

Real Estate Research

September 27-28, 2016

Hotel Capital Markets Update

David Loeb

Sr. Research Analyst
dloeb@rwbaird.com
414-765-7063

Michael Bellisario

Sr. Research Associate
mbellisario@rwbaird.com
414-298-6130

Amanda Frankwick

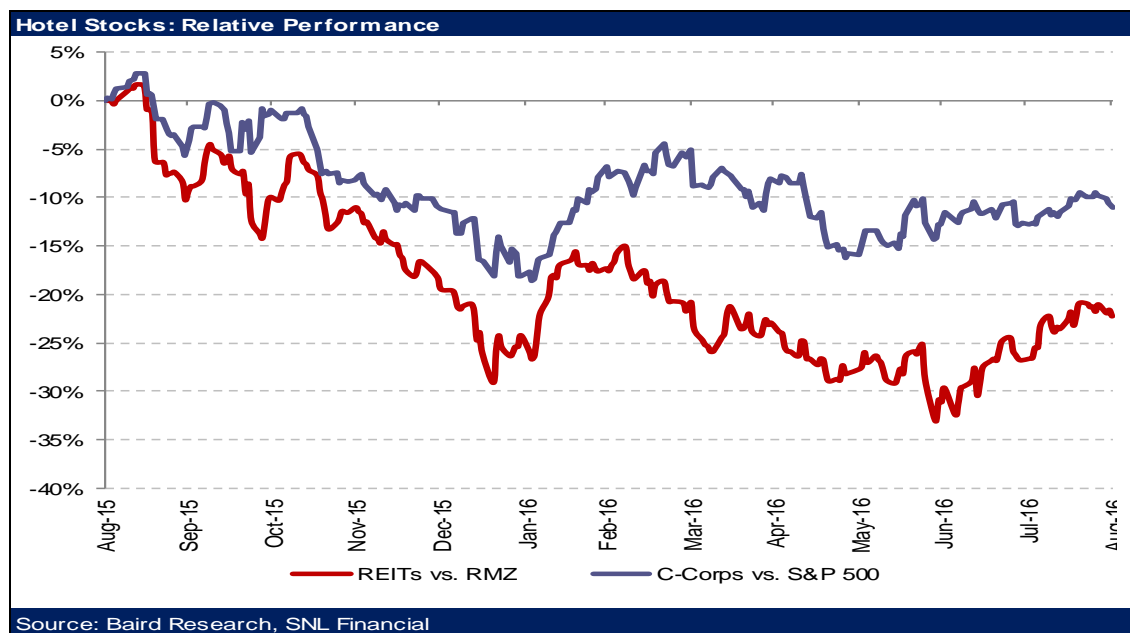
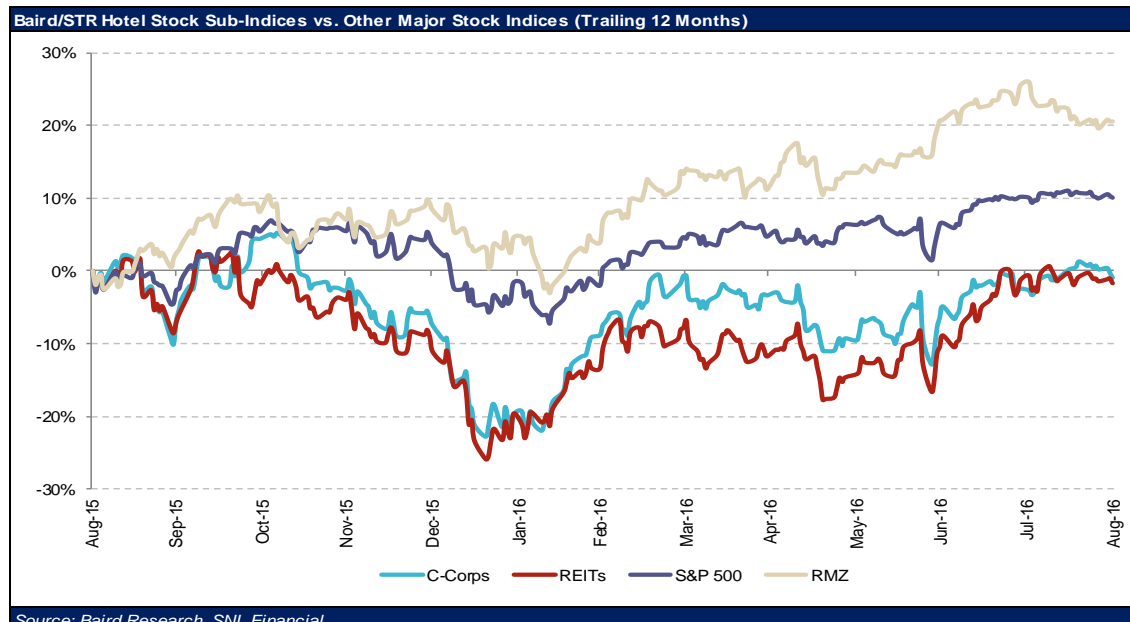
Research Associate
afrankwick@rwbaird.com
414-298-1706

Please refer to Appendix - Important Disclosures and Analyst
Certification on pages 18-22



