

Adjusting Estimates For Bond Redemption

- **Redeeming 2017 Bonds.** Hospitality Properties Trust announced that the company will redeem its 5.625% Senior Notes due 2017 that mature in March 2017. The notes are the company's only 2017 maturity.

- **Recently Raised Equity.** Last week the company priced 12.65 million shares of equity at \$30.75 for net proceeds of \$372.6 million.
- **Adjusting Estimates.** We are adjusting our 2016E normalized FFO to \$3.68 (from \$3.66), to \$3.94 (from \$3.93), and our 2018E normalized to \$4.10 (from \$4.09). Our original estimates assumed the bonds would be repaid in March 2017.
- **Above Dividend Yield In The Sector.** HPT's annual dividend of \$2.04 per share represents a current yield of 6.7%. We wouldn't be surprised to see the company continue to raise its dividend going forward.
- **Balance Sheet.** Net debt+preferred-to-EV is 40.8% and net debt-to-2017E EBITDA is 3.8x.
- **Valuation.** Shares trade at 9.9x adjusted 2017E EBITDA of \$830 million. Our \$31.50 NAV estimate assumes a 9.5x multiple on the truck stops forward lease payments coupled with a 10.5x multiple on the lodging forward EBITDA.

Changes	Previous	Current
Rating	—	Buy
Target Price	—	\$34.00
FY16E FFO	\$3.66	\$3.68
FY17E FFO	\$3.93	\$3.94
FY16E FAD	—	3.09
FY17E FAD	—	3.36

Price (08/25/16):	\$30.39
52-Week Range:	\$32 – \$21
Market Cap.(mm):	4,996.1
Shr.O/S-Diluted (mm):	164.4
Avg Daily Vol (3 Mo):	1,035,375
NAV (US\$):	NE
Dividend(\$ / %)	\$2.04 / 6.7%
S&P Index	2,172.47

FFO	2015A	2016E	2017E
Q1	\$0.83	\$0.93A	\$NE
Q2	0.98	1.09A	NE
Q3	0.99	1.09	NE
Q4	0.54	0.59	NE
FY Dec	\$3.34A	\$3.68	\$3.94
P/FFO	9.1x	8.3x	7.7x

FAD	2015A	2016E	2017E
Q1	0.75	0.79A	NE
Q2	0.87	0.93A	NE
Q3	0.85	0.93	NE
Q4	0.40	0.45	NE
FY Dec	2.87A	3.09	3.36
P/FAD	10.6x	9.8x	9.0x



Target Price Methodology/Risks

Our target price of \$34 reflects a 10.4x multiple on our 2018E EBITDA of \$851 million.

Risks to Target Price:

Lodging generally follows economic cycles, and a sustained economic downturn could negatively impact the sector's profitability.

Company Description

Hospitality Properties Trust, an externally advised REIT, has a portfolio of 305 hotels and 197 travel centers in 45 states, Canada, and Puerto Rico.

Hospitality Properties Trust
Net Asset Value Analysis
 As of June 30, 2016 (\$ in thousands, except per share data)

Cap Rate-Based Analysis	Implied Cap Rate					
	9.2x	9.7x	10.2x	10.7x	11.2x	9.9x
Cap Rate- EBITDA Multiple	9.2x	9.7x	10.2x	10.7x	11.2x	9.9x
Cap Rate - Cash Flow	9.9%	9.4%	8.9%	8.5%	8.1%	9.13%
2017E EBITDA	\$829,731	\$829,731	\$829,731	\$829,731	\$829,731	\$829,731
Less: Maintenance Capex	(76,912)	(76,912)	(76,912)	(76,912)	(76,912)	(76,912)
Cash Flow	\$752,819	\$752,819	\$752,819	\$752,819	\$752,819	\$752,819
Implied Value of Properties EBITDA	\$7,606,402	\$8,021,267	\$8,436,132	\$8,850,998	\$9,265,863	\$8,245,035
Plus: Cash and Cash Equivalents	\$60,947	\$60,947	\$60,947	\$60,947	\$60,947	\$60,947
Plus: RMR Inc. Investment	\$87,605	\$87,605	\$87,605	\$87,605	\$87,605	\$87,605
Plus: Other Assets	\$409,107	\$409,107	\$409,107	\$409,107	\$409,107	\$409,107
Estimated Market Value of Assets	\$8,164,061	\$8,578,926	\$8,993,791	\$9,408,657	\$9,823,522	\$8,802,694
Less: Debt	\$3,208,478	\$3,208,478	\$3,208,478	\$3,208,478	\$3,208,478	\$3,208,478
Less: Preferred Stock	\$290,000	\$290,000	\$290,000	\$290,000	\$290,000	\$290,000
Less: Other Liabilities	\$313,463	\$313,463	\$313,463	\$313,463	\$313,463	\$313,463
Implied Net Asset Value	\$4,352,120	\$4,766,985	\$5,181,850	\$5,596,716	\$6,011,581	\$4,990,753
Shares Outstanding	164,209	164,209	164,209	164,209	164,209	164,209
Implied NAV Per Share	\$26.50	\$29.03	\$31.56	\$34.08	\$36.61	\$30.39
Current Stock Price (8-25-16)	\$30.39	\$30.39	\$30.39	\$30.39	\$30.39	\$30.39
Premium (Discount) to NAV	14.7%	4.7%	-3.7%	-10.8%	-17.0%	0.0%

