
# Hospitality Properties Trust

## Investor Presentation

### September 2017

HPT
Nasdaq Listed

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THIS PRESENTATION CONTAINS NON-GAAP FINANCIAL MEASURES, INCLUDING ADJUSTED EBITDA AND NORMALIZED FUNDS FROM OPERATIONS. FOR A RECONCILIATION OF THESE NON-GAAP FINANCIAL MEASURES TO THE MOST DIRECTLY COMPARABLE GAAP FINANCIAL MEASURE, SEE THE APPENDIX TO THIS PRESENTATION.



Unless otherwise noted, all data presented is as of June 30, 2017.

# HPT's high quality properties, conservative profile and secure cash flows provide a growing and well covered dividend.

- **Diversified portfolio of well maintained, high quality properties.**
- **Long term portfolio agreements that can provide security of cash flow.**
- **Ramping portfolio and external growth opportunities.**
- **Conservative profile. Capacity to support continued disciplined growth.**
- **Dividend payout ratio only 49.1% in the second quarter 2017.**

# HPT is one of the most geographically diverse lodging REITs and owns hotels and travel centers operated under recognized brands.

- $9.5 billion investment portfolio (historical investment basis[1]).
- Total of 509 properties located in 45 states, Puerto Rico and Canada.
  - ➢ 310 hotels with 48,087 rooms.
  - ➢ 199 travel centers located adjacent to the U.S. interstate highway system.

## HPT Hotel Brands


## HPT Travel Center Brands

TravelCenters of America

PETRO Stopping Centers

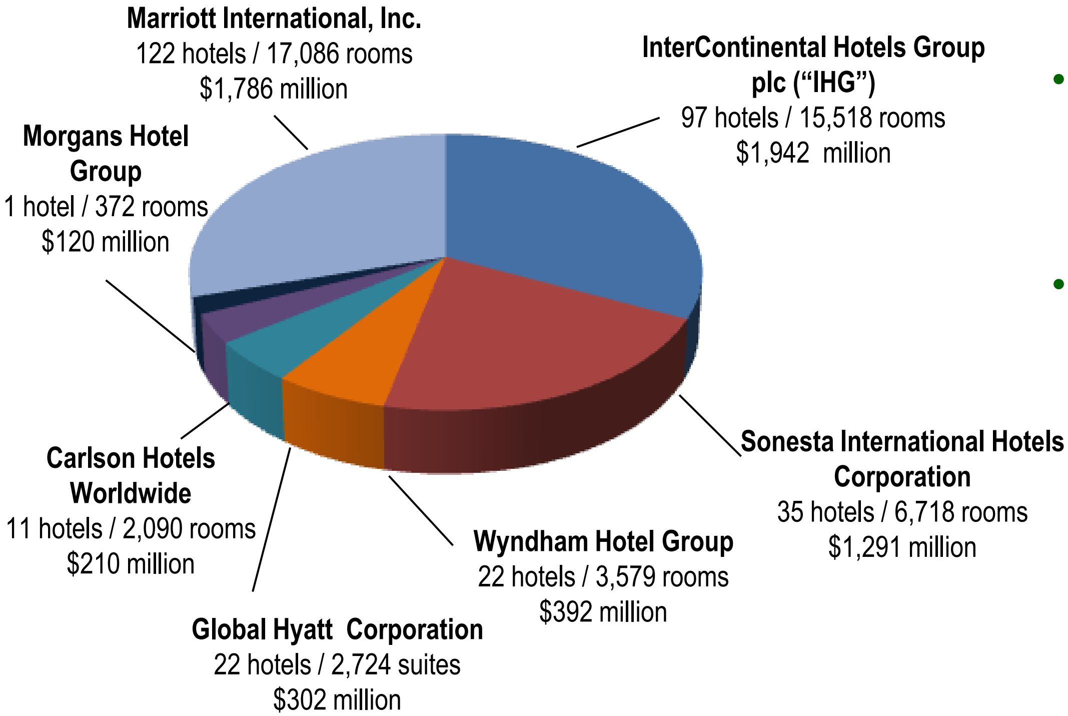


(1) Represents historical cost of properties plus capital improvements funded by HPT less impairment writedowns, if any, and excludes capital improvements made from FF&E reserves funded from hotel operations which do not result in minimum returns or rent.

# HPT has $6.0 billion invested in 310 full service, select service and extended stay hotels.

## HPT Hotel Managers

*(by $ invested)*




## Unique Agreements

- 9 Hotel Management Agreements/Leases.
- HPT's operating agreement structure reduces cash flow volatility in a downturn and allows for upside participation in a recovery.
- The majority of HPT's 310 hotel properties are secured by deposits or guarantees and have potential additional returns based on performance.
  - Six agreements covering 221 hotels feature manager guarantees and/or security deposits that protect HPT's cash flow when hotel operations fail to cover minimum rents or returns.
  - Hotel management agreements provide for additional returns to HPT based on hotel net operating income above certain thresholds.



