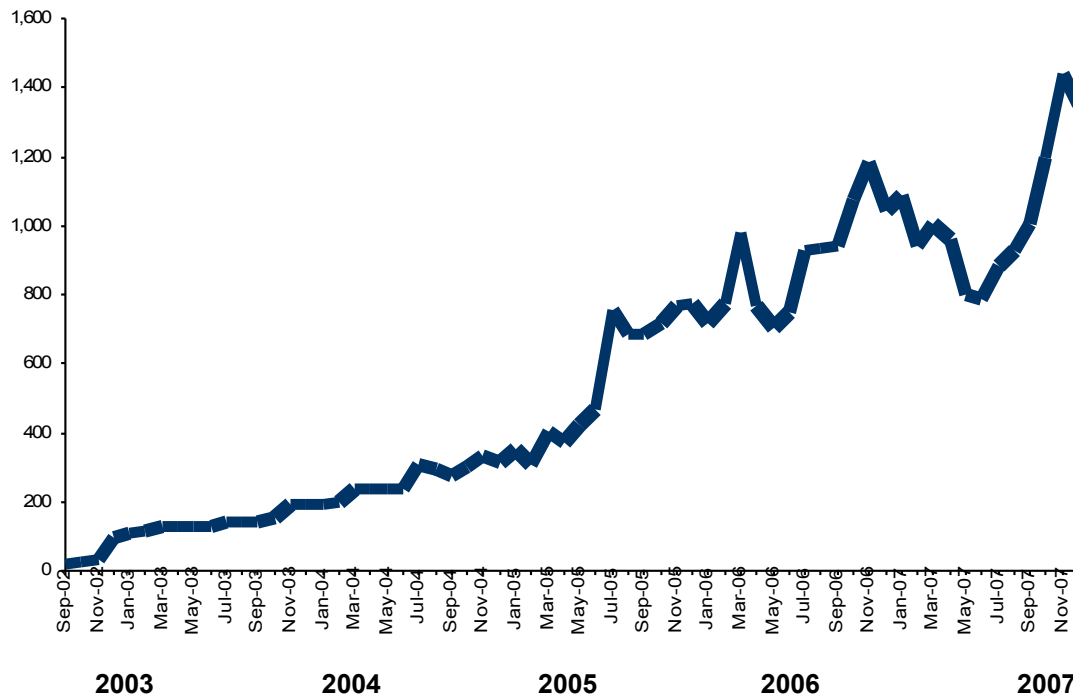


Hotel Branding, Positioning and Upscaling



Fen Hotels is the fastest growing franchising & management company in South America - 14 hotels managed

