

RED LION HOTELS CORP

BUY				HOLD			SELL						RATING SINCE	04/04/2019			
A+	A	A-	B+	B	B-	C+	C	C-	D+	D	D-	E+			E	E-	F
Annual Dividend Rate NA				Annual Dividend Yield NA			Beta 0.91			Market Capitalization \$198.5 Million			52-Week Range \$6.92-\$14.75			Price as of 5/16/2019 \$8.03	

Sector: **Consumer Goods & Svcs** | Sub-Industry: **Hotels, Resorts & Cruise Lines** | Source: **S&P**

RLH BUSINESS DESCRIPTION

Red Lion Hotels Corporation, doing business as RLH Corporation, operates as a hospitality and leisure company in the United States. It operates in two segments, Company Operated Hotels and Franchised Hotels.

STOCK PERFORMANCE (%)

	3 Mo.	1 Yr.	3 Yr (Ann)
Price Change	-3.95	-21.66	0.71

GROWTH (%)

	Last Qtr	12 Mo.	3 Yr CAGR
Revenues	-21.36	-23.52	-4.07
Net Income	-258.80	-169.99	NA
EPS	-270.00	-181.48	NA

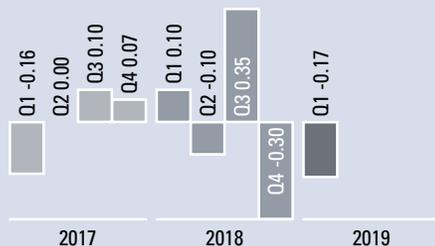
RETURN ON EQUITY (%)

	RLH	Ind Avg	S&P 500
Q1 2019	-2.92	34.31	15.83
Q1 2018	4.09	22.11	13.34
Q1 2017	-3.22	16.32	12.81

P/E COMPARISON



EPS ANALYSIS' (\$)

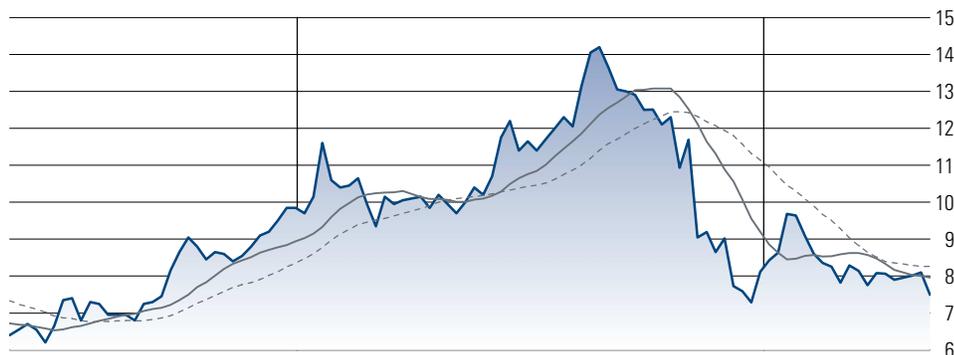


NA = not available NM = not meaningful

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

Weekly Price: (US\$) | SMA (50) — SMA (100) ---

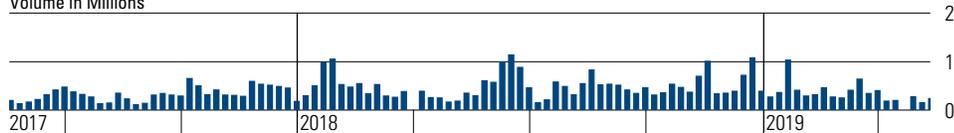
1 Year | 2 Years



Rating History



Volume in Millions



COMPUSTAT for Price and Volume, TheStreet Ratings, Inc. for Rating History

RECOMMENDATION

We rate RED LION HOTELS CORP (RLH) a SELL. This is driven by a few notable weaknesses, which we believe should have a greater impact than any strengths, and could make it more difficult for investors to achieve positive results compared to most of the stocks we cover. The company's weaknesses can be seen in multiple areas, such as its deteriorating net income, disappointing return on equity, poor profit margins, generally disappointing historical performance in the stock itself and feeble growth in its earnings per share.