(1) Represents historical cost of properties plus capital improvements funded by HPT less impairment writedowns, if any, and excludes capital improvements made from FF&E reserves funded from hotel operations.

# HPT's mostly upscale hotel portfolio is operated under 21 recognized brands.

## ~85%

(263 Hotels)
Midscale to Upscale

Select Service + Extended Stay Hotels

## ~15%

(47 Hotels)
Primarily Upscale to Luxury

Full Service Hotels

Based on hotel unit count as of 6/30/2017.

***Crowne Plaza San Jose – Silicon Valley, San Jose, CA***
***Operator: InterContinental Hotels Group***
***Guest Rooms: 304***


*Kimpton Hotel Monaco Portland, Portland, OR*
*Operator: InterContinental Hotels Group*
*Guest Rooms: 221*

# HPT has $3.5 billion invested in 199 travel centers located along the U.S. Interstate Highway System.

- TravelCenters of America operates two of the strongest travel center brands in the industry.

HPT owns or leases 149 "TA" travel centers located in 40 states.


HPT owns 50 "Petro" travel centers located in 26 states.


- 5 Triple Net Leases.
- HPT's travel centers are part of TA's network of 256 "TA" and "Petro" branded travel centers in 43 states and Canada.
- Difficult to replicate real estate located near exits along the U.S. Interstate Highway System.
- Average site is over 25 acres with parking for 200 tractor trailers and 100 cars.
- Multiple diesel fuel and gasoline islands, plus a table service restaurant (approx. 135 seats) and one or more quick service restaurants (QSRs) at each site.(1)
- Large travel and convenience stores averaging over 5,000 square feet of interior space.
- Truck repair facilities and parts stores; the only nationwide on the road truck repair service along the U.S. Interstate Highway System.

(1) In total, TA operates 633 quick service restaurants (QSRs) under contracts with 35 national franchisors including: Arby's®; Burger King®; Popeye's Chicken & Biscuits®; Pizza Hut®; Starbucks Coffee®; Subway®; Taco Bell® and Wendy's®.

# Economic growth continues. Increasing regulation may cater to full service travel center advantages.

Issue

*"…Trucking is projected to grow 33.6% over the next ten years."*

*-2017 study by American Trucking Associations and IHS Global Insight.*

This regulation is found in Section 395.3(a)(2).

**11-Hour Driving Limit**

During the 14-consecutive-hour period explained above, you are only allowed to drive your truck for up to 11 total hours. A driver may drive a total of 11 hours during the 14-hour period, however, after June 30, 2013, driving is not permitted if more than 8 hours have passed since the end of the driver's last off-duty or sleeper-berth period of at least 30 minutes. Once you have driven a total of 11 hours, you have reached the driving limit and must be off duty for another 10 consecutive hours (or equivalent) before driving your truck again.

THE WALL STREET JOURNAL.

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BUSINESS

Truck Drivers Face Parking Shortage

They're Required to Rest, but Lack Places to Stop

Implication

Fuel and non-fuel demand is expected to see continued steady growth over the next decade.

Travel centers which provide services to professional truck drivers from restaurants to clean showers and bathrooms to truck repair facilities will be in demand.

Larger full service truck stops with ample parking, for over 200 tractor trailer trucks will have a competitive advantage – TA's reservation program proves value.

# The defining business characteristic of HPT remains its strong operating agreement terms.

- Portfolio Agreements. 507 of HPT's 509 properties are part of pooled portfolio agreements. Each portfolio agreement includes between 11 and 97 geographically diverse properties.
- Minimum Returns and Rents. The majority of HPT's agreements require its managers or tenants to pay HPT fixed minimum returns or rents.
- Security Features. The majority of HPT's agreements include security features to protect HPT's cash flows, including some or all of: cash security deposits; subordination of management fees to HPT's minimum returns/rents; and full or limited guarantees from parent companies.
- Long Term Agreements. New agreements are generally entered for 15 to 25 years. The weighted average term remaining for our agreements (weighted by our investment) is 16 years.
- High Likelihood of Contract/Lease Renewals. Renewals are permitted only for all properties in each portfolio. Because HPT's agreements generally represent significant percentages of its operators' brands, renewals are highly likely.
- FF&E Reserves. Hotel operators are generally required to escrow 5-6% of gross revenues for renovations.

