

# TheStreet Quant Ratings

# APPLE HOSPITALITY REIT INC

<b>BUY</b>					<b>HOLD</b>			<b>SELL</b>						<b>BUY</b>	RATING SINCE	08/12/2022	
A+	A	A-	B+	<b>B</b>	B-	C+	C	C-	D+	D	D-	E+	E		E-	F	TARGET PRICE
Annual Dividend Rate <b>\$0.84</b>		Annual Dividend Yield <b>4.94%</b>		Beta <b>1.16</b>		Market Capitalization <b>\$3.9 Billion</b>		52-Week Range <b>\$13.79-\$18.69</b>		Price as of 12/1/2022 <b>\$17.00</b>							

Sector: **Real Estate, Rental and Leasing** | Industry Group: **Lessors of Real Estate**

## APPLE BUSINESS DESCRIPTION

Apple Hospitality REIT, Inc. (NYSE: APLE) is a publicly traded real estate investment trust ("REIT") that owns one of the largest and most diverse portfolios of upscale, rooms-focused hotels in the United States.

## STOCK PERFORMANCE (%)

	3 Mo.	1 Yr.	3 Yr (Ann)
Price Change	8.97	16.28	1.49

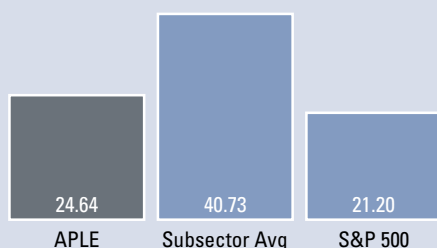
## GROWTH (%)

	Last Qtr	12 Mo.	3 Yr CAGR
Revenues	23.08	45.59	-2.20
Net Income	86.23	441.17	-4.83
EPS	85.71	428.57	-5.21

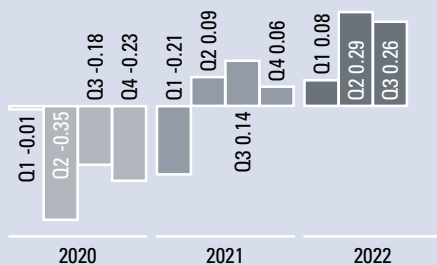
## RETURN ON EQUITY (%)

	APPLE	Subsector Avg	S&P 500
Q3 2022	4.79	19.21	19.47
Q3 2021	-1.46	13.72	16.80
Q3 2020	-3.14	13.22	11.22

## P/E COMPARISON

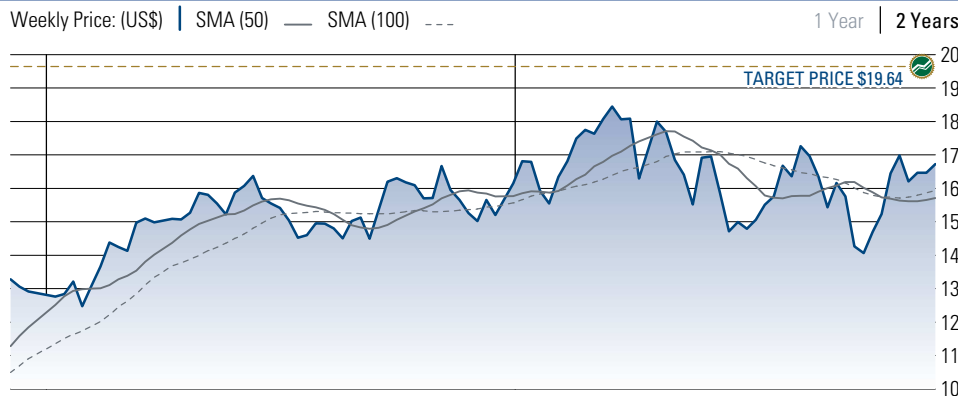


## EPS ANALYSIS' (\$)



NA = not available NM = not meaningful

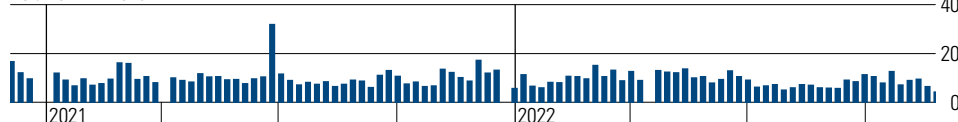
1 Compustat fiscal year convention is used for all fundamental data items.



