

# STARWOOD CORPORATE OVERVIEW

## HISTORY

One of the world's largest hotel and leisure companies, Starwood Hotels & Resorts Worldwide, Inc. operates a portfolio of 10 renowned brands, a partnership with Design Hotels™ and the award-winning Starwood Preferred Guest (SPG) loyalty program. Starwood's properties transcend its history as a corporation, reaching back to legendary hotels such as Hotel Danieli, a 14<sup>th</sup> century palace in Venice; St. Regis New York, a pinnacle of luxury opened during the Gilded Age in 1904; and The Great Wall Sheraton Hotel Beijing, the first international hotel brand in China in 1985. With a first mover advantage in markets around the globe, the Starwood network celebrates its distinct brands while building on its collective, systemwide strength.

Starwood's life as a public company began with the acquisition of a REIT in 1994; the company transformed over the past two decades with the addition of Westin®, ITT Sheraton, and Le Méridien® portfolios. Organic growth has amplified Starwood's expansion, as the company added hundreds of hotels since its acquisition of Le Méridien® in 2005. Starwood then added even more depth to its global portfolio with the launch of two specialty select brands, Aloft and Element, as well as its independent upper upscale brand Tribute Portfolio, and an expanded partnership with Design Hotels. In recent years, Starwood pursued an asset-light strategy to create more value for its shareholders; the company focused on its managed and franchised business on a global scale with powerful lifestyle brands, coveted SPG benefits, and digital innovation. In 2015, new leadership – Adam Aron, CEO on an interim basis, followed by Thomas Mangas, appointed CEO later in the year, implemented an action-oriented plan to accelerate Starwood's performance on a broad array of fronts.

## 2016

### **RECORD SIGNINGS AND OPENINGS**

Starwood finishes 2015 with a record number of new hotel signings and openings. The company signs 220 new hotel management and franchise agreements and opens a record of 105 hotels in 2015.

### **STARWOOD COMPLETES THE SALE OF VISTANA**

In May, Starwood completes the sale of Vistana Signature Experiences to Interval Leisure Group. Vistana, previously known as Starwood Vacation Ownership, is a leading developer owner, developer and operator of high-end vacation ownership resorts.

## 2015

### GLOBAL CAMPAIGN FOR THE LUXURY COLLECTION

Starwood launches a multi-million dollar advertising campaign for The Luxury Collection brand, featuring experiential luxury and a refreshed visual identity. Together with hotel owners, Starwood is embarking on a \$700 million effort to expand and renovate the brand portfolio. The campaign illustrates how The Luxury Collection hotels are true representations of their destinations and celebrates guests as storytellers, collectors, and explorers.

### COMMERCIAL SERVICES LEADERSHIP

Starwood's matrixed organization evolves, as Starwood Sales, Revenue Management, and Distribution, Loyalty, and Partnerships are brought together within a new Commercial Services group for holistic enterprise leadership. Mark Vondrasek, a Starwood veteran who spearheaded industry-changing SPG initiatives and partnerships, was promoted to lead the group in creating outsized loyalty and driving more high-value business to our hotels.

### DELIVERING ON ASSET LIGHT STRATEGY

As outlined in its March 2013 investor day, Starwood progresses on its asset light strategy to divest the majority of its owned assets while expanding its managed and franchised business. Starwood sells trophy assets such as The Gritti Palace in Venice for \$117 million, The Phoenician, a Luxury Collection Resort, Scottsdale for \$400 million, and The Westin Excelsior, Rome for \$251 million. Under long-term management agreements with new hotel owners, these high end properties stay within Starwood's system.

### SHERATON 2020

Designed to put Sheraton Hotels and Resorts firmly back into the global spotlight, Sheraton 2020 is a comprehensive plan built on the brand's five year vision. The plan, created with an eye towards maximizing value for owners assets, includes a new \$100 million Sheraton-focused marketing campaign; the launch of the new premier tier, Sheraton Grand; continuous innovation of the Sheraton guest experience; an unwavering commitment to service excellence; the implementation of revenue and profit-driving initiatives to benefit owners and developers; and a goal of opening more than 150 new Sheraton hotels worldwide by 2020.

