



Rating
Hold

North America
United States

Consumer
Gaming & Lodging

Company
**Chesapeake
Lodging**

Reuters
CHSP.N

Bloomberg
CHSP UN

Exchange
NYS

Ticker
CHSP

Date
27 July 2018

Forecast Change

Price at 27 Jul 2018 (USD)	31.40
Price target	29.00
52-week range	32.76 - 24.52

SF Driving CHSP's Above-Industry RevPAR Growth, As Expected

Key to CHSP Story is 2019-'20 Earnings Power

CHSP's 2Q results and updated outlook were largely uneventful. With the stock trading about a turn higher than the broader hotel REIT group on 2019E EV/EBITDA, we believe CHSP's ability to realize above-peer growth in 2019 and 2020 is key. SF (25% of total) appears to be an embedded tailwind those years but given the higher overall bar, the margin for error elsewhere is small. At the micro-level and in the near term, we believe shares are likely to trade primarily in response to real time RevPAR trends in SF and extrapolations that can be made to the city's performance over the next few years. We continue to monitor wage increases in a handful of CHSP's markets as well.

Key Takeaways from Conference Call

CHSP's 2Q RevPAR growth was 4.7% for the total portfolio and +1.5% excluding three hotels that were comping to a renovation period. April was stronger than expected (+9.6%), May was in line at +1.7%, and June was +3.5%, modestly exceeding budget. Top markets were San Francisco (+17%, or +12% ex-JW Marriott renovation), Boston (+7%, aided by the Newton Marriott renovation), NYC and Miami (up ~4% each), and Denver (+3%). But Los Angeles and Seattle were both down ~8.5%. Mgt noted transient growth was solid, with corporate negotiated business up low double digits and leisure up 3%. There was some softness in Group F&B at a few hotels due to sales force changes at the operator. CHSP grew hotel EBITDA margins ~110 bps as costs per occupied room were down slightly y/y. Labor costs were held to an increase of ~2% and although mgt said that could rise a little in 2H, there could be positive offsets elsewhere. CHSP's overall 2019 group pace is up mid single digits, with SF up significantly and most other markets generally slightly ahead of year-ago levels.

Estimates Adjusted for Asset Sale

Our 2018 EBITDA estimate is \$179.1m vs. guidance of \$173.1-\$178.5m and our RevPAR forecast is +5.1% vs. guidance of +3-5%. For 2019 we are forecasting RevPAR growth of 4.0% (largely driven by SF exposure) and EBITDA of \$190.6m.

Price Target Remains \$29; Risks

Our PT remains \$29 and continues to be based on 12.5x 2019E EV/EBITDA. We believe this multiple and related implied cap rate and per key valuations are appropriate in light of how we value CHSP's peers. Upside/downside risks relate primarily to better/worse than expected RevPAR/margin results or difficult to predict capital market activities. CHSP also has meaningful earnings concentration in SF.

Chris Woronka

Research Analyst
(+1) 212 250-9376
chris.woronka@db.com

Carlo Santarelli

Research Analyst
(+1) 212 250-5815
carlo.santarelli@db.com

Steven Pizzella, CFA

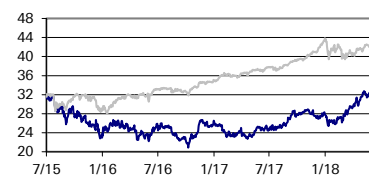
Research Associate
(+1) 212 250-9817
steven.pizzella@db.com

Key changes

EPS (USD)	2.40 to 2.38	↓	-1.1%
Revenue (USDm)	602.5 to 601.2	↓	-0.2%

Source: Deutsche Bank

Price/price relative



Performance (%)	1m	3m	12m
Absolute	-0.3	10.0	30.6
S&P 500 INDEX	4.2	6.4	14.5

Source: Deutsche Bank

Forecasts And Ratios

Year End Dec 31	2017A	2018E	2019E
FY EPS (USD)	2.17	2.38	2.59

Source: Deutsche Bank estimates, company data

¹ Includes the impact of FAS123R requiring the expensing of stock options.

² EPS refers to Funds from Operations ("FFO") Per Share.

Deutsche Bank Securities Inc.

Distributed on: 27/07/2018 19:39:54 GMT

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CHSP 2018 versus 2017 and Our Estimates

Figure 1: CHSP 2018 versus 2017 and Our Estimates

(\$MM, except per share data)	CHSP Actuals		+/-	yoy % chg.	DB Estimates	
	2Q18	2Q17			2Q18	+/-
<i>Pro Forma Hotel RevPAR Change</i>	4.7%	-3.7%			5.6%	
Total Hotel Revenues	\$163.3	\$169.4	(\$6.1)	-3.6%	\$166.0	(\$2.7)
Total Hotel Adjusted EBITDA	\$59.3	\$62.6	(\$3.3)	-5.3%	\$61.1	(\$1.8)
<i>Hotel Adjusted EBITDA Margin</i>	36.3%	36.9%	(.6%)		36.8%	(.5%)
Revenue						
Room Revenues	\$125.5	\$122.3	\$3.2	2.7%	\$125.1	\$0.5
F&B Revenues	\$30.6	\$33.1	(\$2.6)	-7.8%	\$33.3	(\$2.7)
Other Hotel Revenue	\$7.2	\$7.1	\$0.1	2.1%	\$7.7	(\$0.4)
Total Hotel Revenue	\$163.3	\$162.5	\$0.8	0.5%	\$166.0	(\$2.7)
Hotel Operating Expenses	\$104.0	\$105.3	(\$1.3)	-1.3%	\$104.9	(\$0.9)
Depreciation and Amortization	\$19.1	\$19.1	\$0.0	0.0%	\$19.3	(\$0.2)
Corporate SG&A	\$4.7	\$4.6	\$0.1	1.7%	\$4.5	\$0.2
Stock Compensation	\$0.0	\$0.0	\$0.0		\$0.0	\$0.0
Acquisition Costs and Intangible Asset Amortization	\$0.1	\$0.1	\$0.0	0.0%	\$0.1	\$0.0
Total Operating Expenses	\$128.0	\$129.2	(\$1.3)	-1.0%	\$128.9	(\$0.9)
Operating Income	\$35.3	\$33.2	\$2.1		\$37.1	(\$1.8)
Income Tax Benefit (Expense)	(\$2.6)	(\$3.4)	\$0.8	-22.8%	(\$3.9)	\$1.3
Adjusted FFO	\$42.9	\$38.2	\$4.7	12.2%	\$44.1	(\$1.3)
Adjusted FFO per Share	\$0.72	\$0.65	\$0.07	10.8%	\$0.74	(\$0.02)
Adjusted EBITDA	\$54.5	\$52.3	\$2.2	4.1%	\$56.4	(\$1.9)
<i>Adjusted EBITDA Margin</i>	33.4%	32.2%	1.1%		34.0%	(.6%)
Shares	59.8	59.0	0.8	1.3%	59.7	0.1