HIGHLIGHTS

The company, on the basis of change in net income from the same quarter one year ago, has significantly underperformed when compared to that of the S&P 500 and the Hotels, Restaurants & Leisure industry. The net income has significantly decreased by 258.8% when compared to the same quarter one year ago, falling from \$2.59 million to -\$4.11 million.

Current return on equity is lower than its ROE from the same quarter one year prior. This is a clear sign of weakness within the company. Compared to other companies in the Hotels, Restaurants & Leisure industry and the overall market, RED LION HOTELS CORP's return on equity significantly trails that of both the industry average and the S&P 500.

The gross profit margin for RED LION HOTELS CORP is currently lower than what is desirable, coming in at 28.01%. Regardless of RLH's low profit margin, it has managed to increase from the same period last year. Despite the mixed results of the gross profit margin, RLH's net profit margin of -15.81% significantly underperformed when compared to the industry average.

The share price of RED LION HOTELS CORP has not done very well: it is down 21.66% and has underperformed the S&P 500, in part reflecting the company's sharply declining earnings per share when compared to the year-earlier quarter. Turning toward the future, the fact that the stock has come down in price over the past year should not necessarily be interpreted as a negative; it could be one of the factors that may help make the stock attractive down the road. Right now, however, we believe that it is too soon to buy.

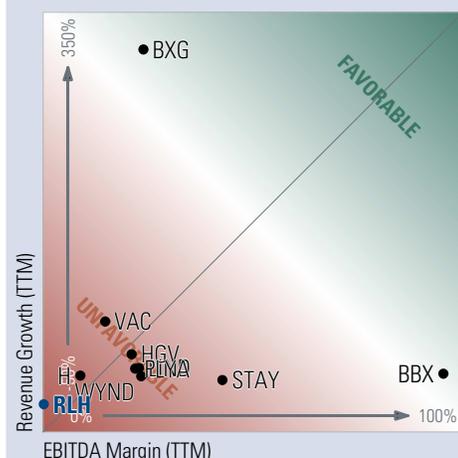
RED LION HOTELS CORP has experienced a steep decline in earnings per share in the most recent quarter in comparison to its performance from the same quarter a year ago. This company has reported somewhat volatile earnings recently. We feel it is likely to report a decline in earnings in the coming year. During the past fiscal year, RED LION HOTELS CORP increased its bottom line by earning \$0.05 versus \$0.01 in the prior year. For the next year, the market is expecting a contraction of 140.0% in earnings (-\$0.02 versus \$0.05).

Sector: Consumer Goods & Svcs | Hotels, Resorts & Cruise Lines | Source: S&P

Annual Dividend Rate NA	Annual Dividend Yield NA	Beta 0.91	Market Capitalization \$198.5 Million	52-Week Range \$6.92-\$14.75	Price as of 5/16/2019 \$8.03
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PEER GROUP ANALYSIS

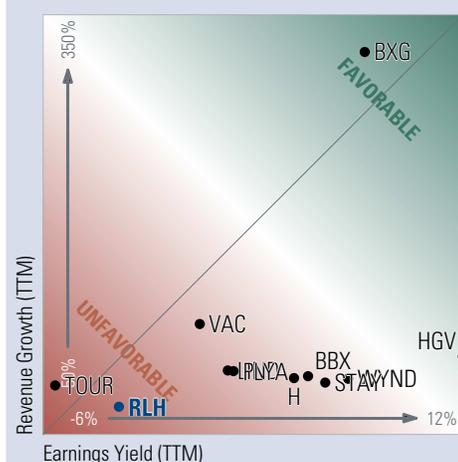
REVENUE GROWTH AND EBITDA MARGIN*



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 \$198.5 Million and \$4.4 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 -23.5% and 314.5%. Companies with NA or NM values do not appear.