Monthly Sales Managed U\$M

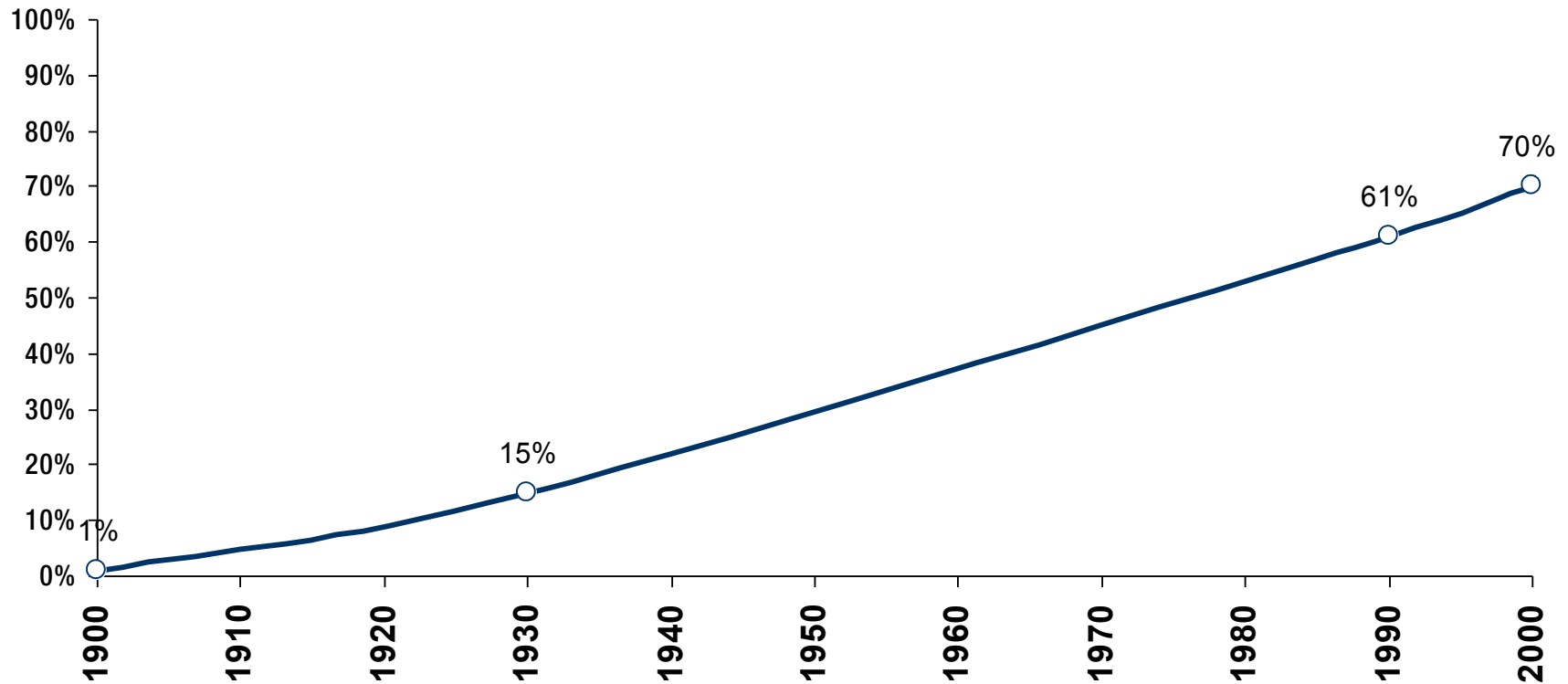


Fen Hotels 2007

- ▶ 2 brands Esplendor & Dazzler
- ▶ 14 hoteles (10 operating / 4 under development)
- ▶ US 12M managed annual revenues
- ▶ 400 managed employees

Brands dominate the global hotel industry - in the US more than 70% of the hotels are affiliated to a chain

% of Chain Affiliated Hotels USA 1900-2000



Source: Smith Travel Research, Paul Ingram

The growth of chain-affiliated hotels is driven by brands value added in sales, service and costs

Higher Sales

- ▶ Instant Recognition: Shortened Start-Up Period
- ▶ Access to an extensive reservation system and intermediaries network
- ▶ Attractiveness to frequent travelers - frequent-stay program
- ▶ Access to state of the art revenue management know-how and technology
- ▶ Between 70% and 80% of travelers prefer staying at a chain-affiliated hotel under a recognized brand because they are familiar and usually well-located

Better Service

- ▶ Proven Mode of Operation standards, procedures
- ▶ Talent attraction
- ▶ Quality Control

Lower Costs

- ▶ Economies of Scale suppliers, intermediaries
- ▶ Benchmarks
- ▶ Capital support from the parent company.

