

HERSHA

Capital Structure Transformation

Investor Presentation



The Cadillac Hotel & Beach Club, Miami Beach, FL

Execution of Comprehensive Refinancing Solution

■ **Hersha Hospitality Trust announced a series of strategic and financing transactions providing the Company with increased operating flexibility and liquidity**

- ✓ New \$200 million unsecured notes placement from West Street Strategic Solutions Fund I, L.P. and Broad Street Credit Holdings LLC, each of which is an affiliate of the Merchant Banking business of The Goldman Sachs Group, Inc. (“GS Purchasers”)
- ✓ Successful Bank Credit Facility amendment
- ✓ Entered into binding sales agreements at attractive pricing on 6 hotels for a total asset value of \$216 million. Subsequent to the Company paying down mortgage loans, the successful completion of these sales will generate approximately \$191 million in net proceeds

■ **These actions eliminate material near term debt maturities, enhance our operating flexibility, bolster liquidity without diluting existing shareholders, and positions Hersha to benefit from the recovery**

Strategic Capital Infusion

Hersha has secured a strategic financing commitment from GS Purchasers

■ \$150 Million Unsecured Notes Due 2026

- ✓ Can be upsized by \$50 million to an aggregate amount of \$200 million via a delayed draw feature at Hersha's sole discretion
- ✓ Bespoke private execution that allows significant prepayment flexibility after the first year
- ✓ Proceeds are non-dilutive to the Company's shareholders
- ✓ 50% of the 9.5% annual interest can accrue at the Company's option in the form of Payment In Kind through March 31, 2022, creating near-term cash savings

■ Financial Flexibility

- ✓ Addresses the Company's capital needs to maintain near and medium term financial flexibility
- ✓ By eliminating near-term maturities, Hersha can focus on operational management of the portfolio and accretive growth opportunities through the recovery
- ✓ Allows the Company to simultaneously amend the Credit Facility agreement and extend the covenant waiver holiday through March 31, 2022

Bank Credit Facility Amendment Provides Substantial Flexibility

Extension of Covenant Holiday



Extension of financial covenant waiver period through Q1 2022

Flexible Covenant Calculation



Leverage covenant calculated on a latest quarter annualized (or similar) basis from Q2 2022 through Q1 2023 providing additional flexibility

Extension of Term Loan



2021 term loan maturity extended to August 2022 leaving no material debt maturities until then

Reduced Principal



In excess of \$200 million of non-core properties sold or under contract with proceeds used to reduce term loan principal and bolster liquidity

Ability to Make Preferred Distributions



Amendment provides flexibility to pay accrued preferred dividends and for future preferred dividends

Capital Recycling

Hersha has reached agreement for the sale of six hotels for net proceeds of \$191M

- **We sold or are under contract to sell one hotel in each of our geographic clusters with a focus on disposing smaller, older, stabilized hotels expected to underperform relative to their clusters in the early recovery and require more capital investment**
 - ✓ Hotels or submarkets we expect to have a slower recovery than our portfolio average due to group/business transient reliance or new supply

- **Marginally improves absolute RevPAR and EBITDA/Key of the portfolio, but meaningfully enhances portfolio quality, EBITDA growth rate, and reduces capex drag**
 - ✓ Hotels we have owned more than our targeted strategic hold period of seven years and buildings that were not purpose built for their market position

Capital Recycling

Selling mature hotels with lower growth and higher capex requirements

Property (\$ in thousands)	Sale Price	Property Debt	Net Proceeds	Net Book Gain	Years Held	Forecasted Closing Date	Buyer Strategy
Sheraton Wilmington, DE	\$19,500	\$0	\$19,500	\$1,200	10.0	12/9/2020	Alternative Use
Courtyard San Diego, CA	\$64,500	\$0	\$64,500	\$5,400	7.5	3/1/2021	Hotel
Residence Inn Coconut Grove, FL	\$31,000	\$0	\$31,000	\$10,600	7.5	3/31/2021	Alternative Use
Capitol Hill Hotel, Washington, DC	\$51,000	\$25,000	\$26,000	\$15,100	10.0	3/31/2021	Hotel
Holiday Inn Express Cambridge, MA	\$32,000	\$0	\$32,000	\$20,400	15.0	3/31/2021	Hotel
Duane Street, NY	\$18,000	\$0	\$18,000	\$1,300	13.0	4/30/2021	Alternative Use
Total	\$216,000	\$25,000	\$191,000	\$54,000	10.5		

