

Real Estate Research

May 9, 2018

Hotels Trends: Public Market Perspectives

Meet the Money Conference 2018

Michael J. Bellisario

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

Amanda Sweitzer

Sr. Research Associate
asweitzer@rwbaird.com
414-298-1706

Please refer to Appendix - Important Disclosures and Analyst
Certification on pages 16-19

All information as of 05/04/2018 unless otherwise noted.



Table of Contents

- **Hotel Stock Performance Overview**
- **Baird's View of Fundamentals**
- **Baird's View of Hotel Stocks**
- **Hotel REITs: Capital Allocation and M&A**
- **Technology Changes**
- **Conclusions**

Michael Bellisario

Senior Research Analyst

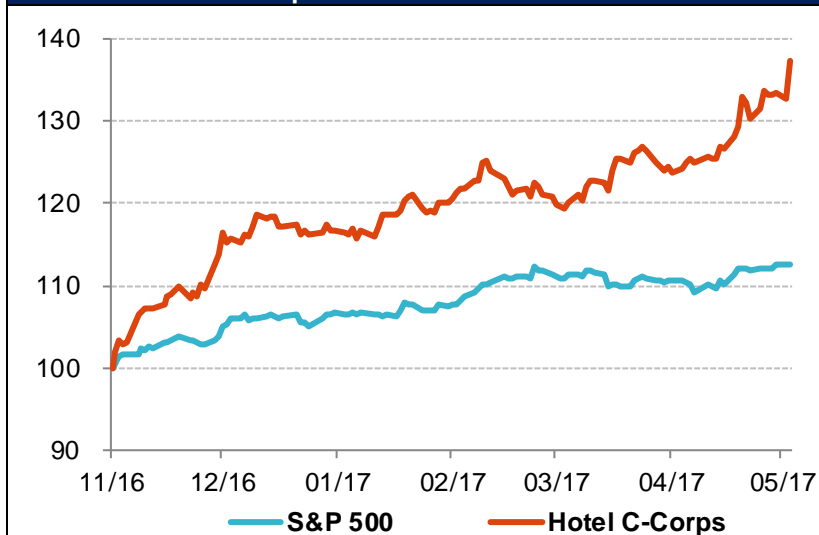
Robert W. Baird & Co.

mbellisario@rwbaird.com

414-298-6130

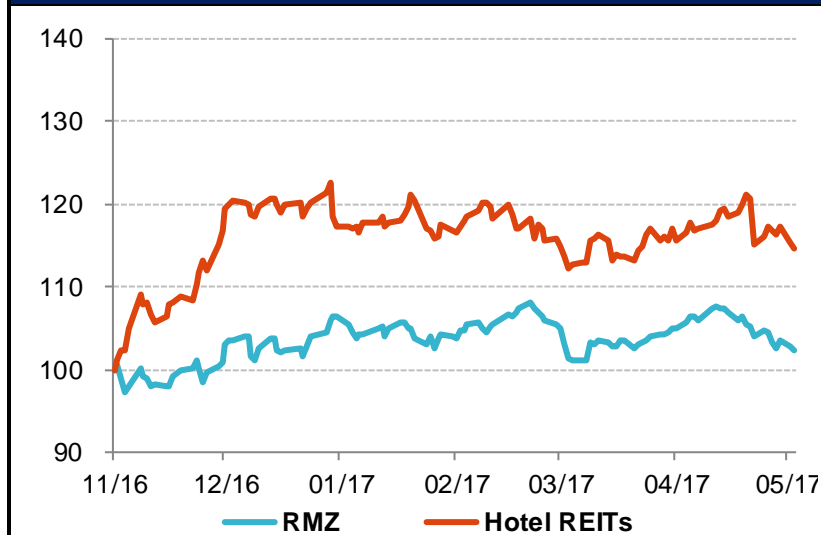
2017 Conference Rewind: Stock Price Performance Then