Source: Deutsche Bank and Company Reports



Summary of Guidance and Estimate Changes

Figure 2: DB Versus CHSP 1Q18 and FY18 Guidance

	3Q18 Guidance as of 5/1/18		FY18 Guidance as of 2/15/18		FY18 Guidance as of 5/1/18		FY18 Guidance as of 7/27/18		DB 2018 Estimate	Our Estimate vs. Midpoint Delta
	Low	High	Low	High	Low	High	Low	High		
RevPAR Growth	3.0%	5.0%	3.0%	5.0%	3.0%	5.0%	3.0%	5.0%	5.1%	1.1%
Hotel EBITDA Margin Change	50 bps	125 bps	50 bps	125 bps	50 bps	125 bps	90 bps	130 bps	139 bps	29 bps
Adj. Corporate EBITDA	\$47.7	\$49.9	\$175.5	\$183.0	\$175.5	\$183.0	\$173.1	\$178.5	\$179.1	\$3.3
Adjusted FFO	\$37.9	\$39.9	\$138.1	\$144.6	\$138.1	\$144.6	\$136.9	\$141.6	\$141.9	\$2.7
Adjusted FFO per Share	\$0.63	\$0.67	\$2.33	\$2.43	\$2.33	\$2.43	\$2.29	\$2.37	\$2.38	\$0.05

Source: Deutsche Bank and Company Reports

Figure 3: Summary of Current and Prior Estimates

\$ in MM except per share data

	3Q18E			2018E			2019E		
	Current	Prior	Delta	Current	Prior	Delta	Current	Prior	Delta
Comparable RevPAR Change	5.6%	5.7%	(10)	5.1%	5.0%	20	4.0%	3.8%	20
Hotel Revenue	\$157.3	\$158.0	(\$0.6)	\$601.2	\$602.5	(\$1.3)	\$613.3	\$614.8	(\$1.5)
Hotel EBITDA	\$55.4	\$56.8	(\$1.5)	\$198.7	\$200.3	(\$1.6)	\$210.5	\$211.1	(\$0.6)
Hotel EBITDA Margin	35.2%	36.0%	(78)	33.0%	33.2%	(20)	34.3%	34.3%	(1)
Adjusted EBITDA	\$51.0	\$52.5	(\$1.4)	\$179.1	\$180.5	(\$1.5)	\$190.6	\$191.0	(\$0.4)
Adjusted EBITDA Margin	32.4%	33.2%	(79)	29.8%	30.0%	(18)	31.1%	31.1%	0
Adjusted FFO	\$41.3	\$42.9	(\$1.6)	\$141.9	\$143.5	(\$1.5)	\$154.6	\$155.1	(\$0.4)
Adjusted FFO per Share	\$0.69	\$0.72	(\$0.03)	\$2.38	\$2.40	(\$0.03)	\$2.59	\$2.60	(\$0.01)
FFO	\$41.3	\$42.9	(\$1.6)	\$142.1	\$143.5	(\$1.5)	\$154.8	\$155.1	(\$0.4)
FFO per Share	\$0.69	\$0.72	(\$0.03)	\$2.38	\$2.40	(\$0.03)	\$2.59	\$2.60	(\$0.01)
Net Income to Common Shareholders	\$22.1	\$23.5	(\$1.4)	\$65.3	\$66.2	(\$0.8)	\$78.6	\$78.1	\$0.5
Reported EPS	\$0.37	\$0.39	(\$0.02)	\$1.09	\$1.11	(\$0.01)	\$1.32	\$1.31	\$0.01
Shares	59.7	59.7	0.0	59.7	59.7	0.0	59.7	59.6	0.1

Source: Deutsche Bank and Company Reports



Price Target Analysis

Our PT goes remains at \$29 and continues to be based on 12.5x 2019E EV/EBITDA. We believe this multiple and related implied per key value are appropriate in light of how we value CHSP's closest hotel REIT peers.

Figure 4: Price Target Analysis

CHSP	7/27/2018
Current Price	\$31.40
Shares Outstanding (MRQ)	59.8
Market Cap (\$ in MM)	\$1,877.5

Segment	2019E EBITDA	Price Target Multiple	Firm Value
Hotel EBITDA	\$210.5	12.5x	\$2,632
Corporate Expense & Equity Compensation	(\$19.9)	12.5x	(\$249)
Total	\$190.6	12.5x	\$2,383
Less Net Debt (YE 2019E)			(\$658)
Preferred Equity Face Value			\$0
Equity Value			\$1,725
Shares Outstanding (MRQ)			59.8
Price Target			\$29
<i>Upside/Downside to Target</i>			-7.6%
Estimated Current Year Dividend Per Share			\$1.60
<i>Current Year Dividend Yield</i>			5.1%
<i>Total Return to Target</i>			-2.5%

Source: Deutsche Bank and Company Reports

Figure 5: Price Target Sensitivity (\$ in MM, except per share data)

		Price Target Sensitivity								
% chg. in EBITDA		-20.0%	-15.0%	-10.0%	-5.0%		5.0%	10.0%	15.0%	20.0%
2019E EBITDA		\$152.5	\$162.0	\$171.5	\$181.1	\$190.6	\$200.1	\$209.7	\$219.2	\$228.7
Net Debt & Preferred Equity		\$658	\$658	\$658	\$658	\$658	\$658	\$658	\$658	\$658
Shares Outstanding		59.8	59.8	59.8	59.8	59.8	59.8	59.8	59.8	59.8
Price Target Multiples	9.0x	\$12	\$13	\$15	\$16	\$18	\$19	\$21	\$22	\$23
	10.0x	\$15	\$16	\$18	\$19	\$21	\$22	\$24	\$26	\$27
	11.0x	\$17	\$19	\$21	\$22	\$24	\$26	\$28	\$29	\$31
	12.0x	\$20	\$22	\$23	\$25	\$27	\$29	\$31	\$33	\$35
	12.5x	\$21	\$23	\$25	\$27	\$29	\$31	\$33	\$35	\$37
	13.0x	\$22	\$24	\$26	\$28	\$30	\$33	\$35	\$37	\$39
	14.0x	\$25	\$27	\$29	\$31	\$34	\$36	\$38	\$40	\$43
	15.0x	\$27	\$30	\$32	\$34	\$37	\$39	\$42	\$44	\$46
	16.0x	\$30	\$32	\$35	\$37	\$40	\$43	\$45	\$48	\$50

Source: Deutsche Bank and Company Reports



Current Valuation Analysis

At current levels CHSP trades at 13.2x and 12.1x our 2018 and 2019 adjusted FFO/share estimates, respectively. On an EV/EBITDA basis, CHSP trades at 14.2x and 13.3x our 2018 and 2019 EBITDA estimates, respectively.

