

Understanding Your Leverage

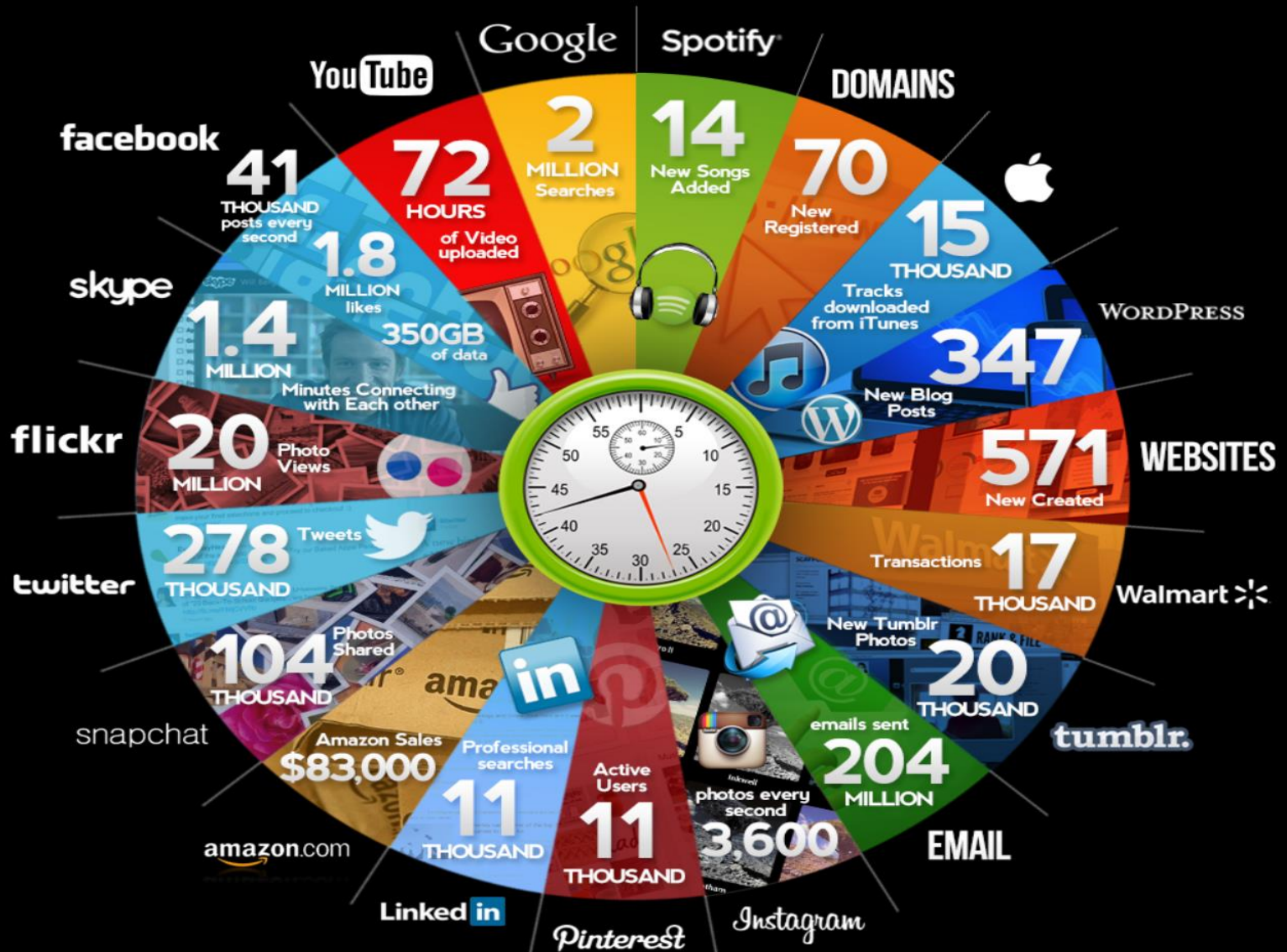
Michael Dominguez

**Senior Vice President and Chief Sales Officer
MGM RESORTS INTERNATIONAL**

Trend - Speed



Done In 60 Seconds



Move Quickly



In the new world,
it is not the big fish
which eats the
small fish, it's the
fast fish which
eats the slow fish

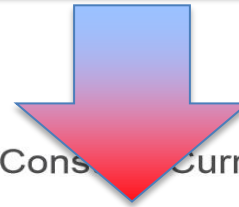
Klaus Schwab
Founder and Executive Chairman
World Economic Forum

Trend – Globally Connected

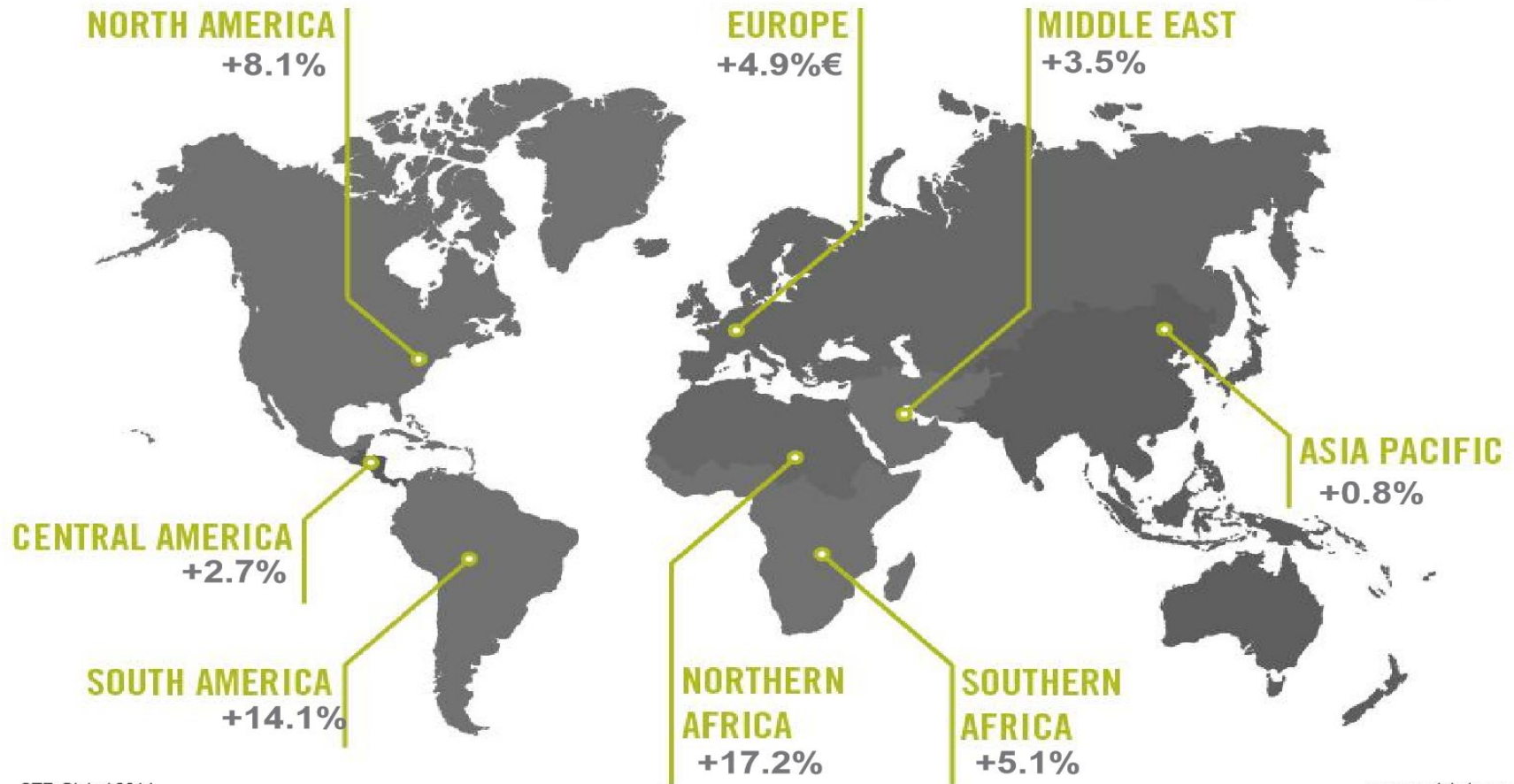


2014 Performance

Let the Good Times Roll



November 2014 YTD RevPAR % Change, Constant Currency USD, Europe in EUR



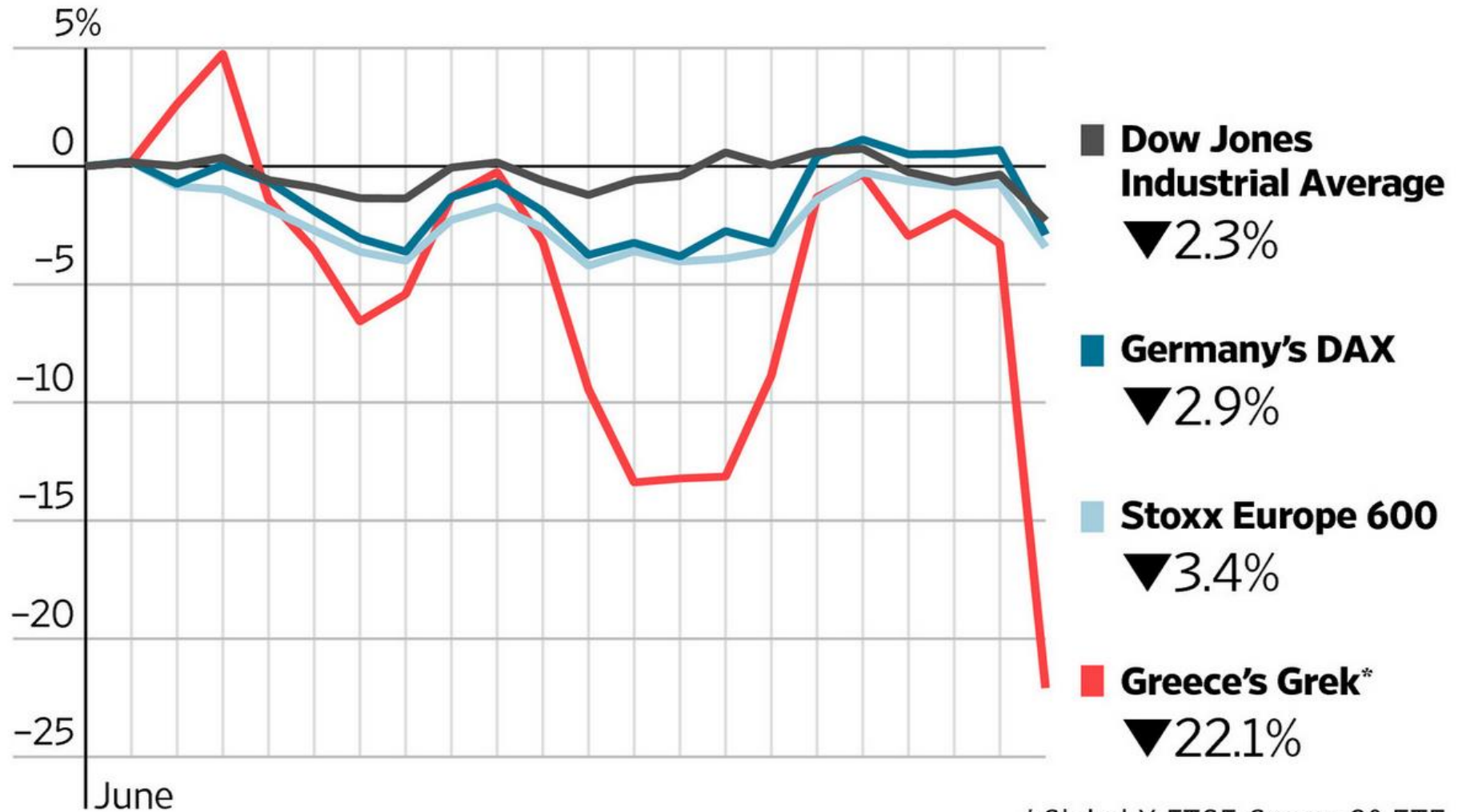
A Greek Tragedy



Greece Shuts Down Banking System

Greece Is Impacting All Markets

Performance this month



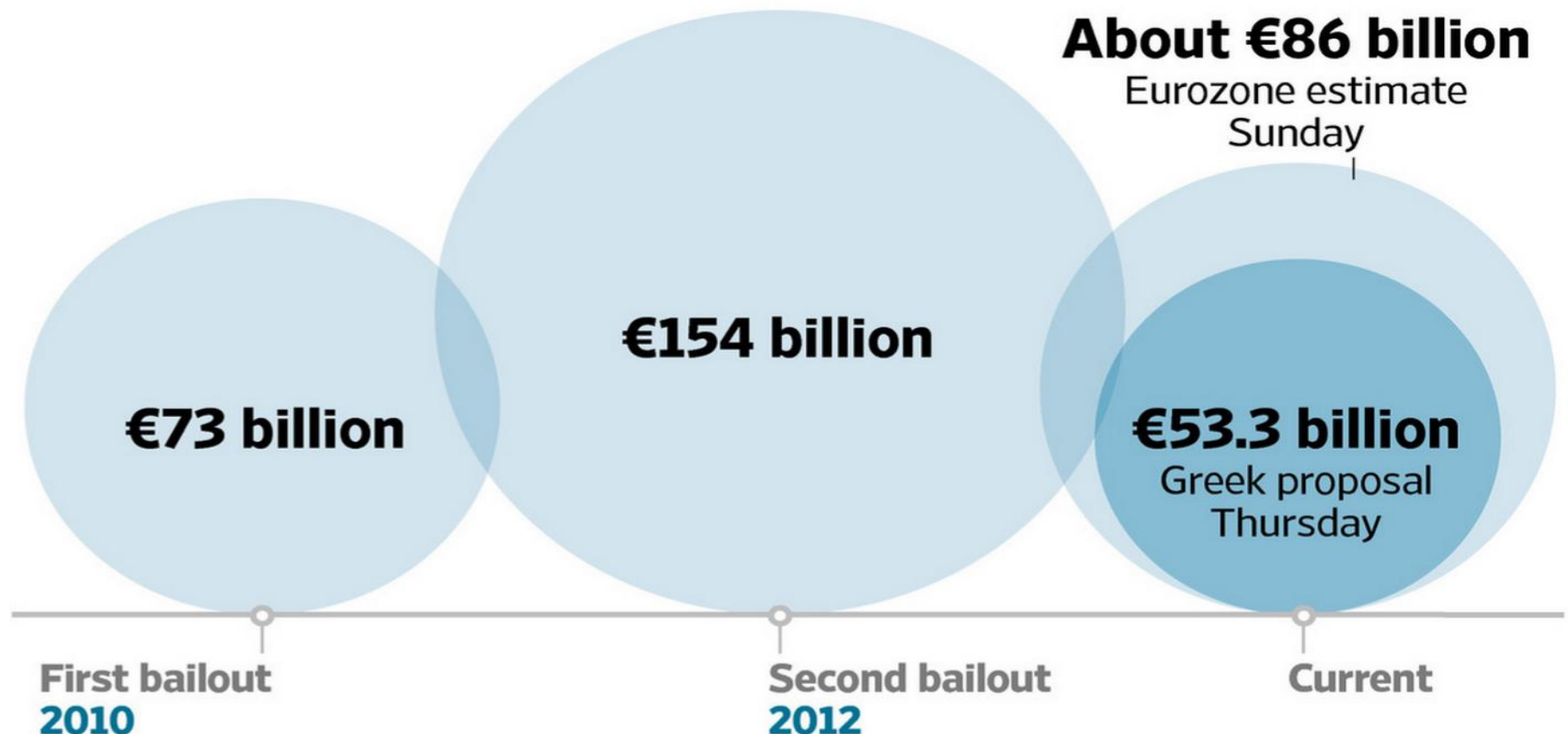
Source: FactSet

*Global X FTSE Greece 20 ETF
THE WALL STREET JOURNAL.

Why Important

Lifelines

Greece and its creditors are negotiating the size of a third bailout



Notes: Numbers for first two bailouts reflect amounts disbursed; €1 = \$1.12

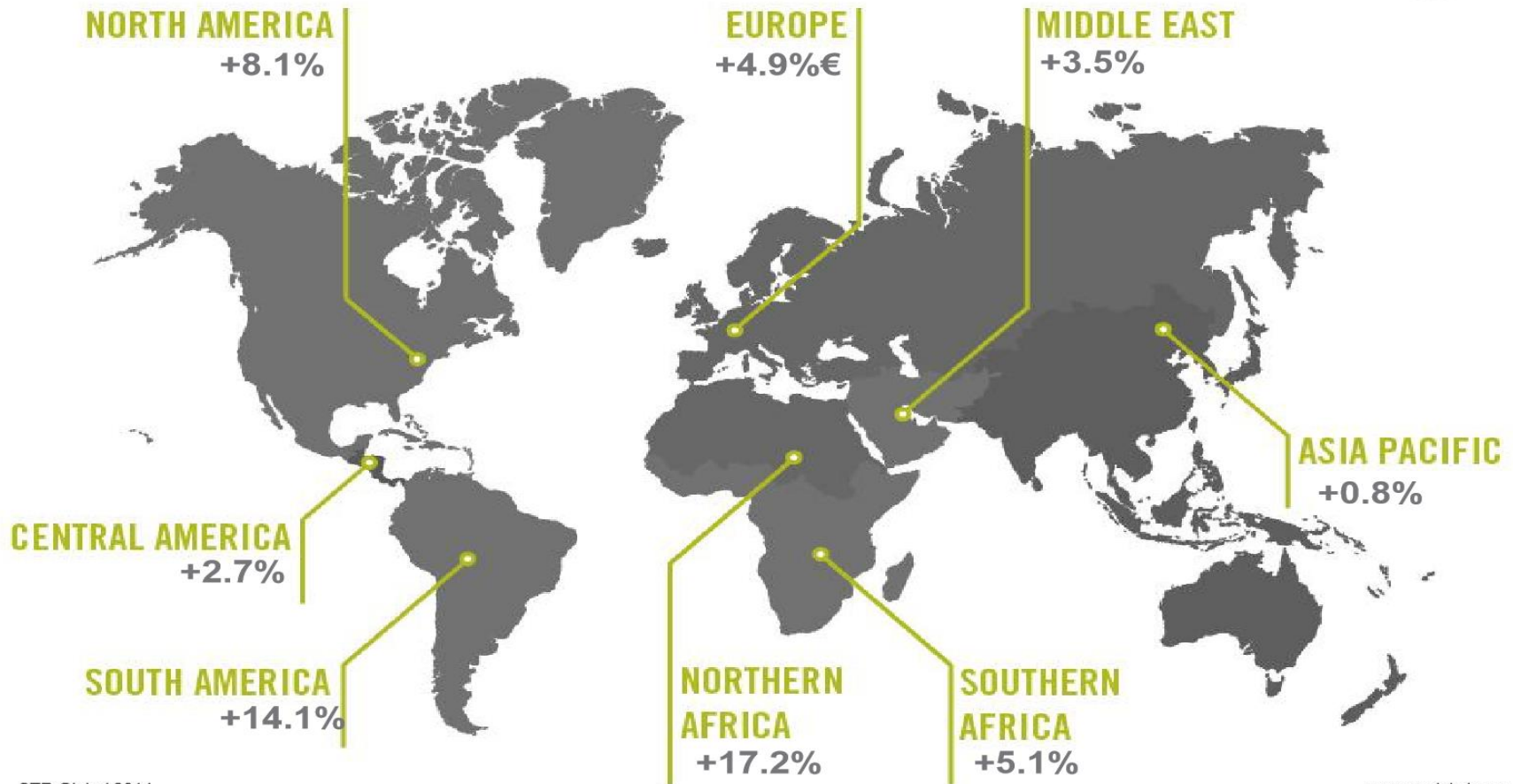
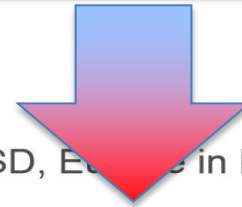
Sources: European Commission; Greece and its creditors

THE WALL STREET JOURNAL.