Baird-STR Hotel C-Corp Sub-Index: Performance Since Election



Source: Baird Research; Indexed to 100 at November 7, 2016

Baird-STR Hotel REIT Sub-Index: Performance Since Election



Source: Baird Research; Indexed to 100 at November 7, 2016

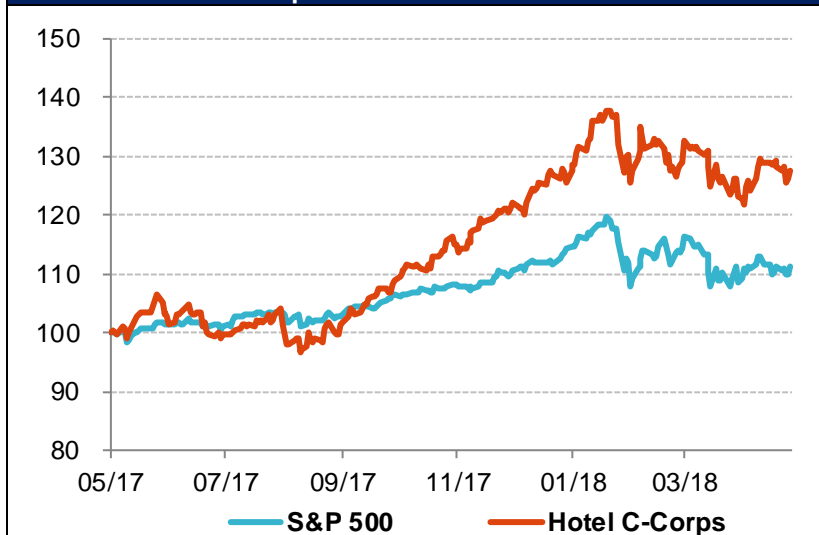
Baird-STR Hotel C-Corp Sub-Index vs. REIT Sub-Index



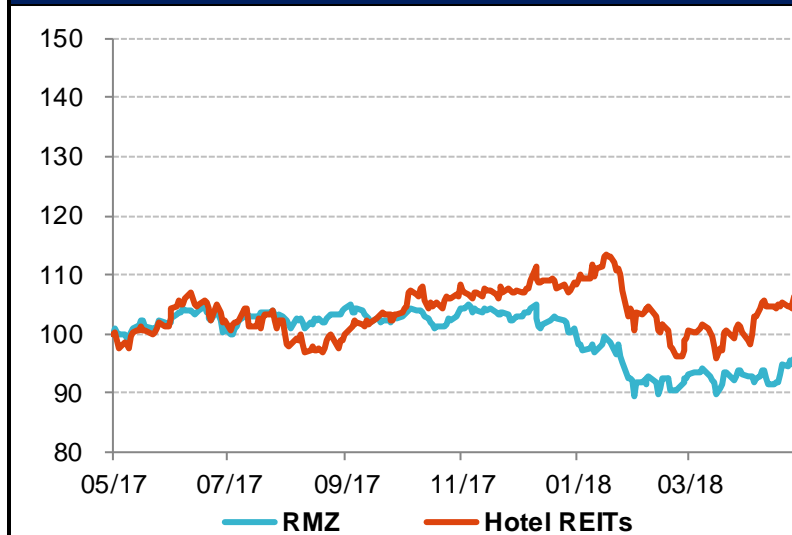
Source: Baird Research; Indexed to 100 at November 7, 2016