Figure 6: Current Valuation Summary

July 27, 2018

Current Multiple Data

Share Price	\$31.40
Shares Outstanding (MRQ)	59.8
Market Cap (\$ in MM)	\$1,878
2016 Net Debt	\$651
2017 Net Debt	\$760
2018E Net Debt	\$666
2019E Net Debt	\$658
2016 Preferred Equity	\$127
2017 Preferred Equity	\$0
2018E Preferred Equity	\$0
2019E Preferred Equity	\$0
2016 EV	\$2,656
2017 EV	\$2,638
2018E EV	\$2,544
2019E EV	\$2,535
2016 EBITDA	\$184.5
2017 EBITDA	\$169.5
2018E EBITDA	\$179.1
2019E EBITDA	\$190.6

Current Multiple Data

Share Price	\$31.40
2016 FFO	\$2.39
2017 FFO	\$2.17
2018E FFO	\$2.38
2019E FFO	\$2.59

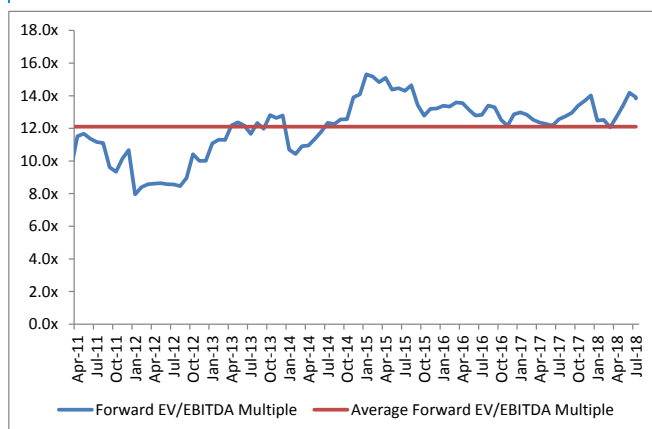
2016 P/FFO	13.1x
2017 P/FFO	14.5x
2018E P/FFO	13.2x
2019E P/FFO	12.1x

2016 EV/EBITDA	14.4x
2017 EV/EBITDA	15.6x
2018E EV/EBITDA	14.2x
2019E EV/EBITDA	13.3x

Source: Deutsche Bank and Company Reports

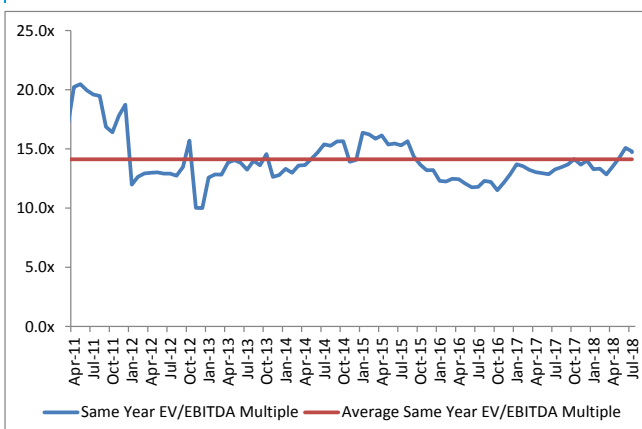
Valuation Multiples and Cap Rates

Figure 7: Forward EV/EBITDA Multiple



Source: Company Reports and Deutsche Bank

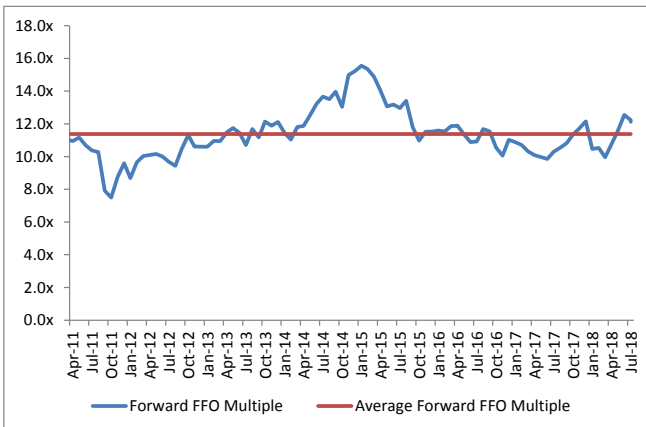
Figure 8: Same Year EV/EBITDA Multiple



Source: Company Reports and Deutsche Bank

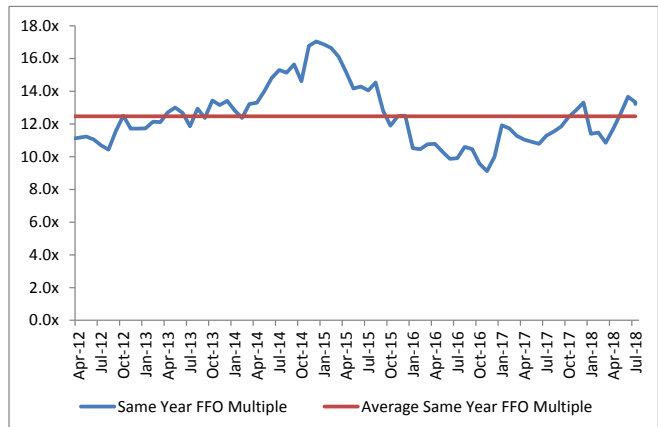


Figure 9: Forward FFO Multiple



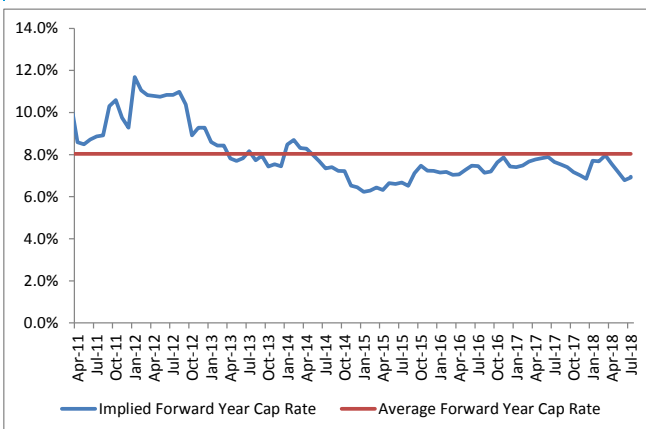
Source: Company Reports and Deutsche Bank

Figure 10: Same Year FFO Multiple



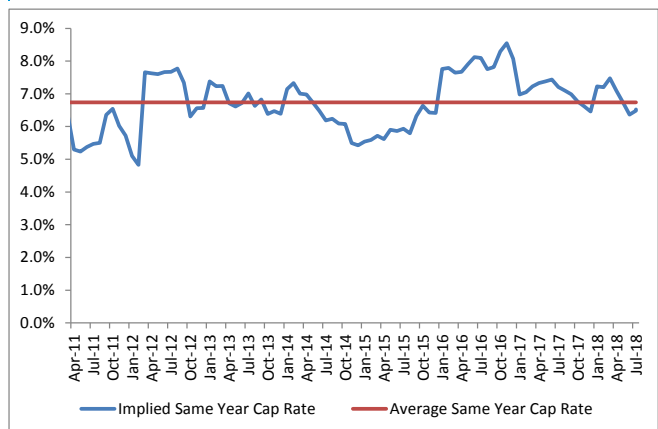
Source: Company Reports and Deutsche Bank