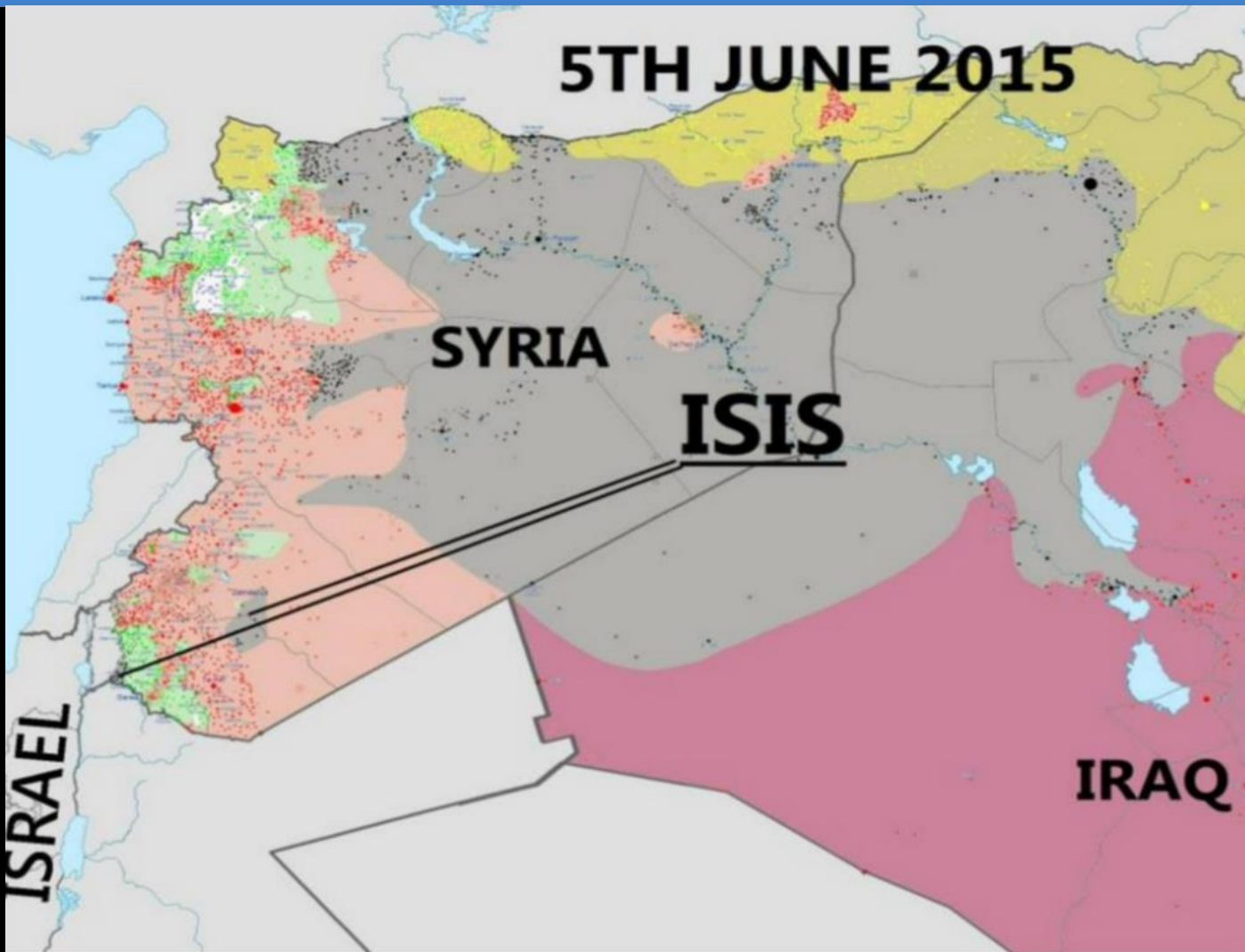
Middle East Chaos

Let the Good Times Roll

November 2014 YTD RevPAR % Change, Constant Currency USD, Europe in EUR



Impact Tourism

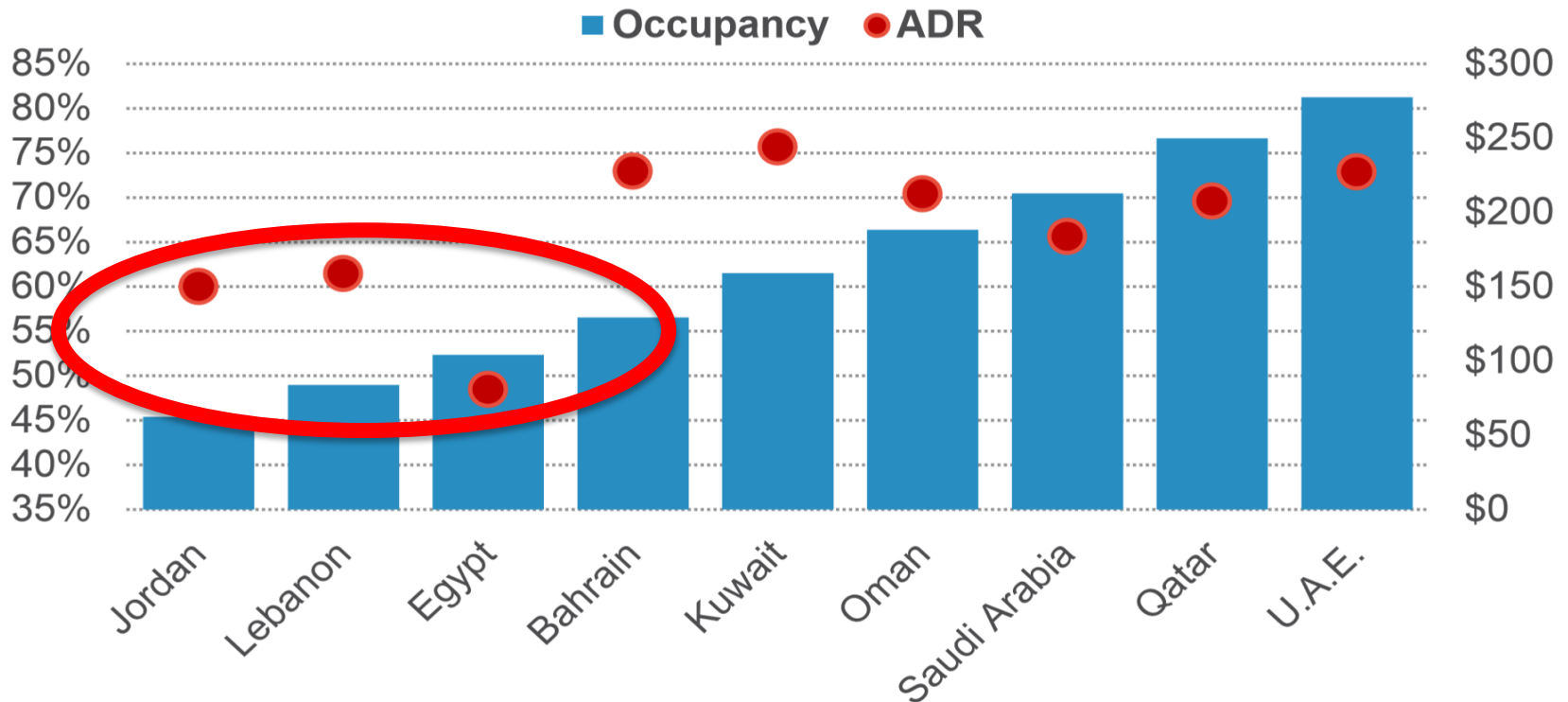


GREY - AREA CONTROLLED

Travel Impact

Middle East Countries Occ, ADR

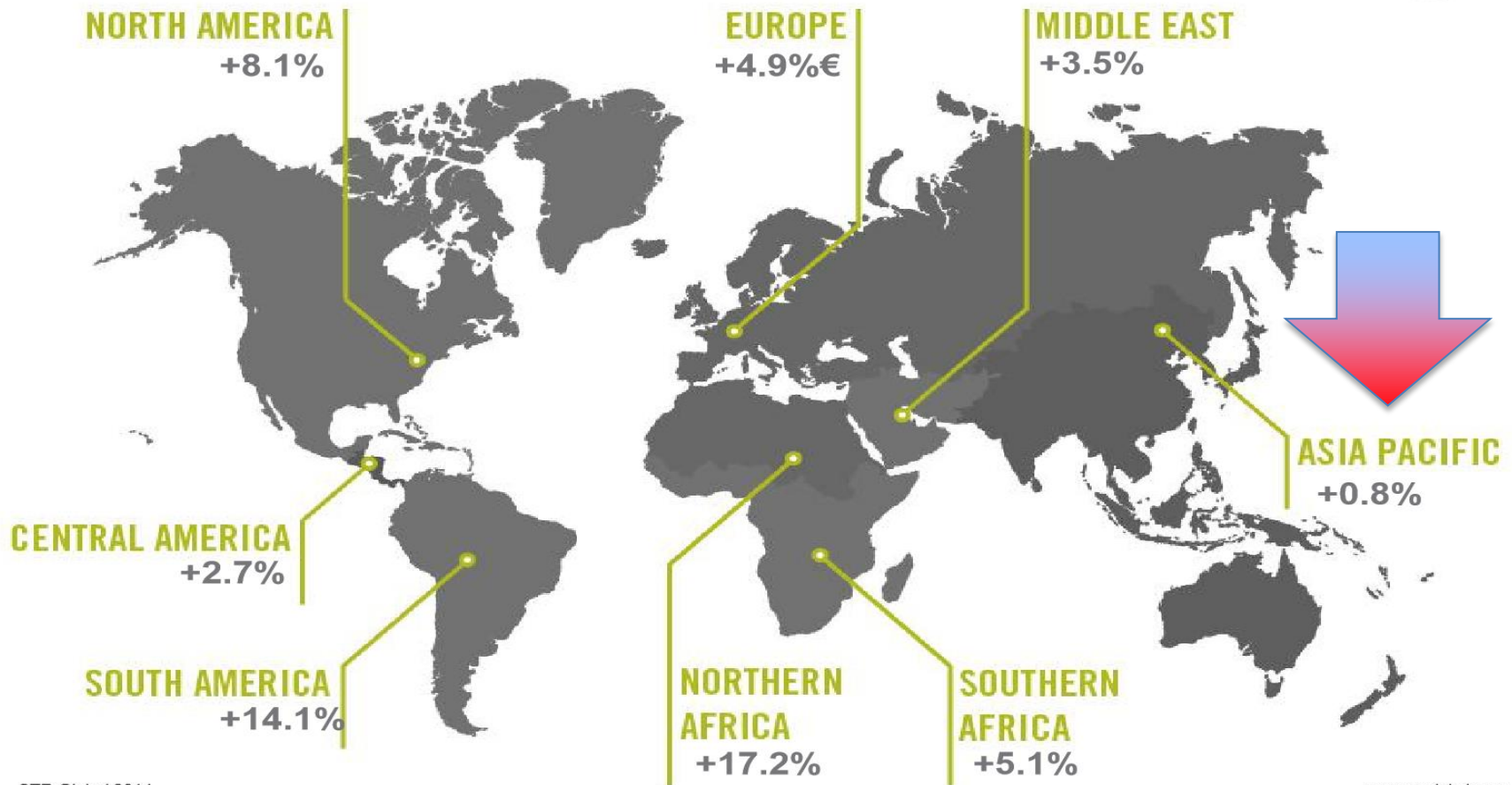
April 2015 YTD, in Local Currency



Asia Pacific

Let the Good Times Roll

November 2014 YTD RevPAR % Change, Constant Currency USD, Europe in EUR

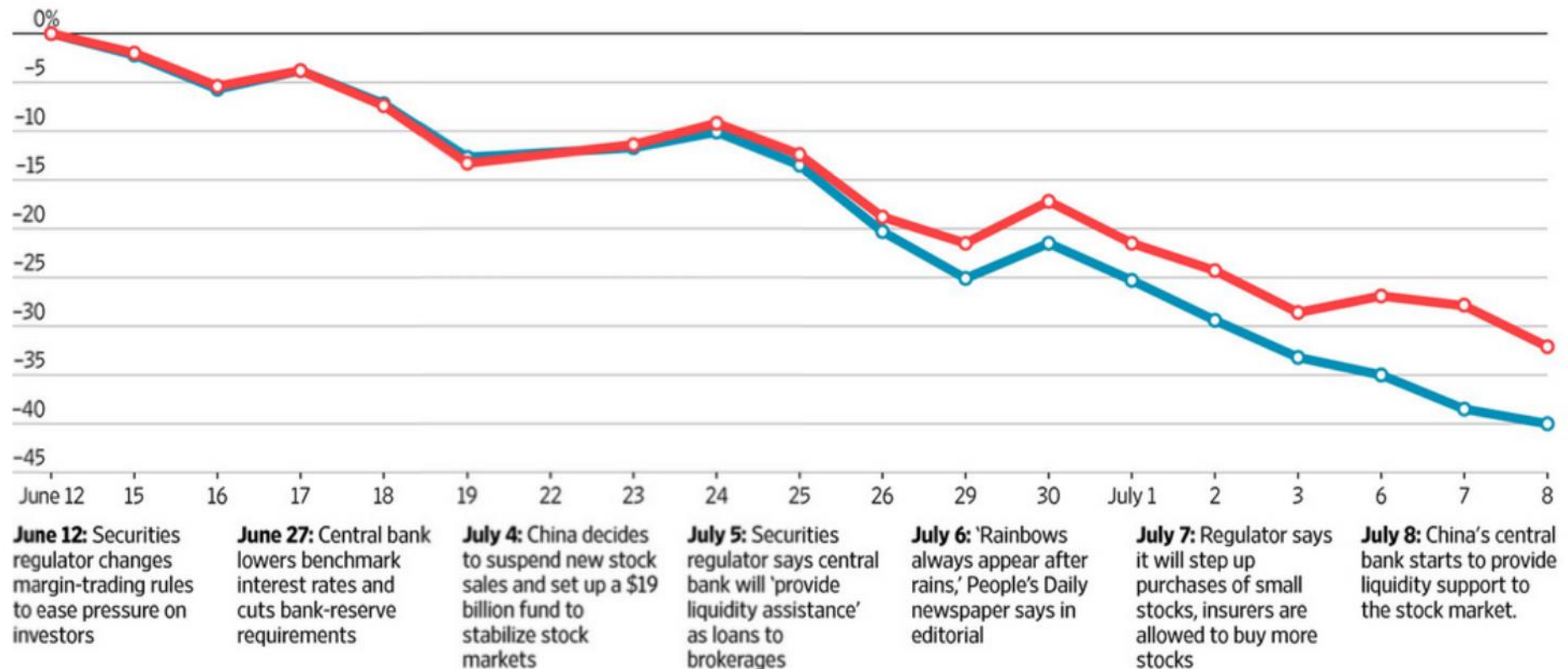


Soft Landing for China?

No Breaks

Since China's stock markets began to slide, government authorities have tried aggressively to steady stock prices and calm investors...

Change in **Shanghai Composite** and **Shenzhen Composite** indexes since June 12



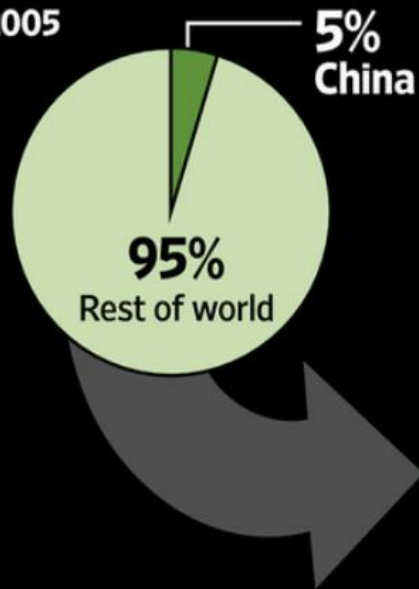
Why China Matters

What's at Stake

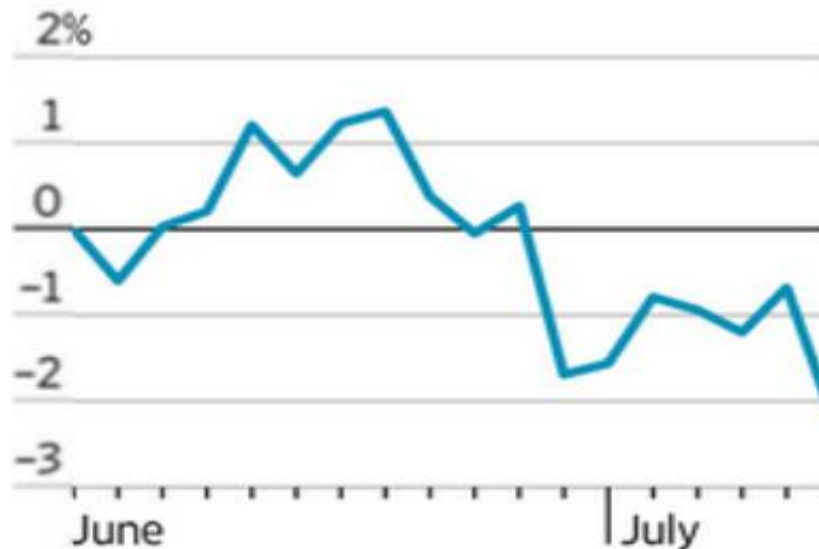
China's economy has swelled over the past decade, giving it greater sway over world financial markets.