# 79% of HPT's total minimum rents and returns are secured by deposits or guarantees.

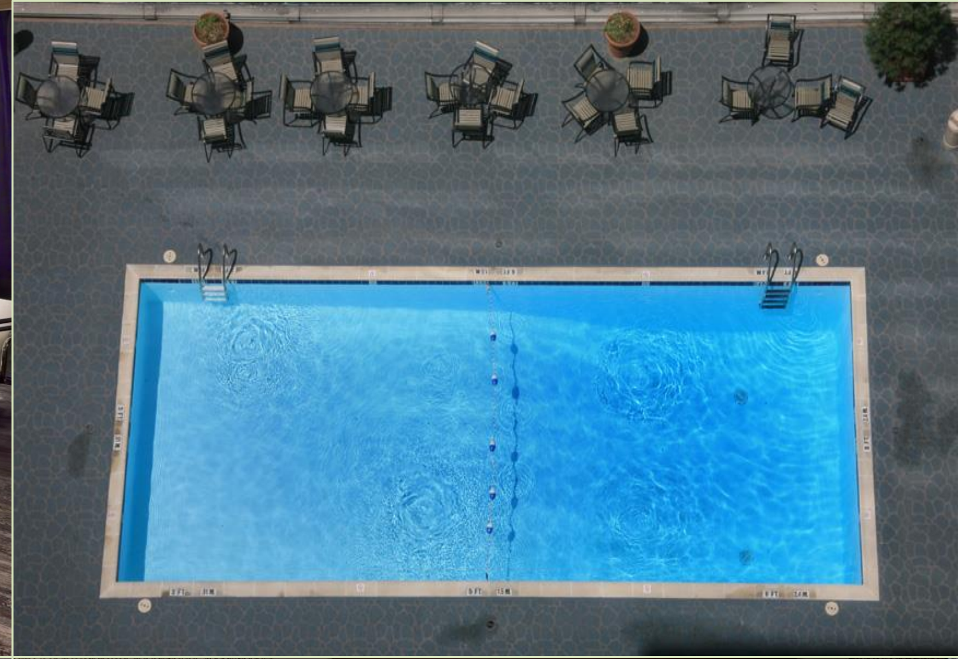
| | Operating Agreement | No. of Properties | No. of Rooms | Annual Minimum Return/Rent [1] | % of Total | Coverage [2] Q2 | Coverage [2] LTM | Security Features |
|---|---|---|---|---|---|---|---|---|
| 1 | Marriott No. 1 | 53 | 7,610 | $ 68,952 | 8% | 1.51x | 1.28x | - |
| 2 | Marriott No. 234 | 68 | 9,120 | 106,360 | 13% | 1.30x | 1.12x | Limited guaranty + deposit. |
| 3 | Marriott No. 5 | 1 | 356 | 10,159 | 1% | 0.76x | 0.80x | Marriott guaranty. |
| 4 | InterContinental | 97 | 15,518 | 181,485 | 22% | 1.30x | 1.18x | Security deposit. |
| 5 | Sonesta | 35 | 6,718 | 97,134 | 12% | 1.05x | 0.72x | - |
| 6 | Wyndham | 22 | 3,579 | 28,798 | 4% | 1.19x | 0.83x | Limited guaranty. |
| 7 | Hyatt | 22 | 2,724 | 22,037 | 3% | 1.37x | 1.13x | Limited guaranty. |
| 8 | Carlson | 11 | 2,090 | 12,920 | 2% | 1.53x | 1.35x | Limited guaranty. |
| 9 | Morgans | 1 | 372 | 7,595 | 1% | 0.47x | 0.90x | - |
| | **Subtotal Hotels** | 310 | 48,087 | 535,440 | 66% | 1.26x | 1.07x | |
| 10 | TA No. 1 | 40 | N/A | 52,305 | 5% | 1.69x | 1.60x | TA guaranty. |
| 11 | TA No. 2 | 40 | N/A | 53,067 | 7% | 1.61x | 1.51x | TA guaranty. |
| 12 | TA No. 3 | 39 | N/A | 53,472 | 7% | 1.61x | 1.52x | TA guaranty. |
| 13 | TA No. 4 | 40 | N/A | 53,062 | 7% | 1.53x | 1.45x | TA guaranty. |
| 14 | TA No. 5 | 40 | N/A | 68,841 | 8% | 1.64x | 1.54x | TA guaranty. |
| | **Subtotal Travel Centers** | 199 | N/A | 280,747 | 34% | 1.62x | 1.52x | |
| **Total/Average** | **14 agreements**<br>**8 brand owners** | **509** | **48,087** | **$ 816,187** | **100%** | **1.38x** | **1.22x** | |

(1) Annualized minimum rent amounts represent cash rent amounts due to us and exclude adjustments, if any, necessary to recognize rental income on a straight line basis in accordance with GAAP.

(2) We define coverage as combined total property level revenues minus all property level expenses and FF&E reserve escrows which are not subordinated to minimum returns and minimum rent payments due to us (which data is provided to us by our managers or tenants), divided by the minimum return or minimum rent payments due to us. Coverage amounts for our Sonesta, InterContinental and TA Nos.1,2,3 and 4 agreements include data for periods prior to our ownership of certain properties.


