



**SERVICE**  
PROPERTIES TRUST

# Service Properties Trust (Nasdaq: SVC)

*Investor Presentation  
November 2021*



# Warning Concerning Forward-Looking Statements

This presentation contains statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other securities laws. Whenever we use words such as “believe,” “expect,” “anticipate,” “intend,” “plan,” “estimate,” “will,” “may” and negatives or derivatives of these or similar expressions, we are making forward-looking statements. These forward-looking statements are based upon our present intent, beliefs or expectations, but forward-looking statements are not guaranteed to occur and may not occur. Forward-looking statements in this presentation relate to various aspects of our business, including the duration and severity of the COVID-19 pandemic and its impact on us and our managers and tenants, and on our and their ability to operate throughout the pandemic and its aftermath, our expectation that our drive-to, suburban extended stay hotels will continue to provide stable business and our full and select service hotels to benefit from the expected recovery in the lodging industry, our expectation about the ability of Sonesta Holdco Corporation and its subsidiaries, or Sonesta, to operate the hotels that have been or may be transitioned and rebranded to it, the likelihood and extent to which our managers and tenants will pay the contractual amounts of returns, rents or other obligations due to us, our ability to maintain sufficient liquidity during the duration of the COVID-19 pandemic and any resulting economic conditions, if and when hotel business will return to historical pre-pandemic levels, potential defaults on, or non-renewal of, leases by our tenants, decreased rental rates or increased vacancies, our sales and acquisitions of properties and our expectations regarding such sales, our policies and plans regarding investments, financings and dispositions, our ability to pay interest on and principal of our debt, our ability to pay distributions to our shareholders and to sustain the amount of such distributions, our ability to raise or appropriately balance the use of debt or equity capital, our intent to make improvements to certain of our properties, our ability to engage and retain qualified managers and tenants for our hotels and net lease properties on satisfactory terms, our ability to diversify our sources of rents and returns that improve the security of our cash flows, the future availability of borrowings under our revolving credit facility, our credit ratings, our expectation that we benefit from our relationships with The RMR Group LLC, or RMR LLC, Sonesta and TravelCenters of America Inc., or TA, our qualification for taxation as a REIT, changes in federal or state tax laws, and other matters.

Our actual results may differ materially from those contained in or implied by our forward-looking statements as a result of various factors, such as the impact of conditions in the economy, including the COVID-19 pandemic and any resulting economic conditions and the capital markets on us and our managers and tenants, competition within the real estate, hotel, transportation and travel center and other industries in which our managers and tenants operate, particularly in those markets in which our properties are located, compliance with, and changes to federal, state and local laws and regulations, accounting rules tax laws and similar matters, limitations imposed on our business and our ability to satisfy complex rules in order for us to maintain our qualification for taxation as a REIT for U.S. federal income tax purposes, acts of terrorism, outbreaks of pandemics, including the COVID-19 pandemic, or other man-made or natural disasters beyond our control and actual and potential conflicts of interest with our related parties including our Managing Trustees, TA, Sonesta, RMR LLC and others affiliated with them. Our Annual Report on Form 10-K for the year ended December 31, 2020 and our other filings with the Securities and Exchange Commission, or SEC, identify other important factors that could cause differences from our forward-looking statements. Our filings with the SEC are available on the SEC’s website at [www.SEC.gov](http://www.SEC.gov). You should not place undue reliance upon our forward-looking statements. Except as required by law, we do not intend to update or change any forward-looking statements as a result of new information, future events or otherwise.

## Non-GAAP Financial Measures

This presentation contains Non-GAAP financial measures including, among others, “FFO”, “Normalized FFO”, “EBITDA”, “Hotel EBITDA”, “Adjusted Hotel EBITDA”, “EBITDAre”, and “Adjusted EBITDAre”. Reconciliations for those metrics to the most directly comparable financial measure calculated in accordance with U.S. generally accepted accounting principles, or GAAP, are included in the Appendix hereto. Unless otherwise noted, all data presented is as of and for the three months ended September 30, 2021.

Please refer to page 29 for certain definitions of terms used throughout this presentation.

# Business and Portfolio Characteristics.

## National Scale

- \$12.2 billion invested in a diversified portfolio of 1,098 properties.
- 304 hotels with 48,439 keys / 794 net lease service retail properties with 13.6 million square feet.
- SVC also owns approximately 34.0% and 8.1% of the shares of common stock of Sonesta Holdco Corporation and TravelCenters of America, Inc., respectively.

## Investment Focus

- SVC invests in two asset categories, hotels and service-focused retail net lease properties, to provide diversification to SVC's cash flows.
- Properties operated in 22 industries with over 146 brands.
- Geographically diverse portfolio located across 47 states, Washington, DC, Puerto Rico and Canada.

## Diversified Hotel Portfolio

- SVC's hotel portfolio is weighted toward extended stay properties, which generally have lower fixed costs and higher margins compared to full service hotels and have outperformed the lodging industry since the start of the COVID-19 pandemic.
- SVC expects its drive-to, suburban extended stay hotels will continue to provide stable business and its full and select service hotels to benefit from the expected recovery in business travel.

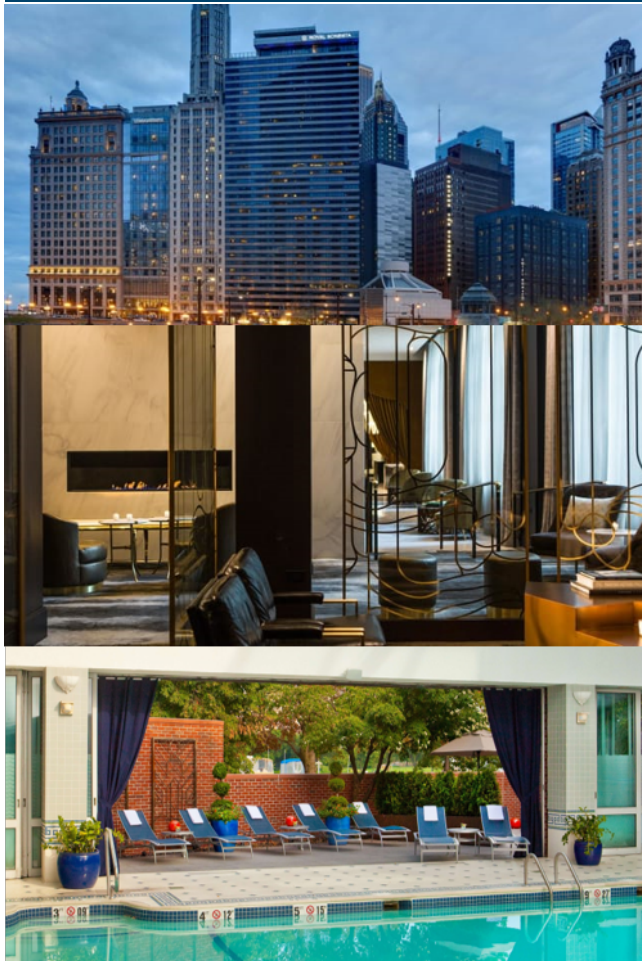
## Retail Net Lease Assets Provide Reliable Income

- Necessity-based retail assets with strong rent coverage of 2.37x.
- Low capex requirements under the triple net lease structure.
- Weighted average remaining lease term of 10.3 years.
- Diverse portfolio 98.2% leased to 175 tenants.

## Strong Balance Sheet

- Well-laddered debt maturities for senior unsecured notes.
- No debt maturities until the third quarter of 2022.
- Over \$12 billion of diverse real estate assets.

## Recent Events

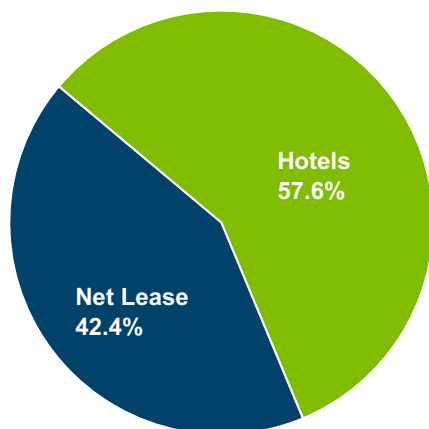


- Hotel EBITDA growth of 71% in Q3 2021 versus Q2 2021.
- For SVC's 292 comparable hotels, RevPAR increased 18.2% to \$67.71, from Q2 2021, and was 30% below 2019 levels for Q3 2021, an improvement from 46% below 2019 in Q2 2021.
- SVC's extended stay hotels continue to outperform other service levels with occupancy of 75.3% in the third quarter 2021, compared with occupancies of 50.2% and 48.9%, respectively, for its full service and select service hotels.
- Amended agreement with Radisson for eight hotels, supported by \$22 million guaranty for 75% of the annual minimum returns beginning in 2023.
- Collected all rents due from net lease tenants, including all deferred rents due, in Q3 2021.
- Sales process progressing for 68 Sonesta-branded hotels with 8,760 rooms and an aggregate net carrying value of \$579 million, expected to close in Q1 2022.
- Ended Q3 2021 with over \$900 million of liquidity.