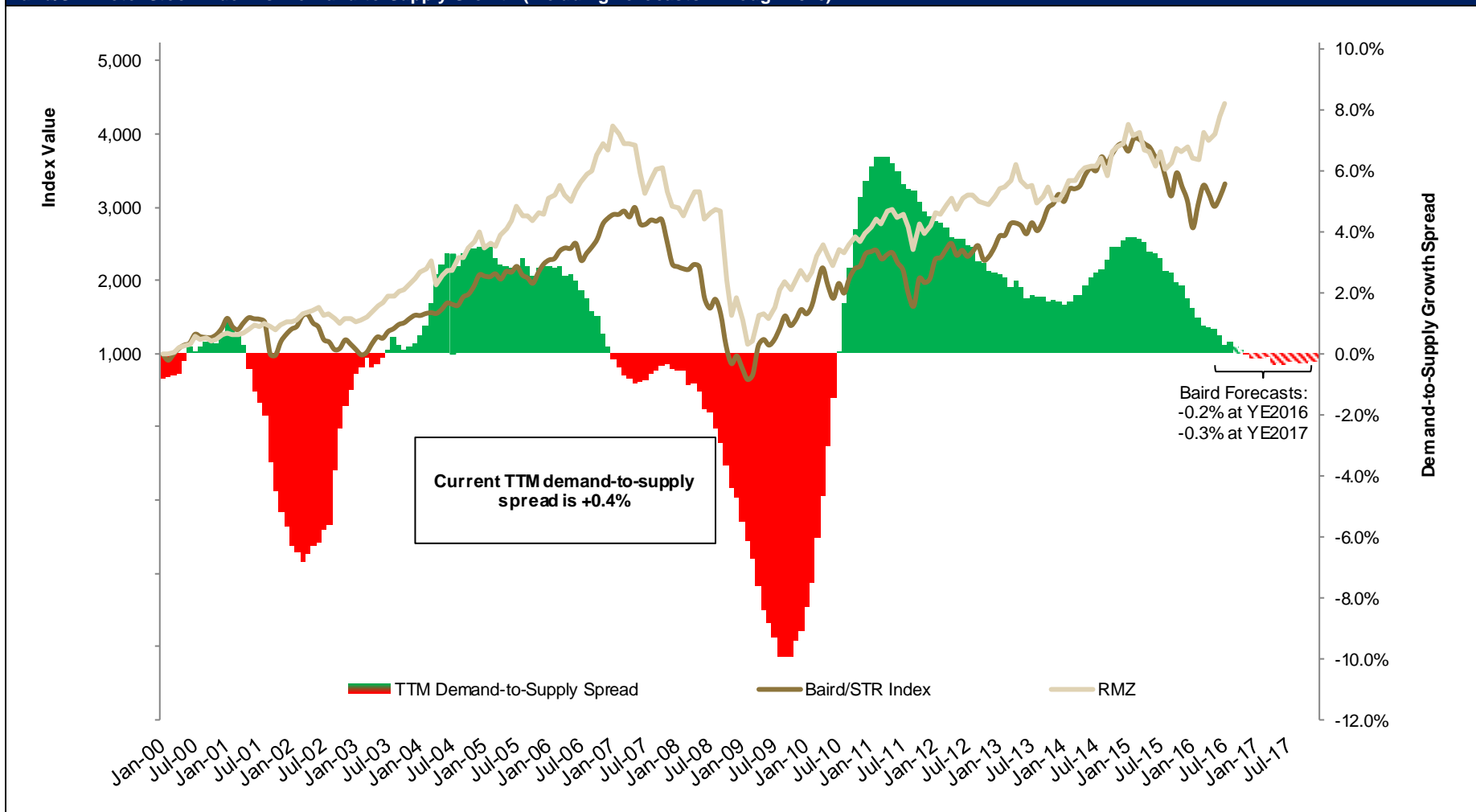
Stocks Have Rebounded Despite Slowing Growth

- RevPAR growth continues to underperform expectations on slowing corporate demand
- Stronger U.S. Dollar impacting Top 25 markets; Canada is in a recession, and Canada is about one-third of inbound international travel; Brexit impact unknown, but the U.K. is the third largest inbound international travel market
- Hotel stocks have rebounded off their lows as investors search for yield, but insider selling and still-slowng fundamentals will likely continue to pressure investor sentiment



TTM Demand-Supply Spread Nearing Equilibrium

Baird/STR Hotel Stock Index vs. Demand-to-Supply Growth (Including Forecasts Through 2016)



Notes: Past performance is no guarantee of future results. The Baird/STR Hotel Stock Index was created on June 1, 2010, and characterizes stock performance since January 1, 2000. Performance for time periods prior to the creation date is hypothetical. The index is currently comprised of 20 of the largest domestically available hotel stocks and reviewed quarterly for composition adjustments by Baird Research. It is not possible to invest directly in the index; values indexed to 1,000 at January 1, 2000.

Source: Baird Research, STR

Forecasts Call for Growth to Remain Positive

2016 United States Hotel Industry Forecasts						2017 United States Hotel Industry Forecasts				
	Baird Research	CBRE	PwC	STR	YTD Actuals		Baird Research	CBRE	PwC	STR
Supply	1.6%	1.6%	1.7%	1.6%	1.5%	Supply	1.8%	2.0%	1.9%	2.0%
Demand	1.5%	1.7%	1.4%	1.6%	1.3%	Demand	1.4%	1.8%	1.5%	1.6%
Occupancy %	-0.2%	0.1%	-0.3%	0.0%	-0.2%	Occupancy %	-0.3%	-0.1%	-0.4%	-0.3%
Average Rate	3.3%	3.5%	3.4%	3.2%	3.1%	Average Rate	3.0%	4.1%	3.3%	3.1%
RevPAR	3.1%	3.6%	3.1%	3.2%	2.9%	RevPAR	2.7%	3.9%	2.9%	2.8%
<i>Updated:</i>	<i>Aug 2016</i>	<i>Sep 2016</i>	<i>Aug 2016</i>	<i>Aug 2016</i>	<i>Aug 2016</i>	<i>Updated:</i>	<i>Aug 2016</i>	<i>Sep 2016</i>	<i>Aug 2016</i>	<i>Aug 2016</i>
Source: CBRE, PwC, STR										

- Supply growth expectations likely to continue moderating (but rate of growth still expected to increase); occupancy expected to decline due to decelerating demand growth and an increase in alternative lodging options

Uncertainty Abounds; Mixed Signals for Hotel Stocks

Weekly/Monthly STR numbers not showing any signs of rebound

- Consumer confidence, employment still very strong...
- ...but corporate profits slowing, travel budgets shrinking (energy, financials)
- Domestic hotel fundamentals decelerating → monthly RevPAR growth has been in the low-single-digits range since November 2015
- Stocks trading between 10.0x and 11.0x NTM EV/EBITDA → lack of investor confidence in management teams' outlooks
- Urban- and transient-focused portfolios lagging the broader industry

Growth expected to remain positive in 2H16 though

- Group bookings still solid for 2H16; convention calendars stronger across the country
- RevPAR growth has remained in the low single digits in 3Q16, but has not yet accelerated as expected

Are management teams caught between a rock and a hard place?

