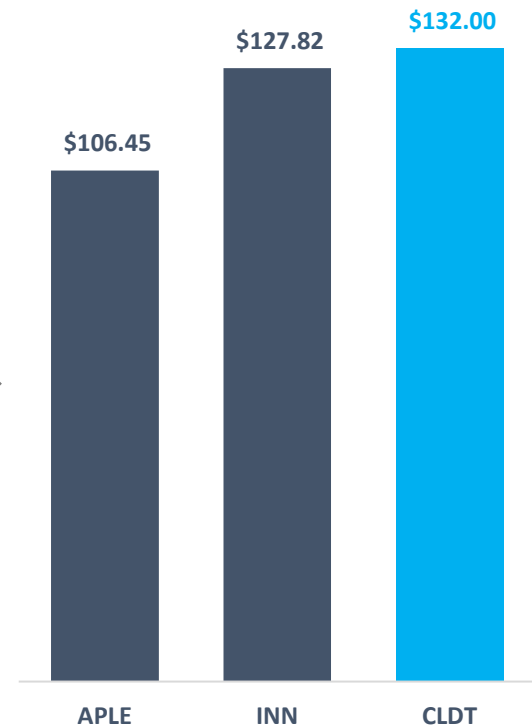
Chatham has the highest RevPAR of the three lodging REITs that are focused almost entirely on the limited service segment

- High quality assets in top markets

Limited Service Rooms as % of Total



2019 RevPAR

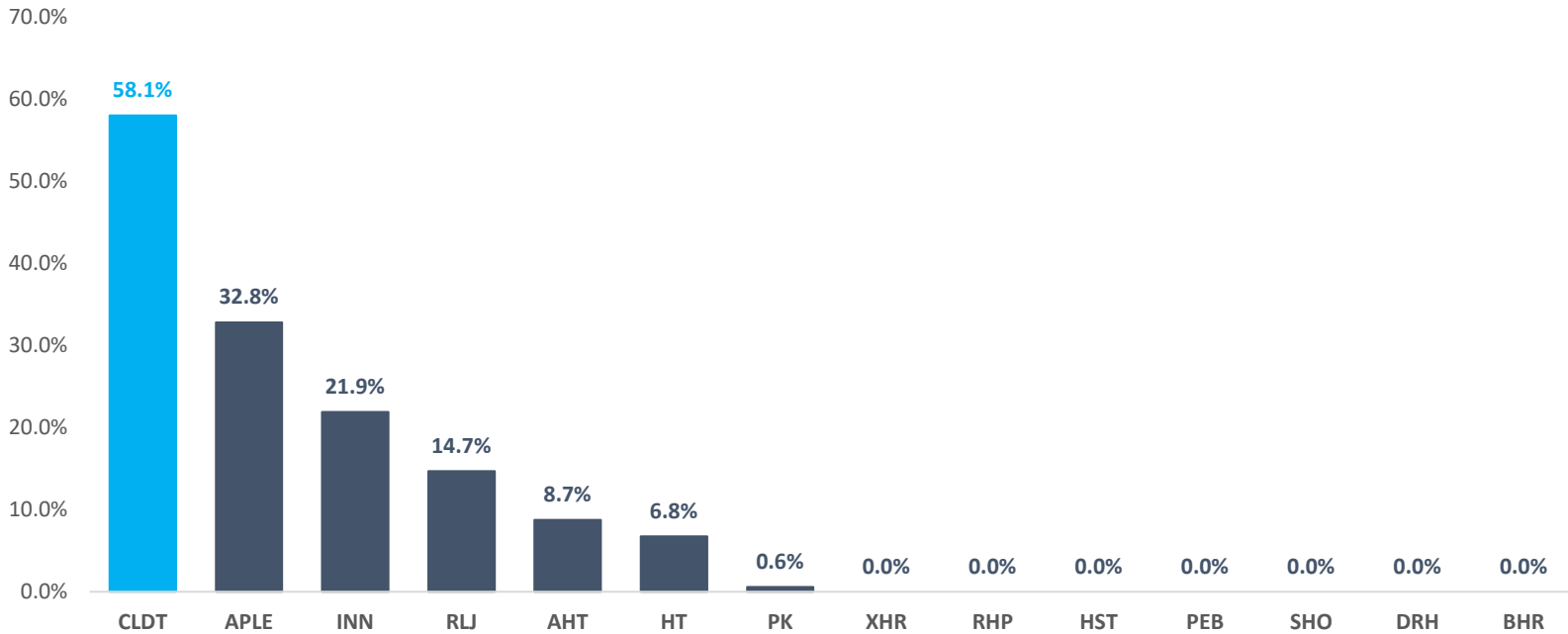


# Most Extended Stay Rooms of All Lodging REITs

Chatham has a unique portfolio with a significantly larger concentration of extended stay rooms than other lodging REITs

- Extended stay room product performs well in all lodging environments and has dramatically outperformed during the pandemic
- Extended stay and limited-service hotels have less exposure to labor cost increases than full-service hotels