*Country Inn & Suites by Carlson, San Diego, CA*
*Operator: Carlson Rezidor Hotel Group*
*Guest Rooms:  180*

*Courtyard Columbia, Columbia, MD*
*Operator: Marriott International, Inc.*
*Guest Rooms: 152*



*Sonesta Philadelphia Rittenhouse Square, Philadelphia, PA*
*Operator: Sonesta International Hotels Corp.*
*Guest Rooms: 439*


*Hyatt Place Tempe / Phoenix Airport, Tempe, AZ*
*Operator: Carlson Rezidor Hotel Group*
*Guest Rooms: 123*

# Financial highlights.

*(In thousands except number of properties, number of rooms and per share data.)*

| | As of and for the three months ended June 30, 2017 | 2016 | Change | % Change |
|---|---|---|---|---|
| **Property data:** | | | | |
| Number of properties | 509 | 502 | 7 | |
| Number of rooms | 48,087 | 46,347 | 1,740 | |
| Annual minimum returns and rents[(1)] | $ 816,187 | $ 769,006 | $ 47,181 | 6.1% |
| Coverage of annual minimum returns and rents - hotels[(2)] | 1.26x | 1.34x | | |
| Coverage of annual minimum returns and rents - travel centers[(2)] | 1.62x | 1.64x | | |
| **Key financial data:** | | | | |
| Total revenues | $ 570,603 | $ 550,299 | $ 20,304 | 3.7% |
| Adjusted EBITDA[(3)] | $ 220,297 | $ 215,608 | $ 4,689 | 2.2% |
| Normalized funds from operations (FFO)[(3)] | $ 173,604 | $ 165,714 | $ 7,890 | 4.8% |
| Total Debt (book value)[(4)]/total gross assets[(5)] | 39.9.% | 39.0% | 0.9 pts. | |
| Total Debt (book value) [(4)]/annualized Adjusted EBITDA[(3)] | 4.4x | 4.1x | | |
| **Per share data:** | | | | |
| Annualized Common dividend | $ 2.08 | $ 2.04 | $ 0.04 | 2.0% |
| Normalized FFO[(3)] | $ 1.06 | $ 1.09 | $ -0.03 | -2.8% |
| Normalized FFO payout ratio[(3)] | 49.1% | 46.6% | 2.5 pts. | |

(1) Annualized minimum rent amounts represent cash rent amounts due to us and exclude adjustments, if any, necessary to recognize rental income on a straight line basis in accordance with GAAP.
(2) We define coverage as combined total property level revenues minus all property level expenses and FF&E reserve escrows which are not subordinated to minimum returns and minimum rent payments to us (which data is provided to us by our managers or tenants), divided by the minimum return or minimum rent payments due to us (which data is provided to us by our managers or tenants), divided by the minimum return or minimum rent payments due to us. Coverage amounts for our InterContinental Hotels Group, plc, or InterContinental, and our Sonesta and TA Nos. 2 and 4 agreements include data for periods prior to our ownership of certain hotels and travel centers.
(3) See exhibits on page 25 for the calculation of EBITDA and Adjusted EBITDA, and a reconciliation of net income determined in accordance with GAAP to these amounts. See exhibits on page 26 for a reconciliation of FFO to nearest GAAP measure.
(4) Debt amounts are net of unamortized discounts and certain issuance costs.
(5) Total Gross assets is total assets plus accumulated depreciation.

# HPT believes it will continue benefitting from a well maintained portfolio.

- HPT funded $5.1 million of hotel improvements during Q2. HPT expects to fund an additional $39.3 million of hotel improvements for the remainder of 2017.
- HPT expects to have 9 hotels under renovation for all or part of the third quarter.
- HPT funded $25.5 million of travel center improvements in Q2. HPT expects to fund an additional $32.9 million of travel center improvements during the remainder of 2017.
- HPT's managers have expectations for hotel occupancy to remain relatively flat with modest increases to rate such that 2017 RevPAR growth may be 0.5% to 1.0%. GOP margins are forecasted to be within the flat to down 50 basis points range reflecting slower revenue growth and continued cost pressures especially from wages and commissions.