Brands enhance properties businesses - e.g. Rosewood re-branding of its hotels, started in 2004, was hugely successful

2003

12 properties



ROSEWOOD
HOTELS & RESORTS*

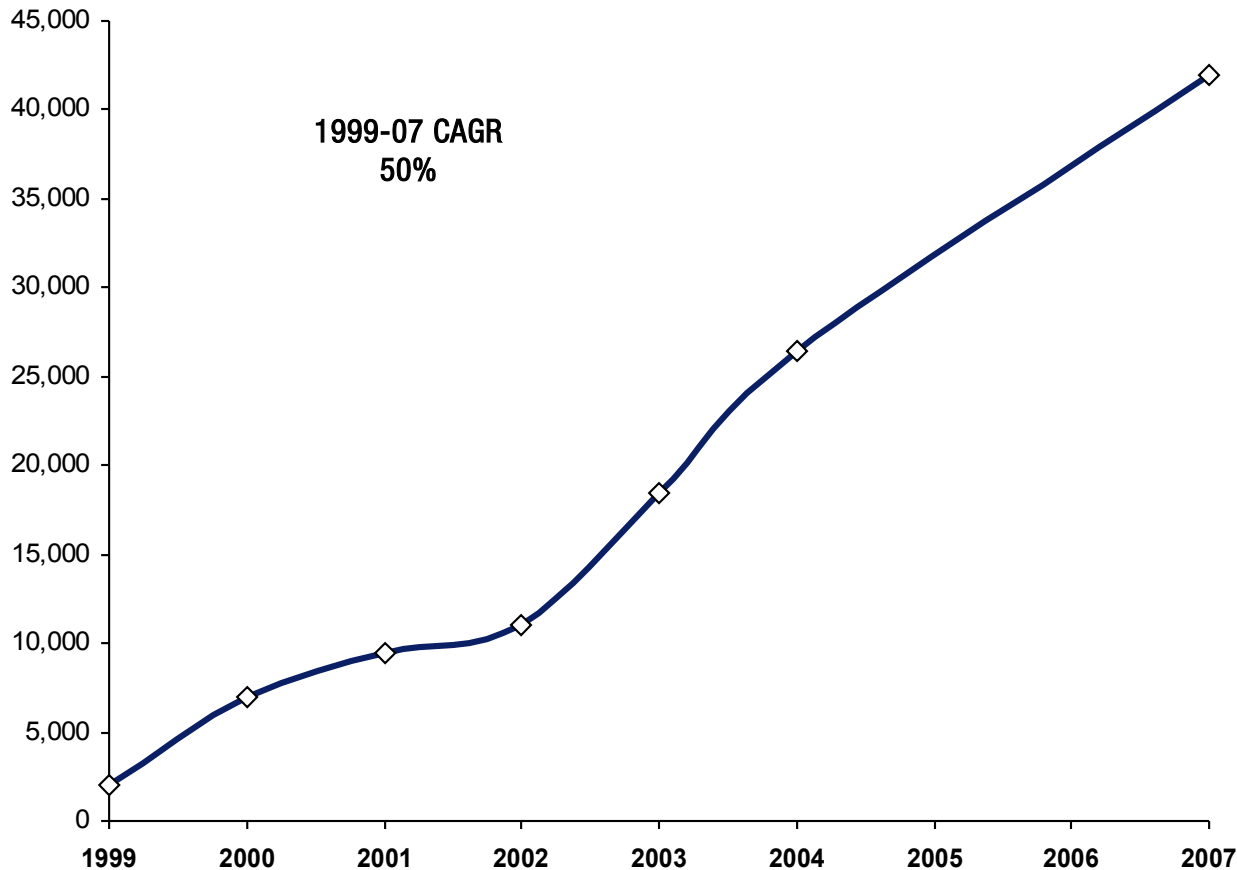
2008

22 properties



Even with an ongoing global consolidation process, there is still plenty of room for local brands - e.g. Americas Best Value Inn

Best Value Inn Room Count - No. of Rooms



- ▶ More than 750 properties affiliated in only 7 years
- ▶ Based in North America: US, Canada, Mexico
- ▶ Fastest Growing National Brand in America - 2003, 2004, 2005, & 2006
- ▶ Today one of the 20 largest hotel company in the world
- ▶ Third place in J.D. Power hotel guest satisfaction survey for its competitive set (economy/budget)