Figure 11: Forward Year Cap Rate



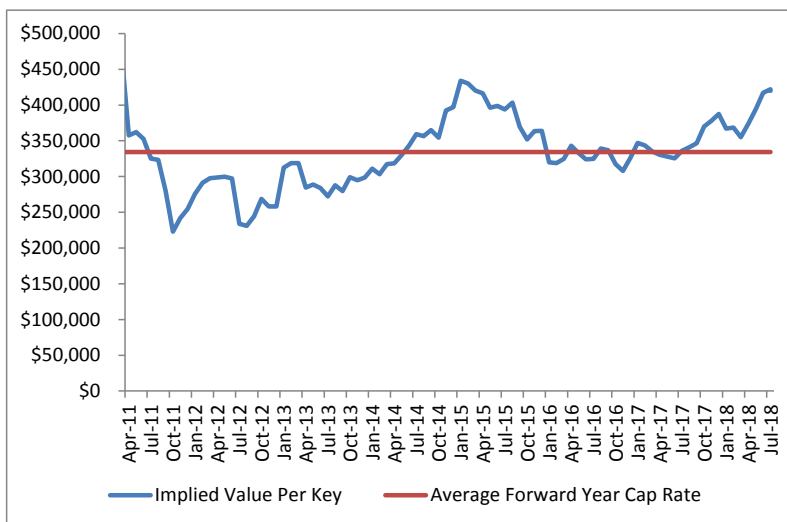
Source: Company Reports and Deutsche Bank

Figure 12: Same Year Cap Rate



Source: Company Reports and Deutsche Bank

Figure 13: Implied Value per Key



Source: Company Reports and Deutsche Bank



Capitalization

Figure 14: Capitalization with Cap Rates and Per Key Analysis

	2017	MRQ	2018E	2019E
Common Shares	59.0	59.1	59.1	59.1
Diluted Shares/OP Units/Other	0.2	0.7	0.6	0.6
Diluted Share Count	59.3	59.8	59.7	59.7
Current Price	\$31.40	\$31.40	\$31.40	\$31.40
Current Equity Cap	\$1,861	\$1,878	\$1,876	\$1,876
Consolidated Debt	\$835	\$837	\$754	\$739
JV Debt	\$0	\$0	\$0	\$0
Total Debt	\$835	\$837	\$754	\$739
Cash & Cash Equivalents	\$44	\$41	\$57	\$50
Restricted Cash	\$31	\$29	\$31	\$31
Net Debt	\$760	\$768	\$666	\$658
Preferred Stock	\$0	\$0	\$0	\$0
Net Debt + Preferred	\$760	\$768	\$666	\$658
Total EV	\$2,621	\$2,645	\$2,542	\$2,533
EV/2017 EBITDA	15.5x	15.6x	15.0x	14.9x
EV/2018E EBITDA	14.6x	14.8x	14.2x	14.1x
EV/2019E EBITDA	13.8x	13.9x	13.3x	13.3x

Cap Rate Analysis

	2017	MRQ	2018E	2019E
LTM Hotel EBITDA	\$189	\$205	\$199	\$211
Less: Maintenance Capex	(\$27)	(\$28)	(\$27)	(\$27)
Net Operating Income	\$162	\$178	\$172	\$183
Total EV	\$2,621	\$2,645	\$2,542	\$2,533
Implied Cap Rate	6.2%	6.7%	6.8%	7.2%

Value Per Key Analysis

	MRQ
Owned Rooms	6,479
Total EV	\$2,645
Implied Value per key	\$408,275

Source: Deutsche Bank and Company Reports



Earnings Model

Figure 15: Earnings Model Part I (\$ in MM, Except Per Share)

(in US\$ millions, except per share amounts)	2012	2013	2014	2015	2016	1Q17	2Q17	3Q17	4Q17	2017	1Q18	2Q18	3Q18E	4Q18E	2018E	2019E
Rooms revenue	210.3	316.4	364.7	441.1	465.8	98.9	122.3	123.2	106.4	450.8	100.6	125.5	122.1	108.9	457.1	464.1
F&B revenue	57.7	86.9	94.3	117.2	126.0	29.3	33.1	27.2	29.1	118.7	27.6	30.6	27.0	29.1	114.2	117.1
Other revenue	10.3	16.9	18.9	24.3	27.9	6.7	7.1	7.9	7.2	28.7	6.8	7.2	8.3	7.6	29.9	32.1
Hotel Revenue	278.3	420.2	478.0	582.6	619.7	134.9	162.5	158.3	142.7	598.3	135.0	163.3	157.3	145.5	601.2	613.3
<i>yoy % change</i>		51.0%	13.8%	21.9%	6.4%	-4.1%	-4.1%	-3.8%	-1.7%	-3.5%	0.1%	0.5%	-0.6%	2.0%	0.5%	2.0%
Room expenses	48.2	73.7	84.4	100.2	108.3	25.3	27.4	28.1	26.4	107.2	25.3	27.5				
F&B expenses	41.7	65.1	71.8	87.6	92.1	22.2	23.1	21.3	21.8	88.5	21.1	21.8				
Other direct hotel expenses	5.1	8.0	8.0	7.1	6.3	1.4	1.3	1.5	1.3	5.5	1.1	1.2				
Indirect hotel expenses	90.9	138.1	160.6	196.5	208.8	49.8	53.5	54.1	36.8	194.2	49.8	53.5				
Hotel Operating Expenses	185.8	285.0	324.9	391.5	415.4	98.7	105.3	105.0	86.2	395.3	97.3	104.0	102.0	99.2	402.5	402.8
Depreciation & Amortization	28.9	44.5	51.6	69.7	74.7	18.8	19.1	19.4	19.0	76.2	19.2	19.1	19.2	19.2	76.7	76.1
Air Rights Contract Amortization	0.5	0.5	0.5	0.5	0.5	0.1	0.1	0.1	0.1	0.5	0.1	0.1	0.1	0.1	0.5	0.5
Corporate SG&A	8.1	12.0	15.6	18.0	19.2	4.9	4.6	4.2	5.3	19.1	5.4	4.7	4.2	5.0	19.3	19.5
Hotel Acquisition Costs	3.0	4.2	3.6	0.9												
Stock-based Compensation	3.2	1.1	0.0	0.0												
Total Operating Expenses	229.6	347.3	396.1	480.7	509.7	122.6	129.2	128.7	110.6	491.1	122.0	128.0	125.5	123.5	499.0	499.0
Operating Income	48.7	72.9	81.8	102.0	110.0	12.3	33.2	29.6	32.1	107.2	13.0	35.3	31.9	22.0	102.2	114.3
Interest Expense	(21.0)	(25.8)	(27.4)	(31.9)	(31.8)	(7.8)	(8.2)	(9.0)	(9.0)	(33.9)	(8.8)	(8.9)	(8.5)	(8.4)	(34.7)	(33.2)
Interest Income	0.2	0.2	0.0	0.0	0.6					0.0		0.0	0.0	0.0	0.1	0.3
Extinguishment of Debt / Gain on Sale		(0.4)	7.0	0.0	0.0			(4.4)	6.1	1.7					0.0	
Pre-tax Income	27.9	47.0	61.5	70.1	78.7	4.5	25.1	16.1	29.2	74.9	4.2	26.4	23.4	13.6	67.6	81.4
Income Tax Benefit (Expense)	(0.7)	(1.7)	(0.5)	(2.6)	(2.0)	3.5	(3.4)	(1.6)	(1.6)	(3.1)	2.4	(2.6)	(1.3)	(0.8)	(2.3)	(2.8)
Net Income	27.2	45.3	61.0	67.5	76.7	8.0	21.7	14.5	27.6	71.8	6.5	23.8	22.1	12.9	65.3	78.6
Div. Declared on Unvested Stock Grants	(0.2)	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Undistributed Earnings for Unvested Stock Grants																
Preferred Equity Distributions	(4.4)	(9.7)	(9.7)	(9.7)	(9.7)	(2.4)	(2.4)	(0.4)	0.0	(5.3)	0.0	0.0	0.0	0.0	0.0	0.0
Net Income avail. To common shareholders	22.6	35.5	51.3	57.8	67.1	5.6	19.2	14.1	27.6	66.5	6.5	23.8	22.1	12.9	65.3	78.6
Basic Shares	39.4	48.9	53.8	57.5	58.7	59.0	59.0	59.0	59.0	59.0	59.1	59.1	59.1	59.1	59.1	59.1
Options & other dilutive			0.4	0.5	0.0	0.0	0.0	0.2	0.3	0.2	0.6	0.6	0.6	0.6	0.6	0.6
Fully Diluted Shares	34.0	47.3	50.9	57.9	58.7	59.0	59.0	59.3	59.3	59.3	59.7	59.8	59.7	59.7	59.7	59.7
Basic EPS	\$0.66	\$0.73	\$0.95	\$1.01	\$1.14	\$0.09	\$0.33	\$0.24	\$0.47	\$1.13	\$0.11	\$0.40	\$0.37	\$0.22	\$1.10	\$1.33
Fully diluted EPS	\$0.66	\$0.75	\$1.01	\$1.00	\$1.14	\$0.09	\$0.33	\$0.24	\$0.47	\$1.12	\$0.11	\$0.40	\$0.37	\$0.22	\$1.09	\$1.32