Extended Stay Rooms as % of Total



# High Quality Hotels in Attractive Markets



# High Quality Hotels in Attractive Markets





# Recently Renovated Rooms

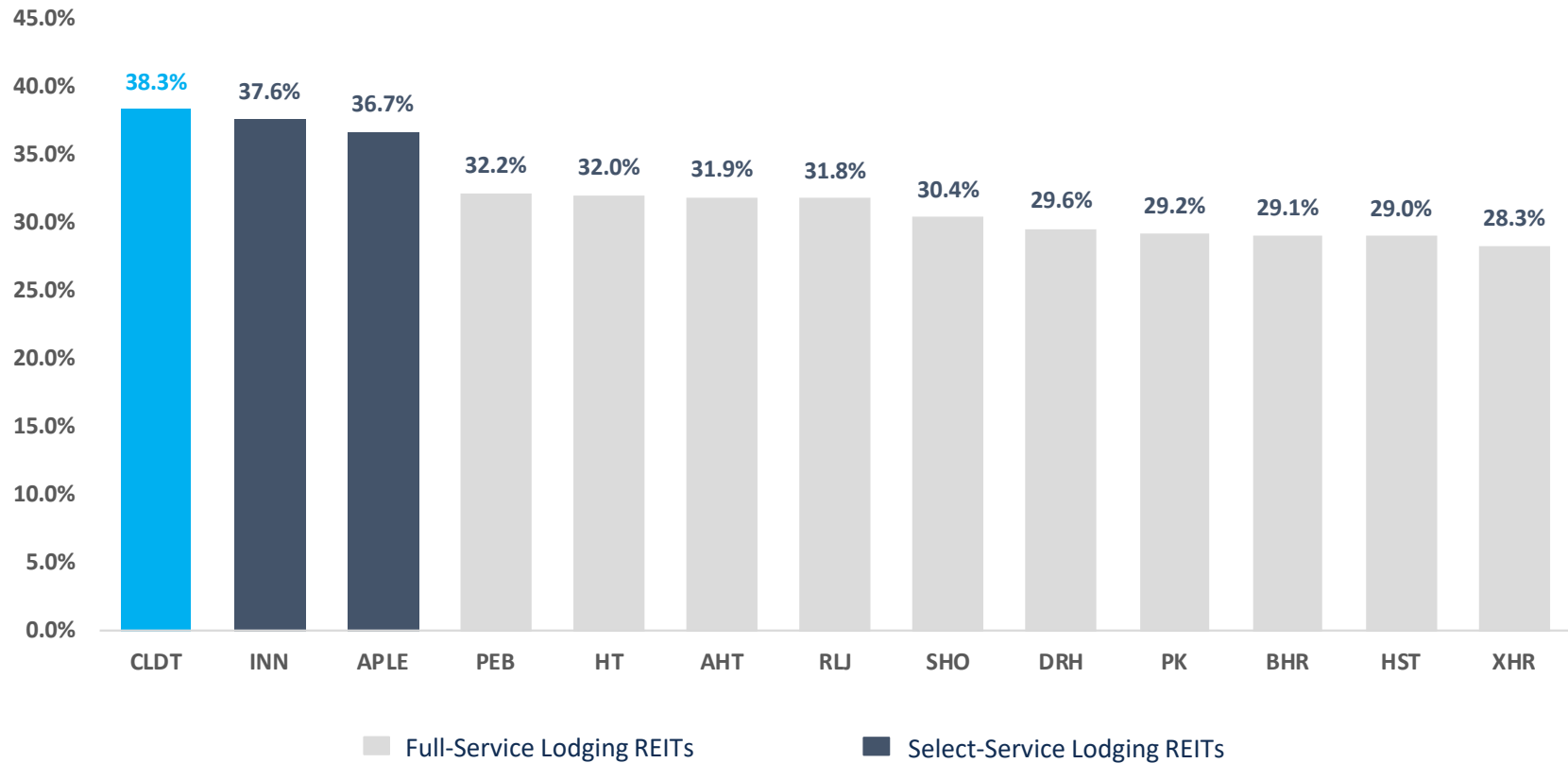


# Superior Margins

Chatham's superior EBITDA margins and ability to control costs provide it with a significant advantage in the current environment

- Positive EBITDA / cash flow at lower revenue levels than peers

## Hotel EBITDA Margin (Year Ended 12/31/19)

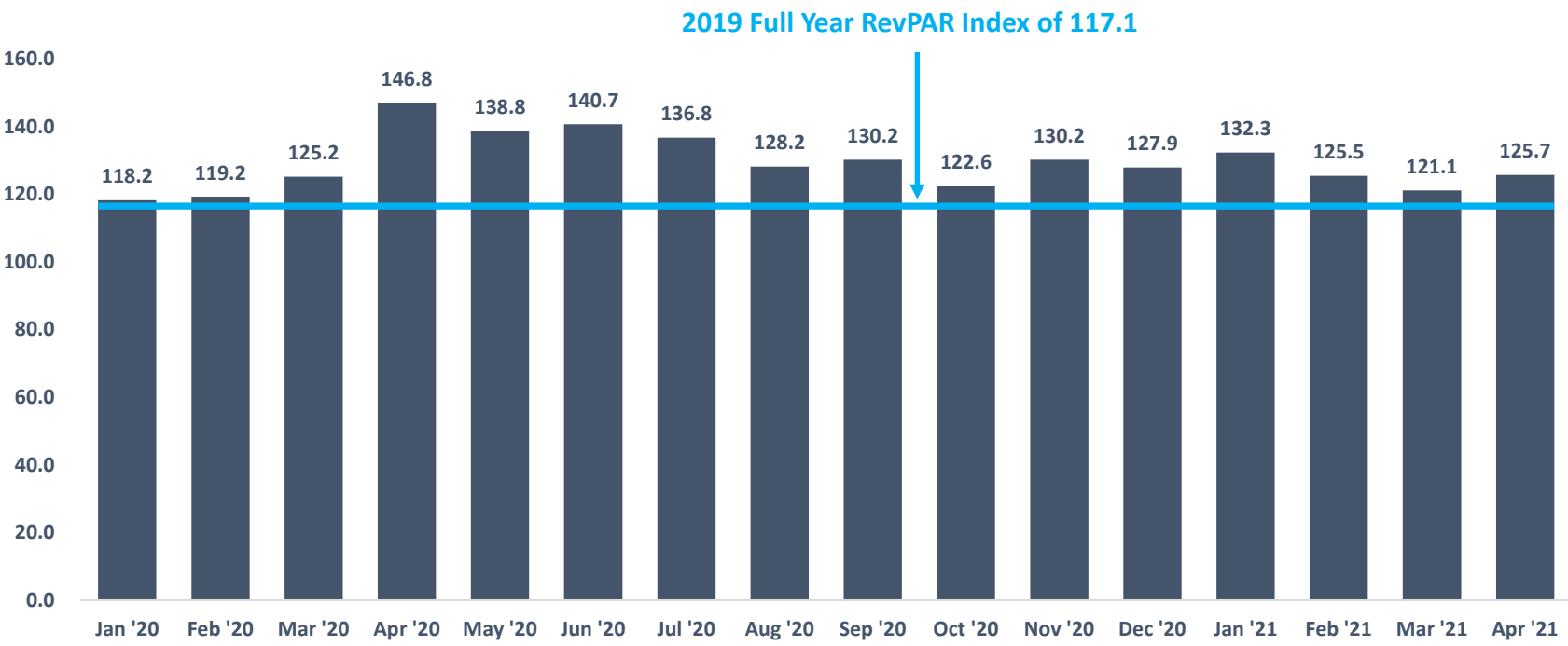


# Chatham RevPAR Index Outperformance

Chatham's RevPAR index has significantly exceeded historical levels during the pandemic

- Premium reflects Island Hospitality's ability to generate unique sources of demand and the attractiveness of Chatham's extended stay room product