# During 2017, HPT has acquired or agreed to acquire 20 hotels and one travel center.

- In February, HPT acquired the 483 room Hotel Allegro in Chicago, IL for $85.5 million. HPT added this Kimpton® branded hotel to its management agreement with IHG. HPT obtained an additional $6.9 million to supplement the existing security deposit in connection with this transaction.
- In March, HPT acquired the 121 room Hotel Alexis in Seattle, WA for a purchase price of $71.6 million. HPT added this Kimpton® branded hotel to its management agreement with IHG. HPT obtained an additional $5.7 million to supplement the existing security deposit in connection with this purchase.
- In May, HPT acquired from and leased back to TA a newly developed travel center in Columbia, SC for a purchase price of $27.6 million, excluding acquisition related costs. This Petro® branded property features 134 truck parking spots, a Quaker Steak and Lube restaurant, a Starbucks Coffee Company® amongst many other trucking and entertainment amenities. This property was added to TA No. 4 lease. HPT expects its minimum annual rent under the lease to increase by $2.3 million.
- In June, HPT acquired the 389 room Chase Park Plaza hotel in St. Louis, MO for $87.6 million. HPT converted this hotel to the Royal Sonesta® hotel brand and added it to its management agreement with Sonesta.
- Also in June, HPT acquired the 495 room Crowne Plaza Ravinia hotel in Atlanta, GA for $88.6 million. HPT added this Crowne Plaza® branded hotel to its management agreement with IHG. HPT obtained an additional $7.1 million to supplement the existing security deposit in connection with this transaction.
- In August, HPT acquired the 419 room Crowne Plaza & Lofts hotel in Columbus, OH for $49.0 million. HPT plans to rebrand the Lofts as an Indigo Hotel® and has added it to its management agreement with IHG.

# HPT Acquisitions, Cont.

- In July, HPT entered into an agreement to acquire the 300 room Crowne Plaza Charlotte Executive Park Hotel in Charlotte, NC for $44.0 million. HPT expects to complete this acquisition during the third quarter of 2017. HPT plans to add this hotel to its management agreement with IHG.
- Also in July, HPT entered into an agreement to acquired14 extended stay hotels with 1,653 suites located in 12 states, for $138 million. HPT expects to complete this acquisition during the third quarter of 2017. HPT plans to convert these hotels to the Sonesta ES Suites® brand and will add them to its management agreement with Sonesta.

# During 2017, HPT has sold or agreed to sell three hotels.

- HPT and Carlson agreed to sell three Carlson® branded hotels that as of June 30th had an aggregate carrying value of $14.1 million.

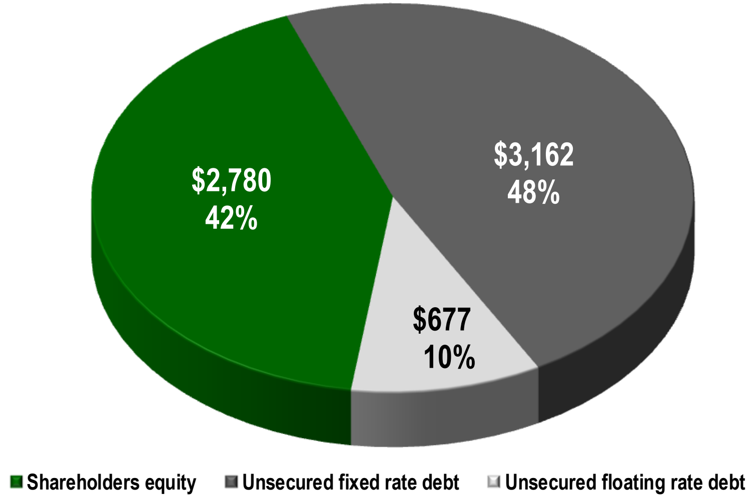
  - In June, HPT began marketing for sale its Park Plaza® branded hotel in Bloomington, MN.
  - In July, HPT entered into an agreement to sell its 143 room Country Inn & Suites in Naperville, IL for $6.6 million. HPT expects to complete the sale of this Country Inn & Suites® branded hotel during the third quarter of 2017.
  - In August, HPT sold its 159 room Radisson® branded hotel in Chandler, AZ for $9.5 million.
  - Sales proceeds to be reinvested in remaining portfolio hotels.

# HPT has a conservative financial profile.

## Book Capitalization as of June 30, 2017

*($ in thousands)*

| | | |
|---|---|---|
| Unsecured floating rate debt [1] | $ | 676,753 |
| Unsecured fixed rate debt [1] | | 3,162,275 |
| Total debt | | 3,839,028 |
| | | |
| Shareholders equity (book value) | | 2,780,198 |
| **Total Book Capitalization** | **$** | **6,619,226** |




| As of and For the Three Months Ended June 30, 2017 | |
|---|---|
| Total debt (book value)[1]/ total gross assets[2] | 39.9% |
| Total debt (book value)[1]/ annualized adjusted EBITDA[3] | 4.4x |
| Adjusted EBITDA[3]/ interest expense and preferred distributions | 4.9x |