While global brands are strong with upscale global business travelers, local brands compete favorably with local and regional customers

Strong Points of Global Chains

- ▶ Strong presence in their markets of origin mainly US (Starwood, Hilton) & Europe (Accor, NH, etc)
- ▶ Global brand awareness (not all brands)
- ▶ Strong penetration in the global corporate travel segment
- ▶ Traffic generation through own websites
- ▶ Scale and know-how to manage large hotels

Strong Points of Local Chains

- ▶ Strong relationship with local tour & travel agencies and operators
- ▶ More adaptability to local hotel owners concerns and demands
- ▶ More flexible to adapt the hotel s standards in crisis situations
- ▶ Flexibility to manage small and mid-sized hotels
- ▶ Can have similar or stronger awareness in local markets (intra-country and intra-region) than global brands

Global brands penetration and brand awareness in South America is low in select- and limited-service hotels

Main Global Brands Present in Argentina

Near 90% penetration in 5 star hotels

5 stars



Less than 5% penetration in 3 and 4 star hotels

3 and 4 stars



21 Hotels



5 Hotels



9 Hotels



2 Hotels



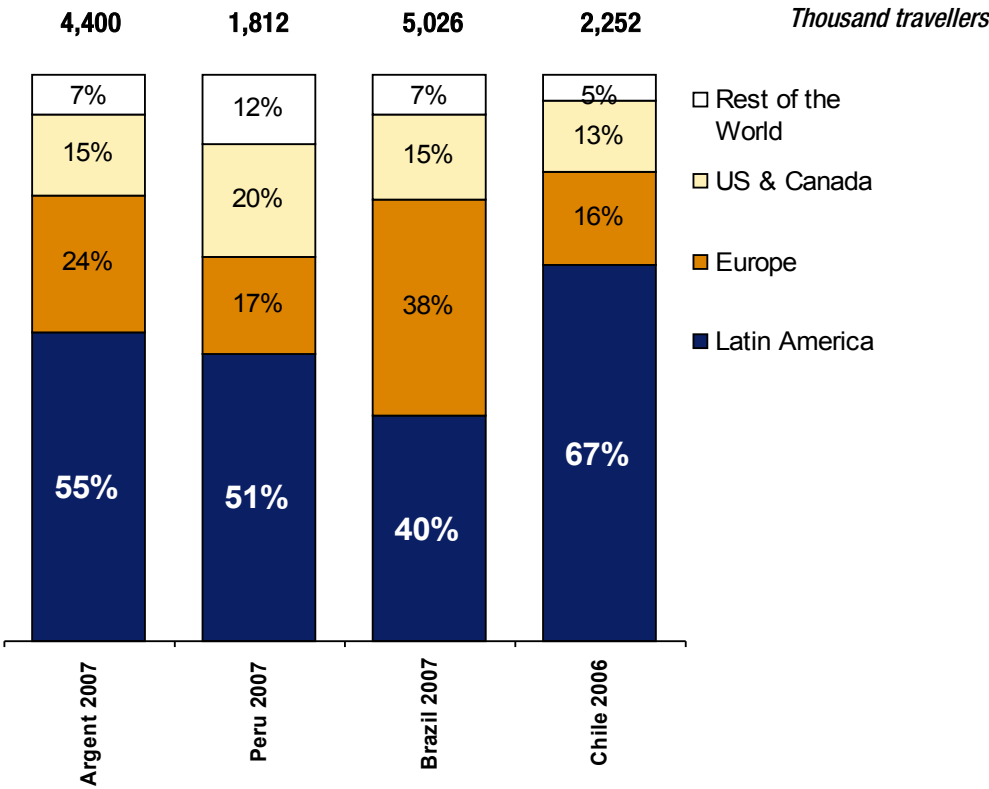
2 Hotels



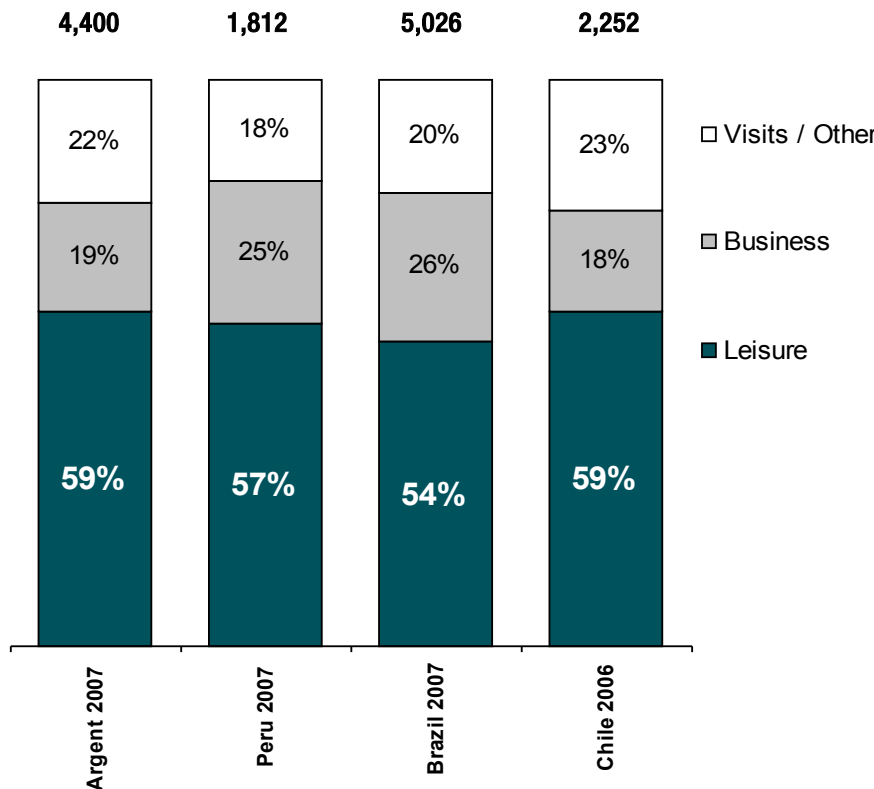
2 Hotels

South American hotel demand comes mainly from South American and leisure travelers...

**Origin of International Travellers
Selected Countries**



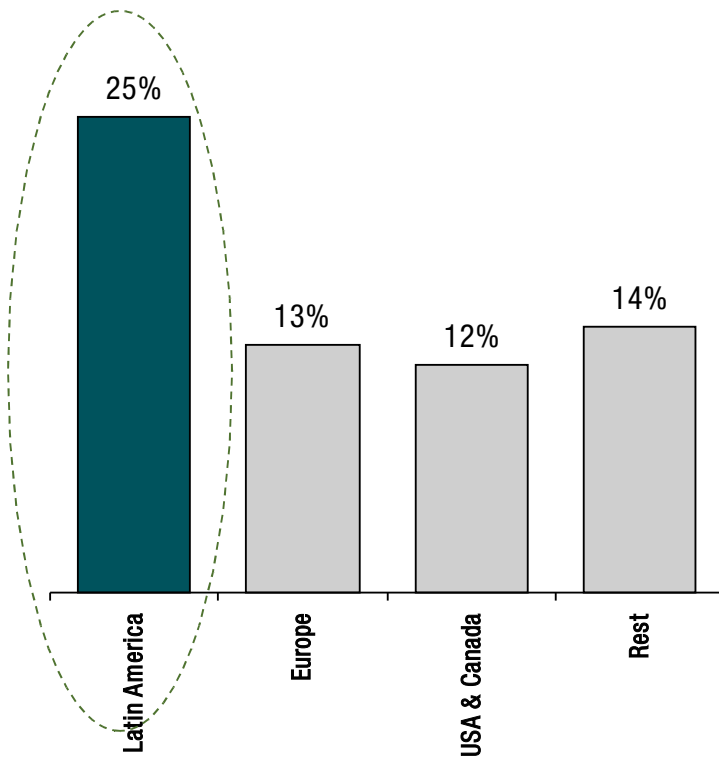
**Main Reason for Travel
Selected Countries**