Room Value-Based Analysis	
Balance Sheet Investment in Hotels Rooms	\$6,179,881
Rooms	46,347
Book Value per Room	\$133,339
Accumulated Depreciation	\$2,361,264
Total Real Estate Investment	\$8,541,145
Total RE Investment per Room	\$184,287
Equity	\$4,990,312
Preferred	\$290,000
Debt	\$3,208,478
Cash	\$60,947
Enterprise Value	\$8,427,843
Rooms	46,347
EV Per Room	\$181,842
Premium (Discount) to Book Value	36%

Enterprise Value/EBITDA	
Enterprise Value	\$8,427,843
2006 EBITDA	\$396,836
EV/2006 EBITDA	21.2x
2007 EBITDA	\$616,940
EV/2007 EBITDA	13.7x
2008 EBITDA	\$614,527
EV/2008 EBITDA	13.7x
2009 EBITDA	\$536,718
EV/2009 EBITDA	15.7x
2010 EBITDA	\$569,191
EV/2010 EBITDA	14.8x
2011 EBITDA	\$572,543
EV/2011 EBITDA	14.7x
2012 EBITDA	\$552,595
EV/2012 EBITDA	15.3x
2013 EBITDA	\$584,642
EV/2013 EBITDA	14.4x
2014 EBITDA	\$660,357
EV/2014 EBITDA	12.8x
2015 EBITDA	\$674,896
EV/2015 EBITDA	12.5x
2016E EBITDA	\$759,536
EV/2016E EBITDA	11.1x
2017E EBITDA	\$829,731
EV/2017E EBITDA	10.2x
2018E EBITDA	\$851,170
EV/2018E EBITDA	9.9x

Source: Company Reports and Stifel estimates

Estimated Fair Market Value					
Brand	Rooms	Estimated Market Value		Replacement Cost	
		Per Room	Asset Value (\$000)	Per Room	Asset Value (\$000)
Hyatt Place	2,724	\$110,000	\$299,640	\$160,000	\$435,840
Candlewood	7,553	\$75,000	\$566,475	\$95,000	\$717,535
Courtyard	10,255	\$130,000	\$1,334,450	\$160,000	\$1,642,400
Crowne Plaza	2,711	\$105,000	\$284,655	\$160,000	\$433,760
Holiday Inn	754	\$60,000	\$45,240	\$95,000	\$71,630
InterContinental	800	\$245,000	\$196,000	\$300,000	\$240,000
Marrriott	748	\$175,000	\$130,900	\$265,000	\$198,220
Residence Inn	4,488	\$115,000	\$516,120	\$150,000	\$673,200
Staybridge Suites	2,364	\$125,000	\$295,500	\$165,000	\$390,060
Springhill Suites	264	\$95,000	\$25,080	\$125,000	\$33,000
TownePlace Suites	1,321	\$80,000	\$105,680	\$110,000	\$145,310
Carlson	962	\$90,000	\$86,580	\$125,000	\$120,250
Sonesta	1,445	\$95,000	\$137,275	\$140,000	\$202,300
Sonesta ES Suites	3,077	\$95,000	\$292,315	\$125,000	\$384,625
Hotel Monaco Portland	221	\$516,000	\$114,036	\$600,000	\$132,600
Radisson	1,128	\$110,000	\$124,080	\$145,000	\$163,560
Hawthorne Suites	1,756	\$55,000	\$96,580	\$70,000	\$122,920
Wyndham	1,823	\$140,000	\$255,220	\$170,000	\$309,910
Clift Hotel	372	\$322,600	\$120,007	\$600,000	\$223,200
Royal Sonesta	1,571	\$185,000	\$290,635	\$350,000	\$549,850
Total	46,347	\$114,710	\$5,316,468	\$155,138	\$7,190,170
Plus: Cash			\$60,947		\$60,947
Plus: TravelCenters Portfolio			\$2,982,851		\$3,281,136
Plus: RMR Inc. Investment			\$87,605		\$87,605
Plus: Other Assets			\$409,107		\$409,107
Less: Debt			(\$3,208,478)		(\$3,208,478)
Less: Other Liabilities			(\$313,463)		(\$313,463)
Less: Preferred			(\$290,000)		(\$290,000)
Equity Value			\$5,045,037		\$7,217,024
Shares Out.			164,209		164,209
Equity Value Per Share			\$30.72		\$43.95
Current Price			\$30.39		\$30.39
Discount / premium to NAV			-1%		-31%