INDUSTRY ANALYSIS

The hotels, restaurant, and leisure industry consists of hotels, restaurants, casinos, cruise lines, resorts, and theme parks. Demand is driven by a fairly consistent group of factors throughout the whole of the industry: personal income levels, total employment, and consumer confidence. In recent years, catastrophic weather, fear of terrorism, and health epidemics directly impacted the industry in a material way. The industry is capital, marketing, personnel, energy, maintenance, and technology intensive. Major players include Intercontinental Hotels Group (IHG), Marriott International Inc. (MAR), Las Vegas Sands (LVS), MGM Resorts International (MGM), McDonald's (MCD), and Yum! Brands (YUM).

The foodservice industry employs more than 12 million people, making it America's second largest employer after the U.S. government. Not only is the industry huge, it's growing, as factors - such as a rise in two-income households - have been leading to increasing levels of dining out. In recent years, restaurant sales have risen roughly 5% annually according to National Restaurant Association estimates. However, despite its growth rate, the industry should be seen as mature. Companies within the industry generally earn thin margins and face stiff competition. As a result, M&A activity is frequent as competitors look to spread fixed costs across more locations.

Both tourism and business travel remain keys to the industry, and as a result, U.S. GDP growth, consumer confidence, and corporate earnings remain vital to the industry's success. The expansion in capital spending has been in response to projected demand. However, overdevelopment in certain areas is a concern. Looking forward, any prolonged low occupancy rates could threaten hotels that are heavily leveraged. As for metrics, occupancy, average daily room rate, and revenue per available room should be considered when analyzing the industry or a player within the industry.

Casinos generate roughly \$68 billion in revenues annually, and typically, 50% of a casino hotel's revenues come from gaming, 20% from hotel rooms, 15% from food and beverages, and 15% from retail stores, shows, and other entertainment offerings. Expansion and consolidation have been recent trends of note. In 2005 alone, MGM Resorts International purchased Mandalay Resort Group for close to \$8 billion and Harrah's bought Caesars for over \$9 billion. Recent years have also seen a good amount of new casino construction in the \$700 million range as competitors jockey to attract visitors by providing more elaborate offerings. Looking ahead, further capacity expansion may threaten margins. Meanwhile, most of the industry's top-line growth has come from Native American casinos, which at present generate roughly \$16 billion in revenues annually.

PEER GROUP: Hotels, Restaurants & Leisure

Ticker	Company Name	Recent Price (\$)	Market Cap (\$M)	Price/Earnings	Net Sales TTM (\$M)	Net Income TTM (\$M)
RLH	RED LION HOTELS CORP	8.03	199	NM	128.79	-4.74
LIND	LINDBLAD EXPEDITIONS HLDGS	16.04	735	51.74	316.98	15.23
BBX	BBX CAPITAL CORPORATION	5.03	487	18.63	963.53	25.46
TOUR	TUNIU CORP -ADR	4.02	471	NM	325.71	-26.97
VAC	MARRIOTT VACATIONS WORLDWI	98.77	4,428	139.11	3,457.15	43.02
WYND	WYNDHAM DESTINATIONS INC	44.28	4,145	14.10	3,942.00	718.00
STAY	EXTENDED STAY AMERICA INC	18.19	3,427	16.39	1,275.06	211.76
H	HYATT HOTELS CORP	78.33	2,994	20.94	4,586.00	421.00
HGV	HILTON GRAND VACATIONS	27.84	2,527	8.34	2,082.00	323.00
PLYA	PLAYA HOTELS & RESORTS N.V	8.75	1,141	46.05	617.01	18.98
BXG	BLUEGREEN VACATNS CORP	15.13	1,126	12.82	737.12	87.96

The peer group comparison is based on Major Hotels, Resorts & Cruise Lines companies of comparable size.