Stock Price Performance Since Last Year's Conference

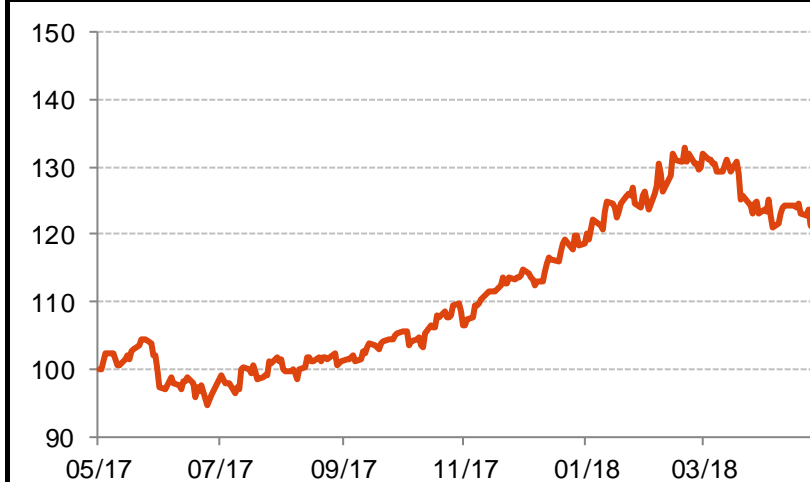
Baird-STR Hotel C-Corp Sub-Index: Performance Since Election



Baird-STR Hotel REIT Sub-Index: Performance Since Election



Baird-STR Hotel C-Corp Sub-Index vs. REIT Sub-Index



Stock Prices Up Big but RevPAR Not Keeping Pace

- **Big shift in investor sentiment since the election and tax reform**

- Investors focused on RevPAR growth trajectory – it's all about the second derivative
 - Buzz words: this year's "accelerating" is last year's "stable"
- Industry-wide RevPAR growth has remained near ~3.0% despite increased optimism
- Recent trends and commentary suggest fundamentals are inflecting higher (slightly)
 - Maybe the benefits of tax reform are finally leading to stronger growth
 - Recent results being boosted by hurricane-related demand and resort strength

Monthly RevPAR Growth																
	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	2017A	Jan-18	Feb-18	Mar-18
Top 25 Markets	4.4%	0.8%	2.3%	0.8%	1.9%	1.8%	-0.4%	0.4%	0.9%	5.0%	4.6%	5.6%	2.2%	3.0%	3.4%	4.7%
All Other Markets	3.0%	1.2%	7.1%	2.1%	4.7%	3.4%	1.5%	3.8%	3.4%	3.3%	3.1%	3.5%	3.4%	2.6%	3.4%	3.1%
Total U.S.	3.8%	1.2%	5.1%	1.7%	3.6%	2.8%	0.8%	2.5%	2.4%	4.1%	3.9%	4.6%	3.0%	2.9%	3.5%	3.9%

Source: Baird Research, STR

- **Hotel brands have increased their 2018 RevPAR growth outlooks**

- Hilton: 2.0% to 4.0% (up from 1.0% to 3.0% previously)
- Hyatt: 2.0% to 3.5% (up from 1.0% to 3.0% previously)

Our View: Industry Fundamentals

- 2018 RevPAR growth forecasts are biased higher – too many tailwinds too ignore

United States Hotel Industry Forecasts								
	2015A	2016A	2017A	2018YTD	2018E			
					Baird	CBRE	PwC	STR
Supply	1.1%	1.6%	1.8%	2.0%	2.0%	2.0%	2.0%	2.0%
Demand	2.9%	1.7%	2.7%	3.0%	2.5%	1.8%	2.2%	2.3%
Occupancy %	1.7%	0.1%	0.9%	0.9%	0.4%	-0.1%	0.2%	0.3%
Average Rate	4.4%	3.1%	2.1%	2.5%	2.4%	2.6%	2.4%	2.4%
RevPAR	6.3%	3.2%	3.0%	3.5%	2.9%	2.5%	2.7%	2.7%
				Mar 2018	May 2018	Feb 2018	Jan 2018	Apr 2018
Source: Baird Research, CBRE, PwC, STR								

- Key assumptions:**

- Continuation of recent GDP growth trends
- Urban markets are expected to underperform by 100-200 bps
- The upper-upscale and upscale classes are expected to underperform by ~100-150 bps
- For 2019, we expect 2.0%-2.5% RevPAR growth, which assumes slightly higher supply growth and moderating demand and ADR growth relative to 2018