# Portfolio Highlights

	Hotels	Net Lease Assets	Total
Properties	304	794	1,098
Keys/Square Ft	48,439	13.6 msf	48,439/ 13.6msf
States	38	42	47
Investments	\$7.0bn	\$5.2bn	\$12.2bn

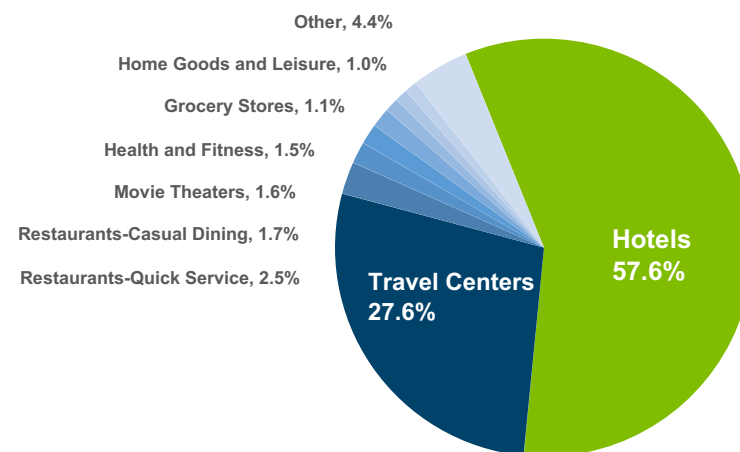
## Portfolio by Property Type <sup>(1)</sup>



(1) Based on investment.



## Tenants by Industry <sup>(1)</sup>



## Portfolio Highlights: Geographically Diverse.

### SVC's assets are located in 47 states, Washington DC, Puerto Rico, and Canada.

- SVC has invested \$12.2 billion in its real estate portfolio.
- SVC's investments are located in various markets near demand generators.
- SVC believes geographic diversity mitigates market risk.

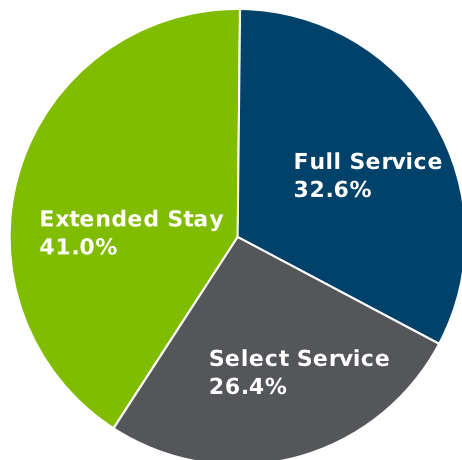
	Total Property Count	Hotel Count	Net Lease Count	Investments					
				Total (\$000s)	% of Total	Hotel (\$000s)	Hotel % of Total	Net Lease (\$000s)	Net Lease % of Total
1 California	58	36	22	\$ 1,341,915	11 %	\$ 1,069,093	15 %	\$ 272,822	5 %
2 Texas	94	35	59	1,075,684	9 %	535,385	8 %	540,299	10 %
3 Georgia	95	21	74	754,535	6 %	484,041	7 %	270,494	5 %
4 Illinois	72	13	59	742,561	6 %	448,384	6 %	294,177	6 %
5 Florida	60	12	48	524,015	4 %	275,866	4 %	248,149	5 %
6 Ohio	51	10	41	516,072	4 %	184,801	3 %	331,271	6 %
7 Arizona	40	15	25	481,805	4 %	234,031	3 %	247,774	5 %
8 Pennsylvania	40	10	30	419,642	3 %	210,689	3 %	208,953	4 %
9 New Jersey	18	15	3	411,498	3 %	310,520	4 %	100,978	2 %
10 Louisiana	15	3	12	375,661	3 %	243,956	4 %	131,705	3 %
Top 10	543	170	373	\$ 6,643,388	53 %	\$ 3,996,766	57 %	\$ 2,646,622	51 %
Other	555	134	421	5,516,249	47 %	3,005,020	43 %	2,511,229	49 %
Total	1,098	304	794	\$ 12,159,637	100 %	\$ 7,001,786	100 %	\$ 5,157,851	100 %

# Hotel Portfolio



# Hotel Portfolio: Diversified by Location and Service Level.

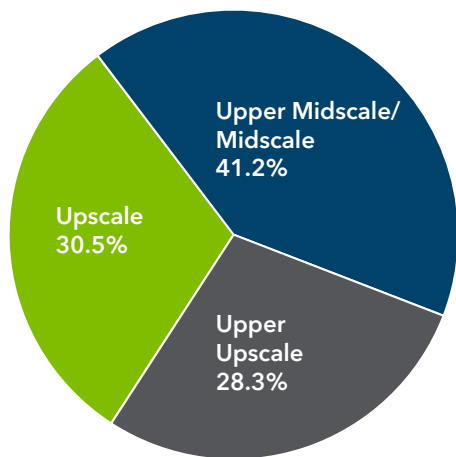
## By Service Level <sup>(1)</sup>



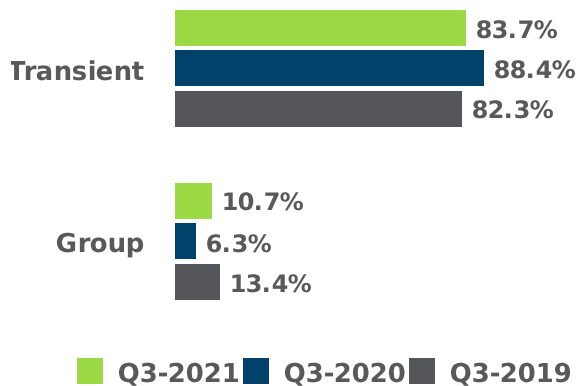
## By Location

Keys	% of Portfolio	
Suburban	27,796	57 %
Urban	9,509	20 %
Airport	7,731	16 %
Resort	2,450	5 %
Small Metro	632	1 %
Interstate	321	1 %
Total	48,439	100 %