Source: Deutsche Bank and Company Reports



Figure 16: Earnings Model Part II / Adjusted FFO and Adjusted EBITDA (\$ in MM, Except Per Share)

FFO (in US\$ millions, except per share amounts)	2012	2013	2014	2015	2016	1Q17	2Q17	3Q17	4Q17	2017	1Q18	2Q18	3Q18E	4Q18E	2018E	2019E
Net income	22.6	35.5	51.3	57.8	67.1	5.6	19.2	14.1	27.6	66.5	6.5	23.8	22.1	12.9	65.3	78.6
Add: D&A	28.9	44.5	51.6	69.7	74.7	18.8	19.1	19.4	19.0	76.2	19.2	19.1	19.2	19.2	76.7	76.1
FFO	51.5	80.0	102.8	127.6	141.7	24.4	38.3	33.5	46.6	142.8	25.8	42.9	41.3	32.1	142.1	154.8
Diluted FFO per share	\$1.51	\$1.69	\$2.02	\$2.20	\$2.41	\$0.41	\$0.65	\$0.56	\$0.79	\$2.41	\$0.43	\$0.72	\$0.69	\$0.54	\$2.38	\$2.59
FFO	51.5	80.0	102.8	127.6	141.7	24.4	38.3	33.5	46.6	142.8	25.8	42.9	41.3	32.1	142.1	154.8
Add: Property Acquisition Costs & Other	3.0	4.0	(2.4)	0.9	(0.6)	0.0	0.0	4.4	(18.2)	(13.8)	0.0	0.0	0.0	0.0	0.0	0.0
Add: Air Rights Contract Amortization	0.3	0.1	(0.2)	(0.6)	(0.7)	(0.1)	(0.1)	(0.1)	0.0	(0.4)	(0.1)	(0.1)			(0.1)	(0.1)
Adjusted FFO	54.8	84.1	100.2	127.8	140.4	24.2	38.2	37.7	28.4	128.5	25.7	42.9	41.3	32.1	141.9	154.6
Diluted Adjusted FFO per share	\$1.61	\$1.78	\$1.97	\$2.21	\$2.39	\$0.41	\$0.65	\$0.64	\$0.48	\$2.17	\$0.43	\$0.72	\$0.69	\$0.54	\$2.38	\$2.59
<i>Seasonality</i>																
Cash Available for Distribution:																
Adjusted FFO	54.8	84.1	100.2	127.8	140.4	24.2	38.2	37.7	28.4	128.5	25.7	42.9	41.3	32.1	141.9	154.6
Plus: Stock-based (non-cash) compensation	3.2	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Less: Reserve for maintenance cap-ex	(12.4)	(18.7)	(21.3)	(25.9)	(27.6)	(6.0)	(7.2)	(7.0)	(6.3)	(26.6)	(6.0)	(7.3)	(7.0)	(6.5)	(26.8)	(27.3)
% of hotel revenue	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
CAD	45.6	66.6	79.0	101.9	112.9	18.2	31.0	30.7	22.0	101.9	19.7	35.6	34.3	25.6	115.2	127.3
CAD per share	\$1.34	\$1.39	\$1.57	\$1.75	\$1.92	\$0.31	\$0.52	\$0.52	\$0.37	\$1.73	\$0.33	\$0.60	\$0.58	\$0.43	\$1.95	\$2.15
Payout Ratio	65.8%	71.9%	76.6%	82.7%	83.2%					92.7%					82.1%	74.3%
Dividend (Cash Paid in Following Quarter)	29.3	43.2	58.4	75.5	94.3	23.6	23.6	23.7	23.7	94.7	23.6	23.7	23.7	23.7	94.6	94.6
Dividend per share	\$0.88	\$1.00	\$1.20	\$1.45	\$1.60	\$0.40	\$0.40	\$0.40	\$0.40	\$1.60	\$0.40	\$0.40	\$0.40	\$0.40	\$1.60	\$1.60
yoy % change	10.0%	13.6%	20.0%	20.8%	10.3%					0.0%					0.0%	0.0%
Yield on IPO Price	4.4%	5.0%	6.0%	7.3%	8.0%					8.0%					8.0%	8.0%
Yield on Current Price	2.8%	3.2%	3.8%	4.6%	5.1%					5.1%					5.1%	5.1%
EBITDA (in US\$ millions)	2012	2013	2014	2015	2016	1Q17	2Q17	3Q17	4Q17	2017	1Q18	2Q18	3Q18E	4Q18E	2018E	2019E
Net income	27.2	45.3	61.0	67.5	76.7	8.0	21.7	14.5	27.6	71.8	6.5	23.8	22.1	12.9	65.3	78.6
D&A	28.9	44.5	51.6	69.7	74.7	18.8	19.1	19.4	19.0	76.2	19.2	19.1	19.2	19.2	76.7	76.1
Interest expense	21.0	25.8	27.4	31.9	31.8	7.8	8.2	9.0	9.0	33.9	8.8	8.9	8.5	8.4	34.7	33.2
Interest income	(0.2)	(0.2)	(0.0)	0.0	(0.6)	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.0)	(0.0)	(0.1)	(0.3)
Income tax benefit	0.7	1.7	0.5	2.6	2.0	(3.5)	3.4	1.6	1.6	3.1	(2.4)	2.6	1.3	0.8	2.3	2.8
Extinguishment of Debt	0.0	0.4	0.0	0.0	0.0			4.4	(13.8)	(9.4)					0.0	
EBITDA	77.6	117.3	140.4	171.7	184.6	31.1	52.3	48.9	43.4	175.7	32.2	54.4	51.0	41.3	179.0	190.5
Hotel Property Acquisitions Costs	3.0	4.2	(2.1)	0.9	0.0				(6.1)	(6.1)					0.0	0.0
Intangible Asset Amortization	0.2	0.2	0.1	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)	0.0	(0.1)	0.1	0.1	0.0	0.0	0.1	0.1
Adjusted EBITDA	80.9	121.8	138.4	172.5	184.5	31.1	52.3	48.9	37.3	169.5	32.3	54.5	51.0	41.3	179.1	190.6
Adjusted EBITDA Margin	29.1%	29.0%	29.0%	29.6%	29.8%	23.0%	32.2%	30.9%	26.1%	28.3%	23.9%	33.4%	32.4%	28.4%	29.8%	31.1%