- Few recent insider buys; share repurchases have slowed/stopped; use of proceeds in focus as disposition activity increases (bias toward deleveraging)

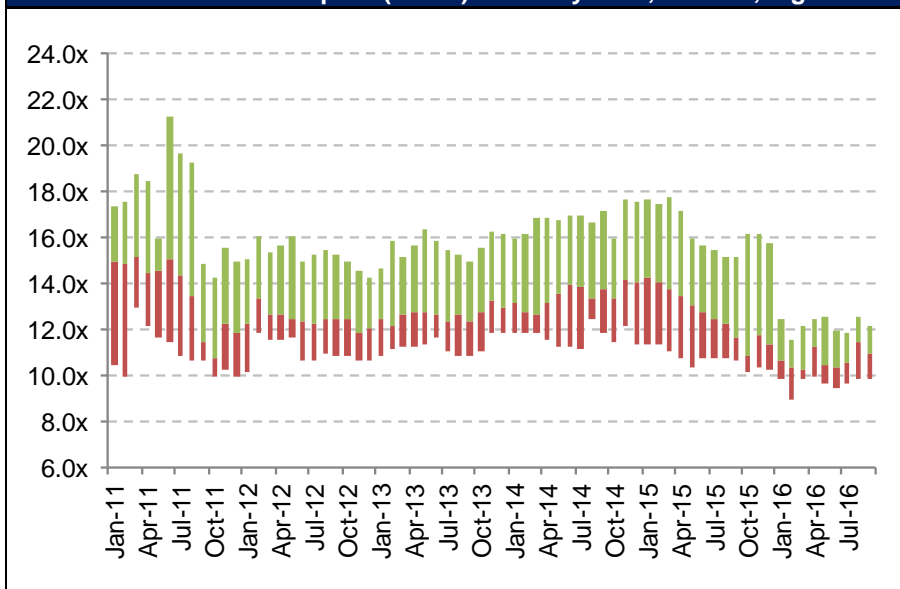
Our View of Hotel Stocks and the Current Cycle

Many investors on the sidelines waiting for the next downturn

- We continue to believe RevPAR growth will remain positive into 2017
- Supply growth is steadily picking up and concentrated in a few major markets (Denver, Houston, Miami, New York City, and Seattle), which is becoming a bigger concern for owners and operators (and investors)
- Near- to intermediate-term demand outlook still positive, but managers' ability to forecast demand trends (and have enough confidence to increase ADR) becoming increasingly difficult due to today's short booking window and technology changes, including more price transparency for consumers and re-booking software
- Inbound international travel trends remain positive, but Brexit impact unknown; strengthening of the U.S. dollar could deter some foreign travelers
- Recession talk has subsided recently, but most investors believe we are in the latter stages of the lodging cycle and are on the sidelines
- The next downturn could be third consecutive disaster...or simply a soft landing with only modest RevPAR declines

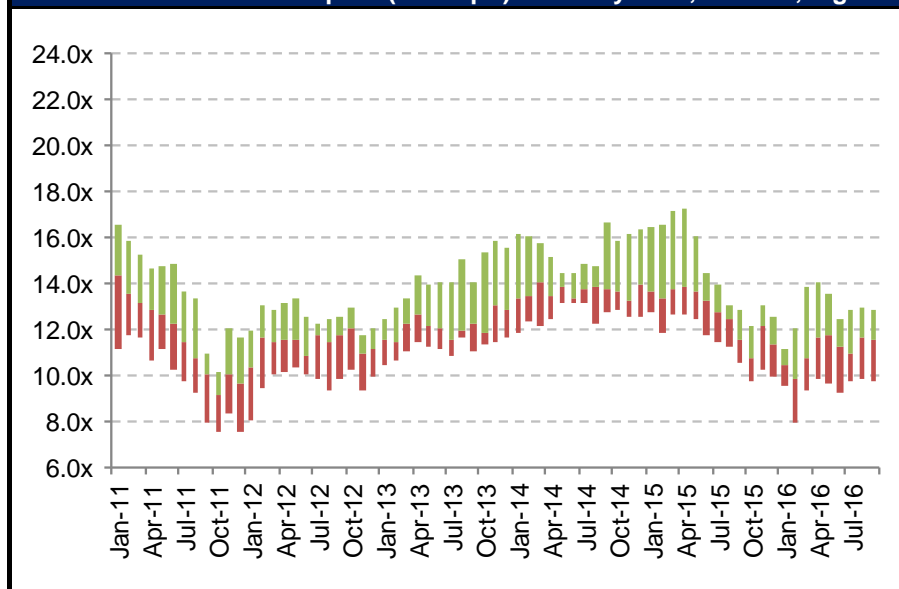
Slowing Growth Pressuring Valuation Multiples

Forward EV/EBITDA Multiples (REITs): Monthly Low, Median, High



Source: Baird Research, SNL

Forward EV/EBITDA Multiples (C-Corps): Monthly Low, Median, High



Source: Baird Research, SNL

- Since the end of 2014, the median forward EV/EBITDA multiple has fallen 3.4x and 2.2x for the hotel REITs and hotel brands, respectively
- Given the pullback in valuations, acquisition activity has slowed as management teams are focused on potential opportunistic dispositions, share repurchases, and deleveraging
- The gap between private market value and stock prices has narrowed but continues to indicate that either estimates are too high, cap rates are too low, or public market investors are wrong