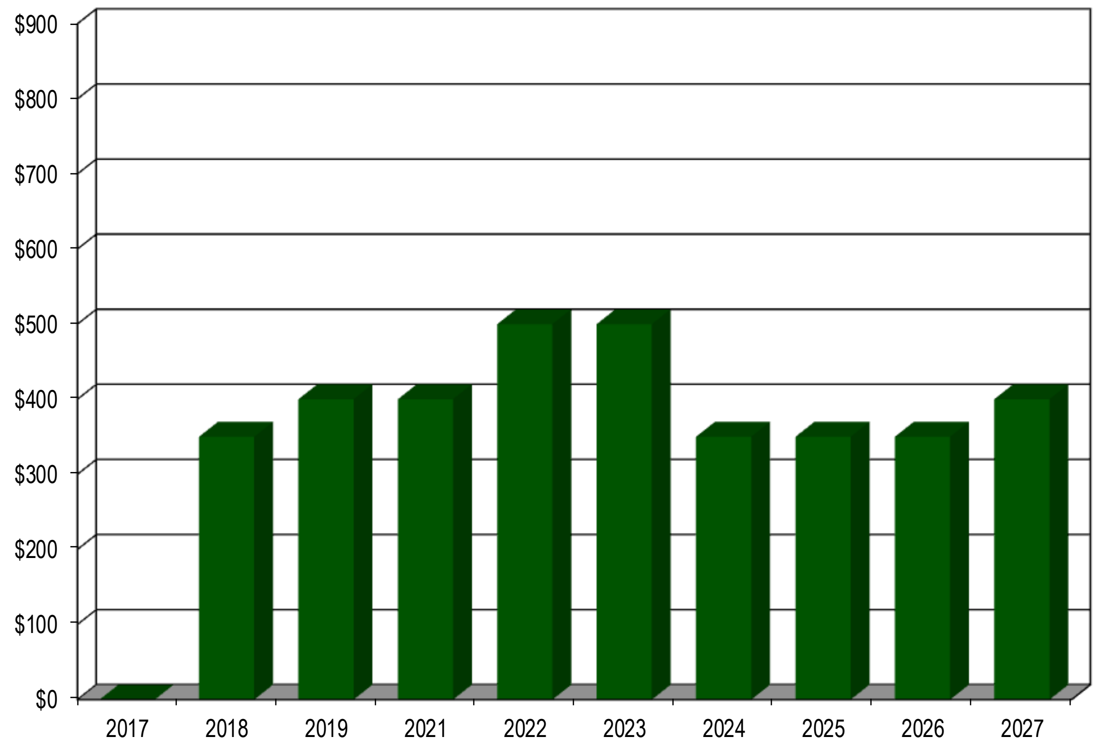
(1) Debt amounts are net of unamortized discounts and certain issuance costs.
(2) Total gross assets is total assets plus accumulated depreciation.
(3) See exhibits on page 25 for the calculation of EBITDA and Adjusted EBITDA, and a reconciliation of net income determined in accordance with GAAP to these amounts.

# HPT has well laddered debt maturities and the capacity for disciplined growth.

- No secured debt.
- Unsecured senior notes:
  - $3,200 million as of June 30, 2017 ($3,162 million net of discounts).
  - All fixed rate.
- Unsecured term loan:
  - $400 million.
  - April 2019 maturity.
- Revolving credit facility:
  - $1 billion ($278 million outstanding as of June 30, 2017).
  - July 2018 maturity plus one year extension option.
- No derivatives, no off balance sheet liabilities and no material adverse change clauses or ratings triggers.

**HPT Term Debt Maturities as of June 30, 2017**

*($ in millions)*



# HPT's high quality properties, conservative profile and secure cash flows provide a growing and well covered dividend.

- **Diversified portfolio of well maintained, high quality properties.**
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- **Ramping portfolio and external growth opportunities.**
- **Conservative profile. Capacity to support continued disciplined growth.**
- **Dividend payout ratio only 49.1% in the second quarter 2017.**

# Calculation of EBITDA and Adjusted EBITDA.

**CALCULATION OF EBITDA AND ADJUSTED EBITDA (1)**

(in thousands)

| | For the Three Months Ended, | | | | |
|---|---|---|---|---|---|
| | 6/30/2017 | 3/31/2017 | 12/31/2016 | 9/30/2016 | 6/30/2016 |
| Net income | 60,699 | 37,171 | 63,186 | $ 51,812 | $ 56,061 |
| Add: Interest expense | 45,189 | 43,566 | 37,349 | 41,280 | 41,698 |
| Income tax expense | 786 | 356 | 537 | 948 | 2,160 |
| Depreciation and amortization | 95,155 | 93,451 | 91,150 | 90,139 | 88,782 |
| EBITDA | 201,829 | 174,544 | 192,222 | 184,179 | 188,701 |
| Add (Less): Acquisition related costs (2) | -- | -- | 482 | 156 | 117 |
| General and administrative expense paid in common shares (3) | 718 | 412 | 557 | 985 | 870 |
| Estimated business management incentive fee (4) | 17,750 | 19,620 | (56,272) | 25,036 | 25,920 |
| Loss on early extinguishment of debt (5) | — | — | — | 158 | — |
| Adjusted EBITDA | $ 220,297 | $ 194,576 | $ 136,989 | $ 210,514 | $ 215,608 |