Source: Deutsche Bank and Company Reports



Key Drivers

Figure 17: Key Model Drivers

(in US\$ millions except per share amounts)	2011	2012	2013	2014	2015	2016	1Q17	2Q17	3Q17	4Q17	2017	1Q18	2Q18	3Q18	4Q18	2018E	2019E
Days Period	365	366	365	365	365	366	90	91	92	92	365	90	91	92	92	365	365
All Hotels																	
Hotels EOP	11	15	20	20	22	22	22	22	22	21	21	21	21	20	20	20	20
Rooms EOP	3,390	4,722	5,932	6,116	6,699	6,694	6,694	6,694	6,694	6,479	6,479	6,479	6,479	6,279	6,279	6,279	6,279
Room Revenue	128.7	210.3	316.4	364.7	441.1	465.8	98.9	122.3	123.2	106.4	450.8	100.6	125.5	122.1	108.9	457.1	464.1
yoy % change			50.5%	15.3%	21.0%	5.6%	-4.7%	-3.7%	-3.4%	-1.0%	-3.2%	1.7%	2.7%	-0.9%	2.3%	1.4%	1.5%
F&B Revenue	37.8	57.7	86.9	94.3	117.2	126.0	29.3	33.1	27.2	29.1	118.7	27.6	30.6	27.0	29.1	114.2	117.1
yoy % change			50.6%	8.5%	24.2%	7.5%	-4.1%	-7.1%	-8.3%	-3.5%	-5.8%	-5.7%	-7.8%	-0.8%	-0.1%	-3.8%	2.5%
Other Revenue	5.7	10.3	16.9	18.9	24.3	27.9	6.7	7.1	7.9	7.2	28.7	6.8	7.2	8.3	7.618	29.9	32.1
All Hotel Revenue	177.7	278.3	420.2	478.0	582.6	619.7	134.9	162.5	158.3	142.7	598.3	135.0	163.3	157.3	145.5	601.2	613.3
yoy % change			51.0%	13.8%	21.9%	6.4%	-4.1%	-4.1%	-3.8%	-1.7%	-3.5%	0.1%	0.5%	-0.6%	2.0%	0.5%	2.0%
Room expenses	30.1	48.2	73.7														
F&B expenses	27.7	41.7	65.1														
Other direct hotel expenses	2.8	5.1	8.0														
Indirect hotel expenses	55.6	90.9	138.1														
Total Hotel Operating Expenses	116.1	185.8	285.0	324.9	400.2	416.0	98.9	105.5	105.2	100.0	409.5	97.4	104.0	102.0	99.2	402.5	402.8
yoy % change			53.3%	14.0%	23.2%	3.9%					-1.6%					-1.7%	0.1%
All Hotel Adjusted EBITDA	57.1	92.4	131.9	153.1	182.4	203.7	36.0	57.0	53.1	42.7	188.7	37.7	59.3	55.4	46.4	198.7	210.5
yoy % change			42.7%	16.1%	19.1%	11.7%	-10.1%	-9.0%	-6.8%	-3.2%	-7.4%	4.7%	4.1%	4.2%	8.7%	5.3%	6.0%
Hotel EBITDA Margin	32.1%	33.2%	31.4%	32.0%	31.3%	32.9%	26.7%	35.1%	33.6%	29.9%	31.5%	27.9%	36.3%	35.2%	31.8%	33.0%	34.329%
yoy change in bps	101	111	-183	42	-21	13					-133					139	128
Hotel EBITDA Flow Through	32.6%	35.2%	27.8%	38.4%	23.1%	37.5%					76.8%					114.5%	98.1%
Pro Forma Hotels		10	20	20	22	22	22	22	22	21	21	21	21	20	20	20	20
Pro Forma Hotel Rooms		3,219	5,932	6,116	6,699	6,694	6,694	6,694	6,694	6,479	6,479	6,479	6,479	6,279	6,279	6,279	6,279
Pro Forma Occupancy	77.6%	79.0%	80.1%	79.6%	80.7%	83.9%	76.5%	86.7%	88.5%	80.5%	83.1%	81.0%	88.9%	88.8%	83.0%	84.9%	86.0091%
yoy % change	3.3%	2.1%	2.2%	-0.7%	1.0%	3.2%	-2.9%	-1.6%	-0.3%	0.7%	-1.0%	5.7%	2.4%	0.3%	3.1%	2.9%	1.3%
Prior Year Occupancy	75.1%	77.4%	78.4%	80.1%	79.9%	81.3%	78.8%	88.1%	88.8%	80.0%	83.9%	76.6%	86.8%	88.5%	80.5%	83.1%	84.9%
Pro Forma ADR	\$175.13	\$187.43	\$195.74	\$210.88	\$227.59	\$226.68	\$214.69	\$231.62	\$226.10	\$219.48	\$225.21	\$213.07	\$239.57	\$238.06	\$226.94	\$229.12	\$235.42
yoy % change	5.6%	6.5%	4.6%	7.7%	5.3%	-0.9%	-0.7%	-2.1%	-3.0%	-0.3%	-1.5%	-2.1%	2.3%	5.3%	3.4%	2.2%	2.8%
Prior Year ADR	\$165.89	\$176.04	\$187.07	\$195.74	\$216.21	\$228.70	\$216.28	\$236.69	\$233.19	\$220.21	\$228.58	\$217.57	\$234.09	\$226.10	\$219.48	\$225.21	\$229.12
Pro Forma RevPAR	\$135.90	\$148.28	\$156.86	\$167.78	\$183.69	\$190.12	\$164.16	\$200.72	\$200.12	\$176.73	\$187.22	\$172.55	\$212.89	\$211.43	\$188.48	\$194.60	\$202.48
yoy % change	9.1%	8.8%	7.0%	7.0%	4.5%	2.3%	-3.6%	-3.7%	-3.4%	0.3%	-2.4%	3.5%	4.7%	5.6%	6.6%	5.1%	4.0%
Prior Year RevPAR	\$124.60	\$136.23	\$146.64	\$156.86	\$175.82	\$185.88	\$170.35	\$208.43	\$207.12	\$176.15	\$191.89	\$166.68	\$203.27	\$200.12	\$176.73	\$187.22	\$194.60
Pro Forma Hotel EBITDA	71.48	79.08	131.8	153.1	195.4	203.7	36.0	57.0	53.1	42.2	188.3	37.7	59.2	55.4	46.4	198.6	210.5
yoy % change	17.7%	15.3%			9.2%	3.2%	-10.1%	-9.0%	-6.8%	-1.8%	-7.1%	5.4%	5.6%	4.2%	9.8%	6.1%	
Prior Year Hotel EBITDA	60.73	68.60	117.2	141.8	179.0	197.4	40.1	62.6	57.0	43.0	202.6	35.7	56.1	53.1	42.2	187.2	198.6
Pro Forma Hotel Revenue				478.0	595.6	619.7	134.9	162.5	158.3	141.2	596.8	135.0	163.1	157.3	145.5	601.0	
yoy % change				6.6%	4.9%	2.8%	-4.1%	-4.1%	-3.8%	-0.4%	-3.2%	2.0%	2.4%	-0.6%	3.1%	1.7%	
Prior Year Hotel Revenue			397.6	448.4	567.9	602.9	140.6	169.4	164.5	141.8	616.4	132.4	159.3	158.3	141.2	591.2	
Pro Forma Hotel EBITDA Margin	31.7%	34.1%	31.4%	32.0%	32.8%	32.9%	26.7%	35.1%	33.6%	29.9%	31.5%	27.9%	36.3%	35.2%	31.8%	33.0%	34.3%
yoy change in bps	260	230	190	42	128	13	-180	-189	-107	-42	-132	90	110	163	195	138	128
Prior Year Hotel EBITDA Margin	29.1%	31.8%	29.5%	31.6%	31.5%	32.7%	28.5%	36.9%	34.6%	30.3%	32.9%	27.0%	35.2%	33.6%	29.9%	31.7%	33.0%
yoy Flow Through		60%		38%	59%	38%	71%	81%	62%	130%	73%	74%	82%	-241%	95%	116%	99%