Cap Rate Changes Impact Exit Value

Hotel valuations likely less impacted given better NOI growth prospects

- Interest rates are one factor in determining cap rates, but not the only one
- Rising cap rates impact hotel values despite positive NOI growth; however, there could be more headline risk surrounding expectations about rising rates rather than a decline in values due to higher rates
- Most underwriting models assume low-single-digit NOI growth and modest cap rate expansion; if the opposite occurs, hotel values could fall substantially

Impact of Rising Rates on Hotel Values

Cap Rate	NOI Growth					
	0%	10%	20%	30%	40%	50%
	0%	10%	20%	30%	40%	50%
6.00%	0%	10%	20%	30%	40%	50%
6.50%	-8%	2%	11%	20%	29%	38%
7.00%	-14%	-6%	3%	11%	20%	29%
7.50%	-20%	-12%	-4%	4%	12%	20%
8.00%	-25%	-18%	-10%	-3%	5%	13%
8.50%	-29%	-22%	-15%	-8%	-1%	6%
9.00%	-33%	-27%	-20%	-13%	-7%	0%

Numbers represent cumulative change in value; base case = 6.00% cap rate

Impact of Rising Rates and Leverage on Hotel Values

60% Leverage

Cap Rate	NOI Growth					
	0%	10%	20%	30%	40%	50%
	0%	10%	20%	30%	40%	50%
6.00%	0%	25%	50%	75%	100%	125%
6.50%	-19%	4%	27%	50%	73%	96%
7.00%	-36%	-14%	7%	29%	50%	71%
7.50%	-50%	-30%	-10%	10%	30%	50%
8.00%	-63%	-44%	-25%	-6%	12%	31%
8.50%	-74%	-56%	-38%	-21%	-3%	15%
9.00%	-83%	-67%	-50%	-33%	-17%	0%

Numbers represent cumulative change in value from base case with 60% leverage

Secondary/Tertiary Markets Outperforming

"Other" Market Performance Versus the Top 25													
	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16
Average Top 5 Market Performance ⁽¹⁾	2.2%	4.1%	5.8%	2.0%	1.8%	1.7%	2.5%	5.7%	2.9%	0.1%	2.5%	-0.2%	1.6%
Top 25 Markets	1.6%	6.0%	6.8%	3.6%	2.5%	2.2%	2.7%	3.2%	3.8%	1.2%	2.6%	1.2%	2.0%
All Other Markets	2.7%	9.7%	6.2%	5.0%	3.9%	2.6%	2.7%	2.3%	5.8%	2.3%	4.5%	3.4%	2.1%
"Other" Market Outperformance vs. Top 25	-110 bps	-370 bps	60 bps	-140 bps	-140 bps	-40 bps	0 bps	90 bps	-200 bps	-110 bps	-190 bps	-220 bps	-10 bps

⁽¹⁾ The top five markets by room count are Orlando, New York City, Chicago, D.C., and Los Angeles

Source: Baird Research, STR

Potential reasons for outperformance:

- Lower supply than urban markets (generally)
- Chicago and NYC market-specific weakness
- Less exposure to international travel and the stronger USD

Growing Select-Service Appeal; Trading at a Premium

- **Value/Income investors:**

- Strong free cash flow characteristics supporting high dividend payouts
- Lower stock volatility than full-service peers

- **Growth investors:**

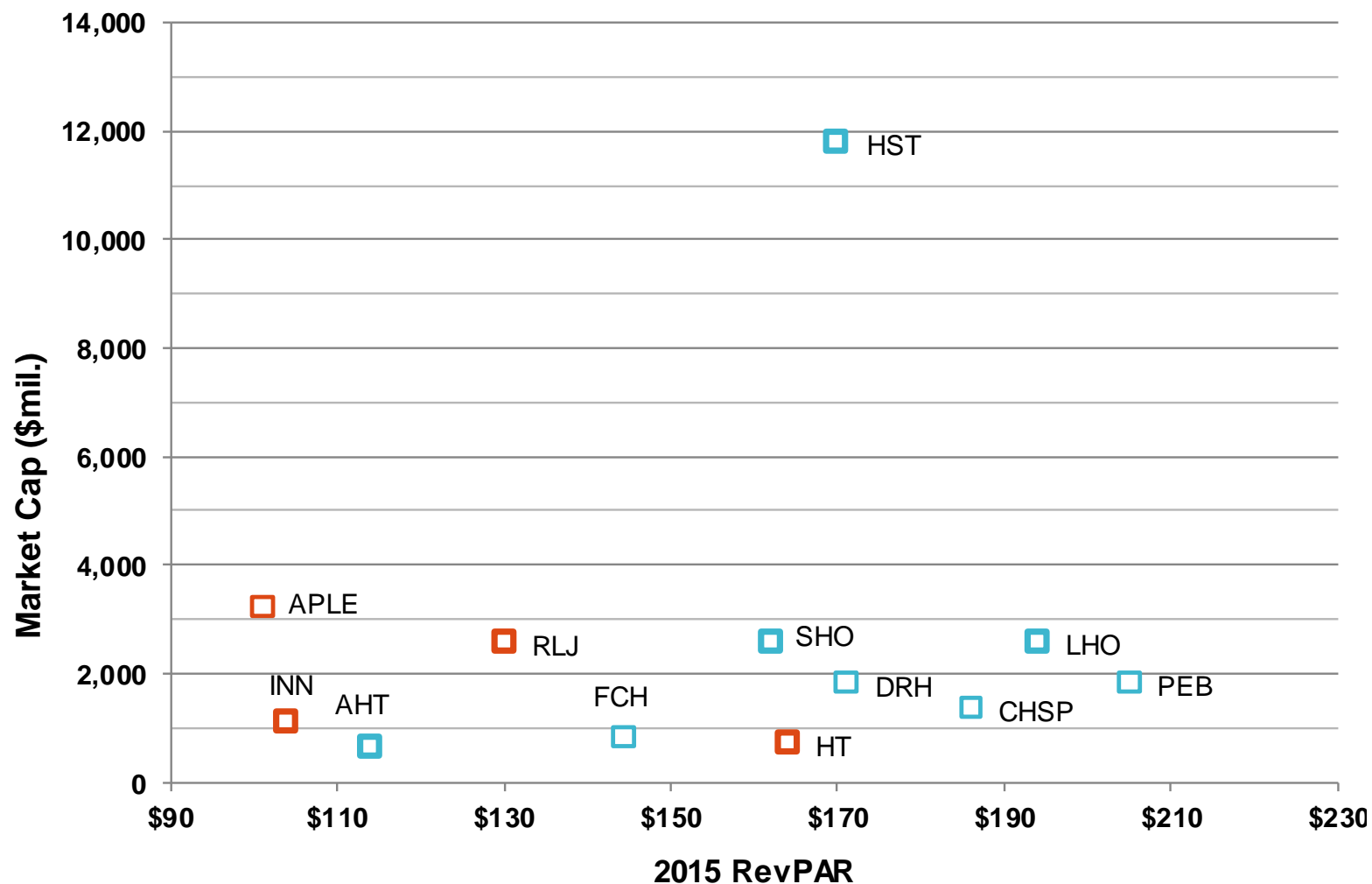
- More consistent growth in uncertain demand environment
- Desirable “Millennial” business travelers are increasingly receptive to well-located select-service hotels in urban CBDs; deemphasizing the need for full-service amenities
- Larger pipeline of acquisition opportunities with less bidding competition