## By Chain Scale <sup>(1)</sup>

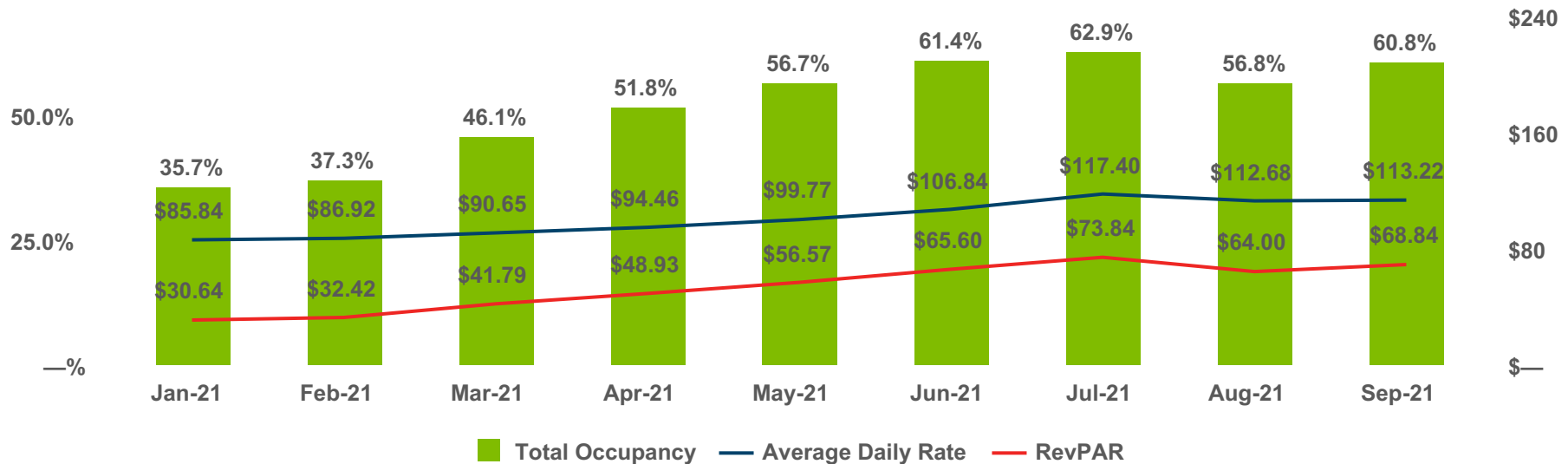


## Revenue Segmentation



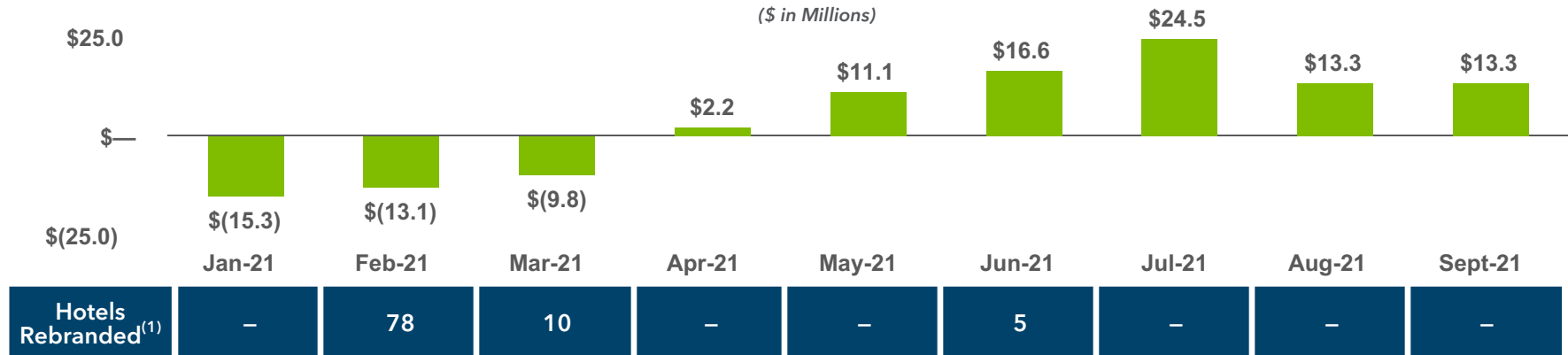
(1) Based on number of guest rooms as of September 30, 2021.

# Hotel Portfolio: Monthly Operating Metrics (All Hotels).



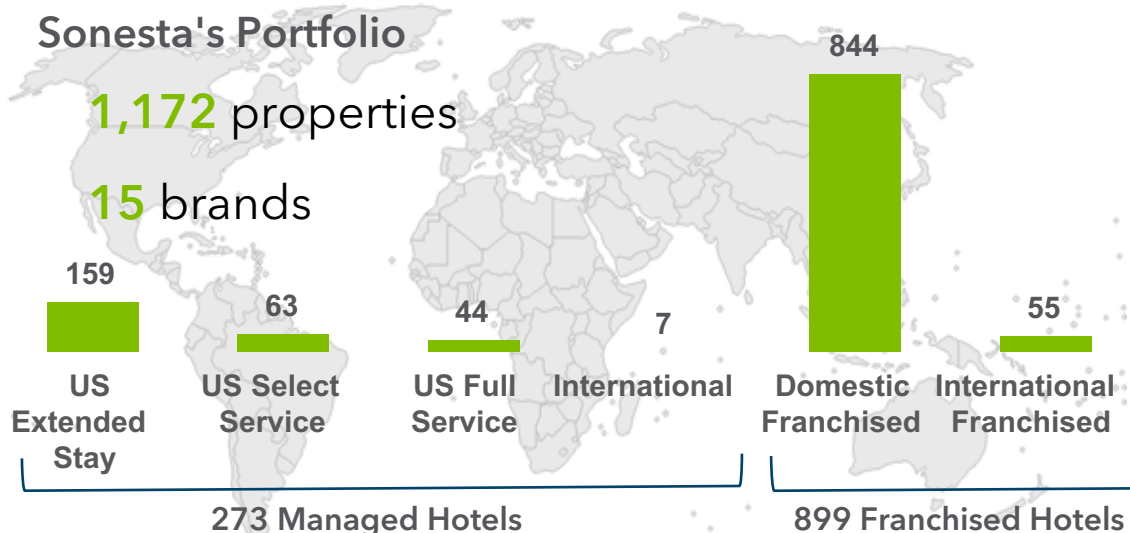
## Monthly Hotel EBITDA

(\$ in Millions)



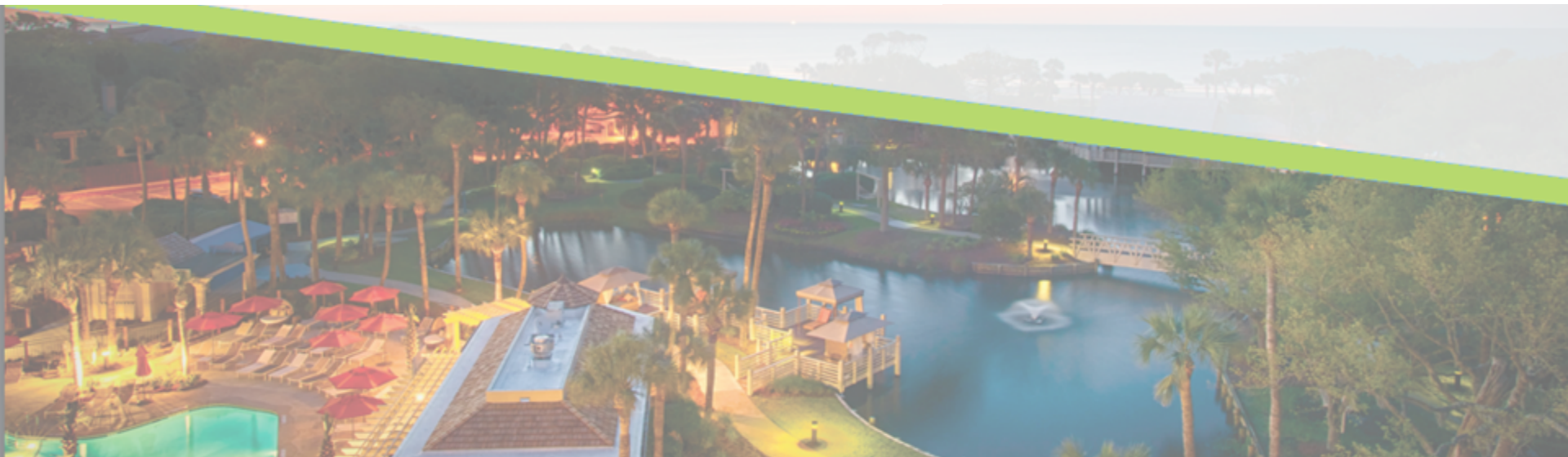
(1) 111 hotels were rebranded to Sonesta in December 2020.