Valuation by Business	Multiple	Forward EBITDA	Equity Value
Hotel EBITDA	10.5x	\$553,690	\$5,813,743
TA & Petro Lease Payment	9.5x	\$276,041	\$2,622,962
Total	10.2x	\$829,731	\$8,436,705
Plus: Cash			\$60,947
Plus: RMR Inc. Investment			\$87,605
Plus: Other Assets			\$409,107
Less: Debt			(\$3,208,478)
Less: Other Liabilities			(\$313,463)
Less: Preferred			(\$290,000)
Net Market Value of Assets			\$5,181,850
Total Shares/OP Units (thousands)			164,209
Net Asset Value Per Share			\$31.56
Current Price			\$30.39
Discount / premium to NAV			-3.7%

Source: Company Reports and Stifel estimates

Valuation by Business	Multiple/ Cap	Forward EBITDA	Equity Value
Hotel EBITDA	9.50%	\$553,690	\$5,828,313
TA & Petro Lease Payment	10.50%	\$276,041	\$2,628,962
Total		\$829,731	\$8,457,275
Plus: Cash			\$60,947
Plus: RMR Inc. Investment			\$87,605
Plus: Other Assets			\$409,107
Less: Debt			(\$3,208,478)
Less: Other Liabilities			(\$313,463)
Less: Preferred			(\$290,000)
Net Market Value of Assets			\$5,202,994
Total Shares/OP Units (thousands)			164,209
Net Asset Value Per Share			\$31.69
Current Price			\$30.39
Discount / premium to NAV			-4.1%

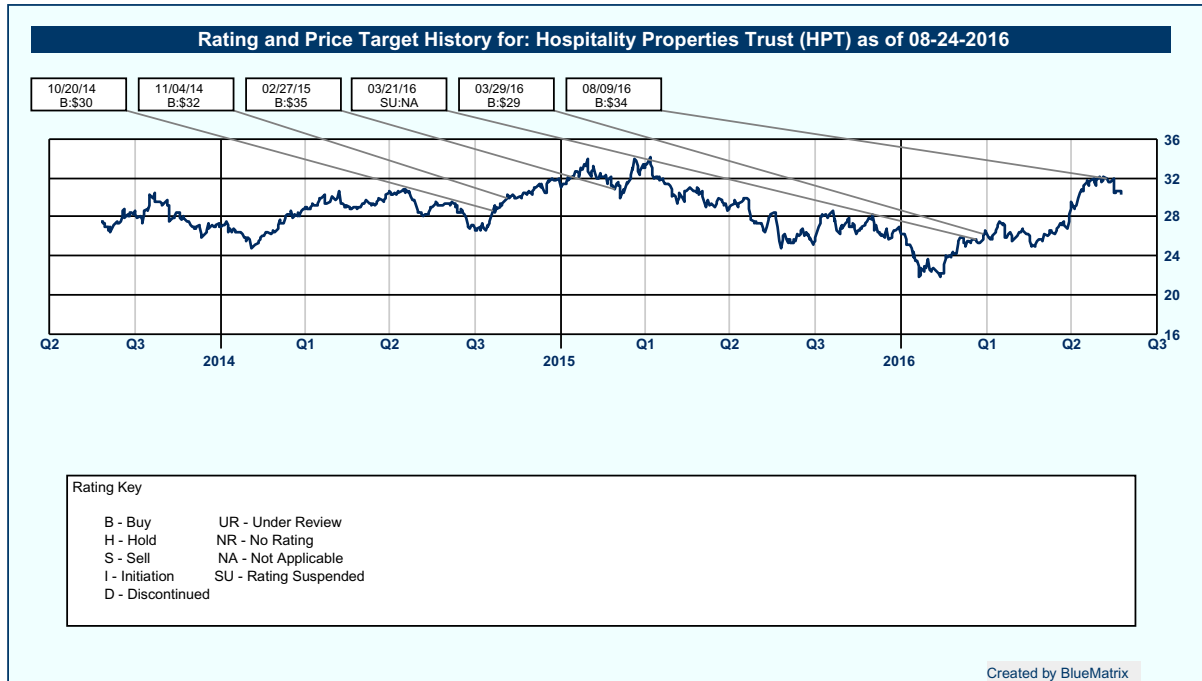
Source: Company Reports and Stifel estimates