- **Trading at Valuation Multiple Premium**

- RevPAR-EBITDA multiple correlation, which was strong in 2011-2014, has decoupled recently and select-service stocks are now trading at premiums

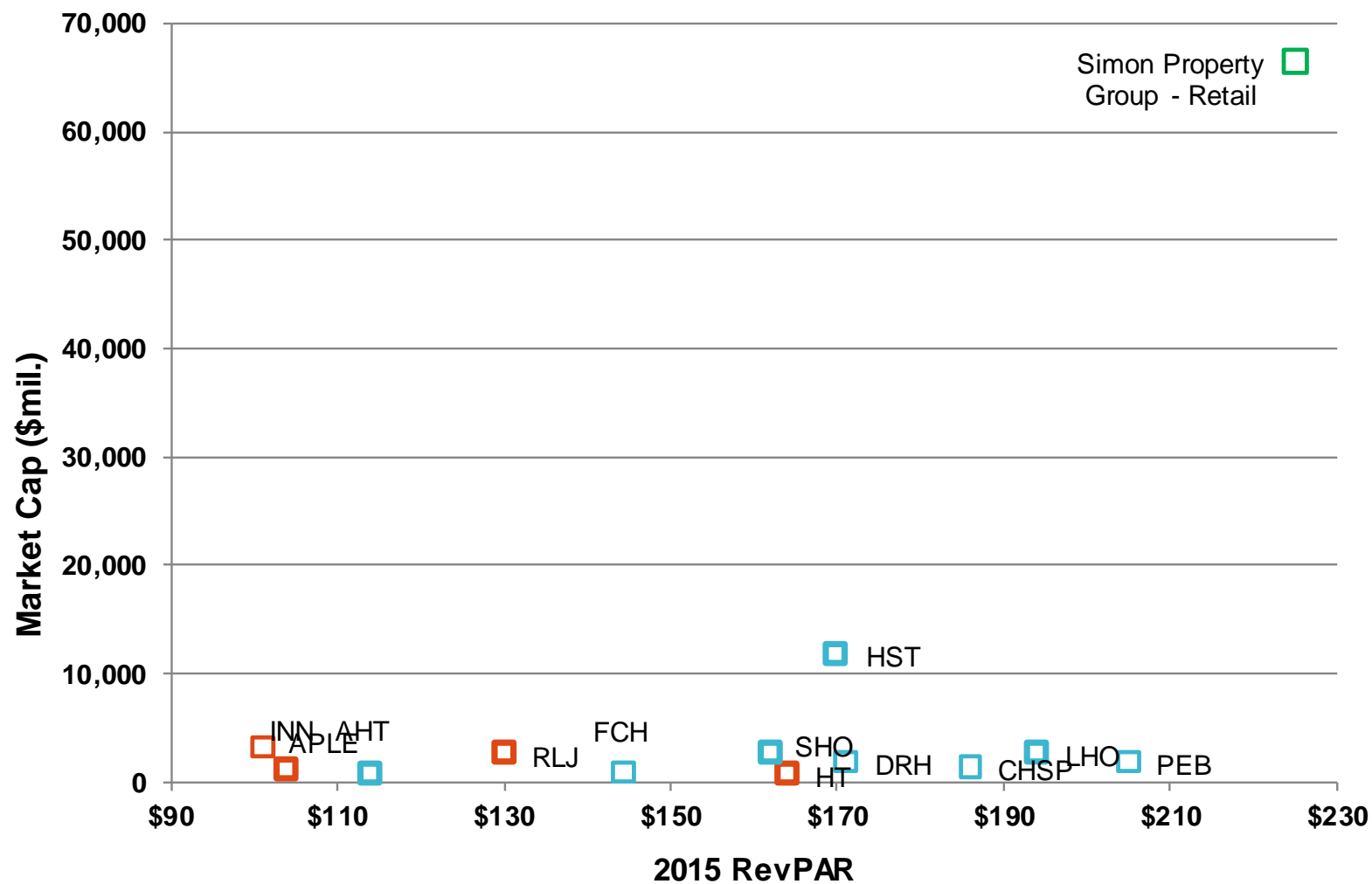
Hotel REITs: Host and the 14 Dwarfs

Minimal strategy differences among the Hotel REITs; no obvious industry aggregator