Our View: Hotel Stocks

- **We favor the hotel brands over the hotel REITs**

- Hotel brands are a better business model, especially in a slower-growth environment; their gradual shift to more franchised properties is boosting ROICs
- Hotel brands are gaining market share (via conversions and development globally) and returning billions of dollars to shareholders
- Hotel REITs are facing lots of headwinds on the expense side of the P&L; outsized supply growth in urban markets is holding back ADR growth

- **Valuation Overview:**

- **Hotel C-Corps**

- Hilton and Marriott are trading at ~15x and ~16x NTM EBITDA, respectively
- Hyatt is trading at ~12.5x NTM EBITDA

- **Hotel REITs**

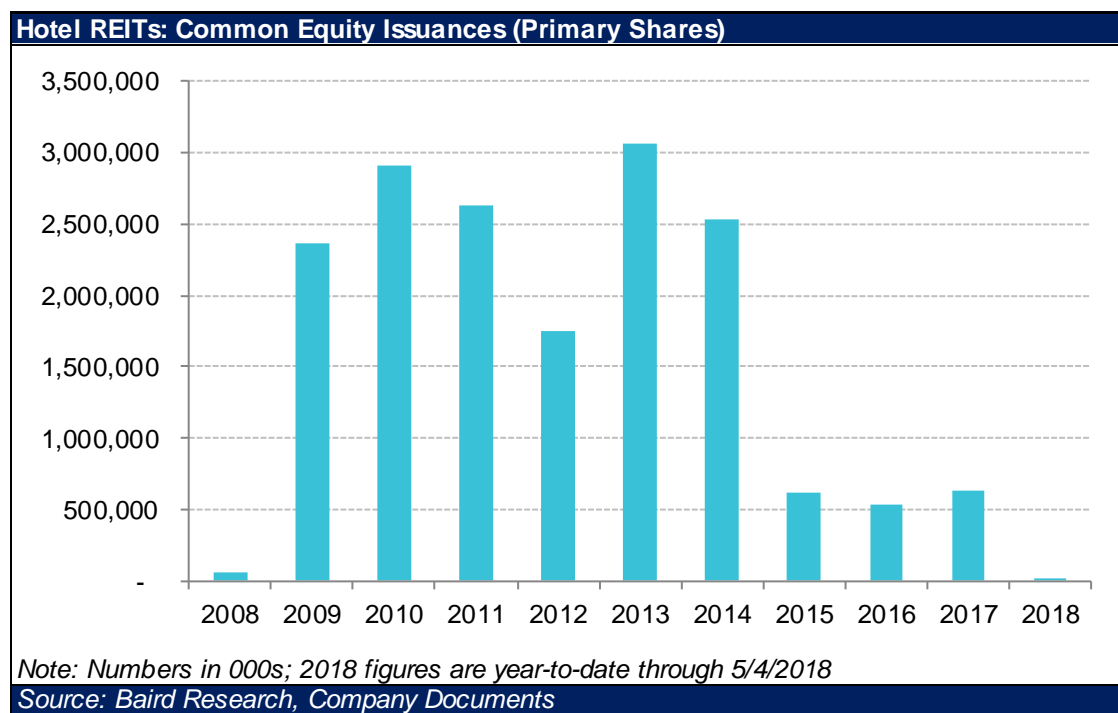
- Select-service – Apple and Summit trading at 12.0x–12.5x NTM EBITDA
- Full-service – portfolios trading at 5.5% to 6.75% implied corporate cap rates
- Host and Sunstone are trading at ~12x and ~13.0x NTM EBITDA, respectively
- Chesapeake, LaSalle, and Pebblebrook are trading at ~14x NTM EBITDA

Capital Allocation Overview

- **Balance sheets are generally well positioned and lowly levered**

- Most management teams are targeting 3.0-4.0x net leverage, but some are running their balance sheets much more conservatively
- Hotel REIT stocks are generally trading at or near NAV estimates; some M&A take-private speculation has begun to get priced into certain stocks