Hospitality Properties Trust													
Quarterly Earnings Models													
<i>(in thousands, except per share data)</i>													
Assumptions:	2014 (A)	1Q15 (A)	2Q15 (A)	3Q15 (A)	4Q15(A)	2015 (A)	1Q16 (A)	2Q16 (A)	3Q16 (E)	4Q16(E)	2016 (E)	2017 (E)	2018 (E)
Revenue growth - quarterly for existing portfolio	12.5%	10.3%	10.6%	7.0%	6.2%	8.7%	4.4%	4.9%	5.0%	4.5%	4.7%	1.8%	-0.5%
Hotel operating revenues growth	1.0%	1.0%	1.0%	1.0%	101.0%	26.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Hotel operating expenses as % of hotel oper. rev.	70.2%	69.7%	69.7%	70.6%	69.9%	70.0%	69.7%	68.9%	69.3%	67.9%	68.9%	68.3%	68.7%
G&A as % of net operating income	5.8%	5.9%	5.7%	5.2%	37.6%	13.6%	5.4%	5.1%	5.4%	5.5%	5.3%	5.6%	5.6%
Total G&A as % of net operating income	7.5%	12.0%	6.3%	9.8%	28.9%	14.2%	8.1%	16.6%	16.3%	12.2%	13.3%	10.7%	9.0%
FFE reserve	6.9%	7.0%	7.0%	7.0%	107.0%	32.0%	7.0%	7.0%	7.0%	7.0%	7.0%	6.9%	6.9%
FFE reserve from non-owned escrows (not in NI)	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
Interest rate on average debt outstanding	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%
Additional debt issued (retired) during period	124,529	31,968	(431)	(22,592)	(10,535)	(1,591)	118,009	(11,114)	(9,545)	(3,648)	93,703	28,079	(113,102)
Ending stock price	\$ 31.02	\$ 28.82	\$ 26.70	\$ 26.75	\$ 25.13	\$ 25.13	\$ 26.56	\$ 28.80	\$ 30.39	\$ 30.39	\$ 30.39	\$ 30.39	\$ 30.39
Hotel Operating Revenues	\$ 1,474,757	369,596	436,977	437,171	390,910	\$ 1,634,654	396,503	471,910	459,030	418,501	\$ 1,745,944	\$ 1,776,365	\$ 1,767,479
Hotel Operating Expenses	(1,035,138)	(257,658)	(304,428)	(308,603)	(273,292)	(1,143,981)	(276,305)	(324,922)	(318,066)	(284,211)	(1,203,504)	(1,212,571)	(1,215,346)
Minimum Rent (TA & Leased Hotels)	439,619	111,938	132,549	128,568	117,618	490,673	120,198	146,988	140,964	134,290	542,439	563,794	552,133
Percentage Rent (TA)	255,166	64,751	67,015	73,747	75,554	281,067	76,259	77,293	78,452	79,629	311,634	328,997	345,745
Total lease rev & owners priority from existing tenants	2,896	176,689	201,612	202,315	193,172	771,740	196,457	224,281	219,416	216,919	857,073	896,291	901,378
FF&E Reserve Income	697,681	3,503	1,165	1,026	968	4,135	1,356	1,096	1,168	1,176	4,796	5,196	5,596
Total NOI (2)	701,184	177,854	202,638	203,283	194,148	777,923	197,813	225,377	230,133	223,474	876,797	928,925	934,685
General and administrative expenses	(52,848)	(21,304)	(12,685)	(19,831)	(56,017)	(109,837)	(16,023)	(37,365)	(37,427)	(27,291)	(118,106)	(100,039)	(84,360)
Other	171	83	33	(13)	(38)	65	37	806	(13)	15	845	845	845
EBITDA	660,357	166,635	189,819	192,713	123,729	674,896	187,143	214,738	217,692	139,962	759,536	829,731	851,170
Reconciliation of EBITDA to funds from ops (FFO):													
Less: Interest expense (includes amort of fin. costs)	(139,998)	(35,454)	(35,836)	(36,628)	(36,980)	(144,898)	(41,486)	(41,698)	(41,234)	(37,751)	(162,169)	(160,560)	(154,610)
Less: Dividends on nonconvertible preferred stock	(20,664)	(5,166)	(5,166)	(5,166)	(5,166)	(20,664)	(5,166)	(5,166)	(5,166)	(5,166)	(20,664)	(20,664)	(20,664)
Less: Income tax expense	(1,917)	(291)	(640)	(514)	(121)	(1,566)	(77)	(2,160)	(522)	(121)	(2,880)	(2,220)	(2,318)