Actually, Really 15 Dwarfs

The hotel industry is ripe for consolidation; scale has its benefits



NYC Most Impacted by Airbnb

Most hoteliers have not noticed a significant impact from Airbnb

- Expected to mostly impact lower-end hotels
- Induces some amount of demand; not a 1-for-1 cannibalization of hotel rooms

However, Airbnb appears to be constraining ADR growth for certain events

- Large events (e.g., Super Bowl, Pope Francis's recent visit) have not generated as much compression as previously

New York City experiencing the largest impact

- Airbnb represents 12%-15% of supply and ~10% of demand
- Bill imposing fines for advertising short-term rentals recently passed the NY State Senate

Three factors for determining market impact (from CBRE Hotels research)

- How much Airbnb supply relative to hotel market
- Is Airbnb market average rate below hotel market average rate
- How fast is active Airbnb unit growth

Pricing Transparency: Short-Term and Long-Term Impact

Round One: Introduction of OTAs

- As hotels began to make inventory open to OTAs, rate integrity crumbled
- Post 9/11 downturn in 2001 and beyond saw sharp ADR drops

Round Two: New re-pricing software now rolling out

- TripBAM
- Tingo
- Corporate travel management software
- All designed to survey existing inventory to see if reservations can be rebooked at lower rates, at the same or similar hotels

Risk is that this software becomes widely used just as occupancy starts to fall

- Could make downturn sharper
- Rates could drop much more quickly following occupancy peak
- Weak nights and weak markets could see dramatic rate drops as operators “race to the bottom” to fill vacant rooms
- Brands working to combat repricing software

Baird Hotel Scout: Technology Is the Enemy of ADR Growth

BAIRD

Boston Omni:

~~\$249/night~~



\$207/night

-17%

Hyatt Times Square:

~~\$359/night~~



\$269/night

-25%

Le Méridien San Francisco:

~~\$427/night~~



\$299/night

-30%

The Lexington NYC:

~~\$289/night~~



\$219/night

-24%

- Proprietary software from Baird's travel management company expected to save \$40,000-\$45,000/year (gross) by rebooking at lower rates; Baird booked 18,500 room nights in 2015 implying \$2.30/night savings (0.9% of total cost)
- Looks at global distribution system (Apollo and Sabre) inventory; other commercially available websites (TripBAM and Tingo) use OTA inventory

Baird Hotel Coverage Universe

<i>REITs</i>	Price	Rating	Dividend	Payout (2016E)	EV/2016E EBITDA	Implied Cap Rate (2016)	(Net Debt+Pfd)/ 2016E EBITDA
AHP	\$14.38	Neutral	3.3%	28%	12.5x	8.0%	5.7x
AHT	\$5.87	Outperform	8.2%	29%	10.1x	7.9%	8.7x
APLE	\$18.36	Neutral	6.5%	68%	13.9x	7.5%	3.5x
CHSP	\$23.67	Outperform	6.8%	64%	11.3x	7.2%	4.4x
DRH	\$9.21	Outperform	5.4%	49%	9.7x	8.1%	2.7x
HPT	\$28.43	Neutral	7.2%	55%	9.8x	8.2%	4.5x
HST	\$16.00	Outperform	5.0%	48%	10.9x	7.5%	2.6x
HT	\$18.95	Outperform	5.9%	45%	12.4x	6.6%	5.7x
INN	\$13.44	Outperform	3.9%	39%	12.2x	7.3%	5.3x
LHO	\$24.65	Neutral	7.3%	62%	10.5x	7.4%	3.4x
PEB	\$27.11	Outperform	5.6%	55%	12.6x	7.1%	5.9x
RLJ	\$21.30	Neutral	6.2%	49%	10.4x	8.1%	3.6x
SHO	\$12.53	Outperform	1.6%	17%	10.9x	7.9%	2.4x
Median			5.9%	49%	10.9x	7.5%	4.4x
<i>C-Corps</i>							
H	\$50.19	Outperform	0.0%	0%	10.2x		2.2x
HLT	\$23.03	Outperform	1.2%	31%	11.0x		3.3x
HOT	\$75.45	Neutral	1.9%	46%	13.2x		1.1x
IHG	\$42.81	Neutral	2.4%	57%	13.6x		2.1x
MAR	\$68.69	Neutral	1.7%	32%	11.4x		2.1x
STAY	\$14.40	Outperform	5.3%	80%	9.2x		4.4x
Median			1.8%	39%	11.2x		2.1x

Source: Baird Research, SNL Financial; pricing as of 09/16/2016

Please refer to research notes for additional information

Baird Hotel Coverage Universe

Baird Hotel Coverage Universe: Covered Companies

	Risks
AHP	Execution of recently announced initiatives following strategic and financial review Potential conflicts of interest with its external manager Ashford Inc.
AHT	Higher-than-peer leverage and execution of potential asset sales (timing, pricing) Potential conflicts of interest with its external manager Ashford Inc.
APLE	Limited public market experience; capital allocation strategy still developing Retail-focused shareholder base
CHSP	Outsized exposure to high-beta lodging markets Outsized exposure to the more volatile corporate transient business customer
DRH	Higher-than-peer concentration to Marriott-branded and -operated hotels Execution of potential asset sales (timing, pricing)
H	~80% common share ownership by founding family Sustainability of brand equity
HLT	Sustainability of brand equity Greater volatility from hotel ownership; execution of planned spin-offs
HOT	Significant exposure to more volatile international markets Execution of potential asset sales (timing, pricing)
HPT	Higher-than-peer leverage Potential conflicts of interest with its external manager RMR
HST	Higher-than-peer concentration to Marriott-branded and -operated hotels Execution of potential asset sales (timing, pricing)