# Hotel Portfolio: Sonesta at a Glance.



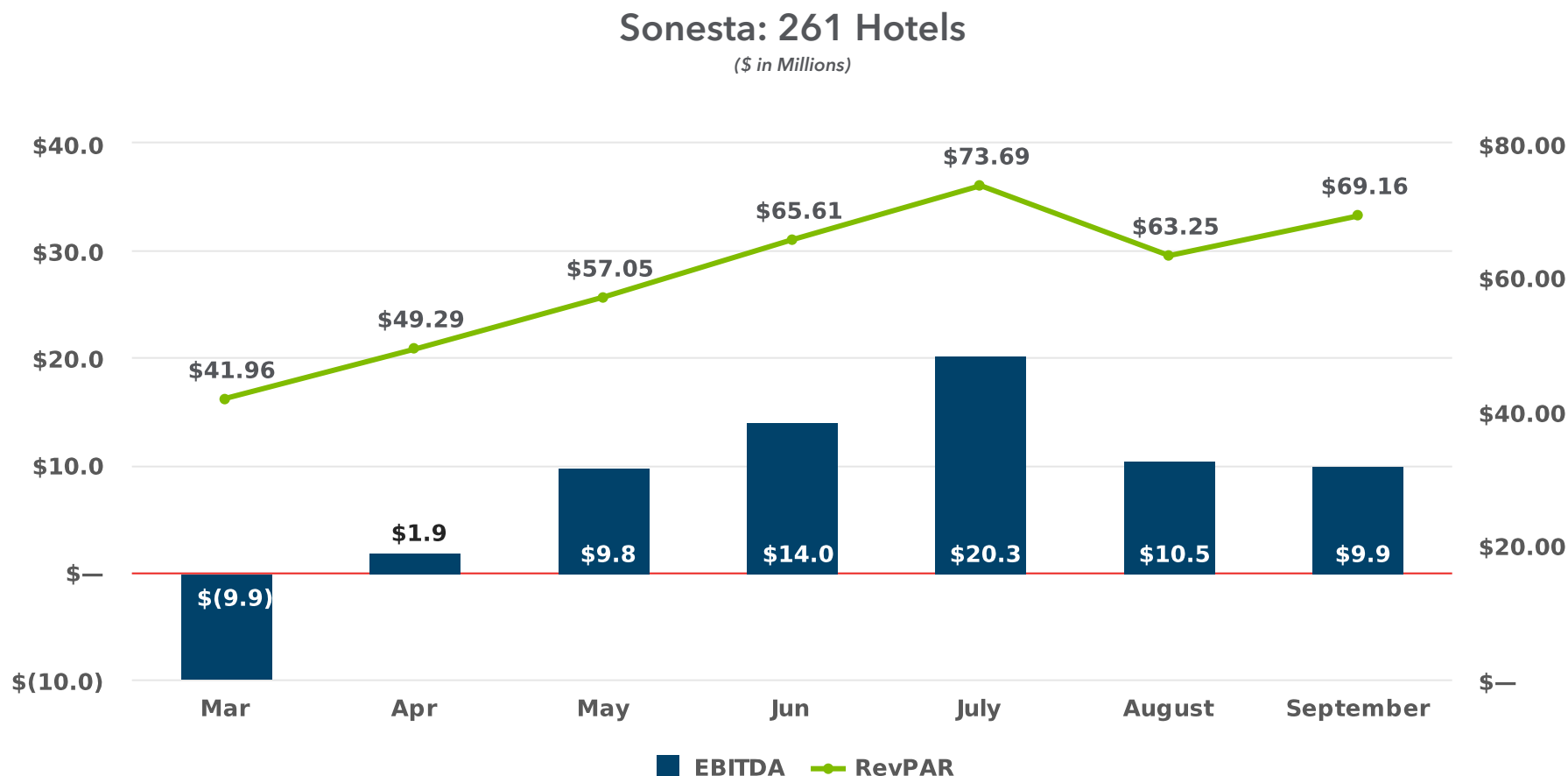
Source: Sonesta International Hotels, Inc.

- Sonesta manages 261 hotels for SVC.
- Sonesta launched franchising of midscale and upscale Sonesta brands in Q4 2021.
- Sonesta continues to expand its capabilities and the depth of its management team.
- Increased scale will benefit SVC, which owns 34% of Sonesta.



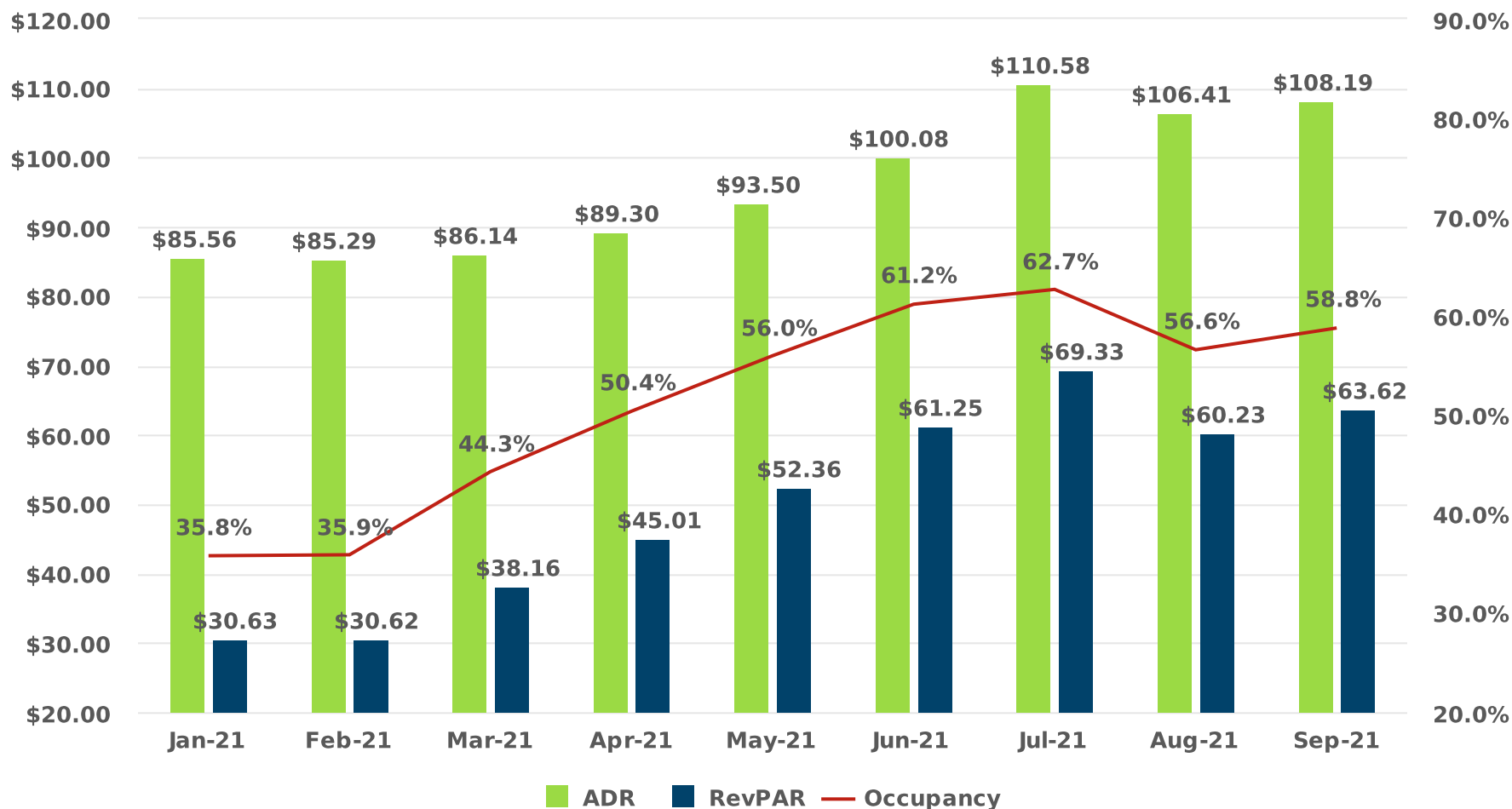
## Hotel Portfolio: SVC's Sonesta Branded Hotels - Monthly Operating Metrics.

- Hotel EBITDA for Sonesta branded hotels increased 58% to \$40.7 million in Q3 2021 from \$25.7 million in Q2 2021.



## Hotel Portfolio: Performance of Sonesta Rebranded Hotels.

- Monthly operating performance of the 208 hotels rebranded to Sonesta.



## Hotel Portfolio: Disposition Strategy.

- SVC is marketing for sale 68 Sonesta-branded hotels with over 8,700 rooms, with sales anticipated to close in Q1 2022.
- These hotels had an aggregate net carrying value of \$579 million as of September 30, 2021.
- The sale portfolio includes 46 extended stay hotels, 19 select service hotels and three full service hotels.
- It is expected some or all of the hotels will be sold encumbered of brand, with buyers entering into long-term franchise agreements with Sonesta.
- For the most part, the selected hotels are non-core to SVC and Sonesta's long-term ownership and management strategies, represent brand overlap in certain markets, were relative underperformers, are in low-growth markets with diminished demand drivers and/or represent older assets with significant capital needs.
- Post-disposition, the remaining hotel portfolio is expected to be of higher quality with improved portfolio metrics.
- Proceeds are expected to be used to repay debt and enhance liquidity.