Chatham Monthly RevPAR Index

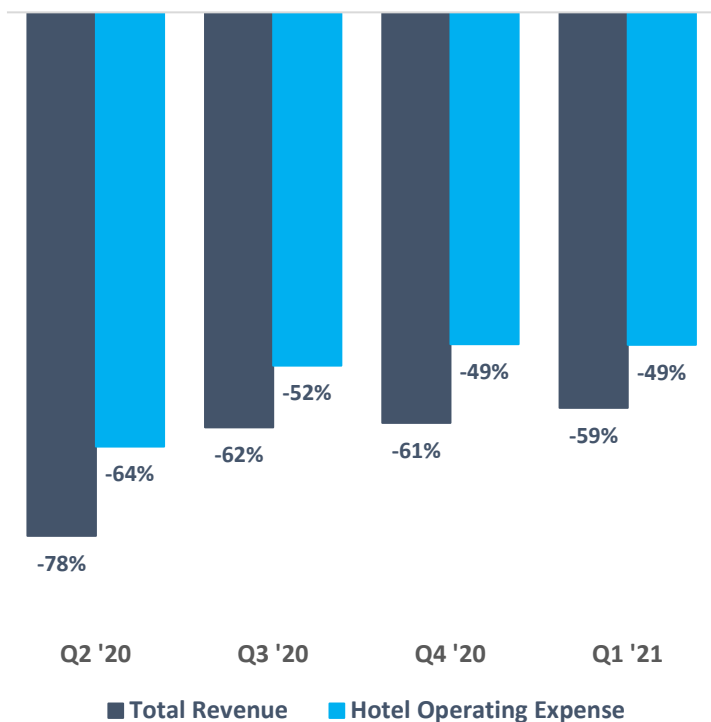


# Significant Cost Reductions During the Pandemic

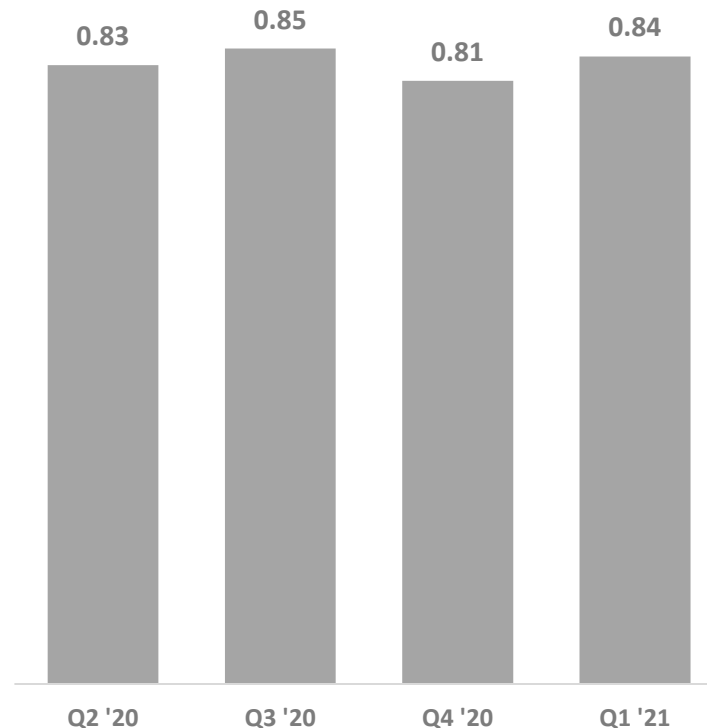
Chatham quickly reduced operating costs during the pandemic which maximized hotel EBITDA and minimized cash burn

- Expense reduction as a % of revenue decreases has been 0.80 to 0.85

Change in Revenue / Operating Expense (%)



Expense Reduction Ratio



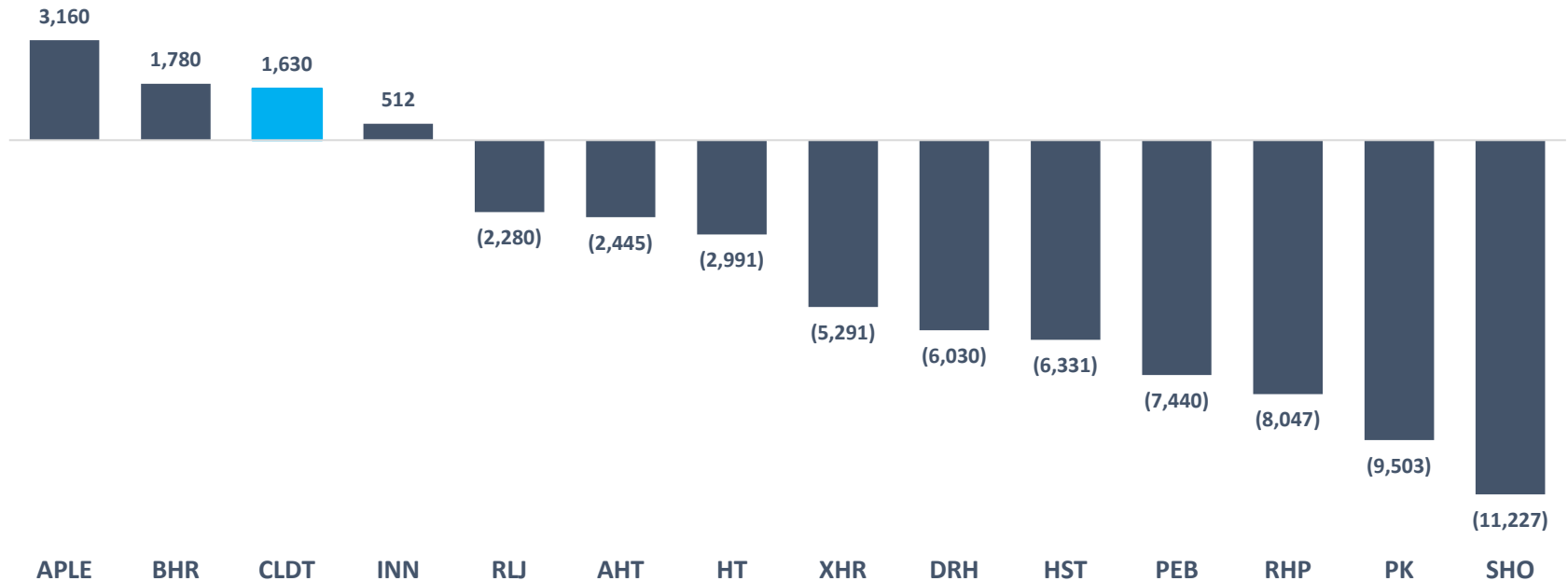
Hotel operating expense includes all hotel level expenses but excludes ownership expenses including property tax, ground rent and insurance.

# Superior Performance During the Pandemic

Chatham generated one of the highest levels of hotel EBITDA / room of all lodging REITs over the LTM ended 3/31/21

- Chatham's superior performance during the pandemic drove significantly lower cash burn than peers / less value lost due to pandemic

LTM 3/31/21 Hotel EBITDA per Room (\$)

