



AMERICAN HOTEL  
INCOME PROPERTIES



## Investor Update

US\$50 million Strategic Investment by BentallGreenOak and Highgate

January 28, 2021

# Forward Looking Statements

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This corporate update is a summary and should be read together with the more detailed information, financial data and statements made available by American Hotel Income Properties REIT LP (“AHIP”). This corporate update contains forward looking statements which reflect management’s expectations regarding objectives, plans, goals, strategies, future growth, results of operations, performance and business prospects and opportunities of AHIP. The words “plans”, “expects”, “scheduled”, “estimates”, “intends”, “anticipates”, “projects”, “believes” or variations of such words and phrases or statements to the effect that certain actions, events or results “may”, “will”, “could”, “would”, “might”, “occur”, “be achieved” or “continue” and similar expressions identify forward-looking statements. Some of the specific forward- looking statements in this corporate update include, but are not limited to, statements with respect to the ability of AHIP to execute its growth strategies; and other considerations which are outlined in AHIP’s Annual Information Form dated March 27, 2020. Forward-looking statements are necessarily based on a number of estimates and assumptions that, while considered reasonable by management of AHIP as of the date of this corporate update, are inherently subject to significant business, economic and competitive uncertainties and contingencies. AHIP’s estimates, beliefs and assumptions, which may prove to be incorrect, include the various assumptions set forth herein, including, but not limited to AHIP’s future growth potential, results of operations, future prospects and opportunities, industry trends remaining unchanged, no change in legislative or regulatory matters, future levels of indebtedness, the tax laws as currently in effect remaining unchanged, the continual availability of capital and the current economic conditions remaining unchanged. When relying on forward-looking statements to make decisions, AHIP cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not the times at or by which such performance or results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under the “Risk Factors” in AHIP’s latest Management’s Discussion and Analysis. The forward looking information contained herein is made as of January 28, 2021 and, except as expressly required by applicable law, AHIP assumes no obligation to publicly update or revise such information.

**All figures presented are in U.S. dollars, unless otherwise stated.**

*Cover image: Fairfield Inn & Suites Pittsburgh Airport/Robinson Township*

# Company Overview



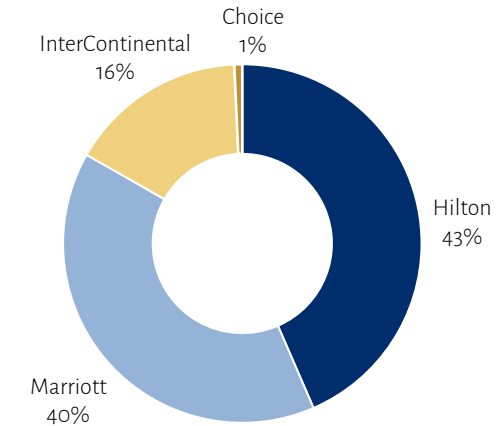
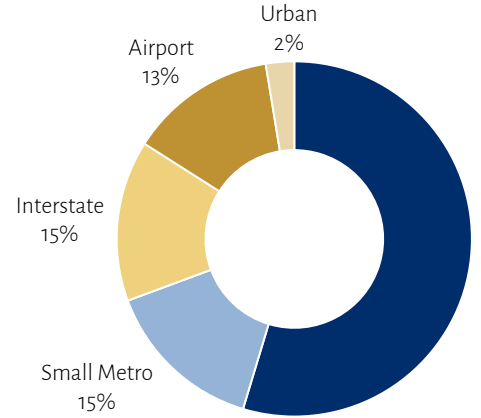
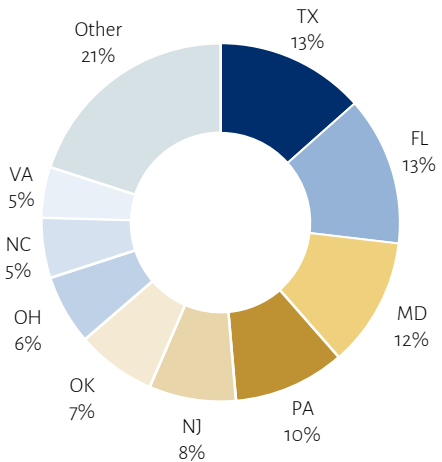
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Homewood Suites, Kalamazoo

# Overview of American Hotel Income Properties REIT LP

- American Hotel Income Properties REIT LP (“AHIP”) is a TSX listed public lodging LP with a total enterprise value of US\$982.4 million
- Owns an attractive portfolio of 78 premium-branded select service (71%) and extended stay (29%) hotels comprising of 8,801 rooms with a 2019A RevPAR of \$89.48 <sup>(a)</sup>
- Geographically diverse portfolio focused on secondary markets in the US, in “drive to” locations
- Branded primarily under Hilton, Marriott, and Intercontinental flags, with a RevPAR penetration of 125% <sup>(b)</sup>
- Invested US\$65 million in hotel renovations during 2017 - 2019, which has resulted in a refreshed portfolio with a weighted average age of approximately 4 years
- Solid liquidity position with no near-term debt maturities. Following the investment, AHIP is expected to have total available liquidity of \$75 million, up from \$40 million at September 30, 2020