# Net Lease Portfolio



# Net Lease Portfolio: High-Quality Service & Necessity Based Assets.

## Net Lease Portfolio Statistics

794

Properties

\$371mm

Annual Contractual Rent

13.6mm

Rentable Square Feet

10.3 years

Weighted Average Lease Term

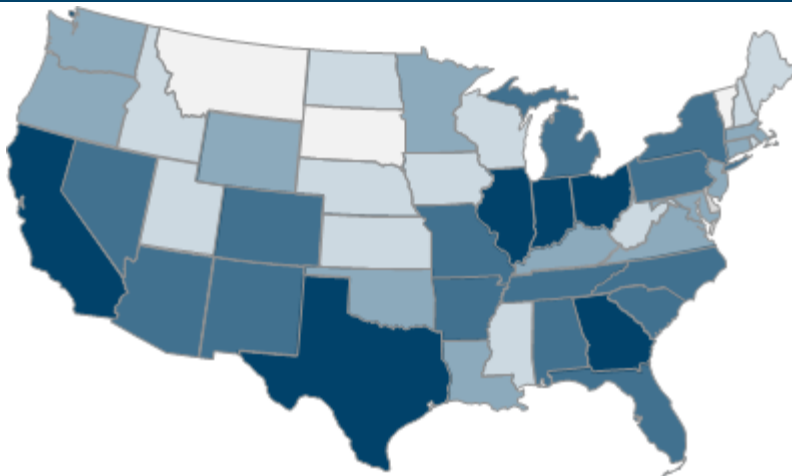
98.2%

Occupancy

2.37x

Rent Coverage

## Diverse Geographical Footprint <sup>(1) (2)</sup>



<1%

% of Annual Minimum Rent

>8.5%

## 21 Industries | 134 Brands

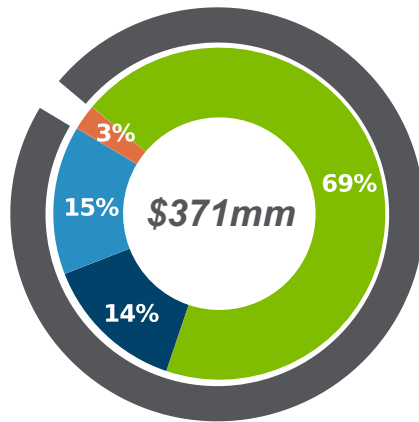


(1) By annual minimum rent.

(2) As well as four properties in Hawaii, Puerto Rico, and Canada.

# Net Lease Portfolio: Reliable Income Stream and Low Capex Requirements.

## Lease Structures



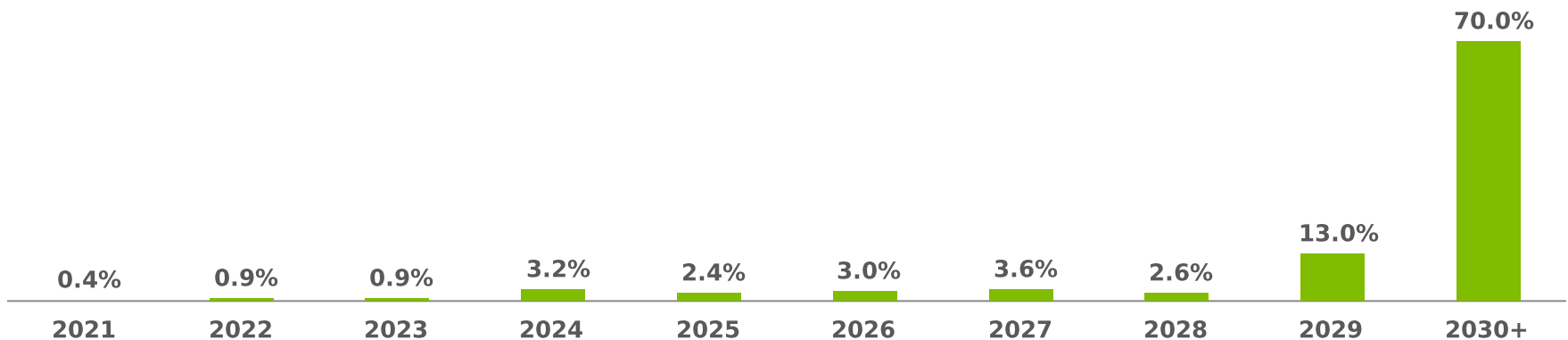
**97%**

of Leases Have Contractual Increases or Percentage Rent

- Percentage Rent
- CPI
- Fixed/Scheduled
- Flat



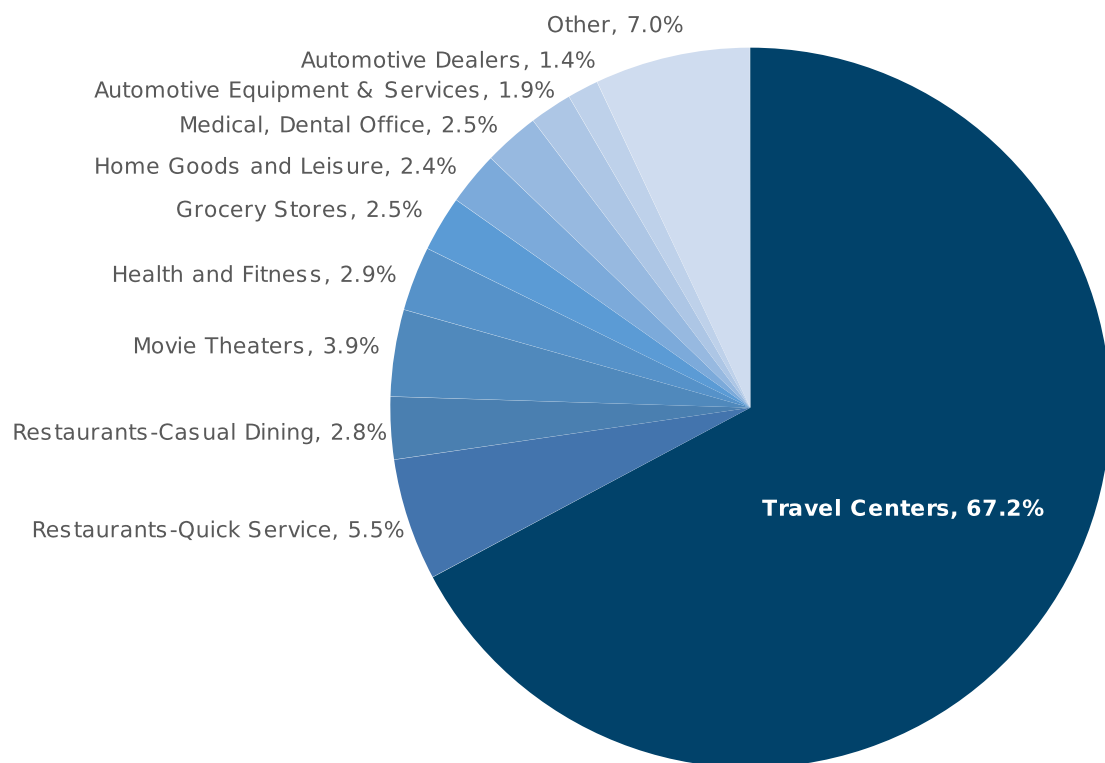
## Well-Laddered Lease Expirations <sup>(1)</sup>



(1) By annual minimum rent.

# Net Lease Portfolio: Diversified Tenants & Industries Mitigate Risk.

## Tenants by Industry <sup>(1)</sup>



(1) By annual minimum rent.

## Tenants by Brand <sup>(1)</sup>

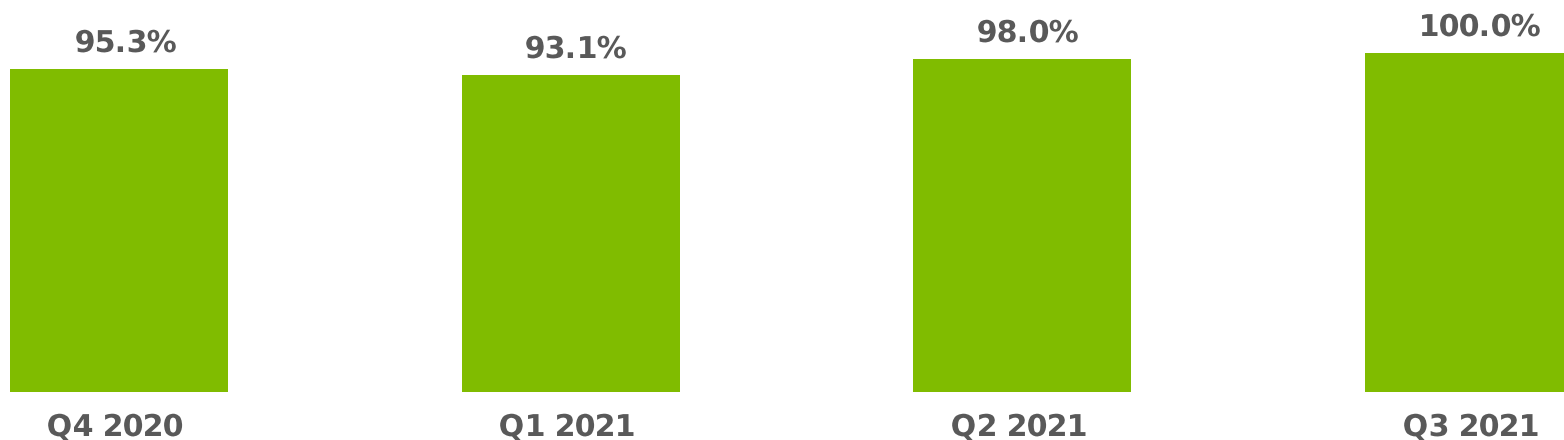
Brand	% of Annualized Minimum Rent	Coverage
TravelCenters of America	45.3%	2.19x
Petro Stopping Centers	21.1%	1.90x
AMC Theatres	2.2%	-0.16x
The Great Escape	1.9%	1.70x
Life Time Fitness	1.6%	0.62x
Buehler's Fresh Foods	1.5%	5.90x
Heartland Dental	1.2%	5.04x
Norms	0.4%	0.47x
Express Oil Change	1.0%	3.57x
Pizza Hut	0.9%	1.59x
Other	22.9%	3.19x
	<b>100%</b>	<b>2.37x</b>