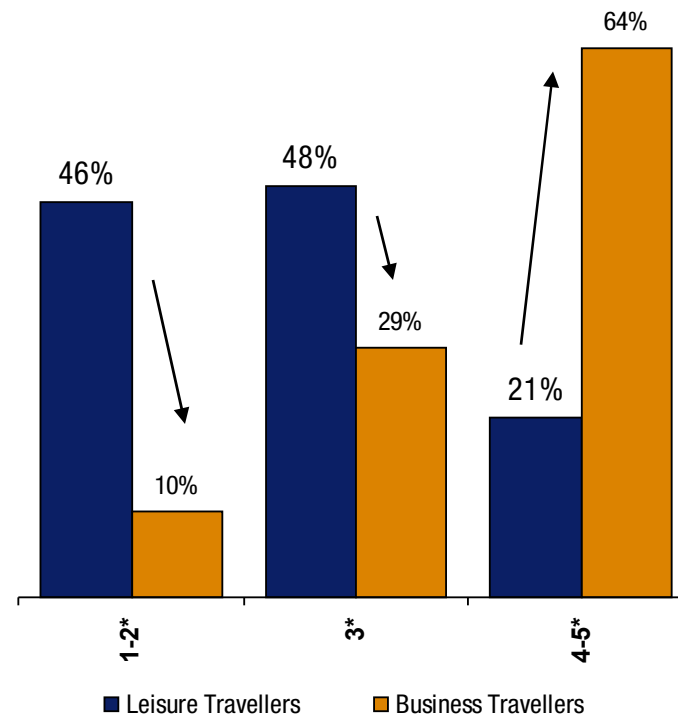
Source: Argentina: INDEC, ETI 2007 Ezeiza, Secretaría de Turismo. Peru: Perfil del Turista Extranjero 2007, Prom Perú Chile: Turismo Anual 2006, INE. Brazil: Estatísticas Básicas de Turismo 2007 & Estudo da Demanda Turística Internacional, 2004

And South American and leisure travelers are more inclined to lower-priced hotels than US & Europe and business travelers