China's share of global GDP

2005



Dow Jones Industrial Average



Change since June 12

Alibaba Group Holding

-10.0%

Baidu

-11.1%

tors

-3.9%

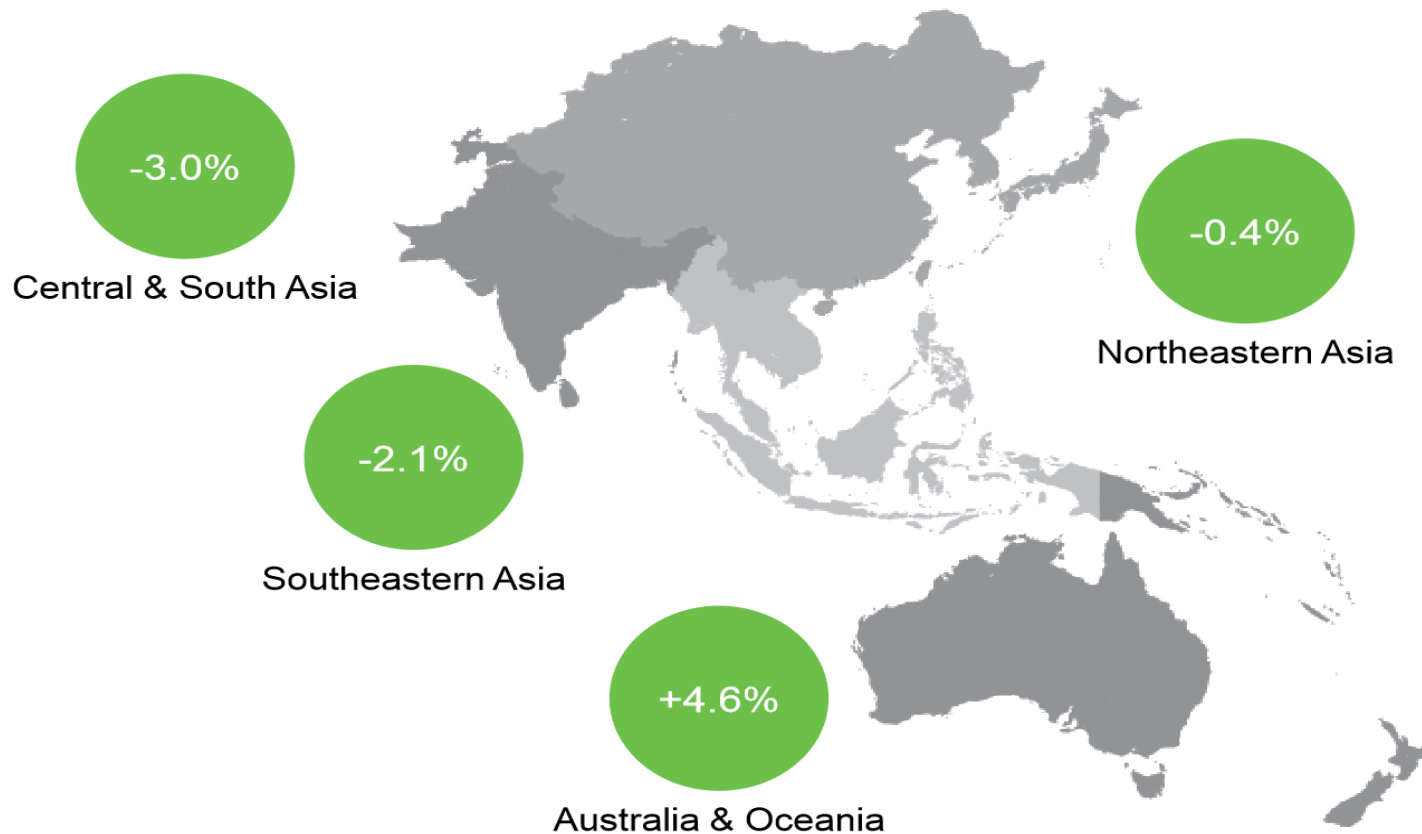
-9.7%

THE WALL STREET JOURNAL.

