



# Apple Hospitality REIT Inc. (APLE)

Updated May 5<sup>th</sup>, 2025 by Nikolaos Sismanis

## Key Metrics

<b>Current Price:</b>	\$11.67	<b>5 Year CAGR Estimate:</b>	10.4%	<b>Market Cap:</b>	\$2.79 B
<b>Fair Value Price:</b>	\$13.48	<b>5 Year Growth Estimate:</b>	1.0%	<b>Ex-Dividend Date:</b>	04/30/25
<b>% Fair Value:</b>	87%	<b>5 Year Valuation Multiple Estimate:</b>	2.9%	<b>Dividend Payment Date:</b>	5/15/25
<b>Dividend Yield:</b>	8.2%	<b>5 Year Price Target</b>	\$14.17	<b>Years Of Dividend Growth:</b>	0
<b>Dividend Risk Score:</b>	F	<b>Sector:</b>	Real Estate	<b>Rating:</b>	Sell

## Overview & Current Events

Apple Hospitality REIT is a \$3.2 billion hotel REIT that owns a portfolio of hotels with tens of thousands of rooms located in scores of markets and across dozens of states. It franchises its properties out to leading brands, including Marriott-branded hotels, Hilton-branded hotels, and Hyatt-branded hotels. It was formed in 2007 and had sustained or grown its dividend every year beginning in 2015, prior to 2020 when it had to suspend its dividend due to the COVID-19 impacts on its business. As of its latest filings, Apple Hospitality owned 219 hotels with a total of 29,558 guest rooms across 37 states and the District of Columbia.

On May 1<sup>st</sup>, 2025, Apple Hospitality REIT released its Q1 results for the period ending March 31<sup>st</sup>, 2025. The company reported total revenue of \$327.7 million for the quarter, representing a 0.5% decrease compared to the prior year. Performance remained steady, with strength in average daily rate (ADR) partially offset by a modest decline in occupancy. Comparable Hotels ADR rose 1.0% to \$156.56, while occupancy declined 1.5% to 71.1%, resulting in a slight 0.5% year-over-year decrease in revenue per available room (RevPAR) to \$111.36.

Despite this marginal top-line softness, the company maintained solid profitability, though margin pressure persisted. Comparable Hotels Adjusted Hotel EBITDA declined 5.4% year-over-year to \$104.9 million, with margins narrowing by 180 basis points to 32.3%. The compression reflected inflationary cost headwinds, particularly in labor and operating expenses, partially offset by pricing discipline and cost controls at the property level.

Modified Funds from Operations (MFFO), the REIT's key measure of operating cash flow, totaled \$75.7 million for the quarter, down 9.0% from Q1 2024. On a per-share basis, MFFO was \$0.32, reflecting stable earnings but the impact of a lower share count due to continued repurchases. Adjusted EBITDAre decreased 5.4% to \$95.4 million, mirroring the dip in RevPAR and margin performance across the portfolio.

For full-year 2025, the company is guiding to Comparable Hotels RevPAR growth between -1.0% and +1.0% and Adjusted EBITDAre between \$433 million and \$457 million. For FY2025, we continue to expect Modified FFO/share of \$1.58.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>FFO/S</b>	\$1.53	\$1.56	\$1.74	\$1.72	\$1.70	\$0.09	\$0.93	\$1.53	\$1.60	\$1.61	<b>\$1.58</b>	<b>\$1.66</b>
<b>NAV/S</b>	\$15.18	\$15.78	\$15.53	\$15.22	\$14.70	\$13.57	\$13.79	\$13.90	\$13.76	\$13.62	<b>\$13.48</b>	<b>\$14.17</b>
<b>DPS</b>	\$0.80	\$1.20	\$1.20	\$1.20	\$1.20	\$0.30	\$0.04	\$0.76	\$1.04	\$1.01	<b>\$0.96</b>	<b>\$1.01</b>
<b>Shares<sup>1</sup></b>	180.3	190.9	223.5	229.7	223.9	223.5	226.4	228.9	229.3	241.3	<b>240.1</b>	<b>250.0</b>

Since it first began reporting FFO/share in its annual reports (2011), Apple initially generated very impressive annualized FFO/share growth thanks to its growing scale (due in large part to a merger in 2015), effective and efficient business model, and strong economic tailwinds in the United States during that period. However, this growth rate has slowed dramatically recently, largely due to the Covid-19 outbreak and an accompanying downturn in the hotel industry that

<sup>1</sup> Shares in millions

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was further accelerated by the rise of companies like AirBnB. We expect 1% CAGR across FFO per share, NAV per share, and dividend per share moving forward.

## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
P/ NAV	1.1	1.1	1.1	1.1	1.1	1.5	0.9	0.8	0.9	1.1	0.9	1.0
Avg. Yld.	4.8%	6.9%	7.0%	7.2%	7.4%	2.2%	0.3%	4.9%	6.2%	6.5%	8.2%	7.1%

Apple Hospitality has a portfolio of quality assets and a solid balance sheet. As a result, we believe it deserves to trade in-line with its private market value and therefore assign a fair value multiple estimate of 1.0 times NAV. The dividend yield is attractive at current levels. Over time, we expect the company will converge toward our fair P/NAV multiple. Therefore, we also expect the stock’s dividend yield to come down moving forward.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	52%	77%	69%	70%	71%	333%	4%	50%	65%	63%	61%	61%