## Rating History



## Volume in Millions



## RECOMMENDATION

We rate APPLE HOSPITALITY REIT INC (APLE) a BUY. This is driven by some important positives, which we believe should have a greater impact than any weaknesses, and should give investors a better performance opportunity than most stocks we cover. The company's strengths can be seen in multiple areas, such as its robust revenue growth, largely solid financial position with reasonable debt levels by most measures, solid stock price performance, impressive record of earnings per share growth and compelling growth in net income. Although the company may harbor some minor weaknesses, we feel they are unlikely to have a significant impact on results.

## HIGHLIGHTS

The revenue growth came in higher than the subsector average of 9.2%. Since the same quarter one year prior, revenues rose by 23.1%. Growth in the company's revenue appears to have helped boost the earnings per share.

The current debt-to-equity ratio, 0.44, is low and is below the subsector average, implying that there has been successful management of debt levels.

Looking at where the stock is today compared to one year ago, we find that it is not only higher, but it has also clearly outperformed the rise in the S&P 500 over the same period. Although other factors naturally played a role, the company's strong earnings growth was key. Turning our attention to the future direction of the stock, it goes without saying that even the best stocks can fall in an overall down market. However, in any other environment, this stock still has good upside potential despite the fact that it has already risen in the past year.

APPLE HOSPITALITY REIT INC reported significant earnings per share improvement in the most recent quarter compared to the same quarter a year ago. The company has demonstrated a pattern of positive earnings per share growth over the past year. We feel that this trend should continue. During the past fiscal year, APPLE HOSPITALITY REIT INC turned its bottom line around by earning \$0.08 versus -\$0.77 in the prior year. This year, the market expects an improvement in earnings (\$0.76 versus \$0.08).

The net income growth from the same quarter one year ago has greatly exceeded that of the S&P 500, but is less than that of the Real Estate subsector average. The net income increased by 86.2% when compared to the same quarter one year prior, rising from \$31.76 million to \$59.15 million.

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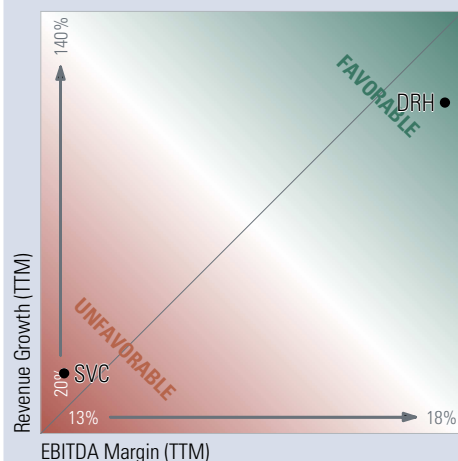
## APPLE HOSPITALITY REIT INC

Sector: Real Estate, Rental and Leasing | Lessors of Real Estate

Annual Dividend Rate <b>\$0.84</b>	Annual Dividend Yield <b>4.94%</b>	Beta <b>1.16</b>	Market Capitalization <b>\$3.9 Billion</b>	52-Week Range <b>\$13.79-\$18.69</b>	Price as of 12/1/2022 <b>\$17.00</b>
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### PEER GROUP ANALYSIS

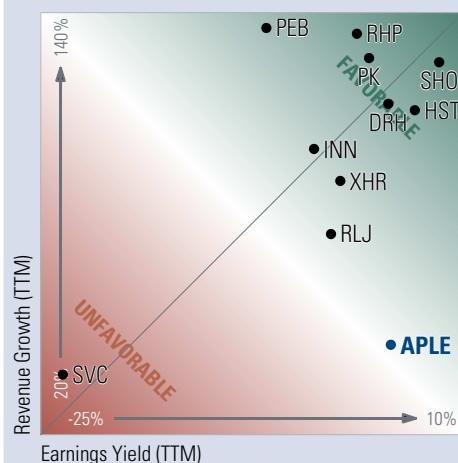
#### REVENUE GROWTH AND EBITDA MARGIN\*



Companies with higher EBITDA margins and revenue growth rates are outperforming companies with lower EBITDA margins and revenue growth rates. Companies for this scatter plot have a market capitalization between \$1.1 Billion and \$13.4 Billion. Companies with NA or NM values do not appear.

\*EBITDA – Earnings Before Interest, Taxes, Depreciation and Amortization.