Source: Baird Research

Baird Hotel Coverage Universe: Covered Companies

	Risks
HT	Potential conflicts with HHMLP, the affiliated operator of a majority of Hersha's rooms Geographically concentrated portfolio with significant exposure to New York City
IHG	Execution of brand development (Crown Plaza NA relaunch, EVEN brand) Limited ADR share liquidity for investors that trade on the NYSE
INN	Ability to obtain debt and equity financing to fund acquisition/growth strategy Unexpected supply growth in secondary markets that could limit operating results
LHO	Outsized exposure to high-beta lodging markets and independent hotels Outsized exposure to the more volatile corporate transient business customer
MAR	Sustainability of brand equity Starwood integration- and merger-related risks, including potential asset sales
PEB	Outsized exposure to high-beta lodging markets and independent hotels Outsized exposure to the more volatile corporate transient business customer
RLJ	Significant concentration of hotel management by White Lodging Outsized exposure to weaker-performing markets like New York City and Houston
SHO	Higher-than-peer concentration to Marriott-branded and -operated hotels Ramp up of recently renovation and repositioned properties
STAY	Greater volatility from hotel ownership; development plans increase risk profile Competition from major global brand companies

Source: Baird Research

****Please refer to research notes for additional information****

Appendix – Important Disclosures and Analyst Certification

Robert W. Baird & Co. Incorporated and/or its affiliates expect to receive or intend to seek investment-banking related compensation from the company or companies mentioned in this report within the next three months.

Robert W. Baird & Co. Incorporated may not be licensed to execute transactions in all foreign listed securities directly. Transactions in foreign listed securities may be prohibited for residents of the United States. Please contact a Baird representative for more information.

Investment Ratings: Outperform (O) - Expected to outperform on a total return, risk-adjusted basis the broader U.S. equity market over the next 12 months. **Neutral (N)** - Expected to perform in line with the broader U.S. equity market over the next 12 months. **Underperform (U)** - Expected to underperform on a total return, risk-adjusted basis the broader U.S. equity market over the next 12 months.

Risk Ratings: L - Lower Risk - Higher-quality companies for investors seeking capital appreciation or income with an emphasis on safety. Company characteristics may include: stable earnings, conservative balance sheets, and an established history of revenue and earnings. **A - Average Risk** - Growth situations for investors seeking capital appreciation with an emphasis on safety. Company characteristics may include: moderate volatility, modest balance-sheet leverage, and stable patterns of revenue and earnings. **H - Higher Risk** - Higher-growth situations appropriate for investors seeking capital appreciation with the acceptance of risk. Company characteristics may include: higher balance-sheet leverage, dynamic business environments, and higher levels of earnings and price volatility. **S - Speculative Risk** - High-growth situations appropriate only for investors willing to accept a high degree of volatility and risk. Company characteristics may include: unpredictable earnings, small capitalization, aggressive growth strategies, rapidly changing market dynamics, high leverage, extreme price volatility and unknown competitive challenges.

Valuation, Ratings and Risks. The recommendation and price target contained within this report are based on a time horizon of 12 months but there is no guarantee the objective will be achieved within the specified time horizon. Price targets are determined by a subjective review of fundamental and/or quantitative factors of the issuer, its industry, and the security type. A variety of methods may be used to determine the value of a security including, but not limited to, discounted cash flow, earnings multiples, peer group comparisons, and sum of the parts. Overall market risk, interest rate risk, and general economic risks impact all securities. Specific information regarding the price target and recommendation is provided in the text of our most recent research report.

Distribution of Investment Ratings. As of August 31, 2016, Baird U.S. Equity Research covered 717 companies, with 49% rated Outperform/Buy, 50% rated Neutral/Hold and 1% rated Underperform/Sell. Within these rating categories, 10% of Outperform/Buy-rated and 6% of Neutral/Hold-rated companies have compensated Baird for investment banking services in the past 12 months and/or Baird managed or co-managed a public offering of securities for these companies in the past 12 months.

Analyst Compensation. Analyst compensation is based on: 1) the correlation between the analyst's recommendations and stock price performance; 2) ratings and direct feedback from our investing clients, our institutional and retail sales force (as applicable) and from independent rating services; 3) the analyst's productivity, including the quality of the analyst's research and the analyst's contribution to the growth and development of our overall research effort and 4) compliance with all of Robert W. Baird's internal policies and procedures. This compensation criteria and actual compensation is reviewed and approved on an annual basis by Baird's Research Oversight Committee.

Analyst compensation is derived from all revenue sources of the firm, including revenues from investment banking. Baird does not compensate research analysts based on specific investment banking transactions.

A complete listing of all companies covered by Baird U.S. Equity Research and applicable research disclosures can be accessed at <http://www.rwbaird.com/research-insights/research/coverage/research-disclosure.aspx>. You can also call 1-800-792-2473 or write: Robert W. Baird & Co., Equity Research, 777 E. Wisconsin Avenue, Milwaukee, WI 53202.

Analyst Certification

The senior research analyst(s) certifies that the views expressed in this research report and/or financial model accurately reflect such senior analyst's personal views about the subject securities or issuers and that no part of his or her compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in the research report.

Disclaimers

Baird prohibits analysts from owning stock in companies they cover.

This is not a complete analysis of every material fact regarding any company, industry or security. The opinions expressed here reflect our judgment at this date and are subject to change. The information has been obtained from sources we consider to be reliable, but we cannot guarantee the accuracy.

ADDITIONAL INFORMATION ON COMPANIES MENTIONED HEREIN IS AVAILABLE UPON REQUEST The Dow Jones Industrial Average, S&P 500, S&P 400 and Russell 2000 are unmanaged common stock indices used to measure and report performance of various sectors of the stock market; direct investment in indices is not available.