% of Travelers Staying at 1-2-3* Hotels per Origin
Argentina 2007



% of Travelers Staying at Hotels per Motive
Peru 2007

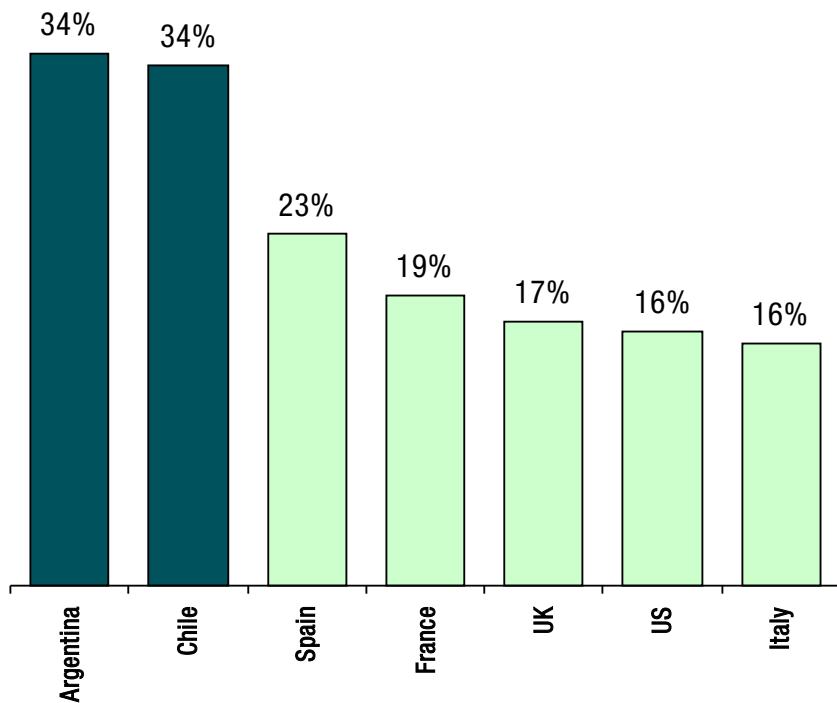


Source: Argentina: INDEC, ETI 2007 Ezeiza, Secretaría de Turismo. Peru: Perfil del Turista Extranjero 2007, Prom Perù

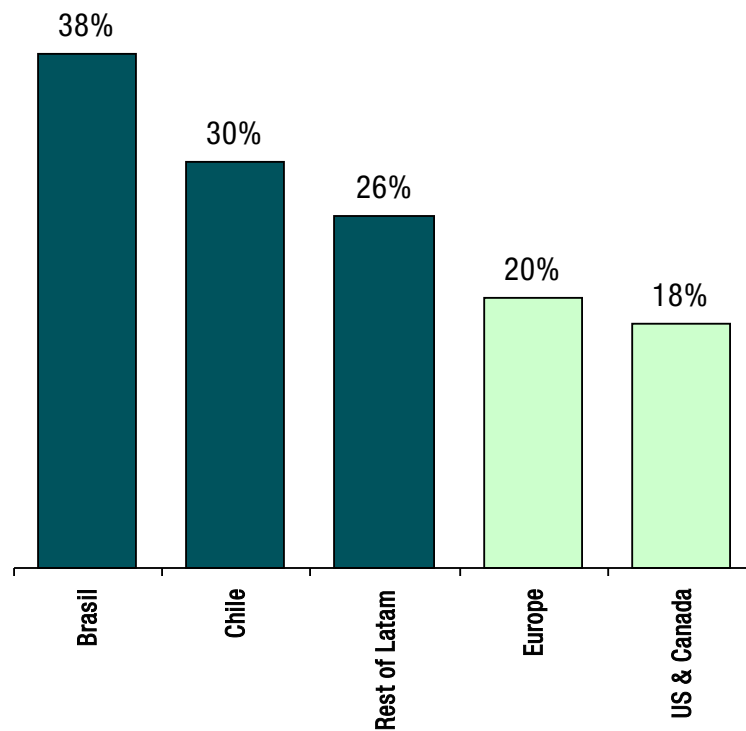
South Americans are also more prone to book via local tour & travel operators than US & Europe travelers

% of Travelers Using Traditional Tour & Travel Operators by Region of Origin

Brazil 2003



Argentina 2007



Source: Argentina: INDEC, ETI 2007 Ezeiza, Brazil: Estatísticas Básicas de Turismo 2007 & Estudo da Demanda Turística Internacional, 2004

In summary, South America is a fertile soil for local and regional mid-priced brands

- ▶ **Current penetration of global brands in the limited- and select-service South American hotel segment is very low – probably less than 10% across the region, with low brand awareness**
- ▶ **In most South American markets, more than 50% of the travelers come from South America and more than 50% are leisure travelers – and these travelers tend to prefer more lower priced hotels than Europe + US and business travelers**
- ▶ **South Americans use more traditional tour & travel operators to book a trip than Americans or Europeans (internet penetration is not as high in South America as in the developed countries), and local brands tend to have better relationships with local travel operators than global brands**
- ▶ **Local brands can more flexible with hotel-owners, both in the contract term and the service offering of the hotel in crisis situations**
- ▶ **Local brands in South America are taking advantage of this environment to obtain first-mover advantages and develop network economies to grow their businesses**

Thanks!