- **Equity issuances have slowed materially**



Capital Allocation: Recent Hotel REIT Transactions

- **Hotel REITs have been selective acquirers in early 2018; balance sheets are well capitalized with plenty of dry powder available**
 - *Ashford Prime (AHP)* – Ritz-Carlton Sarasota – 6.0% TTM cap rate
 - *DiamondRock (DRH)* – Hotel Palomar Phoenix – 12.6x EBITDA (year 1 projections)
 - *Hersha (HT)* – Annapolis Waterfront Hotel – 8.7% TTM cap rate
 - *Host (HST)* – \$1 billion Hyatt portfolio – sub-5% NTM cap rate; underwriting a mid-6% cap rate within the first 2-3 years of ownership

- **Disposition activity has slowed; not many “non-core” assets left to sell; lack of acquisition opportunities a limiting factor**
 - Almost all management teams agree today is a sellers’ market – we share this view
 - The “capital recycling” story remains important – companies are focused on selling lower-RevPAR, lower-growth properties to improve the portfolio’s overall quality
 - Strategic or motivated sellers are the big winners
 - RLJ selling legacy FelCor assets – Sheraton Philadelphia sold at a 5.6% TTM cap rate
 - Hyatt selling assets to Host (HST) to become “asset lighter”

Capital Allocation: Potential LaSalle-Pebblebrook Merger

- **Pebblebrook has made public three separate offers to merge with LaSalle**
 - Most recent and “final” public offer from PEB implied a \$32.49/share price for LHO, which is nearly 8% above where LHO is currently trading
 - PEB’s offer implies an all-in high-5% NOI cap rate – the thesis is a multi-year operational improvement and capital investment story
 - LaSalle remains quiet, has not yet engaged with Pebblebrook, and is likely considering other potential offers (we believe mainly from private equity groups)
- **A Pebblebrook-LaSalle merger is unique to both companies...**
 - PEB has a premium valuation and a cost of capital advantage unlike any other REIT
 - LHO has valuable real estate with brand and management flexibility
- **...which is why we don’t expect a wave of more public-to-public M&A to occur**
 - Most hotel REITs’ valuations are fairly similar (~12.0x-13.0x NTM EBITDA)
 - Transaction (and other frictional) costs are high
 - M&A requires a willing seller...
- **Investors focused on broader M&A read-throughs** – How far is PE willing to stretch on valuation? Who gets sold next? Are improving fundamentals a hindrance to a deal?

Hotel Technology Changes

- **Hotel brands don't know their customers well enough**
 - Booking direct campaigns are helping – but mainly affects the leisure traveler only
 - Need to convert the non-loyalty members and OTA users
 - Brand companies must spend more; Priceline spent \$4.5 billion on advertising in 2017
- **Customer booking behavior is changing rapidly...faster than the brands can adapt**
 - Re-pricing software is keeping a lid on ADR growth – TripBAM, Tingo, corporate travel management software → Baird has its own propriety technology with our travel agent
 - Baird's program, called ReSearch, led to 62 bps of overall ADR savings in 2017
 - ~\$25,000 of gross savings = ~\$1.55 per room night
 - ~\$36 of savings per room night when a reservation is re-booked (\$251 ADR)
 - App-friendly industry: Hotel Tonight, Recharge, Hotels.com
 - The brands are working hard to combat these changes (extended cancellation window)
- **My favorite comparison: What about Accenture's travel program?**
 - 425,000 employees (vs. Baird's 3,400)

Conclusions

- RevPAR growth likely to remain in the low-single-digit range; the bias is higher though given that fundamentals are starting to show signs of life – later-cycle dynamics could persist for a while and don't foreshadow an impending downturn
- Urban markets will likely continue to underperform secondary/tertiary markets in the near-to-intermediate term
- Stock selection: we favor the hotel brands over the hotel REITs; interest rates remain a key focal point for investors
- We believe a potential LHO-PEB merger would be unique to both companies; even if private equity is the ultimate acquirer of LHO, we don't expect many other take-private transactions
- The brands need to continue transitioning their business models from being just a hotel company to being a global consumer branding company with a powerful distribution platform – just like an OTA

Baird Hotel Research – Distribution List

- **If you'd like to receive our research or a copy of this presentation, please send your full contact info to:**