(1) Please see page 27 for definitions of EBITDA and Adjusted EBITDA and a description of why we believe the presentation of these measures provide useful information to investors.
(2) Represents costs associated with our acquisition activities. Acquisition costs incurred during the 2017 period have been capitalized in purchase accounting pursuant to a change in GAAP.
(3) Amounts represent the equity compensation awarded to our trustees, our officers and certain other employees of RMR LLC.
(4) Incentive fees under our business management agreement are payable after the end of each calendar year, are calculated based on common share total return, as defined, and are included in general and administrative expense in our consolidated statements of income. In calculating net income in accordance with GAAP, we recognize estimated business management incentive fee expense, if any, in the first, second and third quarters. Although we recognize this expense, if any, in the first , second and third quarters for purposes of calculating net income, we do not include these amounts in the calculation of Adjusted EBITDA until the fourth quarter, which is when the actual business management incentive fee expense amount for the year, if any, is determined. Adjusted EBITDA includes business management incentive fee expense of $52,407 for three months ended December 31, 2016. Business management incentive fees for 2016 were paid in cash in January 2017.
(5) We recorded losses of $158 and $70 on early extinguishment of deb during the three months ended September 30, 2016 and March 31, 2016, respectively, in connection with redemptions of certain senior unsecured notes.

# Calculation of Funds From Operations (FFO) and Normalized FFO.

## CALCULATION OF FUNDS FROM OPERATIONS (FFO) AND NORMALIZED FFO AVAILABLE FOR COMMON SHAREHOLDERS [1]

(dollar amounts in thousands, except per share data)

| | For the Three Months Ended, | | | | | For the Six Months Ended | |
|---|---|---|---|---|---|---|---|
| | 6/30/2017 | 3/31/2017 | 12/31/2016 | 9/30/2016 | 6/30/2016 | 2017 | 2016 |
| Net income available for common shareholders | $ 60,699 | $ 25,483 | $ 58,020 | $ 46,646 | $ 50,895 | $ 86,542 | $ 97,780 |
| Add: Depreciation and amortization | 95,155 | 93,451 | 91,150 | 90,139 | 88,782 | 188,606 | 176,053 |
| FFO available for common shareholders | 155,854 | 119,294 | 149,170 | 136,785 | 139,677 | 275,148 | 273,833 |
| Add (Less): Acquisition related costs (2) | — | — | 482 | 156 | 117 | — | 729 |
| Estimated business management | 17,750 | 19,620 | -56,272 | 25,036 | 25,920 | 37,370 | 31,236 |
| Loss on early extinguishment of debt (4) | — | — | — | 158 | — | — | 70 |
| Excess of liquidation preference over Preferred Shares redeemed (5) | 9,893 | 9,893 | — | — | — | 9,893 | — |
| Normalized FFO available for common shareholders | $173,604 | $148,807 | $ 93,380 | $162,135 | $165,714 | $322,411 | $ 305,868 |
| Weighted average shares outstanding (basic) | 164,123 | 164,120 | 164,120 | 157,217 | 151,408 | 164,121 | 151,405 |
| Weighted average shares outstanding (diluted) | 164,165 | 164,128 | 164,128 | 157,263 | 151,442 | 164,157 | 151,428 |
| Basic and diluted per share common share amounts: | | | | | | | |
| Net income available for common shareholders | $ 0.16 | $ 0.16 | $ 0.35 | $ 0.30 | $ 0.34 | $ 0.53 | $ 0.65 |
| FFO available for common shareholders | $ 0.73 | $ 0.73 | $ 0.91 | $ 0.87 | $ 0.92 | $ 1.68 | $ 1.81 |
| Normalized FFO available for common shareholders | $ 0.91 | $ 0.91 | $ 0.57 | $ 1.03 | $ 1.09 | $ 1.96 | $ 2.02 |

(1) Please see page 27 for definitions of FFO and Normalized FFO available for common shareholders, a description of why we believe the presentation of these measures provides useful information to investors regarding our financial condition and results of operations and a description of how we use these measures.

(2) Represents costs associated with our acquisition activities. Acquisition costs incurred during the 2017 period have been capitalized in purchase accounting pursuant to change GAAP.

(3) Incentive fees under our business management agreement are payable after the end of each calendar year, are calculated based on common share total return, as defined, and are included in general and administrative expense in our consolidated statements of income . In calculating net income in accordance with GAAP, we recognize estimated business management incentive fee expense, if any, in the first, second and third quarters. Although we recognize this expense, if any, in the first , second and third quarters for purposes of calculating net income, we do not include these amounts in the calculation of Normalized FFO available for common shareholders until the fourth quarter, which is when the business management incentive fee expense amount for the year, if any, is determined. Normalized FFO available for common shareholders includes business management incentive fee expense of $52,407 for three months ended December 31,2016. Business management incentive fees for 2016 were paid in cash in January 2017.