### GLOBAL BRAND ORGANIZATION LEADERSHIP CHANGES

Starwood shows its commitment to unique and compelling brands through a series of leadership changes across its brand organization. The company is investing in its global brand organization to further invigorate innovation, marketing and guest experience. John Peyton, who has held a number of senior operations and marketing positions over a 15-year tenure, was appointed Senior Vice President, Brands and Shared Services.

### ADVANCING THE PACE OF PROGRESS

Starwood management outlines internal initiatives to accelerate the pace of growth, sharpen the focus on brand appeal, deliver on the asset light strategy, and increase operational efficiency. The company commissions a third party survey of hotel owner perspectives, and is committed to being more communicative, flexible and responsive with current and prospective developers. Starwood also fast-tracks the launch of its 10<sup>th</sup> brand, The Tribute Portfolio, in the independent upper-upscale segment.

### EXPLORATION OF STRATEGIC AND FINANCIAL ALTERNATIVES

In conjunction with the first quarter 2015 earnings call in April 2015, Starwood's Board of Directors announces that it is exploring the full range of strategic and financial alternatives to increase shareholder value. The review is running parallel to Starwood's drive to increase the topline while aggressively managing costs and spurring faster growth.

#### **LEADERSHIP TRANSITION**

A long-time director on Starwood's Board of Directors, Adam Aron, is named CEO on an interim basis following the resignation, by mutual agreement, of Frits van Paasschen. The Board believes that it is time to take steps to accelerate Starwood's growth, improve performance, and sharpen the focus on operational excellence. A talented and experienced business builder, Adam has a clear mission and charge from the Board to deliver a heightened level of performance and growth.

#### **PLANNED VACATION OWNERSHIP BUSINESS SPINOFF**

Starwood outlines plans to spin off its vacation ownership business, Starwood Vacation Ownership (SVO), into a separate publicly traded company. SVO will become the premier upper upscale timeshare company in top vacation destinations such as Hawaii, Orlando, Mexico and the Caribbean. With a new long-term license agreement with Starwood, SVO will continue to provide owners award-winning branded experiences and access to Starwood Preferred Guest.

#### **MARRIOTT TO ACQUIRE STARWOOD**

On November 16, Starwood announces that the boards of directors of both Starwood and Marriott unanimously approved a definitive merger agreement under which the companies will create the world's largest hotel company with more than 5,500 hotels and 1.1 million rooms worldwide. The transaction combines Starwood's leading lifestyle brands and international footprint with Marriott's strong presence in the luxury and select-service tiers, as well as the convention and resort segment, creating a more comprehensive portfolio.

#### **STARWOOD EXPANDS PARTNERSHIP WITH DESIGN HOTELS**

Just seven months after launching its 10<sup>th</sup> brand, Tribute Portfolio, Starwood announces an expanded partnership with Design Hotels™ AG (FRA:LBA) in a move which consumers perceive as the addition of an 11<sup>th</sup> brand. Since 2011, Starwood has been a majority but passive investor in the Berlin-based Design Hotels™, which for more than two decades has served as a global distribution, sales and marketing affiliation for nearly 300 independently owned and operated hotels and resorts in more than 50 countries. Guests who book directly through Starwood channels can now receive select SPG benefits and earn Starpoints during their stays at participating member hotels of Design Hotels™.

#### **STARWOOD NAMES THOMAS B. MANGAS CEO**

On December 31, 2015, Starwood appoints Thomas B. Mangas as CEO following the resignation of Adam Aron. Mangas served as Starwood's Executive Vice President and CFO of Starwood prior to becoming CEO. The Company also appoints Alan M. Schnaid to the position of CFO and Robyn Arnell to the role of Corporate Controller.