Source: Company reports and Deutsche Bank



Balance Sheet and Cash Flow

Figure 18: Balance Sheet and Cash Flow

Free Cash Flow	2012	2013	2014	2015	2016	1Q17	2Q17	3Q17	4Q17	2017	1Q18	2Q18	3Q18E	4Q18E	2018E	2019E
Net Income	22.6	35.5	51.3	57.8	67.1	5.6	19.2	14.1	27.6	66.5	6.5	23.8	22.1	12.9	65.3	78.6
Depreciation & Amortization	28.9	44.5	51.6	69.7	74.7	18.8	19.1	19.4	19.0	76.2	19.2	19.1	19.2	19.2	76.7	76.1
Non-Cash Expenses	3.7	1.7	0.5	0.5	0.5	0.1	0.1	0.1	0.1	0.5	0.1	0.1	0.1	0.1	0.5	0.5
Less Maint. & Other Capex	(12.4)	(18.7)	(21.3)	(25.9)	(27.6)	(6.0)	(7.2)	(7.0)	(6.3)	(26.6)	(6.0)	(7.3)	(7.0)	(6.5)	(26.8)	(27.3)
% of Hotel Revenues		4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Free Cash Flow Before Project Capex	42.8	63.0	82.1	102.2	114.7	18.5	31.2	26.6	40.4	116.7	19.9	35.8	34.4	25.8	115.8	128.0
Less Project Capex	(11.5)	(9.5)	(65.9)	1.6	(4.4)	(10.4)	(5.3)	(6.0)	(6.8)	(28.4)	(4.2)	(1.5)	(1.5)	(1.5)	(8.6)	(25.0)
Free Cash Flow Post Capex	31.3	53.4	16.2	103.7	110.2	8.1	25.9	20.6	33.6	88.2	15.7	34.3	32.9	24.3	107.2	103.0
Less Acquisitions	(240.5)	(354.3)	(152.3)													
Asset Sales	0.0								46.0	46.0			90.0		90.0	
Less Dividends	(29.3)	(43.2)	(58.4)	(75.5)	(94.3)	(23.6)	(23.6)	(23.7)	(23.7)	(94.7)	(23.6)	(23.7)	(23.7)	(23.7)	(94.6)	(94.6)
Share Issuance (Repurchase)	253.3	185.7	144.1													
Other	8.3	(29.5)	0.0								(6.8)	(3.4)			(10.2)	
Net Free Cash Flow	23.2	(191.8)	(21.0)	28.2	15.9	(15.5)	2.3	(3.1)	55.9	39.6	(14.7)	7.3	99.3	0.6	92.4	8.4
Balance Sheet	2012	2013	2014	2015	2016	1Q17	2Q17	3Q17	4Q17	2017	1Q18	2Q18	3Q18E	4Q18E	2018E	2019E
Cash & Cash Equivalents	33.2	28.7	29.3	50.5	43.1	41.0	59.9	43.6	44.3	44.3	31.9	40.6	60.8	57.3	57.3	50.2
Restricted Cash	23.5	34.2	43.4	43.4	43.4	43.4	31.2	31.2	30.6	30.6	30.1	28.8	28.8	28.8	30.6	30.6
Long Term Debt BOP	407.7	405.2	539.6	551.7	776.1	737.3	754.5	776.6	877.4	737.3	835.2	837.0	837.2	758.0	835.2	753.9
Long Term Debt EOP	405.2	539.6	551.7	776.1	737.3	754.5	776.6	877.4	835.2	835.2	837.0	837.2	758.0	753.9	753.9	738.5
<i>Average Long Term Debt</i>	<i>400</i>	<i>511</i>	<i>569</i>	<i>664</i>	<i>757</i>	<i>746</i>	<i>766</i>	<i>827</i>	<i>856</i>	<i>786</i>	<i>836</i>	<i>837</i>	<i>798</i>	<i>756</i>	<i>795</i>	<i>746</i>
Net Debt	348.6	476.7	479.0	682.1	650.9	670.2	685.5	802.6	760.3	760.3	775.0	767.7	668.4	667.8	666.0	657.7
chg. in Net Debt	(23.2)	128.1	2.3	203.1	(31.3)	19.3	15.3	117.2	(42.3)	109.5	14.7	(7.3)	(99.3)	(0.6)	(94.3)	(8.4)
Face Value of Preferred Equity	127.4	127.4	127.4	127.4	127.4	127.4	127.4									
Preferred Dividend	4.4	9.9	9.9	9.9	9.9	2.5	2.5									
<i>Yield on Preferred Equity</i>		<i>7.75%</i>	<i>7.75%</i>	<i>7.75%</i>	<i>7.75%</i>	<i>7.75%</i>	<i>7.75%</i>									
Shareholders' Equity	639.4	817.5	954.4	936.7	909.5	891.5	887.1	877.5	881.4	881.4	1,035.1	1,037.9	1,036.3	1,025.5	996.2	980.2
<i>Debt/Cap</i>	<i>39%</i>	<i>40%</i>	<i>37%</i>	<i>45%</i>	<i>45%</i>	<i>46%</i>	<i>47%</i>	<i>50%</i>	<i>49%</i>	<i>49%</i>	<i>45%</i>	<i>45%</i>	<i>42%</i>	<i>42%</i>	<i>43%</i>	<i>43%</i>
Book Value per share	\$18.79	\$17.29	\$18.75	\$16.17	\$15.49	\$15.11	\$15.03	\$14.80	\$14.86	\$14.87	\$17.33	\$17.36	\$17.35	\$17.17	\$16.67	\$16.41
TTM EBITDA	80.9	121.8	138.4	172.5	184.5	169.5	169.5	169.5	169.5	169.5	179.1	179.1	179.1	179.1	179.1	190.6
TTM Interest Expense	21.0	25.8	27.4	31.9	31.8	33.9	33.9	33.9	33.9	33.9	34.7	34.7	34.7	34.7	34.7	33.2
Gross Debt/EBITDA	5.0x	4.4x	4.0x	4.5x	4.0x	4.5x	4.6x	5.2x	4.9x	4.9x	4.7x	4.7x	4.2x	4.2x	4.2x	3.9x
Net Debt + Preferred/EBITDA	4.3x	5.0x	4.4x	4.7x	4.2x	4.7x	4.8x	4.7x	4.5x	4.5x	4.3x	4.3x	3.7x	3.7x	3.7x	3.5x
Cumulative Acquisitions	1,156.0	1,518.1	1,518.1	1,518.1	1,518.1	1,518.1	1,518.1	1,518.1	1,518.1	1,518.1	1,518.1	1,518.1	1,518.1	1,518.1	1,518.1	1,518.1
Debt/Cumulative Acquisitions	35%	36%	36%	51%	49%	50%	51%	58%	55%	55%	55%	55%	50%	50%	50%	49%
Interest Coverage	3.9x	4.7x	5.1x	5.4x	5.8x	5.0x	5.0x	5.0x	5.0x	5.0x	5.2x	5.2x	5.2x	5.2x	5.2x	5.7x