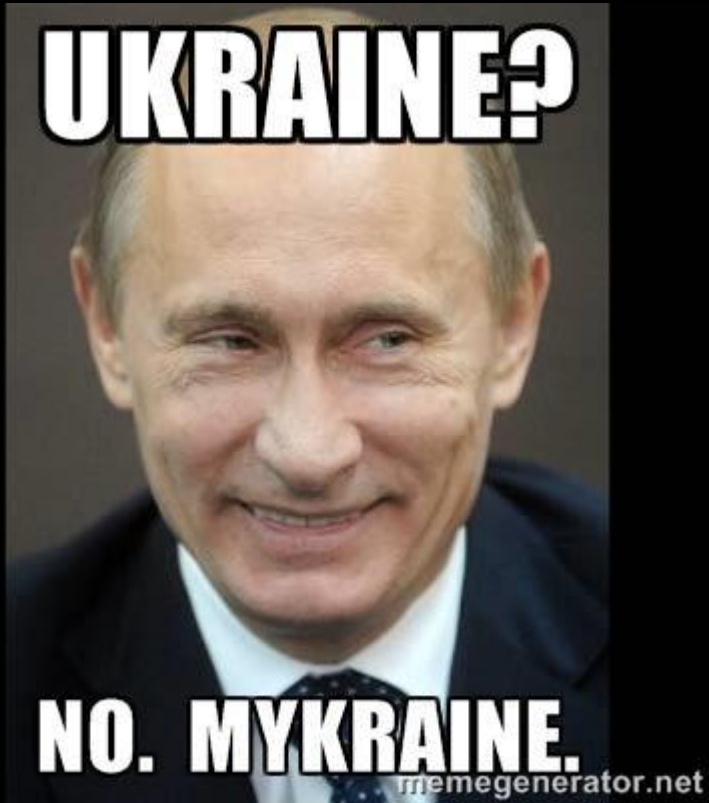
Asia Pacific

Spotlight Asia Pacific

RevPAR, May 2015 YTD, USD, Constant Currency



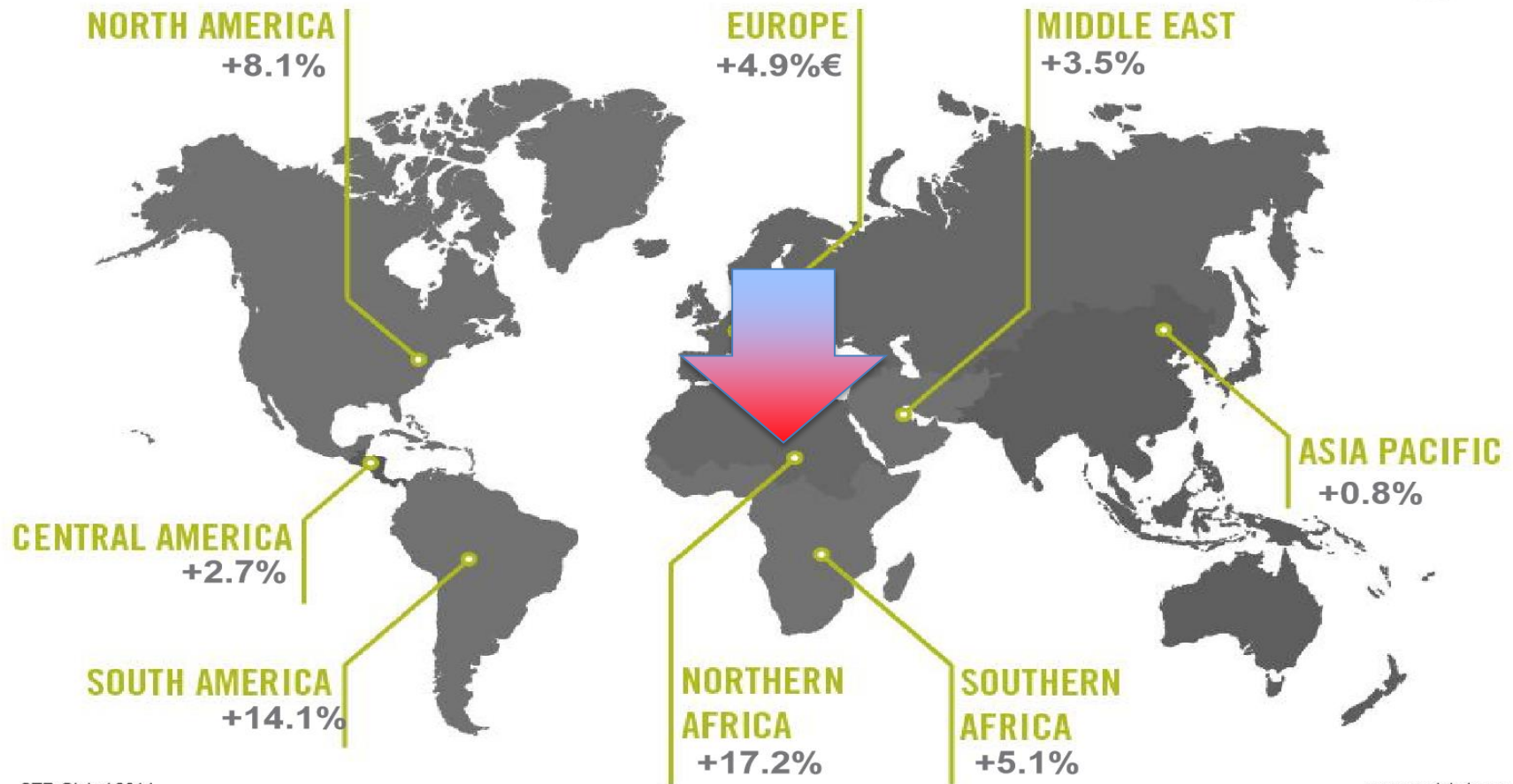
And Then There Is Russia



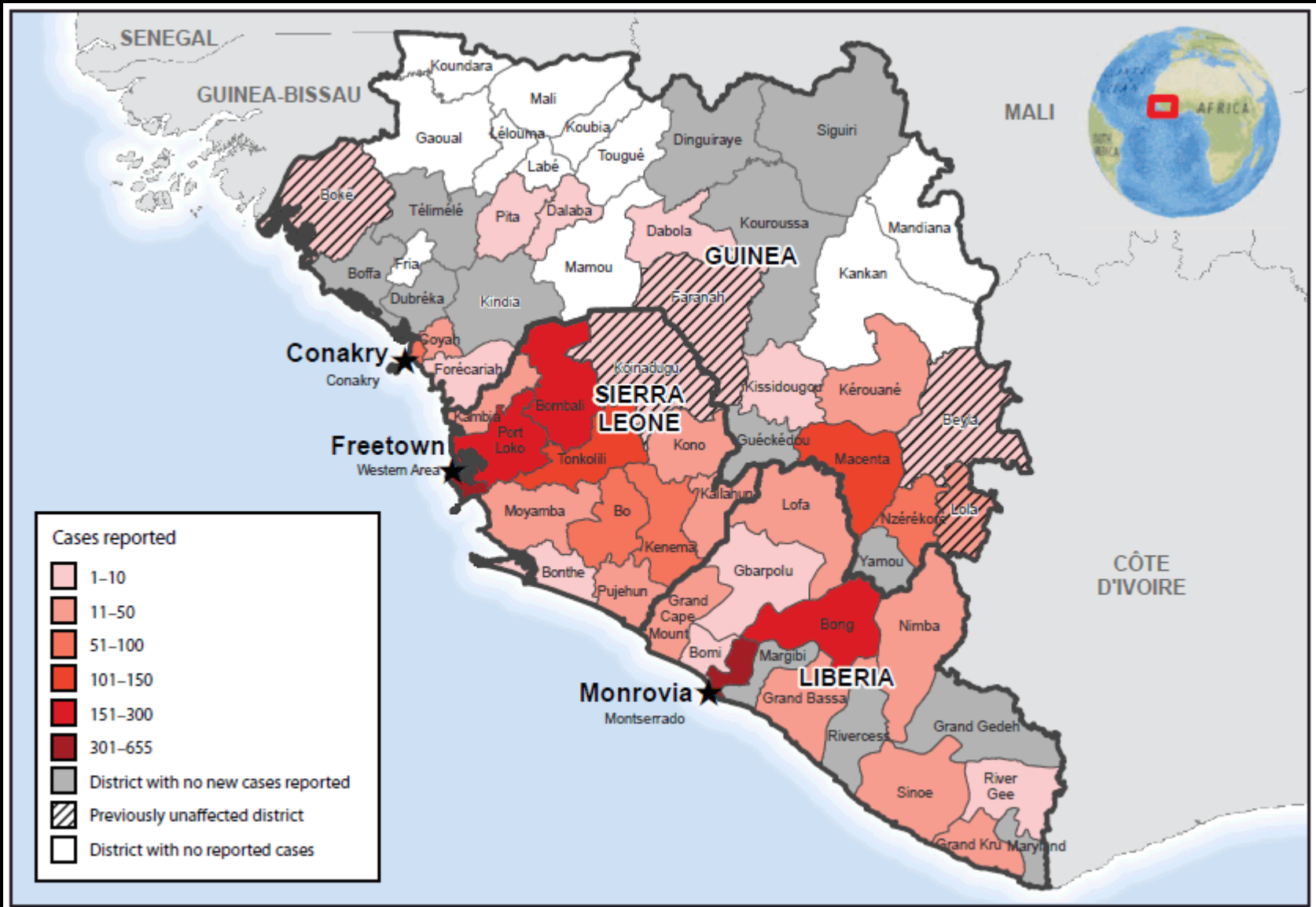
Africa

Let the Good Times Roll

November 2014 YTD RevPAR % Change, Constant Currency USD, Europe in EUR



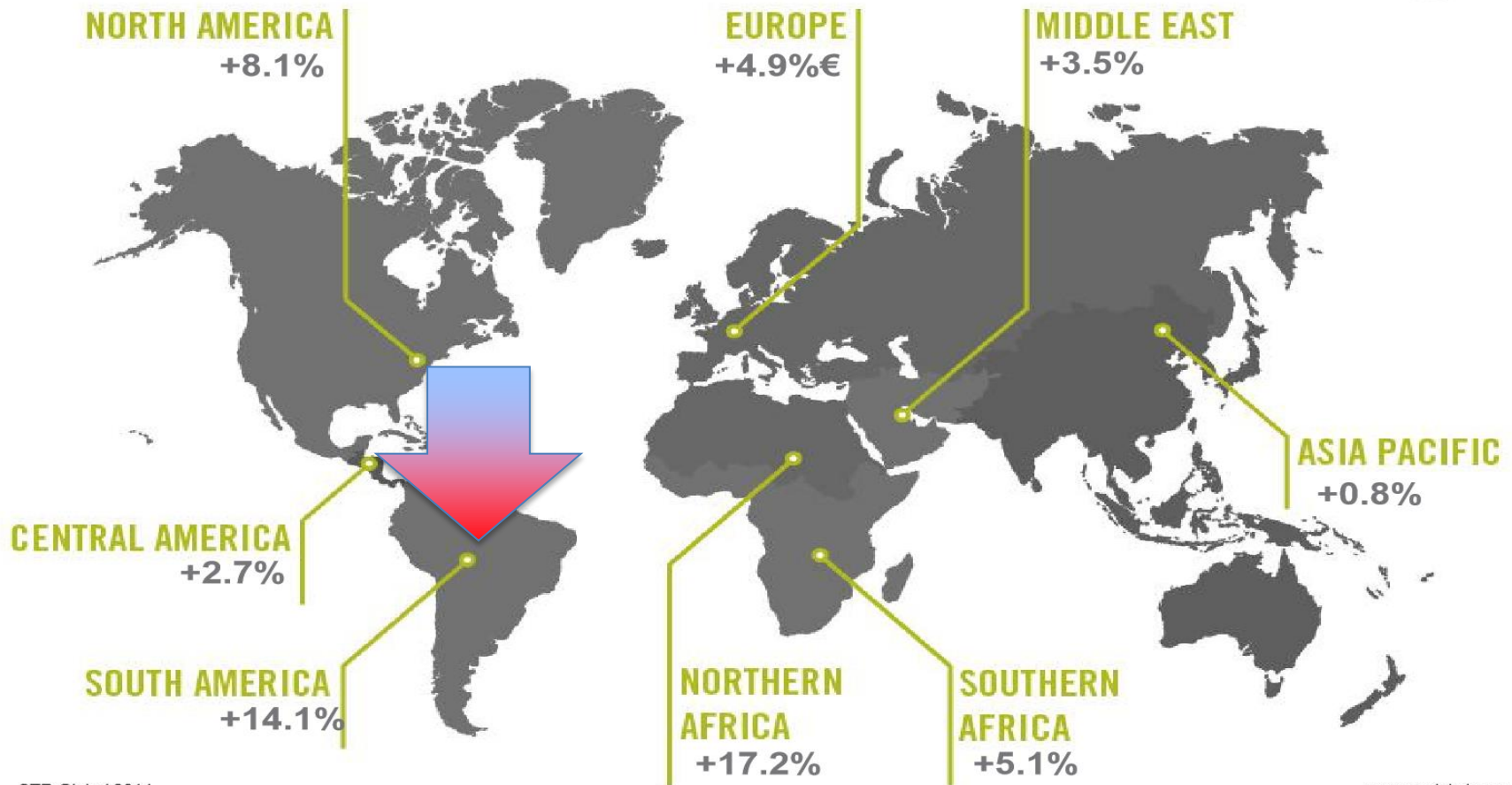
Ebola Is Still The Challenge



South America

Let the Good Times Roll

November 2014 YTD RevPAR % Change, Constant Currency USD, Europe in EUR



World Cup Fatigue

Facebook/wallpaper_jeeef
http://jafarjeeef.deviantart.com

Design By : Jafar



GROUP A

BRAZIL
 CROATIA
 MEXICO
 CAMEROON

GROUP B

SPAIN
 NETHERLANDS
 CHILE
 AUSTRALIA

GROUP C

COLOMBIA
 GREECE
 CÔTE D'IVOIRE
 JAPAN

GROUP D

URUGUAY
 COSTA RICA
 ENGLAND
 ITALY



GROUP E

SWITZERLAND
 ECUADOR
 FRANCE
 HONDURAS

GROUP F

ARGENTINA
 BOSNIA-HERZEGOVINA
 IRAN
 NIGERIA

GROUP G

GERMANY
 PORTUGAL
 GHANA
 USA

GROUP H

BELGIUM
 ALGERIA
 RUSSIA
 KOREA

Economic Issues



North America



Trend – Record Demand

2014: Room Revenue Record

Total 2008: \$107 Billion

Total 2013: \$122 Billion

Total 2014: \$133 Billion

Record Demand In North America

**2014:
Most Rooms Sold In A Single Year Ever**

1.6 Billion



What About 2015



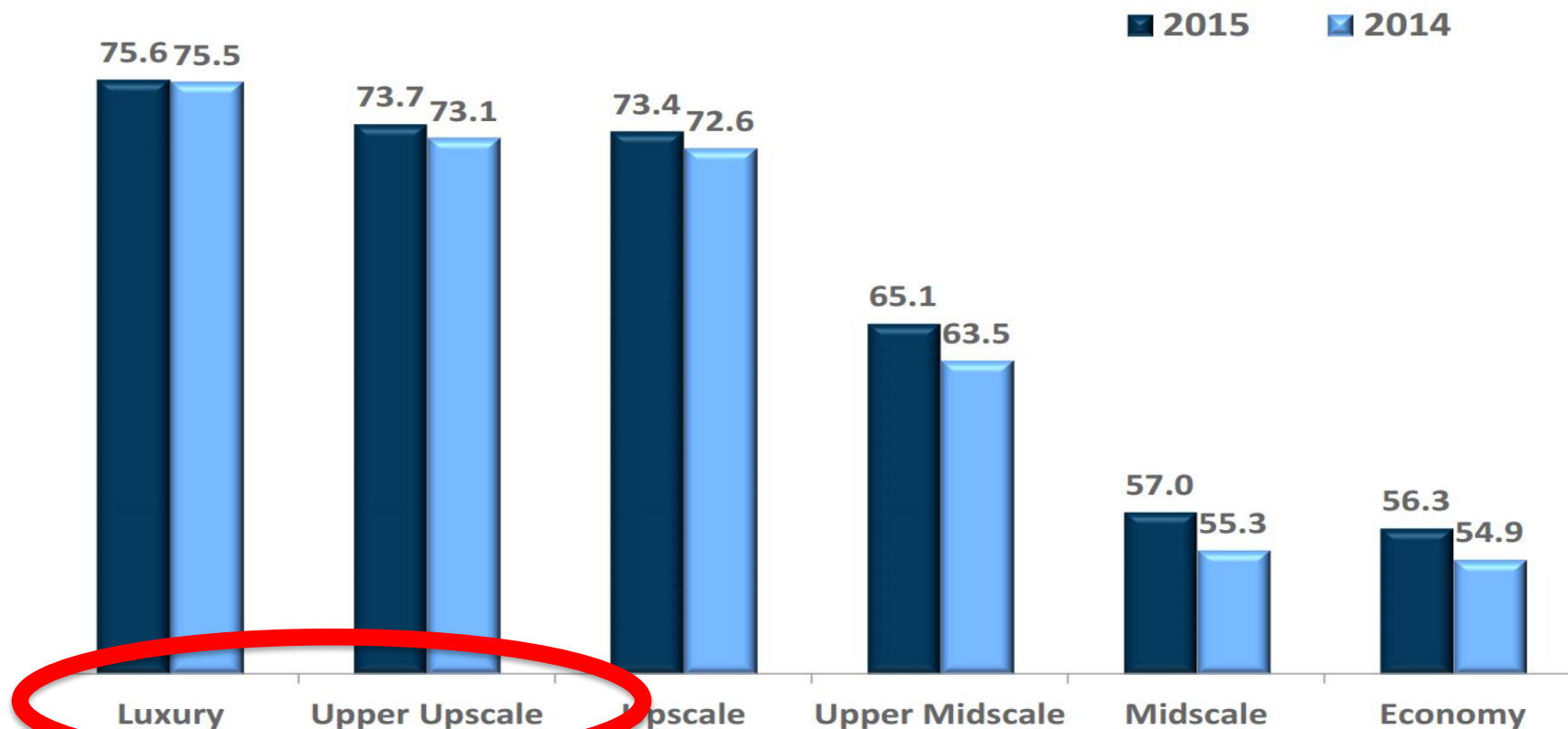
Still Breaking Records

US Industry Performance: May 2015

- Highest Occupancy Ever: 67.5%
- Highest Room Demand Ever: 104 million
- Highest Annualized Occupancy: 65%
 - All KPIs Are At All-time Highs

All Segments

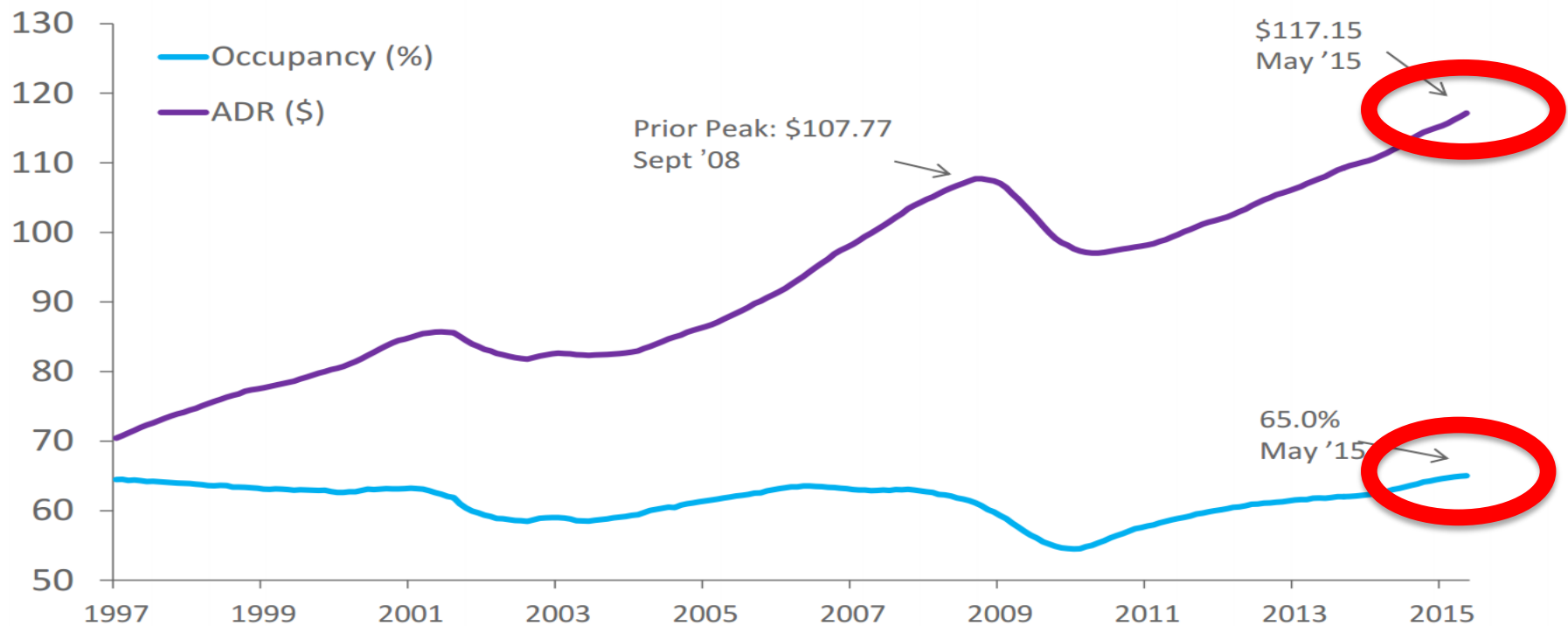
Scales: Absolute OCC Very Healthy On The Upper End



*OCC %, by Scale, May YTD 2015 & 2014

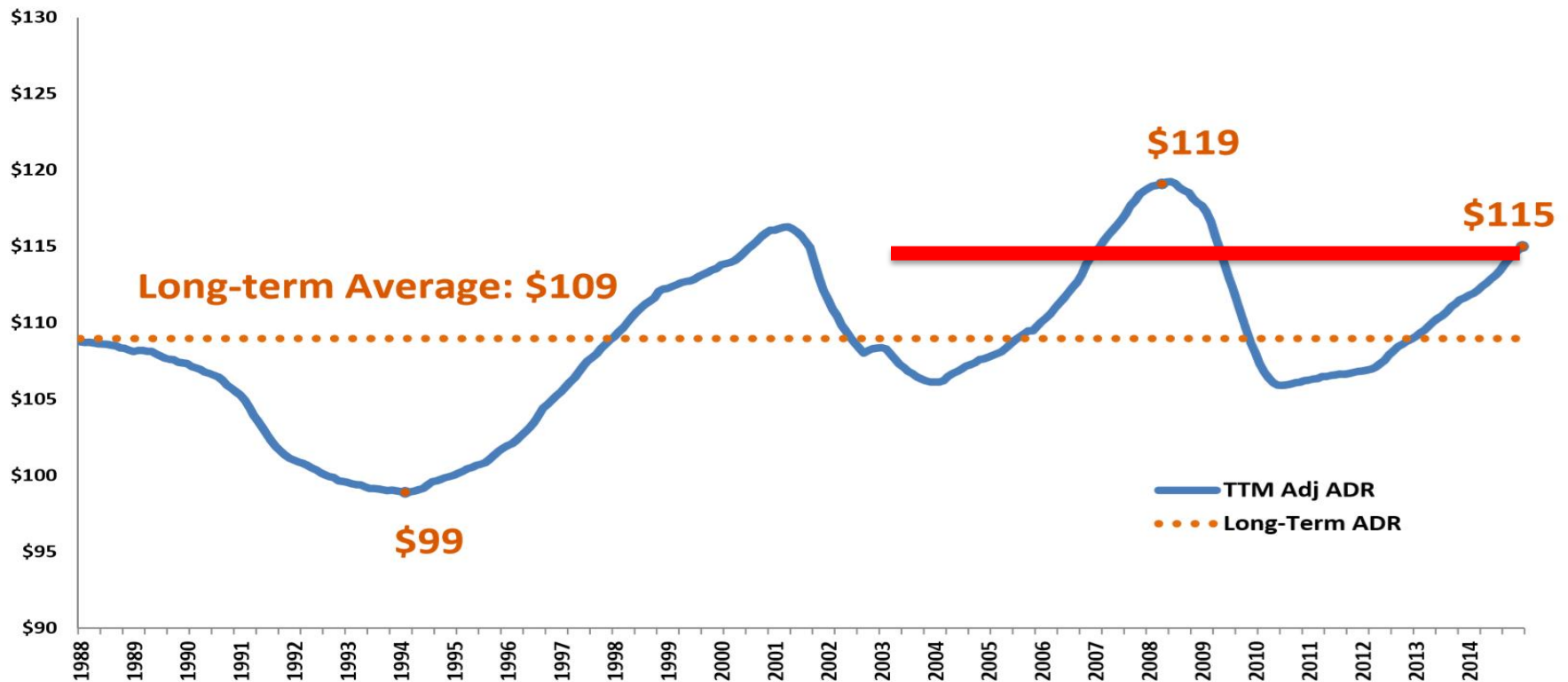
Rolling 12 Month

Occupancies Close to Peak



Rates Have Room To Grow

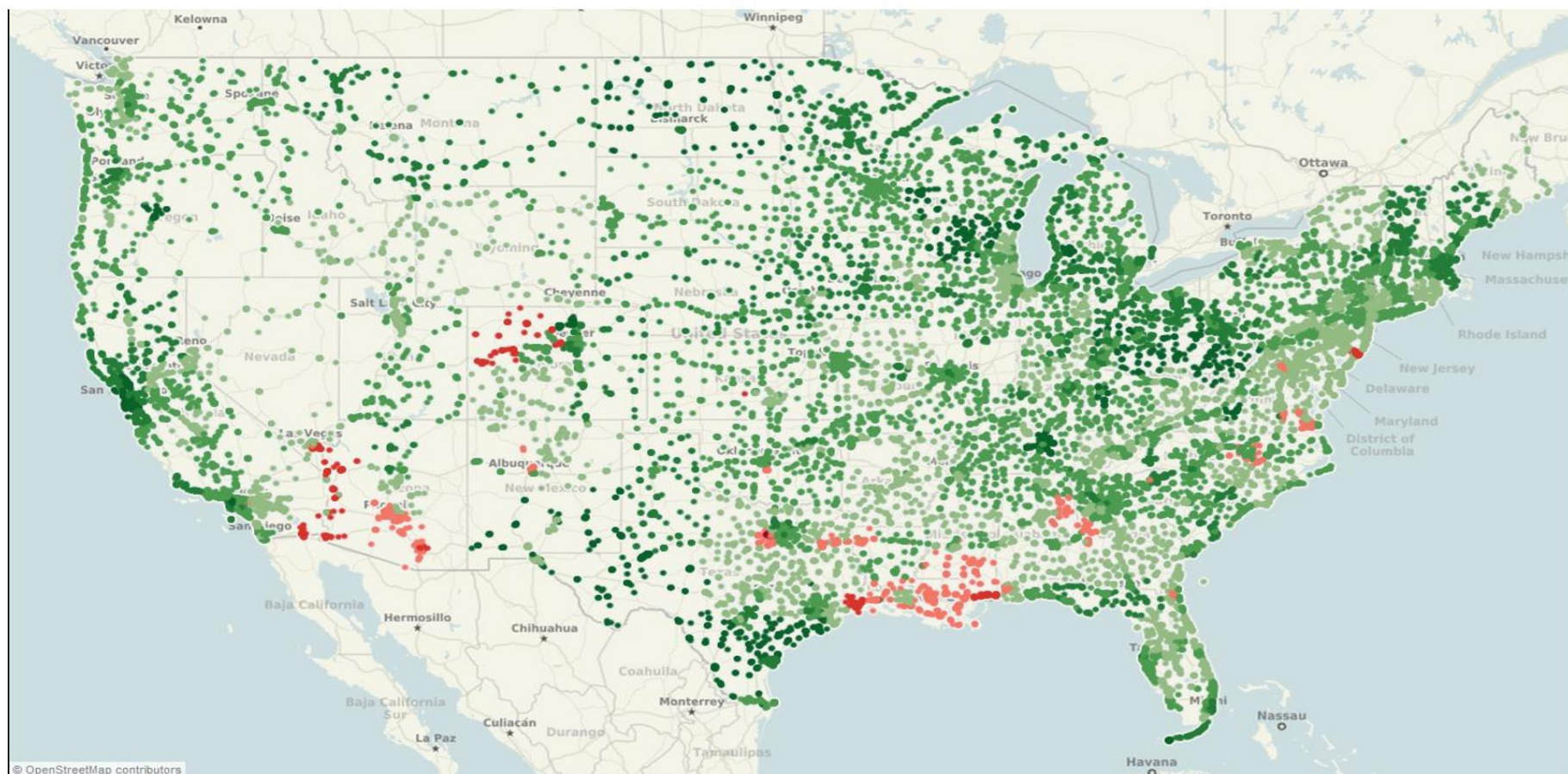
More Room for Rate to Grow Inflation-Adjusted ADR



Inflation-adjusted ADR. 12 MMA 01/87 through 12/14

All Time Records

Green is Good...Most Markets at all-time high RevPAR



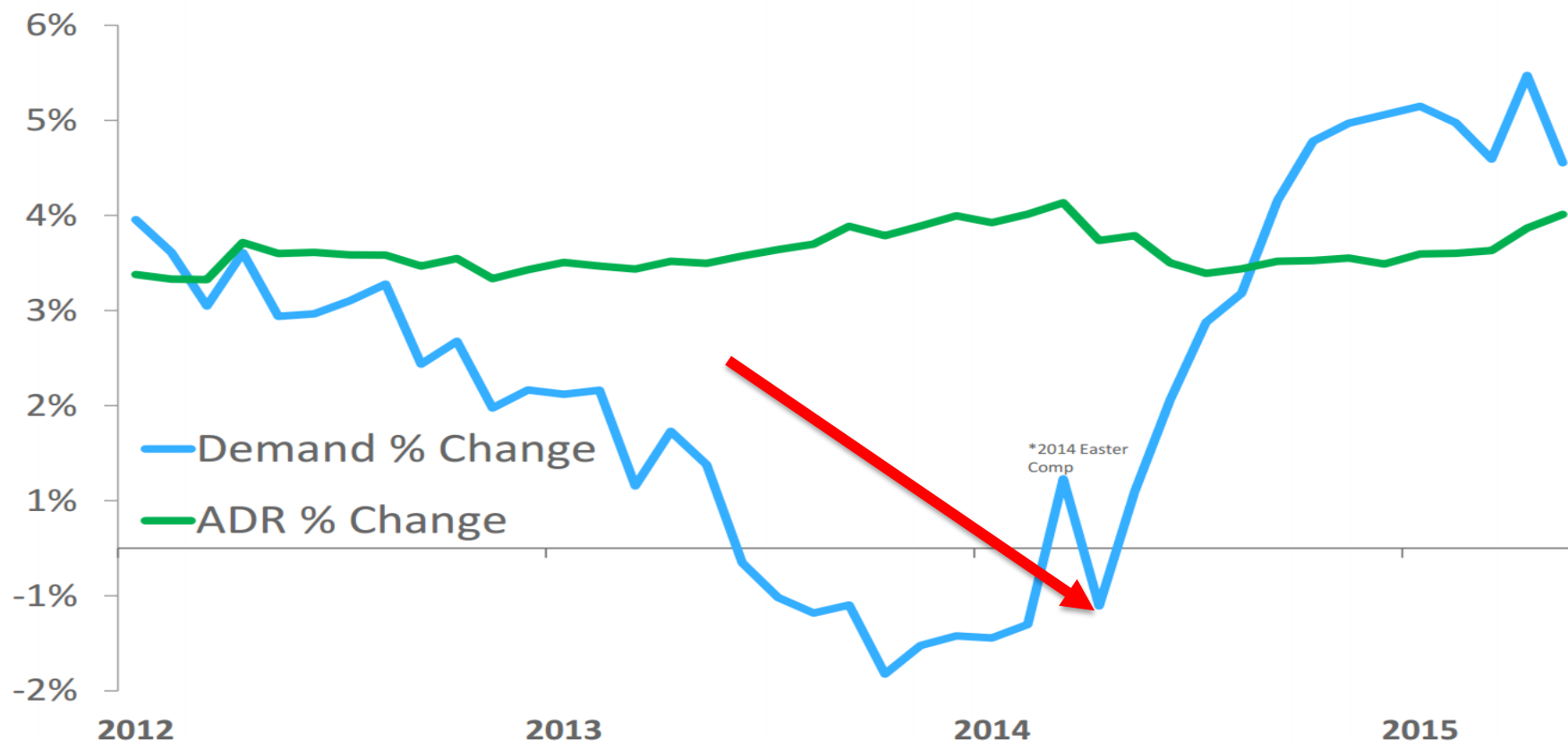
RevPAR % recovered vs. previous peak, TTM 12/2014. Green>100%, Red<100%