Less: Stock Based G&A	(4,776)	(1,735)	(1,278)	(713)	(379)	(4,105)							
Funds from operations - Normalized	492,974	125,989	146,899	149,692	81,083	503,663	140,414	165,714	170,771	96,924	573,823	646,287	673,578
Add: Noncash expenses	4,800	1,000	1,000	1,000	1,000	4,000	(1,142)	(651)	(651)	(651)	(3,095)	(2,604)	(2,604)
Less: Straight-lined Deferred Rent (TA)				(3,181)	(3,181)		(3,752)	(3,752)	(3,752)	(3,752)	(15,008)	(15,008)	(15,008)
Less: Manager Deposits for FF&E escrows	(52,762)	(13,430)	(17,661)	(18,683)	(17,607)	(67,381)	(15,542)	(19,603)	(19,617)	(18,487)	(73,250)	(76,912)	(80,758)
Cash Available for Distribution (CAD)	445,012	113,559	130,238	128,828	61,295	433,921	119,978	141,708	146,751	74,034	482,470	551,763	575,209
Less: Dividend Payments	(292,153)	(73,944)	(75,146)	(75,693)	(105,586)	(330,369)	(75,708)	(77,235)	(80,103)	(83,687)	(316,733)	(334,748)	(334,748)
Less: Renovations	(230,531)	(39,184)	(32,500)	(42,600)	(73,718)	(188,002)	(33,157)	(54,928)	(63,000)	(64,000)	(215,085)	(110,000)	(110,000)
Cash Flow after Distribution & Renovations	(77,672)	431	22,592	10,535	(118,009)	(84,451)	11,114	9,545	3,648	(73,653)	(49,347)	107,015	130,461
FFO per common share - Normalized	\$ 3.29	\$ 0.83	\$ 0.98	\$ 0.99	\$ 0.54	\$ 3.34	\$ 0.93	\$ 1.09	\$ 1.09	\$ 0.59	\$ 3.68	\$ 3.94	\$ 4.10
CAD per common share	\$ 2.97	\$ 0.75	\$ 0.87	\$ 0.85	\$ 0.40	\$ 2.87	\$ 0.79	\$ 0.94	\$ 0.93	\$ 0.45	\$ 3.09	\$ 3.36	\$ 3.50
Dividends per share	\$ 1.95	\$ 0.49	\$ 0.50	\$ 0.50	\$ 0.70	\$ 2.19	\$ 0.50	\$ 0.51	\$ 0.51	\$ 0.51	\$ 2.03	\$ 2.04	\$ 2.04
Weighted average common shares and OP units:													
Weighted Avg Shares and Units Outstanding - Diluted	149,821	150,906	150,292	151,386	151,400	150,996	151,415	151,442	157,064	164,092	156,003	164,092	164,092
Balance Sheet Information:													
Average debt outstanding	2,799,478	2,886,978	3,037,478	3,219,978	3,292,978	3,109,353	3,418,478	3,539,478	3,540,478	3,540,478	3,509,728	3,540,478	3,540,478
Endina debt outstanding	2,851,478	2,922,478	3,152,478	3,287,478	3,298,478	3,298,478	3,538,478	3,540,478	3,540,478	3,540,478	3,540,478	3,540,478	3,540,478
Preferred stock outstanding	290,000	290,000	290,000	290,000	290,000	290,000	290,000	290,000	290,000	290,000	290,000	290,000	290,000
Ending common shares and OP units outstanding	149,636	150,906	150,292	151,386	151,386	151,386	151,415	151,442	151,442	151,442	151,442	164,092	164,092
Equity Market Capitalization	4,641,709	4,349,111	4,012,796	4,049,576	4,055,630	4,055,630	4,021,582	4,361,530	4,602,322	4,602,322	4,602,322	4,986,756	4,986,756
Enterprise Value	7,783,187	7,561,589	7,455,274	7,627,054	7,644,108	7,644,108	7,850,060	8,192,008	8,432,800	8,432,800	8,432,800	8,817,234	8,817,234
Debt/Total Market Cap	36.6%	38.6%	42.3%	46.9%	43.2%	43.2%	45.1%	43.2%	42.0%	42.0%	42.0%	40.2%	40.2%
Ratios:													
Interest coverage	4.7	4.8	5.3	5.3	3.3	4.7	4.5	5.1	5.3	3.7	4.7	5.2	5.5
Fixed charges coverage	4.1	4.2	4.6	4.6	2.9	4.1	4.0	4.6	4.7	3.3	4.2	4.6	4.9
G&A/NOI	7.5%	12.0%	6.3%	9.8%	28.9%	14.1%	8.1%	16.6%	16.3%	12.2%	13.5%	10.8%	9.0%
CAD payout ratio - fully diluted	65.7%	65.1%	57.7%	58.6%	172.3%	76.2%	63.1%	54.5%	54.6%	113.0%	65.7%	60.7%	58.3%