(4) We recorded losses of $158 and $70 on early extinguishment of debt during the three months ended September 30, 2016 and March 31, 2016, respectively, in connection with the redemptions of certain senior unsecured notes.

(5) On February 10, 2017, we redeemed all 11,600,000 of our outstanding 7.125% Series D cumulative redeemable preferred shares at the stated liquidation preference of $25.00 per share plus accrued and unpaid distributions to the date of redemption (an aggregate of $291,435). The liquidation preference of the redeemed shares exceeded the carrying amount for the redeemed shares as of the date of redemption by $9,893, or $0.06 per share, and we reduced net income available to common shareholders in the three months ended March 31, 2017 by that excess amount.

# Non-GAAP financial measures definitions.

## Definition of EBITDA and Adjusted EBITDA

We calculate EBITDA and Adjusted EBITDA as shown on page 25. We consider EBITDA and Adjusted EBITDA to be appropriate supplemental measures of our operating performance, along with net income, net income available for common shareholders and operating income. We believe that EBITDA and Adjusted EBITDA provide useful information to investors because by excluding the effects of certain historical amounts, such as interest, depreciation and amortization expense, EBITDA and Adjusted EBITDA may facilitate a comparison of current operating performance with our past operating performance. In calculating Adjusted EBITDA, we include business management incentive fees only in the fourth quarter versus the quarter when they are recognized as expense in accordance with GAAP due to their quarterly volatility not necessarily being indicative of our core operating performance and the uncertainty as to whether any such business management incentive fees will be payable when all contingencies for determining such fees are known at the end of the calendar year. EBITDA and Adjusted EBITDA do not represent cash generated by operating activities in accordance with GAAP and should not be considered alternatives to net income, net income available for common shareholders or operating income as indicators of operating performance or as measures of our liquidity. These measures should be considered in conjunction with net income, net income available for common shareholders and operating income as presented in our condensed consolidated statements of income. Other real estate companies and REITs may calculate EBITDA and Adjusted EBITDA differently than we do.

## Definition of FFO and Normalized FFO

We calculate FFO available for common shareholders and Normalized FFO available for common shareholders as shown on page 26. FFO available for common shareholders is calculated on the basis defined by The National Association of Real Estate Investment Trusts, or NAREIT, which is net income available for common shareholders calculated in accordance with GAAP, excluding any gain or loss on sale of properties and loss on impairment of real estate assets, if any, plus real estate depreciation and amortization, as well as certain other adjustments currently not applicable to us. Our calculation of Normalized FFO available for common shareholders differs from NAREIT's definition of FFO available for common shareholders because we include business management incentive fees, if any, only in the fourth quarter versus the quarter when they are recognized as expense in accordance with GAAP due to their quarterly volatility not necessarily being indicative of our core operating performance and the uncertainty as to whether any such business management incentive fees will be payable when all contingencies for determining such fees are known at the end of the calendar year, and we exclude the excess of liquidation preference over carrying value of preferred shares redeemed, acquisition related costs expensed under GAAP and loss on early extinguishment of debt. We consider FFO available for common shareholders and Normalized FFO available for common shareholders to be appropriate supplemental measures of operating performance for a REIT, along with net income, net income available for common shareholders and operating income. We believe that FFO available for common shareholders and Normalized FFO available for common shareholders provide useful information to investors because by excluding the effects of certain historical amounts, such as depreciation expense, FFO available for common shareholders and Normalized FFO available for common shareholders may facilitate a comparison of our operating performance between periods and with other REITs. FFO available for common shareholders and Normalized FFO available for common shareholders are among the factors considered by our Board of Trustees when determining the amount of distributions to shareholders. Other factors include, but are not limited to, requirements to maintain our qualification for taxation as a REIT, limitations in our credit agreement and public debt covenants, the availability to us of debt and equity capital, our expectation of our future capital requirements and operating performance and our expected needs for and availability of cash to pay our obligations. FFO available for common shareholders and Normalized FFO available for common shareholders do not represent cash generated by operating activities in accordance with GAAP and should not be considered as alternatives to net income, net income available for common shareholders or operating income as indicators of our operating performance or as measures of our liquidity. These measures should be considered in conjunction with net income, net income available for common shareholders and operating income as presented in our condensed consolidated statements of income. Other real estate companies and REITs may calculate FFO available for common shareholders and Normalized FFO available for common shareholders differently than we do.


# Hospitality Properties Trust

## Investor Presentation

### September 2017

HPT
Nasdaq Listed