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Group – The Comeback Story

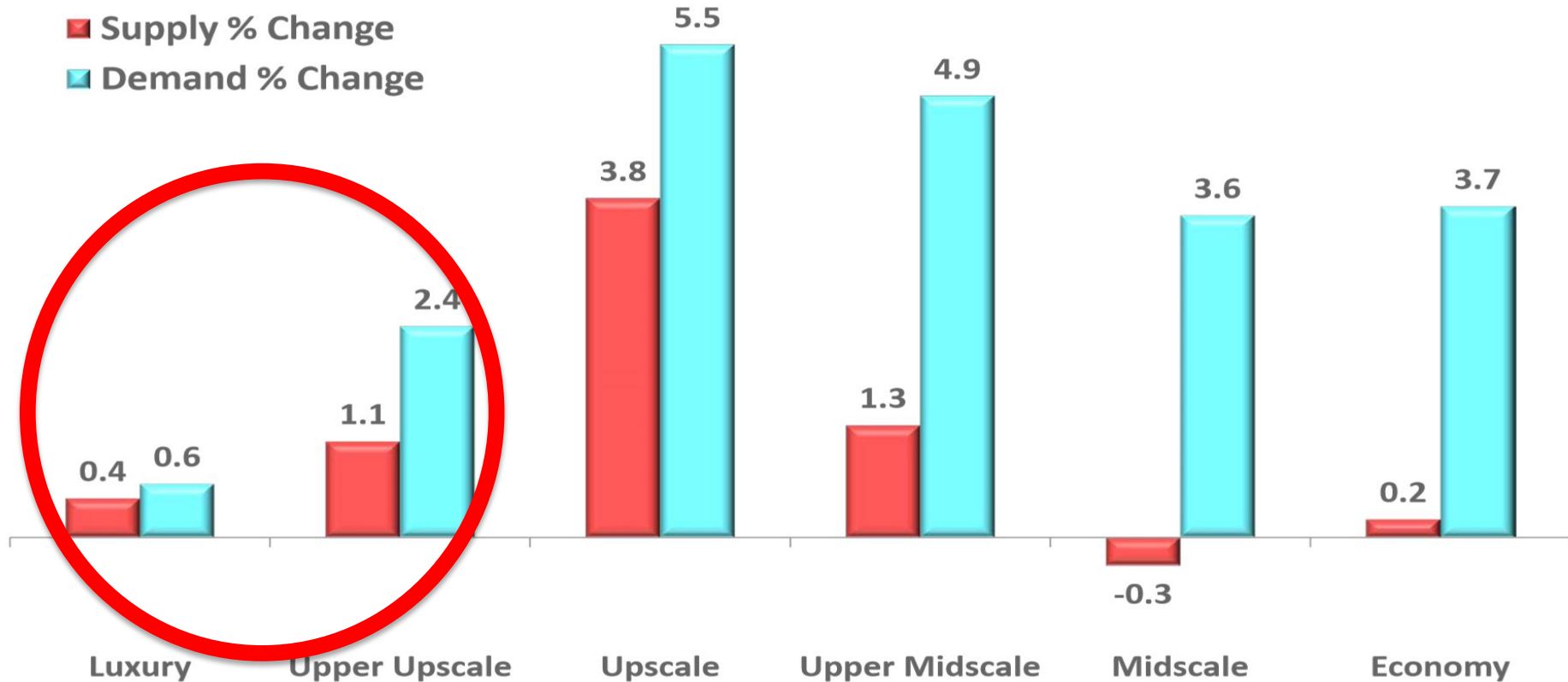
Group Demand Grows. Good Implications For All Hotels



*Group Demand and ADR % Change, 12 MMA, 1/2012 – 05/2015

Trend – No New Supply

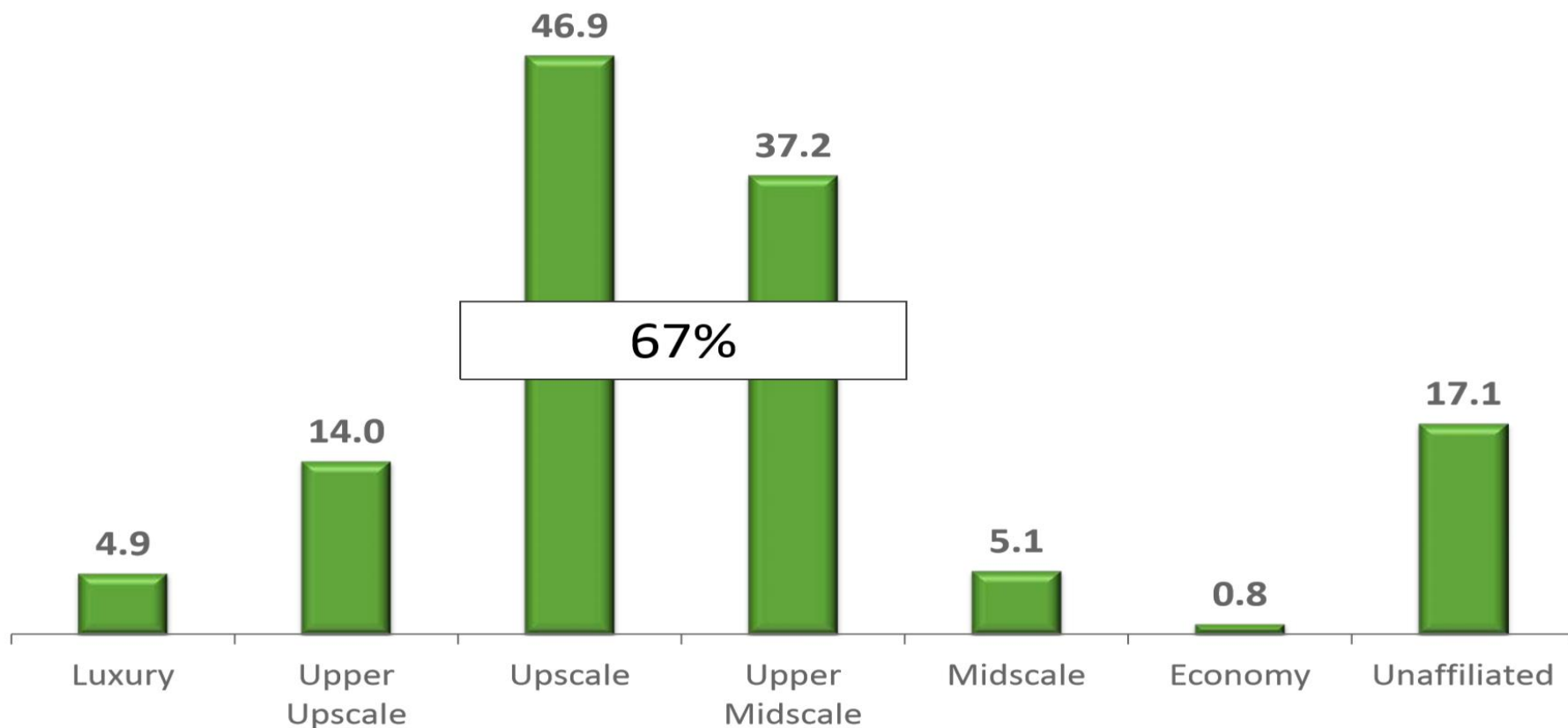
Scales: Year Starts Out As It Ended – Strong Demand Growth