Sector: Consumer Goods & Svcs | Hotels, Resorts & Cruise Lines | Source: S&P

Annual Dividend Rate NA	Annual Dividend Yield NA	Beta 0.91	Market Capitalization \$198.5 Million	52-Week Range \$6.92-\$14.75	Price as of 5/16/2019 \$8.03
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COMPANY DESCRIPTION

Red Lion Hotels Corporation, doing business as RLH Corporation, operates as a hospitality and leisure company in the United States. It operates in two segments, Company Operated Hotels and Franchised Hotels. The company owns, manages, and franchises upscale, midscale, and economy hotels under the Hotel RL, Red Lion Hotels, Red Lion Inn & Suites, GuestHouse, Settle Inn, Americas Best Value Inn, Canadas Best Value Inn, Signature and Signature Inn, Knights Inn, and Country Hearth Inns & Suites brands. It also develops technology and system offerings for the hospitality industry. As of December 31, 2018, it had a network of 1,318 franchised hotels, including a total of 83,800 rooms. The company was formerly known as WestCoast Hospitality Corporation and changed its name to Red Lion Hotels Corporation in September 2005. Red Lion Hotels Corporation was founded in 1937 and is headquartered in Denver, Colorado.

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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 RLH 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					
Growth	0.5 out of 5 stars	★	☆	☆	☆	☆
Measures the growth of both the company's income statement and cash flow. On this factor, RLH has a growth score better than virtually none of the stocks we rate		weak				strong
Total Return	2.5 out of 5 stars	★	★	★	☆	☆
Measures the historical price movement of the stock. The stock performance of this company has beaten 40% of the companies we cover.		weak				strong
Efficiency	1.5 out of 5 stars	★	☆	☆	☆	☆
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 20% of the companies we review.		weak				strong
Price volatility	1.5 out of 5 stars	★	☆	☆	☆	☆
Measures the volatility of the company's stock price historically. The stock is less volatile than 20% of the stocks we monitor.		weak				strong
Solvency	2.5 out of 5 stars	★	★	★	☆	☆
Measures the solvency of the company based on several ratios. The company is more solvent than 40% of the companies we analyze.		weak				strong
Income	0.5 out of 5 stars	★	☆	☆	☆	☆
Measures dividend yield and payouts to shareholders. This company pays no dividends.		weak				strong

THE STREET RATINGS RESEARCH METHODOLOGY

TheStreet 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.

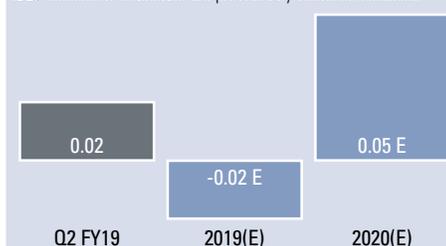
Our model gauges the relationship between risk and reward in several ways, including: the pricing drawdown as compared to potential profit volatility, i.e. how much one is willing to risk in order to earn profits; the level of acceptable volatility for highly performing stocks; the current valuation 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.

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Consensus EPS Estimates² (\$)

IBES consensus estimates are provided by Thomson Financial



INCOME STATEMENT

	Q1 FY19	Q1 FY18
Net Sales (\$mil)	25.98	33.04
EBITDA (\$mil)	0.05	0.15
EBIT (\$mil)	-3.40	-4.25
Net Income (\$mil)	-4.11	2.59

BALANCE SHEET

	Q1 FY19	Q1 FY18
Cash & Equiv. (\$mil)	24.87	39.11
Total Assets (\$mil)	305.03	294.30
Total Debt (\$mil)	112.62	73.52
Equity (\$mil)	162.33	165.17

PROFITABILITY

	Q1 FY19	Q1 FY18
Gross Profit Margin	28.01%	21.87%
EBITDA Margin	0.19%	0.44%
Operating Margin	-13.07%	-12.85%
Sales Turnover	0.42	0.57
Return on Assets	-1.55%	2.30%
Return on Equity	-2.92%	4.09%

DEBT

	Q1 FY19	Q1 FY18
Current Ratio	1.11	1.38
Debt/Capital	0.41	0.31
Interest Expense	0.88	2.25
Interest Coverage	-3.85	-1.89

SHARE DATA

	Q1 FY19	Q1 FY18
Shares outstanding (mil)	25	24
Div / share	0.00	0.00
EPS	-0.17	0.10
Book value / share	6.59	6.85
Institutional Own %	NA	NA
Avg Daily Volume	61,051	105,179

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

FINANCIAL ANALYSIS

RED LION HOTELS CORP's gross profit margin for the first quarter of its fiscal year 2019 has significantly increased when compared to the same period a year ago. Sales and net income have dropped, underperforming the average competitor within its industry. RED LION HOTELS CORP has weak liquidity. Currently, the Quick Ratio is 0.97 which shows a lack of ability to cover short-term cash needs. The company's liquidity has decreased from the same period last year.