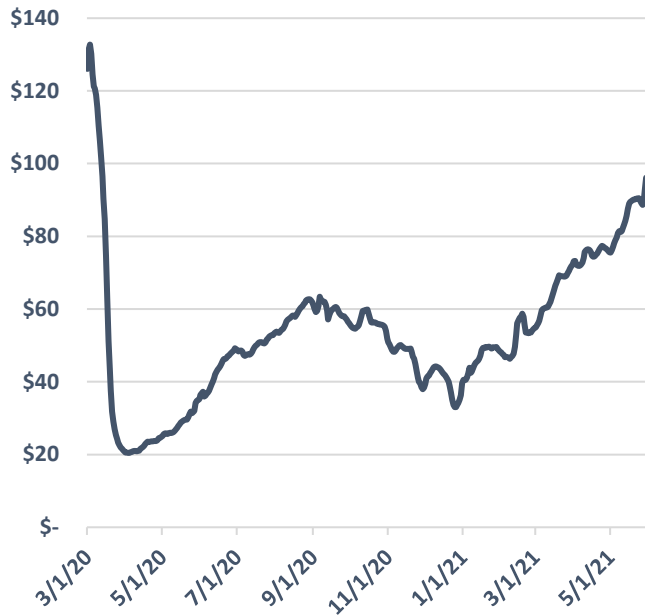


# Operating Performance Is Improving

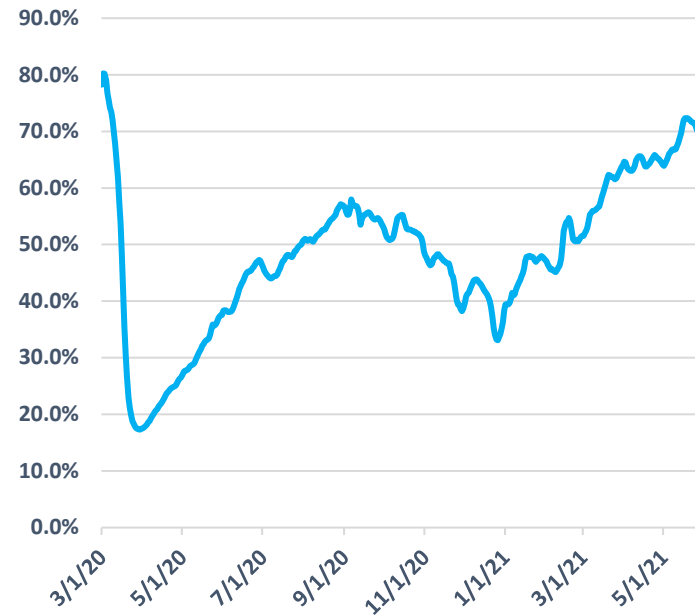
## Operating performance has started to improve meaningfully

- While increasing leisure demand has been a significant driver of the early performance recovery, business travel has started to come back as well

RevPAR (\$)



Occupancy %



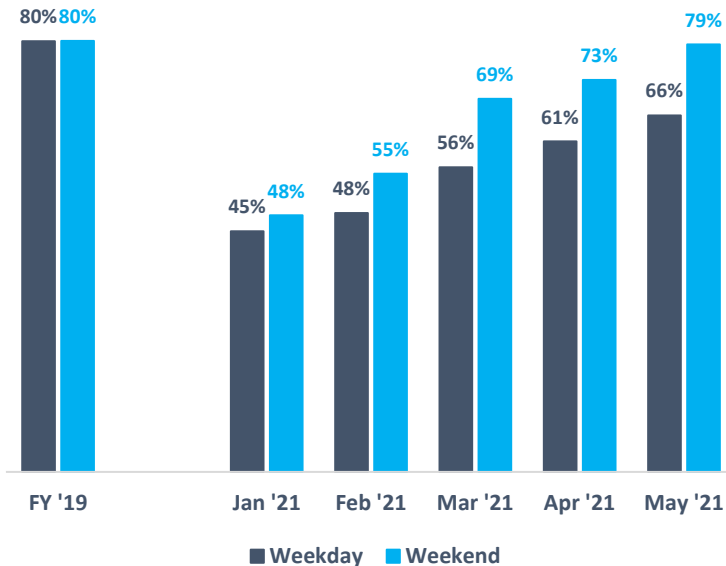
RevPAR and occupancy data in charts reflect 7-day rolling average results.

# Operating Performance Is Improving

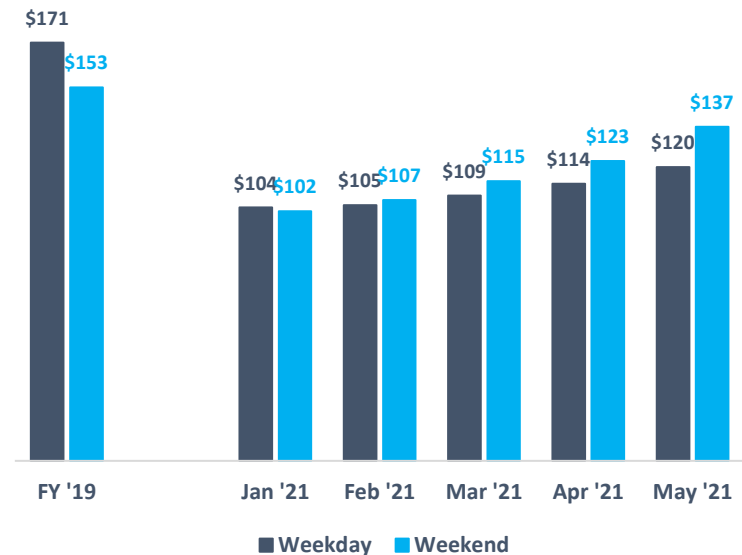
Strong weekend performance is being driven by a recovery in leisure travel

- We expect that weekday performance will improve meaningfully as the recovery in business travel continues
- Improving weekday occupancies should drive Chatham's ability to increase ADR

