

2017 ANNUAL REPORT



ASHFORD

## Dear Fellow Shareholder,

2017 was a year of considerable achievement for Ashford as we delivered solid financial results, successfully executed our high-growth, fee-based business model and continued to leverage our hospitality and investment experience to identify and invest in hospitality-related opportunities where we can leverage our management expertise and the size and diversity of the hotel portfolios at our managed REITs to accelerate substantial growth. We are confident in our long-term strategy and believe we have significant opportunities to continue to accelerate Ashford's growth and create meaningful value for our shareholders.

We delivered very strong financial and operating performance for 2017 – driving significant growth in revenue and earnings – and we are very pleased with the groundwork we are laying for the continued success of our platform. During the year, revenues increased by 21% over the prior year and Adjusted EBITDA increased by 27% over the prior year. Also, during the year, Adjusted Net Income and Adjusted Net Income per Share increased 24% and 19%, respectively. We enter 2018 well positioned for further growth and we expect that a lower effective tax rate will have a significant positive impact on our earnings in 2018 and future years.

Ashford is a global asset management company focused on the lodging industry that currently serves as advisor to two NYSE-listed real estate investment trusts, Ashford Hospitality Trust (NYSE: AHT) ("Ashford Trust" or "Trust") and Ashford Hospitality Prime (NYSE: AHP) ("Ashford Prime" or "Prime"). Combined, Ashford Trust and Ashford Prime had 132 hotels with approximately 29,000 rooms and approximately \$7.4 billion in gross assets at year end 2017.

Our business model and strategy is built around our ability to leverage the combined expertise of our management team to both grow our company and the platforms we advise. Not only do I believe we have the best management team in the business, but our strong alignment with shareholders through both our revolutionary advisory agreement structure as well as the high level of insider ownership at each of the Ashford entities sets us apart. First, the structure of the advisory agreements Ashford has in place incentivizes this management team to outperform its peers. Additionally, to further align Ashford with each of its managed platforms, the Ashford principals have significant ownership of each company. This includes holding 27% of Ashford Inc., 19% of Ashford Trust and 15% of Ashford Prime. As the majority of our management team's net worth is invested in the stock of the Ashford group of companies, we are invested right alongside all of you and our management team's sole focus is on maximizing shareholder returns across all of the Ashford platforms.

A tremendous amount of opportunity exists for our Company, as the Ashford companies' multiple platforms offer us numerous avenues for growth. Within our managed platforms, we can grow through the expansion of the asset bases of the companies we currently advise both organically as well as through accretive acquisitions. The lodging industry in the U.S. continues to experience solid growth, and, in 2017, the U.S. hotel industry's occupancy rose to 65.9%, ADR increased 2.1%, and RevPAR was up 3.0%. Industry pundits expect these positive industry trends to continue through 2018 and 2019 with historically strong occupancy levels expected to support continued pricing power and rate growth for the hotel industry, which bodes well for the continued growth of our REIT platforms.

Both of our advised platforms were active during the year on both the capital markets and transaction fronts. On the debt capital markets front, Trust completed several financings to address debt maturities as well as lower its cost of capital, reduce its interest and principal payments, strengthen its balance sheet and improve its liquidity. Trust refinanced four mortgage loans, representing twenty-one hotels, totaling approximately \$705 million that resulted in approximately \$74 million of excess proceeds as well as expected annual principal payment and interest expense savings of approximately \$13 million. Additionally, on the equity capital markets side, during the year, Trust completed the public offerings of its Series H and Series I Preferred Stock that raised \$230 million. Trust used the proceeds from these two preferred raises to complete the redemption of all of its issued and outstanding shares of its Series A Preferred Stock as well as the partial redemption of 7,079,313 shares of its Series D Preferred Stock, which together resulted in annual dividend payments savings of over \$1.2 million. Additionally, on the transaction front, Trust entered into an agreement with the developers of the Nashville Convention Center to acquire a permanent fee interest in the meeting space at its Renaissance Nashville hotel. Trust also completed the conversion of the Marriott DFW from brand-managed to a franchise agreement, and installed Remington, our affiliated property management company, as the manager of the property.

On the transaction front, Prime made significant progress on both its refined strategy to acquire additional luxury properties as well as its goal to reposition or divest of four non-core properties. During 2017, Prime acquired the Park Hyatt Beaver Creek in Beaver Creek, Colorado for \$145.5 million, the Hotel Yountville in Yountville, California for \$96.5 million and earlier this year, the company announced an agreement to acquire the Ritz-Carlton Sarasota in Sarasota, Florida for \$171 million. These acquisitions have the dual benefit of increasing the size and quality of the Prime platform as well as increasing the overall RevPAR for the portfolio, which is already the highest in the hotel REIT space. On the non-core hotel initiative, during the year, Prime announced that it had reached an agreement with Marriott to convert both its Courtyard Philadelphia Downtown and its Courtyard San Francisco Downtown hotels to Autograph Collection hotels. Both of these upbrandings will better align these properties with Prime's luxury strategy. Additionally, the company completed the sale of the Marriot Plano Legacy in Plano, Texas and is currently marketing for sale the Renaissance Tampa in Tampa, Florida.