During the same period, stockholders' equity ("net worth") has remained virtually unchanged only decreasing by 1.72% from the same quarter last year. Overall, the key liquidity measurements indicate that the company is in a position in which financial difficulties could develop in the future.

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.

RED LION HOTELS CORP

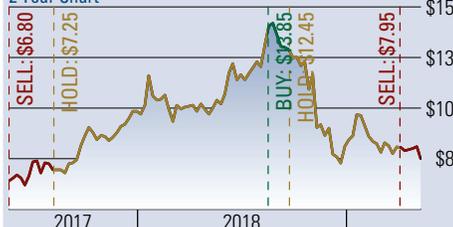
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RATINGS HISTORY

Our rating for RED LION HOTELS CORP was recently downgraded from Hold to Sell on 4/4/2019. As of 5/16/2019, the stock was trading at a price of \$8.03 which is 45.6% below its 52-week high of \$14.75 and 16.0% above its 52-week low of \$6.92.

2 Year Chart



MOST RECENT RATINGS CHANGES

Date	Price	Action	From	To
4/4/19	\$7.95	Downgrade	Hold	Sell
9/24/18	\$12.45	Downgrade	Buy	Hold
8/16/18	\$13.85	Upgrade	Hold	Buy
8/7/17	\$7.25	Upgrade	Sell	Hold
5/16/17	\$6.80	No Change	Sell	Sell

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

RATINGS DEFINITIONS & DISTRIBUTION OF THE STREET RATINGS

(as of 5/16/2019)

42.16% 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.

31.98% 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.

25.87% 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

SELL. This stock's P/E ratio is negative, making its value useless in the assessment of premium or discount valuation, only displaying that the company has negative earnings per share. For additional comparison, its price-to-book ratio of 1.22 indicates a significant discount versus the S&P 500 average of 3.30 and a significant discount versus the industry average of 26.00. The price-to-sales ratio is well below both the S&P 500 average and the industry average, indicating a discount. After reviewing these and other key valuation criteria, RED LION HOTELS CORP proves to trade at a discount to investment alternatives.

Price/Earnings	1	2	3	4	5

RLH NM Peers **31.85**

- Neutral. The absence of a valid P/E ratio happens when a stock can not be valued on the basis of a negative stream of earnings.
- RLH's P/E is negative making this valuation measure meaningless.

Price/Projected Earnings	1	2	3	4	5

RLH 178.44 Peers **24.45**

- Neutral. The absence of a valid price-to-projected earnings ratio happens when a stock can not be valued on the basis of a negative expected future earnings.
- RLH's ratio is negative making this valuation measure meaningless.

Price/Book	1	2	3	4	5

RLH 1.22 Peers **26.00**

- 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.
- RLH is trading at a significant discount to its peers.

Price/Sales	1	2	3	4	5

RLH 1.54 Peers **3.88**

- 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.
- RLH is trading at a significant discount to its industry on this measurement.

Price/CashFlow	1	2	3	4	5

RLH 146.03 Peers **22.11**

- Premium. 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.
- RLH is trading at a significant premium to its peers.

Price to Earnings/Growth	1	2	3	4	5

RLH NA Peers **3.55**

- Neutral. 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.
- Ratio not available.

Earnings Growth	1	2	3	4	5

RLH -181.48 Peers **2.48**

- Lower. Elevated earnings growth rates can lead to capital appreciation and justify higher price-to-earnings ratios.
- However, RLH is expected to significantly trail its peers on the basis of its earnings growth rate.

Sales Growth	1	2	3	4	5

RLH -23.52 Peers **6.38**

- Lower. A sales growth rate that trails the industry implies that a company is losing market share.
- RLH significantly trails its peers on the basis of sales growth.

DISCLAIMER:

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