## **2014**

#### **SHAREHOLDER RETURNS**

Starwood delivers \$2.4B to shareholders through dividends and share repurchases, supported by cash flow from operations, increasing leverage levels to the long-term leverage target, and cash proceeds from asset sales.

#### **KEYLESS ROOM ENTRY**

Starwood begins rolling out the industry's first truly mobile and keyless entry system that allows guests to use their smartphone as a key. SPG Keyless enables guests to bypass the front desk, avoid waiting in line and ultimately unlock their stay with a simple tap of their smartphone.

#### **EXECUTING ON ASSET LIGHT STRATEGY**

In 2014, Starwood received approximately \$817 million for the sale of eight hotels and one unconsolidated joint ventures, progress towards its target of generating \$3 billion in asset sales by the end of 2016. The asset sales are part of the company's transition to an asset light business model that offers higher return on invested capital, lower capital requirements, and lower cyclicity.

#### **CFO TOM MANGAS JOINS STARWOOD**

Tom Mangas joins Starwood as CFO in September 2014. With a deep understanding of global brands, operational savvy, and hands-on experience as a public-company CFO, Tom is an operations-oriented leader. He brings the energy and personality to both roll up his sleeves with our hotel operators and contribute to strategic decisions on the Senior Leadership Team.

## **2013**

#### **COMMITMENT TO ASSET LIGHT**

Delivering on its long-term goal to transition to an asset light company, Starwood sells six hotels in 2013 for an aggregate sales price of more than \$250 million. The company embraces opportunities to sell owned real estate - at the right time, on the right terms, and to the right owners - in order to create value for shareholders. Importantly, the sold properties will all stay in the Starwood network as part of the managed and franchised business.

#### **RELOCATION TO DUBAI**

Starwood's CEO Frits van Paasschen and the senior leadership team relocate the global headquarters to Dubai in the Middle East for the month of March. In Dubai, the team meets with 3,000 associates, conducts nearly 50 owner meetings and visits all 14 Starwood hotels in the emirate. Taking advantage of Dubai's strategic location to travel to 19 cities across 12 countries, senior executives met with government officials and potential development partners in fast-growing markets. The move reflects Starwood's innovative management approach to cultivating a more global culture by understanding, appreciating and leveraging different societal and associate perspectives and approaches to business and hospitality.

#### **CROSSOVER REWARDS**

Extending loyalty outside of Starwood's hotel system, Starwood Preferred Guest (SPG) partners with Delta to launch Crossover Rewards, providing elite members of both loyalty programs reciprocal benefits. Crossover Rewards enriches the experience for Starwood's most valuable travelers, cultivating guest loyalty beyond reason.

## 2012

### STARWOOD PREFERRED GUEST TRANSFORMATION

Starwood Preferred Guest (SPG) launches the richest elite program benefits in history for global mega travelers including standouts like first-of-its-kind 24-hour check-in, confirmable upgrades, and free breakfast. For our most loyal guests, SPG offers lifetime status and a dedicated Starwood ambassador. In its first year, SPG transformation drove a 12% year-over-year increase in revenue to our hotels from SPG members with a 16% increase from Platinum members.

### EXPANSION IN CHINA

In Greater China, Starwood reaches more than 100 operating hotels and is poised to double its footprint with an additional 100 hotels in the pipeline.

### SHERATON MACAO

The largest hotel in Starwood's network, Sheraton Macao, begins to open its nearly 4,000 rooms.

### ST. REGIS BAL HARBOUR

The highly anticipated St. Regis Bal Harbour Resort & Residences opens in the affluent Florida enclave of Bal Harbour, generating \$684 million from the sale of residential units in 2012. The St. Regis brand traces back to New York in 1904, when Colonel John Jacob Astor IV introduced a new pinnacle of luxury with The St. Regis New York.