*Supply / Demand % Change, by Scale, March 2015 YTD

Limited Service

Limited Service Construction Has Been Strong For 2 Years

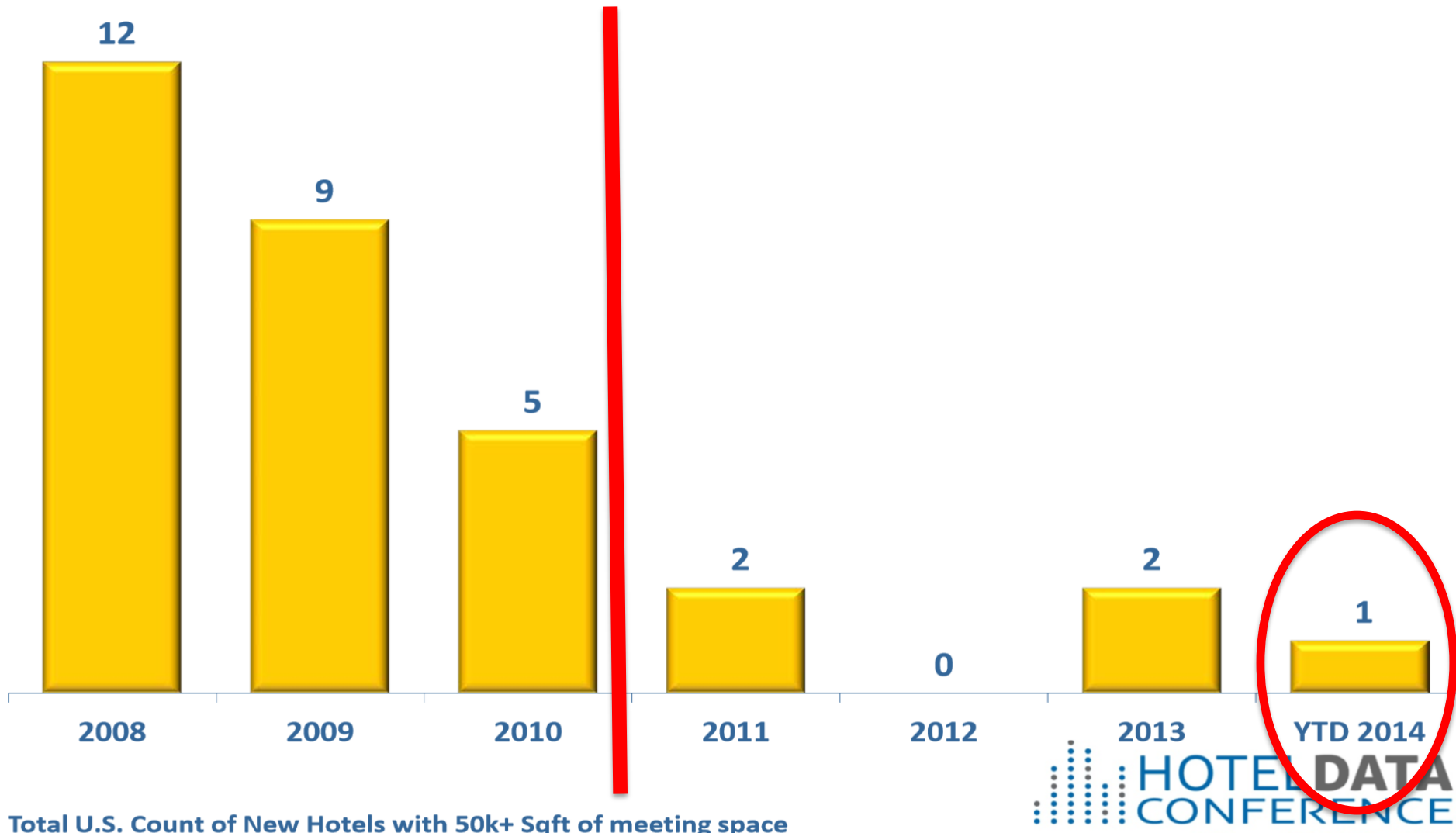


*US Pipeline, Rooms Under Construction , '000s Rooms, by Scale, March 2015

No Group Hotels Added

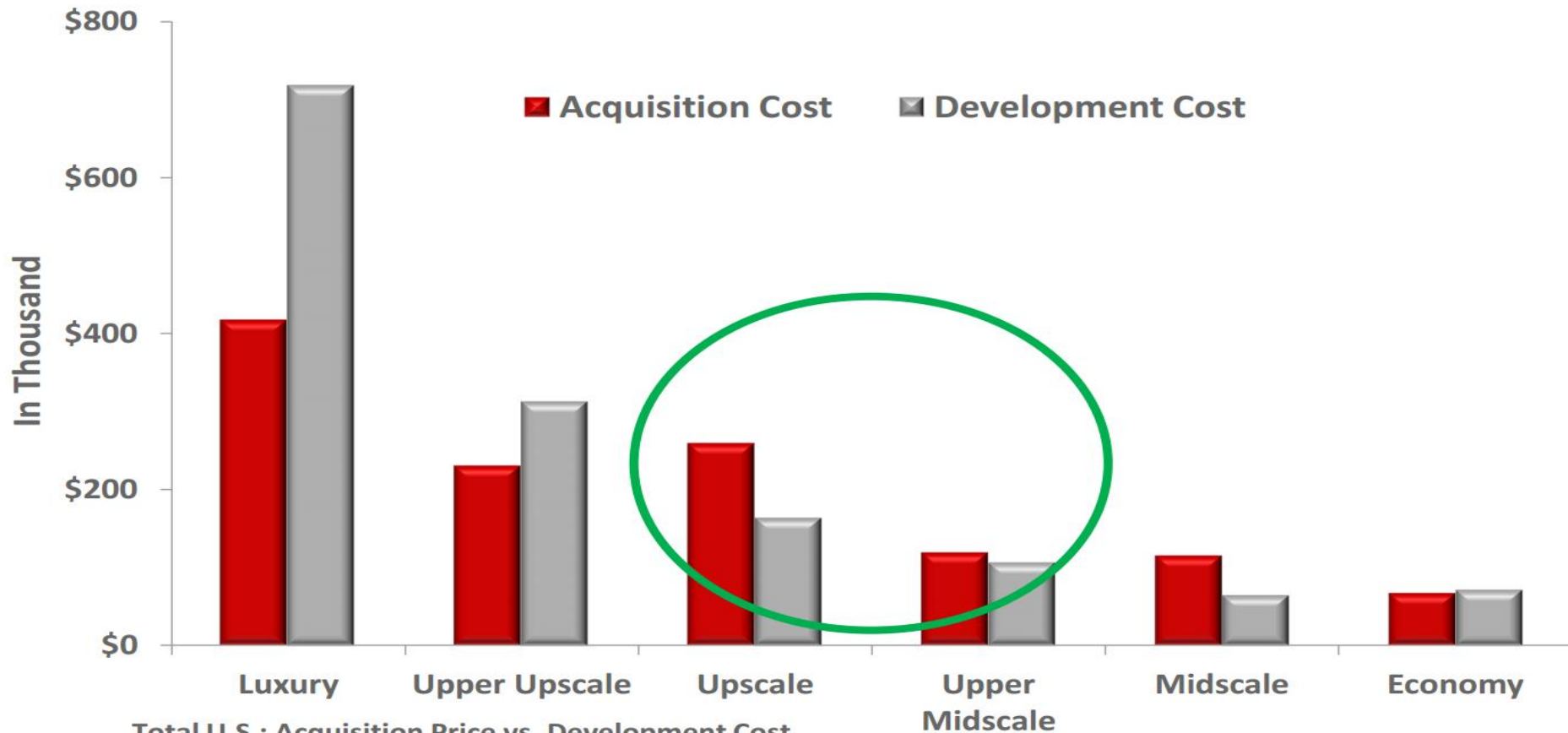
29

New Hotels w/ 50,000+ Sqft Meeting Space



Building is Too Expensive

Buy vs. Build

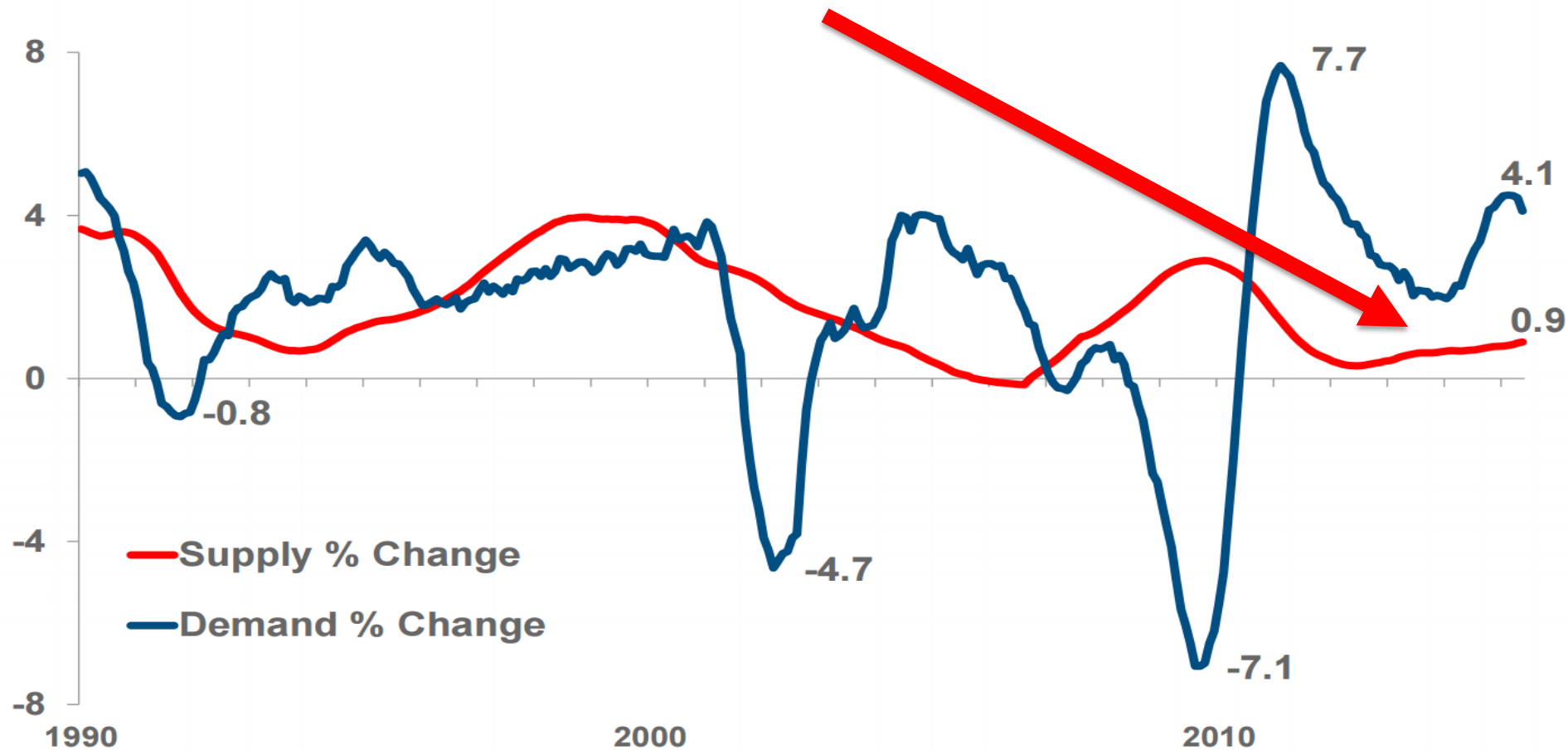


Total U.S.: Acquisition Price vs. Development Cost

Source: 2014 Hotel Development Index

Trend – Structural Changes

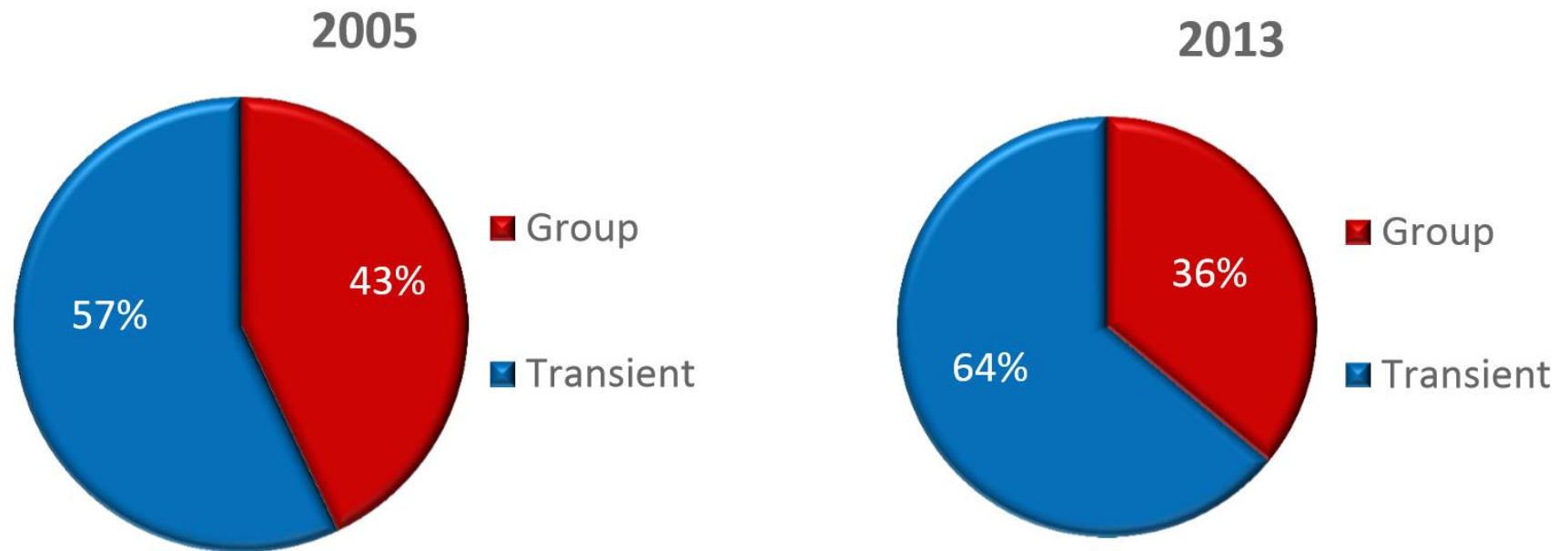
The Best Fundamentals (Maybe In Our Lifetime)



Total U.S., Supply & Demand % Change, 12 MMA 1/1990 – 05/2015

Structural Changes

Transient Occupancy Share Increases



Trend - Forecast

2015 Year End RevPAR Forecast

Top 25 US Markets, November 2014 Forecast (Markets sorted alphabetically)

| 0% to 5% | 5% to 10% | 10% to 15% |
|--------------|----------------|------------|
| New York | Anaheim | |
| Norfolk | Atlanta | |
| Philadelphia | Boston | |
| | Chicago | |
| | Dallas | |
| | Denver | |
| | Detroit | |
| | Houston | |
| | Los Angeles | |
| | <i>Miami</i> | |
| | Minneapolis | |
| | Nashville | |
| | New Orleans | |
| | Oahu | |
| | <i>Orlando</i> | |
| | Phoenix | |
| | San Diego | |
| | San Francisco | |
| | Seattle | |
| | St. Louis | |
| | <i>Tampa</i> | |
| | Washington | |

2016 Forecast

Total United States

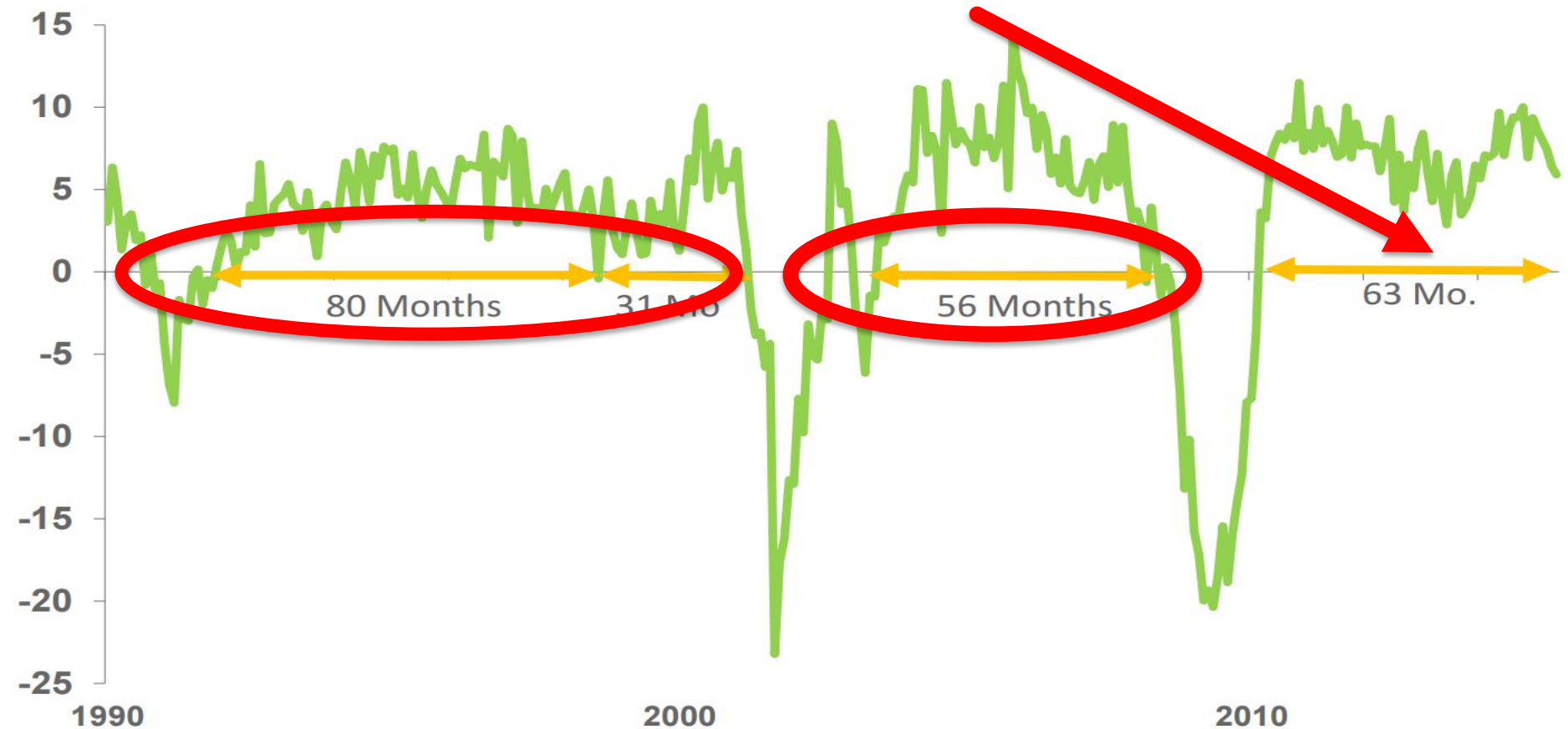
Chain Scale Key Performance Indicator Outlook
2016F by Chain Scale



| 2016 Year End Outlook | | | |
|----------------------------|----------------------|----------------|-------------------|
| Chain Scale | Occupancy (% chg) | ADR (% chg) | RevPAR (% chg) |
| Luxury | 0.3% | 5.2% | 5.5% |
| Upper Upscale | 0.5% | 5.5% | 6.0% |
| Upscale | 0.5% | 5.2% | 5.7% |
| Total United States | 0.8% | 5.0% | 5.9% |

Recovery Cycles

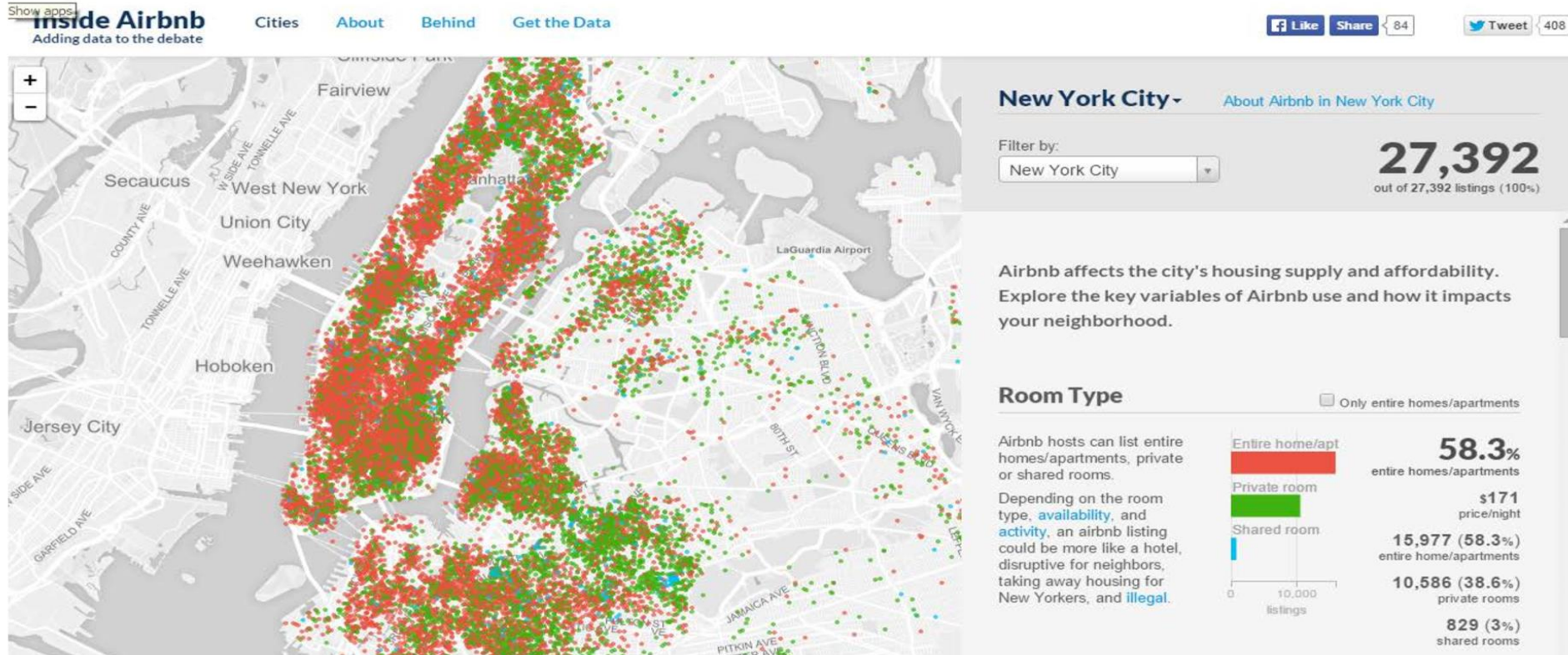
Expect More Of The Same: Positive Growth!



Total U.S., RevPAR % Change, 1/1990 – 05/2015

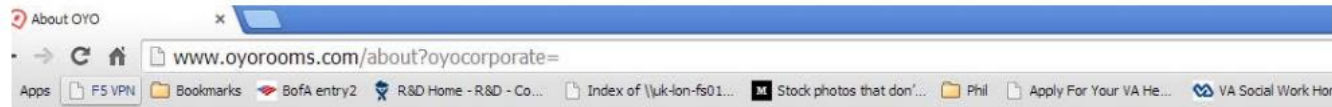
Trend - Shared Economy

\$900 Million in 2015



Hyatt Invests in Home-Rentals Firm

Hotel operator invested in \$40 million financing round in London-based Onefinestay



*We aim to change the way people stay away
from home*

OYO Rooms is the fastest-growing branded network of budget hotels. Founded in 2013, OYO Rooms is backed by Lightspeed Ventures, Sequoia Capital and Green Oaks Capital. OYO Rooms has more than 350 hotels under its brand.



Standardized

OYO Rooms promises to provide the same amenities and the same awesome experience across all its rooms.



Affordable

OYO offers rooms at prices that no other player in the budget segment offers today.



Technology Driven

OYO uses technology to link all its functions and provide the customer a seamless awesome experience.