Occupancy %

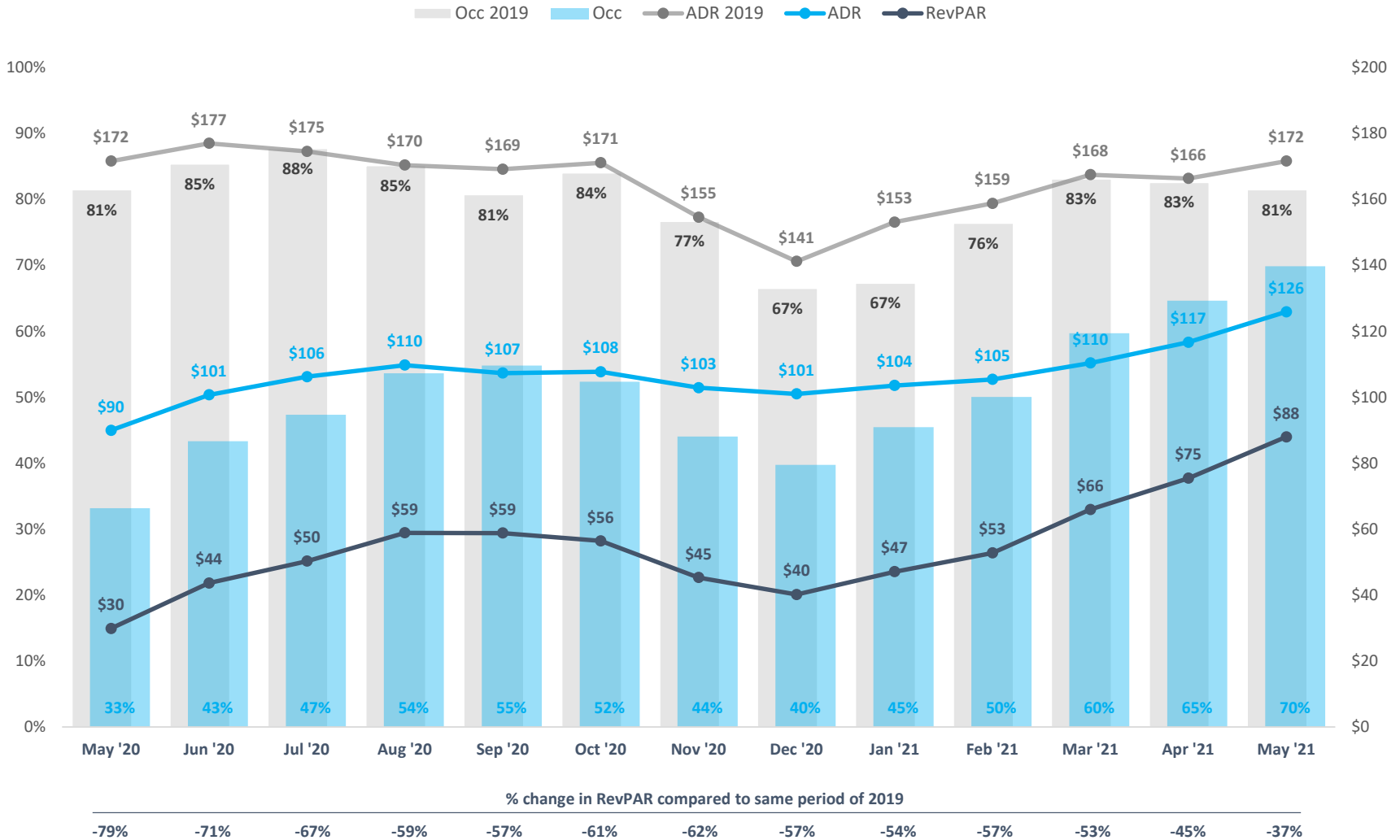


ADR



# Operating Performance Is Improving

## Operating performance is starting to improve significantly

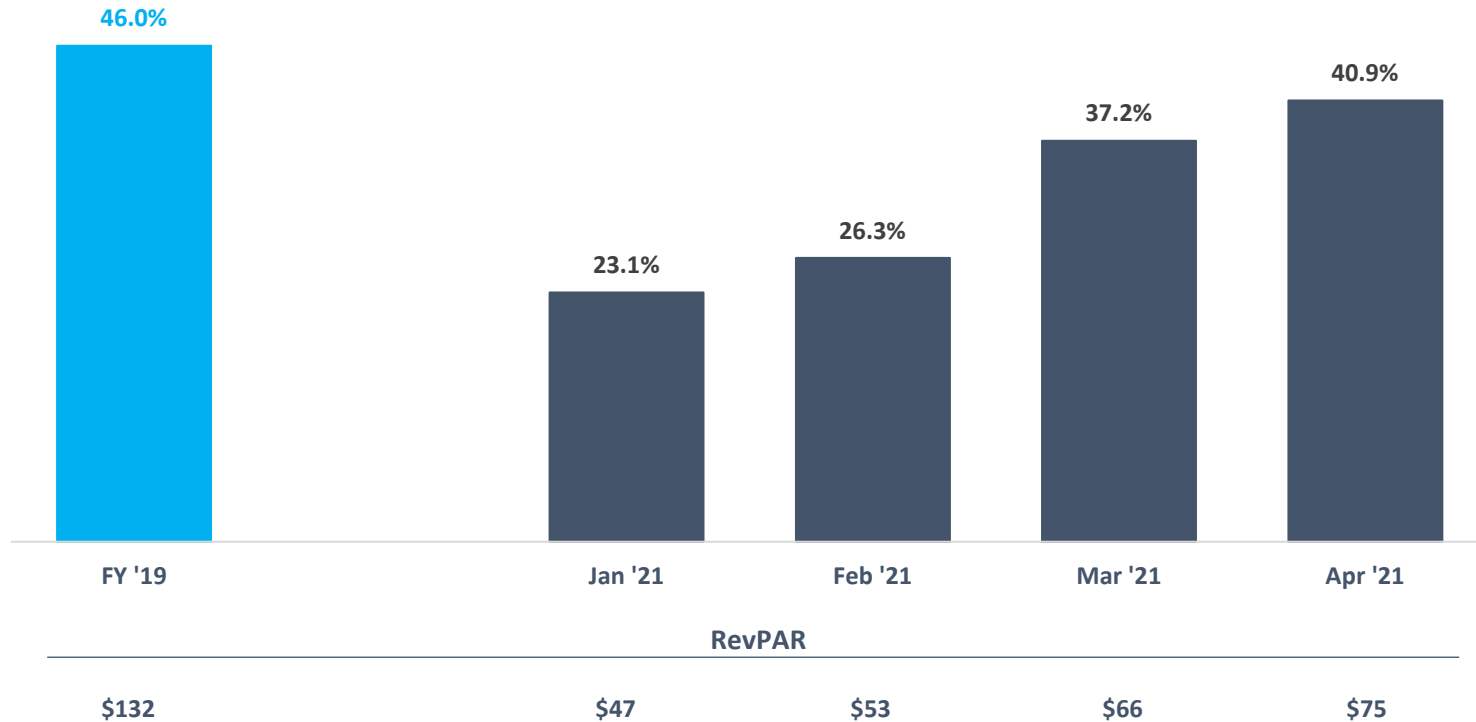




# Operating Performance Is Improving

GOP margins have improved significantly even though RevPAR remains well below 2019 levels

## GOP Margin %



# Operating Performance Is Improving

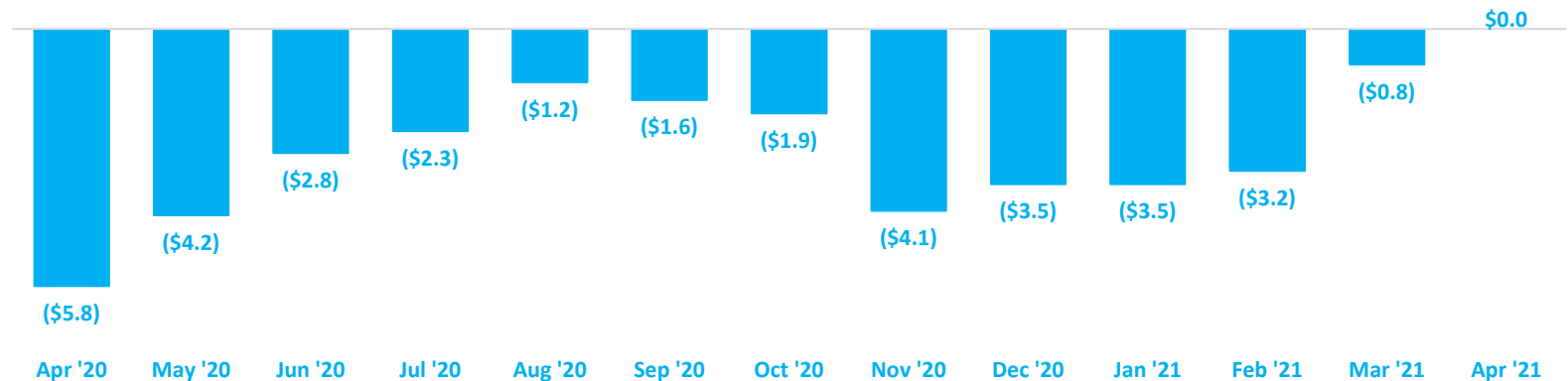
Operating performance is starting to improve significantly