### NEW GLOBAL HEADQUARTERS & DESIGN LAB

Starwood's global headquarters moves to Stamford, Connecticut. At headquarters, a creative design lab opens to showcase Starwood Preferred Guest (SPG) and our nine renowned brands. Dubbed Starwood Experience, the lab displays two- and three-dimensional design and guest-facing technology. Hotel owners and corporate stakeholders enjoy immersion into Starwood's brand programming, event activation, and food and beverage initiatives, all revealed in the context of our design-led culture.

## 2011

### RELOCATION TO SHANGHAI

Starwood's CEO, Frits van Paasschen, and senior management move to Shanghai for the month of June. The move reflects the company's global evolution and boom in China. Relocating the global headquarters to China provides senior management with an on-the-ground view of the immense growth occurring in Asia Pacific.

### ASIA PACIFIC REACHES 200 HOTELS

Starwood hits the 200<sup>th</sup> hotel milestone in Asia Pacific and widens its lead as Asia's largest operator of four and five star hotels with a flurry of new openings at year end.

#### **LEAN OPERATIONS**

With continued lean operations efforts, Starwood increased worldwide margins by almost 200 basis points on revenue per available room growth of 8%. Guest satisfaction measures reached another high in 2011, demonstrating that cost savings did not compromise the guest experience.

#### **NYC BRAND PRESENCE**

New York City becomes the first city in the world to fly all nine Starwood brand flags.

### **2010**

#### **STARWOOD'S 1,000 HOTELS**

Starwood celebrates a significant milestone with the opening of its 1,000<sup>th</sup> hotel.

#### **ONE GLOBAL COMMITMENT**

Expanding on its company-wide commitment to conservation and sustainable operations, Starwood plans to significantly reduce energy and water consumption at every one of its 1,000 hotels within the decade. The target is a 30 percent reduction in energy use and a 20 percent decrease in water consumption per available room by 2020.

### **2009**

#### **SHERATON REVITALIZATION**

The Sheraton portfolio begins an extensive, \$6 billion brand revitalization, upgrading and renovating properties and applying brand standards. 60 new and 120 newly renovated Sheraton hotels and resorts around the world benefit from the multi-year revitalization effort, which includes 300 new lobbies, 70,000 new guest rooms, 100,000 new beds and the brand's unique wired lobby lounge, the Link @ Sheraton<sup>SM</sup> experienced with Microsoft ®.

#### **GLOBAL EXPANSION OF W**

A new interpretation of luxury, W Hotels is pulled up into this space by the demands of consumers and expands from a U.S. phenomenon to a global design powerhouse with the openings of W Doha, W Santiago, and W Barcelona in 2009.

#### **ENDURING THROUGH THE RECESSION**

Starwood navigates the toughest year the industry endured since the Great Depression and emerged stronger by continuing to cut costs in 2009, raising over \$1.6 billion in cash from a broad range of transactions, reducing debt by over \$1 billion and paying down debt maturities from 2010 through 2013.

## **ENVIRONMENTAL STRATEGY**

Starwood launches a partnership with global environmental non-profit Conservation International. The partnership leads to an environmental strategy addressing priority issues including hotel-level initiatives to conserve water, reduce energy consumption, enhance indoor environmental quality, and minimize waste.

## **2008**

### **BUILDING OUR MANAGED & FRANCHISED BUSINESS**

Starwood makes progress towards growing its managed and franchised business with 53% of EBITDA contribution from fee income, up from 18% in 2003. Six assets in the owned portfolio are strategically sold for \$320 million.

### **DRIVING PRODUCTIVITY**

In preparation for a worsening macro environment, Starwood begins a rigorous review of spending with a focus on reducing costs, improving productivity and reinvesting against growth priorities. Cost discipline helps the company achieve strong results in each quarter of 2008 despite deterioration in lodging demand.

### **WELCOMING SPECIALTY-SELECT ALOFT AND ELEMENT**

Starwood's sought-after select-service hotels, Aloft and Element, open in Lexington, Massachusetts with strong debuts in guest satisfaction scores. Conceived by the team that created W Hotels, Aloft raises the bar by offering urban-inspired, loft-like guest rooms, enhanced technology services, and an energetic lounge scene. Inspired by Westin Hotels & Resorts, Element promotes balance through flowing, multi-purpose spaces with an emphasis on environmentally-friendly design.