Baird is exempt from the requirement to hold an Australian financial services license. Baird is regulated by the United States Securities and Exchange Commission, FINRA, and various other self-regulatory organizations and those laws and regulations may differ from Australian laws. This report has been prepared in accordance with the laws and regulations governing United States broker-dealers and not Australian laws.

Copyright 2016 Robert W. Baird & Co. Incorporated

Other Disclosures

The information and rating included in this report represent the Analyst's long-term (12 month) view as described above. The research analyst(s) named in this report may, at times and at the request of clients or their Baird representatives, provide particular investment perspectives or trading strategies based primarily on the analyst's understanding of the individual client's objectives. These perspectives or trading strategies generally are responsive to client inquiries and based on criteria the analyst considers relevant to the client. As such, these perspectives and strategies may differ from the analyst's views contained in this report.

Robert W. Baird & Co. Incorporated and/or its affiliates (Baird) may provide to certain clients additional or research supplemental products or services, such as outlooks, commentaries and other detailed analyses, which focus on covered stocks, companies, industries or sectors. Not all clients who receive our standard company-specific research reports are eligible to receive these additional or supplemental products or services. Baird determines in its sole discretion the clients who will receive additional or supplemental products or services, in light of various factors including the size and scope of the client relationships. These additional or supplemental products or services may feature different analytical or research techniques and information than are contained in Baird's standard research reports. Any ratings and recommendations contained in such additional or research supplemental products are consistent with the Analyst's ratings and recommendations contained in more broadly disseminated standard research reports.

Baird Research Analysts may provide incremental data points or views regarding covered companies in the form of Research Posts and Flash Reports. All Posts and Flash Reports are available to clients via www.BairdOnline.com, but not all are sent directly to clients. Baird Associates may, at their discretion, choose whether to send these Posts and Flash Reports to Baird clients after they are posted online. Such decisions are based on, among other things, client interest, coverage, stock ownership and indicated email preferences. The incremental content and/or analysis contained in these pieces may be useful to investors as part of a broader investment thesis, but is not sufficient to warrant a change in the Research Analyst's published opinion, including rating, estimates and price targets. Access to www.BairdOnline.com is available to all Baird Clients. Contact your Baird representative if you would like access to www.BairdOnline.com.

United Kingdom ("UK") disclosure requirements for the purpose of distributing this research into the UK and other countries for which Robert W. Baird Limited ("RWBL") holds a MiFID passport.

The contents of this report may contain an "investment recommendation", as defined by the Market Abuse Regulation EU No 596/2014 ("MAR"). Please therefore be aware of the important disclosures outlined below. Unless otherwise stated, this report was completed and first disseminated at the date and time provided on the timestamp of the report. If you would like further information on dissemination times, please contact us. Please note, this report may provide views which differ from previous recommendations made by the same individual in respect of the same financial instrument or issuer in the last 12 months which is available at <https://baird.bluematrix.com/sellside/MAR.action>.

This material is distributed in the UK and the European Economic Area ("EEA") by RWBL, which has an office at Finsbury Circus House, 15 Finsbury Circus, London EC2M 7EB and is authorized and regulated by the Financial Conduct Authority ("FCA").

For the purposes of the FCA requirements, this investment research report is classified as investment research and is objective. The views contained in this report (i) do not necessarily correspond to, and may differ from, the views of Robert W. Baird Limited or any other entity within the Baird Group, in particular Robert W. Baird & Co. Incorporated, and (ii) may differ from the views of another individual of Robert W. Baird Limited.

All substantially material sources of the information contained in this report are disclosed. All sources of information in this report are reliable, but where there is any doubt as to reliability of a particular source, this is clearly indicated.

Robert W. Baird Group and or one of its affiliates may at any time have a long or short position in the company/companies mentioned in this report. Where the Group holds a long or short position exceeding 0.5% of the total issued share capital of the issuer, this will be disclosed separately by your RWBL representative upon request.

This material is only directed at and is only made available to persons in the EEA who would satisfy the criteria of being "Professional" investors under MiFID and to persons in the UK falling within articles 19, 38, 47, and 49 of the Financial Services and Markets Act of 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). Accordingly, this document is intended only for persons regarded as investment professionals (or equivalent) and is not to be distributed to or passed onto any other person (such as persons who would be classified as Retail clients under MiFID).

Robert W. Baird & Co. Incorporated and RWBL have in place organizational and administrative arrangements for the disclosure and avoidance of conflicts of interest with respect to research recommendations. Robert W. Baird Group and or one of its affiliates may be party to an agreement with the issuer that is the subject of this report relating to the provision of services of investment firms. An outline of the general approach taken by Robert W. Baird Limited in relation to conflicts of interest is available from your RWBL representative upon request. Baird's policies and procedures are designed to identify and effectively manage conflicts of interest related to the preparation and content of research reports and to promote objective and reliable research that reflects the truly held opinions of research analysts. Analysts certify on a quarterly basis that such research reports accurately reflect their personal views.

This material is not intended for persons in jurisdictions where the distribution or publication of this research report is not permitted under the applicable laws or regulations of such jurisdiction.

Investment involves risk. The price of securities may fluctuate and past performance is not indicative of future results. Any recommendation contained in the research report does not have regard to the specific investment objectives, financial situation and the particular needs of any individuals. You are advised to exercise caution in relation to the research report. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

RWBL is exempt from the requirement to hold an Australian financial services license. RWBL is regulated by the FCA under UK laws, which may differ from Australian laws. As such, this document has not been prepared in accordance with Australian laws.

Dividend Yield. As used in this report, the term “dividend yield” refers, on a percentage basis, to the historical distributions made by the issuer relative to its current market price. Such distributions are not guaranteed, may be modified at the issuer’s discretion, may exceed operating cash flow, subsidized by borrowed funds or include a return of investment principal.