- Chatham achieved breakeven corporate cash flow in April

Hotel EBITDA (\$ in mm)



Cash Flow Before Capital (\$ in mm)



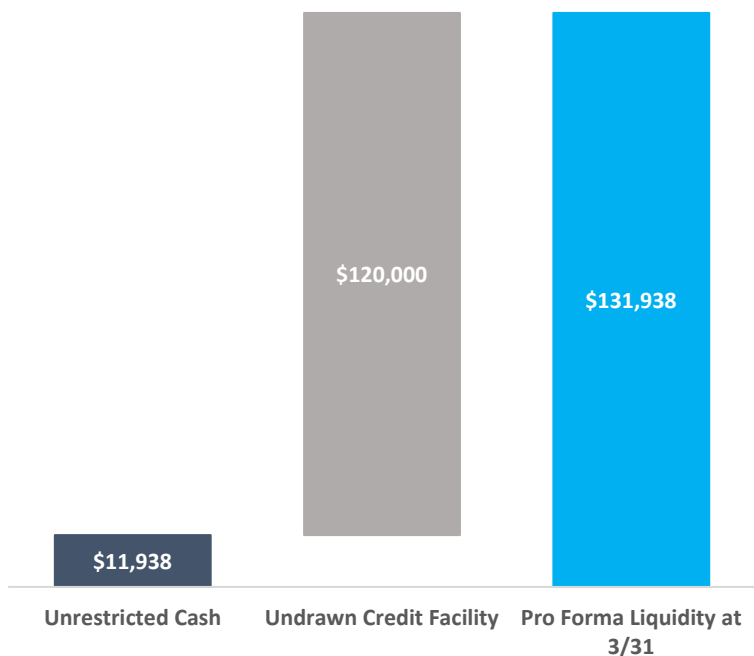
Cash burn defined as hotel EBITDA less corporate G&A, cash interest, and principal amortization.

# Solid Liquidity and Limited Near-Term Maturities

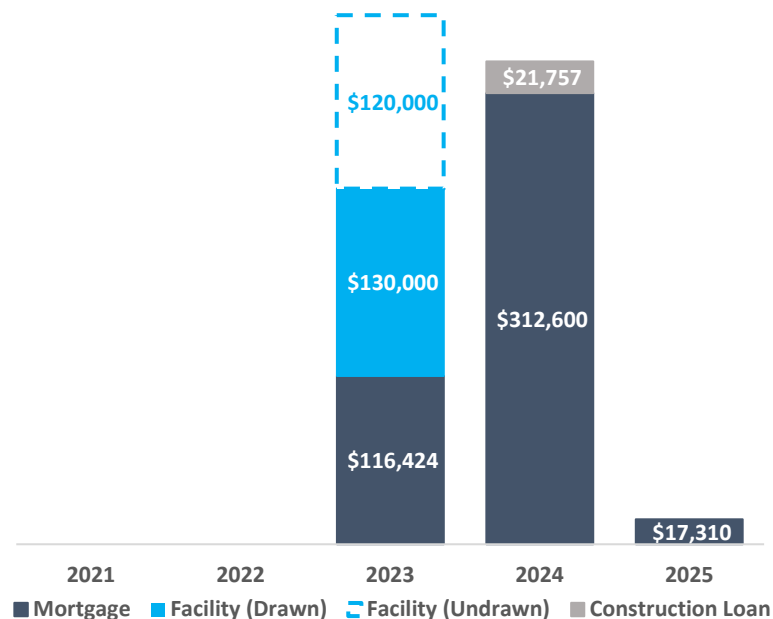
Chatham has \$132 million of liquidity and is no longer burning cash

- Cash flow breakeven at ~\$75 RevPAR
- Chatham can avoid expensive debt refinancings because it does not have any maturities until 2023 which will provide time for performance to recover before debt needs to be refinanced

Chatham Liquidity at 3/31/21 (\$ in 1,000s)



Chatham Debt Maturity Profile (\$ in 1,000s)



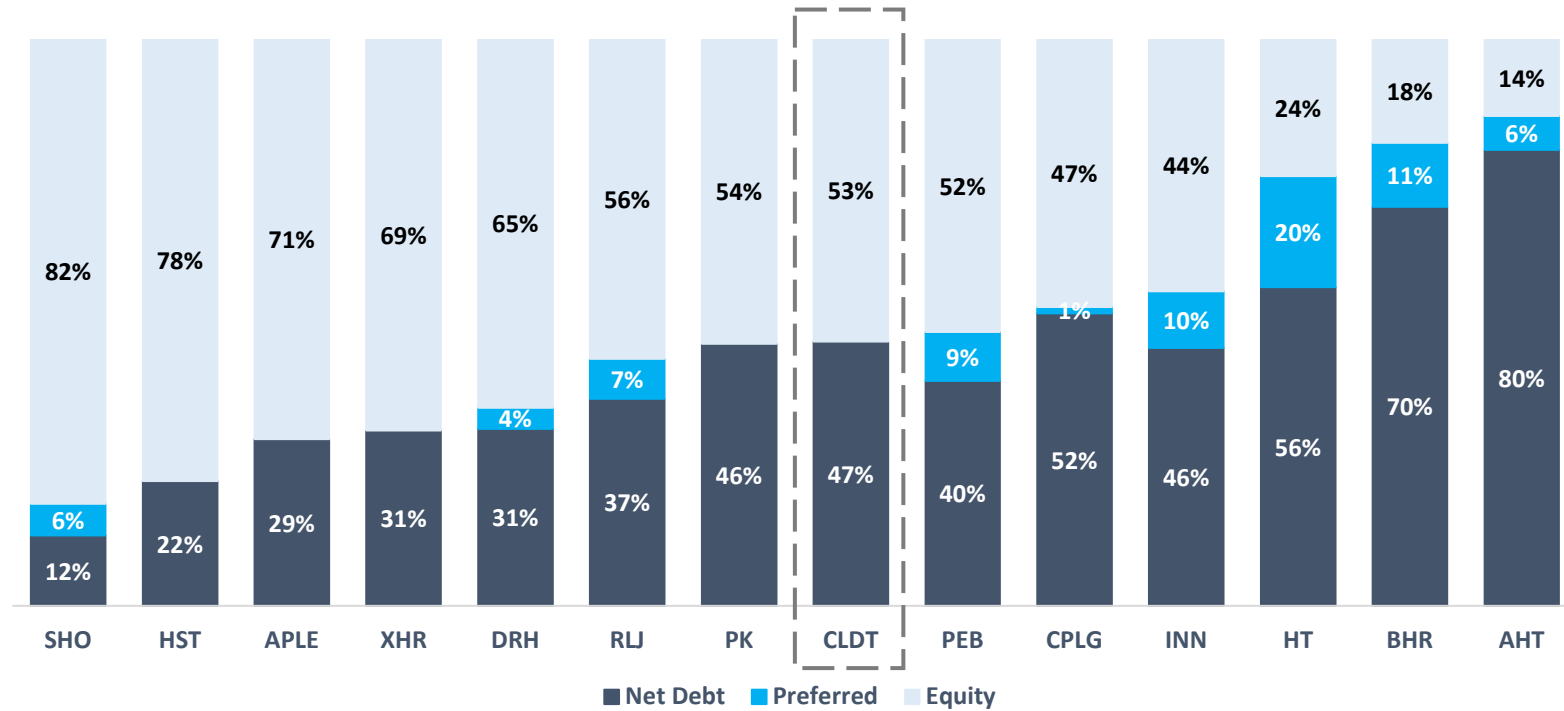
Liquidity and debt maturity profile charts reflect pro forma impact of using \$2.7 million of cash and \$10 million of credit facility availability to repay a mortgage loan that was scheduled to mature in 2021 on 4/30/21.