On the capital markets front, Prime refinanced four mortgage loans with two new loans totaling approximately \$405 million that are expected to result in annual interest savings of approximately \$13 million. Also, Prime secured two new loans totaling approximately \$119 million to finance the Park Hyatt Beaver Creek and Hotel Yountville acquisitions. On the equity front, Prime completed public offerings of both its common stock as well as its convertible preferred stock that raised net proceeds of approximately \$105 million that were used to fund the acquisitions of the Park Hyatt Beaver Creek and the Hotel Yountville.

Looking ahead, we are well positioned to grow Ashford not only through the internal or external growth of Ashford Trust and Ashford Prime, but also by adding additional investment platforms or by acquiring or managing other hospitality or real estate related businesses.

To that end, in 2017, we completed the acquisition of an 85% stake in J&S Audio Visual, a leading integrated single-source audio visual service provider with a well-diversified geographical presence and customer base, for approximately \$9.2 million in cash, \$4.3 million of Ashford common stock, and \$9.5 million in assumed debt. J&S currently has multi-year contracts in place with approximately 64 hotels and convention centers in addition to regular business representing over 2,500 annual events and productions, 500 venue locations, and 650 clients. J&S currently has contracts in place at only nine hotels owned by Trust and Prime. Going forward, we expect significant revenue and operational cost synergies not only through further growing the business through J&S' current sales channels but also with the addition of contracts between J&S and Ashford asset-managed hotels. Since our investment in November through the end of the year, revenues increased 22% and Adjusted EBITDA increased by approximately \$690,000 over the prior year period. Additionally, on a pro forma basis, J&S would have increased our reported revenue by over 90% for the full year 2017 highlighting the scale we expect J&S to provide to the platform. Also, J&S executed 18 new hotel contracts during 2017 with half of the growth coming from non-Ashford hotels as we continue to remain focused on increasing market share outside of Ashford asset-managed hotels.

We also acquired a controlling interest in a privately held company - Pure Rooms – which is a leading provider of hypo-allergenic rooms in the hospitality space. There is growing demand for health and wellness offerings in the hospitality industry and we are excited to integrate our deep operating experience with the innovation of Pure Rooms. We believe the business case for adopting the Pure Rooms product at hotel properties is compelling and that with our resources and expertise, it is poised for substantial growth in the coming years. The company currently has contracts in place with 177 hotels representing approximately 2,700 rooms throughout the United States, including 52 Ashford asset-managed hotels. Furthermore, on a pro forma basis, for the full year 2017, Pure Rooms achieved revenue growth of 31% and Adjusted EBITDA growth of 60% over the prior year.

Additionally, we are pleased to introduce Lismore Capital, which has been providing debt placement services to our advised REIT platforms. Beginning in the third quarter, Lismore Capital began placing debt, a service that otherwise would have been provided by third parties, for Ashford Trust and Ashford Prime on competitive pricing terms related to property-level debt financings. Lismore Capital generated \$1.1 million of revenue for the full year 2017 and fourth quarter revenue growth was over 300% compared to the prior quarter. We are excited about the prospects for future growth at Lismore Capital.

We also continue to be excited about our strategic investment in privately held OpenKey, the universal, industry-standard smartphone App for keyless entry in hotel guestrooms. We believe there is significant growth potential for OpenKey given there are nearly 18 million hotel rooms globally, many of them in independent hotels that need a mobile key solution. Not only are there millions of rooms globally that need a mobile key solution, but OpenKey currently has little competition in this space. While we have already installed OpenKey at several hotels owned by our managed REITs, and anticipate additional hotels coming online this year, OpenKey has also made significant traction in non-Ashford hotels. Finally, OpenKey achieved four consecutive quarters of revenue growth in 2017 with the fourth quarter growth at an all-time high of 153% relative to the prior quarter and 1,054% year-over-year. For the full year, OpenKey achieved 647% revenue growth.

Subsequent to year end, in January, we acquired an 80.75% stake in RED Hospitality & Leisure, a leading provider of watersports activities and other travel & transportation services in the U.S. Virgin Islands and beyond for approximately \$1 million in cash. We see a tremendous opportunity for growth of this business as we expand the breadth of services they offer and bring their services to other hotels. Additionally, we will continue to seek further opportunities to invest in other hospitality-related businesses, such as J&S Audio Visual, Open Key, Pure Rooms, Lismore Capital and RED Hospitality & Leisure, to build out the Ashford platform.

