

STAY defends BX & Starwood's \$19.50 all-cash takeover as "compelling and certain" after five shareholders, comprising ownership of ~13% of shares, publicly expressed opposition to the bid citing undervaluation and poor timing

- ✓ This week, five STAY shareholders, including Tarsadia Capital, Hawk Ridge Capital, River Road Asset Mgmt., SouthernSun Asset Mgmt. and Cooke & Bieler LLC, which together own roughly 13% of the company's shares have publicly expressed opposition to the recent \$19.50 all-cash takeover bid from Blackstone (NYSE: BX) and Starwood, which itself currently owns 9.4% of STAY.
- ✓ The investors have separately (but commonly) indicated their contention that the bid undervalues STAY and is ill timed considering the industry's impending recovery.
- ✓ Today, STAY's CEO Bruce Haase issued a statement defending the deal as offering shareholders a "compelling and certain return" and indicating that the decision reflected the Board's "careful consideration". To that end, the company indicates its soon to be filed proxy statement will detail the background, deliberation and rationale for the deal as well as the alternatives considered.
- ✓ 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 (~\$0.60 per share) termination fee, it does still require shareholder approval.
- ✓ 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 indicated, at least publicly, their intentions regarding the deal.
- ✓ Nonetheless, with the stock currently trading at a modest premium to the \$19.50 bid the market is clearly anticipating the possibility of an upward revision.

UPDATE

Extended Stay America, Inc.

(NASDAQ: STAY)

Date (3/25/2021)

Price \$19.80/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 and 3/15/2021 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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