Context to Airbnb

A Nation Of Renters

STREETTALKLIVE.COM



Trend - Consolidation



Trend -Cyber Security



Economic Trends



A US Problem

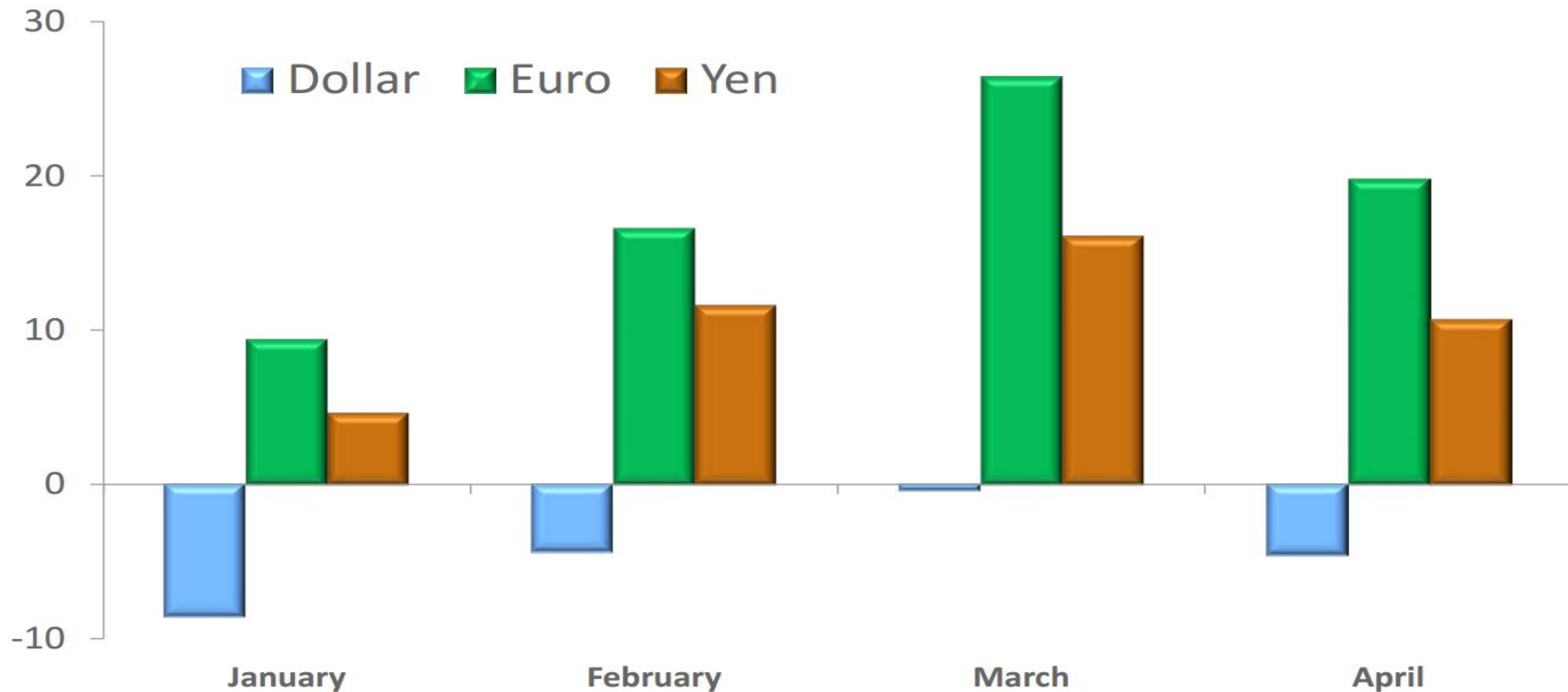


Trend – Strong US Dollar



Hitting Travel

**2015 Manhattan Monthly ADR % Change By Currency:
Strong Dollar Could Hurt Summer Demand**

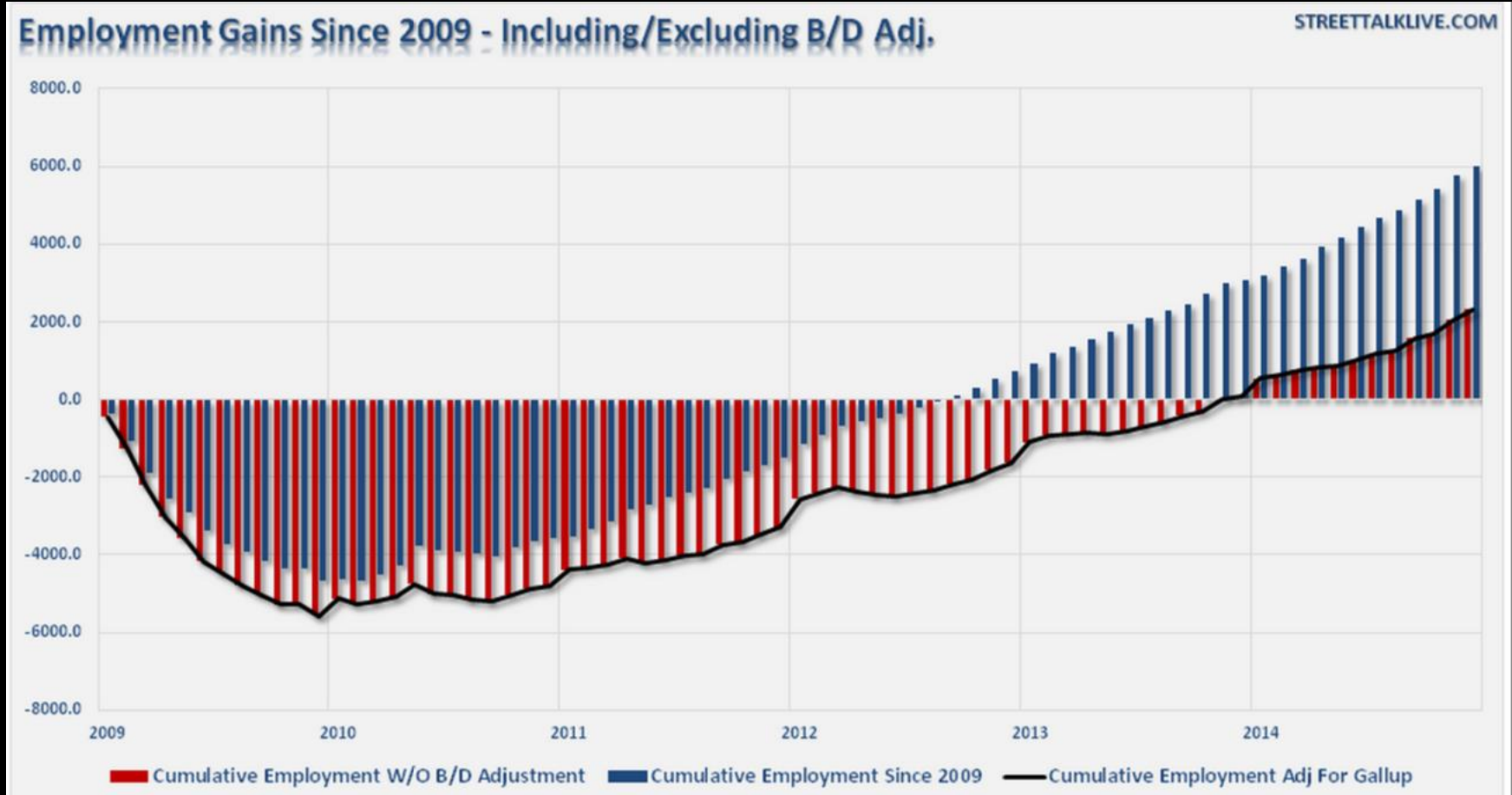


*Manhattan ADR % Change, in US\$, Euro, Yen, 2015 by Month

Trend - Employment



Not Enough Growth



Looking At The Total Job Picture

| | Dec 2007 | May 2015 | Change |
|--------------------------|--------------------|--------------------|-------------------|
| Part-Time Workers | 24,745,000 | 27,506,000 | +2,761,000 |
| Full-Time Workers | 121,609,000 | 121,402,000 | - 207,000 |

Source: U.S. Bureau of Labor Statistics

Impacting X and Y

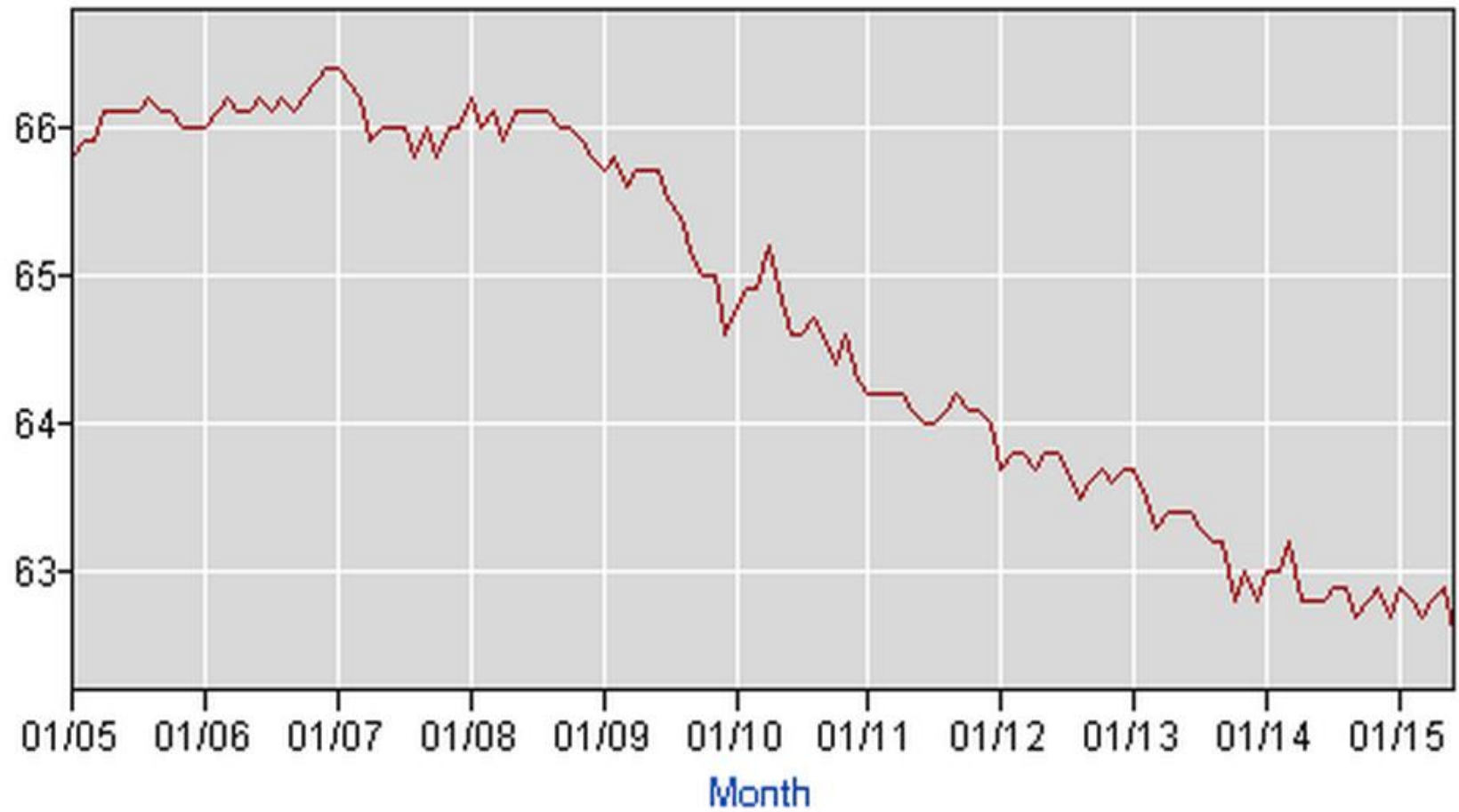
Job “Growth” Since the Start of the Recession

| Age Range | Dec 2007 | May 2015 | Change |
|-------------|-------------|------------|-------------------|
| 16 to 24 | 19,600,000 | 18,844,000 | -756,000 |
| 25 to 54 | 100,461,000 | 96,507,000 | -3,954,000 |
| 55 and Over | 26,243,000 | 33,383,000 | +7,140,000 |
| Total | | | +2,430,000 |

Bottom Line:

The number of older workers is up substantially while all other age sectors have negative growth.

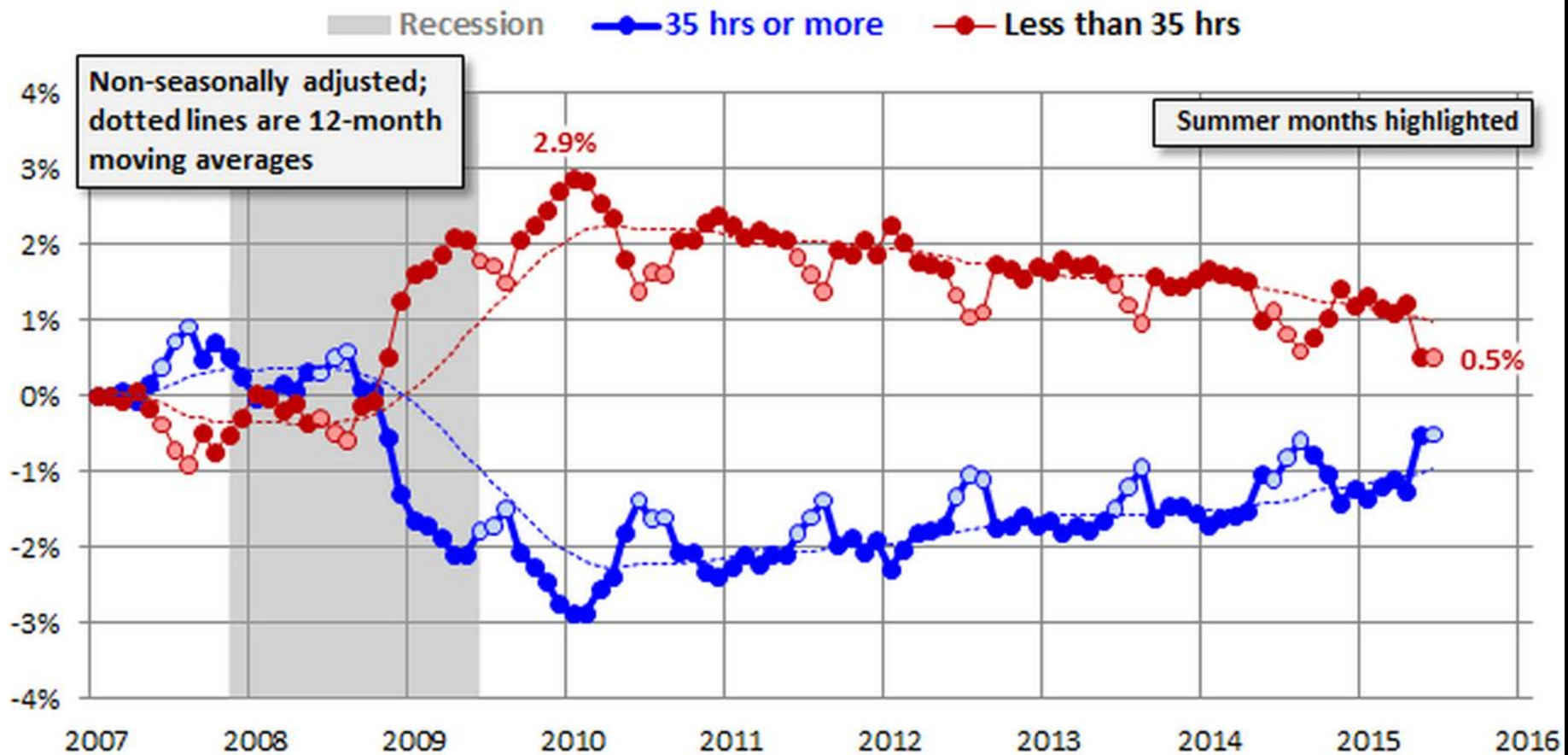
Participation Rate



Increase in Part-Time Employment

**Full Time vs. Part Time Employment:
Change Since 2007 for Ages 25-54**

dshort.com
As of June 2015



Trend – How Long?



How Long Can The Bull Run?

Animal Spirits

Longest S&P 500 bull markets

Dec. 1987-March 2000

4,494 calendar days

June 1949-Aug. 1956

2,607

Oct. 1974-Nov. 1980

2,248

Current bull market

2,191

July 2002-Oct. 2007

1,904

Median

510

Sources: Bespoke Investment Group;
WSJ calculations; data since 1928

THE WALL STREET JOURNAL.

Trends – Food Issues 2015



Eggs in 2015

48.1 MILLION

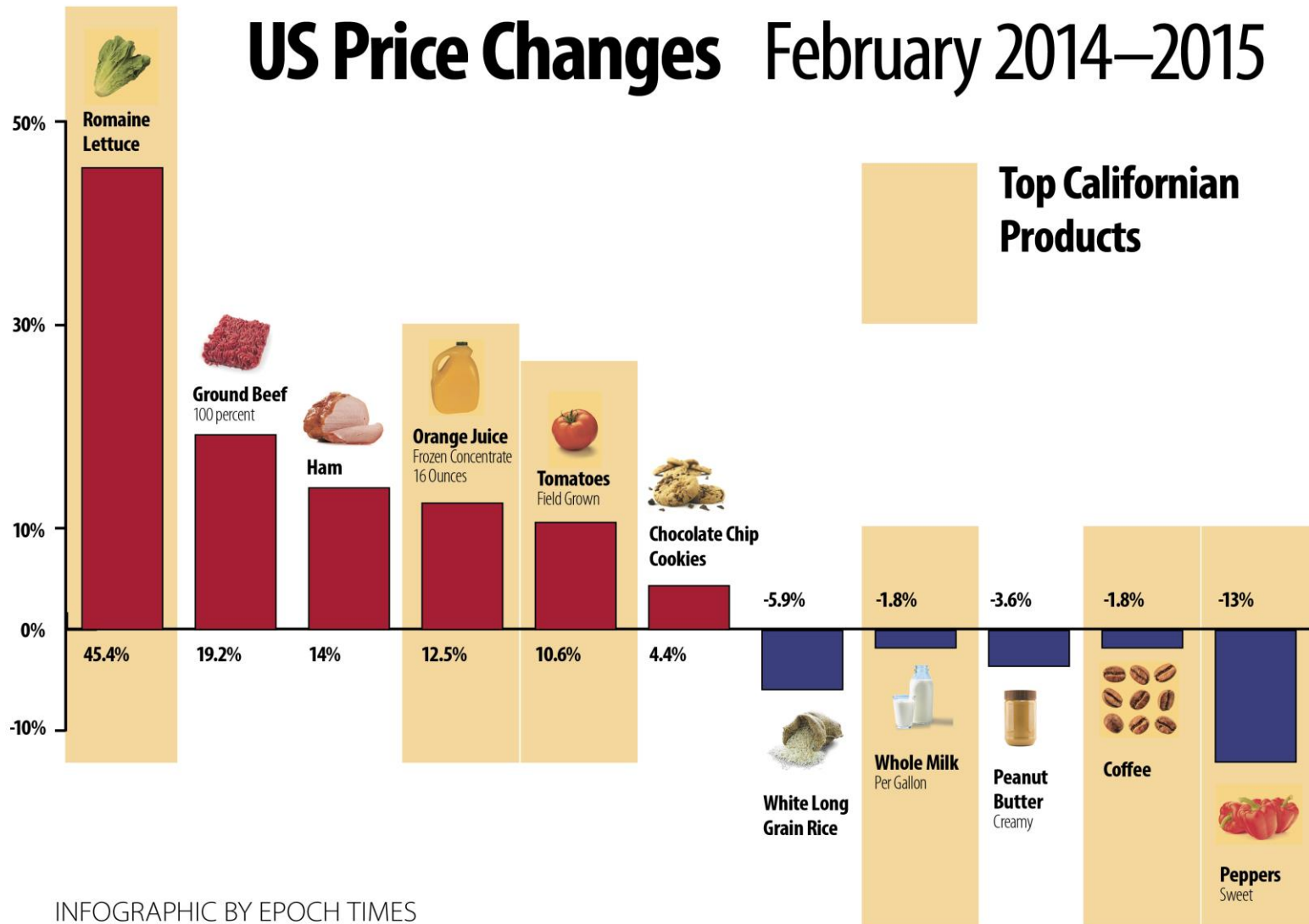
CHICKENS,
TURKEYS,
AND OTHER
BIRDS KILLED
IN THE H5N2
OUTBREAK

80%

INCREASE
IN EGG
PRICES
SINCE
JANUARY
2015

California Drought

US Price Changes February 2014–2015




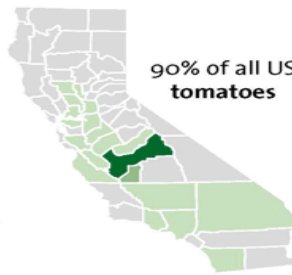
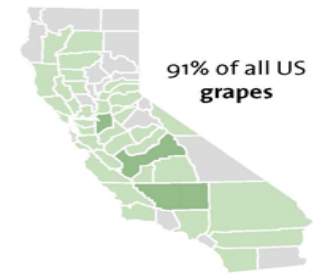
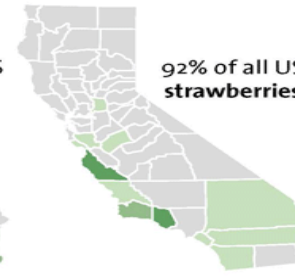
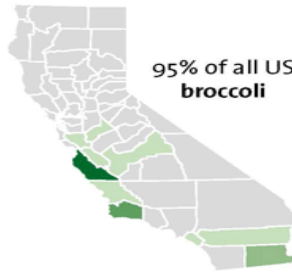
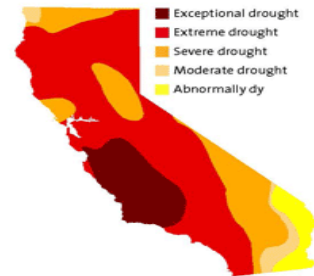
California Drought

Where Does Your Food Come From?

California's drought affects the whole country's fruits, veggies, and nuts.