## Net Lease Portfolio: Recent Developments.

### Portfolio Updates-Stable Cash Flows

- Represents 42.5% of SVC's portfolio based on investment.
- SVC collected all rent due from its net lease tenants during the third quarter and October of 2021, as well as all deferred rent due.
- As of September 30, 2021, SVC has an aggregate of \$10.8 million of deferred rents outstanding, which SVC expects will be repaid during Q4 2021 and 2022.
- Net lease rents largely cover SVC's corporate overhead and debt service.

### Net Lease Rent Collections by Quarter



## Portfolio Updates-TravelCenters of America

- Represents approximately 27.6% of SVC's portfolio based on investment.
- Rent comprised of annual minimum cash payments of \$246 million.
- TA's travel centers provide essential services to support the U.S. supply chain and have remained operational through the pandemic.
- TA is current on all of its lease payments due to SVC.
- LTM rent coverage of 2.10x through September.
- Launched eTA, a business unit to monetize sustainable energy.
- TA is investing significant capital into SVC's travel centers, including customer-focused enhancements and system improvements to drive efficiency and performance.



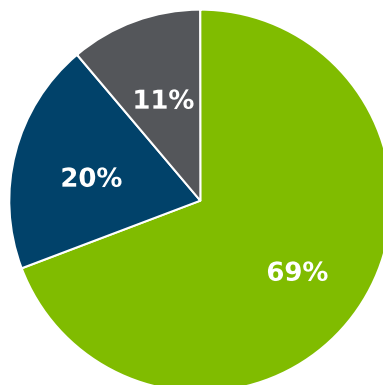
# Financial Information



# Balance Sheet Overview as of September 30, 2021.

## Book Capitalization

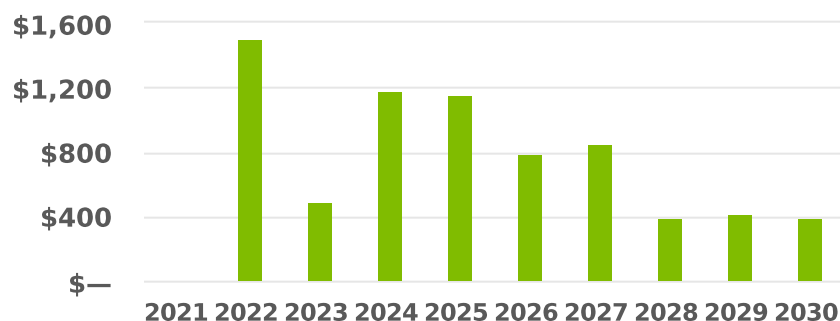
Floating Rate Debt	11%
Unsecured Fixed Rate Debt	69%
Shareholder's Equity	20%



## Strong Balance Sheet

- Unsecured senior notes: \$6.2 billion.
- \$1 billion Revolving credit facility:
  - July 2022 maturity plus, subject to conditions, two six-month extensions.
  - Fully drawn in January 2021 to preserve financial flexibility.
- No derivatives, off-balance sheet liabilities, or material adverse change clauses or ratings triggers.

## Well Laddered Debt Maturities



## Leverage/Coverage Ratios

Net Debt / Total Gross Assets	48.9%
Net Debt / Gross Book Value of Real Estate Assets	50.8%
Adjusted EBITDAre / LTM Interest Expense	1.04x
Net Debt / LTM EBITDAre <sup>(1)</sup>	17.0x

(1) Represents the twelve months ended September 30, 2021.

Metric	Covenant	September 30, 2021
Total Debt / Adjusted Total Assets	Allowable Maximum: 60.0%	55.5%
Secured Debt / Adjusted Total Assets	Allowable Maximum: 40.0%	7.7%
Consolidated Income Available for Debt Service / Debt Service	Required Minimum: 1.50x	1.06x
Total Unencumbered Assets / Unsecured Debt	Required Minimum: 150%	179.5%

# Appendix



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

(amounts in thousands, except per share data)

		For the Three Months Ended					Nine Months Ended	
		9/30/2021	6/30/2021	3/31/2021	12/31/2020	9/30/2020	9/30/2021	9/30/2020
Net loss		\$ (59,714)	\$ (91,110)	\$ (194,990)	\$ (137,740)	\$ (102,642)	\$ (345,814)	\$ (173,641)
Add (Less):	Depreciation and amortization	124,163	121,677	124,368	121,351	122,204	370,208	377,577
	Loss on asset impairment <sup>(1)</sup>	–	899	1,211	254	10,248	2,110	55,502
	(Gain) loss on sale of real estate, net <sup>(2)</sup>	(94)	(10,849)	9	(11,916)	(109)	(10,934)	9,655
	Unrealized (gain) loss on equity securities, net <sup>(3)</sup>	(24,348)	(2,500)	6,481	(15,473)	(5,606)	(20,367)	(4,409)
	Adjustments to reflect our share of FFO attributable to an investee <sup>(4)</sup>	369	1,034	465	400	(900)	1,868	(461)
FFO		40,376	19,151	(62,456)	(43,124)	23,195	(2,929)	264,223
Add (Less):	Gain on insurance settlement, net of tax <sup>(5)</sup>	–	–	–	(1,800)	–	–	(46,736)
	Loss on early extinguishment of debt <sup>(6)</sup>	–	–	–	2,424	–	–	6,970
	Adjustments to reflect our share of Normalized FFO attributable to an investee <sup>(4)</sup>	256	538	825	964	–	1,619	–
	Loss contingency <sup>(7)</sup>	–	–	–	3,962	–	–	–
	Transaction related costs <sup>(8)</sup>	3,149	6,151	19,635	15,100	–	28,934	–
Normalized FFO		<u>\$ 43,781</u>	<u>\$ 25,840</u>	<u>\$ (41,996)</u>	<u>\$ (22,474)</u>	<u>\$ 23,195</u>	<u>\$ 27,624</u>	<u>\$ 224,457</u>
Weighted average shares outstanding (basic and diluted)		<u>164,590</u>	<u>164,506</u>	<u>164,498</u>	<u>164,498</u>	<u>164,435</u>	<u>164,532</u>	<u>164,397</u>
Basic and diluted per share common share amounts:								
	Net loss	\$ (0.36)	\$ (0.55)	\$ (1.19)	\$ (0.84)	\$ (0.62)	\$ (2.10)	\$ (1.06)
	FFO	\$ 0.25	\$ 0.12	\$ (0.38)	\$ (0.26)	\$ 0.14	\$ (0.02)	\$ 1.61
	Normalized FFO	\$ 0.27	\$ 0.16	\$ (0.26)	\$ (0.14)	\$ 0.14	\$ 0.17	\$ 1.37

# Calculation of EBITDA, EBITDAre and Adjusted EBITDAre.

(dollars in thousands)