Source: Company reports and Stifel estimates

Important Disclosures and Certifications

I, Simon Yarmak, certify that the views expressed in this research report accurately reflect my personal views about the subject securities or issuers; and I, Simon Yarmak, certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report. Our European Policy for Managing Research Conflicts of Interest is available at www.stifel.com.



For a price chart with our ratings and any applicable target price changes for HPT go to <http://sf.bluematrix.com/bluematrix/Disclosure?ticker=HPT>

The rating and target price history for Hospitality Properties Trust and its securities prior to February 25, 2015, on the above price chart reflects the research analyst's views under a different rating system than currently utilized at Stifel. For a description of the investment rating system previously utilized go to www.stifel.com.

Hospitality Properties Trust is a client of Stifel or an affiliate or was a client of Stifel or an affiliate within the past 12 months.

Prior to March 29, 2016, a different Stifel research analyst provided research coverage of Hospitality Properties Trust and its securities. Hospitality Properties Trust's price chart for the period prior to March 29, 2016 reflects the rating and price target history of the former Stifel research analyst for such issuer and its securities

Hospitality Properties Trust is provided with investment banking services by Stifel or was provided with investment banking services by Stifel or an affiliate within the past 12 months.

Stifel or an affiliate has received compensation for investment banking services from Hospitality Properties Trust in the past 12 months.

Stifel or an affiliate is a market maker or liquidity provider in the securities of Hospitality Properties Trust.

The equity research analyst(s) responsible for the preparation of this report receive(s) compensation based on various factors, including Stifel's overall revenue, which includes investment banking revenue.

Our investment rating system is three tiered, defined as follows:

BUY -We expect a total return of greater than 10% over the next 12 months with total return equal to the percentage price change plus dividend yield.

HOLD -We expect a total return between -5% and 10% over the next 12 months with total return equal to the percentage price change plus dividend yield.

SELL -We expect a total return below -5% over the next 12 months with total return equal to the percentage price change plus dividend yield.

Occasionally, we use the ancillary rating of **SUSPENDED** (SU) to indicate a long-term suspension in rating and/or target price, and/or coverage due to applicable regulations or Stifel policies. **SUSPENDED** indicates the analyst is unable to determine a “reasonable basis” for rating/target price or estimates due to lack of publicly available information or the inability to quantify the publicly available information provided by the company and it is unknown when the outlook will be clarified. **SUSPENDED** may also be used when an analyst has left the firm.

Of the securities we rate, 49% are rated Buy, 42% are rated Hold, 3% are rated Sell and 6% are rated Suspended.

Within the last 12 months, Stifel or an affiliate has provided investment banking services for 15%, 7%, 0% and 13% of the companies whose shares are rated Buy, Hold, Sell and Suspended, respectively.

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