Note: Market data as January 27, 2021; Pie chart data is based on number of keys.  
 (a) Assumes full-year operations for the current 78 assets only for 2019  
 (b) During 2020, adjusted for current 78 hotel properties



# Strategic Objectives

	Near-term (current to 18 months)	Medium-term (19 to 36 months)
Optimize Portfolio Performance	<ul style="list-style-type: none"> <li>• Revenue management initiatives driving RevPAR and index penetration</li> <li>• Focus on margin enhancement and capital preservation</li> <li>• Portfolio rationalization via sale of non-core assets</li> </ul>	<ul style="list-style-type: none"> <li>• Continued improvement of RevPAR and operating margins</li> <li>• Work with the brands on execution of PIP capital programs</li> <li>• Implement longer-term strategic plans for each hotel</li> </ul>
Focus on Strengthening Balance Sheet	<ul style="list-style-type: none"> <li>• Opportunistically raise capital from strategic partners to further bolster liquidity position (<b>executed</b>)</li> <li>• Work with CMBS and bank lenders on additional covenant waivers (<b>executed</b>)</li> <li>• Opportunistically refinance nearest term debt maturities</li> <li>• Improve weighted average cost of debt</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain strong liquidity position</li> <li>• Reduce corporate leverage over time</li> </ul>
Capitalize on Growth Opportunities	<ul style="list-style-type: none"> <li>• Improve portfolio positioning and cash flows of the current portfolio</li> </ul>	<ul style="list-style-type: none"> <li>• Use excess liquidity to take advantage of external growth opportunities of comparable high-quality hotel assets</li> <li>• Fund growth with an optimal mix of equity and debt</li> </ul>
Reinstate Distribution	<ul style="list-style-type: none"> <li>• As cash flow recovers, reinstate a distribution at a sustainable payout ratio</li> </ul>	<ul style="list-style-type: none"> <li>• Resiliency of cash flow profile should support gradual distribution growth</li> <li>• Increase mix of institutional unitholders over time</li> </ul>

# Investment Highlights

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- 1 Validation of strategy, platform and portfolio via strategic investment from two institutional investors
- 2 Proven track record of executing on Premium Branded Select Service hotel strategy
- 3 High-quality portfolio with a blended average age of 4 years and a 2020 RevPAR penetration of 125%
- 4 Geographically diverse portfolio with focus on larger secondary markets in “drive to” locations
- 5 Adaptive and resilient portfolio with a focus on all-suite product bodes well for the pandemic recovery & beyond
- 6 Asset management initiatives provide ongoing value to the portfolio
- 7 Strong liquidity position with no near-term debt maturities
- 8 Experienced management team and Board of Directors

# Business Update

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## Balance Sheet Update

- The Series C preferred equity stock will be treated as equity (\$48.1 million) and the warrants (\$1.9 million) will be recorded as a liability
- Following the capital raise, AHIP's liquidity increased from \$40 million to \$75 million
- Decreased leverage (Net Debt / GBV) to 52.2%
- No near-term debt maturities, with a weighted average term of 4.5 years
- Attractive weighted average cost of debt of 4.55%

## Credit Facility Amendment

- On January 27, 2021, AHIP amended its \$225 million corporate credit facility (the "Facility") with its lending syndicate. These amendments include:
  - Waiver of key financial covenants through December 31, 2021 and modified covenants through December 31, 2022;
  - Availability under the Facility fixed through December 31, 2021;
  - Borrowings not subject to swap agreements will remain at LIBOR + 300 basis points with a minimum LIBOR balance of 0.25%

# Transaction Overview

US\$50 million Strategic Investment by  
BentallGreenOak and Highgate



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Residence Inn, Ocala, Florida

# Transaction Overview

## Transaction Description

- On January 28, 2021, BentallGreenOak (“BGO”) and Highgate Hotels (“Highgate”), (collectively, the “Investors”) made a US\$50 million strategic investment in AHIP
- The investment is in the form of preferred equity stock and warrants on a private placement basis
- AHIP used a portion of the net proceeds from the investment to initially repay debt and enhance corporate liquidity
- Investors have appointed two board members to AHIP’s Board of Directors (“Board”)

### Validation of AHIP’s Business Strategy

- Demonstrates the strength of AHIP’s premium branded, select-service hotel portfolio strategy and asset management platform
- Two leading institutional investors with significant experience in real estate and hospitality investing, believe in the value and growth potential of AHIP