		For the Three Months Ended					For the Nine Months Ended	
		9/30/2021	6/30/2021	3/31/2021	12/31/2020	9/30/2020	9/30/2021	9/30/2020
Net loss		\$ (59,714)	\$ (91,110)	\$ (194,990)	\$ (137,740)	\$ (102,642)	\$ (345,814)	\$ (173,641)
Add (Less):	Interest expense	92,458	91,378	89,391	82,811	80,532	273,227	223,679
	Income tax expense (benefit) <sup>(5)</sup>	(55)	211	853	505	(296)	1,009	16,706
	Depreciation and amortization	124,163	121,677	124,368	121,351	122,204	370,208	377,557
EBITDA		156,852	122,156	19,622	66,927	99,798	298,630	444,301
Add (Less):	Loss on asset impairment <sup>(1)</sup>	–	899	1,211	254	10,248	2,110	55,502
	(Gain) loss on sale of real estate, net <sup>(2)</sup>	(94)	(10,849)	9	(11,916)	(109)	(10,934)	9,655
	Adjustments <sup>(4)</sup> to reflect our share of EBITDAre attributable to an investee	464	1,116	543	–	–	2,123	–
EBITDAre		157,222	113,322	21,385	55,265	109,937	291,929	509,458
Add (less):	Unrealized (gain) loss on equity securities, net <sup>(3)</sup>	(24,348)	(2,500)	6,481	(15,473)	(5,606)	(20,367)	(4,409)
	Gain on insurance settlement <sup>(5)</sup>	–	–	–	–	–	–	(62,386)
	Loss on early extinguishment of debt <sup>(6)</sup>	–	–	–	2,424	–	–	6,970
	Adjustments to reflect our share of Adjusted EBITDAre attributable to an investee <sup>(4)</sup>	256	538	825	2,755	(1,583)	1,619	(1,004)
	Loss contingency <sup>(7)</sup>	–	–	–	3,962	–	–	–
	Transaction related costs <sup>(8)</sup>	3,149	6,151	19,635	15,100	–	28,934	–
	General and administrative expense paid in common shares <sup>(9)</sup>	1,045	1,066	379	920	863	2,490	2,285
Adjusted EBITDAre		<u>\$ 137,324</u>	<u>\$ 118,577</u>	<u>\$ 48,705</u>	<u>\$ 64,953</u>	<u>\$ 103,611</u>	<u>\$ 304,605</u>	<u>\$ 450,914</u>

# Calculation and Reconciliation of Hotel EBITDA and Adjusted Hotel EBITDA - All Hotels

(dollars in thousands)	For the Three Months Ended					For the Nine Months Ended	
	9/30/2021	6/30/2021	3/31/2021	12/31/2020	9/30/2020	9/30/2021	9/30/2020
Number of hotels	304	304	310	310	329	304	329
Room revenues	\$ 298,607	\$ 248,618	\$ 152,728	\$ 159,022	\$ 182,366	\$ 699,953	\$ 614,550
Food and beverage revenues	25,822	18,933	8,172	7,911	6,786	52,927	58,919
Other revenues	13,946	12,584	8,053	9,485	12,895	34,583	38,854
Hotel operating revenues	338,375	280,135	168,953	176,418	202,047	787,463	712,323
Rooms expenses	93,035	80,910	56,578	59,784	59,711	230,523	211,044
Food and beverage expenses	21,415	15,659	9,042	9,928	11,420	46,116	65,790
Other direct and indirect expenses	125,080	107,533	99,766	97,328	97,993	332,378	325,489
Management fees	12,710	10,661	5,238	2,436	1,781	28,609	5,614
Real estate taxes, insurance and other	33,614	34,347	35,741	36,655	37,169	103,702	117,720
FF&E reserves <sup>(10)</sup>	1,411	1,135	764	390	262	3,310	10,884
Hotel operating expenses	287,265	250,245	207,129	206,521	208,336	744,638	736,541
Hotel EBITDA	\$ 51,110	\$ 29,890	\$ (38,176)	\$ (30,103)	\$ (6,289)	\$ 42,825	\$ (24,218)
Loss contingency <sup>(4)</sup>	—	—	—	3,962	—	—	—
Adjusted Hotel EBITDA	\$ 51,110	\$ 29,890	\$ (38,176)	\$ (26,141)	\$ (6,289)	\$ 42,825	\$ (24,218)
Adjusted Hotel EBITDA Margin	15.1 %	10.7 %	(22.6)%	(14.8)%	(3.1)%	5.4 %	(3.4)%
Hotel operating revenues (GAAP) <sup>(11)</sup>	\$ 338,375	\$ 280,135	\$ 168,953	\$ 174,520	\$ 199,719	\$ 787,463	\$ 700,578
Add: hotel revenues of leased hotels	—	—	—	1,898	2,328	—	11,745
Hotel operating revenues	\$ 338,375	\$ 280,135	\$ 168,953	\$ 176,418	\$ 202,047	\$ 787,463	\$ 712,323
Hotel operating expenses (GAAP) <sup>(11)</sup>	\$ 285,233	\$ 243,183	\$ 195,353	\$ 189,898	\$ 174,801	\$ 723,769	\$ 492,906
Add (less)							
Reduction for security deposit and guaranty fundings, net <sup>(12)</sup>	—	5,306	10,391	13,387	30,474	15,696	222,134
Hotel expenses for leased hotels	—	—	—	2,225	2,178	—	8,848
FF&E reserves from managed hotel operations <sup>(10)</sup>	1,411	1,135	764	390	262	3,310	11,205
Other <sup>(13)</sup>	621	621	621	621	621	1,863	1,448
Hotel operating expenses	\$ 287,265	\$ 250,245	\$ 207,129	\$ 206,521	\$ 208,336	\$ 744,638	\$ 736,541

# Calculation and Reconciliation of Hotel EBITDA and Adjusted Hotel EBITDA - Comparable Hotels

(dollars in thousands)

	Three Months Ended					For the Nine Months Ended	
	9/30/2021	6/30/2021	3/31/2021	12/31/2020	9/30/2020	9/30/2021	9/30/2020
Number of hotels	292	292	292	292	292	282	282
Room revenues	\$ 276,288	\$ 234,404	\$ 144,604	\$ 147,365	\$ 171,017	\$ 586,755	\$ 520,527
Food and beverage revenues	20,658	16,744	7,504	7,520	6,556	27,166	36,577
Other revenues	11,453	10,514	6,928	7,387	10,741	19,818	22,136
Hotel operating revenues - comparable hotels	308,399	261,662	159,036	162,272	188,314	633,739	579,240
Rooms expenses	84,283	74,834	52,659	55,110	54,975	193,119	173,246
Food and beverage expenses	16,517	13,288	7,874	8,913	8,822	23,581	37,065
Other direct and indirect expenses	115,454	100,065	102,244	104,583	91,152	285,749	271,407
Management fees	11,821	10,106	5,065	2,043	1,641	24,256	3,854
Real estate taxes, insurance and other	26,719	26,572	26,998	26,057	25,556	72,655	70,925
FF&E reserves <sup>(10)</sup>	1,366	1,112	745	376	262	2,953	9,844
Hotel operating expenses - comparable hotels	256,160	225,977	195,585	197,082	182,408	602,313	566,341
Hotel EBITDA	\$ 52,239	\$ 35,685	\$ (36,549)	\$ (34,810)	\$ 5,906	\$ 31,426	\$ 12,899
Loss contingency <sup>(4)</sup>	–	–	–	–	–	–	–
Adjusted Hotel EBITDA	\$ 52,239	\$ 35,685	\$ (36,549)	\$ (34,810)	\$ 5,906	\$ 31,426	\$ 12,899
Adjusted Hotel EBITDA Margin	16.9 %	13.6 %	(23.0)%	(21.5)%	3.1 %	5.0 %	2.2 %
Hotel operating revenues (GAAP) <sup>(11)</sup>	\$ 338,375	\$ 280,135	\$ 168,953	\$ 174,520	\$ 199,719	\$ 787,463	\$ 700,578
Add (less)							
Hotel revenues for leased hotels	–	–	–	1,898	2,328	–	11,745
Hotel operating revenues from non-comparable hotels	(29,976)	(18,473)	(9,917)	(14,146)	(13,733)	(153,724)	(133,083)
Hotel operating revenues - comparable hotels	\$ 308,399	\$ 261,662	\$ 159,036	\$ 162,272	\$ 188,314	\$ 633,739	\$ 579,240
Hotel operating expenses (GAAP) <sup>(11)</sup>	\$ 285,233	\$ 243,183	\$ 195,383	\$ 189,898	\$ 174,801	\$ 723,769	\$ 492,906
Add (less)							
Hotel operating expenses from non-comparable hotels	(31,105)	(28,982)	(14,196)	(9,311)	(25,666)	(141,190)	(170,200)
Reduction for security deposit and guaranty fundings, net	–	10,391	13,387	13,387	30,474	15,696	222,134
Hotel expenses for leased hotels	–	–	–	2,225	2,178	–	8,848
FF&E reserves from managed hotel operations <sup>(10)</sup>	1,411	764	390	262	–	2,175	11,205
Other <sup>(13)</sup>	621	621	621	621	621	1,863	1,448
Hotel operating expenses - comparable hotels	\$ 256,160	\$ 225,977	\$ 195,585	\$ 197,082	\$ 182,408	\$ 602,313	\$ 566,341

# Notes to Calculations of FFO, Normalized FFO, EBITDA, EBITDAre, Adjusted EBITDAre, Hotel EBITDA and Adjusted Hotel EBITDA