#### REVENUE GROWTH AND EARNINGS YIELD



Companies that exhibit both a high earnings yield and high revenue growth are generally more attractive than companies with low revenue growth and low earnings yield. Companies for this scatter plot have revenue growth rates between 37% and 135.6%. Companies with NA or NM values do not appear.

### SUBSECTOR ANALYSIS

APPLE HOSPITALITY REIT INC falls within the Real Estate, Rental and Leasing sector and the Lessors of Real Estate industry group of the North American Industry Classification System or NAICS. More precisely, a significant portion of company activities involve Lessors of Nonresidential Buildings (except Miniwarehouses) .

TheStreet Quant Ratings is currently tracking 271 companies in the Real Estate, Rental and Leasing sector that total around \$1,699 billion in market capitalization as well as \$459 billion in annual sales.

The Real Estate subsector accounts for 73.9% of those revenues.

Industries in the Real Estate subsector group establishments primarily engaged in renting or leasing real estate to others; managing real estate for others; selling, buying, or renting real estate for others; and providing other real estate related services, such as appraisal services. This subsector includes equity real estate investment trusts (REITs) primarily engaged in leasing buildings, dwellings, or other real estate property to others.

#### PEER GROUP: Real Estate

Ticker	Company Name	Recent Price (\$)	Market Cap (\$M)	Price/Earnings	Net Sales TTM (\$M)	Net Income TTM (\$M)
<b>APLE</b>	<b>APPLE HOSPITALITY REIT INC</b>	<b>17.00</b>	<b>3,889</b>	<b>24.64</b>	<b>1,189.88</b>	<b>155.71</b>
RHP	RYMAN HOSPITALITY PPTYS INC	90.89	5,014	79.73	1,608.61	64.92
PK	PARK HOTELS & RESORTS	12.84	2,887	44.28	2,298.00	61.00
PEB	PEBBLEBROOK HOTEL TRUST	16.61	2,711	NM	1,319.56	-88.87
SHO	SUNSTONE HOTEL INVESTORS IN	11.04	2,490	12.40	841.18	207.82
RLJ	RLJ LODGING TRUST	12.19	2,297	NM	1,131.78	7.58
DRH	DIAMONDROCK HOSPITALITY CO	9.39	2,087	26.08	935.83	88.06
XHR	XENIA HOTELS & RESORTS INC	15.46	1,760	NM	938.04	-2.27
HST	HOST HOTELS & RESORTS INC	18.69	13,364	16.54	4,657.00	805.00
SVC	SERVICE PROPERTIES TRUST	7.86	1,300	NM	1,835.37	-299.77
INN	SUMMIT HOTEL PROPERTIES INC	8.58	1,104	NM	610.25	-2.19

The peer group comparison is based on Major Real Estate companies of comparable size.

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### APPLE HOSPITALITY REIT INC

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### STOCK-AT-A-GLANCE

Below is a summary of the major fundamental and technical factors we consider when determining our overall recommendation of APLE shares. It is provided in order to give you a deeper understanding of our rating methodology as well as to paint a more complete picture of a stock's strengths and weaknesses. It is important to note, however, that these factors only tell part of the story. To gain an even more comprehensive understanding of our stance on the stock, these factors must be assessed in combination with the stock's valuation. Please refer to our Valuation section on page 5 for further information.

FACTOR	SCORE					
<b>Growth</b>	<b>3.0 out of 5 stars</b>	★	★	★	☆	☆
Measures the growth of both the company's income statement and cash flow. On this factor, APLE has a growth score better than 50% of the stocks we rate.		weak				strong
<b>Total Return</b>	<b>4.5 out of 5 stars</b>	★	★	★	★	☆
Measures the historical price movement of the stock. The stock performance of this company has beaten 80% of the companies we cover.		weak				strong
<b>Efficiency</b>	<b>2.5 out of 5 stars</b>	★	★	☆	☆	☆
Measures the strength and historic growth of a company's return on invested capital. The company has generated more income per dollar of capital than 40% of the companies we review.		weak				strong
<b>Price volatility</b>	<b>4.5 out of 5 stars</b>	★	★	★	★	☆
Measures the volatility of the company's stock price historically. The stock is less volatile than 80% of the stocks we monitor.		weak				strong
<b>Solvency</b>	<b>4.5 out of 5 stars</b>	★	★	★	★	☆
Measures the solvency of the company based on several ratios. The company is more solvent than 80% of the companies we analyze.		weak				strong
<b>Income</b>	<b>5.0 out of 5 stars</b>	★	★	★	★	★
Measures dividend yield and payouts to shareholders. The company's dividend is higher than 90% of the companies we track.		weak				strong