### Establishes Long-Term Strategic Unitholders

- The addition of two well capitalized strategic partners positions AHIP to pursue attractive acquisition opportunities

### Strengthens AHIP’s Balance Sheet

- Under IFRS, the Series C preferred equity stock is treated as equity (\$48.1 million) and the warrants are recorded as a liability (\$1.9 million)
- Following the investment, AHIP now has total available liquidity of \$75 million, up from \$40 million prior to the investment

### Equity Participation at Attractive Pricing

- The exercise price for the warrants of US\$3.20 per unit (approximately C\$4.10<sup>(a)</sup>) represents a 30.5% premium to AHIP’s TSX closing price of C\$3.14 on January 28, 2021

## Strategic Rationale

# Key Investment Terms

Issuer	<ul style="list-style-type: none"> <li>American Hotel Income Properties REIT, Inc.</li> </ul>
Size (US\$)	<ul style="list-style-type: none"> <li>US\$50 million</li> </ul>
Structure	<ul style="list-style-type: none"> <li>Series C preferred equity stock and warrants</li> </ul>
Term	<ul style="list-style-type: none"> <li>Series C preferred equity stock: perpetual</li> <li>Warrants: 5 years</li> </ul>
Ranking / Priority	<ul style="list-style-type: none"> <li>Junior to Series B non-voting Preferred Stock and senior to all other classes of capital stock</li> </ul>
Coupon	<ul style="list-style-type: none"> <li>8% for the first 3 years</li> <li>9% from year 4 to year 5 and increases thereafter</li> </ul>
Cash / PIK Split	<ul style="list-style-type: none"> <li>50% cash / 50% PIK for the first 2 years and all cash thereafter</li> <li>If payment is more than 50% PIK during the first 2 years or PIK at all thereafter, then the return is preferred coupon plus 3%</li> </ul>
Warrant (# , %)	<ul style="list-style-type: none"> <li>19.7 million, representing 19.99% of units currently outstanding</li> </ul>
Warrant Strike Price	<ul style="list-style-type: none"> <li>US\$3.20, representing a 30.5% premium to AHIP's HOT.UN TSX closing price of C\$3.14 on January 28, 2021 <sup>(a)</sup></li> </ul>
Redemption	<ul style="list-style-type: none"> <li>Series C preferred equity stock redeemable in whole or in part after 3 years</li> <li>PIK shares may be redeemed at any time</li> </ul>
Transferability	<ul style="list-style-type: none"> <li>Transfer restrictions of Series C preferred equity stock and warrants until the 2nd anniversary of the issuance</li> </ul>
Board Representation	<ul style="list-style-type: none"> <li>2 Board seats: Mark Van Zandt of BentallGreenOak and Mahmood Khimji of Highgate</li> </ul>

# Overview of Strategic Partners



<p>Strategic Partner Overview</p>	<ul style="list-style-type: none"> <li>• BentallGreenOak, the successor to GreenOak Real Estate and Bentall Kennedy, is a leading global real estate investment management advisor and provider of real estate services</li> <li>• Majority-owned by Sun Life Capital Management, a Canadian-based operator, which is the institutional alternative asset management business of Sun Life</li> <li>• With offices in 24 cities across 12 countries, BGO serves the interests of more than 750 institutional clients with approximately \$50 billion of assets under management</li> <li>• Highgate and BGO principals have a longstanding relationship of investing together in the hospitality space</li> </ul>	<ul style="list-style-type: none"> <li>• One of the largest hotel managers with a current portfolio of nearly 160 properties / 45,000 owned, managed, asset managed or under development rooms in the US and abroad</li> <li>• Fully integrated real estate investment firm that has acquired more than \$25 billion of real estate assets</li> <li>• Hotel properties under management have an aggregate asset value of more than \$10 billion and cumulative revenues of more than \$3 billion</li> <li>• Built an in-house select-service and extended stay development arm</li> <li>• Long standing track record operating REITs, private equity firms, institutional funds, and private investors</li> <li>• Close partnerships with leading F&amp;B operators</li> </ul>
<p>Select Experience</p>	<ul style="list-style-type: none"> <li>• Active investor in the lodging sector having acquired ~\$1 billion of U.S. hotel assets over the past several years</li> <li>• Following the recent COVID-19 disruption, BGO has remained active in the U.S. lodging sector, including the June 2020 acquisition of the Hutton Hotel in Nashville, TN</li> </ul>	<ul style="list-style-type: none"> <li>• Recently agreed to purchase six select service/extended stay portfolios representing 22,276 rooms across 197 properties for \$2.8 billion from Colony Capital</li> <li>• Recently made a substantial equity investment in Condor Hospitality</li> <li>• Recently developed assets in FL, and is advancing several development opportunities including sites in AZ</li> </ul>