# Chatham Has Reasonable Leverage

Chatham has moderate leverage relative to peers and is now generating positive free cash flow

- Chatham's moderate leverage level should enable it to avoid expensive or dilutive refinancings and provides capacity to pursue investment opportunities

## Net Debt / Enterprise Value



Balance sheet data as of 3/31/21 and stock prices as of 6/2/21.

# Home2 Warner Center Development

- Chatham is developing a 170-room Home2 Suites in the Warner Center submarket of Los Angeles
  - ▶ Total project cost of \$70 million; \$52.5 million spent as of 3/31/21
  - ▶ Expected opening in Q4 2021
- Expected stabilized EBITDA of ~\$5.8 million and NOI of ~\$5.4 million
- Outstanding location in highly desirable Warner Center submarket
  - ▶ 10 million SF of office with 50k employees; 7.6 million SF of retail; 20k residents
  - ▶ Substantial future growth from Warner Center 2035 plan
    - Addition of 12.5 million SF of office, 2.3 million SF of retail and 23.5 million SF of residential
  - ▶ Convenient access via Metro Orange line and 101 freeway
- Very limited existing room base and projected supply of competing Hilton or Marriott branded limited-service hotels
  - ▶ Nearest Hilton branded limited-service hotel is 4.6 miles away in Calabasas and nearest Hilton branded extended stay hotel is 10.7 miles away in Agoura Hills
  - ▶ Courtyard by Marriott located 1.3 miles away is a 55-year old Holiday Inn conversion and nearest Marriott branded extended stay hotel is located 13.7 miles away in Westlake Village



Rendering of final project



Current status

# Warner Center Demand Generators



1	WESTFIELD TOPANGA
	Nelman Marcus
	AMC
	Nordstrom
	H&M
	Forever 21
	Cheesecake Factory
	Michael Kors
	Jimmy Choo
	Chanel

2	WESTFIELD THE VILLAGE
	REI
	Costco
	Fitness Athleta
	Athleta
	24 Hour Fitness
	VeggieGrill
	DryBar

3	WARNER CENTER TOWERS
	Deloitte
	AIG
	Morgan Stanley
	Equinox
	San Fernando Valley Business Journal
	Intruit
	REX
	Anthem Blue Cross

4	LNR WARNER CENTER
	Infinity Award Center
	HealthNet
	Medtronic Inc.

5	COMMERCE DISTRICT - MIXED USE
	Panavision
	DSL International Trading
	California Luthren University
	The Pointe at Warner Center
	StroCal Self Storage
	Rubicon Group Holding
	Fly's Electronics
	Faye Business Systems Group

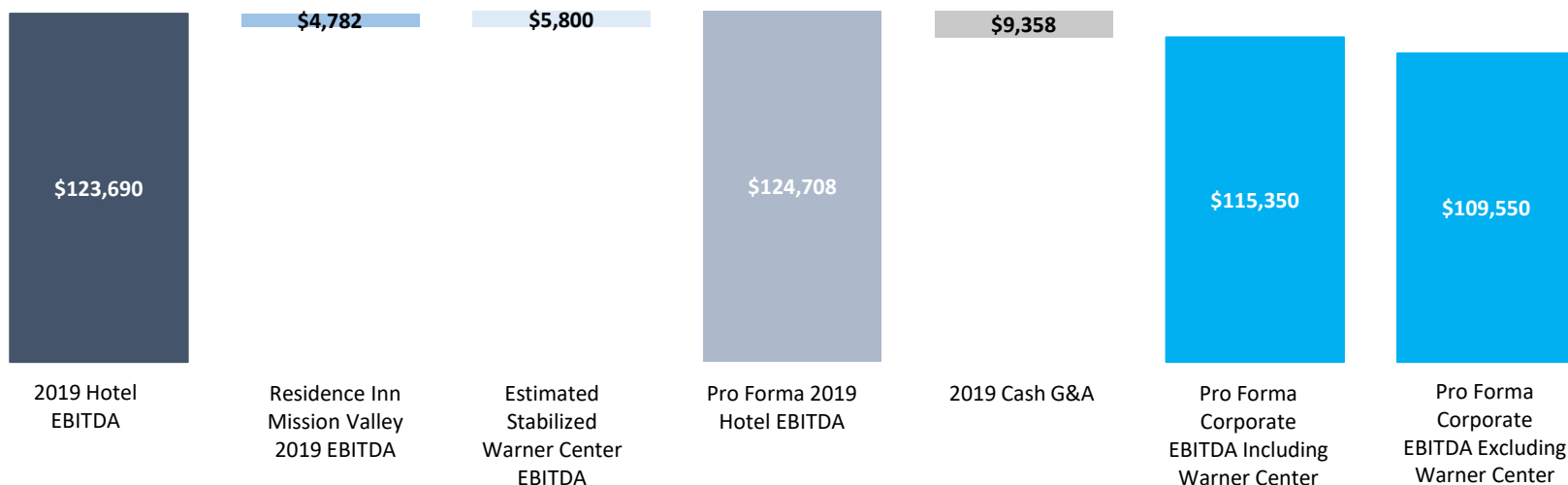
6	TRILLIUM TOWERS
	Blue Shield of California
	Fidelity Investments
	ADP
	Dassault Systemes

7	COLLEGE DISTRICT - MIXED USE
	The Montecito Apartments
	Carillon Apartments
	Zoo Culture
	Home Depot
	Triana Apartments
	Bjs Restaurant & Brew House
	Ascent at Warner Center