### THESTREET QUANT RATINGS RESEARCH METHODOLOGY

TheStreet Quant Ratings' stock model projects a stock's total return potential over a 12-month period including both price appreciation and dividends. Our Buy, Hold or Sell ratings designate how we expect these stocks to perform against a general benchmark of the equities market and interest rates. While our model is quantitative, it utilizes both subjective and objective elements. For instance, subjective elements include expected equities market returns, future interest rates, implied industry outlook and forecasted company earnings. Objective elements include volatility of past operating revenues, financial strength, and company cash flows.

Our model gauges the relationship between risk and reward in several ways, including: the pricing drawdown as compared to potential profit volatility, i.e. how much one is willing to risk in order to earn profits; the level of acceptable volatility for highly performing stocks; the current valuation as compared to projected earnings growth; and the financial strength of the underlying company as compared to its stock's valuation as compared to projected earnings growth; and the financial strength of the underlying company as compared to its stock's performance. These and many more derived observations are then combined, ranked, weighted, and scenario-tested to create a more complete analysis. The result is a systematic and disciplined method of selecting stocks.

# TheStreet Quant Ratings

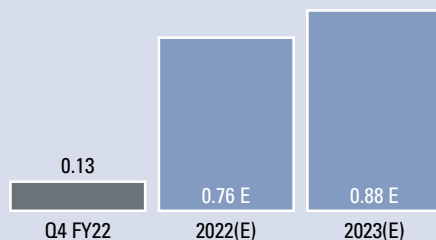
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### Consensus EPS Estimates<sup>2</sup> (\$)

IBES consensus estimates are provided by Thomson Financial



### FINANCIAL ANALYSIS

APPLE HOSPITALITY REIT INC's gross profit margin for the third quarter of its fiscal year 2022 has increased when compared to the same period a year ago. Sales and net income have grown, and although the growth in revenues has outpaced the average competitor within the subsector, the net income growth has not.

At the same time, stockholders' equity ("net worth") has remained virtually unchanged only increasing by 3.99% from the same quarter last year.

**STOCKS TO BUY:** TheStreet Quant Ratings has identified a handful of stocks that can potentially TRIPLE in the next 12-months. To learn more visit [www.TheStreetRatings.com](http://www.TheStreetRatings.com).

### INCOME STATEMENT

	Q3 FY22	Q3 FY21
Net Sales (\$mil)	341.15	277.16
EBITDA (\$mil)	NA	NA
EBIT (\$mil)	73.63	47.81
Net Income (\$mil)	59.15	31.76

### BALANCE SHEET

	Q3 FY22	Q3 FY21
Cash & Equiv. (\$mil)	64.39	73.88
Total Assets (\$mil)	4,777.50	4,704.83
Total Debt (\$mil)	1,430.29	1,478.33
Equity (\$mil)	3,253.00	3,128.11

### PROFITABILITY

	Q3 FY22	Q3 FY21
Gross Profit Margin	41.02%	38.68%
EBITDA Margin	NA	NA
Operating Margin	21.58%	17.25%
Sales Turnover	0.25	0.17
Return on Assets	3.25%	-0.97%
Return on Equity	4.79%	-1.46%

### DEBT

	Q3 FY22	Q3 FY21
Current Ratio	NA	NA
Debt/Capital	0.31	0.32
Interest Expense	0.39	5.05
Interest Coverage	186.87	9.47

### SHARE DATA

	Q3 FY22	Q3 FY21
Shares outstanding (mil)	229	228
Div / share	0.17	0.01
EPS	0.26	0.14
Book value / share	14.22	13.70
Institutional Own %	NA	NA
Avg Daily Volume	1,694,257	1,511,609

<sup>2</sup> Sum of quarterly figures may not match annual estimates due to use of median consensus estimates.