- (1) We recorded a \$10,248 loss on asset impairment during the three months ended September 30, 2020 to reduce the carrying value of one hotel and two net lease properties to their estimated fair value less costs to sell. We recorded a \$2,110 loss on asset impairment during the nine months ended September 30, 2021 to reduce the carrying value of five net lease properties to their estimated fair value less costs to sell and a \$55,502 loss on asset impairment during the nine months ended September 30, 2020 to reduce the carrying value of 18 hotel properties and eight net lease properties to their estimated fair value less costs to sell.
- (2) We recorded a \$94 net gain on sale of real estate during the three months ended September 30, 2021 in connection with the sale of two net lease properties. We recorded a \$10,849 net gain on sale of real estate during the three months ended June 30, 2021 in connection with the sale of six hotels and two net lease properties. We recorded a \$9 net loss on sale of real estate during the three months ended March 31, 2021 in connection with the sale of one net lease property, a \$11,916 net gain on sale of real estate during the three months ended December 31, 2020 in connection with the sales of 18 hotels and six net lease properties, and a \$109 net gain on sale of real estate during the three months ended September 30, 2020 in connection with the sales of five net lease properties.
- (3) Unrealized gain (loss) on equity securities, net represents the adjustment required to adjust the carrying value of our investment in shares of TA common stock to their fair value.
- (4) Represents our proportionate share from our equity investment in Sonesta.
- (5) We recorded a \$62,386 gain on insurance settlement during the nine months ended September 30, 2020 for insurance proceeds received for our then leased hotel in San Juan, PR related to Hurricane Maria. Under GAAP, we were required to increase the building basis of this hotel for the amount of the insurance proceeds. We also recorded a \$15,650 deferred tax liability as a result of the book value to tax basis difference related to this accounting during the nine months ended September 30, 2020. We recorded a reduction to this deferred tax liability of \$1,800 for the three months ended December 31, 2020.
- (6) We recorded a loss of \$2,424 and \$6,970 during the quarters ended December 31, 2020 and September 30, 2020, respectively, on extinguishment of debt, net of unamortized discount and deferred financing costs, relating to our repayment of our \$400,000 term loan and certain unsecured senior notes.
- (7) Hotel operating expenses for the three months ended December 31, 2020 includes a \$3,962 loss contingency related to a litigation matter relating to certain of our hotels.
- (8) Transaction related costs for the three months ended September 30, 2021 of \$3,149 are primarily related to legal costs related to our arbitration proceeding with Marriott International Inc., or Marriott. Transaction related costs for the three months ended June 30, 2021 included \$3,700 of working capital we previously funded under our agreement with Hyatt as a result of the amount no longer expected to be recoverable, \$1,110 of legal costs related to our arbitration proceeding with Marriott and \$1,341 of hotel manager transition costs. Transaction related costs for the three months ended March 31, 2021 included \$1,004 of legal costs related to our arbitration proceeding with Marriott and \$18,631 of hotel manager transition related costs resulting from the rebranding of 88 hotels during the period. Hotel operating expenses for the three months ended December 31, 2020 included \$15,100 of hotel manager transition related costs resulting from the rebranding of 112 hotels during the period.
- (9) Amounts represent the equity compensation for our Trustees, officers and certain other employees of our manager.
- (10) Various percentages of total sales at certain of our hotels are escrowed as reserves for future renovations or refurbishments, or FF&E reserve escrows. We own all the FF&E reserve escrows for our hotels.
- (11) As of September 30, 2021, we owned 304 hotels. Our condensed consolidated statements of income (loss) include hotel operating revenues and expenses of managed hotels and rental income from leased hotels.
- (12) When managers of our hotels are required to fund the shortfalls of minimum returns under the terms of our management agreements or their guarantees, we reflect such fundings (including security deposit applications) in our condensed consolidated statements of income (loss) as a reduction of hotel operating expenses. The net reduction to hotel operating expenses was \$30,474 for the three months ended September 30, 2020 and \$15,696 and \$222,134 for the nine months ended September 30, 2021 and 2020, respectively. There was no net reduction to hotel operating expenses during the three months ended September 30, 2021.
- (13) We are amortizing a liability we recorded for the fair value of our initial investment in Sonesta as a reduction to hotel operating expenses in our condensed consolidated statements of income (loss).

# Non-GAAP Financial Measures Definitions.

**Non-GAAP Financial Measures:** We present certain “non-GAAP financial measures” within the meaning of the applicable Securities and Exchange Commission, or SEC, rules, including FFO, Normalized FFO, EBITDA, Hotel EBITDA, Adjusted Hotel EBITDA, EBITDAre and Adjusted EBITDAre. These measures do not represent cash generated by operating activities in accordance with GAAP and should not be considered alternatives to net income (loss) as indicators of our operating performance or as measures of our liquidity. These measures should be considered in conjunction with net income (loss) as presented in our condensed consolidated statements of income (loss). We consider these non-GAAP measures to be appropriate supplemental measures of operating performance for a REIT, along with net income (loss). We believe these measures provide useful information to investors because by excluding the effects of certain historical amounts, such as depreciation and amortization expense, they may facilitate a comparison of our operating performance between periods and with other REITs.

**FFO and Normalized FFO:** We calculate funds from operations, or FFO, and Normalized FFO as shown on page 24. FFO is calculated on the basis defined by The National Association of Real Estate Investment Trusts, or Nareit, which is net income (loss), 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, less any unrealized gains and losses on equity securities, as well as adjustments to reflect our share of FFO attributable to an investee and certain other adjustments currently not applicable to us. In calculating Normalized FFO, we adjust for the items shown on page 24. FFO and Normalized FFO are among the factors considered by our Board of Trustees when determining the amount of distributions to our shareholders. Other factors include, but are not limited to, requirements to satisfy our REIT distribution requirements, limitations in our credit agreement and public debt covenants, the availability to us of debt and equity capital, our distribution rate as a percentage of the trading price of our common shares, or dividend yield, and to the dividend yield of other REITs, our expectation of our future capital requirements and operating performance and our expected needs for and availability of cash to pay our obligations. Other real estate companies and REITs may calculate FFO and Normalized FFO differently than we do.

**EBITDA, EBITDAre and Adjusted EBITDAre:** We calculate earnings before interest, taxes, depreciation and amortization, or EBITDA, EBITDA for real estate, or EBITDAre, and Adjusted EBITDAre as shown on page 25. EBITDAre is calculated on the basis defined by Nareit, which is EBITDA, excluding gains and losses on the sale of real estate, loss on impairment of real estate assets, if any, and adjustments to reflect our share of EBITDAre attributable to an investee. In calculating Adjusted EBITDAre, we adjust for the items shown on page 25. Other real estate companies and REITs may calculate EBITDA, EBITDAre and Adjusted EBITDAre differently than we do.

**Hotel EBITDA and Adjusted Hotel EBITDA:** We calculate Hotel EBITDA as hotel operating revenues less hotel operating expenses of all managed and leased hotels, prior to any adjustments required for presentation in our condensed consolidated statements of income (loss) in accordance with GAAP. Adjusted Hotel EBITDA excludes certain items we believe do not reflect the ongoing operating performance of our hotels. We believe that Hotel EBITDA and Adjusted Hotel EBITDA provide useful information to management and investors as key measures of the profitability of our hotel operations.

**Rent Coverage:** We define rent coverage as earnings before interest, taxes, depreciation, amortization and rent, or EBITDAR, divided by the annual minimum rent due to us weighted by the minimum rent of the property to total minimum rents of the net lease portfolio. EBITDAR amounts used to determine rent coverage are generally for the latest twelve-month period reported based on the most recent operating information, if any, furnished by the tenant. Operating statements furnished by the tenant often are unaudited and, in certain cases, may not have been prepared in accordance with GAAP and are not independently verified by us. Tenants that do not report operating information are excluded from the coverage calculations. In instances where we do not have financial information for the most recent quarter from our tenants, we have calculated an implied EBITDAR for the 2021 third quarter using industry benchmark data to reflect current operating trends. We believe using this industry benchmark data provides a reasonable estimate of recent operating results and rent coverage for those tenants.

**Investment:** We define hotel investment as historical cost of our properties plus capital improvements funded by us less impairment write-downs, if any, and excludes capital improvements made from FF&E reserves funded from hotel operations that do not result in increases in minimum returns or rents. We define net lease investment as historical cost of our properties plus capital improvements funded by us less impairment write-downs, if any.

**Debt:** Debt amounts reflect the principal balance as of the date reported. Net debt means total debt less unrestricted cash and cash equivalents as of the date reported.



**SERVICE**  
PROPERTIES TRUST

# Service Properties Trust (Nasdaq: SVC)

*Investor Presentation  
November 2021*

