

STAY reiterates support of BX & Starwood's \$19.50 per share all-cash takeover in its preliminary proxy filing; close coverage, as of today's market close

- ✓ Last night, STAY filed a preliminary proxy statement that reiterated the Board's support for the \$19.50 per share all-cash acquisition bid from Blackstone and Starwood, which is itself a 9.4% holder of STAY.
- ✓ From its perspective, STAY indicates the deal offers "immediate, certain and compelling value"; to that end, STAY highlights that the deal price represents a 51% premium to its pre-pandemic share price and premiums of 28%, 44% and 76% to its 3-, 6-, and 12-month VWAPs, respectively.
- ✓ On the valuation front, the transaction values STAY at 11.0x and 15.6x 2019 and 2020 EV/EBITDA, respectively, as well as 13.0x and 11.6x 2021E and 2022E EV/EBITDA (compared with its forward 12-month average over the last 5-years of 9.5x).
- ✓ Additionally, STAY indicates that its real estate footprint would likely require ~\$750 million of capital investments over the next three years (and the deal removes any future "execution" risk).
- ✓ Lastly, the company indicated that had explored (and rejected) an OpCo/PropCo split and that its previous strategic reviews, which included solicitation efforts, had not resulted in any other credible bids.
- ✓ Notably, this proxy comes in the context of five shareholders, including Tarsadia, Hawk Ridge, River Road Asset, SouthernSun and Cooke & Bieler, which together own ~13% of STAY, having publicly expressed opposition to the deal as being insufficient and ill-timed considering the industry's impending recovery.
- ✓ We would note that while the transaction has been approved by STAY's Board and includes a non-solicitation clause as well as a \$105 million termination fee, it does still require shareholder approval. That said, a date for the vote has not yet been scheduled.
- ✓ On that front, it should also be noted that several large, primarily passive shareholders, including Vanguard, Fidelity and BlackRock, which control ~19% of the shares, and have not yet publicly articulated their intentions regarding the transaction.
- ✓ All things considered, we will close coverage of STAY, as of today's market close; for context, the shares returned 97% since our initial recommendation in May 2020 (compared with a 47% increase in the S&P 500 and an 80.5% rise in the Russell 2000.)

UPDATE

Extended Stay America, Inc.

(NASDAQ: STAY)

Date (4/14/2021)

Price \$19.73/share

Market capitalization: \$3.51B

STAY to be Acquired by BX and Starwood in an all-cash deal at \$19.50 per share

(See the report dated 5/14/2020 and updates from 5/18/2020, 6/10/2020, 6/16/2020, 6/25/2020 and 6/29/2020, 8/11/2020, 10/2/2020, 11/9/2020, 11/23/2020, 12/22/2020, 2/26/2021, 3/15/2021 and 3/25/2021 for more info.)

NOTE: This publication could be considered as advocating for corporate restructurings. Authors select companies for this report based on the potential for a future value-unlocking transaction. In many cases, these companies have or could come under activist investor pressure, media scrutiny, or general market speculation that a spin-off or asset sale is possible.



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