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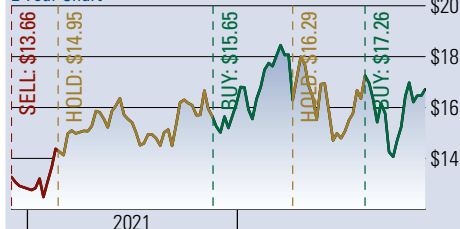
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### RATINGS HISTORY

Our rating for APPLE HOSPITALITY REIT INC has not changed since 8/12/2022. As of 12/1/2022, the stock was trading at a price of \$17.00 which is 9.1% below its 52-week high of \$18.69 and 23.3% above its 52-week low of \$13.79.

2 Year Chart



### MOST RECENT RATINGS CHANGES

Date	Price	Action	From	To
8/12/22	\$17.26	Upgrade	Hold	Buy
4/8/22	\$16.29	Downgrade	Buy	Hold
11/22/21	\$15.65	Upgrade	Hold	Buy
2/24/21	\$14.95	Upgrade	Sell	Hold
12/1/20	\$13.66	No Change	Sell	Sell

Price reflects the closing price as of the date listed, if available

### RATINGS DEFINITIONS & DISTRIBUTION OF THESTREET RATINGS

(as of 12/1/2022)

**31.96% Buy** - We believe that this stock has the opportunity to appreciate and produce a total return of more than 10% over the next 12 months.

**29.70% Hold** - We do not believe this stock offers conclusive evidence to warrant the purchase or sale of shares at this time and that its likelihood of positive total return is roughly in balance with the risk of loss.

**38.33% Sell** - We believe that this stock is likely to decline by more than 10% over the next 12 months, with the risk involved too great to compensate for any possible returns.

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### VALUATION

BUY. This stock's P/E ratio indicates a significant discount compared to an average of 40.73 for the Real Estate subsector and a premium compared to the S&P 500 average of 21.20. For additional comparison, its price-to-book ratio of 1.20 indicates a significant discount versus the S&P 500 average of 3.97 and a significant discount versus the subsector average of 4.92. The price-to-sales ratio is well above the S&P 500 average, but well below the subsector average. Upon assessment of these and other key valuation criteria, APPLE HOSPITALITY REIT INC proves to trade at a discount to investment alternatives.

Price/Earnings	1	2	3	4	5
		premium			discount

**APLE 24.64** **Peers 40.73**

- Discount. A lower P/E ratio than its peers can signify a less expensive stock or lower growth expectations.
- APLE is trading at a significant discount to its peers.

Price/Projected Earnings	1	2	3	4	5
		premium			discount

**APLE 19.32** **Peers 46.26**

- Discount. A lower price-to-projected earnings ratio than its peers can signify a less expensive stock or lower future growth expectations.
- APLE is trading at a significant discount to its peers.

Price/Book	1	2	3	4	5
		premium			discount

**APLE 1.20** **Peers 4.92**

- Discount. A lower price-to-book ratio makes a stock more attractive to investors seeking stocks with lower market values per dollar of equity on the balance sheet.
- APLE is trading at a significant discount to its peers.

Price/Sales	1	2	3	4	5
		premium			discount

**APLE 3.27** **Peers 8.54**

- Discount. In the absence of P/E and P/B multiples, the price-to-sales ratio can display the value investors are placing on each dollar of sales.
- APLE is trading at a significant discount to its subsector on this measurement.

Price/CashFlow	1	2	3	4	5
		premium			discount

**APLE 11.29** **Peers 19.75**

- Discount. The P/CF ratio, a stock's price divided by the company's cash flow from operations, is useful for comparing companies with different capital requirements or financing structures.
- APLE is trading at a significant discount to its peers.

Price to Earnings/Growth	1	2	3	4	5
		premium			discount

**APLE 0.03** **Peers 2.77**

- Discount. The PEG ratio is the stock's P/E divided by the consensus estimate of long-term earnings growth. Faster growth can justify higher price multiples.
- APLE trades at a significant discount to its peers.

Earnings Growth	1	2	3	4	5
		lower			higher

**APLE 428.57** **Peers 57.76**

- Higher. Elevated earnings growth rates can lead to capital appreciation and justify higher price-to-earnings ratios.
- APLE is expected to have an earnings growth rate that significantly exceeds its peers.

Sales Growth	1	2	3	4	5
		lower			higher

**APLE 45.59** **Peers 23.23**

- Higher. A sales growth rate that exceeds the subsector implies that a company is gaining market share.
- APLE has a sales growth rate that significantly exceeds its peers.

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