## **2007**

### **CEO FRITS VAN PAASSCHEN JOINS STARWOOD**

Frits van Paasschen joins Starwood as CEO in September 2007. A creative, dynamic and team-oriented executive with superb marketing skills and an approachable style, Frits brings broad experience driving consumer demand and delivering superior results across a number of marquee global brands.

## **2006**

### **POWERFUL PERFORMANCE**

In 2006, Starwood's worldwide systemwide revenue per available room growth reaches 9.9%. 156 hotel contracts are signed, representing almost 37,000 rooms. From the sale of 50 non-strategic assets, \$4.7 billion in proceeds are generated while valuable long-term management contracts are retained.

## **SALE OF HOTEL PORTFOLIO TO HOST**

Starwood completes the sale of a portfolio of 33 hotels to Host Marriott at an attractive price. Management channels \$2.8 billion related to the transaction into return of capital for Starwood shareholders. Starwood maintains long-term management contracts to operate the properties, one of the first major steps in the company's transformation to an asset light structure.

## **EARLY DAYS**

### **2005**

#### **RECORD YEAR**

Starwood enjoys a record year and, with revenue and net income surpassing our results from 2000, the year is widely considered the most successful in hotel history. 100 new deals were signed during the year with a focus on luxury and upper upscale hotel projects.

#### **ACQUISITION OF LE MERIDIEN**

Le Méridien, a brand created to share and extend the international experience, is acquired by Starwood. More than 120 properties, primarily located in Europe and the Middle East, become part of the Starwood family. With Le Méridien as the growth vehicle, the company's Asia Pacific footprint expands by 30%. Le Méridien traces its roots to Air France, which established the brand as a home away from home for passengers in 1972.

### **2004**

#### **LEADERSHIP TRANSITION**

In September, Steven Heyer is named CEO of Starwood Hotels & Resorts Worldwide, succeeding Founder Barry Sternlicht.

#### **CFO VASANT PRABHU JOINS STARWOOD**

Vasant Prabhu joins Starwood Hotels & Resorts Worldwide as CFO, responsible for the accounting, tax, treasury, strategic planning, corporate development and risk management functions of the corporation.

### **2003**

#### **STARWOOD BRANDS ACHIEVE COMPETITIVE GAINS**

During 2003, all of the company's major brands realized significant market share and revenue gains. W Hotels posted the best revenue per available room growth at 8.4% out of any known brand in the world for the year.

### **2002**



## **BEST RATE GUARANTEE**

Recognizing the growing role of the Internet in booking hotels, Starwood launches its Best Rate Guarantee on its branded proprietary websites.

## **SHERATON SWEET SLEEPER**

Sheraton introduces the Sheraton Sweet Sleeper® Bed, featuring an 11.5-inch-thick high coil count Sealy Posturepedic Plush Top mattress, down and allergy-sensitive pillows, and crisp cotton sheets.

## **2001**

### **INDUSTRY ACCOLADES**

In 2001, Starwood is recognized by major players in the travel industry. Starwood is named the World's Leading Hotel Group at the World Travel Awards and Starwood Preferred Guest is voted Program of the Year for the second consecutive year during the 13th Annual Freddie Awards (since renamed the Frequent Traveler Awards), one of the most prestigious honors in the travel industry.

## **2000**

### **BUILDING SHAREHOLDER VALUE**

Starwood's industry-leading performance leads to superior shareholder return of more than 50% while every major stock market index fell during the year. The company achieves investment grade status and is included in the S&P 500.

### **EXITING THE GAMING BUSINESS**

Starwood completes its exit from the gaming industry.

## **1999**

### **WESTIN "HEAVENLY"**

Serene, restorative sleep is enjoyed by Westin guests with the launch of the Westin "Heavenly" Bed in 1999. An icon that has inspired countless imitators, the all-white sumptuous bedding ensemble provides a wake-up call to the hospitality industry and its introduction leads to other "Heavenly" luxuries including specialty baths, cribs, and home bedding.