By deploying differentiated investment platforms, we believe Ashford enjoys a significant competitive advantage and is strongly situated to benefit from favorable hospitality sector trends. Our intention is to leverage this competitive advantage to its fullest as we pursue attractive investment opportunities for Ashford Trust, Ashford Prime, as well as future Ashford platforms that may arise.

To further enhance our financial flexibility, in March 2018, we entered into a new \$35 million senior revolving credit facility with Bank of America, N.A. The new credit facility will be beneficial as we execute our growth strategy going forward and includes the opportunity to expand the borrowing capacity by up to \$40 million to an aggregate size of \$75 million.

In summary, we have accomplished a great deal over the last year and we are excited about our progress and our plans for 2018. We believe the structure of the Ashford group of companies will continue to benefit investors as our managed companies provide the flexibility to choose the investment strategies that best fit their needs and objectives. Our team's main goal has always been building shareholder value, first over the last 15 years in Ashford Trust and now in the various platforms we advise.

In closing, as I mentioned in last year's letter, it is important to us that we have a strong dialogue with our shareholders. As part of that effort, I have a Twitter profile and you can follow me at [www.twitter.com/MBennettAshford](https://twitter.com/MBennettAshford) or @MBennettAshford. Additionally, we have an Ashford App, a mobile app for the hospitality REIT investor community. The Ashford App offers users the ability to quickly and concisely get up to speed with what is happening in the hospitality REIT industry from a macro level as well as review detailed information on specific companies in the sector. The app is available for free download at Apple's App Store and the Google Play Store by searching "Ashford." I hope that our shareholders will take advantage of these avenues to gain further insight into our Company and the industry in general. Thank you for your continued investment in Ashford.

Sincerely,



Monty J. Bennett  
Chairman of the Board & Chief Executive Officer

## Officers and Directors

### OFFICERS

**Monty J. Bennett**  
Chief Executive Officer and  
Chairman of the Board

**Douglas A. Kessler**  
Senior Managing Director

**Deric S. Eubanks**  
Chief Financial Officer

**Mark L. Nunneley**  
Chief Accounting Officer

**Jeremy J. Welter**  
Co-President and  
Chief Operating Officer

**J. Robison Hays III**  
Co-President and  
Chief Strategy Officer

### BOARD OF DIRECTORS

**Monty J. Bennett**  
Chief Executive Officer and  
Chairman of the Board

**J. Robison Hays III**  
Co-President and  
Chief Strategy Officer

**Dinesh P. Chandiramani**  
Regional Vice President,  
Franchise Sales & Development, Americas  
Radisson Hotel Group

**Darrell T. Hall**  
President  
Women's A.R.C., LLC

**John Mauldin**  
Owner  
Mauldin Economics

**Brian Wheeler**  
Chief Technology Officer  
Nieman Printing

**Uno Immanivong**  
Chef and owner of Chino Chinatown  
and RedStix

## Corporate Information

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**Independent Auditors**  
BDO USA, LLP  
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**Legal Counsel**  
Hunton Andrews Kurth, LLP  
Dallas, Texas

### Annual Report on Form 10-K/Investor Contact

A copy of the Ashford Annual Report on Form 10-K for fiscal 2017, was filed with the Securities and Exchange Commission on March 12, 2018 and is included with this report. Additional copies of the report and copies of the exhibits referenced therein are available from the Company. Requests for these items and other investor contacts should be directed to Joseph Calabrese of Financial Relations Board at (212) 827-3772.

### Forward-Looking Statements

This report contains forward-looking statements within the meaning of the federal securities laws. Ashford (the "Company" or "we" or "our") cautions investors that any forward-looking statements presented herein, or which management may make orally or in writing from time to time, are based on management's beliefs and assumptions at that time. Throughout this report, words such as "anticipate," "believe," "expect," "intend," "may," "might," "plan," "estimate," "project," "should," "will," "result," and other similar expressions, which do not relate solely to historical matters, are intended to identify forward-looking statements. Such statements are subject to risks, uncertainties, and assumptions and are not guarantees of future performance, which may be affected by known and unknown risks, trends, uncertainties, and factors beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, or projected. We caution investors that while forward-looking statements reflect our good faith beliefs at the time they are made, such statements are not guarantees of future performance and are impacted by actual events that occur after such statements are made. We expressly disclaim any responsibility to update forward-looking statements, whether as a result of new information, future events, or otherwise. Accordingly, investors should use caution in relying on past forward-looking statements, which are based on results and trends at the time they are made, to anticipate future results or trends. Some of the risks and uncertainties that may cause our actual results, performance, or achievements to differ materially from those expressed or implied by forward-looking statements include, among others, those discussed in our Annual Report on Form 10-K under the heading "Risk Factors." These risks and uncertainties continue to be relevant to our performance and financial condition. Moreover, we operate in a very competitive and rapidly changing environment where new risk factors emerge from time to time. It is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