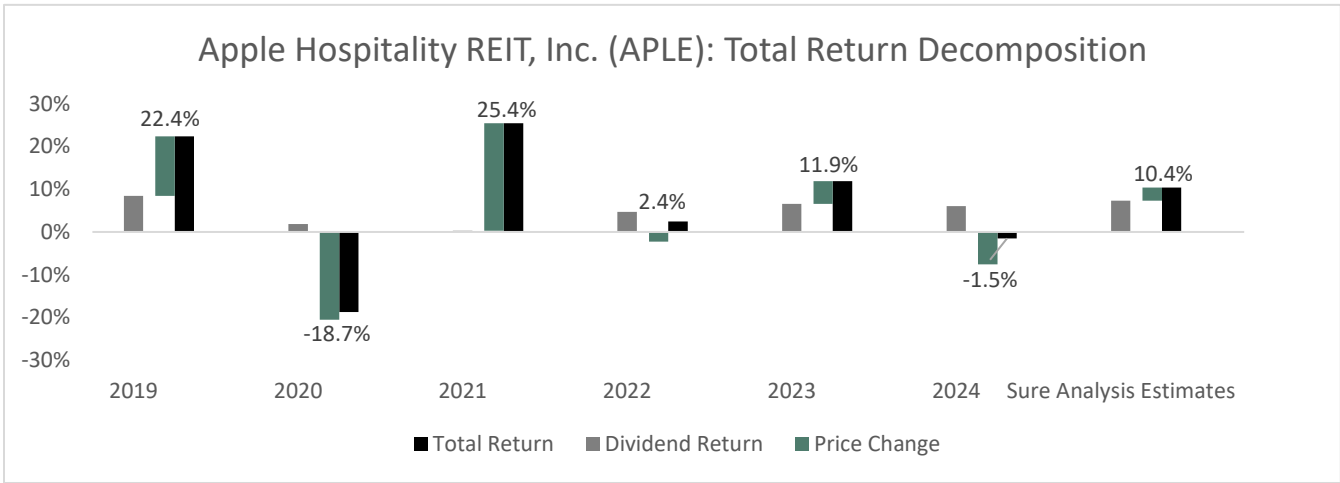
Apple Hospitality REIT’s competitive advantage lies in its focused portfolio of upscale, rooms-oriented hotels primarily under the Marriott, Hilton, and Hyatt brands. This strategy offers strong brand recognition, consistent guest experience, and high booking volume through established loyalty programs. The company’s portfolio, which is spread across diverse U.S. markets, also benefits from geographic diversification, which helps cushion regional demand fluctuations.

Now, while the REIT wasn’t public during the Great Financial Crisis, Apple was significantly impacted during the COVID-19 pandemic, as travel demand collapsed and hotel occupancy plummeted. In response, the company suspended its dividend in 2020 and reduced operating expenses to preserve liquidity. Although the dividend has since been reinstated, the pandemic highlighted the vulnerability of hotel REITs during sharp economic downturns. Regardless, we believe the dividend is safe at its current levels.

## Final Thoughts & Recommendation

Apple Hospitality is one of the strongest players in the hotel sector due to its strong brand power, conservative balance sheet, and high-quality assets. Furthermore, its dividend yield is quite attractive at the moment. We expect annualized returns of 10.4% over the next half decade. We give the stock a sell rating due to not having an established dividend growth streak, but note decent total return prospects.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	898	1,041	1,239	1,271	1,267	602	934	1,238	1,344	1,431
Gross Profit	335	391	461	469	465	121	320	455	484	509
Gross Margin	37.3%	37.6%	37.2%	36.9%	36.7%	20.2%	34.2%	36.7%	36.0%	35.6%
SG&A Exp.	20	17	26	24	36	29	41	42	47	43
D&A Exp.	127	148	176	183	193	200	184	182	183	191
Operating Profit	188	226	258	261	235	(108)	94	231	253	276
Operating Margin	21.0%	21.7%	20.8%	20.5%	18.6%	-17.9%	10.1%	18.6%	18.8%	19.3%
Net Profit	117	145	182	206	172	(173)	19	145	177	214
Net Margin	13.1%	13.9%	14.7%	16.2%	13.6%	-28.8%	2.0%	11.7%	13.2%	15.0%
Free Cash Flow	219	266	321	331	307	(22)	199	309	327	325
Income Tax	1	0	1	1	1	0	0	2	1	1

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	3,723	4,980	4,902	4,929	4,942	4,830	4,791	4,773	4,937	4,970
Cash & Equivalents					-	6	3	4	10	10
Total Liabilities	1,076	1,463	1,331	1,520	1,651	1,800	1,643	1,594	1,613	1,704
Accounts Payable	78	125	109	107	114	98	93	116	130	121
Long-Term Debt	998	1,338	1,222	1,412	1,320	1,483	1,439	1,366	1,371	1,471
Shareholder's Equity	2,647	3,517	3,571	3,409	3,291	3,029	3,147	3,178	3,324	3,266
LTD/E Ratio	0.38	0.38	0.34	0.41	0.40	0.49	0.46	0.43	0.41	0.45

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	3.1%	3.3%	3.7%	4.2%	3.5%	-3.5%	0.4%	3.0%	3.7%	4.3%
Return on Equity	4.1%	4.7%	5.1%	5.9%	5.1%	-5.5%	0.6%	4.6%	5.5%	6.5%
ROIC	3.2%	3.4%	3.8%	4.3%	3.6%	-3.8%	0.4%	3.2%	3.8%	4.5%
Shares Out.	180.3	190.9	223.5	229.7	223.9	223.5	226.4	228.9	229.3	241.3
Revenue/Share	4.98	5.45	5.54	5.53	5.66	2.69	4.13	5.41	5.86	5.93
FCF/Share	1.21	1.39	1.44	1.44	1.37	(0.10)	0.88	1.35	1.43	1.35

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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