### **STARWOOD VACATION OWNERSHIP**

In October, Starwood acquires Vistana, Inc., a vacation ownership company that becomes Starwood Vacation Ownership, to establish an immediate presence in the vacation ownership market.

### **STARWOOD PREFERRED GUEST (SPG) LAUNCHES**

Starwood launches Starwood Preferred Guest (SPG) to reward and recognize frequent travelers. The program makes headlines with its policy of no blackout dates, no capacity controls, and online redemption – all industry firsts. SPG is awarded top “Freddie” awards including Hotel Program of the Year, Best Customer Service, Best Web Site, Best Elite-Level Program and Best Award Redemption.

#### **HEAVENLY BED**

Westin Hotels & Resorts introduces the Heavenly Bed®, featuring a pillow-top mattress, down comforter and luxurious, all-white bed linens – driving the brand’s Guest Satisfaction Index up 12% in five months.

#### **ST. REGIS BEGINS REMARKABLE GROWTH**

The St. Regis brand grows from one hotel in New York City to six hotels, all named to Condé Nast Traveler’s “Gold” list for 1999.

#### **STARWOOD SELLS GAMING INTERESTS**

Starwood sells the Caesar’s gaming interests it had acquired in the ITT transaction to Park Place Entertainment for \$3 billion in cash.

#### **STARWOOD BECOMES A C-CORPORATION**

On January 6, 1999, Starwood Hotels & Resorts Worldwide becomes a c-corporation and its real estate investment trust becomes a subsidiary.

## **1998**

#### **LAUNCH OF W**

W Hotels is an instant phenomenon with the debut of W New York in 1998 and rapidly expands to dynamic cities across the U.S. and beyond. Attracting trendsetters and trend seekers, W is a category buster with its cutting-edge design, whimsical personality and signature “Whatever/Whenever” service.

#### **ACQUISITION OF ITT**

In February, Starwood completes the acquisition of ITT Corporation, which included Sheraton, Compagnia Italiana Grandi Alberghi (CIGA), and Caesars gaming operations. Starwood’s portfolio now includes more than 650 hotels and resorts in more than 70 countries worldwide.

Previously, ITT Corporation had acquired a 70% stake in CIGA in 1994. CIGA was company owned in part by Prince Karim Aga Khan, and created The Luxury Collection, designed to be the world’s most renowned assemblage of hotels and resorts. The collection includes historical treasures such as the Prince of Württemberg’s residence built in 1863 in Vienna, a convent in Evora, Portugal from the 1500s, and a bejeweled palace in Venice from the 1400s.

ITT Corporation also owned Sheraton, a brand with origins dating back to 1937 when the company’s founders, Ernest Henderson and Robert Moore, acquired their first hotel in Springfield, Massachusetts. With a first mover advantage around the globe, Sheraton was the first international chain to open a branded hotel in China, The Great Wall Sheraton Hotel Beijing, in 1985.

#### **ACQUISITION OF WESTIN**

In January, Starwood Lodging completes the acquisition of Westin Hotels & Resorts. Westin's history extends back to the 1930s; it was initially formed by Severt Thurston, Frank Dupar, and the Schmidt Brothers as Western Hotels.<sup>1</sup>

With the completion of the Westin acquisition, Starwood is renamed Starwood Hotels & Resorts.

## 1994

### STARWOOD BEGINS ITS JOURNEY AS A PUBLIC COMPANY

Starwood Capital exchanged debt, assets, and partnerships, for an ownership interest in NYSE-listed Hotel Investors Trust (NYSE: HOT). The firm, founded in Chicago in 1991 by Barry Sternlicht, owns interests in more than 30 properties by 1994. The acquired company Hotel Investors Trust was first organized in 1969 as a Maryland real estate investment trust.

<sup>1</sup> Source: Washington State University