CPLG Q2 2019 UPDATE

- Numbers down due to oil and hurricane. Doesn't look nice. (but oil prices are up now, will Texas come back?)
- Guidance for year going down, from $200 million now at $150 million
- $50 million share repurchase - $26 million used (check if management is getting shares)

Weighted average number of shares outstanding, diluted	58.1	59.0	58.8	58.8

The registrant had outstanding 57,711,610 shares of Common Stock, par value $0.01 per shar e as of July 31, 2019

So, spend $26 million to lower number of shares by 1.3 million – thus they are buying back at $20,, this is for management, not for shareholders. Good bye, but value?? SvEN VALUE, look at value. Okkkkkk

Conference call notes:

BAD PERFORMANCE< REMEDIES< SELLING OF NON CORE ASSETS

Problems of implementation new manager (laquinta Wyndham) – remember reading a comment on Marriot and what a mess a new manager implementation is - well, it is confirmed.

The value _ " We have 27 hotels under contract with qualified buyers expected to generate over $100 million of gross proceeds at pricing in line with our initial expectations"

I expected some hidden value in the hotels, but from the sale prices I don't see much of that. 100 rooms go for $3 million on average. $30k per room is not much of value.

On the other hand: "When we last provided an overview of our portfolio between those hotels operating above and below a 30% margin and the non-core hotels in our May 2019 investor presentation, we had 73 of the initial 78 non-core hotels remaining, representing total revenue of $131 million and only $10 million of hotel level adjusted EBITDAre. Since then, we have sold these additional eight hotels for gross proceeds of $32 million and brought down the room count by 946, revenue down by $11 million and only trimmed EBITDA by $1 million."

"To date, we have been well within that range, which could translate to potential gross proceeds of at least $250 million, if we are successful in disposing of the non-core portfolio in its entirety. This pricing, which based on our total dispositions to date in 2019 represents a multiple of approximately 22 times hotel level, adjusted EBITDAre also demonstrates the significant disconnect between public and private market valuations for our real estate.

Could there be 10 times more money there – that would be $300 million in total of dispositions.

$1 billion in debt - target leverage ratio over the medium to longer term is 4 times to 5 times.

More pain down the road: "And we had no mention yet of August in our comments. But as I would dimension this, it's important to note that the kind of indications of disruption that we mentioned in the first quarter call certainly did not abate as we moved throughout the quarter. "

If they would sell all the non core with less than 40% margin at 2.5 times revenue – they would get $1.5 billion. Minus $1 billion in debt- that is $500 million. Plus you would be left with 64 hotels making EBITDA of 88 million – value around $800 million. Thus, value should be $800 million plus, $1.5 billion minus $1 billion = 1.3 billion. This makes it undervalued by 50%. Plus you have $150 million in EBITDA already coming in.

Portfolio Segmentation

	Core			
	> 30% Margin[6]	< 30% Margin[7]	Non-Core	Total Portfolio[8]
# Hotels	64	173	76	313
# Keys	8,450	22,402	9,263	40,115
Average Age[1]	20 y.o.	25 y.o.	33 y.o.	26 y.o.
$ Total Revenue[2]	$249M	$474M	$138M	$861M
$ ADR	$108	$89	$70	$90
$ EBITDAre[3]	$88M	$101M	$12M	$201M
% EBITDAre Margin[4]	35%	21%	8%	23%
$ NOI[4]	$78M	$83M	$6M	$167M

CorePoint Lodging

(1) Average age for repositioned properties based on completion date of renovation
(2) Represents 2018 Pro Forma Total Revenue
(3) Represents 2018 Pro Forma Hotel Adjusted EBITDAre
(4) Represents 2018 Pro Forma Hotel Adjusted EBITDAre margin
(5) Pro Forma Hotel Adjusted EBITDAre less capex reserve (4% of revenue)
(6) 30% or greater 2018 Pro Forma Hotel Adjusted EBITDAre margin hotels
(7) Less than 30% 2018 Pro Forma Hotel Adjusted EBITDAre margin hotels
(8) Excludes two sold assets

Two Recent Asset Sales:
Total Sales Price: $4.5M
FY 2018 PF Revenue: $2.7M
FY 2018 PF EBITDAre[2]: $0.2M
FY 2018 PF EBITDAre Margin: 7%

This is in line with the asset value estimation by HVS of $2.4 billion.

My main question is, DO I WANT TO OWN MID SCALE LA QUINTA HOTELS OVER THE US? I don't feel so☹ I want, a more like Buffett thing, low price but great assets.

However, the dividend of $0.8 is there. If the management manages to fix the situation, the dividend will unlikely go up, only a bit of rebalancing on yield, but 5% would be ok, that would give you a stock price of $16.

Given the asset value, long-term, the value is there, but it can bleed more if there is no improvement in the business.