Michael Bellisario

Senior Research Analyst – Hotel REITs & C-Corps

Robert W. Baird & Co.

mbellisario@rwbaird.com

414-298-6130

Baird Hotel Coverage Universe

	Ticker	Market Cap (millions)	Rating	Risk Suitability	Price 5/4/18	Dividend Yield	(Discount) to 52- week high	Premium to 52- week low	Average Volume (000s)	Ent. Value/ EBITDA	Net debt + pref. / EBITDA	NAV	(Discount)/ Premium to NAV
Company										2018E	2018E	NTM	NTM
Apple Hospitality REIT	APLE	4,204	O	A	18.28	6.6%	-9%	9%	1,518	12.1x	2.9x	18.76	-3%
Ashford Hospitality Trust	AHT	837	N	H	7.02	6.8%	-3%	30%	508	11.3x	9.4x	8.95	-22%
Braemar Hotels & Resorts Inc.	BHR	387	N	H	10.28	6.2%	-9%	22%	281	13.6x	8.4x	12.32	-17%
Chesapeake Lodging Trust	CHSP	1,817	O	A	30.10	5.3%	0%	33%	322	14.0x	4.5x	28.37	6%
Condor Hospitality Trust, Inc	CDOR	118	N	H	9.95	7.7%	-11%	22%	12	12.3x	7.1x	11.10	-10%
DiamondRock Hospitality	DRH	2,277	O	A	11.29	4.4%	-7%	14%	2,247	11.4x	3.0x	11.53	-2%
Hersha Hospitality Trust	HT	828	O	A	19.19	5.8%	-3%	16%	531	13.6x	8.6x	20.01	-4%
Hospitality Properties Trust	HPT	4,222	N	A	25.69	8.3%	-20%	8%	932	9.4x	5.0x	26.20	-2%
Host Hotels & Resorts	HST	14,828	O	A	19.84	4.0%	-8%	15%	7,066	12.3x	2.8x	19.39	2%
LaSalle Hotel Properties	LHO	3,305	O	A	29.94	3.0%	-6%	24%	2,255	13.9x	3.5x	29.58	1%
Pebblebrook Hotel Trust	PEB	2,453	N	A	35.48	4.3%	-11%	20%	829	14.2x	5.2x	35.78	-1%
RLJ Lodging Trust	RLJ	3,618	N	A	20.60	6.4%	-14%	10%	1,503	11.6x	4.8x	21.70	-5%
Summit Hotel Properties	INN	1,509	O	A	14.36	5.0%	-26%	12%	764	13.1x	5.7x	12.78	12%
Sunstone Hotel Investors	SHO	3,625	N	A	16.09	4.7%	-8%	14%	2,252	13.3x	1.9x	15.24	6%
REIT Median		2,365				5.6%	-9%	15%	880	12.7x	4.9x		-2%
Extended Stay America	STAY	3,750	O	A	19.74	4.5%	-7%	21%	411	9.9x	3.8x		
Hilton Inc.	HLT	24,382	O	A	81.16	0.7%	-8%	34%	9,237	15.2x	3.5x		
Hyatt Hotels Corporation	H	9,259	O	A	78.46	0.8%	-5%	44%	316	12.1x	1.1x		
Marriott International	MAR	48,485	N	A	135.85	1.2%	-9%	42%	1,915	16.5x	2.4x		
C-Corp Median		16,821				1.0%	-8%	38%	1,163	13.6x	2.9x		
Peak Resorts	SKIS	66	O	H	4.65	6.0%	-24%	16%	46	8.0x			
Ski Median		66				6.0%	-24%	16%	46	8.0x			