Percentage of Total US Production by County

 <10%  10-20%  20-30%  >30%



Trend – Overall Cost

Cumulative change in related goods and services for the five years ended in May

Goods

Related services

| | | | |
|-----------------------------|--------|-------|--------------------------------|
| Television set | -57.7% | 13.7% | Cable/satellite service |
| Bottle of wine (for home) | -0.6% | 12.0% | Bottle of wine (at restaurant) |
| Men's suits and coats | -3.7% | 9.2% | Dry cleaning |
| Household cleaning products | 0.3% | 7.8% | Household domestic services |
| Stationery | -1.4% | 19.2% | Postage for mail delivery |
| Sports equipment | -15.3% | 17.3% | Tickets to sporting event |

*Excludes energy †Excludes food and energy Source: Labor Department

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Feeling It Everywhere

PRICE OF A CUP IS GOING UP

On July 7, Starbucks implemented price increases of 5 to 20 cents, including adding \$0.10 to the price of a tall brewed coffee. If you had a cup of coffee each day, here's how much your bill would increase over time:



SOURCE
Starbucks

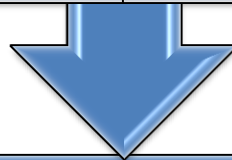


Hotel Profit Centers

Guestrooms

Suites

Premium Views



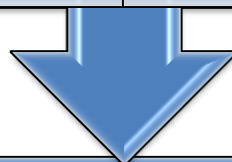
Food & Beverage

Banquets

Room Service

Restaurants

Audio Visual



Other

Retail

Golf

Spa

QUALITY OF YOUR BUSINESS

Rooms Revenue

**F&B Rev Per
Occupied Group
Room (RPOGR)**

Meeting Space

Patterns

Concessions

Revenue Per Occupied Group Room

\$20,000

Food &
Beverage
Spend

200 Total
Room Nights

\$20,000

F&B



200 Room
Nights



\$100
POGR

Revenue Per Occupied Group Room

Your Expected
F&B
Contribution
Per Group
Room Night
\$100

Hotels
Expected F&B
Contribution
Per Group
Room Night
\$150

You have less leverage with rate
and concessions

Revenue Per Occupied Group Room

Your Expected
F&B
Contribution
Per Group
Room Night
\$200

Hotels
Expected F&B
Contribution
Per Group
Room Night
\$150

You have a ton of leverage with
rate and concessions

Budget Issues



2007 versus 2013

Rooms Direct Cost

- **2007 – 24%**
- **2013 – 30%**

F&B Direct Cost

- **2007 – 65%**
- **2013 – 71%**

Other Operations

- **2007 – 79%**
- **2013 – 95%**





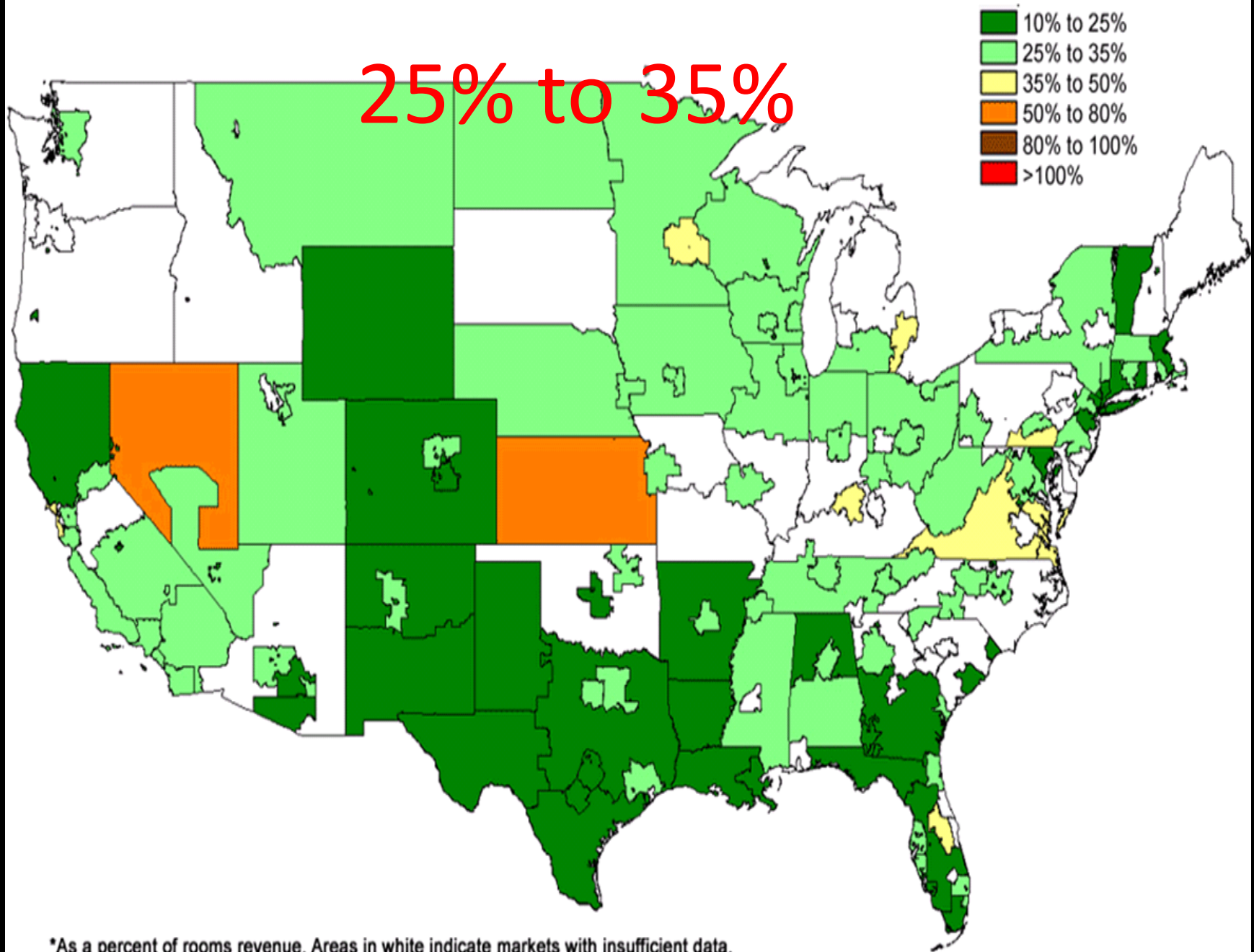
Circuits
\$25k - \$30K



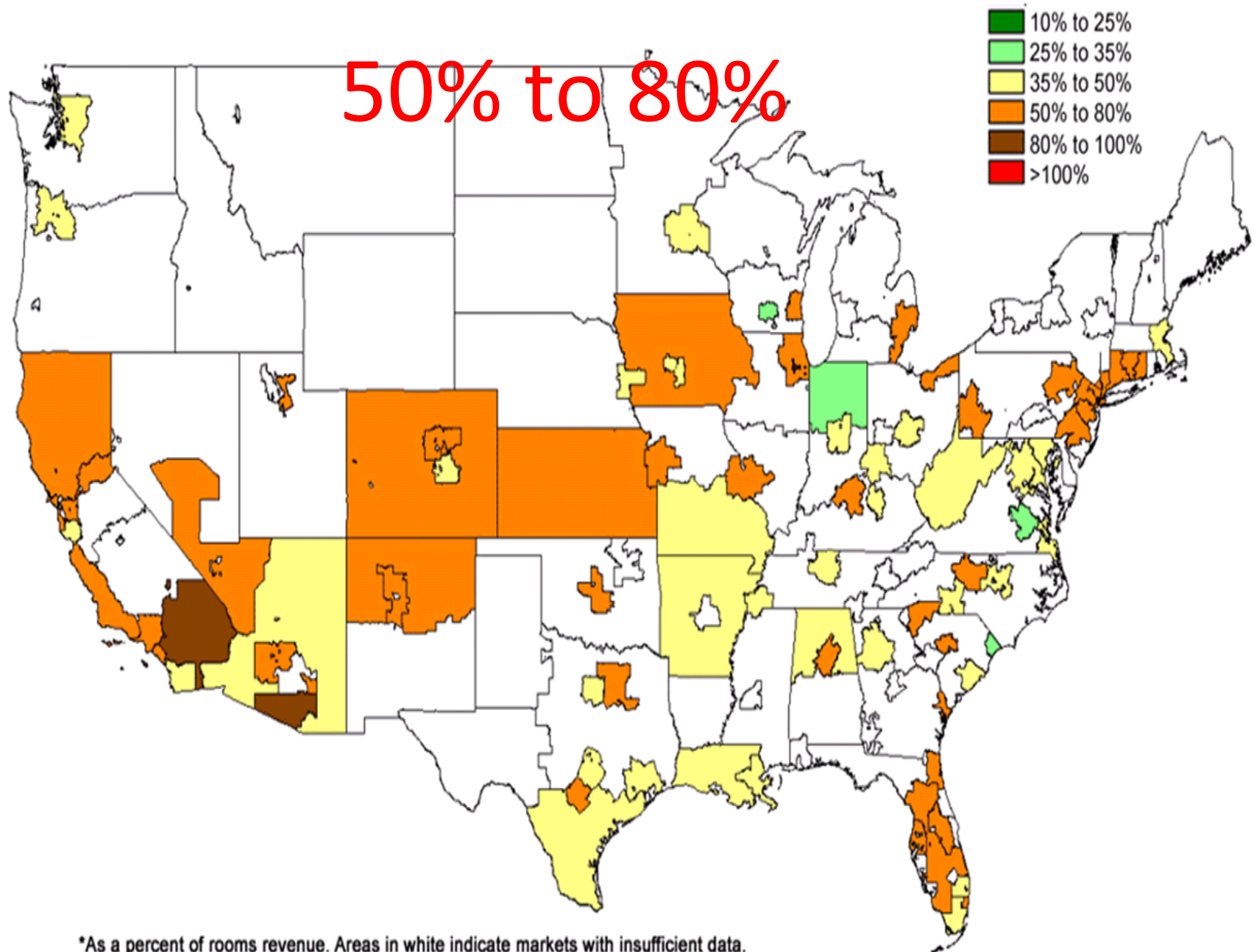
Signal
\$25k - \$35K



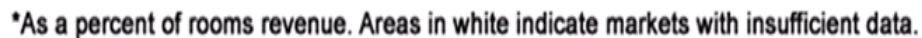
2010 Payroll Cost by Market - Midscale Hotels*



2010 Payroll Cost by Market - Upper Upscale Hotels*



80% to 100%



It Is All About Bandwidth



Trend - What About Oil?



OIL PRICES

ELITE
NWO
AGENDA

Break Even

| | |
|---------------|-------------|
| United States | \$40 - \$65 |
|---------------|-------------|

| | |
|--------|-------------|
| Canada | \$50 - \$61 |
|--------|-------------|

| | |
|--------|------|
| Russia | \$46 |
|--------|------|

| | |
|-------|------|
| China | \$32 |
|-------|------|

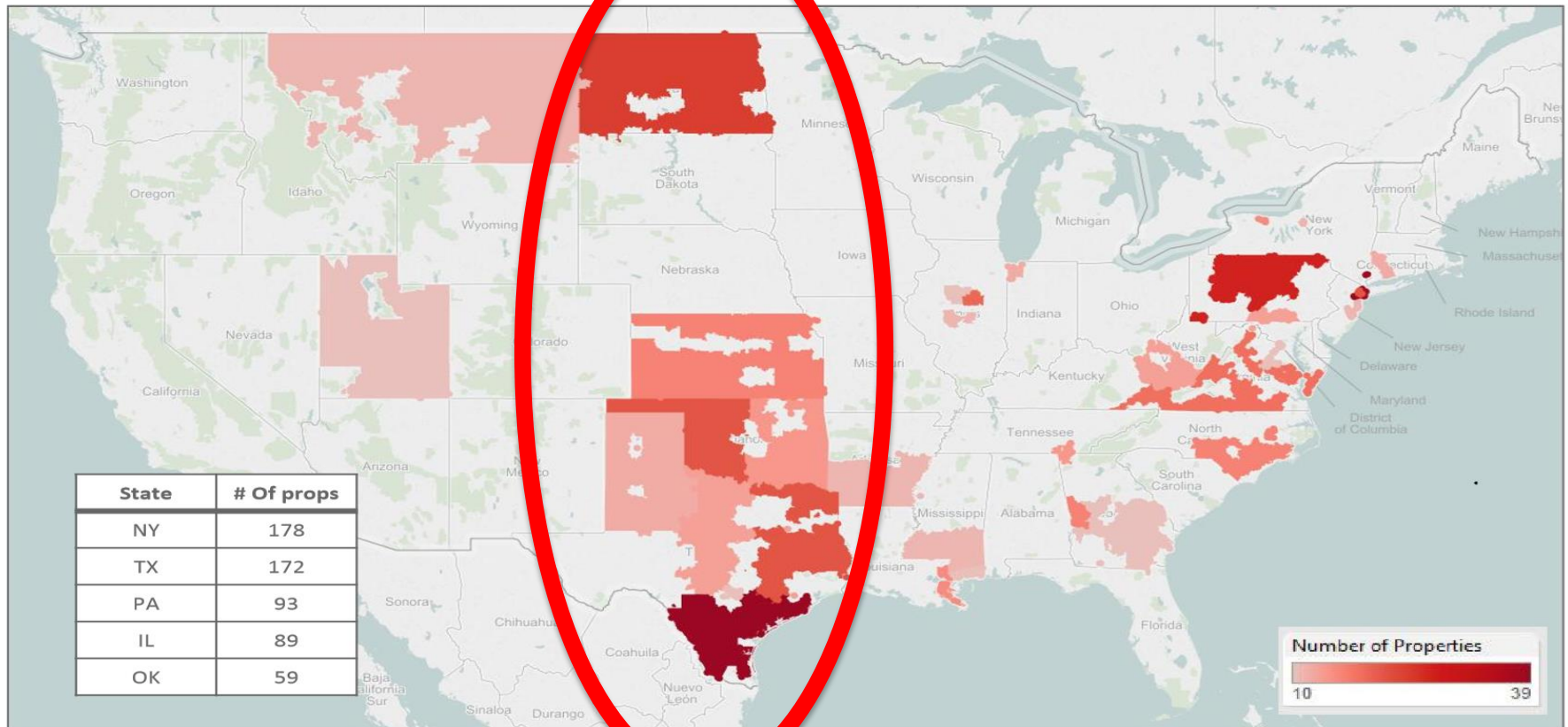
| | |
|------|------|
| Iraq | \$13 |
|------|------|

| | |
|--------------|-----|
| Saudi Arabia | \$7 |
|--------------|-----|

Oil Impact On Industry

43

2014: Only 6% of Hotels had negative ADR and OCC change. These are their submarkets:



*Number of properties with negative Occ and ADR growth by tract

Oil On Air?

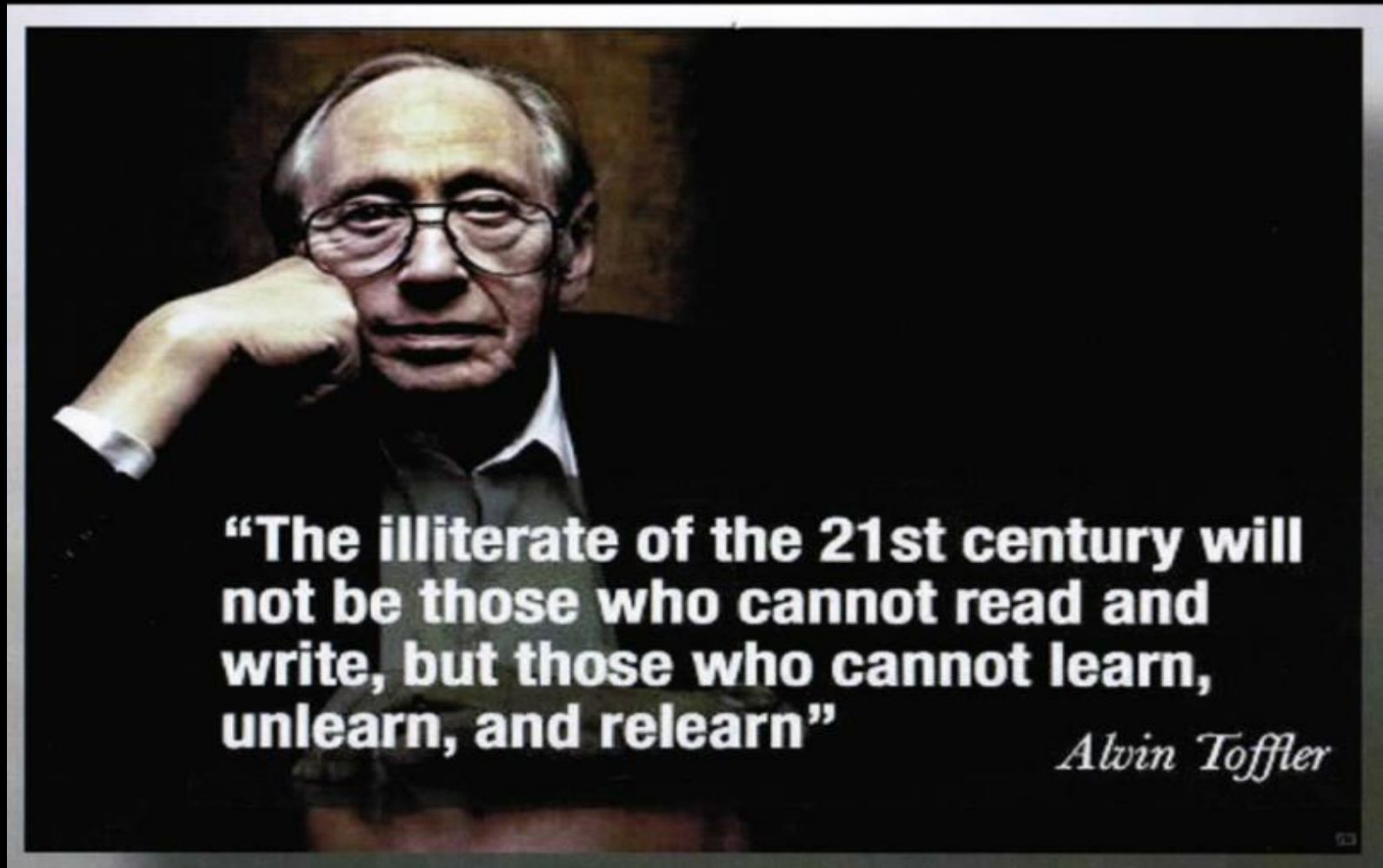


Airfare Still Increasing

GLOBAL AIRFARES TO RISE GRADUALLY THROUGH 2015



Trend – Disrupt or be Disrupted



Thank You

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