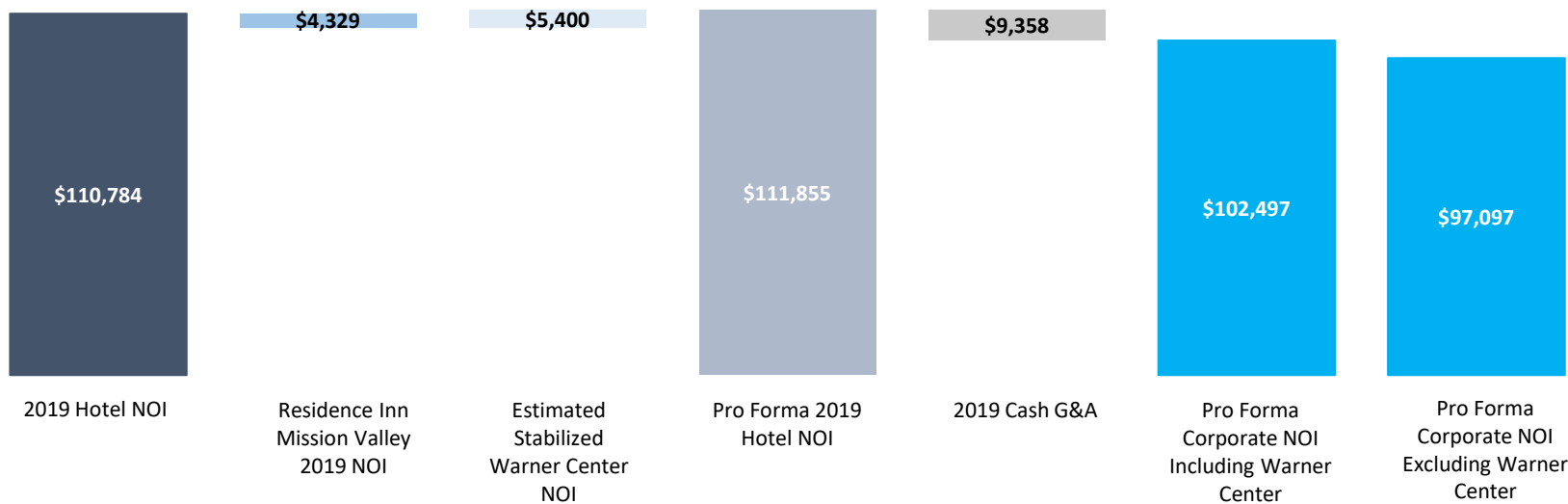
8	NORTH VILLAGE - MIXED USE
	Haven Warner Center
	Independence Park Apartments
	Thermo Fischer Scientific
	AML Warner Center
	Vivid Aquarium
	Reveal

# Pro Forma 2019 EBITDA / NOI

## Pro Forma 2019 EBITDA (\$ in 1,000s)



## Pro Forma 2019 NOI (\$ in 1,000s)



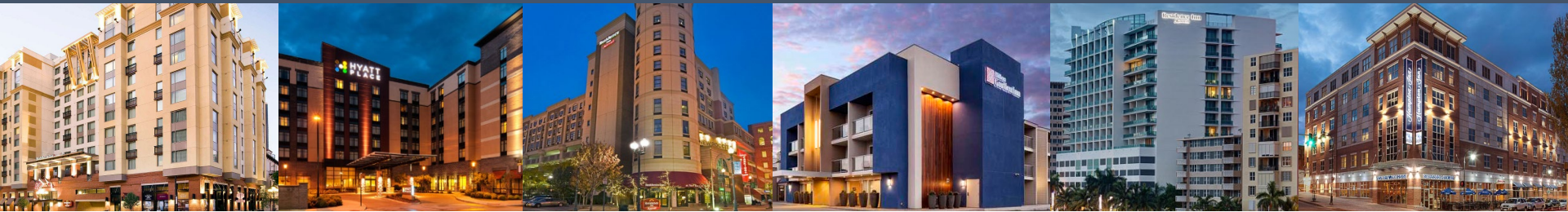
# Capitalization / Enterprise Value

Chatham has invested \$52.5 million on its Home2 Warner Center development which is not reflected in current or historical EBITDA

Common Shares	48,618
Partnership Units	957
Total Shares and Units	<u>49,575</u>
Stock Price at 6/2/21	\$13.52
<b>Equity Market Capitalization</b>	<b>\$670,255</b>
Credit Facility	\$120,000
CMBS	458,817
Construction Loan	21,757
Total Debt	<u>\$600,574</u>
Less Unrestricted Cash	(\$14,638)
<b>Net Debt</b>	<b>\$585,936</b>
<b>Enterprise Value</b>	<b>\$1,256,191</b>
Less \$ Spent to Date on Warner Center Development	(\$52,540)
<b>Enterprise Value Excluding Warner Center Spend</b>	<b>\$1,203,651</b>
Total Warner Center Development Cost	\$70,000
<b>Enterprise Value Including Full Warner Center Cost</b>	<b>\$1,273,651</b>



# ESG Initiatives



# Chatham's ESG Approach

Chatham is committed to integrating environmental, social and governance factors into the company's central value creation strategy

## Environmental

- Developed conservation programs related to energy, water and waste, and supported third-party operators to implement property-level initiatives
- Identify properties with high - risk exposure to the physical impacts of climate change and develop best practices for withstanding extreme weather events
- Source suppliers and contractors pursuant to Supplier Code of Conduct which sets standards for supplier treatment of workers, ethical business practices and impact on environment

## Social

- Implemented an 'open door' policy to encourage open communications between management and employees
- Provide opportunities for stakeholders to provide confidential feedback
- Monitor employment, labor and human rights regulations and be accountable for compliance
- Prioritize diversity, equity and inclusion in hiring
- Deliver ongoing associate ESG training
- Offer associate advancement and professional development opportunities
- Committed to AHLA's 5-Star Promise to enhance policies, training, and resources to strengthen safety and security

## Governance

- Adopted the following ESG policies:
  - ▶ Environmental Policy
  - ▶ Human Rights Policy
  - ▶ Anti-Harassment Policy
  - ▶ Supplier Code of Conduct
- Maintain a comprehensive Code of Business Conduct and Corporate Governance Guidelines
- Committed to formation of ESG committee
- Actively seeking to enhance Board diversity

# Environmental Performance

## Water

**56%**

Of our hotels have over 90% of toilets that are low flush or dual flush

**51%**

Of our hotels have low flow showerheads in over 90% of guestrooms

**47%**

Of our hotels utilize native or drought tolerant landscaping to reduce irrigation needs

**38%**

Of our hotels have smart irrigation systems and/or an automatic sprinkler system

## Energy

**82%**

Of our hotels have digital thermostats in at least 90% of rooms

**77%**

Of our hotels have an environmental management system in place

**68%**

Of our hotels have highly efficient boilers

**87%**

Of our hotels have a preventative maintenance plan that checks building energy and water equipment at least quarterly

## Waste

**100%**

Of our hotels participate in recycling program in conjunction with mattress replacements

**46%**

Of our hotels have eliminated single-use plastics or reduce them to an absolute minimum

**24%**

Of our hotels have implemented a food waste prevention strategy over the last year

**78%**

Of our hotels have eliminated plastic straws