Rating: O - Outperform; N - Neutral; U - Underperform

Risk Suitability: H - Higher Risk; A - Average Risk

Source: Baird Research, SNL Financial, FactSet

Please refer to "Appendix - Important Disclosures" and Analyst Certification

Baird Hotel Coverage Universe

Baird Hotel Coverage Universe: Covered Companies

	Risks
AHT	Higher-than-peer leverage Potential conflicts of interest with its external manager Ashford Inc.
APLE	Above average supply growth in the upscale chain scale Retail-focused shareholder base potentially looking for liquidity
BHR	Higher-than-peer cost of capital Potential conflicts of interest with its external manager Ashford Inc.
CDOR	Higher-than-peer cost of capital Ability to obtain debt and equity financing to fund acquisitions
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 Potential investor concern surrounding HNA's ownership stake
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
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 renovated and repositioned properties
SKIS	Adverse weather conditions Ability to obtain debt and equity financing to fund acquisition/growth strategy
STAY	Greater volatility from hotel ownership; development plans increase risk profile Competition from major global brand companies

Source: Baird Research

Robert W. Baird & Co. Incorporated ("Baird") 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. Baird 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 April 30, 2018, Baird U.S. Equity Research covered 688 companies, with 59% rated Outperform/Buy, 40% rated Neutral/Hold and 1% rated Underperform/Sell. Within these rating categories, 12% 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. Research analyst compensation is based on: (1) the correlation between the research 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 research analyst's productivity, including the quality of such analyst's research and such analyst's contribution to the growth and development of our overall research effort; and (4) compliance with all of 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. Research 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 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.

Other Disclosures

The information and rating included in this report represent the research analyst's views based on a time horizon of 12 months, as described above, unless otherwise stated. In our standard company-specific research reports, the subject company may be designated as a "Fresh Pick", representing that the research analyst believes the company to be a high-conviction investment idea based on a subjective review of one or more fundamental or quantitative factors until an expiration date specified by the analyst but not to exceed nine months. The Fresh Pick designation and specified expiration date will be displayed in standard company-specific research reports on the company until the occurrence of the expiration date or such time as the analyst removes the Fresh Pick designation from the company in a subsequent, standard company-specific research report. 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 research analyst considers relevant to the client. As such, these perspectives and strategies may differ from the research analyst's views contained in this report.

Baird and/or its affiliates 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 research 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 <https://bol.rwbaird.com/Login>, 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 <https://bol.rwbaird.com/Login> is available to all Baird Clients. Contact your Baird representative if you would like access to

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.

United Kingdom (“UK”) disclosure requirements for the purpose of distributing this research into the UK and other countries for which Robert W. Baird Limited 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”). This report does not contain a “personal recommendation” or “investment advice”, as defined by the Market in Financial Instruments Directive 2014/65/EU (“MiFID”). 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. 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.

This material is distributed in the UK and the European Economic Area (“EEA”) by Robert W. Baird Limited, 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”) in the UK.

For the purposes of the FCA requirements, this investment research report is classified as investment research and is objective. 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).

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. There is no intention to update this report in future. Where, for any reason, an update is made, this will be made clear in writing on the research report. Such instances will be occasional only.

Please note that 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. Information and details regarding previous recommendations in relation to the financial instruments or issuer referred to in this report are available at <https://baird.bluematrix.com/sellside/MAR.action>.

Robert W. Baird Limited or one of its affiliates may at any time have a long or short position in the company or companies mentioned in this report. Where Robert W. Baird Limited or one of its affiliates 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 Robert W. Baird Limited representative upon request.

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.

Robert W. Baird Limited and Robert W. Baird & Co. Incorporated have in place organisational and administrative arrangements for the prevention, avoidance, and disclosure of conflicts of interest with respect to research recommendations. Robert W. Baird Limited's Conflicts of Interest Policy, available [here](#), outlines the approach Robert W. Baird Limited takes in relation to conflicts of interest and includes detail as to its procedures in place to identify, manage and control conflicts of interest. Robert W. Baird Limited 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. Robert W. Baird & Co. Incorporated'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. Robert W. Baird & Co. Incorporated's research analysts certify on a quarterly basis that such research reports accurately reflect their personal views.

This material is strictly confidential to the recipient and 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.

Robert W. Baird Limited is exempt from the requirement to hold an Australian financial services license and 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.

Copyright 2018 Robert W. Baird & Co. Incorporated