Source: Deutsche Bank and Company Reports





Appendix 1

Important Disclosures

*Other information available upon request

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Company	Ticker	Recent price*	Disclosure
Chesapeake Lodging	CHSP.N	32.04 (USD) 26 Jul 18	2,8,14,15

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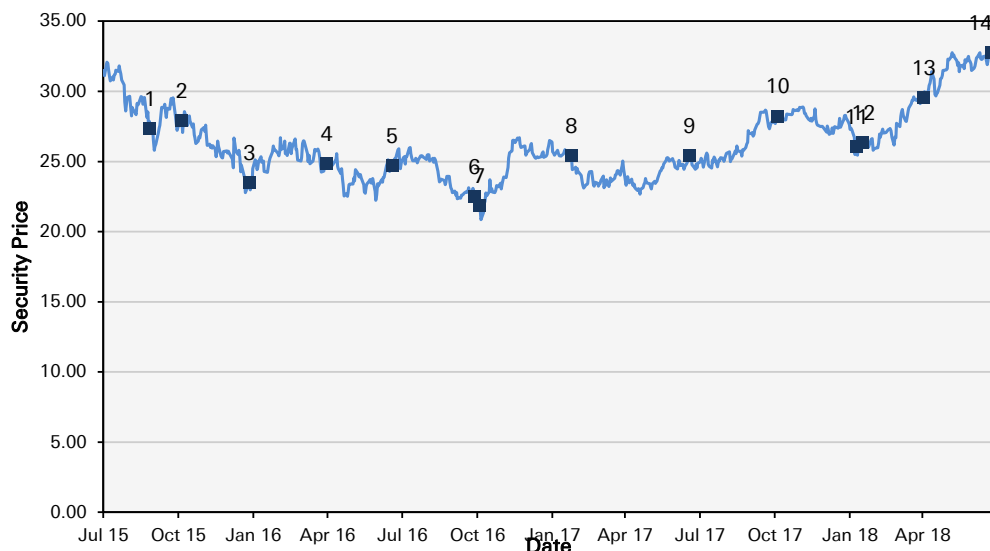
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Historical recommendations and target price: Chesapeake Lodging (CHSP.N)

(as of 7/26/2018)



Previous Recommendations

Strong Buy
Buy
Market Perform
Underperform
Not Rated
Suspended Rating

Current Recommendations

Buy
Hold
Sell
Not Rated
Suspended Rating

*New Recommendation Structure as of September 9, 2002

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3. 01/25/2016:	Hold, Target Price Change USD24.00 Chris Woronka	10. 11/03/2017:	Hold, Target Price Change USD23.00 Chris Woronka
4. 04/29/2016:	Hold, Target Price Change USD25.00 Chris Woronka	11. 02/08/2018:	Hold, Target Price Change USD26.00 Chris Woronka
5. 07/18/2016:	Hold, Target Price Change USD24.00 Chris Woronka	12. 02/16/2018:	Hold, Target Price Change USD27.00 Chris Woronka
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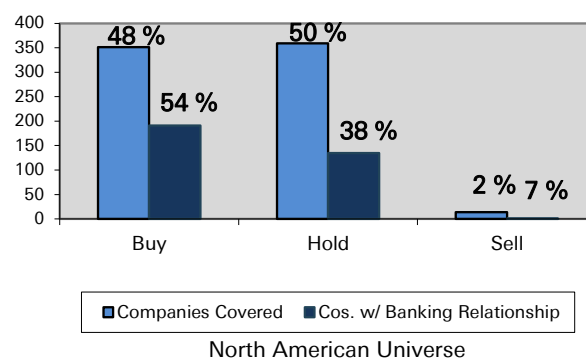
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Deutsche Bank AG

Deutsche Bank Place
Level 16
Corner of Hunter & Phillip Streets
Sydney, NSW 2000
Australia
Tel: (61) 2 8258 1234

Deutsche Bank AG

Mainzer Landstrasse 11-17
60329 Frankfurt am Main
Germany
Tel: (49) 69 910 00

Deutsche Bank AG

Filiale Hongkong
International Commerce Centre,
1 Austin Road West, Kowloon,
Hong Kong
Tel: (852) 2203 8888

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2-11-1 Nagatacho
Sanno Park Tower
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Japan
Tel: (81) 3 5156 6770

Deutsche Bank AG London

1 Great Winchester Street
London EC2N 2EQ
United Kingdom
Tel: (44) 20 7545 8000

Deutsche Bank Securities Inc.

60 Wall Street
New York, NY 10005
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