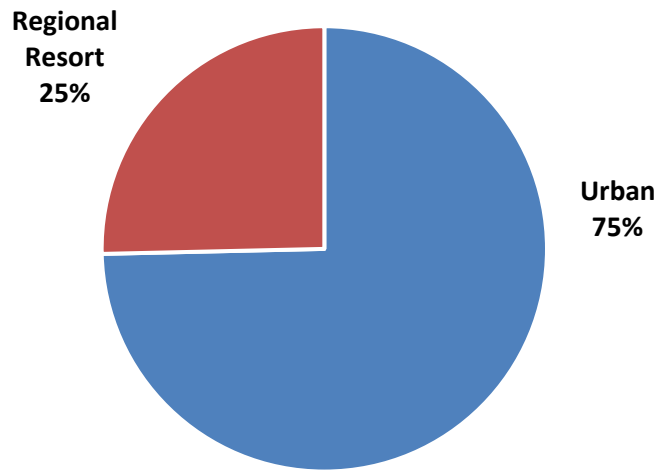
- ✓ Improves portfolio absolute RevPAR by 3.7% to \$195
- ✓ Strengthens portfolio EBITDA/Key by 3.9% to \$28,345
- ✓ Weighted average 11.7x multiple and 7.5% capitalization rate
- ✓ Sales will save approximately \$20 million in future capital expenditures

Strategically Positioned Portfolio

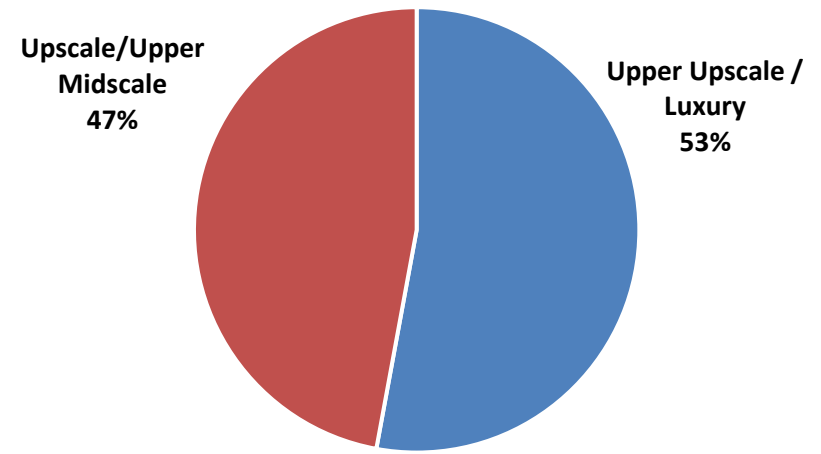
■ Addition By Subtraction

- ✓ 15% Reduction in hotel count leads to more efficient asset and revenue management initiatives
- ✓ Absolute RevPAR improves ~4% to \$195
- ✓ EBITDA/Key valuation strengthens ~4% to \$28,345
- ✓ Portfolio Margin remains above 30%, one of the highest among the peers

By Destination



By Segmentation



*Figures Based on 2019 Actual Results and Room Count

**Figures exclude recently announced and closed dispositions: Sheraton Wilmington, Courtyard San Diego, Residence Inn CG, HIEX Cambridge, Capitol Hill Hotel, Duane Street

Substantially Improved Balance Sheet

- Proceeds from the unsecured notes and expected asset sales will be used to reduce outstanding balance on the Bank Credit Facility, pay the accrued preferred dividends, and bolster liquidity
- Pro forma weighted debt maturity increased to 3.5 years, improving the Company's credit profile and enhancing operational flexibility

Application of Proceeds			
Sources	\$mm	Uses	\$mm
Unsecured Notes Placement	\$150	Pay down Revolver Balance	\$61
Net Asset Sale Proceeds <i>(Estimated)</i>	171	Pay down Term Loan Balance	220
		Payment of Accrued Preferred Dividends	30
		Fees, Expenses, OID and General Corporate	10
Total	\$321		\$321

